

DONG Energy Wind Power Denmark A/S

**Kraftværksvej 53
Skærbæk**

Annual report for 2016

CVR no 31 84 68 46

(8th Financial year)

Adopted at the annual general meeting on
29 May 2017

Ulrik Jarlov
Chairman

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Statement by Management on the annual report

The Executive and Supervisory Boards have today discussed and approved the annual report of DONG Energy Wind Power Denmark 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 May 2017

Executive Board

Samuel G. F. Leupold

Supervisory Board

Marianne Wiinholt
Chairman

Hanne Legardt Blume Levy
Deputy Chairman

Jakob Askou Bøss

Independent auditor's report

To the shareholder of DONG Energy Wind Power Denmark A/S

Opinion

We have audited the financial statements of DONG Energy Wind Power Denmark 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

Hellerup, 17 May 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 Wind Power Denmark A/S
Kraftværksvej 53
Skærbæk
7000 Fredericia

Tel: 99 55 11 11
Fax: 99 55 00 02
Website: www.dongenergy.com

CVR no.: 31 84 68 46
Reporting period: 1 January - 31 December
Domicile: Fredericia

Board of Directors

Marianne Wiinholt, Chairman
Hanne Legardt Blume Levy, Deputy Chairman
Jakob Askou Bøss

Executive Board

Samuel G. F. Leupold

Auditors

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
Strandvejen 44
2900 Hellerup

Consolidated Financial Statements

The Company is included in the consolidated financial statements of the ultimate parent company DONG Energy A/S, Fredericia, CVR no. 36 21 37 28

The group annual report of DONG Energy A/S, Fredericia, CVR no. 36 21 37 28 may be obtained at the following address:

www.dongenergy.com

Management's review

Business activities

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

Business review

The Company's income statement for the year ended 31 December shows a loss of TDKK 153.735, and the balance sheet at 31 December 2016 shows equity of TDKK 4.190.931.

Recognition and measurement uncertainties

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

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

Gross profit of TDKK. 2.000 which is an improvement from last year TDKK -417. Financial expenses is negatively impacted by hedge on power price.

Financial review

Result for the company is within expectations.

Special risks apart from generally occurring risks in industry

Operating risks

There are no special risks apart from normal risks associated with the Group's core activity.

Environment

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

Outlook for the coming year

Profit before financial income and expenses is expected to be at the same level as 2016.

Accounting policies

The annual report of DONG Energy Wind Power Denmark A/S for 2016 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to enterprises of reporting class B.

The accounting policies applied are consistent with those of last year, however this year reporting as Class B and in 2015 reporting as medium-sized enterprises Class C.

The annual report for 2016 is presented in TDKK.

Pursuant to sections §110 subsection 1, 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 are presented and which confirm or invalidate matters existing at the balance sheet date.

Accounting policies

Government grants

Governments grant comprise grants for environment-friendly generation and for funding of research and development projects. 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.

Income statement

Revenue

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

Operating expenses

Operating expenses comprise the expense to generate revenue for the year.

Other external expenses

Other external expenses comprise expenses for distribution, sales, advertising, administration, premises, bad debts, 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. Financial income and expenses comprise interest income and interest expense, dividends, capital gains and capital losses and impairment losses relating to securities, payables and transactions denominated in foreign currencies, etc. Net financials also include realised and unrealised gains and losses relating to hedging of power price risks that have not been entered into to hedge revenue or fixed assets.

Income from investments in subsidiaries

The proportionate share of the results after tax of the individual subsidiaries is recognised in the income statement of the company after full elimination of intra-group profits/losses less goodwill amortisation and are measured using the equity method.

Accounting policies

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.

Balancen

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. Land is not depreciated.

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.

Sum-of-digits depreciation is provided on the basis of the following estimated useful lives of the assets:

Buildings	20-50 years
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Accounting policies

Investments in subsidiaries

Investments in subsidiaries are measured at the proportionate share of the net asset value of the entities, calculated on the basis of the group's accounting policies, less or plus unrealised intra-group gains or losses and plus or less any remaining value of positive or negative goodwill made up according to the purchase method.

Investments in subsidiaries with a negative net asset value are measured at DKK 0, and the carrying amount of any receivables from these entities is reduced to the extent that they are considered irrecoverable. If the parent company has a legal or constructive obligation to cover a deficit that exceeds the receivable, the balance is recognised under provisions.

Net revaluations of investments in subsidiaries are taken to the net revaluation reserve according to the equity method to the extent that the carrying amount exceeds the cost. Dividends from subsidiaries which are expected to be declared before the annual report of DONG Energy Wind Power Denmark A/S is adopted are not taken to the net revaluation reserve.

Impairment of non-current assets

The carrying amount of property, plant and equipment and investments in subsidiaries 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 measured 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.

Accounting policies

Provisions

Provisions are recognised when as a result of a past event the company's has a legal or constructive obligation and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation.

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

Other liabilities, 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. If foreign currency transactions are considered cash flow hedges, the value adjustments are taken directly to equity.

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.

Accounting policies

Derivative financial instruments

On initial recognition in the balance sheet, derivative financial instruments are measured at cost and subsequently at fair value. Positive and negative fair values of derivative financial instruments are included in other receivables or other payables, respectively.

Fair value adjustments of derivative financial instruments designated as and qualifying for recognition as a fair value hedge of recognised assets and liabilities are recognised in the income statement together with changes in the fair value of the hedged asset or liability.

Fair value adjustments of derivative financial instruments designated as and qualifying for hedging of future cash flows are recognised in other receivables or other payables and in equity. If the future transaction results in recognition of assets or liabilities, amounts previously recognised in equity are transferred to the cost of the asset or liability, respectively. If the future transaction results in income or expenses, amounts previously recognised in equity are transferred to the income statement in the period in which the hedged item affects the income statement.

As for derivative financial instruments that do not qualify for hedge accounting, fair value adjustments are recognised in the income statement on a current basis.

Income statement 1 January - 31 December 2016

	<u>Note</u>	<u>2016</u> TDKK	<u>2015</u> TDKK
Revenue		6.752	6.603
Operating expenses		-4.368	-6.411
Other external expenses		<u>-384</u>	<u>-609</u>
Gross profit		2.000	-417
Other operating expenses	1	<u>28.122</u>	<u>-19.600</u>
Profit/loss before financial income and expenses		30.122	-20.017
Income from investments in subsidiaries	2	-88.435	-16.470
Financial income	3	132	78.406
Financial expenses	4	<u>-83.032</u>	<u>-9.457</u>
Profit/loss before tax		-141.213	32.462
Tax on profit/loss for the year	5	<u>-12.522</u>	<u>-10.981</u>
Net profit/loss for the year		<u>-153.735</u>	<u>21.481</u>
Proposed distribution of profit			
Proposed dividend for the year		1.700.000	0
Retained earnings		<u>-1.853.735</u>	<u>21.481</u>
		<u>-153.735</u>	<u>21.481</u>

Balance sheet at 31 December 2016

	Note	2016 TDKK	2015 TDKK
Assets			
Land and buildings		125	125
Property, plant and equipment	6	125	125
Investments in subsidiaries	7	2.963.650	3.052.085
Fixed asset investments		2.963.650	3.052.085
Fixed assets total		2.963.775	3.052.210
Trade receivables		2.238	2.566
Receivables from group enterprises	8	1.422.280	1.573.246
Deferred tax asset	9	0	29.326
Corporation tax		17.754	0
Receivables		1.442.272	1.605.138
Current assets total		1.442.272	1.605.138
Assets total		4.406.047	4.657.348

Balance sheet at 31 December 2016

	Note	2016 TDKK	2015 TDKK
Liabilities and equity			
Share capital		500.000	500.000
Retained earnings		1.990.931	3.844.666
Proposed dividend for the year		1.700.000	0
Equity	10	4.190.931	4.344.666
Other provisions	11	101.541	133.300
Provisions total		101.541	133.300
Trade payables		0	3
Payables to group enterprises		94.528	136.620
Corporation tax		0	16.506
Other payables		19.047	26.253
Short-term debt		113.575	179.382
Debt total		113.575	179.382
Liabilities and equity total		4.406.047	4.657.348
Subsequent events	12		
Contingent assets, liabilities and other financial obligations	13		
Related parties and ownership	14		

Statement of Changes in Equity

	Share capital	Retained earnings	Proposed dividend for the year	Total
	TDKK	TDKK	TDKK	TDKK
Equity at 1 January	500.000	3.844.666	0	4.344.666
Net profit/loss for the year	0	-153.735	0	-153.735
Proposed dividend for the year	0	-1.700.000	1.700.000	0
Equity at 31 December	500.000	1.990.931	1.700.000	4.190.931

Notes to the Annual Report

	2016 TDKK	2015 TDKK
1 Other operating expenses		
Adjustment profit sharing	-28.122	19.600
	-28.122	19.600
2 Income from investments in subsidiaries		
Share of profit/loss of subsidiaries	-88.435	-17.227
Adjustments regarding dividend provisions	0	757
	-88.435	-16.470
3 Financial income		
Other financial income	0	78.365
Exchange gains	132	41
	132	78.406
4 Financial expenses		
Interest paid to group enterprises	3.884	3.728
Other financial expenses	78.953	5.701
Exchange loss	195	28
	83.032	9.457

Other financial expenses mainly comprises realised and unrealised gains on financial instruments.

Notes to the Annual Report

	<u>2016</u> TDKK	<u>2015</u> TDKK
5 Tax on profit/loss for the year		
Current tax for the year	-17.754	16.506
Deferred tax for the year	0	-5.566
Adjustment of tax concerning previous years	950	-2.030
Adjustment of deferred tax concerning previous years	29.326	2.071
	<u>12.522</u>	<u>10.981</u>

6 Property, plant and equipment

	<u>Land and buildings</u> TDKK
Cost at 1 January	<u>125</u>
Cost at 31 December	<u>125</u>
Carrying amount at 31 December	<u>125</u>

Notes to the Annual Report

	2016 TDKK	2015 TDKK
7 Investments in subsidiaries		
Cost at 1 January	4.043.968	4.043.968
Cost at 31 December	4.043.968	4.043.968
Value adjustments at 1 January	-991.883	-896.106
Net profit/loss for the year	-88.435	-17.227
Dividend to the Parent Company	0	-78.550
Value adjustments at 31 December	-1.080.318	-991.883
Carrying amount at 31 December	2.963.650	3.052.085

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Votes and ownership	Equity	Net profit/loss for the year
DONG Energy Horns Rev I A/S	Denmark	100%	180.242	-56.776
DONG Energy Anholt Offshore A/S	Denmark	100%	903.815	101.023
DONG Energy Nysted I A/S	Denmark	85,5%	149.935	-89.857
DONG Energy Horns Rev 2 A/S	Denmark	100%	1.751.398	-55.854

8 Receivable from group enterprises

Included in receivables from group enterprises is a cash pool of 1.362.435 TDKK with the ultimate Parent Company, DONG Energy A/S. (2015: 1.321.935 TDKK)

Notes to the Annual Report

	2016 TDKK	2015 TDKK
9 Provision for deferred tax		
Long term provisions	-29.236	-29.326
Adjustment previous year	29.326	0
Transferred to deferred tax asset	0	29.326
	0	0
Deferred tax asset		
Calculated tax asset	0	29.326
Carrying amount	0	29.326

10 Equity

The share capital consists of 500.000 shares of a nominal value of TDKK 1.000. No shares carry any special rights.

The share capital has developed as follows:

	2016 TDKK	2015 TDKK	2014 TDKK	2013 TDKK	2012 TDKK
Share capital at 1 January	500.000	500.000	500.000	500.000	500
Additions for the year	0	0	0	0	499.500
Share capital	500.000	500.000	500.000	500.000	500.000

Notes to the Annual Report

	2016 TDKK	2015 TDKK
11 Other provisions		
Balance at 1 January	133.300	108.000
Interest element	1.800	5.700
Disposal during year	-29.722	0
Used during the year	-3.837	19.600
Balance at 31 December	101.541	133.300
The expected due dates of other provisions are:		
Between 1 and 5 years	101.541	74.700
Over 5 years	0	58.600
	101.541	133.300

Other provisions comprise expected future costs and other warranties.

12 Subsequent events

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

13 Contingent assets, liabilities and other financial obligations

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 of 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.

14 Related parties and ownership

Controlling interest

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

Notes to the Annual Report

14 Related parties and ownership (continued)

Other related parties

DONG Energy A/S, Kraftværksvej 53, 7000 Fredericia. (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 Holding A/S