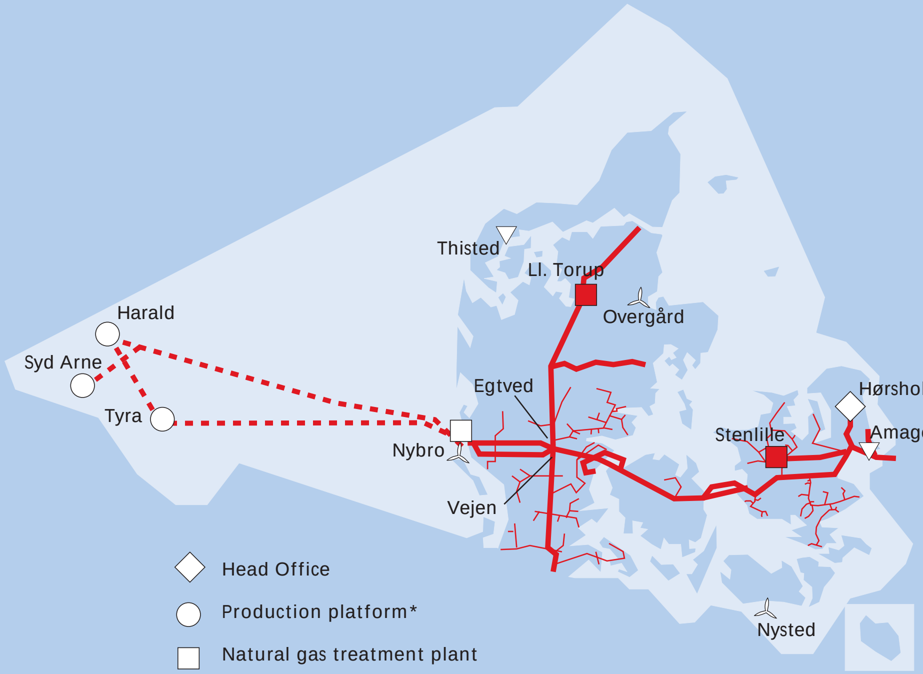
Annual Report | 2003

DONG
energy for more

DONG's natural gas system and renewable plants



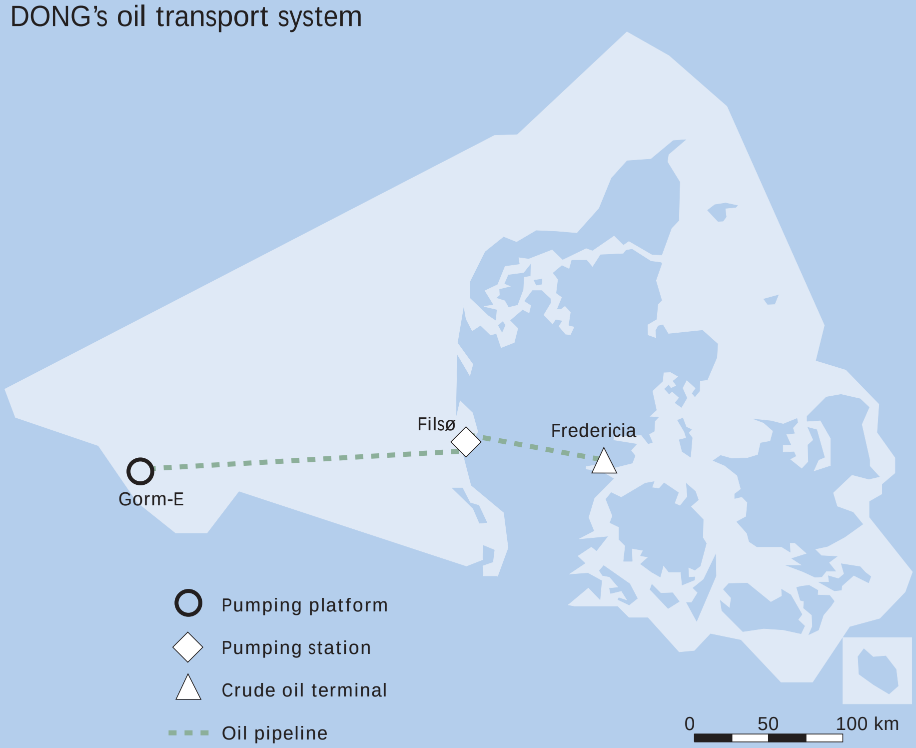
- Head Office
- Production platform*
- Natural gas treatment plant
- Natural gas storage facility
- Natural gas transmission**
- Marine pipeline for natural gas
- Natural gas distribution
- Geothermal plant***
- Wind turbines

*DUC owns Harald and Tyra
The Amerada Hess Group owns Syd Arne.

**The transmission network was hived off from the DONG Group on 1 January 2004 and is owned by Gastra A/S.

***Thisted's geothermal plant is operated by the district heating company Thisted Varme-forsyning in cooperation with DONG. On Amager, DONG is building a geothermal plant in cooperation with four Copenhagen energy companies.

DONG's oil transport system



- Pumping platform
- Pumping station
- Crude oil terminal
- Oil pipeline

Annual Report 2003

Energy for more. DONG has established a number of new energy activities in recent years, including gas trading, development of new products and services, electricity sales and wind power generation. This is a natural development for a growing and dynamic energy company, and ensures that DONG remains one of the leading energy companies in Denmark and its neighbouring countries. When our customers buy electricity, natural gas or oil from us, they choose a supplier that covers the entire energy chain - from discovery of oil and gas in the North Sea to delivery of the finished energy products to the customer.

The photos in the 2003 annual report illustrate the Group's many activities and show a selection of the competent employees who ensure that DONG has **energy for more**!

Contents

The DONG Group

Mission
DONG's mission is to procure, produce, distribute and trade in energy and related products in Northern Europe with focus on Denmark and Southern Sweden.

Vision
DONG's vision is, as the leading integrated energy company in Denmark, to create value for its customers and, thereby, add maximum value for its shareholder.

Group structure at 31 December 2003

DONG A/S

- Exploration and production (E&P)
- Natural gas, Trading activities
- Natural gas, Transmission activities*
- Natural gas, Storage and distribution activities
- Renewable energy
- Electricity activities
- Oil transportation
- Other activities

* The Group's gas transmission activities are gathered in DONG Transmission A/S. The company was divested to the Danish State at the start of 2004 and subsequently changed its name to Gastra A/S.

An overview of the various companies in the DONG Group is given in note 30, page 84.

Group financial highlights

DKK million	1999	2000	2001	2002	2003
Income statement					
Revenue	6,802	11,673	12,723	13,729	14,247
Profit before interest, tax and amortisation (EBITDA)	2,969	5,939	4,532	4,896	5,547
Depreciation and impairment	(1,800)	(2,149)	(2,161)	(2,350)	(2,379)
Operating profit (EBIT)	1,169	3,790	2,371	2,546	3,168
Share of pre-tax profits of associates	(29)	(132)	4	25	24
Financial items, net	(184)	(208)	26	154	56
Profit before tax	956	3,450	2,401	2,726	3,248
Tax	(305)	(922)	(744)	(1,250)	(1,299)
Profit after tax	651	2,528	1,657	1,476	1,941
Balance sheet					
Fixed assets	19,297	19,779	20,105	21,224	24,657
Current assets	6,733	10,634	9,865	7,706	8,353
Share capital	2,144	2,144	2,144	2,144	2,144
Equity	10,683	13,088	13,403	14,655	16,794
Minority interests	-	-	-	-	564
Long-term liabilities including provisions	12,265	11,664	9,932	9,332	9,224
Short-term liabilities other than provisions	3,082	5,661	6,635	4,942	6,428
Balance sheet total	26,030	30,413	29,970	28,930	33,010
Cash flows					
Operating activities	2,531	4,822	3,674	3,594	4,468
Investment in fixed assets	(1,137)	(557)	(1,144)	(2,464)	(2,696)
Investing activities	(1,252)	(791)	(1,235)	(3,094)	(2,925)
Financing activities	274	311	(3,046)	(2,280)	(1,589)
Net cash flows from op., inv. and fin. activities	1,553	4,342	(607)	(1,780)	(45)
Cash and cash equivalents at year end	2,965	6,041	5,434	3,655	3,610
Financial ratios					
Gross margin	33	41	27	24	27
Operating margin	17	32	19	19	22
Return on average invested capital	6	13	8	9	10
Return on equity	8	21	13	11	12
Equity ratio (including undistributable reserves in regulated company)	41	43	45	51	51
Equity ratio (excluding undistributable reserves in regulated company)	41	43	45	51	49
Current ratio	218	188	149	156	130
Number of employees at year end*	572	709	755	900	1,156
Share ratios					
Cash flow per share (CFPS)	1.18	2.25	1.71	1.68	2.08
Earnings per DKK 100 share	30	118	77	69	90
Payout ratio	29	50	29	30	99
Dividend per DKK 100 share	9	59	22	21	89
Net asset value per share	498	610	625	684	753

* The number of employees for 2003 includes 157 employees of EnergiGruppen Jylland Group.

Ratios are calculated in accordance with the Danish Society of Financial Analysts' guidelines on the calculation of ratios ('Finans-analytikerforeningens Anbefalinger og Nøgletal 1997'). Reference is made to the definitions and terminology under Accounting policies.

DKK million	2003	Per cent	2002	Per cent
Revenue by activity				
Natural gas	10,069	71	9,650	71
Oil transportation	445	3	432	3
Exploration and production	3,187	23	3,658	27
Electricity, heat and renewable energy	627	4	3	0
Other activities (including elimination)	(81)	(1)	(14)	(1)
	14,247	100	13,729	100
Operating profit (loss) by activity				
Natural gas	2,319	73	1,442	57
Oil transportation	(104)	(3)	59	2
Exploration and production	917	29	1,132	45
Electricity, heat and renewable energy	31	1	(5)	(1)
Other activities (including elimination)	5	0	(82)	(3)
	3,168	100	2,546	100
Fixed assets by activity				
Natural gas	15,068	61	15,235	72
Oil transportation	468	2	306	2
Exploration and production	4,642	19	4,514	21
Electricity, heat and renewable energy	2,483	10	305	1
Other activities (including elimination)	1,996	8	864	4
	24,657	100	21,224	100
Liabilities by activity				
Natural gas	12,569	78	13,096	92
Oil transportation	761	5	417	3
Exploration and production	4,301	27	3,747	26
Electricity, heat and renewable energy	894	6	70	1
Other (including elimination)	(2,309)	(16)	(3,056)	(22)
	16,216	100	14,274	100

Segment information is calculated on the basis of accounting figures from the individual business areas. Eliminations in connection with preparation of the consolidated financial statements are included under the item ‘Others (including elimination)’.

Preface

The gas market opening was completed at the end of 2003, with Denmark as one of the countries spearheading the efforts to liberalise the EU energy markets. For the DONG Group the year was therefore characterised by competition for the many gas contracts put out to open tender and by the structural changes that are beginning to take place as a natural consequence of the liberalisation.

In 2003 DONG actively pursued its efforts to advance the market opening process, primarily by unbundling DONG Naturgas A/S, including the hiving-off of the gas transmission activities into a separate company. This company was split off from the DONG Group at the beginning of 2004, and is now owned directly by the Danish State, in order to separate the ownership of the commercial gas activities from that of the gas transmission activities.

2003 was the year in which competition in the gas market took off. Entirely as predicted, this led to the loss of market shares for DONG, although DONG won many new gas sales contracts in the subsequent competitive tendering. This shows that DONG is competitive on price and service. DONG also attracted a number of new customers in Sweden, Germany and the Netherlands.

To secure access to the European market, DONG, Mærsk Olie og Gas, Shell and ChevronTexaco (DUC) are currently laying a new natural gas pipeline from the Danish natural gas fields to the Nogat pipeline that lands the gas at Den Helder in the Netherlands. The new pipeline is expected to be operational in 2004. Simultaneously, DONG is setting up a trading unit that will buy and sell natural gas on the European gas trading hubs.

DONG is constantly developing new products and services for its customers. Products and services currently on offer to residential customers include electricity supplies, natural gas service, spare parts insurance and fixed-price contracts. Products and services offered to industrial customers include oil and electricity supplies, heat sales, technical advice on energy, fixed-price contracts and flexible contracts. Spring 2004 will witness the opening of new customer portals on DONG's website for both industrial and residential customers. The portals will give customers interactive contact with DONG concerning all forms of energy supplies and services.

The Group took its first step into the electricity sector when it acquired the controlling interest in EnergiGruppen Jylland A/S at the end of 2002/beginning of 2003. In June 2003 the two largest shareholders in NESA A/S, Gentofte Municipality and Copenhagen County, announced their intention to sell their shareholdings. DONG consequently embarked on a major evaluation exercise during the summer, culminating in an open offer to NESA's shareholders in September.

Following a brief negotiation phase at the start of October, NESA's main shareholders opted to sell their shares to ELSAM A/S.

DONG continuously explores opportunities for expansion of its activities as an integrated gas and electricity company through commercially viable partnerships or acquisitions.

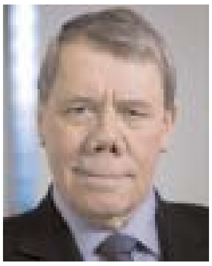
The opening of two new oil fields in the North Sea, Nini and Cecilie, in September 2003 marked an important step towards ensuring efficient 'hoovering up' of the Danish underground. Another highlight for the Group was the award to DONG of a number of new licences in Norway in 2003. It is one of DONG's priorities to secure a larger proportion of own produced natural gas in the years ahead.

2003 saw the completion of Nysted Offshore Wind Farm of which DONG is a partner with a 30 per cent interest. In 2003 DONG became co-owner and operator of Barrow Offshore Wind Farm in the UK. According to the plans, the company will be constructing an offshore wind farm in the Irish Sea in 2004 and 2005, in partnership with British Centrica and Norwegian Statkraft. In December 2003 DONG obtained consent from the UK authorities to utilise wind energy in an additional area off Walney Island on the UK west coast. DONG is the operator of the licence. Preliminary investigations and analyses will show whether the construction of one of the world's largest offshore wind farms with a capacity of 450 MW is feasible. DONG is partnering Statkraft on this project.

As part of the efforts to continuously optimise operations, a number of efficiency improvements were implemented in 2003 – including within procure-


Sven Riskær
Chairman


Lars Nørby Johansen
Deputy Chairman


Asbjørn Larsen


Jørgen Einar Tandrup


Svend Sigaard


Jakob Heinsen


Thorkild Meiner-Jensen
elected by the employees


Jesper Magtengaard
elected by the employees


Bent Stubkjær Pedersen
elected by the employees

ment. These improvements will result in significant savings in operating expenses in 2004 compared with 2003.
The efficiency-improvement processes will continue in 2004 with the aim of achieving further savings.

Despite the efficiency improvements the Group's operating profit for 2004 is expected to be substantially lower than the 2003 figure; however, the result of the Group's operations depends to a large extent on the development of the oil price and the USD exchange rate. Oil price and exchange rate fluctuations may thus significantly affect profit.

Privatisation of DONG is underway. The Government initiated a privatisation study at the beginning of 2004 with the aim of identifying the best model for privatisation of DONG. DONG supports the idea of privatisation, in order to create maximum value while at the same time providing the basis for healthy competitive conditions in Denmark.

A review of DONG's development in 2003 is given on the following pages, along with a description of DONG's objectives and planned initiatives.

Hørsholm, 5 March 2004

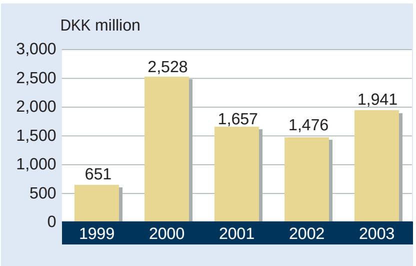
Sven Riskær Chairman of the Supervisory Board	Anders Eldrup President and CEO

DONG's Executive Board, from the left: Carsten Krogsgaard Thomsen, Finance; Anders Eldrup, President and CEO; Kurt Bligaard Pedersen, Trade; and Søren Gath Hansen, Exploration and Production.

Financial performance

The 2003 profit after tax was DKK 1,941 million versus DKK 1,476 million in 2002. Pre-tax profit amounted to DKK 3,248 million versus DKK 2,726 million in 2002.

The DONG Group
Profit (after tax) 1999 - 2003



Because of the higher profit generated in 2003, the tax charge for the year, DKK 1,299 million, was higher than the tax charge for 2002, which was DKK 1,250 million. The Group's average tax rate was 40 (2002: 46). This was due to the fact that a substantial part of the Group's earnings come from its activities in Norway, where taxation is higher than in Denmark. The fall in the tax rate was due to the fact that the Norwegian activities accounted for a relatively smaller proportion of the Group's earnings.

Natural gas sales were slightly down on 2002, mainly reflecting lower natural gas consumption because of the mild winter in 2002-2003 and the loss of customers following the opening of the market.

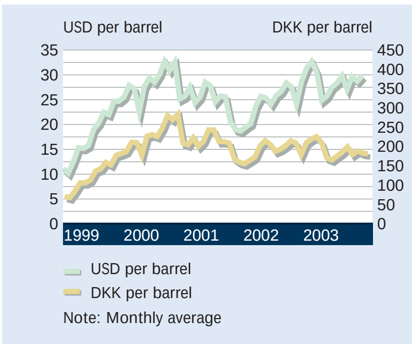
Revenue for 2003 amounted to DKK 14,247 million compared with DKK 13,729 million in 2002. Revenue is stated after deduction of duty on crude oil transportation. The increase in revenue was due to the acquisition of EnergiGruppen Jylland, increased production and sale of oil, and higher gas revenue due to 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 2003 amounted to DKK 6,237 million, corresponding to 44 per cent of total Group revenue (see segment information, note 1, page 61).

Expectations and profit for 2003

The profit for 2003 exceeded the most recently announced expectations expressed in the interim report for 2003. The profit benefited from efficient USD and oil price hedging and from an unrealised pre-tax DKK 475 million gain on the Group's portfolio of shares in NESA A/S, and was depressed by a pre-tax DKK 160 million impairment charge on operating assets in DONG Olierør A/S.

Crude oil price
1999 - 2003



Dividends

The Supervisory Board recommends that a dividend of DKK 1,906 million be paid for 2003. This corresponds to 40 per cent of post-tax profit for the year, and extraordinary dividend as a result of the State's acquisition of DONG Transmission A/S.

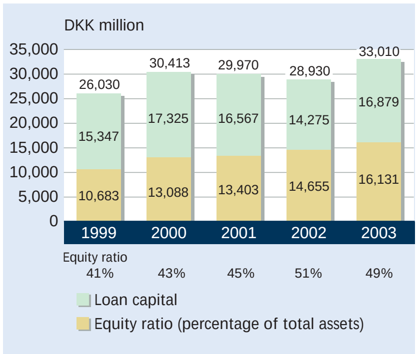
Equity

Equity stood at DKK 16,131 million at 31 December 2003, excluding undistributable reserves of DKK 663 million in regulated enterprises. Equity has increased by DKK 1,476 million since the 2002 annual report, equivalent to profit for the year before dividend and with deduction of equity movements relating, in particular, to hedging instruments.

The Group equity ratio – excluding undistributable reserves in regulated companies - declined from 51 per cent in 2002 to 49 per cent in 2003.

Reference is also made to the Group statement of changes in equity on page 54 and to that of the parent company on page 59.

The DONG Group
Equity and loan capital 1999 - 2003



Tax

An income tax charge of DKK 1,299 million was expensed in 2003, comprising current tax of DKK 1,175 million and a DKK 124 million increase in deferred tax.

Of the current tax, DKK 778 million is payable to Denmark and DKK 397 million to Norway.

Cash flow statement

At the end of 2003 DONG had cash and cash equivalents of DKK 3,610 million, down DKK 45 million on 2002. Capital expenditure of DKK 2,925 million and reduction of debt and payment of dividend, DKK 1,589 million in total, absorbed most of the cash outflow. Operating activities generated a cash inflow of DKK 4,468 million in 2003. Reference is also made to the Group cash flow statement on page 55 and to that of the parent company on page 60.

Expectations for 2004

DONG's profit depends to a large extent on the development in the price of oil and the USD exchange rate. DONG has hedged a substantial part of its exposure in 2004 via financial contracts in accordance with DONG's risk policy, cushioning the impact of the declining USD exchange rate on DONG's profit.

Because the oil price and the USD rate are included with different time lags in DONG's natural gas purchase and sales contracts, oil price changes impact on selling prices relatively quickly, whereas purchase prices are adjusted with a delay of up to 15 months. These time lags cannot be hedged. The increasing oil prices in 2003 therefore generated an extraordinary gain in 2003, which will not be repeated in 2004, when DONG's purchase prices for natural gas will be adjusted on the basis of the high price level in 2003. In addition, the intensified competition must be expected to lead to further loss of market share and a fall in profit on gas sales in Denmark in 2004.

Overall, profit after tax for 2004 is therefore expected to amount to around DKK 1 billion.

Important initiatives in 2003

The following strategic initiatives were implemented within the Group's business areas during the year:

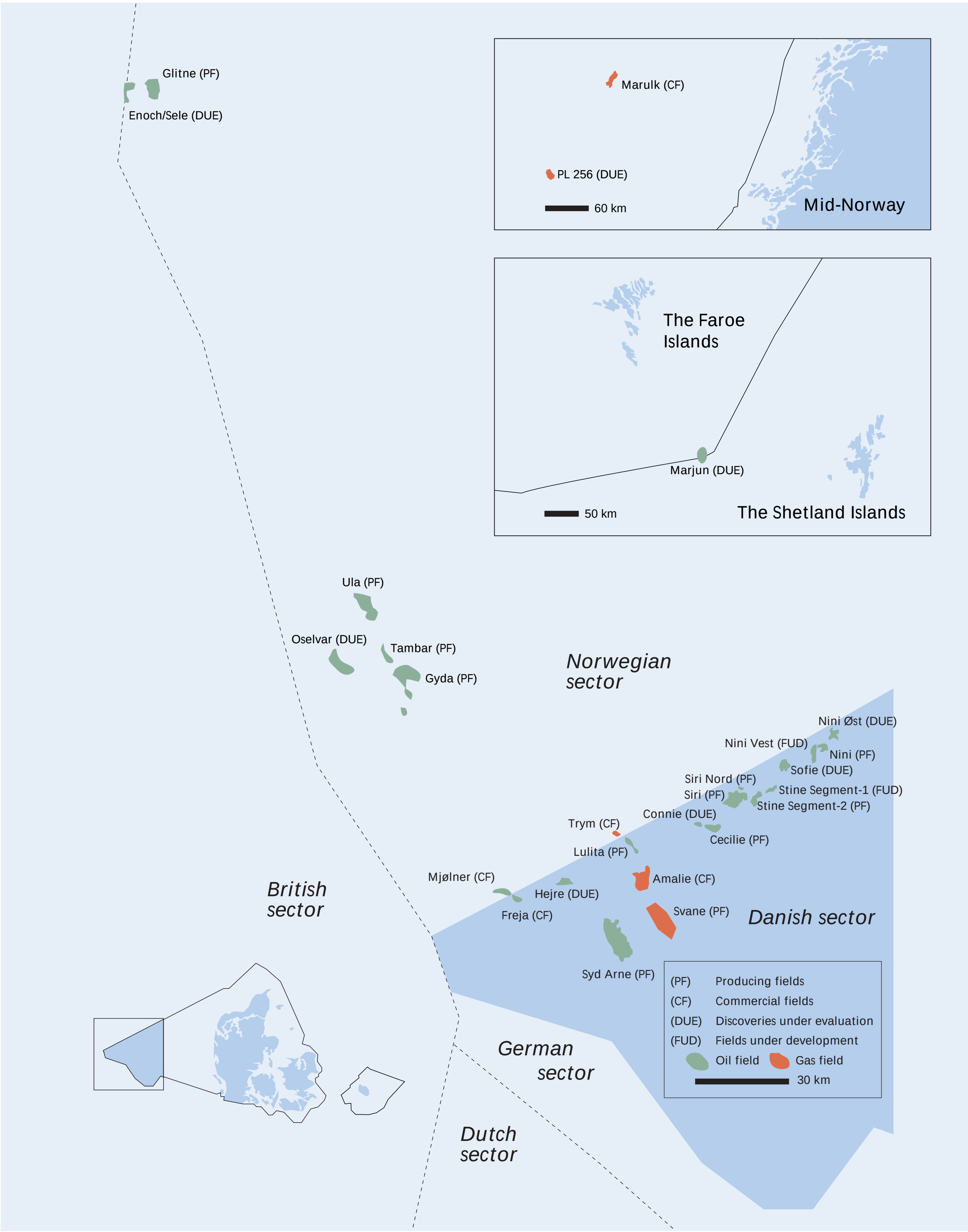
- The Nini and Cecilie oil fields went on stream.
- DONG was awarded eight new exploration licences.
- DONG unbundled DONG Naturgas A/S into seven newly formed companies and subsequently prepared the hiving-off of the newly formed DONG Transmission A/S from the Group. DONG Transmission was hived off from the DONG Group at the start of 2004 and is now owned directly by the State.
- Establishment of market model, agreements and IT systems for the full market opening of the gas market on 1 January 2004.
- New gas and electricity products were launched.
- Acquisition of 65.6 per cent of EnergiGruppen Jylland A/S.
- Acquisition of 37.5 per cent of the shares in Barrow Offshore Wind Limited in the UK which owns the rights for the construction of a 90-108 MW wind project. DONG is the operator of this licence.
- Consent from the UK authorities to utilise the wind energy in an area close to the Barrow project – off Walney Island. A 450 MW offshore wind farm can be built on this site. DONG is the operator of this licence.
- Efficiency improvement in connection with the Group's procurement. The full effect of the DKK 100 million saving in operating costs as well as the effect of other realised efficiency improvements will be felt in 2004. Further efficiency improvements are anticipated in 2004.
- Production start-up on Nysted Offshore Wind Farm, where DONG has a 30 per cent stake. The farm has an electricity-generating capacity of 150 MW from 72 turbines.
- The Metropolitan Geothermal Alliance (HGS) decided to establish a geothermal plant on Amager. DONG is the operator of the geothermal element of the plant.

Exploration and production activities

Initiatives, challenges and objectives

As an integrated energy company with competencies and market positions within exploration, production, transportation and sale of natural gas, DONG's objective is to build up reserves and own production of natural gas. These reserves must make up a substantial part of DONG's total gas sales volume, ensuring coherent value creation between all the Group's business areas.

Discoveries and fields with DONG interests



Seismic data analysis and production of graphics material is part of the working day at DONG E&P.

In addition, it is DONG's objective to be an efficient and competent operator that is able to 'hoover up' the marginal oil deposits on an economic basis.

It is therefore important for DONG to be able to continually develop its exploration and production activities so as to achieve the optimum balance between reserves and commercial production.

The key initiatives within DONG's exploration and production in 2003 were as follows:

- The Nini and Cecilie oil fields came on stream, doubling the total output from the Siri platform to reach a daily production of about 45,000 barrels of oil. DONG is the operator of the three licences.
- The development of the Stine-1 oil field on the Siri licence commenced and is expected to be ready for production in the first half of 2004.
- Six exploration wells were drilled, two of which were successful. One find was made on the Danish shelf and one on the Norwegian shelf. It is now being evaluated whether the discoveries have a size supporting commercial production.

- DONG was awarded eight new licences in Norway.
- To strengthen its position in the Norwegian oil environment and prepare DONG for exploration and production operatorships in Norway, DONG's Norwegian office will be relocating from Oslo to Stavanger in spring 2004.
- DONG took over share of gas find on mid-Norwegian shelf and also participates in exploration well with gas find in the same area. The field is currently being evaluated for commercial production.
- For the second year in a row, DONG was rated 'best in class' in Rushmore Associates' benchmark study of drilling of exploration and delineation wells.
- DONG and the Danish Energy Authority won an action concerning ownership interests in Syd Arne, when it was confirmed that the increase of DONG's interest from 25 per cent to 34.375 per cent in 1997 was fully warranted.

Capital expenditure

DONG's oil and gas exploration and production take place on the Danish, Norwegian, UK and Faroese continental shelves. In Greenland, DONG is participating in exploration via its 50 per cent stake in Nunaoil. The other 50 per cent is owned by the Greenland Home Rule. The strategy to increase DONG's production and reserves implies investment in producing fields, fields under development, and exploration. DONG expects to participate in nine exploration wells in 2004, primarily in the Danish sector. The development of Nini and Cecilie will continue with drilling of production wells as well as injection wells.

DONG continuously explores possibilities for acquisition of licence shares that will add to the Group's future production and exploration while at the same time satisfying the Group's rate-of-return requirements and the objective concerning securing own gas reserves.

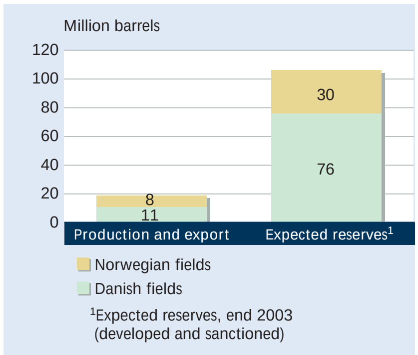
Core competencies

DONG's 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.

DONG gives high priority to flexibility and dynamism to enable it to exploit and create value in marginal fields and on development projects. The basis for these activities is a fast, efficient decision-making process, ensuring profitable, competitive operation.

The main exploration and production competencies are:
- Exploration and reservoir technology know-how.
- Technical expertise within drilling, development, operation and maintenance of offshore production installations and pipeline systems.
- In-depth insight into production and sale of oil and gas.
- Extensive knowledge of environmental and safety matters.

DONG's reserves - oil equivalents 2003



Gas trading activities

Initiatives, challenges and objectives

In 2003 DONG's activities within gas trading were influenced mainly by preparations for the complete gas market opening. The purpose of these activities was partly to retain as many as possible of DONG's existing customers, and partly to secure a good foothold in new markets. Key initiatives in 2003 included the following:

- Gas customers were offered new price and service products.
- The industrial and residential markets were offered new energy products.
- Preparations for the full market opening, with free choice of gas supplier for all gas customers as from 1 January 2004.
- Trading in international gas markets.

In September 2002 the Government decided that the complete opening of the Danish natural gas market was to be effective as from 1 January 2004. Until 1 August 2003, 30 per cent of the market – in volume terms – had a free choice of supplier. During the remainder of 2003, 38 per cent had a free choice of supplier, implying that the just under 60 Danish companies and CHP stations constituting Denmark's largest gas consumers in 2003 were comprised by the market opening. After 1 January 2004 all Danish gas customers are eligible to choose their gas supplier.

Denmark thus already satisfies the main requirements in the revised Gas Directive, which came into effect in the EU in August 2003, and Denmark is one of the EU countries that has made the most headway in the process of liberalisation. The EU does not stipulate complete market opening until 1 July 2007.

In April 2003 the European Commission's investigations in relation to DONG's gas purchase agreements with DUC concluded in DONG entering into a pro-competitive agreement with the European Commission going beyond the Gas Directive. Under the agreement DONG must publish a set of rules by 1 January 2004 laying down the framework for third-party access to DONG's offshore pipeline network. DONG published the main access terms in September 2003.

The market opening meant that all of the just over 320,000 natural gas customers in Denmark became eligible to choose their supplier from 1 January 2004. In 2003 a number of DONG's customers chose to switch to alternative suppliers from 1 January 2004. However, a substantial part of the gas trading contracts that were put out to tender in 2003 were won by DONG, and DONG signed contracts with many new customers for supplies commencing in 2004. This demonstrates that DONG's pricing and services are competitive in the market.

Overall, DONG achieved direct sales of about 3 billion m^3 to end customers in the Danish gas market in 2003. This corresponds to a share of about 70 per cent of the end-customer market.

The competition for customers in the energy market is expected to intensify still further following the full market opening. Besides the many existing players in the Danish energy market, a number of the powerful international energy groups are offering natural gas to customers in the Danish market. DONG is therefore expected to lose market shares in the Danish market in the years to come.

It is DONG's objective to remain Denmark's leading natural gas supplier. To make up for the loss of customers in the Danish market, DONG has expanded its home market to include the neighbouring countries as well. Contracts signed by DONG in 2003 against this background included a contract with the Swedish energy company Göteborg Energi AB for annual natural gas sales of 150 million m^3 until 2005. Göteborg Energi AB is DONG's first end-customer in the Swedish market. This cooperation was cemented still further at the start of 2004 with the conclusion of a supply contract for 350 million m^3 natural gas per year in the period 2005-2011, primarily for the planned Rya CHP station near Gothenburg (Göteborg).

DONG has also contracted with Öresundskraft AB in Helsingborg in Sweden for supplies of 65 million m^3 natural gas per year in the period 2005-2008.

New sales activities in Germany and the Netherlands

DONG stepped up its sales activities in Germany and the Netherlands in 2003, selling to these markets the surplus quantities from the Danish market resulting from the loss of market shares. The supplies to the Dutch market will commence in 2004 once the new

DONG's customers value our advice on energy.
Here, an adviser calls on Novo Nordisk.

DONG concludes new gas supply contract with
the Comwell Holte hotel, spa and conference centre.

pipeline to the Nogat pipeline system is operational.

DONG has established a trading unit that will be responsible for trading on the European gas trading hubs and exchanges to underpin the new activities in Germany and the Netherlands.

Capital expenditure

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 whether taking it or not. 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. Together with Mærsk Olie og Gas, Shell and ChevronTexaco (DUC), DONG is establishing an offshore pipeline from Tyra to the Dutch Nogat pipeline that connects the F3 field with Den Helder on the Dutch coast. The establishment of the gas pipeline is proceeding according to plan and is scheduled for completion in 2004.

Core competencies

Within energy trading DONG today boasts the necessary competencies to make it an integrated energy company. The primary competencies are:

- Negotiation and conclusion of purchase, sales and transportation contracts in the natural gas area.
- Optimisation of natural gas portfolios.
- Marketing and sale of natural gas and other energy products in the end customer market.
- Conclusion and maintenance of strategic partnerships.
- Product development in dialogue with customers and to meet with tomorrow's needs.
- Risk management.
- Immediate reaction to new business opportunities.

Renewable energy activities

Initiatives, challenges and objectives

DONG aims to develop its renewable energy production in the years ahead. In 2003 DONG's key initiatives within renewable energy in 2003 were as follows:

- Partner with a 30 per cent share in Nysted Offshore Wind Farm, which became fully operational in 2003. Nysted Offshore Wind Farm generates sufficient electricity to supply 110,000 single-family homes.
- The Metropolitan Geothermal Alliance (HGS) decided to establish a geothermal plant on Amager. DONG is the operator of the geothermal part.
- Acquisition of 37.5 per cent of the shares in Barrow Offshore Wind Limited, which owns the rights for the construction of a 90-108 MW offshore wind project off Barrow-in Furness on the UK west coast. The offshore wind farm will comprise about 30 wind turbines with a capacity of 3-4 MW each and is expected to be completed in 2005. DONG is the operator. The wind farm will be one of the largest ever wind farm projects in the UK.
- Consent from the UK authorities to utilise the wind energy in an area close to the Barrow project – off Walney Island. A 450 MW offshore wind farm can be built on this site. DONG is the operator of this licence.

Core competencies

The renewable energy activities will be increasingly important to DONG's earnings, as the installed capacity of about 71 MW at the end of 2003 is already generating annual revenue in excess of DKK 100 million. The future capital expenditure programmes will boost revenue still further. The main competencies underpinning this development are as follows:

- Practical experience in construction and operation of onshore and offshore wind farms. This capability, coupled with DONG's long-standing project management experience on large offshore oil and gas exploration and production projects, is a vital asset and the reason why DONG has made the development of offshore wind farms its primary focus area within renewable energy.
- Environmental and safety expertise on offshore projects based on experience from DONG's exploration and production activities.
- Extensive experience and know-how within new energy technologies, including considerable competencies within the establishment of geothermal plants.

The wind power experts develop new ideas.

Employees at Nybro Gas Treatment Plant help maintain DONG's high safety level.

Electricity activities

At the beginning of 2003 DONG acquired 65.6 per cent of the shares in EnergiGruppen Jylland (EGJ) in Herning. With this acquisition the Group gained valuable knowledge about electricity and heat supply.

EGJ consists of a parent company and six underlying operating companies. Since its partial acquisition by DONG, EGJ has restructured its administration. Three of the operating companies cover the supply areas: electricity, water and heat. Another two are production companies that base their production on incineration and bio gas, respectively. The final one is a service company comprising a meter laboratory and a department undertaking tasks related to for example road lighting. As operating companies under EGJ they all benefit from joint, efficient administration.

EnergiGruppen Jylland is a well-run energy company with a satisfactory financial performance for 2003. Through its co-ownership of EnergiGruppen Jylland, DONG is building up valuable experience within operation of CHP stations, supporting DONG's strategy within the electricity area.

Transmission, distribution and storage activities

Initiatives, challenges and objectives

The key initiatives within DONG's transportation and storage activities in 2003 were as follows:

- Establishment of market model, agreements and IT systems for the full gas market opening on 1 January 2004.
- Ongoing adjustment of terms and conditions for transportation and storage of gas in DONG's infrastructure systems.
- DONG Transmission take-over by the State on 1 January 2004.

Under the heading 'Gasmarked 2004' (Gas Market 2004) DONG Transmission, DONG Distribution and the regional distribution companies have been cooperating closely on market model, IT systems, etc., for the market opening.

DONG Transmission aligned the rules in 2003 so that the system is now to a greater extent administered in accordance with the wishes of the players in the gas market. This makes the Danish transmission system one of the most simple and flexible transportation systems in Europe.

In collaboration with the regional distribution companies, DONG Distribution has established a market model for distribution, including distribution terms for transportation, change of supplier, etc.

From 1 January 2004 all Danish natural gas customers can freely choose their gas supplier. Customers wishing to switch supplier at that date had to notify DONG no later than one month in advance. Within DONG Distribution's area a number of large customers have signed agreements with new suppliers. Customers accounting for about 11 per cent of the gas quantities transported by DONG Distribution changed their supplier on 1 January 2004. This is slightly more than the average for all Danish distribution systems, which was eight per cent.

The market opening also affected DONG Lager (Storage) in 2003. Besides DONG Transmission, which uses the storage facilities for emergency supplies and system balancing, there are now four companies outside the DONG Group that have purchased gas storage capacity.

In 2003 the Danish Energy Regulatory Authority reviewed the access terms to DONG's storage facilities. The Regulatory Authority concluded that the overall rules governing access to DONG's storage facilities were reasonable. It was agreed in that connection that from 1 October 2003, DONG must publish descriptions of terms and principles in connection with negotiation of individual storage capacity agreements.

Capital expenditure

The programme of major national expenditure on the gas network is largely complete. In the years ahead the natural gas network will be developed in step with the influx of new customers only, and capital expenditure on development is therefore expected to be limited in the coming years.

As a consequence of the liberalisation, the new corporate structure necessitates investment in new activities in the companies such as handling of change of supplier, billing for use of the infrastructure, etc., and this implies relatively heavy investments in IT systems.

Core competencies

The future earnings potential within storage facilities and distribution depends to a great extent on the framework and terms established by the authorities. The key competencies centre on:

- Development and handling of market models and agreements between the parties in the market that create a well-functioning framework for a competitive natural gas market and commercially driven terms for DONG's distribution and storage activities.
- Insight into tariff and regulatory matters.
- Operation and maintenance of pipelines and storage facilities.
- Development and operation of IT systems.
- Insight into safety and environmental matters.

Activities within pipeline oil transportation

The future earnings potential within oil transportation in the oil pipeline depends primarily on the framework and terms laid down by the Danish Parliament (Folketing). Here, the earnings are based on the quantities of oil transported, and earnings therefore depend on the value of the oil transported in the oil transportation system.

In connection with the North Sea negotiations, which were concluded in 2003, the State signed an agreement with the sole concession holder, which is the largest user of the oil pipeline, for an extension of the sole concession until 2042. Under the agreement DONG's subsidiary DONG Olierør's profit margin of five per cent of the value of the transported quantity of oil will cease in 2012, and decommissioning costs will now have to be borne by DONG.

DONG's core competencies within oil transportation centre on:

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

Corporate governance

Corporate governance is based on the Supervisory Board and its relationship with shareholders, society and the Executive Board. In Denmark the recommendations of the Nørby Committee and the Copenhagen Stock Exchange represent good corporate governance.

Although its recommendations are aimed at listed companies, the Nørby Committee suggests that they should also be complied with by State-owned public limited companies when relevant.

DONG endeavours to ensure that the company's objectives and the overall principles and structures that regulate the interaction between the management bodies, the owners and the company's other stakeholders are compatible with good corporate governance at all times. DONG's Supervisory Board

DONG offers residential customers energy advice at the Energy Centre at Energi Horsens.

thus carries out an annual corporate governance review in DONG in relation to 'best practice' in the area, including the Nørby Committee's recommendations, which are largely complied with.

The Supervisory Board ensures that DONG's Executive Board respects the stakeholders' roles and interests in accordance with DONG's policy on this. A special area for DONG is environmental, health and safety policies. DONG prepares a separate annual Health, Safety and Environmental Report, which is available on www.dong.dk. Stakeholder relations are regularly reported on to the Supervisory Board.

Under the communication policy established by DONG's Supervisory Board the public is informed via DONG's website, press releases and half-yearly interim reports, which from 2004 will be extended to quarterly reporting. DONG's annual report is prepared in accordance with the provisions applying to listed companies.

The Supervisory Board of DONG A/S determines and follows up on the overall objectives and strategies and is responsible for the appointment of a qualified Executive Board. Performance-related bonus schemes will be effective for DONG's management as from 2004. Partly on the basis of the Nørby Committee's recommendations, the Supervisory Board prepared detailed instructions for the Executive Board in 2003, including procedures and guidelines for the Executive Board's reporting to the Supervisory Board. The Supervisory Board also set up a pay and compensation committee. A total of 14 meetings of the Supervisory Board were held in 2003.

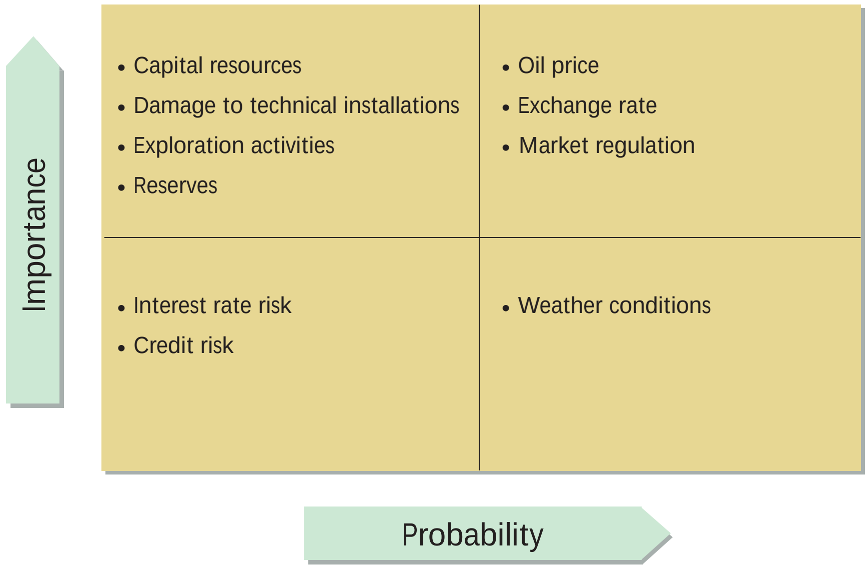
In 2003 DONG upgraded the priority given to risk management. The Supervisory Board established a risk policy for all relevant circumstances based on a proposal from the Executive Board. DONG regularly reviews its risk management in cooperation with its auditors.

Risk management

DONG actively seeks to alleviate and reduce the risks within its control.

DONG's activities mean that the Group's earnings, capital expenditure and financing are subject to a number of commercial and financial risks. DONG therefore regularly reviews identified risks and associated risk policies to maintain an appropriate balance between the risk exposure and DONG's activities.

The figure illustrates the main risks related to DONG's activities, ranked by importance and probability of the risk materialising before it has been hedged.



Commercial risks

DONG is exposed to various commercial risks. The most important ones of these are:

- Risks resulting from market regulation, including the gas market liberalisation. DONG's business areas are traditionally strongly regulated, both in Denmark and abroad. Regulatory changes may have an adverse effect on DONG's activities. DONG seeks to counter this risk by continuously keeping abreast of market regulation and regulatory matters.
- Risks related to exploration, including the extent of reserves. Oil and natural gas exploration and production entails heavy capital expenditure, and the reserves must warrant this spending in order to avoid DONG incurring a loss. The uncertainty related to reserves is fundamental, and DONG's response to this uncertainty is to carry out extensive analyses as part of its exploration activities as well as during ongoing production.
- Risks related to the weather – weather factors influence the demand for oil and natural gas and are also fundamental to DONG's wind power production.
- Damage to technical installations may have serious environmental and financial consequences. DONG counters this risk by applying stringent safety and quality requirements and by taking out insurance cover.

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 results and cash flows, and party to enable it to develop and offer its customers new price products on energy. The overall financial risk management framework has been laid down by the Supervisory Board. It is DONG's policy to identify and assess all material financial risks with a view to their inclusion in the risk management. To this end all financial risk management is gathered in DONG's Corporate Finance Department.

In 2003 DONG implemented a new risk policy based on more active hedging of the market prices that affect DONG's earnings. As part of its risk policy DONG actively manages market risks for up to five years ahead by concluding financial hedging contracts with a view to securing stable results and cash flows. 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.

DONG's operating profit may fluctuate considerably from year to year as a result of the development of the price

DONG's bustling Corporate Treasury & Risk Management Department.

of oil and USD, despite the oil price and USD exchange rate exposure having been significantly reduced. The reason for this is the so-called time lag effect, where DONG's purchase and selling prices for natural gas are adjusted at different time intervals, with the selling prices for example being adjusted on the basis of the previous month's market prices for USD and oil while the purchase prices are adjusted with a delay of up to 15 months. A change in the oil price and/or USD exchange rate in January may thus affect DONG's selling prices in February, but will not be felt on purchase prices till March of the following year. For that reason the effect of a change in primarily the oil price and the USD exchange rate may be felt in different years for purchase contracts and sales contracts, respectively. DONG's operating profit may thus fluctuate from year to year as a result of changes in the USD exchange rate and oil price, despite the risk having been largely hedged, as the fluctuations will balance each other out over a number of years.

Oil price risk

DONG's oil price risk relates primarily to the oil produced in DONG E&P and to the difference between purchase and selling prices for natural gas in DONG Naturgas. To this should be added new energy price products 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 the underlying oil types to reduce the risk of price fluctuations between the various types of oil. DONG primarily hedges the oil price risk by buying put options and by forward sale of oil. At the end of 2003 DONG had hedged a considerable part of each of the coming five years' oil price risk.

At Nybro Gas Treatment Plant distances are so large that employees often use a small electric car on inspection rounds.

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. DONG primarily hedges its currency exposure by using forwards and swaps and, to a lesser extent, purchased put options.

At the end of 2003 DONG had hedged a considerable part of each of the coming five years' USD exchange rate risk.

Interest rate risk

DONG's interest rate risk relates mainly to its loan portfolio, cash, including bonds, and concluded financial hedging contracts. The interest rate risk is managed in relation to DONG's net financing requirement, with the interest rate risk being adjusted to the current need for loan finance.

To reduce its interest rate exposure DONG has swapped its loan portfolio from floating-rate loans to longer-term fixed-rate loans, while at the same time reducing the interest rate risk on its cash funds, including its bond portfolio.

At the end of 2003 the net interest rate risk was calculated as an approximately DKK 118 million change in the market value of interest rate-dependent items in the event of a one percentage point interest rate increase.

Credit risk

DONG has tightened its focus on credit risk management in the light of the gas market liberalisation and the increase in financial contracts. To this end internal counterparty credit lines have been established (commercial as well as financial) along with structured follow-up on the current counterparty exposure. DONG typically establishes counterparty credit lines by reference to credit ratings from external rating agencies.

Cash flow risk and capital resources

One of the main financial management tasks is to secure sufficient, flexible financial resources in relation to the day-to-day operations and implementation of DONG's strategy. To this end internal management objectives have been set up for the extent of the capital resources, taking into account factors such as DONG's debt maturity profile.

DONG's capital resources consist primarily of cash and a number of committed and uncommitted credit facilities. The existing committed facilities have been taken out for one year at a time.

Finance

At the end of 2003 the Group had total interest-bearing debt of DKK 6,296 million with an average remaining maturity of 3.7 years, up 1.1 years on 2002. This is mainly due to raising of new loans and to debt having been refinanced to longer-term loans.

The DONG Group reduced its total liabilities by DKK 623 million in 2003, making repayments to the tune of DKK 1,657 million and raising new loans of DKK 1,034 million. The new loans were established with multilateral institutions and in the form of mortgage credit loans.

New financing is basically raised by the parent company and then distributed to the individual business areas in the form of intra-Group loans and equity.

In 2003, at the lender's request, DONG extraordinarily repaid the remaining DKK 400 million of a subordinated loan provided by the State in 1999 in connection with the acquisition of Naturgas Syd I/S.

In connection with the unbundling of DONG Naturgas A/S, its debt and financial contracts were distributed among the new, continuing companies. The loans existing at the time of the unbundling were transferred to the newly formed companies.

At the end of 2003 DONG had liquid resources of DKK 3,610 million, consisting primarily of fixed-term deposits with banks and liquid Danish listed government and mortgage credit bonds. DONG's liquid resources, coupled with a number of committed irrevocable credit facilities, provided it with the necessary financial resources for investment in connection with the implementation of its strategy, primarily for use in making acquisitions.

Management’s review

IT systems

The development of DONG’s business calls for adjustment of the Group’s IT systems. Especially the process of liberalisation within the natural gas market required major IT expenditure in 2003. IT projects were also implemented within exploration and production in 2003.

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

In connection with DONG’s 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 decided to introduce SAP’s standard solution for the offshore industry to supplement its existing SAP package. The system was in place in 2003, and sub-projects have been implemented in continuation of it to support the production from the Siri platform and DONG’s activities in Norway.

The new SAP solution provides a good basis for the expansion of the operator activities.

The modification of DONG’s SAP system to enable it to respond to the official requirements concerning unbundling into independent companies with arm’s length separation with respect to information was put into operation at the turn of the year. In 2003 this was followed by a project for handling change of supplier and market opening for the just under 100,000 natural gas customers with annual meter reading. This solution became operational at the start of 2004. The project enables DONG to exchange information with the other players in the gas market electronically and features billing functionality between these players. This solution means that DONG’s customers receive more detailed bills.

As a further consequence of the market opening, DONG invested substantial resources in 2003 on establishing an Internet-based customer portal. The customer portal, which gives the customers online access to, for example, consumption and billing data, will be taken into use in spring 2004.

DONG is a knowledge-intensive company for which the accessibility and storage of data is extremely important, especially in relation to technical documents. DONG therefore strengthened this area in 2003 by introducing a new document handling system.

DONG’s IT expenditure is to a great extent driven by regulatory changes and market/commercial changes. DONG has a well-defined, detailed policy on IT security. In 2003 DONG carried out a detailed mapping of its business-critical systems, and has now prepared special policies, contingency plans and emergency procedures for precisely these systems.

The Siri platform in the North Sea.
From here, oil from both the Siri,
Nini, Stine and Cecilie fields is exported.

DONG's customer service centre in Vejen handles a great number of customer calls every single day.

Human resources

Organisational development

DONG's organisation has been regularly aligned to enable it to handle the challenges and demands resulting from developments in the energy market.

Three major restructuring exercises were carried out in 2003:

- In May 2003 DONG carried out a major restructuring of the organisation with the principal aim of ensuring the transmission activities the separation from DONG's other infrastructure activities that is natural in relation to the separation of ownership of the Transmission activities from DONG on 1 January 2004.
- In October 2003 DONG Transmission's organisation was adapted to this situation.
- In November 2003 a major restructuring was carried out within the business area Trade with the aim of ensuring tighter organisational focus on the activities that will become essential in the future. At the same time the management of the Distribution and Storage activities was separated from that of DONG's other activities.

In addition, an efficiency improvement project was implemented in the staff and administrative area in spring 2004.

Values and management

Now that DONG's activities have become increasingly diversified and the management of them increasingly based on decentralisation and delegation, different management tools are called for.

DONG's management is therefore increasingly being based on a formalised system of management by objectives. Following the Group's annual strategy review, objectives are prepared for the

Group and then for each business area. The objectives are then broken down by function and department and form the basis for the budget.

DONG has established new internal management development and management training, based in part on DONG's values. Depending on their experience and position, managers are offered a choice of three different management development courses.

DONG regularly carries out job satisfaction surveys. The latest survey was conducted at the end of 2002. As in 2001, the overall result was that the employees view DONG as a good workplace with respect to job satisfaction and loyalty.

DONG wishes to promote a healthy lifestyle for its employees and therefore tries to offer good possibilities for exercise, healthy canteen food, etc.

DONG feels responsible for offering its employees increased security in connection with accidents or illness. At the same time it is an advantage for DONG as an employer if an employee who has had an accident or been ill regains fitness as soon as possible. DONG therefore has

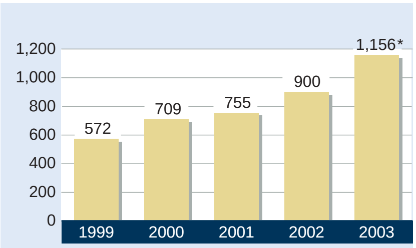
- full-time accident insurance for its employees
- critical illness insurance, entitling employees to a lump sum in the event of particular, critical illness
- health insurance entitling employees to private hospital treatment, etc.
- a pension scheme for all employees, including insurance cover in the event of loss of the capacity to work.

It is DONG's declared policy that employees with a certain seniority can have their job function changed if they are having difficulty coping with their existing job due to age or illness and if this is generally compatible with DONG's needs.

Employee statistics

DONG had 1,156 employees at 31 December 2003, up from 900 in 2002. The increase in the number of employees reflected DONG's acquisition of a shareholding in EnergiGruppen Jylland, which has 157 employees, and the increased level of activity, especially within exploration, production and trading, in 2003.

The DONG Group
Number of employees at year end



*Including employees of EnergiGruppen Jylland.

Employee turnover, age and seniority

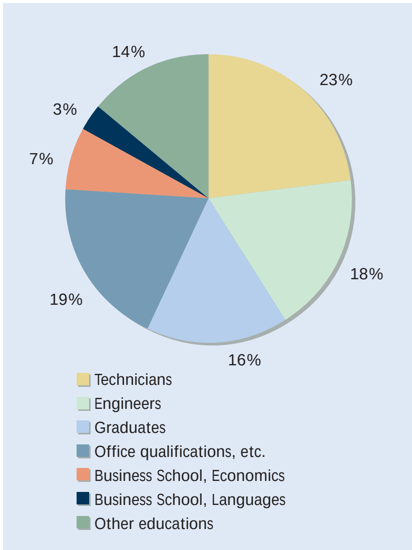
Employee turnover in 2003 was 4.9 per cent versus 5.3 per cent in 2002. The reason for the relatively low turnover was the continued expansion of DONG's activities and the resulting increase in the number of employees.

Furthermore, the average age of DONG's employees fell slightly to 43 compared with 44 the year before. The same applies to average seniority, which is now just over 9 years compared with 10 the year before. This mainly reflects the increase in the number of employees.

Absence due to illness

In 2003 registered absence due to illness at DONG was 1.7 per cent, which is very low. According to statistics from the Danish Employers' Confederation, absence due to illness in Denmark as a whole was 3.9 per cent in 2002. DONG makes every effort to provide a working environment that results in the lowest possible absence due to illness.

The DONG Group
Educational background 2003



DONG's QHSE activities

The Group strengthened its quality, health, safety and environmental activities still further in 2003. DONG carried out its activities without serious accidents in 2003, despite, for example, the large construction projects on the Nini and Cecilie fields in the North Sea.

Occupational injury statistics for DONG
(number of injuries leading to absence, per million working hours)

	1999	2000	2001	2002	2003
Lost time injury frequency, DONG employees	3.7	3.8	4.8	2.8	4.4
Lost time injury frequency, DONG contractors	2.3	5.3	6.2	6.7	5.0
Lost time injury frequency, DONG total	3.2	4.3	5.3	4.6	4.7
Lost time injury frequency, Denmark*	**	14	13	13	**

*Figures from the Danish Working Environment Authority.
**There are no data for 1999, and data for 2003 are not yet available.

The environmental picture in connection with DONG's activities changed in 2003. Ownership of, for example, a waste incineration plant and a biogas plant has brought new environmental challenges, as the environmental aspects differ from those of DONG's other activities. The large offshore construction projects in 2003 have also contributed to changing the environmental picture.

In 2003 DONG decided to step up its efforts to integrate and coordinate its quality, health, safety and environmental work across the organisation. The Group's resources within these areas were brought together in a corporate staff function, ensuring optimum utilisation of the Group's competencies and optimum coordination and exchange of experience.

The number of occupational accidents at DONG is low compared with the average for Danish industry. DONG adheres to the principle that all accidents can be prevented and will continue its efforts to reduce the number of accidents. As a tool for this, DONG decided in 2003 to introduce a corporate reporting system for unwanted events within quality, health, safety and environment. The system will also cover near-misses and will handle quality, health, safety and environmental events together as such events are predominantly due to lack of understanding and planning, and the corrective measures often affect the same action areas irrespective of the type of event.

Health, Safety and Environmental Report

As in previous years DONG has prepared a separate Quality, Health, Safety and Environmental Report. The aim is to describe all matters in which DONG's activities affect quality, health, safety and the environment. The report is available on DONG's website (www.dong.dk), along with the four statutory environmental accounts for the Group's facilities in Stenlille, Lille Torup, Nybro and Fredericia. The report describes DONG's general policy/vision within quality, health, safety and the environment in greater detail.

Quality

In 2003 DONG improved the efficiency of its quality management system at corporate level, adding to its quality, health, safety and environmental policy (QHSE policy) 21 general 'QHSE Corporate Requirements'. The requirements establish the rules for organisation of all activities in the Group, so that the Group's QHSE policy is maintained and strengthened. Procedures at operational level can therefore be delegated to the subsidiaries.

DONG's technical functions have had ISO 9001 certified quality management systems since 1991. In addition to ISO 9001, DONG E&P is developing certified environmental management systems (ISO 14001) and occupational health and safety management systems (OHSAS 18001).

Safety

In 2003 there were seven occupational accidents leading to absence among DONG employees and eight occupational accidents leading to absence among the contractors working directly for DONG. The occupational accident frequency rate is shown in the table above, benchmarked against the frequency rate in Danish industry (calculated on the basis of the Danish Working Environment Authority's figures).

Safety reports

Four of DONG's natural gas installations are regulated in accordance with the rules for high-risk enterprises. DONG updated the safety reports for these facilities and delivered them to the authorities in 2003. One report has already been approved and three are

Employees from Offshore Pipeline heading out in the North Sea to inspect offshore pipelines.

still being considered, with approval expected in 2004.

During the updating of the safety reports, DONG identified a number of areas where safety could relatively simply be improved still further, and where the environmental impact in the event of accidents could be reduced correspondingly. DONG is continuing its work on these possibilities for improvement.

Environment

DONG affects the environment through a number of activities. The most important environmental impacts stem from DONG's activities within oil and gas production and transportation.

The impacts in question are:

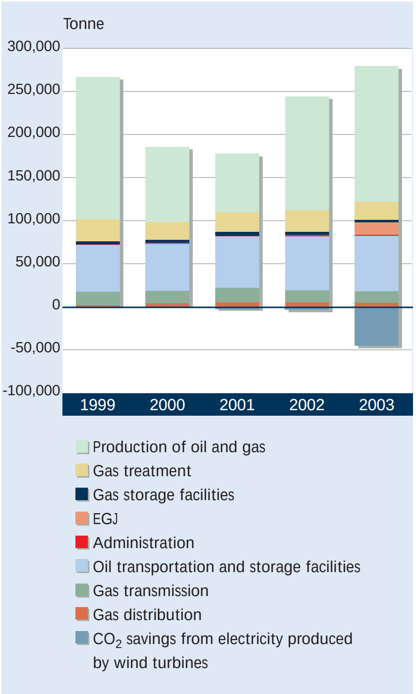
- Emission of CO_2 and other greenhouse gases (methane and volatile organic compounds – 'VOC').
- Discharge of chemicals in connection with drilling of wells.
- Discharge of production and ballast water containing oil resulting from oil and gas production.

EnergiGruppen Jylland's activities are not yet included in the assessment of the most important impacts. For example, the waste incineration plant produces emissions of dioxin, NO_X and SO_2, and solid waste in the form of ash, which has to be disposed of. DONG is working on integrating these new activities and will evaluate their environmental impacts in greater detail in 2004.

Overall, the environmental impact from DONG's activities increased in 2003 in step with the level of activity.

The development in DONG's emissions of greenhouse gases broken down by the Group's various activities is shown on next the page (DONG's environmental accounts reflect DONG's pro rata share of the activities in question. Minority holdings in indirectly owned companies are not included). DONG's production of wind energy provides an increasing balance against DONG's CO_2 emissions.

Emission of CO_2-equivalents (tonne)
In all 279,235 tonnes, including 241,296 tonnes in Denmark

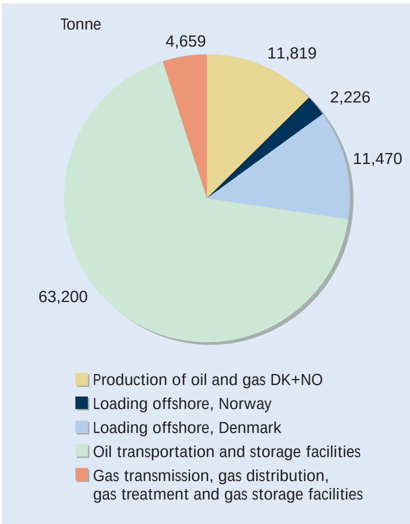


DONG's emissions of greenhouse gases increased in 2003, primarily reflecting the start-up of production on the Nini and Cecilie fields, which resulted in increased flaring of gas during a transitional period pending the installation of a new gas injection compressor. Following this, the Siri platform can be operated with low CO_2 emissions considering the hydrocarbon production volume.

DONG reduces its emissions of CO_2 and other greenhouse gases in a variety of ways. Firstly, DONG is making a targeted effort to reduce its own greenhouse gas emissions, which currently account for about 0.4 per cent of Denmark's total greenhouse gas emissions. Secondly, DONG is promoting the use of natural gas instead of coal and oil, and, lastly, DONG is working on promoting CO_2-neutral energy production, especially wind power, geothermal energy and bio-fuels.

DONG has been attentive to VOC emission in recent years because VOC can harm the local environment and contribute to the greenhouse effect. VOC accounts for just over one third of DONG's total greenhouse emissions (calculated as CO_2 equivalents). Just under 70 per cent of DONG's VOC emission stems from the crude oil terminal in Fredericia and almost 15 per cent from loading crude oil offshore.

DONG's VOC emission in CO_2 equivalents



At the crude oil storage facility in Fredericia a project has been initiated that is expected to lead to reduction measures in 2005. DONG E&P have signed a contract with a new shipping company that will freight the crude oil from the Siri platform from June 2004. The tankers

have been modified to emit up to 80 per cent less VOC than traditional tankers.

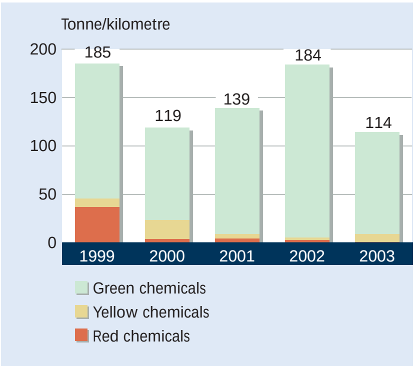
To reduce discharge of chemicals in connection with drilling of offshore wells, drilling mud is reused, and contaminated drill cuttings are taken to the shore for decontamination. At the same time DONG consistently uses the most environment-friendly chemicals to minimise discharge of environmentally harmful chemicals to the sea.

The figure on page 35 shows the discharge of chemicals in the period 1999-

Safety briefings are an important part of everyday life on the Siri platform.

2003. To adjust for the large differences in activity from year to year, the emission is shown in relation to the number of kilometres drilled. The discharge per kilometre fell in 2003. The discharge of environmentally harmful chemicals (red and yellow columns) has been reduced during the period.

Total discharge of chemicals per kilometre drilled



During offshore production of oil and gas, water is produced from the reservoir. The water is cleaned on the production platform before being disposed of, primarily by reinjection into the reservoir. The alternative is to discharge it to the sea. The process plant on Siri was improved in 2003 to facilitate water reinjection. In 2003 the produced water was cleaned to about 16 mg oil per litre, which is well below the limit value of 40 mg oil per litre.

With the acquisition of EnergiGruppen Jylland in 2003, DONG has taken over a number of activities with environmental perspectives that are new to DONG. The environmental impacts from these activities need to be assessed with a view to action planning. This applies, for example, to waste incineration plants, where flue gases have to be cleaned and ash disposed of safely. During incineration of waste, dioxin forms, which is emitted with the flue gas. A reduction in the limit value for discharge of dioxin was introduced in 2002. For EnergiGruppen Jylland's Knudsmoseværk in Herning this means that an improved flue gas treatment plant must be established.

The commitment to CO_2-neutral forms of energy was escalated in 2003 by commissioning of new wind farms in Denmark, which have a capacity corresponding to the electricity consumption of about 150,000 single-family houses. DONG was also awarded wind turbine licences in the UK for even larger offshore wind farms.

DONG is also the operator of the geothermal demonstration plant on Margretheholm in Copenhagen. A decision has been made to build a plant here which has a capacity corresponding to the heat consumption of 5,000 households.

Result and equity

The Group delivered a profit of DKK 1,941 million for 2003 compared with a profit of DKK 1,476 million in 2002. Group equity increased by DKK 1,476 million (2002: DKK 1,252 million), standing at DKK 16,131 million at 31 December 2003. To this should be added undistributable reserves of DKK 663 million in regulated enterprises.

The profit for 2003 exceeded the most recently announced expectations expressed in the interim report for 2003. The profit benefited from efficient USD and oil price hedging and from an unrealised pre-tax DKK 475 million gain on the Group's portfolio of shares in NESA A/S, and was depressed by a pre-tax DKK 160 million impairment charge on operating assets in DONG Olierør A/S.

Special factors in the annual report

Unbundling of DONG Naturgas A/S

DONG Naturgas A/S was unbundled into seven newly formed companies in 2003. The unbundling was based on the requirement in Act No. 449 of 31 May 2000 on Natural Gas Supply as amended to the effect that a number of PSO activities must be carried on in independent legal entities from 1 January 2003.

The unbundling was based on the audited balance sheet at 31 December 2002 of DONG Naturgas A/S. DONG Naturgas A/S ceased in connection with the unbundling, but one of the new companies formed in connection with the unbundling has the name DONG Naturgas A/S.

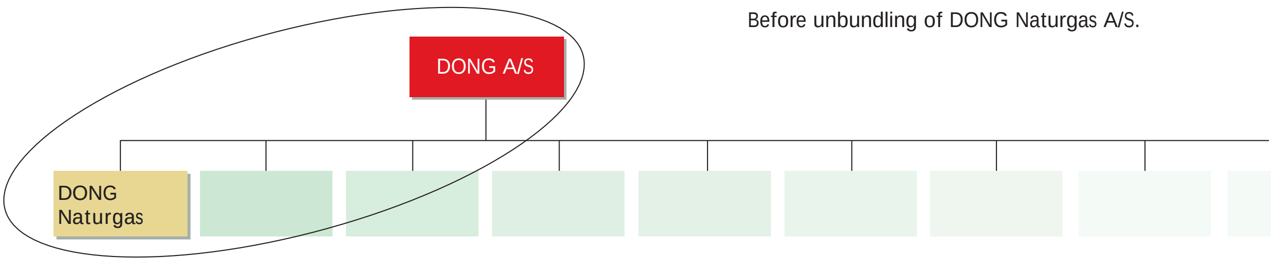
The unbundling was effected as a tax-free unbundling in accordance with the rules of the Danish Merger Taxation Act. The unbundling took place on 19 June 2003 effective as from 1 January 2003.

The figure below shows the changed corporate structure.

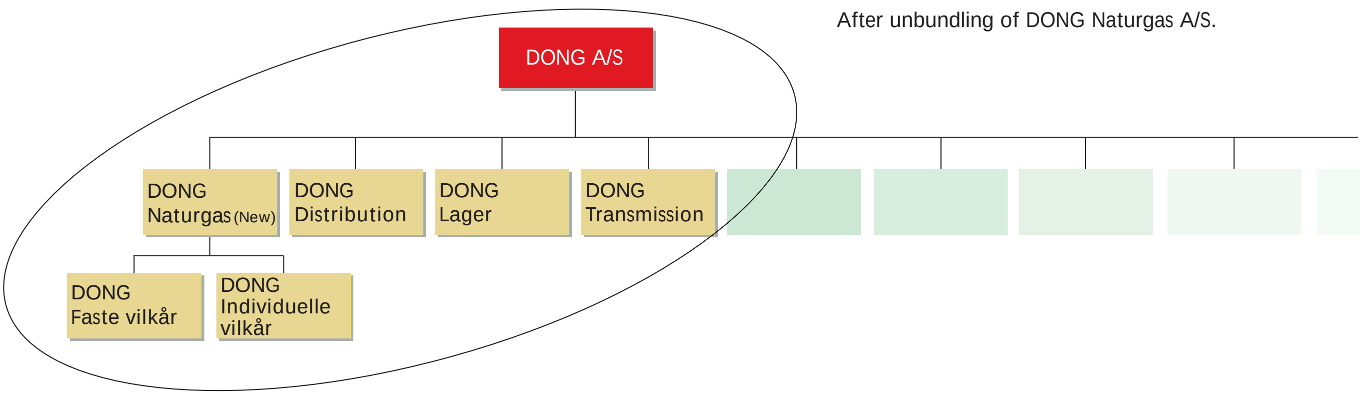
Following the unbundling, the companies DONG Faste Vilkår and DONG Individuelle Vilkår have been placed as subsidiaries of DONG Naturgas by a tax-free share exchange.

DONG Ejendomme A/S has subsequently merged with DONG A/S.

Before unbundling of DONG Naturgas A/S.



After unbundling of DONG Naturgas A/S.



Gas trading requires
both paper and electronics!

Acquisition of EnergiGruppen Jylland (EGJ)

DONG acquired 64 per cent of the shares in EnergiGruppen Jylland A/S from Herning Municipality in 2003, and subsequently acquired a further 1.6 per cent from eight other municipalities. DONG accordingly holds 65.6 per cent of the shares in the company, and Herning Municipality holds 34.4 per cent.

The acquisition has been accounted for applying the purchase acquisition method. The purchase agreement implies substantial conditional payments, primarily relating to undistributable reserves, with subsequent adjustment if the undistributable reserves can be transferred to distributable reserves as a result of the pending capital issues being resolved.

This acquisition contributed DKK 13 million to Group profit for 2003.

Acquisition of shares in UK offshore wind farm project

In 2003 together with the UK energy company Centrica and Norwegian Statkraft, DONG acquired shares in Barrow Offshore Wind Limited, which holds the rights for construction of a 90-108 MW offshore wind farm on the UK west coast. DONG's stake comes to 37.5 per cent, and DONG's share of the investment in 2003 was DKK 15.8 million.

Financial review

Shareholding in NESA

DONG's shareholding in NESA A/S amounts to 13 per cent. The shares are recognised in DONG's annual report at fair value. The net effect of the price development on DONG's profit for 2003 was DKK 475 million before tax.

Valuation of natural gas installations

As in previous years, a revaluation was carried out at the end of 2003 of the carrying amounts for the natural gas transmission system, the natural gas storage facilities, the natural gas distribution system and the offshore pipelines. The valuation is based on an estimate of future earnings from treatment, transportation, storage and distribution of natural gas. The natural gas system was written up by DKK 7.6 billion at the end of 1999.

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 five per cent. DONG reduced the tariffs but did not agree with the decision and therefore appealed it to the Danish Energy Board of Appeal. The Energy Board of Appeal delivered its decision in August 2003, referring the case for reconsideration by the Danish Energy Regulatory Authority. The Energy Board of Appeal established that the Danish Energy Regulatory Authority's calculation assumptions were somewhat low; however, the future method and determination of a reasonable level for the transmission tariffs have yet to be clarified.

In relation to DONG's gas distribution activities, the Danish Energy Authority has begun preparing a new Statutory Order governing revenue frameworks for natural gas distribution networks to regulate the future earnings of DONG Distribution A/S. The final content and implementation of this Statutory Order have yet to be clarified. In connection with the valuation of the networks it has been assumed that the final wording of the Statutory Order on revenue frameworks for distribution will be on terms that ensure the company a reasonable return.

Abandonment obligation in DONG Olierør

DONG's subsidiary DONG Olierør is regulated by the Danish Act on Oil Transportation. Costs for decommissioning of the company's technical installations in connection with DONG Olierør's operation have not previously been recognised as an obligation, as it was expected that the abandonment obligation would lie with the users of the pipeline. However, the agreement renegotiated in 2003 between the State and the users of the oil pipeline does not touch upon the question of abandonment costs, which means that these costs will have to be borne by DONG Olierør.

The State's new agreement with the concession holder also includes an agreement to the effect that DONG Olierør's profit margin of five per cent of the transportation revenue will cease from 2012.

Against this background a DKK 350 million provision for abandonment costs, calculated at present value, has been made in the annual report for 2003, and an impairment test has been carried out on the basis of the new revenue scenarios. Assets related to crude oil transportation have consequently been written down by DKK 160 million before tax.

Post-balance sheet events

DONG Transmission A/S

DONG A/S hived off the subsidiary DONG Transmission A/S to the Group's shareholder, the Danish State, at the start of 2004. The hiving-off was effected by a cash sale based on DONG Transmission's net asset value at 31 December 2003, DKK 1,130.6 million.

The purchase sum will be paid when the State has received dividend for 2003 from DONG A/S following adoption at the Annual General Meeting on 27 April 2004. It has been proposed that the dividend be increased by an amount corresponding to the purchase sum payable.

Erection of wind turbines,
Nysted Offshore Wind Farm.

An employee from EnergiGruppen Jylland (EGJ) inspects one of the company's transformer stations near Herning. DONG owns 65.6 per cent of EGJ.

Statement by the Executive and Supervisory Boards

The Executive and Supervisory Boards have today considered and approved the annual report for 2003.

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 of the Group's and the parent company's cash flows.

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

Hørsholm, 5 March 2004

Executive Board:

Anders Eldrup
(President and CEO)

Supervisory Board:

Sven Riskær (Chairman)	Lars Nørby Johansen (Deputy Chairman)	Svend Sigaard
Jørgen Einar Tandrup	Bent Stubkjær Pedersen*	Asbjørn Larsen
Jesper Magtengaard*	Thorkild Meiner-Jensen*	Jacob Heinsen

* Elected by the employees

Auditors' report

To the shareholders of DONG A/S

We audited the annual report of DONG A/S for the financial year 1 January - 31 December 2003.

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 did not result in any qualification.

Opinion

In our opinion, the annual report gives a true and fair view of the Group's and the Company's financial position at 31 December 2003 and of the results of the Group's and the Company's operations and the consolidated cash flows for the financial year 1 January - 31 December 2003 in accordance with the Danish Financial Statements Act and Danish Accounting Standards.

Copenhagen, 5 March 2004

KPMG C.Jespersen
Statsautoriseret Revisionsinteressentskab

Flemming Brokhattingen
State Authorised
Public Accountant

Keld Scharling
State Authorised
Public Accountant

PricewaterhouseCoopers
Statsautoriseret Revisionsinteressentskab

Carsten Gerner
State Authorised
Public Accountant

Jørgen Antonsen
State Authorised
Public Accountant

Basis of preparation

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

The consolidated and parent company financial statements have been prepared in accordance with the same accounting policies as last year.

Certain income statement and balance sheet items have been reclassified. Comparative figures for 2002 have been restated to reflect the changed classification.

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 DONG controls in other ways. Companies 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.

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

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

Investments in subsidiaries are offset against the proportionate share of the fair value of the subsidiaries' assets and liabilities at the date of acquisition or formation. The investments are subsequently eliminated against the proportionate share of the subsidiaries' net asset values.

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

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

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

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

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

Foreign currency translation

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

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

Gains and losses on hedging transactions in connection with purchases and sales of goods are recognised at the same time as and in the same entry 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 Other payables, respectively.

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

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

For derivative financial instruments that do not qualify for hedge accounting, changes in fair value are recognised in the income statement as Financial income or Financial expenses when they occur.

Impairment of assets

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

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

Impairment losses are recognised in the income statement.

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

Income statement

Revenue

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

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

Production costs, etc.

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

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

Sales and marketing

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

Management and administration

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

Other operating income and expenses

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

Profits/losses from investments in subsidiaries and associates

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

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

Financial income and expenses

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

Tax on the profit for the year

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

The parent company is jointly taxed with the Group's 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 Financial income and Financial expenses, respectively.

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.

Balance sheet

Intangible assets

Patents

Patents are measured at cost less accumulated amortisation and impairment.

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

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

Goodwill

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

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.

Accounting policies

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

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

Property, plant and equipment

Property, plant and equipment are measured at cost 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.

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

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

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

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

• Buildings	20 years
• Production assets:	
Natural gas transmission system	20 years
Natural gas distribution system	20 years
Natural gas storage facilities	20 years
Offshore pipelines	20 years
Geothermal plants	20 years
Distribution grid, electricity	10-50 years
Distribution grid, heat	10-50 years
Oil transportation system	15 years
Oil and gas production assets	Unit-of-production[1]
• Wind turbines	15-20 years
• Exploration	[2]
• IT hardware	3 years
• Other fixtures and fittings, tools and equipment	5 years
• Assets under construction	[2]

[1] Depreciated using the unit-of-production method based upon the estimated proved reserves by individual field.

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

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

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

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

Investments

Investments in subsidiaries and associates

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

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

Net revaluation of investments in subsidiaries and associates is transferred to 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, and dividend on investments, are recognised in the income statement as Financial income and expenses.

Inventories

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

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

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

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

The cost of other inventories is measured using the FIFO method.

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.

Other receivables

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

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

Income tax and deferred tax

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

Deferred tax is measured using the balance sheet liability method, providing for all temporary differences between the carrying amounts of assets and liabilities and the amounts used for taxation purposes; however, 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 Financial income and expenses.

Equity

Undistributable reserves

Undistributable reserves in regulated companies are accounted for as a separate reserve under equity. Undistributable reserves in regulated companies are the part of total equity that is distributable in accordance with separate legislation only (the Danish Electricity Supply Act, etc.) and thus may not be distributed to the shareholders in DONG A/S. Under the Electricity Supply Act, undistributable reserves may only be used for consolidation of the grid activities or for reducing the price of the company's services.

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).

Minority interests

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

Other provisions

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

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

Provision for removal of production plant is calculated as the present value of the expected future liability in respect of reinstatement and decommissioning as estimated at the balance sheet date. The amount recognised is determined on the basis of existing requirements and estimated costs, which are discounted to present value. These liabilities are recognised as they arise and are adjusted on a regular basis to reflect changes in requirements and price level, etc. The equivalent value of the provision is recognised as Property, plant and equipment and depreciated together with the relevant assets. Changes in provisions as a result of interest rate changes (interest rate level or maturity reduction) are recognised in the income statement as financial items.

Financial liabilities

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

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

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

Other payables

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

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.

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

Deferred income

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

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

Investment contributions comprise prepaid investment contributions from the consumers for electrical installations, other installations, etc. Investment contributions are recognised initially at cost, corresponding to the amount received. Prepaid investment contributions are recognised as income over the depreciation period for the electrical installations. Prepaid investment contributions relating to other installations are recognised as income over 30 years.

Cash flow statement

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

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

Cash flows from operating activities

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

Cash flows from investing activities

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

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

Cash flows from financing activities

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

Cash and cash equivalents

Cash and cash equivalents comprise liquid resources and short-term securities with a maturity of three months or less that are readily convertible to cash and are subject to an insignificant risk of changes in value.

Segment information

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

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

Fixed segment assets comprise fixed assets used directly in the segment's operating activities, including intangible assets, property, plant and equipment, and investments in associates.

Current segment assets comprise the current assets used directly in the segment's operating activities, including inventories, trade receivables, other receivables, prepayments and cash.

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

Ratios

The ratios shown under financial highlights have been calculated as follows:

Financial ratios

In connection with the calculation of financial ratios, the profit for the year and equity are calculated inclusive of undistributable reserves in regulated companies.

Financial ratios are calculated as follows:

EBITDA	Earnings before interest, tax, depreciation and amortisation
EBIT	Earnings before interest and tax

Gross margin $$\frac{\text{Gross profit x 100}}{\text{Revenue}}$$

Operating margin $$\frac{\text{Operating profit x 100}}{\text{Revenue}}$$

Return on average invested capital $$\frac{\text{Operating profit x 100}}{\text{Average invested capital}}$$

Return on equity $$\frac{\text{Profit after tax x 100}}{\text{Average equity}}$$

Equity ratio $$\frac{\text{Equity, year end x 100}}{\text{Total liabilities, year end}}$$

Current ratio $$\frac{\text{Current assets x 100}}{\text{Short-term liabilities other than provisions}}$$

Share ratios

In connection with the calculation of share ratios, the profit for the year and equity are calculated less undistributable reserves in regulated companies.

Share ratios are calculated as follows:

Cash Flow Per Share (CFPS) $$\frac{\text{Cash flows from operating activities}}{\text{Average number of shares}}$$

Earnings per DKK 100 share $$\frac{\text{Earnings after tax x 100}}{\text{Average share capital}}$$

Payout ratio $$\frac{\text{Dividend x 100}}{\text{Profit after tax}}$$

Dividend per DKK 100 share $$\frac{\text{Dividend x 100}}{\text{Share capital, year end}}$$

Net asset value per share $$\frac{\text{Equity, year end x 100}}{\text{Share capital, year end}}$$

The ratios are calculated in accordance with the Danish Society of Financial Analysts' 'Recommendations and Ratios 1997'.

Group income statement for the year ended 31 December 2003

DKK million	Note	2003	2002
Revenue	1	14,247.2	13,728.8
Production costs	2, 3	(10,436.5)	(10,400.1)
Gross profit		3,810.7	3,328.7
Sales and marketing	2	(239.5)	(207.8)
Management and administration	2	(295.4)	(270.9)
Other operating income and expenses	4	4.2	8.4
Profit before goodwill amortisation		3,280.0	2,858.4
Goodwill amortisation	5	(111.8)	(311.8)
Operating profit		3,168.2	2,546.6
Share of pre-tax profits of associates	11	24.1	25.3
Financial income	6	1,141.5	774.4
Financial expenses	7	(1,085.8)	(620.0)
Profit before tax		3,248.0	2,726.3
Tax on the profit for the year	8	(1,299.4)	(1,250.5)
Profit for the year		1,948.6	1,475.8
Minority interests' share of profit for the year	17	(7.2)	-
Group share of profit for the year		1,941.4	1,475.8
Transfer to undistributable reserves in regulated companies		*(8.4)*	-
Shareholders' share of profit for the year		*1,933.0*	*1,475.8*

Group balance sheet at 31 December 2003

DKK million	Note	2003	2002
Assets			
Goodwill		129.9	241.7
IT software		154.5	95.9
IT projects in progress		104.8	53.9
Intangible assets	9	389.2	391.5
Land and buildings		331.4	274.7
Production assets		20,253.1	19,137.4
Exploration		163.8	230.0
Other fixtures and fittings, tools and equipment		57.1	37.1
Assets under construction		1,290.8	363.3
Property, plant and equipment	10	22,096.2	20,042.5
Investments in associates		190.0	182.7
Other investments		1,906.7	529.0
Other receivables		74.8	77.8
Investments	11	2,171.5	789.5
Fixed assets		24,656.9	21,223.5
Inventories	12	409.5	502.4
Trade receivables	13	1,991.5	2,462.8
Receivables from associates		19.9	11.5
Income tax	21	283.3	0.0
Other receivables	14	1,667.7	945.2
Prepayments	15	371.8	129.5
Receivables		4,334.2	3,549.0
Securities		841.3	1,311.3
Cash		2,768.2	2,343.6
Current assets		8,353.2	7,706.3
Total assets		33,010.1	28,929.8

Group balance sheet at 31 December 2003

DKK million	Note	2003	2002
Equity and liabilities			
Share capital		2,143.6	2,143.6
Revaluation reserve		5,168.0	5,168.0
Retained earnings		6,913.5	6,903.7
Proposed dividends		1,905.5	440.0
Equity excluding undistributable reserves in regulated companies		16,130.6	14,655.3
Undistributable reserves in regulated companies		663.4	-
Equity	16	16,794.0	14,655.3
Minority interests	17	563.7	-
Deferred tax	18	4,102.4	4,092.2
Pensions	19	19.4	14.7
Other provisions	19	966.6	367.5
Provisions		5,088.3	4,474.4
Bond loans		500.0	500.0
Mortgage loans		1,249.6	503.8
Bank loans		2,088.3	3,854.2
Other long-term liabilities other than provisions		298.0	0.0
Long-term liabilities other than provisions	20	4,135.9	4,858.0
Subordinated loan from the Danish State		0.0	400.0
Mortgage loans	20	70.9	78.9
Bank loans	20	2,089.2	1,582.4
Trade payables		1,509.1	919.3
Income tax	21	0.0	274.1
Other payables	22	2,187.2	1,231.9
Deferred income	23	571.8	455.5
Short-term liabilities other than provisions		6,428.2	4,942.1
Liabilities other than provisions		10,564.1	9,800.1
Total equity and liabilities		33,010.1	28,929.8

Notes without reference	26, 27
Contingent liabilities	28
Related party transactions	29
Group structure	30

Group statement of changes in equity for the year ended 31 December 2003

DKK million

	Share capital	Revaluation reserve	Retained earnings	Proposed dividends	Undistributable reserves in regulated companies	Total
Equity at 1 January 2002	2,143.6	5,168.0	5,616.4	475.0	-	13,403.0
Dividends paid	-	-	-	(475.0)	-	(475.0)
Profit for the year	-	-	1,475.8	-	-	1,475.8
Foreign exchange adjustments, foreign companies	-	-	34.1	-	-	34.1
Value adjustments of hedging instruments	-	-	330.3	-	-	330.3
Tax on equity items	-	-	(99.0)	-	-	(99.0)
Reversal of value adjustments of hedging instruments from acquired companies at 1 January	-	-	(13.9)	-	-	(13.9)
Proposed dividends	-	-	(440.0)	440.0	-	-
Equity at 1 January 2003	2,143.6	5,168.0	6,903.7	440.0	-	14,655.3
Dividends paid	-	-	-	(440.0)	-	(440.0)
Profit for the year	-	-	1,941.4	-	-	1,941.4
Foreign exchange adjustments, foreign companies	-	-	(104.3)	-	-	(104.3)
Value adjustments of hedging instruments	-	-	133.0	-	-	133.0
Tax on equity items	-	-	(39.6)	-	-	(39.6)
Revaluation concerning undistributable reserves in acquired regulated companies	-	-	-	-	655.0	655.0
Transfer to undistributable reserves in regulated companies	-	-	(8.4)	-	8.4	-
Other adjustments	-	-	(6.8)	-	-	(6.8)
Proposed dividends	-	-	(1,905.5)	1,905.5	-	-
Equity at 31 December 2003	2,143.6	5,168.0	6,913.5	1,905.5	663.4	16,794.0

Group cash flow statement for the year ended 31 December 2003

DKK million	Note	2003	2002
Revenue and other operating income		14,330.1	13,708.3
Operating expenses		(11,218.4)	(11,217.2)
Depreciation and impairment		2,378.8	2,350.0
Changes in working capital	24	(1,008.1)	(1,020.4)
Cash flows from operations (operating activities) before financial items		6,498.6	3,820.7
Interest income and similar items		699.6	1,154.6
Interest expense		(1,012.6)	(513.5)
Cash flows from operations (ordinary activities)		6,185.6	4,461.8
Income tax paid		(1,718.0)	(867.7)
Cash flows from operating activities		4,467.6	3,594.1
Acquisition of intangible assets		(191.0)	(66.7)
Acquisition of property, plant and equipment		(2,694.3)	(2,479.5)
Acquisition of Group companies	25	(52.0)	0.0
Acquisition of associates		(21.7)	(26.3)
Acquisition of other investments and securities		(1.5)	(536.3)
Dividends received		36.0	15.1
Cash flows from investing activities		(2,924.5)	(3,093.7)
Instalment on subordinated loan		(400.0)	(500.0)
Decrease/increase in other loans		(748.5)	(1,305.0)
Dividends paid		(440.0)	(475.0)
Cash flows from financing activities		(1,588.5)	(2,280.0)
Net cash flows from operating, investing and financing activities		(45.4)	(1,779.6)
Cash and cash equivalents at 1 January		3,654.9	5,434.5
Cash and cash equivalents at 31 December		3,609.5	3,654.9
which can be broken down as follows:			
Cash		2,768.2	2,343.6
Securities		841.3	1,311.3
		3,609.5	3,654.9

Parent company income statement for the year ended 31 December 2003

DKK million	Note	2003	2002
Revenue		301.1	197.5
Production costs	2, 3	(239.4)	(228.6)
Gross profit (loss)		61.7	(31.1)
Share of pre-tax profits of Group companies	11	2,615.9	2,611.4
Management and administration	2	(57.4)	(56.7)
Other operating income and expenses	4	0.4	6.0
Operating profit		2,620.2	2,529.6
Share of pre-tax profits of associates	11	14.3	14.7
Financial income	6	756.0	304.0
Financial expenses	7	(153.3)	(122.0)
Profit before tax		3,237.6	2,726.3
Tax on the profit for the year	8	(1,296.2)	(1,250.5)
Profit for the year		1,941.4	1,475.8
Transfer to undistributable reserves in regulated companies		*(8.4)*	-
Shareholders' share of profit for the year		*1,933.0*	*1,475.8*

Proposal for profit appropriation

The Supervisory Board proposes that the profit for the year, DKK 1,941.4 million, be appropriated as follows:

		2003	2002
Dividends		1,905.5	440.0
Transfer to reserve for undistributable reserves in regulated companies		8.4	-
Transfer to reserve for net revaluation according to the equity method		1,508.0	1,215.2
Retained earnings		(1,480.5)	(179.4)
		1,941.4	1,475.8
Dividend per DKK 100 share		88.9	20.5

Parent company balance sheet at 31 December 2003

DKK million	Note	2003	2002
Assets			
IT software		134.8	0.7
IT projects in progress		88.2	14.3
Intangible assets	9	223.0	15.0
Land and buildings		233.9	152.2
Other fixtures and fittings, tools and equipment		13.5	6.7
Assets under construction		3.1	2.4
Property, plant and equipment	10	250.5	161.3
Investments in subsidiaries		12,706.9	10,765.0
Investments in associates		152.4	158.9
Other investments		1,370.1	529.0
Subordinated loans to subsidiaries		2,594.3	3,000.0
Investments	11	16,823.7	14,452.9
Fixed assets		17,297.2	14,629.2
Trade receivables	13	3.8	0.5
Receivables from subsidiaries		2,392.5	1,756.3
Income tax	21	503.4	72.0
Other receivables	14	1,714.4	330.1
Prepayments	15	35.9	4.0
Receivables		4,650.0	2,162.9
Securities		186.0	58.6
Cash		1,620.6	12.9
Current assets		6,456.6	2,234.4
Total assets		23,753.8	16,863.6

Parent company balance sheet at 31 December 2003

DKK million	Note	2003	2002
Equity and liabilities			
Share capital		2,143.6	2,143.6
Net revaluation according to the equity method		7,757.9	6,943.2
Retained earnings		4,323.6	5,128.5
Proposed dividends		1,905.5	440.0
Equity excluding undistributable reserves in regulated companies		16,130.6	14,655.3
Undistributable reserves in regulated companies		663.4	-
Equity	16	16,794.0	14,655.3
Deferred tax	18	330.1	78.0
Provisions		330.1	78.0
Mortgage loans		160.4	4.1
Bank loans		963.2	811.5
Other long-term liabilities other than provisions		298.0	0.0
Long-term liabilities other than provisions	20	1,421.6	815.6
Subordinated loan from the Danish State		0.0	400.0
Mortgage loans	20	4.1	4.1
Bank loans	20	113.8	435.2
Trade payables		104.9	45.4
Payables to subsidiaries		2,571.7	0.1
Other payables	22	2,413.6	429.9
Short-term liabilities other than provisions		5,208.1	1,314.7
Liabilities other than provisions		6,629.7	2,130.3
Total equity and liabilities		23,753.8	16,863.6
Notes without reference	26, 27		
Contingent liabilities	28		
Related party transactions	29		
Group structure	30		

Parent company statement of changes in equity for the year ended 31 December 2003

DKK million

	Share capital	Net revaluation according to the equity method	Retained earnings	Proposed dividends	Undistributable reserves in regulated companies	Total
Equity at 1 January 2002	2,143.6	7,456.5	3,327.9	475.0	-	13,403.0
Dividends paid	-	-	-	(475.0)	-	(475.0)
Profit for the year	-	1,414.6	61.2	-	-	1,475.8
Equity items in subsidiaries	-	(1,927.9)	2,167.5	-	-	239.6
Foreign exchange adjustments, foreign companies	-	-	0.5	-	-	0.5
Value adjustments of hedging instruments	-	-	16.3	-	-	16.3
Tax on equity items	-	-	(4.9)	-	-	(4.9)
Proposed dividends	-	-	(440.0)	440.0	-	-
Equity at 1 January 2003	2,143.6	6,943.2	5,128.5	440.0	-	14,655.3
Dividends paid	-	-	-	(440.0)	-	(440.0)
Profit for the year	-	-	1,941.4	-	-	1,941.4
Transfer to net revaluation according to the equity method	-	1,516.3	(1,516.3)	-	-	-
Equity items in subsidiaries	-	647.7	-	-	-	647.7
Transfer following transfer of shares to subsidiary and merger	-	(383.6)	383.6	-	-	-
Correction in respect of prior years	-	(302.3)	302.3	-	-	-
Revaluation concerning undistributable reserves in acquired regulated companies	-	(655.0)	-	-	655.0	-
Transfer to undistributable reserves from profit for the year in regulated subsidiaries	-	(8.4)	-	-	8.4	-
Foreign exchange adjustments, foreign companies	-	-	2.4	-	-	2.4
Value adjustments of hedging instruments during period	-	-	(15.2)	-	-	(15.2)
Tax on equity items	-	-	4.6	-	-	4.6
Other adjustments	-	-	(2.2)	-	-	(2.2)
Proposed dividends	-	-	(1,905.5)	1,905.5	-	-
Equity at 31 December 2003	2,143.6	7,757.9	4,323.6	1,905.5	663.4	16,794.0

Parent company cash flow statement for the year ended 31 December 2003

DKK million	Note	2003	2002
Revenue and other operating income		269.2	199.4
Operating expenses		(230.7)	(286.5)
Depreciation and impairment		53.7	11.4
Changes in working capital	24	3,305.5	(2,811.3)
Cash flows from operations before financial items		3,397.7	(2,887.0)
Interest income and similar items		281.3	304.0
Interest expense		(153.1)	(121.8)
Cash flows from operations (ordinary activities)		3,525.9	(2,704.8)
Income tax paid		(1,090.9)	(495.9)
Cash flows from operating activities		2,435.0	(3,200.7)
Acquisition of intangible assets		(157.8)	(14.3)
Acquisition of property, plant and equipment		(31.8)	(34.3)
Acquisition of Group companies	25	(114.9)	(330.0)
Acquisition of associates		(5.0)	(5.0)
Acquisition of other investments and securities		0.0	(529.0)
Dividends received		462.7	2,182.6
Cash flows from investing activities		153.7	1,270.0
Instalments on subordinated loan		(400.0)	(500.0)
Decrease/increase in other loans		(13.6)	1,242.6
Dividends paid		(440.0)	(475.0)
Cash flows from financing activities		(853.6)	267.6
Net cash flows from operating, investing and financing activities		1,735.1	(1,663.1)
Cash and cash equivalents at 1 January		71.5	1,734.6
Cash and cash equivalents at 31 December		1,806.6	71.5
which can be broken down as follows:			
Cash		1,620.6	12.9
Securities		186.0	58.6
		1,806.6	71.5

DKK million

Note 1. Segment information

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

Activities

2003	Natural gas activities	Oil trans-portation	Exploration and produc-tion	Electricity, heat and renewable energy	Non-allocated	Group total
Revenue	10,068.8	445.1	3,186.6	626.7	(80.0)	14,247.2
Gross profit (loss)	2,801.8	(89.1)	1,003.3	60.3	34.4	3,810.7
Operating profit (loss)	2,318.9	104.2	917.2	31.6	4.7	3,168.2
Profit before tax	1,956.9	(108.9)	734.5	32.1	633.4	3,248.0
Group share of profit for the year	1,367.0	(76.3)	201.4	22.1	427.2	1,941.4
Fixed assets	15,068.0	467.7	4,641.8	2,483.3	1,996.1	24,656.9
Current assets	6,809.9	260.3	1,668.0	383.2	(768.2)	8,353.2
Segment assets	21,877.9	728.0	6,309.8	2,866.5	1,227.9	33,010.1
Provisions	3,347.8	350.0	1,068.4	55.7	830.1	5,652.0
Total liabilities other than provisions	9,221.1	410.0	3,233.3	838.4	(3,138.7)	10,564.1
Segment liabilities	12,568.9	760.0	4,301.7	894.1	(2,308.6)	16,216.1
Cash flows from operating activities	515.2	101.6	1,193.8	116.5	2,540.5	4,467.6
Cash flows from investing activities	(1,029.6)	0.0	(1,278.2)	(382.1)	(234.6)	(2,924.5)
Operating margin	23	23	29	5	-	22
Return on average invested capital	11	17	15	1	-	10
Gross margin	28	20	31	10	-	27

Geographical breakdown by customer location

2003	Denmark	Germany	Sweden	Norway	UK	Rest of world	Group total
Revenue	8,009.8	2,205.9	1,388.8	86.4	2,265.4	290.8	14,247.2

DKK million

Note 1. Segment information (continued)

Activities

2002	Natural gas activities	Oil trans-portation	Exploration and produc-tion	Electricity, heat and renewable energy	Non-allocated	Group total
Revenue	9,650.4	431.9	3,658.0	2.9	(14.4)	13,728.8
Gross profit (loss)	1,955.5	75.3	1,211.8	(0.5)	33.7	3,328.7
Operating profit (loss)	1,442.5	58.8	1,132.3	(5.2)	(81.8)	2,546.6
Profit before tax	1,478.1	53.0	1,066.2	1.9	127.1	2,726.3
Group share of profit for the year	1,017.8	37.1	342.6	1.3	77.0	1,475.8
Fixed assets	15,235.2	306.1	4,513.2	304.9	864.1	21,223.5
Current assets	6,203.9	192.5	1,230.4	95.6	(16.1)	7,706.3
Segment assets	21,439.1	498.6	5,743.6	400.5	848.0	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	3,318.3	9,800.1
Segment liabilities	13,096.8	417.3	3,746.9	69.3	(3,255.8)	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	-	-	19
Return on average invested capital	6	11	23	-	-	9
Gross margin	33	26	41	-	-	24

Geographical breakdown by customer location

2002	Denmark	Germany	Sweden	Norway	UK	Rest of world	Group total
Revenue	6,941.7	2,336.0	1,484.5	709.5	656.3	1,600.8	13,728.8

DKK million	Group 2003	Group 2002	Parent company 2003	Parent company 2002

Note 2. Operating expenses

Operating expenses comprise Production costs, Sales and marketing, Management and administration, and other operating expenses.

Operating expenses include staff costs, depreciation, amortisation and impairment, and fees to auditors:

DKK million	Group 2003	Group 2002	Parent company 2003	Parent company 2002
Staff costs:				
Wages, salaries and remuneration	(530.3)	(392.8)	(106.7)	(93.9)
Pension contributions	(57.5)	(38.9)	(11.7)	(9.6)
Other social security costs	(6.4)	(5.0)	(0.5)	(0.5)
Total staff costs	(594.2)	(436.7)	(118.9)	(104.0)
Including:				
Remuneration to the Committee of Representatives	(0.3)	(0.3)	(0.3)	(0.3)
Remuneration to the members of the Supervisory Board	(1.4)	(1.4)	(1.4)	(1.4)
Remuneration to the Executive Board, salary	(2.3)	(3.3)	(2.3)	(2.5)
Remuneration to the Executive Board, bonus	(0.4)	(0.2)	(0.4)	(0.2)
Total	(4.4)	(5.2)	(4.4)	(4.4)

Bonus schemes have been introduced 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 2003	Group 2002	Parent company 2003	Parent company 2002
Number of full-time employees:				
Average for the financial year	1,125	829	226	206
At 31 December	1,156	900	230	221
Depreciation, amortisation and impairment by function:				
Production costs	(2,259.1)	(2,023.3)	(53.7)	0.0
Sales and marketing	0.0	(2.7)	0.0	0.0
Management and administration	(7.9)	(12.5)	0.0	(11.4)
Goodwill	(111.8)	(311.8)	0.0	0.0
Total depreciation, amortisation and impairment	(2,378.8)	(2,350.3)	(53.7)	(11.4)

DKK million	Group 2003	Group 2002	Parent company 2003	Parent company 2002
Note 2. Operating expenses (continued)				
Fees to auditors:				
KPMG C.Jespersen				
Audit fees	(2.6)	(2.1)	(1.1)	(0.8)
Non-audit fees	(9.2)	(4.1)	(5.7)	(3.9)
	(11.8)	(6.2)	(6.8)	(4.7)
PricewaterhouseCoopers				
Audit fees	(1.0)	(1.3)	(0.1)	(0.3)
Non-audit fees	(1.3)	(1.9)	(0.4)	(0.5)
	(2.3)	(3.2)	(0.5)	(0.8)
Total fees to auditors	(14.1)	(9.4)	(7.3)	(5.5)
Note 3. Production costs				
Natural gas activities [1]	7,641.7	7,594.6	0.0	0.0
Oil transportation	454.6	354.5	0.0	0.0
Oil and gas production	1,648.7	2,117.5	0.0	0.0
Oil and gas exploration	209.4	330.1	0.0	0.0
Electricity, heat and renewable energy	482.1	3.4	0.0	0.0
Services, etc.	0.0	0.0	(239.4)	(228.6)
Production costs	(10,436.5)	(10,400.1)	(239.4)	(228.6)

[1] The natural gas activities comprise production costs associated with the activities of the former DONG Naturgas A/S, which was unbundled into a number of new companies in 2003. The activities of the new companies comprise natural gas trading, gas distribution, gas storage and gas transmission.

DKK million	Group 2003	Group 2002	Parent company 2003	Parent company 2002

Note 4. Other operating income and expenses

	Group 2003	Group 2002	Parent company 2003	Parent company 2002
Gains on sale of fixed assets	2.4	1.1	0.5	0.3
Investment contribution	1.8	0.0	0.0	0.0
Other operating income	1.6	7.3	0.0	5.7
Other operating income	5.8	8.4	0.5	6.0
Loss on sale of fixed assets	(1.0)	0.0	0.0	0.0
Other operating expenses	(0.6)	0.0	(0.1)	0.0
Other operating expenses	(1.6)	0.0	(0.1)	0.0

Note 5. Goodwill amortisation

	Group 2003	Group 2002	Parent company 2003	Parent company 2002
Activities from Naturgas Sjælland I/S	0.0	(200.0)		
Takeover of key accounts from HNG/Naturgas Midt-Nord	(95.0)	(95.0)		
Takeover of Danop's activities	(7.8)	(7.8)		
Activities in DONG Norge AS	(9.0)	(9.0)		
Goodwill amortisation	(111.8)	(311.8)		

Note 6. Financial income

	Group 2003	Group 2002	Parent company 2003	Parent company 2002
Interest income	250.8	232.8	33.3	88.4
Intra-Group interest income	-	-	164.9	84.7
Realised capital gains on securities	4.5	68.6	1.4	36.3
Unrealised capital gains on securities	11.3	86.6	0.0	1.4
Value adjustments of other investments	474.7	0.0	474.7	0.0
Fair value adjustments of financial instruments	4.0	116.8	0.0	0.0
Foreign exchange gains	383.2	269.6	78.1	93.2
Other value adjustments	13.0	0.0	3.6	0.0
Financial income	1,141.5	774.4	756.0	304.0

Notes to the income statement

DKK million	Group 2003	Group 2002	Parent company 2003	Parent company 2002
Note 7. Financial expenses				
Interest expense	(325.3)	(362.5)	(72.7)	(47.6)
Intra-Group interest expense	-	-	(27.7)	0.0
Index adjustment of mortgage loans	(13.9)	(5.3)	(0.2)	(0.2)
Realised capital losses on securities	(47.5)	(8.0)	(2.1)	(4.8)
Unrealised capital losses on securities	(1.9)	(3.1)	(0.9)	0.0
Value adjustments of other investments	0.0	(7.3)	0.0	(7.3)
Fair value adjustments of financial instruments	(299.5)	(49.1)	0.0	0.0
Foreign exchange losses	(397.9)	(184.6)	(49.7)	(62.1)
Financial expenses	(1,085.8)	(620.0)	(153.3)	(122.0)
The profit for the year includes foreign exchange adjustments of	(14.5)	84.9	28.4	31.1
Note 8. Tax on the profit for the year				
Current tax	(1,161.9)	(1,350.9)	(619.8)	(631.1)
Deferred tax	(124.0)	108.2	(209.9)	(30.0)
Tax in Group companies	-	-	(453.0)	(581.6)
Tax in associates	(13.5)	(7.8)	(13.5)	(7.8)
Tax on the profit for the year	(1,299.4)	(1,250.5)	(1,296.2)	(1,250.5)
Nominal income tax rate	30.0	30.0	30.0	30.0
Effect of non-deductible items, etc., in Denmark	0.6	1.5	0.6	1.5
Effect of non-deductible items, etc., abroad	4.8	5.1	4.8	5.1
Effect of higher foreign tax rate	4.6	9.5	4.6	9.5
Effective tax rate	40.0	46.1	40.0	46.1

The parent company has repatriated a total joint taxation contribution from subsidiaries of DKK 990.3 million in 2003. Paid income tax for 2002 amounts to DKK 715.0 million.

The Group's total tax charge was DKK 1,299.4 million, DKK 885.3 million of which was payable to Denmark and DKK 414.1 million abroad.

	Group 2003	Group 2002	Parent company 2003	Parent company 2002
Tax on equity movements	(39.6)	(99.0)	4.6	(4.9)

DKK million

Note 9. Intangible assets

	Group			Parent company	
	Goodwill	IT software	IT projects in progress	IT software	IT projects in progress
Cost at 1 January	2,959.1	129.7	53.9	1.4	14.3
Addition by merger with subsidiary	0.0	0.0	0.0	143.5	39.6
Additions	0.0	3.3	187.7	3.3	154.4
Disposals	0.0	(24.7)	(49.3)	(24.7)	(49.3)
Reclassifications	0.0	24.7	0.0	0.0	0.0
Transfers	0.0	87.5	(87.5)	70.8	(70.8)
Cost at 31 December	2,959.1	220.5	104.8	194.3	88.2
Impairment and amortisation at 1 January	(2,717.4)	(3.8)	-	(0.7)	-
Impairment and amortisation transferred in connection with merger	0.0	0.0	-	(34.1)	-
Impairment and amortisation, disposals	0.0	7.9	-	7.9	-
Amortisation charge for the year	(111.8)	(36.0)	-	(32.6)	-
Reclassifications	0.0	(4.1)	-	0.0	-
Impairment and amortisation at 31 December	(2,892.2)	(66.0)	-	(59.5)	-
Carrying amount at 31 December	129.9	154.5	104.8	134.8	88.2
Amortised over	5 years	5 years	-	5 years	-

In 2003 an amount of DKK 31.4 million (2002: DKK 10.8 million) was capitalised in respect of work carried out by the Group on its own account. An amount of DKK 27.6 million (2002: DKK 5.2 million) was capitalised in 2003 in respect of work carried out by the Parent Company on its own account.

DKK million

Note 10. Property, plant and equipment

	Group					
	Land and buildings	Production assets	Explo-ration	Other fixtures and fittings, tools and equipment	Assets under con-struction	Total
Cost at 1 January	418.4	26,378.0	230.0	81.0	363.3	27,470.7
Foreign exchange adjustments	0.0	(290.5)	(2.5)	(0.2)	0.0	(293.2)
Addition on acquisition of company	67.3	1,358.9	0.0	27.3	0.9	1,454.4
Additions	8.5	1,346.5	92.8	44.6	1,877.1	3,569.5
Disposals	(0.6)	(2.6)	(55.0)	(39.9)	(2.0)	(100.1)
Reclassifications	(13.0)	(11.7)	0.0	0.0	0.0	(24.7)
Transfers	19.3	1,030.7	(101.5)	0.0	(948.5)	(0.0)
Cost at 31 December	499.9	29,809.3	163.8	112.8	1,290.8	32,876.6
Revaluation at 1 January	0.0	7,600.0	-	0.0	-	7,600.0
Revaluation during year	0.0	0.0	-	0.0	-	0.0
Revaluation at 31 December	0.0	7,600.0	-	0.0	-	7,600.0
Depreciation and impairment at 1 January	(143.7)	(14,840.6)	-	(43.9)	-	(15,028.2)
Foreign exchange adjustments	0.0	88.4	-	0.1	-	88.5
Addition on acquisition of company	0.0	(197.5)	-	(9.9)	-	(207.4)
Depreciation and impairment, disposals	0.5	0.3	-	14.7	-	15.5
Depreciation charge for the year	(21.4)	(2,033.2)	-	(16.4)	-	(2,071.0)
Impairment charge for the year	0.0	(160.0)	-	0.0	-	(160.0)
Reclassifications	0.0	(13.6)	-	0.0	-	(13.6)
Transfers	(3.9)	0.0	-	(0.3)	-	(4.2)
Depreciation and impairment at 31 December	(168.5)	(17,156.2)	-	(55.7)	-	(17,380.4)
Carrying amount at 31 December	331.4	20,253.1	163.8	57.1	1,290.8	22,096.2
Depreciated over	20 years	10-50 years	-	3-5 years	-	-
Carrying amount excluding revaluation	331.4	14,323.1	163.8	57.1	1,290.8	16,166.2
Value according to public land assessment	464.1					
Recognised financial expenses		1,339.7				

DKK million

Note 10. Property, plant and equipment (continued)

An amount of DKK 27.9 million (2002: DKK 9.7 million) was capitalised in 2003 in respect of work carried out by the Group on its own account.

Depreciation and impairment for the year, DKK 2,231.0 million in total, is recognised in the income statement as Production costs, and Management and administration, respectively. Reference is made to note 2. The depreciation charge for the year in respect of revaluation amounted to DKK 380.0 million (2002: DKK 380.0 million).

The carrying amounts of the natural gas transmission system, the natural gas storage facilities and the Tyra-Nybro offshore 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 been taken to a special revaluation reserve under equity. From 2000, depreciation is charged over 20 years on the basis of the written-up values.

The carrying amounts of the natural gas network were reviewed at the end of 2003. External valuers were not used in connection with the valuation.

	Parent company			
	Buildings	Other fixtures and fittings, tools and equipment	Assets under construction	Total
Cost at 1 January	243.2	16.9	2.4	262.5
Additions	0.7	5.4	21.3	27.4
Addition in connection with merger and unbundling	86.5	12.3	0.0	98.8
Transfers	19.3	0.0	(19.3)	0.0
Disposals	0.0	(6.5)	(1.3)	(7.8)
Cost at 31 December	349.7	28.1	3.1	380.9
Depreciation and impairment at 1 January	(91.0)	(10.2)	0.0	(101.2)
Transferred depreciation and impairment in connection with merger	(7.9)	(3.3)	0.0	(11.2)
Depreciation and impairment, disposals	0.0	3.1	0.0	3.1
Depreciation charge for the year	(16.9)	(4.2)	0.0	(21.1)
Depreciation and impairment at 31 December	(115.8)	(14.6)	0.0	130.4
Carrying amount at 31 December	233.9	13.5	3.1	250.5
Depreciated over	20 years	3-5 years	-	-
Value according to public land assessment	130.7			

Depreciation and impairment for the year, DKK 21.1 million in total, is recognised in the income statement as Production costs. Reference is made to note 2.

Notes to the balance sheet

DKK million

Note 11. Investments

	Group			Parent company			
	Invest-ments in associates	Other invest-ments	Other receiv-ables	Invest-ments in subsidiaries	Invest-ments in associates	Other invest-ments	Subordin-ated loan to Group companies
Cost at 1 January	391.0	536.3	77.8	3,825.7	365.4	536.3	3,000.0
Adjustments in respect of prior years	(320.6)	0.0	0.0	(35.9)	(320.6)	0.0	0.0
Additions	21.7	53.3	0.0	1,065.8	5.0	0.0	0.0
Disposals	(1.0)	(6.4)	(3.0)	(456.5)	0.0	0.0	(405.7)
Cost at 31 December	91.1	583.2	74.8	4,399.1	49.8	536.3	2,594.3
Undistributable reserves in regulated companies at 1 January	-	-	-	0.0	-	-	-
Additions	-	-	-	655.0	-	-	-
Profit for the year	-	-	-	8.4	-	-	-
Undistributable reserves in regulated companies at 31 December	-	-	-	663.4	-	-	-
Value adjustments at 1 January	(208.3)	(7.3)	0.0	6,939.3	(206.5)	(7.3)	0.0
Adjustments in respect of prior years	320.6	0.0	0.0	35.9	320.6	0.0	0.0
Share of profits for the year	22.2	0.0	-	1,507.2	12.4	0.0	-
Goodwill amortisation	(11.6)	0.0	-	0.0	(11.6)	0.0	-
Adjustments of derivative financial Instruments	0.0	0.0	-	103.2	0.0	0.0	-
Value adjustments, etc.	2.7	0.0	-	(106.7)	2.6	0.0	-
Other value adjustments	0.0	1,340.1	0.0	(386.7)	0.0	841.1	0.0
Dividends received	(26.7)	(9.3)	-	(447.8)	(14.9)	0.0	-
Value adjustments at 31 December	98.9	1,323.5	0.0	7,644.4	102.6	833.8	0.0
Carrying amount at 31 December	190.0	1,906.7	74.8	12,706.9	152.4	1,370.1	2,594.3
Goodwill included in carrying amount	29.0				29.0		
Proposed dividends				1,486.5			

DONG A/S acquired a total of 65.6% per cent of the share capital of EnergiGruppen Jylland A/S, Herning, from Herning Municipality with effect from 1 April 2003. The acquisition has been accounted for applying the purchase acquisition method. The purchase agreement implies substantial conditional payments, primarily relating to undistributable reserves, with subsequent adjustment if the undistributable reserves can be transferred to distributable reserves as a result of the pending capital cases being resolved.

DKK million

Note 11. Investments (continued)

Subsidiaries:	Reg. office	Share capital	Ownership	Profit after tax	Equity
DONG Naturgas A/S	Birkerød, Denmark	1,020	100%	1,237.3	6,857.0
DONG Transmission A/S	Birkerød, Denmark	500	100%	61.0	1,130.5
DONG Distribution A/S	Birkerød, Denmark	150	100%	35.6	715.6
DONG Lager A/S	Birkerød, Denmark	100	100%	33.4	605.9
DONG Olierør A/S	Birkerød, Denmark	1	100%	(76.3)	(32.0)
DONG Efterforskning og Produktion A/S	Birkerød, Denmark	300	100%	201.4	2,008.1
DONG El A/S	Birkerød, Denmark	100	100%	13.5	1,076.0
DONG VE A/S	Birkerød, Denmark	330	100%	1.4	332.7
DONG Olieforsyning A/S	Birkerød, Denmark	1	100%	0.0	1.7
DONG Litauen A/S	Birkerød, Denmark	7	100%	0.0	2.9
DANGAS GmbH	Kiel, Germany	EUR 26,000	100%	8.3	8.5
Post-tax profits and share of equity of subsidiaries				1,515.6	12,706.9
Tax on the profit for the year				1,100.3	
Pre-tax profits of subsidiaries				2,615.9	

Associates:	Reg. office	Ownership	Share of pre-tax profit 2003	Share of pre-tax profit 2002	Investment 2003	Investment 2002
Nova Naturgas AB	Stockholm, Sweden	21%	31.3	17.0	133.8	139.9
Nunaoil A/S	Nuuk, Greenland	50%	(5.4)	9.3	18.6	19.0
Goodwill amortisation			(11.6)	(11.6)	-	-
Parent company, total			14.3	14.7	152.4	158.9
Dansk Gasteknisk Center A/S	Birkerød, Denmark	47%	0.0	(0.1)	3.4	3.4
Deudan GmbH	Kiel, Germany	49%	0.0	0.0	0.1	0.1
Deudan GmbH & Co. KG	Kiel, Germany	49%	11.7	11.7	0.1	0.1
P/S BI New Energy Solutions	Cph, Denmark	27%	(1.9)	(1.0)	18.2	20.2
Barrow Offshore Wind Limited	Slough, UK	38%	0.0	0.0	15.8	0.0
Group, total			24.1	25.3	190.0	182.7

Other investments:

Other investments comprise companies in which DONG has an interest of less than 20 per cent. Reference is made to the Group overview in note 30 in which a breakdown of other investments, etc., is given.

Notes to the balance sheet

DKK million	Group 2003	Group 2002
Note 12. Inventories		
Raw materials and consumables	13.8	0.0
Natural gas and crude oil	395.7	502.4
Inventories	409.5	502.4

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.

Note 14. Other receivables

	Group		Parent company	
	2003	2002	2003	2002
Fair value of financial instruments	1,101.0	542.3	0.0	0.0
Other receivables	566.7	402.9	1,714.4	330.1
Other receivables	1,667.7	945.2	1,714.4	330.1

Note 15. Prepayments

	Group 2003	Group 2002	Parent company 2003	Parent company 2002
Accrued premiums on financial instruments	97.8	129.5	34.3	0.0
Other prepayments	274.0	0.0	1.6	4.0
Prepayments	371.8	129.5	35.9	4.0

Note 16. Equity

	Group 2003	Group 2002	Parent company 2003	Parent company 2002
Share capital				
At beginning and end of year	2,143.6	2,143.6	2,143.6	2,143.6

DKK million

Note 16. Equity (continued)

Composition of share capital

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

The entire share capital is held by the Danish State.

Undistributable reserves in regulated companies

The undistributable reserves were received in connection with the acquisition of 65.6 per cent of EnergiGruppen Jylland A/S. The undistributable reserves may be used solely for carrying on the supply activities comprised by the regulation and thus may not be distributed to the shareholders.

Under the purchase agreement with the sellers, a subsequent adjustment shall be made in the event of the undistributable reserves being transferable to distributable reserves as a result of a clarification of the pending capital cases. The allocation between distributable and undistributable reserves in the regulated companies has been made on the basis of an evaluation. The amount transferred to distributable reserves has thus been recognised as a liability. If resolution of the capital cases results in a different allocation between distributable and undistributable reserves, this will thus reduce or increase the undistributable reserves and thus also total equity in DONG A/S.

Foreign exchange adjustments, foreign subsidiaries:	Group 2003	Group 2002	Parent company 2003	Parent company 2002
Accumulated foreign exchange adjustment at 1 January	34.1	(3.4)	0.5	(3.4)
Foreign exchange adjustments during the year	(104.3)	37.5	2.4	3.9
Accumulated foreign exchange adjustment at 31 December	(70.2)	34.1	2.9	0.5

DKK million

Note 17. Minority interests

	Distrib-utable reserves	Undistrib-utable reserves	Total
Minority interests at 1 January	-	-	-
Adjustment on purchase and sale of companies and parts thereof	214.9	341.3	556.2
Share of profits for the year and equity items	2.9	4.6	7.5
Minority interests at 31 December	217.8	345.9	563.7

Note 18. Deferred tax

	Group		Parent company	
	2003	2002	2003	2002
Deferred tax at 1 January	4,092.2	4,146.9	78.0	48.0
Deferred tax for the year	124.0	(108.2)	209.9	30.0
Addition by merger with DONG Ejendomme A/S	-	-	42.2	-
Addition on acquisition of subsidiary	11.6	-	-	-
Reclassifications	(68.0)	-	-	-
Foreign exchange adjustments	(57.5)	53.5	-	-
Deferred tax at 31 December	4,102.3	4,092.2	330.1	78.0
Deferred tax relates to:				
Intangible assets	(191.0)	(317.8)	66.8	4.5
Property, plant and equipment	4,605.1	4,533.8	17.2	20.9
Investments	140.2	0.0	140.2	-
Current assets	16.5	2.6	-	-
Deferred income, etc.	(325.2)	(196.4)	(0.3)	-
Liabilities other than provisions	(191.2)	27.1	58.3	9.7
Re-taxation concerning joint taxation	47.9	42.9	47.9	42.9
	4,102.3	4,092.2	330.1	78.0

DKK million

Note 19. Pensions and other provisions

	Group	
	Pensions	Other provisions
Provisions at 1 January	14.7	367.5
Utilised during the year	-	-
Reversal	-	-
Provision for the year, including change in present values as a result of the lapse of time, etc.	4.7	599.1
Provisions at 31 December	19.4	966.6
The provisions are expected to be payable in:		
0-1 year	2.1	0.0
1-5 years	7.0	0.0
> 5 years	10.3	966.6
	19.4	966.6

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	
Other provisions	2003	2002
Abandonment costs	579.4	361.6
Other decommissioning costs	387.2	5.9
Other provisions	966.6	367.5

Abandonment costs comprise the expected future costs of restoring and decommissioning 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.

Other decommissioning costs comprise the expected future costs of restoring and decommissioning the Group's other production assets, etc. The provisions have been discounted to present value. The equivalent value of the provision is recognised under property, plant and equipment and depreciated together with relevant assets.

DKK million	Group 2003	Group 2002	Parent company 2003	Parent company 2002

Note 20. Short-term and long-term loans

The Group’s short-term loans are made up as follows:

DKK million	Group 2003	Group 2002	Parent company 2003	Parent company 2002
Instalments on long-term loans	2,053.2	1,626.3	117.9	704.3
Bank overdrafts	106.9	435.0	0.0	135.0
Short-term loans at 31 December	2,160.1	2,061.3	117.9	839.3

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

	Short-term loans		Long-term loans		Total			
	2003	2002	2003	2002	2003	Per cent	2002	Per cent
DKK	1,380.3	842.3	3,048.7	2,857.3	4,429.1	70	3.699.6	53
EUR	148.9	319.5	117.2	191.1	266.1	4	510.6	7
CHF	-	5.1	-	-	-	-	5.1	0
USD	630.9	894.4	846.9	1,689.4	1,477.8	24	2,583.8	38
GBP	-	-	-	0.8	-	-	0.8	0
JPY	-	-	111.3	119.4	111.3	2	119.4	2
	2,160.1	2,061.3	4,124.1	4,858.0	6,284.2	100	6,919.3	100
Hedging adjustments	-	-	11.8	-	11.8	-	-	-
	2,160.1	2,061.3	4,135.9	4,858.0	6,296.0	-	6,919.3	-
Weighted average interest rate					3.5		2.5	

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

Mortgage loans totalling DKK 628.4 million are secured on plant with a carrying amount of DKK 886.6 million at year end.

Of the total loans of DKK 6,296.0 million, payables to Gældsafviklingsselskabet Naturgasselskabet i Sydjyske Region I/S and Gældsafviklingsselskabet Naturgas Sjælland I/S represent DKK 2,456.0 million.

DKK million	Group 2003	Group 2002	Parent company 2003	Parent company 2002

Note 21. Income tax receivable

DKK million	Group 2003	Group 2002	Parent company 2003	Parent company 2002
Income tax receivable at 1 January	(274.1)	304.8	72.0	306.2
Foreign exchange adjustments	41.1	-	-	-
Payments in respect of prior years	269.3	(282.1)	(64.2)	(283.4)
Tax for the year	(1,161.9)	(1,350.9)	(619.8)	(631.1)
Paid tax for the year	1,448.5	1,153.1	1,155.0	779.3
Tax for the year on movements in equity	(39.6)	(99.0)	4.6	(4.9)
Tax for the year on movements in Group companies' equity	-	-	(44.2)	(94.1)
Income tax receivable at 31 December	(283.3)	(274.1)	503.4	72.0

Note 22. Other payables

DKK million	Group 2003	Group 2002	Parent company 2003	Parent company 2002
Fair value of financial instruments	701.7	151.8	1,823.5	0.0
Other liabilities other than provisions	1,485.5	1,080.1	590.1	429.9
Other payables	2,187.2	1,231.9	2,143.5	429.9

Note 23. Deferred income

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

Deferred income can be broken down as follows:

DKK million	Group 2003	Group 2002	Parent company 2003	Parent company 2002
Value of gas received free of charge	133.1	164.0		
Other deferred income	438.7	291.5		
Deferred income	571.8	455.5		

Notes to the cash flow statement

DKK million	Group 2003	Group 2002	Parent company 2003	Parent company 2002

Note 24. Changes in working capital

DKK million	Group 2003	Group 2002	Parent company 2003	Parent company 2002
Change in inventories	103.4	139.8	0.0	0.0
Change in receivables	(211.2)	(245.8)	(824.5)	(3,209.9)
Change in trade payables, etc.	1,115.9	(914.4)	4,130.0	398.6
	(1,008.1)	(1,020.4)	3,305.5	(2,811.3)

Note 25. Acquisition of Group companies

Acquisition of the EnergiGruppen Jylland Group

DONG A/S acquired 65.6 per cent of the shares in EnergiGruppen Jylland A/S on 1 April 2003. The company was subsequently transferred to the subsidiary DONG EGJ A/S by way of a non-cash contribution. The value of the acquired assets and liabilities is as follows:

DKK million	Group 2003	Group 2002	Parent company 2003	Parent company 2002
Intangible assets	0.1	0.0	0.1	0.0
Property, plant and equipment	815.7	0.0	815.7	0.0
Investments	363.9	0.0	363.9	0.0
Inventories	6.9	0.0	6.9	0.0
Receivables	101.6	0.0	101.6	0.0
Cash	40.9	0.0	40.9	0.0
Provisions	(7.6)	0.0	(7.6)	0.0
Liabilities other than provisions	254.1	0.0	254.1	0.0
Acquisition cost	1,067.4	0.0	1,067.4	0.0
Including undistributable reserves	(655.0)	0.0	(655.0)	0.0
Cost	412.4	0.0	412.4	0.0
Recognised as payables	(298.0)	0.0	(298.0)	0.0
Including cash	(62.4)	0.0	-	0.0
Cash purchase price	52.0	0.0	114.4	0.0

Share exchange in natural gas companies

DONG Faste Vilkår A/S and DONG Individuelle Vilkår A/S have been transferred to DONG Naturgas A/S by way of non-cash contributions in return for the issue of shares.

DKK million	Group 2003	Group 2002	Parent company 2003	Parent company 2002
Shares received in DONG Naturgas A/S			242.0	0.0
Non-cash contributions			(242.0)	0.0
			0.0	0.0

Acquisition of DONG El A/S

DKK million	Group 2003	Group 2002	Parent company 2003	Parent company 2002
DONG A/S acquired the shares in DONG El A/S on 10 October 2003 for a consideration of			0.5	0.0

DKK million

Note 26. 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), 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	Receivables	Payables	Hedged using forward exchange contracts and currency swaps	Net position
EUR	47.5	(206.7)	(44.8)	(204.0)
USD	400.9	(1,624.4)	1,325.5	102.0
GBP	110.5	(14.2)	-	96.3
SEK	21.8	(3.5)	-	18.3
NOK	138.4	(339.2)	-	(200.8)
CHF	2.3	-	-	2.3
JPY	-	(111.3)	111.3	0.0
Others	0.2	(0.3)	-	0.1
	721.6	(2,299.6)	1,392.0	(186.0)

At 31 December 2003 unrealised value adjustments on derivative financial instruments for currency hedging of recognised assets and liabilities totalled minus DKK 59.3 million (31 December 2002: DKK 63.4 million), which has been recognised in the income statement.

DKK million

Note 26. Currency risks, interest rate risks and oil and gas price risks (continued)

Future transactions (hedging of cash flows)

DONG uses forward exchange contracts, currency options and loans denominated in foreign currencies to hedge expected future currency risks related to purchases 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 principal		Fair value		Of which recognised in equity	
	Term	2003	2002	2003	2002	2003	2002
Forward exchange contracts	0-5 yrs	2,280.2	2,676.6	330.5	204.0	429.7	204.0
Currency swaps	0-6 yrs	2,885.1	2,907.9	548.4	104.9	492.6	104.9
Currency options	0-1 yrs	302.4	-	34.3	-	34.3	-
Derivative financial instruments, total		5,467.7	5,584.5	913.2	308.9	956.6	308.9
Loans in foreign currency	0-4 yrs	682.6	705.3	682.8	48.1	170.8	48.1
Financial instruments, total		6,150.3	6,289.8	1,596.0	357.0	1,127.4	357.0

Equity at 31 December 2003 also includes realised net gains on financial instruments, DKK 110.4 million (31 December 2002: DKK 0 million), for later recognition in the income statement.

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				Effective interest rate
Category	0-1 year	1-5 years	> 5 years	Total	(per cent)
Trade receivables	1,991.5	-	-	1,991.5	
Other receivables	1,667.7	-	-	1,667.7	
Convertible securities	176.2	125.4	539.7	841.3	4-9
Other securities	41.8	20.0	13.0	74.8	7-14
Mortgages and bank loans	(3,577.7)	(1,274.5)	(1,443.8)	(6,296.0)	1-6
Other short-term liab. other than provisions	(3,696.3)	-	-	(3,696.3)	
Swaps	784.8	(671.0)	(113.8)	0.0	
	(2,612.0)	(1,800.1)	(1,004.9)	(5,417.0)	

DKK million

Note 26. Currency risks, interest rate risks and oil and gas price risks (continued)

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 total value adjustment at 31 December 2003, DKK 11.8 million (31 December 2002: DKK 0 million), is 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), value adjustments at 31 December 2003 recognised directly in equity totalled minus DKK 27.7 million (31 December 2002:. DKK minus 47.7 million).

Oil and gas price risks

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

		Contractual principal		Fair value		Of which recognised in equity	
	Term	2003	2002	2003	2002	2003	2002
Oil swaps	0-3 years	4,552.4	2,402.2	(791.1)	(32.0)	(791.1)	(32.0)
Oil options	0-4 years	3,057.6	2,699.2	46.6	132.5	(16.6)	(4.1)
		7,610.0	5,101.4	(744.5)	100.5	(807.7)	(36.1)

Note 27. 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 carried out on a regular basis to generally minimise this risk.

The amounts with which the items in question feature in the balance sheet correspond to the Group's maximum credit risk. Losses on receivables from individual customers or business partners have historically been relatively low. In DONG’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.

Note 28. Contingent liabilities, etc.

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

Guarantee obligations

DONG Naturgas is party to gas purchase agreements with Dansk Undergrunds Consortium (DUC), and gas sales agreements and transportation agreements with Nova Naturgas AB (formerly Vattenfall Naturgas AB) and BEB, and the parent company DONG stands as guarantor for fulfilment of these agreements. DONG also stands as guarantor vis-à-vis DONG Transmission in relation to gas sales agreements and transportation agreements with Ruhrgas.

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 as co-holder of the licences in which the company participates, irrespective of whether the obligations and liability rest on DONG Efterforskning og Produktion alone or jointly and severally with others. However, the guarantee is limited to a sum corresponding to twice DONG Efterforskning og Produktion's share of each obligation or liability.

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

In connection with the DONG Group's offshore wind farm activities in the UK, its subsidiary DONG VE has furnished the normal undertaking to the local authorities to act as guarantor with primary liability as a condition of concluding a lease with Crown Estate Commissioner in connection with the acquisition of 37.5 per cent of the share capital of Barrow Offshore Wind Limited.

The parent company has furnished a guarantee in respect of obligations under international gas sales agreements. The guarantee totals up to EUR 50 million.

Liability to pay compensation (strict liability)

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

Licences

DONG Efterforskning og Produktion participates in 41 oil and natural gas exploration licences. Continued participation in these licences commits the companies to invest substantial amounts in future.

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

Litigation

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

Other contingent liabilities

DONG Naturgas and the regional companies HNG and Naturgas Midt-Nord have concluded an agreement under which DONG Naturgas will provide a financial guarantee securing HNG and Naturgas Midt-Nord the necessary annual income from transportation activities to pay off their debt in 2014. From 1 January 2005 the guarantee is limited to a sum of DKK 300 million, which will be written down successively by DKK 15 million from 1 January 2005 to 1 January 2012. DONG Naturgas' maximum payment obligation will also be written down by the amounts paid in total by DONG from the 2005 calendar year.

In connection with the unbundling of DONG Naturgas in 2003 and the present uncertainty with respect to the regulatory basis for future income in the companies DONG Transmission, DONG Lager and DONG Distribution, DONG has established these companies with subordinated loans from DONG. In connection with DONG's divestment of DONG Transmission, DONG Transmission has repaid the subordinated loan, which has been replaced by a guarantee from DONG equivalent to the value of the subordinated loan and which amounts to DKK 545 million. The guarantee ceases at the time of DONG Transmission's Annual General Meeting in 2005.

DONG VE A/S is part of joint ventures relating to renewable energy projects. DONG VE A/S is jointly and severally liable with the other participants for obligations and liability under agreements concluded.

Note 29. Related party transactions

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

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

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

Licences from the Danish State

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

Pursuant to Sections 24, 25 and 59 of the Natural Gas Supply Act, DONG has also been awarded a licence for natural gas supply activities on firm and individual terms on the conditions laid down in the Natural Gas Supply Act for this. Accordingly, the licence to engage in natural gas supply activities on firm terms has been granted for a period of five years up to 2008, and the licence to engage in natural gas supply activities on individual terms has been granted for a period until the time at which all consumers have gained the right to choose their supplier pursuant to rules issued under Section 8 of the Natural Gas Supply Act.

Guarantees from the Danish State

The former DONG Naturgas, DONG and the Danish State entered into an agreement with the former Naturgas Syd in 1999 and with the former Naturgas Sjælland in 2000 concerning transfer of these two regional companies' assets and liabilities to DONG Naturgas. The values were fixed on the basis of financial calculations of the future earnings potential. All loans remained with the two regional natural gas companies, which changed their names to Gældsafviklingsselskabet Naturgas Syd and Gældsafviklingsselskabet Naturgas Sjælland, respectively. DONG Naturgas issued instruments of debt to the debt repayment partnerships under which DONG Naturgas pays interest and instalments on the loan. The instruments of debt were transferred to the newly formed companies DONG Transmission, DONG Distribution and DONG Lager in connection with the unbundling. The State has granted an unconditional and irrevocable guarantee to the debt repayment partnerships in respect of all payments. The State has recourse against DONG Transmission, DONG Distribution and DONG Lager in respect of any amounts paid by the State under the guarantee.

In connection with the establishment of the natural gas transmission system and the oil transportation system (DONG Olierør), the State provided a guarantee to the lenders. At the end of 2003 one loan, totalling DKK 500 million was outstanding. Commission amounting to 0.15 per cent of the amount outstanding is paid.

Other transactions

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

Under the Danish Pipeline Act, DONG Olierør has signed an agreement with the Danish Ministry of Economic and Business Affairs under which DONG Olierør pays a duty to the State amounting to 95 per cent of the profit made.

DONG Efterforskning og Produktion has participated as a partner in all exploration licences granted in Denmark since 1984. From and including the 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 VE has an interest in two licences for exploration and recovery of geothermal energy. One of the licences, in which DONG VE is the sole licensee, comprises one third of Denmark's territory with the exception of the Metropolitan region. One third of the area was relinquished in 1983, and the remaining one third must be relinquished in 2013. The other licence, in which DONG VE 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 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.

Note 30. Group structure

DONG A/S

- Exploration and Production (E&P)
- Natural gas, Trading activities
- Natural gas, Transportation activities*
- Natural gas, Storage and distribution activities
- Renewable energy
- Electricity activities
- Oil transportation
- Other activities

Company name	Registered office	Currency	Share capital in millions	DONG Group's ownership interest
Exploration and Production				
DONG Efterforskning og Produktion A/S	Birkerød, Denmark	DKK	300	100
DONG Norge AS	Høvik, Norway	NOK	69	100
DONG Føroyar P/F	Torshavn, Faroe Islands	DKK	5	100
DONG Grønland A/S	Nuuk, Greenland	DKK	1	100
DONG (UK) Limited	London, UK	GBP	1	100
Trading activities				
DONG Naturgas A/S	Birkerød, Denmark	DKK	1,020	100
DONG Faste Vilkår A/S	Birkerød, Denmark	DKK	10	100
DONG Individuelle Vilkår A/S	Birkerød, Denmark	DKK	10	100
DONG Germany GmbH**	Dorsten, Germany	EUR	0.026	100
DANGAS GmbH**	Kiel, Germany	EUR	0.026	100
Deudan GmbH	Kiel, Germany	EUR	0.026	49
Deudan GmbH & Co. KG	Kiel, Germany	EUR	0.025	49
Nova Naturgas AB	Stockholm, Sweden	SEK	120	20
Transportation facilities				
DONG Transmission A/S	Birkerød, Denmark	DKK	500	100
Dansk Gasteknisk Center A/S	Birkerød, Denmark	DKK	9	10
Storage and distribution facilities				
DONG Distribution A/S	Birkerød, Denmark	DKK	150	100
Dansk Gasteknisk Center A/S	Birkerød, Denmark	DKK	9	37
DONG Lager A/S	Birkerød, Denmark	DKK	100	100

* The Group's gas transmission activities are gathered in DONG Transmission A/S. The company was divested to the Danish State at the start of 2004 and subsequently changed its name to Gastra A/S.

** Subsidiaries that are not audited by the parent company's auditor.

Note 30. Group structure (continued)

Company name	Registered office	Currency	Share capital in millions	DONG Group's ownership interest
Renewable energy				
DONG VE A/S	Birkerød, Denmark	DKK	330	100
DONG Vind A/S	Birkerød, Denmark	DKK	0.5	100
DONG Wind UK Limited	London, UK	GBP	0.0001	100
Barrow Offshore Wind Limited	Slough, UK	GBP	0.0001	38
P/S BI New Energy Solutions	Copenhagen, Denmark	DKK	78	27
Electricity activities				
DONG El A/S	Birkerød, Denmark	DKK	100	100
DONG EGJ A/S	Birkerød, Denmark	DKK	100	100
EnergiGruppen Jylland A/S	Herning, Denmark	DKK	250	65
EnergiGruppen Jylland El A/S	Herning, Denmark	DKK	75	65
Scanenergi Elsalg A/S	Herning, Denmark	DKK	6	12
Elsam A/S	Fredericia, Denmark	DKK	2,000	3
Eltra Amba	Fredericia, Denmark	DKK	19	2
Vestjyske Net Holding Amba	Herning, Denmark	DKK	10	11
EnergiGruppen Jylland Varme A/S	Herning, Denmark	DKK	50	65
EnergiGruppen Jylland Forbrænding A/S	Herning, Denmark	DKK	0.5	65
Dansk Restprodukthåndtering Amba	Odense, Denmark	DKK	0.5	4
EnergiGruppen Jylland Service A/S	Herning, Denmark	DKK	0.5	65
EnergiGruppen Jylland Biogas A/S	Herning, Denmark	DKK	1	65
Energicenter Vest A/S	Herning, Denmark	DKK	0.5	41
Scanenergi A/S	Herning, Denmark	DKK	50	8
NESA A/S	Gentofte, Denmark	DKK	135	13
Oil transportation				
DONG Olierør A/S	Birkerød, Denmark	DKK	1	100
Other companies in the Group				
Nunaoil A/S	Nuuk, Greenland	DKK	14	50
DONG Olieforsyning A/S	Birkerød, Denmark	DKK	1	100
DONG Litauen A/S	Birkerød, Denmark	DKK	7	100
Foreign branches in the Group				
Dutch branch of DONG Efterforskning og Produktion A/S	The Netherlands		-	100

Financial highlights, DONG Efterforskning og Produktion Group

DKK million	1999	2000	2001	2002	2003
			Group*	Group*	Group*
Income statement					
Revenue	689	2,031	1,602	3,741	3,273
Profit before interest, tax and amortisation (EBITDA)	350	1,487	1,044	2,237	1,995
Depreciation and impairment of property, plant and equipment	189	524	414	1,088	1,061
Profit before goodwill amortisation	161	963	630	1,149	934
Operating profit (EBIT)	161	955	621	1,132	917
Financial items, net	(33)	(53)	1	(66)	(183)
Profit before tax	128	902	622	1,066	734
Tax	(41)	(288)	(201)	(723)	(533)
Profit after tax	87	614	421	343	201
Balance sheet					
Fixed assets	1,930	1,823	3,303	4,513	4,642
Current assets	254	516	601	1,230	1,668
Share capital	300	300	300	300	300
Equity	869	1,294	1,687	1,997	2,008
Long-term liabilities including provisions	547	642	1,454	1,378	1,368
Short-term liabilities other than provisions	768	403	763	2,368	2,933
Balance sheet total	2,184	2,339	3,904	5,743	6,310
Cash flows					
Operating activities	427	615	852	2,377	1,194
Investment in fixed assets	(602)	(365)	(746)	(2,004)	(1,278)
Investing activities	-	(32)	22	-	-
Financing activities	199	(19)	(167)	(316)	(25)
Net cash flows from operating, investing and financing activities	6	199	(39)	57	(109)
Cash and cash equivalents at 31 December	14	213	174	231	122
Financial ratios (per cent)					
Gross margin	(41)	(54)	50	40	38
Operating margin	23	47	39	30	28
Return on average invested capital	9	42	20	23	15
Return on equity	11	57	28	19	10
Equity ratio	40	55	43	35	32
Current ratio	33	128	79	52	57
Number of employees at year end	91	123	163	222	274

* DONG Efterforskning og Produktion A/S established a group with four subsidiaries in 2001. Financial highlights for 2001, 2002 and 2003 comprise the group.

Financial highlights, DONG Naturgas Group

DKK million	1/1 2003	2003
Income statement		
Revenue		9,979
Profit before interest, tax and amortisation (EBITDA)		2,147
Depreciation and impairment of property, plant and equipment		(204)
Profit before goodwill amortisation		1,943
Operating profit (EBIT)		1,848
Financial items, net		(78)
Profit before tax		1,770
Tax on the profit for the year		(533)
Profit for the year		1,237
Balance sheet		
Fixed assets	3,648	4,208
Current assets	4,735	6,281
Share capital	1,000	1,020
Equity	5,299	6,857
Long-term liabilities including provisions	1,294	1,626
Short-term liabilities other than provisions	1,790	2,006
Balance sheet total	8,383	10,489
Cash flows		
Operating activities		(457)
Investment in fixed assets		(858)
Investing activities		(858)
Financing activities		(772)
Net cash flows from operating, investing and financing activities		(2,087)
Cash and cash equivalents at year end		1,115
Financial ratios (per cent)		
Gross margin		23
Operating margin		19
Return on average invested capital		36
Return on equity		20
Equity ratio		65
Current ratio		313
Number of employees at year end		172
Natural gas sales (million m^3)		
Domestic		4,052
Exports		2,999
Total natural gas sales		7,051

Financial highlights, DONG Transmission A/S

DKK million	1/1 2003	2003
Income statement		
Revenue		920
Depreciation and impairment of property, plant and equipment		(301)
Operating profit (EBIT)		223
Financial items, net		(136)
Profit before tax		87
Tax on the profit for the year		(26)
Profit for the year		61
Balance sheet		
Fixed assets	5,075	4,844
Current assets	237	517
Share capital	500	500
Equity	1,065	1,131
Long-term liabilities including provisions	3,635	2,363
Short-term liabilities other than provisions	612	1,867
Balance sheet total	5,312	5,361
Cash flows		
Operating activities		307
Investment in fixed assets		(71)
Investing activities		(69)
Financing activities		12
Net cash flows from operating, investing and financing activities		250
Cash and cash equivalents at 31 December		250
Financial ratios (per cent)		
Gross margin		63
Operating margin		24
Return on average invested capital		4
Return on equity		6
Equity ratio		21
Current ratio		27
Number of employees at year end		101

Financial highlights, DONG Distribution A/S

DKK million	1/1 2003	2003
Income statement		
Revenue		495
Profit before interest, tax and amortisation (EBITDA)		325
Depreciation and impairment of property, plant and equipment		(198)
Profit before goodwill amortisation		128
Operating profit (EBIT)		128
Financial items, net		(77)
Profit before tax		51
Tax on the profit for the year		(15)
Profit for the year		36
Balance sheet		
Fixed assets	3,365	3,258
Current assets	66	133
Share capital	150	150
Equity	680	716
Long-term liabilities including provisions	2,286	1,923
Short-term liabilities other than provisions	465	752
Balance sheet total	3,431	3,391
Cash flows		
Operating activities		379
Investment in fixed assets		(90)
Investing activities		(90)
Financing activities		(284)
Net cash flows from operating, investing and financing activities		5
Cash and cash equivalents at 31 December		5
Financial ratios (per cent)		
Gross margin		32
Operating margin		26
Return on average invested capital		5
Return on equity		5
Equity ratio		21
Current ratio		18
Number of employees at year end		172
Natural gas transportation (million m^3):		
Domestic		1,084
Exports		0
Total natural gas transportation		1,084

Financial highlights, DONG Lager A/S

DKK million	1/1 2003	2003
Income statement		
Revenue		378
Profit before interest, tax and amortisation (EBITDA)		289
Depreciation and impairment of property, plant and equipment		(168)
Profit before goodwill amortisation		120
Operating profit (EBIT)		120
Financial items, net		(72)
Profit before tax		48
Tax on the profit for the year		(15)
Profit for the year		33
Balance sheet		
Fixed assets	2,844	2,686
Current assets	29	52
Share capital	100	100
Equity	570	606
Long-term liabilities including provisions	2,011	1,659
Short-term liabilities other than provisions	292	473
Balance sheet total	2,873	2,738
Cash flows		
Operating activities		285
Investment in fixed assets		(11)
Investing activities		(11)
Financing activities		(272)
Net cash flows from operating, investing and financing activities		2
Cash and cash equivalents at 31 December		2
Financial ratios (per cent)		
Gross margin		38
Operating margin		32
Return on average invested capital		6
Return on equity		6
Equity ratio		22
Current ratio		11
Number of employees at year end		23

Financial highlights, DONG Olierør A/S

DKK million	1999	2000	2001	2002	2003
Income statement					
Revenue	914	1,417	1,272	1,374	1,369
Duty to the Danish State	(514)	(1,042)	(882)	(942)	(924)
Tax on the profit for the year	(9)	(19)	(15)	(16)	33
Profit (loss) for the year	19	40	35	37	(76)
Dividend	19	39	35	37	0
Balance sheet					
Value of the oil transportation system	182	198	329	306	468
Current assets	191	223	206	192	260
Share capital	1	1	1	1	1
Equity	62	83	79	81	(32)
Long-term liabilities including provisions	80	70	172	144	472
Short-term liabilities other than provisions	231	268	284	273	288
Balance sheet total	373	421	535	498	728
Investment	0	44	158	10	0
Transported in the oil pipeline excluding water (million tonnes)	12.8	13.9	13.9	15.2	15.0
Number of employees at year end	7	7	6	6	5

Financial highlights, DONG VE Group

DKK million	2002	2003
Income statement		
Revenue	3	55
Profit before interest, tax and amortisation (EBITDA)	(5)	22
Depreciation and impairment of property, plant and equipment	(1)	(16)
Profit (loss) before interest and tax (EBIT)	(6)	6
Financial items, net	8	(2)
Profit before tax	2	2
Tax on the profit for the year	(1)	1
Profit for the year	1	1
Balance sheet		
Fixed assets	305	723
Current assets	96	71
Share capital	330	330
Equity	331	332
Long-term liabilities including provisions	3	35
Short-term liabilities other than provisions	67	427
Balance sheet total	401	794
Cash flows		
Operating activities	42	(6)
Investment in fixed assets	(211)	(349)
Investing activities	(21)	(16)
Financing activities	0	387
Net cash flows from operating, investing and financing activities	(191)	(25)
Cash and cash equivalents at 31 December	67	43
Financial ratios (per cent)		
Gross margin	(17)	35
Operating margin	(212)	11
Return on average invested capital	(3)	1
Return on equity	1	1
Equity ratio	83	42
Current ratio	173	17
Number of employees at year end	8	9
Production of electricity and heat		
Electricity, wind power (Mwh)	1,332	87,698
Heat, geothermal energy (TJ)	84.7	82.4

Financial highlights, DONG El Group

DKK million		2003
Income statement		
Revenue		571
Profit before interest, tax and amortisation (EBITDA)	100	
Depreciation and impairment of property, plant and equipment		(75)
Profit (loss) before interest and tax (EBIT)		25
Financial items, net		5
Profit before tax		30
Tax on the profit for the year		(9)
Group share of profit after tax		14
Balance sheet		
Fixed assets		1,767
Current assets		311
Share capital		100
Equity		1,082
Minority interests		564
Long-term liabilities including provisions		150
Short-term liabilities other than provisions		282
Balance sheet total		2,078
Cash flows		
Operating activities		122
Investment in fixed assets		(56)
Investing activities		23
Financing activities		24
Net cash flows from operating, investing and financing activities		170
Cash and cash equivalents at 31 December		170
Financial ratios (per cent)		
Gross margin		7
Operating margin		4
Return on average invested capital		1
Return on equity		1
Equity ratio		52
Current ratio		110
Number of employees at year end		157

Company information

Company information at 31 December 2003.

Company
DONG A/S
Agern Alle 24-26
DK-2970 Hørsholm
Telephone +45 4517 1022
Fax +45 4517 1044
dong@dong.dk
www.dong.dk
Registration No. 36 21 37 28

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

Supervisory Board
Sven Riskær, Managing Director (Chairman), b. 1938, joined the Supervisory Board in 1995, Chairman 1996, re-elected 1998, 2000, 2002, 2003. Term of office expires in 2005.

Lars Nørby Johansen, President and CEO (Deputy Chairman), b. 1949, joined the Supervisory Board in 1997, re-elected 1998, 2000, Deputy Chairman 2001, 2003. Term of office expires in 2005.

Asbjørn Larsen, MSc (business economics), b. 1936, joined the Supervisory Board in 2003. Term of office expires in 2005.

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

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

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

Jesper Magtengaard*, Senior Asset Manager, b. 1947, joined the Supervisory Board in 2003. Term of office expires in 2007.

Thorkild Meiner-Jensen*, Lawyer, b. 1944, joined the Supervisory Board in 1981, re-elected 1983, 1985, 1987, 1989, 1991, 1995, 1999, 2002, 2003. Term of office expires in 2007.

Bent Stubkjær Pedersen*, Head of Department, b. 1953, joined the Supervisory Board in 2002, re-elected 2003. Term of office expires in 2007.

*Elected by the employees.

Number of meetings held by the Supervisory Board in 2003: 14.

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

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

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

Asbjørn Larsen, MSc (business economics): Belships ASA (Chairman)
FMC Technologies Corporation (Chicago) (member)
Saga Fjordbase AS (Florø), (Deputy Chairman)
Selvaag Gruppen AS (member)

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

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

Group Executive Board
Anders Eldrup (President and CEO**)
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 Transmission A/S
Povl Asserhøj

DONG Efterforskning og Produktion A/S
Søren Gath Hansen

DONG Grønland A/S
Mads Arndal-Lauritzen

DONG Norge AS
Anders Mørland

DONG Føroyar P/F
Mads Arndal-Lauritzen

DONG (UK) Limited
Mads Arndal-Lauritzen

DONG Litauen A/S
Søren Gath Hansen

DONG Distribution A/S
Peter Skak-Iversen

DONG Lager A/S
Peter Skak-Iversen

DONG Naturgas A/S
Kurt Bligaard Pedersen

DONG Individuelle Vilkår A/S
Kurt Bligaard Pedersen

DONG Faste Vilkår A/S
Kurt Bligaard Pedersen

DONG Olierør A/S
Peter Skak-Iversen

DONG El A/S
Peter Skak-Iversen

DONG EGJ A/S
Peter Skak-Iversen

DONG Olieforsyning A/S
Peter Skak-Iversen

DONG VE A/S
Hans Jørgen Rasmusen

DONG Vind A/S
Hans Jørgen Rasmusen

DONG Wind (UK) Limited
None

Other Supervisory Board memberships, members of the Executive Board

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

Kurt Bligaard Pedersen:
Københavns Lufthavne A/S (Chairman – retiring at the Annual General Meeting in 2004)
BRFKredit A/S (member)

Søren Gath Hansen:
Nunaoil A/S (Chairman)

Carsten Krogsgaard Thomsen:
Railion Danmark A/S (member – retiring at the Annual General Meeting in 2004)
Aktieugebrevet A/S (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
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 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 Democrats
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 took place on 1 June 2001.

Auditors

KPMG C. Jespersen
PricewaterhouseCoopers

Annual General Meeting

Tuesday 27 April 2004.

The last inspection round of the afternoon.
Everything in order at Nybro Gas Treatment Plant.