Vindstød A/S

Inge Lehmanns Gade 10 8000 Aarhus C

CVR no. 34 04 51 43

Annual report 2016

Approved at the Company's annual general meeting on 8 June 2017

Chairman:

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Stig Jonas Stenbeck

Contents

Management's review

Today, the Board of Directors and the Executive Board have discussed and approved the annual report of Vindstød 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 its operations for the financial year 1 January – 31 December 2016.

Further, in our opinion, the Management's review gives a fair review of the development in the Company's operations and financial matters and the results of its operations and financial position.

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

Aarhus, 8 June 2017
Executive Board:

Morten Nissen Nielsen

Board of Directors:

Stig Jonas Stenbeck chairman	Ole Bigum Nielsen	Klaus Jurgen Lindberg
Rainer Günther Wittenberg	Morten Nissen Nielsen	

Independent auditor's report

To the Shareholders of Vindstød A/S

Opinion

We have audited the financial statements of Vindstød A/S for the financial year 1 January – 31 December 2016, which comprise 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 financial position of company at 31 December 2016, and of the results of the company operations as well as the cash flows 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 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 a 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 the 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.

- 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 in-adequate, 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 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.

Aarhus 8 June 2017
ERNST & YOUNG
Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Karsten Bøgel State Authorised Public Accountant	Thomas Riis State Authorised Public Accountant

Management's review

The Company’s main activities

The company's purpose is to conduct business with the sale of physical wind turbine power.

Development in activities and financial affairs

Vindstød A/S is the biggest energy company in Denmark that is 100% based on Danish wind energy. More than 2,500 Danish windmills contribute with energy production to the clients of Vindstød.

Supplementing the climate friendly energy production, the company is also based on a modern IT-platform from EnergyCodes.dk that handles all energy- end client related processes. The objective with the platform is to ensure a customer oriented and price efficient operation. Again, in 2016, Vindstød set the standard among Danish energy companies in regards to having a cost-efficient operation.

In 2016, Vindstød has taken advantage of the increased liberalization of the energy market. I 2016 the ”Engrosmodellen” (consumer centric model) was established. Vindstød was the first energy company to become end-to-end certified by Energinet.dk (the energy authorities). For Vindstød, the transformation to the Engrosmodellen has been smooth and without complications.
Because of the new market regime, Vindstød is now collecting taxes and tariffs on behalf of the state and the grid companies.

These were previously collected by the grid companies, resulting in two different invoices for the end customer. We expect the new market regime will drive down costs for the end customers over time. The new market regime has substantially increased the balance sheet of Vindstød.

When Vindstød asks its customers, why they choose Vindstød; two reasons dominate:

- to achieve a lower electricity bill
- to make a climate friendly choice

Vindstød started and ended 2016 on the top if the national price benchmark.

This is Vindstøds fifth yearly report. The result is satisfying and is to a high extend a result of the synergies that has been achieved by Vindstød becoming a part of the Vattenfall group. This change has increased the business and profitability substantially in the last part of 2016.

The have been no major changes in the operation during 2017 that changes the content of this report.

Events after reporting date

No events have occurred after the reporting date that may materially affect the financial position of the company.

Financial statements 1 January – 31 December

Income statement

Note		2016	2015
	Gross margin	15,513,782	8,614,675
2	Staff costs	-2,020,314	-1,633,873
	Amortisation, depreciation and impairment losses	-74,400	-31,709
	Operating profit/loss	13,419,068	6,949,093
	Financial income	2,906	70,436
	Financial expenses	-1,332	-1,455
	Profit/loss before tax	13,420,642	7,018,074
3	Tax for the year	-2,956,026	-1,751,761
	Profit/loss for the year	10,464,616	5,266,313
	Recommended appropriation of profit/loss		
	Transferred to reserves under equity	10,464,616	5,266,313
		10,464,616	5,266,313

Financial statements 1 January – 31 December

Balance sheet

Note		2016	2015
	ASSETS		
	Non-current assets		
4	Property, plant and equipment		
	Fixtures and fittings, plant and equipment	246,777	281,993
		246,777	281,993
5	Financial assets		
	Investments in group entities	432,500	432,500
	Other securities and investments	24,206	24,206
	Other receivables	31,719	31,218
		488,425	487,924
	Total non-current assets	735,202	769,917
	Current assets		
	Receivables		
	Trade receivables	4,374,361	396,532
	Deferred tax asset	94,233	0
	Other receivables	281,964	248,198
		4,750,558	644,730
	Cash	119,207,766	29,738,825
	Total current assets	123,958,324	30,383,555
	TOTAL ASSETS	124,693,526	31,153,472

Financial statements 1 January – 31 December

Balance sheet

Note		2016	2015
	EQUITY AND LIABILITIES		
	Equity		
6	Share capital	1,333,333	1,333,333
	Share premium account	354,167	354,167
	Retained earnings	16,036,104	6,065,005
	Total equity	17,723,604	7,752,505
	Provisions		
	Deferred tax	0	19,294
	Total provisions	0	19,294
	Current liabilities		
	Prepayments received from customers	74,129,066	15,191,005
	Income taxes	2,930,356	199,894
	Other payables	29,910,500	7,990,774
	Total current liabilities	106,969,922	23,381,673
	Total liabilities	106,969,922	23,381,673
	TOTAL EQUITY AND LIABILITIES	124,693,526	31,153,472

1 Accounting policies
7 Related parties
8 Contingent liabilities

Financial statements 1 January – 31 December

Statement of changes in equity

Note		Share capital	Share premium account	Retained earnings	Dividend proposed for the year	Total
	Equity at 1 January 2015	1,300,000	0	1,265,933	4,730,963	7,296,896
	Capital increase	33,333	354,167	0	0	387,500
	Dividend distribution	0	0	0	-4,730,963	-4,730,963
	Transfer, see "Appropriation of profit/loss"	0	0	5,266,313	0	5,266,313
	Adjustment due to change in accounting policies	0	0	-467,241	0	-467,241
	Equity at 1 January 2016	1,333,333	354,167	6,065,005	0	7,752,505
	Adjustment due to change in accounting policies	0	0	-493,517	0	-493,517
	Transfer, see "Appropriation of profit/loss"	0	0	10,464,616	0	10,464,616
	Equity at 31 December 2016	1,333,333	354,167	16,036,104	0	17,723,604

Financial statements 1 January – 31 December

Notes

1 Accounting policies

The annual report of Vindstød A/S for 2016 has been prepared in accordance with the provisions in the Danish Financial Statements Act on class B entities and elective choice of certain provisions applying to reporting class C entities.

The accounting policies are from, 2016 subject to change regarding recognition of subscription fees from customers. These fees are now recognized over the period the fees is paid for. This change in accounting policies is made with adjustment of comparative numbers and correction of the equity the 1st January 2015. The correction has resulted in a reduction of the equity pr. 1st January 2015 by DKK 467,241. Furthermore, the change in the accounting policies result in a reduction of the gross margin by DKK 233,313 and prepayments received from costumers increases by DKK 690,554. There is referred to the Management Review for further information.

Except from the above the annual report is prepared using the same accounting policies as last year.

Foreign currency translation

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rates at the transaction date. Foreign exchange differences arising between the exchange rate at the transaction date and the rate at 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 closing rates. 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.

Income statement

Derivative financial instruments

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

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

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

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

Gross margin

Gross margin comprise revenue, cost of sales and other external expenses.

Revenue

Revenue comprising sale of electricity and is recognized in revenue when transfer and risks to the buyer has taken place. Revenue is measured at fair value of the agreed consideration exclusive of VAT and taxes charged on behalf of third parties. All discounts and rebates granted are recognised in revenue.

Cost of sales

Cost of sales comprises the cost of sales in the interim period measured at historical cost.

Other external expenses

Other external expenses comprise expenses relating to distribution, sale, advertising, administration, premises, bad debts, operating leases, etc.

Staff costs

Staff costs comprise wages and salaries, including holiday allowance and pensions, and other social security costs, etc., for the Company's employees. Refunds received from public authorities are deducted from staff costs.

Amortisation, depreciation and impairment losses

Amortisation/depreciation and impairment of property, plant and equipment consists of the fiscal year’s depreciations and impairments respectively calculated from the residual values and usage time for each assets and completed impairment tests and gains and losses on the sale of property, plant and equipment.

Financial income and expenses

Financial income and expenses comprise interest income and expense, charges in respect of finance leases, realised and unrealised gains and losses on securities, payables and transactions denominated in foreign currencies, amortisation of financial assets and liabilities as well as surcharges and refunds under the on-account tax scheme, etc.

Dividend from investments in group entities is recognised in the income statement in the financial year when the dividend is declared.

Tax for the year

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

The Danish income tax charge is allocated between profit making and loss making Danish entities in proportion to their taxable income (full obsorption).

Tax for the year comprises current tax for the year and changes in deferred tax. The tax expense relating to the profit/loss for the year is recognised in the income statement, and the tax expense relating to amounts directly recognised in equity is recognised directly in equity.

Balance sheet

Property, plant and equipment

On initial recognition, property, plant and equipment are measured at cost.

Fixtures and fittings, tools and equipment are subsequently measured at cost less accumulated depreciation. Land is not depreciated.

The basis of depreciation is cost less expected residual value at the end of the useful life.

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date when the asset is available for use.

Where individual components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items, which are depreciated separately.

The basis of depreciation, which is calculated as cost less any residual value, is depreciated on a straight-line basis over the expected useful life. The expected useful lives of the assets are as follows:

Fixtures and fittings, plant and equipment	5 years

The basis of depreciation is based on the residual value of the asset and is reduced by impairment losses, if any. The depreciation period and the residual value are determined at the time of acquisition and are reassessed every year. Where the residual value exceeds the carrying amount of the asset, no further depreciation charges are recognised.

In case of changes in the amortisation period or the residual value, the effect on the depreciation charges is recognised prospectively as a change in accounting estimates.

Gains and losses on the disposal of items of property, plant and equipment are calculated as the difference between the selling price less costs to sell and the carrying amount at the date of disposal. The gains or losses are recognised in the income statement as other operating income or other operating expenses, respectively.

Investments in group entities

Investments in group entities is measured at cost. The investments are impaired to recoverable amount if this is lower than the accounting value.

Other securities and investments

Other securities and investments, recognised under "Non-current assets", comprise unlisted securities measured at fair value.

Impairment of non-current assets

The carrying amount of intangible assets and property, plant and equipment is tested annually for evidence of impairment other than the decrease in value reflected by amortisation/depreciation.

Impairment tests are conducted on individual assets or groups of assets when there is evidence of impairment. Assets are written down to the lower of the carrying amount and the recoverable amount.

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 net present value of the expected net cash flows from the use of the asset 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.

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.

Receivables in respect of which there is no objective evidence of individual impairment are assessed for objective evidence of impairment on a portfolio basis. The portfolios are primarily based on the country of domicile and credit ratings of the debtors in accordance with the Group's credit risk management policy. The objective evidence applied to portfolios is determined based on historical loss experience.

Impairment losses are calculated as the difference between the carrying amount of the receivables and the net 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.

Cash

Cash comprise cash holdings and bank deposits.

Equity

Dividend

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

Income tax and deferred tax

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

Deferred tax is measured using the balance sheet liability method on all temporary differences between the carrying amount and the tax base of assets and liabilities. 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 assets, including the tax value of tax loss carry-forwards, 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 and jurisdiction.

Adjustment is made to deferred tax resulting from elimination of unrealised intra-group profits and losses.

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.

Prepayments received from customers.

Prepayments from customers comprise amounts received in advance.

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

		2016	2015
2	Staff costs		
	Wages and salaries	1,953,230	1,577,295
	Other social security costs	29,505	24,448
	Other staff costs	37,579	32,130
		2,020,314	1,633,873
	Average number of full-time employees	4	3

		2016	2015
3	Tax for the year		
	Current tax for the year	2,930,356	1,699,894
	Adjustment of the deferred tax charge for the year	25,670	7,546
	Prior-year adjustments	0	44,321
		2,956,026	1,751,761

Financial statements 1 January – 31 December

Notes

4 Property, plant and equipment

	Other fixtures and fittings, plant and equipment
Cost at 1 January 2016	345,411
Additions	39,184
Transferred	0
Disposals	0
Cost at 31 December 2016	384,595
Depreciation and impairment losses at 1 January 2016	-63,418
Impairment losses	0
Amortisation	-74,400
Disposals	0
Depreciation and impairment losses at 31 December 2016	-137,818
Carrying amount at 31 December 2016	246,777

5 Financial assets

	Investments in group entities	Other securities and investments	Other receivables
Cost at 1 January 2016	432,500	20,416	31,218
Additions	0	0	501
Disposals	0	0	0
Cost at 31 December 2016	432,500	20,416	31,719
Value adjustments at 1 January 2016	0	3,790	0
Value adjustments in the year	0	0	0
Value adjustments at 31 December 2016	0	3,790	0
Carrying amount at 31 December 2016	432,500	24,206	31,719

Financial statements 1 January – 31 December

Notes

6 Share capital

The share capital comprises 1,333,333 shares of DKK 1.00 nominal value each. All shares rank equally.

	2016 DKK	2015 DKK	2014 DKK	2013 DKK	2012 DKK
Movements in share capital					
Share capital primo	1,333,333	1,300,000	1,300,000	1,300,000	1,170,000
Capital increase	0	33,333	0	0	130,000
Share capital ultimo	1,333,333	1,333,333	1,300,000	1,300,000	1,300,000

7 Related parties

Vindstød A/S' related parties comprise the following:

Parties exercising control

Related party	Domicile	Basis for control
Vattenfall AB	Stockholm, Sweden	Ultimate Parent

Subsidiaries

	Headquarter	Legal form	Ownership	Equity	Profit/Loss
Subsidiary: Energycodes.dk ApS	Aarhus	ApS	100.00	721,847	472,343

8 Contractual obligations and contingencies, etc.

Contingent liabilities

The Company has signed a lease agreement.

The lease can be cancelled with 6-month notice and the total liability is DKK 62 thousand.

The Company is 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.

The Company has been jointly taxed with EnergyCodes.DK ApS during the period 1 January – 30 November 2016. From 1 December 2016 the Company is jointly taxed with Vattenfall.