DONG Naturgas A/S

ANNUAL REPORT 2004

(Registration No. 27 21 05 38)

2nd financial year

Contents

Company information

The company	DONG Naturgas A/S Agern Allé 24-26 DK-2970 Hørsholm Denmark Denmark Phone +45 4517 1022 Fax +45 4517 1044 e-mail dong@dong.dk Reg. No. 27 21 05 38
Shareholders	The entire share capital is held by DONG A/S
Supervisory Board	Anders Eldrup (Chairman) Carsten Krogsgaard Thomsen (Deputy Chairman) Hans Jørgen Rasmusen
Executive Board	Kurt Bligaard Pedersen
Auditors	KPMG C.Jespersen, Statsautoriseret Revisionsinteressentskab PricewaterhouseCoopers, Statsautoriseret Revisionsinteressentskab
Annual General Meeting	12 April 2005

Management duties in other Danish Limited Companies*

Board memberships	Other limited companies in which members of the Supervisory Board or Executive Board of DONG Naturgas A/S hold Supervisory Board memberships or management positions:
Anders Eldrup	DONG A/S (President and CEO), DONG Efterforskning og Produktion A/S (Chairman), DONG Faste Vilkår A/S (Chairman), DONG Litauen A/S (Chairman), DONG Olieforsyning A/S (Chairman), DONG VE A/S (Chairman), DONG Vind A/S (Chairman)
Carsten Krogsgaard Thomsen	DONG Efterforskning og Produktion A/S (member of Supervisory Board), DONG EGJ A/S (Chairman), DONG El A/S (Chairman), DONG Faste Vilkår A/S (Deputy Chairman), EnergiGruppen Jylland A/S (Deputy Chairman), EnergiGruppen Jylland El A/S (Deputy Chairman), DONG Olieforsyning A/S (member of Supervisory Board), DONG VE A/S (Deputy Chairman), DONG Vind A/S (Deputy Chairman), EnergiGruppen Jylland Varme A/S (member of Supervisory Board)
Hans Jørgen Rasmusen	DONG Distribution A/S (Chairman), DONG Efterforskning og Produktion A/S (Deputy Chairman), DONG EGJ A/S (member of Supervisory Board), DONG El A/S (member of Supervisory Board), DONG Faste Vilkår A/S (member of Supervisory Board), EnergiGruppen Jylland A/S (member of Supervisory Board), DONG Lager A/S (Chairman), DONG Litauen A/S (Deputy Chairman), DONG Olierør A/S (Chairman), DONG VE A/S (President), DONG Vind A/S (President), DONG Walney (UK) Limited (member of Supervisory Board), DONG Wind (UK) Limited (member of Supervisory Board), Dansk Gasteknisk Center A/S (Chairman), Soil Recovery A/S (member of Supervisory Board)
Kurt Bligaard Pedersen	DONG Faste Vilkår A/S (President), BRFKredit A/S (member of Supervisory Board)

* Information given pursuant to the Danish Financial Statements Act, section 107, subsection 1

Group financial highlights

DKK ’000	2004	2003
Income statement		
Revenue	10,022,173	9,988,465
Depreciation and impairment losses on property, plant and equipment	(333,943)	(299,390)
Operating profit (EBIT)	1,572,745	1,847,762
Financial income	180,916	227,136
Financial expenses	(120,015)	(304,860)
Tax on the profit for the year	(496,693)	(532,960)
Profit for the year	1,136,953	1,237,078
Balance sheet		
Total assets	11,046,777	10,488,614
Equity	6,505,173	6,856,966
Net interest-bearing debt	(2,330,185)	(2,273,943)
Cash flows		
Operating activities	1,900,475	(456,526)
Net investments in intangible and tangible fixed assets	(604,821)	(858,236)
Financial ratios		
EBITDA margin	19%	21%
EBIT margin	16%	18%
Number of employees, end of year	213	184

Financial ratios have been calculated in accordance with the Danish Society of Financial Analysts' “Recommendations & Financial Ratios 2005”.

Management's review

The company's purpose is to contribute to a well-functioning and stable energy market in Denmark by engaging, directly or indirectly, in Denmark and internationally, on a commercial basis to procure, treat and transport natural gas and other relevant forms of energy and related products and services.

Financial performance

The trading activities generated EBIT of DKK 1,573 million in 2004 compared with DKK 1,848 million in 2003.
The loss of market shares in Denmark - as a consequence of the market opening with a considerably intensified competition in the energy market - was offset by higher sales to Germany and the Netherlands, but lower margings due to increased transportation costs and lower sales prices caused a reduced EBIT. The other reason is that the time lag effect - as described below - did not impact the profit as positive as in 2003.
Profit after tax was DKK 1,137 million compared with a post-tax profit of DKK 1,237 million in 2003.

Activities in 2004

Gas sales in 2004 were influenced by the increased competition in Denmark as a consequence of the liberalisation of the Danish gas market on 1 January. The market opening means that all Danish gas customers now have a free choice of supplier. As expected the new situation led to a loss of market share for DONG Naturgas,. In 2004 DONG Naturgas sold 2.8 billion m3 gas directly to end customers in Denmark, equivalent to a market share of approx. 66% compared with approx. 70% in 2003.
Various sales and marketing drives were launched in 2004 with a view to retaining as many customers as possible and improving customer satisfaction. In addition, a targeted expansion of the product portfolio took place in relation to selected customer groups. In August DONG Naturgas signed an agreement with the Danish Football Association (DBU) on co-sponsorship of the Danish men’s national football team. The purpose of the sponsorship is to increase awareness of DONG Naturgas and to strengthen its position as the Danes’ preferred energy supplier.
The customers’ rating of the company is measured annually in a satisfaction index. The level of satisfaction among residential customers was maintained at a relatively high level, while the level of satisfaction among industrial customers showed an upward trend. Market surveys show that a growing proportion of the consumers would choose DONG Naturgas if they were to switch energy supplier.

Internationalisation of the trading activities
In 2004 DONG Naturgas expanded its position abroad with a view to securing an increase in sales.
In Northern Germany DONG Naturgas entered into a partnership with Stadtwerke Lübeck under which DONG Naturgas will own 25.1% of Energie und Wasser Lübeck GmbH with effect from 1 January 2005. The parties also established the joint sales company E-nord through which it is planned to enter into various partnerships with other German players.
DONG Naturgas set up a separate sales office in the Netherlands in order to underpin growth. Together with A.P. Møller-Mærsk, Shell, ChevronTexaco and Mærsk Olie og Gas, DONG Naturgas has established an offshore pipeline from the Tyra platform in the Danish sector of the North Sea to the F3 platform, which is connected to Den Helder on the Dutch coast via the Nogat pipeline. The first supplies through the pipeline commenced in July, and contracts have been signed for supplies of up to 1 billion m3/year to the Dutch market.
In Sweden, sales to end customers were boosted by the acquisition of the gas trading company Nova Supply and the opening of a sales office in Gothenburg. The aim is to develop DONG Naturgas’ position in the Swedish market still further when the market is liberalised in 2005.
In order to continue growing its natural gas sales, DONG Naturgas must continue the internationalisation of its trading activities. Today, customers in Denmark and abroad are predominantly supplied with Danish gas purchased under long-term contracts. In line with the expected decline of the Danish gas production, the Danish contracts will be replaced by a combination of new long-term contracts and equity gas production. Negotiations on long-term supply contracts with several potential suppliers were therefore initiated in 2004. In addition, the acquisition of about 10% of the Ormen Lange gas field in Norway will provide equity production equivalent to approx. 30% of current sales.
The international strategy is also underpinned by DONG Naturgas’ trading department , which is active on the new European trading hubs and continuously monitors price trends for natural gas, electricity and oil across Europe, securing access to upfront knowledge about price trends and the factors that determine prices on foreign trading hubs.

This knowledge enables DONG Naturgas to prepare very specific price calculations and, thus, to offer its customers competitive prices. It also minimises the transportation costs associated with meeting the tight supply conditions.

Expansion of the sales activities
New products meeting the demand for energy, service and price products were developed continuously during the year in dialogue with the customers in Denmark and abroad.
In Denmark, DONG Naturgas introduced sales of electricity at market prices to both industrial and residential customers. During the first year a satisfactory number of new contracts were signed .
On 1 January 2005 the free electricity market in Denmark was expanded to include decentralised electricity production. In future, all stations of more than 10 MW must sell the electricity they generate at market price, and from 2007 the requirement increases to include all stations of more than 5 MW. The possibility of voluntarily changing over to market terms, regardless of the statutory minimum requirements, has been open to all decentralised CHP stations already from 1 January 2005. DONG Naturgas therefore developed a CHP concept in 2004 that comprises sale of the electricity generated by the CHP stations, possibly combined with optimisation of production, and an agreement concerning hedging of the price of heat, guaranteeing the customer a fixed price. Contracts have been signed with several CHP stations.
Most major CO_2 emitters in Europe have been subject to a quota obligation under an EU directive since 1 January 2005. Danish companies subject to the quota obligation include DONG Naturgas and all major electricity and heat producers, along with a number of industrial enterprises, including many of DONG Naturgas' key gas customers. DONG Naturgas has therefore become actively engaged in trading in CO_2 quotas in 2005.
In Denmark DONG Naturgas enjoys a close partnership with the Danish oil company OK with respect to sale of gas to OK's oil customers and sale of oil to DONG Naturgas' gas customers. Furthermore, DONG Naturgas has signed an agreement with a number of independent HVAC companies, enabling DONG Naturgas to offer service agreements across Denmark.

Risk management

DONG Naturgas' risk policy is based on active hedging of the market prices that affect the earnings. As part of the risk policy DONG Naturgas actively manages market risks up to five years ahead by concluding financial hedging contracts with a view to reducing the risk of losses. The most important market risks are related to the USD exchange rate and the oil price.
These risks are hedged using forwards, swaps and various option strategies. DONG Naturgas' operating profit may fluctuate considerably from year to year as a result of the development of the price of oil and USD, despite the oil price and USD exchange rate exposure having been largely hedged. The reason for this is the so-called time lag effect, where DONG Naturgas' purchase and selling prices for natural gas are adjusted at different time intervals, with the selling prices for example being adjusted on the basis of the previous month's market prices for USD and oil while the purchase prices are adjusted with a delay of up to 17 months. A change in the price of oil and/or USD exchange rate in January may thus affect DONG Naturgas' selling prices in February, but will not effect purchase prices till June of the following year.

Oil price risk

DONG Naturgas' oil price risk relates primarily to differences between purchase and selling prices for natural gas. To this should be added new price products offered to the customers. The oil exposure is distributed between crude oil, fuel oil and gas oil. Hedging is mainly in the underlying oil types to reduce the risk of price fluctuations between the various types of oil. DONG Naturgas primarily hedges the oil price risk by buying put options and selling oil swaps.At the end of 2004 DONG Naturgas had hedged a considerable part of each of the coming five years' oil price risk.

Currency risk

The main currency risk for DONG Naturgas is still linked to USD. The USD exchange rate risk is mainly attributable to the oil price exposure, as oil is settled in USD. DONG Naturgas primarily hedges its currency exposure by using forwards and swaps and, to a lesser extent, options. At the end of 2004 DONG Naturgas had hedged a considerable part of each of the coming five years' currency risk.

Expectations for 2005

DONG Naturgas' financial performance depends to a great extent on the development in the price of oil and the USD exchange rate. DONG Naturgas has hedged a substantial part of its oil price and USD exchange rate exposure in 2005 via financial instruments, in accordance with DONG Naturgas' risk policy. That means that DONG Naturgas will only benefit from the present high oil prices to a limited extent. On the other hand, the falling USD exchange rate will not impact in full on profit.
Moreover, the oil price and the USD exchange rate are incorporated in DONG Naturgas' natural gas purchase and sales contracts with different time lags. This means that oil price changes and changes in the USD exchange rate impact on selling prices relatively quickly, whereas purchase prices are adjusted with a delay of up to 17 months. These time lags cannot be hedged. The last two years' increasing oil prices have generated an extraordinary gain for DONG Naturgas that is not expected to recur in 2005.

DONG Naturgas expects further loss of market share within natural gas sales in Denmark in 2005. This is a natural and inevitable consequence of the full market opening at the start of 2004. The loss of market share is made up for by growing exports, primarily to Germany and the Netherlands; however, exports involve lower margins due to higher transportation costs and lower prices. Profit for 2005 will therefore be eroded by the loss of market share.

Post-balance sheet events

No events have occurred after the year end which will have a material effect on the company's financial position .

Statement by the Executive and Supervisory Boards

The Executive and Supervisory Boards have today considered and approved the annual report for 2004.

The annual report has been prepared in accordance with the Danish Financial Statements Act and operative Danish Accounting Standards. We consider the accounting policies applied to be appropriate. Accordingly, the annual report gives a true and fair view of the Group's and the parent company's assets, liabilities and financial position at 31 December 2004 and of the results of the Group's and the parent company's operations and cash flows for the financial year 1 January – 31 December 2004.

We recommend that the annual report be approved at the Annual General Meeting.

Hørsholm, 28. February 2005

Executive Board:

Kurt Bligaard Pedersen
President

Supervisory Board:

Anders Eldrup *Chairman*	Carsten Krogsgaard Thomsen *Deputy Chairman*	Hans Jørgen Rasmusen

Auditors' report

To the shareholders of DONG Naturgas A/S

We have audited the annual report of DONG Naturgas A/S for the financial year 1 January -31 December 2004, which has been prepared in accordance with the Danish Financial Statements Act and Danish Accounting Standards.

The annual report is the responsibility of the company's Executive and Supervisory Boards. Our responsibility is to express an opinion on the annual report based on our audit.

Basis of opinion
We conducted our audit in accordance with Danish Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance that the annual report is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the annual report. An audit also includes assessing the accounting policies used and significant estimates made by the Executive and Supervisory Boards, as well as evaluating the overall annual report presentation. We believe that our audit provides a reasonable basis for our opinion.

Our audit did not result in any qualification.

Opinion
In our opinion, the annual report gives a true and fair view of the Group's and the parent company's financial position at 31 December 2004 and of the results of the Group's and the parent company's operations and cash flows for the financial year 1 January - 31 December 2004 in accordance with the Danish Financial Statements Act and Danish Accounting Standards.

Copenhagen, 28. February 2005

KPMG C. Jespersen
Statsautoriseret Revisionsinteressentskab

Flemming Brokhattingen
State Authorised Public Accountant

Torben Bender
State Authorised Public Accountant

PricewaterhouseCoopers
Statsautoriseret Revisionsinteressentskab

Carsten Gerner
State Authorised Public Accountant

Jørgen Antonsen
State Authorised Public Accountant

Accounting policies

BASIS OF PREPARATION

The annual report has been prepared in accordance with the provisions applying to class D companies under the Danish Financial Statements Act and operative Danish Accounting Standards. As a class D company DONG Naturgas is comprised by the same rules in the Danish Financial Statements Act as listed companies.

The consolidated and parent company financial statements have been prepared in accordance with the same accounting policies as last year. Compared with last year, editorial changes and clarifications have been made in this statement concerning accounting policies.

Changed classification and discontinuation of consolidation, etc.
In 2004 DONG reassessed the classification of goodwill acquired in connection with prior year acquisitions. Based on a detailed analysis, it has been deemed that, in the case of some acquisitions, the acquired goodwill relates, wholly or in part, to rights. Comparative figures and financial highlights for 2003 have been restated to reflect the changed classification. The changed classification has no effect on profit or equity.

Clarifications have been made in 2004 of the classification of derivative financial instruments in the balance sheet. Comparative figures and financial highlights for 2003 have been restated to reflect the changed classification. The changes have no effect on profit, total assets or equity.

Consolidated financial statements
The consolidated financial statements comprise the parent company and subsidiaries in which DONG Naturgas A/S holds, directly or indirectly, more than 50% of the voting rights or which it controls in some other way. Companies in which the Group has significant influence, but not control, are accounted for as associates. Significant influence is typically achieved by holding, directly or indirectly, more than 20% but less than 50% of the voting rights, although this is based on a specific assessment of the possibility of exercising influence.

The consolidated financial statements have been prepared by aggregation of the parent company’s and the individual subsidiaries’ individual financial statements, applying the Group’s accounting policies.

Intra-Group income and expenses, shareholdings, balances and dividends as well as realised and unrealised gains and losses arising from intra-Group transactions are eliminated on consolidation.

Investments in subsidiaries are offset against the proportionate share of the fair value of the subsidiaries' assets and liabilities at the date of acquisition or formation.

Companies acquired or formed during the year are recognised in the consolidated financial statements from the date of acquisition or formation. Companies disposed of during the year are recognised in the consolidated income statement until the date of disposal. Comparative figures are not restated to reflect acquisitions or disposals.

On acquisition of companies the purchase method is applied whereby the identifiable assets and liabilities of the acquired companies are restated at fair value at the date of acquisition. Provision is made for any costs related to restructuring in the acquired company decided and announced in connection with the acquisition. The tax effect of the restatement of assets and liabilities is taken into account.

Any excess of the cost of acquisition over the fair value of the identifiable assets and liabilities acquired (goodwill), including restructuring provisions, is recognised as intangible assets and amortised systematically in the income statement on the basis of individual assessment of the useful life of each asset, normally estimated at five years. Any excess of the fair value over the cost of acquisition (negative goodwill), representing expected unfavourable development in the acquired companies, is recognised in the balance sheet as deferred income and recognised in the income statement as the unfavourable development materialises. Negative goodwill not related to any expected unfavourable development is recognised in the balance sheet with an amount corresponding to the fair value of non-monetary assets. The amount is subsequently recognised in the income statement over the average useful lives of the non-monetary assets.

Goodwill and negative goodwill from acquired companies may be adjusted until the end of the year following their acquisition if the fair value of the identifiable assets and liabilities subsequently proves to differ from the fair value at the time of acquisition. Hereinafter, goodwill is only adjusted in the event of any provisions for restructuring in the acquired company not being utilised as assumed and therefore having to be reversed, or as a consequence of changes in estimated conditional purchase considerations. All other adjustments are recognised in the income statement.

Gains or losses on disposal of subsidiaries and associates are stated as the difference between the selling price and the carrying amount of net assets at the date of disposal less anticipated disposal costs.

Foreign currency translation
On initial recognition, transactions denominated in foreign currencies are translated into Danish kroner at the exchange rates at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and at the date of payment are recognised in the income statement as financial items.

Receivables, payables and other monetary items denominated in foreign currencies are translated at the exchange rates at the balance sheet date. The difference between the exchange rates at the balance sheet date and at the date at which the receivable or payable arose or was recognised in the latest annual report is recognised in the income statement as Financial income and expenses.

Gains and losses on hedging transactions in connection with purchases and sales of goods are recognised at the same time as and in the same item as the hedged item.

On recognition of foreign subsidiaries that are independent entities, the income statements are translated at average exchange rates for the month and the balance sheet items are translated at the exchange rates at the balance sheet date. Goodwill is translated at the exchange rate at the date of initial recognition. Foreign exchange adjustments arising on translation of the opening equity of foreign subsidiaries at the exchange rates at the balance sheet date and on translation of the income statements from average exchange rates to the exchange rates ruling at the balance sheet date are recognised directly in equity.

Hedging and derivative financial instruments
Derivative financial instruments and loans are used to hedge interest rate risks, currency risks and price risks related to the price of natural gas, etc.

Derivative financial instruments are recognised initially in the balance sheet at cost and are subsequently stated at fair value. Fair value is calculated on the basis of market data and recognised valuation methods. Positive and negative fair values of derivative financial instruments are recognised as Other receivables and Other payables, respectively.

Changes in the fair value of derivative financial instruments designated as and qualifying for recognition as hedges of the fair value of a recognised asset or liability are recognised in the income statement together with changes in the value of the hedged asset or liability in respect of the risk that is hedged.

Changes in the fair value of derivative financial instruments and foreign exchange adjustments of loans designated as and qualifying for recognition as hedges of future cash flows are recognised directly in equity. For options used as hedges, only the actual value of the option is accounted for as a hedge. The adjustment relating to the individual hedging instrument is transferred from equity on realisation of the hedged item and recognised in the same item as the hedged item.

For derivative financial instruments that do not qualify for hedge accounting, changes in fair value are recognised in the income statement as Financial income or Financial expenses when they occur, apart from instruments concluded in the course of the Group’s ordinary trading activities.

Impairment of assets
The carrying amounts of the Group's intangible assets, property, plant and equipment and investments are reviewed annually to determine if any indication of impairment exists.

If any such indication exists, the asset's recoverable amount is estimated. The recoverable amount is the higher of an asset's net selling price and its value in use. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

Impairment losses are recognised in the income statement as Production costs, Sales and marketing, Management and administration or Amortisation of and impairment losses on rights.

In the case of assets that have previously been revalued, impairment losses are recognised in equity, although only up to the amount of the revaluation reserve.

INCOME STATEMENT

Revenue
Revenue from sales comprises sales of natural gas and related services. Revenue is recognised in the income statement if delivery and transfer of risk to buyer have taken place before the end of the financial year, and if the income can be measured reliably and is expected to be received.

Revenue is measured exclusive of other duties and VAT that are dependent on the sales amount, and exclusive of sales discounts.

Physical trading contracts for gas, electricity, etc., that are concluded in the course of the Group's trading activities with a view to generating gains from short-term price fluctuations are market value-adjusted under revenue.

Production costs, etc.
Production costs comprise costs, including cost of sales, depreciation and amortisation and salaries, relating to the natural gas sold during the year and related services.

Sales and marketing
Sales and marketing comprise expenses for negotiation and conclusion of contracts for the purchase and sale of natural gas and marketing of DONG Naturgas and DONG Naturgas' products. This item includes direct expenses as well as allocated indirect expenses.

Management and administration
Management and administration comprise primarily staff costs for management and administrative staff. This item includes direct expenses as well as allocated indirect expenses.

Other operating income and expenses
Other operating income and expenses comprise items secondary in nature to the company's principal activities, including gains and losses on disposal of intangible assets and property, plant and equipment.

Profits/losses from investments in subsidiaries
The proportionate share of the pre-tax profits/losses of the individual subsidiaries is recognised in the parent company's income statement after full elimination of intra-Group profits/losses and less goodwill amortisation. The share of the subsidiaries' taxes is recognised as tax on the profit/loss for the year.

Financial income and expenses
Financial income and expenses comprise interest income and expenses, realised and unrealised gains and losses in respect of securities, payables and transactions denominated in foreign currencies, and amortisation of financial assets and liabilities. Financial income and expenses also include realised and unrealised gains and losses on derivative

financial instruments that do not qualify for hedge accounting or have been concluded in the course of the Group's trading activities. Financial income and expenses are recognised with the amounts that relate to the financial year.

Tax on the profit for the year
Tax for the year comprises current tax and changes in deferred tax for the year. The tax expense relating to the profit/loss for the year is recognised in the income statement, and the tax expense relating to amounts directly recognised in equity is recognised directly in equity.

The company is jointly taxed with the parent company DONG A/S and the DONG A/S Group's wholly-owned Danish subsidiaries and some wholly-owned foreign subsidiaries. Jointly taxed Danish subsidiaries with taxable income pay a joint taxation contribution of 30% to the parent company, equivalent to payable tax as if the subsidiary was taxed separately. Provision for deferred tax is made in the respective subsidiaries.

The DONG A/S Group is subject to the on-account tax scheme. Surcharges/refunds are recognised in DONG A/S.

BALANCE SHEET

Intangible assets
Rights
Rights are measured at cost less accumulated amortisation and impairment losses.

Rights are amortised on a straight-line basis over the estimated useful life of the asset, which is determined on the basis of management's experience of the individual business areas, and the assets to which the right relates. Recognised rights are estimated to have a useful life of five years.

Property, plant and equipment
Property, plant and equipment are measured at cost less accumulated depreciation and impairment losses.

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.

Cost and revaluation for other property, plant and equipment are basically depreciated on a straight-line basis over the estimated useful lives as follows:

Buildings	20 years
Production assets	
Offshore pipelines	20 years
Other fixtures and fittings, tools and equipment	5 years
Assets under construction	Not depreciated [1)]

1) Depreciation does not commence until the assets are taken into use, at which time they are transferred to production assets. Like other fixed assets, these assets are reviewed for indication of any impairment.

Amortisation and impairment losses are recognised in the income statement as Production costs, Sales and marketing, and Management and administration, respectively.

Gains and losses on disposal of property, plant and equipment are calculated as the difference between the selling price less selling costs and the carrying amount at the date of disposal. Gains and losses are recognised in the income statement as Other operating income or Other operating expenses.

Investments
Investments in subsidiaries
Investments in subsidiaries are measured according to the equity method.

Investments in subsidiaries are measured in the balance sheet at the proportionate share of the companies' net asset values calculated in accordance with the parent company's accounting policies, plus goodwill, and minus or plus unrealised intra-Group profits and losses.

On acquisition of subsidiaries the purchase method is applied, cf. the description in the foregoing under Consolidated financial statements.

Other equity investments
Other equity investments are recognised initially in the balance sheet at cost and are subsequently stated at fair value. For listed securities, this corresponds to the market price at the balance sheet date. For unlisted securities, an estimated fair value is used, if this is considered reliable; alternatively, the cost is used.

Changes in the fair value of other equity investments, and dividend on investments, are recognised in the income statement as Financial income and expenses.

Inventories
Inventories consist of natural gas in the natural gas in storage facilities and in natural gas pipelines.

Inventories are measured at the lower of cost and net realisable value.

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

The net realisable value of inventories is calculated as the expected selling price less costs incurred to execute the sale. The net realisable value is determined on the basis of marketability, obsolescence and development of expected selling price.

Receivables
Receivables are measured at amortised cost. Write down is made for anticipated losses.

Other receivables
Other receivables include positive fair values of derivative financial instruments, underabsorption, etc.

Income tax and deferred tax
Current tax payable and receivable is recognised in the balance sheet as tax computed on the taxable income for the year, adjusted for tax on the taxable income of prior years and for tax paid on account.

Deferred tax is measured using the balance sheet liability method, providing for all temporary differences between the carrying amounts of assets and liabilities and the amounts used for taxation purposes; however, temporary differences are not provided for in respect of goodwill not deductible for tax purposes, or other items - apart from business combinations - where temporary differences have arisen at the date of acquisition without having any effect on either profit/loss or taxable income. Where alternative tax rules can be applied to determine the tax base, deferred tax is measured on the basis of management's planned use of the asset or settlement of the liability, respectively.

Deferred tax assets, including the tax base of tax loss carry-forwards, are recognised as Current assets at the value at which they are expected to be utilised either by elimination against tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity and jurisdiction.

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 crystallise in the form of current tax. Changes in deferred tax as a result of changes in tax rates are recognised in the income statement.

Prepayments
Prepayments comprise costs incurred in respect of subsequent financial years.

Securities
Securities, comprising bonds, are recognised initially in the balance sheet at cost and are subsequently stated at fair value.

Changes in the fair value of securities are recognised in the income statement as Financial income and expenses.

Equity
Dividends
Proposed dividends expected to be paid for the year are disclosed as a separate item under equity.

Proposed dividends are recognised as a liability at the date of their adoption at the Annual General Meeting (declaration date).

Net revaluation according to the equity method
Net revaluation of investments in subsidiaries and associates is transferred to the reserve under equity to the extent that the carrying amount exceeds the cost.

Other provisions
Provisions are recognised when, as a result of a past event, the Group has a legal or actual obligation, and it is probable that an outflow of financial resources will be required to settle the obligation.

Provisions comprise estimated costs for removal of production plant, reinstatement of technical installations, any guarantee commitments, restructuring, etc.

Provision for removal of technical installations is calculated as the net present value of the expected future liability in respect of reinstatement and decommissioning as estimated at the balance sheet date. The amount recognised is determined on the basis of existing requirements and estimated costs, which are discounted to net present value. These liabilities are recognised as they arise and are adjusted on a regular basis to reflect changes in requirements and price level, etc. The equivalent value of the provision is recognised under property, plant and equipment and depreciated together with relevant assets. The increase in time of the net present value is recognised in the income statement under Financial items.

If it is considered unlikely that an outflow of economic benefits will be required to settle the obligation, the obligation is accounted for as a contingent liability that is not recognised in the balance sheet. Information about material contingent liabilities is given in the notes.

Financial liabilities
Payables to mortgage credit institutions and credit institutions are recognised at the date of borrowing at the net proceeds received less transaction costs incurred. In subsequent periods, the financial liabilities are measured at amortised cost, corresponding to the capitalised value using the effective interest rate. Accordingly, the difference between the proceeds and the nominal amount is recognised in the income statement over the term of the loan.

Other liabilities, comprising trade payables and other payables, are measured at amortised cost.

Financial liabilities the value of which has been effectively hedged are adjusted to fair value as far as concerns the hedged risk. The value adjustment is recognised in the income statement as Financial income or Financial expenses.

Other payables
Other payables include negative fair values of derivative financial instruments, etc.

Deferred income
Deferred income comprises payments received, etc., in respect of income in subsequent years. Deferred income includes the value of non-recognised amounts in respect of natural gas delivered under contract, investment contributions, etc.

The value of natural gas free of charge delivered under contract is allocated proportionally over the remaining contract period with a view to accounting for purchased goods on an accruals basis.

CASH FLOW STATEMENT

The cash flow statement shows the Group's and the parent company's cash flows for the year from operating, investing and financing activities, the year's changes in cash and cash equivalents, and cash and cash equivalents at the beginning and end of the year.

The cash flow statement is presented according to the indirect method.

Cash flows from operating activities
Cash flows from operating activities are calculated as the Group's or the parent company's share of the profit/loss adjusted for non-cash operating items, changes in working capital and income tax paid.

Cash flows from investing activities
Cash flows from investing activities comprise payments in connection with acquisitions and disposals of companies and of other intangible and tangible fixed assets

Cash flows relating to acquired companies are recognised from the date of acquisition, and cash flows relating to companies disposed of are recognised until the date of disposal.

Cash flows from financing activities
Cash flows from financing activities comprise the raising of loans, repayment of debt, and payment of dividends.

Cash and cash equivalents
Cash and cash equivalents comprise available cash that is part of the ongoing cash management as well as securities that are readily convertible to cash and are subject to an insignificant risk of changes in value.

SEGMENT INFORMATION

Information is provided on business segments (primary segments) and geographical markets (secondary segments). The segment information is based on the Group's accounting policies, risks and financial management.

Segment income and expenses and segment assets and liabilities comprise items directly attributable to the individual segment, and items that can be indirectly allocated to the individual segment on a reasonable basis. Non-allocated items comprise primarily assets and liabilities and income and expenses relating to the Group's administrative functions, investing activities, income taxes, etc.

Fixed segment assets comprise fixed assets used directly in the segment's operating activities, including intangible assets, property, plant and equipment, and investments in associates.

Current segment assets comprise the current assets used directly in the segment's operating activities, including inventories, trade receivables, other receivables, prepayments and cash.

Segment liabilities comprise liabilities resulting from the segment's operating activities, including trade payables and other payables.

Financial ratios

Financial ratios have been calculated in accordance with the Danish Society of Financial Analysts' "Recommendations & Financial Ratios 2005".

Consolidated income statement for the year ended 31 December 2004

DKK '000	Note	2004	2003
Revenue	1	10,022,173	9,988,465
Production costs	2	(8,017,746)	(7,756,414)
Gross profit		2,004,427	2,232,051
Sales and marketing	2	(240,590)	(135,942)
Management and administration	2	(85,293)	(153,465)
Other operating income and expenses	3	6	118
Profit before amortisation of and impairment losses on rights		1,678,550	1,942,762
Amortisation of and impairment losses on rights	2	(105,805)	(95,000)
Operating profit (EBIT)		1,572,745	1,847,762
Financial income	4	180,916	227,136
Financial expenses	5	(120,015)	(304,860)
Profit before tax		1,633,646	1,770,038
Tax on the profit for the year	6	(496,693)	(532,960)
Profit for the year		1,136,953	1,237,078

Consolidated balance sheet at 31 December 2004

DKK '000	Note	2004	2003
Assets			
Goodwill		0	0
Rights		467,213	95,000
Prepayments for rights		161,091	0
Intangible assets	7	628,304	95,000
Land and buildings		2,579	3,023
Production assets		3,978,413	3,242,356
Other fixtures and fittings, tools and equipment		925	1,186
Assets under construction		0	865,873
Property, plant and equipment	8	3,981,917	4,112,438
Investments in associates		4,215	0
Other securities		74,352	74,864
Investments	9	78,567	74,864
Fixed assets		4,688,788	4,282,302
Inventories	10	451,598	211,963
Trade receivables	11	1,887,568	1,445,589
Receivables from Group enterprises		2,806,778	2,465,440
Deferred tax asset	15	8,252	8,858
Income tax	18	4,396	45,084
Other receivables	17	1,061,694	908,259
Prepayments	13	6,396	6,176
Receivables		5,775,084	4,879,406
Securities		0	630,303
Cash		131,307	484,640
Current assets		6,357,989	6,206,312
Total assets		11,046,777	10,488,614

Consolidated balance sheet at 31 December 2004

DKK '000	Note	2004	2003
Equity and liabilities			
Share capital		1,020,000	1,020,000
Retained earnings		4,348,220	4,599,888
Proposed dividends		1,136,953	1,237,078
Equity	14	6,505,173	6,856,966
Deferred tax	15	691,229	534,629
Other provisions	16	138,754	0
Provisions		829,983	534,629
Subordinated loan		0	676,774
Mortgage loans		370,480	414,582
Long-term liabilities other than provisions	17	370,480	1,091,356
Mortgage loans	17	44,184	44,184
Bank overdrafts		479,784	0
Trade payables		1,360,024	791,160
Payables to Group enterprises		76,404	167,282
Income tax	18	60,334	60
Other payables	19	1,017,005	637,943
Deferred income	20	303,406	365,029
Short-term liabilities other than provisions		3,341,141	2,005,663
Liabilities other than provisions		3,711,621	3,097,019
Total equity and liabilities		11,046,777	10,488,614

Notes without reference	24-25
Contingent liabilities	26
Related party transactions	27
Group structure	28

Consolidated statement of changes in equity for the year ended 31 December 2004

DKK '000	Share capital	Retained earnings	Proposed dividends	Total
Equity at 1 January 2003	1,000,000	4,299,695	0	5,299,695
Profit for the year	0	1,237,078	0	1,237,078
Capital increase	20,000	0	0	20,000
Revaluation	0	222,000	0	222,000
Value adjustments of hedging instruments during period	0	111,705	0	111,705
Tax on equity items	0	(33,512)	0	(33,512)
Proposed dividends	0	(1,237,078)	1,237,078	0
Equity at 1 January 2004	1,020,000	4,599,888	1,237,078	6,856,966
Dividends paid	0		(1,237,078)	(1,237,078)
Profit for the year	0	1,136,953	0	1,136,953
Foreign exchange adjustments for the period, foreign companies	0	(62)	0	(62)
Value adjustments of hedging instruments during period	0	(359,437)	0	(359,437)
Tax on equity items	0	107,831	0	107,831
Proposed dividends	0	(1,136,953)	1,136,953	0
Equity at 31 December 2004	0	4,348,220	3,404	6,505,173

Consolidated cash flow statement for the year ended 31 December 2004

DKK '000	Note	2004	2003
Cash flows from operations (operating activities)	21	1,964,876	190,531
Interest income and similar items		149,487	227,136
Interest expense and similar items		(83,215)	(304,860)
Income tax paid		(130,673)	(569,333)
Cash flows from operating activities		1,900,475	(456,526)
Acquisition of intangible assets		(161,091)	(475,000)
Acquisition of property, plant and equipment		(330,918)	(383,236)
Acquisition of Group enterprises	22	(113,324)	0
Sale of other equity investments and securities		512	0
Cash flows from investing activities		(604,821)	(858,236)
Decrease in loans from Group enterprises		(798,786)	0
Instalment on subordinated loan		(676,774)	(429,665)
Decrease in other loans		(46,436)	(42,320)
Dividends paid to shareholders in the parent company		(1,237,078)	(300,000)
Cash flows from financing activities		(2,759,074)	(771,985)
Net cash flows from operating, investing and financing activities		(1,463,420)	(2,086,747)
Cash and cash equivalents at 1 January		1,114,943	3,201,690
Unrealised foreign exchange adjustments		0	0
Cash and cash equivalents at 31 December	23	(348,477)	1,114,943

Parent company income statement for the year ended 31 December 2004

DKK '000	Note	2004	2003
Revenue	1	9,957,770	9,946,960
Production costs	2	(7,994,280)	(7,758,459)
Gross profit		1,963,490	2,188,501
Sales and marketing	2	(203,884)	(88,730)
Management and administration	2	(87,859)	(153,465)
Other operating income and expenses	3	(94)	118
Profit before amortisation of and impairment losses on rights		1,671,653	1,946,424
Amortisation of and impairment losses on rights	2	(95,000)	(95,000)
Operating profit (EBIT)		1,576,653	1,851,424
Share of pre-tax profits of Group enterprises	9	2,410	(7,827)
Financial income	4	174,865	213,623
Financial expenses	5	(120,282)	(287,182)
Profit before tax		1,633,646	1,770,038
Tax on the profit for the year	6	(496,693)	(532,960)
Profit for the year		1,136,953	1,237,078

Proposal for profit appropriation

The Supervisory Board proposes that the profit for the year, DKK 1,136,953,000 be appropriated as follows:

	2004	2003
Dividends	1,136,953	1,237,078
Retained earnings	0	0
	1,136,953	1,237,078
Dividend per DKK 100 share	111	121

Parent company balance sheet at 31 December 2004

DKK '000	Note	2004	2003
Assets			
Goodwill		0	0
Rights		467,213	95,000
Prepayments for rights		161,091	0
Intangible assets	7	628,304	95,000
Land and buildings		2,579	3,023
Production assets		3,878,488	3,242,356
Other fixtures and fittings, tools and equipment		881	1,186
Assets under construction		0	865,873
Property, plant and equipment	8	3,881,948	4,112,438
Investments in subsidiaries		53,384	236,622
Other securities		74,352	0
Investments	9	127,736	236,622
Fixed assets		4,637,988	4,444,060
Inventories	10	450,295	211,963
Trade receivables	11	1,472,044	574,349
Receivables from Group enterprises		3,289,805	2,490,092
Income tax	18	0	31,651
Other receivables	12	1,054,739	891,678
Prepayments	13	6,402	6,176
Receivables		5,822,990	3,993,946
Securities		0	630,303
Cash		65,487	474,023
Current assets		6,338,772	5,310,235
Total assets		10,976,760	9,754,295

Parent company balance sheet at 31 December 2004

DKK '000	Note	2004	2003
Equity and liabilities			
Share capital		1,020,000	1,020,000
Share premium		0	222,000
Net revaluation according to the equity method		15,123	1,439
Retained earnings		4,333,097	4,376,449
Proposed dividends		1,136,953	1,237,078
Equity	14	6,505,173	6,856,966
Deferred tax	15	685,382	534,629
Other provisions	16	135,157	0
Provisions		820,539	534,629
Mortgage loans		370,480	414,582
Long-term liabilities other than provisions	17	370,480	414,582
Mortgage loans	17	44,184	44,184
Bank overdrafts		475,320	0
Trade payables		1,347,900	791,160
Payables to Group enterprises		63,653	167,287
Income tax	18	60,334	0
Other payables	19	985,776	580,627
Deferred income	20	303,401	364,860
Short-term liabilities other than provisions		3,280,568	1,948,118
Liabilities other than provisions		3,651,048	2,362,700
Total equity and liabilities		10,976,760	9,754,295

Notes without reference	24-25
Contingent liabilities	26
Related party transactions	27
Group structure	28

Parent company statement of changes in equity for the year ended 31 December 2004

DKK '000	Share capital	Share premium	Net revaluation according to the equity method	Retained earnings	Proposed dividends	Total
Equity at 1 January 2003	1,000,000	0	0	4,299,695	0	5,299,695
Capital increase	20,000	222,000	0	0	0	242,000
Profit for the year	0	0	1,439	1,235,639	0	1,237,078
Value adjustments of hedging instruments during period	0	0	0	111,705	0	111,705
Tax on equity items	0	0	0	(33,512)	0	(33,512)
Other adjustments	0	0	0	0	0	0
Proposed dividends	0	0	0	(1,237,078)	1,237,078	0
Equity at 1 January 2004	1,020,000	222,000	1,439	4,376,449	1,237,078	6,856,966
Dividends paid	0	0	0	0	(1,237,078)	(1,237,078)
Profit for the year	0	0	13,684	1,123,269	0	1,136,953
Transfer following merger with subsidiary	0	(190,000)	0	190,000	0	0
Foreign exchange adjustments, foreign companies	0	0	0	(62)	0	(62)
Value adjustments of hedging instruments during period	0	0	0	(359,437)	0	(359,437)
Tax on equity items	0	0	0	107,831	0	107,831
Transfer	0	(32,000)	0	32,000	0	0
Proposed dividends	0	0	0	(1,136,953)	1,136,953	0
Equity at 31 December 2004	1,020,000	0	15,123	4,333,097	1,136,953	6,505,173

Parent company cash flow statement for the year ended 31 December 2004

DKK '000	Note	2004	2003
Cash flows from operations (operating activities)	21	1,000,355	178,261
Interest income and similar items		147,695	213,623
Interest expense and similar items		(83,120)	(287,182)
Income tax paid		(128,215)	(565,355)
Cash flows from operating activities		936,715	(460,653)
Acquisition of intangible assets		(161,091)	(475,000)
Acquisition of property, plant and equipment			(383,236)
Acquisition of Group enterprises	22	(11,021)	(193)
Loans to Group enterprises		(591,988)	0
Acquisition of other equity investments and securities		(74,864)	0
Sale of other equity investments and securities		512	0
Cash flows from investing activities		(1,172,816)	(858,429)
Instalment on subordinated loan		0	(429,665)
Decrease in other loans		(46,436)	(48,617)
Dividends paid to shareholders in the parent company		(1,237,078)	(300,000)
Cash flows from financing activities		(1,283,514)	(778,282)
Net cash flows from operating, investing and financing activities		(1,519,615)	(2,097,364)
Cash and cash equivalents at 1 January		1,104,326	3,201,690
Unrealised foreign exchange adjustments		5,456	0
Cash and cash equivalents at 31 December	23	(409,833)	1,104,326

Notes to the income statement

Note 1 Segment information

The company has a single segment, which comprises sale of natural gas.

Geographical breakdown of revenue by customer location

Activities

DKK '000	Denmark	Germany	Sweden	Rest of world	Group total
Revenue 2004	5,967,696	2,655,829	1,034,242	364,406	10,022,173
Revenue 2003	6,754,131	2,205,921	1,027,674	739	9,988,465

Revenue includes market value adjustments of DKK 11.8 million (2003: DKK 0) in respect of physical contracts concerning trading in gas and electricity and in respect of financial contracts.

Note 2 Operating expenses

Operating expenses comprise Production costs, which comprise cost of sales, operation and maintenance of production assets and transportation and storage services; Sales and marketing; Management and administration; and Other operating expenses.

Operating expenses include staff costs, depreciation, amortisation and impairment losses, and fees to auditors:

	Group		Parent company	
DKK '000	**2004**	**2003**	**2004**	**2003**
Staff costs				
Wages, salaries and remuneration	(98,191)	(74,051)	(96,178)	(74,051)
Pension contributions	(9,525)	(7,639)	(9,305)	(7,639)
Other social security costs	(875)	(418)	(572)	(418)
Staff costs	(108,591)	(82,108)	(106,055)	(82,108)
Including:				
Remuneration to the Executive Board	(1,907)	(1,653)	(1,907)	(1,653)
Remuneration to the Executive Board, bonus paid	0	0	0	0
Total	(1,907)	(1,653)	(1,907)	(1,653)

Bonus schemes have been introduced for the Executive Board. The contracts of service of the members of the Executive Board include severance packages under which a member will be entitled to twenty-four months' salary if his/her contract of employment is terminated by the company.

Note 2 Operating expenses - continued

	Group		Parent company	
DKK '000	**2004**	**2003**	**2004**	**2003**
Number of full-time employees:				
Average for the financial year	205	172	199	172
At 31 December	213	184	207	184
Depreciation, amortisation and impairment losses by function:				
Production costs (depreciation)	(228,138)	(204,390)	(227,167)	(204,390)
Rights (amortisation)	(95,000)	(95,000)	(95,000)	(95,000)
Rights (impairment losses)	(10,805)	0	0	0
Depreciation, amortisation and impairment losses	(333,943)	(299,390)	(322,167)	(299,390)
Total fees to auditors				
KPMG C. Jespersen				
Auditors	(523)	(500)	(512)	(500)
Non-audit fees	(4,517)	(1,322)	(4,490)	(1,322)
	(5,040)	(1,822)	(5,002)	(1,822)
PricewaterhouseCoopers				
Auditors	(110)	(100)	(110)	(100)
Non-audit fees	(12)	(87)	(12)	(87)
	(112)	(187)	(112)	(187)
Total fees to auditors	(5,162)	(2,009)	(5,124)	(2,009)

Note 3 Other operating income and expenses

	Group		Parent company	
DKK '000	**2004**	**2003**	**2004**	**2003**
Gains on sale of fixed assets	0	170	0	170
Other operating income	100	0	0	0
Other operating income	100	170	0	170
Loss on sale of fixed assets	(94)	(52)	(94)	(52)
Other operating expenses	(94)	(52)	(94)	(52)

Note 4 Financial income

DKK '000	Group 2004	Group 2003	Parent company 2004	Parent company 2003
Interest income	59,874	150,916	59,763	141,408
Intra-Group interest income	61,090	26,316	55,463	26,316
Realised capital gains on securities	1,539	1,864	1,539	1,864
Unrealised capital gains on securities	313	11,335	0	11,335
Fair value adjustments of financial instruments	27,116	4,005	27,116	0
Foreign exchange gains	30,984	32,700	30,984	32,700
Financial income	180,916	227,136	174,865	213,623

Note 5 Financial expenses

DKK '000	Group 2004	Group 2003	Parent company 2004	Parent company 2003
Interest expense	(36,916)	(36,477)	(36,885)	(36,219)
Intra-Group interest expense	(9,975)	(25,641)	(9,975)	(10,036)
Interest element of abandonment costs	(5,657)	0	(5,510)	0
Index adjustment of mortgage loans	(2,334)	(4,144)	(2,334)	(4,144)
Realised capital losses on mortgage debt	0	(7,474)	0	(7,474)
Realised capital losses on securities	(3,519)	(45,088)	(3,519)	(45,088)
Unrealised capital loss on securities	448	(998)	0	(998)
Fair value adjustments of financial instruments	(29,256)	(149,965)	(29,256)	(148,150)
Foreign exchange losses	(32,806)	(35,073)	(32,803)	(35,073)
Financial expenses	(120,015)	(304,860)	(120,282)	(287,182)
Revenue for the year includes foreign exchange adjustments of:	189,261	176,344	189,261	176,344
The profit for the year includes foreign exchange adjustments of:	187,439	173,971	187,442	173,971

Note 6 Tax on the profit for the year

DKK '000	Group 2004	Group 2003	Parent company 2004	Parent company 2003
Tax for the year can be broken down as follows:				
Tax on the profit for the year	(496,693)	(532,960)	(496,693)	(532,960)
Tax on changes in equity	107,831	(33,512)	107,831	(33,512)
Tax for the year	(388,862)	(566,472)	(388,862)	(566,472)
Tax on profit for the year can be broken down as follows:				
Current tax	(344,140)	(424,929)	(344,081)	(424,869)
Deferred tax	(152,748)	(108,184)	(149,190)	(110,500)
Tax in Group enterprises	-	-	(3,617)	2,256
Adjustment of current tax re prior years	4,674	19,851	1,758	10,396
Adjustment of deferred tax re prior years	(4,479)	(19,698)	(1,563)	(10,243)
Tax on the profit for the year	(496,693)	(532,960)	(496,693)	(532,960)
Tax on profit for the year can be broken down as follows:				
Calculated 30% tax on profit before tax	30.0	30.0	30.0	30.0
Adjustment of calculated tax in foreign Group enterprises in relation to 30%	0.0	0.0	0.0	0.0
Tax effect of:				
Non-taxable income	0.0	0.0	0.0	0.0
Non-deductible costs in general	0.4	0.1	0.4	0.1
Adjustment of tax re prior years	0.0	0.0	0.0	0.0
Effective tax rate	30.4	30.1	30.4	30.1

Notes to the balance sheet

Note 7 Intangible assets

Group

DKK '000	Goodwill	Rights	Prepayments for rights	Total
Cost at 1 January	2,875,000	0	0	2,875,000
Reclassification at 1 January	(475,000)	475,000	0	0
Addition on acquisition of enterprise	0	10,805	0	10,805
Additions	0	0	161,091	161,091
Transfer from property, plant and equipment	0	475,000	0	475,000
Cost at 31 December	2,400,000	960,805	161,091	3,521,896
Amortisation and impairment losses at 1 January	(2,780,000)	0	0	(2,780,000)
Reclassification at 1 January	380,000	(380,000)	0	0
Amortisation for the year	0	(102,787)	0	(102,787)
Impairment losses for the year	0	(10,805)	0	(10,805)
Amortisation and impairment losses at 31 December	(2,400,000)	(493,592)	0	(2,893,592)
Carrying amount at 31 December	0	467,213	161,091	628,304
Amortised over		5 years		

Note 7 Intangible assets (continued)

Parent company

DKK '000	Goodwill	Rights	Prepayments for rights	Total
Cost at 1 January	2,875,000	0	0	2,875,000
Reclassification at 1 January	(475,000)	475,000	0	0
Additions	0	0	161,091	161,091
Transfer from property, plant and equipment	0	475,000	0	475,000
Cost at 31 December	2,400,000	950,000	161,091	3,511,091
Amortisation and impairment losses at 1 January	(2,780,000)	0	0	(2,780,000)
Reclassification at 1 January	380,000	(380,000)	0	0
Amortisation for the year	0	(102,787)	0	(102,787)
Amortisation and impairment losses at 31 December	(2,400,000)	(482,787)	0	(2,882,787)
Carrying amount at 31 December	0	467,213	161,091	628,304
Amortised over		5 years		

Note 8 Property, plant and equipment

Group

DKK '000	Land and buildings	Pro-duction assets	Other fixtures and fittings, tools and equip-ment	Assets under con-struction	Total
Cost at 1 January	11,008	7,558,008	3,435	865,873	8,438,324
Foreign exchange adjustments	0	(367)	0	0	(367)
Addition on acquisition of enterprise	0	101,255	49	0	101,304
Additions	0	143,414	79	320,518	464,011
Disposals	0	(48,359)	0	(122)	(48,481)
Transfers	0	711,269	0	(1,186,269)	(475,000)
Cost at 31 December	11,008	8,465,220	3,563	0	8,479,791
Depreciation and impairment losses at 1 January	(7,985)	(4,315,652)	(2,249)	0	(4,325,886)
Depreciation, disposals	0	48,360	0	0	48,360
Depreciation charge for the year	(444)	(219,519)	(388)	0	(220,351)
Depreciation and impairment losses at 31 December	(8,429)	(4,486,807)	(2,638)	0	(4,497,874)
Carrying amount at 31 December	2,579	3,978,413	925	0	3,981,917
Depreciated over	20 years	10-50 years	3-5 years	-	
Value according to public land assessment	30,513				

An amount of DKK 0 million (2003: DKK 27,900,000) was capitalised in 2004 in respect of work carried out by on its own account.
The depreciation charge for the year, DKK 220,351,000 in total, is recognised in the income statement as Production costs and Management and administration, respectively. Reference is made to note 2.

The carrying amounts of the natural gas network were reviewed at the end of 2004. External valuers were not used in connection with the valuation.

Note 8 Property, plant and equipment (continued)

Parent company

DKK '000	Land and buildings	Production assets	Other fixtures and fittings, tools and equipment	Assets under construction	Total
Cost at 1 January	11,008	7,558,008	3,435	865,873	8,438,324
Additions	0	143,414	79	320,518	464,011
Transfers	0	711,269	0	(1,186,269)	(475,000)
Disposals	0	(48,359)	0	(122)	(48,481)
Cost at 31 December	11,008	8,364,332	3,514	0	8,378,854
Depreciation and impairment losses at 1 January	(7,985)	(4,315,652)	(2,249)	0	(4,325,886)
Depreciation, disposals	0	48,360	0	0	48,360
Depreciation charge for the year	(444)	(218,552)	(384)	0	(219,380)
Depreciation and impairment losses at 31 December	(8,429)	(4,485,844)	(2,633)	0	(4,496,906)
Carrying amount at 31 December	2,579	3,878,488	881	0	3,881,948
Depreciated over	20 years	10-20 years	3-5 years		
Value according to public land assessment	30,513				

An amount of DKK 0 was capitalised in 2004 in respect of work carried out by on its own account.

The depreciation charge for the year, DKK 219,380,000 in total, is recognised in the income statement as Production costs, Sales and marketing, and Management and administration, respectively. Reference is made to note 2.

The carrying amounts of the natural gas network were reviewed at the end of 2004. External valuers were not used in connection with the valuation.

Note 9 Investments

Group

DKK '000	Investments in associates	Other securities
Cost at 1 January	0	74,864
Additions	4,215	22,497
Disposals	0	(23,009)
Cost at 31 December	4,215	74,352
Value adjustments at 1 January	0	0
Share of profits for the year	0	0
Value adjustments, etc.	0	0
Value adjustments at 31 December	0	0
Carrying amount at 31 December	4,215	74,352
Proposed dividends	0	

Parent company

DKK '000	Investments in subsidiaries	Other securities
Cost at 1 January	242,193	0
Additions	11,021	97,361
Disposals	(200,000)	(23,009)
Cost at 31 December	53,214	74,352
Value adjustments at 1 January	(5,571)	0
Prior year adjustments	7,010	0
Share of profits for the year	9,598	0
Impairment losses on rights	(10,805)	0
Value adjustments, etc.	(62)	0
Value adjustments at 31 December	170	0
Carrying amount at 31 December	53,384	74,352
Proposed dividends	0	

Note 9 Investments (continued)

Subsidiaries

	Registered office	Share capital in millions		Ownership interest	Profit (loss) before tax		Equity	
					2004	2003	2004	2003
DONG Faste Vilkår A/S	Birkerød, Denmark	DKK	10	100%	(7,698)	1,949	37,961	43,349
DONG Individuelle Vilkår A/S (merged)	Birkerød, Denmark	DKK	10	100%		(9,926)		192,990
DONG Germany GmbH	Dorsten, Germany	EUR	0.026	100%	143	150	358	283
DONG Sverige AB	Gothenburg, Sweden	SEK	0.1	100%	20,957		15,118	
DONG Netherlands BV	Amsterdam, the Netherlands	EUR	0.018	100%	(187)		(53)	
Profit (loss) before impairment loss on right and investments in subsidiaries					13,215	(7,827)	53,384	236,622
Impairment loss on right					(10,805)	0		
Profit (loss) before tax					2,410	(7,827)		
Tax on the profit for the year					(3,617)	2,256		
Post-tax profits (losses) of subsidiaries					(1,207)	(5,571)		

DONG Naturgas A/S and DONG Individuelle Vilkår A/S merged at 1 January 2004 with DONG Naturgas A/S as the continuing company.

DONG Naturgas A/S acquired the following companies in 2004, which have been accounted for in accordance with the purchase method:
100% of the shares in DONG Sverige AB (formerly Nova Supply AB), accounting effect from 29 October 2004, total purchase price approx. DKK 11 million.
100% of the shares in DONG Netherlands BV, accounting effect from 11 June 2004, total purchase price approx. DKK 0.1 million.

Associates

	Registered office	Ownership	Share of pre-tax profit		Investment	
			2004	2003	2004	2003
Fordonsgas Väst AB	Gothenburg, Sweden	33%	0	0	4,215	0
Group, total			0	0	4,215	0

Note 9 Investments (continued)

Other securities have the following repayment profile:

DKK '000 Repayment year	Amount
2005	11,853
2006	10,982
2007	10,298
2008	9,146
2009	6,303
2010 or later	25,770

Note 10 Inventories

	Group		Parent company	
DKK '000	**2004**	**2003**	**2004**	**2003**
Natural gas	451,598	211,963	450,295	211,963
Inventories at 31 December	451,598	211,963	450,295	211,963

Note 11 Trade receivables

	Group		Parent company	
DKK '000	**2004**	**2003**	**2004**	**2003**
Trade receivables at 31 December	1,887,568	1,445,589	1,472,044	574,349

All receivables fall due for payment less than one year after the close of the financial year.

Most receivables are denominated in DKK. The currency risk is therefore insignificant.

Note 12 Other receivables

DKK '000	Group 2004	Group 2003	Parent company 2004	Parent company 2003
Fair value of derivative financial instruments	654,499	750,827	654,599	748,535
Interest receivable	5,097	10,319	3,822	10,319
Nogat	4,592	89,368	4,592	89,368
Receivables in respect of wholesale dealer	236,105	0	236,105	0
Other receivables	161,401	57,745	155,621	43,456
Other receivables at 31 December	1,061,694	908,259	1,054,739	891,678

Note 13 Prepayments

DKK '000	Group 2004	Group 2003	Parent company 2004	Parent company 2003
Prepaid expenses	6,396	6,176	6,402	6,176
Prepayments at 31 December	6,396	6,176	6,402	6,176

Note 14 Equity

DKK '000	Group 2004	Group 2003	Parent company 2004	Parent company 2003
Share capital				
At beginning and end of year	1,020,000	1,020,000	1,020,000	1,020,000

The share capital was increased by DKK 20,000,000 during the year in connection with non-cash contribution of subsidiaries in return for the issue of shares to DONG A/S.

Composition of share capital:

Number of shares		Nominal value (DKK '000)		Total (DKK '000)
1	at	1,000,000	=	1,000,000
20	at	1	=	20,000
				1,020,000

Note 14 Equity (continued)

Ownership
The company's financial statements form part of the consolidated financial statements of DONG A/S, Birkerød, which owns the whole of the share capital.

Foreign exchange adjustment concerning foreign subsidiaries

	Group		Parent company	
DKK '000	**2004**	**2003**	**2004**	**2003**
Accumulated foreign exchange adjustment at 1 January	0	0	0	0
Foreign exchange adjustments during the year	(62)	0	(62)	0
Accumulated foreign exchange adjustment at 31 December	(62)	0	(62)	0

Value adjustments of hedging instruments

	Group		Parent company	
DKK '000	**2004**	**2003**	**2004**	**2003**
Value adjustments of hedging instruments at 1 January	285,713	174,008	285,713	174,008
Value adjustments for the year, hedging instruments	(359,437)	111,705	(359,437)	111,705
Value adjustments of hedging instruments at 31 December	(73,724)	285,713	(73,724)	285,713

Tax on value adjustments of hedging instruments

	Group		Parent company	
DKK '000	**2004**	**2003**	**2004**	**2003**
Tax on value adjustments of hedging instruments at 1 January	(85,714)	(52,202)	(85,714)	(52,202)
Tax on value adjustments of hedging instruments	107,831	(33,512)	107,831	(33,512)
Tax on value adjustments of hedging instruments at 31 December	22,117	(85,714)	22,117	(85,714)

Note 15 Deferred tax

	Group		Parent company	
DKK '000	**2004**	**2003**	**2004**	**2003**
Deferred tax at 1 January	525,771	413,886	534,629	413,886
Foreign exchange adjustments	(21)	0	0	0
Prior year adjustment	4,479	(3,701)	1,563	10,243
Deferred tax for the year	152,748	108,184	149,190	110,500
Deferred tax at 31 December	682,977	525,771	685,382	534,629
Deferred tax is recognised in the balance sheet as follows:				
Deferred tax (Asset)	8,252	8,858	0	0
Deferred tax (Liability)	691,229	534,629	685,382	534,629
Deferred tax relates to:				
Intangible assets	(103,719)	(243,717)	(103,719)	(243,717)
Property, plant and equipment	911,505	876,229	905,658	876,229
Deferred income, etc.	(123,961)	(100,060)	(123,961)	(100,060)
Liabilities other than provisions	7,404	2,177	7,404	2,177
Tax-loss carryforwards	(8,252)	(8,858)	0	0
	682,977	525,771	685,382	534,629

DONG Faste Vilkår A/S forms part of the joint taxation with DONG A/S, which, in the joint taxable income, has utilised the tax loss in DONG Faste Vilkår A/S.

The tax asset relating to loss carried forward therefore only represents a value as long as DONG Faste Vilkår A/S is part of the joint taxation.

Note 16 Provisions

DKK '000	Provisions	
	Group	Parent company
Provisions at 1 January	0	0
Provision for the year	133,097	129,647
Change in present values as a result of the lapse of time, etc.	5,657	5,510
Provisions at 31 December	138,754	135,157
The provisions are expected to be payable in:		
0-1 years	0	0
1-5 years	0	0
> 5 years	138,754	135,157
	138,754	135,157

Provisions comprise expected future costs for restoration and decommissioning of the Group's production plant, etc. The provisions have been discounted to present value. The equivalent value of the provision is recognised under property, plant and equipment and depreciated together with the relevant assets.

Note 17 Short-term and long-term loans

The Group's short-term loans are made up as follows:

	Group		Parent company	
DKK '000	**2004**	**2003**	**2004**	**2003**
Mortgage loans	44,184	44,184	44,184	44,184
Short-term loans at 31 December	44,184	44,184		44,184

Note 17 Short-term and long-term loans (continued)

The Group's loans can be broken down by currency as follows:

DKK '000

	Short-term loans		Long-term loans		Total			
	2004	**2003**	**2004**	**2003**	**2004**	**Procent**	**2003**	**Procent**
DKK	44,184	44,184	370,480	1,091,356	414,664	100	1,135,540	100
	44,184	44,184	370,480	1,091,356	414,664	100	1,135,540	100
Hedging adjustment	0	0	0	0	0		0	
	44,184	44,184	370,480	1,091,356	414,664	100	1,135,540	100
Weighted average interest rate					5.6		6.3	

The loans have the following repayment profile:

DKK '000 Repayment year	Amount
2005	44,184
2006	25,803
2007	0
2008	0
2009	0
2010 or later	344,677

Mortgage loans totalling DKK 415 million are secured on plant with a carrying amount of DKK 298 million at year end.

The fair value of short-term and long-term loans corresponds essentially to the carrying amount.

Note 18 Income tax receivable and payable

	Group		Parent company	
DKK '000	**2004**	**2003**	**2004**	**2003**
Income tax receivable at 1 January	45,084	0	31,651	0
Addition by merger	0	0	11,376	0
Adjustments of current tax re prior years	1,758	17,487	1,758	8,032
Payments in respect of prior years	(44,785)	0	(44,785)	0
Current tax for the year	0	(424,869)	0	(424,869)
Tax on equity	0	(33,512)	0	(33,512)
Payments for the year	2,339	485,978	0	482,000
Income tax receivable at 31 December	4,396	45,084	0	31,651
Income tax payable at 1 January	60	85,719	0	85,719
Addition by merger	0	0	(2,916)	0
Adjustments of current tax re prior years	(2,916)	(2,364)	0	(2,364)
Payments in respect of prior years	(60)	(83,355)	0	(83,355)
Current tax for the year	344,140	60	344,081	0
Tax on equity	(107,831)	0	(107,831)	0
Payments for the year	(173,059)	0	(173,000)	0
Income tax payable at 31 December	60,334	60	60,334	0

Note 19 Other payables

	Group		Parent company	
DKK '000	**2004**	**2003**	**2004**	**2003**
Fair value of derivative financial instruments	782,919	439,285	782,919	439,285
Interest payable	112	6,362	112	6,362
Deposits	38	38	0	0
Taxes and duties	220,496	150,063	189,441	93,018
Holiday pay obligations	13,116	10,021	12,982	10,021
Other	324	32,174	322	31,941
Other payables at 31 December	1,017,005	637,943	985,776	580,627

Note 20 Deferred income

Deferred income comprises prepayments from customers and the value of gas received free of charge. These amounts are recognised over a number of years.

Deferred income can be broken down as follows:

	Group		Parent company	
DKK '000	**2004**	**2003**	**2004**	**2003**
Prepayments	75,980	92,583	75,975	92,414
Value of gas received free of charge	102,063	131,083	102,063	131,083
Other	125,363	141,363	125,363	141,363
Deferred income at 31 December	303,406	365,029	303,401	364,860

Notes to the cash flow statement

Note 21 Cash flows from operations (operating activities)

	Group		Parent company	
DKK '000	**2004**	**2003**	**2004**	**2003**
Operating profit (EBIT)	1,572,745	1,847,762	1,576,653	1,851,424
Profits of Group enterprises	0	0	2,410	(7,827)
Depreciation, amortisation and impairment losses	333,943	299,390	332,972	299,390
Other corrections	58,498	0	41,069	7,827
Cash flows from operations (operating activities) before changes in working capital	1,965,186	2,147,152	1,953,104	2,150,814
Change in inventories	(238,337)	104,039	(238,332)	104,039
Change in trade receivables	(516,929)	(691,871)	(147,111)	(179,369)
Change in receivables	(4,875)	(2,515,992)	(546,073)	(2,454,152)
Change in trade payables, etc.	568,865	96,681	556,740	96,681
Change in other payables	190,966	1,050,522	(577,973)	460,248
Changes in working capital	(310)	(1,956,621)	(952,749)	(1,972,553)
Cash flows from operating activities (EBIT)	1,964,876	190,531	1,000,355	178,261

Note 22 Acquisition of Group enterprises

Acquisition of the subsidiaries DONG Individuelle Vilkår A/S, DONG Faste Vilkår A/S and DONG Germany GmbH. The value of the acquired assets and liabilities is as follows:

	Group		**Parent company**	
DKK '000	**2004**	**2003**	**2004**	**2003**
Intangible assets	10,805	0	0	0
Property, plant and equipment	101,304	0	0	0
Investments	4,215	0	11,021	0
Inventories	1,297	0	0	0
Receivables	0	0	0	193
Cash	82	0	0	0
Provisions	(4,197)	0	0	0
Liabilities other than provisions	(100)	0	0	0
Acquisition cost	113,406	0	11,021	193
Cost	0	0	0	0
Portion recognised as purchase price payable	0	0	0	0
Acquired cash	(82)	0	0	0
Cash purchase price	113,324	0	11,021	193

Note 23 Cash and cash equivalents

DKK '000	Group 2004	Group 2003	Parent company 2004	Parent company 2003
Cash and cash equivalents at 31 December include:				
Securities	0	630,303	0	630,303
Cash	131,307	484,640	65,487	474,023
Bank overdrafts	(479,784)	0	(475,320)	0
Cash and cash equivalents at 31 December	(348,477)	1,114,943	(409,833)	1,104,326

Cash at 31 December can be broken down into the following balance sheet items:

DKK '000	Group 2004	Group 2003	Parent company 2004	Parent company 2003
Available cash	131,307	484,640	65,487	474,023
Cash not available for use	0	0	0	0
Cash at 31 December	131,307	484,640	65,487	474,023
Payables to credit institutions at 31 December can be broken down as follows:				
Bank overdrafts	(479,784)	0	(475,320)	0
Payables to credit institutions at 31 December	(479,784)	0	(475,320)	0

Notes without reference

Note 24 Currency risks, interest rate risks and oil and gas price risks

As part of its financial management, DONG hedges currency risks, interest rate risks, oil and gas price risks and electricity price risks. Full or partial hedging of recognised assets and liabilities (hedging of fair value) and of future transactions (hedging of cash flows) is carried out in accordance with the framework laid down in the financial risk policy implemented by DONG. Both primary financial instruments, primarily loans (only currency risks), and derivative financial instruments such as forwards, swaps and options, are used as hedges.

Currency risks

Recognised assets and liabilities (hedging of fair values)

DKK ‘000

Currency	Receiv-ables	Liabilities other than provi-sions	Hedged using forward exchange contracts and currency swaps	Net position
EUR	185,730	(154,221)	0	31,509
USD	0	(4,154)	0	(4,154)
GBP	6,273	0	0	6,273
SEK	248,999	(251,749)	0	(2,750)
NOK	88	0	0	88
CHF	1,865	0	0	1,865
	442,955	(410,124)	0	32,831

Note 24 Currency risks, interest rate risks and oil and gas price risks (continued)

Future transactions (hedging of cash flows)

DONG uses forward exchange contracts, currency options and loans denominated in foreign currencies to hedge expected future currency risks related to purchases and sales. Hedging is primarily of USD within fixed ceilings of the expected net positions. Financial instruments used for currency hedging of expected future transactions can be broken down as follows:

DKK '000	Term	Contractual principal 2004	Contractual principal 2003	Fair value 2004	Fair value 2003	Of which recognised in equity 2004	Of which recognised in equity 2003
Forward exchange contracts	0-4 years	1,169,321	1,638,800	163,725	242,182	163,525	242,183
Currency swaps	0-5 years	656,112	1,131,944	221,341	297,055	139,343	230,821
Currency options	0 years	0	235,200	0	26,682	0	26,684
Derivative financial instruments, total		1,825,433	3,005,944	385,066	565,919	302,868	499,687
Loans in foreign currency	0 years	0	0	0	0	0	0
Financial instruments, total		1,825,433	3,005,944	385,066	565,919	302,868	499,687

Equity at 31 December 2004 also includes realised net gains on financial instruments, DKK 276,189,000 (31 December 2003: DKK 61,288,000) for later recognition in the income statement.

Interest rate risks

Interest rate risks are the risk that changes in agreed interest rates beyond the Group's control lead to increased interest expense or reduced interest income for the Group.

Contractual review and maturity dates for the Group's financial assets and liabilities, depending on which date occurs first.

	Term				
Category	**0-1 years**	**1-5 years**	**> 5 years**	**Total**	**Effective interest rate (per cent)**
Other securities	12	36	26	74	7-14
Trade receivables	1,888	0	0	1,888	0
Other receivables	1,062	0	0	1,062	0
Group companies	2,730	0	0	2,730	0
Mortgages and bank loans	(44)	(26)	(345)	(415)	3-5
Other short-term liabilities other than provisions	(2,377)	0	0	(2,377)	0
	3,271	10	(319)	2,962	

Note 24 Currency risks, interest rate risks and oil and gas price risks (continued)

Oil and gas price risks

DONG engages in oil options and oil swaps to hedge the oil and gas price risks associated with its expected future purchases and sales. The expected crude oil equivalent net position is hedged within fixed ceilings. Derivative financial instruments used for hedging expected future transactions:

DKK '000	Term	Contractual principal 2004	Contractual principal 2003	Fair value 2004	Fair value 2003	Of which recognised in equity 2004	Of which recognised in equity 2003
Oil swaps	0-3 years	998,101	1,879,094	(525,729)	(275,260)	(525,729)	(275,260)
Oil options	0-4 years	1,330,073	1,849,966	15,540	18,591	0	0
Gas swaps	0-4 years	337,971	0	(19,023)	0	(19,023)	0
Electricity swaps	1-5 years	199,465	0	6,855	0	6,855	0
		2,865,610	3,729,060	(522,357)	(256,669)	(537,897)	(275,260)

Equity at 31 December 2004 also includes realised net gains on financial instruments for hedging of oil and gas price risks for later recognition in the income statement of minus DKK 114,884,000 (31 December 2003: DKK 0.).

Note 25 Credit risks

Credit risks are the risk that a book loss will be realised in the event of a party to an agreement being unable to perform its obligations under the agreement.

The Group's credit risk comprises primarily trade receivables from the sale of oil and natural gas. Credit rating of customers and other business partners is carried out on a regular basis to generally minimise this risk.

The amounts with which the items in question feature in the balance sheet correspond to the Group's maximum credit risk. Losses on receivables from individual customers or business partners have historically been relatively low. In the company's opinion, there are no special concentrations of credit risks.

The Group's credit risk in connection with derivative financial instruments is limited as they have primarily been entered into with major international banks with a high credit rating.

Note 26 Contingent liabilities and other liabilities

At year end the Group and the parent company had the following contingent and other liabilities:

Guarantee obligations
DONG Naturgas is party to gas purchase agreements with Dansk Undergrunds Consortium (DUC), gas sales agreements and transportation agreements with Nova Naturgas AB (formerly Vattenfall Naturgas AB), and BEB, and the parent company DONG stands as guarantor for fulfilment of these agreements. DONG Naturgas also stands as guarantor vis-à-vis Gastra A/S concerning gas sales agreements and transportation agreements with Ruhrgas.

Liability to pay compensation (strict liability)
According to the legislation, DONG Naturgas is liable in tort for any damage caused by the companies' natural gas activities, even where there is no proof of negligence (strict liability). The usual insurance has been taken out to cover any such claims.

Litigation
DONG Naturgas is not engaged in any proceedings in which claims for compensation have been raised against DONG Naturgas or in which claims can otherwise be advanced against DONG Naturgas that could affect the Group's financial position.

Other contingent liabilities
DONG Naturgas and the regional companies HNG and Midt-Nord have concluded an agreement under which DONG Naturgas will provide a financial guarantee securing HNG and Midt-Nord the necessary annual income from transportation activities to pay off their debt in 2014. From 1 January 2005 the guarantee is limited to a sum of DKK 285 million, which will be written down successively by DKK 15 million annually from 1 January 2005 to 1 January 2012. DONG Naturgas' maximum payment obligation will also be written down by the amounts paid in total by DONG Naturgas from the 2004 calendar year.
In connection with the unbundling of the former DONG Naturgas, the receiving companies, DONG Distribution, DONG Lager, DONG Naturgas and DONG Faste Vilkår, are liable for any obligations in the discontinuing company that existed at the time of publication of the unbundling plan, although only up to an amount equivalent to the added or remaining net value at the time of publication. As a consequence of the subsequent merger between DONG Ejendomme and DONG A/S, DONG A/S has taken over DONG Ejendomme' liability. Likewise, DONG Naturgas has subsequently taken over DONG Individuelle Vilkår's liability by merger.

The company is jointly and severally liable with the other companies in the joint taxation for payment of tax on the joint taxable income.

Note 27 Related party transactions

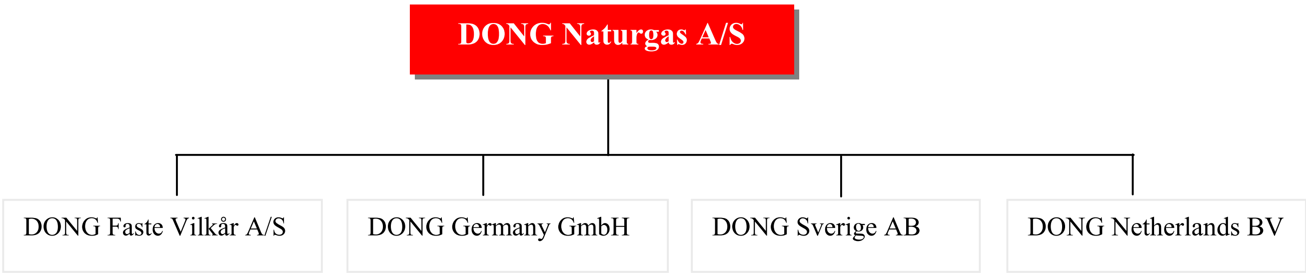
Related parties that have control over the Group and the parent company comprise DONG A/S and the Danish State, represented by the Danish Ministry of Finance, which is the sole owner of the parent company DONG.

Related parties that exercise significant influence comprise the companies' Supervisory and Executive Boards, senior executives and close members of their families. Related parties also comprise companies over which the persons referred to above exercise significant influence.

The Group and the parent company were involved in the following transactions with related parties in the year under review:

Apart from intra-Group transactions that have been eliminated in the consolidated financial statements and apart from normal management remuneration, there have been no transactions with the Supervisory or Executive Boards, senior executives, the Danish State or any other related parties during the year under review. Remuneration to the Supervisory and Executive Boards is disclosed in note 2.

Note 28 Group structure



Company name	Registered office	Cur-rency	Share capital in millions	DONG Group's ownership interest
DONG Naturgas A/S	Birkerød, Denmark	DKK	1,020	100
DONG Faste Vilkår A/S	Birkerød, Denmark	DKK	10	100
DONG Sverige AB	Gothenburg, Sweden	SEK	0.1	100
DONG Netherlands BV	Amsterdam, the Netherlands	EUR	0.018	100
DONG Germany GmbH*	Dorsten, Germany	EUR	0.025	100

* Subsidiaries that are not audited by the parent company's auditors.