DONG Energy Horns Rev I A/S

Annual Report for 2015

Kraftværksvej 53, 7000 Fredericia

CVR no. 31 16 41 92

(9th 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 adopted the Annual Report of DONG Energy Horns Rev 1 A/S 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 view of the financial position at 31 December 2015 of the company's and of the results of the company's operations for the year 1 January - 31 December 2015.

In our opinion, Management's Review includes a true and fair account of the matters adressed in the Review.

We recommend that the Annual Report be adopted at the Annual General Meeting

Skærbæk, 18 March 2016

Executive Board

Leif Winther

Board of Directors

Robert Helms Chairman	Michael Christensen Deputy Chairman	Benjamin Sykes

Independent Auditor's Report

To the Shareholder of DONG Energy Horns Rev 1 A/S

Report on the Financial Statements

We have audited the Financial Statements of DONG Energy Horns Rev 1 A/S 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 the 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 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 Companys'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 Entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the 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 pro-vide a basis for our audit opinion.

Our audit has not resulted in any qualification.

Opinion

In our opinion, the Financial Statements give a true and fair view of the financial postition 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 consistent with the Financial Statements.

Hellerup, 18 March 2016

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab

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

Company information

The company	DONG Energy Horns Rev 1 A/S Kraftværksvej 53 Skærbæk 7000 Fredericia	
	Telephone:	99 55 11 11
	Fax:	99 55 00 02
	Website:	www.dongenergy.com
	CVR no.:	31 16 41 92
	Financial Period:	1 January - 31 December
	Reg. office:	Fredericia

Board of Directors

Robert Helms, Chairman
Michael Christensen, Deputy Chairman
Benjamin Sykes

Executive Board

Leif Winther

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

Performance highlights

Viewed over a five-year period, the development of the company can be described by the following performance highlights:

	2015	2014	2013	2012	2011
	t.kr.	t.kr.	t.kr.	t.kr.	t.kr.
Key figures					
Income statement					
Revenue	71.923	91.784	113.177	129.079	132.999
Earnings before interest, taxes, depreciation and amortisation	31.800	51.214	74.522	80.736	75.532
Loss before financial income and expenses	-75.413	-61.314	36.532	37.946	36.078
Financial income and expenses	-4.721	-4.239	-3.056	-2.476	-1.434
Net profit/loss for the year	-62.541	-51.785	35.932	26.488	25.820
Balance sheet					
Balance sheet total	429.558	555.605	705.169	800.495	834.849
Investment in intangible assets and property, plant and equipment	38.261	12.071	24.107	0	2
Equity	237.018	369.559	501.344	591.412	589.923
Financial ratios					
Profit margin	-104,9%	-66,8%	32,3%	29,4%	27,1%
Return on assets	-15,3%	-9,7%	4,9%	4,6%	4,5%
Solvency ratio	55,2%	66,5%	71,1%	73,9%	70,7%
Return on equity	-20,6%	-11,9%	6,6%	4,5%	4,4%

Definitions of key figures and ratios are described under accounting policies.

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. 62,541, and the company's balance sheet at 31 December 2015 shows equity of t.kr. 237,018.

Operating income was t.kr 19.414 lower than 2014 due to lower power prices. Furthermore the fixed price subsidy expired in April 2014.

Special risks - operating risks and financial risks

There are no special risks related to the enterprise except for those usual for an offshore wind farm of the type and age as Horns Rev 1.

Uncertainty relating to recognition and measurement

Recognition and measurement in the annual report have not been subject to any uncertainty.

Unusual events

The company´s assets, equity and liabilities and financial position at 31 December 2015 and the results of the company operations for the financial year 2015 have not been affected by any unusual events.

Subsequent events

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

Outlook for the coming year

2016 results are expected to be negatively influenced by expected lower power prices.

Environmental conditions

The Danish Environmental Protection Agency monitors the environmental impact of Horns Rev 1 wind farm during the operating stage.

Accounting policies

The Annual Report of DONG Energy Horns Rev 1 A/S for 2015 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to medium-sized enterprises of reporting class C.

The accounting policies applied remain unchanged from previous years.

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

In pursuance of Section 86(iv) of the Danish Financial Statements Act, the Company has omitted preparing a cash flow statement, as the Company is included in the cash flow statement of the DONG Energy A/S Group.

Recognition and measurement

Revenues are 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 sale of electricity and services, is recognised in the income statement when delivery and transfer of risk to the buyer have taken place before year-end. Revenue is recognised exclusive of VAT and net of discounts relating to sales.

Operating expenses

Operating expenses comprise the expenses incurred by the Company to achieve revenue for the year.

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 and realised and unrealised exchange adjustments.

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.

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.

Accounting policies

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.

Cost is increased by estimated expenses for dismantling and removing the asset 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 on a sum-of-digits basis over the expected useful lives of the assets, which are:

	Useful life
Plant and machinery	20 years

Investments in joint ventures

Capital investments in joint ventures include jointly operated licenses regarding wind turbine plants.

Capital investments in joint ventures are recognised in the parent company's accounts by recognising the parent company's share of the jointly controlled assets and liabilities, classified according to the character of the assets and liabilities, as well as the parent company's share of the revenue of the sales of the jointly controlled activity's production along with the parent company's share of the costs incurred by the jointly controlled activity.

Based on the ownership share a proportional elimination is done regarding internal revenue and cost, internal outstanding accounts as well as realized and unrealized profits and losses of transactions between the enterprises involved.

Impairment of non-current assets

The carrying amounts of intangible assets and property, plant and equipment and investments in subsidiaries are reviewed annually to determine whether there is any indication of impairment.

Accounting policies

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.

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.

Accounting policies

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 and deferred tax assets and liabilities

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.

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 through elimination against tax on future earnings or through 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 applicable at the balance sheet date when the deferred tax is expected to be set off 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.

Accounting policies

Foreign currency translation

DKK is used as measuring currency. All other currencies are recognised as foreing currencies.

Transactions in foreign currencies are translated at the exchange rates applicable 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 applicable at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the transaction date rates are recognised in financial income and expenses in the income statement..

Performance highlights

Definition of financial ratios.

Profit margin	Profit before financial income and expenses x 100 / Revenue
Return on assets	Profit before financial income and expenses x 100 / Average total assets
Solvency ratio	Equity at year-end x 100 / Total assets at year-end
Return on equity	Net profit for the year x 100 / Average equity

Income Statement 1 January - 31 December

	Note	2015	2014
		t.kr.	t.kr.
Revenue		**71.923**	**91.784**
Operating expenses		-6.821	-3.334
Other external expenses		-33.302	-37.236
Gross profit		**31.800**	**51.214**
Staff costs	1	0	0
Earnings before interest, taxes, depreciation and amortisation		**31.800**	**51.214**
Depreciation, amortisation and impairment of and property, plant and equipment		-107.213	-105.523
Other operating costs		0	-7.005
Loss before financial income and expenses		**-75.413**	**-61.314**
Financial income	2	185	113
Financial expenses	3	-4.906	-4.352
Loss before tax		**-80.134**	**-65.553**
Tax on profit/loss for the year	4	17.593	13.768
Net loss for the year		**-62.541**	**-51.785**
Proposed dividend for the year		0	70.000
Retained earnings		-62.541	-121.785
		-62.541	**-51.785**

Balance Sheet at 31 December

	Note	2015 t.kr.	2014 t.kr
Assets			
Plant and machinery		380.841	449.793
Property, plant and equipment	5	**380.841**	**449.793**
Total non-current assets		**380.841**	**449.793**
Receivables from group enterprises	6	40.548	54.785
Other receivables		7.783	20.525
Receivables		**48.331**	**75.310**
Cash at bank and in hand	6	**386**	**30.502**
Total current assets		**48.717**	**105.812**
Total assets		**429.558**	**555.605**

Balance Sheet at 31 December

	Note	2015	2014
		t.kr.	t.kr
Liabilities and equity			
Share capital		100.000	100.000
Retained earnings		137.018	199.559
Proposed dividend for the year		0	70.000
Total equity	7	**237.018**	**369.559**
Provision for deferred tax	8	38.668	59.197
Other provisions	9	149.045	106.158
Total provisions		**187.713**	**165.355**
Trade payables		1.456	3.373
Payables to group enterprises		260	823
Corporation tax		2.936	6.476
Other payables		175	10.019
Current debt		**4.827**	**20.691**
Total liabilities other than provisions		**4.827**	**20.691**
Total liabilities and equity		**429.558**	**555.605**
Contingencies etc.	10		
Related parties and ownership	11		

Statement of changes in equity

	Share capital	Retained earnings	Proposed dividend for the year	Total
	t.kr.	t.kr.	t.kr.	t.kr.
Equity at 1 January	100.000	199.559	70.000	369.559
Paid dividend	0	0	-70.000	-70.000
Net profit for the year	0	-62.541	0	-62.541
Equity at 31 December	**100.000**	**137.018**	**0**	**237.018**

Notes to the Annual Report

1 Staff costs

The company had no employees in the accounting period, and no remuneration was paid to the Board of Directors and the Executive Board.

	2015	2014
	t.kr.	t.kr.
2 Financial income		
Interest received from group enterprises	0	112
Other financial income	185	1
	185	**113**

	2015	2014
3 Financial expenses		
Interest paid to group enterprises	60	0
Interest element abandonment	4.785	4.334
Other financial costs	61	18
	4.906	**4.352**

	2015	2014
4 Tax on profit/loss for the year		
Current tax for the year	2.936	6.475
Deferred tax for the year	-20.530	-20.242
Adjustment of deferred tax concerning previous years	1	-1
	-17.593	**-13.768**

Notes to the Annual Report

5 Property, plant and equipment

	Plant and machinery
	t.kr.
Cost at 1 January	953.036
Additions for the year	38.261
Cost at 31 December	991.297
Impairment losses and depreciation at 1 January	503.243
Depreciation for the year	107.213
Impairment losses and depreciation at 31 December	610.456
Carrying amount at 31 December	**380.841**

6 Receivables from group enterprises

Included in the Receiveables from DONG Energy A/S enterprises is a cash pool of DKK 40.548 thousand with the ultimate Parent Company, DONG Energy A/S. (2014: 54.785 TDKK)

7 Equity

The share capital consists of 100,000 shares of a nominal value of t.kr. 1. No shares carry any special rights.

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

Notes to the Annual Report

		2015	2014
		t.kr.	t.kr
8	**Provision for deferred tax**		
	Property, plant and equipment	71.458	82.552
	Other provisions	-32.790	-23.355
		38.668	**59.197**
9	**Other provisions**		
	Balance at 1 January	106.158	95.902
	Interest element	4.785	4.334
	Change in other abandonment factors	38.102	5.922
		149.045	**106.158**
	Over 5 years	149.045	106.158
		149.045	**106.158**

Other provisions include expected future expenses for decommissioning and shutdown of the company's wind farm etc.

10 Contingencies etc.

The company has no essential contingent assets, liabilities and other obligations

The company participate at a rate of 40 % in a partnership in respect of a project within renewable energy. The company is jointly and severally liable together with other participants for liabilities relating to agreements entered into. The company has no other material 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.

Notes to the Annual Report

11 Related parties and ownership

	Basis
Controlling interest	
DONG Energy Wind Power Denmark A/S, Kraftsværksvej 53, 7000 Fredericia.	Owns 100% of the share capital
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 Denmark A/S