

# FINANCIALS 2012 FIRST QUARTER RESULTS

11 May 2012



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We urge you to read our annual report available on our website at [www.dongenergy.com](http://www.dongenergy.com) for a discussion of some of the factors that could affect our future performance and the industry in which we operate.

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# Agenda



- **DONG Energy highlights**
- Financials
- Outlook
- Appendix

# Highlights first quarter 2012

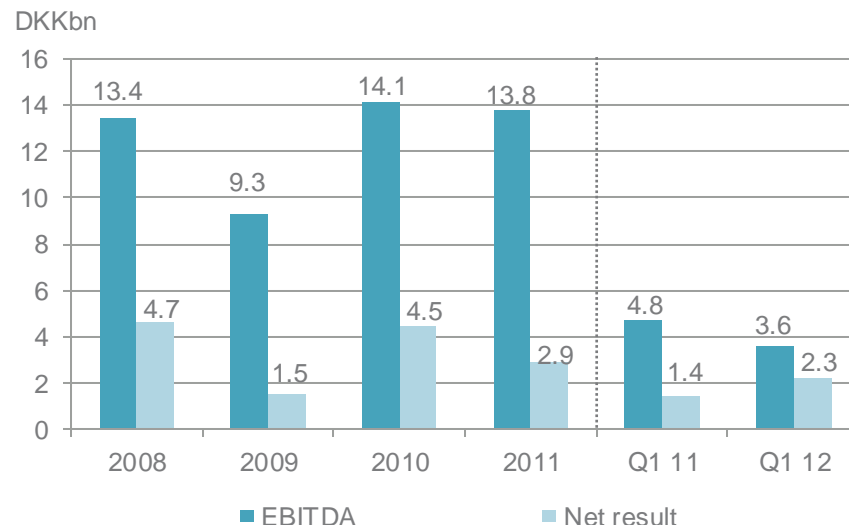
## Highlights<sup>1</sup>

- EBITDA of DKK 3.6bn (down 25% y/y)
- Net debt of DKK 25.1bn (up 6% vs. Q4 11)
- Adjusted net debt/EBITDA at 2.2x (1.9x at Q4 11)
- Net result at DKK 2.3bn (up 56% y/y)

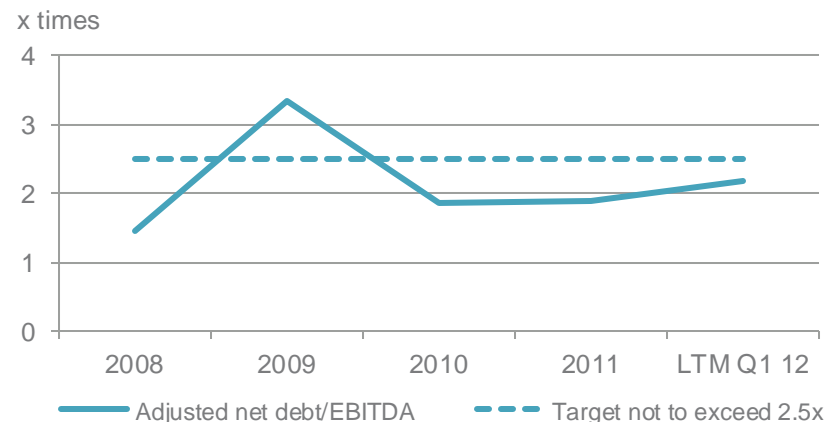
## Outlook:

- EBITDA 2012 expected to be in line with 2011
- EBITDA 2013 expected to be significantly ahead of 2012
- Net investments for 2011-2013 expected at around DKK 45bn (previous expectation DKK 40bn)
- Due to higher net investment expectation, Adj. Net debt/EBITDA in 2012 could be slightly above target of 2.5x
- In 2013 Adj. Net debt/EBITDA is again expected to be below 2.5x

## Key figures



## Capital structure



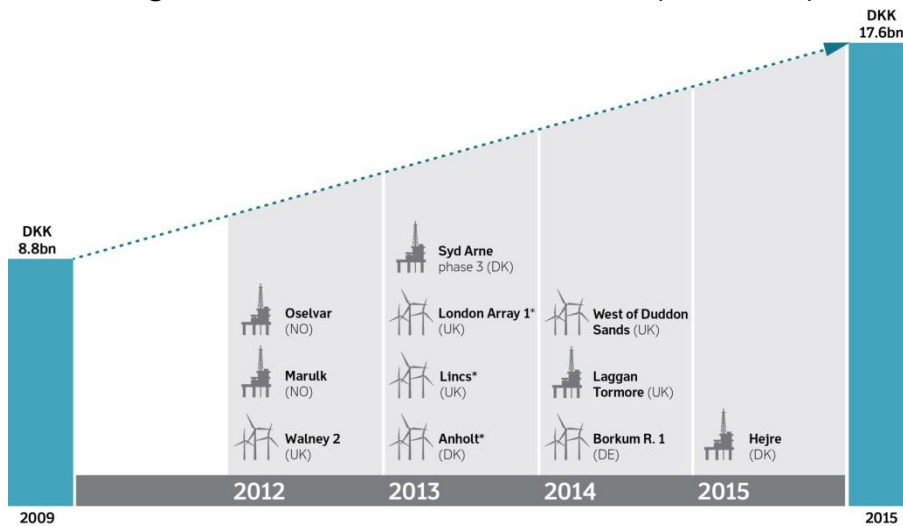
# Recent events: New CEO – no change in strategic direction

- In April 2012, Henrik Poulsen was appointed new CEO of DONG Energy
- Henrik Poulsen joins from TDC, where he is currently CEO
- Carsten Krogsgaard Thomsen will continue as Acting CEO until Henrik Poulsen takes up his post no later than 1 Nov. 2012

## CV Henrik Poulsen

- Born: 1967
- 2008-: CEO TDC
- 2006-2008: Operating partner at private equity firm KKR
- 1999-2006: VP/SVP/EVP LEGO
- 1994-1999: Novo Nordisk, Aarsø Nielsen, McKinsey
- Education: MSc Finance & Accounting

- The management changes in DONG Energy does not impact the strategic direction
- The target to double EBITDA in 2015 (vs. 2009) remains unchanged



Note: Start year for wind farms refers to Commercial Operating Date

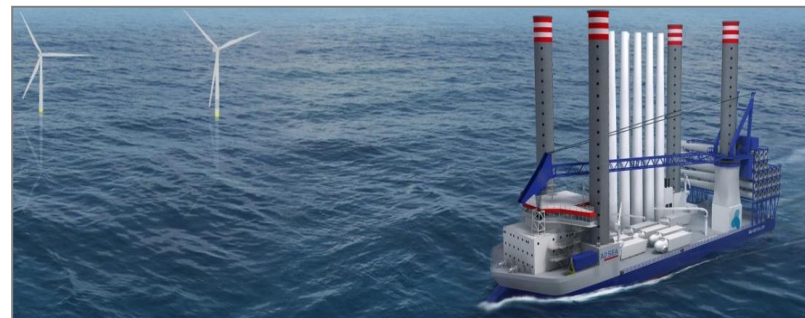
\*: First power in 2012

# Recent events: Investment in specialised installation vessel

- The new vessel forms part of DONG Energy's industrialisation concept for offshore wind to:
  - ✓ Reduce installation time
  - ✓ Reduce construction costs
  - ✓ Enhance robustness in the installation phase
  - ✓ Enhance flexibility in planning
- The new vessel is suitable for installation of next generation turbines such as 5+ MW turbines
- The new vessel is the second specialised vessel ordered by DONG Energy. The first vessel will be delivered to DONG Energy in H2 2012

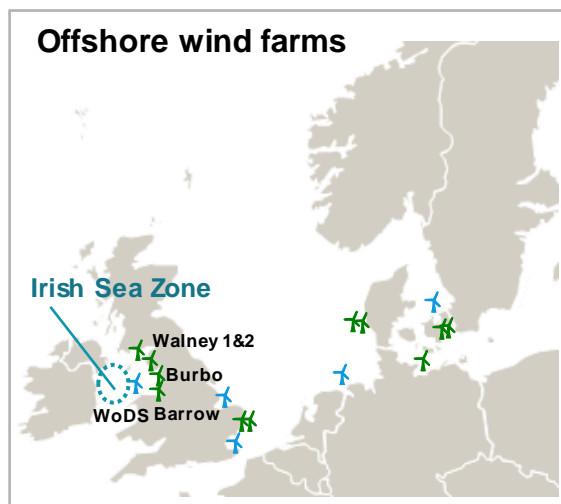
## Key facts about the new vessel

Delivery year	2014
Capex	USD 155m (DKK 890m) - DONG Energy's share 51% (its share of A2SEA)
Supplier of vessel	COSCO Shipyard Group Co., Ltd
Jacking depth	45 meters
Capacity	8-10 turbines



# Recent events: Long-term pipeline – Round 3 Irish Sea

- Joint venture 50/50 together with Centrica to co-develop Round 3 projects in Irish Sea Zone
- Potential first construction of DONG Energy operated projects at the end of this decade
- The entire zone has a potential capacity of 4.2GW likely to be split into 8 projects
- The projects are located close to other DONG Energy wind farms (West of Duddon Sands, Walney, Barrow & Burbo) – synergies can be exploited
- With the establishment of the JV, DONG Energy acquires 50% of the project rights from Centrica for up to GBP 40m (of which GBP 15m to be paid at closing of the transaction)



🌳 Wind farms in operations  
🏗️ Wind farms under construction  
WoDS = West of Duddon Sands

# Recent events: Increased costs to repair Siri platform

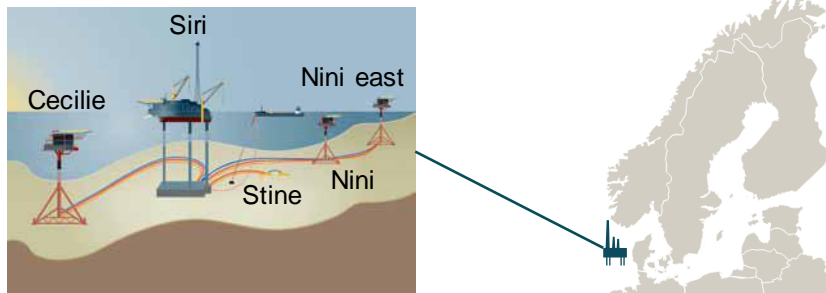
- Raised repair cost estimate for the Siri platform from DKK 2bn to DKK 3.5bn (of which DKK 0.6bn was incurred in 2011)
- Of the remaining costs (DKK 2.9bn), the expectation is that two-thirds will be incurred in 2012 and one-third in 2013
- Increased cost estimate reflects that a final design for the complex repair solution has now been concluded
- Despite increased repair costs, the Siri field still has a solid business case
- Production from Siri field and adjacent fields is expected to continue during the repair
- Insurance claims for permanent repair in process, but not included in cost estimate and in DONG Energy's financial outlook

## Background

Aug. 2009	Production stopped after a routine inspection revealed cracks in a subsea structure
Jan. 2010	Production resumed following temporary safeguarding measures
Jun. 2011	Announcement of permanent repair solution
Aug. 2011	Acquisition of Noreco's 50% stake in the Siri field
Apr. 2012	Increase of repair cost estimate from DKK 2bn to DKK 3.5bn

## Key facts about the Siri area

Location	Danish North Sea
Production	1.99m boe in 2011 (DONG Energy's share)
Fields	Siri, Cecilie, Nini, Nini East, Stine





# New assets on stream in 2012



## Walney 2

- 184MW UK offshore wind farm
- DONG Energy's share: 50.1%
- Full operation since Apr. 2012

## London Array

- 630 MW UK offshore wind farm
- DONG Energy's share: 50%
- First power expected in Q3 12



## Lincs

- 270MW UK offshore wind farm
- DONG Energy's share: 25%
- First power expected in H2 12

## Anholt

- 400 MW DK offshore wind farm
- DONG Energy's share: 50%
- First power expected in H2 12



## Marulk

- Norwegian gas field
- DONG Energy's share: 30%
- 2P reserves: Approx. 22m boe (DONG Energy's share)
- Production started in Apr. 2012

## Oselvar

- Norwegian oil & gas field
- DONG Energy's share: 55%
- 2P reserves: Approx. 29m boe (DONG Energy's share)
- Production started in Apr. 2012



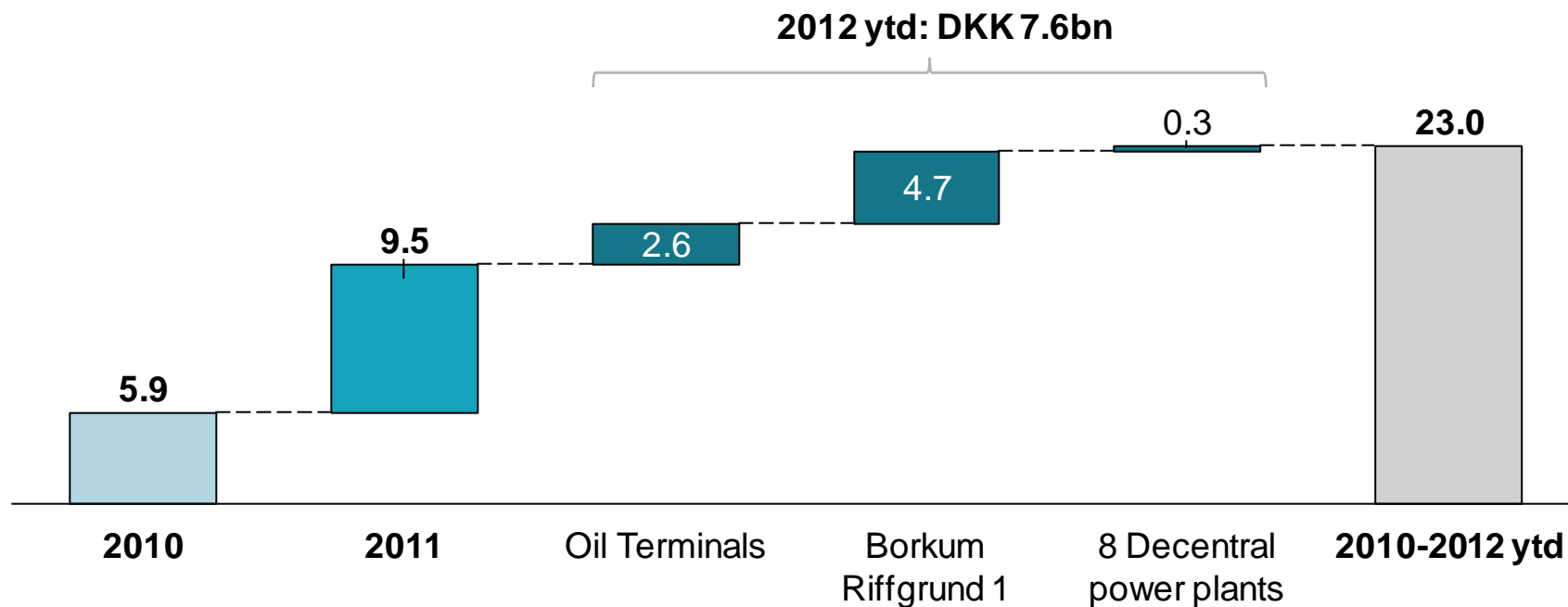
## Acquisition of Shell Gas Direct

- UK B2B gas sales business
- Sizeable share of UK B2B downstream gas market

# Focus on divestments and partnerships continue

- **Divestments & strategic partnerships have continued in 2012 in order to:**
  - Focus on core activities
  - Balance investment in new assets
  - Diversify risks

## Concluded or agreed divestments (DKKbn)



*Note: Proceeds from certain divestments are yet to be received (Anholt and Borkum Riffgrund 1 – proceeds will occur during construction phase for these projects)*

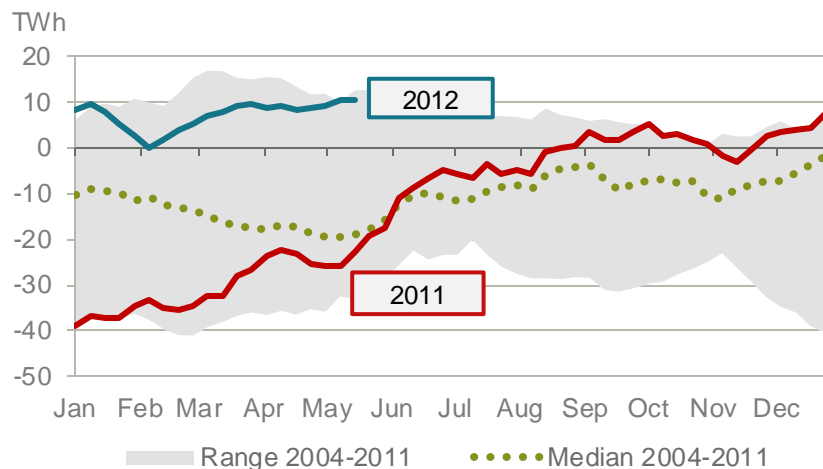
# Agenda



- DONG Energy highlights
- **Financials**
- Outlook
- Appendix

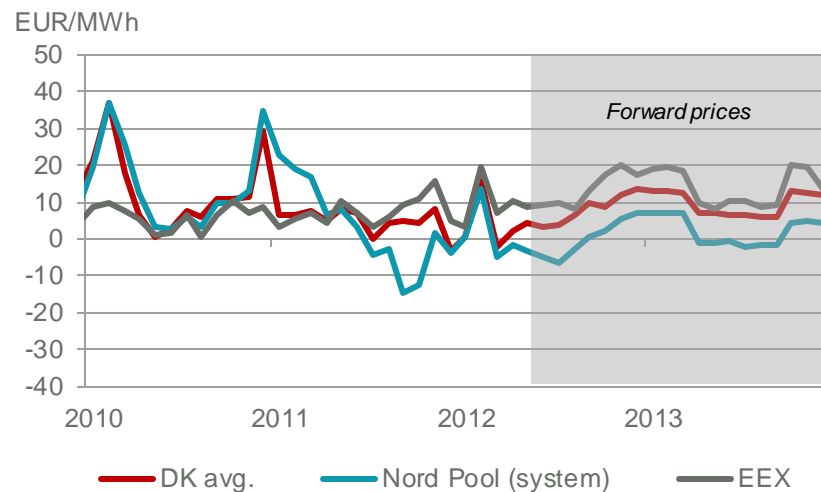
# Market prices

## Hydro balance



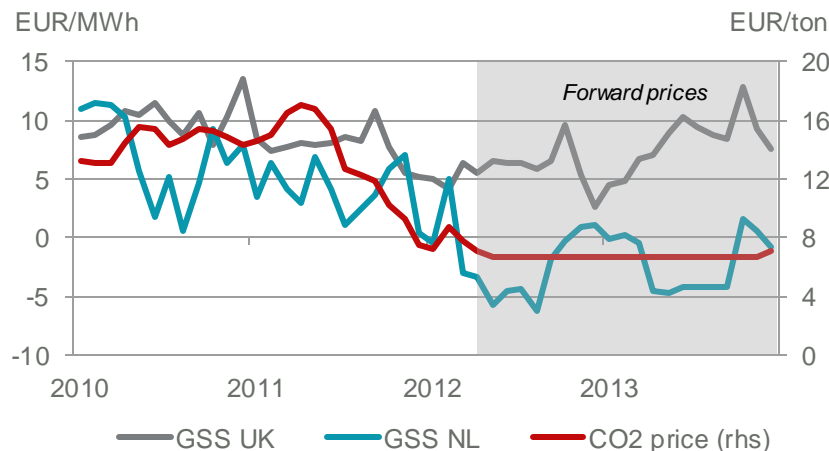
Source: Syspower

## Green Dark Spread (monthly average)



Source: Argus, Nord Pool, EEX, ECX

## Green Spark Spread (monthly average)



Source: LEBA, APX, Argus, ECX

## Gas/Oil Spread: Gas hub price – Oil indexed gas price



Source: BAFA



# Selected Financial Figures

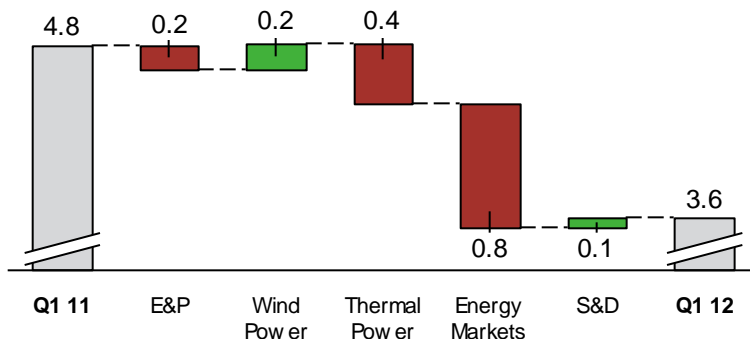
## Business Performance

DKK million	Q1 12	Q1 11	2011
Revenue	19,927	15,957	56,842
EBITDA	3,583	4,760	13,770
Financial items, net	-429	-589	-282
Profit after tax	2,257	1,449	2,882
Assets	164,072	143,275	154,073
Equity incl. hybrid	58,394	50,267	57,740
Net debt	25,099	19,860	23,615
FFO	2,640	3,474	11,706
CFO	1,096	4,214	12,624
Adjusted net debt <sup>1</sup> /EBITDA <sup>2</sup>	2.2x	1.6x	1.9x
FFO <sup>2</sup> /Net debt	43%	61%	50%

Note (1): Net debt plus 50% of outstanding hybrid capital due 3005 and 0% of hybrid capital due 3010

Note (2): Last 12 months

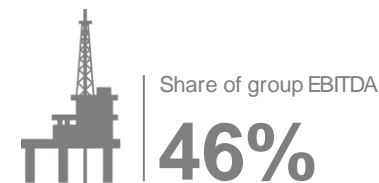
## EBITDA development (DKKbn)



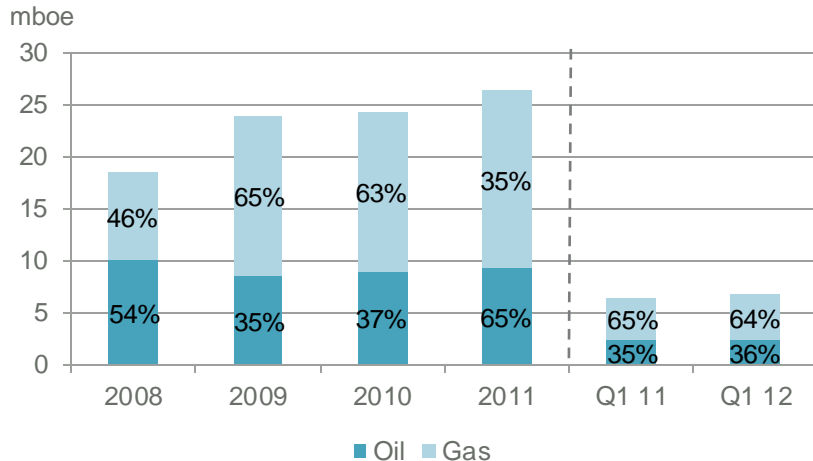
- **EBITDA** decreased to DKK 3.6bn (down 25% y/y)
  - ✓ Higher oil & gas prices and higher gas production
  - ✓ Increased production from new wind farms
  - ✗ Lower margins on gas sales from increased oil/gas spread
  - ✗ Lower thermal production and lower green dark & spark spreads due to milder weather and high hydro levels
  - ✗ Cost related to Siri repair (DKK 0.3bn)
  - ✗ Higher fixed costs within Wind Power due to increased activities
- **CFO** declining from rising working capital
  - ✗ Reduction of accounts payables (high level at Q4 11)
  - ✗ Increase in accounts receivables due to higher revenue
- **Net debt** at DKK 25.1bn (up 6% vs. Q4 11)
- **Strong credit metrics maintained**
  - Adjusted net debt to EBITDA at 2.2x (1.9x at Q4 11)

# Exploration & Production

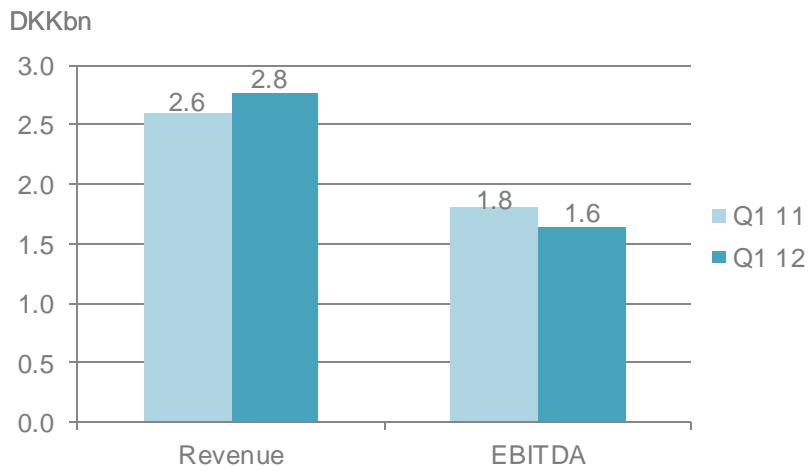
Higher oil and gas prices



## Operational figures



## Financial development



## Operational highlights

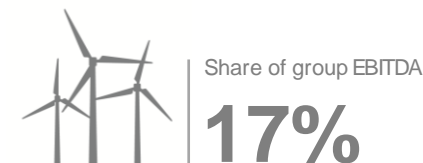
- Marulk started production in April 2012
- Oselvar started production in April 2012
- Decision to develop the Danish Oil & Gas field Hejre
- Increased costs related to the Siri platform

## Financial highlights

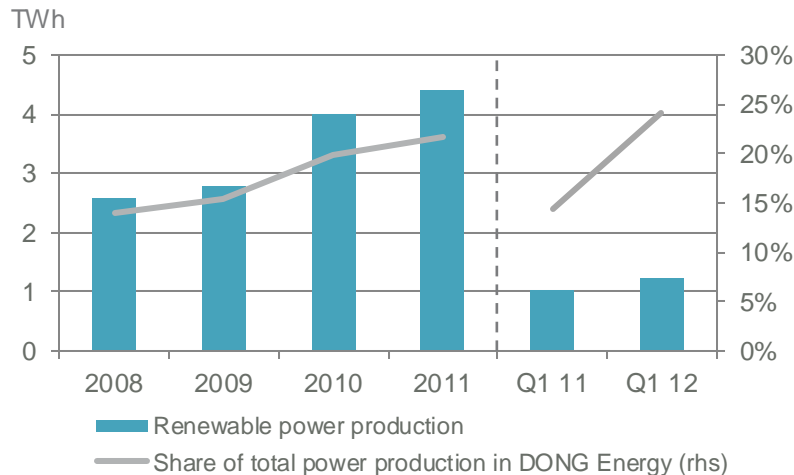
- EBITDA down 9% to DKK 1.6bn
  - ✓ Higher gas production (up 7% y/y)
  - ✓ Higher oil & gas prices
  - ✗ Costs related to Siri repair (DKK 0.3bn)

# Wind Power

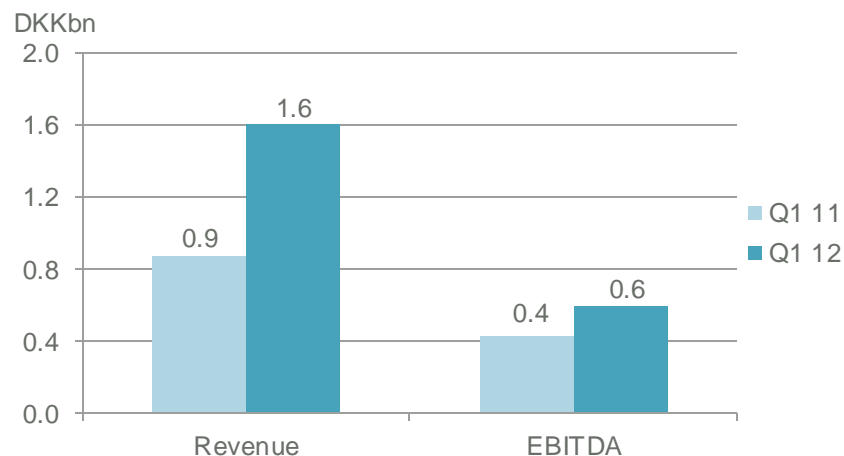
## Contribution from new assets



### Operational figures



### Financial development



### Operational highlights

- Walney 2 went into full operation in April 2012
- First power from London Array expected in Q3 12
- JV with Centrica to co-develop Round 3 licenses in Irish Sea
- Test of new generation 6 MW turbines from Siemens on Gunfleet Sands site. Turbines will be installed in Q4 12

### Financial highlights

- EBITDA up 39% to DKK 0.6bn
  - ✓ Higher production (up 20% y/y)
  - ✓ Revenue recognised from construction agreement with partners on Anholt offshore wind farm
  - ✗ Higher costs due to higher operating activity and building up of the business area

# Thermal Power

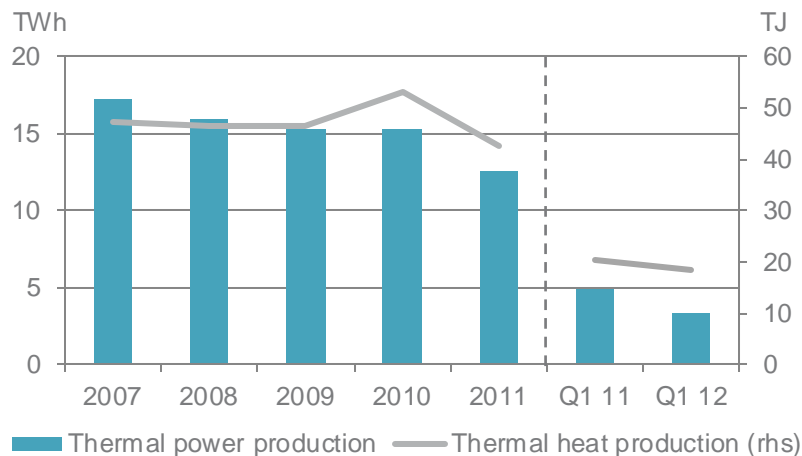
Lower production and lower GDS



Share of group EBITDA

19%

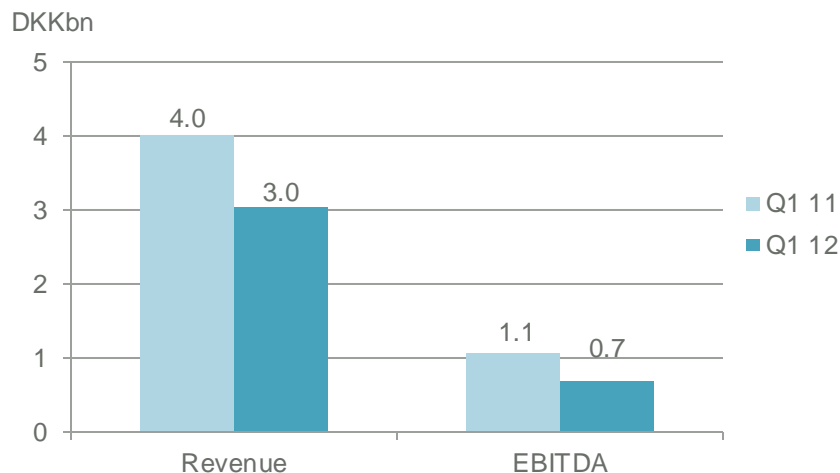
## Operational figures



## Operational highlights

- Divestment process of 8 decentral power stations completed – total sales sum of DKK 0.3bn
- Refurbishment of Studstrup coal-fired power station – increases lifetime and enables the station to be converted to firing with biomass

## Financial development



## Financial highlights

- EBITDA down 37% to DKK 0.7bn
  - ✗ Milder weather and higher hydro levels
    - Lower power production (-31% y/y)
    - Lower heat production (-10% y/y)
    - Falling Green Dark Spread



# Energy Markets

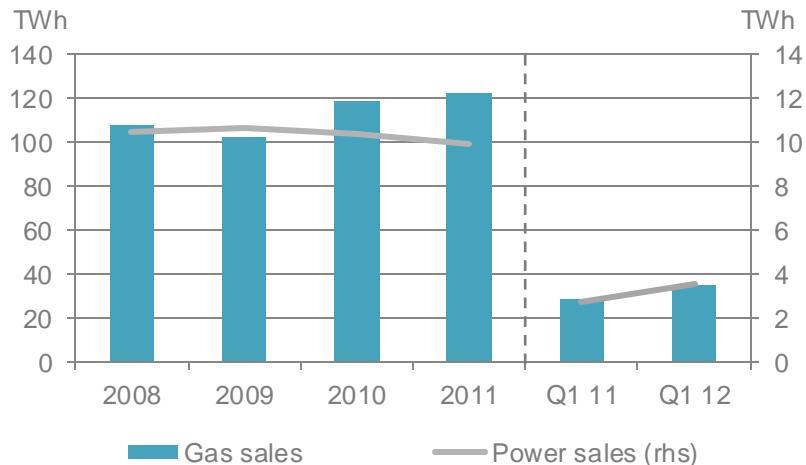
## Lower earnings from gas sales



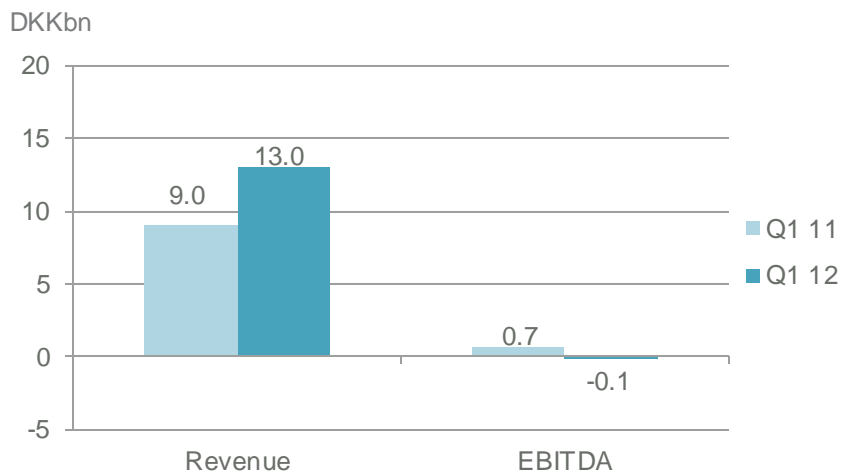
Share of group EBITDA

# -4%

### Operational figures



### Financial development



### Status on gas business

- Large oil/gas spread impacting earnings negatively
- Renegotiations ongoing with gas suppliers – DONG Energy expects to obtain similar terms as other large gas purchasers
- Lower volumes on favourable gas contracts with DUC

### Financial highlights

- EBITDA at DKK -0.1bn vs. DKK 0.7bn in Q1 11
  - ✗ Lower margins on gas sales from increased oil/gas spread
  - ✗ Low Green Spark Spreads materialising in negative EBITDA contribution from Severn and Enecogen (though neutral impact on group level)

# Sales & Distribution

Stable earnings



Share of group EBITDA

22%

## Operational figures

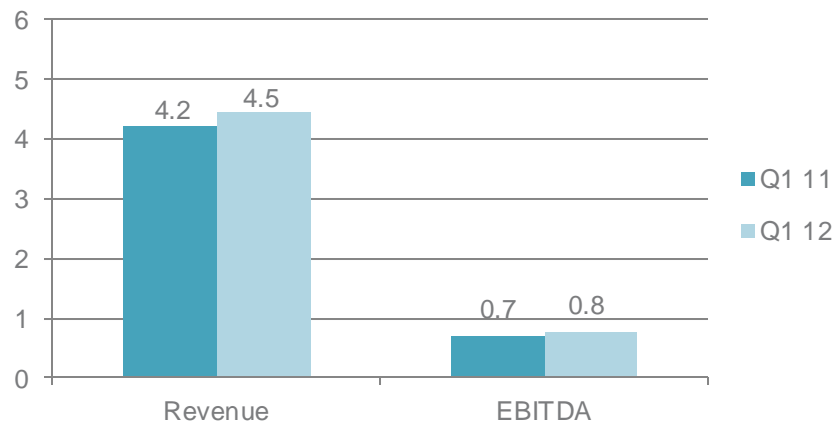
		Q1 12	Q1 11
Gas sales	TWh	7.7	8.2
Distribution of gas	TWh	3.6	4.2
Power sales	TWh	2.1	2.1
Distribution of power	TWh	2.4	2.5
Transport of oil	Mbbl	16	18

## Operational highlights

- Acquisition of Shell Gas Direct completed in May 2012

## Financial development

DKKbn

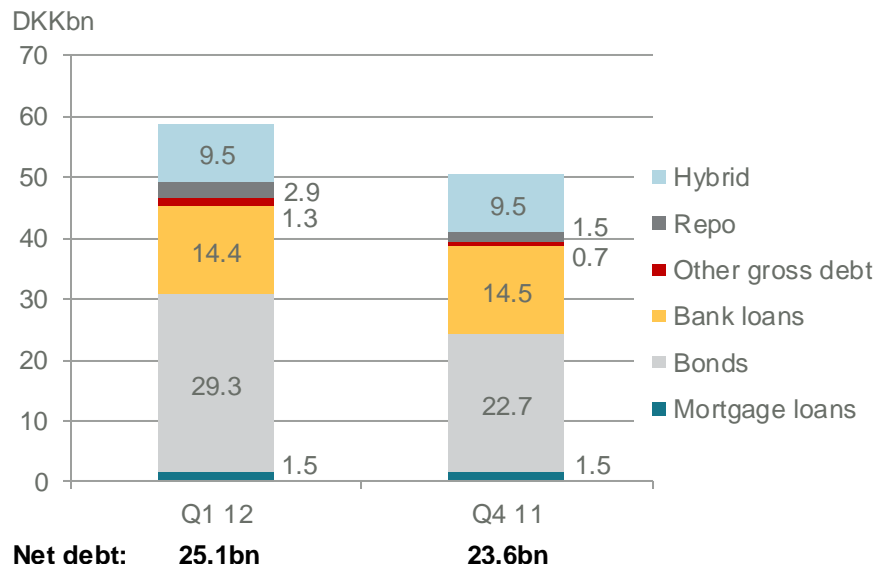


## Financial highlights

- EBITDA up 9% to DKK 0.8bn
  - ✓ Higher tariffs for power distribution
  - ✓ Lower cost level

# Debt overview

## Gross interest-bearing debt and hybrid capital



## Key ratios loan portfolio (incl. hybrid capital)

	Q1 12	Q4 11
Share of fixed rate <sup>1</sup>	95%	92%
Duration (years) <sup>2</sup>	10.0	7.7
Average time to maturity (years) <sup>3</sup>	10.6	9.4
Average interest rate <sup>3</sup>	4.1%	4.1%

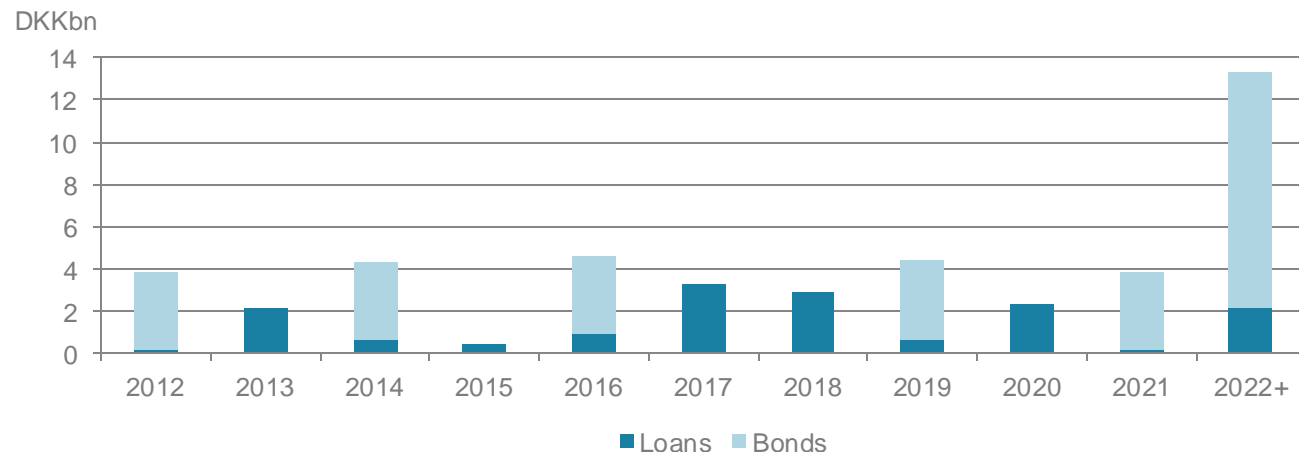
Note (1): Weighted average of loans until matured

Note (2): Weighted average of loans and liquid assets

Note (3): Calculated excluding hybrid capital

	Q1 12	Q4 11
<b>Liquidity reserves (DKKbn)</b>	<b>Q1 12</b>	<b>Q4 11</b>
Liquid assets (unrestricted)	16.2	9.7
Committed borrowing facilities	14.1	13.4
<b>Total</b>	<b>30.3</b>	<b>23.1</b>

## Long term debt maturity schedule at March 31, 2012

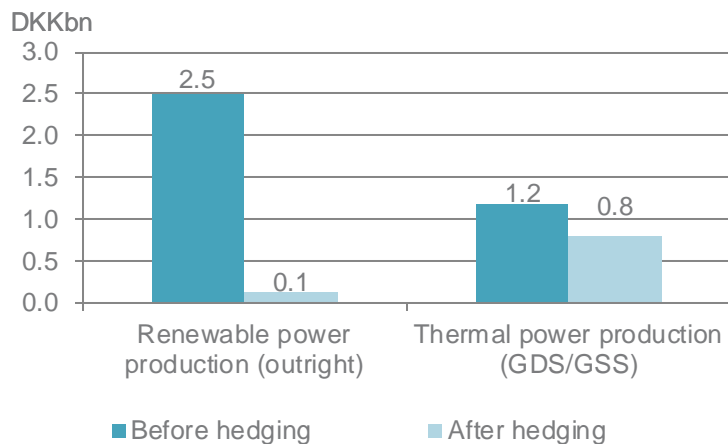


### New bond issue in Jan. 2012

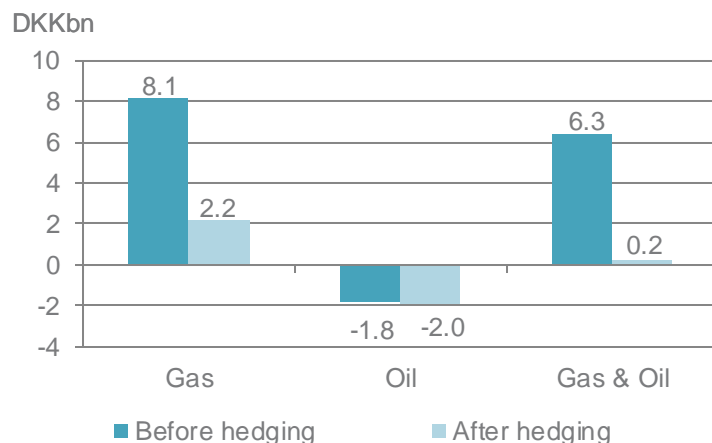
- Size GBP 750m
- Maturity 2032
- Coupon: 4.875%

# Hedging – Limited energy price exposure

Exposure Power 2012-2013 (DKKbn)



Exposure Gas & Oil 2012-2013 (DKKbn)



## Financial impact in 2012-2013 from 10% change

Market price	Impact (DKKm)
Oil & gas	DKK 22m*
Oil/gas spread**	DKK 196m
Renewable power	DKK 14m
Thermal power (GDS/GSS)	DKK 80m

\* Impact after hydrocarbon tax

\*\* 10% increase in oil price and unchanged gas price

# Agenda



- DONG Energy highlights
- Financials
- **Outlook**
- Appendix

# Outlook

## EBITDA outlook

### EBITDA 2012 expected to be in line with 2011

- ✓ New oil & gas fields Oselvar and Marulk
- ✓ Full ownership of the Siri field
- ✓ First power from wind farms London Array, Lincs and Anholt
- ✓ Full year contribution from Walney wind farm
  
- ✗ Negative impact from Siri platform repair
- ✗ Renegotiation of gas contracts impacting 2011 positively with around DKK 1bn not repeated in 2012
- ✗ Decline in EBITDA for Thermal Power

## Net investment outlook

### Outlook

- Around DKK 45bn for 2011-2013 (changed from previous expectation of around DKK 40bn)  
The new outlook incorporates increased uncertainty about the timing for expected divestments

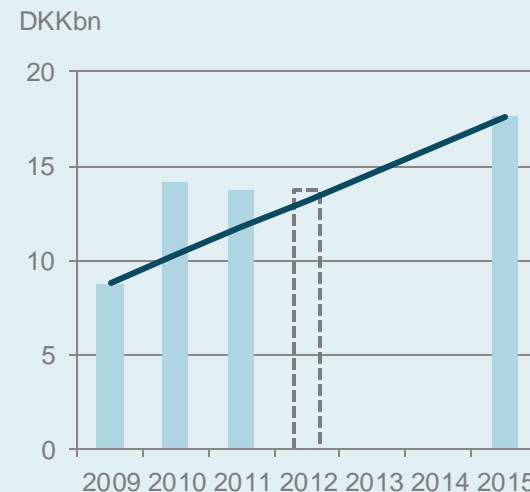
# Targets

## EBITDA target

### Target to:

**Double EBITDA from 2009 to 2015 (double to DKK 17.6bn)**

- **EBITDA in 2013 expected to be significantly above 2012**
  - ✓ Full year effect from Anholt, London Array and Lincs
  - ✓ Full year effect from Oselvar and Marulk
  - ✓ Positive impact from start up of the oil & gas field Syd Arne phase 3



## Capital structure targets

### Targets

- Adjusted net debt up to 2.5 times EBITDA
  - Due to changed expectations for net investments, the ratio for 2012 could be slightly above the target
  - In 2013 the ratio is again expected to be below target
- Minimum rating of BBB+/Baa1

# Q&A



For further information please visit our website

[dongenergy.com/EN/Investor/](http://dongenergy.com/EN/Investor/)



# Outlook Market Prices

(average)		Current assumption, 2012 (rest of year)	Assumption, annual report 2011, 9 March 2012	Actual, Q1 2012
Oil, Brent	USD/bbl	109	105	118
Gas, TTF	EUR/MWh	24	23	24
Gas, NBP	EUR/MWh	24	23	24
Electricity, Nord Pool system	EUR/MWh	41	37	38
Electricity, Nord Pool, DK <sup>1</sup>	EUR/MWh	47	46	40
Electricity, EEX	EUR/MWh	49	52	45
Coal, API 2	USD/tonne	108	112	101
CO <sub>2</sub> , EUA	EUR/tonne	7.9	7.1	7.9
Green dark spread, DK <sup>1</sup>	EUR/MWh	10.2	8.2	4.8
Green spark spread, UK	EUR/MWh	3.3	4.6	5.2
Green spark spread, NL	EUR/MWh	(1.6)	2.5	0.5
USD exchange rate	DKK/USD	5.7	5.7	5.7

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

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

# Business Performance – Q1 12

- In Q1 12, the difference between Business Performance and IFRS amounted to DKK 2.3bn


<b>Business Performance EBITDA</b>	<b>DKK 3.6bn</b>
<b>Adjustments</b>	<b>DKK 2.3bn</b>
<i>MtM of financial and physical hedging contracts relating to other periods</i>	<i>DKK -1.6bn</i>
<i>Deferred losses/gains relating to financial and physical hedging contracts where the hedged production or trading is recognised in the reporting period</i>	<i>DKK -0.7bn</i>
<b>IFRS EBITDA</b>	<b>DKK 1.3bn</b>

# Dividend, Funding and Rating

## Long term capital structure target

- Maintain a minimum rating of BBB+ / Baa1
- Adjusted net interest-bearing debt <sup>(1)</sup> up to 2.5 times EBITDA

## Dividend policy

- The payout policy stipulates a distribution of DKK 7.75 per share in 2011. The annual dividend is to increase by DKK 0.25 per share (DKK 73m) in the subsequent years.
  - The payout ratio <sup>(2)</sup> may however not exceed 60% and not to be below 40% of net profit after tax
- 
- The dividend for 2011, paid in 2012, was DKK 1.5bn (DKK 2.2bn)

Note (1): Net interest-bearing debt plus 50% of outstanding hybrid capital due 3005 and 0% of hybrid capital due 3010

Note (2): The payout ratio is calculated less coupon after tax to holders of hybrid capital and minority interests' share of profit for the year

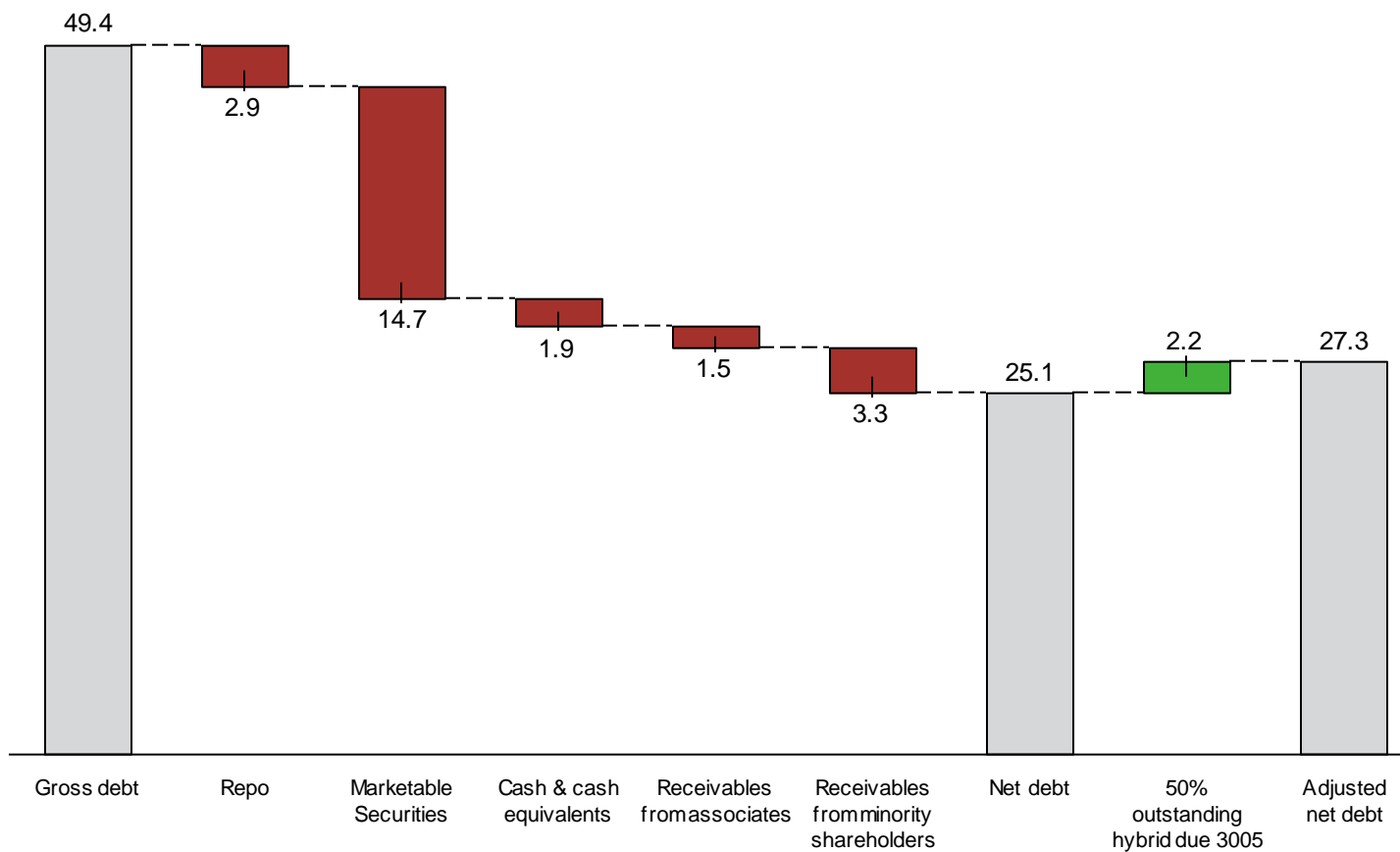
## Funding strategy and Debt Programmes

- External funding primarily to be carried out through parent company – to avoid structural subordination
- EMTN programme with a total amount of EUR 5bn

## Credit ratings

	Standard & Poor's	Moody's
Corporate	A-	Baa1
Senior bonds	A-	Baa1
Hybrid capital	BBB and BB+	Baa3
Outlook	Stable	Stable
Last Update	December 2011	March 2012

# Net debt calculation Q1 12



# Investments

## Investments in Q1 12

<b>Cash flow from investing activities</b>	<b>-10.0bn</b>
Purchase of securities (add back)	7.7bn
Transactions with non-controlling interest	-0.0bn
Loans to jointly controlled entities (add back)	0.1bn
Other	-0.2bn
<b>Net Investments<sup>1</sup></b>	<b>-2.4bn</b>
Sale of assets and companies	-2.9bn
Transactions with non-controlling interest	-0.0bn
Other	0.2bn
<b>Gross investments</b>	<b>5.1bn</b>

*Note (1): Net investments are defined as the effect on DONG Energy's net debt from investments and acquisitions and disposals of enterprises*

## Main gross investments in Q1 12

<b>Wind activities:</b>	<b>DKK 3.7bn</b>
▪ Walney	DKK 1.5bn
▪ London Array:	DKK 0.9bn
▪ Lincs:	DKK 0.4bn
▪ Anholt	DKK 0.3bn
▪ CT Offshore	DKK 0.2bn
▪ Borkum Riffgrund 1	DKK 0.1bn
<b>Gas and oil fields:</b>	<b>DKK 1.2bn</b>
▪ Oselvar:	DKK 0.4bn
▪ Laggan-Tormore	DKK 0.2bn
▪ South Arne phase 3	DKK 0.2bn
▪ Ormen Lange:	DKK 0.2bn
▪ Marulk:	DKK 0.2bn
<b>Other:</b>	<b>DKK 0.2bn</b>

# Larger decided construction projects

Larger projects with production start in 2012-2015							
Project	Type of project	Country	MW <sup>(1)</sup>	Commercial operation date <sup>(2)</sup>	Own share of project	Announced capex <sup>(3)</sup>	Spent capex <sup>(4)</sup>
Sea Installer 1	Installation vessel	n.a.	n.a.	2012	51%	USD 70m	USD 51m
London Array <sup>(5)</sup>	Offshore wind farm	UK	315MW	2013	50%	DKK 8.2bn	DKK 3.9bn
Anholt	Offshore wind farm	DK	200MW	2013	50%	DKK 5bn	DKK 1.7bn
Lincs <sup>(5)</sup>	Offshore wind farm	UK	67.5MW	2013	25%	DKK 1.5bn	DKK 1.0bn
Syd Arne phase 3	Oil/gas field	DK	n.a.	2013	36.8%	DKK 2.7bn <sup>(6)</sup>	DKK 0.6bn
Laggan-Tormore	Oil/gas field	UK	n.a.	2014	20%	DKK 4.3bn	DKK 1.6bn
Borkum Riffgrund 1	Offshore wind farm	DE	139MW	2014	50%	EUR 0.6bn	DKK 0.2bn
West of Duddon Sands <sup>(5)</sup>	Offshore wind farm	UK	194.5MW	2014	50%	DKK 5.7bn	DKK 0.4bn
Sea Installer 2	Installation vessel	n.a.	n.a.	2014	51%	DKK 0.9bn	DKK 0.0bn
Hejre	Oil/gas field & Terminal	DK	n.a.	2015	60%	DKK 9.2bn	DKK 0.2bn

Note (1): DONG Energy's share of MW.

Note (2): Commercial Operation Date (COD). First power may occur up to one year prior to COD.

Note (3): DONG Energy's share of capex (at prevailing exchanges rates on announcement date)

Note (4): DONG Energy's share of capex as at 31 March 2012 (at exchange rates as of 31 March 2012)

Note (5): Expected proceeds from sale of transmission assets subtracted from capex

Note (6): Additional capex following acquisition of Noreco's share in South Arne field is added (DKK 0.2bn)