

# ANNUAL REPORT 2012

MOVING ENERGY FORWARD



**DONG**  
energy



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### Language

The report has been prepared in Danish and in English. In the event of any discrepancies between the Danish and the English reports, the Danish version shall prevail.



## Focused transformation to the sustainable energy system of the future

As Denmark's largest energy company DONG Energy has a vital role to play in keeping the Danes supplied with energy. DONG Energy owns more than one-third of Danish electricity generation capacity (wind and thermal) and produces district heat equivalent to one-third of Denmark's consumption, and more than one-third of Danish households receive their electricity or gas via DONG Energy's supply network. DONG Energy therefore plays an important role when it comes to keeping the wheels of Danish society turning. We are very aware of this responsibility.

The merger in 2006 provided DONG Energy with the firm foundation it needed to be able to compete on equal footing with other large energy companies in the liberalised European energy market. However, it was also clear that the company's earnings base, in the form of the large gas contracts with DUC and generation from power stations, would not be enough to take the company into the next decade. Both the gas and the electricity markets were undergoing major changes, and if Denmark was to continue to have a powerful energy company, new growth areas had to be developed that could provide the company with the necessary competitive edge.

Our strategy has therefore been to develop two strong business arms – offshore wind and oil and gas production – to supplement our Danish supply business. Offshore wind is the fastest-growing renewable energy technology in Europe, and with a share of more than one-third of installed capacity, DONG Energy is an unrivalled market leader. However, oil and gas will remain crucial building blocks for modern society for many years to come, and with increasing global demand for these resources and decreasing European self-sufficiency, DONG Energy aims to continue drawing on its strong expertise to develop oil and gas resources and create value. As a result, DONG Energy now plays a part in supplying energy not only to the Danes, but also to customers and homes across Northern Europe.

Another focus area is increasing the share of sustainable biomass in the generation of electricity and heat by converting Danish power stations that currently use fossil fuels. This will provide more clean energy and by investing in innovation we will develop new technologies for more efficient utilisation of biomass and waste.

In our supply of energy to end customers, enhanced energy efficiency will become an important focus area for DONG Energy in the years ahead. We want to be our business customers' preferred supplier of attractive energy solutions that improve their competitive position and the environment-conscious choice for our residential customers, with the customer experience in focus.

In 2012, DONG Energy faced considerable financial challenges, partly due to a number of structural changes in the gas market, and our full-year result was not satisfactory. The Board of Directors and the Executive Board have therefore taken various steps, in the areas of costs, investments and capital, in order to ensure a return to profitability.

In January 2013, the Danish National Audit Office, Rigsrevisionen, published its report on DONG Energy. The report confirmed, among other things, that DONG Energy's financial position is under pressure, especially in 2012, primarily due to losses in the gas market. The above initiatives are designed to restore the Group's financial capacity.

At the start of March 2012, the Board of Directors let CEO Anders Eldrup go. On 27 August, Henrik Poulsen took up his post as the new CEO.

Together, we look forward to continuing the development of DONG Energy as one of Europe's most progressive energy companies with the potential to make a vital contribution to the sustainable energy system of the future.

On behalf of the Board of Directors, I would like to thank all our employees for their efforts in 2012. It was a turbulent year for DONG Energy, but thanks to the competent and persistent efforts of our committed employees, the Group is on the right track.

27 February 2013

A handwritten signature in black ink, appearing to read 'Fritz H. Schur'. The signature is fluid and cursive, written over a white background.

**Fritz H. Schur**

Chairman of the Board of Directors

# One of the leading energy groups in Northern Europe

DONG Energy is one of the leading energy groups in Northern Europe.

Our business is based on procuring, producing, distributing and trading in energy and related products in Northern Europe.

DONG Energy has 7,000 employees and is headquartered in Denmark.

## Owners at 31.12.2012

The Danish State	79.96%
SEAS-NVE Holding	10.88%
Others	9.16%



## PERFORMANCE HIGHLIGHTS

		2012	2011	2010
Revenue	DKK million	67,243	56,842	54,616
EBITDA	DKK million	8,632	13,770	14,135
Profit (loss) for the year	DKK million	(4,021)	2,882	4,499
Cash flows from operating activities	DKK million	7,701	12,624	14,214
Net investments	DKK million	(14,642)	(13,060)	(8,530)
Interest-bearing net debt	DKK million	33,494	23,615	22,139
Adjusted net debt / EBITDA	x	4.1	1.9	1.9
Return on capital employed (ROCE)	%	(7.4)	5.7	9.6
CO <sub>2</sub> emissions per energy unit generated	g/kWh	443	486	524
Lost time injury frequency (LTIF)	per one million hours worked	3.6	4.1	4.6

Note: All the Group's performance highlights are set out on pages 15-16.

### EXPLORATION & PRODUCTION

### WIND POWER

### THERMAL POWER

### ENERGY MARKETS

### SALES & DISTRIBUTION

Revenue, DKK billion (%) <sup>1,2</sup>	 <b>11.9</b> (14%)	 <b>7.8</b> (9%)	 <b>9.0</b> (10%)	 <b>41.4</b> (47%)	 <b>17.1</b> (20%)
EBITDA, DKK billion (%) <sup>1</sup>	<b>6.6</b> (76%)	<b>2.5</b> (29%)	<b>2.1</b> (24%)	<b>-4.6</b> (-53%)	<b>2.1</b> (24%)
Gross investments, DKK billion (%) <sup>1</sup>	<b>5.1</b> (26%)	<b>12.7</b> (65%)	<b>0.3</b> (2%)	<b>0.3</b> (1%)	<b>1.2</b> (6%)
Employees, FTE (%) <sup>1</sup>	<b>762</b> (11%)	<b>1,951</b> (28%)	<b>1,116</b> (16%)	<b>324</b> (5%)	<b>1,517</b> (22%)

<b>Core activities</b>	Oil and gas exploration and production	Development, construction and operation of offshore wind farms	Electricity and heat generation from power stations	Optimisation and hedging of energy portfolio, including wholesale trading in gas and electricity	Sales and distribution of electricity and gas
<b>Market position</b>	<ul style="list-style-type: none"> <li>Geographically concentrated positions in North West Europe</li> <li>Favourable access to infrastructure</li> <li>One of the largest E&amp;P companies in DK</li> <li>Among top ten E&amp;P companies in Norway</li> <li>Leading exploration company in West of Shetland (UK)</li> </ul>	<ul style="list-style-type: none"> <li>Market leader in offshore wind, has built 38% of European capacity</li> <li>Strong pipeline of projects in lead-up to 2020</li> </ul>	<ul style="list-style-type: none"> <li>48% of available thermal generation capacity in Denmark</li> <li>Generates one-third of Danish district heat consumption</li> </ul>	<ul style="list-style-type: none"> <li>Leading wholesale seller of electricity and gas in Denmark</li> <li>Electricity and gas positions in the UK, Germany and the Netherlands</li> </ul>	<ul style="list-style-type: none"> <li>Leading Danish electricity and gas distributor with market shares of 27% and 28% respectively</li> <li>Retail sales in Denmark, Sweden, the Netherlands and the UK</li> </ul>
<b>Business drivers</b>	<ul style="list-style-type: none"> <li>Oil and gas prices</li> <li>Expenditure on oil and gas finds</li> <li>Retention of high uptime for plants</li> <li>Development in underlying cost level in supplier industry</li> </ul>	<ul style="list-style-type: none"> <li>Wind conditions</li> <li>Availability</li> <li>Electricity prices and subsidies</li> <li>Industrialisation and maturing of value chain</li> <li>Securing supplies via framework agreements and partnerships</li> <li>Partnerships with industrial and financial investors</li> </ul>	<ul style="list-style-type: none"> <li>Development in electricity prices, primarily Nord Pool</li> <li>Development in fuel and CO<sub>2</sub> prices</li> <li>The market's need for flexibility</li> <li>Regulatory framework conditions</li> </ul>	<ul style="list-style-type: none"> <li>Development in energy prices</li> <li>Seasonal fluctuations in gas prices</li> <li>Market liquidity</li> <li>Renegotiation of long-term gas contracts</li> </ul>	<ul style="list-style-type: none"> <li>Distribution tariffs (regulated)</li> <li>Development in electricity and gas margins</li> <li>Ensuring cost efficiency</li> <li>Ensuring security of supply</li> <li>Delivering customer service</li> </ul>
<b>ROCE targets</b>	<ul style="list-style-type: none"> <li>2016: &gt; 20%</li> <li>2020: &gt; 20%</li> </ul>	<ul style="list-style-type: none"> <li>2016: 6-8%</li> <li>2020: 12-14%</li> </ul>			<ul style="list-style-type: none"> <li>2016: 7-9%</li> <li>2020: 7-9%</li> </ul>
<b>Strategic targets for 2020</b>	<ul style="list-style-type: none"> <li>Oil and gas production: 150,000 boe/day</li> <li>Reserves replacement: R/P ratio ≥ 10</li> </ul>	<ul style="list-style-type: none"> <li>Installed offshore wind capacity (before divestments): 6.5 GW</li> <li>Reducing offshore wind Cost of Energy to below EUR 100/MWh<sup>3</sup></li> </ul>	<ul style="list-style-type: none"> <li>Among the best in Europe in terms of flexible and efficient operation of power stations</li> <li>Biomass share of electricity and heat generation in Denmark: 50%</li> </ul>	<ul style="list-style-type: none"> <li>Among the best in Europe in terms of handling energy exposures with the aim of creating value and mitigating risks</li> </ul>	<ul style="list-style-type: none"> <li>Retaining high security of supply (electricity)</li> <li>1st quartile on customer satisfaction</li> <li>Quadrupling energy savings among Danish customers</li> </ul>

<sup>1</sup> The percentages indicate the proportion of the Group that each business unit represented in 2012.

<sup>2</sup> Intragroup revenue means that the business units' combined revenue exceeds consolidated revenue.

<sup>3</sup> Cost to society based on projects in the UK where investment decisions will be made in 2020.

## Q1

23 February

**Divestment of 50% of Borkum Riffgrund 1 offshore wind farm to KIRKBI and the Oticon Foundation**

50% of the German offshore wind farm Borkum Riffgrund 1 was sold for DKK 4.7 billion. The farm is under construction and will consist of 77 3.6 MW wind turbines.

27 February

**Development of the Hejre field in the Danish North Sea**

DONG Energy and Bayerngas decided to develop the Hejre field. DONG Energy is the operator and has a 60% stake in the field, while Bayerngas owns 40%. DONG Energy's share of the investment is DKK 7.3 billion.

12 March

**CEO steps down**

Anders Eldrup resigned from his role of CEO.

21 March

**Development of Round 3 project in the Irish Sea**

Centrica and DONG Energy formed a joint venture to co-develop offshore wind farms in the Round 3 Irish Sea Zone, which has a potential capacity of 4.2 GW.

23 March

**New jack-up vessel for offshore wind turbines**

A2SEA, owned 51% by DONG Energy and 49% by Siemens Wind Power, signed a contract for a new vessel designed to install offshore wind turbines. The new jack-up vessel is scheduled for delivery in 2014. The contract has a value of DKK 890 million.



## Q2

18 April

**New CEO**

Henrik Poulsen was appointed as the new CEO. He took up his post on 27 August 2012, joining from TDC, where he was CEO.

## Q3

19 July

**Framework agreement on 6 MW offshore wind turbines**

DONG Energy and Siemens Energy signed a framework agreement on the supply and servicing of a total of 300 offshore wind turbines of 6 MW each. The turbines will be installed at offshore wind farms in the UK in 2014-2017.

14 August

**Acquisition of three German offshore wind development projects**

DONG Energy acquired Gode Wind 1, 2 and 3 from PNE Wind AG. The projects have a total capacity of up to 900 MW and are located in the German North Sea.



## Q4

24 October

**DONG Energy's S&P rating downgraded to BBB+**

Standard & Poor's (S&P) lowered DONG Energy's rating to 'BBB+' with a negative outlook from 'A-' as a consequence of the challenging gas and electricity markets.

1 November

**Efficiency plan**

DONG Energy announced an efficiency plan to improve its earnings capacity and enhance its capital structure. The plan entails cost cuts of DKK 1 billion annually from 2013, partly by cutting 625 jobs. DONG Energy also expects to make divestments to a value of DKK 10 billion in 2013-2014.

6 November

**Two new Executive Vice Presidents**

Samuel Leupold was appointed as new Executive Vice President of Wind Power. He comes from the position as Executive Vice President with the Swiss energy company BKW FMB Energie. In Energy Markets, Morten Hultberg Buchgreitz, until then Senior Vice President of Group Treasury & Risk Management and, since March 2012, Acting Deputy Executive Vice President of Wind Power, was appointed as new Executive Vice President. They will both take up their new posts on 4 March 2013.

A complete list of company announcements can be found on page 108.

# Strategic transformation and focused growth

DONG Energy's financial results for 2012 are not satisfactory. This was primarily due to earnings in Energy Markets being substantially lower than assumed, and we had to make provisions for onerous contracts on gas storage facilities and LNG capacity and write down the value of our gas-fired power stations in the Netherlands and the UK. The situation reflects excess capacity, low coal and CO<sub>2</sub> prices and a negative trend in key margins in the European gas market - issues that most European energy groups have been struggling with in recent years.

The challenges were aggravated by production problems at some of our oil and gas fields and late start-up of operation of new wind assets. Because earnings did not develop as planned - coupled with the fact that our business is in the middle of an investment-intensive transformation - we did not achieve the financial objective we have for our debt/earnings ratio in 2012. The unsatisfactory results and the fact that many of our investments in new oil and gas fields and offshore wind farms are not yet operational and therefore have yet to contribute earnings also mean that we did not deliver a sufficiently high return on capital employed.

DONG Energy has therefore put in place an extensive financial action plan that is to restore a robust financial platform for the Group's continued growth and strategic transformation. The plan for 2013 and 2014 is five-pronged:

- Divestment of non-core assets for DKK 10 billion
- Reduction of ownership interests in core activities
- Cost reductions with effect of DKK 1.2 billion in 2013
- Restructuring of the loss-making gas business
- Injection of additional equity of at least DKK 6-8 billion

Coupled with earnings from new assets that will become operational, including three new offshore wind farms in 2013, the plan will enhance the Group's capital structure and return on capital employed.

DONG Energy must have a sharp focus on financial value creation in order to be able to continue its ambitious growth strategy and transformation to green energy. Going forward, the Group will therefore adopt return on capital employed (ROCE) as its core financial target. At the latest from 2016 onwards, the return must be at least 10%.

## Focused strategic transformation and growth

DONG Energy is involved in a long-term transformation of its operations. Energy Markets and the power stations, which historically speaking provided a considerable part of the Group's earnings, have been under pressure in recent years as a result of structural changes in the European energy market. Our strategy has therefore been to develop two new business areas - offshore wind and oil and gas production - that would be able to create a robust and expanding basis for the Group's activities. Our aim has been to develop DONG Energy from a predominantly Danish utility into a Northern European energy group with the expertise and financial capacity to develop the energy system in a green direction while still contributing to a high degree of security of supply and a competitive return on capital employed.

The Group's strategy for the years up to 2020 is to continue this transformation of the business by continuing to focus on four areas:

1. Offshore wind, where DONG Energy is the global market leader
2. Oil and gas exploration and production, where the Group has a strong regional position in North West Europe
3. Efficient, flexible and biomass-based power station operation, where DONG Energy is among the leaders in Europe
4. Smart and energy-efficient customer solutions that provide high satisfaction.



Within these four priority areas, we will invest in continued innovation and developing our processes and technologies. The four main strategic benchmarks for the Group's development in the period up to 2020 will therefore be:

- Quadrupling installed offshore wind capacity
- Doubling oil and gas production
- Doubling the biomass share in generation from Danish power stations
- Quadrupling energy savings among Danish customers

The investments in the further development of offshore wind and oil and gas production will be the key growth drivers for the Group and make up the bulk of our overall capital expenditure. In the field of green production technologies - offshore wind and biomass - we will strive to be among the global leaders, while in oil and gas we intend to further strengthen our regional market position. Our investments will remain concentrated in Denmark, the UK, Norway and Germany, with France as a possible new market.

Our Danish and international energy supply business, which currently supplies energy to more than 1.1 million customers, will also be an important part of DONG Energy's future business. Our aim is to offer efficient and smart solutions that will reduce the energy consumption and improve the competitive position of our business customers and to enable our residential customers to live a modern, environment-conscious life. We will work purposefully to develop our customers' service experience and ensure that we maintain a high security of supply via our supply network.

We will pursue these goals because we are convinced that we can generate growth and financial value and point the way to significantly lower CO<sub>2</sub> emissions while at the same time enhancing our competitiveness.

The ongoing focusing of DONG Energy's business means that we will no longer be investing in areas such as waste-based power stations, gas-fired power stations, LNG, gas storage facilities, hydro power, electric cars or onshore wind.

## Priorities for the business units

DONG Energy's business units will all play important roles in the implementation of our strategy. For each unit, ambitions and priorities have been defined for the coming years:

### Exploration & Production

- Regional position of strength → Growth and value creation
- Optimise production at existing fields, partly via satellite development
- Develop new production from Hejre (Denmark) and West of Shetland (UK)
- Escalate investments in exploration to secure long-term reserves
- Complete repair work to Siri platform

### Wind Power

- Market leadership → Growth and value creation
- Improve efficiency of and standardise operation of offshore wind farms
- Mature and build strong pipeline of new wind projects
- Reduce Cost of Energy via industrialisation of value chain and technological development
- Further develop industrial and financial partnerships

### Thermal Power

- Leader in biomass-to-energy → Solid, positive cash flow
- Develop position as one of Europe's most efficient power station businesses
- Convert Danish power stations to biomass
- Provide flexible back-up capacity to the Danish energy system
- Commercialise new, innovative biotechnologies such as Inbicon, REnescience and Pyroneer

### Sales & Distribution

- Energy efficiency and high customer satisfaction → Stable, regulated return
- Maintain high security of supply and develop intelligent grid
- Increase sale of energy solutions and climate partnerships
- Further enhance product and service experience for consumers
- Strengthen product platform, synergies and earnings in the UK and the Netherlands

### Energy Markets

- Efficient market unit → Financial turnaround
- Optimise DONG Energy's energy flows and mitigate market risks
- Renegotiate long-term gas contracts to eliminate losses
- Maximise value of gas-fired power stations, gas storage facilities and LNG activities
- Enhance earnings within wholesale gas sales

The strategy and priorities are underpinned by specific targets as illustrated in the table. Financial value creation, employee safety and customer satisfaction must be improved at the same time as the long-term transformation to more green energy is implemented. The strategy means that we will accelerate the green conversion of electricity and heat generation so that the target is now a 60% reduction of our CO<sub>2</sub> emissions by 2020 compared with our original target of 50% relative to our emissions in 2006.

DONG Energy's leading market positions have been achieved by committed and talented employees who, especially in a demanding year like 2012, have shown great fighting spirit and the ability to deal with turbulent times without losing sight of the goal. In order to improve our competitive position we will continue to invest in the safety, job satisfaction and skills of our employees.

Likewise, we will continue the digitisation of our work processes and interfaces with customers and partners. Flexible, scalable IT platforms will be vital in the continued development of DONG Energy.

### International energy group with strong Danish roots

In a broader economic perspective, DONG Energy's continued investments in maintaining a global leadership position in offshore wind will be a cornerstone in the development of the Danish wind industry. Offshore wind is the fastest-growing renewable energy technology in Europe, and with a share of more than one-third of installed capacity, DONG Energy is an unrivalled market leader. The market is expected to grow substantially in the period leading up to 2020, and it is our aim to maintain our leadership position by developing our processes and technology and making targeted investments.

With a strong presence in the most active oil and gas development licences in the Danish sector of the North Sea, DONG Energy will continue to be a driving force in the development of these valuable resources for Danish society. The expansion of our E&P business across our geographical focus area from an output of 78,000 boe/day in 2012 to 150,000 boe/day in 2020 will enhance the robustness of our portfolio, helping to ensure that DONG Energy can continue to play an important role in Danish and European energy supply.

DONG Energy will remain a market leader in the transformation of the energy system towards more renewable and sustainable energy. We are not pursuing this vision with the sole aim of becoming greener, but because we are strongly competitive and can create financial value in these areas.

The strategic direction and the benchmarks that we have mapped out for the period leading up to 2020 are designed to secure DONG Energy's role as a market-leading, innovative and value-creating Northern European energy group.

Henrik Poulsen  
CEO

Strategic targets	2012	Target in 2016	Target in 2020
Return on capital employed (ROCE)	(7.4%)	> 10%	> 12%
EBITDA	DKK 8.6 bn	DKK ~20 bn	
Adjusted net debt / EBITDA	4.1	< 2.5	< 2.5
Minimum rating	BBB+/Baa1	BBB+/Baa1	BBB+/Baa1
CO <sub>2</sub> emissions	443 g/kWh	350 g/kWh	260 g/kWh
Lost time injury frequency (LTIF)	3.6	< 2.5	< 1.5
Installed offshore wind capacity (before divestments) <sup>1</sup>	1.7 GW	3.5 GW	6.5 GW
Offshore wind Cost of Energy <sup>2</sup>			< EUR 100/MWh
Oil and gas production	78,000 boe/day		150,000 boe/day
Oil and gas reserves / annual production (R/P ratio)	15	≥ 10	≥ 10
Biomass share of Danish CHP generation	21%	> 40%	> 50%
Customer satisfaction in Denmark, Germany and the UK		Top quartile	Top quartile
Energy savings among Danish customers (TWh) <sup>3</sup>	1.6	3.7	5.9

<sup>1</sup> Of the 1.7 GW of capacity at 31/12 2012, 1.2 GW was owned by DONG Energy.

<sup>2</sup> Cost to society based on projects in the UK where investment decisions will be made in 2020.

<sup>3</sup> Accumulated first-year effect of energy savings since 2006.

## Our activities

DONG Energy's integrated business model involves oil and gas production, electricity generation from wind turbines and electricity and heat generation from power stations (upstream) on the one hand and gas and electricity sales and distribution (downstream) on the other. Activities in between (midstream) link and optimise the Group's energy production and energy positions.

### Oil and gas

In recent years, DONG Energy has established itself as a strong player with considerable expertise in oil and gas exploration and production, doubling its production over the last five years. These activities now make an important contribution to the Group's earnings and to security of supply. DONG Energy is one of the largest E&P companies in Denmark and the tenth largest in Norway, with production from a total of 13 fields in these two countries. In 2012, production amounted to 78,000 boe per day, 82% of which came from Norway, the majority from the Ormen Lange gas field. To this should be added a strong position in the West of Shetland area, where DONG Energy is one of the largest licence holders and participates in the development of the first overall infrastructure connecting this area to the UK mainland markets.

#### Increased production

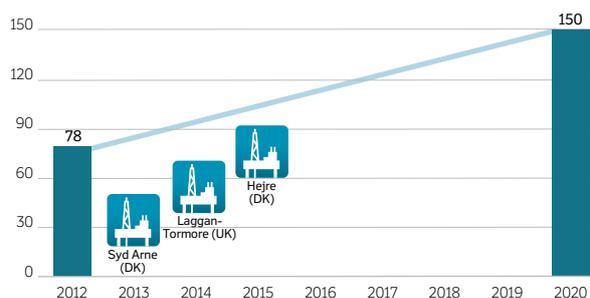
Based on the investment projects in Denmark and the UK that have already been decided, oil and gas production in 2016 is expected to be significantly higher than in 2012. Production from the Laggan-Tormore gas fields in the UK West of Shetland area, where first gas is expected in the second half of 2014, and the Hejre field in Denmark, where first oil is expected at the end of 2015, will make a sizeable contribution to this increase. DONG Energy operates Hejre, which is Denmark's largest oil and gas field under development. In connection with both Laggan-Tormore and Hejre, DONG Energy is participating in the construction of pipelines and onshore plants that will help to open the possibility of production from other finds in these areas in which DONG Energy also has stakes. DONG Energy also participates in the ongoing development of the Syd Arne field, where production from two new satellite platforms from the second half of 2013 will create the basis for increasing and extending production.

In addition, there are initiatives for maintaining production from the other fields, including new production wells in a number of existing fields, investment in compression at Ormen Lange and considerable repair work to the Siri platform, which is the production centre for the five fields in the Siri area.

#### Repair work to the Siri platform

Throughout 2012, DONG Energy progressed the repair work to the Siri platform whilst keeping production close to budget. The project is still challenging and complex and has experienced delays in component delivery from subsuppliers. However, the long-term stabilisation of the platform is still expected in 2014. DONG Energy continuously monitors and evaluates the integrity of the Siri platform to ensure that the platform remains safe at all times. DONG Energy is continuously optimising design and schedule and the project is expected within the previously announced costs of DKK 3.5 billion.

Expected development in oil and gas production, 1,000 boe/day



In the period leading up to 2020, DONG Energy has set a target to increase production up to a level of 150,000 boe per day by developing a number of existing finds where no decision on investment has yet been made.

#### Building up reserves

With growing production comes the need to build up new oil and gas reserves to maintain value creation. DONG Energy's oil and gas reserves (2P) totalled 454 million boe at the end of 2012, equivalent to 15 years' production. In order to maintain a ratio of oil and gas reserves to annual production (R/P) of at least 10 in the period leading up to 2020, DONG Energy plans to significantly increase its investments in exploration in the period 2012-2014 compared with 2009-2011.

It is expected that exploration will focus on areas like West of Shetland, where DONG Energy has already had considerable success with exploration and is established as one of the leading E&P companies. Another focus area will be the Barents Sea, where there is a potential for major discoveries. In the more mature areas in Denmark and Norway, exploration activities will be concentrated more on finds that can be produced using existing production assets. In order to diversify its portfolio, DONG Energy is also working on setting up new activities, for example in the central part of the UK North Sea and in Greenland.

In addition to the activities already mentioned, DONG Energy will be making ongoing adjustments to the composition of its portfolio by buying and selling licence shares. Here attention will particularly focus on optimising the risk/return ratio and the opportunities for setting up new activities in attractive areas.

## Wind power

DONG Energy is the market leader in the field of offshore wind power and, at the end of 2012, had installed wind capacity of 1.7 GW, of which the Group owns 1.2 GW. The market share of installed offshore wind power in Europe is 38%. In order to maintain this leading position in the market, we consider it important to have a robust and balanced pipeline of offshore wind projects and to build, operate and maintain a portfolio of wind farms efficiently. We also consider it important to have our own expertise available in those parts of the value chain that are essential to the Group's strategy.

In the years leading up to 2020, we aim to achieve significant growth, measured in both output and capacity. Our ambition is to have installed 6.5 GW offshore wind capacity in North West Europe in 2020.

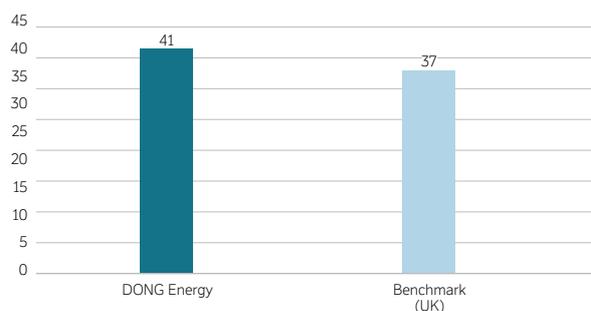
Three new offshore wind farms will become fully operational in 2013 – Anholt in Denmark and London Array 1 and Lincs in the UK. The three farms will have a total capacity of 1.3 GW (equivalent to the annual electricity consumption of 1.1 million households), and DONG Energy's ownership interest is 583 MW. A demonstration project at Gunfleet Sands using two Siemens 6 MW turbines will also become operational in 2013. In addition, at the end of 2012, decisions had been taken to build the farms West of Duddon Sands in the UK and Borkum Riffgrund 1 in Germany with a total capacity of 0.7 GW. These wind farms are expected to start up production in 2014 and 2015.

### Wind energy must be competitive

In 2012, DONG Energy entered into a major new framework agreement with Siemens to supply 300 of the newly-developed 6 MW offshore wind turbines. The offshore wind farm Westermost Rough in the UK on which DONG Energy made an investment decision in January 2013 will be the first project under the framework agreement. This means that we are once again playing a leading part in the expansion of the offshore wind industry. The framework agreement is one of the initiatives that should help to reduce the unit cost per megawatt hour generated from offshore wind power (Cost of Energy). The aim is to reduce the offshore wind Cost of Energy to below EUR 100/MWh in 2020 (cost to society based on projects in the UK where investment decisions will be made in 2020) bringing the costs of electricity generation from offshore wind power to a competitive level. This corresponds to a reduction of approx. 30% compared with 2011.

The majority of the costs during the lifetime of a wind farm are incurred during the construction phase. It is therefore crucially important to reduce these costs while at the same time increasing productivity. We will do this by continuing to industrialise the supply chain and improving

### Load factor for offshore wind farms, %



The load factor is the ratio of the actual annual energy output to the theoretical maximum energy output in a given year.

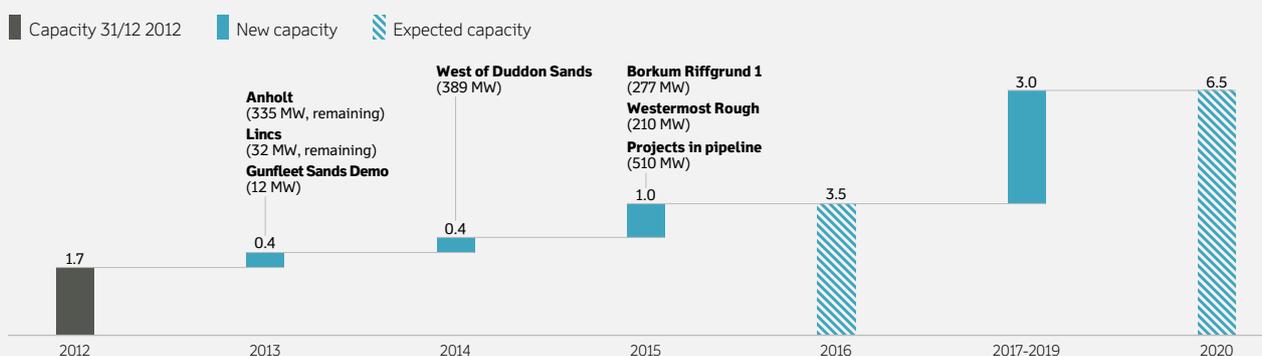
its efficiency, for example through installation concepts and framework agreements with suppliers. This will reduce the cost level for turbines, foundations and cables and the installation of these components.

Where the ongoing operation and maintenance of the wind farms is concerned, we are also intent on optimising value creation during the entire lifetime of the wind farm. DONG Energy has succeeded in maintaining a high availability on offshore wind farms in operation and, as a result, the load factor for the offshore wind farms operated by DONG Energy averaged 41% in 2012. By way of comparison, the Department of Energy & Climate Change in the UK measured the average load factor in the UK offshore wind turbine market as 37% in 2011. With a load factor of 52% in 2012, the Danish offshore wind farm Horns Rev 2 achieved the highest load factor measured in the world for a wind farm using Siemens turbines.

In parallel with the development of these wind farms, DONG Energy will continue to enter into partnerships with industrial and financial players to secure co-funding for its projects and diversify risks. DONG Energy has successfully applied this partnership model, divesting ownership interests to, for example, PensionDanmark, PKA, the KIRKBI Foundation, William Demant and Marubeni.

DONG Energy owns 51% of the company A2SEA, which owns and operates vessels that have been optimised to install offshore wind turbines. From the start of 2013, the Sea Installer 1 vessel will commence installation at DONG Energy's offshore wind farms, and it will be joined by another vessel, Sea Installer 2, in 2014, taking the fleet to six vessels. A2SEA has a 67% stake in the company CT Offshore, which specialises in subsea cable-laying assignments and maintenance and repair of offshore wind farms.

### Expected development in installed offshore wind capacity, GW



Installed capacity is shown gross, i.e. before any divestments.

Named wind farms are farms for which investment decisions had been made at 31/12/2012, except for Westermost Rough, where the decision was made in January 2013.

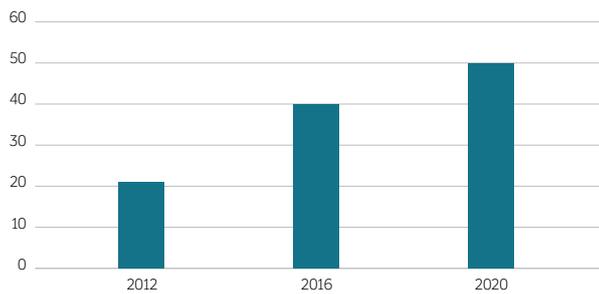
Wind farms in 2013 have been installed in part in 2012. Therefore, only the remaining part is shown.

Besides its offshore wind farm activities, DONG Energy owns on-shore wind turbines equivalent to a total capacity of 321 MW. In February 2013, an agreement was entered into on the divestment of the Polish wind farms, which have a capacity of 112 MW.

### Power stations

DONG Energy's power stations are a crucial part of the Danish energy system. The Group's power station portfolio accounts for 48% of available thermal generation capacity in Denmark. The power stations' electricity output is sold on the Nordic power exchange, Nord Pool. DONG Energy supplies heat to a number of heat customers in Denmark and generates one-third of Danish district heat consumption. These power stations use biomass, gas, coal, oil and waste as fuel.

#### Biomass in electricity and heat generation at thermal power stations in Denmark, %



Our strategy for the power stations is that they should be operated in a flexible and efficient way in order to support and enable the large-scale expansion of wind and solar energy. At the same time, the conversion of electricity and heat generation from coal to sustainable biomass will continue. In 2012, 21% of generation in Denmark was based on biomass and the aim is to increase this proportion to 40% in 2016 and 50% in 2020. These targets will be achieved by converting selected units at the central power stations to biomass.

Increased flexibility at power stations will increase the potential to quickly ramp generation up or down depending on whether the wind is blowing and the sun shining. The need for balancing in the Danish energy system is growing in proportion to the increasing share of energy production from wind turbines and solar cells. The central power stations in Denmark are among the most efficient and flexible in the world as a result of co-generation of electricity and district heat coupled with a targeted drive to optimise generation. International benchmarking analyses show

that the operating costs for DONG Energy's Danish power stations are relatively low compared with other thermal power generators in Europe.

Outside Denmark, DONG Energy has three gas-fired power stations: one in the Netherlands, one in the UK and one in Norway. Gas-fired power stations are more climate-friendly than coal-fired plants but they are currently challenged on profitability, as coal-fired power stations are benefiting from low coal and CO<sub>2</sub> prices.

### Sales and distribution

DONG Energy is Denmark's largest supplier of energy, with market shares of 27% for electricity distribution and 28% for gas distribution. DONG Energy sells electricity and gas to more than 1.1 million residential customers, companies and public institutions in Denmark, the Netherlands, Sweden and the UK. The distribution business is subject to public regulation, while energy sales have predominantly been liberalised.

The market shares for electricity and gas sales in Denmark are 20% and 29% respectively, and in Sweden the market share for gas sales is 26%. In 2012, Denmark was still DONG Energy's largest market for electricity sales, accounting for 92% of the Group's sales to end customers. Accounting for 46% of the Group's gas sales to end customers, the UK was the largest market in 2012 due to the acquisition of a gas sales company in May 2012.

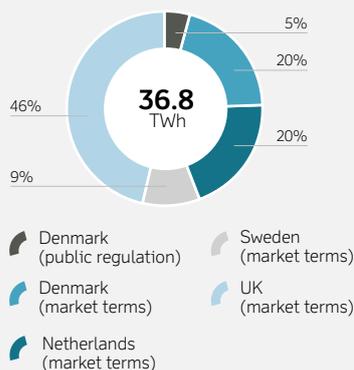
Besides cost efficiency, reliable energy supplies and customer satisfaction are the main priority areas for the Group's downstream activities.

Maintaining a high degree of security of electricity supply is thus an important target. DONG Energy's aim is for customers to experience average power failures amounting to no more than 35 minutes a year, which implies maintaining the current level.

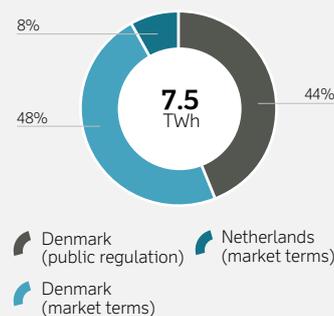
In 2012, DONG Energy continued to work on putting the customer first through employee training and by improving customer-facing processes. This work will continue in the years to come in order to ensure the best customer experience for our customers. In Denmark, improving customer satisfaction is still an important element of our strategy to ensure that DONG Energy will be positioned in the top quartile.

DONG Energy is a leader in the development of climate partnerships with more than 130 partners among public and private companies in Denmark, including many of the country's largest companies. A climate partnership helps the company to reduce energy consumption, use renewable energy and ensure a transparent climate profile. DONG Energy's aim is to be the business community's preferred partner for energy and climate and to have partnerships with 30 of the 50

#### Gas sales to end customers in 2012



#### Electricity sales to end customers in 2012



largest and most important Danish companies in 2020. In order to achieve this aim, we are prioritising our investment in continuing to build up specific skills in the provision of energy advice and increasing our understanding of, for example, energy-consuming processes in selected industries.

In 2012, DONG Energy introduced 'Dansk Vindstrøm uden merpris' (Danish wind energy without additional charges) in order to offer Danish residential consumers the opportunity to be more actively involved in the expansion of renewable energy.

## Optimisation and trading in energy

The optimisation of DONG Energy's energy portfolio – covering all the Group's activities – is handled by our Energy Markets business unit. This business unit is also responsible for the effective reduction and control of the Group's market risks. This optimisation ensures cohesion between energy production from wind turbines, power stations and oil and gas fields on the one hand and the sale of energy to customers on the other. At the same time, this business unit focuses on increasing the value of the energy flows.

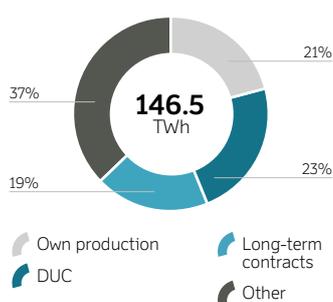
Besides production from the Group's assets, DONG Energy's energy portfolio consists of long-term gas purchase contracts, including LNG, and gas storage facilities.

An important focus area for the coming years will be to return the Group's currently loss-making midstream activities to profitability. We intend to do this primarily by renegotiating our long-term gas purchase contracts in order to obtain prices that reflect the changed conditions in the gas market, where oil and gas prices no longer keep pace with one another. Another focus area is the optimisation of the LNG terminal in Rotterdam, where we need to make better use of the capacity.

In 2012, the Group procured gas mainly from equity production, purchases from DUC and long-term contracts.

In addition to bilateral purchases and sales, electricity and gas are traded on the Northern European energy exchanges and hubs, primarily Nord Pool, EEX, NBP and TTF.

### Gas sourcing 2012



## Potential growth areas

DONG Energy invests in projects that can provide opportunities for future growth.

## New technologies using biomass and waste

The development of new bio-refining technologies is still a focus area in our 2020 strategy.

DONG Energy has developed the Inbicon technology for the production of second-generation bioethanol, turning agricultural waste into transport fuel. The ongoing work of development and demonstration focuses on achieving wider and more effective use of biomass within the Inbicon technology.

Our REnescience technology can treat unsorted household waste with enzymes and extract the organic waste fractions. At the same time, it provides an efficient way of recycling the remaining plastic, metal and glass. A REnescience plant can help to increase energy production based on the biological fraction of household waste, so this technology opens new opportunities for turning waste into a useful resource.

DONG Energy has also developed a new gasification technology called Pyroneer, which improves the utilisation of biomass as an energy source to replace coal and other fossil fuels at power stations. Pyroneer can increase the use of biomass as an energy source and the current demonstration of this technology is proceeding satisfactorily.

What the three technologies have in common is that they address the need to be able to make ever greater use of the resources available in the form of rural and urban waste. DONG Energy is making a determined effort to realise the commercial potential of these technologies. In China, framework conditions have been created for second-generation bioethanol, so DONG Energy has taken significant steps towards introducing the Inbicon technology to the Chinese market. In 2012, we entered into collaboration agreements with two Chinese partners with a view to developing specific Inbicon projects in China.

## Smart Energy – the energy system of the future

The future Danish energy system is expected to be dominated by renewable energy sources that mainly produce electricity. This makes it essential to transform the energy system, which needs to become smarter and more flexible to ensure the greatest possible cohesion between the production and consumption of energy. It is also necessary in order to maintain a very high degree of security of supply.

DONG Energy has a number of projects aimed at creating an intelligent infrastructure covering the entire energy system – a so-called Smart Grid. This is designed to ensure increased flexibility in energy consumption to help address the challenge of keeping a balance between generation and consumption when the energy system is more reliant on renewable energy, which is dependent on nature. As a specific step in this direction, DONG Energy successfully implemented a new technology, Power Hub, with a number of customers in 2012. Power Hub can help to manage consumption and optimise any local generation in the way that is best for both the electricity grid and the customer's finances.

In addition to increased flexibility in energy consumption, it is vital that Denmark should continue to strengthen the energy interconnection with the Northern European electricity market so that the different countries' energy systems can help with mutual balancing across national borders to an even greater extent.

# CSR report

DONG Energy's Board of Directors has adopted a responsibility policy that applies to the whole Group and for which the Group Executive Management has ultimate responsibility. The policy is based on the UN Global Compact and commits DONG Energy to deliver continuous performance improvement in the four issue areas of the Global Compact: climate and environment, human rights, labour rights, and anti-corruption.

The responsibility policy also sets out four principles that govern DONG Energy's work on responsibility: stakeholder engagement, materiality, action and transparency. The principles are embodied in descriptions of how DONG Energy works with corporate responsibility in practice.

This work is based on the firm belief that the expectations of the outside world are of major importance to DONG Energy's business. Stakeholder engagement is therefore a key part of the Group's responsibility work. By systematically engaging with its stakeholders, DONG Energy aims to identify areas in which the Group has a particular corporate responsibility. One example of the way in which DONG Energy does this is to arrange round-table meetings at which NGOs are invited to voice their opinions on the Group's activities.

In the light of this, DONG Energy has identified five corporate responsibility challenges that are important to the Group's stakeholders and relevant to DONG Energy's activities. These are presented below.

These challenges form the basis for DONG Energy's corporate responsibility work and are an integral part of its business strategy. Two of DONG Energy's key strategic priorities are therefore to achieve

significant developments in renewable energy from offshore wind in the years ahead and to convert coal-fired power stations to biomass in order to generate more clean energy. During the transformation to more clean energy, society must still have access to the energy it needs in order to be able to function. Another of DONG Energy's priorities is therefore to increase oil and gas extraction. By developing and investing in the energy technologies of tomorrow, DONG Energy contributes to innovation and the development of new expertise, stimulating economic growth and a competitive society.

The Group must achieve its strategy at the same time as promoting increasingly safer working conditions and greater opportunities for development. DONG Energy's attention is constantly focused on the safety culture of its employees and suppliers and the company strives to create a good framework for the development of individual employees. As a large company, it is vital for DONG Energy to ensure a high level of integrity and ethics in the way the business is run, so the Group implements targeted initiatives, both internally and in relation to suppliers, in order to reinforce these values.

The overview on the following three pages shows the specific targets that DONG Energy has set in response to the five corporate responsibility challenges arising from the Group's responsibility policy. The overview shows how DONG Energy worked on these targets in 2012, the actions taken and the status at 31 December 2012 as well as how these efforts tie in with the UN Global Compact.

Further information on DONG Energy's responsibility work can be found at [dongenergy.com](http://dongenergy.com).

## Corporate responsibility challenges



### Clean energy

How do we accelerate the expansion of renewable energy when it currently only makes up 13% of global energy consumption and traditional energy technologies are still dominant?



### People matter

How do we promote increasingly safe working conditions and support development of skills in an industry characterised by large and complex infrastructure, powerful natural forces and a need for highly-qualified people?



### Access to energy

How do we ensure continued access to essential energy when global demand is rising and traditional energy resources are limited?



### Business integrity

As a large company, how do we ensure integrity, transparency and responsiveness in the way we run our business while operating in a complex and competitive market?



### A competitive society

How can the energy industry best contribute to growth, value-creation and a competitive society?

Corporate responsibility challenge	DONG Energy's main response	Target	Actions and implementation in 2012	Status at 31 Dec 2012
 <p>Promotes Global Compact's principles on climate and environment</p>	Reduction of CO <sub>2</sub> emissions	Reduction of CO <sub>2</sub> emissions from electricity and heat generation: <ul style="list-style-type: none"> <li>• 350 g CO<sub>2</sub>/kWh in 2016</li> <li>• 260 g CO<sub>2</sub>/kWh in 2020</li> <li>• 100 g CO<sub>2</sub>/kWh in 2040</li> <li>• 50% green electricity and heat generation in 2020</li> </ul>	Key initiatives include (see also the following targets and actions): <ul style="list-style-type: none"> <li>• New investments in offshore wind farms</li> <li>• Increased use of biomass in energy production</li> <li>• Coal-fired power stations to be taken out of primary operation to become stand-by plants</li> </ul>	<ul style="list-style-type: none"> <li>• 443 g of CO<sub>2</sub>/kWh</li> <li>• 37% green electricity and heat generation</li> </ul>
 <p>Promotes Global Compact's principles on climate and environment</p>	Development of offshore wind	Increased energy production from offshore wind farms (installed capacity, before divestments): <ul style="list-style-type: none"> <li>• 6.5 GW in 2020</li> </ul>	In 2012, DONG Energy decided to invest in the construction of new offshore wind farms and brought new farms on line. DONG Energy installed offshore wind turbines with a gross capacity totalling 0.5 GW in 2012.	<ul style="list-style-type: none"> <li>• 1.7 GW of installed offshore wind capacity<sup>1</sup></li> </ul>
 <p>Promotes Global Compact's principles on climate and environment</p>	Reduction of offshore wind Cost of Energy	Reduction of offshore wind Cost of Energy: <ul style="list-style-type: none"> <li>• Lower than EUR 100/MWh in 2020<sup>2</sup></li> </ul>	Continuous implementation of initiatives by integration in DONG Energy's pipeline of offshore wind farm projects.	<ul style="list-style-type: none"> <li>• Target for reduction of offshore Cost of Energy adopted</li> </ul>
 <p>Promotes Global Compact's principles on climate and environment</p>	Increased use of biomass	Biomass must represent a larger share relative to fossil fuels in electricity and heat generation at Danish power stations: <ul style="list-style-type: none"> <li>• 40% in 2016</li> <li>• 50% in 2020</li> </ul>	In 2012, DONG Energy prepared the conversion of the Studstrup, Avedøre and Skærbæk power stations from fossil fuels to biomass.	<ul style="list-style-type: none"> <li>• 21% biomass</li> </ul>

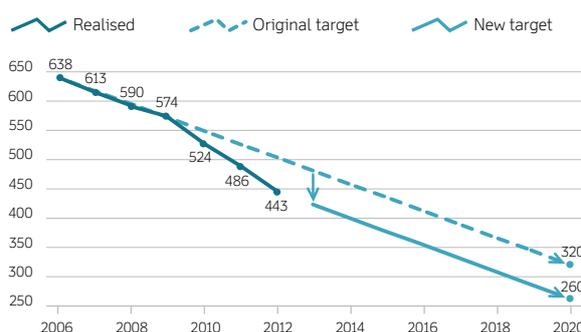
<sup>1</sup> Of the 1.7 GW of capacity at 31/12 2012, 1.2 GW was owned by DONG Energy.

<sup>2</sup> Cost to society based on projects in the UK where investment decisions will be made in 2020.



DONG Energy has made great strides in the transformation of energy production to lower emissions of CO<sub>2</sub>. The target of max. 260 g of CO<sub>2</sub> emissions per kWh in 2020 will be achieved by continued investment in wind power and conversion of power station activities from fossil fuels to biomass.

Reducing CO<sub>2</sub> emissions, g CO<sub>2</sub> per kWh



Corporate responsibility challenge	DONG Energy's main response	Target	Actions and implementation in 2012	Status at 31 Dec 2012
 <p>Promotes Global Compact's principles on climate and environment</p>	Improved energy efficiency	Improved energy efficiency in DONG Energy compared with 2010: <ul style="list-style-type: none"> <li>10% in 2015</li> </ul>	The Group continuously seeks to improve its energy efficiency, partly by optimising energy consumption at its power stations and in offices. Measures in 2012 included improving energy efficiency at power stations by reducing the need for pumps for, for example, desulphurisation systems and oil distribution while maintaining reliable and environment-friendly production.	<ul style="list-style-type: none"> <li>0.5% improvement in energy efficiency</li> </ul>
 <p>Promotes Global Compact's principles on climate and environment</p>	Improved energy efficiency	Improved energy efficiency at customers: <ul style="list-style-type: none"> <li>Climate partnerships with 30 of the 50 largest and most important Danish companies in 2020</li> <li>Energy savings among Danish customers of 5.9 TWh in 2020<sup>3</sup></li> </ul>	Prioritised action to continue the development of specific skills in the provision of energy advice and increase understanding of, for example, energy-consuming processes in selected industries.	<ul style="list-style-type: none"> <li>Nine existing climate partnerships</li> <li>Energy savings of 1.6 TWh</li> </ul>
	Increased oil and gas production	Increased oil and gas production: <ul style="list-style-type: none"> <li>150,000 boe/day in 2020</li> </ul>	In 2012, DONG Energy decided to invest in a new oil and gas field and brought several new fields on stream. Oil and gas production increased by 6,000 boe/day in total in 2012 compared with 2011.	<ul style="list-style-type: none"> <li>78,000 boe/day</li> </ul>
 <p>Promotes Global Compact's principles on climate and environment</p>	Reduced air pollution from SO <sub>2</sub> and NO <sub>x</sub> emissions	Reduction in SO <sub>2</sub> and NO <sub>x</sub> emissions compared with 1990: <ul style="list-style-type: none"> <li>95% reduction in SO<sub>2</sub> in 2020</li> <li>90% reduction in NO<sub>x</sub> in 2020</li> </ul>	SO <sub>2</sub> has been at a satisfactory level since 2011 relative to DONG Energy's target. In 2012, the focus was therefore on reducing specific NO <sub>x</sub> emissions. Key measures were the installation of deNO <sub>x</sub> facilities, replacement of spent catalysts and optimisation of incineration processes.	<ul style="list-style-type: none"> <li>SO<sub>2</sub> reduction of 99%</li> <li>NO<sub>x</sub> reduction of 88%</li> </ul>

<sup>3</sup> Accumulated first-year effect of energy savings since 2006.



When it comes to safety, DONG Energy's guiding principle is 'The safe way - or no way'. Throughout the Group, the focus is always on increasing safety through prevention and training. The aim is to minimise the risk of injury among both employees and external suppliers. DONG Energy's safety efforts have led to a falling injury frequency since 2006, and the target for 2020 is a marked further reduction of LTIF to max. 1.5.

Lost time injury frequency (LTIF), per 1 million hours worked



Corporate responsibility challenge	DONG Energy's main response	Target	Actions and implementation in 2012	Status at 31 Dec 2012
 <p>Promotes Global Compact's principles on climate and environment</p>	Increased recycling of waste	Increased recycling of waste: <ul style="list-style-type: none"> <li>Waste from administration: 50% in 2015</li> <li>Waste from facilities: 70% in 2015</li> <li>Waste from facilities: max 8% to landfill in 2015</li> </ul>	DONG Energy seeks to minimise waste production and create resources from waste, partly by increasing recycling of waste from facilities and administration. The existing targets, which expired in 2012, have been tightened and extended to 2015 and expanded with the focus on waste fractions taken to landfill.	<ul style="list-style-type: none"> <li>44% of waste from administration recycled</li> <li>77% of waste from facilities recycled</li> <li>8% of waste from facilities to landfill</li> </ul>
 <p>Promotes Global Compact's principles on labour and human rights</p>	Ensuring employee and supplier safety	<ul style="list-style-type: none"> <li>No fatal accidents</li> <li>LTIF &lt; 2.5 in 2016</li> <li>LTIF &lt; 1.5 in 2020</li> </ul>	Safety has top priority at DONG Energy. In 2012, the Group continued its efforts to further strengthen its safety culture focusing on risk assessment and proactive prevention as well as follow-up on all incidents.	<ul style="list-style-type: none"> <li>1 fatality</li> <li>LTIF of 3.6</li> </ul>
 <p>Promotes Global Compact's principles on labour and human rights</p>	Ensuring continuous improvement in employee satisfaction and motivation	The employees' evaluation of own satisfaction and motivation must be (scale 1-100): <ul style="list-style-type: none"> <li>75 in 2016</li> <li>77 in 2020</li> </ul>	Overall, the satisfaction and motivation score for DONG Energy's employees exceeds, by a sizeable margin, the average in Ennova's European Employee Index (EEI) in the countries in which the Group has employees. Providing an optimum framework for employee job satisfaction is a strategic priority area for DONG Energy. Key initiatives in 2012 included follow-up on the People Matter survey from 2011.	<ul style="list-style-type: none"> <li>According to People Matter 2012, satisfaction and motivation has increased from 72 in 2011 to 74 in 2012</li> </ul>
 <p>Promotes Global Compact's principles on human rights</p>	Ensuring responsible supply chain management	<ul style="list-style-type: none"> <li>Alignment of responsible supply chain management with heightened focus on operational risk management and human rights in 2013</li> </ul>	The most important action was an extensive assessment of DONG Energy's approach to responsible supply chain management to ensure that it is in keeping with the times and adequate. In addition, DONG Energy implemented a number of self-assessments of high-risk suppliers, and the Bettercoal initiative, of which DONG Energy is a founder member, developed a new code of practice on coal mining, partly via a global consultation process.	<ul style="list-style-type: none"> <li>To assess the approach to responsible supply chain management, DONG Energy has received input from external parties and mapped current and forward-looking requirements and expectations following from the UN Guiding Principles on business and human rights and the OECD Guidelines for Multinational Enterprises</li> </ul>
 <p>Promotes Global Compact's principles on anti-corruption</p>	Preventing fraud and corruption	<ul style="list-style-type: none"> <li>All employees must complete a course on good business conduct</li> <li>No reported cases of fraud or corruption</li> </ul>	In 2012, DONG Energy continued its efforts to ensure compliance with UK Bribery Act. To this end, a new e-learning course training employees in good business conduct, including the rules in UK Bribery Act, was rolled out in summer 2012. As part of the course, employees must confirm that they have read and understood the Group's policy on this issue. The course underpins the Group's efforts to prevent corruption.	<ul style="list-style-type: none"> <li>95% of the Group's employees have completed the course on good business conduct</li> <li>No internally reported cases of fraud or corruption</li> </ul>
	Ensuring continuous improvement in customer satisfaction	<ul style="list-style-type: none"> <li>Ranking among top quartile compared with benchmark companies in 2016</li> </ul>	DONG Energy intensified its focus on customer satisfaction in 2012. Most of the employees and managers in Sales & Distribution in Denmark have attended the Customer First College; processes have been optimised, including at the customer centre; and electricity bills have been simplified. DONG Energy's customer ambassador in Denmark handled 83 cases, finding wholly or partly in the customer's favour in 40% of cases.	<ul style="list-style-type: none"> <li>Customer satisfaction target adopted. DONG Energy's ranking will be measured for the first time in 2013</li> </ul>

More detailed information is available in DONG Energy's annual GRI performance report at: [dongenergy.com/responsibility2012](http://dongenergy.com/responsibility2012).

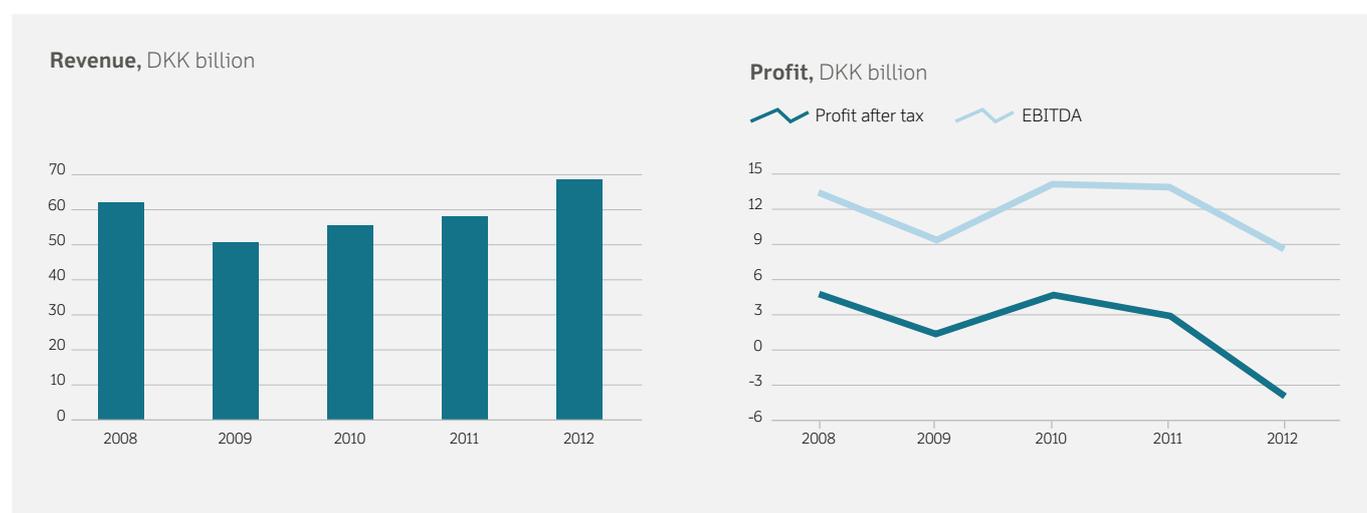
	DKK million					EUR million	
	2012	2011	2010	2009	2008	2012	2011
<b>BUSINESS PERFORMANCE</b>							
<b>Statement of comprehensive income</b>							
<b>Revenue:</b>	67,243	56,842	54,616	49,569	60,642	9,034	7,630
Exploration & Production	11,871	10,469	8,264	6,416	7,322	1,595	1,405
Wind Power	7,774	4,312	2,952	1,676	1,453	1,044	579
Thermal Power	8,980	10,665	11,731	10,855	13,800	1,206	1,431
Energy Markets	41,416	33,689	31,516	28,889	37,357	5,564	4,522
Sales & Distribution	17,061	13,009	14,185	13,386	15,595	2,292	1,746
Other activities/eliminations	(19,859)	(15,302)	(14,032)	(11,653)	(14,885)	(2,667)	(2,053)
<b>EBITDA:</b>	8,632	13,770	14,135	9,311	13,428	1,160	1,848
Exploration & Production	6,552	5,684	5,051	3,264	4,261	880	763
Wind Power	2,502	1,799	1,730	609	677	336	241
Thermal Power	2,058	2,255	2,228	388	2,388	276	303
Energy Markets	(4,601)	1,963	2,959	2,735	4,352	(617)	263
Sales & Distribution	2,124	2,027	2,036	2,239	1,827	285	272
Other activities/eliminations	(3)	42	131	76	(77)	0	6
EBITDA adjusted for hydrocarbon tax	6,858	12,254	13,118	8,842	12,681	921	1,644
EBIT	(3,481)	6,100	8,120	4,228	7,809	(467)	818
Adjusted operating profit (loss)	(6,095)	4,444	6,985	3,658	6,842	(819)	596
Profit (loss) for the year	(4,021)	2,882	4,499	1,492	4,669	(539)	386

**Key ratios**

Adjusted net debt / EBITDA	x	4.1	1.9	1.9	3.3	1.4
Financial gearing	x	0.67	0.41	0.43	0.60	0.33
Return on capital employed (ROCE)	%	(7.4)	5.7	9.6	5.5	11.6

**Volumes**

Oil and gas production	million boe	28.5	26.4	24.4	24.0	18.5
Electricity generation	TWh	16.1	20.4	20.2	18.1	18.5
- thermal	TWh	11.5	16.0	16.2	15.3	16.0
- wind and hydro	TWh	4.6	4.4	4.0	2.8	2.6
Heat generation	PJ	43.0	42.6	53.2	46.7	46.4
Gas sales (excl. own consumption at power stations)	TWh	149.9	138.1	131.5	121.1	118.4
Electricity sales	TWh	12.6	9.9	10.4	10.7	10.9
Gas distribution	TWh	9.1	9.9	11.4	10.0	10.3
Electricity distribution	TWh	8.7	8.8	9.1	9.2	9.4

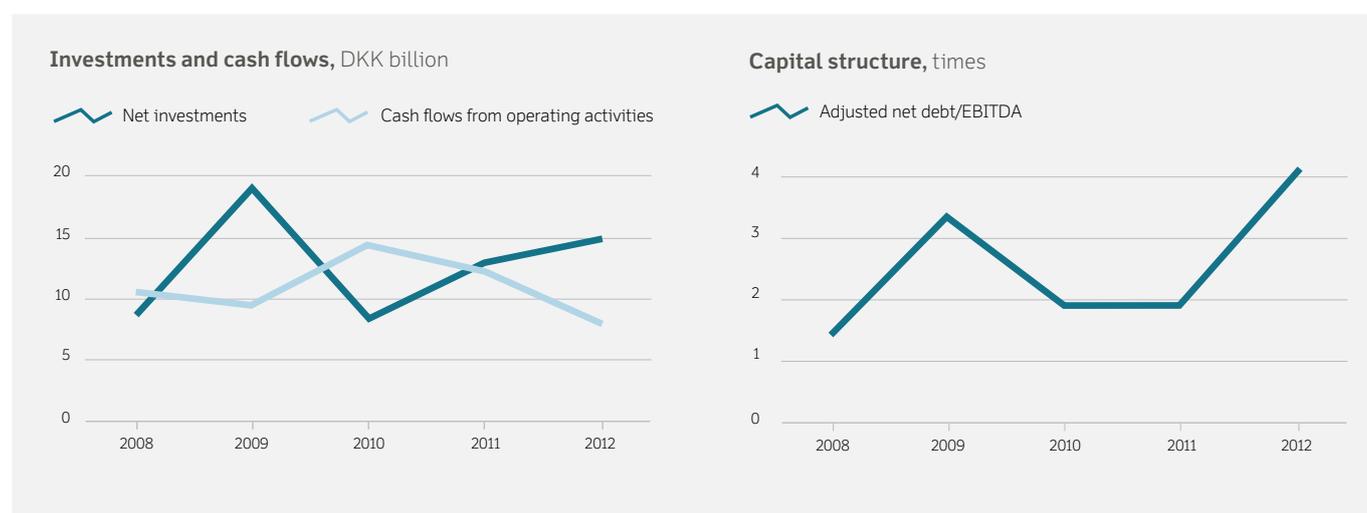


	DKK million					EUR million	
	2012	2011	2010	2009	2008	2012	2011
<b>IFRS</b>							
<b>Statement of comprehensive income</b>							
Revenue <sup>1</sup>	65,924	58,437	54,598	49,262	60,777	8,857	7,845
EBITDA	7,159	15,595	14,089	8,840	13,622	962	2,093
EBIT	(4,954)	7,925	8,074	3,757	8,004	(665)	1,064
Gain (loss) on disposal of enterprises	2,675	225	905	(62)	917	360	30
Net finance costs	(1,353)	(282)	(1,595)	(1,362)	(1,134)	(182)	(38)
Profit (loss) for the year	(5,126)	4,250	4,464	1,138	4,815	(688)	571
<b>Balance sheet</b>							
Assets	159,594	154,073	137,339	120,552	106,085	21,392	20,725
Additions to property, plant and equipment	17,762	19,591	15,082	15,726	9,529	2,386	2,631
Net working capital	(612)	(181)	2,466	3,898	5,548	(82)	(24)
Net working capital excl. trade payables relating to capital expenditure	2,576	2,868	3,603	3,898	5,548	345	386
Interest-bearing debt	54,543	40,961	38,397	35,926	19,258	7,311	5,511
Interest-bearing net debt	33,494	23,615	22,139	26,930	15,253	4,490	3,177
Equity	50,016	57,740	51,308	44,808	46,190	6,704	7,767
Capital employed	83,510	81,355	73,448	71,737	61,443	11,194	10,943
<b>Cash flows</b>							
Funds from Operation (FFO)	7,366	11,706	12,498	7,529	11,340	990	1,571
Cash flows from operating activities	7,701	12,624	14,214	9,468	10,379	1,034	1,694
Cash flows from investing activities	(20,004)	(19,338)	(14,793)	(21,199)	(8,629)	(2,688)	(2,595)
Gross investments	(19,083)	(18,451)	(15,692)	(18,131)	(11,146)	(2,564)	(2,477)
Net investments	(14,642)	(13,060)	(8,530)	(19,040)	(8,666)	(1,967)	(1,752)

<sup>1</sup> For an explanation of the development in revenue, see page 20.

Definitions of performance highlights are set out in note 1 to the consolidated financial statements.

For a description of the performance measure 'business performance', see page 20 and note 1 on accounting policies in the consolidated financial statements.



# Financial performance

DONG Energy's 2012 revenue was 18% ahead of 2011. EBITDA and the result for the year fell by DKK 5.1 billion and DKK 6.9 billion respectively, while cash inflow from operating activities decreased by DKK 4.9 billion.

DKK million	2012	2011	Δ
Revenue	67,243	56,842	10,401
EBITDA	8,632	13,770	(5,138)
Profit (loss) for the year	(4,021)	2,882	(6,903)
Cash flows from operating activities	7,701	12,624	(4,923)

EBITDA in 2012 was DKK 8.6 billion, which was at the low end of the outlook of DKK 8.5-9 billion in the interim financial report for the first nine months of 2012 and significantly below the outlook at the start of the year. The steep decline in EBITDA and the result for the year was mainly due to the Energy Markets business unit, whose EBITDA fell by DKK 6.6 billion from DKK 2.0 billion in 2011 to a loss of DKK 4.6 billion in 2012.

The main reason was provisions totalling DKK 2.9 billion for onerous contracts for gas storage capacity and capacity in an LNG terminal in the third quarter of 2012. The reason for the provisions for gas storage capacity was that DONG Energy entered into three long-term leases for gas storage capacity in Germany in 2006 and 2007. At that time, access to storage capacity was a prerequisite for operating in the German gas market. Since these leases were entered into, the liberalisation and greater liquidity have gradually led to this no longer being the case. The value of access to gas storage facilities has diminished over time as well-supplied markets have resulted in low summer/winter spreads. With limited growth forecast for Europe and because markets continue to be well-supplied, the situation is now unlikely to improve significantly. A DKK 2.3 billion provision was therefore made for the three, now onerous, contracts. At the same time, a DKK 0.6 billion provision was made relating to an onerous contract for capacity in an LNG terminal in the Netherlands due to an expected oversupply of LNG terminal capacity in Europe in the short and medium terms. These provisions did not have any effect on cash flows.

The remainder of the fall in Energy Markets' EBITDA reflected non-recurring income of around DKK 1 billion in 2011 from the renegotiation of gas contracts, lower earnings from gas-fired power stations abroad and a negative effect from a wider spread between oil and gas prices.

The other four business units largely performed in line with expectations, and their combined EBITDA increased by DKK 1.5 billion from 2011 to 2012.

## BUSINESS PERFORMANCE

Management's review comments on the business performance results, unless otherwise stated. For an explanation of differences between business performance and IFRS results, reference is made to page 20.

## GLOSSARY

Reference is made to the glossary on page 109 for definitions of terms.

## Market prices

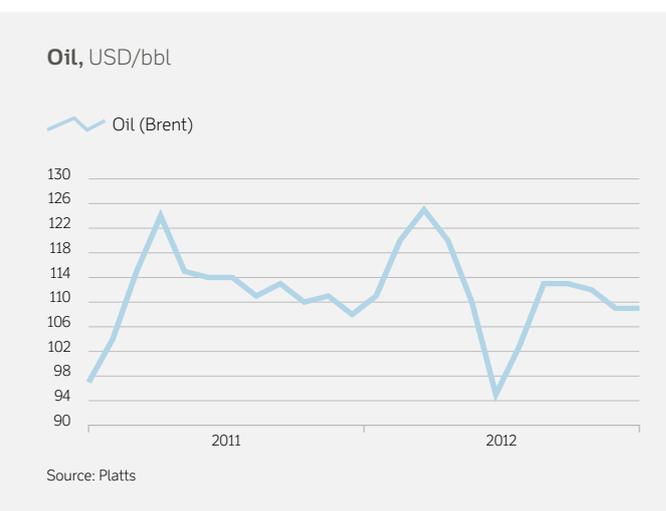
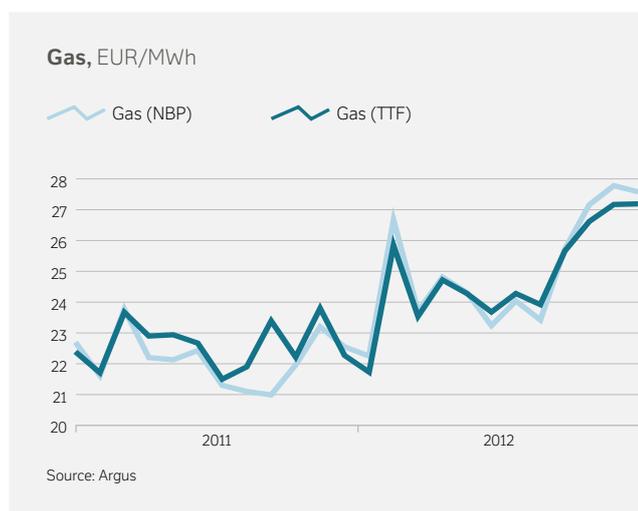
(average)		2012	2011	Δ
Oil, Brent	USD/bbl	112	111	0%
Oil, Brent	DKK/bbl	646	594	9%
Gas, TTF	EUR/MWh	25	23	10%
Gas, NBP	EUR/MWh	25	22	13%
Electricity, Nord Pool System	EUR/MWh	31	47	-34%
Electricity, Nord Pool, DK <sup>1</sup>	EUR/MWh	37	49	-24%
Electricity, EEX	EUR/MWh	43	51	-17%
Green dark spread, DK <sup>1</sup>	EUR/MWh	4.0	5.0	-20%
Green spark spread, UK	EUR/MWh	2.3	5.8	-61%
Green spark spread, NL	EUR/MWh	(4.5)	1.9	-
USD exchange rate	DKK/USD	5.8	5.4	8%
GBP exchange rate	DKK/GBP	9.2	8.6	7%

Source: Platts, Argus, Nord Pool, LEBA, APX, ECX.

<sup>1</sup> Based on average prices in DK1 and DK2.

## Oil and gas prices

The oil price averaged USD 112/bbl in 2012, in line with 2011. The oil price fluctuated widely in 2012, reaching USD 125/bbl in March, then falling to USD 95/bbl in June and rising to around USD 112/bbl from September to the end of the year. The wide fluctuations primarily reflected the market players' varying weighting of two factors: the geopolitical tensions between the West and Iran on the one hand and the latest developments in the EU debt crisis and the weaker growth outlook for China and the USA on the other.



The gas hub price (TTF) in Continental Europe averaged EUR 25/MWh in 2012, 10% higher than in 2011. Prices benefited from a reduced supply due to maintenance of the North Sea production installations coupled with a low supply of liquefied gas (LNG) to the European market caused by high demand in Asia. This was partly offset by weak demand for gas in Europe due to the economic downturn. The fact that low coal prices made it more profitable for generators to use coal than gas exacerbated the situation.

### Electricity prices and spreads

The electricity price in the two Danish price areas averaged EUR 37/MWh in 2012, 24% less than in 2011. The price level in the Danish price areas was far lower than normal in 2012, mainly reflecting the demand side, which was characterised by a high supply of inexpensive electricity from Norway and Sweden, where reservoir levels were unusually high throughout 2012. Increasing generation from wind turbines was also instrumental in pushing prices down. On the demand side, mild weather and a lower level of economic activity due to the crisis in Europe also drove prices down.

The relatively large differential between prices in the Nordic countries and Continental Europe meant that the transmission interconnectors between the two regions have largely been used to full capacity since July 2011. The limitations in transmission capacity meant that prices were only partly levelled out. The electricity price in Germany in 2012 was adversely affected, to a great extent, by weak demand for electricity and lower coal prices. Prices in the Netherlands and the UK were also down on 2011, but higher gas prices kept the decline in check.

In the Danish price areas, the green dark spread was EUR 4.0/MWh, 20% less than in 2011 due to lower electricity prices. The Dutch green spark spread was negative in 2012, while the UK green spark spread was marginally positive.

### Revenue

DKK million	2012	2011	Δ
Revenue	67,243	56,842	10,401

Revenue was DKK 67.2 billion in 2012, up from DKK 56.8 billion in 2011. The 18% increase mainly reflected higher gas prices, higher electricity sales and income from contracts for the construction of offshore wind farms for co-investors.

Oil and gas production was 28.5 million boe against 26.4 million boe in 2011. The increase primarily reflected increased production from the Siri, Ormen Lange and Trym fields and start-up of production at the Norwegian fields Oselvar and Marulk in the second quarter of 2012.

Electricity generation was 16.1 TWh in 2012 compared with 20.4 TWh in 2011. The decrease was due to lower thermal electricity and heat generation in Denmark due to milder weather, import of inexpensive electricity from Norway and Sweden and reduced generation from the Severn power station in the UK following the breakdown of both turbines in July 2011. This was partly offset by higher output from offshore wind farms, primarily Walney 1 and Walney 2, which became operational in the second quarter of 2011 and the second quarter of 2012 respectively. The London Array and Anholt farms generated first power in the second half of 2012.

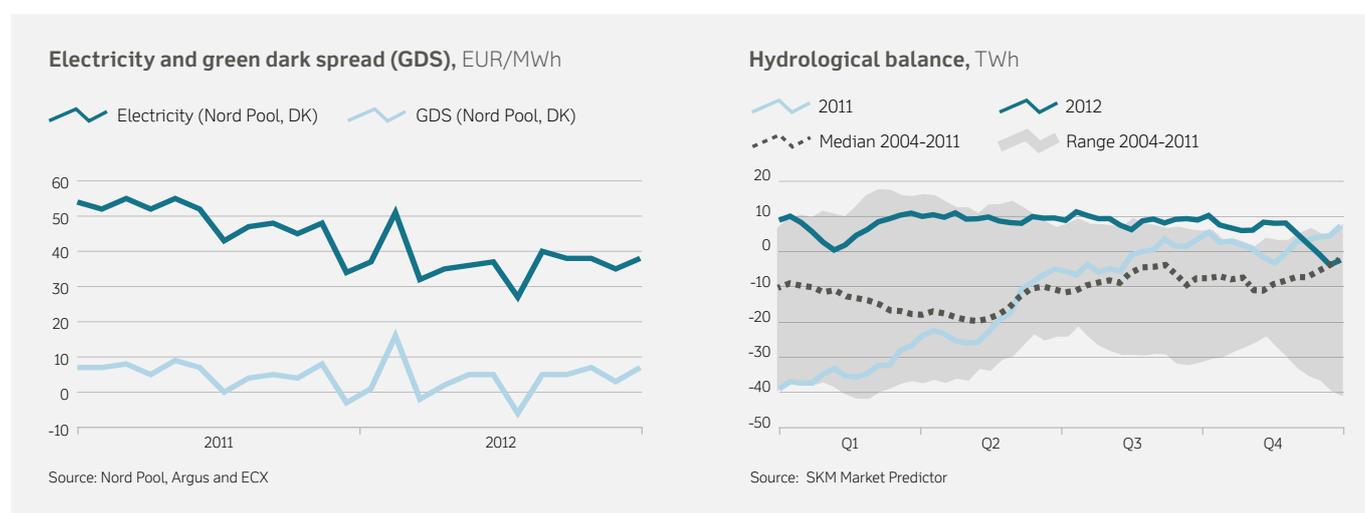
Gas sales (excluding own consumption at power stations) totalled 149.9 TWh, 9% ahead of 2011 due to higher UK sales as a result of the acquisition of the UK gas sales company Shell Gas Direct, which was recognised from May 2012.

### EBITDA

DKK million	2012	2011	Δ
Exploration & Production	6,552	5,684	868
Wind Power	2,502	1,799	703
Thermal Power	2,058	2,255	(197)
Energy Markets	(4,601)	1,963	(6,564)
Sales & Distribution	2,124	2,027	97
Other activities/eliminations	(3)	42	(45)
<b>Consolidated EBITDA</b>	<b>8,632</b>	<b>13,770</b>	<b>(5,138)</b>

EBITDA was DKK 8.6 billion in 2012 compared with DKK 13.8 billion in 2011. The decline was 37% and can be broken down by business unit as follows:

- in Exploration & Production, EBITDA was DKK 0.9 billion ahead at DKK 6.6 billion due to higher gas prices and higher oil prices in DKK, higher output from the Ormen Lange and Trym fields and the new fields Oselvar and Marulk and a higher share of output from Siri due to the ownership interest being increased from 50% to 100% at the end of 2011. This was partly offset by higher costs for the repair work to the Siri platform and higher exploration costs
- in Wind Power, EBITDA rose by DKK 0.7 billion to DKK 2.5 billion due to earnings from contracts for the construction of the Anholt offshore wind farm for co-investors and higher output from Walney 1 and Walney 2, whereas higher costs due to the increase in operating activities depressed EBITDA
- in Thermal Power, EBITDA was DKK 2.1 billion, down DKK 0.2 billion on 2011. The decline reflected lower electricity generation due to significantly lower spreads driven by a high hydrological balance and milder weather. Furthermore, the divestment of Oil Terminals in January 2012 resulted in lower earnings than in 2011. This was partly offset by the full-year effect of tolling income from foreign power stations



- in Energy Markets, EBITDA declined by DKK 6.6 billion to a loss of DKK 4.6 billion, primarily reflecting the DKK 2.3 billion provision for three long-term, onerous gas storage facility contracts in Germany referred to above and the DKK 0.6 billion provision relating to an onerous contract for capacity in the LNG terminal in the Netherlands. Furthermore, in 2011, EBITDA benefited from non-recurring income of around DKK 1 billion from the renegotiation of gas contracts. EBITDA also reflected negative effects of lower earnings from the gas-fired power stations in the UK and the Netherlands due to low production and low spreads and of oil-indexed gas contracts due to the sustained high spread between oil and gas prices in 2012
- in Sales & Distribution, EBITDA was DKK 0.1 billion ahead at DKK 2.1 billion.

### Depreciation, amortisation, impairment losses and EBIT

DKK million	2012	2011	Δ
Depreciation and amortisation	9,201	6,852	2,349
Impairment losses, net	2,912	818	2,094
EBIT	(3,481)	6,100	(9,581)

Depreciation, amortisation and impairment losses were DKK 12.1 billion, DKK 4.4 billion higher than in 2011, primarily reflecting:

- a DKK 2.0 billion impairment loss on gas-fired power stations due to low coal and CO<sub>2</sub> prices, making gas-fired power stations less profitable than coal-fired power stations
- impairment losses of DKK 0.9 billion on other assets
- higher depreciation of DKK 1.0 billion in Exploration & Production due to higher production from Trym and Ormen Lange, start-up of Oselvar and Marulk in the second quarter of 2012, and higher depreciation of fields with short remaining useful lives
- higher depreciation of DKK 0.9 billion in Thermal Power, primarily due to a review of the useful lives of the stand-by CHP plants in Denmark
- higher depreciation of DKK 0.5 billion in Wind Power due to new wind farms.

Impairment losses in 2011 included DKK 0.6 billion on the offshore gas pipelines from the North Sea to Denmark and DKK 0.3 billion on goodwill due to changed pricing in the Dutch market.

EBIT was a loss of DKK 3.5 billion in 2012, a decline of DKK 9.6 billion due to the lower EBITDA as well as impairment losses and higher depreciation.

### Gain on disposal of enterprises

DKK million	2012	2011	Δ
Gain on disposal of enterprises	2,675	225	2,450

The gain on disposal of enterprises was DKK 2.7 billion versus DKK 0.2 billion in 2011. The gain in 2012 related to the disposal of Oil Terminals, which yielded a gain of DKK 2.5 billion, and the disposal of small-scale power stations, which yielded a gain of DKK 0.2 billion.

### Profit of associates

DKK million	2012	2011	Δ
Share of profit (loss) of associates	(553)	36	(589)

Share of profit of associates was a loss of DKK 0.6 billion and related primarily to a negative prior-year tax adjustment in Kraftgården AB that was offset by a similar positive adjustment of tax on profit for the year and therefore did not affect consolidated profit after tax.

### Net finance costs

DKK million	2012	2011	Δ
Interest expense, net	(809)	(641)	(168)
Interest element of provisions	(286)	(176)	(110)
Other, net	(258)	535	(793)
<b>Net finance costs</b>	<b>(1,353)</b>	<b>(282)</b>	<b>(1,071)</b>

Net finance costs amounted to a net charge of DKK 1.4 billion compared with DKK 0.3 billion in 2011.

Net interest expense increased by DKK 0.2 billion, primarily reflecting an increase in average interest-bearing net debt from DKK 23 billion in 2011 to DKK 29 billion in 2012. The low net interest expense in 2011 also benefited from the conversion of part of the loan portfolio to floating-rate loans in 2011.

Other finance costs in 2012 primarily related to losses on foreign exchange contracts.

### Income tax

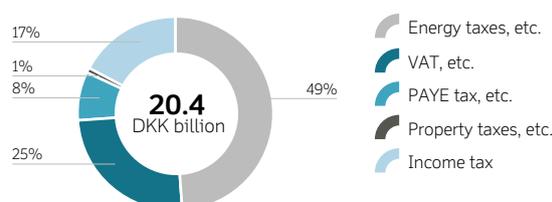
DKK million	2012	2011	Δ
Income tax expense	(1,309)	(3,197)	1,888

Tax on profit for the year was DKK 1.3 billion, which was DKK 1.9 billion less than in 2011. The tax rate was -48% compared with 53% in 2011, primarily reflecting a positive result before tax from oil and gas production in Norway, where hydrocarbon income is taxed at 78%, while the result before tax outside Norway was a loss due to the lower EBITDA and higher depreciation and impairment losses.

### Total tax contribution

DONG Energy's contribution to society in the form of direct and indirect taxes amounted to DKK 20.4 billion in 2012 compared with DKK 17.6 billion in 2011. Of the contribution in 2012, 84% (DKK 17.1 billion) accrued to Denmark. The contribution has been calculated using the TTC model (Total Tax Contribution).

#### Total direct and indirect taxes (TTC model)



### Profit for the year and dividends

DKK million	2012	2011	Δ
Profit (loss) for the year	(4,021)	2,882	(6,903)

The result for the year was a loss of DKK 4.0 billion, a reduction of DKK 6.9 billion on 2011. The decline reflected the lower EBIT and higher net finance costs, partly offset by gains on disposal of enterprises.

The Board of Directors will recommend at the AGM that no dividend be paid for 2012.

### Cash flows from operating activities

DKK million	2012	2011	Δ
Cash flows from operating activities	7,701	12,624	(4,923)

Cash inflow from operating activities was DKK 7.7 billion in 2012 compared with DKK 12.6 billion in 2011. The decrease was primarily due to the lower EBITDA before provision for onerous contracts, payment of previously made provisions and higher taxes paid. In addition, the positive cash flow effect from a reduction in net working capital was lower in 2012 than in 2011.

## Investments

DKK million	2012	2011	Δ
<b>Gross investments</b>	<b>(19,083)</b>	<b>(18,451)</b>	<b>(633)</b>
Disposals of assets and enterprises	4,311	1,981	2,330
Net debt on acquisition/disposal of enterprises	(101)	0	(101)
Transactions with non-controlling interests	231	3,410	(3,178)
<b>Net investments</b>	<b>(14,642)</b>	<b>(13,060)</b>	<b>(1,582)</b>

Net investments were DKK 14.6 billion in 2012 versus DKK 13.1 billion in 2011 and were made up of gross investments of DKK 19.1 billion and disposals of assets and enterprises as well as transactions with non-controlling interests of DKK 4.4 billion.

The main gross investments in 2012 were as follows:

- development of wind activities (DKK 12.7 billion), including the UK offshore wind farms London Array (DKK 5.0 billion), Walney (DKK 1.8 billion), Lincs (DKK 1.0 billion) and West of Duddon Sands (DKK 0.3 billion), the Danish offshore wind farm Anholt (DKK 1.2 billion), project development relating to the German offshore wind farms Gode Wind (DKK 0.5 billion), and the jack-up vessels Sea Installer 1 and 2 for installation of wind turbines (DKK 0.6 billion)
- development of oil and gas fields and infrastructure (DKK 5.1 billion), including the Norwegian gas fields Oselvar (DKK 0.8 billion), Marulk (DKK 0.5 billion) and Ormen Lange (DKK 0.5 billion) as well as Laggan-Tormore in the UK (DKK 0.9 billion) and the Syd Arne field in Denmark (DKK 0.7 billion).

Disposals in 2012 primarily related to Oil Terminals (DKK 2.6 billion) and small-scale power stations (DKK 0.2 billion) in Thermal Power, transmission assets related to the Walney 2 wind farm (DKK 1.0 billion) and 50% of the Borkum Riffgrund 1 project (DKK 0.4 billion) in Wind Power.

## Cash flows from financing activities

DKK million	2012	2011	Δ
Cash flows from financing activities	13,026	4,918	8,108

Cash inflow from financing activities was DKK 13.0 billion compared with DKK 4.9 billion in 2011. The increase primarily related to the issuance of bonds, a GBP 750 million bond with a 20-year maturity and an EUR 750 million bond with a 10-year maturity respectively.

## Balance sheet

DKK million	2012	2011	Δ
Assets	159,594	154,073	5,521
Interest-bearing net debt	33,494	23,615	9,879
Equity	50,016	57,740	(7,724)

The balance sheet total increased by DKK 5.5 billion to DKK 159.6 billion in 2012. The increase primarily reflected DONG Energy's continued investment activities in wind farms and oil and gas fields.

Interest-bearing net debt increased by DKK 9.9 billion, standing at DKK 33.5 billion at the end of 2012, as cash inflow from operating activities and disposals was lower than cash outflow for gross investments and dividend payments.

## Return on capital employed (ROCE)

DKK million	2012	2011	Δ
Operating profit (loss) (EBIT)	(3,481)	6,100	(9,581)
Share of profit (loss) of associates	(553)	36	(589)
Hydrocarbon tax	(1,775)	(1,516)	(258)
Interest element of provisions	(286)	(176)	(111)
<b>Adjusted operating profit (loss)</b>	<b>(6,095)</b>	<b>4,444</b>	<b>(10,539)</b>
Non-interest-bearing assets	138,545	136,728	1,817
Non-interest-bearing liabilities	55,035	(55,373)	(338)
<b>Capital employed</b>	<b>83,510</b>	<b>81,355</b>	<b>2,155</b>
Return on capital employed (ROCE) <sup>1</sup> , %	(7.4%)	5.7%	(13%)

<sup>1</sup> Return calculated as earnings as a percentage of average capital employed.

The return on capital employed was -7.4% in 2012 versus 5.7% in 2011. The negative return in 2012 was due to the previously described negative development in EBIT.

## Capital structure

Adjusted net debt to EBITDA was 4.1 times at the end of 2012 compared with 1.9 times the previous year and was thus unsatisfactory in relation to the target of not exceeding 2.5 times.

More details about the capital structure can be found in the chapter Outlook.

## Difference in EBITDA between business performance and IFRS in 2012

As described in further detail in the annual report for 2011, DONG Energy introduced an alternative performance measure in 2011 to supplement its IFRS financial statements. The business performance results have been adjusted for temporary fluctuations in the market value of contracts (including hedging transactions) relating to other periods and therefore represent the underlying financial performance of the Group in the reporting period.

The difference between the two performance measures is reflected in revenue and cost of sales. In 2012, the difference in EBITDA was DKK -1.5 billion.

EBITDA, DKK million	2012
<b>Business performance</b>	<b>8,632</b>
Market value adjustments for the period of financial and physical hedging contracts relating to other periods	(460)
Deferred losses/gains relating to financial and physical hedging contracts where the hedged production or trading is recognised in the period under review	(1,013)
<b>Total adjustments</b>	<b>(1,473)</b>
Of which recognised in revenue	(1,319)
<b>IFRS</b>	<b>7,159</b>

Market value adjustments relating to other periods thus amounted to an expense of DKK 0.5 billion and primarily related to hedging of exchange rate contracts concluded at higher exchange rates than market prices at the end of 2012, and gas and coal contracts concluded at lower gas prices and higher coal prices respectively than market prices at the end of 2012. This was partly offset by a positive effect from hedging of electricity.

Deferred losses/gains had a negative effect of DKK 1.0 billion, reflecting a net gain in the IFRS results in previous periods that was recognised as a gain in the business performance results in 2012. The gain primarily related to hedging of gas and electricity.

## Results deferred for recognition in business performance results after 2012

At the end of 2012, the deferred earnings impact of financial and physical contracts entered into as part of the risk management of the Group's commercial exposure and hedging of its loan portfolio was negative with DKK 2.2 billion. The deferred impact will be recognised in the business performance results in the period in which the commercial exposure is recognised. In 2013, these contracts will not have any significant net effect on the business performance results assuming unchanged market prices. There will be a positive effect on EBITDA, but a negative effect on net finance costs.

DKK million	Deferred for subsequent recognition end-2012	Expected transfer to business performance results	
		2013	Other years
Oil	266	156	110
Gas	322	469	(147)
Electricity	(343)	50	(393)
Coal	(237)	(158)	(79)
Currency	(899)	(540)	(360)
Interest	(1,287)	(13)	(1,273)
<b>Total derivative financial instruments</b>	<b>(2,178)</b>	<b>(36)</b>	<b>(2,142)</b>

Commodities are recognised in revenue and cost of sales, while interest is recognised in net finance costs and currency in all these items.

# Non-financial performance

The Group's non-financial performance highlights and associated accounting policies are set out on pages 87-90 of the Group's non-financial statements. The figures are commented on below and on pages 23-26. For a detailed description, reference is made to the Group's verified GRI reporting at [dongenergy.com/responsibility2012](http://dongenergy.com/responsibility2012) and the responsibility pages of [dongenergy.com](http://dongenergy.com).

## Environment

		2012	2011	Δ
EU ETS CO <sub>2</sub> emissions	million tonnes	7.8	10.8	(3.0)
CO <sub>2</sub> emissions per energy unit generated (electricity and heat)	g/kWh	443	486	(43)
Green proportion of electricity and heat generation	%	37	29	8

Power station EU ETS CO<sub>2</sub> emissions totalled 7.8 million tonnes in 2012 compared with 10.8 million tonnes in 2011. In 2012, recent years' reduction in CO<sub>2</sub> emissions per kWh generated continued as a result of increased consumption of biomass at power stations and increased wind generation. CO<sub>2</sub> emissions per energy unit generated (electricity and heat) were 443 g/kWh in 2012 against 486 g/kWh in 2011.

Green electricity and heat generation accounted for 37% versus 29% in 2011. The increase was due to lower generation from power stations coupled with a higher share of biomass in generation and increased wind generation.

## Health and safety

		2012	2011	Δ
Lost time injuries	number	71	74	(3)
Lost time injury frequency (LTIF)	per 1 million hours worked	3.6	4.1	(0.5)
Fatalities	number	1	3	(2)

At DONG Energy, safety has always been an integral part of the day-to-day operations, and in 2012 the Group decided to also include safety in its values. The reason for this was to highlight the fact that safety is not a separate academic discipline, but an integral part of the employees' and managers' everyday working lives.

There were 71 lost time injuries in 2012, including 31 at DONG Energy and 40 among the Group's suppliers. Converted to lost time injuries per one million hours worked (LTIF), the total number of injuries at DONG Energy and its suppliers fell for the fifth successive year, from 4.1 in 2011 to 3.6 in 2012.

The injury frequency target set for 2012 was 4.1, and the target for 2013 is a frequency below 3.2.

A tragic incident occurred in 2012 in which a person lost his life while replacing a heavy steel cable on a vessel while it was in dock. DONG Energy takes this type of accident very seriously and will step up preventive action further in 2013.

In 2012, the Group's ongoing efforts to develop a strong safety culture included arranging safety days with suppliers in several business units. Efforts also included the introduction of a course for new managers that focuses on helping managers take the lead when it comes to disseminating the Group's safety culture.

# Review of business units' performance

The financial and environmental performance of each of the Group's five business units in 2012 is commented on in the following.

## Exploration & Production

Performance highlights		2012	2011
<b>Volumes</b>			
Oil and gas production	million boe	28.5	26.4
- oil	million boe	10.0	9.3
- gas	million boe	18.5	17.1
<b>Financial performance</b>			
Revenue	DKK million	11,871	10,469
EBITDA	DKK million	6,552	5,684
EBITDA adjusted for hydrocarbon tax	DKK million	4,793	4,208
EBIT	DKK million	3,091	3,204
Adjusted operating profit	DKK million	1,211	1,628
Gross investments	DKK million	(5,064)	(5,626)
Capital employed	DKK million	17,507	18,186
Return on capital employed (ROCE)	%	6.8	9.2
<b>Working conditions and environment</b>			
Full time equivalents (FTE)	number	762	652
Lost time injury frequency (LTIF)	per 1 million hours worked	0.4	1.8
EU ETS CO <sub>2</sub> emissions	million tonnes	0.1	0.1
Gas flaring	million Nm <sup>3</sup>	7.8	8.0
Oil discharged to sea	tonnes	16	16
Reinjection of produced water on production platforms	%	83	68

### Volumes

Oil and gas production was up 8% at 28.5 million boe in 2012.

Oil production amounted to 10.0 million boe, 6% ahead of 2011. The increase primarily reflected start-up of production at the Norwegian oil and gas fields Oselvar and Marulk in the second quarter of 2012 and a more than doubling of production at Siri due to the increase in the ownership interest from 50% to 100% at the end of 2011. This was partly offset by lower production from the Danish fields Syd Arne and Nini and the Norwegian fields Ula, Gyda and Tambar.

Gas production, which came primarily from the Ormen Lange field in Norway, increased by 9% to 18.5 million boe in 2012, representing 65% of total output. The main contributors to the increase were Ormen Lange, Oselvar and Marulk as well as Trym due to full production in 2012 (start-up of production in February 2011).

The Norwegian fields accounted for 82% of production and the Danish fields 18%.

### Financial performance

Revenue was DKK 11.9 billion, DKK 1.4 billion ahead of 2011 due to higher production, higher gas prices and higher oil prices in DKK.

EBITDA rose by DKK 0.9 billion to DKK 6.6 billion in 2012. The increase primarily reflected Ormen Lange and Trym as well as the new fields Oselvar and Marulk, which became operational in the second quarter of 2012. This was partly offset by higher exploration costs and higher costs for the repair work to the subsea structure at the Siri platform, which amounted to DKK 1.2 billion in 2012.

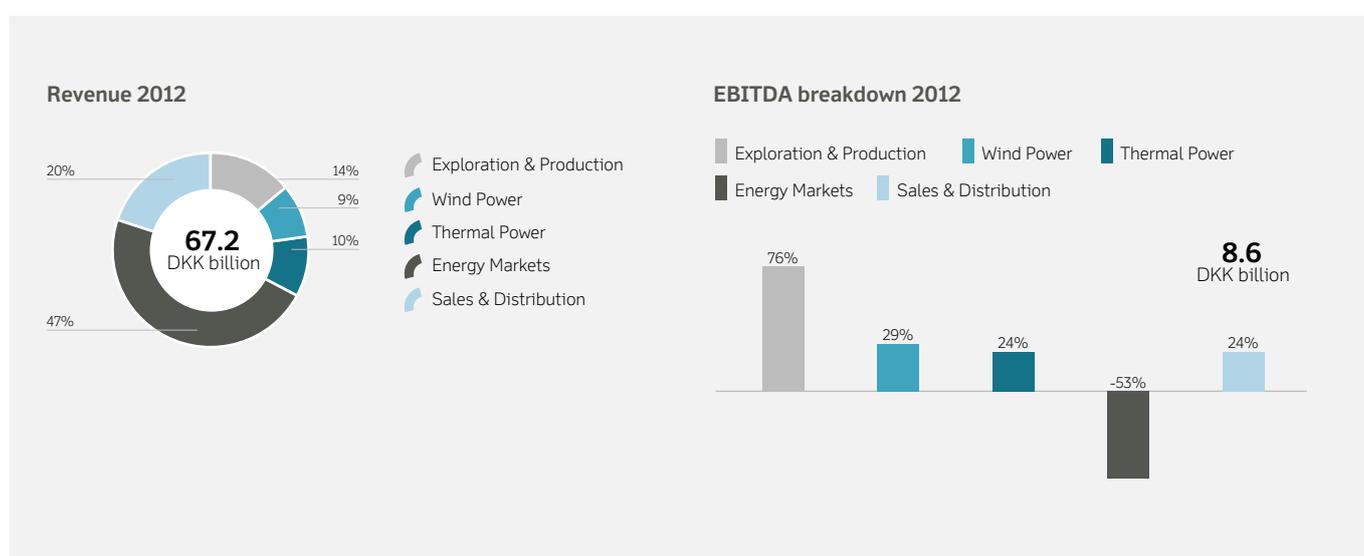
EBIT was down DKK 0.1 billion at DKK 3.1 billion, as the higher EBITDA was offset by higher depreciation in Norway, primarily due to higher production and higher depreciation of fields with short remaining useful lives.

### Environment

Discharges of oil to sea together with produced water from the oil and gas activities amounted to 16 tonnes in 2012, in line with 2011. At the Siri platform, which is operated by DONG Energy, 2.9 tonnes of oil was discharged compared with 1.7 tonnes in 2011. The increase primarily reflected a short period of reduced reinjection and a high concentration of oil in the produced water discharged in February.

Reinjection of oil-containing produced water improved, overall, from 68% to 83% in 2012, primarily due to the higher ownership interest in Siri and increased reinjection on the Syd Arne platform. At 98%, reinjection from the Siri platform remained at the same high level as in 2011.

Gas flaring decreased from 8.0 million Nm<sup>3</sup> to 7.8 million Nm<sup>3</sup> in 2012, mainly due to reduced flaring on the Syd Arne platform.



## Wind Power

Performance highlights		2012	2011
<b>Volumes</b>			
Electricity generation, wind and hydro	TWh	4.6	4.4
<b>Financial performance</b>			
Revenue	DKK million	7,774	4,312
EBITDA	DKK million	2,502	1,799
EBIT	DKK million	700	856
Adjusted operating profit	DKK million	159	861
Gross investments	DKK million	(12,674)	(10,872)
Capital employed	DKK million	39,703	29,443
Return on capital employed (ROCE)	%	0.5	3.4
<b>Working conditions</b>			
Full time equivalents (FTE)	number	1,951	1,219
Lost time injury frequency (LTIF)	per 1 million hours worked	3.7	5.9

### Volumes

Generation from wind and hydro increased by 5% in 2012, to 4.6 TWh. The increase in output from the offshore wind farms was primarily assisted by Walney 1 and Walney 2 (start-up of production in the second quarter of 2011 and the second quarter of 2012 respectively). This was partly offset by reduced output from Gunfleet Sands due to the divestment of 50% of the wind farm at the end of 2011. The London Array and Anholt farms generated first power in the second half of 2012.

Output from wind and hydro power accounted for 29% of the Group's total electricity output in 2012 compared with 22% in 2011.

### Financial performance

Revenue increased by DKK 3.5 billion in 2012, to DKK 7.8 billion, of which DKK 2.7 billion related to income from contracts for the construction of the offshore wind farms Anholt and Borkum Riffgrund 1 for co-investors.

Around two-thirds of revenue in 2012 (excluding construction contracts) came from government revenue schemes, the most important components of which were fixed tariffs (primarily Denmark) and guaranteed minimum prices for green certificates (primarily the UK). The rest of revenue was sold at market prices, but as a large proportion had been hedged at fixed prices, the development in electricity prices only had limited effect on revenue.

EBITDA rose by DKK 0.7 billion to DKK 2.5 billion in 2012. The increase was primarily driven by earnings from contracts for the con-

struction of the Anholt offshore wind farm for co-investors (start-up in the fourth quarter of 2011) and higher electricity production. EBITDA also benefited from the gain on the sale of 50% of the Borkum Riffgrund 1 project, while higher costs due to the increase in operating activities depressed EBITDA.

EBIT was DKK 0.7 billion, down DKK 0.2 billion on 2011. The development in EBIT compared with EBITDA was due to depreciation of new wind farms and impairment losses of DKK 0.3 billion.

## Thermal Power

Performance highlights		2012	2011
<b>Volumes</b>			
Electricity generation, thermal	TWh	9.2	12.6
Heat generation	PJ	43.0	42.6
<b>Financial performance</b>			
Revenue	DKK million	8,980	10,665
EBITDA	DKK million	2,058	2,255
EBIT	DKK million	(2,814)	752
Adjusted operating profit (loss)	DKK million	(2,862)	720
Gross investments	DKK million	(309)	(714)
Capital employed	DKK million	13,712	17,882
Return on capital employed (ROCE)	%	(18.1)	3.9
<b>Working conditions and environment</b>			
Full time equivalents (FTE)	number	1,116	1,285
Lost time injury frequency (LTIF)	per 1 million hours worked	5.8	3.7
EU ETS CO <sub>2</sub> emissions	million tonnes	6.8	9.5

### Volumes

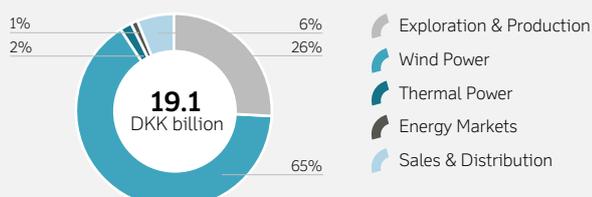
Heat generation was 43.0 PJ in 2012, in line with 2011, while electricity generation was down 27% at 9.2 TWh. Electricity generation was adversely affected by the high hydrological balance in Norway and Sweden, which led to large supplies of inexpensive electricity in the Nord Pool area, and milder weather.

### Financial performance

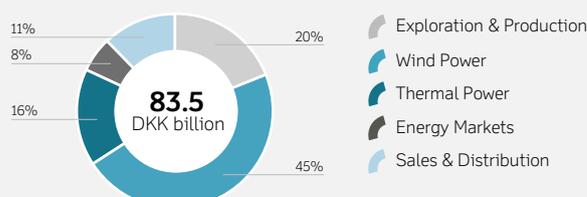
Revenue was down DKK 1.7 billion at DKK 9.0 billion in 2012 due to the lower electricity output and lower settlement prices for electricity in Denmark.

EBITDA was DKK 2.1 billion, down DKK 0.2 billion on 2011. The decline primarily reflected the lower revenue and higher prices for the fuel consumed, primarily related to FIFO effect on coal. Furthermore,

### Gross investments 2012



### Capital employed 2012



the disposal of Oil Terminals in January 2012 resulted in lower earnings than in 2011. This was partly offset by the full-year effect of tolling income from the gas-fired Enecogen power station in the Netherlands, which became operational at the end of 2011, and income on adjustment of decommissioning obligations relating to property, plant and equipment that had been fully depreciated.

EBIT was down by DKK 3.6 billion, amounting to a loss of DKK 2.8 billion in 2012. This was due to the lower EBITDA, impairment losses of DKK 2.5 billion, primarily on the gas-fired power stations, and higher depreciation due to a review of the useful lives of the stand-by CHP plants in Denmark.

### Environment

Danish power station EU ETS CO<sub>2</sub> emissions totalled 6.8 million tonnes compared with 9.5 million tonnes in 2011. The decline reflected divestment of small-scale power stations, lower generation and an increased share of biomass.

## Energy Markets

Performance highlights		2012	2011
<b>Volumes</b>			
Gas sales	TWh	146.5	144.7
Electricity sales	TWh	12.6	9.9
Electricity generation, thermal	TWh	2.3	3.4
<b>Financial performance</b>			
Revenue	DKK million	41,416	33,689
EBITDA	DKK million	(4,601)	1,963
EBIT	DKK million	(5,298)	778
Adjusted operating profit (loss)	DKK million	(5,437)	751
Gross investments	DKK million	(273)	(333)
Capital employed	DKK million	7,308	6,553
Return on capital employed (ROCE)	%	(78.5)	13.8
<b>Working conditions and environment</b>			
Full time equivalents (FTE)	number	324	330
Lost time injury frequency (LTIF)	per 1 million hours worked	0.0	1.9
EU ETS CO <sub>2</sub> emissions	million tonnes	0.9	1.2
Gas flaring	million Nm <sup>3</sup>	1.1	1.0

### Volumes

Gas sales (including sales to own power stations) totalled 146.5 TWh, in line with 2011.

Electricity sales were 12.6 TWh, up 27% on 2011 due to higher electricity sales in the UK, where some of the offshore wind farm-generated electricity is sold. Electricity output from the gas-fired Severn power station amounted to 1.7 TWh in 2012, which was significantly less than in 2011 due to an unfavourable trend in green spark spreads in 2012. Furthermore, the power station was shut down for periods of time in connection with repair work following the breakdown of both turbines in July 2011. One unit was shut down for repairs in September 2012, and the other in January 2013. Both units are expected to be brought back on line in March 2013. The gas-fired Enecogen power station in the Netherlands became operational at the end of 2011, generating 0.6 TWh in 2012. The low output reflected the continuation of very low green spark spreads, as low coal and CO<sub>2</sub> prices placed coal-fired power stations in a better position than gas-fired power stations.

### Financial performance

Revenue was up DKK 7.7 billion at DKK 41.4 billion due to higher gas prices and higher electricity sales than in 2011, partly offset by lower electricity prices.

EBITDA amounted to a loss of DKK 4.6 billion, down DKK 6.6 billion on 2011. This mainly reflected the DKK 2.3 billion provision for three long-term, onerous gas storage facility contracts in Germany and the DKK 0.6 billion provision relating to an onerous contract for capacity in the LNG terminal in the Netherlands.

The fall also reflected the fact that, in 2011, EBITDA benefited from non-recurring income of around DKK 1 billion from the renegotiation of gas contracts, and a negative EBITDA in 2012 from the gas-fired power stations due to the low green spark spreads (partly offset by a positive EBITDA from these in Thermal Power). In addition, oil-indexed gas contracts had a negative effect due to the wider spread between oil and gas prices in 2012, despite a large proportion of this exposure having been hedged. This was due to time lag in the contracts.

EBIT decreased by DKK 6.1 billion to a loss of DKK 5.3 billion in 2012, primarily reflecting the lower EBITDA. EBIT in 2011 included a DKK 0.6 billion impairment loss on the offshore gas pipelines from the North Sea to Denmark.

### Environment

EU ETS CO<sub>2</sub> emissions from the Nybro gas treatment plant and the foreign gas-fired power stations Severn and Enecogen fell by 0.3 million tonnes to 0.9 million tonnes in 2012. This was due to reduced output from Severn.

## Sales & Distribution

Performance highlights		2012	2011
<b>Volumes</b>			
Gas sales	TWh	36.8	20.3
Gas distribution	TWh	9.1	9.9
Electricity sales	TWh	7.5	7.6
Electricity distribution	TWh	8.7	8.8
Oil transportation, Denmark	million bbl	66	72
<b>Financial performance</b>			
Revenue	DKK million	17,061	13,009
EBITDA	DKK million	2,124	2,027
EBIT	DKK million	950	566
Adjusted operating profit	DKK million	961	584
Gross investments	DKK million	(1,169)	(810)
Capital employed	DKK million	9,759	10,944
Return on capital employed (ROCE)	%	9.3	5.1
<b>Working conditions</b>			
Full time equivalents (FTE)	number	1,517	1,409
Lost time injury frequency (LTIF)	per 1 million hours worked	4.0	3.7

### Volumes

Gas sales were 36.8 TWh in 2012, up 81% on 2011, mainly due to the acquisition of the UK gas sales company Shell Gas Direct, which was recognised from May 2012.

Gas distribution was 9.1 TWh in 2012, down 8% on 2011 due to milder weather.

Furthermore, electricity sales and distribution and oil transportation were slightly lower than in 2011.

### Financial performance

Revenue rose by DKK 4.1 billion to DKK 17.1 billion in 2012. The increase was primarily driven by gas sales in the UK.

EBITDA increased by DKK 0.1 billion to DKK 2.1 billion in 2012. This was primarily due to the recognition as income of adjustment of decommissioning obligations on property, plant and equipment that had been fully depreciated. Positive effects from higher electricity distribution tar-

iffs and lower expenses than in 2011 were more than offset by lower earnings from gas distribution due to fewer volumes distributed and lower tariffs as well as lower earnings from gas sales due to lower margins.

EBIT rose by DKK 0.4 billion to DKK 1.0 billion in 2012. In 2011, an impairment loss of DKK 0.3 billion was recognised on goodwill related to the Dutch sales subsidiary due to changed pricing in the Dutch market.

#### **Environment**

There were three significant environmental incidents in 2012. A leaky cable caused an oil leakage of 1.8 m<sup>3</sup>. Internal and external emergency

plans functioned as planned and the damage was quickly repaired.

At the oil storage facility in Fredericia, a sewage well overflow caused a discharge of waste water containing chloride, contaminating a nearby field. The area has subsequently been cleaned up.

Lastly, at the Nybro gas treatment plant a leakage caused a 500-litre sulfinol spill to the ground. In accordance with the contingency plan, clean-up was launched in cooperation with the authorities to limit the spread, contain the damage and dispose of the contaminated soil.

# Outlook

As described in the CEO's statement on pages 5-6 of this annual report, an extensive action plan was put in place in 2012 that is to restore a robust financial platform for the Group's continued growth and strategic transformation.

The timing of the implementation of the individual measures is subject to some uncertainty, especially with respect to divestments and other measures aimed at enhancing the capital structure, including the injection of equity of at least DKK 6-8 billion. The outlook for net investments therefore covers a two-year period, while the outlook provided for the capital structure key ratio is for the end of 2014 only, equivalent to the time frame for the action plan.

Outlook	2013	2014
EBITDA (billion DKK)	11.5-12.5	
Net investments (billion DKK)		25-30
Adjusted net debt/EBITDA		~2.5x

## EBITDA outlook for 2013

Business performance EBITDA for 2013 is expected to amount to DKK 11.5-12.5 billion. The estimate is based on financial forecasts for each business unit and thus reflects specific expectations concerning production from existing and new assets, income from construction contracts, renegotiation of gas contracts, costs for the repair work to the Siri platform, realisation of the ongoing cost cuts, loss of EBITDA in connection with divestments and the market prices and exchange rates set out in the table. In addition, a large proportion of price exposure for 2013 has been hedged using financial contracts.

## Market prices

(average)		Estimate 2013	Actual 2012
Oil, Brent	USD/bbl	107	112
Gas, TTF	EUR/MWh	26	25
Gas, NBP	EUR/MWh	27	25
Electricity, Nord Pool System	EUR/MWh	38	31
Electricity, Nord Pool, DK <sup>1</sup>	EUR/MWh	43	37
Electricity, EEX	EUR/MWh	44	43
Electricity, UK	EUR/MWh	61	55
Coal, API 2	USD/tonne	94	93
CO <sub>2</sub> , EUA	EUR/tonne	6.6	7.5
Green dark spread, DK <sup>1</sup>	EUR/MWh	10.6	4.0
Green spark spread, UK	EUR/MWh	5.1	2.3
Green spark spread, NL	EUR/MWh	(4.5)	(4.5)
USD exchange rate	DKK/USD	5.6	5.8
GBP exchange rate	DKK/GBP	9.1	9.2

Source: Platts, Argus, Nord Pool, LEBA, ECX.

<sup>1</sup> Based on average prices in DK1 and DK2.

## Net investments outlook

Net investments for the period 2013-2014 are expected to amount to DKK 25-30 billion, which is slightly less than the previous outlook of average annual net investments of DKK 15 billion in 2011-2013.

## Capital structure outlook

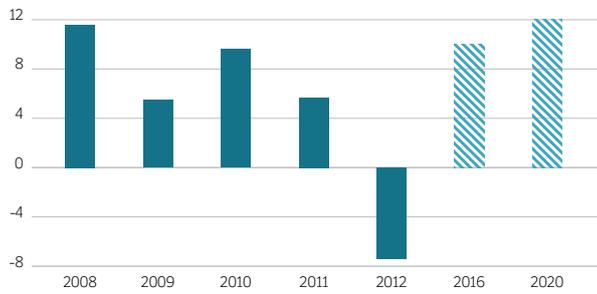
The key ratio adjusted net debt/EBITDA is expected to be reduced to around 2.5 at the end of 2014 compared with 4.1 at the end of 2012 (3.1 excluding the provision relating to gas storage capacity and LNG terminal capacity). The long-term objective is still for adjusted net debt not to exceed 2.5 times EBITDA.

### FORWARD-LOOKING STATEMENTS

The annual report contains forward-looking statements, which include projections of short and long-term financial performance and targets. 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 annual report due to a variety of factors, including, but not limited to, changes in temperature and precipitation levels; the development in oil, gas, electricity, coal, CO<sub>2</sub>, currency and interest rate markets; changes in legislation, regulation or standards; renegotiation of contracts; changes in the competitive environment in DONG Energy's markets; and security of supply. Reference is made to the chapter on Risk and risk management, and note 25 to the consolidated financial statements.

DONG Energy has set objectives for its financial management. The key financial management objectives are described below

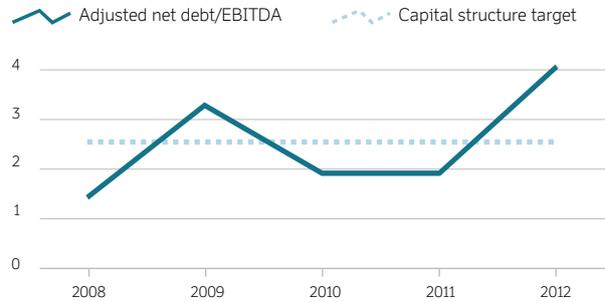
**ROCE, %**



The business units' ROCE targets for 2016 and 2020 can be seen on pages 2-3.

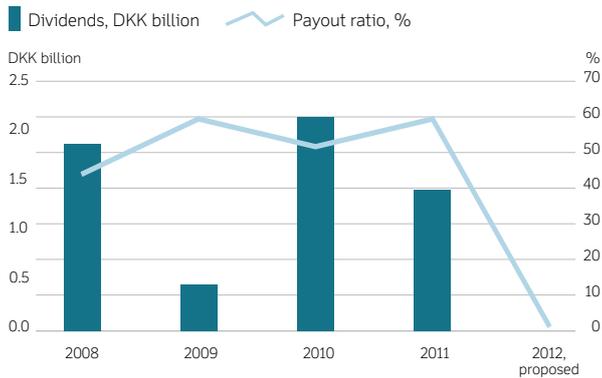
**Capital structure**

Adjusted net debt must not exceed 2.5 times EBITDA.



Adjusted net debt is defined as net debt for accounting purposes plus 50% of hybrid capital maturing in 3005.

**Dividends**

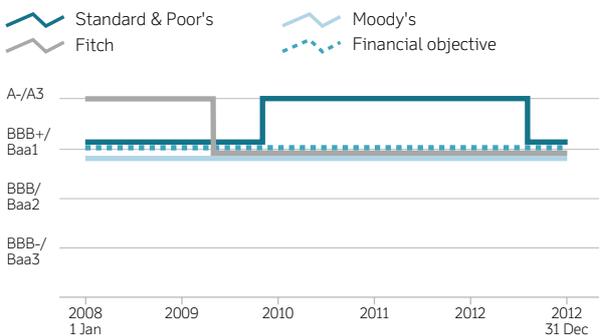


Proposed dividend for the year will be determined based on the following principle:

- A fixed amount of DKK 8.00 per share (in 2012), which will be increased by DKK 0.25 per year if the shareholders' share of profit for the year after tax is within the payout ratio range
- A payout ratio of minimum 40% and maximum 60% of the shareholders' share of the business performance results for the year after tax less coupon after tax to hybrid capital holders and the non-controlling interests' share of profit for the year.

**Rating**

Rating of minimum BBB+/Baa1



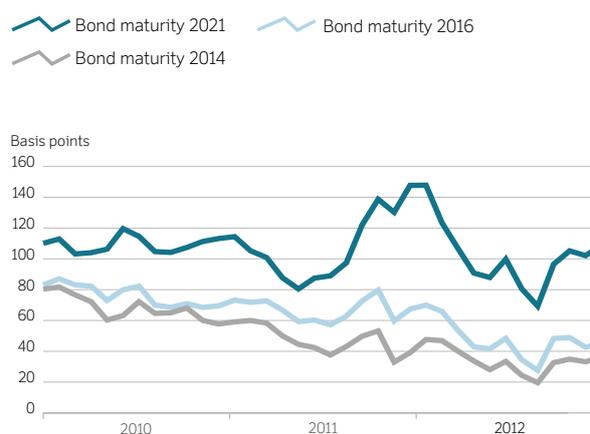
## Diversified borrowing in the international bond market

The Group is a reputable player in the bond market and engages in continuous dialogue with bond investors and bond analysts, for example via quarterly presentations and roadshows.

### Outstanding bonds

Currency	Principal amount (million)	Coupon (%)	Maturity	Listed in
<b>Corporate bonds</b>				
EUR	500	4.875	7 May 2014	London
EUR	500	4.000	16 Dec 2016	London
EUR	500	6.500	7 May 2019	London
EUR	500	4.875	16 Dec 2021	London
EUR	750	2.625	19 Sep 2022	London
GBP	750	4.875	12 Jan 2032	London
GBP	500	5.750	9 Apr 2040	London
<b>Hybrid bonds</b>				
EUR	600	5.500	Year 3005	Luxembourg
EUR	700	7.750	Year 3010	Luxembourg

### Spread (credit margin) compared with swap rate for selected bonds



### Significant financing activities in 2012

Date	Activity
05 Jan	Issuance of GBP 750 million bond
11 Jan	Raising of loan from KfW (EUR 90 million)
10 Sep	Issuance of EUR 750 million bond

### Rating

	Moody's	Standard & Poor's	Fitch
Company rating	Baa1	BBB+	BBB+
Ordinary bonds	Baa1	BBB+	BBB+
Hybrid bonds	Baa3	BBB- / BB	BBB-
Outlook	Stable	Negative	Negative
Latest rating report	Dec 2012	Feb 2013	Nov 2012

### Financial calendar 2013

Date	Activity
27 Feb	Annual report 2012
22 Apr	Annual General Meeting
22 Apr	Interim financial report - Q1 2013
20 Aug	Interim financial report - H1 2013
23 Oct	Interim financial report - 9M 2013

### Contact

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Risk is a part of DONG Energy’s business.  
The Group works actively to identify and handle risks

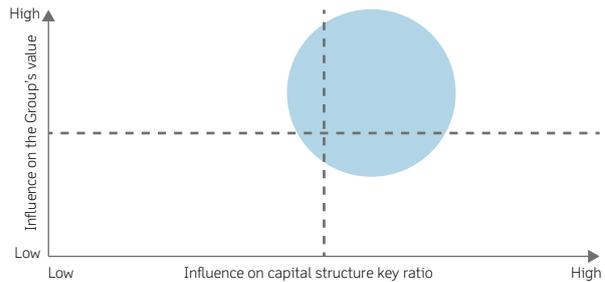
Risks are an integral part of DONG Energy’s business. Some market risks are managed with a view to striking the desired balance between value creation and associated risks. Here, movements in market prices can be an earnings opportunity as well as a competitive parameter. As far as other risks such as environmental, safety and technical risks are concerned, DONG Energy endeavours to completely eliminate these or, if this is not possible, to mitigate them as far as possible.

**Risk management**

The objective of risk management is to ensure that the risks that may affect DONG Energy’s business are taken into account. This helps underpin and optimise value creation. As a result of its business strategy, DONG Energy has a commercial exposure to the energy markets in several countries in North West Europe, and its exposure is concentrated, to a greater extent, in DONG Energy’s growth areas, Wind Power and Exploration & Production.

Material risks can be divided into four main categories and are, to some extent, interdependent. The Group identifies and prioritises its risks annually in a matrix based on an assessment of their importance both to the Group’s value and its capital structure key ratio.

**Risk matrix**



**Selected material risks**

Market, liquidity and credit risks

**Market risks**

- Oil and gas prices
- Prices for thermal electricity generation
- Prices for renewable generation
- Market trading
- Exchange rates
- Interest rates

**Liquidity and financing risks**

**Credit risks**

Regulatory risks

- Regulatory frameworks
- Tax regimes
- Financial regulation

Operational risks

- Construction and operation of facilities
- Subsuppliers
- Environment
- Contractual risks
- Partnerships
- Changed demand-side characteristics
- Extensive damage to property
- The weather

Staff and organisational risks

- Employee safety
- Attracting and retaining talented employees
- Fraud

The highlighted risks are explained on the following pages.

**Market, liquidity and credit risks**

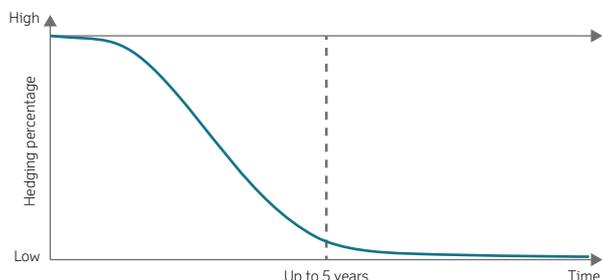
DONG Energy’s material market risks relate to the energy markets, including the oil, gas and electricity markets. These markets have special characteristics that affect DONG Energy’s risk exposure. Firstly, prices are subject to great uncertainty as energy markets are characterised by being highly volatile. They are far more volatile than, for example, currency markets, cf. the figure to the right, which shows indexed oil prices and USD exchange rates. Secondly, the magnitude of DONG Energy’s energy exposure is subject to uncertainty. Examples of this are uncertainty relating to production volumes or special contractual risks applying in the energy markets. Examples of the latter are flexibility in gas purchases or renegotiation clauses, both of which will depend on the future energy price trend and the general economy. The exposure scenario for DONG Energy is therefore based on expectations concerning the factors outlined above.

**Indexed oil price and USD exchange rate**



The figure below illustrates the Group's hedging strategy. The Group's long-term and structural market risks are determined by its strategic choices and the associated asset composition. Coupled with balancing of its oil and gas portfolio, the Group's technological and geographical diversification - including the transformation to greener electricity and heat generation - provides a diversified portfolio of assets with varying risk profiles.

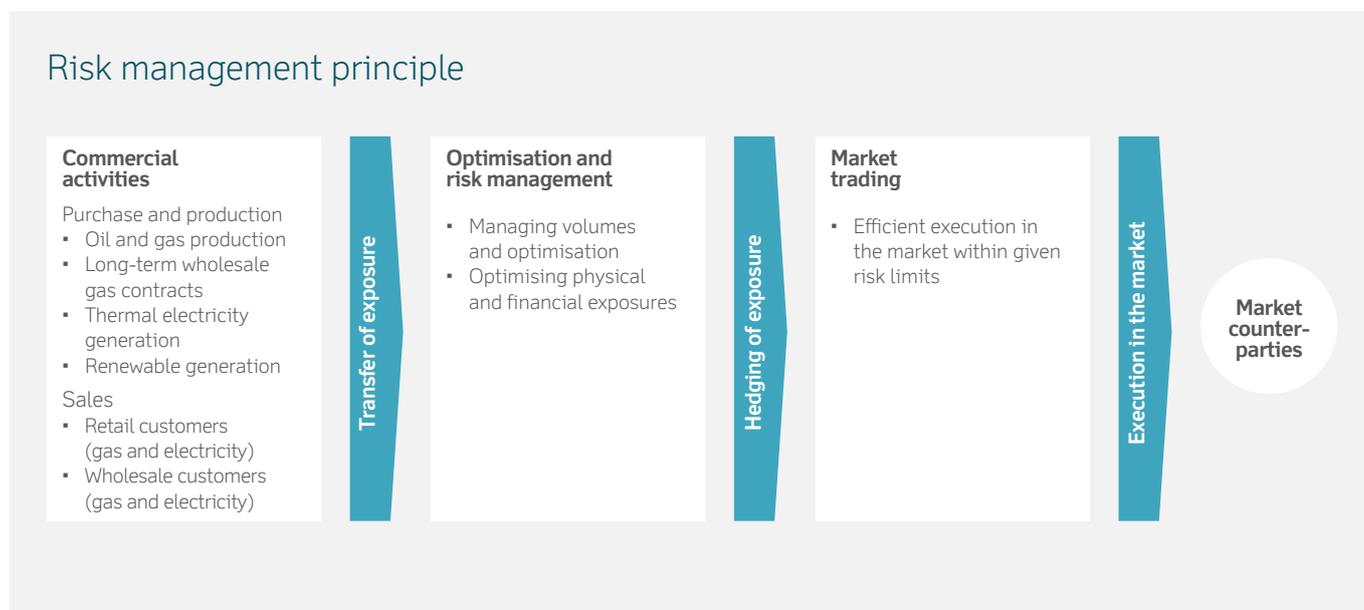
**Hedging strategy**



To further reduce the fluctuations in its cash flows in the short and medium terms, the Group enters into price hedging contracts within its risk management time frame (up to five years). At the short end of the time frame, the Group wants a high level of hedging to achieve a high degree of certainty with regard to cash flows, while the hedging level is lower in subsequent years. This approach is chosen partly because the underlying longer-term exposure is subject to greater uncertainty, and partly because the financial and physical markets are less liquid in the longer term.

DONG Energy's principle for managing market risks is illustrated below. The Group optimises its exposures from production and purchase and sales contracts within its management time frame and hedges them taking a consolidated view in which account is taken of internal hedging in the Group.

The Group then hedges the consolidated exposure via DONG Energy's trading function (Market Trading), which is responsible for executing physical and financial transactions in the market to the extent possible. This activity may be restricted by market liquidity.



Market risks can be divided into energy price risks and currency and interest rate risks. Energy price risks arise as a result of fluctuations in the prices of oil, gas, electricity, coal, CO<sub>2</sub> and, to a lesser extent, other commodities. Part of the exposure depends on one specific price (direct price risks), while other parts depend on the difference between

two or more prices (spread risks). Market price risk on direct price risks is normally higher than for spread-based exposures as the prices of individual commodities are typically more volatile than the difference between wholly or partly correlated energy prices.

**GLOSSARY**

Reference is made to the glossary on page 109 for definitions of terms.

### Oil and gas prices

Oil and gas price risks come primarily from equity production of oil and gas and from differences in the indexation of sales and purchase prices for gas.

DONG Energy's production of oil contributes to reducing its oil price exposure from oil price-indexed gas purchase contracts. Viewed in isolation, oil-indexed gas purchase contracts entail a long gas position and a short oil position.

The risk to future cash flows from oil and gas exposures is managed with a time frame of three years based on a target for cash flow-at-risk. Oil and gas exposures are hedged after adjustment for hydrocarbon taxation to achieve the desired cash flow effect after tax.

The oil and gas exposure profile is expected to change in the years to come, primarily due to rising equity production of oil. DONG Energy will be affected financially when oil and gas price trends diverge in the short term (decouple), as was the case in 2009-2012.

The long-term purchase and sales contracts contain embedded options, for example in the form of volume flexibility and renegotiation clauses that may alter DONG Energy's risk profile in both the short and the long term. Like other European companies, DONG Energy is in the process of renegotiating long-term gas purchase contracts. This may lead to a significant reduction in the oil price indexing of its gas purchase contracts.

### Prices for thermal electricity generation

The electricity price is determined by fuel prices, prices for CO<sub>2</sub> emissions allowances and general supply side and demand side characteristics, where weather conditions play a part. For example, the electricity price in the UK is driven, to a great extent, by the gas price.

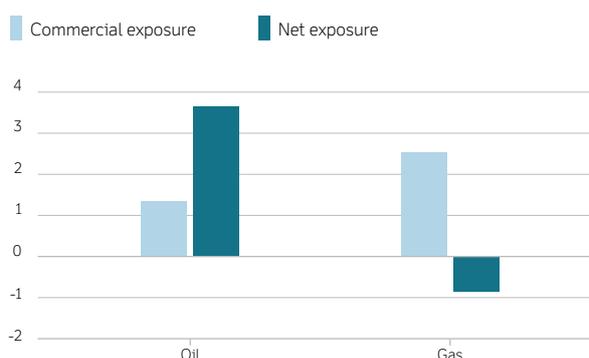
Risk management of thermal electricity generation is based on freezing the contribution margin for future electricity generation by selling electricity and buying fuel and CO<sub>2</sub>. The spread-based price exposure for the Danish and foreign electricity generation is managed with a time frame of up to five years. The time frame reflects the given liquidity conditions for trading in the forward market.

The power station portfolio consists of gas, coal and biomass-fired plants in Denmark, the UK and the Netherlands. The profitability of each power station will depend on prices of competing fuels, for example gas relative to coal.

At the end of 2012, renegotiation of gas contracts led to considerable changes in gas and oil exposures. DONG Energy's gas and oil positions were both long, overall, at the end of 2012. Before the renegotiations, the Group had a long gas position and a short oil position. At the end of 2012, hedging transactions had not been aligned to the new conditions.

At the start of 2013, the net exposure to oil and gas for 2013 had largely been balanced using hedging transactions.

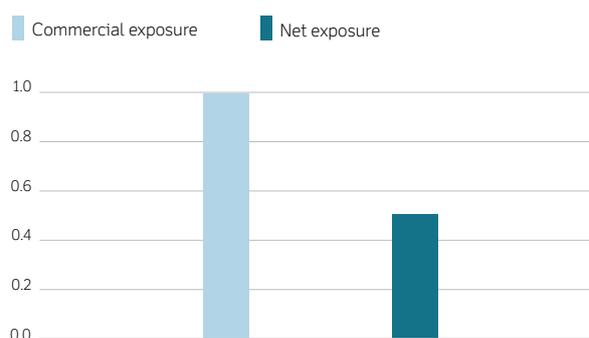
### Oil and gas exposures in 2013, DKK billion



At the end of 2012, the price exposure relating to 49% of expected thermal generation in 2013 had been hedged.

The currently relatively low exposure to thermal electricity generation mainly reflects unfavourable correlations between electricity and fuel prices, i.e. a low contribution margin. For a given expected output, this results in a low exposure.

### Thermal electricity generation exposure in 2013, DKK billion



## Risk and risk policy

### Prices for renewable generation

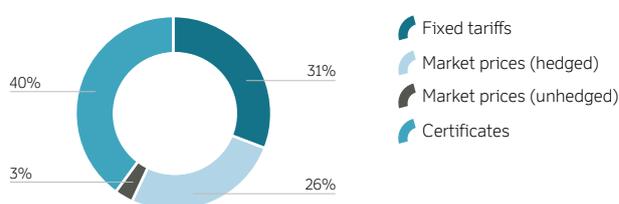
In connection with the development of renewable energy sources, primarily offshore wind farms, a major part of the earnings from wind power will come from activities subject to regulated pricing. The key components are fixed tariffs (Denmark and Germany) and guaranteed minimum prices for green certificates (the UK and Poland).

The market price risk to the wind power portfolio is treated as a direct price risk and managed with a time frame of three years based on a target for cash flow-at-risk.

## Exposure and hedging

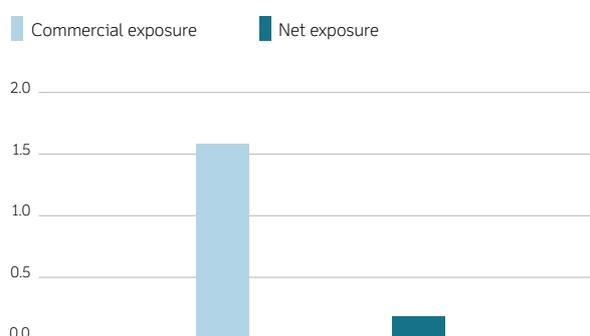
At the end of 2012, fixed tariffs and guaranteed minimum prices for green certificates accounted for approx. two-thirds of expected revenue from the wind power portfolio in 2013.

### Income by wind farm in 2013



88% of the exposure to market prices in Wind Power has been hedged in 2013.

### Renewable generation exposure in 2013, DKK billion



### Market trading

When the Group's desired hedging level has been determined, the Market Trading function is responsible for executing the physical and financial transactions in the market. It is not always possible to hedge the transferred price risks in full. DONG Energy therefore has some remaining exposure resulting from these activities.

Market Trading also balances physical volumes in the market and, to a lesser extent, takes positions to ensure an ongoing market presence and thus gain more detailed market insight. Furthermore, DONG Energy has assumed the role of market maker in the Danish electricity market, which entails further market risks.

At the end of 2012, the energy price exposure amounted to DKK 4.2 billion before hedging and DKK -464 million after hedging.

Overall one-day 95% Value-at-Risk (VaR) was DKK 38 million.

### Exchange rates

The majority of DONG Energy's activities entail exposure to fluctuations in exchange rates. The key currencies are USD, GBP, NOK, PLN, SEK and EUR. The net exposure is calculated on an ongoing basis for the Group as a whole. The Group aims to minimise its net exposure via forward contracts, swaps and options. Currency positions are determined on the basis of estimated operating cash flows with a five-year time frame. Currency risks in connection with net investments in foreign subsidiaries and loans without any time frame are also included.

GBP and USD represent the largest exposures. At the end of 2012, 97% of the currency exposure in 2013 had been hedged.

## Risk and risk policy

### Interest rates

DONG Energy's interest rate risks relate to interest-bearing assets, financial price hedges, non-current liabilities and current interest payments. The Group wants to limit the effect of changes in interest rates. As a result, the loan portfolio, including hybrid capital, was predominantly fixed-rate at the end of 2012. Interest rate risk is managed actively via a target for the duration of the net debt.

### Liquidity and financing risks

Implementation of DONG Energy's strategy assumes financing in the form of asset disposals or the raising of loans in addition to the cash inflow from operating activities. The refinancing risk is reduced by having a diversified debt mix and maturity profile and ample cash resources in the form of committed loan facilities, cash or liquid securities.

To secure financing on attractive terms, DONG Energy has set targets for its credit rating and capital structure (see page 28). The credit rating target is ratings of at least BBB+ (Standard & Poor's and Fitch) and Baa1 (Moody's), while the capital structure target is for adjusted net debt not to exceed 2.5 times EBITDA.

### Credit risks

DONG Energy seeks to mitigate its credit risks by systematically credit-rating counterparties, by using financial standard contracts and by requiring collateral. Allocated credit lines are monitored continuously and counterparties in the areas of energy trading and financial activities are monitored daily.

Monitoring of counterparties and allocation of credit lines are based on limits determined by the Board of Directors and the Executive Board. An internal credit rating is required for major counterparties. Information from external credit rating agencies, information in the public domain and DONG Energy's own analyses are used to establish the internal rating and assess the maximum permitted commitment for each counterparty.

## Exposure and hedging

The table below shows the key indicators for interest rate risk. 79% of the Group's borrowings are at fixed rates. In 2013, a one percentage point interest rate increase would result in a DKK 46 million increase in net interest expense compared with a total annual cost for net debt and hybrid capital of DKK 2.3 billion at the end of 2012.

The loan portfolio (excluding hybrid capital) has an average term to maturity of 10.5 years. This reflects the fact that DONG Energy has endeavoured to reduce its refinancing risk.

### Loan portfolio profile (excl. hybrid capital) at 31 Dec 2012

Fixed-interest portion <sup>1</sup> (%)	79.0
Modified duration (years)	6.8
Average time to maturity (years)	10.5
Average interest rate (%)	3.9

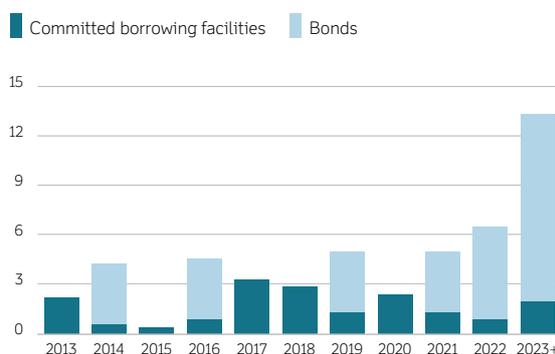
<sup>1</sup> The fixed-interest portion incl. hybrid capital was 82.4%.

At the end of 2012, cash resources were DKK 25.8 billion, of which DKK 11.6 billion was committed borrowing facilities and DKK 14.2 billion available cash and cash equivalents and securities.

DONG Energy's current ratings are BBB+ with a negative outlook (Standard & Poor's and Fitch) and Baa1 (Moody's).

At the end of 2012, adjusted net debt amounted to 4.1 times EBITDA.

### Maturity profile, DKK billion



Note: Excluding hybrid capital, which comprises: EUR 600 million maturing in 3005 with first call date in 2015 and EUR 700 million maturing in 3010 with first call date in 2021.

DONG Energy did not suffer any losses on individual major counterparties in 2012.

Despite the continued financial crisis, the number of retail customers in arrears fell in 2012, especially in the business customer segment. However, if the slow economic growth persists, it may have a negative effect on this, going forward.

For an overview of credit quality at the end of 2012, reference is made to note 24 to the consolidated financial statements.

## Regulatory risks

### Regulatory frameworks

Changes in the regulatory frameworks in both Denmark and abroad are material to DONG Energy's strategic opportunities and thus also its future earnings. However, DONG Energy's growing international presence is reducing its dependence on regulatory changes in the individual countries, such as changes to subsidy schemes in connection with investments in wind generation and changes to public regulation of electricity and gas. DONG Energy's activities in several stages of the value chain contribute to mitigating the effects of regulatory changes in individual stages of the chain. Furthermore, DONG Energy follows political and regulatory developments closely in the relevant countries, and takes an active part in connection with consultations on draft legislation and other regulatory proposals that involve a risk of material changes.

### Tax regimes

Changed tax regimes may have a material effect on the Group's financial results, including in connection with oil and gas extraction. DONG Energy's tax risks are assessed and managed on a continuous basis using the Group's tax policy and tax strategy. DONG Energy seeks open

dialogue with tax authorities and other public authorities and, wherever possible, endeavours to obtain binding advance indications from the authorities to clarify major tax-related risks. Because of the Group's international presence, DONG Energy maintains a fair transfer pricing system based on OECD guidelines.

### Financial regulation

The financial crisis has led to a desire among European regulators to tighten the rules on trading in financial instruments, including commodity derivatives. This has led to three strands of new regulations (REMIT, EMIR and MiFID II) that may have considerable implications for DONG Energy, not only in terms of tied-up funds but also stricter capital requirements. DONG Energy follows developments closely and continually analyses whether it is necessary to adjust the current business model. DONG Energy implemented the REMIT regulation on market abuse at the start of 2012. The EMIR regulation, which introduces mandatory clearing of, for example, OTC derivatives, is expected to have a major impact in 2013 on the way in which such derivatives are traded and collateral is provided.

## Operational risks

### Construction and operation of facilities

There are a variety of risks associated with DONG Energy's development, construction, operation and maintenance of production equipment and facilities, and these risks cannot all be directly hedged. DONG Energy continuously focuses on avoiding and preventing high-risk scenarios by means of inspection, improved maintenance as well as internal and external checks of production equipment and facilities. Where possible, a number of insurance policies have been taken out to protect the value of assets.

The subsidiary DONG Insurance A/S was established to optimise the insurance portfolio. DONG Insurance A/S is a wholly-owned subsidiary of DONG Energy A/S and, in principle, only insures companies and risks in the DONG Energy Group. The most important areas of insurance comprise the Group's major fixed assets. As an insurance company, DONG Insurance is subject to supervision by the Danish Financial Supervisory Authority.

### Subsuppliers

There are risks of delays associated with the execution of investment projects involving many subsuppliers, such as delays in installation and transit vessels, commercial and partner-related factors, breach of contract by suppliers and subcontractors and, for wind farms, delays in cable-laying. Moreover, a large part of the equipment required is ordered in markets that are often characterised by a high level of activity and where competition may be limited. To mitigate these risks, DONG Energy has acquired extensive internal knowledge and expertise. As far as concerns wind farm construction, the Group has secured control of key capabilities in installation logistics via its ownership of A2SEA and CT Offshore, enabling it to optimise processes.

### Environment

As an energy company DONG Energy leaves a significant mark on the environment. The Group therefore has an obligation to society to work in a long-term, systematic manner to limit these impacts. Consideration for the climate and the environment is an integral part of the Group's activities and decision-making processes.

DONG Energy has an overall environment policy, partly to minimise its environmental impact, and partly to endeavour to continually optimise the relevant systems and processes. The policy is followed up by international certified management systems in the parts of the Group where this creates value and where risk exposure is highest. The ISO 14001 environmental management standard is applied at, for example, all Danish facilities that generate electricity and heat, in electricity distribution and in the Group's oil and gas activities.

Identification and reduction of potential environmental risks and social risks is a statutory requirement on large projects, for example the construction of offshore wind farms and power stations and exploration and production activities. Such EIAs (Environmental Impact Assessments) help achieve the objective of having a low environmental impact in all phases – from project planning, through construction and consumption to decommissioning.

DONG Energy works systematically on recording, managing and following up on environmental incidents. The Group applies the principle that the severity of an incident should determine the level of management, and has implemented a system for risk assessment and systematic follow-up in connection with incidents.

## Staff and organisational risks

### Employee safety

For DONG Energy, a stimulating, healthy working environment coupled with a high level of safety in the workplace is a prerequisite for operating a responsible and efficient company. Safety is therefore an integral part of the Group's values. Safety awareness is high in connection with all activities, and the Group continuously strives to improve its safety performance through prevention, training, education and involvement of employees to embed our safety culture 'The safe way – or no way'.

DONG Energy makes extensive use of suppliers, especially on major construction projects such as wind farms and oil and gas installations. Based on the company's growth strategy, DONG Energy expects to make increasing use of suppliers in the years ahead. Contractual issues relating to safety and supplier safety in practice are therefore key components in DONG Energy's efforts to minimise risks to personal safety. DONG Energy focuses on and monitors supplier safety in the same way as the safety of its own employees.

Incidents and near-misses as well as observations relating to hazardous conditions for both own and supplier employees are systematically recorded, risk assessed and handled across the Group in order to minimise the risk of employee injuries. The knowledge acquired in this way is used to continuously put in place new initiatives to minimise relevant risks. These initiatives have resulted in a markedly falling injury frequency in recent years.

The target is an injury frequency (LTIF) of max. 1.5 in 2020, which is a significant improvement on 2012, when the frequency was 3.6. The Group has therefore increased its focus on the overall safety plan, including safety at suppliers, and associated systems. The new measures include heightened awareness of the safety culture, with safety being made a clear managerial priority across DONG Energy. The initiatives also comprise development of an e-learning programme that all the Group's employees and suppliers must complete. This ensures that DONG Energy's values and requirements in relation to safety become firmly embedded in the way the Group's own and suppliers' employees work.

### Attracting and retaining competent employees

DONG Energy competes internationally for the resources and skills that are to secure its future growth. This applies especially to commercial and technical skills in Exploration & Production and Wind Power and commercial skills in Energy Markets.

DONG Energy therefore has a recruitment risk in relation to the recruitment of skilled labour. To reduce this risk, the Group has focused in recent years on a variety of activities, including employer branding, identification of key skills, talent and skills development and improvement of the conditions for attracting skilled foreign labour.

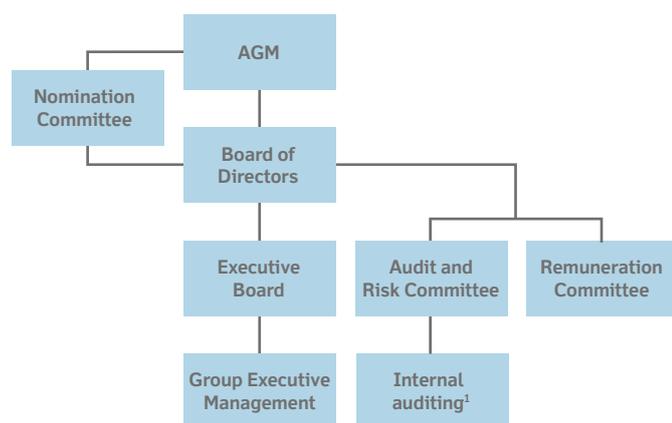
## Statutory report on corporate governance, cf. Section 107(c) of the Danish Financial Statements Act

### Corporate governance

DONG Energy has elected to address the recommendations of the Committee on Corporate Governance and applies 77 of its 79 recommendations.

The Board of Directors has overall responsibility for corporate governance at DONG Energy. The Board has appointed committees that are to assist the Board in its work, and an Executive Board that takes care of the day-to-day management of the Group.

#### Management bodies and committees in DONG Energy A/S



<sup>1</sup>Internal auditing will be introduced in spring 2013

#### Shareholders

The state, as principal shareholder (79.96% interest), exercises its ownership in accordance with the principles in the publication 'The state as shareholder'.

For shareholders, annual and extraordinary general meetings are supplemented by an annual shareholder meeting at which management briefs the shareholders on the Group's activities.

The Nomination Committee consists of six members: the Chairman and Deputy Chairman of the Board and four members appointed by each of the four largest registered shareholders. As the members have not been appointed by the Board, the Committee's composition differs from that proposed in Recommendations on Corporate Governance.

The Nomination Committee's role is to review the Board's composition and recommend suitable candidates to the Board for election by the shareholders at the AGM. No age limit has been set for Board members, but age is one of the factors taken into account in the overall assessment of the Board's composition.

#### Board of Directors

The Board of Directors consists of 12 members. Eight members are elected at the AGM, and four by the employees. One of the members

Terms of reference for the Audit and Risk Committee and the Remuneration Committee and rules of procedure for the Nomination Committee can be found on DONG Energy's website: [dongenergy.com/corporate\\_governance](http://dongenergy.com/corporate_governance)

DONG Energy's report on corporate governance can be found at [dongenergy.com/corporate\\_governance/2012](http://dongenergy.com/corporate_governance/2012). Recommendations on Corporate Governance can be found on the website of the Committee on Corporate Governance [corporategovernance.dk](http://corporategovernance.dk)

elected at the AGM has been on the Board for more than 12 years and therefore does not meet the definition of independence in Recommendations on Corporate Governance.

The Board determines DONG Energy's overall objectives and strategy and is responsible for appointing a competent Group Executive Management. The Board makes decisions on major investments and divestments, capital base, key policies, control and audit issues, risk management, and significant operational issues. The duties of the Board and its Chairman are set out in the Board's rules of procedure, which are reviewed and updated annually by the full Board.

The Board has undertaken a structured self-assessment based on assessment forms distributed to the individual Board members and subsequent discussion of the responses by the full Board.

The Board met 13 times in 2012.

Members of the Board of Directors and the Group Executive Management may not buy shares in DONG Energy, and DONG Energy has not issued any options or warrants.

Remuneration details for the members of the Board of Directors and the Group Executive Management are provided in note 6 to the consolidated financial statements.

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

#### Audit and Risk Committee

The Audit and Risk Committee consists of four members appointed by the Board of Directors. The members meet the requirements made with respect to independence, experience and expertise in accordance with current recommendations, including in accounting, so that the Committee as a whole has the necessary skills.

The Audit and Risk Committee must assist the Board in its monitoring of the financial reporting, financial risks, the internal control environment and compliance with legislation and other requirements from public authorities. The Committee must also set the framework for the external auditors, evaluate their qualifications and independence and conclude engagement letters. Audit planning is discussed with the external auditors, and the services provided are evaluated. The Committee has established a whistleblowing procedure.

The Committee had five meetings in 2012.

#### Internal auditing

In 2012, the Board decided to establish internal auditing reporting to the Audit and Risk Committee. An internal auditor has been appointed who will take up her post in spring 2013, following which tasks and responsibilities in relation to internal auditing will be determined.

#### Remuneration Committee

The Remuneration Committee consists of the Chairman of the Board and two members of the Board. Its primary tasks include assessing and preparing recommendations to the Board on remuneration policy for

the Board and for the Executive Board registered with the Danish Business Authority prior to approval at general meetings, salary adjustment for the Group Executive Management, bonus for the Group Executive Management for the preceding and the coming year, application of retention schemes for key employees, application of one-off payments to the Group Executive Management and Senior Vice Presidents and application and introduction of new compensation components for employees in Leadership Forum, including new bonus components.

The Committee had two meetings in 2012.

### Group Executive Management

CEO Henrik Poulsen and CFO Carsten Krogsgaard Thomsen make up the Executive Board of DONG Energy A/S.

The Board of Directors lays down the detailed rules for the Executive Board, including the segregation of duties between the Board of Directors and the Executive Board and the latter's powers to enter into agreements on behalf of the company.

The Group Executive Management is responsible for the day-to-day management of the company and had five members at the end of 2012, including the Executive Board. In spring 2013, the Group Executive Management will be supplemented by a further two members appointed in 2012.

### Employee diversity

DONG Energy has signed the Danish Ministry for Gender Equality's charter for more women in management and has put initiatives in place throughout the organisation to ensure, among other things, that more women with leadership potential are identified and developed. In 2012, 25% of all managers in the Group were women and 16% of the Top 300 managers were women. Of all employees in DONG Energy, 31% were women.

DONG Energy wants to offer all its existing and potential employees the same opportunities, regardless of nationality, ethnic origin, religion, political beliefs or social background. This applies in all areas, including recruitment, employee benefits, safety, education and management. No cases of discrimination were reported in 2012.

DONG Energy has initiated collaboration with, among others, Disabled Peoples Organisations Denmark (Danske Handicaporganisationer), focusing especially on recruitment of disabled candidates and offering traineeships to young disabled people. In addition, in 2012, DONG Energy joined the Accessibility Label scheme Godadgang.dk. As a result, accessibility to the Group's largest location has now been registered and labelled.

## Internal control and risk management in relation to financial reporting

DONG Energy's internal control and risk management in relation to its financial reporting is planned so as to present financial statements that are in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and IFRS issued by IASB.

The internal control and risk management system is updated on an ongoing basis and is designed to ensure that material errors or irregularities in the financial reporting are prevented or detected and corrected so that interim financial reports and annual reports give true and fair views without material misstatement.

DONG Energy has used the internationally recognised COSO framework as a basis for its work on risk management and the determination of internal control in relation to its financial reporting.

### Control environment

The Board of Directors and the Executive Board have overall responsibility for the Group's risk management and internal control in relation to its financial reporting. The Audit and Risk Committee helps the Board of Directors monitor the financial reporting process and the key risks related to it. The Audit and Risk Committee also monitors the development in the internal control and risk management systems and the ongoing reporting on assessed risks and internal controls from the business units.

The Executive Board is responsible for ensuring that the internal control and risk management systems are effective and that controls have been implemented to mitigate risks in relation to the financial reporting. Managers at various levels are responsible for the internal control and risk management in their respective units. For jointly controlled operations and entities, such requirements are determined and approved in collaboration with the partners in these operations and entities.

The Board of Directors and the Executive Board approve DONG Energy's overall policies and guidelines in key areas. Overall policies and other management-approved guidelines include risk policy, finance policy, IT security policy and policy on good business conduct. Based on these policies, the business units issue more detailed guidelines and monitor the application of policies and procedures.

### Risk assessment

Each year, management carries out an overall risk assessment of the accounting areas and processes that entail a special risk of material errors in the financial reporting. During the review, management identifies the items and companies that involve the highest risk of material errors, and these areas are comprised by reporting on internal control to management. As part of its risk assessment, management considers the risk of fraud and the measures put in place to mitigate this risk. Any opportunities for the day-to-day management to override controls and manipulate the financial statements are also assessed.

### Control activities

The control activities in place are designed to prevent or detect and correct material errors in order to reduce the risk of material errors in the financial statements to an acceptable level. The control activities are based on the risk assessment and comprise approvals, segregation of duties, analyses, reconciliation and controls relating to IT applications and general IT controls.

DONG Energy has established a reporting process for identification of material risks and has performed internal control in relation to the risks assessed. Material risks and the associated internal controls are compiled in control catalogues for the Group's business units and significant Group functions. Material risks and controls included in the business units' control catalogues are reviewed at least annually.

### Information and communication

DONG Energy's information and communication systems in relation to its financial reporting are designed to ensure timely and reliable in-



Of the Group's companies, 24 are comprised by the reporting process on internal control. Based on the identified internal controls, these companies represent 91% of revenue and 68% of assets.

formation on financial and compliance-related issues. Information and communication systems include:

- financial management systems
- consolidation system
- system for reporting on internal controls
- fixed meeting structures
- various internal networks

To ensure that the reporting for the consolidated financial statements is carried out on a uniform basis and is of a high quality, a financial reporting manual, reporting instructions and guidelines for the performance of internal controls have been prepared. These are available to relevant employees. Changes to these and current focus areas are communicated on a regular basis via meetings with business units and via various internal networks. Networks include a finance network, an accounting network and an internal control network.

### Monitoring

The business units' monthly financial reporting is analysed and monitored by their controllers and management. The business units' reporting and the overall consolidated financial statements are controlled at corporate level.

DONG Energy has implemented an IT-based reporting system for reporting and monitoring material risks and controls performed in relation to these risks. The business units' control catalogues have been incorporated in the system, and reporting on internal control performed is taken care of directly in the reporting system by the controller performing the control. The persons responsible in the business units monitor the performance of internal control in the system and, each quarter, report a conclusion in summary form on the internal control performed supplemented by any action plans for identified weaknesses. The results of the internal control performed are consolidated in the reporting system and reported to the Audit and Risk Committee on a quarterly basis. The latter monitors that any weaknesses or failings are addressed effectively. The reporting is part of the Board of Directors' monitoring of internal control and risk management.

### The future

Internal control and risk management is a continuous process that is developed and improved on an ongoing basis so that it meets the requirements of a growth company at all times. DONG Energy will therefore continue to focus on improving its internal control and risk management systems and its reporting on same. Particular focus areas in 2013 will be the setting-up of internal auditing and the alignment of internal controls to the updated COSO framework.



#### Carsten Krogsgaard Thomsen

Registered with the Danish Business Authority as CFO  
Chief Financial Officer (CFO) since 2002  
Education: MSc (Economics), Copenhagen University, 1983

Remuneration: DKK 6,317,000

#### Career and posts

- 1983-1985 Danish Ministry of the Interior
- 1985-1986 Danish Ministry of Finance
- 1986-1988 Andelsbanken
- 1988-1991 McKinsey, Consultant
- 1991-1995 Rigshospitalet, Director of Finance
- 1995-2002 Danish State Railways, CFO
- 2002- DONG Energy A/S, CFO

#### Other management positions

##### Deputy Chairman:

- NNIT A/S

##### Member:

- GN Store Nord A/S, Chairman of the Audit Committee, and two wholly-owned subsidiaries (GN Resound and GN Netcom)

#### GROUP EXECUTIVE MANAGEMENT

Besides the Executive Board, the Group Executive Management included the following persons at the end of 2012:

- Søren Gath Hansen
- Thomas Dalsgaard
- Lars Clausen

On 4 March 2013, Morten Hultberg Buchgreitz and Samuel Leupold will join the Group Executive Management.

#### Henrik Poulsen

Registered with the Danish Business Authority as CEO  
Chief Executive Officer (CEO) since August 2012  
Education: MSc (Finance and Accounting), Aarhus School of Business, 1994

Remuneration: DKK 3,464,000

#### Career and posts

- 1994-1995 Novo Nordisk A/S, Controller
- 1995-1996 Aarsø Nielsen & Partners, Senior Consultant
- 1996-1999 McKinsey & Co., Senior Engagement Manager
- 1999-2006 LEGO, VP, Business Development (1999-2000), SVP, Global Segment 8+ (2000-02), SVP, Global Innovation and Marketing (2002-03), Regional Managing Director, Europe and Asia (2004-05), EVP, Markets and Products (2005-06)
- 2006-2008 Kohlberg Kravis Roberts & Co. London, Operating Partner
- 2008-2012 TDC A/S, CEO and President
- 2012- DONG Energy A/S, CEO

#### Other management positions

##### Member:

- Chr. Hansen Holding A/S, Chairman of the Audit Committee
- Falck A/S and one wholly-owned subsidiary
- Denmark-America Foundation

##### Member of Shareholders' Committee:

- Danske Bank A/S

##### Adviser:

- EQT Partners

	Name	Joined/ Re-elected	Term of office expires	Present posts	Other management positions
	Fritz H. Schur (Chairman since 2005)	2005 / 2012	2013	CEO, Chairman, Deputy Chairman or Member of the Board of Directors of companies in the Fritz Schur Group	Member of the Board of Directors and/or CEO of F. Schur & Co. A/S, FSS MID ApS, Havnefrontens Sel- skabslager 909 ApS. Member of the Board of Directors and CEO of Fritz Schur A/S and CEO or Chairman of the Board of Directors of two wholly-owned subsidiaries. CEO of FS 1 ApS and Chairman of the Board of Directors of a wholly-owned subsidiary. CEO of FS 11 ApS and Chairman of the Board of Directors of two wholly-owned subsidiaries. CEO of FS 12 ApS and Deputy Chairman of one directly and one indirectly wholly-owned subsidiary. Chairman: SAS AB (Sweden), PostNord AB, F. Uhrnholt Holding A/S, Relationscore ApS and Chairman of the Board of Directors of a wholly- owned subsidiary, C.P. Dyvig & Co. A/S. Deputy Chair- man: Brd. Klee A/S. Member: WEPA Industrieholding SE, Experimentarium – Center for formidling af naturviden- skab og moderne teknologi (foundation).
	Lars Nørby Johansen (Deputy Chairman since 2001)	1997 / 2012	2013		Chairman: Falck A/S and a wholly-owned subsidiary, Codan A/S and one wholly-owned subsidiary, William Demant Holding A/S, Dansk Vækstkapital, Syddansk Universitet. Deputy Chairman: Rockwool Foundation. Member: Index Award A/S, Institut for Selskabsledelse ApS, Arp-Hansen Hotel Group.
	Hanne Sten Andersen (employee representa- tive)	2007 / 2011	2014	DONG Energy A/S, Lead HR Business Partner, Sales & Distribution	
	Jakob Brogaard	2007 / 2012	2013		Chairman: Finansiell Stabilitet A/S. Deputy Chairman: LR Realkredit A/S. Member: OW Bunker & Trading A/S, Newco AEP A/S.
	Pia Gjellerup	2012	2013	Djøf, Commissioner	Chairman: Vanførefonden. Member: Gefion Gymnasium, Fondet Dansk-Norsk Samarbejde.
	Benny Gøbel (employee representa- tive)	2011	2014	DONG Energy A/S, Engineer, Thermal Power	

**Remuneration:** Chairman: DKK 500,000 Deputy Chairman: DKK 300,000 Member: DKK 175,000

	Name	Joined/ Re-elected	Term of office expires	Present posts	Other management positions
	Jørn Peter Jensen	2011 / 2012	2013	Carlsberg Breweries and Carlsberg A/S, Deputy CEO and CFO	Chairman, Deputy Chairman or Member: 20 wholly-owned subsidiaries of the Carlsberg Group in Denmark and abroad. Member of management: Boliginteressentskabet Tuborg. Member: Danske Bank A/S. Member of the Corporate Governance Committee. Director: Ekeløf Invest ApS.
	Benny D. Loft	2012	2013	Novozymes A/S, Executive Vice President and CFO	Deputy Chairman: Bygningsfonden Den Blå Planet. Member: 5 wholly-owned companies in the Novozymes-Group, Xellia Pharmaceuticals ApS.
	Jytte Koed Madsen (employee representative)	2011	2014	DONG Energy A/S, Technical Coordinator, Group Functions	
	Poul Arne Nielsen	2006 / 2012	2013	Stevns Municipality, Mayor	Chairman: SEAS-NVE A.m.b.a. and a wholly-owned subsidiary, SEAS-NVE Stømmen A/S, Sjællandske Medier A/S, Dansk Energi. Member: Sampension KP Livsforsikring A/S and a wholly-owned subsidiary.
	Jens Nybo Stilling Sørensen (employee representative)	2007 / 2011	2014	DONG Energy A/S, Harbour Master, Thermal Power	
	Mogens Vinther	2010 / 2012	2013	Advokatfirmaet Langberg & Vinther, (law firm) partner	Chairman: Fonden Det Gamle Apotek i Ribe, Foreningen Gammelt Præg - Ribe Bybevaring. Member: Syd Energi Holding A/S, Syd Energi A.m.b.a., Fonden Ribe Byferie, Fonden til Ribe Bys Forskønnelse.

#### Committees, members and annual fee

	Audit and Risk Committee	Remuneration Committee	Nomination Committee
Fritz H. Schur		DKK 50,000 (C)	DKK 0 (C)
Lars Nørby Johansen	DKK 100,000 (C)	DKK 25,000 (M)	DKK 0 (M)
Jakob Brogaard	DKK 50,000 (M)		
Pia Gjellerup <sup>1</sup>		DKK 25,000 (M)	
Jørn Peter Jensen	DKK 50,000 (M)		
Benny D. Loft <sup>1</sup>	DKK 50,000 (M)		

C: Chairman M: Member

<sup>1</sup> Until the AGM in April 2012, this position was held by Jens Kampmann, former member of the Board of Directors