

Company announcement

Interim financial report for H1 2014

Strong earnings improvement – driven by Wind Power and E&P

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The Board of Directors of DONG Energy A/S today approved the interim financial report for H1 2014.

- EBITDA was DKK 9.8 billion in H1 2014 compared with DKK 7.8 billion in H1 2013. The increase relative to the same period last year was due to higher earnings from wind activities, including a gain from the divestment of 50% of DONG Energy's ownership interest in the UK offshore wind farms London Array and Westermost Rough as well as higher production in E&P. On the other hand, earnings decreased in Thermal Power due to warm and windy weather, and in Customers & Markets due to lower gas sales and falling gas prices
- Net profit was DKK 1.4 billion, up DKK 1.0 billion on H1 2013, primarily driven by the higher EBITDA and impairment losses recognised in H1 2013
- Cash flows from operating activities increased to DKK 6.6 billion from DKK 4.6 billion in H1 2013, mainly driven by the improved operating profit and fewer funds tied up in working capital
- Gross investments totalled DKK 6.8 billion, mainly related to offshore wind activities and oil and gas fields
- Divestments amounted to DKK 7.6 billion in H1 2014, mainly relating to the ownership interests in London Array and Westermost Rough
- Interest-bearing net debt decreased by DKK 19.4 billion from the end of 2013 to DKK 6.4 billion at the end of June 2014. The equity increase and divestments contributed DKK 20.6 billion
- The credit metric, funds from operation (FFO) relative to adjusted net debt (rolling 12 months) were 35% at the end of H1 2014 compared with 23% for the 2013 calendar year. The improvement was due to higher EBITDA and the continued low net debt at the end of June 2014. Net debt will, however, rise again, along with the continued investments in offshore wind farms and oil and gas fields, resulting in a reduction of the key ratio towards the end of the year
- ROCE (rolling 12 months) was 4.1% compared with -6.3% at the end of H1 2013. Adjusted for impairment losses and provisions for onerous contracts, ROCE would have been 7.1% and 1.4%, respectively, in the two periods.

DONG Energy is one of the leading energy groups in Northern Europe. Our business is based on procuring, producing, distributing and trading in energy and related products in Northern Europe. DONG Energy has around 6,500 employees and is headquartered in Denmark. The Group generated DKK 73 billion (EUR 9.8 billion) in revenue in 2013. For further information, see www.dongenergy.com.

DKK million	H1 2014	H1 2013	Δ
Revenue	35,873	39,238	(3,365)
EBITDA	9,813	7,766	2,047
Profit for the period	1,429	430	999
Cash flows from operating activities	6,621	4,625	1,996
Gross investments	(6,754)	(8,394)	1,640
Net investments	810	(3,227)	4,037
Interest-bearing net debt	6,443	31,419	(24,976)

2014 outlook - reaffirmed

The outlook announced in the 2013 annual report is reaffirmed:

- Business performance EBITDA for 2014 is expected to amount to DKK 15-17 billion.
- Net investments of around DKK 30 billion are expected for the period 2014-2015.
- Funds from operation (FFO) relative to adjusted net debt are expected to be around 25% in 2014.

CEO Henrik Poulsen:

"DONG Energy saw a strong earnings improvement in the first half of the year, driven by the two growth areas Wind Power and E&P. With an increase in EBITDA of 26% and a significant improvement in ROCE compared to last year, the Group is continuing to move in the right direction. The transformation of DONG Energy's business continues according to plan, with an increasing part of earnings coming from the investment focus areas Wind Power and E&P. Also, the transition of the Group's electricity generation to renewable energy is making good progress.

In Wind Power, the award of subsidies to the three UK offshore projects Burbo Extension, Walney Extension and Hornsea has provided security for our pipeline up to 2020, which will allow us to focus on our objective of significantly reducing the costs of electricity generation from offshore wind. At the same time, the partial divestment of the Westermost Rough and, most recently, Gode Wind 2 offshore projects has confirmed the strong market interest in DONG Energy's industry-leading partnership model.

E&P reached an important milestone in July, when the repair work on the Siri platform was completed. Now, we are awaiting regulatory approval of the solution.

The supporting foundation of the Hejre platform has been installed on the seabed of the North Sea, and the drilling of the first production well has started. Much work is also going into establishing the infrastructure in the form of oil and

gas pipelines and extending the oil terminal in Fredericia. However, the work on the upper part of the platform is challenged by delays at our supplier consortium. Production is therefore not expected to start until 2017.

The operator of the Laggan-Tormore field is currently reviewing delays in the construction of the gas treatment plant in the Shetland Islands. It is DONG Energy's expectation that production start-up from the field will be postponed from end of 2014 to 2015.

In E&P, the exploration results in recent years have not lived up to the Group's expectations, gas price forecasts and local hydrocarbon tax frameworks have changed, and ongoing field development projects have been delayed. These changes have led to a revision of the long-term targets for E&P (see page 8 in the interim financial report).

In Thermal Power, the new heat supply agreements in Aarhus and the Triangle Region of Denmark will allow us to continue investing in the conversion of our power stations from coal and gas to sustainable biomass. In the first half of the year, it was thus decided to invest DKK 2.5 billion in converting the power stations in Skærbæk and Studstrup."

Teleconference

In connection with the presentation of the interim financial report, a conference call for investors and analysts will be held on Wednesday 27 August 2014 at 11.00am CET:

Denmark: +45 35 44 55 83
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The conference call can be followed live:
<http://www.dongenergy.com/conferencecall>

Presentation slides will be available prior to the conference call:
<http://www.dongenergy.com/presentations>

The interim financial report can be downloaded at:
<http://www.dongenergy.com/interimreports>

Further information

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