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DONG Energy at a glance



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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.

“ The new investors have chosen to invest in DONG Energy because they believe in our strategy and want to be a part of realising it.

Robust platform for continued growth

DONG Energy developed satisfactorily in 2013 and delivered a marked improvement in operating profit. The positive development highlights the fact that the transformation of the Group's business model is on the right track. At the same time, once the capital injection has been completed, we will have restored the Group's financial platform.

An energy sector moving forward

The Group's positive development should be viewed against the background of the profound transformation that Europe's energy sector is undergoing, which has also had a major impact on DONG Energy's business. The power stations were traditionally the energy companies' core business and reliable source of earnings, but now represent a smaller share of earnings.

At the same time, earnings from long-term gas contracts have been falling dramatically and, at times, been negative. For DONG Energy, these changes have meant that earnings in our classic business areas – power stations and gas trading – have fallen by two-thirds in the past five years.

DONG Energy has responded with a strategy whereby it has built up two new growth drivers – offshore wind and oil and gas – to make up for the falling earnings in the traditional business areas. Earnings in Exploration & Production and Wind Power have thus more than doubled in the past five years as a result of substantial investments in new assets.

Financial action plan

In 2012, DONG Energy's financial platform came under pressure due to a number of losses in the gas market, and the company's Board of Directors therefore adopted an action plan that was designed to restore DONG Energy's financial platform and provide the necessary basis for realising the strategy for the period up to 2020. At the end of January 2014, the plan was completed, thanks to a sterling effort by the company's management and employees.

The injection of additional equity was a key element of the action plan. In October, we were in a position to announce that we had entered into an agreement with Goldman Sachs, ATP and PFA on an equity injection totalling DKK 11 billion, and the final investment agreement was signed at the end of November. For the company and its other shareholders it is positive that investors as strong as these will become part of the company's shareholder base. In addition, in January 2014, several of the existing shareholders agreed to inject further equity of DKK 2 billion.

Two drivers of future growth

The new investors have chosen to invest in DONG Energy because they believe in our strategy and want to be a part of realising it. Above all, this is because we have succeeded in building up two



strong business units in offshore wind and oil and gas production. It is a key strategic target to double daily production of oil and gas compared with 2012 in our current geographical focus area, in which we boast strong positions and expertise. The offshore wind business, which has achieved its present strength in the course of just a few years, is the Group's fastest-growing area and the global market leader in its core area. The two growth areas contribute a number of profitable growth opportunities as a result of which we have a target to deliver operating profit (EBITDA) of around DKK 20 billion and a return on capital employed (ROCE) of at least 10% in 2016.

Employees can become co-owners

The capital increase will enable DONG Energy to offer its employees the chance to become co-owners of the company. This will mean that shareholders and employees will be brought even closer together so that they can jointly realise our 2020 strategy. 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 the company's competent employees and management for their efforts in 2013, when we succeeded in delivering a marked improvement in operating profit. It is thanks to their dedication and perseverance that we have turned the Group's development around and are well on our way in the planned direction.



5 February 2014

Fritz H. Schur
Chairman of the Board of Directors

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.

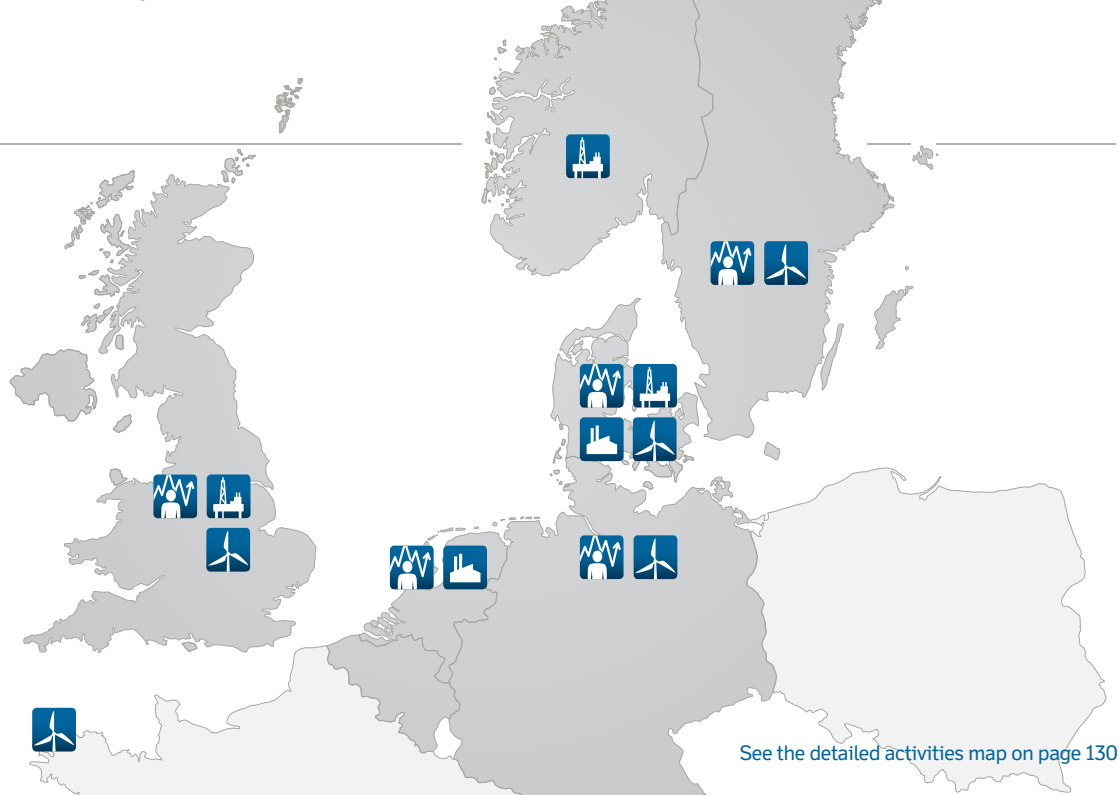
DONG Energy has 6,500 employees and is headquartered in Denmark.

	EXPLORATION & PRODUCTION	WIND POWER
Revenue, DKK billion (%)^{1,2}	 12.3 (15%)	 12.0 (14%)
EBITDA, DKK billion (%)¹	7.3 (50%)	4.3 (29%)
Gross investments, DKK billion (%)¹	9.6 (45%)	9.5 (45%)
Employees, FTE (%)¹	689 (11%)	1,909 (29%)
Principal activity	Oil and gas exploration and production + Read more on page 27	Development, construction and operation of offshore wind farms + Read more on page 28
Market position	<ul style="list-style-type: none"> Geographically focused positions in North West Europe Favourable access to infrastructure One of the largest E&P companies in DK Seventh-largest producer in Norway Leading exploration company in West of Shetland (UK) 	<ul style="list-style-type: none"> Market leader in offshore wind, has built 35% of European capacity Strong pipeline of projects in lead-up to 2020
Business drivers	<ul style="list-style-type: none"> Success rate of oil and gas exploration Execution of investment projects Uptime for plants Changes in underlying cost level in supplier industry Oil and gas prices 	<ul style="list-style-type: none"> Wind conditions Availability Market prices and regulated electricity prices Standardisation and maturing of value chain Securing supplies via framework agreements and partnerships with suppliers Partnerships with industrial and financial investors Execution of investment projects
ROCE (status and targets)	<ul style="list-style-type: none"> 2013: -3.1% 2016: 20% 2020: 20% 	<ul style="list-style-type: none"> 2013: 4.6% 2016: 6-8% 2020: 12-14%
Strategic targets for 2020	<ul style="list-style-type: none"> Oil and gas production: 150,000 boe/day R/P ratio \geq 10 	<ul style="list-style-type: none"> Installed offshore wind capacity (gross installed): 6.5 GW Reducing offshore wind Cost of Electricity to EUR 100/MWh³

¹ The percentages indicate the proportion of the Group that each business unit represented in 2013.

² Intragroup revenue means that the business units' combined revenue exceeds consolidated revenue.

³ Cost to society based on projects in the UK where final investment decision will be made in 2020.



THERMAL POWER



9.7	(12%)
0.7	(5%)
0.7	(3%)
967	(15%)

Electricity and heat generation from power stations

[+ Read more on page 29](#)

- Nine central power stations in Denmark
- 44% of available thermal generation capacity in Denmark
- Generates around one-third of Danish district heat consumption

- Changes in electricity prices, primarily Nord Pool
- Changes in fuel and CO₂ prices
- The market's need for flexibility
- Interconnectors to other countries
- Regulatory framework conditions

Deliver annual operating cash flows of DKK 600-800 million from Danish power stations

- Among the best in Europe in terms of flexible and efficient operation of power stations
- Biomass share of electricity and heat generation in Denmark: >50%
- Commercialising New Bio Solutions

CUSTOMERS & MARKETS



49.7	(59%)
2.3	(16%)
1.4	(7%)
1,639	(25%)

Sales of electricity and gas in the wholesale and retail markets and optimisation and hedging of the Group's overall energy portfolio

[+ Read more on page 30](#)

- Leading Danish electricity and gas distributor with market shares of 26% and 28% respectively
- Active player in the wholesale energy market in North West Europe
- Retail sales in Denmark, Sweden and the UK
- Electricity and gas positions in Denmark, the UK, Germany and the Netherlands

- Customer service
- Changes in energy prices
- Regulatory framework and distribution tariffs
- Market liquidity
- Renegotiation of long-term gas contracts
- Cost efficiency

- 2013: 4.8%
- 2016: > 8%
- 2020: > 10%

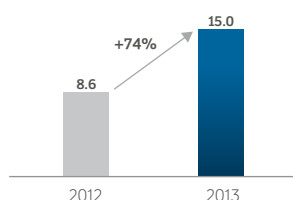
- Top quartile on customer satisfaction
- Quadrupling energy savings among Danish customers
- Among the best in Europe in terms of handling energy exposures

Improved earnings and strengthened capital base

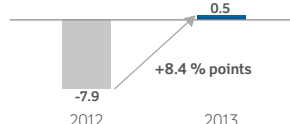
- EBITDA was DKK 15.0 billion in 2013 compared with DKK 8.6 billion in 2012, exceeding the latest EBITDA outlook of DKK 13.5-14.5 billion. The increase on 2012 reflected higher earnings from the wind activities, a higher ownership interest in the Ormen Lange gas field, and cost reductions. Furthermore, EBITDA in 2012 was adversely affected by provisions for onerous contracts.
- The result after tax was a loss of DKK 1.0 billion compared with a loss of DKK 4.0 billion in 2012. The improvement reflected the higher EBITDA, although the result was still affected by major impairment losses, which amounted to DKK 5.0 billion in 2013.
- Operating cash inflow increased to DKK 9.7 billion from DKK 7.9 billion in 2012. The improvement primarily reflected the improved operating profit.
- Gross investments amounted to DKK 21.2 billion and related primarily to offshore wind activities and oil and gas fields. Net investments were DKK 5.9 billion compared with DKK 13.4 billion in 2012. Divestments totalling DKK 15.3 billion were made in 2013.
- Interest-bearing net debt decreased by DKK 6.2 billion in 2013, to DKK 25.8 billion, and was 2.2 times EBITDA at the end of the year – a marked improvement on 4.0 at the end of 2012.
- At the end of 2013, the key rating ratios did not meet Standard & Poor's and Moody's criteria for a continued BBB+/Baa1 rating. If the DKK 13 billion equity injection had been completed in 2013, the criteria for the rating ratios would have been met for 2013.
- ROCE was 0.5% compared with -7.9% in 2012.

[+ Read more on page 22](#)

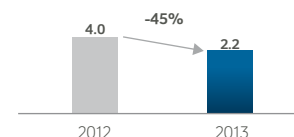
EBITDA, DKK billion



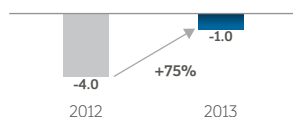
ROCE, %



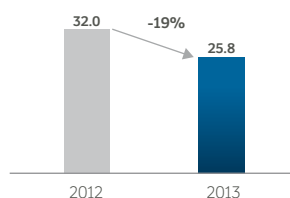
Adjusted net debt/EBITDA, times



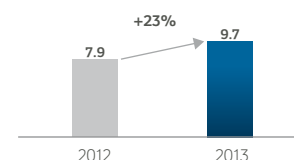
Profit (loss) after tax, DKK billion



Interest-bearing net debt, DKK billion



Cash flows from operating activities, DKK billion



PERFORMANCE HIGHLIGHTS

			2013	2012	2011
Revenue	DKK million	▲	73,105	67,179	56,717
EBITDA	DKK million	▲	15,004	8,639	13,743
Profit (loss) for the year	DKK million	▲	(993)	(4,021)	2,882
Cash flows from operating activities	DKK million	▲	9,729	7,891	12,396
Net investments	DKK million	▲	(5,902)	(13,350)	(12,659)
Gross investments	DKK million	▲	(21,234)	(17,660)	(17,907)
Interest-bearing net debt	DKK million	▲	25,803	31,968	23,179
Adjusted net debt ¹ / EBITDA	times	▲	2.2	4.0	1.8
FFO / adjusted net debt ¹	%	▲	23.1	7.8	31.4
Return on capital employed (ROCE)	%	▲	0.5	(7.9)	6.3
CO ₂ emissions per energy unit generated	g/kWh	▼	445	443	486
Lost time injury frequency (LTIF)	per one million hours worked	▲	3.2	3.6	4.1
FTE	number	▲	6,496	7,000	6,098

¹ The two key ratios define adjusted net debt differently. See page 60.

All the Group's performance highlights are set out on page 20.

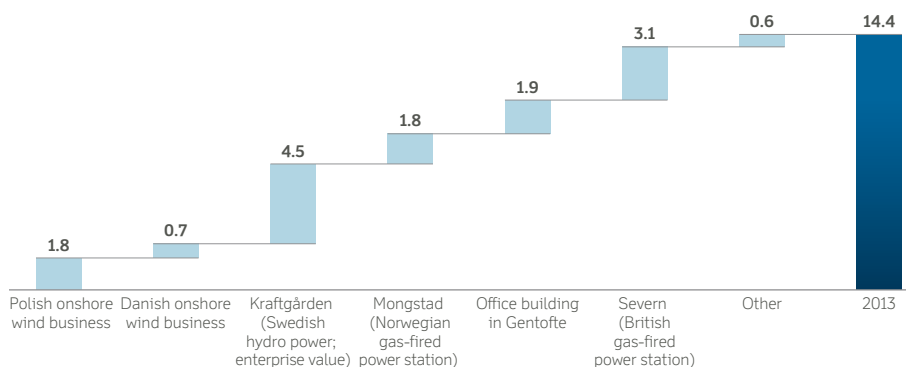
Progress of financial action plan

“We have completed the financial action plan we initiated in February 2013 to restore the financial platform for DONG Energy’s continued growth. Divestments and the injection of equity have jointly boosted DONG Energy’s capital base by DKK 33 billion over the past year.”

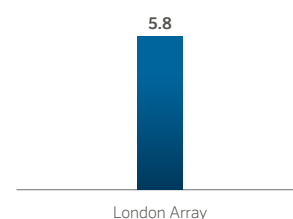
Henrik Poulsen, CEO

[+ Read more on page 8](#)

Divestment of non-core activities, DKK billion



Reduction of ownership interests in core activities (2014), DKK billion



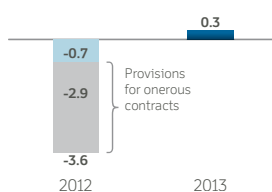
Cost reductions

Fixed costs, DKK billion

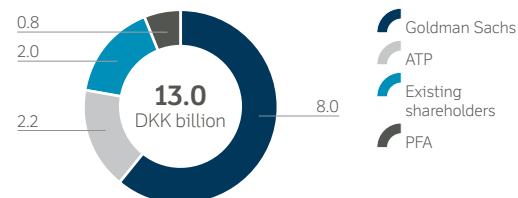


Restructuring of gas business

Energy Markets’ EBITDA performance, DKK billion



Injection of equity, DKK billion



OUTLOOK

GUIDANCE FOR 2014

GUIDANCE ANNOUNCED IN 2013

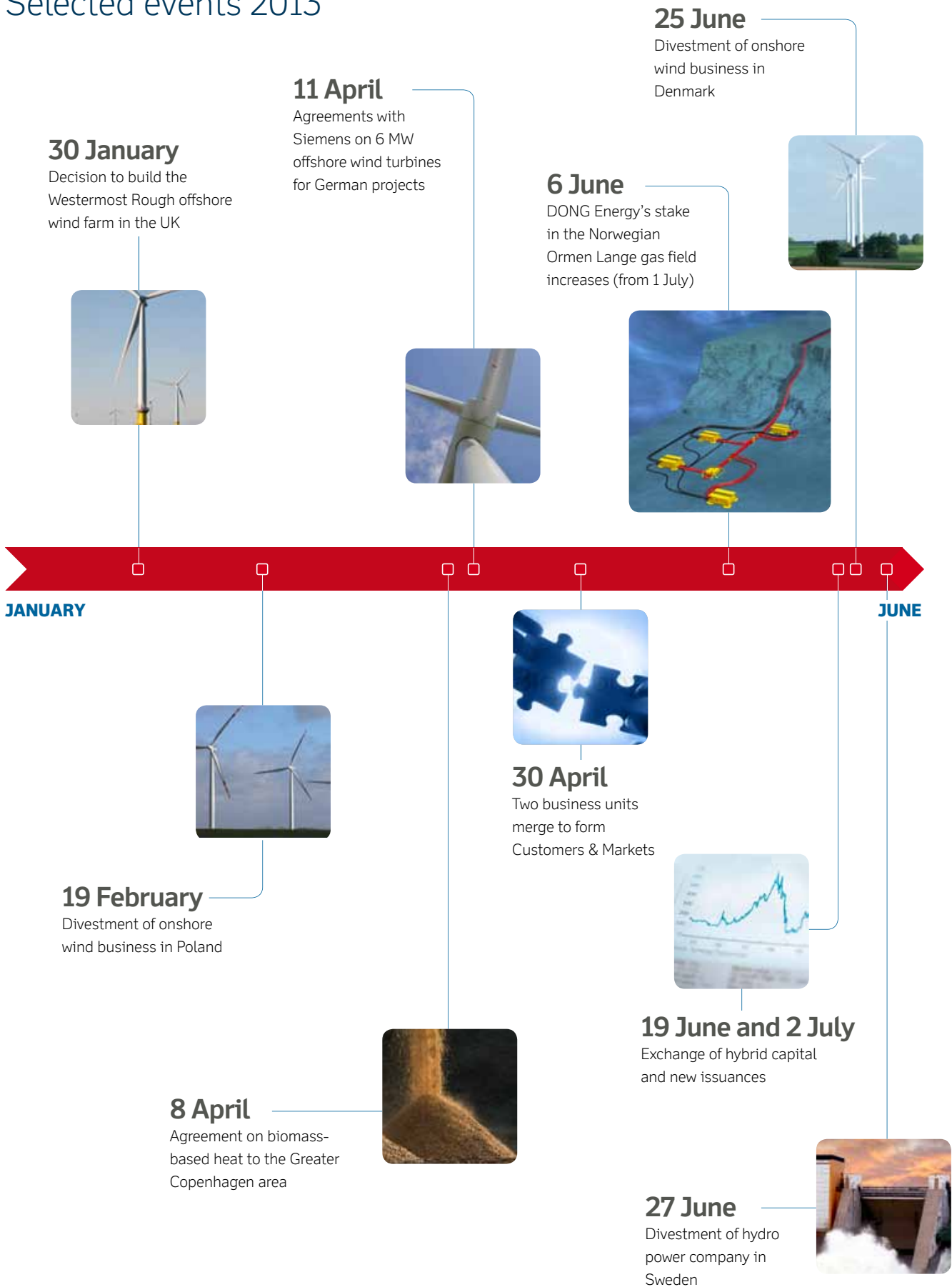
	5 February	27 February	6 June ¹	23 October ²
EBITDA	DKK 15-17bn	DKK 11.5-12.5bn	DKK 13-14bn	DKK 13.5-14.5bn
Net investments	~ DKK 30bn (2014-2015)	DKK 25-30bn (2013-2014)	~DKK 30bn (2013-2014)	~DKK 30bn (2013-2014)
Adjusted net debt / EBITDA		~2.5 times (2014)	~2.5 times (2014)	<2.5 times (2014)
FFO / adjusted net debt	~25%			

[+ Read more on page 32](#)

¹ DONG Energy’s ownership interest in the Ormen Lange gas field increases.

² Results for the first nine months of the year outperform outlook.

Selected events 2013





A complete list of company announcements can be found on page 128.

DONG Energy is on the right track

The development in DONG Energy's financial statements for 2013 was satisfactory, with a marked improvement in operating profit (EBITDA) to DKK 15 billion. With the divestment of non-core activities exceeding DKK 14 billion and the expected DKK 13 billion capital injection from new investors and minority shareholders in February 2014, the financial platform has been significantly strengthened at the same time.

The increase in EBITDA is mainly due to the fact that the results of the company's focused investment in offshore wind are now filtering through. The offshore wind farms London Array in the UK and Anholt in Denmark have been inaugurated, almost doubling earnings from Wind Power from 2012 to 2013. The higher ownership interest in the Ormen Lange gas field from July 2013 also benefited the company's EBITDA and gas reserves. Oil and gas production increased from 28.5 million boe in 2012 to 31.7 million boe in 2013.

Due to impairment losses on assets, including primarily oil and gas fields and gas-fired power stations, the result after tax was a loss. The Group has made extensive provisions and impairment charges on contracts and assets in recent years. This is, of course, unsatisfactory, and it is therefore a specific target for the coming years to reduce these effects significantly in order to raise net profit.

Despite its highest ever investment level in 2013, DKK 21 billion, DONG Energy succeeded in reducing its net debt due to an improved operating cash inflow and divestments.

The rating agencies have tightened their view of the utility sector in the last few years. This has led to stricter criteria concerning the ratios for a BBB+/Baa1 rating. With the financial action plan well underway and the prospect of the equity injection in early 2014, DONG Energy maintained its ratings in 2013, even though the key rating ratios did not meet Standard & Poor's and Moody's revised criteria for a continued BBB+/Baa1 rating. If the equity injection had been completed in 2013, the criteria for the rating ratios would have been met.

Progress of financial action plan

At the end of January 2014, we had completed the financial action plan we initiated in February 2013 to restore the financial platform for DONG Energy's continued growth. The action plan contained five points:



“ We have completed the financial action plan we initiated in February 2013 to restore the financial platform for DONG Energy's continued growth.

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

In 2013, DONG Energy divested non-core activities for DKK 14.4 billion. The divestments include the Swedish hydro power company Kraftgården, the Danish and Polish onshore wind businesses, the



OFFSHORE WIND FARMS
INSTALLED BY DONG ENERGY CAN SUPPLY
5 MILLION
EUROPEANS ANNUALLY
WITH ELECTRICITY



DONG ENERGY'S OIL AND GAS
PRODUCTION IN 2013 CORRESPONDS TO
2.2 MILLION
EUROPEANS'
ANNUAL CONSUMPTION

UK gas-fired power station Severn, the Norwegian gas-fired power station Mongstad, and the office building in Gentofte.

In January 2014, we have sold 50% of our stake in the London Array offshore wind farm for DKK 5.8 billion, and it is still our strategy to enter into agreements with industrial and financial partners for our offshore wind farms in order to capture part of the value created, spread risk in our portfolio and raise capital for new investments in offshore wind.

DONG Energy realised cost reductions of DKK 1.4 billion in 2013, measured on a like-for-like basis. This means that we have also met the target in our financial action plan on this point. The reductions were achieved across a number of external cost categories and by streamlining internal processes, enabling the reduction of around 1,000 jobs.

The former Energy Markets business unit suffered substantial losses in 2012, mainly due to onerous contracts for gas storage facilities and LNG capacity as well as an adverse price trend on its portfolio of gas contracts. In order to restore profitability, we have reduced both fixed and variable costs and renegotiated a number of gas contracts. These steps have been instrumental in turning the business unit's loss in 2012 into a profit in 2013.

The final agreement on the injection of equity of DKK 11 billion by three new investors, Goldman Sachs, ATP and PFA, was signed on 29 November 2013 and is expected to be closed in February 2014. The new investors will subscribe shares for DKK 8 billion, DKK 2.2 billion and DKK 0.8 billion respectively and their ownership interests will be 18%, 5% and 2% respectively. Goldman Sachs and ATP will be represented on DONG Energy's Board of Directors. At the same time, four out of five existing minority shareholders have elected to inject equity of DKK 2 billion. Their combined stake will be reduced from 19% to 18%. The Danish State's ownership interest in DONG Energy A/S will be reduced from 81% to 57% as a result of the agreement.

Divestments and the injection of equity have jointly boosted DONG Energy's capital base by DKK 33 billion over the past year.

On completion of the equity injection, the financial action plan can be considered to have been accomplished and the Group will have restored the financial platform for the realisation of its growth strategy.

Profitability must be further enhanced

DONG Energy's earnings and return on capital employed must be improved further in the coming years. The objective for 2016 is to increase the return on capital employed (ROCE) to 10%. Adjusted for non-recurring factors, ROCE improved to 6.8% in 2013 from -0.9% in 2012. In 2016, the target is to deliver EBITDA of around DKK 20 billion.

Profitable growth potential

DONG Energy maintains its focus on implementing its 2020 strategy, which is to realise the potential for growth and value creation in the Group. In 2013, this led to the Group's highest ever investment level, DKK 21 billion. The four business units each have their role to play, along with a handful of clear priorities.

Wind Power

DONG Energy is a market leader in offshore wind and aims to maintain its global leadership position by:

- expanding current installed capacity to 6.5 GW in 2020;
- maturing a strong pipeline of new wind projects;
- improving the efficiency of and standardising operation of offshore wind farms;
- reducing Cost of Electricity via industrialisation of the value chain and technological development;
- further developing industrial and financial partnerships.

Wind Power almost doubled its earnings in 2013 as a result of the two large wind farms London Array and Anholt becoming operational. Four wind farms are at the design stage or under construction – two in the UK and two in Germany. These are scheduled for completion in 2014-2016. Wind Power also has an exciting pipeline of projects in the business unit's core markets in the UK, Germany and Denmark in the period up to 2020.

Exploration & Production

DONG Energy is engaged in oil and gas exploration and production in Denmark, Norway and the UK, and aims to further develop a regional position of strength by:

- increasing oil and gas production to 150,000 boe/day in 2020;
- optimising production at existing fields, partly via satellite development;
- developing the fields Laggan-Tormore (UK) and Hejre (Denmark);
- completing the repair work to the Siri platform and resuming production in the Siri area;
- investing in further development activities and focused exploration activities.

DONG Energy's increased stake in the Ormen Lange gas field contributed to Exploration & Production yet again making a substantial contribution to the Group's overall earnings. Production increased from 78,000 boe/day in 2012 to 87,000 boe/day in 2013. The business unit has a strong focus on the repair work to the Siri platform, the development of the two large projects Laggan-Tormore and Hejre, and securing the long-term pipeline through exploration activities.

Thermal Power

DONG Energy operates thermal power stations in Denmark and the Netherlands, and the aim is to align to the market development by:

- contributing a reliable, positive operating cash flow;
- expanding its position as one of Europe's most efficient power station businesses;
- converting Danish power stations to a biomass share of at least 50%;
- providing flexible back-up capacity to the Danish energy system;
- commercialising new, innovative biotechnologies such as Inbicon, REncience and Pyroneer.

Despite difficult market conditions, Thermal Power made a robust contribution to the company's EBITDA in 2013. The business unit is focusing on improving production efficiency while at the same time maintaining its leadership position by converting an increasingly large proportion of production from fossil fuels to sustainable biomass.

Customers & Markets

DONG Energy is one of Denmark's largest players in sale and distribution of electricity and gas and also has trading and sales activities in the UK, Germany and Sweden. The aim is to strengthen the market position by:

- enhancing customers' product and service experience;
- maintaining high security of supply and developing a smart distribution network;
- increasing sales of energy solutions and climate partnerships;
- optimising DONG Energy's energy flows and mitigating market risks;
- improving earnings from wholesale electricity and gas trading.

Customers & Markets is developing as planned, and last year's DKK 1.5 billion loss, primarily reflecting the contract losses referred to earlier, was turned around to a DKK 2.3 billion profit in 2013. This business unit focuses especially on strengthening the customer and product platform and earnings in a highly competitive market.

Safety and job satisfaction are vital

Safety is a top priority at DONG Energy. We continue to focus strongly on ensuring that management, employees and suppliers jointly contribute to a safe working environment. In 2013, the lost

time injury frequency (LTIF) was brought down to 3.2 from 3.6 in 2012, meeting the target for the year. In 2014, LTIF must be reduced further to no more than 2.9. We therefore continue to make a concerted effort to reduce the number of injuries. DONG Energy must be a safe workplace.

At the same time, we need to ensure a high level of job satisfaction among our employees to enable us to continue to attract and retain the best employees. One of the ways in which we are doing this is by investing in targeted employee and talent development programmes that underpin the employees' professional and personal development.

Contributes to the transformation of the energy system

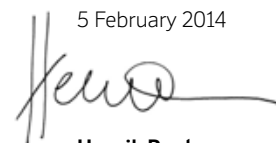
DONG Energy's performance and financial strength are on the right track and at the same time we are making the transformation to more renewable energy and lower CO₂ emissions. We are convinced that we can generate growth and financial value, point the way to significantly lower CO₂ emissions and enhance our competitiveness.

With our strategic focus on offshore wind farms, intelligent energy solutions for our customers and reduction of our coal consumption, DONG Energy is making a marked contribution to the green transformation of society's electricity and heat generation. Our target is to reduce our CO₂ emissions from electricity and heat generation by 60% in 2020 compared with our emissions in 2006.

Leading the energy transformation

DONG Energy's vision is to lead the energy transformation. We want to build ever-stronger market positions based on innovative, diverse capabilities, and to create value for our investors. With a focused strategy, a robust capital base and competent and dedicated employees we are well on the way.

5 February 2014



Henrik Poulsen
CEO

Strategic targets

Strategic targets	Results		Targets	
	2012	2013	2016	2020
ROCE	(7.9%)	0.5%	> 10%	> 12%
EBITDA	DKK 8.6 bn	DKK 15.0 bn	DKK ~20 bn	
FFO / adjusted net debt	7.8%	23.1%	~25%	~30%
Rating	BBB+/Baa1	BBB+/Baa1	BBB+/Baa1	BBB+/Baa1
CO ₂ emissions	443 g/kWh	445 g/kWh	350 g/kWh	260 g/kWh
Lost time injury frequency (LTIF)	3.6	3.2	≤ 2.5	< 1.5
Installed offshore wind capacity (gross installed) ¹	1.7 GW	2.1 GW	3.5 GW	6.5 GW
Offshore wind Cost of Electricity ²	EUR ~160/MWh			EUR 100/MWh
Oil and gas production	78,000 boe/day	87,000 boe/day	130,000 boe/day	150,000 boe/day
Oil and gas reserves / annual production (R/P ratio)	16	15	≥ 10	≥ 10
Biomass share in Danish CHP generation	21%	18%	> 40%	> 50%
Customer satisfaction for residential customers and business customers in Denmark (1-100)	64 and 72	64 and 75	70 and 75	75 and 75
Energy savings among Danish customers ³	1.6 TWh	2.0 TWh	3.7 TWh	5.9 TWh

¹ DONG Energy owns 1.4 GW of the capacity of 2.1 GW at 31/12 2013.

² Cost to society based on projects in the UK where final investment decision will be made in 2020.

³ Cumulative first-year effect of energy savings since 2006.

Leading the energy transformation

” Through the transformation to more renewable energy, DONG Energy is renewing society’s energy supply, contributing to a cleaner and healthier society and generating economic value.

Renewing society’s energy supply, creating a cleaner energy supply and ensuring competitive energy costs for consumers and businesses: these are three of the major challenges facing our society and the energy industry, and DONG Energy wishes to contribute actively to finding solutions. Our vision is to lead the essential transformation to the energy system of the future. At the same time, we as a company must provide a safe and stimulating working environment for our employees and run a business with a high level of integrity.

The essential energy transformation






Energy is often taken for granted in everyday life. Private individuals and businesses expect electricity from power outlets, gas for gas boilers and petrol for vehicles when they need it. That is how it should be.

Europe’s energy companies play an important part in supplying society with energy at all times. It is also their job to invest in new electricity generating plants to ensure that the energy system will be continually renewed at the same rate as old power stations come to the end of their technical lives. The same applies to the development of new oil and gas fields which, for many years to come, will supply the essential commodities to keep the wheels of modern society turning. Irrespective of where the investment is made, there is a pressing need to create a cleaner energy supply and constantly reduce the impact of energy production on the environment and CO₂ levels. The long-term goal is to transform the energy system to more renewable energy and make the use of energy more efficient. This transformation must be financially sound and provide energy at a reasonable price.

DONG Energy’s contribution

DONG Energy is one of Northern Europe’s leading energy groups. As a large energy company, much is also expected of us in terms of our contribution to finding solutions for the energy challenges facing society. DONG Energy is responsive to this.

DONG Energy’s vision is to lead the energy transformation and thus contribute concrete solutions in the ongoing renewal of the energy supply in an increasingly environmentally-friendly way. In order to do this, DONG Energy will use its core expertise in such fields as wind energy, the use of biomass at power stations, oil and gas production, operating efficient distribution networks that guarantee customers security of supply, as well as energy efficient solutions. At the same time DONG Energy must be a safe workplace with a high degree of job satisfaction, and the business must be run with integrity. DONG Energy summarises this in five challenges:

-  **Energy for society:** How do we continuously renew the energy supply so that it moves in a still more sustainable direction, and so that companies and individuals will continue to have access to abundant and reliable energy supplies?
-  **Competitive energy:** How do we provide energy at competitive prices and contribute to the creation of growth and jobs?
-  **Clean energy:** How do we make the transformation to cleaner energy to create a cleaner and healthier society, limit climate change and care for the environment?
-  **People matter:** How do we promote safety, the right skills and stimulating working conditions in a high-tech industry that is characterised by powerful natural forces and constant change?
-  **Business integrity:** How do we ensure that we are running our business with a high level of integrity and in dialogue with our customers and other stakeholders?

DONG Energy’s responses to the five challenges are set out in our 2020 strategy. In 2013, DONG Energy carried out and launched a large number of activities with a view to achieving the targets in this strategy.

[+ Read more on pages 12-19](#)

Responsibility at DONG Energy

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: 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 shape how DONG Energy works with corporate responsibility in practice. Through systematic dialogue with its stakeholders, DONG Energy identifies the areas in which the Group can make a particular contri-

bution to the solution of crucial corporate responsibility challenges. This feeds into the Group’s strategy and work on responsibility.

Pages 12-19 set out the specific targets in DONG Energy’s 2020 strategy. The targets help to address the five corporate responsibility challenges that DONG Energy has identified through its stakeholder dialogue in line with the Group’s responsibility policy. The pages describe how DONG Energy worked on these targets in 2013, the actions taken and the year’s results at 31 December 2013. These pages consequently constitute DONG Energy’s CSR report, see section 99(a)-(b) of the Danish Financial Statements Act. Read more about corporate responsibility at DONG Energy at dongenergy.com/EN/responsibility and in DONG Energy’s CSR report 2013 at dongenergy.com/responsibility2013.

Developing offshore wind

Offshore wind farms installed by DONG Energy can supply 5 million Europeans annually with electricity

Increased oil and gas production

DONG Energy's oil and gas production corresponds to 2.2 million Europeans' annual consumption



Energy for society

How do we continuously renew the energy supply?

[+ Read more on page 13](#)



Clean energy

How do we make the transformation to more clean energy?

[+ Read more on page 17](#)

Biomass for energy

DONG Energy's generation of biomass-based electricity and heat corresponds to the annual consumption of 380,000 Danish households

Reduced climate impact

The difference between DONG Energy's CO₂ emissions in 2006 and 2013 corresponds to the CO₂ emitted by 4 million cars in one year

Improved energy efficiency

The energy savings realised by DONG Energy's Danish customers correspond to the annual electricity and heat consumption of 188,000 Danes

Competitive wind

In 2013, DONG Energy set itself the target to reduce the cost of electricity generation from offshore wind by 35-40% by 2020



Competitive energy

How do we provide energy at competitive prices and contribute to the creation of growth and jobs?

[+ Read more on page 15](#)

Fewer occupational injuries

The lost time injury frequency per one million hours worked has fallen from 7.5 in 2008 to 3.2 in 2013



People matter

How do we promote safety, the right skills and stimulating working conditions?

[+ Read more on page 18](#)



Business integrity

How do we ensure that we operate our business with high integrity?

[+ Read more on page 19](#)

Preventing fraud and corruption

96% of employees have completed the course on good business conduct



Energy for society

How do we continuously renew the energy supply so that it moves in a still more sustainable direction, and so that companies and individuals will continue to have access to abundant and reliable energy supplies?

It is a basic principle in the world of energy that old energy installations that have come to the end of their technical lives must be continuously replaced with new ones. Between now and 2035, the EU will have to replace and build what corresponds to more than 80% of current electricity capacity in order to be able to continue to provide a reliable electricity supply. For the countries of Europe it is an important political goal that the essential renewal of the energy system should be achieved mainly through renewable energy. This will make Europe's energy supply cleaner, reduce the need to import energy and reduce CO₂ emissions.

At the same time, oil and gas will constitute an important part of the energy supply for many years to come, and it is expected that oil and gas will make up 53% of EU energy consumption in 2035. However, production of oil and gas in the EU is falling, while imports are rising year by year. This means that Europe will become increasingly dependent on imports and fluctuating global energy prices in order to provide the necessary energy. If we are to avoid too great an increase in imports, we will have to continue to find new reserves that can become the production of the future.

DONG Energy's investment strategy in the period up to 2020 is based on the need to both continuously renew the energy system by expanding renewable energy and to tap into European oil and gas reserves. In the period up to 2020, 90% of the Group's investments will go to these two areas.

Developing offshore wind

DONG Energy is a global market leader in the development, construction and operation of offshore wind farms. The market share of installed offshore wind power in Europe is 35%. Continued growth is a key element of the Group's strategy, and the Group has a target of 6.5 GW of installed offshore wind capacity by 2020. At the end of 2013, installed capacity was 2.1 GW, of which 1.4 GW was owned by the Group. The wind farms Anholt in Denmark and London Array and Lincs in the UK were inaugurated in the third quarter of 2013 and are now fully operational. In total the wind farms can jointly supply 3 million Europeans with renewable energy. Overall, the offshore wind capacity installed by DONG Energy can supply 5 million Europeans with electricity.

DONG Energy currently has four offshore wind projects under development. Of these, West of Duddon Sands in the UK and

Borkum Riffgrund 1 in Germany are at the most advanced stage. The first of 108 turbines in West of Duddon Sands was installed in September, and the wind farm generated first power in January 2014. The 389 MW wind farm is scheduled to be fully operational in the second half of 2014 and is owned in a 50/50 joint venture with ScottishPower Renewables.

The first important milestone on the construction of Borkum Riffgrund 1 was reached in August with the installation of the offshore transformer station. Installation of the foundations will commence in early 2014. When fully operational in 2015, the wind farm will consist of 77 turbines of 3.6 MW each, totalling 277 MW. DONG Energy has a 50% stake in the wind farm.

Construction of the Group's ninth UK offshore wind farm, Westermost Rough, will begin in the first half of 2014. The wind farm will have a capacity of 210 MW and will be the first commercial project on which DONG Energy will be using Siemens' 6.0 MW turbines. DONG Energy owns 100% of Westermost Rough, which is expected to be fully operational in the first half of 2015.

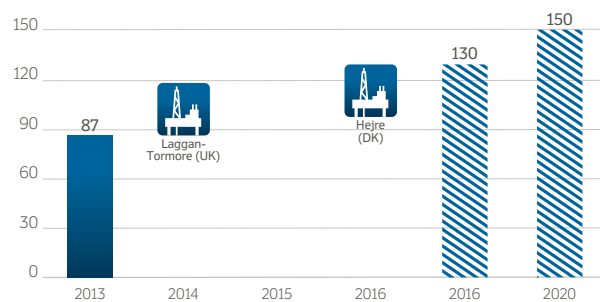
In November 2013, a decision was made to construct the German offshore wind farms Gode Wind 1 and 2 with a total installed capacity of 582 MW. These wind farms are also 100%-owned by DONG Energy and are expected to be fully operational in the second half of 2016.

Increased oil and gas production and reserves replacement

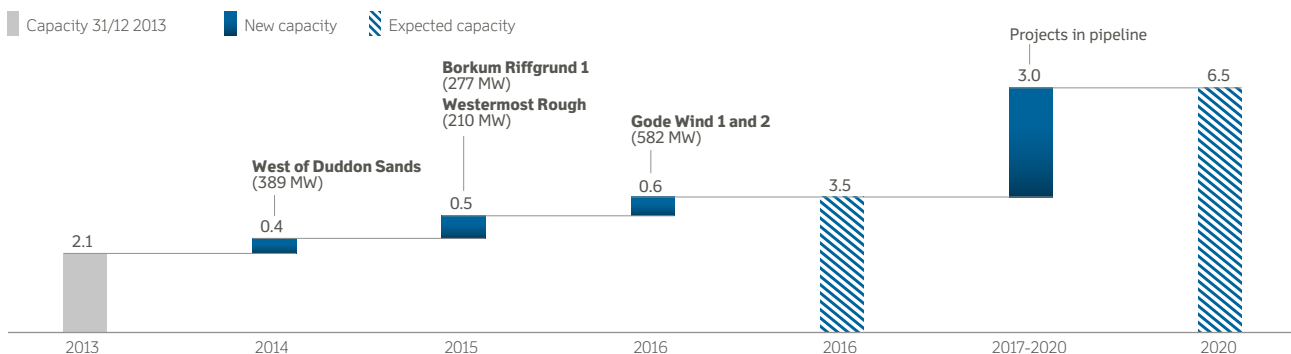
DONG Energy aims to double its daily production of oil and gas from 78,000 boe in 2012 to 150,000 boe in 2020. With the large development projects Hejre and Laggan-Tormore, along with more than 40 exploration licences in North West Europe, which still has significant potential for new discoveries, DONG Energy is well positioned for this growth. DONG Energy also aims to maintain an R/P ratio of at least 10, i.e. reserves equivalent to ten years' production. At the end of 2013, DONG Energy's oil and gas reserves (2P) totalled 471 million boe, equivalent to 15 years' production.

At the end of 2013, DONG Energy had shares in 13 producing fields in Norway and Denmark. As of 1 July, DONG Energy's ownership interest in the Ormen Lange gas field increased from 10.3% to

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



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 2013. Wind farms constructed over several years are only shown in the year in which they become fully operational.

14.0% as a result of a redetermination of the distribution of ownership interests in the field. DONG Energy's daily production consequently reached the milestone 100,000 boe in July. Average daily production for the year increased by 11% to 87,000 boe compared with 2012. The target is 130,000 boe/day by 2016, and three new fields will make this possible. The Danish field Syd Arne produced first oil from the phase 3 development in November 2013. First production from the Laggan-Tormore gas fields in the UK West of Shetland area is expected in the second half of 2014. Production start-up from the Hejre field in the Danish sector of the North Sea is expected in 2016. Delays in the design and construction of the platform mean that start-up has been postponed from the end of 2015 to 2016.

DONG Energy made a discovery in the Solsort licence in the Danish sector of the North Sea in 2010. Further wells were drilled in autumn 2013 and the results are still being evaluated.

Exploration activities in 2013 led to another two discoveries, Trym Syd in the Norwegian sector of the North Sea and Cragganmore in the West of Shetland area. DONG Energy and its partners in the two licences are in the process of analysing the data acquired in order to assess the commercial viability of the fields.

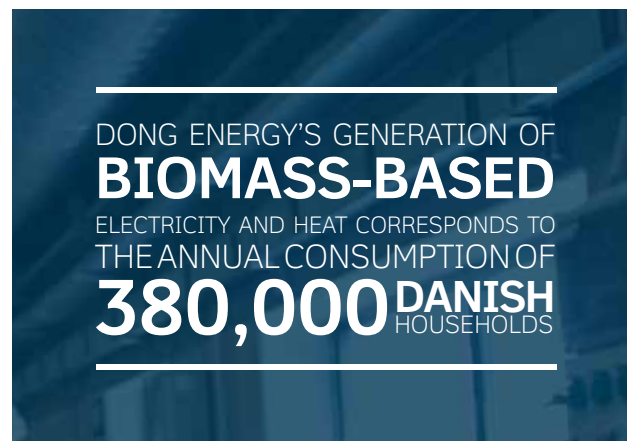
Flexible, efficient and green supply from power stations

In Denmark, DONG Energy generates electricity and heat from nine central power stations that represent just under half of Denmark's thermal generation capacity. The electricity generated is primarily sold on the Nordic Nord Pool power exchange, and the heat generated is sold to a number of regional Danish heat customers.

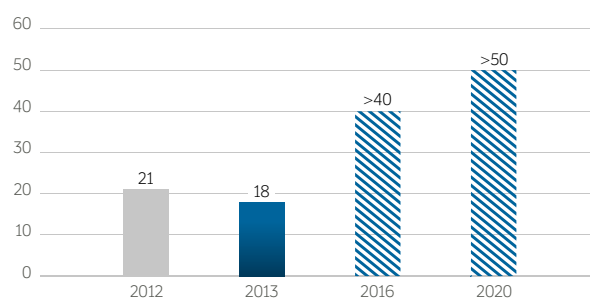
DONG Energy's strategy for its power stations is that they must support and enable the rapid expansion of renewable energy through flexible and efficient operation. In addition, in the period up to 2020, DONG Energy will work on converting at least 50% of its Danish capacity from fossil fuels to sustainable biomass such as wood pellets and wood chips in order to reduce CO₂ emissions from its generation.

Increased flexibility at power stations will increase the potential to quickly ramp generation up or down depending on the possibilities for producing renewable energy, i.e. whether the wind is blowing or the sun shining. Through its increased experience in enhancing power station flexibility, optimising operations and making various technical adjustments, DONG Energy has improved its capability to cut back electricity generation while continuing to supply heat and has also cut the time it takes to ramp electricity and heat generation up or down.

Biomass is a renewable, cost-effective resource with a large untapped potential in the European transformation of energy supply. DONG Energy wants to convert its thermal generation from coal to sustainable biomass. Read about DONG Energy's work on criteria for sustainable biomass on page 17. The conversions meet customer demand for green electricity and heat and help to ensure that DONG Energy will be able to maintain a leadership position in the use of biomass for energy. DONG Energy already uses biomass at a number of its plants, including Herning power station and Unit 2 of Avedøre power station. In 2013, 18% of DONG Energy's generation was biomass-based. Production corresponds to the annual electricity and heat consumption of 380,000 Danish households.



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



Continued reliable electricity supply to the customers

870,000 customers in Denmark receive their electricity via DONG Energy's electricity network, which covers North Zealand and Greater Copenhagen. Our ambition is that, on average, customers should be left without electricity supply for no more than 35 minutes per year, and the Group is making ongoing investments to ensure a high security of supply. This will result in reliable energy for both residential and business customers. In 2013, the average was 30 minutes.

Two large projects for replacing overhead lines with underground cables are underway, and these will help to maintain a high security of supply. In 2014, DONG Energy expects to complete the replacement of 4,000 km of low-voltage lines with underground cables, a project that began in 2003. The value of this investment was highlighted during the storm in October 2013, when significantly fewer customers were left without power than during the storms of 1999 and 2005.

In 2013, DONG Energy also began replacing overhead lines in the 50 kV network with underground cables. When this project is completed, the Group's entire electricity network will have been converted to underground cabling. With a total investment of just under DKK 500 million over the next six-seven years, this project is one of Customers & Markets' major infrastructure projects. It will fulfil a political request, please customers by improving security of supply, and has the aesthetic advantage that the overhead lines will disappear from many areas of natural beauty.

Energy for society – Results and targets

Focus area	Results		Targets	
	2012	2013	2016	2020
Development of offshore wind ¹	1.7 GW	2.1 GW	3.5 GW	6.5 GW
Increased oil and gas production	78,000 boe/day	87,000 boe/day	130,000 boe/day	150,000 boe/day
Oil and gas reserves / annual production (R/P ratio)	16	15	≥ 10	≥ 10
Biomass share in Danish CHP generation	21%	18%	> 40%	> 50%

¹ Installed capacity (before divestments). DONG Energy owns 1.4 GW of the capacity of 2.1 GW at 31/12 2013.



Competitive energy

How do we provide energy at competitive prices and contribute to the creation of growth and jobs?

DONG Energy wants to help its customers to save energy through improved energy efficiency. At the same time the Group aims to ensure cost-effective energy production. One important target is to bring down the cost of offshore wind so that, with time, the technology will no longer need subsidies.

The billion-kroner investments that DONG Energy intends to make in the renewal of the energy system in the period up to 2020 will also contribute to the continued technological development of the energy system and create economic activity, not least in the local communities where the investments are being made.

Wind energy must be competitive

The fact that offshore wind energy is still more costly than energy based on conventional technologies is a pressing challenge. To make wind energy competitive in the longer term, it is crucial that the cost is brought down.

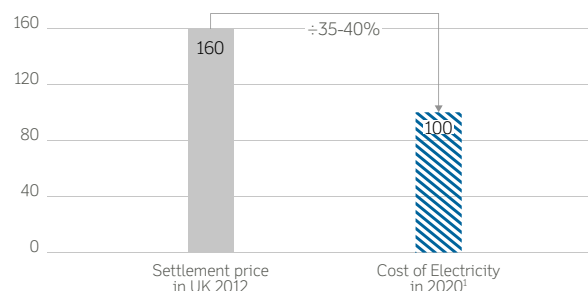
DONG Energy has an ambitious target to reduce costs from a level of EUR 160/MWh in 2012 to EUR 100/MWh for projects given the go-ahead in 2020. It is expected that the EUR 100/MWh cost, coupled with pricing of CO₂ emissions in Europe based on the real cost to society, will make offshore wind competitive compared with conventional energy technologies.

In 2013, DONG Energy introduced Siemens' 6.0 MW wind turbine on its Gunfleet Sands 3 test project and has also decided to use this turbine type on Westermost Rough and Gode Wind 1 and 2. The introduction of a larger turbine will reduce the cost per energy unit. However, more technological advances will be necessary to deliver the required cost cuts, as more than two-thirds of costs in the lifetime of a wind farm are incurred during the construction phase. DONG Energy has decided, among other things, to test a prototype for a new foundation from the E&P industry that is more suitable for 6-8 MW wind turbines and water depths of up to 60 metres. The prototype is expected to be tested on Borkum Riffgrund in the coming years.

Existing wind farms have been built based on the specific location, with few standardised elements. The objective of the 2020 strategy is to make considerable savings by streamlining the development and construction of new wind farms. Like more mature industries, DONG Energy will standardise the size and components in wind farms in future and, as far as possible, utilise synergies comprising its entire portfolio when designing and constructing wind farms and optimising and developing its supplier base. DONG Energy will also optimise the choice of future projects to ensure that locations are more compatible with standardised solutions. All these measures are designed to reduce the cost of offshore wind, and increased standardisation is also expected to improve safety and quality in the installation and operation of future wind farms.

One challenge to the reduction of costs is the fact that, in future, wind farms will have to be installed in locations further from

Electricity generated from offshore wind, EUR/MWh



¹ Cost to society based on projects in the UK where final investment decision will be made in 2020.

the coast and in greater water depths than previously. This will entail more cost-intensive elements such as larger, more sophisticated foundations and longer cables.

Improved energy efficiency for customers

DONG Energy aims to quadruple energy savings by the Group's Danish customers between 2012 and 2020 from 1.6 TWh to 5.9 TWh in cumulative savings since 2006. This will be achieved through climate partnerships, the sale of advisory services to companies and initiatives to extend the opportunities for grants under the Danish Energy Agency's Energy Saving Scheme. Altogether, DONG Energy's customers had made cumulative savings of 2.0 TWh at the end of 2013. This corresponds to the annual electricity and heat consumption of 188,000 Danes.

Through long-term climate partnerships DONG Energy advises its business customers on how they can reduce their energy consumption. In addition to being an effective way to reduce CO₂ emissions, this can result in considerable savings on their electricity bills. This helps to enable large energy consuming companies to remain competitive. One example is Novo Nordisk, which has realised increasing savings through its climate partnership with DONG Energy. The annual savings at Novo Nordisk's Danish factories thus reached DKK 50 million in 2013. For DONG Energy the partnerships mean building stronger relationships with large, important business customers. Read more about how DONG Energy's climate partnerships also contribute to CO₂ savings on page 17.

What the companies receiving advisory services have in common is that energy-saving projects have proved to be a quick, low-risk method of realising cost savings. In addition, customers have found that help from DONG Energy's advisors has accelerated the work of energy saving, whether identifying opportunities for making savings, developing projects that are ripe for investment or implementing savings in customers' buildings or production plants. In 2013, particularly Novozymes, Haldor Topsøe, Chr. Hansen, the University of Copenhagen and Aalborg Portland have made great savings and thus helped DONG Energy to achieve its target.

Competitive energy – Results and targets

Focus area	Results		Targets	
	2012	2013	2016	2020
Increasing energy savings among Danish customers ¹	1.6 TWh	2.0 TWh	3.7 TWh	5.9 TWh
Reducing offshore wind Cost of Electricity ²	EUR ~160/MWh			EUR 100/MWh

¹ Cumulative first-year effect of energy savings since 2006.

² Cost to society based on projects in the UK where final investment decision will be made in 2020.

In 2013, we took a number of initiatives to meet the higher target for future energy savings set in 2012:

- setting up a web portal, where private individuals can apply for grants for energy-saving, a facility that is being extended so that it can also be used by small businesses;
- setting up partnerships with firms such as Brdr. Dahl, Dansk Energirådgivning and Kaeser Kompressorer to make the opportunities for grants under the Danish Energy Agency's Energy Saving Scheme available to a broader group of energy consumers;
- implementing tenders for energy savings of 90 GWh to provide an opportunity for electrical contractors, advisory engineers and other relevant players to tender for carrying out and documenting energy savings.

Investments generate economic activity

DONG Energy's investment strategy is based on the need to transform the energy system with renewable energy and develop Northern European oil and gas reserves for production. DONG Energy's net investments for the period 2014-2015 are expected to total around DKK 30 billion, the majority of which will be made in offshore wind and oil and gas activities. In 2013, DONG Energy invested DKK 9.5 billion in wind projects and DKK 9.6 billion in oil and gas activities. The investments centred on the UK, Denmark and Norway.

The investments represent part of the considerable need for investments in the Northern European energy sector. They also create much-needed local economic activity, especially during the construction phase. At the same time, they will boost DONG Energy's earnings as the activities come into operation.

Increasing return as assets come into operation

Very substantial amounts are invested during the construction phase, whereas earnings do not start until the assets come into operation. The Group's return on capital employed (ROCE) is thus adversely affected during the investment phase. However, the projects make a positive contribution to the return as the assets come into operation. The figures illustrate the cash flows during the lifetime of two specific projects.

Oil and gas production has been a core activity in DONG Energy for more than ten years, and the development of new assets has been constantly growing while earnings from assets in operation have risen. When the projects in the pipeline up to 2016 have become operational, the oil and gas activities are expected to be self-financing, and the ROCE target for the Exploration & Production business unit is 20%. In 2013, ROCE amounted to -3.1% (15% excl. impairment losses).

DONG Energy has been active in offshore wind for more than 20 years, while the rapid expansion with large offshore wind farms has only gained momentum in the past five years. The major in-

vestments and the fact that the business unit is still being built up, mean that assets in operation do not yet generate sufficient cash flows to finance the expansion of capacity. Loan finance is supplemented by agreements with industrial and financial partners that become co-owners of the wind farms. When the coming wind projects currently under construction become operational, the target is for ROCE in Wind Power to reach 6-8% in 2016, rising to 12-14% in 2020. In 2013, ROCE amounted to 4.6% (5.4% excl. impairment losses).

Social effects of investments in Anholt offshore wind farm

Anholt offshore wind farm, which was opened in 2013, is expected to be in operation for the next 24 years. The design and construction of the wind farm took four years and had a budget of DKK 10 billion, two-thirds of which was allocated to orders to Danish firms. Production will be settled at a fixed price for approximately half the wind farm's lifetime, after which it will be settled at market price.

8,000 jobs were created during the construction of the wind farm as a result of the involvement of a number of companies in the project. Through cooperation with Djurs Wind Power, a local network of 32 small companies in Djursland, the project also had a great effect on the local area. In connection with the construction, local companies secured contracts to a value of DKK 450 million, which translated into 330 jobs.

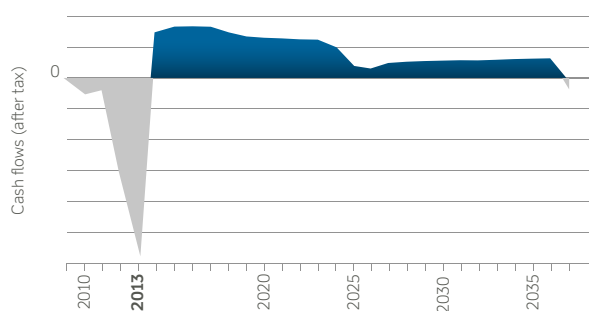
In connection with the commercial operation of the wind farm off Anholt, DONG Energy has set up operating facilities and offices at the port of Grenaa with jobs for 70 employees. In addition, three newly-built service vessels for the maintenance of the 111 wind turbines are stationed in the Port of Grenaa.

Social effects of investments in the Laggan-Tormore fields

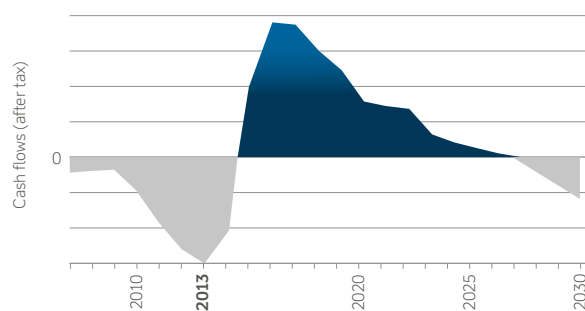
One of our most important projects in 2013 was the Laggan-Tormore gas fields. The fields are situated in the West of Shetland area, where DONG Energy is the leading exploration company. West of Shetland is expected to contain just under 20% of the UK's remaining oil and gas reserves.

The decision to expand Laggan-Tormore was taken in 2010, and the fields are expected to come onstream in 2014. In addition to the production installations, the expansion also includes a large gas treatment plant in Shetland and pipelines connecting the fields to the UK via Shetland. More than 1,400 people have worked on the construction site in Shetland, and the project has also created many jobs outside the area. The fields are expected to produce for 15 years and require around 80 employees to manage day-to-day operations. In addition, there are spin-off jobs with suppliers of maintenance services, etc.

Lifetime of Anholt offshore wind farm



Lifetime of the gas fields Laggan-Tormore





Clean energy

How do we make the transformation to cleaner energy to create a cleaner and healthier society, limit climate change and care for the environment?

It is a considerable challenge to create a cleaner, healthier society, in which CO₂ emissions, especially from the energy sector, and other environmental impacts are reduced. If Europe is to replace the majority of the capacity in the energy system over the next two decades, renewable energy will have to play a major part. DONG Energy will contribute to the reduction of CO₂ emissions by converting electricity and heat production so that it is based on renewable energy sources and by helping its customers to save energy and reduce their CO₂ emissions. In addition, the Group will endeavour to minimise the environmental impact of its activities.

85% less CO₂ from electricity and heat generation

EU has set a target to reduce emissions of greenhouse gases by 20% between 1990 and 2020. DONG Energy is at the forefront when it comes to rising to this challenge and has a target to reduce CO₂ emissions from its electricity and heat generation by 60% per kWh generated from 2006 to 2020. The reduction must reach 85% in 2040. The reduction must be effected by increasing generation from wind turbines and reducing the use of coal at Danish power stations.

In 2013, DONG Energy's electricity and heat generation emitted 30% less CO₂ per kWh than in 2006. The difference between DONG Energy's CO₂ emissions in 2006 and 2013 corresponds to the CO₂ emitted by 4 million cars in one year.

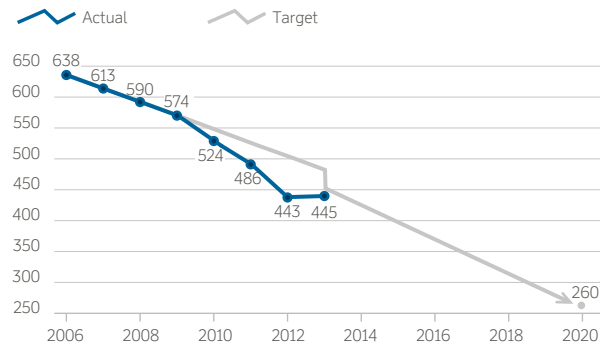
Reduced air pollution

Combustion of fossil fuels and biomass at power stations produces other gases besides greenhouse gases, including nitrogen oxides (NO_x) and sulphur dioxides (SO₂). NO_x leads to smog, which is harmful to human health, while SO₂ is a source of acid rain, which can harm forests and lakes. DONG Energy has a target to reduce NO_x and SO₂ emissions from its power stations by 90% and 95% respectively by 2020 compared with 1990. Ongoing operations optimisation and installation and maintenance of deNO_x facilities have already led to a significant reduction in emissions. The SO₂ reduction has actually outperformed the target since 2011, when emissions were reduced by 99%. In 2013, the focus was consequently on reducing NO_x emissions further through continuous improvements of facilities, including by replacing catalysts. DONG Energy consequently achieved a 90% reduction in NO_x emissions in 2013 compared with 1990, which meant that the 2020 target for NO_x emissions was also realised.

Criteria for sustainable biomass

An ever-increasing number of DONG Energy's power stations are being converted from fossil fuels to biomass in the form of wood

Reducing CO₂ emissions, g CO₂ per kWh



pellets and wood chips. The conversion of thermal generation from coal to sustainable biomass will make a considerable contribution to the reduction of CO₂ emissions in Denmark. DONG Energy's strict criteria will ensure that the biomass used is sustainable so that the conversion will result in real reductions in CO₂. This will require DONG Energy to only buy biomass from countries with a tradition of sustainable forestry and which in most cases have legislation protecting forests, water resources and biodiversity. In addition, DONG Energy collaborates with other large European energy companies in a Sustainable Biomass Partnership in order to define a market standard for sustainable biomass. The standard is expected to come into force in the course of 2014.

Climate partnerships reduce customers' CO₂ emissions

Through more than 135 climate partnerships DONG Energy advises companies, local authorities and public institutions on how they can save energy by using it more efficiently. In addition, the climate partners reduce their individual CO₂ footprint by covering all or part of their electricity consumption with certified climate-friendly power from DONG Energy's offshore wind farms. In 2013, DONG Energy also introduced the opportunity for its climate partners to purchase biogas certificates to cover all or part of their gas consumption, so that their CO₂ footprint can be further reduced.

Resource consumption

DONG Energy seeks to minimise the environmental impacts from its own activities and the Group's consumption of resources. DONG Energy therefore strives to improve energy efficiency in the areas in which this is technically feasible. For example, energy consumption in office buildings was reduced by 29% from 2010 to 2013, partly by introducing sensor control of lighting, optimising electricity consumption at data centres and implementing tighter, more advanced control of indoor climate systems.

In relation to waste, DONG Energy endeavours to maintain the current level of recycling, also when the Group's production patterns change. In 2013, 76% of waste from DONG Energy's facilities was recycled, and 61% of waste from administration.

Clean energy – Results and targets

Focus area	Results		Targets	
	2012	2013	2016	2020
Reducing CO ₂ emissions	443 g/kWh	445 g/kWh	350 g/kWh	260 g/kWh
Reducing SO ₂ and NO _x emissions compared with 1990	99% and 88%	99% and 90%		95% and 90%
Increased recycling of waste from administration and facilities	44% and 77%	61% and 76%	50% ¹ and 70% ¹	

¹ 2015 targets.



People matter

How do we promote safety, the right skills and stimulating working conditions in a high-tech industry that is characterised by powerful natural forces and constant change?

Employee safety is a top priority throughout the organisation and for our suppliers. The same applies to job satisfaction and the way we focus on developing employees' professional and personal skills. A high degree of safety in the workplace and a motivating and stimulating working environment are crucial prerequisites for the Group to be able to attract and retain the best employees.

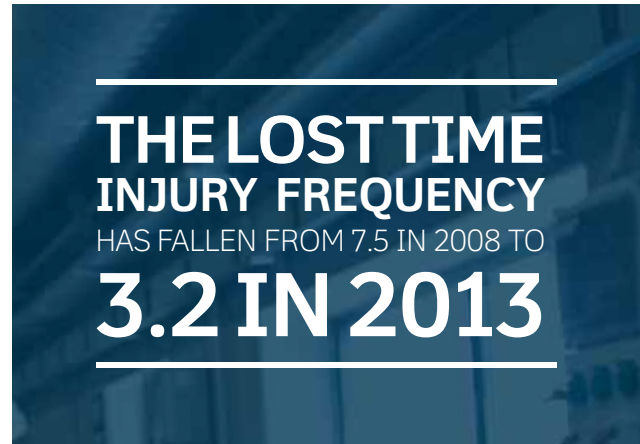
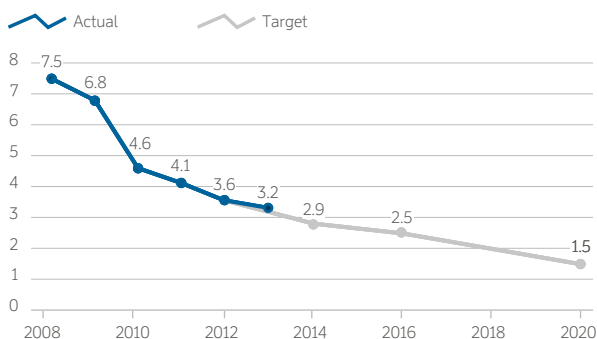
Safety throughout the organisation

Throughout the DONG Energy organisation we focus on ensuring that management, employees and suppliers contribute to a safe working environment. DONG Energy lays down safety guidelines, enforces strict safety policies and stages exercises for employees and suppliers that enable everyone to assess safety in respect of a specific activity and to stop an activity if conditions are unsafe.

In 2013, the lost time injury frequency (LTIF) was 3.2, which met our target. In 2014, LTIF must be reduced further to no more than 2.9. The Group will therefore continue work on developing and offering training programmes as well as a large number of improvement tools for employees and suppliers. In 2013, an ambitious programme called 'Safety through the line' was rolled out. A large proportion of DONG Energy's employees took part in workshops in 2013 and the remainder will have gone through the programme in the first quarter of 2014. The workshops focus on the individual's responsibility for preventing accidents and improving awareness of the factors that help to create a safe working environment.

In 2013, a compulsory e-learning course on safety was also introduced, adapted to the safety requirements of individual job functions. The majority of the employees completed it in 2013, while the rest will complete it in the early part of 2014. At the same time, we make employees aware of the Group's system for reporting incidents. The system also functions as a way of sharing knowledge across all business units. Safety is an important focus area at Group Executive Management meetings and developments are discussed every month.

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



Satisfaction and motivation are crucial

It is vital that DONG Energy should be a good place to work in order for the Group to be able to achieve its ambitious goals. We have therefore set targets for employee satisfaction and motivation. The annual employee survey measures employee satisfaction and motivation and is the basis for the selection of action areas on the part of both the Group as a whole and every team of employees. In 2013, we carried out a simplification programme throughout the company, which led to a number of major changes to the organisation. As a result, we decided to defer the employee survey until spring 2014.

In 2013, we focused on dialogue between management and employees on the changes DONG Energy has been through. In connection with job reductions resulting from the simplification programme, the management, trade union representatives and other representatives of all groups of employees worked together to reduce the number of redundancies as far as possible and ensure that redundant workers were offered alternatives such as outplacement programmes and voluntary redundancy.

Skills in focus

Professional and personal development opportunities for employees are a prerequisite for satisfaction and motivation. A developing organisation also needs to maintain continual focus on employee development. DONG Energy works systematically on the development of skills and talents, for instance through mandatory annual performance and development dialogue between employees and their line managers, annual assessments of employee performance and in-house training schemes for talented people at all levels within the organisation. This systematic approach creates transparency around performance and what we do for talented people within the company. In 2013, 83% of all management posts were filled by internal promotions. In order to increase transparency in internal recruitment and the pool of talent, from and including 2013 DONG Energy will be measuring the proportion of talented women in management who have been promoted internally and among the specialist workers who have their performance measured annually. Read more about efforts to promote women in management in the section on Corporate governance on page 47.

People matter – Results and targets

Focus area	Results		Targets	
	2012	2013	2016	2020
Reducing lost time injury frequency (LTIF)	3.6	3.2	≤ 2.5	< 1.5
No fatal accidents (number of fatalities)	1	0	0	0
Increased employee satisfaction and motivation (1-100)	74	74 (2012)	75	77



Business integrity

How do we ensure that we are running our business with a high level of integrity and in dialogue with our customers and other stakeholders?

For DONG Energy it is fundamental to run the business with a high level of integrity. We focus particularly on customer satisfaction, responsible suppliers and preventing fraud, corruption and other inappropriate business practices.

Customer satisfaction

Increased customer satisfaction is a strategic target. For DONG Energy it is a matter of integrity that customers perceive the company as a simple, reliable, climate-friendly energy supplier. For customers in Denmark it is the target for 2016 to increase customer satisfaction for residential customers and business customers to 70 and 75 respectively, on a scale from 1-100, and to 75 in 2020 for both customer groups. In 2013, customer satisfaction among residential customers was 64 out of 100, in line with 2012. For business customers the figure was 75 in 2013 compared with 72 in 2012.

In order to achieve this target we are focusing on the Group's customer satisfaction programme, Customer Centricity (KiC). As part of this programme, DONG Energy has systematised its work on understanding customers' needs and improving customer service. The aim is for customers to experience good service every time they contact DONG Energy. Employees are therefore being given regular training on giving customers the best energy solution based on the customer's wishes and needs.

DONG Energy is also working to improve a number of processes and solutions for customers. For example, for the vast majority of customers, contact with the Group is via their electricity bill, so in 2013, DONG Energy introduced an improved annual statement that is easier to understand, because the most important information on, for instance, electricity consumption, amounts, changes in consumption and payment dates are highlighted.

In 2012, the vast majority of employees in the sales and distribution organisation attended KiC college to improve all aspects of service behaviour. In 2013, efforts in this area were continued with KiC college module 2, which focused on guidelines for good service behaviour and how to implement them in day-to-day work. The training is followed up by evaluations.

Responsible suppliers

DONG Energy has suppliers all over the world and the Group requires its suppliers to follow specific ethical guidelines. With more than 20,000 suppliers, DONG Energy invests its effort where the risk is greatest. DONG Energy aims for a systematic approach that follows international guidelines on good practice and the most recent UN recommendations. In 2013, the Group therefore developed a number of new tools that we expect to introduce in 2014. These



include improved risk assessment of all suppliers, streamlining internal processes and more investigation of conditions at suppliers' premises.

This risk-based approach focuses the effort on those suppliers where the risk is greatest and sets up a coherent process for the way DONG Energy enters into dialogue with individual suppliers with a view to ensuring that they make improvements. For DONG Energy, a chain of responsible suppliers means increased stability and efficiency in the long term, which in turn means that the risk of unforeseen and costly delays, for example on construction projects, will be reduced.

Good business conduct

DONG Energy has a mandatory e-learning course to promote good business conduct, including the prevention of fraud and corruption. In 2013, 96% of the Group's employees had completed the course.

DONG Energy's whistleblowing procedure were updated in January 2014 so that it is more consistent with the Group's international growth. The procedure includes a separate website, a 24-hour telephone hotline, online forms in relevant languages and a case management system (see Corporate governance, page 47).

Human rights in focus

DONG Energy has identified the supplier chain as the area of activity where it is most important to focus time and resources on improving respect for human rights, especially among coal suppliers. DONG Energy does not have a separate human rights policy, but reference is made to the responsibility policy that was approved by the Group Executive Management in 2011, which states that respect for human rights is an integral part of the Group's strategy, activities and culture. The policy can be found at dongenergy.com/responsibility-policy.

Business integrity – Results and targets

Focus area	Results		Targets	
	2012	2013	2016	2020
Improved customer satisfaction for residential customers and business customers in Denmark (1-100)	64 and 72	64 and 75	70 and 75	75 and 75
Share of employees that have completed the course on good business conduct	95%	96%	95%	95%



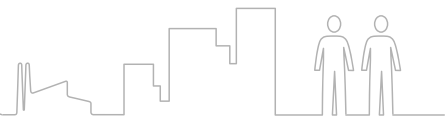
	DKK million					
	2013	2012	2011	2010	2009	
BUSINESS PERFORMANCE						
Income statement						
Revenue:	73,105	67,179	56,717	54,523	49,454	
Exploration & Production	12,344	11,871	10,469	8,264	6,416	
Wind Power	11,960	7,737	4,215	2,880	1,583	
Thermal Power	9,658	9,063	11,466	11,888	10,832	
Customers & Markets	49,663	46,569	37,551	36,953	34,834	
Other activities / eliminations	(10,520)	(8,061)	(6,984)	(5,462)	(4,211)	
EBITDA:	15,004	8,639	13,743	14,077	9,252	
Exploration & Production	7,324	6,550	5,684	5,052	3,264	
Wind Power	4,253	2,479	1,772	1,670	559	
Thermal Power	744	1,067	1,863	2,124	388	
Customers & Markets	2,348	(1,455)	4,383	5,100	4,964	
Other activities / eliminations	335	(2)	41	131	77	
EBITDA adjusted for current hydrocarbon tax	13,899	6,490	12,667	13,509	9,177	
EBIT	2,041	(3,324)	6,100	8,095	4,199	
Adjusted operating profit (loss)	378	(6,457)	4,879	7,404	4,029	
Profit (loss) for the year	(993)	(4,021)	2,882	4,499	1,492	
Key ratios						
FFO / adjusted net debt ¹	%	23.1	7.8	31.4	37.5	24.3
Adjusted net debt ¹ / EBITDA	times	2.2	4.0	1.8	1.8	3.3
Return on capital employed (ROCE)	%	0.5	(-7.9)	6.3	10.2	6.1
IFRS						
Income statement						
Revenue	72,199	65,860	58,313	54,505	49,146	
EBITDA	14,199	7,166	15,568	14,030	8,780	
EBIT	1,236	(4,797)	7,925	8,048	3,727	
Gain (loss) on disposal of enterprises	2,045	2,675	225	905	(62)	
Net finance costs	(3,800)	(1,356)	(303)	(1,556)	(1,357)	
Profit (loss) for the year	(1,591)	(5,126)	4,250	4,464	1,138	
Balance sheet						
Assets	145,672	157,489	152,926	136,734	120,335	
Additions to property, plant and equipment	19,437	16,549	18,702	14,546	15,646	
Net working capital	2,599	(605)	33	2,324	3,844	
Net working capital excl. trade payables relating to capital expenditure	4,150	2,544	2,995	3,361	3,844	
Interest-bearing debt	46,460	52,745	40,287	38,098	35,850	
Interest-bearing net debt	25,803	31,968	23,179	21,913	26,811	
Adjusted net debt ¹	43,382	43,850	34,074	30,557	33,681	
Equity	51,543	50,016	57,740	51,308	44,808	
Capital employed	77,345	81,984	80,919	73,222	71,619	
Cash flows						
Funds from operation (FFO)	10,026	3,418	10,711	11,471	8,175	
Cash flows from operating activities	9,729	7,891	12,396	14,312	9,458	
Cash flows from investing activities	(6,483)	(19,202)	(18,726)	(14,699)	(21,220)	
Gross investments	(21,234)	(17,660)	(17,907)	(15,627)	(18,063)	
Net investments	(5,902)	(13,350)	(12,659)	(7,161)	(18,972)	
Volumes						
Oil and gas production	million boe	31.7	28.5	26.4	24.4	24.0
Electricity generation	TWh	19.1	16.1	20.4	20.2	18.1
- thermal	TWh	13.8	11.5	16.0	16.2	15.3
- wind and hydro	TWh	5.3	4.6	4.4	4.0	2.8
Heat generation	PJ	40.2	43.0	42.6	53.2	46.7
Gas sales (excl. own consumption at power stations)	TWh	134.6	127.9	113.7	116.7	124.2
Electricity sales	TWh	16.8	12.6	9.9	10.4	10.7
Gas distribution	TWh	8.8	9.1	9.9	11.4	10.0
Electricity distribution	TWh	8.6	8.7	8.8	9.1	9.2

¹ The two key ratios define adjusted net debt differently. See page 60.

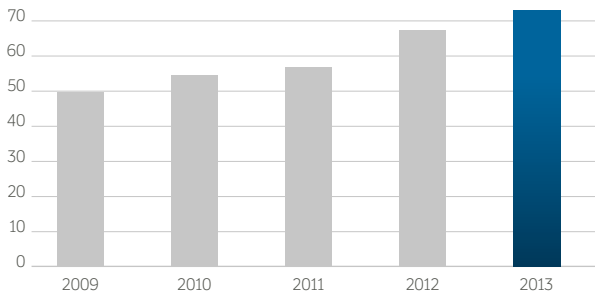
For a description of the performance measure 'business performance', see note 2.1 to the consolidated financial statements.

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

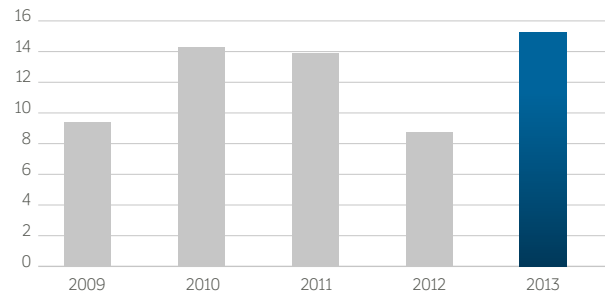
Five-year record



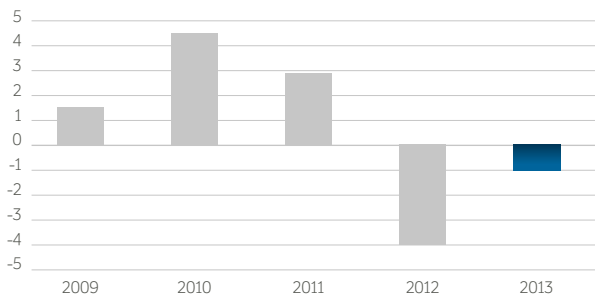
Revenue, DKK billion



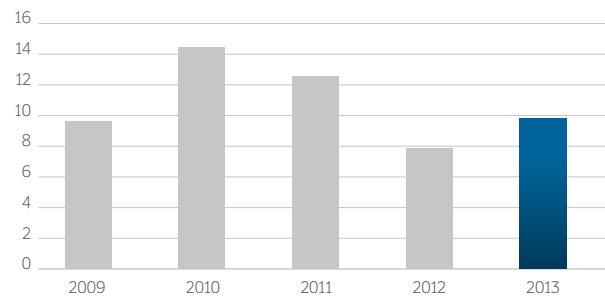
EBITDA, DKK billion



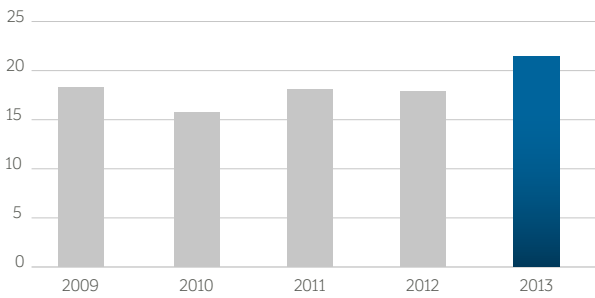
Profit (loss) after tax, DKK billion



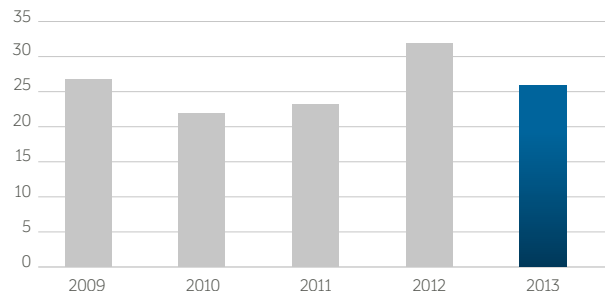
Cash flows from operating activities, DKK billion



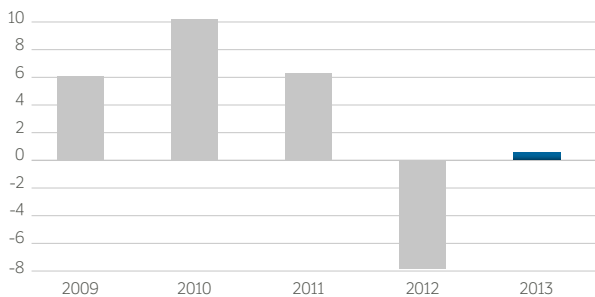
Gross investments, DKK billion



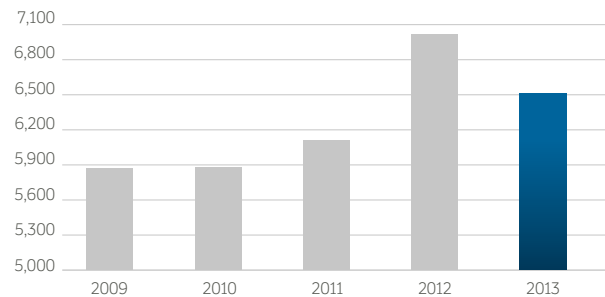
Interest-bearing net debt, DKK billion



ROCE, %



Employees, FTE



Financial performance

DONG Energy's revenue, EBITDA and result for the year increased by DKK 5.9 billion, DKK 6.4 billion and DKK 3.0 billion respectively, while cash inflow from operating activities was up DKK 1.8 billion. ROCE improved to 0.5% from -7.9% in 2012. Adjusted for impairment losses and the provisions for onerous contracts in 2012, ROCE would have been 6.8% in 2013 compared with -0.9% in 2012.

DKK million	2013	2012	Δ
Revenue	73,105	67,179	5,926
EBITDA	15,004	8,639	6,365
Profit (loss) for the year	(993)	(4,021)	3,028
Cash flows from operating activities	9,729	7,891	1,838
Return on capital employed (ROCE), %	0.5%	(7.9%)	-

The increase in EBITDA reflected earnings from the new offshore wind farms London Array in the UK and Anholt in Denmark, the higher ownership interest in the Ormen Lange gas field as of 1 July 2013 and the fact that 2012 was adversely affected by provisions for onerous contracts. Furthermore, costs were lower than in 2012. EBITDA was adversely affected by production problems on a number of oil and gas fields, exploration expenditure charged to the income statement as well as higher project development costs.

Income statement

Revenue

DKK million	2013	2012	Δ
Revenue	73,105	67,179	5,926

Revenue rose by 9% to DKK 73.1 billion in 2013. Higher electricity and gas production and gas sales and income from contracts for the construction of offshore wind farms for co-investors and of offshore transmission assets were partly offset by lower oil production.

Oil and gas production totalled 31.7 million boe against 28.5 million boe in 2012. The 11% increase was due to higher recognised gas production from Ormen Lange as a result of a redetermination of the field's reserves that increased DONG Energy's ownership interest in the gas field from 10.3% to 14.0% on 1 July 2013. Besides the direct, higher ownership interest, DONG Energy will receive extra volumes in the coming years as the redetermination has been made with retrospective effect from the field's production start-up in 2007. The increase was partly offset by lower oil pro-

Implementation of IFRS 11 Joint Arrangements

DONG Energy has implemented IFRS 11 with effect from 1 January 2013. The change has no effect on profit (loss) for the year or equity, but has reduced the balance sheet total at 31 December 2012 by DKK 2.1 billion (1 January 2012: DKK 1.1 billion), net cash flows in 2012 by DKK 0.2 billion and net debt at the end of 2012 by DKK 1.5 billion.

Further details are provided in notes 1 and 7.11 to the consolidated financial statements.

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 note 2.4 to the consolidated financial statements.

Glossary

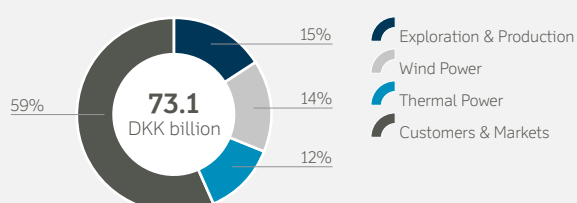
Reference is made to the glossary on page 129 for definitions of terms.

duction due to production problems on both Norwegian and Danish fields, including Trym, Alve, Marulk, Ula, Tambar, Oselvar and Siri, which were shut down for parts of the year. Production from the Danish Siri area was shut down in mid-July following the identification of a further crack in the Siri platform's subsea structure. At the end of 2013, the Danish Energy Agency granted permission for production from the satellite fields to be resumed under special circumstances. However, overall production from the Siri area is expected to be curtailed until the summer, when the ongoing work of stabilising the platform is expected to be completed.

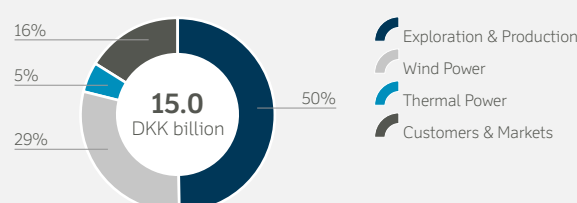
Electricity generation was 19.1 TWh in 2013 compared with 16.1 TWh in 2012. The increase reflected higher thermal electricity generation at the Danish and foreign power stations due to an improved green dark spread and green spark spread and higher output from wind farms, especially London Array and Anholt.

DKK million	2013	2012	Δ
Exploration & Production	7,324	6,550	774
Wind Power	4,253	2,479	1,774
Thermal Power	744	1,067	(323)
Customers & Markets	2,348	(1,455)	3,803
Other activities / eliminations	335	(2)	337
Consolidated EBITDA	15,004	8,639	6,365

Revenue 2013



EBITDA 2013



Gas sales (excluding sales to own power stations) totalled 134.6 TWh, 5% ahead of 2012. The increase was due to higher sales in the UK, partly offset by lower sales on hubs and slightly lower wholesale sales.

EBITDA

EBITDA was DKK 15.0 billion in 2013 compared with DKK 8.6 billion in 2012. The 74% increase can be broken down by business unit as follows:

- in Exploration & Production, EBITDA was up DKK 0.8 billion at DKK 7.3 billion due to higher gas production from Ormen Lange and lower costs for the repair work to the Siri platform, partly offset by lower production on other fields and higher exploration expenses charged to the income statement;
- in Wind Power, EBITDA was up DKK 1.8 billion at DKK 4.3 billion due to higher electricity generation, primarily from the London Array and Anholt wind farms, and higher earnings from contracts for the construction of the Anholt and Borkum Riffgrund 1 offshore wind farms for co-investors, partly offset by higher project development costs charged to the income statement;
- in Thermal Power, EBITDA was down DKK 0.3 billion at DKK 0.7 billion, primarily reflecting the discontinuation of the free allocation of CO₂ emissions allowances;
- in Customers & Markets, EBITDA was DKK 3.8 billion ahead at DKK 2.3 billion, primarily because 2012 was adversely impacted by provisions for onerous contracts. Furthermore, current earnings from the gas activities were turned around from a substantial loss in 2012 to a profit of DKK 0.3 billion in 2013.

Depreciation, impairment losses, and EBIT

DKK million	2013	2012	Δ
Depreciation	(7,955)	(9,172)	1,217
Impairment losses, net	(5,008)	(2,791)	(2,217)
Depreciation and impairment losses	(12,963)	(11,963)	(1,000)
EBIT	2,041	(3,324)	5,365

Depreciation and impairment losses totalled DKK 13.0 billion, DKK 1.0 billion higher than in 2012.

Depreciation was DKK 1.2 billion lower than in 2012. The decline was due partly to lower depreciation in Exploration & Production due to production problems on several of the depreciation-intensive fields in 2013, and partly to a lower basis for depreciation in Thermal Power due to relatively high depreciation in 2012 as a result of a review of the useful lives of stand-by CHP plants in Denmark. By contrast, depreciation in Wind Power increased due to new assets in operation.

Impairment losses were DKK 5.0 billion compared with DKK 2.8 billion in 2012 and can be broken down as follows:

- in the fourth quarter, a DKK 0.5 billion impairment loss was recognised on the Norwegian Gyda field (DKK 0.1 billion after tax) due to a changed estimate of decommissioning obligations;
 - in the third quarter, a DKK 1.8 billion impairment loss was recognised on the Norwegian fields Oselvar and Ula (DKK 0.4 billion after tax) due to a lower reserve estimate and performance problems on Oselvar. The lower reserve estimate also has an effect on the Ula field, as part of the gas from Oselvar is used in the production on Ula;
 - in the second quarter, a DKK 0.9 billion impairment loss was recognised on the fields in the Siri area following the above-mentioned identification of a further crack in the Siri platform's subsea structure and the resulting temporary suspension of production;
 - in the second quarter, a DKK 0.4 billion impairment loss was recognised on DONG Energy's 1% stake in the Norwegian Gassled transmission network following the Norwegian authorities' introduction of a significant tariff reduction in June, effective from 2016;
 - in the second quarter, a DKK 1.0 billion impairment loss was recognised on the gas-fired Enecogen power station in the Netherlands. The impairment loss was due to an expectation of sustained low or negative green spark spreads in continental Europe for several years to come, reflecting low coal and CO₂ prices, which make it more profitable for generators to use coal than gas.
- EBIT increased by DKK 5.4 billion due to the higher EBITDA and lower depreciation, partly offset by higher impairment losses.

Gain on disposal of enterprises

DKK million	2013	2012	Δ
Gain on disposal of enterprises	2,045	2,675	(630)

The gain on disposal of enterprises was DKK 2.0 billion in 2013 and related primarily to the divestments of the Swedish hydro power company Kraftgården with a gain of DKK 1.3 billion, the Polish and Danish onshore wind businesses with a total gain of DKK 0.9 billion, Stadtwerke Lübeck with a gain of DKK 0.2 billion, and the gas-fired Severn power station with a loss of DKK 0.4 billion.

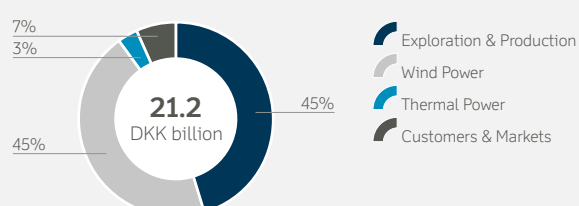
The gain on disposal of enterprises in 2012 primarily related to Oil Terminals, which yielded a gain of DKK 2.5 billion.

Share of profit (loss) of associates and joint ventures

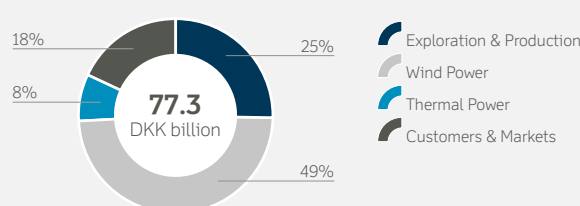
DKK million	2013	2012	Δ
Share of profit (loss) of associates and joint ventures	(57)	(699)	642

The result, which is recognised under EBIT, relates to the associates and joint ventures that are deemed not to be part of the Group's principal activities.

Gross investments 2013



Capital employed 2013



In 2012, the result related primarily to a negative adjustment of tax in respect of prior years in the now divested Swedish hydro power company Kraftgården. The adjustment was offset by a similar positive adjustment of income tax expense and therefore did not affect the consolidated result after tax.

Net finance cost

DKK million	2013	2012	Δ
Interest expense, net	(1,661)	(815)	(846)
Interest element of provisions	(501)	(285)	(216)
Early redemption of loans and associated interest rate swaps	(665)	0	(665)
Value adjustments of derivative financial instruments	(293)	(38)	(255)
Exchange rate adjustments, net	(210)	(230)	20
Disposal of assets held under finance leases	(201)	0	(201)
Value adjustments of securities, net	(189)	(77)	(112)
Other finance income and costs, net	(80)	89	(169)
Net finance costs	(3,800)	(1,356)	(2,444)

Net finance costs amounted to a net charge of DKK 3.8 billion compared with DKK 1.4 billion in 2012.

Interest expense (net) increased by DKK 0.8 billion, primarily reflecting an increase in average interest-bearing net debt from DKK 27 billion in 2012 to DKK 29 billion in 2013 and a falling interest rate for surplus liquidity.

The interest element of provisions increased by DKK 0.2 billion, reflecting a higher discount rate on decommissioning obligations and the interest element of the provisions in 2012 for onerous contracts for gas storage capacity and capacity in an LNG terminal.

Following the divestments in 2013, at the end of 2013 a number of loans were repaid before maturity in order to reduce the Group's gross debt. At the same time, interest rate swaps relating to non-current loans expected to be repaid in 2014 were repaid. The related costs were DKK 0.7 billion, but the repayments will result in lower interest expenses in the coming years.

The loss on disposal of assets held under finance leases related to the divestment of the Norwegian gas-fired Mongstad power station.

Income tax

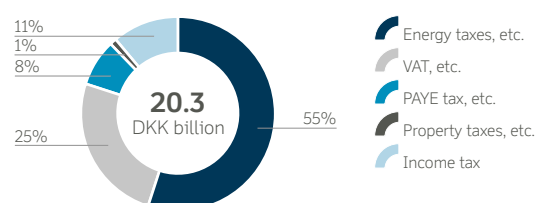
DKK million	2013	2012	Δ
Income tax expense	(1,222)	(1,317)	95

Income tax expense for the year was DKK 1.2 billion, which was DKK 0.1 billion less than in 2012. The tax rate was 534% compared with -49% in 2012. The fact that earnings from oil and gas production in Norway, where hydrocarbon income is taxed at 78%, significantly exceeded the Group's overall profit before tax had an upward effect on the tax rate in 2013, while non-taxable gains on disposals had a downward effect.

Total tax contribution

DONG Energy's contribution to society in the form of direct and indirect taxes amounted to DKK 20.3 billion in 2013 compared with DKK 20.4 billion in 2012. Of the contribution in 2013, DKK 17.5 billion (86%) accrued to Denmark. The contribution was calculated using the TTC model (Total Tax Contribution).

Total direct and indirect taxes (TTC model)



Profit (loss) for the year

DKK million	2013	2012	Δ
Profit (loss) for the year	(993)	(4,021)	3,028

The result for the year was a loss of DKK 1.0 billion, an improvement of DKK 3.0 billion on 2012, mainly reflecting the higher EBIT, partly offset by higher net finance costs than in 2012.

Interest-bearing net debt

DKK million	2013	2012	Δ
Net debt at 1 January	31,968	23,179	8,789
Cash flows from operating activities	(9,729)	(7,891)	(1,838)
Gross investments	21,234	17,660	3,574
Disposals	(15,332)	(4,310)	(11,022)
Additions, hybrid capital, net	(3,399)	0	(3,399)
Dividends and hybrid coupon paid	955	3,074	(2,119)
Exchange rate adjustments, etc.	106	256	(150)
Net debt at 31 December	25,803	31,968	(6,165)

Interest-bearing net debt was DKK 25.8 billion at the end of 2013 compared with DKK 32.0 billion at the end of 2012, down DKK 6.2 billion. This primarily reflected the divestments in 2013, see above, and the issuance of new hybrid capital.

The individual elements of the development are reviewed below.

Cash flows from operating activities

DKK million	2013	2012	Δ
EBITDA	15,004	8,639	6,365
Financial instruments and loans	1,324	(468)	1,792
Provisions	(241)	788	(1,029)
Other adjustments	1,424	1,934	(510)
Interest expense, net	(2,872)	(857)	(2,015)
Income tax paid	(2,856)	(2,642)	(214)
Change in working capital	(2,054)	497	(2,551)
Cash flows from operating activities	9,729	7,891	1,838

Cash inflow from operating activities was DKK 9.7 billion in 2013 compared with DKK 7.9 billion in 2012. The increase reflected the DKK 3.5 billion increase in EBITDA (adjusted for the provisions of DKK 2.9 billion in 2012) and a higher positive effect from financial instruments in addition to the amount recognised in EBITDA, including hedging of net investments in foreign subsidiaries. This was partly offset by an increase in funds tied up in working capital and an increase in finance costs.

The increase in funds tied up in working capital mainly reflected higher receivables from contracts for the construction of offshore transmission assets in connection with UK wind farms.

Investments

DKK million	2013	2012	Δ
Gross investments	(21,234)	(17,660)	(3,574)
Divestments	15,332	4,310	11,022
Net investments	(5,902)	(13,350)	7,448

Net investments were DKK 5.9 billion in 2013 compared with DKK 13.4 billion in 2012.

The main investments in 2013 were as follows:

- development of oil and gas fields and infrastructure (DKK 9.6 billion), including Ormen Lange, primarily as a result of the higher ownership interest, Laggan-Tormore in the UK and the Danish fields Hejre and Syd Arne;
- development of wind activities (DKK 9.5 billion), including the Danish offshore wind farm Anholt, the UK offshore wind farms West of Duddon Sands, Westermost Rough and London Array, the German offshore wind farms Gode Wind and Borkum Riffgrund 1, and the jack-up vessel Sea Challenger for installation of wind turbines.

Divestments in 2013 were DKK 15.3 billion and related primarily to the Swedish hydro power company Kraftgården (DKK 3.3 billion), the gas-fired Severn power station in the UK (DKK 3.1 billion), the London Array transmission assets (DKK 2.0 billion), the office building in Gentofte (DKK 1.9 billion), the Polish onshore wind business (DKK 1.8 billion), the Norwegian gas-fired Mongstad power station (DKK 1.8 billion), the Danish onshore wind business (DKK 0.7 billion) and the ownership interest in Stadtwerke Lübeck (DKK 0.3 billion).

Divestments in 2012 primarily related to Oil Terminals (DKK 2.6 billion) and transmission assets related to Walney 2 (DKK 1.0 billion).

Hybrid capital

In July 2013, DONG Energy issued hybrid bonds due in 2013 for nominally EUR 500 million (DKK 3.7 billion). The new hybrid capital will be assigned 50% equity credit on rating by S&P, Moody's and Fitch.

Dividends

Dividends paid to minority shareholders amounted to DKK 0.3 billion in 2013. In 2012, DKK 1.5 billion was paid to DONG Energy's shareholders and DKK 1.0 billion to minority shareholders.

Capital structure

At the end of 2013, adjusted net debt was 2.2 times EBITDA compared with 4.0 times in 2012.

The rating agencies have tightened their view of the utility sector in the last few years. As a consequence, DONG Energy's existing target for adjusted net debt not to exceed 2.5 times EBITDA is not strict enough in relation to the rating agencies' criteria for a BBB+/Baa1 rating.

A new, tighter capital structure target will therefore be introduced from 2014: Funds from operation (FFO) to adjusted net debt. The long-term objective is for FFO to be around 30% of adjusted net debt. The ratio was 23% in 2013.

DKK million	2013	2012	Δ
EBITDA	15,004	8,639	6,365
Adjusted interest expense, net	(2,796)	(1,860)	(936)
Reversal of recognised lease payment	354	401	(47)
Current tax	(2,536)	(3,762)	1,226
Funds from operation (FFO)	10,026	3,418	6,608
Adjusted net debt	43,382	43,850	(468)
FFO/adjusted net debt, %	23.1%	7.8%	-

[Read more on pages 33, 57, 60 and 79](#)

Equity

DKK million	2013	2012	Δ
Equity at 1 January	50,016	57,740	(7,724)
Profit (loss) for the year	(993)	(4,021)	3,028
Other comprehensive income	(232)	(935)	703
Additions, hybrid capital	3,698	0	3,698
Dividends and hybrid coupon paid	(994)	(3,074)	2,080
Transactions with non-controlling interests	128	299	(171)
Other adjustments	(80)	7	(87)
Equity at 31 December	51,543	50,016	1,527

Equity was DKK 51.5 billion at the end of 2013 compared with DKK 50.0 billion the previous year, corresponding to an increase of DKK 1.5 billion.

Return on capital employed (ROCE)

DKK million	2013	2012	Δ
EBITDA	15,004	8,639	6,365
Depreciation, amortisation and impairment losses	(12,963)	(11,963)	(1,000)
Operating profit (loss) (EBIT)	2,041	(3,324)	5,365
Share of profit (loss) of associates and joint ventures	(57)	(699)	642
Hydrocarbon tax	(1,105)	(2,149)	1,044
Interest element of provisions	(501)	(285)	(216)
Adjusted operating profit (loss)	378	(6,457)	6,835
Capital employed	77,345	81,984	(4,639)
Return on capital employed (ROCE), %	0.5%	(7.9%)	-

The return on capital employed was 0.5% in 2013 compared with -7.9% in 2012. Impairment losses of DKK 5.0 billion had a negative effect on the return achieved in 2013. Adjusted for impairment losses and the provisions for onerous contracts in 2012, ROCE would have been 6.8% in 2013 compared with -0.9% in 2012.

Follow-up on announced outlook

In connection with the annual report for 2012, the outlook was announced for EBITDA for 2013 (DKK 11.5-12.5 billion), net investments for 2013-2014 (DKK 25-30 billion) and adjusted net debt to EBITDA at the end of 2014 (around 2.5 times).

EBITDA was subsequently revised upward twice in 2013. First to DKK 13-14 billion in June due to the redetermination of the ownership interest in the Ormen Lange gas field, and then to DKK 13.5-14.5 billion in October due to the results for the first nine months of the year outperforming the outlook. Full-year EBITDA for 2013 was DKK 15.0 billion, exceeding the latest outlook.

At the same time, adjusted net debt to EBITDA was reduced to less than 2.5 times already at the end of 2013, when it was 2.2 times.

In June, the outlook for net investments for 2013-2014 was revised upward to net investments in the region of DKK 30 billion, also in this case as a result of the redetermination of the ownership interest in Ormen Lange. Net investments in 2013 were DKK 5.9 billion.

Non-financial performance

The Group's non-financial performance highlights and associated accounting policies are set out on pages 120-124 of the Group's non-financial statements. The figures are commented on below and on pages 27-30.

Read more about corporate responsibility at DONG Energy at dongenergy.com/EN/responsibility and in DONG Energy's CSR report 2013 at dongenergy.com/responsibility2013.

Environment

		2013	2012
EU ETS CO ₂ emissions	million tonnes	9.3	7.8
CO ₂ emissions per energy unit generated (electricity and heat)	g/kWh	445	443
Biomass share of Danish CHP generation	%	18	21

EU ETS CO₂ emissions were 9.3 million tonnes compared with 7.8 million tonnes in 2012. Emissions increased as a result of an increase in electricity generation that was only partly offset by a decrease in heat generation. The consumption of fossil fuels in electricity generation is higher than in heat generation, resulting in higher CO₂ emissions.

The proportion of biomass used in electricity and heat generation in Denmark was 18% against 21% in 2012. The increase in electricity generation led to a lower biomass proportion, as relatively less biomass is used in electricity generation than in heat generation, which declined.

CO₂ emissions per energy unit generated (electricity and heat) were 445 g/kWh against 443 g/kWh in 2012. The minor set-back reflected the increase in electricity generation from power stations as a result of low coal and CO₂ prices, as referred to above. Although electricity generation from wind and hydro power rose in 2013, it accounted for 28% of the Group's overall electricity generation, like 2012, due to the divestment of hydro power and onshore wind turbines coupled with the higher thermal electricity generation. The minor set-back in 2013 does not alter the expectations concerning falling levels in the coming years or the target of 260 g/kWh for 2020.

Environmental incidents are assessed and classified applying DONG Energy's own system, which operates with five impact levels, C1 (lowest) - C5 (highest). Environmental incidents in the two highest categories are reported as significant environmental incidents. In 2013, eight environmental incidents classified as C4 - major impact - were recorded. No environmental incidents classified as C5 - massive impact - were recorded. The eight environmental incidents were one discharge to sea, three to the soil and four to the atmosphere.

A leaky valve in the injection water system on Siri meant that for a period in 2013, 2.6 m³ of oil was discharged to sea together with injection water. The three instances of soil contamination comprised a spill of up to 200 litres of oil that was cleaned up in its entirety by means of excavation. The two instances of air pollution were short-duration increased emissions of SO₂ and NO_x as a consequence of incidents that meant that the environmental facilities could not be connected. The two emissions to the atmosphere were a gas pipe failure that involved an emission of approx. 2 tonnes of natural gas, and an emission of 20 kg of refrigerant (R 407c).

Health and safety

		2013	2012
Lost time injuries	number	64	71
Lost time injury frequency (LTIF)	per 1 million hours worked	3.2	3.6
Fatalities	number	0	1

Safety is an essential element of DONG Energy's strategy and an integral part of employees' and managers' everyday working lives.

There were 64 lost time injuries in 2013, including 26 at DONG Energy and 38 among the Group's suppliers. Converted to lost time injuries per one million hours worked (LTIF), the lost time injury frequency was reduced for the sixth successive year, from 3.6 in 2012 to 3.2 in 2013.

The injury frequency target set for 2013 was 3.2, which was met, and the target for 2014 is a frequency of 2.9 or less.

The Group continues to attach great importance to further reducing the number of injuries. Initiatives put in place to achieve this are described on page 18.

REVENUE DKK 12.3BN	EBITDA DKK 7.3BN	EMPLOYEES (FTE) 689
15%	50%	11%

Exploration & Production explores for and produces oil and gas. At the end of 2013, Exploration & Production had 77 licences – 14 in Denmark, 27 in the UK, 30 in Norway, 2 in Greenland and 4 in the Faroe Islands. Ongoing exploration for oil and gas is a part of the basis for the Group's growth strategy. Our objective is solid growth in production in order to improve security of supply and earnings.

The percentages indicate the proportion of the Group that each business unit accounted for in 2013.



Exploration & Production

Performance highlights		2013	2012
Volumes			
Oil and gas production	million boe	31.7	28.5
- oil	million boe	8.2	10.0
- gas	million boe	23.5	18.5
Financial performance			
Revenue	DKK million	12,344	11,871
EBITDA	DKK million	7,324	6,550
EBITDA adjusted for current hydrocarbon tax	DKK million	6,219	4,401
EBIT	DKK million	736	3,088
Adjusted operating profit (loss)	DKK million	(598)	820
Gross investments	DKK million	(9,610)	(5,064)
Capital employed	DKK million	20,663	17,507
ROCE	%	(3.1%)	4.6%
Working conditions and environment			
Full time equivalents (FTE)	number	689	762
Lost time injury frequency (LTIF)	per 1 million hours worked	0.5	0.4
EU ETS CO ₂ emissions	million tonnes	0.1	0.1
Gas flaring	million Nm ³	6.1	7.8
Oil discharged to sea	tonnes	19	16
Reinjection of produced water on production platforms	%	79	83

Volumes

Oil and gas production was 31.7 million boe, up 11% on 2012. 89% of production came from Norwegian fields and 11% from Danish fields.

Gas production, which came primarily from Ormen Lange in Norway, increased by 27% to 23.5 million boe in 2013. The increase in production reflected the 7.0 million boe increase in volumes from Ormen Lange due to the completion in June 2013 of a redetermination of the partners' stakes in the field's production licences. This redetermination led to an increase in DONG Energy's ownership interest from 10.3% to 14.0% on 1 July. Besides the direct, higher ownership interest, DONG Energy will receive extra volumes in the coming years as the redetermination of the field was made with retrospective effect. The increase was partly offset by lower production from the Trym, Alve and Marulk fields.

Oil production amounted to 8.2 million boe, down 18% on 2012. The decline was mainly due to the shutdown of the Siri area from mid-July 2013 following the identification of a further crack in the Siri platform's subsea structure. Oil production from Syd Arne and the Norwegian fields Trym, Alve and Marulk was also lower.

Financial performance

Revenue was DKK 12.3 billion, up DKK 0.5 billion on 2012 due to higher gas production and gas prices, partly offset by lower oil production and oil prices.

EBITDA rose by DKK 0.8 billion to DKK 7.3 billion in 2013. The increase primarily reflected the increased ownership interest in Ormen Lange and lower costs for the repair work to the Siri platform than in 2012. The repair project is expected within the previously announced costs of DKK 3.5 billion. These positive effects were partly offset by lower production from other fields and higher exploration expenditure charged to the income statement.

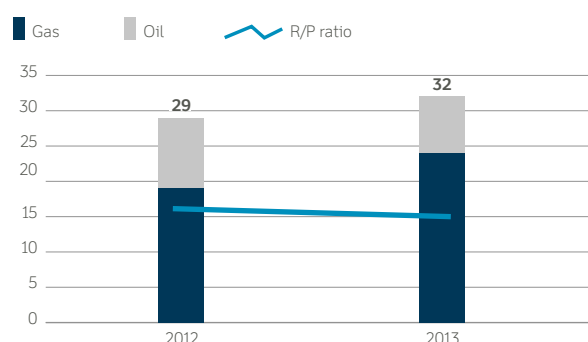
EBIT decreased by DKK 2.4 billion to DKK 0.7 billion, primarily reflecting impairment losses of DKK 3.7 billion in 2013. A DKK 1.8 billion impairment loss was recognised on the Norwegian fields Ula, and Oselvar due to a lower reserve estimate and performance problems on two of three production wells on Oselvar. The following impairment losses were recognised: DKK 0.9 billion on the fields in the Siri area due to the production shutdown, DKK 0.5 billion on the Norwegian Gyda field due to a changed estimate of decommissioning obligations and DKK 0.4 billion in Gassled as a consequence of a significant reduction in tariffs from 2016.

Environment

Discharges of oil to sea together with produced water from oil and gas activities in Norway and Denmark amounted to 19 tonnes in 2013, an increase of 3 tonnes on the previous year. At the same time, reinjection of produced water was reduced to 79% from 83% in 2012. Both changes primarily reflected unreliable production and drilling of a new well on the Ula field, as the unreliable production reduced the efficiency of the reinjection facilities.

Gas flaring from platforms decreased from 7.8 million Nm³ in 2012 to 6.1 million Nm³ in 2013, mainly due to reduced flaring on Siri due to the production shutdown since July.

R/P ratio and gas and oil production, million boe



R/P ratio: the ratio of reserves to production at the end of the year

REVENUE DKK 12.0BN	EBITDA DKK 4.3BN	EMPLOYEES (FTE) 1.909
14%	29%	29%

Wind Power develops, constructs and operates wind farms in Northern Europe. Wind Power concentrates on the UK, Germany and Denmark as the largest growth markets. The emphasis is on developing a robust and balanced project pipeline across countries and markets and having our own skills available to us at every stage of the project value chain. At the same time we focus on improving efficiency and reducing the costs of projects through standardisation and the introduction of new technology.

The percentages indicate the proportion of the Group that each business unit accounted for in 2013.



Wind Power

Performance highlights		2013	2012
Volumes			
Electricity generation, wind and hydro	TWh	5.3	4.6
Financial performance			
Revenue	DKK million	11,960	7,737
EBITDA	DKK million	4,253	2,479
EBIT	DKK million	1,894	715
Adjusted operating profit	DKK million	1,779	176
Gross investments	DKK million	(9,485)	(11,258)
Capital employed	DKK million	39,935	38,243
ROCE	%	4.6%	0.5%
Working conditions and environment			
Full time equivalents (FTE)	number	1,909	1,951
Lost time injury frequency (LTIF)	per 1 million hours worked	3.9	3.7

Volumes

Generation from wind and hydro increased by 15% to 5.3 TWh in 2013. The increase related primarily to the offshore wind farms London Array in the UK and Anholt in Denmark, both of which were inaugurated in the third quarter of 2013 and are fully operational. However, production was adversely affected by the divestment of hydro power activities and onshore wind farms in 2013.

Generation from wind and hydro accounted for 28% of the Group's total electricity output in 2013, in line with 2012.

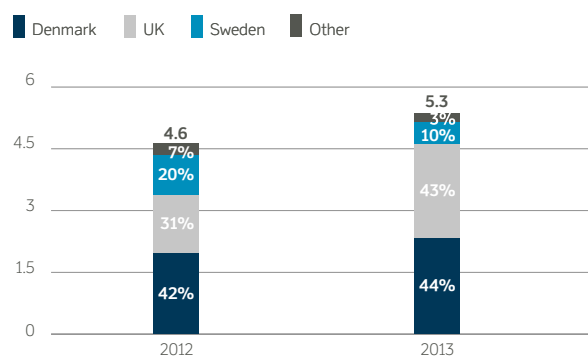
Financial performance

Revenue increased by DKK 4.2 billion to DKK 12.0 billion in 2013, primarily driven by higher electricity output and income from contracts for the construction of the offshore wind farms Anholt and Borkum Riffgrund 1 for co-investors as well as offshore transmission assets in connection with UK wind farms.

EBITDA rose by DKK 1.8 billion to DKK 4.3 billion in 2013, primarily reflecting the higher revenue and lower fixed costs. This was partly offset by higher project development costs.

EBIT rose by DKK 1.2 billion to DKK 1.9 billion in 2013. The lower increase in EBIT compared with EBITDA was due to depreciation of new wind farms and impairment losses of DKK 0.3 billion on capitalised project development costs in 2013.

Electricity generation from wind and hydro, TWh



REVENUE DKK 9.7BN	EBITDA DKK 0.7BN	EMPLOYEES (FTE) 967
12%	5%	15%

Thermal Power generates electricity and heat from thermal power stations. Most of our thermal generation output comes from central coal, gas and biomass-fired CHP plants in Denmark. Biomass is an important resource in the energy system of the future, and the conversion of electricity and heat generation from coal to sustainable biomass will continue. We also develop and market innovative solutions and technologies for the use of waste and biomass for energy and other resources.

The percentages indicate the proportion of the Group that each business unit accounted for in 2013.



Thermal Power

Performance highlights		2013	2012
Volumes			
Electricity generation, thermal	TWh	13.8	11.5
- Denmark	TWh	10.8	9.2
- abroad	TWh	3.0	2.3
Heat generation	PJ	40.2	43.0
Financial performance			
Revenue	DKK million	9,658	9,063
EBITDA	DKK million	744	1,067
EBIT	DKK million	(1,802)	(3,804)
Adjusted operating profit (loss)	DKK million	(1,861)	(3,854)
Gross investments	DKK million	(680)	(309)
Capital employed	DKK million	6,412	13,990
ROCE	%	(18.2%)	(24.1%)
Working conditions and environment			
Full time equivalents (FTE)	number	967	1,116
Lost time injury frequency (LTIF)	per 1 million hours worked	4.1	5.8
EU ETS CO ₂ emissions	million tonnes	9.2	7.7

Volumes

Heat generation was 40.2 PJ, down 7% on 2012. The decrease was primarily due to the divestment of small-scale power stations.

Electricity generation was 13.8 TWh, 20% ahead of 2012. At the Danish power stations the increase was 17%. This was due to the improved green dark spread in the Danish price areas as a result of both lower coal and CO₂ prices and higher electricity prices. The higher electricity prices reflected low reservoir levels in Norway and Sweden in 2013. Electricity generation from Severn and Enecogen was 3.0 TWh, 30% ahead of 2012. The improvement was partly due to the fact that the turbines at Severn were subject to periodic repair work in 2012, and partly to improved green spark spreads in both the UK and the Netherlands compared with 2012.

Financial performance

Revenue increased by DKK 0.6 billion to DKK 9.7 billion in 2013, reflecting the higher electricity output and higher electricity prices.

EBITDA was DKK 0.7 billion in 2013, down DKK 0.3 billion on 2012. The decrease reflected partly the discontinuation of both the free allocation of CO₂ allowances in 2013 and income in 2012 from the adjustment of decommissioning obligations on property, plant and equipment that had been fully depreciated, and partly the fact that price hedging had a negative effect in 2013 and a positive ef-

fect in 2012. This was partly offset by improved spreads and lower fixed costs.

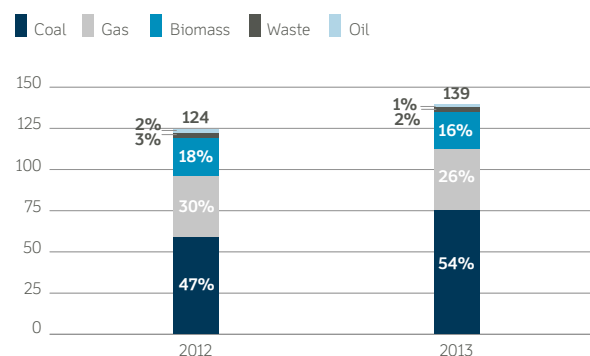
EBIT was a loss of DKK 1.8 billion, an improvement of DKK 2.0 billion on 2012. The improvement reflected partly the fact that impairment losses were DKK 1.4 billion lower than in 2012, and partly a DKK 0.8 billion decrease in depreciation due to relatively high depreciation in 2012 as a result of a review of the useful lives of stand-by CHP plants in Denmark.

In 2012, a DKK 2.0 billion impairment loss was recognised in respect of the gas-fired power stations Severn and Enecogen. In 2013, a further DKK 1.0 billion impairment loss was recognised on Enecogen due to an expectation of sustained low or negative green spark spreads in continental Europe for several years to come.

Environment

EU ETS CO₂ emissions from power stations were 9.2 million tonnes in 2013 compared with 7.7 million tonnes in 2012. The increase was due to higher electricity generation and the fact that biomass accounted for a lower proportion of fuel consumption at Danish power stations.

Fired fuels at power stations, PJ



As the chart includes foreign power stations, the proportion of biomass is less than stated in connection with the strategic target for biomass at Danish power stations.

REVENUE DKK 49.7BN	EBITDA DKK 2.3BN	EMPLOYEES (FTE) 1.639
59%	16%	25%

Customers & Markets is responsible for the sale of electricity and gas in the wholesale and retail markets in Denmark, Germany, the UK and Sweden, as well as servicing customers with related energy products. We also operate and maintain the Group's electricity, gas and oil infrastructure. Customers & Markets is responsible for optimising the value of DONG Energy's overall energy portfolio and hedging the Group's market risks associated with the production, purchase and sale of energy.

The percentages indicate the proportion of the Group that each business unit accounted for in 2013.



Customers & Markets

Performance highlights		2013	2012
Volumes			
Gas sales	TWh	139.3	133.7
- wholesale and gas hubs	TWh	95.4	96.9
- retail	TWh	43.9	36.8
Electricity sales	TWh	16.8	12.6
Gas distribution	TWh	8.8	9.1
Electricity distribution	TWh	8.6	8.7
Financial performance			
Revenue	DKK million	49,663	46,569
EBITDA	DKK million	2,348	(1,455)
EBIT	DKK million	913	(3,213)
Adjusted operating profit (loss)	DKK million	758	(3,488)
Gross investments	DKK million	(1,447)	(1,439)
Capital employed	DKK million	14,551	16,722
ROCE	%	4.8%	(20.5%)
Working conditions and environment			
Full time equivalents (FTE)	number	1,639	1,841
Lost time injury frequency (LTIF)	per 1 million hours worked	3.7	4.0
Gas flaring	million Nm ³	1.0	1.1

Volumes

Gas sales (including sales to own power stations) increased by 4% to 139.3 TWh. The increase was driven by higher sales to end customers due to the acquisition of the UK gas trading company Shell Gas Direct, which was recognised from May 2012. The increase in retail sales was partly offset by lower sales on hubs and slightly lower wholesale sales.

Electricity sales were 16.8 TWh, up 33% on 2012, mainly due to higher sales of electricity from the UK wind farms.

Financial performance

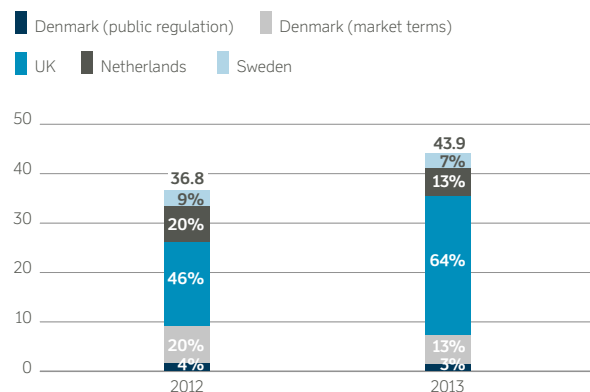
Revenue was DKK 49.7 billion, up DKK 3.1 billion on 2012 due to higher electricity and gas sales.

EBITDA was DKK 2.3 billion, DKK 3.8 billion higher than in 2012. This mainly reflected the fact that the 2012 results were adversely impacted by provisions of DKK 2.3 billion for three long-term, onerous gas storage facility contracts in Germany and DKK 0.6 billion relating to an onerous contract for capacity in an LNG terminal in the Netherlands. The remaining DKK 0.9 billion increase related primarily to the Markets activities, which turned the negative EBITDA of DKK 3.6 billion (including provisions) in

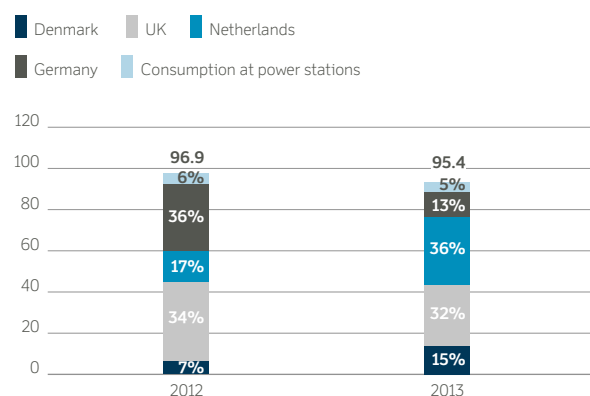
2012 around to a positive EBITDA of DKK 0.3 billion in 2013. The financial action plan for the Markets activities that was initiated at the end of 2012 has focused on the renegotiation of long-term gas contracts, streamlining the organisation and reducing costs. EBITDA in the former Sales & Distribution was slightly lower than in 2012, when income was recognised from adjustment of decommissioning obligations on property, plant and equipment that had been fully depreciated. The underlying activities performed positively compared with last year.

EBIT rose by DKK 4.1 billion to DKK 0.9 billion in 2013, mainly due to the higher EBITDA.

Gas sales, retail customers, TWh



Gas sales, wholesale customers and gas hubs, TWh



(average)		Estimate 2014	Actual 2013	Actual 2012
Oil, Brent	USD/bbl	105	109	112
Oil, Brent	DKK/bbl	575	610	646
Gas, TTF	EUR/MWh	27	27	25
Gas, NBP	EUR/MWh	27	27	25
Electricity, Nord Pool system	EUR/MWh	32	38	31
Electricity, Nord Pool, DK ¹	EUR/MWh	36	39	37
Electricity, EEX	EUR/MWh	37	38	43
Electricity, UK	EUR/MWh	61	59	55
Coal, API 2	USD/tonne	81	82	93
CO ₂ , EUA	EUR/tonne	4.7	4.5	7.5
Green dark spread, DK ¹	EUR/MWh	10.1	12.8	4.0
Green spark spread, UK	EUR/MWh	5.4	2.8	2.3
Green spark spread, NL	EUR/MWh	(5.9)	(3.8)	(4.5)
USD exchange rate	DKK/USD	5.5	5.6	5.8
GBP exchange rate	DKK/GBP	9.0	8.8	9.2

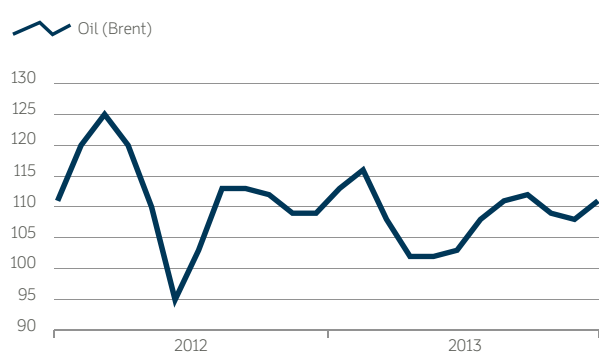
Source: Platts, Argus, Nord Pool, LEBA, ECX.

¹ Based on average prices in DK1 and DK2.

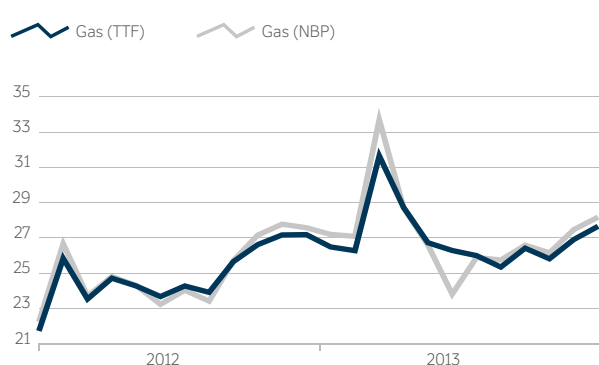
Oil prices

The oil price was USD 109/bbl in 2013 (average), down 3% on 2012. The oil price fluctuated considerably, peaking at USD 120/bbl in early February and subsequently falling to USD 97/bbl in mid-April. The year began with a brighter global economic outlook, which triggered higher oil prices. The subsequent fall was the result of heightened uncertainty concerning growth in China, in particular, the prospect of a tighter monetary policy in the USA and higher oil production. The price stabilised over the summer due to an improved economic outlook and various supply problems in a number of oil-producing countries. Growing uncertainty over developments in Syria and uncertainty concerning Iran's nuclear programme contributed to major fluctuations in the oil market in the second half.

Oil, USD/bbl



Gas, EUR/MWh



Source: Argus

Gas prices

The gas hub price (TTF) in continental Europe was EUR 27/MWh in 2013 (average), 9% higher than in 2012. The higher level was mainly driven by a long, cold winter. Fuelling the price increase over the summer were low gas inventories and the low supply of liquefied gas (LNG) to the European market caused by high demand in Asia. Overall, European demand for gas was low due to the subdued economic activity in the region. This was further exacerbated by falling coal and CO₂ prices, which made it more profitable for generators to use coal than gas.

Electricity prices

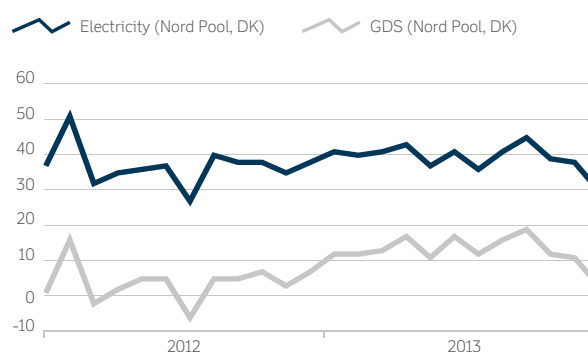
The electricity price in the two Danish price areas averaged EUR 39/MWh in 2013, 6% higher than in 2012. The increase primarily reflected low reservoir levels in Norway and Sweden, which offset the effect of lower coal and CO₂ prices. Furthermore, the average price was affected by the fact that cable works periodically led to strongly curtailed import capacity with occasionally very high hourly prices in the western area. However, the subdued economic activity in Europe continued to contribute to driving down prices.

The electricity price in Germany was EUR 38/MWh in 2013, equivalent to a 11% decrease on 2012. Lower coal and CO₂ prices and increased electricity generation from solar and wind energy drove down prices.

Spreads

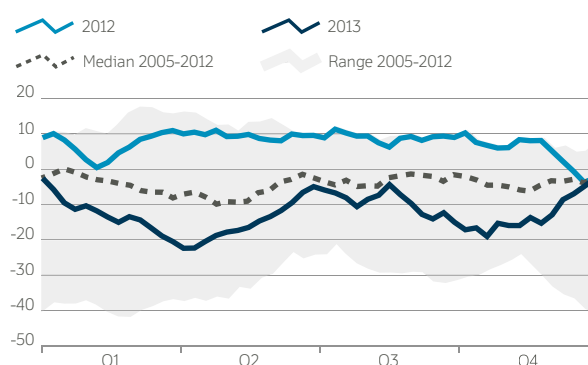
The green dark spread in the Danish price areas increased to EUR 12.8/MWh from EUR 4.0/MWh in 2012 due to higher electricity prices and lower coal and CO₂ prices. The Dutch green spark spread was negative, at EUR (3.8)/MWh, but better than in 2012. The UK green spark spread was EUR 2.8/MWh, 25% above 2012.

Electricity and green dark spread (GDS), EUR/MWh



Source: Nord Pool, Argus and ECX

Hydrological balance, TWh



Source: SKM Market Predictor

Outlook

EBITDA for 2014

Business performance EBITDA for 2014 is expected to be DKK 15-17 billion. The outlook is based on financial forecasts for each business unit and thus reflects expectations concerning production from existing and new assets, profits from construction contracts, renegotiation of gas contracts, completion of the repair work to the Siri platform, gains and lost EBITDA in connection with divestments, and the market price and exchange rate outlook set out in the section on market prices. A large proportion of price exposure for 2014 has been hedged using financial contracts.

Investments

Net investments for the period 2014-2015 are expected to be around DKK 30 billion.

Capital structure

Funds from operation (FFO) to adjusted net debt is expected to be around 25% in 2014. The objective is for FFO to be around 30% of adjusted net debt from 2015 onwards.

OUTLOOK	GUIDANCE FOR 2014
	5 February
EBITDA	DKK 15-17 billion
Net investments	~DKK 30 billion (2014-2015)
FFO / adjusted net debt	~25%

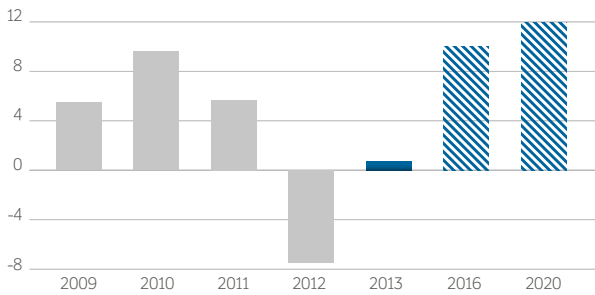
Forward-looking statements

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 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, CO₂, 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 Risk and risk management on page 35 and to note 6 to the consolidated financial statements.

DONG Energy's key financial targets are ROCE, EBITDA, Funds from operation / adjusted net debt and our external rating.

ROCE, %



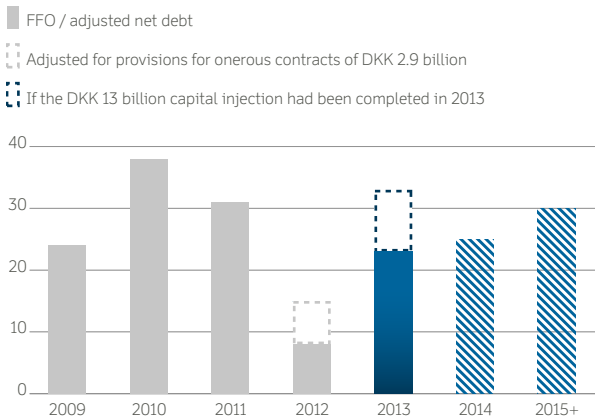
The business units' ROCE targets for 2016 and 2020 can be seen on pages 2-3

The return on capital employed (ROCE) was 0.5% in 2013 compared with -7.9% in 2012. The improvement primarily reflected the increase in EBIT as described on page 23.

ROCE was adversely impacted by impairment losses in both years. In 2012, the DKK 2.9 billion provisions relating to onerous contracts also had an adverse impact on ROCE. Adjusted for impairment losses and the provisions for onerous contracts in 2012, ROCE for 2013 would be 6.8% compared with -0.9% in 2012.

For 2016, the targets are ROCE of at least 10% and EBITDA of around DKK 20 billion. In 2020, ROCE must be at least 12%.

FFO / adjusted net debt, %

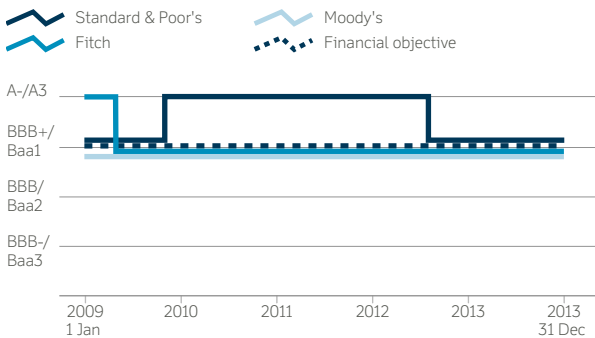


The rating agencies have tightened their view of the utility sector in the last few years. As a consequence, DONG Energy's existing target for adjusted net debt not to exceed 2.5 times EBITDA is not strict enough in relation to the rating agencies' criteria for a BBB+/Baa1 rating.

A new, tighter capital structure target will therefore be introduced from 2014: Funds from operation (FFO) to adjusted net debt.

The long-term objective is for FFO to be around 30% of adjusted net debt. A ratio of around 25% is expected for 2014 on the assumption that the DKK 13 billion equity injection is completed.

Rating



Moody's, Standard & Poor's and Fitch follow DONG Energy and publish ratings of the Group's senior bonds, hybrid bonds and the company.

At the end of 2013, the corporate rating with Moody's was Baa1 and the rating with Standard & Poor's and Fitch BBB+.

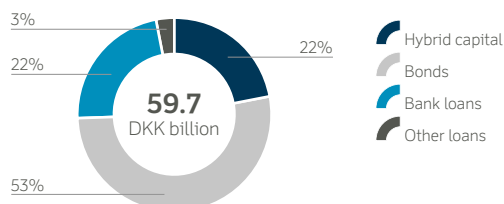
The ratings from all three agencies were consistent with DONG Energy's target of a rating of at least BBB+/Baa1. This target is unchanged in DONG Energy's 2020 strategy.

Financing strategy

DONG Energy primarily finances its non-current assets through surplus liquidity from operations and by raising debt. DONG Energy endeavours to diversify its financing across several financing markets, lenders and maturities.

DONG Energy has expanded its presence in the international capital market in recent years by issuing bonds and hybrid capital in various currencies. To ensure flexible, efficient access to financing in the bond market, the Group has also set up a EUR 7 billion bond programme (Euro Medium Term Note).

Gross debt including hybrid capital at 31.12.2013



Outstanding bonds

Currency	Principal amount (million)	Coupon (%)	Maturity	Listed in
Senior bonds				
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
Hybrid bonds				
EUR	600	5.500	Year 3005	Luxembourg
EUR	700	6.250	Year 3013	Luxembourg
EUR	500	4.875	Year 3013	Luxembourg

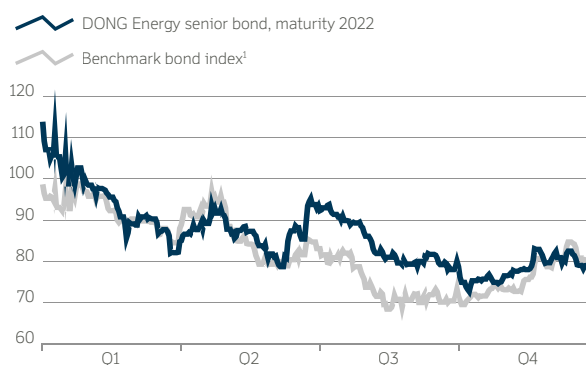
The two hybrid bonds due in 3013 were issued in June (EUR 700 million) and July 2013 (EUR 500 million), with the former being an exchange of a previously issued hybrid bond due in 3010. The decision to offer investors an exchange followed S&P's change of the equity credit for the bond in question from 100% to 0% with the effect that it was no longer cost-effective. The transactions in June and July helped to bolster DONG Energy's capital base.

The spread figure shows that DONG Energy's credit margin is on a par with similar bonds of large European energy companies. To allow comparison, an index of bonds issued by other energy

Significant financing activities in 2013

Month	Activity
May	Raising of credit facilities of DKK 5.1 billion
June	Exchange of hybrid bonds due in 3010
June	Issuance of EUR 90 million new NC10 hybrid bonds
July	Issuance of EUR 500 million new NC5 hybrid bonds
July	Cash tender offer for 3010 hybrid bonds at 104% of principal amount (EUR 61 million)
October	Cash tender offer for outstanding 3010 hybrid bonds at 101% of principal amount (EUR 29 million)
November	Raising of DKK 0.7 billion credit facility
December	Early repayment of DKK 1.7 billion bank loan

Spread (credit margin) compared with swap rate, 2013



¹ Composite index consisting of bonds in the same currency and with largely identical maturity in large European energy companies.

companies in the same currency and with largely identical maturity as the DONG Energy bond shown has been produced.

Financing structure

The Group's business units raise financing through the parent company DONG Energy A/S. The purpose is to ensure optimum loan terms and maintain a simple, transparent capital structure. It also ensures uniform loan documentation so that external lenders achieve relatively comparable terms. Financing needs among the Group's subsidiaries are met by the parent company through an internal banking function on arm's length terms.

Liquidity

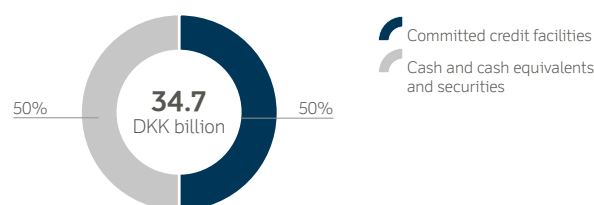
DONG Energy strives to maintain a sound liquidity reserve to ensure it has robust resources at all times. This is ensured through committed credit facilities from a group of international, strong banks and through cash resources.

Liquidity is made available to the whole Group through cash pool schemes in which all wholly-owned subsidiaries participate.

Cash and cash equivalents and securities were at a relatively high level at the end of 2013 as a result of the assets disposed of during the year.

In 2013, six bilateral credit facilities were entered into for a total net amount of DKK 5.8 billion.

Cash reserves at 31.12.2013



Rating

	Moody's	Standard & Poor's	Fitch
Rating	Baa1	BBB+	BBB+
Senior bonds	Baa1	BBB+	BBB+
Hybrid bonds	Baa3	BBB- / BB+	BBB-
Outlook	Stable	Negative	Negative
Latest update	Dec 2013	Jan 2014	Nov 2013

[Read more about Interest-bearing debt in note 4 to the consolidated financial statements.](#)

2020 strategy transforms DONG Energy's risk profile

Risk management

The composition of the Group's energy portfolio makes it both robust and mitigates risks, as business drivers in the four business units vary. The Group works systematically to identify and handle risks. Once a year, the Group identifies and prioritises its risks in a matrix based on an assessment of their financial effects and whether they are short or long-term risks. Risks can be organised into four main categories and are partly interdependent. The risks highlighted in the table below are explained on the following pages. In addition, the Top 10 risks are illustrated in the matrix on the right.

The business transformation that DONG Energy has been and is still undergoing changes its risk profile compared with the period immediately after the merger in 2006, when traditional energy supply activities made up the majority of the Group's earnings. This part of the business will make up a relatively modest part in 2020, and the two strategic growth areas, offshore wind and oil and gas production, will account for the majority of earnings. At the same time, the Group's risk exposure is changing radically as a consequence of the many new assets it is investing in. The risks associated with development and construction of production assets will be high in the years ahead and have therefore been prioritised as No 2 in the Top 10 risk matrix.

The two growth areas complement each other in terms of risk. Wind Power's investments are characterised by providing relatively stable income due to the economic schemes that have been set up to support the industry while it is maturing. Exploration & Production's investments are characterised by generating high returns, but with less certainty.

TOP 10 RISKS						
Financial effect (present value and capital structure)	Short term		Short/long term		Long term	
	High	Low	High	Low	High	Low
	3		2		1	
			4		10	
			5			
	7		8			
			9			
					6	

The transformation of the electricity generation portfolio towards more wind farms with a geographical spread reduces the Group's electricity price risks. In 2007, two-thirds of the value of the electricity generated by power stations and wind farms was sold at market prices on the Nord Pool power exchange. This proportion is expected to be reduced to less than 10% in 2016, providing a lower market risk, as the price of this part of generation is highly dependent on temperatures and precipitation levels in the Nordic countries and is therefore difficult to predict and fluctuates greatly. However, the proportion of electricity generation that is settled at fixed prices is expected to increase from just over 10% in 2007 to just over 60% in 2016. By contrast, the risk of changes in economic schemes for the wind industry and the regime for CO₂ emissions allowances will in-

	MARKET, LIQUIDITY AND CREDIT RISKS	OPERATIONAL RISKS	REGULATORY RISKS	STAFF AND ORGANISATIONAL RISKS
Short term		<ul style="list-style-type: none"> 3 Siri repair 7 Conversion to biomass 		
Short/long term	<ul style="list-style-type: none"> ▪ Market Trading ▪ Liquidity and financing risks ▪ Credit risks 	<ul style="list-style-type: none"> 2 Development and construction of production assets 4 Operation and maintenance of production assets 5 Renegotiation of oil-indexed gas contracts 8 The weather 9 Partnerships in Wind Power <ul style="list-style-type: none"> ▪ IT security ▪ Environment 		<ul style="list-style-type: none"> ▪ Employee safety ▪ Access to talent and critical skills ▪ Fraud and corruption
Long term	<ul style="list-style-type: none"> 1 Market risks <ul style="list-style-type: none"> Customers & Markets Exploration & Production Thermal Power Wind Power Exchange rates Interest rates 	<ul style="list-style-type: none"> 10 Offshore wind Cost of Electricity <ul style="list-style-type: none"> ▪ Development of exploration portfolio 	<ul style="list-style-type: none"> 6 Economic schemes in Wind Power 6 Electricity and gas distribution <ul style="list-style-type: none"> ▪ Financial regulation ▪ Tax 	
Extreme events		<ul style="list-style-type: none"> ▪ 1,000-year storm ▪ Explosion/fire at E&P installation ▪ Collision with production facility ▪ Discharge/fire at Stenlille gas storage facility ▪ Pipe failure at Nybro ▪ Breakdown on power stations ▪ Collapse of financial markets 		

The highlighted risks are explained on the following pages.

crease in the long term (see risk No 6). Price risks related to electricity generation from DONG Energy's power stations are expected to fall in the years ahead in step with the conversion to biomass-firing, as long-term heat contracts are entered into at the same time, providing more stable earnings (see risk No 7).

Another material risk is the renegotiation of oil-indexed gas contracts (see risk No 5), as the relative oil and gas price trend has

been unfavourable for the European mid-stream energy companies since 2009. The main options open for reducing the price imbalance between sales and procurement of gas are to renegotiate purchase contracts to a higher degree of gas hub price indexation and increase equity production of gas and oil in DONG Energy. This will reduce exposure to the gas/oil spread in favour of a pure gas margin, which will contribute to stabilising income from the gas business.

Market, liquidity and credit risks

DONG Energy's market, liquidity and credit risks are managed based on the Group's desire to have stable financial ratios to ensure a robust platform for the growth strategy.

DONG Energy's material market risks relate to the energy markets, including the oil, gas and electricity markets. Firstly, prices are subject to considerable uncertainty as the energy markets are characterised by being highly volatile - far more than, for example, currency markets. 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. Energy price risks can also be organised into direct price risks, where the exposure depends on one specific price, and spread risks, where the exposure depends on the difference between two or more prices. 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 correlated energy prices. The exposure scenario for DONG Energy is therefore based on expectations concerning the factors outlined above.

To 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). Market price risks are hedged in accordance with given minimum hedging levels

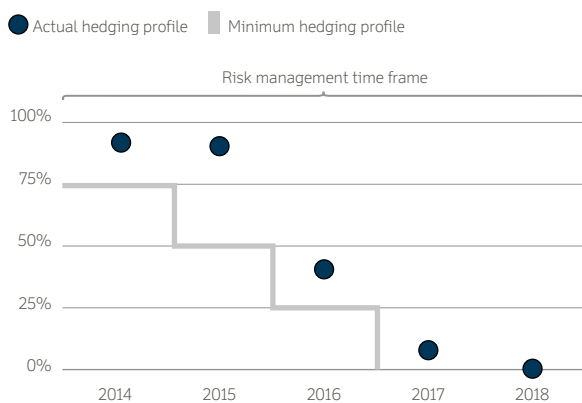
and are illustrated in the figure below together with the Group's actual hedging profile at the end of 2013. At the short end of the time frame, the Group wants a high level of hedging to achieve a high degree of certainty with regard to results and cash flows, while the hedging level is lower in subsequent years. This approach is chosen partly because the underlying longer-term exposure is subject to greater uncertainty, and partly because financial and physical markets are less liquid in the longer term.

As a result of the hedging strategy, energy price changes in the near term (coming two years) will only have a limited effect on the Group's results, while the effect in subsequent years (3-5 years) will be greater. The figure below shows the effect of an adverse 20% change in the price of gas, oil, electricity from wind generation and the contribution margin on thermal electricity generation respectively.

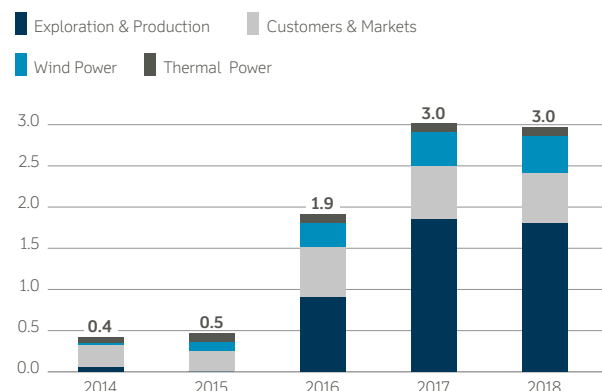
The Group's long-term, structural market risks are determined by its strategic choices and the associated asset composition and long-term physical contracts. The long-term market risks cannot be controlled via the financial markets.

Before they are hedged in the market, energy and currency exposures are consolidated in Customers & Markets and the Group Treasury department respectively. This way, use is made of the Group's inherent, internal hedging. For example, oil price-indexed gas purchase contracts can contribute to reducing the long-term oil price exposure from DONG Energy's equity production of oil.

Hedging profile



Financial sensitivity¹ to an adverse 20% price change, DKK billion



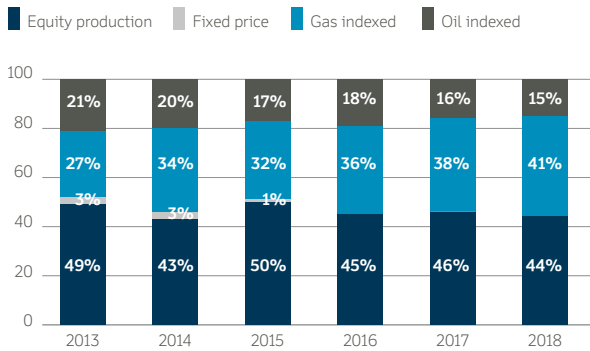
¹ After deduction of hydrocarbon tax on production in Exploration & Production

1 Customers & Markets – Purchase and sale of energy

Customers & Markets' price exposure is mainly related to purchases and sales of gas and electricity. The exposure to purchases and sales of gas is determined by differences in the indexation of sales and purchase prices.

The expected development in the indexation of DONG Energy's gas purchases is illustrated below. The expectations take account of factors such as the outcome of renegotiations of major gas purchase contracts. Both purchases and sales of gas are expected to be increasingly indexed to gas prices, while the indexation of oil is expected to decline over time. Viewed in isolation, oil price-indexed gas purchase contracts result in a long gas position and a short oil position.

Indexation of gas purchase contracts in Customers & Markets, %



The long-term purchase and sales contracts feature embedded options, for example in the form of volume flexibility and renegotiation clauses that may alter the risk profile in both the short and the long term. Like other European companies, DONG Energy is currently renegotiating its long-term gas purchase contracts. If the outcome of the renegotiations is different than expected, it may significantly change the price indexation in the gas purchase contracts.

Customers & Markets' purchase and sale of electricity can be viewed, to a greater extent, as a purer margin business, where earnings consist of a more or less fixed difference between purchase and sales prices. As the related price risk therefore relates primarily to timing differences, it is considered to be low.

The risk on future cash flows from the purchase and sale of energy is managed with a time frame of up to five years through relative minimum hedging requirements in relation to the value of the exposure.

1 Exploration & Production - Equity production of gas and oil

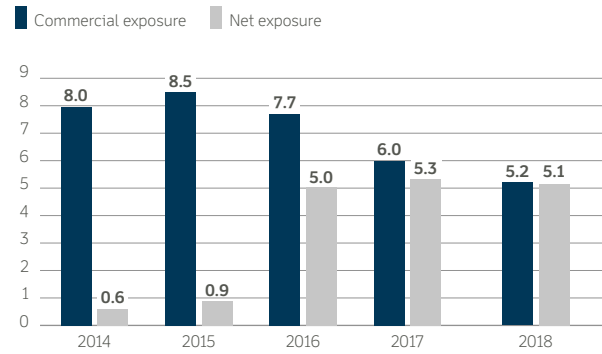
Exploration & Production's exposure to gas and oil is expected to rise in the coming years, reflecting increasing equity production, primarily related to the production fields Hejre and Laggan-Tormore, which are under development.

The risk on future cash flows from gas and oil exposures is considered a direct price risk and is managed with a time frame of up to five years through relative minimum hedging requirements in relation to the value of the exposure. Gas and oil exposures are hedged on a reduced exposure volume to take account of hydrocarbon taxation to achieve the desired cash flow effect after tax.

Net exposure for the years 2014-2018 was DKK 16.9 billion at the end of 2013.

The very low exposure after hedging in 2014 and 2015 and the reduced exposure in 2016 are consistent with the hedging strategy.

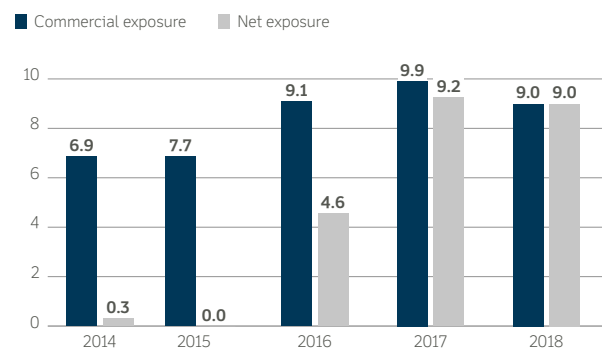
Gas, oil and electricity price exposures¹, DKK billion



¹Exposures are expressed as absolute values

Net exposure for the years 2014-2018 was DKK 23.1 billion at the end of 2013.

Price exposure¹ from sales of gas and oil, DKK billion



¹Exposure is shown net of effect of hydrocarbon tax

Risk and risk policy

1 Thermal Power - Sale of thermal electricity generation

The electricity price is determined by fuel prices, prices for CO₂ emissions allowances and general supply side and demand side characteristics, where weather conditions play a part.

Risk management of thermal electricity generation is based on locking-in the contribution margin for future electricity generation by selling electricity while at the same time buying fuel and CO₂ emissions allowances. The spread-based price exposure from 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.

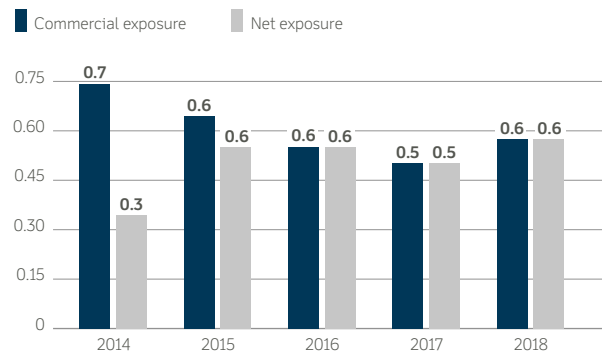
The power station portfolio consists of gas, coal and biomass-fired plants in Denmark and the Netherlands. The profitability of each power station will depend on prices of competing fuels, for example gas and coal.

Exposure and hedging

At the end of 2013, the price exposure relating to 54% of expected thermal electricity generation in 2014 had been hedged. Net exposure for the years 2014-2018 was DKK 2.5 billion.

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

Price exposure from thermal electricity generation, DKK billion



1 Wind Power - Sale of electricity generation from wind turbines

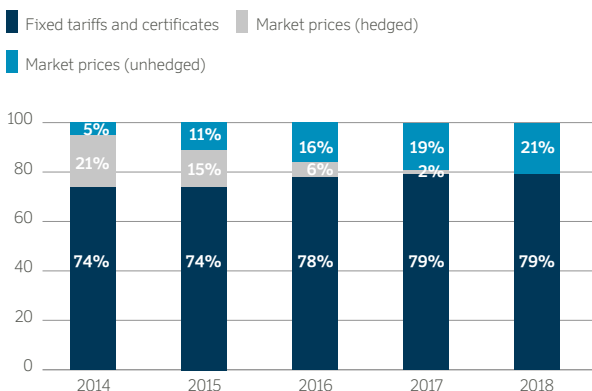
In connection with the development of renewable energy sources, primarily offshore wind farms, a major part of the earnings from wind power will come from activities subject to regulated pricing. The key components are fixed tariffs (Denmark and Germany) and guaranteed minimum prices for green certificates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

The market price risk, which mainly relates to the sale of electricity in the UK, is considered a direct price risk and managed with a time frame of up to five years through relative minimum hedging requirements in relation to the value of the exposure.

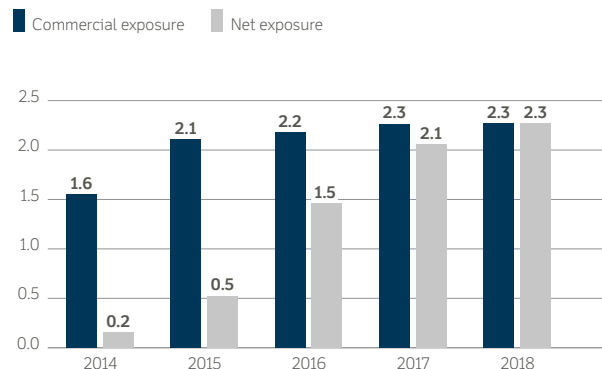
At the end of 2013, fixed tariffs and guaranteed minimum prices for green certificates accounted for 77% of expected revenue from the wind power portfolio over the coming five years.

Net exposure for the years 2014-2018 was DKK 6.5 billion at the end of 2013.

Breakdown of income from electricity generation, %



Price exposure from electricity generation from wind turbines, DKK billion



Risk and risk policy

1 Exchange rates

The majority of DONG Energy's activities entail exposure to fluctuations in exchange rates.

Currency exposures are determined on the basis of relatively certain cash flows, primarily from:

- price-hedged energy exposures
- loans raised in foreign currencies
- capital expenditure and operating expenses paid in foreign currencies
- unutilised tax deductions in foreign companies

Currency exposures are calculated on an ongoing basis for the Group as a whole. The Group endeavours to minimise its exposures via forward contracts, swaps and options.

Risk limits are based on maximum accepted exposure values after hedging for each currency (except for EUR), both aggregated and on an annual basis over the coming three years.

1 Interest rates

DONG Energy's interest rate risks relate to

- interest-bearing liabilities
- interest-bearing assets
- financial price hedges

The Group aims 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 2013. Interest rate risk is managed actively via a target for the duration of the net debt.

Market Trading

When the Group's desired hedging level has been set, 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.

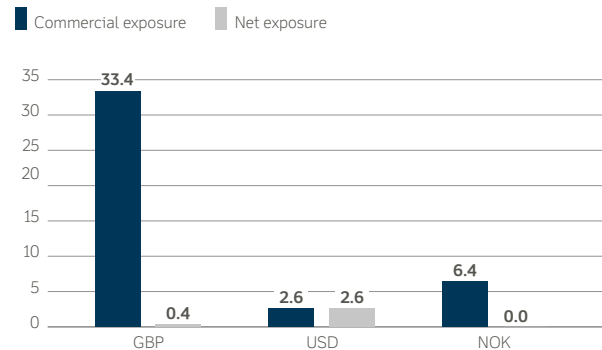
Market Trading also balances physical volumes in the market and, to a lesser extent, takes positions to ensure an ongoing market presence and thus gain more detailed market insight. Furthermore, DONG Energy has assumed the role of market maker in the Danish electricity market, which involves further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

Limits for Market Trading are based on Value-at-Risk (VaR) and Stress, which measure the risk of losses on the portfolio from day to day, calculated on a fair value basis. VaR is determined as the maximum loss with a 95% probability within one trading day and thus measures the risk under normal market conditions. Stress is determined as the worst loss within one trading day based on all actual price movements since 1 January 2006 and thus shows the risk under more extreme market conditions.

Exposure and hedging

At the end of 2013, most of the currency exposures from relatively certain cash flows had been hedged. The principal currencies are GBP, USD and NOK.

Currency exposure, DKK billion



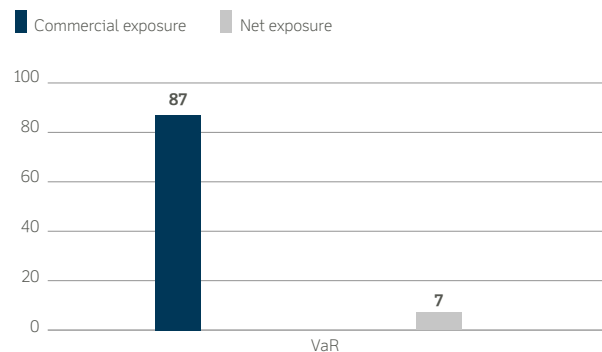
At the end of 2013, 78% of DONG Energy's debt was fixed-rate. The loan portfolio had an average time to maturity of approx. nine years, which reflects the fact that DONG Energy has endeavoured to reduce its refinancing risk.

Interest-bearing assets predominantly consist of short-term Danish mortgage bonds.

In 2014, a one percentage point parallel increase in the yield curve would result in a DKK 1 million increase in DONG Energy's net interest expense, while the market value of the net debt and hybrid capital would decrease by DKK 3.5 billion. This should be viewed in the context of an annual interest expense totalling approx. DKK 2.2 billion.

For the period 2014-2018, 1-day 95% VaR is DKK 87 million before hedging and DKK 7 million after hedging. External hedging reduces both VaR and Stress by more than 90%.

Market Trading energy price exposure, DKK billion



Risk and risk policy

Liquidity and financing risks

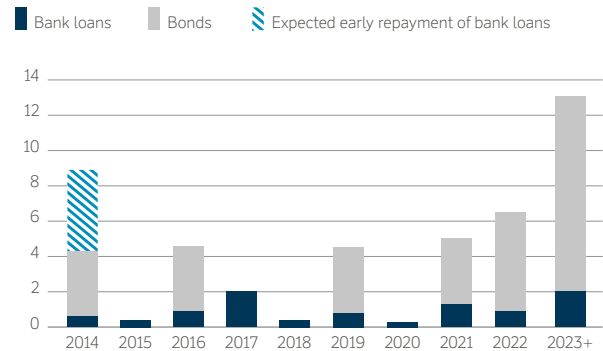
Implementation of DONG Energy's strategy assumes financing in the form of the raising of loans in addition to the free cash inflow from operating activities, and asset disposals. The refinancing risk is reduced by having a diversified debt mix (see page 34) and maturity profile.

DONG Energy determines the amount of its cash resources in such a way that the Group will be able to meet all its liabilities, including going ahead with initiated and planned investments, for a lengthy period (1-2 years), in a stress scenario in which DONG Energy's financial situation becomes worse than anticipated and new loans cannot be raised, for example as a result of another major financial crisis.

Exposure and hedging

At the end of 2013, cash resources were DKK 34.7 billion, of which DKK 17.4 billion was committed credit facilities and DKK 17.3 billion available cash and cash equivalents and securities.

Maturity profile, DKK billion



Credit risks

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

Counterparties are monitored and credit lines allocated based on limits set 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.

DONG Energy did not suffer any losses on any single major counterparty in 2013, and arrears relative to revenue for the retail customer segment remained unchanged from 2012 despite an ever-increasing proportion of private households defaulting on debt and only a marginal decline in business failures among business customers.

For an overview of the credit quality at the end of 2013, reference is made to note 6.3 to the consolidated financial statements.

Risks related to operations, regulation and employees

2 Development and construction of production assets

There are a variety of material risks associated with DONG Energy's development and construction of new production assets. Value creation on new projects depends to a great extent on having the right technical and commercial solutions, meeting investment budgets and starting up new assets on time.

The biggest investments are primarily made in offshore assets. As such investments depend on the composition of the seabed and good weather conditions, they are naturally subject to a degree of uncertainty. To this should be added the dependence on commercial partners, suppliers, subcontractors and jack-up vessels, all of which can potentially be sources of both budget overruns and delays.

DONG Energy seeks to mitigate the risk related to the development and construction of new assets by entering into fixed contracts for a large proportion of its investment budgets before start-up and by including a contingency reserve. DONG Energy also draws on experience from previous projects.

3 Siri repair

In mid-2009, cracks were identified in the sponson, which is a 'projection' on the subsea oil tank beneath the Siri platform. In January 2010, support and stabilisation were added to the damaged sponson to prevent further cracks from forming. Production from the Siri area was then resumed as the repair work was being planned and carried out, but with tightened safety requirements.

In July 2013, a further crack in the sponson was detected. For safety reasons, production from Siri and the neighbouring satellite fields was suspended, and the platform was temporarily manned down. Following thorough analyses, increased understanding of the identified crack and updated calculations of the structure and load capacity, the Siri platform was manned up again. Oil production from the satellite fields Nini and Cecilie has been resumed in early 2014, with tightened safety requirements.

The repair work to the Siri platform is subject to significant uncertainty with respect to both time schedule and costs. This is mainly because a large part of the project follows complex installation procedures, which, moreover, require relatively good weather conditions.

Daily inspections of the platform and meticulous planning procedures help to mitigate the future risk. The repair work is expected to be completed during summer 2014, following which full production can be resumed.

4 Operation and maintenance of production assets

An important factor in relation to the profitability of production assets is availability, which depends, among other things, on their age and condition as well as a regular, targeted maintenance strategy. Material risks associated with operation and maintenance relate primarily to DONG Energy's offshore production assets, where weather conditions, production capacity of related infrastructure, ageing facilities, custommade components and, in some cases, the need for specialised vessels to perform repairs, may result in cost-intensive and time-consuming operations. During 2013, DONG

Energy experienced cable failures on offshore wind farms and a number of production shutdowns on its oil and gas fields, mainly caused by technical and safety factors.

There is also a risk of outages at the Danish power stations. Power station availability is essential in relation to making optimum use of daily changes in the electricity price market.

DONG Energy seeks to reduce this risk by carrying out planned maintenance on days with favourable weather conditions and by constantly improving the possibilities for safe access in poor weather. DONG Energy also works on contracts for jack-up vessels to ensure the necessary capacity for the performance of the day-to-day operation and maintenance in future.

DONG Energy seeks to reduce the risk of outages at power stations by maintaining and inspecting the plants on a regular basis. Furthermore, electricity and heat generation can often be picked up by another power station in the event of an outage.

5 Renegotiation of oil-indexed gas contracts

DONG Energy is a party to a number of long-term gas purchase contracts. The contract price for several of these is indexed to the oil price in the same way as the sales price to end customers has been in the past. However, the gas market has evolved in a way where the oil price and the gas price no longer change in unison, and demand by end customers is now primarily priced in relation to the market price on the liquid gas hubs.

DONG Energy renegotiates these contracts on an ongoing basis in order to reduce the purchase price to a competitive level. However, the price reduction depends on the wording of the individual contracts, and there is therefore a risk that DONG Energy may not be able to achieve a price that is on a par with the market price of gas. The renegotiation of three contracts was concluded at the end of 2012 and in 2013. DONG Energy expects to renegotiate a further six contracts in the course of 2014 and 2015.

6 Regulatory risks

Regulatory frameworks in the countries in which DONG Energy operates affect DONG Energy's strategic opportunities and therefore also its future earnings. DONG Energy is active in several countries in North West Europe, which reduces the risk of its activities being affected by material changes in the regulatory framework. Traditionally, countries in North West Europe do not alter economic schemes for realised investments.

DONG Energy also has activities in several stages of the value chain, which helps to mitigate the effects of regulatory changes in individual stages of the chain. The Group monitors political and regulatory developments in the countries within its geographical focus area closely and submits responses when legislative and regulatory proposals of major relevance to the company go out for consultation. DONG Energy also enters into dialogue with politicians and authorities in situations in which the company can contribute relevant knowledge. DONG Energy is a member of industrial organisations that are in contact with politicians and authorities in the various countries in which the Group operates.

7 Conversion to biomass

The principal risk related to conversion of the Danish central power stations to biomass concerns the way in which biomass is taxed. Overall sustainability is also important, although it is not expected to constitute a potential barrier, as DONG Energy is already only buying sustainable biomass.

DONG Energy is in ongoing dialogue with the relevant authorities, not least the Danish Energy Agency, concerning sustainability criteria for biomass to reduce the risk. Further risk mitigation has been achieved by establishing a certification system for wood pellets through industrial cooperation with Sustainable Biomass Partnership.

8 The weather

DONG Energy's two electricity-generating business units, Wind Power and Thermal Power, are exposed to weather conditions to some extent.

Thermal Power is primarily exposed in relation to winter temperatures in North West Europe and precipitation levels in Sweden and Norway. The latter determine changes to the hydrological balance, which defines the amount of electricity generated at very low cost. In years with very high winter temperatures and high precipitation levels in Sweden and Norway, Thermal Power may experience a fall in earnings.

In Wind Power, the exposure is primarily in relation to wind conditions in Denmark, the UK and Germany. This exposure can be divided into three groups:

- Annual wind conditions: The average energy content of the wind may vary from year to year
- Local wind conditions: This exposure relates primarily to the wind measurements and estimates that are prepared in connection with new projects. The measuring equipment, local atmospheric conditions and variations in wind speed over time are all subject to some uncertainty.
- Wind conditions in geographical focus area: DONG Energy's production assets are primarily situated in Northern Europe, where weather and wind conditions are correlated to some extent. This means that the entire portfolio may potentially be affected if the average wind content is lower than normal.

Thermal Power's sale of electricity is hedged, as far as possible, in the forward market to reduce the risk exposure arising from changing weather conditions. Wind Power focuses on supporting the development and testing of better, more precise measuring equipment to reduce uncertainty in relation to the expected wind resource on new projects.

9 Partnerships in Wind Power

The partnership strategy is an important factor in relation to achieving the strategic target of 6.5 GW of installed offshore wind capacity in 2020. There are a number of strategic risks and process risks related to this. These may take the form of a delay in the divestment of ownership interests, lack of interest among investors or regulatory/contractual restrictions.

DONG Energy's management pays a great deal of attention to these partnerships and has set up an organisational unit that handles all processes in relation to the conclusion of future partnerships.

10 Offshore wind Cost of Electricity

DONG Energy is exposed to changes in the offshore wind market and its competitiveness relative to other forms of energy. The offshore wind market is still maturing and new technologies and concepts are continuously being developed to reduce the long-term costs to a competitive level.

Wind Power seeks to reduce the cost level by continuously improving the efficiency of its processes and project planning and by focusing on developing new technologies and methods. In addition, at the end of 2013, DONG Energy introduced the Standard Wind Farm concept, which should help to bring down the cost of both construction and subsequent maintenance and thus contribute to the industrialisation of the offshore wind market. Read more in the section on Competitive energy on page 15.

IT security

DONG Energy is highly dependent on IT systems as many of its tasks would be difficult or impossible to carry out without supporting IT systems. Increased demand for availability outside normal working hours and the normal place of work increases the risk of attempts at unauthorised access and may result in DONG Energy being exposed to hacking, industrial espionage, blackmail, etc.

Technical IT systems (ICS) are crucial for the day-to-day operation of power stations, wind farms, transformer stations, etc. For example, crashes or unauthorised modifications to ICS system functionality may result in a power station being disabled and unable to generate electricity.

The Group is reducing the risk associated with administrative IT systems by basing its IT security on internationally recognised standards such as ISO-27001/27002, and internal procedures and guidelines on the ITILv3 standard. The guidelines set high requirements for the handling of changes, problems and incidents as well as data back-up, etc. In addition, IT system security is constantly updated, logging is activated on all critical transactions, hard disks on PCs are encrypted, anti-virus and anti-spam are installed, etc.

The risk associated with ICS systems is reduced by using a governance model that unambiguously describes the distribution of responsibilities and tasks between the business units and the IT department. Handling of the systems is documented in 'Code of Conduct for ICS'. The ICS systems are not connected to the internet and they are tested regularly.

Environment

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

Identification and reduction of potential environmental risks and social risks is a statutory requirement on large projects, for example wind farm construction and exploration and production activities. Such assessments (Environmental Impact Assessment, EIA) help to achieve the objective of a low environmental impact.

DONG Energy has an 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 internationally 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, for example, at all Danish facilities that generate electricity and heat, in electricity distribution and in the Group's oil and gas activities.

DONG Energy works systematically to record and manage environmental incidents, and the Group has a risk assessment and follow-up system for such incidents.

Employee safety

For DONG Energy, a stimulating and healthy working environment and a high level of safety in the workplace are prerequisites for operating a responsible and efficient company. Safety is therefore an integral part of the Group's values, and constant efforts are being made to improve safety performance by means of prevention, training, education and engaging employees to maintain a culture in which work is carried out 'The safe way - or no way'.

DONG Energy makes extensive use of suppliers, particularly on large construction projects such as wind farms and oil and gas installations. DONG Energy focuses on and monitors supplier safety in the same way as the safety of its own employees.

Incidents, near-misses and observations relating to hazardous conditions for DONG Energy's own employees and supplier employees are systematically recorded, risk assessed and handled in order to minimise the risk of 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 marked drop in the injury frequency in recent years. Read more in the People matter section on page 18.

Access to talent and critical skills

DONG Energy employs a large number of highly specialised employees, whose skills are much in demand in the international labour market. This applies especially in the oil and gas industry, where there is a general shortage of specialists, and in offshore wind, where DONG Energy's market position makes its employees particularly attractive. In 2013, voluntary employee turnover at DONG Energy showed a slightly upward trend. Overall, this means that there is an element of risk associated with access to the critical skills required to secure the company's future growth.

In our opinion, the increase in the number of employee resignations is a consequence of the financial challenges in 2012, which DONG Energy has addressed in the past year, partly through organisational restructuring. This is supported by the fact that employee resignations declined at the end of 2013. In order to improve the retention and attraction of talent, the general branding of DONG Energy as a workplace will be replaced by setting up a more specifically targeted recruitment pipeline and intensifying talent and management development. At the same time, work is underway to introduce an employee share scheme that is designed to increase retention and inspire the organisation to work together towards the planned IPO (see Corporate governance on page 46).

Glossary

Reference is made to the glossary on page 129 for definitions of terms.

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

Corporate governance

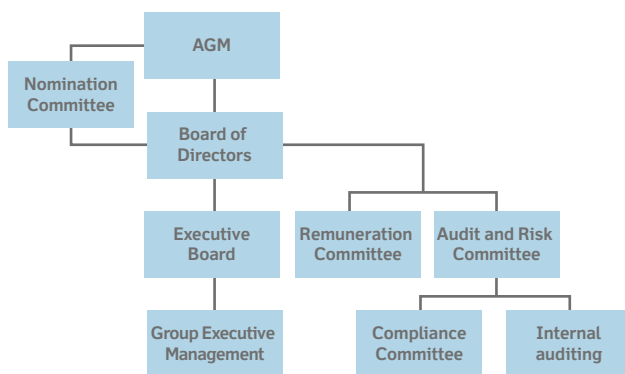
As a state-owned public limited company, DONG Energy has prepared this statutory report on the company's management and control in accordance with section 107(c) of the Danish Financial Statements Act.

The report describes the company's management structure and how it underpins the company's strategy and objectives. It also explains the policy on remuneration of the Group Executive Management, focusing on how it advances the company's strategy and value creation.

DONG Energy's corporate governance is based on, among other things, the Danish Companies Act, the Danish Financial Statements Act, the Danish Securities Trading Act, the company's Articles of Association, etc.

DONG Energy has chosen, as a general rule, to follow 'Recommendations on corporate governance' published by the Danish Committee on Corporate Governance in May 2013. The company has outlined its compliance with this code below, in accordance with the 'comply or explain' principle.

Management bodies and committees in DONG Energy A/S



Shareholders and capital structure

The Board of Directors regularly assesses whether DONG Energy's capital structure is in line with the shareholders' and the Group's interests. The overall aim is to ensure a capital structure that supports the Group's strategy for profitable, long-term growth and value creation.

In February 2013, DONG Energy published a financial action plan one of the aims of which was the injection of additional

capital. Following on from this, on 29 November 2013, the Danish State represented by the Ministry of Finance and DONG Energy A/S signed an investment agreement with the merchant bank Goldman Sachs and the Danish pension funds Arbejdsmarkedets Tillægspension (ATP) and PFA Pension Forsikringsaktieselskab on an injection of additional equity totalling DKK 11 billion by subscription for new shares. As part of the investment agreement, the Danish State and the new investors have signed a shareholders' agreement that will enter into effect on closing of the investment agreement.

The existing minority shareholders were offered the opportunity to participate in the capital increase in order to maintain their ownership interests in DONG Energy. Against that background, SEAS-NVE Holding, Syd Energi, Nyfors Entreprise and Insero Horsens have opted to participate in the capital increase with a combined amount of DKK 2.0 billion. It is also expected that a share scheme for DONG Energy's managers and employees based on share subscription will be set up, see the section on remuneration below.

Active ownership

Developing and maintaining good relations with all stakeholders is part of DONG Energy's policies as good relations are considered essential to the company's development.

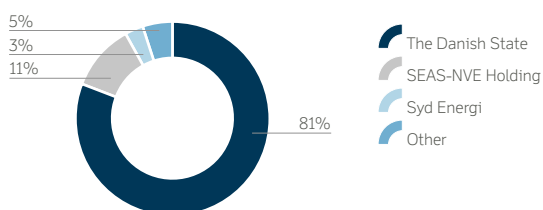
The company has prepared various policies on communications, HR, good business conduct, safety and responsibility towards customers and society at large.

The state, as principal shareholder, exercises its ownership in accordance with the principles in the publication 'The state as shareholder' from January 2004.

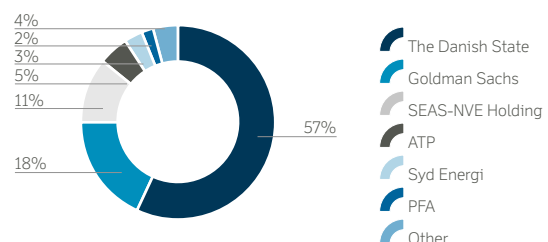
The company's Articles of Association allow the Chairman of DONG Energy's Board of Directors to disclose confidential information to the Danish Minister of Finance, representing the state as shareholder, as long as the Danish State holds a controlling interest in the company, provided it is done in conformity with the legislation and is in the company's interest. One effect of this is that the company's management is able to involve the state in major strategic decisions.

Following closing of the investment agreement, the new investors and existing investors with an ownership interest of more than 1% will receive detailed information on the company's operating and financial performance on a monthly and quarterly basis. The investors will also receive selected information distributed to other shareholders or the Board of Directors of relevance to the new investors' exercise of their rights under the investment agreement

Owners at 31/12 2013



Expected owners 2014



and shareholders' agreement. Such information may only be disclosed if a conflict of interest has not arisen or will not arise, and will be subject to confidentiality.

The decision-making process at the Annual General Meeting (AGM) and on the Board of Directors will, in principle, follow the general rules of the Companies Act; however, Goldman Sachs has been afforded further minority protection in a number of closely defined areas.

Amendments to the Articles of Association are thus subject to consent by Goldman Sachs. This also applies to a number of Board decisions such as significant departures from the business plan that forms the basis for the new investors' investment in DONG Energy, including the start-up of new activities in new business areas or in countries in which the Group does not already have a presence; major acquisitions, divestments and investments that are not part of the business plan; major investments in Exploration & Production; major issuances of new capital and hybrid capital, etc.; and changes on the Executive Board registered with the Danish Business Authority.

Nomination Committee

A Nomination Committee is set up after the AGM each year and has six members: the Chairman and Deputy Chairman of the Board and four members appointed by each of the four largest registered shareholders.

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.

The Committee held one meeting in 2013. The rules of procedure of the Nomination Committee can be found at dongenergy.com/corporate_governance.

Board of Directors

DONG Energy has a two-tier management structure, consisting of a Board of Directors and an Executive Board.

The Board of Directors consisted of 11 members at the end of 2013. Seven members are elected at the AGM and four by the employees. When the three new investors have joined the group of owners, the Board of Directors will consist of 12 members, eight of whom will be elected at the AGM.

On closing of the investment agreement, an amendment to the Articles of Association will allow observers to participate in Board meetings, and English is expected to be adopted as the corporate language and thus the Board's working language.

Following the amendment to the Articles of Association, observers will be able to participate actively in Board meetings and meetings of Board committees, but will not have a vote. Nor will observers be included in the determination of whether a Board meeting forms a quorum. The Board will be able to decide that observers should be given access to the same material as that distributed to the Board or one of the Board's committees. Observers will not receive any remuneration and must sign a customary non-disclosure agreement.

The company's current Articles of Association can be found at dongenergy.com/articles-of-association.

Details on Board members, including career and posts, can be found on pages 50-51.

The Board of Directors is responsible for the overall management of the company. The Board sets the company's overall objectives and strategy and is responsible for appointing a competent Executive Board. The Board makes decisions on major investments and divestments, capital base, key policies, control and audit is-

issues, risk management, and significant operational issues. The remit of the Board and its Chairman is set out in the Board's rules of procedure, which are reviewed and updated annually by the full Board.

DONG Energy attaches importance to Board members having extensive knowledge and experience from key appointments with large Danish and foreign companies covering a broad range of areas of activity, including areas directly related to the company's business areas.

The Board carries out an annual self-assessment. It concentrates on issues such as whether all relevant skills are represented on the Board and whether they are being applied and developed in the Board's tasks. It also focuses on the working climate and cooperation within the Board and on planning and implementation of the Board's work.

The Board held twelve meetings in 2013.

Executive Board and Group Executive Management

CEO Henrik Poulsen and CFO Marianne Wiinholt constitute the registered Executive Board of DONG Energy A/S. Details on the CEO and the CFO, including their current and previous appointments and other posts can be found on page 49.

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 Board regularly assesses the CEO's performance by following up on the company's development in relation to strategy and objectives. Once a year the Chairman of the Board and the CEO assess the cooperation between the Board of Directors and the Executive Board, including reporting and communications.

The Executive Board is responsible for the day-to-day management through the Group Executive Management, which, besides the Executive Board, comprises the Executive Vice Presidents of the company's four business units.

Remuneration Committee

The Board of Directors has appointed a Remuneration Committee consisting of the Chairman of the Board and a further two Board members. The members are elected for one year at a time. The CEO and the Vice President of HR participate in the Committee's meetings.

The Committee assists the Board in the performance of its duties related to the preparation and implementation of the company's remuneration policy. The Committee also assesses and prepares recommendations on the Group Executive Management's salary reviews, bonus for the current and the coming year, application of retention schemes for key personnel, application of one-off payments to the Group Executive Management and application and introduction of new compensation components for members of the Group's Leadership Forum (Top 300).

The Remuneration Committee's main priority area in 2013 was a review and update of the company's compensation model for Leadership Forum. Here, the Committee took into account the Danish National Audit Office's review (Report No 4/2012 on DONG Energy A/S) of the company's compensation arrangements.

The Committee concluded that the overall remuneration of the top group of executives was below that of comparable positions with large listed Danish companies, while the overall remuneration of other executives and managers was consistent with comparable positions.

The Committee also found that the company's existing performance-based remuneration, based on financial and operational value creation, ensures alignment between the owners' and the managers' interests, but that it would be possible to align interests further and in a manner more relevant to the business by introducing a more long-term incentive scheme.

Lastly, the Committee focused on strengthening corporate governance in relation to one-off payments and one-off bonus components (typically retention schemes) that are not part of the standard terms and conditions for management and employees. The scope of such schemes must be restricted so that the relevance of paying the various compensation components cannot be called into question.

The Committee met twice in 2013. The terms of reference of the Remuneration Committee can be found at dongenergy.com/corporate_governance.

Remuneration

DONG Energy's remuneration of the Board of Directors comprises fixed remuneration only, while for the Group Executive Management it comprises both fixed and incentive-based remuneration. The incentive-based remuneration is a cash variable salary (bonus) that follows the financial year. As a rule, bonus cannot exceed 30% of the fixed annual salary.

To date, the members of the Board of Directors and the Group Executive Management have not been entitled to buy shares in DONG Energy A/S, and the company has not issued options or warrants. However, a share scheme for managers and employees is expected to be set up in February 2014. The aim of the scheme will be to bring employee incentives, especially those of management, in line with those of shareholders, thus supporting value creation in the period up to the planned initial public offering (IPO) of the company.

The share scheme will enable around 250 senior executives to subscribe for shares in DONG Energy A/S for an amount equivalent to 60-100% of their annual salaries, depending on management level. Senior executives will pay the same price as the new investors referred to earlier. Other employees will be able to subscribe for shares in DONG Energy A/S for an amount of up to DKK 40,000. Employees will be offered a 25% discount compared with the price paid by the new investors and senior executives.

If all managers and employees exercise their options to subscribe for shares in full, new shares to a total value of approx. DKK 450 million will require to be issued for the scheme. Approximately half of this amount will relate to senior executives.

Either in connection with an IPO or in 2018 at the latest, managers and employees who have subscribed for shares will be entitled to a number of free shares, depending on the individual person's share purchases and DONG Energy's financial performance benchmarked against ten comparable European energy companies. Managers and employees may receive free shares up to a maximum of 125% of their share purchases in the first half of 2014. This maximum will be applied if DONG Energy's performance is the best among the eleven companies included in the above benchmarking. If an IPO does not go ahead, managers and employees may sell their shares, including free shares, back to the company at fair market value calculated by an independent third party.

Remuneration details for the members of the Board of Directors and the Group Executive Management can be found in note 2.5 to the consolidated financial statements.

The bonus targets for the Group Executive Management are linked to the company's financial and operating performance as well as the company's strategic focus on safety. Performance will be measured against return on capital employed (ROCE), operating results (FFO), and reduction of the lost time injury frequency (LTIF). To this should be added individual strategic performance targets such as the implementation of specific development and construction projects.

The table below shows the combination of the various types of bonus targets for the CEO. The bonus targets applied support DONG Energy's long-term strategic targets.

Bonus targets for CEO in 2013

	Weighting
Return on capital employed (ROCE)	20%
Funds from operation – FFO	20%
Investment projects – On-time / On-budget	20%
Lost time injury frequency (LTIF)	8%
Restructuring of gas business	12%
Injection of equity	20%

Audit and Risk Committee

The Board has appointed an Audit and Risk Committee. It consists of three members appointed by the Board for one year at a time. At the AGM in 2013, Lars Nørby Johansen stepped down from the Audit and Risk Committee, and was succeeded by Jakob Brogaard as Chairman.

The members meet all the requirements made with respect to independence, experience and expertise in accordance with the current Danish corporate governance 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 overseeing the financial reporting, financial and operational risks, the internal control environment and compliance with legislation and other requirements from public authorities. The Committee must also set the framework for the internal and external auditors' work, evaluate their independence and qualifications and oversee the whistleblowing procedure.

In 2013, the Audit and Risk Committee focused, in particular, on overseeing the financial reporting process, including management's estimates and the assumptions underlying the company's full-year profit outlook ahead of the publication of relevant company announcements. The Committee also focused on the establishment of Internal Auditing (see below), including discussing its functional description, remit, manning, etc.

The Audit and Risk Committee held six meetings in 2013. The terms of reference of the Committee can be found at dongenergy.com/corporate_governance.

Compliance with code

DONG Energy has chosen to follow 'Recommendations on corporate governance' issued by the Danish Committee on Corporate Governance. The company fully complies with 44 of the 47 recommendations, and explains its non-compliance with the remaining three recommendations as follows.

The recommendation to set up a contingency procedure in the event of takeover bids (1.3.1) is not deemed to be relevant to DONG Energy, as the company has not issued listed shares and its principal shareholder is the Danish State.

Furthermore, the company has elected not to comply with the recommendation to stipulate a retirement age for members of the Board of Directors (3.1.4), but has elected to include age as a parameter in the overall assessment of Board members and new candidates.

Lastly, the company has elected to only partly comply with the recommendation related to the composition of a nomination committee and the preparatory tasks the committee should have as a minimum (3.4.6). Most of the Nomination Committee's members are appointed by the company's largest shareholders, giving the Committee a different composition than assumed in the recommendation. With respect to preparatory tasks, the Committee is not involved in the appointment or assessment of the Executive Board.

The company's position on each of the 47 recommendations is set out on its website (dongenergy.com/corporate_governance/2013). The recommendations can be found on the website www.corporategovernance.dk.

Internal auditing

In 2013, DONG Energy set up an independent internal auditing function (Internal Auditing) reporting to the Audit and Risk Committee. Its establishment was agreed by the Board in 2012, and the internal auditor took up her post in April 2013.

Internal Auditing provides independent and objective auditing and consultancy services that are designed to improve and streamline the company's processes and control environment, including IT. The focus is mainly on financial and operational auditing and compliance auditing.

To ensure that the Executive Board is independent, the Audit and Risk Committee approves Internal Auditing's functional description, audit plan and budget. The Committee also prepares recommendations to the Board of Directors on recruitment or dismissal of the internal auditor.

An annual audit plan is prepared based on input from the Board of Directors, the Audit and Risk Committee, the Executive Board, the Group Executive Management and relevant senior executives. The plan is reviewed and approved by the Audit and Risk Committee and the Board of Directors. Internal Auditing is responsible for planning, performing and reporting on the audit performed. The reporting includes observations and opinions along with suggested improvements of internal controls in each audited area. A report for the Board of Directors is also prepared.

Women in management

Women are currently underrepresented at all management levels in DONG Energy. Against that background and in accordance with new Danish legislation, the Group has prepared a policy for women in management and set targets for female representation at various management levels.

The policy for women in management is part of the company's diversity policy, which aims to promote a working culture based on mutual trust and respect and to create a workplace that can attract the right skills, regardless of sex, age, ethnic origin, religion, etc. The policy is based on a fundamental belief that diversity engenders value creation.

Although the proportion of female managers in the Group has been rising in recent years, at the top management levels it does not reflect total female representation in the company. The company has therefore sharpened its focus on women in management. Most importantly, initiatives have been put in place that ensure

transparent identification and selection of talent and aim to create a culture in which female employees experience having the same opportunities for a career and management positions as their male colleagues. These initiatives do not alter the fact that skills are always the deciding factor in connection with recruitment and promotion.

For the Board of Directors a target of at least two female members elected by the shareholders in AGM has been set, equivalent to 25%. The Board currently has one female member elected at the AGM. The target is expected to be met by 2016. The target for the average female representation on the boards of the Group's Danish subsidiaries is at least 30% by 2014. In 2013, the average representation was 26%.

DONG Energy has set targets for female managers to be met by 2020. The targets reflect a wish to be ambitious and realistic without forcing change.

Women in management

	31.12.12	31.12.13	2020 target
Managers, Strategic Forum (Top 50)	10%	14%	> 22%
Managers, Leadership Forum (Top 300)	16%	17%	> 25%
Other managers	31%	30%	> 32%

The number of female managers in Strategic Forum rose to 14% in 2013. This was an improvement in terms of the target to, as a minimum, double female representation in Strategic Forum by 2020. With respect to the target for female representation in Leadership Forum, the percentage increased to 17%, whereas for other managers it dropped to 30%.

Whistleblowing procedure

DONG Energy has a whistleblowing procedure whereby employees and other persons associated with the company can report serious violations, including bribery, fraud and other offences. There were no cases in 2013.

In 2013, the Audit and Risk Committee decided to strengthen the existing whistleblowing procedure. In future, the procedure will be based on a system set up by an international company specialising in such procedures in order to ensure the highest level of safety and confidentiality. The new system features a separate website, a 24-hour telephone hotline, online forms in relevant languages and a case management system. The new procedure is part of Internal Auditing, where a small group of employees is responsible for receiving and dealing with reports. The changes were introduced in January 2014.

Internal Auditing reports regularly and at least quarterly to the Audit and Risk Committee on reports via the whistleblowing procedure and any initiated and closed investigations resulting from this.

Internal control and risk management in relation to financial reporting

DONG Energy evaluates and adjusts its internal control and risk management systems on an ongoing basis. They are designed to ensure that material errors or irregularities in relation to the financial reporting are prevented or detected and corrected to ensure that the internal and external financial reporting gives a true and fair view.

Efforts in 2013 focused especially on adjustments in relation to the organisational changes put in place, including management changes and the merger of the two business units Energy Markets and Sales & Distribution. The work included an assessment of

whether the updated COSO framework gives rise to changes in DONG Energy's internal control system. This work will continue in 2014. The establishment of the internal auditing function has also been instrumental in increasing DONG Energy's focus on monitoring of the internal control and risk management systems.

Control environment

The Board of Directors and the Group Executive Management have overall responsibility for the Group's risk management and internal control in relation to its financial reporting, and they approve DONG Energy's overall policies and guidelines in key areas. The overall policies and other management-approved guidelines include the risk policy, the IT security policy and the policy on good business conduct. The Audit and Risk Committee helps the Board of Directors oversee the financial reporting process and the material risks related to it. The Audit and Risk Committee also oversees the development in the internal control and risk management systems as well as the business units' ongoing reporting on assessed risks and internal controls.

The Group Executive Management, including the individual business units, is responsible for ensuring that the internal control and risk management systems are effective and that controls have been implemented to limit risks related to the financial reporting. The Group's business units are responsible for their own strategies, risk assessments and budgets. This division of responsibilities results in an effective control environment in the Group.

In 2013, DONG Energy established a Compliance Committee, which is responsible for ensuring that DONG Energy operates in accordance with current ethical standards. The Committee's responsibilities include DONG Energy's policy on good business conduct. The Committee reports to the Audit and Risk Committee.

Risk assessment

Management carries out an annual, overall risk assessment of the accounting areas and processes that involve a particular risk of material errors in the financial reporting. As risks vary in each business unit, an individual assessment is performed of each unit and it is then judged which risks are material to the Group's internal and external reporting. The review identifies the items and companies where it is deemed that the risk of material errors is the highest, and these areas are included in the internal control reporting to management. The risk of fraud and the measures put in place to mitigate this risk are evaluated as part of the risk assessment.

Any possibilities 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 the financial statements to reduce

the risk of material errors to an acceptable level. The control activities are based on the risk assessment and comprise approvals, segregation of duties, analyses, reconciliation, assessment of targets and follow-up on key performance indicators and controls relating to IT applications and general IT controls. The control activities are an integral part of the Group's accounting and reporting systems and associated procedures. Material risks and the associated internal controls are compiled in control catalogues for the Group's business units and significant Group functions.

In 2013 and 2014, the focus will be partly on increasing the proportion of preventive controls and system controls in the catalogues, and partly on identifying which control activities are deemed to be the Group's principal key controls.

Information and communications

DONG Energy's information and communications systems are designed to meet the reporting requirements that also apply to listed companies. To ensure that the internal and external financial reporting is carried out on a uniform basis and is of a high quality, a corporate accounting manual, reporting instructions and guidance on the performance of internal controls have been prepared. These can be found on the Group's intranet. Changes to these and current priority areas are communicated on a regular basis via meetings with business units and via various internal networks. Networks thus include a finance network, an accounting network and a network for internal controls. DONG Energy also has a formalised reporting process for monthly and quarterly financial reporting, including budgets and forecasts.

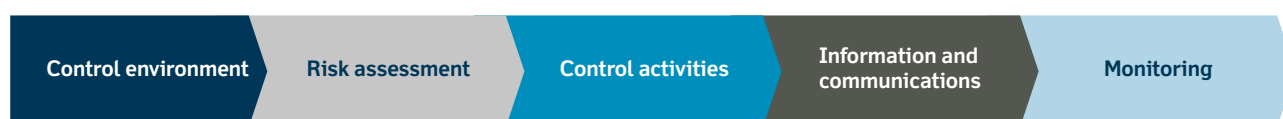
The information and communications systems thus include:

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

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. The business units and the key corporate functions regularly report on the performance and maturity of the Group's key controls that mitigate material errors in the financial reporting. The persons responsible in the business units monitor the performance of internal control and submit a quarterly summary report to the Group, supplemented by any action plans for identified weaknesses. Major initiatives, weaknesses and action plans are reported to the Audit and Risk Committee quarterly.

Internal Auditing tests the efficiency of selected operational and financial processes and reports to the Audit and Risk Committee quarterly.





The Group Executive Management included six members at the end of 2013

From the left: Thomas Dalsgaard (Thermal Power), Morten Hultberg Buchgreitz (Customers & Markets), Henrik Poulsen (CEO), Marianne Wiinholt (CFO), Søren Gath Hansen (Exploration & Production) and Samuel Leupold (Wind Power).

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
Born 1967 ♂

Remuneration: 10,747,000

Career and posts

- 1994-1995 Novo Nordisk A/S, Contoller
- 1995-1996 Aarsø Nielsen & Partners, Senior Consultant
- 1996-1999 McKinsey & Co., Senior Engagement Managerer
- 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 Capstone/KKR. Operating Executive
- 2008-2012 TDC A/S, CEO and President
- 2012- DONG Energy A/S, CEO

Other management positions

Member:

- Chr. Hansen Holding A/S, Deputy Chairman, member of the Nomination Committee and Remuneration Committee
- ISS A/S and a one wholly-owned subsidiary, Chairman of the Audit Committee
- Falck A/S and a one wholly-owned subsidiary¹
- Denmark-America foundation

Member of shareholders' Committee:

- Danske Bank A/S

Adviser:

- EQT Partners

¹ Stepping down from the Falck Group's Board of Directors at the next Annual General Meeting.

Marianne Wiinholt

Registered with the Danish Business Authority as CFO
Chief Financial Officer (CFO) since October 2013
Education: MSc in Business Administration and Auditing, Copenhagen Business School 1990, State Authorised Public Accountant 1992
Born 1965 ♀

Remuneration: 1,406,000






Career and posts

- 1987-1997 Arthur Andersen, Accountant
- 1997-2003 Borealis A/S, Head of Group Accounting, Controlling & Tax
- 2004-2006 DONG A/S, VP, Group Finance (2004-2006), DONG Energy A/S, SVP, Group Finance (2006-2008), SVP, Group Finance and Head of Finance, Energy Markets (2008-2010), SVP, Head of Finance, Energy Markets (2010-2011), SVP, Head of Corporate Finance (2011-2013), SVP, CFO, Customer & Markets (2013), CFO (2013-)







Other management positions

Member:

- J. Lauritzen A/S, member of the Audit Committee

	Name / Born / Gender	Joined / Re-elected	Term of office expires	Present posts	Other management positions
	Fritz H. Schur (chairman since 2005) Born: 1951 ♂	2005 / 2013	2014	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 Selskabslager 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. 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), F. Uhrenholt Holding A/S, C.P. Dyvig & Co. A/S. Deputy Chairman: Brd. Klee A/S. Member: WEPA Industrieholding SE, Experimentarium – Center for formidling af naturvidenskab og moderne teknologi (foundation).
	Jakob Brogaard (Deputy Chairman since 2013) Born: 1947 ♂	2007 / 2013	2014		Chairman: Finansiell Stabilitet A/S. Member: OW Bunker & Trading A/S, Newco AEP A/S.
	Hanne Sten Andersen (employee representative) Born: 1960 ♀	2007 / 2011	2014	DONG Energy A/S, Lead HR Business Partner, Customers & Markets	
	Pia Gjellerup Born: 1959 ♀	2012 / 2013	2014	Center for Public Innovation, Center Director	Chairman: Vanførefonden. Member: Gefion Gymnasium, Fondet Dansk-Norsk Samarbejde, Fonden Rådmandsgade 34.
	Benny Gøbel (employee representative) Born: 1967 ♂	2011	2014	DONG Energy A/S, Engineer, Thermal Power	

Information regarding remuneration is provided in note 2.5 to the consolidated financial statements

	Name / Born / Gender	Joined / Re-elected	Term of office expires	Present posts	Other management positions
	Jørn Peter Jensen Born: 1964 ♂	2011 / 2013	2014	Carlsberg Breweries and Carlsberg A/S, Deputy CEO and CFO	Chairman, Deputy Chairman or Member: 16 wholly-owned subsidiaries of the Carlsberg Group in Denmark and abroad. Member of management: Boliginteressentskabet Tuborg. Member: Danske Bank A/S. Member of the Committee on Corporate Governance
	Benny D. Loft Born: 1965 ♂	2012 / 2013	2014	Novozymes A/S, Executive Vice President and CFO	Member: 6 wholly-owned companies in the Novozymes Group. Member and chairman of the Finance and Audit Committee: New Xellia Group A/S. Member: Den Blå Planet.
	Jytte Koed Madsen (employee representative) Born: 1953 ♀	2011	2014	DONG Energy A/S, Technical Coordinator, Group Functions	
	Poul Arne Nielsen Born: 1944 ♂	2006 / 2013	2014		Chairman: SEAS-NVE A.m.b.a. and a wholly-owned subsidiary, SEAS-NVE Strømmen 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) Born: 1968 ♂	2007 / 2011	2014	DONG Energy A/S, Harbour Master, Thermal Power	
	Mogens Vinther Born: 1947 ♂	2010 / 2013	2014	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.