Quarterly announcement: January – March 2004

4 June 2004

DONG A/S

Highlights

- First-quarter 2004 profit after tax of DKK 845 million versus first-quarter 2003 profit of DKK 1,101 million
- Full-year 2004 profit expectations adjusted upwards from DKK 1.0 billion to DKK 1.3 billion, mainly as a consequence of higher oil prices

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DONG Group – Financial highlights

DONG Group – Financial highlights 1 January – 31 March DKKm	Q1 2004	Q1 2003	Year 2003
Revenue	4,395	4,769	14,247
EBITDA	1,711	2,193	5,547
EBIT	1,258	1,673	3,168
Profit after tax	845	1,101	1,941
Cash flows from operating activities	485	1,355	4,469
Cash flows from investing activities	(378)	(405)	(2,925)
Reduction in net interest-bearing debt*	107	950	1,103
Total assets	30,228	30,483	33,010
Goodwill	102	214	130
Net interest-bearing debt (net cash)*	(232)	2,320	2,389
Equity	17,218	15,813	16,794
Gross margin	32%	37%	27%
EBIT margin	29%	35%	22%
Return on average invested capital	16	24	10
Return on equity	20	28	12
Equity ratio (excl. undistributable reserves in regulated companies)	55%	52%	49%
Current ratio	1.94	1.72	1.30
Number of employees at end of period	1,047	901	1,156

Note: Ratio definitions can be seen from DONG's annual report 2003.

** Q1 2004 has been restated to reflect the divestment of Gastra on 1 January 2004.*

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Group profit and expectations for 2004

The DONG Group reported first-quarter profit after tax of DKK 845 million compared with DKK 1,101 million for the corresponding quarter in 2003.

The main reason for the decline in profit was that the oil price and the USD rate are included with different time lags in DONG’s natural gas purchase and sales contracts. Oil price changes consequently impact on selling prices relatively quickly, whereas purchase prices are adjusted with a time lag effect of up to 15 months. The increasing oil prices in the first quarter of 2003 (the effect of the Iraq war) yielded an extraordinary gain that was not repeated to the same extent in the first quarter of 2004. In addition, natural gas sales were 10 per cent down on the same quarter last year as a result of lower export sales and market loss in Denmark in connection with the opening of the market.

DONG’s risk policy is based on active hedging of the market prices that affect DONG's earnings. As part of its risk policy DONG actively manages market risks up to five years ahead by concluding financial hedging contracts with a view to securing stable results and cash flows. Because of these hedging contracts, DONG benefits to a limited extent only from the current high oil prices. DONG has also hedged its USD exchange rate exposure. The latter had a favourable impact on profit. Overall, DONG’s hedging contracts contributed a small profit for the first quarter.

The Group delivered revenue of DKK 4,395 million for the first quarter of 2004 compared with DKK 4,769 million for the corresponding period in 2003. Part of the reason for the decline was that DONG Transmission (now: GASTRA A/S) was transferred to the Danish State on 1 January 2004 and is consequently no longer included in DONG's revenue.

Expectations for 2004

The full-year profit expectations for 2004 are adjusted upwards, primarily as a consequence of the time lag effect resulting from rising oil prices.

Overall, full-year post-tax profit of around DKK 1.3 billion is anticipated for 2004, up DKK 300 million on the expectations of a profit of DKK 1 billion expressed in connection with the publication of the 2003 Annual report.

Special factors

The Energy Agreement

In March 2004, the Danish Government entered into two political agreements (the Energy Agreement) outlining the overall fundamental guidelines for the regulation of the companies in the electricity sector from 1 January 2005, as well as various other measures, including calls for tenders for offshore wind farms and marketisation of electricity production from decentralised CHP plants. The political agreements are important for DONG in several respects and, in particular, for DONG's subsidiary EnergiGruppen Jylland (EGJ).

The Energy Agreement means that the distinction between (the shareholders') distributable reserves and (the consumers') undistributable reserves will cease, placing these reserves, in their entirety, at the disposal of the companies' owners. The condition for making undistributable reserves distributable is that the electricity distribution utilities must relinquish their ownership shares in the overall electricity transmission grids free of charge (Elkraft and Eltra). At the same time, a ceiling is imposed on the prices which the electricity distribution utilities can charge the consumers.

For DONG, the revaluation of EGJ's distributable reserves will not have the same effect on DONG's reserves in terms of magnitude, as part of the revaluation was anticipated and recognised in DONG's financial statements in connection with the acquisition of EGJ.

Post-balance sheet events

➢ Acquisition of Nova Supply

In May, DONG entered into an agreement on acquisition of the Swedish gas company Nova Naturgas' subsidiary Nova Supply from 1 July 2004. Nova Supply takes care of all Nova Naturgas' trading activities. The acquisition is subject to approval by the Swedish competition authorities.

DONG's acquisition of Nova Supply is a consequence of the liberalisation of the Swedish natural gas market. Nova Naturgas is owned by Ruhrgas (30 per cent), Statoil (30 per cent), Fortum (20 per cent) and DONG (20 per cent). The four owners wish to strengthen Nova Naturgas as responsible system operator of the Swedish gas transmission system and have therefore agreed to sell Nova's trading activities. In 2003 Nova Supply sold 920 million m^3 natural gas in the Swedish market.

With the acquisition of Nova Supply, DONG takes over Nova Naturgas' sales contracts in the Swedish market and the distribution pipelines to several large accounts.

➢ Efficiency improvement of administrative functions

In May, DONG completed an efficiency improvement project comprising its administrative functions. The objective for the project was to realise a 20 per cent reduction in administrative expenses. The project is expected to generate savings in the order of DKK 100 million, equivalent to a 20 per cent saving on staffing and a 28 per cent saving on other expenses. IT project costs are also being substantially reduced.

To realise the savings on the staff side it has been necessary to shed 65 jobs, partly through redundancies, and partly through natural turn-over and vacant positions not being filled. The full impact of the cost savings will not be felt until 2005.

The project ensures that DONG is well equipped to meet the many new challenges in the liberalised market.

DONG's business areas

Exploration and Production activities

DONG's exploration and production of oil and gas take place on the Danish, Norwegian, UK, Greenland and Faroese shelves. DONG E&P reported EBIT of DKK 430 million in the first quarter (2003: DKK 401 million) and profit after tax of DKK 141 million (2003: DKK 58 million). The improvement in earnings reflected higher revenue compared with the same quarter last year. Revenue amounted to DKK 993 million versus DKK 849 million in the first quarter last year. First-quarter production was 4.9 million boe (barrels of oil equivalent), on a par with the production in the first quarter of 2003. Danish fields accounted for around 65 per cent of production and Norwegian fields for the remaining 35 per cent. The higher revenue was due to the fact that the volumes sold in the first quarter of 2004 exceeded the volumes produced (production from 2003).

Total investment expenditure on exploration and production amounted to DKK 269 million in the first quarter, related mainly to development activities on the Syd Arne, Siri and Nini/Cecilie fields in the North Sea.

In order to promote further production of reserves, drilling activity continues in the Danish North Sea on the fields on which DONG is the operator.

Natural gas trading

DONG's natural gas trading activities generated first-quarter EBIT of DKK 637 million (2003: DKK 1,083 million) and profit after tax of DKK 451 million (2003: DKK 752 million). The lower result was primarily due to the fact that first-quarter profit was particularly high, as previously mentioned, as a result of rising sales prices which, partly due to time lags in the contracts, were not accompanied by rising purchase prices.

To this should be added an approx. 10 per cent fall in the total sales volume in the first quarter. Natural gas sales in the first quarter of 2004 totalled 2,276 million m^3, including 894 million m^3 for export. Sales for the same period in 2003 amounted to 2,534 million m^3, including 1,032 million m^3 for export.

The reason behind the falling sales in the Danish market in the first quarter was loss of market share, particularly the loss of several large accounts, including the regional company Naturgas Fyn. Conversely, DONG has won around 30 per cent of the Funen market as direct end customers. Until the market opening, DONG supplied all Danish customers directly or indirectly. It is therefore natural and unavoidable for DONG to experience some loss of market share in the Danish market. DONG had an approx. 70 per cent share of the Danish end customer market in the first quarter of 2004.

The loss of market share in Denmark is expected to be more than offset by the growth in exports. Exports in the first quarter of 2004 were lower than in the same period in 2003 as a consequence of time lags in exports and a decline in volume due to renegotiation of wholesale contracts. Increased exports are expected during the remainder of the year, and new contracts have been signed with end customers in Sweden, Germany and the Netherlands. The effect of some of these new contracts will be felt when the natural gas pipeline from the Tyra field to the Dutch Nogat pipeline is completed in the fourth quarter of 2004.

Overall, DONG anticipates higher natural gas sales in 2004 than in 2003.

DONG's business areas

Distribution and Storage activities

DONG's gas distribution and gas storage activities are taken care of by the two companies, DONG Distribution and DONG Lager. These companies delivered first-quarter EBIT of DKK 102 million (2003: DKK 78 million) and DKK 36 million (2003: DKK 36 million) and profit after tax of DKK 56 million (2003: DKK 49 million) and DKK 13 million (2003: DKK 16 million). Revenue for the period was DKK 184 million (2003: DKK 163 million) and DKK 96 million (2003: DKK 95 million). The higher revenue generated by Distribution for the first quarter was due to a restructuring of the tariff structure that will not, however, have any impact on full-year profit.

The terms for gas storage are negotiated individually on the basis of standard storage packages, while fixed tariffs have been set for standard services in the distribution network. The Danish Energy Regulatory Authority monitors that the terms for utilisation of storage facilities and distribution are fair and non-discriminatory and are open to all.

Renewable energy activities

DONG's renewable energy activities are undertaken by DONG VE, which today has energy production in Denmark only, with an installed capacity of 71 MW from wind turbines and 7 MW from geothermal sources.

DONG's renewable energy activities showed EBIT of DKK 12 million in the first quarter of 2004 (2003: DKK 1 million loss) and profit after tax of DKK 7 million (2003: DKK 1 million loss) on total revenue of DKK 32 million (2003: DKK 8 million).

DONG VE owns 37.5 per cent of the shares in Barrow Offshore Wind Ltd., which owns the rights for the construction of a 90-108 MW offshore wind project off Barrow-in Furness on the UK west coast. The Barrow project is expected to be on line in 2005.

Electricity activities

At the beginning of 2003, DONG acquired 65.6 per cent of EnergiGruppen Jylland. EnergiGruppen Jylland consists of six underlying operating companies. Three of these cover the supply areas electricity, water and heat; two are production companies with production based on incineration and biogas, respectively; and the last one is a service company.

EnergiGruppen Jylland achieved EBIT of DKK 11 million in the first quarter of 2004, matching expectations.

EnergiGruppen Jylland has been restructured since its acquisition by DONG, resulting in a staff reduction of about 15% up to 2005.

The Group in figures

DONG Group – Income statement & Balance sheet

1 January – 31 March

DKKm	Q1 2004	Q1 2003	Year 2003
Income statement			
Domestic sales	2,527	2,829	8,010
Export sales	1,868	1,940	6,237
Revenue	**4,395**	**4,769**	**14,247**
Export share (per cent)	43	41	44
Gross profit	**1,399**	**1,782**	**3,811**
Sales and marketing	(46)	(29)	(240)
Management and administration	(68)	(50)	(295)
Other operating income and expenses	1	(2)	(4)
Profit before goodwill amortisation	**1,286**	**1,701**	**3,280**
Goodwill amortisation	(28)	(28)	(112)
Operating profit	**1,258**	**1,673**	**3,168**
Share of pre-tax profits of associates	7	12	24
Financial income and expenses, net	179	84	56
Profit before tax for the period	**1,444**	**1,769**	**3,248**
Tax on profit for the period	(530)	(668)	(1,299)
Profit for the period	**914**	**1,101**	**1,949**
Minority interests' share profit for the period	(69)	0	(7)
Group share of profit for the period	**845**	**1,101**	**1,941**
Dividend	**0**	**0**	**1,906**
Balance sheet			
Goodwill	102	214	130
Other intangible assets	267	175	259
Property, plant and equipment	17,210	19,811	22,096
Investments	2,318	1,096	2,172
Current assets	10,331	9,187	8,353
Total assets	**30,228**	**30,483**	**33,010**
Share capital	2,144	2,144	2,144
Revaluation reserve	5,168	5,168	5,168
Undistributable reserves in regulated companies	663	0	663
Retained earnings	7,337	8,061	6,913
Proposed dividend	1,906	440	1,906
Equity	**17,218**	**15,813**	**16,794**
Minority interests	633	-	564
Long-term liabilities incl. provisions	7,050	9,316	9,224
Short-term liabilities other than provisions	8,420	5,354	6,428
Total equity and liabilities	**30,228**	**30,483**	**33,010**

The Group in figures, continued

DONG Group – Notes

1 January – 31 March

DKKm	Q1 2004	Q1 2003	Year 2003
Statement of changes in equity			
Equity at start of year	16,794	14,655	14,655
Profit for the period	845	1,101	1,933
Value adjustment of hedging instruments	(597)	171	133
Foreign exchange adjustments	(3)	(63)	(104)
Addition of undistributable reserves in regulated companies on acquisition	0	0	655
Transfer to undistributable reserves in regulated companies	0	0	8
Tax on equity items	179	(51)	(40)
Other adjustments	0	0	(6)
Dividends paid	0	0	(440)
Equity at end of period	**17,218**	**15,813**	**16,794**
Cash and cash equivalents			
Cash and cash equivalents at start of year	3,610	3,655	3,655
Cash flows from operating activities	384	1,355	4,469
Sale of subsidiaries	(250)	0	0
Cash flows from other investing activities	(355)	(405)	(2,925)
Dividends paid	0	0	(440)
Cash flows from other financing activities	49	(398)	(1,149)
Change in cash and cash equivalents	(172)	552	(45)
Cash and cash equivalents at end of period	3,438	**4,207**	**3,610**
Volumes			
Natural gas sales (million m^3):			
Domestic	1,383	1,502	4,052
Exports	894	1,032	2,999
Total natural gas sales	2,276	**2,534**	**7,051**
Production of crude oil and natural gas:			
Production of crude oil and natural gas (million boe/oil equivalent):	4.9	4.9	18.9