# CONSOLIDATED FINANCIAL STATEMENTS

# INCOME STATEMENT

1 JANUARY – 31 DECEMBER

| DKK million | Note | 2015 Business Performance | 2015 Adjustments | 2015 IFRS | 2014 Business Performance | 2014 Adjustments | 2014 IFRS | 2013 Business Performance | 2013 Adjustments | 2013 IFRS |
|---|---|---|---|---|---|---|---|---|---|---|
| Revenue | 2.1, 2.3 | 70,843 | 3,544 | 74,387 | 67,048 | 4,781 | 71,829 | 73,105 | (906) | 72,199 |
| Cost of sales | 2.4 | (44,966) | (106) | (45,072) | (42,226) | (837) | (43,063) | (47,224) | 101 | (47,123) |
| Other external expenses | 8.2 | (6,237) | | (6,237) | (7,147) | | (7,147) | (6,955) | | (6,955) |
| Employee costs | 2.7, 2.8 | (3,804) | | (3,804) | (3,336) | | (3,336) | (3,491) | | (3,491) |
| Share of profit (loss) in associates and joint ventures | 3.4 | 112 | | 112 | (93) | | (93) | (711) | | (711) |
| Other operating income | 2.5 | 2,933 | | 2,933 | 2,466 | | 2,466 | 705 | | 705 |
| Other operating expenses | 2.6 | (397) | | (397) | (323) | | (323) | (425) | | (425) |
| Operating profit (loss) before depreciation, amortisation and impairment losses (EBITDA) | | 18,484 | 3,438 | 21,922 | 16,389 | 3,944 | 20,333 | 15,004 | (805) | 14,199 |
| Depreciation, amortisation and impairment losses on intangible assets and property, plant and equipment | 2.1, 3.1, 3.3, 3.8 | (25,734)[1] | | (25,734)[1] | (17,566) | | (17,566) | (12,963) | | (12,963) |
| Operating profit (loss) (EBIT) | | (7,250) | 3,438 | (3,812) | (1,177) | 3,944 | 2,767 | 2,041 | (805) | 1,236 |
| Gain on divestment of enterprises | 3.7 | 16 | | 16 | 1,258 | (5) | 1,253 | 2,045 | | 2,045 |
| Share of profit (loss) in associates and joint ventures | 3.4 | (8) | | (8) | (484) | | (484) | (57) | | (57) |
| Financial income | 6.5 | 9,275 | | 9,275 | 5,261 | | 5,261 | 3,273 | | 3,273 |
| Financial expenses | 6.5 | (11,400) | | (11,400) | (6,971) | | (6,971) | (7,073) | | (7,073) |
| Profit (loss) before tax | | (9,367) | 3,438 | (5,929) | (2,113) | 3,939 | 1,826 | 229 | (805) | (576) |
| Tax on profit (loss) for the year | 5.3 | (2,717) | (807) | (3,524) | (3,171) | (965) | (4,136) | (1,222) | 207 | (1,015) |
| Profit (loss) for the year | | (12,084) | 2,631 | (9,453) | (5,284) | 2,974 | (2,310) | (993) | (598) | (1,591) |
| Profit (loss) for the year is attributable to: | | | | | | | | | | |
| Shareholders of DONG Energy A/S | | | | (10,198) | | | (2,976) | | | (2,327) |
| Coupon payments and costs after tax, hybrid capital holders of DONG Energy A/S | | | | 714 | | | 588 | | | 765 |
| Non-controlling interests | | | | 31 | | | 78 | | | (29) |
| Profit (loss) for the year | | | | (9,453) | | | (2,310) | | | (1,591) |

[1] Includes DKK 2,516 million regarding onerous contracts relating to the construction of property, plant and equipment (see note 3.3).

## ACCOUNTING POLICIES

### Business performance

The business performance principle was introduced by the DONG Energy Group in 2011. In connection with the introduction of the business performance principle, the IFRS hedge accounting of energy and related currency risks was discontinued, and the market value adjustments of these hedging transactions are therefore recognised in the income statement under IFRS.

Under the business performance principle, value adjustments of contracts for energy and related currency risks (including hedging transactions) are deferred and recognised in the period in which the hedged exposure materialises. The difference between IFRS and business performance is specified in the adjustment column.

Other principles are identical with the IFRS rules. For further information about the business performance principle see note 2.2.

# STATEMENT OF COMPREHENSIVE INCOME

1 JANUARY – 31 DECEMBER

| DKK million | **2015** Business performance | **2015** Adjustments | **2015** IFRS | 2014 Business performance | 2014 Adjustments | 2014 IFRS | 2013 Business performance | 2013 Adjustments | 2013 IFRS |
|---|---|---|---|---|---|---|---|---|---|
| Profit (loss) for the year | (12,084) | 2,631 | (9,453) | (5,284) | 2,974 | (2,310) | (993) | (598) | (1,591) |
| Other comprehensive income[1]: | | | | | | | | | |
| Hedging instruments: | | | | | | | | | |
| Value adjustments for the year | 5,947 | (5,923) | 24 | 5,359 | (5,662) | (303) | 12 | 162 | 174 |
| Value adjustments transferred to revenue | (2,744) | 2,739 | (5) | (1,574) | 1,945 | 371 | (639) | 913 | 274 |
| Value adjustments transferred to cost of sales | 254 | (254) | | 227 | (227) | | 263 | (270) | (7) |
| Value adjustments transferred to financial income and expenses | 179 | | 179 | 254 | | 254 | 851 | | 851 |
| Tax on value adjustments of hedging instruments | (856) | 807 | (49) | (1,050) | 965 | (85) | (130) | (207) | (337) |
| Exchange rate adjustments: | | | | | | | | | |
| Exchange rate adjustments relating to net investment in foreign enterprises | 2,060 | | 2,060 | 1,663 | | 1,663 | (2,808) | | (2,808) |
| Value adjustments of hedging thereof | (1,402) | | (1,402) | (1,765) | | (1,765) | 2,180 | | 2,180 |
| Transferred to gain on divestment of enterprises | | | | 6 | 5 | 11 | 193 | | 193 |
| Tax on exchange rate adjustments | (25) | | (25) | 168 | | 168 | (94) | | (94) |
| Change in tax rate | | | | | | | (60) | | (60) |
| Other comprehensive income | 3,413 | (2,631) | 782 | 3,288 | (2,974) | 314 | (232) | 598 | 366 |
| Total comprehensive income | (8,671) | - | (8,671) | (1,996) | - | (1,996) | (1,225) | - | (1,225) |
| Comprehensive income for the year is attributable to: | | | | | | | | | |
| Shareholders of DONG Energy A/S | | | (9,771) | | | (3,010) | | | (1,799) |
| Interest payments and costs after tax, hybrid capital holders of DONG Energy A/S | | | 714 | | | 588 | | | 755 |
| Non-controlling interests | | | 386 | | | 426 | | | (181) |
| Total comprehensive income | | | (8,671) | | | (1,996) | | | (1,225) |

[1] All items in other comprehensive income may be reclassified to the income statement.

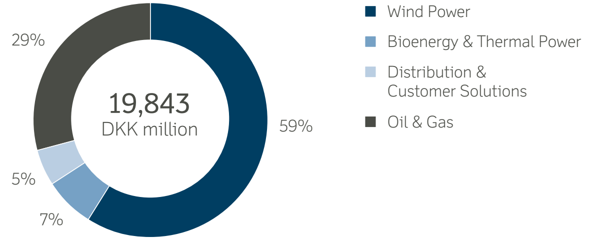
# BALANCE SHEET

31 DECEMBER

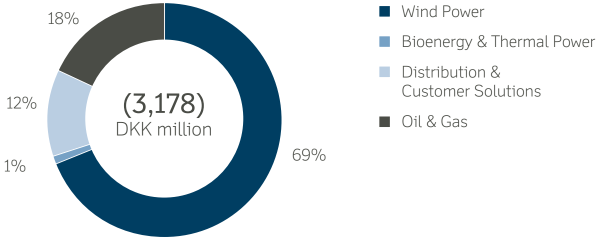
## ASSETS

| DKK million | Note | 2015 | 2014 | 2013 |
|---|---|---|---|---|
| Intangible assets | 3.1 | 1,134 | 1,369 | 2,167 |
| Land and buildings | 3.1 | 1,490 | 1,656 | 1,979 |
| Production assets | 3.1 | 61,107 | 65,517 | 67,758 |
| Exploration assets | 3.1 | 14 | 388 | 1,192 |
| Fixtures and fittings, tools and equipment | 3.1 | 474 | 291 | 296 |
| Property, plant and equipment under construction | 3.1 | 17,144 | 18,054 | 20,297 |
| Property, plant and equipment | | 80,229 | 85,906 | 91,522 |
| Investments in associates and joint ventures | 3.4 | 1,421 | 1,315 | 2,013 |
| Receivables from associates and joint ventures | | 832 | 1,018 | 933 |
| Other securities and equity investments | | 191 | 242 | 261 |
| Deferred tax | 5.4 | 274 | 632 | 130 |
| Other receivables | 4.4 | 751 | 513 | 278 |
| Other non-current assets | | 3,469 | 3,720 | 3,615 |
| Non-current assets | | 84,832 | 90,995 | 97,304 |
| Inventories | 4.1 | 3,567 | 2,938 | 3,560 |
| Derivative financial instruments | 8.5 | 15,642 | 11,193 | 9,147 |
| Construction contracts | 4.2 | 3,864 | 1,811 | 1,890 |
| Trade receivables | 4.3 | 7,739 | 8,346 | 8,875 |
| Other receivables | 4.4 | 2,657 | 3,357 | 4,929 |
| Receivables from associates and joint ventures | | 56 | 100 | 506 |
| Income tax | | 329 | 192 | 169 |
| Securities | 6.4 | 21,221 | 24,948 | 16,118 |
| Cash | 6.4 | 4,965 | 6,034 | 2,894 |
| Current assets | | 60,040 | 58,919 | 48,088 |
| Assets classified as held for sale | 3.8 | 2,585 | - | 280 |
| Assets | | 147,457 | 149,914 | 145,672 |

ADDITIONS OF PROPERTY, PLANT AND EQUIPMENT BY SEGMENT, % 2015




DISPOSALS OF PROPERTY, PLANT AND EQUIPMENT BY SEGMENT, % 2015




**Additions and disposals, property, plant and equipment**

In accordance with the adopted strategy, DONG Energy made significant investments in property, plant and equipment in 2015.

The most significant investments were made in new offshore wind farms, biomass conversion of existing CHP plants, Smart Grid (intelligent grids) investments, and the development of oil and gas fields.

Investments in offshore wind farms were made in the Borkum Riffgrund 1 and Gode Wind 1 and 2 wind farms in Germany, and in Westermost Rough and the projects Hornsea 1 and 2 and Burbo Bank Extension in the UK. The development of the oil and gas fields was primarily of the Hejre, Syd Arne and Laggan-Tormore fields in Denmark and the UK.

The most significant divestments were made by Wind Power, which divested ownership interests in Gode Wind 1 in Germany in 2015. In 2014, Wind Power divested ownership interests in the London Array wind farm as well as Westermost Rough in the UK and Gode Wind 2 in Germany.

**Oil and gas infrastructure remains state-owned**

As part of the political agreement to launch an IPO of DONG Energy it was decided, that DONG Energy shall divest the Group's oil and gas transportation systems to the state-owned company Energinet.dk. In addition, the gas distribution grids in South Jutland and on West Zealand will also be divested to Energinet.dk.

The portion of the assets that are expected to be sold and transferred within a 12-month period has been reclassified as assets held for sale. Read more in note 3.8.

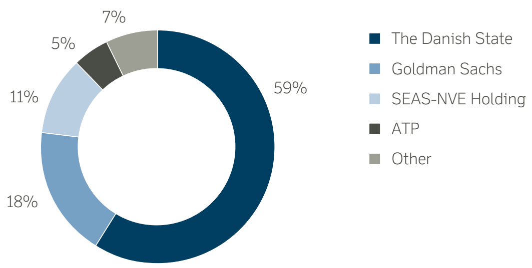
# BALANCE SHEET

31 DECEMBER

**EQUITY AND LIABILITIES**

| DKK million | Note | **2015** | 2014 | 2013 |
|---|---|---|---|---|
| Share capital | 6.1 | 4,177 | 4,177 | 2,937 |
| Reserves | | 20,855 | 20,428 | 8,431 |
| Retained earnings | | 7,058 | 17,131 | 20,231 |
| Equity attributable to shareholders of DONG Energy A/S | | 32,090 | 41,736 | 31,599 |
| Hybrid capital | 6.6 | 13,248 | 13,236 | 13,236 |
| Non-controlling interests | | 6,398 | 6,561 | 6,708 |
| Equity | | 51,736 | 61,533 | 51,543 |
| Deferred tax | 5.4 | 1,646 | 4,281 | 5,496 |
| Provisions | 3.3 | 17,754 | 15,397 | 12,891 |
| Bank loans and issued bonds | 6.2 | 31,775 | 35,849 | 36,767 |
| Other payables | 4.5 | 5,913 | 4,599 | 3,958 |
| Non-current liabilities | | 57,088 | 60,126 | 59,112 |
| Provisions | 3.3 | 1,434 | 537 | 719 |
| Bank loans and issued bonds | 6.2 | 4,626 | 208 | 9,389 |
| Derivative financial instruments | 8.5 | 9,531 | 8,323 | 8,519 |
| Construction contracts | 4.2 | 671 | 1,667 | 415 |
| Trade payables | | 10,673 | 9,031 | 7,329 |
| Other payables | 4.5 | 7,908 | 5,905 | 7,658 |
| Income tax | | 2,657 | 2,584 | 986 |
| Current liabilities | | 37,500 | 28,255 | 35,015 |
| Liabilities | | 94,588 | 88,381 | 94,127 |
| Liabilities relating to assets classified as held for sale | 3.8 | 1,133 | - | 2 |
| Equity and liabilities | | 147,457 | 149,914 | 145,672 |

OWNERS, at 31 December 2015, %




**Future ownership of DONG Energy**

On 18 September 2015, the Danish State, represented by the Danish Ministry of Finance, announced plans to launch an IPO of DONG Energy within 18 months, subject to market conditions.

At 31 December 2015, the Danish State held an ownership interest of 59% of the shares in DONG Energy. After the IPO, the Danish State is expected to retain at least 51% of the shares in DONG Energy.

# STATEMENT OF CHANGES IN EQUITY

1 JANUARY – 31 DECEMBER

| 2015<br>DKK million | Share capital | Hedging reserve | Translation reserve | Share premium | Retained earnings | **Equity attributable to shareholders of DONG Energy A/S** | Hybrid capital | Non-controlling interests | **Total** |
|---|---|---|---|---|---|---|---|---|---|
| Equity at 1 January 2015 | 4,177 | (486) | (365) | 21,279 | 17,131 | 41,736 | 13,236 | 6,561 | 61,533 |
| Comprehensive income for the year: | | | | | | | | | |
| Profit (loss) for the year | | | | | (10,198) | (10,198) | 714 | 31 | (9,453) |
| Other comprehensive income: | | | | | | | | | |
| Hedging instruments | | 198 | | | | 198 | | | 198 |
| Exchange rate adjustments | | | 303 | | | 303 | | 355 | 658 |
| Tax on other comprehensive income | | (49) | (25) | | | (74) | | | (74) |
| Total comprehensive income | - | 149 | 278 | - | (10,198) | (9,771) | 714 | 386 | (8,671) |
| Transactions with owners: | | | | | | | | | |
| Coupon payments, hybrid capital | | | | | | | (822) | | (822) |
| Bond discount and costs, hybrid capital | | | | | | | (64) | | (64) |
| Tax on coupon and costs, hybrid capital | | | | | | | 172 | | 172 |
| Additions, hybrid capital | | | | | | | 4,424 | | 4,424 |
| Disposals, hybrid capital | | | | | | | (4,412) | | (4,412) |
| Dividends paid | | | | | | | | (549) | (549) |
| Share-based payment | | | | | 103 | 103 | | | 103 |
| Disposals, non-controlling interests | | | | | 22 | 22 | | | 22 |
| Changes in equity in 2015 | - | 149 | 278 | - | (10,073) | (9,646) | 12 | (163) | (9,797) |
| Equity at 31 December 2015 | 4,177 | (337) | (87) | 21,279 | 7,058 | 32,090 | 13,248 | 6,398 | 51,736 |

## ACCOUNTING POLICIES

The hedging reserve comprises the accumulated net change in the fair value of hedging transactions that qualify for designation as hedges of future cash flows, and where the hedged transaction has yet to be realised, less the related tax. The reserve concerns primarily the Group's hedging of interest payments.

The translation reserve comprises:

- exchange differences arising on translation of the financial statements of foreign entities with a currency that is not the Group's functional currency,
- exchange rate adjustments relating to assets and liabilities that form part of the Group's net investment in such entities, and
- exchange rate adjustments relating to hedging transactions that hedge the Group's net investment in such entities, less the related tax.

On realisation or partial realisation of the net investment, the exchange rate adjustments are recognised in profit (loss) for the year if a gain or loss is realised by the divested entity. The foreign exchange gain (loss) is transferred to the item in which the gain or loss is recognised.

Share premium represents the excess of the amount of subscribed-for share capital over the nominal value of these shares in connection with capital injections. The reserve is part of DONG Energy's distributable reserves.

# STATEMENT OF CHANGES IN EQUITY

1 JANUARY – 31 DECEMBER

**2014**

| DKK million | Share capital | Hedging reserve | Translation reserve | Share premium | Retained earnings | **Equity attributable to shareholders of DONG Energy A/S** | Hybrid capital | Non-controlling interests | **Total** |
|---|---|---|---|---|---|---|---|---|---|
| Equity at 1 January 2014 | 2,937 | (722) | (95) | 9,248 | 20,231 | 31,599 | 13,236 | 6,708 | 51,543 |
| Comprehensive income for the year: | | | | | | | | | |
| Profit (loss) for the year | | | | | (2,976) | (2,976) | 588 | 78 | (2,310) |
| Other comprehensive income: | | | | | | | | | |
| Hedging instruments | | 318 | | | | 318 | | 4 | 322 |
| Exchange rate adjustments | | | (438) | | | (438) | | 347 | (91) |
| Tax on other comprehensive income | | (82) | 168 | | | 86 | | (3) | 83 |
| Total comprehensive income | - | 236 | (270) | - | (2,976) | (3,010) | 588 | 426 | (1,996) |
| Transactions with owners: | | | | | | | | | |
| Coupon payments, hybrid capital | | | | | | | (754) | | (754) |
| Tax on coupon and costs, hybrid capital | | | | | | | 166 | | 166 |
| Dividends paid | | | | | | | | (528) | (528) |
| Share-based payment | | | | | 57 | 57 | | | 57 |
| Shares issued | 1,240 | | | 12,031 | (264) | 13,007 | | | 13,007 |
| Disposals, non-controlling interests | | | | | 83 | 83 | | (45) | 38 |
| Changes in equity in 2014 | 1,240 | - | - | 12,031 | (124) | 13,147 | (588) | (573) | 11,986 |
| Equity at 31 December 2014 | 4,177 | (486) | (365) | 21,279 | 17,131 | 41,736 | 13,236 | 6,561 | 61,533 |

**2013**

| DKK million | Share capital | Hedging reserve | Translation reserve | Share premium | Retained earnings | **Equity attributable to shareholders of DONG Energy A/S** | Hybrid capital | Non-controlling interests | **Total** |
|---|---|---|---|---|---|---|---|---|---|
| Equity at 1 January 2013 | 2,937 | (1,692) | 347 | 9,248 | 22,581 | 33,421 | 9,538 | 7,057 | 50,016 |
| Comprehensive income for the year: | | | | | | | | | |
| Profit (loss) for the year | | | | | (2,327) | (2,327) | 765 | (29) | (1,591) |
| Other comprehensive income: | | | | | | | | | |
| Hedging instruments | | 1,299 | | | | 1,299 | | (7) | 1,292 |
| Exchange rate adjustments | | 6 | (294) | | | (288) | | (147) | (435) |
| Tax on other comprehensive income | | (339) | (94) | | | (433) | | 2 | (431) |
| Change in tax rate | | 4 | (54) | | | (50) | (10) | | (60) |
| Total comprehensive income | - | 970 | (442) | - | (2,327) | (1,799) | 755 | (181) | (1,225) |
| Transactions with owners: | | | | | | | | | |
| Coupon payments, hybrid capital | | | | | | | (675) | | (675) |
| Bond discount and costs, hybrid capital | | | | | | | (304) | | (304) |
| Tax on coupon and costs, hybrid capital | | | | | | | 224 | | 224 |
| Additions, hybrid capital | | | | | | | 8,825 | | 8,825 |
| Disposals, hybrid capital | | | | | | | (5,127) | | (5,127) |
| Dividends paid | | | | | | | | (319) | (319) |
| Additions, non-controlling interests | | | | | (23) | (23) | | 151 | 128 |
| Changes in equity in 2013 | - | 970 | (442) | - | (2,350) | (1,822) | 3,698 | (349) | 1,527 |
| Equity at 31 December 2013 | 2,937 | (722) | (95) | 9,248 | 20,231 | 31,599 | 13,236 | 6,708 | 51,543 |

# STATEMENT OF CASH FLOWS

1 JANUARY – 31 DECEMBER

| DKK million | Note | 2015 | 2014 | 2013 |
|---|---|---|---|---|
| Operating profit (loss) before depreciation, amortisation and impairment losses (EBITDA) | | 21,922 | 20,333 | 14,199 |
| Change in derivative financial instruments and loans, business performance adjustments | | (3,438) | (3,944) | 805 |
| Change in derivative financial instruments and loans, other adjustments | | (128) | 682 | 1,324 |
| Change in provisions | | (474) | (445) | (241) |
| Other items | | 121 | (896) | 1,457 |
| Change in net working capital | 4.6 | 1,318 | 4,128 | (2,087) |
| Interest received and similar items | | 7,642 | 4,569 | 3,304 |
| Interest paid and similar items | | (8,301) | (5,634) | (6,176) |
| Income tax paid | 5 | (5,091) | (3,835) | (2,856) |
| Cash flows from operating activities | | 13,571 | 14,958 | 9,729 |
| Purchase of intangible assets and property, plant and equipment | | (18,739) | (14,631) | (21,039) |
| Sale of intangible assets and property, plant and equipment | | 2,029 | 7,495 | 3,981 |
| Acquisition of enterprises | 3.6 | | (429) | |
| Divestment of enterprises | 3.7 | 576 | 3,133 | 9,184 |
| Acquisition of other equity investments | | | | (8) |
| Disposal of other equity investments | | 48 | | 1,991 |
| Purchase of securities | | (8,119) | (22,983) | (13,569) |
| Sale/maturation of securities | | 11,356 | 12,653 | 12,365 |
| Change in other non-current assets | | (2) | (179) | 41 |
| Financial transactions with associates and joint ventures | | 32 | 130 | 532 |
| Dividends received and capital reduction | | 20 | 15 | 39 |
| Cash flows from investing activities | | (12,799) | (14,796) | (6,483) |
| Proceeds from capital injection | | | 13,007 | |
| Proceeds from raising of loans | | 406 | 520 | 4,722 |
| Instalments on loans | | (848) | (9,338) | (11,157) |
| Coupon payments on hybrid capital | | (822) | (754) | (675) |
| Repurchase of hybrid capital | | (4,476) | | (695) |
| Proceeds from issuance of hybrid capital | 6.6 | 4,424 | | 4,094 |
| Transactions with non-controlling interests | 3.9 | (621) | (621) | (474) |
| Change in other non-current liabilities | | 42 | 89 | 353 |
| Cash flows from financing activities | | (1,895) | 2,903 | (3,832) |
| Net change in cash and cash equivalents | | (1,123) | 3,065 | (586) |
| Cash and cash equivalents at 1 January | 6.4 | 4,770 | 1,431 | 1,952 |
| Net change in cash and cash equivalents | | (1,123) | 3,065 | (586) |
| Cash flows for the year from assets classified as held for sale | | (115) | 29 | 93 |
| Exchange rate adjustments of cash and cash equivalents | | 145 | 245 | (28) |
| Cash and cash equivalents at 31 December | | 3,677 | 4,770 | 1,431 |

## ACCOUNTING POLICIES

Cash flows from operating activities are determined using the indirect method as profit (loss) before depreciation, amortisation and impairment losses adjusted for changes in provisions, value adjustments of financial instruments, etc., change in net working capital, interest received and interest paid, and income tax paid. Trade payables relating to purchases of intangible assets and property, plant and equipment are not recognised in change in net working capital.

Other items primarily comprise reversal of gain on divestment of assets, reversal of share of profit (loss) of and dividends in associates and joint ventures, reversal of exploration drilling expenses charged to the income statement, and changes in bad debt provisions.

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

Cash flows from financing activities comprise changes in the size or composition of the share capital and hybrid capital, expenses associated with such changes, and dividend payments to owners and coupon payments on hybrid capital. Cash flows from financing activities also include the raising of loans and instalments on loans, transactions with non-controlling interests, and changes in other non-current loans and borrowings. Proceeds from the raising of short-term repo loans are presented net.

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

# 1 BASIS OF REPORTING

In preparing the annual report, emphasis has been placed on ensuring that the content is relevant to the reader and the presentation clear.

**IN THIS SECTION**



The consolidated financial statements of DONG Energy have been prepared in accordance with IFRS as adopted by the EU and Danish disclosure requirements for annual reports of listed and state-owned public limited companies.

DONG Energy regularly assesses the effect of new IFRS reporting standards and interpretations (IFRIC). The Group implements new reporting standards and interpretations from their mandatory effective dates.

Due to the requirement that two years of comparative figures be provided in the prospectus in connection with the planned IPO, which may take place in 2016, the consolidated financial statements for 2015 contain comparative figures for two years. The comparative figures for the 2014 and 2013 financial years have been extracted from the consolidated financial statements published for 2014 and 2013 as adopted by the Executive Board and the Board of Directors on 5 February 2015 and 5 February 2014.

In preparing the consolidated financial statements, a number of accounting estimates and judgements have been made.

Management regularly reassesses these estimates and judgements, partly on the basis of historical experience and a number of other factors in the given circumstances.

Critical accounting estimates and judgements made in connection with the financial reporting are set out in the following notes:

**2.3** Revenue
**2.5** Other operating income
**3.1** Impairment test, intangible assets and property, plant and equipment
**3.1** Useful lives of production assets
**3.3** Decommissioning obligations
**3.3** Onerous contracts
**3.3** Litigation
**3.4** Investments in associates and joint ventures
**4.2** Construction contracts
**5.4** Deferred tax

# 1. BASIS OF REPORTING

### ACCOUNTING POLICIES

The financial statements for the period 1 January – 31 December 2015 comprise the consolidated financial statements of DONG Energy A/S and its subsidiaries (the Group) as well as separate financial statements for the parent company, DONG Energy A/S. Reference is made to page 144 for the parent company's accounting policies.

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU.

The consolidated financial statements have also been prepared in accordance with Danish disclosure requirements for annual reports of listed and state-owned public limited companies.

The financial statements are presented in million Danish kroner (DKK), unless otherwise stated.

The consolidated financial statements have been prepared on the historical cost basis except for derivative financial instruments, financial instruments in the trading portfolio, financial instruments classified as available for sale and $CO_2$ emissions allowances in the trading portfolio that are measured at fair value.

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

Due to the requirement that two years of comparative figures be provided in the prospectus in connection with the planned IPO, which may take place in 2016, the consolidated financial statements for 2015 contain comparative figures for two years. The comparative figures for the 2014 and 2013 financial years have been extracted from the consolidated financial statements published for 2014 and 2013 as adopted by the Executive Board and the Board of Directors on 5 February 2015 and 5 February 2014.

The accounting policies applied to the consolidated financial statements as a whole are described below, while the remaining accounting policies are described in the notes to which they relate.

The descriptions of accounting policies in the statements and notes form part of the overall description of accounting policies:

- Statement of comprehensive income
- Statement of changes in equity
- Statement of cash flows
- Segment information — note 2.1
- Business performance principle — note 2.2
- Revenue — note 2.3
- Share-based payment — note 2.8
- Intangible assets and property, plant and equipment — note 3.1
- Exploration activities and licences — note 3.2
- Provisions and contingent assets and liabilities — note 3.3
- Investments in associates and joint ventures — note 3.4
- Acquisition of enterprises — note 3.6
- Divestment of enterprises — note 3.7
- Assets classified as held for sale — note 3.8
- Non-controlling interests — note 3.9
- Inventories — note 4.1
- Construction contracts — note 4.2
- Trade receivables — note 4.3
- Deferred tax — note 5.4
- Interest-bearing debt — note 6.2
- Financial resources — note 6.4
- Financial income and expenses — note 6.5
- Hybrid capital — note 6.6
- Market risks — note 7.1
- Hedge accounting and economic hedging — note 7.2
- Trading portfolio — note 7.3
- Credit risks — note 7.5
- Operating lease obligations — note 8.3
- Assets and liabilities measured at fair value — note 8.5

### 1.1 CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements include the parent company DONG Energy A/S and subsidiaries controlled by DONG Energy A/S.

Enterprises in which the Group holds or has the ability to exercise, directly or indirectly, between 20% and 50% of the voting rights, but does not exercise control, are accounted for as associates. However, this is based on a specific assessment of the possibility of exercising influence. Any such enterprises that satisfy the criteria for joint control are instead accounted for as investments in joint ventures.

The consolidated financial statements have been prepared as a consolidation of the parent company's and the individual subsidiaries' financial statements prepared in accordance with the Group's accounting policies. Intragroup income and expenses, shareholdings, balances and dividends as well as realised and unrealised gains and losses arising from intragroup transactions are eliminated on consolidation. Unrealised gains resulting from transactions with associates and joint ventures are eliminated to the extent of the Group's ownership interest. Unrealised losses are eliminated in the same way as unrealised gains to the extent that there has been no impairment.

The Group's share in joint operations is recognised in the consolidated balance sheet through recognition of the Group's own assets and liabilities and income and expenses. The Group's share of joint income and expenses and assets and liabilities is then recognised. The proportionate share of realised and unrealised gains and losses arising from intragroup transactions between fully consolidated enterprises and joint operations is eliminated.

### 1.2 FOREIGN CURRENCY TRANSLATION

For each reporting enterprise in the Group, items are determined in the currency of the primary economic environment in which the individual reporting enterprise operates (functional currency). Transactions in currencies other than the functional currency of each enterprise are accounted for as transactions in foreign currencies and translated on initial recognition at the exchange rate at the transaction date. Exchange differences arising between the exchange rate at the transaction date and at the date of payment are recognised in profit (loss) for the year as financial income or expenses.

Receivables, payables and other monetary items in foreign currencies are translated at the exchange rates at the balance sheet date. The difference between the exchange rate at the balance sheet date and at the date at which the receivable or payable arose is recognised in profit (loss) for the year as financial income or expenses.

For foreign subsidiaries, joint operations, associates and joint ventures, the statements of comprehensive income are translated at monthly average exchange rates in so far as these do not deviate materially from the actual exchange rates at the transaction dates. Balance sheet items are translated at the exchange rates at the balance sheet date. All exchange differences are recognised in profit (loss) for the year, except for exchange differences arising on:

- translation of the opening equity of these entities at the exchange rates at the balance sheet date
- translation of the statements of comprehensive income of these enterprises from the exchange rates at the transaction date to the exchange rates at the balance sheet date
- translation of balances accounted for as part of the total net investment
- translation of the portion of loans and derivative financial instruments that has been entered into to hedge the net investment in these enterprises and that provides an effective hedge against corresponding foreign exchange gains (losses) on the net investment in the enterprise.

The above types of exchange differences are recognised in other comprehensive income. Such exchange rate adjustments are allocated between the parent company's and the non-controlling interests' equity.

On full or partial disposal of the net investment, the accumulated exchange rate adjustments, including any associated hedges, are recognised in the profit (loss) for the year if a foreign exchange gain (loss) is realised by the selling enterprise. The foreign exchange gain (loss) is transferred to the item in which the gain or loss is recognised. The part of the translation reserve that relates to non-controlling interests is not transferred to profit (loss) for the year.

# 1. BASIS OF REPORTING
CONTINUED

On partial disposal of foreign subsidiaries that does not result in a loss of control, a proportionate share of the translation reserve is transferred from the parent company shareholders' share of equity to the minority shareholders' share of equity.

Repayment of balances that are considered part of the net investment does not constitute a partial disposal of the subsidiary.

### 1.3 IMPLEMENTATION OF NEW STANDARDS AND INTERPRETATIONS
DONG Energy implemented no new or amended standards (IAS and IFRS) or interpretations (IFRIC) in 2015.

### 1.4 NEW STANDARDS AND INTERPRETATIONS
IASB has issued a number of new or amended accounting standards and interpretations which have yet to be adopted by the EU and are consequently not relevant for 2015. The following accounting standards are the most relevant for DONG Energy:

- IFRS 9 Financial Instruments: Classification and Measurement of Financial Assets and Financial Liabilities. The number of categories of financial assets is reduced to three: Amortised cost, fair value or fair value through other comprehensive income. Fair value changes in financial liabilities arising from changes in own credit risk must be recognised in other comprehensive income. In addition, IFRS 9 includes simplified provisions concerning the possibility of using hedge accounting. In future, companies will only be required to perform efficiency tests and prepare a statement on the actual efficiency.
- IFRS 15 Revenue: New standard on revenue recognition. In the new standard, the model for recognising revenue is changed from having been based on the transfer of the risks and rewards of ownership of a product or service to being based on the transfer of control of the goods or services transferred to the customer. The underlying principle is that recognition of revenue must reflect the transfer of goods or services from a company to a customer at the time of the sale.
- IFRS 16 Leasing: New standard on leasing. The new standard changes the accounting treatment of leases which are currently treated as operating leases. The standard requires that all leases, regardless of type and with few exceptions, must be recognised in the lessee's balance sheet as an asset with a related liability. Also, the lessee's income statement will be affected, as the annual leasing costs will in future consist of two elements – depreciation and interest expenses – as opposed to now, where the annual costs relating to operating leases are recognised as one amount in other external expenses or in property, plant and equipment in connection with the construction of offshore wind farms.

The new or amended standards and interpretations are not mandatory in connection with the financial reporting for 2015. DONG Energy expects to implement the standards and interpretations from their mandatory effective dates.

An analysis of the effect of implementing IFRS 9 in DONG Energy is ongoing. This analysis has not yet been completed. The implementation of IFRS 9 is expected to have an effect on DONG Energy's consolidated financial statements.

An overall analysis of the cash flows in DONG Energy has been made with a view to assessing whether the implementation of IFRS 15 will have a significant impact on the recognition of income in DONG Energy. The analysis shows that the implementation of IFRS 15 will not have any significant impact on the recognition of income in DONG Energy.

An analysis of the effect of implementing IFRS 16 in DONG Energy will be started in 2016. The Group's operating lease obligations amount to DKK 5,893 million at 31 December 2015, and it is expected that the major part of this must be recognised in the balance sheet as an asset and liability, if the standard was applicable at 31 December 2015.

It is assessed that other amended standards and interpretations will not have any significant impact on the financial reporting.

# 1. BASIS OF REPORTING
CONTINUED

### 1.5 DEFINITIONS OF PERFORMANCE HIGHLIGHTS

Performance highlights are calculated in accordance with the business performance principle.

| | |
|---|---|
| Gross investments | Cash flows from investing activities, excluding dividends received from associates, joint ventures and equity investments, purchase and sale of securities, loans to joint ventures and joint operations, and divestments of assets and enterprises. |
| Net investments | Gross investments less divestments of assets and enterprises. To/from this is added/deducted acquired/transferred debt in connection with acquisitions and disposals of enterprises, and deducted non-controlling interests' share of investments in fully consolidated investment projects, and deducted the selling price of non-controlling interests. |
| Funds from Operations (FFO) | Supplementary concept for cash flows from operating activities determined as EBITDA less interest expenses (net) on interest-bearing net debt and hybrid capital (50%), interest element of decommissioning obligations and current tax. In addition, operating lease obligations have been recognised as if they were finance lease obligations, where operating lease payments have been reversed, and calculated interest expenses of the present value of lease payments have been deducted. |
| Adjusted interest-bearing net debt | Interest-bearing net debt plus 50% of the hybrid capital, cash and securities not available for use with the exception of repo transactions, present value of lease payments (operating lease obligations calculated as if they were finance lease obligations), and the present value of decommissioning obligations less deferred tax. |
| FFO to adjusted interest-bearing net debt | $\frac{\text{FFO}}{\text{Adjusted interest-bearing net debt}}$ |
| Free cash flow (FCF) | Cash flows from operating activities less gross investments and divestments. |
| Capital employed | Non-interest-bearing net assets corresponding to non-interest-bearing assets less non-interest-bearing liabilities. |
| Average capital employed | $\frac{\text{Capital employed beginning of year + capital employed year-end}}{2}$ |
| Return on capital employed (ROCE) | $\frac{\text{EBIT less current hydrocarbon tax}}{\text{Average capital employed}}$ |
| Adjusted operating profit (loss) | EBIT less current hydrocarbon tax and impairment losses for the year |
| Adjusted return on capital employed (adjusted ROCE) | $\frac{\text{Adjusted operating profit (loss)}}{\text{Average capital employed + impairment losses for the year with tax added back}}$ |
| Proposed dividend per share (DPS) of DKK 10 | $\frac{\text{Total proposed dividend}}{\text{Number of shares year-end}}$ |
| Payout ratio | $\frac{\text{Total proposed dividend}}{\text{Profit (loss) for the year attributable to shareholders}}$ |
| Average number of shares | $\frac{1}{\text{Number of days}} \times \sum_{i=1}^{\text{Number of days}} X_i$ |
| Net working capital | Inventories, trade receivables, associates and joint ventures, prepayments and other operating current assets less trade payables and liabilities to associates and joint ventures, deferred income and other operating current liabilities. |
| Net working capital, excluding trade payables relating to capital expenditure | Net working capital excluding trade payables relating to purchases of intangible assets and property, plant and equipment. |

# 2 RETURN ON CAPITAL EMPLOYED

Adjusted return on capital employed (adjusted ROCE) is a strategic key ratio for DONG Energy that shows how profitable DONG Energy's business is. The strategic target for DONG Energy is that ROCE must be at least 12% by 2020

**-9.8bn**

EBIT less current hydrocarbon tax totals DKK -9,841 million in 2015

**7.2bn**

Adjusted operating profit (loss) totals DKK 7,192 million in 2015

**10.1%**

Adjusted return on capital employed (adjusted ROCE) is 10.1% in 2015 compared with 4.8% in 2014

## IN THIS SECTION



**Reporting according to business performance principle**

DONG Energy uses business performance as an alternative to profit (loss) for the year stated in accordance with IFRS. Business performance represents the underlying financial performance of the Group in the reporting period adjusted for temporary fluctuations in the market value of contracts (including hedging transactions) relating to other periods. The difference between the two principles will be eliminated as the contracts expire. Apart from this, there is no difference between business performance and the IFRS financial statements. Read more in note 2.2.

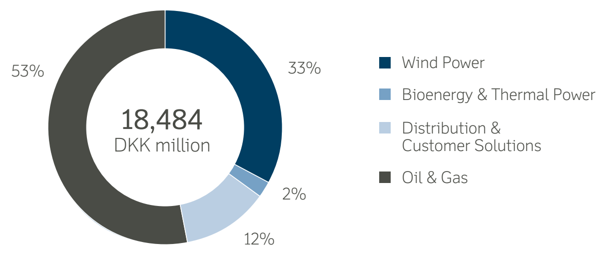
**Adjusted return on capital employed (adjusted ROCE)**

Adjusted ROCE amounted to 10.1% in 2015 against 4.8% in 2014. The increase in ROCE adjusted for impairment losses is mainly due to the higher adjusted EBIT and lower average capital employed. Read more in note 2.1.

ADJUSTED OPERATING PROFIT (LOSS), business performance

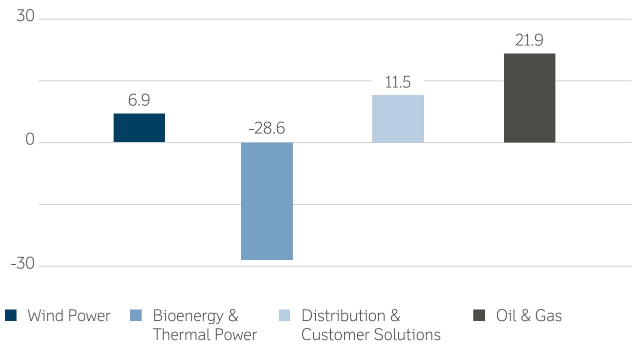
| DKK million | **2015** | 2014 | 2013 |
|---|---|---|---|
| Operating profit (loss) (EBIT) | (7,250) | (1,177) | 2,041 |
| Current hydrocarbon tax | (2,591) | (3,526) | (1,105) |
| EBIT less current hydrocarbon tax | (9,841) | (4,703) | 936 |
| Reversal of impairment losses for the year | 17,033 | 8,324 | 5,008 |
| Adjusted operating profit (loss) | 7,192 | 3,621 | 5,944 |

EBITDA BY SEGMENT, % 2015[1]




[1] EBITDA is determined based on business performance.

ADJUSTED RETURN ON CAPITAL EMPLOYED (ADJUSTED ROCE), % 2015[2]




[2] Adjusted return on capital employed (adjusted ROCE) is determined based on business perf

# 2.1 SEGMENT INFORMATION

## WIND POWER

| DKK million | |
|---|---|
| Revenue | 16,505 |
| EBITDA | 6,151 |
| Gross investments | 10,192 |
| Number of employees | 2,358 |

**Primary activity:**
Development, construction, ownership and operation of offshore wind farms in Denmark, the UK, Germany, the Netherlands and the USA.

## BIOENERGY & THERMAL POWER

| DKK million | |
|---|---|
| Revenue | 5,178 |
| EBITDA | 283 |
| Gross investments | 1,214 |
| Number of employees | 797 |

**Primary activity:**
Power and heat generation from CHP plants in Denmark and a gas-fired power plant in the Netherlands.

## DISTRIBUTION & CUSTOMER SOLUTIONS

| DKK million | |
|---|---|
| Revenue | 49,444 |
| EBITDA | 2,173 |
| Gross investments | 1,110 |
| Number of employees | 1,496 |

**Primary activity:**
Power and gas distribution and sales in the wholesale and retail markets in Denmark, Sweden, Germany and the UK as well as optimimisation and hedging of the Group's overall energy portfolio.

## OIL & GAS

| DKK million | |
|---|---|
| Revenue | 12,770 |
| EBITDA | 9,754 |
| Gross investments | 5,985 |
| Number of employees | 727 |

**Primary activity:**
Oil and gas production in Denmark, Norway, the UK, the Faroe Islands and Greenland as well as ownership interests in subsea gas pipelines and a gas treatment plant in the UK.

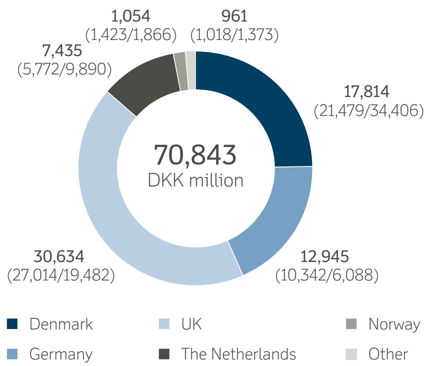
**Geographical distribution of revenue as well as intangible assets and property, plant and equipment**
A significant part of the Group's sales are executed via power exchanges and gas hubs in Europe, the physical location of which does not reflect the Group's market risks.

Segment revenue is broken down, as far as possible, by the customer's geographical location based on supply point. However, when delivery is made directly from production platforms in the North Sea, the final supply point is not known to DONG Energy. In such cases, the customers' geographical location is defined on the basis of their invoicing address.

No single customer accounts for more than 10% of consolidated revenue.

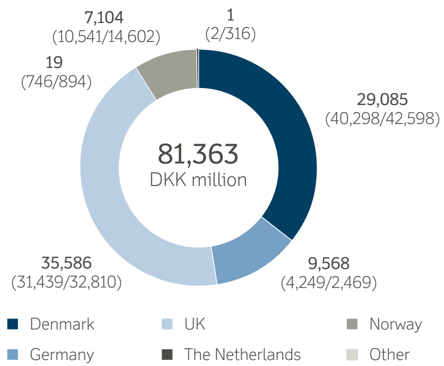
Non-current assets are broken down geographically based on the physical location of the assets and comprise intangible assets and property, plant and equipment.

**REVENUE,** DKK million 2015[1] (2014/2013)




[1] Revenue determined based on business performance.

**PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS,** DKK million 2015 (2014/2013)




## ACCOUNTING POLICIES

The Group presents an alternative performance measure, business performance, in connection with the statement of profit (loss) for the year. Segment income and segment expenses are stated in accordance with the business performance principle described in note 2.2.

Segment income and segment expenses are those items that, in the internal management reporting, are directly attributable to the individual segment or can be indirectly allocated to the individual segment on a reliable basis. Other activities primarily comprise income and expenses, assets and liabilities, investing activities, taxes, etc. that are not directly employed by the individual segment in its operating activities. Intersegment transactions are priced on arm's length terms.

# 2.1 SEGMENT INFORMATION
CONTINUED

| 2015<br>DKK million | Wind Power | Bioenergy & Thermal Power | Distribution & Customer Solutions | Oil & Gas | **Reporting segments** | Other activities/ eliminations | **Business performance** | Adjustments | **IFRS** |
|---|---|---|---|---|---|---|---|---|---|
| **INCOME STATEMENT** | | | | | | | | | |
| External revenue | 11,818 | 4,651 | 48,485 | 5,399 | 70,353 | 490 | 70,843 | 3,544 | 74,387 |
| Intragroup revenue | 4,687 | 527 | 959 | 7,371 | 13,544 | (13,544)[1] | | | |
| Revenue | 16,505 | 5,178 | 49,444 | 12,770 | 83,897 | (13,054) | 70,843 | 3,544 | 74,387 |
| Cost of sales | (7,930) | (3,819) | (45,259) | (902) | (57,910) | 12,944 | (44,966) | (106) | (45,072) |
| Employee costs and other external expenses | (3,140) | (1,572) | (2,080) | (3,468) | (10,260) | 219 | (10,041) | | (10,041) |
| Other operating income and expenses | 595 | 495 | 121 | 951 | 2,162 | 1 | 2,163 | | 2,163 |
| Gain (loss) on disposal of non-current assets | 7 | 3 | (53) | 403 | 360 | 13 | 373 | | 373 |
| Share of profit (loss) in associates and joint ventures | 114 | (2) | | | 112 | | 112 | | 112 |
| EBITDA | 6,151 | 283 | 2,173 | 9,754 | 18,361 | 123 | 18,484 | 3,438 | 21,922 |
| Depreciation and amortisation | (3,164) | (1,367) | (1,109) | (3,028) | (8,668) | (33) | (8,701) | | (8,701) |
| Impairment losses | (504) | (680) | | (15,849) | (17,033) | | (17,033)[2] | | (17,033) |
| Operating profit (loss) (EBIT) | 2,483 | (1,764) | 1,064 | (9,123) | (7,340) | 90 | (7,250) | 3,438 | (3,812) |
| Current hydrocarbon tax | | | | (2,591) | (2,591) | | (2,591) | | (2,591) |
| EBIT less current hydrocarbon tax | 2,483 | (1,764) | 1,064 | (11,714) | (9,931) | 90 | (9,841) | 3,438 | (6,403) |
| Reversal of impairment losses for the year | 504 | 680 | | 15,849 | 17,033 | | 17,033[2] | | 17,033 |
| Adjusted operating profit (loss) | 2,987 | (1,084) | 1,064 | 4,135 | 7,102 | 90 | 7,192 | 3,438 | 10,630 |
| **KEY FIGURES** | | | | | | | | | |
| Property, plant and equipment and intangible assets | 50,653 | 5,855 | 12,140 | 12,382 | 81,030 | 333 | 81,363 | | 81,363 |
| Investments in associates and joint ventures as well as other equity investments | 1,227 | 9 | 404 | | 1,640 | 2 | 1,642 | | 1,642 |
| Net working capital, operations | 3,077 | (2,344) | (4,755) | 812 | (3,210) | 323 | (2,887) | | (2,887) |
| Net working capital, installations | (2,598) | (236) | | (938) | (3,772) | | (3,772) | | (3,772) |
| Derivative financial instruments, net | 479 | 128 | 1,696 | 5,653 | 7,956 | (1,845) | 6,111 | | 6,111 |
| Assets classified as held for sale, net | | | 2,452 | | 2,452 | (1,000) | 1,452 | | 1,452 |
| Decommissioning obligations | (2,461) | (790) | (185) | (7,708) | (11,144) | | (11,144) | | (11,144) |
| Other provisions | (1,648) | (859) | (2,977) | (3,524) | (9,008) | 964 | (8,044) | | (8,044) |
| Tax, net | (1,296) | 459 | (143) | (1,223) | (2,213) | (1,487) | (3,700) | | (3,700) |
| Other receivables and other payables, net | 573 | | 25 | | 598 | (689) | (91) | | (91) |
| Capital employed at 31 December | 48,006 | 2,222 | 8,657 | 5,444 | 64,329 | (3,399) | 60,930 | - | 60,930 |
| Return on capital employed (ROCE) % | 5.7 | (50.0) | 11.5 | (101.9) | - | - | (15.6) | - | - |
| Adjusted ROCE % | 6.9 | (28.6) | 11.5 | 21.9 | - | - | 10.1 | - | - |
| Cash flows from operating activities | 3,074 | 2,488 | 3,691 | 6,049 | 15,302 | (1,731) | 13,571 | | 13,571 |
| Gross investments | (10,192) | (1,214) | (1,110) | (5,985) | (18,501) | (192) | (18,693) | | (18,693) |
| Divestments | 1,603 | 280 | 108 | 591 | 2,582 | (9) | 2,573 | | 2,573 |
| Free cash flow (FCF) | (5,515) | 1,554 | 2,689 | 655 | (617) | (1,932) | (2,549) | - | (2,549) |

[1] Of which elimination of intragroup revenue accounts for an outflow of DKK 15,735 million. [2] Includes DKK 2,516 million regarding onerous contracts relating to the construction of property, plant and equipment (read more in note 3.3).

# 2.1 SEGMENT INFORMATION
CONTINUED

| 2014<br>DKK million | | Wind Power | Bioenergy & Thermal Power | Distribution & Customer Solutions | Oil & Gas | **Reporting segments** | Other activities/ eliminations | **Business performance** | Adjustments | **IFRS** |
|---|---|---|---|---|---|---|---|---|---|---|
| External revenue | | 7,920 | 6,207 | 46,897 | 5,768 | 66,792 | 256 | 67,048 | 4,781 | 71,829 |
| Intragroup revenue | | 1,808 | 131 | 1,158 | 8,243 | 11,340 | (11,340)[1] | | | |
| Revenue | | 9,728 | 6,338 | 48,055 | 14,011 | 78,132 | (11,084) | 67,048 | 4,781 | 71,829 |
| Cost of sales | | (3,424) | (4,372) | (44,383) | (911) | (53,090) | 10,864 | (42,226) | (837) | (43,063) |
| Employee costs and other external expenses | | (2,149) | (1,680) | (2,279) | (4,516) | (10,624) | 141 | (10,483) | | (10,483) |
| Other operating income and expenses | | 141 | 50 | 40 | 41 | 272 | 2 | 274 | | 274 |
| Gain (loss) on disposal of non-current assets | | 1,856 | 84 | (29) | (34) | 1,877 | (8) | 1,869 | | 1,869 |
| Share of profit (loss) in associates and joint ventures | | (95) | 2 | | | (93) | | (93) | | (93) |
| EBITDA | | 6,057 | 422 | 1,404 | 8,591 | 16,474 | (85) | 16,389 | 3,944 | 20,333 |
| Depreciation and amortisation | | (2,574) | (1,405) | (1,321) | (3,922) | (9,222) | (20) | (9,242) | | (9,242) |
| Impairment losses | | | | (216) | (8,108) | (8,324) | | (8,324) | | (8,324) |
| Operating profit (loss) (EBIT) | | 3,483 | (983) | (133) | (3,439) | (1,072) | (105) | (1,177) | 3,944 | 2,767 |
| Current hydrocarbon tax | | | | | (3,526) | (3,526) | | (3,526) | | (3,526) |
| EBIT less current hydrocarbon tax | | 3,483 | (983) | (133) | (6,965) | (4,598) | (105) | (4,703) | 3,944 | (759) |
| Reversal of impairment losses for the year | | | | 216 | 8,108 | 8,324 | | 8,324 | | 8,324 |
| Adjusted operating profit (loss) | | 3,483 | (983) | 83 | 1,143 | 3,726 | (105) | 3,621 | 3,944 | 7,565 |
| **KEY FIGURES** | | | | | | | | | | |
| Property, plant and equipment and intangible assets | | 42,455 | 6,863 | 15,496 | 22,282 | 87,096 | 179 | 87,275 | | 87,275 |
| Investments in associates and joint ventures as well as other equity investments | | 1,139 | 11 | 434 | | 1,584 | | 1,584 | | 1,584 |
| Net working capital, operations | | 605 | (1,223) | (2,686) | 1,819 | (1,485) | (147) | (1,632) | | (1,632) |
| Net working capital, installations | | (1,196) | (106) | | (1,113) | (2,415) | | (2,415) | | (2,415) |
| Derivative financial instruments, net | | (178) | 190 | 466 | 3,398 | 3,876 | (1,006) | 2,870 | | 2,870 |
| Decommissioning obligations | | (2,074) | (789) | (609) | (6,896) | (10,368) | | (10,368) | | (10,368) |
| Other provisions | | (1,438) | (947) | (3,118) | (9) | (5,512) | (54) | (5,566) | | (5,566) |
| Tax, net | | (1,031) | 838 | (90) | (1,943) | (2,226) | (3,815) | (6,041) | | (6,041) |
| Other receivables and other payables, net | | 419 | | 9 | | 428 | (624) | (196) | | (196) |
| Capital employed at 31 December | | 38,701 | 4,837 | 9,902 | 17,538 | 70,978 | (5,467) | 65,511 | - | 65,511 |
| Return on capital employed (ROCE) | % | 8.9 | (17.5) | (1.1) | (36.5) | - | - | (6.6) | - | - |
| Adjusted ROCE | % | 8.9 | (17.5) | 0.7 | 5.1 | - | - | 4.8 | - | - |
| Cash flows from operating activities | | 5,198 | 1,469 | 1,952 | 5,390 | 14,009 | 949 | 14,958 | | 14,958 |
| Gross investments | | (7,827) | (725) | (1,739) | (5,032) | (15,323) | (36) | (15,359) | | (15,359) |
| Divestments | | 7,330 | 294 | 2,818 | 94 | 10,536 | 117 | 10,653 | | 10,653 |
| Free cash flow (FCF) | | 4,701 | 1,038 | 3,031 | 452 | 9,222 | 1,030 | 10,252 | - | 10,252 |

[1] Of which elimination of intragroup revenue accounts for an outflow of DKK 13,250 million.

# 2.1 SEGMENT INFORMATION
CONTINUED

| 2013<br>DKK million | | Wind Power | Bioenergy & Thermal Power | Distribution & Customer Solutions | Oil & Gas | **Reporting segments** | Other activities/ eliminations | **Business performance** | Adjustments | **IFRS** |
|---|---|---|---|---|---|---|---|---|---|---|
| External revenue | | 10,102 | 10,117 | 48,165 | 4,550 | 72,934 | 171 | 73,105 | (906) | 72,199 |
| Intragroup revenue | | 1,858 | (459) | 1,498 | 7,794 | 10,691 | (10,691)[1] | | | |
| Revenue | | 11,960 | 9,658 | 49,663 | 12,344 | 83,625 | (10,520) | 73,105 | (906) | 72,199 |
| Cost of sales | | (4,915) | (7,071) | (44,887) | (684) | (57,557) | 10,333 | (47,224) | 101 | (47,123) |
| Employee costs and other external expenses | | (1,900) | (1,918) | (2,435) | (4,433) | (10,686) | 240 | (10,446) | | (10,446) |
| Other operating income and expenses | | (255) | 73 | 6 | 97 | (79) | 10 | (69) | | (69) |
| Gain (loss) on disposal of non-current assets | | 73 | 3 | 1 | | 77 | 272 | 349 | | 349 |
| Share of profit (loss) in associates and joint ventures | | (710) | (1) | | | (711) | | (711) | | (711) |
| EBITDA | | 4,253 | 744 | 2,348 | 7,324 | 14,669 | 335 | 15,004 | (805) | 14,199 |
| Depreciation and amortisation | | (2,020) | (1,546) | (1,429) | (2,925) | (7,920) | (35) | (7,955) | | (7,955) |
| Impairment losses | | (339) | (1,000) | (6) | (3,663) | (5,008) | | (5,008) | | (5,008) |
| Operating profit (loss) (EBIT) | | 1,894 | (1,802) | 913 | 736 | 1,741 | 300 | 2,041 | (805) | 1,236 |
| Current hydrocarbon tax | | | | | (1,105) | (1,105) | | (1,105) | | (1,105) |
| EBIT less current hydrocarbon tax | | 1,894 | (1,802) | 913 | (369) | 636 | 300 | 936 | (805) | 131 |
| Reversal of impairment losses for the year | | 339 | 1,000 | 5 | 3,664 | 5,008 | | 5,008 | | 5,008 |
| Adjusted operating profit (loss) | | 2,233 | (802) | 918 | 3,295 | 5,644 | 300 | 5,944 | (805) | 5,139 |
| **KEY FIGURES** | | | | | | | | | | |
| Property, plant and equipment and intangible assets | | 40,266 | 7,905 | 16,089 | 29,877 | 94,137 | (448) | 93,689 | | 93,689 |
| Investments in associates and joint ventures as well as other equity investments | | 1,368 | 9 | 946 | | 2,323 | | 2,323 | | 2,323 |
| Net working capital, operations | | 2,629 | (708) | (279) | 1,657 | 3,299 | (1,195) | 2,104 | | 2,104 |
| Net working capital, installations | | (519) | (33) | | (999) | (1,551) | | (1,551) | | (1,551) |
| Derivative financial instruments, net | | (224) | 103 | 1,393 | (769) | 503 | 125 | 628 | | 628 |
| Assets classified as held for sale | | | | 279 | | 279 | (1) | 278 | | 278 |
| Decommissioning obligations | | (1,575) | (852) | (606) | (5,788) | (8,821) | | (8,821) | | (8,821) |
| Other provisions | | (696) | (1,104) | (2,753) | (135) | (4,688) | (101) | (4,789) | | (4,789) |
| Tax, net | | (1,304) | 1,002 | (682) | (3,181) | (4,165) | (2,018) | (6,183) | | (6,183) |
| Other receivables and other payables, net | | (10) | 90 | 164 | 1 | 245 | (578) | (333) | | (333) |
| Capital employed at 31 December | | 39,935 | 6,412 | 14,551 | 20,663 | 81,561 | (4,216) | 77,345 | - | 77,345 |
| Return on capital employed (ROCE) | % | 4.8 | (17.7) | 5.8 | (1.9) | - | - | 1.2 | - | - |
| Adjusted ROCE | % | 5.7 | (7.6) | 5.9 | 16.7 | - | - | 7.4 | - | - |
| Cash flows from operating activities | | 2,485 | 968 | 3,052 | 3,976 | 10,481 | (752) | 9,729 | | 9,729 |
| Gross investments | | (9,485) | (680) | (1,447) | (9,610) | (21,222) | (12) | (21,234) | | (21,234) |
| Divestments | | 7,972 | 4,911 | 550 | 3 | 13,436 | 1,896 | 15,332 | | 15,332 |
| Free cash flow (FCF) | | 972 | 5,199 | 2,155 | (5,631) | 2,695 | 1,132 | 3,827 | - | 3,827 |

[1] Of which elimination of intragroup revenue accounts for an outflow of DKK 12,554 million

# 2.2 BUSINESS PERFORMANCE PRINCIPLE

## ACCOUNTING POLICIES

The background to business performance

DONG Energy has an active hedging policy and hedges market price risks for up to five years to stabilise cash flows and ensure certainty about the Group's finances. With a view to ensuring transparency, it is desired that the financial effect of the hedging transactions is reflected in the financial reporting simultaneously with the hedged exposure (for example sales of power). This can normally be achieved by applying the IFRS rules on hedge accounting. However, for energy companies like DONG Energy it is sometimes difficult to ensure simultaneity. This is due to the fact that hedging instruments are not always available which precisely match the underlying commercial exposure, or which are sufficiently liquid. Consequently, the Group engages in some hedging in alternative markets or subject to alternative time horizons. For example, power generation in Denmark is to some extent hedged by financial contracts for EEX (Germany) and the Nord Pool areas (Scandinavia) as these normally develop uniformly over time.

This means that only some of the Group's financial hedging transactions comply with the IFRS provisions on hedge accounting even though the financial risk has been reduced. In case of non-compliance, the hedging transactions must be subjected to regular market value adjustments, which may give rise to considerable fluctuations in the income statement.

Due to the problem of ensuring simultaneity in the financial reporting, DONG Energy does not apply the IFRS rules on hedge accounting to transactions hedging energy prices and associated currency risks. Market value adjustments of these hedges are therefore recognised in the income statement in accordance with IFRS. Instead, an alternative measure – business performance – is used to ensure greater transparency in the financial reporting. In the income statement, the business performance result is shown in connection with the IFRS results. In the income statement, the difference between the two performance measures is shown in a separate column, 'Adjustments'.

| Hedging type | IFRS | Business performance |
|---|---|---|
| Hedging of energy and associated currency risks as well as fixed-price physical gas and power contracts | Fair value via income statement | Fair value adjustments are deferred and recognised in the period in which the exposure materialises |
| Hedging of interest rate risks | Fair value adjustments are deferred and recognised in the period in which the exposure materialises | Recognition the same as under IFRS |
| Hedging of currency risks associated with net investments in foreign entities | Fair value adjustments are recognised in other comprehensive income | Recognition the same as under IFRS |
| Trading portfolio | Fair value via income statement | Recognition the same as under IFRS |

**Description of business performance**

The business performance results reflect the internal management of the Group and represents the underlying results for the period under review. Under the business performance principle, the value adjustment of the hedging transactions is deferred and recognised for the period in which the hedged exposure materialises. This is illustrated in the example below. The following two types of contracts are included in the business performance principle.

- hedging contracts concerning energy and related currencies
- commercial contracts concerning energy recognised at fair value

The Group's balance sheet, cash flows and equity are not affected.

When hedging instruments do not fully correspond to the hedged exposure, any difference between the development in the market value of the hedging contract and the market value of the hedged exposure is recognised immediately in the income statement as part of the gain (loss) from the trading portfolio. See note 7.3 for further information about the trading portfolio.

The method of recognition under business performance is otherwise identical with the method of recognition under IFRS. The method of recognition of the Group's hedging contracts according to IFRS and business performance is summarised in the table below.

**Overview of the accounting treatment of the Group's risk management**

DONG Energy hedges risks associated with developments in energy, currencies and interest rates. Hedging is based on different accounting principles depending on the type of risk being hedged.

### EXAMPLE OF THE BUSINESS PERFORMANCE PRINCIPLE

In 20x1, DONG Energy entered into a hedging contract which expires in 20x5 with a positive market value of 80.

The development in market value for the individual years is shown in column 2.

Column 3 shows that the hedging contract is recognised in the business performance income statement in 20x5, at the same time as the hedged exposure. However, the development in market value is recognised on an ongoing basis in the IFRS income statement, see column 4.

Upon the expiry of the contract in 20x5, the total effect on results over the period is the same under the IFRS and the business performance principles. Only the timing differs.

The business performance principle ensures simultaneity of recognition of the underlying exposure and the hedging contract.

The recognition of the market value of a hedging contract according to the business performance and IFRS principles in the income statement can be illustrated as follows:

| | | Recognised in the income statement as follows: | |
|---|---|---|---|
| Year | Development in market value | Business performance | IFRS |
| 20x1 | 50 | 0 | 50 |
| 20x2 | 20 | 0 | 20 |
| 20x3 | (30) | 0 | (30) |
| 20x4 | (70) | 0 | (70) |
| 20x5 | 110 | 80 | 110 |
| Total market value | 80 | 80 | 80 |

# 2.2 BUSINESS PERFORMANCE PRINCIPLE
CONTINUED

### EXPECTED DATE OF TRANSFER TO EBITDA

| DKK million | 2016 | 2017 | after 2017 | Deferred for subsequent recognition at 31 December 2015 | 2015 | 2016 | after 2016 | Deferred for subsequent recognition at 31 December 2014 | 2014 | 2015 | after 2015 | Deferred for subsequent recognition at 31 December 2013 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Oil | 1,301 | 698 | 212 | 2,211 | (415) | 182 | 39 | (194) | (117) | (54) | (106) | (277) |
| Gas | 2,876 | 1,027 | 723 | 4,626 | 2,027 | 1,093 | 548 | 3,668 | 93 | 125 | 135 | 353 |
| Power | 796 | 466 | 307 | 1,569 | 398 | 146 | (63) | 481 | (99) | (55) | (333) | (487) |
| Coal | (156) | (33) | (2) | (191) | (187) | (66) | (2) | (255) | (164) | (47) | (3) | (214) |
| Currency | (680) | (411) | (436) | (1,527) | (94) | (138) | (169) | (401) | (436) | 20 | 157 | (259) |
| Total | 4,137 | 1,747 | 804 | 6,688 | 1,729 | 1,217 | 353 | 3,299 | (723) | (11) | (150) | (884) |

**Accumulated difference between IFRS and business performance**
Market value adjustments deferred for recognition in the business performance results in a subsequent period are specified in the table above. At 31 December 2015, a gain of DKK 6,688 million had been deferred (2014: gain of DKK 3,299 million and 2013: loss of DKK -884 million), which will affect business performance EBITDA in subsequent years. Of the total deferred gain, business performance EBITDA is expected to be affected by a gain of DKK 4,137 million in 2016 (2014: gain of DKK 1.729 million and 2013: loss of DKK -723 million).

**The 'Adjustments' column in the income statement**
The difference between business performance and IFRS is shown in the 'Adjustments' column as follows: Adjustments are shown in the table on the right.

**Difference between IFRS and business performance for the year**
The difference between IFRS and business performance is specified in the table on the right. Market value adjustments in respect of future periods totalled DKK 5,923 million (2014: DKK 5,662 million and 2013: DKK -162 million) and primarily relate to the hedging of gas, power and oil.

Reversal of deferred gain (loss) recognised according to business performance in 2015 totalled DKK -2,485 million (2014: DKK -1,718 million and 2013: DKK -643 million) and primarily relate to gain (loss) on the hedging of gas and, in part, power. These gain (loss) are recognised in business performance EBITDA in 2015 and in IFRS EBITDA in a previous period.

### SPECIFICATION OF THE DIFFERENCE BETWEEN EBITDA ACCORDING TO BUSINESS PERFORMANCE AND ACCORDING TO IFRS

| DKK million | 2015 | 2014 | 2013 |
|---|---|---|---|
| EBITDA – business performance | 18,484 | 16,389 | 15,004 |
| Business performance adjustments in respect of revenue for the year | 3,544 | 4,781 | (906) |
| Business performance adjustments in respect of cost of sales for the year | (106) | (837) | 101 |
| EBITDA – IFRS | 21,922 | 20,333 | 14,199 |
| Total business performance adjustments for the year comprise: | | | |
| Market value adjustments for the year of financial and physical hedging contracts that relate to future periods | 5,923 | 5,662 | (162) |
| Reversal of deferred gain (loss) relating to hedging contracts from previous periods, where the hedged production or trade is recognised in business performance EBITDA for this period. | (2,485) | (1,718) | (643) |
| Total adjustments | 3,438 | 3,944 | (805) |

# 2.2 BUSINESS PERFORMANCE PRINCIPLE
CONTINUED

**Market value adjustments for the year of hedging contracts**
2015 was mainly affected by gains on the hedging of oil, gas and power as a result of declining prices in 2015 combined with a net sales position of oil, gas and power. This was partially offset by losses on the Group's currency hedges resulting from a strengthened USD and GBP in 2015.

2014 was primarily affected by gains on hedging contracts related to gas and power as a result of a decline in gas and power prices.

### MARKET VALUE ADJUSTMENTS FOR THE YEAR OF FINANCIAL AND PHYSICAL HEDGING CONTRACTS

| DKK million | **2015** | 2014 | 2013 |
|---|---|---|---|
| Oil hedge | 2,114 | (21) | (399) |
| Coal hedge | (189) | (268) | (247) |
| Currency hedge | (1,049) | (342) | (145) |
| Gas (commercial and hedge) | 3,257 | 4,842 | 510 |
| Power (commercial and hedge) | 1,790 | 1,451 | 119 |
| Total market value adjustments | 5,923 | 5,662 | (162) |

**Reversal of gain (loss) from previous periods**
In 2015, a gain of DKK 2,485 million was recognised in business performance EBITDA, but as the gain was recognised in IFRS EBITDA in a previous period, the gain was reversed in the 'Adjustments' column in the income statement. The gain in 2015 is primarily attributable to the hedging of gas and power, the sales of which have been hedged at prices exceeding the actual prices in 2015.

2014 was primarily affected by a gain on hedging contracts relating to gas and power from previous periods as well as to currency hedging contracts. The gain is a result of the fact that sales were hedged at prices exceeding the actual prices in 2014.

2013 was primarily affected by a gain on hedging contracts relating to gas and power from a previous period. The gain is a result of the fact that the sales of gas and power were hedged at prices exceeding the actual prices in 2013.

### REVERSAL OF GAIN (LOSS) ON HEDGING CONTRACTS DEFERRED FROM PREVIOUS PERIODS

| DKK million | **2015** | 2014 | 2013 |
|---|---|---|---|
| Oil hedge | 291 | 48 | (73) |
| Coal hedge | 254 | 227 | 279 |
| Currency hedge | (31) | 5 | (106) |
| Gas (commercial and hedge) | (2,298) | (1,519) | (475) |
| Power (commercial and hedge) | (701) | (479) | (268) |
| Total reversal of gain (loss) from previous period | (2,485) | (1,718) | (643) |

# 2.3 REVENUE



| 2015<br>DKK million | Wind Power | Bioenergy & Thermal Power | Distribution & Customer Solutions | Oil & Gas | Other activities/ eliminations | **Total** |
|---|---|---|---|---|---|---|
| Distribution and transmission | | | 5,328 | 195 | (38) | 5,485 |
| Sales of heat and steam | | 2,061 | | | | 2,061 |
| Sales of oil | | | | 3,260 | 21 | 3,281 |
| Sales of gas | | | 26,102 | 7,499 | (8,697) | 24,904 |
| Sales of power | 6,893 | 2,592 | 18,587 | | (4,336) | 23,736 |
| Revenue from construction contracts | 8,287 | | | | | 8,287 |
| Other revenue | 1,325 | 525 | (573) | 1,816 | (4) | 3,089 |
| Total, business performance | 16,505 | 5,178 | 49,444 | 12,770 | (13,054) | 70,843 |
| Adjustments | 591 | 46 | 1,231 | 2,281 | (605) | 3,544 |
| Total, IFRS | 17,096 | 5,224 | 50,675 | 15,051 | (13,659) | 74,387 |

| 2014 | Wind Power | Bioenergy & Thermal Power | Distribution & Customer Solutions | Oil & Gas | Other activities/ eliminations | **Total** |
|---|---|---|---|---|---|---|
| Distribution and transmission[1] | | | 5.485 | 232 | (292) | 5,425 |
| Sales of heat and steam | | 2,302 | | | | 2,302 |
| Sales of oil | | | | 5,331 | 28 | 5,359 |
| Sales of gas | | | 27,247 | 8,190 | (9,176) | 26,261 |
| Sales of power | 5,272 | 3,459 | 15,047 | | (1,369) | 22,409 |
| Revenue from construction contracts | 2,897 | | | | | 2,897 |
| Other revenue | 1,559 | 577 | 276 | 258 | (275) | 2,395 |
| Total, business performance | 9,728 | 6,338 | 48,055 | 14,011 | (11,084) | 67,048 |
| Adjustments | (4) | 304 | (206) | 4,195 | 492 | 4,781 |
| Total, IFRS | 9,724 | 6,642 | 47,849 | 18,206 | (10,592) | 71,829 |

[1] Including revenue from inventory activity.

Revenue for the year increased from DKK 67,048 million in 2014 to DKK 70,843 million in 2015, up 6%. The increase is primarily attributable to higher activity related to construction contracts, increasing power generation from offshore wind farms and sales of green certificates. The increase in revenue was partially offset by lower oil and gas production and lower power, oil and gas prices. Revenue from construction contracts is primarily attributable to the construction of Borkum Riffgrund 1 and Gode Wind 1 and 2 for co-investors.

According to IFRS, revenue totalled DKK 74,387 million (2014: DKK 71,829 million and 2013: DKK 72,199 million), of which DKK 67,674 million (2014: DKK 65,136 million and 2013: DKK 65,775 million) represents revenue from the sale of goods, while DKK 6,713 million (2014: DKK 6,693 million and 2013: DKK 6,424 million) represents revenue from the sale of services.

## ACCOUNTING POLICIES

Revenue from the distribution and transmission of energy as well as sales of heat and steam, oil, gas and power is recognised in profit (loss) for the year when delivery and transfer of risk to the buyer have taken place and to the extent that the income can be measured reliably and is expected to be received.

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

Revenue from the Group's offshore wind farms comprises sales of power at market prices and regulated prices (fixed tariffs and guaranteed minimum prices for green certificates), which are recognised at the production date.

Construction contracts are recognised as revenue as the work is performed, with the effect that revenue corresponds to the selling price of the work performed during the year (percentage of completion method). When the outcome of a construction contract cannot be estimated reliably, revenue is recognised to the extent of costs incurred in so far as it is probable that these costs will be recovered.

Other revenue consists of income from the installation of offshore wind farms for customers, trading activities, financial hedging transactions, etc.

Adjustments consist of the reversal of business performance adjustments. Reference is made to note 2.2.

# 2.3 REVENUE
CONTINUED

| **2013** DKK million | Wind Power | Bioenergy & Thermal Power | Distribution & Customer Solutions | Oil & Gas | Other activities/ eliminations | **Total** |
|---|---|---|---|---|---|---|
| Distribution and transmission[1] | | | 5,219 | 235 | (45) | 5,409 |
| Sales of heat and steam | | 2,729 | | | | 2,729 |
| Sales of oil | | 35 | | 4,695 | 34 | 4,764 |
| Sales of gas | | | 34,520 | 7,927 | (8,812) | 33,635 |
| Sales of power | 5,065 | 6,066 | 8,877 | | (1,233) | 18,775 |
| Revenue from construction contracts | 5,606 | | | | | 5,606 |
| Other revenue | 1,289 | 828 | 1,047 | (513) | (464) | 2,187 |
| Total, business performance | 11,960 | 9,658 | 49,663 | 12,344 | (10,520) | 73,105 |
| Adjustments | (296) | 228 | (969) | 320 | (189) | (906) |
| Total, IFRS | 11,664 | 9,886 | 48,694 | 12,664 | (10,709) | 72,199 |

[1] Including revenue from inventory activity.

### CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

In connection with the determination of revenue, the accrual of revenue relating to sales of power and gas to residential and business customers is subject to considerable uncertainty due to the fact that customers' realised consumption can only be verified through meter readings, which are not available at the date of presentation of the annual report. Revenue is recognised on the basis of statements that take account of relevant factors, such as for example actual temperatures of the month as well as the individual customer's historical consumption at the particular time of the year.

# 2.4 COST OF SALES

| DKK million | **2015** | 2014 | 2013 |
|---|---|---|---|
| Gas | 15,637 | 17,560 | 26,260 |
| Power | 12,906 | 12,835 | 6,949 |
| Coal | 801 | 1,188 | 1,707 |
| Biomass | 1,251 | 1,231 | 1,270 |
| Oil | 69 | 88 | 209 |
| Distribution and transmission costs | 5,834 | 5,339 | 4,678 |
| Costs associated with construction contracts | 7,383 | 2,650 | 4,189 |
| Other cost of sales | 1,085 | 1,335 | 1,962 |
| Cost of sales, business performance | 44,966 | 42,226 | 47,224 |
| Adjustments | 106 | 837 | (101) |
| Cost of sales, IFRS | 45,072 | 43,063 | 47,123 |

Cost of sales pertains partly to gas and power trading, and partly to the firing of biomass, coal and oil by CHP plants in connection with the generation of power and heating.

Cost of sales in 2015 increased as a result of an increase in revenue from construction contracts. The increase in costs relating to construction contracts was partially offset by a decrease in gas costs.

Cost of sales decreased from 2013 to 2014, primarily as a result of lower gas sales in 2014.

# 2.5 OTHER OPERATING INCOME

| DKK million | 2015 | 2014 | 2013 |
|---|---|---|---|
| Gain on divestment of assets | 515 | 2,177 | 451 |
| Insurance compensation | 875 | 93 | |
| Other compensation | 689 | 17 | |
| Miscellaneous operating income | 854 | 179 | 254 |
| Other operating income | 2,933 | 2,466 | 705 |

### CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

As a part of the partnership model in Wind Power, the Group has sold ownership interests in offshore wind farms by selling 50% of DONG Energy's ownership interests. The resulting gain is recognised in other operating income in the income statement as the management does not believe the divested assets to constitute an enterprise. The reason for this is, among other things, that no processes in the form of the operation and maintenance of the offshore wind farm are transferred, but only an undivided interest in the offshore wind farm.

Prior to the divestment, the offshore wind farms were recognised as joint operations. This method of recognition has been maintained following the partial divestments due to the fact that the set-up is unchanged; the agreements concluded by the parties still support the parties' joint control, and the parties are still obliged to buy all the power generated by the offshore wind farm at a price which covers the production costs and administrative expenses borne by the offshore wind farm.

Gain on divestment of assets in 2015 consists primarily of an earn-out payment related to the sale of 60% of DONG Energy's ownership interest in the Glenlivet gas field in the UK in 2014 (Oil & Gas). Insurance compensations received relates to the settlement of insurance claims in Oil & Gas and Bioenergy & Thermal Power. Other compensation mainly consists of amounts received from Energinet.dk as well as suppliers as compensation for delayed deliveries in connection with the construction of offshore wind farms (Wind Power). Miscellaneous operating income includes the effect of a settled dispute relating to $CO_2$ emissions allowances in 2005 and the first half of 2006 amounting to DKK 384 million (Bioenergy & Thermal Power).

Gain on divestment of assets in 2014 consisted primarily of the gain from the divestment of 50% of DONG Energy's ownership interest in the UK offshore wind farm London Array, and the gain from the divestment of 50% of the UK offshore wind farm Westermost Rough (Wind Power). Insurance compensations received in 2014 relates to the settlement of insurance claims in Oil & Gas and Wind Power.

Gain on divestment of assets in 2013 consisted primarily of the gain from the sale of the office premises in Gentofte.

# 2.6 OTHER OPERATING EXPENSES

| DKK million | 2015 | 2014 | 2013 |
|---|---|---|---|
| Loss on divestment of assets | 142 | 308 | 102 |
| Miscellaneous operating expenses | 255 | 15 | 323 |
| Other operating expenses | 397 | 323 | 425 |

Loss on divestment of assets in 2014 primarily consisted of losses on the divestment of 50% of Gode Wind 2 and the sale of the installation vessel Sea Energy (Wind Power).

# 2.7 EMPLOYEE COSTS

| DKK million | 2015 | 2014 | 2013 |
|---|---|---|---|
| Wages, salaries and remuneration | 4,224 | 3,985 | 4,011 |
| Share-based payment | 103 | 57 | |
| Pensions | 370 | 351 | 343 |
| Other social security costs | 154 | 139 | 129 |
| Other employee costs | 47 | 49 | 58 |
| Employee costs before transfers to assets | 4,898 | 4,581 | 4,541 |
| Transfers to assets | (1,094) | (1,245) | (1,050) |
| Employee costs | 3,804 | 3,336 | 3,491 |

### Pension plans and number of employees

DONG Energy's pension plans are primarily defined-contribution plans that do not commit DONG Energy beyond the amounts contributed. The defined-benefit plans relate to obligations to pay a defined benefit to a few power station employees that are no longer with the company and to public servants taken over from municipally owned regional companies. In 2015, these obligations amounted to DKK 10 million (2014: DKK 12 million and 2013: DKK 13 million).

In 2015, the average number of employees in DONG Energy was 6,611 (2014: 6,416 employees and 2013: 6,692 employees).

| EXECUTIVE BOARD | Henrik Poulsen | | | Marianne Wiinholt[1] | | | Executive Board, total | | |
|---|---|---|---|---|---|---|---|---|---|
| DKK '000 | 2015 | 2014 | 2013 | 2015 | 2014 | 2013 | 2015 | 2014 | 2013[2] |
| Fixed salary | 9,112 | 8,695 | 8,614 | 4,876 | 4,728 | 1,152 | 13,988 | 13,423 | 13,770 |
| Variable salary | 1,815 | 1,569 | 2,131 | 1,186 | 1,013 | 253 | 3,001 | 2,582 | 3,098 |
| Share-based payment | 2,784 | 684 | | 1,790 | 439 | | 4,574 | 1,123 | |
| Social security | 2 | 2 | 2 | 2 | 2 | 1 | 4 | 4 | 4 |
| Salary during notice period[3] | | | | | | | | | 9,084 |
| Termination payment | | | | | | | | | 13,390 |
| Total | 13,713 | 10,950 | 10,747 | 7,854 | 6,182 | 1,406 | 21,567 | 17,132 | 39,346 |

[1] Joined in October 2013.
[2] 2013 includes salary and termination payment for Carsten Krogsaard Thomsen by DKK 18,483 thousand and Anders Eldrup by DKK 8,710 thousand.
[3] Comprises salaries, bonus and pension and is recognised on the date of departure.

### Remuneration of Group Executive Management

The remuneration of the Group Executive Management is based on a fixed salary, including personal benefits such as a company car, free telephone, etc., a variable salary, share-based payment and pension for the other members of the Group Executive Management[4].

Members of the Group Executive Management whose contracts of service are terminated by the company will be entitled to 24 months' pay, including pension, made up of salary during their notice period (12 months) and a termination payment (12 months).

### OTHER MEMBERS OF THE GROUP EXECUTIVE MANAGEMENT[4]

| DKK '000 | 2015 | 2014 | 2013 |
|---|---|---|---|
| Fixed salary | 17,418 | 15,100 | 14,803 |
| Variable salary[5] | 4,132 | 6,215 | 2,685 |
| Share-based payment | 3,072 | 640 | |
| Pension | 1,429 | 2,194 | 1,997 |
| Salary during notice period[3] | | | 2,264 |
| Termination payment | | | 3,494 |
| Total | 26,051 | 24,149 | 25,243 |

[4] Other members of the Group Executive Management: David Cook (joined in December 2014), Samuel Leopold (joined in March 2013), Thomas Dalsgaard, Morten Hultberg Buchgreitz (joined in March 2013), Lars Clausen (departed in May 2013) and Søren Gath Hansen (resigned in December 2014).
[5] The variable salary paid to other members of the Group Executive Management in 2014 includes pay relating to changes to the Executive Board of Oil & Gas.

# 2.7 EMPLOYEE COSTS
CONTINUED

### BOARD OF DIRECTORS

| DKK '000 | Directors' remuneration | Audit and Risk Committee | Remuneration Committee | 2015 | 2014 | 2013 |
|---|---|---|---|---|---|---|
| Thomas Thune Andersen | 500 | | 50 | 550 | 229 | |
| Lene Skole (joined in March 2015) | 250 | | | 250 | | |
| Lynda Armstrong (joined in March 2015) | 146 | | | 146 | | |
| Pia Gjellerup | 175 | | 25 | 200 | 210 | 200 |
| Martin Hintze[1] | | | | | | |
| Benny D. Loft | 175 | 100 | | 275 | 398 | 225 |
| Claus Wiinblad | 175 | 50 | | 225 | 188 | |
| Poul Arne Nielsen | 175 | | | 175 | 175 | 175 |
| Poul Dreyer | 175 | | | 175 | 131 | |
| Benny Gøbel[2] | 175 | | | 175 | 189 | 225 |
| Jens Nybo Stilling Sørensen | 175 | | | 175 | 175 | 175 |
| Hanne Sten Andersen | 175 | | | 175 | 175 | 175 |
| Jørn P. Jensen (departed in March 2015) | 75 | | | 75 | 281 | 225 |
| Mogens Vinther (departed in March 2014)[3] | | | | | 44 | 175 |
| Jytte Koed Madsen (departed in March 2014) | | | | | 44 | 175 |
| Jacob Brogaard (departed in March 2014) | | | | | 106 | 376 |
| Fritz H. Schur (departed in March 2014) | | | | | 138 | 550 |
| Lars Nørby Johansen (departed in April 2013) | | | | | | 212 |
| Jens Kampmann (departed in April 2012) | | | | | | 44 |
| Lars Rebien Sørensen (departed in April 2012) | | | | | | 17 |
| Total | 2,371 | 150 | 75 | 2,596 | 2,483 | 2,949 |

[1] Martin Hintze has waived his right to receive directors' remuneration
[2] In 2014, Benny Gøbel received DKK 175 thousand as a member of the Board of Directors of DONG Energy A/S and DKK 14 thousand (2013: DKK 50 thousand) as a member of the Board of Directors of DONG Energy Thermal Power A/S
[3] In 2013, Mogens Vinther also received separate compensation of DKK 24 thousand.

No remuneration has been paid to the Board representatives (Chairman and Deputy Chairman) on the Nomination Committee.

No agreements on termination payments to Board members have been made, and no termination payments have been made to members of the Board of Directors. Remuneration of the Board of Directors comprises salaries only.

**The Board of Directors' shareholdings in DONG Energy A/S**
As part of the share programme, the employee representatives on the Board of Directors, Hanne Sten Andersen, Benny Gøbel, Poul Dreyer and Jens Nybo Stilling Sørensen, in 2014 each subscribed for 372 shares. Other Board members do not hold any shares in the company.

# 2.8 SHARE-BASED PAYMENT

**Share programme**

The Executive Board is covered by a share programme for managers in DONG Energy, which was established in 2014. Through the share programme, around 250 senior employees were invited to subscribe for shares in DONG Energy A/S for an amount equivalent to 60-100% of their annual salary, depending on their level of seniority. Other employees were invited to subscribe for shares in DONG Energy A/S for an amount of up to DKK 40,000 subject to a discount of 25% relative to the price paid both by the new investors and by the senior executives.

Either in the event of an IPO or in 2019 at the latest, managers and employees who have subscribed for shares will be entitled to a number of free shares (restricted shares), depending on the individual manager's or employee's share purchase and DONG Energy's financial performance benchmarked against ten comparable European energy companies during the period from November 2013 to the end of the share programme. The number of free shares cannot exceed 125% of the number of shares subscribed for by the individual manager or employee in 2014. This maximum will apply if DONG Energy's performance is rated first or second among the 11 companies included in the above benchmarking. If DONG Energy is rated number 11 in the benchmarking, no free shares will be granted.

If the IPO does not go ahead, managers and employees may sell their shares, including free shares, back to the company at the fair market value determined by an independent third party. The granting of free shares is subject to the employees still being employed at the time of the IPO or up until 2019. If the contract of employment is terminated by DONG Energy or due to the employee retiring or taking early retirement, the employee will, however, retain the right to receive free shares. Managers will earn this right gradually during the 2014-2017 period.

**Restricted shares**

The maximum number of free shares allocated under the share programme if all associated conditions are met can be specified as follows:

| Maximum number of restricted shares ('000) | Executive Board | Other members of the Group Executive Management | Senior executives | Other employees | **Total** | % of total share capital |
|---|---|---|---|---|---|---|
| Total outstanding restricted shares at 1 January 2015 | 119 | 80 | 1,356 | 1,329 | 2,884 | 0.7% |
| Cancelled | | | (109) | (67) | (176) | (0.1%) |
| Total outstanding restricted shares at 31 December 2015 | 119 | 80 | 1,247 | 1,262 | 2,708 | 0.6% |
| DKK million | | | | | | |
| Market value of outstanding restricted shares at the time of granting | 8 | 5 | 80 | 81 | 174 | |

**Valuation of restricted shares at the time of granting**

The market value of restricted shares at the time of granting is calculated using a Monte Carlo simulation. The calculation of market value is based on the following assumptions:

| | **Time of granting 2014** |
|---|---|
| Share price | DKK 107.25 |
| Average volatility, peers | 27.2% |
| Volatility, DONG Energy | 27.2% |
| Estimated dividend per share in the period | DKK 7.1 |
| Risk-free interest rate | 0.8% p.a. |
| Expected term at time of granting | 4.2 years |

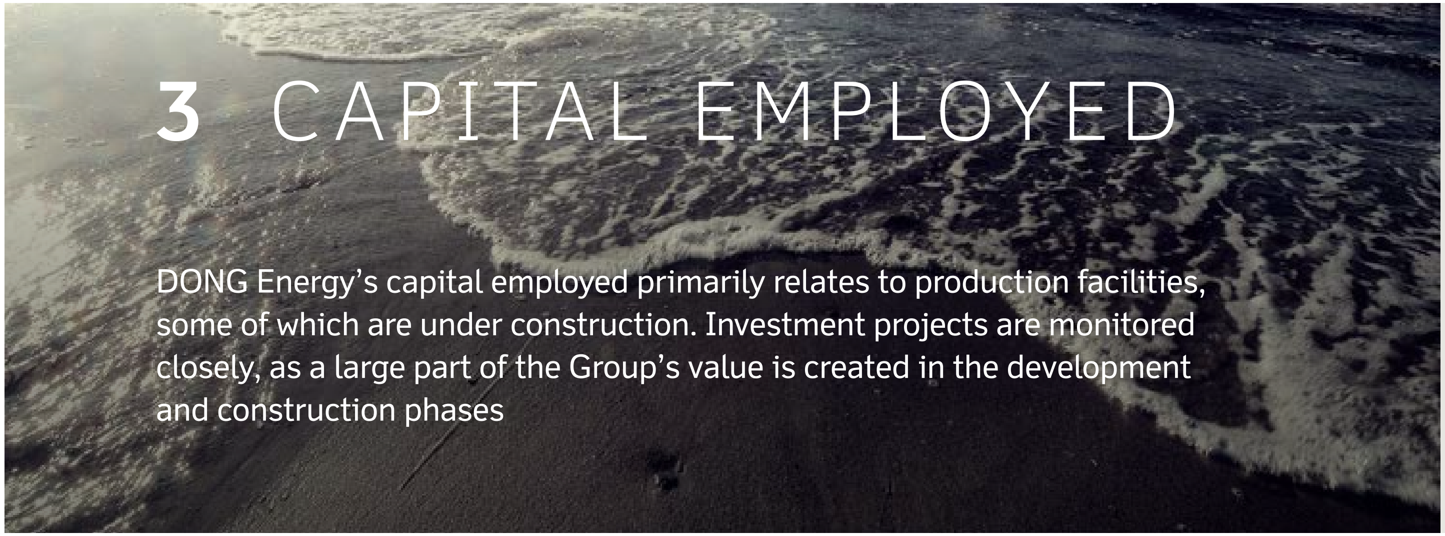
## ACCOUNTING POLICIES

The share programme is initially classified as an equity-based programme on the assumption that an IPO is carried out for DONG Energy A/S as this is the most likely scenario. The fair value of the restricted shares and estimates of the number of restricted shares granted are measured at the time of granting and recognised in the income statement under employee costs over the vesting period, and in the balance sheet under equity over the vesting period.

The valuation of the restricted shares and estimates of the number of restricted shares that are expected to be granted are made using a Monte Carlo simulation based on expectations of the DONG Energy share's performance in relation to ten comparable European energy companies.

**THE GROUP EXECUTIVE MANAGEMENT'S SHAREHOLDING IN DONG ENERGY A/S**

| Number of shares ('000) | **2015** | 2014 | 2013 |
|---|---|---|---|
| Henrik Poulsen | 58 | 58 | |
| Marianne Wiinholt | 37 | 37 | |
| Other members of Group Executive Management | 64 | 64 | |
| All members of Group Executive Management | 159 | 159 | - |



# 3 CAPITAL EMPLOYED

DONG Energy's capital employed primarily relates to production facilities, some of which are under construction. Investment projects are monitored closely, as a large part of the Group's value is created in the development and construction phases

**60.9bn**

Capital employed amounted to DKK 60,930 million at 31 December 2015

**18.7bn**

Gross investments totalled DKK 18,693 million in 2015

**2.6bn**

Cash flows from divestments totalled DKK 2,573 million in 2015

## IN THIS SECTION



**Investments and divestments in 2015**

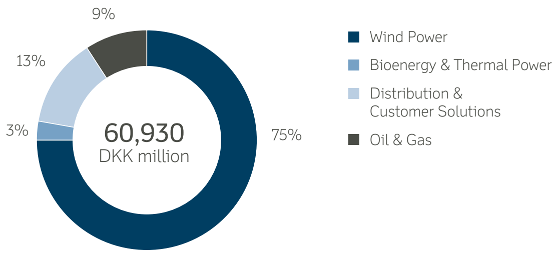
Total investments of DKK 18,693 million in offshore wind farms, biomass conversions, power and gas infrastructure as well as oil and gas fields were made in 2015, and divestments of DKK 2,573 million were made. The most significant assets under construction at the end of 2015 consisted of offshore wind farms in the UK and Germany as well as oil and gas fields in the UK and Denmark. See notes 3.1 and 3.7.

**Impairment losses**

As a result of declining oil and gas prices, delay, higher capital expenditure and changed reserve estimates, the Group's oil and gas assets were impaired by DKK 12,333 million, assets classified as held for sale by DKK 1,000 million and provisions of DKK 2,516 million were made for losses on contracts relating to the construction of oil and gas-related production facilities. In addition, the Group's power station in the Netherlands was impaired by DKK 680 million as a result of lowered expectations for the development in the long-term power prices. Goodwill and property, plant and equipment relating to old installation vessels in Wind Power were impaired by DKK 504 million as a result of a challenging market situation.

| DKK million | **2015** | 2014 | 2013 |
|---|---|---|---|
| Intangible assets and property, plant and equipment | 81,363 | 87,275 | 93,689 |
| Investments in associates and joint ventures as well as other equity investments | 1,642 | 1,584 | 2,323 |
| Net working capital | (6,659) | (4,047) | 553 |
| Derivative financial instruments, net | 6,111 | 2,870 | 628 |
| Assets classified as held for sale, net | 1,452 | | 278 |
| Decommissioning obligations | (11,144) | (10,368) | (8,821) |
| Other provisions | (8,044) | (5,566) | (4,789) |
| Tax, net | (3,700) | (6,041) | (6,183) |
| Other receivables and other payables, net | (91) | (196) | (333) |
| Capital employed at 31 December | 60,930 | 65,511 | 77,345 |

CAPITAL EMPLOYED BY SEGMENT, % 2015



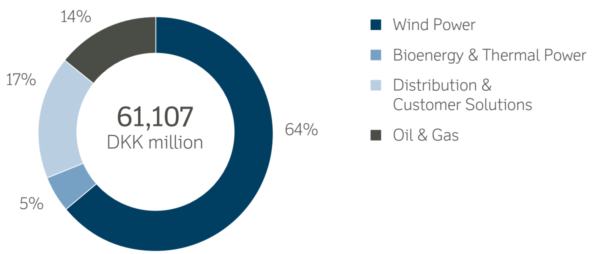
# 3.1 INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

| DKK million | **Intangible assets** | Land and buildings | Production assets | Exploration assets | Fixtures and fittings, tools and equipment | Property, plant and equipment under construction | **Property, plant and equipment** |
|---|---|---|---|---|---|---|---|
| Cost at 1 January 2015 | 5,497 | 2,703 | 125,658 | 388 | 884 | 24,845 | 154,478 |
| Exchange rate adjustments | 10 | 2 | 341 | 1 | (1) | 794 | 1,137 |
| Additions | 369 | 4 | 446 | 139 | 151 | 19,103 | 19,843 |
| Disposal on divestment of enterprises | (1) | (138) | (2,054) | | (2) | (16) | (2,210) |
| Disposals | (345) | (39) | (437) | (514) | (24) | (2,164) | (3,178) |
| Adjustment of decommissioning obligations | | | 543 | | | 493 | 1,036 |
| Transfers to assets classified as held for sale | (29) | (29) | (8,994) | | (1) | (1,775) | (10,799) |
| Transferred | | 100 | 7,769 | | 131 | (8,000) | |
| Cost at 31 December 2015 | 5,501 | 2,603 | 123,272 | 14 | 1,138 | 33,280 | 160,307 |
| Depreciation and amortisation at 1 January 2015 | (3,253) | (999) | (50,874) | | (593) | | (52,466) |
| Exchange rate adjustments | (8) | (1) | 643 | | (1) | | 641 |
| Depreciation and amortisation | (194) | (144) | (8,270) | | (93) | | (8,507) |
| Disposal on divestment of enterprises | | 58 | 803 | | 1 | | 862 |
| Disposals | 92 | 32 | 243 | | 21 | | 296 |
| Transfers to assets classified as held for sale | 29 | 5 | 7,581 | | 1 | | 7,587 |
| Depreciation and amortisation at 31 December 2015 | (3,334) | (1,049) | (49,874) | - | (664) | - | (51,587) |
| Impairment losses at 1 January 2015 | (876) | (48) | (9,267) | | | (6,791) | (16,106) |
| Exchange rate adjustments | | | 221 | | | (211) | 10 |
| Impairment losses | (157) | (25) | (3,748) | | | (9,587) | (13,360) |
| Disposal on divestment of enterprises | | 9 | 503 | | | | 512 |
| Disposals | | | | | | 453 | 453 |
| Impairment losses at 31 December 2015 | (1,033) | (64) | (12,291) | - | - | (16,136) | (28,491) |
| Carrying amount at 31 December 2015 | 1,134 | 1,490 | 61,107 | 14 | 474 | 17,144 | 80,229 |

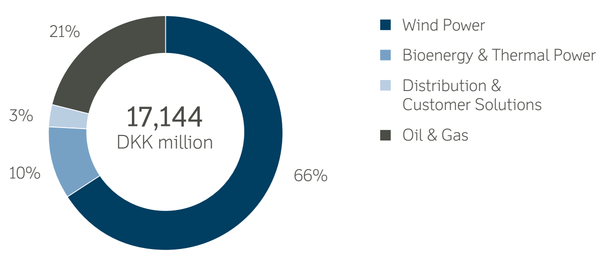
**Intangible assets**
Intangible assets comprise goodwill of DKK 125 million (2014: DKK 281 million and 2013: DKK 491 million), $CO_2$ emissions allowances of DKK 290 million (2014: DKK 396 million and 2013: DKK 747 million), other rights of DKK 392 million (2014: DKK 511 million and 2013: DKK 688 million), completed development projects of DKK 68 million (2014: DKK 70 million and 2013: DKK 137 million) and development projects in progress of DKK 259 million (2014: DKK 111 million and 2013: DKK 104 million).

**Collateral**
Loans are secured on vessels with a carrying amount of DKK 398 million (2014: DKK 675 million and 2013: DKK 2,274 million, including loans secured on CHP plants). The outstanding balance is DKK 244 million (2014: DKK 244 million and 2013: DKK 1,744 million).

PRODUCTION ASSETS BY SEGMENT, % 2015




PROPERTY, PLANT AND EQUIPMENT UNDER CONSTRUCTION BY SEGMENT, % 2015



# 3.1 INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT CONTINUED

| Wind Power | Bioenergy & Thermal Power | Distribution & Customer Solutions | Oil & Gas |
|---|---|---|---|
| Wind Power's CGUs are made up of individual offshore wind farms and A2SEA, which each generate cash flows for the segments independently of each other. | In Bioenergy & Thermal Power, the Danish CHP plants constitute a single CGU as overall production planning is for the Danish CHP plant portfolio as a whole. The Dutch power station Enecogen constitutes a single CGU. | Distribution & Customer Solutions' CGUs are constituted primarily by distribution assets which each generate cash flows for the segment independently of each other. | In Oil & Gas, the CGUs are constituted by oil and gas fields, which in some cases comprise several licences which are mutually dependent in terms of infrastructure, contracts, etc. |
| The most significant CGUs are: Walney ▪ Anholt ▪ West of Duddon Sands ▪ Borkum Riffgrund 1 ▪ London Array ▪ Gunfleet Sands ▪ Westermost Rough ▪ Gode Wind 1 ▪ Gode Wind 2 ▪ A2SEA | Central CHP plants (including goodwill) ▪ Enecogen | Power distribution ▪ Gas distribution ▪ Oil pipes ▪ Offshore gas pipelines ▪ Street lighting ▪ DONG Energy Markets GmbH ▪ DONG Energy Sales UK | Ormen Lange ▪ Hejre ▪ The area west of the Shetland Islands ▪ The Siri area ▪ Gyda ▪ Syd Arne ▪ The Ula-Tambar-Oselvar area ▪ Alve-Marulk ▪ Trym |

## Impairment losses

### Goodwill

In Wind Power, goodwill and production assets were impaired by DKK 504 million, of which DKK 157 million relates to goodwill and DKK 347 million relates to older installation vessels. The impairment losses were due to challenging market conditions.

In 2014, goodwill was impaired by a total of DKK 216 million in the UK and German sales activities in Distribution & Customer Solutions, also reflecting challenging market conditions. The entire impairment in respect of the sales activities concerned goodwill.

### Oil and gas activities

Property, plant and equipment under construction relating to the Hejre field and the area west of the Shetland Islands were impaired by DKK 9,587 million.

Production assets were impaired by DKK 2,746 million and concern Syd Arne, the Siri area, the Ula-Tambar-Oselvar area and Alve-Marulk.

The impairment losses are attributable to the continued fall in oil and gas prices, changed reserve estimates, delay and higher costs associated with the construction of installations.

The recoverable amounts of the impaired oil and gas assets are measured on the basis of market-based forward prices for oil and gas up until 2021. The prices applied in the period hereafter are based on management's best estimate, and from 2024 onwards an oil price of USD 70/bbl and a gas price of EUR 20/MWh have been applied. The recoverable amounts, determined on the basis of value in use, are discounted at a rate of interest after tax of 8.25-9.00%. Reference is also made to the section on critical accounting estimates and judgements on page 79.

In 2014, property, plant and equipment under construction in Oil & Gas were impaired by DKK 6,307 million as a result of lower oil and gas prices and higher costs associated with the construction of installations. The impaired assets related to Hejre and the area west of the Shetland Islands. Production facilities were impaired by DKK 1,801 million as a result of lower oil and gas prices and concerned the Ula-Tambar-Oselvar area and the Siri area.

In 2013, oil and gas-related production facilities were impaired by DKK 3,663 million and related to the fields in the Siri area, Gyda, the Ula-Tambar-Oselvar area and the ownership interest in the Norwegian Gassled transmission grid.

### Other impairment losses

The Dutch power station Enecogen (Bioenergy & Thermal Power) has been impaired by DKK 680 million, of which DKK 655 million relates to production facilities and DKK 25 million relates to land and buildings. The reason for the impairment loss is falling power prices. In determination of the recoverable amount, which is determined as a value in use, a discount rate after tax of 6.5% has been applied.

In 2013, Enecogen was impaired by DKK 1,000 million, and property, plant and equipment under construction, consisting of project development costs, were impaired by DKK 339 million (Wind Power).

### OVERVIEW OF IMPAIRMENT LOSSES

| DKK million | Wind Power | Bioenergy & Thermal Power | Distribution & Customer Solutions | Oil & Gas | **Total** |
|---|---|---|---|---|---|
| 2015 | 504 | 680 | - | 12,333 | 13,517 |
| 2014 | | | 216 | 8,108 | 8,324 |
| 2013 | 345 | 1,000 | | 3,663 | 5,008 |

# 3.1 INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT CONTINUED

| DKK million | **Intangible assets** | Land and buildings | Production assets | Exploration assets | Fixtures and fittings, tools and equipment | Property, plant and equipment under construction | **Property, plant and equipment** |
|---|---|---|---|---|---|---|---|
| Cost at 1 January 2014 | 5,912 | 3,041 | 121,482 | 1,192 | 832 | 20,810 | 147,357 |
| Exchange rate adjustments | (74) | 65 | (478) | 47 | 1 | 604 | 239 |
| Addition on acquisition of enterprises | | | 1,059 | | | | 1,059 |
| Additions | 171 | 38 | 1,027 | 404 | 46 | 13,835 | 15,350 |
| Disposal on divestment of enterprises | (10) | (66) | (2,791) | | (1) | | (2,858) |
| Disposals | (502) | (376) | (5,349) | (1,183) | (49) | (1,164) | (8,121) |
| Adjustment of decommissioning obligations | | | 1,008 | 29 | | 415 | 1,452 |
| Transferred | | 1 | 9,700 | (101) | 55 | (9,655) | |
| Cost at 31 December 2014 | 5,497 | 2,703 | 125,658 | 388 | 884 | 24,845 | 154,478 |
| Depreciation and amortisation at 1 January 2014 | (3,047) | (1,008) | (46,031) | | (536) | | (47,575) |
| Exchange rate adjustments | 1 | (42) | 874 | | 1 | | 833 |
| Depreciation and amortisation | (274) | (148) | (8,732) | | (88) | | (8,968) |
| Disposal on divestment of enterprises | 10 | 43 | 1,819 | | 1 | | 1,863 |
| Disposals | 58 | 156 | 1,191 | | 34 | | 1,381 |
| Transferred | | | 5 | | (5) | | |
| Depreciation and amortisation at 31 December 2014 | (3,252) | (999) | (50,874) | - | (593) | - | (52,466) |
| Impairment losses at 1 January 2014 | (698) | (54) | (7,699) | | | (513) | (8,266) |
| Exchange rate adjustments | 3 | | 233 | | | (32) | 201 |
| Impairment losses | (216) | | (1,801) | | | (6,307) | (8,108) |
| Disposals | 35 | 6 | | | | 61 | 67 |
| Impairment losses at 31 December 2014 | (876) | (48) | (9,267) | - | - | (6,791) | (16,106) |
| Carrying amount at 31 December 2014 | 1,369 | 1,656 | 65,517 | 388 | 291 | 18,054 | 85,906 |

# 3.1 INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT CONTINUED

| DKK million | **Intangible assets** | Land and buildings | Production assets | Exploration assets | Fixtures and fittings, tools and equipment | Property, plant and equipment under construction | **Property, plant and equipment** |
|---|---|---|---|---|---|---|---|
| Cost at 1 January 2013 | 5,978 | 5,020 | 116,007 | 1,401 | 759 | 18,355 | 141,542 |
| Exchange rate adjustments | 11 | (8) | (4,183) | (72) | (4) | (253) | (4,520) |
| Addition | 287 | 15 | 3,953 | 1,082 | 64 | 14,323 | 19,437 |
| Disposal on divestment of enterprises | (182) | (73) | (6,057) | | (1) | | (6,131) |
| Disposals | (163) | (1,926) | (270) | (1,136) | (32) | (157) | (3,521) |
| Adjustment of decommissioning obligations | | | 475 | (31) | | 81 | 525 |
| Transfers to assets clasified as held for sale | (19) | | 8 | | (5) | 22 | 25 |
| Transferred | | 13 | 11,549 | (52) | 51 | (11,561) | |
| Cost at 31 December 2013 | 5,912 | 3,041 | 121,482 | 1,192 | 832 | 20,810 | 147,357 |
| Depreciation and amortisation at 1 January 2013 | (2,850) | (1,163) | (40,990) | | (493) | | (42,646) |
| Exchange rate adjustments | (10) | 2 | 1,342 | | 1 | | 1,345 |
| Depreciation and amortisation | (290) | (163) | (7,436) | | (66) | | (7,665) |
| Disposal on divestment of enterprises | 103 | 31 | 891 | | 1 | | 923 |
| Disposals | | 285 | 162 | | 15 | | 462 |
| Transferred | | | | | 6 | | 6 |
| Depreciation and amortisation at 31 December 2013 | (3,047) | (1,008) | (46,031) | - | (536) | - | (47,575) |
| Impairment losses at 1 January 2013 | (703) | (51) | (4,751) | | | (174) | (4,976) |
| Exchange rate adjustments | 5 | 1 | 237 | | | | 238 |
| Impairment losses | | (11) | (4,658) | | | (339) | (5,008) |
| Disposal on divestment of enterprises | | | 1,444 | | | | 1,444 |
| Disposals | | 7 | 35 | | | | 42 |
| Impairment losses at 31 December 2013 | (698) | (54) | (7,693) | - | - | (513) | (8,260) |
| Carrying amount at 31 December 2013 | 2,167 | 1,979 | 67,758 | 1,192 | 296 | 20,297 | 91,522 |

# 3.1 INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT CONTINUED

## ACCOUNTING POLICIES

### Intangible assets

Rights are measured at cost less accumulated amortisation and impairment losses. Gas purchase rights are amortised using the unit-of-production method. Other rights are amortised on a straight-line basis over their estimated future useful lives, which are 5-20 years.

Allocated and purchased $CO_2$ emissions allowances, including $CO_2$ credits that are accounted for as rights are measured on recognition at cost. If a grant is received in connection with an allocation, the cost constitutes the actual consideration paid for the allowances, ie nil if the allowances are allocated free of charge. $CO_2$ emissions allowances are not amortised as the value of the allowances upon surrender is on a par with the cost price or higher (allocated emissions allowances).

### Property, plant and equipment

Property, plant and equipment is measured at cost less accumulated depreciation and impairment losses. In the case of property, plant and equipment, cost is, as a rule, depreciated on a straight-line basis over the estimated future useful lives, which are:

| | |
|---|---|
| Buildings | 20-50 years |
| Production assets, oil and gas[1] | 20-40 years |
| Offshore wind farms[2] | 20-24 years |
| Production assets, power (thermal) and district heating | 20-25 years |
| Gas transportation system (marine pipelines) | 20-40 years |
| Oil transportation system (marine pipeline) | 15 years |
| Distribution networks, gas | 20-40 years |
| Distribution networks, power | 20-40 years |
| Fixtures and fittings, tools and equipment | 3-10 years |

[1] Depreciation is charged using the unit-of-production method based on the ratio of current production to estimated reserves by individual field
[2] Depreciation is based on the straight-line method or the diminishing-balance method, resulting in declining depreciation over the lifetime of the asset.

Cost comprises purchase price and any costs directly attributable to the acquisition until the date the asset is available for use. The cost of self-constructed assets comprises direct and indirect costs of materials, components, subsuppliers and labour. Borrowing costs relating to both specific and general borrowing directly attributable to assets under construction with a lengthy construction period are recognised in cost during the construction period. Cost is increased by the present value of the estimated obligations for demolition and decommissioning of assets to the extent that they are recognised as a provision.

Subsequent costs, for example in connection with replacement of parts of an item of property, plant and equipment, are recognised in the carrying amount of the asset in question when it is probable that future economic benefits will flow to the Group from the expenses incurred. Replaced parts are derecognised from the balance sheet, and their carrying amount is recognised in profit (loss) for the year. All other repair and maintenance expenses are recognised in profit (loss) for the year as incurred.

Accounting policies for exploration assets appear from note 3.2, to which reference is made.

## CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

### Impairment test

Production assets are tested for impairment if there is any indication of impairment. For production assets with a limited lifetime such as wind turbines, CHP plants and oil and gas fields, cash flows are calculated based on forecasts for the entire lifetime of the asset. For power distribution, cash flows are calculated based on forecasts for the first 25 years with the addition of a terminal value. The determination of the recoverable amount for production assets is based on a number of assumptions where estimates are made that are material to the determination. Such assumptions include future market conditions, market prices of oil, gas, power, biofuel, coal, $CO_2$, estimated oil and gas reserves, weighted average cost of capital (WACC), exchange rates, etc. The market prices applied are based on available forward prices for a period of up to five years and management's best estimate of long-term prices for the remainder of the period.

When calculating the recoverable amount of property, plant and equipment under construction, the expected completion costs and the commissioning date are also material assumptions.

The assessment of oil and gas reserves is based on estimates of both proved and probable reserves (Proved plus Probable/2P). Proved reserves are the estimated volumes of oil and gas that, under existing economic conditions, are recoverable using known technology from reservoirs in which oil or gas has been proved. Probable reserves are those additional reserves that are less likely to be recovered than proved reserves. DONG Energy conducts an annual internal evaluation and review of the Group's reserves. An independent valuer has reviewed DONG Energy's reserves classification system and guidelines and has verified that the internal guidelines are in agreement with the SPE-PRMS guidelines.

Exploration assets are tested for impairment when sufficient data have been obtained to assess each asset's technical and commercial potential and when exploration assets are reclassified as assets under construction. Impairment testing is also carried out if there is any indication of impairment. Significant estimates made in determining the recoverable amount of exploration assets include the timing and the timing of costs in connection with the exploration drillings, the results of existing exploration wells and the expectations concerning future exploration wells in the individual fields, including the probability that the exploration drillings will result in commercial discoveries.

### Useful lives of production assets

The expected useful lives of production assets are determined based on historical experience and expectations concerning the future use of these assets. The expected future uses may subsequently prove not to be realisable, which may require the useful lives to be reassessed. Oil and gas production assets are depreciated using the unit-of-production method, which means that the useful lives of these production assets are determined based on expectations concerning annual production and estimated reserves for each field. Changed expectations concerning future annual production and/or estimated reserves for each field may therefore result in a need to reassess the useful lives of the production assets of the individual fields.

# 3.2 EXPLORATION ACTIVITIES AND LICENCES

## EXPLORATION ACTIVITIES

| DKK million | **2015** | 2014 | 2013 |
|---|---|---|---|
| Income from exploration activities | 407 | 26 | |
| Exploration expenses | (868) | (1,292) | (1,823) |
| Exploration expenses, net | (461) | (1,266) | (1,823) |
| Exploration assets | 39 | 486 | 1,347 |
| Obligations in respect of exploration assets | (26) | (316) | (597) |
| Exploration assets, net | 13 | 170 | 750 |
| Cash flows from operating activities | (240) | (928) | (1,791) |
| Cash flows from investing activities | (139) | (404) | (1,082) |
| Free cash flow (FCF) | (379) | (1,332) | (2,873) |

The Oil & Gas exploration activities have been reduced over the years, resulting in net costs of DKK 461 million in 2015. The activities have been reduced significantly relative to 2014 and 2013. In 2015, the exploration wells Xana and Solsort were expensed, reducing assets from exploration assets to DKK 39 million at 31 December 2015. The reason is primarily the fall in oil and gas prices, which leads to uncertainty regarding the financial viability of any further development of these.

In 2014, the exploration wells in Rosebank and Cambo, among others, were expensed, which was the primary reason for the decline from 2013 to 2014.

### ACCOUNTING POLICIES

Exploration assets comprise exploration drilling expenses that relate to successful wells. Costs are recognised using the successful-efforts method. Under the successful-efforts method, exploration drilling expenses for drilling specific exploration wells are recognised in the balance sheet if the well is successful. Recognition in the balance sheet is maintained pending determination of commercial viability. Recognised exploration drilling expenses for commercial discoveries are transferred to property, plant and equipment under construction on commencement of the construction of a field. All exploration drilling expenses determined as unsuccessful are recognised in profit (loss) for the year as other external expenses. Application of the successful-efforts method means that the value of the Group's exploration assets is lower than if the full-cost method had been applied. Exploration assets are not depreciated, as depreciation of such assets does not commence until the assets are available for use, on which date they are transferred to production assets.

## HYDROCARBON EXPLORATION AND EXTRACTION LICENCES IN DENMARK AND ABROAD

| Country | Licence | Ownership interest | ■ | ■ | ■ |
|---|---|---|---|---|---|
| Denmark | 7/86 Lulita part | 80% | ■ | | |
| Denmark | 7/89 Syd Arne Field | 37% | ■ | | |
| Denmark | 1/90 Lulita | 40% | ■ | | |
| Denmark | 4/95 Nini Field | 57% | ■ | | |
| Denmark | 6/95 Siri | 100% | ■ | | |
| Denmark | 9/95 Maja | 70% | | | ■ |
| Denmark | 4/98 Svane/Solsort | 70% | | | ■ |
| Denmark | 5/98 Hejre | 60% | | ■ | |
| Denmark | 16/98 Cecilie Field | 56% | ■ | | |
| Denmark | 1/06 Hejre Extension | 48% | | ■ | |
| Denmark | 3/09 Solsort | 35% | | | ■ |
| Faroe Islands | F018 Naddoddur | 100% | | | ■ |
| Faroe Islands | F019 Marjun | 100% | | | ■ |
| Greenland | G2013/40 Amaroq | 18% | | | ■ |
| Norway | PL019A Ula | 20% | ■ | | |
| Norway | PL019B Gyda | 34% | ■ | | |
| Norway | PL019D | 34% | | | ■ |
| Norway | PL065 Tambar | 45% | ■ | | |
| Norway | PL113 Mjølner | 70% | | | ■ |
| Norway | PL122 Marulk | 30% | ■ | | |

| Country | Licence | Ownership interest | ■ | ■ | ■ |
|---|---|---|---|---|---|
| Norway | PL122B Marulk | 30% | ■ | | |
| Norway | PL122C Marulk | 30% | ■ | | |
| Norway | PL122D Marulk | 30% | ■ | | |
| Norway | PL147 Trym/Trym South | 50% | ■ | | |
| Norway | PL159B Alve | 15% | ■ | | |
| Norway | PL208 Ormen Lange | 45% | ■ | | |
| Norway | PL250 Ormen Lange | 9% | ■ | | |
| Norway | PL274 Oselvar | 55% | ■ | | |
| Norway | PL274CS Oselvar | 55% | ■ | | |
| Norway | PL289 Musling | 50% | | | ■ |
| Norway | PL300 Tambar East | 45% | ■ | | |
| Norway | PL613 Fafner | 40% | | | ■ |
| Norway | PL656 Clipper | 20% | | | ■ |
| Norway | PL669 Ula NE | 40% | | | ■ |
| Norway | PL689 Hyse | 40% | | | ■ |
| Norway | PL698 Carmen | 10% | | | ■ |
| Norway | PL699 Ormen Korte | 10% | | | ■ |
| Norway | PL728 Turtles | 45% | | | ■ |
| Norway | PL728B Turtles | 45% | | | ■ |
| UK | P911 Laggan | 20% | | ■ | |

| Country | Licence | Ownership interest | ■ | ■ | ■ |
|---|---|---|---|---|---|
| UK | P967 Tobermory | 33% | | | ■ |
| UK | P1026 Rosebank | 10% | | | ■ |
| UK | P1028 Cambo | 20% | | | ■ |
| UK | P1159 Tormore | 20% | | ■ | |
| UK | P1189 Cambo | 20% | | | ■ |
| UK | P1190 Tornado | 20% | | | ■ |
| UK | P1191 Rosebank South | 10% | | | ■ |
| UK | P1195 Glenlivet | 20% | | ■ | |
| UK | P1262 Tornado | 20% | | | ■ |
| UK | P1272 Rosebank | 10% | | | ■ |
| UK | P1453 Edradour | 20% | | ■ | |
| UK | P1598 Cragganmore | 55% | | | ■ |
| UK | P1678 Tormore | 20% | | ■ | |
| UK | P1830 Black Rock | 25% | | | ■ |
| UK | P2014 Flett Basin | 60% | | | ■ |
| UK | P2044 Dalwhinnie | 35% | | | ■ |
| UK | P2067 Catcher Area | 15% | | | ■ |
| UK | P2138 Rockall | 10% | | | ■ |
| UK | P2194 Longjohn | 20% | | | ■ |

■ Producing oil/gas field ■ Oil/gas field under development ■ Oil/gas field under evaluation

# 3.3 PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

| | **2015** | | | | 2014 | | | | 2013 | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| DKK million | Decom-missioning obligations | Onerous contracts | Other liabilities | **Total** | Decom-missioning obligations | Onerous contracts | Other liabilities | **Total** | Decom-missioning obligations | Onerous contracts | Other liabilities | **Total** |
| Provisions at 1 January | 10,368 | 3,084 | 2,482 | 15,934 | 8,821 | 2,811 | 1,978 | 13,610 | 8,415 | 2,911 | 1,649 | 12,975 |
| Exchange rate adjustments | (84) | | 88 | 4 | (127) | | 47 | (80) | (366) | | (28) | (394) |
| Disposals | (44) | (323) | (472) | (839) | (256) | (300) | (527) | (1,083) | (32) | (296) | (665) | (993) |
| Provisions reversed during the year | | | (264) | (264) | (18) | (716) | (265) | (999) | | | (248) | (248) |
| Provisions made during the year | 368 | 2,579 | 738 | 3,685 | 769 | 1,171 | 1,249 | 3,189 | 377 | 72 | 1,256 | 1,705 |
| Change in estimates of other factors | 516 | | | 516 | 684 | | | 684 | 135 | | | 135 |
| Addition on acquisition of enterprises | | | | - | 141 | | | 141 | | | | |
| Disposal on divestment of enterprises/transferred to assets classified as held for sale | (474) | | | (474) | (62) | | | (62) | (71) | | | (71) |
| Interest element of provisions | 494 | 132 | | 626 | 416 | 118 | | 534 | 363 | 124 | 14 | 501 |
| Provisions at 31 December | 11,144 | 5,472 | 2,572 | 19,188 | 10,368 | 3,084 | 2,482 | 15,934 | 8,821 | 2,811 | 1,978 | 13,610 |
| Falling due as follows: | | | | | | | | | | | | |
| 0-1 year | 31 | 1,070 | 333 | 1,434 | 16 | 192 | 329 | 537 | 38 | 199 | 482 | 719 |
| 1-5 years | 1,894 | 2,993 | 1,688 | 6,575 | 2,162 | 1,209 | 1,722 | 5,093 | 1,917 | 795 | 1,281 | 3,993 |
| After 5 years | 9,219 | 1,409 | 551 | 11,179 | 8,190 | 1,683 | 431 | 10,304 | 6,866 | 1,817 | 215 | 8,898 |

Decommissioning obligations mainly comprise expected future expenses relating to demolition and decommissioning of wind farms, CHP plants and oil and gas fields.

Onerous contracts comprise: a contract for LNG terminal capacity in the Netherlands, DKK 1,158 million (2014: DKK 1,122 million and 2013: DKK 475 million), contracts for leasing of gas storage capacity in Germany, DKK 1,324 million (2014: DKK 1,478 million and 2013: DKK 2,264 million), contract regarding the Stenlille Gas Storage Facility, DKK 410 million (2014: DKK 484 million and 2013: DKK 0 million) and contracts relating to the construction of oil and gas-related production facilities, DKK 2,516 million. The provision concerning the construction of production facilities is recognised in depreciation, amortisation and impairment losses on intangible assets and property, plant and equipment in the income statement.

Other provisions primarily include provisions for guarantee obligations, divestments, $CO_2$ obligations, contractual obligations, etc., as well as expected repayments to power consumers etc., relating to litigation. Provisions for $CO_2$ obligations relate to the Group's own emissions. In 2015, DKK 235 million (2014: DKK 407 million and 2013: DKK 136 million) was spent, and further provisions of DKK 204 million were made (2014: DKK 235 million and 2013: DKK 347 million).

**DECOMMISSIONING OBLIGATIONS BY SEGMENT**

| | Wind Power | Bioenergy & Thermal Power | Distribution & Customer Solutions | Oil & Gas | **Total** |
|---|---|---|---|---|---|
| 0-5 years | 57 | 115 | 3 | 1,750 | 1,925 |
| 5-10 years | 298 | | | 1,577 | 1,875 |
| 10-20 years | 1,612 | 480 | 72 | 4,381 | 6,545 |
| After 20 years | 494 | 195 | 110 | | 799 |
| 2015 | 2,461 | 790 | 185 | 7,708 | 11,144 |
| 2014 | 2,074 | 789 | 609 | 6,896 | 10,368 |
| 2013 | 1,575 | 852 | 606 | 5,788 | 8,821 |

# 3.3 PROVISIONS, CONTINGENT ASSETS AND LIABILITIES CONTINUED

**Contingent assets**

Deferred tax

The DONG Energy Group has deferred tax assets of DKK 30,949 million (2014: DKK 20,160 million and 2013: DKK 12,949 billion) that have not been recognised. Reference is made to note 5.4.

Litigation

DONG Energy has initiated arbitration proceedings against suppliers regarding long-term, oil-indexed gas purchase contracts. The contingent effect of the claims have not been recognised, as the existence of these assets is subject to several uncertain future events that are outside DONG Energy's control.

**Contingent liabilities**

Liability to pay compensation

According to legislation, DONG Energy's gas companies DONG Salg & Service A/S, DONG Oil Pipe A/S, DONG E&P A/S, DONG E&P Danmark A/S and DONG E&P Grønland A/S are liable to pay compensation for damage caused by their oil and gas activities, even where there is no proof of negligence (strict liability). The usual insurance has been taken out to cover any such claims.

Guarantees

DONG Energy A/S has furnished the Danish State with guarantees for fulfilment of licence obligations and liability in damages towards the State or third parties incurred by DONG E&P A/S or DONG E&P DK A/S in connection with the companies' participation in exploration and production licences, irrespective of whether the obligations and liability rest on DONG E&P A/S or DONG E&P DK A/S alone or jointly and severally with others. The guarantees are not capped, but if claims are made under a guarantee due to obligations assumed by DONG E&P A/S or DONG E&P DK A/S on a joint and several basis with other licensees, the guarantee sum cannot exceed a sum corresponding to twice DONG E&P A/S's or DONG E&P DK A/S' share of each obligation or liability.

As a condition for approval of its participation in oil and gas exploration and production on the Norwegian, UK, Greenland and Faroese continental shelves, DONG Energy A/S has provided a guarantee as normally required by the local authorities. The guarantees cover obligations and liability incurred or assumed by the DONG E&P Group in connection with its exploration and production activities. The guarantees are not capped, and the DONG E&P Group is jointly and severally liable with the other partners for obligations and liabilities.

Litigation

DONG Energy is a party to actions relating to the competition authorities' claim that Elsam A/S and Elsam Kraft A/S charged excessive prices in the Danish wholesale power market in some periods. Following a merger in 2008, Elsam Kraft A/S is now part of DONG Energy Thermal Power A/S.

The Competition Appeals Tribunal has concluded that Elsam A/S and Elsam Kraft A/S to some extent abused their dominant position in the wholesale power market in Western Denmark in the periods 1 July 2003 to 31 December 2004 and 1 January 2005 to 30 June 2006 by charging excessive prices. DONG Energy disputes the rulings, and appeals have been lodged with the Copenhagen Maritime and Commercial Court.

A group of power consumers has filed a claim with the Copenhagen Maritime and Commercial Court for compensation of up to DKK 4.4 billion with the addition of interest in connection with the above actions relating to excessive prices in Western Denmark. DONG Energy has made a provision of DKK 298 million (with the addition of interest), which has been determined on the basis of the Danish Competition Council's calculation of the consumers' losses.

In addition, DONG Energy is a party to a number of litigation proceedings and legal disputes, none of which will significantly impact the company's financial position, either individually or collectively.

## ACCOUNTING POLICIES

Provisions are recognised when, as a result of an event occurring before or at the balance sheet date, the Group has a legal or constructive obligation, the settlement of which is expected to result in an outflow from the Group of resources embodying economic benefits. A provision for onerous contracts is made when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. Provisions concerning $CO_2$ emissions are recognised when actual emissions exceed the Group's holding of $CO_2$ emissions allowances classified as intangible assets.

Decommissioning obligations are measured at the present value of the future liability in respect of demolition and decommissioning as expected at the balance sheet date. The value of the provision is recognised in property, plant and equipment and depreciated together with the associated asset. The increase in time of the present value of the provision is recognised in the profit (loss) for the year as financial expenses.

## CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates of the Group's provisions are updated quarterly on the basis of management's expectations.

Decommissioning obligations

Estimates of decommissioning obligations are based on management's expectations concerning timing and scope, future cost level and adopted laws and regulations on decommissioning. The timing of the decommissioning obligations depends on the useful lives of the assets. In the case of oil and gas fields, the expected useful lives depend on the current estimates of oil and gas reserves. The determination of these reserve estimates is subject to uncertainty, see the section on impairment testing in note 3.1 on property, plant and equipment. As regards the Danish CHP plants, it is assessed that these must be removed no later than 12 years after they have been decommissioned.

In measuring provisions, the costs required to meet the obligations are discounted. In determining decommissioning obligations at 31 December 2015, a discount rate of 4.5% is applied, the same discount rate that the Group applied at 31 December 2014 and at 31 December 2013. The applied discount rate of 4.5% is still expected to be applied over a prolonged period. The rate has been estimated on the basis of expectations concerning the future, long-term interest rate level, based on the historical interest rate level.

The extent to which demolition and decommissioning will be required is estimated based on current legislation and standards in this area. Expectations concerning the future cost level are based on variables such as expectations concerning the general price trend or the oil price trend, demand conditions and the development in existing technologies.

Onerous contracts

In the course of the Group's operations, a number of commercial contracts have been entered into with fixed terms of contract that may result in the contracts becoming onerous depending on market developments etc., and the obligations incurred by the Group as a result of these contracts may also be subject to uncertainty. The judgements concerning these complex contracts and their future effects are subject to significant uncertainties.

Litigation

When exercising a judgement about a potential liability in connection with litigation, the nature of the litigation, claim or statement is assessed. Other factors taken into account are the development of the case, the judgements and recommendations of legal or other advisers, experience from similar cases, and management's decision on how the Group will react to the litigation, claim or statement.

# 3.4 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

### INDIVIDUALLY MATERIAL ASSOCIATES

| Name | Ownership interest | Registered office | Activity |
|---|---|---|---|
| Etzel Kavernenbetriebs-gesellschaft mbH & Co. KG | 33% | Bremen, Germany | Gas storage facility |

### INDIVIDUALLY MATERIAL JOINT VENTURES

| Name | Ownership interest | Registered office | Activity |
|---|---|---|---|
| Lincs Renewable Energy Holdings Ltd. | 50% | London, UK | 50% ownership interest in offshore wind farm |

The table below provides financial information on the Group's individually material associates and joint ventures. The amounts stated are the overall accounting figures for the individual associates and joint ventures, determined applying the DONG Energy Group's accounting policies.

The most significant associates and joint ventures in the DONG Energy Group are Etzel Kavernenbetriebsgesellschaft mbH & Co. KG and Lincs Renewable Energy Holdings Ltd.

In 2015, the Group's share of the profit (loss) for the year in associates and joint ventures totalled DKK 104 million (2014: DKK -577 million and 2013: DKK -768 million) and was recognised in the income statement as share of profit (loss) in associates and joint ventures. Of this amount, DKK 112 million (2014: DKK -93 million and 2013: DKK -711 million) was recognised in income from the Group's principal activities and DKK -8 million (2014: DKK -484 million and 2013: DKK -57 million) was recognised in the Group's non-principal activities.

In 2013, Barrow Offshore Wind Ltd. was included as a joint venture due to a 50% ownership interest. In 2014, DONG Energy acquired the remaining 50%, and the investment was therefore consolidated 100% at the end of 2014.

**Capital commitments**
At the end of 2015 and 2014, the Group had not assumed capital commitments in respect of, for example, offshore wind farm projects in connection with associates and joint ventures.

The capital commitments of DKK 780 million in 2013 included investments in offshore wind farm projects in joint ventures.

| 2015<br>DKK million | Revenue | Depreciation, amortisation and impairment losses | Tax on profit (loss) for the year | Profit (loss) for the year | Non-current assets | Current assets | Equity | Current liabilities | DONG Energy's share: Profit (loss) for the year | DONG Energy's share: Equity |
|---|---|---|---|---|---|---|---|---|---|---|
| Associates | | | | | | | | | | |
| Etzel Kavernenbetriebsgesellschaft mbH & Co. KG | 466 | (131) | 11 | (26) | 818 | 91 | 767 | 142 | (9) | 256 |
| Other associates | | | | | | | | | 35 | 19 |
| Joint ventures | | | | | | | | | | |
| Lincs Renewable Energy Holdings Ltd. | | | (30) | 31 | 517 | 1,617 | 2,170 | 18 | 16 | 1,085 |
| Other joint ventures | | | | | | | | | 62 | 61 |
| Total | | | | | | | | | 104 | 1,421 |

| 2014 | Revenue | Depreciation, amortisation and impairment losses | Tax on profit (loss) for the year | Profit (loss) for the year | Non-current assets | Current assets | Equity | Current liabilities | DONG Energy's share: Profit (loss) for the year | DONG Energy's share: Equity |
|---|---|---|---|---|---|---|---|---|---|---|
| Associates | | | | | | | | | | |
| Etzel Kavernenbetriebsgesellschaft mbH & Co. KG | 463 | (1,448) | 13 | (1,357) | 919 | 94 | 791 | 222 | (453) | 263 |
| Other associates | | | | | | | | | (41) | 10 |
| Joint ventures | | | | | | | | | | |
| Lincs Renewable Energy Holdings Ltd. | | | (27) | (68) | 585 | 1,569 | 2,122 | 32 | (34) | 1,061 |
| Other joint ventures | | | | | | | | | (49) | (19) |
| Total | | | | | | | | | (577) | 1,315 |

# 3.4 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES CONTINUED

| 2013<br>DKK million | Revenue | Depreciation, amortisation and impairment losses | Tax on profit (loss) for the year | Profit (loss) for the year | Non-current assets | Current assets | Equity | Non-current liabilities | Current liabilities | DONG Energy's share<br>**Profit (loss) for the year** | <br>**Equity** |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Associates | | | | | | | | | | | |
| Etzel Kavernenbetriebsgesellschaft mbH & Co. KG | 466 | (116) | 27 | (64) | 2,210 | 102 | 2,153 | 1 | 158 | (21) | 718 |
| Other associates | | | | | | | | | | (420) | 4 |
| Joint ventures | | | | | | | | | | | |
| Lincs Renewable Energy Holdings Ltd. | | | 28 | (56) | 778 | 1,377 | 2,115 | | 40 | (28) | 1,058 |
| Barrow Offshore Wind Ltd. | 189 | (53) | 3 | 55 | 702 | 110 | 464 | 293 | 55 | 27 | 232 |
| Other joint ventures | | | | | | | | | | (326) | 1 |
| Total | | | | | | | | | | (768) | 2,013 |

## ACCOUNTING POLICIES

Investments in associates and joint ventures are measured in the consolidated financial statements using the equity method.

Profit (loss) of associates and joint ventures that are deemed to be part of the Group's principal activity is presented before EBITDA, while profit (loss) of associates and joint ventures that are deemed not to be part of the Group's principal activity is presented after EBIT.

Associates and joint ventures with a negative equity value are measured at nil. If the Group has a legal or constructive obligation to cover the enterprise's deficit, the obligation is recognised as a liability. Receivables from associates and joint ventures are measured at amortised cost, and write-downs are made for bad debts.

The proportionate share of associates' and joint ventures' profit after tax and non-controlling interests and after elimination of the proportionate share of intragroup gains (losses) is recognised in profit (loss) for the year.

On acquisition of investments in associates and joint ventures, the purchase method is applied. Gains or losses on disposal of investments in associates and joint ventures are determined as the difference between the selling price and the carrying amount of net assets, including goodwill, at the date of disposal and transaction costs. Gains and losses are recognised in profit (loss) for the year as gain or loss on divestment of enterprises.

## CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Investments in associates and joint ventures are tested for impairment if there is any indication of impairment. Such indications may include changes in regulatory, financial and technological factors and general market conditions.

On initial recognition and in connection with any restructuring of joint ventures and joint operations, an assessment is made of whether an investment is a joint venture or a joint operation. In both cases, joint management must be exercised. To decide whether a collaboration can be classified as a joint operation, the corporate form is assessed, and whether only DONG Energy is entitled to the net profit or income and expenses resulting from the operation. In addition, the fact that the parties buy all output, for example the power generated, will lead to the set-up being considered to be a joint operation. This is the case for several of the Group's wind farms as well as the Group's licences to extract oil and gas.

# 3.5 GROSS AND NET INVESTMENTS

| DKK million | 2015 | 2014 | 2013 |
|---|---|---|---|
| Cash flows from investing activities | (12,799) | (14,796) | (6,483) |
| Dividends received and capital reduction, reversed | (20) | (15) | (39) |
| Purchase and sale of securities, reversed | (3,237) | 10,330 | 1,204 |
| Loans to associates and joint ventures, reversed | (32) | (250) | (760) |
| Sale of non-current assets, reversed | (2,605) | (10,628) | (15,156) |
| Gross investments | (18,693) | (15,359) | (21,234) |
| Transactions with non-controlling interests in connection with divestments | (32) | (1) | 65 |
| Interest-bearing balances on acquisition and divestment of enterprises | | 26 | 111 |
| Sale of non-current assets | 2,605 | 10,628 | 15,156 |
| Total cash flows from divestments | 2,573 | 10,653 | 15,332 |
| Net investments | (16,120) | (4,706) | (5,902) |

The table specifies the calculation of gross investments and net investments on the basis of cash flows from investing activities.

In 2015, gross investments totalled DKK 18,693 million (2014: DKK 15,359 million and 2013: DKK 21,234 million).

Gross investments in Wind Power primarily comprise development of wind activities (DKK 10,192 million), including the German offshore wind farms Borkum Riffgrund 1 and Gode Wind 1 and 2, the acquisition of the remaining ownership interest in Hornsea 1 and project rights to Hornsea 2 and the offshore wind farms Westermost Rough and Burbo Bank Extension in the UK.

In Oil & Gas, the most significant investments were made in the development of oil and gas fields (DKK 5,985 million), including Hejre and Syd Arne in Denmark and Laggan-Tormore in the UK.

In 2015, cash flows from the divestment of assets and enterprises totalled DKK 2,573 million (2014: DKK 10,653 million and 2013: DKK 15,332 million).

Divestments in Wind Power primarily consist of the divestment of 50% of Gode Wind 1 to Global Infrastructure Partners and the receipt of a deferred selling price relating to the divestment of 50% of Westermost Rough in 2014. Divestments in Bioenergy & Thermal Power primarily consist of the divestment of the Måbjerg CHP Plant. In Oil & Gas, divestments primarily consist of the divestment of the ownership interest in the Norwegian Gassled transmission grid and an earn-out payment related to the sale of 60% of DONG Energy's ownership interest in the Glenlivet gas field in the UK in 2014.

In 2014, divestments in Wind Power primarily consisted of the divestment of 50% of the ownership interests in London Array and Westermost Rough, and in Distribution & Customer Solutions they concerned the divestments of the Dutch trading company DONG Energy Sales B.V. and DONG Storage A/S.

# 3.6 ACQUISITION OF ENTERPRISES

**Acquisition of enterprises in 2015**
There were no business combinations in 2015.

**Acquisition of enterprises in 2014**
In 2014, DONG Energy obtained control of Barrow Offshore Wind Ltd., which owns and operates an offshore wind farm in the UK. The ownership interest was previously classified as a joint venture and was recognised according to the equity method.

At the time of acquisition, the cost of acquired assets and liabilities, including transferred cash and cash equivalents of DKK 45 million, was DKK 474 million. After fair value adjustment of net assets, goodwill was determined at DKK 0.

The acquisition contributed DKK 9 million and DKK 1 million to the Group's revenue and profit (loss) for 2014, respectively.

If DONG Energy had had control of Barrow Offshore Wind Ltd. throughout 2014, the Group would have posted revenue and profit (loss) for 2014 of DKK 72,025 million and a loss of DKK 2,306 million, respectively.

**Acquisition of enterprises in 2013**
There were no business combinations in 2013.

| 2014 | Previous ownership interest | Ownership interest acquired | DONG Energy ownership interest, total | Acquisition date | Core activity |
|---|---|---|---|---|---|
| Barrow Offshore Wind Ltd. | 50% | 50% | 100% | 19 December 2014 | Power generation |

## ACCOUNTING POLICIES

Enterprises acquired or formed are recognised in the consolidated financial statements from the date of acquisition or formation. The acquisition date is the date on which DONG Energy effectively obtains control of the acquiree. On acquisition of new enterprises whereby the parent company obtains control of the acquiree, the purchase method is applied, after which the acquiree's identifiable assets, liabilities and contingent liabilities are measured at fair value at the acquisition date.

The consideration transferred in exchange for an acquiree is measured at the fair value of the agreed consideration in the form of assets acquired, liabilities assumed and equity instruments issued. If parts of the consideration are contingent on future events, these are recognised in the consideration at the acquisition-date fair value. Costs incurred in connection with business combinations are recognised directly in profit (loss) for the year as incurred.

The excess of the cost of the consideration transferred in exchange for the acquiree, the amount of any non-controlling interests in the acquiree and the fair value of the identifiable assets acquired and liabilities and contingent liabilities assumed (goodwill) is recognised as goodwill.

If there is any uncertainty, at the acquisition date, concerning the measurement of identifiable assets acquired and liabilities and contingent liabilities assumed, initial recognition is based on provisional fair values.

Subsequent adjustments, including goodwill, are made retrospectively within 12 months of the acquisition date, and comparative figures are restated. Changes in estimates of contingent consideration are generally recognised directly in profit (loss) for the year.

Non-controlling interests are measured on initial recognition either at fair value or at their proportionate interest in the fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. The measurement of non-controlling interests is elected on a transaction-by-transaction basis.

# 3.7 DIVESTMENT OF ENTERPRISES

| DKK million | 2015 | 2014 | 2013 |
|---|---|---|---|
| Non-current assets | 870 | 1,002 | 7,319 |
| Current assets | 36 | 479 | 250 |
| Assets classified as held for sale | | | 556 |
| Non-current liabilities | (326) | (163) | (430) |
| Current liabilities | (36) | (465) | (3,490) |
| Liabilities relating to assets classified as held for sale | | | (115) |
| Gain on divestment of enterprises in the income statement | 16 | 1,253 | 2,045 |
| Selling price on divestment of enterprises | 560 | 2,106 | 6,135 |
| Of which selling price receivable | | 340 | (125) |
| Of which recognised as other provisions | 16 | 481 | 57 |
| Cash transferred | | 206 | 3,117 |
| Cash selling price on divestment of enterprises | 576 | 3,133 | 9,184 |

In 2015, gains on the divestment of enterprises primarily concerned gains on the divestment of Måbjergværket A/S (Bioenergy & Thermal Power) and the divestment of the ownership interest in the Norwegian Gassled gas pipeline network (Oil & Gas).

In 2014, gains on the divestment of enterprises consisted primarily of gains on the divestment of DONG Storage A/S (Stenlille Gas Storage Facility) (Distribution & Customer Solutions).

In 2013, gains on the divestment of enterprises consisted primarily of Kraftgården AB (Wind Power), Polish and Danish onshore wind activities (Wind Power), Severn Power Limited (Bioenergy & Thermal Power) and Stadtwerke Lübeck (Distribution & Customer Solutions).

Assets and liabilities related to divested enterprises are shown in the table on the right.

## ACCOUNTING POLICIES

Enterprises divested or disposed of are recognised in the consolidated income statement up to the date of disposal. The date of disposal is the date on which DONG Energy A/S or its subsidiaries effectively relinquish control of the enterprise divested or disposed of.

Comparative figures are not restated to reflect disposals.

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

# 3.8 ASSETS CLASSIFIED AS HELD FOR SALE

| DKK million | **2015** | 2014 | 2013 |
|---|---|---|---|
| Intangible assets | 1 | | 13 |
| Property, plant and equipment | 2,328 | | 1 |
| Other non-current assets | 73 | | |
| Non-current assets | 2,402 | - | 14 |
| Current assets | 183 | | 266 |
| Assets classified as held for sale at 31 December | 2,585 | - | 280 |
| Non-current liabilities | 766 | | |
| Current liabilities | 367 | | 2 |
| Liabilities related to assets classified as held for sale at 31 December | 1,133 | - | 2 |
| Assets classified as held for sale, net | 1,452 | - | 278 |

On 18 September 2015, the Danish Ministry of Finance announced a plan for an IPO of DONG Energy. On this occasion, it was announced that DONG Energy's ownership of the gas distribution grid as well as oil and gas pipelines shall be divested to Energinet.dk. A process for the divestment of the Group's gas distribution activities and the North Sea oil pipeline (Distribution & Customer Solutions) has been initiated and is expected to be completed within 12 months. Consequently, both activities have been classified as assets held for sale at 31 December 2015. Assets classified as held for sale have been impaired by DKK 1,000 million due to the continued fall in oil and gas prices. Reference is made to the section on critical accounting estimates and judgements on page 79.

In 2013, assets classified as held for sale consisted of the Dutch sales company DONG Energy Sales B.V. (Distribution & Customer Solutions), which was divested in 2014. Reference is made to note 3.7.

### ACCOUNTING POLICIES

Assets classified as held for sale are measured at the lower of carrying amount before the reclassification and fair value less costs to sell.

# 3.9 NON-CONTROLLING INTERESTS

| DKK million | 2015 | 2014 | 2013 |
|---|---|---|---|
| **Transactions with non-controlling interests** | | | |
| Dividends paid to non-controlling interests | (548) | (528) | (319) |
| Disposal of equity investments to non-controlling interests | (71) | (87) | (303) |
| Other capital transactions with non-controlling interests | (2) | (6) | 148 |
| Transactions in total, see statement of cash flows | (621) | (621) | (474) |
| **Disposal of equity investments to non-controlling interests** | | | |
| Selling price | 22 | 34 | (35) |
| Of which change in receivables relating to acquisition and disposal of non-controlling interests | (41) | (90) | (222) |
| Of which change in payables relating to acquisition and disposal of non-controlling interests | (52) | (31) | (46) |
| Cash selling price, total | (71) | (87) | (303) |

The DONG Energy Group's subsidiaries with significant non-controlling interests include the following enterprises/groups:

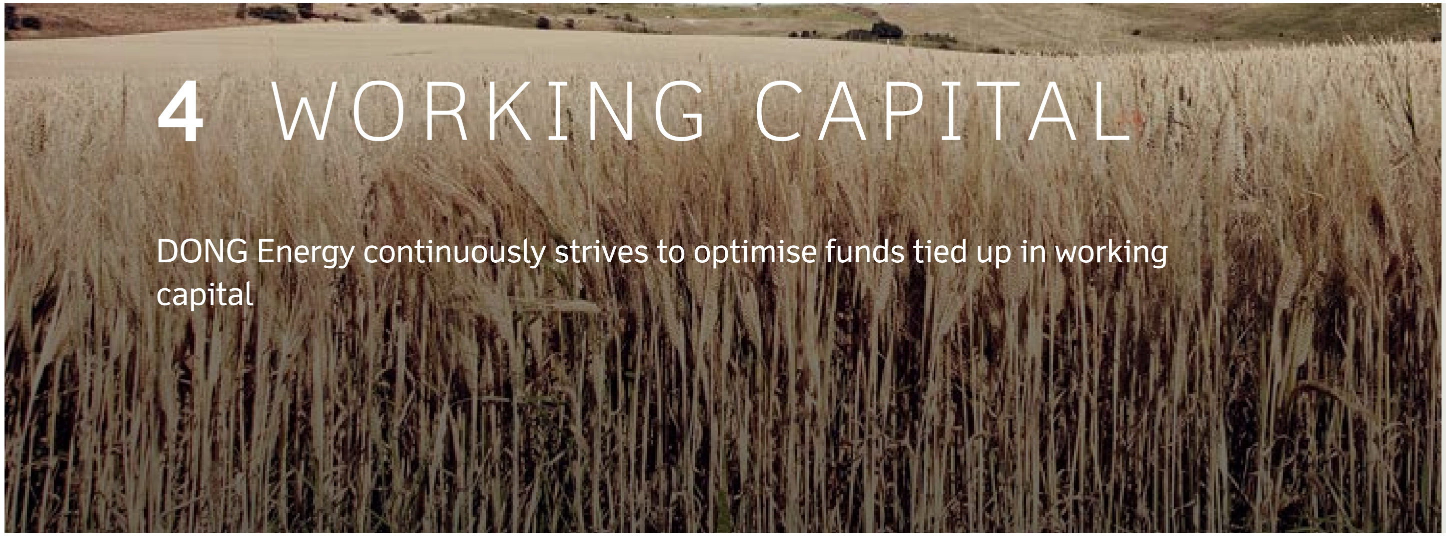
| | Non-controlling interest | Registered office |
|---|---|---|
| A2SEA A/S | 49.0% | Fredericia, DK |
| Gunfleet Sands Holding Ltd. | 49.9% | London, UK |
| Walney (UK) Offshore Windfarms Ltd. | 49.9% | London, UK |

### ACCOUNTING POLICIES

The amounts stated are the consolidated accounting figures of the individual enterprises/groups, determined applying the DONG Energy Group's accounting policies.

Transactions with non-controlling interests are accounted for as transactions with the shareholder base. Gains and losses on the divestment of equity investments to non-controlling interests are recognised in equity to the extent that the divestment does not result in a loss of control. Net assets acquired are not revalued on acquisition of non-controlling interests. Any difference between the carrying amount and the acquisition or selling price is recognised in equity.

| | A2Sea A/S group | | | Gunfleet Sands Holding Ltd. group | | | Walney (UK) Offshore Windfarms Ltd. | | |
|---|---|---|---|---|---|---|---|---|---|
| DKK million | 2015 | 2014 | 2013 | 2015 | 2014 | 2013 | 2015 | 2014 | 2013 |
| **Statement of comprehensive income** | | | | | | | | | |
| Revenue | 1,293 | 1,685 | 1,489 | 484 | 429 | 392 | 1,267 | 1,142 | 985 |
| Profit (loss) for the year | (209) | 191 | 250 | 54 | (49) | 36 | 179 | 6 | 99 |
| Total comprehensive income | (209) | 197 | 239 | 186 | 81 | 22 | 323 | 271 | (237) |
| Profit (loss) for the year attributable to non-controlling interests | (124) | 54 | 50 | 90 | (20) | (115) | 63 | 21 | (131) |
| **Balance sheet** | | | | | | | | | |
| Non-current assets | 2,332 | 2,859 | 2,691 | 3,252 | 3,128 | 3,132 | 8,318 | 8,359 | 8,322 |
| Current assets | 459 | 228 | 346 | 169 | 166 | 156 | 301 | 276 | 262 |
| Non-current liabilities | 258 | 320 | 293 | 313 | 269 | 225 | 712 | 688 | 477 |
| Current liabilities | 399 | 248 | 216 | 40 | 74 | 36 | 134 | 153 | 182 |
| Carrying amount of non-controlling interests | 961 | 1,171 | 1,194 | 1,531 | 1,472 | 1,510 | 3,886 | 3,896 | 3,914 |
| **Statement of cash flows** | | | | | | | | | |
| Cash flows from operating activities | 165 | 427 | 386 | 264 | 210 | 219 | 754 | 658 | 602 |
| Cash flows from investing activities | (92) | (453) | (588) | | | | (6) | (12) | (114) |
| Cash flows from financing activities | (163) | (227) | 252 | (255) | (221) | (280) | (720) | (659) | (616) |
| - of which dividends paid to non-controlling interests | (86) | (102) | (14) | (127) | (110) | (140) | (334) | (298) | (290) |



# 4 WORKING CAPITAL

DONG Energy continuously strives to optimise funds tied up in working capital

**-2.9bn**

The Group's net working capital, excluding trade payables relating to capital expenditures in 2015

**1.3bn**

The Group reduced its working capital by DKK 1,255 million relative to 2014

## IN THIS SECTION

**4.1** Inventories
**4.2** Construction contracts
**4.3** Trade receivables
**4.4** Other receivables
**4.5** Other payables
**4.6** Change in net working capital

**Working capital**

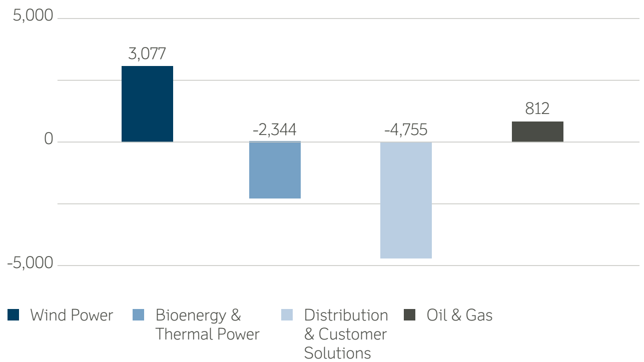
DONG Energy's most significant working capital items are inventories, construction contracts, trade receivables, trade payables and other payables, including prepayments from heat customers and connection charges from power and gas customers.

Working capital items vary across the year in line with the seasonal variations in the Group's production and sales. Contracts in Wind Power for the construction of offshore wind farms with co-investors and for the construction of offshore transmission systems in the UK also vary over the year and from year to year, as payments are received in the form of milestone payments upon divestment of the transmission systems after construction.

The Group's trade payables relating to capital investments are not included in this section as they are presented as part of the cash flows from investing activities.

| DKK million | **2015** | 2014 | 2013 |
|---|---|---|---|
| Inventories | 3,567 | 2,938 | 3,560 |
| Construction contracts, net | 3,193 | 144 | 1,475 |
| Trade receivables | 7,739 | 8,346 | 8,875 |
| Other receivables | 1,737 | 2,632 | 4,315 |
| Receivables from associates and joint ventures | 6 | 1 | 97 |
| Trade payables, excluding trade payables relating to capital expenditure | (7,092) | (6,616) | (5,796) |
| Other payables | (12,037) | (9,077) | (10,422) |
| Net working capital, excluding trade payables relating to capital expenditures at 31 December | (2,887) | (1,632) | 2,104 |

**WORKING CAPITAL,** DKK million 2015



# 4.1 INVENTORIES

| DKK million | 2015 | 2014 | 2013 |
|---|---|---|---|
| Biomass | 136 | 74 | 78 |
| Gas | 1,232 | 727 | 1,801 |
| Coal | 288 | 309 | 459 |
| Oil | 135 | 173 | 211 |
| Green certificates | 1,578 | 1,390 | 817 |
| $CO_2$ emissions allowances | 127 | 179 | 96 |
| Other inventories | 71 | 86 | 98 |
| Inventories at 31 December | 3,567 | 2,938 | 3,560 |

### ACCOUNTING POLICIES

In the case of gas, cost is determined as a weighted average of the previous month's buying prices, including transportation costs.

Allocated and purchased $CO_2$ emissions allowances that form part of the Group's trading activities with a view to generating gains from short-term price changes are measured at fair value.

Other inventories are measured at cost using the first-in, first-out (FIFO) principle or net realisable value. Inventories are written down to net realisable value whenever the cost exceeds the net realisable value.

# 4.2 CONSTRUCTION CONTRACTS

| DKK million | 2015 | 2014 | 2013 |
|---|---|---|---|
| Selling price of construction contracts | 11,761 | 4,861 | 9,125 |
| Progress billings | (8,568) | (4,717) | (7,650) |
| Construction contracts at 31 December | 3,193 | 144 | 1,475 |
| Construction contracts (assets) | 3,864 | 1,811 | 1,890 |
| Construction contracts (liabilities) | (671) | (1,667) | (415) |
| Construction contracts at 31 December | 3,193 | 144 | 1,475 |

### ACCOUNTING POLICIES

Construction contracts are recognised in revenue and primarily comprise the construction of assets for third parties involving a high degree of customisation in terms of design.

When the outcome of a construction contract can be estimated reliably, the contract is measured at the selling price of the work performed less progress billings, by reference to the completion degree of the contract at the balance sheet date and total expected income from the contract.

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

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

### CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The determination of the expected selling price of construction contracts includes estimates of the completion degree, the value of incentive agreements, liabilities assumed, etc., based on the individual contract. The determination of profit on payments received on account and the recognition of receivables are therefore subject to uncertainty. The determination is based on management's estimates of the most likely outcomes of future events.

**Construction contracts**

Construction contracts in progress relate to the construction of 50% of the offshore wind farms Borkum Riffgrund 1, Gode Wind 1 and Gode Wind 2, which are owned by co-investors and are expected to be handed over in 2016, and the construction of five offshore transmission systems in the UK, which are expected to be handed over in 2016-2020.

In 2014, construction contracts in progress concerned the construction of 50% of the offshore wind farms Borkum Riffgrund 1 and Gode Wind 2, and the construction of three offshore transmission systems in the UK. In 2013, construction contracts in progress included Anholt and Borkum Riffgrund 1 as well as the construction of two offshore transmission systems in the UK.

# 4.3 TRADE RECEIVABLES

| DKK million | 2015 | 2014 | 2013 |
|---|---|---|---|
| Trade receivables, not overdue | 7,345 | 7,544 | 8,401 |
| Trade receivables, 1-30 days overdue | 270 | 676 | 286 |
| Trade receivables, more than 30 days overdue | 228 | 229 | 353 |
| Trade receivables, write-down | (104) | (103) | (165) |
| Trade receivables at 31 December | 7,739 | 8,346 | 8,875 |

**Trade receivables**

The Group's trade receivables primarily concern residential customers in Distribution & Customer Solutions, where the general terms of payment vary according to customer type and product type down to payment terms of 10 days.

Write-downs for the year totalled DKK 24 million (2014: DKK 17 million and 2013: DKK 48 million). Losses for the year total DKK 21 million (2014: DKK 63 million and 2013: DKK 53 million).

**ACCOUNTING POLICIES**

A write-down is made for expected losses where there is an indication that a receivable or a portfolio of receivables is impaired. The write-down is calculated as the difference between the carrying amount and the net present value of expected future cash flows associated with the receivable. The discount rate used is the effective interest rate for the individual receivable or the individual portfolio.

# 4.4 OTHER RECEIVABLES

| DKK million | 2015 | 2014 | 2013 |
|---|---|---|---|
| Receivables from the divestment of equity investments to non-controlling interests | 468 | 408 | 304 |
| Receivables from the divestment of assets and investments | 1,043 | 665 | 367 |
| VAT and other indirect taxes receivable | 456 | 369 | 623 |
| Central clearing counterparties | 40 | 546 | 1,656 |
| Prepayments | 657 | 892 | 1,009 |
| Other accounts receivable | 744 | 990 | 1,248 |
| Other receivables | 3,408 | 3,870 | 5,207 |
| Of which working capital | 1,737 | 2,632 | 4,315 |
| Of which other capital employed | 754 | 595 | 588 |
| Of which interest-bearing net debt | 917 | 643 | 304 |

**Other receivables**

Receivables from the divestment of assets and investments concern primarily the divestment of 50% of the German offshore wind farm Gode Wind 1 (Wind Power) as well as receivables from the divestment of ownership interests in Glenlivet in 2014 (Oil & Gas).

Receivables from the divestment of assets and investments in 2014 primarily concerned the divestment of 50% of Westermost Rough and 50% of DONG Energy's ownership interest in the UK offshore wind farm London Array 1 (Wind Power) as well as the divestment of ownership interests in Glenlivet (Oil & Gas).

The Group's central clearing counterparties comprise receivables from banks in connection with exchange trading.

Prepayments consist primarily of prepaid drilling equipment and spare parts for ongoing developments and prepayments to partners.

The short-term portion of other receivables amounts to DKK 2,657 million (2014: DKK 3,357 million and 2013: DKK 4,929 million).

# 4.5 OTHER PAYABLES

| DKK million | 2015 | 2014 | 2013 |
|---|---|---|---|
| Payables to associates and joint ventures | 345 | 264 | |
| Prepaid VAT on exports | 1,549 | 1,357 | 1,357 |
| $CO_2$ rights | 111 | 179 | 362 |
| VAT and other indirect taxes payable | 1,389 | 1,397 | 2,182 |
| Pay-related items payable | 838 | 825 | 888 |
| Accrued interest | 801 | 766 | 855 |
| Virtual gas storage | 40 | 167 | 593 |
| Prepayments from heat customers | 1,891 | 1,062 | 402 |
| Grid connection charges | 1,645 | 1,558 | 1,414 |
| Other deferred income | 1,037 | 1,289 | 1,436 |
| Clearing clearing counterparties | 1,952 | 35 | |
| Other accounts payable | 2,223 | 1,605 | 2,127 |
| Other payables | 13,821 | 10,504 | 11,616 |
| Of which working capital | 12,037 | 9,077 | 10,422 |
| Of which other capital employed | 1,006 | 771 | 890 |
| Of which interest-bearing net debt | 778 | 656 | 304 |

**Other payables**
Other accounts payable consist primarily of collateral provided respect of counterparties in connection with trading on energy exchanges (Distribution & Customer Solutions), and constitute the primary reason for the change relative to 2014. In addition, other accounts payable consist of debt to business partners (Oil & Gas).

The short-term portion of other payables amounts to DKK 7,908 million (2014: DKK 5,905 million and 2013: DKK 7,65 million).

# 4.6 CHANGE IN NET WORKING CAPITAL

| DKK million | 2015 | 2014 | 2013 |
|---|---|---|---|
| Change in inventories | (589) | 705 | 199 |
| Change in construction contracts | (2,879) | 1,435 | (685) |
| Change in trade receivables | 432 | 450 | (1,305) |
| Change in other receivables | 726 | 2,332 | (315) |
| Change in trade payables | 539 | 800 | (531) |
| Change in other payables | 3,089 | (1,594) | 550 |
| Change in net working capital | 1,318 | 4,128 | (2,087) |
| Of which change relating to construction contracts and related trade payables | (1,418) | 1,395 | (1,592) |
| Of which change relating to other working capital | 2,736 | 2,733 | (495) |

**Change in net working capital**
The change in net working capital is due to falling oil and gas prices, higher receivables from construction contracts, and higher payables due to collateral provided in respect of counterparties in connection with trading on energy exchanges.

# 5 TAX

A large part of the Group's earnings comes from Oil & Gas's activities in Norway, where oil and gas production is taxed at a rate of 78%, resulting in significant tax payments in Norway each year. DONG Energy's tax payments in other countries such as Denmark, the UK and Germany have been limited in recent years due to the significant investments made by the Group

**-9.4**bn

A loss before tax of DKK -9,367 million is recorded according to business performance

**5.1**bn

The Group's income tax paid amount to DKK 5,091 million

**4.3**bn

Current tax in 2015 amounts to DKK 4,315 million

## IN THIS SECTION



**DONG Energy's tax policy**

DONG Energy's tax policy is public. DONG Energy acknowledges that tax plays a key role for society. We also believe that a responsible approach to tax is essential to the long-term sustainability of our business in the countries in which we operate.

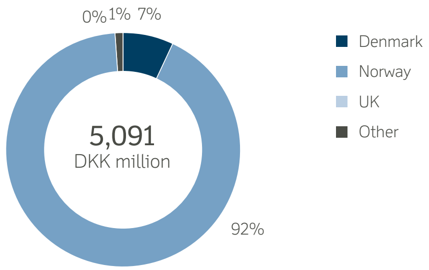
**Taxes and duties in DONG Energy**

DONG Energy' borne taxes and duties are DKK 5,165 in 2015. 90% hereof is tax to Norway relating to Oil & Gas' hydrocarbon activities. In step with the commissioning of investment projects currently in progress, the Group expects to start paying taxes to Denmark again within the near future.

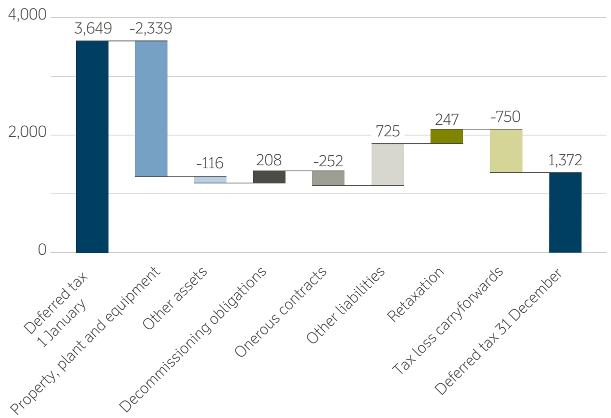
**Deferred tax**

The development in deferred tax is significantly impacted by the impairment of property, plant and equipment in 2015.

INCOME TAX PAID BY COUNTRY, % 2015




DEVELOPMENT IN DEFERRED TAX ASSETS AND LIABILITIES, DKK million 2015



# 5.1 TAX IN THE DONG ENERGY GROUP

**Tax policy in DONG Energy**
DONG Energy acknowledges the key role that tax plays for society. DONG Energy also believes that a responsible approach to tax is essential to the long-term sustainability of the company's business in the countries where it operates.

The nature of the company's business implies that a number of different direct, indirect and colleted taxes apply and that there are many transactions between DONG Energy business units across country borders and between different tax regimes. The complexity of the company's business requires a significant focus on tax management.

DONG Energy published its tax policy in 2014. The tax policy sets out the principles by which DONG Energy manages its tax affairs and applies to the parent company DONG Energy A/S and its subsidiaries (the Group).

Compliance
DONG Energy regularly assesses internal processes and controls to ensure that the business complies with the local and the international tax rules applying to the business. The nature of the company's business and the extent of its intercompany transactions across geographical borders make transfer pricing and VAT particularly important areas when it comes to conducting DONG Energy's tax practice responsibly.

DONG Energy do not use contrived or abnormal tax structures that are intended for tax avoidance, have no commercial substance, or do not meet the spirit of local or international tax law.

In 2015, DONG Energy founded a subsidiary in the Isle of Man. The decision to establish the company was not not driven by tax reasons, but was done solely with the purpose of allowing DONG Energy to bid on wind projects in the area.

Use of incentives
DONG Energy uses the incentives and tax reliefs where they apply in areas where the company has commercial substance and where this is the legislator's intention. Relevant incentives, particularly for the Group's Oil & Gas business, include accelerated depreciation and amortisation etc., which the Group makes use of.

Dialogue with tax authorities
As a proactive approach to handling any uncertainties about the interpretation of tax rules, DONG Energy maintains an open dialogue with national tax authorities, both in Denmark and abroad about completed as well as contemplated transactions.

**Tax regimes to which the Group is subject**
DONG Energy is subject to a number of different tax regimes in the countries in which it operates. At the end of 2015, the countries in which the Group had the most activities are Norway, Denmark and the UK.

International joint taxation
Since 2005, DONG Energy has chosen to the use Danish rules on international joint taxation, which are tax rules that were originally introduced to promote Danish companies' investments abroad. International joint taxation means that depreciation and amortisation for tax purposes and expenses incurred abroad can be deducted in the Danish calculated taxable income, just as profit earned abroad is taxed in Denmark. In recent years, DONG Energy has made significant investments in Denmark and abroad, especially in wind power and in developing oil and gas production. Over the past decade, DONG Energy has thus realised significant depreciation and amortisation for tax purposes and thereby increased deductions, resulting in some of DONG Energy's Danish tax payments being postponed to subsequent years.

The rules on Danish international joint taxation only result in a postponement of the tax payments to Denmark and will thus result in increased Danish tax payments at a later point in time, corresponding to the tax savings the Group has realised from foreign investments in previous years.

The deferred tax liability resulting from Danish international joint taxation is provided for in the consolidated financial statements and amounted to DKK 2,903 million in 2015 against DKK 2,656 million in 2014 (2013: DKK 2,763 million). Reference is made to note 5.4 for a specification of deferred tax.

Local taxes
In Denmark, DONG Energy has for a number of years paid only modest income taxes. The reason for this is that the Group has incurred significant costs in connection with the establishment of wind farms, biomass conversions in Bioenergy & Thermal Power and the development and maintenance of existing production facilities in Oil & Gas. In addition, earnings in Denmark have decreased considerably due, among other things, to falling power prices. For Oil & Gas, exchange rate fluctuations have also meant that no hydrocarbon tax has been paid in recent years.

In Norway, DONG Energy pays two types of income taxes: ordinary income tax at a rate of 27% and a special tax, the so-called hydrocarbon tax, at a rate of 51% on the oil and gas extracted. The total hydrocarbon income from the extracted oil and gas is thus taxed at 78%.

The payment of income taxes in Norway is divided so that half of the expected income tax for the year is paid to the Norwegian State as provisional tax on account in the current year, and the remaining part is settled in the first half of the following year.

The Group's Oil & Gas activities in the UK are subject to a tax regime similar to the one in Norway as concerns taxation of oil and gas. In the UK, hydrocarbon income is subject to special income tax at a rate of 30% and hydrocarbon tax at a rate of 20%, resulting in a total rate of 50%. Ordinary income tax in, for example, our wind business is subject to ordinary income tax rules at a rate of 20% (in 2015). Concurrently with the development of our oil and gas fields, the Group has made significant investments in offshore wind farms in the UK. Due to the substantial costs associated with establishing both oil, gas and wind power production facilities in the UK, resulting in the accumulation of significant tax assets, the Group does not expect to have to pay tax in the UK in the foreseeable future.

# 5.2 BORNE AND COLLECTED TAXES AND DUTIES

**Borne taxes and duties**
DONG Energy's borne taxes and duties in 2015 consist of the Group's energy taxes, real property taxes, VAT, etc., as well as hydrocarbon tax and income tax for the year. The Groups's own taxes and duties are paid primarily to Norway as a large portion of the income taxes paid by the Group is hydrocarbon tax paid to the Norwegian State.

Costs, including depreciation and amortisation for tax purposes, have for a number of years exceeded revenue in Denmark and the UK, and we have therefore not paid any significant income tax in the years from 2010 to 2013.

In 2015, DONG Energy has paid DKK 404 million in Danish corporate taxes regarding 2014.

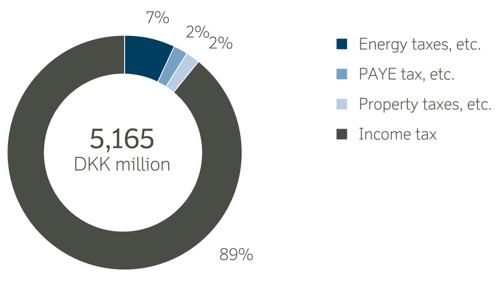
**Taxes and duties collected on behalf of the Danish State**
Collected taxes and duties consist primarily of energy taxes collected from customers, collected VAT and payroll taxes withheld on wages and salaries. Collected taxes and duties are primarily collected in Denmark and are therefore paid to the Danish State.

**Combined borne and collected taxes and duties**
The combined taxes and duties paid and collected by DONG Energy amounted to DKK 19,929 million in 2015 against DKK 20,008 million in 2014 (2013: DKK 20,330 million). The combined taxes and duties consist of borne taxes and duties as well as taxes and duties collected.

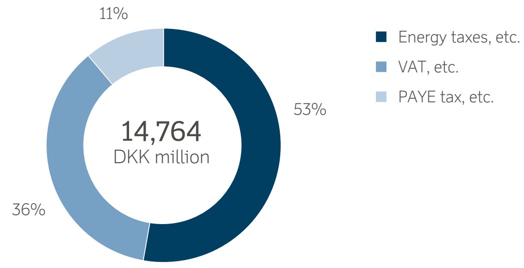
By far the largest share of the combined taxes and duties is made up of energy taxes (41%) and VAT (22%) paid to the Danish State. In addition, significant amounts are paid each year in hydrocarbon tax to Norway (21%).

The contributions are calculated in accordance with the Total Tax Contribution (TTC) model.

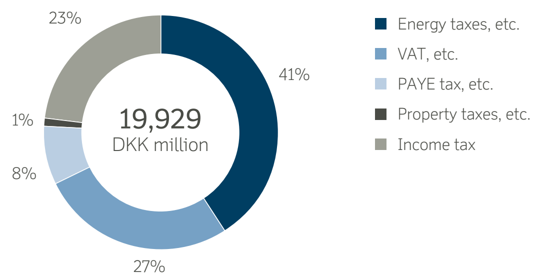
**TOTAL BORNE TAXES AND DUTIES,** DKK million 2015




**TOTAL COLLECTED TAXES AND DUTIES,** DKK million 2015




**TOTAL BORNE AND COLLECTED TAXES AND DUTIES,** DKK million 2015 (TTC-model)



# 5.3 TAX ON PROFIT (LOSS) FOR THE YEAR



**Corporate tax**
In 2015, tax on profit (loss) according to business performance for the year amounts to DKK 2,717 million against DKK 3,171 million in 2014 (2013: DKK 1,222 million). The effective tax rate was -29% in 2015 against -150% in 2014 (2013: 534%).

Three significant factors affected the effective tax rate in 2015. The tax rate is increased as a result of the taxation of earnings from oil and gas production in Norway, where hydrocarbon income is taxed at 78%. Combined with non-deductible amortisation of licence rights, the effective tax rate for Norway is 83%. In the UK, the tax rate is affected by the capitalisation of deferred tax relating to certain tax loss carryforwards in respect of previous years, which are expected to be utilised in the Group. The effective tax rate in 2015 is also significantly impacted by impairment losses in respect of assets primarily from the oil and gas business in Denmark, Norway and the UK, where tax assets are not fully recognised as there is uncertainty about the possibilities of utilising these losses in the foreseeable future.

In 2014, the tax rate was increasd as a result of the taxation of earnings from oil and gas production in Norway at a rate of 84%. In addition, the tax rate was affected by losses in Oil & Gas as well as impairment in the UK, where tax assets were not recognised as there was uncertainty about the possibilities of offsetting these losses in the foreseeable future. Finally, the tax rate was also affected by non-taxable gains and non-deductible losses on divestments.

In 2013, the tax rate was significantly affected by the fact that earnings from oil and gas production in Norway, where hydrocarbon income is taxed at 78%, were significantly higher than the Group's consolidated profit before tax, while it was reduced by non-taxable gains from divestments.

| | BUSINESS PERFORMANCE | | |
|---|---|---|---|
| **2015** DKK million | Profit (loss) before tax | Tax on profit (loss) for the year | Tax rate |
| Oil and gas activities in Norway (hydrocarbon income) | 4,664 | (3,887) | 83% |
| Oil and gas exploration activities in the UK and the Faroe Islands | (67) | 547 | 816% |
| Gain (loss) from divestments and other non-taxable income and non-deductible costs | 23 | (16) | 70% |
| Impairment losses | (17,033) | 1,236 | 7% |
| Effect of change in tax rate | | 63 | n.a. |
| Rest of DONG Energy | 3,046 | (660) | 22% |
| Effective tax for the year | (9,367) | (2,717) | (29%) |
| **2014** | | | |
| Oil and gas activities in Norway (hydrocarbon income) | 5,817 | (4,893) | 84% |
| Oil and gas exploration activities in the UK and the Faroe Islands | (1,176) | 0 | 0% |
| Gain (loss) from divestments and other non-taxable income and non-deductible costs | 2,766 | (160) | 6% |
| Impairment losses | (8,324) | 1,632 | 20% |
| Effect of change in tax rate | 0 | (3) | n.a. |
| Rest of DONG Energy | (1,196) | 253 | 21% |
| Effective tax for the year | (2,113) | (3,171) | (150%) |
| **2013** | | | |
| Oil and gas activities in Norway (hydrocarbon income) | 5,364 | (4,007) | 75% |
| Oil and gas exploration activities in the UK and the Faroe Islands | (757) | 0 | 0% |
| Gain (loss) from divestments and other non-taxable income and non-deductible costs | 2,287 | (233) | 10% |
| Impairment losses | (5,008) | 2,726 | 54% |
| Effect of change in tax rate | 0 | (21) | n.a. |
| Rest of DONG Energy | (1,657) | 313 | 19% |
| Effective tax for the year | 229 | (1,222) | 534% |

## ACCOUNTING POLICIES

DONG Energy A/S is taxed jointly with its Danish and foreign subsidiaries (international joint taxation). DONG Energy's subsidiaries are included in the joint taxation from the date they are included in the consolidated financial statements and up to the date on which they are no longer included in the consolidation.

Effective tax for the year consists of current tax, changes in deferred tax and adjustment in respect of previous years. Tax on profit (loss) for the year is recognised in the income statement, and tax on other comprehensive income items is recognised in other comprehensive income.

Subsidiaries that are engaged in oil and gas extraction (hydrocarbons) are subject to the hydrocarbon tax legislation in the countries in which they operate. Hydrocarbon taxes are calculated on the basis of taxable hydrocarbon income and include taxes calculated applying the respective country's ordinary income tax rate as well as taxes calculated applying increased tax rates. Hydrocarbon taxes are recognised under tax on profit (loss) for the year.

Liabilities in respect of uncertain tax positions are measured according to the single best estimate method and are recognised under income tax payable or deferred tax, depending on the relevant potential impact of the realisation of an uncertain tax position.

# 5.3 TAX ON PROFIT (LOSS) FOR THE YEAR
CONTINUED

## INCOME TAX

| DKK million | 2015 Business performance | 2015 IFRS | 2014 Business performance | 2014 IFRS | 2013 Business performance | 2013 IFRS |
|---|---|---|---|---|---|---|
| Tax on profit (loss) for the year | (2,717) | (3,524) | (3,171) | (4,136) | (1,222) | (1,015) |
| Tax on other comprehensive income | (74) | (74) | 83 | 83 | (491) | (491) |
| Tax on hybrid capital | 172 | 172 | 166 | 166 | 224 | 224 |
| Total tax for the year | (2,619) | (3,426) | (2,922) | (3,887) | (1,489) | (1,282) |
| Tax on profit (loss) for the year can be broken down as follows: | | | | | | |
| Current tax calculated applying normal tax rates | (1,724) | (1,724) | (2,496) | (2,496) | (1,142) | (1,142) |
| Current tax, hydrocarbon tax calculated applying higher tax rate | (2,591) | (2,591) | (3,526) | (3,526) | (1,105) | (1,105) |
| Deferred tax calculated applying normal tax rates | 1,197 | 390 | 1,941 | 976 | 1,087 | 1,294 |
| Deferred tax, hydrocarbon tax calculated applying higher tax rate | 429 | 429 | 1,037 | 1,037 | (6) | (6) |
| Adjustment of tax concerning previous years | (28) | (28) | (127) | (127) | (56) | (56) |
| Tax on profit (loss) for the year | (2,717) | (3,524) | (3,171) | (4,136) | (1,222) | (1,015) |
| Tax on other comprehensive income can be broken down as follows: | | | | | | |
| Current tax calculated applying normal tax rates | (74) | (74) | 186 | 186 | (289) | (289) |
| Deferred tax calculated applying normal tax rates | 0 | 0 | (103) | (103) | (202) | (202) |
| Tax on other comprehensive income | (74) | (74) | 83 | 83 | (491) | (491) |

## EFFECTIVE TAX RATE

| DKK million/% | 2015 DKK million | 2015 % | 2014 DKK million | 2014 % | 2013 DKK million | 2013 % |
|---|---|---|---|---|---|---|
| Tax on profit (loss) for the year can be explained as follows: | | | | | | |
| Calculated 23.5% tax on profit (loss) before tax (2014: 24.5% and 2013: 25%) | 1,393 | 24 | (447) | 25 | 144 | 25 |
| Adjustments of calculated tax in foreign subsidiaries in relation to 23.5% (2014: 24.5% and 2013: 25%) | 62 | 1 | 296 | (16) | 14 | 2 |
| Hydrocarbon tax | (2,162) | (37) | (2,489) | 136 | (1,111) | (193) |
| Tax effect of: | | | | | | |
| Non-taxable income and non-deductible costs, net | (1,939) | (33) | 267 | (15) | 502 | 87 |
| Unrecognised tax assets and capitalisation of tax assets not previously capitalised | (875) | (15) | (1,495) | 82 | (317) | (55) |
| Share of profit (loss) in associates and joint ventures | 24 | 1 | (141) | 8 | (192) | (33) |
| Adjustment of tax concerning previous years | 110 | 2 | (124) | 6 | (34) | (6) |
| Effect of change in tax rate | (137) | (2) | (3) | 1 | (21) | (3) |
| Effective tax for the year, IFRS | (3,524) | (59) | (4,136) | 227 | (1,015) | (176) |
| Effective tax for the year, business performance | (2,717) | (29) | (3,171) | (150) | (1,222) | 534 |

**Tax on profit (loss) for the year and other comprehensive income**
In 2015, tax on profit (loss) according to IFRS for the year amounted to DKK 3,524 million consisting of current tax of DKK 4,315 million, a change in deferred tax of DKK -819 million and an adjustment of tax in respect of previous years of DKK 28 million. The change in deferred tax for the year is primarily due to impairment losses in respect of property, plant and equipment.

In 2014, tax on profit (loss) for the year totalled DKK 4,136 million consisting of current tax of DKK 6,022 million, a change in deferred tax of DKK -2,013 million and an adjustment of tax in respect of previous years of DKK 127 million. The change in deferred tax was due to impairment losses and increased decommissioning obligations in Denmark and Norway as well as a reduction of the retaxation balance.

In 2013, tax on profit (loss) for the year amounted to DKK 1,015 million, including a change in deferred tax of DKK -1,288 million. The change in deferred tax was primarily due to impairment losses on property, plant and equipment and increased decommissioning obligations.

# 5.4 DEFERRED TAX

### DEVELOPMENT IN DEFERRED TAX ASSETS AND LIABILITIES

**2015**

| DKK million | Balance sheet at 1 January | Exchange rate adjustments | Additions, individual assets and activities, net | Recognised in profit (loss) for the year | Transfers to assets classified as held for sale | Adjustments in respect of previous years etc. | **Balance sheet at 31 December** |
|---|---|---|---|---|---|---|---|
| Intangible assets | 173 | | | (23) | | 1 | 151 |
| Property, plant and equipment | 7,146 | (96) | (276) | (2,285) | (279) | 597 | 4,807 |
| Other non-current assets | 119 | 1 | | (165) | | 5 | (40) |
| Current assets | (46) | | | 63 | | 2 | 19 |
| Decommissioning obligations | (4,165) | 137 | | (157) | 95 | 133 | (3,957) |
| Onerous contracts | (678) | | | (252) | | | (930) |
| Other non-current liabilities | (402) | 47 | | 54 | 2 | 66 | (233) |
| Current liabilities | 806 | | | 592 | | (36) | 1,362 |
| Retaxation | 2,656 | | | 677 | | (430) | 2,903 |
| Tax loss carryforwards | (1,960) | (73) | | 676 | | (1,353) | (2,710) |
| Deferred tax | 3,649 | 16 | (276) | (820) | (182) | (1,015) | 1,372 |

### Development in deferred tax assets and liabilities

Of the deferred tax of DKK 1,372 million (2014: DKK 3,649 million and 2013: DKK 5,366 million), DKK 1,594 million (2014: DKK 548 million and 2013: DKK 226 million) is expected to fall due within 12 months.

In 2015, deferred tax was reduced by DKK 2,277 million, due primarily to impairment. The tax base of impairment reduced deferred tax by a total of DKK 1,236 million. Furthermore, a major adjustment of deferred tax in respect of previous years was recognised due to additional payment of income tax for 2014 for Denmark. Finally, an amount was transferred to tax payable in respect of uncertain tax positions which are expected to materialise as tax payable if the uncertain tax position is realised.

### DEFERRED TAX BY SEGMENT

**2015**

| DKK million | Wind Power | Bioenergy & Thermal Power | Distribution & Customer Solutions | Oil & Gas | Other activities/ eliminations | **Deferred tax at 31 December** |
|---|---|---|---|---|---|---|
| Deferred tax, assets | 143 | 681 | 56 | 156 | (762) | 274 |
| Deferred tax, liabilities | 1,677 | 224 | 221 | 0 | (476) | 1,646 |
| Unrecognised tax assets | 177 | 1 | 276 | 30,495 | 0 | 30,949 |

### Deferred tax by segment

Deferred tax (equity and liabilities) in Wind Power primarily concerns property, plant and equipment which have been depreciated for tax purposes. Deferred tax assets in Bioenergy & Thermal Power and Oil & Gas are primarily attributable to property, plant and equipment for which impairment has been made.

Other activities/eliminations include the value of the deferred tax liability resulting from Danish international joint taxation (tax base of retaxation balance) as well as intragroup eliminations due to joint taxation across segments.

### Unrecognised deferred tax assets in 2015

Unrecognised deferred tax assets in the DONG Energy Group relate partly to unutilised losses in hydrocarbon income in Denmark and the UK, respectively, and partly to the basis of tax depreciation in Denmark in the hydrocarbon tax regime. It is considered unlikely that these tax assets can be utilised in the foreseeable future. The increase on 2014 is primarily due to impairment in Oil & Gas.

Of the non-recognised tax assets, losses in Danish hydrocarbon income (Chapter 3A of the Danish Hydrocarbon Tax Act (DHTA)) with a tax value of DKK 312 million expire in 2016. All other losses can be carried forward indefinitely.

### UNRECOGNISED TAX ASSETS, OIL & GAS

| DKK million | |
|---|---|
| Denmark, hydrocarbon income (Chapter 3A of DHTA), tax base | 23,717 |
| Denmark, hydrocarbon income (Chapter 2 of DHTA), tax base | 546 |
| UK, hydrocarbon income, special income tax and hydrocarbon tax, tax base | 6,011 |
| Greenland and the Faroe Islands, hydrocarbon income, tax base | 221 |
| Total at 31 December | 30,495 |

# 5.4 DEFERRED TAX
CONTINUED

## DEVELOPMENT IN DEFERRED TAX ASSETS AND LIABILITIES

**2014**

| DKK million | Balance sheet at 1 January | Exchange rate adjustments | Additions, individual assets and activities, net | Recognised in profit (loss) for the year | Recognised in other comprehensive income | Adjustments in respect of previous years etc. | Balance sheet at 31 December |
|---|---|---|---|---|---|---|---|
| Intangible assets | 318 | | 1 | (159) | | 13 | 173 |
| Property, plant and equipment | 8,370 | (187) | 128 | (1,174) | (48) | 57 | 7,146 |
| Other non-current assets | 129 | (11) | | (10) | | 11 | 119 |
| Current assets | 209 | (6) | (3) | (235) | | (11) | (46) |
| Decommissioning obligations | (3,471) | 21 | (32) | (688) | | 5 | (4,165) |
| Onerous contracts | (619) | | | (59) | | | (678) |
| Other non-current liabilities | (66) | 110 | 36 | (641) | 64 | 95 | (402) |
| Current liabilities | (308) | | | 1,196 | | (82) | 806 |
| Retaxation | 2,763 | | | (154) | | 47 | 2,656 |
| Tax loss carryforwards | (1,959) | (67) | 13 | (89) | 87 | 55 | (1,960) |
| Deferred tax | 5,366 | (140) | 143 | (2,013) | 103 | 190 | 3,649 |

## DEFERRED TAX BY SEGMENT

**2014**

| DKK million | Wind Power | Bioenergy & Thermal Power | Distribution & Customer Solutions | Oil & Gas | Other activities/ eliminations | Deferred tax at 31 December |
|---|---|---|---|---|---|---|
| Deferred tax, assets | 89 | 1,015 | 31 | 557 | (1,060) | 632 |
| Deferred tax, liabilities | 1,201 | 178 | 148 | 0 | 2,754 | 4,281 |
| Unrecognised tax assets | 215 | 5 | 0 | 19,940 | 0 | 20,160 |

**Unrecognised deferred tax assets in 2014**
Unrecognised deferred tax assets in the DONG Energy Group relate primarily to the Group's Oil & Gas activities in Denmark and the UK.

### ACCOUNTING POLICIES

Deferred tax is measured using the balance sheet liability method in respect of all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts. However, this does not apply to deferred tax on temporary differences in respect of goodwill not deductible for tax purposes, office properties and other items – apart from business combinations – where temporary differences have arisen at the acquisition date without having any effect on profit (loss) or taxable income.

Deferred tax is measured on the basis of management's planned use of the asset or settlement of the liability, respectively.

Deferred tax assets are recognised at the value at which they are expected to be utilised either by elimination against tax on future earnings or by offsetting against deferred tax liabilities within the same legal tax entity and jurisdiction.

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

Deferred tax is measured in accordance with the tax rules and tax rates in the respective countries that will apply under the legislation enacted at the balance sheet date when the deferred tax is expected to materialise in the form of current tax. Changes in deferred tax as a result of changes in tax rates are recognised in profit (loss) for the year.

No provision is made for deferred tax on temporary differences between the carrying amounts and the tax base of acquisitions of joint operations, including licence interests.

### CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Deferred tax assets, including the tax base of tax loss carryforwards, are reassessed annually and recognised to the extent that it is probable that they will be utilised in the foreseeable future. Management's reassessment is based on whether a final investment decision has been made in companies involved in oil and gas exploration and companies with other development costs, and on the long-term outlook for the Group's development.

When a business is run across national borders, disputes may arise concerning taxation and transfer pricing with the tax authorities in the various countries. Management estimates have been applied in the assessment of the possible outcome of such disputes. DONG Energy believes that adequate provisions have been made for any such disputes which have not yet been decided by the local tax authorities. However, the actual obligation may be different as it depends on the outcome of the disputes and settlements reached with the tax authorities in question.

# 5.4 DEFERRED TAX
CONTINUED

## DEVELOPMENT IN DEFERRED TAX ASSETS AND LIABILITIES

| 2013<br>DKK million | Balance sheet at 1 January | Exchange rate adjustments | Additions, individual assets and activities, net | Recognised in profit (loss) for the year | Recognised in other comprehen-sive income | Adjustments in respect of pre-vious years etc. | Balance sheet at 31 December |
|---|---|---|---|---|---|---|---|
| Intangible assets | 225 | (2) | | 12 | | 83 | 318 |
| Property, plant and equipment | 10,860 | (783) | 80 | (1,405) | 83 | (465) | 8,370 |
| Other non-current assets | 117 | 1 | 48 | (5) | | (32) | 129 |
| Current assets | (150) | 3 | 7 | 349 | | | 209 |
| Decommissioning obligations | (3,339) | 258 | | (480) | | 90 | (3,471) |
| Onerous contracts | (727) | | | 21 | | 87 | (619) |
| Other non-current liabilities | (173) | 3 | 65 | 196 | 46 | (203) | (66) |
| Current liabilities | (285) | | | (31) | | 8 | (308) |
| Retaxation | 2,911 | | | (329) | | 181 | 2,763 |
| Tax loss carryforwards | (2,787) | 23 | (51) | 384 | 73 | 399 | (1,959) |
| Deferred tax | 6,652 | (497) | 149 | (1,288) | 202 | 148 | 5,366 |

## DEFERRED TAX BY SEGMENT

| 2013<br>DKK million | Wind Power | Bioenergy & Thermal Power | Distribution & Customer Solutions | Oil & Gas | Other activities/ eliminations | Deferred tax at 31 December |
|---|---|---|---|---|---|---|
| Deferred tax, assets | 205 | 605 | 33 | 0 | (713) | 130 |
| Deferred tax, liabilities | 1,586 | (397) | 723 | 2,292 | 1,292 | 5,496 |
| Unrecognised tax assets | 171 | 6 | 68 | 12,704 | 0 | 12,949 |

**Unrecognised deferred tax assets in 2013**
Unrecognised deferred tax assets in the DONG Energy Group relate primarily to the Group's Oil & Gas activities in Denmark and the UK.

# 6 CAPITAL STRUCTURE

DONG Energy's capital consists of 43% equity and 57% hybrid capital and interest-bearing debt. The capital is raised across several financing markets, financing institutions and maturities. In addition, the Group maintains a solid cash reserve

**40.4%**

FFO to adjusted interest-bearing net debt was 40.4% at 31 December 2015

**31.1bn**

The Group's adjusted interest-bearing net debt totalled DKK 31,070 million at 31 December 2015

**35.4bn**

The Group's cash reserve totalled DKK 35,428 million at 31 December 2015

## IN THIS SECTION



**Financial resources**

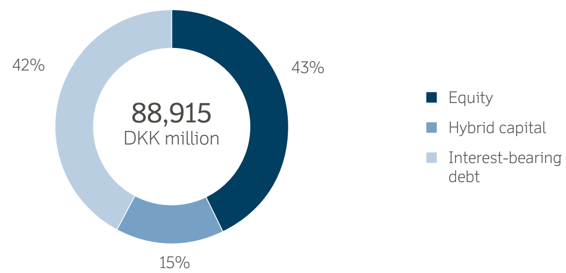
DONG Energy has decided to maintain robust financial resources to limit the company's sensitivity to unrest in the financial markets. The financial resources consist of cash, in the form of bank deposits and securities, as well as non-cancellable credit facilities from a group of strong Nordic and international banks. To ensure flexible and efficient access to financing in the bond market, DONG Energy also has an EUR 7 billion bond programme.

At 31 December 2015, the freely available cash and cash equivalents and securities totalled DKK 22,367 million, and the undrawn non-cancellable credit facilities amounted to DKK 13,061 million.

**Issuance of new hybrid capital**

On 6 May 2015, DONG Energy issued new hybrid bonds with a face value of EUR 600 million (coupon 3.0%). The issuance refinanced hybrid bonds issued in 2005 with an outstanding balance of EUR 600 million, which was repaid on 29 June 2015. Read more in note 6.6.

**CAPITAL BASE,** at 31 December 2015, %



# 6.1 CAPITAL STRUCTURE

### Capital structure
Management evaluates the Group's capital structure on an ongoing basis to ensure that it is aligned with the interests of the Group and its shareholders and that it underpins the Group's strategy.

At the end of 2015, DONG Energy's capital base totalled DKK 88,915 million; it consists of equity, non-controlling interests, hybrid capital, bond loans and bank loans.

The Group's share capital did not change in 2015, but hybrid capital of EUR 600 million, issued in 2005, was repaid and replaced by new hybrid capital of the same amount.

In 2014, the capital structure was strengthened through the injection of equity capital of DKK 13 billion from new investors, existing minority shareholders and employees.

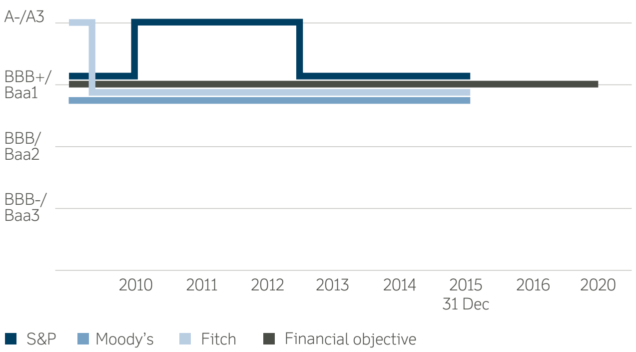
To ensure the financial strength to operate in the international energy and capital markets and secure financing on attractive terms, DONG Energy has defined a number of credit rating and capital structure targets.

The overarching capital structure targets are a credit rating of Baa1/ BBB+ and an FFO/adjusted net debt credit metric of around 30%.

### Credit rating

| | |
|---|---|
| Standard & Poor's | Minimum BBB+ |
| Moody's | Minimum Baa1 |
| Fitch | Minimum BBB+ |

RATING, category




### Plan for IPO of DONG Energy
The political agreement concerning the IPO plans for DONG Energy was published on 18 September 2015. The Danish State confirmed its intention to retain a majority stake in DONG Energy after an IPO.

### Financing policy
DONG Energy manages its financing activities, debt portfolio and financial resources via various policies that are designed to ensure optimum financing arrangements and at the same time minimise DONG Energy's financial expenses and liquidity and refinancing risks.

The Group has diversified its borrowing activities among various funding sources and maturities and secured robust financial resources.

It is part of the Group's overall policy to concentrate its borrowing activities in the parent company in so far as is possible. The cash resources are made available to the Group via the internal bank.

### Cash management
DONG Energy has decided to maintain robust financial resources to limit the company's sensitivity to unrest in the financial markets. The financial resources consist of cash, in the form of bank deposits and securities, as well as non-cancellable credit facilities from a group of strong Nordic and international banks.

At 31 December 2015, financial resources totalled DKK 35,428 million (2014: DKK 45,806 million and 2013: DKK 34,712 million).

### Share capital
DONG Energy's share capital is DKK 4,177,263,730, divided into shares of DKK 10 (2014: DKK 4,177,263,730 and 2013: DKK 2,937,099,000). All shares rank equally. There are no restrictions on voting rights. The shares are fully paid up.

| DKK million | **2015** | 2014 | 2013 |
|---|---|---|---|
| Share capital at 1 January | 4,177 | 2,937 | 2,937 |
| Capital injection | | 1,240 | |
| Share capital at 31 December | 4,177 | 4,177 | 2,937 |

### Dividends
The Board of Directors recommends that no dividends be paid for the 2015 financial year. No dividends were paid for the 2014 and 2013 financial years.

| DKK million | **2015** | 2014 | 2013 |
|---|---|---|---|
| Equity attributable to shareholders of DONG Energy A/S | 32,090 | 41,736 | 31,599 |
| Hybrid capital | 13,248 | 13,236 | 13,236 |
| Non-controlling interests | 6,398 | 6,561 | 6,708 |
| Issued bonds | 29,215 | 28,414 | 31,330 |
| Bank loans | 7,186 | 7,643 | 14,826 |
| Other interest-bearing debt | 778 | 656 | 304 |
| Capital base at 31 December | 88,915 | 98,246 | 98,003 |

# 6.2 INTEREST-BEARING DEBT

**Interest-bearing net debt**

Interest-bearing net debt totalled DKK 9,193 million at the end of 2015, an increase of DKK 5,215 million relative to 2014. The increase is partly due to an increase in interest-bearing debt of DKK 466 million and a decrease in interest-bearing assets as a result of a smaller portfolio of securities and cash and cash equivalents. In 2014, interest-bearing net debt fell by DKK 21,825 million from DKK 25,803 million in 2013, primarily due to the DKK 13,007 million equity increase and to cash flows from operating activities substantially in excess of net investments.

**Fair value of bank loans and issued bonds**

At 31 December 2015, the fair value of bank loans and issued bonds was DKK 7,433 million and DKK 33,980, respectively, (2014: DKK 7,851 million and DKK 33,868 million, respectively, and 2013: DKK 12,910 and DKK 34,018 million, respectively).

The fair value of issued bonds and bank loans exceeds the carrying amounts due to the fall in interest levels since the arrangement of the debt. The fair value of issued bonds, (Level 1 – quoted prices) has been determined as the market value at 31 December 2015. The fair value of bank loans (Level 2 – observable inputs) has been determined as the present value of expected future instalments and interest payments using the Group's current interest rate on loans as discount rate.

**Loan arrangements**

At 31 December 2015, DONG Energy had loan obligations totalling DKK 7,186 million (2014: DKK 7.568 million and 2013: DKK 12,689 million) primarily to the European Investment Bank and the Nordic Investment Bank. The loans are recognised in the balance sheet under bank loans. The loans offered by these multilateral financial institutions include loans to co-fund infrastructure and energy projects on favourable terms and with maturities exceeding those normally available in the commercial banking market. In connection with these loans, the Group may be met with demands for:

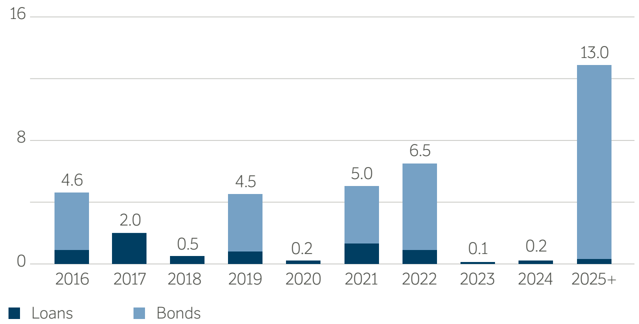
- collateral in the event of the Danish State holding less than 50% of the share capital or voting rights in DONG Energy A/S (change of control), or
- repayment in the event of Moody's or Standard & Poor's downgrading DONG Energy A/S's rating to Baa3 or BBB- or less, respectively.

Furthermore, at 31 December 2015, the Group had non-cancellable credit facilities of DKK 13,061 million (2014: DKK 17,343 million and 2013: DKK 17,378 million) with a number of Nordic and international banks. In connection with these credit facilities, the Group may be met with demands requiring cancellation and repayment of any drawn amounts in the event of parties other than a group consisting of the Danish State and Danish power distribution companies acquiring more than 50% of the share capital or voting rights in DONG Energy A/S, or in the event of the Danish State ceasing to hold at least 20% of the share capital. The Group's financing agreements are not subject to any other unusual terms or conditions.

**INTEREST-BEARING DEBT AND INTEREST-BEARING ASSETS**

| DKK million | **2015** | 2014 | 2013 |
|---|---|---|---|
| Interest-bearing debt comprises: | | | |
| Bank loans | 7,186 | 7,643 | 14,826 |
| Issued bonds | 29,215 | 28,414 | 31,330 |
| Bank loans and issued bonds | 36,401 | 36,057 | 46,156 |
| Other interest-bearing debt | 778 | 656 | 304 |
| Total interest-bearing debt | 37,179 | 36,713 | 46,460 |
| Interest-bearing assets comprise: | | | |
| Securities | 21,221 | 24,948 | 16,118 |
| Cash | 4,965 | 6,028 | 2,894 |
| Receivables from associates and joint ventures | 883 | 1,116 | 1,341 |
| Other receivables | 917 | 643 | 304 |
| Total interest-bearing assets | 27,986 | 32,735 | 20,657 |
| Total interest-bearing net debt | 9,193 | 3,978 | 25,803 |

MATURITY PROFILE, DKK billion




The above figure indicates the maturity profile of the principal amounts of DONG Energy's loans and issued bonds. At 31 December 2015, the principal amount of outstanding loans and issued bonds was DKK 36,635 million (2014: DKK 36,291 million and 2013: DKK 46,149 million).

**OUTSTANDING BONDS AT 31 DECEMBER 2015**

| Currency | Outstanding amount (million) | Coupon (%) | Maturing | Quoted in |
|---|---|---|---|---|
| Senior bonds | | | | |
| 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 | 700 | 6.250 | Year 3013 | Luxembourg |
| EUR | 500 | 4.875 | Year 3013 | Luxembourg |
| EUR | 600 | 3.000 | Year 3015 | Luxembourg |

# 6.2 INTEREST-BEARING DEBT
CONTINUED

**Interest rate risk**
DONG Energy's interest rate risks relate to interest-bearing debt, interest-bearing assets and financial price hedges. The interest rate risk is managed through the composition of assets and the variability of the cash flows generated by the assets. Fixed-interest financing over a longer term is sought for assets with fixed, interest-insensitive cash flows over a longer term. Conversely, more variable-interest financing is sought for assets with more varying, interest-sensitive cash flows.

DONG Energy has hedged part of its future interest payments. The hedging is in the form of raising fixed-rate debt and entering into interest rate swaps. At the end of 2015, 89% (2014: 88% and 2013: 71%) of the Group's debt was fixed-rate debt.

At 31 December 2015, the loan portfolio had an average time to maturity of 10.9 years (2014: 10.5 years and 2013: 10.2 years).

Interest-bearing assets consist primarily of short-term bonds with limited risk.

**Hedging of future interest payments**
The table below shows interest rate swaps entered into to hedge interest payments on the loan portfolio.

At 31 December 2015, debt in the amount of DKK 5,781 million (2014: DKK 5,761 million and 2013: DKK 5,975 million) had been swapped from variable to fixed interest. The market value of interest rate swaps is negative at DKK 446 million (2014: DKK 552 million and 2013: DKK 431 million) due to the fact that the hedged interest rate exceeds the current market rate. The market value is recognised in other comprehensive income and transferred to the income statement over the term of the interest rate swap. In 2016, DKK -161 million (2014: DKK -131 million in 2015 and 2013: DKK -125 million in 2014) is expected to be transferred to the income statement.

### ACCOUNTING POLICIES

Issued bonds, bank loans and other payables are recognised at inception at fair value (typically proceeds received) net of transaction costs incurred. In subsequent periods, the liabilities are measured at amortised cost so that the difference between the cost (proceeds) and the nominal value is recognised in profit (loss) for the year as interest expenses over the term of the loan, using the effective interest rate method.

Financial liabilities are classified as current unless the Group has an unconditional right to defer settlement of the liability to at least one year after the balance sheet date.

The fair value of issued bonds has been determined as the market value at 31 December.

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

## HEDGING OF FUTURE INTEREST PAYMENTS

| DKK million | Notional amount | Fair value | **Recognition in comprehensive income** | Expected date of transfer to profit (loss) for the year | | |
|---|---|---|---|---|---|---|
| | | | | 2016 | 2017 | After 2017 |
| Interest rate swaps at 31 December 2015 | 5,781 | (446) | (461) | (161) | (101) | (199) |
| | | | | 2015 | 2016 | After 2016 |
| Interest rate swaps at 31 December 2014 | 5,761 | (552) | (574) | (131) | (131) | (312) |
| | | | | 2014 | 2015 | After 2015 |
| Interest rate swaps at 31 December 2013 | 5,975 | (431) | (495) | (125) | (93) | (277) |

# 6.3 FUNDS FROM OPERATIONS (FFO)/ADJUSTED INTEREST-BEARING NET DEBT

**Funds from Operations (FFO)**
In connection with the preparation of the annual report for 2013, FFO to adjusted interest-bearing net debt was introduced as a new credit metric. The long-term target is for FFO to be around 30% of adjusted interest-bearing net debt.

FFO is calculated on the basis of EBITDA calculated in accordance with business performance and is adjusted for interest expenses, the interest element of decommissioning obligations, 50% of the hybrid capital coupon payments and calculated interest paid on the Group's operating lease obligations, operating lease payment in profit (loss) for the year and total current tax.

**FUNDS FROM OPERATIONS (FFO)**

| DKK million | 2015 | 2014 | 2013 |
|---|---|---|---|
| EBITDA – business performance | 18,484 | 16,389 | 15,004 |
| Interest expenses, net | (767) | (1,145) | (1,661) |
| Reversal of interest expenses transferred to assets | (389) | (339) | (282) |
| Interest element of decommissioning obligations | (494) | (416) | (363) |
| 50% of coupon payments on hybrid capital | (411) | (377) | (337) |
| Calculated interest paid on operating lease obligations | (219) | (217) | (153) |
| Adjusted interest expenses, net | (2,280) | (2,494) | (2,796) |
| Reversal of recognised operating lease payment in profit (loss) for the year | 753 | 545 | 354 |
| Total current tax | (4,390) | (5,835) | (2,536) |
| Funds from Operations (FFO) | 12,567 | 8,605 | 10,026 |

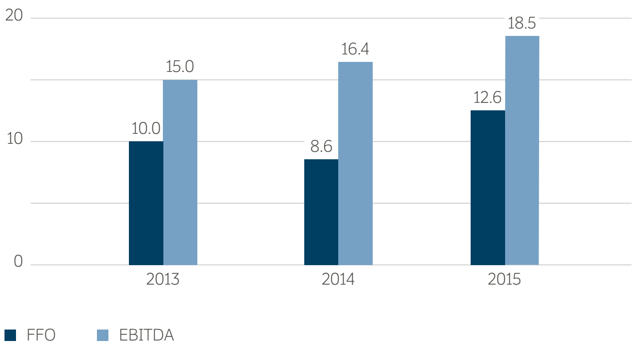
**Adjusted interest-bearing net debt**
In the calculation of adjusted interest-bearing net debt, 50% of the hybrid capital is added as the Group's rating agencies use a similar calculation method. Similarly, the Group's decommissioning obligations less tax and operating lease obligations are regarded as part of the interest-bearing debt, regardless of the fact that the associated assets are not recognised under non-current assets.

The Group's adjusted interest-bearing net debt totalled DKK 31,070 million at 31 December 2015, which is an increase of DKK 7,257 million relative to 2014. The primary reason for this is the Group's programme of continued investments in both Wind Power and Oil & Gas throughout 2015.

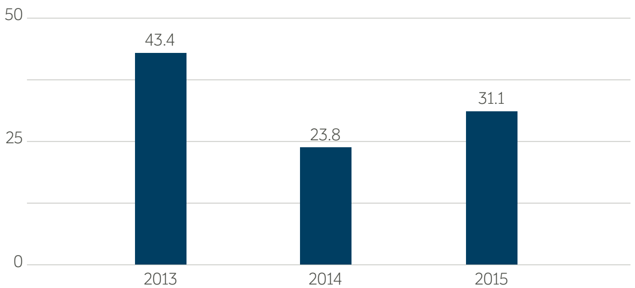
**FUNDS FROM OPERATIONS (FFO)/ADJUSTED INTEREST-BEARING NET DEBT**

| DKK million | 2015 | 2014 | 2013 |
|---|---|---|---|
| Total interest-bearing net debt | 9,193 | 3,978 | 25,803 |
| 50% of hybrid capital | 6,624 | 6,618 | 6,618 |
| Cash and securities not available for distribution, excluding repo loans | 3,818 | 2,519 | 1,678 |
| Present value of operating lease payments | 4,248 | 4,495 | 3,933 |
| Decommissioning obligations | 11,144 | 10,368 | 8,821 |
| Deferred tax on decommissioning obligations | (3,957) | (4,165) | (3,471) |
| Adjusted interest-bearing net debt | 31,070 | 23,813 | 43,382 |
| Funds from Operations (FFO) | 12,567 | 8,605 | 10,026 |
| Funds from Operations (FFO)/adjusted interest-bearing net debt | 40.4% | 36.1% | 23.1% |

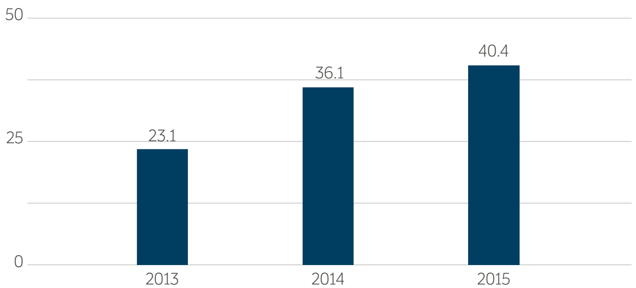
DEVELOPMENT IN FFO AND EBITDA, DKK billion




DEVELOPMENT IN ADJUSTED INTEREST-BEARING NET DEBT, DKK billion




DEVELOPMENT IN FFO/ADJUSTED INTEREST-BEARING NET DEBT, %



# 6.4 FINANCIAL RESOURCES

DONG Energy's liquidity and financing risks are managed centrally in accordance with principles and delegated authorities laid down by the Board of Directors. One of the most significant financial management tasks in DONG Energy is to secure sufficient and flexible financial resources in relation to the day-to-day operations, the Group's investment programme and its debt maturity profile. DONG Energy therefore defines minimum financial resources for the coming calendar year. Due to divestment activities and a capital increase primarily in 2013 and 2014, the Group's cash reserves at 31 December 2015 were still significantly above the minimum financial resource level defined. At 31 December 2015, financial resources totalled DKK 35,428 million (2014: DKK 45,806 million and 2013: DKK 34,712 million). The composition of the financial resources is shown in the charts to the right.

### Cash and cash equivalents and securities

Cash not available for use which is not part of the financial resources primarily comprises:

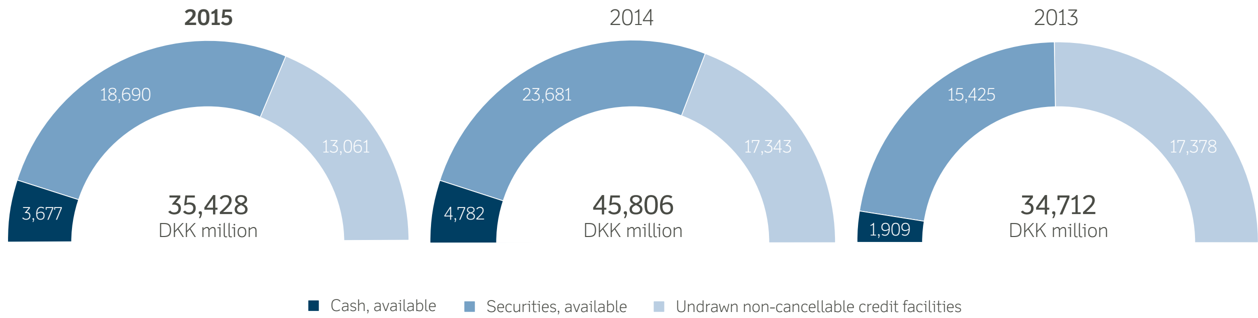
- cash and cash equivalents tied up for use in jointly controlled wind power projects and oil and gas licences
- cash and cash equivalents pledged as collateral for negative market values of financial instruments
- cash and cash equivalents pledged as collateral for insurance-related provisions, and
- cash and cash equivalents received from users of the North Sea oil pipeline for the maintenance of the pipeline.

Securities are a key element in the Group's financial resources, for which reason investments are primarily made in liquid AAA-rated Danish mortgage bonds and to a lesser extent in other bonds. Most of the securities qualify for repo transactions in Danmarks Nationalbank.

Securities not available for use comprise:

- securities that form part of genuine sale and repurchase transactions (repo transactions). At 31 December 2015, these amounted to DKK 0 million (2014: DKK 0 million and 2013: DKK 0 million)
- securities used to cover insurance-related provisions and
- securities used as collateral for negative market values of financial instruments. At 31 December 2015, these amounted to DKK 2,072 million (2014: DKK 823 million and 2013: DKK 283 million).

**FINANCIAL RESOURCES,** DKK million




### CASH AND CASH EQUIVALENTS AND SECURITIES

| DKK million | 2015 | 2014 | 2013 |
|---|---|---|---|
| Cash, available | 3,677 | 4,782 | 1,909 |
| Bank overdrafts that are part of the ongoing cash management | | (12) | (478) |
| Cash and cash equivalents at 31 December, see statement of cash flows | 3,677 | 4,770 | 1,431 |
| **Cash can be specified as follows:** | | | |
| Cash, available | 3,677 | 4,782 | 1,909 |
| Cash, not available for use, interest-bearing | 1,288 | 1,252 | 985 |
| Cash at 31 December | 4,965 | 6,034 | 2,894 |
| **Securities can be specified as follows:** | | | |
| Securities, available | 18,690 | 23,681 | 15,425 |
| Securities, not available for use, other | 2,531 | 1,267 | 693 |
| Securities at 31 December | 21,221 | 24,948 | 16,118 |

At 31 December 2015, DONG Energy had received collateral from trading in financial instruments of DKK 65 million (2014: DKK 321 million and 2013: DKK 192 million).

### Hedging of fair values of securities

As part of its risk management, the Group has hedged part of the interest rate risk on its securities portfolio. DONG Energy has entered into interest rate swaps with a notional amount of DKK 796 million (2014: DKK 795 million and 2013: DKK 2,796 million). Market value amounts to DKK -10 million (2014: DKK -10 million and 2013: DKK 6 million).

### OVERVIEW OF SECURITIES

| DKK million<br>Maturities | Fixed-rate | Floating-rate | 2015 | Fixed-rate | Floating-rate | 2014 | Fixed-rate | Floating-rate | 2013 |
|---|---|---|---|---|---|---|---|---|---|
| 0-2 years | 9,146 | 1,621 | 10,767 | 7,774 | 1,263 | 9,037 | 8,505 | 2,127 | 10,632 |
| 2-5 years | 6,251 | 2,652 | 8,903 | 10,677 | 1,974 | 12,651 | 2,962 | 2,524 | 5,486 |
| After 5 years | 1,207 | 344 | 1,551 | 2,927 | 333 | 3,260 | | | - |
| Total carrying amount | 16,604 | 4,617 | 21,221 | 21,378 | 3,570 | 24,948 | 11,467 | 4,651 | 16,118 |

# 6.4 FINANCIAL RESOURCES
CONTINUED

## MATURITY ANALYSIS OF LOANS AND BORROWINGS

### 2015

| DKK million | 2016 | 2017 | 2018-2019 | After 2019 | **2015** |
|---|---|---|---|---|---|
| Bank loans and issued bonds | | | | | |
| - Principal amount | 4,626 | 2,043 | 4,997 | 24,969 | 36,635 |
| - Interest payments | 1,560 | 1,405 | 2,624 | 11,909 | 17,498 |
| Trade payables | 10,673 | | | | 10,673 |
| Other payables | 8,002 | 668 | 597 | 4,647 | 13,914 |
| Derivative financial instruments | 5,717 | 2,007 | 1,660 | 262 | 9,646 |
| Liabilities relating to assets classified as held for sale | 1,133 | | | | 1,133 |
| Total payment obligations | 31,711 | 6,123 | 9,878 | 41,787 | 89,499 |

### 2014

| DKK million | 2015 | 2016 | 2017-2018 | After 2018 | 2014 |
|---|---|---|---|---|---|
| Bank loans and issued bonds | | | | | |
| - Principal amount | 208 | 4,779 | 2,491 | 28,813 | 36,291 |
| - Interest payments | 1,414 | 1,404 | 2,500 | 12,479 | 17,797 |
| Trade payables | 8,929 | 51 | 51 | | 9,031 |
| Other payables | 5,913 | 303 | 488 | 3,820 | 10,524 |
| Derivative financial instruments | 5,231 | 2,027 | 1,242 | 748 | 9,248 |
| Total payment obligations | 21,695 | 8,564 | 6,772 | 45,860 | 82,891 |

### 2013

| DKK million | 2014 | 2015 | 2016-2017 | After 2017 | 2013 |
|---|---|---|---|---|---|
| Bank loans and issued bonds | | | | | |
| - Principal amount | 9,389 | 458 | 6,686 | 29,616 | 46,149 |
| - Interest payments | 1,617 | 1,413 | 2,773 | 14,337 | 20,140 |
| Trade payables | 7,329 | | | | 7,329 |
| Other payables | 7,691 | 312 | 302 | 2,990 | 11,295 |
| Derivative financial instruments | 5,968 | 1,815 | 1,119 | 302 | 9,204 |
| Liabilities relating to assets classified as held for sale | 2 | | | | 2 |
| Total payment obligations | 31,996 | 3,998 | 10,880 | 47,245 | 94,119 |

**Maturity analysis of loans and borrowings**
The Group's cash needs in respect of its financial loans and borrowings are shown in the table on the left. The maturity analysis was determined at 31 December 2015.

The maturity analysis is based on undiscounted cash flows, including estimated interest payments. Interest payments are based on market conditions and interest-rate hedging entered into at 31 December 2015.

The maturity analysis does not include hybrid capital. At 31 December 2015, DONG Energy had issued hybrid capital with a principal amount totalling DKK 13,435 million due in 3013 (DKK 8,957 million) and 3015 (DKK 4,478 million).

### ACCOUNTING POLICIES

Securities comprise bonds that are monitored, measured and reported at fair value on an ongoing basis in conformity with the Group's investment policy. Changes in fair value are recognised in profit (loss) for the year as financial income and expenses.

For listed securities, fair value equals the market price, and for unlisted securities, fair value is estimated based on generally accepted valuation methods and market data.

Sold securities where a repurchase agreement (repo transactions) has been made at the time of sale are recognised in the balance sheet at the settlement date as if the securities were still held. The amount received is recognised as a liability, and the difference between the selling price and the purchase price is recognised in profit (loss) for the year over the term as interest. The return on the securities is recognised in profit (loss) for the year.

# 6.5 FINANCIAL INCOME AND EXPENSES

## NET FINANCIAL INCOME AND EXPENSES

| DKK million | 2015 | 2014 | 2013 |
|---|---|---|---|
| Interest expenses, net | (767) | (1,145) | (1,661) |
| Interest element of provisions etc. | (683) | (572) | (501) |
| Capital losses on early repayment of loans and interest rate swaps | | | (665) |
| Value adjustments of derivative financial instruments, net | (109) | (255) | (293) |
| Exchange rate adjustments, net | 131 | 534 | (210) |
| Divestment of assets held under finance leases | | | (201) |
| Value adjustments of securities, net | (496) | (297) | (189) |
| Other financial income and expenses, net | (201) | 25 | (80) |
| Net financial income and expenses | (2,125) | (1,710) | (3,800) |

Financial income and expenses are presented net above as currency and interest rate risks are managed on a net basis, for which reason foreign exchange gains cannot meaningfully be shown without including foreign exchange losses.

Derivative financial instruments entered into to hedge currency risks and exchange rate adjustments are presented net in the line 'Exchange rate adjustments, net'.

Exchange rate adjustments of currency derivatives are recognised in revenue and cost of sales with a loss of DKK 1,647 million (2014: a loss of DKK 922 million and 2013: a loss of DKK 656 million).

Borrowing costs transferred to assets under construction are calculated at the weighted average effective interest rate for general borrowing, which was 4.3% (2014: 4.1% and 2013: 4.0%).

## FINANCIAL INCOME AND EXPENSES

| DKK million | 2015 | 2014 | 2013 |
|---|---|---|---|
| Interest income from cash etc. | 147 | 173 | 267 |
| Interest income from securities at fair value | 571 | 499 | 297 |
| Capital gains on securities at fair value | 99 | 21 | 19 |
| Foreign exchange gains | 5,837 | 3,390 | 2,091 |
| Value adjustments of derivative financial instruments | 2,613 | 1,151 | 554 |
| Other financial income | 8 | 27 | 45 |
| Financial income | 9,275 | 5,261 | 3,273 |
| Interest expenses relating to loans and borrowings | (1,874) | (2,156) | (2,507) |
| Interest expenses transferred to assets | 389 | 339 | 282 |
| Interest element of provisions | (626) | (534) | (501) |
| Capital losses on securities at fair value | (607) | (302) | (214) |
| Foreign exchange losses | (5,821) | (2,957) | (1,709) |
| Value adjustments of derivative financial instruments | (2,600) | (1,321) | (1,916) |
| Other financial expenses | (261) | (40) | (508) |
| Financial expenses | (11,400) | (6,971) | (7,073) |

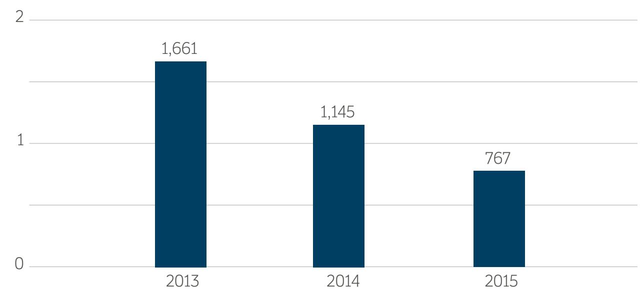
## ACCOUNTING POLICIES

Fair value adjustments of interest and currency derivatives that have not been entered into to hedge revenue, cost of sales or non-current assets are presented as financial income or expenses.

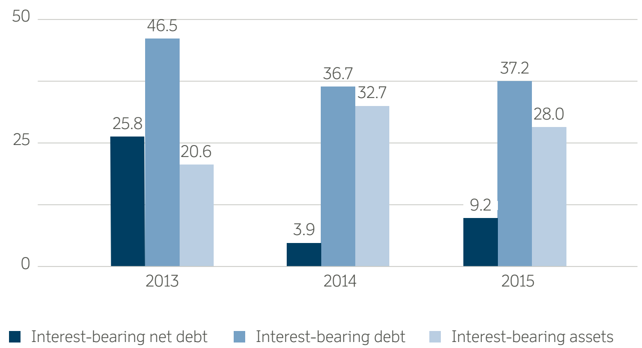
### Net financial income and expenses

Net interest expenses were reduced in 2014 and 2015 due to a continuous reduction in interest-bearing debt and an increase in interest-bearing assets. As the interest rate payable on most of the debt has been fixed for a long period of time and as DONG Energy is expected to have a net financing requirement in the coming years due to investing activities, repaying the debt has not made financial sense. Instead, surplus cash is invested in securities even though the return is signficantly lower than the interest paid on the debt.

DEVELOPMENT IN NET INTEREST EXPENSES, DKK million




DEVELOPMENT IN INTEREST-BEARING NET DEBT, DKK billion



# 6.6 HYBRID CAPITAL

Hybrid capital with a total nominal value of DKK 13,435 million (EUR 1,800 million) comprises EUR hybrid bonds issued in the European capital markets. A series of special terms are attached to the hybrid bonds.

In May 2015, DONG Energy issued new hybrid bonds due in 3015 for nominally EUR 600 million (DKK 4,478 million). The issuance refinanced hybrid bonds due in 3005 and issued in 2005 with an outstanding balance of EUR 600 million.

The hybrid capital is subordinate to the Group's other creditors. The purpose of issuing hybrid capital was to strengthen the Group's capital base and fund the Group's investments.

The total hybrid capital consists of hybrid bonds due in 3013 and hybrid bonds due in 3015. Further details on DONG Energy's three hybrid bonds are provided in the table below.

Coupon on hybrid capital is settled annually. Coupon payments and their tax effect are recognised directly in equity.

DONG Energy A/S may, at its sole discretion, defer coupon payments to bond holders. Deferred coupon becomes payable, however, if DONG Energy A/S subsequently pays dividends to its shareholders or pays coupon on another hybrid bond. So far, DONG Energy A/S has not used the option to defer coupon payments. Any deferred coupon will lapse upon maturity of the hybrid bonds in 3013 and 3015, respectively.

## ACCOUNTING POLICIES

Hybrid capital comprises issued bonds that qualify for treatment in accordance with the rules on compound financial instruments due to the special characteristics of the loan. The principal amount, which constitutes a liability, is recognised at present value, and equity has been increased by the difference between the net proceeds received and the present value of the discounted liability. Accordingly, any coupon payments are accounted for as dividends, which are recognised directly in equity at the time the payment obligation arises. This is because coupon is discretionary, and any deferred coupon therefore lapses upon maturity of the hybrid capital. Coupon payments consequently do not have any effect on profit (loss) for the year.

The part of the hybrid capital that is accounted for as a liability is measured at amortised cost. However, as the carrying amount of this component amounted to nil on initial recognition, and because of the 1,000-year term of the hybrid capital, amortisation charges will only impact on profit (loss) for the year towards the end of the 1,000-year term of the hybrid capital. Coupon payments are recognised in the statement of cash flows in the same way as dividend payments within financing activities.

On redemption of the hybrid capital, the payment will be distributed between the liability and equity applying the same principles as used when the hybrid capital was issued. This means that the difference between the payment on redemption and the net proceeds received on issue is recognised directly in equity as the debt portion of the existing hybrid issues will be nil during the first part of the life of the hybrid capital.

On the date on which the Board of Directors decides to exercise an option to redeem the hybrid capital, the part of the hybrid capital that will be redeemed will be reclassified to loans and borrowings. The reclassification will be made at the fair value of the hybrid capital at the date the decision is made. Coupon and exchange rate adjustments following the reclassification to loans and borrowings will be recognised in profit (loss) for the year as financial income or expenses.

| | Hybrid capital due in 3013 (June) | Hybrid capital due in 3013 (July) | Hybrid capital due in 3015 (November) |
|---|---|---|---|
| Carrying amount | DKK 5,127 million | DKK 3,698 million | DKK 4,423 million |
| Notional amount | EUR 700 million (DKK 5,225 million) | EUR 500 million (DKK 3,732 million) | EUR 600 million (DKK 4,478 million) |
| Issued | June 2013 | July 2013 | May 2015 |
| Due | June 3013 | July 3013 | November 3015 |
| First possible redemption date at par | 26 June 2023 | 8 July 2018 | 6 November 2020 |
| Interest | Coupon for the first ten years is fixed at 6.25% p.a., after which it is adjusted every five years with the 5-year euro swap + 4.75 percentage points from 2023-2043 and + 5.5 percentage points after 2043 | Coupon for the first five years is fixed at 4.875% p.a., after which it is adjusted every five years with the 5-year euro swap + 3.8 percentage points from 2018, 4.05 percentage points from 2023 and 4.80 percentage points from 2038 | Coupon for the first 5.5 years is fixed at 3.0% p.a., after which it is adjusted every five years with the 5-year euro swap + 2.819 percentage points from 2020, 3.069 percentage points from 2025 and 3.819 percentage points from 2040. |
| Deferral of interest payment | Optional deferral option | Optional deferral option | Optional deferral option |

# 7 RISK MANAGEMENT

Market and credit risks are a natural part of DONG Energy's business activities and a precondition for being able to generate income and create value. Through risk management, risks are reduced to an acceptable level

**5** years
DONG Energy's energy, currency and interest rate exposures are hedged with a risk management horizon of up to five years

**2.5**bn
In 2015, the Group's business performance EBITDA was positively impacted by DKK 2,485 million from hedging contracts

**52.9**bn
Hedging contracts in the amount of DKK 52,904 million have been entered into to hedge the Group's energy and related currency risks

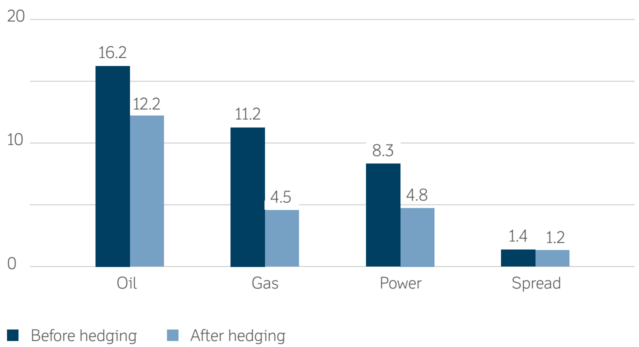
IN THIS SECTION



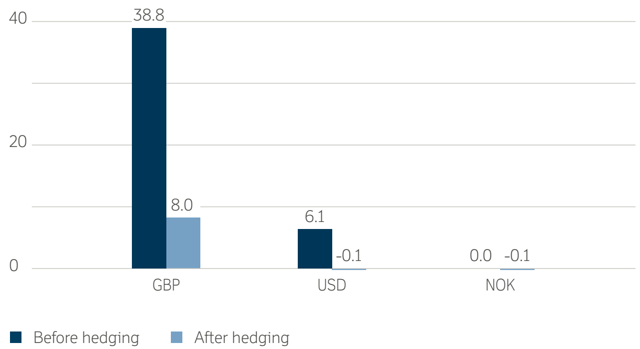
**Energy and currency exposures**
At the end of 2015, the Group's energy and currency exposures from production, sales, investments and divestments had been reduced from DKK 82.0 billion to DKK 30.9 billion via hedging.

**Trading portfolio**
DONG Energy has a limited trading portfolio, the main purpose of which is to optimise the execution of hedging contracts and gain from short-term energy price fluctuations. The trading activities comply with the mandates approved by the Board of Directors. Read more in note 7.3.

**ENERGY EXPOSURE,** DKK billion 2016-2020




**CURRENCY EXPOSURE,** DKK billion 2016-2020



# 7.1 MARKET RISKS

## Market risks and market risk management

DONG Energy's most significant market risks relate primarily to energy prices, foreign exchange rates and interest rates (see note 6.2).

The management of DONG Energy's market risks is based on the Group's desire for stable and robust financial ratios to ensure a solid foundation for the Group's growth strategy.

To reduce the fluctuations in the Group's cash flows in the short and medium terms, hedging contracts are concluded with a risk management horizon of up to five years. In the long term (beyond the five-year horizon), the Group's market risks are determined by the strategic choices made concerning the composition of the Group's production assets and long-term physical contracts.

Energy and currency exposures are transferred from the individual business units to Distribution & Customer Solutions and the Group's central treasury department, where they are consolidated prior to hedging in the market, thus using the Group's natural internal hedges.

## Energy price risks

The Group's energy price risks are hedged in accordance with the minimum hedging levels decided for each of the four business units. In the near future (the next two years or so), a high degree of hedging is wanted to secure results and cash flows after tax, while the degree of hedging is lower in subsequent years. The approach is chosen partly because there is less certainty about long-term production volumes, and partly because the financial and physical markets for price hedging instruments are less liquid in the long term.

DONG Energy's net oil, gas and power price exposures amount to DKK 12.2 billion, DKK 4.5 billion and DKK 4.7 billion for the 2016-2020 period.

## Currency risks

DONG Energy's international activities entail a financial risk in relation to exchange rate fluctuations. The most significant risk relates to GBP due to the Group's substantial investments in offshore wind farms in the UK.

The purpose of DONG Energy's currency risk management is to minimise the Group's currency risks over a five-year horizon. The main risk management principle is that the currency exposures are hedged once it is deemed relatively certain that the underlying cash flows in foreign currencies will materialise.

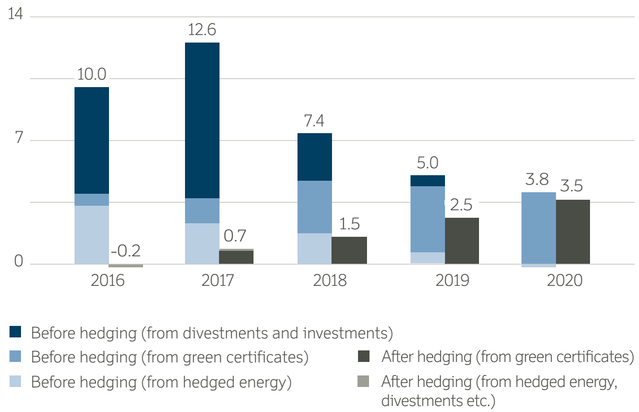
Thus, hedging of the currency risk associated with the energy prices takes place concurrently with the hedging of the energy price risk. Similarly, the currency risk associated with divestments and investments is hedged once the price is known. On the other hand, due to varying and thereby uncertain correlations between exchange rates and energy prices, currency risks associated with unhedged energy price risks are not hedged. This is the case, for example, with the USD risk associated with an unhedged oil price risk.

The hedging of cash flows relating to green certificates and fixed tariff elements from offshore wind farms in the UK derogates from the main principle as the hedging of these cash flows (less operating expenses) is based on a declining level of hedging over the risk management horizon. The target is to hedge 100% of the risk in year 1, declining by 20 percentage points each year, with 20% hedging in year 5. Fluctuations in GBP therefore constitute a strategic risk for DONG Energy.

The Group's EUR risk is subject to continuous assessment, but is generally not hedged as Denmark is deemed very unlikely to abandon its fixed exchange rate policy.

DONG Energy's GBP exposures after hedging amount to DKK 8.0 billion (long position) for the 2016-2020 period, consisting of DKK 8.2 billion regarding green certificates and DKK -0.2 billion regarding other exposures. USD and NOK exposures after hedging amount to DKK 0.1 billion (short position) and DKK 0.1 billion (short position) for the 2016-2020 period.

**GBP EXPOSURE,** DKK billion




## Wind Power

Earnings from the generation of power from offshore wind farms depend, in particular, on publicly regulated prices. The most significant elements are fixed tariffs (Denmark, Germany and the UK) and guaranteed minimum prices for green certificates (the UK).

At the end of 2015, such fixed tariffs and guaranteed minimum prices cover 90% of the expected income from the wind power portfolio over the next five years.

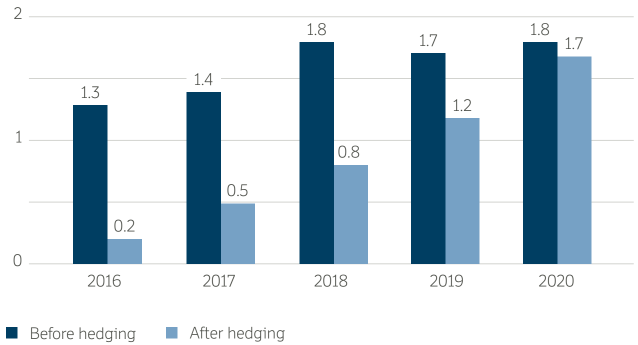
The market price risk primarily pertains to sales of power in the UK. It is regarded as a direct price risk and is managed with a time horizon of up to five years.

The net exposure associated with power generation from offshore wind farms amounts to DKK 4.4 billion for the 2016-2020 period.

## Bioenergy & Thermal Power

DONG Energy's CHP plant portfolio consists of gas, coal and biomass-fired plants in Denmark and a gas-fired power station in the Netherlands. The profitability of the individual CHP plants depends on the general supply and demand situation, the relative prices of the individual fuels, the price of $CO_2$ emissions allowances as well as the varying generation from renewable energy sources such as hydro, wind and solar power.

**WIND POWER'S PRICE EXPOSURE,** DKK billion



# 7.1 MARKET RISKS
CONTINUED

Risk management for the CHP plants is based on the fixing of the contribution margin for the future power generation through the concurrent selling and buying of fuel and $CO_2$ emissions allowances. Heat generation does not give rise to direct exposures as the associated costs are borne by the heat customers, but to indirect exposures as a large number of the Group's CHP plants produce both power and heat. The risk management horizon is three years and thus shorter than for oil and gas due to lower liquidity in the market for power, coal and carbon price hedging instruments.

At the end of 2015, the price of 48% of the expected thermal power generation in 2016 was hedged. The total net exposure associated with thermal power generation for the period 2016-2020 is DKK 1.2 billion.

### Distribution & Customer Solutions

Distribution & Customer Solutions' price exposure primarily stems from the purchase and sale of gas and power.

The price risk associated with the purchase and sale of gas results from differences in the indexing of sales and purchase prices. Both gas purchases and gas sales are expected to be increasingly indexed to pure gas prices, while the conventional indexing relative to oil is expected to fall. In 2015, oil-indexed gas purchases accounted for 18% of total Distribution & Customer Solutions purchases. Risk management is based on the indexing which is expected to apply after completion of the current renegotiations of the oil-indexed gas purchase contracts. If the results of the renegotiations deviate from expectations, the level of hedging may need adjusting.

The price risk associated with Distribution & Customer Solutions' power purchases and sales is constituted by the difference between the purchase and sales prices. The price risk relates primarily to timing differences between purchases and sales and is therefore considered to be limited.

For the 2016-2020 period, the business unit's net gas, oil and power exposures total DKK 1.0 billion (short position), DKK 0.3 billion (short position) and DKK 0.4 billion (long position), or DKK 0.9 billion in all.

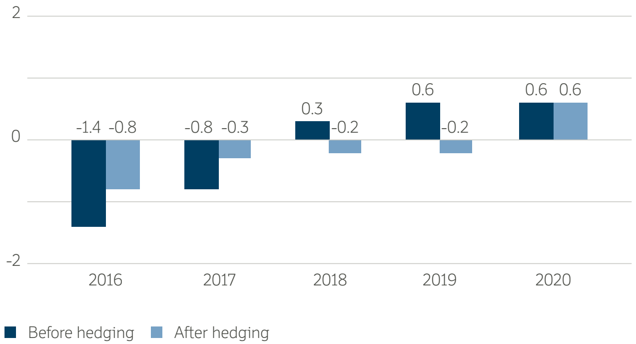
### Oil & Gas

Oil & Gas's price exposures relate to the production of gas and oil.

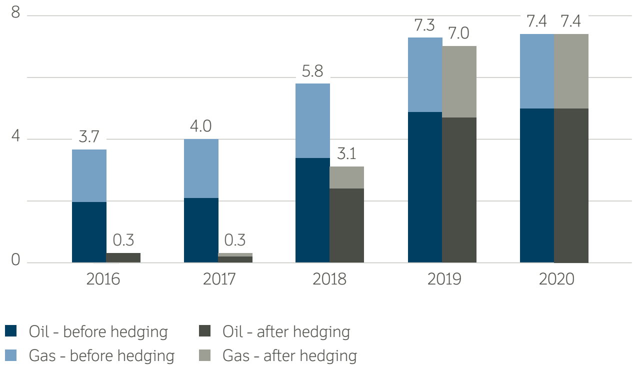
The hedging of the gas and oil exposures is carried out after tax, including the special hydrocarbon tax, to achieve the desired stabilisation of cash flows after tax.

For 2016-2020, the net gas and oil exposures amount to DKK 5.6 billion and DKK 12.5 billion, respectively, or DKK 18.1 billion in total.

DISTRIBUTION & CUSTOMER SOLUTIONS'S PRICE EXPOSURE, DKK billion




OIL & GAS'S PRICE EXPOSURE, DKK billion

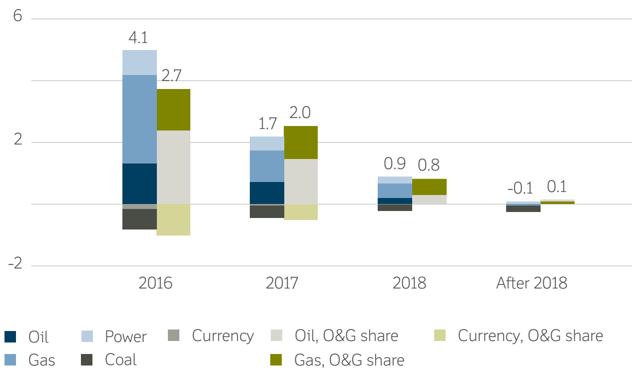



### Accounting impact of hedging

DONG Energy's hedging of market risks is based on a number of different accounting principles depending on the type of risk being hedged.

Under the business performance principle, value adjustments of contracts hedging energy and related currency risks are postponed and recognised in the period in which the hedged exposure materialises. The figure below shows the expected time of transfer of the Group's energy and currency hedges to EBITDA.

EXPECTED YEAR OF TRANSFER TO BUSINESS PERFORMANCE EBITDA, GROUP AND O&G, DKK billion




## ACCOUNTING POLICIES

Exposure is calculated as the expected production (or net purchase/sale) multiplied by the forward price for the respective years. The oil and gas exposure is calculated on the basis of a reduced exposure volume so as to factor in the difference between the taxation of hydrocarbon income and hedging instruments. In addition, the exposure is determined on the basis of the expected exposure after renegotiations of oil-indexed gas purchase contracts.

# 7.1 MARKET RISKS
CONTINUED

## OVERVIEW OF THE GROUP'S POSITIONS

| | | **2015** | | | | 2014 | | | | 2013 | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Energy | | Currency/interest | | Energy | | Currency/interest | | Energy | | Currency/interest | |
| DKK million | Note | **Contractual principal amount** | **Fair value** | **Contractual principal amount** | **Fair value** | Contractual principal amount | Fair value | Contractual principal amount | Fair value | Contractual principal amount | Fair value | Contractual principal amount | Fair value |
| Economic hedging | 2.2, 7.2 | 32,564 | 8,791 | 20,340 | (1,658) | 34,379 | 4,419 | 20,406 | (651) | 39,480 | 293 | 7,940 | (263) |
| Hedging of fair value, securities | 6.4 | | | 796 | (10) | | | 795 | (10) | | | 2,796 | 6 |
| Hedging of fair value, currency | 7.2 | | | 18,930 | 1,403 | | | 15,914 | 611 | | | 15,115 | (127) |
| Hedging of cash flows, interest | 6.2 | | | 5,781 | (446) | | | 5,761 | (552) | | | 5,975 | (431) |
| Hedging of cash flows, currency | 7.2 | | | 9,512 | 62 | | | | | | | | |
| Hedging of net investments | 7.2 | | | 27,958 | (2,655) | | | 23,464 | (1,181) | | | 44,011 | 733 |
| Trading portfolio | 7.3 | 1,672 | 496 | | | 1,765 | 271 | | | 3,883 | 470 | | |
| Other interest derivatives | 7.2 | | | 2,752 | 15 | | | 2,746 | 50 | | | 4,952 | 81 |
| Other currency derivatives | 7.2 | | | 2,258 | 113 | | | 2,043 | (87) | | | 1,331 | (134) |
| Total | | 34,236 | 9,287 | 88,327 | (3,176) | 36,144 | 4,690 | 71,129 | (1,820) | 43,363 | 763 | 82,120 | (135) |

### Accounting for hedges

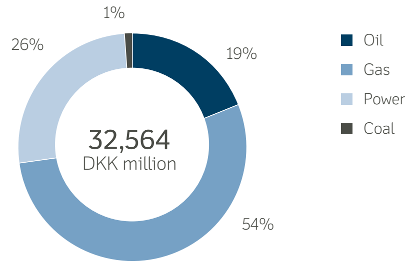
The above table shows the Group's derivative and hedging contracts according to method of recognition. The method of recognition and classification of hedging contracts depends on the purpose of the hedging:

- economic hedging comprises hedging of energy-related risks, including related currency risks. These hedging contracts are treated as hedge accounting in accordance with the business performance principle (see note 2.2 for detailed description), whereby the value adjustment is postponed and only recognised during the period in which the hedged transaction materialises. Under IFRS, the value adjustment of this type of hedging is recognised directly in the income statement.
- hedging of the fair value of securities or currency comprises hedging of recognised assets or liabilities.
- hedging of cash flows concerning interest rates and currencies comprises hedging of future interest payments and currency risks on future income.
- hedging of net investments comprises hedging of the currency risk associated with investments in assets located in foreign countries.
- the trading portfolio and other interest and currency derivatives are recognised at fair value in the income statement.

Note 2.2 provides further details concerning economic hedging, including information about the underlying products traded.

At 31 December 2015, the contractual value of contracts categorised as economic hedging was DKK 52,904 million against DKK 54,785 million at 31 December 2014 (2013: DKK 47,420 million).

DISTRIBUTION OF ENERGY HEDGING, % 2015




### ACCOUNTING POLICIES

DONG Energy applies the provisions on hedge accounting to derivative financial instruments and loans for hedging currency and interest rate risks. Hedging of commodities and related currency exposures is not accounted for as cash flow hedge accounting. Market value adjustments of these, which were previously recognised in comprehensive income and a special reserve in equity, are recognised in profit (loss) for the year as the underlying transactions are realised or if the hedges are judged to no longer be effective. Value adjustments of financial contracts that are not used as economic hedges of the Group's principal activities or that are part of the Group's trading portfolio are recognised as financial income and expenses.

# 7.2 HEDGE ACCOUNTING AND ECONOMIC HEDGING

**Economic hedging and commercial contracts**
The purpose of economic hedging is to reduce the Group's risk, for which reason the fluctuations in value are expected to be offset by the underlying exposure.

DONG Energy has entered into a number of commercial contracts under which physical delivery is made and which are managed together with the financial contracts, for which reason they are recognised at fair value in accordance with IFRS.

Under the business performance principle, the market value adjustment of contracts concluded for the purpose of economic hedging and commercial contracts is postponed to the period during which the hedged transaction affects results, see note 2.2.

DONG Energy's hedging of energy prices and commercial contracts recognised at fair value is specified below.

The table shows an overall effect on EBITDA from agreements with a contractual principal amount of DKK 52,904 million (2014: DKK 54,785 million and 2013: DKK 47,420 million).

### ECONOMIC HEDGING AND COMMERCIAL CONTRACTS

| DKK million | **2015** Contractual principal amount | **2015** Fair value | 2014 Contractual principal amount | 2014 Fair value | 2013 Contractual principal amount | 2013 Fair value |
|---|---|---|---|---|---|---|
| **Energy** | | | | | | |
| Oil swaps | 6,185 | 2,211 | 463 | (194) | 4,150 | (190) |
| Oil options | | | | | 173 | (2) |
| Gas swaps | 17,499 | 4,588 | 24,777 | 3,661 | 26,719 | 353 |
| Gas options | 57 | 37 | 624 | 21 | | |
| Power swaps | 8,179 | 2,154 | 6,948 | 1,269 | 5,211 | 704 |
| Power options | 172 | (8) | 580 | (83) | 1,627 | (358) |
| Coal | 472 | (191) | 987 | (255) | 1,600 | (214) |
| **Currency** | | | | | | |
| Forward exchange contracts | 20,340 | (1,658) | 20,406 | (651) | 5,775 | (142) |
| Options | | | | | 2,165 | (121) |
| Total | 52,904 | 7,133 | 54,785 | 3,768 | 47,420 | 30 |

### ACCOUNTING POLICIES

Fair value adjustments of financial contracts offered to customers with a view to price hedging and financial instruments that have been entered into to hedge the Group's principal operating activities are recognised as revenue or cost of sales. Likewise, fair value adjustments of physical and financial contracts relating to energy that are concluded in the course of the Group's trading activities with a view to generating gains from short-term price changes are recognised as revenue.

Under the business performance principles, economic hedging is accounted for as effective hedging, and the resulting market value adjustment is consequently postponed to the period in which the hedged transaction affects results.

The contractual principal amount has been determined as the net position per derivative type.

# 7.2 HEDGE ACCOUNTING AND ECONOMIC HEDGING
CONTINUED

**Hedging of net investments in foreign subsidiaries**
DONG Energy's foreign activities entail a currency risk. The chart below shows the distribution of the Group's net investments in foreign currencies. The currency risk is hedged through the raising of loans in foreign currencies as well as forward exchange contracts and currency swaps.

The table to the right presents DONG Energy's currency risk from investments in foreign enterprises after hedging. The net position expresses the accounting exposure. If, for example, the GBP/DKK exchange rate had gone up by 10% on 31 December 2015, equity would have increased by DKK 1,066 million, corresponding to 10% of 10,662.

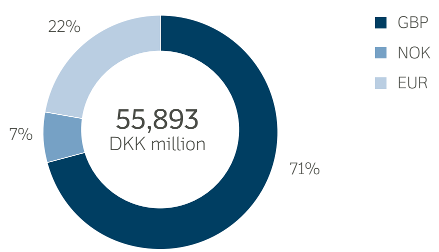
At 31 December 2015, the accumulated exchange rate adjustments totalled DKK -167 million in the form of the exchange rate adjustment of the net investment of DKK 2,860 million and the hedging thereof of DKK -3,027 million.

Ineffectiveness relating to hedging of net investments in foreign subsidiaries was DKK 9 million (2014: DKK 24 million and 2013: DKK 8 million) and is recognised in financial income and expenses.

## ACCOUNTING POLICIES

Changes in the fair value of derivative financial instruments and loans that are used to hedge net investments in foreign subsidiaries or associates and that provide effective hedges against changes in foreign exchange rates in these enterprises are recognised in the consolidated financial statements directly in equity within a separate translation reserve.

NET INVESTMENTS IN FOREIGN CURRENCY, % 2015




| 2015 DKK million | Net investments, including equity-like loans | Of which non-controlling interests | Hedged amount in currency | **Net position** | Accumulated exchange rate adjustment of net investments, including equity-like loans | Accumulated exchange rate adjustment of hedging of net investments, including equity-like loans | Accumulated net exchange rate adjustment recognised in equity |
|---|---|---|---|---|---|---|---|
| **Currency** | | | | | | | |
| GBP | 39,311 | (5,418) | (23,231) | 10,662 | 3,847 | (3,489) | 358 |
| NOK | 4,203 | | (249) | 3,954 | (994) | 487 | (507) |
| SEK | 205 | | | 205 | (15) | (14) | (29) |
| EUR | 12,159 | | (4,478) | 7,681 | 22 | (11) | 11 |
| Other | 15 | | | 15 | | | |
| Total | 55,893 | (5,418) | (27,958) | 22,517 | 2,860 | (3,027) | (167) |
| **2014** | | | | | | | |
| **Currency** | | | | | | | |
| GBP | 32,858 | (5,369) | (20,624) | 6,865 | 1,903 | (2,283) | (380) |
| NOK | 5,505 | | (2,840) | 2,665 | (704) | 672 | (32) |
| SEK | 281 | | | 281 | (43) | (14) | (57) |
| EUR | 4,505 | | | 4,505 | (2) | | (2) |
| Other | 9 | | | 9 | | | |
| Total | 43,158 | (5,369) | (23,464) | 14,325 | 1,154 | (1,625) | (471) |
| **2013** | | | | | | | |
| **Currency** | | | | | | | |
| GBP | 37,843 | (5,425) | (32,289) | 129 | 12 | (331) | (319) |
| NOK | 9,959 | | (6,104) | 3,855 | (163) | 486 | 323 |
| SEK | 473 | (52) | (355) | 66 | 10 | (54) | (44) |
| EUR | 2,758 | | | 2,758 | 6 | | 6 |
| Other | 8 | | | 8 | | | |
| Total | 51,041 | (5,477) | (38,748) | 6,816 | (135) | 101 | (34) |

# 7.2 HEDGE ACCOUNTING AND ECONOMIC HEDGING
CONTINUED

### HEDGING OF FAIR VALUE, CURRENCY

| DKK million | EUR | USD | GBP | NOK | Other | Total |
|---|---|---|---|---|---|---|
| **2015** | | | | | | |
| Financial assets | 16,373 | 2,664 | 7,571 | 214 | 196 | 27,018 |
| Financial liabilities | (30,717) | (2,282) | (18,686) | (281) | (175) | (52,141) |
| Hedged using hedging instruments | 6,269 | | 12,661 | | | 18,930 |
| Net position | (8,075) | 382 | 1,546 | (67) | 21 | (6,193) |
| Fair value of hedging instruments | 14 | | 1,389 | | | 1,403 |
| **2014** | | | | | | |
| Financial assets | 16,871 | 779 | 6,833 | 431 | 321 | 25,235 |
| Financial liabilities | (31,292) | (1,516) | (16,267) | (526) | (105) | (49,706) |
| Hedged using hedging instruments | 4,020 | | 11,894 | | | 15,914 |
| Net position | (10,401) | (737) | 2,460 | (95) | 216 | (8,557) |
| Fair value of hedging instruments | (11) | | 622 | | | 611 |
| **2013** | | | | | | |
| Financial assets | 12,036 | 2,180 | 4,646 | 976 | 395 | 20,233 |
| Financial liabilities | (34,592) | (2,911) | (15,298) | (612) | (53) | (53,466) |
| Hedged using hedging instruments | 5,036 | | 10,079 | | | 15,115 |
| Net position | (17,520) | (731) | (573) | 364 | 342 | (18,118) |
| Fair value of hedging instruments | 17 | | (144) | | | (127) |

### OTHER CURRENCY AND INTEREST DERIVATIVES

| DKK million | Contractual principal amount | Fair value |
|---|---|---|
| **2015** | | |
| Forward exchange contracts and currency swaps | 2,258 | 113 |
| Interest rate swaps | 2,752 | 15 |
| Total derivative financial instruments | 5,010 | 128 |
| **2014** | | |
| Forward exchange contracts and currency swaps | 2,043 | (87) |
| Interest rate swaps | 2,746 | 50 |
| Total derivative financial instruments | 4,789 | (37) |
| **2013** | | |
| Forward exchange contracts and currency swaps | 1,331 | (134) |
| Interest rate swaps | 4,952 | 81 |
| Total derivative financial instruments | 6,283 | (53) |

**Hedging of fair value, currency**
The table above presents the currency risk from financial assets and liabilities based on the currencies with the greatest impact on DONG Energy. A portion of this currency risk is hedged through the use of forward exchange contracts and currency swaps. Hedges are recognised as fair value hedges when the hedged item is a recognised financial asset or a financial liability.

The net position expresses the Group's currency risk from financial assets and liabilities at 31 December.

**Other currency and interest derivatives**
Changes to the fair value of currency and interest derivatives which are not categorised as hedging are recognised in financial income and expenses. These are shown in the table to the right.

The contractual principal amount of other currency and interest derivatives was DKK 5,010 million at 31 December 2015 (2014: DKK 4,789 million and 2013: DKK 6,283 million), and the market value was DKK 128 million at 31 December 2015 (2014: DKK -37 million and 2013: DKK -53 million).

**Cash flow hedging, currency**
Forward exchange contracts have been concluded for the purpose of hedging the currency risk associated with the construction of wind farms which are expected to be divested. The forward exchange contracts corresponded to a contractual principal amount of DKK 6,204 million and a market value of DKK 113 million at 31 December 2015. The market value is expected to be transferred to revenue in the following amounts: DKK 70 million in 2016 and DKK 43 million in 2017.

Forward exchange contracts have been concluded for the purpose of hedging the currency risk associated with interest payments on loans in GBP. These forward exchange contracts correspond to a contractual principal amount of DKK 3,308 million and a market value of DKK -51 million and are expected to be transferred to financial income and expenses in the following amounts: DKK -9 million in 2016, DKK -9 million in 2017 and DKK -33 million after 2017.

Ineffectiveness of currency hedging amounted to a charge of DKK 0 million (2014: DKK -4 million and 2013: DKK -85 million).

**ACCOUNTING POLICIES**

Changes to the fair value of hedging instruments that qualify for recognition as a hedge of future cash flows and that provide an effective hedge against changes in the value of the hedged item are recognised in other comprehensive income within a separate hedging reserve. On realisation of the hedged cash flow, the resulting gain or loss is transferred from equity and recognised in the same item as the hedged item. However, on hedging of proceeds from future loans, the resulting gain or loss is transferred from equity over the term of the loan.

If the hedged cash flows are no longer expected to be realised, the accumulated value change is transferred immediately to profit (loss) for the year.

Changes in the fair value of derivative financial instruments that are designated as and qualify for recognition as hedges of the fair value of a recognised asset or liability are recognised in profit (loss) for the year together with changes in the value of the hedged asset or liability to the extent of the hedged risk.

# 7.3 TRADING PORTFOLIO

## DONG Energy's trading portfolio

DONG Energy has a trading portfolio which is managed by Distribution & Customer Solutions for the purpose of:

- optimising the execution of hedging contracts,
- contributing to increased market insight, and
- profiting from short-term fluctuations in energy prices

The trading portfolio consists primarily of positions in oil, gas and power. The table to the right shows the composition of the trading portfolio at 31 December.

The trading portfolio constitutes a small part of the Group's total portfolio of derivatives, and the associated risk is limited. Also, earnings from the trading portfolio constitute a limited share of DONG Energy's total earnings. The graph to the right below shows annual earnings from the trading portfolio in the past five years.

## Trading portfolio mandate

Trading activities are carried out within mandates approved by the Board of Directors. The mandates comprise a Value-at-Risk (VaR) mandate and a stress mandate and a limit for the maximum positions measured in energy units per product (oil, gas, etc.). The mandates are described at the bottom right-hand side of this page. The Group's central Risk Management department performs daily follow-ups. The graph to the right shows the daily VaR of the trading portfolio relative to the maximum limit permitted for all products traded as part of the trading portfolio.

When hedging instruments do not fully correspond to the hedged risk, any difference between the development in market value of the hedging contract and the market value of the hedged exposure is recognised immediately in the income statement as part of the gain (loss) from the trading portfolio. The gain (loss) from the trading portfolio thus expresses the internal measurement of the performance of the trading portfolio. The trading portfolio mandates are measured on the basis of the open position, regardless of whether this is due to the transfer of an internal position which needs executing in the market, or whether the open position is due to trading with external parties. An overview of risk management principles is provided in note 7.1 on page 112.

## ACCOUNTING POLICIES

Fair value adjustments of physical and financial contracts relating to energy that are concluded in the course of the Group's trading activities with a view to generating gains from short-term price changes are recognised as revenue.

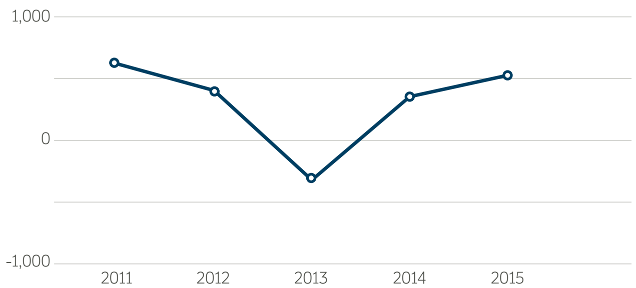
### OVERVIEW OF THE GROUP'S TRADING PORTFOLIO

| | **2015** | | 2014 | | 2013 | |
|---|---|---|---|---|---|---|
| DKK million | **Contractual principal amount[1]** | **Fair value** | Contractual principal amount[1] | Fair value | Contractual principal amount[1] | Fair value |
| Energy | | | | | | |
| Oil swaps | 199 | (312) | 104 | 75 | 301 | 112 |
| Oil options | | | | | 49 | (1) |
| Gas swaps | 1,365 | 823 | 1,115 | 165 | 819 | 160 |
| Gas options | | | 177 | (3) | | |
| Power swaps | 57 | 8 | 232 | 76 | 2,537 | 247 |
| Power options | | | 24 | | 70 | 5 |
| $CO_2$ emissions allowances | 49 | (21) | 102 | (42) | 15 | (1) |
| Coal | 2 | (2) | 11 | | 92 | (52) |
| Total | 1,672 | 496 | 1,765 | 271 | 3,883 | 470 |

[1] The contractual principal amount has been determined as the net position per derivative type.

### DAILY POSITION IN THE TRADING PORTFOLIO, MARKET TRADING MANDATES, DKK million


### GROSS PROFIT FROM THE TRADING PORTFOLIO, DKK million




### MARKET TRADING MANDATES

| VaR max in 2015: DKK 120 million (January 2016: DKK 70 million) | Stress max in 2015: DKK 500 million (January 2016: DKK 400 million) | Maximum open positions in trading portfolio |
|---|---|---|
| VaR indicates the largest loss in one trading day to a probability of 95%. VaR is based on data for the past 60 trading days with the heaviest weighting being assigned to the most recent trading days. | Stress indicates the largest daily loss which could be sustained with the given portfolio. Stress based on data from 1 January 2006 to the present day. | - Max 10TWh gas<br>- Max 4 million boe oil<br>- Max 8TWh power<br>- Max 3 million tonnes $CO^2$<br>- Max 2 million tonnes coal |

# 7.4 SENSITIVITY ANALYSIS OF FINANCIAL INSTRUMENTS

**SENSITIVITY ANALYSIS OF FINANCIAL INSTRUMENTS**

| | | **31 December 2015** | | | 31 December 2014 | | | 31 December 2013 | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | **Effect on profit (loss) before tax** | | | Effect on profit (loss) before tax | | | Effect on profit (loss) before tax | | |
| Risk | Price change | **Trading portfolio** | **Economic hedging [1]** | **Effect on equity before tax** | Trading portfolio | Economic hedging [1] | Effect on equity before tax | Trading portfolio | Economic hedging [1] | Effect on equity before tax |
| Oil | 10% | (6) | (396) | | (11) | (56) | | (16) | (219) | |
| | -10% | 6 | 407 | | 11 | 56 | | 15 | 216 | |
| Gas | 10% | (18) | (928) | | (62) | (1,470) | | (58) | (3,244) | |
| | -10% | 18 | 939 | | 58 | 1,484 | | 58 | 3,244 | |
| Power | 10% | (3) | (506) | | 42 | (464) | | (227) | (423) | |
| | -10% | 3 | 515 | | (41) | 456 | | 229 | 403 | |
| Coal | 10% | | (34) | | 1 | (34) | | (2) | (5) | |
| | -10% | | 34 | | (1) | 34 | | 2 | 5 | |
| USD | 10% | (2) | (501) | 3 | (7) | (182) | | (3) | 1 | |
| | -10% | 2 | 501 | (8) | 7 | 182 | | 3 | 32 | |
| GBP | 10% | (109) | (979) | (286) | (9) | (1,588) | | 97 | (612) | (526) |
| | -10% | 109 | 979 | 286 | 9 | 1,588 | | (97) | 612 | 526 |
| NOK | 10% | | (7) | | 4 | (10) | | 9 | 36 | |
| | -10% | | 7 | | (4) | 10 | | (9) | (36) | |
| EUR | 10% | 107 | (288) | | 164 | (600) | | 114 | (2,042) | |
| | -10% | (107) | 288 | | (164) | 600 | | (114) | 2,059 | |
| Interest | 100 basis points | (333) | | 210 | (426) | | 222 | (199) | | 258 |

[1] Economic hedging comprises derivatives entered into to hedge future financial risks. The market value changes of these contracts will be offset, wholly or in part, by a change in the hedged risk. Also included are commercial contracts recognised at fair value.

The sensitivity analysis in the table shows the effect of market value changes assuming a relative price change at 31 December. Effect on profit (loss) before tax comprises financial instruments that remained open at the balance sheet date and have an effect on profit (loss) in the financial year in question.

Effect on profit (loss) before tax is broken down by sensitivity of the portion that is recognised in:
- trading portfolio, these contracts will affect profit.
- economic hedging, including commercial contracts. The market value changes of contracts allocated as economic hedging will be offset, wholly or in part, by a change in the hedged risk.

Effect on equity before tax comprises financial instruments that remained open at the balance sheet date and are value-adjusted directly in equity. Besides derivative financial instruments on commodities and currency, financial instruments in this context include receivables and payables in foreign currencies.

The illustrated sensitivities only comprise DONG Energy's financial instruments and therefore omit the effect from contracts concluded under which physical delivery of the underlying assets is made, as these are not recognised as financial instruments in accordance with IAS 39. If the hedged exposure had been included in the sensitivity analysis, the effect of a price change would have been reduced. The Group's expected exposures before and after hedging are illustrated in note 7.1.

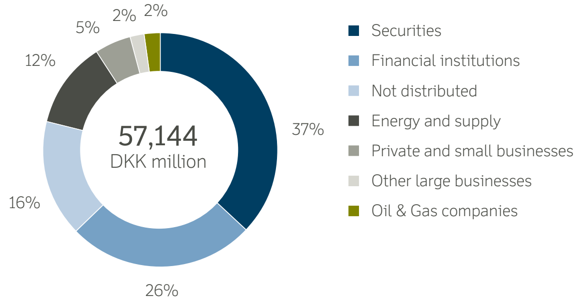
Net investments and associated hedging of net investments in foreign subsidiaries are not included in the table, as the effect of the sum of the investment and the hedging is considered to be neutral to price changes. A 10% increase in the currencies hedged in connection with net investments would reduce equity by DKK 2,796 million (2014: DKK 2,346 million and 2013: DKK 3,875 million) arising from the hedging instruments. All other conditions being equal, a decrease in the exchange rate would have had a corresponding opposite effect. For further details on currency positions hedged by hedging of net investments, reference is made to note 7.2, 'Hedging of net investments in foreign subsidiaries'.

# 7.5 CREDIT RISKS

### THE CREDIT QUALITY OF THE GROUP'S COUNTERPARTIES

| DKK million | 2015 | 2014 | 2013 |
|---|---|---|---|
| Clearing centres | 3,734 | 1,967 | 2,336 |
| AAA/Aaa | 14,877 | 18,962 | 13,969 |
| AA/Aa | 6,176 | 6,294 | 2,345 |
| A/A | 8,601 | 8,476 | 7,697 |
| BBB/Baa | 4,209 | 4,463 | 3,029 |
| Not rated | 19,547 | 15,161 | 15,474 |
| Total credit exposure | 57,144 | 55,323 | 44,850 |

### THE GROUP'S CREDIT EXPOSURE DISTRIBUTED BY LINE OF BUSINESS, DKK million 2015




DONG Energy's counterparty risks are mainly concentrated on large international energy companies and banks. Such trading is regulated under standard agreements, such as EFET and ISDA agreements, which feature, for instance, credit rating and netting provisions. DONG Energy seeks to limit credit risks by systematically rating its counterparties within the fields of energy trading and financial activities, by extending a credit limit or demanding that collateral be furnished. The counterparties and credit limits granted are monitored on an ongoing basis.

The monitoring of counterparties and granting of credit limits are based on the framework established by the Board of Directors and the Executive Board. For the most significant counterparties, an internal credit rating is required. Information from external credit rating agencies, publicly available information and own analyses are included in the determination of an internal rating and the granting of credit limits.

DONG Energy did not suffer any losses from any single major counterparty in the 2013-2015 period.

The credit quality of the Group's financial assets is primarily assessed for the items derivative financial instruments, cash and bond portfolios and receivables, and is based on the individual counterparty's ratings with Standard & Poor's, Moody's and Fitch. Positions have been calculated before offsetting any collateral, and the figures therefore do not reflect the Group's actual credit exposure.

The AAA/Aaa category covers DONG Energy's position in Danish AAA-rated government and mortgage bonds and the non-rated category predominantly consists of trade receivables from customers such as end-users and PSO customers.

The increased credit exposure in 2014 can mainly be explained by the increase in the Group's portfolio of securities and cash and cash equivalents.

# 7.5 CREDIT RISKS
CONTINUED

## OFFSETTING OF FINANCIAL ASSETS

| DKK million | Derivative financial instruments | Trade receiv-ables | 2015 | Derivative financial instruments | Trade receiv-ables | 2014 | Derivative financial instruments | Trade receiv-ables | 2013 |
|---|---|---|---|---|---|---|---|---|---|
| Financial assets | 29,555 | 39,953 | 69,508 | 21,606 | 17,697 | 39,303 | 3,835 | 19,484 | 23,319 |
| Financial liabilities, offset | (19,386) | (37,843) | (57,229) | (15,635) | (15,100) | (30,735) | (2,307) | (17,275) | (19,582) |
| Financial assets in the balance sheet | 10,169 | 2,110 | 12,279 | 5,971 | 2,597 | 8,568 | 1,528 | 2,209 | 3,737 |
| Amounts not offset in the balance sheet: | | | | | | | | | |
| Liabilities with right of set-off | (1,610) | | (1,610) | (1,052) | | (1,052) | (352) | | (352) |
| Collateral received in the form of bonds | (65) | | (65) | (321) | | (321) | (192) | | (192) |
| Net | 8,494 | 2,110 | 10,604 | 4,598 | 2,597 | 7,195 | 984 | 2,209 | 3,193 |

## OFFSETTING OF FINANCIAL LIABILITIES

| DKK million | Derivative financial instruments | Trade payables | 2015 | Derivative financial instruments | Trade payables | 2014 | Derivative financial instruments | Trade payables | 2013 |
|---|---|---|---|---|---|---|---|---|---|
| Financial liabilities | 26,936 | 40,532 | 67,468 | 21,418 | 18,462 | 39,880 | 3,397 | 19,940 | 23,337 |
| Financial assets, offset | (19,386) | (37,843) | (57,229) | (15,635) | (15,100) | (30,735) | (2,307) | (17,275) | (19,582) |
| Financial liabilities in the balance sheet | 7,550 | 2,689 | 10,239 | 5,783 | 3,362 | 9,145 | 1,090 | 2,665 | 3,755 |
| Amounts not offset in the balance sheet: | | | | | | | | | |
| Assets with right of set-off | (1,610) | | (1,610) | (1,052) | | (1,052) | (352) | | (352) |
| Collateral provided in the form of bonds | (2,072) | | (2,072) | (823) | | (823) | (283) | | (283) |
| Net | 3,868 | 2,689 | 6,557 | 3,908 | 3,362 | 7,270 | 455 | 2,665 | 3,120 |

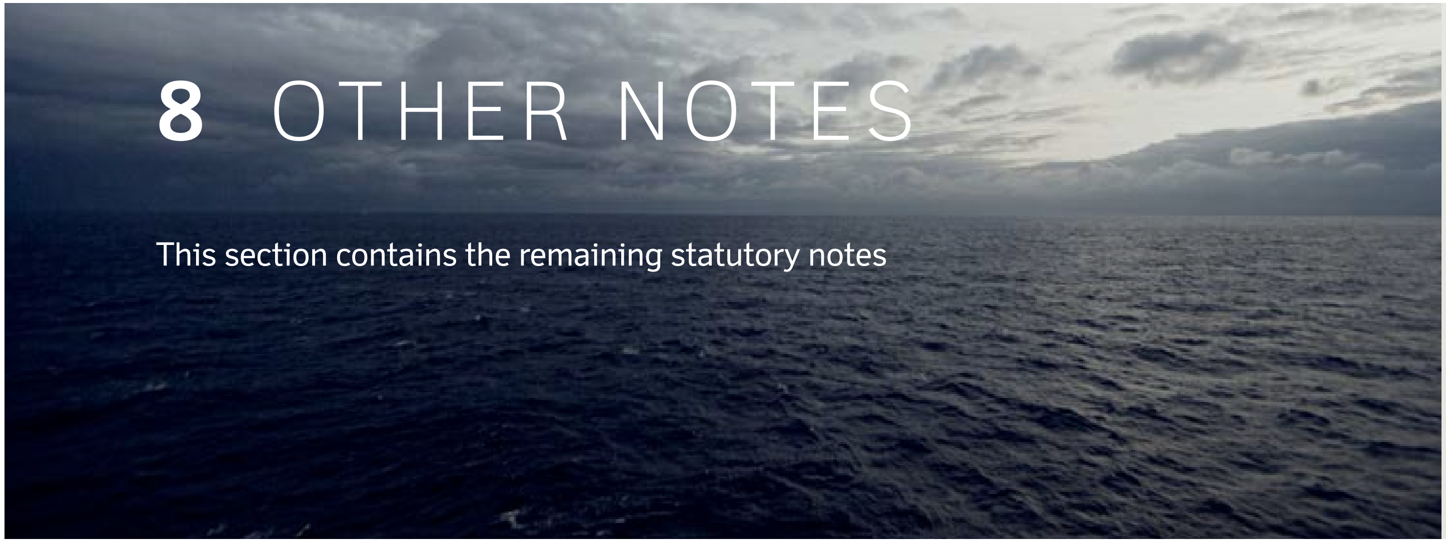
**Offsetting of financial assets and liabilities**
DONG Energy has offsetting agreements with many of its financial counterparties. Both long and short positions are traded with a number of these counterparties where gross financial assets and liabilities can be significant before offsetting. The offsetting agreements with the individual counterparties are often limited to offsetting within specific products. In addition, the settlement of liabilities and the realisation of assets often do not take place simultaneously. Consequently, only some of the Group's offsetting agreements meet the IFRS offsetting criteria.

The table above shows financial assets and liabilities that are subject to offsetting agreements, and related collaterals.

The increase in the amount offset in derivative financial instruments is primarily attributable to the increase in the market value of oil-related trades.

### ACCOUNTING POLICIES

Positive and negative values are only offset if the company is entitled to and intends to settle several financial instruments net.



# 8 OTHER NOTES

This section contains the remaining statutory notes

**163** companies

The DONG Energy group comprises 163 Danish and foreign companies

**44.5**bn

DONG Energy's contractual obligations are DKK 44,457 million at 31 December 2015

**5.9**bn

DONG Energy's operating lease obligations are DKK 5,893 million at 31 December 2015

## IN THIS SECTION



**Operating lease obligations**

DONG Energy has entered into operating leases, both in relation to the operation of commissioned assets and the construction of offshore wind farms.

Assets held under operating leases comprise, among other things, land and seabed relating to offshore wind farms in the UK, gas storage facilities in Germany as well as harbour areas and drilling rigs. Finally, the office premises in Gentofte and London are also held under operating leases.

**Contractual obligations**

DONG Energy has entered into agreements on investments in property, plant and equipment in connection with the construction of offshore wind farms, biomass conversion of power station units, improvement of the power distribution grid and construction of oil and gas production facilities.

# 8.1 RELATED-PARTY TRANSACTIONS

| | Joint ventures | | | Associates | | | Owners | | |
|---|---|---|---|---|---|---|---|---|---|
| DKK million | **2015** | 2014 | 2013 | **2015** | 2014 | 2013 | **2015** | 2014 | 2013 |
| Dividends received and capital reductions | 53 | 20 | | 5 | 2 | 74 | | | |
| Capital transactions, net | | (53) | (41) | | (50) | (29) | | 8,000 | |
| Trade receivables | | 23 | 33 | 36 | 92 | 49 | 954 | 965 | |
| Trade payables | (72) | (91) | (110) | (24) | (29) | (42) | | | |
| Interest, net | 28 | 40 | 38 | (201) | 1 | 1 | | | |
| Receivables | 883 | 879 | 1,202 | 5 | 239 | 238 | 256 | 102 | |
| Payables | 344 | 261 | | | 3 | | | | |

Related parties that have control over the Group comprise the Danish State, represented by the Danish Ministry of Finance. Related parties with a significant influence include Goldman Sachs. Other related parties are the Group's associates and joint ventures, members of the Board of Directors and the Executive Board and other senior executives.

Reference is made to note 8.7 for an overview of the Group's joint ventures and associates.

Transactions with joint ventures and associates appear from the table above. Remuneration to the Board of Directors, the Executive Board and other senior executives is disclosed in notes 2.7 and 2.8.

Related-party transactions are made on arm's length terms. Intragroup transactions have been eliminated in the consolidated financial statements.

DONG Energy uses the exemption set out in IAS 24.25 concerning entities in which the state is a related party, and transactions with state enterprises are therefore not disclosed. Transactions with owners consist solely of transactions with Goldman Sachs.

There were no other related-party transactions during the year.

# 8.2 AUDITOR'S FEES

| DKK million | **2015** | 2014 | 2013 |
|---|---|---|---|
| Statutory audit | 9 | 12 | 13 |
| Other assurance engagements | 6 | 2 | 9 |
| Tax and VAT services | 8 | 5 | 16 |
| Non-audit services | 11 | 7 | 26 |
| Total fees to PwC | 34 | 26 | 64 |

**PwC is DONG Energy's auditors appointed by the general meeting**
Subject to certain rules, DONG Energy's auditors may be used for certain non-audit services, and DONG Energy's auditors will often be the obvious choice due to their knowledge about the business and confidentiality. Examples of assignments undertaken by DONG Energy's auditors appointed by the general meeting include consulting and related assignments in connection with the upcoming IPO, other assurance engagements as well as accounting advice on matters closely related to annual reporting.

Other assurance engagements primarily include reviews of quarterly figures as well as review of non-financial data and of regulatory financial statements.

Tax and VAT advice primarily includes advice in connection with the divestment of assets and companies and advice in connection with the preparation of tax returns and the calculation of the income subject to international joint taxation.

Other services include other consultancy services from PwC, including financial advice in connection with the IPO, divestment of assets and companies, capital injections, etc.

# 8.3 OPERATING LEASE OBLIGATIONS

### OPERATING LEASE OBLIGATIONS BY SEGMENT

| DKK million | Wind Power | Bioenergy & Thermal Power | Distribution & Customer Solutions | Oil & Gas | Reporting segments | Other activities | Total |
|---|---|---|---|---|---|---|---|
| **2015** | | | | | | | |
| 0-1 year | 207 | 7 | 147 | 271 | 632 | 177 | 809 |
| 1-5 years | 444 | 21 | 462 | | 927 | 800 | 1,727 |
| After 5 years | 1,309 | 114 | 181 | | 1,604 | 1,753 | 3,357 |
| Total | 1,960 | 142 | 790 | 271 | 3,163 | 2,730 | 5,893 |
| Present value | 1,306 | 82 | 677 | 183 | 2,248 | 2,000 | 4,248 |
| **2014** | | | | | | | |
| 0-1 year | 278 | 10 | 148 | 507 | 943 | 137 | 1,080 |
| 1-5 years | 476 | 24 | 529 | 208 | 1,237 | 738 | 1,975 |
| After 5 years | 590 | 130 | 260 | | 980 | 1,733 | 2,713 |
| Total | 1,344 | 164 | 937 | 715 | 3,160 | 2,608 | 5,768 |
| Present value | 1,055 | 96 | 789 | 676 | 2,616 | 1,879 | 4,495 |
| **2013** | | | | | | | |
| 0-1 year | 350 | 16 | 147 | 11 | 524 | 174 | 698 |
| 1-5 years | 286 | 25 | 602 | 17 | 930 | 615 | 1,545 |
| After 5 years | 863 | 137 | 487 | | 1,487 | 1,565 | 3,052 |
| Total | 1,499 | 178 | 1,236 | 28 | 2,941 | 2,354 | 5,295 |
| Present value | 1,125 | 90 | 1,010 | 26 | 2,251 | 1,682 | 3,933 |

### SUPPLEMENTARY INFORMATION TO OPERATING LEASE OBLIGATIONS

| DKK million | 2015 | 2014 | 2013 |
|---|---|---|---|
| Present value of lease payments | 4,248 | 4,495 | 3,933 |
| Lease payments recognised in profit (loss) for the year | 753 | 545 | 354 |
| Calculated interest expenses on lease obligations | 219 | 217 | 153 |
| Internal rate of return applied | 4.5% | 4.5% | 4.5% |

Assets held under operating leases comprise land and seabed relating to wind farms in the UK until 2039, a harbour area in Belfast, Northern Ireland until 2017 (Wind Power), a power station site in the Netherlands until 2039 (Bioenergy & Thermal Power), gas storage facilities in Germany until 2023 (Distribution & Customer Solutions), drilling rigs until 2016 (Oil & Gas), office premises in Gentofte and London until 2029 and other office premises, etc. (Other activities).

In addition, the Group has entered into leases for drilling rigs (Oil & Gas) for the period 2016-2017, which are not included in the statement of operating lease obligations. The minimum lease payments are calculated at DKK 493 million.

Lease payments relating to leasing of seabed in connection with offshore wind farms in the UK vary with the MWh generated, but with agreed minimum lease payments.

Lease payments recognised in profit (loss) for the year amount to DKK 753 million (2014: DKK 545 million and 2013: DKK 354 million).

For the purpose of calculating the FFO/adjusted interest-bearing net debt credit metric, the present value and interest expenses of the lease obligations are calculated. The results etc. are shown in the table with supplementary information for operating lease obligations.

### ACCOUNTING POLICIES

Lease payments under operating leases are recognised on a straight-line basis in profit (loss) for the year over the term of the lease if the agreement concerns operating expenses. Lease payments in respect of construction of assets will be added to the cost in step with the construction of the asset.

# 8.4 CONTRACTUAL OBLIGATIONS

### CONTRACTUAL OBLIGATIONS BY SEGMENT

| DKK million | Wind Power | Bioenergy & Thermal Power | Distribution & Customer Solutions | Oil & Gas | **Total** |
|---|---|---|---|---|---|
| 0-1 year | 19,800 | 984 | 157 | 924 | 21,865 |
| 1-5 years | 19,649 | 137 | 1,255 | 1,548 | 22,589 |
| After 5 years | 3 | | | | 3 |
| 2015 | 39,452 | 1,121 | 1,412 | 2,472 | 44,457 |
| 2014 | 38,418 | 1,041 | 33 | 3,297 | 42,789 |
| 2013 | 37,096 | 212 | - | 5,933 | 43,241 |

Contractual obligations at 31 December 2015 in Wind Power mainly relate to wind turbines, foundations and cables, etc., for construction of offshore wind farms. The obligations of Bioenergy & Thermal Power relate to biomass conversion of power station units at Studstrup Power Station and Skærbæk Power Station, among other things, while obligations in Distribution & Customer Solutions relate to roll-out of intelligent meters. In Oil & Gas the obligations relate to constructing production facilities in the Hejre field and the area west of the Shetland Islands.

# 8.5 ASSETS AND LIABILITIES MEASURED AT FAIR VALUE

### FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

| DKK million | Quoted prices (level 1) | Observable inputs (level 2) | Non-observable inputs (level 3) | **2015** | Quoted prices (level 1) | Observable inputs (level 2) | Non-observable inputs (level 3) | **2014** |
|---|---|---|---|---|---|---|---|---|
| Securities | 16,739 | 4,482 | | 21,221 | 24,376 | 572 | | 24,948 |
| Total securities | 16,739 | 4,482 | - | 21,221 | 24,376 | 572 | - | 24,948 |
| Commodities | 4,993 | 8,569 | 796 | 14,358 | 2,953 | 6,239 | 673 | 9,865 |
| Currency | | 1,195 | | 1,195 | | 1,180 | | 1,180 |
| Interest | | 89 | | 89 | | 148 | | 148 |
| Total derivative financial instruments | 4,993 | 9,853 | 796 | 15,642 | 2,953 | 7,567 | 673 | 11,193 |
| Total assets | 21,732 | 14,335 | 796 | 36,863 | 27,329 | 8,139 | 673 | 36,141 |
| Commodities | 680 | 3,573 | 818 | 5,071 | 2,884 | 1,831 | 461 | 5,176 |
| Currency | | 3,930 | | 3,930 | | 2,489 | | 2,489 |
| Interest | | 530 | | 530 | | 658 | | 658 |
| Total derivative financial instruments | 680 | 8,033 | 818 | 9,531 | 2,884 | 4,978 | 461 | 8,323 |
| Total equity and liabilities | 680 | 8,033 | 818 | 9,531 | 2,884 | 4,978 | 461 | 8,323 |

# 8.5 ASSETS AND LIABILITIES MEASURED AT FAIR VALUE CONTINUED

The table shows the distribution of assets and liabilities recognised at fair value based on their calculated fair values. Market values are included in 'quoted prices (level 1)' if the fair value can be derived directly from an active market, for example for listed securities. Market values are included in 'observable inputs (level 2)' if the market value has been calculated using inputs which can be derived from active markets etc. Market values are included in 'non-observable inputs (level 3)' if the market value has been calculated using inputs which cannot be derived from active markets etc., often because trading in the active market is within a short time horizon. The valuation of this group is therefore subject to some uncertainty.

**Valuation principles and material assumptions**
In order to keep modifications of parameters, calculation models or the use of subjective estimates to a minimum, it is the Group's policy to determine fair values on the basis of external information that most accurately reflects the values of assets or liabilities.

Market values are determined by the Risk Management function, which reports to the CFO. The development in market values is monitored on a continuous basis and reported to the Executive Board.

The most significant parameter resulting in contracts being classified as level 3 (material non-observable inputs) is the power price. Normally, the price can be observed for a maximum of five years in the power market, after which an active market no longer exists. Beyond the five-year horizon, the energy price is thus projected on the basis of material non-observable inputs, with the projection being based on the observable forward price for years 1 to 5. As the forward price of power develops stably during the five-year period for which an observable price is available, the projection over a small number of years is not deemed to be associated with any material risk.

### FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

| DKK million | Quoted prices (level 1) | Observable inputs (level 2) | Non-observable inputs (level 3) | **2013** |
|---|---|---|---|---|
| Securities | 16,118 | | | 16,118 |
| Total securities | 16,118 | - | - | 16,118 |
| Commodities | 1,804 | 5,415 | 765 | 7,984 |
| Currency | | 1,008 | | 1,008 |
| Interest | | 155 | | 155 |
| Total derivative financial instruments | 1,804 | 6,578 | 765 | 9,147 |
| Total assets | 17,922 | 6,578 | 765 | 25,265 |
| Commodities | 2,856 | 3,444 | 921 | 7,221 |
| Currency | | 800 | | 800 |
| Interest | | 498 | | 498 |
| Total derivative financial instruments | 2,856 | 4,742 | 921 | 8,519 |
| Total equity and liabilities | 2,856 | 4,742 | 921 | 8,519 |

### ACCOUNTING POLICIES

Level 1 comprises quoted securities and derivative financial instruments that are traded in active markets.

Level 2 comprises derivative financial instruments, where valuation models with observable inputs are used to measure fair value, but with discounting to present value applying one of the discount rates set by the Group.

Level 3 comprises primarily long-term contracts on the purchase/sale of, in particular, power and gas, and oil options. The fair values are based on assumptions concerning the long-term prices of, in particular, power, gas, coal, USD, EUR, volatilities as well as risk premiums in respect of liquidity and market risks and are determined by discounting of expected cash flows. Level 3 also includes other financial instruments in which primarily power, oil and gas prices have been estimated, and where the sum of these estimated, non-observable inputs may have a significant effect on fair value.

The fair value of financial instruments based on non-observable inputs is significantly affected by the non-observable inputs used.

All assets and liabilities measured at fair value are measured on a recurring basis.

# 8.6 CATEGORIES OF FINANCIAL INSTRUMENTS

**Categories of financial instruments**
Financial instruments are divided into categories according to their purpose. The purpose of the financial instrument determines whether the fair value adjustments of the financial instrument should be recognised in the profit (loss) for the year or in the hedging reserve in equity.

The carrying amount of the financial instruments corresponds to the fair value, with the exception of issued bonds and bank loans, which are recognised at amortised cost. The fair value of issued bonds and bank loans is stated in note 6.2.

| DKK million | 2015 | 2014 | 2013 |
|---|---|---|---|
| Financial assets measured at fair value through profit (loss) for the year (Derivative financial instruments) | 8,213 | 10,234 | 7,806 |
| Financial assets measured at fair value through profit (loss) for the year (Securities) | 21,221 | 24,948 | 16,118 |
| Financial assets used as hedging instruments | 7,429 | 959 | 1,341 |
| Loans and receivables | 15,548 | 17,841 | 16,612 |
| Available-for-sale financial assets | 190 | 242 | 261 |
| Financial liabilities measured at fair value through profit (loss) for the year | 456 | 6,232 | 7,359 |
| Financial liabilities used as hedging instruments | 9,075 | 2,091 | 1,160 |
| Financial liabilities measured at amortised cost | 53,255 | 48,529 | 57,330 |

# 8.7 COMPANY OVERVIEW

| Segment/company/registered office | Type[1] | Ownership interest |
|---|---|---|
| PARENT COMPANY | | |
| DONG Energy A/S, Fredericia, Denmark | | - |
| WIND POWER | | |
| A2Sea A/S, Fredericia, Denmark | S | 51% |
| A2Sea Deutschland GmbH, Hamburg, Germany | S | 100% |
| A2Sea Ltd., London, UK | S | 100% |
| Anholt Havvindmøllepark I/S, Fredericia, Denmark | JO | 50% |
| Barrow Offshore Wind Ltd., London, UK | S | 100% |
| Bay State Wind LLC., Delaware, USA | S | 100% |
| Borkum Riffgrund I Holding A/S, Fredericia, Denmark | S | 100% |
| Borkum Riffgrund I Offshore Windpark A/S GmbH & Co. oHG, Norden, Germany | JO | 50% |
| Breesea Ltd., London, UK | S | 100% |
| Breeveertien II Wind Farm B.V., Rotterdam, the Netherlands | S | 100% |
| Celtic Array Ltd., Berkshire, UK | JV | 50% |
| CT Offshore A/S, Fredericia, Denmark | S | 67% |
| Den Helder Wind Farm B.V., Rotterdam, the Netherlands | S | 100% |
| DONG Energy - Anholt Offshore A/S, Fredericia, Denmark | S | 100% |
| DONG Energy Borkum Riffgrund I GmbH, Hamburg, Germany | S | 100% |
| DONG Energy Borkum Riffgrund I HoldCo GmbH, Hamburg, Germany | S | 100% |
| DONG Energy Borkum Riffgrund II GmbH, Hamburg, Germany | S | 100% |
| DONG Energy Borkum Riffgrund West I GmbH, Hamburg, Germany | S | 100% |
| DONG Energy Borkum Riffgrund West II GmbH, Hamburg, Germany | S | 100% |
| DONG Energy Burbo (UK) Ltd., London, UK | S | 100% |
| DONG Energy Burbo Extension (UK) Ltd., London, UK | S | 100% |
| DONG Energy Gode Wind 1 Holding GmbH, Hamburg, Germany | S | 100% |
| DONG Energy Gode Wind 2 GmbH, Hamburg, Germany | S | 100% |
| DONG Energy Gunfleet Sands Demo (UK) Ltd., London, UK | S | 100% |
| DONG Energy Horns Rev I A/S, Fredericia, Denmark | S | 100% |
| DONG Energy Horns Rev 2 A/S, Fredericia, Denmark | S | 100% |
| DONG Energy Isle of Man (UK) Ltd. , Isle of Man | S | 100% |
| DONG Energy Lincs (UK) Ltd., London, UK | S | 100% |
| DONG Energy London Array Ltd., London, UK | S | 100% |
| DONG Energy London Array II Ltd., London, UK | S | 100% |
| DONG Energy Nearshore Wind ApS, Fredericia, Denmark | S | 100% |
| DONG Energy Nysted I A/S, Fredericia, Denmark | S | 86% |
| DONG Energy Power (Gunfleet Sands) Ltd., London, UK | S | 100% |
| DONG Energy Power (Participation) Ltd., London, UK | S | 100% |
| DONG Energy Power (UK) Ltd., London, UK | S | 100% |
| DONG Energy RB (UK) Ltd., London, UK | S | 100% |
| DONG Energy Shell Flats (UK) Ltd., London, UK | S | 100% |
| DONG Energy UK III Ltd., London, UK | S | 100% |
| DONG Energy Walney Extension (UK) Ltd., London, UK | S | 100% |
| DONG Energy West of Duddon Sands (UK) Ltd., London, UK | S | 100% |
| DONG Energy Westermost Rough Ltd., London, UK | S | 100% |

# 8.7 COMPANY OVERVIEW

CONTINUED

| Segment/company/registered office | Type[1] | Ownership interest |
|---|---|---|
| **WIND POWER (CONTINUED)** | | |
| DONG Energy Wind Power (U.S.) Inc., Delaware, USA | S | 100% |
| DONG Energy Wind Power A/S, Fredericia, Denmark | S | 100% |
| DONG Energy Wind Power Denmark A/S, Fredericia, Denmark | S | 100% |
| DONG Energy Wind Power Germany GmbH, Hamburg, Germany | S | 100% |
| DONG Energy Wind Power Holding A/S[3], Fredericia, Denmark | S | 100% |
| DONG Energy Wind Power Netherlands B.V., Rotterdam, the Netherlands | S | 100% |
| DONG VE A/S, Fredericia, Denmark | S | 100% |
| DONG Vind A/S, Fredericia, Denmark | S | 100% |
| Eolien Maritimes de France S.A.S., Paris, France | A | 40% |
| Gode Wind 04 GmbH, Hamburg, Germany | S | 100% |
| Gode Wind 1 Offshore Wind Farm GmbH & Co. oHG, Norden, Germany | JO | 50% |
| Gode Wind 2 Offshore Wind Farm P/S GmbH & Co. oHG, Norden, Germany | JO | 50% |
| Gunfleet Sands Ltd., London, UK | S | 100% |
| Gunfleet Sands II Ltd., London, UK | S | 100% |
| Gunfleet Sands Holding Ltd., London, UK | S | 50% |
| Heron Wind Ltd., London, UK | S | 100% |
| Horns Rev I Offshore Wind Farm | JO | 40% |
| Lincs Renewable Energy Holdings Ltd., London, UK | JV | 50% |
| Lincs Wind Farm Ltd., Aberdeen, UK | JV | 50% |
| London Array Ltd., Kent, UK | JO | 25% |
| London Array Unincorporated JV | JO | 25% |
| Morecambe Wind Ltd., London, UK | JO | 50% |
| Njord Ltd., London, UK | S | 100% |
| Northern Energy OWP West GmbH, Hamburg, Germany | S | 100% |
| Nysted Havmøllepark I | JO | 50% |
| OFTRAC Ltd., London, UK | S | 100% |
| Optimus Wind Ltd., London, UK | S | 100% |
| Optimus Wind Transmission Ltd., London, UK | S | 100% |
| P/S New Energy Solutions, Copenhagen, Denmark | A | 22% |
| Rhiannon Wind Farm Ltd., Windsor, UK | JV | 100% |
| Scarweather Sands Ltd., Coventry, UK | JV | 50% |
| SMart Wind Ltd., London, UK | S | 100% |
| SMart Wind SPC5 Ltd., London, UK | S | 100% |
| SMart Wind SPC6 Ltd., London, UK | S | 100% |
| SMart Wind SPC7 Ltd., London, UK | S | 100% |
| SMart Wind SPC8 Ltd., London, UK | S | 100% |
| UMBO GmbH, Hamburg, Germany | A | 90% |
| VI Aura Ltd., London, UK | S | 100% |
| VI Aura Transmission Ltd., London, UK | S | 100% |
| Walney (UK) Offshore Windfarms Ltd., London, UK | S | 50% |
| West of Duddon Sands | JO | 50% |
| West Rijn Wind Farm B.V., Rotterdam, the Netherlands | S | 100% |
| Westermost Rough (Holding) Ltd., London, UK | JO | 50% |
| Westermost Rough Ltd., London, UK | JO | 100% |
| **BIOENERGY & THERMAL POWER** | | |
| Cure DONG Energy REnescience B.V., Rotterdam, the Netherlands | S | 100% |
| DE Thermal Power Nr. 1 A/S, Fredericia, Denmark | S | 100% |
| DONG Energy Holding Ludwigsau I GmbH, Hamburg, Germany | S | 100% |
| DONG Energy Kraftwerke Emden GmbH in liquidation, Hamburg, Germany | S | 100% |
| DONG Energy Kraftwerke Greifswald Verwaltungs GmbH in liquidation, Hamburg, Germany | S | 100% |
| DONG Energy Kraftwerke Holding GmbH, Hamburg, Germany | S | 100% |
| DONG Energy Maabjerg Energy Concept A/S, Fredericia, Denmark | S | 70% |
| DONG Energy Netherlands B.V., Rotterdam, the Netherlands | S | 100% |
| DONG Energy New Bio Solutions (China) A/S, Fredericia, Denmark | S | 100% |
| DONG Energy New Bio Solutions Co. Ltd., Beijing, China | S | 100% |
| DONG Energy New Bio Solutions Holding A/S, Fredericia, Denmark | S | 100% |
| DONG Energy Power Rotterdam B.V., Rotterdam, the Netherlands | S | 100% |
| DONG Energy REnescience Northwich Ltd., London, UK | S | 100% |
| DONG Energy REnescience Northwich O&M Ltd., London, UK | S | 100% |
| DONG Energy SP (UK) Ltd., London, UK | S | 100% |
| DONG Energy SP Holding (UK) Ltd., London, UK | S | 100% |
| DONG Energy Thermal Power A/S[3], Fredericia, Denmark | S | 100% |
| DONG Energy Waste (UK) Ltd., London, UK | S | 100% |
| Emineral A/S, Aalborg, Denmark | JV | 50% |
| Enecogen V.O.F, Rotterdam, the Netherlands | JO | 50% |
| Haderslev Kraftvarmeværk A/S, Fredericia, Denmark | S | 100% |
| Inbicon A/S, Fredericia, Denmark | S | 100% |
| Konsortiet for etablering af Maabjerg Energy Concept I/S, Holstebro, Denmark | NC | 50% |
| Pyroneer A/S, Fredericia, Denmark | S | 100% |
| REnescience A/S, Fredericia, Denmark | S | 100% |
| Severn Power Funding Ltd., London, UK | S | 100% |
| Stigsnæs Vandindvinding I/S, Slagelse, Denmark | NC | 64% |
| Vejen Kraftvarmeværk A/S, Fredericia, Denmark | S | 100% |
| **DISTRIBUTION & CUSTOMER SOLUTIONS** | | |
| Dansk Gasteknisk Center A/S, Rudersdal, Denmark | A | 36% |
| DONG Energy AB, Gothenburg, Sweden | S | 100% |
| DONG Energy Eldistribution A/S, Fredericia, Denmark | S | 100% |
| DONG Energy Infrastructure GmbH[3], Hamburg, Germany | S | 100% |
| DONG Energy Leitung E GmbH, Hamburg, Germany | S | 100% |
| DONG Energy Markets GmbH, Hamburg, Germany | S | 100% |
| DONG Energy Pipelines A/S, Fredericia, Denmark | S | 100% |
| DONG Energy Power Sales UK Ltd., London, UK | S | 100% |
| DONG Energy Real Estate A/S, Fredericia, Denmark | S | 100% |
| DONG Energy S&D UK Ltd., London, UK | S | 100% |
| DONG Energy Sales (UK) Ltd., London, UK | S | 100% |
| DONG Energy Sales & Distribution A/S[3], Fredericia, Denmark | S | 100% |

# 8.7 COMPANY OVERVIEW
CONTINUED

| Segment/company/registered office | Type[1] | Ownership interest |
|---|---|---|
| **DISTRIBUTION & CUSTOMER SOLUTIONS (CONTINUED)** | | |
| DONG Energy Sales GmbH, Hamburg, Germany | S | 100% |
| DONG Energy Salg & Service A/S[3], Fredericia, Denmark | S | 100% |
| DONG Energy Services B.V., Hertogenbosch, the Netherlands | S | 100% |
| DONG Energy Speicher E GmbH, Hamburg, Germany | S | 100% |
| DONG Energy Speicher R GmbH, Hamburg, Germany | S | 100% |
| DONG Gas Distribution A/S[3], Fredericia, Denmark | S | 100% |
| DONG Offshore Gas Systems A/S, Fredericia, Denmark | S | 100% |
| DONG Oil Pipe A/S[3], Fredericia, Denmark | S | 100% |
| Etzel-Kavernenbetriebs-verwaltungsgesellschaft mbH, Bremen, Germany | A | 33% |
| Etzel-Kavernenbetriebsgesellschaft mbH & Co. KG, Bremen, Germany | A | 33% |
| Kalundborg Bioenergi ApS, Skanderborg, Denmark | S | 40% |
| **OIL & GAS** | | |
| DONG E&P A/S[3], Fredericia, Denmark | S | 100% |
| DONG E&P DK A/S[3], Fredericia, Denmark | S | 100% |
| DONG E&P Føroyar P/F, Torshavn, Faroe Islands | S | 100% |
| DONG E&P Grønland A/S, Sermersooq, Greenland | S | 100% |
| DONG E&P Norge A/S, Stavanger, Norway | S | 100% |
| DONG E&P nr. 1 2008 A/S[2], Fredericia, Denmark | S | 100% |
| DONG E&P Services (UK) Ltd., London, UK | S | 100% |
| DONG E&P (Siri) UK Ltd., London, UK | S | 100% |
| DONG E&P (UK) Ltd., London, UK | S | 100% |
| Shetland Land Lease Ltd., London, UK | A | 20% |
| **OTHER** | | |
| DONG EGJ A/S, Fredericia, Denmark | S | 100% |
| DONG El A/S[3], Fredericia, Denmark | S | 100% |
| DONG Energy (UK) Ltd., London, UK | S | 100% |
| DONG Energy IT Malaysia Sdn. Bhd., Kuala Lumpur, Malaysia | S | 100% |
| DONG Energy IT Polska Sp. z o. o., Warsaw, Poland | S | 100% |
| DONG Energy Nr. 1 2014 A/S[2,3], Fredericia, Denmark | S | 100% |
| DONG Energy Nr. 2 2014 A/S[2,3], Fredericia, Denmark | S | 100% |
| DONG Energy Nr. 3 2014 A/S[2,3], Fredericia, Denmark | S | 100% |
| DONG Energy Nr. 4 2014 A/S[2,3], Fredericia, Denmark | S | 100% |
| DONG Energy Nr. 5 2014 A/S[2,3], Fredericia, Denmark | S | 100% |
| DONG Energy Oil & Gas A/S[3], Fredericia, Denmark | S | 100% |
| DONG Insurance A/S[3], Fredericia, Denmark | S | 100% |
| EM El Holding A/S, Fredericia, Denmark | S | 100% |
| EnergiGruppen Jylland El A/S, Fredericia, Denmark | S | 100% |
| EnergiGruppen Jylland El Holding A/S, Fredericia, Denmark | S | 100% |
| Lithium Balance A/S, Ishøj, Denmark | A | 20% |

[1] S = subsidiary, A = associate, JO = joint operation, JV = joint venture, NC = non-consolidated entity.
[2] The company applies the provision in Section 6 of the Danish Financial Statements Act to omit presenting a separate annual report.
[3] Subsidiaries owned directly by DONG Energy A/S.

# 8.8 EVENTS AFTER THE REPORTING PERIOD

**DONG Energy concludes strategic review of O&G business**
On 26 January 2016, DONG Energy concluded on the strategic review of its Oil & Gas business with among others the following key conclusions:

- DONG Energy has decided to keep O&G as part of the planned IPO. Going forward, the cash flows from O&G will be part of funding DONG Energy's investments in renewable energy.
- In line with the rest of the industry, O&G needs to adapt to the significant decline in oil and gas prices. Actions are being undertaken to de-risk the O&G portfolio and focus on cash generation within the new market reality.

**DONG Energy to build Hornsea offshore wind farm**
On 3 February 2016, the Board of Directors of DONG Energy decided that the Group shall invest in building the offshore wind farm Hornsea Project One in the UK with a capacity of 1.2 gigawatt.

The offshore wind farm will on completion become the world's largest offshore wind farm and is expected to be fully commissioned in 2020. Hornsea was granted a Final Investment Decision Enabling contract (Contract of Difference) by the UK government and will receive a fixed tariff for the first 15 years of production.

# 9 CONSOLIDATED NON-FINANCIAL STATEMENTS

Supplementary report

**3.0** GW

At the end of 2015, the Group had installed a total of 3.0 GW of offshore wind capacity. The target is 6.5 GW by the end of 2020

**30**%

The biomass share amounts to 30% of the total CHP generation for Danish CHP plants

**1.8** in LTIF

The lost time injury frequency (LTIF) has been reduced from 7.5 in 2008 to 1.8 in 2015

## IN THIS SECTION

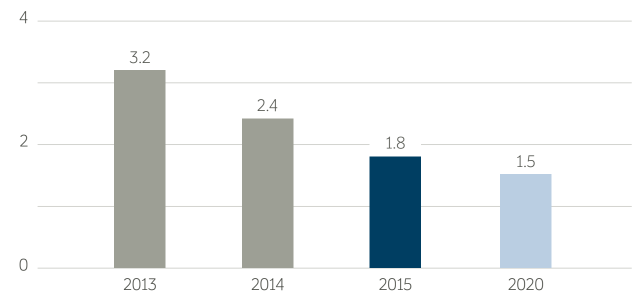


The way in which energy is produced is changing rapidly. DONG Energy is working to develop and enable energy systems that are green, independent and economically viable. In 2015, DONG Energy achieved a further reduction in $CO_2$ emissions from power and heat generation. This is due to a further reduction in the use of fossil fuels at the CHP plants in favour of sustainable biomass and increased generation of wind power.

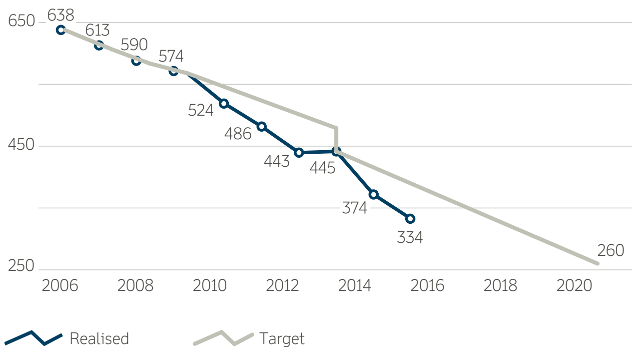
**LTIF is the lowest ever in the history of DONG Energy**
The LTIF realised in 2015 is the lowest ever in the history of DONG Energy. The target for 2020 will be met by maintaining a constant focus on safety and involving suppliers in contributing to a safe working environment for the whole of DONG Energy. The Group's ever-increasing focus on safety and the improvements achieved in 2014 and 2015 have resulted in a reduction of LTIF to 1.8 at the end of 2015.

**$CO_2$ emissions continue to fall**
In step with the successful implementation of green energy to replace the coal and oil-based fuels, $CO_2$ emissions have fallen steadily. In 2015, $CO_2$ emissions totalled 334g of $CO_2$ per kWh generated, which is in line with the target of reducing annual emissions and achieving an emissions level of max 260 in 2020. Read more in note 9.3.

**LTIF,** lost time injuries per million work hours




**$CO_2$-EMISSION FROM POWER AND HEAT GENERATION,**
g $CO_2$ per kWh



## RELIABLE ENERGY

| | Note | Unit | Target 2020 | **2015** | 2014 | 2013 |
|---|---|---|---|---|---|---|
| **Production** | | | | | | |
| Power generation | 9.2.1 | TWh | | 12.9 | 13.7 | 19.1 |
| Heat generation | 9.2.1 | PJ | | 33.6 | 31.4 | 40.2 |
| Oil and gas production | 9.2.1 | million boe | | 40.9 | 41.8 | 31.7 |
| Oil and gas production per day | 9.2.1 | 1,000 boe/day | | 112 | 115 | 87 |
| **Capacity** | | | | | | |
| Installed capacity, offshore wind | 9.2.2 | GW | 6.5 | 3.0 | 2.5 | 2.1 |
| Production capacity, offshore wind | 9.2.2 | GW | | 1.7 | 1.4 | 1.3 |
| **Availability, load factor and wind energy content for offshore wind** | | | | | | |
| Availability | 9.2.3 | % | | 93 | 94 | 93 |
| Load factor | 9.2.3 | % | | 45 | 44 | 42 |
| Wind energy content | 9.2.3 | % | | 102 | 97 | 97 |
| **Power outages for the customer** | | | | | | |
| Power outages per customer (SAIFI) | 9.2.4 | Number per customer | | 0.35 | 0.33 | 0.41 |
| **Sales and distribution** | | | | | | |
| Gas sales | 9.2.5 | TWh | | 153.2 | 146.1 | 150.3 |
| Power sales | 9.2.5 | TWh | | 35.2 | 34.4 | 25.4 |
| Gas distribution | 9.2.6 | TWh | | 8.1 | 8.2 | 9.0 |
| Power distribution | 9.2.6 | TWh | | 8.4 | 8.4 | 8.6 |
| **Customer experience** | | | | | | |
| Customer satisfaction, residential customers in Denmark | 9.2.7 | scale: 1-100 | ≥80 | 78 | 67 | 64 |
| Customer satisfaction, business customers in Denmark | 9.2.8 | scale: 1-100 | ≥75 | 75 | 73 | 74 |
| Customer satisfaction, distribution customers in Denmark | 9.2.9 | scale: 1-100 | ≥80 | 81 | 80 | 78 |
| Customer complaints | 9.2.10 | number | | 2,031 | 2,780 | 2,876 |

## CLIMATE AND ENVIRONMENTAL IMPACT

| | Note | Unit | Target 2020 | **2015** | 2014 | 2013 |
|---|---|---|---|---|---|---|
| **Emissions to air** | | | | | | |
| EU ETS $CO_2$ emissions | 9.3.1 | million tonnes of $CO_2$ | | 4.9 | 6.2 | 9.3 |
| $CO_2$ emissions per produced kWh | 9.3.1 | g/kWh | 260 | 334 | 374 | 445 |
| $CO_2$ emissions per produced kWh of thermal power and heat generation | 9.3.1 | g/kWh | | 554 | 604 | 596 |
| **Resources** | | | | | | |
| Renewable energy share of power and heat generation | 9.3.2 | % | | 55 | 48 | 37 |
| Biomass share of Danish CHP generation | 9.3.3 | % | >50 | 30 | 25 | 18 |
| Gas flaring (offshore and at gas treatment plants) | 9.3.4 | million $Nm^3$ | | 12.5 | 8.6 | 7.1 |
| Oil discharged to sea from production platforms | 9.3.5 | tonnes | | 0.7 | 0.6 | 1.3 |
| **Environmental safety** | | | | | | |
| Significant environmental accidents | 9.3.6 | number | | 5 | 7 | 8 |

# 9. NON-FINANCIAL STATEMENTS
CONTINUED

## PEOPLE MATTER

| | Note | Unit | Target 2020 | 2015 | 2014 | 2013 |
|---|---|---|---|---|---|---|
| **Employees** | | | | | | |
| Total number of employees at 31 December | 9.4.1 | number of FTEs | | 6,674 | 6,500 | 6,496 |
| Average number of employees for the year | 9.4.1 | number of FTEs | | 6,611 | 6,416 | 6,692 |
| **Occupational health and safety** | | | | | | |
| Fatalities | 9.4.2 | number | 0 | 0 | 0 | 0 |
| Lost time injuries | 9.4.2 | number | | 36 | 51 | 64 |
| Lost time injury frequency (LTIF) | 9.4.2 | per million hours worked | <1.5 | 1.8 | 2.4 | 3.2 |
| **Retention of employees** | | | | | | |
| Job satisfaction | 9.4.3 | scale: 0-100 | 77 | 74 | 72 | Not measured |
| Loyalty | 9.4.3 | scale: 0-100 | | 81 | 78 | Not measured |
| Employee turnover rate | 9.4.1 | % | | 12 | 12 | 17 |
| **Women in management** | | | | | | |
| Women on the Board of Directors of DONG Energy A/S | 9.4.4 | % | | 38 | 14 | 14 |
| Women in Top Management | 9.4.4 | % | >22 | 15 | 14 | 14 |
| Women in Leadership Forum | 9.4.4 | % | >25 | 20 | 20 | 17 |
| Other female managers | 9.4.4 | % | >32 | 23 | 24 | 27 |

## SUSTAINABLE COMMUNITIES

| | Note | Unit | Target 2020 | 2015 | 2014 | 2013 |
|---|---|---|---|---|---|---|
| **Good business conduct** | | | | | | |
| Share of employees who have completed a course in good business conduct | 9.5.1 | % | | 94 | 97 | 96 |
| Reported cases of inappropriate or illegal business conduct | 9.5.2 | number | | 8 | 6 | 0 |
| **Reputation** | | | | | | |
| Reputation | 9.5.3 | index: 0-100 | ≥55 | 47 | 47 | 48 |
| **Responsible Business Partner Programme** | | | | | | |
| Business Partner Assessments | 9.5.4 | number | | 25 | Not measured | Not measured |

# 9.1 BASIS OF REPORTING FOR NON-FINANCIAL STATEMENTS

## ACCOUNTING POLICIES

In the non-financial statements, DONG Energy reports its results for the most significant indicators in the areas reliable energy, climate and environmental impact, people matter and sustainable societies as well as its progress in relation to the long-term objectives adopted by the Group.

Pursuant to section 99a of the Danish Financial Statements Act, DONG Energy is obliged to account for the company's CSR activities and report on business strategies and activities with regard to human rights, labour rights, the environment, anti-corruption and the climate. Companies that have joined the UN Global Compact and annually submit their Communication on Progress report (COP report) – a report which must be shared publicly and which details progress made in implementing the ten Global Compact principles – automatically comply with the act, provided that the annual report includes a reference to where the information is available to the public. DONG Energy's report 'DONG Energy in Society, sustainability report 2015' constitutes the Group's Communication on Progress and can be found at http://www.dongenergy.com/sustainability2015 and on the UN Global Compact website at http://unglobalcompact.org/participant/2968-DONG-Energy-A-S.

Under section 99b, DONG Energy must account for the company's objectives and policies which over time will ensure greater diversity in relation to gender representation at management level. In addition to DONG Energy's COP report, the information is included in note 9.4.4 to the non-financial statements, Women in management.

With the exception of the changes described in note 9.1.5, the accounting policies have been applied consistently in the financial year and the comparative figures.

### 9.1.1 BASIS FOR PREPARATION

The accounting policies applied to the consolidated non-financial statements for the Group as a whole are described below, while the remaining accounting policies are described in the notes to which they relate.

### 9.1.2 STANDARDS APPLIED

DONG Energy is a signatory to the UN Global Compact. UN Global Compact provides enterprises with a strategic framework for incorporating ten principles on human rights, labour rights, the environment and anti-corruption measures into their strategy and business processes. The ten principles constitute the framework for DONG Energy's sustainability efforts, and the Group is consistently working to promote the principles.

### 9.1.3 CONSOLIDATION OF DATA

Data are consolidated according to the same principles as in the financial statements. The consolidated non-financial statements thus include the parent company DONG Energy A/S and subsidiaries controlled by DONG Energy A/S.

Data from associates and joint ventures are not included in the consolidated non-financial statements with the exception of accident statistics data, which are included from individual enterprises where DONG Energy is responsible for safety, including safety for external suppliers.

Installed capacity, offshore wind includes the wind farms in respect of which DONG Energy has overall responsibility for the installation and commissioning of the wind farms.

Oil discharged to sea is operationally consolidated.

### 9.1.4 DEFINITION OF MATERIALITY

DONG Energy reports on the areas which are very significant both to DONG Energy's stakeholders and to DONG Energy's business. The non-financial topics which are considered to be most significant are included in the annual report. In deciding which areas to include in the annual report, account is taken of statutory requirements and the disclosure requirements to which DONG Energy is subject. In addition, an assessment is made of whether the information has a direct or indirect bearing on DONG Energy's ability to create value in the long and short term.

In DONG Energy's annual sustainability report http://www.dongenergy.com/sustainability2015 and supplementary CSR data http://www.dongenergy.com/sustainabilitydata2015, you can find further information about DONG Energy's sustainability efforts and results.

The results of DONG Energy's dialogue with stakeholders, analyses, assessments and internal discussions on selection of significant topics are presented as proposals for inclusion in the annual report to DONG Energy's Audit and Risk Committee.

### 9.1.5 CHANGES TO REPORTED DATA COMPARED WITH 2014

In 2015, the Group established and defined a change process for focus areas to ensure that the reporting of non-financial data is part of the integrated reporting of both financial and non-financial information.

In 2015, DONG Energy has systematically assessed the contents of its non-financial statements to ensure that they report on the focus areas which are part of the Group Executive Management's strategic focus, and which therefore form part of the Group's strategy for 2020. Moreover, the non-financial statements report on the focus areas which are not directly included in the 2020 strategy, but which are monitored on an ongoing basis in the internal reporting to the Group Executive Management.

As a result thereof, the reporting of non-financial data has been changed compared to last year.

In 2015, DONG Energy decided to include the following non-financial focus areas in the consolidated non-financial statements:

- availability for offshore wind farms
- load factor for offshore wind farms
- wind power content
- reputation
- power outages for the customer
- $CO_2$ emissions per kWh of thermal power and heat generated
- the reporting of 'Renewable energy share' has been extended to show the distribution of the total power and heat generation on all primary energy sources
- the reporting of significant environmental incidents has been divided into two categories which specify the extent of the reported incidents' impact on the environment
- responsible Business Partner Programme

In 2015, DONG Energy also decided to exclude the following non-financial focus areas from the annual report. The focus areas will still be included in the CSR Data Appendix:

- sulphur dioxide ($SO_2$) per produced kWh
- nitrogen oxides ($NO_x$) per produced kWh
- recycling of waste from administration
- recycling of waste from facilities

In 2015, the following non-financial focus areas were excluded from the consolidated non-financial statements:

- oil transportation, Denmark
- wind/hydropower share of power generation
- women on the Board of Directors in Danish subsidiaries

In 2014, a number of conversion factors for heat and steam-generating thermal power plants were changed. The calculation of the total power and heat generation includes a conversion factor used to convert heat and steam generation to power equivalents, which is the common unit for power and heat generation. The conversion factors have been changed as the 2014 conversion factors were not comparable to previous years. This affects the calculation of the 2014 items which include the total power and heat generation, including the 'Biomass share for Danish combined heat and power generation' and 'Renewable energy share' items. In addition, the accounting policies for 'Oil discharged to sea' as well as for sales, distribution, customers, customer satisfaction and customer complaints have been changed. The changes are described under the individual notes.

# 9.2 RELIABLE ENERGY

### Reporting of volumes in the DONG Energy Group

This section contains information about production, capacity and availability. Furthermore, the section includes information about power outages for the customer, sales and distribution as well as customer experience.

### 9.2.1 Production

| | 2015 | 2014 | 2013 |
|---|---|---|---|
| **Power generation (TWh)** | | | |
| Wind | | | |
| - Denmark | 2.2 | 2.5 | 2.3 |
| - UK | 3.3 | 2.4 | 2.3 |
| - Other countries | 0.3 | 0.1 | 0.2 |
| Thermal | | | |
| - Denmark | 6.0 | 7.8 | 10.8 |
| - Other countries | 1.1 | 0.9 | 3.0 |
| Hydropower | | | |
| - Sweden | 0 | 0 | 0.5 |
| **Heat generation (PJ)** | | | |
| Thermal | | | |
| - Denmark | 33.6 | 31.4 | 40.2 |
| **Oil and gas production (million boe)** | | | |
| - Oil production | 10.1 | 10.6 | 8.2 |
| - Gas production | 30.8 | 31.2 | 23.5 |
| - Oil and gas production (1,000 boe per day) | 112 | 115 | 87 |

Thermal power generation has fallen by 18% in relation to 2014 due to lower prices. Markedly lower coal prices in 2015, more water in the Nordic water reservoirs and a high level of power generation from renewable sources means low power prices.

Heat generation is 7% up in 2015 on 2014. This is due to higher heat generation in the cold spring of 2015 compared with 2014.

This year's oil and gas production is affected by lower production from Ormen Lange, Ula, Tambar and Oselvar, partially offset by higher production from Siri, which suffered prolonged downtime in 2014 due to repairs.

### ACCOUNTING POLICIES

Power generation from wind is calculated as sold production. The wind farms Gunfleet Sands and Walney 1+2 are consolidated according to ownership interest. The other wind farms are financially consolidated.

Thermal power generation is determined as net generation sold based on settlements from the official Danish production database. Data for generation from foreign facilities are provided by the operators.

Thermal heat and steam generation is measured as net output sold to heat customers.

Oil and gas production is measured by meters on the offshore platforms, which measure quantities for delivery to shore.

### 9.2.2 Offshore wind capacity

| GW | 2015 | 2014 | 2013 |
|---|---|---|---|
| Installed capacity, offshore wind | 3.0 | 2.5 | 2.1 |
| Production capacity, offshore wind | 1.7 | 1.4 | 1.3 |

Installed capacity, offshore wind is up from 2.5 GW in 2014 to 3.0 GW in 2015. The increase is attributable to Borkum Riffgrund 1 and Westermost Rough, which were commissioned in 2015. Production capacity, offshore wind has increased correspondingly.

### ACCOUNTING POLICIES

Installed capacity, offshore wind is calculated as the cumulative offshore wind capacity installed by DONG Energy. The capacity is calculated as installed gross capacity before divestments.

Capacity is calculated and factored in from the time when the wind farm is in full production.

Production capacity, offshore wind is calculated at 31 December. The wind farms Gunfleet Sands and Walney 1+2 are consolidated according to ownership interest. The other wind farms are financially consolidated.

### 9.2.3 Availability, load factor and wind energy content for offshore wind

| % | 2015 | 2014 | 2013 |
|---|---|---|---|
| Availability | 93 | 94 | 93 |
| Load factor | 45 | 44 | 42 |
| Wind energy content | 102 | 97 | 97 |

### ACCOUNTING POLICIES

Availability, load factor and wind energy content are calculated only for offshore wind farms.

The time-based availability factor (availability) for offshore wind farms is calculated as the ratio of the number of hours in a given period the wind turbines are available for power generation to the total number of hours in the same period. The total availability is determined by weighting the individual wind farms' availability by the capacity of the individual wind farm. Avaliability is commercially adjusted.

The load factor is calculated as the ratio between actual generation in a given period relative to the potential generation which is possible by continuously exploiting the maximum capacity over the same period. The total load factor is determined by weighting the individual wind farms' load factor by the capacity of the individual wind farm. The load factor is commercially adjusted.

New offshore wind turbines are included in the calculation of availability and load factor once they have passed the 240-hour test. Commercially adjusted means that, for Danish and German offshore wind farms, the availability and the load factor are adjusted if the offshore wind farm has been financially compensated by the transmission system operators in situations where the offshore wind farm is available for generation, but the output cannot be supplied to the grid due to maintenance or grid interrruptions. Offshore wind farms in the UK are not compensated for non-access to supplying power to the grid.

Wind energy content is calculated as the ratio between actual gross generation in a given period and generation in a 'normal wind year'. Actual generation is calculated as actual reported generation adjusted for availability losses. Total wind energy content is determined by weighting the individual wind farms' availability by the capacity of the wind farm.

The wind energy content for new wind farms is included from the beginning of the first calendar year in which the entire wind farm is in operation.

# 9.2 RELIABLE ENERGY
CONTINUED

### 9.2.4 Power outages for the customer

| Number per year | 2015 | 2014 | 2013 |
|---|---|---|---|
| Power outages per customer (SAIFI) | 0.35 | 0.33 | 0.41 |

**ACCOUNTING POLICIES**

The frequency of unannounced power outages for customers is expressed in terms of SAIFI (System Average Interruption Frequency Index), which is calculated as the average number of power outages per customer per year.

### 9.2.5 Sales

| TWh | 2015 | 2014 | 2013 |
|---|---|---|---|
| Number of gas customers | 101,046 | 104,364 | 106,882 |
| Gas sales (TWh)[1] | 153.2 | 146.1 | 150.3 |
| Number of power customers | 756,774 | 768,233 | 777,749 |
| Power sales (TWh)[1] | 35.2 | 34.4 | 25.4 |

[1] Gas and power sales are excluding internal sales from Distribution & Customer Solutions to Bioenergy & Thermal Power.

**ACCOUNTING POLICIES**

The number of customers in Denmark and Sweden is retrieved from DONG Energy's internal customer system, while customers in other countries are retrieved from local contract and customer databases.

Accounting policies for customers have been updated, so that only the number of main sales customers is counted, compared to previously when several calculation methods were applied across sales segments. With the new joint calculation method, sales segments can be compared, and the figures are more comparable year-on-year. The historical figures for 2014 and 2013 have been restated, so that they are calculated in accordance with the new accounting policies.

Power and gas sales are calculated as physical sales to retail and wholesale customers and exchanges. Power and gas sales are based on readings from DONG Energy's trading systems. Internal sales to Bioenergy & Thermal Power are not included in the statement. Only natural gas is included in gas sales.

Accounting policies for the sale of power and gas are updated to apply the same calculation basis as for revenue. The purpose of the change is to support integrated reporting by creating consistency between sales volumes and revenue. The historical figures for 2014 and 2013 have been restated, so that they are calculated in accordance with the new accounting policies.

### 9.2.6 Distribution

| | 2015 | 2014 | 2013 |
|---|---|---|---|
| **Distribution to gas customers** | | | |
| Number of gas distribution customers | 125,883 | 125,686 | 125,814 |
| Gas distribution (TWh) | 8.1 | 8.2 | 9.0 |
| **Distribution to power customers** | | | |
| Number of power distribution customers | 1,001,330 | 986,472 | 991,347 |
| Power distribution (TWh) | 8.4 | 8.4 | 8.6 |

**ACCOUNTING POLICIES**

Gas distribution has been determined on the basis of data from the official system in Denmark that have been calculated internally based on total volumes and calorific values received from Energinet.dk.

Power distribution has been determined on the basis of data from the official system in Denmark, El-Panda, which measures and calculates total area consumption.

The number of distribution customers for power and gas is retrieved from the trading systems and is calculated in relation to the number of consumption points.

### 9.2.7 Customer satisfaction, residential customers in Denmark

| | 2015 | 2014 | 2013 |
|---|---|---|---|
| Number of residential power customers | 707,219 | 716,254 | 724,567 |
| Number of residential gas customers | 92,010 | 94,697 | 96,702 |
| Customer satisfaction among Danish residential customers (scale 1-100) | 78 | 67 | 64 |

Customer satisfaction among residential customers is 78 in 2015 against 67 in 2014. Part of this increase is deemed to be attributable to the adjustment in 2015 of the method for calculating customer satisfaction among residential customers in Denmark from being based on the general perception of customer satisfaction among randomly selected customers to being based on the satisfaction of the customers, with whom DONG Energy has been in contact, e.g. in connection with inquiries. The reason for this is that the satisfaction among customers with whom DONG Energy has been in contact is to a much higher degree influenced by the employees' efforts. Conversely, satisfaction among all customers, also those with whom DONG Energy has not been in contact, is to a higher degree affected by the media and the perception of DONG Energy in the general population.

**ACCOUNTING POLICIES**

Customer satisfaction is measured on a monthly basis among customers with whom DONG Energy has been in contact. Customer satisfaction is calculated for the customer contact groups gas, power, sales and Internet. This year's total is a weighted average. The historical data from 2014 and 2013 cannot be calculated according to the current accounting policies, so data from 2015 and previous years are not comparable.

# 9.2 RELIABLE ENERGY
CONTINUED

### 9.2.8 Customer satisfaction, business customers in Denmark

| | 2015 | 2014 | 2013 |
|---|---|---|---|
| Number of business power customers | 49,459 | 51,911 | 53,170 |
| Number of business gas customers | 5,774 | 5,785 | 6,266 |
| Customer satisfaction among Danish business customers (scale of 1-100) | 75 | 73 | 74 |

#### ACCOUNTING POLICIES

Customer satisfaction for business customers is determined on the basis of customer satisfaction surveys among DONG Energy's business customers in Denmark. Customer satisfaction for Denmark is determined on the basis of quarterly interviews about customers' satisfaction with DONG Energy. The survey comprises only active customers, defined as customers with whom DONG Energy has been in contact in connection with contracts for the supply of power or gas in the previous or next month. So-called sleeping customers are therefore not included in the statement. The method follows the ACSI model based on the EPSI scale. An external agency conducts the interviews and reports absolute and weighted results via a web-based dashboard.

In 2015, the weights for the calculation of the satisfaction score have been changed so that the weighting reflects the relative sizes of the customer segments, which is a more correct presentation of customer satisfaction. Data for 2014 and 2013 have been updated with this weighting.

### 9.2.9 Customer satisfaction, distribution in Denmark

| | 2015 | 2014 | 2013 |
|---|---|---|---|
| Number of power distribution customers | 1,001,330 | 986,472 | 991,347 |
| Number of gas distribution customers | 125,883 | 125,686 | 125,814 |
| Customer satisfaction among Danish distribution customers (scale of 1-100) | 81 | 80 | 78 |

#### ACCOUNTING POLICIES

Customer satisfaction for distribution customers is determined on the basis of three types of interactions with distribution customers: Disruption of supply, visits relating to gas and replacement of meters. Customer satisfaction is measured as the customer's satisfaction in a specific context. Respondents are randomly selected, and the survey is carried out by an external supplier. Customer satisfaction is calculated as the average of all answers.

### 9.2.10 Customer complaints, Denmark

| | 2015 | 2014 | 2013 |
|---|---|---|---|
| Number of customer complaints | 2,031 | 2,780 | 2,876 |

The fall in the number of customer complaints from 2014 to 2015 is attributable to falls in the number of complaints in both the sales and the distribution business. In 2014, there were some complaints concerning specific individual cases; a case in point was the market adjustment relating to a central archive of consumption data, which gave rise to an increased number of complaints. These individual cases have not given rise to customer complaints to any significant extent in 2015. At the same time, customer service is improved in 2015, whereby inquiries concerning for example adjustment of terms are addressed immediately by customer care, reducing the number of customer inquiries that turn into customer complaints.

#### ACCOUNTING POLICIES

The number of customer complaints received is calculated each month by a direct count from DONG Energy's case handling system. The number of customer complaints has been calculated on the basis of all customer groups in Denmark (residential, business and distribution customers). Monthly follow-up reports are prepared which show the number of complaints received, compliance with service targets as well as any trends in the complaints. Complaints received are reported monthly to the management.

In 2015, it is specified that customer complaints received only include new complaints, whereas repeated complaints and follow-up correspondence are not included. The historical figures have been updated accordingly.

# 9.3 CLIMATE AND ENVIRONMENTAL IMPACT

## Reporting on climate and environmental conditions in the DONG Energy Group

This section contains information about strategic focus areas which are central to DONG Energy, including EU ETS $CO_2$ emissions and $CO_2$ emissions per energy unit generated. Moreover, the section contains information about the Group's progress within the conversion to biomass-based power and heat generation.

### 9.3.1 $CO_2$ emissions

| | 2015 | 2014 | 2013 |
|---|---|---|---|
| EU ETS $CO_2$ emissions (million tonnes) in total | 4.9 | 6.2 | 9.3 |
| - Of which emitted in Bioenergy & Thermal Power | 4.8 | 6.1 | 9.2 |
| $CO_2$ emissions per produced kWh (g/kWh) | 334 | 374 | 445 |
| - Of which $CO_2$ emissions of thermal power and heat generation | 554 | 604 | 596 |

The fall in $CO_2$ emissions is attributable to lower generation in Bioenergy & Thermal Power, and the resulting lower fuel consumption. This is reinforced by the reduction in coal consumption mainly, while biomass consumption is maintained. The overall result is a decline in EU ETS $CO_2$ emissions.

The reduction in $CO_2$/kWh is attributable to a higher share of power generation from offshore wind and a larger share of biomass at the thermal CHP plants.

#### ACCOUNTING POLICIES

The calculation of emissions is based on fuel quantities used, in accordance with the union registry's methods.

$CO_2$ emissions per kWh (g $CO_2$ per kWh) have been determined as $CO_2$ emissions relative to total generation of power, heat and steam supplied to the grid.

The total generation of power, heat and steam is calculated as power equivalents. For heat generation, the power equivalent generation represents the volume of additional power that could have been supplied if the power station had not generated heat and/or steam.

In connection with the incineration of waste, a conversion factor is used for calculating the $CO_2$ emissions equivalent to 37kg $CO_2$/GJ for 2015. According to the Danish Energy Agency, biomass is considered carbon-neutral.

### 9.3.2 Renewable energy share of power and heat generation

| % | 2015 | 2014 | 2013 |
|---|---|---|---|
| Renewable energy share | 55 | 48 | 37 |
| Fossil energy share | 45 | 52 | 63 |
| Total | 100 | 100 | 100 |
| Of which: | | | |
| Renewable energy share | | | |
| - Biomass-based | 16 | 15 | 12 |
| - Wind-based | 39 | 33 | 23 |
| - Water-based | 0 | 0 | 2 |
| Fossil energy share | | | |
| - Coal-based | 29 | 37 | 40 |
| - Gas-based | 14 | 13 | 20 |
| - Oil-based | 1 | 1 | 1 |
| - Waste-based | 1 | 1 | 2 |

The renewable energy share increased from 48% in 2014 to 55% in 2015. This increase was due primarily to an increase in wind-based power generation and a drop in the coal-based share.

#### ACCOUNTING POLICIES

Power generation in the Wind Power division is wind-based only and is included as 100% renewable energy in the calculation of the renewable energy share.

The renewable energy share of power and heat generation is calculated as the share of generation from renewable energy sources. The renewable share of generation is calculated by multiplying the share of renewable energy fuel with total thermal generation summed up with the wind and water based generation. In the calculation of generation, heat generation is converted into power equivalents in the way used for calculating g $CO_2$/kWh. Renewable energy sources are: Biomass, wind power and hydropower. Non-renewable energy sources are: Coal, oil, natural gas and waste.

In practice, waste consists of a mixture of biomass and a fossil fuel share. In the calculation of the renewable energy share, waste is defined as a non-renewable energy source, as is also the case in the calculation of the biomass share of Danish power and heat generation.

The renewable energy share for 2014 has been changed relative to the annual report for 2014 due to a change in the conversion factors from heat to power equivalents for a number of thermal power-generating plants.

### 9.3.3 Biomass share of Danish CHP generation

| % | 2015 | 2014 | 2013 |
|---|---|---|---|
| Biomass share of Danish CHP generation | 30 | 25 | 18 |

The biomass share has increased from 25% in 2014 to 30% in 2015. This increase is the result of the continued conversion from coal to biomass in Danish CHP generation. In general, all fuel suppliers are assessed in accordance with DONG Energy's Code of Conduct. In addition, all suppliers of wood chips and wood pellets must guarantee in their contracts with DONG Energy that the biomass supplied has been grown in a sustainable manner. DONG Energy ensures contract compliance through dialogue and on-site visits. In order to ensure independent audits of sustainability, DONG Energy has requested that its suppliers obtain Sustainable Biomass Partnership (SBP) certification. The first suppliers have already been certified. It is expected that 100% of the wood-based biomass consumed by DONG Energy will be SBP-certified by 2019 through a gradual phase-in in accordance with the industry agreement on sustainable biomass.

#### ACCOUNTING POLICIES

The biomass share of Danish CHP generation is calculated as the share of the total power and heat generation by the Danish CHP plants which is generated from biomass. Emergency and peak-load facilities and purely power-generating and heat-generating facilities are not included. In the calculation, it is assumed that the share of biomass-based generation at the individual power station/unit is equal to the biomass share of the fuel which is calculated on the basis of the energy content of the fuels. The total biomass share is then calculated as a weighted share relative to the individual CHP plant's generation. In order to be able to sum up the generation at CHP plants that generate both power and heat, heat generation is converted to equivalent power generation using the same method as for calculating g $CO_2$/kWh. The biomass share of Danish CHP generation for 2014 has been restated relative to the annual report for 2014 due to a change in the conversion factors from heat to power equivalents for a number of thermal power generating plants.

# 9.3 CLIMATE AND ENVIRONMENTAL IMPACT
CONTINUED

### 9.3.4 Gas flaring

| million Nm³ gas | 2015 | 2014 | 2013 |
|---|---|---|---|
| Gas flaring on offshore production platforms | 11.9 | 7.6 | 6.1 |
| Gas flaring at gas treatment and storage facilities | 0.6 | 1.0 | 1.0 |

Gas flaring from offshore production increases primarily due to more shutdowns at Syd Arne in 2015 than in 2014. Flaring is typically increased at the start-up of production. At the same time, production from Trym is increased, which means correspondingly more flaring. Finally, Alve and Marulk are included in the reporting from 2015, as a result of an adjustment of the accounting policies in 2015.

#### ACCOUNTING POLICIES

For offshore installations, the calculation of natural gas flaring is based on continuous measurements. From gas treatment and gas storage facilities, the volumes are calculated on the basis of pressure and the dimensions of the process equipment that is emptied as well as by means of accredited measuring of the constant safety flaring. Gas flaring is adjusted for the ownership share of associated production units for the platform which makes the environmental emissions.

### 9.3.5 Oil discharged to sea

| tonnes | 2015 | 2014 | 2013 |
|---|---|---|---|
| Oil discharged to sea | 0.7 | 0.6 | 1.3 |

Data include the Siri area only, as this is the only area operated by DONG Energy. Emissions have increased only marginally, even though Siri produced for 12 months in 2015 compared with six months in 2014 due to the repair work. The fact that emissions have not increased more despite the increased production is due to stable production concurrently with high reinjection of produced water.

#### ACCOUNTING POLICIES

Oil discharged to the sea from production platforms is determined on the basis of the oil concentration in the discharged produced water. The volume of discharged produced water is measured directly in $m^3$. The oil concentration and volume are calculated on the basis of three daily samples, as well as one monthly sample of ballast water, which are analysed for oil content.

The accounting policies for 'Oil discharged to sea' have been changed from financial consolidation to operational consolidation. The change has been made to ensure high-quality data, as DONG Energy does not have access to reliable data for non-operated fields.

### 9.3.6 Significant environmental incidents

| number | 2015 | 2014 | 2013 |
|---|---|---|---|
| Massive environmental incidents (C5) | 0 | 0 | 0 |
| Significant environmental incidents (C4) | 5 | 7 | 8 |
| - Wind Power | 0 | 1 | 1 |
| - Bioenergy & Thermal Power | 0 | 0 | 4 |
| - Distribution & Customer Solutions | 5 | 6 | 2 |
| - Oil & Gas | 0 | 0 | 1 |

No category-C5 incidents are reported in 2015. The five environmental incidents in Distribution & Customer Solutions are all oil spills to soil. The four incidents are caused by cable leaks on public roads, while the fifth incident is caused by leaky piping at the Fredericia oil terminal. All contamination from the cable leaks is removed. Delimiting contamination surveys are performed at the Fredericia oil terminal in cooperation with the authorities.

#### ACCOUNTING POLICIES

An environmental incident is an unintended event which has a negative impact on the environment. DONG Energy registers all environmental incidents at facilities for which DONG Energy is responsible in its capacity as operator or its capacity as accountable for operations, including both actual and potential incidents.

The materiality of an incident is determined on the basis of an assessment of the extent, dispersion and impact on the environment. On this basis, all environmental incidents are categorised on a scale from 1 to 5. Actual incidents in category 4 and 5 are reported.

# 9.4 PEOPLE MATTER

### Reporting on people in DONG Energy

The section on People matter covers employee data and safety data in the form of occupational injuries. Safety is a significant and central area in DONG Energy. In recent years, DONG Energy has significantly reduced the number of lost time injuries, and it is DONG Energy's stated aim to achieve further improvements.

### 9.4.1 Employees

| | 2015 | 2014 | 2013 |
|---|---|---|---|
| Denmark | 5,527 | 5,433 | 5,454 |
| UK | 686 | 630 | 527 |
| Germany | 187 | 146 | 121 |
| Norway | 83 | 105 | 107 |
| Other | 191 | 186 | 287 |
| Total number of employees at 31 December | 6,674 | 6,500 | 6,496 |
| Average number of employees for the year | 6,611 | 6,416 | 6,692 |
| Employee turnover rate (%) | 12 | 12 | 17 |
| Average age | 42 | 42 | 42 |

### ACCOUNTING POLICIES

The reporting covers contractually employed employees in Danish and foreign DONG Energy companies. Employee data are recognised based on records from the Group's ordinary registration systems. The number of employees is determined as the number of employees at the end of the financial year converted to full-time equivalents. Employees that have been made redundant are recognised until the expiry of their notice period, regardless of whether they have been released from all or part of their duties during the notice period.

The employee turnover rate is calculated as the number of permanent employees that have left the company relative to the average number of permanent employees in the financial year.

Average age has been measured as the average age of employees at the end of the financial year.

### 9.4.2 Occupational injuries

| | 2015 | 2014 | 2013 |
|---|---|---|---|
| Number of fatalities | 0 | 0 | 0 |
| Number of lost time injuries | 36 | 51 | 64 |
| - of which suppliers | 24 | 33 | 38 |
| Lost time injuries per one million hours worked (LTIF) | 1.8 | 2.4 | 3.2 |
| - of which Wind Power | 1.9 | 2.1 | 3.9 |
| - of which Bioenergy & Thermal Power | 2.1 | 3.8 | 4.1 |
| - of which Distribution & Customer Solutions | 2.9 | 2.3 | 3.7 |
| - of which Oil & Gas | 0.4 | 1.2 | 0.5 |

In 2015, the lost time injury frequency (LTIF) is reduced to 1.8 from 2.4 in 2014. In 2020, the LTIF target is below 1.5 occupational injuries per one million hours worked.

### ACCOUNTING POLICIES

Occupational injuries are calculated according to operational scope. Data from companies wholly or partly owned by DONG Energy and where DONG Energy is responsible for safety are included. Occupational injuries and lost time injuries are calculated for both our own employees and suppliers. Data from Danish and foreign locations are recognised. A lost time injury is defined as an injury that results in incapacity for work of one or more calendar days in addition to the day of the incident. The lost time injury frequency is calculated as the number of lost time injuries per one million hours worked. The number of hours worked is based on 1,667 working hours annually per full-time employee and monthly records of the number of employees converted to full-time employees. For suppliers, the actual number of hours worked is recognised on the basis of data provided by the supplier, access control systems at locations or estimates.

### 9.4.3 Job satisfaction and loyalty

| (scale 0-100) | 2015 | 2014 | 2013 |
|---|---|---|---|
| Employees' evaluation of their own job satisfaction (scale 0-100) | 74 | 72 | Not measured |
| Employee loyalty | 81 | 78 | Not measured |

The employees' evaluation of their own job satisfaction was performed in Q3 2015. A major improvement of DONG Energy's employees' perception of DONG Energy's reputation has had a positive effect on job satisfaction. The immediate manager is also assessed very positively, and the result is significantly higher than the Danish average. This also underpins the high level of job satisfaction in DONG Energy. The increase in loyalty is due to a positive development in both loyalty and commitment among the employees. In 2015, 95% of the employees completed the job satisfaction survey.

### ACCOUNTING POLICIES

DONG Energy conducts a comprehensive employee satisfaction survey once a year. All DONG Energy employees are invited to participate in the survey. In the survey, the employees are, for example, asked a number of questions about their job satisfaction and loyalty. The answers are given on a scale from 1-10 and are subsequently converted to index figures on a scale from 0-100.

### 9.4.4 Women at management level

| % | 2015 | 2014 | 2013 |
|---|---|---|---|
| Women on the Board of Directors of DONG Energy A/S | 38 | 14 | 14 |
| Women in Top Management | 15 | 14 | 14 |
| Women in Leadership Forum | 20 | 20 | 17 |
| Other female managers | 23 | 24 | 27 |

With a share of women on the Board of Directors of three out of eight in 2015, DONG Energy complies with the statutory requirement for equal representation, and DONG Energy therefore no longer states a target for women on the Board of Directors. DONG Energy has a policy for women in management. In pursuance of this policy, 2020 targets have been defined for the share of women in the Top Management, the Leadership Forum and for other managers. The share of women in management is increased through efforts being made within these four areas: Marketing of DONG Energy as a workplace, recruitment, talent development and data foundation for decisions. The professional and managerial competences are, however, always the determining factors in connection with hiring and promotion.

### ACCOUNTING POLICIES

The employee representatives on the Board of Directors are not included in the data and the targets for women on the Board of Directors. The Top Management consists of the CEO and the CFO and Executive Vice Presidents, Senior Vice Presidents and Vice Presidents in the Group. The Leadership Forum consists of Senior Directors, Directors and Senior Managers. Other female managers include managers and team leaders.

# 9.5 SUSTAINABLE COMMUNITIES

## Reporting on sustainable communities

This section contains information on good business conduct and reputation.

### 9.5.1 Share of employees who have completed a course in good business conduct

| % | 2015 | 2014 | 2013 |
|---|---|---|---|
| Share of employees who have completed a course in good business conduct | 94 | 97 | 96 |

#### ACCOUNTING POLICIES

The number of employees who have completed a course in good business conduct is calculated as the proportion of employees at 31 December who have completed an e-learning course in good business conduct.

### 9.5.2 Cases of inappropriate or illegal business conduct

| | 2015 | 2014 | 2013 |
|---|---|---|---|
| Number of reported cases of inappropriate or illegal business conduct | 8 | 6 | 0 |
| Cases transferred to the police | 1 | 1 | 0 |

DONG Energy changed its whistleblower scheme in January 2014. The changes were made to strengthen the scheme and were communicated in an internal information campaign in 2014. The development from 2013 to 2015 must be viewed in this regard.

#### ACCOUNTING POLICIES

DONG Energy's Whistleblower Hotline is available for internal and external reporting of suspected cases of inappropriate or illegal behaviour. Whistleblower reports are received and handled by the Internal Audit function, which also receives similar reports through the management system and from Compliance Officers. All reports are handled in accordance with the guidelines for the handling of whistleblower reports approved by the Audit and Risk Committee, which is ultimately responsible for the whistleblower scheme. Only reports (cases) which are closed during the financial year, and which have been reported to the Audit and Risk Committee as fully or partially substantiated, are reported in the annual report.

### 9.5.3 Reputation

| index: 0-100 | 2015 | 2014 | 2013 |
|---|---|---|---|
| Reputation | 47 | 47 | 48 |

DONG Energy's reputation index is measured at 47 in 2015. The target is for this score to be higher than or equal to 55 in 2020. DONG Energy is working to improve its reputation by ensuring a high level of integrity in the business, continuing the green transformation by helping Danes save energy through energy consultancy services and by being an attractive place to work.

#### ACCOUNTING POLICIES

DONG Energy's reputation is measured through interviews with 100 people per week in the Danish population aged 18-64. The respondents are selected at random and are representative in terms of age, gender and geography within the above-mentioned group. Each respondent is asked three questions about DONG Energy's reputation. The questions are the same, and the survey is therefore comparable across the individual years. The responses are translated into an index of 0-100, and the total score for the year is the average of the results for the 12 months. The survey is carried out by an external research firm.

### 9.5.4 Responsible Business Partner Programme

| Number | 2015 |
|---|---|
| **Business partner assessments** | 25 |
| - Site assessments | 12 |
| - Self-assessments | 13 |
| Very significant points for improvement open at 31 December | 1 |
| Significant points for improvement open at 31 December | 14 |
| Very significant points for improvement closed in the course of the year | 0 |
| Significant points for improvement closed in the course of the year | 18 |

DONG Energy has had a Code of Conduct for suppliers since 2006 and performs systematic screening of its business partners. The purpose of the programme is to ensure compliance by DONG Energy's business partners with DONG Energy's Code of Conduct. As part of the programme, DONG Energy performs site assessments and self-assessments of the business partners identified in the screening process as being most at risk of potential non-compliance with DONG Energy's Code of Conduct. DONG Energy's Responsible Business Partner Programme was updated in 2014, and as from 2015, a systematic collection of data regarding points for improvement for suppliers is implemented.

In 2015, a total of 25 assessments were carried out, resulting in 33 points for improvement which are categorised as very significant or significant. This includes the identification of one very significant point for improvement in Q4 2015, which DONG Energy is in the process of addressing. Of the 32 significant points for improvement identified in 2015, 18 have already been addressed satisfactorily by the business partners in question, leading to improved practices. DONG Energy is in the process of addressing the remaining 14 points together with the business partners in question, and DONG Energy will continue its efforts in 2016.

#### ACCOUNTING POLICIES

A site assessment is a visit to a business partner's facilities for the purpose of carrying out an assessment of the ability of the business partner to live up to DONG Energy's Code of Conduct (or any other form of comprehensive CSR due diligence). The assessment is performed by DONG Energy and/or a third party.

Self-assessments are based on a questionnaire about DONG Energy's Code of Conduct which the business partner must complete. The questionnaire is verified by DONG Energy.

Points for improvement are observations from assessments which should be addressed by the business partner. DONG Energy monitors the implementation of improvements as part of its continuous engagement with its business partners, for example through meetings and telephone calls. Once it is confirmed that satisfactory improvements have been implemented by the business partner, the point improved is closed.

Points for improvement are categorised according to the following scale: Opportunity, less significant point for improvement, significant point for improvement and very significant point for improvement.

A very significant point for improvement is a very significant violation of applicable legislation or an issue causing immediate danger to human or labour rights, the environment or anti-corruption, which requires immediate intervention.

A significant point for improvement is a significant violation of applicable legislation or a lack of policy, procedure or established good practices, which will probably lead to serious negative impacts on human or labour rights, the environment or anti-corruption in the short to medium terms, or a lack of documentation in this respect.

# PARENT COMPANY FINANCIAL STATEMENTS

# INCOME STATEMENT

1 JANUARY – 31 DECEMBER

### INCOME STATEMENT

| DKK million | Note | 2015 | 2014 |
|---|---|---|---|
| Revenue | | 266 | 176 |
| External expenses | | (341) | (251) |
| Employee costs | 2 | (26) | (21) |
| Other operating income | | 12 | 1 |
| Operating profit (loss) before depreciation, amortisation and impairment losses (EBITDA) | | (89) | (95) |
| Depreciation and impairment losses on property, plant and equipment | | (1) | (4) |
| Other operating expenses | | | (9) |
| Operating profit (loss) (EBIT) | | (90) | (108) |
| Gain (loss) on divestment of enterprises | | (14) | 1,773 |
| Financial income | 3 | 21,624 | 21,665 |
| Financial expenses | 3 | (30,914) | (14,556) |
| Profit (loss) before tax | | (9,394) | 8,774 |
| Tax on profit (loss) for the year | 4 | (1,220) | (1,393) |
| Profit (loss) for the year | | (10,614) | 7,381 |
| Profit (loss) for the year is attributable to: | | | |
| Shareholders of DONG Energy A/S | | (11,328) | 6,793 |
| Coupon payments and bond discount after tax, hybrid capital holders of DONG Energy A/S | | 714 | 588 |
| Profit (loss) for the year | | (10,614) | 7,381 |

# BALANCE SHEET

31 DECEMBER

### ASSETS

| DKK million | Note | 2015 | 2014 |
|---|---|---|---|
| Buildings | | | 2 |
| Property, plant and equipment | | - | 2 |
| Investments in subsidiaries | 5 | 42,116 | 45,088 |
| Receivables from subsidiaries | | 64,435 | 66,430 |
| Financial assets | | 106,551 | 111,518 |
| Non-current assets | | 106,551 | 111,520 |
| Receivables from subsidiaries | | 921 | 1,520 |
| Derivative financial instruments | 7 | 35,871 | 21,401 |
| Other receivables | | 167 | 191 |
| Total receivables | | 36,959 | 23,112 |
| Securities | 8 | 20,762 | 24,504 |
| Cash | 8 | 1,373 | 2,286 |
| Current assets | | 59,094 | 49,902 |
| Assets | | 165,645 | 161,422 |

### EQUITY AND LIABILITIES

| DKK million | Note | 2015 | 2014 |
|---|---|---|---|
| Share capital | | 4,177 | 4,177 |
| Reserves | | 20,880 | 20,829 |
| Retained earnings | | 14,581 | 25,904 |
| Equity attributable to shareholders of DONG Energy A/S | | 39,638 | 50,910 |
| Hybrid capital | | 13,248 | 13,236 |
| Equity | | 52,886 | 64,146 |
| Deferred tax | 4 | 1,928 | 2,347 |
| Bank loans and issued bonds | 9 | 31,775 | 35,835 |
| Other payables | 9 | 1,549 | 1,357 |
| Non-current liabilities | | 35,252 | 39,539 |
| Bank loans and issued bonds | 9 | 4,626 | 147 |
| Derivative financial instruments | 7 | 30,531 | 18,176 |
| Trade payables | 9 | 117 | 41 |
| Payables to subsidiaries | 9 | 40,528 | 37,299 |
| Other payables | 9 | 800 | 796 |
| Income tax | | 905 | 1,278 |
| Current liabilities | | 77,507 | 57,737 |
| Liabilities | | 112,759 | 97,276 |
| Equity and liabilities | | 165,645 | 161,422 |

# STATEMENT OF CHANGES IN EQUITY

1 JANUARY – 31 DECEMBER

| DKK million | Share capital | Hedging reserve | Share premium | Retained earnings | **Equity attributable to shareholders of DONG Energy A/S** | Hybrid capital | **Total** |
|---|---|---|---|---|---|---|---|
| Equity at 1 January 2015 | 4,177 | (450) | 21,279 | 25,904 | 50,910 | 13,236 | 64,146 |
| Profit (loss) for the year | | | | (11,328) | (11,328) | 714 | (10,614) |
| Value adjustments of hedging instruments | | (78) | | | (78) | | (78) |
| Value adjustments transferred to financial income and expenses | | 143 | | | 143 | | 143 |
| Tax on changes in equity | | (14) | | | (14) | | (14) |
| Coupon payments, hybrid capital | | | | | | (822) | (822) |
| Tax on coupon and costs, hybrid capital | | | | | | 172 | 172 |
| Bond discount and costs, hybrid capital | | | | | | (64) | (64) |
| Additions, hybrid capital | | | | | | 4,424 | 4,424 |
| Disposals, hybrid capital | | | | | | (4,412) | (4,412) |
| Share-based payment | | | | 5 | 5 | | 5 |
| Changes in equity in 2015 | - | 51 | - | (11,323) | (11,272) | 12 | (11,260) |
| Equity at 31 December 2015 | 4,177 | (399) | 21,279 | 14,581 | 39,638 | 13,248 | 52,886 |
| | | | | | | | |
| Equity at 1 January 2014 | 2,937 | (386) | 9,248 | 19,345 | 31,144 | 13,236 | 44,380 |
| Profit (loss) for the year | | | | 6,793 | 6,793 | 588 | 7,381 |
| Value adjustments of hedging instruments | | (244) | | | (244) | | (244) |
| Value adjustments transferred to financial income and expenses | | 163 | | | 163 | | 163 |
| Tax on changes in equity | | (17) | | | (17) | | (17) |
| Coupon payments, hybrid capital | | | | | | (754) | (754) |
| Tax on coupon and costs, hybrid capital | | | | | | 166 | 166 |
| Share-based payment | | | | 30 | 30 | | 30 |
| Shares issued | 1,240 | | 12,031 | (264) | 13,007 | | 13,007 |
| Changes in equity in 2014 | 1,240 | (64) | 12,031 | 6,559 | 19,766 | - | 19,766 |
| Equity at 31 December 2014 | 4,177 | (450) | 21,279 | 25,904 | 50,910 | 13,236 | 64,146 |

Share capital composition and dividends are disclosed in note 6.1 to the consolidated financial statements.

# 1. BASIS OF REPORTING

## ACCOUNTING POLICIES

The parent company financial statements have been prepared in accordance with the Danish Financial Statements Act (reporting class D) and additional disclosure requirements for the annual reports of state-owned public limited companies.

### Transition to the Danish Financial Statement Act

With effect from 1 January 2015, the accounting policies have been changed from reporting in accordance with the International Financial Reporting Standards (IFRS) to reporting in accordance with the Danish Financial Statements Act (Årsregnskabsloven). The transition does not entail any changes to recognition and measurement or accounting policies in general.

The parent company has opted for early adoption of Danish act no. 738 of 1 June 2015 with effect from 1 January 2015 (Amendment to the Danish Financial Statements Act and various other acts). This will not result in any changes to recognition and measurement.

Unless otherwise stated, the financial statements are presented in Danish kroner (DKK) rounded to the nearest million.

The parent company accounting policies are consistent with the accounting policies described for the consolidated financial statements, with the following exceptions:

**Foreign currency translation**

Exchange rate adjustments of balances accounted for as part of the total net investment in enterprises that have a functional currency other than DKK are recognised as financial income and expenses in the parent company's income statement. Likewise, foreign exchange gains and losses on the portion of loans and derivative financial instruments that has been entered into to hedge the net investment in these enterprises are recognised directly in the income statement as financial income and expenses.

**Revenue**

Rental income comprises income from commercial leases and is recognised over the term of the lease. Income from services is recognised when delivery has taken place.

**Dividends from investments**

Dividends from subsidiaries and associates are recognised in the parent company income statement for the financial year in which the dividends are declared. If distributions exceed the accumulated income after the time of takeover, the dividends are recognised as a reduction of the cost of the investment.

**Investments in subsidiaries and associates**

Investments in subsidiaries and associates are measured at cost in the parent company financial statements. Impairment testing is carried out if there is any indication of impairment, as described in the consolidated financial statements. The carrying amount is written down to the recoverable amount whenever the carrying amount exceeds the recoverable amount.

If the parent company has a legal or constructive obligation to cover a deficit in subsidiaries and associates, a provision for this is recognised.

**Property, plant and equipment**

Buildings include investment property that is held to earn rental income and is used for own purposes to an insignificant extent only.

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

Fixtures and fittings, tools and equipment are depreciated over 3-5 years.

**Tax**

The parent company is taxed jointly with its Danish and foreign subsidiaries. The jointly taxed companies are part of international joint taxation with the parent company as the management company.

Current tax for the year of the jointly taxed companies is recognised by the individual companies.

**Statement of cash flows**

The parent company does not prepare a separate statement of cash flows. Reference is made to the consolidated statement of cash flows on page 55.

## CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

In the process of preparing the parent company financial statements, a number of accounting estimates and judgements have been made that affect assets and liabilities at the balance sheet date and income and expenses for the reporting period. Management regularly reassesses these estimates and judgements, partly on the basis of historical experience and a number of other factors in the given circumstances.

### Impairment test

Subsidiaries are tested for impairment when there are indications that the carrying amount is not recoverable. The determination of the recoverable amount for subsidiaries is based on a number of assumptions where estimates are made that are material to the determination. The assumptions applied are described in note 3.1 to the consolidated financial statements concerning impairment tests.

# 2. EMPLOYEE COSTS

| DKK million | 2015 | 2014 |
|---|---|---|
| Wages, salaries and remuneration | 21 | 19 |
| Share-based payment | 5 | 1 |
| Social security | | 1 |
| Employee costs | 26 | 21 |

### EXECUTIVE BOARD

| | Henrik Poulsen | | Marianne Wiinholt | | Executive Board, total | |
|---|---|---|---|---|---|---|
| DKK '000 | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 |
| Fixed salary | 9,112 | 8,695 | 4,876 | 4,728 | 13,988 | 13,423 |
| Variable salary | 1,815 | 1,569 | 1,186 | 1,013 | 3,001 | 2,582 |
| Share-based payment | 2,784 | 684 | 1,790 | 439 | 4,574 | 1,123 |
| Social security | 2 | 2 | 2 | 2 | 4 | 4 |
| Total | 13,713 | 10,950 | 7,854 | 6,182 | 21,567 | 17,132 |

Reference is made to note 2.7 to the consolidated financial statements for a description of the parent company's remuneration of the Executive Board, share-based payment, termination and bonus scheme for the Executive Board and details on remuneration of the Board of Directors.

DONG Energy A/S had an average of 6 employees in 2015 (2014: 6 employees).

# 3. FINANCIAL INCOME AND EXPENSES

| DKK million | 2015 | 2014 |
|---|---|---|
| Interest income from cash etc. | 35 | 68 |
| Interest income from subsidiaries | 1,762 | 1,791 |
| Interest income from securities at fair value | 563 | 491 |
| Capital gains on securities at fair value | 85 | 14 |
| Foreign exchange gains | 4,948 | 5,412 |
| Value adjustments of derivative financial instruments | 13,030 | 12,792 |
| Dividends received | 1,170 | 1,081 |
| Other financial income | 31 | 16 |
| Financial income | 21,624 | 21,665 |
| Interest expenses relating to loans and borrowings | (1,934) | (1,972) |
| Interest expenses to subsidiaries | (47) | (104) |
| Impairment of investments in subsidiaries | (15,663) | |
| Capital losses on securities at fair value | (594) | (294) |
| Foreign exchange losses | (3,534) | (4,848) |
| Value adjustments of derivative financial instruments | (9,084) | (7,284) |
| Other financial expenses | (58) | (54) |
| Financial expenses | (30,914) | (14,556) |
| Net financial income and expenses | (9,290) | 7,109 |

# 4. TAX ON PROFIT (LOSS) FOR THE YEAR AND DEFERRED TAX

### INCOME TAX

| DKK million | 2015 | 2014 |
|---|---|---|
| Tax on profit (loss) for the year | (1,220) | (1,393) |
| Tax on changes in equity | 159 | 183 |
| Total tax for the year | (1,061) | (1,210) |
| Tax on profot (loss) for the year can be broken down as follows: | | |
| Current tax | (1,404) | (1,628) |
| Adjustments to deferred tax | 273 | 113 |
| Adjustments to deferred tax in respect of prior years | 238 | 170 |
| Adjustments to current tax in respect of prior years | (324) | (102) |
| Effect of change in tax rate | (3) | 54 |
| Tax on profit (loss) for the year | (1,220) | (1,393) |

### DEVELOPMENT IN DEFERRED TAX

| DKK million | 2015 | 2014 |
|---|---|---|
| Deferred tax at 1 January | 2,347 | 2,517 |
| Adjustment for the year recognised in profit (loss) for the year | (273) | (113) |
| Adjustments to deferred tax in respect of prior years | (238) | (170) |
| Effect of change in tax rate | 92 | 113 |
| Deferred tax at 31 December | 1,928 | 2,347 |

### DEFERRED TAX CONCERNS

| DKK million | 2015 | 2014 |
|---|---|---|
| Property, plant and equipment | 12 | 19 |
| Non-current liabilities | (403) | (224) |
| Current liabilities | (2) | (1) |
| Retaxation | 2,903 | 2,656 |
| Tax loss carryforwards | (582) | (103) |
| Deferred tax | 1,928 | 2,347 |

# 5. SUBSIDIARIES

### INVESTMENTS IN SUBSIDIARIES

| DKK million | 2015 | 2014 |
|---|---|---|
| Cost at 1 January | 45,107 | 42,152 |
| Additions | 9,184 | 3,386 |
| Disposals | | (431) |
| Cost at 31 December | 54,291 | 45,107 |
| Value adjustments at 1 January | (19) | (19) |
| Impairment losses | (12,156) | |
| Value adjustments at 31 December | (12,175) | (19) |
| Carrying amount at 31 December | 42,116 | 45,088 |

An overview of subsidiaries, joint ventures and associates is set out in note 8.7 to the consolidated financial statements.

Investments in subsidiaries were tested for impairment in 2015. The ownership share in DONG E&P A/S have been impaired by DKK 15,663 million (2014: DKK 0 million), of which DKK 12,156 million have been impaired in the ownership shares, and the rest is impaired in receivables towards DONG E&P A/S. No additional impairment losses were recognised as the recoverable amount exceeded the cost.

In 2015, capital injections were made in DONG Energy Salg & Service A/S of DKK 1,000 million, DONG E&P A/S of DKK 7,500 million, DONG E&P DK A/S of DKK 225 million and DONG Energy Infrastructure GmbH of DKK 459 million.

In 2014, debt of DKK 386 million in DONG Storage A/S was converted to share capital. A capital injection was made in DONG E&P A/S of DKK 3,000 million. Furthermore, DONG Storage A/S was sold in 2014.

# 6. AUDITOR'S FEES

| DKK million | 2015 | 2014 |
|---|---|---|
| Statutory audit | 1 | 2 |
| Other assurance engagements | 4 | |
| Tax and VAT services | 2 | 1 |
| Non-audit services | 5 | 1 |
| Total fees to auditors appointed by the general meeting | 12 | 4 |

# 7. DERIVATIVE FINANCIAL INSTRUMENTS

| **OVERVIEW OF DERIVATIVE FINANCIAL INSTRUMENTS** | **2015** | | 2014 | |
|---|---|---|---|---|
| DKK million | **Contractual principal amount** | **Fair value** | Contractual principal amount | Fair value |
| Oil derivatives | 9,264 | 4,207 | 10,610 | 2,770 |
| Gas derivatives | 7,976 | 2,970 | 7,528 | 1,455 |
| Interest derivatives | 9,969 | (430) | 12,101 | (496) |
| Currency derivatives | 33,562 | (1,407) | 49,405 | (504) |
| Total at 31 December | 60,771 | 5,340 | 79,644 | 3,225 |

DONG Energy A/S consolidates the subsidiaries' currency risks through forward exchange contracts and subsequent hedging in the market. In addition, hedging transactions are concluded to hedge the currency risk associated with investments in subsidiaries denominated in foreign currencies.

As part of the company's interest rate risk management, a number of interest rate swaps are entered into. In addition, DONG Energy A/S is a counterparty to a number of oil and gas derivatives concluded with the purpose of hedging the Group's oil and gas production.

Risk and risk management is described in more detail in the management's review on page 35-39 and in note 7.1 to the consolidated financial statements.

# 8. CASH AND CASH EQUIVALENTS AND SECURITIES

| DKK million | **2015** | 2014 |
|---|---|---|
| Cash, available | 1,373 | 2,286 |
| Cash and cash equivalents at 31 December | 1,373 | 2,286 |
| Securities can be specified as follows: | | |
| Securities, available | 18,690 | 23,681 |
| Securities, not available for use | 2,072 | 823 |
| Securities at 31 December | 20,762 | 24,504 |

Securities are primarily highly liquid AAA-rated Danish mortgage bonds that qualify for repo transactions in Danmarks Nationalbank.

Securities not available for use comprise securities that form part of genuine sale and repurchase transactions (repo transactions), and securities used as collateral for trading in financial instruments.

# 9. LOANS AND BORROWINGS

**MATURITY ANALYSIS OF LOANS AND BORROWINGS** The parent company's financial payment obligations fall due as follows:

| DKK million | 2016 | 2017 | 2018-2019 | After 2019 | **2015** | 2015 | 2016 | 2017-2018 | After 2018 | **2014** |
|---|---|---|---|---|---|---|---|---|---|---|
| Bank loans | | | | | | | | | | |
| - Principal amount | 894 | 2,043 | 1,265 | 2,978 | 7,180 | 148 | 1,028 | 2,485 | 3,907 | 7,568 |
| - Interest payments | 54 | 51 | 84 | 89 | 278 | 73 | 64 | 118 | 217 | 472 |
| Issued bonds | | | | | | | | | | |
| - Principal amount | 3,732 | | 3,732 | 21,991 | 29,455 | | 3,722 | | 24,920 | 28,642 |
| - Interest payments | 1,505 | 1,354 | 2,540 | 11,821 | 17,220 | 1,340 | 1,340 | 2,383 | 12,261 | 17,324 |
| Trade payables | 117 | | | | 117 | 41 | | | | 41 |
| Payables to subsidiaries | 40,528 | | | | 40,528 | 37,299 | | | | 37,299 |
| Other payables | 800 | | | 1,549 | 2,349 | 795 | | | 1,357 | 2,152 |
| Derivative financial instruments | 11,692 | 11,413 | 8,456 | 373 | 31,934 | 5,455 | 5,493 | 8,481 | 833 | 20,262 |
| Total payment obligations | 59,322 | 14,861 | 16,077 | 38,801 | 129,061 | 45,150 | 11,662 | 13,466 | 43,482 | 113,760 |

Moreover, at 31 December 2015, DONG Energy had issued hybrid capital with a principal amount of DKK 13,435 million due in 3013 (DKK 8,957 million) and 3015 (DKK 4,478 million).

The maturity analysis is based on undiscounted cash flows, including estimated interest payments. Interest payments are based on market conditions and interest-rate hedging entered into at 31 December.

The company's financing agreements are not subject to any unusual terms or conditions, apart from those disclosed in note 6.2 to the consolidated financial statements.

# 10. CONTINGENT LIABILITIES



**Contingent liabilities**

Guarantees

DONG Energy A/S has furnished the Ministry of Business and Growth Denmark with a guarantee for fulfilment of obligations and liability in damages towards the Danish State or third parties incurred by DONG E&P A/S in connection with the company's participation in exploration and production licences, irrespective of whether the obligations and liability rest on DONG E&P A/S alone or jointly and severally with others. The guarantees are not capped, but cannot exceed a sum corresponding to twice DONG E&P's share of each obligation or liability.

As a condition for approval of its participation in gas and oil exploration and production on the Norwegian, UK, Greenland and Faroese continental shelves, DONG Energy A/S has provided a guarantee under which it assumes primary liability as normally required by the local authorities. The guarantee covers obligations and liability incurred or assumed by the DONG O&G Group in connection with its exploration and production activities. The guarantees are not capped, and the DONG O&G Group is jointly and severally liable with the other partners for obligations and liability.

DONG Energy A/S has also provided guarantees in connection with participation by subsidiaries and subsidiaries' joint operations and joint ventures in natural gas and oil exploration and production, construction and operation of wind farms, and geothermal plants and natural gas installations, and has provided guarantees in respect of leases, decommissioning obligations, and purchase, sale and supply agreements, etc.

DONG Energy A/S also acts as guarantor with primary liability for bank balances in certain subsidiaries.

Indemnities

DONG Energy is a member of the reinsurance company Oil Insurance Ltd. In the event of a member's exit, an exit premium will be payable, which has been calculated at USD 16.5 million at 31 December 2015 (2014: USD 19.3 million).

DONG Energy A/S is taxed jointly with other companies in the DONG Energy Group. As management company, the company has unlimited and joint and several liability together with the other jointly taxed companies for Danish income taxes and withholding taxes on dividends, interest and royalties within the jointly taxed companies.

Litigation

DONG Energy A/S is not a party to any litigation proceedings or legal disputes that could have an effect on the company's financial position, either individually or collectively.

# 11. RELATED PARTY TRANSACTIONS

**TRADING WITH SUBSIDIARIES**

| DKK million | 2015 | 2014 |
|---|---|---|
| Rental income and services to subsidiaries | 266 | 176 |
| Purchases of goods and services from subsidiaries | (65) | (43) |
| Interest, subsidiaries (net income) | 1,715 | 1,687 |

**CAPITAL TRANSACTIONS AND BALANCES WITH SUBSIDIARIES AT 31 DECEMBER**

| DKK million | 2015 | 2014 |
|---|---|---|
| Receivables from subsidiaries | 65,356 | 67,950 |
| Payables to subsidiaries | (40,528) | (37,299) |
| Dividends received from subsidiaries | 1,150 | 1,070 |

For a description of related parties, reference is made to note 8.1 to the consolidated financial statements.

Remuneration of the Board of Directors and the Executive Board is disclosed in note 2.7.

Related-party transactions are made on arm's length terms.

There were no other related-party transactions during the year.

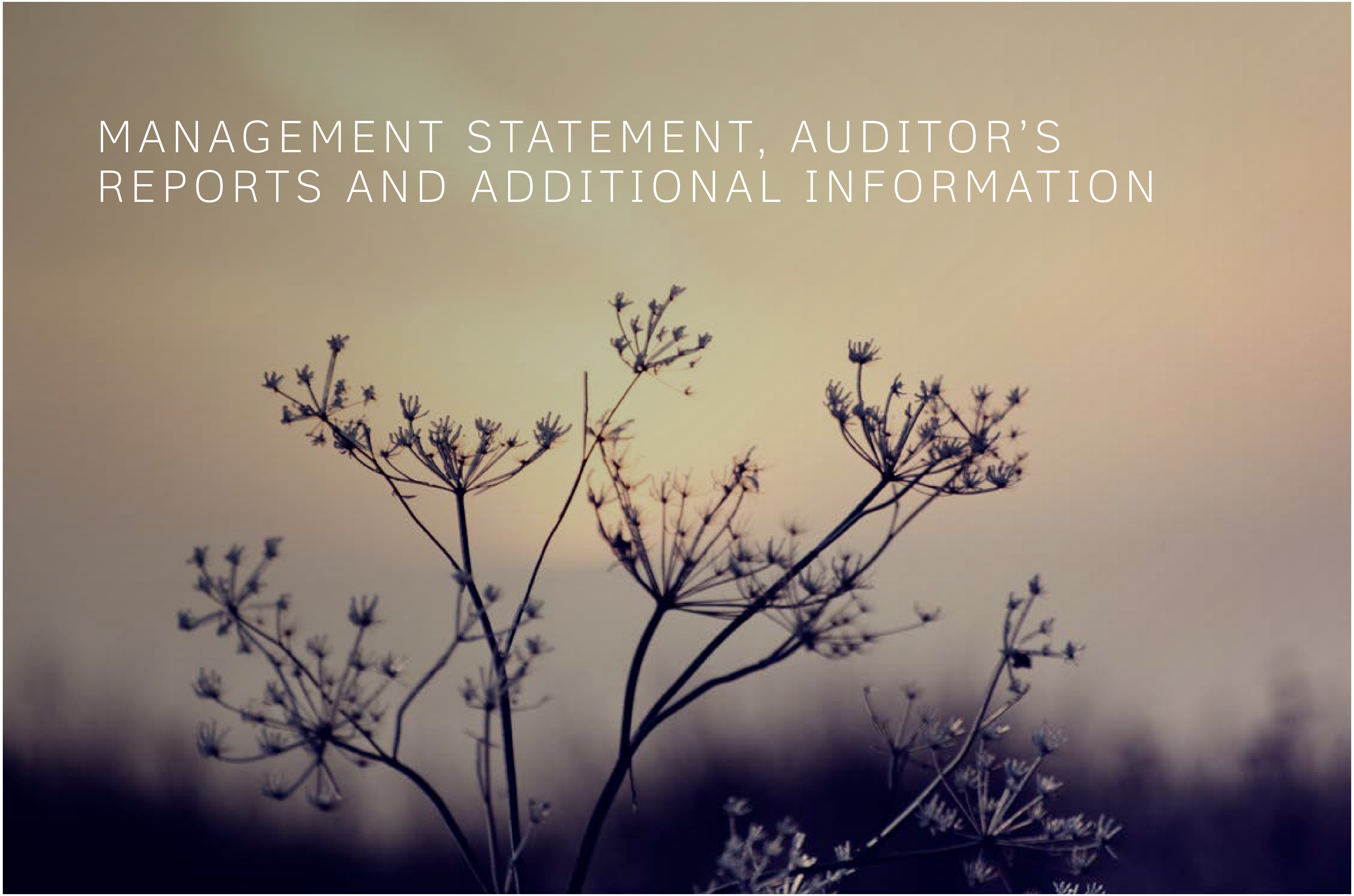
# 12. OPERATING LEASE OBLIGATIONS

| | 2015 | | | 2014 | | |
|---|---|---|---|---|---|---|
| DKK million | Lease payments | Subleasing | Net | Lease payments | Subleasing | Net |
| 0-1 year | (177) | 159 | (18) | (180) | 158 | (22) |
| 1-5 years | (672) | 648 | (24) | (662) | 644 | (18) |
| More than 5 years | (1,319) | 1,319 | - | (1,280) | 1,280 | - |
| Minimum lease payments | (2,168) | 2,126 | (42) | (2,122) | 2,082 | (40) |

DONG Energy A/S has entered into operating leases that include leasing of office premises until 2035. There are no significant restrictions in the leases. In 2015, an amount of DKK 229 million was recognised (2014: DKK 159 million) in profit (loss) for the year in respect of operating lease payments.

DONG Energy A/S has entered into operating leases with subsidiaries for subleasing of office premises and leasing of investment property. There are no significant restrictions in the leases. In 2015, an amount of DKK 205 million was recognised (2014: DKK 165 million) in profit (loss) for the year in respect of rental income.

# MANAGEMENT STATEMENT, AUDITOR'S REPORTS AND ADDITIONAL INFORMATION



# STATEMENT BY THE EXECUTIVE BOARD AND THE BOARD OF DIRECTORS

The Board of Directors and the Executive Board have today considered and approved the annual report of DONG Energy A/S for the financial year 1 January – 31 December 2015.

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU. The financial statements of the parent company, DONG Energy A/S, have been prepared in accordance with the provisions of the Danish Financial Statements Act.

Furthermore, the consolidated financial statements, the parent company financial statements and the management's review have been prepared in accordance with additional Danish disclosure requirements for listed and state-owned public limited companies.

In our opinion, the consolidated financial statements and the parent company financial statements provide a fair presentation of the Group's and the company's assets, liabilities and financial position at 31 December 2015 and of the results of the Group's and the company's operations and the Groups's cash flows for the financial year 1 January – 31 December 2015.

In our opinion, the Management's review provides a fair presentation of the development in the Group's and the company's operations and financial circumstances, of the results for the year and of the overall financial position of the Group and the company as well as a description of the most significant risks and elements of uncertainty facing the Group and the company.

DONG Energy's consolidated non-financial statement is presented in accordance with the disclosure requirements for presenting a social responsibility statement as set out in Section 99(a)-(b) of the Danish Financial Statements Act. In our opinion, the non-financial statements represent a reasonable and balanced representation of the Group's social responsibility and sustainability performance and is recognised in accordance with the criteria for the preparation of the non-financial statements.

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

Skærbæk, 4 February 2016

**Executive Board:**

Henrik Poulsen
President and CEO

Marianne Wiinholt
CFO

**Board of Directors:**

Thomas Thune Andersen
Chairman

Lene Skole
Deputy chairman

Lynda Armstrong

Pia Gjellerup

Martin Hintze

Benny D. Loft

Claus Wiinblad

Poul Arne Nielsen

Poul Dreyer*

Benny Gøbel*

Jens Nybo Sørensen*

Hanne Steen Andersen*

* Employee representative

# INDEPENDENT AUDITOR'S REPORT

**To the shareholders of DONG Energy A/S**

## REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS AND THE PARENT COMPANY FINANCIAL STATEMENTS

We have audited the Consolidated Financial Statements and the Parent Company Financial Statements of DONG Energy A/S for the financial year 1 January to 31 December 2015, pages 48-129 and 141-148, comprising the income statement, balance sheet, statement of changes in equity and notes, including summary of significant accounting policies for both the Group and the Parent Company, as well as the cash flow statement and the statement of comprehensive income for the Group. The Consolidated Financial Statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU, and the Parent Company Financial Statements are prepared under the Danish Financial Statements Act. Moreover, the Consolidated Financial Statements and the Parent Company Financial Statements are prepared in accordance with Danish disclosure requirements for listed companies and state-owned public limited companies.

### Management's responsibility for the Consolidated Financial Statements and the Parent Company Financial Statements

Management is responsible for the preparation of Consolidated Financial Statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for listed companies and state-owned public limited companies, and for preparing Parent Company Financial Statements that give a true and fair view in accordance with the Danish Financial Statements Act and Danish disclosure requirements for listed companies and state-owned public limited companies. Management is also responsible for such internal control as Management determines is necessary to enable the preparation of Consolidated Financial Statements and Parent Company Financial Statements that are free from material misstatement, whether due to fraud or error.

### Auditor's responsibility

Our responsibility is to express an opinion on the Consolidated Financial Statements and the Parent Company Financial Statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and additional requirements under Danish audit regulation. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the Consolidated Financial Statements and the Parent Company Financial State-ments are free from material misstatement.

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

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

The audit has not resulted in any qualification.

### Opinion

In our opinion, the Consolidated Financial Statements give a true and fair view of the Group's financial position at 31 December 2015 and of the results of the Group's operations and cash flows for the financial year 1 January to 31 December 2015 in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for listed companies and state-owned public limited companies.

Moreover, in our opinion, the Parent Company Financial Statements give a true and fair view of the Parent Company's financial position at 31 December 2015 and of the results of the Parent Company's operations for the financial year 1 January – 31 December 2015 in accordance with the Danish Financial Statements Act and Danish disclosure requirements for listed companies and state-owned public limited companies.

## STATEMENT ON THE MANAGEMENT'S REVIEW

We have read Management's review, pages 1-47, as required by the Danish Financial Statements Act. We have not performed any procedures additional to the audit of the Consolidated Financial Statements and the Parent Company Financial Statements. On this basis, in our opinion, the information provided in Management's review is consistent with the Consolidated Financial Statements and the Parent Company Financial Statements.

Copenhagen, 4 February 2016

**PricewaterhouseCoopers**
Statsautoriseret Revisionspartnerselskab
CVR-no. 33 77 12 31

| | |
|---|---|
| Lars Baungaard | Fin T. Nielsen |
| State Authorised Public Accountant | State Authorised Public Accountant |

# INDEPENDENT AUDITOR'S LIMITED ASSURANCE REPORT

**To the Stakeholders of DONG Energy**

## LIMITED ASSURANCE REPORT ON THE CONSOLIDATED NON-FINANCIAL STATEMENTS FOR 2015

We have undertaken a limited assurance engagement of the consolidated non-financial statements of the Annual Report 2015 as expressed on pages 130-140. A multidisciplinary team including assurance practitioners, engineers and other experts conducted this engagement.

### Management's Responsibility for the Consolidated Non-financial Statements

Management of DONG Energy is responsible for the preparation of the consolidated non-financial statements in accordance with Group accounting policies as expressed on pages 133-140. This responsibility includes design, implementation and maintenance of internal control relevant to the preparation of the consolidated non-financial statements ensuring that data are free from material misstatement, whether due to fraud or error.

The DONG Energy non-financial accounting policies contain Management's reasoning for the selection of topics and indicators as well as define reporting scope for each data type.

### Our Independence and Quality Control

We have complied with the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which includes independence and other requirements founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

PwC applies ISQC 1, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

### Our Responsibility

Our responsibility is to express a limited assurance conclusion on the consolidated non-financial statements stated on pages 130-140 based on the procedures we have performed and the evidence we have obtained. We conducted our limited assurance engagement in accordance with International Standard on Assurance Engagements 3000, "Assurance Engagements other than Audits or Reviews of Historical Financial Information". The standard requires that we plan and perform this engagement to obtain limited assurance about whether the consolidated non-financial statements are free from material misstatement.

A limited assurance engagement undertaken in accordance with ISAE 3000 involves assessing the suitability in the circumstances of DONG Energy's use of stated accounting policies as the basis for the preparation of the consolidated non-financial statements, assessing the risks of material misstatement whether due to fraud or error, responding to the assessed risks as necessary in the circumstances and evaluating the overall presentation of the consolidated non-financial statements. A limited assurance engagement is substantially less in scope than a reasonable assurance engagement in relation to both the risk assessment procedures, including an understanding of internal control, and the procedures performed in response to the assessed risks.

The procedures we performed were based on our professional judgment and included inquiries, observation of processes performed, inspection of documents, analytical procedures, evaluating the appropriateness of quantification methods and reporting policies, and agreeing or reconciling with underlying records.

Given the circumstances of the engagement, in performing the procedures listed above we:

- Through inquiries, obtained an understanding of the DONG Energy control environment and information systems relevant to quantification and reporting of non-financial data;
- Conducted interviews with all Business Units regarding their non-financial reporting and made site visits to CHP plants in Avedøre, Skærbæk and Asnæs to assess the completeness of the non-financial data sources, data collection methods, source data and relevant assumptions applicable to the CHP plants. The CHP plants selected for checking were chosen taking into consideration their share in relation to Group totals and CHP plants selected in prior periods. Our procedures included checking to underlying documentation as well as input data controls performed at these CHP plants;
- Planned and conducted interviews and with Group functions to assess consolidation processes, use of company-wide systems and controls performed at group level as well as test non-financial data prepared at Group level to underlying documentation.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had we performed a reasonable assurance engagement. Accordingly, we express a limited assurance opinion about whether the DONG Energy non-financial data have been prepared, in all material respects, in accordance with the non-financial accounting policies applied and stated on pages 133-140.

### Limited Assurance Conclusion

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that the consolidated non-financial statements presented on pages 130-140 in the DONG Energy Annual Report 2015 are not prepared, in all material respects, in accordance with the stated accounting policies as expressed on pages 133-140.

Copenhagen, 4 February 2016

**PricewaterhouseCoopers**
Statsautoriseret Revisionspartnerselskab
CVR-no. 33 77 12 31

Lars Baungaard
State-Authorised Public Accountant

Fin T. Nielsen
State-Authorised Public Accountant

# COMPANY ANNOUNCEMENTS PUBLISHED IN 2015 AND FINANCIAL CALENDAR FOR 2016

**Q1**

29 January
DONG Energy to present full-year 2014 results

4 February
DONG Energy acquires full ownership of the Hornsea Project One offshore wind farm development

5 February
DONG Energy's financial results for 2014

26 February
Change in the Board of Directors of DONG Energy A/S

9 March
DONG Energy responds to market speculation

26 March
DONG Energy awards meter contract to Kamstrup

**Q2**

7 April
DONG Energy takes over US offshore wind development project

21 April
DONG Energy to present results for first quarter 2015

28 April
Interim financial report for Q1 2015 – A good start to the year

29 April
DONG Energy issues hybrid securities

24 June
DONG Energy to build Race Bank Offshore Wind Farm in the UK

**Q3**

19 August
Interim financial report for H1 2015

20 August
DONG Energy divests Transmission Assets at West of Duddon Sands offshore wind farm in UK

21 August
DONG Energy acquires the Hornsea Zone in the UK and the project rights to 3 GW offshore wind

10 September
Global Infrastructure Partners to acquire a 50% stake in DONG Energy's German offshore wind farm project, Gode Wind 1, bond financed by German insurance companies

18 September
Conclusion of IPO roadmap for DONG Energy

**Q4**

23 October
DONG Energy to present first nine months results

27 October
Information to holders of the hybrid capital security due 3015

28 October
DONG Energy to build the world's biggest offshore wind farm

29 October
Interim financial report for 9M 2015

11 November
Deed of Undertaking concerning hybrid capital security due 3015

13 November
Intermediate equity content (50%) has been re-established for the hybrid capital security due 3015

20 November
DONG Energy A/S – Denmark chosen as home member state for bonds

3 December
DONG Energy appoints new Investor Relations Director

14 December
DONG Energy signs new credit facilities

22 December
Financial Calendar 2016

**FINANCIAL CALENDAR FOR 2016**

4 February 2016
Annual report 2015

26 February 2016
Annual General Meeting

27 April 2016
Interim financial report Q1 2016

4 August 2016
Interim financial report H1 2016

27 October 2016
Interim financial report 9M 2016

# GLOSSARY

2P reserves: Sum of proved reserves plus probable reserves (according to Society of Petroleum Engineers and World Petroleum Congress (SPE/WPC) reserve classification standards).

Availability: Time-based availability is the ratio of the number of hours in a given period the offshore wind turbines are available for power generation to the total number of hours in the same period.

Biomass: Also known as biomass fuel. A term for all combustible organic material, including straw, wood chips and wood pellets. $CO_2$ emissions produced by the combustion of biomass are not covered by EU ETS. Biomass can be used in both central CHP plants and small-scale CHP plants.

CHP plant: A Combined Heat and Power (CHP) plant generates both heat and power in the same process. The heat generated may be used for industrial purposes and/or district heating.

$CO_2$ emissions allowances: Carbon dioxide emissions allowances subject to the European Union Emissions Trading Scheme (EU ETS).

Cost of Electricity: Average cost measured as present value per megawatt hour (MWh) generated from offshore wind power covering costs for development and construction as well as subsequent operation and maintenance of the wind farm.

Decided (FID'ed) capacity: Installed offshore wind capacity including capacity for wind farms where final investment decision has been made.

Degree days: Number of degrees in absolute figures in difference between the average temperature and the official Danish average indoor temperature of 17 degrees Celcius.

DK1 and DK2: Area prices for power in West Denmark (DK1) and East Denmark (DK2).

EEX: European Energy Exchange, German power exchange.

Exploration and appraisal wells: Wells drilled to discover and evaluate natural gas or oil in an unproved area to find new reserves in an area in which hydrocarbon discoveries have previously been made or to delineate a known accumulation.

Fossil fuels: Fuel resources such as coal, coal products, gas, crude oil and other hydrocarbon products.

FTE: Employees (Full Time Equivalent). The number of full-time employees during a fixed time period.

Green dark spread (GDS): Green dark spread represents the contribution margin per MWh of power generated at a coal-fired CHP plants of a given efficiency. It is determined as the difference between the market price of power and the cost of the coal (including associated freight costs) and $CO_2$ emissions allowances used to generate the power.

Green spark spread (GSS): Green spark spread represents the contribution margin per MWh generated at a gas-fired power station of a given efficiency. It is determined as the difference between the market price of power and the costs of the gas and $CO_2$ emissions allowances used to generate the power.

Green certificates: Certificate awarded to generators of environment-friendly power as a supplement to the market price of power in the given price area.

Hedging instruments: Financial and physical instruments that can be used to guarantee a specific price for the purchase or sale of, for example, commodities and currency.

Hydrological balance: Most of the power generated in the Nordic countries comes from hydroelectric power plants, and their output depends on their water reservoir levels. The hydrological balance reflects whether the levels in the Norwegian and Swedish water and snow reservoirs are above or below normal.

Lifting costs: Costs comprise operating expenses and processing costs in accordance with industry practise. Siri repair costs are excluded as these costs were not part of ordinary operation.

LNG: Liquefied Natural Gas. Gas that has been liquefied by cooling to minus 161 degrees Celsius. LNG takes up 600 times less space than conventional gas. LNG can be transported in customised tankers to receiving terminals, where the LNG is vapourised and pressurised before being routed into the transmission system for onwards distribution and sale.

Load factor: The ratio between the actual power generation in a given period relative to the potential generation which is possible by continuously exploiting the maximum capacity over the same period.

LTIF: Lost Time Injury Frequency. DONG Energy defines lost time injuries as occupational injuries resulting in at least one day's absence from work in addition to the day of the injury.

Million boe: Million barrels of oil equivalent.

NBP: National Balancing Points, UK gas hub.

Nord Pool: The Norwegian-based Nordic power exchange, which facilitates power trading in Norway, Sweden, Finland and Denmark.

Oil/gas spread: The difference in price of a TWh gas traded on a gas hub and a TWh of gas bought or sold under an oil price-indexed contract.

PJ: Petajoule, a unit of energy. 1PJ is equivalent to 1,000TJ or 1,000,000GJ or 1,000,000,000MJ.

Power station: A power station generates power only. A large (central) power station typically has a net installed capacity of more than 100MW.

Supply obligation: A company with a public obligation is bound by law to deliver power or gas to a certain geographic area at prices approved by the Danish Energy Regulatory Authority.

Thermal generation: Power and heat generated through the combustion of fossil fuels, biomass or waste.

TTF: Title Transfer Facility, Dutch gas hub.

TWh: Terawatt hour. The amount of energy generated in one hour with the effect of 1TW. 1TWh is equivalent to 1,000GWh or 1,000,000MWh.

Wind energy content (WEC): The ratio between the actual reported generation in a given period, adjusted for availability losses, and the generation in a 'normal wind year', based on historical wind data for the individual areas where the wind farms are located.