DONG

energi til mere

DANSK OLIE & NATURGAS A/S (DONG A/S)

(incorporated as a public limited company in Denmark)

€1,100,000,000 Subordinated Capital Securities due 3005

The €1,100,000,000 Subordinated Capital Securities due 3005 (the "Securities") will be issued by DONG A/S (the "Issuer", "DONG" or the "Company").

Interest on the Securities is payable annually in arrear at a rate of 5.50% per annum from (and including) 29 June 2005 to (but excluding) 29 June 2015 on 29 June in each year (a "Fixed Coupon Payment Date") and quarterly in arrear on 29 September, 29 December, 29 March and 29 June in each year thereafter (each a "Floating Coupon Payment Date" and together with the Fixed Coupon Payment Dates, the "Coupon Payment Dates") from (and including) 29 June 2015 to (but excluding) 29 June 2505 at the Margin (as defined in Terms and Conditions of the Securities (the "Conditions")) plus Euro Interbank Offered Rate ("EURIBOR") for three month euro deposits and thereafter at the Margin plus 1.00 per cent plus EURIBOR for three month euro deposits, as described under the "Terms and Conditions of the Securities — Coupons".

The Issuer may, at its option, elect to defer a Coupon Payment on the Securities for any period of time, see "Terms and Conditions of the Securities — Deferrals". Such deferred payments will bear interest at the then current rate of interest on the Securities. While any such deferred payments exist the Issuer is subject to certain restrictions in relation to the declaration and payment of dividends and distributions and the redemption and repurchase of capital, see "Terms and Conditions of the Securities — Deferrals".

Payments on the Securities will be made without deduction for or on account of taxes of the Kingdom of Denmark to the extent described under the "Terms and Conditions of the Securities — Taxation".

If not redeemed or purchased and cancelled earlier, the Securities will be redeemed on the Coupon Payment Date falling on 29 June 3005 at their principal amount together with accrued interest but excluding any Outstanding Payments (as defined in the Conditions). In addition, the Securities are redeemable at the option of the Issuer in whole but not in part (i) on 29 June 2010, 29 June 2011, 29 June 2012, 29 June 2013 and 29 June 2014 at their Early Redemption Amount (as defined in the Conditions) or (ii) on 29 June 2015 or any Coupon Payment Date thereafter at their principal amount together with accrued interest and Outstanding Payments. In addition, the Securities are redeemable at the option of the Issuer in whole but not in part in the event of certain changes affecting taxes of the Kingdom of Denmark or if the treatment of items of expense with respect to the Securities as deductible interest expense for Danish tax purposes is not respected by a tax authority, on or prior to 29 June 2015 at their Make-Whole Amount (as defined in the Conditions) together with interest accrued to the date fixed for redemption and all Outstanding Payments and (ii) after 2015, at their principal amount together with accrued interest and all Outstanding Payments. See the "Terms and Conditions of the Securities — Redemption and Purchase".

See "Risk Factors" beginning on page 11 for certain considerations relevant to an investment in the Securities.

Application has been made to list the Securities on the Luxembourg Stock Exchange.

€1,100,000,000 Subordinated Capital Securities due 3005

ISSUE PRICE 99.797%

The Securities have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the "Securities Act") and are subject to United States tax law requirements.

The Securities are being offered outside the United States by the Joint Lead Managers (as defined in "Subscription and Sale") in accordance with Regulation S under the Securities Act ("Regulation S"), and may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

The Securities will initially be represented by a Temporary Global Security (the "Temporary Global Security"), without interest coupons, which will be deposited with a common depositary on behalf of Euroclear Bank S.A./N.V., as operator of the Euroclear System ("Euroclear") and Clearstream Banking, société anonyme ("Clearstream, Luxembourg") on or about 29 June 2005 (the "Issue Date"). Interests in the Temporary Global Security will be exchangeable for interests in the Permanent Global Security (the "Permanent Global Security"), without interest coupons, on or after a date which is expected to be 9 August 2005 upon certification as to non-U.S. beneficial ownership. The provisions governing the exchange of interests in the Permanent Global Security for definitive Securities in certain limited circumstances are described in "Summary of Provisions relating to the Securities while in Global Form".

BNP PARIBAS **DEUTSCHE BANK** **MORGAN STANLEY** **NORDEA**

Structuring Adviser

28 June 2005

The Issuer having made all reasonable enquiries confirms that this document contains all information with respect to the Issuer and its subsidiaries and affiliates taken as a whole (the "Group") and the Securities which is material in the context of the issue and offering of the Securities, the statements contained in it relating to the Issuer, and the Group are in every material particular true and accurate and not misleading, the opinions and intentions expressed in this document with regard to the Issuer and the Group are honestly held, have been reached after considering all relevant circumstances and are based on reasonable assumptions, there are no other facts in relation to the Issuer, the Group or the Securities, the omission of which would, in the context of the issue and offering of the Securities, make any statement in this document misleading in any material respect and all reasonable enquiries have been made by the Issuer to ascertain such facts and to verify the accuracy of all such information and statements. The Issuer accepts responsibility accordingly.

This Offering Circular does not constitute an offer of, or an invitation by or on behalf of the Issuer or the Joint Lead Managers (as defined in "Subscription and Sale" below) to subscribe or purchase, any of the Securities. The distribution of this Offering Circular and the offering of the Securities in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular comes are required by the Issuer and the Joint Lead Managers to inform themselves about and to observe any such restrictions. For a description of certain further restrictions on offers and sales of Securities and distribution of this Offering Circular see "Subscription and Sale" below.

No person is authorised to give any information or to make any representation not contained in this Offering Circular and any information or representation not so contained must not be relied upon as having been authorised by or on behalf of the Issuer or the Joint Lead Managers. The delivery of this Offering Circular at any time does not imply that the information contained in it is correct as at any time subsequent to its date.

The Securities have not been and will not be registered under the Securities Act and Securities in bearer form are subject to U.S. tax law requirements. Subject to certain exceptions, Securities may not be offered, sold or delivered within the United States or to U.S. persons.

All references in this document to "Danish kroner" and "DKK" are to the lawful currency of the Kingdom of Denmark, to "euro" or "€" are to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty establishing the European Union (as amended from time to time), to "US$" or "dollars" are to the lawful currency of the United States, to "£" are to the lawful currency of the United Kingdom, to "boe" are to barrels of oil equivalent, to "TWh" are to terra watt hours, to "MW" are to megawatts, to "PJ" are to petajoules, to "TJ" are to terajoules and to "kWh" are to kilowatt-hours.

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IN CONNECTION WITH THE ISSUE OF THE SECURITIES, MORGAN STANLEY & CO. INTERNATIONAL LIMITED ("MSIL") OR ANY PERSON ACTING FOR IT MAY OVER-ALLOT OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE SECURITIES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL FOR A LIMITED PERIOD. HOWEVER, THERE MAY BE NO OBLIGATION ON MSIL OR ANY AGENT OF IT TO DO THIS. SUCH STABILISING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME, AND MUST BE BROUGHT TO AN END AFTER A LIMITED PERIOD.

DOCUMENTS INCORPORATED BY REFERENCE

The annual reports of the Issuer for the years ended 31 December 2003 and 31 December 2004 are incorporated by reference in this Offering Circular. Copies of those documents are available free of charge at the specified office of each of the Paying Agents as described in "General Information" below.

FORWARD-LOOKING STATEMENTS

This Offering Circular includes forward-looking statements, principally under the captions "Summary", "Risk Factors", "Business" and "Consolidated Financial Results For The Year Ended 31 December 2004". The Issuer has based these forward-looking statements largely on its current beliefs, expectations and projections about future events and financial trends affecting its business.

The words "believe", "may", "will", "aim", "estimate", "continue", "anticipate", "intend", "expect" and similar words are intended to identify forward-looking statements. Forward-looking statements include information concerning the Issuer's possible or assumed future results of operations, business strategies, contractual relationships, fees for services, financing plans, competitive position, industry environment, potential growth opportunities, the effects of future regulation and the effects of competition. Forward-looking statements speak only as at the date they were made, and the Issuer undertakes no obligation to update publicly or to revise any forward-looking statements after the Issuer distributes this Offering Circular because of new information, future events or other factors. In light of the risks and uncertainties described above, the forward-looking events and circumstances discussed in this Offering Circular might not occur and are not guarantees of future performance.

SUMMARY

The following summary is qualified in its entirety by the detailed information and financial statements appearing elsewhere in this Offering Circular.

Business

DONG is one of the leading energy groups in the Nordic region. DONG's headquarters are in Hørsholm, Denmark. Its business is based on procuring, producing, distributing, supplying and trading in energy and related products in northern Europe. DONG is currently 100% owned by the Danish State (the "State") through the Ministry of Finance. The State has announced its intention to list DONG's shares on the Copenhagen Stock Exchange pursuant to an initial public offering ("IPO") of a minority stake in the Company. As at 31 May 2005 DONG employs approximately 1,000 people.

DONG supplies natural gas to wholesale and retail customers in Denmark, Sweden, Germany and the Netherlands. It also owns natural gas infrastructure including off-shore gas pipelines, distribution grids and storage facilities in Denmark and one of the four Danish gas distribution companies.

DONG conducts significant exploration and production activities in relation to gas sourcing and oil activities in the North Sea, the Norwegian Sea and the North Atlantic between the Faroe Islands and Shetland Islands, with the principal aim of strengthening the vertical integration of its gas activities.

DONG is currently expanding its operations into production, distribution and supply of electricity through the acquisition of Danish electricity sector companies and the development of a renewable energies business.

For the year ended 31 December 2004 DONG generated consolidated revenue of DKK 14.3 billion and earnings before interest, tax, depreciation and amortisation ("EBITDA") of DKK 4.7 billion. As at 31 December 2004 it had consolidated assets of DKK 31.4 billion.

In December 2004 the Ministry of Finance as owner of DONG and the boards of directors of Elsam and DONG entered into an agreement setting out the main principles for a merger between DONG and Elsam. As the shareholders of Elsam subsequently entered into sale or option agreements with either DONG or Vattenfall in February 2005 the merger agreement has not been implemented.

In February 2005, DONG entered into a number of agreements conditional, among other things, on the approval of the relevant competition authorities, see "– Acquisitions". Subject to these conditions, DONG expects to complete these acquisitions to acquire ownership interests in Danish electricity sector companies:

- DONG entered into option agreements with a number of Elsam shareholders in relation to their shareholdings in Elsam A/S ("Elsam").The exercise of these options may potentially lead to the increase of the ownership interest in Elsam controlled by DONG from 24.1% up to a total of 64.7% by the end of 2005;
- DONG entered into an agreement with the City of Copenhagen to acquire the city's 100% shareholding in Københavns Energi Holding A/S ("KE Holdings") which will hold the city's 34.0% shareholding in Energi E2 A/S ("Energi E2"). KE Holding conducts the municipality's electricity activities;
- DONG entered into an agreement with the Municipality of Frederiksberg to acquire 100% of Frederiksberg Elnet A/S, Frederiksberg Forsyning Ejendomsselskab A/S and Frederiksberg Forsyning A/S (together "Frederiksberg Elnet Group"), which conducts the municipality's electricity activities, owns the associated real estate and the operational entity handling the operations of the utitity activities of the municipality of Frederiksberg and the municipality's 2.3% ownership interest in Energi E2;
- DONG entered into agreements to acquire 3.6% of the shares in Energi E2 from four other Danish municipalities; and

- DONG has entered into an agreement to acquire the 24.1% ownership interest of SEAS-NVE in Energi E2.

If these acquisitions are completed, Energi E2 will be fully controlled by DONG.

On 1 June 2005 DONG entered into an agreement with Vattenfall AB (Vattenfall'') to acquire its 35.3% interest in Elsam and a 40% shareholding in the Avedøre 2 power plant near Copenhagen. In consideration, DONG will transfer to Vattenfall three central power plants and other power producing assets including wind turbines and other assets and liabilities.

In February 2005, DONG also completed the acquisition of a 10.34% ownership interest in the Ormen Lange gas field (''Ormen Lange'') in the Norwegian Sea and a 10.20% ownership interest in the associated Langeled pipeline.

Strategy

DONG's overall objective is to secure its competitiveness and long-term position in the Northern European energy market. DONG's strategy to fulfil this objective has three aspects:

- maintain access to competitive supplies of natural gas;
- maintain its domestic position and expand its market share internationally in relation to its natural gas activities; and
- integrate with the electricity sector.

See further ''*Business – Strategy*''.

Summary Consolidated Financial Data of DONG A/S Group

	As at and for the year ended 31 December			
	2004	*2003*	*2004*	*2003*
	(DKK millions)		*(EUR millions)*	
Total revenue by business area:	14,292	14,267	1,921	1,918
Exploration & Production	3,192	3,187	429	428
Natural gas, Trade & Supply	10,022	9,988	1,347	1,342
Natural gas, Distribution & Storage	861	884	116	119
Natural gas, Transmission (Gastra A/S)(1)	—	922	—	124
Oil pipeline	373	445	50	60
Electricity & Renewable energy	533	627	72	84
Other activities (including eliminations)	(689)	(1,787)	(93)	(240)
Total EBITDA by business area(2):	4,687	5,547	630	746
Exploration & Production	1,900	1,995	255	268
Natural gas, Trade & Supply	1,907	2,147	256	289
Natural gas, Distribution & Storage	596	614	80	83
Natural gas, Transmission (Gastra A/S)	—	525	—	71
Oil pipeline	95	84	13	11
Electricity & Renewable energy	141	123	19	17
Other activities (including eliminations)	48	59	6	8
Operating profit (EBIT)	2,421	3,168	325	426
Financial terms, net	171	56	23	8
Net profit	1,881	1,941	253	261
EBITDA margin (%)	33	39	33	39
EBIT margin (operating margin) (%)	17	22	17	22
Cash flows from operating activities	3,539	4,442	476	597
Cash flows from investing activities	(4,600)	(2,925)	(618)	(393)
-hereof investments in property, plant and equipment	(1,857)	(2,698)	(250)	(363)
Free cash flows to equity (without acquisitions)(3)	1,653	1,592	222	214
Assets	31,380	33,230	4,218	4,468
Net interest-bearing debt	3,186	2,442	428	328
Equity	15,649	16,794	2,103	2,257
Capital employed(4)	19,774	19,519	2,658	2,624
Financial gearing(5)	0.19	0.14	0.19	0.14

Note:

(1) Dong Transmission (now Gastra A/S) was sold on 1 January 2004 and is thus not included in the financial statements for 2004.

(2) Earnings before interest, tax, depreciation and amortisation.

(3) Cash flows from operating activities +/- cash flows from investing activities

(4) Equity (including minority interests) +/- losses/gains on hedging instruments on equity + net interest-bearing debt.

(5) Net interest-bearing debt divided by equity (including minority interests).

Financial rations have been calculated in accordance with the Danish Society of Financial Analysts' ''Recommendations & Financial Ratios 2005''

Some changes have been made in the classification of accounting items in 2003. These changes do not affect profit or equity.

THE OFFERING

The information set out in this section is a summary of the principal features of the Securities. This summary should be read in conjunction with, and is qualified in its entirety by reference to, the detailed information appearing elsewhere in this Offering Circular, the "Terms and Conditions of the Securities" and the terms of the Trust Deed. Phrases used in this summary and not otherwise defined shall have the meanings given to them in the "Terms and Conditions of the Securities".

Issuer	DONG A/S
Trustee	Citicorp Trustee Company Limited
Securities	€1,100,000,000 Subordinated Capital Securities due 3005 (the "**Securities**")
Redemption	If not redeemed or purchased and cancelled earlier, the Securities will be redeemed at their Final Redemption Amount on the Coupon Payment Date falling on 29 June 3005 (the "**Maturity Date**"). In addition, the Securities are redeemable in whole but not in part at the option of the Issuer on the Coupon Payment Dates falling on 29 June 2010, 29 June 2011, 29 June 2012, 29 June 2013 or 29 June 2014 at their Early Redemption Amount together with accrued interest and any Outstanding Payments (as defined below) and on the Coupon Payment Date falling on 29 June 2015 or on any any Coupon Payment Date thereafter at their principal amount together with accrued interest and any Outstanding Payments.
Interest	The Securities bear interest at a rate of 5.50% per annum from (and including) 29 June 2005 to (but excluding) 29 June 2015 payable annually in arrear on 29 June in each year (a "**Fixed Coupon Payment Date**") and at the Margin plus EURIBOR for three month euro deposits from (and including) 29 June 2015 to (but excluding) 29 June 2505 and thereafter at the Margin plus 1.00% plus EURIBOR for three month euro deposits, payable quarterly in arrear on 29 September, 29 December, 29 March and 29 June in each year (each a "**Floating Coupon Payment Date**" and together with the Fixed Coupon Payment Dates, the "**Coupon Payment Dates**"). Each period beginning on a Coupon Payment Date (or 29 June 2005) and ending on the next following Coupon Payment Date shall be a "**Coupon Period**". The Margin is 3.20% per annum.
Subordination	The Securities and the Coupons attached thereto constitute direct, unsecured and subordinated obligations of the Issuer conditional as described below, and shall at all times rank *pari passu* and without any preference among themselves, and at least equally and rateably with all other present and future direct, unsecured and subordinated obligations of the Issuer. Claims of the Trustee and Securityholders in respect of the Securities will rank behind the claims of Senior Creditors, *pari passu* with the holders of all Parity Securities and in priority to the rights and claims of Securityholders in respect of certain Outstanding Payments (as defined below) and of holders of all Ordinary Shares.
Deferral of payments	The Issuer may elect to defer any Coupon Payment (a "**Deferred Payment**") on the Securities for any period of time. Any such Deferred Payment will bear interest at the then current rate of interest on the Securities. Deferred Payments may only be satisfied in accordance with the Alternative Coupon Satisfaction Mechanisms. The nominal amount of any Deferred Payments together with any interest accrued thereon) shall constitute "**Outstanding Payments**".

Settlement of Outstanding Payments	Any Outstanding Payments (including interest accrued thereon) may only be settled in accordance with the Alternative Coupon Satisfaction Mechanisms and must be so satisfied before the Issuer (i) declares, pays or makes any dividend, distribution or other payment on any Ordinary Shares or any distribution or other payment on any Parity Securities other than a payment pro rata to any satisfaction in part of any Outstanding Payment simultaneously therewith or (ii) redeems, repurchases or otherwise acquires any of its Ordinary Shares or Parity Securities or (iii) redeems the Securities.
Dividend restriction during period of deferral	Until all Outstanding Payments have been satisfied in accordance with the Alternative Coupon Satisfaction Mechanisms, the Issuer shall not declare, pay or make any dividend, distribution or other payment on any of its Ordinary Shares or any distribution or other payment on any Parity Securities other than a payment pro rata to any satisfaction in part of any Outstanding Payment simultaneously therewith nor shall the Issuer redeem, repurchase or otherwise acquire any of its Ordinary Shares or Parity Securities.
Alternative Coupon Satisfaction Mechanisms	The Issuer may satisfy its obligation to make Outstanding Payments to holders of the Securities by, at the option of the Issuer: (i) issuing new Ordinary Shares or selling existing Ordinary Shares to the Trustee in accordance with Condition 5 ("**Ordinary Share Coupon Satisfaction**"); and/or (ii) issuing Parity Securities to the Trustee in accordance with Condition 5 ("**Securities Coupon Satisfaction**"); and/or (iii) delivering to the Securityholders in respect of an Outstanding Payment Further Securities ("**Payment in Kind Coupon Satisfaction**"), (each an "**Alternative Coupon Satisfaction Mechanism**"). The Ordinary Share Coupon Satisfaction is subject to a cap of 2% of the Issuer's then outstanding issued share capital in any 12 month period. The Payment in Kind Coupon Satisfaction and the Securities Coupon Satisfaction are subject to a cap of 25% of the initial aggregate principal amount of the Securities for the life of the Securities.
Ordinary Shares and Insufficiency	The Issuer may not issue Ordinary Shares pursuant to an Ordinary Share Coupon Satisfaction such that Ordinary Shares fall to be issued at a discount to par. The Issuer undertakes to seek the necessary authorisation at its general meetings to maintain authorised share capital in an amount sufficient to allow it to satisfy any Outstanding Payment by issue of Ordinary Shares in accordance with Ordinary Share Coupon Satisfaction.
Additional amounts	The Issuer will pay additional amounts to holders of the Securities to gross up payments upon the imposition of Danish withholding tax, subject to customary exceptions.
Redemption for taxation reasons	In the event of certain changes affecting taxes of the Kingdom of Denmark or if the treatment of items of expense with respect to the Securities as deductible interest expense for Danish tax purposes is not respected by a tax authority, the Issuer may redeem all, but not some only, of the Securities on or prior to 29 June 2015 at their Make-Whole Amount (together with interest accrued to the date fixed for redemption and all Outstanding Payments) and (ii) after 29 June 2015 at their principal amount together with accrued interest and any Outstanding Payments.

Default	The Trustee may initiate proceedings to obtain payment of any amount due or institute proceedings in Denmark (but not elsewhere) for the bankruptcy of the Issuer, but the Issuer shall not be obliged to pay any sum sooner that it would otherwise have been payable.
Denominations	The Securities are in the denominations of €1 each with Coupons attached on issue.
Form	Bearer. The Securities will be represented initially by the Temporary Global Security, without Coupons, which will be deposited with a common depositary for Clearstream Banking, société anonyme (“**Clearstream, Luxembourg**”) and Euroclear Bank S.A./N.V., as operator of the Euroclear System (“**Euroclear**”) on or about 29 June 2005. The Temporary Global Security will be exchangeable for interests in the Permanent Global Security, without Coupons, on or after a date which is expected to be 9 August 2005 upon certification as to non-US beneficial ownership as required by US Treasury regulations and as described in the Temporary Global Security. Save in limited circumstances, Securities in definitive bearer form with coupons and a talon attached on issue will not be issued in exchange for interests in the Permanent Global Security.
Calculation Agent	Deutsche Bank AG, London Branch
Principal Paying Agent	Deutsche Bank AG, London Branch
Listing	Luxembourg.
Governing Law	English (except that the provisions of the Securities and the Trust Deed relating to subordination shall be governed by Danish law).

RISK FACTORS

In making their investment decision, potential investors should carefully consider the merits and risks of an investment in the Securities. In particular, potential investors should be aware of the following:

If the Issuer's financial condition were to deteriorate materially, holders of the Securities could lose all or a part of their investment.

The Securities and the Coupons attached thereto constitute direct, unsecured and subordinated obligations of the Issuer and shall at all times rank *pari passu* and without any preference among themselves, and at least equally and rateably with all other present and future direct, unsecured and subordinated obligations of the Issuer. Claims of the Trustee and Securityholders in respect of the Securities will rank behind the claims of Senior Creditors, *pari passu* with the holders of all Parity Securities and in priority to the rights and claims of Securityholders in respect of certain Outstanding Payments and of holders of all Ordinary Shares.

Consequently, if the Issuer's financial condition were to deteriorate materially, holders of the Securities could suffer direct and materially adverse consequences and in a winding up, the loss of all or a portion of any outstanding principal amount of each of the Securities and any unpaid interest payable thereon. In such event, the holders of the Securities could lose their entire investment.

Holders of the Securities may not receive interest payments if the Issuer elects to defer interest payments at its option.

The Issuer may elect to defer any Coupon Payment (a "Deferred Payment") on the Securities for any period of time. Any such Deferred Payment will bear interest at the then current rate of interest on the Securities. Deferred Payments may only be satisfied in accordance with one of the Alternative Coupon Satisfaction Mechanisms. There can be no assurance that the Issuer will exercise its option to use an Alternative Coupon Satisfaction Mechanism to satisfy any Deferred Payments. However, the Issuer is subject to certain restrictions in relation to the payment of dividends on its Ordinary Shares and Parity Securities and the redemption and repurchase of its Ordinary Shares and Parity Securities until such payment is satisfied through an Alternative Coupon Satisfaction Mechanism.

The Issuer may redeem the Securities upon the occurrence of certain tax events.

In the event of certain changes affecting taxes of the Kingdom of Denmark or if the treatment of items of expense with respect to the Securities as deductible interest expense for Danish tax purposes is not respected by a tax authority, the Issuer may redeem all, but not some only, of the Securities on or prior to 29 June 2015 at their Make-Whole Amount (together with interest accrued to the date fixed for redemption and all Outstanding Payments) and (ii) after 29 June 2015 at their principal amount together with accrued interest and any Outstanding Payments.

The Issuer may redeem the Securities on certain dates commencing on 29 June 2010.

If not redeemed or purchased and cancelled earlier, the Securities will be redeemed on the Coupon Payment Date falling on 29 June 3005 (the "Maturity Date"). In addition, the Securities are redeemable (i) in whole but not in part at the option of the Issuer on each of the Coupon Payment Dates falling on 29 June 2010, 29 June 2011, 29 June 2012, 29 June 2013 and 29 June 2014 at their Early Redemption Amount, together with accrued interest and any Outstanding Payments (ii) in whole but not in part at the option of the Issuer at their principal amount together with accrued interest and any Outstanding Payments on 29 June 2015 or on any Coupon Payment Date thereafter.

Securityholders may lose their rights to Outstanding Payments on the Maturity Date.

If not redeemed or purchased and cancelled earlier, the Securities will be redeemed on the Maturity Date at their Final Redemption Amount per Security which shall be equal to the principal amount of such Security and accrued but unpaid interest for the immediately preceding Coupon Period ending on (but excluding) the Maturity Date, but excluding all Outstanding Payments. Consequently, if the Securities are not redeemed until the Maturity Date, Securityholders will lose all rights and claims in respect of Outstanding Amounts at that date.

The Issuer may not be able to issue Ordinary Shares pursuant to the Ordinary Share Coupon Satisfaction mechanism.

While the Issuer has undertaken to seek authority to maintain authorised share capital in an amount sufficient to allow it to satisfy any Outstanding Payment by issue of Ordinary Shares in accordance with the Ordinary Share Coupon Satisfaction Mechanism, there can be no assurance it will have sufficient authorised capital to permit issues of shares in accordance with the Ordinary Share Coupon Satisfaction mechanism. In addition, the Ordinary Shares of the Issuer are currently not listed. While it is DONG's management's understanding that the Danish Government, being the majority shareholder of DONG, is contemplating an initial public offering ("IPO") and listing of its shares, the timing for the IPO and listing is uncertain and there can be no assurance those events will occur. Accordingly, there can be no assurance the Issuer will be able to sell sufficient Ordinary Shares to enable it to satisfy Outstanding Payments in accordance with the Ordinary Share Coupon Satisfaction mechanism.

Further Securities received pursuant to the Payment in Kind Coupon Satisfaction mechanism may not be listed.

If any Outstanding Payments are to be satisfied in full or in part through a Payment in Kind Coupon Satisfaction then the Issuer will issue to the Trustee (or to its order) such number of Further Securities as, in the determination of the Calculation Agent, have a nominal or market value (whichever is the greater) of not less than the Outstanding Payments to be satisfied in accordance with the Conditions. While the Issuer has undertaken to use its best efforts to obtain a listing for the Further Securities on the same stock exchange as the Securities as soon as reasonably practicable following issue, there can be no assurance that it will obtain such a listing. Accordingly, the liquidity of the Further Securities may be restricted.

The Alternative Coupon Satisfaction Mechanisms are subject to caps.

The ability of the Issuer to satisfy Outstanding Payments by way of Ordinary Share Coupon Satisfaction is subject to a cap of 2% of the Issuer's outstanding issued share capital in any period of 12 months. The ability of the Issuer to satisfy Outstanding Payments by way of Payment in Kind Coupon Satisfaction or Securities Coupon Satisfaction is subject to a cap of 25% of the initial aggregate principal amount of the Securities issued. Consequently, if the Issuer were to reach the cap amounts in respect of the Alternative Coupon Satisfaction Mechanisms such Alternative Coupon Satisfaction Mechanisms would no longer be available for a 12 month period (in the case of the Ordinary Share Coupon Satisfaction) or for the life of the Securities (in the case of the Payment in Kind Coupon Satisfaction and the Securities Coupon Satisfaction) to satisfy accumulated Outstanding Payments.

Holders of the Securities have no voting rights.

The Securities are non-voting with respect to general meetings of the Issuer. Consequently, the holders of the Securities cannot influence, *inter alia*, any decisions by the Issuer to defer payments of Coupons or to elect to pay Outstanding Payments by an Alternative Coupon Satisfaction Mechanism or any other decisions by the Issuer's shareholders concerning the capital structure of the Issuer.

The Issuer may issue further debt.

The Issuer may issue further debt ranking *pari passu* with, or senior to, the Securities. Neither the Securities nor the Trust Deed limits the ability of the Issuer to incur indebtedness.

There has been no public market for the Securities.

The Securities constitute a new issue of securities. Prior to this offering, there has been no public market for the Securities. Although application has been made to list the Securities on the Luxembourg Stock Exchange, there can be no assurance that an active public market for the Securities will develop, and if such a market were to develop, the Joint Lead Managers are under no obligation to maintain such a market. The liquidity and the market prices for the Securities can be expected to vary with changes in market and economic conditions, the financial condition and prospects of the Issuer and other factors that generally influence the market prices of the Securities. Such fluctuations may significantly effect the liquidity and the market prices of the Securities, which may trade at a discount to the price at which a purchaser purchased the Securities.

TERMS AND CONDITIONS OF THE SECURITIES

The following, except for the paragraphs in italics, are the terms and conditions of the Securities substantially in the form in which they will be endorsed on the Securities:

The issue of the Subordinated Capital Securities due 3005 (the "**Securities**") was authorised by a resolution of the Board of Directors of the Issuer on 21 June 2005. The Securities are constituted by a Trust Deed (the "**Trust Deed**") dated 29 June 2005 between the Issuer and Citicorp Trustee Company Limited (the "**Trustee**" which expression shall include all persons for the time being the trustee or trustees under the Trust Deed) as trustee for the holders of the Securities (the "**Securityholders**"). These terms and conditions (the "**Conditions**") include summaries of, and are subject to, the detailed provisions of the Trust Deed, which includes the form of the Securities and the coupons (the "**Coupons**") and talons for further Coupons (the "**Talons**") relating to them. Capitalised terms used in these Conditions and not defined herein shall have the meaning given to them in the Trust Deed. Copies of the Trust Deed, of the Paying Agency Agreement (the "**Paying Agency Agreement**") dated 29 June 2005 relating to the Securities between the Issuer, the Trustee, Deutsche Bank AG, London Branch as agent bank (the "**Agent Bank**" which expression includes any bank appointed as the Agent Bank from time to time) and the initial principal paying agent and paying agents named in it, and of the Calculation Agency Agreement (the "**Calculation Agency Agreement**) dated 29 June 2005 relating to the Securities between the Issuer, the Trustee, the Principal Paying Agent and Deutsche Bank AG, London Branch as calculation agent (the "**Calculation Agent**"), are available for inspection during usual business hours at the principal office of the Trustee (presently at 14th Floor, Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB) and at the specified offices of the principal paying agent from time to time (the "**Principal Paying Agent**") and the banks appointed as paying agents from time to time (the "**Paying Agents**", which expression shall include the Principal Paying Agent). The Securityholders and the holders of the Coupons and Talons (whether or not such Coupons and Talons are attached to the relevant Securities) (the "**Couponholders**") are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and are deemed to have notice of those provisions applicable to them of the Paying Agency Agreement and the Calculation Agency Agreement.

1. FORM, DENOMINATION AND TITLE

(A) Form and denomination

The Securities are serially numbered and in bearer form in the denominations of €1 each with Coupons and a Talon attached on issue.

(B) Title

Title to the Securities, Coupons and Talons passes by delivery. The holder of any Security, Coupon or Talon will (except as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any interest in it, any writing on it, or its theft or loss) and no person will be liable for so treating the holder.

2. STATUS

The Securities Coupons constitute direct, unsecured and subordinated obligations of the Issuer and shall at all times rank *pari passu* and without any preference among themselves, and at least equally and rateably with all other present and future direct, unsecured, and subordinated obligations of the Issuer. Claims of the Trustee and the Securityholders against the Issuer in respect of the Securities and the Coupons shall, save for such exceptions as may be provided by applicable legislation, rank behind the claims of holders of Senior Creditors, *pari passu* with the holders of all Parity Securities and in priority to the rights and claims of Securityholders in respect of Outstanding Payments (as defined in Condition 4(B)) in excess of the amount which could have been satisfied by the Issuer in accordance with Condition 5 without contravening the provisions of Condition 5(D) (the "**Excess Outstanding Payments**") and the rights and claims of holders of all Ordinary Shares (as defined in Condition 5(A)). Claims in respect of such Excess Outstanding Payments shall rank *pari passu* among themselves, senior only to the claims of holders of Ordinary Shares and junior to the claims of (i) Securityholders in respect of the nominal amount of, and accrued but unpaid interest for the then current interest period on, the Securities, (ii) holders of Parity Securities and (iii) Senior Creditors.

For the purposes of these Conditions,

"**Parity Securities**" means, in respect of the Issuer, any securities or obligations issued or owed by the Issuer (including guarantees or indemnities given by the Issuer in respect of securities or obligations owed by other persons) and effectively ranking or expressed to rank *pari passu* with the Securities; and

"**Senior Creditors**" means, in respect of the Issuer, all creditors of the Issuer other than creditors whose claims are in respect of Parity Securities.

As at the date of this Offering Circular no Parity Securities were outstanding and the Issuer had Ordinary Shares in an aggregate nominal amount of DKK 2,144,000,000 in issue.

3. COUPONS

(A) Fixed Coupon Payment Dates

The Securities bear interest at a rate of 5.50 per cent per annum (from and including) 29 June 2005 (to and excluding) 29 June 2015 payable (subject to Conditions 4 and 5) annually in arrear on 29 June in each year (each a "**Fixed Coupon Payment Date**"). Where, prior to 29 June 2015, interest is to be calculated in respect of a period which is equal to or shorter than a Fixed Coupon Period, the day-count fraction used will be the number of days in the relevant period, from and including the date from which interest begins to accrue to but excluding the date on which it falls due, divided by the number of days in the Fixed Coupon Period in which the relevant period falls (including the first such day but excluding the last). The period beginning on, and including, 29 June 2005 and ending on, but excluding, the first Fixed Coupon Payment Date and each successive period beginning on, and including, a Fixed Coupon Payment Date and ending on, but excluding, the next succeeding Fixed Coupon Payment Date is called a "**Fixed Coupon Period**". The amount of interest payable for the Fixed Coupon Period on each Security determined in accordance with this Condition 3(A) is called a "**Fixed Coupon Amount**".

(B) Floating Coupon Payment Dates

The Securities bear interest from and including 29 June 2015 at the rate determined in accordance with Conditions 3 (C) and (D) (the "**Floating Coupon Rate**") payable (subject to Conditions 4 and 5) on 29 September, 29 December, 29 March and 29 June in each year (each a "**Floating Coupon Payment Date**" and together with the Fixed Coupon Payment Dates, the "**Coupon Payment Dates**"). If any Floating Coupon Payment Date would otherwise fall on a day which is not a business day (as defined below), it shall be postponed to the next day which is a business day unless it would thereby fall into the next calendar month in which event it shall be brought forward to the immediately preceding business day.

The period beginning on, and including, 29 June 2015 and ending on, but excluding, the first Floating Coupon Payment Date and each successive period beginning on, and including, a Floating Coupon Payment Date and ending on, but excluding, the next succeeding Floating Coupon Payment Date is called a "**Floating Coupon Period**" and, together with the Fixed Coupon Periods, the "**Coupon Periods**". The amount of interest payable for the relevant Coupon Period on each Security determined in accordance with Condition 3(B), (C) and (D) is called a "**Floating Coupon Amount**", and a Floating Coupon Amount or a Fixed Coupon Amount, as the case may be, is called a "**Coupon Payment**".

(C) Floating Coupon Rate

The Floating Coupon Rate in respect of the Securities will be determined by the Agent Bank on the following basis:

(i) On the second business day before the beginning of each Floating Coupon Period (the "**Coupon Determination Date**") the Agent Bank will determine the Euro Interbank Offered Rate ("**EURIBOR**") for three-month euro deposits as at 11.00 a.m. (Brussels time) on the Coupon Determination Date in question. Such offered rate will be that which appears on the display designated as page "**248**" on the Telerate Monitor (or such other page or service as may replace it for the purpose of displaying such rates). From and including 29 June 2015 up to and excluding 29 June 2505 the Floating Coupon Rate for such Floating Coupon Period shall be the aggregate of the Margin and the rate which so appears, as determined by the Agent Bank. From and including 29 June 2505 up to and excluding 29 June 3005 the Floating Coupon Rate for such Floating Coupon Period shall be the aggregate of the Margin, 1.00 per cent. per annum and the rate which so appears, as determined by the Agent Bank.

(ii) If for any reason such offered rate does not so appear, or if the relevant page is unavailable, the Agent Bank will determine EURIBOR based on quotations from five major banks in the Euro-zone interbank market chosen by the Agent Bank and appointed by the Issuer (the "**Reference Banks**") for EURIBOR for a period of three months as at 11.00 a.m. (Brussels time) on the Coupon Determination Date in question. From and including 29 June 2015 up to and excluding 29 June 2505 the Floating Coupon Rate for such Floating Coupon Period shall be the aggregate of the Margin and the arithmetic mean (rounded, if necessary, up to the nearest fifth decimal place, with 0.000005 being rounded upwards) of such quotations (or of such of them, being at least two, as are so provided), as determined by the Agent Bank. From and including 29 June 2505 up to and excluding 29 June 3005 the Floating Coupon Rate for such Floating Coupon Period shall be the aggregate of the Margin, 1.00 per cent. per annum and the arithmetic mean (rounded, if necessary, up to the nearest fifth decimal place, with 0.000005 being rounded upwards) of such quotations (or of such of them as are so provided), as determined by the Agent Bank.

"**Euro-zone**" means the region comprised of Member States of the European Union that adopt or have adopted the single currency in accordance with the Treaty establishing the European Community, as amended by the Treaty on the European Union.

(iii) In this Condition, the expression "**business day**" means a day upon which the TARGET System is operating and "**TARGET System**" means the Trans-European Automated Real-time Gross Settlement Express Transfer (TARGET) System or any successor thereto.

For the purposes of these Conditions "**Margin**" means 3.20 per cent. per annum.

(D) Determination of Floating Coupon Rate and calculation of Coupon Amount

The Agent Bank will, as soon as practicable after 11.00 a.m. (Brussels time) on each Coupon Determination Date, determine the Floating Coupon Rate and the Floating Coupon Amount for the relevant Floating Coupon Period. The Floating Coupon Amount shall be calculated by applying the Floating Coupon Rate to the principal amount of one Security, multiplying such product by the actual number of days in the Floating Coupon Period concerned divided by 360 and rounding the resulting figure to the nearest euro 0.01 (euro 0.005 being rounded upwards). The determination of the Floating Coupon Rate and the Floating Coupon Amount by the Agent Bank shall (in the absence of manifest error) be final and binding upon all parties.

(E) Publication of Floating Coupon Rate and Floating Coupon Amount:

The Agent Bank will cause the Floating Coupon Rate and the corresponding Floating Coupon Amount for each Floating Coupon Period and the relevant Floating Coupon Payment Date to be notified to the Trustee, each of the Paying Agents and any Stock Exchange on which the Securities are for the time being listed and to be notified to Securityholders as soon as possible after their determination but in no event later than the second business day thereafter. The Floating Coupon Amount and Floating Coupon Payment Date so published may subsequently be amended (or appropriate alternative arrangements made with the consent of the Trustee by way of adjustment) without notice in the event of an extension or shortening of the Floating Coupon Period.

(F) Determination or calculation by Trustee

If the Agent Bank does not at any time for any reason so determine the Floating Coupon Rate or calculate the corresponding Floating Coupon Amount for a Floating Coupon Period, the Trustee (or an agent appointed by it) shall do so and such determination or calculation shall be deemed to have been made by the Agent Bank. In doing so, the Trustee shall apply the foregoing provisions of this Condition 3, with any necessary consequential amendments, to the extent that, in its opinion, it can do so, and, in all other respects it shall do so in such manner as it shall deem fair and reasonable in all the circumstances.

(G) Reference Banks and Agent Bank

The Issuer will procure that, so long as any Security is outstanding, there shall at all times be the number of Reference Banks provided above (where the Floating Coupon Rate is to be calculated by reference to them) and an Agent Bank for the purposes of the Securities. If any such bank (acting through its relevant office) is unable or unwilling to continue to act as a Reference Bank or the Agent Bank, as the case may be, or if the Agent Bank fails duly to establish the Floating Coupon Rate for any Floating Coupon Period or to calculate the corresponding Floating Coupon Amount, the Issuer shall (with the prior approval of the Trustee) appoint some other leading bank engaged in the London interbank market (acting through its principal London office) to act as such in its place. The Agent Bank may not resign its duties without a successor having been so appointed.

(H) Coupon Payments

Each Security will cease to bear interest from the due date for redemption unless, upon due presentation, payment of principal is improperly withheld or refused. In such event, it shall continue to bear interest in accordance with this Condition (both before and after judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Security up to that day are received by or on behalf of the relevant Securityholder, and (ii) the day seven days after the Trustee or the Principal Paying Agent has notified Securityholders of receipt of all sums due in respect of all the Securities up to that seventh day (except to the extent that there is failure in the subsequent payment to the relevant holders under these Conditions).

(I) Notifications etc. to be binding

All notifications, opinions, determinations, certifications, conditions, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 3, whether by the Agent Bank or the Trustee (or its agent), shall (in the absence of wilful default, bad faith or manifest or proven error) be binding on the Issuer, the Agent Bank, the Trustee, the Paying Agents and on all Securityholders and Couponholders and (in the absence of the aforesaid) no liability to the Securityholders, the Couponholders or the Issuer shall attach to the Agent Bank or the Trustee in connection with the exercise or non-exercise by them of any of their powers, duties or discretions.

4. DEFERRALS

The Issuer must make each payment of interest on the relevant Coupon Payment Date subject to and in accordance with these Conditions. However, a Coupon Payment is subject to deferral in accordance with this Condition 4. For the purposes of Conditions 4 and 5 "**business day**" shall mean a day, other than a Saturday or Sunday, on which commercial banks are open in London and Copenhagen and (if the Ordinary Shares shall then be listed on a stock exchange or other public securities market) a day on which the stock exchange or other public securities market on which the Ordinary Shares are primarily listed and traded is open for business.

(A) Deferral of payments

The Issuer may, by giving notice to the Securityholders, the Agent Bank, the Principal Paying Agent and the Trustee in accordance with Condition 16, not less than 16 business days prior to the Coupon Payment Date (a "**Deferral Notice**"), elect to defer any Coupon Payment (a "**Deferred Payment**") on the Securities for any period of time, subject to and in accordance with Conditions 4(B) and 4(C). Any such Deferred Payment will bear interest at the then current rate of interest on the Securities from and including the Coupon Payment Date on which such Coupon Payment would otherwise than by reason of the operation of this Condition 4(A) become due, up to but excluding the date on which the Deferred Payment is satisfied in accordance with Condition 5(D) and may only be satisfied in accordance with the Alternative Coupon Satisfaction Mechanisms (as defined in

Condition 5). The non-payment of any interest following the giving of any Deferral Notice in respect thereof shall not constitute a Default (as defined in Condition 9) or otherwise be subject to enforcement (in accordance with Condition 9) until such time as such interest shall have become due under Condition 5 and remain unpaid.

(B) Settlement of Outstanding Payments

The nominal amount of any Deferred Payments, together with any interest accrued thereon, shall constitute "**Outstanding Payments**" from the day following the Coupon Payment Date on which such Deferred Payment would have become due but for the operation of Condition 4(A).

The Issuer may at its option satisfy its obligations to make the Outstanding Payments to Securityholders in accordance with Condition 5(A) as set out therein and must other than at the Maturity Date so satisfy such obligations prior to the Issuer:

(i) declaring, paying or making any dividend, distribution or other payment on any Ordinary Shares or declaring, paying or making any distribution or other payment on any Parity Securities, other than a payment *pro rata* to any satisfaction in part of any Outstanding Payment and simultaneously therewith or

(ii) redeeming, repurchasing or otherwise acquiring any of its Ordinary Shares or Parity Securities or

(iii) redeeming the Securities.

(C) Restrictions during period of deferral

Until all Outstanding Payments have been satisfied in accordance with one or more of the Alternative Coupon Settlement Mechanisms the Issuer shall not:

(i) declare, pay or make any dividend, distribution or other payment on any of its Ordinary Shares or declare, pay or make any distribution or other payment on any Parity Securities, other than a payment *pro rata* to any satisfaction in part of any Outstanding Payment and simultaneously therewith or

(ii) redeem, repurchase or otherwise acquire any of its Ordinary Shares or Parity Securities.

5. Alternative Coupon Satisfaction Mechanisms

(A) Alternative Coupon Satisfaction Mechanisms

The Issuer may satisfy its obligation to make the Outstanding Payments in whole or in part to Securityholders:

(i) up to (and including) 29 June 2015, at any time from and including, the day following the Coupon Payment Date on which such Deferred Payment first becomes an Outstanding Payment; or

(ii) after 29 June 2015 on any Coupon Payment Date (other than the Maturity Date) beginning on the Coupon Payment Date next following the Coupon Payment Date on which such Optional Deferred Payment first becomes an Outstanding Amount,

The Issuer may satisfy its obligations to make Outstanding Payments, at its option, by any of the following (or a combination thereof):

(i) (subject to Condition 5(D)) issuing new Ordinary Shares or selling existing Ordinary Shares to the Trustee in accordance with this Condition 5 (an "**Ordinary Share Coupon Satisfaction**") and/or

(ii) (subject to Condition 5(D)) issuing Parity Securities to the Trustee in accordance with this Condition 5 (a "**Securities Coupon Satisfaction**") and/or

(iii) (subject to Condition 5(D)) delivering to the Securityholders in respect of such Outstanding Payment Further Securities (a "**Payment in Kind Coupon Satisfaction**"),

(each an "**Alternative Coupon Satisfaction Mechanism**"), in which case it will give notice to the Securityholders, the Agent Bank, the Principal Paying Agent and the Trustee in accordance with Condition 16, not less than 16 business days prior to the relevant date fixed for satisfaction of all or part of the Outstanding Payment ("**Coupon Satisfaction Date**"), including which Alternative Coupon Satisfaction Mechanism (or which combination of the Alternative Coupon Satisfaction Mechanisms) it proposes to use to satisfy such Outstanding Payments.

As used in this Condition 5:

"**Further Securities**" shall mean securities identical to the originally issued Securities (except that interest will begin to accrue from their date of issue rather than 29 June 2005);

"**Ordinary Shares**" shall mean ordinary shares in the capital of the Issuer, having on the issue date a minimum nominal value of DKK1,000 each; and

"**Payment Issuer Securities**" shall mean Ordinary Shares and/or Parity Securities (as the case may be).

(B) Issue of Payment Issuer Securities

If any Outstanding Payments are to be satisfied in full or in part through an Ordinary Share Coupon Satisfaction or a Securities Coupon Satisfaction then:

(i) by close of business on or before the seventh business day prior to the relevant Coupon Satisfaction Date, the Issuer will issue or sell (in the case of existing Ordinary Shares) to the Trustee (or if so required by the Trustee, to an agent of the Trustee) such number of Payment Issuer Securities, as, in the reasonable determination of the Calculation Agent, have a market value of not less than the Outstanding Payments to be satisfied in accordance with this Condition 5;

(ii) the Trustee has agreed to use reasonable endeavours to effect the transfer or instruct the Principal Paying Agent to effect the transfer of such Payment Issuer Securities to or to the order of the Calculation Agent (subject to any necessary consents being obtained) as soon as practicable and in any case not later than by close of business on the sixth business day prior to the Coupon Satisfaction Date and the Calculation Agent has agreed to use reasonable endeavours to procure purchasers for such Payment Issuer Securities. The Calculation Agent has further agreed to exchange, as agent of the Trustee, the proceeds of such sale into euros at the prevailing market exchange rates and deliver such exchanged proceeds to, or hold such exchanged proceeds to the order of, the Trustee who shall pay or procure that its agent pays such proceeds as it holds in respect of the relevant Outstanding Payments to the Principal Paying Agent. The proceeds of sale of Payment Issuer Securities shall be paid by the Principal Paying Agent, on behalf of the Trustee, to the Securityholders in respect of the relevant Outstanding Payment.

If the proceeds of the sale of the Payment Issuer Securities will not, in the reasonable opinion of the Calculation Agent, despite the arrangements contained in (i) and (ii) above, result in a sum at least equal to the relevant Outstanding Payment being available to make the relevant Outstanding Payment in full on the Coupon Satisfaction Date, the Issuer, the Trustee and the Calculation Agent have agreed to take such steps as are reasonably necessary to ensure, so far as is practicable, that through issuing or selling (in the case of existing Ordinary Shares) additional Payment Issuer Securities and following, *mutatis mutandis*, the procedures contained in (i) and (ii) above, a sum at least equal to the relevant Outstanding Payment will be available to make the relevant Outstanding Payment in full on the Coupon Satisfaction Date.

The Trustee shall not be liable to anyone for any loss occasioned by the transfer or sale of the Payment Issuer Securities, in each case by or on behalf of the Trustee or any delay or failure in effecting such transfer or sale of the Payment Issuer Securities under these Conditions.

(C) Issue of Further Securities

If any Outstanding Payments are to be satisfied in full or in part through a Payment in Kind Coupon Satisfaction then by close of business on or before the seventh business day prior to the relevant Coupon Satisfaction Date (the "**Valuation Date**"), the Issuer will issue to the Trustee (or to its order) such number of Further Securities as, in the reasonable determination of the Calculation Agent, have a nominal value or market value (whichever is the greater) of not less than the Outstanding Payments to be satisfied in accordance with this Condition 5. The Issuer undertakes to use its best efforts to obtain a listing for the Further Securities on the same stock exchange as the Securities as soon as reasonably practicable following issue.

The Calculation Agent shall determine the market value of the Further Securities as follows:

(i) it shall (four business days prior to the Valuation Date) request three international investment banks of repute which are active in the eurobond markets (one of which shall be Morgan Stanley & Co. International Limited) to provide (by the second business day prior to the Valuation Date) a bid price for a representative amount of Further Securities;

(ii) if two or three bid prices are received, it shall calculate the arithmetic mean of the bid prices, which shall be the market price for the Further Securities;

(iii) if one bid price is received, that bid price shall be the market price for the Further Securities; and

(iv) if no bid prices are received, the market price for the Further Securities shall be the price determined by the Calculation Agent in its reasonable discretion.

The Calculation Agent will notify the Issuer of the number of Further Securities that have a nominal value or market value (whichever is the greater) of not less than the Outstanding Payments on the business day prior to the Valuation Date. In the absence of manifest error, any determination by the Calculation Agent in accordance with the foregoing paragraphs shall bind the Issuer, the Trustee and the Securityholders.

If the number of Further Securities to be issued will not, in the reasonable opinion of the Calculation Agent, despite the arrangements contained in (i), (ii), (iii) and (iv) above, satisfy the relevant Outstanding Payment in full on the relevant Coupon Satisfaction Date, the Issuer, the Trustee and the Calculation Agent agree to take such steps as are reasonably necessary to ensure, so far as is practicable, that through issuing Further Securities and following, *mutatis mutandis*, the procedures contained in (i), (ii), (iii) and (iv) above, such relevant Outstanding Payment can be made in full on the relevant Coupon Satisfaction Date.

(D) Provisos to Alternative Coupon Satisfaction Mechanisms

Notwithstanding Condition 5(A), the Issuer shall not satisfy its obligation to make Outstanding Payments:

(i) by means of an Ordinary Share Coupon Satisfaction to the extent that the number of Ordinary Shares to be issued in any period of 12 months to satisfy Outstanding Payments would exceed 2 per cent. of the Issuer's outstanding issued share capital on the first day of such period; or

(ii) by means of a Payment in Kind Coupon Satisfaction or Securities Coupon Satisfaction to the extent that the aggregate principal amount of Further Securities or Parity Securities to be issued in respect of such Payment in Kind Coupon Satisfaction or Securities Coupon Satisfaction, as the case may be, together with the aggregate amount of Further Securities and Parity Securities previously issued to satisfy Outstanding Payments would exceed in aggregate 25 per cent. of the initial aggregate principal amount of the Securities originally issued on 29 June 2005.

If the Issuer has elected to satisfy an Outstanding Payment and is unable to do so either in part or in whole as a result of the operation of this Condition 5(D), the Excess Outstanding Payment shall remain an Outstanding Payment in accordance with Condition 5(E). In the event of a bankruptcy (*konkurs*) of the Issuer, for the purposes of calculating the amount of the Excess Outstanding Payment the Calculation Agent shall determine the market value of Payment Issuer Securities in accordance with Condition 5(B) and the Valuation Date for the purposes of Condition 5(C) shall be the date on which the Issuer is declared bankrupt.

(E) Issue satisfies payment

Where the Issuer satisfies an Outstanding Payment by an Alternative Coupon Satisfaction Mechanism in accordance with this Condition 5, the relevant issue or sale (in the case of existing Ordinary Shares) of Payment Issuer Securities or Further Securities (as the case may be) shall release and discharge the Issuer from the requirement to satisfy the relevant Outstanding Payment and the Securityholders and Couponholders shall have no further claim in respect thereof.

If, for any reason, the Issuer fails to satisfy a relevant Outstanding Payment in full as of the relevant Coupon Satisfaction Date in accordance with this Condition 5:

(i) the part of such Outstanding Payment that remains unsatisfied will continue to bear interest at the then current rate of interest on the Securities up to but excluding the date on which the Outstanding Payment is satisfied in full and may subsequently be satisfied by an Alternative Coupon Satisfaction mechanism in accordance with this Condition 5; and

(ii) the Issuer will continue to be subject to the restrictions outlined in Condition 4(C).

(F) Ordinary Shares

The Issuer may not issue Ordinary Shares pursuant to the Ordinary Share Coupon Satisfaction mechanism at a discount to par.

(G) Insufficiency of Ordinary Shares

Subject to Condition 5(D), if the Issuer is to satisfy all or part of an Outstanding Payment by way of Ordinary Share Coupon Satisfaction and the Issuer does not, on the date when the number of such shares required to be issued is determined in accordance with Condition 5, have a sufficient number of Ordinary Shares available for issue, then the Issuer shall notify the Trustee, the Calculation Agent and the Securityholders that all or part, as the case may be, of the relevant Oustanding Payment cannot be satisfied due to the events described in this paragraph, in which case the same shall be satisfied following the date of the next annual general meeting or extraordinary general meeting of shareholders of the Issuer at which a resolution is passed authorising a sufficient number of Ordinary Shares to be issued to satisfy all or such part of the relevant Outstanding Payment provided that if the number of Ordinary Shares authorised to be issued at any such meeting is insufficient to satisfy all or such part of the relevant Outstanding Payment then those Ordinary Shares so authorised to be issued shall be applied by the Issuer in part satisfaction of all or such part of the relevant Outstanding Payment. Following the passage of such resolution, the Issuer shall give not less than 16 business days' notice to the Trustee, the Calculation Agent and the Securityholders of the date upon which the relevant Outstanding Payment or, as the case may be, the part thereof is to be made in accordance herewith. The relevant Outstanding Payment or, as the case may be, the part thereof which is not so satisfied shall continue to accrue interest at a rate determined in accordance with Condition 4 from (and including) the date on which the Outstanding Payment would otherwise have been due to (but excluding) the date on which such Outstanding Payment or part thereof is satisfied. If the Issuer does not hold an annual general meeting within 12 months of giving the above first-mentioned notice, at which a resolution to make a sufficient number of Ordinary Shares so available is proposed, the Trustee shall by notice require the Issuer to convene an extraordinary general meeting at which such a resolution shall be proposed on a date falling within 10 weeks of such notice from the Trustee. In the event that any such resolution proposed at any such annual general meeting or extraordinary general meeting is rejected, such resolution will then be proposed at the next following annual general meeting of the Issuer.

The Issuer intends to assess the amount of Outstanding Payments prior to each Coupon Payment Date and subject to Condition 5(D), to satisfy the Outstanding Payments in accordance with Condition 5(A) by means of a Payment in Kind Coupon Satisfaction. Where the Issuer is unable or unwilling to satisfy Outstanding Payments by means of a Payment in Kind Coupon Satisfaction the Issuer intends, subject to Condition 5(D), to satisfy Outstanding Payments in accordance with Condition 5(A) by means of an Ordinary Share Coupon Satisfaction. Where the Issuer intends to satisfy Outstanding Payments by means of an Ordinary Share Coupon Satisfaction but does not have a sufficient number of Ordinary Shares available for issue the Issuer will seek authorisation in accordance with Condition 5(G) for a sufficient number of Ordinary Shares to be issued to satisfy the Outstanding Payments.

6. REDEMPTION AND PURCHASE

(A) Maturity date

If not redeemed or purchased and cancelled earlier, the Securities will be redeemed on the Coupon Payment Date falling on 29 June 3005 (the "**Maturity Date**") at their principal amount together with accrued interest in respect of the immediately preceding Floating Coupon Period ending on but excluding the Maturity Date (the "**Final Redemption Amount**") but excluding Outstanding Payments. The Securities may not be redeemed at the option of the Issuer other than in accordance with this Condition 6.

(B) Redemption at the option of the Issuer

On giving not less than 30 nor more than 60 days' notice (an "**Optional Redemption Notice**") to the Trustee and the Securityholders in accordance with Condition 16, the Issuer may redeem the whole only of the Securities on the date (the "**Optional Redemption Date**") specified in the Optional Redemption Notice:

(i) on 29 June 2010 or on any Coupon Payment Date thereafter up to and including 29 June 2014 at their Early Redemption Amount together with accrued interest up to but excluding the Optional Redemption Date and any Outstanding Payments and

(ii) on 29 June 2015 or on any Coupon Payment Date thereafter at their principal amount together with accrued interest up to but excluding the Optional Redemption Date and any Outstanding Payments.

(C) Redemption for taxation reasons

The Securities may be redeemed at the option of the Issuer in whole, but not in part, on any Coupon Payment Date, on giving not less than 30 nor more than 60 days' notice to the Securityholders (which notice shall be irrevocable), (i) on or prior to 29 June 2015, at their Make-Whole Amount (together with interest accrued to the date fixed for redemption and all Outstanding Payments) and (ii) after 29 June 2015, at their principal amount, (together with interest accrued to the date fixed for redemption and all Outstanding Payments), if (i) either (a) the Issuer satisfies the Trustee immediately prior to the giving of such notice that it has or will become obliged to pay additional amounts as provided or referred to in Condition 8 as a result of any change in, or amendment to, the laws or regulations of the Kingdom of Denmark or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after 28 June 2005, or (b) the Issuer's treatment of items of expense with respect to the Securities as deductible interest expense for Danish tax purposes as reflected on the tax returns (including estimated returns) filed (or to be filed) by the Issuer will not be respected by a taxing authority, which subjects the Issuer to more than a *de minimis* amount of additional taxes, duties or governmental charges (each, a "**Tax Event**") and (ii) such Tax Event cannot be avoided by the Issuer taking reasonable measures available to it, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts were a payment in respect of the Securities then due. Prior to the publication of any notice of redemption pursuant to this paragraph, the Issuer shall deliver to the Trustee a certificate signed by two Directors of the Issuer stating that the obligation referred to in (i) above cannot be avoided by the Issuer taking reasonable measures available to it and the Trustee shall be entitled to accept such certificate as sufficient evidence of the satisfaction of the condition precedent set out in (ii) above in which event it shall be conclusive and binding on the Securityholders and the Couponholders.

For the purposes of these Conditions,

"**Bund Yield**" shall mean the offer yield, as determined by the Calculation Agent, on the second day on which the TARGET System is operating before the relevant date for redemption, on an Actual/Actual basis, of the "on the run" German Government bond that has a maturity closest to 29 June 2015;

"**Early Redemption Amount**" shall mean the greater of (i) par and (ii) the price, determined by the Calculation Agent, which is calculated by discounting, at the rate of the Bund Yield plus the percentage per annum set out opposite the relevant Coupon Payment Date below, the principal amount and interest due after the value date in respect of which a redemption is being exercised, up to, and including, 29 June 2015 (assuming full payment of each and the redemption of the Securities in whole thereon):

29 June 2010	0.75
29 June 2011	0.65
29 June 2012	0.55
29 June 2013	0.45
29 June 2014	0.35

"**Make-Whole Amount**" shall mean the greater of (i) par and (ii), the price, determined by the Calculation Agent, which is calculated by discounting, at the rate of the Bund Yield plus 0.75 per cent., the principal amount and interest due after the value date in respect of which a redemption is being exercised, up to, and including, 29 June 2015 (assuming full payment of each and the redemption of the Securities in whole thereon).

(D) Notice of Redemption

Where a notice of redemption is given under this Condition 6 all Securities shall be redeemed on the date specified in such notice in accordance with this Condition 6.

(E) Purchase

The Issuer or any of its Subsidiaries (as defined in the Trust Deed) may at any time when there are no unpaid Outstanding Payments purchase Securities in the open market or otherwise at any price (provided that they are purchased together with all unmatured Coupons and Talons relating to them). Any purchase by tender shall be made available to all Securityholders alike. The Securities so purchased, while held by or on behalf of the Issuer or any such Subsidiary, shall not entitle the holder to vote at any meetings of the Securityholders and shall not be deemed to be outstanding for the purposes of calculating quorums at meetings of the Securityholders or for the purposes of Condition 12(A).

(F) Cancellation

All Securities so redeemed or purchased and any unmatured Coupons or Talons attached to or surrendered with them will be cancelled and may not be re-issued or resold.

It is DONG's intention not to redeem the Securities except to the extent that the Issuer or any of its subsidiaries has raised funds preceding such redemption by the issue and sale, within the preceding period of 12 months, of either (i) ordinary shares or (ii) any security, ranking only pari passu with the Securities, with the same terms and conditions regarding maturity, ranking, deferral and replacement as those of the Securities, in an aggregate principal amount equal to or greater than the aggregate principal amount of the Securities. The coupon on any such replacement securities shall not step-up for a period of at least 10 years from their date of issue.

7. PAYMENTS AND TALONS

(A) Method of Payment

Subject to Condition 4, payments of principal and interest will be made against presentation and surrender (or, in the case of a partial payment, endorsement) of Securities or the appropriate Coupons (as the case may be) at the specified office of any Paying Agent by euro cheque drawn on, or by transfer to a euro account maintained by the payee with, a bank in a city in which banks have access to the TARGET System. Payments of interest due in respect of any Security other than on presentation and surrender of matured Coupons shall be made only against presentation and either surrender or endorsement (as appropriate) of the relevant Security.

(B) Payments subject to laws

All payments are subject in all cases to any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 8. No commissions or expenses shall be charged to the Securityholders or Couponholders in respect of such payments.

(C) Unmatured Coupons and un-exchanged Talons

Each Security should be presented for redemption together with all unmatured Coupons relating to it, failing which the amount of any such missing unmatured Coupon that is due on a Fixed Coupon Payment Date (or in the case of payment not being made in full, that proportion of the amount of such missing unmatured Coupon which the sum of principal so paid bears to the total principal amount due) will be deducted from the sum due for payment. Each amount of principal so deducted will be paid in the manner mentioned above against surrender of the relevant missing Coupon not later than 10 years after the Relevant Date (as defined in Condition 8) for the relevant payment of principal.

Upon the due date for redemption of any Security, unmatured Coupons that are due on a Floating Coupon Payment Date relating to such Security and unexchanged Talons relating to such Security (in each case, whether or not attached) shall become void and no payment shall be made in respect of such Coupons and no Coupons shall be delivered in respect of such Talons. Where any Security is presented for redemption without all unmatured Coupons or unexchanged Talons relating to it, redemption shall be made only against the provision of such indemnity as the Issuer may require.

(D) Payments on business days

A Security or Coupon may only be presented for payment on a day which is a business day in the place of presentation (and, in the case of payment by transfer to a euro account, in a city where banks have access to the TARGET System). No further interest or other payment will be made as a consequence of the day on which the relevant Security or Coupon may be presented for payment under this paragraph falling after the due date. In this Condition 7 "**business day**" means a day on which commercial banks and foreign exchange markets are open in the relevant city.

(E) Paying Agents

The initial Paying Agents, Agent Bank and Calculation Agent and their initial specified offices are listed below. The Issuer reserves the right at any time with the approval of the Trustee to vary or terminate the appointment of any Paying Agent or the Agent Bank or the Calculation Agent and appoint additional or other Paying Agents, provided that it will maintain (i) a Principal Paying Agent, (ii) a Calculation Agent, (iii) an Agent Bank, (iv) Paying Agents having specified offices in at least two major European cities approved by the Trustee (including Luxembourg, so long as the Securities are listed on the Luxembourg Stock Exchange) and (v) a Paying Agent with a specified office in a European Union member state that will not be obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any other European Union Directive implementing the conclusions of the ECOFIN Council meeting of 26th-27th November 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive.

If any of the Agent Bank, Calculation Agent or Principal Paying Agent is unable or unwilling to act as such or if it fails to make any determination or calculation or otherwise fails to perform its duties under these Conditions, the Calculation Agency Agreement or the Paying Agency Agreement (as the case may be), the Issuer shall appoint, on terms acceptable to the Trustee, an independent investment bank acceptable to the Trustee to act as such in its place. All calculations and determinations made by the Agent Bank, Calculation Bank or the Principal Paying Agent in relation to the Securities shall (save in the case of manifest error) be final and binding on the Issuer, the Trustee, the Paying Agents, the Securityholders and the Couponholders.

(F) Talons

On or after the Coupon Payment Date of the final Coupon forming part of a Coupon sheet issued in respect of any Security, the Talon forming part of such Coupon sheet may be surrendered at the specified office of the Principal Paying Agent in exchange for a further Coupon sheet (and, if necessary, another Talon for a further Coupon sheet) (but excluding any Coupon that may have become void pursuant to Condition 10.

8. TAXATION

All payments of principal and interest by or on behalf of the Issuer in respect of the Securities and the Coupons shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within the Kingdom of Denmark or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law. In that event the Issuer shall pay such additional amounts as will result in receipt by the Securityholders and the Couponholders of such amounts as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable in respect of any Security or Coupon presented for payment:

(A) Other connection

by or on behalf of a holder who is liable to such taxes, duties, assessments or governmental charges in respect of such Security or Coupon by reason of his having some connection with the Kingdom of Denmark other than the mere holding of the Security or Coupon or

(B) Presentation more than 30 days after the Relevant Date

more than 30 days after the Relevant Date except to the extent that the holder of it would have been entitled to such additional amounts on presenting such Security or Coupon for payment on the last day of such period of 30 days or

(C) Payment to individuals

where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any other European Union Directive implementing the conclusions of the ECOFIN Council meeting of 26th-27th November 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive or

(D) Payment by another Paying Agent

by or on behalf of a Securityholder or a Couponholder who would have been able to avoid such withholding or deduction by presenting the relevant Security or Coupon to another Paying Agent in a Member State of the European Union.

"**Relevant Date**" means whichever is the later of (i) the date on which such payment first becomes due and (ii) if the full amount payable has not been received by the Principal Paying Agent or the Trustee on or prior to such due date, the date on which, the full amount having been so received, notice to that effect shall have been given to the Securityholders. Any reference in these Conditions to principal and/or interest shall be deemed to include any additional amounts which may be payable under this Condition or any undertaking given in addition to or substitution for it under the Trust Deed and any Outstanding Payments.

9. DEFAULT AND ENFORCEMENT

(A) Event of Default and Liquidation

Subject to Condition 4(A), if the Issuer fails to pay any interest on any of the Securities when due (a "**Default**"), the Trustee at its discretion may, and if so instructed by Securityholders holding not less than one-fifth in principal amount of the outstanding Securities or if so directed by an Extraordinary Resolution (as defined in the Trust Deed) shall, subject in each case to its being indemnified and/or secured to its satisfaction, by written notice addressed to the Issuer, institute proceedings to obtain payment of the amounts due or institute proceedings in Denmark (but not elsewhere) for the bankruptcy (*konkurs*) of the Issuer. On a bankruptcy of the Issuer, each Security shall entitle the holder thereof to claim for an amount equal to the nominal amount of such Security plus all accrued but unpaid interest in respect of the then current interest period and, subject to Condition 2, Outstanding Payments, if any.

(B) Breach of Obligations

Subject to Condition 4(A), the Trustee may at its discretion institute such proceedings against the Issuer as it may think fit to enforce any obligation, condition, undertaking or provision binding on the Issuer under the Securities, the Coupons or the Trust Deed (other than as provided in Condition 9(A)); provided that:

(i) the Issuer shall not by virtue of the institution of any such proceedings be obliged to pay any sum or sums sooner than the same would otherwise have been payable by it; and

(ii) the Trustee shall not be obligated to institute proceedings unless it has been directed or requested to do so and indemnified and/or secured as described under Condition 9(A).

The proviso to this Condition 9(B) shall not apply to amounts due to the Trustee in its personal capacity under the Trust Deed.

(C) Other Remedies and Rights of Securityholders

No remedy against the Issuer, other than the institution of the proceedings by the Trustee referred to in Conditions 9(A) and (B) or the proving or claiming in any liquidation, bankruptcy or dissolution of the Issuer, shall be available to the Trustee, the Securityholders or the Couponholders whether for the recovery of amounts owing in respect of the Securities or the Coupons or in respect of any breach by the Issuer of any other obligation, condition, or provision binding on it under the Securities, the Coupons or the Trust Deed, provided that the proviso to Condition 9(B) shall apply to this Condition 9(C) and includes reference to proving or claiming in the liquidation, bankruptcy or dissolution of the Issuer. No Securityholder or Couponholder may proceed directly against the Issuer unless the Trustee, having become bound to proceed, fails to do so within a reasonable time and such failure is continuing.

10. PRESCRIPTION

Claims in respect of principal and interest will become void unless presentation for payment is made as required by Condition 7 within a period of 10 years in the case of principal and five years in the case of interest from the appropriate Relevant Date.

11. REPLACEMENT OF SECURITIES, COUPONS AND TALONS

If any Security, Coupon or Talon is lost, stolen, mutilated, defaced or destroyed it may be replaced at the specified office of the Paying Agent in Luxembourg subject to all applicable laws and stock exchange or other relevant authority requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer may require (provided that the requirement is reasonable in the light of prevailing market practice). Mutilated or defaced Securities, Coupons or Talons must be surrendered before replacements will be issued.

12. MEETINGS OF SECURITYHOLDERS, MODIFICATION, WAIVER AND SUBSTITUTION

(A) Meetings of Securityholders

The Trust Deed contains provisions for convening meetings of Securityholders to consider matters affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of any of these Conditions or any provisions of the Trust Deed. Such a meeting may be convened by Securityholders holding not less than 10 per cent. in principal amount of the Securities for the time being outstanding. The quorum for any meeting convened to consider an Extraordinary Resolution will be two or more persons holding or representing a clear majority in principal amount of the Securities for the time being outstanding, or at any adjourned meeting two or more persons being or representing Securityholders whatever the principal amount of the Securities held or represented, unless the business of such meeting includes consideration of proposals, *inter alia*, (i) to modify the maturity of the Securities or the dates on which interest is payable in respect of the Securities, (ii) to reduce or cancel the principal amount of, or interest on or to vary the method of calculating the rate of interest on, the Securities, (iii) to change the currency of payment of the Securities or the Coupons, or (iv) to modify the provisions relating to status or (v) to modify the provisions concerning the quorum required at any meeting of Securityholders or the majority required to pass an Extraordinary Resolution, in which case the necessary quorum will be two or more persons holding or representing not less than 75 per cent., or at any adjourned meeting not less than 25 per cent., in principal amount of the Securities for the time being outstanding. Any Extraordinary Resolution duly passed shall be binding on Securityholders (whether or not they were present at the meeting at which such resolution was passed) and on all Couponholders.

(B) Modification and Waiver

The Trustee may agree, without the consent of the Securityholders or Couponholders, to (i) any modification of any of the provisions of the Trust Deed which, in its opinion, is of a formal, minor or technical nature or is made to correct a manifest error, and (ii) any other modification (except as mentioned in the Trust Deed), and any waiver or authorisation of any breach or proposed breach, of any of the provisions of the Trust Deed which is in the opinion of the Trustee not materially prejudicial to the interests of the Securityholders. Any such modification, authorisation or waiver shall be binding on the Securityholders and the Couponholders and, if the Trustee so requires, such modification shall be notified to the Securityholders as soon as practicable.

(C) Substitution

The Trust Deed contains provisions permitting the Trustee to agree, subject to such amendment of the Trust Deed and such other conditions as the Trustee may require and the preparation of an offering circular approved by the Luxembourg Stock Exchange (if the Securities are then listed on the Luxembourg Stock Exchange), but without the consent of the Securityholders or the Couponholders, to the substitution of certain other entities in place of the Issuer, or of any previous substituted company, as principal debtor under the Trust Deed and the Securities. In the case of such a substitution the Trustee may agree, without the consent of the Securityholders or Couponholders, to a change of the law governing the Securities, the Coupons, the Talons and/or the Trust Deed provided that such change would not in the opinion of the Trustee be materially prejudicial to the interests of the Securityholders.

(D) Entitlement of the Trustee

In connection with the exercise of its functions (including but not limited to those referred to in this Condition) the Trustee shall have regard to the interests of the Securityholders as a class and shall not have regard to the consequences of such exercise for individual Securityholders or Couponholders and the Trustee shall not be entitled to require, nor shall any Securityholder or Couponholder be entitled to claim, from the Issuer any indemnification or payment in respect of any tax consequence of any such exercise upon individual Securityholders or Couponholders.

13. ENFORCEMENT

At any time after the Securities become due and payable, the Trustee may, at its discretion and without further notice, institute such proceedings against the Issuer as it may think fit to enforce the terms of the Trust Deed, the Securities and the Coupons, but it need not take any such proceedings unless (a) it shall have been so directed by an Extraordinary Resolution or so requested in writing by Securityholders holding at least one-fifth in principal amount of the Securities outstanding, and (b) it shall have been indemnified and/or secured to its satisfaction. No Securityholder or Couponholder may proceed directly against the Issuer unless the Trustee, having become bound so to proceed, fails to do so within a reasonable time and such failure is continuing.

14. INDEMNIFICATION OF THE TRUSTEE

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility. The Trustee is entitled to enter into business transactions with the Issuer and any entity related to the Issuer without accounting for any profit.

15. FURTHER ISSUES

The Issuer may from time to time without the consent of the Securityholders or Couponholders create and issue further securities either (i) having the same terms and conditions as the Securities in all respects (or in all respects except for the first payment of interest on them) and so that such further issue shall be consolidated and form a single series with the outstanding securities of any series (including the Securities) or (ii) upon such terms as the Issuer may in its sole discretion determine at the time of their issue. References in these Conditions to the Securities include (unless the context requires otherwise) any other issued securities as described in clause (i) of the preceding sentence of this Condition and forming a single series with the Securities. Any further securities forming a single series with the outstanding securities of any series (including the Securities) constituted by the Trust Deed or any deed supplemental to it shall, and any other securities may (with the consent of the Trustee), be constituted by a deed supplemental to the Trust Deed. The Trust Deed contains provisions for convening a single meeting of the Securityholders and the holders of securities of other series where the Trustee so decides.

16. NOTICES

Notices to Securityholders will be valid if published in a leading newspaper having general circulation in London (which is expected to be the *Financial Times*) and (so long as the Securities are listed on the Luxembourg Stock Exchange and the rules of that Stock Exchange so require) in a leading newspaper having general circulation in Luxembourg (which is expected to be *d'Wort*) or, if in the opinion of the Trustee such publication shall not be practicable, in an English language newspaper of general circulation in Europe. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the first date on which publication is made. Couponholders will be deemed for all purposes to have notice of the contents of any notice given to the Securityholders in accordance with this Condition.

17. CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999

No person shall have any right to enforce any term or condition of the Securities under the Contracts (Rights of Third Parties) Act 1999.

18. GOVERNING LAW

(A) Governing Law

Save as provided in the following sentence, the Trust Deed, the Securities, the Coupons and the Talons are governed by and shall be construed in accordance with English law. Condition 2 and Clause 5 of the Trust Deed are governed by and shall be construed in accordance with the laws of Denmark.

(B) Jurisdiction

The courts of England are to have jurisdiction to settle any disputes which may arise out of or in connection with the Securities, the Coupons or the Talons and accordingly any legal action or proceedings arising out of or in connection with the Securities or the Coupons ("**Proceedings**") may be brought in such courts. The Issuer has in the Trust Deed irrevocably submitted to the jurisdiction of such courts.

(C) Agent for Service of Process

The Issuer has irrevocably appointed an agent in England to receive service of process in any Proceedings in England based on any of the Securities, the Coupons or the Talons.

SUMMARY OF PROVISIONS RELATING TO THE SECURITIES WHILE IN GLOBAL FORM

The Temporary Global Security and the Permanent Global Security in respect of the Securities contain provisions which apply to the Securities while they are in global form, some of which modify the effect of the terms and conditions of the Securities set out in this document. The following is a summary of certain of those provisions:

Exchange

The Temporary Global Security is exchangeable in whole or in part for interests in the Permanent Global Security on or after a date which is expected to be 9 August 2005 upon certification as to non-U.S. beneficial ownership in the form set out in the Temporary Global Security. The Permanent Global Security is exchangeable in whole but not in part (free of charge to the holder) for the Definitive Securities described below (i) if the Permanent Global Security is held on behalf of a clearing system and such clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so, or (ii) if the Issuer would suffer a material disadvantage in respect of the Securities as a result of a change in the laws or regulations (taxation or otherwise) of any jurisdiction referred to in Condition 8 which would not be suffered were the Securities in definitive form and a certificate to such effect signed by two directors of the Issuer is delivered to the Trustee for display to the Securityholders. Thereupon (in the case of (i) above) the holder may give notice to the Trustee, and (in the case of (ii) above) the Issuer may give notice to the Trustee and the Securityholders, of its intention to exchange the Permanent Global Security for Definitive Securities on or after the Exchange Date specified in the notice.

On or after the Exchange Date (as defined below) the holder of the Permanent Global Security may surrender the Permanent Global Security to or to the order of the Principal Paying Agent. In exchange for the Permanent Global Security the Issuer will deliver, or procure the delivery of, an equal aggregate principal amount of duly executed and authenticated Definitive Securities (having attached to them all Coupons in respect of interest which has not already been paid on the Permanent Global Security), security printed in accordance with any applicable legal and stock exchange requirements and in or substantially in the form set out in Schedule 1 to the Trust Deed. On exchange of the Permanent Global Security, the Issuer will, if the holder so requests, procure that it is cancelled and returned to the holder together with any Definitive Securities.

"**Exchange Date**" means a day falling not less than 60 days after that on which the notice requiring exchange is given and on which banks are open for business in the city in which the specified office of the Principal Paying Agent is located and, except in the case of exchange pursuant to (i) above, in the cities in which the relevant clearing system is located.

Payments

No payment will be made on the Temporary Global Security unless exchange for an interest in the Permanent Global Security is improperly withheld or refused. Payments of principal and interest in respect of Securities represented by the Permanent Global Security will be made against presentation for endorsement and, if no further payment falls to be made in respect of the Securities, surrender of the Permanent Global Security to or to the order of the Principal Paying Agent or such other Paying Agent as shall have been notified to the Securityholders for such purpose. A record of each payment so made will be endorsed in the appropriate schedule to the Permanent Global Security, which endorsement will be *prima facie* evidence that such payment has been made in respect of the Securities. Condition 7(E)(iv) and Condition 8(D) of the Securities will apply to the Definitive Securities only.

Notices

So long as any Securities are represented by the Permanent Global Security and the Permanent Global Security is held on behalf of a clearing system, notices to the Securityholders may be given by delivery of the relevant notice to that clearing system for communication by it to entitled accountholders in substitution for publication as required by the Conditions except that so long as such Securities are listed on the Luxembourg Stock Exchange and the rules of that Exchange so require, notices shall also be published in a leading newspaper having general circulation in Luxembourg (which is expected to be *d'Wort*).

Prescription

Claims against the Issuer in respect of principal and interest on any Securities while the Securities are represented by the Permanent Global Security will become void unless the Permanent Global Security is presented for payment within a period of 10 years (in the case of principal) and five years (in the case of interest) from the appropriate Relevant Date (as defined in Condition 8).

Meetings

The holder of the Permanent Global Security will be treated as being two persons for the purposes of any quorum requirements of, or the right to demand a poll at, a meeting of the Securityholders and, at any such meeting, as having one vote in respect of the Security for which the Permanent Global Security may be exchanged.

Purchase and Cancellation

Cancellation of any Security required by the Conditions to be cancelled following its purchase will be effected by reduction in the principal amount of the Permanent Global Security.

Trustee's Powers

In considering the interests of Securityholders while the Permanent Global Security is held on behalf of a clearing system the Trustee may have regard to any information provided to it by such clearing system or its operator as to the identity (either individually or by category) of its accountholders with entitlements to the Permanent Global Security and may consider such interests as if such accountholders were the holder of the Permanent Global Security.

USE OF PROCEEDS

The net proceeds from the issue of the Securities, expected to amount to €1,086,767,000, will be used for refinancing of existing indebtedness and general corporate purposes.

CAPITALISATION OF DONG A/S

The first two columns of the table below set out the consolidated capitalisation of DONG as at 31 December 2004 unadjusted for the issue of the Securities or the Bonds (as defined below). The last two columns of the table below set out the pro forma capitalisation of DONG as at 31 December 2004 adjusted for the proposed issue of the Securities and Bonds (as defined below):

	As at 31 December		*Pro forma Capitalisation as at 31 December 2004 including the proposed issues of Bonds and Capital Securities*[5]	
	2004	*2004*	*2004*	*2004*
	(DKK millions)	*(€ millions)*[4]	*(DKK millions)*	*(€ millions)*[4]
Long-term liabilities other than provisions	2,448	329	6,149	826
– of which interest-bearing	2,448	329	2,448	329
– Proposed issue of Bonds (interest bearing)	—	—	3,701	497
Short-term liabilities other than provisions	8,155	1,096	8,155	1,096
– of which interest-bearing	1,451	195	1,451	195
Total interest-bearing liabilities[3]	3,899	524	7,600	1,021
Cash and cash equivalents	713	96	713	96
Net interest-bearing debt	3,186	428	6,887	926
Minority interests	695	93	695	93
Equity				
Share Capital[6]	2,144	288	2,144	288
Revaluation reserve	2,017	271	2,017	271
Retained earnings	11,488	1,544	11,488	1,544
Proposed dividends	—	—	—	—
Proposed issue of Capital Securities ..	—	—	8,082	1,086
Equity excluding undistributable reserves in regulated companies	15,649	2,103	23,731	3,190
Undistributable reserves in regulated companies	—	—	—	—
Equity	15,649	2,103	23,731	3,190
Total capitalisation[1 2 7]	19,529	2,625	31,313	4,209

1 Net interest-bearing debt and minority interests and equity excluding undistributable reserves in regulated companies.

2 On 8 June 2005 the Issuer announced its intention to issue €500,000,000 3.50% Bonds due 2012 (the "Bonds").

3 As at 31 March 2005, DONG's total gross interest bearing liabilities had increased from DKK 3.9 billion to DKK 10.8 billion, mainly due to the settlement of the Ormen Lange acquisition (US$ 1 billion) (see "Business – Funding").

4 Translated into euros at the rate of DKK7.44=€1.00, the exchange rate prevailing as at 31 December 2004.

5 The pro forma capitalisation as at 31 December 2004 has been prepared as if the proposed issues of Bonds and Securities had been issued at 31 December 2004 by including the expected net proceeds from these issues. The accounting classification of the proposed issues of Bonds and Securities has been made in accordance with IFRS.

6 The table below sets out the composition of DONG's ordinary share capital as at 31 December 2004:

Composition of share capital:

Number of shares		*Nominal value (DKK '000)*		*Total (DKK '000)*
20	at	1	=	20
18	at	10	=	180
149	at	100	=	14,900
1	at	500	=	500
1,173	at	1,000	=	1,173,000
15	at	5,000	=	75,000
1	at	10,000	=	10,000
1	at	20,000	=	20,000
17	at	50,000	=	850,000
				2,143,600

7 Save for the issue of the Securities and the Bonds and as detailed in footnote 3 above, there has been no material change in the capitalisation of the Issuer since 31 December 2004.

Overview

DONG is one of the leading energy groups in the Nordic region. DONG's headquarters are in Hørsholm, Denmark. Its business is based on procuring, producing, distributing, supplying and trading in energy and related products in northern Europe. DONG is currently 100% owned by the Danish State (the "State") through the Ministry of Finance. The State has announced its intention to list DONG's shares on the Copenhagen Stock Exchange pursuant to an initial public offering ("IPO") of a minority stake in the Company. As at 31 May 2005 DONG employs approximately 1,000 people.

DONG supplies natural gas to wholesale and retail customers in Denmark, Sweden, Germany and the Netherlands. It also owns natural gas infrastructure including off-shore gas pipelines, distribution grids and storage facilities in Denmark and one of the four Danish gas distribution companies.

DONG conducts significant exploration and production activities in relation to gas sourcing and oil activities in the North Sea, the Norwegian Sea and the North Atlantic between the Faroe Islands and Shetland Islands, with the principal aim of strengthening the vertical integration of its gas activities.

DONG is currently expanding its operations into production, distribution and supply of electricity through the acquisition of Danish electricity sector companies and the development of a renewable energies business.

For the year ended 31 December 2004 DONG generated consolidated revenue of DKK 14.3 billion and earnings before interest, tax, depreciation and amortisation ("EBITDA") of DKK 4.7 billion. As at 31 December 2004 it had consolidated assets of DKK 31.4 billion.

In December 2004 the Ministry of Finance as owner of DONG and the boards of directors of Elsam and DONG entered into an agreement setting out the main principles for a merger between DONG and Elsam. As the shareholders of Elsam subsequently entered into sale or option agreements with either DONG or Vattenfall in February 2005 the merger agreement has not been implemented.

In February 2005, DONG entered into a number of agreements conditional, among other things, on the approval of the relevant competition authorities, see "– Acquisitions". Subject to these conditions, DONG expects to complete these acquisitions to acquire ownership interests in Danish electricity sector companies:

- DONG entered into option agreements with a number of Elsam shareholders in relation to their shareholdings in Elsam A/S ("Elsam").The exercise of these options may potentially lead to the increase of the ownership interest in Elsam controlled by DONG from 24.1% up to a total of 64.7% by the end of 2005;
- DONG entered into an agreement with the City of Copenhagen to acquire the city's 100% shareholding in Københavns Energi Holding A/S ("KE Holdings") which will hold the city's 34.0% shareholding in Energi E2 A/S ("Energi E2"). KE Holding conducts the municipality's electricity activities;
- DONG entered into an agreement with the Municipality of Frederiksberg to acquire 100% of Frederiksberg Elnet A/S, Frederiksberg Forsyning Ejendomsselskab A/S and Frederiksberg Forsyning A/S (together "Frederiksberg Elnet Group"), which conducts the municipality's electricity activities, owns the associated real estate and the operational entity handling the operations of the utility activities of the municipality of Frederiksberg, and the municipality's 2.3% ownership interest in Energi E2;
- DONG entered into agreements to acquire 3.6% of the shares in Energi E2 from four other Danish municipalities; and
- DONG has entered into an agreement to acquire the 24.1% ownership interest of SEAS-NVE in Energi E2.

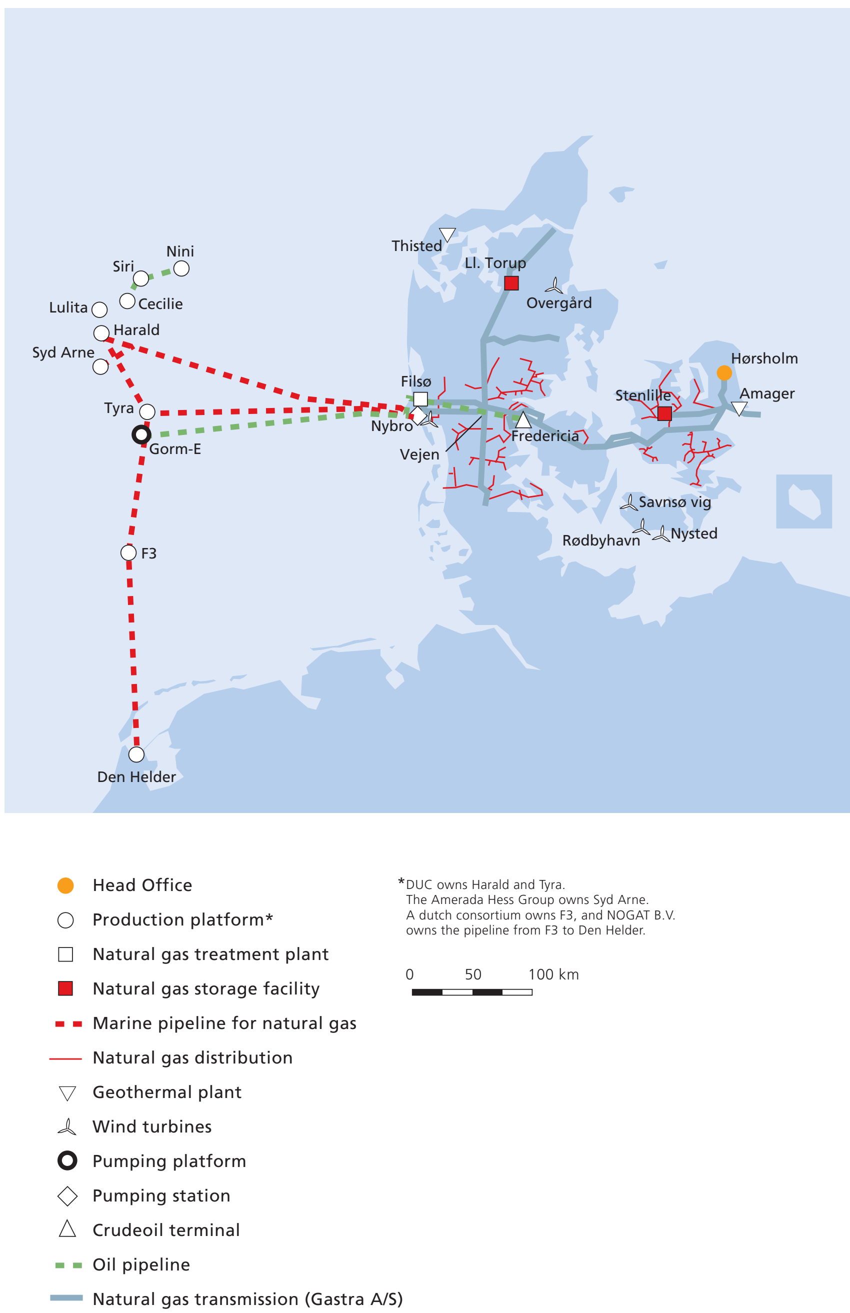
If these acquisitions are completed, Energi E2 will be fully controlled by DONG.

On 1 June 2005 DONG entered into an agreement with Vattenfall AB ("Vattenfall") to acquire its 35.3% shareholding in Elsam and a 40% interest in the Avedøre 2 power plant near Copenhagen. In consideration, DONG will transfer to Vattenfall three central power plants and other power producing assets including wind turbines and other assets and liabilities.

In February 2005, DONG also completed the acquisition of a 10.34% ownership interest in the Ormen Lange gas field ("Ormen Lange") in the Norwegian Sea and a 10.20% ownership interest in the associated Langeled pipeline.

The chart below sets out the location of DONG's principal establishments prior to the completion of the electricity acquisitions. DONG's ownership interests in licences in the Norwegian Sea and North Atlantic are not included in the chart.

DONG's oil, natural gas and renewable energy plants



History

DONG was originally formed by the Government of Denmark (the "Government") as Dansk Olie og Naturgas A/S in 1972 as the vehicle for the development of domestic energy activities.

Natural gas

In 1979, DONG obtained the only concession granted by the State to import, transmit and store natural gas in Denmark and signed its first long-term agreement with Danish Underground Consortium ("DUC"), a joint venture of AP Moeller/Maersk Oil and Gas, Shell, and Chevron Texaco, for the supply of natural gas produced at the Tyra gas field in the Danish North Sea. DONG commenced construction of a natural gas transmission network in 1980, including the gas treatment plant at Nybro in Jutland and the sub-sea pipeline connecting the Tyra gas field with the Nybro gas terminal ("Tyra-Nybro Pipeline"). The gas transmission network commenced operation in 1984. During the late 1980's and the 1990's DONG further developed its natural gas activities to include two gas storage facilities.

From 1984 gas was supplied by DUC using the Tyra-Nybro Pipeline. DONG signed its second long-term agreement with DUC in 1990 and its third long-term agreement with DUC in 1993. As natural gas volumes purchased from DUC exceeded total consumption in the Danish market, DONG commenced natural gas exports to Germany in 1984 and Sweden in 1985, developing significant interests in those markets. In 2004 DONG commenced the first natural gas exports to the Netherlands.

DONG's monopoly on the import of gas to Denmark was abolished by the Government in 1994 when it withdrew DONG's concession to import natural gas, which aimed to increase competition and to conform to the Treaty of Rome.

During 1999 and 2000 DONG acquired two out of the five Danish regional gas distribution companies from their municipal owners, thereby diversifying into retail gas supply and distribution network activities, see "Business Units – Natural Gas: Distribution and Storage".

The full deregulation of the Danish natural gas market, which was required by EU Directives, commenced on 1 July 2000 and was completed on 1 January 2004, allowing customers a free choice of supplier. As part of the deregulation, in 2003 the legislation required DONG to divide its natural gas activities into non-regulated commercial and regulated activities. DONG Naturgas A/S ("DONG Naturgas") was established to conduct all unregulated activities. DONG Transmission A/S ("DONG Transmission"), DONG Storage A/S ("DONG Storage") and DONG Distribution A/S ("DONG Distribution") were established to conduct regulated infrastructure activities and DONG Faste Vilkar A/S ("DONG Faste Vilkar") was established to conduct the regulated supply committed activities in DONG's gas distribution areas. DONG Faste Vilkar subsequently became a subsidiary of DONG Naturgas.

As part of DONG's restructuring and as a first step in the preparation of the privatisation, DONG sold DONG Transmission to the State on 1 January 2004, which was subsequently renamed Gastra A/S ("Gastra").

Exploration and Production

In 1984 the Government assigned to DONG a 20% interest in all new Danish Exploration and Production ("E&P") licences. DONG no longer receives such interest in new licences. DONG was initially a passive investor, but started developing in-house commercial E&P activities and engaging in additional investments during the latter half of the 1990s. During 1998 and 1999 oil and gas production commenced from the Danish Lulita, Syd Arne and Siri fields, in which DONG has an ownership interest. Since 2002 DONG has operated the Siri field and has developed its E&P business with the acquisition of further licences and the development of further activities in Denmark, Norway, the Faroe Islands and the UK. During 2003 and 2004 DONG's oil and gas production averaged approximately 50,000 boe per day.

In order to secure access to its own sources of natural gas ("equity gas" or "own production gas") in the long-term, DONG recently acquired a 10.34% interest in the Ormen Lange and a 10.20%

interest in the Langeled pipeline infrastructure linking the Ormen Lange field to Easington on the east coast of the UK, see "– Acquisitions".

Electricity and Renewable Energy

Prompted by the deregulation of the natural gas industry in Denmark, since 2002 DONG has acquired significant interests in electricity sector assets in Denmark. In 2001 DONG also commenced production of renewable energies, focussed principally on wind power. See "– Acquisitions" and "– Business Units – Electricity Generation, Distribution and Supply Activities".

Ownership and Structure

DONG A/S is the holding company of the Group. A number of the administrative functions are performed by DONG A/S and the majority of the Group's staff is employed by DONG A/S. All primary business activities are conducted through DONG's subsidiaries, the principal ones of which are set out in the table below, together with DONG's current ownership interests in Elsam and Nesa.

E&P	Natural Gas Trade & Supply	Natural Gas Distribution & Storage	Electricity & Renewables	Oil Pipeline
DONG Efterforskning og Produktion A/S 100%* DONG Norge AS 100%	DONG Naturgas A/S 100%* DONG Sverige AB 100% DONG Naturgas Pipelines A/S 100% DONG Faste Vilkår A/S 100% Dangas GmbH 100%*/** Nova Naturgas AB 20%*	DONG Distribution A/S 100%* DONG Lager A/S 100%*	DONG VE A/S 100%* DONG E1 A/S 100%* (including Energigruppen Jylland A/S 66%) NESA A/S 13% Elsam A/S 24%	DONG Olierør A/S 100%*

Main division company

Notes: * Subsidiaries directly owned by DONG A/S

** Transmission pipeline to connection to the German network

DONG's non-regulated commercial gas activities are undertaken by the DONG Naturgas group of companies, which also conducts the regulated supply committed activities, DONG's regulated gas infrastructure activities are undertaken by DONG Distribution and DONG Storage. DONG's principal E&P activities are undertaken by DONG E&P A/S and its subsidiary DONG Norge AS (together "DONG E&P"). DONG's renewable energies activities are undertaken by the DONG VE A/S group of companies.

The energy sector has traditionally been subject to broad political agreements. Such agreements have provided an effective mechanism for stability and provided guidelines for detailed legislation to be implemented. Since 1985 the different Governments have entered into a number of agreements with political parties in Parliament and the Danish energy companies covering a broad range of subjects. The latest relevant agreements are:

- an agreement dated 7 October 2004 concerning the terms and conditions for sale of shares in DONG A/S;
- an agreement dated 29 March 2004 concerning the development of the Danish energy sector;
- an agreement dated 20 February 2002 concerning changing the Electricity Supply Act and decentralised heat and power production;
- an agreement dated 29 May 2001 concerning natural gas supply and energy savings; and
- an agreement dated 22 March 2000 concerning reform follow-up in the energy area.

In October 2004 the Government entered into a political agreement with a broad majority of the remaining parties in Parliament setting out the primary terms for sale of the State's shares in DONG. The agreement provides for a sale of shares by the means of an IPO conditional upon the State maintaining a controlling interest as long as DONG owns natural gas infrastructure.

Any sale by the State of its controlling interest in DONG prior to 1 January 2015 would normally require an unanimous decision by all the political parties participating in the agreement. The political agreement covering the future sale of DONG is broadly supported by all but one of the political parties represented in Parliament representing 97% of votes in Parliament.

It is the understanding of DONG's management that it is the intention of the State to carry through the IPO as soon as practically possible, taking into account, amongst other things, the timing of the approval from the relevant competition authorities of the acquisitions entered into (see ''– Acquisitions'') and the process of integrating the new companies. The State, through the Ministry of Finance, and DONG commenced preparations for the IPO in 2004. In particular, DONG has instituted corporate practices broadly equivalent to those of a listed company in order to assist its transition to a public listed company.

Strategy

DONG's overall objective is to secure its competitiveness and long-term position in the Northern European energy market. DONG's strategy to fulfil this objective has three aspects:

Gas Sourcing

In order to maintain DONG's strong position as a supplier of natural gas once the supply of natural gas from DUC declines (see ''– Competition''), DONG requires access to alternative competitive supplies of gas through either competitive pricing or flexibility in delivery.

DONG E&P aims to develop a strong portfolio of equity gas with the aim of supplying 30% to 40% of DONG's gas sales by 2010. In addition, DONG aims to ensure that 60% to 70% of its gas sales are met by long-term contracts, including any remaining volumes from DUC and from new suppliers. In order to meet this objective, the focus of DONG's E&P activities has been changed from oil exploration and production to establishing natural gas reserves and production. The acquisition of a 10.34% ownership interest in the Ormen Lange represents a major step in the fulfilment of this strategy (see ''– Acquisitions'').

Gas market share

It is DONG's strategic ambition in its natural gas activities to maintain its market leadership in Denmark and Sweden and to become a niche supplier in Germany and the Netherlands.

In order to maintain its market leadership in the deregulated Danish and Swedish markets DONG is focusing on supplying competitive gas based on an element of own production and added value through customer service, product development (including offering fixed and capped prices) and establishing partnerships. DONG also aims to increase gas sales activities in Germany and the Netherlands, especially through developing partnerships with local distribution and supply companies.

To this effect in 2004 DONG acquired the gas supply activities of Nova Naturgas AB (''Nova Naturgas'') in Sweden, 25.1% of the utility company Energie und Wasser Lübeck GmbH (''EWL'') in Germany and in June 2005 announced the acquisition of the gas and electricity supply company Intergas Supply B.V. (''Intergas'') in the Netherlands (subject to certain conditions), see ''– Natural Gas: Trade and Supply''.

Integrate with the electricity sector

It is DONG's strategic aim to integrate with companies in the electricity sector in order to create a leading Danish integrated energy company, which is able to compete effectively in the northern European energy market.

DONG has entered into a number of conditional acquisition agreements establishing the basis for consolidation of its business as a fully integrated energy company, see ''– Acquisitions''. In combining DONG's vertically integrated natural gas business with electricity production, distribution and supply, DONG expects to obtain an improved market position in the energy market through realisation of cost synergies, energy optimisation synergies, minimising risk through existing natural hedges between the businesses and obtaining a more effective financial and tax structure.

Acquisitions

Recent Acquisitions

In furtherance of its strategy, since 31 December 2004, DONG has entered into agreements in relation to the following share or business acquisitions in the Danish electricity sector.

In December 2004 the Ministry of Finance as owner of DONG and the boards of directors of Elsam and DONG entered into an agreement setting out the main principles for a merger between DONG and Elsam. As the shareholders of Elsam subsequently entered into sale or option agreements with either DONG or Vattenfall in February 2005 the merger agreement has not been implemented.

Agreement to Acquire Shares in Elsam

As at 31 May 2005 DONG controlled a 24.1% shareholding in Elsam through two subsidiaries, one of which is partly owned by a minority shareholder, Energi Midt Holding amba. The indirect ownership interest in Elsam of Energi Midt Holding amba is approximately 2% but DONG has committed to buy these shares.

In February 2005 DONG entered into option agreements with nine shareholders with a collective ownership interest of 40.6% in Elsam, Denmark's largest producer of electricity and heat, for a total price of DKK 9.7 billion. The exercise of these options would increase DONG's shareholding in Elsam up to 64.7%. Under the terms of the agreements DONG must pay an aggregate of DKK 4.2 billion in cash and an aggregate of DKK 5.5 billion in cash or by the issue of shares in DONG at the option of each seller. The options to acquire Elsam shares for DKK 5.5 billion payable in cash or by the issue of DONG's shares expire in February 2008.

In February 2005 the Swedish State-owned electricity utility company Vattenfall announced the acquisition of 35.3% of the issued shares in Elsam, which constitutes all Elsam shares not presently owned by DONG or subject to an agreement between DONG and other existing shareholders in Elsam.

On 1 June 2005 DONG entered into an agreement with Vattenfall to acquire its 35.3% shareholding in Elsam. Under the agreement DONG, through Energi E2 will acquire Vattenfall's 40% shareholding in the Avedøre 2 power plant near Copenhagen. As consideration DONG will transfer to Vattenfall three central power plants (Fynsværket, Amagerværket and Nordjyllandsværket), other power producing assets including wind turbines as well as 23.7% of certain other assets and liabilities in Elsam and Energi E2 including 23.7% of their combined net interest bearing debt.

Pursuant to a shareholders agreement entered into between Elsam shareholders, to which DONG is not a party, the Elsam shares sold to Vattenfall (and subsequently resold to DONG) are subject to pre-emptive rights, under which those shares could be acquired by such shareholders upon payment of an equivalent sales price.

Vattenfall has taken the view that the pre-emption rights are no longer in force and cannot be invoked by other Shareholders. The pre-emption procedure will therefore not be initiated by Vattenfall or Shareholders, who have sold their shares to Vattenfall. All Elsam Shareholders who have not sold their shares to Vattenfall have entered into agreements with DONG and DONG expects the completion of these acquisitions to occur towards the end of 2005 or by early 2006, subject to approval by the relevant competition authorities, see "– Approval of the Competition Authorities". DONG's management does not expect that the remaining shareholders will invoke any pre-emption rights

As at 31 May, 2005 Elsam held a 86.4% shareholding in Nesa A/S ("Nesa"), the country's largest power distributor, with DONG holding a 13.0% shareholding and the remaining 0.6% held by other investors.

DONG's acquisition of shares in Elsam in 2003 and 2004 has been contested by some shareholders in Elsam. DONG believes that following completion of the acquisition of Elsam and implementation of its agreement with Vattenfall, it is unlikely that any further action will be taken by such shareholders.

Agreement to Acquire Shares in Energi E2 and KE Holding

In February 2005 DONG entered into an agreement with the City of Copenhagen to acquire its 100% shareholding in KE Holding, and thereby the city's 34.0% interest in Energi E2, Denmark's second largest electricity generator, for a total price of DKK 10.5 billion. The acquisition price for KE Holding of DKK 4.7 billion excluding its shares in Energi E2 is subject to adjustment primarily to reflect changes in working capital and net debt assumed by DONG according to specifications stated in the purchase agreement. DONG expects the completion of these acquisitions to occur during the second half of the financial year ending 31 December 2005 or at the beginning of the 2006 financial year, subject to approval by the relevant competition authorities, see "– Approval of the Competition Authorities", and, in respect of the acquisition of the Energi E2 shares, approval by other Energi E2 shareholders in accordance with the shareholders' agreement in force with respect to that company. Under the terms of the agreement DONG will pay DKK 3.5 billion in cash while the balance of DKK 7.0 billion is payable at DONG's option, by the issue of shares in DONG, the issue of a bilateral three-year debt instrument or cash. The option of issuing shares in DONG is subject to approval by the State.

Agreements to Acquire Shares in Energi E2 and the Frederiksberg Elnet Group

In February 2005 DONG entered into agreements to acquire a further 30.0% shareholding in Energi E2 (as further described below) to increase its direct shareholding in Energi E2 to 64.0%. The remaining 36.0% shareholding in Energi E2 is owned by Nesa. Elsam owns a 86.4% shareholding in Nesa and DONG 13%. Accordingly, this acquisition gives DONG control of Nesa subject to the acquisition of Elsam shares.

Under these arrangements DONG:

- entered into an agreement with the Municipality of Frederiksberg to acquire 100% of the Frederiksberg Elnet Group and the municipality's 2.3% ownership interest in Energi E2, for a total price of DKK 1.0 billion, payable in cash. Of this amount, DKK 0.4 billion constitutes the amount payable for the acquisition of shares in Energi E2 and DKK 0.6 billion constitutes the amount payable for the acquisition of the Frederiksberg Elnet Group. The acquisition price for the Frederiksberg Elnet Group is subject to adjustment primarily for changes in working capital and net debt assumed by DONG, according to specifications stated in the purchase agreement; and
- entered into agreements to acquire 3.6% of the shares in Energi E2 from four other Danish municipalities for an aggregate price of DKK 0.6 billion, payable in cash; and
- entered into an agreement to acquire the 24.1% ownership interest of SEAS-NVE in Energi E2 for a total price of DKK 4.0 billion by the issue of shares in DONG, subject to approval by the State or otherwise in cash.

DONG expects the completion of these acquisitions to occur in late 2005 or early 2006, subject to approval by the competition authorities, see "– Approval of the Competition Authorities" and with respect to the acquisition of shares in Energi E2, approval by other Energi E2 shareholders in accordance with the shareholders' agreement.

For further information concerning the businesses conducted by Elsam, Energi E2, Nesa, the Frederiksberg Elnet Group and KE Holding, see "– Business Units – Electricity Generation, Distribution and Supply Activities".

In the case of acquisitions of shares in Elsam and Energi E2 DONG has not had access to detailed internal information regarding these companies and therefore its ability to perform due diligence on those companies has been limited.

Approval of the Competition Authorities

Following the conclusion of the agreement with Vattenfall on 1 June 2005 concerning the acquisition of shares in Elsam, Nesa and Energi E2, DONG is required to apply for approval of the contemplated electricity sector acquisitions by the relevant competition authorities. DONG's management expects that the approval process will be handled by the EU Commission (the "Competition Authority") (see, "– Acquisitions"). The management of DONG further believes that the disposal of major power producing assets in both the Western and Eastern part of Denmark to Vattenfall, (see "– Acquisitions") will contribute to satisfying any requirements of the Competition Authority.

The Competition Authority may impose further measures on DONG in order to increase competition in the Danish energy market. The impact of the measures that may be required by the Competition Authority on DONG's financial position cannot be ascertained until the relevant rulings have been made.

Potential dilution in State Ownership prior to IPO

A dilution of the State's 100% ownership interest in DONG may occur prior to the IPO if the shares acquired by DONG in Elsam, Energi E2 and KE Holding referred to above are partly settled by the issue of shares in DONG through an increase in its authorised share capital. Any such share issues may dilute the State ownership but the State will, in all eventualities, control DONG.

Acquisition of interest in Ormen Lange

In February 2005 DONG completed the acquisition of a 10.34% interest in Ormen Lange and a 10.20% interest in the associated Langeled pipeline for a total of US$ 1.2 billion. The acquisition of the interest in Ormen Lange represents a major step in DONG's strategy of changing its focus from oil exploration and production to establishing natural gas reserves and production. Following the completion of the acquisition, on 1 February 2005 DONG's natural gas reserves constituted approximately 76% of its total oil and gas reserves compared to approximately 20% prior to the acquisition. Gas production from Ormen Lange is expected to commence in late 2007 and DONG's share of Ormen Lange production is expected to be approximately 2.2 billion m^3 of gas from 2009. DONG paid approximately U.S.$0.2 billion of the purchase price in November 2004 and the remaining U.S.$1.0 billion in February 2005.

Business Units

The core business activities of DONG comprise:

- natural gas, trade and supply;
- natural gas, distribution and storage;
- exploration and production;
- electricity and renewable energy; and
- oil pipeline activities.

The table below sets out the revenue and EBITDA of each business segment of DONG for each of the two years ended 31 December 2003 and 2004.

	Year ended 31 December 2004	2003
	(In DKK millions)	
Revenue		
Natural Gas, Trade & Supply	10,022	9,988
Natural Gas, Distribution & Storage	861	884
Exploration & Production	3,192	3,187
Electricity & Renewable energy	533	627
Oil Pipeline	373	445
Natural Gas, Transmission (Gastra)	—	922
Other activities (including eliminations)	(689)	(1,786)
Total	14,292	14,267
EBITDA		
Natural Gas, Trade & Supply	1,907	2,147
Natural Gas, Distribution & Storage	596	614
Exploration & Production	1,900	1,995
Electricity & Renewable energy	141	123
Oil Pipeline	95	84
Natural Gas, Transmission (Gastra)	—	525
Other activities (including eliminations)	48	59
Total	4,687	5,547

Natural Gas

DONG, through its subsidiary DONG Naturgas, holds a leading position in the Danish and Swedish natural gas markets, and makes significant additional natural gas exports to the German market. DONG's business activities in natural gas comprise both the trade and supply of natural gas to wholesale and retail customers and the distribution and storage of natural gas using DONG's natural gas infrastructure.

Natural Gas: Trade and Supply

For each of the years ended 31 December 2004 and 2003 the trade and supply of natural gas by DONG generated gross revenues per year of DKK 10.0 billion (equal to 70.1% of Group gross revenues in the year ended 31 December 2004 and 70.0% of Group gross revenues for the year ended 31 December 2003). For the year ended 31 December 2004 the trade and supply of natural gas by DONG generated EBITDA of DKK 1.9 billion (equal to 40.7% of Group EBITDA) compared to EBITDA of DKK 2.1 billion (equal to 38.7% of Group EBITDA) for the year ended 31 December 2003. For the year ended 31 December 2004 DONG's gross natural gas sales amounted to 7.5 billion m3, compared to 7.1 billion m^3 for the year ended 31 December 2003.

DONG's natural gas sales are made both domestically and internationally.

Domestic sales

DONG's domestic natural gas sales are divided between the wholesale market, including independent supply companies, and the end-consumer market, comprising power plants and industrial, commercial and residential customers. In addition to commercial gas sales DONG has regulated supply committed activities in the two geographical areas where DONG holds gas distribution licences.

DONG is the major incumbent supplier in the Danish market. For the year ended 31 December 2004 management of DONG estimates that sales to its end customers constituted a domestic market share of 66% (a reduction from an estimated 70% market share for the year ended 31 December 2003).

The decrease in DONG's market share was caused by the liberalisation of the Danish natural gas market which was completed by 1 January 2004. Management expects the liberalisation of the Danish natural gas market to continue to decrease DONG's domestic market share but for DONG to continue to be a major supplier in the Danish market.

International sales

In 2004 DONG had an increase in its sales in Northern Germany, the Netherlands and Sweden, which more than offset the decrease in its domestic market share. In particular, sales to the Dutch market were positively impacted following the construction and commissioning of the off-shore pipeline connecting the Tyra platform in the Danish sector to the Dutch Nogat off-shore infrastructure (the ''Tyra-Nogat link''). A principal focus of DONG's management is to grow DONG's international natural gas sales activities. DONG is active in the following countries:

Sweden

DONG is a major gas supplier in the Swedish market, which has historically relied on gas produced in the Danish North Sea. DONG exports significant volumes of natural gas through the Danish transmission system on long-term contracts to major distribution and supply companies as well as significant end consumers. DONG owns a 20.0% shareholding in the Swedish gas transmission company Nova Naturgas AB and in October 2004, for a price of DKK 113 million, acquired its supply operations (now renamed ''DONG Sverige''), which supplied 920 million m^3 of gas to the Swedish market for the year ended 31 December 2003.

Germany

Since 1984 DONG has exported significant volumes of natural gas to major German distribution and supply companies on long-term contracts through the Danish transmission system. In November 2004 DONG acquired a 25.1% interest in the North-West German utility company EWL for the price of € 60 million. DONG has the right to appoint one of the two managing directors of EWL and may increase its shareholding to 49.9% of EWL if the majority owners, Stadtwerke Lübeck and Hansestadt Lübeck exercise a put option which requires DONG to purchase an additional 24.8% of their shares in that company for a price of € 66 million. As at 31 December 2004 EWL had approximately 200,000 customers and for the year ended 31 December 2004, supplied a total of 4.4 TWh in energy (gas, electricity and heat) and generated gross revenues of DKK 1.6 billion, compared to gross revenues of DKK 1.5 billion for the year ended 31 December 2003. DONG intends to undertake both gas and electricity sales activities in Northern Germany through a joint venture sales company in which it holds a 75% interest, with the minority 25% interest being held by EWL.

The Netherlands

DONG entered the Dutch market in 2004 following the construction of an offshore pipeline, jointly owned by DONG and the DUC partners, which connects the Tyra platform in the Danish sector in the North Sea to the Tyra-Nogat link supplying gas to Den Helder in the Netherlands. The first supplies using this pipeline commenced in July 2004. DONG has entered into the first major sales contracts for volumes of up to 1 billion m^3 per year to the Dutch market. DONG has also established a sales office in the Netherlands.

In June 2005 DONG entered into a conditional agreement with Intergas Energie N.V. to acquire their Dutch gas supply company, Intergas Supply, for € 47 million. Intergas Supply has approximately 150,000 gas consumers and 30,000 electricity customers and had a turnover of approximately DKK 850 million in the year ended 31 December 2004. Intergas Supply operates in the southern part of the Netherlands and supplied approximately 500 million m3 of gas and 150 Gwh of electricity to the Dutch market in 2004. With the acquisition of Intergas Supply, DONG has implemented an important step in its strategy to obtain a larger position in the Dutch market.

Natural gas procurement

At present DONG supplies its customers with Danish North Sea natural gas procured predominantly from long-term supply contracts.

DONG's current gas procurement portfolio comprises 97% natural gas supplied from long-term contracts (including volumes supplied by DUC), 1% in gas supplied from short-term bilateral agreements and 2% gas supplied from own production.

DONG's gas supply business has historically been based on the procurement of gas produced in the Danish North Sea by DUC on long-term take-or-pay contracts. DONG is contractually entitled to receive up to 7.5 billion m^3 of gas from the DUC partners per year until at least 2009, following which volumes and duration is dependent upon the size of the gas reserves in the fields owned by the DUC partners. Following an agreement with the EU Competition Authority, DUC must now supply set quantities of natural gas from its fields to customers other than DONG and grant third parties supply interests in new discoveries made by it prior to offering those interests to DONG, see "– Competition".

DONG acquires a small amount of gas from the Syd Arne and Lulita fields on long-term contracts including its own production interests in these fields. These additional sources of natural gas are dependent on the seller's nomination and provide DONG up to 0.5 billion m3 in natural gas per year.

DONG's strategic aim is to balance its gas procurement portfolio by 2010 so that 30 to 40% of its natural gas procurement comprises gas supplied from its own production and the balance is primarily obtained from long-term gas contracts.

DONG's recent acquisition of a 10.34% shareholding in the Ormen Lange gas field is expected to make a major contribution to achieving DONG's strategic aim of ensuring that 30 to 40% of its gas procurement portfolio comprises its own production gas. The Ormen Lange gas field is expected to commence production in late 2007 and DONG's share of production is expected to be 2.2 billion m^3 of natural gas per year by 2009, see "– Exploration and Production".

Energy trading

DONG has established an energy trading unit which is active in gas, power and oil trading in Northern Europe, particularly on the gas trading hubs in the Netherlands and on the National Balancing Point in the UK. The responsibilities of the unit include the short-term balancing of DONG's gas supply and sales through gas trading hubs in Northern Europe and managing DONG's commodity hedging activities including oil derivatives.

Infrastructure assets owned by DONG Naturgas

DONG Naturgas owns the two off-shore pipelines transporting gas from the Danish North Sea production facilities on-shore and the gas treatment plant at Nybro located on the West coast of Jutland, where the gas pipelines link up to the Danish on-shore transmission network owned by Gastra. These pipelines are open to third parties under third party access rules ("TPA") which require DONG to provide non-discriminatory access to its pipeline capacity. The first of the two off-shore pipelines was completed in 1984. In 1998 a second pipeline was constructed primarily for security of supply purposes.

DONG Naturgas also has a 50% shareholding in the Tyra-Nogat link. DONG has the capacity to transport more than 2 billion m^3 of natural gas to the Netherlands per year through the Tyra-Nogat pipeline. This pipeline became operational in the 3rd quarter of the year ended 31 December 2004.

As at 31 December 2004 the book value of the DONG Naturgas infrastructure assets was DKK 4.0 billion, compared to DKK 4.1 billion as at 31 December 2003.

Natural Gas: Distribution and Storage

DONG generates revenue from charges for the transportation of natural gas through its distribution network and the storage of natural gas at its facilities.

In the year ended 31 December 2004 the distribution and storage of natural gas by DONG generated gross revenues of DKK 861 million (equal to 6.0% of Group gross revenues) compared to gross revenues of DKK 884 million (equal to 6.2% of Group gross revenues) for the year ended 31 December 2003. In the year ended 31 December 2004 the distribution and storage of natural gas by DONG generated EBITDA of DKK 596 million (equal to 12.7% of Group EBITDA) compared to

DKK 614 million (equal to 11.1% of Group EBITDA) for the year ended 31 December 2003. Income from distribution and storage activities are subject to regulation by the Danish Energy Authority ("DEA") authorities. This financial regulation limits income to that which covers the costs of the efficient operation of the relevant infrastructure, and which provides an equitable rate of return, see "Regulation".

In Denmark gas transmission, storage and distribution can only be carried out under licence. Licences are granted by the DEA for 20-year periods. DONG's gas distribution and storage licences were granted in 2003 and expire in 2023, at which time they are expected to be renewed. Gas transmission, storage and distribution grids must be open to access by third parties on regulated terms and tariffs, which are outlined in regulations. Gas storage must be open to access by third parties on terms and tariffs which may be negotiated but which cannot be discriminatory. Regulated Danish gas companies are supervised by the independent Danish Energy Regulatory Authority ("DERA").

As at 31 December 2004 the book value of the DONG Distribution and DONG Storage assets was DKK 6.2 billion, compared to DKK 6.1 billion as at 31 December 2003.

Distribution

DONG owns an extensive natural gas distribution network. The distribution network was constructed in the 1980's and 1990's with an expected lifetime on the steel and plastic pipes of at least 60 years.

DONG operates in the southern half of Jutland (with approximately 65,000 connected customers as at 31 December 2004) and in south and west Zealand (with approximately 44,000 connected customers as at 31 December 2004). DONG Distribution is responsible for transporting gas to customers, gas metering and connecting new customers in these two areas.

For the years ended 31 December 2004 and 31 December 2003 DONG's Danish gas distribution network supplied approximately 109,000 customers (approximately 33% of the Danish retail market) and approximately 106,000 customers (approximately 33% of the Danish retail market), respectively. For the years ended 31 December 2004 and 31 december 2003, DONG distributed approximately 1.0 billion m^3 of gas (approximately 25% of the Danish retail market), and approximately 1.1 billion m^3 of gas (approximately 25% of the Danish retail market), respectively. The main users of DONG's distribution network are Danish gas suppliers including DONG Naturgas.

Storage

DONG Storage owns the only two underground gas storage facilities in Denmark, the first, a salt cavity storage, located at Ll. Torup in Northern Jutland, and the second, an aquifer storage, is located in Stenlille on Zealand. These storage facilities have a combined capacity of 760 million m^3, comprising approximately 600 million m^3 which is available for commercial use and approximately 160 million m^3 which is sold to the Danish gas transmission system operator, Gastra (previously DONG Transmission) (which uses the capacity for the purposes of system balancing and providing an emergency supply). The State acquired ownership of Gastra from DONG on 1 January 2004. The main users of DONG's storage facilities are Danish gas suppliers including DONG Naturgas.

The storage facilities have a maximum extraction rate of approximately 13 million m^3 per day under normal operating conditions.

The storage capacity in DONG's two gas storage facilities is currently sufficient to cater for the demand for storage in the Danish and Swedish market.

Natural Gas and Oil Exploration and Production

DONG engages in all E&P activities including the acquisition of interests in licences, interests in fields under development or producing, gas and oil exploration, development, production and sales activities. In order to increase DONG's competitiveness and secure supplies for DONG's natural gas customers in Denmark, Sweden and other markets in Northern Europe, DONG's E&P activities are focused on natural gas.

For the years ended 31 December 2004 and 2003 DONG's E&P activities generated revenues of DKK 3.2 billion (equal to 22.3% of Group revenues). For the year ended 31 December 2004 DONG's E&P activities generated EBITDA of DKK 1.9 billion (equal to 40.5% of Group EBITDA) compared to DKK 2.0 billion (equal to 36.0% of Group EBITDA) for the year ended 31 December 2003.

Exploration Licences

As at 31 May 2005 DONG had interests in a total of 61 exploration licences, which are primarily concentrated in the North Sea, the Norwegian Sea and the North Atlantic between the Faroe Islands and Shetland Islands. DONG's licences comprise 29 licences in the Norwegian sectors, 14 licences in Danish sectors, 13 licences in British sectors and five licences in the Faroese sector.

Production

DONG has expanded its ownership interests in gas fields, with the aim of reducing its reliance on the supply of gas from third parties and supporting its broader strategy of becoming a fully integrated horizontal and vertical gas company.

DONG's oil and gas production has decreased to approximately 48,000 boe per day for the year ended 31 December 2004 compared to approximately 52,000 boe per day for the year ended 31 December 2003. The decrease is primarily related to a leakage on the oil pipeline from the Tambar field blocking production from this field for some months. For the year ended 31 December 2004 DONG supplied a total of 17.6 million boe compared to 18.8 million boe for the year ended 31 December 2003.

DONG's current production is concentrated in three geographical areas, which each contribute approximately one third of its oil and natural gas production: the Syd-Arne field in Denmark, the Ula-Gyda-Tambar-Glitne fields in Norway and the Siri-Nini-Cecilie fields on the Danish shelf.

In February 2005 DONG completed the acquisition of a 10.34% ownership interest in Ormen Lange and a 10.2% ownership interest in the Langeled pipeline. Ormen Lange is expected to commence production in late 2007 and DONG's share of production is expected to be approximately 2.2 billion m^3 of natural gas per year by 2009. From 2005 to 2010 DONG expects to invest approximately DKK 5 billion in the development of Ormen Lange and associated Langeled pipeline. DONG has also acquired a 20% ownership interest in the Laggan gas field, which it expects will commence production between 2009 and 2011.

Exploration partners of DONG have indicated significant discoveries of oil and gas in three of its British and Faroese licences. DONG expects these fields to commence production in the medium-term. In particular, a promising oil and gas find has been made at Rosebank/Lochnagar. Within the next five to seven years DONG expects its equity production of gas to reach 3 to 4 billion m^3 per year and a total of 140,000 boe of oil and natural gas per day.

Reserves

As at 31 December 2004 DONG's proven and probable oil and gas reserves ("2P reserves"), which are calculated in accordance with Society of Petroleum Engineers guidelines, were 95 million boe, of which oil reserves constituted 80%. DONG's acquisition of the interest in Ormen Lange has provided another 277 million boe according to the Ormen Lange "Plan for Development and Operation" used in connection with the valuation of reserves provided to Norwegian authorities.

Electricity Generation, Distribution and Supply Activities

DONG has ownership interests in electricity sector companies and assets and also produces renewable energy. Since 2001 DONG has developed business activities within the electricity sector and acquired direct and indirect ownership interests in electricity production and utility companies in Denmark.

For the year ended 31 December 2004 DONG's electricity and renewable energy activities generated gross revenues of DKK 533 million (equal to 3.7% of Group gross revenues) compared to DKK 627 million (equal to 4.4% of Group gross revenues) for the year ended 31 December 2003. For the year ended 31 December 2004 DONG's electricity and renewable energy activities generated

EBITDA of DKK 141 million (equal to 3.0% of Group EBITDA) compared to DKK 123 million for the year ended 31 December 2003 (equal to 2.2% of Group EBITDA).

Elsam

As at 31 May 2005 DONG controlled a 24.1% shareholding in Elsam. Subject to the completion of agreements entered into by DONG with shareholders of Elsam in February 2005 and with Vattenfall on 1 June 2005, DONG expects to achieve effective control of Elsam by the end of 2005 or beginning of 2006. See "– Acquisitions". Under the agreement with Vattenfall certain of Elsam's assets including two central power plants and certain other assets and liabilities are to be transferred to Vattenfall upon completion expected to clear late 2005 or early 2006.

Elsam is an unlisted limited liability company with its registered address at Skærbæk, Fredericia in Jutland. Elsam has historically been owned by consumer and municipal owned power distribution companies. As at 31 May Elsam held 86.4% of the Zealand based power distribution and supply company Nesa. For the year ended 31 December 2004 Elsam, including Nesa had an average of 2,222 employees.

Elsam is Denmark's largest producer by volume of electric energy and heat for district heating. Elsam is also the largest operator of wind turbines in Denmark. Elsam produces electricity and heat from seven central power plants, a range of waste fired power plants and wind turbines. It also engages in energy engineering services.

For the year ended 31 December 2004 Elsam produced 16.3 TWh of electricity from approximately 4.2 GW of installed capacity and produced 11 TWh of heat. Elsam's electricity output was equivalent to approximately 50% of the total Danish electricity output. For the year ended 31 December 2003 Elsam produced 19.0 TWh of electricity from approximately 4.2 GW of capacity and 9.5 TWh of heat, which was equivalent to approximately 42% of the total Danish electricity output. Electricity is sold in the northern European electricity market and heat is sold to local heat supply companies. In addition, Elsam operates 417 MW of wind power capacity. It has almost 500 wind turbines primarily in Jutland, Funen and off-shore in the North Sea. According to the commitment made to the Danish Competition Authority in connection with its purchase of Nesa, Elsam is required to sell all its gas-fired local combined heat and power stations ("CHP"), with a total of 230 MW production capacity. Elsam has disposed of 148 MW of production capacity corresponding to approximately 64% of the required disposition. DONG expects to dispose of the remaining capacity through the sale of five gas-fired CHP plants during the year ending 31 December 2005.

For the year ended 31 December 2004 Elsam's net revenue (which included Nesa's results from 1 April 2004) was DKK 9.3 billion with a net profit of DKK 2.0 billion, compared to a net turnover of DKK 7.4 billion and a net profit of DKK 2.2 billion for the year ended 31 December 2003. As at 31 December 2004 Elsam's equity capital was DKK 15.8 billion and its total assets were DKK 34.5 billion, compared to equity capital of DKK 13.5 billion and total assets of DKK 22.1 billion as at 31 December 2003. The increase in turnover from 2003 to 2004 was mainly due to the consolidation of Nesa into Elsam's accounts as of 1 April 2004. The reduction in net profit from 2003 to 2004 is mainly due to high fuel prices and decreasing electricity prices in 2004. The net results in 2003 and 2004 are significantly influenced by non-recurring income regarding revaluation of deferred tax assets.

The following table sets out financial data in respect of Elsam prepared in accordance with Danish GAAP as at and for the years ended 31 December 2003 and 2004. Nesa's accounts have been consolidated with Elsam's since 1 April 2004.

	As at and for the years ended 31 December	
	2004	*2003*
Elsam	*(In DKK millions)*	
Profit and loss account		
Net revenue	9,346	7,482
EBITDA	2,148	2,564
Profit/loss ordinary activities	1,266	1,556
Profit/loss of financial items	(263)	(109)
Profit/loss of year	2,042	2,188
Balance sheet		
Tangible fixed assets	16,900	10,705
Total assets	34,531	22,115
Cash funds	3,721	5,618
Provisions	2,723	1,493
Interest bearing debts	11,382	5,266
Net capital	15,848	13,451

Source: Audited 2004 annual report (publicly available).

Nesa

As at 30 April 2005 Elsam owned a 86.4% shareholding in Nesa, the country's largest power distributor by volume/revenue. DONG owns a 13.0% shareholding in Nesa. Through the potential acquisition of Elsam, DONG will be in a position to compulsorily acquire the remaining 0.6% of Nesa shares not already owned by it.

Nesa was established in 1920. It is a limited liability company listed on the Copenhagen Stock Exchange. Its registered address is in Gentofte on Zealand. Nesa has historically been owned by municipalities and counties in the greater Copenhagen area. Nesa owns 36% of Energi E2. For the year ended 31 December 2004 Nesa had an average of 841 employees.

Nesa is the largest power distribution company in Denmark, with approximately 550,000 connection points and supplying approximately 1 million people in its supply area. The supply area includes North-East Zealand, the municipalities around Roskilde, and the majority of the Copenhagen suburban municipalities, which is the most densely populated part of Denmark. Nesa's five subsidiaries undertake a broad range of power, distribution and supply activities.

In 2004 Nesa supplied 5,985 GWh of electricity from combined heat and power plants ("CHPs") and wind turbines and 845 TJ of heat through its distribution grid, compared to 5,911 GWh of electricity and 734 TJ of heat in the year ended 31 December 2003. Nesa's power and heat distribution activities are regulated activities, which are provided under a 20-year licence from the DEA that expires in 2023, at which time it is expected to be renewed. Nesa also conducts regulated heat and power supply committed activities and produced 226 GWh of electricity and 1,219 TJ of heat from CHPs and wind turbines for the year ended 31 December 2004, compared to 225 GWh of electricity and 1,244 TJ of heat for the year ended 31 December 2003. The Danish Competition Authority made Elsam's acquisition of the majority shareholding in Nesa conditional upon Nesa disposing of its production facilities. As a consequence Nesa has put its heat business up for sale. This process commenced in mid 2004 and is expected to be completed by the end of the 3rd quarter of 2005.

For the year ended 31 December 2004, Nesa's total net turnover was DKK 4.0 billion with a net profit of DKK 434 million, compared to a net revenue of DKK 4.0 billion and a net profit of DKK 293 million for the year ended 31 December 2003. As at 31 December 2004 Nesa's equity capital was DKK 8.8 billion and its total assets were DKK 11.8 billion, compared to equity capital of DKK 4.7 billion and total assets of DKK 11.9 billion as at 31 December 2003. The increase in equity capital from 2003 to 2004 was mainly caused by the conversion of undistributable reserves to corporate equity as a consequence of a change in the Electricity Supply Act which included the transfer to the State of shares in the power transmission companies, Eltra and Elkraft Transmission and Elkraft System, held in the Danish power distribution companies.

The following table sets out financial data in respect of Nesa prepared in accordance with Danish GAAP, as at and for each of the years ended 31 December 2003 and 2004.

	As at and for the years ended 31 December	
	2004	*2003*
Nesa	*(In DKK millions)*	
Profit and loss account		
Gross revenue (inclusive of duties)	9,420	9,293
Net revenue	4,042	3,994
EBITDA	579	622
Profit/loss before tax	458	651
Profit/loss of year	434	293
Balance sheet		
Tangible fixed assets	5,715	5,602
Total assets	11,819	11,884
Cash funds	134	1,105
Interest bearing debts	361	765
Equity	8,839	4,702

Source: Audited 2004 annual report (publicly available).

Energi E2

Subject to the completion of agreements entered into by DONG with shareholders of Energi E2 in February 2005, DONG expects to acquire a direct 64% shareholding in Energi E2. See "– Acquisitions". Subject to the completion of the agreements entered into concerning DONG's taking over of shares in Elsam, DONG will achieve control of the remaining, Nesa owned, 36% shareholdings in Energi E2 shares. These agreements are expected to be completed during late 2005 or early 2006.

Under the agreement between DONG and Vattenfall announced on 1 June 2005 certain of Energi E2's assets, including one central plant and liabilities, are to be transferred to Vattenfall upon completion expected to occur during late 2005 or early 2006, see "—Acquisitions".

Energi E2 is an unlisted limited liability company with its registered address in Copenhagen. Energi E2 has historically been owned by consumer and municipal owned power distribution companies. As at 31 December 2004 Energi E2 had 1,452 employees.

Energi E2 is Denmark's second largest producer by volume of electric energy and heat for district heating. It generates the majority of the electricity and district heat consumed on Zealand and the islands east of the Great Belt. Energi E2 produces electricity and heat from seven central power plants, a range of CHP plants and wind turbines, and has interests in seven hydropower stations in Sweden and Norway. Since 2002, Energi E2 has acquired minor renewable generation assets in Sweden, Greece, Spain and Norway.

For the year ended 31 December 2004 Energi E2 production reached 11.3 TWh of electricity and 8.7 TWh of heat compared to 14.4 TWh of electricity and 8.3 TWh of heat for the year ended 31 December 2003. As at 31 December 2004 Energi E2 has 4.4 GW of installed electricity production capacity in Denmark.

For the year ended 31 December 2004 Energi E2's total net turnover was DKK 6.4 billion with a net profit of DKK 685 million, compared to a net turnover of DKK 6.9 billion and a net profit of DKK 579 million for the year ended 31 December 2003. As at 31 December 2004 Energi E2's equity capital was DKK 10.2 billion and its total assets were DKK 17.7 billion, compared to equity capital of DKK 9.7 billion and total assets of DKK 17.0 billion as at 31 December 2003. Heat and electricity is mostly sold to power supply companies on Zealand and in the Northern European electricity market.

The following table sets out financial data in respect of Energi E2 prepared in accordance with Danish GAAP, as at and for the years ended 31 December 2003 and 2004.

	As at and for the years ended 31 December	
	2004	*2003*
Energi E2	*(In DKK millions)*	
Profit and loss account		
Net revenue	6,433	6,871
EBITDA	911	1,018
Profit/loss before tax	511	839
Profit/loss of year	685	579
Balance sheet		
Tangible fixed assets	8,838	7,755
Total assets	17,719	16,956
Cash funds	1,619	1,992
Interest bearing debts	3,501	3,496
Equity	10,175	9,662

Source: Audited 2004 annual report (publicly available).

KE Holding

Pursuant to an agreement entered into by DONG with the City of Copenhagen in February 2005, DONG will acquire a 100% shareholding in KE Holding. The City of Copenhagen's shares in Energi E2 are placed in KE Holding. See "– Acquisitions". This agreement is expected to be completed in late 2005 or early 2006.

KE Holding comprises the electricity utility activities owned and operated directly by the City of Copenhagen. These activities are currently being unbundled from the City of Copenhagen activities. The number of employees to be transferred to the unbundled KE Holding is expected to be approximately 400.

KE Holding sells and distributes electricity to customers in the distribution area comprising the municipalities of Copenhagen, Dragør and Tårnby. The distribution area borders Nesa and Frederiksberg Elnet's (see below) power distribution areas. KE Holding supplies approximately 342,000 customers with electricity at approximately 385,000 connection points and for the year ended 31 December 2004 supplied approximately 2.9 TWh annually through its distribution grid.

KE Holding's power distribution activities are regulated and conducted under a 20-year licence from the DEA that expires in 2023, at which time it is expected to be renewed. KE Holding also conducts regulated power supply committed activities and has commercial power supply activities and a commercial fibre-optic network business.

For the year ended 31 December 2004 KE Holding had a total net revenue of approximately DKK 2.1 billion with an EBIT of approximately DKK 0.1 billion and net profit of approximately DKK 0.0 billion (excluding non-recurring income regarding the revaluation of KE Holding's shares in Energi E2). As at 31 December 2004 KE Holding's equity capital was approximately DKK 0.3 billion and its total assets DKK 11.6 billion, including its shares in Energi E2, tangible fixed assets comprising DKK 3.7 billion and interest bearing debt of DKK 10.2 billion, primarily comprising internal debt to the City of Copenhagen. These figures are based on unaudited proforma accounts supplied by the City of Copenhagen in connection with the sales process and are for guidance only.

KE Holding's debt to the City of Copenhagen reflects the balance of assets transferred to KE Holding in connection with the City of Copenhagen's disposal of its electricity assets to DONG. The acquisition price of DKK 10.5 billion to be paid by DONG for KE Holding is subject to adjustments regarding net debt and working capital (see "– Acquisitions").

Frederiksberg Elnet Group

Subject to the completion of agreements entered into by DONG with the Municipality of Frederiksberg in February 2005, DONG will acquire 100% ownership of the Frederiksberg Elnet Group. The Frederiksberg Elnet Group conducts the electricity distribution and supply activities of the Municipality of Frederiksberg and owns the associated real estate and the operational entity handling the operations of the utility activities of the Municipality of Frederiksberg (see "– Acquisitions"). As part of the agreement with the Municipality of Frederiksberg DONG will also assume the operations of the municipality's other utility activities including its district heating, water supply, sewage, wastewater treatment and gas activities. The ownership of the assets of these other utility activities will remain with the Municipality of Frederiksberg. This agreement is expected to be completed during late 2005 or early 2006. Pursuant to this acquisition, the number of additional employees to be taken over is expected to be approximately 180.

For the year ended 31 December 2004 Frederiksberg Elnet supplied 0.3 TWh of electricity to 60,000 customers through its distribution grid. The power distribution activities are regulated activities conducted under a 20-year license from the Danish Energy Agency, which expires in 2023, at which time it is expected to be renewed.

For the year ended 31 December 2004 the total net revenue from Frederiksberg Elnet's electricity activities was approximately DKK 0.2 billion with net profit of approximately DKK 30 million. As at 31 December 2004 Frederiksberg Elnet Group's equity capital was approximately DKK 0.5 billion with total assets of approximately DKK 0.8 billion and tangible fixed assets of DKK 0.4 billion. These figures exclude turnover from operations other than electricty sector operations. These figures are based on unaudited proforma accounts supplied by the Municipality of Frederiksberg in connection with the sales process, and are for illustrative purposes only.

Renewable Energies

Since 2001 DONG has developed its business activities in the renewable energies sector.

Wind power

DONG operates a wind power business which has 75 MW of capacity. This business comprises a 30% ownership interest in the Nysted offshore wind farm located in the North Fehmern Belt, south of Denmark (with 50 MW of capacity) and domestic on-shore production through a range of minor wind farms and prototype test turbines (with 25 MW of capacity).

DONG is developing further wind farms. In particular, DONG owns a 50% shareholding interest in Barrow Offshore Windfarm Ltd ("Barrow"), which owns the rights to construct an offshore windfarm of 30 wind turbines near the coastline at Barrow-in-Furness in the East Irish Sea. The balance of the 50% shareholding in Barrow is held by the UK based energy company Centrica Ltd. Barrow has engaged third parties to construct wind turbines, requiring approximately £60 million in investment from DONG. DONG expects the wind turbines to have a capacity of 90 MW and for wind farm production to be commissioned towards the end of 2005.

DONG holds the licence to develop an off-shore windpower project of 100 turbines located close to Walney Island in the East Irish Sea. The expected capacity of this project is 450 MW. The project is subject to an environmental impact assessment and regulatory approvals. If approved, DONG expects the wind farm to commence production between 2008 and 2010.

DONG plans further to expand wind power generation activities in Western Europe. The level and scope of the wind power business will be re-evaluated once the potential electricity sector acquisitions are completed.

Geothermal energy

DONG has commenced activities in the exploration and production of geothermal energy. It aims to become the leading Danish company in geothermal energy.

DONG holds an ownership interest in one operational geothermal plant, providing DONG with an aggregate of 82 TJ of production capacity and a licence for a second plant.

Oil Pipeline Activities

DONG's subsidiary DONG Olierør A/S owns and operates a crude import pipeline used by the DUC partners to ship oil from the Gorm-E platform across the North Sea and Jutland to the terminal in Fredericia. Under arrangements with the DUC partners and the Government, DONG receives a commission of 5% on the value of the oil transported until June 2012, of which 95% must be paid as a duty to the State. For the year ended 31 December 2004 113 million barrels of crude oil was delivered through the pipeline.

For the year ended 31 December 2004 the oil pipeline business generated net revenues of DKK 373 million (equal to 2.6% of Group gross revenues) compared to DKK 445 million (equal to 3.1% of Group revenues) for the year ended 31 December 2003. For the year ended 31 December 2004 the oil pipeline business generated EBITDA of DKK 95 million (equal to 2.0% of Group EBITDA) compared to DKK 84 million (equal to 1.5% of Group EBITDA) for the year ended 31 December 2003. DKK 140 million has been provided for as abandonment costs in respect of this pipeline on DONG's balance sheet.

Competition

Natural gas

Since 1 January 2000 the natural gas market in Denmark has been opened to competition following the implementation of the EU Directive requiring deregulation.

While DONG is still the most significant supplier of natural gas in Denmark and Sweden it expects these market shares to decrease in the coming years due to increased competition. Following the deregulation of the Danish gas market, a number of suppliers, including new entrants Statoil and Shell, have become active in the commercial Danish natural gas market, presenting further competition to DONG. In July 2003 Naturgas Fyn I/S and Statoil created Statoil Gazelle, a joint sales company for natural gas.

An agreement entered into by DONG and the DUC partners with the Competition Authority in April 2003 also exposes DONG to greater competition in the natural gas sector. Under the agreement, the gas supply contracts in existence between DUC and DONG were amended to require the consortium members, Shell, AP Moeller Maersk Oil and Chevron-Texaco to sell gas individually to DONG instead of jointly through the consortium. From 2005 to 2010 the DUC partners are expected to sell a total of approximately 7 billion m^3 of gas for direct sales or sales to operators others than DONG. DONG has also lost the right of first negotiation concerning purchase of any new volumes discovered by DUC.

Electricity

Following the conclusion of the agreement with Vattenfall on 1 June 2005 concerning the acquisition of shares in Elsam, Nesa and Energi E2, DONG is required to apply for approval of the contemplated electricity sector acquisitions by the Competition Authority (see, ''Acquisitions''). The management of DONG further believes that the disposal of major power producing assets in both the Western and Eastern part of Denmark to Vattenfall, (see ''– Acquisitions'') will contribute to DONG satisfying any requirements of the Competition Authority.

The Competition Authority may impose further measures on DONG in order to increase competition in the Danish energy market. The impact of the measures that may be required by the Competition Authority on DONG's financial position cannot be ascertained until the relevant rulings have been made.

Capital expenditure and EBITDA

In February 2005 DONG's acquisition of an ownership interest in Ormen Lange gas field was completed, requiring a cash payment by DONG of US$1.0 billion in addition to an earlier payment of US$0.2 billion in November 2004. DONG has fully committed DKK 26 billion to capital expenditure in relation to the electricity acquisitions announced in February and June 2005, see "– Acquisitions".

For the five-year period from 2006 to 2010 DONG expects capital expenditure (excluding electricity acquisitions) to be approximately DKK 26 billion, including anticipated electricity sector capital expenditure and approximately DKK 3 billion related to the development of Ormen Lange, including associated infrastructure.

From 2007 DONG expects a significant increase in its consolidated EBITDA due to gas production from Ormen Lange gas field and synergies which are expected from integrating the acquired electricity companies.

Funding

As at 31 December 2004 DONG's gross debt was DKK 3.9 billion and its net debt was DKK 3.2 billion. Since 31 December 2004 gross debt has increased with the settlement of the Ormen Lange acquisition in February 2005 for approximately U.S.$1.0 billion cash. The payment related to the Ormen Lange acquisition has been financed through existing short-term bilateral credit facilities. As at 31 March 2005 DONG's gross interest bearing debt was DKK 10.8 billion and is expected to further increase towards the end of 2005 or beginning of 2006 if the electricity acquisitions are completed, see "– Acquisitions and Disposals".

In May 2005 DONG established a five year credit facility for EUR 1.5 billion with a syndicate group of Scandinavian and international banks. The facility has a possible two-year extension period and provides DONG with a general credit and back up facility. The facility is expected to replace part of DONG's existing short-term bilateral credit facilities. DONG expects to finance its long-term assets, including acquisitions, primarily through the issuance of bonds in the euro markets and other international markets, in addition to other competitive bilateral or open market long-term financing arrangements.

It is DONG's general policy to fund the business activities of the Group through DONG A/S. DONG's management intends to restructure currently outstanding debt in its subsidiaries including acquired companies, where possible and viable. As a consequence of this policy, DONG A/S makes available all necessary funding for its subsidiaries by way of equity or intra Group debt.

Financial Objectives and Capitalisation

The cash position and debt profile of DONG is managed through a range of policies focusing on managing refinancing risk through diversification of funding sources over time and on the availability of cash and unutilised committed credit lines.

The financial policy objectives aimed at credit protection include the maintenance of a financial profile with a Funds from Operation to Net Debt ratio of a minimum of 25% and a Net Debt to Total Capitalisation ratio of a maximum of 50%.

These financial targets are medium to long-term objectives of the Group. The completion of the major strategic investment in an interest in Ormen Lange, including associated capital expenditure, and the transactions announced in February 2005 concerning the potential acquisitions in the Danish electricity sector companies see "– Acquisitions" is expected to lead to a temporary divergence from these targets. If this occurs, a priority for DONG's management will be to dedicate free cash flow for debt reduction in order to re-establish the policy objectives.

There is an agreement between the State and DONG to aim for an annual dividend pay-out ratio of 40%. However for the year 2004, DONG has paid no dividends due to the ongoing electricity sector acquisitions.

In connection with the proposed electricity sector acquisitions, DONG's financial profile will be managed through a number of equity measures following which consolidated Group equity is expected to increase by approximately DKK 10 billion. These comprise the increase in DONG's consolidated group equity through the partial settlement of shares acquired by DONG in the electricity sector companies by issuing shares in DONG, consolidating any minority shareholders in

Elsam, and, subject to market conditions, by the issuance of hybrid capital and other measures (see "– Acquisitions").

With an expected increase in consolidated equity of approximately DKK 10 billion consolidated net debt following the completion of the acquisitions is expected to be in the range of DKK 33 to 38 billion.

Risk Management

DONG's activities, financial position, results and future growth are affected by a number of financial and non-financial risks. DONG has developed a number of policies to address the financial risks, insurable risks and risks related to health, environment and safety. DONG is currently expanding the risk policy to also address its business risks, with the object of ensuring there is an appropriate balance between risk exposure and DONG's business activities. DONG's policy for managing financial risks has been established by the Supervisory Board. A risk committee ("Risk Committee") has been established to oversee all risk management activities. Members of the Executive Board and senior management are represented on the Risk Committee. Risk is managed on a daily basis at Group level by the Treasury and Risk Management Department. Risks are assessed according to the level of importance and the probability of the risk arising.

As part of its risk policy DONG actively manages market risks which primarily include currency risks, oil price risks and other energy price risks, up to five years ahead and interest rate risks by entering into financial hedging contracts. DONG also addresses credit risk through the establishment of internal counterparty credit lines as well as structured follow up on existing counterparty exposures. DONG aims to minimise its cash flow risks by monitoring its debt maturity profile and diversifying committed and uncommitted credit facilities.

DONG also aims to minimise its exposure to non-financial risks. DONG addresses regulatory risks by monitoring changes to regulation of industries in which DONG operates and ensuring the strict separation of business units to avoid the exchange of confidential information.

Safety risks at DONG's installations are countered through imposing stringent requirements on suppliers, preventative maintenance and ensuring its technical installations are maintained to high international standards with modern technology. Project related risks (for example, budget overruns and delays) are monitored through the development of a standardised decision making process, which aims to ensure each project meets certain parameters at each stage of its life cycle. In DONG's oil and natural gas exploration activities, DONG aims to reduce the risks of lost exploration and production costs by ensuring sufficient preliminary investigations are undertaken prior to drilling. In terms of the appropriate evaluation of its reserves, it aims to ensure sufficient geological models and independent third party evaluations are used. In third party operated developments or producing fields DONG relies on the reputation and creditworthiness of the operator to mitigate risk.

DONG's risk management activities also include the appropriate use of insurance. DONG has insurance policies to cover its assets and projects including third party liabilities. In February 2005 DONG established a group internal insurance provider, DONG Insurance A/S, to increase efficiency in the provision of insurance. DONG is not insured against business interruption or long periods of oil leakage.

Health, Safety and Environment

Environment, health and safety are a special focus area for DONG. Each business area is required to follow a centrally determined corporate policy on these matters and apply an integrated, business oriented system to their individual policies. DONG has also established procedures to be followed with respect to such areas as quality assurance audits, incident reporting, corrective action and document control. In addition, DONG prepares an annual Quality, Health, Safety and Environmental Report, and statutory environmental accounts for the gas storage facilities in Ll. Torup and Stenlille, the oil terminal in Fredericia and the gas treatment plant in Nybro.

Health and Safety

DONG aims to create a safe workplace and an environment in which there is minimum absence due to illness and maximum employee satisfaction. Oil and gas production and transportation activities are subject to various dangers and hazards and require special focus to ensure the risks of bodily injury are minimised to the greatest extent possible. DONG's approach to safety at its installations is subject to its risk management system see "— Risk Management". DONG's technical installations have all obtained IS09001 certification.

For the year ended 31 December 2004 the accident rate for DONG's employees and contractors' employees was 4.6 per million man-hours working within all areas and 11.6 per million man-hours for DONG employees and contractors' employees working within DONG operated areas. The accident rate for the Danish labour market as a whole was 10.9 per million man-hours for the year ended 31 December 2003 according to the Danish Working Environment Authority and 29.0 per million man hours according to the Confederation of Danish Employers ("CDE"). For the year ended 31 December 2004 there were 14 lost time incidents and 21 minor incidents among DONG employees and contractors working within DONG operated areas. Of the lost time incidents 10 occurred on DONG's installations and four in DONG's office.

For the year ended 31 December 2004 registered absence at DONG due to illness was 2.0%. According to the CDE absence due to illness in Denmark was 3.7% for the year ended 31 December 2003.

Environment

DONG aims to monitor and minimise the environmental impact of its operations, and conduct its operations to best practice international standards.

The most significant environmental impact from DONG's activities arises from its oil and gas production and transportation. Combustion of gas and other propellants causes emission of carbon dioxide and other greenhouse gases, and chemicals are discharged in conjunction with the drilling of wells. In addition, oil and chemical residues are discharged as a by product of oil and gas production. To compensate for its emissions of greenhouse gases, DONG produces energy from renewable energy sources, primarily wind turbines.

The discharge of oil and chemicals from the North Sea oil production by DONG was reduced in the year ended 31 December 2004. While emissions of carbon dioxide equivalents have recently increased due to the start-up of new production fields DONG expects to achieve a net reduction of carbon dioxide equivalent emissions in the year ended 31 December 2005 due to the reduced flaring of gas on the production platforms and its geothermal activities. DONG expects potential the acquisition of electricity production assets to have a significant effect on DONG's aggregated level of carbon dioxide and other greenhouse gas emissions.

DONG's drilling activities have gained certification to the ISO14001 environmental management standard, and the off-shore production units are expected to gain this certification in 2005.

DONG and its subsidiaries are in full compliance with all environmental law and regulations.

Litigation

DONG is involved in various litigation and arbitration proceedings which arise in the ordinary course of the business. Management believes that none of these proceedings, either individually or in the aggregate, is likely to have a material adverse effect on its operating results or its financial position.

Management and Employees

DONG has a Supervisory Board and an Executive Board.

Supervisory Board

The Supervisory Board oversees management of the company's business activities, and together with the Executive Board, ensures that DONG's overall objectives and strategies are determined.

The Supervisory Board appoints the Executive Board of the company, and decisions of an exceptional nature or of major importance can only be implemented by the Executive Board on the basis of special authorisation granted by the Supervisory Board.

Under Danish law employees in companies employing an average of 35 or more salaried people in each of the last three years are entitled to elect representatives to the Supervisory Board. DONG's employees have elected three persons to the Supervisory Board.

On 22 June 2005, Sven Riskær, the Chairman of DONG's Supervisory Board, elected to step down as Chairman of DONG's Supervisory Board. The State has appointed Fritz H. Schur as new Chairman of the Supervisory Board of DONG. Fritz Schur has extensive managerial experience from the private business sector and his role in connection with the partial privatisation of Post Danmark A/S. In addition, as former Chairman of the Supervisory Board of Nesa, Fritz Schur has in-depth knowledge of the Danish energy sector.

Also on 22 June 2005, the State has appointed Jens Kampmann as a new member of the Supervisory Board of DONG. Jens Kampmann has extensive knowledge of energy technology as well as experience from the Supervisory Boards of various Danish companies.

DONG held an Extraordinary General Meeting on 24 June 2005 to ratify the appointment of both Fritz Schur and Jens Kampmann.

Details of the current members of the Supervisory Board, their responsibilities as members of other supervisory boards or as employee representatives, and their year of appointment, are as follows:

Member(1)	*Other responsibilities*	*Year of appointment*
Fritz Schur(2) (Chairman)	Fritz Schur group companies (Chief Executive Officer or Chairman) Post Danmark A/S (Chairman) F.Uhrenholdt Holding A/S (Chairman) Brd. Klee A/S (Deputy Chairman) SAS AB (Member) CIC A/S (Member)	Chairman 2005
Lars Nørby Johansen (Deputy Chairman)	Falck A/S (Chairman) William Demant Holding A/S (Deputy Chairman)	Member 1997 Deputy Chairman 2001
Jens Kampmann	Invest Miljø A/S (Chief Executive Officer) Øko-Invest A/S (Chief Executive Officer) Paustian A/S (Chairman) Storebælt A/S (Chiarman) Öresundsbro Konsortiet AB (Chairman) HMK Holding A/S (Chairman) Danmarks Jordbrugsforskning (Chairman) Retrocom Holding A/S (Chairman) Afatek A/S (Chairman) Special Waste System A/S (Chairman) Innova Air Tech Instruments A/S (Chairman) Dalum Holding A/S (Chairman) Genan Gruppen GmbH (Member) EAR A/S (Chairman) Roulunds Tech A/S (Chairman) Uniscrap A/S (Chairman) Frydenholm A/S, Chairman	2005

Member[1]	*Other responsibilities*	*Year of appointment*
Asbjørn Larsen	Belships ASA (Chairman) FMC Technologies Inc. (Member) Saga Fjordbase AS (Deputy Chairman) Selvaag Gruppen AS (Member)	2003
Svend Sigaard	Club 8 Company A/S (Chairman) Denka Holding A/S (Chairman)	2002
Lars Torpe Christoffersen	MACH S.a.r.l. (CEO and Chairman) Aktieselskabet Danatech Engineering (Member) LTC Holding A/S (Member)	2004
Jesper Magtengaard	Employee representative	2003
Thorkild Meiner-Jensen	Employee representative	1981
Bent Stubkjær Pedersen	Employee representative	2002

Notes:

(1) On 22 June 2005 Sven Riskær elected to step down as Chairman of DONG's Supervisory Board. DONG held an Extraordinary General Meeting on 24 June 2005 to ratify the appointment of both Fritz Schur, as Sven Riskær's replacement, and Jens Kampmann.

The business address of each of the members of the Supervisory Board is Agern Allé 24-26, DK 2970 Hørsholm, Denmark.

Executive Board

The day-to-day management of DONG is undertaken by the Executive Board in accordance with DONG's Articles of Association. Details of the current members of the Executive Board, their responsibilities as members of other supervisory boards and their year of appointment, are as follows:

Member	*Other responsibilities*	*Year of appointment*
Anders Eldrup (Chief Executive Officer and President)	None	2001
Carsten Krogsgaard Thomsen (Chief Financial Officer)	NNIT A/S (Member)	2002
Soren Gath Hansen (Head of Exploration and Production)	Nunaoil A/S (Deputy Chairman)	2002
Kurt Bligaard Pedersen (Head of Natural Gas Trade and Supply)	BRFKredit A/S (Member)	2002

Formally, Anders Eldrup as Chief Executive Officer and President alone constitutes the "Executive Management" as reported to the Danish Commerce and Companies Agency. The Executive Board have formal meetings on a weekly basis.

The business address of each of the members of the Executive Board is Agern Allé 24-26, DK 2970 Hørsholm, Denmark.

Corporate governance

The Nørby Committee's recommendations on corporate governance (the Danish corporate governance recommendations), relating to issues such as transparency, roles and responsibilities of Boards of Directors, remuneration and risk management have been adopted by DONG's Supervisory Board and Executive Board.

Employees

As at 31 December 2004, DONG had 980 employees, a reduction from the 1,156 employees as at 31 December 2003. The reduction in the number of employees was due to the sale of certain business activities, including Gastra, and a reduction of staff in administrative functions in connection with a rationalisation process.

The following table summarises the number of staff and salary and training expenses as at, and for, each of the years in the two-year period ended 31 December 2004.

Personnel expenses

	As at 31 December,	
	2004	*2003*
Average number of full-time employees	1,043	1,125
Personnel cost (DKK million)	592	594
Average annual salary including pensions per employee (DKK thousands)	568	528
Training expenses (DKK per employee)	13,488	14,060

Training

DONG gives a high priority to training and education. For the year ended 31 December 2004 DONG's employees spent five working days on average, on training and education and DONG spent DKK 13,488 per employee on training and education activities. All managers at DONG participate in a fixed management development programme.

Employee Remuneration and Benefits

DONG operates defined contribution pension schemes and has negligible unfunded pension obligations.

Workforce relations

DONG has historically had a flexible workforce and has not been subject to any material disruptions arising from trade unions action.

During the year ended 31 December 2004 DONG reduced the number of employees in administrative functions to increase efficiency in the context of increased competition. DONG has sought to address this situation through redeployment, in-service training and redundancies.

CONSOLIDATED FINANCIAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2004

DONG's full-year consolidated net profit for the year ended 31 December 2004 was DKK 1,881 million compared with DKK 1,941 million for the year ended 31 December 2003. Divestments of activities and revaluation of the shareholding in Elsam to fair value at 31 December 2004 contributed DKK 562 million to net profit. A revaluation of the abandonment obligation resulted in the reversal in 2004 of a write-down of DKK 112 million (after tax) made in 2003. Net profit for the year ended 31 December 2003 similarly benefited from net non-recurring income of DKK 215 million. Profit before tax the year ended 31 December 2004 was DKK 3,059 million compared to DKK 3,248 million for the year ended 31 December 2003. Operating profit (Earnings Before Interest and Tax) amounted to DKK 2,421 million for the year ended 31 December 2004 compared to DKK 3,168 million for the year ended 31 December 2003. Free cash flows excluding acquisitions amounted to DKK 1,653 million for the year ended 31 December 2004, an increase from DKK 1,592 million for the year ended 31 December 2003.

Profit substantially exceeded expectations at the start of the 2004 financial year due mainly to non-recurring income and realisation of a higher oil price than originally assumed. The oil price, which climbed throughout the 2004 financial year, has a major impact on DONG's business. The decline in net profit in the 2004 financial year compared with the 2003 financial year, despite higher oil prices, reflected various factors:

- The loss of market shares in Denmark, a natural consequence of the liberalisation, was offset by higher sales to Germany and the Netherlands, although these involved higher transportation costs and lower profit margins.
- A substantial part of DONG's oil and U.S.$ exchange rate exposure is hedged, as DONG's risk policy is based on active hedging of the market prices that impact on its earnings. As part of its risk policy DONG actively manages market risks for a period of up to five years ahead. The adverse effect of these hedging activities impacted more on profit in 2004 than in 2003.
- The depreciation charge in DONG's Exploration and Production business segment was significantly higher than in 2003 due to a larger proportion of production coming from activities which require the use of assets subject to a high level of depreciation.
- The oil price and the U.S.$ rate are included with different time lags in DONG's natural gas purchase and sales contracts. Oil price changes consequently impact on selling prices relatively quickly, whereas purchase prices are adjusted with a time lag effect of up to 15 months. In 2003 rising oil prices generated a gain exceeding the corresponding gain for 2004.

DONG has adopted International Financial Reporting Standards ("IFRS") as of 1 January 2005.

Tax

The average effective tax rate of DONG for the 2004 financial year was 32% compared to 40% in the 2003 financial year. DONG's total tax charge for the financial year ended 31 December 2004 was DKK 968 million. The lower average tax rate was due to proceeds on divestment of activities and value adjustments of investments that were subject to limited tax liability. The primary reason for the generally high average tax rate was the Norwegian hydrocarbon taxation.

Cash flow and financing

Free cash flows to equity excluding acquisitions amounted to DKK 1,653 million for the year ended 31 December 2004 compared to DKK 1,592 million for the year ended 31 December 2003. Free cash flows including acquisitions amounted to minus DKK 1,061 million for the year ended 31 December 2004 compared to DKK 1,517 million for the year ended 31 December 2003. Cash flows from operations in the year ended 31 December 2004 were DKK 3,539 million, a decrease from DKK 4,442 million in the year ended 31 December 2003 due to a DKK 860 million decline in EBITDA and an increase in funds tied up in working capital. Cash flows from investing activities in the year ended 31 December 2004 were DKK 4,600 million compared with DKK 2,925 million in the year ended 31 December 2003. Investing activities benefited from the sale of the gas transmission activities in the amount of DKK 1,433 million.

The acquisition of Elsam shares accounted for a substantial part of investing activities in the year ended 31 December 2004.

At the end of the year ended 31 December 2004, the Group had total interest-bearing debt of DKK 3,898 million. A DKK 2,234 million reduction in consolidated debt due to the sale of Gastra at the start of 2004, redemption of DKK 1,035 million and raising of new debt of DKK 1,169 million all impacted on interest-bearing debt in the year ended 31 December 2004. The new debt consists of long-term loan agreements with multilateral institutions and draw-downs on credit facilities.

New financing is basically raised by DONG A/S and then distributed to the individual business areas in the form of intra-Group loans and equity.

Investments in 2004

Fixed tangible and non-tangible assets amounted to DKK 16,570 million at 31 December 2004, a decrease from DKK 22,509 million as at 31 December 2003 due, in particular, to the disposal of the gas transmission activities.

Additions to intangible assets in the year ended 31 December 2004 included an amount of DKK 475 million in respect of acquisition of rights for use in connection with gas transportation.

The main additions to property, plant and equipment were the connection to the Nogat pipeline, which connects the DUC fields with the Netherlands, and abandonment obligations. The capitalised abandonment obligations accounted for DKK 789 million of total property, plant and equipment of DKK 15,821 million.

Total net investment spend on property, plant and equipment was DKK 1,857 million in the year ended December 2004 versus DKK 2,698 million in the year ended December 2003. As in previous years, through an impairment test a revaluation was carried out at the end of the year of the carrying amounts for the natural gas storage facilities, the natural gas distribution system and the offshore pipelines. The valuation is based on an estimate of future earnings from treatment, storage and distribution of natural gas.

Other investments of DONG include the acquisition of additional shares in Elsam A/S (24.1% ownership interest including minority interests). Elsam was not accounted for as an associate for the 2004 financial year, as the Group could not exercise significant influence over the company. For the financial year ended 31 December 2004 the shares in Elsam were therefore recognised at fair value based on the most recently completed trades in 2004 (at a price of DKK 890 per share).

Current assets

Current assets fell by DKK 610 million in the year ended December 2004 to DKK 7,955 million. Consolidated receivables increased by DKK 2,201 million in the year ended December 2004, due partly to receivables in respect of divestment of activities. The value of securities and cash held by DONG was DKK 746 million as at December 2004 compared to DKK 3,610 million as at 31 December 2003.

Equity

Consolidated equity stood at DKK 15,649 million at 31 December 2004 (equivalent to an equity ratio of 50%) compared to DKK 16,794 million as at 31 December 2003. Undistributable reserves within the electricity subsidiaries were released in the financial year ended 31 December 2004 as a result of the settlement of a political energy agreement. Moreover, regulated activities based on the principle of self-financing are no longer included in the consolidation. This reduced undistributable reserves by DKK 248 million as at 31 December 2004. Equity benefited from net profit for the year ended 31 December 2004 of DKK 1,881 million, but was constrained by dividends paid of DKK 1,906 million and the year's value adjustments of financial hedging instruments, amounting to DKK 735 million before tax. Value adjustments amounted to minus DKK 333 million at 31 December 2004 compared to DKK 402 million at 31 December 2003.

Liabilities other than provisions

Consolidated debt was DKK 10,603 million as at 31 December 2004 (including interest-bearing debt of DKK 3,898 million) compared to DKK 10,784 million as at 31 December 2003 (including interest-bearing debt of DKK 5,998 million). Net interest-bearing debt amounted to DKK 3,186 million as at 31 December 2004 compared with DKK 2,442 million as at 31 December 2003.

Provisions

Deferred tax amounted was DKK 3,050 million as at 31 December 2004, a decrease of DKK 1,052 million the amount as at 31 December 2003, due mainly to the disposal of the gas transmission activities. Other provisions amounted to DKK 1,366 million as at 31 December 2004, including abandonment obligations of DKK 1,308 million. During the financial year ended 31 December 2004, DONG added an amount of DKK 342 million to account for its abandonment obligations.

REGULATION

DONG's business activities are subject to extensive regulation both domestically and internationally.

Denmark

Regulatory Authority

The Ministry of Transport and Energy ("MTE") has overall responsibility for governing energy policy in Denmark. The DEA is the administrative authority under the MTE, which lays down guidelines and regulation for achieving flexible and cost-efficient energy activities in Denmark in relation to the production, supply and consumption of energy, including oil, natural gas, heat and electricity. DEA also administers Denmark's energy policy interests in the international cooperation on energy and environmental policy.

The Danish Energy Regulatory Authority ("DERA") is an independent authority, which supervises regulated companies in the Danish energy sector within the electricity, natural gas and district heating segments. DERA's aim is to ensure transparent energy markets in Denmark in order to achieve transparent prices and fair terms and conditions for suppliers and consumers within the framework of existing regulation. Subject to relevant regulation, DERA has power to make binding decisions in relation to prices and conditions of supply. Further, DERA, through its secretariat, also has a role in fostering Nordic and European cooperation among regulatory authorities, thus contributing to optimal and secure supply of energy to the Danish society. The members of DERA are appointed by the Minister for Economic and Business Affairs for a period of four years.

Any decisions made by DERA can be appealed to the Energy Board of Appeal, which is the final administrative appeal body for decisions by public authorities under various laws governing the energy sector in Denmark.

Access to infrastructure

Danish legislation provides for TPA in relation to transmission and distribution infrastructure and storage facilities in Denmark. Under TPA rules owners of network and gas infrastructure are obliged to give network access to independent ("third") parties. TPA rules therefore enable third parties to use existing infrastructure without having to establish their own network. There are two types of TPA: "bilateral" and "regulated". Bilateral TPA permits the infrastructure company and the party requesting access to negotiate terms and conditions on a case-by-case basis. Regulated TPA is the stronger form of TPA, which applies to electricity and gas infrastructure. Rules for regulated TPA requires that conditions and prices for network access are made public and open to all third parties on an equal or non-discriminatory basis.

The tariffs charged for transmission, distribution and storage services are supervised by DERA. Infrastructure companies report tariffs and tariff adjustments to DERA on a regular basis. DERA subsequently supervises the compliance of tarriffs with relevant legislation and ministerial orders. Within this regulatory framework, DERA has the power to require additional documentation and to impose tarif reductions.

Transmission activities

Pursuant to Danish regulations implemented for the purposes of liberalisation of the energy market, transmission activities will, in the future, be fully undertaken by the 100% State owned Energinet.dk, which is expected to be established in 2005 as a holding company owning the Danish gas and power transmission companies Gastra, Elkraft and Eltra.

Environmental Policy

As an early supporter of renewable energies and CHP production in the 1970s, Denmark produces a large part of its energy from those sources. According to DERA, renewable energy types represented 15.4% of Denmark's electricity generation in 2004, and Denmark's well-developed district heating system is proportionally the world's largest. The Government is committed to fulfilling the

Kyoto requirements and reducing six greenhouse gases by 21% between 2008 and 2012 from 1990 levels. However, emissions have remained stable between 1990 and 2001.

Denmark has set its own objective of reducing carbon dioxide emissions by 20% from the 1998 level by 2005. In addition, EU members have passed a new Directive to create a greenhouse gas Emissions Trading Scheme ("ETS") between 2005 and 2007. The scheme will be mandatory for five sectors including those of power and heat generation and refineries. Individual plants or industries may be granted temporary exemptions with the approval of the EU Commission provided that they continue to reduce carbon dioxide emissions. DEA has laid down a plan of how carbon dioxide quotas are allocated between sectors and companies.

Taxes

Danish natural gas retail prices are substantially influenced by taxes. The residential gas price includes a tax component of almost 4 eurocents per kilowatt-hour ("kWh"). Danish industrial customers pay only 0.22 eurocents per kWh and power generators only 0.20 eurocents per kWh. The higher retail price is the result of a political decision to raise awareness of environmental conservation.

In 1991 the Government introduced a carbon dioxide tax and an energy tax applied on consumer electricity bills. In 1995, as part of the "Green Tax Package", it increased the carbon dioxide tax and established a tax on natural gas. Those substantial "green" tax increases generated funds for subsidising energy efficiency investments.

EU

During the 1990s, the EU Commission initiated the process of liberalising the electricity and gas sectors and opening the markets to competition, commencing with the First EU Electricity Directive (1996). The Second EU Electricity Directive (2003/54) and the Second EU Gas Directive (2003/55) required a full opening of the European electricity and natural gas markets for all customers by 1 July 2007. However, the Government has already implemented a full market opening in Denmark from 1 January 2003 in relation to electricity and 1 January 2004 in relation to natural gas.

In general, the EU Directives have aimed to ensure:

- progressive supply liberalisation in the EU market, providing that any licensed supplier in the EU is able to sell electricity to any customer who falls within the eligible group of customers;
- non-discriminatory access to distribution and transmission networks based on transparent and published tariffs;
- an impartial licensing procedure for new generation plants to permit new entrants ownership of their generating capability and power as a way of facilitating their entry into the supply market;
- the financial unbundling of a utility's activities by function (i.e. transmission, generation, distribution and supply);
- access to gas storage facilities either on a negotiated or regulated basis;
- strengthening of public service obligations especially for vulnerable customers;
- monitoring of security of supply; and
- the establishment of a regulatory authority in each Member State with a common minimum set of responsibilities.

DANISH GAS AND ELECTRICITY INDUSTRY

Introduction

Denmark is a net energy exporter. Oil and gas reserves in the Danish sector of the North Sea have allowed the country to be self-sufficient in oil and gas since 1997. As at 31 December 2004, Denmark's reserves were an estimated 129 billion m3. It was ranked 5th among OECD countries for its ratio of energy production to primary energy consumption in 2002, behind Norway, Australia, Mexico and Canada. Overall demand for natural gas in Denmark was 4.2 billion m3 for the year ended 31 December 2004.

Historical Background

Historically, production, transmission and distribution of electricity and gas were considered to be natural monopolies and the sectors in most European countries, therefore, were structured accordingly by assigning exclusive rights to national incumbent enterprises, which were usually under public ownership.

In the 1990's, the EU Commission initiated the process of liberalising the electricity and gas sectors and opened the markets to competition, see "Regulation – EU".

Gas Sector

Market Production

Oil production in the Danish North Sea began in 1972 when the Dan Field came on-stream. Overall production has risen significantly since the start of the 1980s with the start up of the Gorm, Skjold and Rolf fields, and condensate production from the Tyra field. In 2003 oil and gas production came from 19 fields. Mærsk Oil & Gas is an operator on 15 fields, while DONG is an operator on three fields and Amarada Hess on one field.

Gas production is dominated by DUC, which produces natural gas from the Tyra field. The Tyra field is Denmark's largest field with estimated gas reserves of 27 billion m3. DUC accounts for 90% of the gas being produced in the Danish North Sea. Companies other than DUC, such as Statoil, Shell, ChevronTexaco, Amerada Hess, Denerco and DONG, account for 10% of gas production.

As at 1 January 2004 Denmark's gas reserves were 136 billion m3. For the year ended 31 December 2004 Denmark's gas production was approximately 11 billion m3, of which 2.7 billion m3 was used for re-injection, flaring and fuel. If production remains at current levels, it is estimated that Denmark's natural resources will last until at least 2015. However, the estimated duration of reserves is uncertain because new gas pockets are still being discovered in the North Sea.

Gas produced for commercial use in the Danish North Sea is either transported by pipeline to Denmark, transferred to the Netherlands through the Tyra-Nogat link, or re-injected. Oil produced in the Tyra field is transported by a pipeline across the North Sea and Jutland to the Fredericia terminal. Oil produced elsewhere in the Danish North Sea is transported by ship.

Demand and supply

Although gas demand in the mature Danish market remains stable, it has increased by over 50% since 1995. This increase is mostly due to the power generation sector, where consumption has increased threefold since 1995. For the year ended 31 December 2004 the power sector had the highest gas consumption with approximately 50% of demand, followed by the residential/commercial sector, which represents approximately 26% of demand and the industrial sector, which represents approximately 24% of demand.

Denmark produces more gas than is required to cover domestic demand, and as a result is a net exporter of natural gas, mainly to Sweden and Germany.

Infrastructure

Off-shore

The Danish North Sea gas pipeline system is owned by the DONG Naturgas group. The pipelines are subject to TPA regulations. The Tyra-Nogat link is owned jointly by DONG Naturgas Pipelines A/S and DUC.

On-shore

The Danish on-shore transmission and gas supply system was initially only connected to the continental European network through the Deudan pipeline between Jutland and Northern Germany. In August 2004 the Tyra-Nogat link was completed, providing an alternative transmission method. The Danish transmission system is also connected to Sweden near Malmo. Denmark's export capacity through the existing pipelines are approximately 1.2 billion m3 per year to Sweden and 2.9 billion m3 per year to Germany.

In 2003, in connection with the deregulation of the Danish market, the transmission activities and assets of DONG Transmission (now Gastra) were sold to the State. Gastra is now owned directly by the State and is scheduled later in 2005 to be taken over by the national energy transmission company, Energinet.dk, which also owns the electricity transmission assets and activities of Eltra A/S (''Eltra'') and Elkraft A/S (''Elkraft'').

Independently from DONG five municipally owned regional gas companies were established from 1979 onwards spanning the entire country apart from the islands south of Zealand and some other small islands. These companies were as follows:

- Naturgas Syd I/S, which operated in the Southern half of Jutland (with approximately 65,000 connected customers as at end 2004) and Naturgas Sjaelland I/S, which operated in South and West Zealand (with approximately 44,000 connected customers as at 31 December 2004). These two companies were acquired by DONG in 1999 and 2000 and were later incorporated into DONG Distribution in respect of their distribution network activities.
- HNG, which operates in the Greater Copenhagen area (with approximately 135,000 connected customers as at 31 December 2004), and North Zealand and Naturgas Midt/Nord (with approximately 50,000 connected customers as at 31 December 2004) operating in the Northern half of Jutland. These two companies have been co-operating and currently shared administrative functions. The companies have indicated an interest in merging.
- Naturgas Fyn I/S, operates on the island of Funen (with approximately 32,000 connected customer as at 31 December 2004.

The distribution companies are responsible for transporting gas to customers, gas metering and connecting new customers. These companies also collect energy and gas related carbon dioxide taxes. A few power plants are connected directly to the transmission network.

The two underground gas storage facilities in Denmark are both owned and operated by DONG, see ''Business – Natural Gas – Distribution and Storage''.

Gas supply and trade

In 1994 the concession to import natural gas to Denmark originally given to DONG was withdrawn by the Government. However, through supply contracts with the five distribution companies and long-term sales contracts with two power producers, DONG supplied the entire Danish market until the first stage of market deregulation was initiated on 1 July 2000.

DONG is now exposed to competition in respect of its acquisition of natural gas from DUC and in respect of its supply activities, see ''Business – Competition''.

Electricity Sector

Market Production and Competition

In terms of its per capita energy use, Denmark ranks 11th out of the 30 OECD countries with an estimated 6,042 kwh in energy used per person. In 2003, electricity consumption per capita exceeded that of Germany or the UK. Through an active energy policy the Government has had a strong influence on Denmark's electricity supply. In the 1970s over 60% of Danish electricity generation was fuelled by oil. Through Government efforts oil was replaced by coal as the major source of electricity generation to the extent that by 1990 approximately 90% of Danish electricity was coal-fired, one of the highest coal-fuelled productions in European power generation at that time. However, pursuant to the Government's natural gas project and initiatives to reduce carbon dioxide emissions, the Government has promoted natural gas as a primary fuel for electricity generation. As at 31 December 2003 coal remained the predominant fuel for electricity generation, comprising 47% of gross electricity production, followed by natural gas (23%), wind (12%), and oil (10%).

Also influenced by Government policies, Denmark has the highest proportion of wind-generated energy in the world. The Government plans to install capacity for at least 4 gigawatts ("GW") of offshore wind power by 2030. In addition, the country is a world leader in terms of electricity generated in CHP production plants. Following a parliamentary decision in 1985, Denmark has no nuclear power plants and does not intend to develop nuclear power.

The introduction of competition has had a strong impact on the power generation sector of the Danish power industry. In 1998, Denmark had eight major power generators. By 2001 only Elsam in the western part of Denmark and Energi E2 east of the Great Belt waterway remained. No direct electricity connection exists between the eastern and western part of Denmark.

In March 2004, Elsam acquired Nesa, the country's largest distribution company located in Northern Zealand. The acquisition included Nesa's 36% ownership interest in Energi E2. The acquisition was approved by the Danish Competition Authority on the condition that Elsam had to sell by auction 600 MW of virtual central power plant capacity; sell all its gas-fired, small-scale CHP production plants, including those formerly owned by Nesa, to a combined total capacity of 230 MW; and ensure that a 600 MW power exchange cable between western and eastern Denmark is constructed.

Transmission and Distribution

From 1 January 2005, ownership and operation of the high-voltage transmission grid in Denmark as well as overall responsibility for balancing the electricity system has been performed by a new independent state owned enterprise, Energinet.dk. The company performs similar tasks related to transmission and system responsibility within the gas sector. Until 31 December 2004, Eltra was the electricity system and transmission operator ("TSO") west of the Great Belt (in Jutland and Funen), a function undertaken by Elkraft east of the Great Belt. Gastra is TSO within the Danish natural gas system. Energinet.dk was established by a merger of Eltra, Elkraft and Gastra with retrospective effect from 1 January 2005.

The Danish electricity transmission systems, divided by the Great Belt, continue to be unconnected. However, a possible interconnector crossing the Great Belt is one out of five reinforcement projects identified by Nordel (a cooperative organisation between electricity transmission operators in the Nordic countries) to strengthen the interconnectivity of the Nordic system and ensure security of supply.

Electricity is distributed by roughly 88 local distribution entities (owned by municipalities or consumer co-operatives). The Danish electricity sector has consolidated following the acquisition of Nesa by Elsam and DONG's agreement to acquire the distribution activities of the City of Copenhagen and the Municipality of Frederiksberg respectively, see "Business – Acquisitions and Disposals".

Trade and Connections

Denmark is a part of the Nordic market (comprising Denmark, Sweden, Finland and Norway) where electricity production is primarily based on hydro and nuclear power. Because of its geographical location, Denmark has traditionally served as a transit country between the other Nordic countries and Germany, two markets with large fluctuations in the import and export of electricity.

Electricity is sold to the Northern European electricity markets including the power exchanges Nord Pool in Norway and EEX in Germany.

Eltra transmits power to Nord Pool through its interconnections to Norway and Sweden. As at December 2003, Eltra had transmission capacity of 630 MW to Sweden, 1,040 MW to Norway, and 950 MW to Germany, which links the system to the European transmission grid, UCTE. Elkraft has a 400 kilovolt ("kV") alternating current (AC) transmission link to Sweden with a total capacity of 1,700 MW. Elkraft is also linked to UCTE by way of a 400 kV DC link to Germany, with a total capacity of 600 MW.

TAXATION

Persons considering the purchase, ownership or disposition of the Securities should consult their own tax advisers concerning the tax consequences in the light of their particular situations. No representations with respect to the tax consequences of any particular holder are made hereby.

Danish Taxation

Under existing Danish tax laws all payments in respect of the Securities will be made without deduction for, or on account of, withholding taxes except in certain cases on payments in respect of controlled debt in relation to the Issuer as referred to in Act No. 221 of 31 March 2004. Under Danish withholding tax rules, there will be no Danish tax implications for Securityholders that have no relationship with the Issuer, the State or the Kingdom of Denmark other than the holding of the Securities.

With few exceptions, Danish resident investors will be taxable on interest and gains, if any, while losses, if any, will be tax deductible.

European Union savings tax

The European Union has adopted a Directive regarding the taxation of savings income. Subject to a number of important conditions being met, it is proposed that Member States will be required from a date not earlier than 1 July 2005 to provide to the tax authorities of other Member States details of payments of interest and other similar income paid by a person to an individual in another Member State, except that Belgium, Luxembourg and Austria will instead impose a withholding system for a transitional period unless during such period they elect otherwise. The transitional period is to commence on the date from which the Directive is to be applied by Member States and to terminate at the end of the first fiscal year following agreement by certain non-EU countries to the exchange of information relating to such payments.

SUBSCRIPTION AND SALE

Morgan Stanley & Co. International Limited, BNP Paribas, Deutsche Bank AG, London Branch and Nordea Bank Danmark A/S (the "**Joint Lead Managers**") have, pursuant to a Subscription Agreement dated 28 June 2005, jointly and severally agreed with the Issuer subject to the satisfaction of certain conditions, to subscribe the Securities at 99.797% of their principal amount less a total combined management and underwriting commission of 1.00%. In addition, the Issuer has agreed to reimburse the Joint Lead Managers for certain of their expenses in connection with the issue of the Securities. The Subscription Agreement entitles the Joint Lead Managers to terminate it in certain circumstances prior to payment being made to the Issuer.

United States

The Securities have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

The Securities are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code and regulations thereunder.

Each Joint Lead Manager has agreed that, except as permitted by the Subscription Agreement, it will not offer, sell or deliver the Securities, (i) as part of their distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the offering and the Closing Date (as defined in the Subscription Agreement) within the United States or to, or for the account or benefit of, U.S. persons, and it will have sent to each dealer to which it sells Securities during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Securities within the United States or to, or for the account or benefit of, U.S. persons.

In addition, until 40 days after the commencement of the offering, an offer or sale of Securities within the United States by a dealer that is not participating in the offering may violate the registration requirements of the Securities Act.

European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "**Relevant Member State**"), each Joint Lead Manager has represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "**Relevant Implementation Date**") it has not made and will not make an offer of Securities to the public in that Relevant Member State prior to the publication of a prospectus in relation to the Securities which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive, except that it may, with effect from and including the Relevant Implementation Date, make an offer of Securities to the public in that Relevant Member State at any time:

(a) to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;

(b) to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than €43,000,000 and (3) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts; or

(c) in any other circumstances which do not require the publication by the Issuer of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an "**offer of Securities to the public**" in relation to any Securities in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Securities to be offered so as to enable an investor to decide to purchase or subscribe the Securities, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression "**Prospectus Directive**" means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

United Kingdom

Each Joint Lead Manager has represented and agreed that:

(a) during the period up to but excluding the implementation date of the Prospectus Directive (the "**Implementation Date**", it has not offered or sold and will not offer or sell any such Securities to persons in the United Kingdom except to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or otherwise in circumstances which have not resulted and will not result in an offer to the public in the United Kingdom within the meaning of the Public Offers of Securities Regulations 1995 (as amended);

(b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of the Securities in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and

(c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Securities in, from or otherwise involving the United Kingdom.

Kingdom of Denmark

Each Joint Lead Manager has represented and agreed that it has not, during the period up but excluding the Implementation Date, offered or sold, and will not offer, sell or deliver any Securities directly or indirectly in the Kingdom of Denmark by way of public offer, other than in compliance with Consolidated Danish Act No. 171 of 17 March 2005 as amended on Trading in Securities etc. and Executive Orders issued thereunder.

Republic of Italy

The offering of the Securities has not been cleared by CONSOB (the Italian Securities Exchange Commission) pursuant to Italian securities legislation and, accordingly, during the period up to but excluding the Implementation Date, no Securities may be offered, sold or delivered, nor may copies of this Offering Circular or of any other document relating to the Securities be distributed in the Republic of Italy ("Italy"), except:

(i) to professional investors ("*operatori qualificati*"), as defined in Article 31, second paragraph, of CONSOB Regulation No. 11522 of 1 July 1998 ("CONSOB Regulation No. 11522"), as amended; or

(ii) (in circumstances which are exempted from the rules on solicitation of investments pursuant to Article 100 of Legislative Decree No. 58 of 24 February 1998 (the "Financial Services Act") and Article 33, first paragraph, of CONSOB Regulation No. 11971 of 14 May 1999, as amended; or

(iii) after 1 July 2005, in other circumstances which provide for an exemption from the rules on solicitation of investments pursuant to any provision of the Prospectus Directive which shall be implemented or deemed to be self-executing in Italy.

Furthermore, any offer, sale or delivery of the Securities or distribution of copies of this Offering Circular or any other document relating to the Securities in Italy under (i) or (ii) above must be:

(a) made by an investment firm, bank or financial intermediary permitted to conduct such activities in Italy in accordance with the Financial Services Act, CONSOB Regulation No. 11522 and Legislative Decree No. 385 of 1 September 1993 (the "Banking Act"), as amended;

(b) made in compliance with Article 129 of the Banking Act and the implementing guidelines of the Bank of Italy, pursuant to which the issue or the offer of securities in Italy may need to be preceded and followed by an appropriate notice to be filed with the Bank of Italy depending, *inter alia*, on the aggregate value of the securities issued or offered in Italy and their characteristics; and

(c) made in accordance with all relevant Italian securities, tax and exchange control and other applicable laws and regulations and in compliance with any other applicable requirement or limitation which may be imposed from time to time by CONSOB or the Bank of Italy.

In any case, Securities may not be offered or sold to any individual in Italy either in the primary or secondary market.

General

Each Joint Lead Manager acknowledges that no representation is made by the Issuer or any of the Joint Lead Managers that any action has been or will be taken in any jurisdiction that would permit a public distribution of the Offering Circular or any other material relating to the Securities, in any country or jurisdiction where action for that purpose is required. Each Joint Lead Manager will, to the best of its knowledge and belief, comply with all applicable laws and regulations in each jurisdiction in which it acquires, offers, sells or delivers Securities or has in its possession or distributes the Offering Circular or any such other material, in all cases at its own expense.

GENERAL INFORMATION

1. DONG is incorporated under the Danish Public Companies Act under registration No. 36213728. DONG's objectives for the Company are, whether directly or indirectly and whether at home or abroad, to contribute, on a commercial basis, to a well-functioning and stable energy market in Denmark by developing, exploring for, extracting, procuring, storing, processing, transporting, producing and dealing in energy products and products and services connected therewith, as stated in Article 2 of its Articles of Association.

2. The Securities have been accepted for clearance through Clearstream, Luxembourg and Euroclear. The International Securities Identification Number for the Securities is XS0223249003 and the Common Code for the Securities is 022324900.

3. In connection with the application to list the Securities on the Luxembourg Stock Exchange a legal notice relating to the issue of the Securities and copies of the constitutional documents of the Issuer will be deposited prior to listing with the *Registre de Commerce et des Sociétés à Luxembourg* where such documents may be examined and copies obtained.

4. The Issuer has obtained all necessary consents, approvals and authorisations in the Kingdom of Denmark in connection with the issue and performance of the Securities. The issue of the Securities was authorised by resolution of the Board of Directors of the Issuer passed on 21 June 2005.

5. Except as disclosed in this document, there has been no material adverse change in the financial or overall business position or prospects of the Issuer or of the Group since 31 December 2004.

6. Except as disclosed under "Business – Litigation", neither the Issuer nor any of its subsidiaries is involved in any litigation or arbitration proceedings relating to claims or amounts which are material in the context of the issue of the Securities nor so far as the Issuer is aware is any such litigation or arbitration pending or threatened.

7. The Securities and Coupons will bear the following legend: "Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code".

8. Copies of the latest annual report and consolidated accounts of the Issuer and the latest interim quarterly consolidated accounts of the Issuer may be obtained, and copies of the Trust Deed and the Paying Agency Agreement will be available, at the specified offices of each of the Paying Agents during normal business hours, so long as any of the Securities are outstanding. The latest non-consolidated financial statements will be available in Luxembourg at the specified office of the Luxembourg Paying Agent during normal business hours, so long as any of the Securities are outstanding. Though the Issuer publishes both consolidated and non-consolidated accounts, the non-consolidated accounts do not provide significant additional information as compared to the consolidated accounts.

   The publicly available audited annual reports of DONG A/S for the financial years 2003 and 2004 have been audited by KPMG C. Jespersen, Statsautoriseret Revisionsinteressentskab, Borups Allé 177, DK-2000 Frederiksberg, Denmark and PricewaterhouseCoopers, Statsautoriseret Revisionsinteressentskab, Strandvejen 44, DK-2900 Hellerup, Denmark, who have audited such annual reports in accordance with generally accepted Danish auditing standards in the Kingdom of Denmark. KPMG C. Jespersen Statsautoriseret Revisionsinterssentskab and PricewaterhouseCoopers Statsautoriseret Revisionsinteressentskab have issued audit opinions without qualifications on the annual reports of DONG A/S for the financial years 2003 and 2004.

   For the financial year 2005 KPMG C. Jespersen, Statsautoriseret Revisionsinteressentskab and BDO ScanRevision, Statsautoriseret Revisionsaktieselskab have been elected as auditors of the Issuer.

FINANCIAL STATEMENTS OF DONG A/S AND THE GROUP AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2004

The following accounting policies, consolidated profit and loss accounts, balance sheets and notes thereto as at and for the years ended 31 December 2004 and 31 December 2003 have been extracted from the publicly available audited annual report for 2004 for DONG A/S, which has been prepared in accordance with generally accepted accounting practice in Denmark (Danish GAAP).

Accounting policies

Basis of preparation

The annual report has been prepared in accordance with the provisions applying to class D-companies under the Danish Financial Statements Act and operative Danish Accounting Standards. As a class D-company DONG is comprised by the same rules in the Danish Financial Statements Act as listed companies.

The consolidated and parent company financial statements have been prepared in accordance with the same accounting policies as last year. Compared with last year, editorial changes and clarifications have been made in this statement concerning accounting policies.

Changed classification and discontinuation of consolidation, etc.

In 2004 DONG reassessed the classification of goodwill acquired in connection with prior year acquisitions. Based on a detailed analysis, it has been deemed that, in the case of some acquisitions, the acquired goodwill relates, wholly or in part, to know-how and rights. Comparative figures for 2003 and financial highlights have been restated to reflect the changed classification. The changed classification has no effect on profit or equity.

Clarifications have been made in 2004 of the classification of derivative financial instruments in the balance sheet. Comparative figures for 2003 and financial highlights have been restated accordingly. The changes have no effect on profit, total assets or equity.

The classification of an investment in a wind farm was changed in 2004 so that it is now classified as a joint venture recognised by proportionate consolidation. The investment was previously classified as an associate and accounted for as an equity method investment. The comparative figures for 2003 and financial highlights have been restated accordingly. The change has no effect on profit or equity.

Based on a reassessment, income tax receivable is no longer set off against income tax payable in the financial statements in the case of some tax jurisdictions. The change has increased the balance sheet total at 31 December 2003 by DKK 220 million in total. Comparative figures for 2003 have been restated. The change has no effect on profit or equity.

The value of the German natural gas pipeline was reassessed in 2004 in accordance with DONG's accounting policies, whereby natural gas pipelines are revalued at fair value. The German natural gas pipeline was not valued in previous years, and the DKK 57 million revaluation gain has therefore been recognised with accounting effect from 1 January 2004. The comparative figures for 2003 have not been restated.

In 2004 DONG reassessed its accounting treatment of regulated companies that are regulated according to a principle of self-financing, where there is no regulatory access for the shareholder to receive a return on the undistributable reserves tied up in these activities. Against that background it has been decided that there is no basis for maintaining the consolidation. The investments in these companies are therefore instead measured at fair value. The changed accounting treatment of the consolidation has not affected profit for 2004, but has reduced consolidated equity at 31 December 2004 by a total of DKK 248 million in undistributable reserves. The comparative figures for 2003 have not been restated.

In the cash flow statement, cash and cash equivalents totalling DKK 34 million at 31 December 2004 related to regulated activities have been reclassified, based on a reassessment, so that they are now recognised as part of operating activities. The comparative figures for 2003 and financial highlights for 2003 have been restated accordingly.

Consolidated financial statements

The consolidated financial statements comprise the parent company and subsidiaries in which DONG A/S holds, directly or indirectly, more than 50% of the voting rights or which it controls in some other way. Regulated companies that operate according to a principle of self-financing and where DONG A/S does not have direct or indirect access to receive a return are not included in the consolidation, but are instead measured at fair value as investments. Companies in which the Group has significant influence, but not control, are accounted for as associates. Significant influence is typically achieved by holding, directly or indirectly, more than 20% but less than 50% of the voting rights, although this is based on a specific assessment of the possibility of exercising influence. If these companies satisfy the criteria for joint control they are instead accounted for as joint ventures investments.

The consolidated financial statements have been prepared by aggregation of the parent company's and the individual subsidiaries' individual financial statements, applying the Group's accounting policies.

Intra-Group income and expenses, shareholdings, balances and dividends as well as realised and unrealised gains and losses arising from intra-Group transactions are eliminated on consolidation.

Investments in subsidiaries are offset against the proportionate share of the fair value of the subsidiaries' assets and liabilities at the date of acquisition or formation.

Companies acquired or formed during the year are recognised in the consolidated financial statements from the date of acquisition or formation. Companies disposed of during the year are recognised in the consolidated income statement until the date of disposal.

Comparative figures are not restated to reflect acquisitions or disposals.

On acquisition of companies the purchase method is applied whereby the identifiable assets and liabilities of the acquired companies are restated at fair value at the date of acquisition. Provision is made for any costs related to restructuring in the acquired company decided and announced in connection with the acquisition. The tax effect of the restatement of assets and liabilities is taken into account.

Any excess of the cost of acquisition over the fair value of the identifiable assets and liabilities acquired (goodwill), including restructuring provisions, is recognised as intangible assets and amortised systematically in the income statement on the basis of individual assessment of the useful life of each asset, normally estimated at five years. Any excess of the fair value over the cost of acquisition (negative goodwill), representing expected unfavourable development in the acquired companies, is recognised in the balance sheet as deferred income and recognised in the income statement as the unfavourable development materialises. Negative goodwill not related to any expected unfavourable development is recognised in the balance sheet with an amount corresponding to the fair value of non-monetary assets. The amount is subsequently recognised in the income statement over the average useful lives of the non-monetary assets.

Goodwill and negative goodwill from acquired companies may be adjusted until the end of the year following their acquisition if the fair value of identifiable assets and liabilities at the time of acquisition subsequently proves to differ from the recognised value. Hereinafter, goodwill is only adjusted in the event of any provisions for restructuring in the acquired company is not utilised as assumed and therefore has to be reversed, or as a consequence of changes in estimated contingent purchase considerations. All other adjustments are recognised in the income statement.

Gains or losses on disposal of subsidiaries and associates are stated as the difference between the selling price and the carrying amount of net assets at the date of disposal plus anticipated disposal costs.

Joint venture investments

Joint venture investments include jointly operated oil exploration and oil production licences as well as wind farms and geothermal plants within renewable energy.

Recognition of an investment as a joint venture investment is conditional upon the existence of a contractual arrangement stipulating joint control. The contractual arrangement must also stipulate whether the joint venturers are jointly and severally liable or whether they are liable for their proportionate shares only.

Joint venture investments are recognised in the consolidated financial statements as the Group's share of the jointly controlled assets and liabilities, classified by nature, and the Group's share of revenue from the sale of the joint product, along with the Group's share of the expenses incurred by the jointly controlled operation. Liabilities and expenses incurred by the Group in respect of the jointly controlled operation are also recognised.

Joint venture investments are recognised in the parent company financial statements as the parent company's share of the jointly controlled assets and liabilities, classified by nature, and the parent company's share of revenue from the sale of the joint product, along with the parent company's share of the expenses incurred by the jointly controlled operation. Liabilities and expenses incurred by the parent company in respect of the jointly controlled operation are also recognised.

On consolidation, intra-Group income and expenses, balances and realised and unrealised gains and losses arising from intra-Group transactions are eliminated on a *pro rata* basis based on ownership interest.

Minority interests

The items in the subsidiaries' financial statements are recognised in full in the consolidated financial statements. The proportion of the subsidiaries' profits/losses and equity that relates to minority interests is recognised as separate items in the income statement and the balance sheet.

Foreign currency translation

On initial recognition, transactions denominated in foreign currencies are translated into Danish kroner at the exchange rates at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and at the date of payment are recognised in the income statement as financial items.

Receivables, payables and other monetary items denominated in foreign currencies are translated at the exchange rates at the balance sheet date. The difference between the exchange rates at the balance sheet date and at the date at which the receivable or payable arose or was recognised in the latest annual report is recognised in the income statement as financial income and expenses.

Gains and losses on hedging transactions in connection with purchases and sales of goods are recognised at the same time as and in the same item as the hedged item.

On recognition of foreign subsidiaries and associates that are separate entities, the income statements are translated at average exchange rates for the month and the balance sheet items are translated at the exchange rates at the balance sheet date. Goodwill is translated at the exchange rate at the date of initial recognition. Foreign exchange adjustments arising on translation of the opening equity of foreign subsidiaries at the exchange rates at the balance sheet date, on translation of loans granted on equity-like terms and on translation of the income statements from average exchange rates to the exchange rates ruling at the balance sheet date are recognised directly in equity.

Hedging and derivative financial instruments

Derivative financial instruments and loans are used to hedge interest rate risks, currency risks and price risks related to the price of oil and natural gas, etc.

Derivative financial instruments are recognised initially in the balance sheet at cost and are subsequently stated at fair value. Fair value is calculated on the basis of market data and recognised valuation methods. Positive and negative fair values of derivative financial instruments are recognised as Other receivables and Other payables, respectively.

Changes in the fair value of derivative financial instruments designated as and qualifying for recognition as hedges of the fair value of a recognised asset or liability are recognised in the income statement together with changes in the value of the hedged asset or liability in respect of the risk that is hedged.

Changes in the fair value of derivative financial instruments and foreign exchange adjustments of loans designated as and qualifying for recognition as hedges of future cash flows are recognised directly in equity. For options used as hedges, only the actual value of the option is accounted for as a hedge. The adjustment relating to the individual hedging instrument is transferred from equity on realisation of the hedged item and recognised in the same item as the hedged item.

For derivative financial instruments that do not qualify for hedge accounting, changes in fair value are recognised in the income statement as Financial income or Financial expenses when they occur, apart from instruments concluded in the course of the Group's ordinary trading activities.

Changes in the fair value of derivative financial instruments that are used to hedge net investments in foreign subsidiaries or associates and that function as effective hedges against changes in foreign exchange rates in these companies are recognised directly in equity under a separate reserve for foreign exchange adjustments. Foreign exchange adjustments of balances with foreign companies that are accounted for as part of the total net investment in the company in question are recognised in the consolidated financial statements directly under equity.

Impairment of assets

The carrying amounts of the Group's intangible assets, property, plant and equipment and investments are reviewed annually to determine if any indication of impairment exists.

If any such indication exists, the asset's recoverable amount is estimated. The recoverable amount is the higher of an asset's net selling price and its value in use. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

Impairment losses are recognised in the income statement as Production costs, Sales and marketing, Management and administration or amortisation of and impairment losses on rights, etc.

In the case of assets that have previously been revalued, impairment losses are recognised in equity, although only up to the amount of the revaluation reserve.

Income statement

Revenue

Revenue from sales comprises sales and transportation of natural gas and crude oil, electricity, heat and related services. Revenue is recognised in the income statement if delivery and transfer of risk to buyer have taken place before the end of the financial year, and if the income can be measured reliably and is expected to be received.

Revenue is measured exclusive of duty on crude oil transportation and other duties and VAT that are dependent on the sales amount, and exclusive of sales discounts.

Overlift is recognised at realisable value and reduced in revenue.

Physical trading contracts for gas, electricity, etc., that concluded in the course of the Group's trading activities with a view to generating gains from short-term price fluctuations are market value-adjusted under revenue.

Production costs, etc.

Production costs comprise costs, including cost of sales, depreciation and amortisation and salaries, relating to:

- equity of natural gas and crude oil during the year
- operation and maintenance of the natural gas system and the oil transportation system
- exploration, including costs for exploration licences, own costs for geological data, seismic surveys, licence administration, write-down of exploration wells, etc.
- electricity, heat and wind activities.

Underlift is recognised at cost.

Public subsidies for electricity activities, preliminary investigations in connection with the establishment of installations, etc., are set off against the associated production costs, insofar as they do not qualify for recognition as fixed assets. Public subsidies for capital expenditure are offset against the cost of the installation and recognised in the income statement as the assets to which the subsidy relates are depreciated.

Sales and marketing

Sales and marketing comprise expenses for negotiation and conclusion of contracts for the purchase and sale of natural gas and marketing of DONG and DONG's products. This item includes direct expenses as well as allocated indirect expenses.

Management and administration

Management and administration comprise primarily staff costs for management and administrative staff. This item includes direct expenses as well as allocated indirect expenses.

Other operating income and expenses

Other operating income and expenses comprise items secondary in nature to the company's principal activities, including gains and losses on disposal of intangible assets and property, plant and equipment.

Profits/losses from investments in subsidiaries and associates

The proportionate share of the pre-tax profits/losses of the individual subsidiaries is recognised in the parent company's income statement after full elimination of intra-Group profits/losses and less goodwill amortisation. The share of the subsidiaries' taxes is recognised as tax on the profit/loss for the year.

The proportionate share of the pre-tax profits/losses of associates is recognised in both the parent company and the consolidated income statements after elimination of the proportionate share of intra-Group profits/losses and goodwill amortisation. The share of the associates' taxes is recognised as tax on the profit/loss for the year.

Financial income and expenses

Financial income and expenses comprise interest income and expense, realised and unrealised gains and losses in respect of securities, payables and transactions denominated in foreign currencies, amortisation of financial assets and liabilities as well as surcharges and refunds under the on-account tax scheme, etc. Financial income and expenses also include realised and unrealised gains and losses on derivative financial instruments that do not qualify for hedge accounting or have been concluded in the course of the Group's trading activities. Financial income and expenses are recognised with the amounts that relate to the financial year.

Tax on the profit for the year

Tax for the year comprises current tax and changes in deferred tax for the year. The tax expense relating to the profit/loss for the year is recognised in the income statement, and the tax expense relating to amounts directly recognised in equity is recognised directly in equity.

The parent company is jointly taxed with the Group's wholly-owned Danish subsidiaries and some foreign wholly-owned subsidiaries. Jointly taxed Danish subsidiaries with taxable income pay a joint taxation contribution of 30% to the parent company, equivalent to payable tax as if the subsidiary was taxed separately. Provision for deferred tax is made in the respective subsidiaries.

The Group is subject to the on-account tax scheme. Surcharges/refunds are recognised in the parent company as Financial income and Financial expenses, respectively.

Subsidiaries that are engaged in hydrocarbon recovery are subject to the hydrocarbon tax legislation in the countries in which they operate. Hydrocarbon taxes are recognised as tax on the profit/loss for the year.

Balance

Intangible assets

Patents

Patents are measured at cost less accumulated amortisation and impairment losses.

Patents are amortised on a straight-line basis over the remaining patent period, although not exceeding 5 years.

Gains and losses on disposal of patents are calculated as the difference between the selling price less selling costs and the carrying amount at the date of disposal. Gains and losses are recognised in the income statement as Other operating income or Other operating expenses.

Goodwill

Goodwill is measured at cost less accumulated amortisation and impairment losses.

Goodwill is amortised on a straight-line basis over the estimated useful life of the asset, which is determined on the basis of management's experience of the specific business areas. The amortisation period is longest for strategic acquisitions with a strong market position and a long-term earnings profile. Recognised goodwill is amoritised over 5 – 10 years.

Know-how

Know-how is measured at cost less accumulated amortisation and impairment losses.

Know-how is amortised on a straight-line basis over the estimated useful life, which is estimated to be 5 years.

Rights

Rights are measured at cost less accumulated amortisation and impairment losses.

Rights are amortised on a straight-line basis over the estimated useful life of the asset, which is determined on the basis of management's experience of the specific business areas, and the assets to which the right relates. Capitalised rights are estimated to have a useful life of 4 – 20 years.

IT software

IT software is measured at cost less accumulated amortisation and impairment losses.

Cost includes direct and indirect costs associated with acquisition and implementation until the date the asset is available for use. Cost includes costs for subsuppliers, consultants and own labour.

IT software is amortised on a straight-line basis over the estimated useful life, which, as a rule, is estimated to be 5 years.

Amortisation and impairment losses on intangible assets are recognised in the income statement as Production costs, Sales and marketing, and Management and administration, respectively.

Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and impairment losses, apart from natural gas pipelines and natural gas storage facilities, which are measured at cost plus revaluation less accumulated depreciation and impairment losses.

Cost comprises purchase price and any costs directly attributable to the acquisition until the date the asset is available for use. The cost of self-constructed assets comprises direct and indirect costs of materials, components, subsuppliers and labour.

Property, plant and equipment include provisions for future abandonment obligations, which are depreciated together with the relevant assets.

Natural gas pipelines and natural gas storage facilities are written up to fair value if this is higher than the carrying amount. Revaluation less deferred tax related to the revaluation is recognised directly in equity in the item Revaluation reserve. Deferred tax related to such revaluation is recognised as Deferred tax under Provisions. Annual reviews are carried out of the recoverable amount of natural gas pipelines and natural gas storage facilities.

Exploration comprises the exploration expenses recognised in the balance sheet that relate directly to successful wells on which production has not yet begun. Expenses are recognised using the successful efforts method. Under the successful efforts method general exploration expenses and expenses relating to unsuccessful exploration wells are charged to the income statement. Recognition in the balance sheet is maintained pending evaluation of whether the discovery is commercial. All exploration expenses determined as unsuccessful are recognised in the income statement as Production costs. Other exploration expenses are recognised in the income statement as Production costs when incurred.

Recognised exploration expenses in respect of commercial finds are transferred to Oil and gas production assets (Production assets) when a field has been fully developed and production begins.

Exploration and production assets include provisions for future abandonment costs, which are depreciated together with the relevant assets.

In the case of Oil and gas production assets, cost is depreciated using the unit-of-production method based on the ratio of current production to estimated proved reserves by individual field.

Cost and revaluation for other property, plant and equipment are basically depreciated on a straight-line basis over the estimated useful lives as follows:

- Buildings used for own purposes 20 years
- Buildings not used for own purposes (investment properties) 20 years
- Production assets:

  Natural gas distribution system 20 years
  Natural gas storage facilities 20 years
  Offshore pipelines 20 years
  Geothermal plants 20 years
  Distribution grid, electricity 10 – 50 years
  Distribution grid, heat 10 – 50 years
  Oil transportation system 15 years
  Wind turbines[2)] 15 – 20 years
- Exploration[1)] Not depreciated
- IT hardware 3 years
- Other fixtures and fittings, tools and equipment 5 years
- Assets under construction[1)] Not depreciated

1) Depreciation does not commence until the assets/fields are taken into use, at which time they are transferred to production assets. Like other fixed assets, these assets are reviewed for indication of any impairment.

2) The depreciation profile takes account of the fact that the earnings profile of a wind turbine changes substantially over its life.

Depreciation and impairment losses are recognised in the income statement as Production costs, Sales and marketing, and Management and administration, respectively.

Gains and losses on disposal of property, plant and equipment are calculated as the difference between the selling price less selling costs and the carrying amount at the date of disposal. Gains and losses are recognised in the income statement as Other operating income or Other operating expenses.

Investments

Investments in subsidiaries and associates

Investments in subsidiaries and associates are measured according to the equity method.

Investments in subsidiaries and associates are measured in the balance sheet at the proportionate share of the companies' net asset values calculated in accordance with the parent company's accounting policies, plus goodwill, and minus or plus unrealised intra-Group profits and losses.

On acquisition of subsidiaries the purchase method is applied, cf. the description in the foregoing under Consolidated financial statements.

Other equity investments

Other equity investments are recognised initially in the balance sheet at cost and are subsequently stated at fair value. For listed securities, this corresponds to the market price at the balance sheet date. For unlisted securities, an estimated fair value is used, if this is considered reliable; alternatively, the cost is used.

Changes in the fair value of other equity investments, and dividend on investments, are recognised in the income statement as Financial income and expenses.

Inventories

Inventories consist of natural gas and recovered crude oil in storage facilities, as well as raw materials and consumables, and fuel inventories.

Inventories are measured at the lower of cost and net realisable value.

In the case of natural gas, cost is calculated as a weighted average of the previous month's buying prices, incl. transportation costs. In the case of crude oil, cost is calculated as the average of the production costs. The cost of other inventories is measured using the FIFO method. The net realisable value of inventories is calculated as the expected selling price less any completion costs and costs incurred to execute the sale. The net realisable value is determined on the basis of marketability, obsolescence and development of expected selling price.

As producing fields have several participants, there may be situations in which a participant has lifted and sold more or less oil than the participant's relative entitlement at the time of lifting. Such a situation is called overlift and underlift, respectively. Overlift and underlift are accounted for as deferred income under Short-term liabilities other than provisions and Current assets, respectively.

Receivables

Receivables are measured at amortised cost. Provision is made for anticipated losses.

Other receivables

Other receivables include positive fair values of derivative financial instruments, underabsorption, etc.

Underabsorption is a negative difference between the payments the consumers are charged and the income caps in companies that are comprised by statutory price regulation. The amount thus due from the consumers is recognised to the extent that it is expected to be realised via the coming years' prices.

Income tax and deferred tax

Current tax payable and receivable is recognised in the balance sheet as tax computed on the taxable income for the year, adjusted for tax on the taxable income of prior years and for tax paid on account.

Deferred tax is measured using the balance sheet liability method, providing for all temporary differences between the carrying amounts of assets and liabilities and the amounts used for taxation purposes; however, deferred tax is not recognised on temporary differences in respect of goodwill not deductible for tax purposes, office properties or other items – apart from business combinations – where temporary differences have arisen at the date of acquisition without having any effect on profit or taxable income. Where alternative tax rules can be applied to determine the tax base, deferred tax is measured on the basis of the planned use of the asset or settlement of the liability, respectively.

Deferred tax assets, including the tax base of tax loss carry-forwards, are recognised as Current assets at the value at which they are expected to be utilised either by elimination against tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity and jurisdiction.

Adjustment of deferred tax is made relating to eliminations of unrealised intra-Group profits and losses.

Deferred tax is measured in accordance with the tax rules and tax rates in the respective countries that will apply under the legislation enacted at the balance sheet date when the deferred tax is expected to crystallise in the form of current tax. Changes in deferred tax as a result of changes in tax rates are recognised in the income statement.

Prepayments

Prepayments comprise costs incurred in respect of subsequent financial years. Prepayments include underlift of crude oil, etc., cf. the description under Inventories.

Securities

Securities, comprising bonds, are recognised initially in the balance sheet at cost and are subsequently stated at fair value.

Changes in the fair value of securities are recognised in the income statement as Financial income and expenses.

Equity

Undistributable reserves

Undistributable reserves in regulated companies comprised by the consolidated financial statements are presented in a separate reserve under equity. Undistributable reserves in regulated companies are the part of total equity that is distributable in accordance with separate legislation only and may thus not be distributed to the shareholders of DONG A/S.

Dividends

Proposed dividends expected to be paid for the year are disclosed as a separate item under equity.

Proposed dividends are recognised as a liability at the date of their adoption at the Annual General Meeting (declaration date).

Net revaluation according to the equity method

Net revaluation of investments in subsidiaries and associates is transferred to the reserve under equity to the extent that the carrying amount exceeds the cost.

Pensions

Pensions relate to pensions to public servants in connection with the takeover of municipally owned regional gas companies. The obligation has been calculated using an actuarial calculation.

Other provisions

Provisions are recognised when, as a result of a past event, the Group has a legal or constructive obligation, and it is probable that an outflow of economic benefits will be required to settle the obligation.

Provisions comprise estimated costs for removal of production plant, reinstatement of drilling sites or other technical installations, any guarantee commitments, restructuring, etc.

Provision for removal of production plant is calculated as the present value of the expected future liability in respect of reinstatement and decommissioning as estimated at the balance sheet date. The amount recognised is determined on the basis of existing requirements and estimated costs, which are discounted to present value. These liabilities are recognised as they arise and are adjusted on a regular basis to reflect changes in requirements and price level, etc. The equivalent value of the provision is recognised under property, plant and equipment and depreciated together with relevant assets. The increase in time of the present value is recognised in the income statement under Financial items.

If it is considered unlikely that an outflow of economic benefits will be required to settle the obligation, the obligation is accounted for as a contingent liability that is not recognised in the balance sheet. Information about material contingent liabilities is given in the notes.

Financial liabilities

Payables to mortgage credit institutions and credit institutions are recognised at the date of borrowing at the net proceeds received less transaction costs incurred. In subsequent periods, the financial liabilities are measured at amortised cost, corresponding to the capitalised value using the effective interest rate. Accordingly, the difference between the proceeds and the nominal amount is recognised in the income statement over the term of the loan.

Other liabilities, comprising trade payables and other payables, are measured at amortised cost.

Financial liabilities the value of which has been effectively hedged are adjusted to fair value as far as concerns the hedged risk. The value adjustment is recognised in the income statement as Financial income or Financial expenses.

Other payables

Other payables include negative fair values of derivative financial instruments, certain realised and unrealised gains and losses on loans in DONG Olierør, overabsorption, etc.

In DONG Olierør realised gains and losses in connection with loan refinancing and unrealised foreign exchange adjustments on loans raised are settled through the users' payments over the depreciation period for the oil transportation system.

Overabsorption is the sum payable to the consumers as a consequence of a positive difference between the payments charged and the regulatory income caps in companies that are comprised by statutory price regulation.

Deferred income

Deferred income comprises payments received, etc., in respect of income in subsequent years. Deferred income includes overlift of crude oil, the value of non-recognised amounts in respect of natural gas delivered under contract, investment contributions, etc.

The value of natural gas free of charge delivered under contract is spread proportionally over the remaining contract period with a view to accounting for purchased goods on an accruals basis.

Investment contributions comprise prepaid investment contributions from the consumers for electrical installations, other installations, etc. Investment contributions are recognised initially at cost, corresponding to the amount received.

Prepaid investment contributions are recognised as income over the depreciation period for the electrical installations. Prepaid investment contributions relating to other installations are recognised as income over 30 years.

Cash flow statement

The cash flow statement shows the Group's and the parent company's cash flows for the year from operating, investing and financing activities, the year's changes in cash and cash equivalents, and cash and cash equivalents at the beginning and end of the year.

The cash flow statement is presented according to the indirect method.

Cash flows from operating activities

Cash flows from operating activities are calculated as the Group's or the parent company's share of the profit/loss adjusted for non-cash operating items, changes in working capital and income tax paid.

Cash flows from investing activities

Cash flows from investing activities comprise payments in connection with acquisitions and disposals of companies and activities and of intangible assets, property, plant and equipment and investments.

Cash flows relating to acquired companies are recognised from the date of acquisition, and cash flows relating to companies disposed of are recognised until the date of disposal.

Cash flows from financing activities

Cash flows from financing activities comprise the raising of loans, repayment of debt, and payment of dividends.

Cash and cash equivalents

Cash and cash equivalents comprise available cash that is part of the ongoing cash management as well as securities that are readily convertible to cash and are subject to an insignificant risk of changes in value.

Segment information

Information is provided on business segments (primary segments) and geographical markets (secondary segments). The segment information is based on the Group's accounting policies, risks and financial management.

Segment income and expenses and segment assets and liabilities comprise items directly attributable to the individual segment, and items that can be indirectly allocated to the individual segment on a reasonable basis. Non-allocated items comprise primarily assets and liabilities and income and expenses relating to the Group's administrative functions, investing activities, income taxes, etc.

Fixed segment assets comprise fixed assets used directly in the segment's operating activities, including intangible assets, property, plant and equipment, and investments in associates. Current segment assets comprise the current assets used directly in the segment's operating activities, including inventories, trade receivables, other receivables, prepayments and cash.

Segment liabilities comprise liabilities resulting from the segment's operating activities, including trade payables and other payables.

Consolidated income statement for the year ended 31 December 2004

	Note	2004	2003
		(DKK million)	
Revenue	1, 2	14,292.0	14,266.9
Production costs	3, 4	(11,220.4)	(10,479.4)
Gross profit		3,071.6	3,787.5
Sales and marketing	3	(218.0)	(184.3)
Management and administration	3	(286.9)	(312.0)
Other operating income and expenses	5	(5.1)	(11.2)
Profit before amortisation of and impairment losses on rights, etc.		2,561.6	3,280.0
Amortisation of and impairment losses on rights, etc.	6	(140.7)	(111.8)
Operating profit (EBIT)		2,420.9	3,168.2
Profit on sale of subsidiaries		481.1	0.0
Share of pre-tax profits (losses) of associates	12	(13.9)	24.1
Financial income	7	1,197.2	1,141.5
Financial expenses	8	(1,026.1)	(1,085.8)
Profit before tax		3,059.3	3,248.0
Tax on the profit for the year	9	(968.2)	(1,299.4)
Profit for the year		2,091.1	1,948.6
Minority interests' share of subsidiaries' profits	18	(210.1)	(7.2)
Group share of profit for the year		1,881.0	1,941.4
Transfer to undistributable reserves in regulated companies		0.0	(8.4)
Shareholders' share of profit for the year		1,881.0	1,933.0

Consolidated balance sheet at 31 December 2004

	Note	*2004*	*2003*
		(DKK million)	
Assets			
Goodwill		0.0	0.0
Know-how		0.0	27.1
Rights		467.2	102.8
IT software		239.5	154.5
IT projects in progress		42.1	104.8
Intangible assets	10	748.8	389.2
Land and buildings		247.0	331.4
Production assets		14,814.0	20,253.1
Exploration		309.1	163.8
Other fixtures and fittings, tools and equipment		30.9	57.1
Assets under construction		420.3	1,314.7
Property, plant and equipment	11	15,821.3	22,120.1
Investments in associates		188.4	174.2
Other equity investments		5,659.7	1,906.7
Other investments		1,006.5	74.8
Investments	12	6,854.6	2,155.7
Fixed assets		23,424.7	24,665.0
Inventories	13	461.3	409.5
Trade receivables	14	2,534.4	1,991.5
Receivables from associates		0.3	11.8
Income tax	22	820.0	503.4
Other receivables	15	3,253.7	1,765.5
Prepayments	16	139.3	274.0
Receivables		6,747.7	4,546.2
Securities	31	196.2	841.3
Cash	31	550.2	2,768.2
Current assets		7,955.4	8,565.2
Total assets		31,380.1	33,230.2

	Note	2004	2003
		(DKK million)	
Equity and liabilities			
Share capital		2,143.6	2,143.6
Revaluation reserve		2,017.2	5,168.0
Retained earnings		11,487.9	6,913.5
Proposed dividends		0.0	1,905.5
Equity excluding undistributable reserves in regulated companies		15,648.7	16,130.6
Undistributable reserves in regulated companies		0.0	663.4
Equity	17	15,648.7	16,794.0
Minority interests	18	694.5	563.7
Deferred tax	19	3,050.3	4,102.3
Pensions	20	18.2	19.4
Other provisions	20	1,365.9	966.6
Provisions		4,434.4	5,088.3
Bond loans		0.0	500.0
Mortgage loans		622.5	1,249.6
Bank loans		1,816.8	2,088.3
Other long-term liabilities other than provisions		8.2	298.0
Long-term liabilities other than provisions	21	2,447.5	4,135.9
Mortgage loans	21, 31	60.1	70.9
Bank loans	21	1,390.6	2,089.2
Trade payables		2,511.5	1,509.1
Income tax	22	212.6	220.1
Other payables	23	3,640.0	2,187.2
Deferred income	24	340.2	571.8
Short-term liabilities other than provisions		8,155.0	6,648.3
Liabilities other than provisions		10,602.5	10,784.2
Total equity and liabilities		31,380.1	33,230.2
Notes without reference	32, 33		
Contingent liabilities	34		
Related party transactions	35		
Group structure	36		
Licences	37		

Consolidated statement of changes in equity for the year ended 31 December 2004

	Share capital	*Revaluation reserve*	*Retained earnings*	*Proposed dividends*	*Undistributable reserves in regulated companies*	*Total*
			(DKK million)			
Equity at 1 January 2003	2,143.6	5,168.0	6,903.7	440.0	0.0	14,655.3
Dividends paid	—	—	0.0	(440.0)	—	(440.0)
Profit for the year	—	—	1,941.4	—	—	1,941.4
Foreign exchange adjustments, foreign companies	—	—	(104.3)	—	—	(104.3)
Value adjustments of hedging instruments	—	—	133.0	—	—	133.0
Tax on equity items	—	—	(39.4)	—	—	(39.4)
Addition of undistributable reserves in acquired regulated companies	—	—	—	—	655.0	655.0
Transfer to undistributable reserves in regulated companies	—	—	(8.4)	—	8.4	0.0
Other adjustments	—	—	(7.0)	—	—	(7.0)
Proposed dividends	—	—	(1,905.5)	1,905.5	—	0.0
Equity at 1 January 2004	2,143.6	5,168.0	6,913.5	1,905.5	663.4	16,794.0
Adjustments at start of year concerning natural gas pipeline	—	57.2	—	—	—	57.2
Reclassification concerning non-consolidated subsidiaries	—	—	—	—	(248.4)	(248.4)
Dividends paid	—	—		(1,905.5)		(1,905.5)
Profit for the year	—	—	1,881.0	—	—	1,881.0
Foreign exchange adjustments, foreign companies	—	—	14.7	—	—	14.7
Foreign exchange adjustments of equity-like loans	—	—	(16.0)	—	—	(16.0)
Value adjustments of hedging instruments	—	—	(735.4)	—	—	(735.4)
Tax on equity items	—	—	224.9	—	—	224.9
Disposal on sale	—	—	8.4	—	(415.0)	(406.6)
Released reserves on sale of subsidiaries	—	(3,208.0)	3,208.0	—	—	0.0
Other adjustments	—	—	(11.2)	—	—	(11.2)
Proposed dividends	—	—	0.0	0.0	—	0.0
Equity at 31 December 2004	2,143.6	2,017.2	11,487.9	0.0	0.0	15,648.7

Consolidated cash flow statement for the year ended 31 December 2004

	Note	2004	2003
		(DKK million)	
Cash flows from operations (operating activities)	25	4,231.4	6,473.2
Interest income and similar items		902.4	699.6
Interest expense and similar items		(730.9)	(1,012.6)
Income tax paid		(864.4)	(1,718.0)
Cash flows from operating activities		3,538.5	4,442.2
Acquisition of intangible assets		(93.4)	(191.0)
Acquisition of property, plant and equipment		(1,857.1)	(2,698.2)
Disposal of property, plant and equipment		2.6	3.9
Acquisition of Group enterprises	26	(716.7)	(52.0)
Acquisition of minority interests in Group enterprises	27	(176.9)	0.0
Payments concerning acquisitions of Group enterprises in previous years	28	(340.4)	0.0
Sale of Group enterprises	29	883.4	0.0
Repayment of subordinated loan on sale of DONG Transmission		544.8	0.0
Acquisition of associates		(9.2)	(21.7)
Acquisition of other equity investments and securities		(1,958.1)	(1.5)
Sale of other equity investments and securities	30	0.0	0.0
Advance payment in respect of investment in Ormen Lange		(941.1)	0.0
Dividends received		62.1	36.0
Cash flows from investing activities		(4,600.0)	(2,924.5)
Instalment on subordinated loan		0.0	(400.0)
Decrease in other loans		(257.9)	(855.4)
Dividends paid to shareholders in the parent company		(1,905.5)	(440.0)
Cash flows from financing activities		(2,163.4)	(1,695.4)
Net cash flows from operating, investing and financing activities		(3,224.9)	(177.7)
Cash and cash equivalents at 1 January		3,448.7	3,626.4
Reclassification concerning non-consolidated subsidiaries		(79.7)	0.0
Unrealised foreign exchange adjustments		1.3	0.0
Cash and cash equivalents at 31 December	31	145.4	3,448.7

Parent company income statement for the year ended 31 December 2004

	Note	2004	2003
		(DKK million)	
Revenue		359.3	301.1
Production costs	3, 4	(343.3)	(239.4)
Gross profit		16.0	61.7
Share of pre-tax profits of Group enterprises	12	2,915.1	2,615.9
Management and administration	3	(40.6)	(57.4)
Other operating income and expenses	5	0.1	0.4
Operating profit (EBIT)		2,890.6	2,620.6
Profit on sale of subsidiaries		(42.3)	0.0
Share of pre-tax profits (losses) of associates	12	(24.5)	14.3
Financial income	7	2,709.5	1,275.4
Financial expenses	8	(2,815.2)	(672.7)
Profit before tax		2,718.1	3,237.6
Tax on the profit for the year	9	(915.1)	(1,296.2)
Profit for the year		1,803.0	1,941.4
Transfer to undistributable reserves in regulated companies		0.0	(8.4)
Shareholders' share of profit for the year		1,803.0	1,933.0

Proposal for profit appropriation

The Supervisory Board proposes that the profit for the year, DKK 1,803.0 million, be appropriated as follows:

Dividends	0.0	1,905.5
Transfer to undistributable reserves in regulated companies	0.0	8.4
Transfer to reserve for net revaluation according to the equity method	(644.6)	1,508.0
Retained earnings	2,446.3	(1,480.5)
	1,803.0	1,941.4
Dividend per DKK 100 share	0.0	88.9

Parent company balance sheet at 31 December 2004

	Note	2004	2003
		(DKK million)	
Assets			
IT software		212.4	134.8
IT projects in progress		42.1	88.2
Intangible assets	10	254.5	223.0
Land and buildings		225.2	233.9
Other fixtures and fittings, tools and equipment		11.7	13.5
Assets under construction		0.0	3.1
Property, plant and equipment	11	236.9	250.5
Investments in subsidiaries		10,973.1	12,706.9
Investments in associates		95.4	152.4
Other equity investments		1,371.7	1,370.1
Subordinated loans to subsidiaries		3,566.2	2,594.3
Investments	12	16,006.4	16,823.7
Fixed assets		16,497.8	17,297.2
Trade receivables	14	14.1	3.8
Receivables from subsidiaries		3,831.5	2,392.5
Income tax	22	815.8	503.4
Other receivables	15	2,195.2	1,748.7
Prepayments	16	3.7	1.6
Receivables		6,860.3	4,650.0
Securities	31	196.2	186.0
Cash		72.3	1,620.6
Current assets		7,128.8	6,456.6
Total assets		23,626.6	23,753.8

Parent company balance sheet at 31 December 2004

	Note	2004	2003
		(DKK million)	
Equity and liabilities			
Share capital		2,143.6	2,143.6
Net revaluation according to the equity method		7,114.6	7,757.9
Retained earnings		6,390.5	4,323.6
Proposed dividends		0.0	1,905.5
Equity excluding undistributable reserves in regulated companies		15,648.7	16,130.6
Undistributable reserves in regulated companies		0.0	663.4
Equity	17	15,648.7	16,794.0
Deferred tax	19	498.0	330.1
Provisions		498.0	330.1
Mortgage loans		160.6	160.4
Bank loans		1,085.7	963.2
Other long-term liabilities other than provisions		8.2	298.0
Long-term liabilities other than provisions	21	1,254.5	1,421.6
Mortgage loans	21	0.0	4.1
Bank loans	21, 31	512.8	113.8
Trade payables		134.7	104.9
Payables to subsidiaries		3,053.7	2,571.7
Other payables	23	2,524.2	2,413.6
Short-term liabilities other than provisions		6,225.4	5,208.1
Liabilities other than provisions		7,479.9	6,629.7
Total equity and liabilities		23,626.6	23,753.8
Notes without reference	32, 33		
Contingent liabilities	34		
Related party transactions	35		
Group structure	36		
Licences	37		

Parent company statement of changes in equity

for the year ended 31 December 2004

	Share capital	*Net revaluation according to the equity method*	*Retained earnings*	*Proposed dividends*	*Undistributable reserves in regulated companies*	*Total*
			(DKK million)			
Equity at 1 January 2003	2,143.6	6,943.2	5,128.5	440.0	0.0	14,655.3
Dividends paid	—	—	—	(440.0)	—	(440.0)
Profit for the year	—	—	1,941.4	—	—	1,941.4
Transfer to net revaluation according to the equity method	—	1,516.3	(1,516.3)	—	—	0.0
Equity items in subsidiaries	—	647.7	—	—	—	647.7
Transfer following transfer of shares to subsidiary and merger	—	(383.6)	383.6	—	—	0.0
Correction in respect of prior years	—	(302.3)	302.3	—	—	0.0
Addition of undistributable reserves in acquired regulated companies	—	(655.0)	—	—	655.0	0.0
Transfer to undistributable reserves in regulated companies	—	(8.4)	—	—	8.4	0.0
Foreign exchange adjustments, foreign associates	—	—	2.4	—	—	2.4
Value adjustments of hedging instruments during period	—	—	(15.2)	—	—	(15.2)
Tax on equity items	—	—	4.6	—	—	4.6
Other adjustments	—	—	(2.2)	—	—	(2.2)
Proposed dividends	—	—	(1,905.5)	1,905.5	—	0.0
Equity at 1 January 2004	2,143.6	7,757.9	4,323.6	1,905.5	663.4	16,794.0
Adjustments at start of year concerning natural gas pipeline	—	57.2	—	—	—	57.2
Reclassification concerning non-consolidated subsidiaries	—	—	248.4	—	(248.4)	0.0
Dividends paid	—	(1,530.0)	1,530.0	(1,905.5)	—	(1,905.5)
Profit for the year	—	1,908.6	(105.6)	—	—	1,803.0
Equity items in subsidiaries	—	(1,101.6)	—	—	—	(1,101.6)
Disposal on sale	—	8.4	406.6	—	(415.0)	0.0
Foreign exchange adjustments, foreign associates	—	—	1.2	—	—	1.2
Foreign exchange adjustments of equity-like loans	—	—	(16.0)	—	—	(16.0)
Value adjustments of hedging instruments during period	—	—	15.4	—	—	15.4
Tax on equity items	—	—	0.2	—	—	0.2
Other adjustments	—	12.8	(12.8)	—	—	0.0
Proposed dividends	—	—	0.0	0.0	—	0.0
Equity at 31 December 2004	2,143.6	7,113.3	6,391.8	0.0	0.0	15,648.7

Parent company cash flow statement for the year ended 31 December 2004

	Note	2004	2003
		(DKK million)	
Cash flows from operations (operating activities)	25	(1,154.6)	3,397.7
Interest income and similar items		1,136.0	281.3
Interest expense and similar items		(1,028.8)	(153.1)
Income tax paid		(445.6)	(1,090.9)
Cash flows from operating activities		(1,493.0)	2,435.0
Acquisition of intangible assets		(91.6)	(157.8)
Acquisition of property, plant and equipment		(8.1)	(34.6)
Disposal of property, plant and equipment		1.6	2.8
Acquisition of Group enterprises	26	0.0	(114.4)
Payments concerning acquisitions of Group enterprises in previous years	28	(298.0)	0.0
Sale of Group enterprises	29	1,088.2	0.0
Acquisition of associates		(5.0)	(5.0)
Repayment of subordinated loan on sale of DONG Transmission		544.8	0.0
Loans to Group enterprises		(1,052.3)	0.0
Acquisition of other equity investments and securities		(367.1)	0.0
Sale of other equity investments and securities	30	0.0	0.0
Dividends received		1,530.0	462.7
Cash flows from investing activities		1,342.5	153.7
Instalment on subordinated loan		0.0	(400.0)
Decrease in other loans		0.0	(13.6)
Increase in loans		517.5	0.0
Dividends paid to shareholders in the parent company		(1,905.5)	(440.0)
Cash flows from financing activities		(1,388.0)	(853.6)
Net cash flows from operating, investing and financing activities		(1,538.5)	1,735.1
Cash and cash equivalents at 1 January		1,806.6	71.5
Unrealised foreign exchange adjustments		0.4	0.0
Cash and cash equivalents at 31 December	31	268.5	1,806.6

Notes to the income statement

Note 1. Segment information

The Group's primary business segments comprise:

- Exploration & Production
- Natural gas, Trade & Supply
- Natural gas, Distribution & Storage
- Oil pipeline
- Electricity & Renewable energy

Reference is made to Management's review for a description of the Group's business segments.

Transactions between segments are priced on arm's length terms.

Activities – 2004

	Exploration & Production	*Natural gas, Trade & Supply*	*Natural gas, Distribution & Storage*	*Electricity & Renewable energy*	*Oil pipeline*	*Non allocated/ Eliminations*	*Group total*
				(DKK million)			
Revenue	3,191.8	10,022.2	860.7	533.1	372.8	(688.6)	14,292.0
– of which intra-Group revenue	24.1	134.9	630.9	1.0	0.4	(791.3)	0.0
EBITDA	1,899.6	1,906.3	596.2	141.4	95.3	47.3	4,686.5
EBIT	415.6	1,572.3	217.6	29.0	211.0	(25.0)	2,420.9
Share of profits for the year of associates	0.0	11.6	0.1	(1.1)	0.0	(24.5)	(13.9)
Profit on sale of subsidiaries						481.2	481.2
Financial items, net						171.1	171.1
Tax						(968.2)	(968.2)
Minority interests' share of subsidiaries' profits						(210.1)	(210.1)
Profit for the year						1,881.0	1,881.0
Assets	6,973.6	11,116.4	6,224.7	6,641.0	652.0	(227.6)	31,380.1
– including investments in associates	0.0	73.2	2.7	17.1	0.0	95.4	188.4
Liabilities	5,386.2	4,545.9	4,899.8	4,570.4	542.5	(4,907.9)	15,036.9
Additions of intangible assets and property, plant and equipment	1,229.5	565.0	404.6	327.4	0.0	41.2	2,567.8
Depreciation and amortisation	(1,436.0)	(323.1)	(378.6)	(92.4)	(44.3)	(72.3)	(2,346.7)
Impairment losses	(48.0)	(10.8)	0.0	(20.0)	0.0	(0.1)	(78.9)
Reversal of impairment losses	0.0	0.0	0.0	0.0	160.0	0.0	160.0
Provisions for abandonment obligations	800.1	138.8	202.7	26.2	139.7	0.0	1,307.5

Geographical breakdown of revenue by customer location

	Denmark	*Rest of EU*	*Rest of world*	*Group total*
		(DKK million)		
Revenue	7,142.3	6,072.2	1,077.5	14,292.0

Geographical breakdown of assets by physical location

	Denmark	*Germany*	*Sweden*	*Norway*	*UK*	*Rest of world*	*Group total*
				(DKK million)			
Segment assets	28,282.5	71.6	379.4	2,241.2	405.4	0.0	31,380.1

Activities – 2003

	Exploration & Production	Natural gas, Trade & Supply	Natural gas, Distribution & Storage	Natural gas, Transmission	Electricity & Renewable energy	Oil pipeline	Non allocated/ Eliminations	Group total
				(DKK million)				
Revenue	3,186.7	9,988.0	884.0	921.7	626.7	445.1	(1,785.9)	14,266.9
– of which intra-Group revenue	72.9	2.0	766.1	795.0	0.0	0.3	(1,636.3)	0.0
EBITDA	1,994.8	2,147.1	614.3	524.7	123.4	84.3	58.4	5,547.0
EBIT	917.2	1,847.7	248.0	223.1	31.6	(104.2)	4.8	3,168.2
Share of profits for the year of associates	0.0	11.8	0.0	0.0	(2.0)	0.0	14.3	24.1
Financial items, net	—	—	—	—	—	—	55.7	55.7
Tax	—	—	—	—	—	—	(1,299.4)	(1,299.4)
Minority interests' share of subsidiaries' profits	—	—	—	—	—	—	(7.2)	(7.2)
Profit for the year	—	—	—	—	—	—	1,941.4	1,941.4
Assets	6,309.8	10,500.6	6,130.2	5,361.0	2,922.4	728.0	1,278.6	33,230.2
– of which investments in associates	0.0	0.2	2.7	0.7	18.2	—	152.4	174.2
Liabilities	4,301.7	3,635.0	4,808.8	4,230.2	4,312.1	760.0	(6,175.3)	15,872.5
Additions of intangible assets and property, plant and equipment	1,413.0	867.1	102.9	70.0	487.4	0.0	583.5	3,524.0
Depreciation and amortisation	(1,077.6)	(299.4)	(366.3)	(301.6)	(91.8)	(28.4)	(53.7)	(2,218.8)
Impairment losses	0.0	—	—	—	—	(160.0)	—	(160.0)
Provisions for abandonment obligations	579.4	0.0	3.7	0.0	33.5	350.0	—	966.6

Geographical breakdown of revenue by customer location

	Denmark	Rest of EU	Rest of world	Group total
		(DKK million)		
Revenue	8,029.5	5,860.1	377.3	14,266.9

Geographical breakdown of assets by physical location

	Denmark	Germany	Sweden	Norway	UK	Rest of world	Group total
				(DKK million)			
Segment assets	31,688.1	13.5	0.0	1,458.5	70.1	0.0	33,230.2

Note 2. Revenue

Revenue includes market value adjustments of DKK 11.8 million (2003: DKK 0) in respect of physical contracts concerning trading in gas and electricity and in respect of financial contracts.

Note 3. Operating expenses

	Group		*Parent company*	
	2004	*2003*	*2004*	*2003*
		(DKK million)		
Operating expenses comprise Production costs, Sales and marketing, Management and administration, and Other operating expenses.				
Operating expenses include staff costs, depreciation, amortisation and impairment losses, and fees to auditors:				
Staff costs				
Wages, salaries and remuneration	(535.5)	(530.3)	(122.3)	(106.7)
Pension contributions	(51.6)	(57.5)	(12.4)	(11.7)
Other social security costs	(5.0)	(6.4)	(0.7)	(0.5)
Staff costs	(592.1)	(594.2)	(135.4)	(118.9)
Including:				
Remuneration to the Committee of Representatives	(0.3)	(0.3)	(0.3)	(0.3)
Remuneration to the members of the Supervisory Board	(1.4)	(1.4)	(1.4)	(1.4)
Remuneration to the Executive Board, salary	(2.7)	(2.3)	(2.7)	(2.3)
Remuneration to the Executive Board, bonus	(0.4)	(0.4)	(0.4)	(0.4)
Total	(4.8)	(4.4)	(4.8)	(4.4)
Bonus schemes have been introduced for the Executive Board.				
The contracts of service of the members of the Executive Board include severance packages under which a member will be entitled to twenty-four months' salary if his/her contract of employment is terminated by the company.				
Number of full-time employees:				
Average for the financial year	1,043	1,125	234	226
At 31 December	980	1,156	244	230
Depreciation, amortisation and impairment losses by function:				
Production costs	(2,111.9)	(2,259.1)	(72.4)	(53.7)
Management and administration	(13.0)	(7.9)	0.0	0.0
Know-how and rights	(140.7)	(111.8)	0.0	0.0
Depreciation, amortisation and impairment losses	(2,265.6)	(2,378.8)	(72.4)	(53.7)

	Group		Parent company	
	2004	*2003*	*2004*	*2003*
		(DKK million)		
Fees to auditors:				
KPMG C.Jespersen				
Audit fees	(3.4)	(2.6)	(1.1)	(1.1)
Non-audit fees	(16.2)	(9.2)	(8.1)	(5.7)
	(19.6)	(11.8)	(9.2)	(6.8)
PricewaterhouseCoopers				
Audit fees	(0.6)	(1.0)	(0.2)	(0.1)
Non-audit fees	(0.3)	(1.3)	(0.1)	(0.4)
	(0.9)	(2.3)	(0.3)	(0.5)
Other firms of accountants				
Non-audit fees	(0.5)	0.0	(0.3)	0.0
	(0.5)	0.0	(0.3)	0.0
Total fees to auditors	(21.0)	(14.1)	(9.8)	(7.3)

Note 4. Production costs

	Group		Parent company	
	2004	*2003*	*2004*	*2003*
		(DKK million)		
Oil and gas exploration	(311.4)	(209.4)	0.0	0.0
Oil and gas production	(2,302.6)	(1,648.7)	0.0	0.0
Natural gas, Trade & Supply	(7,714.2)	(7,199.5)	0.0	0.0
Natural gas, Distribution & Storage	(481.3)	(485.1)	0.0	0.0
Oil pipeline	(114.8)	(454.6)	0.0	0.0
Electricity & Renewable energy	(296.1)	(482.1)	0.0	0.0
Services	0.0	0.0	(343.3)	(239.4)
Production costs	(11,220.4)	(10,479.4)	(343.3)	(239.4)

Note 5. Other operating income and expenses

	Group		Parent company	
	2004	*2003*	*2004*	*2003*
		(DKK million)		
Gains on sale of fixed assets	0.4	2.4	0.0	0.5
Investment contribution	1.0	1.8	0.0	0.0
Other operating income	7.7	1.6	0.1	0.0
Other operating income	9.1	5.8	0.1	0.5
Loss on sale of fixed assets	(0.4)	(1.0)	0.0	0.0
Elimination of underabsorption	(12.7)	0.0	0.0	0.0
Other operating expenses	(1.1)	(16.0)	0.0	(0.1)
Other operating expenses	(14.2)	(17.0)	0.0	(0.1)
Other operating income and expenses	(5.1)	(11.2)	0.1	0.4

Note 6. Amortisation of and impairment losses on rights, etc.

	Group	
	2004	*2003*
	(DKK million)	
Amortisation of exploration activities	(16.8)	(16.8)
Impairment losses on exploration activities	(18.1)	0.0
Amortisation of and impairment losses on exploration activities	(34.9)	(16.8)
Amortisation of natural gas activities	(95.0)	(95.0)
Impairment losses on natural gas activities	(10.8)	0.0
Amortisation of and impairment losses on natural gas activities	(105.8)	(95.0)
Amortisation of and impairment losses on rights, etc.	(140.7)	(111.8)

Note 7. Financial income

	Group		Parent company	
	2004	*2003*	*2004*	*2003*
		(DKK million)		
Interest income	215.3	250.8	112.2	33.3
Intra-Group interest income	—	—	127.4	164.9
Realised capital gains on securities	3.3	4.5	1.8	1.4
Unrealised capital gains on securities	3.5	11.3	3.5	0.0
Value adjustments of other equity investments	319.0	474.7	0.9	474.7
Dividends	27.0	12.9	3.5	3.5
Gains on raw material derivatives	0.0	0.0	1,542.4	519.4
Fair value adjustments of financial instruments	53.6	4.0	27.1	0.0
Foreign exchange gains	564.5	383.2	862.4	78.1
Other value adjustments	11.0	0.1	28.3	0.1
Financial income	1,197.2	1,141.5	2,709.5	1,275.4

Note 8. Financial expenses

	Group		Parent company	
	2004	*2003*	*2004*	*2003*
		(DKK million)		
Interest expense	(186.7)	(297.1)	(91.9)	(72.7)
Intra-Group interest expense	—	—	(51.2)	(27.7)
Interest element of abandonment costs	(52.6)	(28.2)	0.0	0.0
Index adjustment of mortgage loans	(2.3)	(13.9)	0.0	(0.2)
Realised capital losses on securities	(11.9)	(47.5)	(6.2)	(2.1)
Unrealised capital losses on securities	(5.3)	(1.9)	(5.8)	(0.9)
Losses on raw material derivatives	0.0	0.0	(1,542.4)	(519.4)
Fair value adjustments of financial instruments	(167.9)	(299.5)	(238.1)	0.0
Foreign exchange losses	(599.4)	(397.7)	(849.1)	(49.7)
Other value adjustments	0.0	0.0	(30.5)	0.0
Financial expenses	(1,026.1)	(1,085.8)	(2,815.2)	(672.7)
Revenue for the year includes foreign exchange adjustments of:	435.1	251.8	0.0	0.0
Profit for the year includes foreign exchange adjustments of:	400.2	237.3	13.3	28.4

Note 9. Tax on the profit for the year

	Group		*Parent company*	
	2004	*2003*	*2004*	*2003*
	(DKK million)			
Tax for the year can be broken down as follows:				
Tax on the profit for the year	(968.2)	(1,299.4)	(915.1)	(1,296.2)
Tax on changes in equity	224.9	(39.4)	0.2	4.6
Tax on changes in equity in subsidiaries	0.0	0.0	191.3	(44.2)
Tax for the year	(743.3)	(1,338.8)	(723.2)	(1,335.8)
Tax on profit for the year can be broken down as follows:				
Current tax (ordinary tax and hydrocarbon tax) calculated using normal tax rates	(562.7)	(841.1)	(340.7)	(646.8)
Special tax, hydrocarbon tax calculated using higher tax rate	(209.2)	(330.7)	0.0	0.0
Deferred tax, ordinary tax rates	(211.1)	(182.1)	(171.3)	(211.8)
Deferred tax, special tax rates	17.3	81.7	0.0	0.0
Tax in Group enterprises	—	—	(422.3)	(453.0)
Tax in associates	(1.7)	(13.5)	(1.7)	(13.5)
Adjustment of current tax re prior years	19.1	9.9	20.5	27.0
Adjustment of deferred tax re prior years	(19.9)	(23.6)	0.4	1.9
Tax on the profit for the year	(968.2)	(1,299.4)	(915.1)	(1,296.2)
Tax on profit for the year can be broken down as follows:				
Calculated 30% tax on profit before tax	(917.8)	(974.4)	(815.4)	(971.3)
Adjustment of calculated tax in foreign Group enterprises in relation to 30%	(27.9)	1.2	(27.9)	1.2
Special tax, hydrocarbon tax	(151.8)	(153.8)	(151.8)	(153.8)
Tax effect of:				
Non-taxable income	288.8	6.5	235.0	6.5
Non-deductible costs in general	(152.8)	(159.0)	(146.3)	(158.9)
Share of post-tax profits (losses) of associates	(5.9)	(6.2)	(5.9)	(6.2)
Adjustment of tax re prior years	(0.8)	(13.7)	(2.8)	(13.7)
Tax on the profit for the year	(968.2)	(1,299.4)	(915.1)	(1,296.2)
Effective tax rate	31.6	40.0	33.7	40.0

The parent company has repatriated a total joint taxation contribution from subsidiaries of DKK 412.4 million for 2004.

The Group's total tax charge was DKK 739.2 million, DKK 417.8 million of which was payable to Denmark and DKK 321.4 million abroad.

Notes to the balance sheet

Note 10. Intangible assets

	Goodwill	*Know-how*	*Rights*	*IT software*	*IT projects in progress*	*Total*
			Group (DKK million)			
Cost at 1 January ..	2,959.1	0.0	0.0	220.5	104.8	3,284.4
Reclassification at 1 January	(559.1)	84.1	475.0	0.0	0.0	0.0
Additions	0.0	0.0	10.8	8.0	85.4	104.1
Disposal on sale of company	0.0	0.0	0.0	0.0	(3.3)	(3.3)
Disposals	0.0	0.0	0.0	0.0	(7.7)	(7.7)
Transfers	0.0	0.0	475.0	137.1	(137.1)	475.0
Cost at 31 December ..	2,400.0	84.1	960.8	365.6	42.1	3,852.6
Amortisation and impairment losses at 1 January	(2,829.2)	0.0	0.0	(66.0)	0.0	(2,895.2)
Reclassification at 1 January	429.2	(49.2)	(380.0)	0.0	0.0	0.0
Amortisation for the year	0.0	(16.8)	(102.8)	(60.1)	0.0	(179.7)
Impairment losses for the year	0.0	(18.1)	(10.8)	0.0	0.0	(28.9)
Amortisation and impairment losses at 31 December	(2,400.0)	(84.1)	(493.6)	(126.1)	0.0	(3,103.8)
Carrying amount at 31 December	0.0	0.0	467.2	239.4	42.1	748.8
Amortised over	5 – 10 years	5 years	5 – 20 years	5 years	—	

An amount of DKK 22.2 million (2003: DKK 31.4 million) was capitalised in 2004 in respect of work carried out by the Group on its own account.

	IT software	*IT projects in progress*	*Total*
		Parent company (DKK million)	
Cost at 1 January	194.3	88.2	282.5
Additions	6.7	85.0	91.7
Disposals	0.0	(7.7)	(7.7)
Transfers	123.4	(123.4)	0.0
Cost at 31 December	324.4	42.1	366.5
Amortisation and impairment losses at 1 January	(59.5)	0.0	(59.5)
Amortisation for the year	(52.5)	0.0	(52.5)
Amortisation and impairment losses at 31 December	(112.0)	0.0	(112.0)
Carrying amount at 31 December	212.4	42.1	254.5
Amortised over	5 years	—	

An amount of DKK 22.2 million (2003: DKK 27.6 million) was capitalised in 2004 in respect of work carried out by the parent company on its own account.

Notes to the income statement

Note 11. Property, plant and equipment

	Group					
	Land and buildings	*Production assets*	*Exploration*	*Other fixtures and fittings, tools and equipment*	*Assets under construction*	*Total*
	(DKK million)					
Cost at 1 January	499.9	29,809.3	163.8	112.8	1,290.8	31,876.6
Foreign exchange adjustments	0.0	41.9	(2.8)	0.1	0.8	40.0
Addition on acquisition of company	0.0	101.3	0.0	0.0	0.0	101.3
Additions	1.0	1,394.5	237.4	9.9	820.7	2,463.6
Disposals	0.0	(415.7)	(29.9)	(14.2)	(27.3)	(487.1)
Disposal on sale of company	(100.7)	(3,746.2)	0.0	(37.2)	(37.5)	(3,921.6)
Reclassification concerning non-consolidated subsidiaries	0.0	(651.4)	0.0	(0.2)	(1.7)	(653.3)
Transfers	6.0	1,138.8	0.0	0.0	(1,625.5)	(480.7)
Cost at 31 December ..	406.2	27,672.5	368.5	71.2	420.3	28,938.8
Revaluation at 1 January	0.0	7,600.0	0.0	0.0	0.0	7,600.0
Disposal on sale of company	0.0	(4,800.0)	0.0	0.0	0.0	(4,800.0)
Revaluation at 31 December	0.0	2,800.0	0.0	0.0	0.0	2,800.0
Depreciation and impairment losses at 1 January	(168.5)	(17,156.2)	0.0	(55.5)	0.0	(17,380.2)
Foreign exchange adjustments	0.0	(21.9)	0.0	(0.2)	0.0	(22.2)
Depreciation, disposals ..	0.0	132.8	29.9	11.4	0.0	174.1
Depreciation charge for the year	(18.8)	(2,071.9)	(59.4)	(16.9)	0.0	(2,167.0)
Impairment losses for the year	0.0	(20.0)	(29.9)	(0.1)	0.0	(50.0)
Reversal of impairment losses in previous years		160.0				160.0
Disposal on sale of company	28.1	3,166.6	0.0	20.7	0.0	3,215.5
Reclassification concerning non-consolidated subsidiaries	0.0	152.1	0.0	0.3	0.0	152.4
Depreciation and impairment losses at 31 December	(159.2)	(15,658.5)	(59.4)	(40.3)	0.0	(15,917.5)
Carrying amount at 31 December	247.0	14,814.0	309.1	30.9	420.3	15,821.3
Carrying amount excl. revaluation	247.0	12,714,0	309.1	30.9	420.3	13,721.3
Depreciated over	20 years	10 – 50 years	—*	3 – 5 years	—	
Value according to public land assessment	440.2					

* Unit of production

An amount of DKK 54.7 million (2003: DKK 27.9 million) was capitalised in 2004 in respect of work carried out by the Group on its own account.

Depreciation and impairment losses for the year, DKK 2,057.0 million in total, are recognised in the income statement as Production costs and Management and administration, respectively. Reference is made to note 3. The depreciation charge for the year in respect of revaluation amounted to DKK 140 million (2003: DKK 380 million).

The carrying amounts of the natural gas network were reviewed again at the end of 2004. External valuers were not used in connection with the valuation.

Based on a conservative assessment of the expected future earnings from treatment and storage of natural gas, the measurement of the technical installations has been written up by DKK 2.8 billion in total. Provision for deferred tax on the revaluation amount has been made. The balance has been taken to a special revaluation reserve under equity. From 2000, depreciation is charged over 20 years on the basis of the written-up values.

	Parent company			
	Land and buildings	*Other fixtures and fittings, tools and equipment*	*Assets under construction*	*Total*
	(DKK million)			
Cost at 1 January	349.7	28.1	3.0	380.8
Additions	1.0	4.1	3.0	8.1
Transfers	6.0	0.0	(6.0)	0.0
Disposals	0.0	(3.5)	(0.0)	(3.5)
Cost at 31 December	356.7	28.7	0.0	385.4
Depreciation and impairment losses at 1 January	(115.8)	(14.6)	0.0	(130.4)
Depreciation, disposals	0.0	1.8	0.0	1.8
Depreciation charge for the year	(15.7)	(4.2)	0.0	(19.9)
Depreciation and impairment losses at 31 December	(131.5)	(17.0)	0.0	(148.5)
Carrying amount at 31 December	225.2	11.7	0.0	236.9
Depreciated over	20 years	3 – 5 years	—	
Value according to public land assessment	142.4			
Of which not used for own purposes (investment properties)	66.5			

Depreciation and impairment losses for the year, DKK 19.9 million in total, are recognised in the income statement as Production costs. Reference is made to note 3 and 4.

Notes to the balance sheet

Note 12. Investments

		Group		
	Investments	Other equity in associates	Other investments	Total investments
		(DKK million)		
Cost at 1 January	91.1	583.2	74.8	749.1
Reclassification at 1 January	(15.8)	649.7	0.0	633.9
Additions	9.2	1,590.5	964.7	2,564.4
Addition on acquisition of subsidiaries	0.0	2,058.3	0.0	2,058.3
Disposals	(0.9)	(8.1)	(23.0)	(32.0)
Cost at 31 December	83.6	4,873.6	1,016.5	5,973.7
Value adjustments at 1 January	98.9	1,323.5	0.0	1,422.4
Reclassification at 1 January	0.0	(650.3)	0.0	(650.3)
Revaluation at start of year concerning natural gas pipelines	57.2	0.0	0.0	57.2
Share of profits for the year	13.9	—	—	13.9
Goodwill amortisation	(28.9)	—	—	(28.9)
Value adjustments, etc.	(0.7)	317.9	(10.0)	307.2
Other value adjustments	(0.0)	0.8	0.0	0.8
Dividends received	(35.1)	—	—	(35.1)
Disposals	0.1	(205.8)	0.0	(205.7)
Value adjustments at 31 December	104.8	786.1	(10.0)	880.9
Carrying amount at 31 December	188.4	5,659.7	1,006.5	6,854.6

Other investments include an advance payment of DKK 931.7 million in respect of the investment in the Ormen Lange gas field.

The DONG Group acquired the following companies in 2004, all of which have been accounted for in accordance with the purchase method:

- 100% of the shares in DONG Sverige AB (formerly Nova Supply AB) via DONG Naturgas A/S, accounting effect from 29 October 2004, total purchase price DKK 113.0 million.
- 77% of the shares in EM El Holding A/S via DONG El A/S, accounting effect from 31 December 2004, total purchase price DKK 1,083.2 million.
- The remaining approx. 35.4% of the shares in EnergiGruppen Jylland El Holding A/S via DONG El A/S, accounting effect from 31 December 2004, total purchase price DKK 227.7 million.

In connection with the disposal of activities in EnergiGruppen Jylland A/S a final settlement was made for a number of the conditional payments associated with the acquisition on 1 April 2003, including the undistributable reserves within electricity activities.

	Parent company			
	Investments in subsidiaries	Investments in associates	Other equity investments	Subordinated loans to Group companies
		(DKK million)		
Cost at 1 January	4,399.1	49.8	536.3	2,594.3
Reclassification at 1 January 2004	0.0	0.0	366.4	0.0
Additions	0.0	5.0	0.7	2,213.0
Disposals	(500.0)	0.0	0.0	(1,228.0)
Cost at 31 December	3,899.1	54.8	903.4	3,579.3
Undistributable reserves in regulated companies at 1 January	663.4	0.0	—	—
Reclassification concerning non-consolidated subsidiaries	(248.4)	0.0	—	—
Disposal on sale	(415.0)	0.0		
Undistributable reserves in regulated companies at 31 December	0.0	0.0	—	—
Value adjustments at 1 January	7,644.4	102.6	833.8	0.0
Reclassification at 1 January 2004	0.0	0.0	(366.4)	0.0
Revaluation at start of year concerning natural gas pipelines	57.2	0.0	0.0	0.0
Share of profits for the year	1,934.8	2.7	—	—
Goodwill amortisation	0.0	(28.9)	—	—
Value adjustments of hedging instruments	(653.9)	0.0	—	—
Tax on value adjustments of hedging instruments	195.5	0.0	—	—
Value adjustments, etc.	13.5	(0.7)	0.0	(13.1)
Disposals	(622.1)	0.0	0.0	—
Other value adjustments	(0.5)	0.0	0.9	0.0
Dividends received	(1,494.9)	(35.1)	—	0.0
Value adjustments at 31 December	7,074.0	40.6	468.2	(13.1)
Carrying amount at 31 December	10,973.1	95.4	1,371.7	3,566.2
Proposed dividends	1,208.8			

Subsidiaries:

	Registered office	Share capital	Ownership	Profit (loss) before tax 2004	Profit (loss) before tax 2003	Equity 2004	Equity 2003
			(DKK million)				
DONG Naturgas A/S	Birkerød, Denmark	1,020	100%	1,633.6	1,770.0	6,505.2	6,857.0
DONG Distribution A/S ..	Birkerød, Denmark	150	100%	18.8	51.0	693.4	715.6
DONG Lager A/S	Birkerød, Denmark	100	100%	82.9	48.6	631.4	605.9
DONG Transmission A/S (Gastra A/S)	Birkerød, Denmark	500	0%	0.0	87.3	0.0	1,130.5
DONG Olierør A/S	Birkerød, Denmark	1	100%	202.3	(108.9)	109.6	(32.0)
DONG Efterforskning og Produktion A/S	Birkerød, Denmark	300	100%	304.5	734.5	1,587.4	2,008.1
DONG EL A/S	Birkerød, Denmark	100	100%	672.3	19.6	1,053.9	1,076.0
DONG VE A/S	Birkerød, Denmark	330	100%	(10.3)	2.1	322.2	332.7
DONG Olieforsyning A/S ..	Birkerød, Denmark	1	100%	0.0	0.0	1.7	1.7
DONG Litauen A/S	Birkerød, Denmark	7	100%	0.1	0.1	2.9	2.9
DANGAS GmbH	Kiel, Germany	EUR 26,000	100%	10.9	11.6	65.4	8.5
Pre-tax profits and share of equity of subsidiaries				2,915.1	2,615.9	10,973.1	12,706.9
Tax on the profit for the year				(980.3)	(1,100.6)		
Post-tax profits of subsidiaries				1,934.8	1,515.3		

Associates:

	Registered office	Ownership	Profit (loss) before tax 2004	Profit (loss) before tax 2003	Investment 2004	Investment 2003
			(DKK million)			
Nova Naturgas AB	Stockholm, Sweden	20%	8.3	31.3	75.7	133.8
Nunaoil A/S	Nuuk, Greenland	50%	(3.9)	(5.4)	19.7	18.6
Goodwill amortisation			(28.9)	(11.6)	—	—
Parent company, total			(24.5)	14.3	95.4	152.4
Dansk Gasteknisk Center A/S..	Birkerød, Denmark	37%	0.1	0.0	2.7	3.4
Fordonsgas AB	Gothenburg, Sweden	33%	0.0	0.0	4.2	0.0
Deudan GmbH	Kiel, Germany	49%	0.0	0.0	0.1	0.1
Deudan GmbH & Co. KG	Kiel, Germany	49%	11.6	11.7	68.9	0.1
P/S BI New Energy Solutions	Copenhagen, Denmark	22%	(1.1)	(1.9)	17.1	18.2
Group, total			(13.9)	24.1	188.4	174.2

Other equity investments:

Other equity investments comprise companies in which DONG has an ownership interest of less than 20% or in which DONG does not have significant influence. Reference is made to the Group structure in note 36, in which a breakdown of other equity investments, etc., is given.

Note 13. Inventories

	Group 2004	Group 2003	Parent company 2004	Parent company 2003
	(DKK million)			
Raw materials and consumables	9.7	13.8	0.0	0.0
Natural gas and crude oil	451.6	395.7	0.0	0.0
Inventories at 31 December	461.3	409.5	0.0	0.0

Note 14. Trade receivables

All receivables fall due for payment less than one year after the close of the financial year.

Note 15. Other receivables

	Group 2004	Group 2003	Parent company 2004	Parent company 2003
	(DKK million)			
Fair value of derivative financial instruments ..	1,242.9	1,198.8	2,170.7	34.3
Recivable from disposal of activities	1,189.8	0.0	0.0	0.0
Other receivables	821.0	566.7	24.5	1,714.4
Other receivables at 31 December	3,253.7	1,765.5	2,195.2	1,748.7

Note 16. Prepayments

	Group 2004	Group 2003	Parent company 2004	Parent company 2003
	(DKK million)			
Underlift	65.4	99.0	0.0	0.0
Other prepayments	73.9	175.0	3.7	1.6
Prepayments at 31 December	139.3	274.0	3.7	1.6

Note 17. Equity

	Group 2004	Group 2003	Parent company 2004	Parent company 2003
	(DKK million)			
Share capital				
At start and at end of year	2,143.6	2,143.6	2,143.6	2,143.6

Composition of share capital:

Number of shares		*Nominal value (DKK '000)*		*Total (DKK '000)*
20	at	1	=	20
18	at	10	=	180
149	at	100	=	14,900
1	at	500	=	500
1,173	at	1,000	=	1,173,000
15	at	5,000	=	75,000
1	at	10,000	=	10,000
1	at	20,000	=	20,000
17	at	50,000	=	850,000
				2,143,600

The entire share capital is held by the Danish State.

	Group 2004	Group 2003	Parent company 2004	Parent company 2003
		(DKK million)		
Foreign exchange adjustments:				
Accumulated foreign exchange adjustments at 1 January	70.2	34.1	2.9	0.5
Foreign exchange adjustments for the year, foreign companies	14.7	(104.3)	1.2	2.4
Foreign exchange adjustments for the year, equity-like loans	(16.0)	0.0	(16.0)	0.0
Accumulated foreign exchange adjustments at 31 December	68.9	70.2	(11.9)	2.9
Value adjustments of hedging instruments:				
Value adjustments of hedging instruments at 1 January	402.2	269.2	1.1	16.3
Value adjustments for the year, hedging instruments	(735.4)	133.0	15.4	(15.2)
Value adjustments of hedging instruments at 31 December	(333.2)	402.2	16.5	1.1
Tax on value adjustments of hedging instruments:				
Tax on value adjustments of hedging instruments at 1 January	(120.9)	(81.5)	(0.3)	(4.9)
Tax on value adjustments of hedging instruments	224.9	(39.4)	0.2	4.6
Tax on value adjustments of hedging instruments at 31 December	104.0	(120.9)	(0.1)	(0.3)

Note 18. Minority interests

	Distributable reserves	*Un-distributable reserves*	*Total*
		(DKK million)	
Minority interests at 1 January	217.8	345.9	563.7
Reclassification concerning non-consolidated subsidiaries	0.0	(155.9)	(155.9)
Transfer as a result of Energy Agreement	190.0	(190.0)	0.0
Addition on acquisition of subsidiary	329.4	0.0	329.4
Disposal on sale of subsidiary	(20.1)	0.0	(20.1)
Acquisition of minority interests in subsidiaries	(227.7)	0.0	(227.7)
Share of profit for the year and equity items	205.1	0.0	205.1
Minority interests at 31 December	694.5	0.0	694.5

Note 19. Deferred tax

	Group 2004	Group 2003	Parent company 2004	Parent company 2003
	(DKK million)			
Deferred tax at 1 January	4,102.3	4,092.2	330.1	78.0
Reclassification concerning non-consolidated companies	(8.1)	0.0	0.0	—
Addition by merger	—	—	—	42.2
Addition on acquisition of subsidiary	9.1	11.6	—	—
Disposal on sale of subsidiary	(1,262.8)	0.0	—	—
Deferred tax for the year	193.8	100.4	171.3	211.8
Prior year adjustments	19.9	23.6	(0.4)	(1.9)
Reclassifications	(8.6)	(68.0)	(3.0)	—
Foreign exchange adjustments	4.7	(57.5)	—	—
Deferred tax at 31 December	3,050.3	4,102.3	498.0	330.1
Deferred tax relates to:				
Intangible assets	(22.8)	(172.1)	76.3	66.8
Property, plant and equipment	3,388.7	4,586.2	17.7	17.2
Investments	240.6	140.2	240.6	140.2
Current assets	9.4	16.5	0.0	0.0
Provisions	(652.5)	(502.8)	0.0	0.0
Other liabilities other than provisions	(1.2)	(13.6)	75.3	58.0
Re-taxation	88.1	47.9	88.1	47.9
	3,050.3	4,102.3	498.0	330.1

Note 20. Pensions and other provisions

	Group 2004	Group 2003	Parent company 2004	Parent company 2003
	(DKK million)			
Pensions				
Provisions at 1 January	19.4	14.7	0.0	0.0
Utilised during the year	0.0	0.0	0.0	0.0
Reversal	(2.0)	0.0	0.0	0.0
Provision for the year, including change in present values as a result of the lapse of time, etc.	0.8	4.7	0.0	0.0
Provisions at 31 December	18.2	19.4	0.0	0.0
Other provisions				
Provisions at 1 January	966.6	367.5	0.0	0.0
Utilised during the year	0.0	0.0	0.0	0.0
Reversal	(231.2)	0.0	0.0	0.0
Provision for the year, including change in present values as a result of the lapse of time, etc.	630.5	599.1	0.0	0.0
Provisions at 31 December	1,365.9	966.6	0.0	0.0

The provisions at 31 December are expected to be payable in:

	Group Pensions	Other Provisions
0 – 1 years	2.0	58.4
1 – 5 years	7.2	363.7
> 5 years	9.0	943.8
Provisions at 31 December	18.2	1,365.9

Note 21. Short-term and long-term loans

The short-term portion of Group long-term loans are made up as follows:

	Group		*Parent company*	
	2004	*2003*	*2004*	*2003*
		(DKK million)		
Instalments on long-term loans	883.5	2,053.2	512.8	117.9
Short-term loans at 31 December	883.5	2,053.2	512.8	117.9

The Group's loans can be broken down by currency as follows:

	Short-term loans		*Long-term loans*		*Total*			
	2004	*2003*	*2004*	*2003*	*2004*	*Per cent*	*2003*	*Per cent*
DKK, fixed	372.8	1,273.4	1,042.1	2,406.0	1,444.9	43	3,687.4	63
DKK, floating	11.7	0.0	766.0	344.7	777.7	23	344.7	6
EUR	371.9	148.9	21.3	117.2	393.2	12	266.1	5
USD	124.5	630.9	562.1	846.9	686.6	21	1,477.8	24
GBP..	2.6	0.0	0.0	0.0	2.6	0	0.0	0
JPY	0.0	0.0	52.7	111.3	52.7	1	111.3	2
	883.5	2,055.2	2,444.2	3,826.1	3,327.7	100	5,979.3	100
Hedging adjustments ..	0.0	0.0	3.3	11.8	3.3	0	11.8	0
Group loans	883.5	2,053.2	2,447.5	3,837.9	3,331.0		5,891.1	
Weighted average interest rate					3.8		3.6	

The fair value of short-term and long-term loans corresponds essentially to the carrying amount.

Mortgage loans totalling DKK 631.7 million are secured on plant with a carrying amount of DKK 847.7 million at year end.

Of the total loans of DKK 3,331.0 million, payables to Gældsafviklingsselskabet Naturgasselskabet i Sydjyske Region I/S and Gældsafviklingsselskabet Naturgas Sjælland I/S represent DKK 593 million.

Note 22. Income tax receivable and payable

	Group 2004	Group 2003	Parent company 2004	Parent company 2003
	(DKK million)			
Income tax receivable at 1 January	503.4	72.0	503.4	72.0
Addition on acquisition of subsidiary	1.9	0.0	0.0	0.0
Adjustments of current tax re prior years	20.4	27.0	20.5	27.0
Payments in respect of prior years	(514.4)	(64.2)	(514.4)	(64.2)
Current tax for the year	(374.2)	(646.8)	(340.7)	(646.8)
Tax for the year on equity including jointly taxed companies	229.0	(39.6)	195.6	(39.6)
Payments for the year	962.5	1,155.0	960.0	1,155.0
Reclassifications	(8.6)	0.0	(8.6)	0.0
Income tax receivable at 31 December	820.0	503.4	815.8	503.4
Income tax payable at 1 January	220.1	346.1	0.0	0.0
Foreign exchange adjustments	9.6	(41.1)	0.0	0.0
Adjustments of current tax re prior years	1.5	17.1	0.0	0.0
Payments in respect of prior years	(233.5)	(333.5)	0.0	0.0
Current tax for the year	397.7	525.0	0.0	0.0
Payments for the year	(182.8)	(293.5)	0.0	0.0
Income tax payable at 31 December	212.6	220.1	0.0	0.0

Note 23. Other payables

	Group 2004	Group 2003	Parent company 2004	Parent company 2003
	(DKK million)			
Fair value of derivative financial instruments	1,897.3	701.7	2,472.8	1,823.5
Purchase prices payable	1,136.2	0.0	0.0	0.0
Other liabilities other than provisions	606.5	1,485.5	51.4	590.1
Other payables	3,640.0	2,187.2	2,524.2	2,413.6

Note 24. Deferred income

Deferred income comprises prepayments from customers and the value of gas received free of charge. These amounts are recognised over a number of years.

Deferred income can be broken down as follows:

	Group 2004	Group 2003
	(DKK million)	
Value of gas received free of charge	102.1	131.1
Other deferred income	238.1	440.7
Deferred income	340.2	571.8

Notes to the cash flow statement

Note 25. Cash flows from operations (operating activities)

	Group		Parent company	
	2004	2003	2004	2003
	(DKK million)			
Operating profit (EBIT)	2,420.9	3,168.2	2,890.6	2,620.6
Depreciation, amortisation and impairment losses	2,265.6	2,378.8	72.4	53.7
Operating profit before depreciation, amortisation and impairment losses (EBITDA)	4,686.5	5,547.0	2,963.0	2,674.3
Profits of Group enterprises	—	—	(2,915.1)	(2,615.9)
Other corrections	245.1	(56.5)	40.2	33.8
Cash flows from operations (operating activities) before changes in working capital	4,931.6	5,490.5	88.1	92.2
Change in inventories	(236.4)	103.4	0.0	0.0
Change in trade receivables	(625.4)	574.2	(10.4)	(3.3)
Change in other receivables	(515.3)	(810.8)	680.7	(821.2)
Change in trade payables	1,047.7	525.7	29.8	59.5
Change in other payables, etc.	(370.8)	590.2	(1,942.8)	4,070.5
Changes in working capital	(700.2)	982.7	(1,242.7)	3,305.5
Cash flows from operations (operating activities)	4,231.4	6,473.2	(1,154.6)	3,397.7

Note 26. Acquisition of Group enterprises

The value of the acquired assets and liabilities is as follows:

	Group		Parent company	
	2004	2003	2004	2003
	(DKK million)			
Intangible assets	(10.8)	(0.1)	—	—
Property, plant and equipment	(101.3)	(815.7)	—	—
Investments	(2,062.5)	(363.9)	0.0	(412.4)
Inventories	(1.3)	(6.9)	—	—
Receivables	(2.6)	(101.6)	—	—
Cash	(0.1)	(40.9)	—	—
Provisions	4.2	7.6	—	—
Liabilities other than provisions	649.9	254.1	—	—
Goodwill	(3.7)	0.0	—	—
Including undistributable reserves	0.0	655.0	—	—
Acquisition cost	(1,528.2)	(412.4)	0.0	(412.4)
Minority interests	329.4	0.0	—	—
Portion recognised as purchase price payable	1,085.4	298.0	0.0	298.0
Intra-Group payables acquired	(603.4)	0.0	—	—
Cash acquired	0.1	62.4	0.0	0.0
Cash purchase price	(716.7)	(52.0)	0.0	(114.4)

Note 27. Acquisition of minority interests in Group enterprises

	Group		*Parent company*	
	2004	*2003*	*2004*	*2003*
		(DKK million)		
Purchase price	(227.7)	0.0	—	—
Portion recognised as purchase price payable	50.8	0.0	—	—
Cash purchase price	(176.9)	0.0	—	—

Note 28. Payments concerning acquisitions of Group enterprises in previous years

	Group		*Parent company*	
	2004	*2003*	*2004*	*2003*
		(DKK million)		
Payables concerning acquisition of Group enterprises at 1 January	(298.0)	0.0	(298.0)	0.0
Adjustment of purchase price prior years	(42.4)	0.0	0.0	0.0
Payables concerning acquisition of Group enterprises at 31 December	0.0	0.0	0.0	0.0
Payments concerning acquisitions of Group enterprises in previous years	(340.4)	0.0	(298.0)	0.0

Note 29. Sale of Group enterprises

The value of the transferred assets and liabilities is as follows:

	Group		*Parent company*	
	2004	*2003*	*2004*	*2003*
		(DKK million)		
Intangible assets	3.3	0.0	—	—
Property, plant and equipment	5,888.3	0.0	—	—
Investments	0.7	0.0	1,088.2	0.0
Inventories	183.8	0.0	—	—
Receivables	163.6	0.0	—	—
Cash	242.4	0.0	—	—
Provisions	(1,254.6)	0.0	—	—
Liabilities other than provisions	(3,044.8)	0.0	—	—
Selling price	2,182.7	0.0	1,088.2	0.0
Minority interests	(20.1)	0.0	—	—
Portion recognised as selling price receivable	(1,036.8)	0.0	0.0	0.0
Transferred cash	(242.4)	0.0	0.0	0.0
Cash selling price	883.4	0.0	1,088.2	0.0

Note 30. Sale of other equity investments

	Group 2004	Group 2003	Parent company 2004	Parent company 2003
	(DKK million)			
Receivables at 1 January	0.0	0.0	0.0	0.0
Disposed of during year	153.0	0.0	0.0	0.0
Receivables at 31 December	(153.0)	0.0	0.0	0.0
Cash selling price	0.0	0.0	0.0	0.0

Note 31. Cash and cash equivalents

	Group 2004	Group 2003	Parent company 2004	Parent company 2003
	(DKK million)			
Cash and cash equivalents at 31 December include:				
Securities that are part of the ongoing cash management	196.2	841.3	196.2	186.0
Available cash	516.4	2,714.3	72.3	1,620.6
Bank overdrafts	(567.2)	(106.9)	0.0	0.0
Cash and cash equivalents at 31 December	145.4	3,448.7	268.5	1,806.6
Securities at 31 December can be broken down into the following balance sheet items:				
Securities that are part of the ongoing cash management	196.2	841.3	196.2	186.0
Other securities	0.0	0.0	0.0	0.0
Securities at 31 December	196.2	841.3	196.2	186.0
Cash at 31 December can be broken down into the following balance sheet items:				
Available cash	516.4	2,714.3	72.3	1,620.6
Cash not available for use	33.8	53.9	0.0	0.0
Cash at 31 December	550.2	2,768.2	72.3	1,620.6
Bank loans at 31 December can be broken down as follows:				
Bank overdrafts	567.2	106.9	0.0	0.0
Instalments on long-term loans	823.4	1,982.3	512.8	113.8
Bank loans at 31 December	1,390.6	2,089.2	512.8	113.8

Notes without reference

Note 32. Currency risks, interest rate risks and oil and gas price risks

As part of its financial management, DONG hedges currency risks, interest rate risks, oil and gas price risks and electricity price risks. Full or partial hedging of recognised assets and liabilities (hedging of fair value) and of future transactions (hedging of cash flows) is carried out in accordance with the framework laid down in the financial risk policy implemented by DONG. Both primary financial instruments, primarily loans (only currency risks), and derivative financial instruments such as forwards, swaps and options, are used as hedges.

Currency risks

Recognised assets and liabilities (hedging of fair values)

Currency	*Receivables*	*Payables*	*Hedged using forward exchange contracts and currency swaps*	*Net position*
EUR	189.6	(553.9)	21.3	(343.0)
USD	818.7	(522.0)	76.7	373.4
GBP	618.8	(169.7)	0.0	449.1
SEK	269.9	(252.9)	0.0	17.0
NOK	1,846.3	(1,556.0)	0.0	290.3
CHF	1.4	0.0	0.0	1.4
JPY	0.0	(52.7)	52.7	0.0
	3,744.7	(3,107.2)	150.7	788.2

At 31 December 2004 unrealised value adjustments of derivative financial instruments for currency hedging of recognised assets and liabilities totalled DKK 9.3 million (31 December 2003: minus DKK 59.3 million), which has been recognised in the income statement.

Future transactions (hedging of cash flows)

DONG uses forward exchange contracts, currency options and loans denominated in foreign currencies to hedge expected future currency risks related to purchases, sales and investments. Hedging is primarily of USD within fixed ceilings of the expected net positions. Financial instruments used for currency hedging of expected future transactions can be broken down as follows:

		Contractual principal		*Fair value*		*Of which recognised in equity*	
	Term	*2004*	*2003*	*2004*	*2003*	*2004*	*2003*
Forward exchange contracts	0 – 4 years	7,171.6	2,280.2	31.0	330.5	302.9	429.7
Currency swaps	0 – 5 years	2,019.6	2,885.1	651.9	548.4	411.0	492.6
Currency options	0 – 1 years	0.0	302.4	0.0	34.3	0.0	34.3
Derivative financial instruments, total		9,191.2	5,467.7	682.9	913.2	713.9	956.6
Loans in foreign currency	0 – 5 years	522.1	682.6	522.5	682.8	188.0	170.8
Financial instruments, total		9,713.3	6,150.3	1,205.4	1,596.0	901.9	1,127.4

Equity at 31 December 2004 also includes realised net gains on financial instruments for hedging of currency risks for later recognition in the income statement of DKK 338.1 million (31 December 2003: DKK 110.4 million).

Forward exchange contracts denominated in GBP with a principal of DKK 250 million at 31 December 2004 (2003: DKK 0) have been entered into for hedging of currency risks relating to investments in foreign subsidiaries.

Interest rate risks

Interest rate risks are the risk that changes in agreed interest rates beyond the Group's control lead to increased interest expense or reduced interest income for the Group.

Contractual review and maturity dates for the Group's financial assets and liabilities, depending on which date occurs first:

		Term			*Effective interest rate*
	0 – 1 years	*1 – 5 years*	*> 5 years*	*Total*	*(per cent)*
Trade receivables..	2,534.0	0.0	0.0	2,534.0	0
Other receivables..	3,254.0	0.0	0.0	3,254.0	0
Convertible securities	19.9	56.5	119.8	196.2	4 – 9
Other long-term securities	12.0	36.0	26.0	74.0	7 – 14
Mortgage loans and bank loans ..	(1,450.7)	(1,235.5)	(1,212.0)	(3,898.2)	1 – 6
Other short-term liabilities other than provisions	(6,121.5)	0.0	0.0	(6,121.5)	0
Swaps	6,751.0	(5,353.0)	(1,398.0)	0.0	0
	4,998.8	(6,496.0)	(2,464.2)	(3,961.4)	

Interest rate hedges

As part of its financial management, DONG swaps the interest basis on loans from a fixed rate to a floating rate or vice versa using interest rate swaps.

For loans converted from a fixed rate to a floating rate (hedging of fair value) the value adjustment at 31 December 2004 totalled DKK 3.3 million (31 December 2003: DKK 11.8 million), which has been recognised in the income statement.

For interest rate swaps converting floating-rate loans to fixed-rate loans (hedging of cash flows), value adjustments recognised directly in equity at 31 December 2004 totalled minus DKK 4.6 million (31 December 2003: minus DKK 27.7 million).

For interest rate swaps hedging interest rate risks relating to future loans for financing Ormen Lange, value adjustments recognised directly in equity at 31 December 2004 totalled DKK 8.3 million (31 December 2003: DKK 0).

Oil and gas price risks

DONG engages in oil options and oil swaps to hedge the oil and gas price risks associated with its expected future purchases and sales. The expected crude oil equivalent net position is hedged within fixed ceilings. Derivative financial instruments used for hedging expected future transactions:

		Contractual principal		*Fair value*		*Of which recognised in equity*	
	Term	*2004*	*2003*	*2004*	*2003*	*2004*	*2003*
Oil swaps	0 – 3 years	2,105.3	4,552.4	(1,332.2)	(791.1)	(1,332.2)	(791.1)
Oil options	0 – 4 years	2,556.5	3,057.6	41.2	46.6	0.0	(16.6)
Gas swaps	0 – 4 years	338.0	0.0	(19.0)	0.0	(19.0)	0.0
Electricity swaps	1 – 5 years	199.5	0.0	6.9	0.0	6.9	0.0
		5,414.7	7,610.0	(1,303.1)	(744.5)	(1,344.3)	(807.7)

Equity at 31 December 2004 also includes realised net gains on financial instruments for hedging of oil and gas price risks for later recognition in the income statement of minus DKK 114.9 million (31 December 2003: DKK 0).

Note 33. Credit risks

Credit risks are the risk that a book loss will be realised in the event of a party to an agreement being unable to perform its obligations under the agreement.

The Group's credit risk comprises primarily trade receivables from the sale of oil and natural gas. Credit rating of customers and other business partners is carried out on a regular basis to generally minimise this risk.

The amounts with which the items in question feature in the balance sheet correspond to the Group's maximum credit risk. Losses on receivables from individual customers or business partners have historically been relatively low. In the company's opinion, there are no special concentrations of credit risks.

The Group's credit risk in connection with derivative financial instruments is limited as they have primarily been entered into with major international banks with a high credit rating.

Note 34. Contingent liabilities and other liabilities

At year end the Group and the parent company had the following contingent liabilities, guarantees, indemnities, etc.:

Contractual obligations

DONG Naturgas is a party to gas purchase agreements with the DUC partners, transportation agreements with Nova Naturgas AB, BEB and Ruhrgas, and the parent company DONG stands as guarantor for performance of these agreements.

DONG Naturgas and the regional companies HNG and Midt-Nord have concluded an agreement under which DONG Naturgas will provide a financial guarantee securing HNG and Midt-Nord the necessary annual income from transportation activities to pay off their debt in 2014. From 1 January 2005 the guarantee is limited to a sum of DKK 285 million, which will be written down successively by DKK 15 million annually from 1 January 2005 to 1 January 2012. DONG Naturgas' maximum payment obligation will also be written down by the amounts paid in total by DONG Naturgas from the 2004 calendar year.

The parent company has furnished the Danish Ministry of Economic and Business Affairs with a guarantee for performance of all obligations and liability to the Danish State or third parties incurred by DONG Efterforskning og Produktion as co-holder of the licences in which the company participates, irrespective of whether the obligations and liability rest on DONG Efterforskning og Produktion alone or jointly and severally with others. However, the guarantee is limited to a sum corresponding to twice DONG Efterforskning og Produktion's share of each obligation or liability.

As a condition for approval of its participation in hydrocarbon exploration and production on the Norwegian and Faroese continental shelves, the parent company has furnished the undertaking normally required by the local authorities to act as guarantor with primary liability. The guarantee covers obligations and liability incurred or assumed by DONG Efterforskning og Produktion in connection with its exploration and production activities. The guarantee has no maximum limit and the parent company is jointly and severally liable with the other partners for obligations and liability.

DONG Efterforskning og Produktion has furnished the undertakings normally required by the UK licensing authorities (DTI) in connection with the award of the licences on the UK shelf, and in connection with other licence acquisitions on the UK shelf.

DONG has provided a guarantee in respect of Barrow Offshore Wind obligations under an electricity sales agreement with British Gas Trading. The guarantee amount relating to DONG's 50% stake in Barrow Offshore Wind is GBP 10 million.

In connection with the establishment of an offshore wind farm at Barrow off the UK west coast, DONG VE, which has a 50% equity stake in Barrow Offshore Wind through its wholly-owned subsidiary DONG Wind (UK) has furnished the undertaking normally required by the local authorities to act as guarantor with primary liability, up to a maximum of DKK 40 million, as a condition for conclusion of a lease with Crown Estate Commissioner.

In connection with the establishment of the offshore wind farm at Barrow referred to above, DONG VE has provided a guarantee in respect of Kellogg Brown & Root/Vestas's (the supplier of the design-build contract) obligations to the supplier for the performance of geotechnical investigations on the Barrow site. The guarantee is unlimited in the event of claims due to intentional or gross negligence on the part of KBR/Vestas. The guarantee provided by DONG VE is covered in part by the co-owner of Barrow Offshore Wind, Centrica, in relation to its proportionate 50% equity stake.

DONG VE has provided a parent company guarantee to the UK network operator United Utilities Electricity plc in respect of the Barrow offshore wind farm in connection with network connection. DONG VE's share of the guarantee amounts to DKK 50 million.

In connection with the establishment of the offshore wind farm at Barrow on the UK west coast DONG VE has entered into an EPIC (Engineering, Procurement, Installation and Commissioning) contract and operation and maintenance contracts with a consortium consisting of Kellogg Brown & Root and Vestas. In connection with the signing of the contract DONG has provided a parent company guarantee to KBR/Vestas. At 31 December 2004 the guarantees under the EPIC contract totalled DKK 400 million.

In connection with DONG's disposal of DONG Transmission DONG has provided a DKK 545 million guarantee. The guarantee expires on the date of Gastra's Annual General Meeting in 2005.

DONG has provided a parent company guarantee in respect of DONG Norge AS's obligations in connection with the acquisition of Ormen Lange. The investment amounts to USD 1.2 billion.

DONG has provided a parent company guarantee in respect of DONG Norge AS's obligations in connection with the establishment of a natural gas pipeline.

DONG Naturgas has provided a guarantee in respect of DONG Sverige AB's obligations in connection with the acquisition of gas sales contracts in Sweden.

Contingent liabilities

According to the legislation, DONG's natural gas companies, DONG Olierør, DONG Efterforskning og Produktion and DONG Grønland are liable to pay compensation for damage caused by their oil and natural gas activities, even where there is no proof of negligence (strict liability). The usual insurance has been taken out to cover any such claims.

DONG Efterforskning og Produktion participates in 56 oil and natural gas exploration licences. Continued participation in these licences commits the companies to invest substantial amounts in future.

DONG Efterforskning og Produktion is jointly and severally liable in respect of the individual licences together with the other licence partners for obligations and liability under the licences.

In connection with the unbundling of the former DONG Naturgas, the receiving companies DONG Distribution, DONG Lager, DONG Naturgas and DONG Faste Vilkår, are liable for any obligations in the discontinuing company that existed at the time of publication of the unbundling plan, although only up to an amount equivalent to the added or remaining net value at the time of publication. As a consequence of the subsequent merger between DONG Ejendomme and DONG, DONG has taken over DONG Ejendomme' liability. Likewise, DONG Naturgas has subsequently taken over DONG Individuelle Vilkår's liability by merger.

DONG VE's part of joint ventures relating to renewable energy projects. DONG VE is jointly and severally liable with the other joint venturers for obligations and liability under agreements concluded.

Litigation

DONG is not engaged in any proceedings in which claims for compensation have been raised against DONG or in which claims can otherwise be advanced against DONG that could affect the Group's financial position.

Note 35. Related party transactions

Related parties that have control over the Group and the parent company comprise the Danish State, represented by the Danish Ministry of Finance, which is the sole owner of the parent company.

Related parties that exercise significant influence comprise the companies' Supervisory and Executive Boards, senior executives and close members of their families. Related parties also comprise companies over which the persons referred to above exercise significant influence.

The Group and the parent company were involved in the following transactions with related parties in the year under review:

Licences from the Danish State

Following the unbundling of DONG Naturgas into a number of new natural gas companies, DONG has received natural gas storage and distribution licences from the Danish State pursuant to Sections 10 and 59 of the Danish Natural Gas Supply Act. The licences have been granted for the period up to 2023.

Under Sections 24, 25 and 59 of the Natural Gas Supply Act, DONG has also been awarded a licence to engage in natural gas supply activities on firm terms on the conditions laid down in the Natural Gas Supply Act. Accordingly, the licence to engage in natural gas supply activities on firm terms has been granted for a period of five years up to 2008.

Guarantees from the Danish State

The former DONG Naturgas, DONG and the Danish State entered into an agreement with the former Naturgas Syd in 1999 and with the former Naturgas Sjælland in 2000 concerning transfer of these two regional companies' assets and liabilities to DONG Naturgas. The values were fixed on the basis of financial calculations of the future earnings potential. All loans remained with the two regional natural gas companies, which changed their names to Gældsafviklingsselskabet Naturgas Syd and Gældsafviklingsselskabet Naturgas Sjælland, respectively. DONG Naturgas issued instruments of debt to the debt repayment partnerships under which DONG Naturgas pays interest and instalments on the loan.

The instruments of debt were transferred to the companies DONG Distribution and DONG Lager in connection with the unbundling. The State has granted an unconditional and irrevocable guarantee to the debt repayment partnerships in respect of all payments. The State has recourse against DONG Distribution and DONG Lager in respect of any amounts paid by the State under the guarantees.

Other transactions

Subject to the constraints following from the capacity of the pipeline, DONG Olierør is under obligation to transport through its pipeline all crude oil and condensate recovered on the Danish continental shelf in the North Sea. The authorities may grant DONG Olierør exemption from this obligation if, in the Minister's opinion, transportation through the pipeline is uneconomical or inexpedient.

Under the Danish Pipeline Act, DONG Olierør is under obligation to pay duty to the State amounting to 95% of the profit made.

DONG Efterforskning og Produktion has participated as a partner in all exploration licences granted in Denmark since 1984. From and including the fourth licensing round in 1995, the company has participated in all licences with a paying share of 20% at the date of award. DONG Efterforskning og Produktion has provided services to the licences in which it participates.

DONG VE has an interest in two geothermal energy exploration and recovery licences. One of the licences, in which DONG VE is the sole licensee, comprises one third of Denmark's territory with the exception of the Metropolitan region. One third of the area was relinquished in 2003, and the remaining one third must be relinquished in 2013. The other licence, in which DONG VE has a 28% interest, comprises the Metropolitan area. The licence was granted on 19 February 2001, initially for 15 years. During the year under review, DONG VE provided services in connection with the establishment of the geothermal plant, as operator of the Metropolitan Geothermal Alliance (HGS).

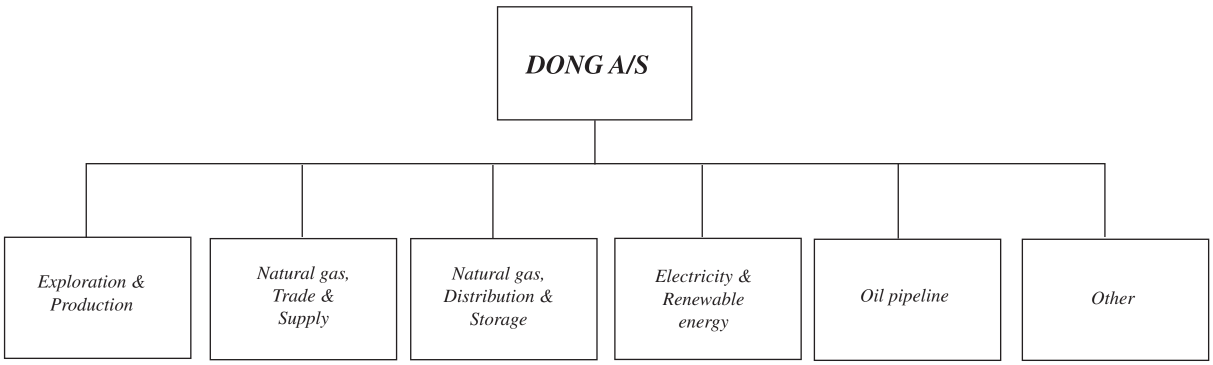
The Group's trade with associates comprises:

- buying and selling of natural gas
- exploration and production activities
- agreements on administration

The transactions are made on arm's length terms.

Apart from intra-Group transactions that have been eliminated in the consolidated financial statements and apart from normal management remuneration, there have been no other transactions with the Supervisory or Executive Boards, senior executives, the Danish State or any other related parties during the year under review. Remuneration to the Supervisory and Executive Boards is disclosed in note 3.

Note 36. Group structure



Company name	*Registered office*	*Currency*	*Share capital in millions*	*DONG group's ownership interest*
Exploration & Production				
DONG Efterforskning og Produktion A/S	Birkerød, Denmark	DKK	300	100
DONG Norge AS	Stavanger, Norway	NOK	69	100
DONG Føroyar P/F	Torshavn, Faroe Islands	DKK	5	100
DONG Grønland A/S	Nuuk, Greenland	DKK	1	100
DONG (UK) Limited	London, UK	GBP	10	100
Natural gas, Trade & Supply				
DONG Naturgas A/S	Birkerød, Denmark	DKK	1,020	100
DONG Faste Vilkår A/S	Birkerød, Denmark	DKK	10	100
DONG Sverige AB	Gothenburg, Sweden	SEK	0.1	100
Fordonsgas AB	Gothenburg, Sweden	SEK	6	33
DONG Netherlands BV	Amsterdam, the Netherlands	EUR	0.018	100
DONG Germany GmbH*	Dorsten, Germany	EUR	0.025	100
DANGAS GmbH*	Kiel, Germany	EUR	0.026	100
Deudan GmbH	Kiel, Germany	EUR	0.026	49
Deudan GmbH & Co. KG	Kiel, Germany	EUR	0.025	49
Natural gas, Distribution & Storage				
DONG Distribution A/S	Birkerød, Denmark	DKK	150	100
Dansk Gasteknisk Center A/S	Birkerød, Denmark	DKK	9	37
DONG Lager A/S	Birkerød, Denmark	DKK	100	100
Electricity & Renewable energy				
Electricity				
DONG El A/S	Birkerød, Denmark	DKK	100	100
DONG EGJ A/S	Birkerød, Denmark	DKK	100	100
EnergiGruppen Jylland EL Holding A/S	Herning, Denmark	DKK	250	100
EnergiGruppen Jylland El A/S	Herning, Denmark	DKK	75	100
Elsam A/S	Fredericia, Denmark	DKK	2,000	12
EnergiGruppen Jylland A/S	Herning, Denmark	DKK	1,320	66
EnergiGruppen Jylland Varme A/S	Herning, Denmark	DKK	50	66

Company name	*Registered office*	*Currency*	*Share capital in millions*	*DONG group's ownership interest*
EnergiGruppen Jylland Forbrænding A/S	Herning, Denmark	DKK	0,5	66
Dansk Restprodukthåndtering	Odense, Denmark	DKK	0.5	4
EnergiGruppen Jylland Biogas A/S	Herning, Denmark	DKK	1	66
EM El Holding A/S	Silkeborg, Denmark	DKK	110	77
EM El A/S	Silkeborg, Denmark	DKK	110	77
Elsam A/S	Fredericia, Denmark	DKK	2.000	12
Nesa A/S	Gentofte, Denmark	DKK	135	13
Renewable energy				
DONG VE A/S	Birkerød, Denmark	DKK	330	100
DONG Vind A/S	Birkerød, Denmark	DKK	1	100
DONG Wind (UK) Limited	London, UK	GBP	1,8001	100
DONG Walney (UK) Limited	London, UK	GBP	0,0001	100
Barrow Offshore Wind Limited**	Slough, UK	GBP	0,0001	50
P/S BI New Energy Solutions	Copenhagen, Denmark	DKK	96,750	22
Oil pipeline				
DONG Olierør A/S	Birkerød, Denmark	DKK	1	100
Other companies in the Group				
Nova Naturgas AB	Stockholm, Sweden	SEK	120	20
Nunaoil A/S	Nuuk, Greenland	DKK	14	50
DONG Olieforsyning A/S	Birkerød, Denmark	DKK	1	100
DONG Litauen A/S	Birkerød, Denmark	DKK	7	100
Foreign branches in the Group				
Dutch branch of Efterforskning og Produktion A/S	The Netherlands		—	100

* Subsidiaries that are not audited by the parent company's auditors
** Recognised using the *pro rata* method
*** Regulated companies that are regulated according to a principle of self-financing, not included in the consolidation.

Note 37. Licences

The Group's licences at 31 December 2004:

Licence number	*Name*	*Registered office*	*DONG Group's share*
7/89	Amalie	Denmark	30%
7/89	Syd Arne	Denmark	34.375%
1/90	Lulita	Denmark	43.59%
4/95	Nini	Denmark	40%
6/95	Siri	Denmark	50%
9/95	Maja	Denmark	20%
4/98	North Valdemar	Denmark	20%
5/98	East Gert	Denmark	20%
11/98	Ravn	Denmark	25%
16/98	Cecilie	Denmark	22%
5/99	Kraka Extension	Denmark	20%
1/02	Roxane	Denmark	20%
1/03	—	Denmark	20%
1/04	—	Denmark	20%
P911	Laggan	UK	20%
P912	Torridon	UK	5.66%
P967	Tobermory	UK	22.5%
P1026	Rosebank	UK	10%
P1027	Bedlington	UK	16.83%
P1028	Cambo	UK	20%
P1029	Faroes Ext.	UK	16.83%
P1163	MacAllan	UK	19%
P1189	Blackrock	UK	20%
P1192	Rosebank S	UK	10%
P1193	Stelkur	UK	20%
P1194	Glenlivet	UK	100%
PL113	Mjølner	Norway	20%
PL147	Trym	Norway	20%
PL019A	Ula	Norway	5%
PL019B	Gyda	Norway	34%
PL019C	—	Norway	35%
PL048B	Glitne	Norway	9.30%
PL065	Tambar	Norway	45%
P159B	Alve	Norway	15%
PL271	—	Norway	40%
PL273	—	Norway	10%
PL274	Oselvar	Norway	100%
PL284	—	Norway	30%
PL122	Marulk	Norway	30%
PL122B	—	Norway	30%
PL122C	—	Norway	30%
PL239	—	Norway	40%
PL256	Sklinna	Norway	10%
PL288	—	Norway	40%
PL289	—	Norway	70%
PL299	—	Norway	40%
PL300	Tambar Øst	Norway	45%
PL301	—	Norway	40%
PL302	—	Norway	40%

Licence number	*Name*	*Registered office*	*DONG Group's share*
PL329	—	Norway	20%
PL336	—	Norway	40%
PL346	—	Norway	30%
PL352	—	Norway	30%
F001	Marjun	The Faroe Islands	16.98%
F003	Longan	The Faroe Islands	30%
F006	Kappa	The Faroe Islands	20%

The management of the licences is set out in the contract basis.

SUMMARY UNAUDITED CONSOLIDATED BALANCE SHEET AND INCOME STATEMENT OF THE GROUP AS AT AND FOR THE PERIOD ENDED 31 MARCH 2005

The following summary unaudited consolidated balance sheet and income statement information has been extracted from the Issuer's publicly available unaudited Group financial statements as at and for the three month period ended 31 March 2005.

The publicly available unaudited financial figures for the period ending 31 March 2005 have been prepared applying IFRS, and accordingly the accounting policies have changed compared to the annual financial statements for 2004, which include a description in respect of expected consequences of the IFRS conversion in 2005. The financial figures for the period ending 31 March 2004 and 31 December 2004 have in the publicly available Group financial statements for the period ended 31 March 2005 been restated applying IFRS. Also these figures are unaudited.

Income statement

	As at 31 March		
	2005	*2004*	*2004*
		(DKK million)	
Domestic sales	2,415	2,426	7,142
Export sales	2,690	1,876	7,150
Revenue	5,105	4,302	14,292
Export share (per cent.)	53%	44%	50%
Gross profit	1,451	1,388	3,072
Fixed costs	(114)	(104)	(510)
Profit before amortisation of and impairment losses on rights, etc.	1,337	1,284	2,562
Amortisation of and impairment losses on rights, etc,	—	(28)	(141)
Operating profit (EBIT)	1,337	1,256	2,421
Share of post-tax profits (losses) of associates	1	4	(15)
Profit on disposal of subsidiaries	—	—	481
Financial items, net	(139)	181	171
Profit before tax	1,199	1,441	3,058
Tax	(430)	(527)	(967)
Net profit	769	914	2,091

Balance sheet

	As at 31 March 2005	As at 31 March 2004	As at 31 December 2004
	(DKK million)		
Intangible assets	1,805	369	749
Property, plant and equipment	21,535	16,716	15,821
Other fixed assets	6,387	2,317	6,855
Total fixed assets	29,727	19,402	23,425
Inventories	88	98	461
Receivables	6,533	6,708	6,748
Securities	172	620	196
Cash	1,823	2,761	550
Total current assets	8,616	10,187	7,955
Total assets	38,343	29,589	31,380
Share capital	2,144	2,144	2,144
Revaluation reserve	2,017	1,960	2,017
Undistributable reserves in regulated companies	—	415	—
Retained earnings	11,564	10,494	11,488
Proposed dividends	—	1,906	—
Minority interests	704	477	694
Total equity	16,429	17,396	16,343
Non-current liabilities	14,047	6,945	6,882
Current liabilities	7,867	5,248	8,155
Total equity and liabilities	38,343	29,589	31,380
Return on equity (%)	19	21	13
Equity ratio (excluding recognition of undistributed equity) (%)	43	57	52

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