DONG Energy - Anholt Offshore A/S

Kraftværksvej 53
Skærbæk

Annual report for 2016

CVR no 31 17 67 43

(9th Financial year)

Adopted at the annual general meeting on
31 March 2017

Ulrik Jarlov
Chairman

Contents

Statement by Management on the annual report

The Executive and Supervisory Boards have today discussed and approved the annual report of DONG Energy Anholt Offshore A/S for the financial year 1 January - 31 December 2016.

The annual report has been 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 2016 and of the results of the the Company's operations for the financial year 1 January - 31 December 2016.

In our opinion, Management's review includes a fair review of the matters dealt within the Management's review

We recommend the adoption of the annual report at the annual general meeting.

Skærbæk, 17 March 2017

Executive Board

Leif Winther

Supervisory Board

Robert Helms Chairman	Michael Christensen Deputy Chairman	Leif Winther

Independent auditor's report

To the shareholder of DONG Energy Anholt Offshore A/S

Opinion

We have audited the financial statements of DONG Energy Anholt Offshore A/S for the financial year 1 January - 31 December 2016, which comprise an income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies. The financial statements are prepared under 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 2016 and of the results of the Company's operations for the financial year 1 January - 31 December 2016 in accordance with the Danish Financial Statements Act.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's Responsibilities for the Audit of the financial statements" section of our report. We are independent of the company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's Responsibilities for the financial Statements

Management is responsible for the preparation of Financial Statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements, Management is responsible for assessing the Company´s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the Financial Statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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:

Independent auditor’s report

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

- Conclude on the appropriateness of Management’s use of the going concern basis of accounting in preparing the Financial Statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- 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.

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, we conclude that Management’s Review is in accordance with the Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statement Act. We did not identify any material misstatement of Management’s Review.

Independent auditor's report

Copenhagen, 17 March 2017

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR-nr. 33 77 12 31

Kim Danstrup
State Authorised Public Accountant

Poul P. Petersen
State Authorised Public Accountant

Company details

The Company	DONG Energy Anholt Offshore A/S Kraftværksvej 53 Skærbæk 7000 Fredericia	
	Tel:	+45 99 55 11 11
	Fax:	+45 99 55 00 02
	Website:	www.dongenergy.com
	CVR no.:	31 17 67 43
	Reporting period:	1 January - 31 December
	Domicile:	Fredericia
Supervisory Board	Robert Helms, Chairman Michael Christensen, Deputy Chairman Leif Winther	
Executive Board	Leif Winther	
Auditors	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Strandvejen 44 2900 Hellerup	
Consolidated Financial Statements	The company is included in the consolidated financial statements of the parent company, DONG Energy A/S, Fredericia, CVR nr. 36 21 37 28 The consolidated financial statements of DONG Energy A/S, Fredericia, CVR no. 36 21 37 28 may be obtained at the following address: www.dongenergy.com	

Financial highlights

5-year summary:

	2016	2015	2014	2013	2012
	TDKK	TDKK	TDKK	TDKK	TDKK
Key figures					
Profit/loss					
Earnings Before Interest Taxes Depreciation and Amortization	-7.158	-8.735	-15.053	-16.828	-5.185
Profit/loss from ordinary operating activities before gains/losses from fair value adjustments	-7.181	-8.874	-15.191	-16.822	-5.185
Net financials	103.619	141.892	82.010	10.974	-5.463
Profit/loss for the year	101.023	148.190	73.027	43.266	-584
Balance sheet					
Balance sheet total	5.040.125	5.804.800	6.355.543	6.648.436	4.985.333
Investment in property, plant and equipment	-4.447	-636	-32.554	-3.194	40.831
Equity	903.815	802.792	654.602	581.575	538.309
Financial ratios					
Return on assets	-0,1%	-0,1%	-0,2%	-0,3%	-0,1%
Solvency ratio	17,9%	13,8%	10,3%	8,7%	10,8%
Return on equity	11,8%	20,3%	11,8%	7,7%	-0,1%

The financial ratios are calculated in accordance with the Danish Finance Society's recommendations and guidelines. For definitions, see the summary of significant accounting policies.

Management's review

Business activities

The Company's objects are to engage in activities in the energy sector and ancillary activities. The Company holds an ideal share on 50% of Anholt Havvindmøllepark I/S. The partnership is a joint venture with PensionDanmark (30%) and PKA (20%).

Business review

The Company's income statement for the year ended 31 December shows a profit of TDKK 101.023, and the balance sheet at 31 December 2016 shows equity of TDKK 903.815.

Net profit (loss) relation to expected development assumed in previous report

Financial performance for 2016 is lower than expected as the revenue in Anholt Havvindmøllepark I/S has been lower than expected.

Special risks apart from generally occurring risks in industry

Operating risks

There are no special risks except for the ordinary risks related to the Company's main activity.

Recognition and measurement uncertainties

The recognition and measurement of items in the financial statements is not subject to any uncertainty.

Unusual matters

The Company's financial position at 31 December 2016 and the results of its operations for the financial year ended 31 December 2016 are not affected by any unusual matters.

Outlook for the coming year

A profit of the same level as 2016 is expected for 2017.

Environment

A monitoring programme for migrating birds required in the concession for Anholt Offshore Windfarm was successfully completed in 2016. The programme has been running since 2014 and the final report was approved by the Danish Energy and Nature Agencies in concluding that Anholt Offshore Windfarm does not lead to increased collision risk for the main species of concern.

No further environmental monitoring is required in the concession.

Accounting policies

The annual report of DONG Energy Anholt Offshore A/S for 2016 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 are consistent with those of last year, however this year reporting as medium-sized enterprises Class C and in 2015 as reporting Class B.

The annual report for 2016 is presented in TDKK

In pursuance of Section 86(4) 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 Group.

Pursuant to sections §112, of the Danish Financial Statements Act, the company has not prepared consolidated financial statements.

Basis of recognition and measurement

Income is recognised in the income statement as earned, including value adjustments of financial assets and liabilities. All expenses, including amortisation, depreciation and impairment losses, are also recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits will flow to the company's 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's 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 are presented and which confirm or invalidate matters existing at the balance sheet date.

Accounting policies

Income statement

Other external expenses

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

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, realised and unrealised exchange gains and losses on foreign currency transactions.

Income from investments in joint ventures

The item 'Income from investments in joint ventures' in the income statement include the proportionate share of the profit before tax for the year after full elimination of intragroup gain/losses less goodwill amortisation and are measured using the equity method.

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.

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.

Accounting policies

Balance sheet

Property, plant and equipment

Property, plant and equipment 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.

Straight-line depreciation is provided on the basis of the following estimated useful lives of the assets:

	Useful life
Buildings	20-50 years

Investments in joint ventures

The items “Investments in joint ventures” in the balance sheet include the proportionate ownership share of the net asset value of the enterprises calculated on the basis of the fair values of identifiable net assets at the time of acquisition with deduction or addition of unrealised intercompany profits or losses and with addition of any remaining value of positive differences (goodwill) and deduction of any remaining value of negative differences (negative goodwill).

The total net revaluation of investments in subsidiaries and associates is transferred upon distribution of profit to "Reserve for net revaluation under the equity method" under equity. The reserve is reduced by dividend distributed to the Parent Company and adjusted for other equity movements in joint ventures.

Joint ventures with a negative net asset value are recognised at t.kr. 0. Any legal or constructive obligation of the Parent Company to cover the negative balance of the enterprise is recognised in provisions. If the carrying amount of negative equity value exceeds receivables, the remaining amount is recognized under provisions, in the extent that the parent company has a legal or actual obligation to cover the subsidiaries equilibrium.

Accounting policies

Impairment of fixed assets

The carrying amount of property, plant and equipment and investments in joint ventures 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 present value of expected net cash flows from the use of the asset or group of assets and the expected net cash flows from the sale of the asset or group of assets after the end of their useful lives.

Assets, for which revaluations have previously been made are impaired in equity, however, not exceeding the value of the revaluation reserve.

Receivables

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

Equity

Dividend

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

Income tax and deferred tax

Current tax liabilities and current tax receivables are recognised in the balance sheet as the estimated tax on the taxable income for the year, adjusted for tax on the taxable income for previous years and tax paid on account.

Deferred tax is measured according to the liability method in respect of temporary differences between the carrying amount of assets and liabilities and their tax base, calculated on the basis of the planned use of the asset and settlement of the liability, respectively.

Deferred tax assets, including the tax base of tax loss allowed for carry forward are measured at the value to which the asset is expected to be realised, either by elimination in tax on future income or by offsetting against deferred tax liabilities within the same legal tax entity. Any deferred net tax assets are measured at net realisable value.

Accounting policies

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

Payables

Liabilities, which include 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.

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.

Financial Highlights

Definitions of financial ratios.

Return on assets $= \dfrac{\text{Profit/loss before financials x 100}}{\text{Total assets}}$

Solvency ratio $= \dfrac{\text{Equity at year end x 100}}{\text{Total assets}}$

Return on equity $= \dfrac{\text{Net profit for the year x 100}}{\text{Average equity}}$

Income statement 1 January - 31 December

	Note	2016 TDKK	2015 TDKK
Other external expenses		-7.158	-8.735
Gross profit		**-7.158**	**-8.735**
Staff costs	1	0	0
Earnings Before Interest Taxes Depreciation and Amortization		**-7.158**	**-8.735**
Depreciation, amortisation and impairment of property, plant and equipment		-23	-139
Profit/loss from ordinary operating activities before gains/losses from fair value adjustments		**-7.181**	**-8.874**
Income from investments in joint ventures	2	176.187	225.546
Financial income	3	11	0
Financial costs	4	-72.579	-83.654
Profit/loss before tax		**96.438**	**133.018**
Tax on profit/loss for the year	5	4.585	15.172
Net profit/loss for the year		**101.023**	**148.190**
Retained earnings		101.023	148.190
		101.023	**148.190**

Balance sheet at 31 December 2016

	Note	2016 TDKK	2015 TDKK
Assets			
Land and buildings		0	3.927
Property, plant and equipment	6	**0**	**3.927**
Investments in joint ventures	7	4.962.536	5.500.789
Fixed asset investments		**4.962.536**	**5.500.789**
Fixed assets total		**4.962.536**	**5.504.716**
Trade receivables		89	0
Receivables from group enterprises	8	70.119	219.657
Other receivables		0	73.066
Income tax		7.381	7.361
Receivables		**77.589**	**300.084**
Currents assets total		**77.589**	**300.084**
Assets total		**5.040.125**	**5.804.800**

Balance sheet at 31 December 2016

	Note	2016	2015
		TDKK	TDKK
Liabilities and equity			
Share capital		100.000	100.000
Retained earnings		803.815	702.792
Equity	9	**903.815**	**802.792**
Provision for deferred tax	10	180.963	134.141
Provisions total		**180.963**	**134.141**
Payables to group enterprises, loan		3.410.000	4.305.000
Deferred income		81.773	83.949
Long-term debt	11	**3.491.773**	**4.388.949**
Trade payables		0	275
Payables to group enterprises	11	3.241	3.643
Payables to group enterprises, loan	11	450.000	475.000
Other payables		10.333	0
Short-term debt		**463.574**	**478.918**
Debt total		**3.955.347**	**4.867.867**
Liabilities and equity total		**5.040.125**	**5.804.800**
Contractual obligations and contingent liabilities	12		
Subsequent events	13		
Related parties and ownership	14		

Statement of Changes in Equity

	Share capital	Retained earnings	Total
	TDKK	TDKK	TDKK
Equity at 1 January	100.000	702.792	802.792
Net profit/loss for the year	0	101.023	101.023
Equity at 31 December	**100.000**	**803.815**	**903.815**

Notes to the Annual Report

1 Staff costs

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

	2016	2015
	TDKK	TDKK
2 Income from investments in joint ventures		
Share of profits of joint ventures	176.187	225.546
	176.187	**225.546**
3 Financial income		
Exchange gains	11	0
	11	**0**
4 Financial costs		
Interest paid to group enterprises	72.579	83.614
Exchange loss	0	40
	72.579	**83.654**

Notes to the Annual Report

		2016	2015
		TDKK	TDKK
5	**Tax on profit/loss for the year**		
	Current tax for the year	-9.598	-7.361
	Deferred tax for the year	8.098	11.793
	Adjustment of tax concerning previous years	-41.810	12.885
	Adjustment of deferred tax concerning previous years	38.725	-32.489
		-4.585	**-15.172**

		Land and buildings
6	**Property, plant and equipment**	
		TDKK
	Cost at 1 January	4.447
	Disposals for the year	-4.447
	Cost at 31 December	0
	Amortisation and impairment losses at 1 January	520
	Depreciation for the year	23
	Disposal for the year	-543
	Amortisation and impairment losses at 31 December	0
	Carrying amount at 31 December	**0**

Notes to the Annual Report

		2016	2015
		TDKK	TDKK
7	**Investments in joint ventures**		
	Cost at 1 January	6.272.115	6.272.115
	Cost at 31 December	6.272.115	6.272.115
	Value adjustments at 1 January	-771.326	-75.593
	Net profit/loss for the year	176.187	225.546
	Dividend to the Parent Company	-714.440	-921.279
	Value adjustments at 31 December	-1.309.579	-771.326
	Carrying amount at 31 December	**4.962.536**	**5.500.789**

Investments in joint ventures are specified as follows:

Name	Place of registered office	Votes and ownership	Equity	Net profit/loss for the year
			TDKK	TDKK
Anholt Havvindmøllepark I/S	Fredericia	50%	9.913.459	330.909

8 Receivables from group enterprises

Included in the Receivables from DONG Energy A/S enterprises is a cash pool of TDKK 60.658 with the ultimate Parent Company, DONG Energy A/S. (2015: 184.656 TDKK).

9 Equity

The share capital consists of 1 share of a nominal value of TDKK 100.000. 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

		2016	2015
		TDKK	TDKK
10	**Provision for deferred tax**		
	Property, plant and equipment	317.209	307.863
	Other provisions	-58.740	-57.606
	Tax loss carry-forward	-77.506	-116.116
		180.963	**134.141**

		2016	2015
11	**Long term debt**		
	Payables to group enterprises, loan		
		1.692.000	1.740.000
	Between 1 and 5 years	1.718.000	2.565.000
	Non-current portion	3.410.000	4.305.000
	Other short-term debt to subsidiaries	453.241	478.643
	Short-term portion	453.241	478.643
		3.863.241	**4.783.643**
	Deferred income		
	After 5 years	81.773	83.949
		81.773	**83.949**

12 Contractual obligations and contingent liabilities

The Group's Danish companies are jointly and severally liable for tax on the Group's jointly taxed income, etc. Reference is made to the Annual Report DONG Energy A/S, the company responsible for the administration of the joint taxation arrangement.

The Danish companies of the Group are jointly and severally liable within the jointly VAT registration.

The company participate at a rate of 50 % in Anholt Havvindmøllepark I/S. The company is jointly and severally liable together with other participants for liabilities relating to agreements entered into.

Notes to the Annual Report

The company has entered into binding agreements with subsuppliers regarding purchase of fixed assets. The total commitments amount to 15.704 TDKK (2015: 25.755 TDKK) and are primarily related to agreements on investments in construction of wind turbines. These commitments have by agreement been taken over by DONG Wind Power A/S.

13 Subsequent events

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

14 Related parties and ownership

Controlling interest

DONG Energy Wind Power Denmark A/S, Kraftværksvej 53, 7000 Fredericia. (Parent company)

Other related parties

DONG Energy A/S (Ultimate parent company)
The Danish State represented by the Ministry of Finance
Goldman Sachs Group
Group enterprises and associates
Board of Directors, Executive Board and senior employees

Ownership

According to the Company's register of shareholders, the following shareholders hold a minimum of 5% of the voting rights or a minimum of 5% of the share capital:

DONG Energy Wind Power Denmark A/S