



Annual report for 2018

CVR no. 26 51 02 44

(17th Financial year)

Adopted at the annual general meeting on 3 May
2019

Ulrik Jarlov
chairman

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Statement by management on the annual report

The board of directors and the executive board have today discussed and approved the annual report of Ørsted VE A/S for the financial year 1 January - 31 December 2018.

The annual report is 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 2018 and of the results of the company's operations for the financial year 1 January - 31 December 2018.

Management recommends that the annual report should be approved at the annual general meeting.

Skærbæk, 5 April 2019

Executive board

Jacob Hjelm

Board of Directors

Matthew Wright
chairman

Rasmus Errboe
deputy chairman

Benjamin John Sykes

Independent auditor's report

To the shareholder of Ørsted VE A/S

Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2018 and of the results of the Company's operations for the financial year 1 January - 31 December 2018 in accordance with the Danish Financial Statements Act

We have audited the Financial Statements of Ørsted VE A/S for the financial year 1 January - 31 December 2018, which comprise a summary of significant accounting policies, income statement, balance sheet, statement of changes in equity and notes ("financial statements").

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.

Independent auditor's report

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:

- 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.

Independent auditor's report

- 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.

Copenhagen, 5 April 2019

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab
CVR no. 33 77 12 31

Thomas Wraae Holm
State Authorised Public Accountant
MNE no. mne30141

Poul P. Petersen
State Authorised Public Accountant
MNE no. mne34503

Company details

The company

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Website: www.orsted.com

CVR no.: 26 51 02 44

Reporting period: 1 January - 31 December 2018

Financial year: 17th financial year

Domicile: Fredericia

Board of Directors

Matthew Wright, chairman
Rasmus Errboe, deputy chairman
Benjamin John Sykes

Executive board

Jacob Hjelm

Auditors

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
Strandvejen 44
2900 Hellerup

Consolidated financial statements

The company is included in the consolidated financial statements of the parent company Ørsted A/S, CVR no. 36 21 37 28

The Group Annual Report of Ørsted A/S, CVR no. 36 21 37 28 may be obtained at the following address:

www.orsted.com

Accounting policies

The annual report of Ørsted VE A/S for 2018 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to enterprises of reporting class B, as well as selected rules applying to reporting class C.

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

The annual report for 2018 is presented in TDKK

Pursuant to sections §112, 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 is presented and which confirm or invalidate matters existing at the balance sheet date.

Income statement

Other external expenses

Other external expenses include expenses related to administration etc.

Accounting policies

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, financial expenses relating to finance leases, realised and unrealised capital/exchange gains and losses on securities and foreign currency transactions and surcharges and allowances under the advance-payment-of-tax scheme, etc.

Profit/loss from investments in subsidiaries and associates

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

Tax on profit/loss for the year

The company is subject to the Danish rules on compulsory joint taxation of the Ørsted Group's Danish subsidiaries. From 2005 to 2016 the Group's foreign subsidiaries were also included in the joint taxation, but Ørsted A/S withdrew from the international joint taxation scheme with effect from 2017. Subsidiaries participate in the joint taxation arrangement from the time when they are included in the consolidated financial statements and until the time when they withdraw from the consolidation.

On payment of joint taxation contributions, the current Danish income tax is allocated between the jointly taxed Danish entities in proportion to their taxable income. Danish entities with tax losses receive joint taxation contributions from the ultimate parent company (the management company), Ørsted A/S equivalent to the tax base of the tax losses utilised (full allocation), while Danish entities that utilise tax losses in other entities pay joint taxation contributions to the Ørsted A/S equivalent to the tax base of the utilised losses.

Tax for the year, which comprises the current tax charge for the year and changes in the deferred tax charge is recognised in the income statement when it relates to profit/loss for the year and in the equity when it relates to entries directly in equity.

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.

Cost is written down to the extent that dividend distributed exceeds the accumulated earnings after the date of takeover.

Where the parent company has a legal or constructive obligation to cover the companies' negative balances or obligations, such obligation is recognised in liabilities.

Other securities and investments, fixed assets

Investments are measured at fair value.

Accounting policies

Impairment of fixed assets

The carrying amount of investments in subsidiaries and associates is reviewed for impairment, other than what is reflected through normal amortisation and depreciation, on an annual basis.

Where there are indications of impairment, an impairment test is performed for each individual asset or group of assets, respectively. The carrying amount of impaired assets is reduced to the higher of the net selling price and the value in use (recoverable amount).

The value in use is determined as the present value of the anticipated net cash flows from the use of the asset or group of assets and the anticipated net cash flows from the disposal of the asset or group of assets after the end of their useful life.

Receivables

Receivables, which include trade receivables, receivables from group entities and other receivables, are measured at amortised cost.

An impairment loss is recognised if there is objective evidence that a receivable or a group of receivables is impaired. If there is objective evidence that an individual receivable is impaired, an impairment loss for that individual asset is recognised.

Equity

Dividends

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

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 losses allowed for carry forward, are measured at the value to which the asset is expected to be realised, either as a set-off against tax on future income or as a set-off against deferred tax liabilities within the same legal tax entity. Any deferred net tax assets are measured at net realisable value.

Accounting policies

Deferred tax is measured according to the tax rules and at the tax rates applicable in the respective countries at the balance sheet date when the deferred tax is expected to crystallise as current tax. Deferred tax adjustments resulting from changes in tax rates are recognised in the income statement, with the exception of items taken directly to equity.

Liabilities

Liabilities, which include trade payables, 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.

Fixed assets acquired in foreign currencies are measured at the exchange rate at the transaction date.

Income statement 1 January - 31 December

	Note	2018 TDKK	2017 TDKK
Other external expenses		-43	-43
Gross profit		-43	-43
Staff costs	2	0	0
Profit/loss before amortisation/depreciation and impairment losses		-43	-43
Financial income	3	3.174	312
Financial costs	4	-1.865	-12.030
Profit/loss before tax		1.266	-11.761
Tax on profit/loss for the year	5	458	491
Profit/loss for the year		1.724	-11.270

Distribution of profit

Retained earnings	1.724	-11.270
	1.724	-11.270

Balance sheet 31 December

	Note	2018 TDKK	2017 TDKK
Assets			
Investments in subsidiaries	6	470.500	470.500
Other fixed asset investments	7	20.052	18.705
Fixed asset investments		490.552	489.205
Total non-current assets		490.552	489.205
Receivables from group companies		41	39
Corporation tax		361	395
Receivables		402	434
Total current assets		402	434
Total assets		490.954	489.639

Balance sheet 31 December

	Note	2018 TDKK	2017 TDKK
Equity and liabilities			
Share capital		330.000	330.000
Retained earnings		-45.829	-47.553
Equity	8	284.171	282.447
Payables to group companies		205.000	205.000
Total non-current liabilities	9	205.000	205.000
Trade payables		22	0
Payables to group companies		1.761	2.192
Total current liabilities		1.783	2.192
Total liabilities		206.783	207.192
Total equity and liabilities		490.954	489.639
Main activity	1		
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Statement of changes in equity

	Share capital	Retained earnings	Total
	TDKK	TDKK	TDKK
Equity at 1 January 2018	330.000	-47.553	282.447
Net profit/loss for the year	0	1.724	1.724
Equity at 31 December 2018	330.000	-45.829	284.171

Notes

1 Main activity

The purpose of the company is to hold shares in subsidiaries.

2 Staff costs

Average number of employees

2018 TDKK	2017 TDKK
<u>1</u>	<u>1</u>

The executive board and board of directors have not been paid remuneration.

3 Financial income

Fair value adjustments

Interest received from group companies

2.906	0
<u>268</u>	<u>312</u>
<u>3.174</u>	<u>312</u>

4 Financial costs

Impairment losses on financial assets

Financial expenses, group companies

Exchange loss

0	9.965
1.865	2.064
<u>0</u>	<u>1</u>
<u>1.865</u>	<u>12.030</u>

5 Tax on profit/loss for the year

Current tax for the year

Adjustment of tax concerning previous years

-361	-395
<u>-97</u>	<u>-96</u>
<u>-458</u>	<u>-491</u>

Notes

	2018 TDKK	2017 TDKK
6 Investments in subsidiaries		
Cost at 1 January 2018	470.500	470.500
Cost at 31 December 2018	470.500	470.500
Carrying amount at 31 December 2018	470.500	470.500
7 Fixed asset investments		
		Other fixed asset investments TDKK
Cost at 1 January 2018		62.603
Distribution for the year		-1.559
Cost at 31 December 2018		61.044
Impairment losses at 1 January 2018		43.898
Fair value adjustments		-2.906
Impairment losses at 31 December 2018		40.992
Carrying amount at 31 December 2018		20.052

8 Equity

The share capital consists of 330.000 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.

Notes

9 Long term debt

	2018 TDKK	2017 TDKK
Payables to group companies		
Between 1 and 5 years	205.000	205.000
Non-current portion	205.000	205.000
Other short-term debt to subsidiaries	1.761	2.192
Current portion	1.761	2.192
	206.761	207.192

10 Subsequent events

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

11 Contingent assets, liabilities and other financial obligations

Liability in joint taxation

The group's danish companies are jointly and severally liable for tax on group jointly taxes income, etc. Reference is made to the annual report for Ørsted A/S, the administration company in relation to joint taxation. The group's danish companies are also jointly and severally liable for Danish withholding taxes on dividends, royalties and interests within the group of jointly taxed entities. Any subsequent corrections to income and withholding taxes may result in an increase in the entities' liability.

The group's danish entities have joint and several liability for joint VAT registration.

Notes

12 Related parties and ownership structure

Controlling interest

Ørsted Wind Power A/S, Kraftværksvej 53, 7000 Fredericia (parent company)

Other related parties

Ørsted A/S (ultimate parent company)

The Danish State represented by the Ministry of Finance

Group companies and associates

Board of directors, executive board and senior employees

Ownership structure

According to the company's register of shareholders, the following shareholder holds at least 5% of the votes or at least 5% of the share capital:

Ørsted Wind Power A/S