Annual Report 2002

DONG and its history. At the end of 2002 DONG launched an advertising campaign as part of the Group's branding exercise. The campaign centred on DONG's history and development from oil and natural gas company in 1972 to energy group in the liberalised electricity and natural gas market in 2003/2004. The campaign included a boiled-down version of DONG's history in a 40-second TV commercial. The film follows a DONG employee through the years. On the way, viewers get a picture of the many competencies and the extensive know-how the Group has built up in that time and possesses today.

The photos in the annual report for 2002 are from the TV commercial.

Contents

Sven Riskær
Chairman

Jørgen Einar Tandrup

Thorkild Meiner-Jensen*

* Elected by the employees

DONG's supervisory board

Lars Nørby Johansen
Deputy chairman

Flemming Lindeløv

Svend Sigaard

Jacob Heinsen

Erik B. Laursen*

Bent Stubkjær Pedersen*

The DONG Group

Mission

DONG adds value for its shareholders, customers and society by procuring, producing and trading in oil, gas and electricity in Northern Europe, with the focus on Denmark and Southern Sweden. We do so with proper awareness of our responsibility with respect to security of supply, the environment, health and safety, and efficient utilisation of resources.

Vision

In all the company's business areas DONG will focus on adding maximum value for its shareholders.

DONG intends to be the leading integrated energy company in Denmark and, by that means, to contribute to consolidation of the Danish energy sector and be known as an innovative and dynamic energy company with great competency and acceptance of its responsibilities.

DONG's transportation activities

Mission

To create an efficient and competitive natural gas market in Denmark on a satisfactory basis both financially and with respect to security of supply.

Vision

To be among the best and most innovative oil and gas transportation companies in Europe.

Group structure at 31 December 2002

DONG A/S
Share capital: DKK 2,144 million
Equity: DKK 14,655 million

- **DONG Naturgas A/S (100 per cent)**
  Share capital: DKK 1,794 million
  Equity: DKK 8,042 million
  - **Dansk Gasteknisk Center a/s (47 per cent)**
    Share capital: DKK 9 milllion
    Equity: DKK 7 million (2001)
- **DONG VE A/S (100 per cent)**
  Share capital: DKK 330 million
  Equity: DKK 331 million
- **DONG Efterforskning og Produktion A/S (100 per cent)**
  Share capital: DKK 300 million
  Equity: DKK 1,997 million
  - **DONG UK Ltd. (100 per cent)**
    Share capital: GBP 10 million
    Equity: GBP 7 million
  - **DONG Norge AS (100 per cent)**
    Share capital: NOK 68 million
    Equity: NOK 787 million
  - **DONG Føroyar P/F (100 per cent)**
    Share capital: DKK 5 million
    Equity: DKK 26 million
  - **DONG Grønland A/S (100 per cent)**
    Share capital: DKK 1 million
    Equity: DKK 2 million
- **Nova Naturgas AB (20 per cent)**
  Share capital: SEK 120 million
  Equity: SEK 603 million
- **Nunaoil A/S (50 per cent)**
  Share capital: DKK 13 million
  Equity: DKK 28 million
- **DONG Olierør A/S (100 per cent)**
  Share capital: DKK 1 million
  Equity: DKK 81 million
- **NESA A/S (13 per cent)**
  Share capital: DKK 135 million
  Equity: DKK 1,514 million (2001)
- **Dangas GmbH (100 per cent)**
  Share capital: EUR 26,000
  Equity: EUR 1,204,000
  - **Deudan GmbH (49 per cent)**
    Share capital: EUR 26,000
    Equity: EUR 1,178,000
  - **Deudan GmbH & Co KG (49 per cent)**
    Capital account: EUR 25,000
- **DONG Olieforsyning A/S (100 per cent)**
  Dormant.
  Share capital: DKK 1 million
  Equity: DKK 2 million
- **DONG Litauen A/S (100 per cent)**
  Dormant.
  Share capital: DKK 7 million
  Equity: DKK 3 million

Acquired in 2003

- **EnerigiGruppen Jylland A/S (64 per cent)**
  Share capital: DKK 250 million
  Equity: DKK 1,710 million (2001)

Note: Share capital and equity figures are the total figures of the company.

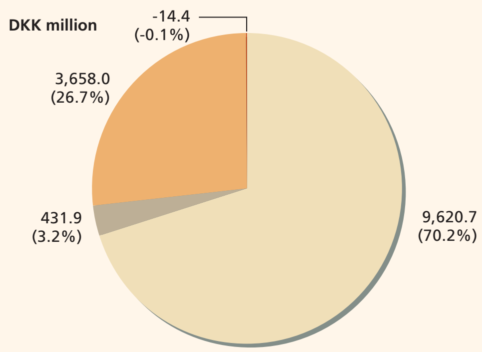
Group financial highlights

DKK million	1998	1999	2000	2001	2002
Income statement					
Revenue	6,511	7,345	12,806	13,667	**14,725**
Depreciation and impairment of property, plant and equipment	(907)	(851)	(935)	(1,008)	**(948)**
Profit before goodwill amortisation	966	2,040	4,411	3,124	**2,858**
Operating profit (EBIT)	966	1,140	3,658	2,371	**2,546**
Interest income and expense and similar items, net	(29)	(184)	(208)	26	**154**
Profit before tax	937	956	3,450	2,401	**2,726**
Tax	(281)	(305)	(922)	(744)	**(1,250)**
Profit after tax	656	651	2,528	1,657	**1,476**
Balance sheet					
Fixed assets	8,191	19,297	19,779	20,105	**21,146**
Current assets	2,739	6,733	10,634	9,865	**7,784**
Share capital	2,144	2,144	2,144	2,144	**2,144**
Equity	4,891	10,683	13,088	13,403	**14,655**
Long-term liabilities including provisions	3,128	12,265	11,664	9,932	**9,332**
Short-term liabilities other than provisions	2,911	3,082	5,661	6,635	**4,942**
Balance sheet total	10,930	26,030	30,413	29,970	**28,930**
Cash flows					
Operating activities	2,276	2,531	4,822	3,674	**3,594**
Investments in fixed assets	(2,549)	(1,137)	(557)	(1,144)	**(2,464)**
Investing activities	(2,549)	(1,252)	(791)	(1,235)	**(3,094)**
Financing activities	(657)	274	311	(3,046)	**(2,280)**
Net cash flows from operating, investing and financing activities	(406)	1,553	4,342	(607)	**(1,780)**
Cash and cash equivalents at year end	1,375	2,965	6,041	5,434	**3,655**
Financial ratios					
Gross margin	42	50	50	37	**22**
Operating margin	15	16	29	17	**17**
Return on assets	9	6	13	8	**9**
Return on equity	14	8	21	13	**11**
Equity ratio	45	41	43	43	**51**
Current ratio	94	218	188	149	**158**
Number of employees at year end	426	572	709	755	**900**
Share ratios					
Cash flow per share (CFPS)	1.06	1.18	2.25	1.71	**1.68**
Earnings per DKK 100 share	31	30	118	77	**69**
Payout ratio	-	29	50	29	**30**
Dividend per DKK 100 share	-	9	59	22	**21**
Net asset value per share	228	498	610	625	**684**

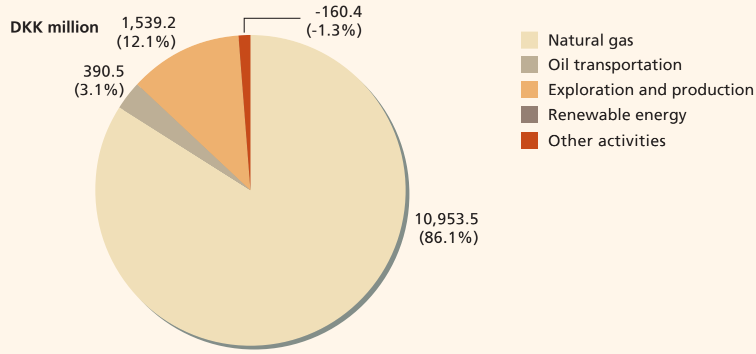
The financial highlights for 1998-2001 have been restated to comply with the accounting policies applied in 2002. The ratios have been calculated in accordance with the Danish Society of Financial Analysts' guidelines on the calculation of ratios ('Finansanalytikerforeningens Anbefalinger og Nøgletal 1997'). Reference is made to the definitions and terminology under Accounting policies.

Segment information

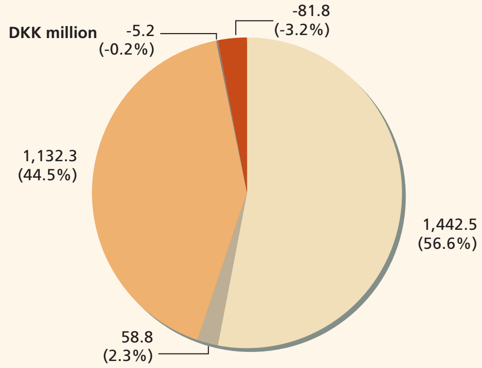
Revenue for 2002 by activity



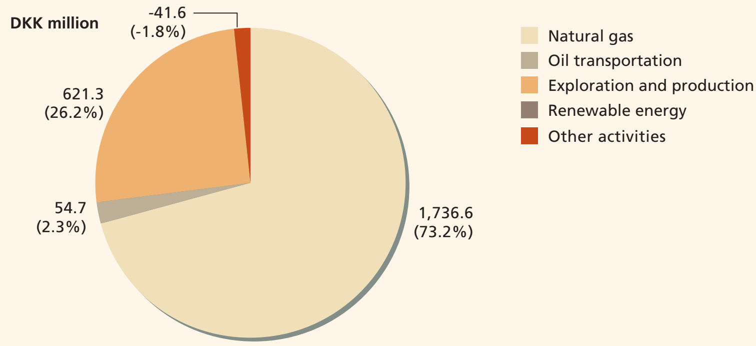
Revenue for 2001 by activity



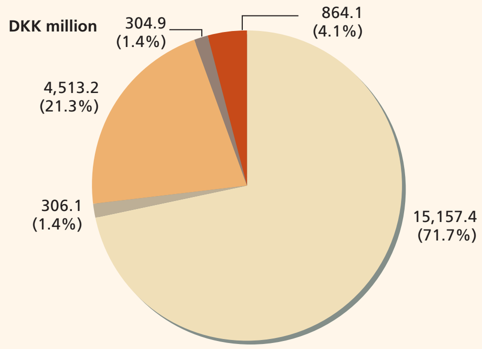
Operating profit/loss for 2002 by activity



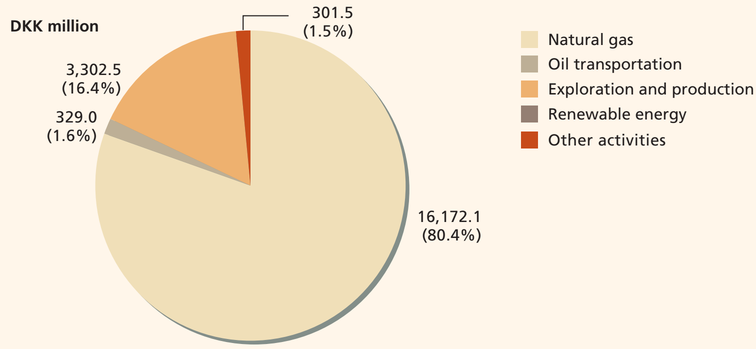
Operating profit/loss for 2001 by activity



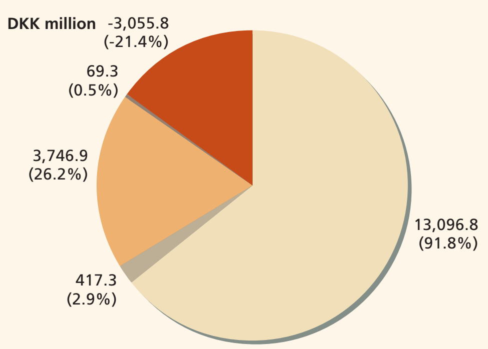
Fixed assets for 2002 by activity



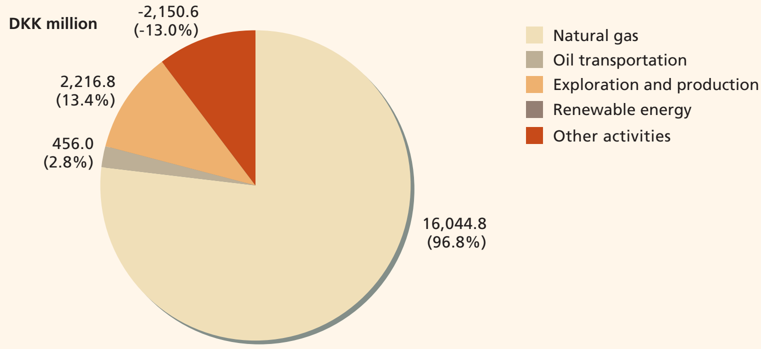
Fixed assets for 2001 by activity



Liabilities for 2002 by activity



Liabilities for 2001 by activity



Preface

In 2002 the DONG Group continued the positive process of change initiated at the time of the decision on liberalisation of the energy markets in the EU. A considerable number of the objectives set up by the Supervisory and Executive Boards at the end of 2001 were already achieved in 2002. Therefore, in December 2002, DONG's Executive Board staked out new objectives for the Group. Based on a desire for constantly increasing value addition in the Group, we plan to develop our business activities at all levels of the value chain within the energy sector. In particular, we will work for greater integration of the electricity and natural gas activities in the Danish energy sector in the coming years. Here, it is DONG's goal to enter into close cooperation with a small number of the approximately 70 Danish electricity companies and thereby ensure that we are among the largest players in the Danish energy market of the future.

It is necessary to consolidate the Danish energy sector for several reasons. First and foremost because the customers in the future energy market prefer suppliers that sell both electricity and gas and that have the necessary strength to develop and introduce new – often financially risky – products and services. Experience from the UK market, where liberalisation began back in the first half of the 1980s, shows that the customers mainly choose energy suppliers that offer a broad range of energy products and services. DONG will strive to be the Danish energy customers' preferred supplier and therefore to offer the products and services that the customers want. In this connection, DONG's immense expertise within all the Group's activity areas will be an extra asset on which the customers can draw.

DONG's Executive Board. From left Carsten Krogsgaard Thomsen, Finance, Peter Skak-Iversen, Shared Services, Povl Asserhøj, Energi-Service, Søren Gath-Hansen, Exploration and Production, Anders Eldrup, President and CEO, Kurt Bligaard Pedersen, Trade and Hans Jørgen Rasmusen, Generation.

1973: Energy crisis. DONG works to secure Denmark's energy supply.

Preface

Consolidation of the energy sector is necessary in order to create Danish energy companies of the size and strength to compete with the large, financially strong foreign energy groups that are on their way into the Danish market. Many of the European energy companies have been preparing for years for competition on the energy market through acquisitions and strategic alliances. A clear picture is emerging of a development in which the fragmented structure of the industry, with many small national and local companies, is fast coming apart. The trend in all the EU countries is towards the establishment of large, well-consolidated energy groups. The trend will not miss out Denmark.

A merger between Danish electricity and gas companies would result in considerable synergies. It is natural and rational to want as many as possible of the synergies from such consolidation to benefit the Danish society.

DONG's acquisition of a 64 per cent interest in EnergiGruppen Jylland A/S in January 2003 marked an important step in the Group's efforts to achieve its objectives. EnergiGruppen is a well-run multi-supply company with 40,000 customers. The company, which has its head office in Herning, is involved in both electricity, heat, biogas, incineration and water. It is DONG's ambition for EnergiGruppen to be the centre for the development of the CHP activities in Jutland. Earlier, DONG purchased 13 per cent of the shares in NESA A/S.

Besides focusing intensely on consolidation and integration of electricity and gas, we shall continue to optimise our activities in the other levels of the value chain. This will include further development of the Group's exploration and production activities in the North Sea. In 2002 we considerably expanded our North Sea activities – particularly by acquiring shares in oil and gas fields in Norway and Denmark. Our E&P activities account for a large part of the Group's revenue and profits.

In the coming years we shall also continue expanding our activities within renewable energy – particularly wind energy. DONG is thus making a valuable contribution to the development of sustainable energy production in Denmark by:

- replacing polluting fuels, such as coal, with natural gas
- expanding our wind power activities
- establishing new geothermal heat production
- using biogas and
- promoting new energy technologies through our investment in the venture fund 'New Energy Solutions'.

As hitherto, we shall continue to base all the Group's activities on the objectives: security of supply, protection of the environment and safety considerations, and efficient utilisation of resources.

In 2002 DONG initiated a tightened financial risk policy that is based on more active hedging of the market prices that affect our earnings. The risk management will be expanded still further in 2003.

The aim is partly to enhance the stability of DONG's cash flows and partly to reduce the risk associated with the development and introduction of new price products for the customers.

From 2004 the gas market will be a completely competitive market. We are working intensively on preparing the Group for the new market situation. In connection with the opening of the market we have been required to unbundle the former DONG Naturgas into a number of independent limited companies, and we are establishing contractual trade relations between the different companies in the Group. This requires extensive development of our IT support systems. In preparation for the liberalised gas market DONG has made IT investments running into hundreds of millions of kroner and has at the same time adapted the organisation and staff.

A good starting point

DONG is well equipped for the coming challenges:

- DONG is among the energy companies with the lowest gas prices in the EU
- DONG has one of the best transportation regimes in the EU
- DONG is highly placed in customer satisfaction surveys
- DONG is working energetically to open the gas markets
- DONG has solid equity as a basis for consolidation in the energy sector
- DONG has great expertise within all forms of energy thanks to a highly competent workforce
- DONG makes an important contribution in several areas towards meeting Denmark's obligations under the Kyoto Protocol
- DONG upholds a high standard with respect to health and safety, environment and quality.

We intend to maintain and develop our position in these areas.

The following pages contain a report on DONG's development in 2002 and DONG's objectives and planned initiatives.

Besides complying with the legal requirements for presentation of financial statements, this annual report is also DONG's statutory report to the Danish Parliament (the Folketing) in pursuance of Act No. 254 of 8 June 1983 on Dansk Olie og Naturgas A/S.

Hørsholm, 25 February 2003

Sven Riskær	Anders Eldrup
Chairman of	President
the Supervisory Board	and CEO

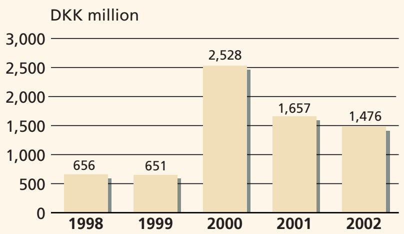
Management's review

Financial performance

In 2002 the Group delivered a profit after tax of DKK 1,476 million compared with DKK 1,657 million in 2001.

Pre-tax profit for 2002 was DKK 2,726 million versus DKK 2,401 million in 2001.

The DONG Group
Profit (after tax) 1998-2002



DONG's taxation charge in 2002 was higher than the amount charged in 2001, partly because, for the first time, part of DONG's earnings came from its oil production in Norway, which has a higher tax level than Denmark.

Natural gas sales were slightly down on 2001, mainly due to a lower natural gas consumption because of the mild winter in 2001-2002 and the loss of customers to competitors.

The pre-tax profit benefited from an increase in oil production in 2002. The oil production in 2002 was 19.3 million barrels of oil equivalents, up from 8.2 million barrels of oil equivalents in 2001.

Revenue in 2002 was DKK 14,725 million against DKK 13,667 million in 2001, reflecting both increased oil production and oil sales and higher oil prices. Most of the growth in oil production and sales occurred in Norway. Due to the Norwegian hydrocarbon tax, the increase in revenue did not result in a corresponding increase in Group profit after tax.

DONG's export sales for 2002 amounted to DKK 6,787 million, corresponding to 46 per cent of total Group revenue (see segment information on page 7).

1973: Energy crisis. This young DONG employee must leave his car behind.

Management's review

Changes in accounting policy

The annual report has been prepared in accordance with the provisions applying to class D enterprises under the Danish Financial Statements Act, and operative Danish accounting standards. As a class D enterprise DONG is subject to the same rules as listed companies.

Changes in accounting policy increased pre-tax profit for the year by DKK 87 million (2001: DKK 102 million), profit after tax by DKK 61 million (2001: DKK 71 million), Group equity at 31 December 2002 by DKK 775 million (2001: DKK 550 million) and total Group assets by DKK 918 million (2001: DKK 169 million).

More details about the changes in accounting policy are given under Financial review and Accounting policies.

Expectations and profit for 2002

The expectations for 2002 were last announced in the interim report for 2002. As expected, the profit was lower than the 2001 figure.

Dividend

The Supervisory Board recommends that a dividend of DKK 440 million be paid for 2002, corresponding to 30 per cent of the profit after tax.

Repayment of debt

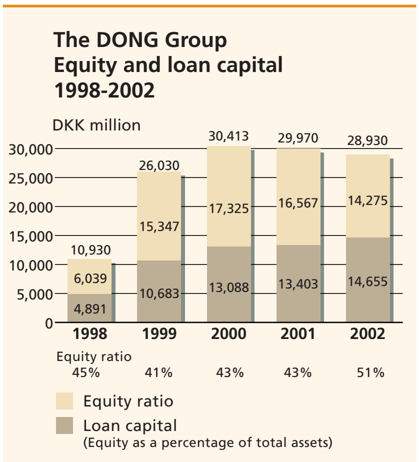
In 2003 DONG will make an extraordinary DKK 400 million repayment on the loan raised with the State in 1999 in connection with DONG's acquisition of Naturgas Syd I/S. The loan will thus have been repaid in full.

Equity

Equity stood at DKK 14,655 million at 31 December 2002. Equity has increased by DKK 1,252 million since the 2001 annual report, corresponding to the profit for the year before dividend less changes during the year, which mainly related to hedging instruments.

In 2002 the Group equity ratio increased from 43 per cent to 51 per cent.

Reference is also made to the Group statement of changes in equity on page 48.



Tax

An income tax charge of DKK 1,250 million was expensed in 2002, comprising current tax of DKK 1,358 million and a DKK 108 million reduction in deferred tax.

Cash flow statement

At the end of 2002 DONG had cash and cash equivalents of DKK 3,655 million, down DKK 1,780 million on 2001. Investments totalling DKK 3,094 million and reduction of debt and payment of dividend totalling DKK 2,280 million absorbed most of the cash outflow. Operating activities generated a cash inflow of DKK 3,594 million in 2002.

Expectations for 2003

The expectations for 2003 are subject to uncertainty. The profit generated by the Group's activities depends to a great extent on the development in the price of oil and the dollar rate. Fluctuations in the price of oil and exchange rates may significantly affect profit. In the case of natural gas, the weather and thus heat consumption also have a major impact on revenue and earnings. The uncertainty associated with the price of oil and the dollar rate has been reduced compared with previous years, as DONG has hedged a substantial part of its exposure via financial contracts.

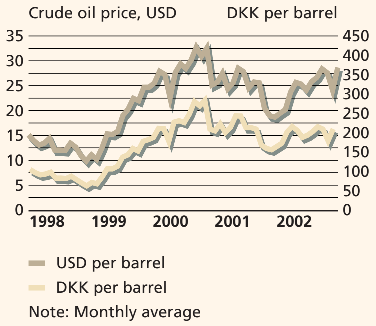
Loss of market shares in connection with the opening of the natural gas market may also affect profit. Moreover, acquisition of new licence and field shares and the consequent increased production of oil and gas may impact on profit, as may new investments in wind energy.

1980: The largest construction project in the history of Denmark commences: the establishment of the Danish natural gas network.

Management's review

The profit after tax for 2003 is expected to be on a par with the 2002 figure.

Crude oil price 1998-2002



Valuation of natural gas installations

As mentioned in Management's review in the 2001 annual report, the Danish Energy Regulatory Authority ruled in March 2002 that DONG Naturgas' transmission tariffs must be lowered. As also stated in the annual report, DONG has lodged an appeal with the Energy Board of Appeal.

The appeal was still pending at the date of presentation of the financial statements for 2002.

DONG Naturgas is to be unbundled at 1 January 2003. The provisions concerning the basis for the future earnings as well as regulatory requirements concerning the opening balance sheets of the unbundled enterprises have yet to be finalised.

The valuation of the individual categories of natural gas installations is still encumbered with considerable uncertainty. The consequences of the outcome of the appeal and the final establishment of the regulation of the unbundled companies will be incorporated in the unbundled enterprises' opening balance sheets at 1 January 2003.

On the basis of the factors known at the present time, it is still estimated that the natural gas installations, taken together, have been reliably valued, and the carrying amounts have consequently been maintained in the annual report for 2002.

Initiatives, challenges and objectives

In DONG's strategy for 2002 the Supervisory Board attached importance to DONG being part of the entire value chain in the energy sector – from exploration and production through to distribution and sales of energy products and services to customers. The growth in 2002 centred on a higher level of activity within production of oil and gas, electricity production and sales within the gas and electricity market. At the same time, the Group intensified its efforts within renewable energy, particularly within wind power. See figure below.

Strategic initiatives in 2002

The following strategic initiatives were implemented during the year under review:

Exploration and production

- Acquisition of Statoil's exploration and production activities in Denmark, including the operatorship on the Siri field
- Decision on development of Stine-1
- Decision on development of the Nini and Cecilie fields, on which DONG is operator
- Finds in two wells in Denmark
- Promising results from two exploration wells in the UK
- Acquisition of additional field shares in the producing fields Gyda and Tambar, Norway
- Award of further exploration licences in Norway.

Transmission, distribution and storage

- Preparation of unbundling of DONG Naturgas A/S and separation of the Group's transportation activities into independent companies at 1 January 2003
- Continued adjustment of terms and conditions for transportation of gas in DONG's transmission system.

Gas trading, marine pipelines and international gas pipelines

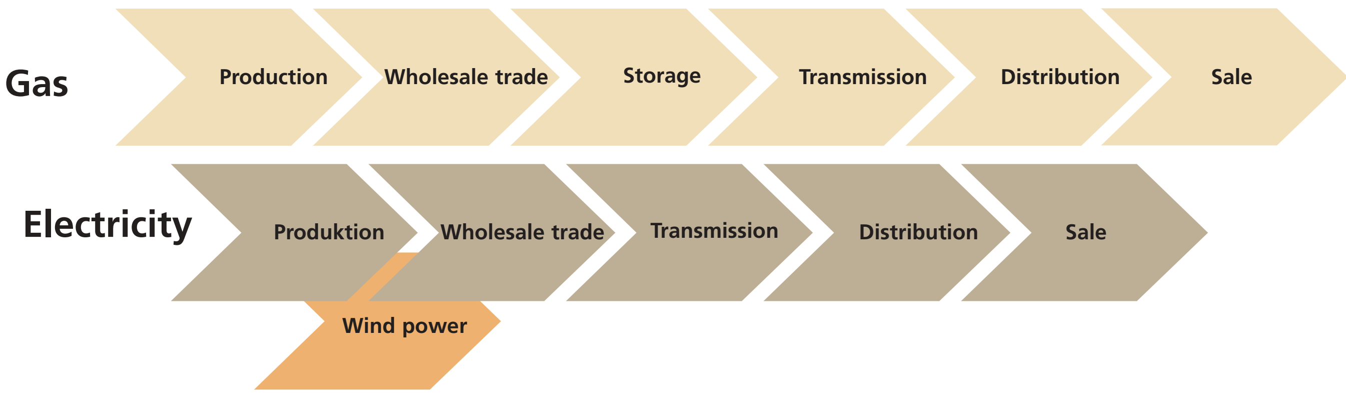
- Gas customers offered fixed-price contracts
- New contract and tariff structure
- Preparations for the establishment of a new gas pipeline between the Tyra field and one of the existing north-south pipelines in the North Sea.

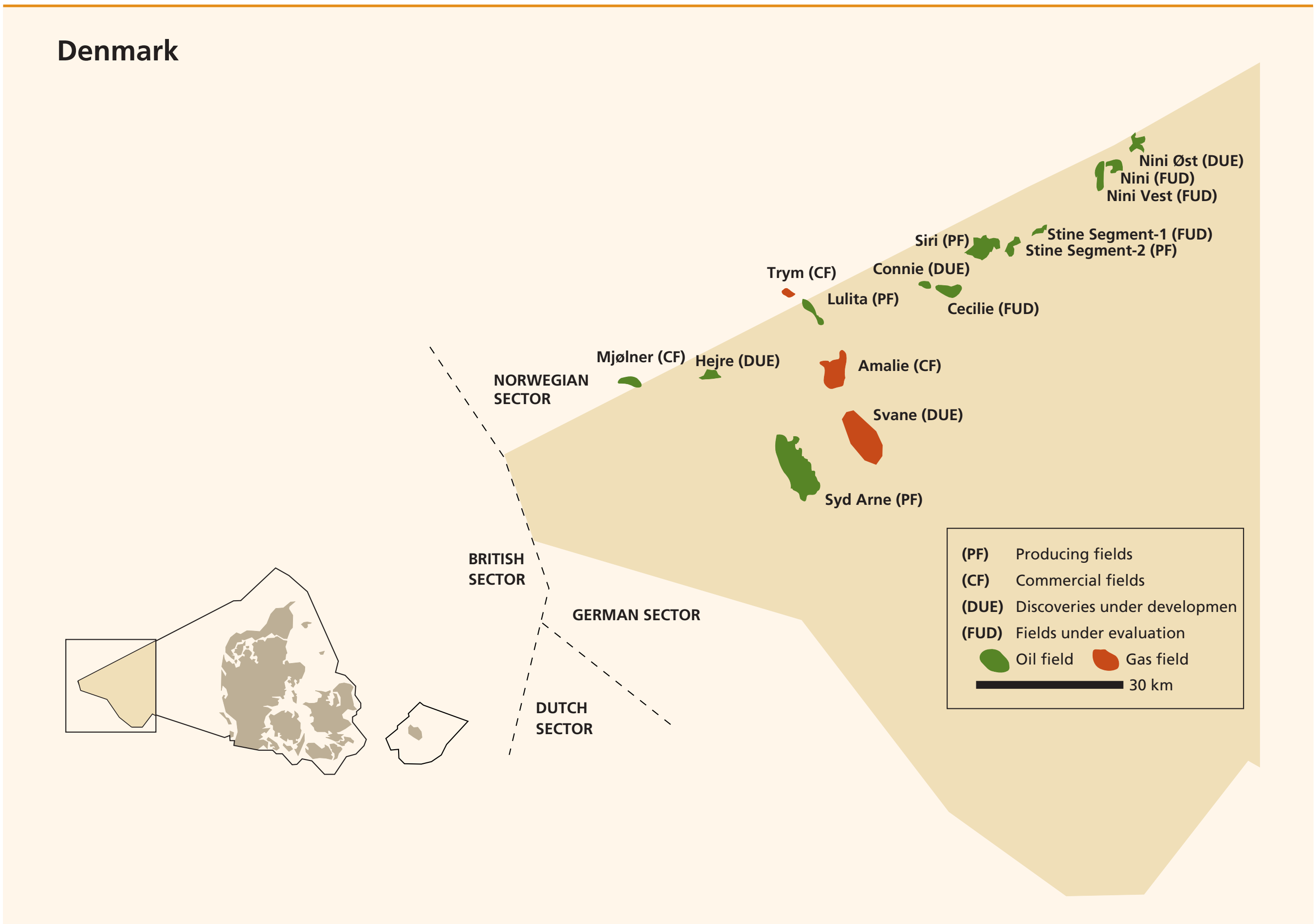
Collaboration with the electricity sector

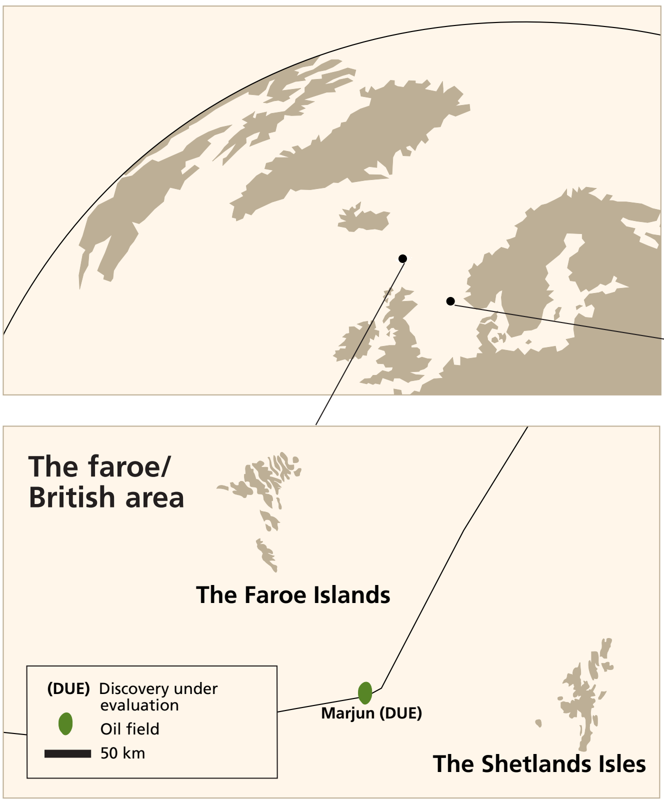
- Acquisition of 13 per cent of the shares in NESA A/S.

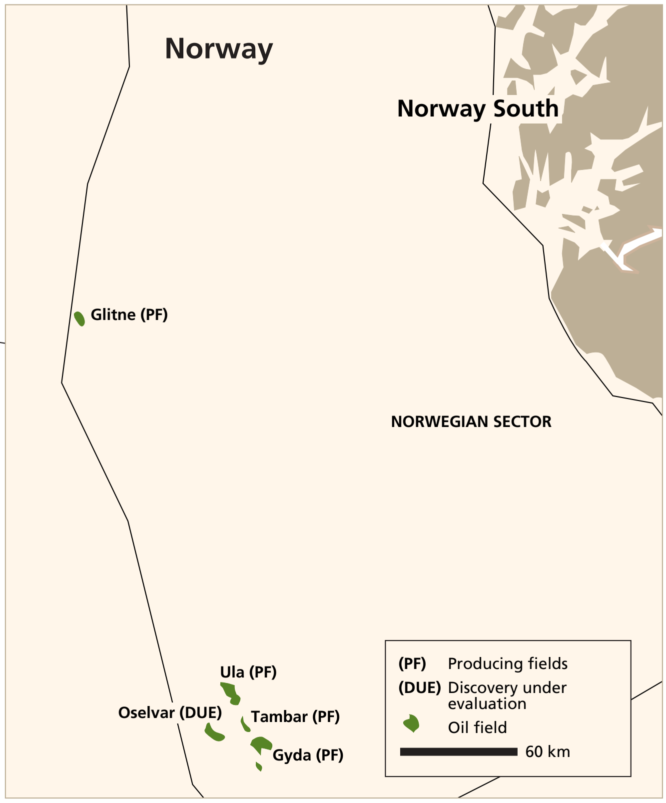
Renewable energy

- Partner in Nysted Offshore Wind Farm (expected production start-up 2003)
- Partner in venture fund for renewable energy and new forms of energy
- Acquisition of eight wind turbines at Overgaard near Mariager Fjord
- Decision – as partner and operator in Hovedstadsområdets Geotermiske Samarbejde (Metropolitan Geothermal Alliance) – to construct geothermal demonstration plant at Margretheholm in Copenhagen.




Denmark
Nini Øst (DUE)
Nini (FUD)
Nini Vest (FUD)
Siri (PF)
Stine Segment-1 (FUD)
Stine Segment-2 (PF)
Trym (CF)
Connie (DUE)
Lulita (PF)
Cecilie (FUD)
Mjølner (CF)
Hejre (DUE)
NORWEGIAN SECTOR
Amalie (CF)
Svane (DUE)
Syd Arne (PF)
BRITISH SECTOR
GERMAN SECTOR
DUTCH SECTOR
(PF) Producing fields
(CF) Commercial fields
(DUE) Discoveries under developmen
(FUD) Fields under evaluation
Oil field
Gas field
30 km


The faroe/ British area
The Faroe Islands
(DUE) Discovery under evaluation
Oil field
50 km
Marjun (DUE)
The Shetlands Isles


Norway
Norway South
Glitne (PF)
NORWEGIAN SECTOR
Ula (PF)
Oselvar (DUE)
Tambar (PF)
Gyda (PF)
(PF) Producing fields
(DUE) Discovery under evaluation
Oil field
60 km

Market opening and the EU Gas Directive

In September 2002 the Danish Government fixed the full opening of the natural gas market in Denmark for 1 January 2004. Until that date 38 per cent of the market - in volume terms - will have a free choice of supplier. This means that up to 60 Danish companies and CHP stations will be comprised by the market opening up to 2004.

In November 2002 the EU adopted a new Gas Directive that brings forward the liberalisation of the European gas market. The directive is a continuation of the earlier Gas Directive, but speeds up the process of liberalisation, giving special priority to market opening, introduction of national, regulatory authorities, and unbundling of the gas sector. However, the EU requirement concerning full market opening will only enter into effect on 1 June 2007, i.e. just over three years later than in Denmark.

Denmark already satisfies the main requirements in the revised Gas Directive and is one of the EU countries that has made the most headway in the process of liberalisation. See figure 1.

Market conditions

In 2002 some of DONG's customers chose to receive their gas from other suppliers. However, a considerable number of the gas trading contracts that were put out to tender in 2002 were won by DONG, reflecting the fact that DONG's pricing and services are competitive in the market.

Overall, DONG achieved direct sales of 3,038 million m³ to end customers in the Danish gas market in 2002. This corresponds to a 73 per cent share of the end-customer market.

The competition for customers in the energy market will intensify in step with the opening of the market. Besides the many existing players in the Danish energy market, a number of the powerful international energy groups are expected to try to enter the Danish market. The players in the fragmented Danish energy sector must therefore anticipate loss of market shares in the years ahead. See figure 2.

Figure 2

Gas prices in the EU Member States

Trend July 2000	Large users: Low	Large users: Med.	Large users: High	Small commercial: Low	Small commercial: Med.	Small commercial: High	Household: Low	Household: Med.	Household: High
Falling	FR	LX, SW, ES,			SW	ES			
Stable		BE			BE, LX, IR	IT	IR, UK, LX	AT, BE	ES, IT
Rising		AT, UK, IT	DE	UK, NL	FR	DE, AT	NL		DE, SW, FR

Source: European Commision, benchmark report 1/10-2002

The Danish gas prices are among the lowest in Europe and are estimated to still be falling.

New gas pipeline

Under the existing gas purchase agreements DONG is bound by so-called take-or-pay terms, which mean that DONG will have to pay the producers for substantial quantities of gas even if it does not take the gas. A natural consequence of the liberalisation is a loss of market shares in the Danish market, and DONG therefore needs to secure connection to a market in which any surplus gas quantities can be sold. DONG is going to establish a marine pipeline from Tyra to one of the north-south pipelines in the North Sea together with Mærsk Olie og Gas, Shell and Texaco.

New products and services

To provide its customers with the best and broadest supply of new products and services DONG introduced a number of new offers at the turn of the year. The offers comprise gas installation service schemes and financing schemes for residential customers. Services offered to industrial customers (customers with a consumption of more than 6,000 m³ per year) include technical advice on energy, fixed-price contracts, flexible contracts and combined oil/gas supplies.

In 2003 DONG will follow this up with a number of additional offers to its customers, including customer portals that enable customers to monitor their consumption and payment data via the Internet.

The coming years are expected to bring a number of new products and services for Danish energy customers. DONG will contribute actively to this development. The launch and development of these new products and services require substantial resources and systems for handling and hedging the risks inherent in the new products.

The competitive situation in the liberalised market – and the product prices - will be affected to a great extent by the individual energy companies' ability to develop new services and offers for the customers.

Figure 1

The elements of the proposal for a new EU directive

Market opening at 1/7 2007	All non-households to be comprised by market opening from 2004	✓	Implemented in Denmark
Legal unbundling of transmission activities	Distribution companies to be unbundled when full market opening is introduced in 2007	✓	Implemented in Denmark
Requirements concerning managerial independence in regulated companies	Unbundled companies must have fully independent management	✓	Implemented by DONG from spring 2003
Regulated access to the gas network	Tariffs to be regulated by national authority	✓	Implemented in Denmark
National regulatory authority	Regulatory authority must be fully independent	✓	Implemented in Denmark

1980 – 1984: 800 kilometres of pipeline are laid for gas transmission through Denmark.

New companies within the natural gas segment

From 1 January 2003 the subsidiary DONG Naturgas A/S will be unbundled, leading to the establishment of six new independent subsidiaries:

- DONG Transmission A/S
- DONG Lager A/S
- DONG Distribution A/S
- DONG Faste Vilkår A/S
- DONG Individuelle Vilkår A/S
- DONG Naturgas A/S

The reason for the unbundling is to comply with the requirements in the Danish Natural Gas Supply Act on unbundling of natural gas companies prior to the liberalisation of the European gas market.

From an accounting and tax point of view, the unbundling of DONG Naturgas A/S and the resulting establishment of the new subsidiaries will take place with retrospective effect from 1 January 2003. Registrations for 2003 have therefore been adjusted to the new corporate structure already from 1 January 2003.

Transportation activities

Within the gas transportation area DONG focused in 2002 on preparing for the full market opening.

The terms of access to the transportation and storage systems have attracted much interest among the public. The terms are laid down in 'Rules for Gas Transportation'. With a view to facilitating access for the gas transportation customers, DONG implemented a number of changes in 2002 in close dialogue with the authorities and others. In November 2002 DONG held its first gas transportation seminar, which was attended by a broad selection of industry players. The impressions from the seminar provide a valuable contribution to the coming year's work on further adjustment of the rules.

In 2003 DONG and the regional companies will fix the terms for transportation and change of supplier for the many small and medium-sized gas consumers that will be given market access from 1 January 2004. The magnitude and nature of the task calls for quick and effective introduction of new routines and IT systems. DONG expects the key questions to be resolved in a constructive dialogue with the energy authorities and the market players.

1980 – 1984: DONG's employees ensured that the construction project was completed on time – and within budget.

Management's review

Again in 2003, the European development in the gas transportation area will receive DONG's attention. The terms of access must be regularly adjusted to the common guidelines agreed between the European regulators, authorities, market players and transportation companies in the so-called Madrid Forum.

In 2002 the Danish Energy Regulatory Authority decided that DONG's transmission tariffs must be lowered by 12 per cent and the charge for the emergency supply obligation by 5 per cent. DONG did not agree with the decision, one of the implications of which is that DONG will receive a considerably lower return on its investments than the return approved by the authorities in other EU countries. The decision erodes the financial incentive to maintain and develop the reliability of supply in Denmark. DONG has therefore appealed the decision to the Energy Board of Appeal. The appeal is still pending.

Organisation

In 2002 two new subsidiaries were formed, DONG VE A/S and DONG (UK) Ltd.

DONG VE A/S comprises DONG's activities within renewable energy, new forms of energy and new energy technologies.

DONG (UK) Ltd. comprises DONG's exploration activities in the UK.

Investments

To ensure sustained growth and earnings for DONG, the high investment level must continue in the years ahead. Besides the investments referred to in the following, DONG is constantly on the lookout for acquisition candidates that will contribute to the Group's future development through the entire value chain in the energy sector.

International natural gas installations

As already mentioned, DONG is going to establish a gas pipeline to one of the north-south pipelines in the North Sea in cooperation with Mærsk Olie og Gas, Shell and Texaco. The establishment of the pipeline is expected to commence in 2003.

Danish natural gas installations

The large national capital investments in the gas network have already been made. In the years ahead the natural gas network will be developed in step with the influx of new customers only, and investments in expansion are therefore expected to be limited.

In order to maintain the high safety level and the high security of supply, investments will have to be made in the storage facilities and the transmission and distribution network in the coming years. The investments will include replacement of obsolete components.

The liberalisation of the gas market calls for complete separation (arm's length), commercially and with respect to certain information, between DONG's trading activities (Shipping) and its transportation activities (Transmission and Distribution). The separation will be ensured through an investment in IT systems running into hundreds of millions of kroner.

Exploration and production

DONG's exploration and production of oil and gas primarily take place in the Danish and Norwegian sectors of the North Sea. DONG also has shares in licences in the UK and Faroese sectors of the North Sea. In Greenland, DONG is participating in exploration via its 50 per cent interest in Nunaoil. The other 50 per cent is held by the Greenland Home Rule.

The strategy to increase DONG's production and reserves implies investments in fields that are already in production, fields under development, and exploration. DONG expects to participate in seven exploration wells in 2003.

DONG constantly looks into possibilities for acquisition of licence shares that will contribute to the Group's future production and exploration while at the same time satisfying the Group's requirements concerning rate of return and the objective concerning strengthening of the security of supply in Denmark.

Oil transportation

Following expansion of the system in 2001 and 2002 DONG is not planning any further investments in expansion for the time being.

Renewable energy

DONG's objective concerning an intensified effort within renewable energy, especially wind power, requires it to invest in new wind turbine projects in the coming years.

In the geothermal energy area, the results of appraisal wells in Copenhagen (the HGS collaboration) were positive. An additional well will have to be drilled and an experimental plant established. From 2004, 7,000 district heat users are expected to be able to receive their district heat from the Copenhagen underground.

DONG is also lead investor in the venture fund P/S New Energy Solution, with an investment in 2002 and 2003 totalling DKK 85 million.

Electricity sector

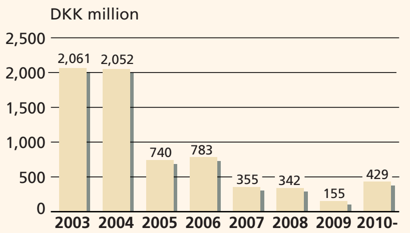
To fulfil its strategy to become one of the leading integrated energy companies in Denmark, DONG will work towards increased integration of electricity and gas through investments and strategic partnerships.

Finance

The Group's total net interest-bearing debt stood at DKK 6,919 million at the end of 2002. Most of the debt relates to the natural gas system, including liabilities of DKK 3,496 million in respect of the acquisition of Naturgas Syd in 1999 and Naturgas Sjælland in 2000.

At the end of 2002 the average remaining term for the interest-bearing debt was 2.6 years, an increase of 0.9 years compared with 2001. This is mainly due to the raising of new loans with a longer term. In 2002 the DONG Group reduced its total liabilities by DKK 1,800 million, making repayments to the tune of DKK 3,391 million and raising new loans of DKK 1,591 million.

Repayment profile for the Group's loans at 31.12.2002



The Group's total liabilities are expected to increase in the coming years in step with the expected realisation of DONG's strategy of expansion of existing business areas and establishment of new ones.

It is planned that most of the new financing will be raised by the parent company and then distributed to the individual business areas in the form of intra-Group loans and equity, except in the case of the refinancing of the regulated activities that are expected to be taken care of by DONG Distribution, DONG Lager and DONG Transmission after the unbundling of DONG Naturgas.

In connection with DONG's takeover of Naturgas Syd I/S in 1999, the Danish State provided DONG with a capital injection of DKK 1.4 billion in the form of subordinated loan capital to ensure that DONG had the necessary capital resources. As a result of its improved financial standing, DONG made a DKK 500 million repayment on the loan in 2001, and repaid a further DKK 500 million in 2002. DONG has agreed with the State that the remaining DKK 400 million will be repaid in 2003. When the latter payment has been made, DONG will have no outstanding subordinated loan capital.

Liquidity

At year end DONG had net liquid resources of DKK 3,655 million, consisting primarily of fixed-term deposits with banks and liquid Danish listed Government and mortgage bonds. DONG's liquid resources, coupled with a number of committed irrevocable credit facilities, provided it with the necessary financial resources for investments in connection with the implementation of its strategy, primarily for use in making acquisitions.

Financial risks

DONG's operations involve a number of financial risks, and risk management is thus an important management area for DONG. The aim of DONG's risk management is partly to increase the stability of its cash flows, and party to enable it to offer its customers new price products on energy.

In 2002 DONG commenced the implementation of a new risk policy based on more active hedging of the market prices that affect DONG's earnings. Implementation will continue in 2003.

As part of its new risk policy DONG uses financial contracts with a term of up to five years. DONG uses hedging instruments solely with a view to reducing its financial exposure. The main market risks for DONG are the USD rate of exchange and the price of oil. DONG primarily hedges its financial risks using forwards, swaps and purchased put options. To limit the credit risk on such financial instruments, these are mainly made with counterparties with at least an AA rating from Moody's or Standard & Poors.

Oil price risk

DONG's oil price risk relates primarily to the oil produced in DONG E&P and to the difference between buying and selling prices for natural gas in DONG Naturgas. To this should be added new price products on energy offered to the customers.

The exposure is mainly in crude oil, but also in a number of other oil products such as fuel oil and gas oil. Hedging is mainly in crude oil on the basis of conversion of the exposure to crude oil equivalents, but is also done in other underlying types of oil.

DONG's operating profit may fluctuate from year to year as a result of the development of the price of oil, even if this risk is eliminated. The reason for this is the so-called time-lag effect, which means that the financial result may fluctuate regardless of whether DONG has reduced its oil price risk. This is because DONG's purchase and selling prices for natural gas are adjusted at different time intervals, with the selling prices being adjusted monthly while the purchase prices are adjusted with a delay of up to 15 months. The effect of a change in the oil price may therefore be felt in different years for purchase contracts and sales contracts. The risk management uses the time of exposure as its basis and not the time of recognition in the financial statements. The hedging of DONG's oil price risk means, for example, that DONG's profit for 2003 would be reduced by approximately DKK 200 million against approximately DKK 350 million prior to the hedging in case of a 10 per cent price change (based on USD 23/barrel).

From 1984: DONG participates in oil and gas exploration in the North Sea. In 1999 DONG becomes a North Sea producer – and in 2002 the operator on the Siri field.

Currency risk
The main currency risk for DONG is USD. The USD exchange rate risk is mainly attributable to the oil price exposure referred to in the foregoing, as oil is settled in USD. All USD-dependent items are included in the exposure.

DONG primarily hedges currency risks using forwards and currency swaps and by raising loans in USD.

The USD hedging means, for example, that DONG's profit for 2002 would be eroded by approximately DKK 175 million against approximately DKK 300 million prior to the hedging in case of a 10 per cent fall in the USD exchange rate (based on DKK 7.50/USD).

Interest rate risk
In the calculation of its interest rate risk DONG has included its loan portfolio and cash assets, including bonds, and other financial contracts with an interest rate element.

The bond portfolio has primarily been placed with a view to matching the profile of the loan portfolio. DONG's net interest rate exposure was low in 2002. At the end of 2002 the net interest rate risk was calculated as an approximately DKK 110 million change in the market value of DONG's loan portfolio in case of a one percentage point interest rate increase. DONG expects to switch part of its loan portfolio from variable-rate to fixed-rate loans in 2003 with a view to increasing the stability of its cash flows.

DONG's core competencies

DONG's core competencies, which are crucial to the company's earnings and position in the market, are outlined on the basis of the business areas' needs within E&P, trade, renewable energy, transmission, storage facilities and distribution and oil transportation.

Exploration and Production

DONG's E&P strategy focuses on exploration, development and production in the North Sea and the Atlantic Margin. DONG today possesses a host of E&P-specific competencies that enable it to cover its business areas' activities and operate them effectively, safely and with due consideration for the environment.

Crucial to E&P's commercial activity is the ability to regularly optimise the portfolio of exploration and production activities to achieve a long-term balance between reserves and profitable production. The activities are planned so as to achieve a fast, efficient decision-making process, which is vital to enable the company to operate its activities profitably and at a competitive level. The key competencies within Exploration and Production are

- Safety and environment
- Exploration and reservoir technology
- Technical competence within drilling
- Production and sale of oil and gas
- Exploitation of marginal fields
- Flexible organisational structure and short chains of command.

Trade

Within trade in energy DONG today boasts the necessary competencies to make it an integrated energy company. In 2002 DONG concentrated on preparing billing systems for the liberalisation of the gas market in 2004. The main competencies within Trade focus on offering the customers the following services

- Integrated services, including
  - sale of natural gas and ancillary products
  - advice on energy
  - energy finance
  - operatorship at the customers
- Knowledge of the entire energy value chain
- Security of supply, here understood to mean as a critical factor in a supply interruption scenario.

Renewable Energy

Renewable energy (VE) is expected to become a more important and, with time, significant contributor to the company's earnings, especially within wind energy. VE's core competencies therefore centre on wind power in the form of

- Planning, construction and operation of offshore facilities and transmission pipelines
- Fast access to new knowledge on the basis of location in Denmark, which is a global leader within development of wind power
- Knowledge of the entire energy value chain.

DONG also has extensive competencies within the establishment of geothermal plants.

Transmission, storage facilities and distribution

The future earnings potential within transmission, storage facilities and distribution will to a great extent depend on the framework and terms established politically. In the short term, DONG's main competencies centre on

- Establishment of well-functioning terms for use of the infrastructure systems and for handling the full market opening at 1 January 2004
- Handling, administration and operating control of the systems for transmission, storage and distribution of gas.

Oil transportation in pipelines

The future earnings potential within oil transportation in the oil pipeline depends primarily on the framework and terms laid down politically. Earnings are also based on the value of the oil transported through the pipeline, and earnings therefore depend on the value of the oil associated with the oil transportation system.

DONG's core competencies within oil transportation centre on

- Handling, administration and operating control of the oil pipeline system.

2001: DONG gets seriously involved in renewable energy and new forms of energy.

2002: Wind turbines at Overgaard. Here DONG owns eight turbines.
DONG is also co-owner of Nysted Offshore Wind Farm, which is expected to be inaugurated in 2003.

Environment and safety

The establishment of DONG Norge at the end of 2001, coupled with the acquisition of additional ownership shares in producing oil fields and the takeover of the operatorship on the Siri field, led to an increase in DONG's combined impact on the external environment in 2002 compared with 2001.

DONG's total energy consumption in 2002 was 875 GWh, up from 565 GWh in 2001. However, the total environmental and safety impact in 2002 remained at the 2001 level, both per produced unit and per transported unit.

DONG's contribution to the greenhouse effect was 237,000 tons CO_2 in 2002 against 154,000 tons in 2001. Emissions from Fredericia crude oil terminal constituted the single largest contributor to the greenhouse effect.

There were no serious occupational accidents among DONG's employees in 2002. The accident frequency in 2002 was 3 accidents per million working hours, down from 5 in 2001. None of the accidents was directly related to accidents at oil or gas installations.

Measures to reduce environmental impact

Emission of greenhouse gases converted to CO_2 emission may have serious financial consequences for the DONG Group when CO_2 emission quota trade is introduced. According to the Kyoto Protocol, Denmark must reduce its CO_2 emission by 21 per cent in the period 2008 to 2012 compared with its emission in 1990. DONG wants to do its part in achieving this goal by seeking to increase society's use of natural gas as a substitute for less eco-friendly fuels such as coal.

DONG endeavours to reduce greenhouse gas emissions from the Group's activities in many ways. Emission from Fredericia crude oil terminal represents 27 per cent of the DONG Group's total contribution to the greenhouse effect. In spring 2003 DONG will consider measures for reducing its emission of greenhouse gases still further.

The process of pumping crude oil into tankers also produces greenhouse gases. In a cooperation project, DONG and other oil

companies are looking at ways of optimising the economy and collection of greenhouse gas emission from tanks.

Based on its experience to date, DONG is also looking into measures that can be introduced on the tankers that transport crude oil from the Siri field.

Greenhouse gas emission from platforms can be limited by reinjecting surplus gas instead of flaring it. On the Siri field, surplus gas is as far as possible reinjected. Flaring and thus emission of greenhouse gases from the field are therefore minimised as much as technically feasible.

Partly with a view to reducing discharge of oil in produced water into the marine environment, produced water is reinjected as far as technically feasible. In order to optimise this process, it has been necessary to improve the pumps, leading to increased operating costs.

To reduce discharge of chemicals into the marine environment, DONG reuses part of the water-based drilling mud instead of discharging it. DONG has decided to increase reuse of drilling mud. An analysis of the costs involved in achieving this goal will be carried out in 2003.

A reduction of the customers' energy consumption will effectively help to reduce the environmental impact. The DONG Group therefore offers its customers advice on energy savings.

DONG prepares an annual HSE report of the Group's activities as well as four statutory reports for four of the Group's installations. In these, the environmental impacts from the DONG Group's activities are described and calculated in detail.

All HSE reports are available from DONG and can also be viewed on DONG's website: www.dong.dk/uk.

IT systems

The liberalisation process within the natural gas market calls for major adjustments within IT. For this reason and because of the ongoing development of DONG's activities, extensive changes are being made to the Group's IT systems, including those used by DONG E&P, which greatly expanded its activities in 2002.

In 1999 DONG introduced the integrated IT system SAP as the Group's predominant platform for financial management and management of the logistics in connection with the expansion and maintenance of the natural gas and oil transportation systems. The system has ensured improved efficiency of DONG's administrative procedures and constitutes an important part of the basis for the continued IT development.

Following its acquisition of Naturgas Syd in 1999 and Naturgas Sjælland at the end of 2000, DONG has radically expanded their SAP use, replacing their original, customised IT systems with SAP's standard package for the supply industry. Initially, the project gave rise to a variety of problems – for example late billing of some customer groups. The running-in problems have now been overcome.

In connection with its takeover of the operatorship on the Siri field in 2002 and the general expansion of the Group's activities in the North Sea and surrounding areas, DONG is introducing SAP's standard solution for the offshore industry to achieve efficiency-improvements in the administration of its activities. This project will be followed by sub-projects to support the production from the Nini and Cecilie fields as well as DONG's Norwegian activities.

DONG has been preparing for some time now for the opening of the natural gas market. At the start of 2003 DONG is using temporary systems for handling the ongoing market opening, but expects to run in a permanent IT system for handling customers with remote meter reading (customers with an annual consumption of more than 300,000 m^3) in the summer of 2003. On completion of the modification of DONG's SAP system to enable it to handle the official requirements concerning unbundling into independent companies with "Chinese walls" between them, the modified system was put into operation at the turn of the year. In addition, a project for handling supplier change and market opening for the just under 100,000 natural gas customers with annual meter reading will be implemented in 2003.

Security of supply and emergency preparedness

According to the Gas Act, DONG is responsible, as a transmission company, for the security of supply for all natural gas customers in Denmark. In other EU countries, it is typically the various gas suppliers that each take care of the security of supply.

DONG's two objectives for the security of supply for natural gas are as follows:

1.
DONG's capacity to withdraw natural gas from its natural gas storage facilities must be sufficient to enable it to supply all un-interruptable customers for up to three days with

very low winter temperatures in the event of DONG's supplies from DUC being interrupted. All customers who have not signed a contract with the natural gas companies under which their gas purchases or transportation of gas may be interrupted, are un-interruptable customers. A number of large natural gas customers, typically industrial customers and power stations, buy their natural gas on an interruptible basis. These customers are given a discount in return for being under obligation to temporarily switch to other types of fuel such as oil in the case of interruptions.

2.
Given normal temperature conditions, DONG's storage capacity, combined with quantities from an emergency supply agreement with DUC, must be sufficient all year round to enable it to supply firm service customers for up to 60 days in an emergency situation. That is the expected repair time in the case of interruption of the supplies from the Tyra field to Nybro.

The supply objectives ensure that all customers who have no other heat option than natural gas will receive gas regardless of any technical failures or interruptions. DONG's emergency supply agreement with DUC ensures that the natural gas from DUC can be diverted via the Harald installation to the Syd Arne pipeline in the event of a failure in the pipeline between Tyra and Nybro.

DONG's objectives concerning security of supply in Denmark are registered with the Danish Energy Agency.

Since the first gas supplies in 1984 it has only been necessary to interrupt the supplies to interruptible customers for short periods of time in the cold winter of 1995/96.

The Natural Gas Supply Act stipulates that the costs of maintaining the emergency preparedness must be borne by all gas customers in Denmark.

Human resources

Number of employees

DONG had 900 employees as at 31 December 2002, up from 755 in 2001. The main reasons for the increase were DONG's acquisition of DONG Norge AS and takeover of the operatorship on the Siri field. In addition, more personnel had to be taken on because of the required unbundling of DONG's natural gas activities.

Employee turnover

In 2002 employee turnover was 5.27 per cent, compared with 7.83 per cent in 2001. The relatively low turnover was due to the considerable expansion of DONG's activities and consequent increase in personnel.

Absence due to illness

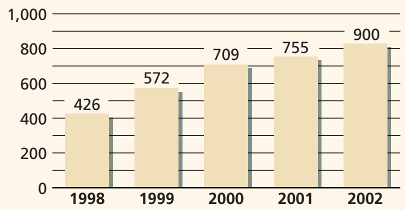
In 2002 absence due to illness in the DONG Group stood at 1.5 per cent. According to statistics for 2001 from the Danish Employers' Confederation, absence due to illness in Denmark as a whole was 4.1 per cent. DONG makes every effort to ensure a working environment that results in the lowest possible absence due to illness.

Job satisfaction

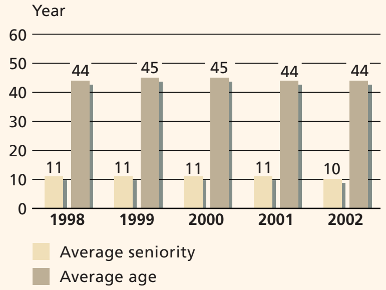
Since 2001 DONG has had an annual job satisfaction survey carried out. The survey is conducted by MarkedsConsult, the marketing consultants behind 'Danish Employee Index', where a company's own results can be benchmarked against those of other companies/sectors. We follow up on the results of the survey throughout the year to ensure improvement in areas in which the survey indicates a need for action.

In 2002, 89.3 per cent of DONG's employees participated in the survey, up from 83 per cent in 2001. Total job satisfaction in 2002 was measured as index 72, while employee loyalty was measured as index 83. The results of the 2001 survey were at the same level, and the 2002 results can be described as good. The overall picture drawn by the survey is one of a company with very satisfied employees who display great loyalty and commitment.

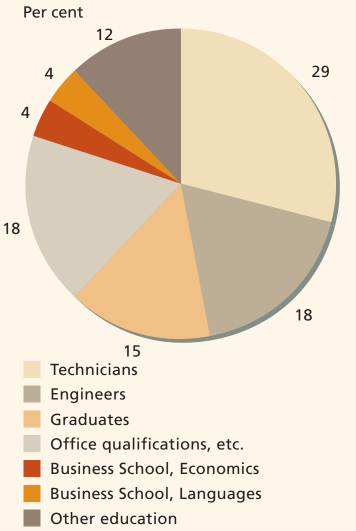
The DONG Group
Number of employees at year end



The DONG Group
Seniority and age at year end
1998-2002



The DONG Group
Educational background
2002



Financial review

Profit and equity

The Group and the parent company showed a profit of DKK 1,476 million for 2002 compared with a profit of DKK 1,657 million in 2001. Group equity increased by DKK 1,252 million from 31 December 2001 to 31 December 2002 (2001: DKK 315 million).

Changes in accounting policy have increased pre-tax profit for the year by DKK 87 million (2001: DKK 102 million), profit after tax by DKK 61 million (2001: DKK 71 million), Group equity at 31 December 2002 by DKK 775 million (2001: DKK 550 million) and total Group assets by DKK 918 million (31 December 2001: DKK 169 million).

The effects on profit and equity of the changes in accounting policy for 2002 and 2001 are shown in the table below:

	Effect 2002		Effect 2001	
DKK million	**Equity**	**Profit**	**Equity**	**Profit**
Profit for the year and equity according to existing accounting policies	13,880	1,415	12,853	1,586
1. Recognition of IT software	136	60	75	47
2. Recognition of indirect production overheads in self-constructed property, plant and equipment	--	--		
3. Measurement of securities and other investments	4	(56)	60	22
4. Measurement of derivative financial instruments and hedging	325	68	(48)	26
5. Provision for abandonment costs	15	15	20	6
6. Tax on change in accounting policy	(145)	(26)	(32)	(30)
7. Dividend	440	-	475	-
Total effect of new accounting policies	775	61	550	71
Profit for the year and equity according to new accounting policies	14,655	1,476	13,403	1,657

Reference is also made to the description of changes under Accounting policies. Besides the changes in accounting policy referred to above, changes have been made in the format and the notes.

Comparative figures have been restated accordingly.

Special factors in the financial statements for the year

Takeover of activities from Statoil Efterforskning og Produktion, Denmark

Through the purchase of Statoil's exploration and production activities in Denmark, DONG acquired further shares in the Siri, Stine and Lulita fields in the summer of 2002. With this purchase, DONG now has a 50 per cent interest in the Siri licence.

Takeover of additional fields in Norway

Through its Norwegian subsidiary DONG Norge AS, DONG acquired licence shares (SDØE) from the Norwegian State in the Tambar, Gyda and PL 019C fields in Norway in 2002.

Shares in NESA A/S

In 2002 DONG acquired 13 per cent of the shares in NESA A/S.

In the financial statements the shares are included in Other investments at the official market price at the balance sheet date.

2002: DONG employees at the wind farm at Overgaard.

Valuation of the natural gas installations

As in previous years, a revaluation was carried out at year end of the carrying amounts of the natural gas transmission system, the natural gas storage facilities, the natural gas distribution system and the marine pipelines. The valuation is based on an estimate of future earnings from treatment, transportation, storage and distribution of natural gas. At the end of 1999 the natural gas system was written up by DKK 7.6 billion.

In 2002 the Danish Energy Regulatory Authority decided that DONG's transmission tariffs must be reduced by 12 per cent, and the charge for the emergency supply obligation by 5 per cent. DONG has appealed the decision. If the authority's decision is upheld, it may imply partial reversal of the write-up of the transmission grid.

Post-balance sheet events

Acquisition of 64 per cent interest in EnergiGruppen Jylland A/S

At the beginning of 2003 DONG has entered into agreement with Herning Municipality to take over a 64 per cent stake in EnergiGruppen Jylland A/S. The takeover has no effect on the profit for 2002.

Unbundling of DONG Naturgas A/S as at 1 January 2003

In order to comply with the requirement in the Natural Gas Supply Act concerning unbundling of natural gas companies before the liberalisation of the European gas market, DONG Naturgas A/S must be unbundled from January 2003. The object of this EU requirement is to create greater financial transparency in the European gas market. In DONG's case, that will be created by unbundling DONG Naturgas A/S into six newly established companies. The unbundling is expected to be completed in the first half of 2003 but with effect from 1 January 2003.

The unbundling is expected to be in the form of a tax-free unbundling. For more details about the valuation of the natural gas installations, see above.

2003: The employee cooking in the kitchen – with a natural gas stove of course!

Statement by the Executive and Supervisory Boards

The Executive and Supervisory Boards have today considered and approved the financial statements and consolidated financial statements for 2002.

The annual report has been prepared in accordance with the Danish Financial Statements Act and operative Danish accounting standards. We consider the accounting policies applied to be appropriate. Accordingly, the annual report gives a true and fair view of the Group's and the parent company's assets and liabilities, financial position and profits and cash flows.

We recommend that the annual report be approved at the Annual General Meeting.

Hørsholm, 25 February 2003

Executive Board:

Anders Eldrup
(President and CEO)

Supervisory Board:

Sven Riskær (Chairmann)	Lars Nørby Johansen (Deputy Chairman)	Flemming Lindeløv
Jørgen Einar Tandrup	Svend Sigaard	Jacob Heinsen
Thorkild Meiner-Jensen*	Erik B. Laursen*	Bent Stubkjær Pedersen*

* Elected by the employees

Management statement and Independent auditors’ report

Independent auditors' report

To the shareholders of DONG A/S

We have audited the annual report of DONG A/S for the financial year 1 January - 31 December 2002.

The annual report is the responsibility of the company’s Executive and Supervisory Boards. Our responsibility is to express an opinion on the annual report based on our audit.

Basis of opinion

We conducted our audit in accordance with Danish auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance that the annual report is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the annual report. An audit also includes assessing the accounting policies used and significant estimates made by the Executive and Supervisory Boards, as well as evaluating the overall annual report presentation. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not resulted in any qualification.

Opinion

In our opinion, the annual report gives a true and fair view of the Group’s and the parent company’s assets, liabilities and financial position at 31 December 2002 and of the Group’s and the parent company’s profits and the Group's cash flows for the financial year 1 January - 31 December 2002 in accordance with the Danish Financial Statements Act and Danish accounting standards.

Copenhagen, 25 February 2003

KPMG C.Jespersen

Flemming Brokhattingen   Keld Scharling
State-authorised Public Accountants

PricewaterhouseCoopers

Carsten Gerner   Per Timmermann
State-authorised Public Accountants

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

Changes in accounting policy

The accounting policies have been changed as a consequence of the coming into effect of the Danish Financial Statements Act of 2001 and updated and new accounting standards.

Changes in accounting policy have increased pre-tax profit for the year by DKK 87 million (2001: DKK 102 million), post-tax profit by DKK 61 million (2001: DKK 71 million), Group equity at 31 December 2002 by DKK 775 million (2001: DKK 550 million), and total Group assets by DKK 918 million (2001: DKK 169 million).

Comparative figures for 2001 and financial highlights have been restated to reflect the changes in accounting policy.

Apart from the below changes in accounting policy and classifications the consolidated and parent company financial statements have been prepared in accordance with the same accounting policies as last year.

The Group's accounting policies have been changed as follows:

1) Recognition and measurement of IT software

IT software is recognised as intangible assets and measured at cost less accumulated amortisation and impairment. Cost includes direct and indirect costs associated with acquisition and implementation until the date the asset is available for use. Recognised IT software is amortised on a straight-line basis over the estimated useful lives of the assets, normally estimated to be five years.

Previously, IT software was fully expensed in the year of acquisition.

The change has increased pre-tax profit for the year by DKK 60 million (2001: DKK 47 million), post-tax profit by DKK 42 million (2001: DKK 33 million), equity at 31 December 2002 by DKK 95 million (2001: DKK 53 million), and the balance sheet total by DKK 136 million (2001: DKK 76 million).

2) Recognition of indirect production overheads in self-constructed fixed assets

Indirect production overheads are recognised in the cost of self-constructed fixed assets.

Previously, indirect production overheads were recognised in the income statement as incurred.

Comparative figures and financial highlights for the years 1998-2001 have not been restated as the changes are considered insignificant.

3) Measurement of securities and other investments

Securities and other investments are recognised initially in the balance sheet at cost and are subsequently stated at fair value.

Previously, securities were measured at the lower of cost and market price at year end.

Other investments were previously measured at the lower of cost and conservatively estimated value at year end.

The change has reduced pre-tax profit for year by DKK -56 million (2001: DKK 22 million) and post-tax profit by DKK -40 million (2001: DKK 15 million), and increased equity at 31 December 2002 by DKK 2 million (2001: DKK 41 million), and the balance sheet total by DKK 3 million (2001: DKK 59 million).

4) Hedging and measurement of derivative financial instruments

Derivative financial instruments are recognised initially in the balance sheet at cost and are subsequently stated at fair value.

Changes in the fair value of derivative financial instruments and foreign exchange adjustment of loans designated as and qualifying for recognition as hedges of future assets or liabilities are recognised directly in equity. Adjustments relating to the individual hedging instruments are transferred from equity on realisation of the hedged item and recognised in the same item as the hedged item.

Previously, changes in the fair value of derivative financial instruments and foreign exchange adjustment of loans designated as and qualifying for recognition as hedges of future assets or liabilities were not recognised in the income statement until the hedged item was recognised.

The change has increased pre-tax profit for the year by DKK 68 million (2001: DKK 27 million), post-tax profit by DKK 47 million (2001: DKK 19 million), equity at 31 December 2002 by DKK 228 million (2001: DKK -33 million), and the balance sheet total by DKK 552 million (2001: reduction by DKK -38 million).

5) Provision for abandonment costs

Expected abandonment costs are recognised as provisions and measured at the present value of the future liability expected at the balance sheet date in respect of restoration and abandonment of the company's fields or parts thereof.

The equivalent value of the provision made is recognised under property, plant and equipment and depreciated according to the unit-of-production method.

Previously, abandonment provisions were charged against profit in the year in which the provision was made.

The change has increased pre-tax profit for the year by DKK 15 million (2001: DKK 6 million), post-tax profit by DKK 10 million (2001: DKK 4 million), equity at 31 December 2002 by DKK 10 million (2001: DKK 14 million), and the balance sheet total by DKK 227 million (2001: DKK 72 million).

6) Deferred tax

Deferred tax is recognised under deferred tax liabilities or tax assets in the balance sheet for the companies comprised by the joint taxation. Previously, deferred tax was transferred to the parent company via the joint taxation contribution, and provision for deferred tax was made in the parent company's balance sheet. Joint taxation contribution now comprises payable tax only.

The change has not had any effect on equity or pre-tax or post-tax profit.

7) Dividends

Proposed dividends are recognised as a separate item under equity until they have been adopted at the Annual General Meeting (declaration date). Once adopted, they are recognised as a liability.

Previously, proposed dividends that had not yet been adopted at the Annual General Meeting were recognised as short-term liabilities other than provisions.

The change has increased equity at 31 December 2002 by DKK 440 million (2001: DKK 475 million) and reduced short-term liabilities other than provisions by the same amount. The change has not had any effect on either pre-tax profit, post-tax profit or the balance sheet total.

Changed presentation and classification of items

Besides the changes in accounting policy, the presentation and classification of the following items in the income statement and balance sheet have been changed:

- Share of profits/losses of associates
- Tax on share of profits/losses of associates
- Operation and maintenance of technical installations
- Exploration
- Technical installations

The share of the profits/losses of associates is recognised under interest income or expense and similar items. Previously, the share of the profits/losses of associates was recognised under operating profit.

Tax on the share of the profits/losses of associates is recognised under tax on the profit for the year. Previously, the tax on the share of the profits/losses of associates was recognised under share of profits/losses of associates.

Operation and maintenance of technical installations and exploration are recognised together with production costs under gross profit. Previously, operation and maintenance of technical installations and exploration were recognised under operating costs.

Realised gains and losses on refinancing of loans and unrealised foreign exchange adjustments on loans raised by DONG Olierør A/S are recognised as other receivables or other payables. Previously, these items were recognised as technical installations in the value of the oil pipeline system.

Comparative figures for 2001 and financial highlights have been restated to reflect the changed classification of items.

Recognition and measurement in general

Assets are recognised in the balance sheet when it is probable that future economic benefits will flow to the Group and when the cost of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when it is probable that an outflow of economic benefits will be required from the Group in future and when the liability can be measured reliably.

Assets and liabilities are recognised initially at cost and are subsequently stated as described for each item in the following.

Some financial assets and liabilities are measured at amortised cost implying the recognition of a constant effective interest rate to maturity. Amortised cost is calculated as original cost less any principal repayments and plus or minus the cumulative amortisation of any difference between cost and nominal amount. This way gains and losses are spread over the terms of the assets and liabilities.

On recognition and measurement, account is taken of gains, losses and risks arising prior to the date of presentation of the annual report that evidence or do not support conditions existing at the balance sheet date.

Income is recognised in the income statement as earned. Costs incurred to generate the earnings for the year, including depreciation, amortisation, impairment and provisions, are recognised in the income statement. Value adjustments of financial assets and liabilities measured at fair value or amortised cost are also recognised in the income statement, apart from value adjustments of derivative financial instruments and foreign exchange adjustments of loans raised to hedge future assets or liabilities, which are taken directly to equity.

Reversals as a result of changed accounting estimates of amounts previously recognised in the income statement are also recognised in the income statement.

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 per cent of the voting rights or which it controls in some other way. Enterprises in which the Group holds between 20 per cent and 50 per cent of the voting rights and has significant influence, but not control, are accounted for as associates, cf. Group structure.

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. The investments are subsequently eliminated against the proportionate share of the subsidiaries' net asset values.

Enterprises acquired or formed during the year are recognised in the consolidated financial statements from the date of acquisition or formation. Enterprises disposed of during the year are recognised in the consolidated income statement until the date of disposal. Comparative figures are not restated to account for acquisitions or disposals.

On acquisition of enterprises the purchase acquisition method is applied whereby the identifiable assets and liabilities of the acquired enterprises are restated at fair value at the date of acquisition. Provision is made for any costs related to restructuring adopted 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 enterprises, 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 enterprises may be adjusted until the end of the year following their acquisition.

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.

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 interest income or expense and similar 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 financial statements is recognised in the income statement as interest income or expense and similar items.

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 independent 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 differences arising on translation of the opening equity of foreign subsidiaries at the exchange rates at the balance sheet date 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. Positive and negative fair values of derivative financial instruments are recognised as other receivables and payables, respectively.

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

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 assets or liabilities are recognised directly in equity. For options, 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 when they occur.

Income statement

Revenue

Gross revenue and revenue from sales comprise 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.

Gross revenue is measured inclusive of duty on crude oil transportation but exclusive of other duties and VAT that are dependent on the sales amount and exclusive of sales discounts. Revenue is measured less duty on crude oil transportation.

Production costs, etc.

Production costs comprise costs, including cost of sales, depreciation and amortisation and salaries, related to own production of natural gas and crude oil during the year.

Operation and maintenance of technical installations

Operation and maintenance of technical installations comprise all costs for operation, maintenance and depreciation and impairment of the natural gas system and oil transportation system.

Exploration

Exploration comprises costs for exploration licences and own costs for geological studies, seismic surveys, licence administration and write-off of exploration wells.

Other operating costs

Other operating costs are classified by function as follows:

- sales and marketing
- management and administration

Each function's costs include direct expenses as well as allocated indirect expenses.

Sales and marketing comprise costs for negotiation, conclusion and administration of contracts for the purchase and sale of natural gas and marketing of natural gas.

Management and administration comprise primarily payroll costs for management and administrative staff.

Other operating income and costs

Other operating income and costs 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 taxes and extraordinary items of subsidiaries is recognised as tax on profit/loss from ordinary activities and extraordinary profit/loss after tax, respectively.

The proportionate share of the pre-tax profits/losses of associates is recognised in both the parent company and the consolidated income statement after elimination of the proportionate share of intra-Group profits/losses and goodwill amortisation. The share of the taxes and extraordinary items of associates is recognised as tax on profit/loss from ordinary activities and extraordinary profit/loss after tax, respectively.

Interest income and expense and similar items

Interest income and expense and similar items 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. Interest income and expense are recognised with the amounts that relate to the financial year.

Tax on the profit/loss 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 Danish subsidiaries and some foreign subsidiaries. Subsidiaries with taxable income pay a joint taxation contribution of 30 per cent to the parent company, corresponding 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 interest income and expense and similar items.

DONG Efterforskning og Produktion A/S and DONG Olierør A/S are subject to the Danish Hydrocarbon Tax Act. Hydrocarbon taxes are recognised under tax on the profit/loss for the year.

Assets

Intangible assets

Goodwill

Goodwill is measured at cost less accumulated amortisation and impairment losses, cf. the section Consolidated financial statements.

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 estimated to have a useful life of five years.

The carrying amount of goodwill is reviewed on a regular basis and written down to recoverable amount in the income statement if the carrying amount exceeds the expected future net income from the enterprise or activity to which the goodwill relates.

IT software

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

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 five years.

IT software is written down to recoverable amount if this is lower than the carrying amount. Impairment tests are carried out annually of each individual asset or group of assets.

Amortisation and impairment losses are recognised in the income statement as operation and maintenance of technical installations, exploration or management and administration.

Property, plant and equipment

Property, plant and equipment are measured at cost plus revaluation less accumulated depreciation and impairment.

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.

Interest expense on loans to finance the production of property, plant and equipment that relates to the production period is included in the cost. All other borrowing costs are recognised in the income statement.

The value of the natural gas system and the oil transportation system includes land and buildings, technical installations and plant and machinery. The value of the natural gas system also includes gas used for filling the system.

Oil and gas production assets comprise investments in development and drilling expenses related to producing fields. Other production assets comprise geothermal plant and wind turbines, in particular.

Exploration comprises drilling expenses related to exploration wells. All exploration expenditure determined as unsuccessful is charged against income.

Cost and revaluation are depreciated on a straight-line basis over the estimated useful lives as follows:

Buildings	20 years
Natural gas transmission system	20 years
Natural gas distribution system	20 years
Natural gas storage facilities	20 years
Marine pipelines	20 years
Geothermal plant	20 years
Oil transportation system	15 years
Wind turbines	15 years
Operating equipment	5 years

Oil and gas production assets are depreciated using a unit-of-production method based upon the estimated proved reserves by individual field. Provisions for future abandonment costs are recognised on the basis of specific assessment by individual field. Such provisions are recognised in step with production under property, plant and equipment. To the extent that the carrying amount of a field exceeds the expected recoverable amount, a write-down is made.

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 reserve for revaluation. Deferred tax related to such revaluation is recognised as deferred tax under provisions. Revaluation tests are carried out annually of natural gas pipelines and natural gas storage facilities.

Property, plant and equipment are written down to the recoverable amount if this is lower than the carrying amount. Impairment tests are carried out annually of each individual asset or group of assets.

Depreciation and impairment are recognised in the income statement under operation and maintenance of technical installations, exploration or management and administration.

Fixtures and fittings and tools and equipment costing DKK 100,000 or less are charged against profit at the date of acquisition.

Accounting policies

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 costs.

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 enterprises' net asset values calculated in accordance with the parent company's accounting policies, less goodwill, and minus or plus unrealised intra-Group profits and losses.

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

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

Other investments
Other 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 market value is used, if this is considered reliable; alternatively, the cost is used.

Changes in the fair value of other investments are recognised in the income statement as interest income and expense and similar items.

Inventories
Inventories consist of natural gas and recovered crude oil in storage facilities.

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

In the case of natural gas, cost is calculated as a weighted average of the last three months' buying prices.

In the case of crude oil, cost is calculated as the average of the production costs.

As producing fields have several participants, there may be situations in which a participant has lifted (sold) more or less oil than the participant is entitled to 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, and measured at the selling price achieved per barrel.

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.

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

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, temporary differences are not provided for in respect of goodwill not deductible for tax purposes, or other items - apart from business combinations - where temporary differences have arisen at the date of acquisition without having any effect on either profit/loss 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 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.

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.

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 interest income or expense and similar items.

Equity

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).

Liabilities

Provisions

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 field abandonment, reinstatement of drilling sites, any guarantee commitments, restructuring, etc.

Provisions for abandonment costs are calculated as the present value of the expected future liability in respect of restoration and decommissioning of the company's fields or parts thereof as estimated at the balance sheet date. The provision is discounted to present value. The equivalent of the provision is recognised as property, plant and equipment and depreciated using the unit-of-production method. Changes in provisions resulting from interest rate changes are recognised in the income statement as interest income or expense and similar items.

Financial liabilities
Amounts owed to mortgage credit institutions and banks 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. Such value adjustment is recognised in the income statement.

Other payables
Other payables include certain realised and unrealised gains and losses on loans in DONG Olierør A/S.

In DONG Olierør A/S 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.

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, 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.

Cash flow statement

The cash flow statement shows the Group's cash flows for the year from operating, investing and financing activities, the year's changes in cash and cash equivalents, and the Group's 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 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 enterprises and activities and of intangible assets, property, plant and equipment and investments.

Cash flows relating to acquired enterprises are recognised from the date of acquisition, and cash flows relating to enterprises 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 liquid resources and short-term marketable securities with a term of less than three months that are subject to an insignificant risk of changes in value.

Accounting policies

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 at bank and in hand.

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

Financial ratios

The figures of the financial highlights have been calculated as follows:

Operating margin	$\frac{\text{Operating profit x 100}}{\text{Gross revenue}}$	**Return on assets**	$\frac{\text{Operating profit x 100}}{\text{Average invested capital}}$
Return on equity	$\frac{\text{Profit after tax}}{\text{Average equity}}$	**Earnings per DKK 100 share**	$\frac{\text{Earnings after tax x 100}}{\text{Average share capital}}$
Dividend per DKK 100 share	$\frac{\text{Dividend x 100}}{\text{Share capital, year end}}$	**Payout ratio**	$\frac{\text{Dividend x 100}}{\text{Profit after tax}}$
Equity ratio	$\frac{\text{Equity, year end x 100}}{\text{Total liabilities, year end}}$	**Net asset value per share**	$\frac{\text{Equity, year end x 100}}{\text{Share capital, year end}}$
Gross margin	$\frac{\text{Gross profit x 100}}{\text{Gross revenue}}$	**Current ratio**	$\frac{\text{Current assets x 100}}{\text{Short-term liabilities other than provisions}}$
Cash Flow Per Share (CFPS)	$\frac{\text{Cash flows from operating activities}}{\text{Average number of shares}}$		

Group income statement for the year ended 31 December 2002

DKK million	Note	2002	2001
Gross revenue		**14,724.7**	13,667.3
Duty regarding crude oil transportation		**(1,025.6)**	(944.5)
Revenue	1	**13,699.1**	12,722.8
Production costs		**(8,520.5)**	(7,597.8)
Operation and maintenance of technical installations	2, 3	**(1,617.0)**	(1,575.0)
Exploration	2, 4	**(315.5)**	(151.4)
Gross profit		**3,246.1**	3,398.6
Sales and marketing	2	**(186.9)**	(152.4)
Management and administration	2	**(209.2)**	(128.6)
Other operating income and costs	5	**8.4**	6.2
Profit before goodwill amortisation		**2,858.4**	3,123.8
Goodwill amortisation	6	**(311.8)**	(752.8)
Operating profit		**2,546.6**	2,371.0
Share of pre-tax profits of associates	12	**25.3**	3.8
Interest income and similar items	7	**774.4**	577.6
Interest expense and similar items	8	**(620.0)**	(551.5)
Profit before tax		**2,726.3**	2,400.9
Tax on the profit for the year	9	**(1,250.5)**	(744.2)
Profit for the year		**1,475.8**	1,656.7

Group balance sheet at 31 December 2002

DKK million	Note	2002	2001
Assets			
Goodwill		**241.7**	554.4
IT software		**149.8**	75.6
Intangible assets	10	**391.5**	630.0
Land and buildings		**274.7**	132.4
Technical installations		**19,137.4**	18,627.5
Assets under construction		**363.3**	282.9
Exploration		**230.0**	236.8
Operating equipment		**37.1**	31.3
Property, plant and equipment	11	**20,042.5**	19,310.9
Investments in associates		**182.7**	164.2
Other investments		**529.0**	0.0
Investments	12	**711.7**	164.2
Fixed assets		**21,145.7**	20,105.1
Inventories		**502.4**	642.2
Trade receivables	13	**2,462.8**	2,330.9
Amounts owed by associates		**11.5**	6.2
Income tax	19	**0.0**	304.8
Other receivables		**1,023.0**	1,064.2
Prepayments		**129.5**	82.1
Receivables		**3,626.8**	3,788.2
Securities		**1,311.3**	4,717.1
Cash at bank and in hand		**2,343.6**	717.4
Current assets		**7,784.1**	9,864.9
Assets		**28,929.8**	29,970.0

Group balance sheet at 31 December 2002

DKK million	Note	2002	2001
Equity and liabilities			
Share capital		**2,143.6**	2,143.6
Revaluation reserve		**5,168.0**	5,168.0
Retained earnings		**6,903.7**	5,616.4
Proposed dividends		**440.0**	475.0
Total equity	14	**14,655.3**	13,403.0
Deferred tax	15	**4,092.2**	4,146.9
Pensions	16	**14.7**	16.1
Other provisions	16	**367.5**	126.3
Provisions		**4,474.4**	4,289.3
Subordinated loan from the Danish State	17	**0.0**	400.0
Bond loans		**500.0**	500.0
Mortgage loans		**503.8**	234.2
Bank loans		**3,854.2**	4,508.6
Long-term liabilities other than provisions	18	**4,858.0**	5,642.8
Subordinated loan from the Danish State	17, 18	**400.0**	500.0
Mortgage loans	18	**78.9**	58.9
Bank loans	18	**1,582.4**	2,517.3
Trade payables		**919.3**	1,075.0
Income tax	19	**274.1**	0.0
Other payables		**1,231.9**	2,019.3
Deferred income	20	**455.5**	464.4
Short-term liabilities other than provisions		**4,942.1**	6,634.9
Total liabilities other than provisions		**9,800.1**	12,277.7
Total equity and liabilities		**28,929.8**	29,970.0
Contingent liabilities	21		
Related party transactions	22		
Notes without reference	25, 26		

Group statement of changes in equity for the year ended 31 December 2002

DKK million

	Share capital	Revaluation reserve	Retained earnings	Proposed dividends	Total
Equity at 1 January 2001	2,143.6	5,168.0	4,434.1	-	11,745.7
Changes in accounting policy	-	-	85.0	1,257.0	1,342.0
Restated equity at 1 January 2001	2,143.6	5,168.0	4,519.1	1,257.0	13,087.7
Dividends paid in the parent company	-	-	-	(1,257.0)	(1,257.0)
Profit for the year	-	-	1,656.7	-	1,656.7
Foreign exchange adjustment, foreign enterprises	-	-	(3.4)	-	(3.4)
Reversal of value adjustments of hedging instruments at 1 January	-	-	(59.2)	-	(59.2)
Value adjustments of hedging instruments at 31 December	-	-	(56.5)	-	(56.5)
Tax on equity items			34.7		34.7
Proposed dividend in the parent company	-	-	(475.0)	475.0	0.0
Equity at 1 January 2002	**2,143.6**	**5,168.0**	**5,616.4**	**475.0**	**13,403.0**
Dividend paid in the parent company	-	-	-	(475.0)	(475.0)
Retained earnings	-	-	1,475.8	-	1,475.8
Foreign exchange adjustments, foreign enterprises	-	-	34.1	-	34.1
Reversal of value adjustments of hedging instruments at 1 January	-	-	56.5	-	56.5
Value adjustments of hedging instruments at 31 December	-	-	273.8	-	273.8
Tax on equity items	-	-	(99.0)	-	(99.0)
Reversal of value adjustments of hedging instruments from acquired enterprises at 1 January	-	-	(13.9)	-	(13.9)
Proposed dividend in the parent company	-	-	(440.0)	440.0	0.0
Equity at 31 December 2002	**2,143.6**	**5,168.0**	**6,903.7**	**440.0**	**14,655.3**

Group cash flow statement for the year ended 31 December 2002

DKK million	Note	2002	2001
Revenue and other operating income		**13,708.3**	12,729.0
Operating costs		**(11,217.2)**	(10,460.4)
Depreciation, amortisation and impairment		**2,350.0**	2,153.5
Changes in working capital	23	**(1,020.4)**	45.6
Cash flows from operations (operating activities) before interest income and expense and similar items		**3,820.7**	4,467.7
Interest income and similar items		**1,154.6**	588.3
Interest expense and similar items		**(513.5)**	(542.0)
Cash flows from operations (ordinary activities)		**4,461.8**	4,514.0
Income tax paid		**(867.7)**	(839.9)
Cash flows from operating activities		**3,594.1**	3,674.1
Acquisition of intangible assets		**(66.7)**	0.0
Acquisition of property, plant and equipment		**(2,464.4)**	(1,144.2)
Acquisition of subsidiaries	24	**0.0**	20.4
Acquisition of associates		**(26.3)**	(111.4)
Acquisition of other investments and securities		**(536.3)**	0.0
Cash flows from investing activities		**(3,093.7)**	(1,235.2)
Instalments on subordinated loan		**(500.0)**	(500.0)
Decrease/increase in other loans		**(1,305.0)**	(1,288.9)
Dividends paid		**(475.0)**	(1,257.0)
Cash flows from financing activities		**(2,280.0)**	(3,045.9)
Net cash flows from operating, investing and financing activities		**(1,779.6)**	(607.0)
Cash and cash equivalents at 1 January		**5,434.5**	6,041.5
Cash and cash equivalents at 31 December		**3,654.9**	5,434.5
which can be broken down as follows:			
Cash		**2,343.6**	717.4
Securities		**1,311.3**	4,717.1
		3,654.9	5,434.5

Parent company income statement for the year ended 31 December 2002

DKK million	Note	2002	2001
Revenue		**197.5**	138.8
Share of pre-tax profits of subsidiaries	12	**2,611.4**	2,300.1
Net income		**2,808.9**	2,438.9
Management and administration	2	**(285.3)**	(174.8)
Other operating income and costs	5	**6.0**	0.4
Operating profit		**2,529.6**	2,264.5
Share of pre-tax profits/(losses) of associates	12	**14.7**	(7.9)
Interest income and similar items	7	**304.0**	220.0
Interest expense and similar items	8	**(122.0)**	(75.7)
Pre-tax profit		**2,726.3**	2,400.9
Tax on the profit for the year	9	**(1,250.5)**	(744.2)
Profit for the year		**1,475.8**	1,656.7

Proposal for profit appropriation

The Supervisory Board proposes that the profit for the year, DKK 1,475.8 million, be appropriated as follows:

Dividend	**440.0**	475.0
Transfer to reserve for net revaluation according to the equity method	**1,215.2**	(688.9)
Retained earnings	**(179.4)**	1,870.6
	1,475.8	1,656.7
Dividend per DKK 100 share	**20.52**	22.15

Parent company balance sheet at 31 December 2002

DKK million	Note	2002	2001
Assets			
IT software		**15.0**	1.0
Intangible assets	10	**15.0**	1.0
Buildings on leased land		**152.2**	51.4
Assets under construction		**2.4**	81.3
Operating equipment		**6.7**	5.1
Property, plant and equipment	11	**161.3**	137.8
Investments in subsidiaries		**10,765.0**	10,955.2
Investments in associates		**158.9**	160.6
Other investments		**529.0**	0.0
Subordinated loan to DONG Naturgas A/S		**3,000.0**	400.0
Investments	12	**14,452.9**	11,515.8
Fixed assets		**14,629.2**	11,654.6
Subordinated loan to DONG Naturgas A/S		**0.0**	500.0
Trade receivables	13	**0.5**	1.0
Amounts owed by subsidiaries		**1,756.3**	226.4
Income tax	19	**72.0**	306.2
Other receivables		**330.1**	34.4
Prepayments		**4.0**	0.2
Receivables		**2,162.9**	1,068.2
Securities		**58.6**	1,707.1
Cash at bank and in hand		**12.9**	27.5
Current assets		**2,234.4**	2,802.8
Assets		**16,863.6**	14,457.4

Parent company balance sheet at 31 December 2002

DKK million	Note	2002	2001
Equity and liabilities			
Share capital		**2,143.6**	2,143.6
Net revaluation according to the equity method		**6,943.2**	7,456.5
Retained earnings		**5,128.5**	3,327.9
Proposed dividends		**440.0**	475.0
Total equity	14	**14,655.3**	13,403.0
Deferred tax	15	**78.0**	48.0
Other provisions	16	**0.0**	1.2
Provisions		**78.0**	49.2
Subordinated loan from the Danish State	17	**0.0**	400.0
Mortgage loan	18	**4.1**	8.0
Bank loan	18	**811.5**	0.0
Long-term liabilities other than provisions		**815.6**	408.0
Subordinated loan from the Danish State	17	**400.0**	500.0
Mortgage loan	18	**4.1**	4.1
Bank loan	18	**435.2**	0.0
Trade payables		**45.4**	14.4
Amounts owed to subsidiaries		**0.1**	13.0
Other payables		**429.9**	65.7
Short-term liabilities other than provisions		**1,314.7**	597.2
Total liabilities other than provisions		**2,130.3**	1,005.2
Total equity and liabilities		**16,863.6**	14,457.4
Contingent liabilities	21		
Related party transactions	22		
Notes without reference	25, 26		

Parent company statement of changes in equity for the year ended 31 December 2002

DKK million

	Share capital	Net revaluation according to equity method	Retained earnings	Proposed dividends	Total
Equity at 1 January 2001	2,143.6	7,263.2	2,338.9	-	11,745.7
Changes in accounting policy	0.0	286.6	(201.6)	1,257.0	1,342.0
Restated equity at 1 January 2001	2,143.6	7,549.8	2,137.3	1,257.0	13,087.7
Dividends paid	-	-	-	(1,257.0)	(1,257.0)
Retained earnings	-	1,592.9	63.8	-	1,656.7
Equity items in subsidiaries	-	(1,686.2)	1,563.5	-	(122.7)
Foreign exchange adjustments, foreign enterprises	-	-	(3.4)	-	(3.4)
Other adjustments	-	-	41.7	-	41.7
Proposed dividend	-	-	(475.0)	475.0	0.0
Equity at 1 January 2002	**2,143.6**	**7,456.5**	**3,327.9**	**475.0**	**13,403.0**
Dividend paid	-	-	-	(475.0)	(475.0)
Retained earnings	-	1,414.6	61.2	-	1,475.8
Equity items in subsidiaries	-	(1,927.9)	2,167.5	-	239.6
Foreign exchange adjustments, foreign enterprises	-	-	0.5	-	0.5
Value adjustments of hedging instruments at 31 December	-	-	16.3	-	16.3
Tax on equity items	-	-	(4.9)	-	(4.9)
Proposed dividend	-	-	(440.0)	440.0	0.0
Equity at 31 December 2002	**2,143.6**	**6,943.2**	**5,128.5**	**440.0**	**14,655.3**

Notes to the income statement

DKK million

Note 1. Segment information

The Group's principal business segments comprise natural gas, oil transportation, exploration and production, and renewable energy. Reference is made to Management's review for a description of the Group's business segments.

Activities

2002	Natural gas	Oil transportation	Exploration and production	Renewable energy	Non-allocated	Group total
Revenue	9,620.7	431.9	3,658.0	2.9	(14.4)	13,699.1
Gross profit/(loss)	1,925.8	75.3	1,211.8	(0.5)	33.7	3,246.1
Operating profit/(loss)	1,442.5	58.8	1,132.3	(5.2)	(81.8)	2,546.6
Profit from ordinary activities before tax	1,478.1	53.0	1,066.2	1.9	127.1	2,726.3
Profit for the year	1,017.8	37.1	342.6	1.3	77.0	1,475.8
Fixed assets	15,157.4	306.1	4,513.2	304.9	864.1	21,145.7
Current assets	6,281.7	192.5	1,230.4	95.6	(16.1)	7,784.1
Segment assets	21,439.1	498.6	5,743.6	400.5	884.0	28,929.8
Provisions	3,330.7	0.0	1,078.5	2.7	62.5	4,474.4
Liabilities other than provisions	9,766.1	417.3	2,868.4	66.6	3,118.3	9,800.1
Segment liabilities	13,096.8	417.3	3,746.9	69.3	(3,055.8)	14,274.5
Cash flows from operating activities	5,119.6	88.8	2,377.3	42.4	(4,034.0)	3,594.1
Cash flows from investing activities	(184.7)	(88.2)	(2,004.5)	(233.0)	(583.3)	(3,093.7)
Operating margin	15	4	30	-	-	17
Return on assets	6	11	23	-	-	9
Gross margin	33	26	41	-	-	22
Average number of employees	442	6	222	3	156	829

Geographical - by customer location

2002	Denmark	Germany	Sweden	Norway	UK	Rest of world	Group total
Revenue	6,912.0	2,336.0	1,484.5	709.5	656.3	1,600.8	13,699.1

DKK million

Note 1. Segment information (continued)

Activities

2001	Natural gas	Oil trans-portation	Explora-tion and production	Renew-able energy	Non-allocated	Group total
Revenue	10,953.5	390.5	1,539.2	-	(160.4)	12,722.8
Gross profit	2,649.4	70.8	647.4	-	31.0	3,398.6
Operating profit/(loss)	1,736.6	54.7	621.3	-	(41.6)	2,371.0
Profit from ordinary activities before tax	1,617.8	50.4	621.6	-	111.1	2,400.9
Profit for the year	1,129.2	35.3	421.3	-	70.9	1,656.7
Fixed assets	16,172.1	329.0	3,302.5	-	301.5	20,105.1
Current assets	7,048.7	206.1	601.3	-	2,008.8	9,864.9
Segment assets	23,220.8	535.1	3,903.8	-	2,310.3	29,970.0
Provisions	3,273.0	0.0	1,010.7	-	5.6	4,289.3
Liabilities other than provisions	12,771.8	456.0	1,206.1	-	(2,156.2)	12,277.7
Segment liabilities	16,044.8	456.0	2,216.8	-	(2,150.6)	16,567.0
Cash flows from operating activities	2,471.4	70.2	851.8	-	280.7	3,674.1
Cash flows from investing activities	(159.3)	(89.6)	(724.4)	-	(261.9)	(1,235.2)
Operating margin	16	4	39	-	-	17
Return on assets	7	12	20	-	-	8
Gross margin	36	25	50	-	-	37
Average number of employees	443	6	163	-	118	730

Geographical - by customer location

2002	Denmark	Germany	Sweden	Norway	UK	Rest of world	Group total
Revenue	7,285.6	2,931.8	1,425.6	0.0	420.7	659.1	12,722.8

Notes to the income statement

DKK million	Group 2002	Group 2001	Parent company 2002	Parent company 2001
Note 2. Operating costs				
Operating costs include staff costs and depreciation, amortisation and impairment:				
Staff costs:				
Wages, salaries and remuneration	**(392.8)**	(309.6)	**(93.9)**	(64.3)
Pension contributions	**(38.9)**	(27.1)	**(9.6)**	(6.6)
Other social security costs	**(5.0)**	(1.4)	**(0.5)**	(0.3)
	(436.7)	(338.1)	**(104.0)**	(71.2)
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)**	(1.0)	**(1.4)**	(1.0)
Remuneration to the Executive Board	**(3.5)**	(5.3)	**(2.7)**	(3.7)
Total	**(5.2)**	(6.6)	**(4.4)**	(5.0)

A bonus programme has been established for members of 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 twelve months' salary if his/her contract of employment is terminated by the company.

	Group 2002	Group 2001	Parent company 2002	Parent company 2001
Number of full-time employees in DONG:				
Average for the financial year	**829**	730	**206**	153
At 31 December	**900**	755	**221**	161
Depreciation, amortisation and impairment by function:				
Operation and maintenance of technical installations	**(935.0)**	(937.8)	**(0.0)**	0.0
Exploration	**(0.1)**	(57.0)	**(0.0)**	0.0
Management and administration	**(12.5)**	(13.2)	**(11.4)**	(7.9)
	(947.6)	(1,008.0)	**(11.4)**	(7.9)
Fees paid to auditors appointed at the Annual General Meeting				
KPMG C.Jespersen				
Audit fees	**(2.1)**	(2.1)	**(0.8)**	(1.0)
Non-audit fees	**(4.1)**	(5.0)	**(3.9)**	(1.3)
	(6.2)	(7.1)	**(4.7)**	(2.3)
PricewaterhouseCoopers				
Audit fees	**(1.3)**	(0.9)	**(0.3)**	(0.3)
Non-audit fees	**(1.9)**	(2.8)	**(0.5)**	(0.4)
	(3.2)	(3.7)	**(0.8)**	(0.7)
Total fees	**(9.4)**	(10.8)	**(5.5)**	(3.0)

DKK million	Group 2002	Group 2001	Parent company 2002	Parent company 2001
Note 3. Operation and maintenance of technical installations				
Operation and maintenance of natural gas installations	**(358.3)**	(345.8		
Depreciation, amortisation and impairment of natural gas installations	**(902.4)**	(910.1)		
Natural gas installations, total	**(1,260.7)**	(1,255.9)		
Operation and maintenance of oil transportation system	**(323.7)**	(291.4)		
Depreciation, amortisation and impairment of oil transportation system	**(32.6)**	(27.7)		
Oil transportation system, total	**(356.3)**	(319.1)		
Operation and maintenance of technical installations	**(1,617.0)**	(1,575.0)		
Note 4. Exploration				
Exploration costs	**(315.4)**	(94.4)		
Depreciation, amortisation and impairment of exploration wells	**(0.1)**	(57.0)		
	(315.5)	(151.4)		
Note 5. Other operating income				
Other operating income comprises:				
Value adjustment of geothermal project	**4.6**	0.0	**4.6**	0.0
Other operating income	**3.8**	6.2	**1.4**	0.4
	8.4	6.2	**6.0**	0.4
Note 6. Goodwill amortisation				
Activities from Naturgas Syd I/S	**0.0**	(450.0)		
Activities from Naturgas Sjælland I/S	**(200.0)**	(200.0)		
Takeover of key accounts from HNG/MN	**(95.0)**	(95.0)		
Takeover of Danop's activities	**(7.8)**	(7.8)		
Activities in DONG Norge AS	**(9.0)**	0.0		
	(311.8)	(752.8)		
Note 7. Interest income and similar items				
Interest income	**232.8**	409.2	**88.4**	121.0
Intra-Group interest income	**-**	-	**84.7**	58.8
Realised capital gains on securities	**68.6**	86.9	**36.3**	27.6
Unrealised capital gains on securities	**86.6**	0.0	**1.4**	12.5
Other value adjustments	**116.8**	0.0	**0.0**	0.0
Foreign exchange adjustments	**269.6**	32.5	**93.2**	0.1
Interest income and similar items	**774.4**	577.6	**304.0**	220.0

Notes to the income statement

DKK million	Group 2002	Group 2001	Parent company 2002	Parent company 2001

Note 8. Interest expense and similar items

DKK million	Group 2002	Group 2001	Parent company 2002	Parent company 2001
Interest expense	**(362.5)**	(433.2)	**(47.6)**	(69.0)
Index adjustment of mortgage loans	**(5.3)**	(9.7)	**(0.2)**	(0.5)
Realised capital losses on securities	**(8.0)**	(2.9)	**(4.8)**	(0.6)
Unrealised capital loss on securities	**(3.1)**	(7.4)	**0.0**	(4.4)
Other value adjustments	**(49.2)**	0.0	**0.0**	0.0
Value adjustments of other investments	**(7.3)**	0.0	**(7.3)**	0.0
Foreign exchange losses	**(184.6)**	(98.3)	**(62.1)**	(1.2)
Interest expense and similar items	**(620.0)**	(551.5)	**(122.0)**	(75.7)
The profit for the year includes foreign exchange adjustments of	**152.6**	(65.8)	**31.1**	(1.1)

Note 9. Tax on the profit for the year

DKK million	Group 2002	Group 2001	Parent company 2002	Parent company 2001
Current tax	**(1,350.9)**	(720.0)	**(631.1)**	(717.0)
Deferred tax	**108.2**	(20.5)	**(30.0)**	44.2
Tax in subsidiaries	**-**	-	**(581.6)**	(67.7)
Tax in associates	**(7.8)**	(3.7)	**(7.8)**	(3.7)
Tax on the profit for the year	**(1,250.5)**	(744.2)	**(1,250.5)**	(744.2)
Nominal income tax rate	**30.0**	30.0	**30.0**	30.0
Effect of 'non-deductible items, etc.' in Denmark	**1.5**	1.0	**1.5**	1.0
Effect of 'non-deductible items, etc.', abroad	**5.1**	-	**5.1**	-
Effect of higher foreign tax rate	**9.5**	-	**9.5**	-
Effective tax rate	**46.1**	31.0	**46.1**	31.0

The parent company has repatriated a total joint taxation contribution from subsidiaries of DKK 592.7 million in 2002. Paid income tax for 2001 amounts to DKK 738.6 million.

Tax on equity movements	**(99.0)**	34.7	**(4.9)**	-

DKK million

Note 10. Intangible assets

	Group		Parent company
	Goodwill	**IT software**	**IT software**
Cost at 1 January	2,960.0	0.0	0.0
Changes in accounting policy	0.9	92.5	1.4
Adjusted cost at 1 January	2,960.9	92.5	1.4
Additions	0.0	91.1	14.3
Disposals	(1.8)	0.0	0.0
Cost at 31 December	2,959.1	183.6	15.7
Impairment and amortisation at 1 January	(2,405.6)	0.0	0.0
Changes in accounting policy	0.0	(17.0)	(0.4)
Adjusted impairment and amortisation at 1 January	(2,405.6)	(17.0)	(0.4)
Impairment and amortisation	(311.8)	(16.8)	(0.3)
Impairment and amortisation at 31 December	(2,717.4)	(33.8)	(0.7)
Carrying amount at 31 December	241.7	149.8	15.0
Amortised over	5 years	5 years	5 years

Notes to the balance sheet

DKK million

Note 11. Property, plant and equipment

	Group					
	Land and buildings	**Technical installations**	**Assets under construction**	**Exploration**	**Operating equipment**	**Total**
Cost at 1 January	261.1	23,767.7	282.9	236.8	71.1	24,619.6
Changes in accounting policy	0.0	88.9	0.0	0.0	0.0	88.9
Adjusted cost at 1 January	261.1	23,856.6	282.9	236.8	71.1	24,708.5
Foreign exchange adjustments	0.0	105.7	0.0	0.0	0.0	105.7
Additions	47.5	2,153.9	446.5	116.1	19.1	2,783.1
Disposals	(0.3)	(10.8)	0.0	(106.3)	(9.2)	(126.6)
Transfers	110.1	272.6	(366.1)	(16.6)	0.0	0.0
Cost at 31 December	418.4	26,378.0	363.3	230.0	81.0	27,470.7
Revaluation at 1 January	0.0	7,600.0	0.0	0.0	0.0	7,600.0
Revaluation	0.0	0.0	0.0	0.0	0.0	0.0
Revaluation at 31 December	0.0	7,600.0	0.0	0.0	0.0	7,600.0
Depreciation and impairment at 1 January	(128.7)	(12,797.7)	0.0	0.0	(39.8)	(12,966.2)
Changes in accounting policy	0.0	(34.4)	0.0	0.0	0.0	(34.4)
Adjusted depreciation and impairment at 1 January	(128.7)	(12,832.1)	0.0	0.0	(39.8)	(13,000.6)
Foreign exchange adjustments	0.0	(13.3)	0.0	0.0	0.0	(13.3)
Depreciation and impairment, disposals	0.2	1.1	0.0	0.0	5.8	7.1
Charge for the year	(15.2)	(1,996.3)	0.0	0.0	(9.9)	(2,021.4)
Depreciation and impairment at 31 December	(143.7)	(14,840.6)	0.0	0.0	(43.9)	(15,028.2)
Carrying amount at 31 December	274.7	19,137.4	363.3	230.0	37.1	20,042.5
Carrying amount excl. revaluation	274.7	12,677.4	363.3	230.0	37.1	13,582.5
Value according to public land assessment	475.5					
Recognised interest expense and similar items		1,341.3				

Depreciation for the year is recognised in the income statement under Production costs with DKK 1,087.0 million (2001: DKK 412.5 million) and Operating costs with DKK 934.4 million (2001: DKK 1,001.5 million).

An amount of DKK 12.6 million (2001: DKK 7.1 million) was capitalised in 2002 in respect of work carried out by the Group on its own account.

Depreciation for the year in respect of revaluation amounted to DKK 380.0 million (2001: DKK 380.0 million).

DKK million

Note 11. Property, plant and equipment (continued)

	Group excl. parent company						
	Gas transmission	Gas distribution	Gas storage facilities	Marine pipelines, etc.	Oil transportation	Exploration	Renewable energy
Cost at 1 January	5,722.1	4,069.6	2,892.0	3,638.5	3,753.8	4,314.6	0.0
Changes in accounting policy	0.0	0.0	0.0	0.0	(3.1)	92.0	0.0
Adjusted cost at 1 January	5,722.1	4,069.6	2,892.0	3,638.5	3,750.7	4,406.6	0.0
Foreign exchange adjustments	0.0	0.0	0.0	0.0	0.0	105.7	0.0
Additions	9.8	100.6	2.5	12.9	9.8	2,327.0	214.0
Transfers / reclassifications	(3.3)	(0.2)	(86.0)	89.5	0.0	0.0	71.7
Disposals	(1.2)	(3.9)	(1.0)	(11.3)	0.0	(107.8)	0.0
Cost at 31 December	5,727.4	4,166.1	2,807.5	3,729.6	3,760.5	6,731.5	285.7
Revaluation at 1 January	4,800.0	0.0	1,600.0	1,200.0	0.0	0.0	0.0
Revaluation / reclassifications	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Revaluation at 31 December	4,800.0	0.0	1,600.0	1,200.0	0.0	0.0	0.0
Depreciation and impairment at 1 January	(4,388.2)	(508.6)	(1,445.1)	(1,969.2)	(3,421.8)	(1,142.1)	0.0
Change in accounting policy	0.0	0.0	0.0	0.0	0.0	(34.4)	0.0
Adjusted depreciation and impairment at 1 January	(4,388.2)	(508.6)	(1,445.1)	(1,969.2)	(3,421.8)	(1,176.5)	0.0
Foreign exchange adjustments	0.0	0.0	0.0	0.0	0.0	(13.3)	0.0
Depreciation, disposals	1.0	2.6	0.7	1.3	0.0	0.5	0.0
Charge for the year	(342.7)	(199.2)	(169.2)	(178.3)	(32.6)	(1,100.5)	(1.1)
Transfers / reclassifications	0.0	3.6	4.3	(7.9)	0.0	0.0	0.0
Depreciation and impairment at 31 December	(4,729.9)	(701.6)	(1,609.3)	(2,154.1)	(3,454.4)	(2,289.8)	(1.1)
Carrying amount at 31 December	5,797.5	3,464.5	2,798.2	2,775.5	306.1	4,441.7	284.6
Depreciated over	20 years	20 years	20 years	20 years	15 years	15 years	15-20 years

The carrying amounts of the natural gas transmission system, the natural gas storage facilities and the Tyra-Nybro marine pipeline were reviewed at the end of 1999. Based on a conservative assessment of the expected future earnings from treatment, transportation and storage of natural gas, the measurement of the technical installations has been written up by DKK 7.6 billion in total. Provision for deferred tax on the revaluation amount has been made. The balance has taken to a special revaluation reserve under equity. From 2000, depreciation will be charged over 20 years on the basis of the writtenup values.

The carrying amounts of the natural gas network were reviewed at the end of 2002. External valuers were not used in connection with the valuation.

DKK million

Note 11. Property, plant and equipment (continued)

Parent company

	Buildings	Assets under construction	Operating equipment	Total
Cost at 1 January	133.0	81.3	14.7	229.0
Additions	0.0	102.9	3.7	106.6
Transfers	110.2	(181.8)	0.0	(71.6)
Disposals	0.0	0.0	(1.5)	(1.5)
Cost at 31 December	243.2	2.4	16.9	262.5
Depreciation and impairment at 1 January	(81.6)	0.0	(9.6)	(91.2)
Depreciation, disposals	0.0	0.0	1.1	1.1
Charge for the year	(9.4)	0.0	(1.7)	(11.1)
Depreciation and impairment at 31 December	(91.0)	0.0	(10.2)	(101.2)
Carrying amount at 31 December	152.2	2.4	6.7	161.3
Value according to public land assessment	103.0			

DKK million

Note 12. Investments

	Group		Parent company			
	Investments in associates	Other investments	Investments in subsidiaries	Investments in associates	Other investments	Subordinated loan to DONG Naturgas
Cost at 1 January	364.7	0.0	3,495.7	360.4	0.0	400.0
Additions	26.3	536.3	330.0	5.0	536.3	3,000.0
Disposals	0.0	0.0	0.0	0.0	0.0	(400.0)
Cost at 31 December	391.0	536.3	3,825.7	365.4	536.3	3,000.0
Value adjustments at 1 January	(200.5)	0.0	6,637.6	(199.8)	0.0	0.0
Transfer of deferred tax	0.0	0.0	(1,396.8)	0.0	0.0	-
Changes in accounting policy	0.0	0.0	2,218.7	0.0	0.0	-
Share of profits for the year	14.6	0.0	1,407.7	7.0	0.0	-
Adjustments of derivative financial instruments	0.0	0.0	205.9	0.0	0.0	0.0
Foreign exchange adjustments, etc.	1.4	0.0	33.7	1.4	0.0	-
Other value adjustments	0.0	(7.3)	0.0	0.0	(7.3)	-
Dividends received	(23.8)	0.0	(2,167.5)	(15.1)	0.0	-
Value adjustments at 31 December	(208.3)	(7.3)	6,939.3	(206.5)	(7.3)	0.0
Carrying amount at 31 December	182.7	529.0	10,765.0	158.9	529.0	3,000.0
Remaining goodwill included in the carrying amount	40.5			40.5		
Proposed dividend			439.0			

Share of profits/(losses) of associates and investments in associates

	Reg. office	Ownership	Share of pre-tax profit/(loss) 2002	2001	Investment 2002	2001
Nova Naturgas AB	Stockholm, Sweden	21 per cent	**17.0**	12.4	**139.9**	155.8
Nunaoil A/S	Nuuk, Greenland	50 per cent	**9.3**	(2.6)	**19.0**	4.7
Goodwill amortisation			**(11.6)**	(17.7)		
Parent company, total			**14.7**	(7.9)	**158.9**	160.6
Dansk Gasteknisk Center A/S	Birkerød	47 per cent	**(0.1)**	0.1	**3.4**	3.4
Deudan GmbH	Kiel, Germany	49 per cent	**0.0**	0.0	**0.1**	0.1
Deudan GmbH & Co. KG	Kiel, Germany	49 per cent	**11.7**	11.6	**0.1**	0.1
P/S BI New Energy	Copenhagen, Denmark	27 per cent	**(1.0)**	-	**20.2**	-
Group, total			**25.3**	3.8	**182.7**	164.2

DONG acquired shares in NESA A/S in 2002. DONG has a 13 per cent interest, which is recognised under Other investments.

Notes to the balance sheet

DKK million

Note 12. Investments (continued)

Profits of subsidiaries and investments in subsidiaries:

	Reg. office	Share capital	Ownership	Profit	Equity
DONG Naturgas A/S	Birkerød, Denmark	1,794	100 per cent	1,017.8	8,342.3
DONG Efterforskning og Produktion A/S	Birkerød, Denmark	300	100 per cent	342.6	1,996.7
DONG Olierør A/S	Birkerød, Denmark	1	100 per cent	37.1	81.2
DONG VE A/S	Birkerød, Denmark	330	100 per cent	1.3	331.3
DONG Olieforsyning A/S	Birkerød, Denmark	1	100 per cent	0.1	1.7
DONG Litauen A/S	Birkerød, Denmark	7	100 per cent	0.1	2.9
DANGAS GmbH	Kiel, Germany	EUR 26,000	100 per cent	8.7	8.9
Post-tax profits and equity of subsidiaries				1,407.7	10,765.0
Tax on profit for the year				1,203.7	
Pre-tax profits of subsidiaries				2,611.4	

Note 13. Trade receivables

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

Most receivables are denominated in DKK. The currency risk is therefore insignificant.

DKK million	Group 2002	Group 2001	Parent company 2002	Parent company 2001

Note 14. Equity

	Group 2002	Group 2001	Parent company 2002	Parent company 2001
Share capital				
At beginning and 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

Ownership: The entire share capital is held by the Danish State.

Foreign exchange adjustment concerning foreign subsidiaries:

	Group 2002	Group 2001	Parent company 2002	Parent company 2001
Accumulated foreign exchange adjustment at 31 December	**34.1**	(3.4)	**0.5**	(3.4)

Note 15. Deferred tax

	Group 2002	Group 2001	Parent company 2002	Parent company 2001
Deferred tax at 1 January	**4,114.7**	3,500.2	**1,438.2**	1,334.2
Change in accounting policy	**32.2**	1.7	**(1,390.2)**	(1,356.0)
Adjusted deferred tax at 1 January	**4,146.9**	3,501.9	**48.0**	(21.8)
Deferred tax for the year	**(108.2)**	20.5	**30.0**	(44.2)
Addition on acquisition of subsidiary	**-**	624.5	**-**	-
Foreign exchange adjustment	**53.5**	-	**-**	-
Transfer from subsidiary	**-**	-	**-**	114.0
Deferred tax at 31 December	**4,092.2**	4,146.9	**78.0**	48.0
Deferred tax relates to:				
Intangible assets	**(317.8)**	(332.9)	**4.5**	1.2
Property, plant and equipment	**4,533.8**	4,611.2	**20.9**	11.9
Current assets	**2.6**	(16.1)	**-**	-
Deferred income, etc.	**(196.4)**	(125.8)	**-**	(0.4)
Liabilities other than provisions	**27.1**	(14.5)	**9.7**	10.3
Retaxation concerning joint taxation	**42.9**	25.0	**42.9**	25.0
	4,092.2	4,146.9	**78.0**	48.0

DKK million

Note 16. Pensions and other provisions

	Group		Parent company
	Pensions	**Other provisions**	**Other provisions**
Provisions at 1 January	16.1	126.3	1.2
Utilised during the year	-	-	0.0
Reversal	-	-	(1.2)
Provision for the year, including change in present values as a result of the lapse of time, etc.	(1.4)	241.2	0.0
Provisions at 31 December	14.7	367.5	0.0

The provisions are expected to be payable in:

	Pensions	Other provisions
0-1 year	0.9	-
1-5 years	3.6	-
>5 years	10.2	367.5
	14.7	367.5

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.

	Group		Parent company	
Other provisions	**2002**	**2001**	**2002**	**2001**
Abandonment costs	**361.6**	120.7	**0.0**	0.0
Reinstatement of drilling sites	**3.7**	5.6	**0.0**	1.2
Other provisions	**2.2**	0.0	**0.0**	0.0
	367.5	126.3	**0.0**	1.2

Abandonment costs comprise expected future costs for restoration and decommissioning of the Group's fields, etc., or parts thereof. The provision has been discounted to present value. The provision is recognised under property, plant and equipment and depreciated using the unit-of-production method.

Reinstatement of drilling sites comprises expected future costs for restoration and decommissioning of the Group's gas storage facility drilling sites.

Note 17. Subordinated loan from the Danish State

The loan of originally DKK 1.4 billion was made by the Danish State to Dansk Olie og Naturgas A/S and carries annual interest of 4.3 per cent for the period 1 July 1999 – 30 April 2008. The loan was originally uncallable and instalment-free until 2006, but extraordinary repayments totalling DKK 1.0 billion were made in 2001 and 2002. The remaining DKK 0.4 billion will be repaid in 2003 by agreement.

DKK million

Note 18. Short-term and long-term loans

The Group's short-term loans are made up of instalments on long-term loans that fall due for payment within one year from the end of the financial year.

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

	Fixed/ floating	Short-term loans 2002	Short-term loans 2001	Long-term loans 2002	Long-term loans 2001	Total 2002	Pct.	Total 2001	Pct.
DKK	Fixed	**542.3**	1,577.2	**2,657.2**	2,579.5	**3,199.5**	**46**	4,156.7	48
	Floating	**300.0**	148.6	**200.1**	426.3	**500.1**	**7**	574.9	7
EUR	Fixed	**-**	7.6	**-**	42.7	**-**	**-**	50.3	1
	Floating	**319.5**	87.6	**191.1**	468.7	**510.6**	**7**	556.3	6
CHF	Fixed	**5.1**	109.5	**-**	5.0	**5.1**	**-**	114.5	1
	Floating	**-**	-	**-**	0.0	**-**	**-**	0.0	-
USD	Fixed	**79.5**	62.5	**95.6**	113.6	**175.1**	**3**	176.1	2
	Floating	**814.9**	1,083.2	**1,593.8**	1,878.8	**2,408.7**	**35**	2,962.0	34
GBP	Fixed	**-**	-	**-**	-	**-**	**-**	-	-
	Floating	**-**	-	**0.8**	-	**0.8**	**-**	-	-
JPY	Fixed	**-**	-	**-**	0.0	**-**	**-**	0.0	-
	Floating	**-**	-	**119.4**	128.2	**119.4**	**2**	128.2	1
		2,061.3	3,076.2	**4,858.0**	5,642.8	**6,919.3**	**100**	8,719.0	100
Weighted average							**2.5**		5.5

Mortgage loans totalling DKK 582.7 million are secured on plant with a carrying amount of DKK 819.2 million at year end.

Of the total loans of DKK 6,919.3 million, amounts owed to Gældsafviklingsselskabet Naturgasselskabet i Sydjyske Region I/S and Gældsafviklingsselskabet Naturgas Sjælland I/S represent DKK 3,495.9 million.

Note 19. Income tax receivable

	Group 2002	Group 2001	Parent company 2002	Parent company 2001
Income tax receivable at 1 January	**304.8**	178.7	**306.2**	180.3
Payments in respect of prior years	**(282.1)**	(177.6)	**(283.4)**	(179.2)
Tax for the year	**(1,350.9)**	(720.0)	**(631.1)**	(717.0)
Paid tax for the year	**1,153.1**	1,023.7	**779.3**	1,022.1
Tax for the year on movements in equity	**(99.0)**	0.0	**(4.9)**	0.0
Tax for the year on movements in sub-sidiaries' equity	**-**	-	**(94.1)**	0.0
Income tax receivable at 31 December	**(274.1)**	304.8	**72.0**	306.2

Note 20. Deferred income

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

Note 21. Contingent liabilities

At year end the Group and the parent company had the following contingent liabilities:

Guarantee obligations

DONG Naturgas A/S was established on 1 October 1984. In that connection the parent company assigned contracts to DONG Naturgas A/S. The parent company stands as guarantor for fulfilment by DONG Naturgas A/S of its obligations and liabilities under the assigned gas purchase contracts with Dansk Undergrunds Consortium, gas sales and transportation contracts with Nova Naturgas (formerly Vattenfall Naturgas) and the gas sales contract with Ruhrgas and BEB.

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

As a condition for approval of participation in hydrocarbon exploration and production in the Norwegian sector of the Continental Shelf, the parent company has furnished an undertaking to act as guarantor with primary liability, as required by the Norwegian authorities as a rule. The guarantee covers obligations and liability incurred or assumed by DONG Norge AS in connection with the exploration and production activities.

Likewise, DONG has furnished the guarantee to the Faroese oil authorities for DONG Færoyar P/F, which is co-owner of a licence in the Faroese sector.

Liability to pay compensation (strict liability)

According to the legislation, DONG Naturgas A/S, DONG Olierør A/S, DONG Efterforskning og Produktion A/S and DONG Grønland A/S are liable to pay compensation for damage caused by the companies' 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.

Licences

DONG Efterforskning og Produktion A/S participates in 46 licenses for exploration for oil and natural gas. Continued participation in these licences commits the companies to invest substantial amounts in the future.

Litigation

An action brought by Danoil Exploration A/S against the Danish Energy Regulatory Authority and DONG Efterforskning og Produktion A/S before the High Court of Eastern Denmark concerning the size of the company's share in the Syd Arne field is still pending. The management is of the opinion that the case will not affect the financial statements for 2002.

Contingent liabilities

Under an agreement concluded between DONG and the regional companies HNG/Midt-Nord, the two regional companies will continue as ‘no-profit-no-loss’ companies. Under the agreement, DONG and HNG/Midt-Nord must fix tariffs for transportation in the distribution network. The transportation income forms the basis for HNG/Midt-Nord's repayment of debt, and DONG guarantees a minimum transportation income. HNG/Midt-Nord take only a small risk if the prices HNG/Midt-Nord's end-users are charged are reduced as a result of market pressure or possibly orders from the regulatory authorities.

The agreement is expected to be renewed in spring 2003.

Note 22. Related party transactions

Related parties that have control over the Group and the parent company comprise the Danish State 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 business arrangement with related parties in the year under review:

Licences from the Danish State

DONG Naturgas A/S operates its current business activities under the new Natural Gas Supply Act, which entered into force on 1 July 2000. Licences must be issued pursuant to the act. DONG Naturgas A/S has not yet been granted any licences. Until DONG Naturgas A/S has been granted licences, it is entitled to carry on the same activities as it was carrying on at the time of the entry into force of the Natural Gas Supply Act. This follows from section 59 of the act and from a specific undertaking from the Danish Energy Regulatory Authority. It is expected that DONG Naturgas A/S will be granted licences for the transmission, distribution and storage activities performed by the company today as well as licences to supply the company's various customer groups.

Guarantees from the Danish State
On 31 December 2000 Naturgas Sjælland I/S, DONG Naturgas A/S, Dansk Olie og Naturgas A/S and the Danish State signed an agreement on the transfer of Naturgas Sjælland I/S' assets and liabilities to DONG Naturgas A/S at 31 December 2000. The values were fixed on the basis of financial calculations of the future earnings potential. All loans remained with Naturgas Sjælland I/S, which changed its name to Gældsafviklingsselskabet Naturgas Sjælland I/S. Interest and instalments are paid by DONG Naturgas A/S to Gældsafviklingsselskabet under an instrument of debt. The State has granted an unconditional and irrevocable guarantee to Gældsafviklingsselskabet (debt repayment partnership) in respect of all the latter's payment obligations. The State has recourse against DONG Naturgas A/S in respect of any amounts paid by the State under the guarantee.

In connection with the establishment of the natural gas transmission system (DONG Naturgas A/S) and the oil transportation system (DONG Olierør A/S), the State provided a guarantee to the lenders. At the end of 2002 two loans totalling DKK 515 million were outstanding. Commission amounting to 0.15 per cent of the amount outstanding is paid.

Loan from the Danish State
In 1999 DONG Naturgas took over Naturgas Syd I/S' assets and liabilities. The purchase price was DKK 5.3 billion. The acquisition was partially funded by the Danish State, which contributed subordinated loan capital of DKK 1.4 billion. The loan carries interest of 4.3 per cent p.a. and is repayable in three equal instalments on 30 April 2006, 2007 and 2008. The parties have agreed that an extraordinary DKK 500 million repayment will be made in each of the years 2001 and 2002. The balance of the loan, DKK 0.4 billion, will be repaid in 2003.

Revenue to the parent company
Dividend to the parent company DONG pays an annual dividend of 30 per cent of the profit for the year after tax to the Danish State.

Other transactions
Subject to the constraints following from the capacity of the pipeline, DONG Olierør A/S is under obligation to transport all crude oil and condensate recovered from the Danish sector of the North Sea Continental Shelf through its pipeline. The authorities may grant DONG Olierør A/S 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 A/S has signed an agreement with the Danish Ministry of Economic and Business Affairs under which DONG Olierør A/S pays a duty to the State amounting to 95 per cent of the value of the transported oil after deduction of transportation costs.

DONG Efterforskning og Produktion A/S has participated as a partner in all exploration licences granted in Denmark since 1984. From and including the 4th licensing round in 1995, the company has participated in all licences with a paying share of 20 per cent at the date of award.

DONG has an interest in two licences for exploration and recovery of geothermal energy. One of the licences, in which DONG is the sole licensee, comprises two-thirds of Denmark's territory with the exception of the Metropolitan region. Half of the area is to be relinquished in 2003, and the remainder in 2013. The other licence, in which DONG has a 28 per cent interest, comprises the Metropolitan area. The licence was granted on 19 February 2001, initially for 15 years.

The Group's trade with its 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 2.

Notes to the cash flow statement

DKK million	2002	2001

Note 23. Changes in working capital

	2002	2001
Change in inventories	**139.8**	56.7
Change in receivables	**(245.8)**	256.3
Change in trade and other payables	**(914.4)**	(267.4)
	(1,020.4)	45.6

Note 24. Acquisition of subsidiaries

	2002	2001
Group goodwill	**0.0**	46.1
Property, plant and equipment	**0.0**	1,154.1
Receivables	**0.0**	77.2
Cash	**0.0**	20.4
Provisions	**0.0**	(645.3)
Long-term liabilities other than provisions	**0.0**	(142.9)
Short-term liabilities other than provisions	**0.0**	(117.5)
Cost	**0.0**	392.1
Of which cash	**0.0**	20.4

DKK million

Note 25. Currency risks, interest-rate risks and oil and gas price risks

As part of its financial management, DONG hedges currency risks, interest-rate risks and oil and gas 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) primarily and derivative financial instruments such as forwards, swaps and options, are used as hedges.

Currency risk

Recognised assets and liabilities (hedging of fair values)

Currency	Payment/ Maturity	Receivables	Payables	Hedged using forwards and currency swaps	Net position
EUR	< 1 year	257.8	(816.1)	141.5	(416.8)
	> 1 year	-	(191.1)	(44.7)	(235.8)
USD	< 1 year	397.0	(469.6)	662.4	589.8
	> 1 year	-	(1,689.4)	473.0	(1,216.4)
GBP	< 1 year	173.2	118.8	-	292.0
	> 1 year	-	-	-	-
SEK	< 1 year	64.0	(0.4)	-	63.6
	> 1 year	-	-	-	-
NOK	< 1 year	232.8	42.4	-	275.2
	> 1 year	-	-	-	-
CHF	< 1 year	0.8	(5.1)	11.9	7.6
	> 1 year	-	-	(119.8)	(119.8)
JPY	< 1 year	(0.2)	-	-	(0.2)
	> 1 year	-	(119.4)	119.4	-
Others	< 1 year	0.2	-	-	0.2
	> 1 year	-	-	-	-
		1,125.6	(3,129.9)	1,243.7	(760.6)

At 31 December 2002 unrealised value adjustments on derivative financial instruments for currency hedging of recognised assets and liabilities totalled DKK 63.4 million (31 December 2001: minus DKK 7.9 million), which has been recognised in the income statement.

Notes without reference

DKK million

Future transactions (hedging of cash flows)

DONG uses forward contracts, currency options and loans denominated in foreign currencies to hedge expected future currency risks related to purchases and sales. 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 value		Fair value		Of which recognised in equity	
	Term	**2002**	**2001**	**2002**	**2001**	**2002**	**2001**
Forward contracts	1-2 years	**2,676.6**	812.5	**204.0**	(1.3)	**204.0**	(1.3)
Currency swaps		**2,907.9**	-	**104.9**	-	**104.9**	-
Currency options		**-**	-	**-**	-	**-**	-
Derivative financial instruments, total		**5,584.5**	812.5	**308.9**	(1.3)	**308.9**	(1.3)
Loans in foreign currency		**705.3**	-	**48.1**	-	**48.1**	-
Financial instruments, Total		**6,289.8**	812.5	**357.0**	(1.3)	**357.0**	(1.3)

Interest-rate risk

Interest-rate risk is 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.

	Review/maturity				
Category	**0-1 year**	**1-5 years**	**> 5 years**	**Of which fixed interest**	**Effective interest rate %**
Trade receivables	2,463.8	0.0	0.0	0.0	
Other receivables	911.0	68.8	43.2	35.0	0-9
Convertible securities	0.0	2.2	914.0	916.2	4-8
Other securities	50.9	230.8	113.4	395.1	4-8
Mortgages and bank loans	(2,061.3)	(3,930.2)	(927.8)	(3,379.7)	2-9
Other payables	(2,880.8)	0.0	0.0	0.0	
	(1,517.4)	(3,628.4)	142.8	(2,033.4)	

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 2002 totalled DKK 62.1 million (31 December 2001: DKK 16.6 million), which has been recognised in the income statement.

For loans the interest basis of which has been swapped from a floating rate to a fixed rate (hedging of cash flows), the value adjustment at 31 December 2002 recognised directly in equity totalled DKK 105.8 million (31 December 2001: DKK -73.0 million).

DKK million

Oil and gas price risks

DONG uses 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 wich recog-nised in equity	
	Term	2002	2001	2002	2001	2002	2001
Oil swaps	1-2 year	**2,402.2**	177.2	**(32.0)**	13.3	**(32.0)**	13.3
Oil options	1-5 year	**2,699.2**	126.4	**132.5**	4.5	**(4.1)**	4.5
		5,101.4	303.6	**100.5**	17.8	**(36.1)**	17.8

Note 26. Credit risk

Credit risk is the risk that a financial loss will be realised in the event of a party to an agreement being unable to fulfil its obligations under the agreement.

The Group's credit risk comprises primarily trade receivables from the sale of oil and natural gas. Credit assessments of customers and other business partners are regularly carried out to 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 Group'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 creditworthiness.

Financial highlights, DONG Naturgas A/S

DKK million	1998	1999	2000	2001	2002
Income statement					
Revenue	5,677	5,805	9,491	10,953	**9,621**
Depreciation and impairment of property, plant and equipment	(525)	(716)	(820)	(909)	**(903)**
Profit before goodwill amortisation	1,207	1,897	3,579	2,481	**1,737**
Operating profit (EBIT)	1,207	997	2,834	1,736	**1,442**
Interest income and expense and similar items, net	(111)	(199)	(273)	(119)	**36**
Profit before tax	1,096	798	2,561	1,617	**1,478**
Tax	(378)	(257)	(680)	(488)	**(460)**
Profit after tax	718	541	1,881	1,129	**1,018**
Balance sheet					
Fixed assets	6,312	16,897	17,614	16,172	**15,157**
Current assets	1,615	4,777	8,318	7,049	**6,282**
Share capital	1,794	1,794	1,794	1,794	**1,794**
Equity	2,393	7,754	8,123	7,176	**8,342**
Long-term liabilities including provisions	2,776	11,135	10,979	8,292	**9,929**
Short-term liabilities other than provisions	2,758	2,785	6,830	7,752	**3,168**
Balance sheet total	7,927	21,674	25,932	23,221	**21,475**
Cash flows					
Operating activities	2,276	2,531	3,104	2,471	**5,120**
Investments in fixed assets	(1,432)	(511)	(155)	(159)	**(185)**
Investing activities	(1,432)	(511)	130	(159)	**(185)**
Financing activities	(1,395)	(442)	(923)	(3,258)	**(5,166)**
Net cash flows from operating, investing and financing activities	(551)	1,578	2,311	(946)	**(231)**
Cash and cash equivalents at 31 December	452	2,030	4,341	3,395	**3,202**
Financial ratios					
Gross margin	39	52	52	36	**33**
Operating margin	21	17	30	16	**15**
Return on assets	15	7	12	7	**6**
Return on equity	32	11	24	15	**13**
Equity ratio	30	36	31	31	**39**
Current ratio	59	172	122	91	**198**
Number of employees	200	343	426	443	**442**
Share ratios					
Cash flow per share (CFPS)	1.27	1.41	1.73	1.38	**2.85**
Earnings per DKK 100 share	40	30	105	63	**57**
Payout ratio	35	29	71	177	**29**
Dividend per DKK 100 share	14	9	75	111	**17**
Net asset value per share	133	432	453	400	**465**
Natural gas sales (million m^3)					
Domestic	3,971	4,136	4,066	4,235	**4,160**
Exports	2,663	2,714	3,044	3,228	**3,245**
Total natural gas sales	6,634	6,850	7,110	7,463	**7,405**

The financial highlights for 1998-2001 have been restated to comply with the accounting policies applied in 2002. The ratios have been calculated in accordance with the Danish Society of Financial Analysts' guidelines on the calculation of ratios (‘Finansanalytikerforeningens Anbefalinger og Nøgletal 1997’). Reference is made to the definitions and terminology under Accounting policies.

DONG Naturgas A/S

Until 31 December 2002 DONG's natural gas activities will be taken care of by the subsidiary DONG Naturgas A/S. On 1 January 2003 DONG Naturgas A/S will be unbundled and its activities split into six new independent companies (see page 20).

Today, DONG buys most of its natural gas from the partners in DUC (Mærsk Olie og Gas, Shell and Texaco). DONG also buys natural gas from the Syd Arne and Lulita fields, which are co-owned by DONG.

In the Danish market, DONG sells natural gas directly to large-scale CHP plants and to major industrial customers and small-scale CHP plants across Denmark. All natural gas customers in the southern region of Jutland and outside the Greater Copenhagen area in Zealand are supplied directly by DONG. Moreover, DONG sells natural gas to the three regional distribution companies owned by the municipalities in the Greater Copenhagen area, on Funen and in central and northern Jutland. Lastly, DONG sells to customers in the City of Copenhagen and Frederiksberg Municipality.

In the export markets, DONG sells natural gas to Ruhrgas and BEB in Germany and to Nova Naturgas in Sweden.

Natural gas activities

Financial performance

The natural gas activities generated revenue of DKK 9,621 million compared with DKK 10,953 million in 2001.

Profit after tax was DKK 1,018 million versus DKK 1,129 million in 2001. A joint taxation contribution to the parent company of DKK 460 million was expensed in 2002 compared with a contribution of DKK 488 million in 2001.

The Supervisory Board recommends that a dividend of DKK 300 million be paid to the parent company as part of the financing of the new strategy of increased activities within the E&P area and possible investments in the electricity sector and wind turbines. The equity of DONG Naturgas accordingly stood at DKK 8,342 million at year end compared with DKK 7,176 million at year end 2001.

The carrying amount of the installations owned by DONG Naturgas was DKK 14,836 million at the end of 2002.

Sales performance

In 2002 DONG's total sales of natural gas amounted to 7,405 million m^3. Sales in the Danish market accounted for 4,160 million m^3 of this figure, while the remainder was exported to Germany and Sweden.

Agreement with HNG/Midt-Nord (regional distribution companies)

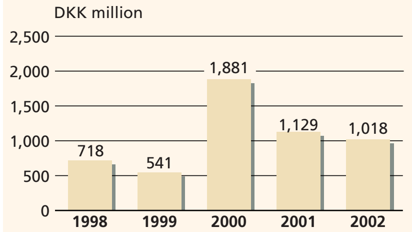
Based on the discussions with the European Commission concerning the agreement and the amendments to the Danish Natural Gas Supply Act in the summer of 2001, the parties reached an agreement in the summer of 2002 on an adjustment of the terms. The agreement is subject to approval by the European Commission.

Naturgas Fyn

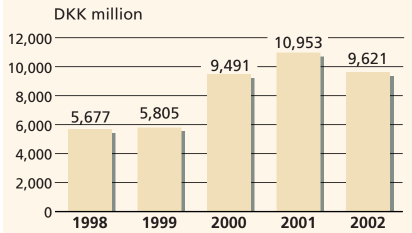
On 29 August 2002 an award was given in an arbitration case between DONG and Naturgas Fyn (NGF) on the so-called 4 June Agreement. The award established that the agreement has not expired, and NGF and DONG have therefore resumed negotiations concerning a new gas supply agreement. The negotiations have yet to be finalised.

(See also page 18, which describes matters related to the opening of the market and the EU Gas Directive, market conditions, new gas pipeline, and new products and services.)

Natural gas
Profit (after tax) 1998-2002



Natural gas
Revenue 1998-2002



2003: More than two million Danes get their heat directly or indirectly from natural gas supplied by DONG.

Transportation and storage of natural gas

DONG offers sale of transportation and storage services in the company's own transmission, distribution and storage systems. At 1 January 2003 these activities will be unbundled into the independent subsidiaries DONG Transmission A/S, DONG Distribution A/S and DONG Lager A/S.

The so-called third-party access (TPA) to DONG's systems is open to customers with market access that want to buy natural gas themselves and to suppliers that want to supply gas to customers with market access.

The Gas Supply Act distinguishes between TPA to storage facilities, on the one hand, and TPA to the transmission and distribution systems on the other.

Transportation services

There is regulated TPA to DONG's transmission and distribution network. This means that there are fixed tariffs for the standard transportation services. The tariffs are fixed by DONG and supervised by the Danish Energy Regulatory Authority. The tariffs are published on DONG's website www.dong.dk/uk. On the website, a tariff calculation system is available, enabling customers to calculate the transportation payment for a standard transportation service.

The tariffs are based on the so-called postage stamp principle according to which the tariff does not vary according to the distance over which the gas is to be transported in Denmark.

DONG offers transportation capacity in the transmission system across Denmark and in the distribution systems in the southern region of Jutland, in Zealand, in Copenhagen and on Frederiksberg.

Storage services

TPA to storage facilities - and agreements on same – is by negotiation with DONG Energi-Service.

The Danish Energy Regulatory Authority and prices

The Danish Energy Regulatory Authority monitors that DONG's prices and terms for utilisation of the gas infrastructure are fair and non-discriminating. This applies to prices and terms for utilisation of both the transmission system, the distribution system and the storage facilities.

Financial highlights, DONG Efterforskning og Produktion A/S

DKK million	1998	1999	2000	2001	2002
				Group	Group
Income statement					
Revenue	107	689	2,031	1,602	**3,741**
Depreciation and impairment of property, plant and equipment	157	189	524	414	**1,088**
Profit/(loss) before goodwill amortisation	(210)	161	963	630	**1,149**
Operating profit/(loss) (EBIT)	(210)	161	955	621	**1,132**
Interest income and expense and similar items, net	(11)	(33)	(53)	1	**(66)**
Profit/(loss) before tax	(221)	128	902	622	**1,066**
Tax	-	(41)	(288)	(201)	**(723)**
Profit/(loss) after tax	(221)	87	614	421	**343**
Bala nce sheet					
Fixed assets	1,444	1,930	1,823	3,303	**4,513**
Current assets	48	254	516	601	**1,236**
Share capital	275	300	300	300	**300**
Equity	656	869	1,294	1,687	**1,997**
Long-term liabilities including provisions	392	547	642	1,454	**1,378**
Short-term liabilities other than provisions	444	768	403	763	**2,368**
Balance sheet total	1,492	2,184	2,339	3,904	**5,743**
Cash Flows					
Operating activities	134	427	615	852	**2,377**
Investments in fixed assets	(1,084)	(602)	(365)	(746)	**(2,004)**
Investing activities	-	-	(32)	22	**-**
Financing activities	849	199	(19)	(167)	**(316)**
Net cash flows from operating, investing and financing activities	(101)	6	199	(39)	**57**
Cash and cash equivalents at year end	8	14	213	174	**231**
Financial ratios					
Gross margin	(115)	(41)	(54)	50	**41**
Operating margin	(196)	23	47	39	**30**
Return on assets	(20)	9	42	20	**23**
Return on equity	(43)	11	57	28	**19**
Equity ratio	44	40	55	43	**35**
Current ratio	11	33	128	79	**52**
Number of employees	98	91	123	163	**222**
Share ratios					
Cash flow per share (CFPS)	0.49	1.42	2.05	2.84	**7.92**
Earnings per DKK 100 share	(161)	30	205	140	**114**
Payout ratio	-	29	29	29	**30**
Dividend per DKK 100 share	-	8	60	41	**34**
Net asset value per share	239	290	431	562	**666**
Number of wells spudded					
Exploration	3	4	7	9	**4**
Production	5	7	3	3	**7**
Natural gas storage	-	-	1	-	**-**

The financial highlights for 1998-2001 have been restated to comply with the accounting policies applied in 2002. The ratios have been calculated in accordance with the Danish Society of Financial Analysts' guidelines on the calculation of ratios (‘Finansanalytikerforeningens Anbefalinger og Nøgletal 1997’). Reference is made to the definitions and terminology under Accounting policies.

DONG's activities within exploration and production of oil and natural gas are undertaken by the subsidiary DONG Efterforskning og Produktion A/S.

DONG's activities in Norway, the UK, Greenland and the Faroe Islands are performed by locally registered subsidiaries of DONG Efterforskning & Produktion A/S: DONG Norge AS, DONG (UK) Limited, DONG Grønland A/S and DONG Føroyar P/F. In Greenland, DONG also participates in the Greenland company Nunaoil A/S in which it has a 50 per cent interest.

DONG has been a participating partner in all exploration licences granted under Danish jurisdiction since 1984 and also owns shares in licences in Norway, the UK and the Faroe Islands. In 2002 DONG also had licence shares in Germany and the Netherlands. These licences were relinquished in 2002.

In 2002 DONG was a producer of oil and natural gas in the Danish sector of the North Sea, where the company owns shares in three producing fields: Syd Arne, Lulita and Siri/Stine. DONG is the operator on Siri/Stine. DONG also participates in production from four Norwegian fields, Gyda, Tambar, Ula and Glitne.

DONG is the operator for a number of licences in the Danish sector of the North Sea.

Exploration, development and production

Financial performance

DONG Efterforskning og Produktion A/S delivered revenue of DKK 3,741 million in 2002, up from DKK 1,602 million in 2001. Profit after tax was DKK 343 million compared with post-tax profit of DKK 421 million in 2001.

Exploration

Denmark

DONG participates as a partner in 31 Danish licences. In 2002 DONG participated in three exploration wells in Denmark, two of which were successful.

Operator assignments

In 2002 DONG continued the drilling campaign initiated in 2000. Under the drilling campaign, DONG coordinates exploration wells in the Danish sector for a number of operators. This enables DONG to organise the drilling campaign in such a way that all wells can be drilled using the same drilling rig rented by DONG. This results in major savings as the rig can be moved from job to job consecutively, allowing work to be planned with optimum efficiency.

DONG is continuously striving to improve its operator competence, partly through benchmarking. The latest benchmarking in which DONG participated was against a number of North Sea operators and it showed that DONG is among the best in terms of economy and efficiency.

At year end 2002, DONG was the operator for seven licences in Denmark. In three of these licences (Nini, Cecilie and Amalie), discoveries have previously been made.

In the summer of 2002 DONG took over Statoil's exploration and production activities in Denmark, including the operatorship of the Siri field and larger shares in various Danish exploration and production licences. DONG is also the drilling operator for the production wells being drilled on the Syd Arne field.

Norway

DONG participated as a partner in 12 licences on the Norwegian shelf in 2002.

The acquisition of the Norwegian company Pelican (now DONG Norge) was finally approved by the Norwegian authorities at the beginning of 2002 in accordance with current Norwegian law.

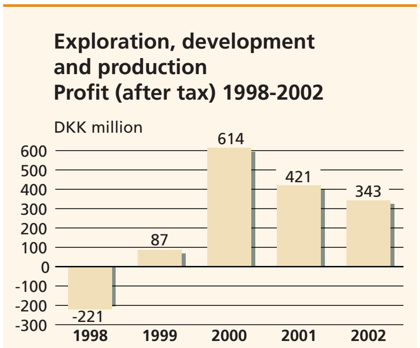
With the acquisition, DONG has gained a technically competent organisation as a basis for its activities in Norway and has secured itself a better position in the future licensing rounds in Norway.

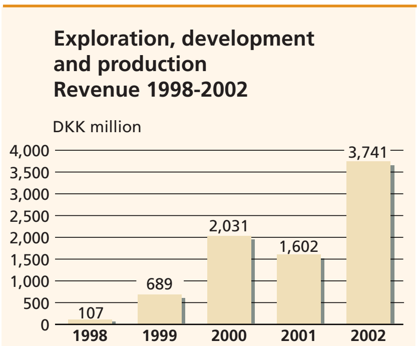
DONG acquired an additional share in licence PL 122 with effect from 1 January 2003.

The Group's Norwegian fields account for just under 50 per cent of DONG's production.

The Faroe Islands

DONG is participating in two licences in the Faroese sector. A well was drilled in one of the licences in autumn 2001, resulting in a promising discovery. The discovery is now being appraised. The find is of such a nature that it may be commercially viable.





The United Kingdom

DONG participates in three licences in the UK sector. Two wells were drilled in the UK licences in 2002, and the results are currently being appraised.

Greenland

DONG participates indirectly in one exploration licence on the Greenland shelf via its co-ownership (50 per cent) of Nunaoil.

The customers can relax. Today, DONG supplies a wide range of energy products and associated services.

Production

In 2002 DONG achieved production of approximately 53,000 barrels of oil equivalents per day. Production for 2003 is expected to match this level.

Syd Arne

This field went on-stream in 1999. The crude oil is pumped from the storage tank into tankers and resold for refining.

The natural gas is transported to shore through DONG's marine pipeline from the Syd Arne field to Nybro. The average production rate in 2002 was approximately 50,000 barrels of oil equivalents per day and approximately 2 million m^3 gas per day. Experimental water injection at the Syd Arne field commenced at the end of 2000. Experience with water injection has so far been positive, and a new development plan featuring full water injection was therefore prepared in 2001. This development will continue in 2003. DONG has a 34.4 per cent share in the field.

Siri/Stine

Production began in 1999. The crude oil is loaded into tankers from the field's storage tank and resold for refining. The small quantities of natural gas produced together with the oil are mixed with water and pumped back into the reservoir. A small amount of the gas is used as fuel on the platform. Production from Stine was initiated in September 2001 from a deep well drilled from the Siri platform. The quantities produced are processed on the Siri platform.

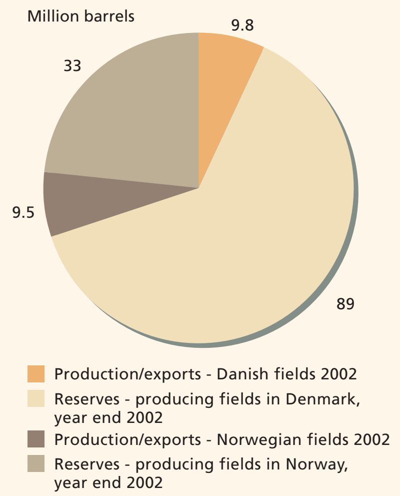
At year end 2002 the combined oil production from Siri and Stine was approximately 20,000 barrels per day. DONG had a 50 per cent share in this field at 1 January 2003.

A plan for recovery of a further accumulation in the Siri licence (Stine Segment 1) commenced in 2002. The work continues in 2003.

Lulita

Production from the Lulita field commenced in 1998. The field is located partly in two of the DONG Group's licences and partly in A.P. Møller's sole concession. The field is operated from DUC's Harald platform with Mærsk Olie og Gas as operator. The oil production rate is declining and at year end 2002 amounted to approximately 250 barrels per day. The oil is transported from the Gorm E platform through DONG's oil pipeline to Fredericia from where it is shipped and sold.

Estimated reserves - oil equivalents



Ula, Gyda, Tambar, Glitne

Through DONG Norge AS, DONG has become co-owner of the Norwegian fields Ula, Gyda, Tambar and Glitne with a 5, 34, 45 and 9.3 per cent interest, respectively. DONG's share of the production from these fields was approximately 22,000 barrels of oil equivalents per day at the end of 2002.

Development

DONG made two oil discoveries in the autumn of 2000 - Nini and Cecilie.

The Nini-discovery was made in licence 4/95. The field is located in the northern part of the Danish sector of the Central Graben, approximately 30 km north-east of the Siri platform. DONG is the operator for the licence and has a 40 per cent share. The other partners are DENERCO OIL (30 per cent) and RWE-DEA (30 per cent).

The Cecilie-discovery was made in licence 16/98. The field is located approximately 10 km south-west of Siri. DONG is the operator and has a 22 per cent share. The other partners are DENERCO OIL (37 per cent), DENERCO Petroleum (24 per cent) and RWE-DEA (17 per cent).

In March 2002, an application for development of the Nini and Cecilie fields with DONG as operator was submitted. The two fields will be developed using unmanned wellhead platforms connected to the Siri platform by pipelines. The oil from the fields will be processed and loaded into tankers through the existing facilities on Siri. The platform is under construction, and the Nini and Cecilie fields are expected to go on-stream in autumn 2003.

Trym

In 1999 DONG acquired a 20 per cent interest in the Norwegian licence PL 147, which includes the Trym field. The licence is located immediately north of the Danish Lulita field in the North Sea and is so close to the Danish natural gas system that DONG expects to be able to recover the Trym field's reserves through a tie-in to the Danish system.

Mjølner

In 2000 DONG also acquired a 20 per cent interest in the Norwegian licence PL 113, which includes the Mjølner field. The licence is located immediately north of the Danish Gert field. The Norwegian licence group has not yet decided on a development plan for the field.

Oil trading

The Group's oil sales in 2002 totalled approximately 8.7 million barrels in Denmark and 8.5 million barrels in Norway. The Group also sold approximately 3.1 million barrels on behalf of its partners in the various licences.

As far as production from the Syd Arne field is concerned, DONG has thus signed a marketing and sales agreement with DENERCO OIL under which DONG is responsible for selling the two companies' share of the oil production. DONG and DENERCO are together entitled to approximately 40 per cent of the oil produced from the field.

DONG has also signed an agreement with DENERCO OIL concerning marketing and sale of the production from the Siri field. In 2001 DONG signed a similar agreement with Paladin Resources plc under which DONG will sell all the oil from Siri. DONG also sells the oil from the Lulita field for partners outside DUC, i.e. DENERCO OIL.

DONG has customers in all countries around the North Sea, except Denmark.

Financial highlights, DONG Olierør A/S

DKK million	1998	1999	2000	2001	2002
Income statement					
Revenue	792	914	1,417	1,272	**1,374**
Duty to the Danish State	(306)	(514)	(1,042)	(882)	**(942)**
Joint taxation contribution	(6)	(9)	(19)	(15)	**(16)**
Profit	11	19	40	35	**37**
Dividend	11	19	39	35	**37**
Balance sheet					
Value of the oil transportation system	293	182	198	329	**306**
Current assets	133	190	222	206	**192**
Total assets	425	373	421	535	**498**
Share capital	1	1	1	1	**1**
Equity	54	62	83	79	**81**
Long-term liabilities other than provisions	91	80	70	172	**144**
Short-term liabilities other than provisions	282	231	268	283	**274**
Financial ratios					
Investments	40	0	44	158	**10**
Transported in the oil pipeline (million tonnes excluding water)	11.5	12.8	13.9	13.9	**15.2**
Number of employees at year end	7	7	7	6	**6**

The financial highlights for 1998-2001 have been restated to comply with the accounting policies applied in 2002. The ratios have been calculated in accordance with the Danish Society of Financial Analysts' guidelines on the calculation of ratios (‘Finansanalytikerforeningens Anbefalinger og Nøgletal 1997’). Reference is made to the definitions and terminology under Accounting policies.

DONG's pipeline transportation of oil is taken care of by its subsidiary DONG Olierør A/S. DONG owns and operates the oil transportation system from and including the Gorm E plat-form in the North Sea to and including the crude oil terminal in Fredericia.

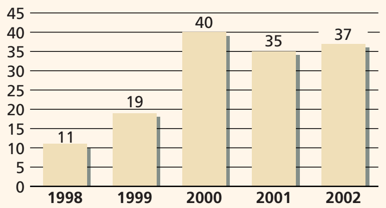
All expenses related to the construction and operation of the oil pipeline system are paid by the users. The users also pay DONG five per cent of the value of the transported oil after deduction of transportation costs.

These payments together constitute the company's revenue from oil transportation. By agreement with the Danish Ministry of Economic and Business Affairs, DONG pays 95 per cent of the five per cent of the value of the transported oil referred to in the foregoing as duty to the Danish State.

Oil transportation

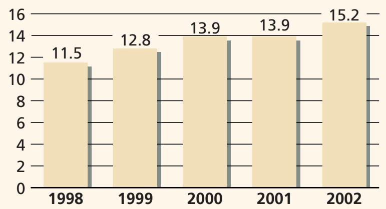
Oil transportation
Profit (after tax) 1998-2002

DKK million



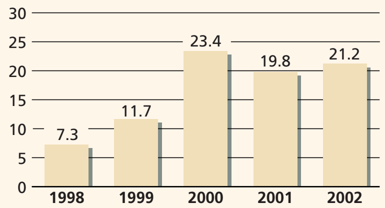
Volume of oil transported
1998-2002

Million tonnes per year



Value of oil transported
1998-2002

DKK billion



Financial performance

In 2002 DONG Olierør A/S achieved revenue of DKK 1,374 million on the oil pipeline system compared with DKK 1,272 million in 2001. Profit after tax amounted to DKK 37 million, up from DKK 35 million in 2001, reflecting higher oil prices. In 2002 a joint taxation contribution to the parent company of DKK 16 million was charged against profit, compared with DKK 15 million in 2001.

The Supervisory Board proposes that a dividend of DKK 37 million be paid to the parent company. Thereafter, DONG Olierør A/S's equity stands at DKK 81 million.

In 2002, 111 million barrels of crude oil were delivered from the oil terminal in Fredericia. The water content of the crude oil has been deducted from this figure. The value of oil transported was DKK 21 billion against DKK 20 billion in 2001. DONG's transport income of five per cent of the value of the oil after deduction of transportation costs amounted to DKK 992 million, of which 95 per cent – DKK 942 million – was paid as duty to the Danish State. In 2001 the duty paid to the State amounted to DKK 882 million.

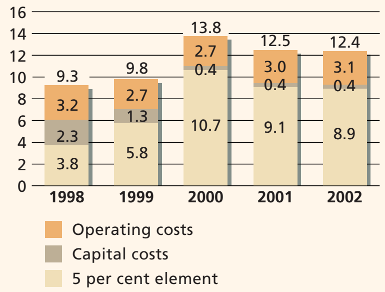
Operation

Excluding the transported water, transportation in 2002 averaged 304,000 barrels per day. The transportation system is still very reliable and was only down for just over one hour in 2002.

Together with the charge of five per cent of the value of the oil, the charge for transportation covers the system's operating and capital costs. The five per cent element constitutes the largest part of the transportation charge, and the costs per barrel therefore depend mainly on the price of oil and the dollar rate.

Transportation costs
1998-2002

DKK per barrel



Capacity utilisation in the next few years

With the latest enlargement, capacity has been increased to 360,000 barrels per day. This capacity is expected to be largely utilised in 2003.

Financial highlights, DONG VE A/S

DKK million	1998	1999	2000	2001	2002
Income statement					
Revenue					3
Depreciation and impairment of property, plant and equipment					1
Profit/(loss) before goodwill amortisation					(6)
Operating profit/(loss) (EBIT)					(6)
Interest income and expense and similar items, net					8
Profit before tax					2
Tax					(1)
Profit after tax					1
Balance sheet					
Fixed assets					305
Current assets					96
Share capital					330
Equity					331
Long-term liabilities including provisions					3
Short-term liabilities other than provisions					67
Balance sheet total					401
Cash flows					
Operating activities					42
Investments in fixed assets					(211)
Investing activities					(21)
Financing activities					0
Net cash flows from operating, investing and financing activities					(191)
Cash and cash equivalents at year end					67
Financial ratios					
Gross margin					(17)
Operating margin					(212)
Return on assets					(3)
Return on equity					1
Equity ratio					83
Current ratio					173
Number of employees at year end					8
Number of wind turbines					9
Number of geothermal plants					1

As at 1 March 2002 DONG's activities within renewable energy and other forms of energy were gathered together in a newly established subsidiary DONG VE A/S.

Wind energy

In September 2000 DONG erected a 1.65 MW wind turbine at Nybro Gas Treatment Plant, thereby entering the wind energy area for the first time.

In 2001 DONG acquired a 30 per cent partnership share in Nysted Offshore Wind Farm, which is under construction at Rødsand, south of Lolland. Energi E2, which has a 50 per cent share in the wind farm, is the operator. The remaining 20 per cent is owned by Sydkraft. The Danish Energy Agency approved the project in August 2001, and the wind farm is expected to go into operation in 2003.

The total investment is expected to be DKK 1.5 billion. DONG's investment will be about DKK 500 million. That corresponds to an ownership share of about 50 MW and will result in energy production that will save the environment around 60,000 tonnes of CO_2 per year.

The project is expected to benefit from DONG's experience in the construction and maintenance of offshore gas and oil pipelines.

At the end of 2002 DONG purchased eight wind turbines at Overgård in Djursland, Jutland. The turbines have a combined capacity of approximately 18 MW.

Geothermal energy

DONG has shares in two licences for exploration for and production of geothermal energy.

1983 licence at Thisted geothermal plant

DONG has a production licence for geothermal energy covering almost two-thirds of Denmark. Half of the licence ends in 2003 and the rest in 2013. Three deep wells were drilled at the beginning of the 1980s and two of them form part of Denmark's first geothermal plant, which is situated in Thisted.

In 1984 DONG established a 1 MW pilot plant and later enlarged this in cooperation with the district heating company Thisted Varmeforsyning. At the present plant, 0.4 MW electricity is used to produce 200 m^3 44°C geothermal water per hour from a depth of 1.2 km. After use, the water is pumped down again. Absorption heat pumps driven by heat from natural gas boilers and the town's waste-based CHP plant transmit 7 MW heat from the geothermal water to Thisted's district heating network. With the Thisted plant, an environmentally sound concept for production of district heat with an electricity consumption of 5-15 per cent of the extracted heat has been developed.

Hovedstadsområdets Geotermiske Samarbejde (HGS)

DONG's other geothermal licence was awarded to HGS in February 2001. The licence covers the Metropolitan area, Roskilde and Hillerød. DONG has 28 per cent of the licence and is the operator for the subsoil. The other partners, each of which has 18 per cent, are Centralkommunernes Transmissionsselskab I/S, Energi E2 A/S, Københavns Energi and Vestegnens Kraftvarmeselskab A/S. The licence runs for 15 years with the possibility of extension.

As the operator for HGS, DONG interpreted and evaluated the seismics carried out in the licence area and also drilled the first well, Margretheholm-1, at the Amager Power Station site. The results are promising and extraction conditions seem good almost everywhere in the licence area.

A new deviated well is planned for the spring of 2003. A demonstration plant that can supply heat to 7,000 Copenhagen households will then be established. The plant will produce 16 MW heat from 270 m^3 73°C geothermal water per hour from a depth of about 2.5 km. DONG is the operator for the geothermal plant, with wells, pumps, heat exchanger and filters, and E2 is the operator for the heat transmission plant, with heat pumps etc.

Company information

Company information as at 1 February 2003.

Company

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Agern Alle 24-26
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Denmark
Telephone +45 4517 1022
Fax +45 4517 1044
dong@dong.dk
www.dong.dk/uk
Registration No. 36 21 37 28

Shareholder

The entire share capital is held by the Danish State through the Danish Ministry of Finance.

Supervisory Board

Sven Riskær, Managing director (Chairman), b. 1938, joined the Board in 1995, Chairman since 1996, re-elected 1998, 2000, 2002. Term of office expires: 2003.

Lars Nørby Johansen, President and CEO (Deputy Chairman), b. 1949, joined the Board in 1997, re-elected 1998, 2000, Deputy Chairman since 2001. Term of office expires: 2003.

Flemming Lindeløv, President and CEO, b. 1948, joined the Board in 1998, re-elected 2000. Term of office expires: 2003.

Svend Sigaard, Managing Director, b. 1958, joined the Board in 2002. Term of office expires: 2004.

Jørgen Tandrup, President and CEO, b. 1947, joined the Board in 2002. Term of office expires: 2004.

Jacob Heinsen, Deputy Permanent Secretary, b. 1964, joined the Board in 2002. Term of office expires: 2004.

Erik B. Laursen*, Systems administrator, b. 1950, joined the Board in 1999, re-elected 2002. Term of office expires: 2006.

Thorkild Meiner-Jensen*, Lawyer, b. 1944, joined the Board in 1981, re-elected 1983, 1985, 1987, 1989, 1991, 1995, 1999, 2002. Term of office expires: 2006.

Bent Stubkjær*, Vice President, b. 1953, joined the Board in 2002. Term of office expires: 2006.

*Elected by the employees

Number of Board meetings in 2002: 10

Other board memberships or management positions

Other Danish and foreign limited companies in which members of the Supervisory Board of DONG A/S hold board memberships or management positions:

Sven Riskær, President of IFU:
ISS A/S (Board member)
Kapacitet A/S (Chairman)
Air Liquide A/S (Board member)
Vennelyst A/S (Board member)

Lars Nørby Johansen,
President of Group 4 Falck A/S:
IC Companys A/S (Deputy Chairman)
William Demant Holding A/S (Board member)
Oticon A/S (Board member)
and a number of Danish and foreign subsidiaries of the Group 4 Falck Group

Flemming Lindeløv, President and Group CEO of Royal Scandinavia A/S:
H. Lundbeck A/S (Board member)
Rockwool International A/S (Deputy Chairman)
and a number of Danish and foreign subsidiaries of the Royal Scandinavia Group

Svend Sigaard, Managing Director, Vestas Wind Systems A/S:
Kvik Holding A/S (Chairman)
and a number of Danish and foreign subsidiaries of the Vestas Group.

Jørgen Tandrup, CEO, Skandinavisk Tobakskompagni A/S:
A/S Kjøbenhavns Sommer-Tivoli (Deputy Chairman)
Danisco A/S (Board member)
and a number of Danish and foreign subsidiaries of the Skandinavisk Tobakskompagni Group

Jacob Heinsen, Deputy Permanent Secretary at the Danish Ministry of Finance:
Københavns Havn A/S (Board member)

Group Executive Board

Anders Eldrup (President and CEO**)
Peter Skak-Iversen
Hans Jørgen Rasmusen
Søren Gath Hansen
Kurt Bligaard Pedersen
Carsten Krogsgaard Thomsen

** Registered with the Danish Commerce and Companies Agency as Executive Board

Executive Boards of subsidiaries:

DONG Olierør A/S
Povl Asserhøj

DONG Naturgas A/S
Peter Skak-Iversen

DONG Efterforskning og Produktion A/S
Søren Gath Hansen

DONG Grønland A/S
Søren Gath Hansen

DONG Norge AS
Anders Mørland

DONG Føroyar P/F
Søren Gath Hansen

DONG (UK) Limited
Søren Gath Hansen

DONG Olieforsyning A/S
Peter Skak-Iversen

DONG VE A/S
Hans Jørgen Rasmusen

DONG Litauen A/S
Søren Gath Hansen

DONG A/S has established the following branch office:

DONG Efterforskning og Produktion A/S, the Netherlands

Other management positions

Other Danish and foreign limited companies in which the members of the Executive Board of DONG A/S hold management positions:

Hans Jørgen Rasmusen:
Dansk Gasteknisk Center A/S (Chairman)
Soil Recovery A/S (Board member)

Kurt Bligaard Pedersen:
Københavns Lufthavne A/S (Chairman)
BRFKredit A/S (Board member)
Zoologisk Have København (Board member)
Novo Nordisk Fonden (Board member)

Søren Gath Hansen:
Nunaoil A/S (Deputy Chairman)

Carsten Krogsgaard Thomsen:
Railion Denmark A/S (Board member)

Other Board members and Senior Executives in relevant subsidiaries:

Povl Asserhøj, Executive Vice President of DONG Olierør A/S:
Dansk Gasteknisk Center A/S (Board member)

Committee of Representatives***

Kirsten Stallknecht (Chairman)

Members representing special expertise on energy, law or finance

Jens Munk Andersen (Deputy Chairman), Energy
Jørgen K. Kjems, Energy
Per Madsen, Energy
Michael Rostock, Law
Jørgen Søndergaard, Finance

Members representing trade and consumer interests

Knud Timm-Andersen, the Confederation of Danish Industries
Torkil Bentzen, Energi E2
Uffe Bro, Danish District Heating Association
Jesper Hansen, the Danish Plumbing, Heating and Ventilation Contractors' Association
Peter Høstgaard-Jensen, Elsam
Kaj Kristensen, Naturgas Midt-Nord
Finn Madsen, Regional Council, Western Zealand
Hans Carl Nielsen, the Danish Consumer Council
Poul Thage Pedersen, the Danish Association of Market Gardeners
Ivan Bloch Sørensen, Regional Council, Southern Jutland
René Voss, Naturgas Fyn
Martin Windelin, the Economic Council of the Labour Movement

Members proposed by the parties represented on the Folketing (Danish Parliament) Finance Committee

Peter Duetoft, the Centre Democratic Party
Martin Glerup, the Social Democratic Party
Peter Hansen-Nord, the Liberal Party
Johannes W. Jacobsen, the Christian People's Party
Eva Møller, the Conservative Party
Vibeke Peschardt, the Social Liberal Party
Uffe Rasmussen, the Socialist People's Party
Per Vølund, the Red-Green Alliance
Aase D. Madsen, the Danish People's Party

***Established pursuant to Act No. 254 of 8 June 1983 on Dansk Olie og Naturgas A/S etc., to monitor the company's activities.

Appointment and election to the Committee of Representatives have taken place as at 1 June 2001.

Auditors

KPMG C. Jespersen
PricewaterhouseCoopers

Annual General Meeting

Wednesday 23 April 2003


DONG
energy for more