

# FINANCIAL REPORT Q3 2016

## INVESTOR PRESENTATION

8 NOVEMBER 2016

*Demolishing of the coal cranes at the Asnæs Combined Heat and Power plant*

**DONG**  
energy





**DISCLAIMER.** Certain statements in this presentation are based on the beliefs of our management as well as assumptions made by and information currently available to the management. Forward-looking statements (other than statements of historical fact) regarding our future results of operations, financial condition, cash flows, business strategy, plans and future objectives can generally be identified by terminology such as “targets”, “believes”, “expects”, “aims”, “intends”, “plans”, “seeks”, “will”, “may”, “anticipates”, “continues” or similar expressions.

These statements are not guarantees of future performance and involve certain risks and uncertainties. Therefore, actual future results and trends may differ materially from what is forecast in this financial report due to a variety of factors, including, but not limited to, changes in temperature and precipitation levels; the development in oil, gas, electricity, coal, CO<sub>2</sub>, currency and interest rate markets; changes in legislation, regulation or standards; renegotiation of contracts; changes in the competitive environment in DONG Energy’s markets; and security of supply.

We urge you to read our annual report available on our website at [www.dongenergy.com](http://www.dongenergy.com) for a discussion of some of the factors that could affect our future performance and the industry in which we operate.

Should one or more of these risks or uncertainties materialise or should any underlying assumptions prove to be incorrect, our actual financial condition or results of operations could materially differ from that described herein as anticipated, believed, estimated or expected.

# Improvements in all key metrics

## Strategic highlights Q3 16

- Process with the aim of ultimately exiting from our oil and gas business initiated

## Financial highlights Q3 16

- Reported EBITDA up 7% y/y to DKK 4.8bn
  - Strong growth in WP from construction contracts
  - Impact from successful settlement of a gas purchase contract
- Underlying EBITDA up 5% y/y
- Net profit improved by DKK 2.9bn
- Adjusted ROCE increased to 15% (from 8%)
- Free Cash Flow generation improved DKK 3.5bn due to divestments and increased operating cash flow
- Strong credit metrics with FFO/Adjusted net debt of 58% and NIBD of just DKK 5.9bn

## Guidance reiterated

We reiterate our 2016 guidance of EBITDA of DKK 20-23bn and gross investments of DKK 18-21bn

PERFORMANCE HIGHLIGHTS		Q3 16	Q3 15	Δ	9M 16	9M 15	Δ
EBITDA	DKKmn	4,756	4,431	7%	17,166	14,836	16%
• Wind Power		1,643	1,384	19%	6,813	4,458	53%
• Bioenergy & Thermal Power		-129	-194	-34%	-15	402	n.a.
• Distribution & Customer Solutions		1,508	46	n.a.	5,866	1,811	224%
• Oil & Gas		1,658	2,879	-42%	4,366	8,053	-46%
Net profit		3,331	458	627%	9,699	3,235	200%
Operating cash flow		1,398	250	459%	12,137	6,796	79%
Gross investments		-5,614	-5,747	-2%	-12,986	-14,575	-11%
Divestments		2,298	121	n.a.	4,267	608	602%
Free cash flow		-1,918	-5,376	-64%	3,418	-7,171	n.a.
Net interest-bearing debt		5,942	13,424	-56%	5,942	13,424	-56%
FFO/Adjusted net debt	%	58.0	35.0	23%-p	58.0	35.0	23%-p
Adj. ROCE (last 12 months and excl. write-downs)	%	15.3	7.8	7.5%-p	15.3	7.8	7.5%-p

# Wind Power

## Operational highlights Q3 16

- Development consent for the Hornsea 2 project granted by the UK government
- Successful installation of export cable in the sensitive coastal marsh area of Race Bank
- Installation of the world's first offshore 8MW turbine at Burbo Bank Extension
- Cable failure at Gode Wind in Germany partly offset by compensation from transmission system owner
- Farm down of Race Bank and Walney Extension in progress. We expect to either complete one of these in Q4 2016 and one in 2017 or both of them during 2017
- Power generation on par, with generation from new offshore wind farms offset by lower WEC

## Financial highlights Q3 16

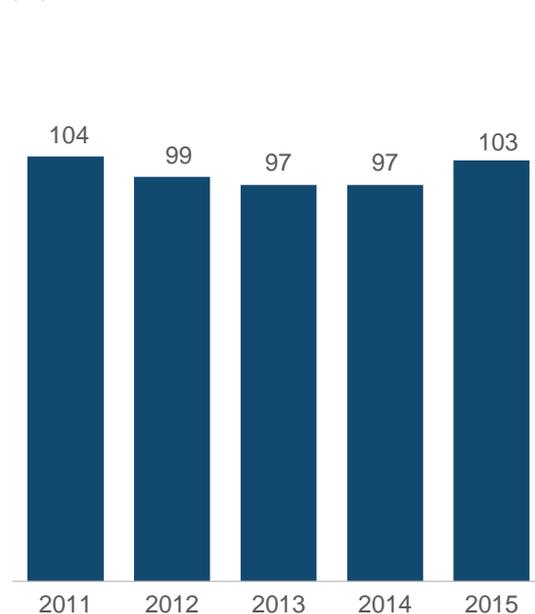
- EBITDA increased by DKK 0.3bn to DKK 1.6bn
- Increase driven by higher activity relating to construction contracts for partners
- EBITDA from sites down due to compensation received from suppliers in Q3 2015

FINANCIAL HIGHLIGHTS		Q3 16	Q3 15	Δ	9M 16	9M 15	Δ
EBITDA	DKKm	1,643	1,384	19%	6,813	4,458	53%
• Sites incl. O&Ms and PPAs		1,094	1,366	-20%	3,970	4,099	-3%
• Construction contracts and farm down gains		872	262	233%	3,703	840	341%
• Other incl. A2SEA and project development		-324	-243	33%	-860	-481	79%
Adjusted ROCE (LTM)	%	10.4	5.1	5.3%-p	10.4	5.1	5.3%-p
KEY BUSINESS DRIVERS							
Power generation	TWh	1.3	1.3	4%	4.2	4.2	-1%
Wind energy content	%	78	79	-1%-p	88	96	-8%-p
Load factor	%	35	36	-1%-p	38	44	-6%-p
Availability	%	92	93	-1%-p	92	94	-2%-p
Installed capacity	GW	3.0	2.7	12%	3.0	2.7	12%
Production capacity	GW	1.8	1.7	10%	1.8	1.7	10%

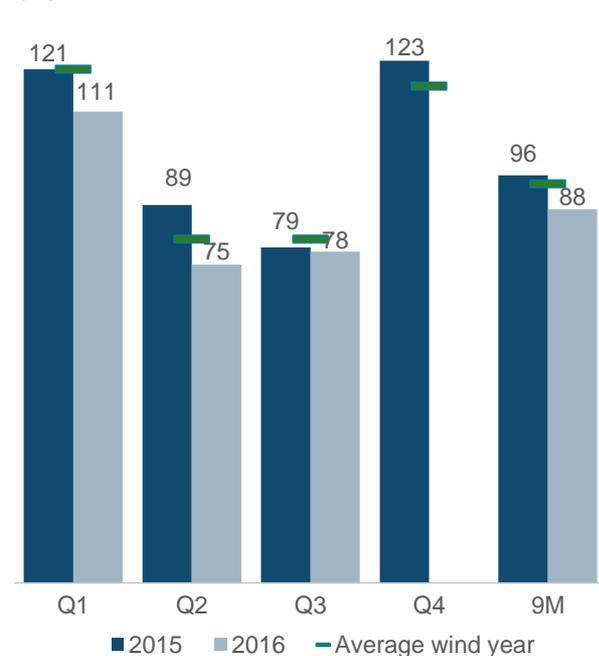
# Lower wind energy content year-to-date

- Full year wind energy content (WEC) has historically fluctuated with +/- 4%-points on an average wind year for DONG Energy's portfolio
- Q3 WEC at 78%, 1%-point lower than Q3 2015
- YTD WEC at 88%, 8%-points lower than 2015
- We expect full year 2016 WEC to be within the historically observed 96-104 range albeit towards the lower end of the range

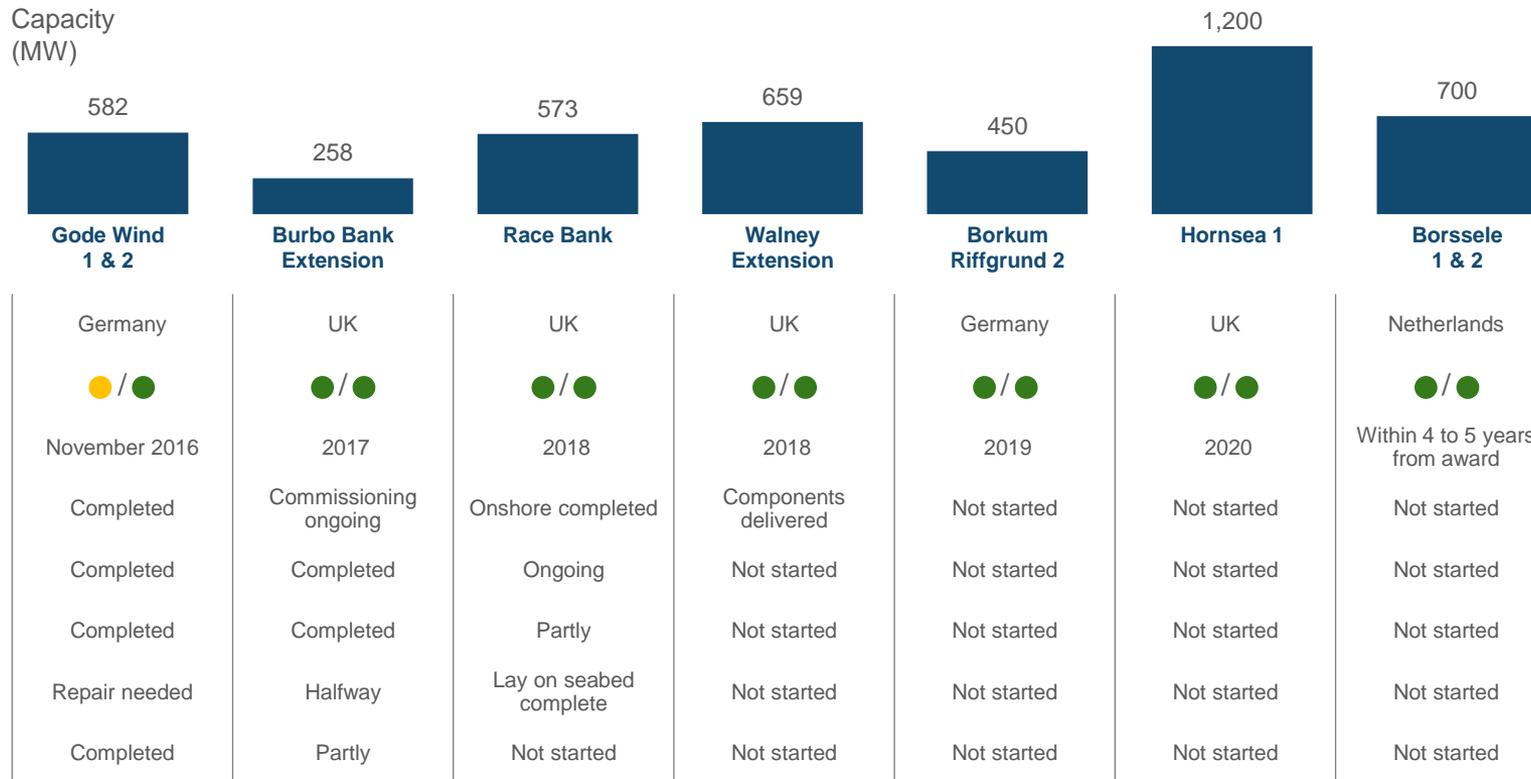
## Yearly WEC (%)



## Quarterly WEC (%)



# 4.4 GW Wind Power construction program well on track



# Auctions & tenders in DONG Energy's core markets over the next 18 months

Auctions & tenders	Expected bid deadline	MW
Borssele 3 & 4, NL	Q3 2016	740
Kriegers Flak, DK	Q4 2016	600
UK	Q1 2017	TBA
Germany	Q1 2017	1,550
Massachusetts, USA	Q3 2017	≥ 400
South Holland Coast, NL	Q3 2017	750
Germany	Q1 2018	1,550
UK	2018	TBA



# Bioenergy & Thermal Power

## Operational highlights Q3 16

- Inauguration of the biomass-converted Studstrup CHP plant
- Biomass-conversion of Avedøre 1 and Skærbæk CHP plants progressing according to plan
- Construction of the REnescience waste treatment plant in the UK on track
- Ruling of the Copenhagen Maritime and Commercial High Court in the Elsam case appealed
- Power generation up 182% due to better spreads, while heat generation down 27% due to warmer weather

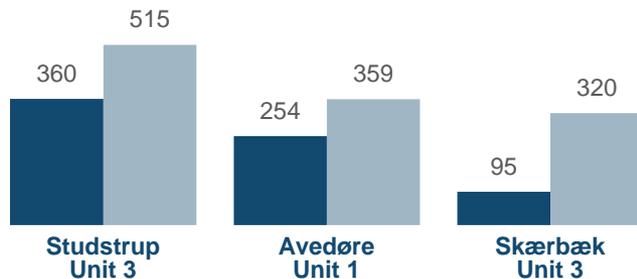
## Financial highlights Q3 16

- EBITDA up DKK 0.1bn
- Underlying power business improved due to higher power generation and spreads
- Gross investments up DKK 0.2bn in Q3 16 y/y. Main investments related to bio-conversions and the REnescience waste treatment plant

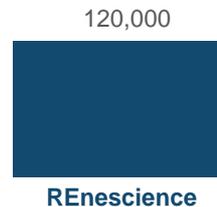
FINANCIAL HIGHLIGHTS		Q3 16	Q3 15	Δ	9M 16	9M 15	Δ
EBITDA	DKKm	-129	-194	-34%	-15	402	n.a.
• Heat		35	37	-5%	235	248	-5%
• Ancillary services		73	118	-38%	211	320	-34%
• Power		-236	-348	-32%	-461	-166	178%
Free cash flow		-604	-385	57%	-934	702	n.a.
KEY BUSINESS DRIVERS							
Heat generation	TWh	0.4	0.6	-27%	6.1	6.5	-6%
Power generation	TWh	1.3	0.5	182%	5.4	4.6	18%
Degree days	#	54	109	-50%	1,753	1,840	-5%
Power price, DK	EUR/MWh	28.9	20.0	45%	25.8	23.7	9%
Green dark spread, DK	EUR/MWh	5.4	-5.6	n.a.	4.3	-2.2	n.a.

# Biomass-conversion and REnescience projects well on track

Capacity  
(MWe/MWth)<sup>1</sup>



Waste treatment capacity  
(tons/year)



<b>Country</b>	Denmark	Denmark	Denmark	UK
<b>On time / On budget</b>	● / ●	● / ●	● / ●	● / ●
<b>Expected completion</b>	2016	2016	2017	2017
<b>Project status</b>	Inaugurated in October	Ready for final testing	Testing started	Bio gas turbine ready for testing

Note (1): MWe refers to converted power capacity, MWth refers to converted heat capacity

# Distribution & Customer Solutions

## Operational highlights Q3 16

- Successful renegotiation of one long-term gas purchase contract
- Divestment of gas distribution grid with a gain of DKK 1.3bn (no tax) – Contribution to 9M 2016 EBITDA was DKK 393m

## Financial highlights Q3 16

- EBITDA up DKK 1.5bn
- Markets' EBITDA significantly impacted by the lump sum payment and run-rate margin improvement from renegotiation of the long-term gas purchase contracts
- Markets Q3 2015 negatively affected by the settlement of ineffective financial hedging instruments
- Total EBITDA from lump sum payments related to renegotiations of long-term gas purchase contracts amount to DKK 3.8bn for 9M 2016

FINANCIAL HIGHLIGHTS		Q3 16	Q3 15	Δ	9M 16	9M 15	Δ
EBITDA	DKKm	1,508	46	n.a.	5,866	1,811	224%
• Distribution		310	345	-10%	1,380	1,400	-1%
• Sales		5	21	-76%	56	124	-55%
• Markets		1,246	-205	n.a.	4,635	630	636%
• LNG		-54	-115	-53%	-205	-343	-40%
Adjusted ROCE (LTM)	%	59.6	8.4	51.2%-p	59.6	8.4	51.2%-p
KEY BUSINESS DRIVERS							
RAB Power	DKKm	10,648	10,778	-1%	10,648	10,778	-1%
RAB Gas	DKKm	-	3,231	n.a.	-	3,231	n.a.
Gas sales	TWh	37.1	42.2	-12%	114.3	122.9	-7%
Power sales	TWh	8.3	9.3	-11%	27.6	25.6	8%
Distribution of gas	TWh	1.1	1.1	0%	5.8	5.9	-1%
Distribution of power	TWh	1.9	1.9	0%	6.2	6.1	1%

# Oil & Gas

## Operational highlights Q3 16

- Restructuring of the business well in progress
- Edradour-Glenlivet progressing to go on stream in Q4 2017
- Divestment of five Norwegian assets awaits approval from the Norwegian authorities
- 25% decline in oil and gas production as the last Ormen Lange catch-up gas volumes were received Q1 2016
- Laggan-Tormore reached 1.8m BOE in Q3 making it our second largest field after Ormen Lange

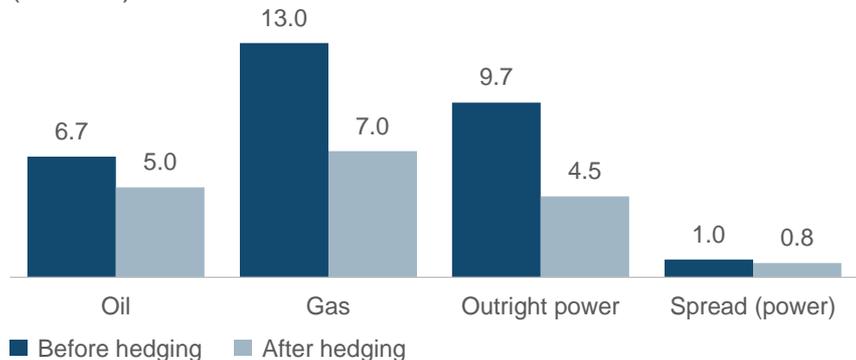
## Financial highlights Q3 16

- EBITDA down DKK 1.2bn
- Lower production, mainly gas
- Lower oil and gas prices, only partly offset by hedging as it is conducted after tax
- Free cash flow improved by DKK 1.3bn
- Total cash spend decreased by 35% y/y
- We now expect Oil & Gas to be cash flow positive in 2016 – a year earlier than our previous guidance

FINANCIAL HIGHLIGHTS		Q3 16	Q3 15	Δ	9M 16	9M 15	Δ
EBITDA	DKKm	1,658	2,879	-42%	4,366	8,053	-46%
• Denmark		82	284	-71%	-407	1,478	n.a.
• Norway		719	2,214	-68%	2,383	5,553	-57%
• United Kingdom		277	-40	n.a.	429	266	61%
• Exploration and appraisal		-80	-92	-13%	-220	-254	-13%
• Hedges		660	513	29%	2,181	1,010	116%
Free cash flow	DKKm	658	-613	n.a.	86	-613	n.a.
KEY BUSINESS DRIVERS							
Oil production	BOEm	2.4	2.5	-4%	7.2	7.7	-6%
Gas production	BOEm	6.6	9.4	-30%	20.4	21.6	-6%
Oil price, Brent	USD/boe	45.8	50.3	-9%	41.8	55.4	-25%
Gas price, NBP	EUR/Mwh	12.4	19.7	-37%	13.2	20.9	-37%
Lifting costs	USD/boe	6.3	5.4	17%	6.4	7.0	-8%

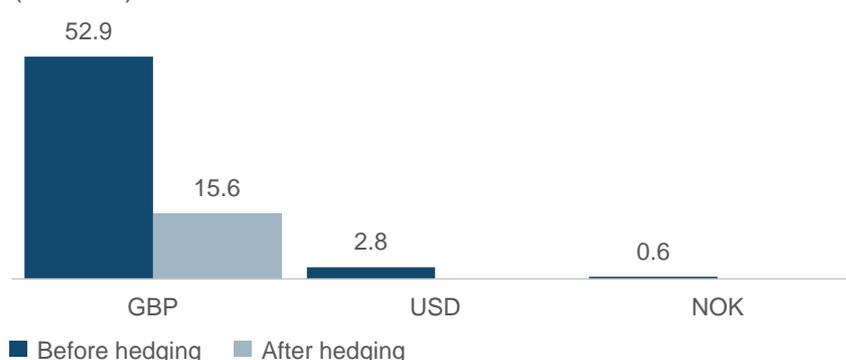
# Hedging of energy prices and FX

Accumulated energy exposures Q4 16 – Q3 2021<sup>1</sup>  
(DKKbn)



- Oil, gas and outright power exposure almost fully hedged for 2016-2017 and for 2018 around 60% for oil and gas together and around 85% for outright power
- O&G's oil hedged at around \$80/boe 2016-17 and around \$60/boe for 2018
- O&G's gas hedged at around €20/MWh 2016-17 and around €16/MWh for 2018
- Very limited power spread exposure from BTP

Accumulated currency exposures Q4 16 – Q3 2021<sup>2</sup>  
(DKKbn)



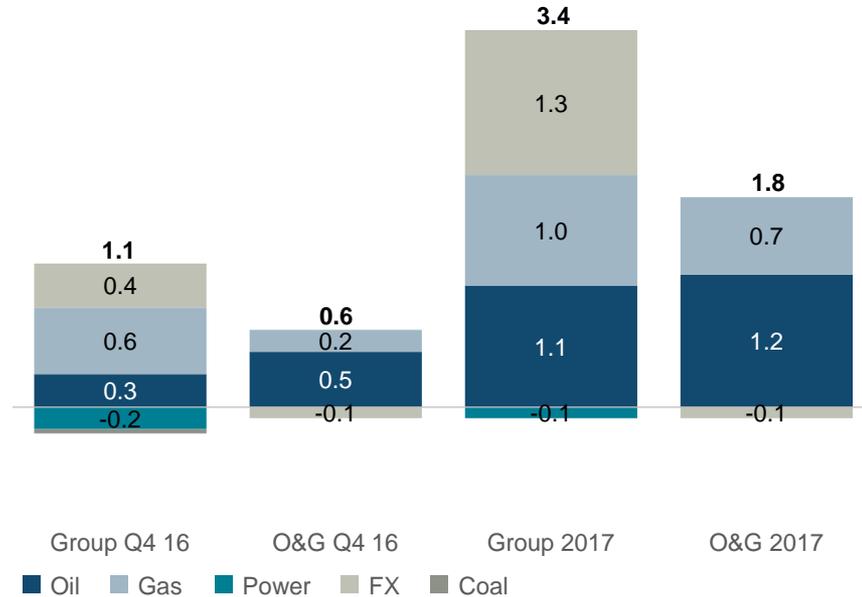
- GBP exposure is almost fully hedged for 2016-2017, and significantly hedged for 2018
- GBP hedged at 9.5 DKK/GBP for 2016-2017, and 9.3 DKK/GBP for 2018
- USD and NOK exposure is fully hedged

Note (1): Exposure is calculated as the expected production multiplied by the forward prices per 30 September 2016

Note (2): Exposures consist of cash flows from production with known sales- and purchase prices, investments, divestments, and the value of hedged energy contracts, all multiplied by the forward prices per 30 September 2016

# Substantial contribution to EBITDA from hedges

Expected transfer value of hedges to EBITDA  
(DKKbn)



# Financial outlook

## We expect O&G to be cash flow positive in 2016 – Remaining outlook reaffirmed

### EBITDA OUTLOOK 2016

Group	DKK 20-23bn
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As previously communicated the EBITDA outlook is subject to completion of two farm downs in Wind Power. We completed the farm down of Burbo Bank Extension in Q1, and we are currently in the process of farming down our UK Race Bank and Walney Extension projects. We expect to either complete one of these in Q4 2016 and one in 2017 or both of them during 2017. Based on the achieved EBITDA up until September, including lump sums of DKK 3.8 billion from gas contract renegotiations, we expect to be within the EBITDA range of DKK 20-23 billion even in a scenario where no additional farm down is completed in 2016.

### BUSINESS UNIT EBITDA DIRECTION FY 2016 VS. FY 2015

Wind Power	Significantly higher	(DKK 10-12bn)
Bioenergy & Thermal Power	Lower	
Distribution & Customer Solutions	Significantly higher	
Oil & Gas	Significantly lower	

### GROSS INVESTMENT OUTLOOK 2016

Group	DKK 18-21bn
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### RETURN ON CAPITAL EMPLOYED (ROCE)

Group	12-14%	Avg. 2017-2020
Wind Power	13-15%	Avg. 2017-2020
Distribution & Customer Solutions	9-11%	Avg. 2017-2020

### FREE CASH FLOW

Oil & Gas	Positive	2016 (prev. 2017)
Bioenergy & Thermal Power	Positive	2018

### FINANCIAL POLICIES

Rating (Moody's/S&P/Fitch)	Min. Baa1/BBB+/BBB+
FFO/Adjusted net debt	Around 30%

### Dividend policy:

- We expect to pay a dividend of DKK 2.5 billion for FY 2016 in 2017
- For subsequent years towards 2020, our target, supported by expected cash flow growth from new offshore wind farms coming into operation, is to increase the dividend annually by a high single digit rate compared to the dividend for the previous year
- Dividend policy is subject to our commitment to maintain a Baa1/BBB+ rating profile

# Q&A

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# APPENDIX



# Differences in Business Performance EBITDA and IFRS EBITDA



DKKm	9M 16	9M 15
<b>EBITDA – BUSINESS PERFORMANCE (BP)</b>	17,166	14,836
BP adjustment in respect of revenue for the year	-3,884	744
BP adjustment in respect of COGS for the year	1,095	-18
<b>EBITDA – IFRS</b>	14,377	15,562
<b>TOTAL BP ADJUSTMENTS FOR THE YEAR COMPRISE:</b>		
MtM of financial and physical hedging contracts relating to other periods	-28	2,557
Reversal of deferred gain (loss) relating to hedging contracts from previous periods, where the hedged production or trade is recognised in BP EBITDA for this period	-2,761	-1,831
<b>TOTAL ADJUSTMENTS</b>	<b>-2,789</b>	<b>726</b>

9M 16 SPECIFICATION, DKKm	MTM ADJ. FOR THE PERIOD	REVERSAL OF DEFERRED GAIN (LOSS)
Oil hedge	-239	-356
Gas hedge (commercial and hedge)	-568	-2,262
Power hedge (commercial and hedge)	-1,585	-368
Coal hedge	70	121
Currency hedge	2,294	104
<b>TOTAL</b>	<b>-28</b>	<b>-2,761</b>

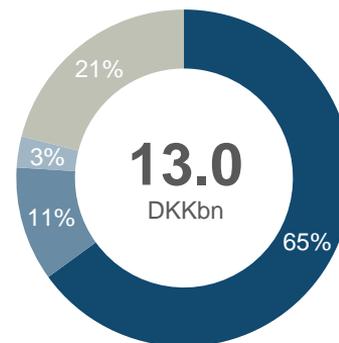
# Investment

## Investments in 9M 2016 (DKKm)

<b>CASH FLOW FROM INVESTING ACTIVITIES</b>	<b>-6,396</b>
Dividends received and capital reduction, reversal	-12
Purchase and sale of securities, reversed	-2,042
Sale of assets and companies reversed	-4,355
Loans to associates and JVs, reversed	-181
<b>GROSS INVESTMENTS</b>	<b>-12,986</b>
Sale of non-current assets	4,355
Other	-88
<b>NET INVESTMENTS<sup>1</sup></b>	<b>-8,719</b>

Note (1): Net investments are defined as the effect on DONG Energy's net debt from investments and acquisitions and disposals of enterprises

## Gross investments per Business Unit in 9M 2016



- Wind Power
- Bioenergy & Thermal Power
- Distribution & Customer Solutions
- Oil & Gas

# Financing strategy



## **DONG Energy has a centralised financing strategy as customary for vertically and horizontally integrated European energy utilities**

The centralised financing strategy was adapted in 2003 to benefit from DONG's heritage as state owned energy monopoly offering:

- A capital structure supportive of its BBB+ rating ambition
- Concentration of and scale in financing activities
- Cost efficient financing based on a strong parent rating
- Optimal terms and conditions and uniform documentation
- Avoidance of structural subordination
- Transparent debt structure and simplicity

All cash flow generated by DONG Energy's subsidiaries supports the creditworthiness and rating of and thus the debt taken up by the Group parent

The financing strategy optimizes the effect of a fully integrated group cash pool where cash at practically all of the Group's more than 150 subsidiaries are made available for the group's financing and liquidity purposes

Financing of activities at subsidiary level is provided by the Group parent in a standardised and cost efficient set-up involving very few resources at Business Unit and Group level

Widespread use of project financing is not considered cost-efficient and dilutes the creditworthiness of the Group parent

# Currency hedging principles

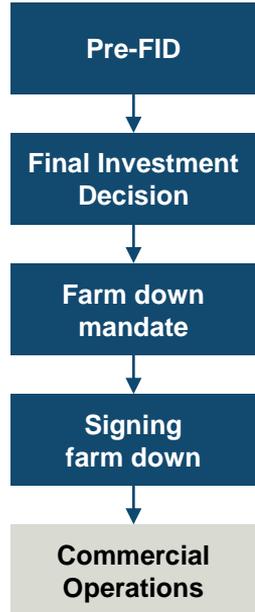


- The purpose of DONG Energy's currency risk management is to reduce the Group's currency risks over a 5-year horizon
- The main principle is to hedge FX exposure once it is deemed relatively certain that the underlying cash flows in foreign currency will materialise
- Thus, FX risk is hedged concurrently with the hedging of energy price risk
- FX risk related to divestments and investments are hedged once the amount is relatively certain
- Hedging of ROC and CfD income deviates from main principle and follows a staircase model (see next page). GBP therefore constitutes a strategic risk
- Management of currency risks is centralised at DONG Energy to obtain netting advantages

# Hedging of FX and power risk in Wind Power

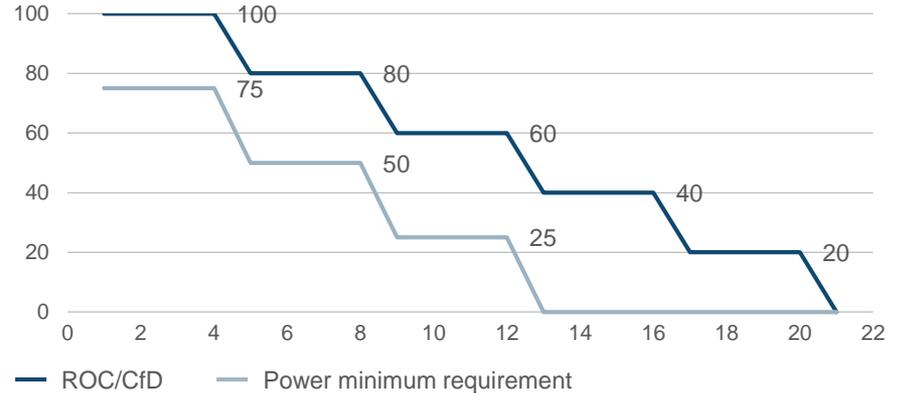
## Construction and Farm downs – Hedging of FX

Decision gates



- Early hedging of potential large DEVEX items on a 100% basis
- Hedging of transmission asset divestment and CAPEX in GBP (100% share)
- Hedging of expected operational net cash flow subject to staircase (100% share)
- Net increase in hedging from expected proceeds from divestment, construction gains and reduced share of operational cash flow (50% share)
- Hedges fully established for sale of project shares and construction gains
- Ongoing hedging of operational net cash flow reflecting permanent share of production (50% share)

## Commercial Operations – Hedging of FX and power



Rolling operational hedging process on monthly/quarterly basis:

- ROC/CfD hedges are target hedge ratio
- The power hedge ratio is a minimum requirement, and power related FX exposures are included in FX exposures and hedged when the underlying power price is hedged

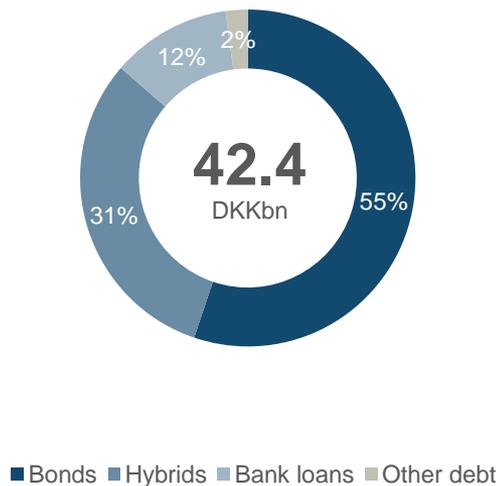
# FFO/Adjusted net debt calculation

<b>FFO/ADJUSTED NET DEBT</b>	<b>9M 16<sup>1</sup></b>	<b>EoY 15<sup>1</sup></b>	<b>9M 15<sup>1</sup></b>
EBITDA	20,813	18,484	18,201
Adjusted net interest expenses	-2,534	-2,280	-2,129
Interest expenses, net	-678	-767	-657
Reversal of interest expenses transferred to assets	-757	-389	-419
Interest element of decommission obligations	-536	-494	-475
50% of coupon payments on hybrid capital	-287	-411	-377
Operating lease obligations, interest element	-276	-219	-201
Reversal of recognised lease payment	878	753	558
Current tax	-3,802	-4,390	-4,555
<b>FUNDS FROM OPERATION (FFO)</b>	<b>15,355</b>	<b>12,567</b>	<b>12,075</b>
Accounting net debt	5,942	9,193	13,424
50% of hybrid capital	6,624	6,624	6,624
Cash and securities, not available for distribution	1,792	3,818	3,284
Present value of operating lease payments	4,440	4,248	4,536
Decommission obligations	10,502	11,144	10,990
Deferred tax on decommissioning obligations	-2,839	-3,957	-4,318
<b>ADJUSTED INTEREST-BEARING NET DEBT</b>	<b>26,461</b>	<b>31,070</b>	<b>34,540</b>
<b>FFO/ADJUSTED NET DEBT</b>	<b>58.0%</b>	<b>40.4%</b>	<b>35.0%</b>

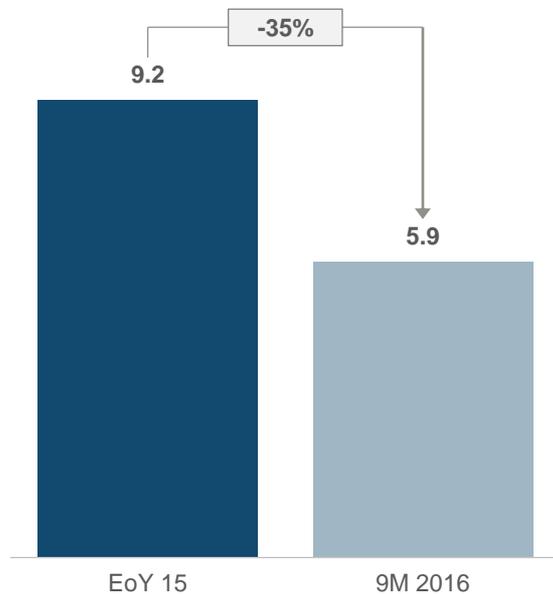
Note (1): Last 12 months

# Debt overview

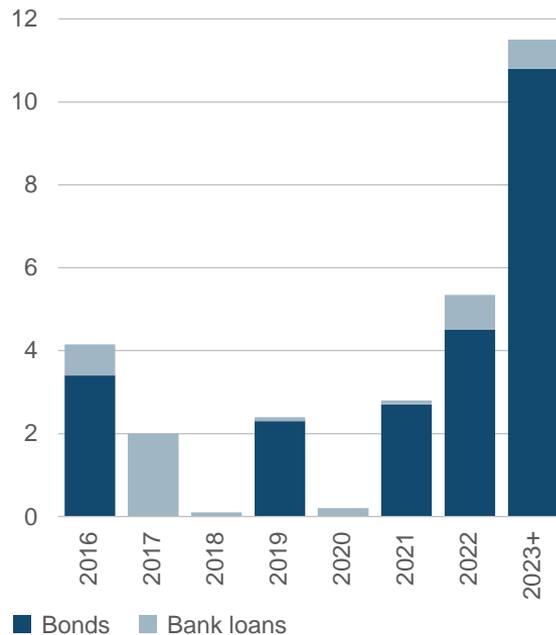
## Gross debt and hybrids



## Net debt (DKKbn)



## Long term debt maturity schedule 9M 16 (DKKbn)



# Hybrid capital in short

Hybrid capital can broadly be defined as funding instruments that combine features of debt and equity in a cost efficient manner

Hybrid capital encompasses the credit supportive features of equity and improves rating ratios:

- Perpetual or long-dated final maturity (1,000 years for DONG Energy)
- Absolute discretion to defer interest payments and such deferrals do not constitute default nor trigger cross-default

- Deeply subordinated and only senior to common equity
- Without being dilutive to equity holders (no ownership and voting rights, no right to dividend)

Due to hybrid's equity like features, rating agencies assign equity content to the hybrids when calculating central rating ratios (eg. FFO/NIBD)

The hybrid capital has increased DONG Energy's investment capacity and supports the growth strategy and rating target

DONG Energy has made use of hybrid capital to maintain our ratings at target level in connection with the merger with Danish power distribution and production companies back in 2006 and in recent years to support our growth in the off-shore wind sector

Currently, DONG Energy has fully utilised it's capacity to issue hybrids (S&P has the strictest limit of 15% of total capitalisation)

HYBRIDS ISSUED BY DONG ENERGY A/S*	PRINCIPAL AMOUNT	TYPE	FIRST PAR CALL	COUPON	ACCOUNTING TREATMENT**	TAX TREATMENT	RATING TREATMENT
<b>4.875% hybrid due 3013</b>	EUR 500m	Hybrid capital (subordinated)	July 2018	Fixed during the first 5 years, first 25bp step-up in July 2023	100% equity	Debt – tax deductible coupon payments	50% equity, 50% debt
<b>6.25% hybrid due 3013</b>	EUR 700m	Hybrid capital (subordinated)	June 2023	Fixed for the first 10 years, first 25bp step-up in June 2023	100% equity	Debt – tax deductible coupon payments	50% equity, 50% debt
<b>3.0% hybrid due 3015</b>	EUR 600m	Hybrid capital (subordinated)	Nov. 2020	Fixed during the first 5.5 years, first 25bp step-up in Nov. 2025	100% equity	Debt – tax deductible coupon payments	50% equity, 50% debt

\*) All listed on Luxembourg Stock Exchange and rated Baa3 (Moody's), BB+ (S&P) and BBB- (Fitch)

\*\*) Due to the 1,000-year structure

# Benefits of hybrid capital

Hybrid capital is an attractive form of financing for corporates:

- Provides strength to the balance sheet at relatively attractive terms (tax deductible)
- Supportive to credit ratings
- WACC efficient instrument to enhance financial flexibility
- Non-dilutive source of quasi equity capital

The issuance of hybrid capital is significantly cheaper than issuing proportional amounts of debt and equity

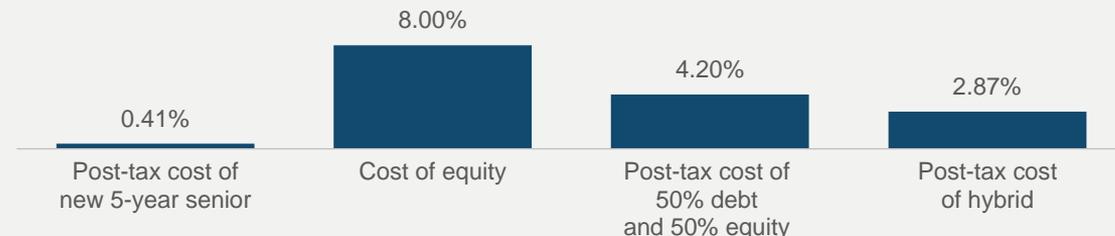


## Illustrative example – current example

### ASSUMPTIONS

Pricing for a Hybrid with first call in year 5:	3.5% (pre-tax)
Post-tax cost of hybrid = $3.5\% * (1-22\%)$	2.87%
Pricing for a 5-year senior bond of 0.5% (pre-tax)	
Post-tax cost of senior = $0.5\% * (1-22\%)$	0.41%
Cost of Equity:	8%

### RELATIVE COST ANALYSIS





**DONG ENERGY – LEADING THE ENERGY TRANSFORMATION**

**DONG**  
energy

# DONG Energy today

## Key figures 2015:

- DKK 71bn revenue
- DKK 19bn EBITDA
- ~6,700 employees

■ % share of operating profit (EBITDA<sup>1</sup>), 9M 2016

■ % share of capital employed as of 30 September 2016

## Wind Power

40%

76%



- Global leader in attractive offshore wind market
- Solid track-record in delivering large projects
- Cost-of-electricity being systematically reduced
- Robust and highly visible build-out plan
- Differentiated partnership model
- Attractive pipeline options post-2020

## Danish utility

34%

18%



- #1 power distribution network in Denmark
- #1 residential and industrial energy sales position in Denmark
- #1 in Danish heat and power generation with a strong and increasing biomass position
- REnescence: Innovative bioenergy technology for waste treatment

## Oil & Gas

26%

8%



- Focused position with activities in Denmark, Norway and UK
- High quality, low-cost core assets
- Managed for cash to support renewable growth
- Strong hedging position
- Potential exit being explored

1. Unless otherwise specified EBITDA is stated in business performance throughout this presentation

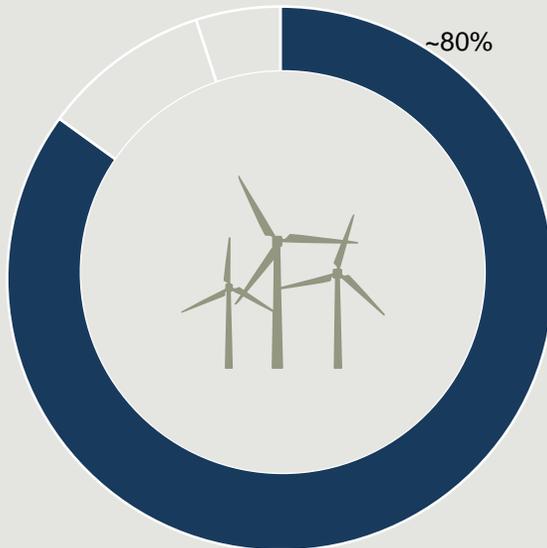
# Investment strategy drives growth and returns

■ Gross CAPEX target 2016-2020

## Wind Power

### Growth engine

- Invest in competitive advantage and accelerated, profitable growth

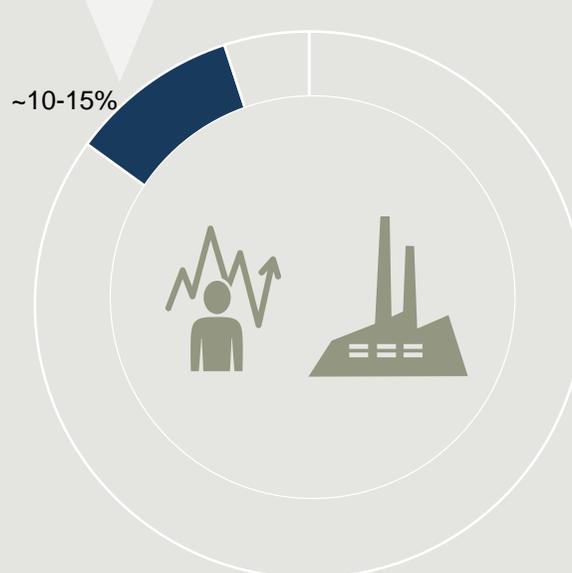


## Danish utility

### Stable earnings and green conversion

- Optimise regulated returns and develop growth options

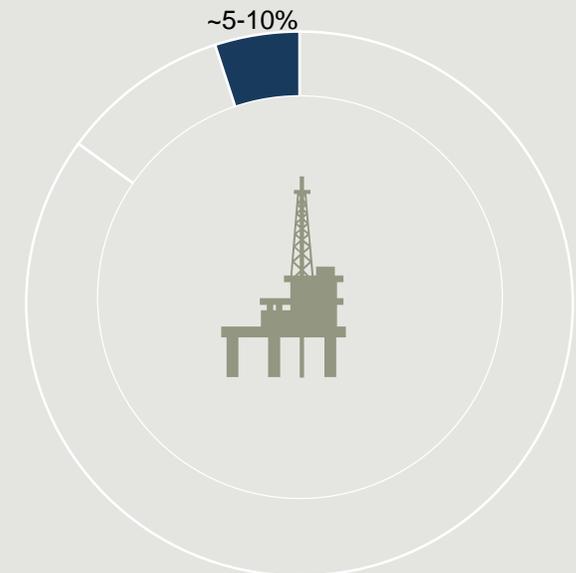
Investments in bioenergy, distribution grid and remote power meters



## Oil & Gas

### Cash generator

- Manage quality producing assets for cash and reinvest in renewables



Gross capex target 2016: DKK 18-21 Bn; Gross capex target 2017-2020: DKK 60-70 Bn

# DONG Energy aspires to remain a leader in the green energy transformation

## Current focus areas

---

### Wind Power



- Fuel global market leadership and profitable growth in Wind Power
  - Execute the build-out plan towards 2020
  - Drive down cost to secure the pipeline post-2020 in existing and new markets
  - Wind Power is currently expected to attract ~80% of CAPEX from 2017-2020
- 

### Danish Utility



- Transform the Danish Utility business by
    - Converting CHPs to biomass
    - Continuing to optimise the stable, regulated distribution business
  - Danish Utility is currently expected to attract ~10-15% of CAPEX from 2017-2020
- 

### Oil & Gas



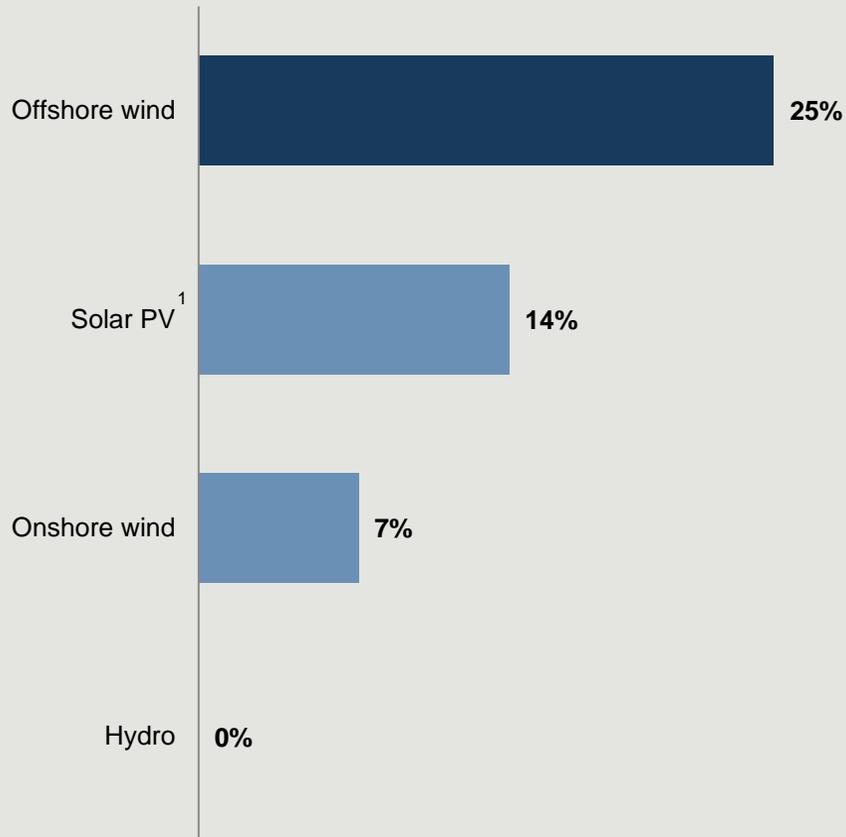
- Adjust the business to the changes in market conditions and build a portfolio of low-cost, high-quality producing assets in the North Sea
- Manage assets for cash that can be re-invested in renewable energy
- Align behind the Group vision of leading the transformation to greener energy
  - Further focus the portfolio



# Offshore wind is a large scale renewable technology with growth rates exceeding other renewables

## Fastest growing renewable technology in OECD

Installed capacity CAGR, 2014-2020  
%



## Offshore wind offers multiple advantages

### Utility size power generation

*659 MW Walney Extension will power more than 460,000 UK homes*

### Offers +45% load factors<sup>2</sup>

*Significantly higher than onshore wind and solar PV*

### Rapidly declining cost

*Industry maturity, volume and technological development reduce LCoE<sup>3</sup>*

### Limited visual impact on landscape

*Wind farms are built far from shore*

Source: Bloomberg New Energy Finance (BNEF)

1. Sum of utility-scale PV and small-scale PV

2. Load factor is a performance indicator measuring to what degree a wind farm has produced according to the farms capacity (actual production / (capacity x hours in period))

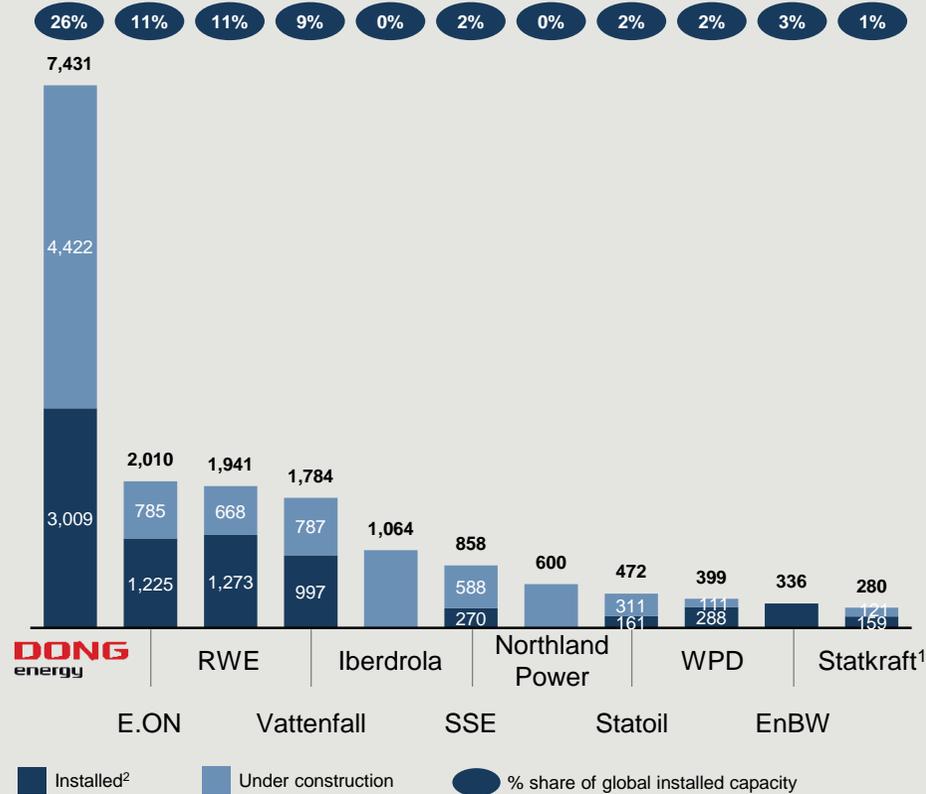
3. According to BNEF, long-term offtake price required to achieve a required equity hurdle rate for the project



# DONG Energy pioneered the offshore wind industry and is today the global leader

## Largest offshore wind player globally today

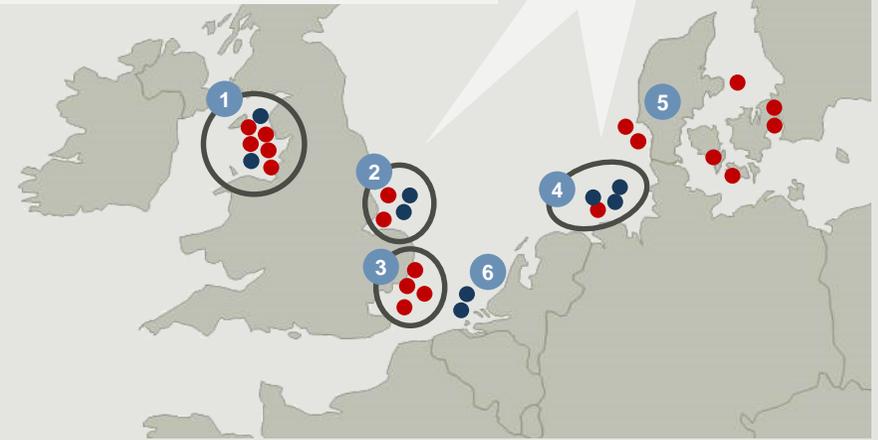
Global offshore wind capacity  
MW



## Wind Power's scale enables cluster synergies

- 1 UK West coast (East Irish Sea):** Barrow, Burbo Bank, Burbo Bank Extension, West of Duddon Sands, Walney Extension, Walney 1 & 2
- 2 East UK North:** Westernmost Rough, Race Bank, Hornsea 1
- 3 East UK South:** Gunfleet Sands 1 & 2, Gunfleet Sands Demo, London Array
- 4 Germany:** Borkum Riffgrund 1, Borkum Riffgrund 2, Gode Wind 1&2
- 5 Danish waters:** Middelgrunden, Nysted, Horns Rev 2, Anholt, Vindeby
- 6 Dutch waters:** Borssele 1 & 2

- Synergies**
- ✓ Lower logistics costs
  - ✓ Fewer technician hours
  - ✓ Fewer facilities needed
  - ✓ Lower inventory levels



- Operational offshore wind farms
- Offshore wind farms under construction
- Cluster

Source: Bloomberg New Energy Finance, September 2016, DONG Energy analysis

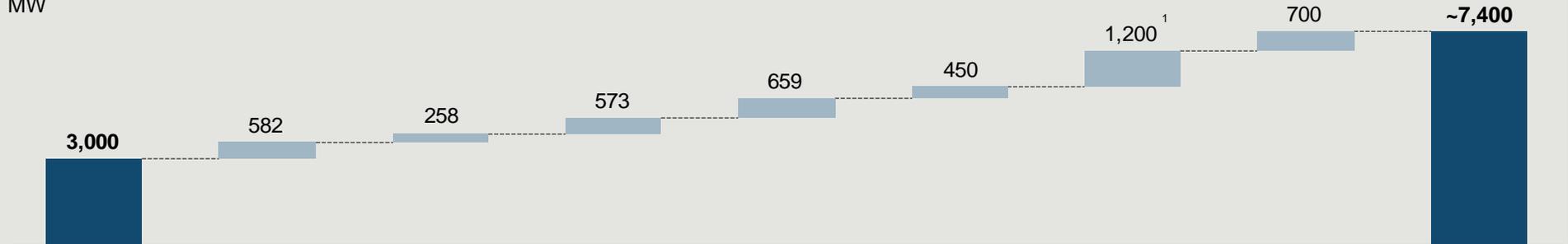
- Statkraft has decided to scale down their activities in offshore wind. Current assets will be built and development projects will be brought forward to allow divestment before FID
- If a project is executed on behalf of a lead developer managing the construction, then 100% of capacity is allocated to the lead developer. If construction is executed by an integrated joint venture, capacity is allocated in proportion to the JV share



# Robust and highly visible offshore wind build-out plan until 2020

## 4.4 GW with secured consent and subsidies currently under construction

DONG Energy installed capacity projection towards 2020  
MW



	2015	Gode Wind 1 & 2	Burbo Bank Extension	Race Bank	Walney Extension	Borkum Riffgrund 2	Hornsea 1	Borssele 1 & 2	2020
<b>Country</b>		Germany	UK	UK	UK	Germany	UK	Netherlands	
<b>On time / On budget</b>		● / ●	● / ●	● / ●	● / ●	● / ●	● / ●	● / ●	
<b>Expected completion</b>		2016	2017	2018	2018	2019	2020	Within 4 to 5 years from award	
<b>Subsidy regime</b>		Feed-in-tariff	CfD <sup>2</sup>	ROC <sup>3</sup>	CfD <sup>3</sup>	Feed-in-tariff	CfD <sup>3</sup>	Feed-in-tariff	
<b>Subsidy level</b>		194/154/39 EUR/MWh <sup>4</sup>	150 GBP/MWh	1.8 ROC/MWh	150 GBP/MWh	184/149/39 EUR/MWh <sup>5</sup>	140 GBP/MWh	72.7 EUR/MWh	
<b>Subsidy expiry</b>		2036	2032	2037	2033	2036	2039	15 years	

1. The export capacity of Hornsea 1 is 1,200 MW determined by the boundary of the facility (offshore substations), while the aggregated installed generator capacity is 1,218 MW  
 2. Contract for difference, indexed with CPI  
 3. Renewable obligation certificates, indexed with RPI  
 4. Phase 1 for 8 years, phase 2 for 21 months (28 months for Gode Wind 2) and phase 3 (floor) to year 20  
 5. Phase 1 for 8 years, phase 2 for approx. 24 months and phase 3 to year 20



# Wind Power has built a strong and integrated end-to-end business model

## DONG Energy Wind Power core competencies

~1,970 Full-time employees<sup>2</sup>



- ✓ Ability to **design and optimise** projects with a '**total life-cycle cost of wind farm**' mindset
- ✓ Experience and expertise along the entire value chain allow for **better understanding and management of risks**
- ✓ End-to-end model reduces LCoE through **fast** feedback and **learning** across the entire organisation

1. Front-end engineering design  
2. Excluding CT Offshore and A2SEA



# Proven construction track-record and leading operating capabilities

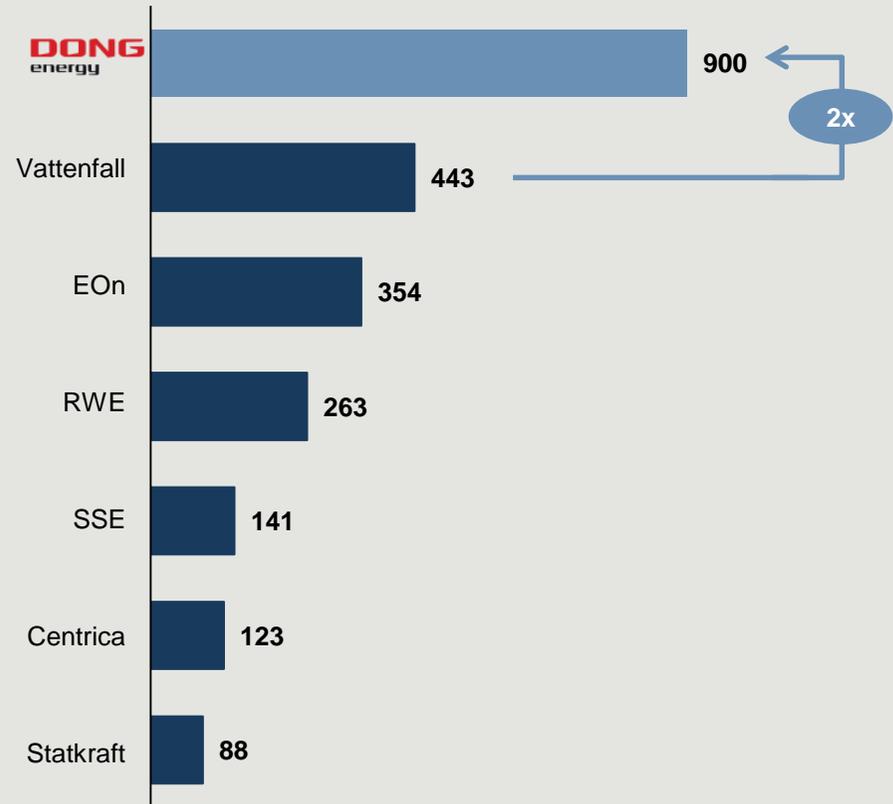
## Construction track-record due to full EPC<sup>1</sup> control

Country	Asset	FID	Gross capacity (MW)	FID budget
	Westermost Rough	2013	210	15-20%, below
	Borkum Riffgrund 1	2011	312	5-10%, below
	West of Duddon Sands	2011	389	5-10%, below
	Anholt	2010	400	10-15%, below
	London Array	2009	630	10-15%, above
	Walney 1&2	2009	367	5-10%, above
	Horns Rev 2	2007	209	5-10%, above

1. Engineering, procurement and construction

## Leader in operating offshore wind farms

# of operated turbines end of 2015



Source: Bloomberg New Energy Finance February 2016

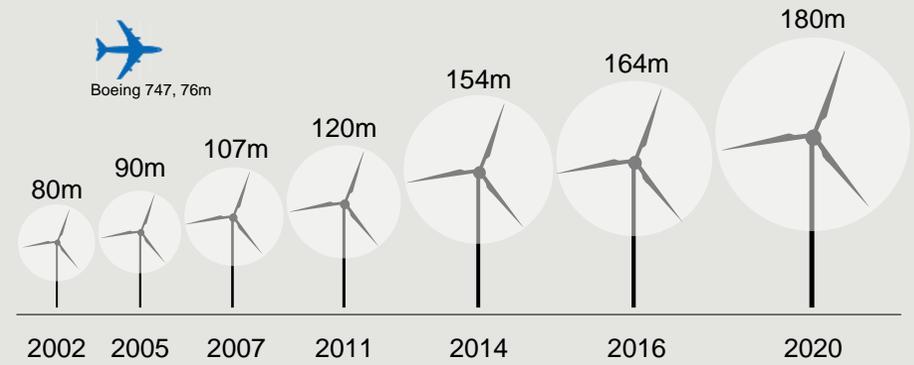
# At the forefront of making the industry cost competitive

## Multiple levers to drive down cost in offshore wind

	Development	Impact
▪ Turbines and rotor size	6-8 MW → +10 MW	▪ Fewer positions
▪ Sites	200-300 MW → +1 GW	▪ Greater overhead leverage ▪ Scale effects
▪ Vessel size	2-4 wind turbines → 8 wind turbines	▪ Less transit time ▪ Higher utilisation
▪ Cable capacity	300 MW → 400 MW	▪ Fewer substations ▪ Fewer cables
▪ Foundation design	Monopile → Suction bucket jackets	▪ Greater water depth and heavier loads possible ▪ Faster installation time
▪ Supply base	Single supply → Multiple global suppliers and purpose built factories	▪ Broader and more robust supply base ▪ Low-cost country sourcing ▪ Efficient production

## Rapid technological development

Wind turbine rotor diameter, year of commissioning



## Demonstrating cost potential of offshore wind

*“With **Borssele 1 and 2**, we’re crossing the levelized cost of electricity mark of EUR 100 per MWh for the first time and are **reaching a critical industry milestone** more than three years ahead of time. **This demonstrates the great potential of offshore wind**”*

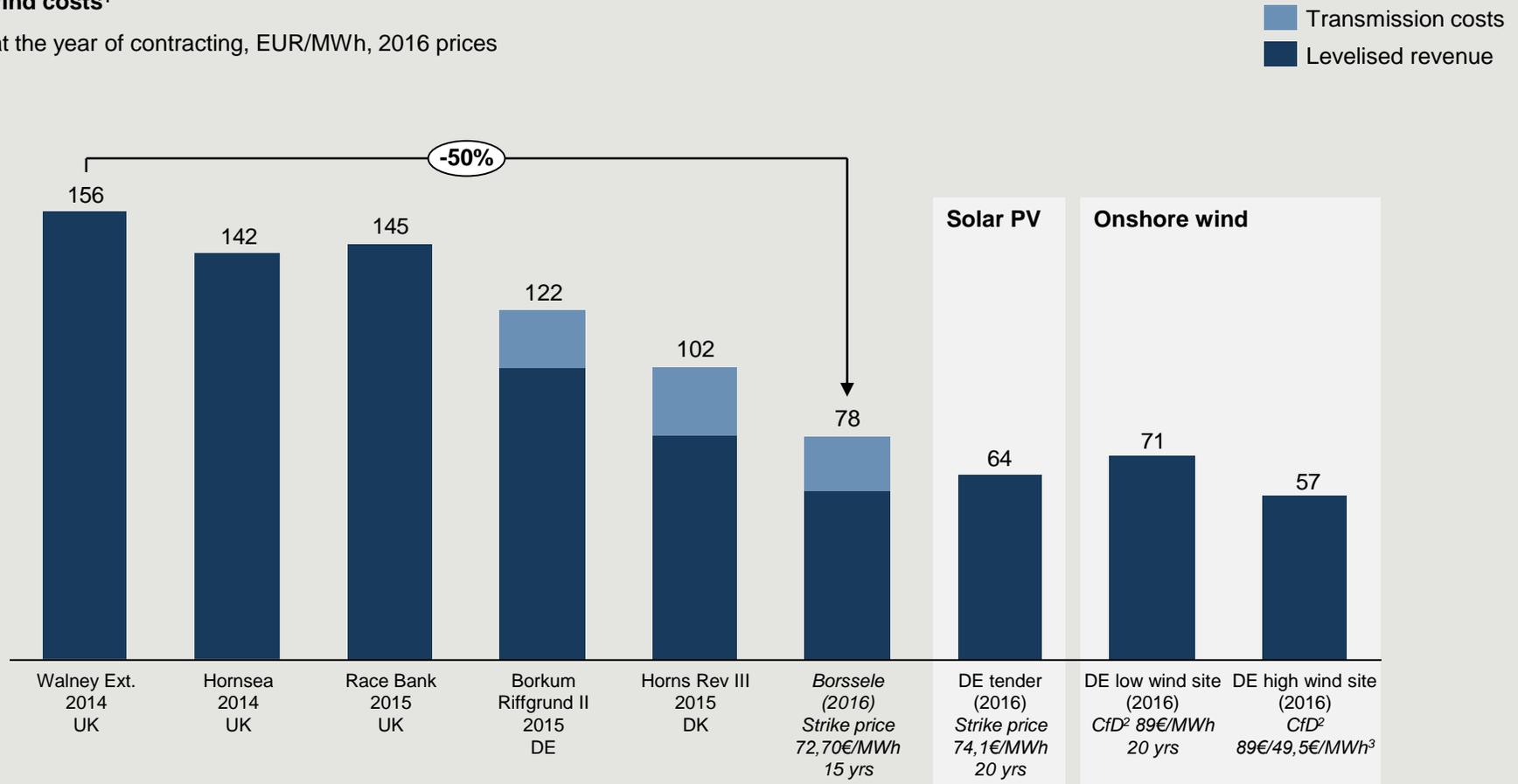
(Samuel Leopold, July 2016)

1. High-voltage direct current transmission

# Offshore wind shows rapidly declining costs across all markets and are almost on par with competing renewable technologies

## Offshore wind costs<sup>1</sup>

Estimated at the year of contracting, EUR/MWh, 2016 prices



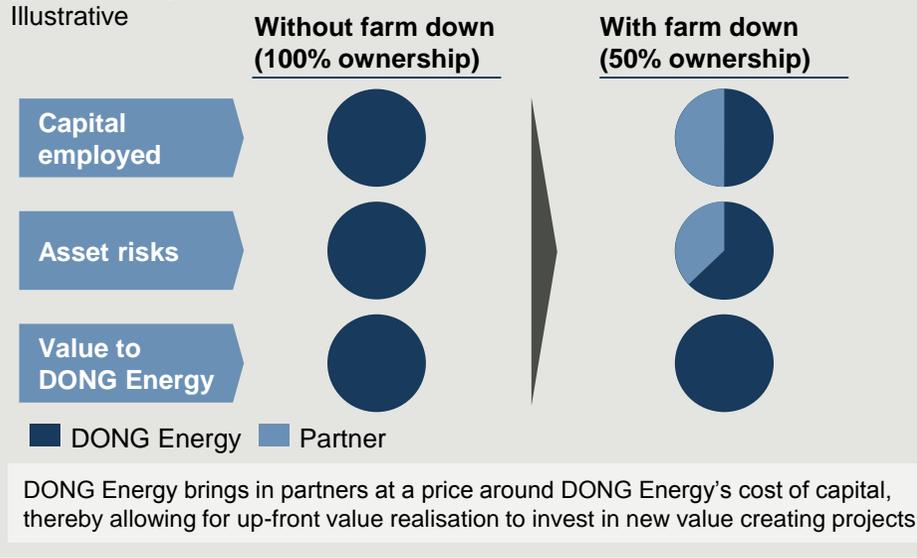
Source: DECC; Danish Energy Agency; Energinet.dk; NEV

1. Average price for the electricity over the lifetime of the plant used as proxy for the levelised costs of electricity. It consists of a subsidy element for the first years and a market income for the remaining years of the 25 years lifetime. Discount rate of 3,5% used to reflect society's discount rate. Market income based on country specific wholesale market price projections at the time of contracting
2. German sites are awarded premiums according to the wind resource (low wind yield, higher subsidy). Reference site defined as wind speed of 6,45m/s, for which BNEF's 2016 mid-range load factor for Germany (24%) is used. For high yield site load factor calculation: multiplied with 130% and 80% for low yield sites.
3. The high level is given for 5 years, hereafter 15 years with the lower level



# Partnership model allows for significant portfolio value with less capital and reduced risk

## Significant up-front value realisation from partnership model

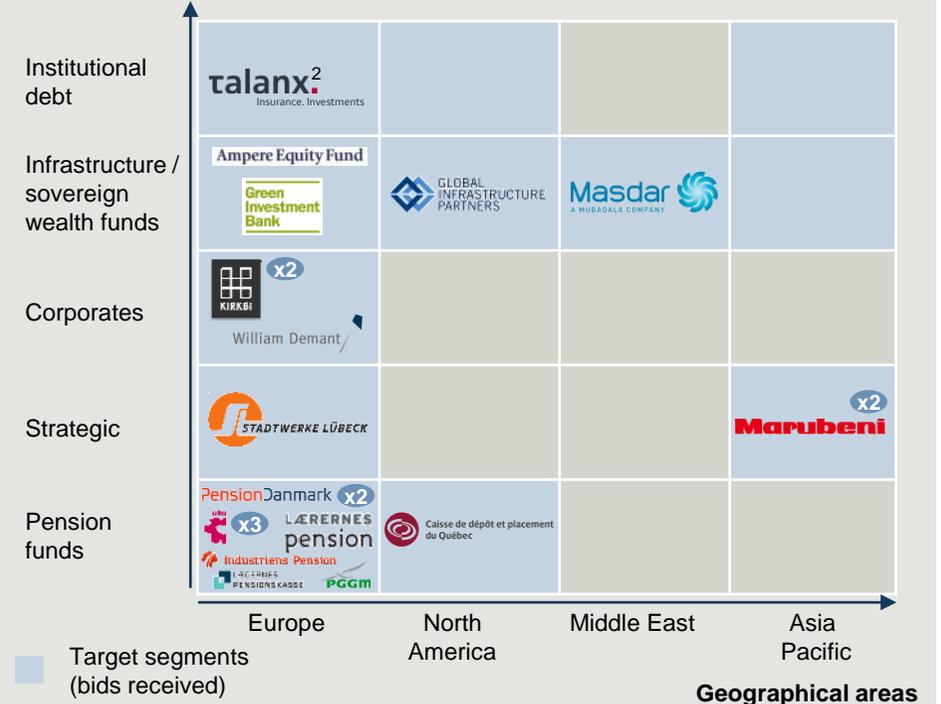


## Multiple portfolio benefits from partnership model

- ✓ Recycle capital
- ✓ Portfolio value creation
- ✓ Risk diversification
- ✓ Scale and standardisation from large portfolio

## DKK +42 Bn secured between 2010-2016

Wind farm partners by type, geography and # of partnerships<sup>1</sup>



- More partnerships than any other competitor in the industry
- DONG Energy has been able to consistently divest 50% of assets during construction phase

1. Excludes utilities and other strategic partners such as Siemens, Vattenfall, SSE, Scottish Power, Centrica, and E.ON

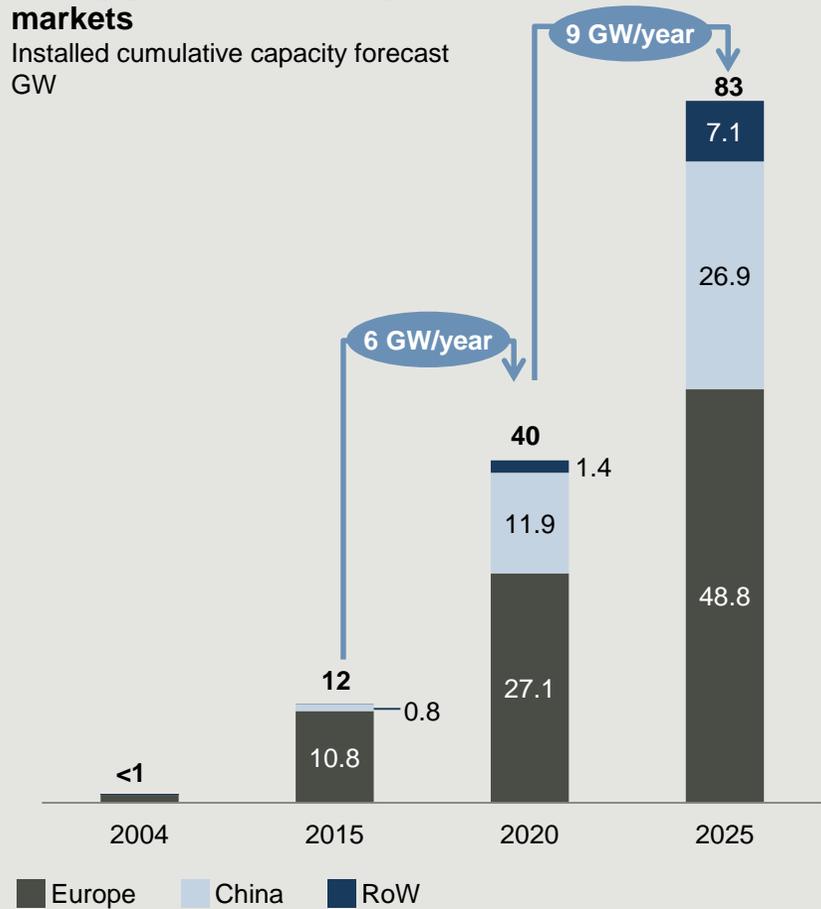
2. Cornerstone bond investor in Global Infrastructure Partners' acquisition of 50% of Gode Wind 1



# Global potential with high long-term growth in existing and new offshore wind markets

## Strong growth in existing and new offshore wind markets

Installed cumulative capacity forecast  
GW



Source: Bloomberg New Energy Finance

## Auctions/tenders to be held in DONG Energy's core markets the next 18 months

Auctions & tenders	Expected bid deadline	MW
Borssele 3 & 4, NL	Q3 2016	740
Kriegers Flak, DK	Q4 2016	600
UK	Q1 2017	TBA
Germany	Q1 2017	1,550
Massachusetts, US	Q3 2017	≥ 400
South Holland Coast, NL	Q3 2017	750
Germany	Q1 2018	1,550
UK	2018	TBA

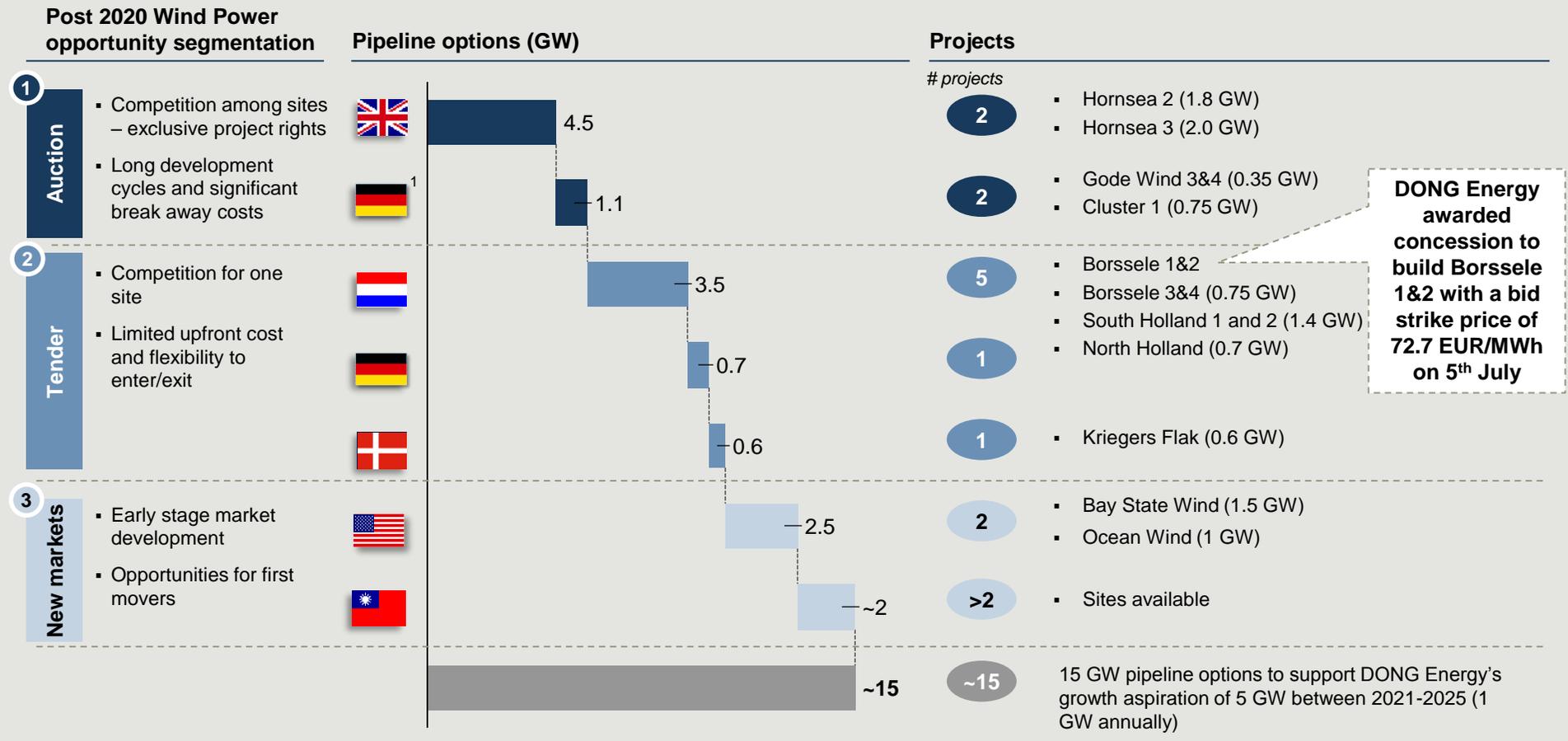
Source: Danish Energy Agency; German Federal Ministry of Economy and Energy; Netherlands Ministry of Economic Affairs; UK Treasury March Budget 2016



# DONG Energy's 2021-2025 growth aspiration of 5 GW supported by substantial pipeline options

## Pipeline options to date for 2021-2025 construction

GW



1. In relation to Gode Wind 3, we have entered into a conditional purchase agreement for the expected 90 MW project rights. The agreement is conditional on certain conditions precedent being satisfied by the seller

# Connecting the dots: Shaping a double-digit IRR case in 18 months

**Race Bank – a show case of value creation from the integrated business model**

Example



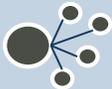
Strong **buying power**



**Innovative** technology



Superior **standardised design**



Synergies from **O&M cluster**



1st mover on **6.3 MW turbine**<sup>1</sup>

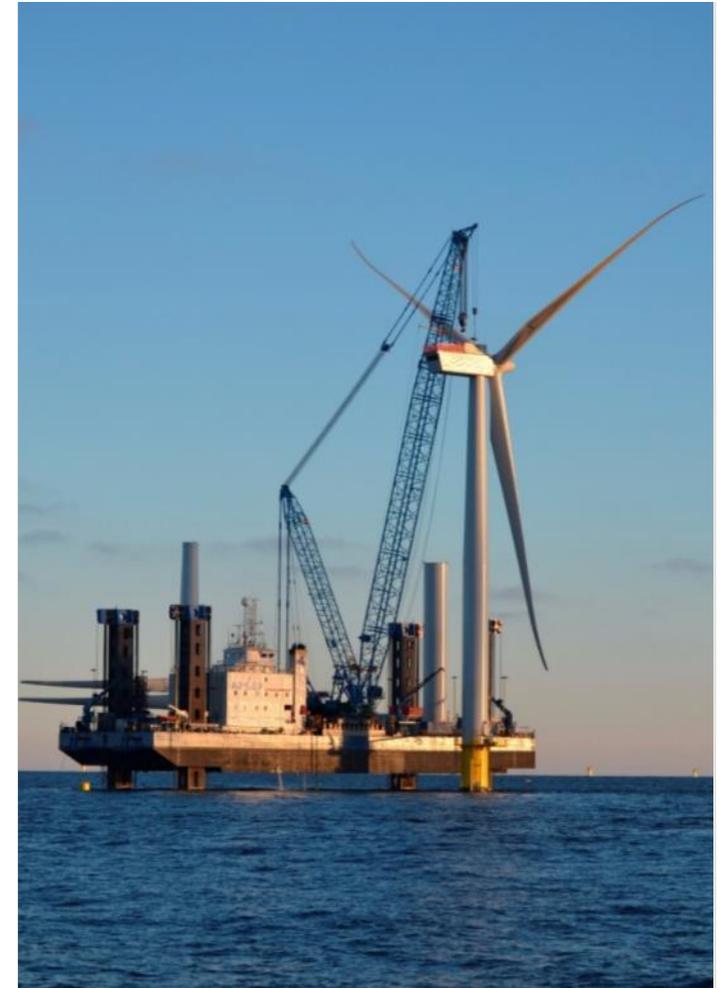


Fast **re-consenting**

**December 2013**  
Project under  
development acquired



**June 2015**  
FID with double-  
digit IRR for  
DONG Energy



1. Siemens 6.0 MW platform with performance enhancing features delivering 6.3 MW effect

# Danish utility

% share of Danish utility 2015 operating profit (EBITDA)

## Distribution

67%



- Stable earnings from regulated business
- High quality asset with low maintenance costs
- DKK 10.8 Bn power distribution RAB<sup>1</sup>, expected to increase to DKK 13.7 Bn in 2020
- High security of supply
- ~1.0 million power distribution customers
- Covers ~30% of Denmark's population

## Customer solutions

21%



- Market leading B2C position with +700k power and +90k gas supply B2C customers in Denmark
- B2C and B2B sales generate stable earnings with no capital employed
- B2B sales in Denmark, Sweden, Germany and UK
- Optimise and hedge power and gas portfolio, and proprietary trading within strict mandates
- Pioneering demand flexibility solutions in UK and Germany

## Bioenergy & Thermal Power

12%



- 8 combined heat and power plants (CHPs), one heat plant and one peak load power plant in Denmark with 3.0 GW capacity
- Transformation to resilient heat production business with a growing contribution from converted biomass plants
- Significant reduction in capacity, FTEs and OPEX since 2009
- REnescience: Innovative bioenergy technology for waste treatment

1. Regulated asset base (RAB) as of 31 December 2015



# Oil & Gas: Low-cost, low-risk asset portfolio centred around three high-quality, cash generative assets

## Sizeable and well positioned portfolio

Focused North Western European footprint with more than 30 years of experience

Diversified 2P reserve base of 238 MM Boe<sup>1</sup>

Medium-term free cash flow break-even price at a level around USD 35/bbl excluding DONG Energy's hedging position

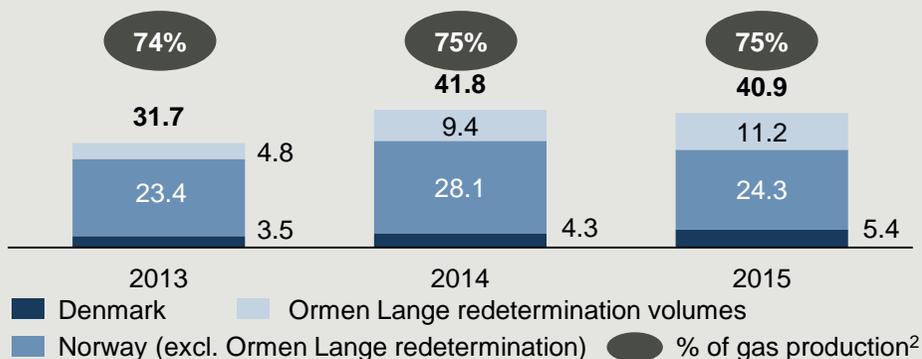
2016 and 2017 production almost fully hedged at USD 80/bbl for oil and 20 EUR/MWh for gas

## Three attractive high-quality assets constituting ~75% of production in 2015

Country	Asset	Working Interest	Operator
Norway	Ormen Lange	14%	Shell
Denmark	Syd Arne	37%	Hess
UK	Laggan-Tormore	20%	Total

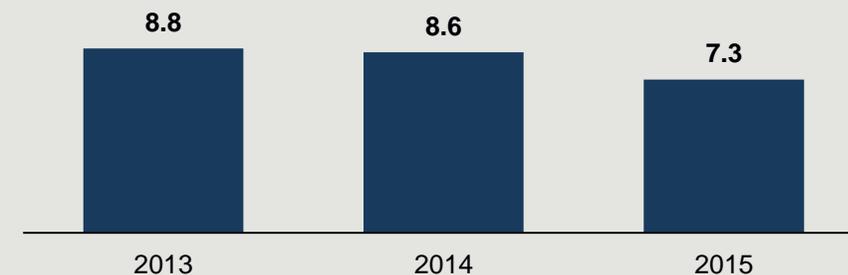
## Material gas-weighted production

Annual production  
MM Boe



## Attractive lifting costs across portfolio

Lifting cost<sup>3</sup>  
USD/Boe



1. DONG Energy 2P reserves as of Q1 2016

2. Gas production as a proportion of total production (gas plus liquids). Liquids defined as oil, NGL and condensate

3. Lifting costs calculated as the sum of OPEX and processing cost divided by working interest production. Siri repair costs have been excluded as not part of ordinary operations

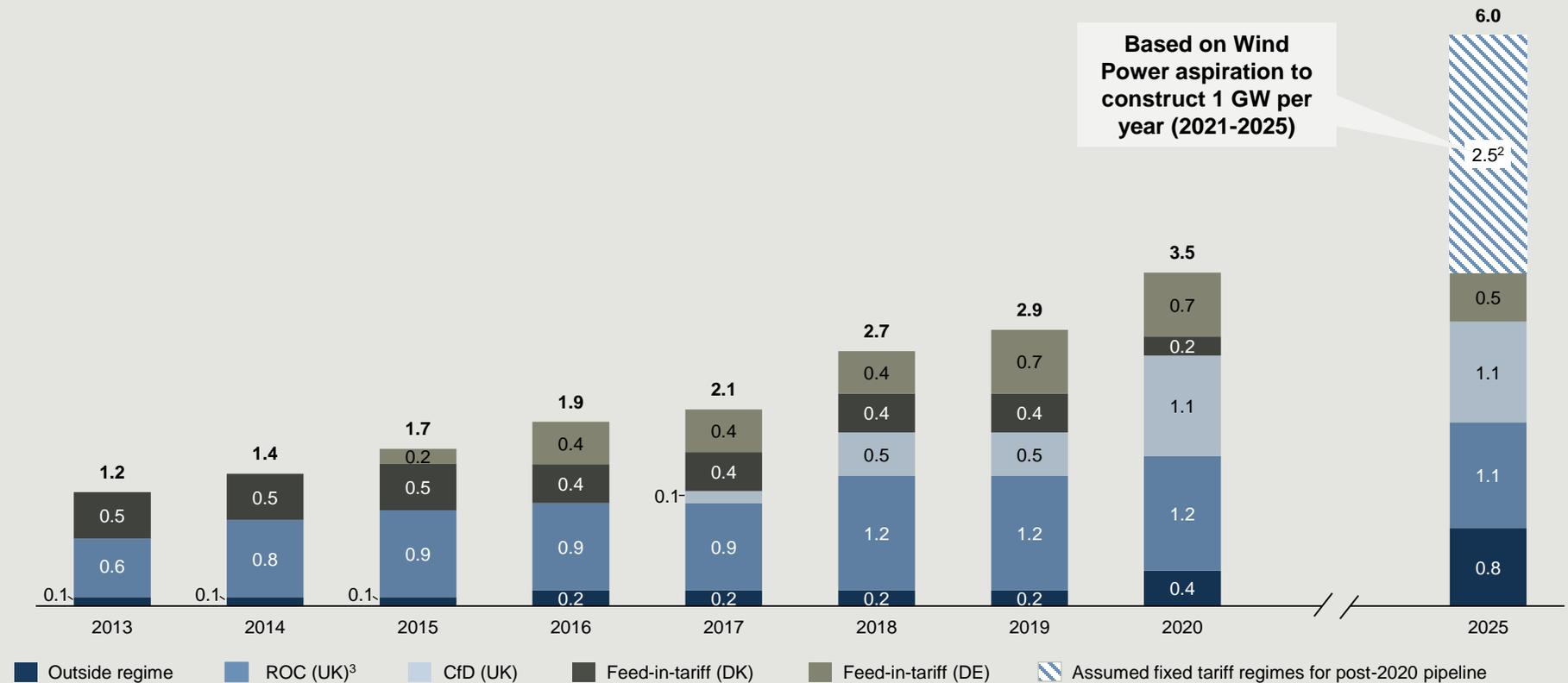


APPENDIX – DONG ENERGY GROUP

# Highly visible long-term growth in Wind Power with secured subsidies

## Regime overview for production capacity<sup>1</sup>, end of period

GW, Production capacity



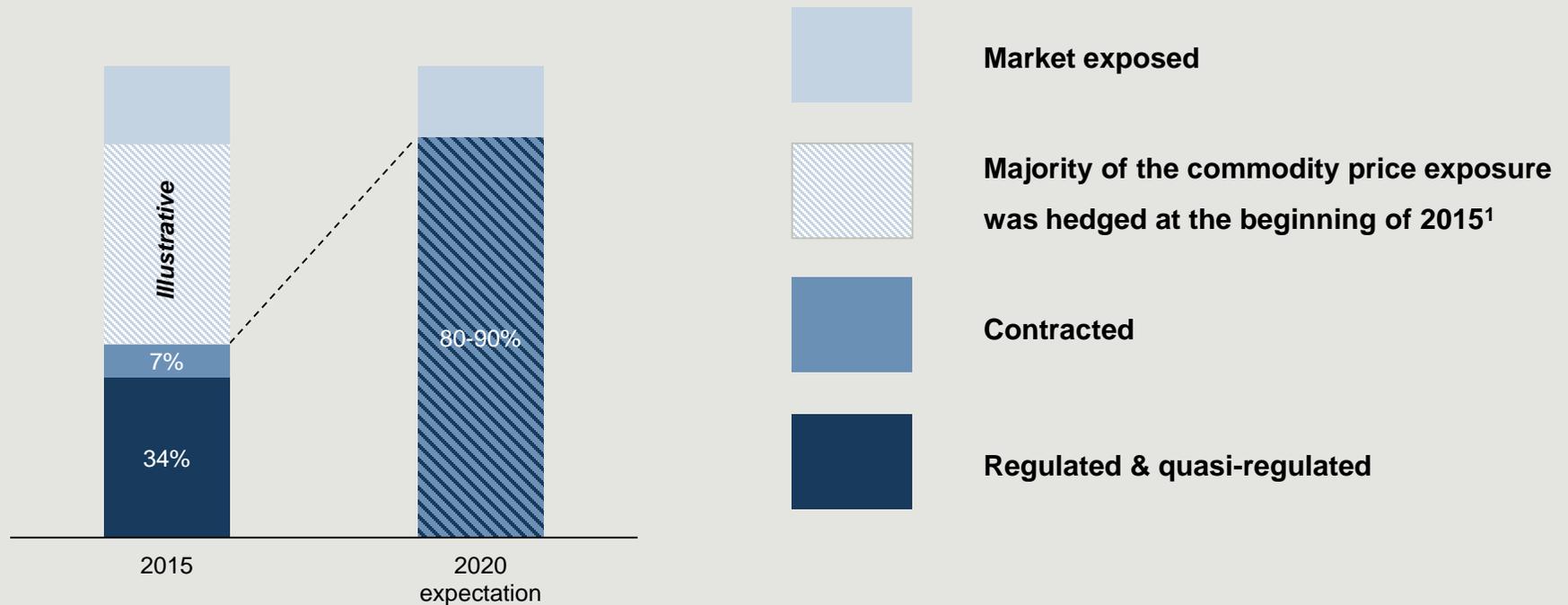
1. 50% farm down of execution pipeline assumed. Lincs not forming part of the production capacity definition due to one-line consolidation

2. 2.5 GW is assumed fixed tariff regimes for post-2020 pipeline is based on 1 GW of additional capacity added yearly of which half is farmed down

3. The ROC (UK) includes ~1/4 from sale of electricity at market prices and ~3/4 from the ROC-subsidy (Q1 2016)

# Quality of earnings is going up

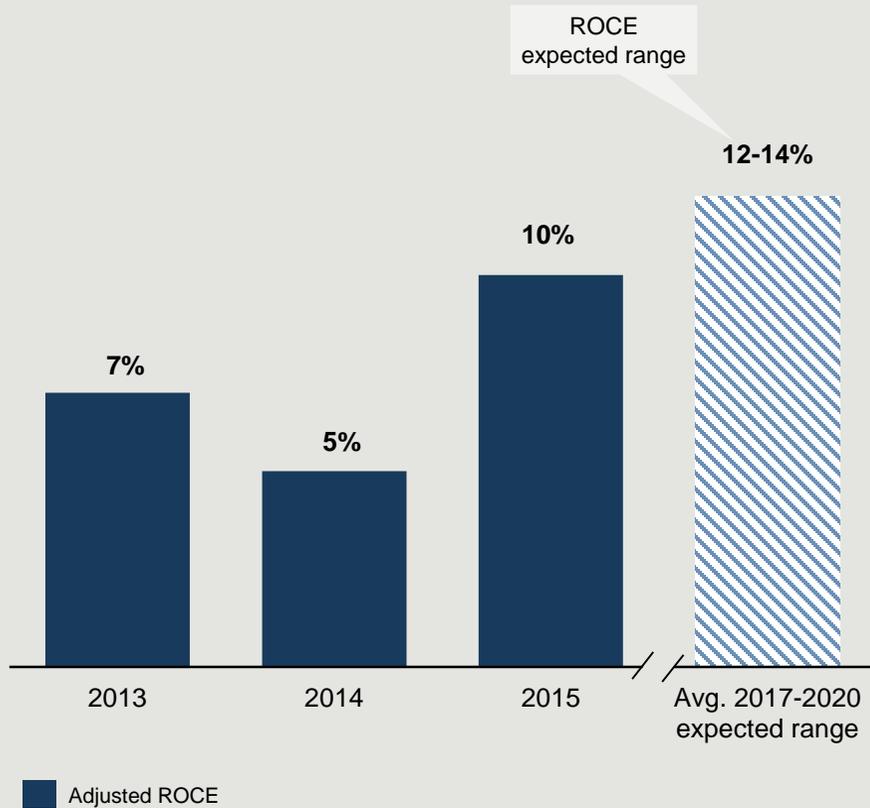
**Operating profit (EBITDA) contribution from regulated, quasi-regulated and contracted activities**  
Share of operating profit (EBITDA)



1. Commodity prices are hedged on a post-tax cash flow basis (not EBITDA)

# ROCE growth supported by investments in offshore wind

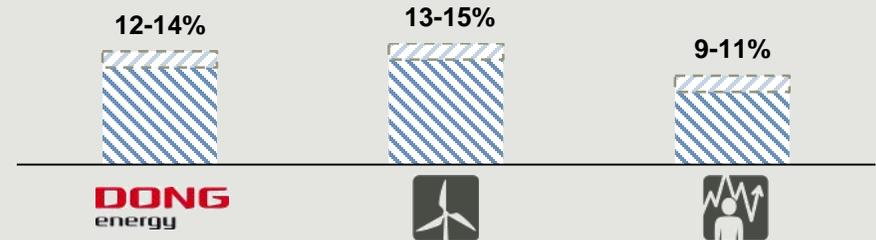
## Adjusted ROCE<sup>1</sup> %



## Key ROCE drivers

- Investment programme focused on attractive Wind Power projects
- Partnership model reduces capital employed while retaining NPV
- Investments in Power Distribution and Bioenergy at solid, stable returns
- Wind farms coming on stream

## 2017-2020 (avg.) ROCE expected ranges<sup>2</sup>



1. Adjusted ROCE defined as EBIT less current hydrocarbon taxes plus impairment losses for the year (added-back) / Average Capital Employed (with impairment losses after tax added back to ultimo capital employed)

2. For Bioenergy & Thermal Power and Oil & Gas the Group considers ROCE to be less meaningful and therefore focuses on free cash flow targets

A photograph of an offshore wind farm with numerous white wind turbines on a blue sea. The turbines are arranged in a grid-like pattern, receding into the distance. The sky is clear and blue.

# APPENDIX – WIND POWER



# Overview of key financial accounting and tax recognition effects for Wind Power partnerships

Deal elements	Accounting	Development			Construction			Operation			Examples		
		FID			Farm down			12-24 months			Westermost Rough (shared risk)	Burbo Bank Extension (EPC wrap)	
<b>SPA</b> Gain on shares	Other operating income <sup>1</sup>										● SPA gain	✓	✓
											✗ No paid tax locally		
<b>CA</b> Construction agreement <sup>2</sup>	Revenue/COGS/OPEX										● During construction		✓
											● At COD		
<b>CMA</b> Construction management agreement <sup>2</sup>	Revenue/COGS/OPEX										● During construction	✓	
											● During construction		
<b>OMA</b> O&M agreement	Revenue/OPEX										● During operations on accrual basis	✓	✓
											● During operations		
<b>PPA</b> Power purchase agreement	Revenue/COGS										● During operations on accrual basis	✓	✓
											● During operations		
Consolidation principle		100%			Pro-rata							✓	✓

● — ● Recognition in income statement    ● — ● Paid tax

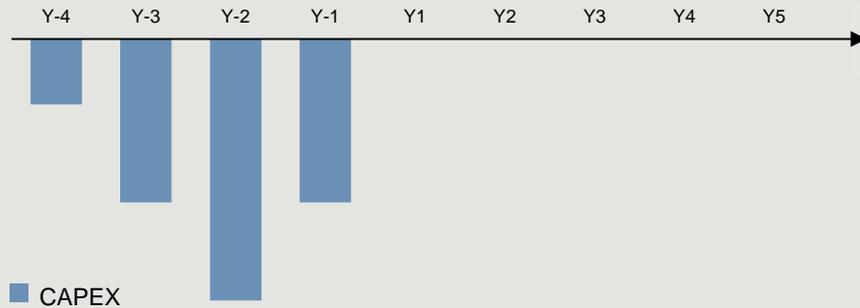
1. Gain on shares is not part of cash flows from operating activities, but part of cash flows from investing activities  
 2. Internal construction agreement gains and construction management agreement gains eliminated for accounting purposes are still subject to taxation in the entity acting as constructor or construction manager



# Illustrative example of Wind Power Partnership mechanics: EPC wrap / Construction Agreement – selected items<sup>1</sup>

## CAPEX – base

Without farm down



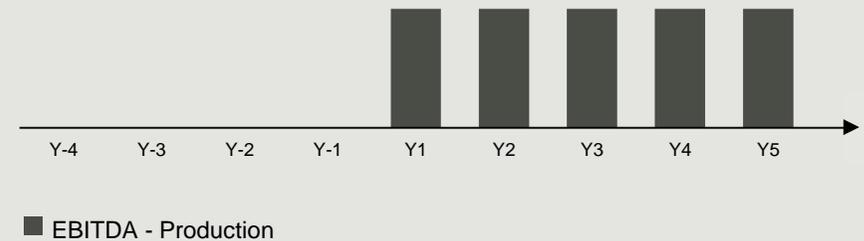
## CAPEX – base

With farm down



## EBITDA

Without farm down



## EBITDA

With farm down



Note: Please note that this is an illustrative example and does not reflect any particular transaction. The only purpose of the example is to illustrate the Wind Power partnership mechanics

1. Hypothetical pre-farm down case assuming the wind farm is developed and operated within the same entity without any inter-company transactions

# Wind Power value drivers

## Key drivers<sup>1</sup>

	Execution Assets <sup>2</sup>
Load Factor	48-50% (weighted average) Burbo Bank Extension is an outlier with lower than average expected load factor
COGS	Primarily include BSUoS and TNUoS charges for UK wind farms <sup>3</sup> , as well as balancing and other fees
OPEX	Expected to decrease in the long-term from current level for existing operating assets of ~DKK 15.0-17.0 MM/MW (2015 real terms) due to cost-out initiatives and increasing scale of portfolio. OPEX per MW expresses the total lifetime cost
CAPEX <sup>4,5,6</sup>	DKK 22-24 MM/MW (weighted average in 2015 prices)
Partnerships	DONG Energy brings in partners at around its cost of capital Farm down timing expected 12-24 months after FID

- Based on life-cycle calculations
- Includes Gode Wind 1+2, Burbo Bank Extension, Race Bank, Walney Extension, Borkum Riffgrund 2 and Hornsea 1
- For more information on BSUoS (Balancing Services Use of System) and TNUoS (Transmission Network Use of System ) charges please see

- <http://www2.nationalgrid.com/bsuos/> and <http://www2.nationalgrid.com/UK/Industry-information/System-charges/Electricity-transmission/Transmission-network-use-of-system-charges/>, respectively
- Incl. contingency and management reserve and allocated group overheads and excl. OFTO
- DONG Energy incurs project development costs and 100% of the CAPEX prior to FID and pre-farm down, which is not accounted for in this multiple
- Please refer to page 75 of DONG Energy's 2015 Annual Report for detail on share of already invested CAPEX in Wind Power property, plant and equipment under construction as of 31 December 2015

	Name	Capacity (MW)	Year commissioned	Ownership
Execution assets	 Gode Wind 1	330	Q3 2016	50%
	 Gode Wind 2	252	Q2 2016	50%
	 Burbo Bank Extension	258	Q2 2017	50%
	 Race Bank	573	H1 2018	100%
	 Walney Extension	659	H2 2018	100%
	 Borkum Riffgrund 2 (pending FID)	450	H1 2019	100%
	 Hornsea 1	1,200	H1 2020	100%

# Wind Power fact sheet <sup>1</sup>

Denmark										
GWh	Partners	Park capacity, MW	Installed capacity, MW	DE ownership share, %	Owned capacity, MW	Financial consolidation	Commercial operational date	Subsidy regime	Subsidy expiry	Fixed feed-in tariff, DKK/MWh
Anholt	Pension Danmark, PKA	400	400	50%	200	Pro rata	2013	Fixed feed-in tariff	20 TWh (5 TWh produced) <sup>2</sup>	1.051
Horns Rev 2	-	209	209	100%	209	Full	2010	Fixed feed-in tariff	10 TWh (5.8 TWh produced) <sup>2</sup>	518
Nysted	Pension Danmark, Stadtw erke Lübeck	166	166	42,75%	71	Pro rata	2003	Fixed feed-in tariff	2016 <sup>8</sup>	453
Horns Rev 1	Vattenfall	160	160	40%	64	Pro rata	2003	Market price + 100DKK/MWh <sup>3</sup>	Expiry after 20 years	-
Middelgrunden <sup>4</sup>	-	20	40	100%	20	Full	2001	Market price + 100DKK/MWh <sup>3</sup>	Expiry after 20 years	-
Avedøre Holme <sup>4</sup>	-	7	11	100%	7	Full	2009 and 2011	Fixed feed-in tariff	20,200 full-load hours <sup>5</sup>	Market price + 250
Vindeby	-	5	5	100%	5	Full	1991	Market price	NA	-
<b>Sub total</b>		<b>967</b>	<b>990</b>		<b>576</b>					
United Kingdom										
GWh	Partners	Park capacity, MW	Installed capacity, MW	DE ownership share, %	Owned capacity, MW	Consolidation	Commercial operational date	Subsidy regime	Subsidy expiry	GD, GBP/MWh (Real 2012)
London Array 1	E.ON, Masdar & CDPQ	630	315	25%	158	Pro rata	2013	ROC	2033	-
West of Duddon Sands	Scottish Power Renewables (Iberdrola)	389	389	50%	194	Pro rata	2014	ROC	2034	-
Walney 1&2	PGGM & Ampere, SSE	367	367	50,1%	184	Full	2011 and 2012	ROC	2032	-
Lincs	Centrica, Siemens PV	270	-	25%	68	One-line	2013	ROC	2033	-
Westermøst Rough	Marubeni & Green Investment Bank	210	210	50%	105	Pro rata	2015	ROC	2035	-
Gunfleet Sands 1&2	Marubeni & Development Bank of Japan	173	173	50,1%	87	Full	2010	ROC	2030	-
Barrow	-	90	45	100%	90	Full	2006	ROC	2025	-
Burbo Bank	-	90	90	100%	90	Full	2007	ROC	2027	-
Gunfleet Sands Demo	-	12	12	100%	12	Full	2013	ROC	2033	-
<b>Sub total, excl. parks under construction</b>		<b>2.231</b>	<b>1.601</b>		<b>987</b>					
Hornsea	-	1.218	1.218	100%	1.218	Full	2020 <sup>7</sup>	CFD	2036	140
Walney Extension	-	659	659	100%	659	Full	2018 <sup>7</sup>	CFD	2033	150
Race Bank	-	573	573	100%	573	Full	2018 <sup>7</sup>	ROC	2037	-
Burbo Bank Extension	Kirkbi, PKA	258	258	50%	129	Pro rata	2017 <sup>7</sup>	CFD	2032	150
<b>Sub total, incl. parks under construction</b>		<b>4.939</b>	<b>4.309</b>		<b>3.566</b>					
Germany										
GWh	Partners	Park capacity, MW	Installed capacity, MW	DE ownership share, %	Owned capacity, MW	Consolidation	Commercial operational date	Subsidy regime	Subsidy expiry period 1	Subsidy expiry period 2
Borkum Riffgrund 1	Kirkbi, William Demant	312	312	50,0%	156	Pro rata	2015	Fixed feed-in tariff	2023	2025 <sup>9</sup>
<b>Sub total, excl. parks under construction</b>		<b>312</b>	<b>312</b>		<b>156</b>					
Gode Wind 1	Global Infrastructure Partners	330	330	50,0%	165	Pro rata	2016 <sup>7</sup>	Fixed feed-in tariff	2024	2026 <sup>9</sup>
Gode Wind 2	PKA, Industriens Pension, Lærerenes- & Lærernes Pensjonskasse	252	252	50,0%	126	Pro rata	2016 <sup>7</sup>	Fixed feed-in tariff	2023	2026 <sup>9</sup>
Borkum Riffgrund 2	-	450	450	100,0%	450	Full	2019	Fixed feed-in tariff	2027	2029 <sup>9</sup>
<b>Sub total, incl. parks under construction</b>		<b>1.344</b>	<b>1.344</b>		<b>897</b>					
Holland										
GWh	Partners	Park capacity, MW	Installed capacity, MW	DE ownership share, %	Owned capacity, MW	Consolidation	Commercial operational date	Subsidy regime	Subsidy expiry	Fixed feed-in tariff, EUR/MWh
Borssele 1&2	-	700	700	100,0%	700	Full	2020/21 <sup>10</sup>	Fixed feed-in tariff	2035/2036 <sup>10</sup>	72,7
<b>Sub total, incl. parks under construction</b>		<b>700</b>	<b>700</b>		<b>700</b>					
Divested offshore wind farms, but constructed by DONG Energy <sup>1</sup>		106	106							
Totals										
		Park capacity, MW	Installed capacity, MW	Owned capacity, MW						
Total capacity for operational parks		3.510	2.903	1.719						
Total capacity operational parks incl. installed but divested farms		3.616	3.009	1.719						
Total installed capacity incl. parks under construction + divested farms		8.056	7.449	5.740						

1. Assets in operation and assets where Final Investment Decision has been taken

2. By December 31, 2015

3. The supplement depends on the development of market price and is increased pro rata – a market price below 260 DKK/MWh equals 100 DKK/MWh and over 360 DKK/MWh 0 DKK/MWh

4. DONG Energy has installed Middelgrunden (40 MW) and Avedøre Holme (10,8 MW), however DONG Energy has subsequently divested 50% of the turbines in Middelgrunden and one of the three turbines on Avedøre Holme. No partnerships on either of the parks

5. The first and second turbines reached approximately 14,600 and 20,200 full-load hours, respectively, by December 31, 2015

6. Kentish Flats (90MW), Frederikshavn (11MW) and Tunø Knob (5MW)

7. Expected year of commissioning

8. After expiry of fixed feed-in-tariff period in 2016, Nysted will receive market price + supplement dependent on the development of market price which is increased pro rata – a market price below 260 DKK/MWh equals 100 DKK/MWh and over 360 DKK/MWh 0 DKK/MWh

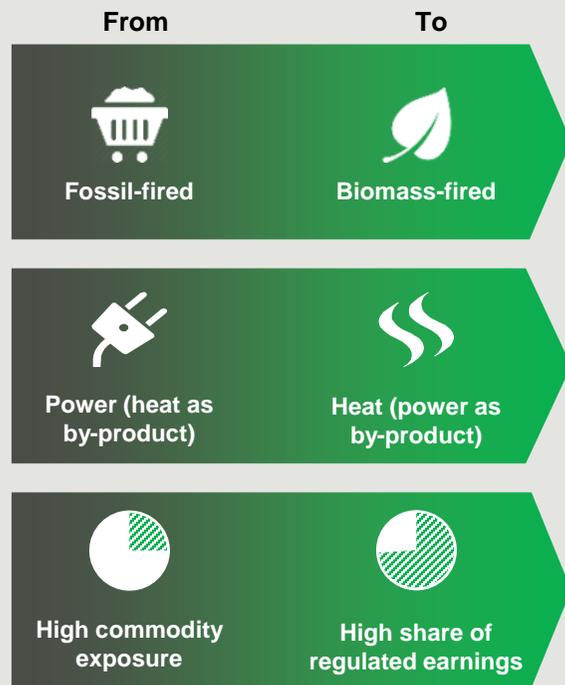
9. Floor price of 39 EUR/MWh for up to 20 years

# APPENDIX – BIOENERGY & THERMAL POWER



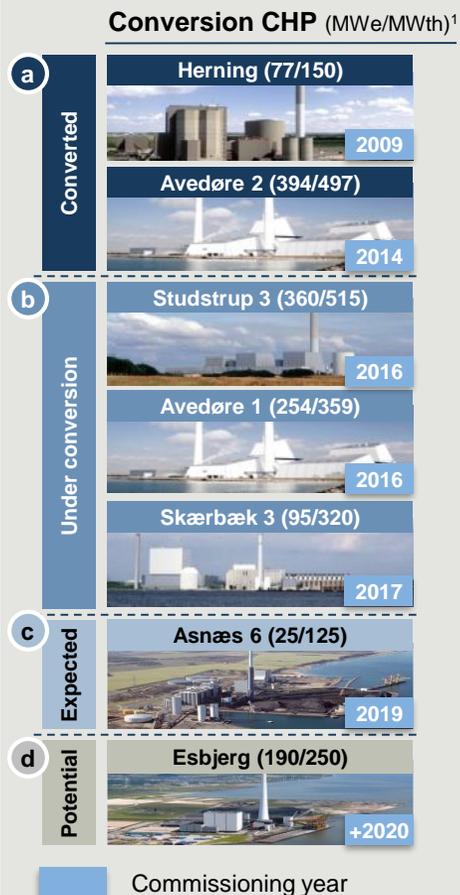
# Resilient heat production business with a growing contribution from converted biomass plants

## Transformation of business model is well underway

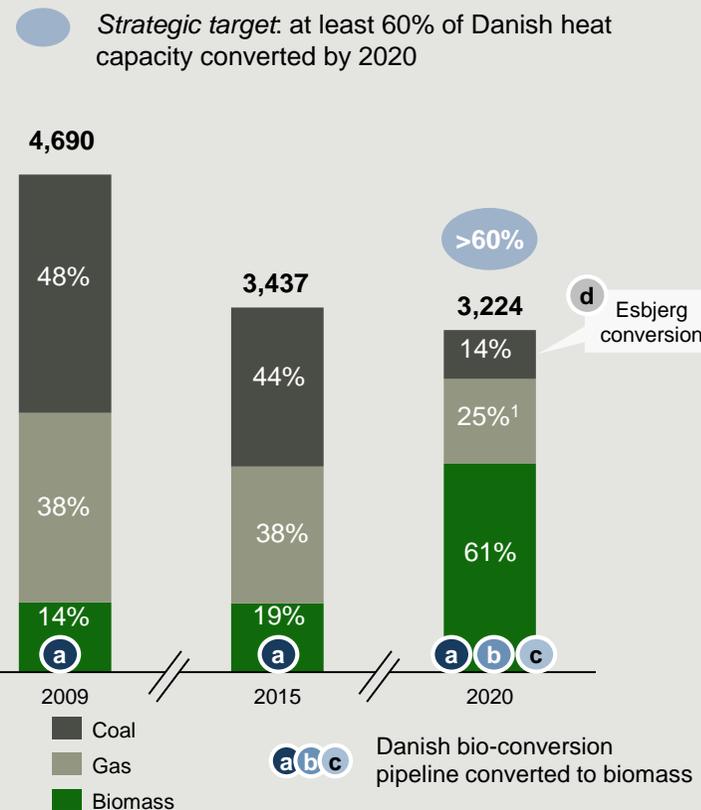


**A platform for growth – incubator for new bioenergy technologies**

## On track to meet ambitious biomass strategic target



## DONG Energy heat capacity per fuel type (MW, %)



1. H.C. Ørsted and Svanemøllen heat contracts expire 2025-2030

# Growth opportunities based on core capabilities in the bioenergy value chain

A range of growth opportunities are explored

Opportunity	Description	Country	Idea/Analysis	Maturation	Construction	Operation
<b>Conversions</b> 	Bio-conversions of fossil-fuel CHPs in Denmark and potentially abroad	 				
<b>REnescience</b> 	Enzymatic separation of organic and recyclable waste fractions	   				
<b>Biogas</b> 	Gas produced from low value biomass					
<b>Inbicon</b> 	Enzyme-based production of 2 <sup>nd</sup> generation bio-ethanol					
<b>Dedicated biomass</b> 	Biomass fired combined heat and power plants	 				



**REnescience**  
value from waste

## REnescience – enzyme-based separation of unsorted waste from households

Flexible and efficient:

- 1 No source separation – enzymes do the sorting
- 2 High recycling rates
- 3 High green gas yield

➤ A potential game changer for the waste sector

## REnescience Northwich: First commercial-scale plant following successful demonstration in Denmark

- 5 MW of baseload electricity generation (supported through Renewable Obligation Certificates)
- 120,000 tonnes of mixed waste processed per year
- Significant gate fee from receiving waste
- CoD 2017
- Total CAPEX of ~DKK 600 MM



# APPENDIX – DISTRIBUTION AND CUSTOMER SOLUTIONS



# Regulatory framework provides for stable earnings

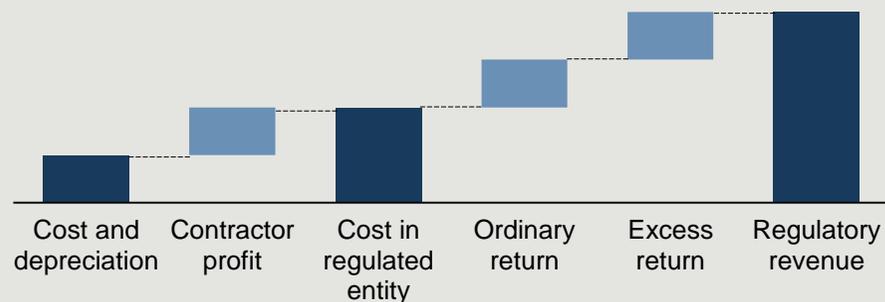
## Current regulation based on Revenue and Return Cap



- Cost-plus regulation capped by historical tariffs
- Exceed Revenue Cap – compensation to customers
- Exceed Return Cap – Revenue Cap will be reduced after 3 years

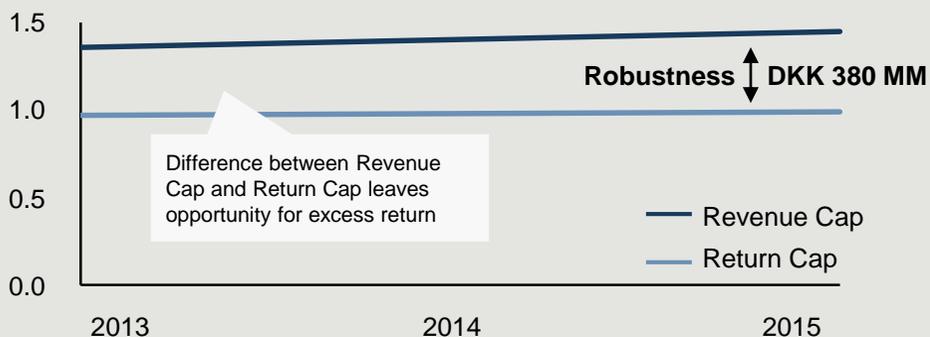
## Value creating business model

Illustrative



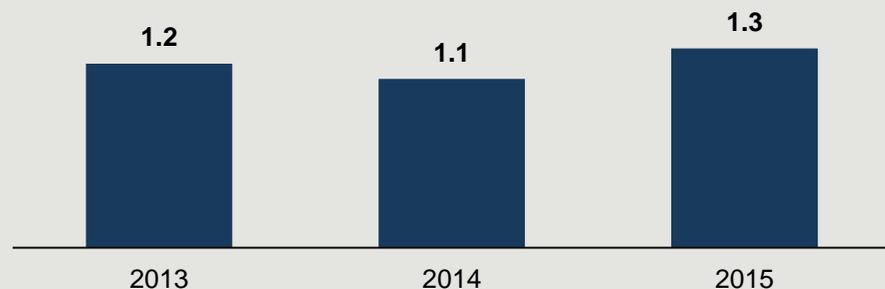
## Regulatory framework allows for tariff optimisation

Implied EBITDA  
DKK Bn



## Stable earnings

Power Distribution EBITDA  
DKK Bn



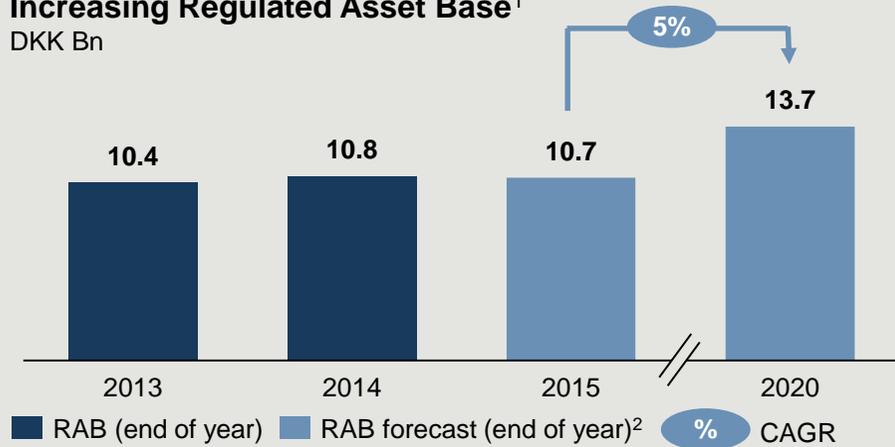
1. Revenue Cap is equivalent to the Danish regulatory term 'Indtægtsramme'

2. Return Cap is equivalent to the Danish regulatory term 'Forrentningsloft'

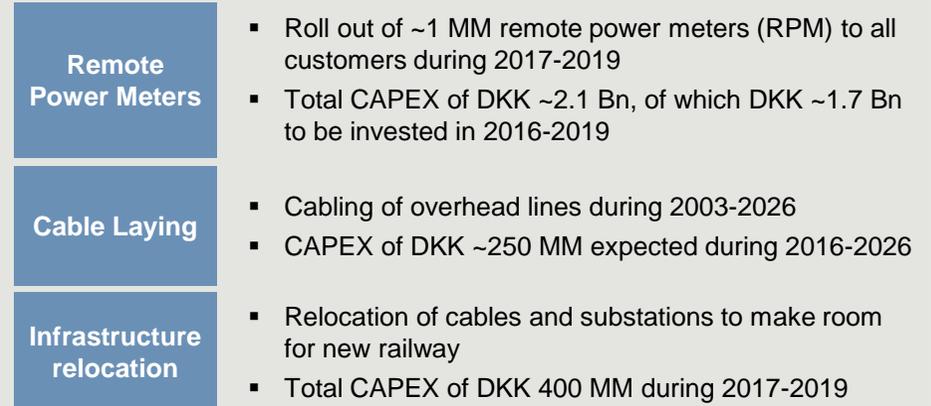
# Continued asset base growth and focus on efficiency

## Increasing Regulated Asset Base<sup>1</sup>

DKK Bn

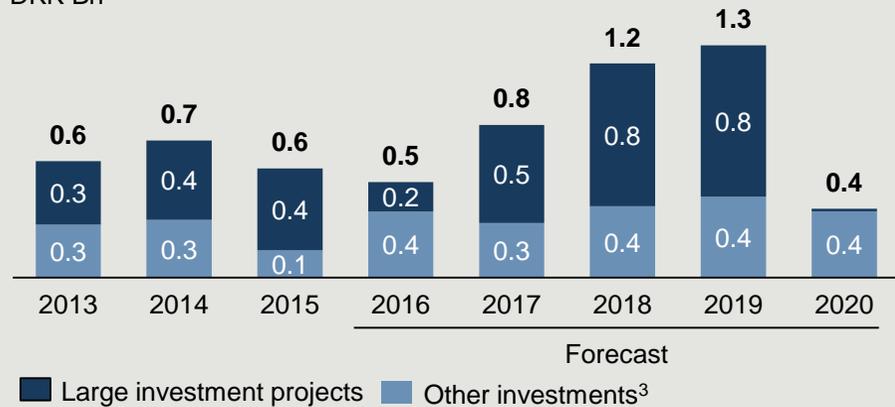


## Large investment projects increase RAB



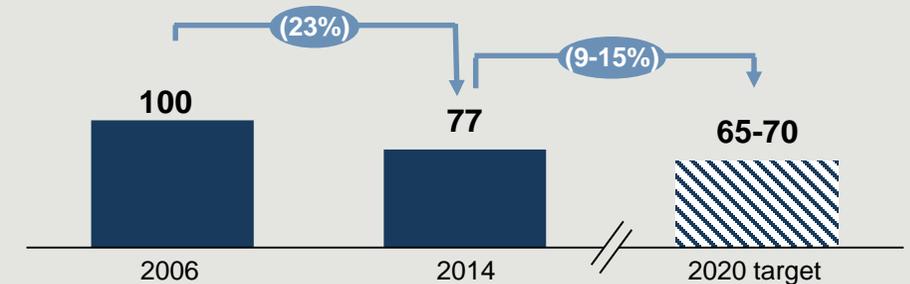
## Larger investments drive RAB growth

DKK Bn



## Continued focus on efficiency

Index OPEX and maintenance CAPEX



1. Under new regulation RAB will be inflation adjusted in each period

2. Investments in Regulated Asset Base are acknowledged as an investment when put into use, not when the cash is spent. Assets under construction of DKK 0.5 Bn not yet included in RAB end of 2015

3. Other investments includes reinvestments, new connections and other investments

# APPENDIX – OIL & GAS



# Strategic focus on cash generation

Current transformation will result in a lean, cash generating business

## Reducing costs

- **Significant cost reductions**
  - *targeted overhead reductions*
  - *contract negotiation*
  - *activity adjustments & headcount reduction*
  - *Increased efficiency*
- **Exploration and appraisal**
  - *investments kept to a minimum*

## Optimising portfolio

- **Divest, defer or farm-down non-core assets**
- **No new developments<sup>1</sup>**
- **Review operator roles**
- **Reshape and resize our organization**
- **Preserving value and optionality**

O&G's existing production is already very cost efficient

## Lifting cost

- Attractive lifting cost across portfolio
- 6.4 USD/BOE in 9M 2016
- Reduced with more than 25% since 2013

## Breakeven

- Competitive cash flow breakeven of ~35 USD/BOE

## Hedging

- Strong hedging position
- 2016 and 2017 production almost fully hedged
- USD 80/bbl for oil and 20 EUR/MWh for gas

## Safety

- Delivering transformation while still bringing LTIF down to an impressive zero
- No LTI's the last 18 months

1. Investments will be focused towards field extensions or build-out near existing producing assets and already initiated developments, including at or in the Hejre area

# Optimising the portfolio

## Divestment of Trym, Oselvar, Tambar and Ula

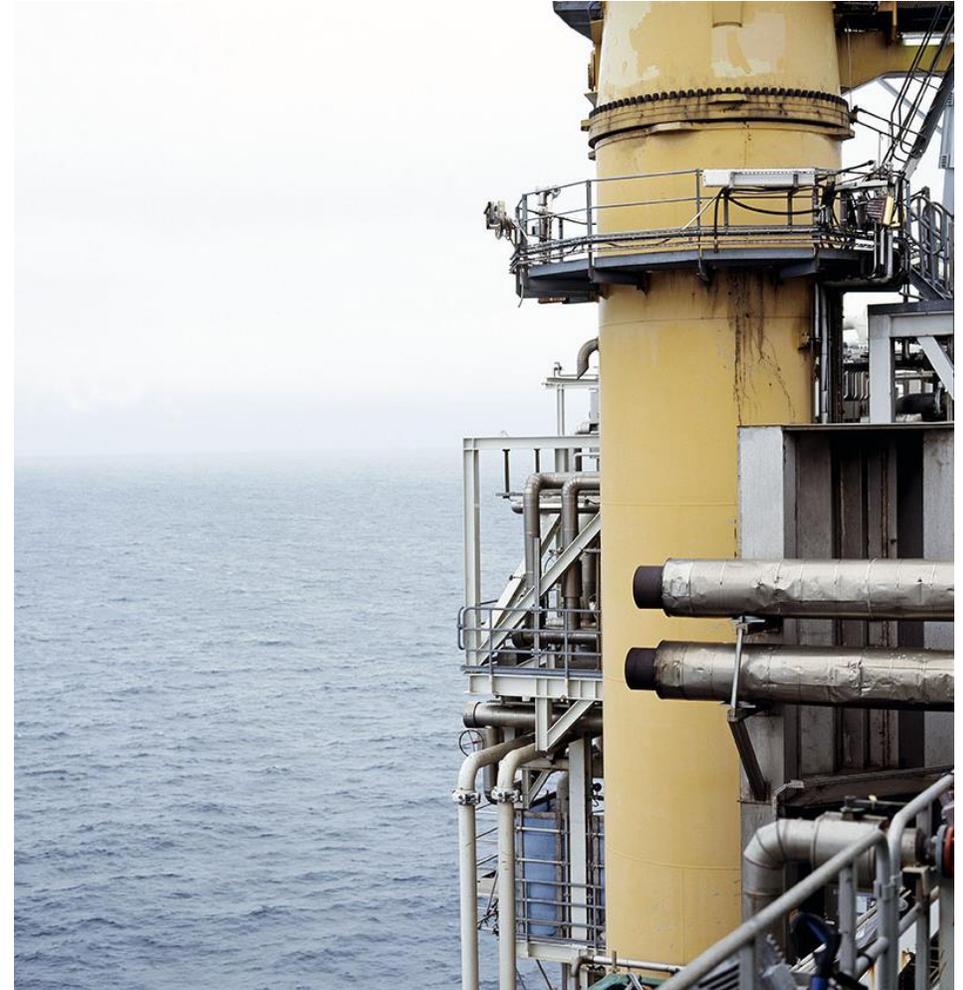
*DONG Energy and Faroe Petroleum Norge A/S signed an agreement to divest its ownership shares in Trym, Oselvar, Tambar (incl. Tambar East) and Ula in July 2016.*

### Key business objectives

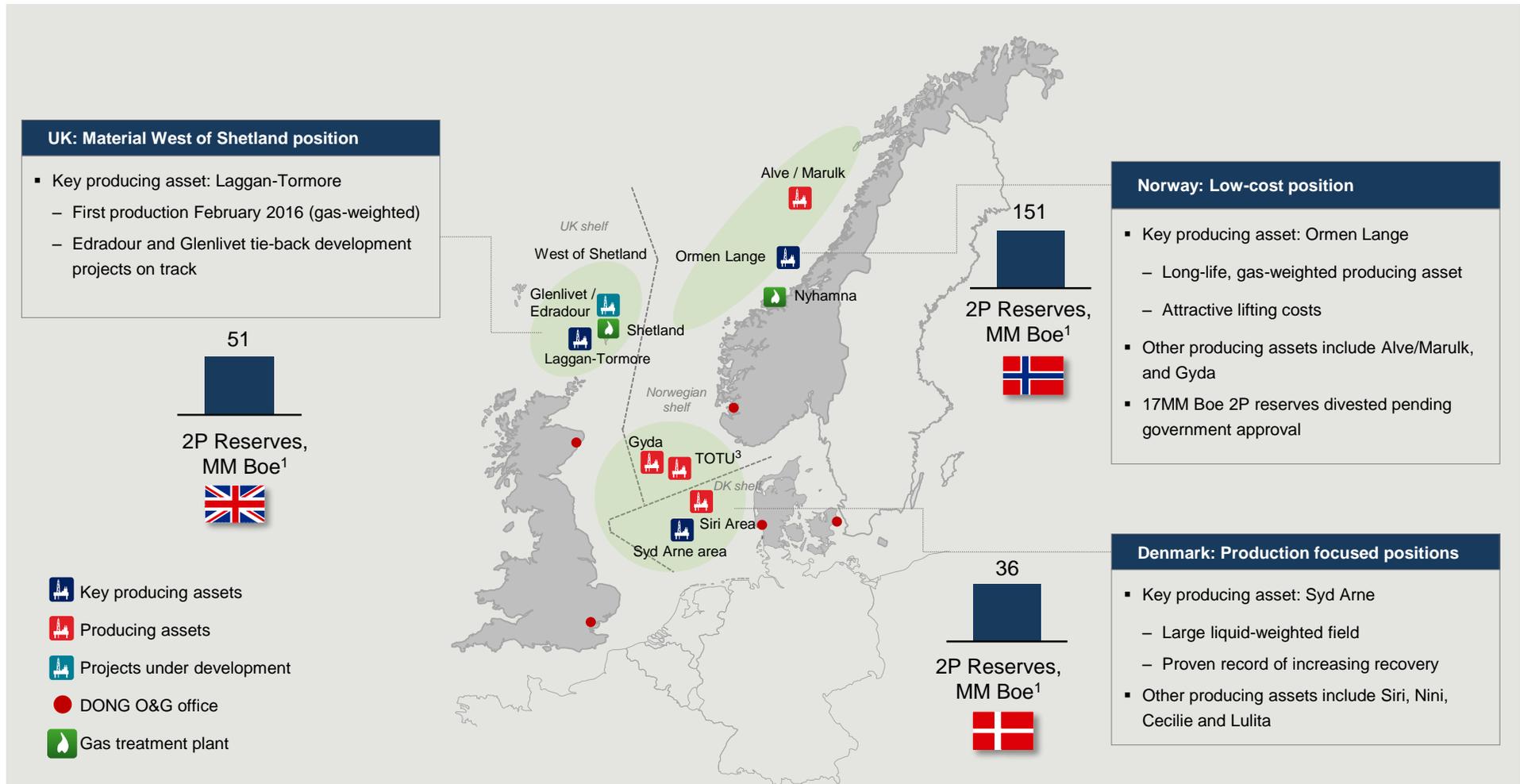
- Support O&G's strategic targets and Value Center Strategy
- De-risk portfolio and reduce future demand on capital
- Stronger Norwegian portfolio and leaner focused organization
- Reducing portfolio lifting cost

### Deal details:

- Transaction value of 469 mDKK
- Combined production of ~10,000 boe/day (O&G share)
- Transaction approved by Norwegian Authorities before end-16



# Low-cost, low-risk asset portfolio centred around three high-quality assets with 2P reserves of 238 MM Boe<sup>1,2</sup>



1. DONG Energy 2P reserves as of 31 March 2016

2. Pre FID development licences and exploration licences not presented on the map

3. Currently awaiting divestment transaction approved by Norwegian Authorities of Ula, Tambar, Tambar East, Oselvar and Trym

## Project status

- The platform EPC contract has been terminated. As a result, the platform will not be completed and the Hejre project in its current form has been stopped
- DONG Energy will be controlling the termination process and will assume potential financial up- and downsides arising out of the EPC contract and the termination process
- In Q1 2016 DONG Energy carried a provision of DKK 2.5 Bn. to cover risks associated with the discontinuation of the Hejre project, which included an elimination of the stabilisation plant
- The provision was recognised as onerous capital expenditure contracts of DKK 1.1 Bn., other provisions of DKK 0.8 Bn. and decommissioning provisions of DKK 0.7 Bn
- Other provisions of DKK 0.8 Bn. was recognised in EBITDA in Q1 2016, however the total provision relating to the Hejre project was not affected as a corresponding reversal of the previous provision recognised at year end 2015 for onerous capital expenditure contracts was made

## Two possible scenarios for the license going forward

DONG Energy and Bayerngas will jointly assess if the license should be abandoned or a redevelopment could lead to a commercially viable project

1

### Abandonment

- DONG Energy's assessment is that the Q1 2016 provision will provide sufficient coverage in an abandonment scenario

2

### Monetisation through redevelopment

- If an economically attractive solution can be found, DONG Energy will seek to monetise the project in the best possible way
- In any redevelopment option, DONG Energy will seek to reduce equity exposure and review a new operatorship model