DONG Naturgas A/S

ANNUAL REPORT 2011

(CVR No. 27 21 05 38)

9th financial year

Contents

Company information

Company	DONG Naturgas A/S Kraftværksvej 53, Skærbæk DK - 7000 Fredericia Telephone +45 9955 1111 Fax +45 9955 0002 Email dongenergy@dongenergy.dk CVR No. 27 21 05 38
Shareholder	The entire share capital is held by DONG Energy A/S
Board of Directors	Carsten Krogsgaard Thomsen (Chairman) Hanne Blume (Deputy Chairman) Marianne Wiinholt
Executive Board	Kurt Bligaard Pedersen
Auditor	PricewaterhouseCoopers, Statsautoriseret Revisionspartnerselskab
Annual General Meeting	29 May 2012
Other managerial posts	Managerial posts held by the members of the Board of Directors and the Executive Board of DONG Naturgas A/S in other Danish public limited companies, with the exception of managerial posts in the company's own wholly-owned subsidiaries.
Carsten Krogsgaard Thomsen	DONG Energy Sales & Distribution A/S (Deputy Chairman of the Board of Directors), NNIT A/S (Member of the Board of Directors), GN Resound A/S (member of the Board of Directors), GN Store Nord (member of the Board of Directors), GN Netcom A/S (member of the Board of Directors), BaneDanmark (member of the Board of Directors), EM El Holding A/S (Deputy Chairman of the Board of Directors), DONG Energy Power Holding A/S (member of the Board of Directors), DONG Energy Power A/S (member of the Board of Directors), Energigruppen Jylland El Holding A/S (Deputy Chairman of the Board of Directors), Energigruppen Jylland El A/S (Deputy Chairman of the Board of Directors), DONG EGJ A/S (Chairman of the Board of Directors), DONG El A/S (Chairman of the Board of Directors), DONG E&P A/S (Deputy Chairman of the Board of Directors), DONG Insurance A/S (Chairman of the Board of Directors), DONG Energy Vangede A/S (Chairman of the Board of Directors), DONG Energy A/S (member of the Executive Board) and DONG Energy Oil & Gas (member of the Executive Board).
Hanne Blume	DONG Energy Power Holding A/S (member of the Board of Directors)), DONG Energy Power A/S (member of the Board of Directors), DE nr. 1 2003 A/S (Chairman of the Board of Directors), DONG Energy S&D nr. 1 2008 A/S (member of the Board of Directors), DONG Energy S&D nr. 2 2008 A/S (member of the Board of Directors), DONG Energy E&P nr. 1 2008 A/S (member of the Board of Directors, DONG Energy Oil & Gas A/S (member of the Board of Directors) and Inbicon A/S (member of the Board of Directors).
Marianne Wiinholt	DONG Oil Pipe A/S (Chairman of the Board of Directors), DONG EGJ A/S (Deputy Chairman of the Board of Directors), DONG Insurance A/S (Deputy Chairman of the Board of Directors), DONG E&P A/S (member of the Board of Directors), DONG EL A/S (Deputy Chairman of the Board of Directors), DONG Gas Distribution A/S (Deputy Chairman of the Board of Directors) and DONG Energy Vangede A/S (Deputy Chairman of the Board of Directors).
Kurt Bligaard Pedersen	BRF Holding A/S (Deputy Chairman of the Board of Directors), BRF Kredit A/S (Deputy Chairman of the Board of Directors), BRF Fonden (member of the Board of Directors), Copenhagen Zoo (member of the Board of Directors) and DONG Energy Oil & Gas A/S (member of the Executive Board).

Performance highlights

DKK million	2011	2010	2009	2008	2007
BUSINESS PERFORMANCE:					
Statement of comprehensive income					
Revenue	34,566	32,527	-	-	-
Profit before interest, tax, depreciation and amortisation (EBITDA)	2,069	3,138	-	-	-
Operating profit (EBIT)	526	2,553	-	-	-
Profit for the year	371	1,946	-	-	-
Financial ratios					
EBITDA margin	6%	10%	-	-	-
EBIT margin	2%	8%	-	-	-
IFRS:					
Statement of comprehensive income					
Revenue	37,304	32,776	28,893	38,888	21,325
Profit before interest, tax, depreciation and amortisation (EBITDA)	5,043	3,386	2,217	5,463	1,656
Operating profit (EBIT)	3,500	2,801	1,665	5,040	1,271
Net finance costs	(37)	(39)	(59)	(162)	30
Profit before tax	3,498	2,801	1,636	4,756	1,285
Profit for the year	2,601	2,132	1,234	3,421	1,056
Balance sheet					
Equity	7,959	7,429	6,934	9,417	6,553
Balance sheet total	33,305	31,781	30,767	40,099	21,730
Cash flows					
Operating activities	1,017	4,518	4,317	(52)	1,612
Investments in property, plant and equipment	(53)	(25)	(139)	(161)	(9)
Investing activities	1,023	(1,923)	(281)	(138)	894
Financing activities	(1,971)	(1,685)	(3,289)	(1,352)	(2,283)
Financial ratios					
EBITDA margin	14%	10%	8%	14%	8%
EBIT margin	9%	9%	6%	13%	6%
Free cash flows to equity (with acquisitions)	2,040	2,594	4,037	(190)	2,506
Free cash flows to equity (without acquisitions)	2,048	2,626	4,163	(178)	2,532
Net interest-bearing debt	(1,671)	(2,893)	299	991	(550)
Invested capital	6,287	4,536	7,233	10,407	6,189
Financial gearing	(0.21)	(0.39)	0.04	0.11	(0.08)
Average number of employees	461	455	457	429	356

Financial ratios have been calculated in accordance with ‘Recommendations & Financial Ratios 2010’ published by the Danish Society of Financial Analysts. Reference is made to the definitions under accounting policies.

Statement by the Executive Board and the Board of Directors

The Board of Directors and the Executive Board have today considered and approved the annual report of DONG Naturgas A/S for the financial year 1 January - 31 December 2011.

The annual report has been prepared in accordance with International Financial Reporting Standards as adopted by the EU. The annual report has also been prepared in accordance with additional disclosure requirements in the Danish Financial Statements Act, see the Danish Statutory Order on adoption of IFRS.

In our opinion, the Consolidated Financial Statements and the Parent Company Financial Statements give a true and fair view of the financial position at 31 December 2011 of the Group and the Parent Company and of the results of the Group and Parent Company operations and cash flows for the financial year 1 January - 31 December 2011.

In our opinion, Management's review includes a true and fair account of the development in the operations and financial circumstances of the Group and the Parent Company, of the results for the year and of the financial position of the Group and the Parent Company as well as a description of the most significant risks and elements of uncertainty facing the Group and the Parent Company.

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

Skærbæk, 24 May 2012

Executive Board:

Kurt Bligaard Pedersen
President

Board of Directors:

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

Independent auditor's report

To the shareholders of DONG Naturgas A/S

Report on Consolidated Financial Statements and Parent Company Financial Statements

We have audited the Consolidated Financial Statements and the Parent Company Financial Statements of DONG Naturgas A/S for the financial year 1 January to 31 December 2011, which comprise statement of comprehensive income, balance sheet, statement of changes in equity, statement of cash flows and notes, including accounting policies, for the Group as well as for the Parent Company. The Consolidated Financial Statements and the Parent Company Financial Statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional disclosure requirements in the Danish Financial Statements Act.

Management's Responsibility for the Consolidated Financial Statements and the Parent Company Financial Statements

Management is responsible for the preparation of Consolidated Financial Statements and Parent Company Financial Statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and additional disclosure requirements in the Danish Financial Statements Act. Management is also responsible for such internal control as Management determines is necessary to enable the preparation of Consolidated Financial Statements and Parent Company Financial Statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the Consolidated Financial Statements and Parent Company Financial Statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and additional requirements under Danish audit regulation. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the Consolidated Financial Statements and the Parent Company Financial Statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Consolidated Financial Statements and the Parent Company Financial Statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Consolidated Financial Statements and the Parent Company Financial Statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation of Consolidated Financial Statements and Parent Company Financial Statements that give a true and fair view 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 accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the Consolidated Financial Statements and the Parent Company Financial Statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

The audit has not resulted in any qualification.

Opinion

In our opinion, the Consolidated Financial Statements and the Parent Company Financial Statements give a true and fair view of the Group's and the Parent Company's financial position at 31 December 2011 and of the results of the Group's and the Parent Company's operations and cash flows for the financial year 1 January to 31 December 2011 in accordance with International Financial Reporting Standards as adopted by the EU and additional disclosure requirements in the Danish Financial Statements Act.

Statement on Management's Review

We have read Management's Review in accordance with the Danish Financial Statements Act. We have not performed any procedures additional to the audit of the Consolidated Financial Statements and the Parent Company Financial Statements. On this basis, in our opinion, the information provided in Management's review is consistent with the Consolidated Financial Statements and the Parent Company Financial Statements.

Hellerup, 24 May 2012

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab

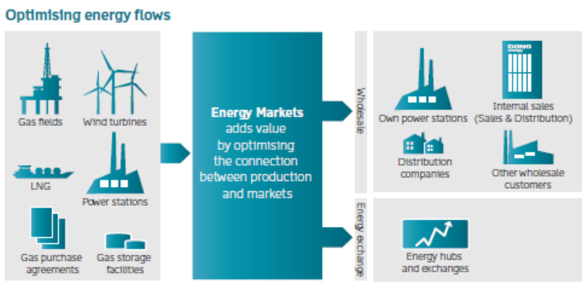
Fin T. Nielsen	Jesper Edelbo
State Authorised Public Accountant	State Authorised Public Accountant

Management's review

Activities
The activities of the DONG Naturgas Group are predominantly concentrated in the DONG Energy Group's Energy Markets business area. A small part of the activities are placed in the Sales & Distribution business area.

Energy Markets connects DONG Energy's energy production from wind turbines, power stations and gas fields with wholesale customers in North West Europe in the most optimum way.

With strong market insight from its experienced employees, Energy Markets adds value to energy flows and secures DONG Energy stable, long-term earnings for the Group by levelling out fluctuations in energy prices. This also creates optimum conditions for long-term investments in new wind turbines, power stations and oil and gas fields.



Energy Markets also owns and operates parts of DONG Energy's natural gas infrastructure and is responsible for the Group's portfolio of natural gas purchase contracts.

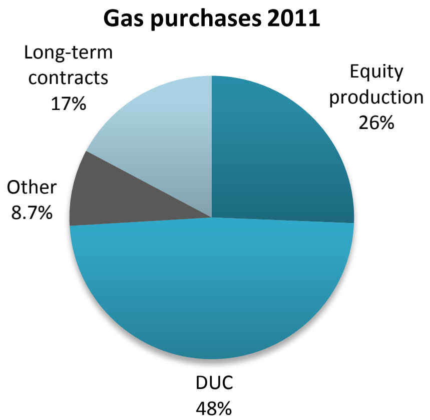
Energy Markets also looks after DONG Energy's risk management relating to energy prices, including by engaging in financial transactions. In order to continuously participate in the market and gain insight into price formation, Energy Markets also engages in active position taking.

Energy Markets has employees from more than 15 countries and is active in the markets in Denmark, Germany, the Netherlands and the UK. Energy Markets' activities are mainly carried out outside Denmark.

Energy trading
Trading on energy hubs and exchanges is an important part of Energy Markets' optimisation of the energy portfolio. The reasons for the trading activities include balancing purchases and sales of gas and utilising short-term earnings possibilities – such as selling gas when the hub market price is favourable. Energy Markets also trades in energy to minimise and control the Group's sensitivity to fluctuating energy prices.

DONG Energy is a significant player on the Nordic power exchange, Nord Pool, and is also active on a number of other energy hubs and exchanges in Northern Europe. Trading is in both electricity, gas, oil, coal and CO_2. Energy Markets is involved in both physical and financial transactions and trades on both the spot and futures markets. Trading is based on energy assets owned by both DONG Energy and the Group's customers.

Gas purchase contracts
Energy Markets buys gas on behalf of the whole of DONG Energy. Purchases totalled 115.9 TWh in 2011 from a variety of sources.



With its diversified portfolio of suppliers and contracts, Energy Markets maintains high security of supply for DONG Energy and its customers while at the same time providing the robustness to cope with fluctuating market conditions.

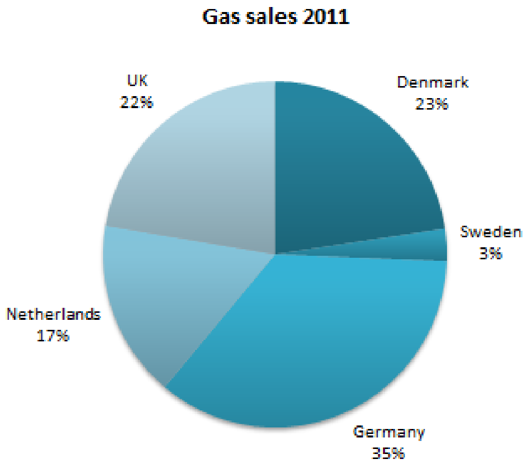
Pooling the DONG Energy Group's equity gas with the rest of Energy Markets' gas portfolio enhances the value of the output from each field, partly via better utilisation of the infrastructure. As Energy Markets at the same time has access to several markets, the gas can be shipped to where demand is highest.

Of total gas purchases, 48% came from contracts with the DUC partners A.P. Møller-Mærsk, Shell Olie- og Gasudvikling Danmark and Chevron Denmark. Supplies under these contracts come from the Danish sector of the North Sea and are expected to diminish in the years ahead. These volumes will be replaced by gas, partly equity gas, and partly gas from the DONG Energy Group's other business partners, including Gazprom and Iberdrola (LNG). The proportion of equity gas is expected to increase to 30% of the overall gas portfolio in the coming years.

The gas purchase contracts are flexible in terms of the volume of gas to be purchased by DONG Naturgas at different times. This enables Energy Markets to vary its purchases in response to demand from its customers.

Some contracts are also flexible in terms of where in Europe Energy Markets wants the gas to be delivered to. It can thus be shipped to the markets in which demand is highest. The diversification and flexibility allows Energy Markets to enhance the value of its overall gas portfolio.

Gas and electricity sales
Energy Markets sells gas and electricity to customers in Denmark, Sweden, Germany, the Netherlands and the UK. Energy Markets also sells gas to gas-fired power stations in Denmark, the Netherlands and the UK. Gas sales totalled 122.3 TWh in 2011. Electricity sales totalled 9.9 TWh.



Besides internal sales in DONG Energy, Energy Markets sells gas and electricity via sales subsidiaries in Germany, primarily in Northern Germany, where Energy Markets has a considerable market share. Energy Markets also sells gas and electricity on short-term and long-term contracts with business partners in Denmark and Europe.

In the Dutch market, Energy Markets has a contract with the Dutch energy company De Nederlandse Energie Maatschappij. Besides strengthening the Group's position in the Netherlands, the contract enhances Energy Markets' opportunities to balance its energy positions in the Dutch market.

Using a variety of sales channels secures reliable gas sales and also helps make the business robust.

Gas pipelines and storage facilities
Energy Markets takes care of the commercial activities relating to part of the Group's gas infrastructure. The DONG Naturgas Group thus owns a number of pipelines in the Danish sector of the North Sea and has leased capacity across large parts of the European pipeline system, securing it access to most gas markets in Northern Europe. With this pipeline access, Energy Markets can transport the gas to where demand is highest at any given time.

Energy Markets also has access to a number of gas storage facilities in Denmark and Germany, where Energy Markets is co-owner or has capacity on long-term or short-term lease. Energy Markets also owns 5% of the Dutch Gate LNG terminal in Rotterdam. The terminal can receive LNG from special carriers and convert it to gas for delivery into the European pipeline system.

Besides higher security of supply, these storage facilities provide flexibility, for example by enabling Energy Markets to use gas from storage facilities rather than buying it in the market during periods when the price is high.

In June 2011, the Danish Energy Regulatory Authority (DERA) declared that Energy Markets' tariff for transport in its offshore gas pipelines was too high. As a consequence of this, in 2011, a DKK 73 million impairment loss was recognised on the connection right relating to gas transportation and DKK 527 million on the offshore gas pipelines from the North Sea to Denmark (recognised in production assets). The impairment loss reflects a reduction of the tariff to DKK 0.10/m^3, equivalent to the tariff reduction offered by DONG Energy to DERA. Reference is also made to notes 13 and 14.

Gas-fired power stations and wind farms
Energy Markets is responsible for operating the DONG Energy Group's gas-fired power stations in the UK and the Netherlands. The gas-fired power station Enecogen in the Netherlands, which is owned jointly with the local energy company Eneco, began commercial operation at the end of 2011. The gas-fired power stations generated 3.4 TWh of electricity in 2011.

Gas-fired power stations present Energy Markets with new opportunities for optimising its gas and electricity portfolio. If demand for electricity is high, Energy Markets can convert gas to electricity at the power stations. If, on the other hand, demand for gas is high, Energy Markets can sell the gas directly in the market.

Energy Markets will also be selling electricity from DONG Energy's wind farms in the UK as these come on stream. Pooling sales of electricity generation from both wind turbines and gas-fired power stations enables Energy Markets to achieve a number of synergies and economies of scale.

Risk management
Energy Markets' activities, financial position, results and future growth are affected by a number of non-financial and financial commercial risks. Energy Markets 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. The management of commercial risks is anchored in the individual segments in the DONG Energy Group and consolidated at corporate level. The Group identifies and prioritises its risks annually in a risk matrix on the basis of materiality and probability.

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

Retention and development of skills
Energy Markets' business is generally highly complex, requiring special skills. Coupled with the growing demand for talent, this increases the challenge of attracting and retaining employees.

Much emphasis is placed on making Energy Markets 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.

Liquidity and financing risks
Energy Markets' liquidity and financing risks are managed centrally by DONG Energy in accordance with principles and delegated authorities laid down by the Board of Directors of DONG Energy A/S. One of the main financial management tasks in the DONG Energy Group is to secure sufficient and flexible financial resources in relation to the day-to-day operations and the DONG Energy Group's investment programme. To this end, internal management objectives have been established for the required level of financial resources, taking into account primarily factors such as investment programme, cash flows from operations and debt maturity profile.

It is the DONG Energy Group's financing policy to concentrate loans in the parent company in order to optimise the loan portfolio on a consolidated basis.

Insurable risks
DONG Energy Group, including DONG Naturgas A/S has an extensive all risks facilities and liability insurance programme, 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. The all risks facilities insurance largely relates to the membership of the reinsurance company Oil Insurance Ltd. Through this, assets up to USD 250 million are insured, with an excess of USD 10 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 its insurance portfolio, the DONG Energy Group has established a captive, DONG Insurance A/S, 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 30.

Corporate responsibility
DONG Naturgas A/S is part of the DONG Energy Group, and reference is consequently made to the DONG Energy Group's 2011 annual report, which includes the Group's statutory corporate responsibility statement.

In 2011, the Board of Directors of DONG Energy adopted a responsibility policy that sets out the general principles for the Group's work on responsibility. Furthermore, DONG Energy adheres to the ten principles of the UN Global Compact and follows the reporting guidelines set out in the Global Reporting Initiative.

Further details can be found on the responsibility page at dongenergy.com.

New presentation of profit for the year focusing on business performance
DONG Energy has expanded its business activities in several energy markets in recent years. As a result, the Group has adopted a more active risk management approach in some areas in order to enhance value creation and create a greater degree of certainty with respect to the Group's financial position.

This is achieved by hedging all or part of the value of the DONG Energy Group's production and purchases and sales of energy to avoid performance being affected by unfavourable movements in market prices. As a hedging instrument that precisely matches the underlying commercial exposure (production or trading) or is sufficiently liquid is not always available, the Group uses approximation hedging, to some extent, i.e. hedging in alternative markets or with different time frames. For example, Danish electricity generation is, to some extent, hedged using financial contracts for the EEX and Nord Pool areas, as these prices normally move uniformly over time.

Accordingly, only a portion of the DONG Energy Group's economic hedging meets the IFRS criteria for cash flow hedge accounting, even though they have been entered into precisely for this purpose. If the criteria are not satisfied, the hedging transactions must be market value adjusted on a continuous basis, which may give rise to large fluctuations in the income statement, regardless of the fact that the hedging transactions have reduced the financial risk.

With effect from 1 January 2011, the DONG Energy Group therefore changed the way in which it accounts for derivative financial instruments used to hedge future cash flows relating to commodities and related currency exposures, so that these are no longer classified as hedge accounting.

Instead, an alternative performance measure, business performance, has been introduced to ensure greater transparency in the financial reporting. In the income statement, the business performance results are shown in connection with the results determined in accordance with IFRS. The difference between the two performance measures is shown as adjustments.

Energy Markets takes care of the DONG Energy Group's risk management and hedging, and the DONG Naturgas Group also presents profit for the year determined based on both business performance and IFRS.

Connection between performance measures
The business performance results reflect the internal management of the Group. The results have been adjusted for temporary fluctuations in the market value of contracts, including hedging transactions relating to other periods. The financial effect of this hedging is therefore recognised in the income statement in the same period as the hedged commercial exposure. This way, the business performance income statement better represents the underlying financial performance of the Group during the period.

In future, hedging transactions relating to the commercial exposures referred to above will be recognised at fair value with value adjustment via the income statement in the IFRS financial statement, regardless of the period to which they relate. As DONG Naturgas A/S enters into hedging transactions with terms of up to five years, this may have a major impact on the results for individual reporting periods.

The timing differences relating to movements in the market value of contracts, including hedging transactions that are deferred to the period in which they are to be recognised, are shown as an adjustment between the performance measures. These adjustments will accumulate to nil over time.

The accounting treatment of trading activities remains unchanged compared with previous periods so that market value adjustments of these transactions are recognised in the period in which the change in value occurs and with the same effect on the IFRS and business performance results. Unless otherwise stated, Management's review comments on the business performance results.

Physical electricity and gas contracts
As part of its overall risk management, the Group enters into fixed-price contracts on purchase and sale of physical electricity and gas on exchanges and hubs with a view to mitigating risks related to future settlement prices. The Group also enters into fixed-price contracts with customers in the course of its commercial activities.

Under IFRS, these contracts must, as a rule, be classified as financial contracts with continuous market value adjustment in the income statement, if a liquid market exists in which the underlying commercial exposure (production, purchase or sale) can be traded. If this is not the case, the financial effect of the contracts will not be recognised until the reporting period in which the commercial exposure is realised (accrual accounting).

Physical fixed-price electricity and gas contracts will, in future, be recognised in the business performance results in the period in which the hedged exposure is realised, regardless of whether the market is liquid or illiquid. As the Group's risk management comprises both financial and physical fixed-price contracts, these are reported on collectively as hedging transactions.

Difference in EBITDA for 2011 between business performance and IFRS
The difference between the business performance and IFRS results affects revenue and cost of sales. In 2011, the difference in EBITDA was DKK 3.0 billion.

A large portion of the difference was due to the discontinuation of hedge accounting for commodities and related currency exposures and initial recognition of certain fixed-price contracts. This part of the difference would consequently not have arisen if the existing classification had been retained.

Cash flows and equity
The new presentation of the results has not had any effect on the Group's cash flows from operating activities. It has simply resulted in a redistribution between the 'EBITDA' and 'other adjustments' items, equivalent to the difference between the market value adjustments. The new presentation has not had any effect on the Group's total equity.

Financial results for 2011

Volumes
Gas sales (including sales to own power stations) rose by 3% to 122.3 TWh due to significantly higher hub sales. Wholesale sales, on the other hand, were lower, primarily due to milder weather than in 2010. This led to lower sales in Denmark, Sweden and Germany and to own power stations.

Electricity sales were 9.9 TWh, a decrease of 5% on 2010. Electricity generation from the gas-fired Severn power station, which became operational in 2010, amounted to 3.2 TWh in 2011. Both units were shut down following damage to both turbines in July 2011. One unit was brought back online in October 2011, while the other unit is expected to be brought back online in the first half of 2012. Both units are running at reduced output until the repairs have been completed. The gas-fired Enecogen power station in the Netherlands became operational at the end of 2011, generating 0.2 TWh.

Financial performance
Revenue increased by DKK 2.2 billion to DKK 33.7 billion due to higher electricity generation and gas sales and higher gas sales prices than in 2010.

EBITDA was DKK 2.0 billion, DKK 1.0 billion down on 2010, primarily reflecting lower earnings from gas sales under fixed-price and oil-indexed contracts than in 2010. Renegotiation of gas contracts had a significant positive effect of around DKK 1 billion in 2011, while the new gas-fired power stations in the UK and the Netherlands depressed EBITDA due to the low green spark spreads. The DONG Energy Group EBITDA effect of the new gas-fired power stations was neutral.

EBIT was down DKK 1.6 billion at DKK 0.8 billion in 2011 due to the lower EBITDA and a DKK 0.6 billion impairment loss on offshore gas pipelines in the first half of 2011.

Environment
EU ETS CO_2 emissions rose compared with 2010, as 2011 was the first full year of operation for the Severn power station. A small portion of CO_2 emissions was due to flaring at the Nybro gas treatment plant. This portion was in line with 2010.

Future outlook
For Energy Markets, there are a variety of factors that mean that, all other things being equal, EBITDA in 2012 is expected to be significantly lower than in 2011. There was a significant positive effect of around DKK 1 billion in 2011 from the renegotiation of gas contracts that is not expected to be repeated in 2012. Purchases under oil-indexed purchase contracts are expected to increase in 2012, which will reduce EBITDA. The expiry of an oil-indexed sales contract will further reduce earnings and increase exposure to the spread between oil and gas prices. Lastly, in 2011, there was a positive effect from

the DONG Naturgas Group's EBITDA due to positive market value adjustment of price hedging contracts that is not expected at a similar level for 2012.

Events after the reporting period
No events have occurred after the end of the financial year that will materially change the company's financial standing.

Consolidated statement of comprehensive income for the year ended 31 December

DKK million	Note	2011 Business perform-ance	2011 Adjust-ments	2011 IFRS	2010 Business perform-ance	2010 Adjust-ments	2010 IFRS
Revenue	3,4	34,566	2,738	37,304	32,527	248	32,775
Fuel and energy		(31,200)	236	(30,964)	(28,239)	0	(28,239)
Other external expenses	6,7	(982)	0	(982)	(839)	0	(839)
Staff costs	5	(321)	0	(321)	(305)	0	(305)
Other operating income	8	6	0	6	1	0	1
Other operating expenses	8	0	0	0	(7)	0	(7)
Operating profit before depreciation, amortisation and impairment losses (EBITDA)		**2,069**	**2,974**	**5,043**	**3,138**	**248**	**3,386**
Depreciation, amortisation and impairment losses on intangible assets and property, plant and equipment		(1,543)	0	(1,543)	(585)	0	(585)
Operating profit (EBIT)		**526**	**2,974**	**3,500**	**2,553**	**248**	**2,801**
Share of profit of associates	15	35	0	35	39	0	39
Finance income	9	590	0	590	505	0	505
Finance costs	10	(627)	0	(627)	(544)	0	(544)
Profit before tax		**524**	**2,974**	**3,498**	**2,553**	**248**	**2,801**
Income tax expense	11	(153)	(744)	(897)	(607)	(62)	(669)
Profit for the year		**371**	**2,230**	**2,601**	**1,946**	**186**	**2,132**
Other comprehensive income							
Value adjustments for the year				0			(1,228)
Value adjustments transferred to revenue				22			765
Value adjustments transferred to fuel and energy				54			127
Tax on value adjustments of hedging instruments				(19)			84
Foreign exchange adjustments				(2)			17
Other adjustments				0			(16)
Other comprehensive income				**55**			**(251)**
Total comprehensive income				**2,656**			**1,881**

Consolidated statement of comprehensive income for the year ended 31 December (continued)

		2011			2010		
DKK million	**Note**	Business performance	Adjustments	IFRS	Business performance	Adjustments	IFRS
Attributable to:							
Equity holders of DONG Naturgas A/S		371	2,230	2,601	1,939	186	2,125
Non-controlling interests		0	0	0	(7)	0	(7)
Profit for the year		**371**	**2,230**	**2,601**	**1,946**	**186**	**2,132**
Total comprehensive income for the year is attributable to:							
Equity holders of DONG Naturgas A/S				2,656			1,875
Non-controlling interests				0			6
Total comprehensive income				**2,656**			**1,881**
Earnings per share (EPS) and diluted earnings per share (DEPS) of DKK 1,000, in whole DKK	12			2,550			2,083

Consolidated balance sheet at 31 December

DKK million	Note	2011	2010
Assets			
Goodwill	13	92	370
Rights	13	1,000	1,251
CO_2 emissions allowances	13	447	0
Completed development projects	13	151	180
In-process development projects	13	12	11
Intangible assets		**1,702**	**1,812**
Land and buildings	14	2	2
Production assets	14	1,469	2,288
Fixtures and fittings, tools and equipment	14	7	10
Property, plant and equipment under construction	14	36	15
Property, plant and equipment		**1,514**	**2,315**
Investments in associates	15	155	173
Other equity investments	15	92	77
Deferred tax assets	19	1	1
Receivables	17	13	17
Other non-current assets		**261**	**268**
Non-current assets		**3,477**	**4,395**
Inventories	16	2,279	1,373
Receivables	17	26,106	24,843
Income tax receivable	23	17	13
Cash and cash equivalents	27	1,426	1,157
Current assets		**29,828**	**27,386**
Assets		**33,305**	**31,781**

Consolidated balance sheet at 31 December

DKK million	Note	2011	2010
Equity and liabilities			
Share capital	18	1,020	1,020
Hedging reserve		60	3
Translation reserve		9	11
Retained earnings		6,494	4,298
Proposed dividends		376	2,065
Equity attributable to the equity holders of DONG Naturgas A/S		**7,959**	**7,397**
Non-controlling interests		0	32
Equity		**7,959**	**7,429**
Deferred tax	19	970	746
Provisions	20	2,153	1,780
Payables to group enterprises	21	425	425
Other payables	22	274	0
Non-current liabilities		**3,822**	**2,951**
Provisions		8	113
Bank loans	21	365	174
Other payables	22	20,521	20,455
Income tax	23	630	659
Current liabilities		**21,524**	**21,401**
Liabilities		**25,346**	**24,352**
Equity and liabilities		**33,305**	**31,781**

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 attribut-able to equity holders of DONG Naturgas	Non-control-ling interests	Total
Equity at 1 January 2010	1,020	255	(6)	4,373	1,258	6,900	33	6,933
Comprehensive income for the year:								
Profit for the year	0	0	0	2,125	0	2,125	7	2,132
Other comprehensive income:								
Value adjustments for the year	0	(1,228)	0	0	0	(1,228)	0	(1,228)
Value adjustments transferred to revenue	0	765	0	0	0	765	0	765
Value adjustments transferred to fuel and energy	0	127	0	0	0	127	0	127
Tax on value adjustments of hedging instruments	0	84	0	0	0	84	0	84
Foreign exchange adjustments, foreign enterprises	0	0	17	0	0	17	0	17
Other adjustments	0	0	0	(16)	0	(16)	0	(16)
Total comprehensive income	0	(252)	17	2,109	0	1,874	7	1,881
Transactions with owners								
Proposed dividends	0	0	0	(2,065)	2,065	0	0	0
Dividends paid	0	0	0	0	(1,258)	(1,258)	0	(1,258)
Disposal on acquisition of non-controlling interests	0	0	0	(119)	0	(119)	(8)	(127)
Total changes in equity in 2010	**0**	**(252)**	**17**	**(75)**	**807**	**497**	**(1)**	**496**
Equity at 31 December 2010	**1,020**	**3**	**11**	**4,298**	**2,065**	**7,397**	**32**	**7,429**

DKK million	Share capital	Hedging reserve	Trans-lation reserve	Retained earnings	Proposed dividends	Equity attribut-able to equity holders of DONG Naturgas	Non-control-ling interests	Total
Equity at 1 January 2011	1,020	3	11	4,298	2,065	7,397	32	7,429
Comprehensive income for the year:								
Profit for the year	0	0	0	2,601	0	2,601	0	2,601
Other comprehensive income:								
Value adjustments for the year	0	0	0	0	0	0	0	0
Value adjustments transferred to revenue	0	22	0	0	0	22	0	22
Value adjustments transferred to fuel and energy	0	54	0	0	0	54	0	54
Tax on value adjustments of hedging instruments	0	(19)	0	0	0	(19)	0	(19)
Foreign exchange adjustments, foreign enterprises	0	0	(2)	0	0	(2)	0	(2)
Other adjustments	0	0	0	0	0	0	0	0
Total comprehensive income	0	57	(2)	2,601	0	2,656	0	2,656
Transactions with owners								
Proposed dividends	0	0	0	(376)	376	0	0	0
Dividends paid	0	0	0	0	(2,065)	(2,065)	0	(2,065)
Disposal on acquisition of non-controlling interests	0	0	0	(29)	0	(29)	(32)	(61)
Total change in equity in 2011	**0**	**57**	**(2)**	**2,196**	**(1,689)**	**562**	**(32)**	**530**
Equity at 31 December 2011	**1,020**	**60**	**9**	**6,494**	**376**	**7,959**	**0**	**7,959**

Consolidated statement of cash flows for the year ended 31 December

DKK million	Note	2011	2010
Cash flows from operations (operating activities)	24	1,775	4,805
Interest income and similar items		535	511
Interest expense and similar items		(566)	(543)
Income tax paid		(727)	(255)
Cash flows from operating activities		**1,017**	**4,518**
Purchase of intangible assets		(103)	(96)
Purchase of property, plant and equipment	25	(53)	(25)
Sale of property, plant and equipment		14	129
Financial transactions with group enterprises		1,105	(1,955)
Financial transactions with associates		15	0
Acquisition of other equity investments and securities		(10)	(17)
Other investments		4	34
Dividends received		51	7
Cash flows from investing activities		**1,023**	**(1,923)**
Instalments on loans		171	(298)
Transactions with non-controlling interests	26	(40)	(127)
Dividends paid to equity holders of the parent company		(2,065)	(1,258)
Dividends paid to non-controlling interests		(37)	(2)
Cash flows from financing activities		**(1,971)**	**(1,685)**
Net increase (decrease) in cash and cash equivalents		**69**	**910**
Cash and cash equivalents at 1 January		854	(61)
Foreign exchange adjustment of cash and cash equivalents		0	5
Cash and cash equivalents at 31 December	27	**923**	**854**

Parent company statement of comprehensive income for the year ended 31 December

DKK million	Note	2011 Business perform-ance	2011 Adjust-ments	2011 IFRS	2010 Business perform-ance	2010 Adjust-ments	2010 IFRS
Revenue	3,4	34,343	2,733	37,076	31,831	248	32,079
Fuel and energy		(31,171)	0	(31,171)	(27,847)	0	(27,847)
Other external expenses	6,7	(830)	0	(830)	(726)	0	(726)
Staff costs	5	(222)	0	(222)	(211)	0	(211)
Other operating income	8	1	0	1	1	0	1
Other operating expenses	8	0	0	0	(7)	0	(7)
Operating profit before depreciation, amortisation and impairment losses (EBITDA)		**2,121**	**2,733**	**4,854**	**3,041**	**248**	**3,289**
Depreciation, amortisation and impairment losses on intangible assets and prop., plant and equipm.		(1,603)	0	(1,603)	(565)	0	(565)
Operating profit (EBIT)		**518**	**2,733**	**3,251**	**2,476**	**248**	**2,724**
Finance income	9	669	0	669	551	0	551
Finance costs	10	(638)	0	(638)	(571)	0	(571)
Profit before tax		**549**	**2,733**	**3,282**	**2,456**	**248**	**2,704**
Income tax expense	11	(173)	(683)	(856)	(577)	(62)	(639)
Profit for the year		**376**	**2,050**	**2,426**	**1,879**	**186**	**2,065**
Other comprehensive income							
Value adjustments for the year				0			(1,431)
Value adjust. transferred to revenue				(4)			1,018
Tax on value adjustments of hedging instruments				1			103
Other comprehensive income				**(3)**			**(310)**
Total comprehensive income				**2,423**			**1,755**
Attributable to:							
Equity holders of DONG Naturgas A/S		376	2,050	2,426	1,879	186	2,065
Non-controlling interests		0	0	0	0	0	0
Profit for the year		**376**	**2,050**	**2,423**	**1,879**	**186**	**2,065**
Total comprehensive income for the year is attributable to:							
Equity holders of DONG Naturgas A/S				2,423			1,755
Non-controlling interests				0			0
Total comprehensive income				**2,423**			**1,755**

Parent company balance sheet at 31 December

DKK million	Note	2011	2010
Assets			
Rights	13	1,000	1,187
CO_2 emissions allowances	13	447	0
Completed development projects	13	151	180
In-process development projects	13	12	11
Intangible assets		**1,610**	**1,378**
Land and buildings	14	2	2
Production assets	14	1,444	2,260
Fixtures and fittings, tools and equipment	14	0	1
Property, plant and equipment under construction	14	36	15
Property, plant and equipment		**1,482**	**2,278**
Investments in associates and subsidiaries	15	790	1,012
Other equity investments	15	183	161
Receivables	17	2	0
Other non-current assets		**975**	**1,173**
Non-current assets		**4,067**	**4,829**
Inventories	18	2,276	1,371
Receivables	17	25,558	23,471
Cash and cash equivalents	28	436	654
Current assets		**28,270**	**25,496**
Assets		**32,337**	**30,325**

Parent company balance sheet at 31 December

DKK million	Note	2011	2010
Equity and liabilities			
Share capital	18	1,020	1,020
Hedging reserve		59	62
Retained earnings		6,616	4,566
Proposed dividends		376	2,065
Equity		**8,071**	**7,713**
Deferred tax	19	885	697
Provisions	20	2,092	1,728
Payables to group enterprises	21	580	595
Other payables	22	274	0
Non-current liabilities		**3,831**	**3,020**
Provisions	20	0	97
Bank loans	21	43	0
Other payables	22	19,787	18,856
Income tax	23	605	639
Current liabilities		**20,435**	**19,592**
Liabilities		**24,266**	**22,612**
Equity and liabilities		**32,337**	**30,325**

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 2010	1,020	372	4,566	1,258	7,216
Comprehensive income for the year:					
Profit for the year	0	0	2,065	0	2,065
Other comprehensive income:					
Value adjustments for the year	0	(1,431)	0	0	(1,413)
Value adjustments transferred to revenue	0	1,018	0	0	1,018
Tax on value adjustments of hedging instruments	0	103	0	0	103
Total comprehensive income	0	(310)	2,065	0	1,755
Transactions with owners					
Proposed dividends	0	0	(2,065)	2,065	0
Dividends paid	0	0	0	(1,258)	(1,258)
Total changes in equity in 2010	**0**	**(310)**	**0**	**807**	**497**
Equity at 31 December 2010	**1,020**	**62**	**4,566**	**2,065**	**7,713**
Equity at 1 January 2011	1,020	62	4,566	2,065	7,713
Comprehensive income for the year:					
Profit for the year	0	0	2,426	0	2,426
Other comprehensive income:					
Value adjustments for the year	0	0	0	0	0
Value adjustments transferred to revenue	0	(4)	0	0	(4)
Tax on value adjustments of hedging instruments	0	1	0	0	1
Total comprehensive income	0	(3)	2,426	0	2,423
Transactions with owners					
Proposed dividends	0	0	(376)	376	0
Dividends paid	0	0	0	(2,065)	(2,065)
Total changes in equity in 2011	**0**	**(3)**	**2,050**	**(1,689)**	**358**
Equity at 31 December 2011	**1,020**	**59**	**6,616**	**376**	**8,071**

Parent company statement of cash flows for the year ended 31 December

DKK million	Note	2011	2010
Cash flows from operations (operating activities)	24	1,446	6,055
Interest income and similar items		528	507
Interest expense and similar items		(579)	(569)
Income tax paid		(701)	(234)
Cash flows from operating activities		**694**	**5,759**
Purchase of intangible assets		(103)	(96)
Purchase of property, plant and equipment	25	(51)	(21)
Sale of property, plant and equipment		14	129
Acquisitions of enterprises		(47)	(127)
Financial transactions with group enterprises		1,101	(2,263)
Financial transactions with associates		(21)	0
Other investments		(16)	16
Dividends received		87	27
Cash flows from investing activities		**964**	**(2,335)**
Instalments on loans		0	(165)
Increase in loans		128	0
Dividends paid to equity holders of the parent company		(2,065)	(1,258)
Cash flows from financing activities		**(1,937)**	**(1,423)**
Net increase (decrease) in cash and cash equivalents		**(279)**	**2,001**
Cash and cash equivalents at 1 January		525	(1,476)
Cash and cash equivalents at 31 December	27	**246**	**525**

Notes

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Note 1. Basis of preparation

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 2011 comprises the consolidated financial statements of DONG Naturgas A/S and its subsidiaries (the Group) as well as the financial statements of the parent company DONG Naturgas A/S.

The annual report is prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional disclosure requirements in the Danish Financial Statements Act for class C (large) enterprises, see the Danish Statutory Order on Adoption of IFRS. In addition, the annual report is prepared in compliance with International Financial Reporting Standards (IFRS) issued by the IASB.

The annual report is presented in Danish kroner (DKK), rounded to the nearest million, unless otherwise stated.

The annual report has been prepared on the historical cost basis except that derivative financial instruments, financial instruments and CO_2 credits 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 34 have been applied consistently to the financial year and the comparative figures.

Implementation of new standards and interpretations
In 2011, DONG Naturgas A/S implemented the following standards (IASs and IFRSs) and interpretations (IFRICs), which are relevant to DONG Naturgas A/S and have effect for reporting periods beginning on or after 1 January 2011:

- Revised IAS 24 Related Party Disclosures
- Improvements to IFRSs May 2010

Their implementation has not had any material effect on the 2011 annual report.

New International Financial Reporting Standards and IFRIC Interpretations
The IASB has issued the following new or amended standards and interpretations that have not yet become effective and are consequently not mandatory in connection with the presentation of DONG Naturgas A/S's 2011 annual report:

Adopted by the EU

- Amendments to IFRS 7 Financial Instruments: Disclosures

DONG Naturgas A/S has assessed the effect of this standard and does not expect the amended standard to have any material effect on DONG Naturgas A/S's financial reporting.

Not adopted by the EU

- Amendments to IFRS 7 Disclosures - Offsetting Financial Assets and Financial Liabilities
- IFRS 9 Financial Instruments
- IFRS 10 Consolidated Financial statements
- IFRS 11 Joint Arrangements
- IFRS 12 Disclosures of Interests in Other Entities
- IFRS 13 Fair Value Measurement
- IAS 27 Separate Financial Statements
- IAS 28 Investments in Associates and Joint Ventures
- Deferred tax: Recovery of Underlying Assets: Disclosure (Amendments to IAS 12)
- Presentation of Items of Other Comprehensive Income (Amendments to IAS 1)
- Amendments to IAS 19 Employee Benefits
- Amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities
- IFRIC 20: Stripping Costs in the Production Phase of a Surface Mine

DONG Naturgas A/S has started assessing the effect of these standards and expects IFRSs 10 and 11 to have limited effect on its financial reporting. IFRSs 10 and 11 will become effective on 1 January 2013.

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

Note 2. Accounting estimates and judgements

In the process of preparing the consolidated financial statements, management makes a number of 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 reporting period and disclosures on contingent assets and contingent liabilities at the balance sheet date.

Estimates and assumptions made are based on historical experience and other factors that are believed by management to be reasonable in the circumstances, but that, 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 Group's special risks are referred to in the chapter on risk management on pages 11-12 of management's review and in note 31.

The areas in which estimates and judgements can have the most significant effect on the financial statements are described in the following.

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 31. 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 amortisable 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.

In 2011, impairment losses of DKK 600 million were recognised on intangible assets or property, plant and equipment as a result of triggering events. Reference is made to notes 14 and 15.

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 emissions allowances, interest rate levels, future market conditions, etc., each of which is subject to uncertainty. As stated in note 33 on accounting policies, the

depreciation profile for a number of production assets has been determined using the unit-of-production method based on the ratio of current production to 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 indications 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 363 million at 31 December 2011 (31 December 2010: DKK 282 million), see note 20.

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 a risk premium in the estimated decommissioning and restoration 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 15.

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 17 on trade receivables. Trade receivables were written down by DKK 14 million on 31 December 2011 (2010: DKK 48 million).

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 becoming 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. Reference is made to note 21.

Notes to the income statement

Note 1. Segment information

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

With effect from 1 January 2011, DONG Energy has elected to no longer apply the provisions on cash flow hedge accounting for certain derivative financial instruments, see note 34. Accordingly, IFRS no longer reflects the way in which management manages the business, and the Group's internal management reporting has therefore been adjusted by the implementation of business performance results. The comparative figures for 2010 have been restated accordingly.

Adjustments between business performance and IFRS consist of timing differences relating to movements in the market value of contracts, including hedging transactions, that are deferred to the period in which they are to be recognised. The adjustments column will accumulate to nil over time.

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

- **Wind Power:** Development, construction and operation of wind farms.
- **Energy Markets**: Optimisation and risk management of DONG Energy's energy portfolio, including trading in natural gas and electricity with energy producers and wholesale customers and on European energy hubs and exchanges.
- **Sales & Distribution:** Sales and distribution of electricity and gas to wholesale and end customers in Denmark, Germany, the Netherlands and Sweden.

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

DKK million	Wind Power	Energy Markets	Sales & Distribution	Total segments
2011				
External revenue	0	29,474	5,092	34,566
Intragroup and intrasegment revenue	17	5,421	1,532	6,970
Revenue	**17**	**34,895**	**6,624**	**41,536**
EBITDA	17	2,014	39	2,069
Depreciation and amortisation excluding purchased CO_2 emissions allowances	0	(585)	(81)	(666)
Impairment losses	0	(600)	(277)	(877)
Operating profit (loss) (EBIT)	**16**	**829**	**(319)**	**526**
Non-current segment assets	17	3,128	100	3,245
Investment	0	(65)	(89)	(154)
Net working capital:				
External transactions	0	2,400	671	3,071
Intragroup transactions	0	(170)	(270)	(440)
Net working capital	**0**	**2,230**	**401**	**2,631**

Note 3. Segment information (continued)

DKK million	Total segments	Elimina-tions	Business perform-ance	Adjust-ments	IFRS
2011					
External revenue	34,566	0	34,566	2,738	37,304
Intragroup and intrasegment revenue	6,970	(6.970)	0	0	0
Revenue	**41,536**	**(4.230)**	**34,566**	**2,738**	**37,304**
EBITDA	2,069	0	2,069	2,974	5,043
Depreciation and amortisation excluding purchased CO_2 emissions allowances	(666)	0	(666)	0	(666)
Impairment losses	(877)	0	(877)	0	(877)
Operating profit (EBIT)	**526**	**0**	**526**	**2,974**	**3,500**
Non-current segment assets	3,245	(17)	3,229	0	3,229
Investment	(154)	0	(154)	0	(154)
Net working capital					
External transactions	3,071	0	3,071	0	3,071
Intragroup transactions	(440)	6	(434)	0	(434)
Net working capital	**2,631**	**6**	**2,637**	**0**	**2,637**

DKK million	Energy Markets	Sales & Distri-bution	Total segments	Elimi-nations	Business perform-ance	Adjust-ments	IFRS
2010							
External revenue	26,332	6,195	32,527	0	32,527	248	32,775
Intragroup and intrasegment revenue	7,861	1,559	9,420	(9,420)	0	0	0
Revenue	**34,193**	**7,754**	**41,947**	**(9,420)**	**32,527**	**248**	**32,775**
EBITDA	2,909	229	3,138	0	3,138	248	3,386
Depreciation and amortisation excluding purchased CO_2 emissions allowances	(565)	(20)	(585)	0	(585)	0	(585)
Impairment losses	0	0	0	0	0	0	0
Operating profit (EBIT)	**2,344**	**209**	**2,533**	**0**	**2,533**	**248**	**2,801**
Non-current segment assets	3,765	378	4,143	0	4,143	0	4,143
Investment	121	0	121	0	121	0	121
Net working capital							
External transactions	2,235	1,434	3,669	0	3,669	0	3,669
Intragroup transactions	553	(877)	(324)	0	(324)	0	(324)
Net working capital	**2,788**	**557**	**3,345**	**0**	**3,345**	**0**	**3,345**

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.

No single customer accounts for more than 10% of the Group's total revenue.

DKK million	Denmark	Germany	UK	Nether-lands	Norway	Rest of world	Consoli-dated total
2011							
Revenue	15.32	8,214	7,997	3,723	0	1,838	37,304
Intangible assets and property, plant and equipment	1,645	5	383	0	939	244	3,216
2010							
Revenue	15,469	7,231	2,222	6,318	0	1,535	32,775
Intangible assets and property, plant and equipment	2,488	64	0	0	1,186	388	4,126

Note 3. Revenue

	Group			Parent company		
DKK million	Business perform-ance	Adjust-ments	IFRS	Business perform-ance	Adjust-ments	IFRS
2011						
Natural gas	24,553	1,685	26,238	24,520	1,610	26,130
Electricity	7,606	35	7,641	7,546	0	7,546
Distribution and storage of natural gas	856	0	856	751	0	751
Trading activities, net	720	0	720	512	0	512
Effect of economic hedges, net	603	1,018	1,621	737	1,123	1,860
Effect of hedge accounting	(27)	0	(27)	53	0	53
Services	66	0	0	66	0	0
Other revenue	189	0	255	158	0	224
Revenue	**34,566**	**2,738**	**37,304**	**34,343**	**2,733**	**37,076**
2010						
Natural gas	24,876	0	24,876	24,742	0	24,742
Electricity	5,635	0	5,635	4,986	0	4,986
Distribution and storage of natural gas	779	0	779	688	0	688
Trading activities, net	234	0	234	232	0	232
Effect of economic hedges, net	48	248	296	1,222	248	1,470
Effect of hedge accounting	765	0	765	(190)	0	(190)
Services	67	0	67	40	0	0
Other revenue	123	0	123	111	0	151
Revenue	**32,527**	**248**	**32,775**	**31,831**	**248**	**32,079**

Note 4. Staff costs

	Group		Parent company	
DKK million	**2011**	**2010**	**2011**	**2010**
Staff costs				
Wages, salaries and remuneration	(301)	(284)	(211)	(194)
Defined contribution plans	(19)	(17)	(16)	(17)
Other social security costs	(7)	(7)	3	(4)
Other staff costs	2	(1)	(1)	0
Staff costs	**(325)**	**(309)**	**(225)**	**(215)**
Staff costs are recognised as follows:				
Staff costs	(321)	(305)	(222)	(211)
Transfer to assets	(4)	(4)	(3)	(4)
Staff costs	**(325)**	**(309)**	**(225)**	**(215)**
Number of full-time employees				
Average for the financial year	461	455	258	270

Remuneration to the Board of Directors and the Executive Board:

	2011			
DKK million	Wages and salaries	Bonus	Pension	Total
Parent company Board of Directors	0.0	0.0	0.0	0.0
Parent company Executive Board	(2.9)	(0.7)	(0.7)	(4.3)

	2010			
DKK million	Wages and salaries	Bonus	Pension	Total
Parent company Board of Directors	0.0	0.0	0.0	0.0
Parent company Executive Board	(2.8)	(0.6)	(0.5)	(3.9)

The Executive Board is made up 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 5. Research and development costs

DKK million	Group 2011	Group 2010	Parent company 2011	Parent company 2010
Research and development costs incurred during the year	(19)	(97)	(19)	(96)
Amortisation of recognised development costs in intangible assets	(44)	(16)	(44)	(16)
Development costs recognised in intangible assets	19	96	19	96
Research and development costs recognised in the income statement	**(44)**	**(17)**	**(44)**	**(16)**

Note 6. Fees to auditor appointed at the Annual General Meeting

DKK million	Group 2011	Group 2010	Parent company 2011	Parent company 2010
Audit fees	(3)	(3)	(1)	(1)
Other assurance engagements	0	0	0	0
Tax and VAT advice	(1)	0	(1)	0
Non-audit services	(1)	(1)	(1)	0
Total fees to PWC	**(5)**	**(4)**	**(3)**	**(1)**

Note 7. Other operating income and expenses

DKK million	Group 2011	Group 2010	Parent company 2011	Parent company 2010
Other operating income	6	1	1	1
Other operating income	6	1	1	1
Loss on sale of property, plant and equipment	0	(7)	0	(7)
Other operating expenses	0	(7)	0	(7)
Other operating income and expenses, net	**6**	**(6)**	**1**	**(6)**

Note 8. Finance income

DKK million	Group 2011	Group 2010	Parent company 2011	Parent company 2010
Interest income	16	0	12	0
Interest income from group enterprises	31	9	30	9
Foreign exchange gains	539	492	538	491
Dividends received	0	0	87	47
Other finance income	4	4	2	4
Finance income	**590**	**505**	**669**	**551**

Note 9. Finance costs

DKK million	Group 2011	Group 2010	Parent company 2011	Parent company 2010
Interest expense	(72)	(18)	(64)	(18)
Interest expense from group enterprises	(13)	(13)	(45)	(52)
Interest element of decommissioning costs	(8)	(7)	(7)	(6)
Foreign exchange losses	(522)	(489)	(522)	(485)
Other finance costs	(12)	(17)	0	(10)
Finance costs	**(627)**	**(544)**	**(638)**	**(571)**
Revenue for the year includes foreign exchange and fair value adjustments of:	87	246	87	246
Profit for the year includes foreign exchange and fair value adjustments of:	17	249	16	251

Note 10. Income tax expense

DKK million	Group 2011	Group 2010	Parent company 2011	Parent company 2010
Tax for the year can be broken down as follows:				
Income tax expense	(897)	(669)	(856)	(639)
Tax on amounts recognised in other comprehensive income	(19)	84	1	103
Tax for the year	**(916)**	**(585)**	**(855)**	**(536)**
Income tax expense can be broken down as follows:				
Joint taxation contribution	(702)	(759)	(638)	(740)
Deferred tax	(197)	62	(221)	73
Adjustments to current tax of tax in respect of prior years	(31)	(32)	(30)	(30)
Adjustments to deferred tax in respect of prior years	33	60	33	58
Income tax expense	**(897)**	**(669)**	**(856)**	**(639)**
Income tax expense can be explained as follows:				
Calculated 25% tax on profit before tax	(875)	(700)	(821)	(676)
Adjustments of calculated tax in foreign subsidiaries in relation to 25%	(3)	(3)	0	0
Tax effect of:				
Non-taxable income	9	1	23	12
Non-deductible expenses	(31)	(5)	(59)	(4)
Share of profit after tax of associates	0	10	0	0
Adjustments to tax in respect of prior years	3	28	1	29
Income tax expense	**(897)**	**(669)**	**(856)**	**(639)**
Effective tax rate	25.9%	23.9%	25.9%	23.6%

Note 11. Earnings per share

DKK million	Group 2011	Group 2010
Profit for the year	2,601	2,132
Attributable to non-controlling interests	0	8
Profit for the year	2,601	2,124
Average number of shares of DKK 1,000 each	1,020,000	1,020,000
Earnings per share (EPS) and diluted earnings per share (DEPS) of DKK 1,000, in whole DKK	2,550	2,083

Notes to the balance sheet

Note 12. Intangible assets

	Group					
DKK million	Goodwill	Rights	CO_2 emissions allow-ances	Com-pleted develop-ment projects	In-process develop-ment projects	Total
Cost at 1 January 2010	382	2,175	0	164	110	2,831
Foreign exchange adjustments	1	0	0	0	0	1
Adjustment concerning acquisition of enterprise	(13)	0	0	0	0	(13)
Additions	0	0	0	4	91	95
Disposals	0	0	0	(27)	(7)	(34)
Transfers	0	0	0	183	(183)	0
Cost at 31 December 2010	**370**	**2,175**	**0**	**324**	**11**	**2,880**
Amortisation and impairment losses at 1 January 2010	0	(778)	0	(154)	0	(932)
Amortisation charge	0	(146)	0	(17)	0	(163)
Amortisation on disposals	0	0	0	27	0	27
Amortisation and impairment losses at 31 December 2010	**0**	**(924)**	**0**	**(144)**	**0**	**(1,068)**
Carrying amount at 31 December 2010	**370**	**1,251**	**0**	**180**	**11**	**1,812**
Cost at 1 January 2011	370	2,175	0	324	11	2,880
Foreign exchange adjustments	(1)	0	0	0	0	(1)
Adjustment concerning acquisition of enterprise	0	(22)	0	0	0	(22)
Additions	0	83	447	8	12	549
Disposal on scrapping	0	(53)	0	0	0	(53)
Transfers	0	5	0	6	(11)	0
Cost at 31 December 2011	**369**	**2,188**	**447**	**338**	**12**	**3,354**
Amortisation and impairment losses at 1 January 2011	0	(924)	0	(144)	0	(1,068)
Amortisation charge	0	(247)	0	(43)	0	(291)
Impairment charge	(277)	(72)	0	0	0	(349)
Amortisation on disposals	0	55	0	0	0	55
Amortisation and impairment losses 31 December 2011	**(277)**	**(1,188)**	**0**	**(187)**	**0**	**(1,652)**
Carrying amount at 31 December 2011	**92**	**1,000**	**447**	**151**	**12**	**1,702**
Amortised over	-	UOP*/ 5- 20 yrs		3-5 yrs	-	-

Note 13. Intangible assets (continued)

	Parent company				
DKK million	Rights	CO_2emis-sions allow-ances	Com-pleted develop-ment projects	In-process develop-ment projects	Total
Cost at 1 January 2010	2,097	0	163	110	2,370
Additions	0	0	5	91	96
Disposals	0	0	(27)	(7)	(34)
Transfers	0	0	183	(183)	0
Cost at 31 December 2010	**2,097**	**0**	**324**	**11**	**2,432**
Amortisation and impairment losses at 1 January 2010	(777)	0	(154)	0	(931)
Amortisation charge	(133)	0	(17)	0	(150)
Amortisation on disposals	0	0	27	0	27
Amortisation and impairment losses at 31 December 2010	**(910)**	**0**	**(144)**	**0**	**(1,054)**
Carrying amount at 31 December 2010	**1,187**	**0**	**180**	**11**	**1,378**
Cost at 1 January 2011	2,097	0	324	11	2,432
Additions	83	447	8	12	550
Disposals	0	0	0	0	0
Transfers	5	0	6	(11)	0
Cost at 31 December 2011	**2,185**	**447**	**338**	**12**	**2,982**
Amortisation and impairment losses at 1 January 2010	(910)	0	(144)	0	(1,054)
Amortisation charge	(202)	0	(43)	0	(245)
Impairment charge	(73)	0	0	0	(73)
Amortisation on disposals	0	0	0	0	0
Amortisation and impairment losses at 31 December 2011	**(1,185)**	**0**	**(187)**	**0**	**(1,372)**
Carrying amount at 31 December 2011	1,000	447	151	12	1,610
Amortised over	UOP*/ 5–20 yrs		3 – 5 yrs	-	-

* Unit of production

Impairment testing
Goodwill and in-process development projects are tested for impairment annually. The carrying amounts of rights, CO_2 emissions allowances and completed development projects are assessed 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. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

The recoverable amount of an intangible asset is the higher of its fair value less expected disposal costs and the present value of the expected future net cash flows (value in use).

Goodwill
Testing for impairment is carried out for the business areas or activities that represent the smallest cash-generating units (CGUs) to which the carrying amount

of goodwill can be allocated on a reasonable and consistent basis.

At 31 December 2011, DONG Naturgas A/S had identified two CGUs, Energy Markets and DONG Energy Sales B.V., to which goodwill has been allocated. The cost of goodwill relating to the subsidiary DONG Energy Germany GmbH has been allocated to the Energy Markets CGU with DKK 92 million (DONG Energy Germany GmbH is the acquiring company in the merger of the subsidiaries DONG Energy Sales GmbH and DONG Energy Germany AG). The cost of goodwill relating to the subsidiary DONG Energy Sales B.V. has been allocated to the DONG Energy Sales B.V. CGU with DKK 277 million.

The result of the impairment tests was that the recoverable amount was higher than the carrying amount.

In 2011, a goodwill impairment of DKK 277 million was recognised in respect of DONG Energy Sales B.V. due to changed pricing in the Dutch market.

The result of the other impairment tests of the year was that the recoverable amount was higher than the carrying amount of goodwill. It has consequently not been deemed necessary to write down goodwill any further in 2011.

The recoverable amount for each of the CGUs has been determined as the present value of the expected future net cash flows relating to the company's activities. The determination of net cash flows is based on business plans and budgets approved by management. Net cash flows have been discounted using a discount rate (before tax) that reflects the risk-free interest rate with the addition of a risk premium in respect of specific risks related to the activities.

Energy Markets
Energy Markets optimises the DONG Energy Group's energy portfolio, forming the link between the Group's procurement and sale of energy.

The main criteria used for determining the recoverable amount are gross margins, portfolio composition and the discount rate used. Budgeted gross margins are based on recently realised margins. Expected net cash flows have been determined on the basis of budgets and forecasts for the period 2012-2020. The model has been prepared so that account is taken of contract composition during the period and the Group's portfolio management experience.

The growth rate of expected net cash flows during the terminal period from 2020 onwards is 2.0% and is estimated to be on a par with the market development. Net cash flows have been discounted using a discount rate before tax of 9.0%.

DONG Naturgas is of the opinion that no reasonably probable changes in the main criteria used as a basis for calculating the recoverable amount will cause the carrying amount to exceed the recoverable amount in Energy Markets.

DONG Energy Sales B.V.
DONG Energy Sales B.V. sells natural gas and electricity to end users in the Netherlands and is recognised in the Group under the Sales & Distribution segment.

The main criteria used for determining the recoverable amount are the discount rate used and gross margins. Budgeted gross margins are based on recently realised margins. Expected net cash flows have been determined on the basis of the company's business plan and budgets for the period 2012-2018. DONG Naturgas has assumed a growth rate of 2.0% during the terminal period, estimating that this rate will not exceed the long-term average growth rate in the market. Net cash flows have been discounted using a discount rate before tax of 9.33%.

As mentioned above, a goodwill impairment of DKK 277 million has been recognised, to the effect that the goodwill relating to DONG Energy Sales B.V. has been fully written off. The impairment loss has been recognised in the Sales & Distribution segment.

Rights
Rights consist predominantly of gas purchase rights, customer-related rights and a connection right relating to gas transportation. At 31 December 2011, the carrying amount of gas purchase rights was calculated at DKK 768 million (2010: DKK 875 million) and the carrying amount of connection rights at DKK 170 million (2010: DKK 292 million).

In June 2011, the Danish Energy Regulatory Authority (DERA) declared that the tariff for DONG Energy's gas pipelines must only amount to DKK 0.07/m^2 compared with the current tariff of DKK 0.13/m^2. As a consequence of this, in 2011, a DKK 73 million impairment loss was recognised on the connection right relating to gas transportation and DKK 527 million on the offshore gas pipelines from the North Sea to Denmark (recognised in production assets). The impairment loss reflects a reduction of the tariff to DKK 0.10/m^3, equivalent to the tariff reduction offered by DONG Energy to DERA. The impairment loss has been recognised in the Energy Markets segment.

There were no other indications of impairment of rights in 2011. Consequently, rights were not tested further for impairment.

Completed development projects
Completed development projects relate to IT software. At 31 December 2011, the carrying amount of these development projects was DKK 151 million (2010: DKK 180 million).

There have been no indications of impairment of completed development projects in 2011. Consequently, completed development projects have not been tested for impairment.

In-process development projects
In-process development projects relate primarily to the implementation of new IT systems. The carrying amount of in-process development projects stood at DKK 12 million at 31 December 2011 (2010: DKK 11 million).

The Group tested the carrying amounts of recognised in-process development projects for impairment in 2011. The test included reviewing the project development stage in the form of expenses incurred and milestones achieved, etc., compared with the approved business plans. Against this background, it is estimated that the recoverable amounts exceed the carrying amounts.

Note 13. Property, plant and equipment

			Group		
DKK million	Land and buildings	Production assets	Fixtures and fittings, tools and equipment	Property, plant and equipment under construction	Total
Cost at 1 January 2010	11	8,546	19	133	8,709
Foreign exchange adjustments	0	5	0	0	5
Additions	0	59	5	11	75
Disposals	0	0	0	(129)	(129)
Cost at 31 December 2010	**11**	**8,610**	**24**	**15**	**8,660**
Depreciation and impairment losses at 1 January 2010	(9)	(5,903)	(9)	0	(5,921)
Foreign exchange adjustments	0	(2)	0	0	(2)
Depreciation charge	0	(417)	(5)	0	(422)
Depreciation and impairment losses at 31 December 2010	(9)	(6,322)	(14)	0	(6,345)
Carrying amount at 31 December 2010	**2**	**2,288**	**10**	**15**	**2,315**
Cost at 1 January 2011	11	8,610	24	15	8,660
Foreign exchange adjustments	0	0	0	0	0
Change in abandonment interest	0	62	0	0	62
Additions	0	31	2	21	54
Disposals	0	(15)	(1)	0	(16)
Cost at 31 December 2011	11	8,688	25	36	8,760
Depreciation and impairment losses at 1 January 2010	(9)	(6,322)	(14)	0	(6,345)
Depreciation charge	0	(370)	(5)	0	(375)
Impairment charge	0	(527)	0	0	(527)
Depreciation on disposals	0		1	0	1
Depreciation and impairment losses at 31 December 2011	**(9)**	**(7,219)**	**(18)**	**0**	**(7,246)**
Carrying amount at 31 December 2011	**2**	**1,469**	**7**	**36**	**1,514**
Depreciated over	20 years	UOP*/ 20-40 yrs	3-10 years	-	-

* Unit of production

Note 14. Property, plant and equipment (continued)

	Parent company				
DKK million	Land and buildings	Pro-duction assets	Fixtures and fittings, tools and equip-ment	Property, plant and equip-ment under con-struction	Total
Cost at 1 January 2010	11	8,503	7	133	8,654
Additions	0	58	0	11	69
Disposals	0	0	0	(129)	(129)
Cost at 31 December 2010	**11**	**8,561**	**7**	**15**	**8,594**
Depreciation and impairment losses at 1 January 2010	(9)	(5,888)	(5)	0	(5,902)
Depreciation charge	0	(413)	(1)	0	(414)
Depreciation on disposals	0	0	0	0	0
Depreciation and impairment losses at 31 December 2010	**(9)**	**(6,301)**	**(6)**	**0**	**(6,316)**
Carrying amount at 31 December 2010	**2**	**2,260**	**1**	**15**	**2,278**
Portion relating to assets held under finance leases	0	410	0	0	410
Cost at 1 January 2011	11	8,561	7	15	8,594
Change in abandonment interest	0	62	0	0	62
Additions	0	30	0	21	51
Disposals	0	(15)	0	0	(15)
Cost at 31 December 2011	**11**	**8,638**	**7**	**36**	**8,692**
Depreciation and impairment losses at 1 January 2011	(9)	(6,301)	(6)	0	(6,316)
Depreciation charge	0	(366)	(1)	0	(367)
Impairment charge	0	(527)	0	0	(527)
Depreciation on disposals	0	0	0	0	0
Depreciation and impairment losses at 31 December 2011	**(9)**	**(7,194)**	**(7)**	**0**	**(7,210)**
Carrying amount at 31 December 2011	**2**	**1,444**	**0**	**36**	**1,482**
Portion relating to assets held under finance leases	0	252	0	0	252
Depreciated over	20 yrs	UOP*/ 20-40 yrs	3-10 yrs	-	-

* Unit of production

Finance leases
Production assets in the parent company with a carrying amount of DKK 252 million at 31 December 2011 (2010: DKK 410 million) were financed under finance leases. The lease commitment at 31 December 2011 was DKK 897 million (2010: DKK 982 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.

As described under rights in note 13, an impairment loss of DKK 527 million was charged on the offshore gas pipelines from the North Sea to Denmark in 2011.

There were no other indications of impairment of other items of property, plant and equipment in 2011. Consequently, other items of property, plant and equipment were not tested further for impairment.

Note 15. Associates, subsidiaries and other equity investments

	Group			
	Investments in associates		Other equity investments	
DKK million	**2011**	**2010**	**2011**	**2010**
Cost at 1 January	588	588	77	60
Additions	21	0	15	17
Cost at 31 december	**609**	**588**	**92**	**77**
Value adjustments at 1 January	(415)	(423)	0	0
Share of profit for the year	36	39	0	0
Other value adjustments, etc.	(3)	4	0	0
Dividends received	(51)	(7)	0	0
Value adjustments carried directly in equity of associates	(21)	0	0	0
Dividend limitation	0	(28)	0	0
Value adjustment at 31 December	**(454)**	**(415)**	**0**	**0**
Carrying amount at 31 December	**155**	**173**	**92**	**77**

The value of the investment in Stadtwerk Lübeck GmbH has been tested for impairment. It has not been deemed necessary to write down the investment.

Other equity investments comprise the investment in an LNG project in the Netherlands. The investment is measured at the lower of cost and recoverable amount, as the fair value of the investment cannot be determined reliably.

Note 15. Associates, subsidiaries and other equity investments (continued)

	Parent company			
	Investments in associates and subsidiaries		Other equity investments	
DKK million	**2011**	**2010**	**2011**	**2010**
Cost at 1 January	1,012	898	543	543
Adjustment on cessation of dividend limitation	0	(13)	0	0
Additions	40	127	22	0
Capital contributions	129	0	0	0
Cost at 31 december	**1,181**	**1,012**	**565**	**543**
Value adjustments at 1 January	0	0	(382)	(382)
Impairment charge	(391)	0	0	0
Value adjustment at 31 December	**(391)**	**0**	**(382)**	**(382)**
Carrying amount at 31 December	**790**	**1,012**	**183**	**161**

The DKK 40 million addition to investments in subsidiaries in 2011 related to the acquisition of a 16.4% ownership interest in DONG Energy Germany AG from non-controlling interests. DONG Naturgas A/S consequently has an ownership interest of 100%.

Capital contributions of DKK 129 million under investments in subsidiaries in 2011 relate to capital increases of DKK 50 million in DONG Energy Gasforsyning A/S, DKK 74 million in DONG Energy Sales BV and DKK 5 million in DONG Energy Service 1 A/S.

The DKK 127 million addition to investments in subsidiaries in 2010 related to the acquisition of a 25.1% ownership interest in DONG Energy Germany AG from non-controlling interests. DONG Naturgas A/S consequently has an ownership interest of 100%. On acquisition of these ownership interests, the agreement on limitation of dividends entered into ceased, resulting in a DKK 12.8 million adjustment of the previously recognised cost of these ownership interests.

2011							Attributable to DONG Naturgas Group	
DKK million	Registered office	Ownership	Revenue 1)	Profit for the year 1)	Assets 1)	Liabilities 1)	Profit for the year	Equity
Fondonsgas Sverige AB	Gothenburg, Sweden	50%	147	(5)	100	76	(2)	24
Stadtwerke Lübeck GmbH	Lübeck, Germany	25%	1,868	152	1.223	702	38	131
Consolidated total							**36**	**155**

2010							**Attributable to DONG Naturgas Group**	
DKK million	Registered office	Ownership	Revenue 1)	Profit for the year 1)	Assets 1)	Liabilities 1)	Profit for the year	Equity
Fondonsgas Sverige AB	Gothenburg, Sweden	50%	112	5	192	138	3	27
Stadtwerke Lübeck GmbH	Lübeck, Germany	25%	4,335	145	2,298	1,717	36	146
Consolidated total							**39**	**173**

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

Note 16. Inventories

DKK million	Group 2011	Group 2010	Parent company 2011	Parent company 2010
Natural gas	2,179	1,118	2,178	1,118
Energy certificates	84	0	84	0
CO_2 rights	14	253	14	253
Other inventories	2	2	0	0
Inventories at 31 December	**2,279**	**1,373**	**2,276**	**1,371**
Cost of sales recognised in the income statement	**30,964**	**28,239**	**31,171**	**27,847**

The carrying amount of inventories recognised at fair value was DKK 14 million (2010: DKK 253 million).

Write-downs of inventories to net realisable value totalled DKK 0 million in 2011 (2010: DKK 0 million). Reversals of write-downs amounted to DKK 0 million in 2011 (2010: DKK 0 million).

Note 17. Receivables

DKK million	Group 2011	Group 2010	Parent company 2011	Parent company 2010
Other receivables	13	17	2	0
Non-current receivables at 31 December	**13**	**17**	**2**	**0**
Trade receivables	3,746	4,740	2,702	3,471
Receivables from associates subsidiaries	2,922	4,351	3,786	5,252
Fair value of derivative financial instruments	17,757	14,917	17,507	14,104
Deposits	220	83	183	42
Other receivables	1,461	751	1,378	1,502
Prepayments	0	1	0	0
Current receivables at 31 December	**26,106**	**24,843**	**25,558**	**23,471**
Current and non-current receivables at 31 December	**26,119**	**24,860**	**25,560**	**23,471**

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 remaining maturity of derivative financial instruments appears from note 30. The carrying amount of receivables is estimated to correspond to the fair value.

Other receivables includes margin account deposits, DKK 277 million in total, which have been pledged as collateral for trading in financial instruments.

Note 17. Receivables (continued)

Trade receivables by credit quality

DKK million	Group 2011	Group 2010	Parent company 2011	Parent company 2010
Denmark	825	2,164	787	2,085
Rest of EU	2,803	2,516	1,797	1,327
Rest of world	118	60	118	60
Trade receivables at 31 December	**3,746**	**4,740**	**2,702**	**3,472**

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.

Receivables that are past due but not individually impaired

DKK million	Group 2011	Group 2010	Parent company 2011	Parent company 2010
Days past due:				
Up to 30 days	122	189	21	70
30 – 90 days	13	23	1	3
More than 90 days	65	40	8	9
General write-offs	(14)	(20)	(9)	(7)
Receivables past due at 31 December	**186**	**232**	**21**	**75**

General write-downs on trade receivables are assessed on the basis of due date and historical experience. Write-downs are recorded on a summary account.

The Group's trade receivables at 31 December 2011 include receivables that have been written down by DKK 0 million following individual assessment (2010: DKK 28 million).

Note 18. Equity

DKK million	Group 2011	Group 2010	Parent company 2011	Parent company 2010
Share capital				
At beginning and end of year	1,020	1,020	1,020	1,020

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.

All shares rank equally. There are no restrictions on voting rights. The shares are fully paid up.

Dividends

The Board of Directors recommends that dividend of DKK 376 million be paid for the 2011 financial year, equivalent to 101% of profit for the year determined as profit after tax attributable to the company's shareholders (i.e. excluding non-controlling interests) and DKK 367 per DKK 1,000 share (2010: DKK 2,025 per DKK 1,000 share).

Dividend distributions to shareholders have no tax implications for DONG Naturgas A/S. Dividend paid per share (DPS) of DKK 1,000 amounted to DKK 2,025 (2010: DKK 1,233).

For further information on the Group's capital management procedures and processes, reference is made to the section on Liquidity and financing risks on page 10 of Management's review.

Non-controlling interests

Following the acquisition of all the non-controlling shares in DONG Energy Germany AG in 2011 there are no longer any non-controlling interests to be taken account of in DONG Naturgas A/S.

Note 19. Deferred tax

DKK million	Group 2011	Group 2010	Parent company 2011	Parent company 2010
Deferred tax at 1 January	746	849	697	828
Foreign exchange adjustments	(1)	0	0	0
Addition on acquisition of subsidiary	0	0	0	0
Deferred tax for the year recognised in profit for the year	197	(62)	221	(73)
Deferred tax for the year recognised in other comprehensive income	60	19	0	0
Adjustments to prior years	(33)	(60)	(33)	(58)
Deferred tax at 31 December	969	746	885	697
Deferred tax is recognised in the balance sheet as follows:				
Deferred tax (assets)	(1)	(1)	0	0
Deferred tax (liabilities)	970	746	885	697
Deferred tax at 31 December, net	969	745	885	697
Deferred tax relates to:				
Intangible assets	259	424	270	412
Property, plant and equipment	671	307	713	367
Non-current assets	151	10	0	0
Current assets	0	(67)	0	0
Non-current liabilities	(98)	69	(84)	(70)
Current liabilities	(14)	3	(14)	(12)
Deferred tax at 31 December	969	746	885	697

Change in temporary differences during the year

2011 **Group**

DKK million	Balance sheet at 1 January	Foreign exchange adjustments	Recognised in profit for the year	Recognised in other compre-hensive income	Additions subsidiaries	Balance sheet at 31 December
Intangible assets	424	(1)	(164)	0	0	259
Property, plant and equipment	306	0	354	0	11	671
Other non-current assets	10	0	152	0	(11)	151
Current assets	(66)	0	0	66	0	0
Non-current liabilities	69	0	(167)	0	0	(98)
Current liabilities	2	0	(10)	(6)	0	(14)
Total	**745**	**(1)**	**165**	**60**	**0**	**969**

Note 19. Deferred tax (continued)

Change in temporary differences during the year

2010	Group					
DKK million	Balance sheet at 1 January	Foreign exchange adjustments	Recognised in profit for the year	Recognised in other compre-hensive income	Additions subsidiaries	Balance sheet at 31 December
Intangible assets	437	0	(13)	0	0	424
Property, plant and equipment	548	0	(242)	0	0	306
Other non-current assets	8	0	2	0	0	10
Current assets	(115)	0	22	27	0	(66)
Non-current liabilities	(45)	0	114	0	0	73
Current liabilities	15	0	(5)	(8)	0	(2)
Total	**848**	**0**	**(122)**	**19**	**0**	**745**

Change in temporary differences during the year

2011	Parent company			
DKK million	Balance sheet at 1 January	Recognised in profit for the year	Recognised in other compre-hensive income	Balance sheet at 31 December
Intangible assets	412	(142)	0	270
Property, plant and equipment	367	346	0	713
Non-current liabilities	(70)	(14)	0	(84)
Current liabilities	(12)	(2)	0	(14)
Total	**697**	**188**	**0**	**885**

Change in temporary differences during the year

2010	Parent company			
DKK million	Balance sheet at 1 January	Recognised in profit for the year	Recognised in other compre-hensive income	Balance sheet at 31 December
Intangible assets	422	(10)	0	412
Property, plant and equipment	614	(247)	0	367
Non-current liabilities	(190)	120	0	(70)
Current liabilities	(18)	6	0	(12)
Total	**828**	**(131)**	**0**	**697**

Note 20. Provisions

	Group					
	2011			2010		
DKK million	Decom-mission-ing obliga-tions	Other	Total	Decom-mission-ing obliga-tions	Other	Total
Provisions at 1 January	282	1,611	1,893	215	628	843
Provisions made during the year	11	187	198	0	989	989
Change in discount rate	62	0	62	59	(22)	37
Interest element of obligations	8	0	8	8	16	24
Provisions at 31 December	**363**	**1,798**	**2,161**	**282**	**1,611**	**1,893**
Non-current provisions	363	1,790	2,153	282	1,498	1,780
Current provisions	0	8	8	0	113	113
Provisions at 31 December	**363**	**1,798**	**2,161**	**282**	**1,611**	**1,893**

	Parent company					
	2011			2010		
DKK million	Decom-mission-ing obliga-tions	Other	Total	Decom-mission-ing obliga-tions	Other	Total
Provisions at 1 January	233	1,592	1,825	178	605	783
Provisions made during the year	0	199	199	0	993	993
Change in discount rate	62	0	61	49	(22)	27
Interest element of obligations	6	0	7	6	16	22
Provisions at 31 December	**301**	**1,791**	**2,092**	**233**	**1,592**	**1,825**
Non-current provisions	301	1,791	2,092	233	1,495	1,728
Current provisions	0	0	0	0	97	97
Provisions at 31 December	**301**	**1,791**	**2,092**	**233**	**1,592**	**1,825**

Provisions for decommissioning obligations relate to expected future costs for restoration and decommissioning of the Group's production assets. The estimated obligations have been discounted to present value. A risk-free interest rate of 2.00% has been used as discount rate. The equivalent value of these obligations is recognised in 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 provisions for onerous contracts.

Note 20. Provisions (continued)

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

	Group		Parent company	
DKK million	**2011**	**2010**	**2011**	**2010**
0 – 1 year	8	113	0	97
1 – 10 years	1,794	1,499	1,790	1,495
10 – 20 years	116	0	116	0
20 – 30 years	0	0	0	0
30 – 40 years	243	281	186	233
> - 40 years	0	0	0	0
Provisions at 31 December	2,161	1,893	2,092	1,825

Note 21. Current and non-current loans

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

	Group		Parent company	
DKK million	**2011**	**2010**	**2011**	**2010**
Group enterprises	425	425	580	595
Non-current loans at 31 December	425	425	580	595
Other bank loans	365	174	43	0
Current loans at 31 December	365	174	43	0
Current and non-current loans at 31 December	**790**	**599**	**623**	**595**
Fair value	**790**	**599**	**623**	**595**
Nominal value	**790**	**599**	**623**	**595**

Expected maturity for current and non-current loans:

	Group		Parent company	
DKK million	**2011**	**2010**	**2011**	**2010**
0 – 1 year	365	174	71	26
1 – 2 years	0	0	29	28
2 – 3 years	0	0	32	29
3 – 4 years	0	0	34	32
4 – 5 years	0	0	36	34
> 5 years	425	425	421	446
Current and non-current loans at 31 December	**790**	**599**	**623**	**595**

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

Note 21. Current and non-current loans (continued)

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

	2011			2010		
DKK million	Minimum lease payments	Interest element	Present value	Minimum lease payments	Interest element	Present value
0-1 year	68	41	27	68	43	25
1-5 years	273	141	132	273	150	123
> 5 years	556	137	419	641	168	473
Total	**897**	**319**	**578**	**982**	**361**	**621**
Carrying amount of production assets			252			409

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. Leasingaftalen er nærmere beskrevet i note 14.

Note 22. Other payables

	Group		Parent company	
DKK million	**2011**	**2010**	**2011**	**2010**
Other non-current liabilities	274	0	274	0
Other non-current liabilities at 31 December	274	0	274	0
Trade payables	2,955	2,444	2,602	2,079
Payables to group enterprises	2,321	2,340	2,372	2,275
Fair value of derivative financial instruments	13,338	14,554	13,215	13,592
VAT and duties	237	149	60	89
Purchase prices payable	0	8	0	8
Other liabilities	1,587	908	1,458	761
Deferred income	83	52	80	52
Other current liabilities at 31 December	20,521	20,455	19,787	18,856
Current and non-current liabilities at 31 December	20,795	20,455	20,061	18,856

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 32.

Deferred income comprises prepayments, DKK 83 million (2010: DKK 52 million).

Note 23. Income tax receivable and payable

	Group		Parent company	
DKK million	**2011**	**2010**	**2011**	**2010**
Income tax receivable at 1 January	13	5	0	0
Foreign exchange adjustments	0	0	0	0
Adjustments to current tax in respect of prior years	(11)	(1)	0	0
Payments in respect of prior years	(2)	(3)	0	0
Current tax for the year	5	6	0	0
Payments for the year	12	6	0	0
Income tax receivable at 31 December	**17**	**13**	**0**	**0**
Income tax payable at 1 January	659	218	639	205
Foreign exchange adjustments	0	0	0	0
Adjustments to current tax in respect of prior years	30	31	29	30
Payments in respect of prior years	(721)	(248)	(701)	(233)
Current tax for the year	703	765	638	740
Tax for the year from other comprehensive income	(41)	(103)	0	(103)
Payments for the year	0	(4)	0	0
Income tax payable at 31 December	**630**	**659**	**605**	**639**

Notes to the statement of cash flows

Note 24. Cash flows from operations (operating activities)

DKK million	Group 2011	Group 2010	Parent company 2011	Parent company 2010
Operating profit	3,500	2,801	3,251	2,725
Depreciation, amortisation and impairment losses	1,543	585	1,603	565
Operating profit before depreciation and amortisation (EBITDA)	**5,043**	**3,386**	**4,854**	**3,290**
Other adjustments [1)]	(3,639)	941	(3,392)	1,073
Cash flows from operations (operating activities) before changes in working capital	**1,404**	**4,327**	**1,462**	**4,363**
Change in inventories	(905)	(336)	(905)	(336)
Change in trade receivables	1,319	(242)	999	245
Change in other receivables	(842)	873	(976)	960
Change in trade payables	306	955	475	1,151
Change in other payables, etc.	493	(772)	391	(328)
Changes in working capital	**371**	**478**	**(16)**	**1,692**
Cash flows from operations (operating activities)	**1,775**	**4,805**	**1,446**	**6,055**

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

Note 25. Purchase of property, plant and equipment

DKK million	Group 2011	Group 2010	Parent company 2011	Parent company 2010
Purchase of property, plant and equipment, see note 14	53	75	51	70
Portion relating to adjustment of decommissioning obligations	0	(50)	0	(49)
Paid in respect of purchase of property, plant and equipment	**53**	**25**	**51**	**21**

Note 26. Transactions with non-controlling interests

DKK million	Group 2011	Group 2010
Acquisition of equity investments from non-controlling interests	40	127
Purchase price	**40**	**127**

Acquisition of equity investments from non-controlling interests in 2011 comprised the acquisition of 16.4% of DONG Energy Germany AG. In 2010, the acquisition comprised 25.1% of DONG Energy Sales GmbH.

Note 27. Cash and cash equivalents

	Group		Parent company	
DKK million	**2011**	**2010**	**2011**	**2010**
Cash and cash equivalents at 31 December include:				
Available cash	1,288	1,028	290	525
Bank overdrafts	(365)	(174)	(43)	0
Cash and cash equivalents at 31 December	**923**	**854**	**246**	**525**

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

	Group		Parent company	
DKK million	**2011**	**2010**	**2011**	**2010**
Available cash [1)]	1,288	1,027	290	525
Cash not available for use	138	130	146	129
Cash at 31 December	**1,426**	**1,157**	**436**	**654**

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

	Group		Parent company	
DKK million	**2011**	**2010**	**2011**	**2010**
Bank overdrafts	365	174	43	0
Current portion of non-current loans	0	0	0	0
Bank loans at 31 December	**365**	**174**	**43**	**0**

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

Notes without reference

Note 28. Operating leases

DKK million	Group 2011	Group 2010	Parent company 2011	Parent company 2010
0 – 1 year	145	132	146	130
1 – 5 years	592	591	593	591
> 5 years	649	798	649	798
Total	**1,386**	**1,521**	**1,388**	**1,519**
Operating lease payments recognised in the income statement amount to	78	93	77	89

Operating leases comprise leasing of gas storage facilities in Germany in the period 2011-2023.

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, electricity, coal, oil, oil products and CO_2 emissions allowances.

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 and differences in the indexation of purchase and selling prices.

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 set downside scenario.

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 indexation of natural gas purchase and selling prices is also hedged.

Market trading
When the DONG Energy Group's desired hedging level has been determined, the exposures are transferred to the market trading function, which is part of DONG Naturgas A/S, which is then responsible for executing the physical and financial transactions in the market. It is not always possible to hedge the transferred price risks in full. DONG Naturgas A/S therefore has some remaining exposure resulting from these activities.

The market trading function also balances the physical volumes in the market and, to a lesser extent, engages in active taking of positions to ensure an ongoing market presence and thus gain more detailed market insight. Furthermore, DONG Naturgas A/S has assumed the role of market maker in the Danish electricity market, which entails further market risks.

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

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

Interest rate risk is measured on a net basis, and both debt and any placing of excess cash are included. 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 electricity and natural gas – both wholesale trading and financial and physical transactions – and financial transactions, including placing of surplus cash.

In the course 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 DONG Energy 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.

Market risks
Market risk on commodities primarily relates to portfolio management and trading activities. DONG Naturgas A/S is exposed to two types of energy risk: fluctuations in market prices and fluctuations in volumes due to the fluctuating needs of the underlying business.

By virtue of its day-to-day activities, DONG Naturgas A/S is exposed to fluctuations in the prices of gas, oil, electricity, coal and CO_2 and, to a lesser extent, other commodities. DONG Naturgas A/S trades actively in these commodities in the relevant markets to hedge and optimise the DONG Energy Group's supply requirements and secure the Group's supply chain. In this connection, DONG Naturgas A/S uses derivatives to hedge its positions.

The sensitivity analysis below shows the effect of market value changes assuming a relative price change at 31 December 2011. The illustrated effect on profit comprises financial instruments that remained open at the balance sheet date and have an effect on profit in the financial year in question. 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 illustrated sensitivities only comprise DONG Naturgas A/S's financial instruments and therefore exclude the effect from contracts concluded under which physical delivery of the underlying assets is made, as these are not recognised as financial instruments in accordance with IAS 39. The sensitivity thus only comprises the derivative financial instruments and not the physical contracts they hedge.

The implementation of business performance has made DONG Naturgas A/S more sensitive to changes in commodity prices and exchange rates in the income statement, but has reduced its sensitivity in equity. The financial instruments that form part of the sensitivity analysis are financial instruments and financial contracts measured at market value and DONG Naturgas A/S's receivables, cash and trade payables.

Note 29. Financial risks and risk management (continued)

Risks	Price change	Estimated effect on profit 31 December 2011	2010	Estimated effect on equity at 31 December 2011	2010
Oil	+10%	1,762	366	0	0
	-10%	(1,760)	(327)	0	0
Gas	+10%	(906)	80	0	0
	-10%	906	(80)	0	0
Electricity	+10%	(432)	(166)	0	(46)
	-10%	435	166	0	40
Coal	+10%	(1)	17	0	0
	-10%	1	(17)	0	0
USD	+10%	725	(26)	0	1,431
	-10%	(725)	26	0	(1,431)
GBP	+10%	6	21	0	(156)
	-10%	(6)	(21)	0	156
SEK	+10%	(101)	5	0	(66)
	-10%	107	(5)	0	66
NOK	+10%	(6)	(6)	0	0
	-10%	6	6	0	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

Maturity analysis for financial liabilities

2011

DKK million	Carrying amount	Payment obliga-tion	2012	2013	2014	2015	2016	After 2016
Bank overdrafts	365	365	365	0	0	0	0	0
Trade payables	2,955	2,955	2,955	0	0	0	0	0
Payables to group enterprises	2,746	2,746	2,321	0	0	0	0	425
Fair value of derivative financial instruments	13,338	13,411	9,884	2,409	903	174	26	15
Other payables	2,098	2,098	1,824	274	0	0	0	0
At 31 December	**21,502**	**21,575**	**17,349**	**2,683**	**903**	**174**	**26**	**440**

2010

DKK million	Carrying amount	Payment obliga-tion	2011	2012	2013	2014	2015	After 2015
Bank overdrafts	174	174	174	0	0	0	0	0
Trade payables	2,444	2,444	2,444	0	0	0	0	0
Payables to trade enterprises	2,765	2,765	2,340	0	0	0	0	425
Fair value of derivative financial instruments	14,554	14,554	11,136	2,185	853	315	47	18
Other payables	1,065	1,065	1,065	0	0	0	0	0
At 31 December	**21,002**	**21,002**	**17,159**	**2,185**	**853**	**315**	**47**	**443**

Note 30. Derivative financial instruments (continued)

Financial instruments by category:

DKK million	2011 Carrying amount	2011 Fair value	2010 Carrying amount	2010 Fair value
Assets				
Derivative financial instruments held for trading	17,757	17,757	13,437	13,437
Other equity investments	87	87	78	78
Financial assets measured at fair value via profit for the year	17,844	17,844	13,515	13,515
Derivative financial instruments entered into to hedge future cash flows	0	0	1,480	1,480
Financial assets used as hedging instruments	0	0	1,480	1,480
Trade receivables	3,746	3,747	4,352	4,352
Other receivables	4,598	4,598	5,203	5,203
Loans and receivables	**8,344**	**8,345**	**9,555**	**9,555**
Equity and liabilities				
Derivative financial instruments held for trading	13,338	13,338	12,537	12,537
Financial liabilities measured at fair value via profit for the year	13,338	13,338	12,537	12,537
Derivative financial instruments entered into to hedge future cash flows	0	0	2,017	2.017
Financial instruments used as hedging instruments	0	0	2,017	2,017
Bank loans	365	365	174	174
Other payables	6,520	6,520	5,700	5,700
Financial liabilities measured at amortised cost	**6,885**	**6,885**	**5,874**	**5,874**

The fair value has been determined as the present value of expected future instalments and interest payments using the Group's current interest rate on loans as discount rate. The nominal value of bank overdrafts and other bank loans was DKK 365 million (2010: DKK 174 million).

Note 30. Derivative financial instruments (continued)

Fair value of derivative financial instruments

2011

DKK million		2012	2013	2014	2015-2016	After 2016	Total
Commodities							
Oil swaps	Positive	1,751	1,078	489	137	0	3,455
	Negative	(1,537)	(605)	(391)	(48)	0	(2,581)
Oil bonds	Positive	241	261	104	0	0	606
	Negative	(214)	(249)	(112)	0	0	(575)
Gas swaps	Positive	3,159	612	244	214	1	4,230
	Negative	(2,050)	(413)	(99)	(24)	0	(2,586)
Electricity swaps	Positive	4,879	782	193	78	23	5,955
	Negative	(4,316)	(636)	(166)	(49)	(14)	(5,181)
Electricity options	Positive	18	4	0	0	0	22
	Negative	(3)	(1)	0	0	0	(4)
Coal forwards	Positive	696	133	32	0	0	861
	Negative	(658)	(152)	(29)	0	0	(839)
CO_2	Positive	978	162	35	0	0	1,175
	Negative	(778)	(153)	(30)	0	0	(961)
Currency							
Forward exchange contracts	Positive	732	116	109	200	0	1,157
	Negative	(277)	(204)	(58)	(72)	0	(611)
Currency swaps	Positive	37	64	131	64	0	296
	Negative	0	0	0	0	0	0
Currency options	Positive	0	0	0	0	0	0
	Negative	0	0	0	0	0	0
Positive at 31 December		**12,491**	**3,212**	**1,337**	**693**	**24**	**17,757**
Negative at 31 December		**(9,833)**	**(2,413)**	**(885)**	**(193)**	**(14)**	**(13,338)**

Note 30. Derivative financial instruments (continued)

Fair value of derivative financial instruments

2010

DKK million		2011	2012	2013	2014-2015	After 2015	Total
Commodities							
Oil swaps	Positive	967	505	326	209	0	2,007
	Negative	(677)	(417)	(213)	(149)	0	(1,456)
Oil bonds	Positive	291	390	307	89	0	1,077
	Negative	(291)	(379)	(299)	(95)	0	(1,064)
Gas swaps	Positive	1,060	178	19	0	0	1,257
	Negative	(1,127)	(208)	(29)	(5)	0	(1,369)
Electricity swaps	Positive	7,342	1,007	211	59	20	8,639
	Negative	(7,683)	(923)	(221)	(54)	(18)	(8,899)
Electricity options	Positive	0	6	0	0	0	6
	Negative	0	(8)	0	0	0	(8)
Coal forwards	Positive	1,136	126	32	0	0	1,294
	Negative	(1,097)	(125)	(27)	0	0	(1,249)
CO_2	Positive	106	68	3	0	0	177
	Negative	(99)	(49)	(3)	0	0	(151)
Currency							
Forward exchange contracts	Positive	164	61	38	28	0	291
	Negative	(162)	(76)	(61)	(59)	0	(358)
Currency swaps	Positive	0	23	38	66	41	168
	Negative	0	0	0	0	0	0
Currency options	Positive	0	0	0	0	0	0
	Negative	0	0	0	0	0	0
Positive at 31 December		**11,066**	**2,364**	**974**	**451**	**61**	**14,916**
Negative at 31 December		**(11,136)**	**(2,185)**	**(853)**	**(362)**	**(18)**	**(14,554)**

Note 30. Derivative financial instruments (continued)

Hedging of future cash flows:

2011

DKK million	Notional amount	Fair value	Recognised in equity	Expected timing of transfer to income statement 2011	2012	2013	After 2013
Currency							
Currency forwards	0	0	(88)	35	(76)	(7)	(40)
Currency swaps	0	0	168	23	38	66	41
Total	**0**	**0**	**80**	**58**	**(38)**	**59**	**1**

2010

DKK million	Notional amount	Fair value	Recognised in equity	Expected timing of transfer to income statement 2011	2012	2013	After 2013
Commodities							
Electricity swaps	3,140	(637)	(276)	(271)	(9)	5	(1)
Currency							
Currency forwards	5,867	(68)	(68)	1	(15)	(23)	(31)
Currency swaps	5,473	168	348	172	73	(4)	107
Total	**14,480**	**(537)**	**4**	**(98)**	**49**	**(22)**	**75**

In 2011, in connection with the introduction of business performance, the Group discontinued the application of hedge accounting for commodities and related currency exposures.

Ineffectiveness arising from commodity price hedging was recognised in the item effect of economic hedging with a loss of DKK 49 million (2010: DKK 268 million), see note 4.

Note 30. Derivative financial instruments (continued)

Hedging of fair values:

DKK million	2011 Receiv-ables	2011 Liabilities	2011 Hedging instru-ments	2011 Net position	2010 Receiv-ables	2010 Liabilities	2010 Hedging instru-ments	2010 Net position
EUR	14,282	(9,970)	0	4,312	12,781	(12,179)	0	602
USD	7,975	(5,677)	0	2,298	4,727	(4,976)	0	(249)
GBP	2,322	(1,547)	0	775	2,547	(2,333)	0	214
SEK	1,107	(1,816)	0	(709)	202	(148)	0	54
NOK	1	(59)	0	(58)	3	(59)	0	(56)
Other	0	0	0	0	0	0	0	0
Total	**25,687**	**(19,069)**	**0**	**6,618**	**20,260**	**(19,695)**	**0**	**565**

Trading portfolio and economic hedging:

DKK million	2011 Notional amount	2011 Fair value	2010 Notional amount	2010 Fair value
Oil swaps	12,532	874	9,833	551
Oil options	14	31	474	12
Gas swaps	29,272	1,644	1,272	(111)
Electricity swaps	12,024	774	4,962	380
Electricity options	164	18	28	(2)
Coal forwards	117	22	215	45
CO_2	427	214	406	26
Currency forwards	4,947	546	0	0
Currency swaps	5,602	296	0	0
Total	**65,099**	**4,419**	**17,190**	**901**

Note 30. Derivative financial instruments (continued)

Fair value hiearchy of financial instruments:

	2011				2010			
	Quoted prices (Level 1)	Observ-able inputs (Level 2)	Non-ob-servable inputs (Level 3)	Total	Quoted prices (Level 1)	Observ-able inputs (Level 2)	Non-ob-servable inputs (Level 3)	Total
Derivative financial instruments	0	16,300	1,457	17,757	0	14,273	679	14,952
Assets	**0**	**16,300**	**1,457**	**17,757**	**0**	**14,273**	**679**	**14,952**
Derivative financial instruments	0	(12,396)	(942)	(13,338)	0	(13,920)	(633)	(14,553)
Liabilities	**0**	**(12,396)**	**(942)**	**(13,338)**	**0**	**(13,920)**	**(633)**	**(14,553)**

Level 2 comprises derivative financial instruments, where valuation models with observable inputs are used to measure fair value, but with discounting to present value using a discount rate set by the Group.

Level 3 comprises other derivative financial instruments in which the value of one or more key, non-observable inputs has been estimated and where the sum of these estimated non-observable inputs may affect the fair value.

Reconciliation of financial instruments based on non-observable inputs:

	Derivative financial instruments			
	2011		2010	
DKK million	Assets	Liabilities	Assets	Liabilities
Opening at 1 January	679	(633)	43	(23)
Gains and losses recognised in profit for the year as revenue	249	(330)	50	10
Purchases	594	(228)	39	(54)
Other transfers to and from Level 3	(65)	249	547	(566)
Closing at 31 December	**1,457**	**(942)**	**679**	**(633)**

A loss of DKK 285 million has been recognised in revenue in the income statement in respect of assets and liabilities that are valued on the basis of non-observable inputs and were still recognised in the balance sheet at 31 December 2011 (2010: DKK 44 million).

The fair value of financial instruments based on non-observable inputs is significantly affected by the non-observable inputs used. As a result of the long-term and illiquid nature of the contracts, the fair value may change significantly in the event of a change in the Group's reasonable expectations relating to the non-observable inputs used.

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, and the parent company DONG Energy A/S stands as guarantor for the performance 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 electricity 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
The Group and the parent company are also party to a number of long-term purchase and sales contracts entered into in the course of the Group's and the parent company's ordinary operations. Apart from the liabilities already recognised in the balance sheet, the Group and the parent company do not expect to incur any 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 material 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 2011, the guarantee is limited to a sum of DKK 53 million, which will be written down successively by DKK 15 million annually until 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 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' Board of Directors, 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 and group enterprises and associates in the DONG Energy Group.

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

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

Group	DONG Energy A/S		Group enterprises		Associates		Joint ventures	
DKK million	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**
Dividends paid	(2.065)	(1.258)	0	0	0	0	0	0
Dividends received	0	0	0	0	45	7	0	0
Trade receivables	0	3	4.314	4.544	0	0	4	0
Trade payables	(16)	(10)	(6.820)	(4.449)	0	(2)	(26)	0
Interest, net	21	(12)	(4)	9	0	0	0	0
Receivables	1.219	2.320	1.703	2.032	0	0	0	0
Payables	(508)	(549)	(2.238)	(2.216)	0	0	0	0

Parent company	DONG Energy A/S		Group enterprises		Associates		Joint ventures	
DKK million	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**
Dividends paid	(2.065)	(1.258)	0	0	0	0	0	0
Dividends received	0	0	28	20	45	7	0	0
Trade receivables	0	3	10.216	10.845	0	0	0	0
Trade payables	(16)	(10)	(6.825)	(4.482)	0	(2)	0	0
Interest, net	30	(2)	(45)	(40)	0	0	0	0
Receivables	1.212	2.295	9.062	2.957	0	0	0	0
Payables	(20)	(105)	(6.934)	(2.766)	0	0	0	0

Specific transactions:
Under Sections 24, 25 and 99 of the Danish 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 Danish 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.

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. Reference is made to note 22.

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 Board of Directors and the Executive Board is disclosed in note 5.

Note 33. Description of accounting policies

Basis of preparation

Changed presentation

DONG Naturgas A/S has changed the presentation of its income statement so that it is now classified by nature instead of function, which means that EBITDA features directly in the income statement. This ensures better cohesion with Management's review, in which EBITDA is used as one of the Group's most important performance measures.

Changed presentation of statement of comprehensive income, 2010

DKK million	
Classified by function	
Revenue	32,776
Production costs	(29,180)
Gross profit	**3.596**
Sales and marketing	(241)
Management and administration	(548)
Other operating income	1
Other operating expenses	(7)
Operating profit (EBIT)	**2,801**

DKK million	
Classified by nature	
Revenue	32,775
Fuel and energy	(28,239)
Other external expenses	(839)
Staff costs	(305)
Other operating income	1
Other operating expenses	(7)
Operating profit before depreciation, amortisation and impairment losses (EBITDA)	**3,386**
Depreciation, amortisation and impairment losses on property, plant and equipment and intangible assets	(585)
Operating profit (EBIT)	**2,801**

Commodity hedge transactions

From and including 1 January 2011, commodity hedge transactions and related foreign exchange exposures are no longer accounted for as cash flow hedge accounting.

As part of its financial risk management, the Group enters into transactions to hedge certain physical and financial risks in oil, gas, coal, electricity, CO_2 and related currency exposures. The Group accounts for the hedging transactions entered into on the basis of its internal processes for optimisation of its purchase, sale and consumption of oil, gas, coal, electricity and CO_2, as effective economic hedges. Some hedging transactions will meet IAS 39's criteria for cash flow hedge accounting, while others will not. For this reason, the Group has elected not to apply the provisions on hedge accounting to these transactions in future. When determining profit for the year, fair value adjustments to these derivative financial instruments are therefore recognised in the period in which they arise, regardless of the date of realisation of the hedged transaction. Fair value adjustments of commodity hedge transactions that met the criteria for cash flow hedge accounting at 31 December 2010 have been recognised in a separate reserve within equity. On realisation of the hedged transactions relating to these hedging transactions the amounts from this reserve are reversed and recognised in profit for the year.

Business performance

To provide readers of financial statements with relevant and reliable information on how the business is developing, the Group has elected, in connection with the statement of profit for the period, to present an alternative performance measure, business performance. Business performance has been determined in accordance with the internal management reporting. In connection with the determination of the business performance results, fair value adjustments on hedging transactions relating to commodity risks are recognised in the period in which the hedged transaction affects profit. This means that transactions are recognised at the hedged value. No adjustments are made in respect of gains and losses on other financial instruments.

The adjustments column consists of fair value adjustments of commodity hedge transactions and realised gains and losses on these transactions and therefore solely reflects timing differences. The additional information is presented in accordance with IAS 1.

Consolidated financial statements

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

Enterprises over which the Group exercises significant influence, but not control, are accounted for as associates. Significant influence is typically achieved by holding or having the ability to exercise, directly or indirectly, more than 20% but less than 50% of the voting rights, although this is based on a specific assessment of the possibility of exercising influence.

The consolidated financial statements have been prepared 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 non-controlling 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 within 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. Where a transaction results in the acquirer obtaining 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 rates at the transaction date and at the date of payment are recognised in the income statement as finance income or finance costs.

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 finance income or finance costs.

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

On recognition in the consolidated financial statements of enterprises with a different functional currency than DKK, the items in the income statement 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 within 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 within 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 entity 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 and interest rate risks and risks related to the price of oil, gas, electricity, coal and CO_2 emissions allowances.

Derivative financial instruments are recognised from the trade date as receivables (positive fair values) and other payables (negative fair values) respectively and are measured in the balance sheet at fair value. Transaction costs are added to the fair value on initial recognition, unless the financial asset or financial liability is measured at fair value with recognition of fair value adjustments in profit for the year.

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 assumptions, and recognised valuation methods.

Value adjustments of derivative financial instruments that act as economic hedges of the Group's primary activities 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.

Value adjustments of financial contracts that are not used as economic hedges of the Group's primary activities or that are part of the Group's trading portfolio are recognised as finance income and costs.

Under IFRS, contracts that involve physical delivery may, in certain circumstances, be accounted for as derivative financial instruments. The classification is determined based on an evaluation of the purpose of the contract compared with the Group's other activities. Contracts entered into in the course of the Group's trading activities or as part of certain hedging activities are classified and accounted for as derivative financial instruments, even though they are settled on physical delivery.

Derivative financial instruments used for hedge accounting
The Group applies the provisions on hedge accounting to derivative financial instruments and loans that hedge currency and interest rate risks.

Up to and including 31 December 2010, commodity hedge transactions and related exposures to foreign currencies were also recognised for as cash flow hedge accounting. Market value adjustments of these, which were previously recognised in comprehensive income and a special reserve in equity, are recognised in profit for the year as the underlying transactions are realised or if the hedges are judged to no longer be effective.

Fair value hedging
Changes in the fair value of derivative financial instruments that are designated as and qualify for recognition as hedges of the fair value of a recognised asset or liability are recognised in profit for the year together with changes in the value of the hedged asset or liability to the extent of the hedged risk. Hedging of future cash flows in accordance with an agreement (firm

commitment) is accounted for as fair value hedging, except in the case of foreign currency hedging.

Cash flow 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 within a separate hedging reserve until the hedged cash flow is realised. On realisation of the hedged cash flow, 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.

If the hedged cash flows are no longer expected to be realised, the accumulated value adjustment is transferred immediately to profit for the year.

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.), are 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, electricity, 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.

Fuel and energy
Fuel and energy comprise the Group's purchases of fuel in the form of gas and electricity, and transportation costs in connection with the above and costs related to CO_2 emissions. The costs are recognised in profit for the year as incurred.

Other external expenses
Other external expenses comprise expenses for maintenance of production equipment, rent, external assistance, sales and marketing, research and development, and office expenses, etc.

Staff costs
Staff costs comprise wages, salaries, remuneration, pensions, social security costs and other staff-related costs.

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.

Finance income and Finance costs
Finance income and finance costs 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. Finance income and finance costs 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.

Borrowing costs relating to general borrowing or loans directly attributable to the acquisition, construction or development of qualifying assets form part of the cost of such assets.

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

Income tax expense, which consists of current tax, joint taxation contribution for the year and changes in deferred tax – including as a 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 finance income and finance costs 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.

CO_2 emissions allowances
Allocated and purchased CO_2 emissions allowances, including CO_2 credits, that are accounted for as rights are measured initially at cost. CO_2 allowances are not amortised, as their residual value equals their cost.

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.

Gas purchase rights are amortised using the unit-of-production method, taking into account the expected earnings profile, so that the amortisation pattern reflects the expected earnings patterns. Other rights are amortised on a straight-line basis over their expected economic lives, which are determined on the basis of management's experience of the specific business areas, and the assets to which the rights relate. Capitalised rights are estimated to have a 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 within 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 as 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 as well as borrowing costs relating to specific and general borrowing directly attributable to the development of development projects.

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 losses.

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

Property, plant and equipment
Property, plant and equipment comprise land and buildings, production assets, and other tools and equipment. Property, plant and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost comprises purchase price and any costs directly attributable to the acquisition until the date the asset is available for use. The cost of self-constructed assets comprises direct and indirect costs of materials, components, subsuppliers and labour. Finance costs that can be attributed to a preparation or production period are recognised in the income statement as finance costs. Specific and general borrowing costs attributable to a construction period are recognised in the cost of the asset constructed.

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, in property, plant and equipment under construction. Following entry into service, these assets are transferred to the relevant items in 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 [2]	20 - 40 years
Fixtures and fittings, tools and equipment	3 - 10 years
Assets under construction [3]	None

[1] Land is not depreciated.
[2] The depreciation profile takes account of the fact that the earnings profile changes substantially over the life of the asset.
[3] Depreciation does not commence until the date of entry into service, at which date 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 statement of comprehensive income 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.

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 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 as 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, acquired CO_2 rights and green certificates.

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 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 first-in, first-out principle (FIFO) 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. A write-down for bad and doubtful debts is made 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 in 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, deferred tax on temporary differences is 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
The Group has entered into pension agreements and similar agreements with most of the Group's employees. Contributions to insured (defined contribution) pension plans are recognised in the income statement in the period to which they relate, and any contributions payable are recognised in the balance sheet as other payables.

Provisions
Provisions 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 decommissioning and restoration 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 be attached 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 within 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 as finance costs.

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract.

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

Financial liabilities
Financial liabilities comprise bank loans, trade and other payables to public authorities, etc. Mortgage loans and other 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 as finance costs 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 finance income or finance costs.

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.

Statement of cash flows

The statement of cash flows 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 statement of cash flows 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 Naturgas Group's internal management reporting, which is presented to the Group's chief operating decision maker. The operating decision maker is the Group Executive Management.

In the segment reporting, hedging transactions relating to commodity risks and related foreign exchange exposures are recognised at the same time as the hedged transaction, so that the hedged transaction is recognised at the hedged value. This is the same method of accounting for hedging transactions as presented in the business performance column in the consolidated financial statements.
Apart from this, the accounting policy is consistent with the accounting policy applied in the consolidated financial statements.

Segment income, segment expense, segment assets and segment liabilities are those items that have been directly attributed to the individual segment or indirectly allocated to the individual segment on a reliable basis. Unallocated items are included in other activities and comprise primarily assets, liabilities, revenue and expense relating to the Group's administrative functions, investing activities, income taxes, etc.

The Group's primary measure of performance is EBITDA. EBITDA is defined as earnings before interest, tax, depreciation and amortisation.

The Group's secondary measure of performance is EBIT. EBIT is defined as earnings before interest and tax.

Segment assets comprise those assets that are directly employed by a segment in its operating activities. Current tax and deferred tax are not allocated to individual segments, as they are not directly employed by the individual segment in its operating activities.

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

Intersegment transactions are priced on arm's length terms.

Calculation of financial ratios

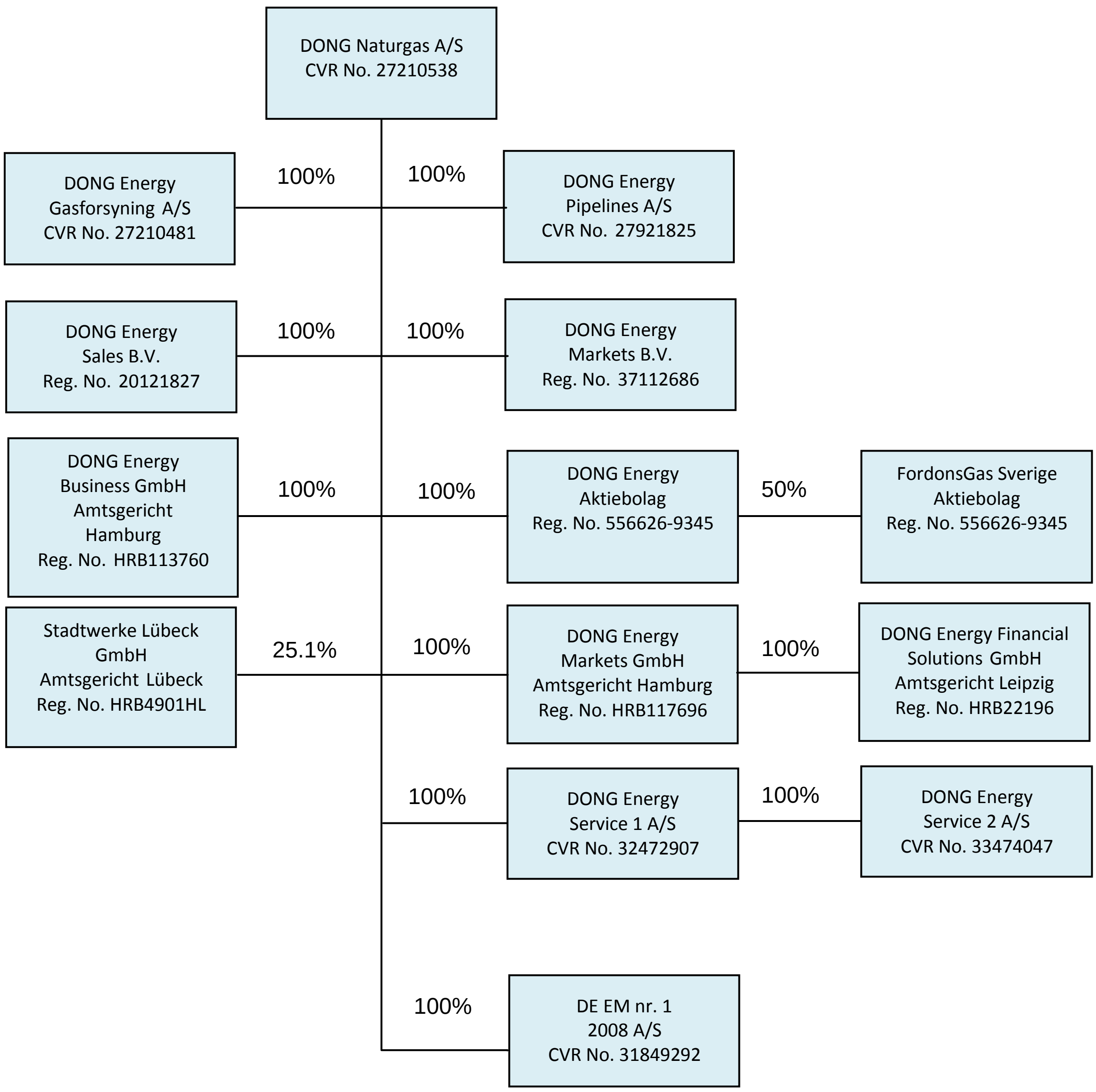
Unless otherwise stated, financial ratios have been calculated in accordance with 'Recommendations & Financial Ratios 2010' published by the Danish Society of Financial Analysts.

Financial ratios have been calculated as follows:

EBITDA margin	Earnings before interest, tax, depreciation and amortisation / Revenue
EBIT margin	Earnings before interest and tax / Revenue
Earnings per share (EPS) of DKK 1,000 [4)]	Profit / Average number of shares [1)]
Dividend per share of DKK 1,000	Dividend / Average number of shares [1)]
Free cash flows to equity (with acquisitions)	Cash flows from operating activities and investing activities [2)]
Free cash flows to equity (without acquisitions)	Cash flows from operating activities and investing activities, plus/minus cash flows from acquisitions and disposals of enterprises [2)]
Net interest-bearing debt	Interest-bearing liabilities – 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
Net working capital, external transactions	Inventories, trade receivables, associates and jointly controlled entities and other operating current assets less trade payables and liabilities to associates and jointly controlled entities and other operating current liabilities. Prepayments and deferred income are not recognised in the determination of net working capital.
Net working capital, intragroup transactions	Intragroup trade receivables less intragroup trade payables.

1) Average number of shares is defined as share capital in denominations of DKK 100.
2) The definition deviates from 'Recommendations & Financial Ratios 2010' published by the Danish Society of Financial Analysts.
3) Bank overdrafts that are included in the statement of cash flows as cash and cash equivalents are included as negative interest-bearing assets.
4) Earnings per share (EPS) is determined in accordance with IAS 33.

Group structure



Group structure (continued)

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, Netherlands	EUR	0.028	100%
DONG Energy Business GmbH	Hamburg, Germany	EUR	0.025	100%
DONG Energy Pipelines A/S	Fredericia, Denmark	DKK	25	100%
DONG Energy Sales BV	Oosterhout, Netherlands	EUR	0.018	100%
Stadtwerke Lübeck GmbH	Lübeck, Germany	EUR	40	25.1%
DONG Energy Markets GmbH	Hamburg, Germany	EUR	9.6	100%
DONG Energy Financial Solutions GmbH	Leipzig, Germany	EUR	1	100%
DE EM nr. 1 2008 A/S	Fredericia, Denmark	DKK	0.5	100%
DONG Energy Service 1 A/S	Fredericia, Denmark	DKK	0.5	100%
DONG Energy Service 2 A/S	Fredericia, Denmark	DKK	0.5	100%