FINANCIAL REPORT H1 2016
INVESTOR PRESENTATION

4 August 2016

DONG energy

Disclaimer

Certain statements in this presentation are based on the beliefs of our management as well as assumptions made by and information currently available to the management. Forward-looking statements (other than statements of historical fact) regarding our future results of operations, financial condition, cash flows, business strategy, plans and future objectives can generally be identified by terminology such as “targets”, “believes”, “expects”, “aims”, “intends”, “plans”, “seeks”, “will”, “may”, ”anticipates”, “continues” or similar expressions.

These statements are not guarantees of future performance and involve certain risks and uncertainties. Therefore, actual future results and trends may differ materially from what is forecast in this financial report due to a variety of factors, including, but not limited to, changes in temperature and precipitation levels; the development in oil, gas, electricity, coal, CO_2, currency and interest rate markets; changes in legislation, regulation or standards; renegotiation of contracts; changes in the competitive environment in DONG Energy’s markets; and security of supply.

We urge you to read our annual report available on our website at www.dongenergy.com for a discussion of some of the factors that could affect our future performance and the industry in which we operate.

Should one or more of these risks or uncertainties materialise or should any underlying assumptions prove to be incorrect, our actual financial condition or results of operations could materially differ from that described herein as anticipated, believed, estimated or expected.

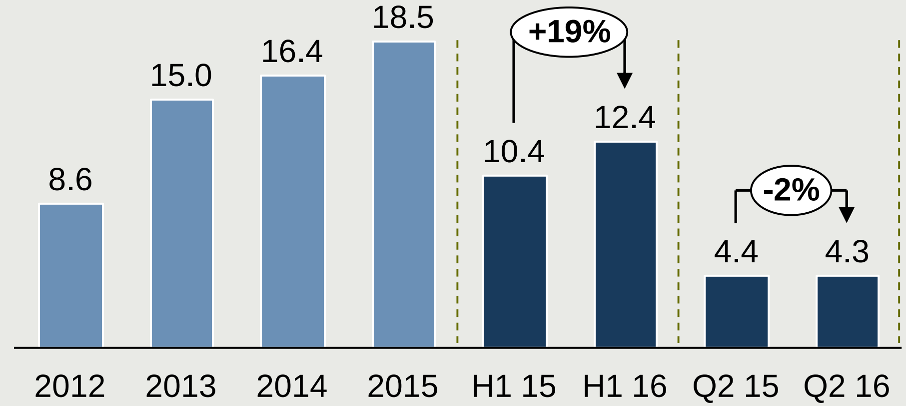

Borkum Riffgrund

Continued strong earnings growth

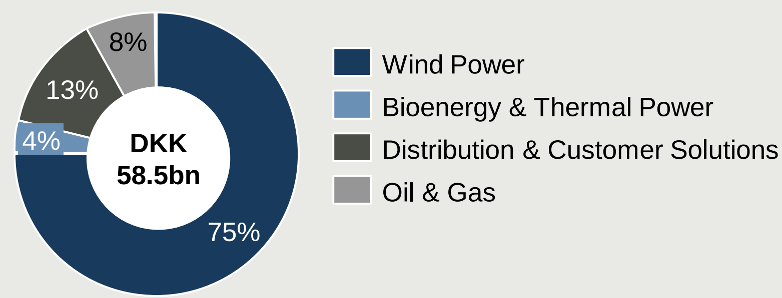
Financial highlights H1 16

- Continued strong earnings driven by Wind Power and settlement of gas sourcing contracts
- Reported EBITDA up 19% y/y
- Underlying EBITDA increased 34% in H1 and 31% in Q2 y/y
- Adjusted ROCE increasing to 15% (7% in H1 15)
- Net profit of DKK 6.4bn (DKK 2.8bn in H1 15)
- Free cash flow of DKK 5.3bn (DKK -1.8bn in H1 15)
- Strong credit metrics (FFO/Adjusted net debt of 55%)

Group EBITDA
(DKKbn)



Capital Employed per Business Unit
(DKKbn, %)



Strategic highlights

	H1 MILESTONES	POTENTIAL H2 MILESTONES
DONG energy	▪ Landmark IPO	
Wind Power 	▪ FID Borkum Riffgrund 2 in Germany ▪ FID Borssele in the Netherlands ▪ Massachusetts energy bill	▪ Commissioning of Gode Wind 1 and 2 ▪ One further farm down (50%)
Bioenergy & Thermal Power 	▪ FID of first commercial-scale REnescience plant	▪ Completion of biomass conversions at Studstrup and Avedøre ▪ Ruling in the Elsam litigation expected on 30th of August
Distribution & Customer Solutions 	▪ Completion of renegotiation of long-term gas sourcing contracts with significant lump sum payments ▪ Divestment of gas distribution grid	▪ Settlement of additional long-term gas sourcing contracts
Oil & Gas 	▪ Divestment of stakes in five Norwegian oil & gas fields ▪ Ramp-up of production from Laggan-Tormore ▪ Significant cost reductions implemented	

DONG energy

Decision to build Borssele 1 & 2

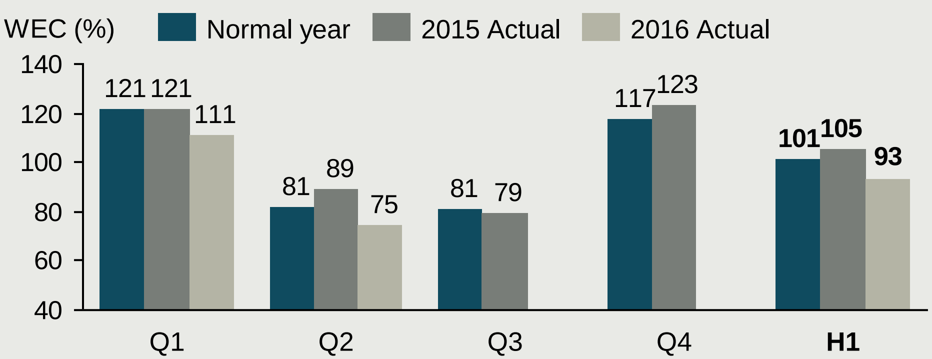
- DONG Energy has been awarded the concession to build the wind farms Borssele 1 & 2 offshore in the Netherlands.
- A value creating investment in line with assumptions in long-term financial planning
- Capex and opex per MW for Borssele 1 & 2 is significantly below the range guided for pre-2020 build-out portfolio
- This is partly due to continued cost reduction efforts and partly because of site specifics including near shore location and good seabed conditions
- The continuing decline in the levelised cost of electricity is driven by
  - Further innovation of wind turbines and blades
  - Continuous improvements of foundation design
  - Faster installation cycles
  - Higher cable capacity
  - A maturing and more competitive supply chain
  - Large-scale sites
  - Industrialisation and standardisation

Borssele 1 & 2 facts

- Capacity of 2 x 350MW
- Fixed price of 72.7 EUR/MWh over 15 years excluding transmission costs
- Commissioned within four years with a flexibility of another year
- The wind farms will be located 22km offshore with water depth of 14-38m and good seabed conditions
- Good and stable average wind speed of 9.5m/s
- The Dutch offshore grid operator, TenneT, is responsible for construction, operation and ownership of transmission grid.

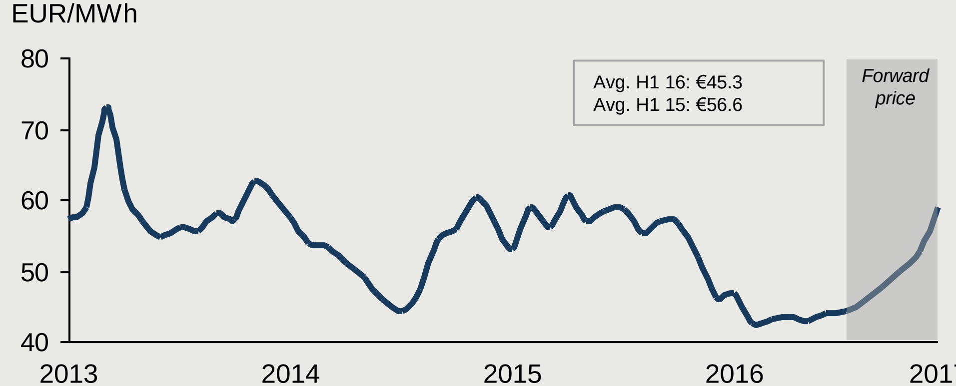
Market conditions and prices

WIND ENERGY CONTENT



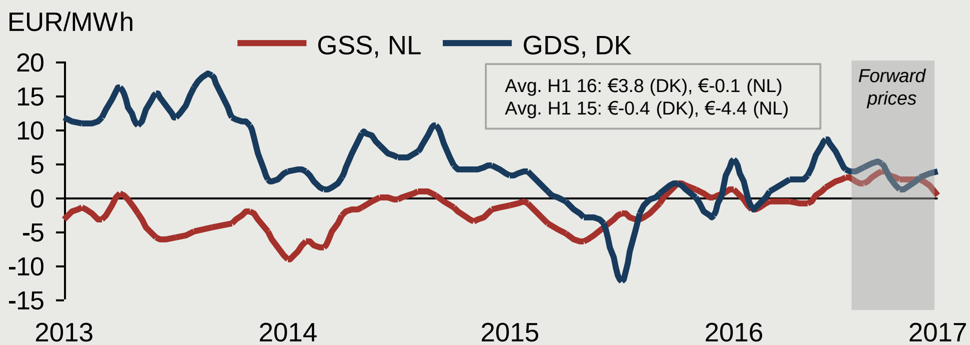
Source: DONG Energy wind data

UK POWER PRICE



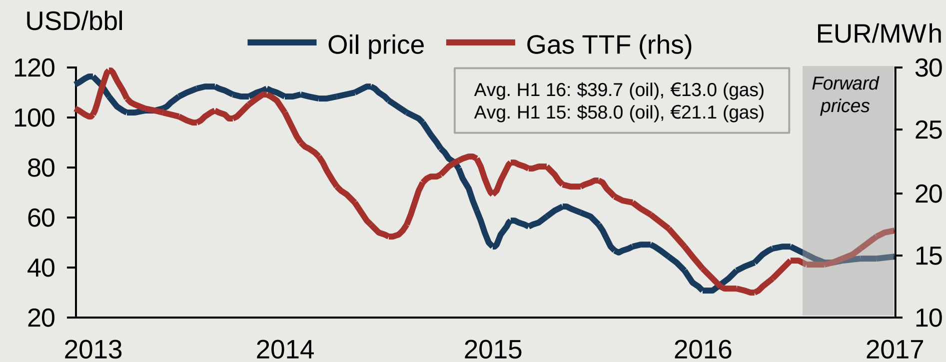
Source: LEBA (forwards from 28 July 2016)

GREEN DARK SPREAD (DK) AND SPARK SPREADS (NL)



Source: Nord Pool, Argus-McCloskey and ICE (forwards from 28 July 2016)

OIL AND GAS PRICE



Source: Platts, ICIS Heren (forwards from 28 July 2016)

Financial results H1 16

EBITDA – Strong increase to DKK 12.4bn (up 19% y/y)

✓ Strong underlying growth in WP with contribution from new wind farms and higher activity on partnership contracts

✓ Significant impact from settlement of gas sourcing contracts

× Declining oil and gas prices – only partly offset by hedging as it is conducted on an after tax basis

× Comparison y/y impacted by insurance & legal compensations and Glenlivet divestment gain in H1 15 (DKK 1.6bn in total)

× Termination of Hejre EPC contract causing provisions with DKK 0.8bn negative EBITDA impact (no effect on EBIT)

Operating cash flow – Significant increase to DKK 10.7bn

✓ Higher EBITDA, less funds tied up in WP work-in-progress (WP partners' milestone payments and sale of Westermost Rough transmission assets) and lower paid taxes

Net debt – continued low level (DKK 3.8bn)

✓ Strong operating cash flow, WP farm down and lower DKK value of Sterling debt

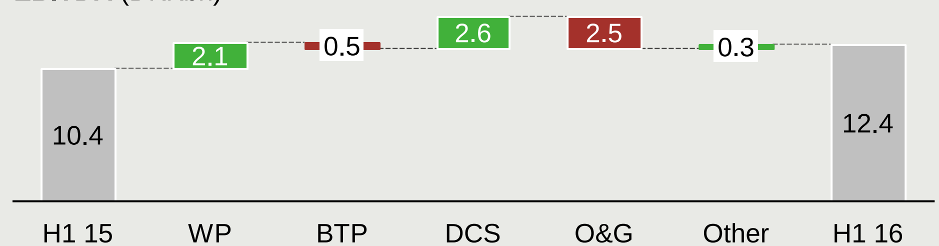
Net finance items – down 36% y/y

✓ Positive impact from FX items and lower net debt

× One-off from early redemption of bonds & loans (DKK 0.9bn)

Selected financials (DKKm)	H1 15	H1 16	Q2 15	Q2 16
Revenue	37,856	35,253	18,589	16,420
EBITDA	10,406	12,409	4,405	4,320
Net finance costs	-1,331	-853	-481	-866
Net profit	2,777	6,368	1,033	1,152
Assets	155,073	140,700	155,073	140,700
Equity	63,152	54,695	63,152	54,695
Net debt	7,785	3,821	7,785	3,821
Operating cash flow	6,546	10,739	4,251	957
Gross investments	-8,827	-7,372	-4,159	-3,195
Divestments	486	1,968	429	18
Free cash flow	-1,795	5,335	521	-2,220
FFO[1]/Adjusted net debt	38.3%	54.7%	38.3%	54.7%
ROCE[1]	-4.4%	-8.9%	-4.4%	-8.9%
Adj. ROCE[1] (excl. writedowns)	6.8%	14.6%	6.8%	14.6%

EBITDA (DKKbn)



Note (1): Last 12 months

Wind Power

Operational highlights

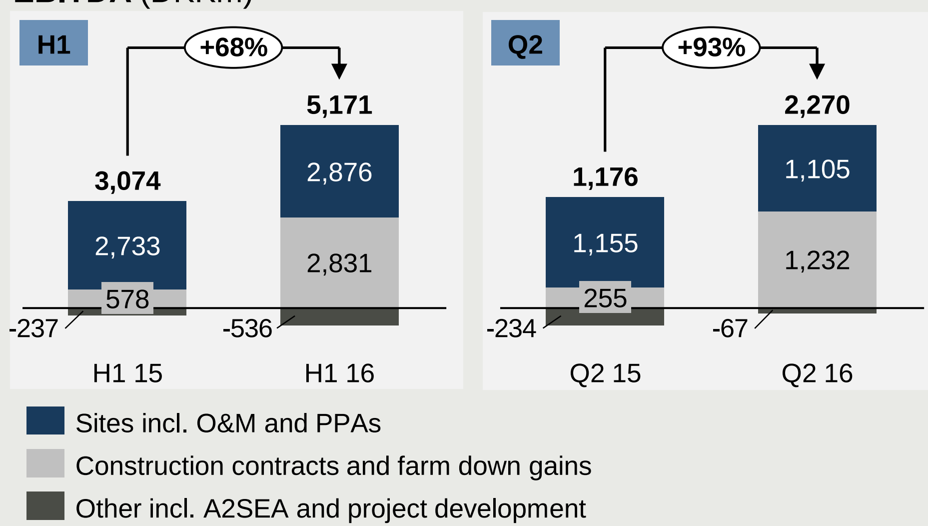
- Power generation down 3% in H1 16 y/y
  - ✗ Lower wind energy content
  - ✓ Full contribution from new wind farms Westermost Rough and Borkum Riffgrund 1
- FID Borssele offshore wind farm in the Netherlands Concession
- FID Borkum Riffgrund 2 offshore wind farm in Germany

Financials highlights H1 16 – EBITDA up 68% y/y

- ✓ Higher activity on construction contracts (primarily Gode Wind 1 and 2 and Burbo Bank Extension) and farm down gain on Burbo Bank Extension
- ✓ Ramp-up in power generation from Westermost Rough and Borkum Riffgrund 1
- ✗ Lower wind energy content
- ✗ A2SEA – higher share of intragroup installation projects and higher costs relating to restructuring of the business

Key business drivers		H1 15	H1 16	Q2 15	Q2 16
Power generation	GWh	3.0	2.9	1.4	1.2
Wind energy content	Index	105	93	89	75
Load factor	%	48	40	42	34
Installed capacity	GW	2.7	3.0	2.7	3.0
Production capacity	GW	1.5	1.7	1.5	1.7
Financial highlights					
EBITDA	DKKm	3,074	5,171	1,176	2,270
Adjusted ROCE (LTM)	%	4.5%	10.8%	4.5%	10.8%

EBITDA (DKKm)



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Bioenergy & Thermal Power

Operational highlights

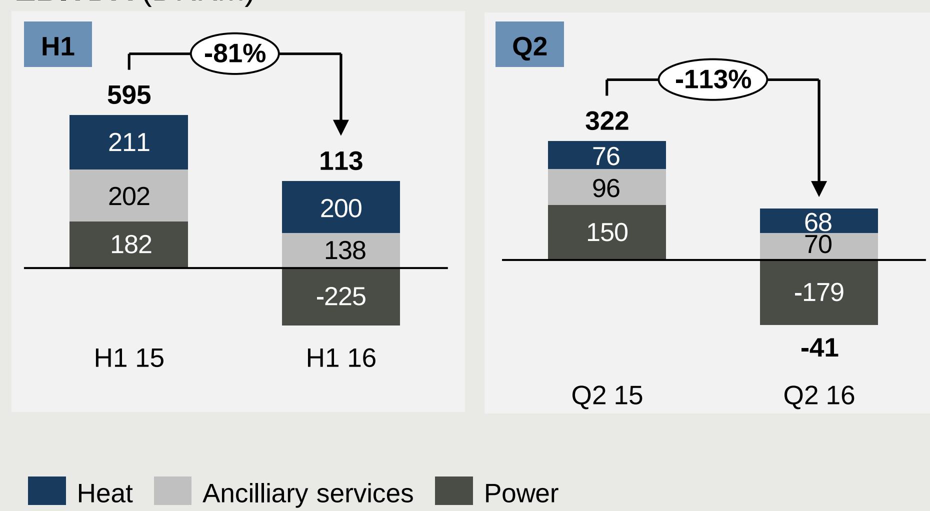
- Heat generation down 5% in H1 16 y/y due to sale of Måbjerg CHP plant in May 2015 and slightly warmer weather than in H1 15
- Biomass conversions at Studstrup, Avedøre and Skærbæk progressing according to plan and budgets

Financials highlights H1 16 – EBITDA down 81% y/y

- × Comparison y/y impacted by positive one-off items in H1 15 totalling DKK 0.5bn (settlement of legal case and insurance compensation) forming part of "Power EBITDA".
- ✓ Underlying power business improved in H1 16 from better dark green spread
- Heat EBITDA stable, while EBITDA from ancillary services down y/y due to invoicing in H1 15 relating to prior years

Key business drivers		H1 15	H1 16	Q2 15	Q2 16
Heat generation	TWh	6.0	5.7	1.6	1.4
Power generation	TWh	4.2	4.1	1.2	1.1
Degree days, number	No.	1,731	1,699	520	399
Financial highlights					
EBITDA	DKKm	595	113	322	-41
Free cash flow	DKKm	1,087	-330	752	-353

EBITDA (DKKm)



Distribution & Customer Solutions

Operational highlights

- Divestment of gas distribution (DKK 2.3bn) – transaction expected to close end-September 2016 and generate a gain of DKK 1.5bn (not part of EBITDA)

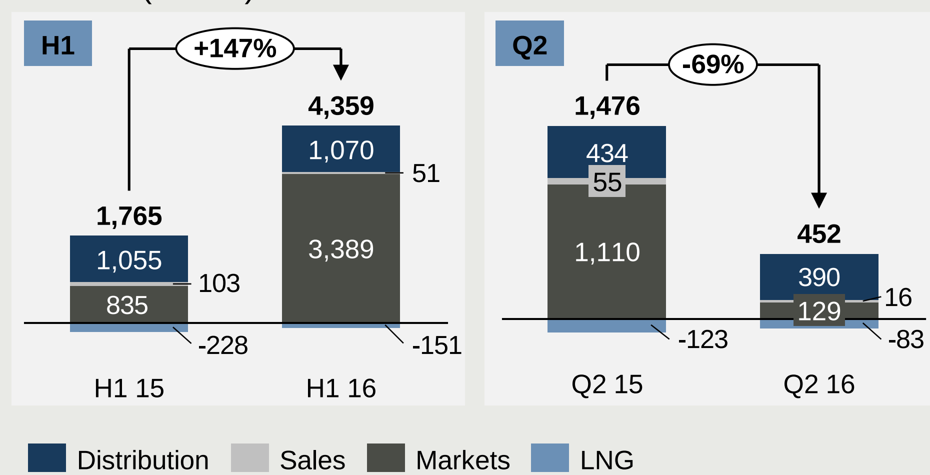
Key business drivers		H1 15	H1 16	Q2 15	Q2 16
RAB Power	DKKm	10,778	10,648	10,778	10,648
RAB Gas	DKKm	3,231	3,016	3,231	3,016
Gas sales	TWh	80.7	77.2	36.8	35.6
Power sales	TWh	16.3	19.2	7.8	8.5
Distribution of gas	TWh	4.6	4.7	1.5	1.5
Distribution of power	TWh	4.2	4.3	1.9	1.9
Financial highlights					
EBITDA	DKKm	1,765	4,359	1,476	452
Adjusted ROCE	%	10.2%	43.7%	10.2%	43.7%

Financials highlights H1 16 – EBITDA up DKK 2.6bn y/y

✓ Markets business significantly impacted by lump sum payment and ongoing margin improvement from renegotiation of gas sourcing contracts – lump sums of around DKK 3.5bn expected for FY 2016 of which the majority was realised in H1 16. One renegotiation was completed in Q2 2015

× H1 15 positively affected by unwinding of hedges following changed expectations regarding indexation of gas sourcing contracts (from oil-indexed to gas-indexed)

EBITDA (DKKm)



Oil & Gas

Operational highlights

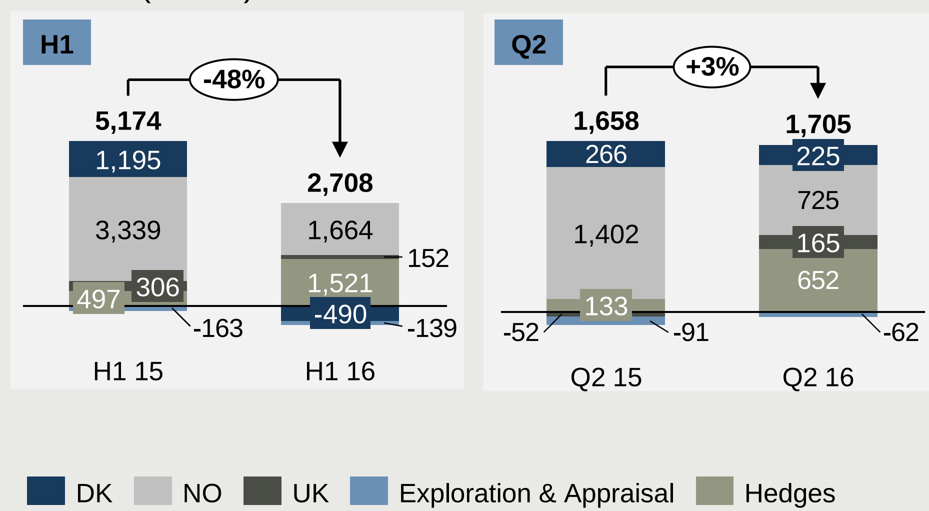
- Oil and gas production up 7% in H1 16 y/y
  - ✓ Ramp-up of production from Laggan-Tormore in H1 16 (production of 1.8m boe in the period)
  - ✓ Scheduled shutdown of Ormen Lange in H1 15 (42 days)
  - × Lower Ormen Lange catch up volumes (17% share of production in H1 16 vs. 21% in H1 15)
- Divestment of stakes in five Norwegian oil & gas fields

Financials highlights H1 16 – EBITDA down DKK 2.5bn y/y

- × Declining oil and gas prices – only partly offset by hedging as it is conducted after tax (DKK 1.5bn positive EBITDA impact from hedging in H1 16)
- × One-off items in H1 15 from insurance claim settlements and Glenlivet divestment gain (DKK 1.1bn in total)
- × Termination of Hejre EPC contract causing provisions with a negative EBITDA impact of DKK 0.8bn (provisions for onerous contracts have been replaced by provisions for termination of contracts – EBIT unaffected in H1 16)

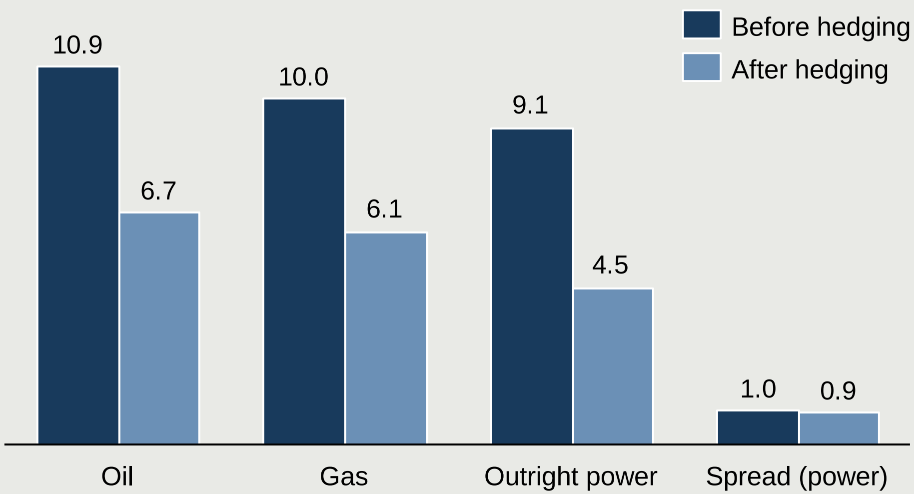
Key business drivers		H1 15	H1 16	Q2 15	Q2 16
Oil production	BOEm	5.2	4.9	2.6	2.5
Gas production	BOEm	12.3	13.8	5.0	6.2
Lifting costs	USD/boe	8.1	6.4	9.3	6.6
Lifting costs	DKK/boe	54.0	43.0	63.0	43.6
Financial highlights					
EBITDA	DKKm	5,174	2,708	1,658	1,705
Free cash flow	DKKm	1	-572	-121	-1,050

EBITDA (DKKm)



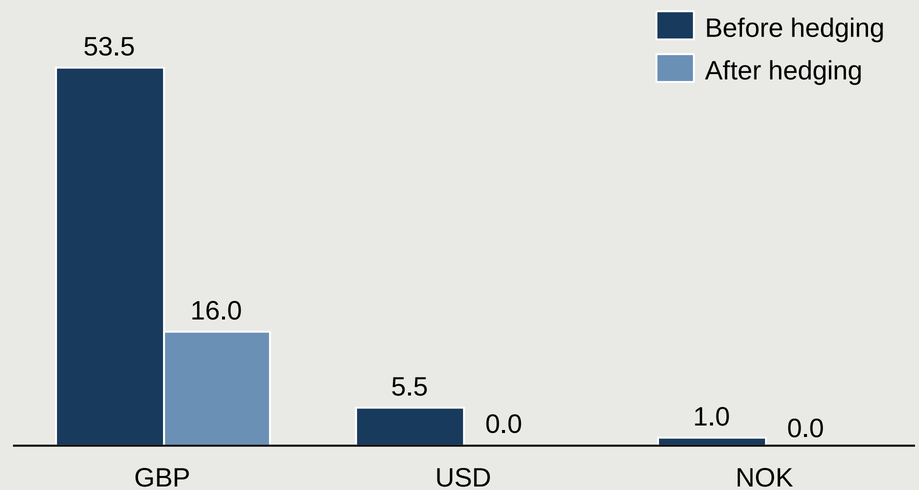
Hedging of energy prices and FX

Accumulated energy exposures H2 16 – H1 2021[1]
DKKbn[1]



- Oil, gas and outright power exposure almost fully hedged for 2016-2017 and for 2018 around 50% for oil and gas together and around 80% for outright power
- O&G's Oil hedged at $80/boe 2016-17 and $60/boe for 2018
- O&G's Gas hedged at €20/MWh 2016-17 and €16/MWh for 2018
- Very limited power spread exposure from BTP

Accumulated currency exposures H2 16 – H1 2021[1]
DKKbn

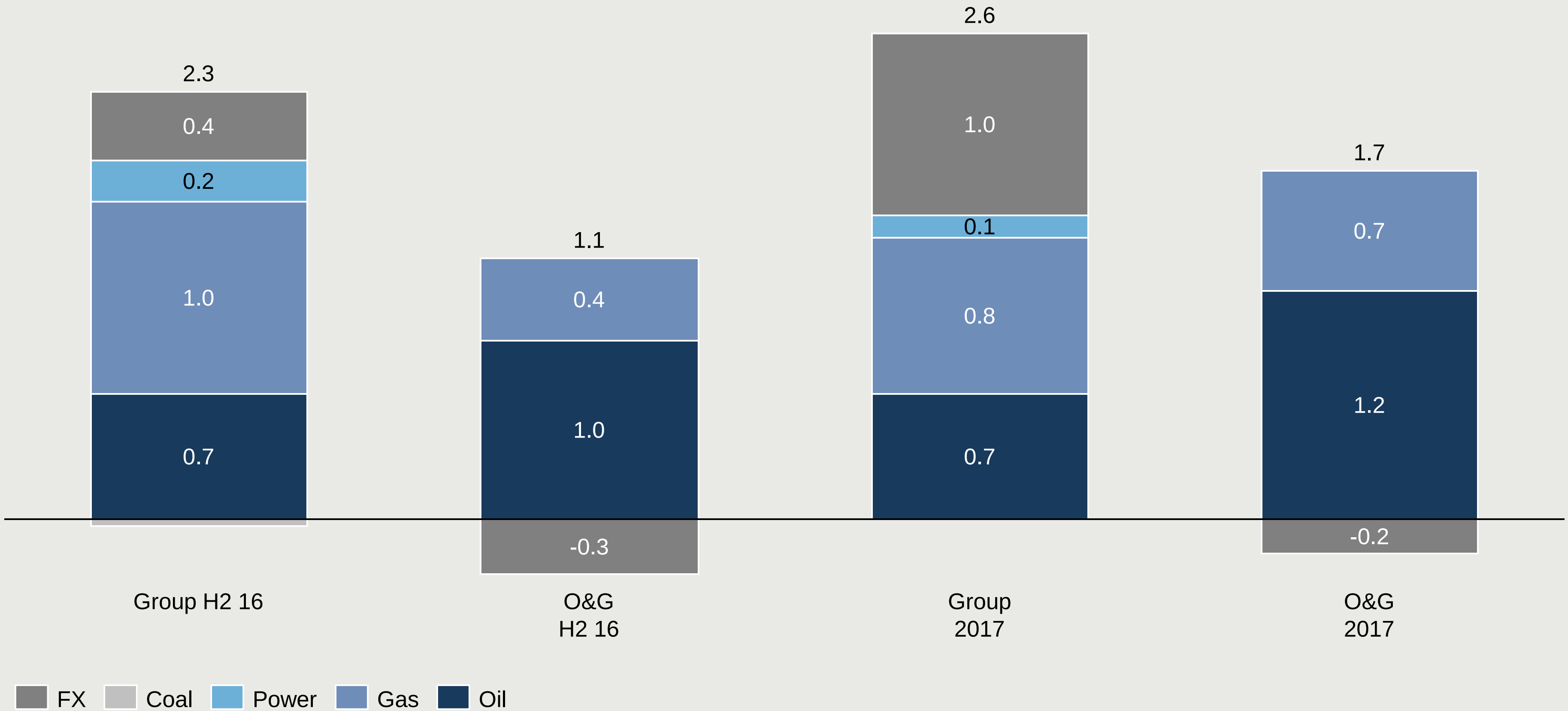


- GBP exposure is almost fully hedged for 2016-2017, and significantly hedged for 2018
- GBP hedged at 9.5 DKK/GBP for 2016-2017, and 9.3 DKK/GBP for 2018
- USD and NOK exposure is fully hedged

Note (1): Exposure is calculated as the expected production multiplied by the forward prices per 30 June 2016

Expected transfer of value of hedges to EBITDA

Expected transfer value of hedges to EBITDA
DKKbn



Financial outlook, medium-term targets and policies are unchanged

since the financial report for Q1 2016 and the offering circular published on 26 May 2016

EBITDA outlook 2016

Group	DKK 20-23bn

- The outlook is particularly sensitive to timing of farm down gain in Wind Power (one additional farm down is assumed in 2016)
- The impact from renegotiations of long-term gas sourcing contracts is expected to amount to around DKK 3.5bn in 2016, of which a majority was realised in H1 2016

Business Unit EBITDA direction FY2016 vs. FY2015

Wind Power	Significantly higher (DKK 10-12bn)
Bioenergy & Thermal Power	Lower
Distribution & Customer Solutions	Significantly higher
Oil & Gas	Significantly lower

Gross investment outlook 2016

Group	DKK 18-21bn

Return on capital employed (ROCE)

Group	12-14%	Avg. 2017-2020
Wind Power	13-15%	Avg. 2017-2020
Distribution & Customer Solutions	9-11%	Avg. 2017-2020

Free cash flow

Oil & Gas	Positive	2017
Bioenergy & Thermal Power	Positive	2018

Financial policies

Rating	Min. Baa1/BBB+/BBB+
FFO/Adjusted net debt	Around 30%

Dividend policy:

- We expect to pay a dividend of DKK 2.5 billion for FY 2016 in 2017
- For subsequent years towards 2020, our target, supported by expected cash flow growth from new offshore wind farms coming into operation, is to increase the dividend annually by a high single digit rate compared to the dividend for the previous year
- The dividend policy is subject to our commitment to maintain a Baa1/BBB+ rating profile

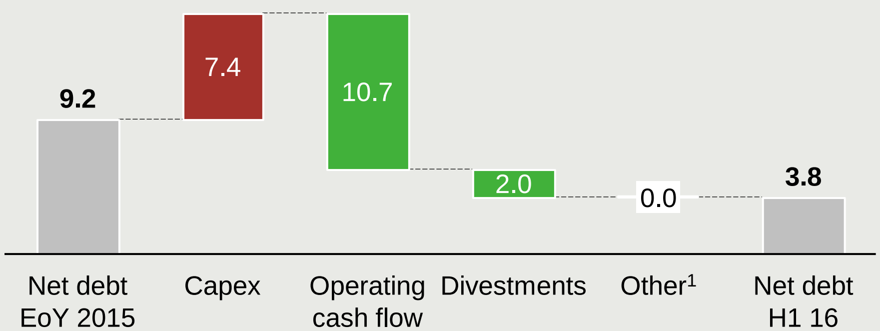
Q&A

Conference call tel: +45 3544 5583 / +44 203 194 0544

APPENDIX

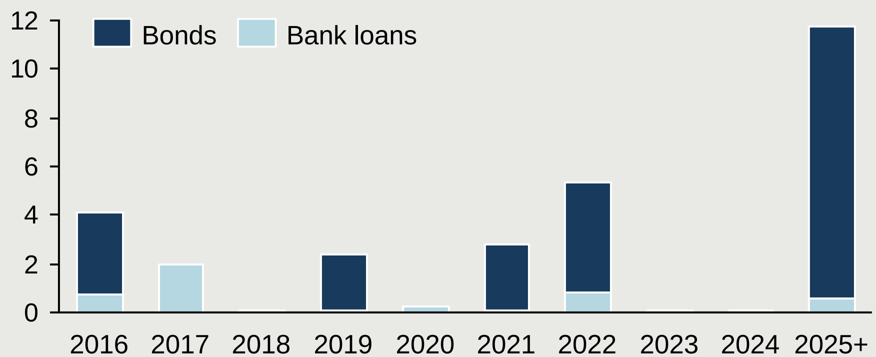
Debt overview

Net debt development H1 16 (DKKbn)

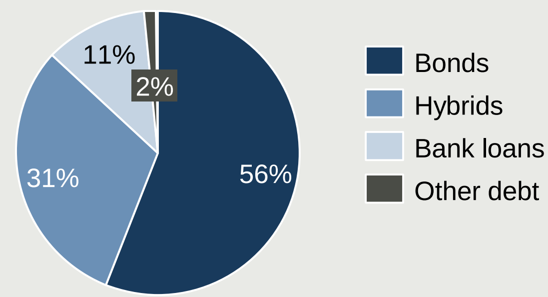


Note (1): Other include FX adjustments, hybrid coupons, dividend to minority shareholders etc.

Long term debt maturity schedule H1 16 (DKKbn)



Gross debt and hybrids H1 16



Key ratios outstanding debt[2]	Q4 15	H1 16
Duration (years)	6.3	6.9
Average time to maturity (years)	9.7	9.8
Average interest rate[3]	4.3%	3.8%

Note (2): The key ratios refer to the end of period position and exclude hybrid capital
Note (3): Average interest rate end of period

Liqudity reserves	Q4 15	H1 16
Liquid assets (unrestricted)	22.4	21.4
Committed borrowing facilities	13.1	13.1
Total	**35.4**	**34.5**

Differences in Business Performance EBITDA and IFRS EBITDA

DKKm	H1 15	H1 16
EBITDA – Business Performance (BP)	10,406	**12,409**
BP adjustment in respect of revenue for the year	-2,879	-3,673
BP adjustment in respect of COGS for the year	331	1,056
EBITDA – IFRS	7,858	9,792
Total BP adjustments for the year comprise:		
MtM of financial and physical hedging contracts relating to other periods	-1,307	-655
Reversal of deferred gain (loss) relating to hedging contracts from previous periods, where the hedged production or trade is recognised in BP EBITDA for this period	-1,241	-1,962
Total adjustments	-2,548	**-2,617**

H1 16 specification, DKKm	MtM adj. for the period	Reversal of deferred gain (loss)
Oil hedge	-452	-283
Gas hedge (commercial and hedge)	-703	-1,742
Power hedge (commercial and hedge)	-1,315	-305
Coal	58	89
Currency	1,757	279
Total	**-655**	**-1,962**

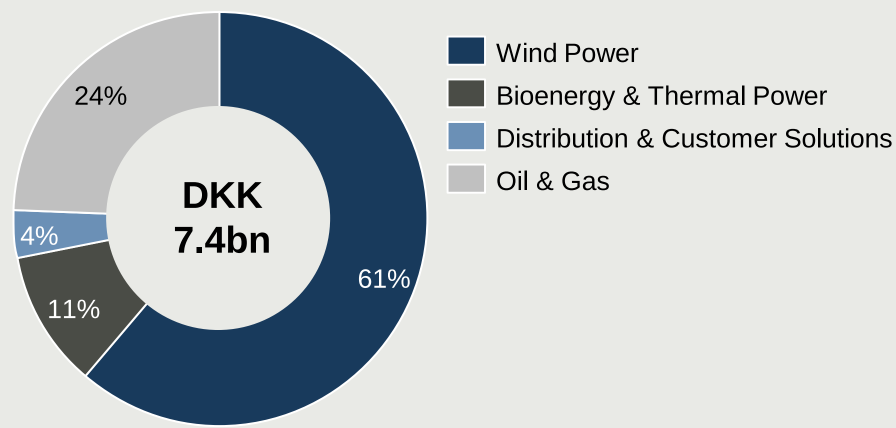
Investments

Investments in H1 16 (DKKm)

	DKKm
Cash flow from investing activities	**-5,305**
Dividens received and capital reduction, reversal	-12
Purchase and sale of securities (reversed)	135
Sale of assets and companies (reversed)	-2,057
Loans to associates and JVs	-133
Gross investments	**-7,372**
Sale of assets and companies	2,057
Other	-89
Net investments[1]	**-5,404**

Note (1): Net investments are defined as the effect on DONG Energy's net debt from investments and acquisitions and disposals of enterprises

Gross investments per Business Units in H1 16



Currency hedging principles

- The purpose of DONG Energy's currency risk management is to reduce the Group's currency risks over a 5-year horizon
- The main principle is to hedge FX exposure once it is deemed relatively certain that the underlying cash flows in foreign currency will materialise
- Thus, FX risk is hedged concurrently with the hedging of energy price risk
- FX risk related to divestments and investments are hedged once the amount is relatively certain
- Hedging of ROC and CfD income deviates from main principle and follows a staircase model (see next page). GBP therefore constitutes a strategic risk
- Management of currency risks is centralised at DONG Energy to obtain netting advantages

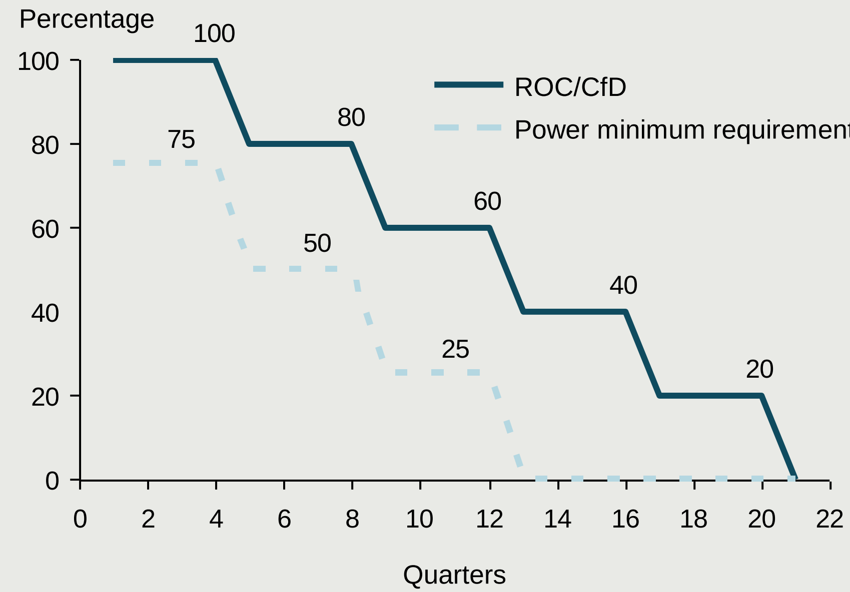
Note (1): Currency exposure is defined as future highly certain net cash flows in foreign currencies multiplied by the forward currency prices (as of 30 June 2016) – both at the time of risk assessment

Hedging of FX risk in Wind Power

Construction and Farm downs – Hedging of FX

Decision gates	Steps
Pre-FID	▪ Early hedging of potential large Devex items on a 100% basis
Final Inv. Decision	▪ Hedging of transmission asset divestment and Capex in GBP (100% share) ▪ Hedging of expected operational net cash flow subject to staircase (100% share)
Farm down mandate	▪ Net increase in hedging from expected divestment and construction gains and reduced share of operational cash flow (50% share)
Signing farm down	▪ Hedges fully established for sale of project shares and construction gains
Commercial Operations	▪ Ongoing hedging of operational net cash flow reflecting permanent share of production (50% share)

Commercial Operations – Hedging of FX



- Rolling operational hedging process on monthly/quarterly basis:
  - ROC/CfD hedges are target hedge ratio
  - The power hedge ratio is a minimum requirement, and power related FX exposures are included in FX exposures and hedged when the underlying power price is hedged

FFO/Adjusted net debt calculation

FFO/Adjusted net debt	H1 16[1]	Q4 15[1]	H1 15[1]
EBITDA	20,488	18,484	16,981
Adjusted net interest expenses	-2,641	-2,280	-2,092
Net interest expenses	*-936*	*-767*	*-668*
Capitalised interest	*-547*	*-389*	*-374*
Interest element of decommission obligations	*-520*	*-494*	*-462*
50% of hybrid coupons	*-288*	*-411*	*-377*
Operating leases, interest element	*-350*	*-219*	*-211*
Reversal of recognised lease payment	781	753	606
Current tax	-4,742	-4,390	-4,120
Funds from operation (FFO)	**13,886**	12,567	11,375
Accounting net debt	3,821	9,193	7,785
50% of hybrid capital	6,624	6,624	6,624
Restricted liquid assets (excl. REPOs)	2,485	3,818	4,340
Operating leases, PV (4.5% discount rate)	5,130	4,248	4,328
Decommisioning obligations	10,143	11,144	11,068
Deferred tax on decommissioning obligations	-2,839	-3,957	-4,407
Adjusted net debt	**25,364**	31,070	29,738
FFO/Adjusted net debt	**54.7%**	40.4%	38.3%

Note (1): Last 12 months

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