DONG Naturgas A/S

ANNUAL REPORT 2012

(CVR No. 27 21 05 38)

10th financial year

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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	Morten Hultberg Buchgreitz
Auditor	PricewaterhouseCoopers, Statsautoriseret Revisionspartnerselskab
Annual General Meeting	7 June 2013
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 WIND POWER DENMARK A/S (Chairman of the Board of Directors), DONG ENERGY WIND POWER HOLDING A/S (Chairman of the Board of Directors), DONG ENERGY THERMAL POWER A/S (Chairman of the Board of Directors), ENERGIGRUPPEN JYLLAND EL HOLDING A/S (Chairman of the Board of Directors), GN STORE NORD A/S (member of the Board of Directors), DONG INSURANCE A/S (Chairman of the Board of Directors), EM EL HOLDING A/S (Chairman of the Board of Directors), ENERGIGRUPPEN JYLLAND EL A/S (Chairman of the Board of Directors), DONG ENERGY VANGEDE A/S (Chairman of the Board of Directors), DONG ENERGY WIND POWER A/S (Chairman of the Board of Directors), DONG ENERGY A/S (President), DE POWER Nr. 1 2011 ApS (Chairman of the Board of Directors), DE POWER Nr. 2 2011 ApS (Chairman of the Board of Directors), GN NETCOM A/S (member of the Board of Directors), DONG ENERGY SALES & DISTRIBUTION A/S (Chairman of the Board of Directors), NNIT A/S (Deputy Chairman), GN RESOUND A/S (member 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 ENERGY PIPELINES A/S (Chairman of the Board of Directors), DONG E&P A/S (Chairman of the Board of Directors), DONG Energy OIL & GAS A/S (Chairman of the Board of Directors)
Hanne Blume	DONG ENERGY WIND POWER HOLDING A/S (Deputy Chairman of the Board of Directors), DE POWER NR. 2 2011 ApS (Deputy Chairman of the Board of Directors), DONG ENERGY WIND POWER A/S (Deputy Chairman of the Board of Directors), DONG ENERGY THERMAL POWER A/S (Deputy Chairman of the Board of Directors), DE POWER NR. 1 2011 ApS (Deputy Chairman of the Board of Directors), ENERGIGRUPPEN JYLLAND EL A/S (Deputy Chairman of the Board of Directors), DONG E&P NR. 1 2008 A/S (member of the Board of Directors), ENERGIGRUPPEN JYLLAND EL HOLDING A/S (Deputy Chairman of the Board of Directors), DONG ENERGY SALES & DISTRIBUTION A/S (Deputy Chairman of the Board of Directors), EM EL HOLDING A/S (Deputy Chairman of the Board of Directors), DONG ENERGY OIL & GAS A/S (Deputy Chairman of the Board of Directors), DONG ENERGY WIND POWER DENMARK A/S (Deputy Chairman of the Board of Directors), DONG E&P A/S (Deputy Chairman of the Board of Directors), DONG NATURGAS A/S (Deputy Chairman of the Board of Directors)

Company information (continued)

Marianne Wiinholt	DONG ENERGY SALES & DISTRIBUTION A/S (President), DONG OIL PIPE A/S (Chairman of the Board of Directors), J. LAURITZEN A/S (member of the Board of Directors), DONG EGJ A/S (Deputy Chairman of the Board of Directors), ENERGIGRUPPEN JYLLAND EL A/S (member of the Board of Directors), DONG NATURGAS A/S (member of the Board of Directors), EM EL HOLDING A/S (member of the Board of Directors), DONG EL A/S (Deputy Chairman of the Board of Directors), KNI A/S (member of the Board of Directors), ENERGIGRUPPEN JYLLAND EL HOLDING A/S (member of the Board of Directors), DONG ENERGY KABLER A/S (Deputy Chairman of the Board of Directors), DONG ENERGY VANGEDE A/S (Deputy Chairman of the Board of Directors), DONG E&P A/S (member of the Board of Directors), DONG ENERGY PIPELINES A/S (member of the Board of Directors)
Morten Hultberg Buchgreitz	DONG ENERGY SALES & DISTRIBUTION A/S (President), DONG ENERGY KABLER A/S (Chairman of the Board of Directors), DONG ENERGY OIL & GAS A/S (President), DONG NATURGAS A/S (President), K/S MEIDERICH (member of the Board of Directors), K/S FRANKENTHAL, GERMANY (member of the Board of Directors), K/S HABRO-LOWESTOFT (member of the Board of Directors), ApS HABRO KOMPLEMENTAR-19 (member of the Board of Directors)

Performance highlights

DKK million	2012	2011	2010	2009	2008
BUSINESS PERFORMANCE:					
Statement of comprehensive income					
Revenue	42,081	34,566	32,527	-	-
Profit (loss) before interest, tax, depreciation and amortisation (EBITDA)	(7,214)	2,069	3,138	-	-
Operating profit (loss) (EBIT)	(8,302)	526	2,553	-	-
Profit (loss) for the year	(6,236)	371	1,946	-	-
Financial ratios					
EBITDA margin	(17%)	6%	10%	-	-
EBIT margin	(20%)	2%	8%	-	-
IFRS:					
Statement of comprehensive income					
Revenue	41,258	37,304	32,776	28,893	38,888
Profit (loss) before interest, tax, depreciation and amortisation (EBITDA)	(8,037)	5,043	3,386	2,217	5,463
Operating profit (loss) (EBIT)	(9,125)	3,500	2,801	1,665	5,040
Net finance costs	(70)	(37)	(39)	(59)	(162)
Profit (loss) before tax	(9,165)	3,498	2,801	1,636	4,756
Profit (loss) for the year	(6,854)	2,601	2,132	1,234	3,421
Balance sheet					
Equity	676	7,959	7,429	6,934	9,417
Balance sheet total	31,727	33,305	31,781	30,767	40,099
Cash flows					
Operating activities	(4,602)	1,017	4,518	4,317	(52)
Investments in property, plant and equipment	(6)	(53)	(25)	(139)	(161)
Investing activities	1,105	1,023	(1,923)	(281)	(138)
Financing activities	3,854	(1,971)	(1,685)	(3,289)	(1,352)
Financial ratios					
EBITDA margin	(19%)	14%	10%	8%	14%
EBIT margin	(22%)	9%	9%	6%	13%
Free cash flows to equity (with acquisitions)	(3,517)	2,040	2,594	4,037	(190)
Free cash flows to equity (without acquisitions)	(3,533)	2,048	2,626	4,163	(178)
Net interest-bearing debt	3,285	(1,671)	(2,893)	299	991
Invested capital	3,961	6,287	4,536	7,233	10,407
Financial gearing	4.86	(0.21)	(0.39)	0.04	0.11
Average number of employees	451	461	455	457	429

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 2012.

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 2012 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 2012.

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, 31 May 2013

Executive Board:

Morten Hultberg Buchgreitz
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 2012, 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 the 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 2012 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 2012 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, 2013

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab

Fin T. Nielsen
State Authorised Public Accountant

Jesper Edelbo
State Authorised Public Accountant

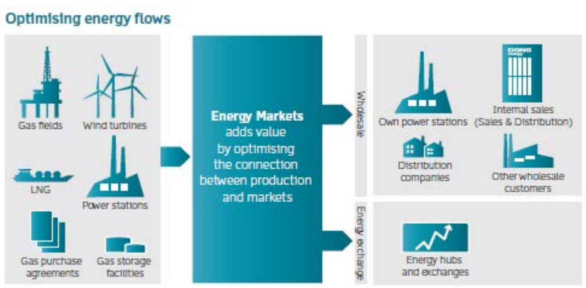
Management's review

Activities

The activities of the DONG Naturgas Group are predominantly concentrated in the DONG Energy Group's Energy Markets business unit. A small part of the activities are placed in the business units Sales & Distribution and Wind Power.

Energy optimisation

The optimisation of DONG Energy's energy portfolio – covering all the DONG Energy Group's activities – is handled by Energy Markets. This business unit is also responsible for the effective reduction and control of the DONG Energy Group's market risks. This optimisation ensures cohesion between energy production from wind turbines, power stations and oil and gas fields on the one hand and the sale of energy to customers on the other. At the same time, Energy Markets focuses on increasing the value of the energy flows.



Besides production from the Group's assets, Energy Markets' energy portfolio consists of long-term gas purchase contracts, including LNG, and gas storage facilities.

One of the ways in which Energy Markets manages the DONG Energy Group's market risks relating to energy prices is 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.

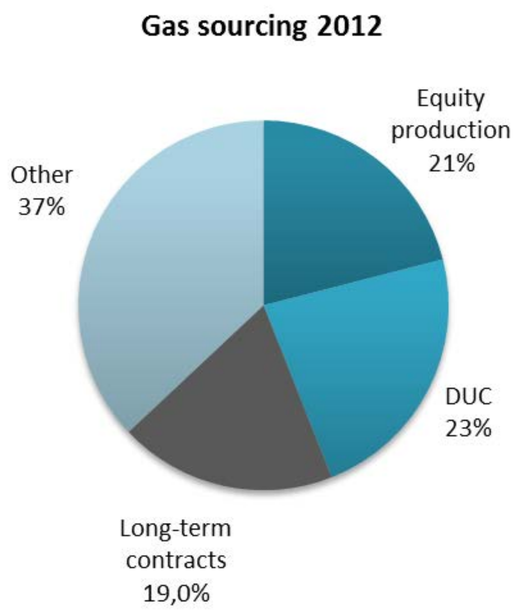
Energy trading

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.

Energy Markets trades electricity and gas on the Northern European energy exchanges and hubs, primarily Nord Pool, EEX, NBP and TTF. Energy Markets also engages in bilateral buying and selling of 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. In 2012, purchases totalled 146.5 TWh 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.

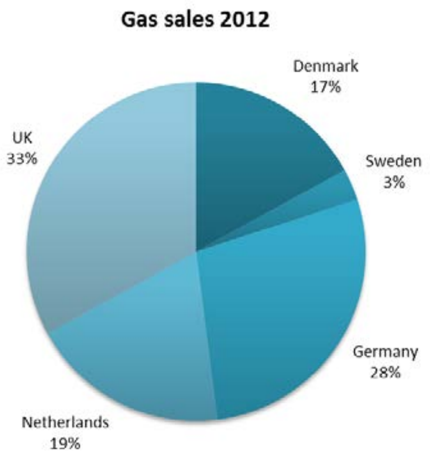
Pooling the DONG Energy Group's equity gas with the rest of Energy Markets' gas portfolio enhances the value of the output from each field, partly through better utilisation of the infrastructure. As Energy Markets at the same time has access to several markets, the gas can be shipped to where demand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

Of total gas purchases, 23% 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.

In 2012, it was necessary to recognise a DKK 476 million impairment loss on the company's gas purchase rights due to lower earnings on the company's gas contracts. Reference is made to note 13.

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 the gas-fired power stations in Denmark, the Netherlands and the UK. Gas sales totalled 146.5 TWh in 2012. 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.

The Danish Energy Regulatory Authority has declared that the tariff for transport in the offshore gas pipelines must be determined in an interval between DKK 0.05-0.07 per m^3. A complaint is pending before the Danish Energy Board of Appeal concerning the Danish Energy Regulatory Authority's decision. As a consequence of the pending case, in 2011, a DKK 73 million impairment loss was recognised on the company's connection right relating to gas transportation and DKK 527 million on the offshore gas pipelines from the North Sea to Denmark. It was judged in 2012 that there was no need to recognise any further impairment losses.

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 2012, it was necessary to make provisions totalling DKK 3.8 billion for onerous contracts for the gas storage capacity in Germany and the capacity in the LNG terminal. The reason for the provisions for gas storage capacity was that DONG Naturgas A/S entered into three long-term leases for gas storage capacity in Germany in 2006 and 2007. At that time, access to storage capacity was a prerequisite for operating in the German gas market. Since these leases were entered into, the liberalisation and greater liquidity have gradually led to this no longer being the case.
The value of access to gas storage facilities has diminished over time as well-supplied markets have resulted in low summer/winter spreads. With limited growth forecast for Europe and because markets continue to be well-supplied, the situation is now unlikely to improve significantly. A DKK 3.2 billion provision has therefore been made for the three, now onerous, contracts. At the same time, a DKK 0.6 billion provision has been made relating to an onerous contract for capacity in an LNG terminal in the Netherlands due to an expected oversupply of LNG terminal capacity in Europe in the short and medium terms. Reference is made to note 20.

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. 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.

Gas-fired power stations are more climate-friendly than coal-fired plants but are currently challenged on profitability because of the continuation of very low green spark spreads, as low coal and CO_2 prices are placing coal-fired power stations in a better position than gas-fired power stations.

The company expects green spark spreads to remain at a low level, and it has therefore been necessary to make a provision for the company's long-term contracts for capacity access to the gas-fired power stations. As a consequence of the significantly impaired green spark spreads, these contracts have become onerous, requiring a DKK 2.0 billion provision. Reference is made to note 20.

Energy Markets is responsible for selling electricity from the DONG Energy Group's wind farms in the UK. 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
DONG Naturgas A/S's 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, in such a way as to ensure that DONG Naturgas A/S has an adequate capital base and adequate cash resources at all times. 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
The DONG Energy Group, including DONG Naturgas, 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 29.

Corporate responsibility
DONG Naturgas A/S is part of the DONG Energy Group, and reference is consequently made to the DONG Energy Group's 2012 annual report, which includes the Group's statutory corporate responsibility statement.

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

Financial results for 2012

Financial performance

Revenue was up DKK 7.7 billion at DKK 41.4 billion due to higher gas prices and higher electricity sales than in 2011, partly offset by lower electricity prices.

EBITDA amounted to a loss of DKK 7.2 billion, a decrease of DKK 9.3 billion on 2011. This mainly reflected the DKK 3.2 billion provisions for three long-term, onerous gas storage facility contracts in Germany and the DKK 0.6 billion provision relating to an onerous contract for capacity in the LNG terminal in the Netherlands, as well as a DKK 2.0 billion provision for onerous contracts relating to gas-fired power stations.

The decrease also reflected the fact that 2011 benefited from non-recurring income of around DKK 1 billion from the renegotiation of gas contracts, and a negative EBITDA in 2012 from the gas-fired power stations due to the low green spark spreads. In addition, oil-indexed gas contracts had a negative effect due to the wider spread between oil and gas prices in 2012, despite a large proportion of this exposure having been hedged. This was due to time lag in the contracts.

EBIT decreased by DKK 8.8 billion to a loss of DKK 8.3 billion in 2012, primarily reflecting the lower EBITDA and a DKK 0.5 billion impairment loss on gas purchase rights. EBIT in 2011 included a DKK 0.6 billion impairment loss on the offshore gas pipelines from the North Sea to Denmark and a DKK 0.3 billion goodwill impairment.

Volumes

Gas sales (including sales to own power stations) totalled 146.5 TWh, in line with 2011.

Electricity sales were 12.6 TWh, up 27% on 2011 due to higher electricity sales in the UK, where some of the offshore wind farm-generated electricity is sold. Electricity output from the gas-fired Severn power station amounted to 1.7 TWh in 2012, which was significantly less than in 2011 due to an unfavourable trend in green spark spreads in 2012. Furthermore, the power station was shut down for periods of time in connection with repair work following the breakdown of both turbines in July 2011. One unit was shut down for repairs in September 2012, and the other in January 2013. Both units were brought back on line in March 2013. The gas-fired Enecogen power station in the Netherlands became operational at the end of 2011, generating 0.6 TWh in 2012. The low output reflected the continuation of very low green spark spreads, as low coal and CO_2 prices placed coal-fired power stations in a better position than gas-fired power stations.

Environment

EU ETS CO_2 emissions from the Nybro gas treatment plant and the foreign gas-fired power stations Severn and Enecogen fell by 0.3 million tonnes to 0.9 million tonnes in 2012. This was due to reduced output from Severn.

Future outlook

An important focus area for the future will be to return to profitability the Group's midstream activities, which are currently making a loss.

This will be achieved primarily by renegotiating the long-term gas purchase contracts in order to obtain prices that reflect the changed conditions in the gas market, where oil and gas prices no longer keep pace with one another.

Another focus area is the optimisation of the LNG terminal in Rotterdam, where efforts will be made to make better use of the capacity.

For DONG Naturgas A/S, there are a variety of factors that mean that, all other things being equal, EBITDA in 2013 is expected to be higher than in 2012. There was a significant negative effect of around DKK 5.8 billion in 2012 from onerous contracts. Furthermore, the renegotiation of long-term gas contracts is expected to have a positive effect in 2013.

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	2012 Business perform-ance	2012 Adjust-ments	2012 IFRS	2011 Business perform-ance	2011 Adjust-ments	2011 IFRS
Revenue	3,4	42,081	(823)	41,258	34,566	2,738	37,304
Fuel and energy		(47,994)	0	(47,994)	(31,200)	236	(30,964)
Other external expenses	6,7	(946)	0	(946)	(982)	0	(982)
Staff costs	5	(356)	0	(356)	(321)	0	(321)
Other operating income	8	1	0	1	6	0	6
Other operating expenses	8	0	0	0	0	0	0
Operating profit (loss) before depreciation, amortisation and impairment losses (EBITDA)		**(7,214)**	**(823)**	**(8,037)**	**2,069**	**2,974**	**5,043**
Depreciation, amortisation and impairment losses on intangible assets and property, plant and equipment		(1,088)	0	(1,088)	(1,543)	0	(1,543)
Operating profit (loss) (EBIT)		**(8,302)**	**(823)**	**(9,125)**	**526**	**2,974**	**3,500**
Share of profit of associates	15	30	0	30	35	0	35
Finance income	9	557	0	557	590	0	590
Finance costs	10	(627)	0	(627)	(627)	0	(627)
Profit (loss) before tax		**(8,342)**	**(823)**	**(9,165)**	**524**	**2,974**	**3,498**
Income tax expense	11	2,106	205	2,311	(153)	(744)	(897)
Profit (loss) for the year		**(6,236)**	**(618)**	**(6,854)**	**371**	**2,230**	**2,601**
Other comprehensive income:							
Value adjustments for the year				(67)			0
Value adjustments transferred to revenue				0			22
Value adjustments transferred to fuel and energy				0			54
Tax on value adjustments of hedging instruments				15			(19)
Foreign exchange adjustments				13			(2)
Other comprehensive income				**(39)**			**55**
Total comprehensive income				**(6,893)**			**2,656**

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

		2012			2011		
DKK million	**Note**	Business perform-ance	Adjust-ments	IFRS	Business perform-ance	Adjust-ments	IFRS
Attributable to:							
Equity holders of DONG Naturgas A/S		(6,236)	618	(6,854)	371	2,230	2,601
Profit (loss) for the year		**(6,236)**	**618**	**(6,854)**	**371**	**2,230**	**2,601**
Comprehensive income for the year attributable to:							
Equity holders of DONG Naturgas A/S				(6,893)			2,656
Total comprehensive income				**(6,893)**			**2,656**
Earnings per share (EPS) and diluted earnings per share (DEPS) of DKK 1,000, in whole DKK	12			(6,720)			2,550

Consolidated balance sheet at 31 December

DKK million	Note	2012	2011
Assets			
Goodwill	13	92	92
Rights	13	319	1,000
CO_2 emissions allowances	13	375	447
Completed development projects	13	102	151
In-process development projects	13	12	12
Intangible assets		**900**	**1,702**
Land and buildings	14	2	2
Production assets	14	955	1,469
Fixtures and fittings, tools and equipment	14	6	7
Property, plant and equipment under construction	14	19	36
Property, plant and equipment		**982**	**1,514**
Investments in associates	15	158	155
Other equity investments	15	88	92
Deferred tax assets	19	1,060	1
Receivables	17	6	13
Other non-current assets		**1,312**	**261**
Non-current assets		**3,194**	**3,477**
Inventories	16	2,588	2,279
Receivables	17	24,179	26,106
Income tax receivable	23	302	17
Cash and cash equivalents	27	1,464	1,426
Current assets		**28,533**	**29,828**
Assets		**31,727**	**33,305**

Consolidated balance sheet at 31 December

DKK million	Note	2012	2011
Equity and liabilities			
Share capital	18	1,020	1,020
Hedging reserve		8	60
Translation reserve		22	9
Retained earnings		(374)	6,494
Proposed dividends		0	376
Equity attributable to the equity holders of DONG Naturgas A/S		**676**	**7,959**
Non-controlling interests		0	0
Equity		**676**	**7,959**
Deferred tax	19	98	970
Provisions	20	6,244	2,153
Payables to group enterprises	21	425	425
Other payables	22	235	274
Non-current liabilities		**7,002**	**3,822**
Provisions		0	8
Bank loans	21	157	365
Other payables	22	23,845	20,521
Income tax	23	47	630
Current liabilities		**24,049**	**21,524**
Liabilities		**31,051**	**25,346**
Equity and liabilities		**31,727**	**33,305**

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

DKK million	Share capital	Hedging reserve	Translation reserve	Retained earnings	Proposed dividends	Equity attributable to equity holders of DONG Naturgas	Non-controlling 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)
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 changes 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**

DKK million	Share capital	Hedging reserve	Translation reserve	Retained earnings	Proposed dividends	Equity attributable to equity holders of DONG Naturgas	Non-controlling interests	Total
Equity at 1 January 2012	1,020	60	9	6,494	376	7,959	0	7,959
Comprehensive income for the year:								
Profit for the year	0	0	0	(6,854)	0	(6,854)	0	(6,854)
Other comprehensive income:								
Value adjustments for the year	0	(67)	0	0	0	(67)	0	(67)
Value adjustments transferred to revenue	0	0	0	0	0	0	0	0
Value adjustments transferred to fuel and energy	0	0	0	0	0	0	0	0
Tax on value adjustments of hedging instruments	0	15	0	0	0	15	0	15
Foreign exchange adjustments, foreign enterprises	0	0	13	0	0	13	0	13
Total comprehensive income	**0**	**(52)**	**13**	**(6,854)**	**0**	**(6,893)**	**0**	**(6,893)**
Change of consolidation method	0	0	0	(11)	0	(11)	0	(11)
Other adjustments	0	0	0	(3)	0	(3)	0	(3)
Transactions with owners:								
Proposed dividends	0	0	0	0	0	0	0	0
Dividends paid	0	0	0	0	(376)	(376)	0	(376)
Total changes in equity in 2012	**0**	**(52)**	**13**	**(6,868)**	**(376)**	**(7,283)**	**0**	**(7,283)**
Equity at 31 December 2012	**1,020**	**8**	**22**	**(374)**	**0**	**676**	**0**	**676**

Consolidated statement of cash flows for the year ended 31 December

DKK million	Note	2012	2011
Cash flows from operations (operating activities)	24	(4,114)	1,775
Interest income and similar items		559	535
Interest expense and similar items		(578)	(566)
Income tax paid		(469)	(727)
Cash flows from operating activities		**(4,602)**	**1,017**
Purchase of intangible assets		(22)	(103)
Purchase of property, plant and equipment	25	(6)	(53)
Sale of property, plant and equipment		0	14
Financial transactions with group enterprises		1,097	1,105
Financial transactions with associates		3	15
Acquisition of other equity investments and securities		0	(10)
Other investments		8	4
Dividends received		25	51
Cash flows from investing activities		**1,105**	**1,023**
Increase in loans with group enterprises		4,233	171
Transactions with non-controlling interests	26	0	(40)
Dividends paid to equity holders of the parent company		(376)	(2,065)
Dividends paid to non-controlling interests		(3)	(37)
Cash flows from financing activities		**3,854**	**(1,971)**
Net increase (decrease) in cash and cash equivalents		**357**	**69**
Cash and cash equivalents at 1 January		923	854
Foreign exchange adjustment of cash and cash equivalents		(4)	0
Cash and cash equivalents at 31 December	27	**1,276**	**923**

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

DKK million	Note	2012 Business performance	2012 Adjustments	2012 IFRS	2011 Business performance	2011 Adjustments	2011 IFRS
Revenue	3,4	41,816	(835)	40,981	34,343	2,733	37,076
Fuel and energy		(47,892)	0	(47,892)	(31,171)	0	(31,171)
Other external expenses	6,7	(814)	0	(814)	(830)	0	(830)
Staff costs	5	(245)	0	(245)	(222)	0	(222)
Other operating income	8	1	0	1	1	0	1
Other operating expenses	8	0	0	0	0	0	0
Operating profit (loss) before depreciation, amortisation and impairment losses (EBITDA)		**(7,134)**	**(835)**	**(7,969)**	**2,121**	**2,733**	**4,854**
Depreciation, amortisation and impairment losses on intangible assets and prop., plant and equipm.		(1,078)	0	(1,078)	(1,603)	0	(1,603)
Operating profit (loss) (EBIT)		**(8,212)**	**(835)**	**(9,047)**	**518**	**2,733**	**3,251**
Finance income	9	606	0	606	669	0	669
Finance costs	10	(664)	0	(664)	(638)	0	(638)
Profit (loss) before tax		**(8,270)**	**(835)**	**(9,105)**	**549**	**2,733**	**3,282**
Income tax expense	11	2,099	209	2,308	(173)	(683)	(856)
Profit (loss) for the year		**(6,171)**	**(626)**	**(6,797)**	**376**	**2,050**	**2,426**
Other comprehensive income							
Value adjustments for the year				0			0
Value adjustments transferred to Revenue				(67)			(4)
Tax on value adjustments of hedging instruments				15			1
Other comprehensive income				**(52)**			**(3)**
Total comprehensive income				**(6,849)**			**2,423**
Attributable to:							
Equity holders of DONG Naturgas A/S		(6,171)	(626)	(6,797)	376	2,050	2,426
Profit (loss) for the year		**(6,171)**	**(626)**	**(6,797)**	**376**	**2,050**	**2,423**
Total comprehensive income for the year is attributable to:							
Equity holders of DONG Naturgas A/S				(6,849)			2,423
Total comprehensive income				**(6,849)**			**2,423**

Parent company balance sheet at 31 December

DKK million	Note	2012	2011
Assets			
Rights	13	300	1,000
CO_2 emissions allowances	13	375	447
Completed development projects	13	102	151
In-process development projects	13	12	12
Intangible assets		**789**	**1,610**
Land and buildings	14	2	2
Production assets	14	934	1,444
Fixtures and fittings, tools and equipment	14	0	0
Property, plant and equipment under construction	14	19	36
Property, plant and equipment		**955**	**1,482**
Investments in associates and subsidiaries	15	885	790
Other equity investments	15	183	183
Deferred tax	19	1,057	0
Receivables	17	28	2
Other non-current assets		**2,153**	**975**
Non-current assets		**3,897**	**4,067**
Inventories	16	2,586	2,276
Receivables	17	23,745	25,558
Income tax	23	278	0
Cash and cash equivalents	27	175	436
Current assets		**26,784**	**28,270**
Assets		**30,681**	**32,337**

Parent company balance sheet at 31 December

DKK million	Note	2012	2011
Equity and liabilities			
Share capital	18	1,020	1,020
Hedging reserve		7	59
Retained earnings		(181)	6,616
Proposed dividends		0	376
Equity		**846**	**8,071**
Deferred tax	19	0	885
Provisions	20	6,242	2,092
Payables to group enterprises	21	523	580
Other payables	22	235	274
Non-current liabilities		**7,000**	**3,831**
Provisions	20	0	0
Bank loans	21	157	43
Other payables	22	22,661	19,787
Income tax	23	17	605
Current liabilities		**22,835**	**20,435**
Liabilities		**29,835**	**24,266**
Equity and liabilities		**30,681**	**32,337**

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 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**
Equity at 1 January 2012	1,020	59	6,616	376	8,071
Comprehensive income for the year:					
Profit for the year	0	0	(6,797)	0	(6,797)
Other comprehensive income:					
Value adjustments for the year	0	0	0	0	0
Value adjustments transferred to revenue	0	(67)	0	0	(67)
Tax on value adjustments of hedging instruments	0	15	0	0	15
Total comprehensive income	**0**	**(52)**	**(6,797)**	**0**	**(6,849)**
Transactions with owners					
Proposed dividends	0	0	0	0	0
Dividends paid	0	0	0	(376)	(376)
Total changes in equity in 2012	0	(52)	(6,797)	(376)	(7,225)
Equity at 31 December 2012	**1,020**	**7**	**(181)**	**0**	**846**

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

DKK million	Note	2012	2011
Cash flows from operations (operating activities)	24	(4,493)	1,446
Interest income and similar items		559	528
Interest expense and similar items		(615)	(579)
Income tax paid		(485)	(701)
Cash flows from operating activities		**(5,034)**	**694**
Purchase of intangible assets		(3)	(103)
Purchase of property, plant and equipment	25	(5)	(51)
Sale of property, plant and equipment		0	14
Acquisitions of enterprises		0	(47)
Financial transactions with group enterprises		941	1,101
Financial transactions with associates		0	(21)
Other investments		(54)	(16)
Dividends received		49	87
Cash flows from investing activities		**928**	**964**
Increase in loans with group enterprises		4,223	128
Dividends paid to equity holders of the parent company		(376)	(2,065)
Cash flows from financing activities		**3,847**	**(1,937)**
Net increase (decrease) in cash and cash equivalents		**(259)**	**(279)**
Cash and cash equivalents at 1 January		246	525
Cash and cash equivalents at 31 December	27	**(13)**	**246**

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Note 1. Basis of preparation

Basis of preparation
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 2012 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 33 have been applied consistently to the financial year and the comparative figures.

Implementation of new standards and interpretations
In 2012, DONG Naturgas A/S implemented the following standards (IASs and IFRSs) and interpretations (IFRICs), which are effective for reporting periods beginning on or after 1 January 2012:

- Amendments to IFRS 7 Financial Instruments: Disclosures - Enhancing Disclosures about Transfers of Financial Assets
- Amendments to IAS 12 Deferred Tax: Recovery of Underlying Assets

The implementation of the amended standards in the consolidated financial statements for 2012 has not had any impact on DONG Naturgas A/S's consolidated financial statements for 2012.

New International Financial Reporting Standards and IFRIC Interpretations
The IASB has issued a number of new or amended standards and interpretations that have not yet become effective and are consequently not mandatory in connection with the preparation of consolidated financial statements for 2012.
DONG Naturgas A/S will early adopt IFRS 10, IFRS 11 and IFRS 12 and amendments to IAS 27 and IAS 28 on 1 January 2013. IFRS 11 will mean that the option to

apply proportionate consolidation to jointly controlled entities will cease in some cases. In such cases, profit must instead be presented in profit for the year as one aggregate amount, in the same way as the share of profit (loss) of associates, but through EBITDA. In the balance sheet, assets and liabilities relating to jointly controlled entities must also be presented as a net amount in future, like investments in associates. This will mainly affect property, plant and equipment.
The early adoption will have limited impact on the financial reporting.

DONG Naturgas A/S will adopt IFRS 13 on 1 January 2013. IFRS 13 introduces a new definition of fair value and guidance on how it should be determined, and the standard includes disclosure requirements on the value determined. It is assessed that the adoption will have limited impact on the financial reporting.

DONG Naturgas A/S has initiated assessments of the impact of other new or amended standards and interpretations and expects that these will not have any material impact on the financial reporting. DONG Naturgas A/S expects to adopt other new or amended standards and interpretations as they become mandatory.

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 in management's review and in note 29.

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 (notes 13 and 14)
Goodwill and in-process development projects are tested for impairment annually. Other intangible assets and property, plant and equipment are tested for impairment if there is any indication of impairment. In an impairment test, the recoverable amount of the tested asset or cash-generating unit (CGU) is compared with its carrying amount. An impairment loss is recognised whenever the carrying amount of an asset or cash-generating unit exceeds its recoverable amount. The recoverable amount is the higher of the asset's fair value less expected disposal costs and the present value of the expected future net cash flows (value in use). The assumptions and criteria used to determine the assets' recoverable amounts constitute management's best estimates.

The determination of the recoverable amount for production assets is based on a number of assumptions where estimates are made that are material to the determination. Such assumptions include future market conditions, market prices of oil, gas, electricity, coal, CO2, weighted average cost of capital, and exchange rates, etc.

Useful lives of gas purchase rights (note 13)
Intangible assets relating to gas purchase rights are amortised using the unit-of-production method, which means that the useful lives of these rights are determined based on expectations concerning annual production and estimated reserves. Changed expectations concerning future annual production and/or estimated reserves may therefore result in a need to reassess the useful lives of the rights.

Useful lives of production assets (note 14)
The expected useful lives of production assets are determined based on historical experience and expectations concerning the future use of these assets. The expected future applications may subsequently prove not to be realisable, which may require useful lives to be reassessed.

The recoverable amount of the assets is subject to the same uncertainties as apply to the determination of their useful lives.

Investments in associates, other equity investments (note 15)
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.

Receivables (note 17)
Write-downs are made for bad and doubtful debts on the basis of due date, credit rating in accordance with the DONG Energy Group's credit risk management policy, and historical experience. As a result of the international financial crisis the risk of bad debts is still height-

ened, and this has been taken into account in the assessment of the Group's receivables. Trade receivables were written down by DKK 43 million on 31 December 2012 (2011: DKK 14 million).

Decommissioning obligations (note 20)
Estimates of decommissioning obligations are based on management's expectations concerning timing and scope, future cost level, and adopted laws and regulations on decommissioning. The timing of decommissioning obligations depends on the useful lives of the assets.

In measuring provisions, the costs required to settle the liability are discounted. In determining the decommissioning obligations at 31 December 2012, a discount rate of 4.5% was used compared with 1.75-2.5% last year. Previously, the discount rate used was the current interest rate on ten-year Danish government bonds. This is no longer deemed to provide a true and fair view, as this interest rate is deemed to be exceptionally low due to the financial crisis, which has reduced the interest rate on such government bonds to such an extent as to provide a negative real rate of interest. Against this background, DONG Energy has opted to change the discount rate used. The estimate was changed on 1 October 2012, and the change has reduced decommissioning obligations by DKK 121 million.

The discount rate of 4.5% that has been used is expected to be used over a prolonged period. The rate has been estimated on the basis of expectations concerning the future, long-term interest rate level, based on the historical interest rate level.

The extent to which decommissioning and restoration will be required is estimated based on current legislation and standards in this area. Expectations concerning the future cost level are based on variables such as expectations concerning the general price trend and concerning the development in existing technologies.

Onerous contracts (note 20)
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 significant uncertainties.

Notes to the income statement

Note 3. 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.

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 assets that are used within the Group's gas activities.

DKK million	Wind Power	Energy Markets	Sales & Distribution	Total segments
2012				
External revenue	0	36,814	5,267	42,081
Intragroup and intrasegment revenue	68	5,691	1,360	7,119
Revenue	**68**	**42,505**	**6,627**	**49,200**
EBITDA	68	(7,273)	(9)	(7,214)
Depreciation and amortisation excluding purchased CO_2 emissions allowances	0	(1,016)	(72)	(1,088)
Operating profit (loss) (EBIT)	**68**	**(8,289)**	**(81)**	**(8,302)**
Non-current segment assets	92	2,980	202	3,274
Investment	0	0	(17)	(17)
Net working capital:				
External transactions	0	2,401	803	3,204
Intragroup transactions	0	838	(826)	12
Net working capital	**0**	**3,239**	**(23)**	**3,216**

Note 3. Segment information (continued)

DKK million	Total segments	Elimi-nations	Business perform-ance	Adjust-ments	IFRS
2012					
External revenue	42,081	0	42,081	(823)	41,258
Intragroup and intrasegment revenue	7,119	(7,119)	0	0	0
Revenue	49,200	(7,119)	42,081	(823)	41,258
EBITDA	(7,214)	0	(7,214)	(823)	(8,037)
Depreciation and amortisation excluding purchased CO_2 emissions allowances	(1,088)	0	(1,088)	0	(1,088)
Operating profit (loss) (EBIT)	(8,302)	0	(8,302)	(823)	(9,125)
Non-current segment assets	3,274	(80)	3,194	0	3,194
Investment	(17)	0	(17)	0	(17)
Net working capital:					
External transactions	3,204	0	3,204	0	3,204
Intragroup transactions	12	1	13	0	13
Net working capital	3,216	1	3,217	0	3,217

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	38	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)	**17**	**829**	**(320)**	**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	Elimi- nations	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**

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
2012							
Revenue	4,499	14,394	12,123	8,329	0	1,913	41,258
Intangible assets and prop., plant and equipm.	1,285	5	255	20	177	140	1,882
2011							
Revenue	15,532	8,214	7,997	3,723	0	1,838	37,304
Intangible assets and prop., plant and equipm.	1,645	5	383	0	939	244	3,216

Note 4. Revenue

DKK million	Group: Business performance	Group: Adjustments	Group: IFRS	Parent company: Business performance	Parent company: Adjustments	Parent company: IFRS
2012						
Natural gas	29,710	(837)	28,873	29,556	(849)	28,707
Electricity	10,756	15	10,771	10,686	0	10,686
Distribution and storage of natural gas	423	0	423	406	0	406
Trading activities, net	441	0	441	454	0	454
Effect of economic hedges, net	434	(61)	373	434	(45)	389
Effect of hedge accounting	0	60	60	0	59	59
Services	203	0	203	205	0	205
Other revenue	114	0	114	75	0	75
Revenue	**42,081**	**(823)**	**41,258**	**41,816**	**(835)**	**40,981**
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	66	66	0	66
Other revenue	189	0	189	158	0	158
Revenue	**34,566**	**2,738**	**37,304**	**34,343**	**2,733**	**37,076**

Note 5. Staff costs

DKK million	Group 2012	Group 2011	Parent company 2012	Parent company 2011
Staff costs				
Wages, salaries and remuneration	(327)	(301)	(227)	(211)
Defined contribution plans	(20)	(19)	(16)	(16)
Other social security costs	(8)	(7)	(1)	3
Other staff costs	(1)	2	(1)	(1)
Staff costs	**(356)**	**(325)**	**(245)**	**(225)**
Staff costs are recognised as follows:				
Staff costs	(356)	(321)	(245)	(222)
Transfer to assets	0	(4)	0	(3)
Staff costs	**(356)**	**(325)**	**(245)**	**(225)**
Number of full-time employees				
Average for the financial year	451	461	248	258

Remuneration to the Board of Directors and the Executive Board:

DKK million	2012 Wages and salaries	Bonus	Pension	Total
Parent company Board of Directors	0.0	0.0	0.0	0.0
Parent company Executive Board	(3.6)	0.0	(0.7)	(4.3)

DKK million	2011 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)

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 6. Research and development costs

DKK million	Group 2012	Group 2011	Parent company 2012	Parent company 2011
Research and development costs incurred during the year	0	(19)	0	(19)
Amortisation of recognised development costs in intangible assets	(48)	(44)	(49)	(44)
Development costs recognised in intangible assets	0	19	0	19
Research and development costs recognised in the income statement	**(48)**	**(44)**	**(49)**	**(44)**

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

DKK million	Group 2012	Group 2011	Parent company 2012	Parent company 2011
Audit fees	(4)	(3)	(1)	(1)
Other assurance engagements	0	0	0	0
Tax and VAT advice	(1)	(1)	(1)	(1)
Non-audit services	(5)	(1)	(3)	(1)
Total fees to PWC	**(10)**	**(5)**	**(5)**	**(3)**

Note 8. Other operating income and expenses

DKK million	Group 2012	Group 2011	Parent company 2012	Parent company 2011
Other operating income	1	6	1	1
Other operating income	1	6	1	1
Loss on sale of property, plant and equipment	0	0	0	0
Other operating expenses	0	0	0	0
Other operating income and expenses, net	**1**	**6**	**1**	**1**

Note 9. Finance income

DKK million	Group 2012	Group 2011	Parent company 2012	Parent company 2011
Interest income	3	16	5	12
Interest income from group enterprises	0	31	1	30
Foreign exchange gains	552	539	551	538
Dividends received	0	0	49	87
Other finance income	2	4	0	2
Finance income	**557**	**590**	**606**	**669**

Note 10. Finance costs

DKK million	Group 2012	Group 2011	Parent company 2012	Parent company 2011
Interest expense	(20)	(72)	(17)	(64)
Interest expense from group enterprises	(11)	(13)	(49)	(45)
Interest element of decommissioning costs	(51)	(8)	(50)	(7)
Foreign exchange losses	(543)	(522)	(548)	(522)
Other finance costs	(2)	(12)	0	0
Finance costs	**(627)**	**(627)**	**(664)**	**(638)**
Revenue for the year includes foreign exchange and fair value adjustments of:	91	87	91	87
Profit for the year includes foreign exchange and fair value adjustments of:	9	17	3	16

Note 11. Income tax expense

DKK million	Group 2012	Group 2011	Parent company 2012	Parent company 2011
Tax for the year can be broken down as follows:				
Income tax expense	2,311	(897)	2,308	(856)
Tax on amounts recognised in other comprehensive income	15	(19)	15	1
Tax for the year	2,326	(916)	2,323	(855)
Income tax expense can be broken down as follows:				
Joint taxation contribution	212	(702)	215	(638)
Deferred tax	2,055	(197)	2,069	(221)
Adjustments to current tax of tax in respect of prior years	171	(31)	151	(30)
Adjustments to deferred tax in respect of prior years	(127)	33	(127)	33
Income tax expense	2,311	(897)	2,308	(856)
Income tax expense can be explained as follows:				
Calculated 25% tax on profit before tax	2,293	(875)	2,276	(821)
Adjustments of calculated tax in foreign subsidiaries in relation to 25%	(2)	(3)	0	0
Tax effect of:				
Non-taxable income	6	9	12	23
Non-deductible expenses	(4)	(31)	(4)	(59)
Share of profit after tax of associates	0	0	0	0
Adjustments to tax in respect of prior years	18	3	24	1
Income tax expense	2,311	(897)	2,308	(856)
Effective tax rate	25.2%	25.9%	25.3%	25.9%

Note 12. Earnings per share

DKK million	Group 2012	Group 2011
Profit for the year	(6,854)	2,601
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	(6,720)	2,550

Notes to the balance sheet

Note 13. Intangible assets

	Group					
DKK million	Goodwill	Rights	CO_2 emis-sions al-low-ances	Com-pleted de-velop-ment projects	In-process develop-ment pro-jects	Total
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
Depreciation, amortisation and impairment losses at 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**
Cost at 1 January 2012	369	2,188	447	338	12	3,354
Additions	0	22	0	0	0	22
Disposal on scrapping	0	0	0	0	0	0
Transfers	0	0	(72)	0	0	(72)
Cost at 31 December 2012	**369**	**2,210**	**375**	**338**	**12**	**3,304**
Amortisation and impairment losses at 1 January 2012	(277)	(1,188)	0	(187)	0	(1,652)
Amortisation charge	0	(231)	0	(49)	0	(280)
Impairment charge	0	(476)	0	0	0	(476)
Amortisation on disposals	0	4	0	0	0	4
Amortisation, amortisation and impairment losses at 31 December 2012	**(277)**	**(1,891)**	**0**	**(236)**	**0**	**(2,404)**
Carrying amount at 31 December 2012	**92**	**319**	**375**	**102**	**12**	**900**
Amortised over	-	UOP*/ 5 - 20 years	-	3 - 5 years	-	-

Note 13. Intangible assets (continued)

* Unit of production

DKK million	Parent company				
	Rights	CO_2 emissions allowances	Completed development projects	In-process development projects	Total
Cost at 1 January 2011	2,097	0	324	11	2,432
Additions	83	447	8	12	550
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 2011	(910)	0	(144)	0	(1,054)
Amortisation charge	(202)	0	(43)	0	(245)
Impairment charge	(73)	0	0	0	(73)
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**
Cost at 1 January 2012	2,185	447	338	12	2,982
Additions	3	101	0	0	104
Disposals	0	(173)	0	0	(173)
Cost at 31 December 2012	**2,188**	**375**	**338**	**12**	**2,913**
Amortisation and impairment losses at 1 January 2012	(1,185)	0	(187)	0	(1,372)
Amortisation charge	(227)	0	(49)	0	(276)
Impairment charge	(476)	0	0	0	(476)
Amortisation and impairment losses at 31 December 2012	**(1,888)**	**0**	**(236)**	**0**	**(2,124)**
Carrying amount at 31 December 2012	**300**	**375**	**102**	**12**	**789**
Amortised over	UOP*/ 5 - 20 years	-	3 - 5 years	-	-

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 units 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 2012, DONG Naturgas A/S had identified one CGU, Energy Markets, 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.

The result of the 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 in 2012.

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 10.0%.

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.

Rights
Rights consist predominantly of gas purchase rights, customer-related rights and a connection right relating to gas transportation. At 31 December 2012, the carrying amount of gas purchase rights was calculated at DKK 177 million (2011: DKK 768 million) and the carrying amount of connection rights at DKK 122 million (2011: DKK 170 million).

The company tested the carrying amounts of gas purchase rights under the Ormen Lange CGU for impairment in 2012. Against this background, a DKK 476 million impairment loss has been recognised on gas purchase rights, based on the present value of the expected future net cash flows included in the business plans and budgets approved by management. Cash flows have been discounted using a discount rate (before tax) of 4.5%.

There were no other indications of impairment of rights in 2012. Consequently, rights were not tested further for impairment.

In 2011, a DKK 73 million impairment loss was recognised on a connection right relating to gas transportation.

Completed development projects
Completed development projects relate to IT software. At 31 December 2012, the carrying amount of these development projects was DKK 151 million (2011: DKK 102 million).

There were no indications of impairment of completed development projects in 2012. Consequently, completed development projects were not tested for impairment.

In-process development projects
In-process development projects relate primarily to the implementation of new IT systems. At 31 December 2012, the carrying amount of in-process development projects stood at DKK 12 million (2011: DKK 12 million).

The company tested the carrying amounts of recognised in-process development projects for impairment in 2012. 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 14. Property, plant and equipment

	Group				
DKK million	Land and buildings	Production assets	Fixtures and fit-tings, tools and equip-ment	Property, plant and equip-ment under con-struction	Total
Cost at 1 January 2011	11	8,610	24	15	8,660
Adjustment of decommissioning obligation	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 2011	(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	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**
Cost at 1 January 2012	11	8,688	25	36	8,760
Foreign exchange adjustments	0	2	0	0	2
Adjustment of decommissioning obligation	0	(207)	0	0	(207)
Transfers	0	17	0	(17)	0
Additions	0	5	1	0	6
Cost at 31 December 2012	**11**	**8,505**	**26**	**19**	**8,561**
Depreciation and impairment losses at 1 January 2012	(9)	(7,219)	(18)	0	(7,246)
Foreign exchange adjustments	0	(1)	0	0	(1)
Depreciation charge	0	(330)	(2)	0	(332)
Depreciation and impairment losses at 31 December 2012	**9**	**(7,550)**	**(20)**	**0**	**7,579**
Carrying amount at 31 December 2012	**2**	**955**	**6**	**19**	**982**
Depreciated over	20 years	20 - 40 years	3 - 10 years	-	-

Note 14. Property, plant and equipment (continued)

	Parent company				
DKK million	Land and buildings	Production assets	Fixtures and fit-tings, tools and equip-ment	Property, plant and equip-ment under con-struction	Total
Cost at 1 January 2011	11	8,561	7	15	8,594
Adjustment of decommissioning obligation	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 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
Cost at 1 January 2012	11	8,638	7	36	8,692
Adjustment of decommissioning obligation	0	(206)	0	0	(206)
Additions	0	5	0	0	5
Transfers	0	17	0	(17)	0
Cost at 31 December 2012	**11**	**8,454**	**7**	**19**	**8,491**
Depreciation and impairment losses at 1 January 2012	(9)	(7,194)	(7)	0	(7,210)
Depreciation charge	0	(326)	0	0	(326)
Depreciation and impairment losses at 31 December 2012	**(9)**	**(7,520)**	**(7)**	**0**	**(7,536)**
Carrying amount at 31 December 2012	**2**	**934**	**0**	**19**	**955**
Portion relating to assets held under finance leases	0	160	0	0	**0**
Depreciated over	20 years	20 - 40 years	3 - 10 years	-	**-**

Finance leases
Production assets in the parent company with a carrying amount of DKK 160 million at 31 December 2012 (2011: DKK 252 million) were financed under finance leases. The lease commitment at 31 December 2012 was DKK 829 million (2011: DKK 897 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.

There were no other indications of impairment of items of property, plant and equipment in 2012. Consequently, property, plant and equipment were not tested for impairment.

A DKK 527 million impairment loss was recognised on the offshore gas pipelines from the North Sea to Denmark in 2011.

Note 15. Associates and subsidiaries and other equity investments

	Group			
	Investments in associates		Other equity investments	
DKK million	**2012**	**2011**	**2012**	**2011**
Cost at 1 January	609	588	92	77
Additions	0	21	0	15
Disposals	0	0	(4)	0
Cost at 31 December	**609**	**609**	**88**	**92**
Value adjustments at 1 January	(454)	(415)	0	0
Share of profit for the year	30	36	0	0
Other value adjustments, etc.	1	(3)	0	0
Dividends received	(25)	(51)	0	0
Value adjustments carried directly in equity of associates	(3)	(21)	0	0
Value adjustment at 31 December	**(451)**	**(454)**	**0**	**0**
Carrying amount at 31 December	**158**	**155**	**88**	**92**

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 and subsidiaries and other equity investments (continued)

	Parent company			
	Investments in associates and subsidiaries		Other equity investments	
DKK million	2012	2011	2012	2011
Cost at 1 January	1,181	1,012	565	543
Additions	0	40	0	22
Capital contributions	95	129		0
Cost at 31 December	**1,276**	**1,181**	**565**	**565**
Value adjustments at 1 January	(391)	0	(382)	(382)
Impairment charge	0	(391)	0	0
Value adjustment at 31 December	**(391)**	**(391)**	**(382)**	**(382)**
Carrying amount at 31 December	**885**	**790**	**183**	**183**

Capital contributions of DKK 95 million under investments in subsidiaries in 2012 relate to capital increases of DKK 80 million in DONG Energy Gasforsyning A/S and DKK 15 million in DONG Energy Service 1 A/S.

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.

2012

DKK million	Registered office	Ownership	Revenue[1)]	Profit for the year[1)]	Assets[1)]	Liabilities[1)]	Attributable to DONG Naturgas Group Profit for the year	Attributable to DONG Naturgas Group Equity
Fordonsgas Sverige AB	Gothenburg, Sweden	50%	170	1	214	162	1	26
Stadtwerke Lübeck GmbH	Lübeck, Germany	25%	2,918	114	1,179	653	29	132
Consolidated total							**30**	**158**

2011

DKK million	Registered office	Ownership	Revenue[1)]	Profit for the year[1)]	Assets[1)]	Liabilities[1)]	Attributable to DONG Naturgas Group Profit for the year	Attributable to DONG Naturgas Group Equity
Fordonsgas Sverige AB	Gothenburg, Sweden	50%	147	(5)	200	152	(2)	24
Stadtwerke Lübeck GmbH	Lübeck, Germany	25%	1,868	152	1,223	702	38	131
Consolidated total							**36**	**155**

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

Note 16. Inventories

DKK million	Group 2012	Group 2011	Parent company 2012	Parent company 2011
Natural gas	2,464	2,179	2,464	2,178
Energy certificates	120	84	120	84
CO_2 rights	2	14	2	14
Other inventories	2	2	0	0
Inventories at 31 December	**2,588**	**2,279**	**2,586**	**2,276**
Cost of sales recognised in the income statement	**29,319**	**30,964**	**29,319**	**31,171**

The carrying amount of inventories recognised at fair value was DKK 2 million (2011: DKK 14 million).

Write-downs of inventories to net realisable value totalled DKK 0.0 million in 2012 (2011: DKK 0.0 million). Reversals of write-downs amounted to DKK 0.0 million in 2012 (2011: DKK 0.0 million).

Note 17. Receivables

DKK million	Group 2012	Group 2011	Parent company 2012	Parent company 2011
Other receivables	6	13	28	2
Non-current receivables at 31 December	**6**	**13**	**28**	**2**
Trade receivables	3,530	3,746	2,177	2,702
Receivables, associates and subsidiaries	2,320	2,922	3,876	3,786
Fair value of derivative financial instruments	16,196	17,757	15,658	17,507
Deposits	303	220	223	183
Other receivables	1,830	1,461	1,811	1,380
Current receivables at 31 December	**24,179**	**26,106**	**23,745**	**25,558**
Current and non-current receivables at 31 December	**24,185**	**26,119**	**23,773**	**25,560**

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 2012	Group 2011	Parent company 2012	Parent company 2011
Denmark	595	825	582	787
Rest of EU	2,887	2,803	1,547	1,797
Rest of world	47	118	47	118
Trade receivables at 31 December	**3,529**	**3,746**	**2,176**	**2,702**

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 2012	Group 2011	Parent company 2012	Parent company 2011
Days past due:				
Up to 30 days	148	122	20	21
30 – 90 days	23	13	16	1
More than 90 days	69	65	12	8
General write-offs	(43)	(14)	(7)	(9)
Receivables past due at 31 December	**197**	**186**	**41**	**21**

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 2012 include receivables that have been written down by DKK 0 million following individual assessment (2011: DKK 0 million).

Note 18. Equity

	Group		Parent company	
DKK million	**2012**	**2011**	**2012**	**2011**
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.

Capital management
DONG Naturgas A/S's 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, in such a way as to ensure that DONG Naturgas A/S has an adequate capital base and adequate cash resources at all times. 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.

Non-controlling interests
There are no non-controlling interests in DONG Naturgas A/S.

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 0 million be paid for the 2012 financial year, equivalent to 0% of profit (loss) for the year determined as profit (loss) after tax attributable to the company's shareholders (i.e. excluding non-controlling interests) and DKK 0 per DKK 1,000 share (2011: DKK 367 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 369 (2011: DKK 2,025).

Note 19. Deferred tax

DKK million	Group 2012	Group 2011	Parent company 2012	Parent company 2011
Deferred tax at 1 January	969	746	885	697
Foreign exchange adjustments	(3)	(1)	0	0
Deferred tax for the year recognised in profit for the year	(2,055)	197	(2,069)	221
Deferred tax for the year recognised in other comprehensive income	0	60	0	0
Adjustments to prior years	127	(33)	127	(33)
Deferred tax at 31 December	**(962)**	**969**	**(1,057)**	**885**
Deferred tax is recognised in the balance sheet as follows:				
Deferred tax (assets)	(1,060)	(1)	(1,057)	0
Deferred tax (liabilities)	98	970	0	885
Deferred tax at 31 December, net	**(962)**	**969**	**(1,057)**	**885**
Deferred tax relates to:				
Intangible assets	64	259	66	270
Property, plant and equipment	269	671	325	713
Non-current assets	169	151	0	0
Non-current liabilities	(1,455)	(98)	(1,440)	(84)
Current liabilities	(9)	(14)	(8)	(14)
Deferred tax at 31 December	**(962)**	**969**	**(1,057)**	**885**

Deferred tax assets are expected to be utilised by offsetting against deferred tax liabilities in companies comprised by the joint taxation in the DONG Energy Group.

Change in temporary differences during the year

2012 — **Group**

DKK million	Balance sheet at 1 January	Foreign exchange adjustments	Recognised in profit for the year	Recognised in other comprehensive income	Balance sheet at 31 December
Intangible assets	259	0	(195)	0	64
Property, plant and equipment	671	0	(402)	0	269
Other non-current assets	151	0	18	0	169
Non-current liabilities	(98)	0	(1,357)	0	(1,455)
Current liabilities	(14)	0	5	0	(9)
Total	**969**	**0**	**(1,931)**	**0**	**(962)**

Note 19. Deferred tax (continued)

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 comprehensive 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**

Change in temporary differences during the year

2012	Parent company			
DKK million	Balance sheet at 1 January	Recognised in profit for the year	Recognised in other comprehensive income	Balance sheet at 31 December
Intangible assets	270	(204)	0	66
Property, plant and equipment	713	(388)	0	325
Non-current liabilities	(84)	(1,356)	0	(1,440)
Current liabilities	(14)	6	0	(8)
Total	**885**	**(1,942)**	**0**	**(1,057)**

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 com-pre-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**

Note 20. Provisions

	Group					
	2012			2011		
DKK million	Decom-mission-ing obliga-tions	Other	Total	Decom-mission-ing obliga-tions	Other	Total
Provisions at 1 January	363	1,798	2,161	282	1,611	1,893
Provisions used during the year	0	(1,679)	(1,679)	0	0	0
Provisions reversed during the year	0	(85)	(85)	0	0	0
Provisions made during the year	0	6,004	6,004	11	187	198
Change in estimates of other factors	(86)	0	(86)	0	0	0
Change in discount rate	(121)	0	(121)	62	0	62
Interest element of obligations	6	44	50	8	0	8
Provisions at 31 December	**162**	**6,082**	**6,244**	**363**	**1,798**	**2,161**
Non-current provisions	162	6,082	6,244	363	1,790	2,153
Current provisions	0	0	0	0	8	8
Provisions at 31 December	**162**	**6,082**	**6,244**	**363**	**1,798**	**2,161**

	Parent company					
	2012			2011		
DKK million	Decom-mission-ing obliga-tions	Other	Total	Decom-mission-ing obliga-tions	Other	Total
Provisions at 1 January	301	1,791	2,092	233	1,592	1,825
Provisions used during the year	0	(1,672)	(1,672)	0	0	0
Provisions reversed during the year	0	(85)	(85)	0	0	0
Provisions made during the year	59	6,004	6,063	0	199	199
Change in estimates of other factors	(86)	0	(86)	0	0	0
Change in discount rate	(120)	0	(120)	61	0	61
Interest element of obligations	6	44	50	7	0	7
Provisions at 31 December	**160**	**6,082**	**6,242**	**301**	**1,791**	**2,092**
Non-current provisions	160	6,082	6,242	301	1,791	2,092
Provisions at 31 December	**160**	**6,082**	**6,242**	**301**	**1,791**	**2,092**

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. An interest rate of 4.5% has been used as discount rate. Reference is made to page 25 for information on determination of 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 primarily comprise provisions for onerous contracts. The increase in other provisions is made up of a DKK 3,263 million provision for three long-term contracts for leasing of gas storage capacity in Germany and a DKK 564 million provision for an onerous contract for capacity in the LNG terminal in the Netherlands. These contracts have become onerous due to market developments, the value of gas storage capacity having deteriorated significantly since the contracts were concluded.

In addition, a total provision of DKK 2,071 million has been made for onerous contracts relating to gas-fired power stations. Of this amount, DKK 1,393 million relates to Severn in the UK and DKK 624 million to Enecogen in the Netherlands. The reason for the impairment losses was that green spark spreads have deteriorated significantly. The company expects that green spark spreads will remain at a low level in the coming years but will improve in the years after 2016.

Note 20. Provisions (continued)

Maturities

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

DKK million	Group 2012	Group 2011	Parent company 2012	Parent company 2011
0 – 1 year	0	8	0	0
1 – 10 years	5,142	1,794	5,140	1,790
10 – 20 years	667	116	667	116
20 – 30 years	338	0	338	0
30 – 40 years	97	243	97	186
> - 40 years	0	0	0	0
Provisions at 31 December	**6,244**	**2,161**	**6,242**	**2,092**

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:

DKK million	Group 2012	Group 2011	Parent company 2012	Parent company 2011
Group enterprises	425	425	523	580
Non-current loans at 31 December	**425**	**425**	**523**	**580**
Other bank loans	157	365	157	43
Current loans at 31 December	**157**	**365**	**157**	**43**
Current and non-current loans at 31 December	**582**	**790**	**680**	**623**
Fair value	582	790	680	623
Nominal value	582	790	680	623

Expected maturities for current and non-current loans:

DKK million	Group 2012	Group 2011	Parent company 2012	Parent company 2011
0 – 1 year	157	365	186	71
1 – 2 years	0	0	32	29
2 – 3 years	0	0	34	32
3 – 4 years	0	0	36	34
4 – 5 years	0	0	39	36
> 5 years	425	425	353	421
Current and non-current loans at 31 December	**582**	**790**	**680**	**623**

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:

	2012			2011		
DKK million	Minimum lease payments	Interest element	Present value	Minimum lease payments	Interest element	Present value
0-1 year	68	38	30	68	41	27
1-5 years	273	131	142	273	141	132
> 5 years	488	108	380	556	137	419
Total	**829**	**277**	**552**	**897**	**319**	**578**
Carrying amount of production assets			160			252

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

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

Note 22. Other payables

	Group		Parent company	
DKK million	**2012**	**2011**	**2012**	**2011**
Other non-current liabilities	235	274	235	274
Other non-current liabilities at 31 December	**235**	**274**	**235**	**274**
Trade payables	2,704	2,955	2,411	2,602
Payables to group enterprises	6,475	2,321	6,424	2,372
Fair value of derivative financial instruments	13,598	13,338	13,198	13,215
VAT and duties	268	237	44	60
Other payables	800	1,587	585	1,458
Deferred income	0	83	0	80
Other current liabilities at 31 December	**23,845**	**20,521**	**22,661**	**19,787**
Current and non-current liabilities at 31 December	**24,080**	**20,795**	**22,896**	**20,061**

Apart from the fair value of derivative financial instruments and deferred income, other payables fall due for payment less than one year after the end of the financial year. The remaining maturity of derivative financial instruments appears from note 30.

Note 23. Income tax receivable and payable

	Group		Parent company	
DKK million	**2012**	**2011**	**2012**	**2011**
Income tax receivable at 1 January	17	13	0	0
Foreign exchange adjustments	0	0	0	0
Adjustments to current tax in respect of prior years	3	0	0	0
Payments in respect of prior years	7	(13)	31	0
Current tax for the year	247	0	232	0
Tax for the year from other comprehensive income	15	0	15	0
Payments for the year	12	17	0	0
Income tax receivable at 31 December	**302**	**17**	**278**	**0**
Income tax payable at 1 January	630	659	605	639
Foreign exchange adjustments	1	0	0	0
Adjustments to current tax in respect of prior years	(168)	30	(151)	29
Payments in respect of prior years	(451)	(721)	(454)	(701)
Current tax for the year	35	703	17	638
Tax for the year from other comprehensive income	0	(41)	0	0
Payments for the year	0	0	0	0
Income tax payable at 31 December	**47**	**630**	**17**	**605**

Notes to the statement of cash flows

Note 24. Cash flows from operations (operating activities)

DKK million	Group 2012	Group 2011	Parent company 2012	Parent company 2011
Operating profit (loss)	(9,125)	3,500	(9,047)	3,251
Depreciation, amortisation and impairment losses	1,088	1,543	1,078	1,603
Operating profit (loss) before depreciation and amortisation (EBITDA)	**(8,057)**	**5,043**	**(7,969)**	**4,854**
Other items [1]	5,871	(3,639)	5,918	(3,392)
Cash flows from operations (operating activities) before changes in working capital	**(2,166)**	**1,404**	**(2,051)**	**1,462**
Change in inventories	(309)	(905)	(309)	(905)
Change in trade receivables	(172)	1,319	(570)	999
Change in other receivables	(282)	(842)	(310)	(976)
Change in trade payables	(219)	306	(249)	475
Change in other payables, etc.	(966)	493	(1,004)	391
Changes in working capital	**(1,948)**	**371**	**(2,442)**	**(16)**
Cash flows from operations (operating activities)	**(4,114)**	**1,775**	**(4,493)**	**1,446**

[1] Other items primarily comprise changes in other provisions and changes in value adjustments of derivative financial instruments.

Note 25. Purchase of property, plant and equipment

DKK million	Group 2012	Group 2011	Parent company 2012	Parent company 2011
Purchase of property, plant and equipment, see note 14	6	53	5	51
Paid in respect of purchase of property, plant and equipment	6	53	5	51

Note 26. Transactions with non-controlling interests

DKK million	Group 2012	Group 2011
Acquisition of equity investments from non-controlling interests	**0**	**40**
Purchase price	**0**	**40**

Acquisition of equity investments from non-controlling interests in 2011 comprised the acquisition of 16.4% of DONG Energy Germany AG.

Note 27. Cash and cash equivalents

DKK million	Group 2012	Group 2011	Parent company 2012	Parent company 2011
Cash and cash equivalents at 31 December include:				
Available cash	1,433	1,288	144	290
Bank overdrafts	(157)	(365)	(157)	(43)
Cash and cash equivalents at 31 December	**1,276**	**923**	**(13)**	**246**

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

DKK million	Group 2012	Group 2011	Parent company 2012	Parent company 2011
Available cash [1)]	1,433	1,288	144	290
Cash not available for use	31	138	31	146
Cash at 31 December	**1,464**	**1,426**	**175**	**436**

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

DKK million	Group 2012	Group 2011	Parent company 2012	Parent company 2011
Bank overdrafts	157	365	157	43
Current portion of non-current loans	0	0	0	0
Bank loans at 31 December	**157**	**365**	**157**	**43**

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

Notes without reference

Note 28. Operating leases

DKK million	Group 2012	Group 2011	Parent company 2012	Parent company 2011
0 – 1 year	146	145	147	146
1 – 5 years	594	592	595	593
> 5 years	571	649	571	649
Total	1,311	1,386	1,313	1,388
Operating lease payments recognised in the income statement amount to	147	78	147	77

Operating leases comprise leasing of gas storage facilities in Germany in the period 2012-2023.

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 CO2 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
The 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 2012. 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 at 31 December 2012	Estimated effect on profit at 31 December 2011	Estimated effect on equity at 31 December 2012	Estimated effect on equity at 31 December 2011
Oil	+10%	2,781	1,762	0	0
	-10%	(2,781)	(1,760)	0	0
Gas	+10%	(727)	(906)	0	0
	-10%	727	906	0	0
Electricity	+10%	(165)	(432)	0	0
	-10%	166	435	0	0
Coal	+10%	5	(1)	0	0
	-10%	(5)	1	0	0
USD	+10%	2,831	725	0	0
	-10%	(2,831)	(725)	0	0
GBP	+10%	430	6	0	0
	-10%	(430)	(6)	0	0
SEK	+10%	(270)	(101)	0	0
	-10%	289	107	0	0
NOK	+10%	(6)	(6)	0	0
	-10%	6	6	0	0
EUR	+10%	5,096	431	0	0
	-10%	(5,062)	(431)	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

2012

DKK million	Carrying amount	Payment obliga-tion	2013	2014	2015	2016	2017	After 2017
Bank overdrafts	157	157	157	0	0	0	0	0
Trade payables	2,704	2,704	2,704	0	0	0	0	0
Payables to group enterprises	6,900	6,920	6,479	4	4	4	429	0
Fair value of derivative financial instruments	13,598	13,606	8,766	2,863	996	511	464	6
Other liabilities	1,302	1,302	1,067	235	0	0	0	0
At 31 December	**24,661**	**24,689**	**19,173**	**3,102**	**1,000**	**515**	**893**	**6**

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 liabilities	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**

Note 30. Derivative financial instruments (continued)

Financial instruments by category:

DKK million	2012 Carrying amount value	2012 Fair value	2011 Carrying amount value	2011 Fair value
Assets				
Derivative financial instruments held for trading	16,196	16,196	17,757	17,757
Other equity investments	88	88	87	87
Financial assets measured at fair value through profit for the year	16,284	16,284	17,844	17,844
Derivative financial instruments entered into to hedge future cash flows	0	0	0	0
Financial assets used as hedging instruments	0	0	0	0
Trade receivables	3,530	3,530	3,746	3,747
Other receivables and cash and cash equivalents	4,260	4,260	4,598	4,598
Loans and receivables	**7,790**	**7,790**	**8,344**	**8,345**
Equity and liabilities				
Derivative financial instruments held for trading	13,598	13,598	13,338	13,338
Financial liabilities measured at fair value through profit for the year	13,598	13,598	13,338	13,338
Derivative financial instruments entered into to hedge future cash flows	0	0	0	0
Financial instruments used as hedging instruments	0	0	0	0
Bank loans	157	157	365	365
Other payables	9,420	9,420	6,520	6,520
Financial liabilities measured at amortised cost	**9,577**	**9,577**	**6,885**	**6,885**

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 157 million (2011: DKK 365 million).

Note 30. Derivative financial instruments (continued)

Fair value of derivative financial instruments

2012

DKK million		2013	2014	2015	2016-2017	After 2017	Total
Commodities							
Oil swaps	Positive	1,999	982	344	90	0	3,415
	Negative	(1,355)	(605)	(41)	(29)	0	(2,030)
Oil bonds	Positive	82	53	0	0	0	135
	Negative	(70)	(57)	0	0	0	(127)
Gas swaps	Positive	1,583	423	302	75	0	2,383
	Negative	(996)	(302)	(99)	(107)	0	(1,504)
Electricity swaps	Positive	4,559	1,260	352	222	0	6,393
	Negative	(4,277)	(1,136)	(285)	(136)	0	(5,834)
Electricity options	Positive	1	6	0	0	0	7
	Negative	(1)	(3)	0	0	0	(4)
Coal forwards	Positive	930	132	10	0	0	1,072
	Negative	(949)	(182)	(12)	0	0	(1,143)
CO_2	Positive	341	84	15	2	0	442
	Negative	(215)	(78)	(19)	(4)	0	(316)
Currency							
Forward exchange contracts	Positive	697	548	492	612	0	2,349
	Negative	(778)	(607)	(508)	(747)	0	(2,640)
Positive at 31 December		**10,192**	**3,488**	**1,515**	**1,001**	**0**	**16,196**
Negative at 31 December		**(8,641)**	**(2,970)**	**(964)**	**(1,023)**	**0**	**(13,598)**

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
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)

Hedging of future cash flows:

2012

DKK million	Notional amount	Fair value	Recog-nised in equity	Expected timing of transfer to income statement 2013	2014	2015	After 2015
Currency							
Currency forwards	0	0	(132)	(77)	(19)	(36)	0
Currency swaps	0	0	145	38	66	41	0
Total	**0**	**0**	**13**	**(39)**	**47**	**5**	**0**

2011

DKK million	Notional amount	Fair value	Recog-nised in equity	Expected timing of transfer to income statement 2012	2013	2014	After 2014
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**

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 price and currency risks related to commodity price hedging was recognised in the item effect of economic hedging with a gain of DKK 8 million (2011: loss of DKK 49 million), see note 4.

Note 30. Derivative financial instruments (continued)

Economic hedging of fair values:

DKK million	2012 Receivables	2012 Liabilitis	2012 Hedging instruments	2012 Net position	2011 Receivables	2011 Liabilities	2011 Hedging instruments	2011 Net position
EUR	13,524	(9,757)	0	3,767	14,282	(9,970)	0	4,312
USD	5,054	(3,855)	0	1,199	7,975	(5,677)	0	2,298
GBP	1,916	(1,844)	0	72	2,322	(1,547)	0	775
SEK	483	(2,601)	0	(2,118)	1,107	(1,816)	0	(709)
NOK	1	(63)	0	(62)	1	(59)	0	(58)
Other	0	0	0	0	0	0	0	0
Total	**20,978**	**(18,120)**	**0**	**2,858**	**25,687**	**(19,069)**	**0**	**6,618**

Trading portfolio and economic hedging:

DKK million	2012 Notional amount	2012 Fair value	2011 Notional amount	2011 Fair value
Oil swaps	23,887	1,385	12,532	874
Oil options	37	8	14	31
Gas swaps	33,680	879	29,272	1,644
Electricity swaps	11,019	559	12,024	774
Electricity options	55	3	164	18
Coal forwards	126	(71)	117	22
CO_2	337	126	427	214
Currency forwards	18,434	(291)	4,947	546
Currency swaps	0	0	5,602	296
Total	**87,575**	**2,598**	**65,099**	**4,419**

Note 30. Derivative financial instruments (continued)

Fair value hiearchy of financial instruments:

	2012				2011			
	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 in-struments	1,727	13,976	493	16,196	0	16,300	1,457	17,757
Assets	**1,727**	**13,976**	**493**	**16,196**	**0**	**16,300**	**1,457**	**17,757**
Derivative financial in-struments	(2,626)	(10,443)	(529)	(13,598)	0	(12,396)	(942)	(13,338)
Equity and liabilities	**(2,626)**	**(10,443)**	**(529)**	**(13,598)**	**0**	**(12,396)**	**(942)**	**(13,338)**

Level 1 comprises quoted securities and derivative financial instruments that are traded in active markets.

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			
	2012		2011	
DKK million	Assets	Liabilities	Assets	Liabilities
Opening at 1 January	1,457	(942)	679	(633)
Gains and losses recognised in profit for the year as revenue	(740)	651	249	(330)
Purchases	357	(402)	594	(228)
Other transfers to and from Level 3	(581)	164	(65)	249
Closing at 31 December	**493**	**(529)**	**1,457**	**(942)**

A loss in respect of assets and liabilities that are valued based on non-observable inputs and were still recognised in the balance sheet at 31 December 2012 was recognised with DKK 134 million (2011: DKK 285 million) in the income statement under revenue.

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 parties 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 financial losses as a result of the performance of these contracts.

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

Litigation
The Group and the parent company are party to a number of litigation proceedings and legal disputes that are not estimated to have any 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. At 31 December 2012, the guarantee was limited to a sum of DKK 38 million. DONG Naturgas' maximum payment obligation will 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 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' Boards 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	**2012**	**2011**	**2012**	**2011**	**2012**	**2011**	**2012**	**2011**
Dividends paid	(376)	(2,065)	0	0	0	0	0	0
Dividends received	0	0	0	0	0	45	0	0
Trade receivables	0	0	7,563	4,314	0	0	0	4
Trade payables	(14)	(16)	(5,929)	(6,820)	0	0	(174)	(26)
Interest, net	0	21	(11)	(4)	0	0	0	0
Receivables	5,378	1,219	3,251	1,703	0	0	0	0
Payables	(8,226)	(508)	(3,218)	(2,238)	0	0	0	0

Parent company	DONG Energy A/S		Subsidiaries		Group enterprises		Associates	
DKK million	**2012**	**2011**	**2012**	**2011**	**2012**	**2011**	**2012**	**2011**
Dividends paid	(376)	(2,065)	0	0	0	0	0	0
Dividends received	0	0	24	28	0	0	0	45
Trade receivables	0	0	2,370	2,741	11,528	7,475	0	0
Trade payables	(14)	(16)	(126)	(117)	(5,676)	(5,234)	0	0
Interest, net	1	30	(19)	(31)	(31)	(15)	0	0
Receivables	5,221	1,212	158	31	6,199	4,882	0	0
Payables	(8,152)	(20)	(72)	(61)	(3,676)	(3,478)	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 21.

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

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 determining 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, regardless of whether the hedging meets all criteria prescribed by IFRS. 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 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.) is recognised as revenue by reference to the stage of completion to the effect that revenue corresponds to the selling price of the work performed during the year (percentage of completion method).

Physical and financial contracts relating to trading in gas, 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 units, 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.

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 [1]	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 use of the assets changes substantially over the lives of the assets.
[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 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 Group 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

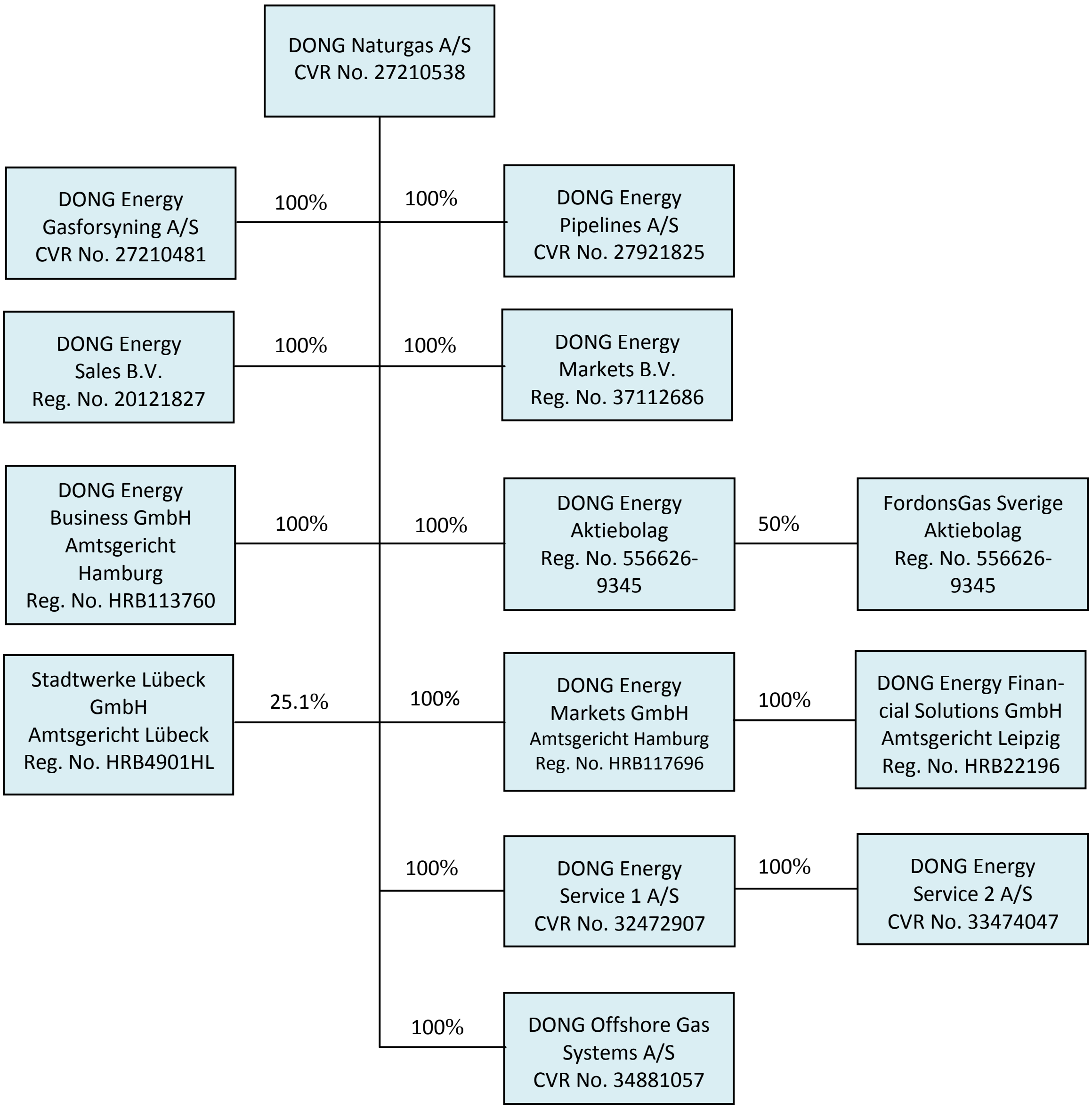
Unless otherwise stated, financial ratios have been calculated in accordance with 'Recommendations & Financial Ratios 2010' published by the Danish Society of Financial Analysts.

Financial ratios have been calculated as follows:

EBITDA margin	Earnings before interest, tax, depreciation and amortisation / Revenue
EBIT margin	Earnings before interest and tax (EBIT) / Revenue
Earnings per share (EPS) of DKK 1,000 [4]	Profit / Average number of shares [1)]
Dividends 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%
DONG Offshore Gas Systems 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%