DONG Naturgas A/S

ANNUAL REPORT 2007

(Reg. No. 27 21 05 38)

5th financial year

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Company information

Company	DONG Naturgas A/S Kraftværksvej 53, Skærbæk 7000 Fredericia Denmark Tel. +45 4517 1022 Fax +45 4517 1044 e-mail dongenergy@dongenergy.dk Reg. No. 27 21 05 38
Shareholders	The entire share capital is held by DONG Energy A/S
Supervisory Board	Anders Eldrup (Chairman) Carsten Krogsgaard Thomsen (Deputy Chairman) Marianne Wiinholt Hanne Blume
Executive Board	Kurt Bligaard Pedersen
Auditors	KPMG C.Jespersen, Statsautoriseret Revisionsinteressentskab Borups Allé 177 2000 Frederiksberg Denmark
Annual General Meeting	24 April 2008
Other managerial posts	Managerial posts held by the members of the Executive and Supervisory Boards of DONG Naturgas A/S in other Danish public limited companies, with the exception of the company's own wholly-owned subsidiaries
Anders Eldrup	DONG E&P A/S (Chairman), DONG Energy Oil & Gas A/S (Chairman), DONG Energy Sales & Distribution A/S (Chairman), DONG Energy Generation A/S (Chairman), Energigruppen Jylland El A/S (Chairman), Energigruppen Jylland El Holding A/S (Chairman), EM El Holding A/S (Chairman), ENERGI E2 A/S (Chairman), DONG Energy Power A/S (Deputy Chairman), DONG Energy A/S (member of the Executive Board) and managerial posts in the DONG Energy Group's other companies
Carsten Krogsgaard Thomsen	DONG Energy Sales & Distribution A/S (Deputy Chairman), DONG Energy Generation A/S (Deputy Chairman), Energigruppen Jylland A/S (Deputy Chairman), ENERGI E2 A/S (Deputy Chairman), NNIT A/S (member of the Supervisory Board), EM El Holding A/S (Deputy Chairman), DONG Energy Power A/S (member of the Supervisory Board), Energigruppen Jylland El Holding A/S (Deputy Chairman), Energigruppen Jylland El A/S (Deputy Chairman), Energigruppen Jylland Varme A/S (Deputy Chairman), DONG EGJ A/S (Chairman), DONG El A/S (Chairman), DONG E&P A/S (Deputy Chairman), DONG Insurance A/S (Chairman), DONG Energy A/S (member of the Executive Board) and managerial posts in the DONG Energy Group's other companies
Marianne Wiinholt	DONG Oil Pipe A/S (Chairman), Energigruppen Jylland A/S (member of the Supervisory Board), DONG Insurance A/S (Deputy Chairman), DONG E&P A/S (member of the Supervisory Board), DONG EL A/S (Deputy Chairman), DONG Storage A/S (member of the Supervisory Board), DONG Gas Distribution A/S (Chairman) and managerial posts in the DONG Energy Group's other companies

Hanne Blume	DONG Energy Generation A/S (member of the Supervisory Board), VICH 7443 A/S (Chairman), ENERGI E2 A/S (member of the Supervisory Board), DONG Energy Power A/S (member of the Supervisory Board), DONG Energy Oil & Gas A/S (member of the Supervisory Board), Inbicon A/S (member of the Supervisory Board) and managerial posts in the DONG Energy Group's other companies
Kurt Bligaard Pedersen	BRF Holding A/S (Deputy Chairman), BRF Kredit A/S (Deputy Chairman) and managerial posts in the DONG Energy Group's other companies

Statement by the Executive and Supervisory Boards

The Executive and Supervisory Boards have today considered and approved the annual report of DONG Naturgas A/S for the financial year 2007.

The annual report has been prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for annual reports of listed and state-owned public limited companies. We consider the accounting policies used to be appropriate. Accordingly, the annual report gives a true and fair view of the Group's and the parent company's financial position at 31 December 2007 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 2007.

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

Fredericia, 16 April 2008

Executive Board:

Kurt Bligaard Pedersen
President

Supervisory Board:

Anders Eldrup *Chairman*	Carsten Krogsgaard Thomsen *Deputy Chairman*	Marianne Wiinholt
Hanne Blume		

Independent 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 2007, which comprises the Statement by the Executive and Supervisory Boards, the management's review, accounting policies, income statement, balance sheet, statement of changes in equity, cash flow statement and notes for the Group as well as the parent company. The annual report has been prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for annual reports of listed and state-owned public limited companies.

Management's responsibility for the annual report

Management is responsible for the preparation and fair presentation of the annual report in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for annual reports of listed and state-owned public limited companies. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of an annual report that is free from material misstatement, whether due to fraud or error; selecting and using appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility and basis of opinion

Our responsibility is to express an opinion on the annual report based on our audit. We conducted our audit in accordance with Danish Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the annual report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual report. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the annual report, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Company's preparation and fair presentation of the annual report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the annual report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit 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 2007 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 2007 in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for annual reports of listed companies and state-owned public limited companies.

Copenhagen, 16 April 2008

KPMG C. Jespersen
Statsautoriseret Revisionsinteressentskab

Flemming Brokhattingen
State Authorised Public Accountant

Torben Bender
State Authorised Public Accountant

Management's review

Activities
The company's objects are to contribute to a well-functioning and stable energy market in Denmark by engaging, directly or indirectly, in Denmark and internationally, on commercial terms, in procurement, treatment and transportation of and trading in natural gas and power as well as other relevant forms of energy and related products and services.

The focus area for DONG Naturgas A/S is the Northern European market, where power, gas and related products are sold to customers in Denmark, Sweden, Germany and the Netherlands. As a natural extension of its sales activities, DONG Naturgas A/S offers service contracts, energy savings advice and financial products. The Group also owns North Sea gas pipelines and the gas pipelines that connect Denmark with the European gas infrastructure.

DONG Naturgas A/S is responsible for risk management relating to commodity prices for the whole of the DONG Energy Group. The main reason for this is to maintain and improve the DONG Energy Group's knowledge of prices and trends in the energy markets. DONG Naturgas A/S engages in trading for its own account to a limited extent.

Financial performance
Revenue was DKK 21,325.2 million, compared with DKK 22,739.8 million in 2006. The fall was due predominantly to milder weather in the first half of 2007, which led to lower demand for gas and reduced gas prices. The gas price on the Dutch TTF hub was consequently 25% down on 2006 on average. The lower hub prices led to falling sales to large wholesale customers and also reduced sales on TTF.
EBIT was DKK 1,270.9 million compared with DKK 2,947.6 million in 2006. EBIT was adversely affected by gas purchase allocations (outflow of approx. DKK 260 million in 2007 compared with inflow of approx. DKK 560 million in 2006), the time lag effect of gas contracts (outflow of approx. DKK 170 million in 2007 compared with inflow of approx. DKK 640 million in 2006) and the fact that gas purchases were more costly per m^3 as a result of purchases under purchase contracts with relatively less favourable price indexing than in 2006. In 2006, EBIT was adversely affected by a non-recurring charge of DKK 1,056 million relating to the termination of gas sales contracts.
Cash flow from operating activities was DKK 1,611.8 million, down from DKK 2,608.1 million in 2006, due mainly to a lower EBITDA. Net investments amounted to DKK 894.3 million versus DKK (132.2) million in 2006.

Energy supply
In 2007, more than 88% of DONG Naturgas A/S's gas supplies came from long-term take-or-pay contracts. Under these contracts, DONG Naturgas A/S must pay for a specific volume of gas, regardless of whether it actually takes the gas in question. Most of the gas was delivered from the Danish sector of the North Sea under bilateral contracts with the DUC partners, which comprise A.P. Møller - Mærsk A/S, Shell Olie- og Gasudvinding Danmark B.V. and Chevron Denmark Inc.

The long-term objective is to diversify the long-term gas supply, in particular by pushing for a larger proportion of equity gas. It is expected that the DONG Energy Group's production of equity gas will increase considerably in future through the Group's 10.342% stake in the Ormen Lange field. This will underpin the objective that 30% of the gas requirement must be met by equity gas.

DONG Naturgas A/S has also signed a number of contracts with Russian Gazprom/Wingas on purchase of Russian gas for the Northern European market in return for gas deliveries in the UK, where the Ormen Lange gas will come ashore.

To promote free competition, the European Commission has imposed an obligation on DONG Naturgas A/S to hold an annual auction of 400 million m^3 of gas to buyers in the Danish market. In return for the auctioned volumes DONG Naturgas A/S receives corresponding deliveries to exchanges in the UK, Belgium, the Netherlands and Germany.

Trading in the energy markets
DONG Naturgas A/S is active in the trading in the Northern European energy markets. The physical trading volume amounted to 7,225 million m³ of gas in 2007 compared with 8,202 million m³ of gas in 2006, and 10,893 GWh of power in 2007 compared with 5,870 GWh in 2006. Trading on power exchanges and gas hubs secures balance between the supply sources and customer demand.

DONG Naturgas A/S predominantly trades in physical and financial power, natural gas, coal, oil and CO_2 certificates.

The trade in gas takes place at gas hubs in the Netherlands, Belgium, Germany and the UK. Power is traded physically and financially and under short-term and long-term contracts on the Nordic Nord Pool exchange, the German EEX exchange and the Dutch APX exchange. It is also traded bilaterally with other energy companies and sales companies in Northern Europe. Power supplies and price hedging agreements to the company's customers are one of the results of this trade.
The short-term and long-term costs of CO_2 are hedged by trading in CO_2 in the European allowances trading market, and are reduced by using the flexible mechanisms under the Kyoto Protocol, where CO_2 credits are secured through participation in projects in Eastern Europe and developing countries that benefit the environment and the climate.

DONG Naturgas A/S and the customers
Gas sales reached 7,225 million m^3 in 2007, with domestic sales accounting for 36%. DONG Naturgas A/S is the largest seller of gas to end customers in Denmark.

DONG Naturgas A/S's market share of total gas sales to end customers in Denmark was 44% compared with 47% in 2006 (the market share does not include the volume of gas used for DONG Energy's thermal power generation). The declining market share was expected as a result of the liberalisation of the gas market. DONG Naturgas A/S endeavours to maintain a strong position by spreading its operations geographically and across customer segments.

In 2007, gas sales to Danish customers amounted to 1,824 million m³, 1,314 million m³ of which was sold to end customers, i.e. customers that buy gas for own consumption, and 510 million m³ of gas was sold to wholesale customers.

In the supply area, DONG Naturgas A/S is under obligation to deliver gas to any end customer requesting it. The price of gas to such customers is publicly regulated.

Sales to other customer groups are not publicly regulated. This enables DONG Naturgas A/S to offer a broad range of gas products aligned to different price scenarios and customer needs.

In 2007, DONG Naturgas A/S sold about 64% of its gas to customers in Germany, the Netherlands and Sweden, compared with about 61% the previous year. Sales to end customers amounted to 658 million m³ and sales to wholesale customers amounted to 4,001 million m³.

In Germany, DONG Naturgas A/S sold 2,293 million m^3 of gas. 1,827 million m^3 was sold under long-term contracts with E.ON Ruhrgas, Shell and ExxonMobil. The remaining sales in Germany are taken care of by a partly-owned sales company, DONG Energy Sales GmbH. This company markets supply and partnership concepts to regional distribution companies and large industrial customers. DONG Naturgas A/S also has a 25.1% stake in the sales and distribution company Stadtwerke Lübeck with customers in the Lübeck area.

In the Netherlands, gas sales totalled 819 million m^3. DONG Naturgas A/S has 124,774 end customers in the Dutch market, including about 95% residential customers.

In Sweden, gas sales amounted to 887 million m^3, including 616 million m^3 to wholesale customers and 271 million m^3 to business customers. Additional contracts for sale of gas and related products to large industrial enterprises and small and medium-sized businesses were concluded. The Swedish gas network is only developed for supplying southwestern Sweden.

Gas infrastructure
DONG Naturgas A/S takes care of DONG Energy's commercial interests relating to a number of infrastructure assets. The value creation from these is predominantly achieved by utilising the increased flexibility created by these assets as far as concerns transport and storage of equity and third-party gas. DONG Naturgas A/S owns or part-owns a number of gas pipelines that enable it to deliver gas from the DUC fields and elsewhere on the Danish shelf to Denmark and the European gas infrastructure.

In 2007, for the first time, DONG Naturgas A/S entered into contracts on external access to the North Sea gas pipelines with Shell and Chevron. The gas transported by Shell and Chevron came from the DUC fields in the North Sea.

DONG Naturgas A/S is in the process of building up a portfolio of long-term leases relating to gas storage facilities in Northern Europe. The reason for this is to achieve greater flexibility in connection with deliveries to customers in Germany and the Netherlands. Contracts securing about 380 million m^3 of working gas capacity in Germany are already in place. In December 2007, DONG Naturgas A/S concluded a contract securing an annual import capacity of up to 3 billion m^3 of liquefied gas (LNG) at a receiving and regasification terminal to be built in Rotterdam. Conversion of gas to LNG enables transportation of gas by sea from remote fields lacking a pipeline connection. The contract helps to diversify the gas supply. The terminal is expected to be in operation in 2011 and the term of the contract is 20 years. The right to capacity is purchased on a take-or-pay basis. The DONG Naturgas Group has also acquired a 5% stake in the terminal.

Risk management
DONG Naturgas' activities, financial position, results and future growth are affected by a number of non-financial and financial commercial risks. DONG Naturgas A/S therefore regularly reviews its risk profile and the associated risk policies to ensure that there is always an appropriate balance between the risk exposure and its activities.

Formalised risk management is divided into management of general commercial risks, management of financial risks, and management of insurable risks. Commercial risks are defined as events that may with a certain probability adversely impact on the realisation of financial results or strategy.

Commercial risks
The management of the commercial risks is anchored in the individual segments in the DONG Energy Group and consolidated at corporate level through the close monitoring of the 20 largest risks. The identified commercial risks cover a wide range of risks, including market, physical safety and environmental scenarios. The main non-financial commercial risks are described below.

In addition to these risks, DONG Naturgas is or may become involved in litigation or arbitration proceedings the outcome of which may impact on its financial position.

Long-term gas procurement
As gas resources in the Danish sector of the North Sea decline, DONG Energy focuses on procuring gas by entering into new long-term gas contracts and through new equity production. As an example of new agreements, a 20-year gas supply agreement was signed with Gazprom in June 2006. The DONG Energy Group's acquisition of the stake in the Ormen Lange field and the expected development of the area at the Shetland Islands are examples of increased equity production.

In order to secure future gas supplies to Denmark, DONG Naturgas is looking into various possibilities for establishing new gas infrastructure to Denmark.

Retention and development of skills
DONG Naturgas' business is generally highly complex, requiring special skills. Coupled with the growing demand for talent, this increases the challenge of attracting and retaining employees.
DONG Naturgas places much emphasis on making the company an attractive workplace, and various initiatives have been put in motion to this end. These include management development, skills development, performance systems, nurturing talent, and collaboration with educational institutions.

Insurable risks

In connection with the establishment of the DONG Energy Group, a mapping of risks associated with the DONG Energy Group's assets and activities, including those of the DONG Naturgas Group, was undertaken with a view to identifying any potential claims scenarios and evaluating the potential costs for each of these claims scenarios. Property insurance and liability insurance have been taken out based on the identified claims scenarios.

DONG Energy has an extensive insurance programme for properties and liabilities, while the scope of consequential loss insurance is very limited. To this should be added the fact that separate insurance is taken out for some large construction projects. A substantial part of the property insurance cover follows from membership of the reinsurance company Oil Insurance Ltd. Through this membership assets up to USD 250 million are covered, with an excess of USD 5 million. With a view to achieving adequate cover for a number of large assets, this cover has been supplemented by a number of supplementary insurances through Lloyd's of London and others. As part of the optimisation of the insurance portfolio, a captive, DONG Insurance A/S, has been established that is authorised to carry on insurance business and is subject to supervision by the Danish Financial Supervisory Authority. DONG Insurance A/S has been used in relation to providing insurance coverage for property and certain construction projects.

Further details of risk management in DONG Naturgas A/S are given in note 27.

Financial highlights - DONG Naturgas Group

DKK million	*2007	*2006	*2005	*2004	2003
Income statement					
Revenue	21,325.2	22,739.8	13,879.0	10,022.2	9,988.5
Profit before interest, tax, depreciation and amortisation (EBITDA)	1,656.1	3,455.4	2,907.0	1,906.7	2,147.2
Operating profit (EBIT)	1,270.9	2,947.6	2,580.9	1,572.7	1,847.8
Financial income and expenses, net	30.4	60.9	15.5	60.9	(77.7)
Profit before tax	1,285.1	2,794.8	2,608.5	1,633.6	1,770.0
Profit for the year	1,055.6	1,947.8	1,944.1	1,136.9	1,237.1
Balance sheet					
Equity	6,553.3	7,449.9	6,794.8	6,499.8	6,857.0
Balance sheet total	21,729.5	25,843.8	15,263.0	11,046.8	10,488.6
Cash flows					
Operating activities	1,611.8	2,608.1	2,388.3	1,900.5	(456.5)
Investments in property, plant and equipment	(9.0)	(24.0)	(49.6)	(330.9)	(383.2)
Investing activities	894.3	(132.2)	(1,764.5)	(604.8)	(858.2)
Financing activities	(2,282.8)	(2,095.2)	(143.7)	(2,759.1)	(772.0)
Financial ratios					
EBITDA margin	8%	15%	21%	19%	21%
EBIT margin	6%	13%	19%	16%	18%
Free cash flows to equity (with acquisitions)	2,506.1	2,475.9	4,152.8	2,505.3	401.7
Free cash flows to equity (without acquisitions)	2,532.2	2,470.7	5,002.7	2,392.3	401.7
Net interest-bearing debt	(550.1)	(929.0)	(1,546.0)	(2,330.2)	(2,273.9)
Invested capital	6,188.9	6,422.9	4,681.3	4,118.0	4,783.1
Financial gearing	(0.08)	(0.13)	(0.23)	(0.36)	(0.33)
Number of employees at year end	356	375	234	213	184

* The financial highlights for 2004, 2005, 2006 and 2007 have been prepared in accordance with International Financial Reporting Standards as adopted by the EU, see the section on accounting policies, page 31. The comparative figures for 2003 have not been restated to reflect International Financial Reporting Standards as adopted by the EU, but have been prepared in accordance with the Danish Financial Statements Act and Danish Accounting Standards. The company was established on 1 January 2003.

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

DKK million	Note	**2007**	**2006**
Revenue	3,4	21,325.2	22,739.8
Production costs	5,6	(19,102.4)	(18,096.7)
Gross profit		2,222.8	4,643.1
Sales and marketing	5,6,7	(711.5)	(442.7)
Management and administration	5,6,7	(243.0)	(199.6)
Other operating income and expenses	8	2.6	(1,053.2)
Operating profit (EBIT)		1,270.9	2,947.6
Share of profit (loss) after tax of associates	15	(16.2)	(213.7)
Financial income	9	208.0	272.0
Financial expenses	10	(177.6)	(211.1)
Profit before tax		1,285.1	2,794.8
Income tax expense	11	(229.5)	(847.0)
Profit for the year		1,055.6	1,947.8

Attributable to:			
Equity holders of DONG Naturgas A/S		1,055.2	1,948.0
Minority interests		0.4	(0.2)
		1,055.6	1,947.8
Earnings (EPS) and diluted earnings (DEPS) per DKK 1,000 share, in whole DKK	12	1,035	1,910
Proposed dividend (DPS) per DKK 1,000 share, in whole DKK		1,105	1,817
Dividend paid (DPS) per DKK 1,000 share, in whole DKK		1,817	1,862
Payout ratio (%)		107	95

Consolidated balance sheet at 31 December

DKK million	Note	2007	2006
Assets			
Goodwill		322.0	322.4
Rights		1,590.9	1,693.8
Completed development projects		85.9	26.2
In-process development projects and prepayments for intangible assets		37.3	12.4
Intangible assets	13	2,036.1	2,054.8
Land and buildings		2.1	2.1
Production assets		3,151.8	3,422.8
Fixtures and fittings, tools and equipment		10.8	11.4
Property, plant and equipment in the course of construction		39.7	32.7
Property, plant and equipment	14	3,204.4	3,469.0
Investments in associates	15	299.6	335.6
Other equity investments	15	26.1	0.0
Deferred tax	19	20.5	2.5
Receivables	17	56.9	62.8
Other non-current assets		403.1	400.9
Non-current assets		5,643.6	5,924.7
Inventories	16	772.1	936.5
Receivables	17	13,909.1	18,327.1
Income tax receivable	23	16.1	10.7
Cash and cash equivalents	26	1,388.6	644.8
Current assets		16,085.9	19,919.1
Assets		21,729.5	25,843.8

Consolidated balance sheet at 31 December

DKK million	Note	**2007**	**2006**
Equity and liabilities			
Share capital		1,020.0	1,020.0
Hedging reserve		(55.5)	39.5
Translation reserve		(1.0)	1.1
Retained earnings		4,461.0	4,533.5
Proposed dividends		1,127.0	1,853.0
Equity attributable to equity holders of DONG Naturgas A/S		6,551.5	7,447.1
Minority interests		1.8	2.8
Equity	18	6,553.3	7,449.9
Deferred tax	19	888.0	952.9
Provisions	20	332.4	148.8
Bank loans	21	0.0	344.7
Payables to group enterprises	21	632.5	746.2
Other payables	22	0.0	2.6
Non-current liabilities		1,852.9	2,195.2
Bank loans	21,26	635.3	112.5
Other payables	22	12,522.7	15,474.4
Income tax payable	23	165.3	611.8
Current liabilities		13,323.3	16,198.7
Liabilities		15,176.2	18,393.9
Equity and liabilities		21,729.5	25,843.8

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

DKK million	Share capital	Hedging reserve	Translation reserve	Retained earnings	Proposed dividends	Equity attributable to equity holders of DONG Naturgas	Minority interests	Total
Equity at 1 January 2006	1,020.0	(567.5)	1.1	4,438.7	1,899.4	6,791.7	3.1	6,794.8
Value adjustments of hedging instruments	0.0	707.4	0.0	0.0	0.0	707.4	0.0	707.4
Value adjustments of hedging instruments transferred to revenue	0.0	135.7	0.0	0.0	0.0	135.7	0.0	135.7
Tax on equity items	0.0	(236.1)	0.0	0.0	0.0	(236.1)	0.0	(236.1)
Other adjustments	0.0	0.0	0.0	0.0	0.0	0.0	(0.1)	(0.1)
Net gains recognised directly in equity	0.0	607.0	0.0	0.0	0.0	607.0	(0.1)	606.9
Profit for the year	0.0	0.0	0.0	1,947.8	0.0	1,947.8	(0.2)	1,947.6
Total income and expense for the year	0.0	607.0	0.0	1,947.8	0.0	2,554.8	(0.3)	2,554.5
Proposed dividends	0.0	0.0	0.0	(1,853.0)	1,853.0	0.0	0.0	0.0
Dividends paid	0.0	0.0	0.0	0.0	(1,899.4)	(1,899.4)	0.0	(1,899.4)
Total changes in equity in 2006	0.0	607.0	0.0	94.8	(46.4)	655.4	(0.3)	655.1
Equity at 31December 2006	1,020.0	39.5	1.1	4,533.5	1,853.0	7,447.1	2.8	7,449.9

DKK million	Share capital	Hedging reserve	Translation reserve	Retained earnings	Proposed dividends	Equity attributable to equity holders of DONG Naturgas	Minority interests	Total
Equity at 1 January 2007	1,020.0	39.5	1.1	4,396.0	1,853.0	7,309.6	2.8	7,312.4
Prior year adjustment	0.0	0.0	0.0	137.5	0.0	137.5	0.0	137.5
Restated equity at 1 January 2007	1,020.0	39.5	1.1	4,533.5	1,853.0	7,447.1	2.8	7,449.9
Foreign exchange adjustments, foreign companies	0.0	0.0	(2.1)	0.0	0.0	(2.1)	-	(2.1)
Value adjustments of hedging instruments	0.0	(274.8)	0.0	0.0	0.0	(274.8)	-	(274.8)
Value adjustments of hedging instruments transferred to revenue	0.0	146.0	0.0	0.0	0.0	146.0	0.0	146.0
Change in income tax rate	0.0	1.6	0.0	0.0	0.0	1.6	-	1.6
Tax on equity items	0.0	32.2	0.0	0.0	0.0	32.2	-	32.2
Other adjustments	0.0	0.0	0.0	(0.7)	0.0	(0.7)	(1.4)	(2.1)
Net gains recognised directly in equity	0.0	(95.0)	(2.1)	(0.7)	0.0	(97.8)	(1.4)	(99.2)
Profit for the year	0.0	0.0	0.0	1,055.2	0.0	1,055.2	0.4	1,055.6
Total income and expense for the year	0.0	(95.0)	(2.1)	1,054.5	0.0	957.4	(1.0)	956.4
Proposed dividends	0.0	0.0	0.0	(1,127.0)	1,127.0	0.0	0.0	0.0
Dividends paid	0.0	0.0	0.0	0.0	(1,853.0)	(1,853.0)	0.0	(1,853.0)
Total changes in equity in 2007	0.0	(95.0)	(2.1)	(72.5)	(726.0)	(895.6)	(1.0)	(896.6)
Equity at 31 December 2007	1,020.0	(55.5)	(1.0)	4,461.0	1,127.0	6,551.5	1.8	6,553.3

Consolidated cash flow statement for the year ended 31 December

DKK million	Note	2007	2006
Cash flows from operations (operating activities)	24	1,995.0	2,966.7
Interest income and similar items		598.3	301.4
Interest expense and similar items		(251.8)	(139.3)
Income tax paid		(729.7)	(520.7)
Cash flows from operating activities		1,611.8	2,608.1
Acquisition of intangible assets		(106.1)	(102.2)
Acquisition of property, plant and equipment		(9.0)	(24.0)
Sale of property, plant and equipment		0.1	0.2
Financial transactions with group enterprises		1,028.8	0.0
Financial transactions with associates		0.3	0.0
Acquisition of other equity investments and securities		(26.1)	0.0
Sale of other equity investments and securities		5.9	5.2
Dividends received		0.4	3.9
Cash flows from investing activities		894.3	(132.2)
Instalments on loans		(427.9)	(188.3)
Dividends paid to shareholders in the parent company		(1,853.0)	(1,899.4)
Dividends paid to minority shareholders		(1.9)	(7.5)
Cash flows from financing activities		(2,282.8)	(2,095.2)
Net increase (decrease) in cash and cash equivalents		223.3	396.0
Cash and cash equivalents at 1 January		532.3	134.6
Foreign exchange adjustment of cash and cash equivalents		(2.3)	1.7
Cash and cash equivalents at 31 December	26	753.3	532.3

Parent company income statement for the year ended 31 December

DKK million	Note	2007	2006
Revenue	3,4	20,594.3	22,124.6
Production costs	5,6	(18,518.7)	(17,575.5)
Gross profit		2,075.6	4,549.1
Sales and marketing	5,6,7	(524.7)	(338.0)
Management and administration	5,6,7	(219.2)	(174.3)
Other operating income and expenses	8	2.1	(1,054.3)
Operating profit (EBIT)		1,333.8	2,982.5
Impairment losses for associates	15	0.0	(214.7)
Financial income	9	227.4	299.4
Financial expenses	10	(182.3)	(222.4)
Profit before tax		1,378.9	2,844.8
Income tax expense	11	(251.5)	(854.1)
Profit for the year		1,127.4	1,990.7

Proposal for distribution of profit

The Supervisory Board proposes that the profit for the year, DKK 1,127.4 million, be distributed as follows:

Dividends		1,127.0	1,853.0
Retained earnings		0.4	137.7
		1,127.4	1,990.7
Earnings (EPS) and diluted earnings (DEPS) per DKK 1,000 share, in whole DKK	12	1,105	1,952
Proposed dividend (DPS) per DKK 1,000 share, in whole DKK		1,105	1,817
Dividend paid (DPS) per DKK 1,000 share, in whole DKK		1,817	1,862
Payout ratio (%)		100	93

Parent company balance sheet at 31 December

DKK million	Note	2007	2006
Assets			
Rights		1,514.7	1,558.7
Completed development projects		85.9	26.2
In-process development projects and prepayments for intangible assets		37.2	12.4
Intangible assets	13	1,637.8	1,597.3
Land and buildings		2.1	2.1
Production assets		3,109.2	3,375.1
Fixtures and fittings, tools and equipment		2.7	3.0
Assets in the course of construction		39.7	32.7
Property, plant and equipment	14	3,153.7	3,412.9
Investments in subsidiaries	15	632.5	557.9
Investments in associates	15	328.7	328.7
Receivables	17	56.9	62.8
Other non-current assets		1,018.1	949.4
Non-current assets		5,809.6	5,959.6
Inventories	16	771.1	935.6
Receivables	17	13,764.5	18,014.9
Cash and cash equivalents	26	1,064.2	374.8
Current assets		15,599.8	19,325.3
Assets		21,409.4	25,284.9

Parent company balance sheet at 31 December

DKK million	Note	2007	2006
Equity and liabilities			
Share capital		1,020.0	1,020.0
Hedging reserve		(90.3)	38.9
Retained earnings		4,564.4	4,564.0
Proposed dividends		1,127.0	1,853.0
Equity	18	6,621.1	7,475.9
Deferred tax	19	766.5	834.4
Provisions	20	308.0	123.2
Bank loans	21	0.0	344.7
Payables to group enterprises	21	632.0	661.6
Other non-current liabilities	22	0.0	2.5
Non-current liabilities		1,706.5	1,966.4
Bank loans	21,26	571.1	0.0
Other payables	22	12,342.6	15,186.0
Income tax payable	23	168.1	656.6
Current liabilities		13,081.8	15,842.6
Liabilities		14,788.3	17,809.0
Equity and liabilities		21,409.4	25,284.9

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

DKK million	Share capital	Hedging reserve	Retained earnings	Proposed dividends	Total
Equity at 1 January 2006	1,020.0	(567.5)	4,426.3	1,899.4	6,778.2
Value adjustments of hedging instruments	0.0	706.6	0.0	0.0	706.6
Value adjustments of hedging instruments transferred to revenue	0.0	135.7	0.0	0.0	135.7
Tax on equity items	0.0	(235.9)	0.0	0.0	(235.9)
Net gains recognised directly in equity	0.0	606.4	0.0	0.0	606.4
Profit for the year	0.0	0.0	1,990.7	0.0	1,990.7
Total income and expense for the year	0.0	606.4	1,990.7	0.0	2,597.1
Proposed dividends	0.0	0.0	(1,853.0)	1,853.0	0.0
Dividends paid	0.0	0.0	0.0	(1,899.4)	(1,899.4)
Total changes in equity in 2006	0.0	606.4	137.7	(46.4)	697.7
Equity at 31 December 2006	1,020.0	38.9	4,564.0	1,853.0	7,475.9
Equity at 1 January 2007	1,020.0	38.9	4,426.5	1,853.0	7,338.4
Prior year adjustment	0.0	0.0	137.5	0.0	137.5
Restated equity at 1 January 2007	1,020.0	38.9	4,564.0	1,853.0	7,475.9
Value adjustments of hedging instruments	0.0	(74.9)	0.0	0.0	(74.9)
Value adjustments of hedging instruments transferred to revenue	0.0	(99.6)	0.0	0.0	(99.6)
Change in income tax rate	0.0	1.6	0.0	0.0	1.6
Tax on equity items	0.0	43.7	0.0	0.0	43.7
Net gains recognised directly in equity	0.0	(129.2)	0.0	0.0	(129.2)
Profit for the year	0.0	0.0	1,127.4	0.0	1,127.4
Total income and expense for the year	0.0	(129.2)	1,127.4	0.0	998.2
Proposed dividends	0.0	0.0	(1,127.0)	1,127.0	0.0
Dividends paid	0.0	0.0	0.0	(1,853.0)	(1,853.0)
Total changes in equity in 2007	0.0	(129.2)	0.4	(726.0)	(854.8)
Equity at 31 December 2007	1,020.0	(90.3)	4,564.4	1,127.0	6,621.1

Parent company cash flow statement for the year ended 31 December

DKK million	Note	2007	2006
Cash flows from operations (operating activities)	24	1,994.2	2,799.6
Interest income and similar items		576.8	289.9
Interest expense and similar items		(257.6)	(103.7)
Income tax paid		(762.0)	(535.2)
Cash flows from operating activities		1,551.4	2,450.6
Acquisition of intangible assets		(103.1)	(102.2)
Acquisition of property, plant and equipment	25	(6.1)	(14.7)
Adjustment concerning acquisition of associates		0.0	2.5
Financial transactions with group enterprises		948.2	0.0
Capital contributions in group enterprises	15	(74.6)	(28.9)
Dividends received		22.0	22.7
Customer loans, net incl. instalments		1.4	5.2
Cash flows from investing activities		787.8	(115.4)
Interest, finance leases		(46.5)	(47.9)
Instalments on loans		(321.4)	(53.9)
Dividends paid to shareholders in the parent company		(1,853.0)	(1,899.4)
Cash flows from financing activities		(2,220.9)	(2,001.2)
Net increase (decrease) in cash and cash equivalents		118.3	334.0
Cash and cash equivalents at 1 January		374.8	40.8
Cash and cash equivalents at 31 December	26	493.1	374.8

Note 1. Basis of reporting

In general
DONG Naturgas A/S is a public limited company with its registered office in Denmark.

The annual report for the period 1 January - 31 December 2007 comprises the consolidated financial statements of DONG Naturgas A/S and its subsidiaries (the Group) as well as separate financial statements for the parent company.

The annual report has been prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for annual reports of listed and state-owned public limited companies, see the Copenhagen Stock Exchange disclosure requirements for annual reports of listed companies and the statutory order on adoption of IFRS issued pursuant to the Danish Financial Statements Act.

In addition, the annual report has been prepared in compliance with International Financial Reporting Standards (IFRS) issued by the IASB.

The annual report is presented in Danish kroner (DKK).

The annual report has been prepared on the historical cost basis except that the following assets and liabilities are measured at their fair value: derivative financial instruments, financial instruments held for trading and financial instruments classified as available for sale. Non-current assets and disposal groups classified as held for sale are measured at the lower of carrying amount before the reclassification and fair value less costs to sell.

The accounting policies described in note 32 have been applied consistently to the financial year and the comparative figures.

Implementation of new standards
DONG Naturgas A/S has implemented IFRS 7 Financial Instruments: Disclosures, and IAS 1 (updated 2005) Presentation of Financial Statements and IAS 32 (updated 2005) Financial Instruments: Presentation with effect from 1 January 2007. DONG Naturgas A/S has also implemented IFRIC 7, 8 and 10.

The new financial reporting standards and interpretations have not had any effect on recognition or measurement. The accounting policies are consequently the same as those applied last year. The new standards only result in changes in the disclosures provided in the notes. The comparative figures in the notes have been restated accordingly.

The new financial reporting standards and interpretations have no effect on earnings per share or diluted earnings per share.

Adjustments to prior years
Compared with the approved and published annual report for the 2006 financial year an adjustment has been made to the timing of the recognition in the 2006 income statement of a hedging contract. The adjustment has increased revenue for 2006 by DKK 191.5 million, profit after tax for 2006 by DKK 137.5 million, and equity at 31 December 2006 by DKK 137.5 million. The adjustment has not had any effect on the cash flows for the year. Earnings per share increased by DKK 135.

Furthermore, recognised values of certain derivative financial instruments under other receivables and other payables in the balance sheet have been reclassified. The reclassification has no impact on profit, equity or cash flows for the period under review or earnings per share, but has reduced assets and liabilities at 31 December 2006 by DKK 6,899 million.

New International Financial Reporting Standards and IFRIC Interpretations
The IASB has issued the following new financial reporting standards (IFRS) that are not mandatory for DONG Naturgas A/S in connection with the preparation of the annual report for 2007. Unless otherwise stated, they have also been adopted by the EU:

· IAS 1 (updated 2007) Presentation of Financial Statements concerning presentation of financial statements comes into effect for financial years beginning on or after 1 January 2009. The standard will not have any effect on the recognition and measurement in the annual report. The amendments to IAS 1 have yet to be adopted by the EU.

· IFRS 3 (updated 2007) Business Combinations and updating of IAS 27 come into effect for financial years beginning on or after 1 July 2009. DONG Naturgas A/S does not expect to make use of the option to recognise goodwill relating to any minority shareholders' shares in enterprises acquired, and expects the effect on the financial reporting of a number of the technical adjustments to the purchase method in IFRS 3 to be insignificant. The amendments to IFRS 3 and IAS 27 have yet to be adopted by the EU.

· IFRS 8 Operating Segments on segment information comes into effect for financial years beginning on or after 1 January 2009. The standard will only affect the presentation of the Group's segments and not the recognition and measurement in the annual report.

· IAS 23 (updated 2007) Borrowing Costs comes into effect for financial years beginning on or after 1 January 2009. IAS 23 (updated 2007) requires recognition of borrowing costs in the cost of a qualifying asset (intangible assets and property, plant and equipment as well as inventories). With the Group's current investment programme and financing structure, IAS 23 (updated 2007) is not expected to have any material effect on DONG Naturgas A/S' financial reporting. The amendments to IAS 23 have yet to be adopted by the EU.

The IASB has adopted the following new interpretations (IFRIC) that are not mandatory for DONG Naturgas A/S in connection with the preparation of the annual report for 2007. Unless otherwise stated, they have also been adopted by the EU:

· IFRIC 7 Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies comes into effect for financial years beginning on or after 1 March 2007. DONG Naturgas A/S has no foreign entities in hyperinflationary economies.

· IFRIC 8 Scope of IFRS 2 comes into effect for financial years beginning on or after 1 May 2007. DONG Naturgas A/S does not have any share-based payment schemes.

· IFRIC 11 IFRS 2: Group and Treasury Share Transactions comes into effect for financial years beginning on or after 1 March 2007 and is not expected to affect the financial reporting.

· IFRIC 12 Service Concession Arrangements comes into effect for financial years beginning on or after 1 January 2008. IFRIC 12 has yet to be adopted by the EU. DONG Naturgas A/S has made a preliminary assessment of the impact of IFRIC 12 on DONG Naturgas A/S' financial reporting. In making the assessment, DONG Naturgas A/S has assumed that its public-service activities in Denmark are public-to-public activities that are not comprised by IFRIC 12. The Danish State owns the majority of the voting rights in DONG Naturgas A/S, and, through its ownership, has full control of the public-service activities in Denmark. DONG Naturgas A/S' international activities have also been assessed. Based on this preliminary assessment, DONG Naturgas A/S is of the opinion that IFRIC 12 will not have a significant effect on its financial reporting.

Note 2. Accounting estimates and judgements

The preparation of an annual report in conformity with IFRS requires management to make estimates and judgements that affect the reported amounts of assets and liabilities at the balance sheet date, the reported amounts of income and expenses in the financial reporting period and disclosures on contingent assets and contingent liabilities at the balance sheet date. Significant elements in the accounting policies and accounting estimates are the policy and the estimates that are particularly critical to the presentation of our operating result, including those that are associated with complex and subjective judgments and the application of assumptions some of which, by their nature, are uncertain and unpredictable. The effect of such judgments and assumptions can potentially lead to results that differ significantly from those that would result from the use of other judgements and assumptions. The elements of the accounting policies that are presented in this section are consequently critical to the understanding of our financial information, and the application of these and the sensitivity of our result to changes in criteria and assumptions are factors that should be taken into account when evaluating the annual report. The accounting policies are described in detail in note 32 to the annual report.

An accounting estimate is deemed to be significant if it requires management to take a position on circumstances that are subject to material uncertainty, if alternative estimates could reasonably have been used, or if changes will occur, with reasonable certainty, in the estimate from accounting period to accounting period that have a significant effect on the company's financial position or operating result.

Impairment of assets
Our industry is capital-intensive and requires major, long-term capital expenditure and liabilities, the value of which is sensitive to changes in commodity prices and exchange rates, see note 29. Accordingly, our estimates and judgements relating to impairment of assets are critical to the investors' understanding of our operating result.

Depreciable and amortisable property, plant and equipment and intangible assets
We test our depreciable property, plant and equipment and intangible assets for impairment in conformity with IAS 36 if events or changed conditions (triggering events) indicate that the asset's carrying amount may not be recoverable, i.e. if the carrying amount exceeds the sum of discounted cash flows that can be expected to arise on use of the asset (value in use) and the carrying amount at the same time exceeds the fair value less disposal costs. Such triggering events may include long-term changes in the market price of natural gas, changes in the weighted average cost of capital or reductions in estimated reserves. If such a judgement indicates a possible impairment, and neither quoted market prices in active markets nor prices of similar assets are available, we use discounted cash flows to measure the fair value in order to determine whether the value of the assets is impaired. The assumptions and criteria applied to determine the assets' recoverability constitute our best estimates and assumptions based on the available information such as market prices, levels of fixed costs, revenue growth rates and reserve estimates, which are, however, by their nature, subject to uncertainty. If assumptions or circumstances change in future, the accounting treatment of such items may consequently result in different amounts..

Investments in associates, other equity investments and other non-current investments
We also test our investments in associates, other equity investments and other non-current investments for impairment. We recognise an impairment loss if the carrying amount exceeds the recoverable amount. The recoverable amount is the higher of the value in use and the fair value less disposal costs. Such impairment testing is largely based on judgements. These include judgements of both regulatory, financial and technological factors and general market conditions.

Recoverable amounts and depreciation profile for production assets
The determination of recoverable amounts for production assets is based on assumptions about future earnings, energy prices, prices of CO_2 certificates, interest rate levels, future market conditions, etc., each of which is subject to uncertainty. As stated in note 32 on accounting policies, the depreciation profile for a number of production assets has been determined using the unit-of-production method based on the ratio of current production to the expected earnings profile. The depreciation profile is therefore subject to the same uncertainties as apply to the determination of the recoverable amounts for the assets.

Accounting treatment of derivative financial instruments and commodity contracts
We hedge commodity and currency risks. These hedging transactions predominantly relate to future income from the sale of oil and natural gas. Changes in the fair value of the derivative financial instruments that, according to the provisions in IAS 39, qualify for recognition as hedges of future cash flows, are recognised at fair value directly in equity (with market value adjustment) until the hedged transaction, e.g. the sale, is recognised in the income statement. The purpose of managing financial and commodity risks is to limit the risk of significant fluctuations in earnings and cash flows from the underlying operations. Through internal policies and guidelines, we seek to ensure that derivative financial instruments used to manage risks are only used to hedge booked, agreed or planned underlying transactions rather than for own trading. Our own trading is limited to commodity derivatives and is undertaken in specific markets within a defined framework to limit any significant impact from the trading activities on earnings. Open positions from operating activities and activities in connection with hedging of own trading are reported and monitored on an ongoing basis. Furthermore, we systematically review contracts to which we are a party to identify any features that correspond to derivative financial instruments in order to decide whether separate recognition and measurement of an embedded financial instrument are required under IFRS. Our natural gas sourcing and sales contracts include price formulas that are indexed to various commodity prices. Based on our review of these and other contracts, including the economic relationships between relevant commodity prices and contractual indices, we have established that there are no embedded financial instruments requiring separate recognition and measurement under IFRS.

Determination of gas reserves
The assessment of underground gas reserves is carried out in collaboration with suppliers. The assessment of reserves is a complex process involving various parameters such as analysis of geological data, commercial aspects, etc., each of which is subject to uncertainty. The assessment is relevant to the determination of the recoverable amount and depreciation profile for production assets.

Write-downs of receivables
Write-downs are made for bad and doubtful debts on the basis of individual assessment of each receivable. The estimates are subject to considerable uncertainty, as they are based on an estimation of the right to collect the receivable and an assessment of the counterparty's ability to pay. Reference is made to note 17 on trade receivables.

Loss-making contracts

As part of the Group's operations, a number of commercial agreements have been entered into with fixed terms that may result in the agreements being loss-making depending on the market development, etc., and the liabilities incurred by the DONG Naturgas Group as a result of these agreements may also be subject to uncertainty. The judgements concerning these complex contracts and their future effects are subject to uncertainty.

Provisions for restoration obligations

We have significant decommissioning obligations. The estimates of our decommissioning obligations are updated regularly, and the provisions amounted to DKK 142.4 million and DKK 148.8 million, respectively, at 31 December 2006 and 31 December 2007. These provisions comprise expected costs relating to our assets at the end of their useful lives, including decommissioning of production facilities and technical installations and restoration of drilling sites and other installations in accordance with current legislation. Such obligations comprise natural gas pipelines and associated infrastructure. Provisions for decommissioning obligations are measured at the present value of the future restoration and decommissioning obligation estimated at the balance sheet date. We use certain assumptions and estimates when calculating the present value of the decommissioning obligations that depend on any changes in the underlying data, the future date on which the corresponding costs will be incurred, and official requirements. The expected decommissioning and restoration costs are based either on examinations carried out by external experts, or internal estimates prepared by ourselves on the basis of current requirements. The size of the provisions is calculated on the basis of current requirements and estimated costs, which are discounted to present value. If we judge that a provision is subject to specific risks, we recognise the estimated costs. The discount rate applied reflects the general risk-free interest rate level in the given market.

Notes to the income statement

Note 3. Segment information

The DONG Naturgas Group has a single primary segment, which comprises procurement and sale of power and natural gas. The Group sells these commodities and related products and services in Northern Europe. The customers include residential, industrial, public sector and wholesale customers. The DONG Naturgas Group also owns and operates infrastructure assets, manages DONG Energy's portfolio of supply contracts, takes care of the Group's risk management and delivers certain services to other parts of the company.

The Group's secondary basis of segmentation is geographical:
Denmark
Rest of EU
Rest of world

Geographical breakdown of revenue by customer location (secondary segment)

Group

DKK million	Denmark	Rest of EU	Rest of world	Total
2007				
Revenue	9,255.2	12,070.0	0.0	21,325.2
Segment assets	20,474.1	192.1	1,063.3	21,729.5
Additions of intangible assets and property, plant and equipment	111.2	5.9	0.0	117.1
2006				
Revenue	9,018.2	13,721.6	0.0	22,739.8
Segment assets	24,583.9	192.1	1,067.8	25,843.8
Additions of intangible assets and property, plant and equipment	130.0	9.3	0.0	139.3

Note 4. Revenue

	Group		Parent company	
DKK million	2007	2006	2007	2006
Natural gas	16,516.5	18,869.2	16,335.7	18,738.6
Power	3,275.5	3,242.6	2,934.8	3,039.0
Heat	6.1	47.0	6.1	47.0
Distribution and storage of natural gas	1,010.9	740.4	878.8	527.9
Distribution of power	61.4	59.4	0.0	0.0
CO_2 certificates	0.0	(8.4)	0.0	(8.4)
Trading activities, net	346.9	(94.9)	310.6	(94.9)
Effect of economic hedges, net	(60.8)	(196.9)	(89.0)	(196.9)
Effect of hedge accounting	(146.0)	(135.7)	(99.6)	(135.7)
Services	81.6	113.2	82.2	112.6
Other revenue	233.1	103.9	234.7	95.4
Revenue	21,325.2	22,739.8	20,594.3	22,124.6

Note 5. Staff costs

DKK million	Group 2007	Group 2006	Parent company 2007	Parent company 2006
Staff costs				
Wages, salaries and remuneration	(202.2)	(184.6)	(153.0)	(145.4)
Defined contribution pension plans	(14.5)	(14.4)	(12.7)	(12.5)
Other social security costs	(6.3)	(3.3)	(1.5)	(1.1)
Other staff costs	(1.4)	(3.4)	(1.4)	(3.3)
Staff costs	(224.4)	(205.7)	(168.6)	(162.3)
Staff costs are recognised as follows:				
Production costs	(11.1)	(13.7)	(11.1)	(13.8)
Sales and marketing	(188.0)	(154.1)	(132.2)	(110.6)
Management and administration	(25.3)	(37.9)	(25.3)	(37.9)
Staff costs	(224.4)	(205.7)	(168.6)	(162.3)
Number of full-time employees				
Average for the financial year	319	309	227	255
At 31 December	356	375	253	295

Remuneration to the Supervisory Board and the Executive Board:

DKK million	2007 Wages and salaries	Bonus[1]	Pension	Total
Parent company Supervisory Board	0.0	0.0	0.0	0.0
Parent company Executive Board	(2.7)	(0.6)	(0.4)	(3.7)

1) Of this amount, DKK 0.5 million had not been paid at 31 December

DKK million	2006 Wages and salaries	Bonus[2]	Pension	Total
Parent company Supervisory Board	0.0	0.0	0.0	0.0
Parent company Executive Board	(1.8)	(0.9)	(0.3)	(3.0)

2) Of this amount, DKK 0.4 million had not been paid at 31 December

The Executive Board consists of one person.

A bonus plan has been established for the Executive Board. The contract of service of the Executive Board includes a termination package under which the Executive Board will be entitled to salary equivalent to 24 months' salary if their contract of service is terminated by the company.

Note 6. Depreciation, amortisation and impairment losses

	Group		Parent company	
DKK million	2007	2006	2007	2006
Depreciation and amortisation by function:				
Intangible assets				
Amortisation recognised in Production costs	(62.6)	(38.5)	(62.5)	(38.5)
Amortisation recognised in Sales and marketing	(15.9)	(15.4)	0.0	0.0
Property, plant and equipment				
Depreciation recognised in Production costs	(258.5)	(264.4)	(254.9)	(260.9)
Depreciation recognised in Sales and marketing	(2.4)	(1.5)	0.0	0.0
Depreciation and amortisation recognised in the income statement	(339.4)	(319.8)	(317.4)	(299.4)
Impairment losses by function:				
Intangible assets				
Impairment losses recognised in Sales and marketing	(45.9)	0.0	0.0	0.0
Other non-current assets				
Impairment losses recognised in share of profit after tax/ Impairment losses for associates	0.0	(188.0)	0.0	(214.7)
Impairment losses recognised in the income statement	(45.9)	(188.0)	0.0	(214.7)
Amortisation, depreciation and impairment losses recognised in the income statement	(385.3)	(507.8)	(317.4)	(514.1)

Impairment losses in 2007 relate to impairment testing of customer rights. Reference is made to note 13.

The impairment loss for associates in 2006 relates to the investment in Stadtwerke Lübeck GmbH. The impairment loss is due to estimates of future cash flows being lower than previously estimated. The net cash flows were determined based on budgets for the period 2007-2011 and specific expectations for the net cash flows for the period 2012-2015. The weighted average growth rate for extrapolation of expected future cash flows for the years after 2015 (terminal value) has been estimated at 2%. The terminal value accounts for 69% of total expected future cash flows. The net cash flows have been discounted using a discount rate before tax of 6.25%.

Note 7. Fees to auditors appointed at the Annual General Meeting

DKK million	Group 2007	Group 2006	Parent company 2007	Parent company 2006
KPMG				
Statutory audit	(3.4)	(2.7)	(1.6)	(1.5)
Other assurance engagements and related services [1)]	(6.7)	(0.1)	(6.6)	(0.1)
Other services	(4.6)	(5.5)	(4.1)	(5.5)
Fees to auditors	(14.7)	(8.3)	(12.3)	(7.1)

The item was affected by the DONG Energy A/S IPO preparations.

Note 8. Other operating income and expenses

DKK million	Group 2007	Group 2006	Parent company 2007	Parent company 2006
Other operating income	3.8	2.8	2.1	1.7
Other operating income	3.8	2.8	2.1	1.7
Loss relating to termination of gas sales agreements [1]	0.0	(1,056.0)	0.0	(1,056.0)
Other operating expenses	(1.2)	0.0	0.0	0.0
Other operating expenses	(1.2)	(1,056.0)	0.0	(1,056.0)
Other operating income and expenses	2.6	(1,053.2)	2.1	(1,054.3)

[1)] Negative fair value of gas sales agreements recognised in connection with the DONG Energy Group’s acquisition of companies in the power sector.

Note 9. Financial income

DKK million	Group 2007	Group 2006	Parent company 2007	Parent company 2006
Interest income	50.2	35.2	40.4	29.6
Interest income from consolidated enterprises	74.5	119.9	64.2	115.6
Foreign exchange gains	81.5	115.6	80.9	114.7
Dividends received	0.0	0.0	41.0	38.9
Other financial income	1.8	1.3	0.9	0.6
Financial income	208.0	272.0	227.4	299.4

Note 10. Financial expenses

DKK million	Group 2007	Group 2006	Parent company 2007	Parent company 2006
Interest expense, indexation of mortgage loans, etc.	(48.1)	(28.7)	(45.1)	(27.1)
Interest expense to consolidated enterprises	(43.2)	(44.1)	(52.8)	(59.4)
Interest element of decommissioning costs	(6.2)	(6.7)	(5.2)	(5.6)
Foreign exchange losses	(78.4)	(128.4)	(78.0)	(127.7)
Other financial expenses	(1.7)	(3.2)	(1.2)	(2.6)
Financial expenses	(177.6)	(211.1)	(182.3)	(222.4)
Foreign exchange adjustments recognised in revenue for the year:	158.3	40.1	158.3	40.1
Total foreign exchange adjustments recognised in profit for the year:	161.4	(27.3)	161.2	(27.1)

Note 11. Income tax expense

DKK million	Group 2007	Group 2006	Parent company 2007	Parent company 2006
Tax for the year can be broken down as follows:				
Income tax expense	(229.5)	(847.0)	(251.5)	(854.1)
Tax on changes in equity	32.2	(236.1)	43.6	(235.9)
Tax for the year	(197.3)	(1,083.1)	(207.9)	(1,090.0)
Income tax expense can be broken down as follows:				
Joint taxation contribution	(314.0)	(766.8)	(263.7)	(748.4)
Deferred tax	(16.1)	(83.2)	(69.6)	(52.0)
Adjustments of current tax relating to prior years	(8.1)	(7.2)	(54.1)	(56.9)
Adjustment of deferred tax relating to prior years after change of current tax rate from 28% to 25%	101.1	0.0	87.8	0.0
Other adjustments of deferred tax relating to prior years	7.6	10.2	48.1	3.2
Income tax expense	(229.5)	(847.0)	(251.5)	(854.1)
Tax on profit for the year can be explained as follows:				
Calculation 25% (2006: 28%) tax on profit before tax	(321.3)	(782.5)	(344.7)	(796.5)
Adjustments of calculated tax in foreign subsidiaries in relation to 25% (2006: 28%)	0.0	0.4	0.0	0.0
Tax effect of:				
Non-taxable income	5.4	0.0	10.2	10.9
Non-deductible expenses	(5.1)	(8.4)	(5.1)	(8.3)
Share of profit after tax of associates/Impairment losses for associates	(4.1)	(59.1)	0.0	(60.1)
Adjustment of deferred tax relating to prior years after change of current tax rate from 28% to 25%	101.1	0.0	87.8	0.0
Adjustment of tax relating to prior years	(5.5)	2.6	0.3	(0.1)
Income tax expense	(229.5)	(847.0)	(251.5)	(854.1)
Effective tax rate	17.9	30.3	18.2	30.0

Note 12. Earnings per share

DKKm	Group 2007	Group 2006	Parent company 2007	Parent company 2006
Profit for the year	1,055.6	1,947.8	1,127.4	1,990.7
Share of consolidated profit attributable to minority interests	0.4	(0.2)	0.0	0.0
The DONG Naturgas Group's share of profit for the year	1,055.2	1,948.0	1,127.4	1,990.7
Average number of shares of DKK 1,000 share each	1,020,000	1,020,000	1,020,000	1,020,000
Earnings (EPS) and diluted earnings (DEPS) per DKK 1,000 share, in whole DKK	1,035	1,910	1,105	1,952

Notes to the balance sheet

Note 13. Intangible assets

DKK million	Goodwill	Rights	Completed development projects	In-process development projects and prepayments for intangible assets	Total
	Group				
Cost at 1 January 2006	287.7	2,172.3	69.9	0.0	2,529.9
Foreign exchange adjustments	0.0	(0.1)	0.0	0.0	(0.1)
Addition on acquisition of subsidiary	45.5	0.0	0.0	0.0	45.5
Additions	0.0	79.0	10.8	12.4	102.2
Cost at 31 December 2006	333.2	2,251.2	80.7	12.4	2,677.5
Amortisation and impairment losses at 1 January 2006	(10.8)	(510.4)	(47.6)	0.0	(568.8)
Amortisation	0.0	(47.0)	(6.9)	0.0	(53.9)
Amortisation and impairment losses at 31 December 2006	(10.8)	(557.4)	(54.5)	0.0	(622.7)
Carrying amount at 31 December 2006	322.4	1,693.8	26.2	12.4	2,054.8
Cost at 1 January 2007	333.2	2,251.2	80.7	12.4	2,677.5
Foreign exchange adjustments	(0.4)	0.0	0.0	0.0	(0.4)
Additions	0.0	3.0	78.2	24.9	106.1
Cost at 31 December 2007	332.8	2,254.2	158.9	37.3	2,783.2
Amortisation and impairment losses at 1 January 2007	(10.8)	(557.4)	(54.5)	0.0	(622.7)
Amortisation	0.0	(60.0)	(18.5)	0.0	(78.5)
Impairment losses	0.0	(45.9)	0.0	0.0	(45.9)
Amortisation and impairment losses at 31 December 2007	(10.8)	(663.3)	(73.0)	0.0	(747.1)
Carrying amount at 31 December 2007	322.0	1,590.9	85.9	37.3	2,036.1
Amortised over	-	UOP*/ 5-20 years	3-5 years	-	-

* Unit of production

Note 13. Intangible assets - continued

DKK million	Rights	Completed development projects	In-process development projects and prepayments for intangible assets	Total
	Parent company			
Cost at 1 January 2006	2,017.9	69.9	0.0	2,087.8
Additions	79.0	10.8	12.4	102.2
Cost at 31 December 2006	2,096.9	80.7	12.4	2,190.0
Amortisation and impairment losses at 1 January 2006	(506.6)	(47.6)	0.0	(554.2)
Amortisation	(31.6)	(6.9)	0.0	(38.5)
Amortisation and impairment losses at 31 December 2006	(538.2)	(54.5)	0.0	(592.7)
Carrying amount at 31 December 2006	1,558.7	26.2	12.4	1,597.3
Cost at 1 January 2007	2,096.9	80.7	12.4	2,190.0
Additions	0.0	78.2	24.8	103.0
Cost at 31 December 2007	2,096.9	158.9	37.2	2,293.0
Amortisation and impairment losses at 1 January 2007	(538.2)	(54.5)	0.0	(592.7)
Amortisation	(44.0)	(18.5)	0.0	(62.5)
Amortisation and impairment losses at 31 December 2007	(582.2)	(73.0)	0.0	(655.2)
Carrying amount at 31 December 2007	1,514.7	85.9	37.2	1,637.8
Amortised over	UOP*/ 5-20 years	3-5 years	-	-

* Unit of production

Impairment testing of goodwill
At 31 December 2007, DONG Naturgas tested the carrying amount of goodwill for impairment based on the allocation of the cost of goodwill on the two subsidiaries DONG Energy Sales B.V. (formerly Intergas Levering B.V.) with DKK 276 million and DONG Energy Sales GmbH (formerly E-Nord GmbH) with DKK 46 million. The companies constitute the lowest level of cash-generating units to which the carrying amount of goodwill can be allocated with a sufficient degree of accuracy.

The result of the impairment test was that the recoverable amount exceeded the carrying amount. It was consequently deemed unnecessary to recognise an impairment loss in respect of goodwill in 2007.

The recoverable amount for each of the companies was determined as the present value of the expected future net cash flows relating to the company's activities. The statement of net cash flows is based on budgets and forecasts for the period 2008 - 2015. The discount rate (before tax) reflects the risk-free interest rate with a supplement in respect of specific risks related to the activities.

DONG Energy Sales B.V.
DONG Energy Sales B.V. sells gas and power to end users in the Netherlands. The calculation of the company's recoverable amount is based on budgets and forecasts that reflect the company's increased focusing on sales to business customers. The assumptions applied relating to margins have been determined on the basis of realised margins on business customers. The growth in the net cash flows during the terminal period has been fixed at 2%. DONG Naturgas estimates that this growth rate will not exceed the long-term growth in the market. It has been assumed that the net working capital will remain constant during the terminal period. The expected future net cash flows have been discounted using a discount rate before tax of 10.75%.

DONG Energy Sales GmbH
DONG Energy Sales GmbH sells gas to customers in North Germany. The calculation of the company's recoverable amount is based on budgets and forecasts that reflect the expected consequences of the fact that the company's focus will change from being a regional player to gaining a country-wide presence in Germany. The assumptions applied relating to margins have been determined on the basis of realised margins, corrected for expected economies of scale within administration, sales and marketing, that are expected to be realised as the company grows. The net cash flows during the terminal period have been fixed at 2%. DONG Naturgas estimates that this growth rate will not exceed the long-term growth in the market. It has been assumed that the net working capital will remain constant during the terminal period. The expected future net cash flows have been discounted using a discount rate before tax of 11.0%.

Impairment testing of rights
Rights consist primarily of gas purchase rights, customer-related rights and a connection right relating to gas transportation. At 31 December 2007, the carrying amount of gas purchase rights was calculated at DKK 1,063.4 million (2006: DKK 1,067.8 million). The carrying amount of customer-related rights was DKK 73.7 million at 31 December 2007 (2006: DKK 135.1 million). The carrying amount of the connection right is DKK 396.0 million (2006: DKK 419.7 million).

As a result of indications of impairment of customer-related rights, the rights have been tested for impairment. It is estimated that the recoverable amount of customer-related rights relating to Dutch gas customers is lower than the carrying amount at 31 December 2007, and an impairment loss has consequently been recognised. The recoverable amount has been calculated as the present value of the expected future net cash flows from the rights. The recoverable amount has been calculated using a discount rate (before tax) of 10.75%. The discount rate reflects the risk-free interest rate with a supplement in respect of specific risks related to this activity.

The impairment loss on customer-related rights relating to Dutch gas customers amounts to DKK 46 million. The impairment loss should be viewed in the light of the competition situation in the Dutch gas market for residential customers, which has made it more difficult than anticipated to retain acquired customers. There has been no indications of impairment of other rights. Consequently, only customer-related rights have been tested for impairment.

Impairment testing of completed development projects
Completed development projects relate to IT software. At 31 December 2007, the carrying amount of completed development projects was DKK 85.9 million.

Completed development projects have not been impairment tested, as there has not been any indication of impairment of completed development projects.

Impairment testing of in-process development projects
In-process development projects relate to IT software. At 31 December 2007, the carrying amount of in-process development projects was DKK 37.3 million.

The carrying amounts of in-process development projects were tested for impairment at 31 December 2007. The test comprised an evaluation of the progress on the development projects, including in the form of costs incurred and results achieved in relation to budgets and approved plans, and an evaluation of the projects' future earnings potential. The result of the impairment tests was that the recoverable amount exceeds the carrying amount. It has consequently been deemed unnecessary to recognise an impairment loss in respect of in-process development projects.

Note 14. Property, plant and equipment

	Group				
DKK million	Land and buildings	Production assets	Fixtures and fittings, tools and equipment	Property, plant and eqpt in the course of constr. and prepay-ments for prop., plant and eqpt	Total
Cost at 1 January 2006	11.0	8,481.6	3.2	10.9	8,506.7
Foreign exchange adjustments	0.0	2.0	0.0	0.0	2.0
Addition on acquisition of subsidiary	0.0	0.0	0.0	0.0	0.0
Additions	0.0	1.0	12.3	23.8	37.1
Disposals	0.0	(84.5)	0.0	0.0	(84.5)
Transfers	0.0	3.3	0.0	(3.3)	0.0
Cost at 31 December 2006	11.0	8,402.1	15.5	32.7	8,461.3
Depreciation and impairment losses at 1 January 2006	(8.9)	(4,716.5)	(2.7)	0.0	(4,728.1)
Foreign exchange adjustments	0.0	(0.2)	0.0	0.0	(0.2)
Depreciation, disposals	0.0	1.9	0.0	0.0	1.9
Depreciation	0.0	(264.5)	(1.4)	0.0	(265.9)
Depreciation and impairment losses at 31 December 2006	(8.9)	(4,979.3)	(4.1)	0.0	(4,992.3)
Carrying amount at 31 December 2006	2.1	3,422.8	11.4	32.7	3,469.0
Depreciated over	20 years	UOP* / 20 - 40 years	3-10 years	-	-

* Unit of production

Note 14. Property, plant and equipment - continued

DKK million	Land and buildings	Production assets	Fixtures and fittings, tools and equipment	Property, plant and eqpt in the course of constr. and prepayments for prop., plant and eqpt	Total
	Group				
Cost at 1 January 2007	11.0	8,402.1	15.5	32.7	8,461.3
Foreign exchange adjustments	0.0	(2.3)	0.0	0.0	(2.3)
Additions	0.0	0.7	2.2	8.1	11.0
Disposals	0.0	(12.8)	0.0	0.0	(12.8)
Transfers	0.0	1.1	0.0	(1.1)	0.0
Cost at 31 December 2007	11.0	8,388.8	17.7	39.7	8,457.2
Depreciation and impairment losses at 1 January 2007	(8.9)	(4,979.3)	(4.1)	0.0	(4,992.3)
Foreign exchange adjustments	0.0	0.3	0.0	0.0	0.3
Depreciation, disposals	0.0	0.1	0.0	0.0	0.1
Depreciation	0.0	(258.1)	(2.8)	0.0	(260.9)
Depreciation and impairment losses at 31 December 2007	(8.9)	(5,237.0)	(6.9)	0.0	(5,252.8)
Carrying amount at 31 December 2007	2.1	3,151.8	10.8	39.7	3,204.4
Depreciated over	20 years	UOP* / 20 - 40 years	3-10 years	-	-

* Unit of production

Note 14. Property, plant and equipment - continued

DKK million	Parent company				
	Land and buildings	Pro-duction assets	Fixtures and fittings, tools and equip-ment	Assets under con-struction	Total
Cost at 1 January 2006	11.0	8,424.9	2.6	10.9	8,449.4
Additions	0.0	1.2	3.3	23.8	28.3
Disposals	0.0	(81.8)	0.0	0.0	(81.8)
Transfers	0.0	2.0	0.0	(2.0)	0.0
Cost at 31 December 2006	11.0	8,346.3	5.9	32.7	8,395.9
Depreciation and impairment losses at 1 January 2006	(8.9)	(4,710.7)	(2.5)	0.0	(4,722.1)
Depreciation, disposals	0.0	0.0	0.0	0.0	0.0
Depreciation	0.0	(260.5)	(0.4)	0.0	(260.9)
Depreciation and impairment losses at 31 December 2006	(8.9)	(4,971.2)	(2.9)	0.0	(4,983.0)
Carrying amount at 31 December 2006	2.1	3,375.1	3.0	32.7	3,412.9
Portion relating to assets held under finance leases	-	643.0	-	-	643.0
Depreciated over	20 years	UOP* / 20 - 40 years	3-10 years	-	-

Note 14. Property, plant and equipment - continued

	Parent company				
DKK million	Land and buildings	Pro-duction assets	Fixtures and fittings, tools and equip-ment	Assets under con-struction	Total
Cost at 1 January 2007	11.0	8,346.3	5.9	32.7	8,395.9
Additions	0.0	0.0	0.4	7.0	7.4
Disposals	0.0	(11.7)	0.0	0.0	(11.7)
Cost at 31 December 2007	11.0	8,334.6	6.3	39.7	8,391.6
Depreciation and impairment losses at 1 January 2007	(8.9)	(4,971.2)	(2.9)	0.0	(4,983.0)
Depreciation, disposals	0.0	0.0	0.0	0.0	0.0
Depreciation	0.0	(254.2)	(0.7)	0.0	(254.9)
Depreciation and impairment losses at 31 December 2007	(8.9)	(5,225.4)	(3.6)	0.0	(5,237.9)
Carrying amount at 31 December 2007	2.1	3,109.2	2.7	39.7	3,153.7
Portion relating to assets held under finance leases	-	592.6	-	-	592.6
Depreciated over	20 years	UOP* / 20 - 40 years	3-10 years	-	-

* Unit of production

Depreciation is recognised in the income statement as Production costs, Sales and marketing or Management and administration. Reference is made to note 6.

Finance leases
Production assets in the parent company with a carrying amount of DKK 592.6 million at 31 December 2007 (2006: DKK 643.0 million) have been financed under finance leases. The lease commitment at 31 December 2007 was DKK 1,068.7 million (2006: DKK 1,220.2 million). As lessor, DONG Energy Pipelines holds the legal ownership in the pipeline, but substantially all rewards and risks, including maintenance obligations related to the pipeline, lie with DONG Naturgas as the lessee. As the lessee, DONG Naturgas is entitled to acquire the lessor’s ownership interest in the pipeline at market price from DONG Energy Pipelines on expiry of the agreement.

Impairment testing of property, plant and equipment
The carrying amounts of property, plant and equipment are tested annually to determine whether there is any indication of impairment.

The recoverable amount is based on the higher of the value in use and the fair value less estimated costs to sell. The value in use is determined on the basis of expected net cash flows according to budgets and projections and a discount rate before tax of between 7.25% and 10.50%. Significant parameters in connection with the determination of the value in use are sales, EBIT, working capital, fixed assets and growth assumptions.

Based on the impairment test of property, plant and equipment, it is estimated that the carrying amount exceeds the recoverable amount. It has consequently not been deemed necessary to recognise any impairment losses in respect of property, plant and equipment in 2007

Note 15. Group enterprises and other equity investments

DKK million	Group			
	Investments in associates		Other equity investments	
	2007	2006	2007	2006
Cost at 1 January	573.9	555.4	0.0	0.0
Additions	0.0	0.8	26.1	0.0
Prior year adjustments	0.0	17.7	0.0	0.0
Cost at 31 December	573.9	573.9	26.1	0.0
Value adjustments at 1 January	(238.3)	(4.6)	0.0	0.0
Share of profits for the year	(16.2)	(25.7)	0.0	0.0
Goodwill impairment losses	0.0	(188.0)	0.0	0.0
Other value adjustments, etc.	(0.4)	0.0	0.0	0.0
Dividends received	(7.4)	(6.2)	0.0	0.0
Dividend limitation	(12.0)	(13.8)	0.0	0.0
Value adjustments at 31 December	(274.3)	(238.3)	0.0	0.0
Carrying amount at 31 December	299.6	335.6	26.1	0.0

Goodwill impairment losses of DKK 188 million in 2006 concerning investments in associates relates to Stadtwerke Lübeck GmbH. Reference is made to the description in note 6. Other equity investments comprise investment in LNG project in the Netherlands.

Note 15. Group enterprises and other equity investments – continued

DKK million	Parent company			
	Investments in subsidiaries		Investments in associates	
	2007	2006	2007	2006
Cost at 1 January	557.9	483.4	543.4	545.9
Additions	74.6	74.5	0.0	0.4
Prior year adjustments	0.0	0.0	0.0	(2.9)
Cost at 31 December	632.5	557.9	543.4	543.4
Value adjustments at 1 January	0.0	0.0	(214.7)	0.0
Goodwill impairment losses	0.0	0.0	0.0	(214.7)
Disposals	0.0	0.0	0.0	0.0
Value adjustments at 31 December	0.0	0.0	(214.7)	(214.7)
Carrying amount at 31 December	632.5	557.9	328.7	328.7

The DKK 74.6 million addition for the year under investments in subsidiaries relates to a capital increase in DONG Energy Markets BV.

The DKK 74.5 million addition for the year under investments in subsidiaries in 2006 relates to a DKK 21.5 million capital increase in DONG Energy Aktiebolag (formerly DONG Sverige AB), capital increase and adjustment of the cost in DONG Energy Sales GmbH (formerly E-nord GmbH) by DKK 52.6 million and adjustment of the purchase price in DONG Energy Sales BV. (formerly Intergas Levering B.V.) by DKK 0.4 million.

Note 15. Group enterprises and other equity investments - continued

Associates:

2007

DKK million	Registered office	Owner -ship	Revenue[1]	Profit (loss) for the year[1]	Assets [1]	Liabilities[1]	DONG Group's share: Profit (loss) for the year	DONG Group's share: Equity
Fordonsgas Sverige AB	Gothenburg, Sweden	50%	75.5	1.4	107.0	93.3	0.7	6.8
Stadtwerke Lübeck GmbH	Lübeck, Germany	25%	2,502.0	(67.2)	1,596.0	428.6	(16.9)	292.8
Group, total							(16.2)	299.6

2006

DKK million	Registered office	Owner -ship	Revenue[1]	Profit (loss) for the year[1]	Assets [1]	Liabilities[1]	DONG Group's share: Profit (loss) for the year	DONG Group's share: Equity
Fordonsgas Sverige AB	Gothenburg, Sweden	50%	63.0	(4.0)	76.0	63.0	(2.0)	6.7
Stadtwerke Lübeck GmbH	Lübeck, Germany	25%	2,799.0	(94.0)	2,471.0	1,161.0	(23.7)	328.9
Goodwill impairment losses [2]							(188.0)	-
Group, total							(213.7)	335.6

1) The accounting figures disclosed in the note have been determined on the basis of the recognised values.
2) Goodwill impairment losses relate to investment in Stadtwerke Lübeck GmbH, see note 6.

Note 16. Inventories

DKK million	Group 2007	Group 2006	Parent company 2007	Parent company 2006
Natural gas	723.5	936.5	723.4	935.6
CO_2 rights	47.7	0.0	47.7	0.0
Other inventories	0.9	0.0	0.0	0.0
Inventories at 31 December	772.1	936.5	771.1	935.6
Carrying amount of inventories recognised at net selling price	0.0	0.0	0.0	0.0
Impairment losses for the year recognised in the income statement	0.0	0.0	0.0	0.0
Reversed impairment losses recognised in the income statement	0.0	0.0	0.0	0.0
Cost of sales recognised in the income statement	18,781.3	17,558.3	18,201.3	17,046.1

Note 17. Receivables

DKK million	Group 2007	Group 2006	Parent company 2007	Parent company 2006
Receivables	56.9	62.8	56.9	62.8
Non-current receivables at 31 December	56.9	62.8	56.9	62.8
Trade receivables	3,762.6	4,821.4	3,233.1	4,469.7
Receivables from group enterprises	1,990.0	3,467.1	2,511.5	3,663.6
Fair value of derivative financial instruments	7,782.4	9,483.5	7,782.4	9,482.8
Margin accounts	0.0	187.6	0.0	187.6
Deposits	112.7	126.1	0.0	0.0
Other receivables	257.0	240.6	233.7	211.0
Prepayments	4.4	0.8	3.8	0.2
Current receivables at 31 December	13,909.1	18,327.1	13,764.5	18,014.9
Current and non-current receivables at 31 December	13,966.0	18,389.9	13,821.4	18,077.7

Other non-current receivables comprise non-current loans to finance natural gas installations. Apart from the fair value of derivative financial instruments and deposits, current receivables fall due less than one year after the close of the financial year. The carrying amount of receivables is estimated to correspond to the fair value.

Note 17. Receivables - continued

Trade receivables by credit rating:

DKK million	Group 2007	Group 2006	Parent company 2007	Parent company 2006
Denmark	1,604.3	1,156.8	1,626.4	1,258.8
Rest of EU	2,113.9	3,664.6	1,562.3	3,210.9
Rest of world	44.4	0.0	44.4	0.0
Trade receivables at 31 December	3,762.6	4,821.4	3,233.1	4,469.7

DONG Naturgas' main credit exposure in connection with sales relates to gas sales. Besides credit exposure on gas customers in Denmark, its exposure primarily relates to international energy companies and banks. DONG Naturgas' internal control of its credit exposure is based on internal credit limits for each counterparty and structured, ongoing monitoring and reporting. Credit limits and any requirements concerning security are determined on the basis of credit rating of the counterparty, partly using input from external rating agencies such as Moody's, S&P's and D&B. For all significant counterparties, framework and netting contracts setting out credit conditions are also entered into. The maximum credit risk related to receivables corresponds to the values recognised in the balance sheet. There are no special concentrations of credit risks. The receivables are not credit-insured.

Trade receivables at 31 December include receivables that were due at 31 December but had not been individually written down, as follows:

DKK million	Group 2007	Group 2006	Parent company 2007	Parent company 2006
Due in:				
0 - 30 days	231.2	88.8	166.4	57.7
30- 90 days	56.6	145.6	46.2	142.7
More than 90 days	212.6	20.9	163.2	1.9
Receivables due at 31 December	500.4	255.3	375.8	202.3

Development in write-downs recognised under receivables:

DKK million	Group 2007	Group 2006	Parent company 2007	Parent company 2006
Write-downs at 1 January	74.6	78.8	50.5	62.5
Foreign exchange adjustments	(0.2)	0.2	0.0	0.0
The year's adjustments of write-downs	0.3	10.8	1.2	1.9
Realised loss	(6.4)	(15.2)	(2.2)	(13.9)
Write-downs at 31 December	68.3	74.6	49.5	50.5

Note 18. Equity

DKK million	Group 2007	Group 2006	Parent company 2007	Parent company 2006
Share capital				
At beginning and end of year	1,020.0	1,020.0	1,020.0	1,020.0

Composition of share capital:

Number of shares		Nominal value		Total
1	of	DKK 1,000,000 thousand	=	DKK 1,000,000 thousand
20	of	DKK 1,000 thousand	=	DKK 20,000 thousand
				DKK 1,020,000 thousand

The share capital has remained unchanged since the company's formation.

Ownership
The company's annual report forms part of the consolidated financial statements of DONG Energy A/S, Fredericia, which owns the whole of the share capital.

Note 19. Deferred tax

	Group		Parent company	
DKK million	2007	2006	2007	2006
Deferred tax at 1 January	950.4	877.4	834.4	785.6
Foreign exchange adjustments	(0.3)	0.0	0.0	0.0
Deferred tax for the year recognised in profit for the year	16.1	83.2	69.6	52.0
Deferred tax for the year recognised in equity	11.6	0.0	0.0	0.0
Prior year adjustments	(7.6)	(10.2)	(48.1)	(3.2)
Effect of reduction of Danish corporate income tax rate from 28% to 25%, income statement	(101.1)	0.0	(87.8)	0.0
Effect of reduction of Danish corporate income tax rate from 28% to 25%, equity	(1.6)	0.0	(1.6)	0.0
Deferred tax at 31 December	867.5	950.4	766.5	834.4
Deferred tax is recognised in the balance sheet as follows:				
Deferred tax (assets)	20.5	2.5	0.0	0.0
Deferred tax (liabilities)	888.0	952.9	766.5	834.4
Deferred tax at 31 December, net	867.5	950.4	766.5	834.4
Deferred tax relates to:				
Intangible assets	263.0	237.5	244.2	197.5
Property, plant and equipment	515.1	697.2	591.1	724.5
Other non-current assets	164.2	113.5	0.0	0.0
Current assets	0.0	1.0	0.0	0.0
Non-current liabilities	(36.4)	(41.8)	(30.7)	(33.1)
Current liabilities	(17.9)	(54.5)	(34.1)	(54.5)
Tax loss carryforwards	(20.5)	(2.5)	(4.0)	0.0
Deferred tax at 31 December	867.5	950.4	766.5	834.4

Note 19. Deferred tax - continued

Change in temporary differences during the year

2007

DKK million	Balance sheet at 1 January	Foreign exchange adjust-ments	Recog-nised in profit for the year	Recog-nised in equity	Change in tax rate from 28% to 25%	Balance sheet at 31 Decem-ber
	Group					
Intangible assets	237.5	0.0	46.6	0.0	(21.1)	263.0
Property, plant and equipment	697.2	(0.3)	(110.6)	0.0	(71.2)	515.1
Other non-current assets	113.5	0.0	71.2	0.0	(20.5)	164.2
Current assets	1.0	0.0	(1.0)	0.0	0.0	0.0
Non-current liabilities	(41.8)	0.1	1.0	0.0	4.3	(36.4)
Current liabilities	(54.5)	0.1	19.1	11.6	5.8	(17.9)
Tax loss carryforwards	(2.5)	0.0	(18.0)	0.0	0.0	(20.5)
	950.4	(0.1)	8.3	11.6	(102.7)	867.5

2006

DKK million	Balance sheet at 1 January	Foreign exchange adjust-ments	Recog-nised in profit for the year	Recog-nised in equity	Balance sheet at 31 December
	Group				
Intangible assets	136.4	(0.1)	101.2	0.0	237.5
Property, plant and equipment	864.0	0.1	(166.9)	0.0	697.2
Other non-current assets	0.0	0.0	113.5	0.0	113.5
Current assets	(1.4)	0.0	2.4	0.0	1.0
Non-current liabilities	(55.9)	0.0	14.1	0.0	(41.8)
Current liabilities	(64.2)	0.0	9.7	0.0	(54.5)
Tax loss carryforwards	(1.5)	0.0	(1.0)	0.0	(2.5)
	877.4	0.0	73.0	0.0	950.4

Note 19. Deferred tax - continued

2007

	Parent company				
DKK million	Balance sheet at 1 January	Recog-nised in profit for the year	Recog-nised in equity	Change in tax rate from 28% to 25%	Balance sheet at 31 De-cember
Intangible assets	197.5	67.9	0.0	(21.2)	244.2
Property, plant and equipment	724.5	(55.8)	0.0	(77.6)	591.1
Other non-current assets	0.0	0.0	0.0	0.0	0.0
Current assets	0.0	0.0	0.0	0.0	0.0
Non-current liabilities	(33.1)	(1.2)	0.0	3.6	(30.7)
Current liabilities	(54.5)	14.6	0.0	5.8	(34.1)
Tax loss carryforwards	0.0	(4.0)	0.0	0.0	(4.0)
	834.4	21.5	0.0	(89.4)	766.5

2006

	Parent company			
DKK million	Balance sheet at 1 January	Recog-nised in profit for the year	Recog-nised in equity	Balance sheet at 31 Decem-ber
Intangible assets	89.0	108.5	0.0	197.5
Property, plant and equipment	805.9	(81.4)	0.0	724.5
Other non-current assets	0.0	0.0	0.0	0.0
Current assets	0.0	0.0	0.0	0.0
Non-current liabilities	(45.1)	12.0	0.0	(33.1)
Current liabilities	(64.2)	9.7	0.0	(54.5)
Tax loss carryforwards	0.0	0.0	0.0	0.0
	785.6	48.8	0.0	834.4

Note 20. Provisions

DKK million	Group 2007 Restoration obligations	Group 2007 Other	Group 2007 Total	Group 2006 Restoration obligations	Group 2006 Other	Group 2006 Total
Provisions at 1 January	148.8	0.0	148.8	224.3	0.0	224.3
Provision for the year	0.0	190.0	190.0	0.0	0.0	0.0
Change in discount rate	(12.6)	0.0	(12.6)	(82.2)	0.0	(82.2)
Interest on restoration obligations	6.2	0.0	6.2	6.7	0.0	6.7
Provisions at 31 December	142.4	190.0	332.4	148.8	0.0	148.8

DKK million	Parent company 2007 Restoration obligations	Parent company 2007 Other	Parent company 2007 Total	Parent company 2006 Restoration obligations	Parent company 2006 Other	Parent company 2006 Total
Provisions at 1 January	123.2	0.0	123.2	185.8	0.0	185.8
Provision for the year	0.0	190.0	190.0	0.0	0.0	0.0
Change in discount rate	(10.4)	0.0	(10.4)	(68.2)	0.0	(68.2)
Interest on restoration obligations	5.2	0.0	5.2	5.6	0.0	5.6
Provisions at 31 December	118.0	190.0	308.0	123.2	0.0	123.2

Provisions comprise expected future costs for restoration and decommissioning of the Group's production assets. The estimated provisions have been discounted to present value. A risk-free interest rate of 4.5% has been used as discount rate. The equivalent value of the provision is recognised under production assets (property, plant and equipment) and depreciated together with the production assets.

Maturities
Maturities for provisions at 31 December are expected to be as follows:

DKK million	Group 2007	Group 2006	Parent company 2007	Parent company 2006
0-1 year	0.0	0.0	0.0	0.0
1-10 years	0.0	0.0	0.0	0.0
10-20 years	0.0	0.0	0.0	0.0
20-30 years	0.0	0.0	0.0	0.0
30-40 years	332.4	148.8	308.0	123.2
> 40 years	0.0	0.0	0.0	0.0
Provisions at 31 December	332.4	148.8	308.0	123.2

Note 21. Current and non-current loans

The Group's and the parent company's current and non-current loans can be broken down as follows:

	Group		Parent company	
DKK million	2007	2006	2007	2006
Bank loans	0.0	344.7	0.0	344.7
Group enterprises	632.5	746.2	632.0	661.6
Non-current loans at 31 December	632.5	1,090.9	632.0	1,006.3
Other bank loans	635.3	112.5	571.1	0.0
Current loans at 31 December	635.3	112.5	571.1	0.0
Current and non-current loans at 31 December	1,267.8	1,203.4	1,203.1	1,006.3
Fair value	1,267.8	1,213.1	1,203.1	1,016.1
Nominal value	1,267.8	1,203.4	1,203.1	1,006.3

Expected maturity for current and non-current loans:

	Group		Parent company	
DKK million	2007	2006	2007	2006
0-1 year	635.3	112.5	571.1	0.0
1-2 years	26.8	22.2	26.8	22.2
2-3 years	28.7	23.8	28.7	23.8
3-4 years	30.8	25.5	30.8	25.5
4-5 years	32.9	27.4	32.9	27.4
> 5 years	513.3	992.0	512.8	907.4
Current and non-current loans at 31 December	1,267.8	1,203.4	1,203.1	1,006.3

The fair value has been determined as the present value of expected future instalments and interest payments. The Group's financing agreements are not subject to any unusual terms and conditions.

Note 21. Current and non-current loans - continued

Finance leases
Liabilities relating to assets held under finance leases in the parent company are thus recognised as payables to group enterprises:

	2007			2006		
DKK million	Minimum lease payments	Interest rate element	Present value	Minimum lease payments	Interest rate element	Present value
0-1 year	69.7	44.7	25.0	67.2	46.5	20.7
1-5 years	279.0	159.8	119.2	268.8	169.9	98.9
> 5 years	720.0	207.2	512.8	884.2	321.5	562.7
	1,068.7	411.7	657.0	1,220.2	537.9	682.3
Carrying amounts of production assets			592.6			643.0

The fair value has been estimated as the present value of future cash flows at a market rate for corresponding leases.

There is no contingent rent under the leases. A proportion of the lease is based on a floating interest rate. Further details of the lease are given in note 14.

Note 22. Other payables

	Group		Parent company	
DKK million	2007	2006	2007	2006
Other non-current payables	0.0	2.6	0.0	2.5
Other non-current payables at 31 December	0.0	2.6	0.0	2.5
Trade payables	2,653.0	4,122.1	2,612.2	4,033.7
Group enterprises	1,045.8	764.0	1,042.6	796.9
Fair value of derivative financial instruments	7,713.3	9,245.7	7,777.8	9,245.7
VAT and duties	411.7	260.1	355.0	235.1
Purchase prices payable	98.4	117.3	98.4	117.3
Other liabilities	445.7	765.8	301.8	558.0
Deferred income	154.8	199.4	154.8	199.3
Other non-current payables at 31 December	12,522.7	15,474.4	12,342.6	15,186.0
Current and non-current payables at 31 December	12,522.7	15,477.0	12,342.6	15,188.5

Apart from the fair value of derivative financial instruments and deferred income, other payables fall due for payment less than one year after the end of the financial year. The remaining maturity of derivative financial instruments appears from note 29.

Deferred income comprises prepayments, DKK 46.0 million (2006: DKK 53.8 million) and value of gas free of charge, DKK 108.8 million (2006: DKK 145.6 million), which is credited over a number of years. Of this amount, DKK 51.8 million will be credited after the end of the financial year.

Note 23. Income tax receivable and payable

	Group		Parent company	
DKK million	2007	2006	2007	2006
Income tax receivable at 1 January	10.7	3.1	0.0	0.0
Foreign exchange adjustments	(0.1)	0.1	0.0	0.0
Adjustments of current tax relating to prior years	(0.4)	(0.2)	0.0	0.0
Payments in respect of prior years	7.7	0.1	0.0	0.0
Current tax for the year	(3.3)	(0.2)	0.0	0.0
Income tax expense on equity	0.0	(0.2)	0.0	0.0
Payments for the year	1.5	8.0	0.0	0.0
Income tax receivable at 31 December	16.1	10.7	0.0	0.0
Income tax payable at 1 January	611.8	115.0	656.6	150.6
Foreign exchange adjustments	(0.2)	0.0	0.0	0.0
Adjustments of current tax relating to prior years	(1.3)	6.9	0.0	2.9
Payments in respect of prior years	(657.0)	(121.9)	(656.6)	(153.5)
Current tax for the year	364.2	766.6	317.1	802.4
Income tax expense on equity	(43.6)	235.9	(43.6)	235.9
Payments for the year	(108.6)	(390.7)	(105.4)	(381.7)
Income tax payable at 31 December	165.3	611.8	168.1	656.6

Notes to the cash flow statement

Note 24. Cash flows from operations (operating activities)

	Group		Parent company	
DKK million	2007	2006	2007	2006
Operating profit	1,270.8	2,753.3	1,524.8	2,791.0
Depreciation, amortisation and impairment losses	385.3	319.8	317.4	299.4
Operating profit before depreciation and amortisation (EBITDA)	1,656.1	3,073.1	1,842.2	3,090.4
Other restatements	(183.1)	(51.6)	(356.3)	(30.1)
Cash flows from operations (operating activities) before changes in working capital	1,473.0	3,021.5	1,485.9	3,060.3
Change in inventories	212.0	(249.0)	212.1	(248.1)
Change in trade receivables	1,499.0	(4,018.0)	1,441.5	(4,487.6)
Change in other receivables	254.6	1,104.1	234.8	1,289.5
Change in trade payables	(1,216.3)	2,764.6	(1,180.0)	2,747.8
Change in other payables, etc.	(227.3)	343.5	(200.1)	437.7
Change in working capital	522.0	(54.8)	508.3	(260.7)
Cash flows from operations (operating activities)	1,995.0	2,966.7	1,994.2	2,799.6

Note 25. Acquisition of property, plant and equipment

DKK million	**2007**	**2006**
Acquisition of property, plant and equipment, see note 14	7.4	28.3
Portion relating to assets held under finance leases	(1.3)	(13.6)
Paid in respect of acquisition of property, plant and equipment	6.1	14.7

Note 26. Cash and cash equivalents

DKK million	Group 2007	Group 2006	Parent company 2007	Parent company 2006
Cash and cash equivalents at 31 December include:				
Available cash	1,388.6	644.8	1,064.2	374.8
Bank overdrafts	(635.3)	(112.5)	(571.1)	0.0
Cash at 31 December	753.3	532.3	493.1	374.8

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

DKK million	Group 2007	Group 2006	Parent company 2007	Parent company 2006
Available cash [1)]	1,388.6	644.8	1,064.2	374.8
Cash not available for use	0.0	0.0	0.0	0.0
Cash and cash equivalents at 31 December	1,388.6	644.8	1,064.2	374.8

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

DKK million	Group 2007	Group 2006	Parent company 2007	Parent company 2006
Bank overdrafts [1)]	553.3	112.5	489.1	0.0
Current portion of long-term loans	82.0	0.0	82.0	0.0
Bank loans at 31 December	635.3	112.5	571.1	0.0

[1)] Part of cash pool with DONG Energy A/S.

Notes without reference

Note 27. Operating leases

Non-cancellable operating lease payments amount to:

	Group		Parent company	
DKK million	2007	2006	2007	2006
0-1 year	316.0	0.0	18.0	0.0
1-5 years	563.0	326.0	451.0	326.0
> 5 years	1,120.0	1,263.0	1,120.0	1,263.0
Operating lease payments recognised in the income statement amount to	1,999.0	1,589.0	1,589.0	1,589.0

Operating leases comprise leasing of gas storage facilities in Germany in the period 2008 – 2023.

Note 28. Financial risks and risk management

Financial risks
DONG Naturgas A/S is exposed to a number of different financial risks, including fluctuations in commodity prices, exchange rates and interest rates as well as credit risks. The management of these risks is an important focus area in the Group. The risk management is aimed at identifying the various risk areas and determining a strategy for managing them. A special Risk Committee has been appointed that is charged with monitoring the DONG Energy A/S Group's risk management and risk control relating to market and credit risks. A centralised corporate risk management function has also been set up in DONG Energy A/S to support the Risk Committee.

Various strategies have been put in place to manage the risks and align the risk profile. The risk profile is managed through the conclusion of financial and physical contracts for commodities, interest and currencies over the next five years.

In connection with – and partly to bolster – these activities, DONG Energy engages in limited energy trading for its own account, including in natural gas, power, coal, oil, oil products and CO_2 certificates.

DONG Energy's operating profit may fluctuate considerably from year to year as a result of the development in prices.

Oil and gas price risks
Oil and gas price risks relate primarily to equity oil and gas and differences in the indexing of purchase and selling prices for natural gas. DONG Naturgas A/S's exposure is in crude oil, gas and various other oil types such as fuel oil and gas oil. These risks are hedged as the exposure is confirmed, for example based on production projections. Management of oil and gas price risks is based on tolerance levels for maximum and minimum effect on changes in cash flows over the next five years. These calculations are based on possible negative deviations from current prices in the forward market compared with a specified downside scenario that includes a crude oil price of USD 30 per barrel.

The oil price hedging is mainly in the underlying oil types to reduce the base risk in the oil market. Hedging is predominantly effected through purchased put options and swaps. The oil price risk from the indexing of natural gas purchase and selling prices is also hedged.

Currency risks
Currency risks arise primarily from energy trading, which is typically priced in other currencies than DKK, from purchase and sale of goods and services in foreign currencies, and other activities, including in subsidiaries abroad. The main currency risk is related to USD.

The currency exposure is hedged using forward contracts, swaps and options as well as by raising of debt in various currencies.

The currency risk is measured taking into account the total cash flow for each currency weighted in relation to the currency's volatility. The currency risk is managed by defining a maximum level for the total currency exposure for all currencies each year in the coming five years. DONG Naturgas A/S hedges currency risks using a "ladder" model, hedging a large part in the coming four quarters, with hedging subsequently declining.

Interest rate risks
DONG Naturgas' interest rate risks relate primarily to its loan portfolio, cash and financial hedging. These risks are managed in relation to the DONG Naturgas Group's net financing requirement and capital structure.

The interest rate risk is measured on a net basis, and both debt and any placing of excess cash are included. The interest rate risk is adjusted through the interest terms attaching to the Group's loans and by conclusion of interest rate swaps.

Credit risks
Credit risks arise primarily from trading in power and natural gas – both wholesale trading and financial and physical transactions – and financial transactions, including placing of surplus cash.

As part of its normal operations, DONG Naturgas A/S concludes contracts with customers and suppliers on physical delivery of energy products, and also hedging contracts with other energy companies, specialised trading houses and international banks. Physical contracts with a term of more than one year are normal, and natural gas purchase contracts can have terms of more than five years. All these contracts involve a risk of loss in the event of a counterparty failing to perform its obligations. Such risks are quantified and managed as credit exposures and are a significant focus area in the DONG Naturgas Group.

Credit risk is managed based on internal credit limits for counterparties and structured monitoring of the actual exposure. Credit limits are established on the basis of an assessment of the counterparty's credit rating. If the counterparty has an external credit rating, for example from Moody's or Standard & Poor's, this forms an important factor in determining the counterparty's credit rating. Against the background of the subprime crisis, the DONG Naturgas Group has reduced its credit limits, especially in relation to the financial sector.

Credit risks are co-ordinated in relation to all business activities so that the DONG Naturgas Group does not assume inappropriately large exposure to individual counterparties. With a view to reducing its credit exposure, the Group endeavours, as far as possible, to clear transactions via a clearing centre, such as Nord Pool, and uses formalised framework agreements such as ISDA and EFET agreements and master netting agreements. To this should be added limited use of security such as bank guarantees.

As part of its risk management, the Group monitors the credit exposure on all trading counterparties on a daily basis, and monthly and quarterly in the case of other counterparties. Losses due to default by counterparties have historically been relatively small.

Financing and capital resources
One of the main financial management responsibilities is to secure sufficient, flexible financial resources for the day-to-day operations and for the implementation of the DONG Naturgas Group's strategy, and taking into account the Group's rating. To this end, internal management objectives have been established for the required level of financial resources, taking into account factors such as capital expenditure programme, operating cash flow and debt maturity profile.

Sensitivity analysis concerning financial instruments
The table below illustrates the Group's sensitivity to fluctuations in commodity prices and exchange rates measured as effect on profit and equity, respectively, in the event of a price increase or decrease on the Group's financial instruments at the balance sheet date. A pre-tax approach has been adopted.

The table includes the risks perceived by management to be the most significant for the Group. The Group also calculates and manages the currency risk vis-à-vis EUR; however, as price fluctuations between DKK and EUR are small, the risk is considered to be insignificant.

The analysis shows the sensitivity in the event of a relative price change of 10%, as this corresponds to the average annual volatility of the underlying risks. Some of the risks have fluctuated, historically, by slightly more than 10%, while others have fluctuated by slightly less, and a 10% fluctuation has consequently been deemed to be a good average for price changes.

		Estimated effect on profit 31 December		Estimated effect on equity at 31 December	
Risk	**Price change**	**2007**	**2006**	**2007**	**2006**
Oil and gas	+ 10%	(27.5)	(120.8)	(196.1)	(129.4)
	- 10%	23.9	110.3	224.1	168.1
Power	+ 10%	(198.6)	(38.7)	27.6	(106.2)
	- 10%	199.6	44.3	(27.6)	106.2
Coal	+ 10%	7.8	(16.1)	0.0	0.0
	- 10%	(7.8)	16.1	0.0	0.0
USD	+ 10%	(20.8)	(53.5)	(262.7)	(196.0)
	- 10%	20.8	53.5	262.7	196.0
GBP	+ 10%	0.8	14.2	(42.2)	(26.4)
	- 10%	(0.8)	(14.2)	42.2	26.4
SEK	+ 10%	26.2	25.6	(109.0)	(123.6)
	- 10%	(26.2)	(25.6)	109.0	123.6

Estimated effect on profit

The shown effect on profit is the effect from financial instruments that are open at the balance sheet date, and that have an effect on profit in the current financial year. Besides derivative financial instruments on commodities and currency, financial instruments in this context include receivables and payables in foreign currencies.

It should be noted that the shown sensitivities only comprise the Group’s financial instruments and consequently are not representative of the Group’s total risk profile in relation to commodity prices and exchange rates. Furthermore, the sensitivities only reflect the effect of changes at the balance sheet date, and not through an entire accounting period.

Estimated effect on equity

The stated effect on equity is the effect from financial instruments that are open at the balance sheet date, and that affect equity at the balance sheet date excluding instruments that affect the income statement. Here, financial instruments include derivative financial instruments on commodities and currency, which are accounted for as hedges of cash flows.

The table above is shown for the DONG Naturgas Group, which largely corresponds to the parent company DONG Naturgas A/S. The scope of internal positions in the DONG Naturgas Group is estimated to be limited.

Note 29. Derivative financial instruments

The Group uses derivative financial instruments as part of its risk management, trading and when taking positions.

2007		Market value of derivative financial instruments					
DKK million		2008	2009	2010	2011-2012	After 2012	Total
Commodities:							
Oil swaps	Positive	387.7	272.0	172.3	78.6	22.3	932.9
	Negative	(471.8)	(315.7)	(245.4)	(98.9)	(22.3)	(1,154.1)
Oil options	Positive	28.9	26.0	31.9	12.0	0.0	98.8
	Negative	(0.5)	(6.7)	(12.2)	(8.8)	(2.9)	(31.1)
Gas swaps	Positive	983.0	247.0	6.0	0.0	0.0	1,236.0
	Negative	(851.0)	(189.0)	(1.0)	0.0	0.0	(1,041.0)
Power swaps	Positive	2,467.3	435.6	37.4	2.2	1.3	2,943.8
	Negative	(2,474.1)	(465.9)	(111.4)	(31.0)	(2.2)	(3,084.6)
Power options	Positive	0.0	2.4	0.0	0.0	0.0	2.4
	Negative	(0.8)	(30.7)	(0.5)	0.0	0.0	(32.0)
Coal forwards	Positive	2,078.9	278.8	12.2	0.0	0.0	2,369.9
	Negative	(2,108.3)	(250.1)	(11.9)	0.0	0.0	(2,370.3)
Currency:							
Forward exchange contracts	Positive	123.5	13.6	12.5	0.0	0.0	149.6
	Negative	(0.2)	0.0	0.0	0.0	0.0	(0.2)
Currency swaps	Positive	0.0	33.2	5.7	0.0	0.0	38.9
	Negative	0.0	0.0	0.0	0.0	0.0	0.0
Currency options	Positive	10.1	0.0	0.0	0.0	0.0	10.1
	Negative	0.0	0.0	0.0	0.0	0.0	0.0
Positive at 31 December		6,079.4	1,308.6	278.0	92.8	23.6	7,782.4
Negative at 31 December		(5,906.7)	(1,258.1)	(382.4)	(138.7)	(27.4)	(7,713.3)

2006

DKK million		2007	2008	2009	2010-2011	After 2011	Total
		Market value of derivative financial instruments					
Commodities:							
Oil swaps	Positive	31.6	4.8	0.0	0.0	0.0	36.4
	Negative	(294.2)	(2.3)	0.0	0.0	0.0	(296.5)
Oil options	Positive	25.6	13.0	19.5	0.0	0.0	58.1
	Negative	(34.5)	0.0	0.0	0.0	0.0	(34.5)
Gas swaps	Positive	1,948.2	368.5	62.6	0.0	0.0	2,379.3
	Negative	(1,849.4)	(314.7)	(13.0)	0.0	0.0	(2,177.1)
Power swaps	Positive	5,502.6	902.2	129.3	10.5	0.0	6,544.6
	Negative	(5,372.8)	(945.6)	(142.4)	(9.8)	0.0	(6,470.6)
Power options	Positive	3.2	30.2	0.0	0.0	0.0	33.4
	Negative	(18.5)	(0.7)	(0.2)	0.0	0.0	(19.4)
Coal forwards	Positive	156.1	24.2	1.4	0.0	0.0	181.7
	Negative	(129.7)	(12.5)	(0.8)	0.0	0.0	(143.0)
Currency:							
Forward exchange contracts	Positive	53.3	25.4	0.0	0.0	0.0	78.7
	Negative	(3.3)	(4.1)	(4.1)	(6.2)	0.0	(17.7)
Currency swaps	Positive	156.2	0.0	13.8	0.0	0.0	170.0
	Negative	(77.3)	0.0	(2.5)	(6.7)	0.0	(86.5)
Interest rates:							
Interest rate swaps	Positive	1.3	0.0	0.0	0.0	0.0	1.3
	Negative	(0.4)	0.0	0.0	0.0	0.0	(0.4)
Positive at 31 December		7,878.1	1,368.3	226.6	10.5	0.0	9,483.5
Negative at 31 December		(7,780.1)	(1,279.9)	(163.0)	(22.7)	0.0	(9,245.7)

Hedging of future cash flows:

2007

DKK million	Notional amount	Fair value	Recog-nised in equity	Expected timing of transfer to income statement 2008	2009	2010	After 2010
Commodities:							
Oil swaps	1,254.2	(240.9)	(240.8)	(103.7)	(43.7)	(73.1)	(20.3)
Oil options	5,012.0	67.7	(48.4)	(48.4)	0.0	0.0	0.0
Gas swaps	435.1	(1.9)	(12.4)	3.3	(15.7)	0.0	0.0
Power swaps	699.7	(432.0)	(108.9)	(49.5)	(31.9)	(21.5)	(6.0)
Currency:							
Forward exchange contracts	3,094.9	149.4	287.8	218.1	32.6	31.1	6.0
Currency swaps	543.8	38.9	39.2	0.0	34.3	4.9	0.0
Currency options	263.3	10.1	9.5	9.5	0.0	0.0	0.0
Total	11,303.0	(408.7)	(74.0)	29.3	(24.4)	(58.6)	(20.3)

Hedging of future cash flows:

2006

DKK million	Notional amount	Fair value	Recog-nised in equity	Expected timing of transfer to income statement 2007	2008	2009	After 2009
Commodities:							
Oil swaps	170.7	(268.1)	(268.1)	(268.1)	0.0	0.0	0.0
Oil options	4,953.0	23.6	(34.5)	(34.5)	0.0	0.0	0.0
Gas swaps	713.0	169.2	134.2	36.3	52.1	45.8	0.0
Power swaps	528.5	307.3	93.8	72.9	2.6	17.8	0.5
Currency:							
Forward exchange contracts	2,604.4	57.6	57.2	56.0	11.4	(4.0)	(6.2)
Currency swaps	722.3	79.6	72.2	69.9	0.0	9.3	(7.0)
Total	9,691.9	369.2	54.8	(67.5)	66.1	68.9	(12.7)

Hedging of fair values	2007				2006			
DKK million	Receiv-ables	Payables	Hedged using hed-ging instru-ments	Net position	Receiv-ables	Payables	Hedged using hed-ging instru-ments	Net position
Currency:								
EUR	4,334.1	(3,614.3)	0.0	719.8	7,655.7	(6,862.0)	0.0	793.7
USD	3,739.8	(4,313.2)	0.0	(573.4)	243.9	(153.6)	0.0	90.3
GBP	654.6	(646.2)	0.0	8.4	1,192.8	(1,050.8)	0.0	142.0
SEK	264.1	(2.0)	0.0	262.1	279.3	(23.0)	0.0	256.3
Other	2.8	0.0	0.0	2.8	0.9	0.0	0.0	0.9
	8,995.4	(8,575.7)	0.0	419.7	9,372.6	(8,089.4)	0.0	1,283.2

Trading portfolio and economic hedges	2007		2006	
DKK million	Notional amount	Fair value	Notional amount	Fair value
Oil swaps	68.3	19.7	177.0	8.0
Oil options	166.8	0.0	0.0	0.0
Gas swaps	1,719.9	196.9	1,240.0	33.0
Power swaps	4,958.0	291.2	648.5	(424.3)
Power options	334.9	(29.6)	551.6	14.0
CO_2	33.7	6.0	17.6	(4.5)
Coal forwards	79.1	(0.4)	238.8	38.7
	7,360.7	483.8	2,873.5	(335.1)

The tables above in this note are shown for the DONG Naturgas Group, which largely corresponds to the parent company DONG Naturgas A/S. The scope of internal positions in the DONG Naturgas Group is estimated to be limited.

Note 30. 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 Swedegas AB (formerly Nova Naturgas AB), and the parent company DONG Energy A/S stands as guarantor for fulfilment of these agreements. DONG Naturgas also stands as guarantor vis-à-vis Energinet.dk concerning gas sales agreements and transportation agreements with Ruhrgas.

DONG Energy Sales B.V. is a party to power and gas purchase agreements.

DONG Naturgas has provided a guarantee in respect of DONG Energy Aktiebolag's obligations in connection with the acquisition of gas sales contracts in Sweden.

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
The Group and the parent company are party to a number of litigation proceedings and legal disputes that are not estimated to have any effect on the Group's or the parent company's financial position, either individually or collectively.

Other contingent liabilities
DONG Naturgas and the regional gas 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 31 December 2007, the guarantee is limited to a sum of DKK 200 million, which will be written down successively by DKK 15 million annually from 1 January 2008 to 1 January 2012. DONG Naturgas' maximum payment obligation will also be written down by the amounts paid in total by DONG Naturgas.

In connection with the unbundling of the former DONG Naturgas on 1 January 2003, the receiving companies, DONG Gas Distribution, DONG Storage, DONG Naturgas and DONG Energy Gasforsyning, 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 Energy A/S, DONG Energy A/S has taken over DONG Ejendomme's liability. Likewise, DONG Naturgas has subsequently taken over DONG Individuelle Vilkår's liability by merger.

The Group is also a party to a number of long-term purchase and sales contracts that have been concluded in the course of the Group's normal operations. Apart from the liabilities already recognised in the balance sheet, the Group does not expect to incur any financial losses as a result of the performance of these contracts.

The DONG Naturgas Group is jointly and severally liable with the other partners for certain contractual obligations relating to the LNG terminal.

Note 31. Related party transactions

Related parties that have control over the Group and the parent company comprise DONG Energy A/S and the Danish State, represented by the Danish Ministry of Finance, which holds has a majority holding in the parent company DONG Energy A/S.

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.

DONG Naturgas A/S sells products to related parties on arm's length terms in the course of its normal operations.

Group **DKK million**	Group enterprises 2007	 2006	Associates 2007	 2006	Joint ventures 2007	 2006
Dividends paid	(1,853.0)	(1,899.5)	0.0	0.0	0.0	0.0
Dividends received	0.0	0.0	7.5	6.2	0.0	0.0
Sales of products and services	2,264.2	3,446.0	475.0	173.3	1.1	0.0
Purchases of products and services	(1,331.9)	(1,639.0)	(26.2)	(15.5)	0.0	0.0
Interest, net	31.3	75.8	0.0	0.0	0.0	0.0
Receivables	1,846.1	3,467.1	143.9	0.0	2.1	0.0
Payables	(1,044.1)	(764.0)	1.7	0.0	0.0	0.0

Parent company **DKK million**	Group enterprises 2007	 2006	Associates 2007	 2006	Joint ventures 2007	 2006
Dividends paid	(1,853.0)	(1,899.5)	0.0	0.0	0.0	0.0
Dividends received	21.6	38.8	7.5	6.2	0.0	0.0
Sales of products and services	5,156.6	6,312.2	475.0	173.3	1.1	0.0
Purchases of products and services	(1,044.8)	(1,377.7)	(26.2)	(15.5)	0.0	0.0
Interest, net	11.4	56.2	0.0	0.0	0.0	0.0
Receivables	2,511.5	3,663.6	143.9	0.0	2.1	0.0
Payables	(1,042.6)	(796.9)	1.7	0.0	0.0	0.0

Specific transactions:
Under Sections 24, 25 and 99 of the Natural Gas Supply Act, DONG Naturgas has been granted a licence to engage in natural gas supply activities on firm terms on the conditions laid down in the Natural Gas Supply Act. Accordingly, the licence to engage in natural gas supply activities on firm terms has been granted for a period up to 2008.

DONG Naturgas, DONG Energy and the Danish State entered into an agreement with the former Naturgas Syd in 1999 and with the former Naturgas Sjælland in 2000 concerning transfer of these two regional natural gas companies' assets and liabilities to DONG Naturgas. The values were determined on the basis of financial calculations of the future earnings potential. All loans remained with the two regional natural gas companies, which changed their names to Gældsafviklingsselskabet Naturgas Syd and Gældsafviklingsselskabet Naturgas Sjælland, respectively. DONG Naturgas issued instruments of debt to the debt repayment partnerships under which DONG Naturgas pays interest and instalments on the loan.

The instruments of debt were transferred to the companies DONG Gas Distribution and DONG Storage in connection with the unbundling of DONG Naturgas. The Danish State has granted an unconditional and irrevocable guarantee to the debt repayment partnerships in respect of all payments. The State has recourse against DONG Gas Distribution and DONG Storage in respect of any amounts paid by the State under the guarantees.

On 1 March 2005, DONG Naturgas sold its share of the pipeline that connects the Tyra West platform in the Danish sector of the North Sea with the F3 platform in the Dutch sector to DONG Energy Pipelines. In connection with the acquisition a lease was signed between DONG Naturgas and DONG Energy Pipelines under which DONG Naturgas leases the transportation capacity in the pipeline from 1 March 2005 to 1 March 2025.

The parent company has had transactions with group enterprises as part of its responsibility for the trading function for the DONG Energy Group's companies in relation to commodity instruments, etc. Furthermore, balances with group enterprises have been established as part of the normal financing of the Group's activities.

Remuneration to the Supervisory and Executive Boards is disclosed in note 5.

Note 32. Description of accounting policies

Basis of preparation

Consolidated financial statements
The consolidated financial statements include the parent company DONG Naturgas A/S and subsidiaries in which DONG Naturgas A/S has the power to govern the financial and operating policies so as to obtain a return or other benefits from the subsidiary's activities. Control exists when DONG Naturgas A/S holds, directly or indirectly, more than 50% of the voting rights or otherwise has the power to control the subsidiary in question.

Enterprises over which the Group exercises significant influence, but not control, are accounted for as associates. Significant influence is typically achieved by holding or having the ability to exercise, 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' financial statements, applying the Group's accounting policies. Intragroup income and expenses, shareholdings, balances and dividends as well as realised and unrealised gains and losses arising from intragroup transactions are eliminated on consolidation. Unrealised gains resulting from transactions with associates are eliminated to the extent of the Group's investment in the enterprise. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

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

The items in the subsidiaries' financial statements are recognised in full in the consolidated financial statements. The minority interests' share of profit for the year and of equity of subsidiaries that are not wholly-owned is recognised as part of the Group's profit and equity, respectively, but disclosed separately.

Business combinations
Enterprises acquired or formed during the year are recognised in the consolidated financial statements from the date of acquisition or formation. Enterprises disposed of during the year are recognised in the consolidated income statement up to the date of disposal. Comparative figures are not restated to reflect acquisitions or disposals; however, discontinued operations are presented separately, see below.

On acquisition of enterprises whereby the parent company obtains control of the acquiree the purchase method is applied. The acquiree's identifiable assets, liabilities and contingent liabilities are measured at fair value at the date of acquisition. Identifiable intangible assets are recognised if they are separable or arise from a contractual right, and the fair value can be measured reliably. Deferred tax on the restatement of assets and liabilities is taken into account.

The date of acquisition is the date on which DONG Naturgas A/S gains actual control of the acquiree.

The excess of the cost of the acquiree over the fair value of the identifiable assets acquired and liabilities and contingent liabilities assumed (goodwill) is recognised as goodwill under intangible assets. Goodwill is not amortised, but is tested annually for impairment. The first impairment test is carried out before the end of the year of acquisition. On acquisition, goodwill is allocated to the cash-generating units, which subsequently form the basis for the impairment test. Goodwill and fair value adjustments in connection with the acquisition of a foreign entity with a functional currency that is different from the presentation currency (DKK) of the DONG Naturgas Group are accounted for as assets and liabilities belonging to the foreign entity and translated into the foreign entity's functional currency at the exchange rate at the transaction date. Any excess of the fair value over the cost of acquisition (negative goodwill) is recognised in the income statement at the date of acquisition.

The cost of an enterprise consists of the fair value of the consideration paid plus costs that can be directly attributed to the acquisition. If parts of the consideration are contingent on future events, these parts are recognised in the cost to the extent that the events are probable and the consideration can be measured reliably.

If there is any uncertainty, at the date of acquisition, concerning the measurement of identifiable assets acquired and liabilities and contingent liabilities assumed, initial recognition is based on provisional fair values. If the fair value of identifiable assets, liabilities and contingent liabilities subsequently proves to differ from the fair value assumed at the time of acquisition, goodwill may be adjusted for up to twelve months following their acquisition. The effect of any such adjustments is recognised in opening equity, and the comparative figures are restated accordingly. Subsequently, goodwill is only adjusted as a consequence of changes in the estimated contingent purchase consideration, except in the case of material errors; however, subsequent realisation of the acquiree's deferred tax assets that were not recognised at the date of acquisition leads to recognition of the tax benefit in the income statement and simultaneous reduction of the carrying amount of goodwill to the amount that would have been recognised if the deferred tax asset had been recognised as an identifiable asset at the date of acquisition.

Gains or losses on disposal of subsidiaries and associates are determined as the difference between the selling price and the carrying amount of net assets including goodwill at the date of disposal and costs necessary to make the sale. A business combination may involve successive acquisitions. If so, each significant acquisition is treated separately with a view to determining the cost and fair value of the acquired identifiable assets, liabilities and contingent liabilities, including any goodwill. Gains or losses on disposal of subsidiaries and associates are recognised in the income statement in the item gain on disposal of enterprises.

The fair value of the identifiable assets, liabilities and contingent liabilities may be different at the date of each acquisition. When a transaction results in the achievement of control of the acquiree, previously acquired shares of identifiable assets, liabilities and contingent liabilities relating to the already acquired investments are remeasured at fair value at the acquisition date. The remeasurement is accounted for as a revaluation, which is recognised via equity.

Foreign currency translation

For each of the reporting enterprises in the Group a functional currency is determined. The functional currency is the currency of the primary economic environment in which the individual reporting enterprise operates. Transactions in other currencies than the functional currency are accounted for as transactions in foreign currencies.

On initial recognition, transactions in foreign currencies are translated into the functional currency at the exchange rates at the transaction date. Exchange differences arising between the exchange rate at the transaction date and at the date of payment are recognised in the income statement as financial income and financial expenses.

Receivables, payables and other monetary items in foreign currencies are translated into the functional currency 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 or financial expenses.

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

On recognition in the consolidated financial statements of enterprises with a different functional currency than DKK, the items in the income statements are translated at the exchange rates at the transaction date and the balance sheet items are translated at the exchange rates at the balance sheet date. An average exchange rate for each month is used as the exchange rate at the transaction date to the extent that this does not significantly distort the presentation of the underlying transactions. Exchange differences arising on translation of the opening equity of these enterprises at the exchange rates at the balance sheet date and on translation of the income statements from the rates at the transaction date to the exchange rates at the balance sheet date are recognised directly in equity under a separate translation reserve.

On recognition in the consolidated financial statements of associates with a different functional currency than DKK, the share of profit for the year is translated using an average exchange rate, and the share of equity including goodwill is translated at the exchange rates at the balance sheet date. Exchange differences arising on translation of the share of foreign associates' opening equity at the exchange rates at the balance sheet date and on translation of the share of profit for the year from average rates to the exchange rates at the balance sheet date are recognised directly in equity under a separate translation reserve.

On complete or partial disposal of a foreign operation, or on repayment of balances that are considered part of the net investment, the share of the cumulative exchange adjustments that is recognised directly in equity and attributable to this is recognised in the income statement when the gain or loss on disposal is recognised.

Derivative financial instruments
Derivative financial instruments and loans are used to hedge currency risks, interest rate risks and price risks related to the price of oil, power, coal and natural gas.

Derivative financial instruments are recognised from the trade date under receivables (positive fair values) and other payables (negative fair values), respectively, and are measured in the balance sheet at fair value. Costs directly related to the acquisition or issue of the individual financial instrument (transaction costs) are added to the fair value on initial recognition, unless the financial asset or the financial liability is measured at fair value with recognition of fair value adjustments in the income statement. Positive and negative fair values are only offset if the enterprise is entitled to and intends to settle several financial instruments net (in cash). The fair value of derivative financial instruments is determined on the basis of current market data and recognised valuation methods.

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 to the extent of the hedged risk. Hedging of future cash flows of contracts concluded (firm commitment) is accounted for as hedging of the fair value of a recognised asset or liability, except in the case of foreign currency hedging.

Changes in the portion of the fair value of derivative financial instruments and foreign exchange adjustments of loans that is designated as and qualifies for recognition as a hedge of future cash flows and that provides an effective hedge against changes in the value of the hedged item are recognised directly in equity under a separate hedging reserve until the hedged transaction is realised. In the case of options used as hedges, only the intrinsic value of the option is accounted for as a hedge. On realisation of the hedged transaction the resulting gain or loss is transferred from equity and recognised in the same item as the hedged item; however, on hedging of the proceeds from future loans the resulting gain or loss is transferred from equity over the term of the loan.

Value adjustments of financial instruments that have been entered into to hedge revenue but do not satisfy the criteria for hedge accounting are recognised as revenue. Likewise, value adjustments of financial contracts offered to customers with a view to price hedging are recognised as revenue. This classification is judged to best reflect the results of the Group’s and parent company’s operations.

For derivative financial instruments that have not been entered into to hedge revenue or production costs, changes in fair value are recognised in the income statement as financial items when they occur.

Some contracts embody conditions corresponding to derivative financial instruments. Such embedded financial instruments are recognised separately and measured on a continuing basis at fair value if they differ significantly from the contract in question, unless the host contract is recognised and measured at fair value on a continuing basis.

Under IFRS, contracts that involve the physical delivery of commodities are, in certain circumstances, accounted for as derivative financial instruments. Based on an evaluation of the purpose of our commodity contracts and the connection between that purpose and our other activities, our contracts that involve the physical delivery of commodities generally satisfy the criteria for exemption from classification as derivative financial instruments for normal sale and purchase contracts (“normal sale and purchase” exemption). Only contracts that lead to physical delivery of commodities and are entered into in the course of our trading activities or as part of certain hedging activities are accounted for and measured as derivative financial instruments.

Income statement

Revenue
Revenue 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 at the fair value of the agreed remuneration excluding VAT and duties collected on behalf of third parties. All forms of discounts granted are recognised in revenue.

Rendering of services (consultancy services, etc.) is recognised as the service is rendered to the effect that revenue corresponds to the selling price of the work performed during the year (percentage of completion method).

Physical and financial contracts relating to trading in gas, power, CO_2 rights, etc., that are concluded in the course of trading activities with a view to generating gains from short-term price fluctuations are market value adjusted under revenue.

Value adjustments of financial instruments that have been entered into to hedge revenue but do not satisfy the criteria for hedge accounting are recognised as revenue. Likewise, value adjustments of financial contracts offered to customers with a view to price hedging are recognised as revenue, cf. the description under “Derivative financial instruments”.

Production costs, etc.
Production costs, which comprise costs, including cost of sales, depreciation and amortisation, wages and salaries, related to the natural gas and related services sold during the year, are recognised in the income statement as incurred.

Sales and marketing
Sales and marketing, which comprises expenses for negotiation and conclusion of purchase and sales contracts relating to natural gas, and marketing of DONG Naturgas and DONG Naturgas’ products, is recognised in the income statement as incurred. This item includes direct expenses as well as allocated indirect expenses for sales and marketing.

Management and administration
Management and administration, comprising primarily staff costs for management and administrative staff, is recognised in the income statement as incurred. This item includes direct expenses as well as allocated indirect expenses for management and administration.

Other operating income and expenses
Other operating income and expenses comprise items secondary in nature to the Group’s and the parent company's activities, including gains and losses on ongoing disposal and replacement of intangible assets and property, plant and equipment. Other income and expenses are recognised as earned/incurred. Gains and losses on disposal of intangible assets and property, plant and equipment are determined as the selling price less costs to sell and the carrying amount at the date of disposal.

Government grants
Allocated CO_2 rights are recognised as inventories. Reference is made to the description of the accounting policies under the relevant sections.

Income from investments in associates in the consolidated financial statements
The proportionate share of profit after tax of associates is recognised in the consolidated income statement after tax and after elimination of the proportionate share of intragroup profits/losses.

Dividends from investments in subsidiaries and associates in the parent company financial statements
Dividends from investments in subsidiaries and associates are credited to the income statement in the financial year in which they are declared. However, dividends received in excess of the accumulated profits arising after the date of acquisition are not credited to the income statement but recognised as a reduction of the cost of the investment.

Financial income and Financial expenses
Financial income and Financial expenses comprise interest income and expense, capital gains and losses and impairment losses relating to securities, payables and transactions denominated in foreign currencies, amortisation of financial assets and liabilities, including lease commitments under finance leases, as well as surcharges and refunds under the on-account tax scheme, etc. Financial income and financial expenses also include realised and unrealised gains and losses relating to derivative financial instruments that have not been entered into to hedge revenue or production costs. Interest is recognised under the accrual basis of accounting.

Income tax expense
The DONG Energy Group is subject to the Danish rules on compulsory joint taxation and has also elected international joint taxation with the Group’s foreign subsidiaries. The Group’s subsidiaries are included in the joint taxation from the date they are included in the consolidation in the consolidated financial statements and up to the date on which they are no longer included in the consolidation.

The parent company DONG Energy A/S is the management company as far as concerns the joint taxation and consequently settles all payments of income tax with the tax authorities.

The current Danish income tax is allocated among the jointly taxed Danish subsidiaries in the form of settlement of joint taxation contributions in proportion to their taxable income. In this connection Danish subsidiaries with tax losses receive joint taxation contributions from the parent company equivalent to the tax base of the tax losses utilised (full allocation), while companies that utilise tax losses in other Danish companies pay joint taxation contributions to the parent company equivalent to the tax base of the utilised losses.

Income tax expense, which consists of current tax, joint taxation contribution for the year and changes in deferred tax - including as a result of changes in tax rates - is recognised in the income statement to the extent that it relates to profit for the year, and directly in equity to the extent that it relates to entries directly to equity.

The Group is registered for the Danish on-account tax scheme. Tax refunds/tax surcharges are allocated between the jointly taxed Danish companies in accordance with the allocation of the Danish income tax and recognised as financial income and financial expenses, respectively.

Balance sheet

Goodwill
Goodwill is measured initially in the balance sheet at cost as described under business combinations. Subsequent to initial recognition, goodwill is measured at cost less accumulated impairment losses. Goodwill is not amortised. The carrying amount of goodwill is allocated to the Group's cash-generating units at the date of acquisition. The determination of cash-generating units follows the Group's organisational and internal reporting structure.

Rights
Rights comprise gas purchase rights, acquired customer rights and IT software licences, etc., and 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 specific business areas, and the assets to which the right relates. Capitalised rights are estimated to have an economic life of 5-20 years.

Development projects
Development projects comprise development of IT systems, etc.

Development projects that are clearly defined and identifiable, and for which technical feasibility, adequate resources and a potential future market or an application in the enterprise can be demonstrated, and which the enterprise intends to manufacture, market or use, are recognised as intangible assets if the cost can be determined reliably and if there is reasonable certainty that the future earnings or the net selling price will cover production costs, selling costs, administrative expenses and development costs. Other development costs are recognised in the income statement when incurred.

Recognised development costs are measured at cost less accumulated amortisation and impairment losses. Cost comprises salaries, amortisation and other costs attributable to the enterprise's development activities.

On completion of the development work, development projects are amortised on a straight-line basis over the estimated economic life from the date the asset is available for use. The amortisation period is usually five years. The basis of amortisation is reduced by any impairment.

Amortisation and impairment losses relating to intangible assets are recognised in the income statement as production costs, sales and marketing, and management and administration, respectively.

Property, plant and equipment
Property, plant and equipment comprises land and buildings, production assets, and other tools and equipment. Property, plant and equipment is 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. Financial expenses that can be attributed to a preparation or production period are recognised in the income statement under financial expenses. Cost is increased by the present value of the estimated costs for dismantling and removal of the asset and reinstatement costs to the extent that they are recognised as a provision. Where individual components of an asset have different useful lives, they are accounted for as separate items, which are depreciated separately.

In the case of assets held under finance leases, cost is determined as the lower of fair value and present value of future minimum lease payments. The present value is determined using the interest rate implicit in the lease as the discount rate or an approximated value.

Subsequent costs, for example in connection with replacement of parts of an item of property, plant and equipment, are recognised in the carrying amount of the asset in question when it is probable that future economic benefits will flow to the Group from the expenses incurred. Recognition of the replaced parts in the balance sheet ceases, and their carrying amount is taken to the income statement. All other expenses for general repair and maintenance are recognised in the income statement as incurred.

Development and construction costs relating to property, plant and equipment are recognised in the balance sheet, until entry into service, under property, plant and equipment in the course of construction. Following entry into service, these assets are transferred to the relevant items under property, plant and equipment.

In the case of natural gas activities, cost is depreciated using the unit-of-production method, taking into account the expected earnings profile, so that the depreciation pattern reflects the expected earnings patterns.

In the case of other property, plant and equipment, cost is basically depreciated on a straight-line basis over the estimated future useful lives.

Depreciation periods for property, plant and equipment:	
Buildings used for own purposes [1)]	20 years
Production assets:	
Gas treatment plant [2)]	20-40 years
Marine pipelines [3)]	20-40 years
Fixtures and fittings, tools and equipment	3-10 years
Assets in the course of construction [4)]	Not depreciated

1) Land is not depreciated
2) Depreciation is charged using the unit-of-production method.
3) The depreciation profile takes account of the fact that the earnings profile changes substantially over the life of the asset as a result of the statutory revenue caps.
4) Depreciation does not commence until the date of entry into service, at which time the assets are transferred to production assets.

The basis of depreciation is determined on the basis of the asset's residual value less any impairment losses. The residual value is fixed at the date of acquisition and reassessed annually. Depreciation ceases if the residual value exceeds the carrying amount.

If the depreciation period or the residual value changes, the effect on depreciation is recognised prospectively as a change in accounting estimates.

Depreciation and impairment losses are recognised in the income statement as Production costs, Sales and marketing, and Management and administration, respectively, to the extent that depreciation is not recognised in the cost of self-constructed assets.

Gains and losses on disposal of property, plant and equipment are determined 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 in subsidiaries and associates in the parent company financial statements
Investments in subsidiaries and associates are measured at cost. Cost is written down to recoverable amount whenever the cost exceeds the recoverable amount. Cost is reduced to the extent that dividends received exceed the accumulated profits after the date of acquisition.

Investments in associates in the consolidated financial statements
Investments in associates are measured in the consolidated financial statements using the equity method whereby the investments are measured in the balance sheet at the proportionate share of the associates' net assets determined in accordance with the Group's accounting policies, plus or minus the carrying amount of goodwill.

Associates with a negative equity value are measured at nil. If the Group has a legal or constructive obligation to cover the associate's deficit, the obligation is recognised as a liability.

On acquisition of investments in associates the purchase method is applied, cf. the description under "Business combinations".

Other equity investments
Other equity investments are recognised initially in the balance sheet at fair value plus transaction costs and are subsequently measured at fair value. For listed securities, this corresponds to the market price at the balance sheet date. In the case of unlisted securities, an estimated fair value is used, if this is considered reliable; alternatively, cost is used, after deduction of any impairment losses.

Non-current receivables
Non-current receivables include non-current loans to customers.

Impairment of non-current assets
Goodwill and intangible assets with an indefinite useful life are tested for impairment annually, initially before the end of the year of acquisition. In-process development projects are also tested annually for impairment.

The carrying amount of goodwill is tested for impairment, along with the carrying amounts of the other non-current assets of the cash-generating unit to which the goodwill has been allocated, and written down to the recoverable amount in the income statement if the carrying amount exceeds the recoverable amount. The recoverable amount is generally determined as the present value of the expected future net cash flows from the enterprise or activity (cash-generating unit) to which the goodwill relates.

Deferred tax assets are reviewed annually and recognised only to the extent that it is probable that they will be utilised.

The carrying amounts of other non-current assets are tested annually to determine if any indication of impairment exists. If any such indication exists, the asset's recoverable amount is determined. The recoverable amount is the higher of an asset's fair value less expected disposal costs and its value in use. The value in use is determined as the present value of the expected future cash flows from the asset or the cash-generating unit to which the asset belongs.

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 under production costs and administrative expenses, respectively; however, impairment losses relating to goodwill are recognised as a separate line item in the income statement.

Impairment losses relating to goodwill are not reversed. Impairment losses relating to other assets are reversed to the extent that the assumptions or estimates that led to the impairment have changed. Impairment losses are only reversed to the extent that the asset's new carrying amount does not exceed the value the asset would have had after depreciation if no impairment losses had been charged.

Inventories
Inventories consist of natural gas in storage facilities and in natural gas pipelines, and acquired CO_2 rights.

The cost of natural gas is determined as a weighted average of the last month's purchase prices, including transportation costs.

Allocated and acquired CO_2 rights are measured initially at cost. To the extent that a grant is received in connection with an allocation, the cost constitutes the actual consideration paid for the rights, i.e. nil if the rights are allocated free of charge.

Allocated and acquired CO_2 rights that form part of the Group's trading activities with a view to generating gains from short-term price fluctuations are measured at fair value with value adjustments recognised in the income statement.

Other inventories are measured at the lower of cost using the FIFO method and net realisable value. The net realisable value of inventories is determined as the expected selling price less any costs of completion and costs incurred to execute the sale, and is determined taking into account marketability, obsolescence and development of expected selling price.

Receivables
Receivables are measured at amortised cost. Write-downs are made for bad and doubtful debts if there is any indication of impairment. Write-downs are made at both individual and portfolio level.

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

Prepayments
Prepayments comprise expenses paid in respect of subsequent financial years and are measured at cost.

Equity
Hedging reserve
The hedging reserve comprises the accumulated net change in the fair value of hedging transactions that qualify for designation as hedges of future cash flows, and where the hedged transaction has yet to be realised, less the related tax.

Translation reserve
The translation reserve comprises exchange differences arising on translation of the financial statements of foreign entities with a functional currency that is different from the presentation currency (DKK) of the DONG Naturgas Group, foreign exchange adjustments relating to assets and liabilities that form a part of the Group's net investment in such entities, and foreign exchange adjustments relating to hedging transactions that hedge the Group's net investment in such entities, less the related tax.

The foreign exchange adjustments are recognised in the income statement on realisation or partial realisation of the net investment.

Dividends
Proposed dividends are recognised as a liability at the date of their adoption at the Annual General Meeting (declaration date). Up to the declaration date, proposed dividends are disclosed as a separate item under equity.

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 taxes paid on account.

Deferred tax is measured using the balance sheet liability method, providing for all temporary differences between the carrying amounts and the tax base of assets and liabilities. however, temporary differences are not provided for in respect of goodwill not deductible for tax purposes, office properties and 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 different 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 carryforwards, are recognised as other non-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 assets and deferred tax liabilities are offset if the enterprise has a legally enforceable right to set off current tax assets and current tax liabilities or intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Adjustment of deferred tax is made relating to eliminations of unrealised intragroup profits and losses. 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.

Pensions
The Group has entered into pension agreements and similar agreements with most of the Group's employees. Contributions to insured (defined contribution) pension plans are recognised in the income statement in the period to which they relate, and any contributions payable are recognised in the balance sheet as other payables.

Provisions
Provisions comprise estimated costs for decommissioning of production facilities, restoration of drilling sites and other technical installations, etc.

Provisions are recognised when, as a result of an event occurring before or at the balance sheet date, the Group has a legal or constructive obligation, the settlement of which is expected to result in an outflow from the company of resources embodying economic benefits.

Provisions for decommissioning of production facilities and restoration of drilling sites are measured at the present value of the future liability in respect of restoration and decommissioning as estimated at the balance sheet date. The amount provided is determined on the basis of existing requirements and estimated expenses, which are discounted to present value. If specific risks are deemed to attach to a provision, the estimated costs are recognised. A discount rate is used that reflects the general interest rate level in the market. These liabilities are recognised as they arise and are adjusted on a regular basis to reflect changes in requirements, price level, etc. The value of the provision is recognised under property, plant and equipment and depreciated together with the relevant assets. The increase in time of the present value is recognised in the income statement under financial expenses.

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

Financial liabilities
Financial liabilities comprise bank loans, trade and other payables to public authorities, etc. Mortgage loans and bank loans are recognised at inception at the proceeds received net of transaction costs incurred. In subsequent periods, the financial liabilities are measured at amortised cost using the "effective interest rate method". Accordingly, the difference between the proceeds received and the nominal amount is recognised in the income statement under financial expenses over the term of the loan.

Other bank loans include the capitalised residual lease commitment under finance leases, measured at amortised cost.

Trade payables, payable income tax and other payables are measured at net realisable value. Other payables include negative fair values of derivative financial instruments, etc.

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

Leasing
Lease commitments are accounted for as commitments under finance leases and commitments under operating leases, respectively.

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of the leased asset. Other leases are classified as operating leases.

The accounting treatment of assets held under finance leases and the associated liability is described in the sections on property, plant and equipment and financial liabilities.

Lease payments under operating leases are recognised in the income statement over the term of the lease on a straight-line basis.

Deferred income
Deferred income comprises payments received in respect of income in subsequent years, measured at cost.

Deferred income includes the value of unrecognised amounts in respect of natural gas delivered under contract, which is recognised at realisable value. The value of natural gas free of charge delivered under contract is spread 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 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 effect of acquisitions and disposals of enterprises is disclosed separately under cash flows from investing activities. Cash flows relating to acquired enterprises are recognised in the cash flow statement from the date of acquisition, and cash flows relating to enterprises disposed of are recognised up to the date of disposal.

Cash flows from operating activities are determined using the indirect method as operating profit adjusted for non-cash operating items, changes in working capital, interest received and interest paid, dividends received and income tax paid.

Cash flows from investing activities comprise payments in connection with acquisition and disposal of enterprises and activities; purchase and sale of intangible assets, property, plant and equipment and other non-current assets; and purchase and sale of securities that are not recognised as cash and cash equivalents.

Finance leases are accounted for as non-cash transactions.

Cash flows from financing activities comprise changes in the size or composition of share capital and costs associated with such changes as well as the raising of loans, repayment of interest-bearing debt, purchases and sales of treasury shares and payment of dividends to owners.

Cash flows relating to assets held under finance leases are recognised as payment of interest and repayment of debt.

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

Cash flows in currencies other than the functional currency are translated at the average exchange rates for the month in question, unless these deviate significantly from the rates at the transaction date.

Segment information

Information is provided on business segments, the Group’s primary format for reporting segment information, and geographical markets – its secondary reporting format. The segments reflect the Group’s risks and internal reporting structure. The segment information has been prepared in accordance with the Group’s accounting policies.

Segment information relating to geographical markets is determined by breaking revenue down by customer location, while segment assets and additions of intangible assets and property, plant and equipment are broken down by physical, geographical location of the assets.

Intragroup transactions between segments are priced at arm's length.

Financial ratios

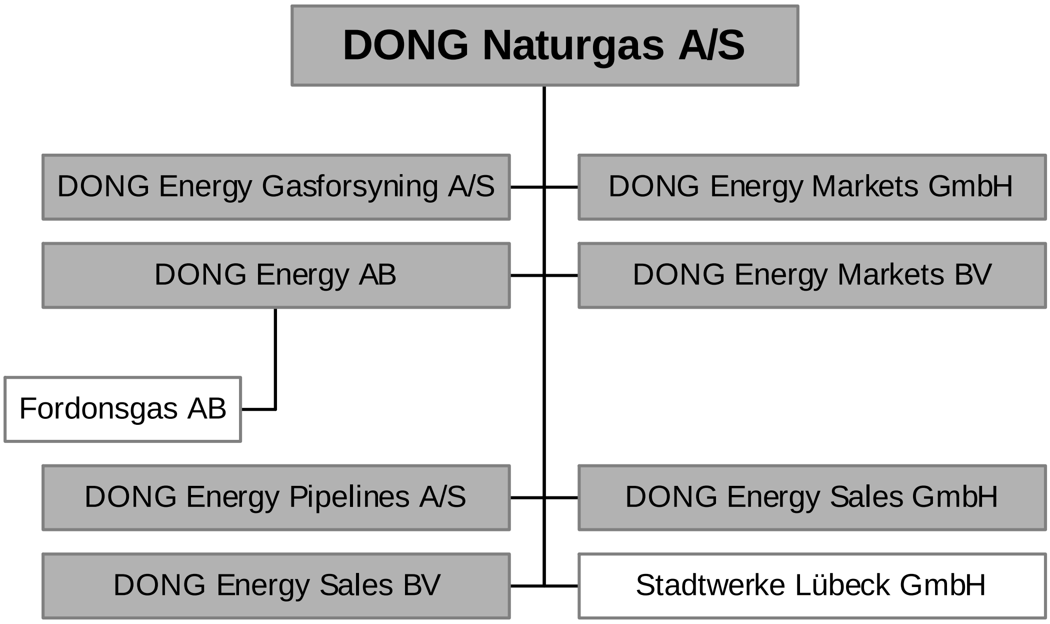
Unless otherwise stated, financial ratios have been calculated in accordance with the Danish Society of Financial Analysts' "Recommendations & Financial Ratios 2005".

Financial ratios have been calculated as follows:

EBITDA margin	Earnings before interest, tax, depreciation and amortisation / Revenue
EBIT margin	Earnings before interest and tax / Revenue
Earnings per share (EPS) of DKK 100	Profit / Average number of shares[1)]
Dividend per share of DKK 100	Dividend / Average number of shares[1)]
Free cash flows to equity (with acquisitions)	Cash flows from operating and investing activities [2)]
Free cash flows to equity (without acquisitions)	Cash flows from operating and investing activities, plus/minus cash flows from acquisitions and disposals of enterprises [2)]
Net interest-bearing debt	Interest-bearing liabilities less interest-bearing assets [3)]
Invested capital	Equity plus/minus gains/losses relating to hedging instruments on equity + net interest-bearing debt [2)]
Financial gearing	Interest-bearing debt / Total equity

1) Average number of shares is defined as share capital in denominations of DKK 100.
2) The definition deviates from the Danish Society of Financial Analysts' 'Recommendations & Financial Ratios 2005'.
3) Bank overdrafts that are included in the cash flow statement as cash and cash equivalents are included as negative interest-bearing assets

Note 33. Group structure



Company name	Registered office	Cur-rency	Share capital in millions	The Group's ownership interest
DONG Naturgas A/S	Fredericia, Denmark	DKK	1,020	100
DONG Energy Gasforsyning A/S	Fredericia, Denmark	DKK	10	100
DONG Energy AB	Göteborg, Sweden	SEK	0.1	100
Fordonsgas Sverige AB	Göteborg, Sweden	SEK	6	50
DONG Energy Markets BV	Amsterdam, the Netherlands	EUR	0.028	100
DONG Energy Markets GmbH	Dorsten, Germany	EUR	0.025	100
DONG Energy Pipelines A/S	Fredericia, Denmark	DKK	25	100
DONG Energy Sales BV	Oosterhout, the Netherlands	EUR	0.018	100
DONG Energy Sales GmbH	Lübeck, Germany	EUR	0.5	74.9
Stadtwerke Lübeck GmbH	Lübeck, Germany	EUR	40	25.1