

DONG Naturgas A/S

ANNUAL REPORT 2006

(Reg. No. 27 21 05 38)

4th financial year

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Company information

Company	DONG Naturgas A/S Kraftværksvej 53, Skærbæk 7000 Fredericia Denmark Tel. +45 4517 1022 Fax +45 4517 1044 dongenergy@dongenergy.dk Reg. No. 27 21 05 38
Shareholders	The entire share capital is held by DONG Energy A/S
Supervisory Board	Anders Eldrup (Chairman) Carsten Krogsgaard Thomsen (Deputy Chairman) Marianne Wiinholt Michael Steen-Knudsen
Executive Board	Kurt Bligaard Pedersen
Auditors	KPMG C.Jespersen, Statsautoriseret Revisionsinteressentskab Borups Allé 177 2000 Frederiksberg Denmark
General meetings	25 April 2007
Other managerial posts	Managerial posts held by the members of the Executive and Supervisory Boards of DONG Naturgas A/S in other Danish public limited companies, with the exception of the company's own wholly-owned subsidiaries
Anders Eldrup	DONG E&P A/S (Chairman), DONG Energy Oil & Gas A/S (Chairman), DONG Energy Sales & Distribution A/S (Chairman), DONG Energy Generation A/S (Chairman), Energigruppen Jylland El A/S (Chairman), Energigruppen Jylland El Holding A/S (Chairman), EM El Holding A/S (Chairman), ENERGI E2 A/S (Chairman), DONG Energy Power A/S (Deputy Chairman) and managerial posts in the DONG Energy Group's other companies
Carsten Krogsgaard Thomsen	DONG Energy Sales & Distribution A/S (Deputy Chairman), DONG Energy Generation A/S (Deputy Chairman), Energigruppen Jylland A/S (Deputy Chairman), ENERGI E2 A/S (Deputy Chairman), NNIT A/S (member of the Supervisory Board), DONG Litauen A/S (Chairman), EM El Holding A/S (member of the Supervisory Board), DONG Energy Power A/S (member of the Supervisory Board), Energigruppen Jylland El Holding A/S (Deputy Chairman), Energigruppen Jylland El A/S (Deputy Chairman), Energigruppen Jylland Varme A/S (Deputy Chairman), DONG EGJ A/S (Chairman), DONG El A/S (Chairman), DONG E&P A/S (Deputy Chairman), DONG Insurance A/S (Chairman) and managerial posts in the DONG Energy Group's other companies
Marianne Wiinholt	DONG Olieforsyning A/S (Chairman), DONG Oil Pipe A/S (Chairman), Energigruppen Jylland A/S (member of the Supervisory Board), DONG Insurance A/S (Deputy Chairman), DONG E&P A/S (member of the Supervisory Board) and managerial posts in the DONG Energy Group's other companies

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- Michael Steen-Knudsen** VICH 7443 A/S (Chairman), DONG Storage A/S (member of the Supervisory Board), Lille Torup Gaslager A/S (member of the Supervisory Board), DONG Olieforsyning A/S (member of the Supervisory Board), MOLS-LINIEN A/S (member of the Supervisory Board), ENERGI E2 A/S (member of the Supervisory Board), PLATON A/S (member of the Supervisory Board), DONG EGJ A/S (Deputy Chairman), DONG EI A/S (Deputy Chairman), DONG Gas Distribution A/S (Chairman) and managerial posts in the DONG Energy Group's other companies
- Kurt Bligaard Pedersen** DONG Energy Sales & Distribution A/S (alternate member of the Supervisory Board), BRF Holding A/S (Deputy Chairman), BRF Kredit A/S (Deputy Chairman), DONG Litauen A/S (Deputy Chairman), DONG Energy Pipelines A/S (Chairman) and managerial posts in the DONG Energy Group's other companies

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Financial highlights - DONG Naturgas Group

DKK million	*2006	*2005	*2004	2003
Income statement				
Revenue	22,548.3	13,879.0	10,022.2	9,988.5
Profit before interest, tax, depreciation and amortisation (EBITDA)	3,263.9	2,907.0	1,906.7	2,147.2
Operating profit (EBIT)	2,756.1	2,580.9	1,572.7	1,847.8
Financial income and expenses, net	60.9	15.5	60.9	(77.7)
Profit before tax	2,603.3	2,608.5	1,633.6	1,770.0
Profit for the year	1,810.3	1,944.1	1,136.9	1,237.1
Balance sheet				
Equity	7,312.4	6,794.8	6,499.8	6,857.0
Balance sheet total	32,742.8	15,263.0	11,046.8	10,488.6
Cash flows				
Operating activities	2,608.1	2,388.3	1,900.5	(456.5)
Investments in property, plant and equipment	24.0	49.6	330.9	383.2
Investing activities	132.2	1,764.5	604.8	858.2
Financing activities	2,095.2	143.7	2,759.1	772.0
Financial ratios				
EBITDA margin	14%	21%	19%	21%
EBIT margin	12%	19%	16%	18%
Free cash flows to equity (with acquisitions)	2,740.3	4,152.8	2,505.3	401.7
Free cash flows to equity (without acquisitions)	2,740.3	5,002.7	2,392.3	401.7
Net interest-bearing debt	(929.0)	(1,546.0)	(2,330.2)	(2,273.9)
Invested capital	6,422.9	4,681.3	4,118.0	4,783.1
Financial gearing	(0.13)	(0.23)	(0.36)	(0.33)
Number of employees at year end	375	234	213	184

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

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

Management's review

Activities

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

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

Financial performance

Revenue amounted to DKK 22,548.3 million, up from DKK 13,879.0 million in 2005 due primarily to higher gas selling prices, increased sales and the recognition of Intergas Levering B.V. and E-nord GmbH for a full year.

EBIT amounted to DKK 2,756.1 million compared with DKK 2,580.9 million in 2005, assisted mainly by higher gas selling prices, including a greater positive time lag effect than in 2005. EBIT was eroded by a non-recurring expense of DKK 1,056 million relating to termination of gas sales agreements.

Cash flow from operating activities was DKK 2,623.4 million, up from DKK 2,388.3 million in 2005, due mainly to a higher EBITDA. Net investments amounted to DKK 132.2 million versus DKK 1,767.7 million in 2005.

This annual report is the first annual report presented under International Financial Reporting Standards as adopted by the EU. For further details, reference is made to the accounting policies.

Energy supply

DONG Naturgas A/S secures supplies through power and heat generation from DONG Energy's business area Generation, long-term purchase contracts with Danish and international partners and trading in the Northern European energy markets. In 2006, DONG Naturgas purchased approx. 90% of its gas supplies from Shell, Mærsk and ChevronTexaco via the DUC contracts, supplementing these with gas purchases under long-term contracts from other energy companies and purchases from the Northern European gas hubs. The total portfolio of gas contracts consists of gas from the Danish, Norwegian and UK shelves and, from 2011, from Russia, following the conclusion of an agreement with Gazprom in 2006.

Under the agreement with Gazprom, DONG Naturgas will purchase 1 billion m³ of gas a year for 20 years from 2011, with an option for a substantial increase in the annual quantities. In addition, in 2007, under a separate agreement, DONG Naturgas will start supplying gas to the UK market through Gazprom's subsidiary, Gazprom Marketing and Trading. The contract will run for 15 years, with annual deliveries of 600 million m³. The natural gas will be transported through the approx. 1,200 km long Langeled pipeline that will connect the Ormen Lange gas field off the Norwegian coast with the UK from 2007.

DONG Naturgas held its first annual gas release auction in 2006, offering 400 million m³ of natural gas, equivalent to approx. 10% of Denmark's total gas consumption. The auction is part of DONG Energy's commitment to the European Commission in connection with the latter's approval of the merged DONG Energy. The outcome of the auction was that DONG Naturgas sold the offered quantities in return for receiving corresponding deliveries in the UK, Belgium, the Netherlands and Germany.

Trading in the energy markets

DONG Naturgas A/S is active in the trading in the Northern European energy markets. The physical trading volume amounted to 8,202 billion m³ of gas and 5,867 GWh of electricity in 2006. The trading on electricity exchanges and gas hubs secures balance between the supply sources and customer demand.

In continuation of DONG Energy A/S's acquisition of Elsam, Energi E2, Nesa and the electricity activities of Copenhagen Energy and Frederiksberg Forsyning in 2006, some of the DONG Energy Group's commercial activities

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have been merged and reorganised with effect from 1 July 2006. In that connection an overall trading function has been established in DONG Naturgas A/S, comprising oil, gas, electricity and CO₂ quota trading and conclusion of financial hedging transactions relating to oil, gas, electricity, coal and transportation.

DONG Naturgas A/S predominantly trades in physical and financial electricity, natural gas, coal, oil and CO₂ quotas. The trade in gas takes place at gas hubs in the Netherlands, Belgium, Germany and the UK. In 2006, the trading activity in the German market was increased to support supplies to a number of German customers. On the UK gas hub, NBP, a significant increase in trading activities is being prepared to enable gas from the Ormen Lange field to be sold when it comes onshore at Easington in the UK from 2007. Electricity is traded physically and financially and under short-term and long-term contracts on the Nordic Nord Pool exchange, the German EEX exchange and the Dutch APX exchange. It is also traded bilaterally with other energy companies and sales companies in Northern Europe. Electricity supplies and price hedging agreements to the company's customers are one of the results of this trade.

The costs of CO₂ in the short term and long term are hedged by trading in CO₂ in the European quota market, and are reduced by using the flexible mechanisms under the Kyoto Protocol, where CO₂ credits are secured through participation in projects in Eastern Europe and developing countries that benefit the environment and the climate.

DONG Naturgas A/S and the customers

In 2006, approx. 40% of the gas quantities were sold directly to end customers in Denmark and abroad, while the remaining gas quantities were sold on the Northern European gas hubs and to wholesale customers. Direct sales to end customers in Denmark amounted to 2,423 million m³ in 2006, equivalent to a market share of approx. 59% compared with approx. 61% in 2005.

In the Swedish market, DONG Naturgas sells natural gas and related products to large industrial enterprises and small and medium-sized businesses. The Swedish natural gas network is only developed for supplying south-western Sweden. In Germany, DONG Naturgas looks after supply and partnership concepts for regional distribution companies and large industrial customers through a sales subsidiary. Furthermore, DONG Naturgas owns 25.1% of the sales and distribution company Stadtwerke Lübeck, which distributes and sells gas, electricity, water and heat under approx. 265,000 contracts in the Lübeck area. In the Dutch market, DONG Naturgas owns the sales company DONG Energy Sales B.V., which supplies gas, electricity and services under approx. 180,000 contracts in the Netherlands.

In June, DONG Naturgas and HNG Midt-Nord Salg signed a three-year agreement on natural gas supplies effective from 1 January 2007. The agreement replaces an earlier agreement concerning which the Danish Competition Authority had expressed concerns as a consequence of DONG Naturgas' status as sole supplier. The new agreement comprises approx. 60% of HNG Midt-Nord Salg's current natural gas sales, while the company's remaining gas needs will be covered by other suppliers. HNG Midt-Nord Salg has 235,000 natural gas customers, equivalent to just under 2/3 of the Danish natural gas consumers, and sells approx. 800 million m³ of natural gas per year.

In 2006, sales of service plans to the residential and industrial markets increased, and additional agreements were signed with independent plumbing and heating companies. DONG Naturgas makes increasing use of partnerships as a sales channel, and sales of natural gas, electricity and oil via partners developed positively in 2006. In February 2007, Wingas and DONG Naturgas signed a gas swap agreement under which DONG Naturgas is to deliver 5 billion m³ of gas to Wingas in the UK against receiving corresponding deliveries in Northern Germany. In addition, DONG Naturgas and Wintershall Erdgas Handelshaus have signed an agreement on gas deliveries in Germany.

Risk management

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

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

Commercial risks

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

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

Long-term gas procurement

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

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

Retention and development of skills

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

DONG Naturgas places much emphasis on making the company an attractive workplace, and various initiatives have been put in motion to this end. These include management development, skills development, performance systems, nurturing talent, and collaboration with educational institutions.

Financial risks

DONG Naturgas' operations involve a number of financial risks, and management of these is an important focus area. The purpose of risk management is to ensure an optimal balance between investment and return. Because of its strategic focus on building up cutting-edge risk management skills, DONG Naturgas is today able to offer a number of sophisticated commercial products that are all aimed at reducing the price risk for the customers. DONG Naturgas considers that optimal risk management alone can strengthen existing business opportunities while at the same time creating new ones.

The risk policy for managing financial risks has been laid down by the Supervisory Board of the parent company DONG Energy A/S. It is the Group's policy to identify and assess all material financial risks with a view to their inclusion in the overall risk management. To this end, the management of all financial and insurable risks is anchored and gathered centrally in a finance and risk management function at corporate level. To this should be added the establishment of an interorganisational Risk Committee with special focus on market price and credit risks.

DONG Naturgas' current risk policy is based on active hedging of the market prices that affect its earnings. As part of its risk policy, DONG Naturgas actively manages market price risks up to five years ahead by concluding financial hedging contracts with a view to reducing the risk of losses. DONG Naturgas uses financial hedging instruments solely with a view to reducing its financial exposure. In the primary trading activities, DONG Naturgas takes, to a limited extent, active positions within selected energy risks. The positions are actively monitored with fixed authority limits, daily reporting and risk follow-up.

DONG Naturgas' earnings are influenced, to a great extent, by the development in a number of market prices, especially oil prices, electricity prices, gas prices, coal prices, CO₂ prices and the USD exchange rate. These risks are hedged using forwards, swaps and various option instruments.

DONG Naturgas' operating profit may fluctuate considerably from year to year as a result of the development in prices. Particularly the time lag effect that arises as a consequence of the price of oil and the USD exchange rate featuring with different time lags in DONG Naturgas' natural gas purchase and sales contracts may affect the operating result from one year to the next. This means that oil price changes and changes in the USD exchange rate impact on selling prices relatively quickly, whereas purchase prices are adjusted with a delay of up to 17 months. For example, a change in the price of oil and/or the USD exchange rate in January may thus affect DONG Naturgas' selling prices in February, but will not be felt on purchase prices till June of the following year. For that reason, the effect of changes in the oil price and the USD exchange rate may be felt in different years for purchase contracts and sales contracts, respectively. However, the fluctuations will balance each other out over a number of years.

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Credit risks

Credit risks arise partly from electricity and gas sales, and partly from market value trends for financial and physical transactions based on fixed or indexed prices. In connection with the liberalisation of the energy market, the scope of energy trading under financial contracts based on fixed or indexed prices has grown. Against this background credit risk management is very much a focus area. Credit risk is managed through internal counterparty credit lines along with structured monitoring on the actual exposure. Credit lines are determined on the basis of the counterparty's credit rating, typically by reference to credit ratings from external rating agencies.

Financing and capital resources

The Group is predominantly financed via equity and loans from the parent company DONG Energy A/S. DONG Naturgas has been rated by Moody's. The issuer rating at the end of 2006 was Baa1 (Moody's Investor Service).

Insurable risks

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

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

Statement by the Executive and Supervisory Boards

The Executive and Supervisory Boards have today considered and approved the annual report of DONG Naturgas A/S for the financial year 2006.

The annual report has been prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for annual reports of listed and State-owned public limited companies. We consider the accounting policies used to be appropriate. Accordingly, the annual report gives a true and fair view of the Group's and the parent company's financial position at 31 December 2006 and of the results of the Group's and the parent company's operations and cash flows for the financial year 1 January - 31 December 2006.

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

Hørsholm, 16 April 2007

Executive Board:

Kurt Bligaard Pedersen
President

Supervisory Board:

Anders Eldrup
Chairman

Carsten Krogsgaard Thomsen
Deputy Chairman

Marianne Wiinholt

Michael Steen-Knudsen

Independent auditors' report

To the shareholders of DONG Naturgas A/S

We have audited the annual report of DONG Naturgas A/S for the financial year 1 January - 31 December 2006, which comprises the Statement by the Executive and Supervisory Boards, the management's review and the income statement, balance sheet, statement of changes in equity, cash flow statement and notes for the Group as well as the parent company. The annual report has been prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for annual reports of listed and State-owned public limited companies.

Management's responsibility for the annual report

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

Auditors' responsibility and basis of opinion

Our responsibility is to express an opinion on the annual report based on our audit. We conducted our audit in accordance with Danish Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the annual report is free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual report. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the annual report, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Company's preparation and fair presentation of the annual report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the annual report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Our audit did not result in any qualification.

Opinion

In our opinion, the annual report gives a true and fair view of the Group's and the parent company's financial position at 31 December 2006 and of the results of the Group's and the parent company's operations and cash flows for the financial year 1 January – 31 December 2006 in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for annual reports of listed companies and State-owned public limited companies.

Copenhagen, 16 April 2007

KPMG C. Jespersen
Statsautoriseret Revisionsinteressentskab

Flemming Brokhattingen
State Authorised Public Accountant

Torben Bender
State Authorised Public Accountant

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Consolidated income statement for the year ended 31 December 2006

DKK million	Note	2006	2005
Revenue	3,4	22,548.3	13,879.0
Production costs	5,6	(18,096.7)	(10,851.3)
Gross profit		4,451.6	3,027.7
Sales and marketing	5,6,7	(442.7)	(261.1)
Management and administration	5,6,7	(199.6)	(173.5)
Other operating income and expenses	8	(1,053.2)	(12.2)
Profit before amortisation and impairment losses on rights		2,756.1	2,580.9
Amortisation and impairment losses on rights		0.0	0.0
Operating profit (EBIT)		2,756.1	2,580.9
Share of profit after tax of associates	15	(213.7)	12.1
Financial income	9	272.0	178.1
Financial expenses	10	(211.1)	(162.6)
Profit before tax		2,603.3	2,608.5
Income tax expense	11	(793.0)	(664.4)
Profit for the year		1,810.3	1,944.1
Attributable to:			
Equity holders of DONG Naturgas A/S		1,810.5	1,943.5
Minority interests		(0.2)	0.6
		1,810.3	1,944.1
Earnings per share (EPS) and diluted earnings per share (DEPS) of DKK 1,000, in whole DKK	12	1,775	1,906
Proposed dividend per share (DPS) of DKK 1,000, in whole DKK		1,817	1,862
Dividend paid per share (DPS) of DKK 1,000, in whole DKK		1,862	1,115
Payout ratio (%)		1.02	0.98

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Consolidated balance sheet at 31 December 2006

DKK million	Note	2006	2005
Assets			
Goodwill		322.4	276.9
Rights		1,693.8	1,661.9
Completed development projects		26.2	22.3
In-process development projects and prepayments for intangible assets		12.4	0.0
Intangible assets	13	<u>2,054.8</u>	<u>1,961.1</u>
Land and buildings		2.1	2.1
Production assets		3,422.8	3,765.1
Fixtures and fittings, tools and equipment		11.4	0.5
Property, plant and equipment in the course of construction		32.7	10.9
Property, plant and equipment	14	<u>3,469.0</u>	<u>3,778.6</u>
Investments in associates	15	335.6	550.8
Deferred tax	22	2.5	1.6
Other non-current financial assets	15	62.8	68.0
Other non-current assets		<u>400.9</u>	<u>620.4</u>
Non-current assets		<u>5,924.7</u>	<u>6,360.1</u>
Inventories	16	936.5	687.5
Trade receivables	17	2,878.7	2,717.4
Receivables from group enterprises	18	3,467.1	2,705.7
Income tax receivable	25	10.7	3.1
Other receivables	19	18,879.5	2,255.1
Prepayments	20	0.8	0.6
Cash	32	644.8	533.5
Current assets		<u>26,818.1</u>	<u>8,902.9</u>
Assets		<u>32,742.8</u>	<u>15,263.0</u>

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Consolidated balance sheet at 31 December 2006

DKK million	Note	2006	2005
Equity and liabilities			
Share capital		1,020.0	1,020.0
Hedging reserve		39.5	(567.5)
Translation reserve		1.1	1.1
Retained earnings		4,396.0	4,438.7
Proposed dividends		1,853.0	1,899.4
Equity attributable to the equity holders of DONG Naturgas A/S		7,309.6	6,791.7
Minority interests		2.8	3.1
Equity	21	7,312.4	6,794.8
Deferred tax	22	952.9	879.0
Provisions	23	148.8	224.3
Mortgage loans	24	344.7	344.7
Other non-current liabilities	24	2.6	0.0
Payables to group enterprises	24	746.2	889.4
Non-current liabilities		2,195.2	2,337.4
Mortgage loans	24	0.0	23.7
Bank loans	24,32	112.5	398.9
Trade payables		2,174.0	1,987.9
Payables to group enterprises		764.0	131.6
Income tax payable	25	557.8	115.0
Other payables	26	19,427.5	3,224.1
Deferred income	27	199.4	249.6
Current liabilities		23,235.2	6,124.7
Liabilities		25,430.4	8,462.1
Equity and liabilities		32,742.8	15,263.0
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Consolidated statement of changes in equity for the year ended 31 December 2006

DKK million	Share capital	Hedging reserve	Translation reserve	Retained earnings	Proposed dividends	Equity attributable to equity holders of DONG Naturgas	Minority interests	Total
Equity at 1 January 2005	1,020.0	(51.6)	(0.1)	4,400.0	1,136.9	6,505.2	0.0	6,505.2
Changes in accounting policies	0.0	0.0	0.0	(5.4)	0.0	(5.4)	0.0	(5.4)
Restated equity at 1 January 2005	1,020.0	(51.6)	(0.1)	4,394.6	1,136.9	6,499.8	0.0	6,499.8
Foreign exchange adjustments relating to foreign enterprises	0.0	0.0	1.2	0.0	0.0	1.2	0.0	1.2
Value adjustments of hedging instruments	0.0	(1,017.5)	0.0	0.0	0.0	(1,017.5)	0.0	(1,017.5)
Value adjustments of hedging instruments transferred to income statement	0.0	303.0	0.0	0.0	0.0	303.0	0.0	303.0
Tax on equity items	0.0	198.6	0.0	0.0	0.0	198.6	0.0	198.6
Other adjustments	0.0	0.0	0.0	0.0	0.0	0.0	2.5	2.5
Net gains recognised directly in equity	0.0	(515.9)	1.2	0.0	0.0	(514.7)	2.5	(512.2)
Profit for the year	0.0	0.0	0.0	1,943.5	0.0	1,943.5	0.6	1,944.1
Total income and expense for the year	0.0	(515.9)	1.2	1,943.5	0.0	1,428.8	3.1	1,431.9
Proposed dividends	0.0	0.0	0.0	(1,899.4)	1,899.4	0.0	0.0	0.0
Dividends paid	0.0	0.0	0.0	0.0	(1,136.9)	(1,136.9)	0.0	(1,136.9)
Total changes in equity in 2005	0.0	(515.9)	1.2	44.1	762.5	291.9	3.1	295.0
Equity at 1 January 2006	1,020.0	(567.5)	1.1	4,438.7	1,899.4	6,791.7	3.1	6,794.8

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DKK million	Share capital	Hedging reserve	Translation reserve	Retained earnings	Proposed dividends	Equity attributable to equity holders of DONG Naturgas	Minority interests	Total
Equity at 1 January 2006	<u>1,020.0</u>	<u>(567.5)</u>	<u>1.1</u>	<u>4,438.7</u>	<u>1,899.4</u>	<u>6,791.7</u>	<u>3.1</u>	<u>6,794.8</u>
Foreign exchange adjustments relating to foreign enterprises	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Value adjustments of hedging instruments	0.0	267.1	0.0	0.0	0.0	267.1	0.0	267.1
Value adjustments of hedging instruments transferred to income statement	0.0	576.0	0.0	0.0	0.0	576.0	0.0	576.0
Tax on equity items	0.0	(236.1)	0.0	0.0	0.0	(236.1)	0.0	(236.1)
Other adjustments	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>(0.1)</u>	<u>(0.1)</u>
Net gains recognised directly in equity	<u>0.0</u>	<u>607.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>607.0</u>	<u>(0.1)</u>	<u>606.9</u>
Profit for the year	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>1,810.3</u>	<u>0.0</u>	<u>1,810.3</u>	<u>(0.2)</u>	<u>1,810.1</u>
Total income and expense for the year	<u>0.0</u>	<u>607.0</u>	<u>0.0</u>	<u>1,810.3</u>	<u>0.0</u>	<u>2,417.3</u>	<u>(0.3)</u>	<u>2,417.0</u>
Proposed dividends	0.0	0.0	0.0	(1,853.0)	1,853.0	0.0	0.0	0.0
Dividends paid	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>(1,899.4)</u>	<u>(1,899.4)</u>	<u>0.0</u>	<u>(1,899.4)</u>
Total changes in equity in 2006	<u>0.0</u>	<u>607.0</u>	<u>0.0</u>	<u>(42.7)</u>	<u>(46.4)</u>	<u>517.9</u>	<u>(0.3)</u>	<u>517.6</u>
Equity at 31 December 2006	<u>1,020.0</u>	<u>39.5</u>	<u>1.1</u>	<u>4,396.0</u>	<u>1,853.0</u>	<u>7,309.6</u>	<u>2.8</u>	<u>7,312.4</u>

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Consolidated cash flow statement for the year ended 31 December 2006

DKK million	Note	2006	2005
Cash flows from operations (operating activities)	28	2,966.7	2,804.7
Interest income and similar items		301.4	300.1
Interest expense and similar items		(139.3)	(450.9)
Income tax paid		(520.7)	(265.6)
Cash flows from operating activities		2,608.1	2,388.3
Purchase of intangible assets		(102.2)	(976.7)
Purchase of property, plant and equipment		(24.0)	(49.6)
Sale of property, plant and equipment		0.2	81.4
Acquisition of group enterprises	30	0.0	(392.0)
Acquisition of associates	31	0.0	(457.9)
Capital contributions from minority interests in group enterprises		0.0	3.1
Capital contributions, group enterprises		0.0	17.6
Acquisition of other equity investments and securities		5.2	6.4
Disposal of other equity investments and securities		0.0	0.0
Dividends received		3.9	3.2
Cash flows from investing activities		(132.2)	(1,764.5)
Increase in loans from group enterprises		0.0	1,039.6
Increase in assets held under finance leases	29	0.0	0.0
Interest, finance leases		0.0	0.0
Decrease in other loans		(188.3)	(46.3)
Dividends paid to shareholders in the parent company		(1,899.4)	(1,137.0)
Dividends paid to minority shareholders		(7.5)	0.0
Cash flows from financing activities		(2,095.2)	(143.7)
Net increase (decrease) in cash and cash equivalents		396.0	480.1
Cash and cash equivalents at 1 January		134.6	(348.5)
Foreign exchange adjustments of cash and cash equivalents		1.7	3.0
Cash and cash equivalents at 31 December	32	532.3	134.6

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Parent company income statement for the year ended 31 December 2006

DKK million	Note	2006	2005
Revenue	3,4	21,933.1	13,303.9
Production costs	5,6	(17,575.5)	(10,372.0)
Gross profit		4,357.6	2,931.9
Sales and marketing	5,6,7	(338.0)	(192.2)
Management and administration	5,6,7	(174.3)	(154.7)
Other operating income and expenses	8	(1,054.3)	1.0
Profit before amortisation and impairment losses on rights		2,791.0	2,586.0
Amortisation and impairment losses on rights		0.0	0.0
Operating profit (EBIT)		2,791.0	2,586.0
Impairment losses for associates	15	(214.7)	0.0
Financial income	9	299.4	126.7
Financial expenses	10	(222.4)	(131.9)
Profit before tax		2,653.3	2,580.8
Income tax expense	11	(800.1)	(656.2)
Profit for the year		1,853.2	1,924.6

Proposal for distribution of profit

The Supervisory Board proposes that the profit for the year, DKK 1,853.2 million, be distributed as follows:

Dividends	1,853.0	1,899.4
Retained earnings	0.2	25.2
	1,853.2	1,924.6

Earnings per share (EPS) and diluted earnings per share (DEPS) of DKK 1,000, in whole DKK	12	1,817	1,887
Proposed dividend per share (DPS) of DKK 1,000, in whole DKK		1,817	1,862
Dividend paid per share (DPS) of DKK 1,000, in whole DKK		1,862	1,115
Payout ratio (%)		1.00	0.99

