Ørsted Wind Power A/S

Annual report for 2017

CVR no. 31 84 92 92

(9th Financial year)

Adopted at the annual general meeting on 26 April 2018

Ulrik Jarlov
chairman

Contents

Statement by management on the annual report

The Board of Directors and the Executive Board have today discussed and approved the annual report of Ørsted Wind Power A/S for the financial year 1 January - 31 December 2017.

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

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

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

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

Skærbæk, 11 April 2018

Executive board

Martin Neubert

Board of Directors

Marianne Wiinholt chairman	Hanne Legardt Blume Levy deputy chairman	Jakob Askou Bøss
Casper Frost Thorhauge staff representative	Claus Nørgaard staff 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 2017 and of the results of the Company's operations for the financial year 1 January - 31 december 2017 in accordance with the Danish Financial Statements Act.

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

Basis for Opinion

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

Statement on Management's Review

Management is responsible for Management's Review.

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

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

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

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

Independent auditor's report

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

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

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

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

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

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

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

Independent auditor's report

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

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

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

Copenhagen, 11 April 2018

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR no. 33 77 12 31

Thomas Wraae Holm
State Authorised Public Accountant
MNE no. mne30141

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

Company details

The company	Ørsted 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: Financial year:	1 January - 31 December 2017 9th financial year
	Domicile:	Fredericia
Board of Directors	Marianne Wiinholt, chairman Hanne Legardt Blume Levy, deputy chairman Jakob Askou Bøss Casper Frost Thorhauge, staff representative Claus Nørgaard, staff 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:

	2017	2016	2015	2014	2013
	TDKK	TDKK	TDKK	TDKK	TDKK
Key figures					
Profit/loss					
Revenue	27.165.835	20.108.421	13.721.732	7.762.242	11.776.067
Earnings Before Interest Taxes Depreciation and Amortization	9.803.284	7.441.932	3.904.059	961.917	2.349.198
Profit/loss before financial income and expenses	9.442.781	7.254.379	3.801.706	831.773	2.106.818
Net financials	8.445.373	2.053.261	759.710	1.783.062	262.817
Profit/loss for the year	15.893.009	7.429.990	3.859.307	2.418.767	1.756.546
Balance sheet					
Balance sheet total	53.775.066	37.529.505	28.168.731	19.184.237	13.589.847
Investment in property, plant and equipment	79.301	403.853	365.422	1.006.081	141.516
Equity	36.704.044	23.472.421	15.233.453	11.265.417	8.837.443
Financial ratios					
Gross margin	37,9%	39,6%	32,2%	16,1%	24,6%
EBIT margin	34,8%	36,1%	27,7%	10,7%	17,9%
Return on assets	20,7%	22,1%	16,1%	5,1%	16,5%
Solvency ratio	68,3%	62,5%	54,1%	58,7%	65,0%
Return on equity	52,8%	38,4%	29,1%	24,1%	22,1%

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 of expenses related to contract work in progress prior to entering into construction contract has let to restatement of financial highlight 2016. The comparatives for 2013 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 2017 and the results of its operations for the financial year ended 31 December 2017 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 15.893.009, and the balance sheet at 31 December 2017 shows equity of TDKK 36.704.044.

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 2017 exceeds expectations primarily because of gains on divested subsidiaries and increase in revenue from construction contracts.

Financial review
Earnings before interest, taxes, depreciation and amortisation in 2018 is expected to be around bnDKK 5. Due to the sensitivity of the timing of farm-downs on our outlook, divestment agreements that have not been concluded are not included in our expectations for 2018.

Knowledge resources
Ørsted Wind Power A/S continuously strives to have the most compentent 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 2017 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 in and for reporting entity

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, Germany, The Netherlands, France, Taiwan and USA.

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 2017 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 Ørsteds Sustainability Report 2017 (orsted.com/sustainability/reporting).

Accounting policies

The annual report of Ørsted Wind Power A/S for 2017 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 effect of expenses related to contract work in progress prior to entering into a construction contract have in the accounting year been reclassified from financial items to revenue and other external expenses respectively with reference to the true and fair view. The comparative figures and Financial highlight have been restated. The adjustment has resulted in a reduction of financial items of TDKK 350.603 and an increase in revenue of TDKK 3.482.919 and other external expenses of TDKK 3.132.316.

The annual report for 2017 is presented in TDKK

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

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

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

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

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

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

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

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.

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.

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.

Revenue from customised products is recognised as the 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 revenue 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.

Accounting policies

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.

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 interest rate and currency risks that have not been entered into to hedge revenue, cost of sales or non-current assets.

Accounting policies

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.

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

On payment of joint taxation contributions, the current Danish income tax is allocated between the jointly taxed Danish entities in proportion to their taxable income. Danish entities with tax losses receive joint taxation contributions from the parent company equivalent to the tax base of the tax losses utilised (full allocation), while companies that utilise tax losses in other Danish companies pay joint taxation contributions to the Parent Company equivalent to the tax base of the utilised losses.

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

Balance sheet

Intangible assets

Development projects, patents and licences
Development costs comprise costs directly and indirectly attributable to the company's development activities.

Developments projects recognised in the balance sheet are measured at cost less accumulated amortisation and impairment losses.

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

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.

Accounting policies

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.

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.

Accounting policies

Other securities and investments, fixed assets
Investments are measured at fair value.

Receivables, fixed assets
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.

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).

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 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.

Accounting policies

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.

Cash and cash equivalents
Cash and cash equivalents comprise cash.

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.

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

Accounting policies

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 trade receivables, 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.

Accounting policies

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.

Financial Highlights

Definitions of financial ratios.

Gross margin ratio $$\frac{\text{Gross Profit x 100}}{\text{Revenue}}$$

EBIT margin $$\frac{\text{Profit/loss before financials x 100}}{\text{Revenue}}$$

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

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

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

Income statement 1 January - 31 December

	Note	2017 TDKK	2016 TDKK
Revenue	1	**27.165.835**	**20.108.421**
Other operating income		213.624	926.593
Operating expenses		-14.112.289	-10.887.095
Other external expenses		-2.958.470	-2.178.786
Gross profit		**10.308.700**	**7.969.133**
Staff costs	2	-505.416	-527.201
Earnings Before Interest Taxes Depreciation and Amortization		**9.803.284**	**7.441.932**
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment		-12.252	-14.521
Other operating costs		-348.251	-173.032
Profit/loss before financial income and expenses		**9.442.781**	**7.254.379**
Income from investments in subsidiaries	3	8.145.276	1.447.432
Income from investments in associates	4	0	29.708
Financial income	5	1.671.587	1.936.198
Financial costs	6	-1.371.490	-1.360.077
Profit/loss before tax		**17.888.154**	**9.307.640**
Tax on profit/loss for the year	7	-1.995.145	-1.877.650
Net profit/loss for the year		**15.893.009**	**7.429.990**
Distribution of profit	8		

Balance sheet 31 December

Assets

	Note	2017 TDKK	2016 TDKK
Rights		0	273
Intangible assets	9	**0**	**273**
Land and buildings		7.498	8.584
Prepayments for property, plant and equipment		40.270	40.270
Other fixtures and fittings, tools and equipment		83.740	94.633
Property, plant and equipment in progress		132.177	63.437
Tangible assets	10	**263.685**	**206.924**
Investments in subsidiaries	11	5.189.873	6.684.901
Investments in associates	12	0	0
Receivables from subsidiaries	13	3.371.056	1.817.962
Other fixed asset investments	13	0	44.694
Fixed asset investments		**8.560.929**	**8.547.557**
Fixed assets total		**8.824.614**	**8.754.754**
Raw materials and consumables		42.931	24.832
Stocks		**42.931**	**24.832**
Trade receivables		39.300	201.722
Contract work in progress	14	12.068.685	8.949.476
Receivables from group companies	15	27.652.416	18.869.555
Receivables from associates		2.660.445	0
Other receivables		1.958.783	144.150
Deferred tax asset	16	0	47.077
Prepayments	17	28.673	16.683
Receivables		**44.408.302**	**28.228.663**

Balance sheet 31 December (continued)

	Note	2017 TDKK	2016 TDKK
Assets			
Cash at bank and in hand	15	**499.219**	**521.256**
Current assets total		**44.950.452**	**28.774.751**
Assets total		**53.775.066**	**37.529.505**

Balance sheet 31 December

	Note	2017 TDKK	2016 TDKK
Liabilities and equity			
Share capital		1.500.000	1.500.000
Other reserves		336.072	1.001.250
Retained earnings		31.367.972	18.971.171
Proposed dividend for the year		3.500.000	2.000.000
Equity	18	**36.704.044**	**23.472.421**
Provision for deferred tax	16	1.074.261	0
Other provisions	19	2.279.915	1.941.211
Provisions total		**3.354.176**	**1.941.211**
Deferred income		94.000	94.000
Long-term debt	20	**94.000**	**94.000**
Other credit institutions	15	195	207
Trade payables		5.596.772	3.988.614
Prepayments received work in progress	14	2.750.126	1.053.089
Payables to subsidiaries		4.469.126	6.135.280
Corporation tax		509.573	370.470
Other payables		259.352	442.484
Deferred income	21	37.702	31.729
Short-term debt		**13.622.846**	**12.021.873**
Debt total		**13.716.846**	**12.115.873**
Liabilities and equity total		**53.775.066**	**37.529.505**
Subsequent events	22		
Rental agreements and lease commitments	23		
Contingent assets, liabilities and other financial obligations	24		
Financial instruments	25		
Related parties and ownership	26		
Fee to auditors appointed at the general meeting	27		

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 2017	1.500.000	1.001.250	18.971.171	2.000.000	23.472.421
Ordinary dividend paid	0	0	0	-2.000.000	-2.000.000
Transfers, reserves	0	-665.178	3.792	0	-661.386
Net profit/loss for the year	0	0	12.393.009	3.500.000	15.893.009
Equity at 31 December 2017	**1.500.000**	**336.072**	**31.367.972**	**3.500.000**	**36.704.044**

Transfer TDKK -665.178 regards fair value adjustment of hedging instruments.
Transfer TDKK 3.792 regards sharebased payment.

Notes

		2017	2016
		TDKK	TDKK
1	**Revenue**		
	Revenue from services	2.402.136	1.839.379
	Contract revenue	23.967.926	17.751.155
	Other revenue	795.773	517.887
	Total revenue	**27.165.835**	**20.108.421**
	Geografical segments		
	Denmark	3.197.917	2.051.576
	Rest of EU	23.967.917	18.056.845
	Total revenue	**27.165.834**	**20.108.421**

Notes

		2017	2016
		TDKK	TDKK
2	**Staff costs**		
	Wages and salaries	903.735	848.529
	Pensions	89.949	82.062
	Other social security costs	8.104	7.766
	Other staff costs	7.425	17.669
		1.009.213	**956.026**
	Capitalized salary costs	-503.797	-428.825
		505.416	**527.201**
	Average number of employees	1.360	1.308

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

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

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 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. 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

		2017	2016
		TDKK	TDKK
3	**Income from investments in subsidiaries**		
	Gain and loss on disposal of subsidiaries	8.076.795	1.802.432
	Impairment of financial assets	-441.652	-355.000
	Dividends	510.133	0
		8.145.276	**1.447.432**

		2017	2016
4	**Income from investments in associates**		
	Gain and loss from disposal of associates	0	29.708
		0	**29.708**

		2017	2016
5	**Financial income**		
	Interest received from subsidiaries	182.882	127.892
	Other financial income	1.488.705	1.808.306
		1.671.587	**1.936.198**

Other financial income mainly comprises currency gains and gains on financial FX instrument and realised and unrealised gain on financial instruments.

		2017	2016
6	**Financial costs**		
	Interest paid to subsidiaries	177.445	157.609
	Other financial costs	1.194.045	1.202.468
		1.371.490	**1.360.077**

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

Notes

	2017	2016
	TDKK	TDKK
7 Tax on profit/loss for the year		
Current tax for the year	1.438.675	2.557.681
Deferred tax for the year	630.150	-794.867
Adjustment of tax concerning previous years	-564.868	34.404
Adjustment of deferred tax concerning previous years	491.188	80.432
	1.995.145	**1.877.650**

	2017	2016
8 Distribution of profit		
Proposed dividend for the year	3.500.000	2.000.000
Retained earnings	12.393.009	5.429.990
	15.893.009	**7.429.990**

9 Intangible assets

	Rights
	TDKK
Cost at 1 January 2017	5.274
Disposals for the year	-5.274
Cost at 31 December 2017	0
Impairment losses and amortisation at 1 January 2017	5.001
Amortisation for the year	273
Reversal of impairment and amortisation of sold assets	-5.274
Impairment losses and amortisation at 31 December 2017	0
Carrying amount at 31 December 2017	**0**

Notes

10 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 2017	13.562	40.270	154.317	63.438	271.587
Additions for the year	0	0	0	79.301	79.301
Disposals for the year	0	0	-1.845	-10.562	-12.407
Cost at 31 December 2017	13.562	40.270	152.472	132.177	338.481
Impairment losses and depreciation at 1 January 2017	4.978	0	59.684	0	64.662
Depreciation for the year	1.086	0	9.048	0	10.134
Impairment losses and depreciation at 31 December 2017	6.064	0	68.732	0	74.796
Carrying amount at 31 December 2017	**7.498**	**40.270**	**83.740**	**132.177**	**263.685**

Notes

		2017	2016
		TDKK	TDKK
11	**Investments in subsidiaries**		
	Cost at 1 January 2017	7.165.579	7.007.195
	Additions for the year	1.253.070	889.642
	Disposals for the year	-2.430.588	-686.564
	Transfers for the year	0	-44.694
	Cost at 31 December 2017	5.988.061	7.165.579
	Revaluations at 1 January 2017	-480.876	-125.678
	Revaluations for the year, net	-317.312	-355.000
	Revaluations at 31 December 2017	-798.188	-480.678
	Carrying amount at 31 December 2017	**5.189.873**	**6.684.901**

Notes

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Ownership	Equity	Net profit/loss for the year
Orsted Borkum Riffgrund I GmbH	Germany	100,0%	23.274	-857
Orsted Burbo (UK) Limited	United Kingdom	100,0%	622.027	59.225
Borkum Riff Holding A/S	Denmark	100,0%	15.560	26.317
Orsted Bork.Riff.I HoldCo GmbH	Germany	100,0%	-595.765	-186.100
Orsted Bork.Riffg.West I GmbH	Germany	100,0%	-7.959	-167
Orsted Bork.Riffg.West II GmbH	Germany	100,0%	-41.252	-38.905
OFTRAC LIMITED	United Kingdom	100,0%	63.456	136
Orsted Gunfl.Sds Demo (UK) Ltd.	United Kingdom	100,0%	169.326	7.535
Orsted Wind Power Germany GmbH	Germany	100,0%	103.195	21.654
Orsted Lincs (UK) Ltd.	United Kingdom	100,0%	1.142.894	148.275
Heron Wind Ltd.	United Kingdom	100,0%	212.579	-4.025
VI Aura Ltd	United Kingdom	100,0%	-31	-17
Njord Ltd.	United Kingdom	100,0%	181.763	-1.355
Ørsted VE A/S	Denmark	100,0%	282.447	-11.270
Ørsted Vind A/S	Denmark	100,0%	256.934	-11.752
Orsted Power (UK) Ltd.	United Kingdom	100,0%	7.129.943	850.072
Orsted Westermost Rough Ltd.	United Kingdom	100,0%	1.097.956	227.708
Orsted Isle of Man (UK) Ltd.	United Kingdom	100,0%	-492	0
Barrow Offshore Wind Ltd	United Kingdom	100,0%	470.667	90.486
Orsted Shell Flats (UK) Ltd.	United Kingdom	100,0%	-18.725	-19
Orsted Wst.o.Dudd.Sds (UK) Ltd.	United Kingdom	100,0%	4.015.972	601.348
Orsted London Array II Ltd.	United Kingdom	100,0%	1.311.633	178.915
Breesea Limited	United Kingdom	100,0%	100.057	-461
Optimus Wind Limited	United Kingdom	100,0%	114.705	-205

Notes

11 Investments in subsidiaries (continued)

Name	Place of registered office	Ownership	Equity	Net profit/loss for the year
Cygnus Wind Transm Ltd.	United Kingdom	100,0%	1.698	-49
Orsted Hornsea Project Four Ltd.	United Kingdom	100,0%	1.778	-13
Orsted Hornsea Project Three (UK) Ltd.	United Kingdom	100,0%	1.698	-49
Smart Wind SPC8 Limited	United Kingdom	100,0%	1.778	-13
Smart Wind Limited	United Kingdom	100,0%	8.271	-5.889
Gode Wind 04 GmbH	Germany	100,0%	4.992	0
Orsted Gode Wind 2 GmbH	Germany	100,0%	436.635	-194.223
Scarweather Sands Limited	United Kingdom	100,0%	610.393	-1.897
Orsted Power (Gunfleet Sands) Ltd.	United Kingdom	100,0%	1.733.207	125.140
Orsted Race Bank (Holding) Ltd.	United Kingdom	100,0%	91.047	111.443
Orsted Burbo Extension Holding Ltd.	United Kingdom	100,0%	4.862.284	127.039
Borkum Riffgrund 2 Holding GmbH	Germany	100,0%	-6.893	-7.080
Orsted Walney Extension Holding Ltd.	United Kingdom	100,0%	3.771.695	-2.721
VI Aura Transmission Ltd	United Kingdom	100,0%	-19	23
Gode Wind 03 GmbH	Germany	100,0%	-9.358	-12.121
Orsted Gode Wind 1 Holding GmbH	Germany	100,0%	-313.615	-152.936
Northern Energy OWP West Ltd.	United Kingdom	100,0%	68.498	24.066
Nördlicher Grund GmbH	Germany	100,0%	-26.304	-83.727
Orsted Power Ltd.	United Kingdom	100,0%	6.278.906	672.472
Hornsea 1 Holdings Ltd.	United Kingdom	100,0%	0	0
Orsted Hornsea 1 Holdings Ltd.	United Kingdom	100,0%	0	0
Orsted UK III Ltd.	United Kingdom	100,0%	0	0
Optimus Wind Transmission Ltd.	United Kingdom	100,0%	0	0
Orsted Speicher R GmbH	Germany	100,0%	-26	-255
Sonningmay Wind Ltd.	United Kingdom	100,0%	0	0
Soundmark Wind Ltd.	United Kingdom	100,0%	0	0

Notes

11 Investments in subsidiaries (continued)

Name	Place of registered office	Ownership	Equity	Net profit/loss for the year
UMBO GmbH	Germany	84,4%	21.860	21.115
CT Offshore A/S	Denmark	66,7%	25.331	1.255
Gunfleet Sands Ltd.	United Kingdom	50,1%	1.423.152	29.789
Gunfleet Sands Holding Ltd	United Kingdom	50,1%	2.574.505	224.951
Gunfleet Sands II Ltd.	United Kingdom	50,1%	654.998	34.274
Walney Offshore Windfarm Ltd.	United Kingdom	50,1%	5.376.655	77.215

Notes

12 Investments in associates

Investments in associates are specified as follows:

Name	Place of registered office	Ownership	Equity	Net profit/loss for the year
Borkum Riffgrund I Offshore GmbH	Germany	50,0%	8.688.204	737.282
Morecambe Wind Ltd	United Kingdom	50,0%	0	0
LINCS Ren. Energy Holding Ltd.	United Kingdom	50,0%	12.563	-214.141
Gode Wind I Offs. WF GmbH	Germany	50,0%	2.649.343	410.157
Gode Wind 2 Offs. WF P/S	Germany	50,0%	8.672.857	440.854
Orsted Borkum Riffgrund II GmbH	Germany	50,0%	-11.398	23.335
Race Bank WF Holding Ltd	United Kingdom	50,0%	1.428.576	0
Burbo Extension Holding Ltd	United Kingdom	50,0%	9.166.622	0
Walney Extension Holdings Ltd	United Kingdom	50,0%	4.484.347	0
Westermost Rough Holding Ltd	United Kingdom	50,0%	3.712.509	0
JV West of Duddon Sands Ltd.	United Kingdom	50,0%	8.699.324	-223.779
Scarweather Sands Ltd.	United Kingdom	50,0%	0	0
Lincs Wind Farm Ltd.	United Kingdom	25,0%	6.033.599	-154.042
London array Ltd.	United Kingdom	25,0%	3	0
Lincs Wind Farm holding Ltd.	United Kingdom	25,0%	0	0

13 Fixed asset investments

	Receivables from subsidiaries
	TDKK
Cost at 1 January 2017	3.371.056
Cost at 31 December 2017	3.371.056
Carrying amount at 31 December 2017	**3.371.056**

Notes

		2017	2016
		TDKK	TDKK
14	**Contract work in progress**		
	Work in progress, selling price	32.756.831	33.943.335
	Work in progress, payments received on account	-23.438.272	-26.046.948
		9.318.559	**7.896.387**
	Recognised in the balance sheet as follows:		
	Contract work in progress under assets	12.068.685	8.949.476
	Prepayments received under liabilities	-2.750.126	-1.053.089
		9.318.559	**7.896.387**

15 Receivables from group companies

The company's receivables from group companies includes TDKK 20.932.462 in a cash pool scheme with the ultimate parent company Ørsted A/S (2016: TDKK 12.593.315).

The company's receivables from group companies and payables to group companies includes a net financial instrument receivables of TDKK 1.140.463 (2016: 1.723.237).

Notes

		2017	2016
		TDKK	TDKK
16	**Provision for deferred tax**		
	Provision for deferred tax at 1 January 2017	0	667.358
	Recognised in the income statement in the financial year	1.074.261	-714.435
	Transferred to assets	0	47.077
	Provision for deferred tax at 31 December 2017	**1.074.261**	**0**
	Property, plant and equipment	-328	1.097
	Contract work in progress	1.147.481	246.864
	Other taxable temporary differences	-72.892	-295.038
	Transferred to deferred tax asset	0	47.077
		1.074.261	**0**
	Deferred tax asset		
	Calculated tax asset	0	47.077
	Carrying amount	**0**	**47.077**

17 Prepayments

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

18 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.

Notes

		2017	2016
		TDKK	TDKK
19	**Other provisions**		
	Balance at beginning of year at 1 January 2017	1.941.211	979.005
	Provision in year	338.704	962.206
	Balance at 31 December 2017	**2.279.915**	**1.941.211**
	The expected due dates of other provisions are:		
	Between 1 and 5 years	1.569.197	1.664.611
	Over 5 years	710.718	276.600
		2.279.915	**1.941.211**

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

		2017	2016
20	**Long term debt**		
	Deferred income		
	Between 1 and 5 years	94.000	94.000
	Non-current portion	94.000	94.000
	Other short-term deferred income	37.702	31.729
	Current portion	37.702	31.729
		131.702	**125.729**

21 Deferred income

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

22 Subsequent events

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

Notes

23 Rental agreements and lease commitments

The company has assumed operational lease commitments in the form of leasing of vessels, rentel and licens commitments. The obligation amounts to TDKK 1.484.070 (2016: TDKK 893.709), of which TDKK 1.025.340 falls due within 1 year, TDKK 436.884 falls due within 1-5 years and TDKK 21.845 falls due after 5 years.

24 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 31 (2016: BDKK 27).

25 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 2017 relating to hedging of electricity prices fall due, assuming unchanged prices, as follows: 2018: TDKK -285.971, 2019-2022: TDKK -468.035.

Exposure in respect of hedging of electricity prices in 2018 amounts GWh 6.784 and thereof is hedged GWh 6.254, corresponding to a hedging level of 92%. The hedge ratio for the following years are: 2019: 93%, 2020: 81%, 2021: 30%, 2022: 2%.

The market value calculated per 31 December 2017 relating to hedging of foreign exchange risk fall due, assuming unchanged prices, as follows: 2018: TDKK 962.535, 2019-2022: TDKK 934.090.

Exposure in respect of hedging of currency risk in 2018 amounts TDKK 14.635.000 and thereof is hedged TDKK 14.560.000 corresponding to a hedging level of 99%. The hedge ratio for the following years are: 2019: 55%, 2020: 70%, 2021: 46%, 2022: 22%.

Notes

26 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

Except for intercompany transactions and usual remuneration transactions there has not during the year been transactions with the Board of Directors, Executive Board, senior employees, group companies or other related parties.

Ownership

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

Ørsted Wind Power Holding A/S

27 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.