

Ørsted Wind Power A/S

Annual report for 2018

CVR no. 31 84 92 92

(10th Financial year)

Adopted at the annual general meeting on 22 May
2019

Ulrik Jarlov
chairman

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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 Wind Power A/S for the financial year 1 January - 31 December 2018.

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 2018 and of the results of the company's operations for the financial year 1 January - 31 December 2018.

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, 10 May 2019

Executive board

Martin Neubert

Board of Directors

Marianne Wiinholt
chairman

Hanne Legardt Blume Levy
deputy chairman

Jakob Askou Bøss

Nikolaj Kruppa
employee representative

Gitte Nyhus Thomhav
employee representative

Independent auditor's report

To the shareholder of Ørsted Wind Power 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 2018 and of the results of the Company's operations for the financial year 1 January - 31 December 2018 in accordance with the Danish Financial Statements Act

We have audited the Financial Statements of Ørsted Wind Power A/S for the financial year 1 January - 31 December 2018, 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, 10 May 2019

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 Wind Power A/S
Kraftværksvej 53
Skærbæk
7000 Fredericia

Telephone: +45 99 55 11 11

E-mail: info@orsted.com

Website: www.orsted.com

CVR no.: 31 84 92 92

Reporting period: 1 January - 31 December 2018

Financial year: 10th financial year

Domicile: Fredericia

Board of Directors

Marianne Wiinholt, chairman
Hanne Legardt Blume Levy, deputy chairman
Jakob Askou Bøss
Nikolaj Kruppa, employee representative
Gitte Nyhus Thomhav, employee representative

Executive board

Martin Neubert

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:

	2018	2017	2016	2015	2014
	TDKK	TDKK	TDKK	TDKK	TDKK
Key figures					
Profit/loss					
Revenue	42.581.928	27.165.835	20.108.421	13.721.732	7.762.242
Profit/loss before amortisation/depreciation and impairment losses	8.777.908	9.803.284	7.441.932	3.904.059	961.917
Profit/loss before net financials	8.244.180	9.442.781	7.254.379	3.801.706	831.773
Net financials	20.224.894	8.445.373	2.053.261	759.710	1.783.062
Profit/loss for the year	24.334.245	15.893.009	7.429.990	3.859.307	2.418.767
Balance sheet					
Balance sheet total	77.421.238	53.775.066	37.529.505	28.168.731	19.184.237
Investment in property, plant and equipment	0	79.301	403.853	365.422	1.006.081
Equity	57.159.535	36.704.044	23.472.421	15.233.453	11.265.417
Financial ratios					
Gross margin	23,1%	37,9%	39,6%	32,2%	16,1%
EBIT margin	19,4%	34,8%	36,1%	27,7%	10,7%
Return on assets	12,6%	20,7%	22,1%	16,1%	5,1%
Solvency ratio	73,8%	68,3%	62,5%	54,1%	58,7%
Return on equity	51,9%	52,8%	38,4%	29,1%	24,1%

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.

The reclassification in prior years of expenses related to contract work in progress prior to entering into construction contract, has let to restatement of financial highlights. The comparatives for 2014 to 2015 have not been restated.

Management's review

Business activities

Ørsted Wind Power A/S is a member of the Ørsted Group and a subsidiary of Ørsted A/S, Fredericia. Reference is made to the annual report of Ørsted A/S.

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

Recognition and measurement uncertainties

Our assumptions for the determination of the expected selling price and expected costs regarding construction contracts: We make estimates when determining the expected selling price of individual construction contracts. Our determination of profit on payment received on account and the recognition of receivables are therefore subject to significant uncertainty. We believe that our estimates are the most likely outcomes of future events.

Unusual matters

The company's financial position at 31 December 2018 and the results of its operations for the financial year ended 31 December 2018 are not affected by any unusual matters.

Business review

The company's income statement for the year ended 31 December shows a profit of TDKK 24.334.245, and the balance sheet at 31 December 2018 shows equity of TDKK 57.159.535.

Development in profit before tax is primarily affected by construction contracts and divestment of enterprises.

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

Financial performance for 2018 exceeds expectations primarily because of gains on divested subsidiaries and increase in revenue from construction contracts.

Financial expectations for 2019

Earnings before net financials, taxes, depreciation and amortisation in 2019 is expected to be around bnDKK 3,9.

Knowledge resources

Ørsted Wind Power A/S continuously strives to have the most competent employees, as the employees' expertise and professional knowledge are important parameters when it comes to developing, constructing and maintaining the individual components in a wind farm. Wind Power continuously endeavours to ensure that its employees have the necessary skills to undertake these key elements; developing, construction, maintaining and operating a wind farm.

Management's review

Special risks apart from generally occurring risks in industry

Operating risks

The primary identified operating risks are related to contract work in progress, offshore costs of electricity and operating risks of wind farms.

Financial risks

The Company is exposed to currency risks and power price risks through construction agreements and the ownership of subsidiaries owning offshore wind farms. Ørsted Group uses hedging to reduce such risks, for which reason the fluctuations in hedge value are expected to be offset by the underlying exposure. Reference is made to the annual report 2018 of Ørsted A/S (orsted.com/Investors/Key-figures-andpresentations/Financial-reporting).

Environment

The company works with environmental management to continuously reduce its environmental impact through improved processes and procedures, set environmental priorities and targets, develop action plans as well as to ensure compliance with applicable laws and regulations.

The Danish Environmental Protection Agency monitors the environmental impact of the wind farms owned by subsidiaries during the operating stage.

Research and development activities

Ørsted Wind Power A/S is focusing on reducing the cost of electricity and will continue to focus on the development of the concept for an offshore wind farm, based on a standardized design, standard components and construction in areas that have the best conditions in terms of wind, distance from shore, water depth and seabed.

Branches abroad

The company has branches abroad in United Kingdom, The Netherlands, France and Taiwan.

Statutory report on corporate social responsibility

In pursuance of Section 99a (6) of the Danish Financial Statements Act, the Company has omitted information on corporate social responsibility. Reference is made to the Annual Report (orsted.com/Investors/Key-figures-andpresentations/Financial-reporting) and sustainability report (orsted.com/sustainability/reporting) for 2018 for Ørsted A/S.

Board of Directors representation and other management representation

Due to equal representation of men and women in the board of directors in accordance with the rules in the Danish Companies Act, no targets for the share of the underrepresented gender have been set. Concerning the requirements of the Danish Companies Act for other management levels, reference is made to Ørsted's Sustainability Report 2018 (orsted.com/sustainability/reporting).

Accounting policies

The annual report of Ørsted Wind Power A/S for 2018 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C.

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

The annual report for 2018 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

Hedge accounting

Fair value adjustments of financial instruments that are designated and qualify as fair value hedges of recognised assets or liabilities are recognised in the income statement together with any fair value adjustments of the hedged asset or liability that can be attributed to the hedged risk.

Accounting policies

Changes in the fair value of financial instruments that are designated and qualify as hedges of expected future transactions are recognised in equity under retained earnings as regards the effective portion of the hedge. The ineffective portion of the hedge is recognised in the income statement. If the hedged transaction results in an asset or a liability, amounts deferred under equity are transferred to the cost of the asset or liability. If the hedged transaction results in income or expenses, amounts deferred under equity are transferred to the income statement in the period in which the hedged transaction is recognised. The amount is recognised in the same item as the hedged transaction.

Changes in the fair value of financial instruments that are designated and qualify as hedges of net investments in independent foreign subsidiaries or associates are recognised directly in equity as regards the effective portion of the hedge, while the ineffective portion is recognised in the income statement.

Information of revenue

Information is provided on geographical markets. The information is provided in consideration of the company's accounting policies, risks and management control.

Revenue

Income from contract revenue and revenue from services is recognised in the income statement, provided that the transfer of risk, usually on delivery to the buyer, has taken place and that the income can be measured reliably and is expected to be received.

Revenue is measured at the fair value of the agreed consideration, excluding VAT and other indirect taxes. Revenue is net of all types of discounts granted.

Income from services, comprising service contracts and extended warranties relating to products and contracts sold is recognised on a straight-line basis as the services are provided.

Income from customised products is recognised as production is carried out, implying that revenue corresponds to the selling price of contracts completed in the year (percentage-of-completion method). This method is applied where the total income and expenses relating to the contract and the stage of completion at the balance sheet date can be estimated reliably and it is probable that future economic benefits will flow to the Company.

Operating expenses

Operating expenses comprise the expenses incurred by the company to generate the revenue for the year. Operating expenses also include costs for the construction of wind farms for third parties. Such expenses are recognised in the income statement.

Accounting policies

Other operating income

Other operating income comprises items of a secondary nature relative to the company's activities, including gains on the sale of intangible assets and property, plant and equipment.

Other operating expenses

Other operating expenses comprise items of a secondary nature relative to the company's activities, including losses on the sale of intangible assets and property, plant and equipment.

Other external expenses

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

Staff costs

Staff costs include wages and salaries, including compensated absence and pensions, as well as other social security contributions, etc. made to the entity's employees. The item is net of refunds made by public authorities.

The share programme is initially classified as an equity-based scheme as the program settles in shares in Ørsted A/S. The fair value of the performance-based share units (PSUs) and estimates of the number of PSU's granted are measured at the time of granting and recognised:

- in the income statement under employee costs over the vesting period, and
- in the balance sheet under equity over the vesting period.

Amortisation, depreciation and impairment losses

Amortisation, depreciation and impairment losses comprise the year's amortisation, depreciation and impairment of intangible assets and 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. Net financials include interest income and expenses, financial expenses relating to finance leases, realised and unrealised capital/exchange gains and losses on securities and foreign currency transactions and surcharges and allowances under the advance-payment-of-tax scheme, etc. Financial income and expenses also include realised and unrealised gains and losses relating to the hedging of currency risks that have not been entered into to hedge revenue, cost of sales or non-current assets.

Profit/loss from investments in subsidiaries and associates

Gain and loss from disposals of subsidiaries is recognised in the reporting year of the divestment.

Dividend from investments is recognised in the reporting year in which the dividend is declared.

Accounting policies

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. From 2005 to 2016 the Group's foreign subsidiaries were also included in the joint taxation, but Ørsted A/S withdrew from the international joint taxation scheme with effect from 2017. 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.

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 ultimate parent company (the management company), Ørsted A/S equivalent to the tax base of the tax losses utilised (full allocation), while Danish entities that utilise tax losses in other entities pay joint taxation contributions to the Ørsted A/S 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 when it relates to profit/loss for the year and in the equity when it relates to entries directly in equity.

Balance sheet

Tangible assets

Tangible assets 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 and property, plant and equipment in progress are 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.

Where individual parts of an item of property, plant and equipment have different useful lives, the cost is divided into separate parts, which are depreciated separately, and the individual part constitutes a significant part of the total cost.

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

	Useful life
Buildings	20-50 years
Other fixtures and fittings, tools and equipment	3-5 years

The residual value of the company's property, plant and equipment is reassessed annually.

Accounting policies

Leases

Leases for items of property, plant and equipment that transfer substantially all the risks and rewards incident to ownership to the company (finance leases) are recognised in the balance sheet as assets. On initial recognition, assets are measured at estimated cost, corresponding to the lower of fair value of the leased asset and the present value of the future lease payments. In calculating the net present value of the future lease payments, the interest rate implicit in the lease or the incremental borrowing rate is used as the discount factor. Assets held under finance leases are subsequently depreciated as the company's other non-current assets.

The capitalised residual lease commitment is recognised in the balance sheet as a liability, and the interest element of the lease payment is recognised in the income statement over the term of the lease.

All other leases are operating leases. Payments relating to operating leases and any other leases are recognised in the income statement over the term of the lease. The company's total liabilities relating to operating leases and other rent agreements are disclosed under 'Contingencies, etc.'

Investments in subsidiaries and associates

Investment in subsidiaries and associates are measured at cost. If cost exceeds the recoverable amount, a write-down is made to this lower value.

Cost is written down to the extent that dividend distributed exceeds the accumulated earnings after the date of takeover.

Where the parent company has a legal or constructive obligation to cover the companies' negative balances or obligations, such obligation is recognised in liabilities.

Receivables, fixed assets

Receivables from group entities are measured at amortised cost.

An impairment loss is recognised if there is objective evidence that 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.

Impairment of fixed assets

The carrying amount of intangible assets, property, plant and equipment and investments in subsidiaries and associates is reviewed for impairment, other than what is reflected through normal amortisation and depreciation, 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).

Accounting policies

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.

Stocks

Stocks are measured at cost using the FIFO method. Where the net realisable value is lower than the cost, inventories are recognised at this lower value.

The net realisable value of stocks is calculated as the selling price less costs of completion and expenses incurred to effect the sale. The net realisable value is determined taking into account marketability, obsolescence and expected selling price movements.

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.

Contract work in progress

Contract work in progress (construction contracts) comprises the construction of wind farms and where a binding contract has been entered into prior to start up of the work that will trigger a penalty or compensation in the event of subsequent cancellation.

Contract work in progress is measured at the selling price of the work performed. The selling price is measured based on the stage of completion at the balance sheet date and the expected aggregate income from the individual work in progress. The stage of completion is determined as the share of the expenses incurred relative to the expected total expenses for the individual work in progress.

Where the selling price of work in progress cannot be estimated reliably, the selling price is measured at the lower of costs incurred and net realisable value.

The individual work in progress is recognised in the balance sheet under receivables or payables. Net assets comprise the sum of work in progress where the selling price of the work performed exceeds invoicing on account. Net liabilities comprise the sum of work in progress where invoicing on account exceeds the selling price.

Selling costs and costs incurred in securing contracts are recognised in the income statement as incurred.

Accounting policies

Prepayments

Prepayments comprise costs incurred concerning subsequent financial years.

Cash and cash equivalents

Cash and cash equivalents comprise cash.

Equity

Dividends

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.

Provisions

Provisions comprise expected expenses relating to warranty commitments, losses on work in progress, restructuring, etc. Provisions are recognised when, as a result of a past event, the company 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.

Provisions, except for deferred tax, are measured at fair value.

A provision for onerous contracts is recognised when the expected benefits to be derived from a contract are lower than the unavoidable cost of meeting the obligations existing under the contract. If it is considered unlikely that an outflow from the enterprise of economic resources will be required to settle a liability, or if the liability cannot be measured reliably, the liability is accounted for as a contingent liability that is not recognised in the balance sheet. Material contingent liabilities are disclosed in the notes.

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 losses allowed for carry forward, are measured at the value to which the asset is expected to be realised, either as a set-off against tax on future income or as a set-off 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.

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.

Deferred income

Deferred income comprises payments received concerning income in subsequent reporting years.

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.

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

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 current receivables from subsidiaries or payables to subsidiaries, respectively.

Cash flow statement

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

Accounting policies

Financial highlights

Definitions of financial ratios.

Gross margin ratio	$\frac{\text{Gross profit} \times 100}{\text{Revenue}}$
EBIT margin	$\frac{\text{Profit/loss before financials} \times 100}{\text{Revenue}}$
Return on assets	$\frac{\text{Profit/loss before financials} \times 100}{\text{Average assets}}$
Solvency ratio	$\frac{\text{Equity at year-end} \times 100}{\text{Total assets at year-end}}$
Return on equity	$\frac{\text{Net profit for the year} \times 100}{\text{Average equity}}$

Income statement 1 January - 31 December

	Note	2018 TDKK	2017 TDKK
Revenue	1	42.581.928	27.165.835
Other operating income		677.956	213.624
Operating expenses		-29.168.250	-14.112.289
Other external expenses		-4.267.172	-2.958.470
Gross profit		9.824.462	10.308.700
Staff costs	2	-1.046.554	-505.416
Profit/loss before amortisation/depreciation and impairment losses		8.777.908	9.803.284
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment		-11.803	-12.252
Other operating costs		-521.925	-348.251
Profit/loss before net financials		8.244.180	9.442.781
Income from investments in subsidiaries	3	22.247.612	8.145.276
Income from investments in associates	4	25.466	0
Financial income	5	2.153.998	1.671.587
Financial costs	6	-4.202.182	-1.371.490
Profit/loss before tax		28.469.074	17.888.154
Tax on profit/loss for the year	7	-4.134.829	-1.995.145
Profit/loss for the year		24.334.245	15.893.009
Distribution of profit	8		

Balance sheet 31 December

	Note	2018 TDKK	2017 TDKK
Assets			
Land and buildings		6.412	7.498
Prepayments for property, plant and equipment		40.270	40.270
Other fixtures and fittings, tools and equipment		73.023	83.740
Property, plant and equipment in progress		71.427	132.177
Tangible assets	9	191.132	263.685
Investments in subsidiaries	10	4.537.525	5.189.873
Investments in associates	11	0	0
Receivables from subsidiaries	12	4.437.885	3.371.056
Fixed asset investments		8.975.410	8.560.929
Total non-current assets		9.166.542	8.824.614
Raw materials and consumables		74.227	42.931
Stocks		74.227	42.931
Trade receivables		33.131	39.300
Contract work in progress	13	13.946.708	12.068.685
Receivables from group companies	14	53.705.411	27.652.416
Receivables from associates		0	2.660.445
Other receivables		43.431	1.958.783
Prepayments	15	24.265	28.673
Receivables		67.752.946	44.408.302

Balance sheet 31 December (continued)

	<u>Note</u>	<u>2018</u> TDKK	<u>2017</u> TDKK
Assets			
Cash at bank and in hand	14	<u>427.523</u>	<u>499.219</u>
Total current assets		<u>68.254.696</u>	<u>44.950.452</u>
Total assets		<u>77.421.238</u>	<u>53.775.066</u>

Balance sheet 31 December

	Note	2018 TDKK	2017 TDKK
Equity and liabilities			
Share capital		1.500.000	1.500.000
Other reserves		-49.162	336.072
Retained earnings		30.708.697	31.367.972
Proposed dividend for the year		<u>25.000.000</u>	<u>3.500.000</u>
Equity	16	<u>57.159.535</u>	<u>36.704.044</u>
Provision for deferred tax	17	2.755.116	1.074.261
Other provisions	18	<u>5.010.093</u>	<u>2.279.915</u>
Total provisions		<u>7.765.209</u>	<u>3.354.176</u>
Deferred income		<u>94.000</u>	<u>94.000</u>
Total non-current liabilities	19	<u>94.000</u>	<u>94.000</u>
Other credit institutions	14-19	0	195
Trade payables		6.757.440	5.596.772
Prepayments received work in progress	13	0	2.750.126
Payables to subsidiaries		5.101.465	4.469.126
Corporation tax		4.735	509.573
Other payables		506.877	259.352
Deferred income	20	<u>31.977</u>	<u>37.702</u>
Total current liabilities		<u>12.402.494</u>	<u>13.622.846</u>
Total liabilities		<u>12.496.494</u>	<u>13.716.846</u>
Total equity and liabilities		<u>77.421.238</u>	<u>53.775.066</u>
Subsequent events	21		
Rent and lease liabilities	22		
Contingent assets, liabilities and other financial obligations	23		
Financial instruments	24		
Related parties and ownership	25		
Fee to auditors appointed at the general meeting	26		

Statement of changes in equity

	Share capital	Other reserves	Retained earnings	Proposed dividend for the year	Total
	TDKK	TDKK	TDKK	TDKK	TDKK
Equity at 1 January 2018	1.500.000	336.072	31.367.972	3.500.000	36.704.044
Ordinary dividend paid	0	0	0	-3.500.000	-3.500.000
Transfers, reserves	0	-385.234	6.480	0	-378.754
Net profit/loss for the year	0	0	-665.755	5.000.000	24.334.245
Equity at 31 December 2018	<u>1.500.000</u>	<u>-49.162</u>	<u>30.708.697</u>	<u>5.000.000</u>	<u>57.159.535</u>

Transfer TDKK -385.234 regards fair value adjustment of hedging instruments.
Transfer TDKK 6.480 regards sharebased payment.

Notes

	<u>2018</u> TDKK	<u>2017</u> TDKK
1 Revenue		
Revenue from services	3.243.687	2.402.136
Contract revenue	38.810.785	23.967.926
Other revenue	<u>527.456</u>	<u>795.773</u>
Total revenue	<u>42.581.928</u>	<u>27.165.835</u>
Geographical segments		
Denmark	527.456	795.773
Rest of EU	<u>42.054.472</u>	<u>26.370.062</u>
Total revenue	<u>42.581.928</u>	<u>27.165.835</u>

Notes

	2018 TDKK	2017 TDKK
2 Staff costs		
Wages and salaries	933.897	903.735
Pensions	95.273	89.949
Other social security costs	9.279	8.104
Other staff costs	8.105	7.425
	1.046.554	1.009.213
Capitalized salary costs	0	-503.797
	1.046.554	505.416
Average number of employees	1.427	1.360

According to section 98 B(3) of the Danish Financial Statements Act, remuneration to the Executive Board has not been disclosed.

The executive board and a limited number of other members of senior management participate in our share programme established in 2016. As a condition for the award of performance share units (PSUs), the participant must own a number of shares in Ørsted A/S, corresponding to a part of the individual participant's annual base salary. The ownership requirement is between 15%-75% of the fixed salary. If the participants meet the shareholding requirement at the award date, the participants will each year be awarded a number of PSU's, representing a value corresponding to 15%-20% of the annual base salary at the award date.

The awarded PSU's have a vesting period of approx. three years, after which each PSU entitles the holder to receive one share free of charge. The final number of PSU's for each participant will be determined based on Ørsted A/S's total shareholder return compared to 10 European peer energy companies. The rate will vary from 0% to 200% of the number that is set as target for the awarded PSU's. The maximum value is 30%-40% of the fixed annual salary at the time of granting. In addition to this also comes the change in fair value of the Ørsted share since grant. The highest rate will be triggered if Ørsted A/S delivers the highest return of the peer companies. For each lower position the number of PSU's will decline by 20 percentage points. For example, a second place entitles the participants to 180% of the target. If Ørsted A/S is number 11 in the comparison, the participants will receive no PSU's. The right to PSU's is subject to continued employment.

Notes

	2018 TDKK	2017 TDKK
3 Income from investments in subsidiaries		
Gain and loss on disposal of subsidiaries	21.581.368	8.076.795
Impairment of financial assets	185.846	-441.652
Dividends	480.398	510.133
	<u>22.247.612</u>	<u>8.145.276</u>
4 Income from investments in associates		
Gain and loss from disposal of associates	25.466	0
	<u>25.466</u>	<u>0</u>
5 Financial income		
Interest received from affiliates	313.458	182.882
Financial income, affiliates	1.499.847	0
Other financial income	340.693	1.488.705
	<u>2.153.998</u>	<u>1.671.587</u>
<p>Other financial income mainly comprises currency gains and gains on financial FX instrument and realised and unrealised gain on financial instruments.</p>		
6 Financial costs		
Interest paid to subsidiaries	412.476	177.445
Financial expenses, affiliates	3.240.964	0
Other financial costs	548.742	1.194.045
	<u>4.202.182</u>	<u>1.371.490</u>
<p>Other financial expenses mainly comprises currency losses and losses on financial FX instrument and realised and unrealised loss on financial instruments.</p>		

Notes

	<u>2018</u> TDKK	<u>2017</u> TDKK
7 Tax on profit/loss for the year		
Current tax for the year	2.487.709	1.438.675
Deferred tax for the year	1.267.291	630.150
Adjustment of tax concerning previous years	-33.735	-564.868
Adjustment of deferred tax concerning previous years	413.564	491.188
	<u>4.134.829</u>	<u>1.995.145</u>
8 Distribution of profit		
Proposed dividend for the year	25.000.000	3.500.000
Retained earnings	<u>-665.755</u>	<u>12.393.009</u>
	<u>24.334.245</u>	<u>15.893.009</u>

Notes

9 Tangible assets

	Land and buildings	Prepay- ments for property, plant and equipment	Other fixtures and fittings, tools and equipment	Property, plant and equipment in progress	Total
	TDKK	TDKK	TDKK	TDKK	TDKK
Cost at 1 January 2018	13.562	40.270	152.472	132.177	338.481
Disposals for the year	0	0	0	-60.750	-60.750
Cost at 31 December 2018	13.562	40.270	152.472	71.427	277.731
Impairment losses and depreciation at 1 January 2018	6.064	0	68.732	0	74.796
Depreciation for the year	1.086	0	10.717	0	11.803
Impairment losses and depreciation at 31 December 2018	7.150	0	79.449	0	86.599
Carrying amount at 31 December 2018	6.412	40.270	73.023	71.427	191.132

Notes

	<u>2018</u> TDKK	<u>2017</u> TDKK
10 Investments in subsidiaries		
Cost at 1 January 2018	5.988.061	7.165.579
Additions for the year	1.109.895	1.253.070
Disposals for the year	<u>-1.762.243</u>	<u>-2.430.588</u>
Cost at 31 December 2018	<u>5.335.713</u>	<u>5.988.061</u>
Revaluations at 1 January 2018	-798.188	-480.876
Revaluations for the year, net	<u>0</u>	<u>-317.312</u>
Revaluations at 31 December 2018	<u>-798.188</u>	<u>-798.188</u>
Carrying amount at 31 December 2018	<u><u>4.537.525</u></u>	<u><u>5.189.873</u></u>

Notes

10 Investments in subsidiaries(continued)

Investments in subsidiaries are specified as follows:

Name	Registered office	Ownership interest	Equity	Profit/loss for the year
Ørsted Borkum Riffgrund I GmbH	Germany	100,0%	13.679	-9.636
Ørsted Burbo (UK) Limited	United Kingdom	100,0%	662.003	182.372
Borkum Riff Holding	Denmark	100,0%	15.006	-554
Ørsted Bork.Riff.I HoldCo GmbH	Germany	100,0%	-763.948	-166.616
Ørsted Bork.Riffg.West I GmbH	Germany	100,0%	-9.943	-1.963
Ørsted Bork.Riffg.West II GmbH	Germany	100,0%	-43.058	-1.710
Borkum Riffgrund 2 Hold	Germany	100,0%	-148.117	-141.034
Ørsted London Array Ltd	United Kingdom	100,0%	462.081	15.704
Gunfleet Sands Ørsted	United Kingdom	50,1%	1.247.163	21.865
Pow.(Gunfl.Sands)	United Kingdom	100,0%	2.196.557	245.570
Gunfleet Sands Holding	United Kingdom	50,1%	2.542.764	284.715
Gunfleet Sands II	United Kingdom	50,1%	561.364	19.776
Westermost Rough Limited	United Kingdom	100,0%	3.769.855	104.808
OFTRAC LIMITED	United Kingdom	100,0%	62.994	327
CT Offshore A/S	Denmark	100,0%	7.744	-17.665
Ørsted Walney Ext. Hol.	United Kingdom	100,0%	4.419.694	687.476
Ørsted Gunfl.Sds Demo(UK)	United Kingdom	100,0%	179.667	14.538
Ørsted Wind Power Germany	Germany	100,0%	114.262	14.329
UMBO GmbH	Germany	84,4%	11.100	10.341
Ørsted Nearshore Wind ApS	Denmark	100,0%	85.474	40.964
Ørsted Lincs (UK) Ltd.	United Kingdom	100,0%	1.177.666	196.758
Heron Wind Ltd.	United Kingdom	100,0%	5.714.844	-30.086
Ørsted Hornsea 1 Hold Ltd	United Kingdom	100,0%	8.331.301	121.967
VI Aura Transmission Ltd	United Kingdom	100,0%	1	0
Ørsted VE A/S	Denmark	100,0%	284.171	1.724
Ørsted Vind A/S	Denmark	100,0%	246.247	-10.687
Ørsted Power (UK) Ltd.	United Kingdom	100,0%	6.985.670	771.084

Notes

10 Investments in subsidiaries(continued)

Name	Registered office	Ownership interest	Equity	Profit/loss for the year
Ørsted Westermost Rough	United Kingdom	100,0%	1.294.427	252.898
Walney Offshore Windfarm	United Kingdom	50,1%	4.822.980	71.632
Ørsted Isle of Man (UK)	United Kingdom	100,0%	-488	0
Barrow Offshore Wind Ltd	United Kingdom	100,0%	511.099	100.283
Ørsted Shell Flats (UK)	United Kingdom	100,0%	-11.249	7.410
Ørsted Wst.o.Dudd.Sds(UK)	United Kingdom	100,0%	2.390.197	378.734
Ørsted London Array II	United Kingdom	100,0%	1.404.944	136.842
Ørsted UK III Limited	United Kingdom	100,0%	-1	-1
Ørsted Race Bank Holding	United Kingdom	100,0%	2.769.096	626.716
Breesea Limited.	United Kingdom	100,0%	350.421	-1.306
Optimus Wind Limited	United Kingdom	100,0%	-378.432	-498.718
Cygnus Wind Transm ltd.	United Kingdom	100,0%	1.633	-51
Ørsted Hornsea Project 4	United Kingdom	100,0%	1.750	-12
Ørsted Hornsea Proj.3(UK)	United Kingdom	100,0%	1.634	-50
Smart Wind SPC8 Limited	United Kingdom	100,0%	1.750	-12
Smart Wind Limited	United Kingdom	100,0%	25.171	17.200
Sonningmay Wind Limited	United Kingdom	100,0%	318.232	-821
Soundmark Wind Limited	United Kingdom	100,0%	318.232	-821
Ørsted Burbo Extens.Hold.	United Kingdom	100,0%	3.739.716	150.934
Gode Wind 04 GmbH	Germany	100,0%	5.004	0
Ørsted Gode Wind 2 GmbH	Germany	100,0%	302.595	-134.872
Gode Wind 03 GmbH	Germany	100,0%	32.291	29.945
Ørsted Gode Wind 1 Hold.	Germany	100,0%	-436.154	-121.672
Northern Energy OWP West	United Kingdom	100,0%	34.561	-1.116
Nördlicher Grund GmbH	Germany	100,0%	55.103	-735
Ørsted WP DK, Taiwan Brch	Denmark	100,0%	15.723	9.785

Notes

10 Investments in subsidiaries(continued)

Name	Registered office	Ownership interest	Equity	Profit/loss for the year
Ørsted Power Ltd. UK	United Kingdom	100,0%	0	0
Optimus Wind Transmission Ltd.	United Kingdom	100,0%	1	0
Ørsted Speicher R GmbH	Germany	100,0%	-37	0

11 Investments in associates

Investments in direct and indirect associates are specified as follows:

Name	Registered office	Ownership interest	Equity	Profit/loss for the year
Burbo Extension Hold. Ltd	United Kingdom	50%	7.176.191	-9
Borkum Riffgrund I Offsho	Germany	50%	8.018.231	603.668
Ørsted Borkum Riffgr.II	Germany	50%	1.981.996	109.646
Burbo Extention Limited	United Kingdom	50%	7.804.467	-232.781
Walney Extension Limited	United Kingdom	50%	6.396.748	-841.186
Walney Extension Holdings	United Kingdom	50%	6.889.296	-19
Hornsea 1 Holdings Ltd	United Kingdom	50%	7.342.318	209.652
VI Aura Ltd	United Kingdom	50%	803	-27
Njord Ltd.	United Kingdom	50%	1.284	-245
Morecambe Wind Ltd	United Kingdom	50%	0	0
LINCS Ren. Energy Holding	United Kingdom	50%	14.755	2.304
Lincs Wind Farm Ltd.	United Kingdom	25%	5.522.901	88.631
Lincs WF (Holding) Ltd.	United Kingdom	25%	2.900.231	507.019
Race Bank WF Hold. Ltd	United Kingdom	50%	3.926.737	244.486
Race Bank Wind Farm	United Kingdom	50%	4.766.261	349.123
Gode Wind 1 Offs. WF GmbH	Germany	50%	2.808.170	629.593
Gode Wind 2 Offs. WF P/S	Germany	50%	8.692.682	441.318
Westermose Rough Hold Ltd	United Kingdom	50%	3.361.504	-5
JV West of Duddon Sands	United Kingdom	50%	8.665.181	-214.424
London Array Ltd.	United Kingdom	25%	2	0

Notes

12 Fixed asset investments

	Receivables from subsidiaries <u>TDKK</u>
Cost at 1 January 2018	3.371.056
Additions for the year	1.283.722
Disposals for the year	<u>-216.893</u>
Cost at 31 December 2018	<u>4.437.885</u>
Carrying amount at 31 December 2018	<u>4.437.885</u>

	<u>2018</u> TDKK	<u>2017</u> TDKK
13 Contract work in progress		
Work in progress, selling price	36.035.078	32.756.831
Work in progress, payments received on account	<u>-22.088.370</u>	<u>-23.438.272</u>
	<u>13.946.708</u>	<u>9.318.559</u>
Recognised in the balance sheet as follows:		
Contract work in progress under assets	13.946.708	12.068.685
Prepayments received under liabilities	<u>0</u>	<u>-2.750.126</u>
	<u>13.946.708</u>	<u>9.318.559</u>

14 Receivables from group companies

The company's receivables from group companies includes TDKK 47.615.007 in a cash pool scheme with the ultimate parent company Ørsted A/S (2017: TDKK 20.932.462).

The company's receivables from group companies and payables to group companies includes a net financial instrument payable of TDKK -1.035.358 (2017 receivable: TDKK 1.140.463)

15 Prepayments

Prepayments comprise prepaid expenses regarding rent, insurance premiums, subscriptions etc.

Notes

16 Equity

The share capital consists of 1.500.000 shares of a nominal value of TDKK 1. No shares carry any special rights.

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

	2018 TDKK	2017 TDKK
17 Provision for deferred tax		
Provision for deferred tax at 1 January 2018	1.074.261	0
Recognised in the income statement in the financial year	1.680.855	1.074.261
Provision for deferred tax at 31 December 2018	2.755.116	1.074.261
Property, plant and equipment	-17.122	-328
Contract work in progress	2.854.510	1.147.481
Other taxable temporary differences	-2.389	-72.892
Financial instruments	-79.882	0
	2.755.116	1.074.261
18 Other provisions		
Balance at beginning of year at 1 January 2018	2.279.915	1.941.211
Reversed provision	-301.000	0
Provision in year	3.209.404	338.704
Applied in the year	-178.226	0
Balance at 31 December 2018	5.010.093	2.279.915
The expected due dates of other provisions are:		
Within one year	167.000	0
Between 1 and 5 years	4.561.965	1.569.197
Over 5 years	281.128	710.718
	5.010.093	2.279.915

Notes

19 Long term debt

	2018 TDKK	2017 TDKK
Deferred income		
Between 1 and 5 years	94.000	94.000
Non-current portion	94.000	94.000
Other short-term deferred income	31.977	37.702
Current portion	31.977	37.702
	125.977	131.702

20 Deferred income

Deferred income consists of payments received in respect of income in subsequent years.

21 Subsequent events

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

22 Rent and lease liabilities

The company has assumed operational lease commitments in the form of leasing of vessels, rental and licens commitments. The obligation amounts to TDKK 1.017.584 (2017: TDKK 1.484.070), of which TDKK 618.613 falls due within 1 year, TDKK 377.126 falls due within 1-5 years and TDKK 21.845 falls due after 5 years.

23 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. Any subsequent corrections to income and withholding taxes may result in an increase in the entities' liability.

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

Contractual commitments

The company has contractual commitments that fall due within 1-5 year for the following amount: BDKK 16 (2017: BDKK 31).

Notes

24 Financial instruments

The company has entered into contracts to hedge future electricity prices. There is also entered into contracts to hedge the currency risk on future cash flows relating to subsidies, investments and divestments.

The market value calculated per 31 December 2018 relating to hedging of electricity prices fall due, assuming unchanged prices, as follows: 2019: TDKK -783.156, 2020-2022+: TDKK -1.277.728.

Exposure in respect of hedging of electricity prices in 2019 amounts GWh 6.501 and thereof is hedged GWh 5.957, corresponding to a hedging level of 92%. The hedge ratio for the following years are: 2020: 93%, 2021: 80%, 2022: 41%, 2023: 11%.

The market value calculated per 31 December 2018 relating to hedging of foreign exchange risk fall due, assuming unchanged prices, as follows: 2019: TDKK 516.465, 2020-2022+: TDKK 509.061.

Exposure in respect of hedging of currency risk in 2019 amounts TDKK 22.264.000 and thereof is hedged TDKK 21.293.000 corresponding to a hedging level of 96%. The hedge ratio for the following years are: 2020: 73%, 2021: 63%, 2022: 50%, 2023: 23%.

25 Related parties and ownership

Controlling interest

Ørsted Wind Power Holding 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 enterprises and associates
Board of directors, executive board and senior employees

Transactions

In pursuance of Section 98c (7) of the Danish Financial Statements Act, the Company has chosen only to disclose transactions that are not carried out on an arm's length basis.

Ownership structure

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 Holding A/S

Notes

26 Fee to auditors appointed at the general meeting

In pursuance of Section 96(3) of the Danish Financial Statements Act, the company has omitted providing information on audit fees as the company is fully consolidated in Ørsted A/S's consolidated financial statements, in which the audit fees for the group as a whole are disclosed.