

Ørsted Nearshore Wind ApS

Annual report for 2018

CVR no. 31 08 02 23

(12th 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 Nearshore Wind ApS 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.

In our opinion, management's review includes a fair review of the matters dealt with in the management's review.

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

Skærbæk, 5 April 2019

Executive board

Alexander Winther Russo

Board of Directors

Martin Werner Brölsch
chairman

Michael Gudmandsen
deputy chairman

Alexander Winther Russo

Independent auditor's report

To the shareholder of Ørsted Nearshore Wind ApS

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 Nearshore Wind ApS 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.

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, in our view, Management's Review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial statements Act. We did not identify any material misstatement in Management's Review.

Independent auditor's report

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:

- 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.

Independent auditor's report

- 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.

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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CVR no.: 31 08 02 23

Reporting period: 1 January - 31 December 2018

Financial year: 12th financial year

Domicile: Fredericia

Board of Directors

Martin Werner Brölsch, chairman
Michael Gudmandsen, deputy chairman
Alexander Winther Russo

Executive board

Alexander Winther Russo

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

Management's review

Business activities

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

Unusual matters

The profit for the year are positive affected by the sale of Middelgrunden and the final decommissioning of Vindeby, which had a positiv affect on the profit of DKK 66 million.

The companies result for the year are negative affected by impairment losses of DKK 33 million before tax.

Business review

The company's income statement for the year ended 31 December shows a profit of TDKK 14.953, and the balance sheet at 31 December 2018 shows equity of TDKK 59.733.

Financial review

Earnings before interest, tax and depreciation for 2019 for the company is expected to be around DKK 1-3 million.

Special risks apart from generally occurring risks in industry

Operating risks

The 2 Avedøre turbines receive the market price plus a fixed subsidy for approximately 7 years from the beginning of the operation plus a balancing subsidy for the lifetime of the park. The first Avedøre turbine utilised its fixed subsidy in Q3 2016 and the second in Q1 2018.

Accounting policies

The annual report of Ørsted Nearshore Wind ApS for 2018 has been prepared in accordance with the provisions of the Danish Financial Statements Act concerning reporting class B entities, 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

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.

Government grants

Government grants comprise grants for environment-friendly generation. Government grants are recognised when there is reasonable assurance that they will be received.

Grants for electricity generation are recognised as revenue in step with the recognition of the related electricity revenue.

Income statement

Revenue

Income from the sale of electricity and grants for the sale of electricity 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.

Accounting policies

Revenue is measured at the fair value of the agreed consideration, excluding VAT and other indirect taxes. Revenue is net of all types of discounts granted.

Operating expenses

Operating expenses comprise the expenses incurred by the company to generate the years revenue. Such expenses are recognised in the income statement as incurred.

Other external expenses

Other external expenses include expenses related to distribution, sale, advertising, administration, premises, bad debts etc.

Amortisation, depreciation and impairment losses

Amortisation, depreciation and impairment losses comprise the year's amortisation, depreciation and impairment of property, plant and equipment.

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.

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.

Accounting policies

Balance sheet

Tangible assets

Items of plant and machinery are measured at cost less accumulated depreciation and impairment losses.

The depreciable amount is cost less the expected residual value at the end of the useful life.

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date when the asset is available for use. The cost of self-constructed assets comprises direct and indirect costs of materials, components, sub-suppliers and wages.

Cost is increased by estimated expenses for dismantling and disposing of the assets and restoration to the extent that they are recognised as a provision.

The basis of depreciation is determined as cost reduced by any residual value, and depreciation is charged using diminishing balance method over the expected useful lives of the assets, which are:

	Useful life
Plant and machinery	20 years

Gains or losses from the disposal of property, plant and equipment are recognised in the income statement as other operating income or other operating expenses.

Impairment of fixed assets

The carrying amount of property, plant and equipment 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 recoverable amount is the higher of the net selling price and the value in use. 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.

Accounting policies

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 a liability when declared by the annual general meeting of shareholders.

Provisions

Provisions are recognised when as a result of a past event the company's has a legal or constructive obligation and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation.

Provisions, except for deferred taxes, are measured at fair value.

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.

Accounting policies

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.

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
Revenue		20.017	25.101
Other operating income	1	66.282	0
Operating expenses		-790	-788
Other external expenses		-11.397	-12.488
Gross profit		74.112	11.825
Staff costs	2	0	0
Profit/loss before amortisation/depreciation and impairment losses		74.112	11.825
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment		-52.896	-29.713
Profit/loss before financial income and expenses		21.216	-17.888
Financial income		1	17
Financial costs	3	-2.043	-2.323
Profit/loss before tax		19.174	-20.194
Tax on profit/loss for the year	4	-4.221	4.438
Profit/loss for the year		14.953	-15.756

Distribution of profit

Retained earnings		14.953	-15.756
		14.953	-15.756

Balance sheet 31 December

	<u>Note</u>	<u>2018</u> TDKK	<u>2017</u> TDKK
Assets			
Plant and machinery		12.898	75.714
Tangible assets	5	<u>12.898</u>	<u>75.714</u>
Total non-current assets		<u>12.898</u>	<u>75.714</u>
Trade receivables		247	1.072
Receivables from group companies	6	45.326	21.651
Deferred tax asset	7	6.875	17.732
Corporation tax		6.636	787
Receivables		<u>59.084</u>	<u>41.242</u>
Total current assets		<u>59.084</u>	<u>41.242</u>
Total assets		<u><u>71.982</u></u>	<u><u>116.956</u></u>

Balance sheet 31 December

	<u>Note</u>	<u>2018</u> TDKK	<u>2017</u> TDKK
Equity and liabilities			
Share capital		500	500
Retained earnings		59.233	44.281
Equity	8	<u>59.733</u>	<u>44.781</u>
Other provisions	9	10.655	70.287
Total provisions		<u>10.655</u>	<u>70.287</u>
Trade payables		6	968
Payables to group companies		825	869
Other payables		763	51
Total current liabilities		<u>1.594</u>	<u>1.888</u>
Total liabilities		<u>1.594</u>	<u>1.888</u>
Total equity and liabilities		<u><u>71.982</u></u>	<u><u>116.956</u></u>
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Statement of changes in equity

	Share capital	Retained	Total
	TDKK	earnings	TDKK
	TDKK	TDKK	TDKK
Equity at 1 January 2018	500	44.280	44.780
Net profit/loss for the year	0	14.953	14.953
Equity at 31 December 2018	500	59.233	59.733

Notes

	2018 TDKK	2017 TDKK
1 Other operating income		
Gain/loss on sale of Middelgrundten	50.923	0
Reversal of decommissioning provision Vindeby	15.359	0
	<u>66.282</u>	<u>0</u>
2 Staff costs		
Average number of employees	<u>1</u>	<u>1</u>
<p>The executive board and board of directors have not been paid remuneration.</p>		
3 Financial costs		
Financial expenses, group companies	227	247
Other financial costs	1.816	2.076
	<u>2.043</u>	<u>2.323</u>
4 Tax on profit/loss for the year		
Current tax for the year	-6.636	-787
Deferred tax for the year	10.857	-3.650
Adjustment of tax concerning previous years	0	400
Adjustment of deferred tax concerning previous years	0	-401
	<u>4.221</u>	<u>-4.438</u>

Notes

5 Tangible assets

	Plant and machinery
	TDKK
Cost at 1 January 2018	164.916
Additions for the year	2.600
Disposals for the year	-88.944
Cost at 31 December 2018	<u>78.572</u>
Impairment losses and depreciation at 1 January 2018	89.202
Impairment losses for the year	33.000
Depreciation for the year	19.896
Reversal of impairment and depreciation of disposed assets	-76.424
Impairment losses and depreciation at 31 December 2018	<u>65.674</u>
Carrying amount at 31 December 2018	<u><u>12.898</u></u>

The company has prepared impairment calculation of the investment in Avedøre Wind Park and has recognised an impairment issue of DKK 33 million, which has been expensed.

6 Receivables from group companies

The company's receivables from group companies includes TDKK 42.467 in a cash pool scheme with the ultimate parent company, Ørsted A/S (2017: TDKK 17.557).

Notes

	2018 TDKK	2017 TDKK
7 Provision for deferred tax		
Provision for deferred tax at 1 January 2018	-17.732	-13.680
Recognised in the income statement in the financial year	10.857	-4.052
Transferred to assets	6.875	17.732
Provision for deferred tax at 31 December 2018	0	0
Property, plant and equipment	-4.523	-2.269
Other provisions	-2.352	-15.463
Transferred to deferred tax asset	6.875	17.732
	0	0
Deferred tax asset		
Calculated tax asset	6.875	17.732
Carrying amount	6.875	17.732

8 Equity

The share capital consists of 500 shares of a nominal value of TDKK 1. No shares carry any special rights.

There have been no changes in the share capital during the last 5 years.

Notes

	2018 TDKK	2017 TDKK
9 Other provisions		
Balance at beginning of year at 1 January 2018	70.287	93.790
Interest element	1.815	2.060
Change in other abandonment factors	0	1.339
Applied in the year	-2.644	-26.902
Additions for the year	6.500	0
Disposals for the year	-65.303	0
Balance at 31 December 2018	10.655	70.287

The expected due dates of other provisions are:

Within one year	6.500	18.428
Between 1 and 5 years	424	48.255
Over 5 years	3.731	3.604
	10.655	70.287

Other provisions comprise provisions in connection with sale of windfarm and the expected future costs for decommissioning and shutdown of the company's windfarms.

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 Holding A/S, Kraftværksvej 53, 7000 Fredericia (parent company)

Other related parties

Ørsted A/S

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 Holding A/S