

CTR Annual Report and Financial Statements

2007



CTR - Centralkommunernes
Transmissionsselskab I/S



CTR supplies five municipalities in Metropolitan Copenhagen with district heating: Frederiksberg, Gentofte, Gladsaxe, Copenhagen and Tårnby.



Five years in figures

ECONOMY (DKK m)	2003	2004	2005	2006	2007
Heat sales incl. sales of CO ₂ quotas	1,470.7	1,485.7	1,445.9	1,494.8	1,464.1
Heat purchases incl. elec. for pumps	1,101.4	1,296.5	1,294.8	1,292.4	1,324.8
Result of primary operations	369.3	189.2	151.1	202.4	139.2
Contribution ratio (%)	25.1	12.7	10.5	13.5	9.5
Other operation expenditure	81.9	75.4	85.4	86.8	92.3
Construction expenditure	49.4	79.4	91.5	56.2	26.1
Interest cost (net)	21.6	12.1	9.9	9.1	2.9
Result before depreciation, allocations, return on geothermal plant and return on contribution capital	267.8	103.6	57.8	108.6	46.5
Depreciation, allocations, return on geothermal plant and return on contribution capital	-28.0	-67.6	-49.9	-75.0	-80.7
Result for the year	239.8	36.0	8.0	33.6	-34.2
Average pool price (DKK/GJ)	80.0	80.0	80.0	80.0	84.0
Development of accumulated loss	10.4	-25.6	-33.6	-67.2	-33.0
Development of Balance Sheet	740.6	722.8	647.5	589.0	522.3
Development of long-term debt	332.5	254.4	173.6	231.2	174.7

STATISTICS

Heat sales (TJ/yr)	18,404	18,065	17,498	18,046	16,955
- Of which, sales to partner municipalities	17,732	17,695	17,349	17,586	16,698
- Sales to VEKS	672	370	149	460	257
Total heat purchased (incl. for VEKS) (TJ/yr)	18,566	18,170	17,631	18,090	17,126
- Of which, refuse incineration	4,727	4,603	3,790	4,322	4,629
- Geothermal	-	-	246	470	489
- CHP	11,533	10,691	10,494	10,683	10,558
- Steam production	2,120	2,416	2,928	2,497	1,352
- Oil and natural gas	186	459	173	118	98
Heat loss (network loss and standstill heat) (TJ/yr)	162	105	133	44	171
Water loss (m ³ /yr)	64	88	89	77	40
Cooling (°C)	55.4	55.9	55.5	54.7	53.0
Electricity consumption (GWh) (in 2007 incl. electricity for geothermal plant)	39.22	41.47	40.10	48.31	52.56
Accumulator at Avedøre Power Plant (TJ/yr)					
- Delivered	573	401	503	346	324
- Received	570	313	399	294	297
Annual consumption notified to partnership municipalities (TJ)	18,152 ¹	18,678 ¹	18,882 ¹	18,261 ²	18,326 ²
Connected production capacity (MJ/s)	1,972	1,958	1,972	1,958	1,958
- Of which, base load	1,139	1,139	963	943	943
- Mid load	175	174	365	365	365
- Peak load	658	644	644	650	650
Maximum load (MJ/s)	1,449	1,441	1,301	1,443	1,337
Transmission system in operation (km)	54	54	54	54	54
Stations in operation, number	36	35	34	34	34

¹ Heating requirement according to the 2004 revision of the extension plan connection values

² Heating requirements according to the 2006 revision of the extension plan connection values

CONTENTS

4

Five years in figures	3
Contents	4
Preface	5

PART 1 - ARTICLES

District heating is future-oriented heating	8
New assignment for the heating companies	12
Danish district heating is an inspiration abroad	14

PART 2 - MANAGEMENT REVIEW

Objectives and main activities	18
Financial development	18
Operating activities	19
Construction investments	20
Management and organisation	21
Expectations for 2008	21

PART 3 - FINANCIAL STATEMENTS

Financial Statements pursuant to the Danish Heat Supply Act	24
Notes to the Financial Statements	30
Board of Directors; committees	36

District heating: An important player in the fight against climate change

The eyes of the world will be focusing on Denmark and the metropolitan area next year when Copenhagen hosts the UN's International Climate Summit (COP 15) for a fortnight in the weeks before Christmas. If all goes well, the summit will result in a new, binding global agreement to combat climate change.

The climate summit offers us a unique possibility to present and explain Danish solutions and concepts to politicians, officials and media from all over the world; they will pay attention to the way we have approached things in Denmark – and to our strategies for the future. We must take advantage of this opportunity!

A large majority of the parties in the Danish Parliament recently concluded a broad national energy agreement that focuses on renewable and CO₂-neutral energy. So far, so good.

In the metropolitan region, the district heating system is the most eye-catching example of how Denmark is able to entertain grand, visionary thoughts when it comes to utilizing energy as effectively and environmentally benignly as possible. Next year it will be 25 years ago that CTR was established together with the over-all district heating system that supplies citizens and enterprises in the municipalities of Frederiksberg, Gentofte, Gladsaxe, Copenhagen and Tårnby with affordable, effective and efficient district heating.

I very much respect the decision that politicians in the five municipalities took back in 1984, when they established CTR. Today, CTR's transmission system is one of our aces when we want to document to the world that we have achieved world-class results. The point is that district heating not only stands for affordable, reliable and environmentally benign heating. The extensive transmission system is also future-oriented, which is a huge advantage. Furthermore, it is basically uncomplicated to implement new, sustainable solutions.

We live in a globalised world, where a growing proportion of populations are concentrated in urban areas. Consequently, district heating should become more and more attractive in a growing number of countries and metropolises. This is yet another argument in favour of district heating solutions – even if the initial investment is large. That is why district heating should be on the agenda when the climate summit hits Copenhagen – a city that offers hands-on experience in district heating.

We hope you will enjoy reading CTR's 2007 Annual Report. This year, we have chosen to focus on CTR and the role of district heating in tomorrow's environmentally benign, sustainable energy supply as a starter prior to the review and the financial statements for 2007.



Klaus Bondam
Mayor, Technical and Environmental
Department, Municipality of Copenhagen
Chairman of the Board of CTR



MUNICIPALITY OF COPENHAGEN

No. of inhabitants (1.1.2008):	509,861
Ownership ratio of CTR:	69 %
Heat purchase from CTR in 2007:	11,975 TJ
CTR share of district heating purchase in 2007:	70 %



FACTS ABOUT GREEN DISTRICT HEATING

- Each year, CTR's district heating system uses approx. 358,000 m³ of oil less than the amount of fuel consumed in individual oil-based heating systems with an efficiency of 90%. This corresponds to approx. 955,000 tonnes of CO₂ a year.
- In 2007, approx. 57% of the district heating supplied in the metropolitan area could be considered excess heat from refuse incineration and power generation.
- In 2007, approx. 35% of the district heating supplied in the metropolitan area was based on CO₂-neutral fuels.
- If a CHP advantage based on 200% heat efficiency is used in the calculation, 65% of the district heating supplied in the metropolitan area was CO₂-neutral in 2007.





District heating is future-oriented heating

9

Articles

A holistic approach must be taken when attempting to solve environmental problems. The district heating system is a future-oriented infrastructure, which ensures that the heating supply of a large city can become greener and greener, as and when new technological solutions are developed.

When supplying densely populated areas in Denmark with energy, fossil fuels are consumed. This results in the emission of CO₂. That is the way it is today and, despite technical advances, that is the way it will be many years into the future.

Consequently, the big challenge is to limit the consumption of fossil fuels as much as possible, and this is where Metropolitan Copenhagen has made more progress than many similar capitals. This is due primarily to the extended district heating system, which was decided politically almost 25 years ago, and to which most citizens and companies that require heating are connected today.

District heating is an effective, sustainable solution in big, densely populated cities, because the energy savings obtained are massive. Fuels are used optimally and the heat loss is minimal when heat is transported to the customers.

District heating reduces energy consumption

There are a number of reasons why the district heating system considerably reduces energy consumption and thus CO₂ emissions. Combined Heat and Power (CHP), where district heating is generated together with electricity, offers huge energy savings if compared with a situation in which electricity and heat are generated separately. This is because the heat from electricity generation is utilized.

The excess heat from the incineration of waste can be collected and transported as district heating to consumers. Without the district heating system, all this heat would be lost and would have to be cooled down – e.g. by being discharged into the sea.

The district heating system has also made it possible to gather heat generation in modern, large-scale plants that are centrally located. This provides added efficiency, since a small number of large district heating





MANY GREEN ENERGY SOURCES

Many different CO₂-neutral energy sources exist in the district heating system, with more to come going forward:

- Today, heat is generated using the following CO₂-neutral energy sources: wood pellets, straw pellets, CO₂-neutral waste and geothermal heat.
- Possible future CO₂-neutral energy sources comprise such facilities as large-scale solar power systems, excess heat from biogas production, heat generated from the excess power from wind turbines, as well as heat generated from all kinds of waste.

plants are able to generate heat for the city much more effectively than many, small, private facilities. Space is a scarce commodity in big cities, so it is advantageous to reduce the number of production plants as much as possible. They take up space – physically as well as aesthetically.

Environmentally benign fuels can be prioritized

It takes a considerable amount of fuel to cover the heating requirements of the five municipalities that are supplied via CTR's district heating system. Today, the fuel used is a combination of fossil and CO₂-neutral fuels, with green fuels gradually gaining ground.

Among the fossil fuels, CHP Plants have increased the use of natural gas over coal in recent years. This helps reduce CO₂ emissions. Straw pellets, wood pellets and most of incineration waste form the basis of the CO₂-neutral fuels. A geothermal facility is also active, pumping heat up from the underground to district heating customers.

The district heating system allows CTR to give priority to the most environmentally benign fuels and heating

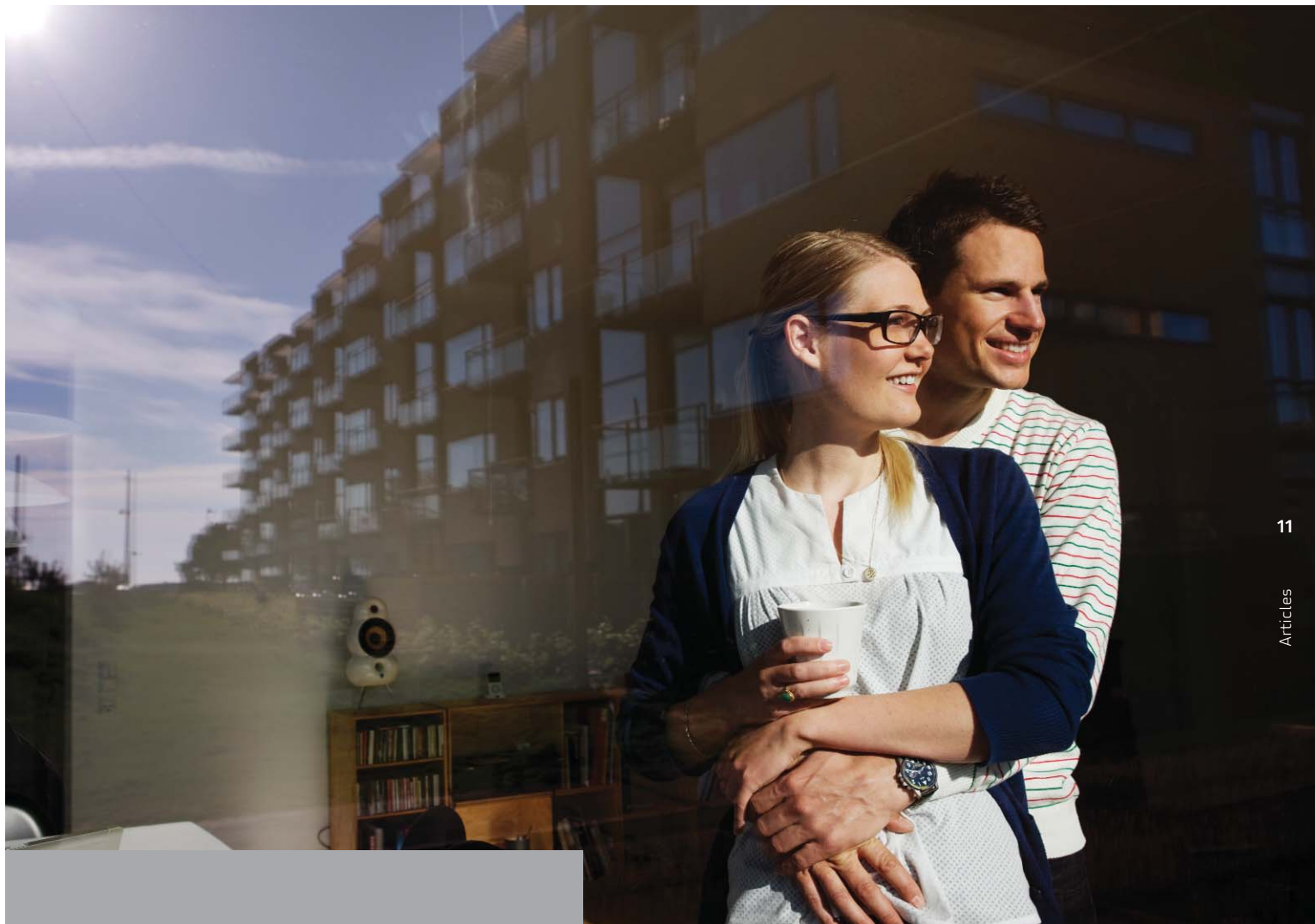
plants at any given time. This prioritization is based on political decisions and regulated through legislation, e.g. via taxes and agreements on the use of biomass. However, it is the district heating system that guarantees flexibility and enables the enhancement of environmental ambitions.

Only technical advancements are the limit as regards the CO₂-neutral energy sources that can be connected to the district heating system.

District heating is sustainable on different levels

If sustainable development of a big city is to be ensured, the environment, the economy and other aspects of importance to the wellbeing of inhabitants must be combined and optimized. The district heating system represents one example of such a holistic approach.

District heating is not just good for the environment. In addition, the individual consumer will have a stable, simple and reliable supply of heat. Moreover, effective utilization of fuels and the flexibility of the system make substantial financial savings to the benefit of consumers and society alike.



Environmental declaration

EMISSIONS	2003	2004	2005	2006	2007	ANNUAL GROWTH (CAGR) 2003-2007
CO ₂ kg/GJ	34.20	33.72	32.04	31.02	30.70	- 2.7 %
SO ₂ g/GJ	27.81	15.91	12.21	13.04	13.30	- 16.8 %
NO _x g/GJ	71.34	66.38	58.74	58.00	59.70	- 4.4 %

Environmental declaration: Emissions per heating unit supplied from the transmission system (CTR and VEKS).

The environmental declaration shows the emission of CO₂, SO₂ and NO_x from the generation of district heating over the last five years. The environmental declaration is a joint declaration covering VEKS's and CTR's transmission systems and has been prepared by VEKS in collaboration with CTR and Copenhagen Energy (Københavns Energi).

In recent years, the overall trend has been a decline in emissions. The emissions per heating unit supplied depend on which plants are used for generating heat. The environmental

declaration thus reflects a combination of plants that varies from one year to the next. Consequently, emissions may move up or down year-on-year, even if the overall trend over the years is a decline in emissions. Thus, in 2007, CO₂ emissions fell when compared to the previous year, while NO_x and SO₂ emissions rose slightly.

The discontinuation of some production in older plants helps reduce emissions. Moreover, more biomass and natural gas and less coal are used for heat generation than before.

Today, biomass is used both at Unit 2 of Amager Power Plant and at Unit 2 of Avedøre Power Plant.

The environmental declaration deals with the heat which CTR and VEKS supply to the local heating distribution companies in the area. The local companies transport the heat on to the end-users. The final environmental declaration for heat to the end-user thus also depends on the heat loss in the local distribution systems as well as on any heat supplied to local systems other than from CTR.

New assignment for the heating companies

- 12 CTR supplies heat to 275,000 households in the municipalities of Frederiksberg, Gentofte, Gladsaxe, Copenhagen and Tårnby. This corresponds to just under 10 per cent of the total heating requirement in Denmark. A new Heat Load Unit established by the three big heating companies in the metropolitan area is intended to ensure that the production at the plants is properly prioritized.

The Danish energy sector has undergone extensive structural changes over the last decade, so as to live up to the EU Directives on deregulation of the energy sector. For the metropolitan area, the effect of deregulation of electricity generation has been a change in framework conditions.

Following the latest merger wave, the merged DONG Energy was established in 2006, while Amager Power Plant was divested to the Swedish power

generator Vattenfall. Consequently, there are now two competing CHP producers supplying heat to the district heating systems of the metropolitan area: DONG Energy owns two-thirds of the capacity, while Vattenfall owns about 20 per cent. The remaining capacity, a good 10 per cent, is owned by refuse incineration plants. To this must be added peak-load facilities.

Before the electricity sector was deregulated, the CHP plants did their own

load dispatch, i.e. they organized and carried out power and heat generation at the plants. For the purpose of competition, planning of heat consumption is now carried out by the three heating companies that supply the metropolitan area with district heating: CTR, VEKS and Copenhagen Energy. Not until the load dispatch of the heat has been carried out can the electricity companies plan how much electricity they want to offer the electricity exchange Nordpool and from which units.



LOAD DISPATCH – WHAT IS IT?

When the Heat Load Unit carries out load dispatch, it decides how much heat is to be generated by each production facility on a given day. The two producers, DONG Energy and Vattenfall, tender for the assignment. Subsequently, the Heat Load Unit distributes production to the different units to make it as economical as possible.

Costs include such elements as:

- Fuel prices
- Operating and maintenance costs
- Energy taxes on heat production
- CO₂ quota costs
- Income from the electricity market.

Thorough preparation

The new Heat Load Unit started up on 7 January 2008. Its physical location is at CTR in Frederiksberg; it is staffed by four employees of the three heating companies: two – including the manager – are employees of CTR, while the other two come from VEKS and Copenhagen Energy, respectively.

Prior to the establishment of the Heat Load Unit, a lot of fact-finding and analytical work had to be carried out to examine the situation under different framework conditions. It was important to make it clear how the companies would be able to provide reliable and environmentally benign district heating at the lowest possible cost – in the short and the long term.

The project was implemented in 2005-06 in conjunction with Ea Energianalyse A/S. Among the conclusion were the following:

- That a deregulated heating market cannot be established along the lines of the electricity market model, since there are too few producers to enable a proper, competition-based marketplace
- That it could cost heating consumers in the metropolitan area upwards of DKK 200 million a year if the heat load dispatch is not carried out by ensuring overall optimization of electricity and heat generation.

The conclusion was that the heating companies had to ensure that the production at the plants was prioritized based on an overall optimization. The producers also saw a need for a new model, but insisted to communicate with only one organizational unit in the daily load dispatch exercise.

Against this backdrop, the producers and the heating companies concluded an agreement, which resulted in the establishment of the new Heat Load Unit on the premises of CTR.

Heat plan for the day

The Heat Load Unit is busy from early morning. The tender round for the next day's heat purchase starts as early as 7.30 in the morning, when the department receives tender graphs from both DONG Energy and Vattenfall. These graphs show the costs of producing electricity and heat for every hour, and on the basis of a demand forecast the Heat Load Unit decides how much heat it wants to buy from each of the producers.

The final load dispatch must be financially optimized. The tax structure for the different fuels encourages the use of the most environmentally benign fuels by giving them priority over fossil fuels.

The heat plan must be ready by 10.30 to allow the suppliers to know how much heat they are to generate – and thus how much electricity they can

offer for sale through the Nordpool exchange.

However, forecasts are one thing – reality is another. Three times a day – at 8 a.m., 2 p.m. and 8 p.m. – the plans for the day are therefore adjusted in relation to the actual heat requirement and any unforeseen events at the power plants.

Ongoing follow-up on operations

Trust is a key word for the work of the Heat Load Unit. Suppliers should trust that the heat plans are correct and will result in optimal utilization of the production facilities. Consequently, ongoing follow-up on operations is carried out as a basis for an ongoing dialogue with the producers on the actual production at the plants.

There is a new challenge in extending the daily adjustment to include any imbalances on the electricity market that make the electricity price fluctuate from one hour to the next.

The new structure has already meant that basically the heating companies now have better insight into the load dispatch. Another result is even more focus on the need for daily heating forecasts of the best possible quality for the purpose of load dispatch. It has been agreed between the parties that the Heat Load Unit will be reviewed in 2009, when it has been up and running for twelve months.



Danish district heating is an **inspiration** abroad

- 14 Today, CTR is one of the “good guys” in the international world of district heating. Many countries have been inspired by the example of Metropolitan Copenhagen, where a number of players in a metropolitan region joined forces in the 1980s to develop an extensive, ambitious district heating plan to the benefit for inhabitants, the environment and the economy.

To Dr. Robin Wiltshire, an Englishman, CTR was an eyeopener when he started working with district heating many years ago. Today he presides over the IAE (International Energy Agency) Committee on District Heating and Cooling, which is the leading international research programme on district heating and cooling. This has given him great insight into developments in dis-

trict heating, and to him CTR remains a source of inspiration:

“The dimensions of the CTR project are impressive. The project shows you that a lot can be gained by extending the district heating systems – perhaps not in Denmark, which has already progressed very far, but in many other countries.”

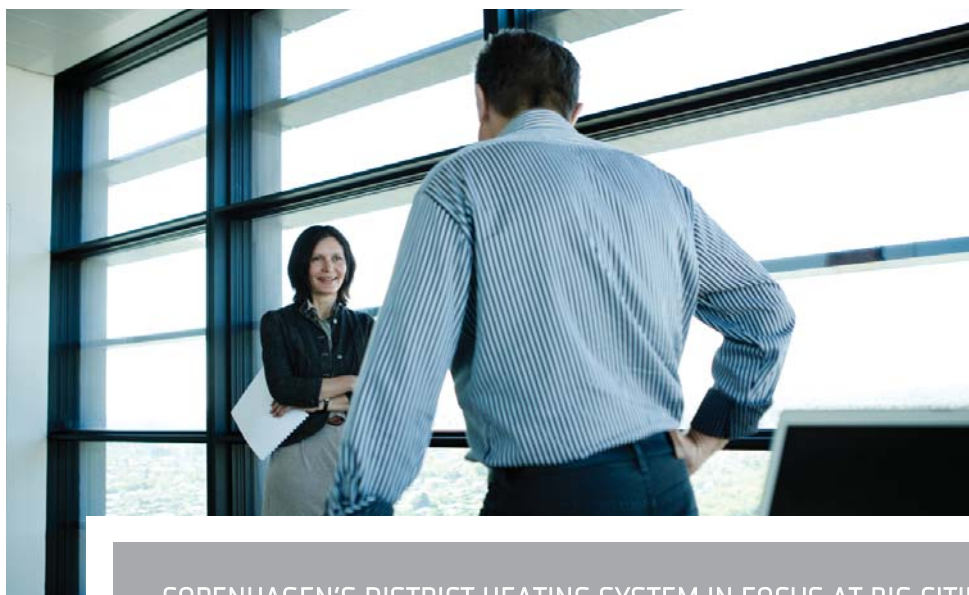
What is it in particular about the Metropolitan Copenhagen model that can be an inspiration abroad?

“Four things. The results obtained in regard to the environment, the effective utilization of fuels, the strategy for the future, and the contact with inhabitants. For example, it is very important that inhabitants have trust in the district heating system. This trust seems to be present in Copenhagen.

In many places people are worried about district heating, because they see it as a monopoly they cannot get out of. They fear that prices can thus just increase beyond control. They do not dare to let go of individual heating, where they can change suppliers. However, Copenhagen has shown us that consumers also stand to gain financially.”

How do you see the future for the district heating sector?

“We are in a time and age with developments towards more and more



COPENHAGEN'S DISTRICT HEATING SYSTEM IN FOCUS AT BIG CITIES' SUMMIT IN NEW YORK

The Lord Mayor of Copenhagen, Mrs. Ritt Bjerregaard, as well as the Mayor for Technology and the Environment, Mr. Klaus Bondam, participated in a climate summit for big cities in May 2007 in New York City, together with 45 other big cities from all over the world. Big cities represent three-quarters of the world's energy consumption and the purpose of the summit was to focus on the role of big cities in the fight against climate change. At the summit, a presentation was given of Copenhagen's district heating system with combined heat and power generation; together with the use of heat from waste, this forms the basis of very substantial CO₂ reductions.



concentration of the populations in large cities; this increases the arguments in favour of establishing district heating systems. The technology is very flexible, because you can use all sorts of energy resources – including new ones that we don't even know today. They can be implemented very quickly, because the district heating system allows rapid access to the heat requiring buildings.”

“But it's a constant battle to get the message across. In countries without district heating there is nothing to show to people, and starting from scratch is a tall order. The investments required are very substantial; in fact, you may ask yourself if Copenhagen would have succeeded in establishing the system if the decision to spend so many billions on establishing a district heating system had to be made today?

“I think it has become more difficult to find the funding for large infrastructure projects now that so much has been deregulated and the private sector is becoming involved to a growing extent.”

Which countries are the frontrunners right now?

“We all tend to admire what has happened in the Scandinavian countries Sweden, Finland and Denmark. But other countries are worth special mention too. In Vienna, Austria, for exam-

ple, a lot has happened. They have used exciting architecture to attract attention about the projects, like in Denmark. In South Korea they are expanding rapidly and there are also positive initiatives in my own country. The new Olympic Village that will be built for the 2012 London Olympics will have district heating.”

“In our part of the world, where we have focused mainly on district heating, district cooling is also becoming more and more relevant. It is already high on the agenda in the Middle East. However, we will need more cooling continually, as and when we install more heat-emitting pieces of equipment in our buildings.”

What role does the focus in recent years on the dangers of global warming play in regard to the development of district heating systems?

“Actually, there is a danger that district heating will be disregarded. It would seem like there is more focus on finding systems for individual buildings, while forgetting that most of the building stock, say in 2050, will be the same as today. However, there are also

examples of powerful initiatives that emphasize the role of district heating – and cooling – when it comes to reducing global warming.”

Where are the biggest challenges?

“The expansion of district heating is still hampered by lack of knowledge and inadequate financing, given the size of the construction cost. Another big challenge is the fact that a perception – right or wrong – is spreading according to which we can build CO₂-neutral buildings. What, then, is the optimal solution for the environment and the economy? I am often faced with requests for specific financial information. What are the actual savings in money terms by going for district heating rather than individual heating?”

“So, when we argue in favour of district heating, we must be able to demonstrate that it works. We need data to ensure that visitors to Copenhagen cannot just go back home and say: “Well, that was impressive – but we can't do it here, because our situation is very different.”

METROPOLITAN COPENHAGEN IN THE LEAD

Metropolitan Copenhagen, together with such cities as Stockholm, Gothenburg and Vienna, is among the absolute leaders among metropolises, when it comes to being as close as possible to CO₂ neutrality*. This is in particular because, largely, Metropolitan Copenhagen has a fully extended district heating system supplied with effective and efficient sources of energy.

* Calculated on the basis of the lowest primary energy source factor (0.09) using the method in Euroheat and Power's ECOheatCOOL report 3.

TÅRNBY MUNICIPALITY

No. of inhabitants (1.1.2008):	40,016
Ownership percentage of CTR:	5 %
Heat purchase from CTR in 2007:	649 TJ
CTR share of district heating purchase in 2007:	100 %





Management Review 2007

18 1: OBJECTIVE AND MAIN ACTIVITIES

CTR's objective is to purchase, transport and supply district heating and in special situations to supplement this by production of heat from its own peak-load units. The heat is transported in a transmission system that is owned by CTR. Heat consumers in CTR's partnership municipalities – Frederiksberg, Gentofte, Gladsaxe, Copenhagen and Tårnby – meet their heating requirements through CTR via the utilization of excess heat from refuse incineration plants and CHP plants, etc.

CTR is responsible for developing and operating the transmission system – a 54 km transmission network, 3 booster pump stations, 14 peak-load units and 26 heat-exchanger stations – from which the heat is transmitted to the local district heating systems in the partnership municipalities.

Heat purchase, monitoring and delivery are managed from CTR's control room in Frederiksberg via an extended control, regulation and monitoring system.

2: FINANCIAL DEVELOPMENT

2007 was a satisfactory year for CTR in which the company met expectations in terms of finance, supplies and development.

CTR comes under the rules of the Danish Heat Supply Act, according to which the company must be a non-profit organisation. Another important management parameter for CTR is to ensure that the pool price, which is the joint unit price for heat with respect to all partnership municipalities, develops evenly in a multi-year perspective. The advantage of a smooth and even price

development is that the municipal partners, who are selling the heat on to inhabitants, are able to offer assurance of stability in regard to one of the most significant running costs of a dwelling.

At the start of 2007, CTR had accumulated a profit of DKK 67.2m, DKK 62.6m of which was lump-sum income from the sale of CO₂ quotas in 2006. In 2007, a loss of DKK 34.2m was generated. This loss was smaller than budgeted, which is why at the end of 2007 there is still an accumulated profit, now reduced to DKK 33.0m.

In 2008, the pool price was fixed at DKK 87 per gigajoule (GJ), since the budget for 2008 assumes a loss for the year of DKK 66.7m, thereby ensuring that the accumulated profit from 2007 is eliminated.

CTR is a municipally owned partnership. The partner municipalities are jointly and severally liable for CTR's commitments. At the balance sheet date, 31 December 2007, the capital subscribed in the company was DKK 28.0m. The calculated capital consists of the contribution capital from when the company was established in 1984 (DKK 15.0m), plus the return on the contribution capital approved since 2001 (DKK 7.0m), including the return on the return approved by the Energy Complaints Board, plus finally the return on CTR's investments in a geothermal plant in pursuance of Section 20b of the Danish Heat Supply Act (DKK 6.0m).

Operating activities in 2007 showed a profit of DKK 46.9m, while the original budget foresaw a profit of DKK 51.9m. If the operating activities are compared with the profit for the 2006 financial year, there is a decline of DKK 68.7m,

DKK 62.3m of which derives from a difference in income on the sale of CO₂ quotas. The profit calculated by the rules of the Danish Heat Supply Act and by the municipal principles is deemed to be satisfactory.

Cash flow and funding

CTR's cash at hand and in bank as at 31 December 2007 amounted to DKK 188.9m. In 2007, as decided by the Board on 6 December 2006, an agreement was concluded with Nordea for a standard credit facility on day-to-day terms of DKK 38m. The agreement respects the rules on municipal overdraft facilities, cf. the Loan Order (no. 1102 of 12.12.2002). The right to draw on this facility has not yet been exercised.

DKK 50m worth of loans raised in 2006 was received in 2007. At the end of the year, CTR's long-term loan commitments amounted to DKK 174.7m. The existing loans are in Danish kroner and are financed through Kommunekredit.

Financial risks

In accordance with normal practice, a specific assessment was made of significant risks in regard to the financial statements for the year under review.

At the time when the books were closed, the heat purchases from producers had not been finally calculated. In cooperation with the producers, an estimate was made of the value of the heat quantities purchased, and the expected difference between the value and the ongoing payments of the year under review meant that the accounts include provisions for expected settling of negative and positive balances in 2007.

It must be noted that there is still no clarification from the tax authorities regarding the tax imposed on heat from the H. C. Ørsted Power Plant,

which could lead to an extra tax of up to DKK 30m for 2007 and previous financial years. No provision was made in the accounts for 2007 regarding this matter.

On 17 September 2007, the Energy Complaints Board decided that in CTR's calculation of the return on the capital subscribed in the company, the company may include the return of previous years (return on the return) for the 2003 and 2004 financial years. The decision from the Complaints Board overturns the decision made by the Energy Regulatory Authority on 30 March 2005. The accounts for 2007 recognise the consequences of the decision of the Complaints Board in regard to 2003 and 2004. The consequences for 2005, 2006 and 2007 amount to DKK 1.0m and are awaiting the formal approval of the Energy Regulatory Authority. This amount has not been included in the accounts for 2007.

The return in previous years on investments in the geothermal plant does not form part of the calculation of the return on the contribution capital.

It must be noted that the administration of CO₂ quotas is made on the basis of an adopted risk policy for trading in CO₂ quotas, a policy which specifies that the fact that CTR is not involved in risk-prone activities must be respected.

3: OPERATING ACTIVITIES

Assurance of supply

CTR's heat requirement is covered by supplies from refuse incineration plants, CHP plants, a geothermal plant and heat-generating plants owned by the partners, CTR or other regional

heat supply companies, as well as major industrial companies and private heating units in the area.

The total subscribed capacity of the connected production units amounts to 1,958 MJ/s, of which peak-load and stand-by units account for a total of 650 MJ/s.

As regard the assurance of the supply of the system, CTR's design basis specifies that the excess back-up capacity with a 24-hour mean temperature of minus 12°C must correspond to the biggest production unit, which is

Amager Power Plant's Unit 3, at 330 MJ/s.

For the hour in 2007 when CTR had the highest supply to the Partnership Municipalities, the total production to the CTR system was 1,337 MJ/s. Compared to the available capacity of 1,958 MJ/s, there was thus a back-up capacity of 621 MJ/s available at the time of the highest supply.

Overall, the assurance of supply has not changed if compared with 2006.

Figure 1: Heat purchases for the year

TJ (Terajoule)	Realized 2006	Budget 2007	Realized 2007
Production plants			
Waste heat	4,322	4,652	4,595
Geothermal plant	317	351	328
CHP	10,683	11,550	10,523
Steam pool	2,190	1,976	1,325
Peak-load	118	108	98
Total heat purchases	<u>17,630</u>	<u>18,637</u>	<u>16,869</u>

Figure 2: Heat sales for the year

TJ (Terajoule)	Realized 2006	Budget 2007	Realized 2007
Recipient (TJ)			
Frederiksberg	2,690	2,895	2,603
Gentofte	1,081	1,105	1,065
Gladsaxe	435	456	405
København	12,713	13,169	11,975
Tårnby	667	831	649
Municipalities, total	17,586	18,456	16,698
VEKS	460	758	257
Total sales	<u>18,046</u>	<u>19,214</u>	<u>16,955</u>

Heat purchases

For 2007, heat purchases totalled 17,126 terajoule (TJ), 16,869 TJ of which covered the heat requirements of the partnership municipalities. The difference of 257 TJ, corresponding to 1.5% of the heat purchase, represents the sale of heat to VEKS.

If compared with 2006, heat purchases have declined by 964 TJ or 5.3%. This decline must be seen in the light of the fact that the number of degree days in 2007 was 2,570, which is 17% below the 3,112 degree days of a normal year.

The decline in the purchase of heat did not result in any overall decline in costs, since prices went up. The price increase amounted to 5.2% and came from increased fuel costs as well as increased costs resulting from new long-term agreements to co-finance investments made by producers.

Divided into the different production categories, the year's heat purchase to CTR's partners and losses in CTR's own pipe network totalled 16,869 TJ – cf. Figure 1.

If the budgeted CHP supplies for 2007 are compared with the realized supplies, the CHP contribution has declined slightly and relatively speaking the contribution from the steam pool has declined significantly. This can be explained by the low heating requirement, which reduces the use of the steam pool first and then CHP, while waste heat and geothermal heat have priority over the other modes of heat production.

Heat sales

If compared with sales in 2006, the heat sales in 2007 to the five partnership municipalities declined by 5.0%. This decline must be seen in the light of the low number of degree days in 2007.

CTR's sale of heat including resale to VEKS totalled 16,955 TJ in 2007, down from 18,046 TJ in 2006 – cf. Figure 2.

The budget estimate up to 2020 assumes that CTR will sell heat in accordance with the original pool price principle.

The pool price decided for 2007 was DKK 84.00 per GJ. The pool price is composed of a fixed part and a variable part. The realized pool price may vary from the decided price depending on the heat sales. In 2007, which was a particularly warm year with low consumption, the fixed part has more weight relatively speaking per GJ than the weight assumed when the price was decided. The realized pool price in 2007 was calculated to be DKK 86.33 per GJ. Over the next few years, the pool price is expected to rise slightly measured in real prices. The rise is to a high degree the result of the investments made by heat producers in new, more environmentally benign production units at the central plants, since these investments increase the payment made by the heating companies towards the capital expenditure.

CTR's consumption of electricity for pumping rose by DKK 9.7m from 2006 to 2007, corresponding to an increase of 26%. The quantity of kilowatt hours used rose by just under 2%, which was caused by altered flow temperatures and aspects to do with operations at the producers' facilities. The main reason for the big increase in costs was that the price per kilowatt hour went up by 24%, which was mainly due to payments to DONG Energy for the transport of electricity plus higher payments towards public service obligations (PSO), which includes subsidies towards environmentally benign electricity.

Maintenance

Total maintenance costs for the transmission system were DKK 69.8m in 2007.

Both preventive maintenance and repair works are carried out by subcontractors to CTR. CTR has concluded multi-year service agreements, including with the operating organizations of the partnership municipalities, which perform ongoing servicing on the line system, stations and peak-load units.

Maintenance costs comprise the costs of buildings and land, technical plants and pipe network, operation of IT installations including control, regula-

tion and monitoring units (CRM), as well as adjustments concerning the use of stocked components, such as plates, wearing parts, etc.

4: CONSTRUCTION INVESTMENTS

Since CTR was established in 1984 and up until the end of 2007, a total of DKK 3,021.7m has been spent on expanding the system, DKK 5.8m of which concerns works that were ongoing at the end of 2007. Construction investments in 2007 amounted to DKK 26.1m.

Within the present construction phase 5 (from 1 January 2006 to 31 December 2009), facilities have been commissioned within the first two years worth DKK 162.0m of the total provisional construction framework for this four-year period of DKK 284m.

The depreciation on the facilities is calculated differently under the rules of the Danish Heat Supply Act and the principles for the presentation of municipal accounts.

Activities finalized in 2007

The value of CTR's facilities was increased by DKK 27.5m. DKK 16.5m concerns CTR's exchanger stations. The exchanger stations ensure that heat is transmitted from CTR's transmission system to the district heating systems of the partnership municipalities. In this present period, the exchanger stations are undergoing a number of multi-annual maintenance and upgrading programmes to renew the electric control of pumps, improve water purification and improve pressure maintenance. These initiatives help secure the quality of the heat supplies to partnership municipalities and extend the life cycle of the total transmission system.

DKK 7.4m concerns CTR's peak-load and stand-by units, which are used in situations with a shortage of heat from the big producers, or if the weather is particularly cold.

A new peak-load and back-up facility at Copenhagen Airport, Kastrup – to-



gether with a pipeline providing connection to the district heating system of Tårnby Municipality – was commissioned in 2006. This facility has replaced a previous facility. In 2007, costs were involved in finalizing the overall project. In 2007, CTR received an award for the peak-load unit – the Scandinavian Green Roof Award – because of “successful integration of the building into the landscape, where energy awareness and a basic ecological approach are reinforced by the green roof”.

Furthermore, investments were made in control systems at the peak-load and stand-by facility on the road Nybrovej in Gentofte. Other investments totalled DKK 3.6m. They consisted mainly of IT-related investments in the overall control, regulation and monitoring system that enables central control from CTR’s control room.

5: MANAGEMENT AND ORGANISATION

CTR is a member of the Board of the Danish District Heating Association, where CTR’s President is a member of the Executive of the Supervisory Board.

CTR is a member of the export organisation the Danish Board of District Heating (DBDH). In this context, CTR sometimes receives visits from delegations and individuals from Denmark and other countries, coming to look at the Danish CHP concept in general and the large systems in particular. CTR is also a member of the World Energy Council (WEC) where it participates in cooperation in the field of district heating.

CTR’s management also participates in knowledge exchange with foreign companies and politicians with an interest in applying the district heating concept in similar cities.

CTR’s Vice President participates as a technical expert in connection with research projects under IEA, the International Energy Agency, and is included by the Energy Regulatory Authority in assessments of relevant proposals for

Danish research projects. CTR’s Vice President is the vice chairman of the Danish code of practice group for district heating pipe networks under the Danish Standards Organisation (DS) and participates actively in European standardization work (CEN) in the field of district heating.

CTR’s President is a member of the steering group of a research project under the Energy Regulatory Authority’s Energy Research Programme 2007 on “Effective district heating in tomorrow’s energy systems”.

6: EXPECTATIONS FOR 2008

Significant events occurring after the end of the financial year

In December 2007, jointly with Copenhagen Energy and VEKS, CTR concluded an agreement with Vattenfall and Dong Energy on the future organization of the load dispatch for CHP plants. The purpose of the agreement is to ensure that the overall load dispatch among plants will continue to be optimized, even if the plants are now owned by two companies instead of one like before.

In order to manage the agreed role, CTR, VEKS and Copenhagen Energy have concluded an agreement on Heat Load Cooperation, which includes the establishment of a joint Heat Load Unit – from 7 January 2008, in charge of determining the heat requirement of the coming day and placing orders for heat supplies from the plants based on agreed criteria for overall optimization. The responsibility for the overall optimization of the load dispatch among the plants used to rest with Energi E2, which owned all the CHP plants at the time.

The Heat Load Unit is physically located on the premises of CTR and CTR’s control room is in charge of operations together with the control room at VEKS. CTR’s financial share of this cooperation amounts to 55%. This cooperation structure enhances the possibility for heating companies of maintaining a safe, environmentally benign and energy-efficient heat supply.

The agreements made between heat producers and heating companies, as well as among the heating companies, have also been designed with a view to ensuring that CTR’s financial risk has not increased as a result of the new way of organizing the load dispatch.

Significant events in 2008

The costs of heat purchases have been rising in 2007; this development is expected to continue in 2008 and 2009. For 2008, the pool price has been fixed at DKK 87 per GJ.

CTR is budgeting for a negative result in 2008. CTR’s cash flow preparedness is monitored on an ongoing basis and may be strengthened by floating loans to an extent that corresponds to the investments to be made in the years to come. CTR cooperates with producers and other heat recipients in the area of extension and replacement of heat capacity. CTR’s long-term planning base includes additional establishment of peak-load capacity by DONG Energy in connection with the existing production units at the H. C. Ørsted Power Plant and Svanemølle Power Plant, as well as commissioning by Vattenfall of a renovated CHP unit at Amager Power Plant to supply Copenhagen Energy and CTR with steam and hot water in 2009.

Together with Carlsberg, CTR is looking at possible solutions to replace the peak-load and stand-by capacity which CTR has subscribed to until now, but which Carlsberg will be closing down when the company discontinues beer production in Valby, Copenhagen. A temporary arrangement has been made in which CTR will operate the facilities until a replacement has been established.

In 2008, a main line at the street Vasbygade in Copenhagen will have to be relocated. The line is in a railway area that will be used as a train preparation centre for a new MetroCity lightrail ring.

Finally, CTR’s administrative premises at the road *Stæhr Johansens Vej* in Frederiksberg will be renovated in the summer of 2008.



Financial Statements

pursuant to the Danish Heat Supply Act

GENTOFTE MUNICIPALITY

No. of inhabitants (1.1.2008):	62,562
Ownership share of CTR:	6.5 %
Heat purchase from CTR in 2007:	1,062 TJ
CTR share of district heating purchase in 2007:	100 %

ACCOUNTING POLICIES IN GENERAL

The Financial Statements contain a presentation of the Income Statement and Balance Sheet with accompanying notes based on principles of business economics, pursuant to the provisions of the Danish Heat Supply Act.

In accordance with CTR's Articles of Association, the accounts are furthermore compiled and presented in conformity with the municipal system of accounting and the principles thereof. Consequently, CTR's accounts are compiled and presented in accordance with the Municipal Administration Act and the Order from the Ministry of Social Welfare on municipal budgeting and accounting, auditing, etc., with accompanying regulations/account coding regulations.

Pursuant to the provisions of the Ministry of Social Welfare, the Financial Statements contain expenditure-based and cost-based presentations of the accounts with accompanying account overview, financial overview, construction overview, conversion table, and cash flow statement.

Accounting policies for the preparation of business economics based financial statements pursuant to provisions of the Danish Heat Supply Act

24

Prepayments and deferrals

Expenditure and income are attributed to the financial year to which they pertain irrespective of the date of payment. Expenditure is therefore included in the year in which the product or service was received, while income is included in the year in which the right to the said income was acquired; cf., however, the paragraph concerning CO₂ quotas.

Capital expenditure

In the business economics based Financial Statements, directly attributable capital expenditure excluding construction loan interest charges is recognised under the items "Construction work in progress" and "Commissioned installations". Depreciation is applied to commissioned installations in accordance with the provisions of the Heat Supply Act.

Depreciation is calculated by the straight-line method for the individual construction stages, so that facilities commissioned before 1 January 1992 were fully depreciated in 2002, while facilities that were commissioned in the period 2003 to 2004 inclusive will be fully depreciated by the end of 2009, irrespective of the time of commissioning. Facilities commissioned after the said time are depreciated on the basis of rolling 5-year depreciation.

Allocations

In certain financial years (1986, 1987, 1991, 1994, 1997, 1998, 1999 and 2004) calculated allocations towards future capital expenditure have been charged to the Income Statement in accordance with the relevant provisions of the Heat Supply Act. In subsequent years, these allocations have been

offset against the basis for depreciation of commissioned facilities.

Return on invested capital

The Income Statement recognizes return on invested capital at 6.69%, cf. the decision by the Danish Energy Regulatory Authority on 4 April 2008.

Conversion of foreign currency

Loans in foreign currency are translated into Danish Kroner at the exchange rate ruling on 31 December. Unrealized exchange rate adjustments are recognized in the Balance Sheet as assets or liabilities. Realized exchange rate adjustments, calculated according to the exchange rate ruling on the date when the loan was raised and the date of repayment, are included in the Income Statement.

Running stock

Running stock purchases are charged to the accounts at cost as and when components are received, which is why the value of the stock at the end of the year is not entered in the accounts as an asset.

Capital contribution

In pursuance of the Heat Supply Act, capital contribution is calculated as the capital invested by the partners plus a return on the capital invested in the company and a return on the geothermal plant.

CO₂ quotas

Surplus CO₂ quotas acquired against payment are recognized in the accounts as intangible assets. CO₂ quotas are measured at cost of purchase. Any proceeds made from selling surplus CO₂ quotas are recognized in the Income Statement

when realized. CO₂ quota shortages in relation to the partnership's CO₂ emission are recognized in the Income Statement on an ongoing basis. CO₂ quota shortages are measured at the price on the Balance Sheet date. If it is deemed likely that CO₂ quota shortages cannot be acquired before 30 April in the year after the financial year under review, an extra charge of EUR 40 per quota is added.

Income Statement, 1 January - 31 December

Note	DKK	2006	2007
INCOME			
	Heat sales	1,432,159,019	1,463,736,306
	Sale of surplus CO ₂ quotas	62,605,083	336,865
	Total income	<u>1,494,764,102</u>	<u>1,464,073,171</u>
EXPENDITURE			
OPERATIONS			
	Purchase of heat	-1,255,531,170	-1,278,219,005
	Payment of heat purchase taxes	0	0
	Power for pumps	-36,897,323	-46,630,702
1	Depreciation	-71,078,587	-76,346,885
2	Return on contribution capital	-918,000	-1,332,162
2	Return on geothermal plant	-3,000,000	-3,000,000
3	Operation and maintenance	-67,312,804	-69,797,663
	Allocations	0	0
	Total operating costs	<u>-1,434,737,884</u>	<u>-1,475,326,417</u>
ADMINISTRATION			
	Salaries	-12,179,511	-13,658,681
	External services	-3,747,833	-5,502,369
	Other administrative costs	-3,546,201	-3,384,276
	Total administrative costs	<u>-19,473,545</u>	<u>-22,545,326</u>
FINANCING EXPENSES			
	Interest on loans	-11,627,525	-8,271,072
	Other interest	-57,541	-355,560
	Exchange rate loss/gain on repayment of foreign loans	2,160,684	2,562,077
	Subtotal	<u>-9,524,382</u>	<u>-6,064,555</u>
	Interest on liquid assets, etc.	2,555,395	5,683,763
	Total financing expenses	<u>-6,968,987</u>	<u>-380,792</u>
	PROFIT SUBSEQUENTLY TO BE INCLUDED IN HEAT PRICES	<u>33,583,686</u>	<u>-34,179,364</u>

Balance Sheet, assets

26	Note	DKK	31. dec. 2006	31. dec. 2007
			ASSETS	
			Land	544,300
4			CONSTRUCTION WORK IN PROGRESS	
			Pipelines	37,801
			Exchanger and pumping stations	4,969,047
			Peak-load installations	106,837
			Control and monitoring system	2,131,504
			Sundry account, construction	0
			Total construction work in progress	<u>7,245,189</u>
5			COMMISSIONED INSTALLATIONS	
			Commissioned installations	234,668,323
			LIQUID ASSETS	
			Cash balance	5,000
			Bank accounts	149,740,158
			Total liquid assets	<u>149,745,158</u>
			OTHER RECEIVABLES	
			Short-term receivables	263,953,281
			Exchange rate losses	0
			Other receivables, total	<u>263,953,281</u>
			Accumulated profit/loss for subsequent inclusion in heat prices:	
			Balance as at 1 January 2007	-33,613,145
			According to Income Statement	-33,583,686
			Total	<u>-67,196,831</u>
			TOTAL ASSETS	588,959,420
				522,302,598

Balance Sheet, liabilities

Note	DKK	31. dec 2006	31. dec.2007
LIABILITIES			
CAPITAL CONTRIBUTION			
		15,000,000	15,000,000
		5,694,000	7,026,161
		3,000,000	6,000,000
		<u>23,694,000</u>	<u>28,026,161</u>
DEBTS			
		331,693,133	319,554,215
		2,411,219	0
		<u>334,104,352</u>	<u>319,554,215</u>
LOANS			
6	Long-term loans	231,161,068	174,722,222
	TOTAL LIABILITIES	588,959,420	522,302,598

CONTINGENCIES

Service contracts have been concluded for a total amount of DKK 17,305,721 per year. Either party may terminate said contracts with twelve months' notice from the start of a calendar year.



Notes

to the Financial Statements

MUNICIPALITY OF FREDERIKSBERG

No. of inhabitants (1.1.2008):	93,444
Ownership ratio of CTR:	16 %
Heat purchase from CTR in 2007:	2,603 TJ
CTR share of district heating purchase in 2007:	100 %

Notes to the Financial Statements

NOTE 1 DEPRECIATION

Depreciation is calculated on a straight-line basis for the individual construction stages, which means that installations commissioned before 1 January 1992 had been fully depreciated by 2002, while installations commissioned in the period 2003 up to

and including 2004 will be fully depreciated in 2009 regardless of the time of commissioning. Installations commissioned after said time shall be depreciated over rolling five-year periods.

NOTE 2 RETURN ON MUNICIPAL CONTRIBUTIONS AND ON GEOTHERMAL HEAT

30

Return on the original contribution capital has been recognized in the amount of DKK 15,000,000 at 6.69%, cf. the approval of the Danish Energy Regulatory Authority on 4 April 2008.

In addition, return on the accumulated return in 2003 and 2004 has been recognized at 6.20% and 6.28%, respectively, which amounts to a total of DKK 328,661. Inclusion is in accordance with the decision from the Danish Energy Complaints Board on 17 September 2007 on a complaint from CTR; the Energy Complaints Board approves recognition of the return on the contribution capital for 2003/2004, i.e. return on the return of the contribution capital.

The accounts do not recognize an additional interest shortfall of DKK 997,209 coming from the accumulated return in 2005 at 5.36%, 2006 at 6.12% and 2007 at 6.69%. It is expected that this

interest shortfall can be integrated in the accounts for 2008, since the formal approval of the Danish Energy Regulatory Authority has not yet been received. The Authority's approval is anticipated, since CTR does not find that the total interest on the capital preparedness can be deemed to be unreasonable, cf. Section 21 (4) of the Danish Heat Supply Act.

In pursuance of section 20 b of the Heat Supply Act, a return of the investment in a geothermal plant has been recognized. The return, which has been calculated at approx. 8% of CTR's investment of DKK 37,613,941, or a total of DKK 3,000,000, is recognized in the heat settlement price and transferred to the capital contributed to the partnership. The investment in the geothermal plant forms part of commissioned installations and is depreciated in accordance with CTR's normal principles for depreciation.

NOTE 3 OPERATION AND MAINTENANCE

DKK	Accounts 2006	Original budget	Revised budget	Accounts 2007
General maintenance	6,830,390	8,740,000	8,416,000	8,010,181
Preventive maintenance	18,693,787	19,300,000	18,038,000	17,976,846
Sale of make-up water	-1,201,299	-2,400,000	-2,100,000	-1,480,848
Purchase of make-up water	947,367	2,800,000	2,500,000	3,258,955
Sale of split current purification	-264,215	-250,000	-250,000	-304,786
Purchase of split current purification	443,980	500,000	500,000	492,476
Service contracts	14,820,638	14,740,000	16,840,000	17,305,722
Remedial maintenance	16,842,978	23,530,000	23,016,000	14,529,981
Extension of heat exchangers	0	0	0	0
Plate stock, APV	4,926,130	5,000,000	5,844,000	5,769,638
Site rental	1,820,137	2,300,000	2,300,000	1,759,235
Running stock	3,452,911	4,100,000	3,256,000	2,480,263
TOTAL OPERATION AND MAINTENANCE	67,312,804	78,360,000	78,360,000	69,797,663

NOTE 4 CONSTRUCTION WORK IN PROGRESS

DKK	Balance 1. jan. 2007	Year's acquisitions budget	Commissioned accounts	Balance installations	31. dec. 2007
Pipelines	0	2,470,000	1,032,749	1,032,749	0
Pipeline registration	37,801	142,000	128,569	166,370	0
Exchanger and pumping stations	4,969,047	37,367,000	15,248,584	16,464,713	3,752,918
Peak-load installations	2,011,272	14,050,000	7,101,786	7,387,664	1,725,394
Control and monitoring, CRM	227,069	4,935,000	2,577,602	2,462,663	342,008
TOTAL CONSTRUCTION WORK IN PROGRESS	7,245,189	58,964,000	26,089,290	27,514,159	5,820,320

NOTE 5 COMMISSIONED INSTALLATIONS

	Balance 1. jan 2007	Acquired in 1986-2006	Commissioned installations 2007	Balance 31. dec. 2007
DKK				
Pipelines	1,591,097,404	0	1,199,119	1,592,296,523
Exchanger and pumping stations	562,668,224	0	16,464,713	579,132,937
Tunnel installations	123,135,966	0	0	123,135,966
Peak-load installations	486,640,396	0	7,387,664	494,028,060
Control and monitoring, CRM	96,217,865	0	2,462,663	98,680,528
Planning, operation and maintenance	21,799,570	0	0	21,799,570
Storage building	4,318,476	0	0	4,318,476
Finalised works (previously Operating facilities)	26,288,151	0	0	26,288,151
Administration building	5,893,615	0	0	5,893,615
Sundry account, installations	3,903,018	0	0	3,903,018
Equalisation contribution	66,445,257	0	0	66,445,257
TOTAL COMMISSIONED INSTALLATIONS	2,988,407,942	0	27,514,159	3,015,922,101
Allocations made in 1986, 1987, 1991, 1994, 1997, 1998, 1999 og 2004	-	-	-	-293,300,000
Basis for depreciation	-	-	-	<u>2,722,622,101</u>
Balance 31/12/2007	-	-	-	3,015,922,101
Set-off allocations	-	-	-	-293,300,000
				2,722,622,101
Accumulated depreciation				
Balance 1/1/2007	2,460,439,618	-	-	-
Depreciation for the year	76,346,885	-	-	-2,536,786,503
BALANCE, COMMISSIONED INSTALLATIONS	-	-	-	185,835,598

NOTE 6 LONG-TERM LOANS. THE LONG-TERM DEBT IS COMPOSED AS FOLLOWS:

	Outstanding debt end of year	Cash value end of year	Maturity 1-5 år	Maturity after 5 yrs	Total
Loan, currency DKK					
Kommunekredit, KOM3	174,722,222.22	100.00	102,777,778	71,944,444	174,722,222

ADDITIONAL NOTE PARTNERS' SHARE OF INVESTMENTS AND LOANS FLOATED, ETC.

	%	The year's investment	Loan floating	Debt commitment
Mutual distribution				
Copenhagen	69.0	18,001,610	34,500,000	341,050,742
Frederiksberg	16.0	4,174,286	8,000,000	79,084,230
Gentofte	6.5	1,695,804	3,250,000	32,127,968
Tårnby	5.0	1,304,465	2,500,000	24,713,822
Gladsaxe	3.5	913,125	1,750,000	17,299,675
MUTUAL DISTRIBUTION, TOTAL	100.0	26,089,290	50,000,000	494,276,437

Management Statement regarding the Financial Statements pursuant to the Danish Heat Supply Act

32 We have today presented the 2007 Financial Statements of Centralkommunernes Transmissionsselskab I/S.

The Financial Statements have been prepared in accordance with the relevant provisions of the Danish Heat Supply Act.

We consider the accounting policies applied to be appropriate. In our opinion, the Financial Statements give a true and fair view of our partnership's assets, liabilities, financial position as at 31.12.2007, as well as the result of the partnership's activities in the 2007 financial year.

Copenhagen, 28 May 2008.

BOARD OF MANAGEMENT

Inga Thorup Madsen
President, CEO

Jan Elleriis
Vice President

BOARD OF DIRECTORS

Klaus Bondam
Chairman

Margit Ørsted
Deputy Chairman

Karin Søjberg Holst

Hamid el Mousti

Marie-Louise Andreassen

Alexander Sokoler

Per Vilstrup Olesen

Henrik Zimino

Auditors' Report on the Financial Statements pursuant to the Danish Heat Supply Act

We have audited the Financial Statements of Centralkommunernes Transmissions selskab I/S for the financial year 1 January – 31 December 2007. These Statements have been prepared in accordance with the Danish Heat Supply Act and are shown on pages 24 – 33.

Board and Management's responsibility for the Annual Report

The Board and Management are responsible for preparing and presenting Financial Statements that give a true and fair view in accordance with the Heat Supply Act. This responsibility covers the design, implementation and maintenance of internal controls that are relevant to the preparation and presentation of Financial Statements that give a true and fair view without material misstatements, regardless of whether such misstatements are the result of fraud or error, as well as the choice and application of appropriate accounting policies and exercising of accounting estimates that are reasonable in the circumstances.

The auditor's responsibility; basis of opinion

Our responsibility is to express an opinion about the Financial Statements on the basis of our audit. We conducted our audit in accordance with Danish auditing standards and good public sector accounting standards. These standards require that we plan and perform the audit to obtain reasonable assurance that the Financial Statements are free of material misstatements.

An audit comprises such actions as are required to obtain audit proof of the amounts and information stated in the Financial Statements. The chosen actions depend on the auditor's assessment, including the assessment of the risk of material misstatements in the Financial Statements, regardless of whether such misstatements are the result of fraud or error. In the risk

assessment, the auditor considers the internal controls that are relevant for the partnership's preparation and presentation of Financial Statements that give a true and fair view, thereby ensuring that we carry out audit actions that are suitable in the circumstances, but not with the purpose of expressing an opinion about the partnership's internal controls. Furthermore, an audit considers whether the accounting policies applied by Board and Management are appropriate, whether the accounting estimates made by Board and Management are reasonable, in addition to making an overall assessment of the presentation of the Financial Statements.

We believe that the audit proof we have obtained is adequate and suitable as a basis for our opinion. Our audit has not resulted in any qualification.

Opinion

In our opinion, the Financial Statements give a true and fair view of the partnership's assets, liabilities and financial position at 31 December 2007 and of the results of the partnership's activities in the financial year 1 January – 31 December 2007 in accordance with the accounts reporting requirements contained in the Danish Heat Supply Act and the principles described on page 24.

Statement regarding administrative review

In connection with the financial audit of the partnership's Financial Statements for 2007, we have made an assessment of whether in selected areas appropriate financial considerations have been taken into account in the administration of the partnership.

Board and Management's responsibility

Board and Management are responsible for bringing guidelines and procedures into place to ensure that

appropriate financial considerations are taken into account in the administration of Centralkommunernes Transmissionselskab I/S.

Auditor's responsibility; basis of opinion

In accordance with good auditing standards for the public sector, we have examined in selected areas whether Centralkommunernes Transmissions-selskab I/S has established procedures to ensure appropriate financial administration of the partnership. Our work has been carried out to give assurance in limited areas that the said administration has been financially appropriate in the areas selected.

Opinion

Our administrative review has not shown any elements that would give us reason to find that the administration carried out in 2007 in the areas reviewed has not been financially appropriate.

Copenhagen, 28 May 2008

REVISIONSDIREKTORATET / (THE AUDIT DIRECTORATE)

On behalf of the Municipality of Copenhagen

Jan Christensen
Director

Kenneth Jensen
Head of Section

DELOITTE

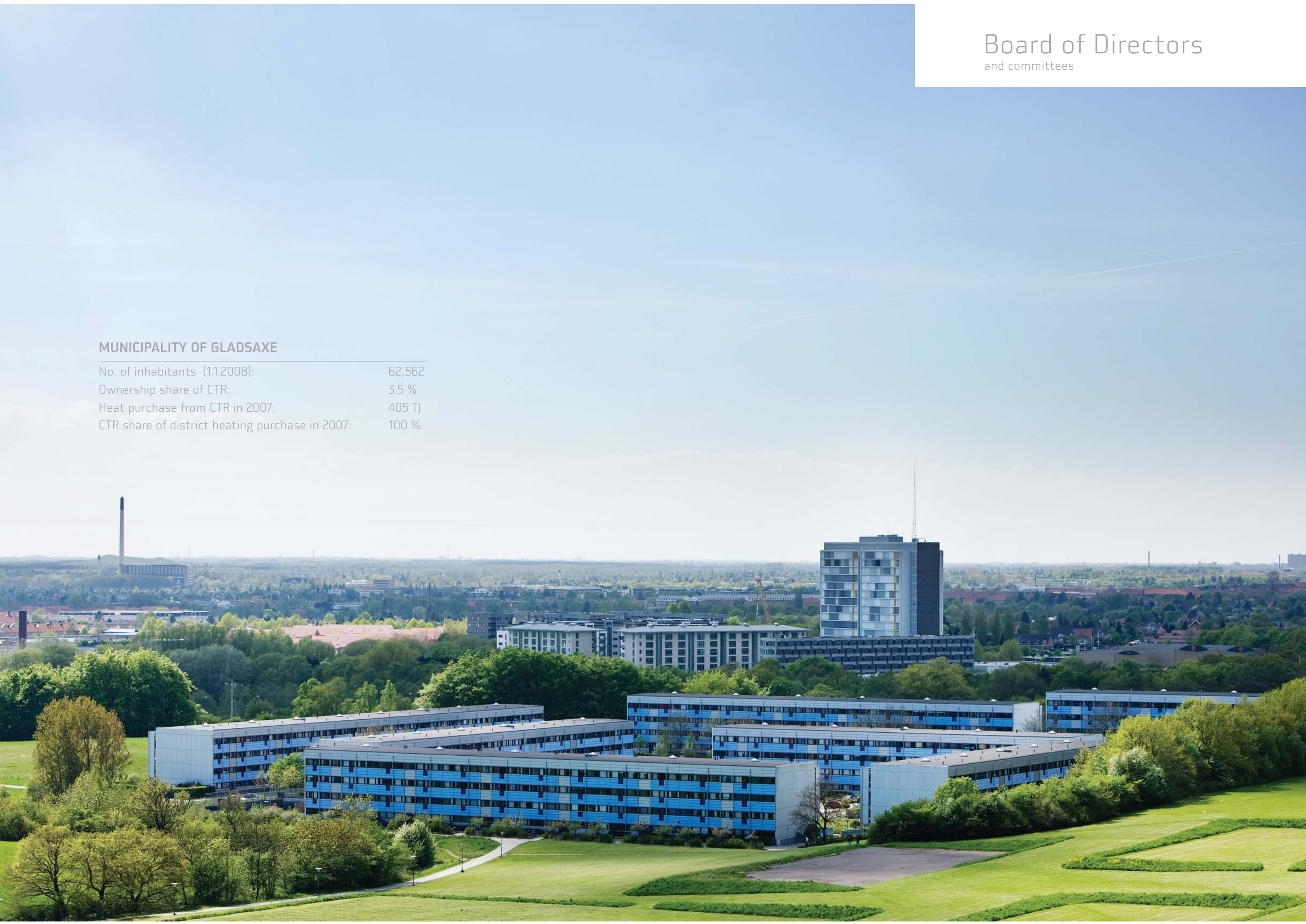
Statsautoriseret Revisionsaktieselskab

Kjeld Chr. Bøg
State-authorized Public Accountant

Preben Bøgeskov Eriksen
State-authorized Public Accountant

MUNICIPALITY OF GLADSAXE

No. of inhabitants (1.1.2008):	62,562
Ownership share of CTR:	3.5 %
Heat purchase from CTR in 2007:	405 TJ
CTR share of district heating purchase in 2007:	100 %





CTR's Board of Directors, Contact Committee and Technical Committee in 2007

36

BOARD OF DIRECTORS

Municipality of Copenhagen:	Mayor Klaus Bondam (Chairman) Hamid El Mousti, Member of the Municipal Council Sven Milthers, Member of the Municipal Council, represented by an alternate, Lotte Thiim Bertelsen, Member of the Municipal Council, until 25 October 2007, following which Alexander Sokoler entered as alternate. Per Vilstrup Olesen, Quotation Manager
Municipality of Frederiksberg	Margit Ørsted, Committee Chairman (Deputy Chairman)
Municipality of Gentofte:	Marie-Louise Andreassen, 1st Deputy Mayor
Municipality of Gladsaxe:	Karin Søjberg Holst, Mayor
Municipality of Tårnby:	Henrik Zimino, Mayor

CONTACT COMMITTEE

Municipality of Copenhagen:	Lene Mårtensson, Head of Department Jens Balslev, Chief Consultant, until 1 April 2007 Poul Mortensen, Director, until 1 October 2007 Astrid Birnbaum, Heating Manager, until 1 October 2007
Municipality of Frederiksberg:	Birgit Madsen, Head of Department, as from 5 November 2007 Egon Erlandsen, Technical Director, until 5 November 2007 Preben Kolringen, Director
Municipality of Gentofte:	Jan Nielsen, Municipal Director Trine Holmberg, Technical Director
Municipality of Gladsaxe:	Marius Ibsen, Municipal Director Philip Hartmann, Technical Director
Municipality of Tårnby:	Klavs Gross, Municipal Director Raymond Skaarup, Technical Director

TECHNICAL COMMITTEE

Municipality of Copenhagen	Hans Haarmark, Chief Engineer, until 1 April 2007 Magnus Foged, Planning Manager, as from 1 April 2007 Arne Jensen, Operations Manager
Municipality of Frederiksberg:	Jan Gregor, Graduate Engineer
Municipality of Gentofte:	Bent Schou Rasmussen, Works Engineer
Municipality of Gladsaxe:	John Jensby, Supply Manager, until 30 June 2007 Thomas Engell, Department Engineer, as from 1 July 2007
Municipality of Tårnby:	John Egeberg, Department Manager, until 1 March 2007 Bettina Grimm, Department Manager, as from 1 March 2007

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