



## Group financial statements Q1 2005

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### Highlights

- First-quarter 2005 consolidated net profit was DKK 769 million versus DKK 914 million in the first quarter 2004, which benefited by DKK 191 million from a non-recurring item.
  - On 14 April DONG and Vattenfall signed a Letter of Intent concerning resolution of the future ownership of Elsam.
  - The full-year profit expectations are adjusted upwards from DKK 1.25 billion to DKK 1.7 billion, primarily reflecting the higher oil prices.
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## Group – Financial highlights

<b>Financial highlights</b>			
<b>DONG Group</b>			
DKKm	Q1 2005	Q1 2004	2004
<b>Revenue by business area:</b>	<b>5.105</b>	<b>4.302</b>	<b>14.292</b>
Exploration & Production	911	992	3.192
Natural gas, Trade & Supply	4.037	3.053	10.022
Natural gas, Distribution & Storage	283	285	861
Oil pipeline	103	98	373
Electricity & Renewable energy	69	113	533
Other (including eliminations)	(298)	(239)	(689)
<b>EBITDA<sup>1</sup> by business area:</b>	<b>1.852</b>	<b>1.712</b>	<b>4.687</b>
Exploration & Production	627	665	1.900
Natural gas, Trade & Supply	923	712	1.907
Natural gas, Distribution & Storage	222	230	596
Oil pipeline	33	27	95
Electricity & Renewable energy	12	39	141
Other (including eliminations)	35	39	48
Operating profit (EBIT)	1.337	1.256	2.421
Financial items, net	(139)	181	171
Net profit	769	914	2.091
EBITDA margin (%)	36	40	33
EBIT margin (operating margin) (%)	26	29	17
Cash flows from operating activities	1.222	389	3.539
Cash flows from investing activities	(6.874)	(55)	(4.600)
- hereof investments in property, plant and equipment	(283)	(337)	(1.857)
Free cash flow to equity (with acquisitions) <sup>2</sup>	(5.652)	334	(1.061)
Free cash flow to equity (without acquisitions) <sup>2</sup>	770	31	1.653
Assets	38.343	29.589	31.380
Net interest-bearing debt	8.828	(157)	3.186
Equity	16.429	17.396	16.343
Capital employed <sup>3</sup>	26.204	17.657	19.774
Financial gearing <sup>4</sup>	0,54	(0,01)	0,19
<p>Note 1: Earnings before interest, tax, depreciation and amortisation</p> <p>Note 2: Cash flows from operating activities +/- cash flows from investing activities</p> <p>Note 3: Equity +/- losses/gains in respect of hedging instruments on equity + net interest-bearing debt</p> <p>Note 4: Net interest-bearing debt divided by equity</p> <p>Financial ratios have been calculated in accordance with the Danish Society of Financial Analysts' "Recommendations &amp; Financial Ratios 2005".</p>			

## Group results and outlook for 2005

### Group results

The Group generated net profit of DKK 769 million for the first quarter 2005 compared with DKK 914 million for the first quarter 2004. First-quarter 2004 net profit benefited from non-recurring income of DKK 191 million in respect of revaluation of Elsam shares to fair value. Adjusted for this non-recurring income first-quarter net profit was approx. DKK 50 million up on 2004.

First-quarter EBIT increased from DKK 1,256 million in 2004 to DKK 1,337 million in 2005. The reason why EBIT did not increase by any more despite the average oil price amounting to USD 47.5/bbl in the first quarter 2005, up from USD 32.0/bbl in the first quarter 2004 (the increase amounts to approx. 40% expressed in DKK), was that a substantial proportion of DONG's oil price exposure is hedged. 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 for a period of up to five years ahead.

The reason for the increase in EBIT, despite the hedging, was due primarily to the fact that:

- The oil price and the USD exchange 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. In the first quarter the rising oil prices generated an extraordinary gain exceeding the corresponding gain for 2004. This so-called time lag effect will be negative in the event of a falling oil price.
- First-quarter 2005 natural gas sales were ahead of the corresponding period in 2004. Growing exports, especially to Germany and the Netherlands, more than made up for the continued market loss in Denmark.

Excluding the non-recurring income of DKK 191 million in 2004 in respect of the Elsam shares, financial expenses increased by approx. DKK 130 million compared with the first quarter 2004 due to the increase in net debt.

The Group delivered revenue of DKK 5,105 million in the first quarter, up from DKK 4,302 million for the corresponding period in 2004, reflecting rising oil prices as well as increased natural gas sales.

First-quarter cash flow from operating activities was DKK 1,222 million versus DKK 389 million in 2004, due mainly to a considerably lower tax charge. At the same time there was a reduction in funds tied up in working capital in the first quarter 2005, although this was partially offset by increased interest expense.

First-quarter cash outflow from investing activities, including acquisitions, was DKK 6,874 million versus DKK 55 million in 2004. Investment expenditure in the first quarter 2005 related mainly to the acquisition of BP's 10.34% interest in the Ormen Lange field and its 10.2% stake in the Langede gas pipeline. DONG also acquired a 25.1% stake in Energie und Wasser Lübeck GmbH.

Equity stood at DKK 16,429 million at the end of the first quarter 2005 compared with DKK 16,343 million at the end of 2004. Equity increased by profit for the period but was reduced by the effect of value adjustments of hedging instruments.

## Changed accounting policies

DONG's accounting policies were changed with effect from 1 January 2005, so that in future DONG will prepare financial statements on the basis of International Financial Reporting Standards (IFRS). The quarterly financial statements have thus been prepared in accordance with IAS 34. The comparative figures for 2004 have been restated to reflect the transition to IFRS.

The effect of the transition to IFRS on the financial statements is described in the note on page 12.

## Outlook for 2005

The full-year profit forecast is adjusted upwards to DKK 1.7 billion from the DKK 1.25 billion announced on 1 March 2005 in the Group's financial statements for 2004. The main reason for the upwards adjustment is the higher oil price, which is benefiting profit, despite a significant proportion of the oil and USD exposure having been hedged. This is due to the time lag effect referred to in the foregoing. The full-year profit outlook is based on an oil price of USD 45-47/bbl.

The estimate does not take account of any acquisitions within the electricity sector. The agreements entered into in December 2004 and February 2005 with Elsam shareholders, the City of Copenhagen, Frederiksberg Municipality and SEAS-NVE on acquisition of electricity activities are subject to competition authority approval, among other things. Consequently, these acquisitions cannot be recognised until they have been approved by the competition authorities.

### Forward-looking statements

The quarterly financial statements contain forward-looking statements, which include projections of financial performance in 2005. These statements are not guarantees of future performance and involve certain risks and uncertainties. Therefore, actual future results and trends may differ materially from what is forecast in this report due to a variety of factors including, but not limited to, the development in the oil, currency or interest rate markets; changes in legislation, regulation or standards; changes in the competitive situation in DONG's markets; security of supply; and integration of acquired activities.

## Subsequent events

### ➤ Letter of Intent between DONG and Vattenfall

On 14 April DONG and Vattenfall signed a Letter of Intent concerning the future ownership of Elsam.

In view of the complex legal situation that was beginning to emerge following the signing, by a number of Elsam shareholders, of agreements creating the basis for sale of their shares to Vattenfall and DONG, respectively, Vattenfall and DONG have started exploring the possibilities of reaching a pragmatic solution to the future ownership of Elsam within a short period of time. Based on the parties' initial discussions, it has been agreed as follows:

- Vattenfall and DONG will seek to ensure simultaneous in-principle approval of Vattenfall and the DONG Group as shareholders in Elsam,
- Vattenfall and DONG will continue exploring the possibility of entering into an agreement under which Vattenfall does not participate as shareholder in Elsam, but acquires specific, agreed assets, and
- the parties will seek to enter into and implement such an asset swap agreement as quickly as possible.

## DONG's business areas

### Exploration & Production

<b>Financial Highlights</b>			
Exploration & Production			
DKKm	Q1 2005	Q1 2004	2004
Oil & gas production (million boe)	4.7	4.9	17.6
Revenue	911	992	3,192
EBITDA	627	665	1,900
EBIT	327	429	416
Investments	5,366	326	1,711

#### Production/Sales

First-quarter production reached 4.7 million boe (barrels of oil equivalent), down from 4.9 million boe in the first quarter 2004 due partly to lower production from the Nini field. Various initiatives have been put in motion with a view to boosting production. The plan is for the effects of some of the initiatives to filter through already in 2005.

Danish fields accounted for around 60% of the production, while the remaining approx. 40% came from Norwegian fields.

#### Revenue

First-quarter revenue amounted to DKK 911 million versus DKK 992 million in the same period last year.

In the first quarter 2004 the volumes sold exceeded the volumes produced (production from 2003). This was not the case in 2005, as revenue is recognised at the date of production with effect from 1.1.2005.

On the other hand, first-quarter revenue benefited from the fact that oil prices were significantly higher than in 2004, although this was partially offset by increased losses on hedging activities.

#### EBIT

First-quarter EBIT amounted to DKK 327 million compared with DKK 429 million in 2004.

The decline in EBIT was attributable to the fall in revenue and the increase in production-dependent depreciation as a consequence of depreciation-intensive fields accounting for a larger proportion of production. In addition, expenses related to exploration activities were higher in the first quarter 2005 than in the corresponding period in 2004. Drilling of the Sissel-1 well was completed and has been expensed as no positive traces of hydrocarbons were found.

#### Capital expenditure/exploration

The acquisition of BP's 10.34% interest in the Ormen Lange field and its 10.2% stake in the Langeled pipeline accounted for most of capital expenditure in the first quarter. The purchase price for the Ormen Lange stakes totalled DKK 5,119 million, while other capital expenditure on development and capitalised exploration amounted to DKK 247 million.

## DONG's business areas

### Natural gas, Trade & Supply

<b>Financial highlights</b>			
Natural gas, Trade & Supply			
DKKm	Q1 2005	Q1 2004	2004
Natural gas sales (million m <sup>3</sup> )	2,583	2,277	7,506
Revenue	4,037	3,053	10,022
EBITDA	923	712	1,907
EBIT	847	637	1,573
Investments	1,423	125	446

#### Sales

DONG sold 2,583 million m<sup>3</sup> natural gas in the first quarter compared with 2,277 million m<sup>3</sup> in 2004, up 13%.

DONG continued to lose market shares in Denmark, as forecast, especially in the industrial market, where competition has intensified considerably; however, rising export sales, particularly to Germany and the Netherlands, more than made up for this loss. Supplies to the Netherlands benefited from the commissioning of the new natural gas pipeline from the Tyra field to the Nogat pipeline system and the establishment of a trading unit that is active on the new European trading hubs, especially TTF in the Netherlands.

#### Revenue

The increase in revenue from DKK 3,053 million in the first quarter 2004 to DKK 4,037 million was attributable mainly to higher gas selling prices as a result of higher oil prices and an increase in volumes sold.

#### EBIT

EBIT was up from DKK 637 million in 2004 to DKK 847 million in the first quarter 2005, primarily reflecting higher sales and a bigger positive time lag effect than in 2004.

#### Capital expenditure

First-quarter investment expenditure totalled DKK 1,423 million versus DKK 125 million in the same period last year.

The increase in capital expenditure relates to the acquisition of the stake in Ormen Lange and the setting up of a partnership with Stadtwerke Lübeck GmbH as part of which DONG acquired a 25.1% ownership interest in the latter's subsidiary Energie und Wasser Lübeck GmbH.

## DONG's business areas

### Natural gas, Distribution & Storage

<b>Financial highlights</b>			
Natural gas, Distribution and Storage			
DKKm	<b>Q1 2005</b>	<b>Q1 2004</b>	<b>2004</b>
Transported volumes (million m <sup>3</sup> )	369	385	1,031
Revenue	283	285	861
EBITDA	222	230	596
EBIT	128	136	218
Investments	24	27	208

#### Revenue

First-quarter 2005 revenue reached DKK 283 million versus DKK 285 million in the same period last year.

#### EBIT

EBIT was down DKK 8 million, from DKK 136 million in 2004 to DKK 128 million for the first quarter 2005, reflecting higher depreciation and expenses.

### Oil pipeline

<b>Financial highlights</b>			
Oil pipeline			
DKKm	<b>Q1 2005</b>	<b>Q1 2004</b>	<b>2004</b>
Transported volumes (million barrels)	29	26	113
Revenue	103	98	373
EBITDA	33	27	95
EBIT	22	20	211
Investments	0	0	0

#### Revenue

First-quarter 2005 revenue was DKK 5 million ahead of the corresponding period in 2004. Revenue is made up partly of the profit margin fixed by the Folketing (Danish Parliament) on the value of the transported oil volumes, and partly of re-invoiced costs without a profit margin. The higher revenue in 2005 was due to higher transported volumes and the higher oil price.

#### EBIT

EBIT was up from DKK 20 million in 2004 to DKK 22 million in the first quarter 2005 due to the increase in revenue.

## DONG's business areas

### Electricity & Renewable energy

<b>Financial highlights</b>			
Electricity & Renewable energy			
DKKm	Q1 2005	Q1 2004	2004
Revenue	69	113	533
EBITDA	12	39	141
EBIT	0	20	29
Investments	73	14	366

#### Revenue

Revenue for the first quarter was down DKK 44 million on 2004, reflecting the disposal by DONG of parts of EnergiGruppen Jylland at the end of 2004. Conversely, revenue benefited from increased wind power production.

#### EBIT

EBIT was down from DKK 20 in million in 2004 to DKK 0 for the first quarter 2005, reflecting the disposal of parts of EnergiGruppen Jylland.



## Statement by the Executive and Supervisory Boards

The Executive and Supervisory Boards have today considered and approved the announcement of the Group's quarterly financial statements for the period 1 January – 31 March 2005.

The announcement of the quarterly financial statements is unaudited and has been prepared in accordance with International Financial Reporting Standards (IFRS) and the additional Danish disclosure requirements for listed companies. We consider the accounting policies applied to be appropriate. Accordingly, the announcement of the quarterly financial statements gives a true and fair view of the Group's financial position and cash flows.

Hørsholm, 10 May 2005

### Executive Board:

Anders Eldrup  
*CEO*

### Supervisory Board:

Sven Riskær  
*Chairman*

Lars Nørby Johansen  
*Deputy Chairman*

Asbjørn Larsen

Svend Sigaard

Lars Torpe Christoffersen

Jesper Magtengaard  
*Employee-elected member*

Thorkild Meiner-Jensen  
*Employee-elected member*

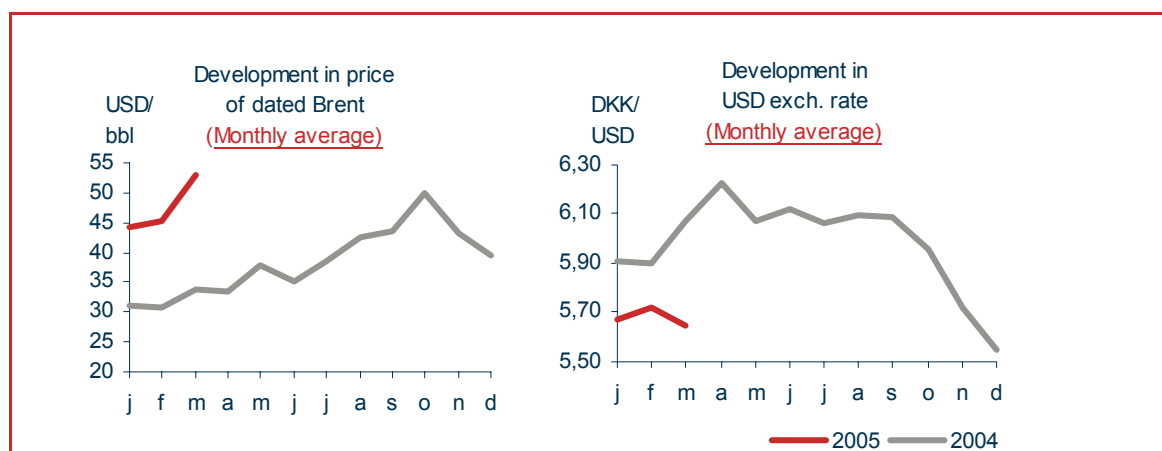
Bent Stubkjær Pedersen  
*Employee-elected member*

## Appendix 1 of 3

The Group in figures			
DKKm	Q1 2005	Q1 2004	2004
<b>Income statement</b>			
Domestic sales	2.415	2.426	7.142
Export sales	2.690	1.876	7.150
<b>Revenue</b>	<b>5.105</b>	<b>4.302</b>	<b>14.292</b>
Export share (per cent)	53%	44%	50%
<b>Gross profit</b>	<b>1.451</b>	<b>1.388</b>	<b>3.072</b>
Fixed costs	(114)	(104)	(510)
<b>Profit before amortisation of and impairment losses on rights, etc.</b>	<b>1.337</b>	<b>1.284</b>	<b>2.562</b>
Amortisation of and impairment losses on rights, etc.	-	(28)	(141)
<b>Operating profit (EBIT)</b>	<b>1.337</b>	<b>1.256</b>	<b>2.421</b>
Share of post-tax profits (losses) of associates	1	4	(15)
Profit on disposal of subsidiaries	-	-	481
Financial items, net	(139)	181	171
<b>Profit before tax</b>	<b>1.199</b>	<b>1.441</b>	<b>3.058</b>
Tax	(430)	(527)	(967)
<b>Net profit</b>	<b>769</b>	<b>914</b>	<b>2.091</b>
<b>Balance sheet</b>			
Intangible assets	1.805	369	749
Property, plant and equipment	21.535	16.716	15.821
Other fixed assets	6.387	2.317	6.855
<b>Total fixed assets</b>	<b>29.727</b>	<b>19.402</b>	<b>23.425</b>
Inventories	88	98	461
Receivables	6.533	6.708	6.748
Securities	172	620	196
Cash	1.823	2.761	550
<b>Total current assets</b>	<b>8.616</b>	<b>10.187</b>	<b>7.955</b>
<b>Total assets</b>	<b>38.343</b>	<b>29.589</b>	<b>31.380</b>
Share capital	2.144	2.144	2.144
Revaluation reserve	2.017	1.960	2.017
Undistributable reserves in regulated companies	-	415	-
Retained earnings	11.564	10.494	11.488
Proposed dividends	-	1.906	-
Minority interests	704	477	694
<b>Total equity</b>	<b>16.429</b>	<b>17.396</b>	<b>16.343</b>
Non-current liabilities	14.047	6.945	6.882
Current liabilities	7.867	5.248	8.155
<b>Total equity and liabilities</b>	<b>38.343</b>	<b>29.589</b>	<b>31.380</b>
Return on equity (%)	19	21	13
Equity ratio (excl. recognition of undistr. equity) (%)	43	57	52

## Appendix 2 of 3

The Group in figures			
DKKm	Q1 2005	Q1 2004	2004
<b>Statement of changes in equity</b>			
<b>Equity at start of period</b>	<b>16.343</b>	<b>17.358</b>	<b>17.358</b>
Net profit	769	914	2.091
Value adjustments of hedging instruments after tax	(710)	(418)	(511)
Addition/disposal of undistributable reserves in regulated companies	-	(248)	(663)
Other adjustments	20	(53)	53
Dividends paid	-	-	(1.906)
Change in minority interests' share of equity	7	(157)	(79)
<b>Equity at end of period</b>	<b>16.429</b>	<b>17.396</b>	<b>16.343</b>
<b>Cash and cash equivalents</b>			
<b>Cash and cash equivalents at start of period</b>	<b>145</b>	<b>3.449</b>	<b>3.449</b>
Cash flows from operating activities	1.222	389	3.539
Disposal of subsidiaries	1.037	(250)	883
Cash flows from other investing activities	(7.911)	195	(5.483)
Dividends paid	-	-	(1.906)
Cash flows from other financing activities	7.309	(500)	(258)
Adjustments at start of year	-	(80)	(79)
<b>Change in cash and cash equivalents</b>	<b>1.657</b>	<b>(246)</b>	<b>(3.304)</b>
<b>Cash and cash equivalents at end of period</b>	<b>1.802</b>	<b>3.203</b>	<b>145</b>



## Appendix 3 of 3

Effect of transition to IFRS on financial statements				
Effects on balance sheet				
DKKm	Q1 2005	Q1 2004	31.12 2004	01.01 2004
<b>Effect of application of IFRS</b>				
Assets - Danish GAAP	38.343	29.589	31.380	33.230
Minority interests' share of subsidiaries' profits	-	-	-	-
<b>Assets - IFRS</b>	<b>38.343</b>	<b>29.589</b>	<b>31.380</b>	<b>33.230</b>
Equity - Danish GAAP	15.725	16.919	15.649	16.794
Minority interests' share of subsidiaries' profits	704	477	694	564
<b>Equity - IFRS</b>	<b>16.429</b>	<b>17.396</b>	<b>16.343</b>	<b>17.358</b>
Liabilities - Danish GAAP	21.914	12.193	15.037	15.872
Minority interests' share of subsidiaries' profits	-	-	-	-
<b>Liabilities - IFRS</b>	<b>21.914</b>	<b>12.193</b>	<b>15.037</b>	<b>15.872</b>

Effect of transition to IFRS on financial statements					
Effects on income statement					
DKKm	Q1 2005	Q4 2004	Q3 2004	Q2 2004	Q1 2004
<b>Effect of applying IFRS</b>					
Net profit - Danish GAAP	766	625	94	317	845
Minority interests' share of subsidiaries' profits	3	136	3	2	69
<b>Net profit - IFRS</b>	<b>769</b>	<b>761</b>	<b>97</b>	<b>319</b>	<b>914</b>

As will be seen from the above table, the changed recognition of minorities is the only effect on equity of the transition to IFRS.

*DONG is one of the leading energy groups in the Nordic region. Our headquarters are in Denmark. Our business is based on procuring, producing, distributing and trading in energy and related products in Northern Europe. We employ approx. 1,000 people and generate DKK 14 billion in revenue. It is planned to list DONG's shares on the Copenhagen Stock Exchange within the coming years.*

### Further information:

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