ANNUAL REPORT 07

DONG energy

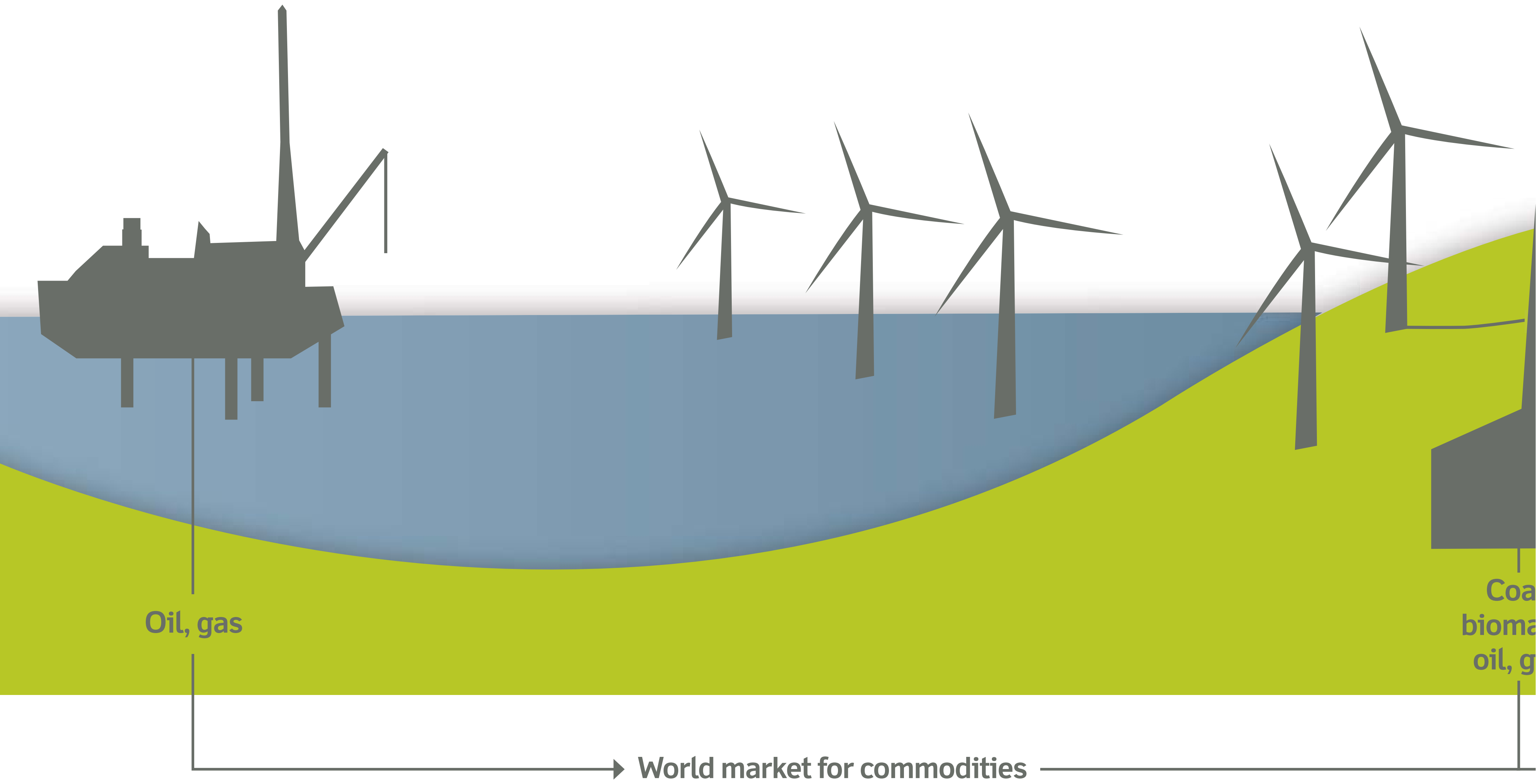
OVERVIEW

DONG Energy is one of the leading energy groups in Northern Europe. We are headquartered in Denmark. Our business is based on procuring, producing, distributing and trading in energy and related products in Northern Europe.
We employ more than 5,000 people and generated DKK 42 billion in revenue in 2007

Net power capacity (thermal)
5,682 MW

Oil and gas reserves (2P)
352 million boe

Net power capacity (renewable energy)
828 MW



ower distribution network

20,000 kilometres

as distribution network

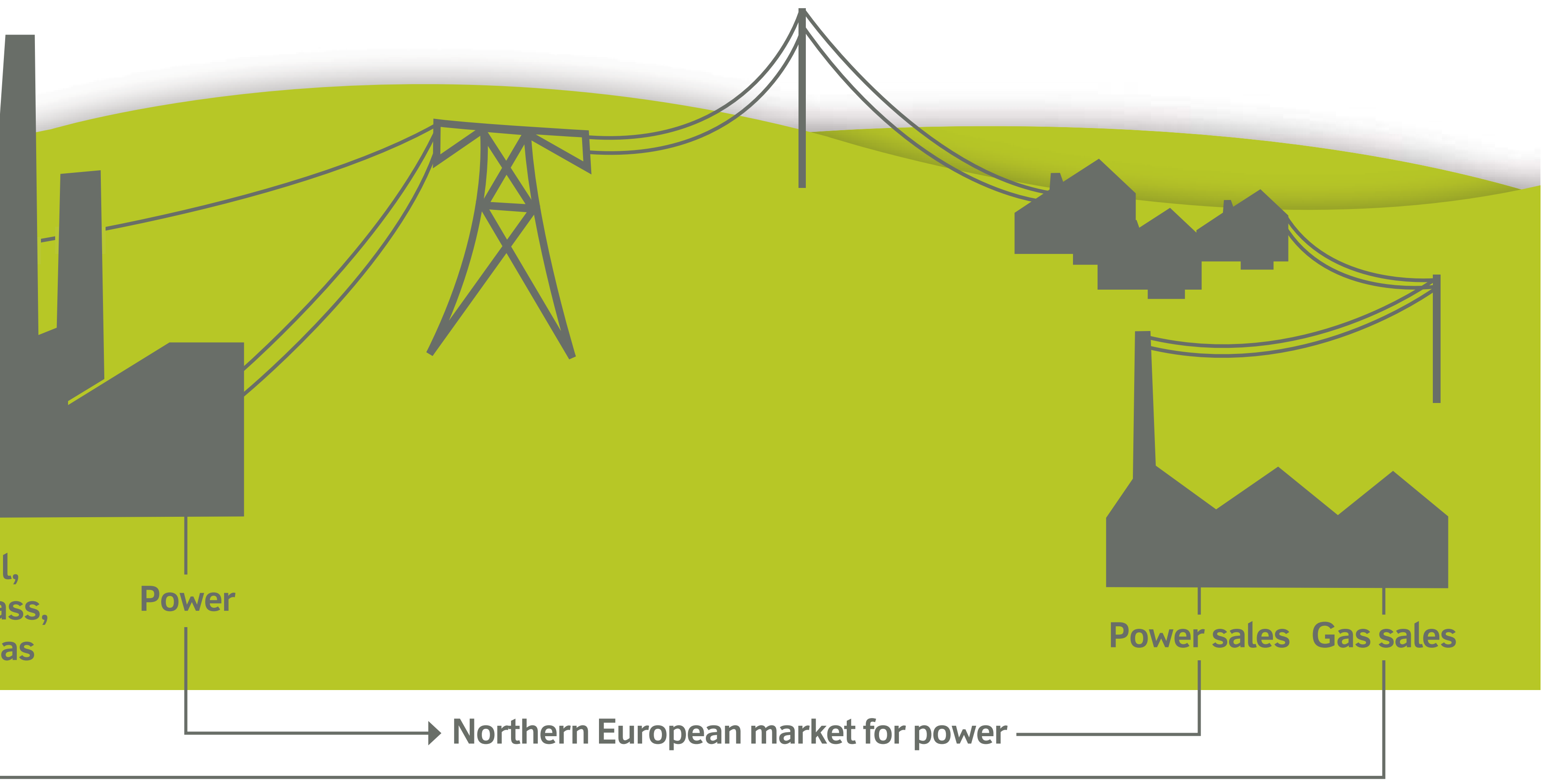
6,500 kilometres

Number of power customers

1,000,000

Number of gas customers

240,000



Generation produces power and heat 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 explores for and produces oil and gas.
The exploration and production activities are carried out in Danish, Norwegian, UK, Faroese and Greenland waters.

Distribution is responsible for DONG Energy's power and gas distribution and natural gas storage activities in Denmark. Distribution distributes power across the metropolitan area and North Zealand, and gas across southern Jutland and South and West Zealand.

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

CONTENTS

DONG ENERGY

DONG Energy is an integrated energy company that operates across the entire energy value chain, with a leading position in Denmark and a presence in a number of important markets in Northern Europe. The company has more than 5,000 employees, overall, in Denmark, the UK, the Netherlands, Norway, Sweden, Germany and Poland. The geographical focus area is limited to Northern Europe and as a consequence the operations in Spain and Portugal were sold in 2007.

DONG Energy's core business activities are: production of thermal and renewable energy, gas and oil exploration and production, power and gas distribution to end users, and gas and power sales in the wholesale market and to end customers.

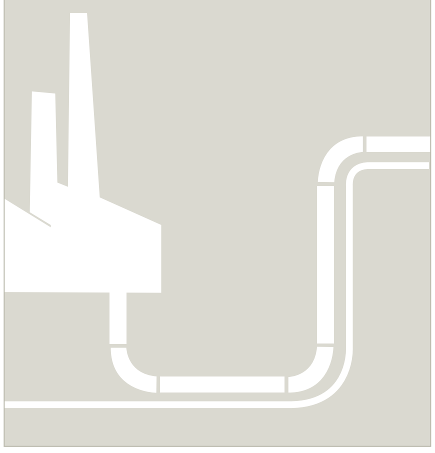
DONG Energy's principal long-term objective is to create value for its shareholders. DONG Energy seeks to fulfil this objective by continuing to concentrate on the company's competitiveness and by continuing the expansion of our presence in the Northern European energy market – particularly through growth outside Denmark. In the Danish market, the objective is to maintain and strengthen our existing position.

The aim is to generate profitable growth within the Group's four business areas: Generation, Exploration & Production, Distribution and Markets. The growth will be underpinned by a whole series of identified, well-defined investment options that have been chosen because they utilise skills and existing market positions and enable synergies across the entire Group.

Within power generation, a large part of the growth will come from renewable energy, where the long-term target is a tripling of DONG Energy's renewable energy capacity by 2020. The existing capacity is 828 MW. In the period 2008-2010, DONG Energy plans to spend in excess of DKK 10 billion on renewable energy investments with a total capacity of about 580 MW, including offshore projects of 530 MW.
DONG Energy is considering investing in new efficient thermal power capacity outside Denmark. Despite the target that 20% of the energy in Europe must come from renewable energy over a number of years, power generation based on fossil fuels will still be required. As new power stations replace obsolete inefficient power stations, a new power station will typically mean a reduction in CO_2 emissions of 20% per KWh.

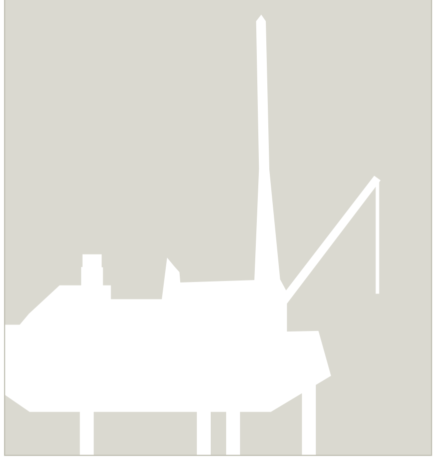
FEBRUARY

Agreement between DONG Energy – Wingas GmbH and Wintershall Holding AG
In February, DONG Energy and Wingas in Germany agreed to collaborate on gas exchange for the next 13 years.



MARCH

Acquisition of ConocoPhillips in Denmark
In March, DONG Energy increased its stake in the Hejre field from 20% to 50% when it acquired ConocoPhillips Petroleum's E&P activities in Denmark.



MAY

Horns Rev II
DONG Energy is building a further Danish offshore wind farm - Horns Rev II. The farm will have a net capacity of 209 MW and is scheduled for operation in 2009. The investment is expected to total DKK 3.5 billion.

AUGUST

Disposal of renewable energy activities in Spain and Portugal to E.ON AG
In August, DONG Energy sold its renewable energy activities in Spain and Portugal for EUR 722 million.

Within natural gas, DONG Energy is in the process of diversifying its portfolio. Where, until 2006, DONG Energy purchased natural gas almost exclusively from the DUC (Danish Underground Consortium) partners, production from the Ormen Lange gas field started in 2007, and will grow until 2010, when the field is expected to reach full production. The long-term target is for 30% of the gas need to be covered by equity production. When Ormen Lange reaches full production, a substantial part of this target will have been achieved. To this should be added development of gas production from new fields in Denmark, Norway and the West of Shetland area in the UK. At the same time, contracts for gas deliveries have been concluded with AOA Gazprom and Wingas GmbH. These companies have advised that they expect gas deliveries to start in 2011.

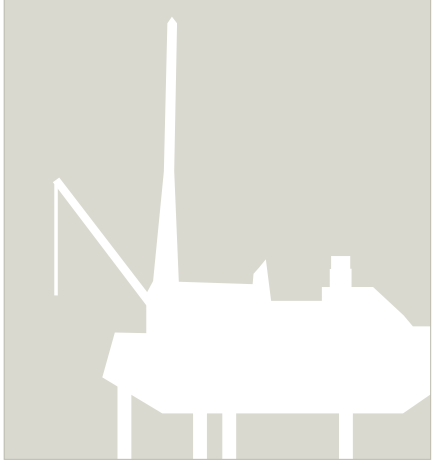
Most recently, an agreement on acquisition of a stake in an LNG (Liquefied Natural Gas) terminal in the Netherlands has been concluded, as the natural gas supply is expected to be further diversified through LNG deliveries in the longer term. Diversification of the gas portfolio is important for DONG Energy, considering that production from the Danish shelf is declining, and that the deliveries from the DUC partners will have to be replaced by other sources as Danish production declines. Besides organic value creation, DONG Energy is constantly exploring options for generating added value and growth through acquisitions of companies, shareholdings or other assets – or by forming alliances – that can help fulfil our vision of becoming a leading regional energy company in Northern Europe.

In 2007, DONG Energy prepared the IPO that its owners had planned. Unfortunately, the IPO had to be postponed in autumn due to the general election in Denmark and again in January of this year due to difficult stock market conditions. The shareholders were ready for the IPO, and DONG Energy was ready - but the market was not.

In parallel with the specific business investments, DONG Energy will continue to invest more than the industry average in both research and development activities. The focus will centre particularly on technologies that can help lessen emissions of CO_2 from thermal production, and on development of new profitable business areas within renewable energy.

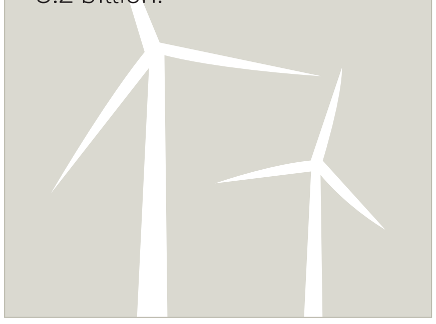
OCTOBER

Start-up of commercial production from the Ormen Lange gas field
DONG Energy has a 10.3% interest in the Ormen Lange gas field, which began commercial production in October.



DECEMBER

Offshore wind farms in the UK
DONG Energy has decided to build two new offshore wind farms - Walney Island and Gunfleet Sands II.
The net capacity will be 151 MW and 65 MW, respectively, and the farms are scheduled for operation in 2010. Expected overall investment: DKK 5.2 billion.

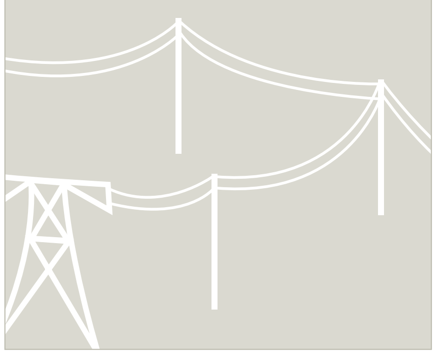


DECEMBER

DONG Energy enters into agreement on Dutch LNG terminal
In December, DONG Energy secured import capacity in the Netherlands to Europe of up to 3 billion m^3 liquefied gas per year for 20 years starting from 2011.

DECEMBER

Disposal of transmission network to Energinet.dk
In December, DONG Energy agreed the sale of its 132 kV power transmission grid in North Zealand to Energinet.dk as part of the restructuring of the Danish power sector. The selling price is DKK 2 billion.



CONSOLIDATED FINANCIAL HIGHLIGHTS

DKK million	2007	2006	2005	2004	2003
Revenue by segment:	**41,625**	**36,564**	**18,493**	**14,209**	**14,267**
Generation	12,335	7,682	114	116	56
Exploration & Production	4,869	5,556	4,346	3,482	3,632
Distribution	4,510	2,560	857	861	1,806
Markets	24,583	24,306	13,885	10,022	9,988
Other (including eliminations)	(4,672)	(3,540)	(709)	(272)	(1,215)
EBITDA[1] by segment:	**9,606**	**8,950**	**6,314**	**4,637**	**5,547**
Generation	3,696	2,663	47	59	23
Exploration & Production	2,406	3,499	2,692	1,945	2,079
Distribution	1,636	1,012	565	596	1,139
Markets	2,213	1,792	2,921	1,907	2,147
Other (including eliminations)	(345)	(16)	89	130	159
EBITDA adjusted for special hydrocarbon tax[2]	9,584	8,727	5,886	4,460	5,247
EBIT	**4,783**	**5,691**	**4,099**	**2,371**	**3,168**
Financial items, net	(740)	(592)	(152)	171	56
Profit after tax	**3,259**	**5,039**	**2,687**	**2,074**	**1,941**
EBITDA margin (%)	23	24	34	33	39
EBIT margin (operating margin) (%)	11	16	22	17	22
Funds From Operation (FFO)[3]	10,046	6,694	5,419	4,302	3,495
Free cash flow to equity (with acquisitions/disposals)[4]	(2,981)	360	(4,262)	(1,061)	1,517
Free cash flow to equity (without acquisitions/disposals)[5]	641	14,302	3,325	1,653	1,592
Assets	**89,710**	**99,255**	**46,854**	**31,436**	**33,230**
Additions to property, plant and equipment	11,151	5,281	8,041	2,464	3,370
Interest-bearing assets[6]	2,517	9,981	7,356	145	3,448
Interest-bearing debt[7]	17,309	27,760	7,148	3,331	5,890
Net interest-bearing debt	14,792	17,779	(208)	3,186	2,442
Equity	42,211	42,390	26,278	16,360	16,794
Capital employed[8]	57,003	60,169	26,070	19,546	19,236
Financial gearing[9]	0.35	0.42	(0.01)	0.19	0.15
Net interest-bearing debt + hybrid capital / EBITDA adjusted for special hydrocarbon tax	2.4	3.0	1.3	0.7	0.5
Number of shares, end of year[10]	293,709,900	293,709,900	214,360,000	214,360,000	214,360,000
Average, number of shares[10]	293,709,900	270,166,523	214,360,000	214,360,000	214,360,000
Earnings per share[10]	10	17	12	9	9
Proposed dividend per share[10]	5	7	0	0	9
Cash flows from operating activities per share[10]	30	30	27	17	21

Note 1: Earnings before interest, tax, depreciation and amortisation. From and including 2007, EBITDA has been calculated inclusive of amortisation of purchased CO_2 certificates, as purchased CO_2 certificates are accounted for as a cost of sales item. The changed EBITDA definition has no effect for 2003-2006

Note 2: EBITDA adjusted for special hydrocarbon tax that follow from the Group's oil and gas exploration and production

Note 3: Cash flows from operating activities before change in working capital plus dividends received from associates and equity investments less 50% of coupon on hybrid capital

Note 4: Cash flows from operating activities and investing activities

Note 5: Cash flows from operating activities and investing activities, excluding cash flows from acquisitions/disposals of enterprises. The purchase price for ConocoPhillips' E&P activities in Denmark and the purchase price for the interest in Ormen Lange are recognised as acquisitions

Note 6: Interest-bearing assets include bank overdrafts

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

Note 8: Equity + net interest-bearing debt

Note 9: Net interest-bearing debt divided by equity

Note 10: Number of shares and financial ratios per share are based on shares of DKK 10 and stated in whole DKK

The financial highlights for 2004-2007 have been prepared in accordance with International Financial Reporting Standards as adopted by the EU. The comparative figures for 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.

FINANCIAL PERFORMANCE

2007 was the first year in which the acquired power companies Elsam, Energi E2, Nesa and the power activities from the City of Copenhagen and the Municipality of Frederiksberg featured in full in DONG Energy's consolidated financial statements. In the financial statements for 2006 these companies only featured in full from the second half.

There were two other significant reasons why 2007 differed from 2006. Firstly, 2007, especially the first half, was characterised by warm weather. This led to lower demand for gas and consequently low gas prices. Secondly, large volumes of hydropower from Norway and Sweden, coupled with low CO_2 prices and low power prices, led to a low contribution margin, which, in turn, led to low power generation. Oil prices, on the other hand, were higher than in 2006. Profit for 2007 was significantly better than anticipated at the beginning of the year, particularly as a result of higher oil prices than expected. Power prices in 2007 were lower than expected at the beginning of the year. However, since a very substantial part of power generation had been hedged at prices above spot prices, the adverse impact of the lower power prices was considerably alleviated.

Revenue

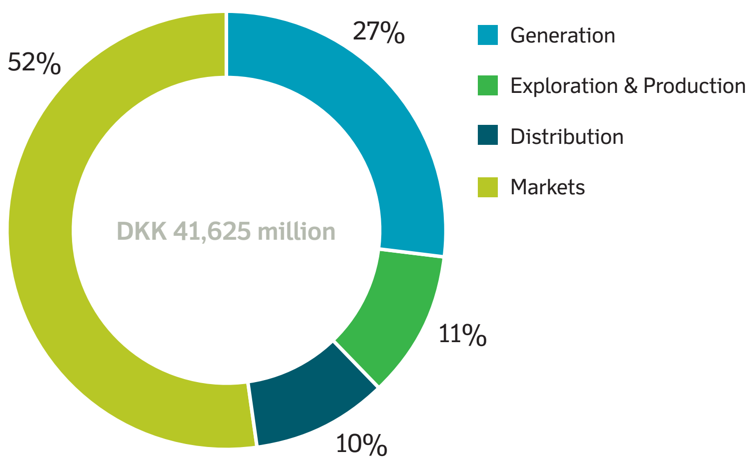
Revenue was DKK 41,625 million in 2007, up 14% from DKK 36,564 million in 2006, due partly to the fact that the acquired power companies featured fully in 2007, and partly to higher oil prices. However, these factors were partly offset by lower oil and gas production, lower gas sales and lower power prices than in 2006.

The financial performance of the power activities in 2007 was marred by low power prices coupled with 39% higher coal prices (in USD). The low contribution margin led to a reduction in production. However, a large proportion of production had been hedged at prices that were considerably higher than the spot prices, generating a positive effect of about DKK 1.7 billion.

The power price (Nord Pool, system price) was EUR 27.9/MWh compared with EUR 48.6/MWh in 2006, down 42%, and the power prices in the DK West and DK East price areas in Denmark were around 30% down on 2006.

The average oil price (Brent) was USD 72.5/bbl compared with USD 65.2/bbl in 2006, up 11%.

REVENUE BY SEGMENT 2007



Oil and gas production decreased by 2,523 million boe (barrels of oil equivalent) to 11,268 million boe, reflecting the fact that large parts of production come from mature fields, where production is naturally declining. This was only partly offset by the start-up of production from the Ormen Lange field.

Natural gas sales fell by 977 million m^3 to 7,225 million m^3. Demand fell due to the mild weather in Denmark and Europe, resulting in an oversupply of gas and consequently low prices. The gas price on the Dutch TTF hub consequently averaged EUR 14.6/MWh versus EUR 19.6/MWh in 2006, down 25%. Large wholesale customers reduced their purchases from DONG Energy and probably instead bought gas directly in the market. At the same time, DONG Energy significantly reduced its gas hub sales.

Operating profit

EBITDA for 2007 was DKK 9,606 million compared with DKK 8,950 million in 2006. EBITDA for 2007 benefited from a positive non-recurring item of DKK 303 million relating to the reversal of a provision related to a loss-making contract. EBITDA for 2007 is also affected by significant internal and external costs in connec-

ESTIMATED NON-RECURRING ITEMS

DKK million	2007	2006
Reversal of provision for loss-making contract	303	0
Termination of gas sales contracts	0	(2,185)
Disposal of license shares	0	134
Sale of cushion gas	0	43
Total	**303**	**(2,008)**

TIME LAG AFFECTS OPERATING PROFIT

Oil price changes and changes in the USD exchange rate impact on natural gas selling prices relatively quickly, whereas purchase prices are adjusted with a time lag effect 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 already in February, but may not be felt on purchase prices before the summer of the following year.

The impact on the individual periods varies consequently, and this may lead to significant fluctuations in operating results from one period to the next. However, the fluctuations will balance each other out over a number of years.

GAS PURCHASE ALLOCATION AFFECTS OPERATING PROFIT

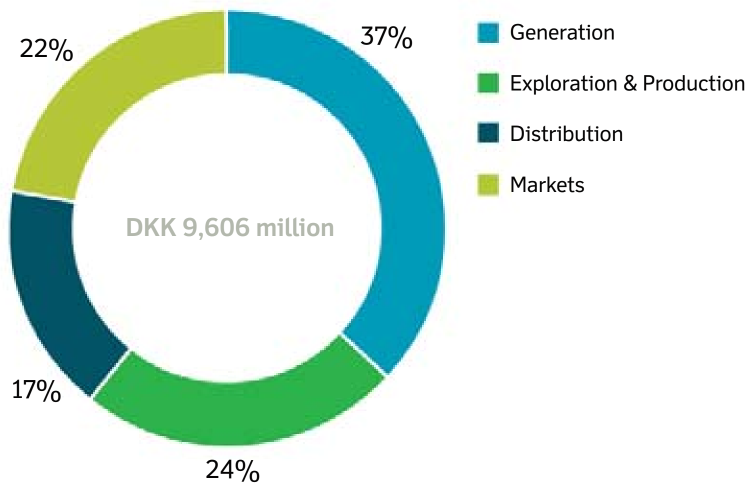
DONG Energy buys gas under several types of contracts with different price indexing. The purchases under the individual contracts are made within the gas year, which runs from 1 October to 30 September, but there is some flexibility as to the contracts from which purchases can be made in the individual months of the gas year. Accordingly, the allocation of gas purchases may have a positive effect in some quarters/calendar years, and a negative effect in others.

tion with the preparation of the IPO. 2006 was affected by negative non-recurring items of DKK 2,008 million (net). Excluding these, EBITDA was down DKK 1,655 million.

EBITDA benefited from the full recognition in 2007 of the acquired companies compared with only partial recognition in 2006. However, this positive effect was more than offset by the decline in revenue resulting from the reduction in oil and gas production, the fall in gas sales already referred to, and the lower power and gas hub prices.

Gas purchases were costlier in 2007 than in 2006 due to purchases under purchase contracts with less favourable price indexing (gas purchase allocation). The effect of this and of the different time lags in the contracts was about DKK (260) million and about DKK (170) million, respectively, compared with positive effects of about DKK 560 million and about DKK 640 million, respectively, in 2006.

EBITDA BY SEGMENT 2007



The integration of the acquired companies and the realisation of synergies are proceeding to plan. The migration of power customers from Københavns Energi to DONG Energy's IT systems was successfully completed in 2007. Furthermore the establishment of a single, standardised IT infrastructure for the entire Group is proceeding to plan.
Significant synergies have already been realised, particularly within purchasing. Overall, synergies amounting to about DKK 600 million had been achieved at 31 December 2007 of the total target of about DKK 800 million by the end of 2008.

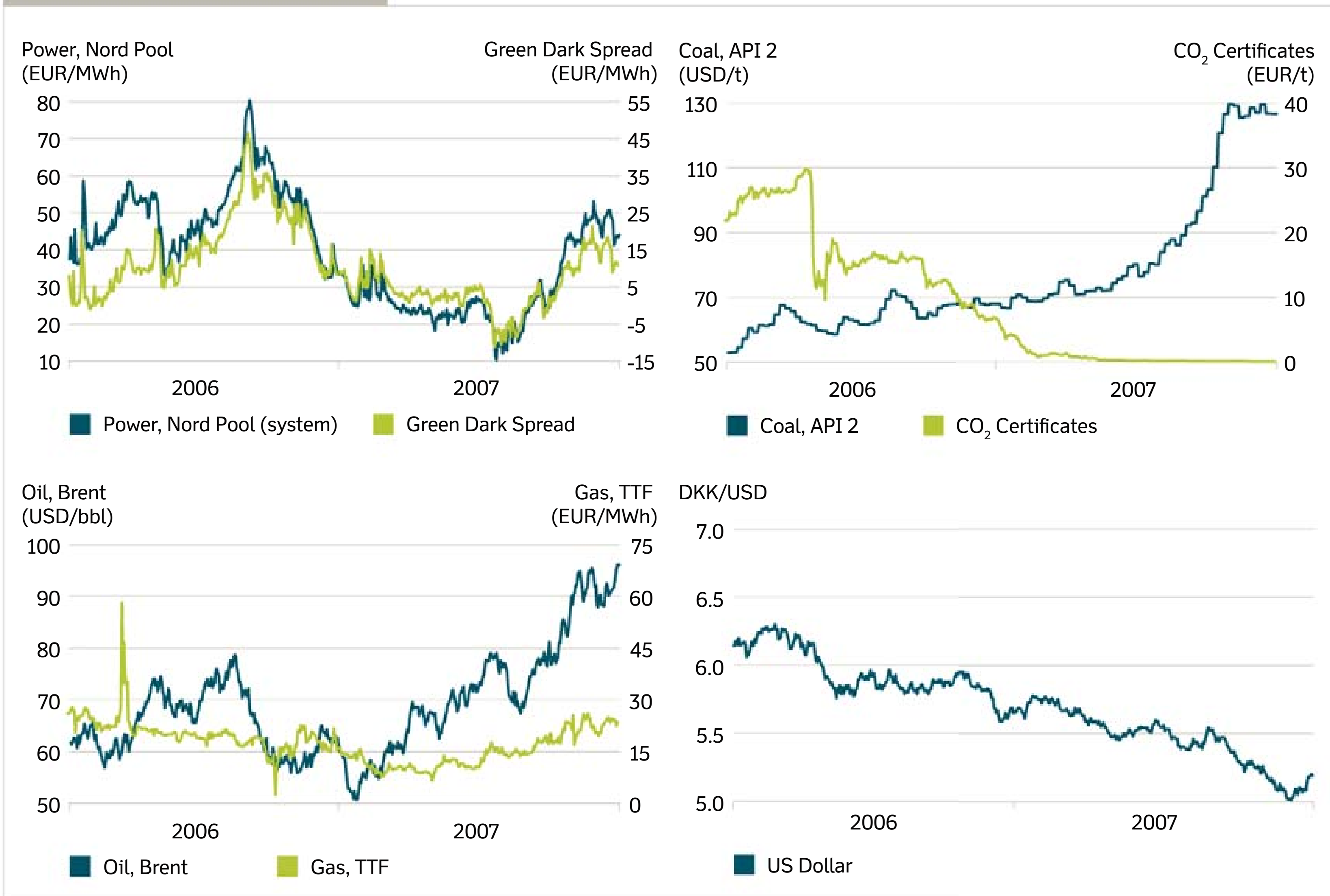
Depreciation/EBIT

Depreciation and amortisation increased by DKK 1,564 million overall, primarily as a result of the full recognition of the acquired power companies in 2007.

Depreciation was affected by the recognition, in connection with the initial recognition at 1 July 2006, of an intangible asset in the opening balance sheet corresponding to the market value of the free CO_2 certificates allocated to Elsam and Energi E2. At 1 July 2006, the value of the CO_2 certificates amounted to DKK 1.6 billion, which has been amortised over the period from 1 July 2006 to 31 December 2007 in step with production, including DKK 1.1 billion in 2007. Depreciation related to the exploration and production assets was DKK 178 million lower due to the lower production.

EBIT for 2007 fell by DKK 908 million to DKK 4,783 million compared with DKK 5,691 million the previous year. Excluding non-recurring items, EBIT was down DKK 3,219 million, with the fall in EBITDA excluding non-recurring items amounting to DKK

DEVELOPMENT IN MARKET PRICES



1,655 million and the increase in depreciation and amortisation DKK 1,564 million.

Financial items

Financial items (net) amounted to an expense of DKK 740 million in 2007 versus DKK 592 million in 2006, including net interest expense of DKK 594 million for 2007 compared with DKK 529 million in 2006. Interest expense rose driven by an increase in average interest-bearing debt in 2007 due to the acquisitions of Elsam, Energi E2, Nesa and the power activities from the City of Copenhagen and the Municipality of Frederiksberg in mid-2006. Net interest-bearing debt averaged about DKK 16 billion in 2007 compared with about DKK 11 billion in 2006.

The interest element of restoration obligations increased to DKK 159 million for 2007 compared with DKK 83 million for 2006 as a result of the addition of decommissioning obligations from the acquired companies, an increase in the obligations due to rising prices of external costs, and a higher interest rate level. Other financial items amounted to a gain of DKK 13 million for 2007, on a par with 2006.

FINANCIAL ITEMS

DKK million	2007	2006	Difference
Interest expenses, net	(594)	(529)	(65)
Interest element of restoration obligations	(159)	(83)	(76)
Dividends on equity investments	0	4	(4)
Other	13	16	(3)
Financial items, net	**(740)**	**(592)**	**(148)**

Income tax

Income tax expense for 2007 was DKK 808 million compared with DKK 1,553 million in 2006. The tax rate was 32% for 2007 and 31% for 2006, corrected for tax-free non-recurring items, a positive non-recurring effect of DKK 372 million relating to the reduction of the Danish tax rate from 28% to 25% in 2007, and the

GENERATION

The acquired companies Elsam and Energi E2 were recognised in DONG Energy from 1 July 2006 (six months), and the figures for 2007 and 2006 consequently cannot be compared.

Production

Power generation amounted to 19,780 GWh in 2007, and heat generation 46,092 TJ.

Revenue

Revenue for 2007 was DKK 12,335 million compared with DKK 7,682 million in 2006. The increase reflected the fact that the acquired companies did not feature in the first half of 2006.

Operating profit

EBITDA for 2007 was DKK 3,696 million (2006: DKK 2,663 million), including non-recurring items of DKK 303 million (2006: DKK 0 million). The increase was due to the fact that the acquired companies did not feature in the first half of 2006.

EBIT for 2007 was DKK 1,376 million (2006: DKK 1,485 million). Depreciation was DKK 1,142 million higher in 2007 than in 2006, partly related to higher consumption of the CO_2 certificates that were recognised at market value in the balance sheet in connection with the initial recognition of Elsam and Energi E2, and partly as a result of the full-year effect of the acquired companies.

Capital expenditure

In 2007, a number of investments were made in offshore and onshore wind power generation. 120 MW of capacity was commissioned in 2007, comprising a UK offshore wind farm (Burbo Banks) and a Polish onshore wind farm (Lake Ostrowo). DONG Energy also invested in a 260 MW gas-fired power station near Mongstad in Norway, which is expected to start up production in 2009.

Capital expenditure totalled DKK 3,840 million compared with DKK 1,770 million in 2006, consisting primarily of Lake Ostrowo (DKK 268 million), Horns Rev II (DKK 945 million), Burbo Banks (DKK 800 million), Gunfleet Sands I (DKK 599 million), plant life extensions and maintenance investments at the Danish power stations (DKK 583 million) and Mongstad (DKK 377 million).

In August 2007, DONG Energy sold its renewable energy operations in Spain and Portugal to E.ON. The installed capacity of these activities was about 240 MW.

FINANCIAL HIGHLIGHTS

DKK million	2007	2006
Power generation (GWh)	19,780	13,200
- thermal (GWh)	17,217	11,686
- renewable (GWh)	2,563	1,514
Heat generation (TJ)	46,092	17,165
Revenue	12,335	7,682
- thermal power	7,436	5,420
- thermal heat	2,165	795
- renewable energy	1,201	726
- other	1,533	741
EBITDA	3,696	2,663
- including renewable energy	605	363
EBIT	1,376	1,485
Investments	3,840	1,770

fact that associates are recognised after tax. Adjustments of prior-year taxes had an upward effect on the tax rate for 2007. The hydrocarbon tax rules in Norway did not have any significant effect on the tax rate, as the higher tax rate (78% in total) was offset by tax deductions relating to capital expenditure in Norway.

Profit after tax

2007 profit after tax was DKK 3,259 million compared with DKK 5,039 million for 2006. Profit for 2007 benefited from the non-recurring income totalling DKK 707 million already referred to concerning the reversal of a provision, reduction of the Danish tax rate, and subsequent adjustment of the profit on disposal of the gas storage facility near Ll. Torup. 2006 profit after tax included negative non-recurring items of DKK 385 million (net).

Excluding non-recurring items, profit after tax for 2007 was DKK 2,872 million down on 2006, primarily reflecting the reduction in EBIT, a DKK 475 million fall in profit shares from associates

EXPLORATION & PRODUCTION

Production

Production in 2007 was 11.3 million boe compared with 13.8 million boe in 2006. The decline reflected naturally declining production from mature fields. Danish fields accounted for 51% and Norwegian fields for 49% of production.

Revenue

Revenue for 2007 was DKK 4,869 million compared with DKK 5,556 million in 2006. The fall was due to the decline in production referred to in the foregoing and a lower USD exchange rate (-8%). These two factors were offset to some extent by higher oil prices in USD and increased income from the Norwegian Gassled infrastructure system.

Operating profit

EBITDA for 2007 was DKK 2,406 million compared with DKK 3,499 million in 2006. Excluding non-recurring items in 2006, EBITDA was DKK 959 million down on 2006. Besides the decline in revenue referred to in the foregoing, the lower EBITDA reflected the expensing of the Cygnus exploration well on the PL329 licence and the appraisal wells on the PL301 licence (Mime and Krabbe).

Excluding non-recurring items, EBIT was DKK 759 million down on 2006, reflecting the decline in EBITDA, partly offset by lower production-dependent depreciation as a result of the lower production.

FINANCIAL HIGHLIGHTS

DKK million	2007	2006
Oil- & gas production (million boe)	11.3	13.8
- oil production (million boe)	9.1	12.1
- gas production (million boe)	2.2	1.7
Oil transportation, Denmark (million bbl)	99.8	106.6
Revenue	4,869	5,556
EBITDA	2,406	3,499
EBIT	1,544	2,437
Investments	4,848	2,150

Capital expenditure/exploration

In 2007, various investments were made in the continued development of the oil and gas portfolio. The largest single investment was the acquisition of ConocoPhillips' E&P activities in Denmark at DKK 1,748 million. With this acquisition, DONG Energy added a further 30% to its existing 20% stake in the Hejre field. DONG Energy aims to reach agreement with the partners in the licence on the lodging of a development plan in 2008, and the field is expected to start commercial production within the next five years.

Capital expenditure totalled DKK 4,848 million compared with DKK 2,150 million in 2006. Of this, capital expenditure on the Norwegian Ormen Lange gas field amounted to DKK 921 million. The field started commercial production in October 2007, but investments are still being made in the further development of the field. Other capital expenditure on development of oil and gas fields and infrastructure amounted to DKK 2,179 million in 2007

ESTIMATED NON-RECURRING ITEMS

DKK million	2007	2006
EBITDA non-recurring effects (after tax)	303	(1,408)
Profit on sale of Ll. Torup gas storage facility, etc.	32	1,023
Tax reduction (28% to 25%)	372	0
Total	**707**	**(385)**

(primarily from the power companies acquired in 2006) and higher financial expenses, partly offset by lower tax charges than in 2006.

Dividends

The Supervisory Board recommends that a dividend of DKK 5 per share be paid for 2007, equivalent to a dividend payment of DKK 1,469 million, corresponding to about 45% of profit after tax.

DISTRIBUTION

The power distribution activities from the City of Copenhagen and the Municipality of Frederiksberg were recognised in DONG Energy from 1 May 2006 (eight months). The corresponding activities from Nesa were recognised from 1 July 2006 (six months). The gas storage facility near Ll. Torup was sold in 2006 and consequently featured only up to and including 31 August 2006 (eight months).

Sales

Gas distribution amounted to 840 million m^3 in 2007, down 72 million m^3 on 2006. The fall was due to the fact that 2007 was 2% warmer than 2006, measured in degree days.

Power distribution amounted to 9,289 GWh in 2007 compared with 5,116 GWh in 2006. The increase was due to the fact that the acquired companies featured for only part of 2006, as already mentioned.

Revenue

Revenue for 2007 was DKK 4,510 million compared with DKK 2,560 million in 2006. The increase reflected the fact that the acquired companies featured for only part of 2006, as already mentioned.

Operating profit

EBITDA for 2007 was DKK 1,636 million compared with DKK 1,012 million in 2006. The increase was driven by higher revenue from power distribution, primarily because the acquired companies featured for only part of 2006.

FINANCIAL HIGHLIGHTS

DKK million	2007	2006
Power distribution (GWh)	9,289	5,116
Gas distribution (millon m^3)	840	912
Revenue	4,510	2,560
EBITDA	1,636	1,012
EBIT	533	467
Investments	1,426	758

Depreciation and amortisation was DKK 558 million higher than in 2006. Besides the fact that the acquired companies featured for only part of 2006, the increase was due to capital expenditure and collection of shortfall revenue recognised in the opening balance sheets in connection with acquisition of the activities already referred to, which are accounted for as depreciation.

Capital expenditure

Capital expenditure in 2007 amounted to DKK 1,426 million compared with DKK 758 million in 2006. Capital expenditure related primarily to underground installation of power cables in North Zealand (DKK 687 million), other capital expenditure relating to the power distribution network (DKK 539 million) and expansion of the capacity of the gas storage facility near Stenlille (DKK 172 million).

Cash flows

Operating cash inflow was DKK 8,842 million in 2007 compared with DKK 8,169 million in 2006. The increase was due to higher EBITDA, a reduction in tax paid, and a more positive effect of adjustments to the income statement, partly offset by higher paid financial items and a higher adverse impact of working capital changes.

Investing activities absorbed DKK 11,823 million in 2007 compared with DKK 7,809 million in 2006. The principal investments in 2007 were as follows:

- the balance payable to the City of Copenhagen for the acquisition of KE Drift (outflow of DKK 6,675 million) (incl. shares in Energi E2)
- the acquisition of ConocoPhillips' E&P activities in Denmark (outflow of DKK 1,748 million)
- further investments in the Ormen Lange project (outflow of DKK 921 million)

MARKETS

The power sales activities of the City of Copenhagen and the Municipality of Frederiksberg were recognised in DONG Energy from 1 May 2006 (eight months), and Nesa's power sales activities were recognised from 1 July 2006 (six months).

Sales

Natural gas sales in 2007 were 977 million m^3 down on 2006. The fall was due predominantly to the milder weather in the first half of 2007, which led to lower demand for gas and reduced gas prices. The gas price on the Dutch TTF hub was 25% down on 2006 on average. The lower hub prices led to falling sales to large wholesale customers and also reduced sales on TTF.

Power sales were 10,893 GWh compared with 5,870 GWh in 2006. The increase was due to the fact that the acquired companies featured for part of 2006 only, as already mentioned.

Revenue

Revenue for 2007 was DKK 24,583 million compared with DKK 24,306 million in 2006. The effect of the fact that the acquired companies featured for only part of 2006 was largely offset by the effect of the lower gas sales, and a negative price effect.

Operating profit

EBITDA was DKK 2,213 million in 2007. Excluding a non-recurring charge of DKK 2,185 million in 2006 relating to the termination of intragroup gas purchase contracts, EBITDA was DKK 1,764 million down on 2006. Profit was adversely affected by gas purchase allocations (outflow of about DKK 260 million in 2007 compared with inflow of about DKK 560 million in 2006), time lag effect of gas contracts (outflow of about DKK 170 million in 2007 compared with inflow of about DKK 640 million in 2006) and the fact that gas purchases were more costly per m^3 as a result of purchases under purchase contracts with relatively less favourable price indexing than in 2006. The adverse effects were only partly offset by lower natural gas purchase costs as a result of the lower sales.

Excluding the non-recurring item, EBIT for 2007 was down DKK 1,898 million on 2006. The decline was predominantly due to the lower EBITDA and to slightly higher depreciation as a result of capital expenditure on the fibre optic network.

Capital expenditure

Capital expenditure in 2007 amounted to DKK 1,167 million compared with DKK 530 million in 2006. Capital expenditure in 2007 related primarily to the establishment of the fibre optic network and outdoor lighting in North Zealand and the metropolitan area (DKK 624 million) and enlargement of the property facilities (DKK 383 million).

FINANCIAL HIGHLIGHTS

DKK million	2007	2006
Power sales (GWh)	10,893	5,870
Natural gas sales (millon m^3)	7,225	8,202
Revenue	24,583	24,306
EBITDA	2,213	1,792
EBIT	1,695	1,408
Investments	1,167	530

- development of oil and gas fields and infrastructure (outflow of DKK 2,179 million)
- wind power activities (outflow of DKK 2,735 million)
- establishment of fibre optic network and outdoor lighting (outflow of DKK 624 million)
- laying of underground power cables in North Zealand (outflow of DKK 687 million).

The principal sales of assets were as follows:

- the Spanish and Portuguese wind power operations (inflow of DKK 3,444 million)
- the gas storage facility near Ll. Torup (inflow of DKK 1,490 million)
- property in Copenhagen and North Zealand (inflow of DKK 503 million)
- final payment from Vattenfall AB relating to the acquisition of activities from Elsam and Energi E2 (inflow of DKK 140 million).

Financing activities generated an outflow of DKK 5,032 million compared with an inflow of DKK 1,666 million in 2006. In 2007, a DKK 0.5 billion loan was raised with Royal Bank of Scotland and a DKK 1.2 billion loan with EIB, a DKK 1.8 billion floating-rate bond (senior bond) was repaid, along with loans of DKK 0.5 billion from mortgage credit institutions. Other instalments and changes in liabilities amounted to an outflow of DKK 1.9 billion. Dividend payments to shareholders amounted to an outflow of DKK 1,967 million and coupon on hybrid capital amounted to an outflow of DKK 451 million.

Balance sheet and capital structure

The balance sheet total fell from DKK 99,255 million at the end of 2006 to DKK 89,710 million. Property, plant and equipment increased due to the high level of capital expenditure. Assets (and liabilities) held for sale, on the other hand, were significantly reduced as a result of the sale of the Spanish and Portuguese wind power operations. Lastly, cash and interest-bearing debt were reduced.

Net interest-bearing debt was DKK 14,792 million at the end of 2007 compared with DKK 17,779 million at the end of 2006. Equity stood at DKK 42,211 million at the end of the year compared with DKK 42,390 million at the end of 2006. The marginal reduction was due to the fact that dividends paid to the shareholders and coupon to the hybrid capital owners as well as negative value adjustments of hedging instruments taken directly to equity exceeded profit for the year.

It is DONG Energy's target to maintain a rating of Baa1/BBB+ or better. The long-term target is to maintain net interest-bearing debt + hybrid capital at about three times EBITDA (adjusted for special hydrocarbon tax). At 31 December 2007, this ratio stood at 2.4 compared with 3.0 at 31 December 2006.

Events after the balance sheet date

In March 2008, the Danish Competition Appeals Tribunal has concluded that Elsam A/S, now DONG Energy Power A/S, abused its dominant position in West Denmark to a not insignificant extent in the period 1 January 2005 to 30 June 2006 by charging excessive prices. DONG Energy disputes the ruling and has decided to appeal it to the Copenhagen Maritime and Commercial Court. Reference is made to note 38.

No other material events have occurred after 31 December 2007 that have an effect on the Group's financial standing.

OUTLOOK FOR 2008

External assumptions

DONG Energy's financial results are affected by developments in a number of commodity prices, including oil, gas, power, coal and CO_2 certificates, as well as exchange rate fluctuations, in particular the USD exchange rate. The outlook for 2008 is based on the following assumptions (average prices for the remainder of the year):

- Crude oil (Brent): USD 80 per barrel
- Gas (TTF): EUR 24 per MWh
- Power (Nord Pool): EUR 44 per MWh
- Coal (API 2): USD 129 per tonne
- CO_2 certificates: EUR 19 per tonne
- USD exchange rate: DKK 5.00

Internal assumptions

The integration of the acquired power companies will entail costs of about DKK 100 million in 2008. The costs are required to realise the synergy targets totalling about DKK 800 million (annual synergy effect), about DKK 600 million of which had been realised at the end of 2007 (annual synergy effect).

2008 will be affected by the following significant changes in the level of activity. The Ormen Lange field and the Burbo Banks wind farm commenced commercial production in October 2007 and are expected to have a positive impact on the operating results, as both will feature with a full year's production in the 2008 financial year. Revenue and the operating result will be adversely affected by the sale of the 132 kV transmission grid, which will be completed after the first quarter of 2008. The sale of the transmission grid is expected to result in an accounting gain after tax of DKK 0.5 billion, which will benefit profit for the period (the gain will not have any effect on EBITDA). Lastly, revenue and earnings will be adversely affected by the full-year effect of the disposal of the Spanish and Portuguese wind power operations in August 2007.

Project development and research costs totalling about DKK 750 million have been assumed. Project development costs are expected to amount to about DKK 400 million, including about DKK 250 million relating to the development of the Greifswald project in Germany. A final investment decision is expected to be made by the end of 2008. Other project development costs relate to wind power projects and other projects in Generation.

Research costs are expected to amount to about DKK 350 million and include costs for CO_2 storage projects, bioethanol, improvement of the foundations used for offshore wind farms, and other projects.

Due to the expected increase in net debt as a result of the expected higher capital expenditure and anticipated higher interest payable on new loans, interest expense is expected to be higher than in 2007. Net financing costs (incl. interest element of restoration obligations) for 2008 are expected to amount to about DKK 1 billion.

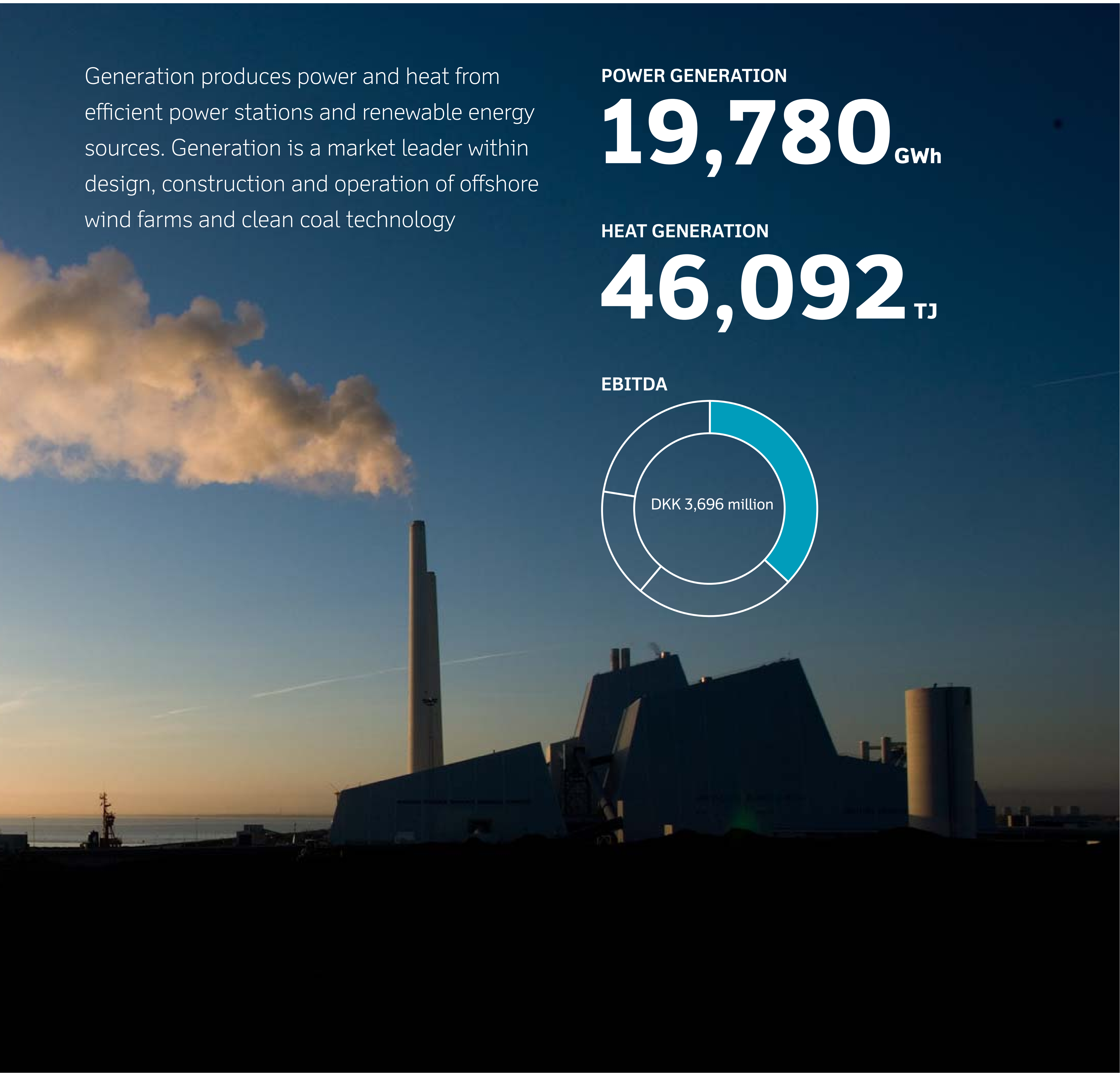
Profit outlook for 2008

Based on the assumptions outlined above and other assumptions, EBITDA and profit after tax for 2008 is expected to be on a par with 2007, corresponding to the outlook from 21 December 2007.

FORWARD-LOOKING STATEMENTS

The annual report contains forward-looking statements, which include projections of financial performance in 2008. These statements are not guarantees of future performance and involve certain risks and uncertainties. Therefore, actual future results and trends may differ materially from what is forecast in this report due to a variety of factors, including, but not limited to, changes in temperature and precipitation, the development in the oil, gas, power, coal, CO_2, currency and interest rate markets; changes in legislation, regulation or standards; changes in the competitive situation in DONG Energy's markets; security of supply; and integration of acquired activities. Reference is made to the risk management chapter and the relevant note in the financial statements.

GENERATION



Generation produces power and heat 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

19,780 GWh

HEAT GENERATION

46,092 TJ

EBITDA

DKK 3,696 million

GENERATION

DONG Energy is Denmark's largest energy producer and the fifth-largest producer on the Nordic power exchange, Nord Pool, where the bulk of the generated power is sold. Power generation was 19,903 GWh in 2007 and heat generation 46,092 TJ.

The bulk of the power generation comes from the thermal plants, but the aim is for renewable energy to make up an ever-increasing proportion in future. Consequently, DONG Energy invested DKK 2.7 billion in renewable energy in 2007, and further capital expenditure of approx. DKK 11 to 13 billion is planned up to 2010. The planned development within renewable energy will predominantly consist of the construction of offshore wind farms in Denmark and the UK. The development of renewable energy is part of the action to reduce DONG Energy's CO_2 emissions per kWh generated.

Earnings from power generation are highly dependent on the weather in the Nord Pool area. The volume of percipitation in Norway and Sweden, in particular, affects the supply of power and consequently prices and DONG Energy's output. This is due to the high level of power generation from hydropower in these countries.

Settlement prices for power are fixed in the market based on the production source with the highest marginal cost. Settlement prices vary as a result of the supply curve varying with the volume of hydro and wind power.

In a year with much percipitation such as 2007, generation of low-cost hydropower increases at the expense of costlier power from thermal plants – i.e. plants based on burning of fossil fuels. At the same time, high levels of generation from hydropower typically lead to lower power prices. This is because the costliest fossil-fired plants are pushed out of the market.

Conversely, a relatively dry year will have a positive effect on DONG Energy's earnings. The lower production from hydropower results in higher prices, making power generation from thermal plants more profitable. Earnings are also affected by global prices of coal and oil, and European gas prices.

Thermal production

In 2007, DONG Energy in Denmark generated power and heat from ten central power stations, nine small-scale Combined Heat and Power (CHP) plants and six waste-to-energy plants.

The total thermal net generating capacity was 5,682 GW, corresponding to 45% of the total capacity in Denmark. DONG Energy's ten central power stations accounted for about 95% of total thermal power output in 2007.

To support free competition in the Danish wholesale power market, a system with auctioning of virtual power plant capacity was introduced in 2004. DONG Energy is consequently committed to auctioning away the right of disposal of part of its generating capacity - 500 MW in 2007 and 600 MW in 2008 and subsequent years.

Most of DONG Energy's thermal plants are CHP plants. Co-generation of power and heat results in significantly better utilisation of the consumed fuel. In 2007, the average efficiency at the CHP plants was 55% (calculated as the ratio of power and heat generated to the energy content of the consumed fuels).
Unlike wind and hydropower, generation from thermal plants does not depend on the weather. This provides increased opportunities for aligning production to demand and – to some extent – only keeping the power stations in operation when prices make it profitable for the individual plant.

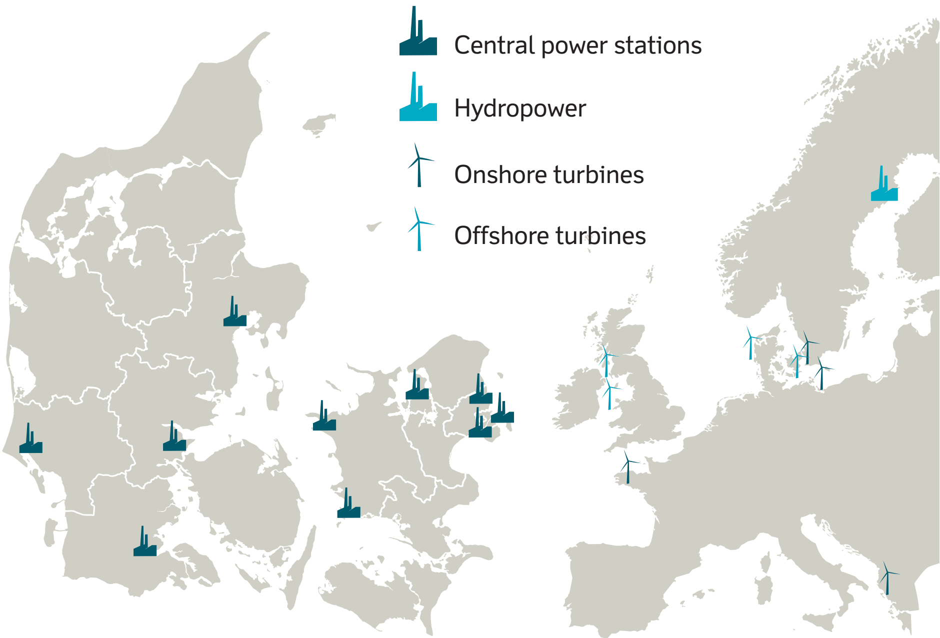
There is currently no power transmission between Zealand and the rest of Denmark, so the power market is divided into two geographical areas and price zones. However, a 600 MW link under the Great Belt is expected to be established by 2011. It will connect the two price zones while at the same time improving DONG Energy's possibilities for optimising the operation of its plants east and west of the Great Belt to the benefit of its customers.

Fuels, security of supply and environment

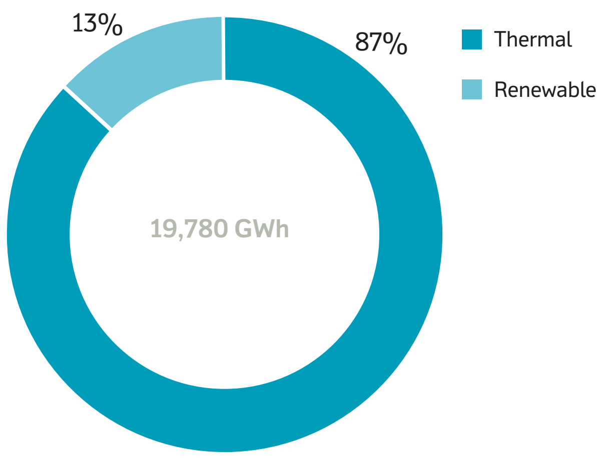
Coal is the primary fuel, accounting for about 70% of total fuel consumption in 2007, based on the energy content of the various fuels used (joule). Ample volumes of coal compared with other types of fuel and a large geographical spread among the suppliers result in a high degree of security of supply and underpin stable production. The bulk of the coal is purchased from South Africa, Russia and Colombia.

DONG Energy's power stations use clean coal technology in order to reduce the adverse environmental impacts of burning fossil fuels. This technology enhances the efficiency in the production of power and heat and is recognised by the Internation-

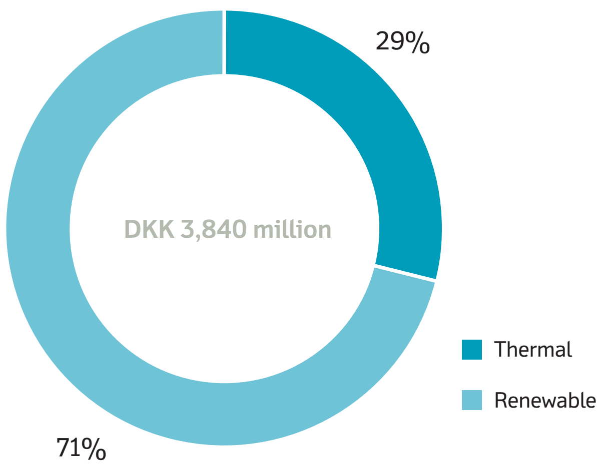
FACTS



BREAKDOWN OF POWER PRODUCTION 2007



BREAKDOWN OF CAPITAL EXPENDITURE 2007



CAPACITY WITHIN RENEWABLE ENERGY SOURCES	
Offshore wind turbines	**369 MW**
Denmark	234 MW
UK	135 MW
Onshore wind turbines	**253 MW**
Denmark	194 MW
Poland	31 MW
France/Greece	28 MW
Hydropower	**206 MW**
Total capacity	**828 MW**

al Energy Agency (IEA). At the same time, the power stations are designed to be able to use different types of coal and, to some extent, other fuels such as natural gas and oil. This flexibility makes it possible to switch to the most financially advantageous fuel and to some extent reduces the risk of price fluctuations within a specific fuel type.

Lastly, under its power generation licence, DONG Energy is under obligation to establish capacity for burning 1.2 million tonnes of biomass a year. Biofuels are deemed to be CO_2-neutral under the EU ETS (Emissions Trading Scheme). A large proportion of the biomass used is straw, which is bought from Danish farmers. To this should be added wood chip, which is primarily purchased in Denmark, but also in Sweden and the Baltic countries, as well as wood pellets, which are purchased in the international market.

New thermal plants

DONG Energy is exploring the possibility of building a coal-fired power plant near the town of Greifswald near the German Baltic coast. With a net generating capacity of 1,500 MW, this power station would significantly strengthen DONG Energy's power activities. The project is pending approval by the German authorities and DONG Energy's Supervisory Board. If the necessary approvals are obtained, the plant could be ready after 2012. DONG Energy is also exploring other options for the establishment of thermal production facilities in Northern Europe.

In November 2005, Elsam, which is now part of DONG Energy, entered into a long-term contract with Statoil on the construction, ownership and operation of a natural gas-fired CHP plant adjoining Statoil's Mongstad refinery in Norway. The plant, which has a net installed generating capacity of 260 MW, is under construction and scheduled for operation at the end of 2009. Under the Statoil contract, DONG Energy will receive a payment consisting of fixed and variable elements based on the volume of power and heat generated by the CHP plant. Statoil will supply the plant with natural gas, and DONG Energy will deliver the power and heat generated by the plant to Statoil.

Renewable energy

The EU target is for 20% of energy production to come from renewable energy sources by 2020. Change-overs to renewable energy are to be made to a great extent within the energy sector. At the end of 2007, 13% of DONG Energy's total installed power generating capacity was based on renewable energy sources. Most of the existing and planned renewable energy production is based on wind power.

The production of wind power differs in many ways from conventional energy production. Firstly, the energy source, wind, is free. Secondly, the wind conditions vary from location to location, making the wind speed the single factor that determines, in particular, the power output of a wind turbine.

It is characteristic of wind farms that the initial investment in turbines, site and grid connection is very high, whereas the operating costs are low and only to some extent affected by output. The operator of the power grid naturally needs other sources than wind power to secure the power supply when there is no wind. And when there are strong winds, it must be possible to sell the surplus production. The power supply consequently can only be based on wind power to some extent.

Offshore wind farms

The fact that wind conditions are typically better offshore than onshore makes offshore wind farms an interesting proposition. The total net installed capacity of DONG Energy's offshore wind turbines is 369 MW. Offshore wind turbines in Denmark account for 234 MW and offshore wind turbines in the UK for 135 MW, including the Burbo Banks offshore wind farm, which went into operation in October 2007.

DONG Energy is continuing the development with offshore wind turbines:

- construction of the Horns Rev II offshore wind farm off the west coast of Denmark is scheduled to start in 2008 and will consist of 91 offshore wind turbines with total net capacity of 209 MW, which is expected to be in production in 2009;
- construction of the Gunfleet Sands I offshore wind farm off the UK coast near the Thames Estuary is expected to commence in 2008. The farm will have a total net capacity of 108 MW and is expected to be in production in 2009;
- the Gunfleet Sands II offshore wind farm with a net capacity of 65 MW is expected to be in production in 2010;
- the Walney Island offshore wind farm in the Irish Sea 15 kilometres off the UK west coast was approved by the UK authorities in November 2007. Phase one with a net capacity of 151 MW is expected to be in production in 2010. DONG Energy has approvals for expanding the farm by up to 450 MW.

DONG Energy has more than 16 years' experience in the establishment of offshore wind farms. DONG Energy has built up significant in-house skills, experience and knowledge that are of great relevance to the further development of its wind turbine operations.

Onshore wind turbines

DONG Energy has onshore wind turbines in four countries with total net installed capacity of 253 MW. Overall, DONG Energy has shares in 380 onshore wind turbines, most of which are located in Denmark. In 2007, the Lake Ostrowo onshore wind farm in Poland was built, featuring a total of 17 onshore wind turbines. A further two onshore wind turbines were acquired in Denmark. The onshore wind turbines in Denmark are geographically spread, and rarely form part of large wind farms. DONG Energy's onshore wind turbines outside Denmark, on the other hand, are all part of large wind farms.

In keeping with its strategy to focus on Northern Europe, DONG Energy sold wind power and other activities from renewable energy sources in Spain and Portugal in August 2007. The total installed capacity was approx. 240 MW. DONG Energy also expects to sell its wind power operations in Greece and France.

Hydropower

DONG Energy holds minority stakes in two Norwegian and one Swedish energy company that own and operate hydropower stations. The net installed capacity for the Swedish hydroelectric plants (right to use) was 206 MW in 2007.

ZOOM

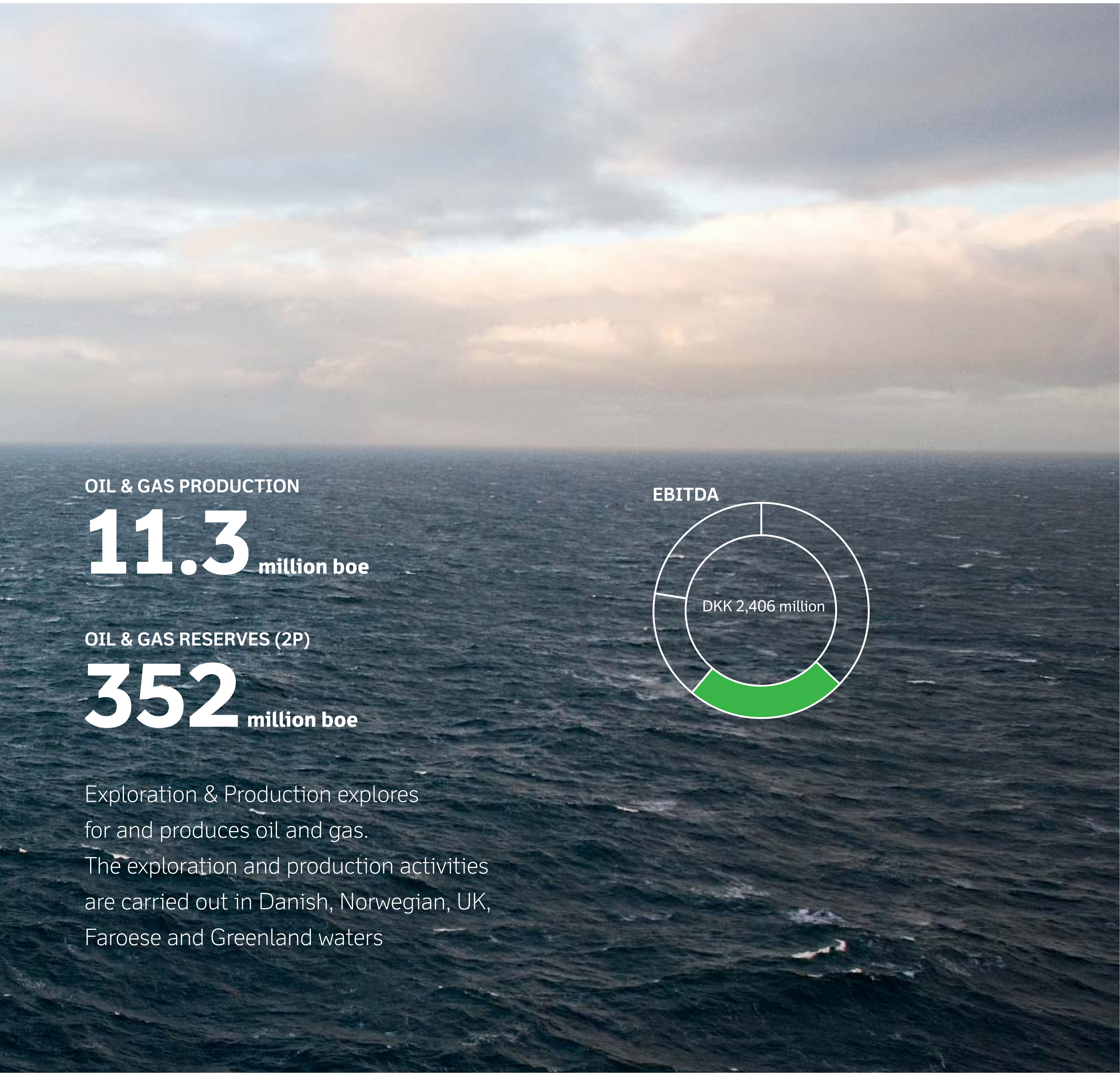
OFFSHORE WIND

There are many reasons why we are building more and more offshore installations. The constraints that exist onshore often do not exist to the same extent offshore. For example, not many people like the idea of living too close to a wind farm. So, onshore, there are considerations for neighbours that need to be taken into account, whereas that does not apply to the same extent offshore. Moreover, the geography of the landscape may set limitations for the design of a wind farm. In some cases, building a wind farm in a fan shape may be an advantage, to make optimum use of the wind power, but, onshore, a forest, a stream or a hill may set a natural limitation to the farm layout – whereas this type of limitation does not exist offshore. Lastly, there is quite simply more wind offshore than onshore.

But the challenges are also greater when building offshore, and mistakes can have major consequences. Due to wind and weather, work offshore is only possible for a limited period each year, and optimum use naturally needs to be made of that ”window”. Mistakes that may seem trivial – for example, the non-availability of an installation vessel or other equipment – may lead to the opportunity to carry out the work being lost, resulting in the project being postponed. This means the loss of a full year’s output of ”green” power. It is consequently important to have everything planned and to have in-depth knowledge of the mechanisms that are crucial when working under harsh wind and weather conditions.

Fortunately, we have gradually acquired a great deal of knowledge in this area. DONG Energy’s offshore skills have been developed through our pioneering role and subsequently very extensive operations within offshore wind, with the construction of so far six of the ten largest offshore wind farms in the world. Moreover, we draw on the advantages our experience in the construction and operation of offshore oil and natural gas installations within E&P give us. We use our experience from both diving operations, geotechnical surveys, hydrographic surveys and marine work across both business areas, and they both benefit from these synergies.

EXPLORATION & PRODUCTION



OIL & GAS PRODUCTION

11.3 million boe

OIL & GAS RESERVES (2P)

352 million boe

EBITDA

DKK 2,406 million

Exploration & Production explores for and produces oil and gas. The exploration and production activities are carried out in Danish, Norwegian, UK, Faroese and Greenland waters

EXPLORATION & PRODUCTION

The exploration and production activities focus on oil and gas in Denmark, Norway, the UK (West of Shetland area), the Faroe Islands and Greenland. This business area includes a stake in Gassled, which comprises the entire gas pipeline network from the Norwegian fields to continental Europe and the UK, and the ownership of Denmark's only oil pipeline, which connects the North Sea oil fields with mainland Denmark.

DONG Energy has been involved in oil and gas exploration and production since 1984. Until 2005, DONG Energy's role entailed taking care of the Danish State's participation in all Danish exploration licences. In 2001, these activities were broadened to include activities outside Denmark.

Exploration and appraisal activities

The exploration activities account for part of the growth in this business area. On the Danish continental shelf, the focus for the exploration activities is the areas around the existing operations in order to utilise the infrastructure already in place. New exploration areas will consequently primarily be outside the Danish continental shelf, concentrating on the Norwegian and UK shelves and the waters around the Faroe Islands and West Greenland.

In Greenland, DONG Energy was awarded the operatorship of an exploration licence in 2007. Greenland remains largely unexplored, but available data promise potentially very large finds. Due to the immaturity of this area as an exploration province, great water depths and limited possibilities for year-round operation due to the climatic conditions, the time horizon for finding and developing commercial production in this area will be long.

At the end of 2007, DONG Energy participated in 55 exploration and appraisal licences. In 2007, the portfolio was expanded by four licences: one in Denmark, one in Greenland, three in the UK, three in Norway, and the handing back of four licences in Denmark and Norway.

On the Danish shelf, three appraisal wells drilled on the Nini licence in 2007 led to a positive evaluation that provides the basis for continuing to work on plans for a development of the Nini Øst find.

Two exploration wells and an appraisal well, all of which were unsuccessful, were drilled on the Norwegian shelf. Furthermore, the drilling of two appraisal wells on the PL122 Marulk and PL274 Oselvar licences commenced. At the beginning of 2008, these appraisal wells have shown promising results, and the continued evaluation of these areas is ongoing.

On the UK shelf, two appraisal wells were drilled and a production test carried out on licence P1026 Rosebank. The results are promising, and evaluation of the further development is ongoing. 2007 also included an exploration well on P1159 Tormore that led to a find. Tormore adjoins the Laggan licence, where a gas find was made in 2004. The overall potential for the further development is being evaluated.

Development activities

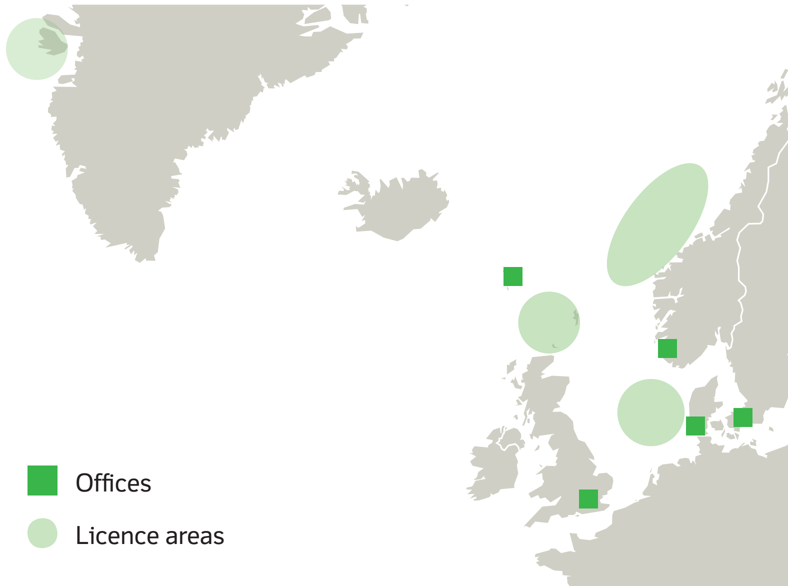
DONG Energy participates in development as a natural continuation of its exploration activities or as a result of the acquisition of licence shares in commercial finds. The largest acquisition to date is the 10.3% interest in the Norwegian Ormen Lange gas field and the 10.2% interest in the Langeled pipeline in 2005.

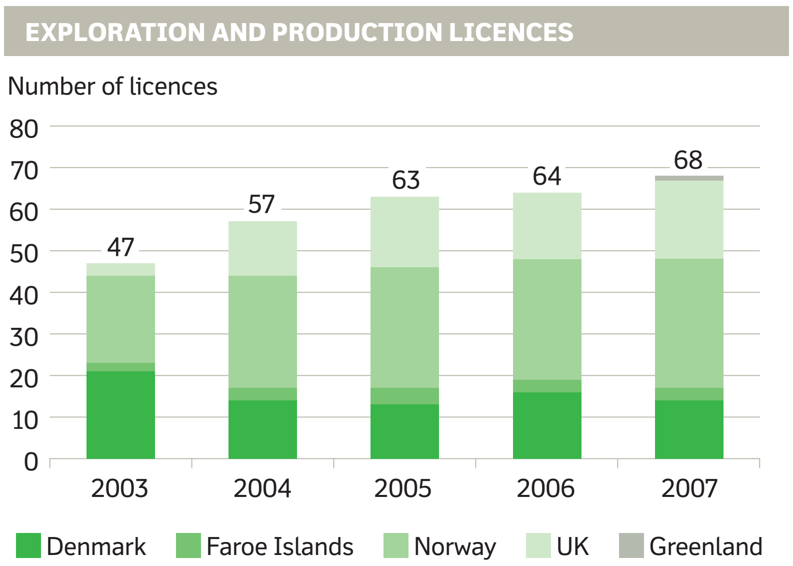
The Ormen Lange field is situated about 100 kilometres northwest of Kristiansund. The reservoir is approx. 3,000 metres below sea level and is approx. 40 kilometres long and 8 kilometres wide. The field has been expanded with a subsea installation and connected by two pipelines to an onshore gas treatment plant near Nyhamna in Norway. Following treatment, the gas is transported to the UK and continental Europe through the 1,200-kilometre Langeled pipeline and the connected pipelines in the Gassled system.

The Langeled pipeline was completed in 2007 and integrated into the Norwegian Gassled system. DONG Energy now owns 0.68% of Gassled. The co-ownership is strategically important, as it provides access to gas infrastructure and to the connected markets. The system owners have preferential rights to book new capacity in proportion to their ownership interests.

In 2007, DONG Energy acquired ConocoPhillips' Danish E&P activities, increasing its stake in the Hejre find from 20% to 50%. The work on developing the Hejre find for production has commenced. Subject to approval by the other licence partners,

FACTS





DONG Energy expects to lodge a development plan in 2008 for approval by the Danish authorities.

On the Danish Nini licence, an application was filed with the authorities in 2007 for the development of Nini Øst, which can be developed via the existing infrastructure in the area. The licensees are expected to take a final decision on development during the first half of 2008.

In Norway, the development of the Alve field commenced in 2007, with scheduled start-up of production in 2009. Furthermore, DONG Energy has the operatorship of licence PL274 Oselvar, where a promising appraisal well was completed at the start of 2008. A number of studies are required, including a study of the possibilities for production via existing infrastructure in the area, before a decision on possible development of the find can be made. If development goes ahead, this will be DONG Energy's first development in an operatorship role on the Norwegian shelf.

In the UK (West of Shetland area), DONG Energy, together with a number of oil companies, is participating in an evaluation of an overall infrastructure solution aimed at promoting the development of the finds in the area. If developed, the portfolio of finds in the area could lead to significant volumes of oil and gas within the next ten years. The development of the finds will depend, to a great extent, on the ongoing progress in the licences in which DONG Energy participates, which will require approval by the other partners in the licence. The development of the area generally requires relatively heavy capital expenditure, including in infrastructure, due to its location far from commercial markets and the combination of deep seas and challenging weather conditions.

Production

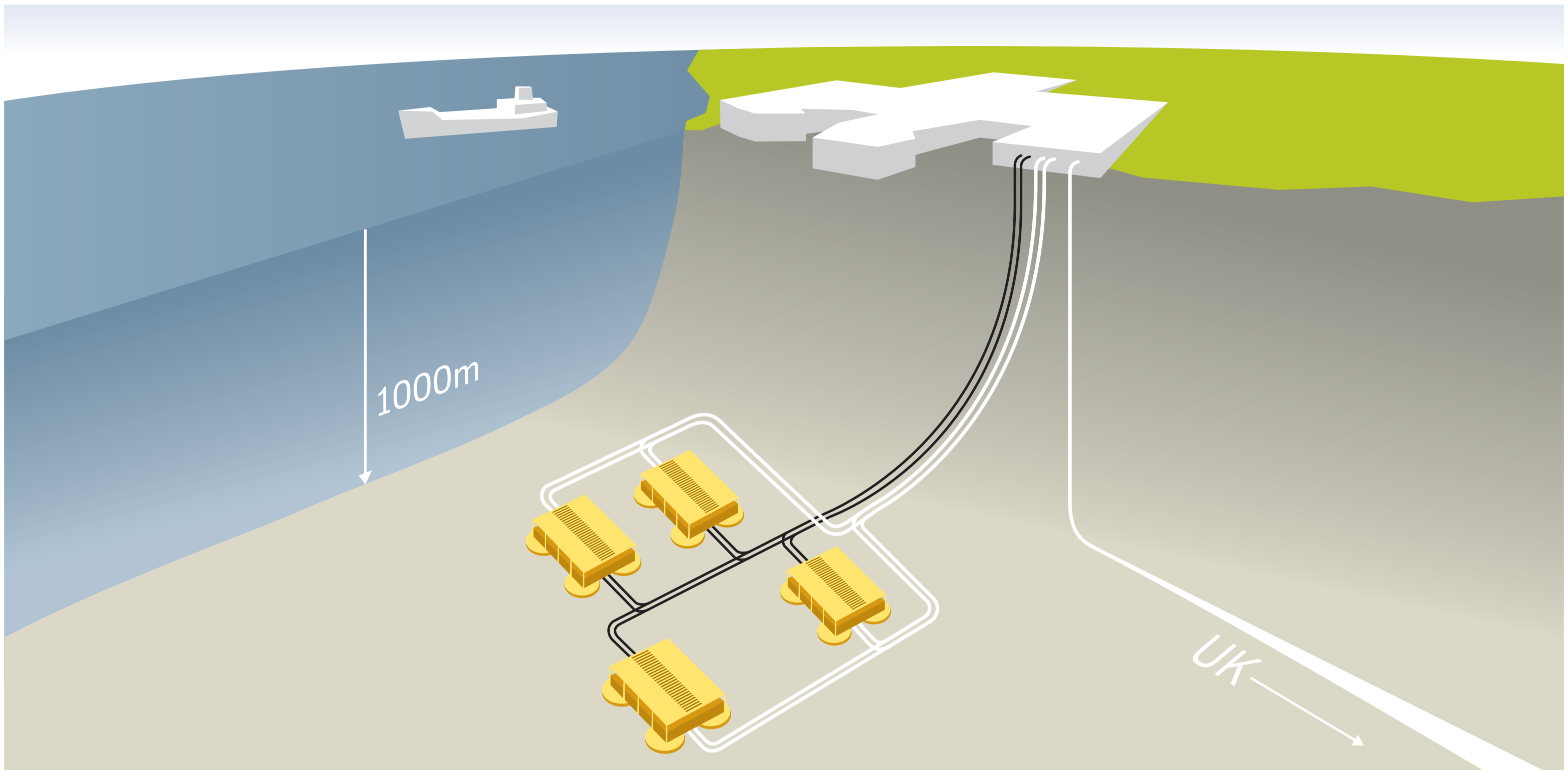
Production in 2007 reached 11.3 million boe, of which 81% was oil and 19% gas. Production comes predominantly from the mature fields Syd Arne, Siri, Nini and Cecilie in Denmark (51%), and the Ula, Gyda, Tambar and Glitne fields in Norway (38%).

In 2007, first gas was produced from the Ormen Lange field. In September 2007, the Nyhamna terminal was ready for operation. Additional production wells were drilled and test production commenced. Commercial production was initiated in October 2007, and production took place from three wells in 2007.

The Ormen Lange field accounts for 78% of DONG Energy's reserves and is expected to reach full production in 2010. By that time, DONG Energy's gas production is expected to exceed the oil production, solely due to the large gas volumes from Ormen Lange.

It is DONG Energy's long-term strategic target for equity gas to cover 30% of DONG Energy's supply needs. The Ormen Lange stake is a key factor in the achievement of this target. 30% equity production of gas will strengthen DONG Energy's negotiat-

ZOOM



The Ormen Lange natural gas project off West Norway

ONE OF THE WORLD'S MOST TECHNOLOGY INTENSIVE PROJECTS

The development of the Ormen Lange field and associated land-based installations has provided employment for approx. 18,000 persons in Norway. When fully developed, the field will feature 24 wells consisting of four templates each weighing 1,150 tonnes and with a length of 44 metres, a width of 33 metres and a height of 15 metres.

What is so special about Ormen Lange is that all these installations are placed on the seabed at a depth of about 900 metres, and the natural gas is a further about 1,600 to 2,000 metres below the seabed. Viewed from the air, only the land-based installations are visible.

Both the size of the field, its great depth and the extremely rugged topography have posed significant technical and geological challenges. Due to the great water depth it was necessary to use submarine robots for the final completion, and the work was complicated still further by the fact that the area has some of the world's strongest subsea currents.

The temperature at the seabed is below freezing point and in order to prevent ice formation that can plug the pipeline from the field, anti-freeze is regularly injected into the wellheads. The anti-freeze is recaptured at the onshore installation.

The pipeline linking the four templates to shore runs through areas with 30 to 60-metre peaks. This made heavy demands on supports and penetrations during laying. The free spans had to be limited to avoid obstructions to fishing trawls or the risk of harmful vibrations. The pipeline also forces a 300-metre high, almost vertical subsea ridge that was formed by a gigantic subsea landslide 8,000 years ago.

With DONG Energy's active participation in the Ormen Lange project we have gained valuable knowledge about the construction and operation of production facilities in deep waters. DONG Energy can draw on this knowledge on other oil and natural gas exploration projects.

ing position in connection with the conclusion of long-term purchase and sales contracts.

Production from mature fields in 2007 was affected by delayed production wells and technical factors that led to a postponement of production. On the Siri licence, new drilling technology was tested that did not live up to expectations. In mid-2007, the water injection pipeline to the Nini and Stine Segment 1 fields failed. The rupture has been repaired and the pipeline is operational again. Surveys that will be carried out in the first half of 2008 are to contribute to clarifying the pipeline's general condition and whether a complete replacement of the 32-kilometre pipeline will be required at some stage.

In the Nini field, production began in 2007 from a new well that more than met expectations.

On the Syd Arne licence, production in 2007 was lower than expected. Partly due to deliberately lower production to check unwanted sand production, and partly because two new production wells were delayed. The production strategy for the field has now been modified to take account of the latest findings. This means that it is now possible to react faster to produced sand from the wells, so that this will not impact significantly on overall production.

Production from existing wells in the Norwegian fields largely matched expectations, whereas production from a new, easterly area in the Tambar field started behind schedule.

Reserves

DONG Energy's oil and natural gas reserves (2P reserves) amounted to 352 million boe at the end of 2007 compared with 350 million boe in 2006. DONG Energy has thus replaced reserves corresponding to the production in 2007. The new reserves came from the development of a new area in the eastern part of the Nini licence. The licensees are expected to take a final decision on development during the first half of 2008. The eastern area of the Tambar licence was also developed and production has commenced.

The lifespan of the reserves (calculated as 2P reserves at the end of 2007 divided by the production in 2007) was 31 years. This figure is expected to gradually decline when the Ormen Lange field reaches full production. It is DONG Energy's target for the ratio between 2P reserves and production to exceed eight years.

Operatorship

DONG Energy's operator experience comprises exploration, development and production. DONG Energy is currently the operator of 20 licences, three of which are in production.

Since 1998, DONG Energy has been participating in the Rushmore Reviews, which regularly compare drilling performance worldwide. Over 150 companies with operations in 70 countries participate in this benchmarking. Based on the number of drilled metres per day and costs per metre, DONG Energy has been among the upper quartile in this benchmarking since 2000.

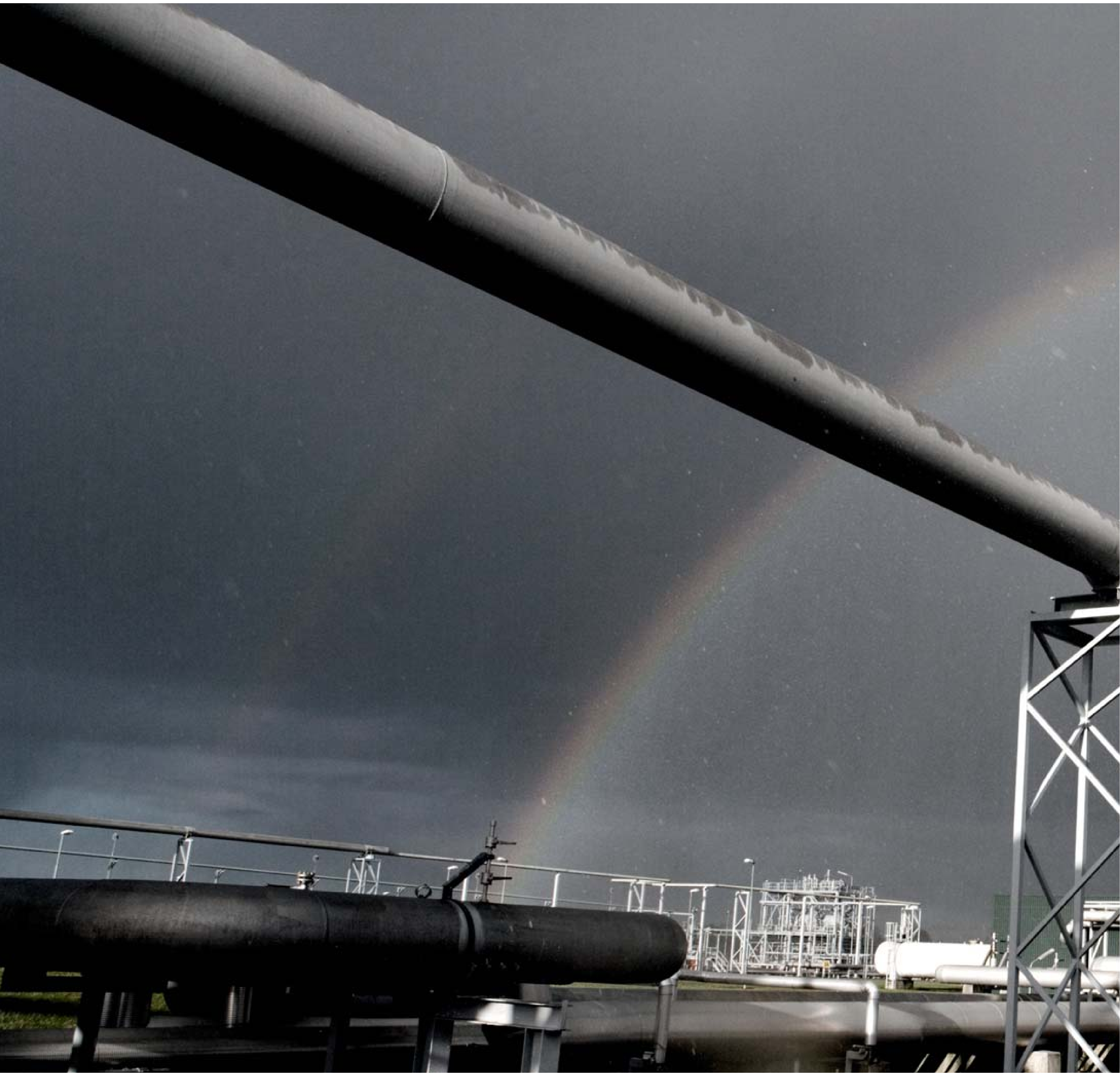
In May 2007, McKinsey & Company published a survey of cost-efficiency, costs per barrel produced, safety and the number of spillages of contaminating hydrocarbon liquids. Here, DONG Energy was placed among the top-three of ten North Sea operators.

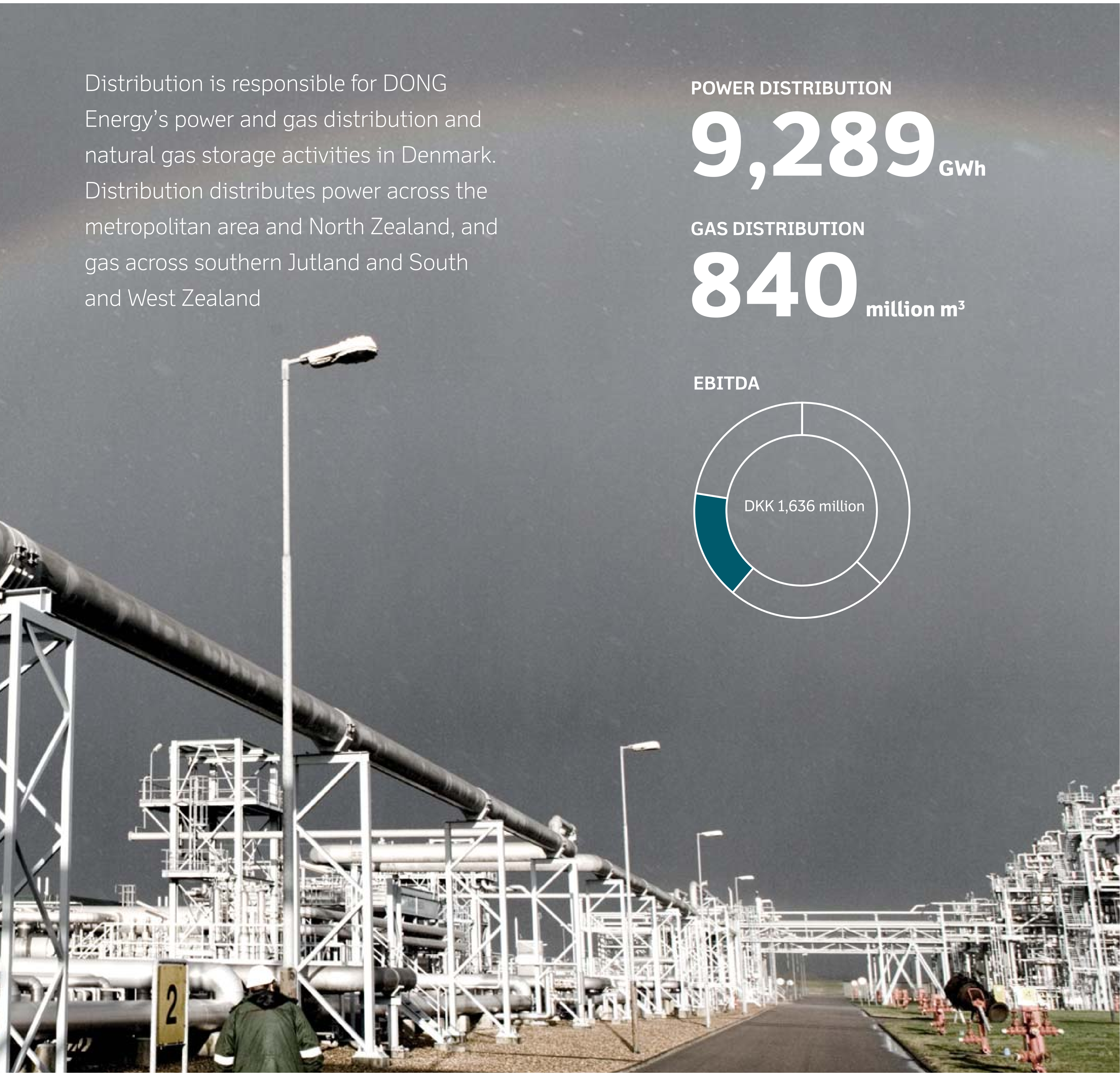
Oil pipeline

DONG Energy owns and operates Denmark's only oil pipeline, which transports oil and condensate from the Gorm E platform in the North Sea to the oil terminal in Fredericia. The pipeline has a total length of 330 kilometres, 110 kilometres of which is onshore.

The pipeline is used by Danish oil producers, and all expenses related to its construction and operation are paid by the users, who bear the financial risk associated with its operation. Besides the construction and operating expenses, DONG Energy receives a payment of 5% of the value (less transport costs) of the transported oil volume. Of the 5%, 95% is paid in duty to the Danish State.

DISTRIBUTION





Distribution is responsible for DONG Energy's power and gas distribution and natural gas storage activities in Denmark. Distribution distributes power across the metropolitan area and North Zealand, and gas across southern Jutland and South and West Zealand

POWER DISTRIBUTION

9,289 GWh

GAS DISTRIBUTION

840 million m^3

EBITDA

DKK 1,636 million

DISTRIBUTION

In the overall supply infrastructure, distribution is the last link in the transmission of power and gas from generation source to end customer.

The power distribution operations are concentrated around the northeastern part of Zealand, while the gas distribution operations cover southern Jutland and South and West Zealand. DONG Energy also owns and operates a gas storage facility near Stenlille on Zealand.

The market for distribution

The Danish power and gas markets were liberalised in 2003 and 2004, respectively. Owners of distribution networks and storage facilities must now make these available to all players in the market on equal and non-discriminatory terms. This gives the end customers a free choice of supplier without requiring investment in new networks and storage facilities.

Power distribution and gas distribution are natural monopolies. A regulatory framework for these activities has consequently been established in Denmark, also for the gas storage activity. The Danish Minister for Climate and Energy issues operating licences for these activities for 20-year periods, and all DONG Energy's operating licences have been renewed within the last five years.

DONG Energy's earnings from distribution are relatively stable. This is due to extensive public regulation and the moderate organic growth that can only happen through expansion of DONG Energy's networks and storage facilities.

Distribution of power

The overall Danish 400 kV transmission grid is owned by the State-owned Energinet.dk. From here, the 132 kV transmission grid in North Zealand and Copenhagen delivers power onwards to three regional distribution networks that supply customers in Copenhagen, Frederiksberg and North Zealand. At the end of 2007, DONG Energy entered into a contract with Energinet.dk on sale of the regional 132 kV transmission grid in North Zealand, so that in future DONG Energy will only own and operate the three regional distribution networks. The sale will be completed after the first quarter of 2008.

DONG Energy's power distribution networks comprise about 20,000 kilometres of cables and overhead lines and about 10,000 transformer stations. In the distribution network, DONG Energy is currently replacing approx. 4,000 kilometres of overhead lines with underground cables. This makes the power supply less vulnerable to storm damage. On completion of this project, 99% of DONG Energy's power distribution network will consist of underground cables.

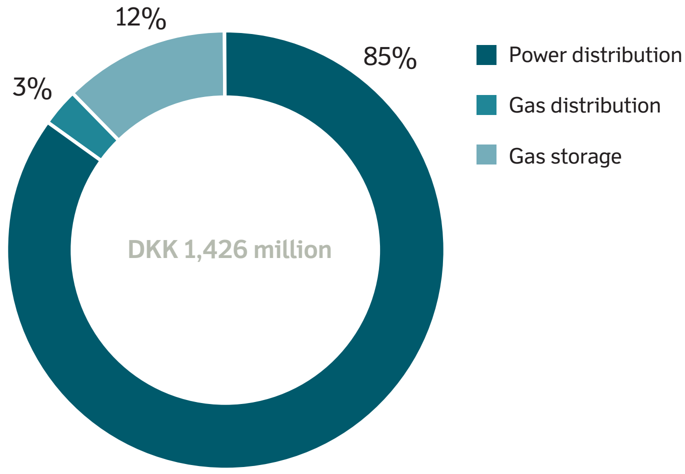
In 2007, approx. 30% of all supply points in Denmark were supplied with power via DONG Energy's distribution networks. This corresponds to about 360,000 meter points in Copenhagen, about 60,000 in Frederiksberg and about 550,000 in North Zealand. The total volume of power distributed in 2007 was 9,289 GWh.

Earnings from power supply are publicly regulated. Earnings vary depending on the volume of power distributed through the network, but independently of the development in power prices. As distributor, DONG Energy can set tariffs for transport through the distribution network. The tariffs follow the rules laid down by the Danish Energy Regulatory Authority (DERA) and must not discriminate against individual customers or groups of customers.

Subject to DERA approval, the set price may be adjusted to take account of, for example, certain necessary capital expenditure on the network and network losses. For example, DERA is expected to approve an increase of the income cap to include interest and depreciation from 2005 onwards relating to the laying of underground cables in North Zealand and Copenhagen. The investment totals DKK 4.7 billion, DKK 4.5 billion of which relates to 2005 onwards. DONG Energy is also replacing a large number of obsolete cable boxes. The extra costs for this also warrant an adjustment of the income cap. DONG Energy took over the cable boxes when acquiring the power activities from Københavns Energi and Frederiksberg Elforsyning. About 2,700 of the cable boxes are of an old-fashioned type, where, in unfortunate circumstances, explosions or fire may occur. To limit the risk of personal injury or property damage, the cable box covers have been replaced. Moreover, a programme for the complete replacement of the cable box type that can cause these incidents has commenced, and full replacement is expected to take five years.

FACTS

INVESTMENTS BY ACTIVITY



DERA may also reduce the allowed price per kWh in a network and such a reduction will occur where earnings before interest and tax (EBIT) exceed the maximum rate of return allowed by DERA. If this is the case, the allowed price per kWh will be reduced by an amount corresponding to the additional return, although no more than 2% per year, until the return again equals or is less than the maximum allowed rate of return.

DERA also lays down requirements concerning permanent efficiency improvements. These requirements are based on benchmark analyses of network companies. On 27 September 2007, DERA published its requirements for increased efficiency for 2008. For DONG Energy's networks, the requirements for increased efficiency are between 0% and 3%, which will result in an expected permanent annual reduction in earnings of about DKK 23 million. It is expected that operational efficiencies meeting this requirement can be implemented.

From 2009, network companies that meet certain requirements relating to quality of supply may achieve a reduction in the requirement concerning efficiency improvement.

Gas distribution

DONG Energy's gas distribution network connects the overall Danish gas transmission network with gas customers in West and South Zealand and southern Jutland. The overall transmission network is owned by Energinet.dk.

In 2007, the distribution network was extended by 72 kilometres of pipelines and DONG Energy gained 3,056 new customers. Most of the distribution network was established in the 1980s and the 1990s. The network is still being extended, primarily by installation of service lines to new end customers and, occasionally, new pipelines to supply newly developed areas. In the last five years, DONG Energy has gained between 2,000 and 3,000 new customers on average each year.

At the end of 2007, DONG Energy had around 119,000 connected gas customers, or about one third of the total number of Danish gas customers. The total distributed volumes of gas go predominantly to business customers, although these customers account for only about 2% of the total customer base.

In 2007, DONG Energy distributed 840 million m^3 of gas compared with 912 million m^3 in 2006. The fall was due to warmer weather and thus fewer degree days in 2007 than in 2006.

Earnings from the gas distribution network are publicly regulated and must reflect the costs of efficient operation of the network plus a return on the invested capital.

ZOOM

A SAFE AND STABLE POWER SUPPLY

In 2007, we continued and intensified our efforts to render the power supply less vulnerable to hurricane and storm damage. The target for 2007 was the replacement of a 500-kilometre section of overhead line with underground cables. We managed to replace 550 kilometres during the year.

The cable-laying comprises a total of about 4,000 kilometres of overhead lines. The total project period runs until 2012.

With 23 ongoing projects and accumulated progress of more than 2.5 kilometres a day, the cable-laying is an activity that affects many people's everyday lives. The work is visible, and the locals follow the project closely when we arrive in their area. DONG Energy consequently receives extensive feedback, which we use to improve our work patterns.

Cable-laying depends on adequate manpower resources, and our contractors have a total of about 700 people working full-time on this project.
In 2007, we signed new contracts with our contractors that ensure progress and quality on the project. The new contracts feature a bonus for the contractor if the time schedule is met and inconvenience to our customers is kept to a minimum. The efforts to make the workplace even safer and prevent accidents are also an important element of the new contracts.

The gain on completion of the overall project will be an even safer power supply. But there are also a number of additional benefits, as new street lighting is being established in several places in parallel with the roll-out of the fibre optic network.

We have developed a management and monitoring tool that we call Smart Light. It enables the municipalities to operate their street lighting in a far more flexible and energy saving manner. For example, many municipalities choose to have the light intensity reduced during the night.

The fibre optic network is rolled out in parallel with the cable-laying. The fibre network is a network of fibre optic cables that can transmit data far more quickly than conventional broadband.

At present, DONG Energy's fibre optic network has a capacity of up to 100 Mbit/s. It can be easily upgraded to more than 1,000 Mbit/s. This means that customers will always have the capacity needed to benefit from new digital offerings.

Most operating costs are subject to mandatory annual reduction targets set by DERA on the basis of benchmark analyses of costs in the sector. The analyses are carried out every four years and the cost reduction targets consequently apply for four-year periods.

The current period runs until the end of 2009. DONG Energy's annual reduction target has been set at 1.5%, equivalent to the forecast annual increase in productivity and is the lowest of the targets set by DERA for the period. This reflects DERA's view that DONG Energy's operations were on a par with the most efficient in the benchmark analysis.

Lastly, the fixing of the income cap takes into account depreciation and a return on the invested capital that is determined by DERA.

Gas storage facility

DONG Energy owns and operates an underground gas storage facility near Stenlille on Zealand that had a volume capacity of about 540 million m^3 of gas at the end of 2007, and an injection and withdrawal capacity of 2.9 million m^3 and 7.9 million m^3 per day, respectively. The storage facility near Stenlille is one of two larger gas storage facilities in Denmark that serve both the Danish and the Swedish markets. At the end of 2007, this storage facility accounted for about 55% of total storage capacity in these two markets.

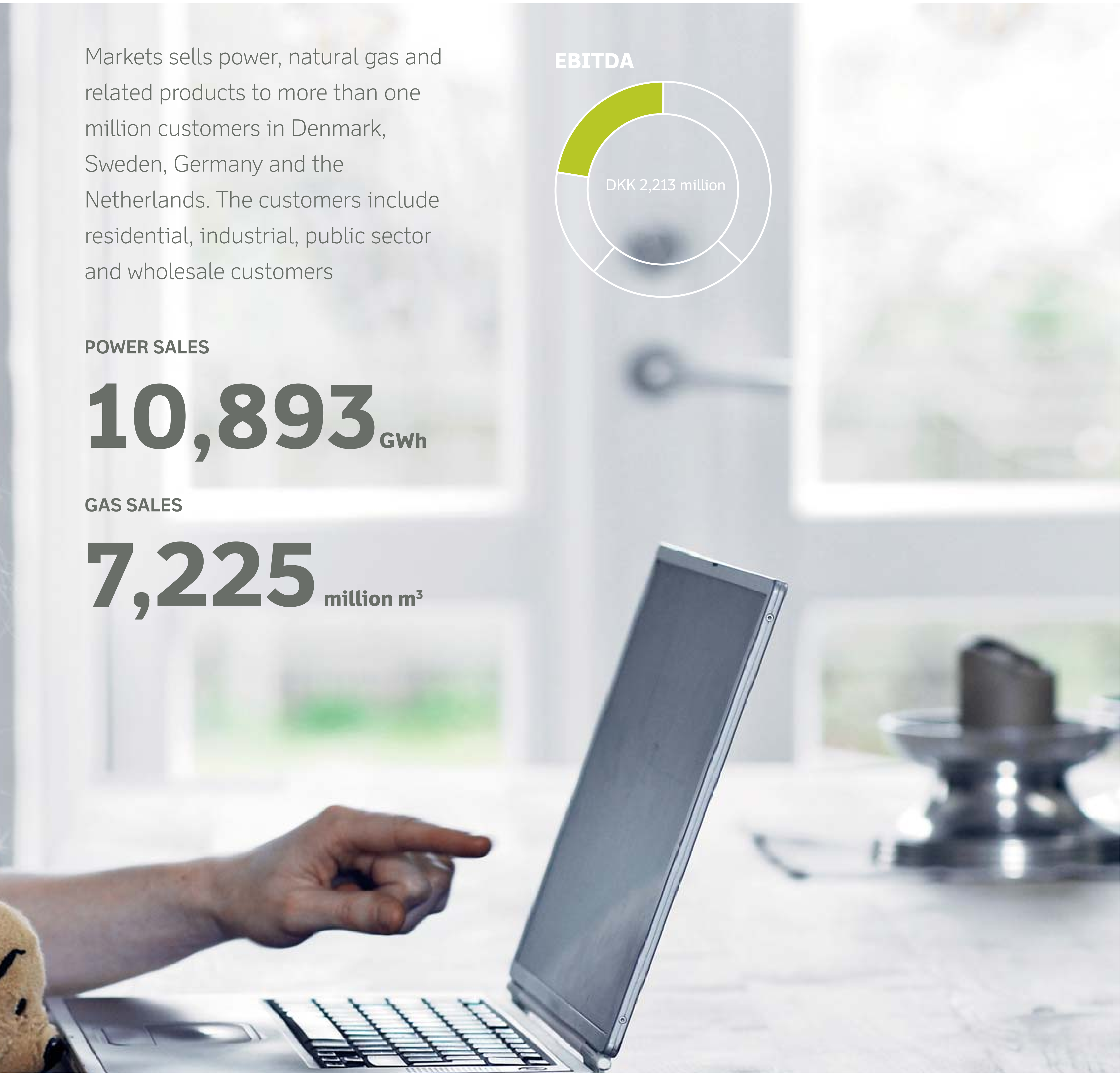
Storage capacity is sold to the market players. In 2007, five customers had bought capacity in the Stenlille storage facility. As operator of the transmission network, Energinet.dk buys storage services to enable it to satisfy the requirements concerning system balancing and emergency supply. In 2007, Energinet.dk booked about 20% of Stenlille's total capacity.

In 2007, the volume capacity of the gas storage facility was expanded by 140 million m^3. In 2008, the capacity will be increased still further to 570 million m^3.

Unlike the pricing for power and gas distribution, DERA is not authorised to pre-set tariffs for gas storage facilities. However, DERA can examine the gas storage tariffs on its own initiative or in response to customer complaints. The main pricing principle is that the tariffs must reflect the costs of efficient operation and a reasonable return on the invested capital. Moreover, the tariffs must not significantly exceed the tariffs in competing markets and must not result in discrimination between customers.

In June 2007, the Danish Government appointed an interdepartmental working group with a view to analysing the effects of the economic regulation of the gas storage facilities in Denmark.

MARKETS



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

EBITDA

DKK 2,213 million

POWER SALES

10,893 GWh

GAS SALES

7,225 million m^3

MARKETS

The business area Markets takes care of the purchase and sale of gas and power, and related products and services in Northern Europe. Markets also operates parts of DONG Energy's infrastructure and manages the Group's portfolio of long-term purchase contracts.

Markets also looks after the Group's risk management of commodity prices, including by engaging in financial transactions. The aim is to hedge DONG Energy's exposure to fluctuations in the various commodity prices. Markets engages to a limited extent in proprietary trading. The main reason for this is to maintain and improve the Group's knowledge of prices and trends in the energy markets.

Gas

Gas sales reached 7,225 million m^3 in 2007, with domestic sales accounting for 36%. DONG Energy is the largest seller of gas to end customers in Denmark.

DONG Energy's market share of total gas sales to end customers in Denmark was 44% compared with 47% in 2006 (the market share does not include the volume of gas used for DONG Energy's thermal power generation). The declining market share was expected as a result of the liberalisation of the gas market. DONG Energy endeavours to maintain a strong position by spreading its operations geographically and across customer segments.

In 2007, gas sales to Danish customers amounted to 1,824 million m^3 (does not include the volume of natural gas used in DONG Energy's thermal power generation), 1,314 million m^3 of which was sold to end customers, i.e. customers that buy gas for own consumption, and 510 million m^3 of gas was sold to wholesale customers.

In the supply area, DONG Energy is under obligation to deliver gas to any end customer requesting it. The price of gas to such customers is publicly regulated. Sales to other customer groups are not publicly regulated. This enables DONG Energy to offer a broad range of gas products aligned to different price scenarios and customer needs.

To promote free competition, the European Commission has imposed an obligation on DONG Energy to hold an annual auction of 400 million m^3 of gas to buyers in the Danish market. In return for the auctioned volumes DONG Energy receives corresponding deliveries to exchanges in the UK, Belgium, the Netherlands and Germany.

In 2007, DONG Energy sold about 64% of its gas to customers in Germany, the Netherlands and Sweden, compared with about 61% in 2006. Sales to end customers amounted to 658 million m^3 and sales to wholesale customers amounted to 4,001 million m^3.

In Germany, DONG Energy sold 2,293 million m^3 of gas. 1,827 million m^3 was sold under long-term contracts with E.ON Ruhrgas, Shell and ExxonMobil. The remaining sales in Germany are taken care of by a partly-owned sales company, DONG Energy Sales GmbH. This company markets supply and partnership concepts to regional distribution companies and large industrial customers. DONG Energy also has a 25.1% stake in the sales and distribution company Stadtwerke Lübeck with customers in the Lübeck area.

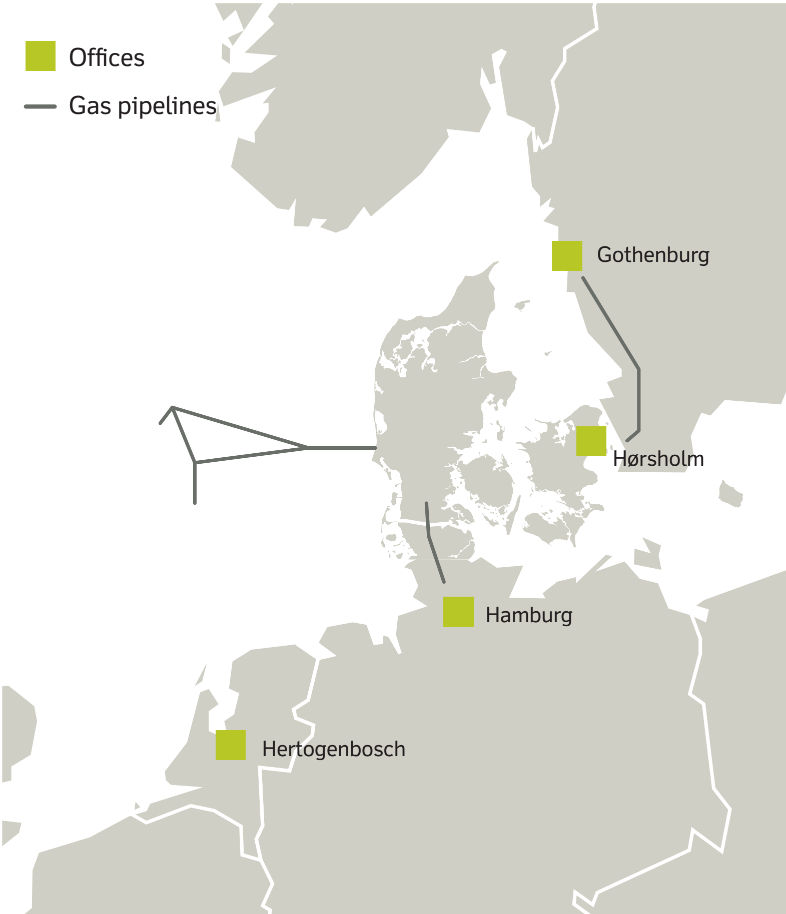
In the Netherlands, gas sales totalled 819 million m^3. DONG Energy has about 125,000 end customers in the Dutch market, including about 95% residential customers.

In Sweden, gas sales amounted to 887 million m^3, including 616 million m^3 to wholesale customers and 271 million m^3 to business customers. Additional contracts for sale of natural gas and related products to large industrial enterprises and small and medium-sized businesses were concluded. The Swedish gas network is only developed for supplying south-western Sweden.

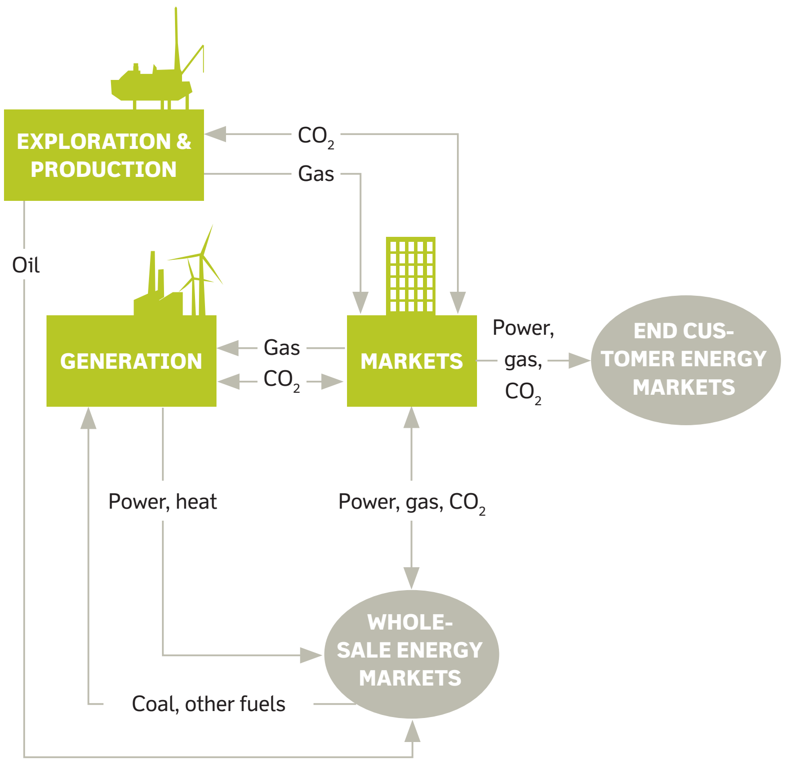
In 2007, more than 88% of DONG Energy's gas supply came from long-term take-or-pay contracts. Under these contracts, DONG Energy must pay for a specific volume of gas, regardless of whether it actually takes the gas in question. Most of the gas was delivered from the Danish sector of the North Sea under bilateral contracts with the DUC partners, which comprise A.P. Møller - Mærsk A/S, Shell Olie- og Gasudvinding Danmark B.V. and Chevron Denmark Inc.

The long-term objective is to diversify the long-term gas supply, in particular by pushing for a larger proportion of equity

FACTS



PHYSICAL TRADING IN MARKETS



gas. DONG Energy expects to increase its equity gas considerably in future through its 10.3% stake in the Ormen Lange field. This will underpin the objective that 30% of the gas requirement must be met by equity gas.

DONG Energy has also signed a number of contracts with Russian Gazprom and Wingas on purchase of Russian gas for the Northern European market in return for gas deliveries in the UK, where the Ormen Lange gas will come ashore.

Gas infrastructure

Markets takes care of DONG Energy's commercial interests relating to a number of infrastructure assets. The value creation from these is predominantly achieved by utilising the increased flexibility created by these assets as far as concerns transport and storage of equity and third-party gas.

DONG Energy owns or part-owns a number of gas pipelines that enable it to transport gas from the DUC fields and elsewhere on the Danish shelf to Denmark and the European gas infrastructure. In 2007, for the first time, DONG Energy entered into contracts on external access to the North Sea gas pipelines with Shell and Chevron. The gas transported by Shell and Chevron came from the DUC fields in the North Sea.

DONG Energy also owns:

- 50% of the gas pipeline from the Danish Tyra platform to the F3 platform off the Dutch coast (connection point to the Nogat gas pipeline)
- 49% of the 111-kilometre Deudan gas pipeline connecting the Danish and German transmission networks in Germany
- 20.4% of Swedegas AB, which owns and offers capacity in the 390-kilometre gas pipeline in southern Sweden.

DONG Energy is in the process of building up a portfolio of long-term leases relating to gas storage facilities in Northern Europe. The reason for this is to achieve greater flexibility in connection with deliveries to customers in Germany and the Netherlands. Contracts securing about 380 million m³ of working gas capacity in Germany are already in place.

ZOOM

Danish experiences make a difference in a liberalised European energy market

PARTNERSHIPS IN GERMANY

With the full liberalisation of the German gas market in 2007, about 700 regional German utilities – the so-called Stadtwerke – are facing huge challenges in terms of purchasing, sales and marketing, energy transport and energy trading.

Based on Danish experience from the corresponding liberalisation of the Danish power and gas markets in 2003 and 2004, DONG Energy developed a partnership strategy already in 2005 to support Stadtwerke in the transition to the liberalised market.

Together with Stadtwerke, DONG Energy is investing resources in an open partnership to provide individual solutions. Besides selling gas and power, we are collaborating with Stadtwerke on purchasing, sale in a competitive market, utilisation of gas storage facilities, risk management, etc. The aim is to make our partners strong and independent in the competition to make us the end customers' preferred choice.

In 2007, the results of our efforts started filtering through in the form of more partnership contracts with an increasing number of Stadtwerke. We are specifically collaborating with a large Stadtwerke on the construction of a new supply pipeline and the changeover of more than 30,000 gas boilers to a higher gas quality.

At several other partners we have supplied an IT system that safeguards against price fluctuations in our partners' sales contracts, minimising risks. We are also helping a number of partners to improve their competitiveness in the end customer market in order to retain and expand their market shares.

The German energy market will continue making heavy requirements of the Stadtwerke in the next few years in terms of efficiency improvements, risk management and sales. In collaboration with our partners, we will develop these partnerships still further to mutual benefit.

In December 2007, DONG Energy concluded a contract securing an annual import capacity of up to 3 billion m^3 of liquefied gas (LNG) at a receiving and regasification terminal to be built in Rotterdam. Conversion of gas to LNG enables gas transportation by sea from remote fields lacking a pipeline connection. The contract helps to diversify the gas supply. The terminal is expected to be in operation in 2011 and the term of the contract is 20 years. DONG Energy purchases the right to capacity on a take-or-pay basis. DONG Energy has also acquired a 5% stake in the terminal.

Power sales and energy-related services
In 2007, power sales reached 10,893 GWh. Sales to wholesale customers consisted exclusively of sales to regional distribution and trading companies in Denmark and Germany. Export sales of power amounted to 981 GWh.

DONG Energy buys all power for resale on the European power exchanges, primarily Nord Pool.

In Denmark, DONG Energy sold power to around 960,000 end customers. According to the Danish Electricity Supply Act, DONG Energy is under obligation to deliver power to customers in its supply areas that have not exercised their right to choose an alternative supplier. The price of power to these customers is publicly regulated. 51% of the volume of power sold to Danish end customers in 2007 was sold under the public service obligation rules. In 2007, only approx. 2% of DONG Energy's residential customers were not comprised by the public service obligation.

The remaining power sales are made at prices and on terms that are not publicly regulated. Non-regulated power sales to business customers generally consist of power on free market conditions under contracts with terms of between one to three years. Sales to residential customers, which are not subject to public regulation, are based on standardised selling prices and conditions.
Most of DONG Energy's large and medium-sized end customers within the business segment in Denmark buy power at market prices or negotiated prices.

The aim is to increase the number of customers that receive both gas and power from DONG Energy. DONG Energy is making a targeted effort to offer small and medium sized companies in Denmark, in particular, such dual-fuel contracts.

Power sales in Germany reached 403 GWh. DONG Energy has a 25.1% stake in Stadtwerke Lübeck, which delivered power to about 143,000 end customers. DONG Energy also sold supply and partnership concepts to regional distribution and sales companies.

Power sales in the Netherlands amounted to 577 GWh. DONG Energy sells exclusively to end customers in the Netherlands and serves about 41,000 power customers, including about 98% residential customers. About 37,000 Dutch end customers are dual fuel customers, buying both power and gas from DONG Energy.

In continuation of its power and gas sales drive, DONG Energy provides a number of energy-related products and services.

In 2007, sales of service plans to the residential and industrial markets increased, and additional agreements were signed with independent plumbing and heating companies.

Since 2006, DONG Energy has been establishing a fibre optic network in parallel with the laying of underground power cables in North Zealand and Copenhagen. In these areas, the customers are offered high-performance fibre optic network solutions that are significantly faster than conventional broadband.

DONG Energy also sells solutions for outdoor lighting on subscription terms. The solutions are primarily sold to municipalities, but also to co-operative societies and houseowners' associations. At the end of 2007, DONG Energy owned about 244,000 street lights and looked after operation and maintenance of another around 15,000 street lights on behalf of third parties.

DONG Energy strives to be the customer's preferred choice when it comes to advice on energy usage, and considers this advice pivotal to retaining and strengthening customer loyalty. For business customers with substantial energy needs, advice is typically provided on an individual basis. Here, the focus is on the customer's overall energy costs and overall energy consumption. Other business customers are offered more limited individual advice and standardised methods for more efficient energy usage. Residential customers in Denmark are also offered advice and can contact DONG Energy by telephone with questions related to energy savings.

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 its activities.

The formalised risk management focuses on three categories of risk: general commercial risks, financial risks and insurable risks. To these should be added safety and environment-related risks, which are managed based on the Group's environmental and occupational health and safety policies.

COMMERCIAL RISKS

Commercial risks are defined as events that occur with a certain probability and impact adversely on the realisation of DONG Energy's strategy and financial results.

The management of these risks is anchored in the individual business areas and consolidated at corporate level with a view to close follow-up on the most significant risks. The identified risks cover a wide range of risks, including market, physical safety and environmental scenarios. Selected significant 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. Further details are given in a note to the financial statements.

Procurement of gas

As gas resources in the Danish sector of the North Sea decline, DONG Energy focuses on procuring new resources through new long-term purchase contracts with external partners and through new equity production.

Allocation of CO_2 certificates

The future allocations of CO_2 certificates depend on Danish and EU targets for reduction of emissions post-2012 and on the extent to which CO_2 certificate allocations are harmonised in the EU. In recent years, growing global awareness of the impact of CO_2 on the environment has led to intensified action, both internationally and nationally, to lessen emissions, and the risk of the CO_2 certificate allocations being reduced has increased. A lapse of the allocated CO_2 certificates post-2012 will impact adversely on DONG Energy's financial performance.

DONG Energy is seeking to mitigate this risk by expanding its renewable energy operations and increasing its focus on improving the efficiency of its power stations and fuel flexibility by using biomass, waste and gas at central CHP plants in Denmark.

Regulation

Operations that are subject to regulation by the Danish Energy Regulatory Authority or similar authorities abroad account for part of DONG Energy's income. Amendments to the regulatory regime in Denmark and abroad have 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 separation of business areas in a number of areas to prevent exchange of confidential information between regulated and non-regulated activities.

Offshore wind turbines

The wind power activities are exposed to certain risks related to new technology, rapid technological changes and locations offshore. Unforeseen problems may arise within offshore wind power technology, because it is relatively new. In particular, the turbines used by DONG Energy in its offshore wind farms have not been proven to the full extent of their 20-year design life, and batch faults may occur, for example in relation to gear boxes, generators or paint systems.

Moreover, the offshore siting of DONG Energy's wind farms in locations where the weather conditions are often harsh means that it is difficult to service the wind turbines and that they may suffer weather damage.

DONG Energy endeavours to mitigate the risks related to its wind power operations by buying proven technology and testing demonstration turbines onshore.

Skills

Several of DONG Energy's business areas and corporate functions are highly dependent on key employees with special technical and professional skills. Furthermore, DONG Energy's business is generally highly complex, resulting in a need to attract and retain employees with specialist training. The growing demand for talent adds to the challenge of offering competitive terms and conditions (challenges, pay, other working conditions, etc.).

DONG Energy places emphasis on being an attractive workplace, for example by means of established programmes for management development, skills development, performance systems, nurturing talent, trainee programmes and collaboration with educational establishments. DONG Energy also attaches importance to the ongoing availability of projects and challenging work assignments that enable its employees to apply their skills.

Personal safety

The activities at DONG Energy's installations include handling of high pressures and temperatures, a range of voltages, and flammable liquids and gases. Failure to pay attention, a poor safety culture, inadequate maintenance and failure to comply with safety procedures can lead to accidents.

DONG Energy has a corporate quality, health, safety and environment function that coordinates the work on developing the right safety culture and follows up on safety performance, in collaboration with the business areas. DONG Energy regularly stages safety courses and safety campaigns.

Project risks

It is part of DONG Energy's strategy to invest in power generation and gas/oil generation projects. There is a risk partly that projects will not go ahead, and partly that, when completed, projects prove unprofitable, resulting in operating losses and write-downs. DONG Energy's larger construction projects are generally based on a number of assumptions concerning future market prices. Major changes in market prices may impact adversely on the profitability of completed projects, and there is a risk that projects cannot be realised within the budget.

Examples of large projects include the development of the Ormen Lange gas field in Norway, the construction of a large coal-fired power station near the town of Greifswald near the German Baltic coast and the establishment of several large offshore wind farms in Denmark and the UK. Phase one of the development of Ormen Lange was completed on time and budget, and the field began commercial production in October 2007. Phase two of the expansion still entails major capital expenditure and associated risks. The construction of the power station in Greifswald depends partly on local environmental approvals, and partly on whether the business plan for the project remains attractive to DONG Energy.

FINANCIAL RISKS

DONG Energy is exposed to a number of different financial risks, including fluctuations in raw material prices, exchange rates, interest rates as well as credit risks. The management of these risks is an important focus area in the Group. The risk management is aimed at identifying the various risk areas and determining a strategy for handling them.

Various strategies have been put in place to manage the risks and align the risk profile. The risk profile is managed through the conclusion of financial and physical contracts for raw materials, interest and currencies over the next five years.

In connection with – and partly to support – these activities, DONG Energy engages in limited energy trading for its own account, including in natural gas, power, coal, oil, oil products and CO_2 certificates. At the end of 2007, the risk (value-at-risk) related to DONG Energy's proprietary trading amounted to DKK 6.8 million, calculated as the expected maximum loss in the course of a day with 95% probability.

DONG Energy's operating profit may fluctuate considerably from year to year as a result of the development in prices. In particular, the time lag effect may affect operating profit from one year to the next. The effect is described in the annual report's section on DONG Energy's financial performance.

The financial risks are described in outline below and in greater detail in notes to the financial statements.

Oil and gas price risks

DONG Energy's oil and gas price risks relate primarily to equity oil and gas, different indexing of purchase and selling prices for natural gas and the consumption as fuel in connection with power generation. DONG Energy's exposure is in crude oil, gas and various other oil types such as fuel oil and gas oil. These risks are hedged as the exposure is confirmed, for example based on production projections. Management of oil and gas price risks is based on tolerance levels for maximum and minimum effect on changes in cash flows over the next five years. These calculations are based on possible negative deviations from current prices in the forward market compared with a specified downside scenario that includes a crude oil price of USD 30 per barrel.

The oil price hedging is mainly in the underlying oil types to reduce the base risk in the oil market. Hedging is predominantly effected through purchased put options and swaps. The oil price risk from the indexing of natural gas purchase and selling prices is also hedged.

Applying this method, about 49% of the anticipated oil and gas price exposure for 2008 had been hedged at the end of 2007.

Price risks related to power generation

Production from power stations is primarily exposed to the power price, the coal price (including freight) and the price of CO_2 certificates. The difference between the three factors is called Green Dark Spread. In order to actively reduce this risk, DONG Energy pursues a price hedging strategy that hedges the components in the ratio in which they are used in the production of energy. The strategy is based on a minimum level for hedging of production up to 2½ years ahead, based on the contribution margin, with an increasing contribution margin resulting in an increasing level of hedging.

Some parts of the Group are particularly exposed to power prices, but not necessarily to fuel costs or the price of CO_2 certificates. This applies primarily to power generation from wind farms and trading activities in relation to end customers and in the wholesale market. However, part of the power generation from wind farms is sold at fixed settlement prices.

At the end of 2007, DONG Energy had financially hedged about 27% of the expected thermal production in 2008. The fuel components are hedged to a similar extent. The hedging of the price of CO_2 certificates is higher as a result of the allocated quotas.

Currency risks

Currency risks arise primarily from energy trading, which is typically priced in other currencies than DKK, from purchase and sale of goods and services in foreign currencies, and other activities, including in subsidiaries abroad. The main currency risk is related to USD, although the commercial exposure in GBP and NOK has been growing. The currency exposure is hedged using forward contracts, swaps and options as well as by raising of debt in various currencies. DONG Energy hedges currency risks using a "ladder" model, hedging a large part in the coming four quarters, with hedging subsequently declining.

Interest rate risks

DONG Energy's interest rate risks relate primarily to its loan portfolio, cash and financial hedging. These risks are managed in relation to DONG Energy's net financing requirement and capital structure. The effect of interest rate changes is limited, as the loan portfolio consists predominantly of fixed-interest loans. Of the net debt, 85% had thus been raised on a fixed-rate basis at the end of 2007.

Based on an unchanged net debt in relation to the end of 2007, a one percentage point interest rate increase will thus only lead to a DKK 4 million increase in interest expenses for 2008. The total interest rate risk at the end of 2007 was DKK 956 million, corresponding to what the market value of the net debt and the hybrid capital would fall to in the case of a one percentage point increase in the entire interest rate curve. The interest-rate risk corresponds to an average maturity of 4.2 for the net debt and the hybrid capital.

Credit risks

Credit risks arise primarily from trading in power and natural gas – both wholesale trading and financial and physical transactions – and financial transactions, including placing of surplus cash.

As part of its normal operations, DONG Energy concludes contracts with customers and suppliers on physical delivery of energy products, and also hedging contracts with other energy companies, specialised trading houses and international banks. Physical contracts with a term of more than one year are normal, and natural gas purchase contracts can have terms of more than five years. All these contracts involve a risk of loss in the event of a counterparty failing to perform its obligations. Such risks are quantified and managed as credit exposures and are a significant focus area in DONG Energy.

Credit risk is managed based on internal credit limits for counterparties and structured monitoring of the actual exposure. Credit limits are established on the basis of an assessment of the counterparty's credit rating. If the counterparty has an external credit rating, for example from Moody's or Standard & Poor's, this forms an important factor in determining the counterparty's credit rating. Against the background of the subprime crisis, DONG Energy has reduced its credit limits, especially in relation to the financial sector.

Credit risks are co-ordinated in relation to all business activities so that DONG Energy does not assume inappropriately large exposure to individual counterparties. With a view to reducing its credit exposure, DONG Energy endeavours, as far as possible, to clear transactions via a clearing centre, such as Nord Pool, and uses formalised framework agreements such as ISDA and EFET agreements and master netting agreements. To this should be added limited use of security such as bank guarantees.

As part of its risk management, DONG Energy monitors the credit exposure on all trading counterparties on a daily basis, and monthly and quarterly in the case of other counterparties. Losses due to default by counterparties have historically been relatively small.

Financing and capital resources

One of the main financial management responsibilities is to secure sufficient, flexible financial resources for the 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 capital expenditure programme, operating cash flow and debt maturity profile.

At the end of 2007, the cash resources amounted to DKK 13.0 billion, including cash and cash equivalents of DKK 1.8 billion and committed, undrawn credit facilities of DKK 11.2 billion. To this should be added non-committed operating credit amounting to DKK 10 billion. The Group's total interest-bearing net debt stood at DKK 14.8 billion at the end of 2007 (excluding hybrid capital of DKK 8.1 billion). The average remaining term was about 5.7 years.

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 subsidiaries 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 2007 were Baa1 and BBB+, respectively, both with Positive Outlook. The rating of DONG Energy's hybrid capital was Baa3 and BBB-, respectively, also with Positive Outlook.

With a view to the management of DONG Energy's capital structure, the long-term aim is for interest-bearing net debt plus hybrid capital to average approx. three times EBITDA (adjusted for special hydrocarbon tax). At the end of 2007, this ratio was 2.4. In addition, DONG Energy strives to maintain a credit rating of at least Baa1/BBB+.

INSURABLE RISKS

DONG Energy's insurance programme is based on analysis and mapping of risks related to the Group's activities. Property insurance and liability insurance have been taken out based on defined claims scenarios.

A substantial part of the property insurance cover follows from membership of the reinsurance company OIL Insurance Ltd. Through this membership, DONG Energy is insured for up to USD 250 million, with an excess of USD 10 million for each insurance event resulting in damage to assets. 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.

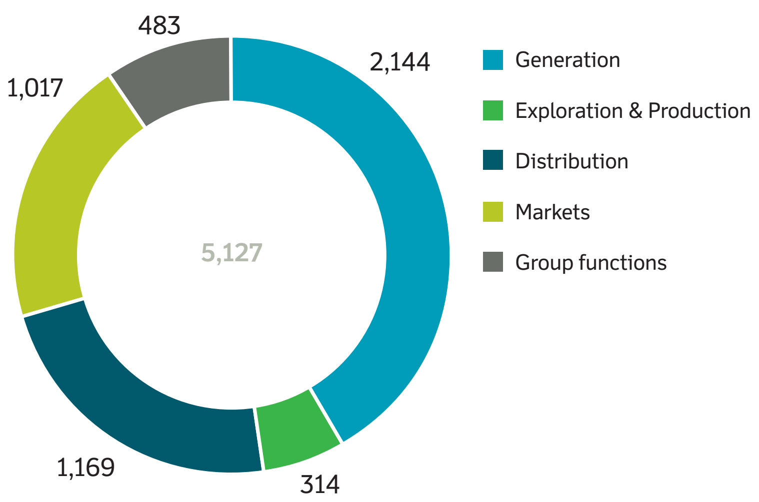
With a view to optimising the insurance portfolio and managing the property insurance with OIL Insurance Ltd., among others, an internal subsidiary, DONG Insurance A/S, has been set up with the object of carrying on insurance business. DONG Insurance A/S takes out insurance for certain assets and construction projects and is subject to supervision by the Danish Financial Supervisory Authority.

EMPLOYEES

DONG Energy aims to be a company in which the employees are able to live their ambitions and apply their skills in an environment that ensures a good and developing working life. Our employees' job satisfaction, commitment and skills development are vital prerequisites for DONG Energy's growth and value creation.

DONG Energy had 5,127 employees at the end of 2007, 542 up on the same time in 2006.

EMPLOYEES END OF 2007



2007 was a busy year. The merger of the six energy companies meant new assignments for many employees again in 2007. In addition, the preparations for the planned IPO led to additional assignments in many places in the Group.

The first employee opinion survey after the merger was conducted in 2007. 3,660 employees responded. The survey showed that job satisfaction and loyalty are on a par with the average in the benchmark group (European Employee Index, DK – 2007). DONG Energy's reputation is important to the satisfaction and commitment of our employees, and improvements in this area are an ongoing task. The employees' perception of their day-to-day work is a mindset that must be nurtured. Their day-to-day work must be made even more exciting and challenging, although without overdoing the pressure of work.

DONG Energy's diverse activities call for a broad range of skills. Geologists, geophysicists and engineers are important within oil and gas exploration and production and development of new methods to enhance extraction. Competent engineers within energy technology are also crucial, partly to enable the continued construction and operation of efficient power stations, and partly to hold the leading position as one of the world's largest operators of offshore wind turbines.

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.

Good customer service requires responsive employees with good communication skills. A high standard of customer service is also vital within the distribution network. It is therefore important for DONG Energy to have competent technicians, electricians, fitters, etc., that are able to solve problems very quickly if customers experience supply disruption or other problems.

DONG Energy is making a targeted effort to become one of Denmark's preferred employers. The action centres on three areas: development, management and diversity.

Development

DONG Energy wants to be among the companies in Europe that are the most knowledgeable about energy and the most proficient at translating knowledge into solutions. This requires a constant focus on skills development within procurement, production, distribution and trading in energy.

A great deal of effort is being put into accommodating the employees' own wishes for training via both internal programmes and external courses.

Twice a year, 20 talents are selected for a development programme comprising management philosophy, presentation techniques, personal development, etc. The programme includes self-study, intensive training modules running over several days, and coaching with colleagues and own manager. The programme finishes with a specific business-related project.

DONG Energy contributes to targeting of research projects within energy technology and was involved in several PhD projects in 2007. Furthermore, DONG Energy's employees regularly make themselves available to students with practical prob-

lems in connection with their theses or as guest lecturers at educational establishments.

In September 2007, DONG Energy introduced a graduate programme, where newly qualified candidates embark on a two-year programme, where they are either attached to a particular business area or rotate between several business areas. The programme enables the graduates to test their technical skills on specific projects and problems across the Group.

Management

Good management is a prerequisite for well-functioning employees. In 2007, the focus on the management role and management skills was sharpened, including through management training, evaluation and recruitment.

The employee opinion survey demonstrated that DONG Energy's employees generally have a better perception of their managers than the employees in the companies in the benchmark group, especially in relation to technical skills.

In the years ahead, the leadership skills must be strengthened. In 2007, a development programme for the Group's top 200 managers was consequently introduced. The aim is to create a common understanding of leadership in DONG Energy and to teach managers to supplement their technical skills with other aspects of good management.

Diversity

Diversity is an asset that is becoming increasingly important in step with the internationalisation of DONG Energy's activities. The coming-together of diversity – whether originating in education, gender, nationality, ethnic background, age or other factors – can create new and better results.

As an energy company with many engineers, technicians and economists, DONG Energy's employees are predominantly men. This is also reflected among the managers. However, more than half of today's postgraduates are women, and it is consequently important for us to ensure that they, too, would like to work for DONG Energy.

ENVIRONMENT AND SAFETY

DONG Energy wants to push the frontiers with respect to how energy producers can reduce their environmental impact. We therefore consistently factor the environment into all our activities – from oil and gas extraction, through power generation, to distribution and sale to customers. It is our aim to minimise DONG Energy's environmental impact, taking into account the continuation of a reliable energy supply and a healthy business.

In 2006, DONG Energy became a signatory to the UN Global Compact, an initiative to promote responsible corporate citizenship. We accordingly prepare a corporate responsibility report. The report provides further information on environmental and occupational health and safety management and selected environmental and other information in relation to responsibility. The report is published annually and is available to the public.

Following the formation of DONG Energy in 2006 a common policy, strategy and guidelines have been adopted for quality, health, safety and environment, that apply to the entire Group.

Greenhouse gases

Thermal production based on fossil fuels such as coal, natural gas and oil results in emissions of CO_2. DONG Energy has 26 plants that have been allocated emission quotas. These plants accounted for more than 99% of DONG Energy's total emissions in 2007. The emissions from the plants that are subject to quotas are verified separately by an independent certification body. In 2007, emissions largely corresponded to the allocated CO_2 certificates.

The work on reducing emissions of CO_2 follows several paths. Firstly, efforts are being made to improve efficiency at the thermal plants to reduce the volume of fuel used. DONG Energy also focuses on increasing flexibility in the choice of fuel types, including by co-firing of CO_2-neutral fuel types such as straw, wood and waste. Lastly, research is being carried out into how to reduce the environmental impact from thermal production by capturing and storing CO_2.

Besides greenhouse gases, other substances are emitted into the atmosphere in connection with energy production, including nitrogen oxide (NOx), sulphur dioxide (SO_2), particulates and volatile organic compounds.

At the Fredericia oil terminal, a project aimed at reducing emissions of volatile organic compounds from oil tanks and tanker loading was initiated in 2006. The project comprises installation of a degasification system and is scheduled for completion in 2008. The system is expected to lower emissions by about 70%.

Oil discharges from offshore fields

In connection with extraction of natural gas and oil from offshore fields oil-containing water is also produced. The bulk of the oil is separated from the water on the platform; however, it is impossible to avoid some traces of oil in the remaining water.

The contaminated produced water can either be reinjected back into the reservoirs or be discharged to sea. DONG Energy wishes to minimise these discharges to protect the marine environment. The target is therefore for more than 90% of the produced water from fields operated by DONG Energy to be reinjected. That is a far higher proportion than the average in Europe and globally.

In 2007, about 85% of the produced water from the Siri platform, the largest production platform operated by DONG Energy, was reinjected back into the reservoir.

In 2007, a total of 23 tonnes of oil, dissolved in about 1.5 million tonnes of water was discharged, compared with 26 tonnes in 2006. The figures also comprise discharges from fields where DONG Energy is not the operator (corrected for ownership interests).

Chemicals

DONG Energy uses chemicals for natural gas and oil production and offshore drilling operations and for treatment of waste water and flue gas at thermal plants. All chemicals are recorded and assessed in relation to their environmental and health and safety impact. DONG Energy is working systematically on substituting the chemicals that have the greatest environmental and health and safety impact.

Safety

When DONG Energy was formed, it was clear that the overall safety level was not high enough. Although the injury frequency rate in DONG Energy was almost one-third of the average in

Danish industry, it was significantly higher than in the top international energy groups.

In 2006, we therefore set a corporate target in this area: In 2007, the lost time injury frequency (LTIF) per one million hours worked must be reduced from 10.3 to 8.3 as a step on the way towards further reduction.

This target was not met. Although the number of employee lost time injuries fell from 64 in 2006 to 48, the number of lost time injuries among suppliers' employees working in DONG Energy's areas rose from 35 to 61. Overall, LTIF for 2007 was 10.4.

The failure to meet the target was partly due to the fact that the basis in 2006 was subject to uncertainty due to differing and inadequate recording practices, especially with respect to suppliers, and partly to the fact that it will take time for the stepped-up action in 2007 to filter through.

DONG Energy focuses on ensuring that its employees have a good working environment, and, in 2008, even greater efforts will be made to reduce the number of injuries. The aim is, as a step on the way towards further reduction, to reduce the lost time injury frequency per one million hours worked to 7.3.

A safety organisation with a safety officer has been set up in all business areas. In accordance with Danish law, several safety groups have been set up within the safety organisation. All health and safety incidents, including occupational injuries, are recorded. Against this background initiatives are put in place to prevent recurrence of such incidents. To maintain a high level of safety, DONG Energy also stages courses for its own employees and external suppliers working on DONG Energy's installations.

The work carried out on DONG Energy's installations is supervised on a daily basis to ensure that it is being performed in a safe manner and in accordance with current rules and guidelines. DONG Energy also regularly develops and implements emergency plans, and ensures that thermal and offshore production plants comply with the certified occupational health and safety systems.

CORPORATE GOVERNANCE

DONG Energy attaches importance to ensuring 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 the principles of good corporate governance at all times.

The Corporate Governance Committee appointed by OMX The Nordic Exchange Copenhagen has prepared recommendations for good corporate governance that must be observed by listed companies.

As a State-owned public limited company, DONG Energy operates on terms very similar to those applying to listed companies. DONG Energy has consequently elected to basically comply with the corporate governance recommendations.

However, the company has decided, for the time being, not to follow the recommendations on a few points:

- it has been decided not to include a description in the annual report of the specific skills of each Supervisory Board member elected by the shareholders in general meeting. The profiles and special skills of each member are evaluated in connection with their election to the Supervisory Board. The members jointly represent extensive knowledge and experience from managerial posts with large Danish and foreign companies with a broad range of areas of activity, including activities in areas directly related to DONG Energy's business areas.

- there is no fixed retirement age for members of the Supervisory Board. Each member's work and the composition of the Supervisory Board are evaluated in connection with the board's self-assessment. As a result of changes in the composition of the Supervisory Board, its self-assessment and its evaluation of the Executive Board's work and performance, including how the collaboration between the Supervisory Board and the Executive Board has functioned, has been postponed to later in the current year.

- no limits have been set for the number of Supervisory Board memberships that may be held by a member of the Supervisory Board that is also a member of the Executive Board of another company.

As a result of DONG Energy's ownership structure with the Danish State as principal shareholder (ownership interest about 73%) and a limited number of minority shareholders, the aim and purpose of some parts of the corporate governance recommendations are deemed not to be relevant to the company. These are a number of recommendations aimed at the relationship with a broad group of owners in listed companies, i.e. the recommendations concerning the exercise of ownership and communications with owners, and the recommendations concerning preparation of the Annual General Meeting, including notice of meeting and proxy. In addition, the recommendations on disclosures concerning shares, options and warrants held by Supervisory Board members are not relevant to DONG Energy, as the company has not issued any options or warrants, and as the option for management to buy shares does not exist.

The Supervisory Board reviews corporate governance annually based on best practice.

As principal shareholder (ownership interest about 73%), the State exercises its ownership in accordance with the principles in the publication "The State as shareholder".

General meetings

General meetings are convened by not less than two weeks' notice in accordance with the Articles of Association. At the Annual General Meeting the annual report is adopted; the appointment of auditors; the election of a chairman, deputy chairman and other members of the Supervisory Board; the determination of the Supervisory Board's remuneration; the discharge of the Supervisory Board and Executive Board from their obligations; and any proposed resolutions from the Supervisory Board on authority to purchase treasury shares.

The Articles of Association were last amended at the Extraordinary General Meeting in January 2008 and can be viewed on DONG Energy's website.

Composition of Supervisory Board

The Supervisory Board consists of 12 members. Eight are elected by the shareholders in general meeting, and four are elected by the employees.

A Nominations Committee is appointed after the Annual General Meeting each year and before 30 September of the following year. This will take place for the first time after the Annual General Meeting in 2008. The Nominations Committee's main responsibilities will be to evaluate the composition of the Supervisory Board and to make recommendations to the shareholders at the Annual General Meeting for the election of suitable candidates to the Supervisory Board. The Nominations Committee will also be charged with ensuring that all candidates to the board will be viewed favourably by the financial markets, and that the composition of the Supervisory Board is in accordance with the corporate governance rules.

The Nominations Committee will consist of up to six members. Each of the four largest registered shareholders will be entitled to nominate one member to the committee in accordance with its rules of procedure. The other two members will be the chairman of the Supervisory Board, who will also chair the committee, and the deputy chairman.

Two of the members elected by the shareholders in general meeting will be appointed by SEAS-NVE and the former shareholders in Elsam pursuant to a provisional shareholders' agreement between DONG Energy's shareholders. None of the Supervisory Board members elected by the shareholders in general meeting has had any other association with DONG Energy than as Supervisory Board members in companies that are now part of the Group, and as residential customers on standard terms, neither in previous years nor in the current year. All Supervisory Board members elected by the shareholders in general meeting retire at the Annual General Meeting each year and may be re-elected.

According to Danish legislation, DONG Energy's employees are entitled to elect four members to the Supervisory Board, equivalent to half the number of Supervisory Board members elected by the shareholders in general meeting. Employee representatives are elected for four-year terms and have the same rights, duties and responsibilities as members elected by the shareholders in general meeting. Four new employee representatives were elected in 2007.

Details about the members of the Supervisory Board can be found on the cover pages 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. The Supervisory Board is also responsible for ensuring clear guidelines for accountability, distribution of responsibilities, planning, follow-up and risk management. The duties of the Supervisory Board and its chairman are set out in the Supervisory Board's rules of procedure, which are reviewed and updated annually by the entire Supervisory Board. The rules of procedure were most recently adjusted in August 2007.

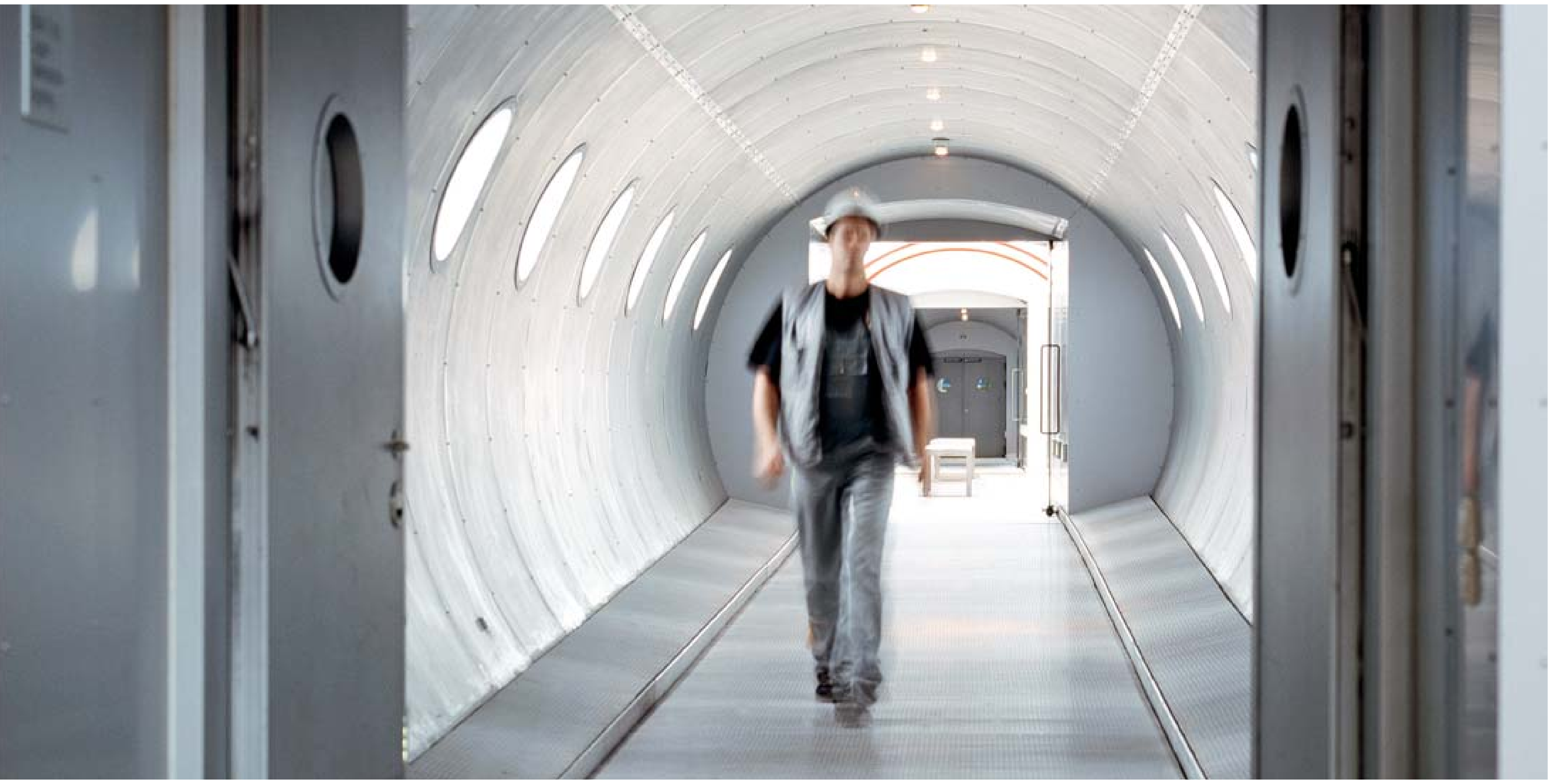
The Supervisory Board met nine times in 2007.

Details about remuneration to the members of the Supervisory Board members can be found in a note to the financial statements.

The Supervisory Board has appointed an Audit and Risk Committee and a Remuneration Committee.

Audit and Risk Committee
After the Annual General Meeting the Supervisory Board appoints the members of the Audit and Risk Committee, which reports to the Supervisory Board. The committee's main responsibilities are to support the Supervisory Board in its review of the financial reporting, the annual report and internal accounting and ERP systems, to evaluate external auditors' qualifications and independence and the conclusion of engagement agreements with external auditors, to supervise compliance with legislation and other requirements from public authorities concerning DONG Energy's annual report, financial reporting and internal control systems, including internal control systems relating to publication of relevant information, and to monitor issues relating to the risk policy laid down by the Supervisory Board (from a financial and accounting point of view).

The committee also discharges the other responsibilities set out in its terms of reference. Furthermore, the committee discusses accounting procedures with the external auditors and evaluates their work, monitors issues relating to DONG Energy's risk management policy (from a financial and business point of view) as determined by the Supervisory Board, estab-



lishes whistleblower procedures and carries out other relevant duties.

The Audit and Risk Committee met six times in 2007.

Remuneration Committee
After the Annual General Meeting the Supervisory Board appoints the members to the Remuneration Committee, which reports to the Supervisory Board. The committee's main responsibilities include the preparation and presentation of recommendations to the Supervisory Board on the Executive Board's salaries, bonus and other components of their service contracts as well as guidelines governing salaries to senior executives, other salary and employment conditions, which are submitted to the Supervisory Board, and the Supervisory Board's remuneration, which is submitted to the shareholders for approval at the Annual General Meeting.

The Remuneration Committee met four times in 2007.

Executive Board
The Executive Board is responsible for the day-to-day management of the company and consisted of six persons at the end of 2007. The CEO and the CFO are registered with the Danish Commerce and Companies Agency as members 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.

Details about remuneration to the members of the Executive Board can be found in a note to the financial statements.

Details about the members of the Executive Board can be found on the cover pages of the annual report.

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 2007.

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 2007 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 2007.

We recommend that the annual report be approved at the annual general meeting.

Skærbæk, 11 March 2008

Executive Board

Anders Eldrup *CEO*	Carsten Krogsgaard Thomsen *CFO*

Supervisory Board

Fritz H. Schur *Chairman*	Lars Nørby Johansen *Deputy Chairman*	Hanne Steen Andersen*	Jakob Brogaard
Poul Dreyer*	Jørgen Peter Jensen*	Jens Kampmann	Asbjørn Larsen
Poul Arne Nielsen	Kresten Philipsen	Jens Nybo Stilling Sørensen*	Lars Rebien Sørensen

* *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 2007, which comprises the statement by the Executive and Supervisory Boards, Management's review, income statement, statement of recognised income and expense, balance sheet, statement of changes in equity, cash flow statement and notes for the Group as well as for 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 2007 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 2007 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, 11 March 2008

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

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER

DKK million	Note	2007	2006
Revenue	3, 4	41,625	36,564
Production costs	5, 6, 7, 8	(33,917)	(27,099)
Gross profit		**7,708**	**9,465**
Sales and marketing	5, 7, 8	(1,002)	(595)
Management and administration	5, 7, 8	(2,241)	(1,107)
Other operating income	9	395	191
Other operating expenses	9	(77)	(2,263)
Operating profit (EBIT)		**4,783**	**5,691**
Gain on disposal of enterprises	32	29	1,023
Share of profit after tax of associates	17	(5)	470
Financial income	11	1,478	872
Financial expenses	12	(2,218)	(1,464)
Profit before tax		**4,067**	**6,592**
Income tax expense	13	(808)	(1,553)
Profit for the year		**3,259**	**5,039**
Attributable to:			
Equity holders of DONG Energy A/S		2,922	4,715
Hybrid capital owners of DONG Energy A/S		331	325
Minority interests		6	(1)
Profit for the year		**3,259**	**5,039**
Earnings per share (EPS) and diluted earnings per share (DEPS) of DKK 10, in whole DKK	14	10	17
Proposed dividend per share (DPS) of DKK 10, in whole DKK		5	7
Dividend paid per share (DPS) of DKK 10, in whole DKK		7	0
Payout ratio in %		45	39

CONSOLIDATED BALANCE SHEET AT 31 DECEMBER

ASSETS

DKK million	Note	2007	2006
Goodwill		322	322
Rights		2,037	3,628
Completed development projects		186	99
In-process development projects and prepayments for intangible assets		191	154
Intangible assets	15	**2,736**	**4,203**
Land and buildings		2,834	2,964
Production assets		43,487	31,658
Exploration and evaluation assets		2,103	372
Fixtures and fittings, tools and equipment		321	334
Property, plant and equipment in the course of construction and prepayments for property, plant and equipment		5,185	11,190
Property, plant and equipment	16	**53,930**	**46,518**
Investments in associates	17	3,912	4,073
Other equity investments	17	29	5
Deferred tax	23	31	36
Receivables	19	651	1,080
Other non-current assets		**4,623**	**5,194**
Non-current assets		**61,289**	**55,915**
Inventories	18	2,785	2,583
Trade receivables	19, 20	19,649	21,580
Income tax receivable	27	753	241
Securities	33	134	132
Cash and cash equivalents	33	2,562	9,521
Assets classified as held for sale	21	2,538	9,283
Current assets		**28,421**	**43,340**
Assets		**89,710**	**99,255**

EQUITY AND LIABILITIES

DKK million	Note	2007	2006
Share capital		2,937	2,937
Hedging reserve		(389)	809
Translation reserve		96	3
Retained earnings		29,964	28,547
Proposed dividends		1,469	1,967
Hybrid capital		8,088	8,088
Equity attributable to the equity holders of DONG Energy A/S		**42,165**	**42,351**
Minority interests		46	39
Equity	22	**42,211**	**42,390**
Deferred tax	23	5,038	4,528
Pensions	24	41	42
Provisions	25	5,715	4,462
Bond loans	26	7,923	7,938
Bank loans	26	6,780	7,169
Other payables	28	1,020	7,693
Non-current liabilities		**26,517**	**31,832**
Provisions	25	69	67
Bond loans	26	0	1,995
Bank loans	26	2,512	2,913
Other payables	28	17,776	16,447
Income tax payable	27	39	188
Liabilities relating to assets classified as held for sale	21	586	3,423
Current liabilities		**20,982**	**25,033**
Liabilities		**47,499**	**56,865**
Equity and liabilities		**89,710**	**99,255**

CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE FOR THE YEAR ENDED 31 DECEMBER 2007

DKK million	2007	2006
Profit for the year	**3,259**	**5,039**
Foreign exchange adjustments:		
Foreign exchange adjustments relating to foreign enterprises and equity-like loans, etc.	110	(200)
Value adjustments of hedging instruments:		
Value adjustments of hedging instruments	(76)	1,937
Value adjustments of hedging instruments transferred to revenue	(1,506)	(34)
Value adjustments of hedging instruments transferred to financial income and financial expenses	(63)	(45)
Value adjustments of hedging instruments transferred to non-current assets	55	15
Value adjustments of hedging instruments transferred to inventories	(66)	6
Other adjustments:		
Reversal of value adjustments of associates on recognition as subsidiary	0	(688)
Value adjustments on successive acquisitions of subsidiaries	0	943
Tax on equity items	541	(348)
Other adjustments	7	(68)
Income and expense recognised directly in equity	**(998)**	**1,518**
Total recognised income and expense for the year	**2,261**	**6,557**
Total recognised income and expense for the year is attributable to:		
Equity holders of DONG Energy A/S	1,924	6,236
Hybrid capital owners of DONG Energy A/S	331	325
Minority interests	6	(4)
Total recognised income and expense for the year	**2,261**	**6,557**

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

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 2007	2,937	809	3	0	28,425	1,967	8,088	**42,229**	39	**42,268**
Prior year adjustments	0	0	0	0	122	0	0	**122**	0	**122**
Restated equity at 1 January 2007	**2,937**	**809**	**3**	**0**	**28,547**	**1,967**	**8,088**	42,351	**39**	42,390
Total recognised income and expense for the year, see page 54	-	(1,204)	93	-	3,366	-	-	**2,255**	6	**2,261**
Recognised value adjustment on disposal of subsidiary	-	6	-	-	(6)	-	-	**0**	-	**0**
Interest provided, hybrid capital	-	-	-	-	(451)	451	-	**0**	-	**0**
Interest paid, hybrid capital	-	-	-	-	-	(451)	-	**(451)**	-	**(451)**
Proposed dividends	-	-	-	-	(1,469)	1,469	-	**0**	-	**0**
Dividends paid	-	-	-	-	-	(1,967)	-	**(1,967)**	(2)	**(1,969)**
Acquisition of minority interests	-	-	-	-	(23)	-	-	**(23)**	3	**(20)**
Total changes in equity in 2007	**0**	**(1,198)**	**93**	**0**	**1,417**	**(498)**	**0**	(186)	**7**	(179)
Equity at 31 December 2007	**2,937**	**(389)**	**96**	**0**	**29,964**	**1,469**	**8,088**	42,165	**46**	42,211
Equity at 1 January 2006	2,144	(542)	148	468	15,827	35	8,155	**26,235**	43	**26,278**
Reclassification of tax on hybrid capital	0	0	0	0	67	0	(67)	**0**	0	**0**
Restated equity at 1 January 2006	**2,144**	**(542)**	**148**	**468**	**15,894**	**35**	**8,088**	26,235	**43**	26,278
Total recognised income and expense for the year, see page 54	-	1,351	(145)	-	5,355	-	-	**6,561**	(4)	**6,557**
Recognised value adjustment of enterprises transferred to subsidiaries	-	-	-	(468)	468	-	-	**0**	-	**0**
Interest provided, hybrid capital	-	-	-	-	(451)	451	-	**0**	-	**0**
Interest paid, hybrid capital	-	-	-	-	-	(451)	-	**(451)**	-	**(451)**
Proposed dividends	-	-	-	-	(1,967)	1,967	-	**0**	-	**0**
Dividends paid	-	-	-	-	-	(35)	-	**(35)**	0	**(35)**
Capital increase	793	-	-	-	9,248	-	-	**10,041**	0	**10,041**
Total changes in equity in 2006	**793**	**1,351**	**(145)**	**(468)**	**12,653**	**1,932**	**0**	16,116	**(4)**	16,112
Equity at 31 December 2006	**2,937**	**809**	**3**	**0**	**28,547**	**1,967**	**8,088**	42,351	**39**	42,390

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER

DKK million	Note	2007	2006
Cash flows from operations (operating activities)	29	9,971	10,957
Interest income and similar items		1,824	940
Interest expense and similar items		(2,870)	(1,344)
Income tax paid		(83)	(2,384)
Cash flows from operating activities		**8,842**	**8,169**
Purchase of intangible assets		(271)	(568)
Sale of intangible assets		38	113
Purchase of exploration assets		(1,915)	(254)
Purchase of other property, plant and equipment		(8,803)	(4,692)
Sale of property, plant and equipment		541	596
Purchase of subsidiaries	30	(6,683)	(8,670)
Acquisition of minority interests in subsidiaries	31	(20)	(68)
Disposal of enterprises	32	4,934	(32)
Acquisition of associates		(105)	(5,170)
Acquisition of other equity investments and securities		(29)	(109)
Change in other non-current assets		349	11,075
Financial transactions with associates		(47)	(68)
Dividends received		188	38
Cash flows from investing activities		**(11,823)**	**(7,809)**
Proceeds from the raising of loans		6,540	7,188
Instalments on loans		(9,899)	(4,853)
Dividends paid		(1,967)	(35)
Interest paid on hybrid capital		(451)	(451)
Dividends paid to minority shareholders		(2)	0
Change in other non-current payables		747	(183)
Cash flows from financing activities		**(5,032)**	**1,666**
Cash and cash equivalents at 1 January		9,106	7,356
Net increase (decrease) in cash and cash equivalents		(8,013)	2,026
Cash classified as held for sale		695	(292)
Foreign exchange adjustments of cash and cash equivalents		(8)	16
Cash and cash equivalents at 31 December	33	**1,780**	**9,106**

LIST OF NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note

BASIS OF REPORTING

01 Basis of reporting

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 2007 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, prepared in accordance with the annual report requirements under the Danish Financial Statements Act.

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 OMX Nordic Exchange Copenhagen A/S 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 International Financial Reporting Standards (IFRS) issued by the IASB.

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 note 42 have been applied consistently to the financial year and the comparative figures.

Implementation of new standards

DONG Energy A/S has implemented IFRS 7 Financial Instruments: Disclosures, and IAS 1 (revised 2005) Presentation of Financial Statements and IAS 32 (revised 2005) Financial Instruments: Presentation, with effect from 1 January 2007. DONG Energy has also implemented IFRICs 7, 8 and 10.

The new financial reporting standards and interpretations have not had any effect on recognition or measurement. The accounting policies are consequently the same as those applied last year. The new standards only result in changes in the disclosures provided in the notes. The comparative figures in the notes have been restated accordingly.

The new financial reporting standards and interpretations have no effect on earnings per share or diluted earnings per share.

Adjustments to prior years

Compared with the approved and published annual report for the 2006 financial year DONG Energy has made prior year adjustments in accordance with IAS 8.

An adjustment has been made to the timing of the recognition in the 2006 income statement of a hedging instrument. The adjustment has increased revenue for 2006 by DKK 190 million, profit after tax for 2006 by DKK 137 million, and equity at 31 December 2006 by DKK 137 million. The adjustment has not had any effect on the cash flows for the year. The adjustment has increased earnings per share by DKK 0.51 based on a share denomination of DKK 10.

Furthermore, the recognition of revenue and production costs relating to certain derivative financial instruments used for hedging has been reclassified, and recognised values of certain derivative financial instruments under Receivables and Other payables in the balance sheet have been reclassified. The reclassifications have no impact on profit, equity or cash flows for the period under review or earnings per share, but have increased revenue and production costs for 2006 by DKK 651 million, and reduced assets and liabilities at 31 December 2006 by DKK 6,899 million.

Tax on hybrid capital has also been reclassified. The reclassification has no impact on profit, equity or cash flows for the period under review or earnings per share, but has increased retained earnings by DKK 67 million and correspondingly reduced hybrid capital.

DONG Energy has also carried out prior year adjustments in respect of final purchase price allocation for companies acquired in 2006. Reference is made to note 30 for an overview of the adjustments made.

The overall effect of the adjustments made have affected the 2006 annual report as follows:

DKK million	2006 published annual report	Restatement	Purchase price allocation	2006 restated figures
Revenue	35,661	841	62	36,564
Production costs	(26,448)	(651)	0	(27,099)
Gross profit	**9,213**	**190**	**62**	**9,465**
Other operating income	286	0	(95)	191
Operating profit	**5,534**	**190**	**(33)**	**5,691**
Profit before tax	**6,435**	**190**	**(33)**	**6,592**
Income tax expense	(1,518)	(53)	18	(1,553)
Profit for the year	**4,917**	**137**	**(15)**	**5,039**
Land and buildings	2,968	0	(4)	2,964
Production assets	32,097	0	(439)	31,658
Non-current assets	**56,358**	**0**	**(443)**	**55,915**
Receivables	21,055	(6,899)	130	14,286
Assets classified as held for sale	8,402	0	881	9,283
Current assets	**49,228**	**(6,899)**	**1,011**	**43,340**
Assets	**105,586**	**(6,899)**	**568**	**99,255**
Equity	**42,268**	**137**	**(15)**	**42,390**
Deferred tax	4,666	0	(138)	4,528
Provisions	4,192	0	270	4,462
Non-current liabilities	**31,700**	**0**	**132**	**31,832**
Income tax payable	135	53	0	188
Other liabilities	18,485	(7,089)	0	11,396
Current payables	**31,618**	**(7,036)**	**451**	**25,033**
Liabilities	**63,318**	**(7,036)**	**583**	**56,865**
Equity and liabilities	**105,586**	**(6,899)**	**568**	**99,255**

New International Financial Reporting Standards and IFRIC Interpretations

The IASB has issued the following new financial reporting standards (IFRS) that are not mandatory for DONG Energy in connection with the preparation of the annual report for 2007. Unless otherwise stated, they have also been adopted by the EU:

- IAS 1 (revised 2007) Presentation of Financial Statements concerning presentation of financial statements 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. The amendments to IAS 1 have yet to be adopted by the EU.

- IFRS 3 (revised 2007) Business Combinations and revision of IAS 27 come into effect for financial years beginning on or after 1 July 2009. DONG Energy does not expect to make use of the option to recognise goodwill relating to any minority shareholders' shares in enterprises acquired, and expects the effect on the financial reporting of a number of the technical adjustments to the purchase method in IFRS 3 to be insignificant. The amendments to IFRS 3 and IAS 27 have yet to be adopted by the EU.

- IFRS 8 Operating Segments on segment information comes into effect for financial years beginning on or after 1 January 2009. The standard will only affect the presentation of the Group's segments and not the recognition and measurement in the annual report.

- IAS 23 (revised 2007) Borrowing Costs comes into effect for financial years beginning on or after 1 January 2009. IAS 23 (revised 2007) requires recognition of borrowing costs in the cost of a qualifying asset (intangible assets and property, plant and equipment as well as inventories). With the Group's current investment programme and financing structure, IAS 23 (revised 2007) is not expected to have any material effect on DONG Energy's financial reporting. The amendments to IAS 23 have yet to be adopted by the EU.

The IASB has adopted the following new interpretations (IFRIC) that are not mandatory for DONG Energy in connection with the preparation of the annual report for 2007. Unless otherwise stated, they have also been 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 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. In making the assessment, DONG Energy has assumed that its public-service activities in Denmark are public-to-public activities that are not comprised by IFRIC 12. The Danish State owns the majority of the voting rights in DONG Energy, and, through its ownership, has full control of the public-service activities in Denmark. DONG Energy's international activities have also been assessed. Based on this preliminary assessment, DONG Energy is of the opinion that IFRIC 12 will not have a significant effect on its financial reporting.

ACCOUNTING ESTIMATES AND JUDGEMENTS

01 Basis of reporting (continued)

- IFRIC 13 Customer Loyalty Programmes comes into effect for financial years beginning on or after 1 August 2008. DONG Energy has no customer loyalty programmes, and IFRIC 13 is therefore not expected to have any effect on its financial reporting. IFRIC 13 has yet to be adopted by the EU.

- IFRIC 14 IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction comes into effect for financial years beginning on or after 1 January 2008. DONG Energy has no pension plans or similar that are subject to the asset ceiling and minimum funding requirements. IFRIC 14 is therefore not expected to have any effect on its financial reporting. IFRIC 14 has yet to be adopted by the EU.

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

02 Accounting estimates and judgements

The preparation of consolidated financial statements in conformity with IFRS requires management to make estimates and judgements that affect the reported amounts of assets and liabilities at the balance sheet date, the reported amounts of income and expenses in the financial reporting period and disclosures on contingent assets and contingent liabilities at the balance sheet date. Significant elements in the accounting policies and accounting estimates are the policy and the estimates that are particularly critical to the presentation of the Group's operating profit, including those that are associated with complex and subjective judgments and the application of assumptions some of which, by their nature, are uncertain and unpredictable. The effect of such judgements and assumptions can potentially lead to results that differ significantly from those that would result from the use of other judgements and assumptions. The elements of the accounting policies that are presented in this section are consequently critical to the understanding of the Group's financial information, and the application of this and the sensitivity of the result to changes in criteria and assumptions are factors that should be taken into account when evaluating the consolidated financial statements. The Group's accounting policies are described in detail in note 42.

An accounting estimate is deemed to be significant if it requires management to take a position on factors that are subject to material uncertainty, if alternative estimates could reasonably have been used, or if changes will occur in the estimate, with reasonable certainty, from one accounting period to the next that have a significant effect on the Group's financial position or operating profit.

Impairment testing of assets

The energy industry is capital-intensive and requires major, long-term capital expenditure and liabilities, the value of which is sensitive to various factors, including changes in commodity prices and exchange rates, see note 34. Accordingly, estimates and judgements relating to impairment of assets are critical to the understanding of the Group's operating profit.

Depreciable and amortisable property, plant and equipment and intangible assets

Depreciable and amortisable property, plant and equipment and intangible assets are tested for impairment in conformity with IAS 36 if events or changed conditions (triggering events) indicate that the asset's carrying amount may not be recoverable, i.e. if the carrying amount exceeds the sum of discounted cash flows that can be expected to arise on use of the asset (value in use) and the carrying amount at the same time exceeds the fair value less disposal costs. Such triggering events may include long-term changes in the market price of power and fuel, changes in the weighted average cost of capital or reductions in estimated reserves. If such a judgement indicates a possible impairment, and neither quoted market prices in active markets nor prices of similar assets are available, discounted cash flows are used to measure the fair value to determine whether the value of the assets is impaired.

The assumptions and criteria applied to determine the assets' recoverability constitute management's best estimates and assumptions based on the available information such as market prices, levels of fixed costs, revenue growth rates and reserve estimates, which are, however, by their nature, subject to uncertainty. If assumptions or circumstances change in future, the accounting treatment of such items may consequently result in different amounts.

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, power and fuel prices, prices of CO_2 certificates, interest rate levels, future market conditions, etc., each of which is subject to uncertainty. As stated in note 42, 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 future expected applications and recoverable amounts may subsequently prove not to be realisable, which may require useful lives and recoverable amounts to be reviewed in future, and may result in a need for the recognition of impairment losses or the charging of a loss on disposal of the assets. The depreciation profile is therefore subject to the same uncertainties as apply to the determination of the recoverable amounts for the assets. Management carries out regular reviews for indicators of impairment of the assets.

Determination of oil and gas reserves

The assessment of oil and gas reserves is made to SPE standards (Society of Petroleum Engineers). The assessment of reserves is a complex process involving various parameters such as analysis of geological data, commercial aspects, etc., each of which is subject to uncertainty.

The assessment is relevant to the determination of the recoverable amount and depreciation profile for exploration and evaluation assets.

Accounting treatment of exploration and production

DONG Energy recognises exploration costs using the successful efforts method. Costs for acquisition of shares in exploration and appraisal licences are, as a rule, capitalised on a licence by licence basis. Exploration costs incurred in connection with the determination of exploration targets, but that are not directly attributable to individual exploration wells, are expensed as incurred. Costs for exploration and appraisal wells are initially capitalised on a licence by licence basis under Exploration assets and are not depreciated.

The result of evaluation activities is reviewed on a licence by licence basis. On completion of an appraisal well, the evaluation costs are written off immediately together with the associated exploration costs, unless the results indicate with reasonable probability the existence of reserves that can be utilised commercially.

Following the evaluation of a successful exploration and delineation well, and once a decision has been made on a development and operating plan for a licence, and the plan has been approved by the relevant authorities, the exploration costs are transferred to Property, plant and equipment in the course of construction. When the field is ready for start-up of commercial production, the total costs are transferred to the field, including the initial exploration and evaluation costs in the balance sheet, to a single cost centre for the field under Production assets. Subsequent costs are capitalised if this increases the economic benefits from the production assets or replaces a part of the existing production asset.

Provisions for decommissioning costs

DONG Energy has significant decommissioning obligations. The estimates of the Group's decommissioning obligations are updated on a regular basis, and the provisions amounted to DKK 4,227 million at 31 December 2007 (31 December 2006: DKK 3,596 million). These provisions comprise expected costs relating to the assets, at the end of their useful lives, including decommissioning of production facilities and technical installations and restoration of drilling sites and other installations in accordance with current legislation. In Generation, such obligations include decommissioning obligations relating to the Group's thermal generating plants and wind farms; in E&P, they include facilities for production of oil and natural gas and the pipeline; in Markets, they include natural gas pipelines and associated infrastructure; and in Distribution, they include the Group's natural gas distribution network and natural gas storage facilities. No decommissioning obligations are recognised in respect of the power grid in Distribution, as it is considered improbable that they will result in an outflow from the Group of resources embodying economic benefits.

Provisions for decommissioning costs are measured at the present value of the future restoration and decommissioning obligation estimated at the balance sheet date. Certain assumptions and estimates are applied in the calculation of the

ACCOUNTING ESTIMATES AND JUDGEMENTS

02 Accounting estimates and judgements (continued)

present value of the decommissioning obligations that are affected by any changes in the underlying data, the future date on which the corresponding costs will be incurred, and official requirements. The expected decommissioning and restoration costs are based either on examinations carried out by external experts, or internal estimates prepared by the Group on the basis of current requirements. The size of the provisions is calculated on the basis of current requirements and estimated costs, which are discounted to present value. The discount rate applied reflects the general risk-free interest rate level in the given market.

Investments in associates, other equity investments and other non-current investments

Investments in associates, other equity investments and other non-current investments are also tested for impairment. The assets are written down if the carrying amount exceeds the recoverable amount. The recoverable amount is the higher of the value in use and the fair value less disposal costs. Such impairment testing is largely based on judgements. These include judgements of both regulatory, financial and technological factors and general market conditions.

Write-downs of receivables

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

Accounting treatment of hybrid capital

DONG Energy has issued hybrid capital of EUR 1,100 million, see note 22. Hybrid capital comprises issued bonds that qualify for recognition as compound financial instruments due to the special characteristics of the loan. The principal amount, which constitutes a liability, is recognised at present value (nil). The balance of the net proceeds is recognised in equity.

Accordingly, any interest payments are accounted for as dividends that are recognised directly in equity at the time the payment obligation arises. This is because the interest payments are discretionary and relate to the part of the hybrid capital that is recognised in equity. Interest payments consequently do not have any effect on the income statement. The part of the hybrid capital that is accounted for as a liability is measured at amortised cost. However, as the carrying amount of this component amounted to nil on initial recognition, and, as a result of the 1,000-year term of the hybrid capital, amortisation charges will only impact on the income statement towards the end of the 1,000-year term of the hybrid capital. Interest payments are recognised in the cash flow statement in the same way as dividend payments under financing activities.

In the first ten years of the loan term, any interest payments on the hybrid capital will amount to about DKK 450 million per year using the current EUR /DKK exchange rate. The amount will subsequently vary in step with changes in the interest rate level. Any deferred interest payments concerning the hybrid capital will be payable if a decision is made to make dividend or other distributions to the company's shareholders, and the company's equity will be reduced by a corresponding amount less tax each time interest is paid.

Fair value of assets and liabilities acquired in business combinations

The identifiable assets, liabilities and contingent liabilities acquired in a business combination are measured at fair values at the date of acquisition. For a significant part of the assets acquired and liabilities assumed, an effective market does not exist on the basis of which the fair value can be calculated. This includes useful lives, maintenance costs and decommissioning costs for the individual intangible assets and items of property, plant and equipment, future power and fuel prices, prices of CO2 certificates, etc., the possibilities for realising cost and earnings synergies, future market trends and regulation of the Danish energy market, interest used for discounting, as models are used, to a large extent, that are based on calculations of the present value of future cash flows, and probabilities and expected cash flows related to identifiable contingent assets and contingent liabilities. The difference between carrying amounts and fair values of identifiable assets and liabilities in acquirees appears from note 30.

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 2007, assets classified as held for sale had a carrying amount totalling approx. DKK 2.5 billion, as described in further detail in note 21. The determination of the fair value of the assets will be subject to uncertainty until a sale has been completed.

Accounting treatment of derivative financial instruments and commodity contracts

DONG Energy hedges commodity, currency and interest rate risks. These hedging transactions predominantly relate to future income from the sale of oil, natural gas and power. Changes in the fair value of the derivative financial instruments that, according to the provisions in IAS 39, qualify for recognition as hedges of future cash flows, are recognised at fair value directly in equity (with market value adjustment) until the hedged transaction, e.g. the sale, is recognised in the income statement.

The purpose of managing financial and commodity risks is to limit the risk of significant fluctuations in earnings and cash flows from the underlying operations. Through internal policies and guidelines, DONG Energy seeks to ensure that derivative financial instruments used to manage risks are only used to hedge booked, agreed or planned underlying transactions rather than for own trading. Own trading is limited to commodity derivatives and is undertaken in specific markets within a defined framework to limit any significant impact from the trading activities on earnings. Open positions from operating activities and activities in connection with hedging of own trading are reported and monitored on an ongoing basis.

Furthermore, contracts to which the Group is a party are systematically reviewed to identify any features that correspond to derivative financial instruments to decide whether separate recognition and measurement of an embedded financial instrument are required under IFRS. The Group's natural gas sourcing and sales contracts include price formulas that are indexed to various commodity prices. Based on a review of these and other contracts, including the economic relationships between relevant commodity prices and contractual indices, it has been established that there are no embedded financial instruments requiring separate recognition and measurement under IFRS.

Under IFRS, contracts that involve the physical delivery of commodities are, in certain circumstances, accounted for as derivative financial instruments. Based on an evaluation of the purpose of our commodity contracts and the connection between that purpose and our other activities, our contracts that involve the physical delivery of commodities generally satisfy the criteria for exemption from classification as derivative financial instruments for normal sale and purchase contracts ("normal sale and purchase" exemption). Only contracts that lead to physical delivery of commodities and are entered into in the course of our trading activities or as part of certain hedging activities are accounted for and measured as derivative financial instruments.

Unlisted financial contracts

The DONG Energy Group has concluded financial contracts based, among other things, on power, that are unlisted and are measured at fair value, including a single long-term contract that runs until 2020. Reference is made to note 35 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 contracts

In the course of the Group's operations, a number of commercial contracts have been entered into with fixed terms that may result in the contracts being loss-making depending on market trends, etc., and the liabilities incurred by the DONG Energy Group as a result of these contracts may also be subject to uncertainty. The judgements concerning these complex contracts and their future effects are subject to significant uncertainties. Reference is also made to note 25.

Provisions for losses

The Group is a party to various litigation proceedings, including relating to obligations assumed by the Group in relation to acquisitions of enterprises in 2006, and claims have been advanced against the Group, see note 38.

Provision for estimated losses is made in the income statement, if both of the following criteria are met:

1) the information that was available prior to the publication of the financial statements indicates that it is more likely than not that an obligation had arisen at the balance sheet date, and
2) the amount of the loss can be estimated reliably.

The application of these accounting principles for calculating potential losses in connection with a dispute is naturally, difficult, considering the complexity of the factors involved and the legislation. The decision as to whether a provision should be made in such disputes requires conclusions to be

NOTES TO THE INCOME STATEMENT

02 Accounting estimates and judgements (continued)

drawn concerning various factual and legal matters outside the Group's control. If the conclusions do not, at a given time, reflect the subsequent development or the final outcome of the dispute, this can have a significant impact on the Group's future income statements and balance sheets and can have an adverse impact on the Group's operating profit and financial position. The factors on which a position is taken in connection with a decision to make a provision include the nature of the action, the claim or the statement, the development of the case (including the development after the balance sheet date, but before publication of the financial statements), recommendations or opinions from legal or other advisers, experience from similar cases, and management's decision on how the Group will react to the action, the claim or the statement. The fact that legal advisers are not able to express an opinion as to whether the outcome of the case will be in the Group's favour does not necessarily mean that the above criterion concerning provision for losses has been met.

At present, DONG Energy has made provisions of DKK 298 million relating to the ongoing competition disputes concerning alleged abuse of a dominant position in the wholesale market for physical power in Western Denmark, see note 38. This amount was determined on the basis of the Danish Competition Council's rulings. Although a number of customers have lodged a complaint, in which the primary claim is for DKK 4,404 million plus interest, both the justification for the claim and the evaluation of the size of a potential loss are subject to significant uncertainty.

03 Segment information

Segmentation

The Group's primary segments comprise the following activities:

Generation has activities within thermal power and heat generation, primarily in Denmark, but with growing focus on generation in other locations in Northern Europe, and power generation from renewable energy sources, especially wind power, and, to a lesser extent, hydropower. DONG Energy has strong capabilities within development of offshore wind farms and extensive experience within operation of onshore and offshore wind turbines.

Exploration & Production has activities within exploration, development and production of natural gas and oil in the central part of the North Sea (the waters around Denmark and Norway), off the coast of Mid-Norway, and in the Atlantic Margin (the West of Shetland area and the waters around the UK and the Faroe Islands).

Distribution operates regulated activities comprising distribution of power and natural gas to Danish customers and ownership and operation of one of the two Danish natural gas facilities in Denmark, the natural gas storage facility near Stenlille. The power distribution activities consist of three power distribution networks in Copenhagen, on Frederiksberg and in North Zealand, and the natural gas distribution activities cover West and South Zealand and southern Jutland.

Markets procures natural gas and power and sells these commodities and related products and services in Northern Europe. Markets also owns and operates some of DONG Energy's infrastructure assets, manages DONG Energy's portfolio of supply contracts, undertakes the ongoing risk management and delivers certain services to other parts of the company.

Further details of the Group's business segments are given in management's review.

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

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

Activities – 2007 (primary segment)

DKK million	Generation	Exploration & Production	Distribution	Markets	Unallocated/ Eliminations	Group total
Revenue[1]	12,335	4,869	4,510	24,583	(4,672)	**41,625**
Production costs	(10,018)	(3,253)	(3,667)	(20,987)	4,008	**(33,917)**
Gross profit	**2,317**	**1,616**	**843**	**3,596**	**(664)**	**7,708**
Sales and marketing	(84)	0	(60)	(927)	69	**(1,002)**
Management and administration	(1,128)	(72)	(258)	(999)	216	**(2,241)**
Other operating income	340	0	13	28	14	**395**
Other operating expenses	(69)	0	(5)	(3)	0	**(77)**
Operating profit (EBIT)	**1,376**	**1,544**	**533**	**1,695**	**(365)**	**4,783**
Gain on disposal of enterprises	(935)	0	0	0	964	**29**
Share of profit after tax of associates	35	0	0	(40)	0	**(5)**
Financial income	-	-	-	-	-	**1,478**
Financial expenses	-	-	-	-	-	**(2,218)**
Profit before tax	**-**	**-**	**-**	**-**	**-**	**4,067**
Income tax expense	-	-	-	-	-	**(808)**
Profit for the year	**-**	**-**	**-**	**-**	**-**	**3,259**
Intersegment revenue	2,356	315	551	1,609	(4,831)	**-**
EBITDA	3,696	2,406	1,636	2,213	(345)	**9,606**

[1] The Markets segment includes the effect of certain intragroup hedging instruments with DKK 259 million net.

NOTES TO THE INCOME STATEMENT

03 Segment information (continued)

DKK million	Generation	Exploration & Production	Distribution	Markets	Unallocated/ Eliminations	Group total
Balance sheet						
Assets	35,758	20,076	17,149	23,928	(7,201)	**89,710**
- including investments in associates	3,460	0	3	448	1	**3,912**
- including deferred tax assets	18	26	0	94	(107)	**31**
Equity	22,112	2,127	5,863	2,739	9,370	**42,211**
Liabilities	13,646	17,949	11,286	21,189	(16,571)	**47,499**
- including non-interest bearing liabilities	6,408	5,965	5,019	12,991	(1,054)	**29,329**
Cash flow statement						
Additions of intangible assets and property, plant and equipment	3,840	4,637	1,426	1,167	(81)	**10,989**
Depreciation and amortisation	(2,414)	(862)	(998)	(471)	(20)	**(4,765)**
Impairment losses	0	0	(105)	(47)	0	**(152)**
Other non-cash transactions recognised in the income statement	247	691	(147)	(505)	1,321	**1,607**
Number of full-time employees						
Average for the financial year	2,093	301	1,148	970	450	**4,962**
At year end	2,144	314	1,169	1,017	483	**5,127**

Geographical breakdown - 2007 (secondary segment)

DKK million	Denmark	Rest of EU	Rest of world	Group total
Revenue	25,160	15,982	483	**41,625**
Segment assets	65,403	8,306	16,001	**89,710**
Additions of intangible assets and property, plant and equipment[1]	6,362	2,070	2,592	**11,024**

[1] Additions exclude provisions for decommissioning obligations.

Activities – 2006 (primary segment)

DKK million	Generation	Exploration & Production	Distribution	Markets	Unallocated/ eliminations	Group total
Revenue[1]	7,682	5,556	2,560	24,306	(3,540)	**36,564**
Production costs	(5,959)	(3,049)	(1,929)	(19,277)	3,115	**(27,099)**
Gross profit	**1,723**	**2,507**	**631**	**5,029**	**(425)**	**9,465**
Sales and marketing	(76)	0	(15)	(551)	47	**(595)**
Management and administration	(490)	(70)	(193)	(627)	273	**(1,107)**
Other operating income	401	0	46	148	(404)	**191**
Other operating expenses	(73)	0	(2)	(2,591)	403	**(2,263)**
Operating profit (EBIT)	**1,485**	**2,437**	**467**	**1,408**	**(106)**	**5,691**
Gain on disposal of enterprises	0	0	0	0	1,023	**1,023**
Share of profit after tax of asociates	674	0	0	(202)	(2)	**470**
Financial income	-	-	-	-	-	**872**
Financial expenses	-	-	-	-	-	**(1,464)**
Profit before tax	**-**	**-**	**-**	**-**	**-**	**6,592**
Income tax expense	-	-	-	-	-	**(1,553)**
Profit for the year	**-**	**-**	**-**	**-**	**-**	**5,039**
Intersegment revenue	704	146	594	2,875	(4,319)	**-**
EBITDA	2,663	3,499	1,012	1,792	(16)	**8,950**

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

NOTES TO THE INCOME STATEMENT

03 Segment information (continued)

	Generation	Exploration & Production	Distribution	Markets	Unallocated/ Eliminations	Group total
Balance sheet						
Assets	43,280	14,762	17,367	29,440	(5,594)	**99,255**
- including investments in associates	3,552	0	3	516	2	**4,073**
- including deferred tax assets	33	0	0	3	0	**36**
Equity	29,815	3,214	5,836	12,910	(9,385)	**42,390**
Liabilities	13,465	11,548	11,531	16,530	3,791	**56,865**
- including non-interest bearing liabilities	7,761	3,982	4,755	13,846	(1,741)	**28,603**
Cash flow statement						
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	(284)	420	(148)	603	129	**720**
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 for 2006 was affected by the fact that significant acquisitions of enterprises were made in 2006 that are recognised in the consolidated financial statements from the respective acquisition dates, see note 30.

Geographical breakdown - 2006 (secondary segment)

DKK million	Denmark	Rest of EU	Rest of world	Group total
Revenue	17,985	18,107	472	**36,564**
Segment assets	77,614	9,915	11,726	**99,255**
Additions of intangible assets and property, plant and equipment[1]	3,485	1,020	1,722	**6,227**

[1] Additions exclude provisions for decommissioning obligations.

04 Revenue

DKK million	2007	2006
Sales and transportation of natural gas	15,353	16,748
Sales and transportation of oil	4,390	5,099
Sales of power	10,853	9,231
Sales of district heat, including waste revenue	2,201	927
Distribution and storage of natural gas	971	1,050
Distribution of power	3,465	1,523
Construction contracts	384	114
Trading activities, net	679	60
Effect of economic hedges, net	(578)	(283)
Effect of hedge accounting, net	1,506	34
Other revenue	2,401	2,061
Revenue	**41,625**	**36,564**

05 Staff costs

DKK million	2007	2006
Wages, salaries and remuneration	(2,492)	(1,583)
Pensions, see note 24	(231)	(138)
Other social security costs	(75)	(17)
Other staff costs	(23)	(43)
Staff costs	**(2,821)**	**(1,781)**
Staff costs are recognised as follows:		
Production costs	(1,262)	(866)
Sales and marketing	(363)	(236)
Management and administration	(727)	(501)
Transfer to assets	(469)	(178)
Staff costs	**(2,821)**	**(1,781)**
Number of full-time employees:		
Average for financial year	4,962	2,944
At year end	5,127	4,585

NOTES TO THE INCOME STATEMENT

05 Staff costs (continued)

Remuneration to Supervisory Board, Executive Board and other senior executives amounts to:

DKK '000	2007				
	Wages and salaries	Bonus[1]	Pension	Termination benefit	**Total**
Parent company Supervisory Board:					
Chairman	(406)	0	0	0	**(406)**
Deputy Chairman	(244)	0	0	0	**(244)**
Other members[2]	(1,650)	0	0	0	**(1,650)**
Audit and Risk Committee:					
Chairman	(88)	0	0	0	**(88)**
Other members[3]	(144)	0	0	0	**(144)**
Remuneration Committee:					
Chairman	(50)	0	0	0	**(50)**
Other member	(25)	0	0	0	**(25)**
Executive Board and other senior executives in the Group:					
CEO	(4,388)	(1,272)	(1)	0	**(5,661)**
CFO	(3,529)	(1,386)	(1)	0	**(4,916)**
Other senior executives in the Group	(15,808)	(2,452)	(2,005)	(1,893)	**(22,158)**
Total	**(26,332)**	**(5,110)**	**(2,007)**	**(1,893)**	**(35,342)**

[1] Of this amount, DKK 3.8 million had not been paid at 31 December 2007.

[2] Annual remuneration amounted to DKK 150 thousand per member in 2007.

[3] Annual remuneration amounted to DKK 44 thousand per member in 2007.

At 31 December 2007, a total of six persons made up the Executive Board and other senior executives (2006: seven persons).

A bonus plan has been established for the Executive Board and other senior executives. The service contract of the CEO includes a termination package under which he will be entitled to salary equivalent to 33 1/2 months' salary if his service contract is terminated by the company (2006: 24 months). The CFO and the Group's other senior executives will be entitled to 24 months' salary if their contracts of service are terminated by the company (2006: 24 months).

DKK '000	2006				
	Wages and salaries	Bonus[1]	Pension	Termination benefit	**Total**
Parent company Supervisory Board:					
Chairman	(338)	0	0	0	**(338)**
Deputy Chairman	(219)	0	0	0	**(219)**
Other members[2]	(1,231)	0	0	0	**(1,231)**
Audit and Risk Committee:					
Chairman	(38)	0	0	0	**(38)**
Other members[3]	(56)	0	0	0	**(56)**
Remuneration Committee:					
Chairman	(38)	0	0	0	**(38)**
Other member	(19)	0	0	0	**(19)**
Executive Board and other senior executives in the Group:					
CEO	(4,092)	(500)	0	0	**(4,592)**
Other senior executives in the parent company	(2,900)	(400)	0	0	**(3,300)**
Other senior executives in the Group	(9,129)	(2,109)	(1,137)	0	**(12,375)**
Total	**(18,060)**	**(3,009)**	**(1,137)**	**0**	**(22,206)**

[1] Of this amount, DKK 2.5 million had not been paid at 31 December 2006.
[2] Annual remuneration amounted to DKK 144 thousand per member in 2006.
[3] Annual remuneration amounted to DKK 25 thousand per member in 2006.

06 Research and development costs

DKK million	2007	2006
Research and development costs incurred during the year	(479)	(210)
Amortisation and impairment losses relating to recognised development costs under intangible assets	(77)	(102)
Development costs recognised under intangible assets	236	136
Research and development costs recognised in the income statement under production costs	**(320)**	**(176)**

NOTES TO THE INCOME STATEMENT

07 Depreciation, amortisation and impairment losses

DKK million	2007	2006
Depreciation and amortisation by type of expenditure:		
Amortisation of intangible assets	(1,668)	(692)
Depreciation of property, plant and equipment	(3,097)	(2,555)
Depreciation and amortisation	**(4,765)**	**(3,247)**
Impairment losses on intangible assets	(152)	0
Impairment losses on property, plant and equipment	0	0
Impairment losses on investments in associates	0	(188)
Impairment losses on other equity investments	0	(12)
Impairment losses	**(152)**	**(200)**
Depreciation, amortisation and impairment losses	**(4,917)**	**(3,447)**
Depreciation, amortisation and impairment losses by function:		
Production costs	(4,780)	(3,105)
Sales and marketing	(72)	(33)
Management and administration	(65)	(121)
Share of profit after tax of associates	0	(188)
Depreciation, amortisation and impairment losses recognised in the income statement	**(4,917)**	**(3,447)**

The impairment loss in 2007 relating to intangible assets relates partly to impairment of customer-related rights of DKK 47 million on the Dutch activities and impairment of shortfall revenue recognised in the opening balance sheet in connection with the acquisition of the power distribution activities in Copenhagen and North Zealand of DKK 105 million. The impairment loss totals DKK 152 million and was made as it is estimated that the recoverable amount is lower than the carrying amount. Reference is made to the section on impairment testing in note 15.

Amortisation and impairment losses on intangible assets, DKK 1,820 million in total (2006: DKK 692 million), have been carried under production costs with DKK 1,741 million (2006: DKK 659 million), under sales and marketing with DKK 65 million (2006: DKK 18 million), and under management and administration with DKK 14 million (2006: DKK 15 million).

08 Fees to auditors appointed at the Annual General Meeting

DKK million	2007	2006
Audit fees	(14)	(13)
Other assurance engagements and related services[1]	(56)	(3)
Non-audit fees	(28)	(20)
Total fees to KPMG	**(98)**	**(36)**
Audit fees	(5)	(4)
Other assurance engagements and related services[1]	(12)	(1)
Non-audit fees	(17)	(16)
Total fees to Deloitte	**(34)**	**(21)**

[1] In 2007, this item is affected by preparations for the IPO.

09 Other operating income and expenses

DKK million	2007	2006
Gains on sale of intangible assets and property, plant and equipment	23	45
Reversal of provision for loss-making contract	303	0
Operating income, other	69	146
Other operating income	**395**	**191**
Loss on sale of intangible assets and property, plant and equipment	(48)	(6)
Loss on termination of gas sales contracts	0	(2,185)
Operating expenses, other	(29)	(72)
Other operating expenses	**(77)**	**(2,263)**
Other operating income and expenses	**318**	**(2,072)**

NOTES TO THE INCOME STATEMENT

10 Government grants

In 2007, DONG Energy received grants for feasibility studies in connection with the establishment of installations and the construction of installations. 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 price supplements granted for power generation based on wind power and biomass, and renewable energy certificates.

DKK million	2007	2006
Government grants recognised in the income statement under revenue	527	72
Government grants recognised in the income statement under other operating income	8	0
Government grants recognised in the balance sheet	60	88
Government grants recognised during the year	**595**	**160**

11 Financial income

DKK million	2007	2006
Interest income from cash, etc.	645	330
Interest income from securities at fair value	5	5
Foreign exchange gains	766	465
Value adjustments of derivative financial instruments	50	49
Dividends received	0	4
Other financial income	12	19
Financial income	**1.478**	**872**

12 Financial expenses

DKK million	2007	2006
Interest expense relating to payables	(1,244)	(864)
Interest element of decommissioning costs	(159)	(83)
Foreign exchange losses	(811)	(499)
Capital losses on securities at fair value	(1)	(3)
Other financial expenses	(3)	(15)
Financial expenses	**(2,218)**	**(1,464)**
Foreign exchange adjustments recognised in revenue for the year (net gain):	277	195
Foreign exchange adjustments recognised in profit for the year (net gain):	232	161

NOTES TO THE INCOME STATEMENT

13 Income tax expense

DKK million	2007	2006
Tax for the year can be broken down as follows:		
Tax on profit for the year	(808)	(1,553)
Tax on changes in equity	541	(348)
Effect on equity of reduction of Danish income tax rate from 28% to 25%	(32)	-
Tax for the year	**(299)**	**(1,901)**
Income tax expense can be broken down as follows:		
Current tax (income tax and hydrocarbon tax) calculated using normal tax rates	(746)	(1,783)
Special current tax, hydrocarbon tax calculated using higher tax rate	469	0
Current tax on assets classified as held for sale	(17)	0
Deferred tax, calculated using normal tax rates	(322)	430
Special deferred tax, hydrocarbon tax calculated using higher tax rate	(491)	(223)
Adjustments of current tax relating to prior years	211	21
Effect of reduction of Danish income tax rate from 28% to 25%	372	-
Adjustments of deferred tax relating to prior years	(284)	2
Income tax expense	**(808)**	**(1,553)**
Income tax expense can be explained as follows:		
Calculated 25% (2006: 28%) tax on profit before tax	(1,016)	(1,846)
Adjustments of calculated tax in foreign subsidiaries in relation to 25% (2006: 28%)	(7)	(7)
Special tax hydrocarbon tax	(22)	(223)
Tax effect of:		
Effect of reduction of Danish income tax rate from 28% to 25%	372	-
Non-taxable income	109	488
Utilisation of previously unrecognised tax assets	2	0
Non-deductible expenses	(102)	(68)
Unrecognised losses	(62)	(52)
Unrecognised temporary differences	(6)	0
Share of profit after tax in associates	(1)	132
Adjustments of tax relating to prior years	(75)	23
Income tax expense	**(808)**	**(1,553)**
Effective tax rate	**20**	**24**

14 Earnings per share

DKK million	2007	2006
Profit for the year	3,259	5,039
Interest on hybrid capital after tax	(331)	(325)
Attributable to minority interests	(6)	1
Attributable to the DONG Energy Group	**2,922**	**4,715**
Average number of shares of DKK 10 each[1]	293,709,900	270,166,523
Earnings per share (EPS) and diluted earnings per share (DEPS) of DKK 10, in whole DKK	10	17

[1] In 2008, DONG Energy has changed its share denomination from DKK 1,000 per share to DKK 10 per share. The share capital remains unchanged. The calculation of EPS/DEPS 2007 and 2006 has been restated accordingly.

NOTES TO THE BALANCE SHEET

15 Intangible assets

DKK million	Goodwill	Knowhow	Rights	Completed development projects	In-process development projects and prepayments for intangible assets	Total
Cost at 1 January 2007	322	0	4,725	495	154	5,696
Foreign exchange adjustments	0	0	0	0	(2)	(2)
Additions	0	0	82	129	134	345
Disposals	0	0	(29)	(106)	(35)	(170)
Transfers	0	0	6	54	(60)	0
Reclassifications	0	0	92	0	0	92
Cost at 31 December 2007	322	0	4,876	572	191	5,961
Amortisation and impairment losses at 1 January 2007	0	0	(1,097)	(396)	0	(1,493)
Amortisation, disposals	0	0	1	87	0	88
Amortisation	0	0	(1,591)	(77)	0	(1,668)
Impairment losses	0	0	(152)	0	0	(152)
Amortisation and impairment losses at 31 December 2007	0	0	(2,839)	(386)	0	(3,225)
Carrying amount at 31 December 2007	322	0	2,037	186	191	2,736
Cost at 1 January 2006	276	84	2,178	431	23	2,992
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)
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 - 20 years	3 - 5 years	-	-

Impairment testing

Goodwill

At 31 December 2007, 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. with DKK 276 million and DONG Energy Sales GmbH with DKK 46 million. These enterprises constitute the smallest cash-generating units to which the carrying amount of goodwill can be allocated with a sufficient degree of accuracy.

The result of the impairment tests was that the recoverable amount is higher than the carrying amount of goodwill. It has consequently not been deemed necessary to write down goodwill in 2007.

The recoverable amount for each of the companies was determined as the present value of the expected future net cash flows relating to the company's activities. The statement of net cash flows is based on budgets and forecasts for the period 2008 - 2015. The discount rate (before tax) reflects the risk-free interest rate with the addition of a risk premium in respect of specific risks related to the activities.

DONG Energy Sales B.V.

DONG Energy Sales B.V., which sells gas and power to end users in the Netherlands, is recognised in the Group under the Markets segment. The calculation of the company's recoverable amount is based on budgets and forecasts that reflect the company's increased focusing on sales to business customers. The assumptions applied relating to margins have been determined on the basis of realised margins on business customers. The rate of growth of the net cash flows during the terminal period has been fixed at 2.00%. DONG Energy estimates that this growth rate will not exceed the long-term growth in the market. It has been assumed that the net working capital will remain constant during the terminal period.

DONG Energy Sales GmbH

DONG Energy Sales GmbH, which sells gas and power to customers in Germany, is recognised in the Group under the Markets segment. The calculation of the company's recoverable amount is based on budgets and forecasts that reflect the expected consequences of the fact that the company's focus has changed from being a regional player to achieving a country-wide presence in Germany. The assumptions applied relating to margins have been determined on the basis of realised margins, corrected for expected economies of scale within administration, sales and marketing, that are expected to be realised as the company grows. The rate of growth of the net cash flows during the terminal period has been fixed at 2.00%. DONG Energy estimates that this growth rate will not exceed the long-term growth in the market.

Significant assumptions relating to implemented impairment testing of goodwill:

	DONG Energy Sales B.V.	DONG Energy Sales GmbH
Assumed growth in net cash flows during terminal period	2.00%	2.00%
Applied discount rate before tax	10.75%	11.00%

Rights

Rights consist primarily of gas purchase rights, customer-related rights and a connection right relating to gas transportation. At 31 December 2007, the carrying amount of gas purchase rights was DKK 1,063 million and the carrying amount of customer-related rights, including shortfall revenue, DKK 175 million. The carrying amount of the connection right was DKK 396 million at 31 December 2007.

As a result of indications of impairment of customer-related rights, the rights have been tested for impairment. It is estimated that the recoverable amount of customer-related rights relating to Dutch gas customers and shortfall revenue on the power distribution activity in Copenhagen and North Zealand is lower than the carrying amount at 31 December 2007, and customer-related rights were consequently written down in the fourth quarter of 2007.

The recoverable amount has been calculated using a discount rate (before tax) of 10.75% and 7.50% for the right relating to Dutch customers and the right relating to the power distribution network in Copenhagen and North Zealand, respectively. The discount rate reflects the risk-free interest rate with the addition of a risk premium in respect of specific risks related to the activities.

NOTES TO THE BALANCE SHEET

15 Intangible assets (continued)

The impairment loss on customer-related rights relating to Dutch gas customers amounts to DKK 47 million. The impairment loss should be viewed in the light of the competition situation in the Dutch market for residential customers, which has made it more difficult than anticipated to retain acquired customers. These rights are recognised under the segment Generation.

The impairment loss on customer-related rights relating to shortfall revenue on the power distribution activities in Copenhagen and North Zealand amounts to DKK 105 million. The impairment loss reflects changes in regulatory grid tariffs. These rights are recognised under the segment Distribution.

There has been no indications of impairment of other rights. Consequently, only customer-related rights have been tested for impairment.

Development projects
Completed development projects relate primarily to IT software and the development of technical solutions, including products for the fibre optic network and the power grid. At 31 December 2007, the carrying amount of development projects was DKK 186 million. Completed development projects have not been tested for impairment, as there have been no indications of impairment.

In-process development projects primarily relate to IT software. At 31 December 2007, the carrying amount of in-process development projects was DKK 191 million.

At 31 December 2007, DONG Energy tested the carrying amount of in-process development projects for impairment. The test comprised an evaluation of the progress on the development projects, including in the form of costs incurred and results achieved in relation to budgets and approved plans, and an evaluation of the projects' future earnings potential. The result of the impairment tests was that the recoverable amount is higher than the carrying amount. It has consequently not been deemed necessary to write down in-process development projects.

16 Property, plant and equipment

DKK million	Land and buildings	Production assets	Exploration assets	Fixtures and fittings, tools and equip-ment	Property, plant and equipment in course of constr. and prepayments for prop., plant and eqpt.	Total
Cost at 1 January 2007	3,195	43,883	372	395	11,190	**59,035**
Foreign exchange adjustments	1	(214)	(32)	0	407	**162**
Additions	34	2,171	1,919	50	6,977	**11,151**
Disposals	(270)	(113)	(120)	(4)	(198)	**(705)**
Transfers to assets classified as held for sale	0	(235)	0	(7)	(9)	**(251)**
Transfers	97	13,100	(36)	21	(13,182)	**0**
Cost at 31 December 2007	**3,057**	**58,592**	**2,103**	**455**	**5,185**	**69,392**
Depreciation and impairment losses at 1 January 2007	(231)	(12,225)	0	(61)	0	**(12,517)**
Foreign exchange adjustments	0	(58)	0	0	0	**(58)**
Depreciation, disposals	143	0	0	2	0	**145**
Depreciation	(135)	(2,885)	0	(77)	0	**(3,097)**
Transfers to assets classified as held for sale	0	63	0	2	0	**65**
Depreciation and impairment losses at 31 December 2007	**(223)**	**(15,105)**	**0**	**(134)**	**0**	**(15,462)**
Carrying amount at 31 December 2007	**2,834**	**43,487**	**2,103**	**321**	**5,185**	**53,930**
Including assets held under finance leases[1]	0	0	0	48	19	**67**
Depreciated over	20 - 50 years	10 - 50 years	-	3 - 10 years	-	-

[1] Assets held under finance leases relating to production assets were acquired in 2006 and recognised at nil in the acquisition balance sheet at 1 July 2006. The carrying amount at 31 December 2007 is unchanged, i.e. nil.

NOTES TO THE BALANCE SHEET

16 Property, plant and equipment (continued)

DKK million	Land and buildings	Production assets	Exploration assets	Fixtures and fittings, tools and equip-ment	Property, plant and eqpt. in the course of constr. and prepayments 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	3,483	24,991	0	390	2,520	**31,384**
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)	(359)	(291)	(62)	(94)	**(1,125)**
Transfers to assets classified as held for sale	(368)	(7,157)	0	0	(408)	**(7,933)**
Transfers	11	1,963	0	5	(1,967)	**12**
Cost at 31 December 2006	**3,195**	**43,883**	**372**	**395**	**11,190**	**59,035**
Depreciation and impairment losses at 1 January 2006	(175)	(11,616)	(59)	(17)	0	**(11,867)**
Foreign exchange adjustments	0	58	0	0	0	**58**
Disposal on sale. of subsidiary	18	1,300	0	2	0	**1,320**
Depreciation, disposals	2	38	59	0	0	**99**
Depreciation	(79)	(2,430)	0	(46)	0	**(2,555)**
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	**2,964**	**31,658**	**372**	**334**	**11,190**	**46,518**
Including assets held under finance leases[1]	0	0	0	0	0	**0**
Depreciated over	20 - 50 years	10- 50 years	-	3 - 10 years	-	-

[1] Assets held under finance leases relating to production assets were acquired in 2006 and recognised at nil in the acquisition balance sheet at 1 July 2006.

Impairment testing

Exploration assets

The exploration assets are tested for impairment annually and when there are indications of impairment. Impairment testing is also carried out at the time commercial finds of oil and/or gas have been identified, and when the exploration assets are reclassified to oil and gas production assets.

The recoverable amount is based on the value in use, which has been determined on the basis of expected net cash flows according to budgets and forecasts and a discount rate that reflects the risk-free interest rate with the addition of a risk premium in respect of specific risks related to the individual asset group. Significant parameters in connection with the calculation of the value in use of exploration assets are expectations concerning reserves, production profile, oil and gas prices, exchange rates and production costs.

Based on the impairment testing of exploration assets, it is estimated that the recoverable amount exceeds the carrying amount. The Group's exploration assets consequently were not written down in 2007.

Other items of property, plant and equipment

The carrying amounts of other items of property, plant and equipment are tested 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.

Based on the impairment testing of other items of property, plant and equipment, it is estimated that the recoverable amount exceeds the carrying amount. The Group's other items of property, plant and equipment consequently were not written down in 2007.

Finance leases

The Group has entered into finance leases relating to production assets that have been customised for use by the Group. Furthermore, the Group has entered into finance leases relating to operating equipment. On expiry of the leases for operating equipment, the Group must acquire the assets or nominate a buyer. The purchase sum on expiry of the leases is estimated to be considerably less than the market value of the assets.

NOTES TO THE BALANCE SHEET

17 Associates and other equity investments

DKK million	Investments in associates 2007	Investments in associates 2006	Other equity investments 2007	Other equity investments 2006
Cost at 1 January	4,480	5,529	17	915
Additions	92	5,170	28	7
Additions on acquisitions of subsidiaries	0	3,485	0	27
Capital contributions in the form of assets	0	10,047	0	0
Capital contributions, etc.	12	38	0	0
Transfers	(12)	0	0	(11)
Transferred on establishment of group	0	(19,754)	0	(904)
Transfers to assets classified as held for sale	0	0	(4)	(17)
Disposals	0	(35)	0	0
Cost at 31 December	**4,572**	**4,480**	**41**	**17**
Value adjustments at 1 January	(407)	(179)	(12)	468
Share of profit for the year	(5)	658	0	0
Reversal of value adjustments of associates on recognition as subsidiaries	0	(688)	0	0
Recognised value adjustments of enterprises transferred to subsidiaries	0	0	0	(468)
Goodwill impairment losses	0	(188)	0	0
Value adjustments, etc.	(60)	2	0	0
Impairment losses	0	0	0	(12)
Dividends received	(188)	(35)	0	0
Disposals	0	23	0	0
Value adjustments at 31 December	**(660)**	**(407)**	**(12)**	**(12)**
Carrying amount at 31 December	**3,912**	**4,073**	**29**	**5**

Other equity investments comprise investments classified as assets available for sale.

Associates:

Investments in associates are measured in the consolidated balance sheet using the equity method

2007

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
Delpro A/S	Kolding, Denmark	33%	169	(2)	99	47	(1)	17
Deudan GmbH & Co.	Handewitt, Germany	49%	56	(71)	95	0	(35)	47
FordonsGas Sverige AB[2]	Gothenburg, Sweden	50%	75	1	107	93	1	7
Kraftgården AB	Ragunda, Sweden	26%	271	0	8,553	2	0	2,195
Narvik Energi AS	Narvik, Norway	33%	303	60	3,214	1,227	20	662
P/S BI New Energy Solutions	Copenhagen, Denmark	22%	0	6	215	41	1	38
Salten Kraftsamband AS[3]	Fauske, Norway	24%	685	70	3,370	953	17	572
Stadtwerke Lübeck GmbH	Lübeck, Germany	25%	2,502	(67)	1,596	429	(17)	292
Swedegas AB[4]	Gothenburg, Sweden	20%	177	52	786	434	11	72
Others							(2)	10
Group, total							**(5)**	**3,912**

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

[2] Formerly FordonsGas AB.

[3] DONG owns a further 3% of the share capital through Narvik Energi AS.

[4] Formerly Nova Naturgas AB.

NOTES TO THE BALANCE SHEET

17 Associates and other equity investments (continued)

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
Delpro A/S	Kolding, Denmark	33%	194	0	101	0	0	19
Deudan GmbH & Co.	Handewitt, Germany	49%	41	29	35	(26)	14	79
DONG Energy Power A/S[2]	Fredericia, Denmark						648	
Energi E2 A/S	Fredericia, Denmark							
FordonsGas Sverige AB[3]	Gothenburg, Sweden	50%	63	(4)	76	63	(2)	7
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
P/S BI New Energy Solutions	Copenhagen, Denmark	22%	0	(10)	251	0	(2)	55
Salten Kraftsamband AS[4]	Fauske, Norway	20%	689	38	2,885	33	8	571
Stadtwerke Lübeck GmbH	Lübeck, Germany	25%	2,799	(94)	2,471	1,161	(24)	329
Swedegas AB[5]	Gothenburg, Sweden	20%	181	(10)	843	487	(2)	73
Others							(3)	14
Goodwill impairment losses[6]							(188)	0
Group, total							**470**	**4,073**

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

[2] DONG Energy Power 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.

[3] Formerly FordonsGas AB.

[4] DONG Energy owns a further 3% of the share capital through Narvik Energi AS.

[5] Formerly Nova Naturgas AB.

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

18 Inventories

DKK million	2007	2006
Raw materials and consumables	187	155
Fuel	1,699	1,491
Natural gas and crude oil	899	937
Inventories at 31 December	**2,785**	**2,583**
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	23,295	20,620

The vast majority of the inventories are expected to be used within one year.

19 Receivables

DKK million	2007	2006
Receivables from associates	439	432
Other receivables	65	503
Prepayments	147	145
Non-current receivables at 31 December	**651**	**1,080**
Trade receivables	8,845	6,775
Receivables from associates	238	50
Receivables in respect of sales of activities	101	1,559
Fair value of derivative financial instruments	8,032	8,475
Deposits	123	126
Other receivables	1,811	4,126
Construction contracts	53	23
Prepayments	446	446
Current receivables at 31 December	**19,649**	**21,580**
Current and non-current receivables at 31 December	**20,300**	**22,660**

NOTES TO THE BALANCE SHEET

19 Receivables (continued)

Apart from the fair value of derivative financial instruments, current receivables fall due less than one year after the close of the financial year. The remaining maturity of derivative financial instruments appears from note 35.

Geographical breakdown of trade receivables:

DKK million	2007	2006
Denmark	5,809	4,447
Rest of EU	2,853	2,272
Rest of world	183	56
Trade receivables at 31 December	**8,845**	**6,775**

DONG Energy's most significant credit exposure in connection with sales relates to power and gas sales. Besides credit exposure on power and gas customers in Denmark, the exposure primarily relates to international energy companies and banks.

DONG Energy's internal control of its credit exposure is based on internal credit limits for each counterparty and structured and ongoing monitoring and reporting. Credit limits and any requirements concerning security are determined on the basis of credit rating of the counterparty, partly using input from external rating agencies such as Moody's, S&P's and D&B. For all significant counterparties, framework and netting contracts setting out credit conditions are also entered into. The maximum credit risk related to receivables corresponds to the values recognised in the balance sheet. There are no special concentrations of credit risks. The receivables are not credit-insured.

The Group's trade receivables at 31 December include receivables that were due at 31 December but had not been individually written down, as follows:

DKK million	**2007**	2006
Due in:		
0 - 30 days	713	1.388
30 - 90 days	158	247
Over 90 days	636	686

Development in write-downs recognised under receivables:

DKK million.	**2007**	2006
Write-downs at 1 January	406	79
Addition on acquisition of subsidiaries	0	252
Transfers to assets classified as held for sale	(4)	0
Write-downs for the year in the income statement	133	106
Realised loss	(9)	(15)
Reversal of previous write-downs in the income statement	(7)	(16)
Write-downs at 31 December	**519**	**406**

20 Construction contracts

DKK million	2007	2006
Selling price of construction contracts	61	35
Progress billings	(8)	(12)
Net value of construction contracts at 31 December	**53**	**23**
which is recognised as follows:		
Construction contracts (assets)	53	23
Construction contracts (liabilities)	0	0
Net value of construction contracts at 31 December	**53**	**23**

Construction contracts are recognised in the item Receivables, see note 19.

NOTES TO THE BALANCE SHEET

21 Assets classified as held for sale

In 2007, DONG Energy decided to explore the possibilities for disposing of the supply company EnergiGruppen Jylland A/S, which produces, markets and delivers water and district heat in Central Jutland. It has not been deemed necessary to write down the assets, which are recognised in the segment Unallocated. The sales process was ongoing at the end of the year.

In 2007, the Group also decided to make preparations for the disposal of its wind power activities in Northern France, which are recognised in the segment Generation. It has not been deemed necessary to write down the assets. The sales process was at the preparatory stage at the end of the year.

In 2006, the Group decided to make preparations for the disposal of its wind power activities in Greece. As a result of the high level of activity in DONG Energy in 2006-2007, the preparations for the sales process were not initiated until at the end of 2007. The activities are recognised in the segment Generation. It has not been deemed necessary to write down the assets.

In December 2007, DONG Energy concluded an agreement with Energinet.dk on the disposal of DONG Energy's 132 kV transmission grid in North Zealand for DKK 2,000 million. This is a consequence of DONG Energy's acquisition of the former Elsam, which led to an obligation to sell the transmission grid to Energinet.dk. Prior to the sale, the transmission grid must be unbundled into a new company. The sale of the transmission grid is not expected to be completed until after the first quarter of 2008. The sale is expected to generate an accounting gain after tax of DKK 0.5 billion in 2008. The transmission grid is recognised in the segment Distribution.

Assets classified as held for sale comprise:

DKK million	2007	2006
Intangible assets	14	802
Property, plant and equipment	2,158	7,523
Other non-current assets	4	74
Non-current assets	**2,176**	**8,399**
Current assets	362	884
Assets classified as held for sale at 31 December	**2,538**	**9,283**
Non-current liabilities	490	2,681
Current liabilities	96	742
Liabilities relating to assets classified as held for sale at 31 December	**586**	**3,423**

The wind power assets on the Iberian Peninsula that were recognised under Assets classified as held for sale in 2006 were disposed of in 2007. Reference is made to note 32.

22 Equity

DKK million	2007	2006	2005	2004	2003
Share capital at 1 January	2,937	2,144	2,144	2,144	2,144
Capital increase by way of non-cash contributions	0	793	0	0	0
Share capital at 31 December	**2,937**	**2,937**	**2,144**	**2,144**	**2,144**

The company's share capital is DKK 2,937,099,000, divided into shares of nominally DKK 10. The share denomination has been changed to from DKK 1,000 per share to DKK 10 per share in 2008.

All shares rank equally. There are no restrictions on voting rights. The shares are fully paid up. The shares may only be assigned or otherwise transferred with the written consent of the Danish Finance Minister.

Resolutions concerning amendments to the Articles of Association or DONG Energy A/S's dissolution require at least two-thirds of the votes cast and of the voting share capital represented at the general meeting in order to be carried. Any resolution on amendment of the Articles of Association that restricts the shareholders' rights require at least nine-tenths of the votes cast and of the voting share capital represented at the general meeting in order to be carried.

Hybrid capital

Hybrid capital of DKK 8,088 million comprises the EUR bonds (hybrid capital) issued in the European capital market in June 2005. The loan principal is 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. Interest is settled annually in the middle of the year. 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 subsequently making any distributions to its shareholders. The proceeds from the issuing of hybrid capital amounted to DKK 8,111 million (EUR 1.1 billion). So far, DONG Energy has not used the option to postpone interest payments.

NOTES TO THE BALANCE SHEET

23 Deferred tax

DKK million	2007	2006
Deferred tax at 1 January	4,492	3,231
Foreign exchange adjustments	31	(27)
Addition on acquisition of subsidiary	0	3,375
Disposal on sale of subsidiary	0	(353)
Addition of non-current assets	(211)	0
Deferred tax for the year recognised in profit for the year	814	(206)
Deferred tax for the year recognised in equity	130	20
Prior year adjustments	284	(2)
Effect of reduction of Danish income tax rate from 28% to 25%	(404)	-
Transfer to assets classified as held for sale	(129)	(1,546)
Deferred tax at 31 December	**5,007**	**4,492**
Deferred tax is recognised in the balance sheet as follows:		
Deferred tax (assets)	31	36
Deferred tax (liabilities)	5,038	4,528
Deferred tax at 31 December, net	**5,007**	**4,492**

DKK million	2007	2006
Deferred tax relates to:		
Intangible assets	255	448
Property, plant and equipment	6,623	5,888
Other non-current assets	53	(16)
Current assets	113	0
Non-current liabilities	(1,835)	(1,553)
Current liabilities	(337)	(432)
Retaxation	911	249
Tax loss carryforwards	(776)	(92)
Deferred tax at 31 December	**5,007**	**4,492**
Deferred tax assets that are not recognised in the balance sheet relate to:		
Temporary differences	1,373	1,391
Tax loss carryforwards	7,636	6,337
Unrecognised deferred tax assets at 31 December	**9,009**	**7,728**
Deferred tax liabilities that are not recognised in the balance sheet relate to:		
Temporary differences relating to investments in subsidiaries and associates	498	680

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

NOTES TO THE BALANCE SHEET

23 Deferred tax (continued)

Change in temporary differences during the year:

2007

DKK million	Balance sheet at 1 January	Foreign exchange adjust-ments	Recog-nised in profit for the year	Transfer to assets classified as held for sale	Recognised in equity	Addition of non-current assets	Change in income tax rate from 28% to 25%	**Balance sheet at 31 December**
Intangible assets	448	0	(154)	0	0	0	(39)	**255**
Property, plant and equipment	5,888	44	1,380	(128)	(61)	0	(500)	**6,623**
Other non-current assets	(16)	(6)	81	0	0	0	(6)	**53**
Current assets	0	5	122	0	(25)	0	11	**113**
Non-current liabilities	(1,553)	(10)	(571)	0	198	0	101	**(1,835)**
Current liabilities	(432)	0	53	0	12	0	30	**(337)**
Retaxation	249	0	662	0	0	0	0	**911**
Tax loss carryforwards	(92)	(2)	(475)	(1)	6	(211)	(1)	**(776)**
	4,492	**31**	**1,098**	**(129)**	**130**	**(211)**	**(404)**	**5,007**

2006

DKK million	Balance sheet at 1 January	Foreign exchange adjust-ments	Disposal on sale of subsi-diary	Addition on acqui-sition of enter-prises	Recognised in profit for the year	Transfer to assets classified as held for sale	Recog-nised in equity	**Balance sheet at 31 December**
Intangible assets	169	(1)	0	301	(14)	(7)	0	**448**
Property, plant and equipment	3,512	(33)	(372)	4,072	283	(1,574)	0	**5,888**
Other non-current assets	101	(2)	0	(243)	128	0	0	**(16)**
Current assets	140	(3)	0	799	(937)	1	0	**0**
Non-current liabilities	(688)	11	19	(729)	(166)	0	0	**(1,553)**
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)**	**3,375**	**(208)**	**(1,546)**	**20**	**4,492**

24 Pensions

DKK million	2007	2006
Development in present value of obligations relating to defined benefit plans:		
Present value of obligations at 1 January	42	15
Calculated interest relating to obligation	1	1
Actuarial gains (losses)	0	(2)
Paid during year	(3)	(53)
Addition on acquisition of subsidiary	0	79
Current service cost	1	2
Present value of obligations at 31 December	**41**	**42**
Pension obligations recognised in the income statement:		
Current service cost	(1)	(2)
Calculated interest relating to obligation	(1)	(1)
Total recognised for defined benefit plans	**(2)**	**(3)**
Total recognised for defined contribution plans	(230)	(136)
Recognised in the income statement	**(232)**	**(139)**
The cost is recognised in the following items in the income statement:		
Production costs	(124)	(137)
Sales and marketing	(36)	0
Management and administration	(71)	(1)
Financial income and financial expenses	(1)	(1)
Recognised in the income statement	**(232)**	**(139)**

The Group's pension plans are primarily defined-contribution plans that do not commit DONG Energy beyond the amounts contributed. The defined benefit plans relate to obligations to pay a defined benefit to a few power station employees that are no longer with the company and to public servants taken over from municipally owned regional gas companies.

NOTES TO THE BALANCE SHEET

24 Pensions (continued)

	2007	2006
Actuarial assumptions:		
Average discount rate applied	5.00 %	5.00 %
Future rate of increase of wages and salaries	3.00 %	3.00 %

The Group expects to contribute DKK 5 million to the defined-benefit pension plan in 2008.

DKK million	2007	2006	2005
The Group's pension obligations for the current year and the past two years are as follows:			
Actuarially determined pension obligations	41	42	15
Experience adjustments to obligations	0	(1)	0

Maturities

Maturities for pensions at 31 December are expected to be:

DKK million	2007	2006
0 - 1 year	5	3
1 - 5 years	20	11
> 5 years	16	28
Pensions at 31 December	41	42

25 Provisions

	2007			2006		
DKK million	Restoration obligations	Others	Total	Restoration obligations	Others	Total
Provisions at 1 January	3,596	933	4,529	1,775	43	1,818
Foreign exchange adjustments	7	0	7	(14)	0	(14)
Addition on acquisition of subsidiaries	0	0	0	1,663	804	2,467
Disposal on sale of subsidiary	0	0	0	(73)	0	(73)
Used during the year	(4)	(101)	(105)	13	(66)	(53)
Reversal	(304)	(331)	(635)	(2)	(71)	(73)
Provision for the year	776	1,063	1,839	182	223	405
Transfers to assets classified as held for sale	(3)	(7)	(10)	(31)	0	(31)
Interest element of restoration obligations	159	0	159	83	0	83
Provisions at 31 December	**4,227**	**1,557**	**5,784**	**3,596**	**933**	**4,529**

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

Provisions, others, include guarantee obligations, expected repayments to power consumers, etc, following pending litigation and disputes.

Provisions have been discounted to present value. A risk-free interest rate in the 4.5% to 5.5% range has been used as discount rate.

Maturities

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

DKK million	2007	2006
0 - 1 year	69	67
1 - 10 years	3,106	831
10 - 20 years	1,807	1,633
20 - 30 years	191	1,521
30 - 40 years	611	352
> 40 years	0	125
Provisions at 31 December	**5,784**	**4,529**

NOTES TO THE BALANCE SHEET

26 Current and non-current loans

DKK million	2007	2006
Bond loans	7,923	7,938
Mortgage loans	1,258	1,810
Bank loans	5,522	5,359
Other non-current loans	0	6,961
Non-current loans at 31 December	**14,703**	**22,068**
Bond loans	0	1,995
Mortgage loans	6	11
Bank loans	2,506	2,902
Current loans at 31 December	**2,512**	**4,908**
Current and non-current loans at 31 December	**17,215**	**26,976**
Fair value	17,204	27,061
Nominal value	17,228	26,894

The fair value has been determined as the present value of expected future instalments and interest payments using the Group's current interest rate on loans as discount rate.

At 31 December 2007, DONG Energy had loans totalling DKK 5,564 million from the European Investment Bank and the Nordic Investment Bank to finance certain assets, including the Nogat pipeline, Avedøre Power Station and the offshore wind farms at Barrow, Horns Rev I and Nysted. The loans offered by these multilateral financial institutions include loans with co-financing of infrastructure and energy projects on favourable terms and with maturities that often exceed those normally available in the commercial market. In connection with the debt to the European Investment Bank, which, at 31 December 2007, totalled DKK 4,855 million, the Group may be met with requirements concerning security, if Moody's or S&P lowers DONG Energy A/S's rating to less than Baa1 or BBB+, respectively.

The Group's financing agreements are not subject to any other unusual terms or conditions. Security in connection with loans appears from note 39.

Maturities

Maturity of current and non-current loans, excluding interest payments:

2007

DKK million	2008	2009	2010	2011	2012	After 2012	Total
Bond loans	0	0	160	4,047	3,716	0	**7,923**
Mortgage bonds	6	0	0	0	0	1,258	**1,264**
Bank loans	2,506	542	207	192	1,013	3,568	**8,028**
	2,512	**542**	**367**	**4,239**	**4,729**	**4,826**	**17,215**

2006

DKK million	2007	2008	2009	2010	2011	After 2011	Total
Bond loans	1,995	0	0	160	4,065	3,713	**9,933**
Mortgage bonds	11	10	10	10	10	1,770	**1,821**
Bank loans	2,902	1,582	509	151	492	2,625	**8,261**
Other non-current payables	0	122	6,811	4	4	20	**6,961**
	4,908	**1,714**	**7,330**	**325**	**4,571**	**8,128**	**26,976**

The Group has used derivative financial instruments to hedge interest rate and currency risks on its loan portfolio, see note 35. The maturity profile of derivative financial instruments also appears from note 35.

Finance leases

Obligations relating to assets held under finance leases are thus recognised in bank loans as follows:

	2007			2006		
DKK million	Minimum lease payments	Interest element	Present value	Minimum lease payments	Interest element	Present value
0 - 1 year	23	0	**23**	9	(1)	**8**
1-5 years	64	(5)	**59**	47	(6)	**41**
> 5 years	99	(24)	**75**	98	(25)	**73**
	186	**(29)**	**157**	**154**	**(32)**	**122**
Carrying amount at 31 December			157			120

The present value of the minimum lease payments has been calculated using a market rate at the balance sheet date for similar leases. There is no contingent rent under the leases.

Further details of the leases entered into by the Group are given in note 16.

NOTES TO THE BALANCE SHEET

27 Income tax receivable and payable

DKK million	2007	2006
Income tax receivable at 1 January	241	107
Foreign exchange adjustments	2	0
Adjustments of current tax for prior years	317	28
Payments in respect of prior years	(560)	(49)
Current tax for the year	(190)	(1,603)
Tax for the year on equity	586	(328)
Current tax from non-consolidated enterprises	0	(5)
Payments for the year	357	2,091
Income tax receivable at 31 December	**753**	**241**
Income tax payable at 1 January	188	153
Foreign exchange adjustments	(1)	(6)
Addition on acquisition of subsidiary	0	228
Adjustments of current tax for prior years	106	7
Payments in respect of prior years	(274)	(256)
Current tax for the year	88	181
Current tax for the year from equity	(53)	0
Payments for the year	(12)	(86)
Transfers to liabilities relating to assets classified as held for sale	(3)	(33)
Income tax payable at 31 December	**39**	**188**

28 Other payables

DKK million	2007	2006
Other non-current payables	0	6,961
Deferred income	1,020	732
Other non-current payables, etc., at 31 December	**1,020**	**7,693**
Trade payables	5,488	4,546
Payables to associates	36	8
Fair value of derivative financial instruments	6,933	5,728
VAT and duties	1,294	773
Purchase prices payable	98	117
Other liabilities	3,325	4,777
Deferred income	602	498
Other current liabilities, etc., at 31 December	**17,776**	**16,447**
Current and non-current payables at 31 December	**18,796**	**24,140**

Apart from the fair value of derivative financial instruments, other current payables fall due for payment less than one year after the close of the financial year. The remaining maturities of derivative financial instruments appear from note 35.

NOTES TO THE CASH FLOW STATEMEN

29 Cash flows from operations (operating activities)

DKK million	2007	2006
Operating profit (EBIT)	4,783	5,691
Depreciation, amortisation and impairment losses	4,917	3,259
Depreciation of purchased CO_2 certificates	(94)	0
Operating profit before depreciation and amortisation (EBITDA)	**9,606**	**8,950**
Other restatements	1,607	720
Cash flows from operations (operating activities) before changes in working capital	**11,213**	**9,670**
Change in inventories	(172)	(559)
Change in trade receivables	(2,267)	(111)
Change in other receivables	2,019	(608)
Change in trade payables	964	(1,115)
Change in other payables	(1,786)	3,680
Change in working capital	**(1,242)**	**1,287**
Cash flows from operations (operating activities)	**9,971**	**10,957**

Cash flows from exploration activities amounted to an outflow of DKK 566 million (2006: outflow of DKK 179 million).

30 Acquisition of subsidiaries

Acquisitions of subsidiaries in 2007

DONG Energy did not acquire any subsidiaries in 2007. The payment of DKK 6,683 million for the year relates to payment of payable purchase price on acquisition of subsidiaries in prior years, and concerning primarily the acquisition of KE Drift A/S, including the latter's shares in Energi E2 A/S.

Acquisitions of subsidiaries in 2006

In the course of 2006, DONG Energy acquired a number of significant subsidiaries, all of which are accounted for in accordance with the purchase method. There are various cross-ownerships among the acquired subsidiaries that have been adjusted in the overviews below so that the information is set out by company group. Acquisitions of subsidiaries in 2006 are also shown grouped for the individual dates of acquisition, as the acquisitions were made through mutually dependent negotiations and agreements, etc.

Companies acquired in 2006 and adjustments of cost for enterprises acquired in previous years are as follows:

DKK million	Core activity	Acquisition date	Acquired shares at acq date	Cost	Recognised share of profit
KE Drift A/S [1] Frederiksberg Elnet A/S, Frederiksberg Forsyning A/S Frederiksberg Ejendomme A/S	Power grid (Distribution) Power sales (Markets)	1 May 2006	100%	5,046	143
Energi E2 A/S[2]	Power and heat generation (Generation)	1 July 2006	100%	34,285	1,899
DONG Energy Power A/S [3]			100%		
DONG Energy Sales & Distribution A/S[4]	Power grid (Distribution) Power 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	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 by 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 for cash consideration. The shares were acquired by indirect purchase through DONG Energy Power A/S, about 87% in total, and by direct purchase, about 13% in total.

[5] Besides the cross-ownerships referred to, cost includes the subsidiaries' investments in associates, DKK 3,485 million in total, which are 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 adjustment has been made of acquired assets and liabilities in accordance with the provisions in IFRS 3 from the original acquisition dates to the acquisition date at 1 July 2006. Value adjustments of DKK 943 million were 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.

NOTES TO CASH FLOW STATEMENT

30 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 were issued in DONG Energy A/S.

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

DKK million	Number of issued shares[1]	Price	Cost
DONG Energy Power A/S	47,393,400	126,5395	5,997
Energi E2 A/S	31,956,500	126,5395	4,044
	79,349,900	**126,5395**	**10,041**

1) In 2008, DONG Energy changed the denomination from DKK 1,000 per share to DKK 10 per share. The calculation of the number of issued shares in 2006 has been restated accordingly.

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

Preliminary breakdown of allocation of cost between acquired assets and liabilities in 2006:

	Acquisition date 1 May 2006		Acquisition date 1 July 2006		Eliminations in acquisition balance sheet and adjustments relating to enterprises 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 equipment	(4,325)	(4,220)	(27,070)	(20,017)	0	0	**(31,395)**	(24,237)
Other non-current assets	(25)	(25)	(5,304)	(4,596)	(350)	0	**(5,679)**	(4,621)
Inventories	(29)	(29)	(1,305)	(1,247)	0	0	**(1,334)**	(1,276)
Receivables	(1,718)	(1,739)	(18,320)	(15,829)	1,766	0	**(18,272)**	(17,568)
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	18,151	12,477	0	0	**19,114**	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)**
Portion 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)**	**-**

NOTES TO THE CASH FLOW STATEMENT

30 Acquisition of subsidiaries (continued)

Final purchase price allocation of assets and liabilities with 1 July 2006 as acquisition date

In accordance with IFRS 3, the preliminary calculations of the fair values of acquired enterprises in 2006 have been restated within twelve months of the acquisition date.

As a result of the final purchase price allocation, the fair value of property, plant and equipment has been reduced by DKK 443 million, current assets have been increased by DKK 1,011 million, non-current liabilities have been increased by DKK 132 million, and current liabilities have been increased by DKK 451 million.

Furthermore, the fair values of property, plant and equipment have been reallocated within the Group.

Another consequence of the final purchase price allocation is that revenue for 2006 has been increased by DKK 62 million, profit before tax for 2006 has been reduced by DKK 33 million, profit after tax for 2006 has been reduced by DKK 15 million, and equity at 31 December 2006 has been reduced by DKK 15 million. Cash flows for the year have not been affected.

The effect of the final purchase price allocation for enterprises acquired on 1 July 2006 can be broken down as follows:

	Carrying amount prior to acquisition	Preliminary opening balance sheet at 1 July 2006	Adjustments to fair value	Final opening balance sheet to fair value
Intangible assets	(826)	(2,532)	0	(2,532)
Property, plant and equipment	(20,017)	(27,070)	443	(26,627)
Other non-current assets	(4,596)	(5,304)	0	(5,304)
Inventories	(1,247)	(1,305)	0	(1,305)
Receivables	(15,829)	(18,320)	(130)	(18,450)
Cash and cash equivalents	(3,504)	(3,504)	0	(3,504)
Assets classified as held for sale	0	0	(881)	(881)
Non-current liabilities	12,477	18,151	132	18,283
Current liabilities	6,752	4,988	451	5,439
Net assets	**(26,790)**	**(34,896)**	**15**	**(34,881)**
Transfer to equity	0	0	(15)	(15)
Minority interests	-	-	-	18
DONG Energy' share of net assets				**(34,878)**
Portion recognised as purchase price payable				(46)
Cash and cash equivalents acquired				3,481
Value adjustments of previously recognised assets and liabilities on successive acquisition				943
Transfer from associates				26,758
Other adjustments				(68)
Cash purchase price				**(3,810)**

31 Acquisition of minority interests in subsidiaries

DKK million	2007	2006
Purchase price	(20)	(68)
Paid in respect of prior years	0	0
Cash purchase price	**(20)**	**(68)**

32 Disposal of subsidiaries

The value of the transferred assets and liabilities can be broken down as follows:

DKK million	2007	2006
Property, plant and equipment	0	1,387
Other non-current assets	27	12
Other current assets	25	0
Assets classified as held for sale	6,763	0
Cash and cash equivalents	0	37
Non-current liabilities	0	(827)
Other current liabilities	(39)	(169)
Liabilities relating to assets classified as held for sale	(3,329)	0
Gain on disposal of enterprises	29	1,023
Selling price	**3,476**	**1,463**
Paid in respect of prior years	1,458	0
Of which receivables	0	(1,458)
Transferred cash and cash equivalents	0	(37)
Cash selling price	**4,934**	**(32)**

NOTES TO THE CASH FLOW STATEMENT

32 Disposal of subsidiaries (continued)

Disposal of enterprises in 2007 comprises Energi E2 Renewables Ibericas S.L. and Dublin Waste to Energy (Holdings) Limited (51% of the shares). The sales proceeds have been calculated as a loss of DKK 3 million and nil, respectively. In addition, an amount of DKK 32 million has been to credited to income and a payment of DKK 1,458 million received relating to the sale of Ll. Torup Gaslager A/S in 2006.

Disposal of enterprises in 2006 comprises Ll. Torup Gaslager A/S and Nunaoil A/S. The sale of the Ll. Torup gas storage facility to Energinet.dk was made as part of the European Commission's approval of the merger of the energy companies DONG Energy A/S, Energi E2, DONG Energy Power A/S, DONG Energy Sales & Distribution A/S and the power activities from the City of Copenhagen and the Municipality of Frederiksberg. The gain on disposal of Ll. Torup Gaslager A/S was calculated at DKK 1,000 million. Nunaoil A/S was sold to the Danish State, and the accounting gain was calculated at DKK 23 million..

33 Cash and cash equivalents

DKK million	2007	2006
Cash and cash equivalents at 31 December include:		
Securities with limited price risk that are part of the ongoing cash management	134	132
Available cash	2,507	9,475
Bank overdrafts	(861)	(501)
Cash and cash equivalents at 31 December	**1,780**	**9,106**
Cash at 31 December can be broken down into the following balance sheet items:		
Available cash	2,507	9,475
Cash not available for use	55	46
Cash at 31 December	**2,562**	**9,521**
Current portion of bank loans at 31 December can be broken down as follows:		
Bank overdrafts	(861)	(501)
Other bank loans, etc.	(1,645)	(2,401)
Current portion of bank loans at 31 December	**(2,506)**	**(2,902)**

NOTES WITHOUT REFERENCE

34 Financial risks and risk management

Financial risks

DONG Energy is exposed to a number of different financial risks, including fluctuations in commodity prices, exchange rates and interest rates as well as credit risks. The management of these risks is an important focus area in the Group. The risk management is aimed at identifying the various risk areas and determining a risk management strategy. A special Risk Committee has been appointed that is charged with monitoring the Group's risk management and risk control relating to market and credit risks. A centralised corporate risk management function has also been set up to support the Risk Committee.

Various strategies have been put in place to manage the risks and align the risk profile. The risk profile is managed through the conclusion of financial and physical contracts for commodities, interest and currencies over the next five years.

In connection with – and partly to bolster – these activities, DONG Energy engages in limited energy trading for its own account, including in natural gas, power, coal, oil, oil products and CO_2 certificates. At the end of 2007, the risk (value-at-risk) related to DONG Energy's trading for its own account amounted to DKK 6.8 million, calculated as the expected maximum loss in the course of a day with 95% probability.

DONG Energy's operating profit may fluctuate considerably from year to year as a result of the development in prices. In particular, the time lag effect may affect operating profit from one year to the next.

Oil and gas price risks

DONG Energy's oil and gas price risks relate primarily to equity oil and gas, different indexing of purchase and selling prices for natural gas and the consumption as fuel in connection with power generation. DONG Energy's exposure is in crude oil, gas and various other oil types such as fuel oil and gas oil. These risks are hedged as the exposure is confirmed, for example based on production projections. Management of oil and gas price risks is based on tolerance levels for maximum and minimum effect on changes in cash flows over the next five years. These calculations are based on possible negative deviations from current prices in the forward market compared with a specified downside scenario that includes a crude oil price of USD 30 per barrel.

The oil price hedging is mainly in the underlying oil types to reduce the base risk in the oil market. Hedging is predominantly effected through purchased put options and swaps. The oil price risk from the indexing of natural gas purchase and selling prices is also hedged.

Applying this method, about 49% of the anticipated oil and gas price exposure for 2008 had been hedged at the end of 2007.

Price risks related to power generation

Production from power stations is primarily exposed to the power price, the coal price (including freight) and the price of CO_2 certificates. The difference between the three factors is called Green Dark Spread. In order to actively reduce this risk, DONG Energy pursues a price hedging strategy that hedges the components in the ratio in which they are used in the production of energy. The strategy is based on a minimum level for hedging of production up to 2½ years ahead, based on the contribution margin, with an increasing contribution margin resulting in an increasing level of hedging.

Some parts of the Group are particularly exposed to power prices, but not necessarily to fuel costs or the price of CO_2 certificates. This applies primarily to power generation from wind farms and trading activities in relation to end customers and in the wholesale market. However, part of the power generation from wind farms is sold at fixed settlement prices.

At the end of 2007, DONG Energy had financially hedged about 27% of the expected thermal production in 2008, primarily using forwards and swaps. The fuel components are hedged to a similar extent. The hedging of the price of CO_2 certificates is higher as a result of the allocated certificates.

Currency risks

Currency risks arise primarily from energy trading, which is typically priced in other currencies than DKK, from purchase

NOTES WITHOUT REFERENCE

34 Financial risks and risk management (continued)

and sale of goods and services in foreign currencies, and other activities, including in subsidiaries abroad. The main currency risk is related to USD, although the commercial exposure in GBP and NOK has been growing.

The currency exposure is hedged using forward contracts, swaps and options as well as by raising of debt in various currencies.

The currency risk is measured taking into account the total cash flow for each currency weighted in relation to the currency's volatility. The currency risk is managed by defining a maximum level for the total currency exposure for all currencies each year in the coming five years. DONG Energy hedges currency risks using a "ladder" model, hedging a large part in the coming four quarters, with hedging subsequently declining.

Interest rate risks
DONG Energy's interest rate risks relate primarily to its loan portfolio, cash and financial hedging. These risks are managed in relation to DONG Energy's net financing requirement and capital structure.

The interest rate risk is measured on a net basis, and both debt and any placing of surplus funds are included. The interest rate risk is adjusted through the interest terms attaching to the Group's loans and by conclusion of interest rate swaps. In relation to the Group's interest rate risk management, the hybrid capital is accounted for as interest-bearing debt.

The effect of interest rate changes is limited, as the loan portfolio consists predominantly of fixed-interest loans. Of the net debt, 85% had thus been raised on a fixed-rate basis at the end of 2007. Based on an unchanged net debt in relation to the end of 2007, a one percentage point interest rate increase would thus only lead to a DKK 4 million increase in interest expenses for 2008.

The total interest rate risk at the end of 2007 was DKK 956 million, corresponding to the decreased market value of the net debt and the hybrid capital in the case of a one percentage point increase in the entire interest rate curve. The interest-rate risk corresponds to an average maturity of 4.2 for the net debt and the hybrid capital.

Credit risks
Credit risks arise primarily from trading in power and natural gas – both wholesale trading and financial and physical transactions – and financial transactions, including placing of surplus funds.

In the course of its normal operations, DONG Energy concludes contracts with customers and suppliers on physical delivery of energy products, and also hedging contracts with other energy companies, specialised trading houses and international banks. Physical contracts usually have a term of more than one year, and natural gas purchase contracts can have terms of more than five years. All these contracts involve a risk of loss in the event of a counterparty failing to perform its obligations. Such risks are quantified and managed as credit exposures and are a significant focus area in DONG Energy.

Credit risk is managed based on internal credit limits for counterparties and structured monitoring of the actual exposure. Credit limits are established on the basis of an assessment of the counterparty's credit rating. If the counterparty has an external credit rating, for example from Moody's or Standard & Poor's, this forms an important factor in determining the counterparty's credit rating. In response to the subprime crisis, DONG Energy has reduced its credit limits, especially in relation to the financial sector.

Credit risks are co-ordinated in relation to all business activities so that DONG Energy does not assume inappropriately large exposure to individual counterparties. With a view to reducing its credit exposure, DONG Energy endeavours, as far as possible, to clear transactions via a clearing centre, such as Nord Pool, and uses formalised framework agreements such as ISDA and EFET agreements and master netting agreements.

DONG Energy also makes limited use of security such as bank guarantees.

As part of its risk management, DONG Energy monitors the credit exposure on all trading counterparties on a daily basis, and monthly and quarterly in the case of other counterparties. Losses due to default by counterparties have historically been relatively small.

Financing and capital resources
One of the main financial management responsibilities is to secure sufficient, flexible financial resources for the day-to-day operations and for the implementation of DONG Energy's strategy, and taking into account the Group's rating. To this end, internal management objectives have been established for the required level of financial resources, taking into account factors such as capital expenditure programme, operating cash flow and debt maturity profile.

At the end of 2007, the cash resources amounted to DKK 13.0 billion, including cash and cash equivalents of DKK 1.8 billion and committed, undrawn credit facilities of DKK 11.2 billion. Cash resources also include non-committed operating credit amounting to DKK 10 billion.

The Group's total net interest-bearing debt stood at DKK 14.8 billion at the end of 2007 (excluding hybrid capital of DKK 8.1 billion). The average remaining term was about 5.7 years.

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 subsidiaries 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 2007 were Baa1 and BBB+, respectively, both with Positive Outlook. The rating of DONG Energy's hybrid capital was Baa3 and BBB-, respectively, also with Positive Outlook.

With a view to the management of DONG Energy's capital structure, the long-term aim is for interest-bearing net debt plus hybrid capital to average approx. three times EBITDA (adjusted for special hydrocarbon taxes). At the end of 2007, this ratio was 2.4. In addition, DONG Energy strives to maintain a credit rating of at least Baa1/BBB+.

The Supervisory Board will recommend that a dividend of DKK 5.00 per share be paid for the 2007 financial year. In the years after the 2007 financial year and until a decision, if any, is made to go ahead with an IPO of the company, the Supervisory Board generally plans to pay 40% of consolidated net profit after tax calculated in accordance with IFRS.

Sensitivity analysis concerning financial instruments
The table below illustrates the Group's sensitivity to fluctuations in commodity prices, exchange rates and interest rates measured as the effect on profit and equity, respectively, in the event of a price increase or decrease on the Group's financial instruments at the balance sheet date. A pre-tax approach has been adopted.

The table includes the risks perceived by management to be the most significant for the Group. The Group also calculates and manages the currency risk vis-à-vis EUR; however, as price fluctuations between DKK and EUR are small, the risk is considered to be insignificant.

The analysis shows the sensitivity in the event of a relative price change of 10%, as this corresponds to the average annual volatility of the underlying risks. Some of the risks have fluctuated, historically, by slightly more than 10%, while others have fluctuated by slightly less, and a 10% fluctuation has consequently been deemed to be an appropriate average for price changes.

NOTES WITHOUT REFERENCE

34 Financial risks and risk management (continued)

		Estimated effect on profit		Estimated effect on equity at 31 December	
Risk	Price change	2007	2006	2007	2006
Oil and gas	+ 10%	74	(163)	(640)	(127)
	- 10%	(76)	193	679	138
Power	+ 10%	476	492	(16)	(400)
	- 10%	(477)	(484)	16	397
Coal	+ 10%	(165)	(163)	52	109
	- 10%	165	163	(52)	(109)
USD	+ 10%	(72)	(173)	(355)	(224)
	- 10%	72	173	355	224
GBP	+ 10%	51	(44)	(34)	(91)
	- 10%	(51)	44	34	91
NOK	+ 10%	21	(4)	-	-
	- 10%	(21)	4	-	-
SEK	+ 10%	68	54	(109)	(124)
	- 10%	(68)	(54)	109	124
Interest	100 basic points	-	-	24	34

Estimated effect on profit

The shown effect on profit is the effect from financial instruments that are open at the balance sheet date, and that have an effect on profit in the current financial year. Besides derivative financial instruments on commodities, currency and interest, financial instruments in this context also include receivables and debt in foreign currencies.

It should be noted that the shown sensitivities only comprise the Group's financial instruments and consequently are not representative of the Group's total risk profile in relation to commodity prices and exchange rates. Furthermore, the sensitivities only reflect the effect of changes at the balance sheet date, and not through an entire accounting period.

Estimated effect on equity

The shown effect on equity is the effect from financial instruments that are open at the balance sheet date and affect equity at the balance sheet date excluding instruments that affect the income statement. Here, financial instruments include derivative financial instruments on commodities, currency and interest, which are accounted for as hedges of cash flows. However, net investments and associated hedging of net investments in foreign subsidiaries are not included, as the effect of the sum of the investment and the hedging is considered to be neutral to price changes. For further details of the Group's net investments and hedging of same, reference is made to note 35.

The shown effect from an interest rate change of 100 basic points is the amount by which the Group's equity would be affected in the event of the entire interest rate curve increasing by 100 basic points.

Inefficiency

Inefficiency relating to commodity hedging is recognised in the item Effect of economic hedging, see note 4. Inefficiency of interest rate hedging amounted to DKK 50 million in 2007 (2006: DKK 49 million).

35 Derivative financial instruments

The Group uses derivative financial instruments
as part of its risk management, trading and taking of positions

2007 Market value of derivative financial instruments

DKK million		2008	2009	2010	2011-2012	After 2012	Total
Commodities:							
Oil swaps	Positive	29	0	0	0	0	**29**
	Negative	(436)	(316)	(245)	(121)	0	**(1,118)**
Oil options	Positive	29	26	32	12	0	**99**
	Negative	0	0	0	0	0	**0**
Gas swaps	Positive	983	247	6	0	0	**1,236**
	Negative	(851)	(189)	(1)	0	0	**(1,041)**
Power swaps	Positive	2,274	490	228	284	847	**4,123**
	Negative	(2,167)	(280)	(77)	(32)	0	**(2,556)**
Power options	Positive	0	2	0	0	0	**2**
	Negative	0	(29)	0	0	0	**(29)**
Coal forwards	Positive	1,826	274	12	0	0	**2,112**
	Negative	(1,704)	(154)	(7)	0	0	**(1,865)**
Currency:							
Foreign exchange contracts	Positive	265	8	4	0	0	**277**
	Negative	(56)	0	0	0	0	**(56)**
Currency swaps	Positive	46	37	6	18	0	**107**
	Negative	(36)	(16)	(11)	(20)	(180)	**(263)**
Currency options	Positive	10	0	0	0	0	**10**
	Negative	0	0	0	0	0	**0**
Interest:							
Interest rate swaps	Positive	1	12	0	11	13	**37**
	Negative	(5)	0	0	0	0	**(5)**
Positive at 31 December		**5,463**	**1,096**	**288**	**325**	**860**	**8,032**
Negative at 31 December		**(5,255)**	**(984)**	**(341)**	**(173)**	**(180)**	**(6,933)**

NOTES WITHOUT REFERENCE

35 Derivative financial instruments (continued)

2006		Market value of derivative financial instruments					
DKK million		2007	2008	2009	2010-2011	After 2011	Total
Commodities:							
Oil swaps	Positive	32	5	0	0	0	**37**
	Negative	(295)	(2)	0	0	0	**(297)**
Oil options	Positive	5	45	19	0	0	**69**
	Negative	0	0	0	0	0	**0**
Gas swaps	Positive	1,949	368	62	0	0	**2,379**
	Negative	(1,849)	(315)	(13)	0	0	**(2,177)**
Power swaps	Positive	3,489	607	208	253	918	**5,475**
	Negative	(2,486)	(368)	(42)	0	0	**(2,896)**
Power options	Positive	3	30	0	0	0	**33**
	Negative	(18)	0	0	0	0	**(18)**
Coal forwards	Positive	115	20	2	0	0	**137**
	Negative	(110)	(10)	(1)	0	0	**(121)**
Currency:							
Forward exchange contracts	Positive	41	0	0	0	0	**41**
	Negative	(40)	(3)	(3)	(6)	0	**(52)**
Currency swaps	Positive	176	21	14	0	18	**229**
	Negative	(13)	(17)	(8)	(14)	(84)	**(136)**
Interest:							
Interest rate swaps	Positive	11	4	20	10	30	**75**
	Negative	(1)	(24)	(1)	(5)	0	**(31)**
Positive at 31 December		5,821	1,100	325	263	966	8,475
Negative at 31 December		(4,812)	(739)	(68)	(25)	(84)	(5,728)

Hedging of future cash flows:

2007

DKK million	Notional amount	Fair value	Recognised in equity	Expected date of transfer to income statement 2008	2009	2010	After 2010
Commodities:							
Oil swaps	4,859	(1,109)	(1,109)	(427)	(316)	(245)	(121)
Oil options	5,603	99	(49)	(49)	0	0	0
Gas swaps	435	(2)	(12)	3	(15)	0	0
Power swaps	2,486	(156)	(253)	(177)	(58)	(9)	(9)
Coal forwards	235	204	241	134	103	4	0
Currency:							
Forward exchange contracts	3,707	123	367	239	67	55	6
Currency swaps	663	62	61	23	33	5	0
Currency options	263	10	14	14	0	0	0
Loans in foreign currency	194	194	91	46	45	0	0
Interest:							
Interest rate swaps	1,358	(6)	130	32	28	21	49
Derivative financial instruments, total	**19,803**	**(581)**	**(519)**	**(162)**	**(113)**	**(169)**	**(75)**

2006

DKK million	Notional amount	Fair value	Recognised in equity	Expected date of transfer to income statement 2007	2008	2009	After 2009
Commodities:							
Oil swaps	171	(268)	(268)	(268)	0	0	0
Oil options	6,616	69	(35)	(35)	0	0	0
Gas swaps	713	169	134	36	52	46	0
Power swaps	3,630	979	864	819	32	12	1
Coal forwards	976	26	8	5	2	1	0
Currency:							
Foreign exchange contracts	980	(16)	(10)	8	(6)	(5)	(7)
Currency swaps	1,316	199	190	174	12	11	(7)
Currency options	0	0	4	0	4	0	0
Loans in foreign currency	324	325	102	34	34	34	0
Interest:							
Interest rate swaps	2,782	58	138	33	26	23	56
Derivative financial instruments, total	**17,508**	**1,541**	**1,127**	**806**	**156**	**122**	**43**

NOTES WITHOUT REFERENCE

35 Derivative financial instruments (continued)

Hedging of fair values		2007				2006		
DKK million	Receivables	Payables	Hedged using hedging instruments	Net position	Receivables	Payables	Hedged using hedging instruments	Net position
Currency:								
EUR	6,561	(13,286)	3,728	(2,997)	10,688	(14,005)	3,728	411
USD	4,275	(7,764)	1,566	(1,923)	1,867	(4,444)	1,187	(1,390)
GBP	1,432	(926)	0	506	1,348	(1,618)	0	(270)
SEK	708	(33)	0	675	721	(179)	0	542
NOK	853	(578)	0	275	553	(595)	0	(42)
Other	139	(21)	0	118	40	(57)	48	31
	13.968	**(22.608)**	**5.294**	**(3.346)**	**15.217**	**(20.898)**	**4.963**	**(718)**

Hedging of net investments in foreign subsidiaries		2007				2006		
DKK million	Investment incl. equity-like loans	Hedged amount in currency	Net position	Foreign exchange adjustments recognised in equity	Investment incl. equity-like loans	Hedged amount in currency	Net position	Foreign exchange adjustments recognised in equity
Currency:								
NOK	12,021	(4,390)	7,631	259	9,629	(2,139)	7,490	(51)
SEK	2,343	0	2,343	(57)	2,415	0	2,415	51
GBP	2,778	(2,194)	584	(113)	1,157	(668)	489	(17)
EUR	818	0	818	0	1,071	0	1,071	0
PLN	441	(383)	58	8	78	0	78	4
	18,401	(6,967)	11,434	97	14,350	(2,807)	11,543	(13)

Trading portfolio and economic hedging	2007		2006	
DKK million	Notional amount	Fair value	Notional amount	Fair value
Oil swaps	68	20	177	8
Oil options	167	0	0	0
Gas swaps	1,720	197	1,240	33
Power swaps	7,810	1,723	7,249	1,600
Power options	275	(27)	535	15
CO_2	14	6	9	2
Coal forwards	157	43	165	(10)
	10,211	**1,962**	**9,375**	**1,648**

The above includes a special long-term financial contract for purchase of power that runs until 2020. The contract is recognised at an estimated market value at 31 December 2007 of DKK 1,713 million (2006: DKK 1,623 million), calculated based on market data and the outlook concerning long-term prices of power, coal and the USD and EUR exchange rates. Unrealised value adjustment at 31 December 2007 is recognised in revenue for 2007 with DKK 134 million (2006: outflow of DKK 173 million).

NOTES WITHOUT REFERENCE

36 Jointly controlled assets and entities

Jointly controlled assets
DONG Energy holds interests in a number of oil and gas exploration licences. These interests are accounted for as jointly controlled assets by the Group.

The Group's interests in oil and gas exploration licences are shown in the overview in note 43.

Reference is made to note 38 on contingent liabilities attaching to the Group's jointly controlled assets, including oil and gas exploration licences.

The Group's recognised share of the costs, assets and liabilities of oil and gas exploration licences is as follows:

DKK million	2007	2006
Income	-	-
Expenses	(566)	(287)
Assets at 31 December	2,132	384
Liabilities at 31 December	76	84

Jointly controlled entities
DONG Energy has interests in jointly controlled entities that operate wind farms, geothermal plants, gas storage facilities, etc,

The Group's interests in jointly controlled entities are shown in the overview in note 44,

Reference is made to note 38 on contingent liabilities attached to the Group's interests in jointly controlled entities,

The Group's recognised share of the profits, assets and liabilities of jointly controlled entities is as follows:

DKK million	2007	2006
Income	530	364
Expenses	(300)	(161)
Non-current assets	2,765	1,764
Current assets	251	220
Assets at 31 December	3,016	1,984
Non-current liabilities	356	421
Current liabilities	281	146
Liabilities at 31 December	**637**	**567**

37 Operating leases

Non-cancellable operating lease payments amount to:

DKK million	2007	2006
0 - 1 year	176	102
1 - 5 years	1,608	1,771
> 5 years	1,131	1,416
	2,915	**3,289**
Operating lease payments recognised in the income statement amount to	55	6

Operating leases comprise leasing of a drilling rig in the period 2008 - 2011, two natural gas storage facilities in Germany, one in the period 2008 - 2023, and the other in the period 2010 - 2018, commercial leases in the period 2007-2012 and leasing of vehicles, the latter having a term of up to five years,

38 Contingent assets and contingent liabilities

Contingent assets

Significant unrecognised contingent assets comprise deferred tax assets at DKK 9.0 billion (2006: DKK 7.7 billion). Reference is made to note 23.

Contingent liabilities

Liability to pay compensation

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.

Guarantees

DONG Energy 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, UK, Greenland and Faroese continental shelves, DONG Energy A/S has provided a guarantee under which it assumes primary liability as normally required by the local authorities. The guarantee covers obligations and liability incurred or assumed by the DONG E&P Group in connection with its exploration and production activities. The guarantee has no maximum limit and the DONG E&P Group is jointly and severally liable with the other partners for obligations and liability.
Through subsidiaries and joint ventures, DONG Energy participates in oil and natural gas production and exploration, construction and operation of wind farms, geothermal plants and natural gas installations. The Group has provided guarantees

NOTES WITHOUT REFERENCE

38 Contingent assets and contingent liabilities (continued)

and guarantees under which the Group assumes primary liability in respect of leases, decommissioning obligations, purchase and sales contracts, etc.

As part of the normal course of the Group's activities, DONG Energy has provided guarantees and guarantees under which it assumes primary liability in respect of various other contractual obligations. Guarantee obligations amount to DKK 438 million.

Joint and several liability

The DONG Energy Group is part of a number of joint ventures, including renewable energy projects and oil and natural gas production and exploration licences. The Group's companies are jointly and severally liable with the other joint venturers for obligations and liability under agreements concluded.

DONG Energy Power A/S is liable as a partner for financial losses at certain CHP plants.

Litigation

DONG Energy is a party to actions concerning the competition authorities' and private claimants' claim that DONG Energy Power (formerly Elsam A/S) and possibly Energi E2 charged excessive prices in the Danish wholesale power market in some periods.

The Competition Appeals Tribunal has concluded that Elsam A/S, now DONG Energy Power, abused its dominant position in Western Denmark to some extent in the periods 1 July 2003 to 31 December 2004 and 1 January 2005 to 30 June 2006 by charging excessive prices. DONG Energy disputes these rulings. DONG Energy has consequently appealed the Competition Appeals Tribunal's ruling concerning the second half of 2003 and 2004 to the Copenhagen Maritime and Commercial Court, and has also decided to appeal the ruling relating to 2005 and the first half of 2006 to the Copenhagen Maritime and Commercial Court.

The Competition Council is in the process of examining Energi E2's wholesale power prices in the period 1 April 2003 to 31 December 2006.

In autumn 2007, a group of power consumers filed a writ with the Copenhagen Maritime and Commercial Court. The claimants' claim has been estimated at DKK 4.4 billion with addition of interest.

As the outcome of these actions is naturally subject to considerable uncertainty, a provision of DKK 298 million has been recognised, including an amount of DKK 270 million that has been recognised in the opening balance sheet at 1 July 2006 of DONG Energy Power (formerly Elsam A/S). The provision has been determined on the basis of the Competition Council's calculation of the consumers' losses.

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 damages, if any, has not been made in the annual report. The case will be heard by the High Court of Western Denmark at the end of August 2008.

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

39 Contractual obligations and security

Contractual obligations

The Group has entered into binding contracts with suppliers for the purchase of property, plant and equipment. The obligations total DKK 12.0 billion (2006: DKK 2.3 billion).

The DONG E&P Group participates in a number of oil and natural gas exploration licences. Continued participation in these licences commits the companies to invest substantial sums in future.

DONG Energy participates in joint ventures and have assumed investment obligations amounting to DKK 847 million.

The Group is also a party to a number of long-term purchase and sales contracts that have been concluded in the course of the Group's normal operations. Apart from the liabilities already recognised, the Group does not expect to incur any financial losses as a result of the performance of these contracts.

Security

Mortgage loans totalling DKK 1,258 million (2006: DKK 1,821 million) are secured on property and four central power stations with a carrying amount of DKK 4,179 million (2006: DKK 3,831 million).

40 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.

In the course of its normal operations, DONG Energy sells products to related parties on arm's length terms.

The Group was involved in the following transactions with related parties in the year under review. These transactions exclude income taxes, taxes deducted at source, etc., VAT and normal management remuneration, etc.

	The Danish State		Associates		Joint ventures	
DKK million	2007	2006	2007	2006	2007	2006
Dividends paid	(1,436)	(35)	(7)	(7)	0	0
Dividends received	-	-	49	35	273	10
Trade receivables	-	-	477	922	47	44
Trade payables	-	-	(99)	(50)	(51)	(703)
Government grants	404	111	-	-	-	-
Interest, net	-	-	18	1	7	2
Receivables	-	-	677	482	148	156
Payables	-	-	36	8	18	428

NOTES WITHOUT REFERENCE

40 Related party transactions (continued)

Licences from the Danish State
DONG Energy has been granted natural gas 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 the conditions laid down in the Natural Gas Supply Act. The licence expires in 2008.

DONG E&P A/S has participated as a partner in all exploration licences granted in Denmark since 1984. Up to and including the 5th licensing round, the company has participated in all licences with a paying share of normally 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 three 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 second 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. The third licence was granted in 2007 and runs provisionally until 2016. During the year under review, DONG Energy provided services as operator of the Metropolitan Geothermal Alliance (HGS).

DONG Energy has also been granted power generation licences that run until 2022, a power transmission licence that runs until 2025, power distribution licences that run until 2022, 2023 and 2025, respectively, depending on the licence area, power PSO licences that are renewed on an ongoing basis subject to application, hydrocarbon exploration and production licences that generally run for six years during the exploration phase and then for 30 years during the production phase, and licences to operate wind farms.

Reference is made to note 43 for an overview of Danish licences and significant licences.

Guarantees from the Danish State
DONG Naturgas A/S, DONG Energy A/S and the Danish State entered into an agreement with the former regional natural gas company Naturgas Syd I/S in 1999 and with the former regional natural gas company Naturgas Sjælland I/S in 2000 concerning the transfer of these two regional companies' assets and liabilities to DONG Naturgas A/S. The values of the transferred assets were determined on the basis of financial calculations of their future earnings potential. All the loans remained with the two regional natural gas companies, which changed their names to Gældsafviklingsselskabet Naturgas Syd I/S and Gældsafviklingsselskabet Naturgas Sjælland I/S. DONG Naturgas A/S issued an instrument of debt to the two companies under which DONG Naturgas pays interest and instalments on the loans.

The instruments of debt were transferred to the companies DONG Gas Distribution and DONG Storage in connection with the unbundling of DONG Naturgas. The Danish State has granted an unconditional and irrevocable guarantee to the two debt repayment partnerships in respect of all payments on the loans. The Danish State has recourse against DONG Gas Distribution A/S and DONG Storage A/S in respect of any amounts paid by the State under the guarantees.

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. The duty paid to the Danish State amounted to DKK 1,727 million (2006: DKK 1,793 million). Several of DONG E&P A/S's Danish fields are not connected to DONG Oil Pipe's pipeline, and DONG E&P consequently pays exemption duty to the Danish State. Exemption

duty paid in 2007 amounted to DKK 104 million (2006: DKK 136 million).

In 2007, DONG Energy concluded an agreement on sale of the regional 132 kV transmission grid in North Zealand to Energinet.dk, which is owned by the Danish State. The sale is expected to be completed after the first quarter of 2008. DONG Energy engages in other significant transactions with Energinet.dk on a daily basis in the latter's capacity as the Danish TSO. As the Danish TSO, Energinet.dk operates the 400 kV power transmission grids in Denmark and the Danish natural gas transmission network, which the Group uses to transport power and natural gas. The Group also sells power system services and natural gas storage capacity to Energinet.dk to meet the need for system integrity and emergency supplies to the Danish power and natural gas supply system.

In 2006, the Group sold Nunaoil A/S to the Danish State, and Ll. Torup Gaslager A/S to Energinet.dk, which is owned by the Danish State. The selling prices received were DKK 35 million and DKK 1,490 million, respectively (both equity value).

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.

41 | Events after the balance sheet date

In March 2008, the Danish Competition Appeals Tribunal has concluded that Elsam A/S, now DONG Energy Power, abused its dominant position in West Denmark to a not insignificant extent in the period 1 January 2005 to 30 June 2006 by charging excessive prices. DONG Energy disputes the ruling and has decided to appeal it to the Copenhagen Maritime and Commercial Court. Reference is made to note 38.

No other material events have occurred after 31 December 2007.

ACCOUNTING POLICIES

42 Description of accounting policies

Basis of preparation

Consolidated financial statements
The consolidated financial statements include the financial statements of the parent company DONG Energy A/S and subsidiaries 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 or other benefits are not included in the consolidation, but are instead measured at fair value as investments under other equity investments.

Enterprises over which the Group exercises significant influence, but not control, are accounted for as associates. Significant influence 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 the description under "Interests in joint ventures".

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 as a consolidation of the parent company's and the individual subsidiaries' financial statements, in accordance with 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 revaluations is taken into account.

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

The excess of the cost of the acquiree 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.

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 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 write-down 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.

Where a business combination involves successive acquisitions, 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

ACCOUNTING POLICIES

42 Description of accounting policies (continued)

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 or 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 income statement items 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 entity, 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 relating to that foreign entity is is recognised in the income statement when the gain or loss on disposal is recognised.

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, power, coal and natural gas.

Derivative financial instruments are recognised from the trade date under receivables (positive fair values) and other payables (negative fair values), respectively, and are measured in the balance sheet at fair value. Costs directly related to the acquisition or issue of the individual financial instrument (transaction costs) are added to the fair value on initial recognition, unless the financial asset or the financial liability is measured at fair value through the income statement. Positive and negative fair values are only offset if the enterprise is entitled 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 hedged risk. Hedging 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 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.

Under IFRS, contracts that involve the physical delivery of commodities are, in certain circumstances, accounted for as derivative financial instruments. Based on an evaluation of the purpose of our commodity contracts and the connection between that purpose and our other activities, our contracts that involve the physical delivery of commodities generally satisfy the criteria for exemption from classification as derivative financial instruments for normal sale and purchase contracts ("normal sale and purchase" exemption). Only contracts that lead to physical delivery of commodities and are recognised in the course of the Group's trading activities or as part of certain hedging activities, are accounted for and measured as derivative financial instruments.

Income statement

Revenue

Revenue comprises sales and transportation of natural gas and crude oil, distribution and storage of natural gas, sales and distribution of power and heat and grants for power 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.

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.

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 recovered.

ACCOUNTING POLICIES

42 Description of accounting policies (continued)

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, power, 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.

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, expensing of exploration wells, etc.
- research and development, including costs for research into new and improved production methods and further development of existing technologies, etc.

are recognised in the income statement as incurred, unless the criteria in IAS 38 for capitalisation of development costs are met.

Sales and marketing
Sales and marketing, which comprises expenses for negotiation and conclusion of purchase and sales contracts relating to natural gas, crude oil, power, heat, etc., and for marketing of DONG Energy and DONG Energy's products, is recognised in the income statement as incurred. This item includes direct expenses as well as allocated indirect expenses for sales and marketing.

Management and administration
Management and administration, comprising primarily staff costs for management and administrative staff, is recognised in the income statement as incurred. 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 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. Other income and expenses are recognised as earned/incurred. 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.

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 power 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 power 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 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. Interest is recognised under the accrual basis of accounting. Dividends from other investments are recognised as they are received.

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 the parent company equivalent to the tax base of the tax losses utilised (full allocation), while companies that utilise tax losses in other Danish companies pay joint taxation contributions to the parent company equivalent to the tax base of the utilised losses.

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

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

Subsidiaries that are engaged in hydrocarbon recovery are subject to the hydrocarbon tax legislation in the countries in which they operate. Hydrocarbon taxes are calculated on the basis of a taxable hydrocarbon income, and 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

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.

ACCOUNTING POLICIES

42 Description of accounting policies (continued)

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, 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 the present value of the 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. Replaced parts are derecognised from the balance sheet, and their 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. Recognition in the balance sheet is maintained pending determination of commercial viability. 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".

All exploration expenses determined as unsuccessful are recognised in the income statement as production costs. General exploration expenses and expenses relating to unsuccessful exploration wells are also expensed under production costs as incurred.

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[1]	20 - 50 years
Oil and gas production assets[2]	20 - 40 years
Production assets, power	20 - 35 years
Production assets, district heat	25 - 35 years
Natural gas distribution system[3]	20 - 40 years
Natural gas storage facilities[3]	20 - 40 years
Natural gas transportation system (marine pipelines)[3]	20 - 40 years
Geothermal plants	20 years
Distribution grid, power	10 - 40 years
Distribution grid, heat	10 - 50 years
Oil transportation system (marine pipeline)	15 years
Wind turbines[3]	15 - 20 years
Exploration assets[4]	-
IT hardware	3 - 5 years
Fixtures and fittings, tools and equipment	3 - 10 years
Assets in the course of construction[4]	-

[1] Land is not depreciated.
[2] Depreciation is charged applying the unit-of-production method.
[3] 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.
[4] 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.

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.

ACCOUNTING POLICIES

42 Description of accounting policies (continued)

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 assets 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 under "Business combinations".

Other securities and equity investments

Other securities and 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.

Other equity investments are recognised as financial assets available for sale. Available-for-sale financial assets are those non-derivative financial assets that are designated as available for sale or are not classified as loans and receivables, financial assets measured at fair value through the income statement or held-to-maturity financial assets. 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 are recognised initially in the balance sheet at fair value and are subsequently measured at amortised cost.

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.

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 of the asset after depreciation had no impairment losses been charged.

Inventories

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

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.

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 with value adjustments recognised in the income statement.

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

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, and is determined taking into account marketability, obsolescence and development of expected selling price.

Receivables

Receivables are measured at amortised cost. Write-downs are made for bad and doubtful debts if there is any indication of impairment. Write-downs are made at both individual and portfolio level.

Construction contracts

Construction contracts comprise services, etc., including establishment of grids and networks 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 and a liability 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.

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

ACCOUNTING POLICIES

42 Description of accounting policies (continued)

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, see the description under revenue. 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 current 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. Vlue adjustments are recognised in the income statement when they occur as the investments are made in accordance with an established investment strategy and are managed and reported internally using fair values.

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.

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 bonds that qualify for treatment in accordance with the rules on compound financial instruments due to the special characteristics of the loan. The principal amount, which constitutes a liability, is recognised at present value (nil), and equity has been increased by the difference between the net proceeds received and the present value of the discounted liability. Accordingly, any interest payments are accounted for as dividends that are recognised directly in equity at the time the payment obligation arises. This is because the interest payments are discretionary and relate to the part of the hybrid capital, the equity instrument, that is recognised in equity. Interest payment consequently do not have any effect on the income statement.

The part of the hybrid capital that is accounted for as a liability is measured at amortised cost. However, as the carrying amount of this component amounted to nil on initial recognition, and, as a result of the 1,000-year term of the hybrid capital, amortisation amounts will only impact on the income statement towards the end of the 1,000-year term of the hybrid capital. Interest payments are recognised in the cash flow statement in the same way as dividend payments under financing activities.

Premium on acquisition of minority interests
Premium on acquisition of minority interests is accounted for as a transaction with the company's owners and consequently recognised directly in equity.

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 amounts 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.

Deferred tax assets and deferred tax liabilities are offset if the enterprise has a legally enforceable right to set off current tax assets and current tax liabilities or intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

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 pensions (defined benefit plans) relate to pensions to a few power station employees that are no longer with the company and public servants taken over from municipally owned regional gas companies. 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. The year's pension costs including actuarial gains and losses are recognised in the income statement.

Provisions

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.

ACCOUNTING POLICIES

42 Description of accounting policies (continued)

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
Financial liabilities comprise mortgage loans, bank loans, trade and other payables to public authorities, etc.

Bond loans, mortgage loans and bank loans 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.

For hybrid capital, reference is made to the specific details given under "Hybrid capital" in the accounting policies.

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

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 operating profit 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, payment of dividends to owners and any interest payments on the hybrid capital.

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.

ACCOUNTING POLICIES

42 Description of accounting policies (continued)

Financial ratios

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

Financial ratios have been calculated as follows:

EBITDA margin [1, 2]	$\frac{\text{Earnings before interest, tax, depreciation, amortisation and impairment losses}}{\text{Revenue}}$
EBIT margin	$\frac{\text{Earnings before financial items and tax}}{\text{Revenue}}$
Earnings per share (EPS) of DKK 10[1]	$\frac{\text{Profit}^3}{\text{Average number of shares}}$
Proposed dividend per share (DPS) of DKK 10	$\frac{\text{Total proposed dividend}}{\text{Number of shares}_{\text{year end}}}$
Payout ratio [1]	$\frac{\text{Total proposed dividend}}{\text{Profit}}$
Dividend paid per share of DKK 10	$\frac{\text{Total proposed dividend}}{\text{Number of shares}^4}$
Average number of shares	$\frac{(\text{Shares}_{\text{beg. of yr}} \times D^5) + (\text{Share}_{\text{yr end}} \times (365-D^5))}{365}$
Cash flows from operating activities per share	$\frac{\text{Cash flows from operating activities}}{\text{Average number of shares}}$
Interest-bearing debt to EBITDA	$\frac{\text{Net interest-bearing debt + hybrid capital}}{\text{EBITDA adjusted for special hydrocarbon tax}^2}$
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] From and including 2007, EBITDA is calculated including amortisation of purchased CO_2 certificates, as purchased CO_2 certificates are accounted for as a cost of sales item. The changed EBITDA definition has led to a DKK 94 million change in EBITDA for 2007 and a change of DKK 0 for 2006.

[3] Earnings per share (EPS) is determined in accordance with IAS 33..

[4] Number of shares outstanding at declaration date.

[5] D = number of days prior to a capital increase, including the day on which the proceeds are received.

NOTES WITHOUT REFERENCE

43 Licence overview

A list of the Group's most significant licences from the Danish State and the Group's hydrocarbon exploration and production licences in Denmark and abroad.

Segment	Activity	Licence	Location	Ownership interest (%)	Expiry
Generation	Production	Licence to operate wind farm (Nysted)	Denmark	-	2027
Generation	Production	Licence to operate wind farm (Middelgrunden)	Denmark	-	2026
Generation	Production	Licence to operate wind farm (Frederiks-havn)	Denmark	-	-
Generation	Production	Licence to operate wind farm (Tunø Knob)	Denmark	-	-
Generation	Production	Licence to operate wind farm (Vindeby)	Denmark	-	-
Generation	Production	Offshore wind turbine licence (Horns Rev II)	Denmark	-	2034
Generation	Exploration/ production	Geothermal energy exploration and production licence	Denmark	-	2013
Generation	Exploration/ production	Geothermal energy exploration and production licence	Denmark	-	2016
Generation	Exploration/ production	Geothermal energy exploration and production licence	Denmark	-	2016
Generation	Production	Power generation licence	Denmark	-	2022
Exploration & Production	Production	Licence 7/86 Lulita	Denmark	44	2028
Exploration & Production	Production	Licence 7/89 Syd Arne	Denmark	34	2027
Exploration & Production	Production	Licence 1/90 Lulita	Denmark	44	2028
Exploration & Production	Production	Licence 4/95 Nini	Denmark	40	2032
Exploration & Production	Production	Licence 6/95 Siri	Denmark	50	2027
Exploration & Production	Production	Licence 16/98 Cecilie	Denmark	22	2032
Exploration & Production	Production	Licence PL208 Ormen Lange	Norway	45	2040
Exploration & Production	Production	Licence PL250 Ormen Lange	Norway	9	2041
Exploration & Production	Production	Licence PL019A Ula	Norway	5	2029
Exploration & Production	Production	Licence PL019B Gyda	Norway	34	2018
Exploration & Production	Production	Licence PL048B Glitne	Norway	9	2013
Exploration & Production	Production	Licence PL065 Tambar	Norway	45	2022
Exploration & Production	Production	Licence PL300 Tambar East	Norway	45	2021
Exploration & Production	Production	Licence PL048D Enoch	Norway	9	2013
Exploration & Production	Exploration	Licence 7/86 Amalie	Denmark	30	2026
Exploration & Production	Exploration	Licence 9/95 Maja	Denmark	20	2009
Exploration & Production	Exploration	Licensce4/98 Svane	Denmark	45	2008
Exploration & Production	Exploration	Licence 5/98 Hejre	Denmark	50	2008
Exploration & Production	Exploration	Licence 1/06 Hejre Extension	Denmark	40	2012
Exploration & Production	Exploration	Licence 2/06 Syd Tor	Denmark	27	2012

NOTES WITHOUT REFERENCE

43 Licence overview (continued)

Segment	Activity	Licence	Location	Ownership interest (%)	Expiry
Exploration & Production	Exploration	Licence 13/06 Marsvin	Denmark	36	2012
Exploration & Production	Exploration	Licence 14/06 Vibe	Denmark	80	2012
Exploration & Production	Exploration	Licence 03/07	Denmark	80	2013
Exploration & Production	Exploration	Licence PL019C	Norway	35	2018
Exploration & Production	Exploration	Licence PL113 Mjølner	Norway	20	2021
Exploration & Production	Exploration	Licence PL122 Marulk	Norway	30	2025
Exploration & Production	Exploration	Licence PL122B	Norway	30	2025
Exploration & Production	Exploration	Licence PL122C	Norway	30	2025
Exploration & Production	Exploration	Licence PL122D	Norway	30	2025
Exploration & Production	Exploration	Licence PL147 Trym	Norway	20	2027
Exploration & Production	Exploration	Licence PL273 Trane	Norway	10	2008
Exploration & Production	Exploration	Licence PL274 Oselvar	Norway	40	2009
Exploration & Production	Exploration	Licence PL274 BS	Norway	20	2009
Exploration & Production	Exploration	Licence PL289	Norway	40	2009
Exploration & Production	Exploration	Licence PL299	Norway	40	2008
Exploration & Production	Exploration	Licence Pl301 Mime/Krabbe	Norway	40	2008
Exploration & Production	Exploration	Licence PL329 Cygnus	Norway	20	2009
Exploration & Production	Exploration	Licence PL352 Bjørk	Norway	30	2009
Exploration & Production	Exploration	Licence PL357	Norway	50	2011
Exploration & Production	Exploration	Licence 1PL360	Norway	20	2012
Exploration & Production	Exploration	Licence PL381	Norway	30	2012
Exploration & Production	Exploration	Licence PL384	Norway	80	2011
Exploration & Production	Exploration	Licence PL399	Norway	30	2012
Exploration & Production	Exploration	Licence PL401	Norway	30	2012
Exploration & Production	Exploration	Licence PL429	Norway	30	2012
Exploration & Production	Exploration	Licence P911 Laggan	UK	20	2031
Exploration & Production	Exploration	Licence P912 Torridon	UK	6	2031
Exploration & Production	Exploration	Licence P967 Tobermory	UK	33	2045
Exploration & Production	Exploration	Licence P1026 Rosebank	UK	10	2018
Exploration & Production	Exploration	Licence P1028 Cambo	UK	20	2018
Exploration & Production	Exploration	Licence P1159 Tormore	UK	20	2010
Exploration & Production	Exploration	Licence P1163 MacAllen	UK	19	2010
Exploration & Production	Exploration	Licence P1189 Black Rock	UK	20	2010
Exploration & Production	Exploration	Licence P1191 Rosebank	UK	10	2010
Exploration & Production	Exploration	Licence P1193 Stelkur	UK	20	2010
Exploration & Production	Exploration	Licence P1194 Lochside	UK	10	2010
Exploration & Production	Exploration	Licence P1195 Glenlivet	UK	100	2010
Exploration & Production	Exploration	Licence P1272	UK	10	2009

Segment	Activity	Licence	Location	Ownership interest (%)	Expiry
Exploration & Production	Exploration	Licence P1273	UK	10	2009
Exploration & Production	Exploration	Licence P1274	UK	10	2009
Exploration & Production	Exploration	Licence P1373	UK	40	2011
Exploration & Production	Exploration	Licence P1373	UK	40	2011
Exploration & Production	Exploration	Licence P1453	UK	19	2011
Exploration & Production	Exploration	Licence P1454	UK	40	2011
Exploration & Production	Exploration	Licence F006 Kappa	Faroe Islands	22	2009
Exploration & Production	Exploration	Licence F008 Stelkur	Faroe Islands	20	2014
Exploration & Production	Exploration	Licence F009 Sildrakin	Faroe Islands	20	2011
Exploration & Production	Exploration	Licence 2007/26	Greenland	29	2017
Exploration & Production	Development	Licence P159B Alve	Norway	15	2029
Distribution	Production	Underground storage licence	Denmark	-	2023
Distribution	Production	Underground storage licence	Denmark	-	2012
Distribution	Production	Natural gas distribution licence	Denmark	-	2023
Distribution	Production	Power distribution licence (Copenhagen)	Denmark	-	2022
Distribution	Production	Power distribution licence (North Zealand)	Denmark	-	2023
Distribution	Production	Power distribution licence (Frederiksberg)	Denmark	-	2025
Distribution	Production	Power transmission licence	Denmark	-	2025
Markets	Sales	Natural gas supply licence	Denmark	-	2008[1]
Markets	Sales	PSO licence, power (Copenhagen)	Denmark	-	2008[1]
Markets	Sales	PSO licence, power (North Zealand)	Denmark	-	2009[1]
Markets	Sales	PSO licence (Frederiksberg)	Denmark	-	2012[1]

[1] The licence is renewed on an ongoing basis for five-year terms.

For a number of the Group's licences, the licence expiry dates shown opposite each licence indicate the entire term of the exploration and evaluation licence that can be retained if DONG Energy and the Group's partner in each licence meet certain licence criteria. These criteria may include an obligation to drill a specific number of wells or to assume other obligations relating to planning or development of the area to which the licence relates. If DONG Energy and the Group's licence partners opt not to meet such criteria, the licence term may expire earlier than the date shown in the table above.

NOTES WITHOUT REFERENCE

44 Company 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.

Segment/company	Type	Registered office	Ownership interest
Parent company			
DONG Energy A/S		Fredericia, Denmark	-
Generation			
Barrows Offshore Wind Ltd.	J	Berkshire, UK	50%
Borkum Riffgrund I Holding A/S	S	Copenhagen, Denmark	51%
DONG Energy Generation A/S	S	Fredericia, Denmark	100%
DONG Energy Horns Rev I A/S	S	Fredericia, Denmark	100%
DONG Energy Kraftwerke Emden GmbH	S	Hamburg, Germany	100%
DONG Energy Kraftwerke Greifswald Beteilungs-GmbH	S	Frankfurt-am-Main, Germany	100%
DONG Energy Kraftwerke Greifswald GmbH & Co. KG	S	Frankfurt-am-Main, Germany	100%
DONG Energy Kraftwerke Greifswald Verwaltungs GmbH	S	Frankfurt-am-Main, Germany	75%
DONG Energy Kraftwerke Holding GmbH	S	Hamburg, Germany	100%
DONG Energy London Array Ltd.	J	Devon, UK	50%
DONG Energy Nysted I A/S	S	Fredericia, Denmark	100%
DONG Energy Power A/S	S	Fredericia, Denmark	100%
DONG Generation Norge AS	S	Lindås, Norway	100%
DONG VE A/S	S	Fredericia, Denmark	100%
DONG Vind A/S	S	Fredericia, Denmark	100%
DONG Walney (UK) Ltd.	S	London, UK	100%
DONG Wind (UK) Ltd.	S	London, UK	100%
Dublin Waste to Energy Holdings Limited (formerly DONG Generation Ireland Ltd.)	A	Dublin, Ireland	49%
Dublin Waste to Energy Ltd.	A	Dublin, Ireland	49%
E2 Landvind A/S	S	Fredericia, Denmark	100%
E2 Landvind af 20. oktober 2003 A/S	S	Fredericia, Denmark	100%
E2 Landvind af 15. september 2003 A/S	S	Fredericia, Denmark	100%
Elsam France S.A.S.	S	Paris, France	100%
Elsam Polska S.A.	S	Warsaw, Poland	100%
Elsamprojekt Polska Sp. z.o.o.	S	Warsaw, Poland	100%
Emineral A/S	J	Aalborg, Denmark	50%
Energi E2 A/S	S	Fredericia, Denmark	100%
Energi E2 Aiolika Parka Karystias EPE	S	Athens, Greece	100%
Energi E2 Aioliki S.A.	S	Athens, Greece	100%
Energi E2 Renewables A/S	S	Fredericia, Denmark	100%

Segment/company	Type	Registered office	Ownership interest
Frederikshavn Affaldskraftvarmeværk A/S	S	Fredericia, Denmark	100%
Greenpower (Broadmeadows) Limited	A	London, UK	50%
Gunfleet Grid Company Limited	S	London, UK	100%
Gunfleet Sands Ltd.	S	London, UK	100%
Gunfleet Sands II Ltd.	S	London, UK	100%
Haderslev Kraftvarmeværk A/S	S	Fredericia, Denmark	100%
Heysham Offshore Wind Ltd.	S	London, UK	100%
Horns Rev I Offshore Wind Farm I/S	J	Fredericia, Denmark	40%
Horsens Kraftvarmeværk A/S	S	Fredericia, Denmark	100%
Inbicon A/S (formerly Elsam Biosystems A/S)	S	Fredericia, Denmark	100%
I/S Ensted Trafikhavn	J	Aabenraa, Denmark	50%
Kappa Sp. z.o.o.	S	Szczecin, Poland	100%
Kraftgården AB	A	Ragunda, Sweden	26%
Midtfjellet Vindkraft AS	J	Fitjar, Norway	50%
MIG Business Development A/S	A	Frederikshavn, Denmark	50%
Morecambe Wind Ltd.	J	London, UK	33%
Måbjergværket A/S	S	Fredericia, Denmark	100%
Narvik Energi AS	A	Narvik, Norway	33%
NearshoreLAB A/S	S	Frederikshavn, Denmark	96%
Nesa Vind A/S	S	Gentofte, Denmark	100%
Nordkraft Vind AS	J	Narvik, Norway	67%
Nysted Havmølle Park 1	J	Fredericia, Denmark	80%
Odense Kraftvarmeværk A/S	S	Fredericia, Denmark	100%
Omnikron Sp. z.o.o.	S	Szczecin, Poland	100%
Ploudalmezeau Breiz Avel 01 S.A.S.	S	Paris, France	100%
PNE2 RIFF I GmbH	J	Cuxhaven, Germany	26%
PNE2 RIFF II GmbH	J	Cuxhaven, Germany	50%
Polska Energia Wiatrowa Sp. z.o.o.	S	Szczecin, Poland	100%
P/S BI New Energy Solutions	A	Copenhagen, Denmark	22%
Salten Kraftsamband AS	A	Fauske, Norway	27%
Scarweather Sands Ltd.	J	Coventry, UK	50%
Seascape Energy Ltd.	S	London, UK	100%
Storrun Vindkraft AB	S	Uddevalla, Sweden	100%
Storrun Vindkraft Elnät AB	S	Uddevalla, Sweden	100%
Thermie Seras Drama S.A.	A	Athens, Greece	40%
Vejen Kraftvarmeværk A/S	S	Fredericia, Denmark	100%
Westermost Rough Ltd.	S	Aberdeen, Scotland	100%
Zephyr AS	A	Sarpsborg, Norway	33%

NOTES WITHOUT REFERENCE

44 Company overview (continued)

Segment/company	Type	Registered office	Ownership interest
Exploration & Production			
DONG Central Graben E&P Ltd.	S	Fredericia, Denmark	100%
DONG E&P (UK) Ltd.	S	London, UK	100%
DONG E&P A/S	S	Fredericia, Denmark	100%
DONG E&P Føroyar P/F	S	Torshavn, Faroe Islands	100%
DONG E&P Grønland A/S	S	Nuuk, Greenland	100%
DONG E&P Norge AS	S	Stavanger, Norway	100%
DONG Oil Pipe A/S	S	Fredericia, Denmark	100%
Distribution			
Dansk Gasteknisk Center A/S	A	Rudersdal, Denmark	37%
DONG Energy City Elnet A/S	S	Fredericia, Denmark	100%
DONG Energy Nord Elnet A/S	S	Fredericia, Denmark	100%
DONG Gas Distribution A/S	S	Fredericia, Denmark	100%
DONG Storage A/S	S	Fredericia, Denmark	100%
DONG Sverige Distribution AB	S	Gothenburg, Sweden	100%
Frederiksberg Elnet A/S	S	Frederiksberg, Denmark	100%
Markets			
Bunde Etzel Pipeline Gesellschaft mbH & Co. KG	J	Hamburg, Germany	16%
Bunde Etzel Pipeline Verwaltungsgesellschaft mbH	J	Hamburg, Germany	16%
DELPRO A/S	A	Kolding, Denmark	33%
Deudan GmbH	A	Handewitt, Germany	49%
Deudan GmbH & Co. KG	A	Handewitt, Germany	49%
DONG Energy Aktiebolag	S	Gothenburg, Sweden	100%
DONG Energy City Drift ApS	S	Fredericia, Denmark	100%
DONG Energy City Forsyning A/S	S	Fredericia, Denmark	100%
DONG Energy El & Gas A/S	S	Fredericia, Denmark	100%
DONG Energy Gasforsyning A/S	S	Fredericia, Denmark	100%
DONG Energy Infrastruktur Holding GmbH	S	Kiel, Germany	100%
DONG Energy Leitung E GmbH	S	Kiel, Germany	100%
DONG Energy Markets B.V.	S	Amsterdam, the Netherlands	100%
DONG Energy Markets GmbH	S	Dorsten, Germany	100%
DONG Energy Nord Forsyning A/S	S	Fredericia, Denmark	100%
DONG Energy Pipelines A/S	S	Fredericia, Denmark	100%
DONG Energy Pipelines GmbH	S	Kiel, Germany	100%
DONG Energy Sales & Distribution A/S	S	Fredericia, Denmark	100%
DONG Energy Sales B.V.	S	Oosterhout, the Netherlands	100%

Segment/company	Type	Registered office	Ownership interest
DONG Energy Sales GmbH	S	Lübeck, Germany	81%
DONG Energy Speicher E GmbH	S	Kiel, Germany	100%
DONG Energy Speicher R GmbH	S	Kiel, Germany	100%
DONG Naturgas A/S	S	Fredericia, Denmark	100%
Etzel Kavernenbetriebsverwaltungsgesellschaft mbH	A	Hamburg, Germany	33%
Etzel Kavernenbetriebsverwaltungsgesellschaft mbH & Co. KG	A	Hamburg, Germany	33%
FordonsGas Sverige AB	A	Ragunda, Sweden	50%
Frederiksberg Elforsyning A/S	S	Frederiksberg, Denmark	100%
Frederiksberg Energiservice A/S	S	Frederiksberg, Denmark	100%
Frederiksberg Forsyning A/S	S	Frederiksberg, Denmark	100%
Frederiksberg Forsynings Ejendomsselskab A/S	S	Frederiksberg, Denmark	100%
KE Marked A/S	S	Copenhagen, Denmark	100%
Kielspeicher 103 GmbH & Co. KG	A	Kiel, Germany	49%
Kielspeicher 103 Verwaltungs-GmbH	A	Kiel, Germany	49%
PowerSense A/S	A	Lyngby-Taarbæk, Denmark	44%
Stadtwerke Lübeck GmbH	A	Lübeck, Germany	25%
Stadtwerke Lübeck Netz GmbH	A	Lübeck, Germany	25%
Swedegas AB (formerly Nova Naturgas AB)	A	Gothenburg, Sweden	20%
Consolidated companies			
DONG EGJ A/S	S	Fredericia, Denmark	100%
DONG El A/S	S	Fredericia, Denmark	100%
DONG Energy Oil & Gas A/S	S	Fredericia, Denmark	100%
DONG Insurance A/S	S	Fredericia, Denmark	100%
EM El Holding A/S	S	Fredericia, Denmark	100%
EnergiGruppen Jylland A/S	S	Herning, Denmark	66%
EnergiGruppen Jylland Biogas A/S	S	Herning, Denmark	66%
EnergiGruppen Jylland El A/S	S	Herning, Denmark	100%
EnergiGruppen Jylland El Holding A/S	S	Herning, Denmark	100%
EnergiGruppen Jylland Forbrænding A/S	NC	Herning, Denmark	66%
EnergiGruppen Jylland Udvikling A/S	S	Herning, Denmark	66%
EnergiGruppen Jylland Vand A/S	NC	Herning, Denmark	66%
EnergiGruppen Jylland Varme A/S	NC	Herning, Denmark	66%
Stigsnæs Vandindvinding I/S	NC	Slagelse, Denmark	59%
Stirling.dk ApS	A	Lyngby-Taarbæk, Denmark	16%
VICH 7443 A/S	S	Fredericia, Denmark	100%

S = subsidiary, A = associate, J = jointly controlled entity, NC = non-consolidated enterprise

PARENT COMPANY FINANCIAL STATEMENTS 2007

DONG ENERGY A/S

Reg. No. 36213728

The financial statements of the parent company, DONG Energy A/S, form an integral part of the overall annual report.
Parts of the parent company financial statements appear in the printed part of the annual report only.
These parts are: Statement by the Executive and Supervisory Boards, Independent auditors' report, Management's review, and the parts of the accounting policies and notes that are identical to the corresponding parts of the consolidated financial statements.

PARENT COMPANY INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER

DKK million	Note	2007	2006
Revenue	3	51	447
Production costs	4, 5	(81)	(480)
Gross profit (loss)		(30)	(33)
Management and administration	4, 6	(259)	(55)
Other operating income	7	46	0
Operating profit (loss) (EBIT)		(243)	(88)
Gain on disposal of enterprises	22	27	1,402
Financial income	8	14,927	9,547
Financial expenses	9	(7,964)	(5,997)
Profit before tax		**6,747**	**4,864**
Income tax expense	10	(183)	140
Profit for the year		**6,564**	**5,004**
Distribution of profit			
The Supervisory Board proposes that the profit for the year, DKK 6,564 million, be distributed as follows:			
Dividend		1,469	1,967
Retained earnings		5,095	3,037
		6,564	**5,004**
Dividend per share of DKK 10, in whole DKK		5.0	6.7

DONG Energy A/S has changed the share denomination from DKK 1,000 per share to DKK 10 per share in 2008. The calculation of dividend per share in 2007 and 2006 has been restated to reflect the new share denomination.

PARENT COMPANY BALANCE SHEET AT 31 DECEMBER

ASSETS

DKK million	Note	2007	2006
Completed development projects		0	27
In-process development projects		0	32
Intangible assets	11	**0**	**59**
Land and buildings		0	135
Investment property		55	59
Fixtures and fittings, tools and equipment		13	1
Property, plant and equipment in the course of construction		0	15
Property, plant and equipment	12	**68**	**210**
Investments in subsidiaries	13	25,778	34,009
Investments in associates	13	106	106
Receivables	14	17,002	9,659
Other non-current assets		**42,886**	**43,774**
Non-current assets		**42,954**	**44,043**
Receivables	14	17,344	18,506
Income tax receivable	18	357	230
Securities	23	34	51
Cash and cash equivalents	23	1,968	623
Current assets		**19,703**	**19,410**
Assets		**62,657**	**63,453**

EQUITY AND LIABILITIES

DKK million	Note	2007	2006
Share capital		2,937	2,937
Hedging reserve		96	93
Retained earnings		25,154	20,399
Proposed dividends		1,469	1,967
Hybrid capital		8,088	8,088
Equity	15	**37,744**	**33,484**
Deferred tax	16	497	297
Bond loans	17	7,923	7,689
Bank loans	17	4,857	4,746
Other payables	17	0	6,807
Non-current liabilities		**13,277**	**19,539**
Bond loans	17	0	1,795
Bank loans	17	1,463	1,490
Other payables	19	10,173	7,145
Current liabilities		**11,636**	**10,430**
Liabilities		**24,913**	**29,969**
Equity and liabilities		**62,657**	**63,453**

PARENT COMPANY STATEMENT OF RECOGNISED INCOME AND EXPENSE FOR THE YEAR ENDED 31 DECEMBER 2007

DKK million	2007	2006
Profit for the year	6,564	5,004
Value adjustments of hedging instruments:		
Value adjustments of hedging instruments	61	168
Value adjustments of hedging instruments transferred to financial income and financial expenses	(63)	(45)
Other adjustments:		
Tax on equity items	116	90
Income and expense recognised directly in equity	114	213
Total recognised income and expense for the year	6,678	5,217
Total recognised income and expense for the year can be broken down as follows:		
Equity holders of DONG Energy A/S	6,678	5,217

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2007

DKK million	Share capital	Hedging reserve	Reserve for shares available for sale	Retained earnings	Proposed dividends	Hybrid capital	Total
Equity at 1 January 2007	2,937	93	0	20,399	1,967	8,088	33,484
Total recognised income and expense for the year, see page 150	-	3	-	6,675	-	-	6,678
Interest provided, hybrid capital	-	-	-	(451)	451	-	0
Interest paid, hybrid capital	-	-	-	-	(451)	-	(451)
Proposed dividends	-	-	-	(1,469)	1,469	-	0
Dividends paid	-	-	-	-	(1,967)	-	(1,967)
Total changes in equity in 2007	**0**	**3**	**0**	**4,755**	**(498)**	**0**	**4,260**
Equity at 31 December 2007	**2,937**	**96**	**0**	**25,154**	**1,469**	**8,088**	**37,744**
Dividend per share of DKK 10, in whole DKK					5.0		

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

DKK million	Share capital	Hedging reserve	Reserve for shares available for sales	Retained earnings	Proposed dividends	Hybrid capital	Total
Equity at 1 January 2006	2,144	4	468	8,374	35	8,155	19,180
Reclassification of tax on hybrid capital	-	-	-	67	-	(67)	0
Restated equity at 1 January 2006	2,144	4	468	8,441	35	8,088	19,180
Total recognised income and expense for the year, see page 150	-	89	-	5,128	-	-	5,217
Reserve for shares available for sale transferred to income statement	-	-	(468)	-	-	-	(468)
Interest provided, hybrid capital	-	-	-	(451)	451	-	0
Interest paid, hybrid capital	-	-	-	0	(451)	-	(451)
Proposed dividends	-	-	-	(1,967)	1,967	-	0
Dividends paid	-	-	-	-	(35)	-	(35)
Capital increase	793	-	-	9,248	-	-	10,041
Total changes in equity in 2006	**793**	**89**	**(468)**	**11,958**	**1,932**	**0**	**14,304**
Equity at 31 December 2006	**2,937**	**93**	**0**	**20,399**	**1,967**	**8,088**	**33,484**
Dividend per share of DKK 10, in whole DKK					6.7		

PARENT COMPANY CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER

DKK million	Note	2007	2006
Cash flows from operations (operating activities)	20	445	425
Interest income and similar items		2,988	1,496
Interest expense and similar items		(2,917)	(1,367)
Income tax paid		587	(342)
Cash flows from operating activities		1,103	212
Purchase of intangible assets		0	(35)
Sale of intangible assets		59	0
Purchase of property, plant and equipment		0	(16)
Sale of property, plant and equipment		141	0
Acquisition of subsidiaries	21	(13,191)	(12,903)
Acquisition of associates	21	0	(842)
Capital contributions, subsidiaries		(151)	0
Disposal of enterprises	22	1,488	35
Sale of other equity investments and securities		0	1,722
Financial transactions with subsidiaries		(8,816)	(5,367)
Other investments		339	(223)
Dividends received, etc.		21,054	3,176
Cash flows from investing activities		923	(14,453)
Proceeds on raising of loans		6,333	9,551
Instalments on loans		(4,407)	(1,488)
Dividends paid		(1,967)	(35)
Interest paid on hybrid capital		(451)	(451)
Change in other non-current payables		(132)	132
Cash flows from financing activities		(624)	7,709
Net increase (decrease) in cash and cash equivalents		1,402	(6,532)
Cash and cash equivalents at 1 January		358	6,890
Cash and cash equivalents at 31 December	23	1,760	358

LIST OF NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

ACCOUNTING POLICIES

01 Basis of reporting and description of accounting policies

Basis of preparation

The parent company financial statements are prepared pursuant to the requirements in the Danish Financial Statements Act concerning preparation of parent company financial statements.

The parent company's financial statements have 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.

Description of accounting policies

The parent company's accounting policies deviate from the accounting policies described for the consolidated financial statements (see note 42 to the consolidated financial statements) in the following areas:

Foreign currency translation

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 parent company income statement under financial income and financial expenses. 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 are taken to the income statement under financial income and financial expenses.

Revenue

Rental income comprises income from commercial leases and is recognised over the term of the lease. Services are recognised when they have been rendered.

Dividends from investments in subsidiaries and associates

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

Property, plant and equipment

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

Investment property is measured at cost less accumulated depreciation and impairment losses. Investment property is depreciated over 20 years.

Investments in subsidiaries and associates

Investments in subsidiaries and associates are measured at cost in the parent company's financial statements. Impairment testing is carried out as described in the accounting policies in the consolidated financial statements if there is any indication of impairment. Cost is written down to recoverable amount whenever the cost exceeds the recoverable amount. Cost is reduced to the extent that dividends received exceed the accumulated profits after the date of acquisition.

NOTES TO THE INCOME STATEMENT

02 Accounting estimates and judgements

Determining the carrying amount of some assets and liabilities requires estimation of the effects of future events on those assets and liabilities at the balance sheet date. Estimates that are material to the parent company's financial reporting are made in connection with, among other things, impairment testing of investments in subsidiaries and associates.

The estimates applied are based on assumptions that are believed by management to be reasonable, 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 company is subject to risks and uncertainties that may cause actual results to differ from these estimates. Financial risks for the DONG Energy Group are disclosed in note 34 to the consolidated financial statements.

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

Management is of the view that no judgements are made in connection with the application of the parent company's accounting policies, other than accounting estimates, that may have a material effect on the amounts recognised in the annual report.

03 Revenue

DKK million	2007	2006
Rental income and sale of services	51	447
Revenue	**51**	**447**

NOTES TO THE INCOME STATEMENT

04 Staff costs

DKK million	2007	2006
Wages and salaries	(19)	(163)
Defined contribution pension plans	0	(14)
Other social security costs	0	(1)
Other staff costs	0	(11)
Staff costs	**(19)**	**(189)**
Staff costs are recognised as follows:		
Production costs	(11)	(159)
Management and administration	(8)	(22)
Transfer to intangible assets	0	(8)
Staff costs	**(19)**	**(189)**
Number of full-time employees:		
Average for the financial year	8	260
At year end	8	285

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

DKK '000	2007				
	Wages and salaries	Bonus[1]	Pension	Termination benefit	Total
Parent company Supervisory Board:					
Chairman	(406)	0	0	0	(406)
Deputy chairman	(244)	0	0	0	(244)
Other members[2]	(1,650)	0	0	0	(1,650)
Audit and Risk Committee:					
Chairman	(88)	0	0	0	(88)
Other members[3]	(144)	0	0	0	(144)
Remuneration Committee:					
Chairman	(50)	0	0	0	(50)
Other member	(25)	0	0	0	(25)
Executive Board in the Parent company					
CEO	(4,388)	(1,272)	(1)	0	(5,661)
CFO	(3,529)	(1,386)	(1)	0	(4,916)
Total	**(10,524)**	**(2,658)**	**(2)**	**0**	**(13,184)**

[1] Of this amount, DKK 1.4 million had not been paid at 31 December 2007.
[2] Annual remuneration amounted to DKK 150 thousand per member in 2007.
[3] Annual remuneration amounted to DKK 44 thousand per member in 20007.

DKK '000	2006				
	Wages and salaries	Bonus[1]	Pension	Termination benefit	Total
Parent company Supervisory Board:					
Chairman	(338)	0	0	0	(338)
Deputy chairman	(219)	0	0	0	(219)
Other members[2]	(1,231)	0	0	0	(1,231)
Audit and Risk Committee:					
Chairman	(38)	0	0	0	(38)
Other members[3]	(56)	0	0	0	(56)
Remuneration Committee:					
Chairman	(38)	0	0	0	(38)
Other member	(19)	0	0	0	(19)
Executive Board and other senior executives in the parent company:					
CEO	(4,092)	(500)	0	0	(4,592)
Other senior executives in the parent company	(2,900)	(400)	0	0	(3,300)
Total	**(8,931)**	**(900)**	**0**	**0**	**(9,831)**

[1] Of this amount, DKK 0.9 million had not been paid at 31 December 2006.

[2] Annual remuneration amounted to DKK 144 thousand per member in 2006.

[3] Annual remuneration amounted to DKK 25 thousand per member in 2006.

The Executive Board is made up of two persons in total (2006: one person).

A bonus plan has been established for the Executive Board. The service contract of the CEO includes a termination package under which he will be entitled to salary equivalent to 33½ months' salary if his service contract is terminated by the company (2006: 24 months). The CFO will be entitled to 24 months' salary if his service contract is terminated by the company (2006: 24 months).

NOTES TO THE INCOME STATEMENT

05 Depreciation, amortisation and impairment losses

DKK million	2007	2006
Depreciation, amortisation and impairment losses by type of expenditure:		
Amortisation of intangible assets	0	(64)
Depreciation of property, plant and equipment	(14)	(19)
Depreciation and amortisation	**(14)**	**(83)**
Impairment losses	**0**	**0**
Depreciation, amortisation and impairment losses by function:		
Production costs	(14)	(83)
Management and administration	0	0
Depreciation, amortisation and impairment losses recognised in the income statement	**(14)**	**(83)**

06 Fees to auditors appointed at the Annual General Meeting

DKK million	2007	2006
Audit fees	(2)	(2)
Other assurance engagements and related services[1]	(15)	0
Non-audit fees	(6)	(13)
Total fees to KPMG	**(23)**	**(15)**
Audit fees	(1)	(1)
Other assurance engagements and related services[1]	(2)	0
Non-audit fees	0	(6)
Total fees to Deloitte	**(3)**	**(7)**

[1] In 2007, this item was affected by preparations in connection with the IPO.

07 Other operating income

DKK million	2007	2006
Other income	33	0
Gains on sale of intangible assets and property, plant and equipment	13	0
Other operating income	**46**	**0**

08 Financial income

DKK million	2007	2006
Interest income from cash, etc.	301	127
Interest income from subsidiaries	1,457	750
Interest income from securities at fair value	2	3
Foreign currency gains	1,027	567
Dividends	6,158	2,850
Value adjustments of derivative financial instruments	5,982	4,430
Realised gain on sale of shares available for sale	0	818
Other financial income	0	2
Financial income	**14,927**	**9,547**

09 Financial expenses

DKK million	2007	2006
Interest expense relating to payables	(922)	(606)
Interest expense to subsidiaries	(141)	(124)
Foreign exchange losses	(873)	(790)
Capital losses on securities at fair value	(1)	(2)
Value adjustments of derivative financial instruments	(6,027)	(4,475)
Financial expenses	**(7,964)**	**(5,997)**
Foreign exchange adjustments recognised in profit for the year (net loss):	154	(223)

NOTES TO THE BALANCE SHEET

10 Income tax expense

DKK million	2007	2006
Tax for the year can be broken down as follows:		
Tax on profit for the year	(183)	140
Tax on changes in equity	120	90
Effect on equity of reduction of Danish income tax rate from 28% to 25%	(4)	0
Tax for the year	(67)	**230**
Income tax expense can be broken down as follows:		
Current tax	0	0
Joint taxation contribution	0	195
Deferred tax	(183)	(56)
Adjustments of current tax for prior years	131	16
Effect of reduction of Danish income tax rate from 28% to 25%	1	0
Other adjustments of deferred tax relating to prior years	(132)	(15)
Income tax expense	(183)	**140**
Income tax expense can be explained as follows:		
Calculated 25% (2006: 28%) tax on profit before tax	(1,688)	(1,362)
Tax effect of:		
Non-taxable income	1,551	1,523
Non-deductible expenses	(48)	(22)
Prior year adjustments	1	1
Effect of reduction of Danish income tax rate from 28% to 25%	1	0
Income tax expense	(183)	**140**
Effective tax rate	**3**	**(3)**

11 Intangible assets

DKK million	Completed development projects	In-process development projects	Total
Cost at 1 January 2007	318	32	350
Additions	0	0	0
Disposals	(318)	(32)	(350)
Cost at 31 December 2007	**0**	**0**	**0**
Amortisation and impairment losses at 1 January 2007	(291)	0	(291)
Amortisation	0	0	0
Disposals	291	0	291
Amortisation and impairment losses at 31 December 2007	**0**	**0**	**0**
Carrying amount at 31 December 2007	**0**	**0**	**0**
Cost at 1 January 2006	294	21	315
Additions	0	35	35
Disposals	0	0	0
Transfers	24	(24)	0
Cost at 31 December 2006	**318**	**32**	**350**
Amortisation and impairment losses at 1 January 2006	(227)	0	(227)
Amortisation	(64)	0	(64)
Disposals	0	0	0
Amortisation and impairment losses at 31 December 2006	**(291)**	**0**	**(291)**
Carrying amount at 31 December 2006	**27**	**32**	**59**
Amortised over	-	-	-

NOTES TO THE BALANCE SHEET

12 Property, plant and equipment

DKK million	Land and buildings	Investment property	Fixtures and fittings, tools and equipment	Property, plant and eqpt. in the course of construction	Total
Cost at 1 January 2007	269	88	10	15	382
Additions	0	0	0	0	0
Disposals	(269)	0	(10)	(1)	(280)
Transfers	0	0	14	(14)	0
Cost at 31 December 2007	**0**	**88**	**14**	**0**	**102**
Depreciation and impairment losses at 1 January 2007	(134)	(29)	(9)	0	(172)
Depreciation, disposals	143	0	9	0	152
Depreciation	(9)	(4)	(1)	0	(14)
Depreciation and impairment losses at 31 December 2007	**0**	**(33)**	**(1)**	**0**	**(34)**
Carrying amount at 31 December 2007	**0**	**55**	**13**	**0**	**68**
Depreciated over	**20 years**	**20 years**	**3-5 years**	**-**	

DKK million	Land and buildings	Investment property	Fixtures and fittings, tools and equipment	Prop. , plant and eqpt. in the course of construction	Total
Cost at 1 January 2006	269	88	9	0	366
Additions	0	0	0	16	16
Disposals	0	0	0	0	0
Transfers	0	0	1	(1)	0
Cost at 31 December 2006	**269**	**88**	**10**	**15**	**382**
Depreciation and impairment losses at 1 January 2006	(124)	(21)	(8)	0	(153)
Depreciation, disposals	0	0	0	0	0
Depreciation	(10)	(8)	(1)	0	(19)
Depreciation and impairment losses at 31 December 2006	**(134)**	**(29)**	**(9)**	**0**	**(172)**
Carrying amount at 31 December 2006	**135**	**59**	**1**	**15**	**210**
Depreciated over	**20 years**	**20 years**	**3-5 years**	**-**	

The fair value of investment property was DKK 55 million (2006: DKK 73 million). The determination of fair value is based on a calculation of the value in use. The value in use has been determined as the present value of the expected future net cash flows from the properties. The net cash flows have been determined on the basis of budgets for the period 2008-2026. A discount rate of 7% pre-tax has been used. External valuers have not been used in connection with the determination of fair value.

Total rental income for the year from investment property, DKK 7 million (2006: DKK 12 million), is recognised in the income statement under revenue. Total costs for operation and maintenance of investment property, DKK 0 million (2006: DKK 5 million), are recognised in the income statement under production costs. The investment properties were let to subsidiaries throughout the year.

No mortgages or other restrictions on the use of investment property were registered at 31 December 2007.

13 Other non-current assets

DKK million	Investments in subsidiaries		Investments in associates		Other equity investments	
	2007	2006	2007	2006	2007	2006
Cost at 1 January	34,009	3,929	175	375	0	904
Additions	6,667	19,578	0	10,883	0	0
Transfers	0	10,883	0	(10,883)	0	0
Dividends	(14,890)	(276)	0	0	0	0
Disposals	(8)	(105)	0	(200)	0	(904)
Cost at 31 December	**25,778**	**34,009**	**175**	**175**	**0**	**0**
Value adjustments at 1 January	0	0	(69)	(234)	0	468
Disposals	0	0	0	165	0	(468)
Value adjustments at 31 December	**0**	**0**	**(69)**	**(69)**	**0**	**0**
Carrying amount at 31 December	**25,778**	**34,009**	**106**	**106**	**0**	**0**

DONG Energy A/S acquired shares in the following companies during the year:

2007:
DONG Energy Sales & Distribution A/S, DONG Energy Infrastruktur Holding GmbH.

2006:
DONG Energy Leitung E GmbH, DONG Energy Power A/S, DONG Energy Speicher E GmbH, Energi E2 A/S, Frederiksberg Elforsyning A/S, Frederiksberg Elnet A/S, Frederiksberg Forsynings Ejendomsselskab A/S, KE Drift A/S, VICH 7443 A/S and DONG Energy Oil & Gas A/S (formerly VICH 7444 A/S).

Reference is made to the company overview in note 30.

NOTES TO THE BALANCE SHEET

13 Other non-current assets (continued)

Associates:

Investments in associates are measured at cost in the parent company's balance sheet.

2007

Name	Registered office	Ownership interest	Revenue	Profit for the year	Assets	Liabilities	DONG Energy's share: Profit for the year	DONG Energy's share: Equity
Swedegas AB[1]	Stockholm, Sweden	20%	177	52	786	434	11	72
Parent company, total							**11**	**72**

2006

Name	Registered office	Ownership interest	Revenue	Profit for the year	Assets	Liabilities	DONG Energy's share: Profit for the year	DONG Energy's share: Equity
Swedegas AB[1]	Stockholm, Sweden	20%	181	(10)	843	487	(2)	73
Parent company, total							**(2)**	**73**

[1] Formerly Nova Naturgas AB.

14 Receivables

DKK million	2007	2006
Receivables can be broken down as follows:		
Loans to subsidiaries	17,002	9,314
Other receivables	0	345
Non-current receivables at 31 December	**17,002**	**9,659**
Trade receivables	0	10
Receivables from subsidiaries	13,477	12,357
Fair value of derivative financial instruments	3,623	4,618
Receivables from sale of activities	0	1,458
Deposits	10	1
Other receivables	214	35
Prepayments	20	27
Current receivables at 31 December	**17,344**	**18,506**

Except for the fair value of derivative financial instruments and deposits, receivables fall due for payment less than one year after the end of the financial year. The carrying amount of receivables is estimated to correspond to the fair value. Receivables from subsidiaries relate to current credit facilities that are made available to subsidiaries, joint taxation contributions, etc. Prepayments relate to prepaid costs.

15 Equity

DKK million	2007	2006
Share capital		
Share capital at 1 January	2,937	2,144
Capital increase by way of non-cash contribution	0	793
Share capital 31 December	2,937	2,937

The company's share capital amounts to DKK 2,937 million divided into shares of DKK 1,000. The share denomination has been changed to DKK 10 per share in 2008.

There have been no capital increases or capital reductions in the years 2003 - 2005.

All shares rank equally. There are no restrictions on negotiability and no restrictions on voting rights. The shares are fully paid up.

Resolutions concerning amendments to the Articles of Association or DONG Energy A/S's dissolution require at least two-thirds of the votes cast and of the voting share capital represented at the general meeting in order to be carried. Any resolution on amendment of the Articles of Association that restricts the shareholders' rights require at least nine-tenths of the votes cast and of the voting share capital represented at the general meeting in order to be carried.

Dividend paid to shareholders in 2007 amounted to DKK 1,967 million.

Hybrid capital

Hybrid capital of DKK 8,088 million comprises the EUR bonds (hybrid capital) issued in the European capital market in June 2005. The loan principal is 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. Interest is settled annually in the middle of the year. 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). So far, DONG Energy has not used the option to postpone interest payments.

NOTES TO THE BALANCE SHEET

16 Deferred tax

DKK million	2007	2006
Deferred tax at 1 January	297	226
Deferred tax for the year recognised in profit for the year	184	56
Prior year adjustments	137	15
Effect of reduction of Danish income tax rate from 28% to 25%	(5)	0
Deferred tax for the year recognised in equity	(116)	0
Deferred tax at 31 December	**497**	**297**
Deferred tax is recognised in the balance sheet as follows:		
Deferred tax (assets)	0	0
Deferred tax (liabilities)	497	297
Deferred tax at 31 December, net	**497**	**297**
Deferred tax relates to:		
Intangible assets	0	16
Property, plant and equipment	36	12
Other non-current assets	0	20
Current assets	5	1
Current liabilities	0	(1)
Retaxation	911	249
Losses	(455)	0
Deferred tax at 31 December	**497**	**297**
Deferred tax liabilities that are not recognised in the balance sheet relate to:		
Temporary differences relating to investments in subsidiaries and associates	0	17

Changes in temporary differences during the year

2007

DKK million	Balance sheet at 1 January	Recognised in profit for the year	Recognised in equity	Balance sheet at 31 December
Intangible assets	16	(16)	0	0
Property, plant and equipment	12	24	0	36
Other non-current assets	20	(20)	0	0
Current assets	1	4	0	5
Current liabilities	(1)	1	0	0
Retaxation	249	662	0	911
Losses	0	(339)	(116)	(455)
	297	316	(116)	497

2006

DKK million	Balance sheet at 1 January	Recognised in profit for the year	Recognised in equity	Balance sheet at 31 December
Intangible asses	24	(8)	0	16
Property, plant and equipment	16	(4)	0	12
Other non-current assets	102	(82)	0	20
Current assets	0	1	0	1
Current liabilities	(4)	3	0	(1)
Retaxation	88	161	0	249
	226	71	0	297

[1] Including effect of reduction of Danish income tax rate from 28% to 25% in 2007.

NOTES TO THE BALANCE SHEET

17 Current and non-current loans

Current and non-current loans can be broken down as follows:

DKK million	2007	2006
Bond loans	7,923	7,689
Mortgage loans	0	163
Bank loans	4,857	4,583
Other payables	0	6,807
Non-current loans at 31 December	**12,780**	**19,242**
Bond loans	0	1,795
Bank loans	1,463	1,490
Current loans at 31 December	**1,463**	**3,285**
Current and non-current loans at 31 December	**14,243**	**22,527**
Fair value	14,257	22,615
Nominal value	14,264	22,452

Maturities

Expected maturities for current and non-current loans:

2007

DKK million	Less than 1 yr	1-2 years	2-3 years	3-4 years	4-5 years	More than 5 yrs	Total
Bond loans	0	0	160	4,047	3,716	0	7,923
Other bank loans	1,463	449	102	75	927	3,304	6,320
Current and non-current loans at 31 December	**1,463**	**449**	**262**	**4,122**	**4,643**	**3,304**	**14,243**

2006

DKK million	Less than 1 yr	1-2 years	2-3 years	3-4 years	4-5 years	More than 5 years	Total
Bond loans	1,795	0	0	160	3,815	3,714	9,484
Mortgage loans	0	0	0	0	0	163	163
Bank loans	1,490	1,364	425	67	408	2,319	6,073
Other payables	0	0	6,807	0	0	0	6,807
Current and non-current loans at 31 December	**3,285**	**1,364**	**7,232**	**227**	**4,223**	**6,196**	**22,527**

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

The company’s financing agreements are not subject to any unusual terms or conditions, apart from those disclosed in note 26 to the consolidated financial statements.

18 Income tax receivable and payable

DKK million	2007	2006
Income tax receivable at 1 January	230	79
Adjustments of current tax for prior years	131	16
Adjustments of current tax for prior years, jointly taxed enterprises	95	12
Payments in respect of prior years	(456)	(37)
Current tax for the year	0	0
Tax for the year on equity	0	90
Current tax for the year from jointly taxed enterprises, incl. tax for the year on equity	0	(2,016)
Current tax from non-consolidated enterprises	0	(5)
Payments for the year	357	2,091
Income tax receivable at 31 December	**357**	**230**

19 Other payables

DKK million	2007	2006
Trade payables	59	108
Payables to subsidiaries	5,927	1,659
Fair value of derivative financial instruments	3,819	4,762
VAT and duties	2	11
Purchase prices payable	82	82
Other payables	284	523
Other payables	**10,173**	**7,145**

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

NOTES TO THE CASH FLOW STATEMENT

20 Cash flows from operations (operating activities)

DKK million.	2007	2006
Operating profit (loss)	(243)	(88)
Depreciation, amortisation and impairment losses	14	83
Operating profit (loss) before depreciation and amortisation (EBITDA)	(229)	(5)
Other restatements	785	(129)
Cash flows from operations (operating activities) before changes in working capital	**556**	**(134)**
Change in trade receivables	514	(514)
Change in other receivables	(195)	173
Change in trade payables	(168)	367
Change in other payables, etc.	(262)	533
Change in working capital	**(111)**	**559**
Cash flows from operations (operating activities)	**445**	**425**

21 Acquisition of enterprises

DKK million	2007	2006
Acquisition of subsidiaries	6,516	19,578
Issue of instrument of debt	0	(6,675)
Payments in respect of prior years	6,675	0
Cash purchase price, subsidiaries	13,191	12,903
Acquisition of associates	0	10,883
Portion paid for in the form of shares	0	(10,041)
Cash purchase price, associates	0	842

22 Disposal of enterprises

DKK million	2007	2006
Carrying amount of enterprises disposed of	3	91
Gain on disposal of enterprise	27	1,402
Selling price	30	1,493
Of which receivables	0	1,458
Amount received in respect of disposals in prior years	1,458	0
Cash selling price	1,488	35

23 Cash and cash equivalents

DKK million	2007	2006
Cash and cash equivalents at 31 December comprise:		
Securities with limited price risk that are part of the ongoing cash management	34	51
Available cash	1,968	623
Bank overdrafts	(242)	(316)
Cash and cash equivalents at 31 December	**1,760**	**358**
Cash at 31 December can be broken down into the following balance sheet items:		
Available cash	1,968	623
Cash at 31 December	**1,968**	**623**
Bank loans at 31 December can be broken down as follows		
Bank overdrafts	(242)	(316)
Other bank loans	(1,221)	(1,174)
Bank loans at 31 December	**(1,463)**	**(1,490)**

NOTES WITHOUT REFERENCE

24 Currency risks, interest rate risks and commodity price risks, etc.

As part of its financial management, DONG Energy A/S hedges currency risks and interest rate 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. Derivative financial instruments such as forwards, swaps and options are used as hedges.

The parent company also functions as the Group's internal banker in relation to currency, interest rate and cash management and conclusion of certain commodity-related contracts. In a few cases, the company has entered into contracts to hedge risks in subsidiaries.

Reference is made to note 34 to the consolidated financial statements.

Currency risks

Recognised assets and liabilities

	Receivables		Payables		Foreign exchange contracts and currency swaps		Net position	
DKK million	2007	2006	2007	2006	2007	2006	2007	2006
EUR	253	2,296	(9,476)	(13,951)	3,728	3,707	(5,495)	(7,948)
USD	2,343	458	(4,065)	(2,645)	2,338	1,812	616	(375)
GBP	2,440	1,463	(774)	(1,478)	(2,130)	(689)	(464)	(704)
SEK	80	106	(39)	(188)	0	0	41	(82)
NOK	4,829	2,733	0	(68)	(4,463)	(2,139)	366	526
Other	353	1	0	(7)	(383)	0	(30)	(6)
	10,298	7,057	(14,354)	(18,337)	(910)	2,691	(4,966)	(8,589)

At 31 December 2007, unrealised value adjustments of derivative financial instruments for currency hedging of recognised assets and liabilities totalled DKK (196) million (31 December 2006: DKK (157) million), which has been recognised in the parent company income statement.

Sensitivity analysis

The company's most significant currency risks relate to USD, GBP and NOK. The company also calculates and manages the currency risk vis-à-vis EUR; however, as price fluctuations between DKK and EUR are small, the risk is considered to be insignificant.

All other conditions being equal, a 10% increase in the USD exchange rate in relation to the exchange rate at the balance sheet date would have increased profit and equity by DKK 62 million (2006: DKK -38 million). All other conditions being equal, a fall in the exchange rate would have had a corresponding adverse impact.

All other conditions being equal, a 10% increase in the GBP exchange rate in relation to the exchange rate at the balance sheet date would have depressed profit and equity by DKK 46 million (2006: DKK (70) million). All other conditions being equal, a fall in the exchange rate would have had a corresponding adverse effect.

All other conditions being equal, a 10% increase in the NOK exchange rate in relation to the exchange rate at the balance sheet date would have increased profit and equity by DKK 37 million (2006: DKK 53 million). All other conditions being equal, a fall in the exchange rate would have had a corresponding adverse impact.

Interest rate risks

Interest rate risks are the risk that externally introduced changes in agreed interest rates lead to increased interest expense or reduced interest income for the company. For an analysis of the company's interest rate sensitivity, reference is made to note 34 to the consolidated financial statements.

Interest rate hedges

As part of its financial management, the company swaps the interest basis on loans from a floating rate to a fixed rate or vice versa using interest rate swaps.

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 2007 totalled DKK 118 million (31 December 2006: DKK 47 million).

25 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 company's credit risk comprises primarily receivables from financial counterparties. Credit rating of customers and other business partners is carried out on a regular basis to generally minimise this risk.

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

The company's credit risk in connection with derivative financial instruments is limited as they have primarily been entered into with major international banks or other counterparties with a high credit rating.

26 Operating leases

Non-cancellable lease payments amount to:

DKK million	2007	2006
0 - 1 year	52	12
1 - 5 years	81	15
> 5 years	0	0
	133	27

Operating leases comprise leasing of properties and vehicles. The company enters into the leases on behalf of the Group's companies. The leases have a term of five years. There are no significant restrictions in the leases.

DKK million	2007	2006
Operating leases recognised in the parent company's income statement amount to	27	3

NOTES WITHOUT REFERENCE

27 Contingent assets, contingent liabilities and security

Contingent liabilities

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 2.5 million.

Guarantees

DONG Energy A/S has provided guarantee in connection with subsidiaries and participation in joint ventures in oil and natural gas production and exploration, construction and operation of wind farms, geothermal plants and natural gas installations.

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

DONG Energy A/S has provided a parent company guarantee in respect of DONG E&P Norge's obligations in connection with the establishment of a natural gas pipeline.

DONG Energy A/S acts as guarantor with primary liability for bank balances in subsidiaries for up to DKK 3.933 million.

DONG Energy A/S has also provided guarantee in a number of cases as part of holding activities that do not, either individually or collectively, have any effect on the company's financial position.

Litigation

A number of former shareholders in DONG Energy Power A/S (formerly Elsam A/S) have commenced proceedings against DONG Energy A/S and others, 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 damages, if any, has not been made in the annual report. The case will be heard by the High Court of Western Denmark at the end of August 2008.

DONG Energy A/S is also a party to a number of litigation proceedings and legal disputes that do not have any effect on the company's financial position, either individually or collectively.

28 Related party transactions

Reference is made to note 40 to the consolidated financial statements.

Subsidiaries
The parent company's trading with subsidiaries comprises:

DKK million	2007	2006
Rental income and services	51	442
Purchases of goods and services	(39)	(4)
Interest (net income)	1,316	626

The parent company's capital transactions and balances
with subsidiaries at 31 December comprise:

DKK million	2007	2006
Receivables from subsidiaries	30,479	21,671
Payables to subsidiaries	(5,927)	(1,659)
Dividends from subsidiaries	21,046	3,161
Dividends from associates	8	15

29 New International Financial Reporting Standards and IFRIC Interpretations

Reference is made to note 1 to the consolidated financial statements.

NOTES WITHOUT REFERENCE

30 Company overview

Name	Registered office	Ownership interest
Subsidiaries		
DONG E&P A/S	Fredericia, Denmark	100%
DONG El A/S	Fredericia, Denmark	100%
DONG Energy Infrastruktur Holding GmbH	Kiel, Germany	100%
DONG Energy Oil & Gas A/S	Fredericia, Denmark	100%
DONG Energy Pipelines GmbH	Fredericia, Denmark	100%
DONG Energy Power A/S	Fredericia, Denmark	57% [1]
DONG Energy Sales & Distribution A/S	Fredericia, Denmark	100%
DONG Gas Distribution A/S	Fredericia, Denmark	100%
DONG Insurance A/S	Fredericia, Denmark	100%
DONG Naturgas A/S	Fredericia, Denmark	100%
DONG Oil Pipe 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%
Energi E2 A/S	Fredericia, Denmark	30% [2]
Frederiksberg Forsyning A/S	Frederiksberg, Denmark	100%
Frederiksberg Elnet A/S	Frederiksberg, Denmark	100%
Frederiksberg Forsynings Ejendomsselskab A/S	Frederiksberg, Denmark	100%
VICH 7443 A/S	Fredericia, Denmark	100%
Associates		
Swedegas AB (formerly Nova Naturgas AB)	Gothenburg, Sweden	20%

[1] The remaining 43% is owned by EGJ El A/S.
[2] The remaining 70% is owned by DONG Energy Sales & Distribution A/S.

DONG Energy A/S

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COMPANY INFORMATION AT 31 DECEMBER 2007

SHAREHOLDERS

Ministry of Finance 72.98%
SEAS-NVE Holding A/S 10.88%
Syd Energi Net A/S 6.95%
Foreningen Energi Horsens 2.47%
Østjysk Energi S/I 2.11%
Energi Horsens Net Holding A/S 1.83%
Nyfors Entreprise A/S 1.16%
Galten Elværk Net A/S 0.91%
Nyborg Elnet A/S 0.61
GEV Net A/S 0.10%

SUPERVISORY BOARD*

Fritz H. Schur (Chairman),
b. 1951. Joined the Supervisory Board in 2005 as Chairman, re-elected 2007. Term of office expires in 2008. Chairman of Remuneration Committee.
Other managerial posts and Supervisory Board memberships:
CEO: F. Schur og Co. A/S and Fritz Schur A/S
Chairman: Post Danmark A/S, F. Uhrenholt Holding A/S, FSX A/S, PSF af 01.09.1985 A/S, Extrufix Finans A/S and FSC A/S
Deputy Chairman: Brd. Klee A/S and Fritz Schur Teknik A/S
Member: F. Schur og Co. A/S, Fritz Schur A/S, SAS AB (Sweden) and DE POST NV/LA POSTE SA (Belgium)

Lars Nørby Johansen (Deputy Chairman),
b. 1949. Joined the Supervisory Board in 1997, re-elected 1998, 2000, Deputy Chairman 2001, 2003, 2005, 2006, 2007. Term of office expires in 2008. Chairman of Audit and Risk Committee. Member of Remuneration Committee.
Other managerial posts and Supervisory Board memberships:
Chairman: Falck Holding A/S, Falck Danmark A/S, Falck A/S, Georg Jensen A/S, William Demant Holding A/S, Oticon A/S, Stig Jørgensen & Partners A/S and CAT Invest I A/S
Member: Stig Jørgensen & Partners – BI A/S and Stig Jørgensen & Partners – LO A/S

Hanne Sten Andersen,**
b. 1960. Joined the Supervisory Board in 2007.
Term of office expires in 2011.

Jakob Brogaard,
b. 1947. Joined the Supervisory Board in 2007. Term of office expires in 2008.
Member of Audit and Risk Committee.
Other managerial posts and Supervisory Board memberships:
Chairman: Realkredit Danmark A/S
Deputy Chairman: LR Realkredit A/S
Member: Danica Pension, Livsforsikringsaktieselskab, Forsikringsselskabet Danica, Skadeforsikringsaktieselskab af 1999, Danica Pension I, Livsforsikringsaktieselskab and Danica Liv III, Livsforsikringsaktieselskab

Poul Dreyer,**
b. 1964. Joined the Supervisory Board in 2007. Term of office expires in 2011.

Jørgen Peter Jensen,**
b. 1968. Joined the Supervisory Board in 2007. Term of office expires in 2011.

Jens Kampmann,
b. 1937. Joined the Supervisory Board in 2005, re-elected 2007. Term of office expires in 2008.
Member of Audit and Risk Committee.
Other managerial posts and Supervisory Board memberships:
Chairman: Sund og Bælt Holding A/S, Desmi A/S, Frydenholm A/S, Frydenholm Holding A/S, A/S Øresundsforbindelsen, AI Gruppen A/S, Special Waste Systems A/S, Dalum Holding A/S and A/S Storebæltsforbindelsen
Deputy Chairman: Genan Business & Development A/S and Genan A/S
Member: Retrocom Holding A/S and Roulunds Tech A/S

Asbjørn Fredrik Larsen,
b. 1936. Joined the Supervisory Board in 2003, re-e
2006, 2007.
Term of office expires in 2008. Member of Audit and
mittee.
Other managerial posts and Supervisory Board me
Chairman: Belships ASA (Norway)
Deputy Chairman: Saga Fjordbase AS (Norway)
Member: FMC Technologies, Inc. (USA), Green Stre
Oy (Finland) and Selvaag Gruppen AS (Norway)

Poul Arne Nielsen,
b. 1944. Joined the Supervisory Board in 2006, re-e
Term of office expires in 2008.
Other managerial posts and Supervisory Board me
Chairman: SEAS-NVE Holding A/S, SEAS-NVE Strø
and Udgiverselskabet Dagbladet af 27.11.1962 A/S
Deputy Chairman: Østtrafik A/S
Member: SAMPENSION A/S og Kommunernes Pens
ring Aktieselskab

Kresten Philipsen,
b. 1945. Joined the Supervisory Board in 2006, re-e
Term of office expires in 2008.
Other managerial posts and Supervisory Board me
Chairman: Sydbank A/S, Privathospitalet Kollund A
Retursystem A/S and Syd Energi Holding A/S
Member: DTL A/S, Netsam A/S, Det Danske Hedese
01.01.2002 A/S, Forsyning A/S, Dalgasgruppen A/S
Plantningsselskabet Sønderjylland

lected 2005,
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am Network
lected 2007.
mberships:
mmen A/S
sionsforsik-
lected 2007.
mberships:
/S, Dansk
elskab af
S and A/S

Jens Nybo Stilling Sørensen,**
b. 1968. Joined the Supervisory Board in 2007. Term of office expires in 2011.

Lars Rebien Sørensen,
b. 1954. Joined the Supervisory Board in 2007. Term of office expires in 2008.
Other managerial posts and Supervisory Board memberships:
CEO: Novo Nordisk A/S
Member: ZymoGenetics Inc. (USA) and Bertelsmann AG (Germany)

EXECUTIVE BOARD*

Anders Eldrup, ***
b. 1948. CEO since 2001.
Other managerial posts and Supervisory Board memberships:
None

Carsten Krogsgaard Thomsen,***
b. 1957. CFO since 2002.
Other managerial posts and Supervisory Board memberships:
Deputy Chairman: NNIT A/S

Niels Bergh-Hansen
b. 1948. Joined the Executive Board in 2006.
Other managerial posts and Supervisory Board memberships:
None

Lars Clausen,
b. 1959. Joined the Executive Board in 2007.
Other managerial posts and Supervisory Board memberships:
None

Søren Gath Hansen,
b. 1954. Joined the Executive Board in 2002.
Other managerial posts and Supervisory Board memberships:
None

Kurt Bligaard Pedersen,
b. 1959. Joined the Executive Board in 2002.
Other managerial posts and Supervisory Board memberships:
Deputy Chairman: BRF Kredit A/S and BRF Holding A/S

* 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 and CFO.

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