

Vattenfall Vindkraft Nørrekær
Enge A/S

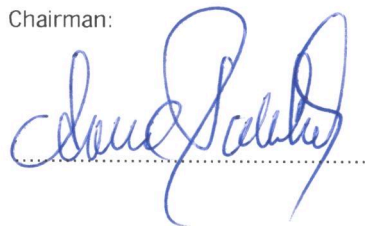
Exnersgade 2, 6700 Esbjerg

CVR no. 33 04 57 86

Annual report 2016

Approved at the Company's annual general meeting on 7 April 2017

Chairman:





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Statement by the Board of Directors and the Executive Board

The Board of Directors and the Executive Board have today discussed and approved the annual report of Vattenfall Vindkraft Nørrekær Enge A/S for the financial year 1 January - 31 December 2016.

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 2016 and of the results of the Company's operations for the financial year 1 January - 31 December 2016.

Further, in our opinion, the Management's review gives a fair review of the matters discussed in the Management's review.

We recommend that the annual report be approved at the annual general meeting.

Esbjerg, 7 April 2017
Executive Board:

Lars Buhrkall
CEO



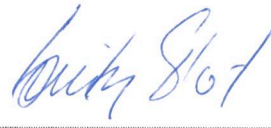
Board of Directors:



Bent Acher Johansen
Chairman



Kim Olsen



Erik Slot

Independent auditor's report

To the shareholders of Vattenfall Vindkraft Nørrekær Enge A/S

Opinion

We have audited the financial statements of Vattenfall Vindkraft Nørrekær Enge 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 accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the financial position of the Company 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 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 additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and 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 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 the financial statements.

As part of an audit conducted in accordance with ISAs and additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism 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.

Independent auditor's report

- ▶ 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 conclusion is 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 the Management's review

Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the 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 the Management's review and, in doing so, consider whether the 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 the Management's review provides the information required under the Danish Financial Statements Act.

Based on our procedures, we conclude that the 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 misstatements in the Management's review.

Copenhagen, 7 April 2017
ERNST & YOUNG
Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28



Karsten Bøgel
State Authorised Public Accountant



Management' review

Company details

Name	Vattenfall Vindkraft Nørrekær Enge A/S
Address, Postal code, city	Exnersgade 2, 6700 Esbjerg
CVR no.	33 04 57 86
Registered office	Esbjerg
Financial year	1 January - 31 December 2016
Established	25 June 2010
Website	www.vattenfall.dk
Telephone	88 27 50 00

Board of Directors	Bent Acher Johansen, Chairman Kim Olsen Erik Slot
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Executive Board	Lars Buhrkall, CEO
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Auditors	Ernst & Young Godkendt Revisionspartnerselskab Osvald Helmuths Vej 4, Postboks 250, 2000 Frederiksberg
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Bankers	Nordea
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Consolidated financial statements	The Company is included in the consolidated financial statements of the ultimate Parent Company, Vattenfall AB The consolidated financial statements for Vattenfall AB can be commissioned at the following address: Vattenfall AB SE-169 92 Stockholm Sweden
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Or on the Company's webpage:
<http://corporate.vattenfall.com/investors/financial-reports/>

Annual general meeting of shareholders	Annual general meeting of shareholders takes place on 7 April 2017 at the Company's address
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Management' review

Management commentary

Business review

The Company's activity is to own investments in the group entity, Vattenfall Vindkraft Nørrekær Enge I P/S.

Events after the balance sheet date

No significant events have occurred subsequent to the financial year.

Financial statements 1 January – 31 December

Income statement

Note	DKK'000	2016	2015
	Administration expenses	238	-114
	Operation profit/loss	238	-114
	Other operating income	0	230
	Profit/loss before financial expenses	238	116
5	Income from investments in group entities	-7,657	-34,596
5	Impairment of financial assets	16,834	-16,834
	Other financial income from group entities	0	1
2	Financial income	34	0
3	Financial expenses	-310	-437
	Profit/loss before tax	9,139	-51,750
4	Tax for the year	-574	10,934
	Profit/loss for the year	8,565	-40,816
	Recommended appropriation of profit/loss		
	Dividend proposed for the year	130,000	30,000
	Transferred to reserves under equity	0	-17,848
	Retained earnings/accumulated loss	-121,435	-52,968
		8,565	-40,816

Financial statements 1 January – 31 December

Balance sheet

Note	DKK'000	2016	2015
	ASSETS		
	Non-current assets		
	Financial assets		
5	Investments in group entities	141,673	162,069
6	Receivables from group entities	23,302	25,199
		<u>164,975</u>	<u>187,268</u>
	Total non-current liabilities	<u>164,975</u>	<u>187,268</u>
	Current assets		
	Receivables		
6	Receivables from group entities	165,658	139,709
6	Short-term portion of non-current receivables from group entities	2,877	980
	Other receivables	0	44
		<u>168,535</u>	<u>140,733</u>
	Total current assets	<u>168,535</u>	<u>140,733</u>
	TOTAL ASSETS	<u><u>333,510</u></u>	<u><u>328,001</u></u>

Financial statements 1 January – 31 December

Balance sheet

Note	DKK'000	2016	2015
	EQUITY AND LIABILITIES		
	Equity		
	Share capital	109,466	109,466
	Share premium account	218,932	218,932
	Net revaluation reserve according to the equity method	0	0
	Retained earnings/accumulated loss	-178,648	-57,213
	Dividend proposed for the year	130,000	30,000
	Total equity	279,750	301,185
	Deferred tax liabilities	370	1,306
	Total provisions	370	1,306
	Current liabilities		
	Trade payables	0	23
	Payables to group entities	52,047	17,080
	Payable joint taxation contribution	1,332	8,360
	Other payables	11	47
	Total current liabilities	53,390	25,510
	Total liabilities	53,390	25,510
	TOTAL EQUITY AND LIABILITIES	333,510	328,001

- 1 Accounting policies
- 7 Contractual obligations and contingencies, etc.
- 8 Related parties



Financial statements 1 January – 31 December

Statement of changes in equity

DKK'000	Share capital	Share premium account	Retained earnings	Dividend proposed for the year	Total
Equity at 1 January 2016	109,466	218,932	-57,213	30,000	301,185
Dividend distribution	0	0	0	-30,000	-30,000
Profit/loss of the year	0	0	-121,435	130,000	8,565
Equity at 31 December 2016	109,466	218,932	-178,648	130,000	279,750

Share capital

The Company's share capital consists of 218,932 shares of a nominal value of DKK 500.00.

No shares have been assigned specific rights.

There have been no changes in the Company's share capital since the foundation of the Company.

Financial statements 1 January – 31 December

Notes

1 Accounting policies

Vattenfall Vindkraft Nørrekær Enge A/S' annual report for 2016 has been prepared in accordance with the provisions which apply to reporting class B entities under the Danish Financial Statements Act and elective choice of certain provisions applying to reporting class C entities.

Effective 1 January 2016, act no. 738 of 1 June 2015 was adopted. The act has not resulted in any changes to the accounting policies. The accounting policies are consistent with those of last year.

In accordance with section 112 (1) of the Danish Financial Statements Act, the Company has not prepared consolidated financial statements.

Foreign currency translation

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

Receivables and payables and other monetary items denominated in foreign currencies are translated at the exchange rate 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 most recent financial statements is recognised in the income statement as financial income or financial expenses.

Non-current assets acquired in foreign currency are measured at the exchange rate at the transaction date.

Financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Income statement

Other operating income

Other operating income comprises items of a secondary nature relative to the Company's core activities, including gains or losses on the sale of non-current assets.

Administrative expenses

Administrative expenses include expenses incurred in the year for company management and administration, including expenses relating to administrative staff, Management, office premises and expenses.

Financial income and expenses

Financial income and expenses are recognised in the income statements at the amounts that relate to the financial reporting period. The items comprise interest income and expenses, realised and unrealised capital gains and losses on transactions denominated in foreign currencies, amortisation of financial assets and liabilities under the on-account tax scheme, etc.

Income from investment in group entities

The item includes the Company's proportionate share of the profit/loss for the year in subsidiaries after elimination of intra-group income or losses and net of amortisation and impairment of goodwill and other excess values at the time of acquisition.

Tax

Tax for the year includes current tax on the year's expected taxable income and the year's deferred tax adjustments. The portion of the tax for the year that relates to the profit/loss for the year is recognised in the income statement, whereas the portion that relates to transactions taken to equity is recognised in equity.

The Company is subject to the Danish rules on compulsory joint taxation with the Danish companies controlled by Vattenfall AB.

The Company and its Danish group entities are jointly taxed. The Danish income tax charge is allocated between profit making and loss making Danish entities in proportion to their taxable income (full distribution).

Jointly taxed entities entitled to a tax refund are reimbursed by the management company based on the rates applicable to interest allowances, and jointly taxed entities which have paid too little tax pay a surcharge according to the rates applicable to interest surcharges to the management company.

Financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Balance sheet

Investments in group entities

On initial recognition, investments in subsidiaries are measured at cost and subsequently at the proportionate share of the entities' net asset values calculated in accordance with the Parent Company's accounting policies minus or plus any residual value of positive or negative goodwill calculated in accordance with the purchase method of accounting. Subsidiaries with a negative net asset value are measured at DKK 0 (nil), and any amounts owed by such entities are written down by the Parent Company's share of the net asset value if the amount owed is deemed irrecoverable. If the negative net asset value exceeds the amounts owed, the remaining amount is recognised under provisions if the Parent Company has a legal or a constructive obligation to cover the entity's deficit. Net revaluations of investments in subsidiaries are transferred to the net revaluation reserve according to the equity method where the carrying amount exceeds the acquisition cost.

Newly acquired or formed entities are recognised in the financial statements from the date of acquisition or formation. Entities sold or otherwise disposed of are recognised up to the date of disposal.

Corporate acquisitions are accounted for using the purchase method according to which the acquired entity's identifiable assets and liabilities are measured at fair value at the date of acquisition. In connection with the acquisition, a provision is made for expenses related to adopted plans to restructure the acquired entity. The tax effect of revaluations made is taken into account.

Receivables from group entities recognised as financial assets

Receivables from group entities 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 has been impaired, an impairment loss is recognised on an individual basis.

Impairment losses are calculated as the difference between the carrying amount of the receivables and the present value of the expected cash flows, including the realisable value of any collateral received. The effective interest rate for the individual receivable or portfolio is used as discount rate.

Receivables from group entities, recognised as financial assets, including the short-term part, relate to the foundation of the subsidiary Vattenfall Vindkraft Nørrekær Engø I P/S in 2014, which at the balance sheet date represents DKK 26,179 thousand.

The receivable is expected to be settled as the deferred tax per 1 January 2014 in Vattenfall Vindkraft Nørrekær Engø A/S is realised under the assumption of a normalised accounting and tax-related depreciation profile.

The receivable is measured according to the tax rules and at the tax rates applicable at the balance sheet date when the deferred tax is expected to be realised as current tax.

Impairments of investments in group entities

The carrying amount of investments in group entities is assessed for impairment on an annual basis.

Impairment tests are conducted on assets or a group of assets when there is evidence of impairment. The carrying amount of impaired assets is reduced to the higher of the net selling price and the value in use (recoverable amount).

Financial statements 1 January – 31 December

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1 Accounting policies (continued)

The recoverable amount is the higher of the net selling price of an asset and its value in use. The value in use is calculated as the present value of the expected net cash flows from the use of the assets or the group of assets and the expected net cash flows from the disposal of the asset or the group of assets after the end of the useful life.

Previously recognised impairment losses are reversed when the reason for recognition no longer exists.

Receivables

Receivables are measured at amortised cost, which is usually equivalent to the nominal value. Write-down is made of the value for anticipated bad debt losses.

Other receivables are measured at amortised cost, which is usually equivalent to the nominal value.

Equity

Reserve for net revaluation according to the equity method

The net revaluation reserve according to the equity method includes net revaluations of investments in subsidiaries and associates relative to cost. The reserve can be eliminated in case of losses, realisation of investments or a change in accounting estimates. The reserve cannot be recognised at a negative amount.

Dividend

Dividend proposed for the year is recognised as a liability once adopted at the annual general meeting (declaration date). Dividends expected to be distributed for the financial year are presented as a separate item under "Equity".

Income tax and deferred tax

Current tax payables and receivables are recognised in the balance sheet as the estimated income tax charge for the year, adjusted for prior-year taxes and tax paid on account.

Deferred tax is measured according to the liability method on all temporary differences between the carrying amount and the tax base of assets and liabilities. However, deferred tax is not recognised on temporary differences relating to goodwill which is not deductible for tax purposes and on office premises and other items where temporary differences, apart from business combinations, arise at the date of acquisition without affecting either profit/loss for the year or taxable income. Where alternative tax rules can be applied to determine the tax base, deferred tax is measured based on Management's intended use of the asset or settlement of the liability, respectively.

Deferred tax is measured according to the tax rules and at the tax rates applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax. Deferred tax assets are recognised at the expected value of their utilisation; either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity. Changes in deferred tax due to changes in the tax rate are recognised in the income statement.

Liabilities

Financial liabilities are recognised at the date of borrowing at the net proceeds received less transaction costs paid. On subsequent recognition, financial liabilities are measured at amortised cost, corresponding to the capitalised value, using the effective interest rate. Accordingly, the difference between the proceeds and the nominal value is recognised in the income statement over the term of the loan. Financial liabilities also include the capitalised residual lease liability in respect of finance leases.

Other liabilities are measured at net realisable value.

Financial statements 1 January – 31 December

Notes

DKK'000	2016	2015
2 Financial income		
Other financial income	34	0
	<u>34</u>	<u>0</u>
3 Financial expenses		
Financial expenses, group entities	301	0
Other financial expenses	9	437
	<u>310</u>	<u>437</u>
4 Tax for the year		
Estimated tax charge for the year	1,332	8,359
Deferred tax adjustments in the year	-937	-20,040
Adjustment of tax, prior year	179	747
	<u>574</u>	<u>-10,934</u>
5 Investment in group entities		
DKK'000		Investments in group entities
Cost at 1 January 2016		<u>323,804</u>
Cost at 31 December 2016		<u>323,804</u>
Value adjustments at 1 January 2016		-161,735
Dividend received		-29,573
Profit/loss for the year		-7,657
Reversal of prior year impairment losses		16,834
Value adjustments at 31 December 2016		<u>-182,131</u>
Carrying amount at 31 December 2016		<u>141,673</u>

Investments in group entities can be specified as follows:

Name	Domicile	Votes and ownership	Equity	Net income
Vattenfall Vindkraft Nørrekær Enge I P/S	Esbjerg	98.58%	143,641	-7,766

Information on group entities has been disclosed in DKK thousand.

Financial statements 1 January – 31 December

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Impairment test

Based on expected selling prices of produced energy in the subsidiary, Management has assessed that there are indications of a change in the expected future cash flows from the subsidiary company, which may change the need for impairment write-down of the investment in the subsidiary.

Consequently, Management has prepared an impairment test and thereby calculated the recoverable amount of the subsidiary at 31 December 2016.

The calculation of the recoverable amount is based on the pro rata equity value of the subsidiary, which is determined based on discounted expected future net cash flows, on the basis of budgets from the subsidiary's business plan for the years 2016-2021 as well as forecast for subsequent years. The net cash position at 31 December 2016 in the subsidiary Company has been added to arrive at the equity value. The calculation of the equity value is based on Management's assessment of the discount factor, inflation, the useful life of the windfarm in the subsidiary as well as the recognised tax effect of the expected future cash flow from the subsidiary, which is transparent for tax purposes.

The impairment test gave rise to a reversal of the impairment write-down in 2015 of the Company's investment in the subsidiary company of DKK 16,834 thousand. The main reasons for the reversal of the impairment write-down is expected steady cashflows in the remaining useful life of the windfarm in the subsidiary. Further, a decrease in the assessed risk related to the investment resulting in a lower WACC used for discounting the expected future cash flows.

6 Receivables

Out of the Company's total receivables, net bank deposits in the cash pool scheme in the Vattenfall Group total DKK 161,278 thousand.

7 Contractual obligations and contingencies, etc.

Contingent liabilities

The Company is jointly taxed with the other Danish group entities. The Company is jointly and severally liable with the other jointly taxed companies for the total income tax and must comply with any obligations to withhold tax at source on interest, royalties and dividends for the jointly taxed companies.

No other contingent liabilities had been placed at 31 December 2016.

Financial statements 1 January – 31 December

Notes

8 Related parties

Vattenfall Vindkraft Nørrekær Enge A/S' related parties comprise the following:

Parties exercising control

<u>Related party</u>	<u>Domicile</u>	<u>Basis for control</u>
Vattenfall Vindkraft A/S	Esbjerg, Denmark	Participating interest

Information about consolidated financial statements

<u>Parent</u>	<u>Domicile</u>	<u>Requisitioning of the Parent Company's consolidated financial statements</u>
Vattenfall AB	Stockholm, Sweden	Vattenfall AB, SE-169 92 Stockholm, Sverige https://corporate.vattenfall.com/ investors/financial-reports/

9 Subsequent events

No events materially affecting the Company's financial position have occurred subsequent to the financial year-end.