

DONG Energy Wind Power A/S

**Kraftværksvej 53
Skærbæk**

Annual report for 2016

CVR no 31 84 92 92

(8th Financial year)

Adopted at the annual general meeting on
23 March 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 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, 22 March 2017

Executive Board

Samuel G. F. Leupold

Supervisory Board

Marianne Wiinholt
Chairman

Hanne Legardt Blume Levy
Deputy Chairman

Jakob Askou Bøss

Claus Nørgaard
Employee Representative

Trausti Björgvinsson
Employee Representative

Independent auditor's report

To the shareholders of DONG Energy Wind Power A/S

Opinion

We have audited the financial statements of DONG Energy Wind Power 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, 22 March 2017

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR-nr. 33 77 12 31

Thomas Wraae Holm
State Authorised Public Accountant

Kim Danstrup
State Authorised Public Accountant

Company details

The Company

DONG Energy Wind Power 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 92 92
Reporting period: 1 January - 31 December
Domicile: Fredericia

Supervisory Board

Marianne Wiinholt, Chairman
Hanne Legardt Blume Levy, Deputy Chairman
Jakob Askou Bøss
Claus Nørgaard, Employee Representative
Trausti Björgvinsson, Employee Representative

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 parent company, DONG Energy A/S, Fredericia, CVR no. 36 21 37 28

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

www.dongenergy.com

Financial highlights

5-year summary:

	2016	2015	2014	2013	2012
	TDKK	TDKK	TDKK	TDKK	TDKK
Key figures					
Profit/loss					
Revenue	16.625.501	13.721.732	7.762.242	11.776.067	7.668.051
Gross profit	7.618.530	4.423.241	1.246.622	2.901.374	1.366.257
Earnings Before Interest Taxes Depreciation and Amortization	7.091.329	3.904.059	961.917	2.349.198	672.725
Profit/loss before financial income and expenses	6.903.776	3.801.706	831.773	2.106.818	612.706
Net financials	2.403.864	759.710	1.783.062	262.817	-42.789
Profit/loss for the year	7.429.990	3.859.307	2.418.767	1.756.546	427.030
Balance sheet					
Balance sheet total	37.567.759	28.168.731	19.184.237	13.589.847	11.883.633
Investment in property, plant and equipment	375.796	365.422	1.006.081	141.516	264.407
Equity	23.472.421	15.233.453	11.265.417	8.837.443	7.080.887
Financial ratios					
Gross margin	45,8%	32,2%	16,1%	24,6%	17,8%
EBIT margin	41,5%	27,7%	10,7%	17,9%	8,0%
Return on assets	21,0%	16,1%	5,1%	16,5%	7,1%
Solvency ratio	62,5%	54,1%	58,7%	65,0%	59,6%
Return on equity	38,4%	29,1%	24,1%	22,1%	8,2%

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

Management's review

Business activities

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

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 profit of TDKK 7.429.990, and the balance sheet at 31 December 2016 shows equity of TDKK 23.472.421.

Developments in profit before tax is primarily affected by contract work in progress and divestment of enterprises and developments projects in United Kingdom and Germany.

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

Financial performance for 2016 exceeds expectations primarily because of gains on divested subsidiaries and gains on contract work in progress.

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. DONG Energy 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 2016 of DONG Energy A/S.

Financial outlook

Earnings before interest, taxes, depreciation and amortisation in 2017 is expected to be in line with 2016.

Recognition and measurement uncertainties

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

Management's review

Unusual matters

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

Research and development activities in and for reporting entity

DONG Energy 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.

Knowledge resources

DONG Energy 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.

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.

Branches abroad

The Company has branches abroad in United Kingdom, Germany and France.

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 and sustainability report 2016 of DONG Energy A/S.

Management's review

Statutory report on the underrepresented gender

Due to the equal representation of men and women on the Supervisory Board in accordance with the rules of the Danish Companies Act, no targets for the share of the underrepresented gender have been set.

DONG Energy A/S has a policy for women in management with defined targets for 2020. The policy applies to the entire DONG Energy Group. Please refer to the annual report 2016 of DONG Energy A/S.

Accounting policies

The annual report of DONG Energy Wind Power A/S for 2016 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 2016 is presented in TDKK

In pursuance of Section 86(4) of the Danish Financial Statements Act, the company has omitted preparing a cash flow statement as the company is included in the cash flow statement of the DONG Energy Group.

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 DONG Energy A/S's consolidated financial statements, in which the audit fees for the Group as a whole are disclosed.

In pursuance of Section 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 are presented and which confirm or invalidate matters existing at the balance sheet date.

Accounting policies

Income statement

Hedge accounting

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

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.

Net revenue

Revenue from the sale of goods 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 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.

Contract work in progress is recognised as the work is performed, which means that revenue equals the selling price of work performed during the year (the percentage of completion method). Revenue from work in progress is recognised when total income and expenses in respect of the orders and the degree of completion at the balance sheet date can be measured reliably, and it is probable that economic benefits, including payments, will flow to the company.

Revenue is measured at fair value of the agreed consideration ex. VAT and taxes charged on behalf of third parties. Revenue is net of all types of discounts granted.

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 as incurred.

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.

Other external expenses also comprise research and development costs that do not qualify for capitalisation.

Staff costs

Staff costs comprise wages and salaries as well as payroll dependent expenses, including pensions, social security costs and other employee related costs.

The share programme is initially classified as an equity based scheme as the program settles in shares in DONG Energy 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, amortisation of mortgage loans and surcharges and allowances under the advance-payment-of-tax scheme, etc.

Accounting policies

Profit/loss from investments in subsidiaries and associates

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

Tax on profit for the year

Tax on profit/loss for the year, consisting of current tax for the year and deferred tax for the year, is recognised in the income statement to the extent that it relates to profit/loss for the year and directly in equity to the extent that it relates to entries made directly in equity. The company is subject to the Danish rules on compulsory joint taxation of the DONG Energy Group's Danish companies, and the ultimate parent company, DONG Energy A/S, has also chosen 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 with 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.

Balance sheet

Intangible assets

Development costs comprise wages and salaries and amortisation that are directly or indirectly attributable to the company's development activities and which meet the criteria for recognition.

Development costs and costs relating to rights developed by the company are recognised in the income statement as costs in the year of acquisition.

Development projects in progress are not amortised.

On the completion of development work, capitalised development costs are amortised on a straight-line basis over the estimated economic life. The amortisation period is five years.

Accounting policies

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.

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
Property, plant and equipment in progress	not depreciated

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 company's negative balances or obligations, such obligation is recognised in liabilities.

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.

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.

Accounting policies

Receivables

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

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 reliably determined, 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.

Prepayments

Prepayments comprise costs incurred concerning subsequent financial years.

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.

Provisions

Provisions comprise expected expenses relating to guarantee commitments, losses on work in progress, reconstructions, etc. 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.

Accounting policies

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

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 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 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.

Accounting policies

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.

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 receivables or 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.

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

Income statement 1 January - 31 December 2016

	<u>Note</u>	<u>2016</u> TDKK	<u>2015</u> TDKK
Net revenue	1	16.625.501	13.721.732
Other operating income		926.593	1.938.691
Operating expenses		-7.754.778	-8.935.102
Other external expenses		-2.178.786	-2.302.080
Gross profit		7.618.530	4.423.241
Staff costs	2	-527.201	-519.182
Earnings Before Interest Taxes Depreciation and Amortization		7.091.329	3.904.059
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment		-14.521	-13.481
Other operating expenses		-173.032	-88.872
Profit/loss before financial income and expenses		6.903.776	3.801.706
Income and costs from investments in subsidiaries	3	1.798.035	813.808
Income/loss from investments in associates	4	29.708	0
Financial income	5	1.936.198	105.795
Financial expenses	6	-1.360.077	-159.893
Profit/loss before tax		9.307.640	4.561.416
Tax on profit for the year	7	-1.877.650	-702.109
Net profit/loss for the year		7.429.990	3.859.307
Proposed distribution of profit			
Proposed dividend for the year		2.000.000	0
Retained earnings		5.429.990	3.859.307
		7.429.990	3.859.307

Balance sheet at 31 December 2016

	<u>Note</u>	<u>2016</u> TDKK	<u>2015</u> TDKK
Assets			
Rights		273	818
Intangible assets	8	273	818
Land and buildings		8.584	9.670
Prepayments for property, plant and equipment		1.080.749	40.271
Other fixtures and fittings, tools and equipment		94.633	107.523
Property, plant and equipment in progress		725.683	1.367.069
Property, plant and equipment	9	1.909.649	1.524.533
Investments in subsidiaries	10	6.684.901	6.881.517
Receivables from group companies		1.817.962	412.349
Other fixed asset investments		44.694	0
Fixed asset investments		8.547.557	7.293.866
Fixed assets total		10.457.479	8.819.217
Raw materials and consumables		24.832	13.622
Stocks		24.832	13.622
Trade receivables		201.722	482.055
Contract work in progress	11	971.510	1.190.564
Receivables from group companies	12	25.183.050	16.690.105
Receivables from associates		0	188
Other receivables		144.150	683.734
Deferred tax asset	13	47.077	0
Prepayments	14	16.683	18.228
Receivables		26.564.192	19.064.874
Cash at bank and in hand	12	521.256	271.018
Current assets total		27.110.280	19.349.514
Assets total		37.567.759	28.168.731

Balance sheet at 31 December 2016

	<u>Note</u>	<u>2016</u> TDKK	<u>2015</u> TDKK
Liabilities and equity			
Share capital		1.500.000	1.500.000
Other reserves		1.001.250	88.383
Retained earnings		18.971.171	13.645.070
Proposed dividend for the year		2.000.000	0
Equity	15	<u>23.472.421</u>	<u>15.233.453</u>
Provision for deferred tax	13	0	667.358
Other provisions	16	1.941.211	979.005
Provisions total		<u>1.941.211</u>	<u>1.646.363</u>
Other payables		0	189.254
Deferred income		94.000	94.000
Long-term debt	17	<u>94.000</u>	<u>283.254</u>
Banks		207	0
Trade payables		3.988.614	3.657.030
Prepayments received	11	1.091.343	31.727
Payables to group companies		6.135.280	6.628.690
Corporation tax		370.470	383.931
Other payables	17	442.484	225.854
Deferred income	17	31.729	78.429
Short-term debt		<u>12.060.127</u>	<u>11.005.661</u>
Debt total		<u>12.154.127</u>	<u>11.288.915</u>
Liabilities and equity total		<u>37.567.759</u>	<u>28.168.731</u>
Subsequent events	18		
Contingent assets, liabilities and other financial obligations	19		
Related parties and ownership	20		

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	1.500.000	88.383	13.645.070	0	15.233.453
Fair value adjustment of hedging instruments	0	912.867	0	0	912.867
Sharebased payments	0	0	-103.889	0	-103.889
Net profit/loss for the year	0	0	7.429.990	0	7.429.990
Proposed dividend for the year	0	0	-2.000.000	2.000.000	0
Equity at 31 December	1.500.000	1.001.250	18.971.171	2.000.000	23.472.421

Notes to the Annual Report

	<u>2016</u> TDKK	<u>2015</u> TDKK
1 Net revenue		
Sale of goods	1.839.378	1.632.344
Work in progress	14.268.236	11.893.758
Revenue from services	<u>517.887</u>	<u>195.630</u>
Total revenue	<u>16.625.501</u>	<u>13.721.732</u>
Denmark	2.357.265	1.827.974
Rest of EU	<u>14.268.236</u>	<u>11.893.758</u>
Total revenue	<u>16.625.501</u>	<u>13.721.732</u>

Notes to the Annual Report

	<u>2016</u>	<u>2015</u>
	TDKK	TDKK
2 Staff costs		
Wages and salaries	848.529	780.259
Pensions	82.062	72.879
Other social security costs	7.766	7.704
Other staff costs	17.669	4.581
	<u>956.026</u>	<u>865.423</u>
Capitalized salary cost	<u>-428.825</u>	<u>-346.241</u>
	<u>527.201</u>	<u>519.182</u>
Average number of employees	<u>1.308</u>	<u>1.119</u>

A number of managers 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 DONG Energy 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 DONG Energy 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 a target for the awarded PSU's. The maximum rate is 30% - 40% of the fixed annual salary. The highest rate will be triggered if DONG Energy 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 DONG Energy 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.

In pursuance of Section 98b (3) of the Danish Financial Statements Act, the company has omitted information on remuneration to the Executive Board

No remuneration related to the assignment of the Supervisory Board has been paid to the members of the Supervisory Board.

Notes to the Annual Report

	<u>2016</u>	<u>2015</u>
	TDKK	TDKK
3 Income and costs from investments in subsidiaries		
Gain and loss on disposal of subsidiaries	2.153.035	0
Impairment of financial assets	-355.000	0
Dividends	<u>0</u>	<u>813.808</u>
	<u>1.798.035</u>	<u>813.808</u>

Agreements on divestments of subsidiaries may contain provisions that are conditional on future conditions beyond our control. The determination of gains and receivables are therefore subject to uncertainty. The determination is based on management's estimates of the most likely outcomes of future events.

4 Income/loss from investments in associates

Gain and loss from disposal of associates	<u>29.708</u>	<u>0</u>
	<u>29.708</u>	<u>0</u>

The gain in 2016 comprises earn-out payments related to divestments in previous years.

5 Financial income

Interest received from group companies	127.892	33.973
Other financial income	<u>1.808.306</u>	<u>71.822</u>
	<u>1.936.198</u>	<u>105.795</u>

Other financial income mainly comprises currency gains and gains on financial FX instruments.

6 Financial expenses

Interest paid to group companies	157.609	146.294
Other financial costs	<u>1.202.468</u>	<u>13.599</u>
	<u>1.360.077</u>	<u>159.893</u>

Other financial expenses mainly comprises currency losses and losses on financial FX instruments.

Notes to the Annual Report

	<u>2016</u>	<u>2015</u>
	TDKK	TDKK
7 Tax on profit for the year		
Current tax for the year	2.557.681	241.610
Deferred tax for the year	-794.867	475.505
Adjustment of tax concerning previous years	34.404	-82.146
Adjustment of deferred tax concerning previous years	80.432	67.140
	<u>1.877.650</u>	<u>702.109</u>

8 Intangible assets

	<u>Rights</u>
	TDKK
Cost at 1 January	<u>5.274</u>
Cost at 31 December	<u>5.274</u>
Impairment losses and amortisation at 1 January	4.456
Depreciation for the year	<u>545</u>
Impairment losses and amortisation at 31 December	<u>5.001</u>
Carrying amount at 31 December	<u>273</u>

Notes to the Annual Report

9 Property, plant and equipment

	Land and buildings	Prepayments for property, plant and equipment	Other fixtures and fittings, tools and equipment	Property, plant and equipment in progress
	TDKK	TDKK	TDKK	TDKK
Cost at 1 January	13.562	40.270	177.409	1.367.069
Additions for the year	0	1.040.479	0	403.853
Disposals for the year	0	0	-23.092	-1.045.239
Cost at 31 December	<u>13.562</u>	<u>1.080.749</u>	<u>154.317</u>	<u>725.683</u>
Impairment losses and depreciation at 1 January	3.892	0	46.794	0
Depreciation for the year	<u>1.086</u>	<u>0</u>	<u>12.890</u>	<u>0</u>
Impairment losses and depreciation at 31 December	<u>4.978</u>	<u>0</u>	<u>59.684</u>	<u>0</u>
Carrying amount at 31 December	<u>8.584</u>	<u>1.080.749</u>	<u>94.633</u>	<u>725.683</u>

10 Investments in subsidiaries

	2016 TDKK	2015 TDKK
Cost at 1 January	7.007.195	4.351.281
Additions for the year	889.642	3.492.398
Disposals for the year	-686.564	-1.036.492
Transfers for the year	<u>-44.694</u>	<u>200.008</u>
Cost at 31 December	<u>7.165.579</u>	<u>7.007.195</u>
Revaluations at 1 January	-125.678	-125.678
Revaluations for the year, net	<u>-355.000</u>	<u>0</u>
Revaluations at 31 December	<u>-480.678</u>	<u>-125.678</u>
Carrying amount at 31 December	<u>6.684.901</u>	<u>6.881.517</u>

The Management has assessed that the recoverable amount of an investment was lower than carrying amount and revaluated the investment to recoverable amount during 2016.

Notes to the Annual Report

Investments in subsidiaries, joint operations and associates are specified as follows:

Name	Place of registered office	Votes and ownership	Equity	Net profit/loss for the year
Borkum Riffgrund Holding A/S	Denmark	100%	-10.757	-21.000
Nördlicher Grund GmbH	Germany	100%	53.491	0
DE Borkum Riffgrund I HoldCo GmbH	Germany	100%	-408.750	-180.563
Borkum Riffgrund I Offshore Windpark GmbH	Germany	50%	9.580.883	468.816
DE Borkum Riffgrund West I GmbH	Germany	100%	-7.794	-7.379
DE Borkum Riffgrund West II GmbH	Germany	100%	-2.360	-1.186
DONG Energy Borkum Riffgrund I GmbH	Germany	100%	34.324	-41.576
DE Borkum Riffgrund II GmbH	Germany	100%	-28.688	-23.720
Northern Energy OWP West GmbH	Germany	100%	30.291	603
DE Gode Wind 1 Holding GmbH	Germany	100%	-160.321	-152.827
DE Gode Wind 2 GmbH	Germany	100%	-287.348	-184.576
DE Wind Power Germany GmbH	Germany	100%	77.627	15.642
Gode Wind 04 GmbH	Germany	100%	4.981	-1
Gode Wind 2 Offshore Wind Farm P/S GmbH & Co. oHG	Germany	50%	8.800.486	191.776
Gode Wind 1 Offshore Wind Farm GmbH & Co. oHG	Germany	50%	2.440.102	-180.512
DE Burbo (UK) Limited	England	100%	730.276	96.309
DE Gunfleet Sands Demo (UK) Ltd.	England	100%	171.498	29.612
DE Lincs (UK) Ltd.	England	100%	1.033.597	174.911
DE Walney Extension (UK) Ltd.	England	100%	868.646	-121.562
DE London Array Ltd.	England	100%	536.853	191.515
Heron Wind Ltd.	England	100%	224.941	-2.587
Njord Ltd.	England	100%	177.221	-5.950
VI Aura Ltd	England	100%	-14	-14
OFTRAC Limited	England	100%	65.857	280
Lincs Renewable Energy Holdings Limited	England	50%	2.356.187	141.501
Lincs Wind Farm Ltd.	England	25%	716.348	-201.819
Scarweather Sands Ltd.	England	100%	0	0
CT Offshore A/S	Denmark	67%	49.661	-94.592
A2SEA A/S	Denmark	51%	2.083.237	-105.326
A2SEA Deutschland GmbH	Germany	51%	-68	457
A2SEA Ltd.	England	51%	232	1.944
DONG VE A/S	Denmark	100%	293.717	-12.441
DONG Vind A/S	Denmark	100%	268.687	-18.040
DE Power (UK) Ltd.	England	100%	6.508.402	682.261
DE Power (Gunfleet Sands) Ltd.	England	100%	1.941.284	153.936
Gunfleet Sands Holding Ltd.	England	50%	2.964.473	225.579
Gunfleet Sands Ltd.	England	50%	1.584.923	-4.055
Gunfleet Sands II Ltd.	England	50%	741.168	29.064
Walney (UK) Offshore Windfarms Ltd.	England	50%	6.112.598	60.915
Barrow Offshore Wind Ltd.	England	100%	401.955	61.749

Notes to the Annual Report

10 Investments in subsidiaries (continued)

Name	Place of registered office	Votes and ownership	Equity	Net profit/loss for the year
DE Shell Flats (UK) Limited	England	100%	-8.029	-14
DE West of Duddon Sands (UK) Limited	England	100%	3.409.161	344.485
Morecambe Wind Ltd	England	50%	62	61
DE London Array II Ltd.	England	100%	1.177.108	136.682
Optimus Wind Limited	England	100%	119.413	-359
DE Westermost Rough Ltd	England	100%	926.019	111.044
Westermost Rough (Holding) Limited	England	50%	4.236.290	29
Westermost Rough Ltd.	England	50%	4.464.755	144.378
DE Isle of Man (UK) Ltd	England	100%	-511	0
Breesea Limited.	England	100%	104.458	-584
Smart Wind SPC5 Limited	England	100%	1.815	-59
Smart Wind SPC6 Limited	England	100%	1.861	-12
DE Hornsea Project Three (UK) Limited	England	100%	1.815	-59
Smart Wind SPC8 Limited	England	100%	1.861	-12
Smart Wind Limited	England	100%	26.088	-4.606
DE Race Bank (Holding) Ltd.	England	100%	-21.196	-21.196
Race Bank Wind Farm (Holding) Ltd.	England	50%	1.488.735	-7
Race Bank Wind Farm Ltd.	England	50%	1.964.706	-12.139
DE Burbo Extension Holding Ltd	England	100%	4.256.497	-43.061
Burbo Extension Holding Ltd.	England	50%	0	0
Burbo Extension Ltd	England	50%	9.732.500	-2.847
VI Aura Transmission Limited	England	100%	1	0
London Array Ltd	England	25%	3	0
Optimus Wind Transmission Limited	England	100%	1	0
DE UK III Limited	England	100%	0	0
West of Duddon Sands	England	50%	9.106.204	-34.949
London Array Unincorporated JV	England	25%	0	0

Investments in joint operations and associates are owned through subsidiaries.

Notes to the Annual Report

	2016 TDKK	2015 TDKK
11 Contract work in progress		
Work in progress, selling price	23.301.207	16.914.640
Work in progress, payments received on account	-23.421.040	-15.755.803
	-119.833	1.158.837
Recognised in the balance sheet as follows:		
Contract work in progress recognised in assets	971.510	1.190.564
Prepayments received	-1.091.343	-31.727
	-119.833	1.158.837
12 Receivables from group companies		
Included in receivables from group companies is a cash pool of TDKK 12.593.315 with the ultimate Parent Company, DONG Energy A/S (2015: TDKK 6.922.320).		
Included in receivables from group companies and payables to group companies is a net financial instrument receivables of 1.723.237 TDKK. The Company uses various financial instruments to hedge power prices and currency rates with a horizon of 0-5 years to reduce cash flow fluctuations.		
13 Provision for deferred tax		
Property, plant and equipment	1.097	2.425
Contract work in progress	246.864	654.688
Other taxable temporary differences	-295.038	10.245
Transferred to deferred tax asset	47.077	0
	0	667.358
Deferred tax asset		
Calculated tax asset	47.077	0
Carrying amount	47.077	0

Notes to the Annual Report

14 Prepayments

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

15 Equity

The share capital consists of 1.500.000 shares of a nominal value of TDKK 1. 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	1.500.000	1.500.000	1.500.000	1.500.000	500
Additions for the year	0	0	0	0	1.499.500
Share capital	1.500.000	1.500.000	1.500.000	1.500.000	1.500.000

16 Other provisions

	2016 TDKK	2015 TDKK
Balance at 1 January	979.005	595.011
Provision in year	962.206	383.994
Balance at 31 December	1.941.211	979.005

The expected due dates of other provisions are:

Between 1 and 5 years	1.664.611	333.610
Over 5 years	276.600	645.395
	1.941.211	979.005

Other provisions comprise liabilities in relation to adjustment of the selling price in connection with the sale of subsidiaries, warranties and other provisions.

Notes to the Annual Report

17 Long term debt

	<u>2016</u> TDKK	<u>2015</u> TDKK
Other payables		
Between 1 and 5 years	<u>0</u>	<u>189.254</u>
Non-current portion	0	189.254
Other short-term other debt	<u>442.484</u>	<u>225.854</u>
	<u>442.484</u>	<u>415.108</u>
Deferred income		
Between 1 and 5 years	<u>94.000</u>	<u>94.000</u>
Non-current portion	94.000	94.000
Other short-term deferred income	<u>31.729</u>	<u>78.429</u>
	<u>125.729</u>	<u>172.429</u>

18 Subsequent events

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

Notes to the Annual Report

19 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 DONG Energy A/S, the company responsible for the administration of the joint taxation arrangement.

The Group's Danish companies are jointly and severally liable for their joint VAT registration.

The Company has operational rental and lease agreements for the following amount:

TDKK 893.709 (2015: TDKK 35.000)

The Company has contractual commitments that fall due within 1-5 year for the following amount:

BDKK 27 (2015: BDKK 31)

20 Related parties and ownership

Controlling interest

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

Other related parties

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

Ownership

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

DONG Energy Wind Power Holding A/S