

DONG ENERGY IN THE UK
















LEADING THE ENERGY TRANSFORMATION

February 2016

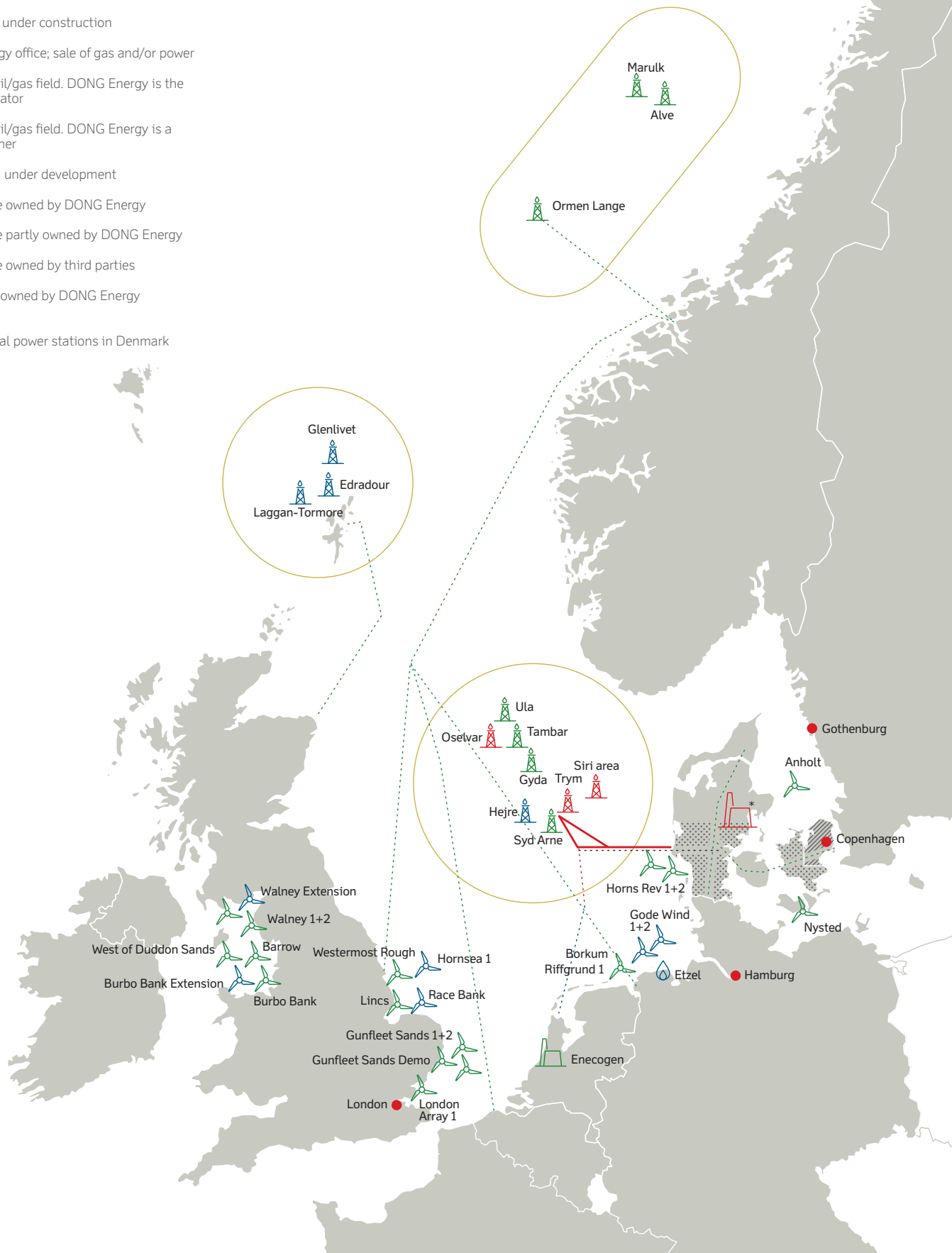


DONG
energy

DONG Energy at a glance

-  Power distribution
-  Gas distribution
-  Leased gas storage facility
-  Heat and power generation*
-  Power generation, gas-fired power station
-  Wind power in operation
-  Wind power under construction
-  DONG Energy office; sale of gas and/or power
-  Producing oil/gas field. DONG Energy is the licence operator
-  Producing oil/gas field. DONG Energy is a licence partner
-  Oil/gas field under development
-  Gas pipeline owned by DONG Energy
-  Gas pipeline partly owned by DONG Energy
-  Gas pipeline owned by third parties
-  Oil pipeline owned by DONG Energy

* Nine central power stations in Denmark





UK Country Chairman Foreword

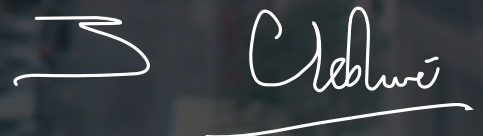
It has been another landmark year for DONG Energy in the UK. We have celebrated the inauguration of our eighth UK offshore wind farm, Westernmost Rough Offshore Wind Farm, a world pioneering project, which has taken our UK installed capacity to over 2GW, providing enough green electricity to power almost 2 million UK homes annually. We have also reached a milestone in our Oil & Gas business with first gas produced from Laggan Tormore in February 2016.

At DONG Energy we believe that green energy must become cheaper than black energy within the next decade. We are working hard to build green, reliable and efficient energy systems in the markets where we operate.

Since 2004, we have invested over £6 billion in the UK through expansion of our offshore wind portfolio, continued development of our oil and gas activities in the West of Shetland region and introduced new flexibility solutions for our business customers. As a company, we are working hard to reduce the cost of electricity from offshore wind by driving down costs at every stage of the process.

At the same time, we are helping to develop a sustainable UK supply chain, through employing local firms and working with our suppliers to invest in new UK facilities, such as MHI Vestas' blade facility on the Isle of Wight, Siemens' Green Port Hull facility and Offshore Structures Britain (OSB) in Teesside, which will supply some of the components for our Burbo Bank Extension and Walney Extension projects.

The UK is a key market for DONG Energy and our decision to take forward a further three offshore wind projects (Hornsea Project One, Race Bank and Walney Extension), in addition to our acquisition of the whole of the Hornsea offshore zone earlier this year, highlights our long-term commitment to 2020 and beyond. In this report you can read about our most notable sustainability efforts in the UK.



Brent Cheshire
UK Country Chairman,
DONG Energy UK

DONG Energy is rapidly expanding in the UK. With fewer than ten employees in 2004, we have grown to almost 700 today. We are the global leaders in the development of offshore wind power and the UK is our largest market. In the UK, we also continue to develop oil and gas resources, provide flexibility solutions to gas and electricity industrial and commercial customers, and are in the process of introducing our new energy from waste technology.

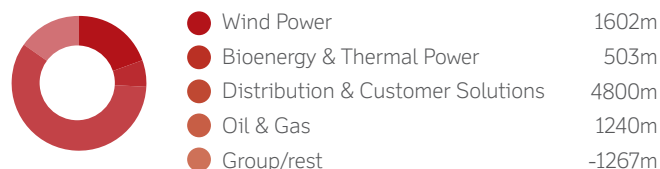
We have an ownership share of 7.5% of all renewable generation installed in the UK and around 43.8% of all the offshore wind farms currently installed in the UK. We have a strong UK presence, with

national headquarters in London and other office locations in Aberdeen, Liverpool, Barrow, Grimsby, Brightlingsea and Ramsgate.

Our group performance 2015

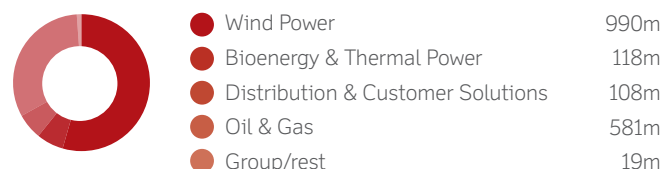
Revenue:

6.9bn_{GBP}



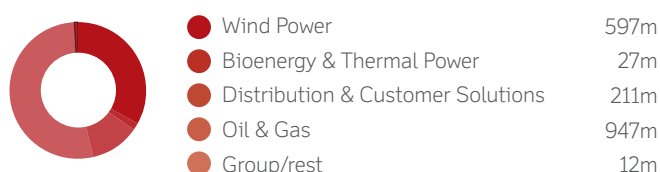
Gross Investments:

1.8bn_{GBP}



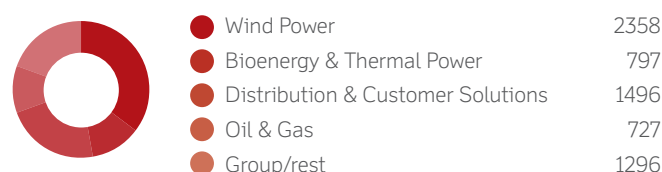
Operating Profit (EBITDA*):

1.8bn_{GBP}



Employees:

6,700



Our Sustainability Strategy

The four priority areas that make up our Sustainability Strategy are:



'Reliable energy'. Maintaining and developing the energy system is the foundation for our business and helps to provide our customers with reliable energy.



'Environmental and climate impact'. When we work to reduce our environmental impact and convert to green energy, we help to preserve the environment and avoid serious climate change.



'People matter'. By advancing the satisfaction, motivation and development of our employees, we are better able to attract and retain talented people.



'Sustainable communities'. When we seek to contribute positively to the societies we are a part of, we help generate the necessary support from our stakeholders.

Further information on our Sustainability Strategy can be found in our "DONG Energy in society – Sustainability report 2015" located on our website: www.dongenergy.com

Reliable energy



How are we renewing the energy supply?

The UK, based on government targets for 2020 and beyond, faces the challenge of ensuring the nation's energy demands are met during its transition to a low-carbon economy.

At DONG Energy we are working to build green, reliable and efficient energy systems in the markets where we operate. We are on course to double our offshore wind capacity by 2020 with three offshore wind projects currently in the construction phase. They include Hornsea Project One which, at 1,200MW, will be capable of meeting the electricity needs of over 1 million UK homes.





Development of offshore wind power

DONG Energy has more than 20 years' experience in the development, construction and operation of offshore wind farms. We have achieved a leading market position in the offshore wind power industry and have developed some of the largest offshore wind farms in Europe.

The UK is DONG Energy's primary market for developing offshore wind and we have secured a strong pipeline of projects, which will enable us to meet our 2020 target.

Reducing the cost of offshore wind

We have set ourselves the ambitious target of reducing the cost of electricity from our offshore wind projects by 35-40% to €100/MWh, subject to final investment decisions in 2020. We are well on track.

To achieve this objective, we are focusing on three key areas: standardisation of wind farm components, technological innovation and improving efficiency.

The visibility of future projects has given us, and our suppliers, the confidence to invest in and support new technological developments such as larger turbines. In 2013, we worked with Siemens at Gunfleet Sands to trial their new 6MW turbines for the first time offshore. The knowledge gained from this experience enabled us to install the same turbines at our Westermost Rough Offshore Wind Farm (now operational) more efficiently.

DONG Energy continues to be at the forefront of the step-up to next generation 6-8MW turbines, which have been a key driver in recent cost reductions across the sector. We plan to commercially install MHI Vestas 8MW turbines at our Burbo Bank Extension project due to be commissioned in 2017.

Our 2020 target



By 2020, our target is to have installed 6.5GW of offshore wind. That is enough green power for 16 million Europeans.

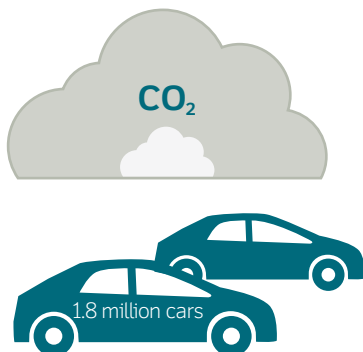


Our installed capacity



The installed capacity of DONG Energy's offshore wind farms in the UK have the potential to power almost 2 million UK households for one year.¹

Reducing our CO₂ emissions



Our wind farms in the UK are helping to offset UK CO₂ emissions.

The emissions saved by the electricity generated from our offshore wind farms equates to taking 1.8 million cars off UK streets for one whole year.²

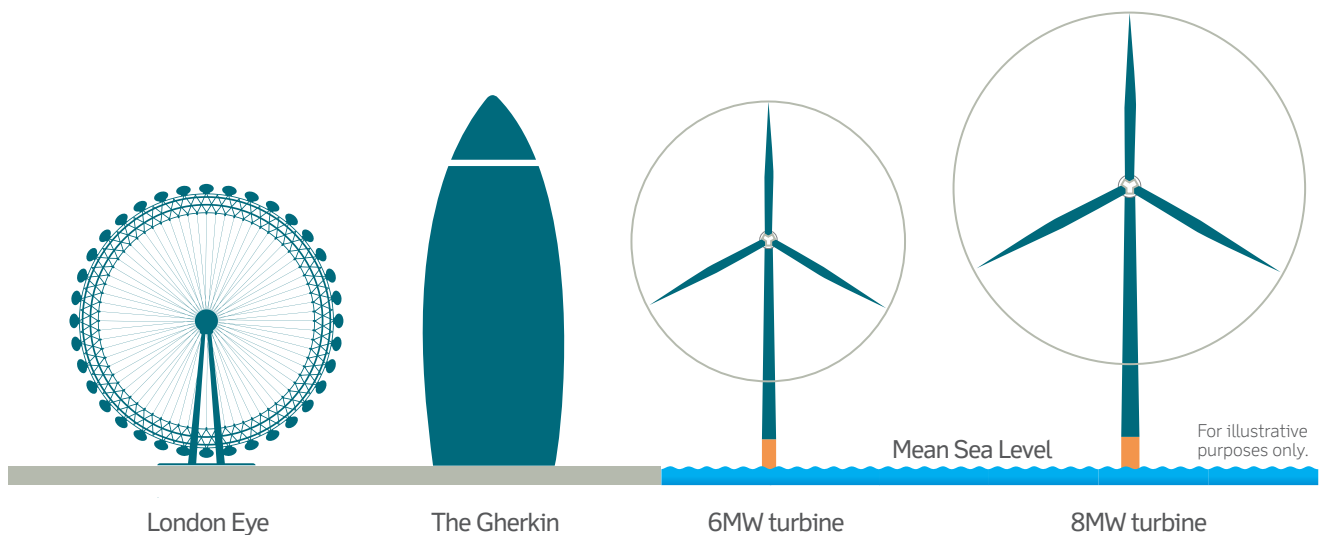
A lower cost



Compared with 2012, we will reduce costs by 35-40% for offshore wind farm projects subject to final investment decisions in 2020.

¹ We have based this on a load factor of 42% and a household consumption of 4.1MWh per year.

² This figure assumes a load factor of 42%, and a CO₂ emissions factor of 430g CO₂ / kWh and an emissions saving per car of 1909 tons CO₂ / year.



Optimising business energy consumption with flexibility solutions

Improving the sustainability and affordability of energy while maintaining security of supply are key parts of the Government's strategy and fundamental for the future success of the UK energy landscape.

Working in partnership with our business customers, DONG Energy develops a range of solutions to help UK businesses to reduce energy consumption, energy costs and carbon emissions. We are also helping customers unlock flexibility in their energy consumption to reduce their costs by optimising when and how they consume energy.

DONG Energy's Power Hub technology optimises a customer's energy consumption and production against a wide array of market signals, as well as the operating constraints of a company's plant assets. Power Hub produces optimum run schedules each day to inform the customer of how best to operate in order to minimise exposure to high energy prices. This provides a tangible, resource-light way for energy professionals to access their flexibility and reduce energy costs. We believe that by using this technology, some customers have the potential to reduce their energy costs by 5-8% per annum.

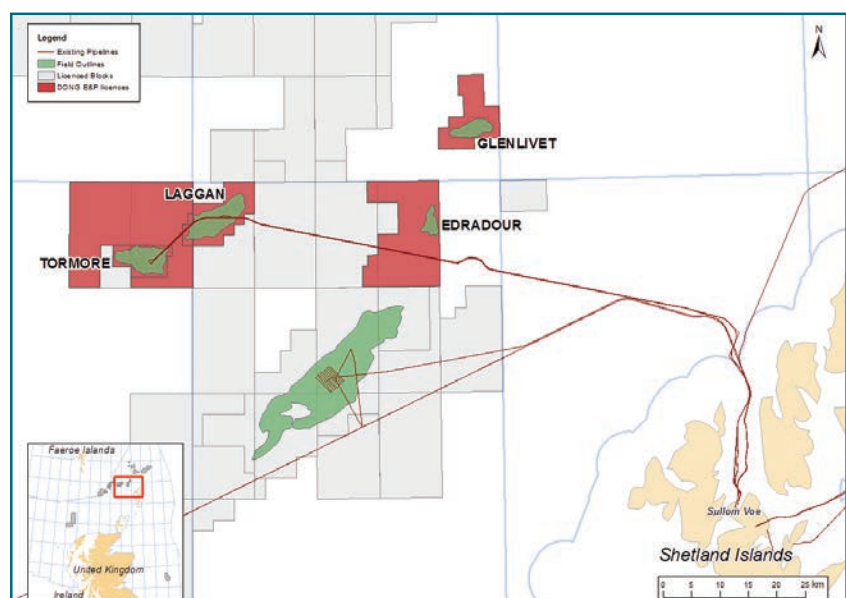
West of Shetland: First gas at Laggan-Tormore

While we build out green energy, DONG Energy understands that oil and gas will be essential for the foreseeable future.

In February 2016, DONG Energy welcomed the commencement of gas production from the Laggan-Tormore fields, which is being developed in partnership with TOTAL as operator and SSE. Laggan-Tormore has been a pioneer project to develop new infrastructure and to secure gas production from this frontier area of the UK Continental Shelf. Work is also

well underway to bring the next generation of fields forward, building on hub potential to deliver long-term value.

Over the past year, significant progress has been made in advancing the Edradour and Glenlivet Projects, which will see these two fields developed as subsea tie-backs to the Laggan-Tormore infrastructure. When on stream, the Edradour and Glenlivet fields will sustain production through the Shetland Gas Plant, maintaining the long-term operation jobs based on Shetland.



Cable length



If all the pipelines and umbilicals to be installed as part of the Laggan-Tormore and Edradour-Glenlivet Projects were laid end-to-end, they would cover 1127km, which could span the distance between London and Copenhagen.

Climate and environmental impact



How do we minimise our climate and environmental impact?

Energy production and respect for nature must go hand in hand. In the UK, we are helping to reduce CO₂ emissions by building offshore wind farms and investing in new technologies that will produce energy from waste.

However, we are aware that environmental impact is not only about greenhouse gas emissions. To us, it is also about improving energy efficiency, protecting biodiversity and minimising our waste.





REnescience

In recent years, UK recycling performance has improved significantly. However, millions of tonnes of waste are still sent to landfill sites every year. REnescience Northwich is a bioresource management project which will recover resources from waste and generate renewable electricity through treatment with enzymes, mechanical sorting and anaerobic

digestion. The plant will be the first large-scale plant in the world, and will be financed, built and operated by DONG Energy. Expected to be operational in 2017, the plant will have an annual capacity of 120,000 tonnes of waste, which is equivalent to the waste from almost 110,000 UK households.

REnescience is gentler and simpler than many conventional waste processing technologies and has a high recovery rate of biomass and cleaned recyclable materials, which is good for the environment.



Voluntary bird research – Gulls, geese and shearwaters

DONG Energy is working in partnership with leading conservation bodies – British Trust for Ornithology (BTO) and the Wildfowl and Wetlands Trust (WWT) – to learn more about how birds respond to offshore wind farms. As part of our commitment to minimise the impact on the natural environment, DONG Energy has agreed with Natural England and the Marine Management Organisation to fund innovative bird research using GPS tags to record the movement of birds within and around our soon to be built Walney Extension and Burbo Extension offshore wind farms.

The research program proposed by the BTO will look at gulls from the South Walney

breeding colony in Cumbria, and potentially birds nesting in towns such as Barrow outside of the colony, and seek to answer questions about where these birds forage for food, how they use the wind farm areas, their flight speed, flight height and night time flights.

The research program proposed by the WWT will seek to place neck tags on pink-footed geese to better understand the migration routes these birds follow and how they navigate through offshore wind farms. Subject to agreeing project details, these programmes could begin as soon as summer 2016.



Lesser black-backed gull on ground with monitoring tag on its back © Gary Clewley, British Trust for Ornithology.

People matter



How do we promote safety within a diverse and highly motivated working environment?

As an energy company, many of our employees work with large structures and machines at sea where strong forces of nature are at play. Safety is our licence to operate, and ensuring that everyone returns home safely every day is vital.

We focus on maintaining a healthy and diverse working environment at DONG Energy that both motivates our employees and helps them to develop their competences.

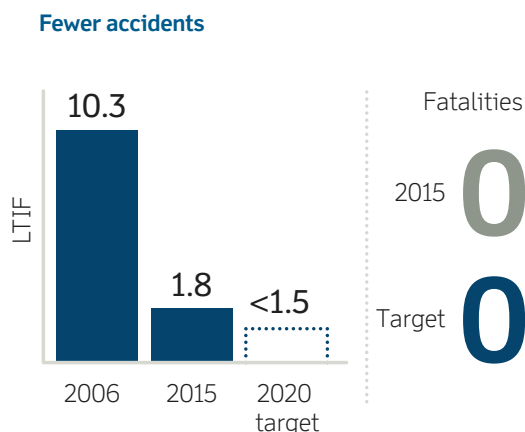




Safety is our licence to operate

Safety is an integral part of our work. Our target is to reduce 'Lost Time Injury Frequency' (LTIF*) to less than 1.5 per million hours worked by 2020, and we are well on track. In 2015, we had an LTIF of 1.8, with two thirds of accidents occurring among contractors.

We are constantly working to increase safety, focusing on three areas: Firstly, we are strengthening our safety culture, including our managers' commitment and ability to be role models for safety. Secondly, we want to improve our collection of the data providing us with the knowledge to be better able to prevent accidents, and lastly, we want to work with our suppliers to ensure a high common safety level.



Fatalities Our target is an LTIF* of less than 1.5 by 2020.



We are on the right track with a continuous reduction of the injury frequency since 2006. In 2015, we had an LTIF of 1.8 with two thirds of accidents among contractors.

An office employees can be proud to work in



In October 2015, DONG Energy's London employees moved office to 5 Howick Place, bringing all of the UK business units together for the first time under the same roof.

Our ambition was to ensure that the office lived up to our wider company ambitions. The contractors' brief was to build an environmentally sustainable office and this was at the heart of all the decisions we made. Just as in Wind Power, we are working hard to increase local content and looked to involve local companies in the process. We also implemented a plan to reduce the volume of waste, by making sure we either rehomed or recycled any furniture that was no longer of use.

Our office move team worked hard to create a sustainable office environment, which employees can be proud to work in and this has been recognised with the office gaining SKA Gold rating.⁴

The DONG Energy Challenge



In 2015, over eighty DONG Energy employees working on our West Coast projects, including members of the Siemens and MHI Vestas teams, competed in a number of sports events as part of the DONG Energy Challenge to improve team work and increase wellbeing.

DONG Energy's forty riders in the Tour De Furness all finished the 50 mile ride. Forty employees attempted either the Coniston to Barrow (23 mile) or Keswick to Barrow (40 mile) walks, and DONG Energy's very

own Grant Johnson came in with the winning time of 4 hours and 12 minutes, 2nd best in the event's history. All but one out of twenty three participants completed the gruelling 1 mile Great North Swim.

In total, the events raised over £9000, supporting a number of local charities, as well as The Barrow Rotary Club, St Mary Hospice, Cancer Research and Kidney Research.

*Lost Time Injury Frequency' (LTIF) and is the number of accidents resulting in absence of one day or more per million working hours. The figure includes both DONG Energy employees and contractor employees working on sites either owned or operated by DONG.

⁴ An environmental assessment tool for sustainable office fit outs.

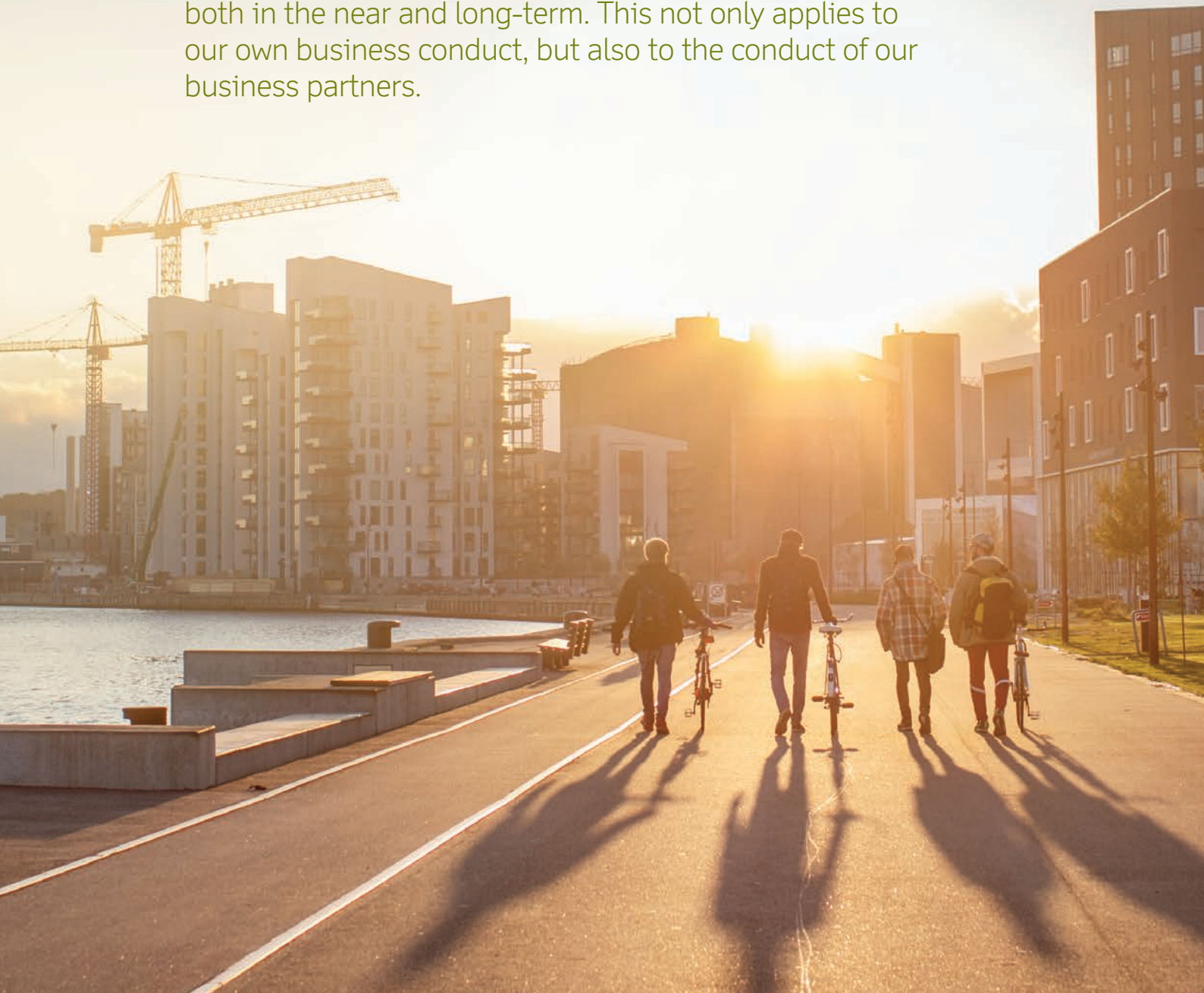


Sustainable communities

How can we be a good corporate citizen within our local communities?

Naturally, when we invest large amounts of money into energy infrastructure, local communities expect these investments to have a positive impact locally.

As a responsible company, we want to ensure that we make a positive contribution to our local communities both in the near and long-term. This not only applies to our own business conduct, but also to the conduct of our business partners.





Sustained Skills Programme

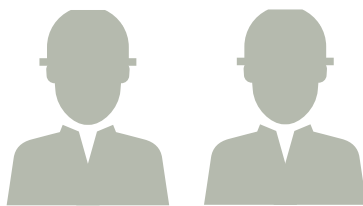
In 2014, anticipating the increasing demand for technicians with industry-specific skills, DONG Energy joined forces with Maersk to give people a head start in offshore wind by offering valuable training and hands-on experience. Six people from the Maersk course had placements with DONG Energy, one of whom is now working full-time at Walney Offshore Wind Farm.

Following on from last year's success, we decided to repeat this support, providing placements to a further six people and covering the cost of accommodation for their twelve week Maersk training course in Newcastle. The six trainees completed placements at a number of our west coast offshore wind farms, including Barrow, Walney and West of Duddon Sands.

“ *A second successful year again for the work placements, a number of whom have already secured employment in the sector following their time with DONG Energy. It's really pleasing to see local talent secure employment.* ”

Adrian Macklin,
Head of Walney Operations

Creating skilled jobs across our projects



Between 250-1,000 people are involved in the construction of our projects.

Once complete, the operation and maintenance of each wind project employs between 35-100 people for the 25 year lifespan of the project.

Regeneration of the Grimsby Dock area

In the 19th century, Grimsby Dock was home to a thriving fishing industry, which reached its peak in the early 20th century before abruptly declining in the 1970s and 1980s. As the industry declined, so did the docks and, although some parts of the town's fishing legacy remain, it has left a number of factories and large areas of the docks unused.

After a prolonged period of economic decline, the potential for offshore wind in the North Sea provoked renewed interest in the Humber region. In 2013, DONG Energy arrived in Grimsby, establishing the construction base for our Westernmost Rough Offshore Wind Farm at the Fish Docks. Just two years later,

DONG Energy celebrated the inauguration of Westernmost Rough Offshore Wind Farm in the newly built Operations & Maintenance (O&M) facility on the Royal Dock, under the shadow of the iconic Grimsby Dock Tower.

Our investments in facilities like the O&M base, which will provide over 100 full-time jobs for the lifetime of the Project (25 years), is helping to fuel local economic growth in the area and this is just the beginning. Today the docks are a hub of activity: most of this is the result of the endeavours of the offshore wind industry, which has found a welcoming home in Grimsby and the locals who support it.

Our investment in the Humber



£6 billion

Over the period 2013 to 2019, DONG Energy is investing £6 billion into our projects in the Humber region. This will on average support 1,600 construction jobs between 2015 and 2020, and up to 500 long-term O&M jobs from 2020 onwards.

Working in collaboration with academic institutions to support new research

At DONG Energy, we recognise the importance of investing in students and academic research. We have a strong track-record of collaboration with Durham University at all levels and this year, to celebrate this strengthening partnership, DONG Energy signed a Memorandum of Understanding for further research and collaborative engagement.

Since 2011, we have funded 'top-ups' for Masters Students at Durham (eight Masters Students in Renewables so far), and have provided full sponsorship for one Masters

Student at Imperial College per year. Last year a number of students undertook projects in our London E&P office; one on Geoscience and the other in Business Management, and we currently have two full-time employees who have come through our partnerships with Durham University and Imperial College.



Durham Energy Institute

“ *Having the opportunity to engage in a pressing issue for a national energy company in a rare market downturn was an exciting prospect to take on. I chose DONG Energy because I wanted to immerse myself in an environment where I could truly learn and develop my interest in upstream oil and gas from a leading, forward-thinking E&P company.* ”

Charles Miller-Stirling,
Previous student at Durham University

Supporting lifeboat search and rescue services



In 2015, DONG Energy signed a partnership with the Royal National Lifeboat Institution⁵ (RNLI) to make a major contribution to the lifeboat running costs of six RNLI stations across the UK (Barrow, Clacton-on-Sea, Humber, New Brighton, Ramsgate and Wells).

As a company operating at sea ourselves, we know all about the extraordinary support that the RNLI provides to coastal communities and are fully committed to making a positive contribution to the local areas in which we operate. The partnership will initially cover a two year period, during which time we will make a financial contribution of £120,000.

“As a charity, the RNLI relies on donations to be able to carry out its lifesaving work around the coast of UK and Republic of Ireland, so we are grateful to DONG Energy for its generosity in making a significant contribution to the lifeboat running costs of these six lifeboat stations.

In doing so, the company will be directly helping our volunteer crews to save lives at sea. In 2015, we rescued an average of 22 people every day and saved 348 lives. DONG Energy’s donation will be felt most by our volunteer lifeboat crews and those they rescue.”

Leesa Harwood,
RNLI Community Lifesaving and Fundraising Director



Community Benefit Funding

DONG Energy wants to support the local communities near our wind farms. Voluntary Community Benefit Funds make a valuable contribution to local areas by supporting projects such as community building improvements and recreation facilities, conservation and wildlife projects and sporting activities.

We have committed to a Community Benefit Fund for both our Burbo Bank Extension Project near Liverpool and Walney Extension Project near Barrow in Furness (both under construction). The funds will be worth up to £225,000 and £650,000 per year over the lifetime of the wind farms (25 years) respectively. Both funds will be managed and reviewed annually by the independent, not for profit funding organisation, Grantscope to ensure they are being used effectively.

For more information on the two funds please visit:
www.grantscope.org.uk

For more information on our Local Community Engagement Policy please visit our website:
www.dongenergy.com



Liverpool Bay – our precious resource

The Wildlife Trust for Lancashire, Manchester and North Merseyside is a local wildlife charity, working to protect wildlife for the future. They work in partnership with others to actively survey, manage, campaign and protect our land and seascapes.

The trust has been awarded a grant of £20,000, in the first allocation round of the Burbo Bank Community Benefit Fund. This will support one full-time Project Officer, who will deliver a programme of inspirational and engaging marine activities to help raise awareness about the importance of marine life in Liverpool Bay.

Supporting the development of a sustainable UK supply chain

Our UK projects are helping to provide opportunities for UK industry, contributing to sustaining skilled jobs in the manufacturing sector and bringing increased investment to coastal regions.

West of Shetland

Our most recent investments in the West of Shetland region, in the Edradour and Glenlivet developments, are helping to provide opportunities for UK industry and contributing to sustaining skilled jobs in the manufacturing sector.

- The project's subsea control umbilicals, totalling 56km in length, are being manufactured by Technip Umbilicals in Newcastle, England.

- In Invergordon, Scotland, bespoke equipment manufacturer Isleburn is fabricating 535 tonnes of specialist subsea structural assemblies.



Brenig

In January 2015, UK based firm Balfour Beatty were awarded a £12 million contract to develop an onshore substation for our Burbo Bank Extension Project. Balfour Beatty is working in partnership with local North Wales Conwy firm, Brenig Construction, on what is their largest project since their foundation in 2012. The contract, valued at around £3.5 million, includes elements such as the reinforced concrete works associated with the technical substation equipment, drainage and access roads.



JDR Cables

In June 2015, DONG Energy signed a framework agreement with JDR to manufacture array cables, connectors and hang-offs, and provide termination and testing for a minimum of three offshore wind projects, one of which is DONG Energy's Race Bank Project, on the East coast.

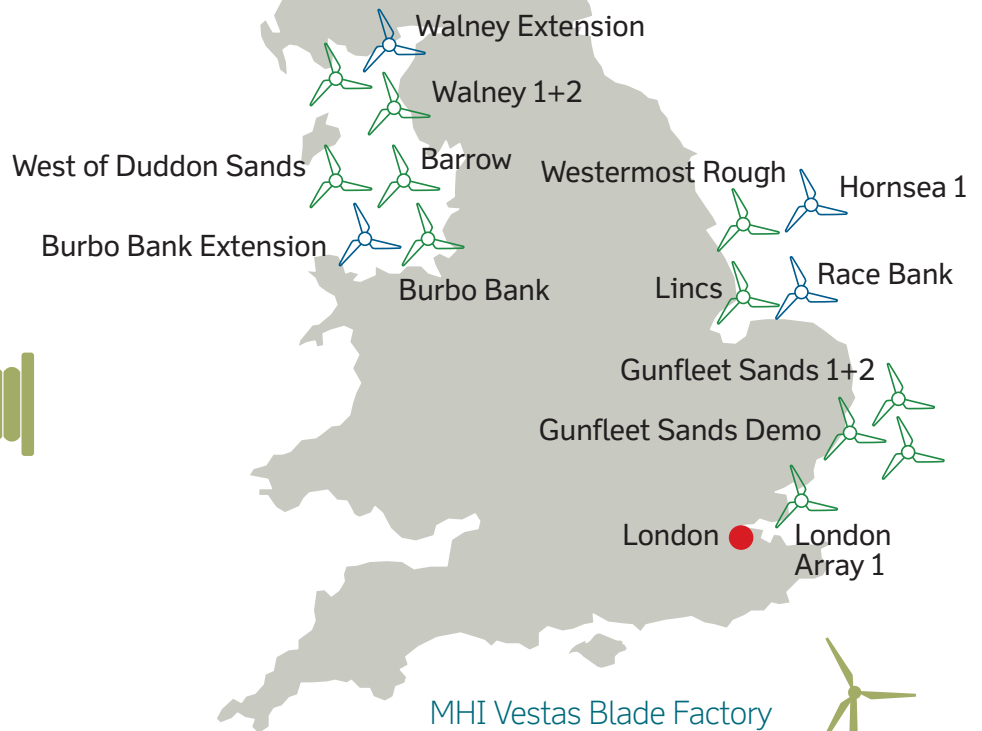


Offshore Structures Britain

DONG Energy has supported a joint venture of EEW and Bladt (60/40) in the establishment of Offshore Structures Britain. A substantial number of transition pieces for Burbo Bank Extension and Walney Extension Projects will be manufactured in the new upgraded UK facility in Teesside.





Green Port Hull

Our strong pipeline of projects in the Humber have supported investments like Siemens' Green Port Hull wind turbine factory, which is expected to create 1,100 direct new jobs.



MHI Vestas Blade Factory

The blades for Burbo Bank Extension and Walney Extension (50%) will be sourced from the MHI Vestas facility on the Isle of Wight.

-  Wind power under construction
-  Wind power in operation
-  DONG Energy London office
-  West of Shetlands



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