Ørsted - Anholt Offshore A/S

Annual report for 2017

CVR no. 31 17 67 43

(10th Financial year)

Adopted at the annual general meeting on 30 May 2018

Ulrik Jarlov
chairman

Contents

Statement by management on the annual report

The board of directors and the executive board have today discussed and approved the annual report of Ørsted - Anholt Offshore A/S for the financial year 1 January - 31 December 2017.

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

In our opinion, the financial statements give a true and fair view of the company's financial position at 31 December 2017 and of the results of the company's operations for the financial year 1 January - 31 December 2017.

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

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

Skærbæk, 16 May 2018

Executive board

Alexander Winther Russo

Board of directors

Robert Helms chairman	Martin Werner Brölsch deputy chairman	Kasper Holst Skyttegaard- Nielsen

Independent auditor's report

To the shareholder of Ørsted - Anholt Offshore A/S

Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2017 and of the results of the Company's operations for the financial year 1 January - 31 december 2017 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of Ørsted - Anholt Offshore A/S for the financial year 1 January - 31 December 2017, which comprise a summary of significant accounting policies, income statement, balance sheet, statement of changes in equity and notes ("financial statements").

Basis for Opinion

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

Statement on Management's Review

Management is responsible for Management's Review.

Our opinion on the financial statements does not cover Management's Review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether Management's Review provides the information required under the Danish Financial Statements Act.

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

Independent auditor's report

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

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

Auditor's Responsibilities for the Audit of the Financial Statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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

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

Independent auditor's report

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

- Evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Copenhagen, 16 May 2018

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR no. 33 77 12 31

Thomas Wraae Holm
State Authorised Public Accountant
MNE no. mne30141

Poul P. Petersen
State Authorised Public Accountant
MNE no. mne34503

Company details

The company	Ørsted - Anholt Offshore A/S Kraftværksvej 53 Skærbæk 7000 Fredericia	
	Telephone:	+45 99 55 11 11
	E-mail:	info@orsted.dk
	Website:	www.orsted.com
	CVR no.:	31 17 67 43
	Reporting period: Financial year:	1 January - 31 December 2017 10th financial year
	Domicile:	Fredericia
Board of directors	Robert Helms, chairman Martin Werner Brölsch, deputy chairman Kasper Holst Skyttegaard-Nielsen	
Executive board	Alexander Winther Russo	
Auditors	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Strandvejen 44 2900 Hellerup	
Consolidated financial statements	The company is included in the consolidated financial statements of the parent company Ørsted A/S, CVR no. 36 21 37 28 The Group Annual Report of Ørsted A/S, CVR no. 36 21 37 28 may be obtained at the following address: www.orsted.com	

Financial highlights

Seen over a 5-year period, the development of the Company may be described by means of the following financial highlights:

	2017	2016	2015	2014	2013
	TDKK	TDKK	TDKK	TDKK	TDKK
Key figures					
Profit/loss					
Earnings Before Interest Taxes Depreciation and Amortization	-8.642	-7.158	-8.735	-15.053	-16.828
Profit/loss before financial income and expenses	-8.642	-7.181	-8.874	-15.191	-16.822
Net financials	258.197	103.619	141.892	82.010	10.974
Profit/loss for the year	211.877	101.023	148.190	73.027	43.266
Balance sheet					
Balance sheet total	4.478.192	5.040.125	5.804.800	6.355.543	6.648.436
Investment in property, plant and equipment	0	-4.487	-636	-32.554	-3.194
Equity	1.115.692	903.815	802.792	654.602	581.575
Financial ratios					
Return on assets	-0,2%	-0,1%	-0,1%	-0,2%	-0,3%
Solvency ratio	24,9%	17,9%	13,8%	10,3%	8,7%
Return on equity	21,0%	11,8%	20,3%	11,8%	7,7%

The financial ratios are calculated in accordance with the Danish Finance Society's recommendations and key figures 2015. 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 211.877, and the balance sheet at 31 December 2017 shows equity of TDKK 1.115.692.

Net profit (loss) relation to expected development assumed in previous report
Financial performance for 2017 is higher than expected as the revenue in Anholt Havvindmøllepark I/S has been higher than expected, mainly because of higher wind.

Financial review
Earnings before interest, taxes and depreciation for 2018 is expected to be affected by a continuing stable operation and earnings as anticipated and in line with 2017.

Special risks apart from generally occurring risks in industry
Operating risks
There are no special risks related to the company except for those usual for the industry.

Environment
A monitoring programme for migrating birds required in the concession for Anholt Offshore Windfarm was successfully completed and approved in 2016 by the Danish Energy and Nature Agencies. The report concluded 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 Ørsted - Anholt Offshore A/S for 2017 has been prepared in accordance with the provisions of the Danish Financial Statements Act concerning medium-sized reporting class C entities.

The accounting policies applied are consistent with those of last year.

The annual report for 2017 is presented in TDKK

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 and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow from the company and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. On subsequent recognition, assets and liabilities are measured as described below for each individual accounting item.

Certain financial assets and liabilities are measured at amortised cost using the effective interest method. Amortised cost is calculated as the historic cost less any instalments and plus/less the accumulated amortisation of the difference between the cost and the nominal amount.

On recognition and measurement, allowance is made for predictable losses and risks which occur before the annual report is presented and which confirm or invalidate matters existing at the balance sheet date.

Income statement

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

Accounting policies

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 capital/exchange gains and losses on foreign currency transactions and surcharges and allowances under the advance-payment-of-tax scheme, etc.

Income from investments in joint ventures
The proportionate share of the profit or loss of the individual joint ventures is recognised in the income statement after elimination of the proportionate share of intra-group gains/losses.

Tax on profit/loss for the year
The company is subject to the Danish rules on compulsory joint taxation of the Ørsted Group's Danish subsidiaries. The ultimate parent company (the management company), Ørsted A/S, has in 2005 chosen international joint taxation with the Group's foreign subsidiaries. Subsidiaries participate in the joint taxation arrangement from the time when they are included in the consolidated financial statements and until the time when they withdraw from the consolidation. Ørsted A/S expect to withdraw from the international joint taxation scheme in 2017. 2016 will therefore be the last year with international joint taxation.

On payment of joint taxation contributions, the current Danish income tax is allocated between the jointly taxed Danish entities in proportion to their taxable income. Danish entities with tax losses receive joint taxation contributions from the 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.

Tax for the year, which comprises the current tax charge for the year and changes in the deferred tax charge is recognised in the income statement as regards the portion that relates to profit/loss for the year and in the equity as regards to the portion that relates to entries directly in equity.

Accounting policies

Balance sheet

Investments in joint ventures

Investments in joint ventures in the balance sheet include the proportionate ownership share of the net asset value of the enterprises ("the equity method") 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.

Impairment of fixed assets

The carrying amount of investment in joint ventures is reviewed for impairment on an annual basis.

Where there are indications of impairment, an impairment test is performed for each individual asset or group of assets, respectively. The carrying amount of impaired assets is reduced to the higher of the net selling price and the value in use (recoverable amount).

The value in use is determined as the present value of the anticipated net cash flows from the use of the asset or group of assets and the anticipated net cash flows from the disposal of the asset or group of assets after the end of their useful life.

Receivables

Receivables, which include trade receivables, receivables from group entities and other receivables, are measured at amortised cost.

An impairment loss is recognised if there is objective evidence that a receivable or a group of receivables is impaired. If there is objective evidence that an individual receivable is impaired, an impairment loss for that individual asset is recognised.

Equity

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.

Accounting policies

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.

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

Liabilities
Liabilities, which include trade payables, payables to group entities and other payables, are measured at amortised cost, which is usually equivalent to nominal value.

Foreign currency translation
On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Foreign-exchange differences arising between the exchange rates at the transaction date and at the date of payment are recognised in the income statement as financial income or financial expenses.

Receivables and payables and other monetary items denominated in foreign currencies are translated at the exchange rates at the balance sheet date. The difference between the exchange rates at the balance sheet date and the date at which the receivable or payable arose or was recognised in the latest financial statements is recognised in the income statement as financial income or financial expenses.

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

Cash flow statement

In pursuance of Section 86(4) of the Danish Financial Statements Act, the company has omitted preparing a cash flow statementas the company's cash flow is included in the consolidated cash flow statement of Ørsted.

Accounting policies

Financial Highlights

Definitions of financial ratios.

$$\text{Return on assets} = \frac{\text{Profit/loss before financials} \times 100}{\text{Average assets}}$$

$$\text{Solvency ratio} = \frac{\text{Equity at year end} \times 100}{\text{Total assets}}$$

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

Income statement 1 January - 31 December

	Note	2017 TDKK	2016 TDKK
Other external expenses		-8.642	-7.158
Gross profit		**-8.642**	**-7.158**
Staff costs	1	0	0
Earnings Before Interest Taxes Depreciation and Amortization		**-8.642**	**-7.158**
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment		0	-23
Profit/loss before financial income and expenses		**-8.642**	**-7.181**
Income from investments in joint ventures		293.426	176.187
Financial income	2	0	11
Financial costs	3	-35.229	-72.579
Profit/loss before tax		**249.555**	**96.438**
Tax on profit/loss for the year	4	-37.678	4.585
Net profit/loss for the year		**211.877**	**101.023**
Distribution of profit	5		

Balance sheet 31 December

	Note	2017 TDKK	2016 TDKK
Assets			
Investments in joint ventures	6	4.404.790	4.962.536
Fixed asset investments		**4.404.790**	**4.962.536**
Fixed assets total		**4.404.790**	**4.962.536**
Trade receivables		0	89
Receivables from group companies	7	28.414	70.119
Other receivables		44.988	0
Corporation tax		0	7.381
Receivables		**73.402**	**77.589**
Current assets total		**73.402**	**77.589**
Assets total		**4.478.192**	**5.040.125**

Balance sheet 31 December

	Note	2017 TDKK	2016 TDKK
Liabilities and equity			
Share capital		100.000	100.000
Retained earnings		1.015.692	803.815
Equity	8	**1.115.692**	**903.815**
Provision for deferred tax	9	240.407	180.963
Provisions total		**240.407**	**180.963**
Payables to group companies		2.085.000	3.410.000
Deferred income		128.696	81.773
Long-term debt	10	**2.213.696**	**3.491.773**
Payables to group companies		852.657	453.241
Corporation tax		55.740	0
Other payables		0	10.333
Short-term debt		**908.397**	**463.574**
Debt total		**3.122.093**	**3.955.347**
Liabilities and equity total		**4.478.192**	**5.040.125**

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Statement of changes in equity

	Share capital	Retained earnings	Total
	TDKK	TDKK	TDKK
Equity at 1 January 2017	100.000	803.815	903.815
Net profit/loss for the year	0	211.877	211.877
Equity at 31 December 2017	**100.000**	**1.015.692**	**1.115.692**

Notes

		2017	2016
		TDKK	TDKK
1	**Staff costs**		
	Average number of employees	1	1
	The executive board and board of directors have not been paid remuneration.		
2	**Financial income**		
	Exchange gains	0	11
		0	**11**
3	**Financial costs**		
	Financial expenses, group companies	35.227	72.579
	Other financial costs	2	0
		35.229	**72.579**
4	**Tax on profit/loss for the year**		
	Current tax for the year	55.740	-9.598
	Deferred tax for the year	-18.062	8.098
	Adjustment of tax concerning previous years	-77.506	-41.810
	Adjustment of deferred tax concerning previous years	77.506	38.725
		37.678	**-4.585**
5	**Distribution of profit**		
	Retained earnings	211.877	101.023
		211.877	**101.023**

Notes

		2017	2016
		TDKK	TDKK
6	**Investments in joint ventures**		
	Cost at 1 January 2017	6.272.115	6.272.115
	Cost at 31 December 2017	6.272.115	6.272.115
	Revaluations at 1 January 2017	-1.309.579	-771.326
	Net profit/loss for the year	293.426	176.187
	Dividend to the parent company	-851.172	-714.440
	Revaluations at 31 December 2017	-1.867.325	-1.309.579
	Carrying amount at 31 December 2017	**4.404.790**	**4.962.536**

Investments in joint ventures are specified as follows:

Name	Place of registered office	Ownership	Equity	Net profit/loss for the year
Anholt Havvindmøllepark I/S	Fredericia	50%	8.794.683	583.567

7 Receivables from group companies

The company's receivables from group companies includes TDKK 19.237 in a cash pool scheme with the ultimate parent company, Ørsted A/S (2016: TDKK 60.658).

8 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

	2017 TDKK	2016 TDKK
9 Provision for deferred tax		
Provision for deferred tax at 1 January 2017	180.963	134.141
Recognised in the income statement in the financial year	59.444	46.822
Provision for deferred tax at 31 December 2017	**240.407**	**180.963**
Property, plant and equipment	317.514	317.209
Other provisions	-77.107	-58.740
Tax loss carry-forward	0	-77.506
	240.407	**180.963**

	2017 TDKK	2016 TDKK
10 Long term debt		
Payables to group companies		
After 5 years	0	1.692.000
Between 1 and 5 years	2.085.000	1.718.000
Non-current portion	2.085.000	3.410.000
Other short-term debt to group companies	852.657	453.241
Current portion	852.657	453.241
	2.937.657	**3.863.241**
Deferred income		
After 5 years	128.696	81.773
Non-current portion	128.696	81.773
Within 1 year	0	0
Current portion	0	0
	128.696	**81.773**

Notes

11 Subsequent events

No events have occured after the balance sheet date which could significantly affect the company's financial position.

12 Contingent assets, liabilities and other financial obligations

Liability in joint taxation

The group's danish companies are jointly and severally liable for tax on group jointly taxes income, etc. Reference is made to the annual report for Ørsted A/S, the administration company in relation to joint taxation. The group's danish companies are also jointly and severally liable for Danish withholding taxes on dividends, royalties and interests within the group of jointly taxed entities.

The group's danish entities are jointly and severally liable for joint VAT registration.

Other contingent liabilities

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.

The company has entered into binding agreements with subsuppliers regarding purchase of fixed assets. The total commitments amount to 370 TDKK (2016: 15.704 TDKK) and are primarily related to agreements on investments in construction of wind turbines. These commitments have by agreement been taken over by Ørsted Wind Power A/S.

13 Related parties and ownership

Controlling interest

Ørsted Wind Power Denmark A/S, Kraftværksvej 53, 7000 Fredericia (parent company)

Other related parties

Ørsted A/S (ultimate parent company)
The Danish State represented by the Ministry of Finance
Group companies 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:

Ørsted Wind Power Denmark A/S