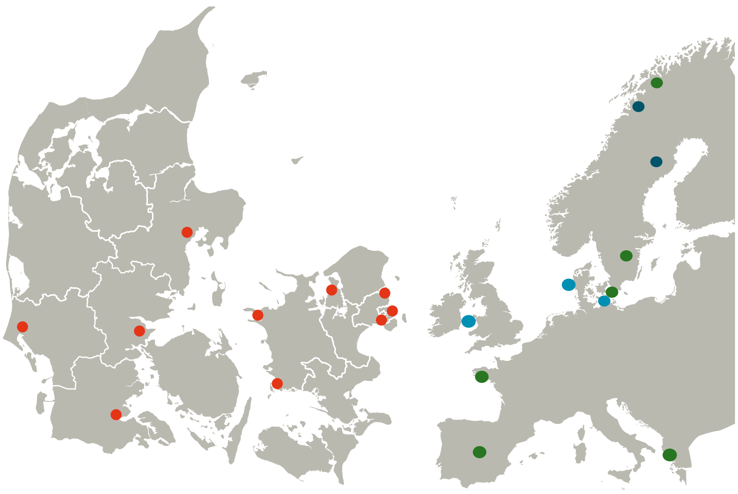
DONG energy

ANNUAL REPORT 2006

DONG ENERGY IN BRIEF

REVENUE	EBITDA	EBIT	PROFIT AFTER TAX
35.7 DKK bn	8.8 DKK bn	5.5 DKK bn	4.9 DKK bn

Generation



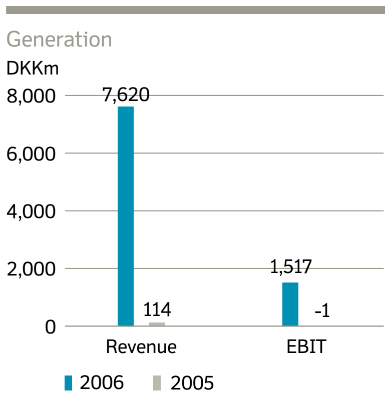
Central power stations

At the end of 2006, the generating capacity from power stations was 5.7 GW, while the capacity from wind power and hydropower-based stations was 0.9 GW.
Power generation in 2006: 13,200 GWh
Heat generation in 2006: 17,165 TJ

Hydropower

Onshore windfarms

Offshore windfarms



EBITDA

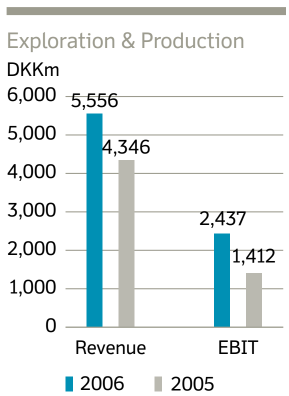
2.7 DKK bn

Generation produces energy from efficient power stations and renewable energy sources. Generation is a market leader within design, construction and operation of offshore wind farms and clean coal technology.

Exploration & Production

Geographical focus areas for the exploration and production activities

The activities in Exploration & Production focus on building up gas reserves to underpin the gas sales activities, and production of oil and natural gas. In 2006, production amounted to 13.8 million boe.

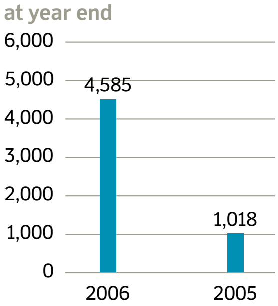


EBITDA

3.5 DKK bn

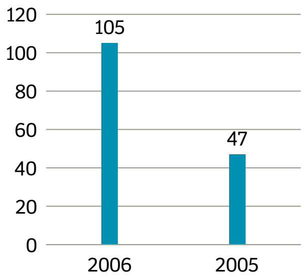
The exploration and production activities are carried out in Danish, Norwegian, UK and Faroese waters. DONG Energy also operates Denmark's only oil pipeline, which takes the oil from the North Sea to the Fredericia oil terminal.

Number of employees at year end

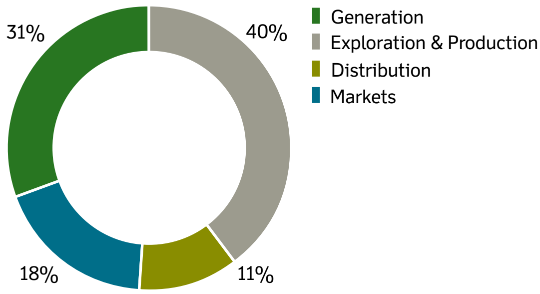


Assets at year end

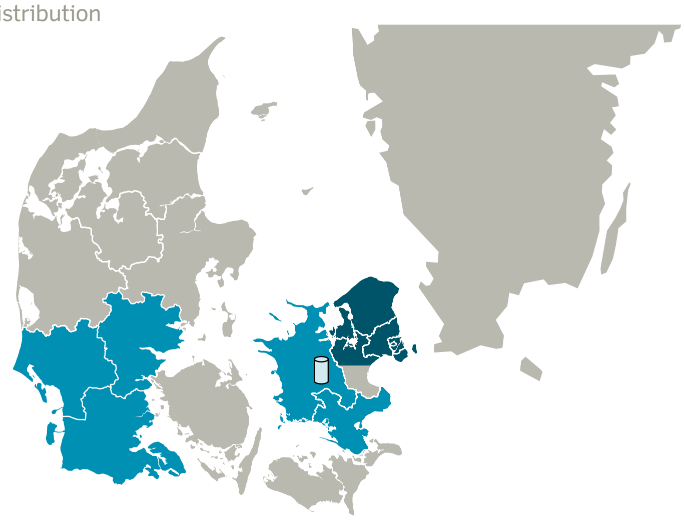
DKKbn



EBITDA by segment



Distribution



Electricity distribution

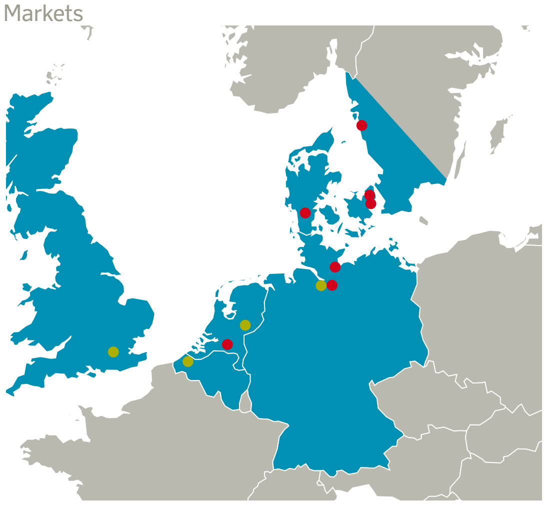
The electricity distribution customers are located in North Zealand, Copenhagen and Frederiksberg

Gas distribution

The gas distribution customers are located in southern Jutland and South and West Zealand

Gas storage facility near Stenlille on Zealand

Markets



Electricity and gas markets

Sales offices

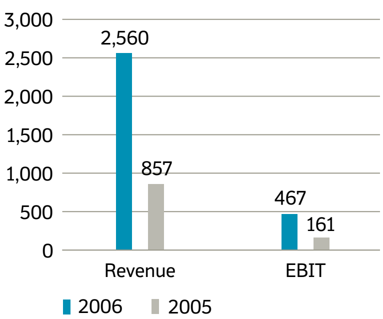
Energy exchanges and hubs

Electricity sales in 2006: 5,870 GWh

Gas sales in 2006: 8,202 million m^3

Distribution

DKKm



EBITDA

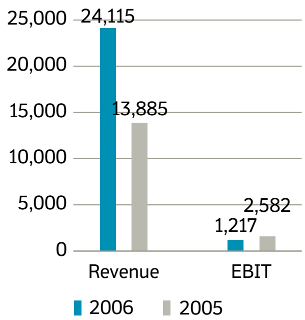
1.0 DKK bn

Distribution takes care of DONG Energy's electricity and gas distribution and gas storage in Denmark.

Distribution serves approx. 956,000 customers with electricity and approx. 116,000 customers with natural gas. The gas storage capacity is 401 million m^3.

Markets

DKKm



EBITDA

1.6 DKK bn

With around one million customers, Markets is Denmark's largest electricity and gas supplier.

The focus area is the Northern European market, where electricity, gas and related products are sold.

Generation produces energy from efficient power stations and renewable energy sources. Generation is a market leader within design, construction and operation of offshore wind farms and clean coal technology.

Exploration & Production creates value through oil and gas production and procurement of gas at competitive prices. The exploration and production activities are carried out in Danish, Norwegian, UK and Faroese waters.

Distribution takes care of DONG Energy's electricity and gas distribution and storage of natural gas in Denmark. The electricity distribution takes place in the metropolitan area and in North Zealand while the gas distribution covers southern Jutland and South and West Zealand.

Markets sells DONG Energy's electricity, natural gas and related products to more than one million customers in Denmark, Sweden, Germany and the Netherlands. The customers include residential customers, industrial customers, public sector customers and wholesale customers.

CONTENTS

DONG Energy in brief — Cover
Preface — 2
Management's review
- Consolidated financial highlights — 6
- Major highlights and outlook for 2007 — 7
- Generation — 12
- Exploration & Production — 16
- Distribution — 20
- Markets — 24
- Employees — 28
- Safety and Environment — 30
- Risk management — 32
- Corporate governance — 38

Financial review — 42
Management statement and Auditors' report — 47
Consolidated income statement — 49
Consolidated balance sheet — 50
Consolidated statement of changes in equity — 52
Consolidated cash flow statement — 54
Notes — 55
Company information — Cover
Financial statements of the parent company (CD-ROM enclosed*) — Cover

* The financial statements of the parent company, DONG Energy A/S, that appear from the enclosed CD-ROM, form an integral part of the overall annual report.

DONG ENERGY
DENMARK'S NEW ENERGY COMPANY

DONG Energy is one of the leading energy groups in the Nordic region. Our headquarter is in Denmark. Our business is based on procuring, producing, distributing, trading and selling energy and related products in Northern Europe. We employ approx. 4,500 people and generate DKK 36 billion in revenue. It is planned to list DONG Energy's shares on the Copenhagen Stock Exchange in the second half of 2007, market conditions permitting.

PREFACE

2006 was the year in which Denmark's new large energy company was created. The merger of DONG, Elsam, Energi E2, Nesa and electricity activities of Copenhagen Energy and Frederiksberg Forsyning is now a reality.

On 14 March 2006, the European Commission approved the merger of the six companies, and at the Annual General Meeting on 19 April 2006 a number of former Elsam and Energi E2 shareholders elected to exchange their respective shares for shares in DONG Energy. The State's ownership interest was thus reduced to approx. 73%.

On 1 July 2006, Vattenfall transferred its 35% stake in Elsam to DONG Energy in return for the simultaneous transfer of various assets from Elsam and Energi E2. By virtue of this last transaction, DONG Energy gained full control of all the acquired companies.

The EU Commission's approval was subject to two conditions: 1) sale of the gas storage facility near Ll. Torup, and 2) the introduction of a six-year gas auction programme under which DONG Energy is required to deliver 400 million m^3 of gas per annum in Denmark in return for the receipt of equivalent quantities abroad. The Ll. Torup gas storage facility has been sold to Energinet.dk, and the first of the six gas release auctions has taken place.

As a consequence of the acquisition of Nesa, DONG Energy must also sell the 132 kV transmission network in North Zealand to Energinet.dk. The sales process has not yet been completed.

Performance in 2006

The financial results for the year were highly satisfactory. There were large increases in the price of oil, gas and electricity. The combination of a lack of rain in Norway and Sweden and the temporary closure of a number of nuclear power plants in Sweden was the main driver behind a significant increase in electricity prices that increased earnings for Generation. Exploration & Production benefited from the increase in oil prices, while Markets benefited from time lags in natural gas purchase and sales contracts.

Competition in Denmark remains fierce, especially within the natural gas area, where liberalisation of the market is still leading to losses in market share. In volume terms, the loss of natural gas sales in Denmark was offset by increased export sales, especially to Germany and the Netherlands. Competition in the electricity area has also increased, with Vattenfall acting as a new major supplier.

Profit after tax was DKK 4,917 million, albeit assisted by the favourable price trends throughout the year. Profit was eroded by non-recurring items of DKK 385 million. The results achieved were considerably higher than originally forecasted at the start of the year.

On the environmental front, major resources have been invested in a number of projects aimed at reducing emissions of CO_2 equivalents. The number of lost time accidents per one million hours worked for employees and contractors' employees was 10.3. The aim is to reduce the accident frequency significantly, and various measures to this end have consequently been put in place.

Proposed dividends

The Supervisory Board recommends that a dividend of 40% of profit after tax be paid for 2006, giving a dividend payment of DKK 1,967 million.

Updated strategy

In connection with the merger of the six companies a natural need arose for a review of the existing company strategy. The new strategy has three core elements:

- Procurement of competitive gas
- Establishment of stable and sustainable electricity generation
- Optimisation of the infrastructure and the existing market position

The strategic review resulted in the decision to dispose of the Spanish and Greek wind power activities, to de-emphasise investment in waste-fired power stations outside Denmark, and to invest in production of second-generation bioethanol.

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Chairman Fritz H. Schur and
CEO Anders Eldrup

Procurement of competitive gas

The strategy in this area is to increase production of equity gas, and to supplement that equity production with long-term purchase agreements. The aim is to obtain 30% self-sufficiency in gas.

DONG Energy has made significant headway in realising this strategy in 2006. On 19 June 2006, DONG Energy signed a 20-year agreement with the Russian company Gazprom on gas supplies for delivery at the Danish-German border from and including 2011. Under a separate agreement, DONG Energy must deliver gas in the UK, for a 15-year period beginning at the end of 2007.

On 5 February 2007, Wingas and DONG Energy signed a gas swap agreement under which DONG Energy is to deliver 5 billion m^3 of gas to Wingas in the UK against receiving corresponding deliveries in Northern Germany. In addition, DONG Energy and Wintershall Erdgas Handelshaus have signed an agreement on gas deliveries in Germany.

The Ormen Lange project, in which DONG Energy has a 10.3% stake, remains on schedule and was 91% complete at the end of 2006. First gas from Ormen Lange is anticipated in the fourth quarter of 2007. The project costs are in line with the original budget. Ormen Lange is a key element in achieving a higher degree of self-sufficiency. DONG Energy is also investing in gas and oil exploration, both in the Danish and the Norwegian sectors of the North Sea and in the area between the Shetland Islands and the Faroe Islands.

Establishment of stable and sustainable electricity generation

The strategy is to ensure maximum efficiency and flexibility in the choice of fuels for thermal electricity and heat generation while at the same time building up substantial capacity with respect to renewable energy, especially in the wind power area. Particularly high priority is given to the development of CO_2-neutral plants.

Change was a major feature of 2006, with the transfer of part of Elsam's and Energi E2's generating capacity to Vattenfall at the end of June. The divestment took place without any major problems.

DONG Energy invested in several Danish power stations during the course of 2006, in order to extend the lifetime of the plants, optimise operations, and reduce emissions of nitrogen oxides.

Outside Denmark, the preparations for the construction of a 280 MW gas-fired power plant in Mongstad in Norway commenced. In Germany, the possibility of constructing a large, 1,600 MW coal-fired power plant in Greifswald is being explored. Within renewable energy, the 90 MW Barrow offshore wind farm in the UK was completed in 2006, and the construction of a similar 90 MW offshore wind

farm in Burbo, the UK, is scheduled for completion in 2007. Construction of a third offshore wind farm in the UK, the 108 MW Gunfleet Sands, will commence in 2007. The establishment of more offshore wind farms in Denmark is also being considered.

Optimisation of the infrastructure and the existing market position

One of the biggest challenges the company faces is the integration of the electricity distribution activities of Nesa and Copenhagen Energy. The integration has proceeded according to plan thus far, and the next step will be the integration of Frederiksberg Forsyning's electricity activities, which until now have operated as a separate entity. In parallel with this, efforts have been made to expand the product range and to ensure a continued high level of customer satisfaction.

New initiatives include the establishment of an optical fibre network, which enables us to offer an array of attractive services from which customers will be able to benefit in future.

Within the natural gas area, a new three-year distribution agreement was entered into with HNG Midt-Nord, beginning on 1 January 2007. The agreement covers approx. 60% of HNG Midt-Nord's existing gas sales, securing a good market position for DONG Energy in Denmark. Regardless of this, DONG Energy's share of the Danish market is expected to continue to decline due to increased competition.

DONG Energy's market position abroad, especially in Germany and the Netherlands, has been strengthened by a number of new sales contracts and collaboration agreements.

Management changes

Torkild Bentzen and Poul Lind both elected to resign from the Executive Board at the end of the year. Poul Lind was succeeded on the Executive Board by Lars Clausen. Niels Bergh-Hansen has taken over responsibility for the area of which Torkild Bentzen was previously in charge.

New reporting structure and pro forma figures

As mentioned in the 2005 annual report, a new reporting structure has been implemented. It consists of four segments: Generation, Exploration & Production, Distribution and Markets.

Pro forma figures for 2006 are expected to be published for the planned IPO prospectus.

Status of the integration

The integration of the six companies is proceeding to plan. One of the milestones was achieved in connection with the divestment of assets to Vattenfall on 1 July 2006. The divestment took place without problems. The integration of the two electricity companies Elsam and Energi E2 is proceeding to plan and no major impediments are foreseen. Another milestone is the integration of the electricity customers of Copenhagen Energy and Nesa into a joint IT system. The integration is expected to be completed during the summer of 2007. The biggest challenges in connection with the merger are thus expected to be resolved by the end of 2007.

Synergies

The previously approved synergy targets still apply, and the preliminary results demonstrate that the planned synergies can be achieved. It is expected that the full effect of the synergies will have largely been realised in 2008. Further details of the scope and composition of the synergies will be given in the prospectus.

Financing and rating

The financing of the large acquisitions is in place, and it is consequently considered that it will not be necessary to issue new loans, apart from loans relating to refinancing.

On 11 August 2006, Moody's revised its outlook on the company from Baa1 Stable Outlook to Positive Outlook. On 31 August 2006, Standard & Poor's similarly changed its outlook from BBB+ Stable Outlook to BBB+ Positive Outlook.

Privatisation and IPO

In 2007, management's focus will centre on the realisation of synergies and the upcoming IPO, which is expected to take place in the second half of 2007, market conditions permitting.

CONSOLIDATED FINANCIAL HIGHLIGHTS

DKKm	2006	2005	2004	2003	2002
Revenue by segment:	**35,661**	**18,493**	**14,209**	**14,267**	**13,729**
Generation	7,620	114	116	56	3
Exploration & Production	5,556	4,346	3,565	3,632	4,090
Distribution	2,560	857	861	1,806	9,650
Markets	24,115	13,885	10,022	9,988	
Other (including eliminations)	(4,190)	(709)	(355)	(1,215)	(14)
EBITDA[1] by segment:	**8,793**	**6,314**	**4,687**	**5,547**	**4,896**
Generation	2,695	47	59	23	0
Exploration & Production	3,499	2,692	1,995	2,079	2,328
Distribution	1,012	565	596	1,139	2,642
Markets	1,601	2,921	1,907	2,147	
Other (including eliminations)	(14)	89	130	159	(74)
EBIT	**5,534**	**4,099**	**2,421**	**3,168**	**2,546**
Financial items, net	(592)	(152)	171	56	154
Profit after tax	**4,917**	**2,687**	**2,074**	**1,941**	**1,476**
EBITDA margin (%)	25	34	33	39	36
EBIT margin (operating margin) (%)	16	22	17	22	19
Free cash flow to equity (with acquisitions)[2]	360	(4,262)	(1,061)	1,517	500
Free cash flow to equity (without acquisitions)[3]	14,302	3,325	1,653	1,592	1,063
Assets	105,586	46,854	31,436	33,230	28,930
Additions to property, plant and equipment	5,281	8,041	2,464	3,370	2,783
Interest-bearing assets[4]	9,981	7,356	145	3,448	3,195
Interest-bearing debt[5]	27,760	7,148	3,331	5,890	6,459
Net interest-bearing debt	17,779	(208)	3,186	2,442	3,264
Equity	42,268	26,278	16,360	16,794	14,655
Capital employed[6]	59,237	26,611	19,791	19,519	17,731
Financial gearing[7]	0.42	(0.01)	0.19	0.14	0.22

Note 1: Earnings before interest, tax, depreciation and amortisation
Note 2: Cash flows from operating activities and investing activities
Note 3: Cash flows from operating activities and investing activities, excluding cash flows from acquisitions/disposals of enterprises. The purchase price for Ormen Lange is recognised as an acquisition
Note 4: Interest-bearing assets include bank overdrafts
Note 5: Interest-bearing debt is exclusive of bank overdrafts
Note 6: Equity +/- losses/gains in respect of hedging instruments on equity + net interest-bearing debt
Note 7: Net interest-bearing debt divided by equity

The financial highlights for 2004-2006 have been prepared in accordance with International Financial Reporting Standards as adopted by the EU. The comparative figures for 2002-2003 have not been restated, 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.

MAJOR HIGHLIGHTS
AND OUTLOOK FOR 2007

- Profit benefited from favourable market prices
- Acquired electricity activities included for part of the year only
- Initial Public Offering of DONG Energy scheduled for the second half of 2007

Financial performance
Consolidated profit after tax was DKK 4,917 million in 2006 versus DKK 2,687 million in 2005.

Profit after tax from acquired electricity companies amounted to DKK 2,042 million, while non-recurring items amounted to a net charge of DKK 385 million, relating primarily to:

- termination of intragroup agreements, charge of DKK 1,573 million
- gain on sale of licence stakes and cushion gas, income of DKK 127 million
- gain on sale of the storage facility near Ll. Torup, income of DKK 1,000 million

In 2005, non-recurring items amounted to income of DKK 229 million, and results from acquired electricity companies amounted to DKK 115 million (recognised as dividends from ownership interests in the now acquired electricity companies).

The results of the acquired electricity companies Elsam, Energi E2 and Nesa are included in the consolidated financial results from 1 July 2006, while the electricity activities of the City of Copenhagen and Frederiksberg Municipality are included in the consolidated financial results as of 1 May 2006.

Excluding results from the acquired electricity companies and non-recurring items, profit after tax was DKK 917 million ahead of 2005. Profit was significantly higher than anticipated at the start of the year, primarily reflecting higher than expected realised oil and gas prices and a positive time lag effect.

The oil price averaged USD 65/bbl in 2006 versus USD 54/bbl in 2005. The oil exposure was not hedged to the same degree in 2006 as in 2005. Consequently, DONG Energy benefited even further from the higher oil prices than in 2005.

The oil price and the USD exchange rate feature with different time lags in DONG Energy's natural gas purchase and sales contracts. Oil price changes consequently impact on the selling prices relatively quickly, whereas purchase prices are adjusted with a time lag effect of up to 17 months. The rising oil prices in the first nine months of 2006 thus had a positive time lag effect, which, however, was partly offset by falling oil prices in the fourth quarter.

EBITDA and operating profit (EBIT) amounted to DKK 8,793 million and DKK 5,534 million, respectively, compared with DKK 6,314 million and DKK 4,099 million, respectively, in 2005. Profit before tax was DKK 6,435 million compared with DKK 4,009 million in 2005. Free cash flows to equity (excluding acquisitions) amounted to DKK 14,302 million versus DKK 3,325 million in 2005.

Major highlights
The main highlights of the year were:

- Approval of the merger

On 14 March 2006, the European Commission cleared the merger of the energy companies DONG, Energi E2, Elsam, Nesa, Frederiksberg Forsyning (electricity activities) and Copenhagen Energy (electricity activities).

As a condition to the approval, the company agreed to implement the following measures promoting competition:

– divestment of the gas storage facility near Ll. Torup in Jutland
– a gas release programme

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The divestment of the gas storage facility near Ll. Torup to Energinet.dk means that there will now be two independent gas storage providers in Denmark. Energinet.dk's acquisition of the storage facility will be completed on 1 May 2007. The sales price amounts to DKK 2.0 billion on a debt-free basis. The parties agreed to a possible further payment has been agreed based on the value of activities after 2030.

Under the gas release programme, DONG Energy will auction 400 million m³ of gas annually over the next six years, equivalent to approx. 10% of Denmark's total annual consumption. On 30 August, DONG Energy held its first gas release auction. The result was that DONG Energy will be delivering natural gas in Denmark to a number of foreign players in return for receiving equivalent quantities in the UK, Belgium and Germany.

■ New shareholders in DONG Energy

At the Annual General Meeting on 19 April 2006, SEAS-NVE and a number of former Elsam shareholders became shareholders of DONG Energy. Following the capital increase, the Danish State now holds approx. 73% of the shares while the remaining shares are held by the new shareholders.

■ Purchase agreement with the City of Copenhagen and Frederiksberg Municipality

On 1 May, the share purchase agreements with the City of Copenhagen on the acquisition of Copenhagen Energy's electricity activities and a 34% stake in Energi E2 were completed. The share purchase agreements relating to the acquisition of Frederiksberg Forsyning's electricity activities, including the latter's 2.26% shareholding in Energi E2, were also completed on 1 May.

■ Summons from former Elsam shareholders

In June, 12 former Elsam shareholders served a summons on DONG Energy, as announced in the former shareholders' press release dated 15 March 2006. The action has been brought before the Western High Court of Denmark and concerns disagreement as to whether a preemption clause in Elsam's old Articles of Association applied. The primary claim is for application of a preemption right.

The alternative claim is for damages calculated at approx. DKK 800 million.

■ Three-year agreement with HNG Midt-Nord

In June, DONG Energy and HNG Midt-Nord signed a three-year agreement on natural gas supplies effective from 1 January 2007.

The agreement covers approx. 60% of HNG Midt-Nord's current natural gas sales, while the company's remaining gas needs will be covered by other suppliers.

■ Gas agreements with Gazprom

In June, Gazprom and DONG Energy signed a 20-year

agreement on the supply of Russian gas.

Under the agreement, Gazprom will begin supplying gas to the Danish/German border in 2011 via the Northern European pipeline. This is the first ever gas supply agreement between Russia and Denmark.

Under a separate agreement, DONG Energy will start supplying gas to the UK market through Gazprom's subsidiary, Gazprom Marketing and Trading. The first deliveries will be made in 2007 and the agreement will run for 15 years.

The agreements with Gazprom help to secure DONG Energy's future self-sufficiency.

■ Agreement with Vattenfall

On 1 July, DONG Energy acquired Vattenfall's 35.3% stake in Elsam, and Vattenfall's 40% stake in the Avedøre 2 power station. At the same time Vattenfall acquired the central power plants Nordjyllandsværket, Fynsværket and Amagerværket and the local CHP plants in Helsingør and Hillerød, as well as some wind power activities. These activities were previously owned by Elsam and Energi E2.

The final transfer relating to the transaction was completed at the beginning of 2007.

■ Capital structure and credit rating

On 11 August, Moody's Investors Service changed its credit rating for DONG Energy's senior bond (Baa1) and hybrid security (Baa3) from Stable Outlook to Positive Outlook. The change came about, due to, among other things, the successful completion of the acquisitions within the Danish electricity sector, and because the Ormen Lange project remains on schedule.

On 31 August, Standard and Poor's changed its credit rating on DONG Energy from BBB+ Stable Outlook to BBB+ Positive Outlook. The change reflected the prospect of a faster than expected reinstatement of DONG Energy's financial profile following the clearance and completion in 2006 of the acquisition of the electricity companies.

■ Announcement concerning Initial Public Offering

On 25 October 2006, the Danish Ministry of Finance issued a press release announcing that it had initiated preparations for the Initial Public Offering (IPO) of shares in DONG Energy on the Copenhagen Stock Exchange. The IPO is currently planned to occur during the second half of 2007, market conditions permitting.

■ Power plant in Germany

DONG Energy is exploring the possibility of constructing a power station in Germany. The development of the project is currently in process and will continue until mid-2008. A final investment decision concerning the construction of the power plant will be made thereafter.

The construction of a power station in Germany would >>

strengthen and support existing activities in Germany and is based on DONG Energy's core competencies within clean coal technology.

Events after the balance sheet date

- Gas agreements with Wingas

In February 2007, Wingas and DONG Energy concluded a gas swap agreement. DONG Energy will deliver 5 billion m^3 of gas to Wingas in the UK in the period from 2007 to 2017. In return, Wingas will deliver 5 billion m^3 of gas to DONG Energy in Northern Germany in the period from 2010 to 2020. In addition, DONG Energy and Wintershall Erdgas Handelshaus have signed an agreement on gas deliveries in Germany under which Wintershall Erdgas Handelshaus will deliver up to 0.7 billion m^3 of gas per annum in the period from 2010 to 2020.

Outlook for 2007

Assumptions

DONG Energy's financial results are affected by developments in a number of commodity prices, including oil, gas, power, coal and CO_2, as well as exchange rate movements, in particular the US dollar. In 2006 oil, gas and electricity prices were considerably higher, on average, than the levels experienced so far in 2007. Our forecasts for oil, gas and electricity prices and the USD exchange rate in 2007 are based on prices prevailing in early 2007.

Scope of operations

2007 will be the first year that DONG Energy's consolidated position will benefit from a full year contribution from the recently acquired power companies. Ormen Lange is expected to go on stream in the fourth quarter, having only a small impact on the 2007 results, due to the limited production period.

Various assets are classified for sale in the 2006 closing balance sheet. The disposals are not expected to have a significant effect on the 2007 revenue and results.

Factors impacting the 2007 outlook

The expected lower commodity prices in 2007 will have a negative impact on 2007 results compared with 2006. In addition to the effects of the underlying movement, DONG Energy is affected by two specific factors in relation to commodity price movements: the effect of time lags on contract prices, and DONG Energy's management of its gas purchase contract portfolio.

Changes in oil prices are reflected with different time lags in a number of DONG Energy's natural gas purchase and sales contracts. Oil price changes impact selling prices relatively quickly, whereas purchase prices are adjusted with a lag of up to 17 months. As a consequence of the lower oil price that we expect to prevail in 2007 relative to 2006 the time lags have a negative effect on profitability in 2007, whereas in 2006 due to rising oil prices the impact was positive.

DONG Energy buys gas under several types of contracts

with different price indexing. The purchases under the individual contracts are made within the gas year, which runs from 1 October to 30 September, although there is some flexibility with respect to which contracts purchases are made under in the individual months during the gas year. Depending on current prices and the future price outlook, in some quarters the optimal solution is to buy gas under relatively costly contracts, and use the volumes available under less costly contracts in other quarters. Our expectations for prices in 2007 would make it advantageous to buy the relatively more costly gas in the 2007 calendar year.

In addition, whilst DONG Energy will continue to experience restructuring costs these will be partially offset by synergies coming through in 2007.

The results from the power generation activities are also negatively impacted by the one-off depreciation of the 2007 CO_2 allowances allocated to Elsam and Energi E2. These allowances are recognised and depreciated for accounting purposes as a result of the first time consolidation of the acquired companies. CO_2 allowances used for own production do not normally impact the income statement and no such depreciation effect will occur in 2008 when new CO_2 allocations are made.

Finally, due to the increase in debt following the acquisitions of the power companies in 2006, DONG Energy will incur higher interest expenses.

Results outlook

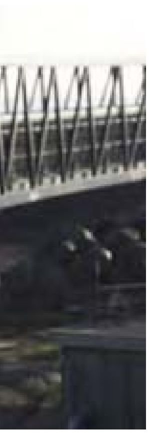
Based on the assumptions outlined above, DONG Energy's EBITDA for 2007 is expected to be slightly lower than in 2006. DONG Energy's profit after tax for 2007, however, is expected to be substantially lower than in 2006 due to depreciation of CO_2 quotas and higher interest expense.

STATEMENTS ABOUT THE FUTURE

The annual report contains statements about future conditions, including financial expectations for 2007. These statements are in their nature uncertain and associated with risks.

Several factors can result in the actual development differing substantially from the expectations. Examples of such factors include, but are not limited to, developments in the oil, gas, power, coal, CO_2, foreign exchange and interest rate markets, changes in legislation, regulations or standards, changes in the competitive situations on DONG Energy's markets, security of supply and the integration of acquired activities.

Reference is also made to the description of risks in the section on Risk management on page 32.



Generation produces energy from efficient power stations and renewable energy sources. Generation is a market leader within design, construction and operation of offshore wind farms and clean coal technology.

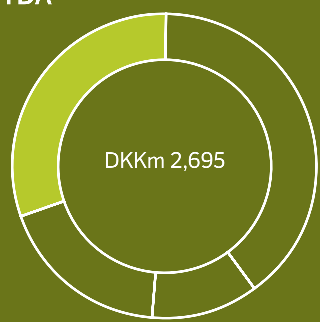
POWER GENERATION

13,200 GWh

HEAT GENERATION

17,165 TJ

EBITDA



GENERATION
OF POWER AND HEAT

- Possibility for construction of large power station in Greifswald being explored
- More wind turbine projects planned
- CO_2 allocation plan reduces DONG Energy's quotas by about 30%

Generation's core activities are construction, ownership and operation of power stations and CHP plants and sale of electricity and heat on the Northern European electricity exchanges. Generation also undertakes activities within renewable energy, which account for 11% of total electricity generation.

Power and heat generation takes place at ten central power stations and a number of local and waste-fired power stations. The power stations have considerable flexibility with respect to choice of fuel, and can be fired by coal, natural gas, waste and a number of biofuels such as straw, wood pellets and wood chips.

DONG Energy has a strong position within renewable energy and is one of the world's largest operators of offshore wind farms. Within renewable energy the focus is on the construction and operation of onshore and offshore wind farms in Northern Europe. Besides electricity generation from wind farms, DONG Energy generates electricity at hydropower stations in Sweden and Norway. DONG Energy's generating capacity from wind and hydro-based stations was 0.9 GW at the end of 2006, including 0.2 GW from hydropower stations. By comparison, the total power station capacity was 5.7 GW.

Market conditions

In June 2005, DONG and Vattenfall signed an agreement on the sale of power stations to Vattenfall in return for Vattenfall's shareholdings in Elsam. The agreement was approved by the competition authorities in 2006.

With Vattenfall's establishment as an important player in Denmark, a new competitive situation has arisen. DONG Energy now accounts for approx. 60% of total electricity generation in Denmark. Competition in the Northern European market has ensured that Danish electricity prices are, on average, among the lowest in Northern Europe.

The Danish Competition Authority has analysed price formation in the electricity spot market in Western Denmark. The Danish Competition Council previously imposed a price cap on Elsam, but the Danish Competition Appeal Tribunal found in its decision that a price cap is incompatible with a free electricity market. The price cap will therefore be discontinued. The Competition Appeal Tribunal has concluded that Elsam exploited its dominant position in Western Denmark to some extent in the period 1 July 2003 to 31 December 2004, by periodically charging excessive prices. DONG Energy has appealed the Competition Appeal Tribunal's decision to the Danish Maritime and Commercial Court. As a result of the Appeal Tribunal's decision, customers have indicated that they will be advancing claims for compensation once such claims can be calculated. No provision has been made for any such claims.

Regulatory issues

In order to comply with the environmental targets of the Kyoto Protocol, the EU has laid down targets for CO_2 emissions. A European market for CO_2 quotas was therefore established in 2005.

On 17 January 2007, Denmark submitted the national allocation plan for the period 2008-2012 for the purpose of final approval in the EU. The allocation plan distributes Denmark's total number of CO_2 quotas between the industrial sector, which will have its needs 92% covered, and the electricity sector, which will have to settle for having 57% of its needs covered. This is a reduction of about 30% compared with the allocation in the period 2005-2007. Despite the fact that DONG Energy's power stations are among the most efficient in the world, DONG Energy is among the companies that will be hardest hit by the CO_2 regulation.

DONG Energy's reduction obligation will not immediately lead to higher prices for the consumers, as the Danish electricity prices are fixed in free competition on the Nord Pool electricity exchange, where DONG Energy >>

FACTS ABOUT GENERATION

Generation produces electricity and heat. Electricity generation in 2006 amounted to approx. 60% of total Danish generation, while heat generation amounted to about 36%.

The production in 2006 came partly from Generation's ten central power stations, 14 local power stations and six waste-fired power stations, and partly from renewable energy sources, which, in 2006, accounted for 11% of electricity generation.

The power station capacity is 5.7 GW and generation is primarily based on coal, natural gas and biomass. All of the existing power stations are situated in Denmark, but the construction of a CHP plant in Mongstad just north of Bergen in Norway will commence in 2007. DONG Energy is also exploring the possibility of constructing a power station near Greifswald in Germany.

The renewable energy capacity is 0.9 GW, distributed between 0.4 GW onshore wind turbines, 0.3 GW offshore wind turbines and 0.2 GW hydropower. Approx. 60% of the capacity is situated abroad.

only covers a small proportion of the trade. In 2006, a virtual power plant auction was held for the second time, i.e. the right to dispose of part of the generating capacity.

DONG Energy is committed to offering 250 MW of virtual capacity in 2006, 500 MW in 2007 and 600 MW in 2008 and the subsequent years. The purpose of the auction is to maintain competition in the wholesale electricity market following Elsam's acquisition of Nesa in 2004.

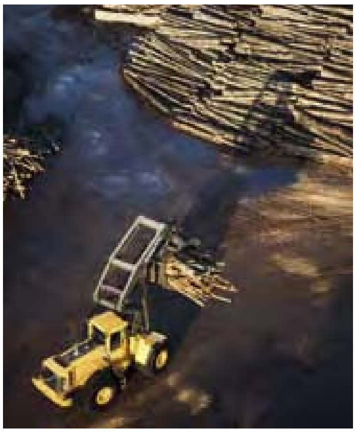
In connection with the Competition Council's approval of Elsam's acquisition of Nesa in 2004, Elsam agreed to sell its portfolio of gas-fired local CHP plants. The last five power plants, with a combined capacity of approx. 30 MW, were sold at the end of 2006 and transferred to the new owners on 1 January 2007.

Pursuant to the Danish Electricity Supply Act, DONG Energy is committed to use some of its capacity for generation of electricity and heat by combustion of biomass such as straw and wood chips at the power stations. The total annual commitment is 1.2 million tonnes of biomass. In 2006, biomass accounted for 1.2 million tonnes, or 7% of the central power stations' total fuel consumption. Straw consumption accounted for 46% of this figure. Due to a shortage of wood pellets for Avedøre Power Station, the consumption of wood chips did not reach the desired volume. Overall, biomass use marginally exceeded the committed volume. To secure future straw supplies an agreement was entered into in 2006 with the agricultural industry on the procedures for purchasing straw in Eastern and Western Denmark. The agreement secures trading on market terms.

Power station projects and development activities

DONG Energy is exploring the possibility of constructing a 1,600 MW coal-fired power station near Greifswald in Northern Germany. The power station would be able to supply 1.5 million households, equivalent to approx. 2% of German consumption. The investment would amount to around EUR 2 billion.

In autumn 2006, DONG Energy received final approvals from the Norwegian authorities for the construction of a



Financial highlights, Generation

DKKm	2006	2005
Power generation (GWh)	13,200	247
Heat generation (TJ)	17,165	0
Revenue	7,620	114
EBITDA	2,695	47
EBIT	1,517	(1)
Investments	1,770	329

gas-fired CHP plant near Statoil's Mongstad refinery just north of Bergen. Construction will commence in 2007, and the plant will be commissioned in the course of 2009. DONG Energy must own and operate the plant for a period of 20 years initially. The CHP plant will have a capacity of approx. 280 MW electricity and 350 MJ heat. The capital expenditure will amount to approx. DKK 1.2 billion.

DONG Energy participates in an EU-funded project the aim of which is to recapture and store CO_2 from power stations. In connection with that project a pilot plant for recapture of CO_2 was constructed at Esbjerg Power Station in 2006. The project is due to be completed in 2009 and, if successful, will be able to contribute to a technological development that will reduce CO_2 emissions to the atmosphere significantly.

Projects within renewable energy

The offshore wind farm off Barrow-in-Furness on the UK west coast was completed in 2006 and is now in operation. The farm has a capacity of 90 MW.

At Burbo Banks, on the west coast of the UK off Liverpool, the offshore wind farm Burbo is under construction. 25 wind turbines with a total capacity of 90 MW are being constructed. The farm is expected to be in operation by the end of 2007.

In 2006 DONG Energy acquired the rights for the construction of the offshore wind farm Gunfleet Sands. All environmental consents for the 108 MW offshore wind farm are in place, and the preparations for the construction work are expected to commence in 2007. The offshore wind farm, which will be constructed seven kilometres off the east coast of the UK in the Thames Estuary, is scheduled for completion in autumn 2009.

In Denmark, DONG Energy won the concessions for the planned Rødsand 2 offshore wind farm near Nysted and the Horns Rev 2 offshore wind farm. In addition, DONG Energy is developing onshore wind farm projects in Norway, Sweden and Poland.

Financial performance

Revenue was DKK 7,620 million compared with DKK 114 million in 2005. The acquired companies accounted for DKK 7,452 million. EBIT was DKK 1,517 million compared with DKK (1) million in 2005. EBIT for acquired companies was DKK 1,515 million. Capital expenditure in 2006 amounted to DKK 1,770 million and related primarily to acquisitions of shares and assets in a number of Spanish wind turbine projects and plant life extension and maintenance investments at the Danish power stations.

Exploration & Production creates value through oil and gas production

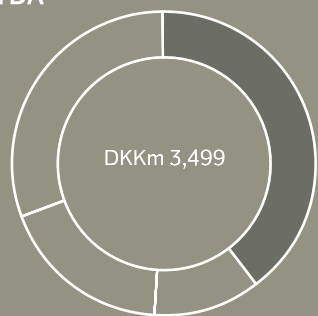
OIL & GAS PRODUCTION

13.8 million boe

OIL TRANSPORTATION

107 million bbl

EBITDA



EXPLORATION & PRODUCTION
OF OIL AND GAS

- Discovery of new reserves in the Syd Arne field
- Co-ownership of Gassled strengthens supply flexibility
- Development of Ormen Lange field on schedule

It is DONG Energy's objective to produce sufficient volumes of equity natural gas to make up around 30% of its total sales volume. This is important in order to bolster DONG Energy's competitiveness and secure supplies for the natural gas customers in Denmark and the Group's markets in Europe.

The exploration and production activities consequently focus on building up a portfolio of gas reserves, and on production of oil and natural gas. Reserves (2P) amounted to 350 million boe (barrels of oil equivalent) at the end of 2006 compared with 359 million boe at the end of 2005. Production in 2006 amounted to 14 million boe, including 43% from the Norwegian activities. The ratio between reserves and production (R/P) was 25.

The oil price level in 2006 led to a continued high level of activity in the oil and gas industry and consequently shortages in equipment such as drilling rigs. A number of planned exploration and appraisal wells were therefore postponed. In order to ensure the continued development of reserves and production, agreements were entered into for rig capacity up to and including 2011, on an option basis, and also via long-term leasing of a rig. The rig under long-term lease will be operational from the second half of 2008.

In 2006, DONG Energy participated in ten exploration and appraisal wells compared with two in 2005. In Danish waters, exploration wells were drilled on the 1/02 Karlebo, 4/98 Stork and 11/98 Ravn licenses. These were the last drilling obligations under the role as caretaker of the Danish State's interests. The wells did not lead to any commercial oil or natural gas finds.

DONG Energy participated in an exploration well, Brugdan, on the Faroese shelf in 2006. The well enhanced DONG Energy's knowledge of the geology in the area, but, due to technical problems, did not gain full clarity on the oil and natural gas potential in the area.

Appraisal wells in the Syd Arne field led to a new oil and natural gas find. The planning of the development of reserves has commenced. DONG Energy supports a solution whereby the find will be brought on stream as quickly as possible.

In Norway, DONG Energy participated in an appraisal well on licence PL301 (Krabbe/Mime). The commercial potential will be appraised in conjunction with a well on the same licence to be drilled in 2007.

On the UK shelf in the area between the Faroe Islands and the Shetland Islands, appraisal wells were commenced in 2006 on licence P1026 Rosebank, where a find was made in 2004. The appraisal activities are intended to increase knowledge concerning the extent of the find. DONG Energy participates in several activities on the UK shelf, and the area is considered a strategically important region for both oil and natural gas exploration. Together with other oil companies, DONG Energy participates in a task force appointed by the UK Government that is charged with exploring the possibilities for an overall infrastructure solution in the area.

The exploration portfolio was expanded in 2006. In Norway, DONG Energy was awarded five exploration licences and the operatorship of two of these. The new licences strengthen DONG Energy's position on the Mid-Norwegian shelf and in the area north of the Siri licence. After the end of the year, DONG Energy was awarded three licence stakes in Norway that all underpin the existing exploration portfolio.

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FACTS ABOUT THE EXPLORATION AND PRODUCTION ACTIVITIES

The exploration and production activities are carried out in Danish, Norwegian, UK and Faroese waters. Oil production is predominant today, but the procurement of gas reserves that can support DONG Energy'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 locations: the Syd Arne field in Denmark (35% of production in 2006), the Ula-Gyda-Tambar-Glitne fields in Norway (43% of production in 2006) and the Siri-Stine-Nini-Cecilie fields operated by DONG Energy on the Danish-Norwegian border (22% of production in 2006).

Exploration activities are concentrated in Denmark, the areas between the Faroe Islands and the Shetland Islands and in the Norwegian Sea off the coast of Mid-Norway. In the area between the Faroe Islands and the Shetland Islands DONG Energy participates in licences in the UK and 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.

In Denmark, DONG Energy was awarded four exploration licences, including two as operator. The licences enhance the company's position in the Central Graben.

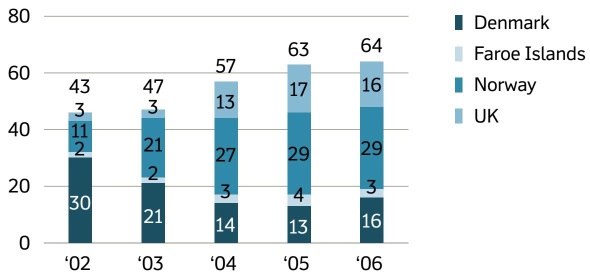
After the end of the year, DONG Energy was awarded five blocks distributed on two licences in the UK. The awarded blocks are close to the Laggan find, off the Shetland Islands, cementing DONG Energy's position in that area. DONG Energy was awarded the operatorship of three of the awarded blocks.

The development of the Ormen Lange field and the Langeled pipeline proceeded to plan. The southern part of the Langeled pipeline was commissioned in autumn 2006. The Langeled pipeline was incorporated in the Norwegian gas transportation system, Gassled, of which DONG Energy is now a co-owner. The co-ownership of Gassled increases flexibility in supply and the possibility for bringing new gas volumes to the market. On the Ormen Lange field, nine wells were commenced, and the field is expected to come on stream in the fourth quarter of 2007.

The development of the Trym field was postponed as the Norwegian authorities did not approve the export conditions achievable by the licence partners in the Danish infrastructure.

In Norway, the licence partners have planned to develop the Alve field, and production is planned from 2008. The Alve field is situated in the Norwegian Sea, off the coast of Mid-Norway, which is a focus area for gas procurement. DONG Energy's share is 15%.

Geographical breakdown of production and exploration licences



Financial highlights, Exploration & Production

DKKm	2006	2005
Oil & gas production (million boe)	13.8	17.7
Oil transportation, Denmark (million bbl)	107	114
Revenue	5,556	4,346
EBITDA	3,499	2,692
EBIT	2,437	1,412
Investments	2,150	7,097

The Enoch field, which is on the border between Norway (20%) and the UK (80%), is now being developed, and production is expected to commence in 2007. DONG Energy has a share of just under 2%.

In order to extend the lives of the producing fields in Norway and Denmark, efforts are being made to increase oil and gas extraction and to improve operational efficiency on the platforms. In 2006, four wells were drilled on the producing fields.

To optimise earnings from the Siri field and the life of the field DONG Energy has continued efforts to reduce operating costs. The cost savings in 2006 are expected to place DONG Energy among the upper quartile of North Sea operators in terms of efficiency.

The Siri area is still estimated to have the potential to ensure further production in the future, thereby 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 production from the adjoining finds.

In connection with the agreements in 2005 to sell 60% of the licence PL274 (Oselvar) in the Norwegian sector of the North Sea, the Norwegian authorities approved the agreement with PA Resources Norway AS in 2006. The sale was recognised in 2006.

DONG Energy owns and operates the oil transportation system, which includes the Gorm E platform in the North Sea, the oil pipeline, a pump station at Filsø, and the crude oil terminal in Fredericia. In 2006, a total of 107 million barrels of crude oil were transported to the crude oil terminal in Fredericia compared with 114 million barrels in 2005.

Financial performance

Revenue amounted to DKK 5,556 million, up from DKK 4,346 million in 2005 due to higher prices, a lower adverse impact from price hedging in 2006 than in 2005, and income from sale of licences in 2006, which more than offset the decline in the volume produced.

EBIT was DKK 2,437 million, up from DKK 1,412 million in 2005, due primarily to the increase in revenue, which, however, was partially offset by increased production costs related to production-enhancing activities aimed at countering the decline in production from mature fields.

Capital expenditure totalled DKK 2,150 million compared with DKK 7,097 million in 2005, when capital expenditure was affected by the purchase price for Ormen Lange and the Langeled pipeline. Capital expenditure on expansion of the Ormen Lange gas field and the Langeled pipeline amounted to DKK 1,544 million in 2006.

Distribution is responsible for DONG Energy's electricity and gas distribution and gas storage in Denmark. DONG Energy's position is strong, especially in the densely populated metropolitan area.

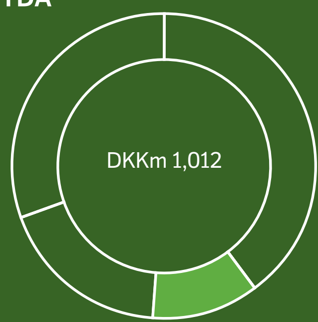
ELECTRICITY DISTRIBUTION

5,116 GWh

GAS DISTRIBUTION

912 million m^3

EBITDA



DISTRIBUTION
OF ELECTRICITY AND GAS

- Gas storage facility near Ll. Torup sold to Energinet.dk
- Burying of overhead lines in North Zealand well underway
- Cable boxes in Copenhagen being replaced by cable cabinets

Distribution serves approx. 956,000 customers with electricity and approx. 116,000 customers with natural gas in Denmark. Distribution also owns and operates a natural gas storage facility near Stenlille on Zealand.

Distribution of electricity

The efforts to make the electricity supply less vulnerable to hurricane and storm damage continued in 2006, when approx. 400 km of overhead lines were replaced by buried cables compared with approx. 225 km in 2005. The cable-laying commenced in 2003 with completion scheduled for 2012. The project comprises the replacement of a total of approx. 3,800 km of overhead lines by buried cables. Following the hurricane in January 2005, it was decided to accelerate the project. The new target is completion of the cable-laying by the end of 2009.

According to the programme, 750 km of overhead lines should have been buried in 2006, but this target was not met due to a shortage of labour in the construction sector. Cable-laying depends on adequate manpower resources, but it is expected that the remaining approx. 2,500 km of overhead lines will have been buried by the end of 2010.

In step with the cable-laying an optical fibre network is being established to enable DONG Energy to offer its customers access to 100 Mbit data connections.

In connection with the merger DONG Energy took over just under 3,000 cable boxes from Copenhagen Energy. The vast majority of the cable boxes were established in the 1950s and 1960s and constitute a safety risk. There have been ten fire or explosion incidents, two of them in 2006.

A project aimed at introducing temporary risk-reducing measures to the cable boxes was initiated in 2006. This will significantly alleviate the consequences of fire or explosion in the boxes. The project is given high priority and is proceeding to plan, with completion scheduled for 2007. The risk will not be completely eliminated until the boxes have been replaced with cable cabinets, which will require substantial manpower resources. The replacement with cable cabinets will be completed in the course of five years. The costs are expected to total approximately half a billion Danish kroner.

Income from electricity distribution is subject to an income cap set by the Danish Energy Regulatory Authority. The income cap was fixed based on budgets and transported volumes in 2004. Income depends, among other things, on transported volumes and a limit on the maximum return on the assets. From 2008, income may be affected by benchmarking requirements from the Danish Energy Regulatory Authority.

The six merged energy companies applied different practices with respect to the use of subcontractors. DONG Energy strives to have employees in-house for tasks that are fundamental to the fulfilment of the Group's objectives. On 2 January 2007, Distribution took over 37 employees from Eltel Networks. The relocated employees work with electricity meters, customer management and storage functions.

On 1 September 2006, DONG Energy co-founded the company PowerSense A/S, which is a spin-off of the Discos division from DONG Energy. PowerSense develops and manufactures Discos, a supervision and control system for installation and integration in utility companies' electricity distribution networks. DONG Energy installed the Discos system in a number of network transformer stations in 2006, and further installations are planned. DONG Energy's ownership interest in PowerSense amounts to 44%. The purpose of spinning off this activity was to provide the Discos product line with optimal conditions for growth.

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FACTS ABOUT DISTRIBUTION

- Approx. 956,000 customers in Denmark are being supplied with electricity from DONG Energy
- Geographically, the electricity customers are located in North Zealand, Copenhagen and Frederiksberg
- Approx. 116,000 customers in Denmark have natural gas delivered via DONG Energy's gas pipelines
- Geographically, the gas distribution covers southern Jutland and South and West Zealand
- DONG Energy is responsible for 401 million m^3 of natural gas storage capacity near Stenlille on Zealand. The gas is stored at a depth of approximately 1.5 km in water-bearing strata of porous sandstone encapsulated by a several hundred metres thick, gas-tight clay cover

Distribution of natural gas

In 2006, DONG Energy distributed natural gas to approx. 116,000 customers in southern Jutland and South and West Zealand via 6,442 km of gas pipelines. In 2006, DONG Energy transported 912 million m^3 of natural gas versus 978 million m^3 the previous year. The drop was due to lower sales to one large customer and the fact that fewer degree days were realised in 2006. Besides distribution, DONG Energy is responsible for the maintenance of the distribution network, meter installations and service lines.

The distribution network was expanded in 2006 and approx. 3,000 new customers were connected. Following the market opening in 2004 the consumers have had a free choice of natural gas supplier, but DONG Energy, as owner of the distribution network, remains the distribution company for customers switching supplier. During the year, 2,315 customers with an estimated consumption of 99 million m^3 changed supplier. The corresponding figures for 2005 were 409 customers with an estimated consumption of 30 million m^3.

Income from gas distribution is subject to an income cap fixed by the Danish Energy Regulatory Authority. The income cap allows for the costs of efficient operation and development of the distribution network, including a reasonable return on the invested capital, to be recovered through the tarrifs. In 2006, Distribution presented its first regulatory financial statements under the income cap for the 2005 calendar year.

Equal, non-discriminatory access to the transmission and distribution networks and storage facilities is an important criterion for competition in the Danish natural gas market. DONG Energy's distribution network and storage facilities are used by the Group's own companies as well as by competing companies. Employees and external consultants must therefore focus on preventing discrimination among users. In order to prevent discriminatory behaviour, a programme of internal monitoring

prepared on the basis of information meetings with the Danish Energy Regulatory Authority was adopted at the start of 2006. An annual report in which the programme and its implementation and control are described is published for each calendar year.

Storage of natural gas

In 2006, the storage activities were located at two facilities situated near Ll. Torup in Jutland and Stenlille on Zealand.

In connection with the European Commission's clearance of the merger of the energy companies the gas storage facility near Ll. Torup was put up for sale. In August 2006, an agreement on sale of the gas storage facility to Energinet.dk was entered into, creating two independent and competing gas storage operators in Denmark. The selling price for the gas storage facility near Ll. Torup was DKK 2.0 billion on a debt-free basis, with a possible further payment based on the value of the activities after 2030. The gain was calculated on a preliminary basis at DKK 1.0 billion after tax and was recognised in 2006. Energinet.dk's acquisition of the gas storage facility will be completed on 1 May 2007.

Both natural gas storage facilities were expanded in 2006 to accommodate a growing need for storage. The storage facility near Stenlille was expanded by 40 million m^3, taking its volume at the end of 2006 to 401 million m^3, equivalent to just under 10% of Denmark's annual gas consumption. The storage facility near Ll. Torup was also expanded by 40 million m^3 to 440 million m^3 in total.

At the end of 2006, there were eight buyers of storage capacity compared with six in 2005. In 2006, it was necessary, for the first time, to turn down requests for storage capacity, as the existing storage capacity was fully taken up.

In 2006, an online storage management system was developed, enabling the individual storage customer to nominate injections and withdrawals from the storage facilities and to trade storage capacity with the other storage customers. The system will be further developed in spring 2007 to enable it to handle two gas storage operators.

Financial highlights, Distribution

DKKm	2006	2005
Electricity distribution (GWh)	5,116	0
Gas distribution (million m^3)	912	978
Revenue	2,560	857
EBITDA	1,012	565
EBIT	467	161
Investments	758	99

DONG Energy is in compliance with the EU's Guidelines for Good TPA Practice for Storage System Operators (GPSSO).

Financial performance

Revenue was DKK 2,560 million compared with DKK 857 million in 2005. The acquired companies contributed DKK 1,720 million. Revenue from the gas activities was DKK 16 million down on 2005 due to lower distributed volumes and the disposal of the gas storage facility near Ll. Torup, which was only recognised up to and including 30 September 2006.

EBIT was DKK 467 million compared with DKK 161 million in 2005. The acquired companies accounted for DKK 215 million. EBIT from the gas activities was DKK 91 million ahead of 2005, partly reflecting the extraordinary sale in March of excess cushion gas, which generated a DKK 43 million gain, but also reflecting increased sales of storage capacity, tariff increases and the fact that, in 2005, EBIT was depressed by an impairment loss on a service line in the distribution network that was no longer in use.

Capital expenditure in 2006 amounted to DKK 758 million and related primarily to underground installation of cables in North Zealand and reinvestments in the electricity distribution network. Capital expenditure in 2006 also related to the expansion of the gas storage capacity near Stenlille.

Markets sells DONG Energy's electricity, natural gas and related products to more than one million customers in Denmark, Sweden, Germany and the Netherlands. The customers include residential customers, industrial customers, public sector customers and wholesale customers.

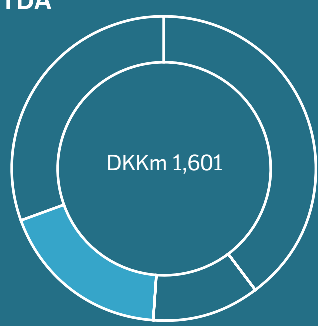
ELECTRICITY SALES

5,870 GWh

GAS SALES

8,202 million m³

EBITDA



MARKETS
SALE OF ELECTRICITY AND GAS

- Gazprom to supply gas to Denmark via Northern European pipeline
- Gas release auction satisfies EU requirements and secures supplies in foreign markets
- Major capital expenditure plan for roll-out of optical fibre network

With around one million customers, Markets is Denmark's largest supplier of electricity and gas.

The focus area is the Northern European market, where electricity, gas and related products are sold to customers in Denmark, Sweden, Germany and the Netherlands. As a natural extension of its sales activities, Markets offers service contracts, energy savings advice and financial products.

Markets includes DONG Energy's ownership of North Sea pipelines and the gas pipelines that connect Denmark with the European gas infrastructure.

Energy supply

Markets secures supplies through power and heat generation from the Generation segment, long-term purchase contracts with Danish and international partners and trading in the Northern European energy markets.

In 2006, DONG Energy purchased approx. 90% of its gas supplies from Shell, Mærsk and Chevron via the DUC contracts, supplementing these with gas purchases under long-term contracts from other energy companies and purchases from the Northern European gas hubs. The total portfolio of gas contracts consists of gas from the Danish, Norwegian and UK shelves and, from 2011, Russia, following the conclusion of an agreement with Gazprom in 2006.

Under the agreement with Gazprom, DONG Energy will receive gas deliveries at the Danish/German border for a 20-year period from 2011.

In addition, DONG Energy will begin supplying gas to the UK market through Gazprom's subsidiary, Gazprom Marketing and Trading, for a 15-year period from 2007 under a separate agreement. The natural gas will be transported through the approx. 1,200 km long pipeline that will connect the Ormen Lange gas field off the Norwegian coast with the UK from 2007.

DONG Energy held its first annual gas release auction in 2006, offering 400 million m^3 of natural gas, equivalent to approx. 10% of Denmark's total gas consumption. The auction is part of DONG Energy's commitment to the European Commission in connection with the latter's approval of the merged DONG Energy. The outcome of the auction was that DONG Energy sold the offered quantities in return for receiving corresponding deliveries of gas at hubs in the UK, Belgium and Germany.

Trading in the energy markets

Markets trades actively in the Northern European energy markets. The physical trading volume in 2006 amounted to 8,202 billion m^3 of gas and 5,870 GWh of electricity. The trading on electricity exchanges and gas hubs secures a balance between the supply sources and customer demand.

DONG Energy predominantly trades in physical and financial electricity, natural gas, coal, oil and CO_2 quotas. Gas trading takes place at trading hubs in the Netherlands, Belgium, Germany and the UK. In 2006, the trading activity in the German market was increased to support supplies to a number of German customers. On the UK gas hub, NBP, a significant increase in trading activities is being prepared to enable gas from the Ormen Lange field to be sold when it comes onshore at Easington in the UK in 2007.

Electricity is traded physically and financially and under short-term and long-term contracts on the Nordic Nord Pool exchange, the German EEX exchange and the Dutch APX exchange. It is also traded bilaterally with other energy companies and sales companies in Northern Europe. Like other Nordic electricity generators, DONG Energy sells its generated electricity on the exchange each day. Customer demand is covered by electricity purchases on the exchange.

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THE PRIMARY CUSTOMERS

- More than 110,000 Danish natural gas customers
- Approx. 820,000 residential electricity customers, mainly in Copenhagen and North Zealand
- 180,000 gas and electricity customers in the southern part of the Netherlands
- Approx. 60% of HNG Midt-Nord's consumption
- Gothenburg Energy and Rya Power Station in Sweden
- Wholesale and industrial customers in Northern Germany through the sales company E-Nord

The power stations' purchases of coal are hedged through trading of price hedging contracts in the international coal market. The costs of CO_2 in the short term and long term are hedged by trading in CO_2 in the European quota market, and are reduced by using the flexible mechanisms under the Kyoto Protocol, where CO_2 credits are secured through participation in projects in Eastern Europe and developing countries that benefit the environment and the climate. DONG Energy participates in a number of such projects together with other energy companies and the Danish authorities.

DONG Energy and the customers

In 2006, approx. 40% of the gas quantities were sold directly to end customers in Denmark and abroad, while the remaining gas quantities were sold on the Northern European gas hubs and to wholesale customers. Direct sales to end customers in Denmark amounted to 2,423 million m^3 in 2006, equivalent to a market share of approx. 59% compared with approx. 61% in 2005.

Electricity sales predominantly take place in Denmark, where DONG Energy has approx. 820,000 residential electricity customers, equivalent to a market share of approx. 30%. In the long term, the aim is to utilise the gas sales channels to supply customers outside Denmark with electricity, too.

In 2006, much effort went into securing continued efficient customer management based on the "one-stop shopping" principle. DONG Energy is working on being able to serve all customers as quickly as possible via a single customer system focused on the customers' possibilities for online self-service.

In the Swedish market, DONG Energy sells natural gas and related products to large industrial enterprises and small and medium-sized businesses. The Swedish natural gas network is only developed for supplying southwestern Sweden.

In Germany, DONG Energy targets supply and partnership concepts for regional distribution companies and large industrial customers through a sales subsidiary. Furthermore, DONG Energy owns 25.1% of the sales and distribution company Stadtwerke Lübeck, which distri-

butes and sells gas, electricity, water and heat to approx. 265,000 customers in the Lübeck area.

In the Dutch market, DONG Energy owns the sales company Intergas, which supplies gas, electricity and services to just under 180,000 customers in the Netherlands.

In June, DONG Energy and HNG Midt-Nord Salg signed a three-year agreement on natural gas supplies effective from 1 January 2007. The agreement replaces an earlier agreement of which the Danish Competition Authority had expressed concerns as a consequence of DONG Energy's status as sole supplier. The new agreement comprises approx. 60% of HNG Midt-Nord Salg's current natural gas sales, while the company's remaining gas needs will be covered by other suppliers. HNG Midt-Nord Salg has 235,000 natural gas customers, equivalent to just under 2/3 of the Danish natural gas consumers, and sells approx. 800 million m^3 of natural gas per year.

DONG Energy sells a range of services in addition to natural gas and electricity, including price monitoring, electrical services, service contracts and energy advice. Customers can also obtain help for emergency power systems, maintenance of heat plants and all-in solutions for all types of outdoor lighting. In 2006, DONG Energy adopted a major capital expenditure plan for roll-out of the optical fibre network. The optical fibre network will give customers access to 100 Mbit connections. In 2006, sales of service plans to the residential and industrial markets increased, and additional agreements were signed with independent plumbing and heating companies.

DONG Energy makes increasing use of partnerships as a sales channel, and made positive developments in sales of natural gas, electricity and oil via partners in 2006. At the end of the year, a comprehensive partnership agreement was entered into with the new large municipality of Rudersdal on outsourcing of the municipality's energy purchases to DONG Energy, upgrading of outdoor lighting and establishment of an optical fibre network.

In February 2007, Wingas and DONG Energy signed a gas swap agreement under which DONG Energy is to deliver 5 billion m^3 of gas to Wingas in the UK against receiving corresponding deliveries in Northern Germany. In addition, DONG Energy and Wintershall Erdgas Handelshaus have concluded an agreement on gas deliveries in Germany.

Financial highlights, Markets

DKKm	2006	2005
Electricity sales (GWh)	5,870	771
Natural gas sales (million m^3)	8,202	8,241
Revenue	24,115	13,885
EBITDA	1,601	2,921
EBIT	1,217	2,582
Investments	530	1,919

Financial performance

Revenue amounted to DKK 24,115 million compared with DKK 13,885 million in 2005. Excluding revenue from the acquired companies, the increase was DKK 5,391 million. The increase was due primarily to higher selling prices and a positive time lag effect.

EBIT was DKK 1,217 million compared with DKK 2,582 million in 2005. EBIT was depressed by a non-recurring charge of DKK 2,185 million relating to the termination of intragroup agreements. Excluding non-recurring income and acquired companies, EBIT was DKK 729 million ahead of 2005, reflecting higher selling prices. A lower positive time lag effect than in 2005 was offset by the positive effect of gas purchase allocation (purchases from proportionately less costly purchase contracts).

Capital expenditure in 2006 amounted to DKK 530 million and related primarily to IT and the underground installation of an optical fibre network in North Zealand and the metropolitan area. In addition, a major expansion of the property facilities in Vangede was undertaken. Capital expenditure in 2005 related primarily to the acquisition of the stake in Ormen Lange, the setting up of a partnership with Stadtwerke Lübeck Holding GmbH as part of which a 25.1% ownership interest in Stadtwerke Lübeck GmbH was acquired, and the acquisition of Intergas Levering B.V.

EMPLOYEES
FOCUS ON INTEGRATION

- Integration of employees from the six energy companies
- Priority on development of skills and management development
- Harmonisation of employment conditions well underway

DONG Energy employed 4,585 people at the end of 2006. The Group places emphasis on making DONG Energy an attractive workplace where the employees are committed and develop their skills.

Integration

The key focus area within HR in 2006 was the integration of the six energy companies. From the outset, emphasis was placed on involving the employees in the integration process. As early as 2005, an integration secretariat with representatives from the six companies was set up. The secretariat was charged with coordinating and preparing the tasks related to the integration.

In order to create a common reference framework, the first of a total of nine "integration employee magazines" was distributed in June 2005, and a joint intranet was established in November 2005. Via these media, all employees were kept informed of the merger and the integration process until 1 July 2006, when the merger became a reality.

In spring 2007, the first employee satisfaction survey among all employees will be conducted.

The merger resulted in just under 1,000 employees in Denmark moving workplace and a further approx. 500 moving within their existing workplace.

Common values and employment conditions

As early as August 2005, the integration secretariat mapped the six companies' corporate cultures with a view to forming the basis for a common set of values for the new energy company.

DONG Energy's three core values are results-oriented, responsible and responsive. "Results-oriented" underpins an efficient business operation that is focused on creating value for the customers and the owners. "Responsible" is reflected in consideration for the environment and markets as well as focus on employee safety and wellbeing. "Responsive" is reflected in openness and dialogue, coupled with knowledge sharing internally and externally. This set of values forms an integral part of the annual performance appraisals at which employees and managers evaluate the extent to which the values have been applied in the solution of tasks.

In autumn 2006, a process of harmonisation of the general employment conditions in DONG Energy was initiated.

Skills development

DONG Energy focuses strongly on developing skills within procurement, production, distribution and trading in energy. This applies both internally and externally among students and researchers.

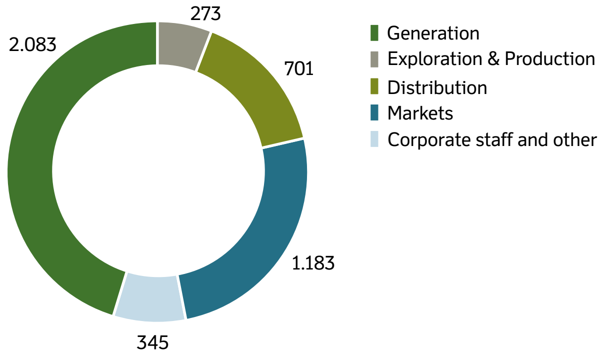
DONG Energy contributes to targeting research projects within energy technology and is involved in about 40 Ph.D projects. Moreover, specialists often make themselves available to students writing bachelor projects or theses on practical problems in DONG Energy. Participation in career fairs and guest lectures at universities are another important part of the contact face with students.

Geologists and engineers are important skills within oil and gas exploration and development of new production methods to enhance extraction. Competent energy technology engineers are also vital to enable the continued construction and operation of efficient power stations and to hold the leading position as one of the world's largest operators of offshore wind farms. A group of employees is participating in the EU CASTOR project, which is investigating the possibility for using the recaptured CO_2 from power stations for injection into oil fields, optimising the oil extraction.

Trading in energy products on the Northern European energy exchanges and optimisation within purchasing and sale of energy call for competent employees with an educational background within business and economics. Practical knowledge of the energy markets is built up via courses and on-the-job training.

Good customer service requires responsive employees with good communications skills. A high standard of customer service is also paramount within the distribution network, and it is therefore important to have good technicians, electricians, fitters, etc., that are able to solve problems within a short time when customers experience a loss of supply.

Employees by segment



The employees' wishes for training are met to a large extent, at all levels of the organisation, by both internal training and external courses.

Management development

In 2006, management development was in focus, with the start-up of two different programmes. As a consequence of the merger, the management structure was aligned to the new organisation, and in that connection a management development programme was introduced. This programme is aimed at the top 200 managers, and the purpose is to develop personal leadership skills and to strengthen the interorganisational network.

The second programme is aimed at the Group's young employees. Twice a year, 20 talents are selected for a development programme comprising business skills, management philosophy, personal development, etc. The programme includes self-study, individual training, and coaching with colleagues and own manager. The development programme takes place over eight months and ends with a presentation and evaluation of a project chosen in collaboration with the participant's manager.

ENVIRONMENT AND SAFETY

- Focus on reduction of CO_2 emissions
- Action plan aimed at improving safety
- Implementation of common guidelines well underway

Environment and safety is an integrated action area in DONG Energy. Following the formation of DONG Energy in 2006 a common policy, strategy and guidelines have been adopted for quality, health, safety and environment. Implementation has commenced in the individual segments and will be completed during the coming years.

Quality, health, safety and environment policies are based on international standards for quality (ISO 9001), occupational health and safety (OHSAS 18001) and environment (ISO 14001). The use of management systems is plant and function-specific. In general, producing plants such as all central power stations have environmental and occupational health and safety certification.

In 2006, DONG Energy became a signatory to the UN initiative to promote responsible corporate citizenship – the Global Compact. In continuation of this initiative, DONG Energy has prepared a corporate responsibility report for 2006. The report includes the Group's environmental and occupational health and safety work as well as additional environmental and other data. Reference is made to the corporate responsibility report, which is also available on www.dongenergy.com. Here, the statutory environmental accounts for the individual reporting plants can also be viewed.

Environmental and safety data are mainly computed as pro forma figures, i.e. data comprising twelve months for all activities owned by DONG Energy at 31 December 2006 - even where the activities have only been owned for part of the year. The presented data are subject to some uncertainty as there were no uniform guidelines for reporting environmental and safety data due to the different calculation methods across the segments.

Greenhouse gases and climate impact

Generation of power and heat based on fossil fuels such as coal, natural gas and oil results in emissions of the greenhouse gas CO_2, which is instrumental in global waming. CO_2 emissions from power and heat generation constitute 99% of DONG Energy's total CO_2 emissions. The remainder is accounted for by oil and gas production in the North Sea and other activities.

DONG Energy has 29 plants that are subject to the Danish Act on CO_2 Quotas. The CO_2 emissions from these plants are verified separately by an independent certification body and constituted 99% of DONG Energy's total CO_2 emissions in 2006. The CO_2 emissions jointly exceeded the allocated CO_2 quotas, which was compensated for through acquisition of CO_2 quotas.

Besides CO_2, a number of other greenhouse gases are emitted that jointly account for less than 1% of the total greenhouse gas impact. DONG Energy is working on several fronts to reduce CO_2 emissions from the power stations' energy production. The main action areas are:

- enhanced energy efficiency at the power stations
- increased flexibility in the choice of fuels, including co-combustion of CO_2-neutral fuels such as certain types of waste
- research into minimisation of the environmental impact from thermal production by CO_2 capture and storage

Other atmospheric emissions

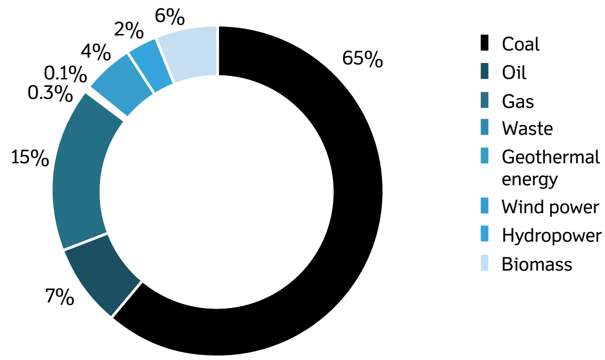
Besides CO_2, energy production generates other emissions to the atmosphere such as nitrogen oxides (NOx), sulphur dioxide (SO_2), particulate matter and volatile organic compounds (VOCs).

The NOx emissions come primarily from the power stations' flue gases. In 2006, DONG Energy's NOx emissions totalled 25,311 tonnes. NOx emissions from power stations were reduced by, on average, 19% per GJ fuel consumption from 2006 to 2005 through specific reductions, planning and optimisation. The principal source of SO_2 emissions is combustion of sulphurous coal and oil. DONG Energy's SO_2 emissions were 6,625 tonnes in 2006. Desulphurisation systems have been installed at the vast majority of DONG Energy's coal-fired power stations. When operating optimally, the desulphurisation systems remove 80-99% of the sulphur dioxide contained in the power stations' flue gases. Power station emissions also include particulate matter and trace elements. These emissions are regulated through requirements in the individual stations' environmental permits.

Emissions of greenhouse gases

CO_2 equivalents (tonnes)	2006
CO_2	18,188,172
N_2O	68,949
CH_4	64,222
Others	41,035
Total	18,362,378

Fuel consumption for power and heat generation in 2006



In 2006, DONG Energy embarked on a project aimed at reducing emissions of volatile organic compounds from oil tanks and loading ships at the crude oil terminal in Fredericia. The project comprises installation of a degasification system and is scheduled for completion in 2008. The system is expected to reduce total emissions of volatile organic compounds by approx. 70%.

Discharge of oil to sea

On extraction of oil and gas from offshore oil and gas fields, oil-containing water is also produced. Most of the oil is separated from the produced water on the platform. The produced water is subsequently reinjected into reservoirs or discharged to sea. The produced water still contains oil residue following separation and it is therefore more environment-friendly to reinject it into reservoirs, protecting the marine environment from oil discharges.

In 2006, a total of 26 tonnes of oil dissolved in approx. one million tonnes of produced water were discharged from DONG Energy's oil and gas fields. The figure includes the proportionate ownership interests in fields where DONG Energy is not the operator. In 2005, 27 tonnes were discharged.

DONG Energy focuses extensively on minimising discharges of oil. The Siri production platform, which is the largest platform operated by DONG Energy, has a very high reinjection rate of produced water compared with other offshore platforms. In 2006, 77% of the produced water from Siri was reinjected, while the European and global averages for 2005 were 15% and 10%, respectively DONG Energy aims to reinject more than 90% of the produced water.

Chemicals

DONG Energy uses chemicals for oil and gas production, offshore drilling operations and wastewater treatment and flue gas treatment at the power stations. All chemicals are recorded and assessed in relation to environmental, health and safety impact before they are used, and DONG Energy works systematically on substituting the chemicals that have the greatest environmental, health and safety impact.

Safety

In 2006, DONG Energy recorded 298 accidents: 167 among the Group's own employees and 131 among suppliers' employees working within DONG Energy's installations and areas. 99 of these were lost time accidents, equivalent to 10.3 lost time accidents per one million hours worked. The number of lost time accidents per one million hours worked was lower in 2006 than the average accident rate in Danish water, heat, gas and electricity supply companies, but higher than the rates among the leading European energy companies. An action plan aimed at improving employee safety has therefore been drawn up. For the Group as a whole, the aim is for the lost time accident frequency rate per one million hours worked to be reduced to max. 8.3 by the end of 2007.

Everyone carrying out work for DONG Energy must be instructed in local conditions and safety regulations. DONG Energy prefers working with business partners with sound and systematic health and safety procedures.

RISK MANAGEMENT

DONG Energy's activities, financial position, results and future growth are affected by a number of non-financial and financial commercial risks. DONG Energy 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 Energy's activities.

Formalised risk management is divided into management of general commercial risks, management of financial risks, and management of insurable risks. Commercial risks are defined as events that may with a certain probability have an adverse impact on the realisation of financial results or strategy.

In recent years, the business strategy has focused on creating an energy company comprising both electricity and gas supply. In Exploration & Production, this has manifested itself as a change of focus from oil to gas. A major step was taken with the acquisition of the stake in the Ormen Lange field. The integration of the acquired electricity companies has also given DONG Energy a precense across the electricity and gas value chain, i.e. the generation, distribution and sales links. This allows for the spreading of risk across activities and for various types of natural hedging.

Non-financial risks

The management of commercial risks is anchored in the individual segments and consolidated at corporate level through the close monitoring of the 20 largest risks. The identified commercial risks cover a wide range of risks, including market, physical safety and environmental scenarios. The main commercial risks are described below. In addition to these risks DONG Energy is or may become involved in litigation or arbitration proceedings the outcome of which may impact on its financial position.

CO_2 quota allocation

The Government's plan for allocation of CO_2 quotas means that the power generation from DONG Energy's central power stations will be allocated about 30% fewer quotas in the period 2008-12 than in 2005-07. This will have an adverse impact on competitiveness, as DONG Energy's competitors outside Denmark are subject to more lenient rules.

DONG Energy actively seeks to reduce CO_2 emissions. For example, DONG Energy's power stations are among the most efficient in the world in terms of energy efficiency. DONG Energy is examining the possibility of injecting CO_2 into the ground, and is constructing and operating wind turbines and using biomass for power and heat generation.

Long-term gas procurement

As gas resources in the Danish sector of the North Sea decline, DONG Energy focuses on procuring gas by entering into new long-term gas contracts and through owning new gas production. As an example of such new

agreements, a 20-year gas supply agreement was signed with Gazprom in June 2006. The acquisition of the stake in the Ormen Lange field and the expected development of the West of Shetland area are examples of increased gas production.

In order to secure future gas supplies to Denmark, DONG Energy is looking into various possibilities for establishing new gas infrastructure to Denmark.

Ormen Lange

With the acquisition of the stake in Ormen Lange, DONG Energy made a significant investment that will not produce a return until the field goes on stream, probably in the fourth quarter of 2007. Due to the size of the investment delayed start-up would have an adverse financial impact. However, the probability of serious problems on this project is considered to be low, as the project is well advanced. The project was 91% complete at the end of 2006.

Technical problems on offshore wind turbines

The establishment of wind farms is an important element in DONG Energy's strategy to reduce CO_2 emissions. A significant part of the future wind turbines are expected to be established offshore. It is generally more costly to correct faults in offshore wind turbines than in onshore wind turbines. The greatest risk is the risk of batch faults in the offshore wind turbines, where the same faults are carried over into several turbines, for example as a result of a defective component or unforeseen wear. Much attention is consequently being paid to the purchase of well-proven technology and to the purchase of prototype turbines prior to major investments in specific turbine models. However, because offshore wind turbine technology is still in its infancy, turbines that have been tested for a full service life are not yet available. Possibilities for taking out additional insurance to cover this risk are being explored on a regular basis.

Integration risk

The integration of the six companies is well underway. The work on migrating Copenhagen Energy's electricity customers to Nesa's systems, the establishment of a joint SAP system for Energi E2 and Elsam, a joint trading department, etc., are just a few examples of ongoing projects.

There will always be a risk of such an integration running into problems, for example in relation to integration of IT systems, business processes, etc. All integration projects are being closely monitored, and much emphasis has been placed on "safety first" in the planning of the integration.

Regulatory risks

Activities that are subject to regulation by the Danish Energy Regulatory Authority or similar authorities abroad account for a part of DONG Energy's income. The development of regulation in Denmark and abroad thus has a considerable impact on DONG Energy's commercial opportunities. DONG Energy therefore invests considerable resources in continuously keeping abreast of the development in market regulation and regulatory issues. In addition, where required by the authorities, DONG Energy operates with strict separation of segments in various areas to prevent exchange of confidential information between regulated and non-regulated activities.

Retention and development of skills

DONG Energy's business is generally highly complex, requiring special skills. Coupled with the growing demand for talent, this increases the challenge of attracting and retaining employees.

DONG Energy places much emphasis on making the company an attractive workplace, and various initiatives have been put in motion to this end. These include management development, skills development, performance systems, nurturing talent, and collaboration with educational institutions.

Personal safety

The work at DONG Energy's installations includes handling of high pressures and temperatures as well as heavy lifting. Failure to pay attention, a poor safety culture, poor maintenance and failure to comply with safety procedures can lead to serious accidents.

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DONG Energy has a centralised corporate quality, health, safety and environment department which, in collaboration with the segments, coordinates policies in developing the right safety culture and monitors safety performance. The work on quality, health, safety and environment is an integral part of the segments' day-to-day work, and employee resources within quality, health, safety and environment are directly attached to the operative units. DONG Energy regularly holds safety courses and stages safety campaigns.

Financial risks

DONG Energy's operations involve a number of financial risks, and management of these is an important focus area. The purpose of risk management is to ensure an optimal balance between investment and return. Because of its strategic focus on building up cutting-edge risk management skills, DONG Energy is today able to offer a number of sophisticated commercial products that are all aimed at reducing the price risk for the customers. DONG Energy 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 Energy's policy to identify and assess all material financial risks with a view to their inclusion in the overall risk management policy. To this end, the management of all financial and insurable risks is anchored and gathered centrally in a finance and risk management function at corporate level. To this should be added the establishment of an interorganisational Risk Committee with special focus on market price and credit risks.

DONG Energy's current risk policy is based on active hedging of the market prices that affect its earnings. As part of its risk policy, DONG Energy actively manages market price risks up to five years ahead by concluding financial hedging contracts with a view to reducing the risk of losses. DONG Energy uses financial hedging instruments solely with a view to reducing its financial exposure. In the primary trading activities, DONG Energy takes, to a limited extent, active positions within selected energy risks. The positions are actively monitored with fixed authority limits, daily reporting and risk follow-up.

DONG Energy's earnings are influenced, to a great extent, by the development in a number of market prices, especially oil prices, electricity prices, gas prices, coal prices, CO_2 prices and USD exchange rates. These risks are hedged using forwards, swaps and various option instruments.

DONG Energy's operating profit may fluctuate considerably from year to year as a result of the development in prices. Particularly the time lag effect that arises as a consequence of the price of oil and the USD exchange rate featuring with different time lags in DONG Energy's natural gas purchase and sales contracts may affect the operating result from one year to the next. 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 17 months. For example, a change in the price of oil and/or the USD exchange rate in January may thus affect DONG Energy'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 and gas price risks

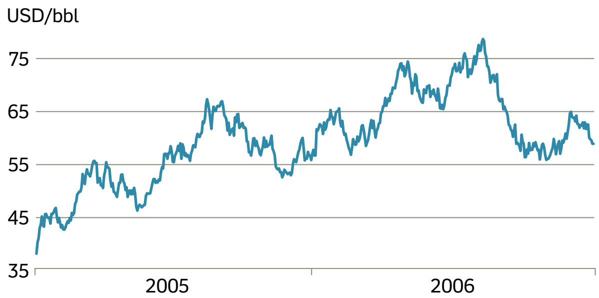
DONG Energy's oil and gas price risks relate primarily to equity oil and gas and differences in the indexing of purchase and selling prices for natural gas. DONG Energy's exposure is partly in crude oil and gas, and partly in various other oil types such as fuel oil and gas oil. Gas price risks relate primarily to the exposure from the Ormen Lange field's coming equity production. This exposure will be hedged as the production volume becomes certain. The company engages in hedging activities in the underlying oil types to reduce the risk of price fluctuations between the various types of oil. DONG Energy primarily hedges the oil price risk by buying put options and by forward sale contracts of oil. At the end of 2006, approx. 40% of the expected oil and gas price risk for the coming five years had been hedged, primarily by acquisition of options at a level corresponding to a crude oil price of USD 30-50/bbl.

Green Dark Spread / Green Spark Spread

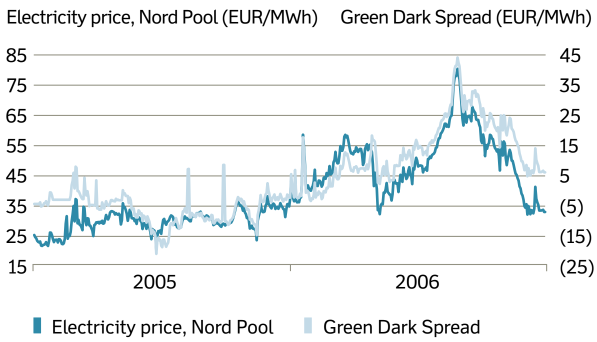
Production from power stations is primarily exposed to the electricity, coal (including freight) and CO_2 prices. The difference between these three factors in the production of one MWh is called the Green Dark Spread. Green Spark Spread is when natural gas is used instead of coal.

In order to actively reduce this risk, DONG Energy pursues a price hedging strategy that hedges the components in the Green Dark Spread in the ratio required to produce one MWh, ensuring a more stable financial result. At the end of 2006, DONG Energy had financially hedged approx. 55% of its commercial electricity exposure for 2007.

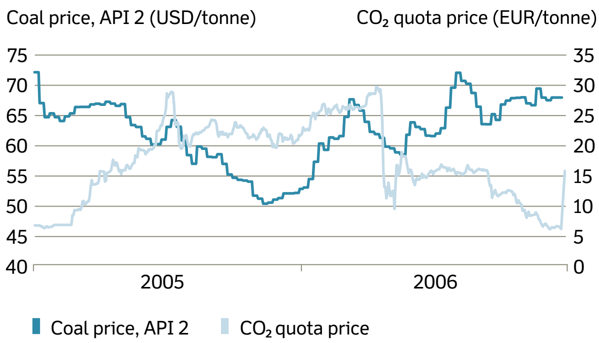
Development in oil price



Development in electricity price and Green Dark Spread



Development in coal and CO_2



The price development in the Nordic electricity market is determined predominantly by the hydro balance. The hydro balance is a measure of the current snow and water quantities in the Norwegian and Swedish reservoirs compared with what is normal for the particular time of year.

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The Danish price areas are part of the Northern European market for wholesale electricity, and there is a clear price connection between these markets. There may, however, be major price differences during individual hours, and in such situations Denmark becomes a transit area between Germany and the Nordic countries.

DONG Energy is thus primarily exposed to the development in electricity prices in the Danish price area, but part of the hedging of this risk is against other price areas, including system prices in the Nordic countries.

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; however, the purchase of USD-based coal provides a considerable natural hedge.

DONG Energy primarily hedges its currency exposure by using forwards and currency swaps and, to a lesser extent, options. In accordance with DONG Energy's policy for currency risks, the commercial exposure has been considerably reduced for the coming five years.

Interest rate risks

DONG Energy's interest rate risks relate primarily to its loan portfolio, cash and financial hedging contracts. These risks are managed in relation to DONG Energy's net financing requirement and capital structure. To reduce its exposure to increases in interest rates, DONG Energy's loan portfolio consists, to a great extent, of fixed-rate loans.

At the end of 2006, the net interest rate risk, excluding the hybrid capital issued, was calculated as a positive DKK 575 million change in the market value of interest-bearing items in the event of a one percentage point interest rate increase.

Credit risks

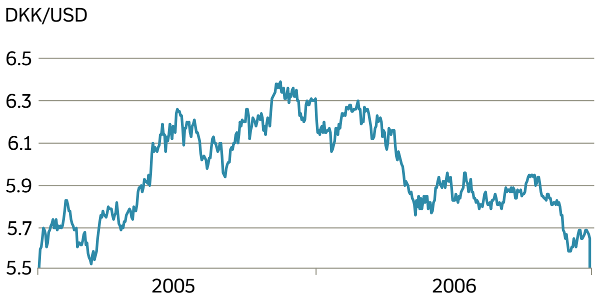
Credit risks arise partly from electricity and gas sales, and partly from market value trends for financial and physical transactions based on fixed or indexed prices.

In connection with the liberalisation of the energy market, the scope of energy trading under financial contracts based on fixed or indexed prices has grown. In addition there has been an increase in the deposits with banks and in currency and interest rate transactions. Against this background credit risk management is very much a focus area. Credit risk is managed through internal counterparty credit lines along with structured monitoring on the actual exposure. Credit lines are determined on the basis of the counter-party's credit rating, typically by reference to credit ratings from external rating agencies.

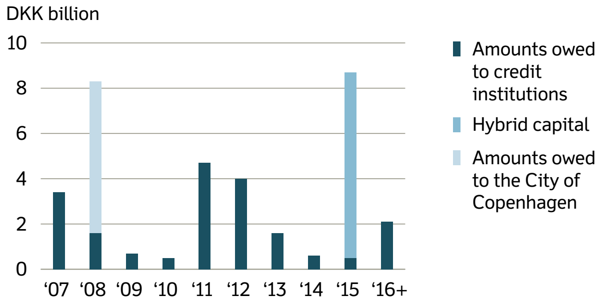
Financing and capital resources

One of the main financial management responsibilities is to secure sufficient, flexible financial resources for the

Development in USD exchange rate



Maturity profile



day-to-day operations and for the implementation of DONG Energy's strategy. To this end, internal management objectives have been established for the required level of financial resources, taking into account factors such as DONG Energy's debt maturity profile.

At the end of 2006, the cash resources consisted of:

- cash and cash equivalents, DKK 9.0 billion
- committed operating credit, DKK 17.3 billion
- committed undrawn loans, DKK 1.5 billion

To this should be added non-committed operating credit. The substantial cash resources and the volume of committed credit facilities are expected to be reduced considerably in 2007.

The Group's total interest-bearing debt stood at DKK 27.8 billion at the end of 2006 (excluding hybrid capital of DKK 8.2 billion). At the end of 2006, the average remaining term was approx. 3.5 years (excluding hybrid capital). With a view to managing DONG Energy's own credit profile, new financing is raised by the parent company and then allocated to the individual segments in the form of intragroup loans and equity.

DONG Energy has been rated by Moody's and Standard & Poor's. The issuer ratings at the end of 2006 were Baa1 (senior bond) and Baa3 (hybrid security) Positive Outlook (Moody's Investor Service) and BBB+ Positive Outlook (Standard & Poor's).

Insurable risks

In connection with the establishment of DONG Energy, a mapping of risks associated with DONG Energy's assets and activities was undertaken with a view to identifying any potential claims scenarios and evaluating the potential costs for each of these claims scenarios. Property insurance and liability insurance have been taken out based on the identified claims scenarios.

DONG Energy has an extensive insurance programme for properties and liabilities, while the scope of consequential loss insurance is very limited. To this should be added the fact that separate insurance is taken out for some large construction projects such as the Ormen Lange project in Exploration & Production.

A substantial part of the property insurance cover follows from membership of the reinsurance company OIL Insurance Ltd. Through this membership assets up to USD 250 million are covered, with an excess of USD 5 million. With a view to achieving adequate cover for a number of large assets, this cover has been supplemented by a number of supplementary insurance policies through Lloyd's of London and others.

As part of the optimisation of the insurance portfolio, a captive, DONG Energy Insurance A/S, has been established that is authorised to carry on insurance business and is subject to supervision by the Danish Financial Supervisory Authority. DONG Energy Insurance A/S has been used in relation to providing insurance coverage for property and certain construction projects.

CORPORATE GOVERNANCE

DONG Energy is a public limited company with the Danish State as principal shareholder. The State was the sole shareholder until the merger with Elsam, Energi E2, Nesa and the electricity arms of the City of Copenhagen and Frederiksberg Municipality. On 19 April 2006, a number of former Elsam and Energi E2 shareholders elected to exchange their respective shares for shares in DONG Energy, reducing the State's ownership interest to approx. 73%. The former shareholders in Elsam hold approx. 16% of the shares, and SEAS-NVE Holding holds approx. 11%.

The shareholders 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'.

A new shareholders' agreement was entered into in spring 2006, partly with a view to governing:

- the acceptance of Elsam's shareholders and members of the SEAS-NVE Group as shareholders of DONG Energy
- the parties' mutual rights and obligations as shareholders until such time as the company is listed
- the framework for implementation of the IPO

The Supervisory Board and Executive Board are two separate entities and do not have any 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.

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

DONG Energy complies with the latest revised recommendations from the Copenhagen Stock Exchange (October 2005). The recommendations must be applied using a "comply-or-explain" principle, which means that the company must either comply with them or explain why they are not being complied with in full or in part .

The recommendations are intended for listed companies. DONG Energy is not a listed company, but essentially operates as such. The intention is to list DONG Energy's shares on the Copenhagen Stock Exchange in the second half of 2007, market conditions permitting. DONG Energy has been complying with the Copenhagen Stock Exchange's recommendations since 2005; however, as a result of DONG Energy's current ownership structure not all are deemed to be relevant.

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

- 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 at large Danish and foreign companies with a broad range of areas of activity, including in areas directly related to DONG Energy's segments. 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
- 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
- As a result of changes in the composition of the Supervisory Board a decision was made in 2006 to postpone until a later time the Supervisory Board's self-assessment and its evaluation of the Executive Board's work and results, including how the collabora-

tion between the Supervisory Board and the Executive Board has functioned

- As a consequence of the fact that DONG Energy is not listed and only has a limited number of shareholders, the following recommendations are not relevant:

– 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 Supervisory Board has established a communications policy according to which credibility, clarity and precision are critical to ensure understanding and acceptance of DONG Energy's activities and products by the public. This is the basis upon which DONG Energy performs its activities, thereby creating value for the Group, the owners and society. Information about the Group's activities is therefore communicated systematically. The public is informed via the website dongenergy.com, press releases, Stock Exchange announcements and notices to the Danish Commerce and Companies Agency. DONG Energy regularly holds investor meetings for financial investors.

In accordance with Danish Ministry of Finance guidelines, DONG Energy's financial reporting follows the provisions for listed companies and is presented in accordance with IFRS as adopted by the EU. A corporate responsibility report will be prepared for 2006 for the first time. In addition, statutory environmental accounts will be prepared. The publications will be available on the website www.dongenergy.com.

General meetings
General meetings must be convened with not less than two weeks' notice in accordance with the Articles of Association - or eight days in the case of Extraordinary General Meetings. The agenda and the complete set of 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; auditors appointed; a chairman, deputy chairman and other members of the Supervisory Board elected; and the Supervisory Board's remuneration determined.

The Articles of Association were amended at the Annual General Meeting in 2006 to reflect the company's change of name, registered office, objectives, share capital and the number of Supervisory Board members. The share capital was increased at the request of the State by subscription to new shares by shareholders in Elsam and SEAS-NVE, formerly a shareholder in Energi E2, in exchange for their respective shares in Elsam and Energi E2.

Composition of Supervisory Board
The composition of the Supervisory Board has been aligned to the new Group. The Supervisory Board has thus been enlarged by two members, consisting of 11 members at the end of 2006. Eight of these were elected by the shareholders at the Annual General Meeting and three were elected by the employees. According to the Articles of Association, the Supervisory Board must consist of eight members elected by the shareholders in general meeting. Two of the members elected by the shareholders in general meeting must be appointed pursuant to a provisional shareholders' agreement between DONG Energy's shareholders by SEAS-NVE and the former shareholders of Elsam, respectively. None of the Supervisory Board members elected by the shareholders in general meeting have had any association with DONG Energy other than as Supervisory Board members in companies that are now part of the DONG Energy Group, and as residential customers on standard terms, either in previous years or in the current year.

All Supervisory Board members elected by the shareholders in general meeting stand down at the Annual General Meeting each year and may be re-elected.

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

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elected by the shareholders in general meeting. Because the number of Supervisory Board members elected by the shareholders in general meeting has increased, four employee representatives must be elected to replace the existing three. In view of the work that remains in connection with the merger, the election of employee representatives has been postponed to 2007. Supervisory Board members elected by the employees are elected for four-year terms and have the same rights, duties and responsibilities as Supervisory Board members elected by the shareholders in general meeting.

Biographical details of the members of the Supervisory Board are given at the end of the annual report.

The Supervisory Board's duties and responsibilities
DONG Energy's overall objectives and strategy are determined by the Supervisory Board, which is also responsible for appointing a competent Executive Board. Furthermore the Supervisory Board is 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. The rules of procedure were modified in May 2006 in connection with the establishment of DONG Energy.

The Supervisory Board held nine meetings in 2006, all of which were ordinary meetings.

Executive Board
The Executive Board is responsible for the day-to-day management of the company and consisted of seven persons at the end of 2006. Lars Clausen joined the Executive Board on 1 January 2007. Torkild Bentzen and Poul Lind both elected to step down from the Executive Board at the end of the year. The CEO, Anders Eldrup, is registered with the Danish Commerce and Companies Agency as member of the Executive Board of DONG Energy. In January 2007, CFO Carsten Krogsgaard Thomsen was also registered as member of the Executive Board of DONG Energy.

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.

Biographical details of the members of the Executive Board are given at the end of the annual report.

Remuneration of the Supervisory Board and the Executive Board
The main responsibility of DONG Energy's Remuneration Committee is to evaluate and prepare recommendations to the Supervisory Board in the following areas:

- salary, bonus and other terms of service for the Executive Board, and principles for salary, bonus and other terms of service for senior executives reporting to members of the Executive Board
- any other issues relating to salary conditions 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 Annual General Meeting

Breakdown of remuneration in 2006

DKK 1,000	Salary	Pension	Max. performance bonus 1)
Chairman of the Supervisory Board	338		
Deputy chairman of the Supervisory Board	219		
Other members of the Supervisory Board 2)	1,231		
Chairman of the Audit Committee	38		
Other members of the Audit Committee 2)	56		
Chairman of the Remuneration Committee	38		
Other members of the Remuneration Committee	19		
Executive Board	16,122	1,137	3,009
- including CEO	4,092	0	500

1) Of this amount, DKK 2.5 million had not been paid at 31 December
2) Equally distributed

The committee consists of the Chairman of DONG Energy's Supervisory Board, Fritz H. Schur, who also chairs the committee, and the Deputy Chairman of the Board, Lars Nørby Johansen. The Remuneration Committee held four meetings in 2006. DONG Energy's remuneration policy is based on a desire to attract, retain and motivate the members of the Supervisory Board and the Executive Board. It is therefore the aim that remuneration should be set at a competitive level at all times.

In 2006, the Supervisory Board received fixed remuneration totalling DKK 1.9 million compared to DKK 2.1 million in 2005. The Executive Board's remuneration is fixed by the Supervisory Board. In 2006, the Executive Board received DKK 16.1 million in fixed remuneration and DKK 1.1 million in pension. This included the CEO's remuneration, which amounted to DKK 4.1 million, including pension.

In addition to their fixed remuneration, the members of the Executive Board received a performance-based bonus and a retention bonus of DKK 6.3 million in 2006 relating to 2005, including DKK 1.7 million to the CEO.

The performance-based bonus for the entire Executive Board for 2006 cannot exceed DKK 3.0 million. Most of this bonus will be fixed and payable in 2007. DONG Energy 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.

Audit matters

In the summer of 2006, the Supervisory Board appointed an Audit Committee consisting of the Supervisory Board members Lars Nørby Johansen (chairman), Asbjørn Larsen, Svend Sigaard and Jens Kampmann. The committee held four meetings in 2006. The primary function of the Audit Committee is to support the Supervisory Board in its supervision of:

- the integrity of the company's annual report, financial reporting and internal accounting and financial control systems
- the conclusion of engagement agreements with the external auditors and evaluation of the external auditors' qualifications and independence
- the company's compliance with statutory and official requirements relating to the company's annual report and financial reporting and internal control systems, including the company's control procedures relating to publication
- the discussion and planning of audit work with the external auditors and evaluation of the work performed by them
- the overseight of matters related to the risk policy determined by the Supervisory Board for financial and commercial risks

In the autumn of 2006, the Audit Committee established a whistleblower policy that enables both employees and external individuals to contact the Audit Committee anonymously if they suspect questionable practices in connection with accounts, financial reporting, internal controls or auditing practices.

Risk management and internal control

DONG Energy continually seeks to identify risk factors that could impact adversely on the Group's activities, financial position and results. The Supervisory Board evaluates the company's risk management at least once a year on the basis of the Executive Board's recommendations.

Day-to-day risk management is performed by DONG Energy's internal Risk 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 Committee prepares and plans appropriate internal controls. The Risk Committee reports regularly to the Supervisory Board on any material weaknesses in the structure or operation of the company's internal controls.

FINANCIAL REVIEW

Both EBITDA, EBIT and profit after tax were considerably higher than expected at the start of the year. The results benefited from the fact that oil and gas prices were higher than expected. Furthermore, the electricity companies featured with profit after tax of DKK 2,042 million, the recognition of which was not assumed at the start of the year. The results of the acquired companies benefited from high electricity prices. The acquired companies Elsam, Energi E2, Nesa and the electricity activities from the City of Copenhagen and the Municipality of Frederiksberg featured in full in DONG Energy's group financial statements for the third and fourth quarters. Elsam, Energi E2 and Nesa were included as subsidiaries from 1 July, while the electricity activities from the City of Copenhagen and the Municipality of Frederiksberg were recognised from 1 May. The shares of the results of Elsam, Energi E2 and Nesa were recognised as profit of associates in the period before 1 July.

Revenue

Full-year revenue was DKK 35,661 million versus DKK 18,493 million in 2005. Excluding the acquired electricity companies, revenue was DKK 6,399 million ahead, driven by higher oil and gas prices, partly offset by lower oil production and gas sales than in 2005. The oil price (Brent) averaged USD 65.2/bbl versus USD 54.4/bbl in 2005, equivalent to a 20% increase.

Results for the year

EBIT was DKK 5,534 million compared with DKK 4,099 million in 2005. EBIT from the acquired electricity companies amounted to DKK 1,821 million.

Full-year EBIT was adversely affected by non-recurring items of DKK 2,008 million, while, in 2005, non-recurring items contributed DKK 40 million to EBIT. The sum of DKK 2,008 million included a sum of DKK 2,185 million relating to an intragroup adjustment that arose in connection with DONG Naturgas' termination of intragroup agreements. The corresponding gain was recognised in the opening balance sheets at 1 July 2006 and consequently was not recognised as income in the group financial statements, resulting in an expense of DKK 2,185 million for the Group. The accounting treatment is based on US GAAP (EITF-04-01), which IFRS relies on in this instance.

Excluding acquired electricity companies and non-recurring items, EBIT was up by DKK 1,662 million, reflecting several counterbalancing items. On the positive front were the increasing oil and gas prices from which both Exploration & Production and Markets benefited.

Markets' results benefited from the so-called time lag effect. 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 Energy's main natural gas purchase and sales contracts. Oil price changes consequently impact on selling prices relatively quickly, whereas purchase prices are adjusted with a delay of up to 17 months. The price increases yielded a substantial gain in 2006, which, however, was even bigger in 2005, when oil prices also rose significantly. The time lag effect will be negative in the event of falling oil prices.

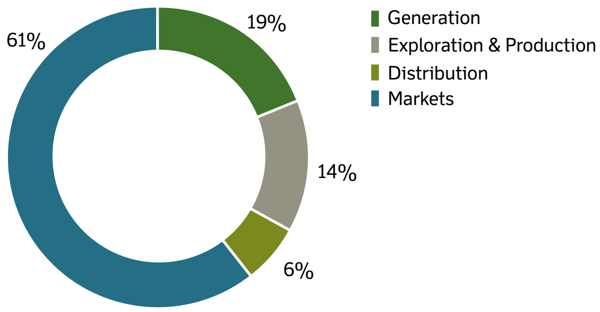
Markets' results also benefited from the fact that gas was purchased in 2006 under purchase contracts with favourable price indexing. DONG Energy buys gas under several types of contracts with different price indexing. The purchases under the individual contracts are made within the gas year, which runs from 1 October to 30 September, although there is some flexibility with respect to which contracts purchases can be made under in the individual months during the gas year. Accordingly, in some years, the effect may be positive, while, in others, it may be negative. In 2006, there was a significant positive effect, while the effect was neutral in 2005.

The total effect of time lag and gas purchase allocation was at the same level in 2006 as in 2005.

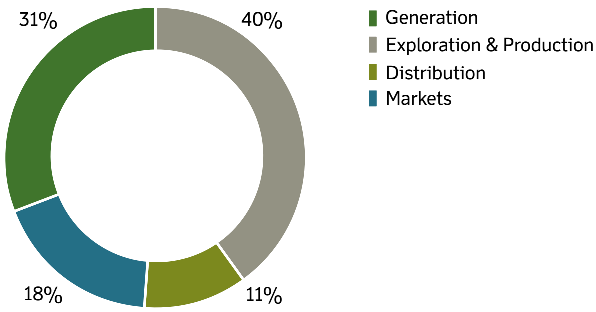
To this should be added the effect of the fact that a large proportion of the oil price exposure was hedged in 2005 at low prices, which meant that the full impact of the high oil prices was not felt. In 2006, a smaller proportion of the oil price exposure was hedged at low prices.

The results were adversely affected by declining produc-

Breakdown of revenue



Breakdown of EBIT



tion in Exploration & Production. Production decreased by 3.9 million boe (barrels of oil equivalent), reflecting the fact that large parts of production come from mature fields, where production is naturally diminishing.

Generation

Revenue was DKK 7,620 million compared with DKK 114 million in 2005. The acquired companies contributed DKK 7,452 million.

EBIT was DKK 1,517 million compared with DKK (1) million in 2005. The acquired companies contributed DKK 1,515 million.

Capital expenditure for 2006 totalled DKK 1,770 million and related primarily to acquisitions of shares and assets in a number of Spanish wind turbine projects and plant life extension and maintenance investments at the Danish power stations.

In 2006, the Barrow-in-Furness offshore wind farm in the Irish Sea came on stream, and another offshore wind farm, which is scheduled for operation in 2007, is being constructed off Burbo Banks on the west coast of the UK.

Exploration & Production

Revenue amounted to DKK 5,556 million, up from DKK 4,346 million in 2005 due to higher prices, a lower adverse impact from price hedging in 2006 than in 2005, and income from sale of licence shares in 2006, which more than offset the decline in the volume produced.

EBIT was DKK 2,437 million, up from DKK 1,412 million in 2005, due primarily to the increase in revenue, which, however, was partially offset by increased production costs related to production-enhancing activities aimed at countering the decline in production from mature fields.

Capital expenditure for 2006 totalled DKK 2,150 million compared with DKK 7,097 million in 2005, when capital expenditure was affected by the purchase price for the Norwegian Ormen Lange gas field and the Langeled pipeline. Full-year capital expenditure on the expansion of the Ormen Lange gas field and the Langeled pipeline amounted to DKK 1,544 million.

Distribution

Revenue was DKK 2,560 million compared with DKK 857 million in 2005. The acquired companies contributed DKK 1,720 million. Revenue from the gas activities was DKK 17 million down on 2005 due to lower distributed volumes and the disposal of the gas storage facility near Ll. Torup.

EBIT was DKK 467 million compared with DKK 161 million in 2005. The acquired companies accounted for DKK 215 million. EBIT from the gas activities was DKK 91 million ahead of 2005, partly reflecting the extraordinary

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sale in March of excess cushion gas, which generated a DKK 43 million gain. The increase also reflected increased sales of storage capacity, tariff increases and the fact that, in 2005, EBIT was depressed by an impairment loss on a service line in the distribution network that was no longer in use.

Capital expenditure for 2006 totalled DKK 758 million and related primarily to trenching of cables in North Zealand and reinvestments in the electricity distribution network, but also to expansion of the gas storage capacity near Stenlille in 2006.

Markets

Revenue amounted to DKK 24,115 million, up from DKK 13,885 million in 2005. Excluding revenue from the acquired companies, the increase was DKK 3,794 million. The increase was due primarily to higher selling prices and a positive time lag effect.

Financial items

DKKm	2006	2005
Interest expenses, net	(529)	(211)
Interest element of abandonment costs	(83)	(55)
Dividends on equity investments	4	112
Other	16	2
Financial items, net	(592)	(152)

EBIT was DKK 1,217 million compared with DKK 2,582 million in 2005. EBIT was depressed by a non-recurring charge of DKK 2,185 million relating to the termination of intragroup agreements. Excluding non-recurring income and acquired companies, EBIT was DKK 729 million ahead of 2005, reflecting higher selling prices. A lower positive time lag effect than in 2005 was offset by the positive effect of gas purchase allocation (purchases from proportionately less costly purchase contracts).

Capital expenditure for 2006 totalled DKK 530 million and related primarily to IT and the underground installation of an optical fibre network in North Zealand and the metropolitan area. In addition, a major expansion of the property facilities in Vangede was undertaken.

Capital expenditure in 2005 related primarily to the acquisition of the stake in Ormen Lange, the setting up of a partnership with Stadtwerke Lübeck Holding GmbH as part of which a 25.1% ownership interest in Stadtwerke Lübeck GmbH was acquired, and the acquisition of Intergas Levering B.V.

Profit on disposal of enterprises

Profit on sale of enterprises included a gain on the sale of the gas storage facility near Ll. Torup to Energinet.dk, which contributed a preliminary profit of DKK 1,000 million. Energinet.dk's acquisition of the storage facility will be completed on 1 May 2007, when the free cash flows are expected to benefit by approx. DKK 2 billion before offset-

ting of transferred net debt. The free cash flows consequently were not affected by the transaction in 2006.

Financial items
Financial items amounted to a net charge of DKK 592 million versus DKK 152 million in 2005, including interest expense of DKK 529 million compared with DKK 211 million in 2005. Interest expense increased as a result of the increase in average interest-bearing debt in 2006 following the acquisitions made. Net interest-bearing debt averaged DKK 9.4 billion versus DKK 3.3 billion in 2005.

Income tax
Full-year income tax expense was DKK 1,518 million compared with DKK 1,322 million in 2005. The tax rate - adjusted for the fact that associates are recognised after tax (2006), the tax-free profit on the sale of the gas storage facility near Ll. Torup (2006) - was 32% compared with 39% in 2005. The tax rate exceeded 28% as a result of the overall tax rate of 78% due to hydrocarbon tax in Norway.

Profit after tax
Full-year profit after tax was DKK 4,917 million compared with DKK 2,687 million in 2005.

Profit was adversely affected by non-recurring items of DKK 385 million net relating to the termination of intragroup agreements, partly offset by a gain on the sale of the gas storage facility near Ll. Torup and the disposal of minor activities. In 2005, profit benefited from non-recurring items of DKK 229 million. Acquired electricity companies contributed DKK 2,042 million to profit. Profit for 2005 included dividends of DKK 115 million from ownership interests in the acquired electricity companies.

Excluding the above, profit was DKK 917 million ahead of 2005, driven primarily by improvements in EBIT, partially offset by higher financial expenses due to higher net interest-bearing debt, as described above.

Cash flows
Operating cash inflow was DKK 8,169 million, up from DKK 5,866 million in 2005 due to higher EBITDA, partly offset by higher income tax expense. Cash flows from investing activities amounted to DKK (7,809) million versus DKK (10,128) million in 2005. The principal investments were the acquisitions of the electricity activities of the City of Copenhagen and the Municipality of Frederiksberg (incl. Energi E2 shares), the remaining 75% of the shares in Elsam (incl. Nesa and Energi E2 shares), 30% of the shares in Energi E2, and the expansion of the Ormen Lange and Langeled projects. The purchase price for the electricity companies is recognised as a net sum after offsetting acquired cash and cash equivalents and the DKK 10,041 million capital increase to SEAS-NVE and a number of former Elsam shareholders in April. The purchase price for the electricity activities of the City of Copenhagen does not feature in full, as a payment of DKK 6.7 billion is still outstanding. Cash flows from investing activities also include payment for Elsam's and Energi E2's sale of assets to Vattenfall.

Equity
Equity stood at DKK 42,268 million at year end compared with DKK 26,278 million at the end of 2005. Equity increased by the DKK 10,041 million capital increase to SEAS-NVE and a number of former Elsam shareholders in April, profit for the period and the change in the effect of value adjustments of hedging instruments, partly offset by dividend payments totalling DKK 486 million.

Balance sheet
The balance sheet total increased from DKK 46,854 million at the end of 2005 to DKK 105,586 million at the end of 2006, mainly as a consequence of the recognition of the acquired electricity companies and an increase in balance sheet items relating to hedging instruments. Net interest-bearing debt was DKK 17,779 million compared with net cash and cash equivalents of DKK 208 million at the end of 2005.

Proposed dividends
The Supervisory Board recommends that a dividend of 40% of profit after tax be paid for 2006, giving a dividend payment of DKK 1,967 million.

STATEMENT BY THE EXECUTIVE AND SUPERVISORY BOARDS

The Executive and Supervisory Boards have today considered and approved the annual report of DONG Energy A/S for the financial year 2006.

The annual report has been 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. We consider the accounting policies used 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 2006 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 2006.

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

Skærbæk, 12 March 2007

Executive Board

Anders Eldrup
CEO

Carsten Krogsgaard Thomsen
CFO

Supervisory Board

Fritz H. Schur
Chairman

Lars Nørby Johansen
Deputy Chairman

Asbjørn Larsen

Svend Sigaard

Lars Torpe Christoffersen

Jens Kampmann

Kresten Philipsen

Poul Arne Nielsen

Jesper Magtengaard
Employee representative

Thorkild Meiner-Jensen
Employee representative

Bent Stubkjær Pedersen
Employee representative

INDEPENDENT AUDITORS' REPORT

To the shareholders of DONG Energy A/S
We have audited the annual report of DONG Energy A/S for the financial year 1 January - 31 December 2006, which comprises the statement by the Executive and Supervisory Boards, the management's review and the income statement, balance sheet, statement of changes in equity, cash flow statement and notes for the Group as well as the parent company. The annual report has been 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.

Management's responsibility for the annual report
Management is responsible for the preparation and fair presentation of the annual report 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. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of an annual report that is free from material misstatement, whether due to fraud or error; selecting and using appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility and basis of opinion
Our responsibility is to express an opinion on the annual report based on our audit. We conducted our audit in accordance with Danish Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the annual report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual report. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the annual report, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Company's preparation and fair presentation of the annual report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the annual report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit 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 2006 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 2006 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.

Copenhagen, 12 March 2007

KPMG C.Jespersen
Statsautoriseret Revisionsinteressentskab

Flemming Brokhattingen
State Authorised
Public Accountant

Torben Bender
State Authorised
Public Accountant

Deloitte
Statsautoriseret Revisionsaktieselskab

Jørgen Jørgensen
State Authorised
Public Accountant

Kim Mücke
State Authorised
Public Accountant

DKK million	Note	2006	2005
Revenue	3, 4	35,661	18,493
Production costs	5, 6, 7,8	(26,448)	(13,750)
Gross profit		**9,213**	**4,743**
Sales and marketing	5, 7,8	(595)	(252)
Management and administration	5, 7,8	(1,107)	(381)
Other operating income	9	286	7
Other operating expenses	9	(2,263)	(18)
Operating profit (EBIT)		**5,534**	**4,099**
Gain on disposal of enterprises	35	1,023	0
Share of profit after tax of associates	17	470	62
Financial income	11	872	945
Financial expenses	12	(1,464)	(1,097)
Profit before tax		**6,435**	**4,009**
Income tax expense	13	(1,518)	(1,322)
Profit for the year		**4,917**	**2,687**
Attributable to:			
Equity holders of DONG Energy A/S		4,918	2,679
Minority interests		(1)	8
Profit for the year		**4,917**	**2,687**
Earnings per share (EPS) and diluted earnings per share (DEPS) of DKK 1,000, in whole DKK	14	1,700	1,250
Proposed dividend per share (DPS) of DKK 1,000, in whole DKK		670	16
Dividend paid per share (DSP) of DKK 1,000, in whole DKK		16	0
Payout ratio (%)		40	1

ASSETS

DKK million	Note	2006	2005
Goodwill		322	276
Rights		3,628	1,657
Completed development projects		99	127
In-process development projects and prepayments for intangible assets		154	23
Intangible assets	**15**	**4,203**	**2,083**
Land and buildings		2,968	232
Production assets		32,097	13,728
Exploration and evaluation assets		372	350
Fixtures and fittings, tools and equipment		334	7
Property, plant and equipment in the course of construction and prepayments for property, plant and equipment		11,190	8,274
Property, plant and equipment	**16**	**46,961**	**22,591**
Investments in associates	17	4,073	5,350
Other equity investments	17	5	1,383
Deferred tax	25	36	6
Receivables from associates		432	0
Other non-current assets	17	503	68
Prepayments	22	145	0
Other non-current assets		**5,194**	**6,807**
Non-current assets		**56,358**	**31,481**
Inventories	18	2,583	690
Trade receivables	19	6,775	3,350
Receivables from associates		50	0
Income tax receivable	29	241	107
Other receivables	20	21,055	3,251
Construction contracts	21	23	0
Prepayments	22	446	567
Securities	36	132	1,594
Cash and cash equivalents	36	9,521	5,781
Assets classified as held for sale	23	8,402	33
Current assets		**49,228**	**15,373**
Assets		**105,586**	**46,854**

EQUITY AND LIABILITIES

DKK million	Note	2006	2005
Share capital		2,937	2,144
Hedging reserve		809	(542)
Translation reserve		3	148
Reserve for shares available for sale		0	468
Proposed dividends		1,967	35
Hybrid capital		8,154	8,155
Equity attributable to the equity holders of DONG Energy A/S		**42,229**	**26,235**
Minority interests		39	43
Equity	**24**	**42,268**	**26,278**
Deferred tax	**25**	4,666	3,237
Pensions	**26**	42	15
Provisions	**27**	4,192	1,804
Bond loans	**28**	7,938	3,735
Bank loans	**28**	7,169	2,720
Other non-current liabilities	**28**	6,961	3
Deferred income	**31**	732	0
Non-current liabilities		**31,700**	**11,514**
Provisions	**27**	67	14
Bond loans	**28**	1,995	0
Bank loans	**28**	2,913	693
Trade payables		4,546	3,848
Payables to associates		8	0
Income tax payable	**29**	135	153
Other payables	**30**	18,485	4,068
Deferred income	**31**	498	286
Liabilities relating to assets classified as held for sale	**23**	2,971	0
Current liabilities		**31,618**	**9,062**
Liabilities		**63,318**	**20,576**
Equity and liabilities		**105,586**	**46,854**

DKK million	Share capital	Hedging reserve	Translation reserve	Reserve for shares available for sale	Retained earnings	Proposed dividends	Hybrid capital	Equity attributable to equity holders of DONG Energy	Minority interests	Total
Equity at 1 January 2005	2,144	(233)	3	0	13,751	0	0	**15,665**	695	**16,360**
Changes in accounting policies	0	0	0	337	(337)	0	0	**0**	0	**0**
Restated equity at 1 January 2005	**2,144**	**(233)**	**3**	**337**	**13,414**	**0**	**0**	**15,665**	**695**	**16,360**
Foreign exchange adjustments relating to foreign enterprises, equity-like loans, etc.	-	-	188	-	0	-	-	**188**	0	**188**
Value adjustments of hedging instruments transferred to income statement	-	2,196	-	-	-	-	-	**2,196**	0	**2,196**
Value adjustments of hedging instruments transferred to non-financial assets	-	(38)	-	-	-	-	-	**(38)**	0	**(38)**
Value adjustments of hedging instruments	-	(2,578)	-	-	-	-	-	**(2,578)**	0	**(2,578)**
Tax on equity items	-	118	(43)	131	0	-	67	**273**	0	**273**
Adjustment of corporate income tax rate from 30% to 28%	-	(7)	-	0	7	-	-	**0**	0	**0**
Reversal of value adjustments of other equity investments on recognition as associates	-	-	-	0	(228)	-	-	**(228)**	0	**(228)**
Other adjustments	-	0	0	0	(10)	0	0	**(10)**	(6)	**(16)**
Net gains recognised directly in equity	**0**	**(309)**	**145**	**131**	**(231)**	**0**	**67**	**(197)**	**(6)**	**(203)**
Profit for the year	-	-	-	-	2,679	-	-	**2,679**	8	**2,687**
Total income and expense for the year	**0**	**(309)**	**145**	**131**	**2,448**	**0**	**67**	**2,482**	**2**	**2,484**
Proposed dividends	-	-	-	-	(35)	35	-	**0**	-	**0**
Issuing of hybrid capital	-	-	-	-	0	-	8,088	**8,088**	-	**8,088**
Acq. of minority interests	-	-	-	-	0	-	-	**0**	(354)	**(354)**
Capital reduction and other adjustments	0	-	-	-	0	-	-	**0**	(300)	**(300)**
Total changes in equity in 2005	**0**	**(309)**	**145**	**131**	**2,413**	**35**	**8,155**	**10,570**	**(652)**	**9,918**
Equity at 31 December 2005	**2,144**	**(542)**	**148**	**468**	**15,827**	**35**	**8,155**	**26,235**	**43**	**26,278**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2006

DKK million	Share capital	Hedging reserve	Translation reserve	Reserve for shares available for sale	Retained earnings	Proposed dividends	Hybrid capital	Equity attributable to equity holders of DONG Energy	Minority interests	Total
Equity at 1 January 2006	2,144	(542)	148	0	16,295	35	8,155	**26,235**	43	**26,278**
Changes in accounting policies	0	0	0	468	(468)	0	0	**0**	0	**0**
Restated equity at 1 January 2006	**2,144**	**(542)**	**148**	**468**	**15,827**	**35**	**8,155**	**26,235**	**43**	**26,278**
Foreign exchange adjustments relating to foreign enterprises, equity-like loans, etc.	-	-	(200)	-	0	-	-	**(200)**	0	**(200)**
Value adjustments of hedging instruments transferred to income statement	-	108	-	-	-	-	-	**108**	0	**108**
Value adjustments of hedging instruments	-	1,771	-	-	-	-	-	**1,771**	0	**1,771**
Tax on equity items	-	(528)	55	0	126	-	(1)	**(348)**	0	**(348)**
Reversal of value adjustments of associates on recognition as subsidiaries	-	-	-	-	(688)	-	-	**(688)**	0	**(688)**
Value adjustments on successive acquisitions of subsidiaries	-	-	-	-	946	-	-	**946**	(3)	**943**
Recogn. value adj. of enterprises transferred to subsidiaries	-	-	-	(468)	468	-	-	**0**	0	**0**
Proposed dividends, hybrid capital	-	-	-	-	(451)	451	-	**0**	0	**0**
Dividends paid, hybrid capital	-	-	-	-	-	(451)	-	**(451)**	0	**(451)**
Other adjustments	-	0	0	0	(68)	0	0	**(68)**	0	**(68)**
Net gains recognised directly in equity	**0**	**1,351**	**(145)**	**(468)**	**333**	**0**	**(1)**	**1,070**	**(3)**	**1,067**
Profit for the year	-	-	-	-	4,918	-	-	**4,918**	(1)	**4,917**
Total income and expense for the year	**0**	**1,351**	**(145)**	**(468)**	**5,251**	**0**	**(1)**	**5,988**	**(4)**	**5,984**
Proposed dividends	-	-	-	-	(1,967)	1,967	-	**0**	-	**0**
Dividends paid	-	-	-	-	-	(35)	-	**(35)**	-	**(35)**
Capital increase	793	-	-	-	9,248	0	-	**10,041**	0	**10,041**
Total changes in equity in 2006	**793**	**1,351**	**(145)**	**(468)**	**12,532**	**1,932**	**(1)**	**15,994**	**(4)**	**15,990**
Equity at 31 December 2006	**2,937**	**809**	**3**	**0**	**28,359**	**1,967**	**8,154**	**42,229**	**39**	**42,268**

DKK million	Note	2006	2005
Cash flows from operations (operating activities)	32	10,957	6,642
Interest income and similar items		940	522
Interest expense and similar items		(1,344)	(968)
Income tax paid		(2,384)	(330)
Cash flows from operating activities		**8,169**	**5,866**
Purchase of intangible assets		(568)	(1,022)
Sale of intangible assets		113	0
Purchase of exploration assets		(254)	(65)
Purchase of other plant, property and equipment		(4,692)	(7,425)
Sale of property, plant and equipment		596	21
Acquisition of subsidiaries	33	(8,670)	(359)
Acquisition of minority interests in subsidiaries	34	(68)	(586)
Payments relating to acquisitions of subsidiaries in prior years		0	(1,085)
Disposal of enterprises	35	(32)	0
Receivables received in respect of disposal of subsidiary in prior years		0	1,037
Acquisition of associates		(5,170)	(773)
Capital contribution, associates		0	(21)
Acquisition of other equity investments and securities		(109)	(14)
Disposal of other equity investments and securities		11,075	52
Financial transactions with associates		(68)	0
Dividends received		38	112
Cash flows from investing activities		**(7,809)**	**(10,128)**
Proceeds from the issue of hybrid capital		0	8,088
Proceeds from the raising of other loans		7,188	4,655
Instalments on loans		(4,853)	(917)
Dividends paid and interest on hybrid capital		(486)	0
Changes in other non-current liabilities		(183)	0
Dividends paid to minority shareholders		0	(358)
Capital contributions, minority interests		0	5
Cash flows from financing activities		**1,666**	**11,473**
Cash and cash equivalents at 1 January		7,356	145
Net increase (decrease) in cash and cash equivalents		2,026	7,211
Cash classified as held for sale		(292)	0
Foreign exchange adjustments of cash and cash equivalents		16	0
Cash and cash equivalents at 31 December	36	**9,106**	**7,356**

Note

1 Accounting policies 56
2 Accounting estimates and judgements 71

Notes to the income statement

3 Segment information 73
4 Revenue 78
5 Staff costs 78
6 Research and development costs 80
7 Depreciation, amortisation and impairment losses 80
8 Fees to auditors appointed at the Annual General Meeting 82
9 Other operating income and expenses 82
10 Government grants 83
11 Financial income 83
12 Financial expenses 83
13 Income tax expense 84
14 Earnings per share 85

Notes to the balance sheet

15 Intangible assets 86
16 Property, plant and equipment 88
17 Other non-current assets 91
18 Inventories 95
19 Trade receivables 95
20 Other receivables 95
21 Construction contracts 96
22 Prepayments 96
23 Assets classified as held for sale 97
24 Equity 98
25 Deferred tax 99
26 Pensions 101
27 Provisions 103
28 Current and non-current loans 104
29 Income tax receivable and payable 106
30 Other payables 106
31 Deferred income 107

Notes to the cash flow statement

32 Cash flows from operations (operating activities) 108
33 Acquisition of subsidiaries 108
34 Acquisition of minority interests in subsidiaries 113
35 Disposal of subsidiaries 113
36 Cash and cash equivalents 114

Notes without reference

37 Currency risks, interest rate risks and raw material price risks, etc 115
38 Credit risks 120
39 Embedded financial instruments 120
40 Operating leases 120
41 Contingent assets, liabilities and security 121
42 Related party transactions 122
43 New International Financial Reporting Standards and IFRIC Interpretations 124
44 Company and licence overview 125

01 Accounting policies

In general
DONG Energy A/S is a public limited company with its registered office in Denmark. The annual report for the period 1 January – 31 December 2006 comprises the consolidated financial statements of DONG Energy A/S and its subsidiaries (the Group) as well as separate financial statements for the parent company, DONG Energy A/S. The parent company's financial statements are included on the enclosed CD-ROM.

The annual report has been 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, 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.

Basis of preparation
The annual report is presented in Danish kroner (DKK), rounded to the nearest million.

The annual report has been prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: derivative financial instruments, financial instruments held for trading and financial instruments classified as available-for-sale.

Non-current assets and disposal groups classified as held for sale are stated at the lower of carrying amount before the reclassification and fair value less costs to sell.

The accounting policies described in the following have been applied consistently to the financial year and the comparative figures.

The accounting policies have not been changed compared with the previous year, except for the change described in the following concerning government grants and other equity investments. The description of the accounting policies has been expanded as a consequence of the acquired activities.

Change in accounting policy and classifications

Government grants
DONG Energy has reclassified government grants in the income statement and the balance sheet with effect from 1 January 2006 so that

- grants for the purchase of assets are recognised in the balance sheet under deferred income (liabilities). Grants for the purchase of assets were previously offset against the cost of the assets. The grant is recognised in the income statement under other operating income as the assets to which the grant relates are depreciated, whereas, previously, such grants were recognised in the income statement as the assets to which they related were depreciated, but by way of a reduced depreciation charge;

- grants for research and development costs, which are recognised directly in the income statement, are recognised under other operating income, whereas, previously, they were offset against the costs incurred.

The change in accounting policy has no effect on profit, earnings per share, equity or the balance sheet for either 2005 or 2006.

Other equity investments
In accordance with the provisions in IFRS, DONG Energy has implemented the amendment to IAS 39 concerning the fair value option with effect from 1 January 2006. Accordingly, the value of shares available for sale is adjusted to fair value via equity until realisation, except for impairment losses, whereas, previously, the value of such shares was adjusted to fair value via the income statement on a continuing basis. The fair value option is still applied to the bond portfolio.

The change has been incorporated in the annual report by restatement of the comparative figures to reflect the change in accounting policy. For 2005, the change reduces profit for the year by DKK 131 million, while it has no effect on profit before tax, assets or equity at the end of 2005. The change has no effect for 2006.

Description of accounting policies

Consolidated financial statements
The consolidated financial statements include the financial statements of the parent company DONG Energy A/S and sub-

sidiaries in which DONG Energy 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 Energy 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 Energy A/S does not have direct or indirect access to receive a return are not included in the consolidation, but are instead measured at fair value as investments under other equity investments.

Enterprises over which the Group exercises significant influence, but not control, are accounted for as associates. Significant influence is typically achieved by holding or having 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 possibility of exercising 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 taken into account in assessing whether DONG Energy 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 and entities under common control 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.

The items in the subsidiaries' financial statements are recognised in full in the consolidated financial statements. The minority interests' share of profit for the year and of equity of subsidiaries that are not wholly-owned is recognised as part of the Group's profit and equity, respectively, but disclosed separately.

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. Deferred tax on the restatement of assets and liabilities is taken into account.

The date of acquisition is the date on which DONG Energy A/S gains actual control of the acquiree.

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 as goodwill under intangible assets. Goodwill is not amortised, but 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 Energy 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.

For business combinations occurring before 1 January 2004 the accounting treatment of the business combination has been retained in accordance with the existing accounting policies.

01 Accounting policies

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

The cost of an enterprise consists of the fair value of the consideration paid plus costs that can be directly attributed to the acquisition. If parts of the consideration are contingent on future events, these parts are recognised in the cost to the extent that the events are probable and the consideration can be measured reliably.

If there is any uncertainty, at the date of acquisition, concerning the measurement of identifiable assets acquired and liabilities and contingent liabilities assumed, initial recognition is based on provisional fair values. If the fair value of identifiable assets, liabilities and contingent liabilities subsequently proves to differ from the fair value assumed at the time of acquisition, goodwill may be adjusted for up to twelve months following their 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 the 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 costs necessary to make the sale.
A business combination may involve successive acquisitions. If so, each significant acquisition is treated separately with a view to determining the cost and fair value of the acquired identifiable assets, liabilities and contingent liabilities, including any goodwill. Gains or losses on disposal of subsidiaries and associates are recognised in the income statement in the item gain on disposal of enterprises.

The fair value of the identifiable assets, liabilities and contingent liabilities may be different at the date of each acquisition. When a transaction results in the achievement of control of the acquiree, previously acquired shares of identifiable assets, liabilities and contingent liabilities relating to the already acquired investments are remeasured at fair value at the acquisition date. The remeasurement is accounted for as a revaluation, which is recognised via equity.

Interests in joint ventures
Interests 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 interest is conditional upon the existence of a contractual arrangement stipulating joint control. The contractual arrangement must also stipulate whether the joint venturers are jointly and severally liable or liable for their proportionate shares only.

Interests 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 interests 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.

Foreign currency translation
For each of the reporting enterprises in the Group a functional currency is determined. The functional currency is the currency of the primary economic environment in which the individual reporting 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. Exchange differences arising between the exchange rate 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 enterprises with a different functional currency than DKK, 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 significantly distort the presentation of the underlying transactions. Exchange differences arising on translation of the opening equity of these enterprises 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.

Foreign exchange adjustments of balances that are accounted for as part of the total net investment in enterprises with a different functional currency than DKK are recognised in the consolidated financial statements directly in equity under a separate translation reserve. 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 these enterprises 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.

On recognition in the consolidated financial statements of associates with a different functional currency than DKK, 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. 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.

On complete or partial disposal of a foreign operation, or on repayment of balances that are considered part of the net investment, the share of the cumulative exchange adjustments that is recognised directly in equity and attributable to the foreign operation is recognised in the income statement when the gain or loss on disposal is recognised.

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

Derivative financial instruments are recognised from the trade date and measured in the balance sheet at fair value. 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 has the right to and intends to settle several financial instruments net in cash. The fair value of derivative financial instruments is determined on the basis of current market data and recognised valuation methods.

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 (firm commitment) 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 equity under a separate hedging reserve until the hedged

01 Accounting policies

transaction is realised. 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.

For derivative financial instruments that have not been entered into to hedge revenue or production costs, changes in fair value are recognised in the income statement as financial items when they occur.

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 consolidated financial statements directly in equity under a separate translation reserve.

Some contracts embody conditions corresponding to derivative financial instruments. Such embedded financial instruments are recognised separately and measured on a continuing basis at fair value if they differ significantly from the contract in question, unless the host contract is recognised and measured at fair value on a continuing basis.

Government grants

Government grants comprise grants for environment-friendly power generation, grants for and funding of development projects and grants for capital expenditure, etc. Government grants are recognised when there is reasonable assurance that they will be received.

Grants for power generation are recognised under revenue as the related electricity revenue is recognised.

Grants for research and development costs, which are recognised directly in the income statement, are recognised under other operating income as the costs to which the grants relate are incurred.

Grants for the purchase of assets and development projects are recognised in the balance sheet under deferred income and transferred to other operating income in the income statement as the electricity assets to which the grants relate are depreciated.

Allocated CO_2 rights are recognised under rights as intangible assets. Reference is made to the description of the accounting policies under the relevant sections.

Income statement

Revenue

Revenue from sales comprises sales and transportation of natural gas and crude oil, distribution and storage of natural gas, sales and distribution of electricity and heat and grants for electricity sales (price supplement). 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.

Construction contracts and rendering of services (consultancy services, etc.) are recognised as revenue as the work to which they relate is performed or the service rendered to the effect that revenue corresponds to the selling price of the work performed during the year (percentage of completion method). When the outcome of a construction contract cannot be estimated reliably, revenue is only recognised to the extent of the costs incurred that it is probable will be recoverable.

Revenue is measured at the fair value of the agreed remuneration excluding VAT and duties collected on behalf of third parties. All forms of discounts granted are recognised in revenue.

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

Physical and financial contracts relating to trading in 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 as revenue. Likewise, value adjustments of financial contracts offered to customers with a view to price hedging are recognised as revenue, cf. the description under hedging and derivative financial instruments.

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

- equity production of natural gas, crude oil, power and heat, etc., operation and maintenance of production assets, etc., during the year under review
- exploration, including costs for exploration licences, own costs for geological data, seismic surveys, licence administration, impairment losses relating to exploration wells, etc.

Sales and marketing
Sales and marketing comprises expenses for negotiation and conclusion of purchase and sales contracts relating to natural gas, crude oil, electricity, heat, etc., and for marketing of DONG Energy and DONG Energy's products. This item includes direct expenses as well as allocated indirect expenses for sales and marketing.

Management and administration
Management and administration comprises 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 Group's and the parent company's activities, including gains and losses on ongoing disposal and replacement of intangible assets and property, plant and equipment, and government grants received for research and development costs and for the purchase of assets and development projects. Grants for research and development costs are recognised as the costs to which the grants relate are incurred, while grants for the purchase of assets and development projects are recognised as the assets to which the grants relate are depreciated. 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 tax and after elimination of the proportionate share of intragroup profits/losses.

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, including lease commitments under finance leases, as well as surcharges and refunds under the on-account tax scheme, etc. Financial income and financial expenses also include realised and unrealised gains and losses relating to derivative financial instruments that have not been entered into to hedge revenue or production costs.

Income tax expense
The Group is subject to the Danish rules on compulsory joint taxation and has also elected international joint taxation with the Group's foreign subsidiaries. The Group's 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 current Danish income tax is allocated among the jointly taxed Danish subsidiaries in the form of settlement of joint taxation contributions in proportion to their taxable income. In this connection Danish subsidiaries with tax losses receive joint taxation contributions from Danish 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.

01 Accounting policies

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 comprise 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.

Rights
Allocated 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 emissions of CO_2. To the extent that the actual emissions exceed the allocated and acquired CO_2 rights, the fair value of the additional CO_2 rights that DONG Energy is under obligation to settle is recognised as a liability. The amortisation basis for CO_2 rights is determined taking into account their residual value, which depends on whether they are held for use or for sale. The residual value of CO_2 rights held for use is nil.

Other rights comprise gas purchase rights, acquired customer rights and IT software licences, etc., and 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.

The value of associates includes rights with indefinite useful lives.

Development projects
Development projects comprise development of IT systems, etc. Development projects that are clearly defined and identifiable, and for which technical feasibility, adequate resources and a potential future market or an application in the enterprise can be demonstrated, and which the enterprise intends to manufacture, market or use, are recognised as intangible assets if the cost can be determined reliably and if there is reasonable certainty that the future earnings or the net selling price will cover production costs, selling costs, administrative expenses and development costs. Other development costs are recognised in the income statement when incurred.

Recognised development costs are measured at cost less accumulated amortisation and impairment losses. Cost comprises salaries, amortisation and other costs attributable to the enterprise's development activities.

On completion of the development work, development projects are amortised on a straight-line basis over the estimated economic life from the date the asset is available for use. The amortisation period is usually five years. The basis of amortisation is reduced by any impairment.

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

Cost comprises purchase price and any costs directly attributable to the acquisition until the date the asset is available for use. The cost of self-constructed assets comprises direct and indirect costs of materials, components, subsuppliers and labour. Financial expenses that can be attributed to a preparation or production period are recognised in the income statement under financial expenses. Cost is increased by estimated costs for dismantling and removal of the asset and restoration costs to the extent that they are recognised as a provision. Where individual components of an asset have different useful lives, they are accounted for as separate items, which are depreciated separately.

In the case of assets held under finance leases, cost is determined as the lower of fair value and present value of future minimum lease payments. The present value is determined using the interest rate implicit in the lease as the discount rate or an approximated value.

Subsequent costs, for example in connection with replacement of parts 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. Recognition of the replaced parts in the balance sheet ceases, and the carrying amount is taken to the income statement. All other expenses for general repair and maintenance are recognised in the income statement as incurred.

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.

Development and construction costs relating to property, plant and equipment are recognised in the balance sheet, until entry into service, under property, plant and equipment in the course of construction. Following entry into service, these assets are transferred to the relevant items under property, plant and equipment.

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 - 50 years
Oil and gas production assets[1]	20 - 40 years
Production assets, power	20 - 35 years
Production assets, district heat	25 - 35 years
Natural gas distribution system[2]	20 - 40 years
Natural gas storage facilities[2]	20 - 40 years
Natural gas transportation system (marine pipelines) [2]	20 - 40 years
Geothermal plants	20 years
Distribution grid, electricity	10 - 40 years
Distribution grid, heat	10 - 50 years
Oil transportation system (marine pipeline)	15 years
Wind turbines[2]	15 - 20 years
Exploration and evaluation assets[3]	-
IT hardware	3 - 5 years
Fixtures and fittings, tools and equipment	3 - 10 years
Assets in the course of construction [3]	

[1] Depreciated applying the unit-of-production method.

[2] The depreciation profile takes account of the fact that the earnings profile changes substantially over the life of the asset as a result of the statutory revenue caps.

[3] Depreciation does not commence until the date of entry into service, at which time the asset is transferred to the relevant item under property, plant and equipment.

01 | Accounting policies

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.

If the depreciation period or the residual value changes, the effect on depreciation is recognised prospectively as a change in accounting estimates.

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 in the consolidated financial statements using the equity method whereby the investments are measured in the balance sheet at the proportionate share of the associates' net asset values determined in accordance with the Group's accounting policies, plus or minus the carrying amount of goodwill.

Associates with a negative equity value are measured at nil. If the Group has a legal or constructive obligation to cover the associate's deficit, the obligation is recognised as a liability.

Receivables from associates are measured at amortised cost. Write-downs are made for bad debts. On acquisition of investments in associates the purchase method is applied, cf. the description of Business combinations.

Other equity investments

Other equity investments are recognised initially in the balance sheet at fair value plus transaction costs and are subsequently measured 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, after deduction of any impairment losses.

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.

Other non-current financial assets

Other non-current financial assets include non-current loans to customers and underabsorption relating to waste-fired CHP plants, etc.

Impairment of non-current assets

Goodwill and intangible assets with an indefinite useful life are tested for impairment annually, initially before the end of the year of acquisition. In-process development projects are also tested annually for impairment.

The carrying amount of goodwill is tested for impairment, along with the carrying amounts of the other non-current assets of the cash-generating unit to which the goodwill has been allocated, and written down to the recoverable amount in the income statement if the carrying amount exceeds the recoverable amount. The recoverable amount is generally 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. Impairment losses relating to goodwill are recognised as a separate line item in the income statement.

Exploration and evaluation assets are reviewed for impairment annually and if there is any indication of impairment. Impairment testing 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 assets. In carrying out the test, 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 Energy 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 annually and recognised only to the extent that it is probable that they will be utilised.

The carrying amounts of other non-current assets are tested annually to determine if any indication of impairment exists. If any such indication exists, the asset's recoverable amount is determined. The recoverable amount is the higher of an asset's fair value less expected disposal costs and its value in use. The value in use is determined as the present value of the expected future cash flows from the asset or the cash-generating unit to which the asset belongs.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement under production costs and administrative expenses, respectively; however, impairment losses relating to goodwill are recognised as a separate line item in the income statement.

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 and crude oil in storage facilities, as well as raw materials, consumables and fuel inventories.

The cost of natural gas is determined as a weighted average of the last month's purchase prices including transportation costs. The cost of crude oil is determined as the average of the production costs.

Allocated and acquired CO_2 rights that form part of the Group's trading activities with a view to generating gains from short-term price fluctuations are measured at fair value. Other 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. Write-downs are made for bad and doubtful debts.

Other receivables
Other receivables include positive fair values of derivative financial instruments.

Construction contracts
Construction contracts comprise services, etc., including establishment of grids and sale of expertise. Construction contracts are measured at the selling price of the work performed less progress billings and expected losses.

The selling price is measured on the basis of the stage of completion at the balance sheet date and total expected income on each contract. The stage of completion is determined on the basis of an assessment of the work performed, normally determined as the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs.

When it is probable that total contract costs on a construction contract will exceed total contract revenue, the expected loss on the construction contract is recognised as an expense immediately.

When the outcome of a construction contract cannot be estimated reliably, the selling price is only recognised to the extent of the costs incurred that it is probable will be recoverable.

Where the selling price of work performed on construction contracts exceeds progress billings and expected losses, the contracts are recognised under receivables. Where progress billings and expected losses exceed the selling price of construction contracts, the contracts are recognised under liabilities.

Prepayments from customers are recognised under liabilities.

01 Accounting policies

Costs related to sales work and the winning of contracts are recognised in the income statement as incurred.

Prepayments
Prepayments comprise expenses paid in respect of subsequent financial years and are measured at cost.

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 at the trade date under current assets and measured at fair value, equivalent to the market price for listed securities and an estimated fair value determined on the basis of market data and recognised valuation methods for unlisted securities.

Changes in the fair value of securities are recognised on a continuing basis 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, less the related tax.

Translation reserve
The translation reserve comprises exchange differences 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 Energy 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, less the related tax.

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.

Reserve for shares available for sale
The reserve for shares available for sale comprises the accumulated net change in the fair value of those shares, less the related tax.

Dividends
Proposed dividends are recognised as a liability at the date of their adoption at the Annual General Meeting (declaration date). Up to the declaration date, proposed dividends are disclosed as a separate item under equity.

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. Interest payments are included 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.

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

Deferred tax is measured using the balance sheet liability method, providing for all temporary differences between the carrying amount and the tax base of assets and liabilities; 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. Changes in deferred tax as a result of changes in tax rates are recognised in the income statement.

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

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

Provisions
Provisions comprise estimated costs for decommissioning of production facilities, restoration 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 decommissioning of production facilities and restoration of drilling sites are measured at the present value of the future liability in respect of restoration 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 the general interest rate level in the market. 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 the 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 resources embodying 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 measured at amortised cost using the effective interest rate method. Accordingly, the difference between the proceeds received and the nominal amount is recognised in the income statement under financial expenses over the term of the loan.

Other bank loans include the capitalised residual lease commitment under finance leases, measured at amortised cost.

01 Accounting policies

Trade payables, payable income tax and other payables are measured at net realisable value. Other payables include negative fair values of derivative financial instruments, certain realised and unrealised gains and losses on loans in DONG Oil Pipe A/S (formerly DONG Olierør A/S), etc.

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.

Leasing

Lease commitments are accounted for as commitments under finance leases and commitments under operating leases, respectively.

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of the leased asset. Other leases are classified as operating leases.

The accounting treatment of assets held under finance leases and the associated liability is described in the sections on property, plant and equipment and financial liabilities.

Lease payments under operating leases are recognised in the income statement over the term of the lease on a straight-line basis.

Deferred income

Deferred income comprises payments received in respect of income in subsequent years, measured at cost.

Deferred income also includes overlift of crude oil, cf. 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. Liabilities relating to assets held for sale are liabilities directly associated with those assets that will be transferred in the transaction. Assets are 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 at the date of classification as held for sale and fair value less costs to sell. No depreciation or amortisation is charged on assets from the date they are classified as held for sale.

Impairment losses arising on initial classification 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 effect of acquisitions and disposals of enterprises is disclosed separately under cash flows from investing activities. Cash flows relating to acquired enterprises are recognised in the cash flow statement from the date of acquisition, and cash flows relating to enterprises disposed of are recognised up to the date of disposal.

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

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.

Finance leases are accounted for as non-cash transactions.

Cash flows from financing activities comprise changes in the size or composition of share capital and costs associated with such changes as well as the raising of loans, repayment of interest-bearing debt, purchases and sales of treasury shares, and payment of dividends to owners.

Cash flows relating to assets held under finance leases are recognised as payment of interest and repayment of debt.

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

Cash flows in currencies other than the functional currency are translated at the average exchange rates for the month in question, unless these deviate significantly from the rates at the transaction date.

Segment information
Information is provided on business segments, the Group's primary format for reporting segment information, and geographical markets – its secondary reporting format. 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 indirectly allocated to the individual segment on a reliable basis. Unallocated items comprise primarily assets, liabilities, revenue and expense relating to the Group's administrative functions, investing activities, income taxes, etc.

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

Segment information relating to geographical markets is determined by breaking revenue down by customer location, while segment assets and additions of intangible assets and property, plant and equipment are broken down by physical, geographical location of the assets.

Intragroup transactions between segments are priced at arm's length.

01 Accounting policies

Financial ratios

Unless otherwise stated, financial ratios are determined in accordance with the Danish Society of Financial Analysts' "Recommendations & Financial Ratios 2005".

Financial highlights have been calculated as follows:

EBITDA margin	$\frac{\text{Earnings before interest, tax, depreciation and amortisation}}{\text{Revenue}}$
EBIT margin	$\frac{\text{Earnings before interest and tax}}{\text{Revenue}}$
Earnings per share (EPS) of DKK 1,000[1]	$\frac{\text{Profit}^2}{\text{Average number of shares}}$
Dividend per share of DKK 1,000	$\frac{\text{Dividend}}{\text{Number of shares}_{\text{year end}}}$
Payout ratio	$\frac{\text{Total proposed dividend payment}}{\text{Profit}^3}$
Average number of shares	$\frac{(\text{Shares}_{\text{beg. of yr}} \times D^4) + (\text{Shares}_{\text{yr end}} \times (\text{number of days/year-}D^4)}{\text{Average number of shares}}$
Free cash flows to equity (with acquisitions)	Cash flows from operating and investing activities
Free cash flows to equity (without acquisitions)	Cash flows from operating and investing activities, plus/minus cash flows from acquisitions and disposals of enterprises
Net interest-bearing debt	Interest-bearing liabilities[5] less interest-bearing assets[5]
Invested capital[1]	Equity plus/minus gains/losses relating to hedging instruments on equity + net interest-bearing debt
Financial gearing	$\frac{\text{Net interest-bearing debt}}{\text{Total equity}}$

[1] The definition deviates from the Danish Society of Financial Analysts' "Recommendations & Financial Ratios 2005".
[2] Earnings per share (EPS) is determined in accordance with IAS 33.
[3] Profit exclusive of minority interests.
[4] D = Number of days from the last capital increase to year end.
[5] Bank overdrafts that are included in the cash flow statement as cash and cash equivalents are included as negative interest-bearing assets.

02 Accounting estimates and judgements

In general
Determining the carrying amounts of certain assets and liabilities requires judgements, estimates and assumptions regarding future events.

The estimates and assumptions made are based on historical experience and other factors that are believed by management to be reasonable under the circumstances, but that, by their nature, are uncertain and unpredictable. The assumptions may be incomplete or inaccurate, and unforeseen events or circumstances may occur. Moreover, the DONG Energy Group is subject to risks and uncertainties that may cause actual results to differ from these estimates.

Estimates and associated judgments that are deemed by the management of DONG Energy to be critical to the financial reporting are set out below. The Group's accounting policies are described in detail in note 1 to the consolidated financial statements.

Business combinations
In 2006, DONG Energy acquired significant activities in the Danish electricity sector. For an overview of acquired companies and the fair values determined at the dates of acquisition, reference is made to note 33 of the consolidated financial statements.

Very substantial acquisitions were made in 2006, with a total purchase price of approx. DKK 40 billion. In connection with the acquisitions, the fair values of the acquired identifiable assets and liabilities were determined. A number of separate accounting estimates were made regarding the nature of the identifiable assets and liabilities, including whether intangible assets are separable or form an integral part of property, plant and equipment.

A number of assets and liabilities have been acquired for which no unique market value is available. For some assets and liabilities, the determination of fair value at the acquisition date is therefore based on a number of accounting estimates of significant parameters that form part of the measurement of the fair value, including:

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- service life, maintenance costs and decommissioning costs for the individual items of property, plant and equipment and intangible assets;
- future electricity and fuel prices, etc.
- prices of CO_2 quotas, etc.
- the possibilities for realising cost and earnings synergies
- the future market development and regulation of the Danish energy market
- interest rates applied for discounting, as models have been used to a large extent that are based on calculations of the present value of future cash flows
- probabilities and expected cash flows related to identifiable contingent liabilities and contingent assets

The determination has been further complicated by the extensive activities and the existence of cross-ownerships between the acquired enterprises prior to the merger with DONG Energy, which also leads to various significant estimates with allocation of purchase prices.

Prior to the acquisitions, there was trading between DONG Energy and the acquired companies, including a number of long-term purchase and sales contracts between the enterprises. The measurement of the fair values of these contracts is subject to significant estimates.

Some of the investments were purchased over a period of time, and, in accordance with the rules in IFRS 3 on successive purchases, adjustment has been made to fair values of the acquired assets and liabilities up to the date of acquisition. This determination is subject to a number of accounting estimates and judgements.

Determination of oil and gas reserves
The assessment of underground oil and gas reserves under ownership interests in licences is made to SPE standards (Society of Petroleum Engineers). The assessment of reserves is a complex process involving various parameters such as analysis

02 Accounting estimates and judgements (continued)

of geological data, commercial aspects, etc., each of which is subject to uncertainty. The assessment is relevant to the determination of the recoverable amount and depreciation profile for exploration and evaluation assets.

Recoverable amounts and depreciation profile for production assets

The determination of recoverable amounts for production assets is based on assumptions about future earnings, oil and gas prices, electricity and fuel prices, etc., prices of CO_2 quotas, etc., interest rate levels, etc., future market conditions, etc., each of which is subject to uncertainty. As stated in the accounting policies in note 1, the depreciation profile for a number of production assets has been determined using the unit-of-production method based on the ratio of current production to estimated proven reserves or based on the expected earnings profile. The depreciation profile is therefore subject to the same uncertainties as apply to the determination of the recoverable amounts for the assets.

Fair value of assets classified as held for sale

Assets classified as held for sale are measured in accordance with the Group's accounting policies at the lower of the carrying amount at the date of classification and fair value less costs to sell. At the end of the year, assets classified as held for sale had a carrying amount totalling approx. DKK 8 billion, as described in further detail in note 23. The determination of the fair value of the assets is subject to uncertainty, as sales processes are in progress for the Greek and Spanish wind power assets and the 132 kV transmission network in North Zealand.

Write-downs of receivables

Write-downs are made for bad and doubtful debts. The estimates are subject to significant uncertainties, as they are based on an estimation of the right to collect the receivable and an assessment of the counter-party's ability to pay. Reference is made to note 19 on trade receivables.

Unlisted financial agreements

The DONG Energy Group has concluded financial agreements based, among other things, on electricity that are unlisted and are measured at fair value, including a single long-term agreement that runs until 2020. Reference is made to note 37 for further details. Market values are determined based on fixed valuation models based on market data and the outlook concerning long-term prices and exchange rates, etc., each of which is subject to uncertainty.

Loss-making agreements

As part of the Group's operations, a number of commercial agreements have been entered into with fixed terms that may result in the agreements being loss-making depending on the market development, etc., and the liabilities incurred by the DONG Energy Group as a result of these agreements may also be subject to uncertainty. The judgements concerning of these complex agreements and their future effects are subject to significant uncertainties. Reference is also made to note 27 concerning provisions.

Restoration obligations

The measurement of provisions for restoration obligations is subject to a number of uncertainties, including especially regarding expected regulatory requirements concerning decommissioning and the determination of the expected costs associated with decommissioning of the production assets, and the timing of such decommissioning.

03 Segment information

The Group's primary business segments are:
The segments comprise the following activities:

- *Generation* produces energy from efficient power stations and renewable energy sources. Generation is a market leader within design, construction and operation of offshore wind farms.
- *Exploration & Production* creates value through oil and gas production and procurement of gas at competitive prices. The exploration and production activities are carried out in Danish, Norwegian, UK and Faroese waters.
- *Distribution* takes care of DONG Energy's electricity and gas distribution and natural gas storage in Denmark. Electricity distribution takes place in the metropolitan area and in North Zealand, while gas distribution covers southern Jutland and South and West Zealand.
- *Markets* sells DONG Energy's electricity, natural gas and related products to more than one million customers in Denmark, Sweden, Germany and the Netherlands. The customers include residential customers, industrial customers, public sector customers and wholesale customers.

The Group's secondary segments comprise the following geographical segments:

- *Denmark*
- *Rest of EU*
- *Rest of world*

03 Segment information (continued)

Activities – 2006 (primary segment)

DKK million	Generation	Exploration & Production	Distribution	Markets	Unallocated/Eliminations	Group total
Revenue[1]	7,620	5,556	2,560	24,115	(4,190)	**35,661**
Production costs	(5,959)	(3,049)	(1,929)	(19,277)	3,766	**(26,448)**
Gross profit (loss)	**1,661**	**2,507**	**631**	**4,838**	**(424)**	9,213
Sales and marketing	(76)	0	(15)	(551)	47	**(595)**
Management and administration	(490)	(70)	(193)	(627)	273	**(1,107)**
Other operating income	495	0	46	148	(403)	**286**
Other operating expenses	(73)	0	(2)	(2,591)	403	**(2,263)**
Operating profit (loss) (EBIT)	**1,517**	**2,437**	**467**	**1,217**	**(104)**	5,534
Gain on disposal of enterprises	-	-	-	-	1,023	**1,023**
Share of profit after tax of associates	674	0	0	(202)	(2)	**470**
Financial income	-	-	-	-	872	**872**
Financial expenses	-	-	-	-	(1,464)	**(1,464)**
Profit before tax	**-**	**-**	**-**	**-**	**-**	6,435
Income tax expense	-	-	-	-	-	**(1,518)**
Profit for the year	**-**	**-**	**-**	**-**	**-**	4,917
Intragroup revenue between segments	704	146	594	2,875	(4,319)	**-**
EBITDA	2,695	3,499	1,012	1,601	(14)	**8,793**

[1] The Markets segment includes the effect of intragroup hedging contracts with DKK (173) million net.

03 Segment information (continued)

DKK million	Generation	Exploration & Production	Distribution	Markets	Unallocated/Eliminations	Group total
Balance sheet						
Assets	42,712	14,762	17,367	36,339	(5,594)	**105,586**
- including investments in associates	3,552	0	3	516	2	**4,073**
- including deferred tax assets	33	0	0	3	0	**36**
Equity	29,830	3,214	5,836	12,773	(9,385)	**42,268**
Liabilities	12,882	11,548	11,531	23,566	3,791	**63,318**
Of which non-interest bearing liabilities	7,178	3,982	4,755	20,883	(1,741)	**35,057**
Cash flows						
Additions of intangible assets and property, plant and equipment	1,770	2,416	758	530	40	**5,514**
Depreciation and amortisation	(1,179)	(1,062)	(545)	(373)	(88)	**(3,247)**
Impairment losses	0	0	0	12	0	**12**
Other non-cash transactions recognised in the income statement	(324)	420	(148)	794	129	**871**
Number of full-time employees						
Average for the financial year [1]	1,103	254	445	821	321	**2,944**
At year end	2,083	273	701	1,183	345	**4,585**

[1] The average number of employees in 2006 reflects the fact that significant acquisitions of enterprises were made in 2006 that are included in the consolidated financial statements from the respective acquisition dates, cf. note 33.

Geographical breakdown - 2006 (secondary segment)

DKK million	Denmark	Rest of EU	Rest of world	Group total
Revenue	17,273	17,916	472	**35,661**
Segment assets	84,711	9,149	11,726	**105,586**
Additions of intangible assets and property, plant and equipment	3,485	1,020	1,722	**6,227**

03 Segment information (continued)

Activities – 2005 (primary segment)

DKK million	Generation	Exploration & Production	Distribution	Markets	Unallocated/eliminations	Group total
Revenue	114	4,346	857	13,885	(709)	**18,493**
Production costs	(91)	(2,860)	(677)	(10,857)	735	**(13,750)**
Gross profit	**23**	**1,486**	**180**	**3,028**	**26**	**4,743**
Sales and marketing	-	-	-	-	(263)	**(263)**
Management and administration	-	-	-	-	(369)	**(369)**
Other operating income	-	-	-	-	7	**7**
Other operating expenses	-	-	-	-	(19)	**(19)**
Operating profit (loss) (EBIT)	**(1)**	**1,412**	**161**	**2,582**	**(667)**	**4,099**
Gain on disposal of enterprises	-	-	-	-	0	**0**
Share of profit after tax of associates	38	0	0	22	2	**62**
Financial income	-	-	-	-	945	**945**
Financial expenses	-	-	-	-	(1,097)	**(1,097)**
Profit before tax	**-**	**-**	**-**	**-**	**-**	**4,009**
Income tax expense	-	-	-	-	-	**(1,322)**
Profit for the year	**-**	**-**	**-**	**-**	**-**	**2,687**
Intragroup revenue between segments	0	115	664	39	(818)	**-**
EBITDA	47	2,692	565	2,921	89	**6,314**

The comparative figures for segment information for 2005 have not been incorporated with the same degree of specification as for 2006, as transactions were not recorded with the same degree of detail and on the same functions in 2005 as in 2006. It is therefore not possible to present segment information for 2006 with fully comparable figures for 2005.

Segment information (continued)

	Generation	Exploration & Production	Distribution	Markets	Unallocated/Eliminations	Group total
Balance sheet						
Assets	4,867	13,701	6,040	15,433	6,813	**46,854**
- including investments in associates	4,630	0	3	717	0	**5,350**
- including deferred tax assets	4	0	0	2	0	**6**
Equity	3,697	2,287	1,380	6,928	11,986	**26,278**
Liabilities	1,170	11,414	4,660	8,505	(5,173)	**20,576**
Cash flows						
Additions of intangible assets and property, plant and equipment	351	7,424	220	1,436	(9)	**9,422**
Depreciation and amortisation	(48)	(1,280)	(383)	(280)	(108)	**(2,099)**
Impairment losses	0	0	(19)	(50)	(47)	**(116)**
Other non-cash transactions recognised in the income statement	0	(205)	2	(56)	43	**(216)**
Number of full-time employees						
Average for the financial year	18	240	179	244	315	**996**
At year end	18	245	177	255	323	**1,018**

Geographical breakdown - 2005 (secondary segment)

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

04 Revenue

DKK million	2006	2005
Sales and transportation of natural gas	16,748	12,433
Sales and transportation of crude oil	5,099	6,457
Electricity sales	8,524	53
Sales of district heat, including waste revenue	927	1
Distribution and storage of natural gas	1,050	665
Electricity distribution	1,523	0
Construction contracts	114	0
Trading activities, net	60	(110)
Effect of economic hedges, net	(283)	(331)
Effect of hedge accounting, net	(157)	(1,089)
Other revenue	2,056	414
Revenue	**35,661**	**18,493**

05 Staff costs

DKK million	2006	2005
Wages, salaries and remuneration	(1,583)	(554)
Pensions, cf. note 26	(138)	(54)
Other social security costs	(17)	(6)
Other staff costs	(43)	(7)
Staff costs	**(1,781)**	**(621)**
Staff costs are recognised as follows:		
Production costs	(866)	(319)
Sales and marketing	(236)	(87)
Management and administration	(501)	(154)
Transfer to assets	(178)	(61)
Staff costs	**(1,781)**	**(621)**
Number of full-time employees:		
Average for financial year (reference is made to note 3)	2,944	996
At year end	4,585	1,018

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

DKK million	2006			
	Wages and salaries	Bonus[1]	Pension	**Total**
Committee of Representatives	0.0	0.0	0.0	**0.0**
Parent company Supervisory Board	(1.9)	0.0	0.0	**(1.9)**
Parent company Executive Board	(4.1)	(0.5)	0.0	**(4.6)**
Other senior executives in the parent company	(2.9)	(0.4)	0.0	**(3.3)**
Other senior executives in the Group as a whole	(9.1)	(2.1)	(1.1)	**(12.3)**

[1] Of this amount, DKK 2.5 million had not been paid at 31 December 2006

DKK million	2005			
	Wages and salaries	Bonus[2]	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 as a whole	(3.4)	(3.0)	(0.6)	**(7.0)**

[2] Of this amount, DKK 6.1 million had not been paid at 31 December 2005

Seven persons make up for the Executive Board and other senior executives at 31 December 2006 (2005: four persons).

A bonus plan has been established for the Executive Board and other senior executives. The contracts of service of the menbers of the Executive Board include a termination package under which they will be entitled to salary equivalent to 24 months' salary (2005: 36 months) 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 contract of service are terminated by the company.

06 Research and development costs

DKK million	2006	2005
Research and development costs incurred during the year	(210)	(31)
Amortisation and impairment losses relating to recognised development costs under intangible assets	(102)	(95)
Development costs recognised under intangible assets	136	45
Research and development costs recognised in the income statement under production costs	**(176)**	**(81)**

07 Depreciation, amortisation and impairment losses

DKK million	2006	2005
Depreciation and amortisation by function:		
Intangible assets		
Amortisation recognised in production costs	(659)	(122)
Amortisation recognised in sales and marketing	(18)	0
Amortisation recognised in management and administration	(15)	0
Property, plant and equipment		
Depreciation recognised in production costs	(2,446)	(1,969)
Depreciation recognised in sales and marketing	(15)	0
Depreciation recognised in management and administration	(94)	(8)
Depreciation and amortisation recognised in the income statement	**(3,247)**	**(2,099)**

07 Depreciation, amortisation and impairment losses (continued)

DKK million	2006	2005
Impairment losses by function:		
Intangible assets		
Production costs	0	(83)
Property, plant and equipment		
Production costs	0	(33)
Other non-current assets		
Impairment losses, recognised in management and administration	(12)	0
Impairment losses, recognised in share of profit after tax of associates	(188)	0
Impairment losses recognised in the income statement	(200)	(116)
Depreciation, amortisation and impairment losses recognised in the income statement	(3,447)	(2,215)

The impairment loss for associates relates to the investment in Stadtwerke Lübeck GmbH. The impairment loss is due to estimates of future cash flows being lower than previously estimated. The net cash flows were determined on the basis of budgets for the period 2007 - 2011 and specific expectations for the net cash flows for the period 2012 - 2015. The weighted average growth rate for extrapolation of expected future net cash flows for the years after 2015 (terminal value) has been estimated at 2%. The terminal value accounts for approx. 69% of total expected future cash flows. The net cash flows have been discounted using a discount rate before tax of 6.25%.

08 Fees to auditors appointed at the Annual General Meeting

DKK million	2006	2005
Audit fees	(13)	(4)
Non-audit fees	(23)	(32)
Total fees to KPMG C. Jespersen	**(36)**	**(36)**
Audit fees	(4)	0
Non-audit fees	(17)	0
Total fees to Deloitte	**(21)**	**0**
Audit fees	0	(1)
Non-audit fees	0	0
Total fees to BDO ScanRevision	**0**	**(1)**
Total audit fees	(17)	(5)
Total non-audit fees	(40)	(32)
Fees to auditors appointed at the Annual General Meeting	**(57)**	**(37)**

09 Other operating income and expenses

DKK million	2006	2005
Gains on sale of intangible assets and property, plant and equipment	45	5
Operating income, other	241	2
Other operating income	**286**	**7**
Loss on sale of intangible assets and property, plant and equipment	(6)	(15)
Loss on termination of gas sales agreement	(2,185)	0
Operating expenses, other	(72)	(3)
Other operating expenses	**(2,263)**	**(18)**
Other operating income and expenses	**(1,977)**	**(11)**

[1] Negative fair value of gas sales agreements recognised in connection with acquisitions.

10 Government grants

In 2006, DONG Energy received grants for preliminary investigations in connection with the establishment of production assets and the construction of production assets. Government grants received have been recognised under deferred income and transferred to other operating income in the income statement as the assets to which the grants relate are depreciated.

Grants recognised as revenue relate to sales of electricity generated by wind turbines, etc. The electricity was sold at prices regulated by law, and price supplements have been added to revenue.

DKK million	2006	2005
Government grants recognised in the income statement under revenue	72	30
Government grants recognised in the balance sheet	39	0
Government grants received during the year	**111**	**30**

11 Financial income

DKK million	2006	2005
Interest income, etc.	335	223
Foreign exchange gains	465	571
Value adjustments of derivative financial instruments	49	35
Dividends received	4	112
Other financial income	19	4
Financial income	**872**	**945**

12 Financial expenses

DKK million	2006	2005
Interest expense, etc.	(864)	(434)
Interest element of decommissioning costs	(83)	(55)
Foreign exchange losses	(499)	(586)
Capital losses on securities	(3)	(9)
Other financial expenses	(15)	(13)
Financial expenses	**(1,464)**	**(1,097)**
Foreign exchange adjustments recognised in revenue for the year (net gain):	195	407
Total foreign exchange adjustments recognised in profit for the year (net gain):	161	427

13 Income tax expense

DKK million	2006	2005
Tax for the year can be broken down as follows:		
Tax on profit for the year	(1,518)	(1,322)
Tax on changes in equity	(348)	274
Tax for the year	**(1,866)**	**(1,048)**
Income tax expense can be broken down as follows:		
Current tax (income tax and hydrocarbon tax) calculated using normal taxes	(1,731)	(926)
Special current tax, hydrocarbon tax calculated using higher tax rate	0	(232)
Deferred tax, calculated using normal tax rates	413	(140)
Special deferred tax, hydrocarbon tax calculated using higher tax rate	(223)	(224)
Adjustments of current tax relating to prior years	21	31
Effect of reduction of Danish income tax rate from 30% to 28%	0	188
Adjustments of deferred tax relating to prior years	2	(19)
Income tax expense	**(1,518)**	**(1,322)**
Income tax expense can be explained as follows:		
Calculated 28% tax on profit before tax	(1,802)	(1,123)
Adjustments of calculated tax in foreign subsidiaries in relation to 28%	(7)	2
Special tax, hydrocarbon tax	(223)	(456)
Tax effect of:		
Non-taxable income	488	96
Non-deductible costs	(129)	(58)
Share of profit after tax of associates	132	17
Adjustments of tax relating to prior years	23	200
Income tax expense	**(1,518)**	**(1,322)**
Effective tax rate	**24**	**33**

14 Earnings per share

DKK million	2006	2005
Profit for the year	4,917	2,687
Dividend on hybrid capital after tax	(325)	0
Attributable to minority interests	1	(8)
Attributable to the DONG Energy Group	**4,593**	**2,679**
Average number of shares of DKK 1,000 each	2,701,665	2,143,600
Earnings (EPS) and diluted earnings (DEPS) per DKK 1,000 share, in whole DKK	1,700	1,250

15 Intangible assets

DKK million	Goodwill	Knowhow	Rights	Completed develop-ment projects	In-process development projects and prepayments for intangi-ble assets	Total
Cost at 1 January 2005	0	84	961	366	42	**1,453**
Foreign exchange adjustments	0	0	0	0	0	**0**
Addition on acquisition of subsidiary	276	0	155	0	0	**431**
Additions	0	0	901	10	35	**946**
Disposals	0	0	0	0	0	**0**
Transfers	0	0	161	55	(54)	**162**
Cost at 31 December 2005	**276**	**84**	**2,178**	**431**	**23**	**2,992**
Amortisation and impairment losses at 1 January 2005	0	(84)	(494)	(126)	0	**(704)**
Foreign exchange adjustments	0	0	0	0	0	**0**
Amortisation	0	0	(27)	(95)	0	**(122)**
Impairment losses	0	0	0	(83)	0	**(83)**
Amortisation and impairment losses at 31 December 2005	**0**	**(84)**	**(521)**	**(304)**	**0**	**(909)**
Carrying amount at 31 December 2005	**276**	**0**	**1,657**	**127**	**23**	**2,083**
Cost at 1 January 2006	276	84	2,178	431	23	**2,992**
Foreign exchange adjustments	0	0	0	0	0	**0**
Addition on acquisition of subsidiary	46	0	3,018	0	77	**3,141**
Additions	0	0	421	48	99	**568**
Disposals	0	(84)	(101)	(12)	(2)	**(199)**
Transfers to assets classified as held for sale	0	0	(791)	0	(15)	**(806)**
Transfers	0	0	0	28	(28)	**0**
Cost at 31 December 2006	**322**	**0**	**4,725**	**495**	**154**	**5,696**
Amortisation and impairment losses at 1 January 2006	0	(84)	(521)	(304)	0	**(909)**
Amortisation	0	0	(590)	(102)	0	**(692)**
Impairment losses	0	0	0	0	0	**0**
Disposals	0	84	10	10	0	**104**
Transfers to assets classified as held for sale	0	0	4	0	0	**4**
Amortisation and impairment losses at 31 December 2006	**0**	**0**	**(1,097)**	**(396)**	**0**	**(1,493)**
Carrying amount at 31 December 2006	**322**	**0**	**3,628**	**99**	**154**	**4,203**
Amortised over	-	5 years	5 - 20 years	3 - 5 years	-	-

15 Intangible assets (continued)

Impairment testing of goodwill
At 31 December 2006, DONG Energy tested the carrying amount of goodwill for impairment based on the allocation of the cost of goodwill on the two subsidiaries DONG Energy Sales B.V. (formerly Intergas Levering B.V.) with DKK 276 million and DONG Energy Sales GmbH (formerly E-Nord GmbH) with DKK 46 million.

The result of the impairment test was that the recoverable amount is higher than the carrying amount. It has therefore been deemed unnecessary to write down goodwill in 2006.

The recoverable amount for DONG Energy Sales B.V. is based on a fair value determination for the company, less expected costs to sell. The fair value has been determined on the basis of the price per customer in recent transactions with comparable enterprises. The definite practice is to value enterprises such as DONG Energy Sales B.V. using such valuation methods.

The recoverable amount for DONG Energy Sales GmbH was determined as the present value of the expected future net cash flows relating to the company's activities. The net cash flows were determined based on budgets for the period 2007 - 2010 and specific expectations for the net cash flows for the period 2011 - 2014. The weighted average growth rate for extrapolation of expected future net cash flows for the years after 2014 (terminal value) has been estimated at 2%. The expected future net cash flows have been discounted using a discount rate before tax of 7.75%.

Impairment testing of rights
Rights consist primarily of CO_2 rights, gas purchase rights and customer-related rights. At 31 December 2006, the carrying amount of CO_2 rights was DKK 1,151 million and gas purchase rights were determined at DKK 1,559 million. The carrying amount of customer-related rights was DKK 586 million at 31 December 2006.

Rights have not been impairment tested, as there has not been any indication of impairment of recognised rights.

Impairment testing of completed development projects
Completed development projects relate to IT software. At 31 December 2006, the carrying amount of the development projects was DKK 99 million.

Completed development projects have not been impairment tested, as there has not been any indication of impairment of completed development projects.

Impairment testing of in-process development projects
In-process development projects relate to IT software for the new Group, optical fibre network technology and development of an intelligent electricity meter, etc. At 31 December 2006, the carrying amount of in-process development projects was DKK 154 million.

The carrying amounts of in-process development projects were tested for impairment at 31 December 2006. The result of the impairment tests was that the recoverable amount is higher than the carrying amount. It has therefore been deemed unnecessary to write down development projects in progress.

16 Property, plant and equipment

DKK million	Land and buildings	Production assets	Exploration and evaluation assets	Fixtures and fittings, tools and equipment	Property, plant and eqpt. in the course of constr. and prepayments for prop., plant and eqpt.	Total
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 subsidiary	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**
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**
Including assets held under finance leases	0	0	0	0	0	**0**
Depreciated over	20 - 50 years	10-50 years[1]	-	3 - 10 years	-	**-**
Exploration costs recognised in the income statement	-	-	59	-	-	**59**

[1] Unit-of-production depreciation method

16 Property, plant and equipment (continued)

DKK million	Land and buildings	Production assets	Exploration and evaluation assets	Fixtures and fittings, tools and equipment	Property, plant and eqpt. in the course of constr. and pre-payments for prop., plant and eqpt.	Total
Cost at 1 January 2006	407	25,344	409	24	8,274	**34,458**
Foreign exchange adjustments	0	(42)	0	0	(293)	**(335)**
Addition on acquisition of subsidiary	3,487	24,454	0	390	2,520	**30,851**
Additions	1	1,828	254	40	3,158	**5,281**
Disposal on sale of subsidiary	(20)	(2,685)	0	(2)	0	**(2,707)**
Disposals	(319)	(264)	(291)	(62)	(94)	**(1,030)**
Transfers to assets classified as held for sale	(368)	(6,276)	0	0	(408)	**(7,052)**
Transfers	11	1,963	0	5	(1,967)	**12**
Cost at 31 December 2006	**3,199**	**44,322**	**372**	**395**	**11,190**	**59,478**
Depreciation and impairment losses at 1 January 2006	(175)	(11,616)	(59)	(17)	0	**(11,867)**
Foreign exchange adjustments	0	59	0	0	0	**59**
Disposal on sale of subsidiary	18	1,300	0	2	0	**1,320**
Depreciation, disposals	2	38	59	0	0	**99**
Depreciation	(79)	(2,431)	0	(46)	0	**(2,556)**
Impairment losses	0	0	0	0	0	**0**
Transfers to assets classified as held for sale	3	407	0	0	0	**410**
Transfers	0	18	0	0	0	**18**
Depreciation and impairment losses at 31 December 2006	**(231)**	**(12,225)**	**0**	**(61)**	**0**	**(12,517)**
Carrying amount at 31 December 2006	**2,968**	**32,097**	**372**	**334**	**11,190**	**46,961**
Including assets held under finance leases	0	108	0	0	0	**108**
Depreciated over	20 - 50 years	10 - 50 years[1]	-	3 - 10 years	-	**-**
Exploration costs recognised in the income statement	-	-	433	-	-	**433**

[1] Unit-of-production depreciation method

16 Property, plant and equipment (continued)

Impairment testing of property, plant and equipment
The exploration and evaluation activities are tested for impairment annually and if there is any indication of impairment. An assessment for impairment is also carried out on identification of commercial oil and/or gas finds. The carrying amounts of other items of property, plant and equipment are reviewed annually to determine whether there is any indication of impairment.

The recoverable amount is based on the higher of the value in use and the fair value less estimated costs to sell. 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 7.25% - 10.50%. Significant parameters in connection with the determination of the value in use are sales, EBIT, working capital, fixed assets and growth assumptions.

Based on the impairment test of property, plant and equipment, it is estimated that the carrying amount exceeds the recoverable amount. It was thus not deemed necessary to write down the Group's property, plant and equipment in 2006. The impairment loss of DKK 33 million in 2005 related to production assets and is recognised in the income statement for 2005 under production costs.

Finance leases
The Group has concluded finance leases relating to production assets. On expiry of the leases the Group must acquire the assets or nominate a buyer. The purchase sum on expiry of the leases is estimated to amount to the market value of the assets. The leased assets have been customised for use by the Group.

17 Other non-current assets

DKK million	Investments in associates		Other equity investments		Other non-current financial assets	
	2006	2005	2006	2005	2006	2005
Cost at 1 January	5,529	403	915	4,874	68	1,017
Reclassifications at 1 January	0	0	0	91	0	0
Restated cost at 1 January	**5,529**	**403**	**915**	**4,965**	**68**	**1,017**
Additions	5,170	882	7	194	314	0
Addition on acquisition of subsidiaries	3,485	0	27	0	121	0
Capital contributions in the form of assets	10,047	0	0	0	0	0
Capital contributions, etc.	38	0	0	0	0	0
Transfers	0	4,244	(11)	(4,244)	0	(942)
Transferred on establishment of group	(19,754)	0	(904)	0	0	0
Transfers to assets classified as held for sale	0	0	(17)	0	0	0
Disposals	(35)	0	0	0	0	(7)
Cost at 31 December	**4,480**	**5,529**	**17**	**915**	**503**	**68**
Value adjustments at 1 January	(179)	(215)	468	787	0	(10)
Reclassifications at 1 January	0	0	0	(91)	0	0
Restated value adjustments at 1 January	**(179)**	**(215)**	**468**	**696**	**0**	**(10)**
Share of profit for the year	658	62	0	0	0	0
Reversal of value adjustments of associates on recognition as subsidiaries	(688)	0	0	0	0	0
Recognised value adjustments of enterprises transferred to subsidiaries	0	0	(468)	0	0	0
Goodwill impairment losses	(188)	0	0	0	0	0
Value adjustments, etc.	2	(9)	0	0	0	0
Impairment losses	0	0	(12)	0	0	0
Dividends received	(35)	(17)	0	0	0	0
Transfers	0	0	0	0	0	10
Reversal of revaluation on transfer of other equity investments to associates	0	0	0	(228)	0	0
Disposals	23	0	0	0	0	0
Value adjustments at 31 December	**(407)**	**(179)**	**(12)**	**468**	**0**	**0**
Carrying amount at 31 December	**4,073**	**5,350**	**5**	**1,383**	**503**	**68**

Other equity investments are classified as shares available for sale.

17 Other non-current assets (continued)

Associates:

Investments in associates are measured in the Group's balance sheet using the equity method.

2006

DKK million	Registered office	Ownership interest	Revenue[1]	Profit for the year[1]	Assets[1]	Liabilities[1]	DONG Energy Group's share: Profit for the year	DONG Energy Group's share: Equity
DONG Energy Power A/S[2,3]	Fredericia, Denmark						648	
Energi E2 A/S[2,3]	Fredericia, Denmark							
Nova Naturgas AB	Gothenburg, Sweden	20%	181	(10)	843	487	(2)	73
Fordonsgas AB	Gothenburg, Sweden	50%	63	(4)	76	63	(2)	7
Stadtwerke Lübeck GmbH	Lübeck, Germany	25%	82	(94)	1,309	0	(24)	329
Deudan GmbH	Handewitt, Germany	49%	41	29	35	(26)	14	79
P/S BI New Energy Solutions	Copenhagen, Denmark	22%	0	(10)	251	0	(2)	55
Delpro A/S	Kolding, Denmark	33%	194	0	101	0	0	19
Kraftgården AB	Ragunda, Sweden	26%	261	0	10,561	1,738	0	2,294
Narvik Energi AS	Narvik, Norway	33%	377	64	2,063	168	21	632
Salten Kraftsamband AS	Fauske, Norway	23%	689	38	2,885	33	8	571
Others		-	-	-	-	-	(3)	14
Goodwill impairment losses[4]		-	-	-	-	-	(188)	0
Group, total							**470**	**4,073**

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

[2] Acquisitions made in 2006 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 2007.

[3] DONG Energy Power A/S (formerly Elsam A/S) is recognised as an associate until 1 July 2006, and then as a subsidiary. Energi E2 A/S is recognised as an associate from 1 May 2006. The remaining shares in Energi E2 A/S were acquired on 1 July 2006, and the company is recognised as a subsidiary from that date.

[4] Goodwill impairment losses relate to the investment in Stadtwerke Lübeck GmbH.

17 Other non-current assets (continued)

2005

DKK million	Registered office	Ownership interest	Revenue[1]	Profit for the year[1]	Assets[1]	Liabilities[1]	DONG Energy Group's share: Profit for the year	DONG Energy Group's share: Equity
Nova Naturgas AB	Gothenburg, 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	Rudersdal, Denmark	37%	26	0	7	0	0	3
DONG Fordonsgas AB	Gothenburg, Sweden	50%	51	2	60	43	1	8
Stadtwerke Lübeck GmbH	Lübeck, Germany	25%	1,729	63	4,083	1,922	13	542
Deudan GmbH	Handewitt, Germany	49%	0	0	0	0	0	0
Deudan GmbH & Co KG	Handewitt, Germany	49%	72	25	395	154	10	68
P/S BI New Energy Solutions	Copenhagen, Denmark	22%	0	(10)	145	0	(2)	32
DONG Energy Power A/S	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**

In 2004 and 2005, DONG Energy acquired a total of 25% of the shares in DONG Energy Power A/S. In the consolidated financial statements for 2005, the investment in DONG Energy Power A/S was classified as investments in associates 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 for the period until 31 December 2005.

In 2005, DONG Naturgas A/S acquired 25% of the shares in the German company Stadtwerke Lübeck GmbH.

In 2005, DONG Energy Aktiebolag (formerly DONG Sverige) acquired a further 17% of the shares in the Swedish company Fordonsgas AB. With DONG Sverige's 50% ownership interest, Fordonsgas AB is owned on a fifty-fifty basis with Göteborg Energi AB, which holds the other 50%. The company is recognised as an associate in DONG Energy's consolidated financial statements.

17 Other non-current assets (continued)

Joint ventures:

Interests 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 an interest in a joint venture is conditional upon the existence of a contractual arrangement between the joint venturers stipulating joint control.

The Group's shares of the profits, assets and equity and liabilities of joint ventures are as follows:

DKK million	2006	2005
Income[1]	364	0
Expenses	(1,792)	(425)
Profit (loss) for the year	**(1,428)**	**(425)**
Non-current assets	14,017	10,569
Current assets	436	267
Assets at 31 December	**14,453**	**10,836**
Equity	13,474	10,462
Non-current liabilities	421	13
Current liabilities	558	361
Equity and liabilities at 31 December	**14,453**	**10,836**

[1]The oil exploration and oil production joint ventures do not generate any independent income, as the joint venturers "lift" and sell their own share of oil and gas.

Reference is made to note 44 for a list of joint ventures (jointly controlled entities/operations and jointly operated licences).

Reference is also made to note 41 Contingent assets, liabilities and security for details of contingent liabilities attaching to joint ventures.

18 Inventories

DKK million	2006	2005
Raw materials and consumables	155	2
Fuel	1,491	0
Natural gas and crude oil	937	688
Inventories at 31 December	**2,583**	**690**
Carrying amount of inventories recognised at net selling price	0	0
Write-downs for the year recognised in the income statement	0	0
Reversals of write-downs recognised in the income statement	0	0
Cost of sales recognised in the income statement	19,970	9,351

19 Trade receivables

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

In 2006, DONG Energy recognised a DKK 327 million (2005: income of DKK 4 million) adjustment of provisions for anticipated losses in the income statement. Provision for anticipated loss at 31 December 2006 amounted to DKK 406 million (31 December 2005: DKK 79 million).

The carrying amount of receivables is estimated to correspond to the fair value.

20 Other receivables

DKK million	2006	2005
Fair value of derivative financial instruments	15,312	2,141
Receivables in respect of sale of activities	1,559	101
Deposits	126	141
Receivables, other	4,058	868
Other receivables at 31 December	**21,055**	**3,251**

Apart from the fair values of derivative financial instruments and deposits, receivables fall due for payment less than one year after the close of the financial year. The carrying amount of receivables is estimated to correspond to the fair value.

21 Construction contracts

DKK million	2006	2005
Selling price of construction contracts	35	0
Progress billings	(12)	0
Net value of construction contracts at 31 December	**23**	**0**
Which is recognised as follows:		
Construction contracts (assets)	23	0
Construction contracts (liabilities)	0	0
Net value of construction contracts at 31 December	**23**	**0**
Prepayments from customers	0	0
Payments withheld	0	0

22 Prepayments

DKK million	2006	2005
Other prepayments	145	0
Non-current prepayments at 31 December	**145**	**0**
Underlift	190	409
Insurance provisions	26	52
Other prepayments	230	106
Current prepayments at 31 December	**446**	**567**
Current and non-current prepayments at 31 December	**591**	**567**

23 Assets classified as held for sale

In connection with the merger of the energy companies DONG Energy A/S (formerly DONG A/S), Energi E2 A/S, DONG Energy Power A/S (formerly Elsam A/S), DONG Energy Sales & Distribution A/S (formerly Nesa A/S) and the electricity activities of the City of Copenhagen and Frederiksberg Municipality, the Group's strategy has been updated. As a consequence of the strategy work, the Group has decided to dispose of the Spanish and Greek wind power activities. It has not been deemed necessary to write down the assets. An agreement on sale of the Spanish and Greek wind power assets has yet to be made. The assets are included in the segment Generation.

As a consequence of its acquisition of DONG Energy Sales & Distribution A/S, DONG Energy must sell DONG Energy Nord Elnet A/S's (formerly Nesa Net A/S) 132 kV transmission network in North Zealand to Energinet.dk. The sales process has yet to be completed. It has not been deemed necessary to write down the assets. The activities are included in the segment Distribution.

The Group has sold Energi E2 A/S's former head office property at Teglholmen in Copenhagen. The sale was completed on 1 January 2007. The property is included in the segment Generation.

Assets classified as held for sale comprise:

DKK million	2006	2005
Intangible assets	802	0
Property, plant and equipment	6,642	33
Other non-current assets	74	0
Non-current assets	**7,518**	**33**
Current assets	884	0
Assets classified as held for sale at 31 December	**8,402**	**33**
Non-current liabilities	2,229	0
Current liabilities	742	0
Liabilities relating to assets classified as held for sale at 31 December	**2,971**	**0**

24 Equity

DKK million	2006	2005	2004	2003	2002
Share capital at beginning of year	2,144	2,144	2,144	2,144	2,144
Capital increase by way of non-cash contributions	793	0	0	0	0
Share capital at 31 December	**2,937**	**2,144**	**2,144**	**2,144**	**2,144**

The company's share capital is DKK 2,937 million, divided into shares of DKK 1,000.

The shares are fully paid up.

Hybrid capital

Hybrid capital of DKK 8,154 million comprises the EUR bonds (hybrid capital) issued in the European capital market in June 2005. The principal amounts to EUR 1.1 billion and the loan is subject to a number of special terms. The purpose of the issue was to strengthen DONG Energy A/S's capital base and to fund DONG Energy'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 Energy A/S can omit or postpone interest payments to the bond holders. However, deferred interest payments will fall due for payment in the event of DONG Energy A/S making any distributions to its shareholders. The proceeds from the issuing of hybrid capital amounted to DKK 8,111 million (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 Energy A/S is not under obligation to pay interest to the bond holders.

25 Deferred tax

DKK million	2006	2005
Deferred tax at 1 January	3.231	3.089
Foreign exchange adjustments	(27)	10
Addition on acquisition of subsidiary	3.045	49
Disposal on sale of subsidiary	(353)	0
Deferred tax for the year recognised in profit for the year	(190)	364
Deferred tax for the year recognised in equity	20	0
Prior year adjustments	(2)	19
Prior year adjustments recognised in equity	0	(112)
Effect of reduction of Danish corporate income tax rate from 30% to 28%	0	(188)
Transfer to assets classified as held for sale	(1,094)	0
Deferred tax at 31 December	**4,630**	**3,231**
Deferred tax is recognised in the balance sheet as follows:		
Deferred tax (assets)	36	6
Deferred tax (liabilities)	4,666	3,237
Deferred tax at 31 December, net	**4,630**	**3,231**
Deferred tax relates to:		
Intangible assets	448	169
Property, plant and equipment	5,990	3,512
Other non-current assets	(16)	101
Current assets	(40)	140
Non-current liabilities	(1,477)	(688)
Current liabilities	(432)	(85)
Retaxation	249	88
Tax loss carryforwards	(92)	(6)
Deferred tax at 31 December	**4,630**	**3,231**
Deferred tax assets that are not recognised in the balance sheet relate to:		
Temporary differences	1,391	1,394
Tax loss carryforwards	6,337	6,112
Deferred tax assets at 31 December	**7,728**	**7,506**
Deferred tax liabilities that are not recognised in the balance sheet relate to:		
Temporary differences relating to investments in subsidiaries and associates	680	263

Unrecognised deferred tax assets relate primarily to unutilised losses in the hydrocarbon income. Utilisation of the losses within the foreseeable future is considered unlikely.

25 Deferred tax (continued)

Changes in temporary differences during the year:

2006

DKK million	Balance sheet at 1 January	Foreign ex-change adjust-ments	Disposal on sale of subsi-diary	Addition on ac-quisition of enter-prises	Recog-nised in profit for the year	Trans-fers to assets clas-sified as held for sale	Recog-nised in equity	**Balance sheet at 31 Decem-ber**
Intangible assets	169	(1)	0	301	(14)	(7)	0	**448**
Property, plant and equip-ment	3,512	(33)	(372)	3,690	315	(1,122)	0	**5,990**
Other non-current assets	101	(2)	0	(243)	128	0	0	**(16)**
Current assets	140	(3)	0	775	(953)	1	0	**(40)**
Non-current liabilities	(688)	11	19	(653)	(166)	0	0	**(1,477)**
Current liabilities	(85)	0	0	(244)	(123)	0	20	**(432)**
Retaxation	88	0	0	0	161	0	0	**249**
Tax loss carryforwards	(6)	1	0	(581)	460	34	0	**(92)**
	3,231	**(27)**	**(353)**	**3,045**	**(192)**	**(1,094)**	**20**	**4,630**

2005

DKK million	Balance sheet at 1 January	Foreign exchange adjust-ments	Addition on acqui-sition of enterprises	Recog-nised in profit for the year[1]	Recog-nised in equity[1]	**Balance sheet at 31 December**
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	(9)	(131)	**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**	**195**	**(112)**	**3,231**

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

26 Pensions

DKK million	2006	2005
Development in present value of obligations relating to defined benefit plans:		
Present value of obligations at 1 January	15	18
Calculated interest relating to obligation	1	(1)
Actuarial gains (losses)	(2)	(2)
Paid during year	(53)	(4)
Addition on acquisition of subsidiary	79	0
Current service cost	2	4
Present value of obligations at 31 December	**42**	**15**
Pension obligations recognised in the income statement:		
Current service cost	(2)	(4)
Calculated interest relating to obligation	(1)	1
Total recognised for defined benefit plans	**(3)**	**(3)**
Total recognised for defined contribution plans	(136)	(50)
Recognised in the income statement	**(139)**	**(53)**
The cost is recognised in the following items in the income statement:		
Production costs	(137)	(54)
Management and administration	(1)	0
Sales and marketing	0	0
Financial income and financial expenses	(1)	1
Recognised in the income statement	**(139)**	**(53)**

26 Pensions (continued)

	2006	2005
Actuarial assumptions:		
Average discount rate applied	5.00%	2.51 %
Future rate of increase of wages and salaries	3.00%	2.00 %

The Group expects to contribute DKK 7 million to the defined benefit pension plan in 2007.

DKK million	2006	2005	2004	2003	2002
The Group's pension obligations for the current year and the past four years are as follows:					
Actuarially determined pension obligations	42	15	-	-	-
Experience adjustments to obligations	(1)	0	-	-	-

Maturities

Maturities for pensions at 31 December are expected to be:

DKK million	2006	2005
0 - 1 year	3	0
1 - 5 years	11	5
> 5 years	28	10
Pensions at 31 December	**42**	**15**

27 Provisions

DKK million	Restoration obligations	2006 Others	Total
Provisions at 1 January	1,775	43	**1,818**
Foreign exchange adjustments	(14)	0	**(14)**
Addition on acquisition of subsidiaries	1,663	534	**2,197**
Disposal on sale of subsidiaries	(73)	0	**(73)**
Used during the year	13	166	**179**
Reversal	(2)	(80)	**(82)**
Provision for the year	182	0	**182**
Transfers to assets classified as held for sale	(31)	0	**(31)**
Interest element of restoration obligations	83	0	**83**
Provisions at 31 December	**3,596**	**663**	**4,259**

Restoration obligations relate to expected future costs for restoration, etc., on decommissioning of production assets. The equivalent value of the obligations is recognised under production assets (property, plant and equipment) and depreciated together with the production assets.

Provisions, others, include expected reimbursement to the electricity consumers in DONG Energy Nord Forsyning's area and expected losses on contracts, etc.

Provisions have been discounted to present value. A risk-free interest rate in the 3.50% - 4.25% range has been used as discount rate.

Maturities

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

DKK million	2006	2005
0 - 1 year	67	44
1 - 10 years	561	640
10 - 20 years	1,633	226
20 - 30 years	1,521	895
30 - 40 years	352	13
> 40 years	125	0
Provisions at 31 December	**4,259**	**1,818**

28 Current and non-current loans

The Group's current and non-current loans can be broken down as follows:

DKK million	2006	2005
Bond loans	7,938	3,735
Mortgage loans	1,810	583
Bank loans	5,359	2,137
Other non-current financial liabilities	6,961	3
Non-current loans at 31 December	**22,068**	**6,458**
Bond loans	1,995	0
Mortgage loans	11	39
Bank loans	2,902	654
Current loans at 31 December	**4,908**	**693**
Current and non-current loans at 31 December	**26,976**	**7,151**
Fair value	27,061	7,375
Nominal value	26,894	7,153

Maturity

Expected maturity of current and non-current loans:

DKK million	2006	2005
0 - 1 year	4,908	693
1 - 5 years	13,940	1,063
> 5 years	8,128	5,395
Current and non-current loans at 31 December	**26,976**	**7,151**

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

The Group's financing agreements are not subject to any unusual terms and conditions.

28 | Current and non-current loans (continued)

Finance leases

Liabilities relating to assets held under finance leases are thus recognised under bank loans:

	2006			2005		
DKK million	Minimum lease payments	Interest element	**Present value**	Minimum lease payments	Interest element	**Present value**
0 - 1 year	9	1	**8**	0	0	**0**
1 - 5 years	47	6	**41**	0	0	**0**
> 5 years	98	25	**73**	0	0	**0**
	154	**32**	**122**	**0**	**0**	**0**
Carrying amount at 31 December			120			0

The fair value has been estimated as the present value of future cash flows at a market rate for corresponding leases.

There is no contingent rent under the leases.

Further details of the Group's leases are given in note 16.

29 Income tax receivable and payable

DKK million	2006	2005
Income tax receivable at 1 January	107	820
Adjustments of current tax for prior years	28	6
Payments in respect of prior years	(49)	(826)
Current tax for the year	(1,603)	(791)
Tax for the year on equity	(328)	143
Current tax from non-consolidated companies	(5)	7
Payments for the year	2,091	748
Income tax receivable at 31 December	**241**	**107**
Income tax payable at 1 January	153	213
Foreign exchange adjustments	(6)	6
Addition on acquisition of subsidiary	228	0
Adjustments of current tax for prior years	7	(25)
Payments for prior years	(256)	(166)
Current tax for the year	128	367
Payments for the year	(86)	(242)
Transfers to assets classified as held for sale	(33)	0
Income tax payable at 31 December	**135**	**153**

30 Other payables

DKK million	2006	2005
Fair value of derivative financial instruments	12,818	2,928
VAT and duties	773	0
Purchase prices payable	117	88
Other liabilities	4,777	1,052
Other payables at 31 December	**18,485**	**4,068**

Apart from the fair value of derivative financial instruments, other payables fall due for payment less than one year after the close of the financial year.

31 Deferred income

Deferred income comprises government grants received and the value of gas received free of charge, etc. These amounts are recognised as income over a number of years.

Deferred income can be broken down as follows:

DKK million	2006	2005
Other deferred income	732	0
Non-current deferred income at 31 December	**732**	**0**
Value of gas received free of charge	148	76
Prepayments	0	65
Government grants received	72	0
Other deferred income	278	145
Current deferred income at 31 December	**498**	**286**
Current and non-current deferred income at 31 December	**1,230**	**286**

32 Cash flows from operations (operating activities)

DKK million	2006	2005
Operating profit	5,534	4,099
Depreciation, amortisation and impairment losses	3,259	2,215
Operating profit before depreciation and amortisation (EBITDA)	**8,793**	**6,314**
Other restatements	877	(231)
Cash flows from operations (operating activities) before changes in working capital	**9,670**	**6,083**
Change in inventories	(559)	(229)
Change in trade receivables	(111)	(764)
Change in other receivables	(608)	24
Change in trade payables	(1,115)	1,336
Change in other payables	3,680	192
Change in working capital	**1,287**	**559**
Cash flows from operations (operating activities)	**10,957**	**6,642**

Cash flows from exploration activities amounted to DKK (179) million (2005: DKK (284) million).

33 Acquisition of subsidiaries

Acquisition of subsidiaries in 2006

In 2006, DONG Energy acquired a number of significant subsidiaries, all of which have been accounted for in accordance with the purchase method. There are various cross-ownerships among the acquired companies that have been adjusted in the overviews below so that the information is presented by company group. Acquisitions of subsidiaries in 2006 are also shown by acquisition date, as the acquisitions were implemented through interdependent negotiations, agreements, etc. Companies acquired in 2006 and adjustments of cost for companies acquired in prior years are as follows:

33 Acquisition of subsidiaries (continued)

DKK million	Core activity	Acquisition date	Acq. shares at acq. date	Cost	Recognised share of profit
KE Drift A/S (formerly KE Holding A/S)[1]	Electricity grid (Distribution) Electricity sales (Markets)	1 May 2006	100%	5,046	143
Frederiksberg Elnet A/S, Frederiksberg Forsyning A/S Frederiksberg Ejendomme A/S			100%		
Energi E2 A/S[2]	Generation of power and heat (Generation)	1 July 2006	100%	34,285	1,899
DONG Energy Power A/S (formerly Elsam A/S)[3]			100%		
DONG Energy Sales & Distribution A/S (formerly Nesa A/S)[4]	Electricity grid (Distribution) Electricity sales (Markets)		99.85%		
Significant acquisitions in total before adjustments[5 6]				**39,331**	**2,042**
Value adjustments on successive acquisitions of investments in subsidiaries[7]				943	
Acquisitions in total in 2006				**40,274**	
Adjustments relating to enterprises acquired in prior years:					
DONG Energy Sales GmbH (formerly E-Nord GmbH)	Gas sales (Markets)	1 March 2005	74.91%	46	
Total				**40,320**	

Notes:

[1] The acquisition is shown exclusive of the company's investments in Energi E2 A/S of 34%.

[2] The acquisitions were made in the period from 19 April 2006 to 1 July 2006. The shares were acquired for cash consideration, 75.93% in total, and consideration in the form of shares in DONG Energy A/S, 24.07% in total. The shares were acquired by direct share purchase, 29.96% in total, and indirect purchase, 70.04% in total, through the acquisitions of KE Drift A/S and DONG Energy Power A/S.

[3] The acquisitions were made in the period from 2003 to 1 July 2006. The shares were acquired for cash consideration, 78.59% in total, and consideration in the form of shares in DONG Energy A/S, 21.41% in total. The investments were recognised as associates in the period from 1 December 2005 to 1 July 2006, following which they were transferred for recognition as subsidiaries.

[4] The acquisitions of 99.85% were made in the period from 2002 to 1 July 2006, while the remaining shares were acquired in autumn 2006. The shares were acquired by indirect purchase through DONG Energy Power A/S, approx. 87% in total, and by direct purchase, approx. 13% in total.

[5] Besides the cross-ownerships referred to, cost includes the subsidiaries' investments in associates, DKK 3,485 million in total, which is recognised in the consolidated financial statements as other non-current assets, cf. note 17.

[6] The total cost is made up of cash purchases totalling DKK 22,425 million, consideration in the form of shares in DONG Energy A/S with DKK 10,041 million, issue of instrument of debt for DKK 6,675 million, purchase costs incurred of DKK 108 million.

[7] The acquisitions of investments in DONG Energy Power A/S, Energi E2 A/S and DONG Sales & Distribution A/S were made in the period from 2002 to 1 July 2006. Value adjustments have been made of acquired assets and liabilities as provided in IFRS 3 from the original acquisition dates to the acquisition date at 1 July 2006. Value adjustments of DKK 946 million have been recognised with set-off directly against equity in the consolidated financial statements. Similarly, existing value adjustments in relation to the cost until the acquisition date have been reversed by recognition directly in equity with DKK 688 million in total.

33 Acquisition of subsidiaries (continued)

In connection with the acquisition of 24.07% of DONG Energy Power A/S and 21.41% of Energi E2 A/S shares in DONG Energy A/S have been issued.

Cost paid in the form of shares can be broken down as follows:

	Number of shares issued	Price	Cost
DONG Energy Power A/S	473,934	12,653.95	5,997
Energi E2 A/S	319,565	12,653.95	4,044
	793,499	**12,653.95**	**10,041**

The determined cost paid in the form of shares has been valued on the basis of the fair value of the contributed shares.

The preliminary allocation of cost on acquired assets and liabilities in 2006 can be broken down as follows:

	Acquisition date 1 May 2006		Acquisition date 1 July 2006		Eliminations in acquisition balance sheet and adjustments relating to companies acquired in prior years		**Total**	
DKK million	Fair value at acquisition date	Carrying amount prior to acquisition	Fair value at acquisition date	Carrying amount prior to acquisition	Fair value at acquisition date	Carrying amount prior to acquisition	**Fair value at acquisition date**	**Carrying amount prior to acquisition**
Intangible assets	(589)	(550)	(2,532)	(826)	(46)	0	**(3,167)**	**(1,376)**
Property, plant and eqpt.	(4,325)	(4,220)	(26,537)	(20,017)	0	0	**(30,862)**	**(24,237)**
Other non-current assets	(25)	(25)	(5,304)	(4,596)	(350)	0	**(5,679)**	**(4,483)**
Inventories	(29)	(29)	(1,305)	(1,247)	0	0	**(1,334)**	**(1,276)**
Receivables	(1,718)	(1,739)	(18,253)	(15,829)	1,766	0	**(18,205)**	**(17,706)**
Cash and cash equivalents	(486)	(486)	(3,504)	(3,504)	0	0	**(3,990)**	**(3,990)**
Current liabilities	1,163	937	4,988	6,752	(1,766)	0	**4,385**	**7,689**
Non-current liabilities	963	981	17,551	12,477	0	0	**18,514**	**13,458**
Net assets	**(5,046)**	**(5,131)**	**(34,896)**	**(26,790)**	**(396)**	**0**	**(40,338)**	**(31,921)**
Minority interests	-	-	-	-	-	-	**18**	**18**
DONG Energy's share of net assets							**(40,320)**	**(31,903)**
Included recognised as purchase price payable							**6,704**	**-**
Cash and cash equivalents acquired							**3,967**	**-**
Value adjustments of previously recognised assets and liabilities on successive acquisition							**943**	**-**
Intragroup gain							**350**	**-**
Transfer from associates							**19,754**	**-**
Other adjustments							**(68)**	**-**
Cash purchase price							**(8,670)**	**-**

33 Acquisition of subsidiaries (continued)

Intangible assets comprise primarily rights in the form of CO_2 rights and customer-related rights. The distribution of cost for the companies acquired in 2006 on fair values of the identifiable assets and liabilities acquired has not led to the recognition of goodwill. Adjustments of the cost relating to companies acquired in prior years result in goodwill totalling DKK 46 million.

As a consequence of its acquisition of DONG Energy Sales & Distribution A/S (formerly Nesa A/S), DONG Energy is under obligation to dispose of DONG Energy Nord Elnet A/S's (formerly Nesa Net A/S) 132 kV transmission network in North Zealand. Reference is made to note 23. As part of the European Commission's approval of the merger of the energy companies DONG Energy A/S (formerly DONG A/S), Energi E2 A/S, DONG Energy Power A/S (formerly Elsam A/S), and DONG Energy Sales & Distribution A/S and the electricity activities of the City of Copenhagen and Frederiksberg Municipality, the Group is under obligation to dispose of the gas storage facility near Ll. Torup. The facility was disposed of in 2006. Reference is made to note 35.

Information on revenue and profit as if the acquired companies had been owned throughout the financial year is omitted, as it is judged that it is not possible, at the present time, to disclose this information with sufficient certainty in the 2006 annual report. Compliance with the disclosure requirement presents special difficulties because the information relates to a complex purchase agreement with Vattenfall under which parts of the activities were spun off prior to the acquisition by DONG Energy.

The information that will form part of a prospectus in connection with the planned IPO of DONG Energy A/S was being prepared at the time of completion of the annual report.

Subsidiaries acquired in 2005

In 2005, DONG Energy acquired a number of small subsidiaries that have been accounted for using the purchase method.

The following companies were acquired in 2005:

DKK million	Core activity	Acquisition date	Acquired shares at the acquisition date	Cost	Recognised profit share
Heysham Offshore Wind Ltd.	Power generation (Generation)	1 June 2005	100%	0	0
DONG Energy Sales B.V. (formerly Intergas Levering B.V.)	Electricity sales (Markets)	30 September 2005	100%	389	(2)
DONG Energy Sales GmbH (formerly E-Nord GmbH)	Gas sales (Markets)	1 March 2005	75%	0	(2)
DONG Sverige Distribution AB	Gas network (Markets)	4 July 2005	100%	1	1
DONG Insurance A/S	Insurance (not allocated)	21 January 2005	100%	1	19
DONG Energy Pipelines A/S (formerly DONG Naturgas Pipeline A/S)	Gas network (Markets)	31 January 2005	100%	1	19
Acquired companies in total				**392**	**35**

33 Acquisition of subsidiaries (continued)

The preliminary breakdown of cost by assets and liabilities accquired in 2005 is as follows:

DKK million	2005 Fair value at acquisition date	2005 Carrying amount prior to acquisition
Intangible assets	(430)	0
Property, plant and equipment	(3)	(3)
Other non-current assets	0	0
Inventories	0	0
Receivables	(265)	(265)
Cash and cash equivalents	(32)	(32)
Current liabilities	339	291
Non-current liabilities	0	0
Net assets	**(391)**	**(9)**
Minority interests	0	0
Net assets	**(391)**	**(9)**
Of which recognised as purchase price payable	0	-
Cash and cash equivalents acquired	32	-
Cash purchase price	**(359)**	-

34 Acquisition of minority interests in subsidiaries

DKK million	2006	2005
Purchase price	(68)	(535)
Paid in respect of prior years	0	(51)
Cash purchase price	**(68)**	**(586)**

35 Disposal of subsidiaries

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

DKK million	2006	2005
Property, plant and equipment	1,387	0
Other non-current assets	12	0
Cash and cash equivalents	37	0
Current liabilities	(169)	0
Non-current liabilities	(827)	0
Gain on disposal of subsidiaries	1,023	0
Selling price	**1,463**	**0**
Of which receivables	(1,458)	0
Transferred cash and cash equivalents	(37)	0
Cash selling price	**(32)**	**0**

Disposal of enterprises comprises Ll. Torup Gaslager A/S and Nunaoil A/S. The disposal of the gas storage facility near Ll. Torup to Energinet.dk was made as part of the European Commission's approval of the merger of the energy companies DONG Energy A/S (formerly DONG A/S), Energi E2 A/S, DONG Energy Power A/S (formerly Elsam A/S), DONG Energy Sales & Distribution A/S (formerly Nesa A/S) and the electricity activities of the City of Copenhagen and Frederiksberg Municipality. The gain on disposal of Ll. Torup Gaslager A/S has been provisionally determined at DKK 1,000 million. Nunaoil A/S was sold to the Danish State at an accounting gain of DKK 23 million.

36 Cash and cash equivalents

DKK million	2006	2005
Cash and cash equivalents at 31 December include:		
Securities that are part of the ongoing cash management	132	1,594
Available cash	9,475	5,762
Bank overdrafts	(501)	0
Cash and cash equivalents at 31 December	**9,106**	**7,356**
Securities at 31 December can be broken down into the following balance sheet items:		
Securities that are part of the ongoing cash management	132	1,594
Other securities	0	0
Securities at 31 December	**132**	**1,594**
Cash at 31 December can be broken down into the following balance sheet items:		
Available cash	9,475	5,762
Cash not available for use	46	19
Cash at 31 December	**9,521**	**5,781**
Bank loans at 31 December can be broken down as follows:		
Bank overdrafts	(501)	0
Other bank loans, etc.	(2,401)	654
Bank loans at 31 December	**(2,902)**	**654**

37 Currency risks, interest rate risks and raw material price risks, etc.

Financial risks

DONG Energy's operations involve a number of financial risks, and management of these is an important focus area. The purpose of risk management is to ensure an optimal balance between investment and return. Because of its strategic focus on building up cutting-edge risk management skills, DONG Energy is today able to offer a number of sophisticated commercial products that are all aimed at reducing the price risk for the customers. DONG Energy 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 Energy's policy to identify and assess all material financial risks with a view to their inclusion in the risk management. To this end, the management of all financial and insurable risks is anchored and gathered centrally in a finance and risk management function at corporate level. To this should be added the establishment of an interorganisational Risk Committee with special focus on market price and credit risks.

DONG Energy's current risk policy is based on active hedging of the market prices that affect its earnings. As part of its risk policy, DONG Energy actively manages market price risks up to five years ahead by concluding financial hedging contracts with a view to reducing the risk of losses. DONG Energy uses financial hedging instruments solely with a view to reducing its financial exposure. In order to underpin the primary trading activities, DONG Energy takes active positions within selected energy risks, to a limited extent. The positions are actively monitored with fixed authority limits, daily reporting and risk follow-up.

DONG Energy's earnings are influenced, to a great extent, by the development in a number of market prices, especially oil prices, electricity prices, gas prices, coal prices, CO_2 prices and the USD exchange rate. These risks are hedged using forwards, swaps and various option instruments.

DONG Energy's operating profit may fluctuate considerably from year to year as a result of the development in prices. Particularly the time lag effect that arises as a consequence of the price of oil and the USD exchange rate featuring with different time lags in DONG Energy's natural gas purchase and sales contracts may affect the operating result from one year to the next. 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 17 months. For example, a change in the price of oil and/or the USD exchange rate in January may thus affect DONG Energy'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 and gas price risks

DONG Energy's oil and gas price risks relate primarily to equity oil and gas and differences in the indexing of purchase and selling prices for natural gas. DONG Energy's exposure is partly in crude oil and gas, and partly in various other oil types such as fuel oil and gas oil. Gas price risks relate primarily to the exposure from the Ormen Lange field's coming equity production. This exposure will be hedged as the production volume becomes certain. Oil hedging is mainly in the underlying oil types to reduce the risk of price fluctuations between the various types. DONG Energy primarily hedges the oil price risk by buying put options and by forward sale of oil. At the end of 2006, approx. 40% of the expected oil and gas price risk for the coming five years had been hedged, primarily by acquisition of options at a level corresponding to a crude oil price of USD 30-50/bbl.

Green Dark Spread / Green Spark Spread

Production from power stations is primarily exposed to the electricity price, the coal price (including freight) and the CO_2 price. The difference between these three factors on production of one MWh is called the Green Dark Spread. Green Spark Spread is when natural gas is used instead of coal.

In order to actively reduce this risk, DONG Energy pursues a price hedging strategy that hedges production in the ratio required to produce one MWh, ensuring a more stable financial result.

At the end of 2006, DONG Energy had financially hedged approx. 55% of its commercial electricity exposure for 2007.

The price development in the Nordic electricity market is determined predominantly by the hydro balance. The hydro balance is a measure of the current snow and water quantities in the Norwegian and Swedish reservoirs compared with what is normal for the particular time of year.

The Danish price areas are part of the Northern European market for wholesale electricity, and there is a clear price con-

37 Currency risks, interest rate risks and raw material price risks, etc. (continued)

nection between these markets. There may, however, be major price differences during individual hours, and in such situations Denmark becomes a transit area between Germany and the Nordic countries.

DONG Energy is thus primarily exposed to the development in electricity prices in the Danish price area, but part of the hedging of this risk is against other price areas, including system prices in the Nordic countries.

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; however, the purchase of USD-based coal provides a considerable natural hedge.

DONG Energy primarily hedges its currency exposure by using forwards and currency swaps and, to a lesser extent, options. In accordance with DONG Energy's policy for currency risks, the commercial exposure has been considerably reduced for the coming five years.

Interest rate risks

DONG Energy's interest rate risks relate primarily to its loan portfolio, cash and concluded financial hedging contracts. These risks are managed in relation to DONG Energy's net financing requirement and capital structure. To reduce its exposure to increases in interest rates, DONG Energy's loan portfolio consists, to some extent, of fixed-rate loans.

At the end of 2006, the net interest rate risk, excluding the hybrid capital issued, was determined as a DKK 575 million change in the market value of interest-bearing items in the event of a one percentage point interest rate increase.

Financing and capital resources

One of the main financial management tasks is to secure sufficient, flexible financial resources in relation to the day-to-day operations and implementation of DONG Energy'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 Energy's debt maturity profile.

At the end of 2006, the cash resources consisted of:

- cash and cash equivalents, DKK 9.0 billion.
- committed operating credit, DKK 17.3 billion
- committed undrawn loans, DKK 1.5 billion

To this should be added non-committed operating credit. The substantial cash resources and the volume of committed credit facilities are expected to be reduced considerably in 2007.

The Group's total interest-bearing debt stood at DKK 27.8 billion at the end of 2006 (excluding hybrid capital of DKK 8.2 billion). At the end of 2006, the average remaining term was approx. 3.5 years (excluding hybrid capital).

With a view to managing DONG Energy's own credit profile, new financing is raised by the parent company and then allocated to the individual segments in the form of intragroup loans and equity.

DONG Energy has been rated by Moody's and Standard & Poor's. The issuer ratings at the end of 2006 were Baa1 (bond loan) and Baa3 (hybrid security) Positive Outlook (Moody's Investor Service) and BBB+ Positive Outlook (Standard & Poor's).

As part of its financial management, DONG Energy hedges currency risks, interest rate risks and oil, coal, gas 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 Energy. Both derivative financial instruments such as forwards, swaps and options and, to a limited extent, loans in foreign currencies, are used to hedge currency risks.

37 Currency risks, interest rate risks and raw material price risks, etc. (continued)

Currency risks

Recognised assets and liabilities (hedging of fair values):

DKK million	Receivables		Payables		Hedged using forward exchange contracts and currency swaps		Net position	
	2006	2005	2006	2005	2006	2005	2006	2005
EUR	15,864	531	(20,833)	(4,091)	3,728	3,752	(1,241)	192
USD	1,867	244	(4,403)	(508)	1,187	65	(1,349)	(199)
GBP	1,348	794	(1,618)	(688)	0	0	(270)	106
SEK	721	360	(179)	(313)	0	0	542	47
NOK	2,032	9,386	(595)	(8,820)	0	0	1,437	566
Other	40	1	(57)	(54)	48	54	31	1
	21,872	**11,316**	**(27,685)**	**(14,474)**	**4,963**	**3,871**	**(850)**	**713**

At 31 December 2006 unrealised value adjustments on derivative financial instruments for currency hedging of recognised assets and liabilities totalled DKK (41) million (31 December 2005: DKK 46 million), which has been recognised in the consolidated income statement.

Future transactions (hedging of cash flows)

DONG Energy 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 and currency hedging of expected future transactions can be broken down as follows:

	Remaining maturity		Notional amount		Fair value		Of which recognised in equity	
DKK million	2006	2005	2006	2005	2006	2005	2006	2005
Forward exchange contracts	0 - 3 yrs	0 - 4 yrs	980	2,198	8	(20)	8	(20)
Currency swaps	0 - 3 yrs	0 - 4 yrs	933	1,365	199	185	199	192
Derivative financial instruments, total			**1,913**	**3,563**	**207**	**165**	**207**	**172**
Loans in foreign currency	0 - 3 yrs	0 - 4 yrs	324	483	325	484	102	85
Financial instruments, total			**2,237**	**4,046**	**532**	**649**	**309**	**257**

37 Currency risks, interest rate risks and raw material price risks, etc. (continued)

Equity at 31 December 2006 also includes realised net gains on financial instruments for hedging of currency risks for later recognition in the income statement of DKK 10 million (31 December 2005: DKK 55 million).

Forward exchange contracts denominated in GBP with a notional amount of DKK 656 million at 31 December 2006 (31 December 2005: DKK 505 million) and in NOK with a notional amount of DKK 2,159 million at 31 December 2006 (31 December 2005: DKK 0) have been entered into for hedging of currency risks relating to investments in foreign subsidiaries.

Interest rate risks

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

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

	Repricing and maturity date				
	0 - 1 year	1 - 5 years	> 5 years	**Total**	Average effective interest rate (%)
Trade receivables	6,775	0	0	**6,775**	-
Other receivables	20,937	0	0	**20,937**	-
Securities, convertible	81	20	31	**132**	4.4
Other non-current assets	396	85	22	**503**	6.0
Mortgage and bank loans	(16,092)	(6,237)	(4,647)	**(26,976)**	4.0
Other current liabilities	(23,014)	0	0	**(23,014)**	-
Swaps	1,877	(1,877)	0	**0**	4.3
	(9,040)	**(8,009)**	**(4,594)**	**(21,643)**	

Interest rate hedges

As part of its financial management, DONG Energy 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 2006 totalled DKK (4) million (31 December 2005: DKK (2) 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 2006 totalled DKK 47 million (31 December 2005: DKK (79) million).

To hedge interest rate risks relating to future loans, interest rate swaps with a notional amount of DKK 1,417 million and a term of 7 - 8 years have been entered into. Value adjustments on these recognised directly in equity at 31 December 2006 totalled DKK 102 million (31 December 2005: DKK 78 million)

37 Currency risks, interest rate risks and raw material price risks, etc. (continued)

Raw material price risks

Derivative financial instruments used for hedging of raw material price risks etc. relating to expected future transactions and trading:

	Time to maturity		Contractual principal		Fair value		Of which recognised in equity	
DKK million	2006	2005	2006	2005	2006	2005	2006	2005
Hedge accounting								
Oil swaps	0 - 1 yrs	0 - 2 yrs	171	431	(268)	(680)	(268)	(680)
Oil options	0 - 3 yrs	0 - 4 yrs	6,616	6,576	69	211	(35)	(29)
Gas swaps	0 - 3 yrs	0 - 4 yrs	713	447	169	(281)	134	(7)
Electricity swaps	0 - 5 yrs	0 - 4 yrs	3,630	90	979	(95)	864	(94)
CO_2	0 - 1 yrs	-	4	0	0	0	0	0
Coal forwards	0 - 3 yrs	-	976	0	26	0	8	0
			12,110	**7,544**	**975**	**(845)**	**703**	**(810)**
Trading portfolio and economic hedging								
Oil swaps	0 - 2 yrs	0 - 2 yrs	177	497	8	15	-	-
Oil options	-	0 - 2 yrs	0	18	0	0	-	-
Gas swaps	0 - 3 yrs	0 - 4 yrs	1,240	851	33	(131)	-	-
Electricity swaps	0 - 3 yrs	0 - 3 yrs	1,156	545	(23)	5	-	-
Electricity options	0 - 2 yrs	-	535	0	15	0	-	-
CO_2	0 - 2 yrs	-	9	0	2	0	-	-
Coal forwards	0 - 3 yrs	-	165	0	(10)	0	-	-
			3,282	**1,911**	**25**	**(111)**		

Equity at 31 December 2006 also includes realised net gains relating to financial instruments for hedging of oil and gas price risks for subsequent recognition in the income statement of DKK 0 million (31 December 2005: DKK (248) million).

In addition to the above, the Group has a special long-term financial contract on purchase of electricity that expires in 2020. The agreement has been recognised at an estimated market value at 31 December 2006 of DKK 1,459 million, determined on the basis of market data and the outlook for long-term prices of electricity, coal and the NOK and USD exchange rates. Unrealised value adjustments at 31 December 2006 feature in revenue for 2006 with DKK (235) million.

38 Credit risks

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

The Group's credit risk on commercial counterparties comprises primarily trade receivables from the sale of natural gas, electricity and oil, and positive values of raw material contracts. The Group regularly monitors the risk and manages it based on credit rating of the counterparties. The Group's greatest exposure in relation to commercial counterparties is with Northern European utility companies.

The Group's credit risk in connection with derivative financial instruments is limited as they have primarily been entered into with banks and other counterparties with a high credit rating. Moreover, a substantial part of the Group's surplus liquidity is placed on deposit with banks.

Losses on receivables due to the counterparty's inability to pay have historically been low.

39 Embedded financial instruments

The Group systematically reviews contracts that could potentially feature conditions corresponding to derivative financial instruments, requiring separate recognition and measurement of the embedded financial instruments. As part of the Group's commercial activities, natural gas purchase and sales contracts are entered into that are indexed in relation to various raw material prices, etc. It is estimated that the economic relationship between the price of natural gas and the agreed indexation means that separate recognition and measurement of embedded derivate financial instruments in relation to this is not required.

40 Operating leases

Non-cancellable operating lease payments amount to:

DKK million	2006	2005
0 - 1 year	102	11
1 - 5 years	1,771	15
> 5 years	1,416	0
	3,289	**26**
Operating leases recognised in the income statement amount to	6	16

Operating leases comprise leasing of a drilling rig in the period 2008 - 2011, a gas storage facility in Germany in the period 2008 - 2023 and leasing of vehicles, etc. The latter leases have a term of up to five years.

41 Contingent assets, liabilities and security

Contingent assets
Significiant unrecognised contingent assets comprise deferred tax assets of DKK 7.7 billion (2005: DKK 7.5 billion). Reference is made to note 25.

Contingent liabilities
According to the legislation, DONG Energy's natural gas companies, DONG Oil Pipe A/S, DONG E&P A/S and DONG E&P Grønland A/S 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.

The DONG E&P Group participates in a number of oil and natural gas production and exploration licences. Continued participation in these licences commits the companies to invest substantial sums in future. The DONG E&P Group is jointly and severally liable in respect of the individual licences together with the other licence partners for obligations and liability under the licences.

The DONG Energy Group participates in a number of joint ventures, including renewable energy projects. The Group's companies are 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 Energy 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.

As mentioned under management's review, the Danish Competition Board of Appeal has concluded that DONG Energy Power (formerly Elsam A/S) exploited its dominant position in Western Denmark to some extent, periodically charging excessive prices. DONG Energy has appealed the Competition Board of Appeal's decision to the Danish Maritime and Commercial Court. No provision has been made in the annual report for any claims for compensation.

Contractual obligations
The Group has entered into binding agreements with suppliers for the purchase of property, plant and equipment and intangible assets. The obligations total DKK 2.3 billion.

DONG Naturgas is a party to gas purchase agreements with the DUC partners. The Group is also party to a number of long-term purchase and sales agreements entered into in the course of the Group's ordinary operations. The Group is not expected to incur any financial losses as a result of termination of these, apart from the liabilities that are already recognised in the balance sheet.

Guarantees
DONG Naturgas A/S and the regional gas companies HNG and Midt-Nord have concluded an agreement under which DONG Naturgas A/S 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 2007, the guarantee is limited to a sum of DKK 200 million, which will be written down successively by DKK 15 million annually from 1 January 2007 to 1 January 2012. DONG Naturgas A/S's maximum payment obligation will also be written down by the amounts paid in total by DONG Naturgas A/S.

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

As a condition for approval of its participation in hydrocarbon exploration and production on the Norwegian and Faroese continental shelves, DONG E&P A/S 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 E&P A/S in connection with its exploration and production activities. The guarantee has no maximum limit and DONG E&P A/S is jointly and severally liable with the other partners for obligations and liability.

41 Contingent assets, liabilities and security (continued

Contracts have been entered into on purchases of fuel and supply of district heat. DONG Energy Power A/S is liable as a partner for financial losses at certain CHP plants.

As a condition for Barrow Offshore Wind Ltd's agreement with the Crown Estate Commissioner on leasing of offshore areas, DONG VE A/S 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.

Security

Mortgage loans totalling DKK 1,821 million (2005: DKK 622 million) are secured on property and four central power stations with a carrying amount of DKK 3,831 million (2005: DKK 791 million).

Litigation

A number of former shareholders in DONG Energy Power A/S (formerly Elsam A/S) have commenced proceedings against DONG Energy, claiming that shares in DONG Energy Power A/S should be the subject of a preemption right round; alternatively, payment of damages calculated at approx. DKK 800 million. Provision for any damages has not been made in the annual report.

42 Related party transactions

Related parties that have control over the Group comprise the Danish State, represented by the Danish Ministry of Finance, which owns 73% of the parent company.

Related parties that exercise significant influence comprise the parent company's and associates' 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 Group's associates, i.e. companies in which the DONG Energy Group has significant influence. Reference is made to note 44 for an overview of the Group's associates.

The Group was involved in the following transactions with related parties in the year under review:

Licences from the Danish State

DONG Energy has been granted storage and distribution licences by the Danish State under 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 Energy has also been granted 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 up to 2008.

DONG Energy has also been granted power generation licences that run until 2022, an electricity transmission licence that runs until 2025, electricity distribution licences that run until 2022, 2023 and 2025, respectively, depending on the area, electricity PSO licences that are renewed on a regular basis subject to application, exploration and production licences that generally run for six years during the exploration phase and then for 30 years during the production phase, licences to operate wind farms and, lastly, licences for exploration for and recovery of geothermal energy that expire in 2013 and 2051, respectively.

Guarantees from the Danish State

DONG Naturgas, DONG Energy 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 natural gas companies' assets and liabilities to DONG Naturgas. The values were determined 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 Gas Distribution and DONG Storage in connection with the unbundling of DONG Naturgas. The State has granted an unconditional and irrevocable guarantee to the debt repayment partnerships in respect of all payments. The State has recourse against DONG Gas Distribution and DONG Storage in respect of any amounts paid by the State under the guarantees.

42 Related party transactions (continued)

Associates

The DONG Energy Group's trading with associates comprises:

DKK million	2006	2005
Sales of products and services	922	67
Purchases of products and services	(50)	(115)
Interest, net	1	0
Total	**873**	**(48)**

The DONG Energy Group's capital transactions and balances with associates at 31 December comprised the following:

DKK million	2006	2005
Receivables from associates	432	0
Payables to associates	7	5
Dividends from associates	35	17
Dividends to associates	(7)	0

Other transactions

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

Under the Danish Pipeline Act, DONG Oil Pipe A/S is under obligation to pay duty to the State amounting to 95% of the profit made.

DONG E&P A/S has participated as a partner in all exploration licences granted in Denmark since 1984. In the 4th, 5th and 6th licensing rounds, the company has participated in all licences with a paying share of 20% at the date of award. DONG E&P A/S has provided services to the licences in which it participates.

The Group, represented by DONG VE A/S and Energi E2 A/S, 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. Two thirds of the area was relinquished in 1998 and 2003, respectively, and the remaining one third must be relinquished in 2013. The other licence, in which DONG VE A/S has a 28% interest and Energi E2 A/S an 18% interest, comprises the metropolitan area. The licence was granted on 19 February 2001, initially for 15 years. During the year under review, DONG VE A/S provided services in connection with the establishment of the geothermal plant, as operator of the Metropolitan Geothermal Alliance (HGS).

In 2006, DONG Energy sold Nunaoil A/to the Danish State and Ll. Torup Gaslager A/S to Energinet.dk, which is owned by the Danish State.

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 5.

43 New International Financial Reporting Standards and IFRIC Interpretations

The IASB has adopted the following new accounting standards (IFRS) that are not mandatory for DONG Energy in connection with the preparation of the annual report for 2006. Unless otherwise stated, the standards have also been adopted by the EU:

- 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.

- IFRS 8 Operating Segments on segment information comes into effect for financial years beginning on or after 1 January 2009. The standard will not have any effect on the recognition and measurement in the annual report. IFRS 8 has yet to be adopted by the EU.

The IASB has adopted the following new interpretations (IFRICs) that are not mandatory for DONG Energy in connection with the preparation of the annual report for 2006. Unless otherwise stated, the interpretations have also been adopted by the EU:

- 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 2007. DONG Energy 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 2007. DONG Energy does not have any share-based payment schemes.

- IFRIC 9 Reassessment of Embedded Derivatives comes into effect for financial years beginning on or after 1 June 2006. In accordance with the commencement provisions in IFRIC 9, DONG Energy has elected to apply IFRIC 9 from and including the 2006 financial year. Reference is made to note 39.

- IFRIC 10 Interim Financial Reporting and Impairment prohibits the reversal in the annual report of impairment losses on goodwill that have been recognised in an interim report as a consequence of impairment, even though the factors that led to the write-down in the interim report no longer apply. The same applies to impairment losses on equity investments and financial assets that are measured at cost. IFRIC 10 comes into effect for financial years beginning on or after 1 November 2006 and is not expected to affect the financial reporting. IFRIC 10 has yet to be adopted by the EU.

- IFRIC 11 IFRS 2: Group and Treasury Share Transactions comes into effect for financial years beginning on or after 1 March 2007 and is not expected to affect the financial reporting. IFRIC 11 has yet to be adopted by the EU.

- IFRIC 12 Service Concession Arrangements comes into effect for financial years beginning on or after 1 January 2008. IFRIC 12 has yet to be adopted by the EU. DONG Energy has made a preliminary assessment of the impact of IFRIC 12 on DONG Energy's financial reporting. The assessment was based on the existing licences from the Danish State. Based on this preliminary assessment, DONG Energy is of the opinion that IFRIC 12 will not have a significant effect on DONG Energy's financial reporting.

DONG Energy expects to implement the accounting standards and interpretations referred to above from their mandatory effective dates.

44 Company and licence overview

The overview of enterprises below lists the DONG Energy Group's ultimate ownership interest in each enterprise, regardless of whether the enterprise is owned directly or indirectly.

Name	Registered office	Ownership interest
Parent company		
DONG Energy A/S	Fredericia, Denmark	-
Subsidiaries		
Borkum Riffgrund I Holding A/S	Copenhagen, Denmark	51%
Compañia Productora de Energia para Consumo Interno, S.L.	Madrid, Spain	50%
Danish Hellenic S.A.	Athens, Greece	50%
Desarrollos Eólicos del Valle del Ebro, S.A.	Madrid, Spain	50%
DONG E&P (UK) Ltd.	London, UK	100%
DONG E&P A/S	Fredericia, Denmark	100%
DONG E&P Føroyar P/F	Torshavn, Faroe Islands	100%
DONG E&P Grønland A/S	Nuuk, Greenland	100%
DONG E&P Norge AS	Stavanger, Norway	100%
DONG EGJ A/S	Fredericia, Denmark	100%
DONG El A/S	Fredericia, Denmark	100%
DONG Energy Aktiebolag	Gothenburg, Sweden	100%
DONG Energy El & Gas A/S	Fredericia, Denmark	100%
DONG Energy Gasforsyning A/S	Fredericia, Denmark	100%
DONG Energy Generation A/S	Fredericia, Denmark	100%
DONG Energy Kraftwerke Greifswald Beteiligungs-GmbH	Frankfurt-am-Main, Germany	100%
DONG Energy Kraftwerke Greifswald GmbH & Co. KG	Frankfurt-am-Main, Germany	100%
DONG Energy Kraftwerke Greifswald Verwaltungs GmbH	Frankfurt-am-Main, Germany	75%
DONG Energy Kraftwerke Holding GmbH	Hamburg, Germany	100%
DONG Energy Leitung E GmbH	Kiel, Germany	100%
DONG Energy Markets GmbH	Dorsten, Germany	100%
DONG Energy Nord Elnet A/S	Fredericia, Denmark	100%
DONG Energy Nord Forsyning A/S	Fredericia, Denmark	100%
DONG Energy Pipelines A/S	Fredericia, Denmark	100%
DONG Energy Pipelines GmbH	Kiel, Germany	100%
DONG Energy Power A/S	Fredericia, Denmark	100%
DONG Energy Sales & Distribution A/S	Fredericia, Denmark	100%
DONG Energy Sales B.V.	Oosterhout, the Netherlands	100%
DONG Energy Sales GmbH	Lübeck, Germany	81%
DONG Energy Speicher E GmbH	Kiel, Germany	100%
DONG Energy Tele A/S	Gentofte, Denmark	100%
DONG Gas Distribution A/S	Fredericia, Denmark	100%
DONG Generation Ireland Ltd.	Dublin, Ireland	100%
DONG Generation Norge AS	Lindås, Norway	100%
DONG Insurance A/S	Fredericia, Denmark	100%

44 Company and licence overview (continued)

Name	Registered office	Ownership interest
DONG Litauen A/S	Fredericia, Denmark	100%
DONG Naturgas A/S	Fredericia, Denmark	100%
DONG Netherlands B.V.	Amsterdam, the Netherlands	100%
DONG Oil Pipe A/S	Fredericia, Denmark	100%
DONG Olieforsyning A/S	Fredericia, Denmark	100%
DONG Storage A/S	Fredericia, Denmark	100%
DONG Sverige Distribution AB	Gothenburg, Sweden	100%
DONG VE A/S	Fredericia, Denmark	100%
DONG Vind A/S	Fredericia, Denmark	100%
DONG Walney (UK) Ltd.	London, UK	100%
DONG Wind (UK) Ltd.	London, UK	100%
Dublin Waste to Energy Ltd.	Dublin, Ireland	100%
E2 Landvind A/S	Fredericia, Denmark	100%
E2 Landvind af 20. oktober 2003 A/S	Fredericia, Denmark	100%
E2 Landvind af 15. september 2003 A/S	Fredericia, Denmark	100%
Elsam Biosystems A/S	Fredericia, Denmark	52%
Elsam Engineering A/S	Fredericia, Denmark	100%
Elsam France S.A.S.	Paris, France	100%
Elsam Polska S.A.	Warsaw, Poland	100%
Elsamprojekt Polska Sp. z.o.o.	Warsaw, Poland	100%
EM El Holding A/S	Fredericia, Denmark	100%
Energi E2 A/S	Fredericia, Denmark	100%
Energi E2 Aiolika Parka Karystias EPE	Athens, Greece	100%
Energi E2 Aioliki S.A.	Athens, Greece	100%
ENERGI E2 Iberia, Mediterranean Power, S.L.	Madrid, Spain	100%
Energi E2 Portugal, SGPS, S.A.	Madrid, Spain	100%
Energi E2, Energias Renovables Aragonesas, SLU	Madrid, Spain	50%
Energias Eólicas Casa Requena S.L.	Madrid, Spain	100%
EnergiGruppen Jylland A/S	Herning, Denmark	66%
EnergiGruppen Jylland Biogas A/S	Herning, Denmark	66%
EnergiGruppen Jylland El A/S	Herning, Denmark	100%
EnergiGruppen Jylland El Holding A/S	Herning, Denmark	100%
EnergiGruppen Jylland Forbrænding A/S	Herning, Denmark	66%
EnergiGruppen Jylland Udvikling A/S	Herning, Denmark	66%
EnergiGruppen Jylland Vand A/S	Herning, Denmark	66%
EnergiGruppen Jylland Varme A/S	Herning, Denmark	66%
Energy E2 Renewables A/S	Fredericia, Denmark	100%
Energy E2 Renovables Ibericas S.L.	Madrid, Spain	100%
Eoliser Servicos de Gestao Para Parques Eolicos LDA	Madrid, Spain	60%
Frederiksberg Elforsyning A/S	Frederiksberg, Denmark	100%
Frederiksberg Elnet A/S	Frederiksberg, Denmark	100%
Frederiksberg Energiservice A/S	Frederiksberg, Denmark	100%
Frederiksberg Forsyning A/S	Frederiksberg, Denmark	100%

Name	Registered office	Ownership interest
Frederiksberg Forsynings Ejendomsselskab A/S	Fredeiiksberg, Denmark	100%
Frederikshavn Affaldskraftvarmeværk A/S	Fredericia, Denmark	100%
Gunfleet Sands Ltd	London, UK	100%
Haderslev Kraftvarmeværk A/S	Fredericia, Denmark	100%
Heysham Offshore Wind Ltd.	London, UK	100%
Horsens Kraftvarmeværk A/S	Fredericia, Denmark	100%
Kappa Sp. z.o.o.	Szczecin, Poland	100%
KE Drift A/S	Copenhagen, Denmark	100%
KE Elnet A/S	Copenhagen, Denmark	100%
KE Kunde A/S	Copenhagen, Denmark	100%
KE Marked A/S	Copenhagen, Denmark	100%
Måbjergværket A/S	Fredericia, Denmark	100%
NearshoreLAB A/S	Frederikshavn, Denmark	96%
Nek Eólica, S.L.	Madrid, Spain	62%
Nesa Vind A/S	Gentofte, Denmark	100%
Northeolic Pico Gallo, S.L.	Madrid, Spain	75%
Northeolic Puerto de Gijón, S.L.	Madrid, Spain	70%
Northeolic Sierra de Bodenaya, S.L.	Madrid, Spain	75%
Northeolic Sierra de Tines, S.L.	Madrid, Spain	75%
Odense Kraftvarmeværk A/S	Fredericia, Denmark	100%
Omikron Sp. z.o.o.	Szczecin, Poland	100%
Parque Eolico Barlavento S.A.	Madrid, Spain	90%
Ploudalmezeau Breiz Avel 01 S.A.S.	Paris, France	100%
Polska Energia Wiatrowa Sp. z.o.o.	Szczcin, Poland	100%
Procrisa Servicios, S.L.	Madrid, Spain	55%
Promociones y Servicios Hidraulicos, S.A.	Madrid, Spain	100%
SeaScape Energy Ltd.	London, UK	100%
SEE - Sul Energia Eólica, Lda.	Madrid, Spain	100%
Storrun Vindkraft AB	Uddevalla, Sweden	100%
Thermie Seras Drama S.A.	Athens, Greece	70%
Vejen Kraftvarmeværk A/S	Fredericia, Denmark	100%
VICH 7443 A/S	Fredericia, Denmark	100%
VICH 7444 A/S	Fredericia, Denmark	100%
Associates		
Dansk Gasteknisk Center A/S	Rudersdal, Denmark	37%
DELPRO A/S	Kolding, Denmark	33%
Deudan GmbH	Handewitt, Germany	49%
Deudan GmbH & Co. KG	Handewitt, Germany	49%
Fordonsgas AB	Uddevala, Sweden	50%
Kraftgården AB	Ragunda, Sweden	26%
MIG Business Development A/S	Frederikshavn, Denmark	50%
Narvik Energi AS	Narvik, Norway	33%
Nova Naturgas AB	Gothenburg, Sweden	20%

44 Company and licence overview (continued)

Name	Registered office	Ownership interest
P/S BI New Energy Solutions	Copenhagen, Denmark	22%
PowerSense A/S	Lyngby-Taarbæk, Denmark	44%
Salten Kraftsamband AS	Fauske, Norway	23%
Stadtwerke Lübeck GmbH	Lübeck, Germany	25%
Stirling.dk ApS	Lyngby-Taarbæk, Denmark	16%
Thermie Drama S.A	Athens, Greece	25%
Thermie Kavala S.A	Athens, Greece	25%
Zephyr AS	Sarpsborg, Norway	33%
Jointly controlled entities/assets		
Aplicaciones Industriales de Energias Limpias, S.L.	Madrid, Spain	50%
Baltic Pipe Consortium	Rudersdal, Denmark	50%
Barrows Offshore Wind Ltd.	Berkshire, UK	50%
COMPAÑIA EÓLICA ARAGONESA, S.A.	Madrid, Spain	50%
Core Ltd.	Devon, UK	50%
Desarrollo Eólico del Ebro, S.A.	Madrid, Spain	50%
Desarrollos Eólicos El Auila, S.A.	Madrid, Spain	50%
Elecdey ASCOY, S.A.	Madrid, Spain	20%
Elecdey CARCELEN, S.A.	Madrid, Spain	23%
Emineral A/S	Aalborg, Denmark	50%
Energia Renovables de Euskadi, S.L.	Madrid, Spain	30%
Enrega S.L.	Madrid, Spain	50%
Eólica de Levante S.L.	Madrid, Spain	25%
Eólica de Sâo Juliâo Lda.	Madrid, Spain	45%
Eólicas de Volzmediano, S.L.	Madrid, Spain	50%
EOS PAX IIA, S.L.	Madrid, Spain	49%
Escambeo S.L.	Madrid, Spain	50%
Gea Magallón II, S.L.	Madrid, Spain	18%
Horns Rev I Offshore Wind Farm	Fredericia, Denmark	40%
I/S Ensted Transithavn	Aabenraa, Denmark	50%
Midtfjellet Vindkraft AS	Fitjar, Norway	50%
Morecambe WInd Ltd.	London, UK	33%
Nordkraft Vind AS	Narvik, Norway	67%
Northeolic Sierra de Ablaniego, S.L.	Madrid, Spain	50%
Nysted Havmølle Park 1	Fredericia, Denmark	80%
Parque Eólico Santa Quiteria, S.L.	Madrid, Spain	21%
PNE2 RIFF I GmbH	Cuxhaven, Germany	26%
PNE2 RIFF II GmbH	Cuxhaven, Germany	50%
Rødsand 2	Fredericia, Denmark	80%
San Juan de Bargas Eólica, S.L.	Madrid, Spain	25%
Scarweather Sands Ltd.	Coventry, UK	50%
Sinergia Andaluza, S.L.	Madrid, Spain	40%
SINERGIA ARAGONESA, S.L.	Madrid, Spain	20%

Name	Registered office	Ownership interest
Sinergia Oparacion y Mantenimiento S.A.	Madrid, Spain	50%
Tractaments de juneda, S.A.	Madrid, Spain	26%
Unión de Generadores de Energia, S.A.	Madrid, Spain	50%
Valoritzacions Agroramaderes les Garrigues, S.L.	Madrid, Spain	37%
Ventoabrego, S.L.	Madrid, Spain	50%
Non-consolidated companies		
EnergiGruppen Jylland Forbrænding A/S	Herning, Denmark	66%
EnergiGruppen Jylland Vand A/S	Herning, Denmark	66%
EnergiGruppen Jylland Varme A/S	Herning, Denmark	66%
Stignæs Vandindvinding I/S	Slagelse, Denmark	59%

Licence	Name	Registered office	Ownership interest
Jointly operated licences			
7/86	Amalie	Denmark	30%
7/89	Syd Arne	Denmark	34%
1/90	Lulita	Denmark	44%
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%
13/06	Marsvin	Denmark	36%
2/06	Syd Tor Pod	Denmark	27%
1/06		Denmark	16%
14/06	Vibe	Denmark	80%
P911	Laggan	UK	20%
P912	Torridon	UK	6%
P967	Tobermory	UK	33%
P1026	Rosebank	UK	10%
P1027	Bedlington	UK	17%
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%

44 Company and licence overview (continued)

Licence	Name	Registered office	Ownership interest
P1273		UK	10%
P1373		UK	40%
P1374		UK	40%
P1274		UK	10%
PL019A	Ula	Norway	5%
PL019B	Gyda	Norway	34%
PL019C		Norway	35%
PL048B	Glitne	Norway	9%
PL048D	Enoch	Norway	2%
PL065	Tambar	Norway	45%
PL113	Mjølner	Norway	20%
PL122	Marulk	Norway	30%
PL122B		Norway	30%
PL122C		Norway	30%
PL122D		Norway	30%
PL147	Trym/N Lulita	Norway	20%
P159B	Alve	Norway	15%
PL208		Norway	45%
PL250	Ormen Lange Unite	Norway	10%
PL256	Sklinna	Norway	10%
PL271		Norway	40%
PL273		Norway	10%
PL274	Oselvar	Norway	70%
PL274BS		Norway	20%
PL288		Norway	40%
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	17%
F006	Kappa	Faroe Islands	22%
F008	Stelkur	Faroe Islands	20%
F009	Sildrakin	Faroe Islands	20%

DONG ENERGY A/S

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The financial statements of the parent company, DONG Energy A/S, that appear from the enclosed CD-ROM, form an integral part of the overall annual report. Parts of the parent company's financial statements appear in the printed part of the annual report only, as these parts are identical to the corresponding parts in the consolidated financial statements. The parts in question are: statement by the Executive and Supervisory Boards, independent auditors' report, management's review, and the parts of the accounting policies that are identical for the Group and the parent company.

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SUPERVISORY BOARD*

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.

Lars Nørby Johansen (Deputy Chairman),
b. 1949. Joined the Supervisory Board in 1997, re-elected 1998, 2000, Deputy Chairman 2001, 2003, 2005, 2006.
Term of office expires in 2007.
Other managerial posts and Supervisory Board memberships:
Falck A/S (Chairman)
TV2/Danmark A/S (Chairman)
William Demant Holding A/S (Deputy Chairman)
Stig Jørgensen og Partners AS (Chairman)

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

Kresten Philipsen,
b. 1945. Joined the Supervisory Board in 2006.
Term of office expires in 2007.
Other managerial posts and Supervisory Board memberships:
Sydbank A/S (Chairman)
Privathospitalet A/S (Chairman)
DTL A/S Dansk-Tysk Landbrugsinvestering (member)
CSC Datalab A/S (Chairman)
CSC Scandihealth A/S (Chairman)
Dansk Affald A/S (Chairman)
Dansk Retursystem A/S (Chairman)
Syd Energi Holding A/S (Chairman)
Syd Energi amba (Chairman)
Netsam A/S (member)
Det Danske Hedeselskab af 01.01.2002 A/S (member)
A/S Plantningsselskabet Sønderjylland (member)

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

Jens Kampmann,
b. 1937. Joined the Supervisory Board in 2005.
Term of office expires in 2007.
Other managerial posts and Supervisory Board memberships:
Sund og Bælt Holding A/S (Chairman)
Öresundsbro Konsortiet AB (Chairman)
HMK Holding A/S (Chairman)
Retrocom Holding A/S (member)
Desmi A/S (Chairman)
Frydenholm Holding A/S (Chairman)

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

Asbjørn Larsen,
b. 1936. Joined the Supervisory Board in 2003, re-elected 2005, 2006.
Term of office expires in 2007.
Other managerial posts and Supervisory Board memberships:
Belships ASA (Chairman)
FMC Technologies Inc. (member)
Saga Fjordbase AS (Deputy Chairman)
Selvaag Gruppen AS (member)

Svend Sigaard,
b. 1958. Joined the Supervisory Board in 2002, re-elected 2004, 2006. Term of office expires in 2007.
Other managerial posts and Supervisory Board memberships:
Nebraska ApS (CEO)
BoConcept Holding A/S (Chairman)
Stjernholm A/S (Chairman)
DanTruck-Heden (Deputy Chairman)
Aalborg Industries Holding A/S (member)
Investering og Tryghed A/S (member)
Muehlhan A/S (member)

SHAREHOLDERS

BOE Service A/S 1.16%
Energi Horsens Net Holding A/S 4.30%
ESS Net A/S 6.95%
Galten Elværk Net A/S 0.91%
GEV Net A/S 0.10%
Nyborg Elnet A/S 0.61%
Østjysk Energi Net A/S 2.11%
SEAS-NVE Holding A/S 10.88%
The Danish State through the
Ministry of Finance 72.98%

AUDITORS

KPMG C.Jespersen
Statsautoriseret Revisionsinteressentskab

Deloitte
Statsautoriseret Revisionsaktieselskab

Lars Torpe Christoffersen,
b. 1964. Joined the Supervisory Board in 2004, re-elected 2006.
Term of office expires in 2007.
Other managerial posts and Supervisory Board memberships:
Aktieselskabet Danatech Engineering (member)
LTC Holding A/S (member)
Telefaction A/S (member)
Actimizer A/S (member)
Capidea A/S (member)

Poul Arne Nielsen,
b. 1944. Joined the Supervisory Board in 2006.
Term of office expires in 2007.
Other managerial posts and Supervisory Board memberships:
Ny Stevns Municipality (Mayor)
SEAS-NVE a.m.b.A. (Chairman)
SEAS NVE Holding A/S (Chairman)
SEAS-NVE Strømmen A/S (Chairman)
SEAS Transmission A/S (Chairman)
Dagbladet/Frederiksborg Amtsavis A/S (Chairman)
Østtrafik A/S (Deputy Chairman)
SAMPENSION A/S (member)

EXECUTIVE BOARD*

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

Niels Berg-Hansen
Other managerial posts and Supervisory Board memberships:
None

Anders Eldrup ***
(CEO)
Other managerial posts and Supervisory Board memberships:
None

Carsten Krogsgaard Thomsen ***
Other managerial posts and Supervisory Board memberships:
EnergiGruppen Jylland A/S (Deputy Chairman)
EnergiGruppen Jylland Varme A/S (member)
NNIT A/S (member)

Lars Clausen ****
Other managerial posts and Supervisory Board memberships:
None

Søren Gath Hansen
Other managerial posts and Supervisory Board memberships:
None

* Other managerial posts and Supervisory Board memberships refer solely to posts in Danish or foreign public limited companies.
** Employee representative.
*** Registered with the Danish Commerce and Companies Agency as CEO. Carsten Krogsgaard Thomsen was registered at 1 January 2007 as CFO.
**** Joined the Executive Board at 1 January 2007.

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