

Company announcement

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Interim financial report for the first nine months of 2012 – Lower full-year outlook

1 November 2012

The Board of Directors of DONG Energy has today approved the interim financial report for the first nine months of 2012 with the following outlook and financial highlights compared with the first nine months of 2011:

- EBITDA for the first nine months of 2012 was DKK 6.7 billion compared with DKK 11.7 billion in the first nine months of 2011, reflecting a DKK 2.3 billion provision for three long-term, loss-making gas storage facility contracts in Germany. These contracts were entered into in 2006/2007, when only companies that had access to storage capacity were able to operate in the market. The current market situation has significantly reduced the value of storage flexibility and the contracts are therefore loss-making. Furthermore, due to overcapacity in the market, a DKK 0.6 billion provision has been made relating to a loss-making contract from 2007 for capacity in the LNG terminal in the Netherlands. None of these provisions has any effect on cash flows. EBITDA also reflected the discontinuation of non-recurring income in 2011 from the renegotiation of gas contracts, low output and spreads for the thermal power stations and costs for the repair work to the Siri platform. By contrast, the wind activities generated higher EBITDA as did Exploration & Production, which reported higher production and prices
- The result after tax was a loss of DKK 2.4 billion, down DKK 5.9 billion on the first nine months of 2011. The decline reflected lower EBITDA, impairment losses of DKK 2.7 billion and higher depreciation. A DKK 2.0 billion gain after tax on disposal of enterprises, on the other hand, had a positive effect
- Operating cash inflow decreased to DKK 5.0 billion from DKK 8.2 billion in the first nine months of 2011, mainly due to lower EBITDA (before provisions) and an increase in funds tied up in working capital
- Net investments were DKK 11.6 billion in the first nine months of 2012 compared with DKK 12.3 billion in the same period the previous year. Gross investments were DKK 14.8 billion and

DONG Energy is one of the leading energy groups in Northern Europe. We are headquartered in Denmark. Our business is based on procuring, producing, distributing and trading in energy and related products in Northern Europe. We have approximately 7,000 employees and generated DKK 57 billion (EUR 7.6 billion) in revenue in 2011. For further information, see www.dongenergy.com

primarily related to the development of wind activities and oil and gas fields, while divestments primarily related to Oil Terminals

- Interest-bearing net debt rose by DKK 9.6 billion from the end of 2011 to DKK 33.2 billion

Henrik Poulsen, CEO

“The results we have delivered for the first nine months of the year are unsatisfactory and so is the fact that we have had to lower our EBITDA outlook for 2012. This is due, in particular, to a European gas market marred by oversupply and low margins, partly because low CO₂ and coal prices make the coal-fired power stations more competitive than the gas-fired power stations. This has been an instrumental factor in considerable provisions and a significant deterioration in the earnings trend in the Energy Markets business area. The other four business areas are performing in line with expectations. For example, we still see great potential in our two primary growth areas, Exploration & Production and Wind Power. The poor earnings performance in 2012 has intensified the need to significantly enhance DONG Energy’s earnings, return on capital employed and capital structure. To that end, we are working on an action plan to cut costs by DKK 1 billion by the end of 2012, divest non-core activities, prioritise future investments and restructure our loss-making activities in the gas market.”

DKK million	9M2012	9M2011	Δ
Revenue	51,310	40,985	10,325
EBITDA	6,696	11,685	(4,989)
Profit (loss) for the period	(2,401)	3,531	(5,932)
Cash flows from operating activities	4,997	8,223	(3,226)
Gross investments	(14,776)	(13,328)	(1,448)
Net investments	(11,612)	(12,281)	669
Interest-bearing net debt	33,200	27,348	5,852

Outlook

In connection with the interim financial report for the first half, it was announced that the assumptions for the EBITDA outlook for Energy Markets in 2012 had deteriorated since the beginning of the year due to a series of factors all of which depress EBITDA.

The DKK 2.9 billion provisions for loss-making contracts and the delayed commissioning of London Array have led to a further lowering of the outlook compared with the outlook in the interim financial report for the first half.

To improve DONG Energy's future earnings capacity and enhance its future capital structure, an efficiency plan will be implemented by the end of 2012 to cut costs by DKK 1 billion annually. One of the ways in which this will be achieved is by cutting 500-600 jobs. DONG Energy also expects to make divestments to a value of DKK 10 billion in 2013-2014.

Based on the above, EBITDA in 2012 is expected to be DKK 8.5-9 billion. This is a downwards adjustment compared with the outlook in the interim financial report for the first half, when EBITDA in 2012 was expected to be around 10% lower than in 2011.

EBITDA in 2013 is still expected to be significantly ahead of 2012, reflecting cost cuts, new assets in operation and the discontinuation of the non-recurring effect from the provisions for loss-making contracts in 2012. The capital structure is expected to improve correspondingly. A more precise outlook for EBITDA and the capital structure key ratio for 2013 will be provided no later than in connection with the annual report for 2012.

In connection with the presentation of the interim financial report a conference call for investors and analysts will be held on 1 November 2012 at 11.00am CET:

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International: +44 145 255 5131

The conference call can be followed live at the following address:

<http://www.dongenergy.com/en/investor/presentations/pages/webcasts.aspx>

Presentation slides will be available prior to the conference call at the following address:

http://www.dongenergy.com/en/investor/presentations/pages/financial_presentations.aspx

The interim financial report can be downloaded at:

<http://www.dongenergy.com/en/investor/reports/pages/interimreports.aspx>

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