DONG Energy Nysted I A/S

Annual Report for 2015

Kraftværksvej 53, 7000 Fredericia

CVR no. 31 16 44 86

(9th financial year)

The annual report was presented and adopted at the annual general meeting of the company on 20/05 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 Nysted I 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 company's assets, liabilities and financial position at 31 December 2015 and of the company's'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, 3 May 2016

Executive Board

Leif Winther

Board of Directors

Robert Helms Chairman	Michael Christensen Deputy Chairman	Benjamin Sykes
Jürgen Herbert Schäffner		

Independent Auditor's Report

To the Shareholders of DONG Energy Nysted I A/S

Report on the Financial Statements

We have audited the Financial Statements of DONG Energy Nysted I 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 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 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 provide a basis for our audit opinion.

Our audit has not resulted in any qualification.

Opinion

In our opinion, the Financial Statement 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 consistent with the Financial Statements.

Hellerup, 3 May 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 Nysted I 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 44 86
	Financial Period:	1 January - 31 December
	Reg. office:	Fredericia
Board of Directors	Robert Helms, Chairman Michael Christensen, Deputy Chairman Benjamin Sykes Jürgen Herbert Schäffner	
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	131.393	133.501	118.841	130.758	135.725
Earnings before interest, taxes, depreciation and amortisation	85.709	82.968	71.145	79.745	91.877
Loss before financial income and expenses	-146.532	-17.463	19.234	26.406	37.533
Financial income and expenses	-5.716	-9.360	-4.612	-2.077	-1.796
Net profit/loss for the year	-119.916	-21.636	28.042	17.744	26.618
Balance sheet					
Balance sheet total	494.077	715.453	823.487	809.507	887.332
Equity	239.791	369.707	494.643	569.801	651.657
Financial ratios					
Profit margin	-111,5%	-13,1%	16,2%	20,2%	27,7%
Return on assets	-24,2%	-2,3%	2,4%	3,1%	4,2%
Solvency ratio	48,5%	51,7%	60,1%	70,4%	73,4%
Return on equity	-39,3%	-5,0%	5,3%	2,9%	3,8%

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. 119,916, and the company's balance sheet at 31 December 2015 shows equity of t.kr. 239,791.

Despite a slightly lower revenue the earnings before interest, taxes, depreciation and amortisation is higher compared to 2014 primarely due to lower breakdowns than expected.

The company has in 2015 changed the accounting estimate of the wind farm, which in 2014 was depreciated using the sum-of-digits method. This change in accounting estimate has had a negative impact on the depreciation for the year of approximately DKK 137 million. For 2015 the company has used the diminishing balance method. Consequently the result for 2015 is significantly lower than 2014.

Special risks - operating risks and financial risks

There are no special risk related to the enterprise except for those usual for the industry.

The subsidy scheme for Nysted Havmøllepark consisted of a fixed price for the first 42 thousand full load hours corresponding to the production during approximately 13 years from the beginning of operation. It is expected that the maximum will be reached during the first half of 2016, whereafter the sales will be at market price and a variable subsidy will be received until 20 years of operation.

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 the expiry of the fixed price subsidy and change to a lower and variable subsidy combined by expected lower power prices.

Management's review

Environment

The Danish Environmental Protection Agency monitors the environmental impact of Nysted Havmøllepark during the operating stage.

Nysted Havmøllepark is certified according to ISO 14001 (Environmental Management Systems) and OHSAS 18001 (Occupational Health and Safety) and has implemented the necessary processes and systems to fulfil the requirements. Three internal reviews are done each year and an external review by an independant third party is done every third year.

Accounting policies

The Annual Report of DONG Energy Nysted I 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, DONG Energy Nysted I A/S 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.

DKK is used as measuring currency. All other currencies are regarded as foreign currencies.

Government grants

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

Accounting policies

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

Income statement

Revenue

Revenue comprises sales 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 prior to the end of the year and to the extent that the income can be measured reliably and is expected to be recieved.

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

Other operating income and expenses

Other operating income and other operating expenses comprise items of a secondary nature to the core activity of the enterprise, i.e. compensation income for break downs.

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 sales, marketing, administration, premises as well as office expenses, 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 exchange gains and losses.

Accounting policies

Tax on profit/loss for the year

Tax on profit/loss 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 the net profit/loss for the year and directly in equity to the extent that it relates to entries directly in equity. The company is subject to the Danish rules on compulsory joint taxation of the DONG Energy Group's Danish companies, and the ultimate parent company, DONG Energy A/S, has also 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 administration company for the joint taxation and consequently settles all income tax payments with the tax authorities.

In connection with the settlement of joint taxation contributions, current Danish income tax is allocated among the jointly taxed Danish enterprises in proportion to their taxable income. Further to this, 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 enterprises that utilise tax losses in other Danish enterprises 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. In the case of assets of own construction, cost comprises direct and indirect expenses for labour, materials, components and sub-suppliers.

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 using diminishing balance method over the expected useful lives of the assets, which are:

	Useful life
Plant and machinery	20-24 years

Investments in joint operations

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

Accounting policies

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 revenue of the sale 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 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.

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, in consequence of an event occurring before or at 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.

Accounting policies

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

Provisions for 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 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 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 enterprise of economic resources 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 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.

Accounting policies

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 transaction date rates are recognised in financial income and expenses in the income statement.

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

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		**131.393**	**133.501**
Other operating income		348	0
Operating expenses		-3.378	-3.443
Other external expenses		-42.654	-47.090
Gross profit		**85.709**	**82.968**
Staff costs	1	0	0
Earnings before interest, taxes, depreciation and amortisation		**85.709**	**82.968**
Depreciation, amortisation and impairment of property, plant and equipment		-232.241	-100.431
Loss before financial income and expenses		**-146.532**	**-17.463**
Financial income		0	105
Financial expenses	2	-5.716	-9.465
Loss before tax		**-152.248**	**-26.823**
Tax on profit/loss for the year	3	32.332	5.187
Net profit/loss for the year		**-119.916**	**-21.636**
Proposed dividend for the year		0	10.000
Retained earnings		-119.916	-31.636
		-119.916	**-21.636**

Balance Sheet at 31 December

	Note	2015	2014
		t.kr.	t.kr
Assets			
Plant and machinery		431.306	665.092
Property, plant and equipment	4	**431.306**	**665.092**
Total non-current assets		**431.306**	**665.092**
Trade receivables		11.445	8.591
Receivables from group enterprises	5	51.326	41.770
Receivables		**62.771**	**50.361**
Total current assets		**62.771**	**50.361**
Total assets		**494.077**	**715.453**

Balance Sheet at 31 December 2015

	Note	2015	2014
		t.kr.	t.kr
Liabilities and equity			
Share capital		100.000	100.000
Retained earnings		139.791	259.707
Proposed dividend for the year		0	10.000
Total equity	6	**239.791**	**369.707**
Provision for deferred tax	7	57.991	104.464
Other provisions	8	92.703	90.244
Total provisions		**150.694**	**194.708**
Payables to group enterprises	9	76.000	126.000
Non-current debt		**76.000**	**126.000**
Payables to group enterprises	9	14.553	15.287
Corporation tax		13.036	9.721
Other payables		3	30
Current debt		**27.592**	**25.038**
Total liabilities other than provisions		**103.592**	**151.038**
Total liabilities and equity		**494.077**	**715.453**
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	259.707	10.000	369.707
Ordinary dividend paid	0	0	-10.000	-10.000
Net profit for the year	0	-119.916	0	-119.916
Equity at 31 December	**100.000**	**139.791**	**0**	**239.791**

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 t.kr.	2014 t.kr.
2 Financial expenses		
Interest paid to group entreprises	1.712	5.483
Interest element abandonment	4.004	3.952
Other financial costs	0	30
	5.716	**9.465**

3 Tax on profit/loss for the year		
Current tax for the year	13.036	9.721
Deferred tax for the year	-46.473	-15.630
Adjustment of tax concerning previous years	1.105	654
Adjustment of deferred tax concerning previous years	0	68
	-32.332	**-5.187**

Notes to the Annual Report

4 Property, plant and equipment

	Plant and machinery
	t.kr.
Cost at 1 January	1.076.395
Additions for the year	-1.545
Cost at 31 December	1.074.850
Impairment losses and depreciation at 1 January	411.303
Depreciation for the year	232.241
Impairment losses and depreciation at 31 December	643.544
Carrying amount at 31 December	**431.306**

Addition for the year is negative because of a decrease in capitalized abandonment costs.

5 Receivables from group enterprises

Included in Receivables from Group Companies is a cashpool of DKK 25.287 thousand (2014: 12.213 TDKK).

6 Equity

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

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

	2015	2014
	t.kr.	t.kr
7 Provision for deferred tax		
Property, plant and equipment	78.386	124.318
Other provisions	-20.395	-19.854
	57.991	**104.464**

Notes to the Annual Report

		2015	2014
		t.kr.	t.kr
8	**Other provisions**		
	Balance at 1 January	90.244	88.723
	Change in other abandonment factors	-1.545	-2.431
	Interest element	4.004	3.952
		92.703	**90.244**
	Over 5 years	92.703	90.244
		92.703	**90.244**

Other provisions comprise expected future decommissioning and restoration costs for the Company's production facilities etc.

9	**Long term debt**		
	Payables to group enterprises		
	Between 1 and 5 years	76.000	126.000
	Long-term part	76.000	126.000
	Other short-term debt to subsidiaries	14.553	15.287
	Short-term part	14.553	15.287
		90.553	**141.287**

10 Contingencies etc.

The company participate at a rate of 50 % 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.	Parent company, 85,5 % ownership
Other related parties	
The Danish state, represented by the Ministry of Finance	
Goldman Sachs Group	
DONG Energy A/S, Kraftværksvej 53, 7000 Fredericia	Ultimate parent company
Board of Directors, Executive Board and senior executives	
Other companies in 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
Kraftværksvej 53, 7000 Fredericia

Stadtwerke Lübeck GmbH
Moisinger Allee 9, D-23547 Lübeck, Germany