DONG Energy Wind Power Holding A/S

Kraftværksvej 53
Skærbæk

Annual report for 2016

CVR no 18 93 66 74

Adopted at the annual general meeting on
29 May 2017

Ulrik Jarlov
Chairman

Contents

Statement by Management on the annual report

The Executive and Supervisory Boards have today discussed and approved the annual report of DONG Energy Wind Power Holding A/S for the financial year 1 January - 31 December 2016.

The annual report has been prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Company's financial position at 31 December 2016 and of the results of the the Company's operations for the financial year 1 January - 31 December 2016.

In our opinion, Management's review includes a fair review of the matters dealt within the Management's review

We recommend the adoption of the annual report at the annual general meeting.

Skærbæk, 17 May 2017

Executive Board

Samuel G. F. Leupold

Supervisory Board

Marianne Wiinholt Chairman	Hanne Legardt Blume Levy Deputy Chairman	Jakob Askou Bøss

Independent auditor’s report

To the shareholders of DONG Energy Wind Power Holding A/S

Opinion

We have audited the financial statements of DONG Energy Wind Power Holding A/S for the financial year 1 January - 31 December 2016, which comprise an income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies. The financial statements are prepared under the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Company´s financial position at 31 December 2016 and of the results of the Company's operations for the financial year 1 January - 31 December 2016 in accordance with the Danish Financial Statements Act.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the “Auditor’s Responsibilities for the Audit of the financial statements” section of our report. We are independent of the company in accordance with the International Ethics Standards Board for Accountants’ Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management’s Responsibilities for the financial Statements

Management is responsible for the preparation of Financial Statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements, Management is responsible for assessing the Company´s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the Financial Statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor’s Responsibilities for the Audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

Independent auditor's report

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the Financial Statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and contents of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Statement on Management's Review

Management is responsible for Management's Review.

Our opinion on the Financial Statements does not cover Management's Review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the Financial Statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether Management's Review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that Management's Review is in accordance with the Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statement Act. We did not identify any material misstatement of Management's Review.

Independent auditor's report

Hellerup, 17 May 2017

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR-nr. 33 77 12 31

Kim Danstrup
State Authorised Public Accountant

Poul P. Petersen
State Authorised Public Accountant

Company details

The Company	DONG Energy Wind Power Holding A/S Kraftværksvej 53 Skærbæk 7000 Fredericia	
	Tel:	99 55 11 11
	Fax:	99 55 00 02
	Website:	www.dongenergy.com
	CVR no.:	18 93 66 74
	Reporting period:	1 January - 31 December
	Domicile:	Fredericia
Board of Directors	Marianne Wiinholt, Chairman Hanne Legardt Blume Levy, Deputy Chairman Jakob Askou Bøss	
Executive Board	Samuel G. F. Leupold	
Auditors	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Strandvejen 44 2900 Hellerup	
Consolidated Financial Statements	The Company is included in the consolidated financial statements of the ultimate parent company, DONG Energy A/S, Fredericia, CVR no. 36 21 37 28 The consolidated financial statements of the ultimate parent company, DONG Energy A/S, Fredericia, CVR no. 36 21 37 28 may be obtained at the following address: www.dongenergy.com	

Management's review

Business activities

The company's objects are to engage in activities in the energy sector and ancillary activities.

Business review

The Company's income statement for the year ended 31 December shows a loss of TDKK 13.600, and the balance sheet at 31 December 2016 shows equity of TDKK 15.683.553.

Net profit (loss) relation to expected development assumed in previous report

Gross profit in 2016 is TDKK 3.439 which is an improvement from last year TDKK -576.

Special risks apart from generally occurring risks in industry

Operating risks

There are no special risks apart from normal risks associated with the company's core activity.

Recognition and measurement uncertainties

The recognition and measurement of items in the financial statements is not subject to any uncertainty.

Outlook for the coming year

Profit/loss before financial income and expenses for the company is expected to be at the same level as 2016.

Accounting policies

The annual report of DONG Energy Wind Power Holding A/S for 2016 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to enterprises of reporting class B.

The accounting policies applied are consistent with those of last year.

The annual report for 2016 is presented in TDKK.

Pursuant to sections §110 subsection 1, of the Danish Financial Statements Act, the company has not prepared consolidated financial statements.

Basis of recognition and measurement

Income is recognised in the income statement as earned, including value adjustments of financial assets and liabilities. All expenses, including amortisation, depreciation and impairment losses, are also recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits will flow to the company and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow from the company and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. On subsequent recognition, assets and liabilities are measured as described below for each individual accounting item.

Certain financial assets and liabilities are measured at amortised cost using the effective interest method. Amortised cost is calculated as the historic cost less any instalments and plus/less the accumulated amortisation of the difference between the cost and the nominal amount.

On recognition and measurement, allowance is made for predictable losses and risks which occur before the annual report are presented and which confirm or invalidate matters existing at the balance sheet date.

Income statement

Net revenue

Revenue comprises sale of electricity and grants for sale of electricity. Revenue is recognised in the income statement, provided that the transfer of risk, usually on delivery to the buyer, has taken place and that the income can be measured reliably and is expected to be received.

Revenue is measured at fair value of the agreed consideration ex. VAT and taxes charged on behalf of third parties. Revenue is net of all types of discounts granted.

Accounting policies

Operating expenses

Operating expenses comprise the expenses incurred by the Company to generate the revenue for the year. Such expenses are recognised in the income statement as incurred.

Other operating expenses

Other operating expenses comprise items of a secondary nature relative to the company's activities.

Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts relating to the financial year. Net financials include interest income and expenses, realised and unrealised exchange gains and losses on foreign currency transactions. Net financials also include realised and unrealised gains and losses relating to hedging of currency risks that have not been entered into the hedge revenue or fixed assets.

Income and expenses from investments in subsidiaries and associates

Dividend from investments is recognised in the reporting year in which the dividend is declared.

Tax on profit for the year

Tax on profit/loss for the year, consisting of current tax for the year, is recognised in the income statement to the extent that it relates to profit/loss for the year and directly in equity to the extent that it relates to entries made directly in equity. The company is subject to the Danish rules on compulsory joint taxation of the DONG Energy Group's Danish companies, and the ultimate parent company, DONG Energy A/S, has also chosen international joint taxation with the Group's foreign subsidiaries. Subsidiaries are included in the joint taxation from the date they are included in the consolidation in the consolidated financial statements and up to the date on which they are no longer included in the consolidation.

The ultimate parent company, DONG Energy A/S, is the management company for the joint taxation and consequently settles all income tax payments with the tax authorities.

In connection with the settlement of joint taxation contributions, current Danish income tax is allocated among the jointly taxed Danish companies in proportion to their taxable income. In this connection, Danish subsidiaries with tax losses receive joint taxation contributions from the parent company equivalent to the tax base of the tax losses utilised (full allocation), while companies that utilise tax losses in other Danish companies pay joint taxation contributions to the parent company equivalent to the tax base of the utilised losses.

Accounting policies

Balance sheet

Investments in subsidiaries and associates

Investment in subsidiaries and associates are measured at cost. If cost exceeds the recoverable amount, a write-down is made to this lower value.

Impairment of fixed assets

The carrying amount of investments in subsidiaries and associates are reviewed annually to determine whether there are any indication of impairment.

If there are indications of impairment, an impairment test is carried out for each asset or group of assets. Impairment is made to the lower of the recoverable amount and the carrying amount.

The recoverable amount of the asset is calculated as the higher of the net selling price and the value inuse. The value in use is calculated as the present value of expected net cash flows from the use of the asset or group of assets and the expected net cash flows from the sale of the asset or group of assets after the end of their useful lives.

Assets, for which revaluations have previously been made are impaired in equity, however, not exceeding the value of the revaluation reserve.

Receivables

Receivables are measured at amortised cost, which normally corresponds to nominal value. Provisions for estimated bad debts are made.

Equity

Dividend
Proposed dividends are disclosed as a separate item under equity. Dividends are recognised as a liability at the date of declaration by the annual general meeting.

Accounting policies

Provisions

Provisions are recognised when in consequence of an event occurring before or at the balance sheet datethe company has a legal or constructive obligation and it is probable that economic benefits must be given up to settle the obligation.

In measuring provisions, the expenses required to settle the liability are discounted to net present value, if this has a significant effect on the measurement of the liability. A pre-tax discount rate is used that reflects the general interest rate level in society. The change in present values for the financial year is recognised as financial expenses.

Provisions for the decommissioning of production assets and restoration are measured at the present value of the future liability in respect of decommissioning and shutdown as estimated at the balance sheet date. The amount provided is determined on the basis of existing requirements and estimated expenses, which are discounted to present value. If specific risks are deemed to attach to a provision, the estimated expenses are recognised. A discount rate is used that reflects the general interest rate level in society. These liabilities are recognised as they arise and are adjusted on a regular basis to reflect changes in requirements,price level, etc. The value of the provision is recognised in property, plant and equipment and depreciated together with the relevant assets. The increase in time of the present value of the provision is recognised in profit/loss for the year as financial expenses.

A provision for onerous contracts is recognised when the expected benefits to be derived from a contract are lower than the unavoidable cost of meeting the obligations existing under the contract. If it is considered unlikely that an outflow from the enterprise of economic resources will be required to settle a liability, or if the liability cannot be measured reliably, the liability is accounted for as a contingent liability that is not recognised in the balance sheet. Material contingent liabilities are disclosed in the notes.

Income tax and deferred tax

Current tax liabilities and current tax receivables are recognised in the balance sheet as the estimated tax on the taxable income for the year, adjusted for tax on the taxable income for previous years and tax paid on account.

Deferred tax is measured according to the liability method in respect of temporary differences between the carrying amount of assets and liabilities and their tax base, calculated on the basis of the planned use of the asset and settlement of the liability, respectively.

Deferred tax assets, including the tax base of tax loss allowed for carry forward are measured at the value to which the asset is expected to be realised, either by elimination in tax on future income or by offsetting against deferred tax liabilities within the same legal tax entity. Any deferred net tax assets are measured at net realisable value.

Accounting policies

Liabilities

Liabilities, which include payables to group entities and other payables, are measured at amortised cost, which is usually equivalent to nominal value.

Foreign currency translation

On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Foreign-exchange differences arising between the exchange rates at the transaction date and at the date of payment are recognised in the income statement as financial income or financial expenses. If foreign currency transactions are considered cash flow hedges, the value adjustments are taken directly to equity.

Receivables and payables and other monetary items denominated in foreign currencies are translated at the exchange rates at the balance sheet date. The difference between the exchange rates at the balance sheet date and the date at which the receivable or payable arose or was recognised in the latest financial statements is recognised in the income statement as financial income or financial expenses.

Derivative financial instruments

On initial recognition in the balance sheet, derivative financial instruments are measured at cost and subsequently at fair value. Positive and negative fair values of derivative financial instruments are included in other receivables or other payables, respectively.

Fair value adjustments of derivative financial instruments designated as and qualifying for recognition as a fair value hedge of recognised assets and liabilities are recognised in the income statement together with changes in the fair value of the hedged asset or liability.

Fair value adjustments of derivative financial instruments designated as and qualifying for hedging of future cash flows are recognised in other receivables or other payables and in equity. If the future transaction results in recognition of assets or liabilities, amounts previously recognised in equity are transferred to the cost of the asset or liability, respectively. If the future transaction results in income or expenses, amounts previously recognised in equity are transferred to the income statement in the period in which the hedged item affects the income statement.

As for derivative financial instruments that do not qualify for hedge accounting, fair value adjustments are recognised in the income statement on a current basis.

Income statement 1 January - 31 December

	Note	2016 TDKK	2015 TDKK
Gross profit		**3.439**	**-576**
Other operating expenses	1	-16.100	-23.154
Profit/loss before financial income and expenses		**-12.661**	**-23.730**
Income and expenses from investments in subsidiaries	2	-64.049	0
Income and expenses from investments in associates	3	-19.427	-916
Financial income	4	118.136	66.898
Financial costs	5	-12.488	-202.615
Profit/loss before tax		**9.511**	**-160.363**
Tax on profit for the year	6	-23.111	43.533
Net profit/loss for the year		**-13.600**	**-116.830**

Proposed distribution of profit

Proposed dividend for the year	2.000.000	0
Retained earnings	-2.013.600	-116.830
	-13.600	**-116.830**

Balance sheet at 31 December 2016

	Note	2016 TDKK	2015 TDKK
Assets			
Investments in subsidiaries	7	11.349.059	11.316.323
Investments in associates	8	0	19.427
Other receivables		20.254	26.950
Fixed asset investments		**11.369.313**	**11.362.700**
Fixed assets total		**11.369.313**	**11.362.700**
Trade receivables		263	190
Receivables from group companies	9	4.095.036	4.119.646
Other receivables		23	5
Corporation tax		310.304	450.120
Receivables		**4.405.626**	**4.569.961**
Current assets total		**4.405.626**	**4.569.961**
Assets total		**15.774.939**	**15.932.661**

Balance sheet at 31 December 2016

	Note	2016	2015
		TDKK	TDKK
Liabilities and equity			
Share capital		1.800.000	1.800.000
Retained earnings		11.883.553	13.897.153
Proposed dividend for the year		2.000.000	0
Equity	10	**15.683.553**	**15.697.153**
Other provisions	11	59.748	51.312
Provisions total		**59.748**	**51.312**
Trade payables		63	1
Payables to group companies		27.924	163.633
Other payables		3.651	20.562
Short-term debt		**31.638**	**184.196**
Debt total		**31.638**	**184.196**
Liabilities and equity total		**15.774.939**	**15.932.661**

	Note
Subsequent events	12
Contingent assets, liabilities and other financial obligations	13
Related parties and ownership	14

Statement of Changes in Equity

	Share capital	Retained earnings	Proposed dividend for the year	Total
	TDKK	TDKK	TDKK	TDKK
Equity at 1 January	1.800.000	13.897.153	0	15.697.153
Net profit/loss for the year	0	-13.600	0	-13.600
Proposed dividend for the year	0	-2.000.000	2.000.000	0
Equity at 31 December	**1.800.000**	**11.883.553**	**2.000.000**	**15.683.553**

Notes to the Annual Report

		2016	2015
		TDKK	TDKK
1	**Other operating expenses**		
	Revaluation provision OIT Terminals	16.100	23.154
		16.100	**23.154**
2	**Income from investments in subsidiaries**		
	Gain and loss on disposal of entreprises	-49	0
	Impairment of investments in subsidiaries	-64.000	0
		-64.049	**0**
3	**Income and expenses from investments in associates**		
	Revaluations for the year of associates	-19.427	-916
		-19.427	**-916**
4	**Financial income**		
	Interest received from group companies	113.682	64.888
	Other financial income	4.454	2.010
		118.136	**66.898**
5	**Financial costs**		
	Interest paid to group companies	11.170	478
	Other financial costs	1.318	202.137
		12.488	**202.615**

Notes to the Annual Report

		2016	2015
		TDKK	TDKK
6	**Tax on profit for the year**		
	Current tax for the year	23.233	-30.060
	Adjustment of tax concerning previous years	-122	-13.473
		23.111	**-43.533**

		2016	2015
7	**Investments in subsidiaries**		
	Cost at 1 January	11.316.323	11.316.323
	Additions for the year	100.467	0
	Disposals for the year	-3.731	0
	Cost at 31 December	11.413.059	11.316.323
	Revaluations at 1 January	0	0
	Impairment change, net	-64.000	0
	Revaluations at 31 December	-64.000	0
	Carrying amount at 31 December	**11.349.059**	**11.316.323**

Notes to the Annual Report

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Votes and ownership	Equity	Net profit/loss for the year
DONG Energy Wind Power A/S	Denmark	100%	23.472.242	7.429.990
DONG Energy Wind Power Denmark A/S	Denmark	100%	4.190.931	-153.735
DONG Energy Nearshore Wind ApS	Denmark	100%	60.537	-24.636
DONG Energy Wind Power TW Holding A/S	Denmark	100%	1.431	-66
DONG Energy Wind Power Netherlands Holding B.V.	Netherland	100%	74	0
DONG Energy Wind Power (U.S) Inc	USA	87,5%	123.898	-117

		2016	2015
		TDKK	TDKK
8	**Investments in associates**		
	Cost at 1 January	409.175	408.259
	Additions for the year	0	916
	Disposals for the year	-19.427	0
	Cost at 31 December	389.748	409.175
	Revaluations at 1 January	-389.748	-388.832
	Revaluations for the year, net	0	-916
	Revaluations at 31 December	-389.748	-389.748
	Carrying amount at 31 December	**0**	**19.427**

Notes to the Annual Report

Investments in associates are specified as follows:

Name	Place of registered office	Votes and ownership	Equity	Net profit/loss for the year
Lithium Balance A/S	Danmark	20%	5.728	823
Celtic Array Limited	England	50%	121.441	122.733

9 Receivables from group companies

Included in receivables from group companies is a cash pool of TDKK 4.058.576 with the ultimate parent company, DONG Energy A/S. (2015: TDKK 3.938.231)

10 Equity

The share capital consists of 1.800.000 shares of a nominal value of TDKK 1.000. No shares carry any special rights.
There have been no changes in the share capital during the last 5 years.

	2016 TDKK	2015 TDKK
11 Other provisions		
Balance at 1 January	51.312	37.253
Provision in year	16.100	23.000
Used in the year	-7.664	-8.941
Balance at 31 December	**59.748**	**51.312**

The expected due dates of other provisions are:		
Within one year	52.500	49.313
Between 1 and 5 years	7.248	1.999
	59.748	**51.312**

Other provisions comprise liabilities regarding environmental provision.

12 Subsequent events

No events have occurred after the balance sheet date which could significantly affect the financial position.

Notes to the Annual Report

13 Contingent assets, liabilities and other financial obligations

The Group’s Danish companies are jointly and severally liable for tax on the Group's jointly taxed income, etc. References is made to the Annual Report DONG Energy A/S, the company responsible for the administration of the joint taxation arrangement.

The Group's Danish companies are jointly and severally liable for their joint VAT registration.

14 Related parties and ownership

Controlling interest

DONG Energy A/S, Kraftværksvej 53, 7000 Fredericia. (Parent company)

Other related parties

DONG Energy A/S (Ultimate parent company)
The Danish State represented by the Ministry of Finance
Goldman Sachs Group
Group enterprises and associates
Board of Directors, Executive Board and senior employees

Ownership

According to the Company's register of shareholders, the following shareholders hold a minimum of 5% of the voting rights or a minimum of 5% of the share capital:

DONG Energy A/S