

European Commission clearance of merger

The European Commission has today cleared the merger of the energy companies DONG, Energi E2, Elsam, Nesa, Frederiksberg Forsyning and Copenhagen Energy (electricity activities).

The European Commission initially voiced concerns about the merger of both electricity activities and gas activities. Following almost one year of thorough analysis of the Danish energy sector, during which the Commission has asked approx. 1,000 questions and received 380 ring binders of documentation relating to the six companies, the Commission has concluded that competition in the electricity market has been safeguarded by virtue of DONG's agreement with the Swedish energy group Vattenfall.

- On 1 June 2005 DONG entered into an agreement on sale of power station and wind power activities to Vattenfall, equivalent to approx. 2,400 MW, including Nordjyllandsværket, Amagerværket and Fynsværket. In return, Vattenfall will transfer its approx. 35% stake in Elsam and its 40% interest in Avedøre 2 to DONG.

However, the Commission still has some concerns as far as the gas market is concerned. In order to address these concerns, DONG has offered the following commitments promoting competition, which have been accepted by the Commission:

- A gas release programme under which DONG will auction 400 million m³ gas annually over the next six years, equivalent to 10% of Denmark's total annual consumption. This will ensure a liquid gas market in Denmark, regardless of whether Elsam and Energi E2 are removed from the market as potential wholesalers.
- Disposal of DONG's gas storage facility in Lille Torup in Jutland, which accounts for just over half of DONG's storage capacity. The gas storage facility must be sold at market price. DONG will retain the gas storage facility in Stenlille. This will ensure two independent storage suppliers in Denmark.

The commitments referred to above are not expected to have any material impact on the previously announced outlook for 2006. The commitments may have an adverse financial impact on the financial results for the subsequent years, depending on the outcome of the auctions.

"We are pleased that with the European Commission's clearance we will now be able to begin building up the new Danish energy company. It has been a fair, but also very extensive and time-consuming review, as a result of which we have had to dispose of substantial assets. On the other hand, the thorough review has created a solid foundation for the establishment of the new company, and we look forward to now being able to carry the merger into effect," says CEO Anders Eldrup.

For further comments, contact:

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DONG is one of the leading energy groups in the Nordic region. Our headquarters are in Denmark. Our business is based on procuring, producing, distributing and trading in energy and related products in Northern Europe. We employ approx 1,000 people and generate DKK 18 billion in revenue. It is planned to list DONG's shares on the Copenhagen Stock Exchange within the coming years.