DONG Naturgas A/S

ANNUAL REPORT 2008

(Reg. No. 27 21 05 38)

6th financial year

Contents

Company information

Company	DONG Naturgas A/S Kraftværksvej 53, Skærbæk 7000 Fredericia Denmark Tel. +45 9955 1111 Fax +45 9955 0002 e-mail dongenergy@dongenergy.dk Reg. No. 27 21 05 38
Shareholder	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, Statsautoriseret Revisionspartnerselskab
Annual General Meeting	14 April 2009
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), Energigruppen Jylland El A/S (Chairman), Energigruppen Jylland El Holding A/S (Chairman), EM El Holding A/S (Chairman), DONG Energy Power Holding A/S (Deputy 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), NNIT A/S (member of the Supervisory Board), GN Resound A/S (member of the Supervisory Board), GN Store Nord (member of the Supervisory Board), GN Netcom A/S (member of the Supervisory Board), EM El Holding A/S (Deputy Chairman), DONG Energy Power Holding A/S (member of the Supervisory Board), 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), 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), DONG EGJ A/S (Deputy Chairman), 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 (member of the Supervisory Board) and managerial posts in the DONG Energy Group's other companies

Hanne Blume	DONG Energy Power Holding A/S (member of the Supervisory Board), DONG Energy Power nr. 1 2008 A/S (member of the Supervisory Board), DONG Energy S&D nr. 1 2008 A/S (member of the Supervisory Board), DONG Energy S&D nr. 2 2008 A/S (member of the Supervisory Board), DONG Energy E&P A/S (member of the Supervisory Board), VICH 7443 A/S (Chairman), 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 2008.

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 2008 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 2008.

Further, in our opinion, the Management's review gives a true and fair review of the development in the Group's and the parent company's operations and financial matters, the results for the year and the Group's and the parent company's financial position as a whole and a true and fair description of the significant risks and uncertainties pertaining to the Group and the parent company.

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

Fredericia, 14 April 2009

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 shareholder of DONG Naturgas A/S

We have audited the annual report of DONG Naturgas A/S for the financial year 1 January - 31 December 2008, which comprises the Statement by the Executive and Supervisory Boards, 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 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.

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 2008 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 2008 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, 14 April 2009

KPMG
Statsautoriseret Revisionspartnerselskab

Flemming Brokhattingen	Torben Bender
State Authorised Public Accountant	*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.

DONG Naturgas is DONG Energy's hub for trading in energy markets, and this business area thus buys and sells gas and power, and related products and services, in Northern Europe. DONG Naturgas also owns and operates parts of DONG Energy’s gas infrastructure and handles the Group’s portfolio of gas purchase contracts. DONG Naturgas also looks after DONG Energy’s risk management of commodity prices, including by engaging in financial transactions. The aim is to hedge the Group’s exposure to fluctuations in various commodity prices. DONG Naturgas handler også i begrænset omfang for egen regning (proprietary trading)

Financial performance
The DONG Naturgas Group’s gas sales were 23% ahead in 2008, amounting to 108,394 GWh compared with 87,838 GWh in 2007. The increase was primarily due to the fact that the unfavourable conditions in the gas market in 2007 were not repeated in 2008. Power sales were 4% down, amounting to 10,482 GWh in 2008 versus 10,893 GWh in 2007.

The DONG Naturgas Group’s revenue almost doubled in 2008, totalling DKK 38,888 million compared with DKK 21,325 million in 2007. The increase was primarily due to increased gas sales and higher gas prices. The higher selling prices were due partly to higher oil prices, which led to an increase in oil-price-regulated gas prices, and partly to an increase in gas hub prices.

EBITDA in the DONG Naturgas Group more than tripled in 2008, amounting to DKK 5,463 million compared with DKK 1,656 million in 2007. The increase was due partly to higher revenue, partly offset by higher gas purchase costs due to the increase in sales volumes, and partly to a large positive effect from gas purchase allocation and time lag in gas contracts. The effect of the allocation in DONG Naturgas was an inflow of DKK 560 million in 2008 compared with an outflow of DKK 260 million in 2007, and the time lag effect was an inflow of DKK 1,540 million in 2008 compared with an outflow of DKK 170 million in 2007. Overall, EBITDA in the DONG Naturgas Group benefited by DKK 2,100 million in 2008 and was eroded by DKK 430 million in 2007, a difference of DKK 2,530 million between the two years.

EBIT in the DONG Naturgas Group was DKK 3,769 million ahead at DKK 5,040 million in 2008 compared with DKK 1,271 million in 2007, with the increase in EBITDA accounting for DKK 3,807 million.

Capital expenditure and investments in the DONG Naturgas Group amounted to DKK 159 million, on a par with 2007. Capital expenditure and investments in 2008 related primarily to infrastructure activities in Germany totalling DKK 127 million.

The profit for the year is considered satisfactory and matches expectations.

Gas sales
he DONG Naturgas Group’s physical gas sales in 2008 totalled 108,394 GWh, which was sold internally to other parts of the Group, to wholesale customers, and on gas hubs. A total of 21,734 GWh was sold internally in Denmark, partly for resale to end customers in Sales & Distribution, and partly for thermal power station fuel. 7,600 GWh was sold to external wholesale customers. DONG Naturgas A/S conducts an annual gas release auction at which it auctions 400 million m^3 (4,863 GWh) of gas for delivery in Denmark, corresponding to approx. 10% of the Danish market. The gas release programme runs over six years and is part of the commitment to the EU Commission in connection with the establishment of the DONG Energy Group. In return for the supplies in Denmark, DONG Naturgas A/S receives corresponding gas supplies in the UK, Belgium, the Netherlands or Germany, and also pays a swap fee. Supply points and swap fees are fixed via the auction.

The latest auction was held in April 2008, with DONG Naturgas A/S receiving gas for delivery in the UK and Germany in return for gas for delivery in Denmark. International gas sales amounted to 78,839 GWh in 2008, with wholesale customers accounting for 64,936 GWh and gas hubs, etc., for 13,903 GWh.

The largest foreign market was Germany, which accounted for 43,153 GWh. 27,859 GWh was sold under long-term contracts with E.ON Ruhrgas, Shell and ExxonMobil. The remaining sales in Germany are taken care of by the sales subsidiary DONG Energy Sales GmbH, in which DONG Naturgas A/S has an ownership interest of altogether 81%. This company markets supply and partnership concepts to regional distribution companies (the so-called Stadtwerke) and large industrial customers.

DONG Energy Sales GmbH increased its sales and customer accounts significantly in 2008 and is thus in the process of building up a strong position, especially in the northern and eastern parts of Germany. DONG Energy 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 16,338 GWh, with external net sales on the Dutch gas hub TTF accounting for 6,060 GWh, wholesale customers for 4,964 GWh, and internal sales for 5,314 GWh.

In the UK, gas sales amounted to 9,453 GWh. Sales were made partly under long-term contracts with Gazprom and Wingas, and partly via the NBP gas hub.

In Sweden, gas sales amounted to 9,165 GWh, with 6,682 GWh going to external wholesale customers, and 2,483 GWh to internal sales.

Procurement of gas

In 2008, long-term gas purchase contracts with third parties accounted for 86% of DONG Naturgas A/S's gas supplies, while 14% was produced internally in the Group by Exploration & Production. The bulk of the third-party volumes, 90%, was supplied by the DUC partners from the Danish sector of the North Sea. The DUC partners are A.P. Møller-Mærsk A/S, Shell Olie- og Gasudvinding Danmark B.V., and Chevron Denmark Inc.

In 2008, DONG Naturgas A/S received large gas volumes for the gas markets in both Northwest Europe and the UK via the DONG Energy Group's stake in the Norwegian gas field Ormen Lange. The gas from Ormen Lange today makes up a substantial part of DONG Naturgas A/S's overall gas portfolio. It is part of the DONG Energy Group's strategy that 30% of supplies should be covered by equity gas production. To supplement and optimise the Group's equity production and long-term gas purchase contracts, DONG Naturgas A/S also trades actively on the European gas hubs, primarily on the UK gas hub NBP and the Dutch gas hub TTF.

It is DONG Naturgas A/S's long-term objective to base its gas supply portfolio on a combination of the DONG Energy Group's equity gas, gas under long-term contracts from Northwest Europe and Russia, and liquefied natural gas (LNG). A diversified portfolio of suppliers and contracts gives DONG Naturgas A/S a high security of supply.

Gas infrastructure

The DONG Naturgas Group takes care of DONG Energy's commercial interests and ownership-related interests relating to a number of infrastructure assets. Value creation is primarily assured by transporting gas to DONG Energy's markets and through increased supply flexibility. The DONG Naturgas Group owns or part-owns a number of gas pipelines in the North Sea that enable it to transport gas from the DUC fields and other fields on the Danish shelf to Denmark and the Netherlands and onwards to the European infrastructure. To this should be added the DONG Energy Group's co-ownership of the Deudan pipeline system connecting the Danish and German transmission networks, and co-ownership of the Swedish transmission company Swedegas AB.

The DONG Energy Group is in the process of establishing a portfolio of own gas storage facilities and in this connection DONG Naturgas has entered into agreements on long-term leases for gas storage facilities in Northern Europe. The establishment of own storage capacity will provide the DONG Naturgas Group with both more secure and more flexible supplies to customers in Germany and the Netherlands. This will at the same time improve the Group's possibilities for optimising its trading portfolio on the European gas hubs. Contracts for storage of volumes of approx. 6,400 GWh (approx. 530 million m^3) have been entered into. It is estimated that these are sufficient to cover a gas market in Germany and the Netherlands totalling approx. 42.5 TWh (approx. 3.5 billion m^3).

In December 2007, the DONG Naturgas Group acquired 5% of the company that owns the Dutch Gate LNG terminal in Rotterdam. At the same time, DONG Naturgas A/S concluded a contract for annual import capacity of up to 3 billion m^3 (36.5 TWh). LNG is transported by special vessels to receiving terminals close to the markets, such as Gate, where the gas is converted from liquefied form to pipeline gas. The Gate terminal is expected to become operational in 2011, and DONG Naturgas A/S's contract will then run for 20 years.

Portfolio optimisation

DONG Naturgas A/S optimises the Group's gas portfolio in order to secure physical delivery of gas to customers in Denmark, Sweden, Germany and the Netherlands. This is being carried out in such a way as to ensure optimum use of infrastructure and flexibility clauses in purchase and sales contracts.

Portfolio optimisation creates value through realisation of the often considerable price differentials over both time and place:

- Trading over time: optimum use of flexibility in storage facilities, production and purchase contracts with a view to ensuring that the gas is traded at the most attractive point in time
- Trading between regions: optimising flexibility in transportation systems between Denmark, Norway, Germany, the Netherlands and the UK with a view to ensuring that the gas is always traded at the most attractive market in terms of price

To this should be added substantial value creation by using the flexibility in the contract provisions relating to price indexation and similar.

Power sales

The DONG Naturgas Group's physical sales of power in 2008 totalled 10,482 GWh, 8,696 GWh of which was resold internally to Sales & Distribution. 618 GWh was sold on a wholesale basis to regional distribution and trading companies in Germany. Power was supplied to 143,000 end customers in Germany via the ownership interest in Stadtwerke Lübeck. The Group also sold supply and partnership concepts to regional, German distribution and sales companies. Power for resale is purchased on European power exchanges, primarily Nord Pool.

Climate projects

DONG Naturgas A/S is also working on identifying climate projects around the world. These projects generate CO_2 credits that can be used to meet part of the Group's CO_2 reduction obligation under the Kyoto Protocol.

Approval of climate projects by the UN, the host country and Denmark is conditional upon demonstration that these are actual CO_2 reductions that would not have been achieved had the CO_2 credits not been sold (principle of additionality). It is also a requirement on the part of the UN that reductions must be both quantifiable and sustainable. The costs associated with implementing CO_2 reductions in developing countries are often considerably lower than by implementing them in Denmark or buying CO_2 certificates in the market. At the same time, DONG Naturgas A/S becomes directly involved in the projects at an early stage to ensure that the CO_2 credits are generated under sustainable conditions and to take advantage of the price difference in relation to CO_2 credits traded on energy exchanges. The price difference arises as a result of project and supply risks, for example.

In 2008, 17 new contracts for purchases of CO_2 credits were concluded. Overall, contracts have been concluded for the purchase of CO_2 credits from 49 climate projects in countries such as Russia, China, Pakistan and Malaysia. The projects are expected to reduce emissions of CO_2 by 7.4 million tonnes, including 6.2 million tonnes in the period 2008-2012. By comparison, the DONG Energy Group's CO_2 emissions in 2008 totalled 12.7 million tonnes.

The projects include capture of methane gas from landfill sites in Pakistan and Mexico, utilisation of biomass in Malaysia, wind farms in India, hydroelectric plants in China, and energy efficiency improvements as a result of process optimisation at factories in China. In August 2008, CARE Danmark and DONG Energy signed a collaboration agreement on the development of energy projects that reduce CO_2 emissions while at the same time helping people in Ghana and Vietnam.

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 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 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.

Retention and development of skills

DONG Naturgas A/S's 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.

For further details of risk management in DONG Naturgas A/S, see note 29.

Future outlook

Based on the expected development in various market prices, including oil, gas, power, CO_2 certificates and the USD exchange rate, EBITDA and profit after tax for 2009 are expected be substantially down on 2008. The development in market prices will have extraordinarily large adverse effects in 2009 compared with large positive effects in 2008. The expected lower oil price in 2009 compared with 2008 and the derivative effects on contracts with oil-indexed gas prices will have a significant negative time lag effect.

Events after the reporting period

No events have occurred after the year end that will change the company's financial standing.

Financial highlights for the DONG Naturgas Group

DKK million	2008	2007	2006	2005	2004
Income statement					
Revenue	38,887.8	21,325.2	22,739.8	13,879.0	10,022.2
Profit before interest, tax, depreciation and amortisation (EBITDA)	5,462.8	1,656.1	3,455.4	2,907.0	1,906.7
Operating profit (EBIT)	5,040.4	1,270.9	2,947.6	2,580.9	1,572.7
Net financing costs	(161.8)	30.4	60.9	15.5	60.9
Profit before tax	4,756.2	1,285.1	2,794.8	2,608.5	1,633.6
Profit for the year	3,421.2	1,055.6	1,947.8	1,944.1	1,136.9
Balance sheet					
Equity	9,416.6	6,553.3	7,449.9	6,794.8	6,499.8
Balance sheet total	40,098.6	21,729.5	25,843.8	15,263.0	11,046.8
Cash flows					
Operating activities	(51.9)	1,611.8	2,608.1	2,388.3	1,900.5
Investments in property, plant and equipment	(160.5)	(9.0)	(24.0)	(49.6)	(330.9)
Investing activities	(137.7)	894.3	(132.2)	(1,764.5)	(604.8)
Financing activities	(1,351.8)	(2,282.8)	(2,095.2)	(143.7)	(2,759.1)
Financial ratios					
EBITDA margin	14%	8%	15%	21%	19%
EBIT margin	13%	6%	13%	19%	16%
Free cash flows to equity (with acquisitions)	(189.6)	2,506.1	2,475.9	4,152.8	2,505.3
Free cash flows to equity (without acquisitions)	(177.5)	2,532.2	2,470.7	5,002.7	2,392.3
Net interest-bearing debt	990.5	(550.1)	(929.0)	(1,546.0)	(2,330.2)
Invested capital	10,407.2	6,188.9	6,422.9	4,681.3	4,118.0
Financial gearing	0.11	(0.08)	(0.13)	(0.23)	(0.36)
Number of employees at year end	429	356	375	234	213

The financial ratios have been determined in accordance with the Danish Society of Financial Analysts' 'Recommendations & Financial Ratios 2005', and International Financial Reporting Standards as adopted by the EU, see the section on accounting policies on page 73

Consolidated income statement for the year ended 31 December

DKK million	Note	2008	2007
Revenue	3,4	38,887.8	21,325.2
Production costs	5,7	(33,121.3)	(19,403.3)
Gross profit		5,766.5	1,921.9
Sales and marketing	5,7,8	(277.5)	(355.6)
Management and administration	5,7,8	(451.6)	(298.0)
Other operating income and expenses	9	3.0	2.6
Operating profit (EBIT)		5,040.4	1,270.9
Share of profit after tax of associates	16	(122.4)	(16.2)
Financial income	10	933.8	208.0
Financial expenses	11	(1,095.6)	(177.6)
Profit before tax		4,756.2	1,285.1
Income tax expense	12	(1,335.0)	(229.5)
Profit for the year		3,421.2	1,055.6

Attributable to:			
Equity holders of DONG Naturgas A/S		3,418.4	1,055.2
Minority interests		2.8	0.4
		3,421.2	1,055.6
Earnings (EPS) and diluted earnings (DEPS) per DKK 1,000 share, in whole DKK	13	3,351	1,035
Proposed dividend (DPS) per DKK 1,000 share, in whole DKK		3,411	1,105
Dividend paid (DPS) per DKK 1,000 share, in whole DKK		1,105	1,817
Payout ratio (%)		1.02	1.07

Consolidated balance sheet at 31 December

DKK million	Note	2008	2007
Assets			
Goodwill		321.8	322.0
Rights		1,504.3	1,590.9
Completed development projects		13.3	85.9
In-process development projects		84.6	37.3
Intangible assets	14	1,924.0	2,036.1
Land and buildings		2.1	2.1
Production assets		2,934.6	3,151.8
Fixtures and fittings, tools and equipment		9.6	10.8
Property, plant and equipment in the course of construction		155.6	39.7
Property, plant and equipment	15	3,101.9	3,204.4
Investments in associates	16	160.4	299.6
Other equity investments	16	44.1	26.1
Deferred tax	20	0.0	20.5
Receivables	18	85.7	56.9
Other non-current assets		290.2	403.1
Non-current assets		5,316.1	5,643.6
Inventories	17	1,629.8	772.1
Receivables	18	31,929.7	13,909.1
Income tax receivable	24	18.8	16.1
Cash and cash equivalents	27	1,204.2	1,388.6
Current assets		34,782.5	16,085.9
Assets		40,098.6	21,729.5

Consolidated balance sheet at 31 December

DKK million	Note	2008	2007
Equity and liabilities			
Share capital		1,020.0	1,020.0
Hedging reserve		523.4	(55.5)
Translation reserve		(9.0)	(1.0)
Retained earnings		4,399.4	4,461.0
Proposed dividends		3,479.0	1,127.0
Equity attributable to the equity holders of DONG Naturgas A/S		9,412.8	6,551.5
Minority interests		3.8	1.8
Equity	19	9,416.6	6,553.3
Deferred tax	20	883.1	888.0
Provisions	21	375.9	332.4
Payables to group enterprises	22	590.0	632.5
Other payables	23	70.1	0.0
Non-current liabilities		1,919.1	1,852.9
Provisions	21	167.1	0.0
Bank loans	22,27	1,842.0	635.3
Other payables	23	26,225.4	12,522.7
Income tax	24	528.4	165.3
Current liabilities		28,762.9	13,323.3
Liabilities		30,682.0	15,176.2
Equity and liabilities		40,098.6	21,729.5

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

DKK million	Share capital	Hedging reserve	Trans-lation reserve	Retained earnings	Proposed dividends	Equity attribu-table to equity holders of DONG Naturgas	Minority interests	Total
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)	0.0	(2.1)
Value adjustments of hedging instruments	0.0	(274.8)	0.0	0.0	0.0	(274.8)	0.0	(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	0.0	1.6
Tax on equity items	0.0	32.2	0.0	0.0	0.0	32.2	0.0	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 comprehensive income	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

DKK million	Share capital	Hedging reserve	Trans-lation reserve	Retained earnings	Proposed dividends	Equity attribu-table to equity holders of DONG Naturgas	Minority interests	Total
Equity at 1 January 2008	1,020.0	(55.5)	(1.0)	4,461.0	1,127.0	6,551.5	1.8	6,553.3
Foreign exchange adjustments, foreign companies	0.0	0.0	(8.0)	0.0	0.0	(8.0)	0.0	(8.0)
Value adjustments of hedging instruments	0.0	736.9	0.0	0.0	0.0	736.9	0.0	736.9
Value adjustments of hedging instruments transferred to revenue	0.0	35.0	0.0	0.0	0.0	35.0	0.0	35.0
Tax on equity items	0.0	(193.0)	0.0	0.0	0.0	(193.0)	0.0	(193.0)
Other adjustments	0.0	0.0	0.0	(1.0)	0.0	(1.0)	(0.8)	(1.8)
Net gains recognised directly in equity	0.0	578.9	(8.0)	(1.0)	0.0	569.9	(0.8)	569.1
Profit for the year	0.0	0.0	0.0	3,418.4	0.0	3,418.4	2.8	3,421.2
Total comprehensive income	0.0	578.9	(8.0)	3,417.4	0.0	3,988.3	2.0	3,990.3
Proposed dividends	0.0	0.0	0.0	(3,479.0)	3,479.0	0.0	0.0	0.0
Dividends paid	0.0	0.0	0.0	0.0	(1,127.0)	(1,127.0)	0.0	(1,127.0)
Total changes in equity in 2008	0.0	578.9	(8.0)	(61.6)	2,352.0	2,861.3	2.0	2,863.3
Equity at 31 December 2008	1,020.0	523.4	(9.0)	4,399.4	3,479.0	9.,412.8	3.8	9,416.6

Consolidated cash flow statement for the year ended 31 December

DKK million	Note	**2008**	**2007**
Cash flows from operations (operating activities)	25	1,113.6	1,995.0
Interest income and similar items		635.1	598.3
Interest expense and similar items		(648.0)	(251.8)
Income tax paid		(1,152.5)	(729.7)
Cash flows from operating activities		(51.8)	1,611.8
Acquisition of intangible assets		(0.4)	(106.1)
Sale of intangible assets		0.9	0.0
Acquisition of property, plant and equipment	26	(160.5)	(9.0)
Sale of property, plant and equipment		6.0	0.1
Financial transactions with group enterprises		59.6	1,028.8
Financial transactions with associates		0.0	0.3
Acquisition of other equity investments and securities		(46.9)	(26.1)
Sale of other equity investments and securities		0.0	5.9
Dividends received		3.5	0.4
Cash flows from investing activities		(137.8)	894.3
Instalments on loans		(222.9)	(427.9)
Dividends paid to shareholders in the parent company		(1,127.0)	(1,853.0)
Dividends paid to minority shareholders		(1.9)	(1.9)
Cash flows from financing activities		(1,351.8)	(2,282.8)
Net increase (decrease) in cash and cash equivalents		(1,541.4)	223.3
Cash and cash equivalents at 1 January		753.3	532.3
Foreign exchange adjustment of cash and cash equivalents		(6.7)	(2.3)
Cash and cash equivalents at 31 December	27	(794.8)	753.3

Parent company income statement for the year ended 31 December

DKK million	Note	2008	2007
Revenue	4	37,993.9	20,594.3
Production costs	5,7	(32,278.2)	(18,819.6)
Gross profit		5,715.7	1,774.7
Sales and marketing	5,7,8	(96.4)	(168.8)
Management and administration	5,7,8	(447.7)	(274.2)
Other operating income and expenses	9	1.6	2.1
Operating profit (EBIT)		5,173.2	1,333.8
Impairment loss in respect of associates	16	(167.3)	0.0
Financial income	10	943.4	227.4
Financial expenses	11	(1,116.4)	(182.3)
Profit before tax		4,832.9	1,378.9
Income tax expense	12	(1,353.1)	(251.5)
Profit for the year		3,479.8	1,127.4

Proposal for distribution of profit

The Supervisory Board proposes that the profit for the year, DKK 3,479.8 million, be distributed as follows:

	2008	2007
Dividends	3,479.0	1,127.0
Retained earnings	0.8	0.4
	3,479.8	1,127.4

Parent company balance sheet at 31 December

DKK million	Note	2008	2007
Assets			
Rights		1,444.3	1,514.7
Completed development projects		13.3	85.9
In-process development projects		84.6	37.2
Intangible assets	14	1,542.2	1,637.8
Land and buildings		2.1	2.1
Production assets		2,906.4	3,109.2
Fixtures and fittings, tools and equipment		1.9	2.7
Property, plant and equipment in the course of construction		155.6	39.7
Property, plant and equipment	15	3,066.0	3,153.7
Investments in subsidiaries	16	686.7	632.5
Investments in associates	16	161.4	328.7
Receivables	18	57.3	56.9
Other non-current assets		905.4	1,018.1
Non-current assets		5,513.6	5,809.6
Inventories	17	1,628.4	771.1
Receivables	18	32,483.9	13,764.5
Cash and cash equivalents	27	330.3	1,064.2
Current assets		34,442.6	15,599.8
Assets		39,956.2	21,409.4

Parent company balance sheet at 31 December

DKK million	Note	2008	2007
Equity and liabilities			
Share capital		1,020.0	1,020.0
Hedging reserve		587.1	(90.3)
Retained earnings		4,565.2	4,564.4
Proposed dividends		3,479.0	1,127.0
Equity	19	9,651.3	6,621.1
Deferred tax	20	827.6	766.5
Provisions	21	347.9	308.0
Payables to group enterprises	22	626.3	632.0
Non-current liabilities		1,801.8	1,706.5
Provisions	21	160.0	0.0
Bank loans	22,27	1,787.5	571.1
Other payables	23	26,033.9	12,342.6
Income tax	24	521.7	168.1
Current liabilities		28,503.1	13,081.8
Liabilities		30,304.9	14,788.3
Equity and liabilities		39,956.2	21,409.4

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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 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)
Change in income tax rate	0.0	1.6	0.0	0.0	1.6
Value adjustments of hedging instruments transferred to revenue	0.0	(99.6)	0.0	0.0	(99.6)
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 comprehensive income	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
Equity at 1 January 2008	1,020.0	(90.3)	4,564.4	1,127.0	6,621.1
Value adjustments of hedging instruments	0.0	(50.5)	0.0	0.0	(50.5)
Value adjustments of hedging instruments transferred to revenue	0.0	953.8	0.0	0.0	953.8
Tax on equity items	0.0	(225.9)	0.0	0.0	(225.9)
Net gains recognised directly in equity	0.0	677.4	0.0	0.0	677.4
Profit for the year	0.0	0.0	3,479.8	0.0	3,479.8
Total comprehensive income	0.0	677.4	3,479.8	0.0	4,157.2
Proposed dividends	0.0	0.0	(3,479.0)	3,479.0	0.0
Dividends paid	0,.0	0.0	0.0	(1,127.0)	(1,127.0)
Total changes in equity in 2008	0.0	677.4	0.8	2,352.0	3,030.2
Equity at 31 December 2008	1,020.0	587.1	4,565.2	3,479.0	9,651.3

Parent company cash flow statement for the year ended 31 December

DKK million	Note	2008	2007
Cash flows from operations (operating activities)	25	559.2	1,994.2
Interest income and similar items		603.4	576.8
Interest expense and similar items		(669.9)	(257.6)
Income tax paid		(1,164.2)	(762.0)
Cash flows from operating activities		(671.5)	1,551.4
Acquisition of intangible assets		0.0	(103.1)
Sale of intangible assets		1.0	0.0
Acquisition of property, plant and equipment	26	(158.5)	(6.1)
Financial transactions with group enterprises		41.7	948.2
Capital contributions in group enterprises	16	(54.2)	(74.6)
Dividends received		29.1	22.0
Customer loans, net incl. instalments		(10.8)	1.4
Cash flows from investing activities		(151.7)	787.8
Interest, finance leases		(59.0)	(46.5)
Instalments on loans		(98.1)	(321.4)
Dividends paid to shareholders in the parent company		(1,127.0)	(1,853.0)
Cash flows from financing activities		(1,284.1)	(2,220.9)
Net increase (decrease) in cash and cash equivalents		(2,107.3)	118.3
Cash and cash equivalents at 1 January		493.1	374.8
Cash and cash equivalents at 31 December	27	(1,614.2)	493.1

Note 1. Basis of accounting

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 2008 comprises the consolidated financial statements of DONG Naturgas A/S and its subsidiaries (the Group) as well as 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 NASDAQ OMX Copenhagen A/S's 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 derivative financial instruments, financial instruments held for trading and financial instruments classified as available-for-sale are measured at fair value.

Non-current assets and disposal groups classified as held for sale are stated at the lower of carrying amount before the reclassification and fair value less costs to sell.

The accounting policies described in note 33 have been applied consistently to the financial year and the comparative figures.

Implementation of new standards and interpretations
DONG Naturgas A/S has implemented IFRIC 11, 12 and 14. The new interpretations have not had any effect on recognition or measurement. The accounting policies are consequently the same as those applied last year.

The new interpretations have no impact on earnings per share or diluted earnings per share.

New International Financial Reporting Standards and IFRIC Interpretations
The IASB has issued the following new or amended financial reporting standards (IAS and IFRS) and interpretations (IFRIC) that are not mandatory for DONG Naturgas A/S in connection with the preparation of the annual report for 2008: IAS 1, 27, 32 and 39; IFRS 1, 2, 3 and 8; and IFRIC 13 and 15 – 18. Except for the below, none of the new standards or interpretations is expected to have a material effect on DONG Naturgas A/S's financial reporting. Unless otherwise stated, they have also been adopted by the EU:

- IAS 1 (revised 2007) Presentation of Financial Statements comes into effect for financial years beginning on or after 1 January 2009. The standard will change the presentation of the primary statements in 2009.

- IFRS 3 (revised 2007) Business Combinations and the concurrent revision of IAS 27 Consolidated and Separate Financial Statements 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 comes into effect for financial years beginning on or after 1 January 2009. According to IFRS 8, the Group's segment reporting must be based on the reporting used internally for management reporting purposes.

- IAS 23 (revised 2007) Borrowing Costs comes into effect for financial years beginning on or after 1 January 2009. The standard requires recognition of borrowing costs in the cost of a qualifying asset (intangible assets and property, plant and equipment as well as inventories). IAS 23 (revised 2007) is expected to affect borrowing costs related to the construction of qualifying assets that commences on or after 1 January 2009. The standard is expected to have a positive effect on financial expenses in the initial year of application, but a positive or negative effect in subsequent accounting periods, depending on whether depreciation of capitalised borrowing costs is higher or lower than the capitalised borrowing costs for the period.

DONG Naturgas A/S expects to implement the accounting standards and interpretations referred to above from their mandatory effective dates.

Adjustments to prior years
Compared with the approved and published annual report for the 2007 financial year DONG Naturgas A/S has made prior year adjustments in accordance with IAS 8.

Operating expenses have been reclassified in the income statement. The reclassification has increased production costs and management and administration by DKK 301 million and DKK 55 million, respectively, and reduced sales and marketing by DKK 356 million, respectively. The reclassification has no effect on profit, equity, cash flows for the year or earnings per share.

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 estimates that are particularly critical to the presentation of the operating results, including those that are associated with complex and subjective judgements and the application of assumptions, some of which, by their nature, are uncertain and unpredictable. The effect of such judgements 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 the company’s financial information, and the application of this and the sensitivity of the results 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 33 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 testing of assets
The energy industry is capital-intensive and requires major, long-term capital expenditure and liabilities, the values of which are sensitive to changes in commodity prices, exchange rates and the interest rate development, see note 30. Accordingly, the company’s estimates and judgements relating to impairment of assets are critical to the investors’ understanding of the company’s operating results.

Amortisable and depreciable intangible assets and property, plant and equipment
Depreciable property, plant and equipment and intangible assets are tested 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, discounted cash flows are used to measure the fair value in order to determine whether the value of the assets is impaired.

The DONG Naturgas Group recognised a DKK 44.9 million impairment loss on intangible assets in 2008 (2007: DKK 45.9 million) as a result of triggering events. Reference is made to note 14.

The assumptions and criteria applied to determine the assets' recoverable amounts constitute management's best estimates and assumptions based on the available information such as market prices, levels of fixed costs, revenue growth rates and reserve estimates, which, however, by their nature, are subject to uncertainty. If assumptions or circumstances change in future, the accounting treatment of such items may consequently result in different amounts.

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 uncer-

tainty. As stated in note 33, 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 estimated proven reserves or based on the expected earnings profile. The future expected applications and recoverable amounts may subsequently prove not to be realisable, which may require useful lives and recoverable amounts to be reviewed in future, and may result in a need for the recognition of impairment losses or the charging of a loss on disposal of the assets. The depreciation profile is therefore subject to the same uncertainties as apply to the determination of the recoverable amounts for the assets. Management carries out regular reviews for indicators of impairment of the assets.

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.

Provisions for decommissioning obligations
The DONG Naturgas Group has significant decommissioning obligations. The estimates of the Group's decommissioning obligations are updated on a regular basis, and the provisions amounted to DKK 161.9 million at 31 December 2008 (31 December 2007: DKK 142.4 million), see note 21.

These provisions comprise expected costs relating to the 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. Certain assumptions and estimates are applied in the calculation of 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 the company on the basis of current requirements. The size of 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.

Investments in associates, other equity investments and other non-current investments
Investments in associates, other equity investments and other non-current investments are tested for impairment if there are any indications of impairment. Such indications include assessment of regulatory, financial and technological factors and general market conditions. The assets are written down 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. Reference is made to note 16.

Write-downs and valuation 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 18 on trade receivables.

Accounting treatment of derivative financial instruments and commodity contracts
The DONG Naturgas Group hedges 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, efforts are made 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. 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, contracts to which the Group is a party are reviewed to identify any features that correspond to derivative financial instruments in order to determine whether separate recognition and measurement of an embedded financial instrument are required under IFRS. The Group's natural gas sourcing and sales contracts include price formulas that are indexed to various commodity prices. Based on a review of these and other contracts, including the economic relationships between relevant commodity prices and contractual indices, it has been established that there are no embedded financial instruments requiring separate recognition and measurement under IFRS.

Onerous contracts
In the course of the Group's operations, a number of commercial contracts have been entered into with fixed terms of contract that may result in the contracts being onerous depending on market developments, etc., and the liabilities incurred by the DONG Naturgas Group as a result of these contracts may also be subject to uncertainty. The judgements concerning these complex contracts and their future effects are subject to uncertainty.

Notes to the income statement

Note 3. Segment information

The management of DONG Energy has defined the Group's operating segments based on the reporting regularly presented to the Group's Executive Board, and which forms the basis for management's strategic decisions. Each segment is managed differently from a commercial point of view.

The DONG Naturgas Group has activities in the following of DONG Energy's reportable segments:

- **Energy Markets** optimises DONG Energy's energy portfolio, forming the link between the DONG Energy Group's procurement and sale of energy. Energy Markets sells gas and power to wholesale customers and trades on energy exchanges.
- **Sales & Distribution** sells gas, power and related products to private customers, companies and public institutions in Denmark, Sweden and the Netherlands.

The DONG Naturgas Group also owns and operates infrastructure activities that are used within the Group's gas activities.

DKK million	**Energy Markets**	**Sales & Distribution**	**Elimination of intragroup trading**	**Total**
2008				
Revenue	38,081.5	6,486.8	(5,680.5)	38,887.8
EBITDA	5,280.5	182.3	0.0	5,462.8
Depreciation and amortisation	354.1	23.4	0.0	377.5
Impairment losses	44.9	0.0	0.0	44.9
Operating profit (EBIT)	4,881.5	158.9	0.0	5,040.4
Non-current segment assets	5,156.8	159.3	0.0	5,316.1
Capital expenditure	175.8	2.2	0.0	178.0
2007				
Revenue	20,258.8	5,839.3	(4,772.9)	21,325.2
EBITDA	1,395.3	260.8	0.0	1,656.1
Depreciation and amortisation	317.1	22.3	0.0	339.4
Impairment losses	0.0	45.9	0.0	45.9
Operating profit (EBIT)	1,078.2	192.7	0.0	1,270.9
Non-current segment assets	5,432.0	211.6	0.0	5,643.6
Capital expenditure	112.6	5.8	0.0	118.4

Note 3. Segment information - continued

Geographical location
The DONG Naturgas Group primarily sells products and services in the market in Northern Europe. A large part of the Group’s sales takes place via power exchanges and gas hubs in Europe the physical location of which does not reflect the Group's market risks. The transfer of risk normally takes place on delivery at the exchange or hub, and the DONG Naturgas Group consequently does not know the counterparty in every single case.

DKK million	Denmark	Rest of world	Total
2008			
Revenue	14,031.0	24,856.8	38,887.8
Assets	38,968.7	1,129.9	40,098.6
2007			
Revenue	9,255.2	12,070.0	21,325.2
Assets	20,474.1	1,255.4	21,729.5

Note 4. Revenue

	Group		Parent company	
DKK million	2008	2007	2008	2007
Natural gas	29,736.6	16,516.5	29,343.9	16,335.7
Power	7,131.3	3,275.5	6,449.6	2,934.8
Heat	3.8	6.1	3.8	6.1
Distribution and storage of natural gas	626.3	1,010.9	674.5	878.8
Power distribution	61.8	61.4	0.0	0.0
CO_2 certificates	39.0	0.3	39.0	0.3
Trading activities, net	919.2	346.9	1,195.0	310.6
Effect of economic hedges, net	54.7	(60.8)	54.7	(89.0)
Effect of hedge accounting	35.0	(146.0)	(50.5)	(99.6)
Services	72.6	81.6	31.4	82.2
Other revenue	207.5	232.8	252.5	234.4
Revenue	38,887.8	21,325.2	37,993.9	20,594.3

Note 5. Staff costs

DKK million	Group 2008	Group 2007	Parent company 2008	Parent company 2007
Staff costs				
Wages, salaries and remuneration	(245.3)	(202.2)	(200.7)	(153.0)
Defined contribution pension plans	(19.5)	(14.5)	(16.5)	(12.7)
Other social security costs	(3.4)	(6.3)	1.7	(1.5)
Other staff costs	(18.4)	(1.4)	(0.7)	(1.4)
Staff costs	(286.6)	(224.4)	(216.2)	(168.6)
Staff costs are recognised as follows:				
Production costs	(85.3)	(87.0)	(85.4)	(87.0)
Sales and marketing	(81.4)	(65.1)	(10.9)	(9.3)
Management and administration	(119.9)	(72.3)	(119.9)	(72.3)
Staff costs	(286.6)	(224.4)	(216.2)	(168.6)
Number of full-time employees				
Average for the financial year	395	319	279	227
At 31 December	429	356	303	253

Remuneration to the Supervisory Board and the Executive Board:

DKK million	2008 Wages and salaries	Bonus[1]	Pension	Total
Parent company Supervisory Board	0.0	0.0	0.0	0.0
Parent company Executive Board	(2.3)	(0.6)	(0.4)	(3.3)

1) Of this amount, DKK 0.6 million had not been paid at 31 December

DKK million	2007 Wages and salaries	Bonus[2]	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)

2) Of this amount, DKK 0.5 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. Research and development costs

DKK million	Group 2008	Group 2007	Parent company 2008	Parent company 2007
Research and development costs incurred during the year	(0.0)	(78.2)	(0.0)	(78.2)
Amortisation of recognised development costs under intangible assets	(71.6)	(18.5)	(71.6)	(18.5)
Development costs recognised under intangible assets	0.0	78.2	0.0	78.2
Research and development costs recognised in the income statement under production costs	(71.6)	(18.5)	(71.6)	(18.5)

Note 7. Depreciation, amortisation and impairment losses

DKK million	Group 2008	Group 2007	Parent company 2008	Parent company 2007
Depreciation and amortisation by function:				
Intangible assets				
Amortisation recognised in Production costs	(98.3)	(62.6)	(97.1)	(62.5)
Amortisation recognised in sales and marketing	(15.4)	(15.9)	0.0	0.0
Property, plant and equipment				
Depreciation recognised in Production costs	(262.7)	(258.5)	(256.4)	(254.9)
Depreciation recognised in sales and marketing	(1.1)	(2.4)	(0.5)	0.0
Depreciation and amortisation recognised in the income statement	(377.5)	(339.4)	(354.0)	(317.4)
Impairment losses by function:				
Intangible assets				
Impairment losses recognised in Production costs	(44.9)	0.0	(44.9)	0.0
Impairment losses recognised in Sales and marketing	0.0	(45.9)	0.0	0.0
Other non-current assets				
Impairment losses recognised in share of profit after tax/ Impairment losses in respect of associates	0.0	0.0	(167.3)	0.0
Impairment losses recognised in the income statement	(44.9)	(45.9)	(212.2)	0.0
Depreciation, amortisation and impairment losses recognised in the income statement	(422.4)	(385.3)	(566.2)	(317.4)

Impairment losses in 2008 in respect of intangible assets related to impairment of IT software. The impairment losses were recognised as a result of the recoverable amounts being deemed to be lower than the carrying amounts. Reference is made to the section on impairment testing in note 14. The impairment losses on associates related to an impairment loss on the investment in Stadtwerke Lübeck GmbH. Reference is made to note 16.

Impairment losses in 2007 related to impairment testing of customer rights. Reference is made to note 14.

Note 8. Fees to auditors appointed at the Annual General Meeting

	Group		Parent company	
DKK million	2008	2007	2008	2007
Statutory audit	(3.2)	(3.4)	(2.0)	(1.6)
Other assurance engagements and related services [1)]	0.0	(6.7)	0.0	(6.6)
Other services	(11.8)	(4.6)	(11.1)	(4.1)
Fees to auditors	(15.0)	(14.7)	(13.1)	(12.3)

1) In 2007, this item was affected by DONG Energy A/S IPO preparations.

Note 9. Other operating income and expenses

	Group		Parent company	
DKK million	2008	2007	2008	2007
Gain on sale of non-current assets	0.2	0.0	0.0	0.0
Other operating income	3.4	3.8	1.6	2.1
Other operating income	3.6	3.8	1.6	2.1
Other operating expenses	(0.6)	(1.2)	0.0	0.0
Other operating expenses	(0.6)	(1.2)	0.0	0.0
Other operating income and expenses, net	3.0	2.6	1.6	2.1

Note 10. Financial income

	Group		Parent company	
DKK million	2008	2007	2008	2007
Interest income	96.8	50.2	72.4	40.4
Interest income from consolidated enterprises	11.9	74.5	5.3	64.2
Foreign exchange gains	824.8	81.5	824.2	80.9
Dividends received	0.0	0.0	41.1	41.0
Other financial income	0.3	1.8	0.4	0.9
Financial income	933.8	208.0	943.4	227.4

Note 11. Financial expenses

	Group		Parent company	
DKK million	2008	2007	2008	2007
Interest expense, indexation of mortgage loans, etc.	(52.4)	(48.1)	(48.7)	(45.1)
Interest expense to consolidated enterprises	(36.8)	(43.2)	(66.7)	(52.8)
Interest element of decommissioning costs	(6.4)	(6.2)	(5.3)	(5.2)
Foreign exchange losses	(994.2)	(78.4)	(994.1)	(78.0)
Other financial expenses	(5.8)	(1.7)	(1.6)	(1.2)
Financial expenses	(1,095.6)	(177.6)	(1,116.4)	(182.3)
Foreign exchange adjustments recognised in revenue for the year:	178.4	158.3	178.4	158.3
Total foreign exchange adjustments recognised in profit for the year:	9.0	161.4	8.5	161.2

Note 12. Income tax expense

DKK million	Group 2008	Group 2007	Parent company 2008	Parent company 2007
Tax for the year can be broken down as follows:				
Income tax expense	(1,335.0)	(229.5)	(1,353.1)	(251.5)
Tax on changes in equity	(193.0)	32.2	(225.8)	43.6
Tax for the year	(1,528.0)	(197.3)	(1,578.9)	(207.9)
Income tax expense can be broken down as follows:				
Joint taxation contribution	(1,302.7)	(314.0)	(1,301.7)	(263.7)
Deferred tax	42.9	(16.1)	24.2	(69.6)
Adjustments of current tax in respect of prior years	16.6	(8.1)	9.7	(54.1)
Adjustment of deferred tax in respect of prior years after change of current tax rate from 28% to 25%	0.0	101.1	0.0	87.8
Other adjustments of deferred tax in respect of prior years	(91.8)	7.6	(85.3)	48.1
Income tax expense	(1,335.0)	(229.5)	(1,353.1)	(251.5)
Income tax expense can be explained as follows:				
Calculated 25% tax on profit before tax	(1,195.4)	(321.3)	(1,208.2)	(344.7)
Adjustments of calculated tax in foreign subsidiaries in relation to 25%	(2.4)	0.0	0.0	0.0
Tax effect of:				
Non-taxable income	7.0	5.4	10.9	10.2
Non-deductible expenses	(38.4)	(5.1)	(38.4)	(5.1)
Share of profit after tax of associates/Impairment losses in respect of associates	(30.6)	(4.1)	(41.8)	0.0
Adjustment of deferred tax in respect of prior years after change of current tax rate from 28% to 25%	0.0	101.1	0.0	87.8
Adjustment of tax in respect of prior years	(75.2)	(5.5)	(75.6)	0.3
Income tax expense	(1,335.0)	(229.5)	(1,353.1)	(251.5)
Effective tax rate	28.1	17.9	28.0	18.2

Note 13. Earnings per share

DKK million	Group 2008	Group 2007
Profit for the year	3,421.2	1,055.6
Share of consolidated profit attributable to minority interests	2.8	0.4
The DONG Naturgas Group's share of profit for the year	3,418.4	1,055.2
Average number of shares of DKK 1,000 share each	1,020,000	1,020,000
Earnings (EPS) and diluted earnings (DEPS) per DKK 1,000 share, in whole DKK	3,351	1,035

Notes to the balance sheet

Note 14. Intangible assets

	Group				
DKK million	Goodwill	Rights	Completed development projects	In-process development projects	Total
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
Cost at 1 January 2008	332.8	2,254.2	158.9	37.3	2,783.2
Foreign exchange adjustments	(0.2)	(0.1)	0.0	0.0	(0.3)
Additions	0.0	0.4	0.0	47.3	47.7
Disposals	0.0	(97.6)	(0.9)	0.0	(98.5)
Cost at 31 December 2008	332.6	2,156.9	158.0	84.6	2,732.1
Amortisation and impairment losses at 1 January 2008	(10.8)	(663.3)	(73.0)	0.0	(747.1)
Amortisation	0.0	(86.9)	(26.8)	0.0	(113.7)
Impairment losses	0.0	0.0	(44.9)	0.0	(44.9)
Amortisation, disposals	0.0	97.6	0.0	0.0	97.6
Amortisation and impairment losses at 31 December 2008	(10.8)	(652.6)	(144.7)	0.0	(808.1)
Carrying amount at 31 December 2008	321.8	1,504.3	13.3	84.6	1,924.0
Amortised over	-	UOP*/ 5 - 20 years	3 - 5 years	-	-

* Unit of production

Note 14. Intangible assets - continued

	Parent company			
DKK million	Rights	Completed development projects	In-process development projects	Total
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
Cost at 1 December 2008	2,096.9	158.9	37.2	2,293.0
Additions	0.0	0.0	47.4	47.4
Disposals	0.0	(1.0)	0.0	(1.0)
Cost at 31 December 2008	2,096.9	157.9	84.6	2,339.4
Amortisation and impairment losses at 1 January 2008	(582.2)	(73.0)	0.0	(655.2)
Amortisation	(70.4)	(26.7)	0.0	(97.1)
Impairment losses	0.0	(44.9)	0.0	(44.9)
Amortisation and impairment losses at 31 December 2008	(652.6)	(144.6)	0.0	(797.2)
Carrying amount at 31 December 2008	1,444.3	13.3	84.6	1,542.2
Amortised over	UOP*/ 5-20 years	3-5 years	-	-

* Unit of production

Impairment testing of goodwill
At 31 December 2008, 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 was higher than the carrying amount. It has consequently not been deemed necessary to write down goodwill in 2008.

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 2009 - 2015. In connection with discounting of net cash flows, a discount rate (before tax) has been used that 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 2.00%. 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 10.25%.

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 achieving 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 growth in net cash flows during the terminal period has been fixed at 2.00%. 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 10.50%.

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 2008, the carrying amount of gas purchase rights was calculated at DKK 1,032.5 million (2007: DKK 1,063.4 million). The carrying amount of customer-related rights was DKK 58.2 million at 31.12.08 (2007: DKK 73.7 million). The carrying amount of the connection right is DKK 372.2 million (2007: DKK 396.0 million).

There have been no indications of impairment of rights in 2008. Consequently, rights have not been tested for impairment.

In 2007, a DKK 47 million impairment loss was recognised in respect of customer-related rights relating to Dutch gas customers. The rights form part of the segment Sales & Distribution. The impairment loss on customer-related rights relating to Dutch gas customers should be viewed in the light of the competition situation in the Dutch market for residential customers, which has made it more difficult than anticipated to retain acquired customers.

Impairment testing of completed development projects
Completed development projects relate to IT software. At 31 December 2008, the carrying amount of development projects was DKK 13.3 million. A DKK 45 million impairment loss was recognised in respect of IT software in 2008 as a consequence of changed use in the Group. The impairment loss relates to the Energy Markets segment.

It has not been deemed necessary to write down any other completed development projects.

Note 15. Property, plant and equipment

DKK million	Group: Land and buildings	Plant and machinery	Fixtures and fit-tings, tools and equip-ment	Property, plant and equipment in the course of construc-tion	Total
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
Cost at 1 January 2008	11.0	8,388.8	17.7	39.7	8,457.2
Foreign exchange adjustments	0.0	(7.1)	0.0	0.0	(7.1)
Additions	0.0	54.0	1.9	115.9	171.8
Disposals	0.0	(7.9)	(5.0)	0.0	(12.9)
Cost at 31 December 2008	11.0	8,427.8	14.6	155.6	8,609.0
Depreciation and impairment losses at 1 January 2008	(8.9)	(5,237.0)	(6.9)	0.0	(5,252.8)
Foreign exchange adjustments	0.0	1.9	0.0	0.0	1.9
Depreciation, disposals	0.0	2.1	5.0	0.0	7.1
Depreciation	0.0	(260.2)	(3.1)	0.0	(263.3)
Depreciation and impairment losses at 31 December 2008	(8.9)	(5,493.2)	(5.0)	0.0	(5,507.1)
Carrying amount at 31 December 2008	2.1	2,934.6	9.6	155.6	3,101.9
Depreciated over	20 years	UOP* / 20-40 years	3-10 years	-	-

* Unit of production

Note 15. Property, plant and equipment - continued

DKK million	Parent company: Land and buildings	Production assets	Fixt. and fittings, tools and equipment	Property, plant and eqpt in the course of constr.	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	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	0.0	592.6	0.0	0.0	592.6
Cost at 1 January 2008	11.0	8,334.6	6.3	39.7	8,391.6
Additions	0.0	53.3	0.0	115.9	169.2
Cost at 31 December 2008	11.0	8,387.9	6.3	155.6	8,560.8
Depreciation at 1 January 2008	(8.9)	(5,225.4)	(3.6)	0.0	(5,237.9)
Depreciation	0.0	(256.1)	(0.8)	0.0	(256.9)
Depreciation and impairment losses at 31 December 2008	(8.9)	(5,481.5)	(4.4)	0.0	(5,494.8)
Carrying amount at 31 December 2008	2.1	2,906.4	1.9	155.6	3,066.0
Portion relating to assets held under finance leases	0.0	546.4	0.0	0.0	546.4
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 7.

Finance leases
Production assets in the parent company with a carrying amount of DKK 546.4 million at 31 December 2008 (2007: DKK 592.6 million) have been financed under finance leases. The lease commitment at 31 December 2008 was DKK 1,153.5 million (2007: DKK 1,068.7 million). As lessor, DONG Energy Pipelines A/S holds the legal ownership in the pipeline, but substantially all rewards and risks, including maintenance obligations related to the pipeline, lie with DONG Naturgas A/S as the lessee. As the lessee, DONG Naturgas A/S is entitled to acquire the lessor's ownership interest in the pipeline at market price from DONG Energy Pipelines A/S 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. If any such indication exists, an impairment test is carried out.

In an impairment test, the asset's recoverable amount is compared with its carrying amount. 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 future net cash flows.

Based on the impairment testing 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 2008.

Note 16. Group enterprises and other equity investments

	Group			
DKK million	Investments in associates		Other equity investments	
	2008	**2007**	**2008**	**2007**
Cost at 1 January	573.9	573.9	26.1	0.0
Additions	0.0	0.0	18.0	26.1
Cost at 31 December	573.9	573.9	44.1	26.1
Value adjustments at 1 January	(274.3)	(238.3)	0.0	0.0
Share of profits for the year	(122.4)	(16.2)	0.0	0.0
Other value adjustments, etc.	(1.3)	(0.4)	0.0	0.0
Dividends received	(1.8)	(7.4)	0.0	0.0
Dividend limitation	(13.7)	(12.0)	0.0	0.0
Value adjustments at 31 December	(413.5)	(274.3)	0.0	0.0
Carrying amount at 31 December	160.4	299.6	44.1	26.1

The value of the investment in Stadtwerke Lübeck GmbH was tested for impairment in 2008. Stadtwerke Lübeck GmbH sells power and gas to customers in North Germany and forms a separate cash-generating unit in the DONG Naturgas Group. The company is recognised under the Energy Markets segment. The recoverable amount of the investment in the company was estimated to be lower than the carrying amount at 31 December 2008, which led to an impairment loss on intangible assets and property, plant and equipment of DKK 205 million before tax. The impairment loss is recognised in the company's results for 2008. The impairment reflected changes in customer accounts and a review of expected efficiency effects. The recoverable amount was calculated as a value in use, with expected net cash flows being discounted using a discount rate before tax of 9.50%.

Other equity investments comprise the investment in an LNG project in the Netherlands. The investment is measured at the lower of cost or recoverable amount, as it is not possible to determine a reliable fair value of the asset.

Note 16. Group enterprises and other equity investments - continued

	Parent company			
DKK million	Investments in subsidiaries		Investments in associates	
	2008	**2007**	**2008**	**2007**
Cost at 1 January	632.5	557.9	543.4	543.4
Additions	54.2	74.6	0.0	0.0
Cost at 31 December	686.7	632.5	543.4	543.4
Value adjustments at 1 January	0.0	0.0	(214.7)	(214.7)
Impairment losses	0.0	0.0	(167.3)	0.0
Value adjustments at 31 December	0.0	0.0	(382.0)	(214.7)
Carrying amount at 31 December	686.7	632.5	161.4	328.7

Additions of DKK 54.2 million in 2008 to investments in subsidiaries related to a DKK 50.0 million capital increase in DONG Energy Gasforsyning A/S, a DKK 3.7 million capital increase in DONG Energy Sales GmbH, and DKK 0.5 million in respect of the establishment of DE EM nr. 1 2008 A/S.

The value of the investment in the associate Stadtwerke Lübeck GmbH was tested for impairment in 2008. The investment was written down by DKK 167.3 million before tax as the recoverable amount of the investment in the company was deemed to be lower than the carrying amount at 31 December 2008. The recoverable amount was calculated as a value in use, with expected net cash flows being discounted using a discount rate before tax of 9.50%.

The DKK 74.6 million addition in 2007 to investments in subsidiaries related to a capital increase in DONG Energy Markets BV.

Note 16. Group enterprises and other equity investments - continued

Associates:

2008

							DONG Naturgas Group's share	
DKK million	Registered office	Own-ership	Reve-nue[1)]	Profit for the year[1)]	Assets [1)]	Lia-bilities [1)]	Profit for the year	Equity
Fordonsgas Sverige AB	Gothenburg, Sweden	50%	80.0	(2.0)	89.0	80.0	(1.0)	5.0
Stadtwerke Lübeck GmbH	Lübeck, Germany	25%	3,435.0	(484.0)	1,052.0	434.0	(121.0)	155.0
Group, total							(122.0)	160.0

2007

							DONG Naturgas Group's share	
DKK million	Registered office	Own-ership	Reve-nue[1)]	Profit for the year[1)]	Assets [1)]	Liabi-lities[1)]	Profit for the year	Equity
Fordonsgas Sverige AB	Gothenburg, Sweden	50%	75.0	(1.0)	107.0	93.0	(1.0)	7.0
Stadtwerke Lübeck GmbH	Lübeck, Germany	25%	2,502.0	(67.0)	1,596.0	429.0	(17.0)	292.0
Group, total							(16.0)	299.0

1) The accounting figures disclosed in the note have been determined on the basis of the recognised values.

Note 17. Inventories

DKK million	Group 2008	Group 2007	Parent company 2008	Parent company 2007
Natural gas	1,505.9	723.5	1,505.9	723.4
CO_2 rights	122.5	47.7	122.5	47.7
Other inventories	1.4	0.9	0.0	0.0
Inventories at 31 December	1,629.8	772.1	1,628.4	771.1
Cost of sales recognised in the income statement	32,521.4	18,781.3	31,512.0	18,201.3

The carrying amount of inventories recognised at fair value was DKK 0.0 million (2007: DKK 0.0 million). Write-downs of inventories to net realisable value totalled DKK 0.0 million in 2008 (2007: DKK 0.0 million). Reversals of write-downs amounted to DKK 0.0 million in 2008 (2007: DKK 0.0 million).

Note 18. Receivables

DKK million	Group 2008	Group 2007	Parent company 2008	Parent company 2007
Receivables	85.7	56.9	57.3	56.9
Non-current receivables at 31 December	85.7	56.9	57.3	56.9
Trade receivables	6,575.5	3,762.6	5,751.7	3,233.1
Receivables from group enterprises and associates	3,330.1	1,990.0	4,382.5	2,511.5
Fair value of derivative financial instruments	20,446.5	7,782.4	20,894.9	7,782.4
Deposits	106.2	112.7	0.0	0.0
Other receivables	1,463.3	257.0	1,446.8	233.7
Prepayments	8.5	4.4	8.0	3.8
Current receivables at 31 December	31,930.1	13,909.1	32,483.9	13,764.5
Current and non-current receivables at 31 December	32,015.4	13,966.0	32,541.2	13,821.4

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 18. Receivables - continued

Trade receivables by credit quality:

DKK million	Group 2008	Group 2007	Parent company 2008	Parent company 2007
Denmark	1,298.1	1,604.3	1,279.5	1,626.4
Rest of EU	5,277.4	2,113.9	4,472.2	1,562.3
Rest of world	0.0	44.4	0.0	44.4
Trade receivables at 31 December	6,575.5	3,762.6	5,751.7	3,233.1

DONG Naturgas main credit exposure in connection with sales relates to gas sales. Besides credit exposure on gas customers in Denmark, the 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 and 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 2008	Group 2007	Parent company 2008	Parent company 2007
Due in:				
0 - 30 days	182.2	231.2	165.2	166.4
30 - 90 days	23.3	56.6	0.5	46.2
More than 90 days	78.7	212.6	43.5	163.2
Receivables due at 31 December	284.2	500.4	209.2	375.8

Development in write-downs recognised under receivables:

DKK million	Group 2008	Group 2007	Parent company 2008	Parent company 2007
Write-downs at 1 January	68.3	74.6	49.5	50.5
Foreign exchange adjustments	0.0	(0.2)	0.0	0.0
Impairment losses	21.9	0.3	6.4	1.2
Receivables written off	(7.0)	(6.4)	(3.8)	(2.2)
Write-downs at 31 December	83.2	68.3	52.1	49.5

Note 19. Equity

DKK million	Group 2008	Group 2007	Parent company 2008	Parent company 2007
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 20. Deferred tax

2008

DKK million	Parent company: 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 Decem-ber
Intangible assets	244.2	145.9	0.0	0.0	390.1
Property, plant and equipment	755.3	(55.5)	0.0	0.0	699.8
Non-current liabilities	(194.9)	4.9	0.0	0.0	(190.0)
Current liabilities	(34.1)	(38.2)	0.0	0.0	(72.3)
Tax loss carryforwards	(4.0)	4.0	0.0	0.0	(0.0)
	766.5	61.1	0.0	0.0	827.6

2007

DKK million	Parent company: 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 Decem-ber
Intangible assets	197.5	67.9	0.0	(21.2)	244.2
Property, plant and equipment	915.5	(62.1)	0.0	(98.1)	755.3
Non-current liabilities	(224.1)	5.1	0.0	24.1	(194.9)
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

Note 20. Deferred tax - continued

Change in temporary differences during the year

2008

	Group					
DKK million	Balance sheet 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 December
Intangible assets	263.0	(0.4)	142.3	0.0	0.0	404.9
Property, plant and equipment	679.3	0.0	(50.2)	0.0	0.0	629.1
Current assets	0.0	0.0	(30.0)	(81.3)	0.0	(111.3)
Non-current liabilities	(36.4)	0.0	(3.5)	0.0	0.0	(39.9)
Current liabilities	(17.9)	0.0	(30.3)	48.5	0.0	0.3
Tax loss carryforwards	(20.5)	(0.1)	20.6	0.0	0.0	0.0
	867.5	(0.5)	48.9	(32.8)	0.0	883.1

2007

	Group					
DKK million	Balance sheet 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 December
Intangible assets	237.5	0.0	46.6	0.0	(21.1)	263.0
Property, plant and equipment	810.7	(0.3)	(39.4)	0.0	(91.7)	679.3
Current assets	1.0	0.0	(1.0)	0.0	0.0	0.0
Non-current liabilities	(41.8)	0.0	1.1	0.0	4.3	(36.4)
Current liabilities	(54.5)	0.0	19.2	11.6	5.8	(17.9)
Tax loss carryforwards	(2.5)	0.0	(18.0)	0.0	0.0	(20.5)
	950.4	(0.3)	8.5	11.6	(102.7)	867.5

Note 20. Deferred tax - continued

2008

DKK million	Parent company: Balance sheet at 1 January	Recognised in profit for the year	Recognised in equity	Change in tax rate from 28% to 25%	Balance sheet at 31 December
Intangible assets	244.2	145.9	0.0	0.0	390.1
Property, plant and equipment	755.3	(55.5)	0.0	0.0	699.8
Non-current liabilities	(194.9)	4.9	0.0	0.0	(190.0)
Current liabilities	(34.1)	(38.2)	0.0	0.0	(72.3)
Tax loss carryforwards	(4.0)	4.0	0.0	0.0	(0.0)
	766.5	61.1	0.0	0.0	827.6

2007

DKK million	Parent company: Balance sheet at 1 January	Recognised in profit for the year	Recognised in equity	Change in tax rate from 28% to 25%	Balance sheet at 31 December
Intangible assets	197.5	67.9	0.0	(21.2)	244.2
Property, plant and equipment	915.5	(62.1)	0.0	(98.1)	755.3
Non-current liabilities	(224.1)	5.1	0.0	24.1	(194.9)
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

Note 21. Provisions

	Group					
	2008			2007		
DKK million	Decom-mis-sioning oblig.	Other	Total	Decom-mis-sioning obl.	Other	Total
Provisions at 1 January	142.4	190.0	332.4	148.8	0.0	148.8
Provision for the year	0.0	191.1	191.1	0.0	190.0	190.0
Change in discount rate	13.1	0.0	13.1	(12.6)	0.0	(12.6)
Interest element of decom. obligation	6.4	0.0	6.4	6.2	0.0	6.2
Provisions at 31 December	161.9	381.1	543.0	142.4	190.0	332.4
which can be broken down as follows:						
Non-current provisions	161.9	214.0	375.9	142.4	190.0	332.4
Current provisions	0.0	167.1	167.1	0.0	0.0	0.0
Provisions at 31 December	161.9	381.1	543.0	142.4	190.0	332.4

	Parent company					
	2008			2007		
DKK million	Decom-missio-ning obl.	Other	Total	Decom-missio-ning obl.	Other	Total
Provisions at 1 January	118.0	190.0	308.0	123.2	0.0	123.2
Provision for the year	0.0	184.0	184.0	0.0	190.0	190.0
Change in discount rate	10.6	0.0	10.6	(10.4)	0.0	(10.4)
Interest element of decom. obligation	5.3	0.0	5.3	5.2	0.0	5.2
Provisions at 31 December	133.9	374.0	507.9	118.0	190.0	308.0
which can be broken down as follows:						
Non-current provisions	133.9	214.0	347.9	118.0	190.0	308.0
Current provisions	0.0	160.0	160.0	0.0	0.0	0.0
Provisions at 31 December	133.9	374.0	507.9	118.0	190.0	308.0

Provisions for decommissioning obligations 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 4.25% 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.

Other provisions comprise expected future costs for Take-or-Pay obligations under gas purchase contracts and expected future losses on onerous contracts. Reference is made to the details provided in note 2.

Note 21. Provisions - continued

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

	Group		Parent company	
DKK million	2008	2007	2008	2007
0 - 1 years	167.1	0.0	160.0	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	375.9	332.4	347.9	308.0
> 40 years	0.0	0.0	0.0	0.0
Provisions at 31 December	543.0	332.4	507.9	308.0

Note 22. 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	2008	2007	2008	2007
Group enterprises	590.0	632.5	626.3	632.0
Non-current loans at 31 December	590.0	632.5	626.3	632.0
Other bank loans	1,842.0	635.3	1,787.5	571.1
Current loans at 31 December	1,842.0	635.3	1,787.5	571.1
Current and non-current loans at 31 December	2,432.0	1,267.8	2,413.8	1,203.1
Fair value	2,432.0	1,267.8	2,413.8	1,203.1
Nominal value	2,432.0	1,267.8	2,413.8	1,203.1

Expected maturity for current and non-current loans:

	Group		Parent company	
DKK million	2008	2007	2008	2007
0 - 1 years	1,842.0	677.8	1,787.5	571.1
1 - 2 years	0.0	0.0	22.1	26.8
2 - 3 years	0.0	0.0	24.0	28.7
3 - 4 years	0.0	0.0	26.0	30.8
4 - 5 years	0.0	0.0	28.1	32.9
> 5 years	590.0	590.0	526.1	512.8
Current and non-current loans at 31 December	2,432.0	1,267.8	2,413.8	1,203.1

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 22. 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:

	2008			2007		
DKK million	Min. lease pay-ments	Interest element	Present value	Min. lease pay-ments	Interest element	Present value
0-1 year	71.4	50.9	20.5	69.7	44.7	25.0
1-5 years	285.5	185.3	100.2	279.0	159.8	119.2
> 5 years	796.6	270.6	526.0	720.0	207.2	512.8
	1,153.5	506.8	646.7	1,068.7	411.7	657.0
Carrying amounts of production assets			546.4			592.6

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 15.

Note 23. Other payables

	Group		Parent company	
DKK million	2008	2007	2008	2007
Other non-current payables	70.1	0.0	0.0	0.0
Other non-current payables at 31 December	70.1	0.0	0.0	0.0
Trade payables	5,248.2	2,653.0	5,216.2	2,612.2
Group enterprises	1,611.3	1,045.8	1,671.5	1,042.6
Fair value of derivative financial instruments	18,474.3	7,713.3	18,530.0	7,777.8
VAT and duties	487.4	411.7	375.2	355.0
Purchase prices payable	86.4	98.4	86.4	98.4
Other liabilities	104.6	445.7	42.0	301.8
Deferred income	213.2	154.8	112.6	154.8
Other non-current payables at 31 December	26,225.4	12,522.7	26,033.9	12,342.6
Current and non-current payables at 31 December	26,295.5	12,522.7	26,033.9	12,342.6

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 30.
Deferred income comprises prepayments, DKK 194.8 million (2007: DKK 134.8 million) and value of gas free of charge, DKK 18.4 million (2007: DKK 20.8 million), which is credited over a number of years. Of this amount, DKK 33.9 million will be credited within one year of the financial yea.

Note 24. Income tax receivable and payable

	Group		Parent company	
DKK million	2008	2007	2008	2007
Income tax receivable at 1 January	16.1	10.7	0.0	0.0
Foreign exchange adjustments	(1.0)	(0.1)	0.0	0.0
Adjustments to current tax in respect of prior years	11.0	(0.4)	0.0	0.0
Payments in respect of prior years	(23.6)	7.7	0.0	0.0
Current tax for the year	7.5	(3.3)	0.0	0.0
Payments for the year	8.8	1.5	0.0	0.0
Income tax receivable at 31 December	18.8	16.1	0.0	0.0
Income tax payable at 1 January	165.3	611.8	168.1	656.6
Foreign exchange adjustments	0.0	(0.2)	0.0	0.0
Adjustments to current tax in respect of prior years	(5.6)	(1.3)	(9.7)	0.0
Payments in respect of prior years	(158.8)	(657.0)	(158.4)	(656.6)
Current tax for the year	1,310.2	364.2	1,301.7	317.1
Income tax expense on equity	225.8	(43.6)	225.8	(43.6)
Payments for the year	(1,008.5)	(108.6)	(1,005.8)	(105.4)
Income tax payable at 31 December	528.4	165.3	521.7	168.1

Notes to the cash flow statement

Note 25. Cash flows from operations (operating activities)

DKK million	Group 2008	Group 2007	Parent company 2008	Parent company 2007
Operating profit	5,040.4	1,270.9	5,173.2	1,333.8
Depreciation, amortisation and impairment losses	421.9	385.2	398.9	317.4
Operating profit (EBITDA)	5,462.3	1,656.1	5,572.1	1,651.2
Other restatements [1)]	(1,125.2)	(183.1)	(1,581.0)	(356.3)
Cash flows from operations (operating activities) before changes in working capital	4,337.1	1,473.0	3,991.1	1,294.9
Change in inventories	(783.1)	212.0	(782.4)	212.1
Change in trade receivables	(4,259.5)	1,499.0	(4,434.0)	1,441.5
Change in other receivables	(1,196.7)	254.6	(1,213.2)	234.8
Change in trade payables	3,194.0	(1,216.3)	3,237.4	(1,180.0)
Change in other payables, etc.	(175.2)	(227.3)	(239.7)	(9.1)
Changes in working capital	(3,223.3)	522.0	(3,431.9)	699.3
Cash flows from operations (operating activities)	1,113.6	1,995.0	559.2	1,994.2

1) Primarily comprises unrealised market value adjustments of derivative financial instruments.

Note 26. Acquisition of property, plant and equipment

DKK million	Group 2008	Group 2007	Parent company 2008	Parent company 2007
Acquisition of property, plant and equipment, see note 15	171.8	11.0	169.2	7.4
Portion relating to adjustment of decommissioning obligations	(11.3)	(2.0)	(10.7)	(1.3)
Paid in respect of acquisition of property, plant and equipment	160.5	9.0	158.5	6.1

Note 27. Cash and cash equivalents

	Group		Parent company	
DKK million	2008	2007	2008	2007
Cash and cash equivalents at 31 December include:				
Available cash	1,047.2	1,388.6	173.3	1,064.2
Bank overdrafts	(1,842.0)	(635.3)	(1,787.5)	(571.1)
Cash at 31 December	(794.8)	753.3	(1,614.2)	493.1

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

	Group		Parent company	
DKK million	2008	2007	2008	2007
Available cash 1)	1,047.2	1,388.6	173.3	1,064.2
Cash not available for use	157.0	0.0	157.0	0.0
Cash and cash equivalents at 31 December	1,204.2	1,388.6	330.3	1,064.2

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

	Group		Parent company	
DKK million	2008	2007	2008	2007
Bank overdrafts 1)	1,842.0	553.3	1,787.5	489.1
Current portion of long-term loans	0.0	82.0	0.0	82.0
Bank loans at 31 December	1,842.0	635.3	1,787.5	571.1

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

Notes without reference

Note 28. Operationel leasing

Non-cancellable operating lease payments amount to:

DKK million	Group 2008	Group 2007	Parent company 2008	Parent company 2007
0 - 1 years	76.9	316.0	73.3	18.0
1 - 5 years	544.3	563.0	293.2	451.0
> 5 years	1,000.6	1,120.0	678.2	1,120.0
	1,621.8	1,999.0	1,044.7	1,589.0
Operating lease payments recognised in the income statement amount to	11.8	3.4	11.1	2.5

Operating leases comprise leasing of gas storage facilities in Germany in the period 2009 – 2023.

Note 29. 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, the Group engages in limited energy trading for its own account, including in natural gas, power, coal, oil, oil products and CO_2 certificates.

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 oil and gas produced in the DONG Energy Group, differences in the indexing of purchase and selling prices for oil and 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 Energy's 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 such 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 investment 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 change.

		Estimated effect on profit 31 December		Estimated effect on equity at 31 December	
Risk	**Price change**	**2008**	**2007**	**2008**	**2007**
Oil and gas	+ 10%	(167.2)	(27.5)	(253.9)	(196.1)
	- 10%	130.9	23.9	264.7	224.1
Power	+ 10%	(28.0)	(198.6)	74.0	27.6
	- 10%	22.8	199.6	(74.0)	(27.6)
Coal	+ 10%	(4.0)	7.8	0.0	0.0
	- 10%	4.0	(7.8)	0.0	0.0
USD	+ 10%	249.8	(20.8)	25.8	(262.7)
	- 10%	(249.8)	20.8	(25.8)	262.7
GBP	+ 10%	111.4	0.8	168.4	(42.2)
	- 10%	(111.4)	(0.8)	(168.4)	42.2
SEK	+ 10%	6.9	26.2	(81.3)	(109.0)
	- 10%	(30.9)	(26.2)	139.3	109.0

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 shown effect on equity is the effect from financial instruments that are open at the balance sheet date and 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 30. Derivative financial instruments

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

2008		Market value of derivative financial instruments					
DKK million		2009	2010	2011	2012-2013	After 2013	Total
Commodities:							
Oil swaps	Positive	625.8	160.2	37.2	5.3	0.0	828.5
	Negative	(563.7)	(103.4)	(17.8)	(5.3)	0.0	(690.2)
Oil options	Positive	1,157.0	896.9	464.0	917.0	0.0	3,434.9
	Negative	(597.3)	(535.7)	(456.8)	(917.0)	0.0	(2,506.8)
Gas swaps	Positive	3,005.9	688.1	83.0	0.0	0.0	3,777.0
	Negative	(2,514.9)	(493.1)	(71.0)	0.0	0.0	(3,079.0)
Power swaps	Positive	7,032.4	1,613.3	426.6	112.5	0.0	9,184.8
	Negative	(6,997.0)	(1,514.9)	(329.9)	(111.5)	0.0	(8,953.3)
Power options	Positive	0.0	0.0	0.0	0.0	0.0	0.0
	Negative	(0.5)	(11.1)	(4.9)	(2.4)	0.0	(18.9)
Coal forwards	Positive	2,297.2	355.6	138.4	0.0	0.0	2,791.2
	Negative	(2,173.2)	(326.6)	(125.0)	0.0	0.0	(2,624.8)
Currency:							
Forward exchange contracts	Positive	165.1	79.8	31.0	51.1	0.0	327.0
	Negative	(171.9)	(236.8)	(109.9)	(82.7)	0.0	(601.3)
Currency swaps	Positive	40.7	37.2	0.0	0.0	0.0	77.9
	Negative	0.0	0.0	0.0	0.0	0.0	0.0
Currency options	Positive	25.2	0.0	0.0	0.0	0.0	25.2
	Negative	0.0	0.0	0.0	0.0	0.0	0.0
Positive at 31 December		14,349.3	3,831.1	1,180.2	1,085.9	0.0	20,446.5
Negative at 31 December		(13,018.5)	(3,221.6)	(1,115.3)	(1,118.9)	(0.0)	(18,474.3)

Market value of derivative financial instruments

2007

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)

Hedging of future cash flows:

2008

DKK million	Notional amount	Fair value	Recog-nised in equity	Expected timing of transfer to income statement 2009	2010	2011	After 2011
Commodities:							
Oil swaps	1,441.7	101.6	125.6	53.8	41.5	25.9	4.4
Oil options	3,420.0	923.1	792.0	251.6	416.2	124.2	0.0
Gas swaps	208.0	(11.0)	(13.4)	(13.4)	0.0	0.0	0.0
Power swaps	767.8	225.6	(118.0)	(72.8)	(26.1)	(13.1)	(6.0)
Currency:							
Forward exchange contracts	2,913.7	(274.3)	(170.9)	(24.4)	(129.4)	(16.1)	(1.0)
Currency swaps	500.8	77.9	82.2	40.7	41.5	0.0	0.0
Currency options	748.4	25.2	0.4	0	0.4	0.0	0.0
Total	10,000.4	1,068.1	697.9	235.5	344.1	120.9	(2.6)

Ineffectiveness arising from commodity price hedging is recognised under the item effect of economic hedging with DKK 137.0 million (2007: DKK 31.4 million), see note 4.

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
Total	11,303.0	(408.7)	(74.0)	19.8	(24.4)	(58.6)	(20.3)

Hedging of fair values

DKK million	2008 Receivables	2008 Liabilities	2008 Hedged using hedging instruments	2008 Net position	2007 Receivables	2007 Liabilities	2007 Hedged using hedging instruments	2007 Net position
Currency:								
EUR	16,977.4	(12,065.4)	0.0	4,912.0	4,334.1	(3,614.3)	0.0	719.8
USD	7,695.5	(6,159.3)	0.0	1,536.2	3,739.8	(4,313.2)	0.0	(573.4)
GBP	2,048.5	(934.9)	0.0	1,113.6	654.6	(646.2)	0.0	8.4
SEK	309.3	0.0	0.0	309.3	264.1	(2.0)	0.0	262.1
Other	2.6	(1.2)	0.0	1.4	2.8	0.0	0.0	2.8
	27,033.3	(19,160.8)	0.0	7,872.5	8,995.4	(8,575.7)	0.0	419.7

Trading portfolio and economic hedges

DKK million	2008 Notional amount	2008 Fair value	2007 Notional amount	2007 Fair value
Oil swaps	133.5	36.7	68.3	19.7
Oil options	365.7	5.0	166.8	0.0
Gas swaps	2,358.0	709.0	1,719.9	196.9
Power swaps	7,560.3	5.9	4,958.0	291.2
Power options	65.0	(18.9)	334.9	(29.6)
CO_2	26.0	(8.3)	33.7	6.0
Coal forwards	206.5	166.4	79.1	(0.4)
	10,715.0	895.8	7,360.7	483.8

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

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

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.

Contractual obligations

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

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 2008, the guarantee is limited to a sum of DKK 140 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 and the parent company also a party to a number of long-term purchase and sales contracts that have been concluded in the course of the Group's and the parent company's normal operations. Apart from the liabilities already recognised, the Group and the parent company do not expect to incur any financial losses as a result of the performance of these contracts.

The DONG Naturgas Group is part of a joint venture relating to an LNG terminal. The Group is jointly and severally liable with the other joint venturers for obligations and liability under agreements concluded.

Note 32. 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.

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 in which the persons referred to above have significant influence.

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

The Group was involved in the following transactions with related parties in the year under review.

Group	Group enterprises		Associates		Joint ventures	
DKK million	2008	2007	2008	2007	2008	2007
Dividends paid	(1,127.0)	(1,853.0)	0.0	0.0	0.0	0.0
Dividends received	0.0	0.0	7.5	7.5	0.0	0.0
Sales of products and services	5,884.3	2,264.2	590.5	475.0	0.7	1.1
Purchases of products and services	(3,215.3)	(1,331.9)	(23.6)	(26.2)	0.0	0.0
Interest, net	(24.9)	31.3	0.0	0.0	0.0	0.0
Receivables	3,158.8	1,846.1	171.3	143.9	0.7	2.1
Payables	(2,201.3)	(1,044.1)	0.0	1.7	0.0	0.0

Parent company	Group enterprises		Associates		Joint ventures	
DKK million	2008	2007	2008	2007	2008	2007
Dividends paid	(1,127.0)	(1,853.0)	0.0	0.0	0.0	0.0
Dividends received	25.6	21.6	7.5	7.5	0.0	0.0
Sales of products and services	10,768.3	5,156.6	590.5	475.0	0.7	1.1
Purchases of products and services	(3,215.3)	(1,044.8)	(23.6)	(26.2)	0.0	0.0
Interest, net	(20.3)	52.4	0.0	0.0	0.0	0.0
Receivables	4,211.2	2,367.6	171.3	143.9	0.7	2.1
Payables	(2,297.8)	(1,042.6)	0.0	1.7	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 2013.

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 33. Description of accounting policies

In general

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 the Group 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 as a consolidation of the parent company's and the individual subsidiaries' financial statements, in accordance with 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 acquisition date. 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 revaluations 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 acquisition date, 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 acquisition date, 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 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 acquisition date leads to recognition of the tax benefit in the income statement and simultaneous write-down 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 acquisition date.

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. Where a business combination involves successive acquisitions, 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 income statement items 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 entity, 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 relating to that foreign equity 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 through 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 entail terms that correspond 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 physical delivery of commodities are, in certain circumstances, accounted for as derivative financial instruments. Based on an evaluation of the purpose of the Group’s commodity contracts and the connection between that purpose and the Group's other activities, the Group’s contracts that involve 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 by DONG Naturgas in the course of the Group’s 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.

The provision of services (consultancy services, etc.) is recognised as revenue by reference to the stage of completion 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 associates’ profit after tax and after elimination of the proportionate share of intragroup profits/losses is recognised in the consolidated income statement.

Dividends from investments in subsidiaries and associates in the parent company financial statements
Dividends from investments in subsidiaries and associates are recognised in 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 absorption), 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 consequence 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 acquisition date. 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 company'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 removing the asset and restoring the site 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 the fair value of the assets and the 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. Replaced parts are derecognised from the balance sheet, and their carrying amount is taken to the income statement. All other general repair and maintenance expenses 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	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) Depreciated applying 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 determined at the acquisition date 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 of the asset after depreciation had no impairment losses been charged.

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

In the case of natural gas, cost is determined as a weighted average of the previous month's buying 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 acquisition date 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
he 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 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 note.

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

Operating segments are reported in accordance with the DONG Energy Group's internal management reporting, which is presented to the Group's senior operational management. The operational management is defined as the Executive Board. Segment information has been prepared in accordance with the Group's accounting policies.

Segment income, segment expense, segment assets and segment liabilities are those items that, in the internal management reporting, are directly attributable to the individual segment or can be indirectly allocated to the individual segment on a reliable basis.

The Group operates with two performance indicators, with EBITDA as the primary performance indicator, and EBIT as the secondary performance indicator. EBITDA is defined as earnings before interest, tax, depreciation and amortisation, but inclusive of amortisation of purchased CO_2 certificates, as purchased CO_2 certificates are accounted for as a cost of sales item. EBIT is defined as earnings before interest and tax. Non-current segment assets comprise those non-current assets that are directly employed by a segment in its operating activities, including intangible assets; property, plant and equipment; and non-current receivables. Deferred tax, investments in associates and other equity investments are not allocated to individual segments, as they are not directly employed by the individual segment in its operating activities.

Segment investments comprise investments in intangible assets and property, plant and equipment.

Segment information in respect of geographical markets is determined by breaking revenue down, as far as possible, by customer location based on supply point. Assets are broken down geographically based on the physical location of the assets, and comprise intangible assets and property, plant and equipment.

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

FINANCIAL RATIOS

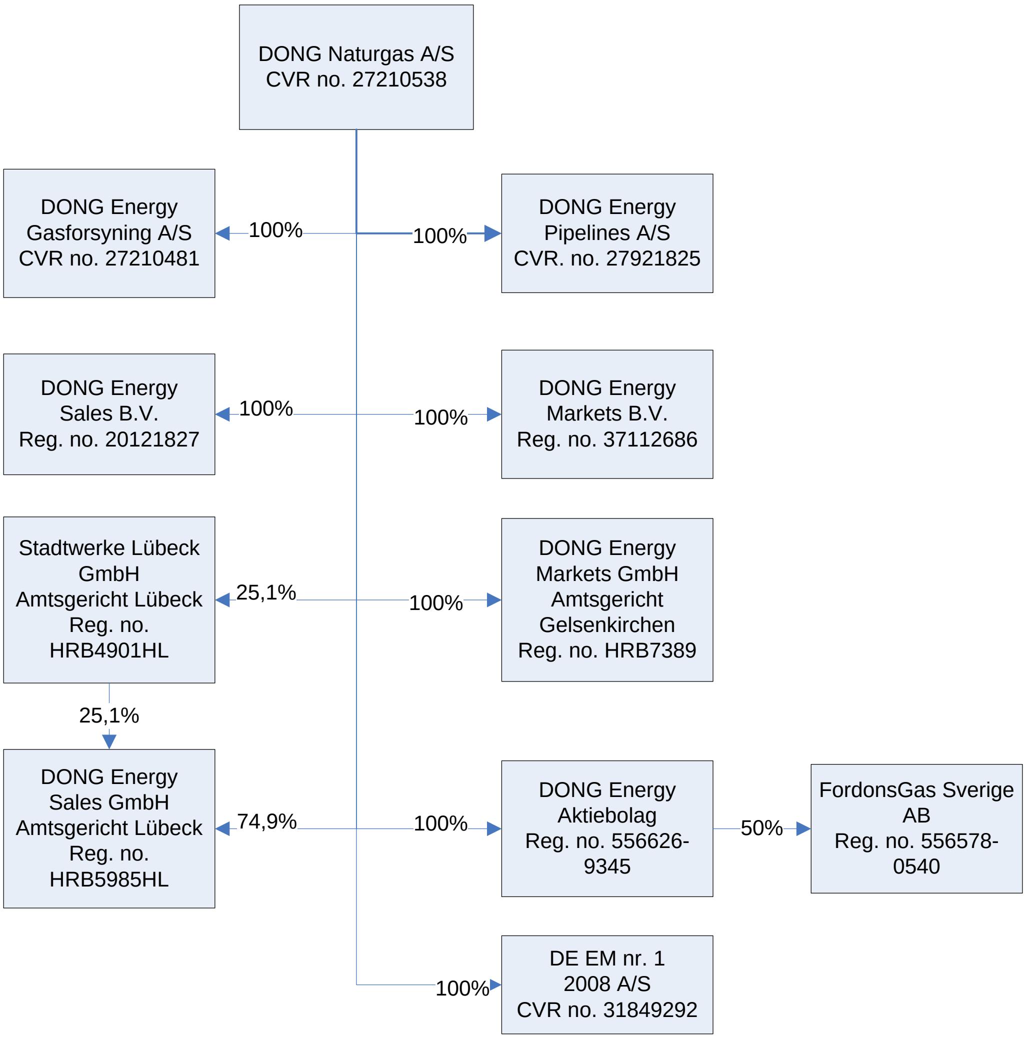
Unless otherwise stated, financial ratios have been calculated in accordance with the Danish Society of Financial Analysts' "Recommendations & Financial Ratios 2005".

Financial ratios have been calculated as follows:

EBITDA margin	Earnings before interest, tax, depreciation and amortisation / Revenue
EBIT margin	Earnings before interest and tax (EBIT) / 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	Net 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 34. Group structure



Name of company	Registered office	Currency	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	Gothenburg, Sweden	SEK	0.1	100
Fordonsgas Sverige AB	Gothenburg, 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	81.2
Stadtwerke Lübeck GmbH	Lübeck, Germany	EUR	40	25.1
DE EM nr. 1 2008 A/S	Fredericia, Denmark	DKK	0.5	100