FINANCIAL PERFORMANCE

Marianne Wiinholt, CFO

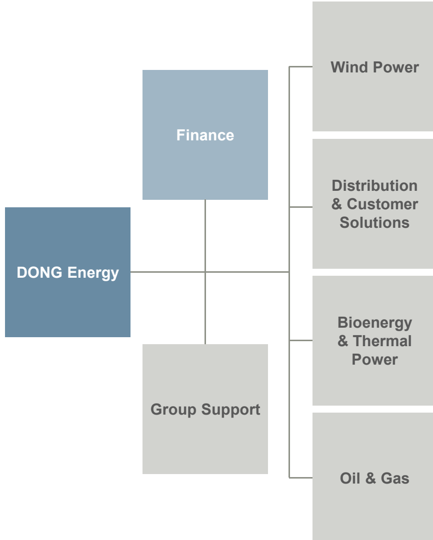
Meet the Management, 2 February 2017

DONG energy

Marianne Wiinholt

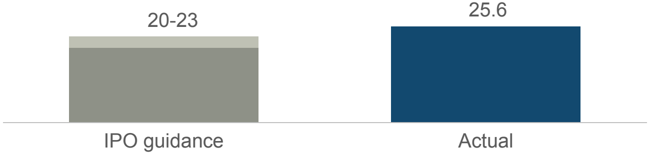
Chief Financial Officer

- Joined DONG Energy in 2004
- Prior to assuming position as CFO, Marianne was CFO of Distribution & Customer Solutions and, before that, Head of Corporate Finance at DONG Energy
- Previously at Arthur Andersen, Borealis
- Education: M.Sc., Copenhagen Business School

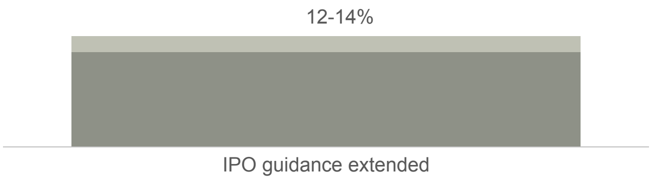


We are delivering on our IPO guidance

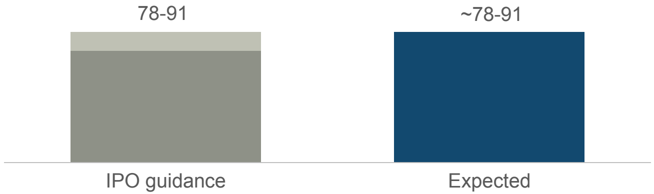
2016 EBITDA – Including O&G
DKKbn



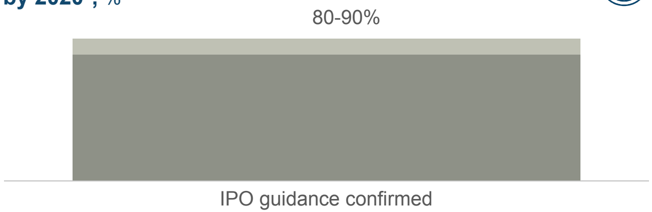
Average expected ROCE 2017-2023, %



2016-2020 capex
DKKbn



Share of regulated EBITDA by 2020[1], %



1. EBITDA contribution from 'regulated, quasi-regulated and contracted activities'

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Strong Q4 with EBITDA up 224%

Financial highlights Q4

EBITDA – continuing operations

- Race Bank farm down gain of DKK 2.5bn
- Higher activity relating to construction contracts for partners re. Burbo Bank Ext.
- Renegotiation of additional long-term gas purchase contract

Net profit – discontinued operations

- Net loss from discontinued operations of DKK 0.5bn
- Net profit in Q4 2015 negatively affected by impairment losses of DKK 14.8bn after tax
- Underlying result DKK 0.3bn lower than Q4 2015

Total net profit

- Total net profit of DKK 3.5bn
- Net profit in Q4 2015 negatively affected by impairment losses of DKK 17.0bn (DKK 15.8bn after tax)
- Underlying increase primarily due to the higher EBITDA

Free cash flow – continuing operations

- Higher paid tax
- Funds tied up in clearing accounts
- Q4 2015 was positively affected by cash inflow from milestone payments re. the construction of offshore wind farms for co-investors
- Partly offset by higher EBITDA

PERFORMANCE HIGHLIGHTS		Q4 16	Q4 15	Δ
EBITDA	DKKm	6,310	1,947	224%
• Wind Power		5,054	1,693	199%
• Bioenergy & Thermal Power		115	-118	n.a.
• Distribution & Customer Solutions		1,243	362	243%
Net profit – continuing operations		3,988	-315	n.a.
Net profit – discontinued operations		-473	-15,004	-97%
Total net profit		3,515	-15,319	n.a.
Operating cash flow		1,752	4,463	-61%
Gross investments		-4,732	-2,734	73%
Divestments		5,013	1,624	209%
Free cash flow – continuing operations		2,033	3,353	-39%
Net interest-bearing debt		3,460	9,193	-62%
FFO/Adjusted net debt	%	80.5	28.7	52%p
Adj. ROCE (last 12 months and excl. write-downs)	%	24.4	5.9	18%p

2016 – Strong profit performance

Financial highlights FY

EBITDA – continuing operations

- Farm down gains from Burbo Bank Ext. and Race Bank (DKK 3.0bn)
- Higher activity relating to construction contracts for partners
- Lump sum payments from renegotiation of long-term gas purchase contracts of DKK 4.3bn in 2016

Underlying EBITDA[1] – continuing operations

- Very strong development in the underlying business driven by a 93% growth in Wind Power

Net profit – discontinued operations

- Net profit in 2015 negatively affected by impairment losses of DKK 14.8bn after tax
- Underlying result DKK 0.7bn below 2015 mainly due to lower production

Total net profit

- Higher EBITDA
- Gain from divestment of Danish gas distribution grid of DKK 1.2bn
- Net profit in 2015 negatively affected by impairment losses of DKK 17.0bn (DKK 15.8bn after tax)

PERFORMANCE HIGHLIGHTS		FY 16	FY 15	Δ
EBITDA	DKKm	19,109	8,730	119%
• Wind Power		11,867	6,151	93%
• Bioenergy & Thermal Power		100	283	-65%
• Distribution & Customer Solutions		7,108	2,173	227%
Net profit – continuing operations		12,161	967	1,158%
Net profit – discontinued operations		1,052	-13,051	n.a.
Total net profit		13,213	-12,084	n.a.
Operating cash flow		11,272	7,521	50%
Gross investments		-14,960	-12,709	18%
Divestments		9,055	1,982	357%
Free cash flow – continuing operations		5,367	-3,206	n.a.
Net interest-bearing debt		3,461	9,193	-62%
FFO/Adjusted net debt	%	80.5	28.7	52%p
Adj. ROCE (last 12 months and excl. write-downs)	%	24.4	5.9	18%p

1. Underlying EBITDA adjustments: Lump sum payments from renegotiations, divestment of Danish gas distribution grid, and compensations in BTP from a settled dispute and insurance compensation in 2015

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2016 – Improvement in all financial metrics

Financial highlights FY

Free cash flow – Continuing operations

- Higher EBITDA
- Higher divestment proceeds, primarily Burbo Bank Ext., Race Bank and the Danish gas distribution grid
- Partly offset by more funds tied up in clearing accounts and in the construction of offshore transmission assets

Net interest-bearing debt

- On top of the positive free cash flow, positive effect from exchange rate adjustments of GBP loans

FFO/Adjusted net debt

- Credit metric significantly above our target of around 30%

Adjusted ROCE[1]

- Increase of 18%-points, primarily due to the higher EBIT
- ROCE of 17% in 2016 when excluding the contribution from lump sum payments

1. ROCE: Last 12 months and excl. write-downs, continuing operations

PERFORMANCE HIGHLIGHTS		FY 16	FY 15	Δ
EBITDA	DKKm	19,109	8,730	119%
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Adj. ROCE (last 12 months and excl. write-downs)	%	24.4	5.9	18%p

WP Q4 2016 – EBITDA tripled

Financial highlights Q4

EBITDA

- Race Bank farm down gain of DKK 2.5bn
- Higher activity related to construction contracts for partners, mainly Burbo Bank Ext.

Power generation

- Production ramp up from new wind farms partly offset by low WEC (108% in Q4 2016 versus 123% in Q4 2015)

FINANCIAL HIGHLIGHTS		Q4 16	Q4 15	Δ
EBITDA	DKKm	5,054	1,693	199%
• Sites incl. O&Ms and PPAs		1,899	1,866	2%
• Construction contracts and farm down gains		3,309	-89	n.a.
• Other incl. A2SEA and project development		-154	-84	83%
Adjusted ROCE (LTM)	%	16.5	6.9	10%p
KEY BUSINESS DRIVERS				
Power generation	TWh	1.8	1.5	20%
Wind energy content	%	108	123	-15%p
Load factor	%	49	50	-1%p
Availability	%	94	90	4%p
Installed capacity	GW	3.6	3.0	19%
Production capacity	GW	2.0	1.7	17%

WP 2016 – EBITDA at DKK 11.9bn, the high end of the guided range

Financial highlights FY

Power generation

- New production capacity from Westermost Rough, Borkum Riffgrund 1 and to some extent Gode Wind 1&2
- Low WEC (93% in 2016 vs. 103% in 2015)

EBITDA

- Sites: Earnings from new production capacity more than offset by low WEC
- Construction contracts: Farm down gains of DKK 3.0bn and construction gains relating to Gode Wind 1&2 and Burbo Bank Ext.
- Other: Higher project development cost for post-2020 pipeline and lower A2SEA result

Free cash flow

- Continued high investment level to a large extent funded by cash flow from operating wind farms and farm downs

Adjusted ROCE[1]

- Increase in EBITDA more than outweighs increase in capital employed

FINANCIAL HIGHLIGHTS		FY 16	FY 15	Δ
EBITDA	DKKm	11,867	6,151	93%
• Sites incl. O&Ms and PPAs		5,869	5,965	-2%
• Construction contracts and farm down gains		7,012	751	834%
• Other incl. A2SEA and project development		-1,014	-565	79%
Adjusted ROCE (LTM)	%	16.5	6.9	10%p
KEY BUSINESS DRIVERS				
Power generation	TWh	6.0	5.8	5%
Wind energy content	%	93	103	-10%p
Load factor	%	41	45	-4%p
Availability	%	92	93	-1%p
Installed capacity	GW	3.6	3.0	19%
Production capacity	GW	2.0	1.7	17%

1. ROCE: Last 12 months and excl. write-downs

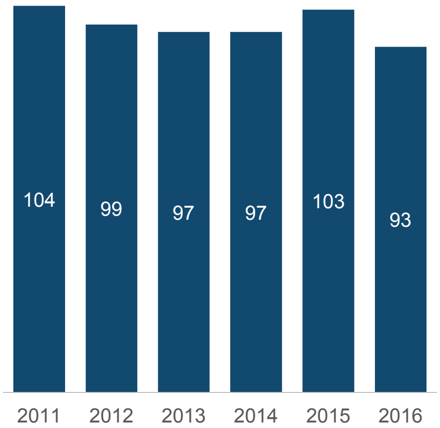
Low wind energy content – also in Q4

Key commentary

- Full year 2016 WEC was below the range observed during the last 5 years (2011-2015) of 97-104
- FY 2016 WEC at 93%, 10%-points lower than FY 2015
- At Q3 we guided full year WEC at around 96, based on the expectation of normal Q4 2016. Very low wind in November and December
- Q4 2016 WEC at 108%, 15%-point lower than Q4 2015
- Full year wind energy content (WEC) from 2011 to 2015 fluctuated with +/- 4%-points on an average wind year for DONG Energy's portfolio

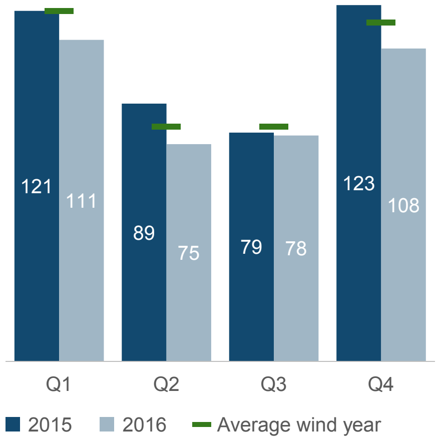
Yearly WEC

%



Quarterly WEC

%



BTP – Results in line with expectations

Financial highlights Q4

EBITDA

- Power generation up 20% due to better spreads and lower generation from hydro and wind
- Heat generation up 7% due to colder weather

Free cash flow

- Positive contribution in 2015 from an intra-group settlement of tax for 2014
- Partly offset by the higher EBITDA

Financial highlights FY

EBITDA

- One-off gains in 2015 of DKK 0.5bn
- Underlying EBITDA from 'Power business' increased due to the improved spreads

Free cash flow

- Lower EBITDA
- Interest received in 2015 from dispute concerning CO_2 emissions allowances
- Higher positive contribution in 2015 from intra-group settlement of tax

FINANCIAL HIGHLIGHTS		Q4 16	Q4 15	Δ	FY 16	FY 15	Δ
EBITDA	DKKm	115	-118	n.a.	100	283	-65%
• Heat		172	100	72%	407	346	18%
• Ancillary services		89	63	41%	300	383	-22%
• Power		-146	-281	-48%	-607	-446	36%
Free cash flow		299	852	-54%	-635	1,554	n.a.
KEY BUSINESS DRIVERS							
Heat generation	TWh	3.1	2.9	7%	9.2	9.3	-2%
Power generation	TWh	3.0	2.5	20%	8.4	7.1	18%
Degree days	#	962	781	23%	2,715	2,621	4%
Power price, DK	EUR/MWh	34.6	23.8	45%	28.0	23.7	18%
Green dark spread, DK	EUR/MWh	0.7	-1.0	n.a.	3.4	-1.9	n.a.

DCS – Strong contribution from renegotiations

Financial highlights Q4

EBITDA

- Lump sum from renegotiation of additional long-term gas purchase contract of DKK 0.4bn
- Improved margins in the wholesale gas business

Free cash flow

- EBITDA increase offset by more funds tied up in working capital, mainly clearing accounts as a result of higher oil and gas prices

Financial highlights FY

EBITDA

- Lump sums from renegotiation of long-term gas purchase contracts of DKK 4.3bn
- Higher earnings from the trading and portfolio optimisation business
- Positive gas storage valuation effect due to higher gas prices
- Distribution earnings on par with 2016
- Sales negatively impacted by implementation of supplier centric model

Adjusted ROCE[1]

- Higher EBITDA
- ROCE of 24% in 2016 when excluding the contribution from lump sum payments

FINANCIAL HIGHLIGHTS		Q4 16	Q4 15	Δ	FY 16	FY 15	Δ
EBITDA	DKKm	1,243	362	243%	7,108	2,173	227%
• Distribution*		223	261	-16%	1,602	1,661	-4%
• Sales		-71	36	n.a.	-15	160	n.a.
• Markets		1,131	110	928%	5,766	740	679%
• LNG		-40	-45	-11%	-245	-388	-37%
Adjusted ROCE (LTM)	%	75.8	11.5	64%p	75.8	11.5	64%p
KEY BUSINESS DRIVERS							
RAB Power	DKKm	10,648	10,778	-1%	10,648	10,778	-1%
Gas sales	TWh	36.1	36.2	0%	150.4	159.1	-5%
Power sales	TWh	9.2	9.9	-7%	36.7	35.5	4%
Distribution of power	TWh	2.3	2.3	0%	8.5	8.4	1%

* Gas distribution EBITDA: FY/9M 2016 DKK 385m ; Q4 2015 DKK 9m ; FY 2015 DKK 361m

1. ROCE: Last 12 months and excl. write-downs

O&G – Discontinued operations – Strong operational performance

Financial highlights Q4

EBITDA

- Strong operational performance across the portfolio
- Lower exploration costs
- Positive effect in 2015 from additional Ormen Lange catch-up volumes

Free cash flow

- Lower operating cash flow, as the higher EBITDA is more than offset by increased funds tied up in working capital

Financial highlights FY

EBITDA

- Lower gas production, primarily loss of additional Ormen Lange catch-up volumes (DKK 2.5bn in 2015) and natural decline in production
- Gas prices declined 37%, only partly offset by hedging (after tax basis)
- One-offs in 2015 contributing with DKK 1.2bn
- Significantly lower costs including exploration

Free cash flow

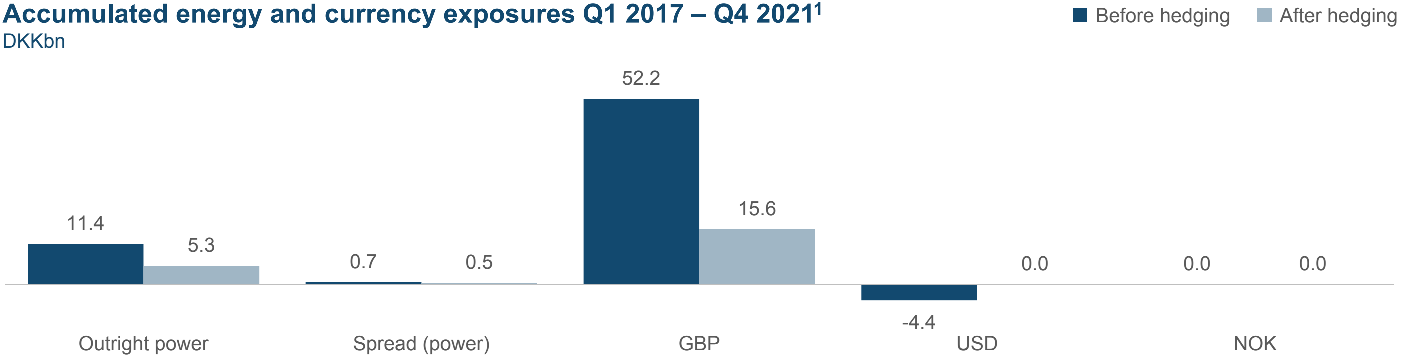
- Total cash spend down by 38%
- Overperformance vs. IPO guidance mainly due to cost/capex reductions

FINANCIAL HIGHLIGHTS		Q4 16	Q4 15	Δ	FY 16	FY 15	Δ
EBITDA	DKKm	2,140	1,700	26%	6,507	9,754	-33%
• Denmark		262	-108	n.a.	-145	1,345	n.a.
• Norway		1,023	1,804	-43%	3,407	7,358	-54%
• United Kingdom		344	-29	n.a.	773	262	195%
• Exploration and appraisal		-302	-614	-51%	-522	-868	-40%
• Hedges		813	647	26%	2,994	1,657	81%
Free cash flow		1,020	1,269	-20%	1,106	656	69%
KEY BUSINESS DRIVERS							
Oil production	BOEm	2.5	2.4	4%	9.7	10.1	-4%
Gas production	BOEm	6.5	9.2	-29%	26.9	30.8	-13%
Oil price, Brent	USD/boe	49	44	11%	44	52	-15%
Gas price, NBP	EUR/MWh	18	17	6%	14	20	-29%
Lifting costs	USD/boe	6.6	8.2	-20%	6.4	7.3	-12%

Hedging of energy prices and FX (continuing operations)

Accumulated energy and currency exposures Q1 2017 – Q4 2021[1]

DKKbn



- The power exposure is almost fully hedged in 2017-2018, and significantly hedged in 2019
- The vast majority of the power hedges relate to Wind Power
- Limited power spread exposure from BTP

- GBP exposure is almost fully hedged for 2017-2018, and significantly hedged for 2019
- Expected proceeds from Walney Ext. farm down is fully hedged
- GBP hedged at 9.4 DKK/GBP for 2017, 9.2 DKK/GBP for 2018 and 8.9 DKK/GBP for 2019
- Removal of O&G has changed the long USD exposure to a short USD exposure, and the NOK exposure is reduced to zero

1. Exposure is calculated as the expected production multiplied by the forward prices per 31 December 2016. Exposures consist of cash flows from production with known sales- and purchase prices, investments, divestments, and the value of hedged energy contracts, all multiplied by the forward prices per 31 December 2016

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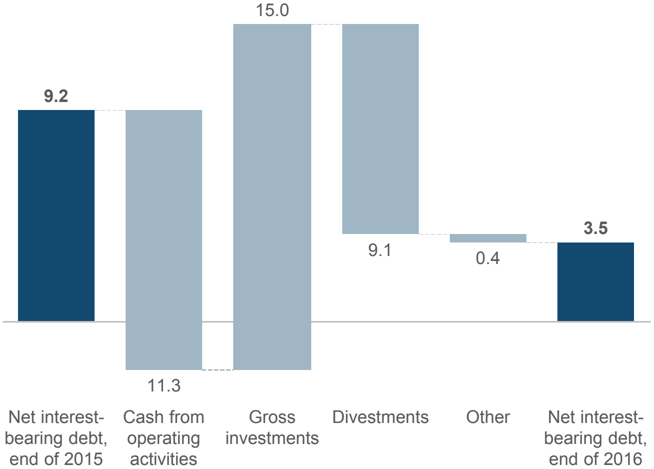
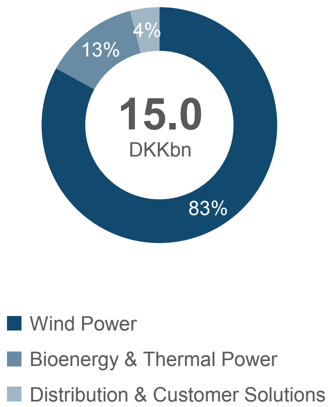
Low year-end net debt of DKK 3.5bn

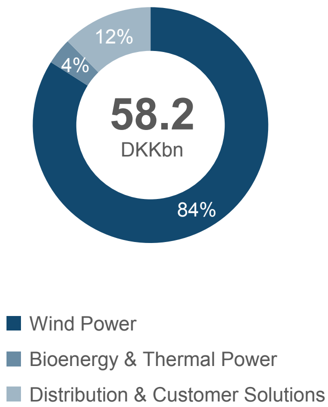
Net interest-bearing debt development in 2016
DKKbn



Gross investments per Business Unit in 2016
(continuing operations)

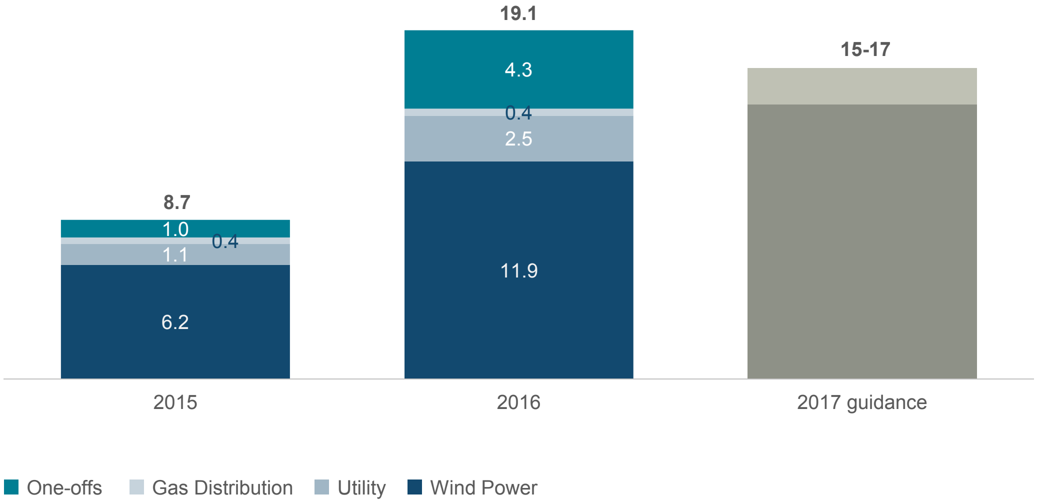


Capital employed per Business Unit in 2016
(continuing operations)

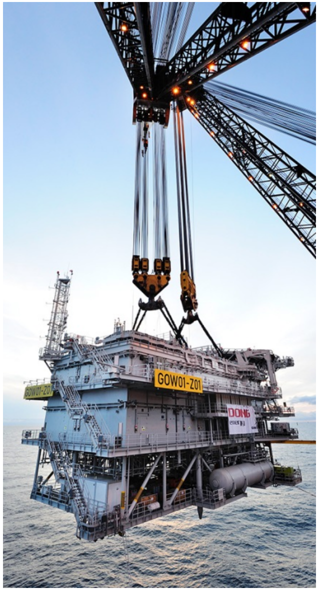


Step down in reported operating profit in 2017 due to one-offs

EBITDA – Continuing operations
DKKbn

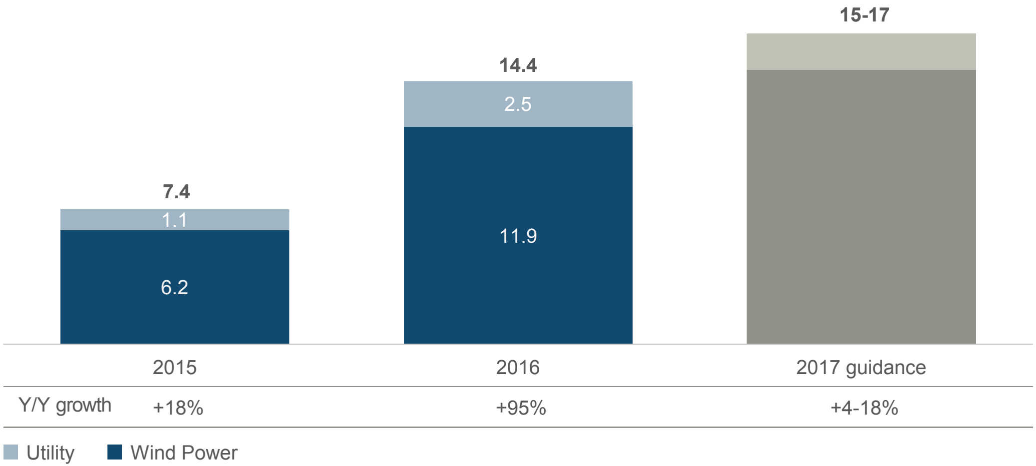


Strong underlying profit growth continues



Underlying EBITDA[1] – Continuing operations

DKKbn



1. Underlying EBITDA adjustments: Lump sum payments from renegotiations, divestment of Danish gas distribution grid, and compensations in BTP from a settled dispute and insurance compensation in 2015

Financial outlook 2017

EBITDA in 2017 of DKK 15-17bn – Long-term ROCE extended – Free Cash Flow target reiterated

EBITDA (BUSINESS PERFORMANCE) OUTLOOK 2017

Group	DKK 15-17bn

BUSINESS UNIT EBITDA DIRECTION FY 2017 VS. FY 2016

Wind Power	Higher
Bioenergy & Thermal Power	Higher
Distribution & Customer Solutions	Significantly lower (Significantly lower underlying)

GROSS INVESTMENT OUTLOOK 2017

Group	DKK 18-20bn

RETURN ON CAPITAL EMPLOYED (ROCE)

Group	12-14%	Avg. 2017-2023
Wind Power	13-15%	Avg. 2017-2023
Distribution & Customer Solutions	9-11%	Avg. 2017-2023

FREE CASH FLOW

Bioenergy & Thermal Power	Positive	2018

FINANCIAL POLICIES

Rating (Moody's/S&P/Fitch)	Min. Baa1/BBB+/BBB+
FFO/Adjusted net debt	Around 30%

DIVIDEND POLICY

- We expect to pay a dividend of DKK 2.5 billion for FY 2016 in 2017
- For subsequent years towards 2020, our target is to increase the dividend annually by a high single digit rate compared to the dividend for the previous year
- Dividend policy is subject to our commitment to maintain a Baa1/BBB+ rating profile

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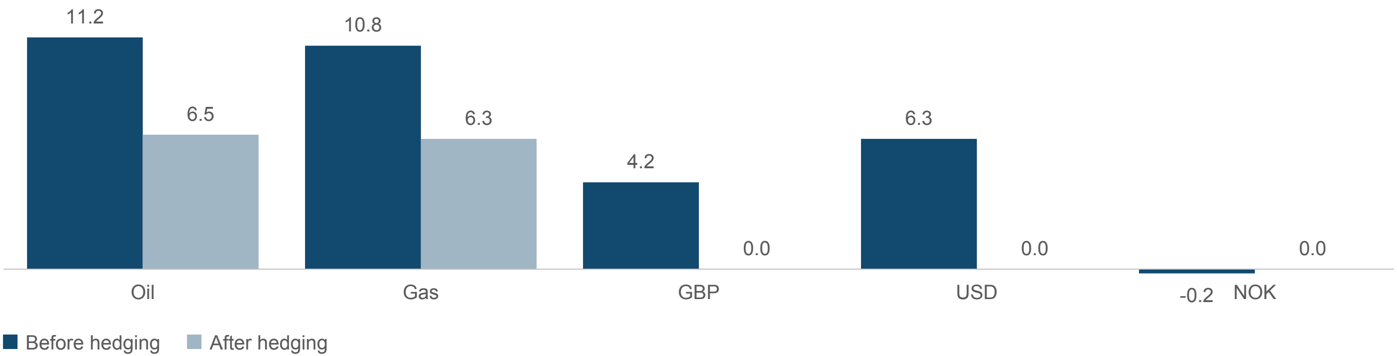
Capital structure

- Within the next couple of years we will likely have excess investment capacity compared to the target rating of BBB+/Baa1 (assuming the current build out-plan and farm down strategy in Wind Power and the current dividend policy)
- We will utilise the investment capacity to pursue value creating investment opportunities
- Reducing our farm down activities may be an alternative or supplement to new investment opportunities in order to balance the capital structure while maintaining current rating
- If value creating investment opportunities do not absorb the excess investment capacity we will remain disciplined and return cash to shareholders

Appendix

Hedging of energy prices and FX (discontinued operations)

Accumulated energy and currency exposures Q1 17 – Q4 2021[1]
(DKKbn)



- Significant long exposure on both gas and oil are now labelled discontinued
- Hedging of the price risk continuous until time of divestment to secure the coming sales profit
- All FX exposure related to hedging of energy in O&G has been fully hedged

1. Exposure is calculated as the expected production multiplied by the forward prices per 31 December 2016.
Exposures consist of cash flows from production with known sales- and purchase prices, investments, divestments, and the value of hedged energy contracts, all multiplied by the forward prices per 31 December 2016

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Differences in Business Performance EBITDA and IFRS EBITDA

DKKm	FY 2016	FY 2015
EBITDA – BUSINESS PERFORMANCE (BP)	19,109	8,730
BP adjustment in respect of revenue for the year	-3,808	1,264
BP adjustment in respect of COGS for the year	1,638	-106
EBITDA – IFRS	16,939	9,888
TOTAL BP ADJUSTMENTS FOR THE YEAR COMPRISE:		
MtM of financial and physical hedging contracts relating to other periods	-1,397	1,632
Reversal of deferred gain (loss) relating to hedging contracts from previous periods, where the hedged production or trade is recognised in BP EBITDA for this period	-773	-474
TOTAL ADJUSTMENTS	**-2,170**	**1,158**

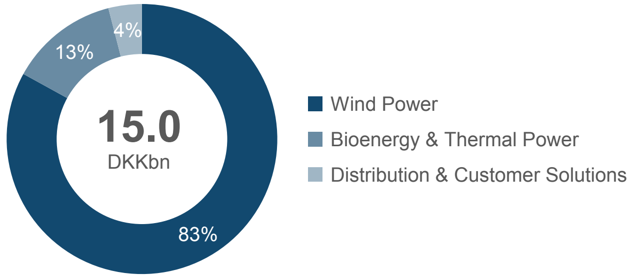
SPECIFICATION OF BP ADJUSTMENTS, DKKm	MTM OF HEDGING CONTRACTS RELATING TO OTHER PERIODS		REVERSAL OF DEFERRED GAIN (LOSS)	
	FY 2016	FY 2015	FY 2016	FY 2015
Oil hedge	267	-930	1,654	1,896
Gas hedge (commercial and hedge)	-735	806	-1,539	-1,367
Power hedge(commercial and hedge)	-2,160	1,790	-424	-701
Coal hedge	75	-189	151	254
Currency hedge	1,156	155	-615	-556
TOTAL	**-1,397**	**1,632**	**-773**	**-474**

Investments

Investments in FY 2016
(DKKm)

CASH FLOW FROM INVESTING ACTIVITIES	**-1,060**
Dividends received and capital reduction, reversal	-22
Purchase and sale of securities, reversed	-4,564
Sale of assets and companies reversed	-9,104
Loans to associates and JVs, reversed	-210
GROSS INVESTMENTS	-14,961
Sale of non-current assets	9,104
Other	-50
NET INVESTMENTS[1]	-5,907

Gross investments per Business Unit in FY 2016



1. Net investments are defined as the effect on DONG Energy's net debt from investments and acquisitions and disposals of enterprises

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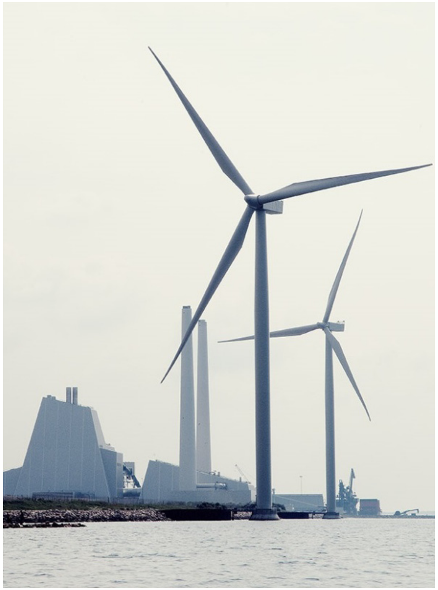
Financing strategy



We have a centralised financing strategy as customary for vertically and horizontally integrated European energy utilities

The centralised financing strategy was adopted in 2003 to benefit from our heritage as state owned energy monopoly offering:

- A capital structure supportive of it's BBB+ rating ambition
- Concentration of and scale in financing activities
- Cost efficient financing based on a strong parent rating
- Optimal terms and conditions and uniform documentation
- Transparent debt structure and simplicity
- Avoidance of structural subordination

All cash flow generated by our subsidiaries supports the creditworthiness and rating of and thus the debt taken up by the Group parent

The financing strategy optimizes the effect of a fully integrated group cash pool where cash at practically all of the Group's more than 150 subsidiaries are made available for the group's financing and liquidity purposes

Financing of activities at subsidiary level is provided by the Group parent in a standardised and cost efficient set-up involving very few resources at Business Unit and Group level

Widespread use of project financing is not considered cost-efficient and dilutes the creditworthiness of the Group parent

Currency hedging principles

- The purpose of our currency risk management is to reduce the Group's currency risks over a 5-year horizon
- The main principle is to hedge FX exposure once it is deemed relatively certain that the underlying cash flows in foreign currency will materialise
- Thus, FX risk is hedged concurrently with the hedging of energy price risk
- FX risk related to divestments and investments are hedged once the amount is relatively certain
- Hedging of ROC and CfD income deviates from main principle and follows a staircase model (see next page). GBP therefore constitutes a strategic risk
- Management of currency risks is centralised at DONG Energy to obtain netting advantages

DONG energy

Hedging of FX and power risk in Wind Power

Construction and Farm downs – Hedging of FX

Decision gates

Pre-FID

- Early hedging of potential large DEVEX items on a 100% basis

Final Investment Decision

- Hedging of transmission asset divestment and CAPEX in GBP (100% share)
- Hedging of expected operational net cash flow subject to staircase (100% share)

Farm down mandate

- Net increase in hedging from expected proceeds from divestment, construction gains and reduced share of operational cash flow (50% share)

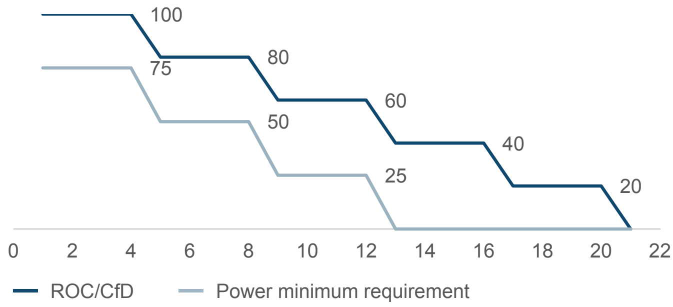
Signing farm down

- Hedges fully established for sale of project shares and construction gains

Commercial Operations

- Ongoing hedging of operational net cash flow reflecting permanent share of production (50% share)

Commercial Operations – Hedging of FX and power



Rolling operational hedging process on monthly/quarterly basis:

- ROC/CfD hedges are target hedge ratio
- The power hedge ratio is a minimum requirement, and power related FX exposures are included in FX exposures and hedged when the underlying power price is hedged

FFO/Adjusted net debt calculation

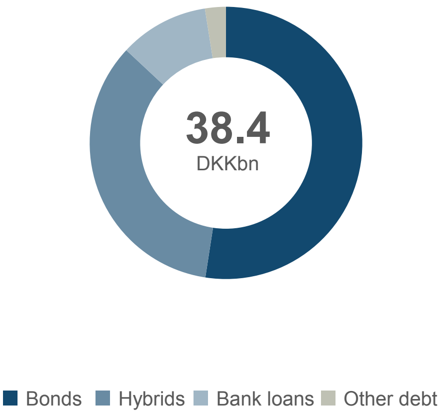
FFO/ADJUSTED NET DEBT	FY 2016	FY 2015
EBITDA	19,109	8,730
Adjusted net interest expenses	-1,662	-1,441
- Interest expenses, net	-402	-294
- Reversal of interest expenses transferred to assets	-574	-378
- Interest element of decommission obligations	-172	-167
- 50% of coupon payments on hybrid capital	-320	-411
- Operating lease obligations, interest element	-194	-191
Reversal of recognised lease payment	746	722
Current tax	-3,665	-697
FUNDS FROM OPERATION (FFO)	**14,528**	**7,314**
Accounting net debt	3,461	9,193
50% of hybrid capital	6,624	6,624
Cash and securities, not available for distribution	953	2,866
Present value of operating lease payments	3,986	4,051
Decommission obligations	3,649	3,436
Deferred tax on decommissioning obligations	-626	-665
ADJUSTED INTEREST-BEARING NET DEBT	**18,047**	**25,505**
FFO/ADJUSTED NET DEBT	**80.5%**	**28.7%**

Note:
Following the initiated sales process of the O&G business and the fact that O&G is presented as asset held for sale and discontinued operations, FFO/Adjusted net debt figures are now calculated excluding O&G in the numerator. The denominator is based on the Group's total NIBD

DONG energy

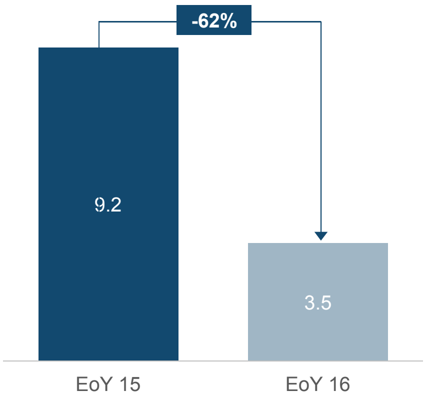
Debt overview

Gross debt and hybrids, Year-end 2016

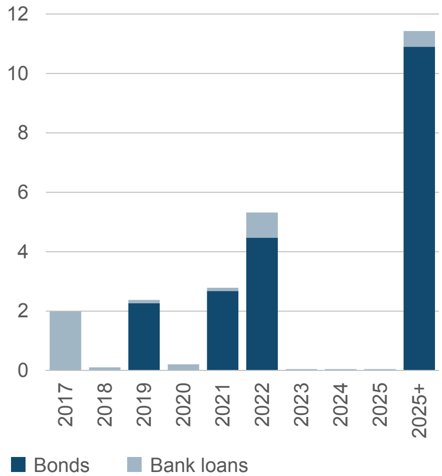


Net debt

DKKbn



Long term debt maturity schedule Year-end 2016, DKKbn



Hybrid capital in short

Hybrid capital can broadly be defined as funding instruments that combine features of debt and equity in a cost efficient manner

- Hybrid capital encompasses the credit supportive features of equity and improves rating ratios:
- Perpetual or long-dated final maturity (1,000 years for DONG Energy)
- Absolute discretion to defer interest payments and such deferrals do not constitute default nor trigger cross-default
- Deeply subordinated and only senior to common equity
- Without being dilutive to equity holders (no ownership and voting rights, no right to dividend)

Due to hybrid's equity like features, rating agencies assign equity content to the hybrids when calculating central rating ratios (eg. FFO/NIBD)

The hybrid capital has increased DONG Energy's investment capacity and supports the growth strategy and rating target

DONG Energy has made use of hybrid capital to maintain our ratings at target level in connection with the merger with Danish power distribution and production companies back in 2006 and in recent years to support our growth in the off-shore wind sector

Currently, DONG Energy has fully utilised it's capacity to issue hybrids (S&P has the strictest limit of 15% of total capitalisation)

HYBRIDS ISSUED BY DONG ENERGY A/S*	PRINCIPAL AMOUNT	TYPE	FIRST PAR CALL	COUPON	ACCOUNTING TREATMENT**	TAX TREATMENT	RATING TREATMENT
4.875% hybrid due 3013	EUR 500m	Hybrid capital (subordinated)	July 2018	Fixed during the first 5 years, first 25bp step-up in July 2023	100% equity	Debt – tax deductible coupon payments	50% equity, 50% debt
6.25% hybrid due 3013	EUR 700m	Hybrid capital (subordinated)	June 2023	Fixed for the first 10 years, first 25bp step-up in June 2023	100% equity	Debt – tax deductible coupon payments	50% equity, 50% debt
3.0% hybrid due 3015	EUR 600m	Hybrid capital (subordinated)	Nov. 2020	Fixed during the first 5.5 years, first 25bp step-up in Nov. 2025	100% equity	Debt – tax deductible coupon payments	50% equity, 50% debt

*) All listed on Luxembourg Stock Exchange and rated Baa3 (Moody's), BB+ (S&P) and BBB- (Fitch)
**) Due to the 1,000-year structure

Benefits of hybrid capital

Hybrid capital is an attractive form of financing for corporates:

- Provides strength to the balance sheet at relatively attractive terms (tax deductible)
- Supportive to credit ratings
- WACC efficient instrument to enhance financial flexibility
- Non-dilutive source of quasi equity capital

The issuance of hybrid capital is significantly cheaper than issuing proportional amounts of debt and equity

Illustrative example – current example

ASSUMPTIONS

Pricing for a Hybrid with first call in year 5:	3.5% (pre-tax)
Post-tax cost of hybrid = 3.5% * (1-22%)	2.87%
Pricing for a 5-year senior bond of 0.5% (pre-tax)	
Post-tax cost of senior = 0.5%* (1-22%)	0.41%
Cost of Equity:	8%

RELATIVE COST ANALYSIS