DONG Energy Nearshore Wind ApS

Annual Report for 2015

Kraftværksvej 53, 7000 Fredericia

CVR no. 31 08 02 23

(8th financial year)

The annual report was presented and adopted at the annual general meeting of the company on 15/04 2016

Ulrik Jarlov
Chairman

Contents

Statement by the Executive Board and the Board of Directors

The Board of Directors and the Executive Board have today considered and approved the annual report of DONG Energy Nearshore Wind ApS for the financial year 1 January - 31 December 2015.

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

In our opinion, the financial statements give a true and fair presentation of the company´s assets, equity and liabilities and financial position at 31 December 2015 and of the results of the company's operations for the financial year 1 January - 31 December 2015.

In our opinion, the management's review provides a true and fair presentation of the matters addressed.

We recommend that the annual report be adopted at the annual general meeting.

Skærbæk, 18 March 2016

Executive Board

Mikkel Mæhlisen

Board of Directors

Robert Helms Chairman	Michael Christensen Deputy Chairman	Benjamin Sykes

Independent Auditor's Report

To the Shareholder of DONG Energy Nearshore Wind ApS

Report on the Financial Statements

We have audited the Financial Statements of DONG Energy Nearshore Wind ApS for the financial year 1 January - 31 December 2015, which comprise summary of significant accounting policies, income statement, balance sheet, statement of changes in equity and notes. The Financial Statements are prepared in accordance with the Danish Financial Statements Act.

Management's Responsibility 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.

Auditor's Responsibility

Our responsibility is to express an opinion on the Financial Statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and additional requirements under Danish audit regulation. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the Financial Statements are free from material misstatement.

An audit involves performing audit procedures to obtain audit evidence about the amounts and disclosures in the Financial Statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Financial Statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation of Financial Statements that give a true and fair view 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the Financial Statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Our audit has not resulted in any qualification.

Opinion

In our opinion, the Financial Statements gives a true and fair view of the financial position at 31 December 2015 of the Company and of the results of the Company's operations for the financial year 1 January - 31 December 2015 in accordance with the Danish Financial Statements Act.

Independent Auditor's Report

Statement on Management's Review

We have read Management's Review in accordance with the Danish Financial Statements Act. We have not performed any procedures additional to the audit of the Financial Statements. On this basis, it is our opinion that the information provided in the Management's Review is in accordance with the Financial Statements.

Hellerup, 18 March 2016

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR-no.33 77 12 31

Fin T. Nielsen State Authorised Public Accountant	Kim Danstrup State Authorised Public Accountant

Company information

The company	DONG Energy Nearshore Wind ApS Kraftværksvej 53 Skærbæk 7000 Fredericia	
	Telephone:	+45 99 55 11 11
	Fax:	+45 99 55 00 02
	Website:	www.dongenergy.com
	CVR no.:	31 08 02 23
	Financial Period:	1 January - 31 December
	Reg. office:	Fredericia
Board of Directors	Robert Helms, Chairman Michael Christensen, Deputy Chairman Benjamin Sykes	
Executive Board	Mikkel Mæhlisen	
Auditors	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Strandvejen 44 2900 Hellerup	
Consolidated Financial Statements	The company is included in the Consolidated Financial Statement of the ultimate parent company, DONG Energy A/S, Fredericia, CVR no. 36 21 37 28 The Annual Report of DONG Energy A/S, Fredericia, CVR no. 36 21 37 28 can be downloaded at the following address: www.dongenergy.com	

Management's review

Core activity

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

Development in the year

The company's income statement for the year ended 31 December 2015 shows a loss of t.kr. 36,205, and the company's balance sheet at 31 December 2015 shows equity of t.kr. 85,173.

The financial performance in 2015 was affected by increasing depreciation due to a change in expected lifetime of Vindeby nearshore windfarm.

Special risks - operating and financial risks

Vindeby windfarm is in it´s last year of operation as it is currently not considered feasible to do any repairs besides normal service.

Middelgrunden windfarm receives the market price plus a variable subsidy which is available until 20 years of operations.

The 2 Avedøre turbines receives 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.

Subsequent events

No events materially affecting the assessment of the annual report have occurred after the balance sheet date.

Outlook for the coming year

The result is expected to be negatively impacted by the lower production caused by the expected decommissioning of Vindeby and by expiry of the subsidy period for one of the Avedøre turbines.

Environmental conditions

The environmental impact of the decommissioning of Vindeby is under investigation by the Danish Energy Agency and other relevant authorities.

Accounting policies

The Annual Report of DONG Energy Nearshore Wind ApS for 2015 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 remain unchanged from previous years.

The Annual Report for 2015 is presented in t.DKK.

Recognition and measurement

Revenue is recognised in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortised cost are recognised. Moreover, all expenses incurred to generate the earnings for the year are recognised in the income statement, including depreciation, amortisation, impairment losses and provisions as well as reversals as a result of changed accounting estimates of amounts previously 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 out of the company, and the value of the liability can be measured reliably.

Assets and liabilities are initially measured at cost, and subsequently as described for each item below.

Certain financial assets and liabilities are measured at amortised cost, which involves the recognition of a constant effective interest rate over the term. Amortised cost is calculated as original cost less any repayments of principal and plus or minus the cumulative amortisation of any difference between cost and nominal amount. In this way, capital losses and gains are spread over the terms of the assets and liabilities.

Recognition and measurement take into account gains, losses and risks occurring before the presentation of the Annual Report and which confirm or invalidate conditions 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.

Accounting policies

Income statement

Revenue

Revenue comprises sales and distribution of electricity and grants for the sale of electricity. Revenue is recognised in the income statement when delivery and transfer of risk to the buyer have taken place before year-end and to the extent that the income can be measured reliably and is expected to be received.

Revenue is measured at the fair value of the agreed considaration, excluding VAT and duties collected on behalf of third parites. All forms of discounts granted are recognised in revenue.

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 external expenses

Other external expenses comprise expenses for distribution, sales, advertising, administration, premises, bad debts, operating leases, etc.

Depreciation, amortisation and impairment losses

Depreciation, amortisation and impairment losses comprise depreciation, amortisation 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. Financial income and expenses comprise interest income and interest expense, capital gains and capital losses and impairment losses relating to securities, payables and transactions denominated in foreign currencies, amortisation of financial assets and liabilities, including lease commitments under finance leases.

Tax on profit/loss for the year

Tax on net profit for the year, consisting of current tax for the year and deferred tax for the year, is recognised in the income statement to the extent that it relates to net profit for the year and directly in equity to the extent that it relates to entries directly to 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 elected 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.

Accounting policies

The ultimate Parent Company, DONG Energy A/S, is the management company for the joint taxation and consequently settles all income tax payments to 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.

Balance sheet

Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost comprises the purchase price and any expenses directly attributable to the acquisition until the date the asset is ready for use.

The basis of depreciation is determined as cost reduced by any residual value, and depreciation is charged on a straight-line basis over the expected useful lives of the assets, which are:

	Useful life
Plant and machinery	20-24 years

Impairment of non-current assets

The carrying amounts of property, plant and equipment are reviewed annually to determine whether there is 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 in use. The value in use is calculated as the recoverable amount of expected net cash flows from use of the asset or asset group and expected cash flows from the sale of the asset or asset group at the end of its useful life.

Receivables

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

Accounting policies

Dividends

Proposed dividends are presented as a separate item in equity. Dividends are recognised as a liability at the date of their adoption at the annual general meeting.

Provisions

Provisions are recognised when as a result of an event occurred before or on the balance sheet date - the 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 the market. The change in present values for the financial year is recognised as financial expenses.

Provisions for decommissioning of production assets and restoration are measured at the present value of the future liability in respect of decommissioning and restoration 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 be attached to a provision, the estimated expenses are recognised. A discount rate is used that reflects the general interest rate level in the market. 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 within 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 net profit for the year as financial expenses.

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

Current tax and deferred tax

Current tax payable and current tax receivable are recognised in the balance sheet as tax calculated on the taxable income for the year, adjusted for tax on previous years' taxable income and taxes paid on account.

Deferred tax is measured using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts on the basis of the intended use of the asset and settlement of the liability, respectively.

Accounting policies

Deferred tax assets, including the tax base of tax loss carry-forwards, are measured at the value at which the asset is expected to be realised, either by elimination against tax on future earnings or by set-off against deferred tax liabilities.

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation at the balance sheet date when the deferred tax is expected to crystallise as current tax. Where the tax base can be determined applying alternative tax rules, deferred tax is measured on the basis of the intended use of the asset or settlement of the liability, respectively.

Any changes in deferred tax due to changes to tax rates are recognised in the income statement. For the current year, a tax rate of 22% has been applied.

Payables

Other payables are measured at amortised cost, corresponding to nominal value.

Foreign currency translation

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Gains and losses arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement.

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the dates at the date when the receivable or payable arose are recognised in financial income and expenses in the income statement.

Income Statement 1 January - 31 December

	Note	2015	2014
		t.kr.	t.kr.
Revenue		**25.206**	**30.690**
Operating expenses		-1.178	-877
Other external expenses		-16.870	-10.541
Gross profit		**7.158**	**19.272**
Depreciation, amortisation and impairment of property, plant and equipment		-57.166	-12.939
Loss before financial income and expenses		**-50.008**	**6.333**
Financial income		0	14
Financial expenses		-3.836	-2.092
Loss before tax		**-53.844**	**4.255**
Tax on profit/loss for the year	1	17.639	-6.600
Net loss for the year		**-36.205**	**-2.345**
Transfer to retained earnings		-36.205	-2.345
		-36.205	**-2.345**

Balance Sheet at 31 December

	Note	2015	2014
		t.kr.	t.kr
Assets			
Plant and machinery		141.722	191.851
Property, plant and equipment	2	**141.722**	**191.851**
Total non-current assets		**141.722**	**191.851**
Trade receivables		1.257	1.557
Receivables from group enterprises	3	27.675	22.933
Deferred tax asset	5	8.426	0
Corporation tax		1.707	0
Receivables		**39.065**	**24.490**
Total current assets		**39.065**	**24.490**
Total assets		**180.787**	**216.341**

Balance Sheet at 31 December

	Note	2015 t.kr.	2014 t.kr
Liabilities and equity			
Share capital		500	500
Retained earnings		84.673	120.878
Total equity	4	**85.173**	**121.378**
Provision for deferred tax	5	0	1.247
Other provisions	6	94.875	84.106
Total provisions		**94.875**	**85.353**
Payables to group enterprises		689	2.982
Corporation tax		0	6.257
Other payables		50	371
Current debt		**739**	**9.610**
Total liabilities other than provisions		**739**	**9.610**
Total liabilities and equity		**180.787**	**216.341**
Contingencies etc.	7		
Related parties and ownership	8		

Statement of changes in equity

	Share capital	Retained earnings	Total
	t.kr.	t.kr.	t.kr.
Equity at 1 January	500	120.878	121.378
Net profit for the year	0	-36.205	-36.205
Equity at 31 December	**500**	**84.673**	**85.173**

Notes to the Annual Report

		2015	2014
		t.kr.	t.kr.
1	**Tax on profit/loss for the year**		
	Current tax for the year	-1.707	6.257
	Deferred tax for the year	-10.132	474
	Adjustment of tax concerning previous years	-5.878	227
	Adjustment of deferred tax concerning previous years	78	-358
		-17.639	**6.600**

2 Property, plant and equipment

	Plant and machinery
	t.kr.
Cost at 1 January	206.037
Additions for the year	7.036
Cost at 31 December	213.073
Impairment losses and depreciation at 1 January	14.186
Depreciation for the year	57.165
Impairment losses and depreciation at 31 December	71.351
Carrying amount at 31 December	**141.722**

3 Receivables from group enterprises

Included in receivables from group companies is a cash pool of DKK 24.920 thousand with the ultimate Parent Company, DONG Energy A/S. (2014: DKK 18.360 thousand).

Notes to the Annual Report

4 Equity

The share capital consists of 500 shares of a nominal value of t.kr. 1,000. No shares carry any special rights.

The share capital has developed as follows:

	2015	2014	2013	2012	2011
	t.kr.	t.kr.	t.kr.	t.kr.	t.kr.
Share capital at 1 January	500	500	80	80	125
Additions for the year	0	0	420	0	0
Disposals for the year	0	0	0	0	-45
Share capital at 31 December	**500**	**500**	**500**	**80**	**80**

5 Provision for deferred tax

Property, plant and equipment	-8.295	1.759
Tax loss carry-forward	-131	-512
Transferred to deferred tax asset	8.426	0
	0	**1.247**

Deferred tax asset		
Calculated tax asset	8.426	0
Carrying amount at 31 December	**8.426**	**0**

6 Other provisions

The provisions are expected to mature as follows:		
Within 1 year	48.200	0
Over 5 years	46.675	84.106
	94.875	**84.106**

Other provisions comprise warranties and the expected future costs for decommissioning and shutdown of the company's windfarms.

Notes to the Annual Report

7 Contingencies etc.

Contingent liabilities

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.

8 Related parties and ownership

	Basis
Controlling interest	
DONG Energy Wind Power Holding A/S, Kraftsværksvej 53, 7000 Fredericia.	Parent Company
Other related parties	
The Danish state by ministry of Finance	
Goldman Sachs Group	
DONG Energy A/S, Kraftværksvej 53, 7000 Fredericia	Ultimate Parent Company
Board of directors, Executive Board and management	
Other companies in the DONG Energy Group	

Ownership

The following shareholders are recorded in the company's register of shareholders as holding at least 5% of the votes or at least 5% of the share capital:

DONG Energy Wind Power Holding A/S