

# Full-year results 2010



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A number of different factors may cause the actual performance to deviate significantly from the forward-looking statements in this presentation including but not limited to general economic developments, changes in temperature and precipitation, changes in market prices (e.g. oil, gas, power, coal, CO<sub>2</sub>, currency), changes in the competitive environment, developments in the financial markets and changes in legislation or case law.

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.

Should one or more of these risks or uncertainties materialise or should any underlying assumptions prove to be incorrect, our actual financial condition or results of operations could materially differ from that described herein as anticipated, believed, estimated or expected.



# Agenda

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

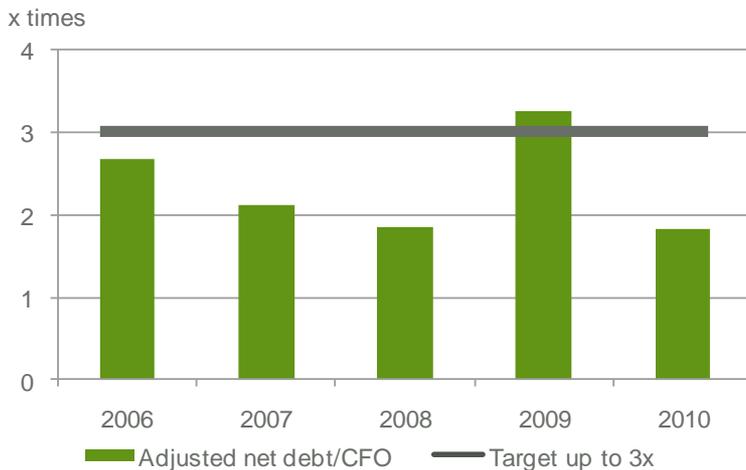


# Highlights in 2010

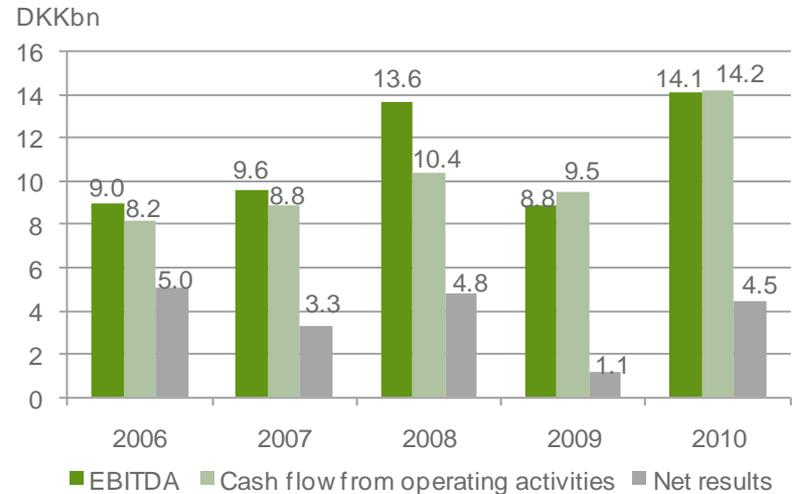
## Highlights

- Historical high EBITDA at DKK 14.1bn (up 59%)
- Net debt reduced to DKK 22.1bn (down 18%)
- Adjusted net debt to CFO at 1.8x (3.3x in 2009)
- Net results increased to DKK 4.5bn (DKK 1.1bn)
- Proposed dividend of DKK 2.2bn
- EBITDA for 2011 expected to in line with 2010
- Transformation of the production profile on target increasing robustness

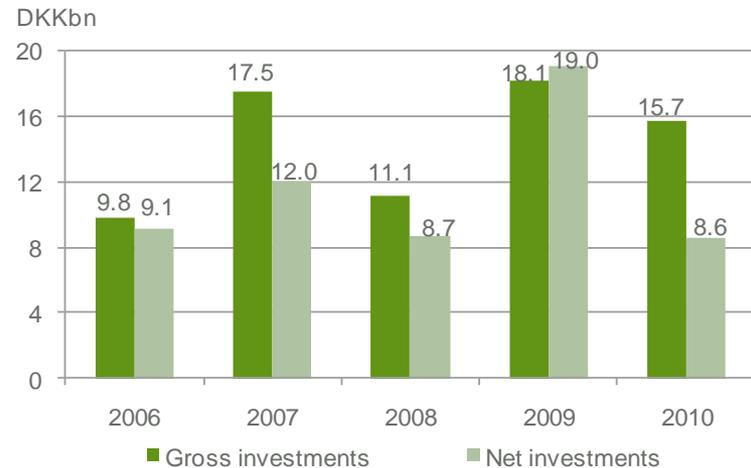
## Capital structure



## Key figures



## Investments



# Clean and Reliable energy – Key events in 2010

## Inauguration of new wind parks and decisions for new builds

- Gunfleet Sands
- Karnice & Karcino
- Anholt (2013)



## New fields in production and decisions for new builds

- Nini Øst, Trym
- Marulk (2012)
- Syd Arne phase 3 (2013)
- Laggan-Tormore (2014)



## Inauguration of gas-fired power plants

- Severn
- Mongstad



Clean and reliable energy

## Strengthening of external gas sourcing

- LNG agreement
- Renegotiation of long term gas contracts



## Efficiency measures for thermal operations

- Mothball of coal-fired power units
- Cost savings

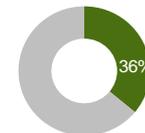


## Focus on core assets

- Divestments (Norwegian hydro assets, Swedegas)
- Strategic partnerships with both industrial and financial partners in offshore wind

# Exploration & Production

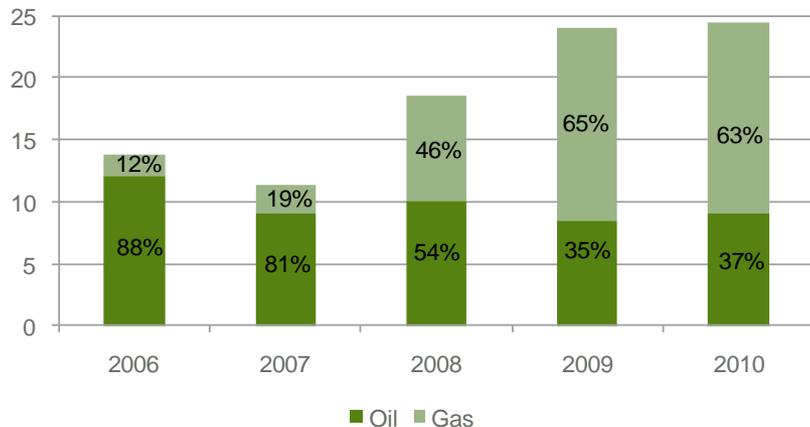
Higher oil and gas prices



Share of group EBITDA

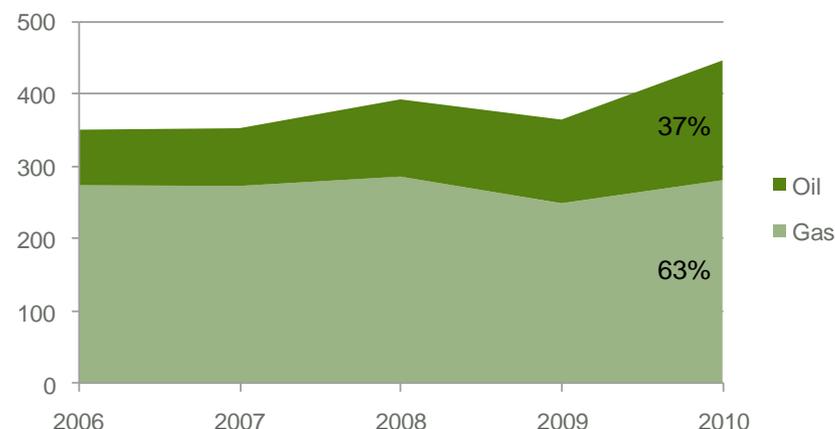
## Operational figures

mboe



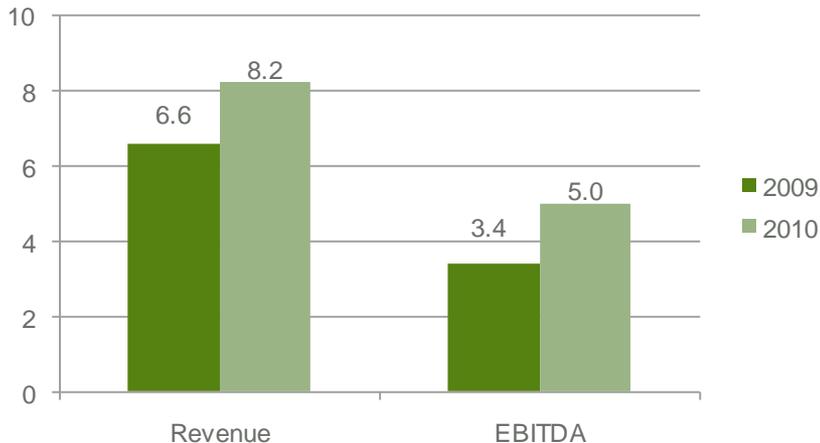
## Reserves (2P)

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## Financial development

DKKbn

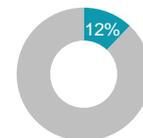


## Highlights

- EBITDA increased 46% to DKK 5.0bn from rising oil and gas prices
- Production on level with 2009
- Significant increase in 2P reserves (up 23%). R/P ratio of 19 years (15 years in 2009)
- New discoveries in Denmark (Solsort license) and West of Shetland (Eudradour license)
- A solution for repair of the Siri platform may involve significant costs

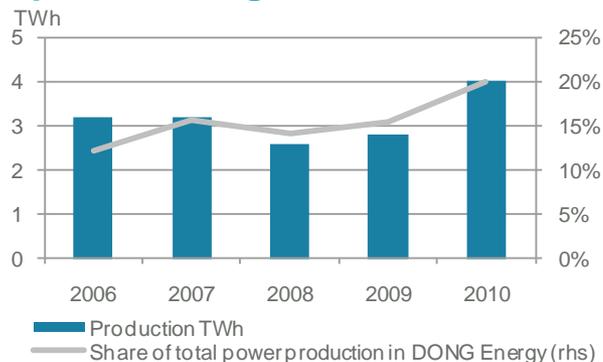
# Renewables

Strong contribution from new assets



Share of group EBITDA

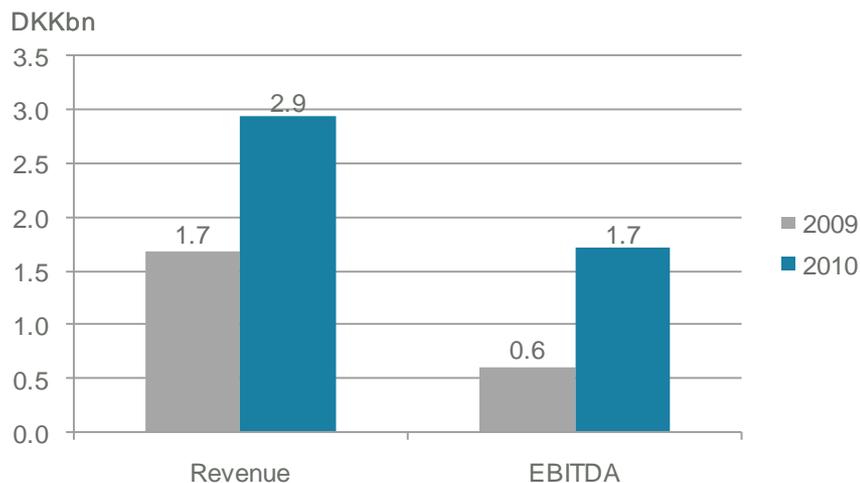
## Operational figures



### Market share offshore wind 2010

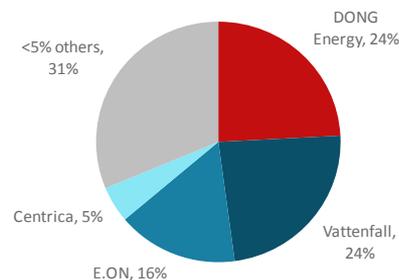
Denmark	45%
United Kingdom	23%

## Financial development

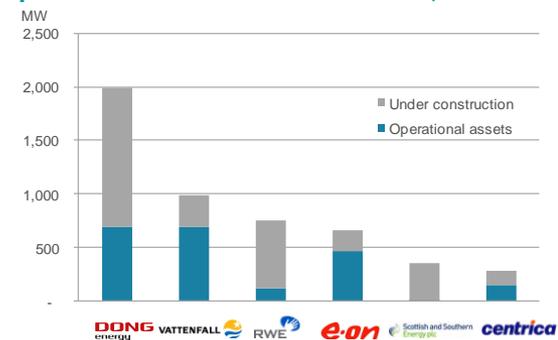


## Offshore wind – Market share in Europe

### In operation, end 2010



### In operation and under construction, end 2010



Source: Emerging Energy Research and company webpages.

## Highlights

- Significant EBITDA increase from new wind parks and higher power prices
- Decision for new builds – Anholt and Borkum Riffgrund 1
- Divestment of shares in wind parks Walney and Nysted
- Siemens as equity partner in A2SEA (49%) – ordering of a new installation vessel (SEA Installer)
- Divestment of Norwegian hydro assets
- Sizeable pipeline of circa 3,000 MW

**DONG**  
energy

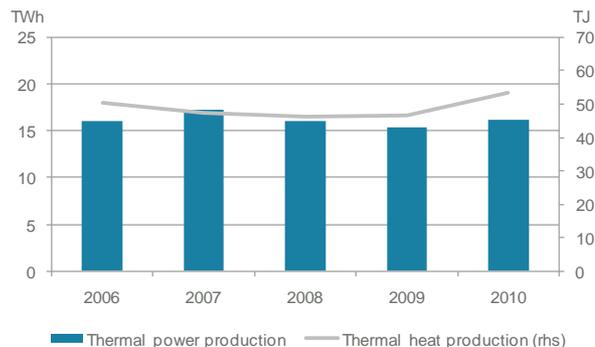
# Generation

Significantly higher green dark spreads



Share of group EBITDA

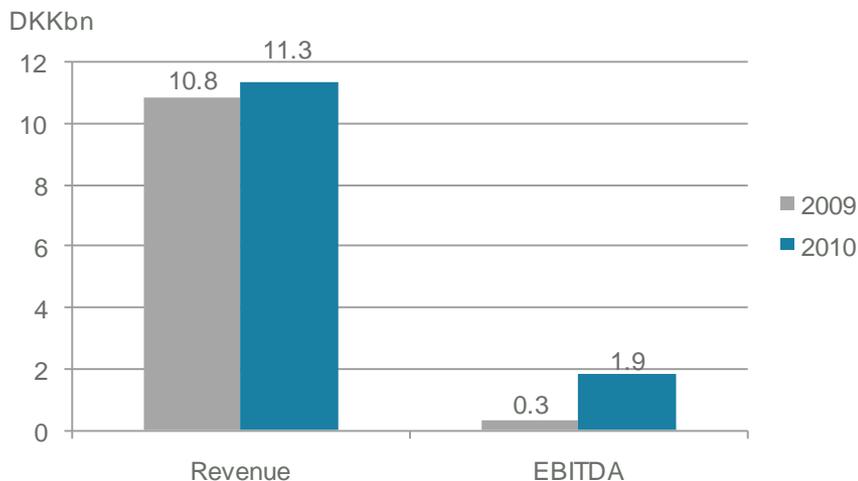
## Operational figures



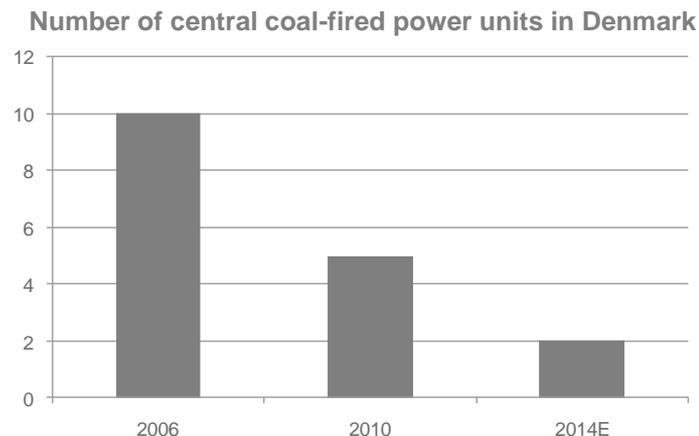
### Market share Denmark 2010

Thermal power production	53%
Heat production	36%

## Financial development



## Reducing coal-fired capacity

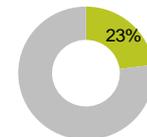


## Highlights

- Significant EBITDA increase from:
  - Higher Green Dark Spread from cold and dry winter
  - No negative FIFO impact on coal
  - Negative impact from hedges
  - Significant cost savings
- Focus on profitability in a difficult market
- Mothballed capacity of 1,397 MW during the last 3 years
- Decision to mothball a further 886 MW in 2013

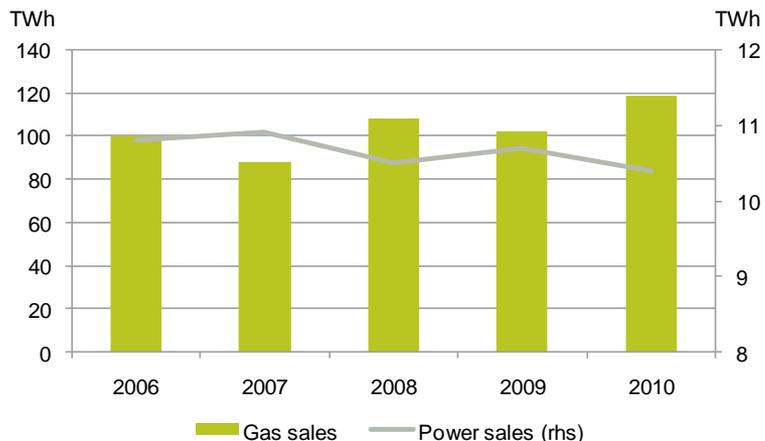
# Energy Markets

No negative time lag effects



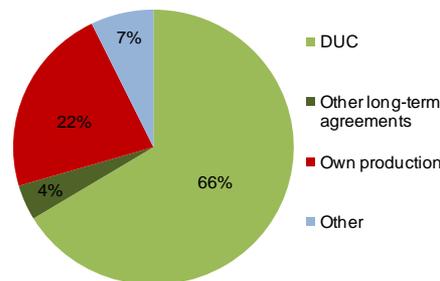
Share of group EBITDA

## Operational figures

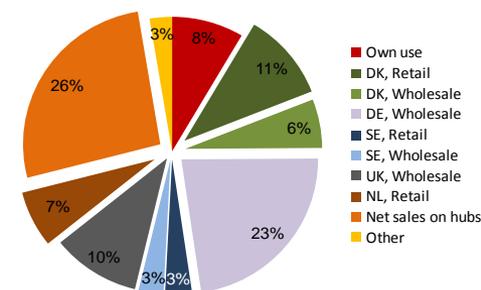


## Diversified gas sourcing and sales

Gas sourcing 2010



Gas sales 2010



## Financial development



## Highlights

- Significant increase in EBITDA
  - Neutral timelag effect compared to negative impact in 2009
  - Higher energy prices
  - Positive impact from hedges – though primarily related to 2011 and onwards
- Continued negative impact from oil/gas delink
- DUC volumes expected to decline significantly
- Establishment of one German sales organisation

# Sales & Distribution

Stable earnings



Share of group EBITDA

## Operational figures

		2010	2009
Gas sales	TWh	24.2	21.8
Distribution of gas	TWh	11.4	10.0
Power sales	TWh	8.2	8.5
Distribution of power	TWh	9.1	9.2
Transport of oil	Mbbl	78	85

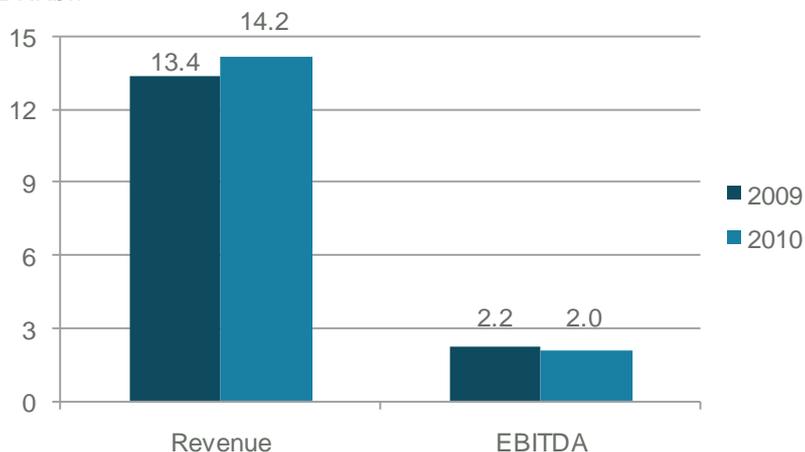
## Market shares 2010

Sales	Power	Gas
Denmark	21%	32%
Sweden		22%
Holland	1%	1%

Distribution	Power	Gas
Denmark	27%	28%

## Financial development

DKKbn



## Highlights

- EBITDA slightly below 2009
- Negative impact from lower net tariffs and higher net loss for power distribution
- Positive contribution from larger volumes of gas sold and distributed as well as higher tariffs for gas distribution

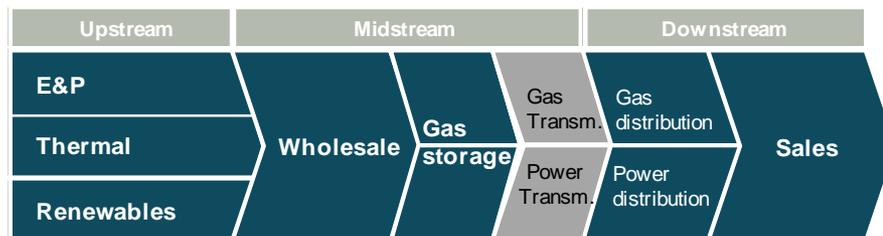
# Clean and reliable energy – The strategic direction

## More clean energy



- On target to halve CO<sub>2</sub> emissions by 2020
- Significantly reducing the financial impact from CO<sub>2</sub> costs

## Full value chain presence with diversified and reliable upstream position

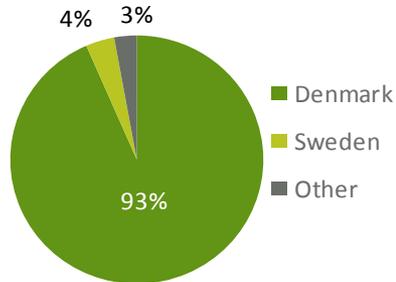


- Reliable energy from diversified upstream portfolio
- Integrated and balanced business model
- Natural hedges in the value chain

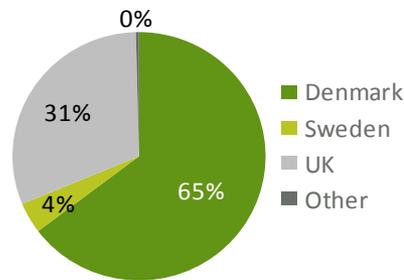
# Significant diversification of the power production

## Increasing geographic diversification

Power production 2007  
(volume)

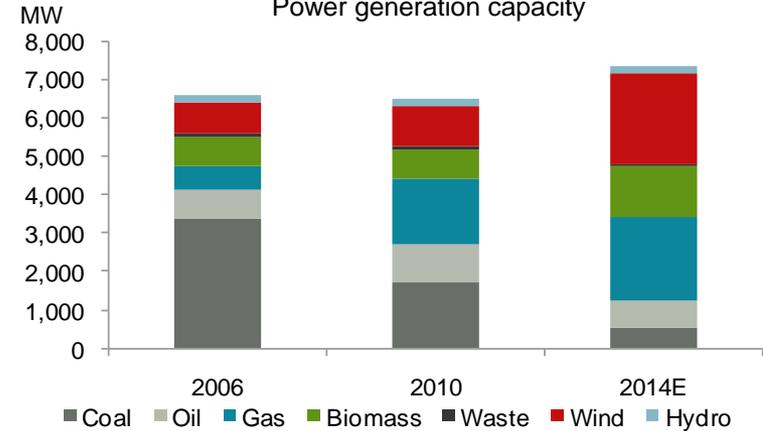


Expected power production 2011  
(volume)



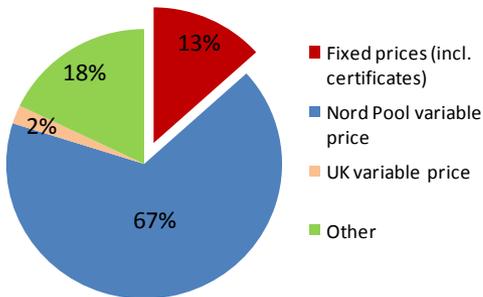
## Decreasing impact of CO<sub>2</sub> costs

Power generation capacity

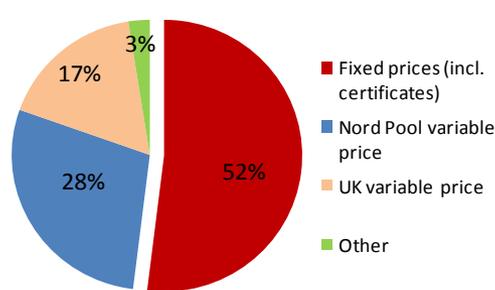


## Reducing market price risk

Power production 2007  
(relative value)



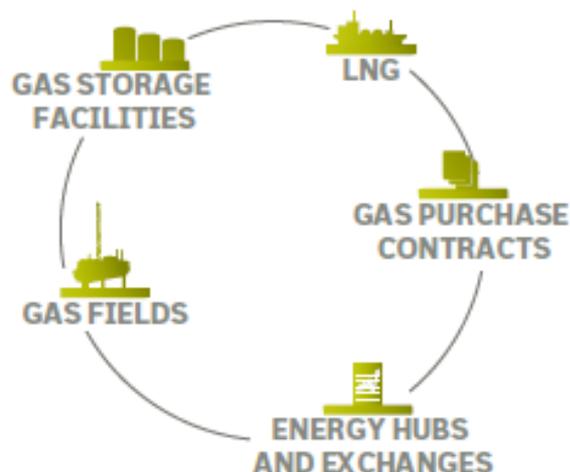
Expected power production 2011<sup>1</sup>  
(relative value)



Note (1): Calculated on baseload forward prices at end 2010.

# Actively addressing challenges on the gas market

## Diversified gas sourcing

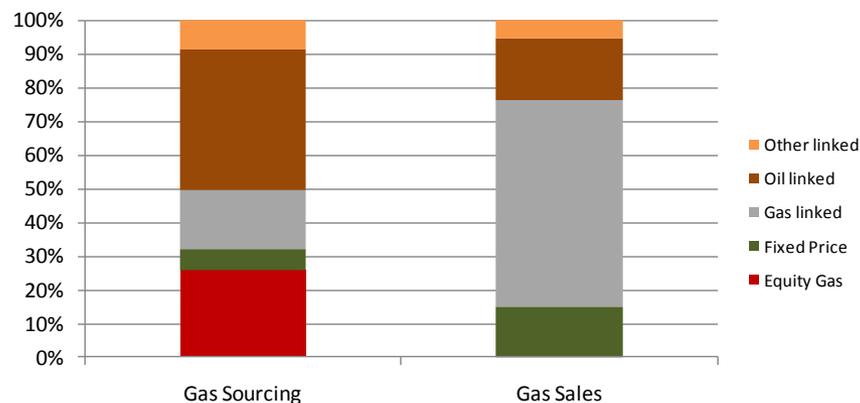


### Securing diversified gas sourcing

- Target of 30% equity gas production
- LNG supply agreement with Iberdrola
- Co-ownership of a LNG terminal in Rotterdam
- Long-term purchase contracts with international suppliers
- Purchases on European energy hubs

## Indexation of gas contracts

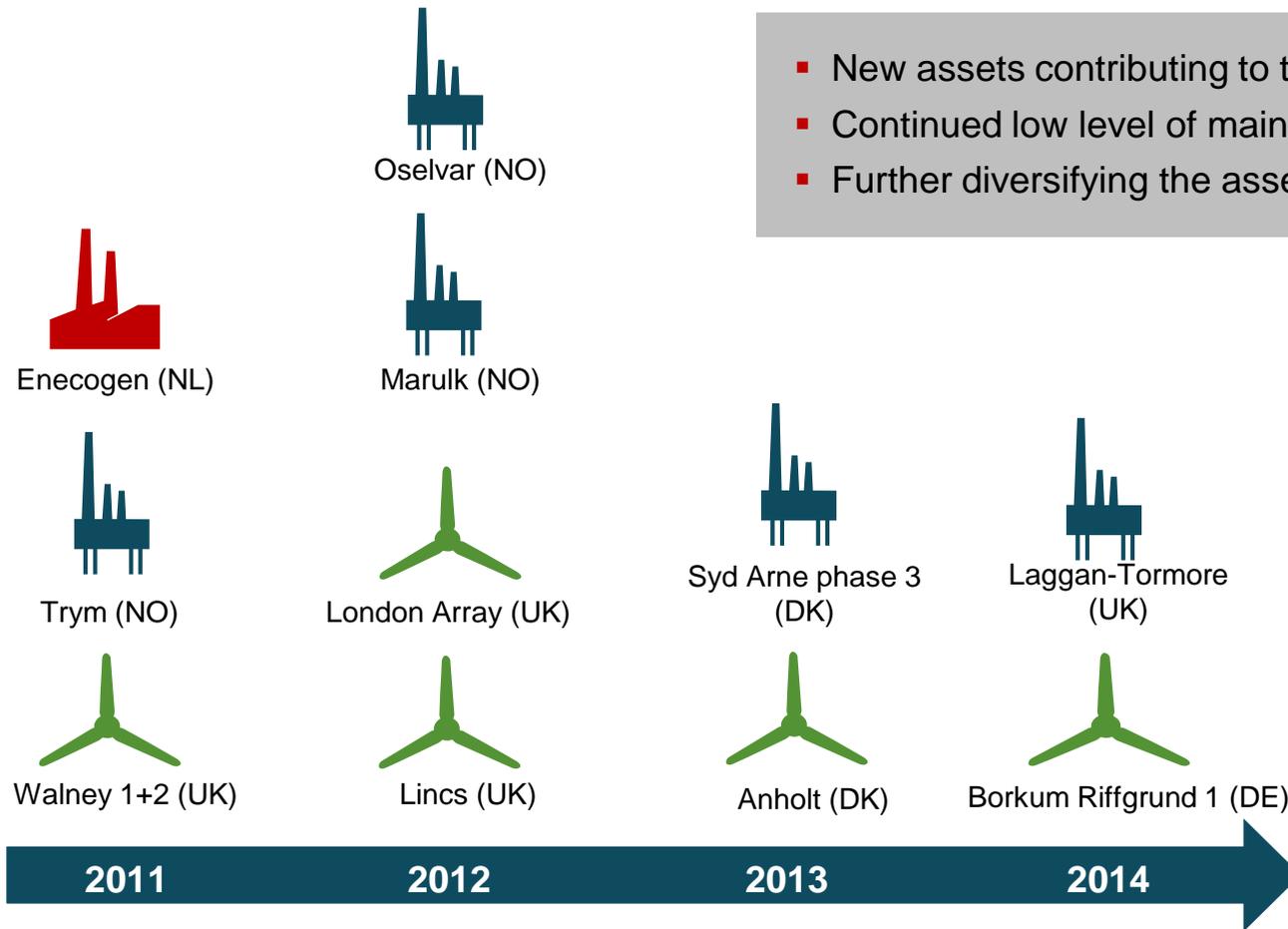
Indexation of gas contracts  
(expected volumes 2011)



### De-link between oil and gas prices

- Poses challenges for wholesalers of gas
- Also impacting DONG Energy, though significantly mitigated through:
  - Own gas production – 30% equity gas target
  - Own oil production mitigating oil indexed gas sourcing
  - Utilising flexibility options
  - Re-negotiation of long-term gas contracts

# Target to double EBITDA in 2015 compared to 2009



- New assets contributing to the growth
- Continued low level of maintenance capex
- Further diversifying the asset base

# Selected challenges for the European Energy sector

## Challenges

- Continued depressed gas market with an increased oil/gas spread

- EU CO<sub>2</sub> reduction targets
- Termination of free allocation of CO<sub>2</sub> quotas from 2013

- Reduced demand and depressed power prices – specifically in Nord Pool

## DONG Energy

- Own E&P production
- Renegotiations
- Diversified portfolio

- Investments in wind farms and gas-fired capacity outside Nord Pool
- Significantly reducing CO<sub>2</sub> emissions
- Limited impact as DONG Energy since 2008 only has been allocated 50% of necessary quotas

- Significantly less exposure towards Nordic power prices
- Investments in wind farms with fixed rate price schemes
- Converting coal-fired capacity into biomass
- Reducing fixed costs – mothballing of coal-fired units

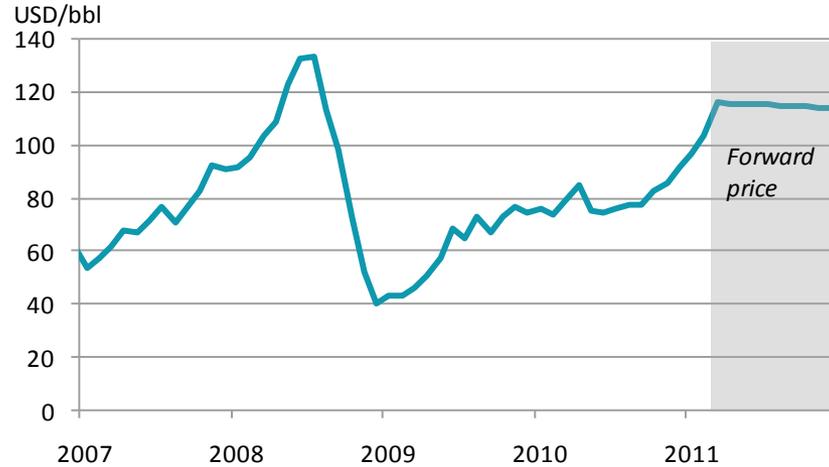
# Agenda

- DONG Energy highlights
- Financials
- Outlook
- Appendix



# Oil prices and gas prices

## Higher oil prices (Crude oil)



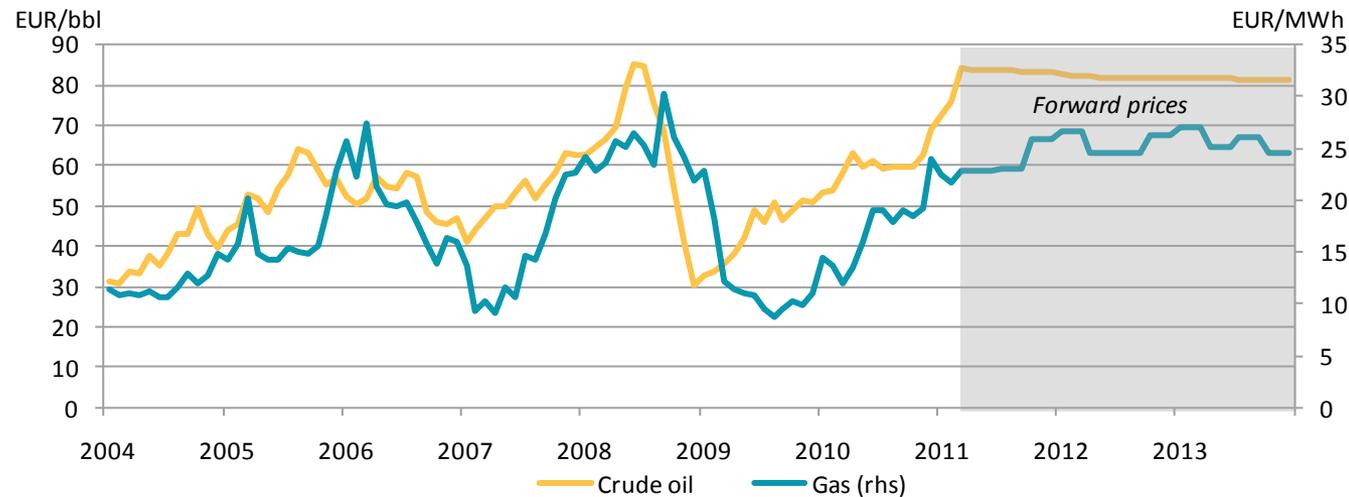
Source: Platts

## Higher gas prices (TTF)



Source: Argus

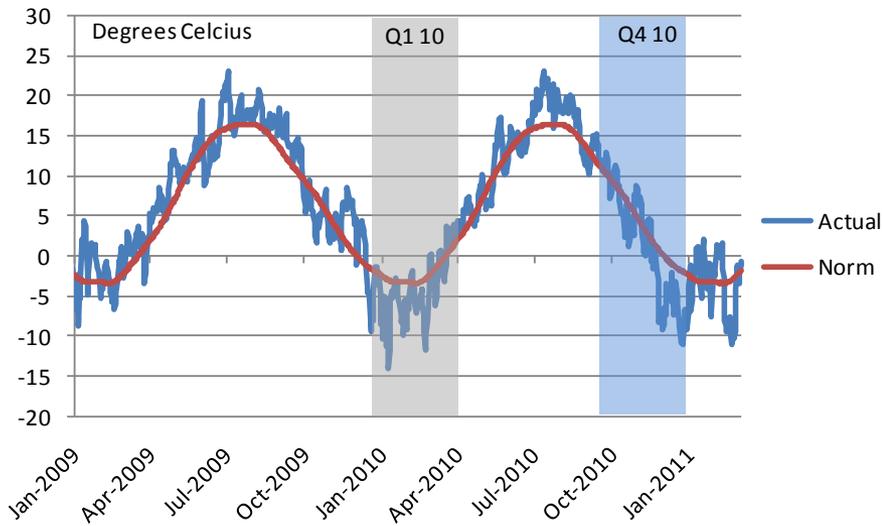
## Continued de-link between oil and gas prices



Source: Platts and Argus

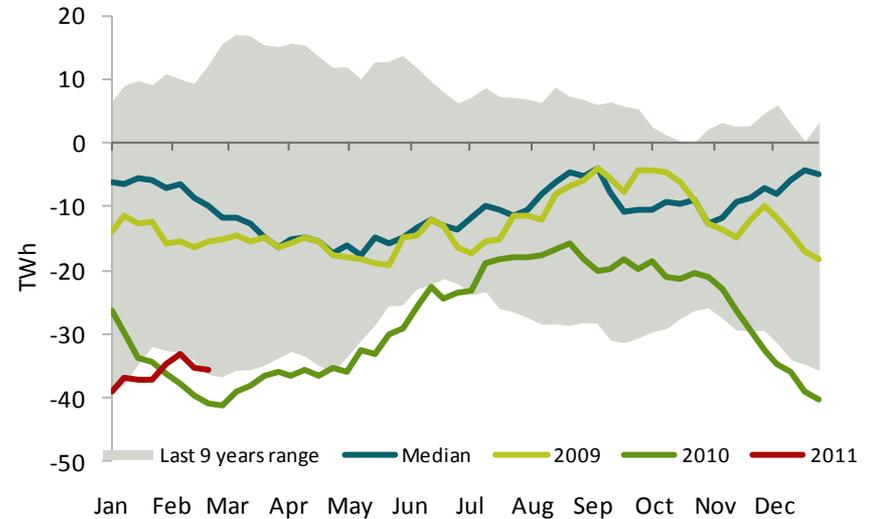
# Market situation and power prices

## Cold winter in Q1 and Q4 in the Nordics



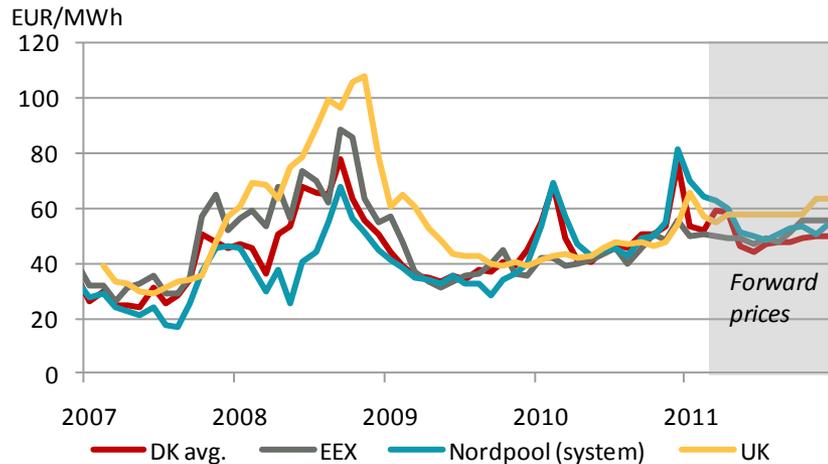
Source: SKM Market Predictor

## Continued low hydro balance



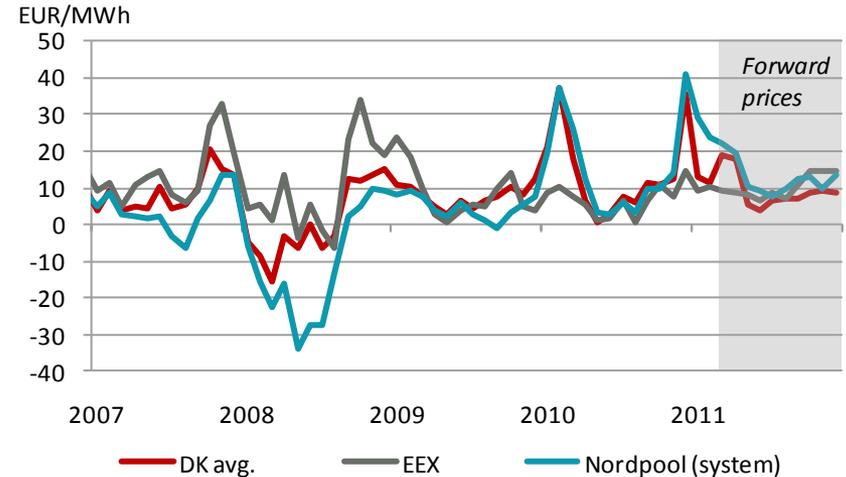
Source: SKM Market Predictor

## Power prices (monthly average)



Source: Nord Pool, EEX, Argus, APX and Heron

## Green Dark Spread (monthly average)



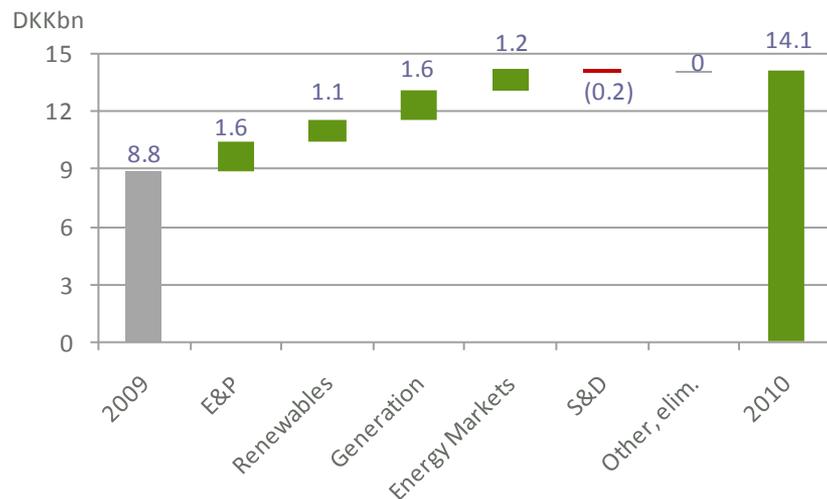
Source: Nordpool, EEX and Argus

# Selected Financial Figures

DKK million	2010	2009
Revenue	54,598	49,262
EBITDA	14,089	8,840
Profit after tax	4,464	1,138
Assets	137,339	120,552
Equity incl. hybrid capital	51,308	44,808
Net interest-bearing debt	22,139	26,930
Funds From Operation (FFO)	12,330	7,402
Cash flow operating activities (CFO)	14,214	9,468
Adjusted net debt <sup>1</sup> /CFO <sup>2</sup> (target up to 3x)	1.8	3.3
FFO/Net debt	55.7%	27.5%

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

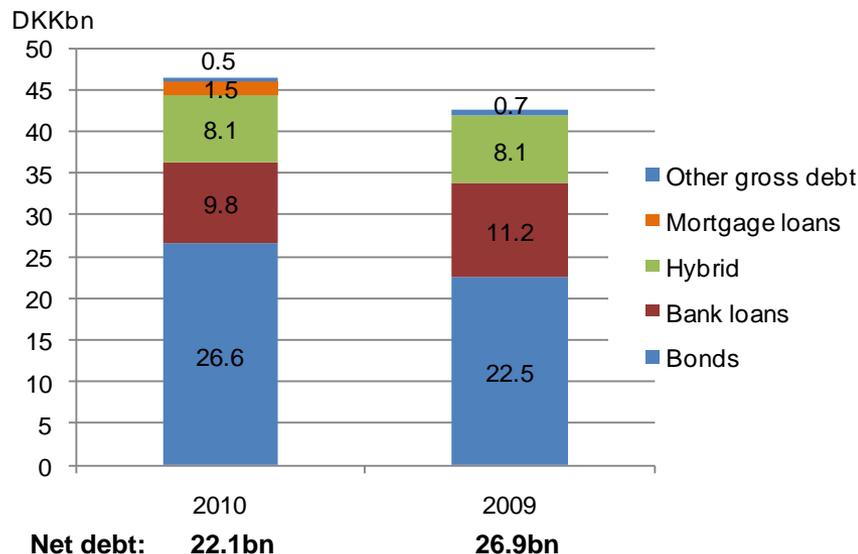
## EBITDA development



- **EBITDA** increased by 59% y/y due to:
  - Increased production from new assets
  - Higher energy prices from cold and dry winter
  - No negative effects from timelag
  - Neutral effects from hedging related to 2010
  - Positive effects from hedges related to coming years of DKK 0.7bn
- **Cost savings** programme of DKK 1.5bn completed ahead of time
- **Net debt** reduced by 18%
  - Higher EBITDA
  - Lower net investments
  - NWC improvements
- **Net investments** of DKK 8.6bn (reduced by 55%) – below expectations
- **Generation split into two separate reporting segments – Renewables and Generation**
  - Underlines the different strategic directions of the two business segments

# Debt overview

## Gross interest-bearing debt (incl. hybrid capital)



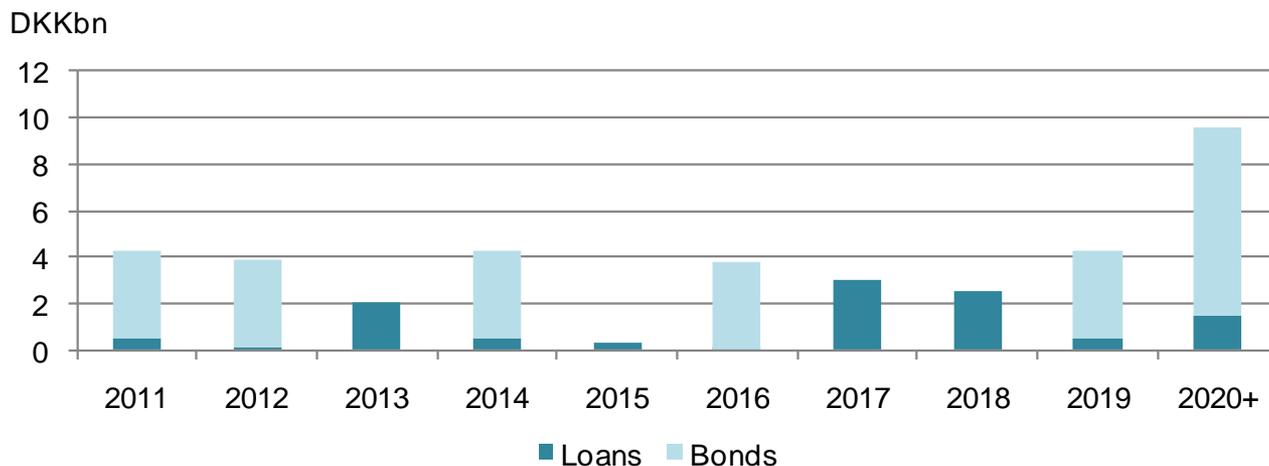
## Key ratios gross loan portfolio (incl. hybrid capital)

	2010
Share of fixed rate <sup>1</sup>	49%
Duration (years)	5.5
Average time to maturity (years) <sup>2</sup>	9.1
Average interest rate <sup>2</sup>	4.7%

Note (1): Loans with shorter maturity than 1 year are classified as floating rate  
 Note (2): Calculated excluding hybrid capital

DKKbn	2010	2009
Liquid assets	11.7	5.6
Committed borrowing facilities	12.6	13.1
<b>Liquid reserves in total</b>	<b>24.3</b>	<b>18.7</b>

## Long term debt maturity schedule at December 31, 2010 (excluding hybrid capital)



### New hybrid issue

- Size EUR 700m
- Maturity 3010
- Coupon: 7.75%
- First call date: June 2021
- Step-up 100bp
- Rated: Baa3/BB+

# Further strengthening of capital structure target

## Doubling of EBITDA from 2009-2015

### Changed capital structure target

- **New:** Adjusted net debt *up to* three times the cash flows from operating activities
- **Previous:** Adjusted net debt of *around* three times the cash flows from operating activities

### Issue/repurchase of hybrid capital (Jan 2011)

### Reduced net investment expectation\*

- **New expectation for 2011-2013:** DKK 40bn
- Reduction following successful partnership strategy
- **Previous expectation for 2011-2013:** DKK 45-55bn
  - 2011: Around 15bn for 2011
  - 2012-2013: DKK 15-20bn annually

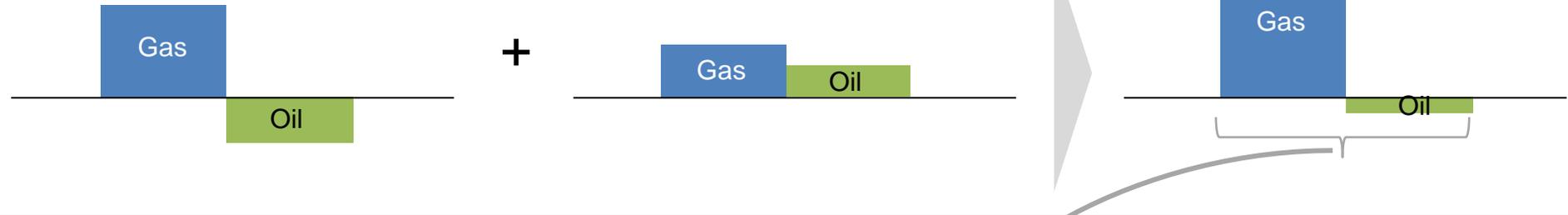
\* Net investments are defined as the effect on DONG Energy's net debt from investments and acquisitions and disposals of enterprises

# Market risks – Oil and Gas

Gas contract portfolio

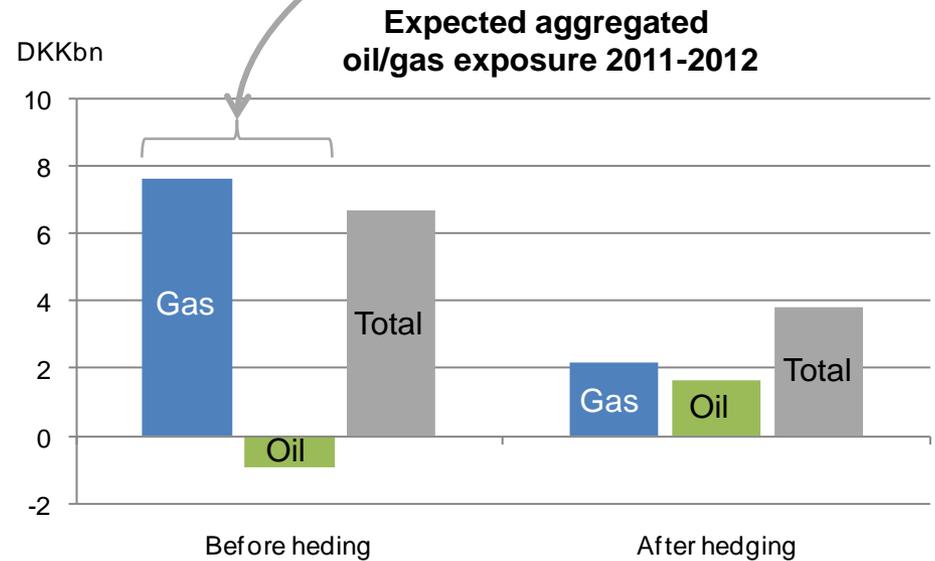
E&P

Consolidated exposure before hedging



## Effect from oil/gas de-link mitigated through

- Oil indexed sales contracts
- E&P production – both oil and gas
- Flexibility options including gas storage capacity
- Active hedging programme



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# Outlook for 2011

## Commodity prices

Market prices	Expected 2011	Realised 2010
Oil, Brent (USD/bbl)	95	80
Gas, TTF (EUR/MWh)	24	17
Gas, NBP (EUR/MWh)	23	17
Power, Nord Pool system (EUR/MWh)	55	53
Power, Nord Pool DK (average) (EUR/MWh)	53	52
Power, EEX (EUR/MWh)	50	44
Power, UK (EUR/MWh)	59	48
Coal, API 2 (USD/t)	122	92
CO <sub>2</sub> emissions allowances (EUR/t)	14	14
Green dark spread, DK (average) (EUR/MWh)	7	14
US Dollar, (DKK/USD)	5.6	5.6

- Higher market prices for oil and gas in 2011 expected to have a positive effect on earnings
- Continued negative effects from the increased spread between oil and gas prices
- Price risk significantly reduced through hedging
  - 60% of thermal production for 2011
  - 32% of thermal production for 2012
  - 57% of oil/gas exposure hedged for 2011/2012

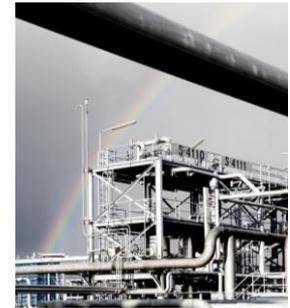


# Outlook for 2011

## EBITDA

- New or significantly expanded activities are to contribute around DKK 1.3bn in 2011
- A significantly lower EBITDA for Energy Markets in 2011 due to:
  - Decline in DUC volumes
  - Lower share of oil-indexed sales contracts
- Positive effects from hedging in 2010 not repeated
- Cold and dry weather not assumed for the remainder for the year
- A solution for repair of the Siri platform may involve significant costs

EBITDA in 2011 is expected to be in line with 2010



# Q&A

FOR FURTHER INFORMATION  
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# Dividend, Funding and Rating

## Long term capital structure target

- Maintain a minimum rating of BBB+ / Baa1
- Adjusted net interest-bearing debt <sup>(1)</sup> of up to three times cash flows from operating activities

## Dividend policy

- The payout ratio<sup>(2)</sup> is not to exceed 60% and not to be below 40% of net profit after tax
- The intention is to distribute DKK 7.5 per share in 2011 (DKK 2.2bn) and to increase the annual dividend by DKK 0.25 per share (DKK 73m) in the subsequent years.



- The proposed dividend for 2010, to be paid in 2011, is DKK 2.2bn

Note (1): Net interest-bearing debt plus 50% of issued 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

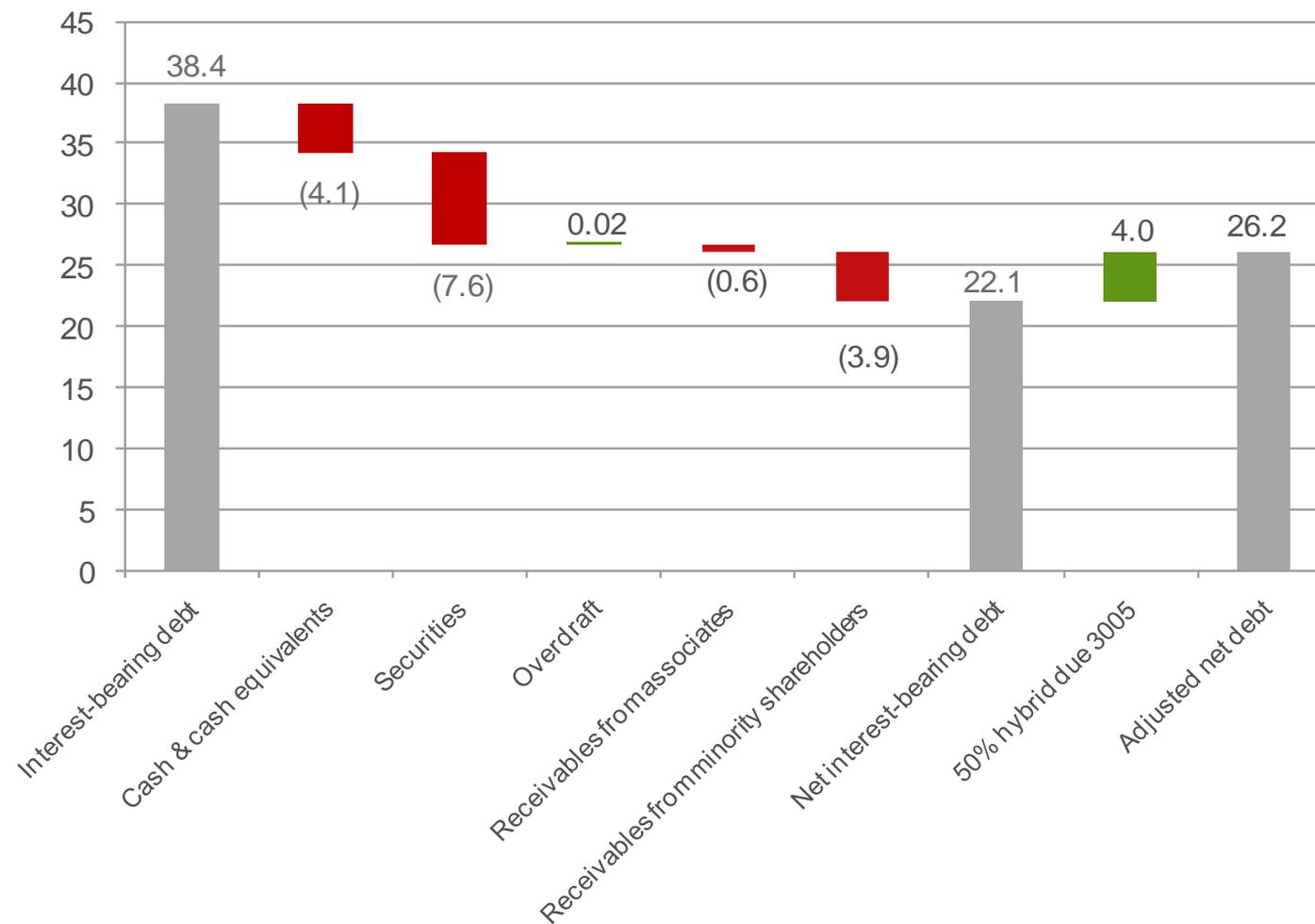
- External funding primarily to be carried out through parent company – to avoid structural subordination
- EMTN programme with a total amount of EUR 5bn

## 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	Feb 2011	Nov 2010

# Net debt calculation end 2010

DKKbn



# Investments

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## Investments in 2010

<b>Cash flow from investment activities</b>	<b>-14.8bn</b>
Purchase of securities (add back)	2.4bn
Minorities' share of investments (add back)	3.9bn
Dividends received	-0.1bn
<b>Net investments<sup>1</sup></b>	<b>-8.6bn</b>
Disposal of enterprises	-3.2bn
Minorities' share investments	-3.9bn
<b>Gross investment</b>	<b>-15.7bn</b>

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

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## Main gross investments in 2010

### Wind activities: DKK 6.4bn

- Walney: DKK 3.4bn
- London Array: DKK 1.0bn
- Gunfleet Sands: DKK 0.3bn

### Gas and oil fields: DKK 4.0bn

- Oselvar: DKK 0.7bn
- Trym: DKK 0.7bn
- Ormen Lange: DKK 0.5bn
- Syd Arne: DKK 0.5bn
- Laggan-Tormore DKK 0.5bn

### Thermal activities: DKK 3.9bn

- Severn: DKK 1.4bn
- Enecogen: DKK 1.2bn

### Other: DKK 1.4bn

# Larger decided construction projects

## Larger projects with commercial production start in 2011-2014

Project	Type of project	Country	MW <sup>(1)</sup>	Commercial start	Own share of project	Announced capex <sup>(2)</sup>	Spent capex
Trym	Oil/gas field	NO	n.a.	2011 	50%	DKK 1.2bn	DKK 0.9bn
Walney 1+2	Offshore wind farm	UK	184MW	2011	50.1%	DKK 4.2bn <sup>(3)</sup>	DKK 2.1bn
Enecogen	Gas fired power plant	NL	435MW	2011	50%	DKK 2.5bn	DKK 2.0bn
Oselvar	Oil/Gas field	NO	n.a.	2012	55%	DKK 2.3bn	DKK 0.9bn
Lincs	Offshore wind farm	UK	67.5MW	2012	25%	DKK 1.5bn <sup>(3)</sup>	DKK 0.5bn
London Array	Offshore wind farm	UK	315MW	2012	50%	DKK 8.2bn	DKK 1.6bn
Marulk	Oil/gas field	NO	n.a.	2012	30%	DKK 1.1bn	DKK 0.2bn
Sea Installer	Installation vessel	n.a.	n.a.	2012	50%	USD 70mn	USD 60mn
Syd Arne phase 3	Oil/gas field	DK	n.a.	2013	34%	DKK 2.5bn	DKK 0.1bn
Anholt	Offshore wind farm	DK	400MW	2013	100%	DKK 10bn	DKK 0.2bn
Laggan-Tormore	Oil/gas field	UK	n.a.	2014	20%	DKK 4.3bn	DKK 0.5bn
Borkum Riffgrund 1	Offshore wind farm	DE	320MW	2014	100%	EUR 1¼ bn	DKK 0.0bn

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

Note (2): DONG Energy's share of capex as of 31 December 2010

Note (3): Expected proceeds from sale of transmission assets subtracted from capex