Annual Report 2005

DONG
energy for more

Contents

About the 2005 annual report

The 2005 annual report format is different from that of previous years' annual reports.

In view of the impending merger of the companies DONG, Elsam, Energi E2, Nesa, Københavns Energi's electricity activities and Frederiksberg Forsyning's electricity activities, it has been decided to cut the costs for the annual report to release vital employee resources for the preparation of the merger.

Accordingly, the 2005 annual report contains fewer graphics, and the paper quality, cover, etc., have been altered compared with previous years.

This annual report is a translation of the Danish original text. The original Danish test shall be the governing text for all purposes, and in case of any discrepancy the Danish wording shall be applicable.

DONG's business areas

Exploration & Production
The exploration and production activities are carried out in Danish, Norwegian, UK and Faroese waters. Today's production is predominantly oil; however, the building up of gas reserves to underpin the gas sales activities is an important objective in the exploration and development of fields.

Natural gas, Trade & Supply
DONG sells natural gas to distribution companies, CHP companies, industrial customers and private individuals. DONG is the leading natural gas supplier in Denmark and Southern Sweden, and also exports to Germany and the Netherlands.

Natural gas, Distribution & Storage
DONG's gas distribution network covers southern Jutland and South and West Zealand. DONG's gas storage facilities are located in Stenlille on Zealand and Ll. Torup in Jutland and have a total capacity of about 760 million m^3.

Electricity & Renewable energy
The activities include ownership interests in Nesa, EnergiGruppen Jylland and Elsam as well as activities within renewable energy technologies – primarily offshore wind farms.

Oil pipeline
Denmark's only oil pipeline for bringing ashore crude oil connects the Gorm-E offshore platform with Filsø in West Jutland and onwards to the Fredericia oil terminal.

Preface

2005 was the year in which the foundation for Denmark's new large energy company was laid.

The preparations for the merger of DONG, Elsam, Energi E2, Nesa, Københavns Energi's electricity activities and Frederiksberg Forsyning's electricity activities have long been underway, and the actual merger is expected to take place in the course of 2006.

The merger is conditional upon clearance from the EU Commission. Clearance had not been received by the time the annual report went into print.

In the coming months following clearance, the agreement with Vattenfall concerning the divestment of activities from Elsam and Energi E2, respectively, must be completed.

In parallel with this, the first steps are being taken to fulfil the conditions, which the EU Commission is expected to make in connection with the clearance process.

This annual report is thus expected to be the last under the auspices of DONG.

Financial performance

Competition in the Danish energy market is still fierce, and the liberalisation has led to loss of market shares, as expected; however, in volume terms, the declining natural gas sales in Denmark were offset by growing export sales, especially to Germany and the Netherlands, although sales to these markets entailed higher transportation costs. The higher oil price level, increased gas sales and non-recurring income of DKK 360 million were the main drivers behind the DKK 2,818 million profit after tax, which is regarded as satisfactory. The results achieved were considerably higher than originally forecast at the start of the year.

Proposed dividends

The Supervisory Board recommends that a dividend of DKK 35 million be paid.

Social and environmental performance

Efforts to sustain the low rate of lost time accidents succeeded. The accident rate for DONG's and contractors' employees was 3.4 per one million man-hours worked, down from 4.6 for 2004. On the environmental front, the focus was on cutting emissions of CO_2 equivalents, which were down 19% on 2004.

Follow-up on existing strategy

Larger market shares abroad within gas trading

As a result of the liberalisation of the Danish natural gas market competition has increased, leading to loss of market shares for DONG. This trend is set to continue, and the strategy is therefore to carry on expanding market shares abroad to make up for the declining sales in Denmark.

Natural gas sales outside Denmark have grown considerably in recent years. Exports now account for more than 50% of sales, both in volume terms and expressed in DKK. This percentage is expected to grow still further in 2006 due to forecast higher export sales and lower domestic sales.

Procurement of competitive gas

The strategy in this area is to step up production of equity gas as the production from the Danish underground begins to decline. To this end, DONG made its largest single investment at the end of 2004 when it signed an agreement to acquire BP's 10.34% stake in the Ormen Lange gas field in Norway. The price for the stake was almost DKK 7 billion, and it is expected that a further DKK 3 billion will have to be invested in the period 2006-2010.

The project is still on schedule and, at present, is 60% complete. First gas from Ormen Lange is anticipated at the end of 2007. The project costs are on a par with the originally planned figures.

DONG is also investing in gas exploration, particularly in the area between the Shetland Islands and the Faroe Islands, where 2006 will see the largest number of wells drilled in DONG's history.

Equity production will be supplemented by large purchase agreements to secure a competitive and differenttiated gas portfolio.

Integration with the electricity sector

The liberalisation of the electricity sector a few years back led to a break-up in the market, with several of the large companies being put up for sale. The strategy has been to work actively to exploit the possibility of creating a new Danish energy company with a presence across the value chain. The planning of the merger of DONG, Elsam, Energi E2, Nesa, Københavns Energi's electricity activities and Frederiksberg Forsyning's electricity activities is well underway. The status at the time of publication of the annual report is as follows:

- *Key figures*

After the divestment to Vattenfall, the new company will have around 4,500 employees, and, in 2005, would have delivered estimated revenue in the order of DKK 33 billion, estimated EBITDA of approx. DKK 10.5 billion and EBIT of approx. DKK 7 billion.

- *Management*

The Executive Board of the new company was appointed in June 2005, and the managers of the next management tiers were appointed in September and October. The management structure was thus in place by the end of 2005. Almost 200 managers have been appointed within the top management tiers.

- *Organisational structure*

The new company will consist of the six business areas: E&P, Generation, Renewables, Energy Markets, Sales & Distribution and Gas Distribution & Storage.

- *Synergies*

The Supervisory Board has approved the synergy targets that are expected to be realised in connection with the merger of the companies. The targets are completely in line with the calculations made prior to the acquisitions. The full effect of the synergies is expected to occur in 2008.

- *Culture and values*

The new company will be internationally focused, and the values have therefore been expressed in English, like the names of the business areas. The values consist of three Rs:

Results-oriented: The focus is on targeted and results-oriented work. Good results will be rewarded. Likewise, lack of results will lead to corrective action.

Responsive: Responsive, reflected in new solutions and products. Promoting internal openness, so that information is shared and utilised in the company. The ability to act quickly must be a fundamental element.

Responsible: Employee responsibility, safety and well-being must take pride of place, even in a fiercely competitive environment. The company's conduct must be characterised by an innate sense of responsibility.

The values must now be developed still further, interpreted and translated into specific action in the individual business areas.

- *Name*

It is currently being considered whether the name DONG should be retained or whether a new name should be found that better describes the new company. The outcome is expected to be available later in 2006.

- *Financing*

In June 2005 DONG issued a bond loan and hybrid capital, raising DKK 12 billion in total.

New strategy

Once clearance of the new company becomes a reality, a new strategy will be prepared comprising all parts of the new company. Special emphasis will be placed on issues such as geographical scope of the activities, definition of core business activities, optimal composition of business areas, and investment priorities. This exercise is expected to be completed by summer 2006.

Privatisation and IPO

At the start of the year SEAS-NVE committed to converting its existing shares in Energi E2 to shares in DONG. A number of former Elsam shareholders are currently considering similarly converting their existing Elsam shares to DONG shares.

In 2006 management's focus will centre on integration of the companies and realisation of synergies. The earliest timing of an IPO will therefore be in spring 2007. The actual timing will depend, among other things, on the general trend and conditions in the stock market.

Management's review

Consolidated financial highlights

DKKm	*2005	*2004	2003	2002	2001
Revenue by business area:	**18,493**	**14,209**	**14,267**	**13,729**	**12,723**
Exploration & Production	3,879	3,109	3,187	3,658	1,539
Natural gas, Trade & Supply [1]	13,885	10,022	9,988		
Natural gas, Distribution & Storage	857	861	884	9,650	10,953
Natural gas, Transmission (Energinet.dk) [2]			922		
Oil pipeline	467	373	445	432	390
Electricity & Renewable energy	247	533	627	3	-
Other (including eliminations)	(842)	(689)	(1,787)	(14)	(159)
EBIT by business area:	**4,099**	**2,371**	**3,168**	**2,546**	**2,371**
Exploration & Production	1,334	366	917	1,132	621
Natural gas, Trade & Supply [1]	2,582	1,573	1,848		
Natural gas, Distribution & Storage	161	218	248	1,453	1,748
Natural gas, Transmission (Energinet.dk) [2]			233		
Oil pipeline	78	211	(104)	59	55
Electricity & Renewable energy	(1)	29	32	6	-
Other (including eliminations)	(55)	(26)	4	(104)	(53)
Financial items, net	(152)	171	56	154	26
Profit after tax	2,818	2,074	1,941	1,476	1,657
EBITDA [3]	6,314	4,637	5,547	4,896	4,532
EBITDA margin (%)	34	33	39	36	36
EBIT margin (operating margin) (%)	22	17	22	19	19
Cash flow from operating activities	5,866	3,539	4,442	3,594	3,674
Free cash flow to equity [4] (with acquisitions)	(4,262)	(1,061)	1,517	500	2,439
Free cash flow to equity [5] (without acquisitions)	3,325	1,653	1,592	1,063	2,530
Assets	46,854	31,436	33,230	28,930	29,970
Additions to property, plant and equipment	8,041	2,464	3,370	2,783	2,298
Cash and cash equivalents [6]	7,356	145	3,448	3,195	5,397
Interest-bearing debt [7]	7,148	3,331	5,890	6,459	8,741
Net interest-bearing debt	(208)	3,186	2,442	3,264	3,344
Equity	26,278	16,360	16,794	14,655	13,403
Capital employed [8]	26,611	19,791	19,519	17,731	16,786
Financial gearing [9]	(0.01)	0.19	0.14	0.22	0.25

* The financial highlights for 2004 and 2005 have been prepared in accordance with International Financial Reporting Standards as adopted by the EU. Description of accounting policies are given on page 31. The comparative figures for 2001-2003 have not been restated to reflect the changed accounting policies, but have been prepared in accordance with the accounting policies up to now based on the provisions in the Danish Financial Statements Act and Danish Accounting Standards.

Note 1 : DONG Naturgas A/S was unbundled into six new companies on 1 January 2003. The comparative figures for 2001-2002 have not been restated to reflect the current corporate structure

Note 2 : DONG Transmission (now Energinet.dk) was sold on 1 January 2004 and consequently does not feature in the financial statements for 2004-2005

Note 3: Earnings before interest, tax, depreciation and amortisation

Note 4 : Cash flows from operating activities and investing activities

Note 5 : Cash flows from operating activities and investing activities, excluding cash flows from acquisitions/disposals of enterprises

Note 6 : Cash and cash equivalents consist of available cash + securities that form part of the ongoing cash management less bank overdrafts

Note 7 : Interest-bearing debt is exclusive of drawn bank overdrafts

Note 8 : Equity +/- losses/gains relating to hedging instruments on equity + net interest-bearing debt

Note 9 : Net interest-bearing debt divided by equity

Other financial ratios have been calculated in accordance with the Danish Society of Financial Analysts' 'Recommendations & Financial Ratios 2005'
Previously, the company and the Group recognised overlift at realisable value with adjustment in revenue, while underlift was recognised at cost with adjustment in production costs. From and including the current financial year, both overlift and underlift are recognised at realisable value with adjustment in revenue. The comparative figures for 2004 have been restated accordingly.

Financial performance

In 2005 the Group delivered profit after tax of DKK 2,818 million compared with DKK 2,074 million in 2004.

Non-recurring income amounted to DKK 360 million relating mainly to adjustment of deferred tax due to a reduction in the corporate income tax rate and to adjustment of the Nesa shares, which have been owned for more than three years. In 2004 non-recurring income amounted to DKK 889 million.

Profit before tax was DKK 4,009 million versus DKK 3,008 million in 2004. Operating profit (EBIT) and EBITDA amounted to DKK 4,099 million and DKK 6,314 million, respectively, versus DKK 2,371 million and DKK 4,637 million in 2004. Free cash flows excluding acquisitions amounted to DKK 3,325 million compared with DKK 1,653 million in 2004.

Profit substantially exceeded expectations at the start of the year due mainly to realisation of a higher oil price than assumed. The oil price, which rose through 2005, has a major impact on DONG's business. Corrected for non-recurring income, profit after tax was considerably ahead of 2004. This reflected several factors:

- The oil price averaged USD 54.5/bbl in 2005, equivalent to DKK 327/bbl, up 43% on the average for 2004; however, DONG did not benefit in full from the high oil prices, as a substantial proportion of its oil price exposure in 2005 was hedged. The main reason why profit increased considerably despite this was that the oil price and the USD exchange rate are included with different time lags in DONG's natural gas purchase and sales contracts. Oil price changes consequently impact on selling prices relatively quickly, whereas purchase prices are adjusted with a time lag effect of up to 15 months. The oil price increases in 2005 yielded a gain exceeding the corresponding gain for 2004.
- Profit from exploration and production activities rose as a result of a reduction in exploration costs compared with 2004.

Major highlights
The main highlights of the year were:

Integration with the electricity sector

In 2005 a number of activities centred on the integration with the acquired electricity companies: Elsam, Energi E2, Nesa, Københavns Energi's electricity activities and Frederiksberg Forsyning's electricity activities. The many events relating to the integration included the following:

- Appointment of the top management
- The Supervisory Board's approval of synergy targets in connection with the merger

Agreement between DONG and Vattenfall on power plants and shares

On 1 June 2005 DONG and Vattenfall signed an agreement implementing the Letter of Intent from 14 April concerning the future ownership of Elsam and Energi E2:

- Vattenfall will take over the central power plants Nordjyllandsværket, Fynsværket and Amagerværket and the local CHP plants in Helsingør and Hillerød, as well as a portfolio of wind power activities. All in all, Vattenfall will be taking over production assets with a total capacity of approx. 2,400 MW.
- DONG will take over Vattenfall's 35.3% stake in Elsam and its 40% stake in Avedøre 2. All in all, Elsam and ENERGI E2 will retain production activities with a total capacity of approx. 7,000 MW.

The agreement is expected to be completed later in the year following the EU Commission's clearance of the merger.

Capital structure and credit rating

In May DONG signed an agreement with a group of thirteen banks on a five-year syndicated credit facility for DKK 11.2 billion (EUR 1.5 billion), with the possibility of an extension for up to two years.

In June DONG issued a bond loan and hybrid capital in the European capital market. The total loan proceeds were DKK 11.8 billion (EUR 1.6 billion).

As a result of the permanent and subordinated nature of the loan, the hybrid capital is treated by the rating agencies as 50% equity and 50% interest-bearing debt. The hybrid capital is accounted for as equity. Consequently, it is not included in the statement of net interest-bearing debt under financial highlights, and the eventual interest payments are included in the cash flow statement as financing activities instead of in the income statement, in the same way as dividend payments.

In connection with the bond and the hybrid capital offerings, both of which were considerably oversubscribed, DONG communicated a long-term objective for two credit ratios: a ratio of Funds From Operations (FFO) to net interest-bearing debt of minimum 25%, and a ratio of net interest-bearing debt to total capitalisation of maximum 50%.

As a natural consequence of DONG’s borrowing requirements and integration risks in connection with its acquisitions within the electricity sector, the rating agencies downgraded their credit ratings of DONG during the year. In February, Moody's Investors Service put DONG on its observation list, and, in May, it changed its credit rating of DONG from A3/negative outlook to Baa1/stable outlook. Standard & Poor's Rating Service similarly changed its credit rating of DONG from A-/stable outlook to A-/negative outlook in February, and, in June, it downgraded its credit rating to BBB+/stable outlook.

The new bond loan has the same credit ratings as DONG A/S, while the credit ratings of the hybrid capital are lower, Baa3 and BBB-, respectively, in line with the rating agencies’ normal practice for subordinated debt.

At Financial News' annual ‘Awards for Excellence in Investment Banking’ event in November, DONG was awarded the Corporate Bond of the Year award. The reason for the award was the innovative hybrid bond offered by DONG as newcomer in the market. In addition, in January 2006, DONG was awarded Euroweek’s ‘Best New Borrower of the Year’ award.

In December, DONG established an EMTN programme for EUR 3 billion with the possibility of a bond offering with a 30-year maturity. The EMTN programme will primarily be used for refinancing.

Acquisition of Intergas Levering

In June an agreement was entered into with Intergas Energie N.V. on a DKK 389 million acquisition of the Dutch energy supply company Intergas Levering. Intergas Levering has around 140,000 gas customers and 35,000 electricity customers and delivered revenue of approx. DKK 1.3 billion in 2005.

Acquisition of interest in EWL

In November 2004 DONG signed an agreement on a long-term partnership with Stadtwerke Lübeck under which DONG acquired 25.1% of the shares in the company Energie und Wasser Lübeck GmbH (EWL) with effect from 28 February 2005. The total purchase price was DKK 546 million. DONG has offered to buy an additional 24.8% of the shares by the end of 2007.

New licences

In September the UK Government put out to tender the right to explore for oil and gas in one of the most promising areas of the North Atlantic between the Shetland Islands and the Faroe Islands. The area is one of DONG’s three focus areas within oil and gas. DONG was offered all the licences it applied for, cementing its position in the North Atlantic and making it one of the largest licence holders in the area.

Subsequent events

The EU Commission’s clearance of the merger with the acquired companies is expected shortly after the annual report has gone into print.

No events have occurred after the year end which will have a material effect on the company’s financial position.

Outlook for 2006

DONG's financial performance depends to a great extent on the development in the price of oil and the USD exchange rate. The acquisitions of the electricity companies mean that DONG will remain exposed to electricity, coal and CO_2 prices in the future.

Compared with 2005, the outlook for 2006 is affected by a number of conflicting factors. On the downside is the fact that the oil price and the USD exchange rate are incorporated with different time lags in natural gas purchase and sales contracts. This means that oil price changes and changes in the USD exchange rate 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 last three years' increasing oil prices have generated a considerable gain for DONG that is not expected to be repeated in 2006.

Also on the downside is the fact that further loss of market share within natural gas sales in Denmark is expected in 2006. This is a natural consequence of the full market opening at the start of 2004. The loss of market share is expected to be offset by growing exports, primarily to the Netherlands, although sales to this market will entail increased transportation costs.

On the upside, a large proportion of the oil price exposure in 2006 is hedged by options and similar hedging instruments. Accordingly, compared with 2004 and 2005, when hedging was predominantly effected using swaps, high oil prices will benefit DONG to a greater extent.

The outlook does not take account of the results from the electricity companies, as the closing date, and thus recognition in the financial statements, has yet to be determined; however, an amount of DKK 300 million has been recognised, equivalent to 25% of the expected profit for Elsam (associate). By the same token, integration costs in connection with the amalgamation have not been recognised.

Full-year profit after tax of DKK 3.0 billion is anticipated. The outlook is based on an average oil price of around USD 55/bbl for the remainder of the year.

Later in the year, when all the electricity transactions have been completed, a revised profit outlook will be announced.

Forward-looking statements

The annual report contains forward-looking statements, which include projections concerning financial performance in 2006. These statements are not guarantees of future performance and involve certain risks and uncertainties.

Therefore, actual future results and trends may differ materially from what is forecast in this report due to a variety of factors including, but not limited to, the development in the oil, currency and interest rate markets; changes in legislation, regulation or standards; changes in the competitive situation in DONG's markets; security of supply; and integration of acquired activities.

Reference is also made to the description of risks in the section on Risk management on page 18.

Segments in the new company

The new company will consist of the six business areas: E&P, Generation, Renewables, Energy Markets, Sales & Distribution and Gas Distribution & Storage:

- E&P will take care of oil and gas exploration and production. The focus for the future will be on building up gas reserves to underpin the gas sales activities.
- Generation will produce electricity and heat in eastern and western Denmark. Will consist of activities from Elsam and Energi E2 following the divestment of assets to Vattenfall.
- Renewables will produce renewable energy, primarily from wind turbines and hydropower. Will consist of activities from DONG, Elsam and Energi E2.
- Energy Markets will buy and sell gas to large companies and will be engaged in wholesale trading. Energy Trading will also buy electricity for intragroup resale. Will be established through activities from DONG, Elsam, Energi E2, Nesa and Københavns Energi's electricity activities.
- Sales & Distribution will sell electricity to all customer segments and gas to residential customers and medium-sized enterprises. It also takes care of electricity distribution in the metropolitan area. Will be established through activities from DONG, Nesa, Københavns

Energi's electricity activities and Frederiksberg Forsyning's electricity activities.

- Gas Distribution & Storage will consist of the gas distribution in southern Jutland and South and West Zealand. It will also comprise the two Danish gas storage facilities.

For reporting purposes, there will be four segments, with Generation and Renewables being gathered under the segment Generation (incl. Renewables), and Gas Distribution & Storage being combined with electricity distribution under the name Infrastructure. The gas and electricity trading activities will be gathered in Markets.

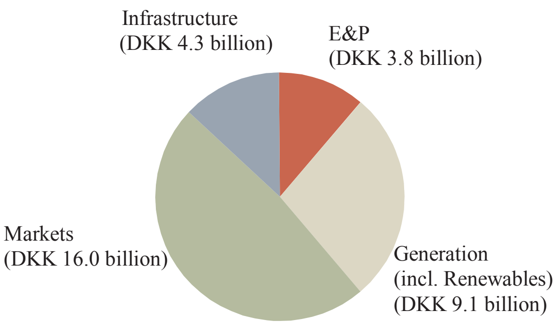
The new company will have about 4,500 employees. Estimated figures for 2005 for DONG including the acquired companies, Elsam and Energi E2 (excluding the share to be sold to Vattenfall), Nesa, Københavns Energi's and Frederiksberg Forsyning's electricity activities, showed total revenue in the order of DKK 33 billion, EBITDA of approx. DKK 10.5 billion and EBIT of approx. DKK 7 billion.

Information about the new company

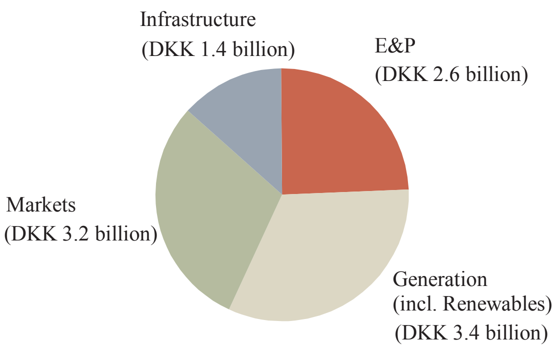
All figures for the new company are preliminary and estimated, unaudited figures for 2005 that are disclosed for illustrative purposes only. For example, no adjustment has been made in respect of intragroup trading and profits, differences in accounting policies, consequences of the competition authorities' clearance, etc. Furthermore, the estimated adjustments in respect of the activities divested to Vattenfall are subject to considerable uncertainty.

The breakdown by business area in 2005 was as follows (estimated, unaudited figures):

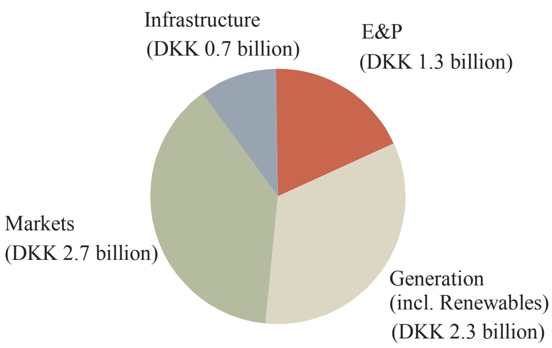
Estimated breakdown of revenue in the new company



Estimated breakdown of EBITDA in the new company



Estimated breakdown of EBIT in the new company



Exploration & Production

The objective for the exploration and production activities is to build up reserves and production of oil and natural gas.

In order to bolster DONG's competitiveness and secure supplies for the natural gas customers in Denmark, Sweden and the other markets in Europe, it is DONG's objective for equity production of natural gas to make up a substantial part of the total sales volume.

The gas reserves increased in 2005 by virtue of the acquisition of a stake in the Ormen Lange field. The development of the field is proceeding to plan. The installations that will form the basis for the production wells have been placed on the seabed. The southern part of the Langeled gas pipeline has been laid, and the drilling of production wells has commenced. The Trym field, a small gas field on the Norwegian shelf, has been matured for development and is also contributing to an increase in gas reserves.

The statement of oil and natural gas reserves is made to SPE standards (Society of Petroleum Engineers) on a Proven and Probable (2P) reserve basis. At the end of 2005 reserves amounted to 359 million boe (barrels of oil equivalent) compared with 95 million boe at the end of 2004. The increase in reserves primarily reflected the acquisition of the stake in Ormen Lange. On DONG's producing fields in Norway and Denmark the development of new technologies is instrumental in continually extending the lives of the fields, thereby increasing reserves. Exploration finds are not included in reserves until a development plan has been decided on. In 2005 DONG produced a total of 17.7 million boe, which naturally reduced reserves.

DONG participated in two exploration and appraisal wells in 2005 compared with ten in 2004. Growing activity as a result of the oil price level in 2005 led to a shortage of drilling rigs. It was therefore necessary to postpone a number of planned exploration and appraisal wells.

The exploration portfolio was expanded in 2005. New licences expanded DONG's footprint in both the area between the Faroe Islands and the Shetlands and in Norway. Through licensing rounds, DONG was awarded five new licences on the UK shelf. DONG holds the operatorship of two of these. Recent years' successful exploration and appraisal wells make this area a strategically important region for natural gas and oil exploration.

On the Faroese shelf DONG was awarded another two exploration licences. DONG expects to participate in at least one exploration well on the Faroese shelf in 2006.

In Norway, DONG was awarded five exploration licences at the end of 2005. The new licences strengthen DONG's position on the Mid-Norwegian shelf and the area north of the Siri licence.

Facts about the exploration and production activities

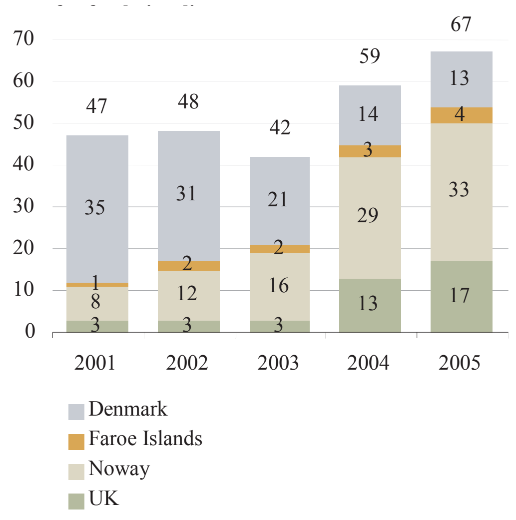
The exploration and production activities are carried out in Danish, Norwegian, UK and Faroese waters, with the emphasis on the North Sea. Oil production is predominant today, but the procurement of gas reserves that can underpin DONG's gas sales activities is an important objective for the future exploration and development of fields.

Most of the production is concentrated within three geographical areas: the Syd Arne field in Denmark (35% of production), the Ula-Gyda-Tambar-Glitne fields in Norway (42% of production) and the Siri-Stine-Nini-Cecilie fields operated by DONG on the Danish/Norwegian shelf (23% of production).

Besides Denmark, exploration activities are concentrated in the areas between the Faroe Islands and the Shetland Islands and in the Norwegian Sea off Mid-Norway.

In the area between the Faroe Islands and the Shetland Islands DONG participates in licences in the UK and the Faroe Islands sectors. The exploration activities in Norway are carried out in the Norwegian Sea off Mid-Norway and in the southern part of the Norwegian North Sea.

Geographical breakdown of exploration and production licenses



DONG is participating in the latest Danish licensing round and is still investing in continued recovery of reserves from the Danish fields Syd Arne, Siri, Stine, Nini and Cecilie. Despite the ongoing investments, production from the Danish fields is naturally declining. In order to optimise earnings and extend the life of the field, a project aimed at reducing operating expenses is consequently underway on the Siri field. The results so far show that the project has succeeded in reducing operating expenses in accordance with the objective, and DONG expects to be ranked among the most efficient operators in the North Sea. The Siri area is still estimated to have potential to safeguard further production in the future, contributing to optimal utilisation of the infrastructure around the field.

The infrastructure expenditure in connection with the Syd Arne field can similarly be optimised by developing the adjoining finds for production. In 2005 an appraisal well on the Hejre find was completed, and the partner group is examining the possibilities for development of the find.

In 2005 DONG set up an office in Esbjerg that is to offer support to the North Sea offshore activities, including transporting equipment to and from the Siri platform and DONG-operated drilling rigs.

In 2005 DONG produced a total of 17.7 million boe, equivalent to the level in 2004. Roughly 42% of production came from Norway.

DONG has entered into agreements concerning sale of up to 60% of the PL274 licence (Oselvar) in the North Sea. The new partners, PA Resources Norway AS and Revus Energy ASA, will each take over 30% of the licence, while DONG will retain the remaining 40% and continue as operator. A small part of the southern part of the licence will be hived off into a separate licence. The company BG Norge AS will take over 80% and become operator of this licence, while DONG will retain the remaining 20%. The proceeds from the sale to BG Norge AS and Revus Energy ASA are recognised in profit for the year. The Norwegian authorities' approval of the agreement with PA Resources Norway AS is anticipated at the start of 2006 and consequently will not be recognised until 2006.

Financial highlights

DKK million kr.	2005	2004
Oil and gas production, DK (million boe)	10.3	12.2
Oil and gas production, N (million boe)	7.4	5.4
Revenue	3,879	3,109
EBITDA	2,570	1,850
EBIT	1,334	366
Investments	7,097	1,711

The exploration and production activities generated EBIT of DKK 1,334 million in 2005, up from DKK 366 million in 2004. The increase in EBIT reflected the increase in revenue as well as lower exploration expenditure and depreciation. The lower depreciation charge was due to the fact that a smaller proportion of the production came from depreciation-intensive fields in 2005.

Revenue reached DKK 3,879 million versus DKK 3,109 million in 2004. The impact of the increasing oil prices was not felt in full on revenue, as a substantial part of production had been hedged using financial hedging transactions.

The acquisition of BP's 10.34% stake in the Ormen Lange field and its 10.2% stake in the Langeled pipeline accounted for most of the capital expenditure in 2005. Exploration & Production's share of the purchase price and subsequent capital expenditure amounted to DKK 6,686 million, while other investment expenditure on development and capitalised exploration amounted to DKK 411 million.

Natural gas, Trade & Supply

In 2005 the Danish gas market was characterised by increasing competition from both existing and new players in the market. The sharpened competition led to loss of market shares. In 2005 DONG sold 2.5 billion m^3 gas directly to end customers in Denmark, equivalent to a market share of approx. 61% versus approx. 66% in 2004.

In order to maintain its position as market leader in the Danish market, DONG, in dialogue with the customers, continuously developed new products meeting the demand for energy, service and price products.

In 2004 DONG introduced sales of electricity to both industrial and residential customers. In 2005 DONG strengthened its position as an electricity supplier, and now boasts a share of just under 2% of the Danish electricity market. On 1 January 2005 the free electricity market in Denmark was expanded to include decentralised electricity production. DONG has therefore developed a CHP concept that ensures that CHP customers can optimise their electricity production and sell it in the market. Contracts were set up with several CHP stations in 2005.

Facts about the gas sales activities

The objective for the gas sales activities is to maintain DONG's position as the leading supplier of natural gas in Denmark and Southern Sweden, and to expand DONG's position in the export markets in Germany and the Netherlands.

Today, customers are mainly supplied with Danish gas. Danish gas production is expected to decline in future. As it declines it is expected to be replaced by a combination of foreign gas purchased under long-term contracts and gas produced by DONG.

Most major CO_2 emitters in Europe have been subject to a quota obligation under an EU directive since 1 January 2005. DONG and many of DONG's large natural gas customers are subject to the quota obligation. DONG has therefore become actively engaged in trading in CO_2 quotas and, in 2005, concluded a large number of deals in Denmark and Sweden, comprising a total of just over 350,000 quotas.

The partnership with the Danish oil company OK with respect to sale of gas to OK's oil customers and sale of oil to DONG's gas customers developed favourably in 2005. At the same time, sales of service plans to the residential and industrial markets increased, and additional agreements were signed with independent HVAC companies.

In autumn 2005 the Danish Competition Authority lodged objections against the gas sales agreement between DONG and HNG Midt-Nord that runs until 2009. DONG therefore decided to adjust the agreement. The Competition Council has indicated that the agreed adjustments mean that the objections have been addressed.

Internationalisation

In 2005 DONG strengthened its position abroad. Exports thus accounted for more than 50% of gas and electricity sales. In order to continue growing its natural gas sales and increasing its competitiveness in the energy markets in Northern Europe, DONG must continue the internationalisation of its trading activities. Increased sales are not the only reason for the internationalisation. The growing level of activity outside Denmark also gives DONG added flexibility in terms of sales.

In 2005 DONG acquired the Dutch energy supply company Intergas Levering with around 140,000 gas customers, 35,000 electricity customers and annual revenue of approx. DKK 1.3 billion. With the acquisition DONG achieved a significant element of its strategy to gain a larger market share in the Netherlands.

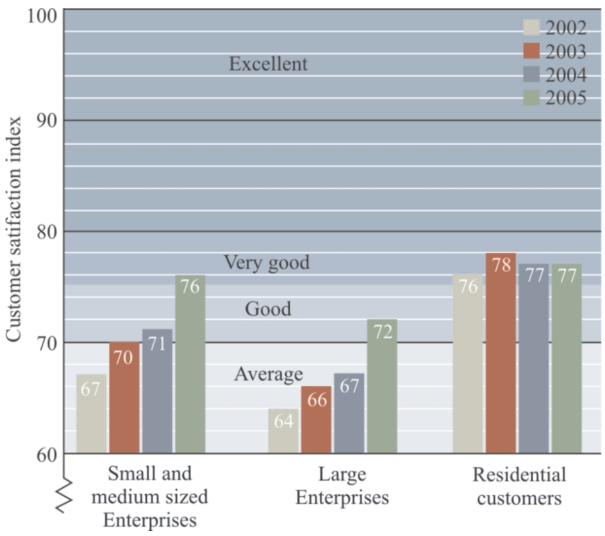
In the German market DONG is pursuing a strategy of increased gas and electricity sales to regional supply companies. As part of this strategy DONG continued developing the sales subsidiary E-nord and the partnership with Stadtwerke Lübeck GmbH in 2005.

The liberalisation of the Swedish gas market has been postponed several times, and the market rules have yet to be established. For example, all industrial customers were only able to switch supplier freely from autumn 2005. Despite this, DONG succeeded in expanding its position in the Swedish market still further in 2005, supported by the Swedish sales office in Göteborg.

Customer satisfaction

In 2005 initiatives designed to enhance customer satisfaction in the Danish market were in focus. Another important aim was timely identification of changes in customer satisfaction and loyalty, and identification of the factors that mean the most to customers in that connection.

Development in customer satisfaction



The customer satisfaction index developed favourably due to customer-orientation and flexibility. The level of satisfaction among residential customers was maintained at a high level, while the level of satisfaction among industrial customers increased. Market surveys show that a growing proportion of the consumers would choose DONG if they were to switch energy supplier.

Financial highlights

DKK million	2005	2004
Natural gas sales (mllion m3)	8,241	7,506
Revenue	13,885	10,022
EBITDA	2,921	1,907
EBIT	2,582	1,573
Investments	1,919	446

The trading activities generated EBIT of DKK 2,582 million in 2005, up from DKK 1,573 million in 2004 due primarily to higher gas selling prices and increased sales volumes. In addition, time lags between purchase and sales contracts generated a greater positive effect than in 2004. Investments related principally to the stake in Ormen Lange, the acquisition of Intergas Levering and the ownership interest in Energie und Wasser Lübeck GmbH.

Natural gas, Distribution & Storage

Distribution of natural gas

The gas distribution network covers southern Jutland and South and West Zealand. The 6,200 kilometre distribution pipelines supply 113,000 customers with natural gas.

The volume of gas transported in 2005 reached 978 million m^3 versus 1,031 million m^3 in 2004, mainly reflecting lower sales to a large customer and the fact that fewer degree days were realised in 2005.

Income from distribution is subject to income cap regulation fixed by the Danish Energy Regulatory Authority. The income cap determines that the costs of efficient operation and development of the distribution network, including a reasonable return on the invested capital, can be covered.

In October 2005 the Danish Energy Regulatory Authority fixed the income cap for 2005 and for the period 2006-2009. All the gas distribution companies appealed parts of the authority's decision to the Danish Energy Board of Appeal.

In summer 2005 the Danish Energy Regulatory Authority conducted a benchmarking of the Danish gas distribution companies' costs. The benchmarking showed that DONG is one of Denmark's most cost-effective gas distribution companies. The Danish Energy Regulatory Authority has therefore not imposed special efficiency improvement requirements on DONG.

Storage of natural gas

The gas storage activities are taken care of by two storage facilities located in Ll. Torup in Jutland and Stenlille on Zealand, respectively.

The storage facilities have a total capacity of 760 million m^3. About 22% of the capacity is sold to the State's transmission company, Energinet.dk, with a view to system balancing and emergency supply. Around 17% is sold to other external customers, while 61% is sold to DONG Naturgas A/S.

In 2005 a study was carried out of the possibility of improving capacity utilisation at the Ll. Torup gas storage facility. The findings will be evaluated in 2006.

Facts about the distribution and storage facilities

The gas distribution network covers southern Jutland and South and West Zealand. The 6,200 kilometre distribution pipelines supply 113,000 customers with natural gas.

The gas storage activities are taken care of by two storage facilities located in Ll. Torup in Jutland and Stenlille on Zealand, respectively. The facilities in Ll. Torup consist of seven caverns located at a depth of approx. 1.5 kilometres in a salt dome. In the natural gas storage facility in Stenlille the gas is stored at a depth of approx. 1.5 kilometres in water-bearing strata of porous sandstone encapsulated by a several hundred metres thick, gas-tight clay cover.

The liberalisation of the Danish natural gas market makes it difficult to predict future storage needs. As major expansions of the gas storage facilities must be planned several years in advance, DONG will in future enter into closer dialogue with the storage customers concerning their expected future capacity requirements.

At the end of 2005 there were six buyers of storage capacity compared with five in 2004. So far, no requests for storage capacity have been turned down. The tariffs for use of the storage facilities are among the lowest in Northern and Central Europe.

In March 2005 the EU prepared Guidelines for Good TPA Practice for Storage System Operators (GPSSO). DONG is in compliance with these guidelines.

Financial highlights

DKK million	2005	2004
Transported volumes (million m^3)	978	1,031
Revenue	857	861
EBITDA	565	596
EBIT	161	218
Investments	99	208

EBIT for 2005 for the distribution and storage facilities amounted to DKK 161 million, down from DKK 218 million in 2004 due to lower transported volumes, impairment losses on service lines in the distribution network that are no longer in use, and a higher cost level for the storage activities, primarily related to investigations of the underground caverns in which the natural gas is stored, and for recirculation of the gas in the storage facilities.

Electricity & Renewable energy

This business area comprises DONG's ownership interests in Elsam, Nesa and EnergiGruppen Jylland (EGJ) as well as well as DONG's activities within renewable energy technologies, primarily wind farms, an area that has been expanded substantially through investments in the last three years. DONG held 25% of the shares in Elsam at 31 December 2005.

The merger with the electricity companies Elsam, Energi E2, Nesa, Københavns Energi's electricity activities and Frederiksberg Forsyning's electricity activities has been long underway, and the actual merger is expected to take place later in the year.

DONG owns 50% of the company Barrow Offshore Wind Ltd., which is constructing an offshore wind farm off Barrow-in-Furness on the UK west coast, with DONG as operator. The UK energy company Centrica holds the other 50%. The offshore wind farm will consist of 30 wind turbines with a total capacity of 90 MW. The offshore installation work commenced in spring 2005, and the farm is expected to be fully commissioned during the second quarter of 2006. Generation of first electricity from the farm commenced in the first quarter of 2006.

In 2005 DONG acquired the remaining 50% of a licence to carry out preliminary investigations with a view to the establishment of an offshore wind farm at Walney Island off the UK west coast. The licence is now fully owned by DONG. The farm may have a capacity of up to 450 MW. An environmental impact assessment is expected to be completed in the first quarter of 2006 with the filing of an environmental report to the UK authorities. If the necessary regulatory approvals are obtained, the wind farm can be constructed so that it can begin production in the period 2008-2010. If construction goes ahead DONG will seek partners for the project.

Facts about Electricity & Renewable energy

The electricity activities strengthen DONG's position in the Danish energy market. The combination of gas and electricity activities enables DONG to offer a broader product portfolio and, in the long term, to use equity gas for electricity generation. In addition, there are synergies to be gained within infrastructure and operation.

The DONG Group owns 25% of the shares in Elsam. DONG also has a 13% stake in Nesa. At the start of 2005 a number of agreements on acquisition of electricity activities were entered into. These are expected to be completed later in 2006.

DONG's main focus within renewable energy is on wind energy projects. DONG is also engaged in production of geothermal energy and regularly evaluates new energy technologies such as fuel cells and micro gas turbines.

In the wind energy area, the ambition is to establish DONG as an important player in the Northern European region. DONG is particularly committed to offshore wind projects, on which synergies with DONG's experience from oil/gas exploration and production can be utilised.

DONG owns 30% of Nysted Offshore Wind Farm, which is located south of Lolland in Denmark. The farm, which was commissioned in 2003, consists of 72 Bonus wind turbines and has an installed capacity of approx. 166 MW. Production in 2005 amounted to 547 GWh – sufficient to supply approx. 110,000 single-family homes with energy.

In December 2005 DONG, Energi E2 and E.ON Sverige lodged a joint application for Rødsand 2, an offshore wind farm located in the area around Nysted Offshore Wind Farm. The application was in competition with two other joint ventures. Negotiations with the authorities are underway and expected to be finalised in 2006.

DONG participates with a 28% share in Metropolitan Geothermal Alliance (HGS), which has established a geothermal plant on Amager. The geothermal plant became fully operational in August 2005.

Financial highlights

DKK million	2005	2004
Revenue	247	533
EBITDA	51	141
EBIT	(1)	29
Investments	329	366

EBIT for the activities within electricity and renewable energy amounted to a loss of DKK 1 million in 2005 compared with EBIT of DKK 29 million in 2004. The lower EBIT was principally due to the fact that parts of EnergiGruppen Jylland's activities were sold at the end of 2004.

Oil pipeline

Denmark's only oil pipeline for landing crude oil connects the Gorm-E offshore platform with a pump station at Filsø in West Jutland and onwards to the Fredericia oil terminal.

In 2005 a total of 114 million barrels of crude oil was transported for shipping from the crude oil terminal in Fredericia compared with 113 million barrels in 2004.

Earnings from the oil pipeline activities depend on the value of the oil transported through the pipeline system, and are regulated by law. Accordingly, DONG receives 5% of the value of the volume of oil transported, and the State charges 95% duty on this amount. This profit element will cease in mid-2012.

Financial highlights

DKK million	2005	2004
Transported volumes (million bbl)	114	113
Revenue	467	373
EBITDA	123	95
EBIT	78	211
Investments	-	-

Revenue for 2005 was DKK 467 million, up from DKK 373 million in 2004 due to the higher oil price level in 2005.

EBIT amounted to DKK 78 million, down from DKK 211 million in 2004 due primarily to a DKK 160 million reduction in abandonment obligations in 2004.

Facts about the oil pipeline

DONG owns and operates the oil transportation system, which includes the Gorm E platform in the North Sea, the oil pipeline and the crude oil terminal in Fredericia.

All expenses related to the construction and operation of the oil pipeline system are borne by the users. The users also pay DONG 5% of the value of the transported oil after deduction of transportation costs. This profit element constitutes the largest part of the transportation charge. DONG pays duty to the State amounting to 95% of the profit element. This profit element will cease in mid-2012.

Quality, Safety and the Environment

In 2005 DONG maintained its position as an energy supplier with a high standard of security of supply, health & safety and environmental care.

Quality, Safety and the Environment – is an integrated action area in the Group. The business areas are individually accountable for their actions in these three areas, but follow established corporate policies and apply integrated, business-orientated systems underpinning the individual policies.

As in previous years, DONG has prepared a separate Quality, Safety and Environmental report, which is available in electronic form on www.dong.dk, along with the statutory environmental accounts for the gas storage facilities in Ll. Torup and Stenlille, the gas treatment plant in Nybro and the crude oil terminal in Fredericia.

Quality

DONG's quality, health & safety and environmental management systems are being continually improved. Overall corporate requirements and procedures have been established with respect to areas such as quality assurance audits, reporting of unwanted incidents, corrective action and document control.

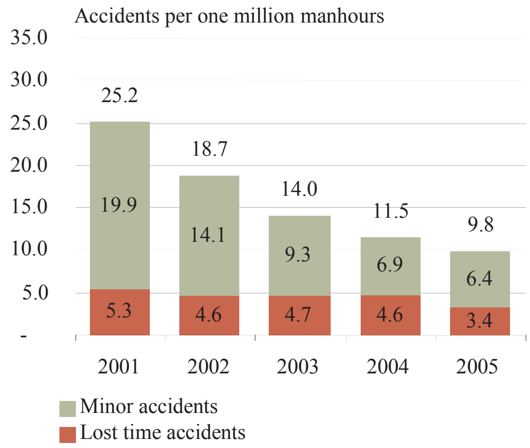
In the last two years the business areas have been delegated greater responsibility for auditing their own technical activities and systems. In 2005 more internal audits were performed than in previous years, with heightened focus on value-adding activities.

All DONG-operated offshore production activities and other technical installations are certified according to the ISO9001 quality management standard. The offshore production units gained certification to the ISO14001 environmental management standard in February 2005. This means that all DONG's technical offshore oil and gas activities are certified to this standard.

Safety

In 2005 there were 8 lost time accidents and 15 minor accidents among DONG employees and contractors within DONG-operated areas. This is the lowest number for five years. The accident rate remains low compared with the Danish labour market as a whole.

Accident rate for DONG employees and contractors



The accident rate for DONG employees and contractors' employees in 2005 was 3.4 lost time accidents per one million manhours worked compared with 4.6 in 2004. According to the Confederation of Danish Employers (DA), the accident rate for the Danish labour market as a whole was 28 in 2004. At the end of 2005, the total accident rate was 9.5 per one million manhours for DONG employees and contractors' employees within DONG-operated areas.

The low accident rate was achieved through sustained action to instil an active safety culture among all employees. As part of this action, a number of safety representatives and selected employees have been given training in "safety behaviour".

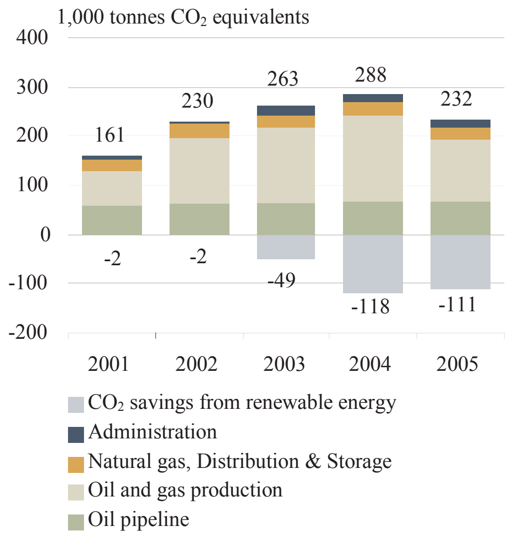
In order to strengthen the organisation's ability to continually improve processes and systems DONG operates a corporate incident reporting system. In 2005 more than 1,200 unwanted incidents and observations were reported, and the experience from these reports is being used for prioritised action in the QHSE area.

Environment

The most important environmental impact from DONG's activities stems from its oil and gas production and transportation. Combustion of gas and other propellants causes emission of CO_2 and other greenhouse gases (methane and volatile organic compounds), and chemicals are discharged in conjunction with the drilling of wells. In addition, oil and chemical residues are discharged as a by-product of oil and gas production.

The total environmental impact was reduced in 2005, particularly airborne emissions. Emissions of CO_2 equivalents were down 19% on 2004, principally reflecting lower CO_2 emissions in connection with the North Sea oil production following the commissioning of an improved gas recovery and flare reduction system on the Siri platform at the end of 2004. Emissions of Volatile Organic Compounds (VOC) from loading of oil and transportation also fell.

Emission of CO_2 and other greenhouse gases



The CO_2 emissions from those of DONG's installations that are subject to CO_2 quotas – the Siri production platform, the Nybro gas treatment plant and three district heating plants at EGJ in Holstebro – were jointly lower than the allocated CO_2 quotas, and CO_2 emissions from the other installations were also low.

DONG produces energy from renewable energy sources, primarily wind power. The renewable energy replaces energy produced from fossil fuels, cutting CO_2 emissions to the environment. Due to lower production from the offshore wind farms, CO_2 savings in 2005 dropped to 111,000 tonnes versus 118,000 tonnes in 2004. The geothermal plant on Amager was commissioned in summer 2005 after a satisfactory run-in period. The plant is expected to cut CO_2 emissions by approx. 10,000 tonnes annually compared with heat generated by a coal-fired CHP station.

Glossary

Carbon dioxide, CO_2 is the predominant greenhouse gas. In Denmark, the main sources of CO_2 emissions are energy production and transport. All forms of combustion produce CO_2 as a result of the oxidation of the carbon content of the fuels in connection with the combustion processes. Natural gas contributes less to CO_2 emissions than coal and oil because the ratio of hydrogen to carbon is higher in natural gas.

Sulphur dioxide, SO_2. Sulphur dioxide emissions develop during combustion when sulphur compounds in oil and coal react with the oxygen in the air to form sulphur dioxide. CHP stations and industry are by far the largest SO_2 emitters in Denmark. The sulphur content in natural gas is very low.

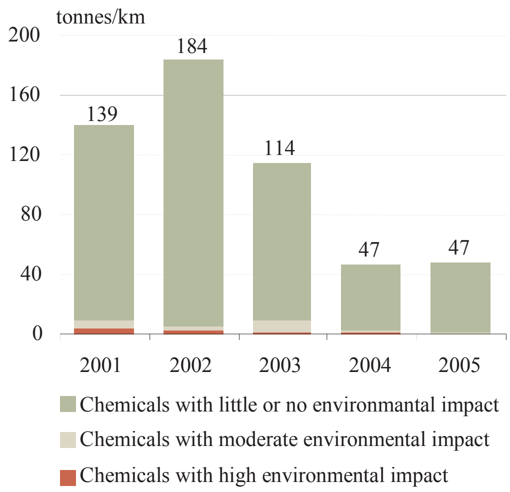
Nitrogen oxides, NO_x. Nitrogen oxide emissions develop during high-temperature combustion, when both the nitrogen compounds in the fuel and the nitrogen in the air are oxidised. CHP stations, industry, residential heating and traffic contribute to nitrogen emissions.

VOC (Volatile Organic Compounds) is a collective term for a number of volatile organic compounds. They are formed and emitted naturally, but also as a consequence of the consumption of coal, oil products and natural gas as well as evaporation in connection with use of solvents.

Discharges to sea were influenced by two conflicting factors in 2005; however, these jointly led to a reduction in overall discharges.

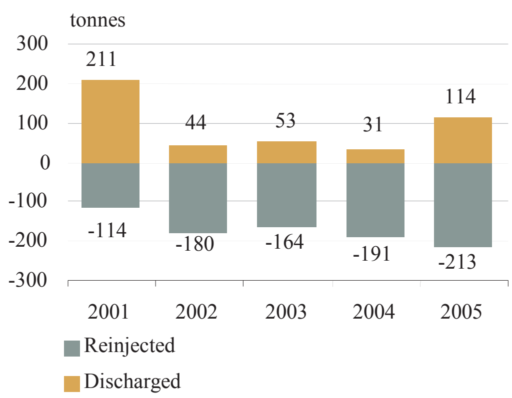
To reduce the discharge of chemicals during drilling of offshore wells, drilling mud is reused, and contaminating drill cuttings are taken onshore for decontamination. DONG minimises the discharge of environmentally harmful chemicals to sea, partly by consistently using more eco-friendly chemicals, and partly by reducing discharges per kilometre drilled. Reduction in overall discharges was maintained in 2005, primarily assisted by lower drilling activity than in 2004.

Discharge of chemicals in connection with drilling projects



Discharges of chemicals and oil to sea from oil production in the North Sea, on the other hand, showed an upward trend. This was due to technical and reservoir problems limiting possibilities for separating and reinjecting the water produced with the oil back into the reservoir. Although these problems have now been resolved, they meant that a larger proportion than previously was discharged to sea in 2005. In 2005 66% was reinjected back into the reservoir compared with 88% in 2004. Although the result in 2005 was unsatisfactory for DONG, it was better than the average for North Sea production platforms, which was 14%.

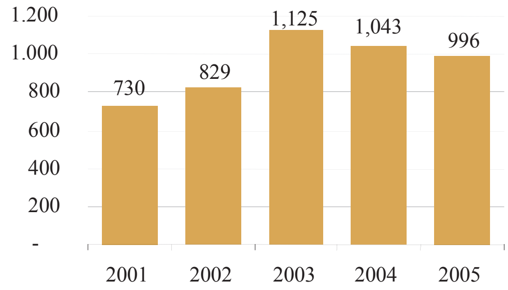
Discharge of oil and chemicals in connection with DONG's oil and gas production in the North Sea



Employees

DONG had an average of 996 employees in 2005, down from 1,043 in 2004 due to reorganisation within the exploration and production activities and the distribution and storage activities. Overall employee turnover was 12.5% versus 10.8% in 2004 - here, too, the reorganisation played a part.

Number of full-time employees (average for the year)



In February 2005 the annual employee satisfaction survey was conducted, with participation by 762 employees. The purpose of examining and mapping employee satisfaction and loyalty is to establish a factual basis for identifying and prioritising action areas that can make DONG an even better workplace.

Compared with previous surveys in DONG, the factors satisfaction, motivation and loyalty have seen a decline, while commitment has increased. Compared with the Danish Employee Index, DONG is on a par with the average. Viewed in the light of the impending merger, reorganisation, etc., which naturally engender insecurity, the result is satisfactory.

DONG gives high priority to employee training and education. Accordingly, employees used five working days on average on training and education in 2005. An average of DKK 18,190 was spent per employee on training and education activities.

Risk management

DONG's activities, financial position, results and future growth are affected by a number of non-financial and financial risks. DONG therefore regularly reviews its risk profile and the associated risk policies to ensure that there is always an appropriate balance between the risk exposure and DONG's activities.

Risk management is undertaken at both strategic and operational level. DONG makes every effort to ensure that risk management is applied optimally. The risk management is always based on DONG's activities.

Non-financial risks

Completed agreements within the electricity sector, including the Vattenfall agreement

All the electricity acquisition agreements, including the Vattenfall transaction, are expected to be completed during 2006. The period preceding the final integration entails an increased risk of lack of focus on the existing business, lack of cohesion in IT systems, that the integration will be more costly than envisaged, and that smaller synergies than originally assumed will be realised. To alleviate these risks an extensive planning and analysis exercise has been conducted prior to the completion of the transactions. This exercise is proceeding to plan.

Regulatory risks

The liberalisation of the energy sector implies changes in the statutory basis and regulatory conditions, and this may impact adversely on financial performance and future growth. Earnings from the distribution and storage activities, for example, depend on national regulation.

DONG seeks to counter the regulatory risks by continuously keeping abreast of market regulation and regulatory matters. Where required to comply with legislation, DONG operates with strict separation of business units to prevent exchange of confidential information between these.

Safety of DONG's installations

Oil and gas production and transportation call for special attention to physical safety. The consequences of bodily injury or damage to installations can be serious and may lead to failure of the supply of oil/gas/flow and, not least, to potential loss of life. The safety level and accident statistics are also taken into consideration in connection with the award of oil and natural gas exploration and production licences.

Due to the potentially adverse consequences to DONG of inadequate safety, DONG maintains a high level of safety for all its activities, from production in the North Sea through to transportation and distribution of oil and gas. The individual operating components on land-based and offshore installations are replaced regularly to ensure state-of-the-art production technology and continuous operation. DONG makes stringent requirements of suppliers and carries out preventive maintenance to reduce the risk of accidents. All DONG's technical installations have gained ISO9001 certification. Bodily injury, damage to plant, etc., are insured through reputable insurance companies.

Project risks

As DONG is an investment-intensive company, the requirements concerning management of project-related risks are particularly stringent. DONG's investment projects are often complex, increasing the risk of budget overruns and delays. Such project risks are reduced by application of a standardised decision-making process and by drawing on DONG's experience from and competencies within investment projects.

Exploration activities and evaluation of reserves

Oil and natural gas exploration by its nature involves uncertainty with respect to the possibilities for making new oil and gas finds. DONG seeks to establish the optimum decision-making basis by carrying out thorough preliminary investigations prior to drilling each well. This reduces the risk of negative results.

Evaluating the size of the reserves of producing fields is a complex process involving various parameters, each of which is subject to uncertainty. In an evaluation of reserves, geological models and independent third-party evaluations are used.

Gas trading outside Denmark

Buying and selling of gas on the newly established European trading hubs is taken care of by DONG's energy trading unit, which is charged with optimising trading contracts.

The trading activities account for a limited portion of total revenue and are operated within a pre-defined framework.

One of the risks associated with gas trading is the non-performance of contractual obligations, which can lead to claims for damages from customers, the imposition of penalties by the transmission companies and increased transportation costs.

The contracts are complex, and DONG focuses on minimising its risk under these contracts.

Financial risks

DONG's operations involve a number of financial risks, and risk management of these is an important focus area. Risk management is applied to ensure an optimum balance between investment and return. Because of its strategic focus on building up cutting-edge risk management skills DONG is able to offer a number of sophisticated commercial products that are all aimed at reducing the price risk for the customers. DONG considers that optimal risk management alone can strengthen existing business opportunities while at the same time creating new ones. The risk policy for managing financial risks 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 centrally. DONG's risk policy is based on active hedging of the market prices that affect DONG's earnings. As part of its risk policy DONG actively manages market risks up to five its financial exposure. With a view to under-pinning the primary trading activities, DONG takes active positions within selected energy risks, to some extent. The positions are actively monitored with fixed authority limits, daily reporting and risk follow-up.

The most important market risks are related to the USD exchange rate and the oil price. These risks are hedged using forwards, swaps and various option instruments. DONG's operating profit may fluctuate considerably from year to year as a result of the development in the price of oil and USD, despite the oil price and USD exchange rate exposure having been largely hedged. 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 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 price of oil 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 June of the following year. For that reason the effect of changes in the oil price and the USD exchange rate may be felt in different years for purchase contracts and sales contracts, respectively; however, the fluctuations will balance each other out over a number of years.

Oil price risks

DONG's oil price risks relate primarily to equity oil and to the difference between purchase and selling prices for natural gas. To this should be added new price products offered to the customers. DONG's 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 2005 DONG had hedged part of each of the coming five years' oil price risk by buying put options.

CO_2 quotas

In connection with the Kyoto Protocol the EU member states have been allocated national CO_2 emission quotas from and including 2005. Changes in the allocation of CO_2 quotas from the Danish authorities or changes in the market price of the emission quotas may lead to an increased cost burden for DONG's positions within electricity production.

Currency risks

The main currency risk is still related to USD, although the exposure in NOK and GBP is growing. The USD exchange rate risk is mainly attributable to the oil price exposure, as oil is settled in USD. DONG primarily hedges its currency exposure by using forwards and currency swaps and, to a lesser extent, options. At the end of 2005 DONG had hedged part of each of the coming five years' currency risk.

Interest rate risks

DONG's interest rate risks relate primarily to its loan portfolio, cash, including bonds, and concluded financial hedging contracts. These risks are managed in relation to DONG's net financing requirement and capital structure, with the interest rate risks being aligned to the current need for loan finance. To reduce its interest rate exposure DONG has elected to swap 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. At the end of 2005 the net interest rate risk, excluding the hybrid capital issued, was calculated as a DKK 542.3 million change in the market value of interest rate-dependent items in the event of a one percentage point interest rate increase.

Credit risks

As a consequence of the liberalisation of the gas market and an increase in financial contracts, DONG has tightened its focus on credit risk management. 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 risks and financial 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 financial resources, taking into account factors such as DONG's debt maturity profile. In 2005 DONG strengthened its financial resources by raising a syndicated committed facility of EUR 4.5 billion with a five-year term. To this should be added short-term (less than one year) committed bilateral facilities of approx. DKK 7 billion and non-committed operating facilities of approx. DKK 1 billion.

The Group's cash resources were increased during 2005 with a view to paying for the acquisitions within the electricity sector. The financial resources will therefore be based, to a greater extent, on long-term committed credit facilities.

Financing

At the end of 2005, the Group had total interest-bearing debt of DKK 7,148 million with an average remaining duration of 7.7 years, up 0.2 years on 2004. As a result of the acquisitions within the electricity sector, new interest-bearing debt was raised in 2005 to the tune of DKK 4,225 million in total, including DKK 3,725 million (EUR 500 million) relating to DONG's bond offering.

In addition, hybrid capital with an ultra-long maturity (1,000 years) and featuring a built-in step-up coupon after ten years, a so-called non-call 10 step-up hybrid, was also raised. The coupon for the first ten years is fixed at 5.5%, following which it becomes floating with a step-up added. The gross proceeds from this loan were DKK 8,195 billion (EUR 1.1 billion). As a result of the permanent and subordinated nature of the hybrid capital it is treated by the rating agencies as 50% equity and 50% interest-bearing debt. The hybrid capital is accounted for as equity, as DONG can omit or postpone interest payments. Consequently, the hybrid capital is not included in the statement of net interest-bearing debt under financial highlights, and the eventual interest payments are included in the cash flow statement as financing activities, like dividends payments, instead of in the income statement.

New financing is basically raised by the parent company and then allocated to the individual business areas in the form of intragroup loans and equity. Cash and cash equivalents stood at DKK 7,356 million at the end of 2005, increasing the cash resources by DKK 7,211 million compared with 2004. The increased cash resources will mainly be used for paying for the many acquisitions in 2005.

Rating

As a natural consequence of DONG's borrowing requirements and integration risks in connection with its acquisitions within the electricity sector, the rating agencies downgraded their credit ratings of DONG during the year. In February, Moody's Investors Service put DONG A/S on its observation list, and, in May, it changed its credit rating from A3/negative outlook to Baa1/stable outlook. Standard & Poor's Rating Service similarly changed its credit rating of DONG from A-/stable outlook to A-/negative outlook in February, and, in June, it downgraded its credit rating to BBB+/stable outlook.

The new bond loan has the same credit ratings as DONG A/S, while the credit ratings of the hybrid capital are lower, Baa3 and BBB-, respectively, in line with the rating agencies' normal practice for subordinated debt.

DONG's long-term objective for its capital structure is currently managed based on two credit ratios: a ratio of Funds From Operations (FFO) to net interest-bearing debt of minimum 25%, and a ratio of net interest-bearing debt to total capitalisation of maximum 50%. A weakening of the credit ratios is expected in connection with the acquisitions within the electricity sector. It is DONG's ambition to restore the credit ratios to the level for DONG's long-term objective.

Corporate governance

DONG is a State-owned public limited company. The shareholders (the Danish State) have the ultimate authority over the company, within the framework established by law, and they exercise their right to make decisions at the general meetings. The State exercises its ownership in accordance with the principles in the publication 'The State as shareholder'. The Supervisory Board and the Executive Board are two separate entities and have no joint members. The Supervisory Board monitors the company's financial performance, management and organisation on behalf of the shareholders, while the Executive Board has the day-to-day responsibility for the company's operations.

Corporate governance is based on the Supervisory Board and its relationship with shareholders, society and the Executive Board.

In January 2004 a committee appointed by the Copenhagen Stock Exchange presented an updated version of the first Danish corporate governance recommendations from 2001. These recommendations were revised in 2005 and, following a consultation procedure, they were published in October by the Copenhagen Stock Exchange. The recommendations enter into force on 1 January 2006. The description of corporate governance in DONG is based on the recommendations from October 2005.

The recommendations are aimed at listed companies. DONG is a State-owned public limited company with the State as sole shareholder, but essentially functions as a listed company. However, given its ownership structure, not all recommendations are relevant to DONG.

The revised recommendations must be applied under a 'comply with-or-explain' principle. This principle means that the recommendations concerning good corporate governance must either be complied with or the company must explain why the recommendations are not being complied with in full or in part.

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 thus carries out an annual corporate governance review based on best practice in the area.

DONG complies with the Copenhagen Stock Exchange recommendations, with the following exceptions:

- As a consequence of DONG being 100% owned by the State, the following recommendations are not relevant to the company at present:
  - The recommendation aimed at supporting communication between the company and its shareholders and between the company's shareholders.
  - The recommendation aimed at the shareholders' use of proxies at general meetings.
  - The recommendation concerning information relating to Supervisory Board members' shareholdings, etc., in the company.
- The special competencies of each Supervisory Board member elected by the shareholders in general meeting are assessed in connection with their election to the Supervisory Board. The Supervisory Board members jointly represent extensive knowledge and experience from managerial posts in large Danish and foreign companies, with a broad span of areas of activity, including within areas directly related to DONG's business areas. The members' existing managerial posts are set out on page 120. It has been decided not to include a written assessment of each member's specific competencies in the annual report.
- There is no fixed retirement age for members of the Supervisory Board. Each member's work and the composition of the Supervisory Board are assessed in connection with the Supervisory Board's annual self-assessment.
- In determining the term of office of the members of the Supervisory Board emphasis is placed on securing the right balance between continuity and renewal, as explained below. The recommendation to the effect that Supervisory Board members should be up for re-election every year is therefore not being followed.

- No explicit limits have been fixed relating to the number of Supervisory Board memberships, etc., that each member of the Executive Board may hold; however, it is judged that the scope of the existing Executive Board members' work on other Supervisory Boards does not conflict with good corporate governance.

The Supervisory Board has established a communication policy according to which credibility, clarity and precision are critical to ensure understanding and acceptance of DONG's activities and products by the public. This is the basis for doing business, thereby creating earnings for the Group, the owner and society. Information about the Group's activities is therefore communicated systematically. The public is informed via www.dong.dk, press releases, notices to the Danish Commerce and Companies Agency and quarterly reports. In accordance with Danish Ministry of Finance guidelines, DONG's financial reporting follows the provisions for listed companies and is IFRS-compliant. Environment and safety are a special area for DONG, and DONG prepares a separate annual Quality, Health, Safety and Environmental Report, which is available on www.dong.dk.

Annual General Meeting

General meetings must be convened by not less than two weeks' notice in accordance with the Articles of Association - although eight days in the case of Extraordinary General Meetings. The agenda and the complete resolutions to be proposed must be forwarded not later than eight days before the general meeting or, if the notice has been waived, at the same time as the notice convening the meeting. At the Annual General Meeting the annual report must be adopted and auditors appointed.

Composition of Supervisory Board

At the end of 2005 the Supervisory Board had nine members. Six of these were elected at the AGM and three are DONG employees elected by the employees. According to the Articles of Association, the Supervisory Board may have up to six members elected by the shareholders in general meeting. None of the Supervisory Board members elected by the shareholders in general meeting has had any other association with DONG than as Supervisory Board member, neither in previous years nor in the current year.

Each year the three longest-serving members elected by the shareholders in general meeting must retire; however, retiring members may be re-elected to the Supervisory Board without limitation. DONG is of the opinion that the election procedure ensures a good balance between continuity and renewal on the Supervisory Board. The average term of office of the Supervisory Board members elected by the shareholders in general meeting is approx. three years.

According to Danish legislation, the employees are entitled to have a number of representatives on the Supervisory Board equivalent to half the number of members elected by the shareholders in general meeting. The employee-elected members are elected for four-year terms.

Biographical details of individual members are given on page 120.

The Supervisory Board's duties and responsibilities

DONG's overall objectives and strategies are determined by the Supervisory Board, which is also responsible for appointing a competent Executive Board. The Supervisory Board is also responsible for ensuring clear guidelines for accountability, distribution of responsibilities, planning, follow-up and risk management. The duties of the Supervisory Board and its chairman are set out in the Supervisory Board's rules of procedure, which are reviewed and updated annually by the entire Supervisory Board.

With a view to improving the Supervisory Board's work, the chairman of the Supervisory Board must arrange, every year, for a self-assessment of the Supervisory Board and its individual members to be conducted and of the Supervisory Board's performance and composition. The assessment is discussed by the entire Supervisory Board, and, in 2005, did not give rise to any changes in the Supervisory Board's internal organisation or procedures.

The Supervisory Board held 17 meetings in 2005, including nine ordinary meetings. The large number of extraordinary meetings of the Supervisory Board should be viewed in the context of the extensive activity in connection with acquisitions within the electricity sector.

Executive Board

The Executive Board consists of four persons and is responsible for the day-to-day operation of the company. Anders Eldrup, President and CEO, is registered as President and CEO of DONG A/S.

In instructions, the Supervisory Board lays down the detailed rules for the Executive Board, including the distribution of responsibilities between the Supervisory Board and the Executive Board and the Executive Board's powers to enter into agreements on behalf of the company.

The Executive Board represents the company to the public, unless the Supervisory Board decides otherwise in specific cases.

The chairman of the Supervisory Board assesses the Executive Board's performance annually, including how the co-operation between the Supervisory Board and the Executive Board has functioned. The findings are presented to the entire Supervisory Board.

Biographical details of the Executive Board are given on page 121.

Remuneration of the Supervisory Board and the Executive Board

In autumn 2005 a Remuneration Committee was appointed. The committee's main remit is to evaluate and prepare recommendations to the Supervisory Board in the following areas:

- Remuneration, bonus and other terms of service for the Executive Board, and principles for remuneration, bonus and other terms of service for senior executives reporting to members of the Executive Board.
- Any other issues relating to remuneration and terms of service in the company that are submitted to the Supervisory Board.
- Proposals for remuneration of Supervisory Board members for consideration at the company's AGM.

The committee consists of the chairman of the Supervisory Board (who also chairs the committee) and one to two members. The committee's second member is today the Deputy Chairman of the Supervisory Board.

As the committee was only appointed at the end of 2005, no meetings were held in 2005.

DONG's remuneration policy is based on a wish to attract, retain and motivate the members of the Supervisory Board and the Executive Board. It is therefore the aim that the remuneration should be at a competitive level at all times. The remuneration of the Executive Board consists of a fixed salary, a 15-20% pension contribution paid by the company, and a bonus plan that is fixed on the basis of short-term and long-term targets.

The Supervisory Board's remuneration is fixed at the AGM in connection with the adoption of the annual report. In 2005 the Supervisory Board received fixed remuneration totalling DKK 2.1 million compared with DKK 1.4 million in 2004. The figure includes extraordinary remuneration of DKK 0.8 million to the former chairman of the Supervisory Board for his efforts in connection with the merger talks with Elsam and acquisitions within the electricity sector.

The Executive Board's remuneration is fixed by the Supervisory Board. In 2005 the Executive Board received DKK 7.6 million in fixed remuneration and DKK 1.4 million in pension. This included the President and CEO's remuneration, which amounted to DKK 2.4 million in salary and a DKK 0.5 million pension payment.

In addition to their fixed remuneration, the members of the Executive Board received a performance-based bonus of DKK 1.6 million in 2005 relating to 2004, including DKK 0.5 million to the CEO.

The performance-based bonus for the entire Executive Board for 2005 cannot exceed DKK 2 million. Bonus for 2005 will be fixed and be payable in 2006. DONG does not offer share options, subscription rights or similar incentive schemes. If the employment of a member ceases for reasons other than his/her resignation, he/she is entitled to compensation equivalent to 24 months' salary; however, the CEO is entitled to compensation equivalent to 36 months' salary.

As a result of the uncertainty earlier in the year concerning the future structure of the Group, an extraordinary retention bonus for the members of the Executive Board and other key employees was introduced in 2005. The total retention bonus for the Executive Board amounted to DKK 4.3 million, equivalent to six months' salary.

Risk management and internal control

DONG continually seeks to identify risk factors that can impact adversely on the Group's activities, financial position and results. The Supervisory Board evaluates the risk policy for all relevant factors annually based on the Executive Board's recommendation.

The day-to-day risk management is taken care of by DONG's Risk Management Committee under the guidance of the CFO. The committee reports to the Supervisory Board on all important risk areas on a quarterly basis.

The Supervisory Board has the overall responsibility for the internal control environment. In consultation with the Supervisory Board, the Risk Management Committee prepares and plans appropriate internal controls.

Auditors

In consultation with the Executive Board, the Supervisory Board recommends external auditors for appointment at the Annual General Meeting. The recommendation is based on an evaluation of the auditors' competencies, objectivity and independence, as well as effective audit performance.

The auditors report material issues directly to the Supervisory Board at meetings of the Supervisory Board and in the long-form audit report.

Breakdown of remuneration in 2005

DKK 1,000	Base salary	Extraordinary remuneration	Pension	Retention-bonus	Maximum per-formance bonus
Former Supervisory Board Chairman (remuneration up to and incl. Q2)	150	750	-	-	-
Chairman of Supervisory Biard (remuneration from and incl Q3)	150	-	-	-	-
Deputy Chairman of Supervisory Board	200	-	-	-	-
Other Supervisory Board members (annual remuneration DKK 125)	875	-	-	-	-
Executive Board	7,615	-	1,437	4.346	*2,000
- including CEO	2,363	-	473	1.350	*500

** Not yet awarded*

Financial review Costs

Both EBIT and profit after tax were considerably ahead of expectations at the start of the year. The results benefited from oil prices, which were substantially higher for 2005 than originally forecast.

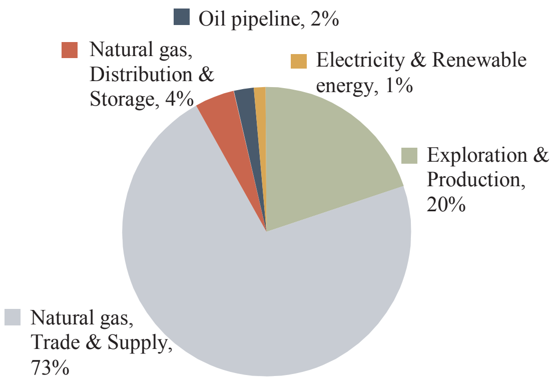
Group results

Financial reporting under IFRS
The annual report for 2005 has been prepared in accordance with International Financial Reporting Standards as adopted by the EU. IFRS 1 First-time Adoption of IFRS has been applied in making the transition.

As a consequence of the transition to IFRS-compliant financial reporting, the accounting policies have been changed. Reference is made to the section on changes in the accounting policies on page 31.

Revenue
Revenue was DKK 18,493 million, up from DKK 14,209 million in 2004. The natural gas sales volume was 10% ahead of 2004. The export share of revenue was up from 50% in 2004 to 57% in 2005.

Breakdown of revenue in 2005



Financial performance in 2005
Profit after tax was DKK 2,818 million compared with DKK 2,074 million in 2004. Profit benefited from non-recurring income totalling DKK 360 million relating mainly to adjustment of deferred tax due to the reduction in the income tax rate and to adjustment of the Nesa shares, which have been held for more than three years. Profit for 2004 was similarly affected by non-recurring income of DKK 889 million, see the Annual Report for 2004. Corrected for this, profit was approx. DKK 1.3 billion up on 2004, reflecting an increasing EBIT, which was partially offset by higher financing costs, as described below.

EBIT for 2005 amounted to DKK 4,099 million compared with DKK 2,371 million in 2004. Corrected for non-recurring income, the increase was DKK 1,848 million. The increase was driven primarily by higher oil prices, which had a positive impact on the results of both 'Exploration & Production' and 'Natural gas, Trade & Supply', despite a substantial proportion of DONG's oil price exposure having been hedged. In 'Natural gas, Trade & Supply', the so-called time lag effect boosted the impact from increasing oil prices. The time lag effect arises as a result of the price of oil and the USD exchange rate featuring with different time lags in DONG's natural gas purchase and sales contracts. This means that oil price changes impact on selling prices relatively quickly, whereas purchase prices are adjusted with a delay of up to 15 months. The oil price increases in 2005 yielded a substantial gain exceeding the corresponding gain for 2004. This so-called time lag effect will be negative in the event of a falling oil price.

Exploration & Production
Production was on a par with 2004. Danish fields accounted for 58% of production and Norwegian fields for the remaining 42%.

Revenue reached DKK 3,879 million, up from DKK 3,109 million in 2004, assisted by the higher oil prices, which were offset to some extent by increased losses on hedging instruments. Revenue also benefited from the sale of stakes in the PL 274 licence (Oselvar). The revenue under the agreements with BG Norge AS and Revus Energy ASA have been recognised in the figures.

EBIT amounted to DKK 1,334 million compared with DKK 366 million in 2004. The increase in EBIT was driven by higher revenue and a reduction in exploration costs and depreciation. The lower depreciation charge was due to the fact that a smaller proportion of the production came from depreciation-intensive fields in 2005.

Natural gas, Trade & Supply

Revenue amounted to DKK 13,885 million, up from DKK 10,022 million in 2004 due primarily to higher gas selling prices, increased sales and the recognition of Intergas Levering.

EBIT amounted to DKK 2,582 million compared with DKK 1,573 million in 2004, assisted mainly by higher gas selling prices, including a greater positive time lag effect than in 2004, but also by increased sales volumes.

Natural gas, Distribution & Storage

Revenue amounted to DKK 857 million compared with DKK 861 million in 2004. The year was warmer than 2004, and the volumes transported were therefore down on 2004. The reason revenue was on a par with 2004 despite this was increased revenue relating to new service lines.

EBIT amounted to DKK 161 million, down from DKK 218 million in 2004 due primarily to impairment losses on two service lines in the distribution network, higher fixed costs relating to storage activities in connection with cavern investigations, and increased costs for gas and electricity consumption for operation of the storage facilities.

Electricity & Renewable energy

Revenue was DKK 247 million versus DKK 533 million in 2004. The fall in revenue compared with 2004 was due to DONG's disposal of parts of EnergiGruppen Jylland at the end of 2004. Wind power revenue was in line with the 2004 revenue figure.

EBIT for 2005 was a loss of DKK 1 million compared with DKK 29 million in 2004, reflecting the disposal of parts of EnergiGruppen Jylland.

Oil pipeline

Revenue was DKK 467 million, up from DKK 373 million in 2004 due to higher oil prices.

EBIT was DKK 78 million, down from DKK 211 million in 2004. EBIT for 2004 benefited from the reversal of a DKK 160 million provision. EBIT for 2005 benefited from higher oil prices than in 2004.

Financial items

In 2005 financial items amounted to net financing costs of DKK 152 million compared with net financial income of DKK 171 million in 2004. Corrected for non-recurring income, financial items amounted to a charge of DKK 39 million in 2004. Net interest expense increased due to higher average net interest-bearing debt in the period – just over DKK 3 billion in 2005 compared with just over DKK 1 billion in 2004. Dividend from equity investments predominantly represents dividend from the Elsam shareholding.

Financial items

DKK million	2005	2004
Interest income (exp.), net	(211)	26
Interest element of abandonment costs	(55)	(53)
Dividends from investments	112	27
Other	2	171
Financial items, net	**(152)**	**171**

Income tax

Income tax expense was DKK 1,191 million compared with DKK 934 million in 2004. Corrected for non-recurring income, the tax rate was 38% in 2005 versus 41% in 2004. The fall was due partly to the Danish corporate income tax rate, which has been cut from 30% to 28%, and partly to the fall in the tax rate in 'Exploration & Production', where increased capital expenditure in Norway led to increased tax deductions and thus a lower tax rate. Hydrocarbon income is taxed at 78% in Norway, which is the main reason for the Group's high average tax rate.

Cash flows

Cash flows from operating activities were DKK 5,866 million, up from DKK 3,539 million in 2004, due partly to a higher EBITDA, and partly to fewer funds tied up in working capital as a result of improved receivables management. Net investment expenditure for 2005 amounted to DKK 10,128 million versus DKK 4,600 million in 2004. Ormen Lange and Langeled accounted for most of the capital expenditure.

Equity

Equity stood at DKK 26,278 million at the end of 2005 compared with DKK 16,360 million at the end of 2004. Equity increased by the DKK 8,088 million hybrid capital issued and profit for the year, but was reduced by the effect of value adjustments of hedging instruments and change in minority stake.

Balance sheet

The balance sheet total increased from DKK 31,436 million to DKK 46,854 million, mainly as a result of the investment in Ormen Lange and an increase in cash. Net interest-bearing debt was positive with DKK 208 million at the end of 2005, as the purchase prices in connection with the electricity acquisitions do not fall due until the transactions are completed in 2006.

Statement by the Executive and Supervisory Boards

The Executive and Supervisory Boards have today considered and approved the annual report for the year ended 31 December 2005.

The annual report has been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and additional Danish disclosure requirements for annual reports of listed and State-owned public limited companies. We consider the accounting policies used and estimates made to be appropriate. Accordingly, the annual report gives a true and fair view of the Group's and the parent company's financial position at 31 December 2005 and of the results of the Group's and the parent company's operations and cash flows for the financial year then ended.

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

Hørsholm, 2 March 2006

Executive Board:

Anders Eldrup
CEO

Supervisory Board:

Fritz H. Schur *Chairman*	Lars Nørby Johansen *Deputy Chairman*	Asbjørn Larsen
Svend Sigaard	Lars Torpe Christoffersen	Jens Kampmann
Jesper Magtengaard*	Thorkild Meiner-Jensen*	Bent Stubkjær Pedersen*

* Employee-elected member

Auditors' report

To the shareholders of DONG A/S

We have audited the annual report of DONG A/S for the financial year ended 31 December 2005, prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for annual reports of listed and State-owned public limited companies.

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 Standards on Auditing. 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 parent company's financial position at 31 December 2005 and of the results of the Group's and the parent company's operations and cash flows for the financial year 1 January - 31 December in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for annual reports of listed companies and State-owned public limited companies.

Copenhagen, 2 March 2006

KPMG C. Jespersen
Statsautoriseret Revisionsinteressentskab

Flemming Brokhattingen
State Authorised Public Accountan

Torben Bender
State Authorised Public Accountan

BDO ScanRevision
Statsautoriseret revisionsaktieselskab

Peter Have Jensen
State Authorised Public Accountan

Peter Rasborg
State Authorised Public Accountan

Accounting policies

Basis of preparation

The annual report has been prepared in accordance with International Financial Reporting Standards as adopted by the EU and the additional Danish disclosure requirements for annual reports of listed and state-owned public limited companies, see the Copenhagen Stock Exchange disclosure requirements for annual reports of listed companies and the statutory order on adoption of IFRS issued pursuant to the Danish Financial Statements Act.

In addition, the annual report has been prepared in compliance with the International Financial Reporting Standards (IFRS) issued by the IASB.

This annual report is the first annual report presented under International Financial Reporting Standards as adopted by the EU. IFRS 1 First-time Adoption of IFRS has been applied in making the transition.

The annual report is presented in Danish kroner (DKK).

Changes in accounting policies

As a consequence of the transition to financial reporting in accordance with International Financial Reporting Standards as adopted by the EU, the accounting policies applied by the Group and the parent company have been changed on a number of points.

In accordance with IFRS 1, the opening balance sheet at 1 January 2004 and comparative figures for 2004 have been prepared in accordance with the IFRS/IASs and IFRIC/SICs that are compulsory at 31 December 2005. Moreover, the Group has opted for early implementation of IFRS 6 Exploration for and Evaluation of Mineral Resources. The opening balance sheet at 1 January 2004 has been prepared as if these standards and interpretations had always been applied, with the exception of the special transitional and commencement provisions described in the following.

For selected other equity investments the fair value option in IAS 39 has been applied to the effect that value adjustments can be consistently recognised in the income statement. The June 2005 amendment to IAS 39 relating to voluntary measurement of certain financial assets and financial liabilities at fair value has not been implemented in the annual report for 2005, as the DONG Group applies the version of IAS 39 that was adopted by the EU in November 2004.

Financial highlights for 2001-2003 have not been restated to reflect the changes in accounting policies and are consequently identical to the financial highlights in the 2004 annual report. The restatements that would be required if comparative figures in the financial highlights for 2001-2003 had to be restated to reflect International Financial Reporting Standards as adopted by the EU correspond to the restatements made in the opening balance sheet at 1 January 2004, see the relevant sections below.

Explanation of changes in accounting policies on transition to International Financial Reporting Standards as adopted by the EU

<u>Business combinations and goodwill</u>

The DONG Group has applied IFRS 3 Business Combinations retrospectively from 1 January 2004. Consequently, goodwill is not amortised after 1 January 2004, whereas, previously, goodwill was amortised over its economic life. In the case of business combinations before 1 January 2004 the exemption provisions in IFRS 1 have been applied, whereby the carrying amount of goodwill determined in accordance with the Group's policy up to now has been used as its deemed cost in the opening balance sheet determined in accordance with International Financial Reporting Standards as adopted by the EU. On transition to IFRS on 1 January 2004 the recoverable amount of goodwill exceeds its carrying amount.

<u>Financial assets and liabilities</u>

As a consequence of the implementation of IAS 39 Financial Instruments: Recognition and Measurement relating to recognition of measurement of financial assets and liabilities, more stringent criteria apply from 2005 to the application of hedge accounting, for example with regard to effectiveness testing. The Group endeavours to apply hedge accounting wherever possible; however, certain hedging relationships relating to raw material risks do not satisfy the criteria for hedge accounting. Accordingly, value adjustments of such hedging instruments are recognised in the income statement as they arise.

In accordance with IAS 39, unrealised fair value changes in Other equity investments classified as available for sale are recognised directly in equity with effect from 1 January 2005, apart from impairment losses and reversals of same, which are recognised in the income statement as Financial income and Financial expenses. On realisation, the accumulated value adjustment recognised in equity is transferred to Financial income and Financial expenses in the income statement. Unrealised fair value changes on such equity investments were previously recognised as Financial income and Financial expenses in the income statement.

In accordance with the transitional provisions in IFRS 1, the comparative figures for 2004 in respect of the effect of IAS 32 and IAS 39 relating to financial assets and liabilities have not been restated.

Property, plant and equipment; Natural gas pipelines and Natural gas storage facilities

Property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Previously, natural gas pipelines and natural gas storage facilities were increased or decreased to fair value on an ongoing basis. In accordance with IFRS 1, DONG has opted to use the fair value at 1 January 2004 of natural gas pipelines and natural gas storage facilities as their deemed cost at 1 January 2004. In future, natural gas pipelines and natural gas storage facilities will be measured at cost less accumulated depreciation and impairment losses, in line with the Group's other items of property, plant and equipment.

The revaluation reserve under equity has been dissolved in accordance with the statutory order on adoption of IFRS.

Exploration and evaluation activities

IFRS 6 Exploration for and Evaluation of Mineral Resources comes into force on 1 January 2006. DONG has elected to implement IFRS 6 from 1 January 2005, in accordance with the commencement provisions.

IFRS 6 governs the accounting treatment of exploration and evaluation activities. IFRS 6 is a provisional standard, as IASB expects to initiate a more extensive project concerning the extractive industry.

IFRS 6 permits an enterprise to continue to apply the accounting policy for recognition and measurement of exploration and evaluation activities that it applied immediately before making the transition to International Financial Reporting Standards as adopted by the EU. IFRS 6 also details the requirements relating to impairment testing in the extractive industry, including the level for determination of cash-generating units in connection with the performance of the impairment test. Lastly, IFRS 6 introduces guidelines for the classification of exploration and evaluation assets in the balance sheet.

The new standard has no effect on the recognition, measurement and classification of recognised exploration assets.

Foreign exchange adjustments

Foreign exchange adjustments arising on translation of the income statements and balance sheets of foreign enterprises continue to be recognised directly in equity under a separate translation reserve. In accordance with IFRS 1, the Group has elected to deem this reserve to be zero at 1 January 2004, whereby only foreign exchange adjustments after 1 January 2004 are taken to a separate reserve.

Minority interests

The proportionate share of subsidiaries' profit and equity that is attributable to minority interests forms an integral part of profit for the year and equity. The minority interests' proportionate share of profit for the year was previously deducted from consolidated profit for the year, and the minority interests' share of equity was presented as a separate item outside equity.

Investments in subsidiaries and associates in the parent company financial statements

The parent company's investments in subsidiaries and associates are measured at cost in the parent company's financial statements. Previously, investments in subsidiaries and associates were accounted for using the equity method. In the balance sheets at 1 January 2004 and 31 December 2004, value adjustments from share of net assets to cost have been reversed, including the carrying amount of goodwill. The share of profit for the year of subsidiaries and associates has been reversed in profit for 2004.

From 2004 onwards, dividends received from subsidiaries and associates are recognised in the parent company's income statement as Financial income.

Discontinued operations and assets classified as held for sale

IFRS 5 Non-current Assets Held for Sale and Discontinued Operations comes into effect on 1 January 2005. DONG has implemented IFRS 5 from 1 January 2005, in accordance with the commencement provisions. The comparative figures for 2004 have not been restated.

Tax effect of changes in accounting policies

The effect on deferred tax of the accounting policy changes has been recognised under Deferred tax assets and Deferred tax liabilities, respectively.

Other changes in accounting policies

Underlift is recognised in revenue at realisable value. Previously, underlift was recognised at cost under production costs.

Changes in accounting estimates

The depreciation period for natural gas pipelines and natural gas storage facilities has been changed, so that the expected useful lives of the assets correspond to the period up to expected removal in 2043. The depreciation method has been changed from straight-line depreciation over the period to depreciation corresponding to the unit-of-production method, taking into account the expected earnings profile from the use of the natural gas assets. The effect of this change on profit for the year is immaterial.

Reclassifications

Besides the changes in accounting policies, the following reclassifications and changes in the format have been made, with restatement of the comparative figures for 2004:

- Assets are presented as either non-current or current assets, whereas, previously, they were presented as fixed assets or current assets.
- Deferred tax assets are classified as non-current assets, whereas, previously, deferred tax assets were classified as current assets.
- Deferred tax liabilities, pensions and provisions are no longer presented as a separate main group (provisions) in the balance sheet, but are recognised as current and non-current liabilities.
- Value adjustments of financial instruments that have been entered into to hedge the Group's revenue but do not satisfy the criteria for hedge accounting are now recognised under Revenue. Likewise, value adjustments of financial contracts offered to customers with a view to price hedging are recognised under Revenue. This classification is judged to best reflect the results of the Group's operations. Such value adjustments were previously recognised as Financial income and Financial expenses.
- The share of associates' taxes is no longer recognised as 'Income tax expense relating to continuing operations' in the income statement, but is recognised in the line item 'Share of profit after tax of associates'.
- Investment properties in the parent company's financial statements are recognised as a separate line item under property, plant and equipment. Previously, investment properties were aggregated with other Land and buildings, and the amount was disclosed in the notes only.
- In the cash flow statement cash flows from purchase and sale of exploration assets are presented as separate line items under Cash flows from investing activities. Previously, cash flows from exploration assets were classified together with cash flows from other items of property, plant and equipment.

These reclassifications have not had any effect on either profit for the year or equity.

Accounting effect of transition to International Financial Reporting Standards as adopted by the EU

The accounting effects of the transition from financial reporting under national financial reporting legislation to financial reporting in accordance with International Financial Reporting Standards as adopted by the EU are as follows:

The effect of applying International Financial Reporting Standards as adopted by the EU and other changes on consolidated profit, assets, liabilities and equity

DKK million	1 January 2004				31 December 2004		
	Assets	Liabilities	Equity	Profit for the year 2004	Assets	Liabilities	Equity
According to the Danish Financial Statements Act and Danish Accounting Standards	33,230	16,436	16,794	1,881	31,380	15,731	15,649
Minority interests	0	(564)	564	210	0	(694)	694
Effect of transition to IFRS	0	(564)	564	210	0	(694)	694
Underlift	106	0	36	(48)	56	0	17
Tax effect of changes in accounting policies	0	70	0	31	0	39	0
Effect of other accounting policy changes	106	70	36	(17)	56	39	17
Determined applying IFRS	33,336	15,942	17,394	2,074	31,436	15,076	16,360

The effect of applying International Financial Reporting Standards as adopted by the EU on the parent company's total profit, assets, liabilities and equity

DKK million	1 January 2004				31 December 2004		
	Assets	Liabilities	Equity	Profit for the year 2004	Assets	Liabilities	Equity
According to the Danish Financial Statements Act and Danish Accounting Standards	23,754	6,960	16,794	1,803	23,627	7,978	15,649
Investments in subsidiaries and associates	(7,694)	0	(7,694)	(1,360)	(7,028)	0	(7,028)
Tax effect of changes in accounting policies	0	0	0	982	0	0	0
Determined applying IFRS	16,060	6,960	9,100	1,425	16,599	7,978	8,621

The effect of applying International Financial Reporting Standards as adopted by the EU on consolidated financial highlights for 2004

DKK million	**Group**			**Parent company**		
	Existing account-ing policies	Effect of changes in account-ing policies	After transition to IFRS	Existing account-ing policies	Effect of changes in account-ing policies	After transition to IFRS
Revenue	14,292	(83)	14,209	359	0	359
EBITDA	4,686	(49)	4,637	2,963	(2,916)	47
EBIT	2,421	(49)	2,371	2,891	(2,916)	(25)
Profit (loss) for the year	1,881	193	2,074	1,803	(378)	1,425
Earnings per share (EPS)	88	(1)	87	-	-	-
Assets	31,380	56	31,436	23,627	(7,028)	16,599
Equity	15,649	711	16,360	15,649	(7,028)	8,621
EBITDA margin (%)	33	(2)	31	825	(813)	13
EBIT margin (%)	17	0	17	806	(813)	(7)

The financial highlights for 2001-2003 have not been restated to reflect the changes in accounting policies, see the description under Changes in accounting policies.

Description of accounting policies

Consolidated financial statements

The consolidated financial statements include the financial statements of the parent company DONG A/S and subsidiaries in which DONG A/S has the power to govern the financial and operating policies so as to obtain a return or other benefits from the subsidiary's activities. Control exists when DONG A/S holds, directly or indirectly, more than 50% of the voting rights or otherwise has the power to control the subsidiary in question. Regulated companies that operate according to a principle of self-financing and where DONG A/S does not have direct or indirect access to receive a return or other benefits are not included in the consolidation, but are instead measured at fair value as investments under Other equity investments. Enterprises over which the Group exercises significant influence, but not control, are accounted for as associates. Significant influence exists when DONG A/S holds or has the ability to exercise, directly or indirectly, more than 20% but less than 50% of the voting rights, although this is based on a specific assessment of the ability to exercise influence. Any such enterprises that satisfy the criteria for joint control are instead accounted for as joint venture investments, see below. Potential voting rights exercisable at the balance sheet date are considered when assessing whether DONG has control, joint control or significant influence.

The consolidated financial statements have been prepared by aggregation of the parent company's and the individual subsidiaries' financial statements, applying the Group's accounting policies. Intragroup income and expenses, shareholdings, balances and dividends as well as realised and unrealised gains and losses arising from intragroup transactions are eliminated on consolidation. Unrealised gains resulting from transactions with associates are eliminated to the extent of the Group's investment in the enterprise. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

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

Business combinations

Enterprises acquired or formed during the year are recognised in the consolidated financial statements from the date of acquisition or formation. Enterprises disposed of during the year are recognised in the consolidated income statement up to the date of disposal. Comparative figures are not restated to reflect acquisitions or disposals; however, discontinued operations are presented separately, see below.

On acquisition of enterprises whereby the parent company obtains control of the acquiree the purchase method is applied. The acquiree's identifiable assets, liabilities and contingent liabilities are measured at fair value at the date of acquisition. Identifiable intangible assets are recognised if they are separable or arise from a contractual right, and the fair value can be measured reliably. The tax effect of the restatement of assets and liabilities is taken into account.

In the case of business combinations occurring on or after 1 January 2004, the excess of the cost over the fair value of the identifiable assets acquired and liabilities and contingent liabilities assumed (goodwill) is recognised under intangible assets. Goodwill is tested annually for impairment. The first impairment test is carried out before the end of the year of acquisition. On acquisition, goodwill is allocated to the cash-generating units, which subsequently form the basis for the impairment test. Goodwill and fair value adjustments in connection with the acquisition of a foreign entity with a functional currency that is different from the presentation currency (DKK) of the DONG Group are accounted for as assets and liabilities belonging to the foreign entity and translated into the foreign entity's functional currency at the exchange rate at the transaction date. Any excess of the fair value over the cost of acquisition (negative goodwill) is recognised in the income statement at the date of acquisition.

The accounting treatment of business combinations occurring before 1 January 2004 has not been revised in connection with the opening balance sheet at 1 January 2004. Goodwill is recognised on the basis of the cost that was recognised under the existing accounting policies (Danish Financial Statements Act and Danish Accounting Standards) less depreciation and impairment losses up to 31 December 2003. Goodwill is not amortised after 1 January 2004.

Goodwill recognised in the opening balance sheet has been tested for impairment at 1 January 2004.

Goodwill from business combinations may be adjusted for up to twelve months following their acquisition if the fair value of the identifiable assets, liabilities and contingent liabilities subsequently proves to differ from the fair value assumed at the time of acquisition. The effect of any such adjustments is recognised in opening equity, and the comparative figures are restated accordingly. Subsequently, goodwill is only adjusted as a consequence of changes in estimated contingent purchase consideration, except in the case of material errors; however, subsequent realisation of the acquiree's deferred tax assets that were not recognised at the date of acquisition leads to recognition of the tax benefit in the income statement and simultaneous reduction of the carrying amount of goodwill to the amount that would have been recognised if the deferred tax asset had been recognised as an identifiable asset at the date of acquisition.

Gains or losses on disposal of subsidiaries and associates are determined as the difference between the selling price and the carrying amount of net assets including goodwill at the date of disposal and estimated costs necessary to make the sale.

Investments in joint ventures

Investments in joint ventures comprise jointly operated oil exploration and oil production licences as well as wind farms and geothermal plants within renewable energy.

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

Investments in joint ventures are recognised by proportionate consolidation at the share of the jointly controlled assets and liabilities, classified by nature, and the share of revenue from the sale of the joint product, along with the share of the expenses incurred by the jointly controlled operation. Liabilities and expenses incurred in respect of the jointly controlled operation are also recognised.

Acquisition of licence stakes is accounted for as acquisition of individual assets. Deferred tax on temporary differences between the carrying amount and the tax base is not provided for, cf. the description under 'Income tax and deferred tax'.

In connection with proportionate consolidation, intragroup income and expenses, balances and realised and unrealised gains and losses arising from intragroup transactions are eliminated to the extent of the Group's investment in the enterprise.

Foreign currency translation

For each enterprise included in the consolidated financial statements a functional currency has been determined. The functional currency of an enterprise is the currency of the primary economic environment in which the enterprise operates. Transactions in other currencies than the functional currency are accounted for as transactions in foreign currencies.

On initial recognition, transactions in foreign currencies are translated into the functional currency 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 income and Financial expenses.

Receivables, payables and other monetary items in foreign currencies are translated into the functional currency 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 Financial expenses.

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

On recognition in the consolidated financial statements of subsidiaries with a functional currency that is different from the presentation currency (DKK) of the parent company, the items in the income statements are translated at the exchange rates at the transaction date and the balance sheet items are translated at the exchange rates at the balance sheet date. An average exchange rate for each month is used as the exchange rate at the transaction date to the extent that this does not give a significantly different view. Foreign exchange differences arising on translation of the opening equity of these subsidiaries at the exchange rates at the balance sheet date and on translation of the income statements from the rates at the transaction date to the exchange rates at the balance sheet date are recognised directly in equity under a separate translation reserve.

On recognition in the consolidated financial statements of associates with a functional currency that is different from the presentation currency (DKK) of the parent company, the share of profit for the year is translated using an average exchange rate, and the share of equity including goodwill is translated at the exchange rates at the balance sheet date. Foreign exchange differences arising on translation of the share of foreign associates' opening equity at the exchange rates at the balance sheet date and on translation of the share of profit for the year from average rates to the exchange rates at the balance sheet date are recognised directly in equity under a separate translation reserve.

Foreign exchange adjustments of balances with foreign subsidiaries and associates that are accounted for as part of the total net investment in the enterprise in question are recognised in the consolidated financial statements directly in equity, provided the balance is denominated in the functional currency of the parent company or the foreign enterprise. Likewise, foreign exchange gains and losses on the portion of loans and derivative financial instruments that has been entered into to hedge the net investment in foreign enterprises with functional currencies that are different than the presentation currency of the parent company and that provides an effective hedge against corresponding foreign exchange gains/losses on the net investment in the enterprise are taken directly to a separate translation reserve under 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 on the trade date and measured at fair value. Fair value is determined on the basis of market data and recognised valuation methods. Positive and negative fair values of derivative financial instruments are recognised as Other receivables and Other payables, respectively, and offsetting of positive and negative values is only effected if the enterprise is permitted to and intends to settle several financial instruments net in cash.

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 to the extent of the hedged risk. Hedging of the value of future cash flows of contracts concluded is accounted for as hedging of the fair value of a recognised asset or liability, except in the case of foreign currency hedging.

Changes in the portion of the fair value of derivative financial instruments and foreign exchange adjustments of loans that is designated as and qualifies for recognition as a hedge of future cash flows and that provides an effective hedge against changes in the value of the hedged item are recognised directly in a hedging reserve under equity. In the case of options used as hedges, only the intrinsic value of the option is accounted for as a hedge. On realisation of the hedged transaction the resulting gain or loss is transferred from equity and recognised in the same item as the hedged item; however, on hedging of the proceeds from future loans the resulting gain or loss is transferred from equity over the term of the loan.

Value adjustments of financial instruments that have been entered into to hedge the Group's revenue but do not satisfy the criteria for hedge accounting are recognised under Revenue. Likewise, value adjustments of financial contracts offered to customers with a view to price hedging are recognised under Revenue. This classification is judged to best reflect the results of the Group's operations.

Changes in the fair value of derivative financial instruments that are used to hedge net investments in foreign subsidiaries or associates and that provide effective hedges against changes in foreign exchange rates in these enterprises are recognised in the Group's separate translation reserve. In the parent company, value adjustments on balances with subsidiaries are recognised in the income statement as financial income or financial expenses.

Government grants
Government grants for electricity activities, preliminary investigations in connection with the establishment of production assets, etc., are offset against the associated production costs to the extent that these costs do not qualify for recognition as non-current assets.

Government grants for capital expenditure are offset against the cost of the installation and recognised in the income statement as the assets to which the grant relates are depreciated.

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 from services related to technical advice, etc., is recognised as the services are provided.

Revenue is measured net of duty on crude oil transportation and other sales-related duties and VAT on behalf of third parties, and after deducting any trade discounts and rebates.

Overlift/underlift is recognised in revenue at realisable value. Overlift/underlift relates to situations in which the Group participates in producing fields with several participants and where the Group has lifted and sold more or less crude oil from the producing field that its entitlement at the time of lifting.

Physical trading contracts for gas, electricity, CO_2 rights, etc., that are concluded in the course of the Group's trading activities with a view to generating gains from short-term price fluctuations are market value adjusted under revenue.

Value adjustments of financial instruments that have been entered into to hedge the Group's revenue but do not satisfy the criteria for hedge accounting are recognised under Revenue. Likewise, value adjustments of financial contracts offered to customers with a view to price hedging are recognised under Revenue, see the description under Hedging and derivative financial instruments.

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

- The year's equity production of natural gas and crude oil; 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 losses relating to exploration wells
- Electricity, heat and wind power activities.

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

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 for management and administration.

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. Gains and losses on disposal of intangible assets and property, plant and equipment are determined as the selling price less costs to sell and the carrying amount at the date of disposal.

Income from investments in associates
The proportionate share of profit after tax of associates is recognised in the consolidated income statement after elimination of the proportionate share of intragroup profits and losses.

Dividends from investments in subsidiaries and associates in the parent company's financial statements

Dividends from investments in subsidiaries and associates are credited to the parent company's income statement in the financial year in which they are declared; however, dividends received in excess of the accumulated profits arising after the date of acquisition are not credited to the income statement but recognised as a reduction of the cost of the investment.

Financial income and Financial expenses
Financial income and Financial expenses comprise interest income and expense, capital gains and losses and impairment losses relating to 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.

Income tax expense
The company is subject to the Danish rules on compulsory joint taxation of the DONG Group's Danish companies. Subsidiaries are included in the joint taxation from the date they are included in the consolidation in the consolidated financial statements and up to the date on which they are no longer included in the consolidation.

The company is a management company as far as concerns the joint taxation and consequently settles all payments of income tax with the tax authorities.

The current Danish income tax is allocated among the jointly taxed companies in the form of settlement of joint taxation contributions in proportion to their taxable income. In this connection companies with tax losses receive joint taxation contributions from companies that have been able to utilise these losses to reduce their own taxable profits.

Income tax expense, which consists of current tax, joint taxation contribution for the year and changes in deferred tax - including as a result of changes in tax rates - is recognised in the income statement to the extent that it relates to profit for the year, and directly in equity to the extent that it relates to entries directly to equity.

The Group is registered for the Danish on-account tax scheme. Tax refunds/tax surcharges are allocated between the jointly taxed Danish companies in accordance with the allocation of the Danish income tax and recognised as Financial income and Financial expenses, respectively.

Subsidiaries that are engaged in hydrocarbon recovery are subject to the hydrocarbon tax legislation in the countries in which they operate. Hydrocarbon taxes are calculated on the basis of a taxable hydrocarbon income, and comprises taxes calculated applying the respective country's ordinary income tax rate as well as taxes calculated applying increased tax rates. Hydrocarbon taxes are recognised under Income tax expense.

Balance sheet

Intangible assets

Goodwill

Goodwill is recognised initially in the balance sheet at cost as described under 'Business combinations'. Subsequent to initial recognition, goodwill is measured at cost less accumulated impairment losses. Goodwill is not amortised.

The carrying amount of goodwill is allocated to the Group's cash-generating units at the date of acquisition. The determination of cash-generating units follows the Group's organisational and internal reporting structure.

Acquired rights, licences, etc.

Allotted and acquired CO_2 rights are measured initially at cost. To the extent that a grant is received in connection with an allocation, the cost constitutes the actual consideration paid for the rights, i.e. nil if the rights are allocated free of charge.

CO_2 rights are amortised in step with the actual recovery of CO_2. To the extent that the actual recovery exceeds the allocated and acquired CO_2 rights, the fair value of the additional CO_2 rights that DONG is under obligation to settle is recognised as a liability. The depreciation basis for CO_2 rights is determined taking into account their residual value, which depends on whether they are held for continued use or for sale. The scrap value for CO_2 rights held for use is nil.

Other rights are measured at cost less accumulated amortisation and impairment losses.

Other rights are amortised on a straight-line basis over their expected economic lives, which are determined on the basis of management's experience of the specific business areas, and the assets to which the rights relate. Capitalised rights are estimated to have an economic life of 5-20 years.

IT software

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

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

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

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

Property, plant and equipment

Property, plant and equipment comprise land and buildings, investment properties, production assets, exploration and evaluation assets and other tools and equipment. Property, plant and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost comprises purchase price and any costs directly attributable to the acquisition up to 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. Cost is increased by estimated costs for dismantling and removal of the asset and reinstatement costs to the extent that they are recognised as a provision. The cost of a combined asset is divided into separate constituents that are depreciated separately if the constituents have different useful lives.

Subsequent costs, for example in connection with replacement of constituents of an item of property, plant and equipment, are recognised in the carrying amount of the asset in question when it is probable that future economic benefits will flow to the Group from the expenses incurred. The carrying amount of the replaced constituents is taken to the income statement. All other expenses for general repair and maintenance are recognised in the income statement as incurred.

Investment properties comprise properties held to earn rentals and that are used for own purposes to an insignificant extent only.

Exploration and evaluation assets comprise exploration expenses that relate to successful wells on which production has not yet begun. Costs are recognised using the successful efforts method. Under the successful efforts method exploration expenses for drilling specific exploration wells are recognised in the balance sheet. Acquired licences where finds have been made, including acquired reserves, are also recognised under Exploration and evaluation assets. General exploration expenses and expenses relating to unsuccessful exploration wells are charged to the income statement. Recognition in the balance sheet is maintained pending determination of commercial viability. 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 relating to commercial finds are transferred to Oil and gas production assets (Production assets) when a field has been fully developed and production begins. The asset is tested for indications of impairment in connection with the transfer to production assets, see the description in the section Impairment of non-current assets.

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

In the case of natural gas activities and wind turbines, cost is depreciated using the unit-of-production method, taking into account the expected earnings profile, so that the depreciation pattern reflects the expected earnings patterns.

In the case of other property, plant and equipment, cost is basically depreciated on a straight-line basis over the estimated future useful lives.

Depreciation periods for property, plant and equipment	
Buildings used for own purposes	20 years
Buildings not used for own purposes (investment properties)	20 years
Production assets:	
Oil and gas production assets	20-40 years [1]
Natural gas distribution system	20-40 years [2]
Natural gas storage facilities	20-40 years [2]
Offshore pipelines	20-40 years [2]
Geothermal plants	20 years
Distribution grid, electricity	10-50 years
Distribution grid, heat	10-50 years
Oil transportation system	15 years
Wind turbines	15-20 years [2]
Exploration and evaluation assets	[3]
IT hardware	3 years
Fixtures and fittings, tools and equipment	5 years
Assets under construction	[3]

1) Depreciated applying the unit-of-production method.

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

3) Depreciation does not commence until the assets/fields are taken into use, at which time they are transferred to production facilities.

The basis of depreciation is determined on the basis of the asset's residual value less any impairment losses. The residual value is fixed at the date of acquisition and reassessed annually. Depreciation ceases if the residual value exceeds the carrying amount of the individual components.

Depreciation and impairment losses are recognised in the income statement as Production costs, Sales and marketing, and Management and administration, respectively, to the extent that depreciation is not recognised in the cost of self-constructed assets.

Investments in associates in the consolidated financial statements

Investments in associates are measured using the equity method.

Investments in associates are measured in the balance sheet at the proportionate share of the associates' net assets determined in accordance with the Group's accounting policies, plus goodwill, and after deducting or adding the proportionate share of unrealised intragroup profits and losses.

Investments in subsidiaries and associates in the parent company's financial statements

Investments in subsidiaries and associates are measured at cost. Cost is written down to recoverable amount whenever the cost exceeds the recoverable amount.

Cost is reduced to the extent that dividends received exceed the accumulated profits after the date of acquisition.

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. In the case of unlisted securities, an estimated fair value is used, if this is considered reliable; alternatively, cost is used.

In the case of Other equity investments classified as available for sale, unrealised changes in fair value are taken directly to equity, apart from impairment losses and reversals of same, and dividends recognised in the income statement as Financial income and Financial expenses. On realisation, the accumulated value adjustment recognised in equity is transferred to Financial income and Financial expenses in the income statement.

Where the fair value option is used, all fair value changes on other equity investments are recognised in the income statement.

Other non-current assets

Other non-current assets include non-current loans and prepayments relating to investments.

Impairment of non-current assets

Goodwill and intangible assets with an indefinite useful life are tested for impairment annually, the first time before the end of the year of acquisition.

Goodwill is tested for impairment at least annually, along with the cash-generating unit's other non-current assets, and written down to the recoverable amount if the carrying amount exceeds the recoverable amount. As a rule, the recoverable amount is determined as the present value of the expected future net cash flows from the enterprise or activity (cash-generating unit) to which the goodwill relates. The carrying amount of goodwill at 1 January 2004 (the date of transition to International Financial Reporting Standards as adopted by the EU) was tested for impairment.

Exploration and evaluation assets are reviewed for impairment annually and if there is any indication of impairment. A review for impairment is also carried out at the time commercial finds have been identified, and the exploration and evaluation assets are reclassified to Oil and gas production facilities. In carrying out the review, emphasis is placed on the special indicators that are relevant to the exploration and extractive industry, including the duration of the period for which DONG holds the rights for exploration wells in the individual fields, the expected timing and costs in connection with the exploration wells in the individual fields, the results of existing exploration wells and the expectations concerning future exploration wells, including the level of future exploration wells, and the probability that the exploration wells will result in commercial finds. The recoverable amount of exploration and evaluation assets is reviewed if any indication of impairment exists. The recoverable amount is the higher of an asset's fair value less expected disposal costs and the present value of the expected future net cash flows (value in use).

Deferred tax assets are reviewed for impairment annually and written down if it is probable that the deferred tax asset cannot be utilised by elimination against tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity and jurisdiction. In carrying out the review, emphasis is placed on the type and nature of the recognised deferred tax asset, the expected time horizon for elimination of the deferred tax asset, tax planning options, etc.

Other non-current assets are reviewed annually to determine if any indication of impairment exists. In carrying out the review, emphasis is placed on the special factors that are relevant to the individual asset, including external factors such as market prices for oil and gas, technological advances, etc., and internal factors such as the duration of the period for which DONG expects to use the asset, the expected timing and costs in connection with the use of the assets, experience concerning wear and tear, etc.

If any such indication exists, the asset's recoverable amount is estimated. The recoverable amount is the higher of an asset's fair value less expected disposal costs and the present value of the expected future net cash flows (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 relating to goodwill are recognised as a separate line item in the income statement. Impairment losses relating to deferred tax are recognised under Income tax expense in the income statement. Other impairment losses are recognised in the income statement as Production costs, Sales and marketing or Management and administration, respectively.

Impairment losses relating to goodwill are not reversed. Impairment losses relating to other assets are reversed to the extent that the assumptions or estimates that led to the impairment have changed. Impairment losses are only reversed to the extent that the asset's new carrying amount does not exceed the value the asset would have had after depreciation if no impairment losses had been charged.

Inventories

Inventories consist of natural gas 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 determined as a weighted average of the previous month's buying prices, including transportation costs. In the case of crude oil, cost is determined as the average production cost.

The cost of other inventories is measured using the FIFO method. The net realisable value of inventories is determined as the expected selling price less any costs of completion 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 estimated bad debts.

Other receivables

Other receivables include positive fair values of derivative financial instruments.

Prepayments

Prepayments comprise expenses incurred in respect of subsequent financial years.

Prepayments also include underlift of crude oil, which is measured at realisable value. As producing fields have several participants, there may be situations in which a participant has lifted and sold more or less oil than the participant's relative entitlement at the time of lifting. Such a situation is called overlift and underlift, respectively. Overlift of crude oil is recognised as Current liabilities under deferred income.

Securities

Securities, comprising bonds, are recognised and measured at fair value.

Changes in the fair value of securities are recognised in the income statement as Financial income and Financial expenses. The reason for recognising value adjustments in the income statement when they occur is that the investments are made in accordance with an established investment strategy and are managed and reported internally using fair values.

Equity

Hedging reserve

The hedging reserve comprises the accumulated net change in the fair value of hedging transactions that qualify for designation as hedges of future cash flows, and where the hedged transaction has yet to be realised.

Translation reserve

The translation reserve comprises foreign exchange adjustments arising on translation of the financial statements of foreign entities with a functional currency that is different from the presentation currency (DKK) of the DONG Group, foreign exchange adjustments relating to assets and liabilities that form a part of the Group's net investment in such entities, and foreign exchange adjustments relating to hedging transactions that hedge the Group's net investment in such entities.

The foreign exchange adjustments are recognised in the income statement on realisation or partial realisation of the net investment.

The translation reserve has been deemed to be zero at 1 January 2004 in accordance with IFRS 1.

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).

On account dividends are recognised as a liability at the declaration date.

Hybrid capital

Hybrid capital comprises issued loans that qualify for treatment as equity due to the special characteristics of the loan. Accordingly, any interest payments are accounted for as dividends that are recognised directly in equity at the time the payment obligation arises.

Minority interests

The items in the subsidiaries' financial statements are recognised in full in the consolidated financial statements. The portion of the subsidiaries' equity that is attributable to minority interests is shown as a separate item under equity.

Income tax and deferred tax

Under the joint taxation rules, DONG A/S, in its capacity of management company, assumes liability for the subsidiaries' income taxes to the tax authorities as the subsidiaries pay their joint taxation contributions.

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.

Joint taxation contributions payable and receivable are recognised in the balance sheet under intragroup balances.

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, office properties and 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 different tax rules can be applied to determine the tax base, deferred tax is measured on the basis of management's planned use of the asset or settlement of the liability, respectively.

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

Adjustment of deferred tax is made relating to eliminations of unrealised intragroup profits and losses.

Deferred tax is measured in accordance with the tax rules and tax rates in the respective countries that will apply under the legislation enacted at the balance sheet date when the deferred tax is expected to crystallise in the form of current tax.

Pensions

The Group has entered into pension agreements and similar agreements with most of the Group's employees.

Payments to insured (defined contribution) pension plans are recognised in the income statement in the period to which they relate, and any contributions payable are recognised in the balance sheet as Other payables.

Non-insured pensions (defined benefit plans) relate to pensions to public servants in connection with the acquisition of municipally owned regional gas companies. The obligation has been determined using an actuarial calculation. In the case of defined benefit plans, the value in use of future benefits to be paid under the plan is determined actuarially on an annual basis. The value in use is determined on the basis of assumptions about future trends in salary levels, interest rates, inflation, mortality, etc. The value in use is determined only for the benefits to which the employees have earned the right through service already rendered to the Group. The actuarially determined value in use is recognised in the balance sheet under pension obligations.

Provisions

Provisions comprise estimated expenses for removal of production facilities, reinstatement of drilling sites and other technical installations, etc.

Provisions are recognised when, as a result of an event occurring before or at the balance sheet date, the Group has a legal or constructive obligation, the settlement of which is expected to result in an outflow from the company of resources embodying economic benefits.

Provisions for removal of production facilities and reinstatement of drilling sites are measured at the present value of the expected future liability in respect of reinstatement and decommissioning as estimated at the balance sheet date. The amount provided is determined on the basis of existing requirements and estimated expenses, which are discounted to present value. If specific risks are deemed to attach to a provision, the estimated costs are recognised. A discount rate is used that reflects society's general interest rate level. These liabilities are recognised as they arise and are adjusted on a regular basis to reflect changes in requirements, price level, etc. The value of the provision is recognised under property, plant and equipment and depreciated together with relevant assets. The increase in time of the present value is recognised in the income statement under Financial expenses.

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

Financial liabilities

Bond loans, mortgage loans, bank loans, etc., are recognised at inception at the proceeds received net of transaction costs incurred. In subsequent periods, the financial liabilities are recognised at amortised cost, equivalent to the capitalised value using the effective interest rate method. 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 net realisable value.

Financial liabilities the value of which has been effectively hedged are adjusted to fair value to the extent of 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, etc.

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

Deferred income
Deferred income comprises payments received, etc., in respect of income in subsequent years. Deferred income also includes overlift of crude oil, see the description under Prepayments, the value of unrecognised amounts in respect of natural gas delivered under contract, etc., which is recognised at realisable value.

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.

Assets classified as held for sale

Assets classified as held for sale and the associated liabilities are presented as separate line items in the balance sheet.

Assets classified as held for sale comprise non-current assets and disposal groups classified as held for sale. Disposal groups are groups of assets to be disposed of, by sale or otherwise, together as a group in a single transaction, and liabilities directly associated with those assets that will be transferred in the transaction. Assets are classified as 'Assets classified as held for sale' when their carrying amount will be recovered principally through a sale transaction within twelve months under a formal plan rather than through continuing use.

Assets or disposal groups classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell. No depreciation or amortisation is charged on assets from the date they are classified as Assets classified as held for sale.

Impairment losses arising on initial classification as Assets classified as held for sale and gains and losses on subsequent measurement at the lower of carrying amount and fair value less costs to sell are recognised in the income statement under the items to which they relate. Gains and losses are disclosed in the notes.

Cash flow statement

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

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

Cash flows from operating activities
Cash flows from operating activities are determined as profit before tax adjusted for non-cash operating items, changes in working capital, interest paid and income tax paid.

Cash flows from investing activities
Cash flows from investing activities comprise payments in connection with acquisition and disposal of enterprises and activities; purchase and sale of intangible assets, property, plant and equipment and other non-current assets; and purchase and sale of securities that are not recognised as cash and cash equivalents.

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

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

Cash and cash equivalents

Cash and cash equivalents comprise available cash that is part of the ongoing cash management. Cash and cash equivalents also comprise securities with a maturity of less than three months that are readily convertible to cash and are subject to an insignificant risk of changes in value.

Segment information

Information is provided on business segments (primary segments) and geographical markets (secondary segments). The segments reflect the Group's risks and internal reporting structure. The segment information has been prepared in accordance with the Group's accounting policies.

Segment income, segment expense, segment assets and segment liabilities are those items that are directly attributable to the individual segment or can be allocated to the segment on a reasonable basis. Unallocated items comprise primarily assets, liabilities, revenue and expense relating to the Group's administrative functions, investing activities, income taxes, etc.

Non-current segment assets are those non-current assets that are employed directly by the segment in its operating activities, including intangible assets, property, plant and equipment, and investments in associates.

Current segment assets are those current assets that are employed directly by the segment in its operating activities, including inventories, trade receivables, other receivables, prepayments, and cash and cash equivalents.

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

Ratios

Earnings per share (EPS) is determined in accordance with IAS 33. Other financial ratios are determined in accordance with the Danish Society of Financial Analysts' 'Recommendations & Financial Ratios 2005'.

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

EBITDA margin	$\dfrac{\text{Earnings before interest, tax, depreciation, amortisation and write-downs (EBITDA)}}{\text{Revenue}}$
EBIT margin	$\dfrac{\text{Operating profit (EBIT)}}{\text{Revenue}}$
Earnings (EPS) per DKK 100 share	$\dfrac{\text{Profit}}{\text{Average number of shares}}$
Dividend per DKK 100 share	$\dfrac{\text{Dividend}}{\text{Average number of shares}}$ [1]
Funds from operations (FFO)	Cash flows from operating activities before changes in working capital
Free cash flows to equity (with acquisitions)	Cash flows from operating and investing activities [2]
Free cash flows to equity (without acquisitions)	Cash flows from operating and investing activities, plus/minus cash flows from acquisitions and disposals of enterprises [2]
Net interest-bearing debt	Interest-bearing liabilities less interest-bearing assets
Invested capital	Equity plus/minus gains/losses relating to hedging instruments on equity + net interest-bearing debt [2]
Financial gearing	$\dfrac{\text{Net interest-bearing debt}}{\text{Total equity}}$

1) Average number of shares is defined as share capital in denominations of DKK 100.
2) The definition deviates from the Danish Society of Financial Analysts' 'Recommendations & Financial Ratios 2005'.

Consolidated income statement for the year ended 31 December 2005

DKK million	Note	2005	2004
Revenue	2, 3	18,493	14,209
Production costs	4	(13,750)	(11,212)
Gross profit		4,743	2,997
Sales and marketing	4	(252)	(218)
Management and administration	4	(381)	(402)
Other operating income and expenses	5	(11)	(6)
Operating profit (EBIT)		4,099	2,371
Gain on disposal of subsidiaries		0	481
Share of profit (loss) after tax of associates	12	62	(15)
Financial income	6	945	1,197
Financial expenses	7	(1,097)	(1,026)
Profit before tax		4,009	3,008
Income tax expense	8	(1,191)	(934)
Profit for the year		2,818	2,074
Attributable to:			
Equity holders of DONG A/S		2,810	1,864
Minority interests		8	210
		2,818	2,074
Earnings (EPS) per DKK 100 share, DKK	9	131	87

Consolidated balance sheet at 31 December 2005

DKK million	Note	2005	2004
Assets			
Goodwill		276	0
Acquired rights, etc.		1,657	467
IT software		127	240
IT projects in progress		23	42
Intangible assets	10	2,083	749
Land and buildings		232	247
Production assets		13,728	14,814
Exploration and evaluation assets		350	309
Fixtures and fittings, tools and equipment		7	31
Property, plant and equipment in the course of construction		8,274	420
Property, plant and equipment	11	22,591	15,821
Investments in associates		5,350	188
Other equity investments		1,383	5,660
Deferred tax	19	6	0
Other non-current financial assets		68	1,007
Other non-current assets	12	6,807	6,855
Non-current assets		31,481	23,425
Inventories	13	690	461
Trade receivables	14	3,350	2,535
Income tax receivable	23	107	820
Other receivables	15	3,251	3,254
Prepayments	16	567	195
Securities	33	1,594	196
Cash and cash equivalents	33	5,781	550
Assets classified as held for sale	17	33	0
Current assets		15,373	8,011
Assets		46,854	31,436

Consolidated balance sheet at 31 December 2005

DKK million	Note	2005	2004
Equity and liabilities			
Share capital		2,144	2,144
Hedging reserve		(542)	(233)
Translation reserve		148	3
Retained earnings		16,295	13,751
Proposed dividends		35	0
Hybrid capital		8,155	0
Equity attributable to the equity holders of DONG A/S		26,235	15,665
Minority interests		43	695
Equity	18	26,278	16,360
Deferred tax	19	3,237	3,089
Pensions	20	15	18
Provisions	21	1,804	1,308
Mortgage loans	22	583	623
Bank loans, etc.	22	5,872	1,817
Other non-current liabilities	22	3	8
Non-current liabilities		11,514	6,863
Provisions	21	14	58
Mortgage loans	22	39	60
Bank loans, etc.	22, 33	654	1,391
Trade payables		3,848	2,511
Payable income tax	23	153	213
Other payables	24	4,068	3,640
Deferred income	25	286	340
Current liabilities		9,062	8,213
Liabilities		20,576	15,076
Total equity and liabilities		46,854	31,436

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

DKK million	Share capital	Hedging reserve	Translation reserve	Retained earnings	Proposed dividends	Hybrid capital	Minority interests	Total
Equity at 1 January 2004	2,144	281	70	12,393	1,906	0	0	16,794
Changes in accounting policies			(70)	106			564	600
Adjustments at start of year concerning natural gas pipeline				57				57
Reclassifications concerning non-consolidated subsidiaries				(248)			(156)	(404)
Restated equity at 1 January 2004	2,144	281	0	12,308	1,906	0	408	17,047
Foreign exchange adjustments relating to foreign enterprises, equity-like loans, etc.			(1)					(1)
Value adjustments of hedging instruments		(735)						(735)
Tax on equity items		221	4					225
Other adjustments				(15)			(4)	(19)
Net gains recognised directly in equity	0	(514)	3	(15)	0	0	(4)	(530)
Profit for the year				1,864			210	2,074
Total income and expense for the year	0	(514)	3	1,849	0	0	206	1,544
Adjustment of undistributable reserves on disposal of subsidiary				(406)				(406)
Additions and disposals on acquisition and disposal of subsidiaries							81	81
Dividends paid					(1,906)			(1,906)
Total changes in equity in 2004	0	(514)	3	1,443	(1,906)	0	287	(687)
Equity at 31 December 2004	2,144	(233)	3	13,751	0	0	695	16,360

Consolidated statement of changes in equity for the year ended 31 December 2005

DKK million	Share capital	Hedging reserve	Translation reserve	Retained earnings	Proposed dividends	Hybrid capital	Minority interests	Total
Equity at 1 January 2005	2,144	(233)	3	13,751	0	0	695	16,360
Foreign exchange adjustments relating to foreign enterprises, equity-like loans, etc.			188					188
Value adjustments of hedging instruments transferred to the income statement		2,196						2,196
Value adjustments of hedging instruments transferred to non-financial assets		(38)						(38)
Value adjustments of hedging instruments		(2,578)						(2,578)
Tax on equity items		118	(43)			67		142
Adjustment of income tax from 30% to 28%		(7)		7				0
Reversal of revaluation on transfer of other equity investments to associates				(228)				(228)
Other adjustments				(10)			(6)	(16)
Net gains recognised directly in equity	0	(309)	145	(231)	0	67	(6)	(334)
Profit for the year				2,775	35		8	2,818
Total income and expense for the year	0	(309)	145	2,544	35	67	2	2,484
Issuing of hybrid capital						8,088		8,088
Acquisition of subsidiaries							(354)	(354)
Capital reduction, and other adjustments							(300)	(300)
Total changes in equity in 2005	0	(309)	145	2,544	35	8,155	(652)	9,918
Equity at 31 December 2005	2,144	(542)	148	16,295	35	8,155	43	26,278

Consolidated cash flow statement for the year ended 31 December 2005

DKK million	**Note**	**2005**	**2004**
Cash flows from operations (operating activities)	26	6,642	4,231
Interest income and similar items		522	903
Interest expense and similar items		(968)	(731)
Income tax paid		(330)	(864)
Cash flows from operating activities		5,866	3,539
Purchase of intangible assets		(1,022)	(93)
Purchase of exploration assets		(65)	(237)
Purchase of other property, plant and equipment		(7,425)	(1,620)
Sale of property, plant and equipment		21	2
Acquisition of subsidiaries	27	(359)	(717)
Acquisition of minority interests in subsidiaries	28	(586)	(177)
Payments relating to acquisitions of subsidiaries in prior years	29	(1,085)	(340)
Disposal of subsidiaries	30	0	883
Receivables received in respect of disposal of subsidiary in prior years		1,037	0
Repayment of subordinated loan on sale DONG Transmission		0	545
Acquisition of associates	31	(773)	(9)
Capital contributions associates		(21)	0
Acquisition of other equity investments and securities		(14)	(1,958)
Disposal of other equity investments and securities	32	52	0
Advance payment in respect of investment in Ormen Lange		0	(941)
Dividends received		112	62
Cash flows from investing activities		(10,128)	(4,600)
Proceeds on issuing of hybrid capital		8,088	0
Proceeds on raising of other loans		4,655	
Instalments on loans		(917)	(258)
Dividends paid to equity holders of DONG A/S		0	(1,906)
Dividends paid to minority interests		(358)	0
Capital contributions minority interests		5	0
Cash flows from financing activities		11,473	(2,164)
Net increase (decrease) in cash and cash equivalents		7,211	(3,225)
Cash and cash equivalents at 1 January		145	3,449
Reclassifications concerning non-consolidated subsidiaries		0	(80)
Foreign exchange adjustments of cash and cash equivalents		0	1
Cash and cash equivalents at 31 December	33	7,356	145

Parent company income statement for the year ended 31 December 2005

DKK million	Note	2005	2004
Revenue	3	369	359
Production costs	4	(373)	(343)
Gross profit (loss)		(4)	16
Management and administration	4	(58)	(41)
Other operating income and expenses	5	2	0
Operating profit (loss) (EBIT)		(60)	(25)
Gain on disposal of subsidiaries		0	(42)
Financial income	6	7,241	4,240
Financial expenses	7	(4,580)	(2,815)
Profit before tax		2,601	1,358
Income tax expense	8	(189)	67
Profit for the year		2,412	1,425

Proposal for distribution of profit

The Supervisory Board proposes that the profit for the year, DKK 2,412 million, be distributed as follows:

Dividends	35	0
Retained earnings	2,377	1,425
	2,412	1,425
Dividend per DKK 100 share, DKK	1	0

Parent company balance sheet at 31 December 2005

DKK million	Note	2005	2004
Assets			
IT software		68	213
IT projects in progress		21	42
Intangible assets	10	89	255
Land and buildings		145	154
Investment properties		67	71
Fixtures and fittings, tools and equipment		1	12
Property, plant and equipment	11	213	237
Investments in subsidiaries		3,929	3,899
Investments in associates		141	141
Other equity investments		1,372	1,372
Receivables from subsidiaries		11,314	6,341
Other non-current assets	12	16,756	11,753
Non-current assets		17,058	12,245
Trade receivables	14	6	14
Receivables from subsidiaries		4,976	1,057
Income tax receivable	23	79	816
Other receivables	15	2,526	2,195
Prepayments	16	5	4
Securities	33	1,577	196
Cash and cash equivalents	33	5,313	72
Current assets		14,482	4,354
Assets		31,540	16,599

Parent company balance sheet at 31 December 2005

DKK million	Note	2005	2004
Equity and liabilities			
Share capital		2,144	2,144
Hedging reserve		5	12
Translation reserve		2	(12)
Retained earnings		8,839	6,477
Proposed dividends		35	0
Hybrid capital		8,155	0
Total equity	18	19,180	8,621
Deferred tax	19	226	498
Mortgage loans	22	163	161
Bank loans, etc.	22	5,581	1,086
Other non-current liabilities	22	0	8
Non-current liabilities		5,970	1,753
Bank loans, etc.	22, 33	454	513
Trade payables		172	134
Payables to subsidiaries		3,196	3,054
Other payables	24	2,568	2,524
Current liabilities		6,390	6,225
Liabilities		12,360	7,978
Equity and liabilities		31,540	16,599

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Parent company statement of changes in equity for the year ended 31 December 2005

DKK million	Share capital	Hed-ging reserve	Transl ation reserve	Re-tained ear-nings	Pro-posed divi-dends	Hybrid capital	Total
Equity at 1 January 2004	2,144	0	0	12,744	1,906	0	16,794
Changes in accounting policies				(7,694)			(7,694)
Restated equity at 1 January 2004	2,144	0	0	5,050	1,906	0	9,100
Foreign exchange adjustments relating to foreign enterprises, equity-like loans, etc.			(16)				(16)
Value adjustments of hedging instruments		16					16
Tax on equity items		(4)	4				0
Other adjustments				2			2
Net gains recognised directly in equity	0	12	(12)	2	0	0	2
Profit for the year				1,425			1,425
Total income and expense for the year	0	12	(12)	1,427	0	0	1,427
Dividends paid					(1,906)		(1,906)
Total changes in equity in 2004	0	12	(12)	1,427	(1,906)	0	(479)
Equity at 1 January 2005	2,144	12	(12)	6,477	0	0	8,621
Foreign exchange adjustments relating to foreign enterprises, equity-like loans, etc.			19				19
Value adjustments of hedging instruments transferred to the income statement							
Value adjustments of hedging instruments		(10)					(10)
Tax on equity items		3	(5)			67	65
Other adjustments				(15)			(15)
Net gains recognised directly in equity	0	(7)	14	(15)	0	67	59
Profit for the year				2,377	35		2,412
Total income and expense for the year	0	(7)	14	2,362	35	67	2,471
Issuing of hybrid capital						8.088	8,088
Total changes in equity in 2005	0	(7)	14	2,362	35	8.155	10,559
Equity at 31 December 2005	2,144	5	2	8,839	35	8.155	19,180

Parent company cash flow statement for the year ended 31 December 2005

DKK million	Note	2005	2004
Cash flows from operations (operating activities)	26	206	(1,155)
Interest income and similar items		4,781	1,136
Interest expense and similar items		(3,353)	(1,028)
Income tax paid		68	(446)
Cash flows from operating activities		1,702	(1,493)
Purchase of intangible assets		(31)	(92)
Purchase of property, plant and equipment		(1)	(8)
Sale of property, plant and equipment		89	2
Acquisition of subsidiaries		(1)	0
Capital contributions in group enterprises		(30)	0
Payments relating to acquisitions of subsidiaries in prior years	29	0	(298)
Disposal of subsidiaries	30	0	1,088
Acquisition of associates		0	(5)
Repayment of subordinated loan on sale DONG Transmission		0	545
Loans to subsidiaries		(9,108)	(1,052)
Acquisition of other equity investments and securities		0	(367)
Dividends received		1,225	1,530
Cash flows from investing activities		(7,857)	1,343
Proceeds on issuing of hybrid capital		8,088	0
Proceeds on raising of other loans		4,655	518
Loans from subsidiaries		251	0
Instalments on loans		(218)	0
Dividends paid to equity holder of DONG A/S		0	(1,906)
Cash flows from financing activities		12,776	(1,388)
Net increase (decrease) in cash and cash equivalents		6,621	(1,538)
Cash and cash equivalents at 1 January		269	1,807
Unrealised foreign exchange adjustments		0	0
Cash and cash equivalents at 31 December	33	6,890	269

Notes

Note 1 Accounting estimates and judgements

Estimation uncertainty

Determining the carrying amount of some assets and liabilities requires estimation of the effects of future events on those assets and liabilities at the balance sheet date.

In the opinion of DONG's management, the following estimates and associated judgements are material for the financial reporting:

- determination of the recoverable amount for goodwill and acquired rights,
- valuation of the Group's Elsam shares,
- determination of underground oil and gas reserves. The assessment of oil and natural gas reserves is made to SPE standards (Society of Petroleum Engineers). The assessment of reserves is a complex process involving various parameters such as analysis of geological data, commercial aspects, etc., each of which is subject to uncertainty. The assessment is material to the determination of the recoverable amount and depreciation profile for exploration and evaluation assets,
- determination of the recoverable amount and depreciation profile for production assets. Determination of the recoverable amount is based on assumptions concerning future earnings, oil prices, interest rate levels, etc., each of which is subject to uncertainty. The depreciation profile has been determined on the basis of the expected use of the production assets, and is consequently subject to the same risks relating to reserves, future earnings, etc., as apply to the determination of the value of the production assets,
- determination of abandonment obligations. Provisions for abandonment obligations are subject to particular uncertainty as far as concerns the determination of the costs associated with removal of the production assets, and the timing of the removal,
- and assessment of contingent liabilities and assets

The estimates applied are based on assumptions which are sound, in management's opinion, but which, by their nature, are uncertain and unpredictable. The assumptions may be incomplete or inaccurate, and unforeseen events or circumstances may occur. Moreover, the DONG Group is subject to risks and uncertainties that may cause actual results to differ from these estimates. Special risks for the DONG Group are disclosed in the management's review, page 18.

Assumptions for forward-looking statements and other estimation uncertainties at the balance sheet date that involve a considerable risk of changes that may lead to a material adjustment in the carrying amount of assets or liabilities within the coming financial year are disclosed in the notes.

Notes to the income statement

Note 2 Segment information

The Group's primary business segments are:

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

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

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

Activities - 2005

DKK million	Exploration & Production	Natural gas, Trade & Supply	Natural gas, Distribution & Storage	Electricity & Renewable energy	Oil pipeline	Ikke Unallocated/ Eliminations	Group total
Revenue	3,879	13,885	857	247	467	(842)	18,493
- of which intragroup revenue	114	39	664	0	1	(818)	0
EBITDA	2,570	2,921	565	51	123	84	6,314
EBIT	1,334	2,582	161	(1)	78	(55)	4,099
Share of profit for the year of associates	0	22	0	38	0	2	62
Financial income and expenses, net						(152)	(152)
Income tax expense						1,191	1,191
Profit for the year						2,818	2,818
Assets	12,881	15,414	6,038	6,644	820	5,057	46,854
- including investments in associates	0	618	3	4,590	0	139	5.350
Liabilities	10,754	8,569	4,631	6,156	659	(10,193)	20,576
Additions of intangible assets and property, plant and equipment	7,344	1,436	220	351	80	(9)	9,422
Depreciation and amortisation	(1,235)	(291)	(386)	(53)	(44)	(90)	(2,099)
Impairment losses	0	(50)	(19)	0	0	(47)	(116)
Other non-cash expenses recognised in the income statement	(207)	(56)	2	(1)	2	44	(216)

Geographical location

DKK million	Denmark	Rest of EU	Rest of world	Group total
Revenue by customer location	7,740	10,189	564	18,493
Segment assets by physical location	34,488	2,843	9,523	46,854
Additions of intangible assets and property, plant and equipment	1,515	777	7,130	9,422

Note 2 Segment information - continued

Activities - 2004

DKK million	Exploration & Production	Natural gas, Trade & Supply	Natural gas, Distribution & Storage	Electricity & Renewable energy	Oil pipeline	Ikke Unallocated/ Eliminations	Group total
Revenue	3,109	10,022	861	533	373	(689)	14,209
- of which intragroup revenue	24	135	631	1	0	(791)	0
EBITDA	1,850	1,907	596	141	95	48	4,637
EBIT	366	1,573	218	29	211	(26)	2,371
Share of profit (loss) for the year of associates	0	12	0	(1)	0	(26)	(15)
Gain on disposal of subsidiaries						481	481
Financial income and expenses, net						171	171
Income tax expense						(934)	(934)
Profit for the year						2,074	2,074
Total assets	7,030	11,116	6,225	6,641	652	(228)	31,436
- including investments in associates	0	73	3	17	0	95	188
Liabilities	5,425	4,546	4,900	4,570	543	(4,908)	15,076
Additions of intangible assets and property, plant and equipment	1,230	576	432	330	0	101	2,669
Depreciation and amortisation	(1,436)	(323)	(379)	(92)	(44)	(73)	(2,347)
Impairment losses	(48)	(11)	0	(20)	0	0	(79)
Reversal of impairment losses	0	0	0	0	160	0	160
Other non-cash expenses recognised in the income statement	104	75	3	98	(24)	(11)	245

Geographical location

DKK million	Denmark	Rest of EU	Rest of world	Group total
Revenue by customer location	7,142	6,072	995	14,209
Segment assets by physical location	28,283	856	2,297	31,436
Additions of intangible assets and property, plant and equipment	1,823	468	378	2,669

Note 3 Revenue

DKK million	Group 2005	Group 2004	Parent company 2005	Parent company 2004
Revenue				
Natural gas sales	12,509	9,978	0	0
Distribution and storage of natural gas	186	209	0	0
Sales and transportation of crude oil	5,384	3,121	0	0
Sales of electricity and heat	155	332	0	0
Services and other revenue	259	569	369	359
Revenue	18,493	14,209	369	359

Revenue includes market value adjustments of minus DKK 110 million (2004: DKK 12 million) in respect of physical contracts concerning trading in gas and electricity and in respect of financial contracts. Market value adjustments of financial customer products and financial expenses incurred that constitute economic hedges are recognised in revenue with minus DKK 331 million (2004: DKK 4 million).

Note 4 Operating expenses

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

Operating expenses include staff costs, depreciation and amortisation, research and development costs, government grants and fees to auditors:

DKK million	Group 2005	Group 2004	Parent company 2005	Parent company 2004
Staff costs				
Wages, salaries and remuneration	(554)	(534)	(154)	(122)
Defined contribution pension plans	(50)	(46)	(14)	(12)
Defined benefit pension plans, see note 20	(4)	(7)	0	0
Other social security costs	(6)	(5)	(1)	(1)
Other staff costs	(7)	(5)	(4)	(2)
Staff costs	(621)	(597)	(173)	(137)
Staff costs are recognised as follows:				
Production costs	(380)	(401)	(81)	(81)
Sales and marketing	(87)	(77)	0	0
Management and administration	(154)	(118)	(92)	(56)
Staff costs	(621)	(597)	(173)	(137)
Number of full-time employees				
Average for the financial year	996	1,043	250	234
At 31 December	1,018	980	256	244

Note 4 Operating expenses - continued

Remuneration to the Committee of Representatives, the Supervisory Board, the Executive Board and other senior executives amounts to:

	2005			
	Wages and salaries	Bonus[1]	Pension	Total
Committee of Representatives	(0.3)	0.0	0.0	(0.3)
Parent company Supervisory Board	(1.3)	(0.8)	0.0	(2.1)
Parent company Executive Board	(2.4)	(1.9)	(0.5)	(4.8)
Other senior executives in the parent company	(1.8)	(1.5)	(0.4)	(3.7)
Other senior executives in the Group in general	(3.4)	(3.0)	(0.6)	(7.0)

1) Of this amount, DKK 6.1 million had not been paid at 31 December

	2004			
	Wages and salaries	Bonus[2]	Pension	Total
Committee of Representatives	(0.3)	0.0	0.0	(0.3)
Parent company Supervisory Board	(1.4)	0.0	0.0	(1.4)
Parent company Executive Board	(2.3)	(0.5)	(0.5)	(3.3)
Other senior executives in the parent company	(1.8)	(0.4)	(0.4)	(2.6)
Other senior executives in the Group in general	(3.3)	(0.7)	(0.5)	(4.5)

2) Of this amount, DKK 1.6 million had not been paid at 31 December

Remuneration to the members of the Supervisory Board includes extraordinary remuneration of DKK 0.8 million to the former Chairman of the Supervisory Board for his efforts in connection with the merger talks with Elsam and acquisitions within the electricity sector.

The Executive Board and other senior executives are made up of four persons.

A bonus plan has been established for the Executive Board and other senior executives. The contracts of service of the members of the Executive Board include a termination package under which they will be entitled to 36 months' salary if their contracts of service are terminated by the company. Other senior executives in the Group will be entitled to 24 months' salary if their contracts of service are terminated by the company.

	Group		Parent company	
DKK million	**2005**	**2004**	**2005**	**2004**
Research and development costs				
Research and development costs recognised in the income statement amount to	31	14	0	0

Note 4 Operating expenses - continued

DKK million	Group 2005	Group 2004	Parent company 2005	Parent company 2004
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment, broken down by function				
Depreciation and amortisation recognised in Production costs	(2,062)	(2,235)	(136)	(73)
Depreciation and amortisation recognised in Management and administration	(8)	(9)	(0)	(0)
Amortisation of rights, etc.	(29)	(103)	(0)	(0)
Depreciation and amortisation recognised in the income statement	(2,099)	(2,347)	(136)	(73)
Impairment losses recognised in Production costs	(116)	(79)	0	0
Reversal of impairment losses	0	160	0	0
Impairment losses recognised in the income statement	(116)	81	0	0
Depreciation, amortisation and impairment losses recognised in the income statement	(2,215)	(2,266)	(136)	(73)

Government grants

In 2005 DONG received grants for preliminary investigations in connection with the establishment of production assets, the construction of production assets and certain operating expenses, etc.

DKK million	Group 2005	Group 2004	Parent company 2005	Parent company 2004
Government grants recognised in the income statement are included under revenue and amount to:	30	32	0	0

Note 4 Operating expenses - continued

DKK million	Group 2005	Group 2004	Parent company 2005	Parent company 2004
Fees to auditors				
KPMG C. Jespersen				
Audit fees	(4)	(3)	(1)	(1)
Non-audit fees	(32)	(17)	(24)	(8)
	(36)	(20)	(25)	(9)
BDO ScanRevision				
Audit fees	(1)	0	0	0
PricewaterhouseCoopers				
Audit fees	0	(1)	0	0
Fees to auditors	(37)	(21)	(25)	(9)

Note 5 Other operating income and expenses

DKK million	Group 2005	Group 2004	Parent company 2005	Parent company 2004
Gain on sale of property, plant and equipment	5	0	2	0
Investment contributions	0	1	0	0
Other operating income	2	8	0	0
Other operating income	7	9	2	0
Loss on sale of property, plant and equipment	(15)	(1)	0	0
Elimination of underabsorption	0	(13)	0	0
Other operating expenses	(3)	(1)	0	0
Other operating expenses	(18)	(15)	0	0
Other operating income and expenses	(11)	(6)	2	0

Note 6 Financial income

DKK million	Group 2005	Group 2004	Parent company 2005	Parent company 2004
Interest income	223	215	121	112
Interest income from subsidiaries	-	-	406	127
Foreign exchange gains	606	618	1,195	891
Capital gains on securities	0	7	972	5
Value adjustments of other equity investments	0	319	0	1
Dividends	112	27	1,225	1,534
Gains on raw material derivatives	0	0	3,322	1,542
Other financial income	4	11	0	28
Financial income	945	1,197	7,241	4,240

Note 7 Financial expenses

DKK million	Group 2005	Group 2004	Parent company 2005	Parent company 2004
Interest expense, index adjustment of mortgage loans, etc.	(434)	(189)	(312)	(92)
Interest expense from subsidiaries	-	-	(49)	(51)
Interest element of abandonment costs	(55)	(53)	0	0
Foreign exchange losses	(586)	(767)	(889)	(1,087)
Capital losses on securities	(9)	(17)	(8)	(12)
Losses on raw material derivatives	0	0	(3,322)	(1,542)
Other financial expenses	(13)	0	0	(31)
Financial expenses	(1,097)	(1,026)	(4,580)	(2,815)
Revenue for the year includes foreign exchange adjustments of:	407	435	0	0
Profit for the year includes foreign exchange adjustments of:	427	286	305	(196)

Note 8 Income tax expense

DKK million	Group 2005	Group 2004	Parent company 2005	Parent company 2004
Tax for the year can be broken down as follows:				
Tax on profit for the year	(1,191)	(934)	(189)	67
Tax on changes in equity	143	229	71	0
Income tax expense	(1,048)	(705)	(118)	67
Income tax expense can be broken down as follows:				
Current tax (income tax and hydrocarbon tax) calculated using normal tax rates	(926)	(557)	(219)	0
Joint taxation contribution	0	0	(180)	217
Special current tax, hydrocarbon tax calculated using higher tax rate	(232)	(214)	0	0
Deferred tax, ordinary tax rates	(140)	(199)	42	(151)
Deferred tax, special tax rates	(224)	39	0	0
Adjustments of current tax for prior years	31	17	(40)	1
Adjustments of deferred tax for prior years after change of current tax rate from 30% to 28%	188	0	33	0
Other adjustments of deferred tax for prior years	112	(20)	175	0
Income tax expense	(1,191)	(934)	(189)	67
Income tax expense can be explained as follows:				
Calculated 28% tax on profit before tax	(1,123)	(902)	(728)	(407)
Adjustments of calculated tax in foreign subsidiaries in relation to 28%	2	5	0	0
Special tax, hydrocarbon tax	(456)	(175)	0	0
Tax effect of:				
Non-taxable income	96	262	380	498
Non-deductible costs in general	(58)	(116)	(9)	(25)
Share of profit (loss) after tax of associates	17	(5)	0	0
Adjustments of taxes for prior years	331	(3)	168	1
Income tax expense	(1,191)	(934)	(189)	67
Effective tax rate	30	31	7	(5)

Note 9 Earnings per share

DKK million	Group 2005	Group 2004	Parent company 2005	Parent company 2004
Profit for the year	2,818	2,074	-	-
Attributable to minority interests	(8)	(210)	-	-
Attributable to the DONG Group	2,810	1,864	-	-
Average number of shares of DKK 100 share each	21,436,000	21,436,000	-	-
Earnings (EPS) per DKK 100 share, DKK	131	87	-	-

Notes to the balance sheet

Note 10 Intangible assets

DKK million	Goodwill	Know-how	Acquired rights, etc.	IT software	IT projects in progress	Total
	Group					
Cost at 1 January 2004	2,959	0	0	221	105	3,285
Reclassifications at 1 January 2004	(559)	84	475	0	0	0
Additions	0	0	11	8	85	104
Disposal on sale of enterprise	0	0	0	0	(3)	(3)
Disposals	0	0	0	0	(8)	(8)
Transfers	0	0	475	137	(137)	475
Cost at 31 December 2004	2,400	84	961	366	42	3,853
Amortisation and impairment losses at 1 January 2004	(2,829)	0	0	(66)	0	(2,895)
Reclassifications at 1 January 2004	429	(49)	(380)	0	0	0
Amortisation	0	(17)	(103)	(60)	0	(180)
Impairment losses	0	(18)	(11)	0	0	(29)
Amortisation and impairment losses at 31 December 2004	(2,400)	(84)	(494)	(126)	0	(3,104)
Carrying amount at 31 December 2004	0	0	467	240	42	749
Cost at 1 January 2005	2,400	84	961	366	42	3,853
Addition on acquisition of subsidiary	276	0	155	0	0	431
Additions	0	0	901	10	35	946
Transfers	0	0	161	55	(54)	162
Cost at 31 December 2005	2,676	84	2,178	431	23	5,392
Amortisation and impairment losses at 1 January 2005	(2,400)	(84)	(494)	(126)	0	(3,104)
Amortisation	0	0	(27)	(95)	0	(122)
Impairment losses	0	0	0	(83)	0	(83)
Amortisation and impairment losses at 31 December 2005	(2,400)	(84)	(521)	(304)	0	(3,309)
Carrying amount at 31 December 2005	276	0	1,657	127	23	2,083
Amortised over	5-10 years	5 years	5-20 years	5 years	-	-

Note 10 Intangible assets - continued

Acquired rights, etc., include gas purchase rights and customer rights, etc. Gas purchase rights have been determined at cost less accumulated amortisation, and amount to DKK 1,511 million. Gas purchase rights are amortised as they are exercised. Customer rights have been determined on the basis of expected future net cash flows, and amount to DKK 146 million. Customer rights are amortised as they are exercised.

In 2005 the Group capitalised an amount of DKK 10 million (2004: DKK 22 million) in respect of work carried out by the Group on its own account.

	Parent company		
DKK million	**IT software**	**IT projects in progress**	**Total**
Cost at 1 January 2004	194	88	282
Additions	8	85	93
Disposals	0	(8)	(8)
Transfers	123	(123)	0
Cost at 31 December 2004	325	42	367
Amortisation at 1 January 2004	(60)	0	(60)
Amortisation	(52)	0	(52)
Amortisation at 31 December 2004	(112)	0	(112)
Carrying amount at 31 December 2004	213	42	255
Cost at 1 January 2005	325	42	367
Additions	4	27	31
Disposals	(41)	(42)	(83)
Transfers	6	(6)	0
Cost at 31 December 2005	294	21	315
Amortisation at 1 January 2005	(112)	0	(112)
Amortisation, disposals	8	0	8
Amortisation	(122)	0	(122)
Amortisation at 31 December 2005	(226)	0	(226)
Carrying amount at 31 December 2005	68	21	89
Amortised over	5 years	-	

In 2005 the parent company capitalised an amount of DKK 8 million (2004: DKK 22 million) in respect of work carried out by the parent company on its own account.

Note 10 Intangible assets - continued

Impairment testing of Goodwill

Goodwill at 31 December 2005 amounted to DKK 276 million and relates to acquisition of the subsidiary Intergas Levering B.V.

Intergas Levering B.V. was acquired with accounting effect from 30 September 2005. No events indicating impairment have occurred after that date.

Impairment testing of Acquired rights

Acquired rights at 31 December 2005 amounted to DKK 1,657 million, comprising primarily acquired customer rights and gas purchase rights. There are no indicators materially affecting the original expectations with respect to timing and costs.

Impairment testing of IT software and IT projects in progress

The carrying amount of IT software and IT projects in progress at 31 December 2005 amounted to DKK 127 million and DKK 23 million, respectively.

A review of DONG's IT systems has been undertaken as part of the preparations for the expected merger in 2006. The review included an assessment of expected future efficiency improvements and savings based on the planned use of the individual systems.

At 31 December 2005 DONG carried out an impairment test of the carrying amount of IT software and IT projects in progress.

Based on the impairment test, it is estimated that the carrying amount exceeds the recoverable amount. Against this background, the carrying amount of IT software has been reduced by DKK 83 million, which is recognised in the income statement under production costs.

Note 11 Property, plant and equipment

	Group					
DKK million	**Land and build-ings**	**Produc-tion assets**	**Explora-tion and evaluate-on assets**	**Fixtures and fittings, tools and equipment**	**Assets in the course of construc-tion**	**Total**
Cost at 1 January 2004	500	29,809	164	113	1,291	31,877
Changes in accounting policies	0	(1,521)	0	0	0	(1,521)
Restated cost at 1 January 2004	500	28,288	164	113	1,291	30,356
Foreign exchange adjustments	0	42	(3)	0	1	40
Addition on acquisition of enterprise	0	101	0	0	0	101
Additions	1	1,395	237	10	821	2,464
Disposal on sale of enterprise	(101)	(5,498)	0	(38)	(38)	(5,675)
Disposals	0	(416)	(30)	(14)	(27)	(487)
Reclassifications concerning non-consolidated subsidiaries	0	(651)	0	0	(2)	(653)
Transfers	6	1,139	0	0	(1,626)	(481)
Cost at 31 December 2004	406	24,400	368	71	420	25,665
Revaluation at 1 January 2004	0	7,600	0	0	0	7,600
Changes in accounting policies	0	(7,600)	0	0	0	(7,600)
Restated revaluation at 1 January	0	0	0	0	0	0
Depreciation and impairment losses at 1 January 2004	(169)	(17,156)	0	(56)	0	(17,381)
Changes in accounting policies	0	9,121	0	0	0	9,121
Restated depreciation and impairment losses at 1 January 2004	(169)	(8,035)	0	(56)	0	(8,260)
Foreign exchange adjustments	0	(22)	0	0	0	(22)
Depreciation, disposals	0	133	30	11	0	174
Depreciation	(19)	(2,072)	(59)	(17)	0	(2,167)
Impairment losses	0	(20)	(30)	0	0	(50)
Reversal of impairment losses in prior years		160				160
Disposal on sale of enterprise	29	118	0	22	0	169
Reclassifications concerning non-consolidated subsidiaries	0	152	0	0	0	152
Depreciation and impairment losses at 31 December 2004	(159)	(9,586)	(59)	(40)	0	(9,844)
Carrying amount at 31 December 2004	247	14,814	309	31	420	15,821

Note 11 Property, plant and equipment - continued

	Group					
DKK million	Land and buildings	Production assets	Exploration and evaluation assets	Fixtures and fittings, tools and equipment	Assets in the course of construction	Total
Cost at 1 January 2005	406	27,673	368	71	420	28,938
Changes in accounting policies	0	(3,273)	0	0	0	(3,273)
Restated cost at 1 January 2005	406	24,400	368	71	420	25,665
Foreign exchange adjustments	0	71	9	0	12	92
Addition on acquisition of enterprise	0	3	0	1	0	4
Additions	1	609	72	2	7,357	8,041
Disposals	0	(9)	(18)	(50)	(81)	(158)
Transfers to assets classified as held for sale	0	(34)	0	0	0	(34)
Transfers	0	304	(22)	0	566	848
Cost at 31 December 2005	407	25,344	409	24	8,274	34,458
Revaluation at 1 January 2005	0	2,800	0	0	0	2,800
Changes in accounting policies	0	(2,800)	0	0	0	(2,800)
Restated revaluation at 1 January 2005	0	0	0	0	0	0
Depreciation and impairment losses at 1 January 2005	(159)	(15,659)	(59)	(40)	0	(15,917)
Changes in accounting policies	0	6,073	0	0	0	6,073
Restated depreciation and impairment losses at 1 January 2005	(159)	(9,586)	(59)	(40)	0	(9,844)
Foreign exchange adjustments	0	(42)	0	0	0	(42)
Depreciation, disposals	0	2	0	26	0	28
Depreciation	(16)	(1,958)	0	(3)	0	(1,977)
Impairment losses	0	(33)	0	0	0	(33)
Transfers to assets classified as held for sale	0	1	0	0	0	1
Depreciation and impairment losses at 31 December 2005	(175)	(11,616)	(59)	(17)	0	(11,867)
Carrying amount at 31 December 2005	232	13,728	350	7	8,274	22,591
Depreciated over	20 years	UOP* / 10 – 50 years	-	3-5 years	-	-

* Unit of production

Note 11 Property, plant and equipment - continued

In 2005 an amount of DKK 61 million (2004: DKK 54 million) was capitalised in respect of work carried out by the Group on its own account.

Depreciation and impairment losses are recognised in the income statement with DKK 2,010 million in total (2004: DKK 2,057 million) as Production costs and Management and administration, respectively. Reference is made to note 4.

Mortgage loans totalling DKK 574 million (2004: DKK 632 million) are secured on plant with a carrying amount of DKK 791 million (2004: DKK 848 million) at year end.

Impairment testing of property, plant and equipment

Impairment testing is carried out for the segments that represent the Group's cash-generating units. An impairment loss is recognised when the carrying amount of property, plant and equipment exceeds the recoverable amount.

The recoverable amount is based on the value in use. The value in use is determined on the basis of expected net cash flows according to budgets and projections and a discount rate before tax of between 6-11%. Material parameters in connection with the determination of the value in use are sales, EBIT, working capital, fixed assets and growth assumptions.

The main assumptions in connection with the determination of value in use, viewed in relation to the impairment testing carried out at the end of 2004, developed favourably for the Group.

Based on the impairment tests, it is estimated that the carrying amount exceeds the recoverable amount. Against this background, the carrying amount of production assets has been reduced by DKK 33 million, which is recognised in the income statement as production costs. Reference is also made to note 17.

Note 11 Property, plant and equipment - continued

	Parent company				
DKK million	Land and buildings	Invest-ment properties	Fixtures and fittings, tools and equipment	Assets in the course of con-struction	Total
Cost at 1 January 2004	350	0	28	3	381
Reclassifications at 1 January 2004	(88)	88	0	0	0
Additions	1	0	4	3	8
Transfers	6	0	0	(6)	0
Disposals	0	0	(3)	0	(3)
Cost at 31 December 2004	269	88	29	0	386
Depreciation at 1 January 2004	(116)	0	(15)	0	(131)
Reclassifications at 1 January 2004	12	(12)	0	0	0
Depreciation, disposals	0	0	2	0	2
Depreciation	(11)	(5)	(4)	0	(20)
Depreciation at 31 December 2004	(115)	(17)	(17)	0	(149)
Carrying amount at 31 December 2004	154	71	12	0	237
Cost at 1 January 2005	269	88	29	0	386
Additions	0	0	1	0	1
Disposals	0	0	(21)	0	(21)
Cost at 31 December 2005	269	88	9	0	366
Depreciation at 1 January 2005	(115)	(17)	(17)	0	(149)
Depreciation, disposals	0		9	0	9
Depreciation	(9)	(4)	0	0	(13)
Depreciation at 31 December 2005	(124)	(21)	(8)	0	(153)
Carrying amount at 31 December 2005	145	67	1	0	213
Depreciated over	20 years	20 years	3-5 years	-	-

Note 11 Property, plant and equipment - continued

Depreciation for the year is recognised in the income statement with DKK 14 million in total (2004: DKK 19 million) as Production costs. Reference is made to note 4.
The fair value of investment properties was DKK 81 million. The determination of the fair value is based on a calculation of value in use. External valuers were not used in connection with the determination of fair value.
Rental income for the year from investment properties is recognised in the income statement with DKK 13 million in total (2004: DKK 13 million) as Revenue. Costs for repair and maintenance of investment properties are included in the income statement with DKK 6 million in total (2004: DKK 5 million) as Production costs.

Note 12 Other non-current assets

	Group					
DKK million	**Investments in associates**		**Other equity investments**		**Other non-current financial assets**	
	2005	**2004**	**2005**	**2004**	**2005**	**2004**
Cost at 1 January	403	91	4,874	583	1,017	75
Reclassifications at 1 January	0	304	91	650	0	0
Restated cost at 1 January	403	395	4,965	1,233	1,017	75
Additions	882	9	194	1,591	0	965
Add. on acquisition of subs.	0	0	0	2,058	0	0
Transfers	4,244	0	(4,244)	0	(942)	0
Disposals	0	(1)	0	(8)	(7)	(23)
Cost at 31 December	5,529	403	915	4,874	68	1,017
Value adjust. at 1 January	(215)	99	787	1,324	(10)	0
Reclassifications at 1 January	0	(320)	(91)	(650)	0	0
Restated value adjustments at 1 January	(215)	(221)	696	674	(10)	0
Revaluation at start of year concerning natural gas pipelines	0	57	-	-	-	-
Share of profit for the year	62	13	-	-	-	-
Goodwill impairment losses	0	(29)	-	-	-	-
Other value adjustments, etc.	(9)	0	0	318	0	(10)
Dividends received	(17)	(35)	-	-	-	-
Transfers	0	0	-	-	10	0
Reversal of revaluation on transfer of other equity investments to associates	0	0	(228)	0	0	0
Disposals	0	0	0	(206)	0	0
Value adjustments at 31 December	(179)	(215)	468	786	0	(10)
Carrying amount at 31 December	5,350	188	1,383	5,660	68	1,007

Note 12 Other non-current assets - continued

Other equity investments of DKK 1,383 million include other equity investments comprised by the fair value in IAS 39 of DKK 1,372 million (2004: nil).

Goodwill impairment losses relating to investments in associates in 2004 relate to Nunaoil A/S.

Other non-current financial assets comprise loans to finance natural gas pipelines and natural gas storage facilities. In 2004 Other non-current financial assets totalled DKK 1,007 million, including DKK 932 million relating to prepayments on investment in the Ormen Lange gas field.

	Parent company							
DKK million	**Investments in subsidiaries**		**Investments in associates**		**Other equity investments**		**Loans to subsidiaries**	
	2005	**2004**	**2005**	**2004**	**2005**	**2004**	**2005**	**2004**
Cost at 1 January	3,899	4,399	375	50	903	536	6,354	2,594
Reclassifications at 1 January	0	0	0	320	0	366	0	0
Restated cost at 1 January	3,899	4,399	375	370	903	902	6,354	2,594
Additions	30	0	0	5	0	1	7,456	4,987
Disposals	0	(500)	0	0	0	0	(2,496)	(1,227)
Cost at 31 December	3,929	3,899	375	375	903	903	11,314	6,354
Value adjustments at 1 January	7,074	7,644	41	103	469	835	(13)	0
Reclassifications at 1 January	0	0	0	(320)	0	(366)	0	0
Changes in accounting policies	(7,074)	(7,644)	(275)	11	0	0	0	0
Restated value adjustments at 1 January	0	0	(234)	(206)	469	469	(13)	0
Goodwill impairment losses	0	0	0	(28)	0	0	0	0
Other value adjustments, etc.	0	0	0	0	0	0	0	(13)
Disposals	0	0	0	0	0	0	13	0
Value adjustments at 31 December	0	0	(234)	(234)	469	469	0	(13)
Carrying amount at 31 December	3,929	3,899	141	141	1,372	1,372	11,314	6,341

Additions under Investments in subsidiaries, DKK 30 million, relate to the formation of the insurance company DONG Insurance A/S.

Other equity investments totalling DKK 1,372 million are comprised by the fair value option in IAS 39.

Note 12 Other non-current assets - continued

Associates:

Investments in associates are measured in the Group's balance sheet using the equity method. In the parent company's balance sheet investments in associates are measured at cost.

2005

Name	Registered office	Owner ship interest	Reve-nue[1]	Profit for the year[1]	Assets[1]	Liabili-ties[1]	DONG Group's share: Profit for the year	DONG Group's share: Equity
Nova Naturgas AB	Stockholm, Sweden	20%	166	41	889	466	8	85
Nunaoil A/S	Nuuk, Greenland	50%	1	(12)	31	4	(6)	14
Dansk Gasteknisk Center A/S	Birkerød, Denmark	37%	26	0	7	0	0	3
Fordonsgas AB	Göteborg, Sweden	50%	51	2	60	43	1	8
Energie und Wasser Lübeck GmbH[2]	Lübeck, Germany	25%	1,729	63	4,083	1,922	13	542
Deudan GmbH	Kiel, Germany	49%	0	0	0	0	0	0
Deudan GmbH & Co KG	Kiel, Germany	49%	72	25	395	154	10	68
P/S BI New Energy Solutions	Copenhagen, Denmark	22%	0	(10)	145	0	(2)	32
Elsam A/S[2]	Fredericia, Denmark	25%	12,402	1,436	37,357	18,966	40	4,598
Goodwill impairment losses and other adjustments							(2)	-
Group, total							62	5,350

1) The accounting figures disclosed in the note have been determined on the basis of the recognised values.

2) Acquisitions made in 2005 have been determined on the basis of a preliminary allocation of the purchase price between assets and liabilities. A final allocation of the purchase price will be made in 2006.

Note 12 Other non-current assets - continued

2004

Name	Registered office	Owner ship interest	Reve- nue	Profit for the year	Assets	Liabili- ties	DONG Group's share: Profit for the year	DONG Group's share: Equity
Nova Naturgas AB	Stockholm, Sweden	20%	872	35	690	311	7	75
Nunaoil A/S	Nuuk, Greenland	50%	2	(7)	42	2	(4)	20
Dansk Gasteknisk Center A/S	Birkerød, Denmark	37%	26	0	7	0	0	3
Fordonsgas AB	Göteborg, Sweden	33%	41	0	29	17	0	4
Deudan GmbH	Kiel, Germany	49%	0	0	0	0	0	0
Deudan GmbH & Co KG	Kiel, Germany	49%	67	30	406	166	12	69
P/S BI New Energy Solutions	Copenhagen, Denmark	22%	5	(4)	78	0	(1)	17
Goodwill impairment losses							(29)	-
Group, total							(15)	188

DONG acquired 20% of the shares in Elsam A/S in 2004 and acquired a further 3% in 2005, taking its total ownership interest to 25%. The investment in Elsam is classified as investments in associates in the consolidated financial statements, and measured in the balance sheet using the equity method. The investment was recognised as an associate from 1 December 2005 with a profit share of DKK 40 million.

In 2005 DONG Naturgas acquired 25% of the shares in the German company Energie und Wasser Lübeck GmbH.

In 2005 DONG Sverige acquired a further 17% of the shares in the Swedish company Fordonsgas AB, taking its interest to 50%, so that Fordonsgas AB is now owned on a fifty-fifty basis with Göteborg Energi AB, which holds the other 50%. The company is recognised as an associate in DONG's consolidated financial statements.

Note 12 Other non-current assets - continued

Joint ventures:

Investments in joint ventures comprise jointly operated oil exploration and oil production licences as well as wind farms and geothermal plants within renewable energy. Recognition of an investment as a joint venture investment is conditional upon the existence of a contractual arrangement stipulating joint control.

DONG's main licences include the following:

2005
DKK million

Name	Owner-ship	Costs[1]	Non-current assets	Current assets	Non-current liabilities	Current liabilities
Syd Arne	34.38 %	96	1,617	22	168	18
Siri	50.00 %	90	436	15	210	6
Ula	5.00 %	24	294	5	58	9
Gyda	34.00 %	137	308	16	293	64
Tambar	45.00 %	58	289	3	38	21
Ormen Lange, incl. Langeled	10.34 %	20	7,625	267	13	361

1) The joint ventures do not generate any independent income, as the joint venturers 'lift' and sell their own oil and gas shares.

Reference is also made to note 43 for a complete list of licences.

2004
DKK million

Name	Owner-ship	Costs[1]	Non-current assets	Current assets	Non-current liabilities	Current liabilities
Syd Arne	34.38 %	84	1,800	55	115	85
Siri	50.00 %	86	562	0	174	41
Ula	5.00 %	20	276	4	49	4
Gyda	34.00 %	133	327	14	236	68
Tambar	45.00 %	72	377	6	32	28

Reference is made to note 38 Contingent assets, liabilities and security, for details of contingent liabilities attaching to joint ventures.

Other equity investments:

Other equity investments comprise companies in which DONG has an ownership interest of less than 20% or in which DONG does not have significant influence. Reference is made to the Group structure in note 42, in which a breakdown of other equity investments, etc., is given.

Note 13 Inventories

	Group		Parent company	
DKK million	**2005**	**2004**	**2005**	**2004**
Raw materials and consumables	2	10	0	0
Natural gas and crude oil	688	451	0	0
Inventories at 31 December	690	461	0	0
Carrying amount of inventories recognised at net selling price	0	0	0	0
Write-downs for the year and reversals of same recognised in the income statement	0	0	0	0
Cost of sales recognised in the income statement	9,351	7,726	0	0

Note 14 Trade receivables

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

In 2005 DONG recognised a DKK 4 million (2004: income DKK 115 million) adjustment of provisions for anticipated losses in the income statement.

Note 15 Other receivables

	Group		Parent company	
DKK million	**2005**	**2004**	**2005**	**2004**
Fair value of derivative financial instruments	2,141	1,243	2,367	2,171
Receivables in respect of sale of activities	101	1,190	0	0
Deposits	141	0	0	0
Other receivables	868	821	159	24
Other receivables at 31 December	3,251	3,254	2,526	2,195

Note 16 Prepayments

DKK million	Group 2005	Group 2004	Parent company 2005	Parent company 2004
Underlift	409	121	0	0
Insurance provisions	52	0	0	0
Other deferred income	106	74	5	4
Prepayments at 31 December	567	195	5	4

Note 17 Assets classified as held for sale

In December 2005 DONG signed a letter of intent relating to sale of the activities of DONG Sverige Distribution AB. The selling price amounts to SEK 38 million.

In connection with the decision to dispose of DONG Sverige Distribution AB's activities, the value of the assets was written down to the lower of fair value less expected costs to sell and the carrying amount. The write-down of DKK 13 million before tax has been recognised in the consolidated income statement as Production costs.

Assets classified as held for sale comprise:

DKK million	Group 2005	Group 2004	Parent company 2005	Parent company 2004
Property, plant and equipment	33	0	0	0
Assets classified as held for sale	33	0	0	0

DONG Sverige Distribution AB is included in the segment Natural gas, Trade & Supply.

Note 18 Equity

DKK million	Group 2005	Group 2004	Parent company 2005	Parent company 2004
Share capital				
At beginning and end of year	2,144	2,144	2,144	2,144

Composition of share capital:

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

The entire share capital is held by the Danish State.

Hedging reserve

The hedging reserve comprises the accumulated net change in the fair value of hedging transactions that qualify for designation as hedges of future cash flows, and where the hedged transaction has yet to be realised.

Translation reserve

Translation reserve comprises:

- all foreign exchange adjustments arising on translation of the financial statements of foreign subsidiaries with a different functional currency than the Group's presentation currency,
- foreign exchange adjustments relating to assets and liabilities that form part of the Group's net investment in a foreign entity, and
- foreign exchange adjustments relating to hedging transactions that hedge the Group's net investment in a foreign entity.

Hybrid capital

In June 2005 DONG A/S issued EUR bonds (hybrid capital) in the European capital market with a principal of EUR 1.1 billion and with a number of special terms. The purpose of the issue was to strengthen DONG's capital base and to fund DONG's CAPEX and acquisitions.

The bonds rank as subordinated debt and have a maturity of 1,000 years. The coupon for the first ten years is fixed at 5.5% p.a., following which it becomes floating with a step-up added. DONG A/S has the option to omit

Note 18 Equity - continued

or postpone interest payments to the bond holders; however, deferred interest payments will fall due for payment in the event of DONG A/S making any distributions to its shareholders. The proceeds from the issuing of hybrid capital amounted to DKK 8.1 billion (EUR 1.1 billion).

Because of the special characteristics of the bond loan it is accounted for as equity pursuant to IAS 32, as DONG A/S is not under obligation to pay interest to the bond holders. Accordingly, any interest payments are accounted for as dividends that are recognised directly in equity at the time the payment obligation arises.

Interest payments are recognised in the cash flow statement under financing activities in the same way as dividend payments. The loan is not included in the statement of net interest-bearing debt under financial highlights.

Note 19 Deferred tax

DKK million	Group 2005	Group 2004	Parent company 2005	Parent company 2004
Deferred tax at 1 January	3,089	4,102	498	330
Changes in accounting policies	0	72	0	0
Foreign exchange adjustment	10	5	0	-
Addition on acquisition of subsidiary	49	9	0	-
Disposal on sale of subsidiary	0	(1,279)	0	-
Deferred tax for the year recognised in profit for the year	364	160	(42)	151
Deferred tax for the year recognised in equity	0	0	0	0
Prior year adjustments	(112)	20	(175)	0
Prior year adjustments recognised in equity	19	0	0	0
Effect of reduction of Danish income tax rate from 30% to 28%	(188)	0	(33)	0
Reclassifications	0	0	(22)	17
Deferred tax at 31 December	3,231	3,089	226	498
Deferred tax is recognised in the balance sheet as follows:				
Deferred tax (assets)	6	0	0	0
Deferred tax (liabilities)	3,237	3,089	226	498
Deferred tax at 31 December, net	3,231	3,089	226	498
Deferred tax relates to:				
Intangible assets	169	(23)	24	76
Property, plant and equipment	3,512	3,398	16	18
Other non-current assets	101	241	102	241
Current assets	140	40	0	0
Non-current liabilities	(688)	(550)	0	75
Current liabilities	(85)	(105)	(4)	0
Retaxation	88	88	88	88
Tax loss carryforwards	(6)	0	0	0
Deferred tax at 31 December	3,231	3,089	226	498
Deferred tax assets that have not been recognised in the balance sheet relate to:				
Temporary differences	1,394	1,412	0	0
Tax loss carryforwards	6,112	4,941	0	0
	7,506	6,353	0	0

Note 19 Deferred tax - continued

Temporary differences and tax losses relate to taxation under Part 3 (70% tax) and Part 3A (52% tax) of the Danish Hydrocarbon Tax Act, and losses on hydrocarbon activities abroad. No value has been recognised in respect of the above as it is unlikely that the deferred tax assets will be realised within the foreseeable future.

	Group		Parent company	
DKK million	**2005**	**2004**	**2005**	**2004**
Deferred tax liabilities that have not been recognised in the balance sheet relate to:				
Temporary differences relating to investments in subsidiaries and associates	263	275	44	47

The liability has not been recognised as the Group and the parent company, respectively, are able to check whether the liability crystallises and as the liability is not likely to crystallise within the foreseeable future.

Change in temporary differences during the year

2005

	Group					
DKK million	**Balance sheet at 1 Jan.**	**Foreign ex-change adjust-ments**	**Addi-tion on acquisi-tion of enter-prises**	**Recog-nised in profit for the year[1]**	**Recog-nised in equity[1]**	**Balance sheet at 31 De-cember**
Intangible assets	(23)	0	49	143	0	169
Property, plant and equipment	3,398	19	0	66	29	3,512
Other non-current assets	241	0	0	(140)	0	101
Current assets	40	1	0	99	0	140
Non-current liabilities	(550)	(10)	0	(118)	(10)	(688)
Current liabilities	(105)	0	0	20	0	(85)
Retaxation	88	0	0	0	0	88
Tax loss carryforwards	0	0	0	(6)	0	(6)
	3,089	10	49	64	19	3,231

1) Including effect of reduction of the Danish income tax rate from 30% to 28%.

Note 19 Deferred tax - continued

2004

DKK million	Balance sheet at 1 Jan.	Foreign ex-change adjust-ments	Changes in ac-count-ing policies	Addi-tion on acqui-sition of enter-prises	Dispos al on sale of enterp rises	Recog-nised in profit for the year	Balance sheet at 31 Dec.
	Group						
Intangible assets	(172)	0	0	0	(1)	150	(23)
Property, plant and equipment	4,596	10	0	0	(1,274)	66	3,398
Other non-current assets	140	0	0	0	0	101	241
Current assets	6	0	72	0	1	(39)	40
Non-current liabilities	(386)	(5)	0	9	(20)	(148)	(550)
Current liabilities	(130)	0	0	0	15	10	(105)
Retaxation	48	0	0	0	0	40	88
Tax loss carryforwards	0	0	0	0	0	0	0
	4,102	5	72	9	(1,279)	180	3,089

Note 19 Deferred tax - continued

2005

DKK million	Balance sheet at 1 January	Recog-nised in profit for the year[1]	Recog-nised in equity[1]	Other adjust-ments	Balance sheet at 31 Dec.
	Parent company				
Intangible assets	76	(52)	0	0	24
Property, plant and equipment	18	(2)	0	0	16
Other non-current assets	241	(139)	0	0	102
Current assets	0	0	0	0	0
Non-current liabilities	75	(53)	0	(22)	0
Current liabilities	0	(4)	0	0	(4)
Retaxation	88	0	0	0	88
Tax loss carryforwards	0	0	0	0	0
	498	(250)	0	(22)	226

1) Including effect of reduction of the Danish income tax rate from 30% to 28%.

2004

DKK million	Balance sheet at 1 January	Recog-nised in profit for the year	Recog-nised in equity	Other adjust-ments	Balance sheet at 31 Dec.
	Parent company				
Intangible assets	67	9	0	0	76
Property, plant and equipment	17	1	0	0	18
Other non-current assets	140	101	0	0	241
Current assets	0	0	0	0	0
Non-current liabilities	58	0	0	17	75
Current liabilities	0	0	0	0	0
Retaxation	48	40	0	0	88
Tax loss carryforwards	0	0	0	0	0
	330	151	0	17	498

Note 20 Pensions

Pensions

DKK million	**Group**		**Parent company**	
Changes during year in pension obligations recognised in the balance sheet	**2005**	**2004**	**2005**	**2004**
Pensions at 1 January	(18)	(19)	0	0
Paid during year	4	7	0	0
Provision for the year	(1)	(6)	0	0
Pensions at 31 December	(15)	(18)	0	0

	Group		**Parent company**	
Pension obligations recognised in the income statement	**2005**	**2004**	**2005**	**2004**
Recognised in total in respect of defined benefit plans	3	1	0	0
Recognised in total in respect of defined contribution plans	50	46	14	12
Recognised in the income statement in total	53	47	14	12

	Group	
Assumptions for actual computations	**2005**	**2004**
Average discount rate applied, Denmark	2.51 %	2.51 %
Average discount rate applied, Norway	6.00 %	4.50 %
Future rate of increase of wages and salaries, Denmark	2.00 %	2.00 %
Future rate of increase of wages and salaries, Norway	3.00 %	3.00 %

Maturities

Maturities for pensions at 31 December are expected to be as follows:

	Group	
DKK million	**2005**	**2004**
0-1 year	0	0
> 1 year	(15)	(18)
Pensions at 31 December	(15)	(18)

Note 21 Provisions

Provisions

DKK million	**Group 2005**	**Group 2004**	**Parent company 2005**	**Parent company 2004**
Provisions at 1 January	1,366	967	0	0
Used during the year	0	0	0	0
Reversal	(61)	(231)	0	0
Provision for the year	121	92	0	0
Change in present values as a result of the lapse of time, etc.	392	538	0	0
Provisions at 31 December	1,818	1,366	0	0

Provisions relate to expected future costs for restoration and decommissioning of the Group's fields, production assets, oil insurance, etc. Provisions have been discounted to present value using a discount rate of 3.0%. The equivalent value of provisions is recognised under property, plant and equipment and depreciated together with the relevant assets.

Maturities

Maturities for provisions at 31 December are expected to be as follows:

DKK million	**Group 2005**	**Group 2004**	**Parent company 2005**	**Parent company 2004**
0-1 year	14	58	0	0
1-5 years	386	364	0	0
> 5 years	1,418	944	0	0
Provisions at 31 December	1,818	1,366	0	0

Note 22 Current and non-current loans

The Group's and the parent company's short-term and long-term loans are made up as follows:

	Group		Parent company	
DKK million	**2005**	**2004**	**2005**	**2004**
Mortgage loans	583	623	163	161
Bank loans, etc.	5,872	1,817	5,581	1,086
Other non-current financial liabilities	3	8	0	8
Long-term loans at 31 December	6,458	2,448	5,744	1,255
Current portion of long-term loans	39	60	0	0
Short-term loans	654	1,391	454	513
Short-term loans at 31 December	693	1,451	454	513
Short-term and long-term loans at 31 December	7,151	3,899	6,198	1,768
Fair value	7,375	0	6,372	0
Nominal value	7,153	3,896	6,198	1,768

Note 22 Current and non-current loans - continued

The Group's and the parent company's loans can be broken down by currency as follows:

DKK million

		Group					
		Effective interest rate %		Carrying amount		Fair value	
Currency	**Maturity**	**2005**	**2004**	**2005**	**2004**	**2005**	**2004**
DKK, fixed	2013	4.7	4.5	1,335	1,415	1,434	1,483
DKK, floating	2019	2.6	3.4	1,045	1,345	1,054	1,374
EUR	2012	3.5	2.4	3,735	393	3,732	394
USD	2015	4.2	2.6	984	687	977	687
GBP	2005	0	0	0	3	0	3
JPY	2007	4.5	4.9	54	53	53	59
				7,153	3,896	7,250	4,000
Hedging adjustments				(2)	3	(2)	3
The Group's loans at 31 December		3.7	3.6	7,151	3,899	7,248	4,003

DKK million

		Parent company					
		Effective interest rate %		Carrying amount		Fair value	
Currency	**Maturity**	**2005**	**2004**	**2005**	**2004**	**2005**	**2004**
DKK, fixed	2013	4.8	4.6	834	541	879	573
DKK, floating	2019	2.5	2.5	833	333	842	335
EUR	2012	3.5	2.4	3,714	372	3,710	373
USD	2015	4.2	2.4	817	522	809	522
				6,198	1,768	6,240	1,803
Hedging adjustments				0	0	0	0
The parent company's loans at 31 December		3.6	3.1	6,198	1,768	6,240	1,803

The fair value has been determined as the present value of expected future instalments and interest payments.

Mortgage loans totalling DKK 574 million (2004: DKK 632 million) are secured on plant with a carrying amount of DKK 791 million (2004: DKK 848 million) at year end.

Of the total loans of DKK 7,153 million (2004: DKK 3,896 million), payables to Gældsafviklingsselskabet Naturgasselskabet i Sydjyske Region I/S and Gældsafviklingsselskabet Naturgas Sjælland I/S represent DKK 335 million in total (2004: DKK 593 million).

Note 23 Income tax receivable and payable

	Group		Parent company	
DKK million	**2005**	**2004**	**2005**	**2004**
Income tax receivable at 1 January	820	503	816	503
Addition on acquisition of subsidiary	0	3		0
Adjustments of current tax for prior years	6	20	(40)	1
Adjustments of current tax for prior years, jointly taxed companies	0	0	46	20
Payments in respect of prior years	(826)	(514)	(822)	(514)
Current tax for the year	(791)	(378)	(219)	0
Tax for the year on equity	143	229	71	0
Current tax for the year from jointly taxed companies, incl. tax for the year on equity	0	0	(500)	(167)
Current tax from non-consolidated companies	7	(9)	7	(9)
Payments for the year	748	966	754	960
Reclassifications	0	0	(34)	22
Income tax receivable at 31 December	107	820	79	816
Income tax payable at 1 January	213	220	0	0
Foreign exchange adjustments	6	4	0	0
Adjustments of current tax for prior years	(25)	3	0	0
Payments in respect of prior years	(166)	(231)	0	0
Current tax for the year	367	393	0	0
Payments for the year	(242)	(176)	0	0
Income tax payable at 31 December	153	213	0	0

Note 24 Other payables

	Group		Parent company	
DKK million	**2005**	**2004**	**2005**	**2004**
Fair value of derivative financial instruments	2,928	1,897	2,485	2,473
Purchase prices payable	88	1,136	0	0
Other liabilities	1,052	607	83	51
Other payables	4,068	3,640	2,568	2,524

Note 25 Deferred income

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

Deferred income can be broken down as follows:

	Group		Parent company	
DKK million	**2005**	**2004**	**2005**	**2004**
Value of gas received free of charge	76	102	0	0
Prepayments	65	0	0	0
Other deferred income	145	238	0	0
Deferred income	286	340	0	0

Notes to the cash flow statement

Note 26 Cash flows from operations (operating activities)

	Group		Parent company	
DKK million	**2005**	**2004**	**2005**	**2004**
Operating profit	4,099	2,421	(60)	(25)
Depreciation, amortisation and impairment losses	2,215	2,266	136	72
Operating profit (EBITDA)	6,314	4,687	76	47
Share of profit? from subsidiaries	-	-		
Other restatements	(231)	245	(3)	40
Cash flows from operations (operating activities) before changes in working capital	6,083	4,932	73	87
Change in inventories	(229)	(236)	0	0
Change in trade receivables	(764)	(625)	153	(10)
Change in other receivables	24	(515)	(331)	681
Change in trade payables	1,336	1,048	38	30
Change in other payables, etc.	192	(373)	273	(1,943)
Changes in working capital	559	(701)	133	(1,242)
Cash flows from operations (operating activities)	6,642	4,231	206	(1,155)

Cash flows from exploration activities amounted to DKK 238 million (2004: DKK 284 million).

Note 27 Acquisition of subsidiaries

The DONG Group acquired the following enterprises in 2005, all of which have been accounted for by applying the purchase method:

- 100% of the shares in the UK wind power company Heysham Offshore Wind Limited via DONG Walney (UK) Limited, with accounting effect from 1 June 2005, for a total purchase price of DKK 0. Heysham Offshore Wind Limited contributed DKK 0 to consolidated profit for 2005.
- 100% of the shares in the Dutch energy supply company Intergas Levering B.V. via DONG Naturgas, with accounting effect from 30 September 2005, for a total purchase price of DKK 389 million. Intergas Levering B.V. depressed consolidated profit for 2005 by DKK 2 million.
- 75% of the shares in the E-nord GmbH via DONG Naturgas, with accounting effect from 1 March 2005, for a total purchase price of DKK 0 million. E-nord GmbH depressed consolidated profit for 2005 by DKK 2 million.
- 100% of the shares in DONG Sverige Distribution AB via DONG A/S, with accounting effect from 1 July 2005, for a total purchase price of DKK 1 million. DONG Sverige Distribution AB contributed DKK 1 million to consolidated profit for 2005.

- 100% of the shares in DONG Insurance A/S via DONG A/S, with accounting effect from 21 January 2005, for a total purchase price of DKK 1 million. DONG Insurance A/S contributed DKK 19 million to consolidated profit for 2005.
- 100% of the shares in DONG Naturgas Pipelines A/S via DONG Naturgas A/S, with accounting effect from 31 January 2005, for a total purchase price of DKK 1 million. DONG Naturgas Pipelines A/S contributed DKK 19 million to consolidated profit for 2005.

If the enterprises acquired had been owned for the whole of 2005, consolidated revenue and profit for the year would have amounted to DKK 19,371 million and DKK 2,816 million, respectively.

In 2004 the DONG Group acquired the following enterprises, all of which have been accounted for by applying the purchase method:

- 100% of the shares in the Swedish energy supply company DONG Sverige AB via DONG Naturgas, with accounting effect from 30 October 2004, for a total purchase price of DKK 113 million. DONG Sverige AB contributed DKK 15 million to consolidated profit for 2004.
- 77% of the shares in the electricity company EM El Holding A/S, with accounting effect from 31 December 2004, for a total purchase price of DKK 605 million. EM El Holding A/S contributed DKK 0 million to consolidated profit for 2004.

If the enterprises acquired had been owned for the whole of 2004, revenue would be unchanged. Consolidated profit for 2004 would have amounted to DKK 2,252 million.

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

	Group			
	2005		**2004**	
DKK million	**Fair value at acquisi-tion date**	**Carrying amount prior to acquisi-tion**	**Fair value at acquisiti-on date**	**Carrying amount prior to acquisi-tion**
Intangible assets	(154)	0	(11)	0
Property, plant and equipment	(3)	(3)	(101)	(101)
Other non-current assets	0	0	(2,063)	(2,063)
Inventories	0	0	(1)	(1)
Receivables	(265)	(265)	(3)	(3)
Cash and cash equivalents	(32)	(32)	0	0
Provisions	49	0	4	4
Payables	290	291	650	650
Goodwill	(276)	0	(4)	0
Net assets	(391)	(9)	(1,529)	(1,514)
Minority interests	0		329	
Portion recognised as purchase price payable	0		1,085	
Intragroup payables acquired	0		(602)	
Acquired cash and cash equivalents	32		0	
Cash purchase price	(359)		(717)	

Note 28 Acquisition of minority interests in subsidiaries

	Group		Parent company	
DKK million	**2005**	**2004**	**2005**	**2004**
Purchase price	(535)	(228)	0	0
Portion recognised as purchase price payable	0	51	0	0
Paid in respect of prior years	(51)	0	0	0
Cash purchase price	(586)	(177)	0	0

Note 29 Payments relating to acquisitions of subsidiaries in prior years

	Group		Parent company	
DKK million	**2005**	**2004**	**2005**	**2004**
Payables relating to acquisition of subsidiaries at 1 January	(1,085)	(298)	0	(298)
Adjustments to purchase price	0	(42)	0	0
Payables relating to acquisition of subsidiaries at 31 December	0	0	0	0
Payments relating to acquisition of subsidiaries	(1,085)	(340)	0	(298)

Note 30 Disposal of subsidiaries

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

	Group		Parent company	
DKK million	**2005**	**2004**	**2005**	**2004**
Intangible assets	0	3	0	0
Property, plant and equipment	0	5,888	0	0
Other non-current assets	0	1	0	1,088
Inventories	0	184	0	0
Receivables	0	165	0	0
Cash and cash equivalents	0	242	0	0
Provisions	0	(1,255)	0	0
Payables	0	(3,045)	0	0
Selling price	0	2,183	0	1,088
Minority interests	0	(20)	0	0
Portion recognised as selling price receivable	0	(1,037)	0	0
Transferred cash and cash equivalents	0	(243)	0	0
Cash selling price	0	883	0	1,088

Note 31 Acquisition of associates

DKK million	Group 2005	Group 2004	Parent company 2005	Parent company 2004
Cost	(861)	(9)	0	0
Portion recognised as purchase price payable at 31 December	88	0	0	0
	(773)	(9)	0	0

Note 32 Payments relating to disposals of other equity investments in prior years

DKK million	Group 2005	Group 2004	Parent company 2005	Parent company 2004
Selling price receivable at 1 January	153	0	0	0
Disposals during year	0	153	0	0
Selling price receivable at 31 December	(101)	(153)	0	0
Cash selling price	52	0	0	0

Note 33 Cash and cash equivalents

	Group		Parent company	
DKK million	**2005**	**2004**	**2005**	**2004**
Cash and cash equivalents at 31 December include:				
Securities that are part of the ongoing cash management	1,594	196	1,577	196
Available cash	5,762	516	5,313	73
Bank overdrafts	0	(567)	0	0
Cash and cash equivalents at 31 December	7,356	145	6,890	269

Securities at 31 December can be broken down into the following balance sheet items:

	Group		Parent company	
DKK million	**2005**	**2004**	**2005**	**2004**
Securities that are part of the ongoing cash management	1,594	196	1,577	196
Other securities	0	0	0	0
Securities at 31 December	1,594	196	1,577	196

Cash and cash equivalents at 31 December can be broken down into the following balance sheet items:

	Group		Parent company	
DKK million	**2005**	**2004**	**2005**	**2004**
Available cash	5,762	516	5,313	72
Cash not available for use	19	34	0	0
Cash and cash equivalents at 31 December	5,781	550	5,313	72

	Group		Parent company	
DKK million	**2005**	**2004**	**2005**	**2004**
Bank loans at 31 December can be broken down as follows:				
Bank overdrafts	0	567	0	0
Other bank loans, etc.	654	824	454	513
Bank loans at 31 December	654	1,391	454	513

Note 34 Currency risks, interest rate risks and oil and gas price risks

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

Special risks for the DONG Group are disclosed on page 18 of the management's review.

Currency risks

Recognised assets and liabilities (hedging of fair values)

DKK million

	Group							
Currency	**Receivables**		**Payables**		**Hedged using forward exchange contracts and currency swaps**		**Net position**	
	2005	**2004**	**2005**	**2004**	**2005**	**2004**	**2005**	**2004**
EUR	531	190	(4,091)	(554)	3,752	21	192	(343)
USD	244	819	(508)	(522)	65	77	(199)	374
GBP	794	619	(688)	(170)	0	0	106	449
SEK	360	270	(313)	(253)	0	0	47	17
NOK	9,386	1,846	(8,820)	(1,556)	0	0	566	290
CHF	1	1	(0)	0	0	0	1	1
JPY	0	0	(54)	(52)	54	53	0	0
	11,316	3,745	(14,474)	(3,107)	3,871	151	713	788

Note 34 Currency risks, interest rate risks and oil and gas price risks - continued

At 31 December 2005 unrealised value adjustments on derivative financial instruments for currency hedging of recognised assets and liabilities totalled DKK 46 million (31 December 2004: DKK 9.3 million), which has been recognised in the Group's income statement.

DKK million

	Parent company							
Currency	Receivables		Payables		Hedged using forward exchange contracts and currency swaps		Net position	
	2005	2004	2005	2004	2005	2004	2005	2004
EUR	33	4	(3,733)	(374)	3,730	0	30	(370)
USD	67	(10)	(833)	(522)	0	0	(766)	(532)
GBP	3	301	(1)	0	0	0	2	301
SEK	171	21	0	(1)	0	0	171	20
NOK	5,920	775	(1)	0	0	0	5,919	775
CHF	1	0	0	0	0	0	1	0
JPY	0	0	0	0	0	0	0	0
	6,195	1.091	(4,568)	(897)	3,730	0	5,327	194

At 31 December 2005 unrealised value adjustments of derivative financial instruments for currency hedging of recognised assets and liabilities totalled minus DKK 45 million (31 December 2004: minus DKK 15 million), which has been recognised in the parent company's income statement.

Future transactions (hedging of cash flows)

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

DKK million	Remaining maturity		Notional amount		Fair value		Of which recognised in equity	
	2005	2004	2005	2004	2005	2004	2005	2004
Forward exchange contracts	0-4 years	0-4 years	2,198	7,172	(20)	31	74	303
Currency swaps	0-5 years	0-5 years	1,365	2,020	185	652	98	411
Derivative financial instruments, total			3,563	9,192	165	683	172	714
Loans in foreign currency	0-5 years	0-5 years	483	522	484	523	85	188
Financial instruments, total			4,046	9,714	649	1,206	257	902

Note 34 Currency risks, interest rate risks and oil and gas price risks - continued

Equity at 31 December 2005 also includes realised net gains on financial instruments for hedging of currency risks for later recognition in the income statement of DKK 55 million (31 December 2004: DKK 338 million.).

Forward exchange contracts denominated in GBP with a notional amount of DKK 505 million at 31 December 2005 (2004: DKK 250 million) have been entered into for hedging of currency risks relating to investments in foreign subsidiaries.

Interest rate risks

Interest rate risks are the risk that externally introduced changes in agreed interest rates will lead to increased interest expense or reduced interest income for the Group.

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

	Group				
	Term				
	0 - 1 year	**1 - 5 years**	**> 5 years**	**Total**	**Effective interest rate (%)**
Trade receivables	3,350	0	0	3,350	
Other receivables	3,251	0	0	3,250	
Securities, convertible	1,493	49	52	1,594	4 – 8 %
Other non-current financial assets	13	36	19	68	7 – 14 %
Mortgage loans and bank loans	(694)	(5,245)	(1,212)	(7,151)	2 – 6 %
Other current liabilities	(7,911)	0	0	(7,911)	
Swaps	10	(11)	1	0	
	(488)	(5,171)	(1,140)	(6,800)	

Note 34 Currency risks, interest rate risks and oil and gas price risks - continued

	Parent company				
	Term				
	0 - 1 year	1 - 5 years	> 5 years	Total	Effective interest rate (%)
Trade receivables	6	0	0	6	
Receivables from subsidiaries, interest-bearing	16,251	0	0	16,251	2-4
Receivables from subsidiaries, non-interest-bearing	39	0	0	39	
Other receivables	2,526	0	0	2,526	
Securities, convertible	1,493	32	52	1,577	4-8
Mortgage loans and bank loans	(454)	(622)	(5,122)	(6,198)	2-6
Payables to subsidiaries, interest-bearing	(3,029)	0	0	(3,029)	
Payables to subsidiaries, non-interest-bearing	(167)	0	0	(167)	2-4
Other current liabilities	(2,740)	0	0	(2,740)	
Swaps	(1)	0	1	0	
	13,924	(590)	(5,069)	8,265	

The effective interest rates have been determined at the balance sheet date.

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) value adjustments at 31 December 2005 totalled minus DKK 2 million (31 December 2004: DKK 3 million), which has been recognised in the income statement.

For interest rate swaps converting floating-rate loans to fixed-rate loans (hedging of cash flows), value adjustments recognised directly in equity at 31 December 2005 totalled DKK 4 million (31 December 2004: minus DKK 4 million).

To hedge interest risks relating to future loans, interest rate swaps with a notional amount of DKK 5,670 million and a term of 4 - 9 years have been entered into. Value adjustments recognised directly in equity at 31 December 2005 totalled DKK 78 million (31 December 2004: DKK 8 million)

Furthermore, equity at 31 December 2005 includes realised net gains on financial instruments to hedge interest rate risks relating to future loans for later recognition in the income statement of minus DKK 83 million (2004: DKK 0).

Note 34 Currency risks, interest rate risks and oil and gas price risks - continued

Oil and gas price risks

DONG engages in oil options and oil swaps to hedge 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 to hedge expected future transactions:

DKKm	Time to maturity		Contractual principal		Fair value		Of which recognised in equity	
	2005	2004	2005	2004	2005	2004	2005	2004
Hedge accounting								
Oil swaps	0-2 years	0-3 years	431	2,105	(680)	(1,332)	(680)	(1,332)
Oil options	0-4 years	0-4 years	6,576	2,772	211	41	(29)	0
Gas swaps	0-4 years	0-4 years	31,626	338	(281)	(19)	(7)	(19)
Electricity swaps	0-4 years	1-5 years	90	200	(95)	7	(94)	7
			38,723	5,415	(845)	(1,303)	(810)	(1,344)

Equity at 31 December 2005 also includes realised net gains on financial instruments for hedging of oil and gas price risks for later recognition in the income statement of minus DKK 248 million (31 December 2004: minus DKK 115 million).

Note 35 Credit risks

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

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

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

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

Note 36 Embedded financial instruments

The Group has systematically reviewed contracts that could potentially feature terms corresponding to derivative financial instruments, requiring separate recognition and measurement of the embedded financial instruments. As part of its commercial activities, the Group enters into natural gas purchase and sales contracts that are indexed by reference to various raw material prices, etc. It is estimated that the economic relationship between the price of natural gas and the agreed indexation mean that separate recognition and measurement of embedded derivative financial instruments is not required.

Note 37 Operating leases

Non-cancellable operating lease payments amount to:

	Group		Parent company	
DKK million	**2005**	**2004**	**2005**	**2004**
0-1 year	11	3	11	3
1-5 years	15	4	15	4
> 5 years	0	0	0	0
	26	7	26	7

Operating leases comprise primarily vehicle leasing. The term of the leases is five years. The responsibility for repair and maintenance of the vehicles lies with the lessor. There are no significant restrictions in the leases with respect to use of the vehicles.

	Group		Parent company	
DKK million	**2005**	**2004**	**2005**	**2004**
Operating lease payments recognised in the income statement amount to	16	11	6	5

Note 38 Contingent assets, liabilities and security

At the end of the financial year the Group and the parent company had the following contingent assets and liabilities and had provided the following security, etc.:

Contingent assets
Contingent assets comprise unrecognised tax assets of DKK 7.5 billion (2004: DKK 6.4 billion). Reference is made to note 19.

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

DONG Efterforskning og Produktion participates in 67 licenses for oil and natural gas exploration. Continued participation in these licences commits the companies to invest substantial sums in future.

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

In connection with the unbundling on 1 January 2003 of the former DONG Naturgas, the receiving companies, DONG Distribution, DONG Lager, DONG Naturgas and DONG Faste Vilkår, are liable for any obligations and liability in the discontinuing company that existed at the time of publication of the unbundling plan, although only up to an amount equivalent to the added or remaining net value at the time of publication. As a consequence of the subsequent merger between DONG Ejendomme and DONG, DONG has taken over DONG Ejendomme' liability. Likewise, DONG Naturgas has subsequently taken over DONG Individuelle Vilkår's liability by merger.

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

Through its participation in the collaboration with Oil Insurance Limited (OIL), DONG is subject to provisions that imply payment of an avoided premium surcharge (APS) in the event of termination or reduction of the insurance. Provision is made in the financial statements for the retrospective adjustment. The prospective premium is not expected to exceed USD 0.4 million.

DONG has provided a parent company guarantee in respect of DONG Norge's obligations and liability in connection with DONG Norge's qualification as shipper in Gassled.

Contractual obligations
DONG Naturgas is a party to gas purchase agreements with the DUC partners, and the parent company DONG stands as guarantor for performance of these agreements.

Intergas Levering B.V. is a party to electricity and gas purchase agreements.

Note 38 Contingent assets, liabilities and security - continued

DONG Naturgas and the regional companies HNG and Midt-Nord have concluded an agreement under which DONG Naturgas will provide a financial guarantee securing HNG and Midt-Nord the necessary annual income from transportation activities to pay off their debt in 2014. From 1 January 2006 the guarantee is limited to a sum of DKK 255 million, which will be written down successively by DKK 15 million a year from 1 January 2006 to 1 January 2012. DONG Naturgas' maximum payment obligation will also be written down by the amounts paid in total by DONG Naturgas.

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

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

DONG A/S has provided a guarantee in respect of Barrow Offshore Wind Ltd.'s obligations to British Gas Trading Ltd, which will buy all power and green certificates from the Barrow offshore wind farm for a number of years. The guarantee will enter into effect on hand-over of the offshore wind farm to the client in 2006, and is limited to GBP 10 million.

As a condition for Barrow Offshore Wind Ltd's agreement with the Crown Estate Commissioner on leasing of offshore areas, DONG VE has furnished an, in principle, unlimited guarantee to act as guarantor with primary liability for costs related to decommissioning of the offshore wind farm, etc.

DONG A/S has provided a guarantee to act as guarantor with primary liability in respect of Barrow Offshore Wind Ltd's obligations and liability under its contract with Kellogg Brown & Root Ltd and Vestas-Celtic Wind Technology Ltd. for the construction of the Barrow offshore wind farm. The guarantee is limited to GBP 52 million and will be discharged on hand-over of the offshore wind farm to the client in 2006.

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

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

Other information

As mentioned in the management’s review and in the 2004 annual report, the DONG Group has entered into a number of agreements on acquisition of shares in Elsam, Energi E2, Københavns Energi and Frederiksberg Forsyning’s electricity enterprises. Completion of the agreements will have a material impact on the existing DONG Group, including its activities, earnings, balance sheet and financial gearing. The agreements are expected to be completed during 2006 subject to EU Commission clearance of the merger. The agreements feature a number of clauses governing purchase prices for shares and selling price in relation to the disposal of activities to Vattenfall. In addition, some of the agreements feature options in relation to whether consideration must be made

Note 38 Contingent assets, liabilities and security – continued

in cash or by issue of shares in DONG and in relation to the timing of this. DONG expects final clarification of the consideration in 2006.

Litigation
In connection with the various joint venture agreements and other collaboration agreements to which the Group is a party, various minor litigation cases are pending that are not expected, either individually or collectively, to have any effect on the Group's financial position.

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

Note 39 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.

Related parties also include the subsidiaries and associates in which DONG A/S has control or over which it exercises significant influence. Reference is made to note 42 for an overview of the Group's subsidiaries and associates.

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

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

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

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

The instruments of debt were transferred to the companies DONG Distribution and DONG Lager in connection with the unbundling. The State has granted an unconditional and irrevocable guarantee to the debt repayment

Note 39 Related party transactions – continued

partnerships in respect of all payments. The State has recourse against DONG Distribution and DONG Lager in respect of any amounts paid by the State under the guarantees.

Subsidiaries and associates
DONG's trade with subsidiaries and associates comprises:

	Group		Parent company	
DKK million	**2005**	**2004**	**2005**	**2004**
Rental income	0	0	100	66
Sales of products and services	67	680	267	274
Purchases of products and services	(115)	(46)	(2)	(3)
Interest	0	0	357	84
	(48)	634	722	421

The transactions are made on arm's length terms.

The parent company's balances with subsidiaries at 31 December comprise interest-bearing loans and business balances relating to purchases and sales of products and services. The business balances are non-interest-bearing and are entered into on arm's length terms, as in the case of the Group's other customers and suppliers.

DONG's balances with associates at 31 December comprised the following:

	Group		Parent company	
DKK million	**2005**	**2004**	**2005**	**2004**
Receivables from associates	5	1	5	1

Dividends received from subsidiaries and associates consist of:

	Group		Parent company	
DKK million	**2005**	**2004**	**2005**	**2004**
Dividends from associates	17	35	5	35
Dividends from group enterprises	-	-	1,217	1,495
	17	35	1,222	1,530

Transactions with subsidiaries have been eliminated from the consolidated financial statements in accordance with the accounting policies applied.

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

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

Note 39 Related party transactions - continued

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% at the date of award. DONG Efterforskning og Produktion has provided services to the licences in which it participates.

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

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 4.

Note 40 New accounting standards

The IASB and the EU have adopted the following new accounting standards that are not compulsory for DONG in connection with the preparation of the annual report for 2005:

- IFRS 4 Insurance Contracts (Amendments). IFRS 4 comes into effect for financial years beginning on or after 1 January 2006. DONG has no contracts concerning financial guarantees.
- IFRS 6 Exploration for and Evaluation of Mineral Resources comes into effect on 1 January 2006. DONG has elected to implement IFRS 6 from and including the 2005 financial year, in accordance with the commencement provisions in IFRS 6. Reference is made to Accounting policies, page 31.
- IFRS 7 Financial Instruments: Disclosures comes into effect for financial years beginning on or after 1 January 2007. Implementation of the new standard will not have any effect on the recognition and measurement of financial instruments.
- IAS 19 Employee Benefits comes into effect for financial years beginning on or after 1 January 2006. DONG does not expect to continue the recognition of actuarial gains/losses using the corridor approach in 2006. Accordingly, the new standard will only affect disclosures in notes concerning defined benefit pension plans and similar obligations.
- IAS 21 The Effects of Changes in Foreign Exchange Rates (Amendments) comes into effect for financial years beginning on or after 1 January 2006. DONG has not made any loans to or received any loans from foreign entities that will be comprised by the amendments to IAS 21. The amendments to IAS 21 have yet to be adopted by the EU.
- IAS 39 Financial Instruments (Amendments) comes into effect for financial years beginning on or after 1 January 2006. DONG has elected to implement IAS 39 Financial Instruments (Amendments) from and including the 2005 financial year for certain financial assets, in accordance with the commencement provisions. Reference is made to the Accounting policies, page 31.

The IASB and the EU have adopted the following new interpretations (IFRIC) that are not compulsory for DONG in connection with the preparation of the annual report for 2005:

- IFRIC 4 Determining whether an Agreement contains a Lease comes into effect for financial years beginning on or after 1 January 2006. In connection with the review of existing agreements at 31 December 2005 it has been established that DONG does not have any agreements or other arrangements that will qualify as leases under IFRIC 4. No agreements or other arrangements have been entered into after the balance sheet date that will qualify as leases under IFRIC 4.
- IFRIC 5 Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds comes into effect for financial years beginning on or after 1 January 2006. DONG does not participate in any such financing programmes. Consequently, IFRIC 5 will not affect the financial reporting from 2006.
- IFRIC 6 Liabilities arising from Participation in a Specific Market – Waste Electrical and Electronic Equipment comes into effect for financial years beginning on or after 1 December 2005. DONG does not manufacture any electronic equipment falling under the EU WE&EE directive.
- IFRIC 7 Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies comes into effect for financial years beginning on or after 1 March 2006. (The standard had yet to be adopted by the EU at 31 December 2005). DONG has no foreign entities in hyperinflationary economies.

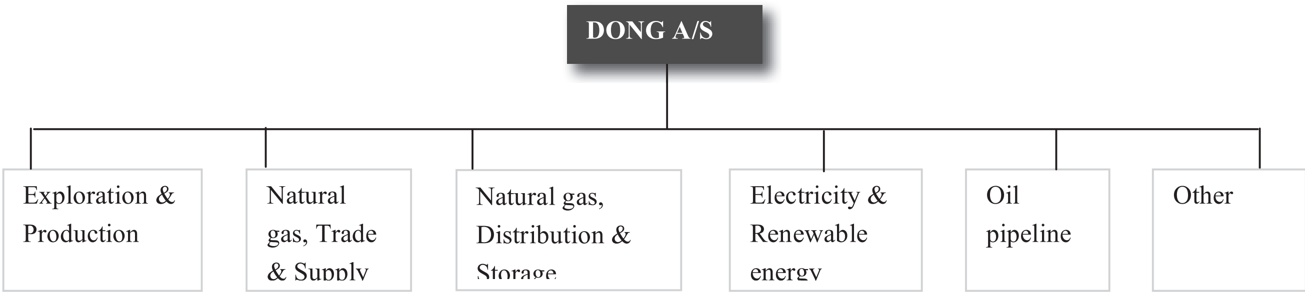
- IFRIC 8 Scope of IFRS 2 comes into effect for financial years beginning on or after 1 May 2006. DONG does not have any share-based payment schemes.

Note 41 Parent company financial highlights

DKK million	2005	2004	2003	2002	2001
Operating profit (loss) (EBIT)	(60)	(25)	2,621	2,530	2,265
Financial income and expenses, net	2,661	1,425	603	182	144
Profit after tax	2,412	1,425	1,941	1,476	1,657
Cash flows from operating activities	1,702	(1,493)	2,435	(3,201)	605
Cash flows from investing activities	(7,857)	1,343	154	1,270	2,066
Cash flows from financing activities	12,776	(1,388)	(854)	268	(1,141)
Assets	31,540	16,599	23,754	16,864	14,457
Cash and cash equivalents	6,890	269	1,806	72	1,735
Equity	19,180	8,621	16,794	14,655	13,403

The financial highlights for 2004 and 2005 have been prepared in accordance with International Financial Reporting Standards as adopted by the EU, see the section on Accounting policies, page 31. The comparative figures for 2001-2003 have not been restated to reflect the changed accounting policies, but have been prepared in accordance with the provisions in the Danish Financial Statements Act and Danish Accounting Standards.

Note 42 Group structure



Name of company	Registered office	Currency	Share capital in millions	DONG Group's owner-ship interest
Exploration & Production				
DONG Efterforskning & Produktion A/S	Birkerød, Denmark	DKK	300	100
DONG Norge AS	Stavanger, Norway	NOK	68.56	100
Ormen Lange Eiendom DA	Aukra, Norway	NOK	114	10
DONG Føroyar P/F	Torshavn, Faroe Islands	DKK	10	100
DONG Grønland A/S	Nuuk, Greenland	DKK	1	100
DONG (UK) Limited	London, UK	GBP	11	100
Natural gas, Trade & Supply				
DONG Naturgas A/S	Birkerød, Denmark	DKK	1,020	100
DONG Faste Vilkår A/S	Birkerød, Denmark	DKK	10	100
DONG Germany GmbH*	Dorsten, Germany	EUR	0.025	100
DONG Sverige AB	Göteborg, Sweden	SEK	0.1	100
Fordonsgas AB	Göteborg, Sweden	SEK	6	50
DONG Netherlands BV	Amsterdam, the Netherlands	EUR	0.018	100
DONG Naturgas Pipelines A/S	Birkerød, Denmark	DKK	25	100
E-nord GmbH*	Lübeck, Germany	EUR	0.5	75
Energie und Wasser Lübeck GmbH*	Lübeck, Germany	EUR	40	25
Intergas Levering B.V.*	Oosterhout NB, the	EUR	0.01	100

Name of company	Registered office	Currency	Share capital in millions	DONG Group's owner-ship interest
	Netherlands			
DANGAS GmbH*	Kiel, Germany	EUR	0.026	100
Deudan GmbH*	Kiel, Germany	EUR	0.026	49
Deudan GmbH & Co. KG*	Kiel, Germany	EUR	0.025	49
Natural gas, Distribution & Storage				
DONG Distribution A/S	Birkerød, Denmark	DKK	150	100
DONG Sverige Distribution AB	Gøteborg, Sweden	SEK	0.1	100
Dansk Gasteknisk Center A/S	Birkerød, Denmark	DKK	8.5	37

Note 42 Group structure - continued

Name of company	Registered office	Currency	Share capital in millions	DONG Group's ownership interest
DONG Lager A/S	Birkerød, Danmark	DKK	100	100
Renewable energy				
DONG VE A/S	Birkerød, Denmark	DKK	330	100
DONG Vind A/S	Birkerød, Denmark	DKK	7	100
DONG Wind UK Limited	London, UK	GBP	38.301	100
DONG Walney (UK) Limited	London, UK	GBP	0.0011	100
Heysham Offshore Wind Limited	London, UK	GBP	0.0001	100
Barrow Offshore Wind Limited**	Maidenhead, UK	GBP	73	50
P/S BI New Energy Solutions	Copenhagen, Denmark	DKK	173.75	22
Electricity activities				
DONG El A/S	Birkerød, Denmark	DKK	100	100
DONG EGJ A/S	Birkerød, Denmark	DKK	100	100
EnergiGruppen Jylland EL Holding A/S	Herning, Denmark	DKK	250	100
EnergiGruppen Jylland El A/S	Herning, Denmark	DKK	226	100
Elsam A/S	Fredericia, Denmark	DKK	2,000	25
EnergiGruppen Jylland A/S	Herning, Denmark	DKK	448	66
EnergiGruppen Jylland Varme A/S***	Herning, Denmark	DKK	50	66
EnergiGruppen Jylland Forbrænding A/S***	Herning, Denmark	DKK	0.5	66
Dansk Restprodukthåndtering Amba	Odense, Denmark	DKK	0.5	4
EnergiGruppen Jylland Biogas A/S	Herning, Denmark	DKK	1	66
EGJ Udvikling A/S	Herning, Denmark	DKK	0.5	66
EM El Holding A/S	Silkeborg Denmark	DKK	120	100
Nesa A/S	Gentofte, Denmark	DKK	135	13
Oil pipeline				
DONG Olierør A/S	Birkerød, Denmark	DKK	1	100
Other members of the Group				
DONG Insurance A/S	Birkerød, Denmark	DKK	1	100
Nova Naturgas AB	Stockholm, Sweden	SEK	120	20
Nunaoil A/S	Nuuk, Greenland	DKK	15	50

Name of company	Registered office	Currency	Share capital in millions	DONG Group's owner-ship interest
DONG Olieforsyning A/S	Birkerød, Denmark	DKK	1	100
DONG Litauen A/S	Birkerød, Danmark	DKK	7	100
Foreign branches of the Group				
Dutch branch of DONG Efterforskning og Produktion A/S	The Netherlands	-	-	100

* Subsidiaries that are not audited by the parent company's auditor
** Recognised by proportionate consolidation
*** Regulated activities based on the principle of self-financing that are no longer included in the consolidation

Note 43 Licences

The Group's licences at 31 December 2005:

Licence number	Name	Registered office	DONG Group's share
	Hovedstadens Geotermiske Samarbejde	Denmark	28%
	Nysted Offshore Wind Farm	Denmark	30%
7/86	Amalie	Denmark	30%
7/89	Syd Arne	Denmark	34.375%
1/90	Lulita	Denmark	43.59%
4/95	Nini	Denmark	40%
6/95	Siri	Denmark	50%
9/95	Maja	Denmark	20%
4/98	North Valdemar	Denmark	20%
5/98	East Gert	Denmark	20%
11/98	Ravn	Denmark	20%
16/98	Cecilie	Denmark	22%
1/02	Roxane	Denmark	20%
1/03		Denmark	20%
1/04		Denmark	20%
P911	Laggan	UK	20%
P912	Torridon	UK	5.66%
P967	Tobermory	UK	32.5%
P1026	Rosebank	UK	10%
P1027	Bedlington	UK	16.83%
P1028	Cambo	UK	20%
P1163	MacAllan	UK	19%
P1189	Blackrock	UK	20%
P1191	Rosebank S	UK	10%
P1193	Stelkur	UK	20%
P1194	Lochside	UK	10%
P1195	Glenlivet	UK	100%
P1272		UK	10%
P1373		UK	40%
P1374		UK	40%
Pxxxx (Q212)		UK	10%
P1274		UK	10%
PL019	Ula	Norway	5%
PL019B	Gyda	Norway	34%
PL019C		Norway	35%
PL048B	Glitne	Norway	9.30%
PL065	Tambar	Norway	45%
PL113	Mjølner	Norway	20%
PL122	Marulk	Norway	30%
PL122B		Norway	30%

Note 43 Licence overview (continued)

Licence number	Name	Registered office	DONG Group's share
PL122C		Norway	30%
PL122D		Norway	30%
PL147	Trym/N Lulita	Norway	20%
P159B	Alve	Norway	15%
PL208		Norway	45%
PL250	Ormen Lange Unit	Norway	10.34%
PL289		Norway	40%
PL299		Norway	40%
PL300		Norway	45%
PL301		Norway	40%
PL302		Norway	40%
PL329		Norway	20%
PL336		Norway	40%
PL346		Norway	30%
PL352		Norway	30%
PL357		Norway	50%
PL360		Norway	20%
PL381		Norway	30%
PL384		Norway	80%
F001	Marjun	Faroe Islands	16.98%
F006	Kappa	Faroe Islands	21.91%
F008	Stelkur	Faroe Islands	20%
F009	Sildrakin	Faroe Islands	20%

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

Company information

Company information at 31 December 2005.

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Reg. No. 36 21 37 28

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

Supervisory Board
Fritz Schur (Chairman), b. 1951. Joined the Supervisory Board in 2005 as Chairman. Term of office expires in 2007. Other managerial posts: Fritz Schur Gruppen (CEO), Post Danmark A/S (Chairman), F. Uhrenholt Holding A/S (Chairman), Brd. Klee A/S (Deputy Chairman), CIC A/S (member), SAS AB (member), DE POST NV/LA POSTE SA (member) and CEO or Chairman of the subsidiaries in Fritz Schur Gruppen.

Lars Nørby Johansen (Deputy Chairman), b. 1949, joined the Board in 1997, re-elected 1998, 2000, Deputy Chairman 2001, 2003, 2005. Term of office expires: 2006. Other managerial posts: Falck A/S (Chairman), TV2/Danmark A/S (Deputy Chairman), William Demant Holding A/S (Deputy Chairman).

Asbjørn Larsen, b. 1936. Joined the Supervisory Board in 2003, re-elected 2005. Term of office expires in 2006. Other managerial posts: Belships ASA (Chairman), FMC Technologies Inc. (Chairman), Saga Fjordbase AS (Deputy Chairman), Selvaag Gruppen AS (member)

Svend Sigaard, b. 1958. Joined the Supervisory Board in 2002, re-elected 2004. Term of office expires in 2006. Other managerial posts: Nebraska ApS (CEO), Denka Holding A/S (Chairman), Club 8 Company A/S (Chairman), Stjernholm A/S (Chairman), Aalborg Industries A/S (member).

Lars Torpe Christoffersen, b. 1964. Joined the Supervisory Board in 2004. Term of office expires in 2006. Other managerial posts: MACH S.a.r.l (CEO and Chairman), MACH Denmark A/S (Chairman), Aktieselskabet Danatech Engineering (member), LTC Holding A/S (member).

Jens Kampmann, b. 1937. Joined the Supervisory Board in 2005. Term of office expires in 2007. Other managerial posts: Invest Miljø A/S and Øko-Invest A/S

(CEO), Paustian A/S (Chairman), Sund og Bælt Holding A/S (Chairman), Öresundsbro Konsortiet AB (Chairman), HMK Holding A/S (Chairman), Danmarks Jordbrugsforskning (Chairman), Retrocom Holding A/S (member), and a number of companies in the Invest Miljø Group.

Jesper Magtengaard**, b. 1947. Joined the Supervisory Board in 2003. Term of office expires in 2007.

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

Bent Stubkjær Pedersen**, b. 1953. Joined the Supervisory Board in 2002, re-elected 2003. Term of office expires in 2007. Other managerial posts: EnergiGruppen Jylland A/S (member).

*Executive Board**

Anders Eldrup (CEO*).** Other managerial posts and Supervisory Board memberships: Elsam A/S (member), EnergiGruppen Jylland Udvikling A/S (member).

Carsten Krogsgaard Thomsen. Other managerial posts and Supervisory Board memberships: EnergiGruppen Jylland A/S (Deputy Chairman), Barrow Offshore Wind Limited (member), EnergiGruppen Jylland Varme A/S (member), NNIT A/S (member).

Kurt Bligaard Pedersen. Other managerial posts and Supervisory Board memberships: BRFkredit A/S (member).

Søren Gath Hansen. Other managerial posts and Supervisory Board memberships: Nunaoil A/S (Deputy Chairman).

* Other managerial posts refer solely to posts in Danish or foreign public limited companies.

** Employee-elected.

*** Registered with the Danish Commerce and Companies Agency as CEO.

Auditors

KPMG C. Jespersen

Statsautoriseret Revisionsinteressentskab

BDO ScanRevision

Statsautoriseret revisionsaktieselskab

Financial calendar 2006	
Release of Annual Report	31 March 2006
Annual General Meeting	19 April 2006
Release of group financial statements:	
Q1	22 May 2006
Q2	25 August 2006
Q3	14 November 2006

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