

Annual report

DONG Energy



DONG
energy

Our **vision** is to lead the energy transformation.

Our **mission** is to develop energy systems that are green, independent and economically viable.



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Overview

Chairman's statement / At a glance / CEO's review
Outlook 2017 / Financial medium-term targets and financial policies

Our carbon emissions:

462 g CO₂e/kWh
2006

224 g CO₂e/kWh
2016

20 g CO₂e/kWh
2023 target

Chairman's statement

Making great progress in the green transformation

For the third year running, 2016 was the warmest year ever, and the global concentration of CO₂ in the atmosphere has never been higher. Halting climate change requires a fundamental transformation of the world's energy systems from fossil fuels to renewable energy sources.

DONG Energy is the energy company in Europe which has come the furthest in the transition to renewable energy, and 2016 was yet another important milestone. The Group's earnings from Wind Power doubled to DKK 11.9 billion and for the first time exceeded earnings from oil and gas production. We installed 0.6GW of new offshore wind capacity and completed the conversions of two CHP plants in Aarhus and Copenhagen to sustainable biomass. The Group's CO₂ emissions have been halved relative to 2006, and our goal is for DONG Energy to phase out coal completely by 2023.

The transformation of our business to increasingly more renewable energy also means becoming more international. Today, we are constructing and operating offshore wind farms in Denmark, the UK, Germany and the Netherlands, while also maturing new projects in the USA and Taiwan.

In June 2016, we completed an IPO, the biggest in Danish history, and in December 2016, DONG Energy was included in the OMX C20 index on Nasdaq Copenhagen. I would like to thank both Danish and international investors for the trust which they have shown our company.

In November 2016, we decided to initiate a process aimed at divesting the Group's oil and gas production activities. The decision should be seen in light of our desire to become world-leading in green energy. We have created a strong and competitive oil and gas business in the North Sea. The time has now come to find new owners who can provide the best possible conditions for developing this business area.

Our efforts to improve safety continued in 2016, and the injury frequency was at a record low. Making DONG Energy an even safer workplace is a key priority for the Board of Directors. We will therefore continue our efforts to improve safety standards to ensure that everybody working for DONG Energy – our employees and our business partners – get safely through their working day.

Profit after tax for the year was DKK 12.2 billion for the continuing operations – the best result ever in the history of DONG Energy and a significant increase compared to 2015. On behalf of the Board of Directors, I would like to thank our management and employees for the significant results achieved in the past year.



A handwritten signature in black ink, appearing to read 'T. Thune Andersen'.

Thomas Thune Andersen
Chairman of the Board of Directors

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DONG Energy is the energy company in Europe which has come the furthest in the transition to renewable energy, and 2016 was yet another important milestone

DONG Energy at a glance

- Headquarters in Denmark
- 6,200 employees (including Oil & Gas)
- Revenue in 2016 DKK 61 billion



80%* Wind Power

Develops, constructs, owns and operates offshore wind farms in Denmark, Germany, the Netherlands and the UK. Development projects in Taiwan and the USA.



4%* Bioenergy & Thermal Power

Generates and sells power and heat to customers in Denmark and Northwestern Europe.

4%* Oil & Gas

(discontinued operations)
Produces oil and gas from fields in Denmark, Norway and the UK.

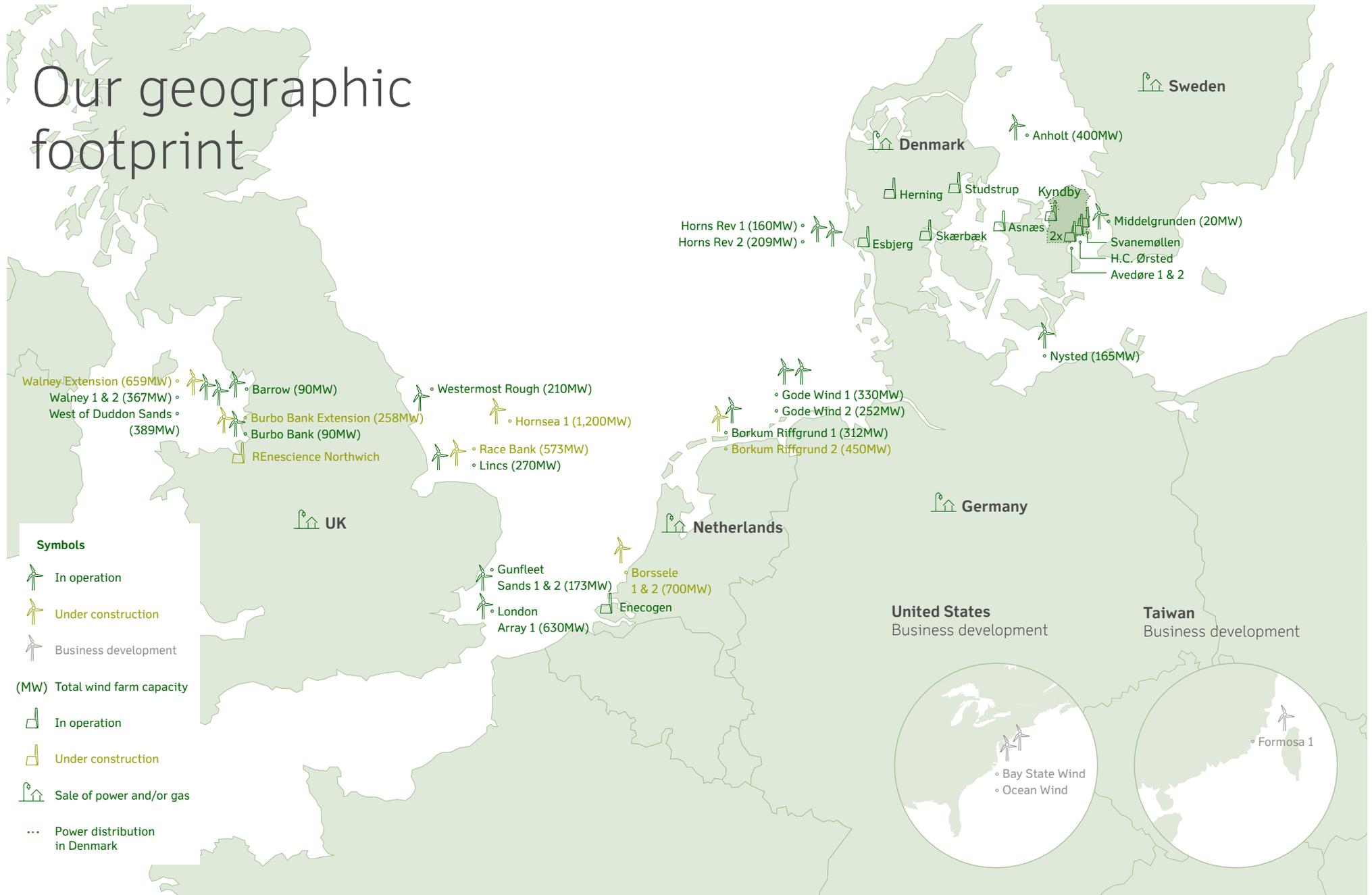


12%* Distribution & Customer Solutions

Power distribution grid on Zealand and sale of power and gas to customers in Northwestern Europe.

* Share of the Group's capital employed

Our geographic footprint



Business model

We are active across the entire power and heat value chain. We create value for our customers, shareholders, employees and society in large by building market-leading competitive positions.



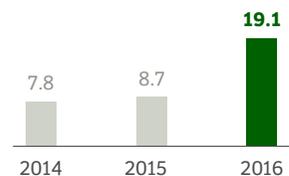
Our value creation enables us to maintain and develop our key resources.

Strong progress in consolidated results

(continuing operations)

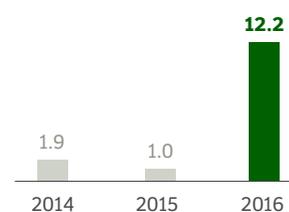
Operating profit (EBITDA), DKK billion

The increase was due partly to one-off payments from completed renegotiations of gas purchase contracts and partly due to higher activity from construction contracts and gains from the divestment of 50% of two offshore wind farms.



Net profit, DKK billion

The increase was primarily due to higher EBITDA and a gain from the divestment of the gas distribution network.



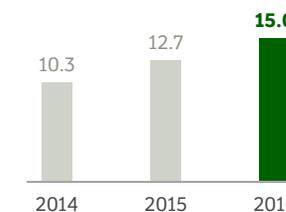
Return on capital employed (Adjusted ROCE¹), %

The increase in ROCE was primarily due to a higher EBITDA.



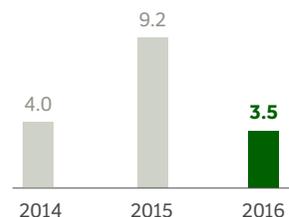
Gross investments, DKK billion

The increase in investments was due to our ongoing construction of several offshore wind farms.



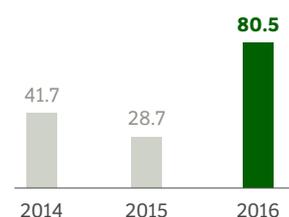
Interest-bearing net debt, DKK billion

Net debt was reduced as a result of the high EBITDA and divestments exceeding gross investments, and increased funds tied up in working capital.



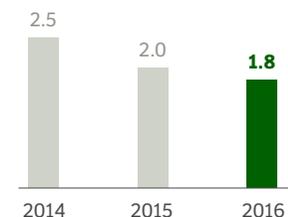
Credit metric (FFO/adjusted net debt²), %

The increase in FFO/adjusted net debt ratio was partly due to higher FFO and lower adjusted net debt.



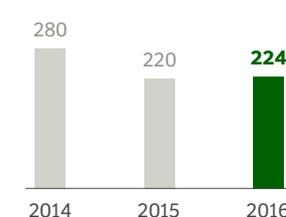
Safety, LTIF

Our continued focus on safety resulted in a historically low lost-time injury frequency.



Carbon emissions, g CO₂e/kWh

The marginal increase in CO₂ emissions was attributable to high thermal power generation due to a lower supply of hydro- and wind power.



¹Adjusted ROCE is calculated as EBIT with impairment losses added back/average capital employed (with impairment losses after tax added back to ultimo capital employed).

²Interest-bearing net debt including 50% of hybrid capital, cash and securities not available for use (with the exception of repo transactions), present value of lease obligations, and decommissioning obligation less deferred tax.

Discontinued operations

As a consequence of the decision to divest the Oil & Gas business, the results from these discontinued operations are recognised separately (on one line) after net profit from continuing operations. The same applies to the cash flows. LTIF has also been calculated excluding Oil & Gas.

CEO's review

- **Doubling the Group's operating profit for continuing operations**
- **Wind Power's EBITDA up by 93% to DKK 11.9 billion**
- **Strong progress in Wind Power's construction of new offshore wind farms**
- **Decision to divest the Oil & Gas business**

Results

The results for 2016 are highly satisfactory with an operating profit (EBITDA) from continuing operations of DKK 19.1 billion; corresponding to underlying growth of 95%. Total EBITDA, including Oil & Gas totalled DKK 25.6 billion, which was slightly higher than the most recent guidance announced for the year. At the same time, we realised a very good return on capital employed, which increased from 6% to 24% for our continuing operations.

The net profit from continuing operations rose by DKK 11.2 billion to DKK 12.2 billion. The total net profit, including Oil & Gas, amounted to DKK 13.2 billion, which allows us to recommend to the annual general meeting that dividend of DKK 2.5 billion be paid in 2017.

2016 was an important year for our transformation to green energy. Wind Power's EBITDA grew by 93% to DKK 11.9 billion and

accounted for 62% of the Group's EBITDA. CO₂ emissions from our heat and power generation stagnated temporarily due to less favourable wind conditions compared to 2015.

Strategic development

Our strategy is to continue the transformation of the Group to green energy and to lead the transition towards a more sustainable energy system. We focus on competing from market-leading positions and on creating growth through innovative solutions. This is the case not least in Wind Power, where we have prospects of further profitable growth through the realisation of our pipeline of offshore wind power projects in the period leading up to 2020. From 2021 to 2025, it is our ambition to continue the value creating expansion and to reach an installed capacity of 11-12GW by the end of 2025.

We aim to transform our Danish utility business into an intelligent, green and growing business. We are converting our power stations to sustainable biomass based on long-term heat supply contracts. We have decided to stop using coal altogether at our power plants from 2023. In 2016, we decided to build the first REnescience waste treatment plant in Northwich in the UK. The plant will convert unsorted household waste into green energy by means of enzymes, based on the REnescience technology. In Distribution, we are expanding the intelligent power grid and investing in intelligent power meters as



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In 2016, we invested DKK 15 billion in our long-term competitiveness within offshore wind, biotechnologies, distribution and digitalisation

part of our continued efforts to deliver green and digitally supported customer solutions combined with a high level of service.

In 2016, we invested DKK 15 billion in our long-term competitiveness within offshore wind, bioenergy, distribution and digitalisation.

In November 2016, we decided to put our Oil & Gas business up for sale. We are thus continuing our long-term green transformation. Oil & Gas delivered a strong operational and financial performance in 2016. Our focus is now on creating the right conditions for the future development of the Oil & Gas business and to obtain the right price for the asset for our shareholders. The process is progressing as planned.

We extended our targets for the period up until 2023 of an average return on capital employed (ROCE) of 12-14% for the Group, 13-15% for Wind Power and 9-11% for Distribution & Customer Solutions.

In 2016, we made strong progress in relation to our strategic priorities for the business units.

Wind Power

Wind Power reached important milestones in 2016. The offshore wind farm Gode Wind 1 & 2 was completed, and final investment decisions were made for Hornsea 1 in the UK and Borkum Riffgrund 2 in Germany. With capacity of 1.2GW, Hornsea 1 will be the world's largest offshore wind farm when commissioned in 2020, and our biggest investment ever. In July, we won the contract for the Dutch offshore wind farms Borssele 1 and 2, adding a further 700MW of capacity to our portfolio of value-adding projects. The Hornsea 2 project was consented by the UK government in September. This means that the project can bid at future auctions for the right to construct subsidised offshore wind farms in the UK. Hornsea 2 has a capacity of up to 1.8GW.

We are currently involved in the construction of six major offshore wind farms. The projects are progressing according to plan, and thanks to these projects we are reaching new technical milestones. For example, we installed the world's first 8MW offshore wind turbine at Burbo Bank Extension in September. This means that we have been the first to install the latest four generations of wind turbines, confirming our position as a pioneer.

The only significant challenge for our portfolio of construction projects concerned Gode Wind in Germany, where a transmission cable fault delayed the final commissioning of the wind farm. The cable was not part of our construction responsibility, and we were to a large extent compensated by the transmission company. Gode Wind was commissioned during Q4 and is now in ramp up phase.

The development of our portfolio of offshore wind projects for construction after 2020 continued in 2016. We acquired the project rights to an additional 1GW of offshore wind capacity in the USA, bringing our total US project rights to 3GW. In addition, we increased our geographic reach by establishing an office in Taipei, which will be exploring offshore wind opportunities in the Asia Pacific region.

The cost of electricity from offshore wind was reduced further in 2016. This is due, among other things, to the continuous innovation of turbines and blades, improved installation methods and foundation design, higher cable capacity, a growing and competitive supply chain – and not least the synergies created by constructing offshore wind farms on a large scale. We are committed to further reducing the cost of electricity from offshore wind.

Our successful partnership model allows us to maintain a high paced build-out exposure to the offshore wind market and to diversify risks as we invest the proceeds from the divestment of 50% of our ownership interests in offshore wind farms in new wind farms. In February, we divested 50% of our ownership interest in Burbo Bank Extension, and in December, we divested 50% of our ownership interest in the Race Bank project.

Bioenergy & Thermal Power

BTP reached several important milestones within bioenergy. We completed the coal-to-biomass conversion of two CHP plants at the end of 2016: Studstrup Power Station in October and Unit 1 at Avedøre Power Station in December. In conjunction with the ongoing conversion of Skærbæk Power Station, these

conversions will contribute to meeting our target of doubling our earnings from sales of district heat from 2015 to 2017. Moreover, they will make a significant contribution to the green transformation in Denmark. Our goal is to phase out coal completely at our CHP plants by 2023.

As mentioned above, we decided to construct our first commercial-scale REnescience plant that converts unsorted waste into energy and recyclable materials. The plant is located in Northwich in the UK and will be the first full-scale plant based on our innovative, enzyme-based waste treatment technology. The plant is expected to be commissioned in the first half of 2017.

In 2016, the Copenhagen Maritime and Commercial Court found the former Elsam guilty of violating the Danish Competition Act in 2005 and the first half of 2006 without, however, providing clear grounds for its decision. We do not agree with the ruling and have decided to launch an appeal, which will now be heard by the High Court of Western Denmark.

Distribution & Customer Solutions

DCS continued to reduce the risk associated with the gas portfolio as renegotiations of a number of long-term gas purchase contracts were concluded in 2016 with satisfactory results. This means that we have renegotiated the most important contracts in the portfolio, which, resulted in one-off compensations totalling DKK 4.3 billion in 2016.

Another important achievement was the transition to new customer systems in

connection with the introduction of the new supplier-centric wholesale model for the Danish power market. In connection with the implementation, our power distribution company changed its name to Radius.

In 2016, customer satisfaction was on a par with last year in the Danish sales business. We continued our efforts to establish partnerships with our customers – rather than holding on to our classic role as a supplier of power and gas. We are seeing a growing demand for integrated, green energy solutions, and our ambition is to lead this paradigm shift. Among other things, we offer our customers climate partnerships with green power and advice on energy efficiency and procurement. Moreover, we are working on a service concept under which we offer to assume full responsibility for handling our customers' energy supply and guarantee energy savings from day one.

The divestment of our gas distribution network to Energinet.dk was completed at the end of Q3 with a gain of DKK 1.2 billion.

Oil & Gas

Oil & Gas continued the significant restructuring of the business and delivered a strong operational performance in 2016. Costs were further reduced as a result of the renegotiation of more supplier contracts, reduced exploration efforts and improved operational efficiency. Total costs and investments were reduced by 38% relative to 2015.

The production of first gas from the Laggan-Tormore field in the area west of the Shetland Isles marked an important milestone. When fully operational, the field is expected to add

maximum production capacity of 18,000 boe a day to Oil & Gas. The expansion of the Glenlivet-Edradour field has also seen satisfactory progress with commissioning planned for late 2017.

In March, we terminated the EPC contract concerning the platform for the Hejre project. The consortium working on the platform had not been able to fulfil its contractual obligations. We and our licence partner therefore lost faith in the consortium's ability to deliver a workable solution.

At the end of the year, we completed the sale of the Norwegian Trym, Ula, Tambar (including Tambar East) and Oselvar fields to Faroe Petroleum with a gain of DKK 0.2 billion.

Employees

We have a strong focus on safety and well-being for our employees, and in 2016 we continued the positive development in the Group's lost-time injury frequency (LTIF), which was reduced to 1.8. Our focused efforts on continuously improving safety for our employees and suppliers will continue with targeted initiatives in all business units. We maintain our target of an LTIF of 1.5 by 2020.

This year's employee survey showed further growth in well-being among the Group's employees. Employee satisfaction increased from index 74 in 2015 to 76 in 2016. We see improvements in the assessment of the Group's reputation, cooperation as well as the assessment of the daily management. It is important that we continue this development, with well-being and performance going hand in hand.

Our employees yet again deserve considerable recognition for their fantastic and dedicated efforts in 2016. In addition to going about their daily work, they have created significant strategic progress for the company and laid the foundation for the biggest IPO in Danish history.



Henrik Poulsen
CEO and President

Outlook 2017

EBITDA

EBITDA (business performance) is expected to increase by 4-18% on an underlying basis, to a total of DKK 15-17 billion for our continuing operations in 2017. The outlook is based on forward commodity prices and foreign exchange rates as well as the expected development in the Group's continuing operations as described below (compared to 2016).

Directional business unit EBITDA guidance for 2017 compared to 2016

Wind Power – higher

- Earnings from wind farms in operation are expected to increase following the commissioning of Burbo Bank Extension and due to higher earnings from Gode Wind 1 & 2, which were completed at the end of 2016. Moreover, the wind energy content was low – at index 93 – in 2016
- We expect to divest 50% of Walney Extension in 2017. Earnings from construction contracts and divestment gains are expected to increase (Race Bank and Walney Extension)
- EBITDA for 2017 is expected to be split more or less evenly between 1) wind farm operations and 2) construction contracts and divestment gains.

Bioenergy & Thermal Power – higher

- EBITDA for 2017 from the heating business is expected to improve relative to 2016, and double relative to 2015 as a result of the successful biomass conversions of Studstrup Power Station and Avedøre Power Station as well as the expected completion of the biomass conversion of Skærbæk Power Station in spring 2017

- EBITDA from our power business is expected to decline relative to 2016, as a result of the fact that market conditions remain challenging. However, total EBITDA from the power and heating business is expected to increase

- Ancillary services are expected to be at the same level as in 2015 and 2016.

Distribution & Customer Solutions – significantly lower

- The gas distribution activities contributed with an EBITDA of DKK 0.4 billion until the divestment in September 2016
- EBITDA for 2016 was positively affected by renegotiation of long-term gas purchase contracts totalling DKK 4.3 billion
- We do not expect to receive any significant one-off payments as a result of the renegotiation of gas purchase contracts in 2017. However, we do expect to see a

| Outlook 2017 (DKK billion) | 2017 Guidance | 2016 Realised |
|---------------------------------------|---------------------|------------------|
| EBITDA (continuing operations) | 15-17 | 19.1 |
| Wind Power | Higher | 11.9 |
| Bioenergy & Thermal Power | Higher | 0.1 |
| Distribution & Customer Solutions | Significantly lower | 7.1 |
| Gross investments | 18-20 | 15.0 |



Our EBITDA guidance for the Group is the prevailing guidance, whereas the directional earnings development per business unit serves as a means to support this. Higher/lower indicates the direction of the business unit's earnings relative to the results for 2016.

| | Guidance 4 Feb 2016 | Guidance 27 Apr, 4 Aug & 8 Nov 2016 | Guidance 9 Dec 2016 | 2016 realised |
|--|-----------------------------|--|------------------------|------------------|
| Follow-up on announced outlook for 2016 | | | | |
| EBITDA, incl. Oil & Gas | 20-23 | Unchanged | 24-25 | 25.6 ✓ |
| EBITDA (continuing operations) | - | - | - | 19.1 |
| Wind Power | Significantly higher (>6.2) | 10-12 | 10-12 (high end) | 11.9 ✓ |
| Bioenergy & Thermal Power | Lower (<0.3) | Unchanged | Unchanged | 0.1 ✓ |
| Distribution & Customer Solutions | Significantly higher (>2.2) | Unchanged | Unchanged | 7.1 ✓ |
| EBITDA (discontinued operations, Oil & Gas) | Significantly lower (<9.8) | Unchanged | Unchanged | 6.5 ✓ |
| Gross investments, incl. Oil & Gas | 20-23 | 18-21 | 18-21 (low end) | 18.4 ✓ |
| Gross investments (continuing operations) | - | - | - | 15.0 |
| Gross investments (discontinued operations) | - | - | - | 3.4 |



EBITDA and gross investments, including Oil & Gas, are shown exclusively to be able to follow up on our guidance announced for all our activities including Oil & Gas. The figures do not appear from the consolidated financial statements.

positive full-year effect from the improved gas purchase prices renegotiated in 2016

- 2016 was also positively impacted by high earnings from locked-in gains from previous years in our portfolio optimisation business, strong results from our trading activities due to considerable market volatility and rising oil and gas prices at the end of the year, which resulted in a positive value adjustment of our gas inventories. These positive effects are not expected to be repeated in 2017
- EBITDA for 2017 is therefore expected to be significantly lower than the underlying EBITDA in 2016.

Gross investments

Gross investments for 2017 are expected to amount to DKK 18-20 billion. The outlook

Forward-looking statements

The annual report contains forward-looking statements, which include projections of short and long-term financial performance and targets as well as our financial policies. These statements are not guarantees of future performance and involve certain risks. Actual future results and developments may therefore differ materially from what is forecast due to a variety of factors.

These factors include, but are not limited to, changes in temperature, wind conditions and precipitation levels, the development in oil, gas, power, coal, CO₂, currency and interest rate markets, changes in legislation, regulation or standards, renegotiation of contracts, changes in the competitive environment in our markets and security of supply. Reference is made to the 'Risk and risk management' chapter and to note 7.

reflects a high level of activity in Wind Power (Walney Extension, Race Bank, Hornsea 1 and Borkum Riffgrund 2), biomass conversions of our CHP plants and the installation of remote power meters.

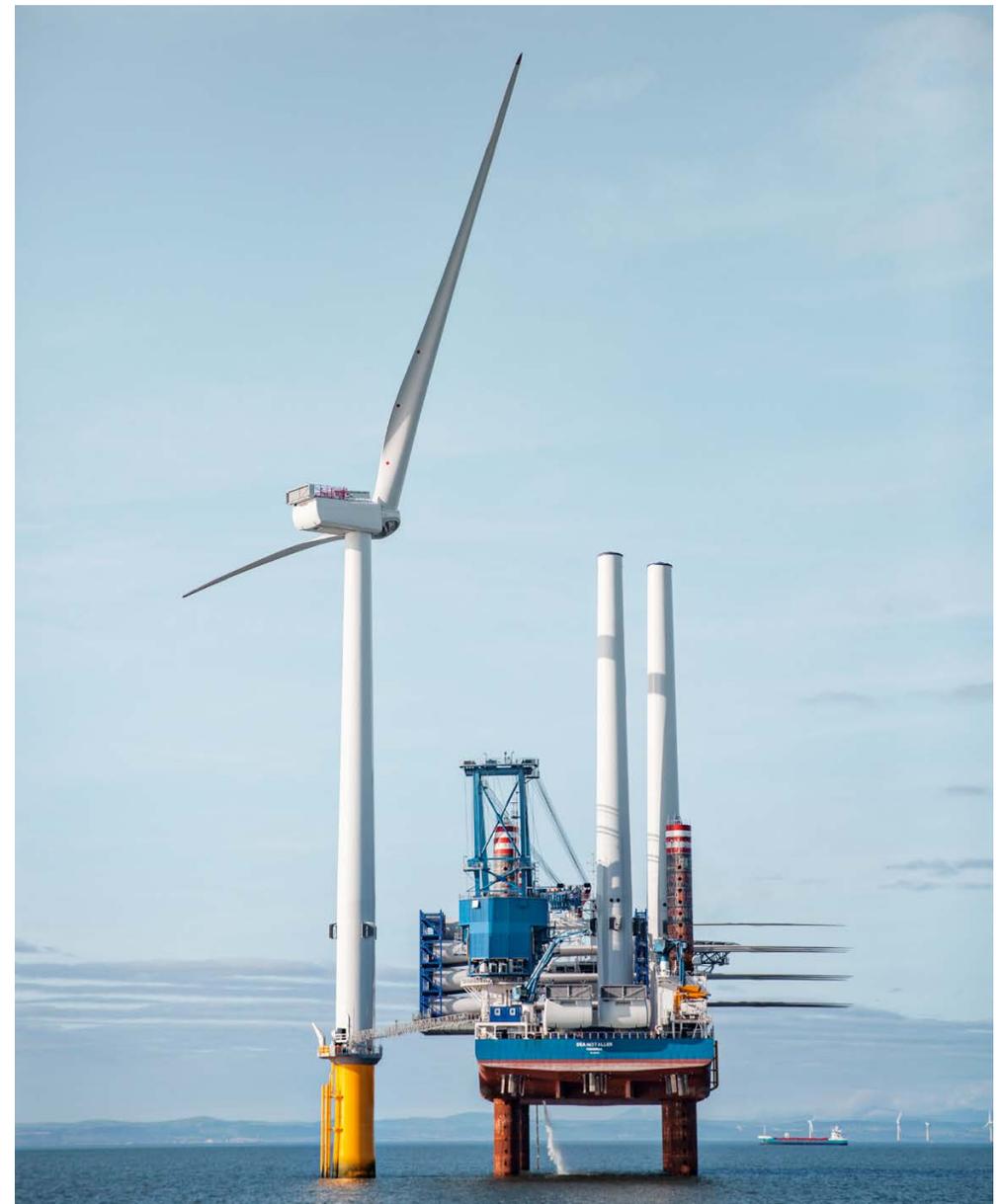
Prices and hedges

The outlook is sensitive to a number of factors, including changes in market prices and foreign exchange rates, despite the fact that a large portion of the price exposure for 2017 has been hedged.

The market value of financial hedging instruments relating to energy and derived currency risks and currency risks associated with our divestment of assets deferred for recognition in business performance EBITDA in 2017 amounted to DKK 0.7 billion at the end of 2016. This effect is included in the outlook for 2017 (see note 2.2).

Discontinued operations

EBITDA from discontinued operations is expected to be lower than in 2016 due to declining production from mature assets, the divestment of five Norwegian fields in December 2016 and the cease of catch-up volumes from the Ormen Lange field in Q1 2016. The higher forward prices going into 2017 are expected to have a positive impact on earnings. However, the positive effect will be partly offset by a lower contribution from hedges. The value of hedging contracts to be recognised in EBITDA in 2017 amounted to DKK 1.1 billion at the end of 2016.



Financial medium-term targets and policies

Financial medium-term targets

Our target is an average return on capital employed (ROCE) of 12-14% for the Group in the 2017-2023 period, with Wind Power as the main contributor.

We regard our ROCE as being less relevant for Bioenergy & Thermal Power, where our focus is rather on achieving positive free cash flows (FCF). Based on our current business plan for the biomass conversion of our CHP plants and the expansion of new bioenergy solutions, we expect to realise positive free cash flows for Bioenergy & Thermal Power from 2018.

Financial policies

In accordance with our dividend policy, which was revised in connection with the IPO, the Board of Directors recommends to the annual general meeting that dividends of DKK 2.5 billion be paid for the financial year 2016.

In the period up until 2020, our ambition is to increase the dividend annually by a high single-digit rate compared to the dividend for the previous year. Our dividend policy is subject to being able to maintain our target of a BBB+/Baa1 rating.

Within the next couple of years we will likely have excess investment capacity compared to the target rating of BBB+/Baa1 (assuming the current build out-plan and farm down strategy in Wind Power and the current dividend policy). We will utilise the investment capacity to pursue value creating investment opportunities. Reducing our farm down activities may be an alternative or supplement to new investment opportunities in order to balance the capital structure while maintaining our current rating. However, if value creating investment opportunities do not absorb the excess investment capacity we will remain disciplined and return cash to shareholders.

| Financial medium-term targets | Target | Year |
|-----------------------------------|---|-----------|
| Return on capital employed (ROCE) | average in the period | |
| Group | 12%-14% | 2017-2023 |
| Wind Power | 13%-15% | 2017-2023 |
| Distribution & Customer Solutions | 9%-11% | 2017-2023 |
| Free cash flow (FCF) | | |
| Bioenergy & Thermal Power | Positive | 2018 |
| Financial policies | | |
| Rating | Min. Baa1/BBB+/BBB+ (Moody's/S&P/Fitch) | |
| Capital structure | ~ 30% (FFO/adjusted net debt) | |



The ROCE target period has been extended from 2020 to 2023.



Our current rating is in accordance with the policy.

Group

Market situation / Our strategy / Strategic targets
Results / Five-year summary / Fourth quarter / Quarterly summary
(2015-2016)

ROCE
24.4%
2016

Our office in Gentofte



Market situation

Towards a greener energy system

The global temperature is the highest registered for the past 136 years. The concentration of CO₂ in the atmosphere is at an all-time high. And according to the Intergovernmental Panel on Climate Change (IPCC), it is 95-100% certain that the climate change is man-made. Based on current and expected CO₂ emissions, global emissions will exceed the limit defined by scientists as being crucial to preventing global temperatures from rising by more than two degrees compared to pre-industrial levels.

In 2016, a large number of countries, including the EU countries, India the USA and China, ratified the global climate agreement made at the UN Climate Change Conference in Paris (COP21) in December 2015. Under the agreement, the countries committed to keep the global temperature increase below two degrees up until the year 2100. At the UN Climate Change Conference in Marrakech in November 2016, the global community confirmed its commitment to reducing CO₂ emissions and combating climate change.

More than one third of all CO₂ emissions stem from the global energy sector. Consequently, there is a need for a fundamental conversion of the global energy systems from fossil fuels to renewable energy sources.

In Europe, new renewable energy accounted for 18% of total power generation in 2016. This proportion is expected to increase significantly in the coming years, as more than 80% of the generation capacity which will be built in Europe up until 2030 is expected to be green. This means that by 2030, 37% of the power generated in Europe is to come from new renewable energy.

The expansion of renewable energy in Europe is supported by the political framework conditions which are formulated in the EU's 20-20-20 plan. These framework conditions aim to reduce greenhouse gas emissions, increase the share of renewable energy and improve energy efficiency.

Outside Europe, the share of new renewable energy generation is considerably lower, currently 7%. In the period leading up to 2030, the share is expected to grow to 20%. As the demand for electricity is expected to increase by 34% towards 2030, this means that the new renewable energy supply will be almost quadrupled.

Market characteristics within our business units

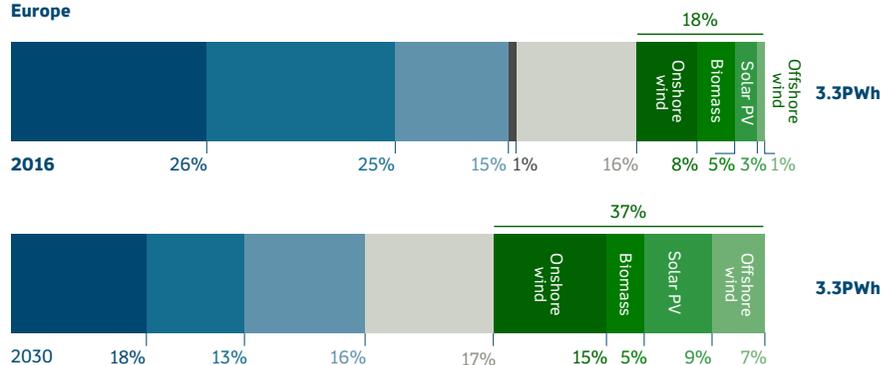
Offshore wind power

Offshore wind power is currently the fastest-growing energy technology in Europe with expected annual growth averaging 23% until

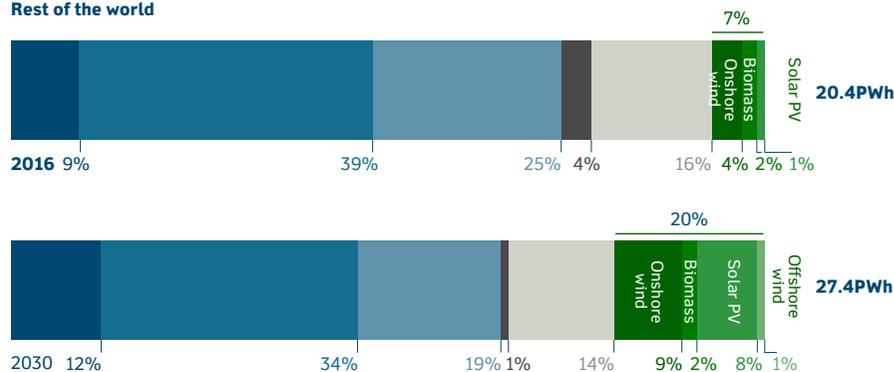
Share of power generation from new renewables

● Nuclear power ● Coal ● Gas ● Oil ● Hydro ●●●●● New renewables

Europe



Rest of the world



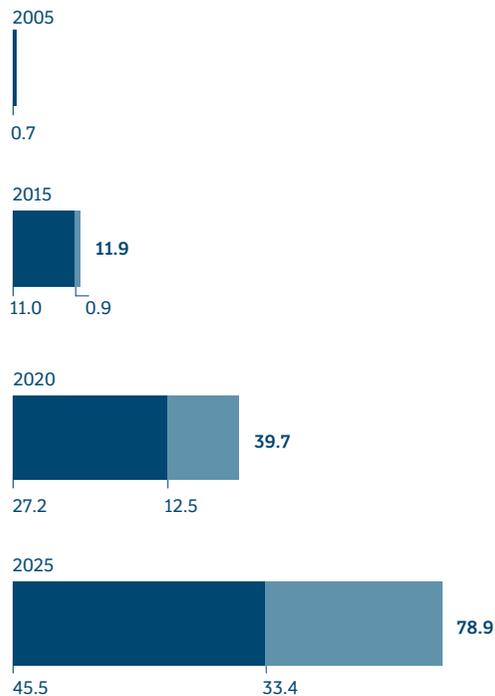
Source: Bloomberg New Energy Finance – NEO 2016

2020. At the end of 2015, installed capacity in Europe totalled 11GW. And from 2015 to 2020, Europe is expected to install an average of 3.2GW a year, gradually increasing total installed capacity to 27GW. The UK will remain the biggest European market with an installed capacity of 11GW in 2020.

In 2025, total installed capacity in Europe is expected to reach 45GW based on

Installed offshore wind capacity, GW

● Europe ● New markets



Source: Bloomberg New Energy Finance (BNEF). H2 2016 Offshore Wind Market Outlook.

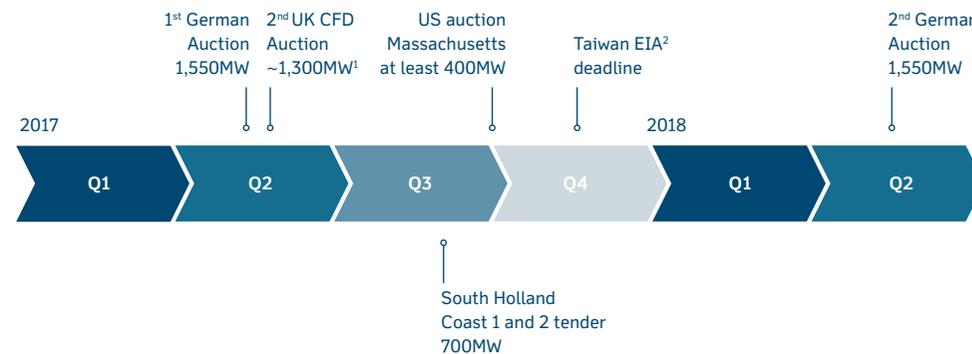
annual growth of 3.7GW from 2020 to 2025. In comparison, Bloomberg is forecasting that installed solar PV capacity will total 174GW in Europe by 2025, while an onshore wind power capacity of 157GW will have been installed.

Offshore wind power is growing, not only in Europe, but increasingly also in emerging markets. In 2015, a total of 0.9GW of offshore wind power capacity had been installed outside Europe, with capacity expected to grow by 2.3GW a year until 2020. In the 2020-2025 period, an annual increase of 3.9GW is expected, resulting in total capacity outside Europe of 33.4GW in 2025. The strongest growth is forecast in the Asian and US markets, where installed capacity is expected to reach 30.1GW and 3.3GW, respectively, in 2025.

Unlike other renewable energy technologies, such as solar energy and onshore wind power, offshore wind power can be expanded on a very large scale with only limited impact on the landscape. Also, energy can be generated for significantly more hours a year offshore than is possible from solar energy and onshore wind power, both because the wind blows at all hours of the day and night, and because the wind speeds at sea are higher than onshore.

The costs of establishing offshore wind farms is falling significantly at the moment, fast approaching the prices for new gas and coal-fired power stations. This is also evident from the most recent offshore wind farm tenders. Since 2012, the prices tendered have fallen by more than 50%, and there is still considerable potential for further cost reductions. This is due, not least, to the economies of scale

Upcoming auctions/tenders in the next 18 months



¹In 2016, the UK government announced CfD auctions of up to GBP 730 million for up to 4GW of offshore wind to be executed over three auctions by 2020. The exact capacity to be allocated in each round is uncertain.
²Environmental Impact Assessment

which can be achieved through building larger wind farms and installing larger wind turbines, through increased industrialisation and technological innovation as well as increased competition for the projects.

The market for offshore wind projects can roughly be divided into two categories called auctions and tenders: The first category (auctions) is prevalent in countries such as the UK, Germany, the USA and to some extent in Taiwan where project owners assume overall responsibility for developing projects – from selecting the site, developing the project and constructing the offshore wind farm and the transmission grid needed to operate the wind farm (in Germany, however, not the onshore power transmission grid). Projects in these countries are highly complex, requiring high-level competences on the part of project owners as well as entailing considerable capital requirements and investments up until the

approval of the project. The right to construct these full-scope projects is usually won through auctions where project owners present their projects in competition with other projects. The energy authorities then grant support for the most competitive projects.

The second category (tenders) is prevalent in countries such as Denmark and the Netherlands. Calls for tenders are invited by governments for pre-defined projects on sites selected by the national energy authorities which have also carried out the necessary technical pre-investigations of the seabed, wind conditions, etc. The transmission system is established by the national transmission system operator. Compared with full-scope projects, these projects require significantly lower up-front investments and not as high a level of technical competences on the part of the project owner. Overall, this means that projects in this category entail a significantly

lower risk for the project owners. Projects are awarded following a tender procedure, during which the various project developers offer the lowest possible price at which they are willing to build the project.

Within the segment of limited-scope projects, competition among project developers intensified further in 2016. At the same time, the market for full-scope projects both in the United States and Taiwan matured further. This was due, among other things, to the adoption of new energy legislation in Massachusetts in the USA, confirming the state's intention to build offshore wind power. The upcoming tenders and auctions within our footprint are shown in the figure on the previous page.

Thermal energy

The generation of power by conventional fossil fuel-fired power stations has long been under pressure. This is due to the transition to renewable energy, but also a decline in demand due to the global financial crisis. The earnings of conventional power stations have thus come under pressure. Power prices were historically low in 2015 due to the high level of generation of hydropower and wind power because of wet and windy weather. Less windy weather in 2016, a low hydrobalance and the unplanned, temporary shutdown of a number of French nuclear power plants since summer 2016 resulted in increasing power prices in 2016 compared to 2015.

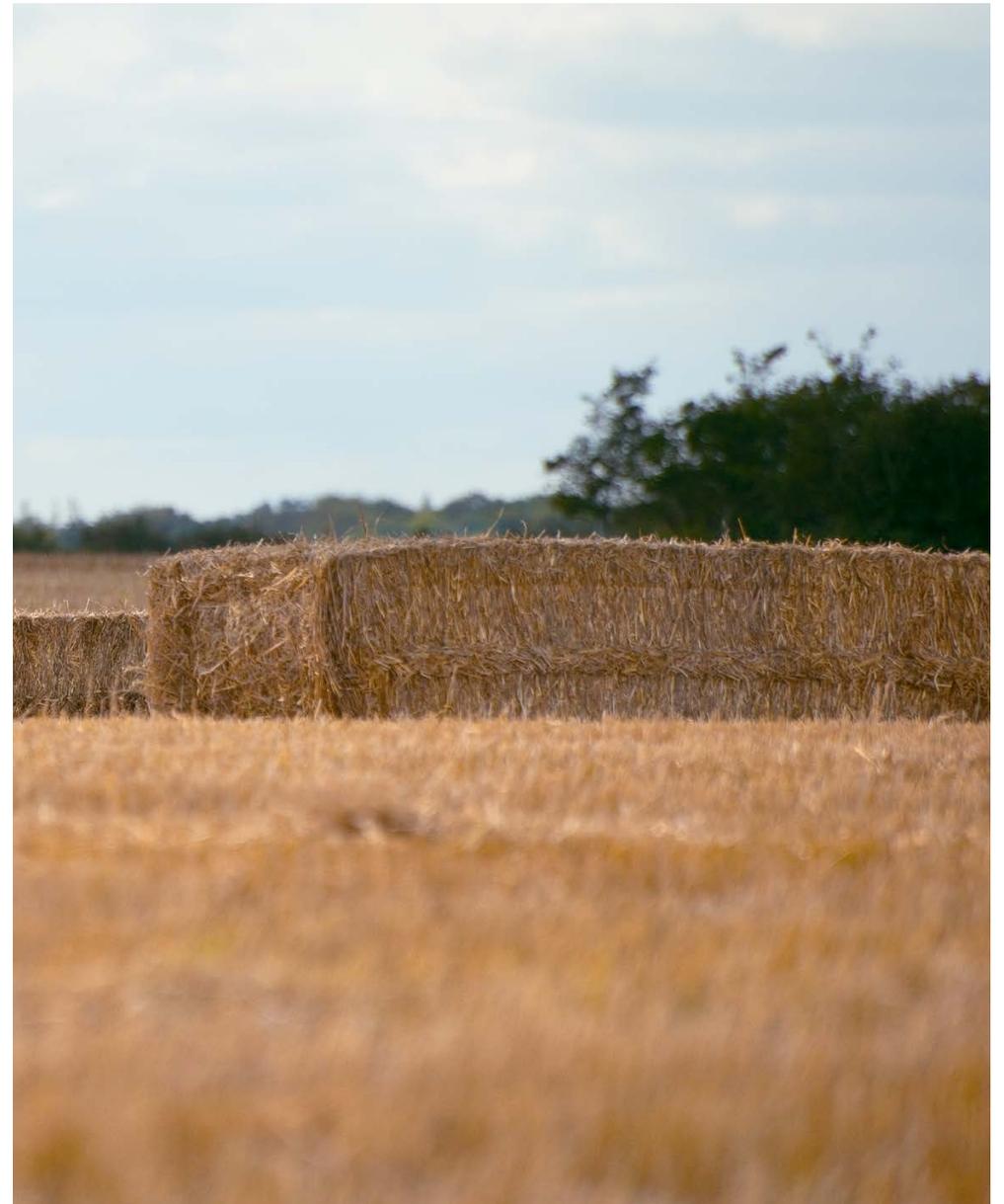
The pressure on earnings from power generation has increased the power stations' focus on district heating production. District heating is, in fact, a stable source of income

due to the long-term heat contracts made with the large urban communities in Denmark. A stable demand for district heating is expected in the coming years in Denmark, as there will be a balance between the expansion of supply areas and energy savings in the distribution networks and homes.

Distribution and sales

A demand among consumers for greener energy and lower energy bills combined with an increase in local energy generation is leading to a growing focus on smart and integrated green energy solutions. This is a new market segment with considerable potential characterised by many large and small players. In the UK and Germany, EUR 19 billion are expected to be invested a year in local solutions (small-scale CHP plants, solar energy, storage capacity and energy efficiency improvements).

Distribution and sales handles supplies to residential and business customers. In April 2016, a new wholesale model was introduced in Denmark, markedly changing the way in which the distribution and sales market works. According to the new model, power suppliers collect all payments for the consumption of power from customers. In addition to payments for power, suppliers also collect payments for the transmission of power through the transmission and distribution grid, electricity taxes and PSO charges. This means that customers only receive one single bill, i.e. from their power supplier. The distribution companies receive payments based on tariffs from power suppliers rather than directly from customers.



Our strategy

Our strategy is to continue the transformation of the Group to green energy and to take the lead in the transition to increasingly sustainable energy systems. We focus on building strong positions within attractive niche areas in which we enjoy a competitive advantage. We want to build on our strengths and to create long-term, profitable growth opportunities within renewable energy and business areas characterised by stable and regulated flows of income.

In the coming years, we will continue to invest primarily in offshore wind farms, in the conversion of power stations to sustainable biomass, in intelligent power meters for all customers, and in the continued digitalisation of our business platform.

Safety is an integrated part of our strategy. Whatever we do, we never compromise on safety for our employees and suppliers.

You can find a detailed review of the strategies for the three continuing business units and Oil & Gas on pages 34-44.



Wind Power's objectives are to:

- maintain the position as global market leader
- support profitable growth by realising our current build-out plan for the period towards 2020
- expand installed capacity to 11-12GW (ambition) by 2025 provided that the risk and return profile is sound
- continue to reduce the cost of electricity from offshore wind through industrialisation, economies of scale and innovation.



Bioenergy & Thermal Power's objectives are to:

- continuously strengthen operational excellence
- continue the conversion of Danish CHP plants to sustainable biomass
- phase out the use of coal and stop using coal from 2023
- continue the commercial development of our enzymatic waste technology REnescience.



Distribution & Customer Solutions' objectives are to:

- maintain a high level of security of supply and customer satisfaction in our distribution business
- further strengthen competitiveness and customer satisfaction among residential and business customers in our sales business
- optimise our energy portfolio and provide competitive market access.

Our sustainability strategy and results are reported on in our sustainability report, which constitutes our annual Communication on Progress to the UN Global Compact. The report highlights areas in which our expertise can make a real difference when it comes to promoting the UN's global goals for sustainable development.

With this report, we live up to the new requirements for corporate social responsibility reporting set out in section 99a of the Danish Financial Statements Act as well as section 99b on the gender balance at management levels etc.

See and download the report here:

→ dongenergy.com/sustainability2016

Strategic targets

We ensure the progress of our strategy through 11 strategic targets divided into four themes:

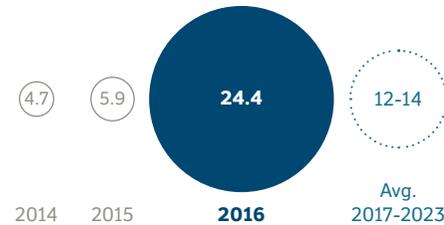
- **We create value for our shareholders** in the form of an attractive return on the capital employed.
- **We address profound societal challenges** by developing green, independent and economically viable energy systems.
- We are working at all times **to fulfil our customers' energy needs** by delivering innovative and efficient energy solutions through our distribution and sales activities, while in Denmark we have the most reliable power supply in Europe.
- We never compromise on safety for our employees, and keep a constant focus on **being a great and safe place to work** with committed, motivated and satisfied employees through continuous training and development.

* Calculation method changed compared to 2015.
 ** Applies from August where the industry agreement was implemented.

🎯 Create shareholder value

1. Adjusted ROCE, %

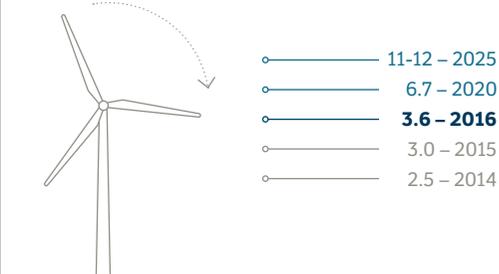
In 2016, ROCE was extraordinarily high due to completed renegotiations and divestment gains.



🎯 Address profound societal challenges

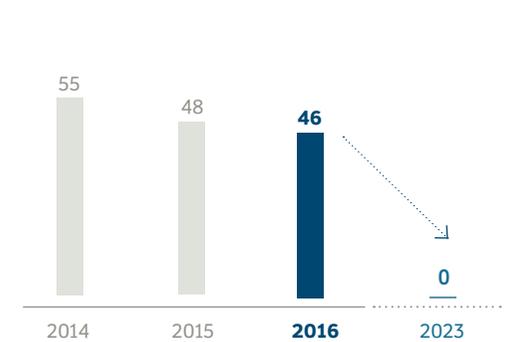
2. Installed offshore wind capacity, GW

We have an ambition of increasing the installed capacity to 11-12GW at the end of 2025. Following the completion of Hornsea 1, we will exceed our original target of installing 6.5GW of offshore wind capacity by 2020 by 0.2GW.



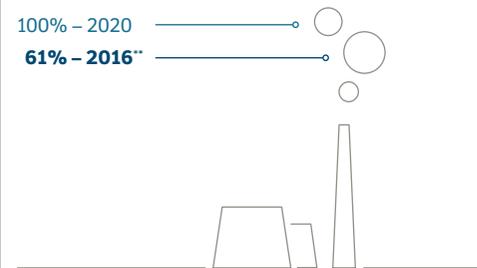
3. Coal share of fuels used for thermal power and heat generation, %

We have decided to stop using coal altogether at our power plants from 2023.



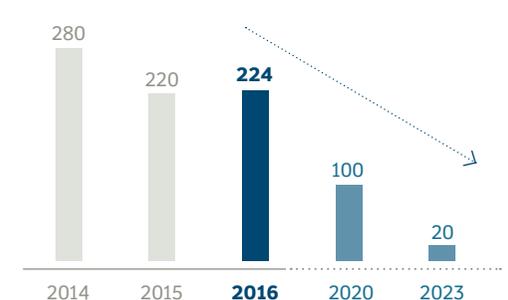
4. Sourcing of certified biomass, % (wood pellets and wood chips)

The phase-in of the Danish industry agreement runs until 2019, by which time the target is for 90% of the sustainable biomass to be certified. Our ambition is for all our biomass to be certified by 2020.



5. Carbon emissions*, g CO₂e/kWh

We have reduced our 2020 target to 100g CO₂e/kWh, which represents a halving of our original target. We have also defined a target of no more than 20g CO₂e/kWh in 2023.



☉ Serve the energy needs of our customers

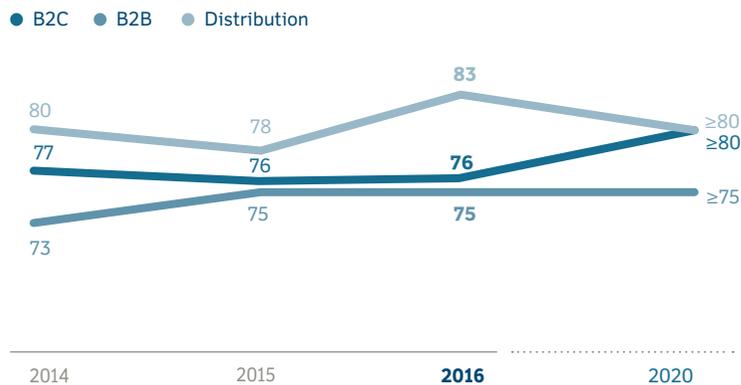
6. Reputation, scale (0-100)

We are working to improve our reputation by ensuring a high level of integrity in our business, continuing the green transformation, helping our customers to save energy and being an attractive place to work.



8. Customer satisfaction, scale (1-100)

We are constantly working to improve our customers' experience. We are seeing a growing demand for integrated, green energy solutions, and our ambition is to spearhead this development. Our goal is that all our Danish power customers will have remote power meters before the end of 2020.



7. Security of supply, Power outage per customer

Our level of security of supply is still very high, although it decreased in 2016.

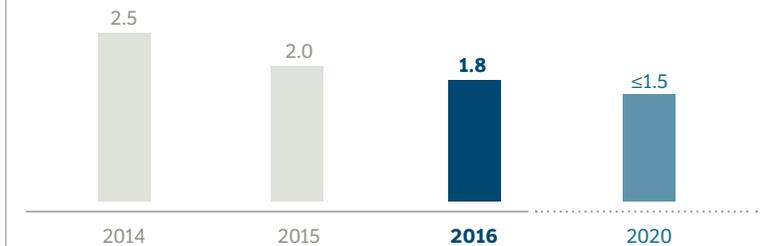


* Average security of supply in Denmark in 2015. Our ambition is to offer a level of security of supply which is higher than or on a par with the Danish average.

☉ Be a great and safe place to work

9. Safety, LTIF

The target for 2020 is expected to be met by maintaining a constant focus on safety and by involving our suppliers in contributing to a safe working environment for the whole of DONG Energy.



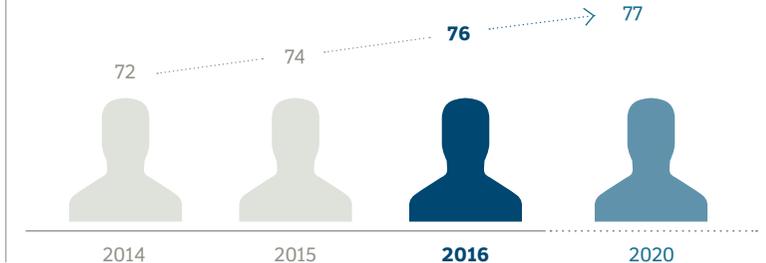
10. Safety, fatalities

We have not had any fatal accidents since December 2012.



11. Employee satisfaction, scale (0-100)

To achieve our 2020 targets, we have introduced a number of initiatives to promote employee satisfaction and motivation, including focus on management, various health initiatives and an internal initiative to strengthen our corporate identity.



Results

Financial results

Continuing and discontinued operations

As a consequence of the decision to divest the Oil & Gas business, it will be presented as discontinued operations in the annual report. Consolidated revenue, EBITDA and profit before tax will thus only comprise the continuing operations. The profit after tax from the discontinued operations will be presented on a single line after the profit after tax from our continuing operations. The same applies to the cash flows. LTIF and other non-financial ratios are also stated excluding Oil & Gas.

Revenue

Revenue was DKK 61.2 billion. The 6% decline relative to 2015 was primarily due to lower

gas prices and gas volumes. This was partially offset by higher revenue from construction contracts in Wind Power, which increased by DKK 6.0 billion.

Power generation from offshore wind increased by 5% and totalled 6.0 TWh in 2016, primarily as a result of generation from newly constructed offshore wind farms in Germany and the UK, which contributed 0.5 TWh. The increase was partially offset by significantly lower wind energy content than in 2015. The wind energy content was exceptionally low in 2016, ending up at 93% relative to a normal wind year. The wind energy content in 2015 was 103%. Offshore wind-generated power accounted for 42% of our power generation. Thermal power generation increased by 18%

| Financial results (DKKm) | 2016 | 2015 | % |
|--|---------|----------|-------|
| Revenue | 61,201 | 65,444 | (6%) |
| EBITDA | 19,109 | 8,730 | 119% |
| Depreciation and amortisation | (5,232) | (5,673) | (8%) |
| Impairment losses | 0 | (1,184) | n.a. |
| EBIT | 13,877 | 1,873 | 641% |
| Gain (loss) on divestment of enterprises | 1,250 | 56 | n.a. |
| Net financial income and expenses | (767) | (1,409) | (46%) |
| Tax | (2,191) | 455 | n.a. |
| Tax rate | 15% | (89%) | n.a. |
| Profit for the year from continuing operations | 12,161 | 967 | n.a. |
| Profit for the year from discontinued operations | 1,052 | (13,051) | n.a. |
| Profit for the year | 13,213 | (12,084) | n.a. |



In 2016, regulated and quasi-regulated activities and contracted activities accounted for 33% and 40% of our EBITDA from continuing operations respectively, whereas market exposed activities accounted for 27%.

Read more about profit for the year from discontinued operations in note 3.7.

“
Operating profits (EBITDA) increased by 119% and amounted to DKK 19.1 bn. in 2016”

Business performance vs. IFRS

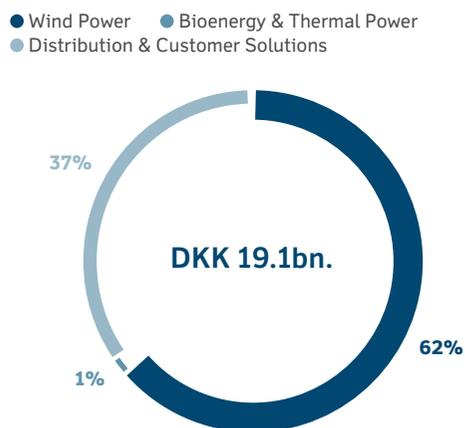
DONG Energy uses business performance as an alternative to the results prepared in accordance with IFRS. Business performance represents the underlying financial performance of the Group in the reporting period as results are adjusted for temporary fluctuations in the market value of contracts (including hedging transactions) relating to other periods. The difference between the two principles will be eliminated as the contracts expire. Apart from this, there is no difference between business performance and the IFRS results.

EBITDA calculated in accordance with IFRS amounted to DKK 16.9 billion in 2016 against DKK 9.9 billion in 2015. Calculated in accordance with the business performance principle, EBITDA was DKK 19.1 billion and DKK 8.7 billion, respectively. The difference between the two principles was thus DKK -2.2 billion in 2016 compared with DKK 1.2 billion in 2015, and is specified below.

In the presentation of the results according to IFRS, DONG Energy does not apply the provisions on hedge accounting of commodities and related currency exposures. The market value adjustments of these are continuously recognised in the income statement, which means that the IFRS results for the individual years are not comparable. IFRS results do not reflect the commercial risk hedging, according to which the business units and the Group are managed and evaluated. In the management's review, comments are made on business performance only. Reference is also made to note 2.2

| Business performance vs. IFRS (DKKm) | 2016 | 2015 |
|--|---------------|--------------|
| EBITDA – business performance | 19,109 | 8,730 |
| Market value adjustments for the year of financial and physical hedging contracts relating to a future period | (1,397) | 1,632 |
| Reversal of deferred gain (loss) relating to hedging contracts from previous periods, where the hedged production or trade is recognised in business performance EBITDA in this period | (773) | (474) |
| EBITDA – IFRS | 16,939 | 9,887 |

EBITDA



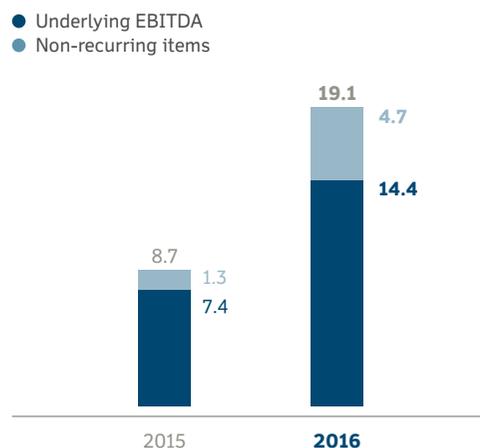
and totalled 8.4 TWh as a result of improved spreads and lower supply of hydropower and wind power. Heat generation was in line with 2015.

EBITDA

Operating profit (EBITDA) increased by DKK 10.4 billion, amounting to DKK 19.1 billion in 2016. Wind Power accounted for DKK 5.7 billion of the increase and Distribution & Customer Solutions for DKK 4.9 billion. Seven renegotiations of oil-indexed gas purchase contracts were completed, contributing a total of DKK 4.3 billion in 2016. One contract was renegotiated in 2015. In addition, 2015 was positively affected by insurance compensation and a settled dispute in Bioenergy & Thermal Power totalling DKK 0.5 billion.

EBITDA adjusted for the above items of a non-recurring nature was almost doubled relative to 2015. The underlying positive development in operating profit was primarily driven

Underlying EBITDA development, DKK bn.



The underlying operating profit excludes one-off payments related to renegotiations of gas purchase contracts, earnings from divested gas distribution assets, as well as insurance compensation and a settled dispute in Bioenergy & Thermal Power in 2015.

by higher activity relating to construction contracts for offshore wind farms in Germany and the UK, a gain from the divestment of 50% of the offshore wind farms Race Bank and Burbo Bank Extension, power generation from newly constructed offshore wind farms and improved margins in the wholesale gas business, among other things due to the completion of contract renegotiations. The positive development was partially offset by the less favourable wind conditions mentioned above.

EBIT

EBIT increased by DKK 12.0 billion to DKK 13.9 billion in 2016, primarily driven by the higher EBITDA.

Depreciation was down DKK 0.4 billion at DKK 5.2 billion in 2016. The lower depreciation was due to mature assets in Bioenergy & Thermal Power that were fully depreciated at the end of 2015 and the fact that the infrastructure assets in Distribution & Customer Solutions that were classified as assets held for sale in 2015 were not depreciated. The decrease was partially offset by higher depreciation in Wind Power as a result of more offshore wind farms in operation.

There were no impairment losses in 2016. Impairment losses in 2015 were related to a Dutch power station in Bioenergy & Thermal Power as well as older installation vessels and goodwill in Wind Power.

Gain (loss) from divestment of enterprises

Gain on divestment of enterprises totalled DKK 1.2 billion, mainly related to a gain from the divestment of the gas distribution network to Energinet.dk. Divestment of enterprises had no significant effect on earnings in 2015.

Net financial income and expenses

Net financial income and expenses amounted to DKK -0.8 billion against DKK -1.4 billion in 2015. The reduction in expenses was primarily due to positive exchange rate adjustments on loans and deposits in 2016 compared with negative adjustments in 2015, as well as lower net interest payments as a result of lower average interest-bearing debt and a higher share of capitalised interest. In 2016, issued bonds

and bank loans were reduced by DKK 12.2 billion through ordinary debt maturity and early repayment of long-term debt. The reduction in net financial income and expenses was partially offset by capital losses and expenses totalling DKK 0.9 billion in connection with the aforementioned repurchase of bonds and early repayment of bank debt and interest rate swaps totalling DKK 7.5 billion in 2016.

Tax and tax rate

Tax on profit for the year amounted to DKK 2.2 billion, which was DKK 2.6 billion more than in 2015. The effective tax rate was 15% against -89% in 2015. In 2016, the tax rate was affected by non-taxable divestment gains. In 2015, the tax rate was affected by, among other things, recognition of tax assets in respect of prior years. The effective tax rate adjusted for these effects was at level with a weighted average of the local tax rates in the countries, where the earnings were generated.

Profit for the year from continuing operations

Profit for the year from the Group's continuing operations totalled DKK 12.2 billion and was thus DKK 11.2 billion higher than in 2015. The increase was primarily due to higher EBIT and a gain from the divestment of the gas distribution network.

Profit for the year from discontinued operations

Profit for the year from discontinued operations

| Tax and tax rate (DKKm) | Profit before tax | Tax hereof | Tax percentage |
|-----------------------------------|-------------------|----------------|----------------|
| Gain/loss on divestments | 4,243 | (88) | 2% |
| Rest of continuing operations | 10,109 | (2,103) | 21% |
| Effective tax for the year | 14,352 | (2,191) | 15% |



In 2016, the tax percentage was affected by tax-exempt gains.

amounted to DKK 1.1 billion against a loss of DKK 13.1 billion in 2015, where impairment losses totalled DKK 14.8 billion after tax. Profit for the year adjusted for impairment losses decreased by DKK 0.7 billion due to lower EBITDA, partially offset by lower depreciation and tax. The lower EBITDA was partly due to lower oil and gas prices, which were partially offset by hedging, partly due to a provision of DKK 0.8 billion (without impact at EBIT level) as a result of the termination of the EPC¹ contract with the consortium responsible for the construction of the Hejre platform, and partly due to non-recurring items of DKK 1.2 billion, which contributed positively in 2015. This was partially offset by lower costs. EBITDA from the additional volumes from the Ormen Lange field amounted to DKK 0.3 billion compared to DKK 2.5 billion in 2015. Reference is made to note 3.7 for further information on the financial results of discontinued operations.

Cash flow from operating activities

Cash flow from operating activities totalled DKK 11.3 billion in 2016 compared to DKK 7.5 billion in 2015. The increase of DKK 3.8 billion was due to a doubling of EBITDA, partially offset by increased funds tied up in working capital, higher tax payments and higher net interest payments etc. due, among other factors, to the settlement of interest rate swaps relating to long-term loans of DKK 0.5 billion in 2016, while litigation interest from a dispute over CO₂ emission allowances was received in 2015. The portion of the higher EBITDA relating to divestment gains (DKK 2.9 billion in 2016) is not included in cash flows from operating activities, but is recognised as part of the net investments.

The increased funds tied up in working capital were primarily related to clearing counterparties in connection with exchange trading in Distribution & Customer Solutions and construction contracts for offshore transmission assets in Wind Power. The former contributed negatively in 2016 as a result of the increase in oil and gas prices at year-end 2016, but contributed positively in 2015 due to falling prices. Construction contracts contributed more negatively in 2016 than in 2015 due to the concurrent construction of a number of offshore transmission assets in the UK. This was partially offset by lower receivables at the end of the year and by the divestment of Westermost Rough's offshore transmission asset in 2016.

Investments and divestments

Gross investments were DKK 2.3 billion higher than in 2015, totalling DKK 15.0 billion, of which Wind Power's share accounted for 83%. Net investments amounted to DKK 5.9 billion compared with DKK 10.7 billion in 2015. The most significant investments in 2016 were as follows:

- Offshore wind farms (DKK 12.4 billion), including the German Gode Wind 1 & 2 and Borkum Riffgrund 2 as well as the UK Burbo Bank Extension, Walney Extension, Race Bank and Hornsea 1.
- CHP plants (DKK 1.9 billion), including biomass conversion of the Skærbæk, Avedøre and Studstrup CHP plants and construction of a RENescience waste refinery plant in the UK.

Divestment of activities and enterprises amounted to DKK 9.1 billion in 2016 and primarily related to 50% of Race Bank and

| Cash flows and net debt (DKK m) | 2016 | 2015 | % |
|---|----------|----------|-------|
| Cash flow from operating activities | 11,272 | 7,521 | 50% |
| EBITDA | 19,109 | 8,730 | 119% |
| Financial instruments | 806 | (155) | n.a. |
| Changes in provisions | (366) | (299) | 22% |
| Reversal of gain/loss on sale of assets | (2,939) | 30 | n.a. |
| Other items | 217 | (8) | n.a. |
| Interest expense, net | (861) | (249) | 246% |
| Paid tax | (3,182) | (1,115) | 185% |
| Change in work in progress | (2,393) | (1,418) | 69% |
| Change in other working capital | 881 | 2,005 | (56%) |
| Gross investments | (14,960) | (12,709) | 18% |
| Divestments | 9,055 | 1,982 | 357% |
| Free cash flow | 5,367 | (3,206) | n.a. |
| Net debt 1 January | 9,193 | 3,978 | 131% |
| Free cash flow from continuing operations | (5,367) | 3,206 | n.a. |
| Free cash flow from discontinued operations | (1,106) | (657) | 68% |
| Dividends and hybrid coupon paid | 1,016 | 1,350 | (25%) |
| Exchange rate adjustments, etc. | (275) | 1,316 | n.a. |
| Net debt 31 December | 3,461 | 9,193 | (62%) |

| Key ratios (DKK m., %) | 2016 | 2015 | % |
|------------------------|--------|--------|---------|
| ROCE | 24.4 | 3.6 | 20.8%-p |
| Adjusted ROCE | 24.4 | 5.9 | 18.5%-p |
| Adjusted net debt | 18,046 | 25,505 | (29%) |
| FFO/adjusted net debt | 80.5 | 28.7 | 51.8%-p |

Burbo Bank Extension, the gas distribution network as well as deferred payment from the divestment of 50% of Gode Wind 1 in 2015. Divestments in 2015 mainly concerned 50% of Gode Wind 1, receipt of deferred payment from the divestment of Westermost Rough in 2014 as well as the Måbjerg CHP plant.

Interest-bearing net debt

Interest-bearing net debt totalled DKK 3.5 billion at the end of December 2016 against

DKK 9.2 billion the year before. The decrease was mainly due to a positive free cash flow from continuing operations of DKK 5.4 billion, as cash flows from operating activities and divestments exceeded investments. In addition, exchange rate adjustments of loans in pound sterling contributed to the decrease.

Equity

Equity was DKK 57.5 billion at the end of December 2016 against DKK 51.7 billion the



Gain/loss on sale of assets is a part of EBITDA but is presented as part of the 'divestment' cash flow. The EBITDA effect is thus reversed in the specification of cash flow from operating activities.



ROCE and FFO/adjusted net debt is specified in note 2.1 and 6.2.

¹engineering, procurement and construction

year before. The increase was primarily due to the positive results for the year.

Capital employed

Capital employed was in line with the year before, amounting to DKK 61.0 billion at year-end 2016. Wind Power's share of capital employed amounted to 80%.

Key ratios

Return on capital employed (ROCE) from continuing operations

The return on capital employed (ROCE) from continuing operations amounted to 24% in 2016 against 4% in 2015 (and 6% in 2015 adjusted for impairment losses). The increase was due to the higher EBIT.

Credit metric (FFO/adjusted net debt)

The credit metric funds from operations (FFO) in relation to adjusted net debt was 81% at the end of December 2016 compared to 29% the year before. The improvement was due to the increase in EBITDA as well as the lower adjusted net debt.

Non-financial results

CO₂ emissions

Our aim is to reduce CO₂ emissions from our power and heat generation to 100g CO₂e/kWh in 2020, which is approximately 80% lower than in 2006, and further to 20g CO₂e/kWh in 2023. In 2016, the result was 224g CO₂e/kWh against 220g CO₂e/kWh in 2015. The 2% increase was attributable to an 18% increase in power generation by our power stations in 2016 relative to 2015 due to a higher demand for power in the Nordic Region and a lower supply of hydropower and wind power. Also,

power generation by our Dutch power station was up 48% relative to 2015, where power generation was very low. As mentioned earlier, our wind-based power generation increased by a mere 5% relative to 2015 due to a significantly lower wind energy content.

In 2006, renewable energy accounted for 17% of our power and heat generation, while 83% was based on fossil fuels like coal, natural gas and oil. In 2016, the share of renewable energy reached 50%, and we are continuing the conversion to green energy generation.

Safety

A strong safety culture is important in the energy industry. We must ensure that our employees and people who work for us are able to perform their jobs under safe and appropriate conditions, whether they are working at the top of offshore wind turbines, on construction sites or in one of our offices. We focus on areas in which we believe that we are best able to influence the safety culture, manage risks and improve our safety performance.

The lost-time injury frequency (LTIF) declined from 2.0 in 2015 to 1.8 in 2016. We continue our work in order to reach our target of an LTIF of 1.5 in 2020. We have not had any fatal accidents since December 2012.

One of our focus areas is our safety culture. In 2016, we conducted a survey of the safety culture in the entire company. The survey showed a maturity level of 3.5 on a scale from 0 to 4. The survey will form the basis for our efforts in 2017.

A large proportion of our occupational injuries involve people tripping, falling or twisting of a

joint. Even though most of these accidents are not serious, we are working to reduce them even further. Moreover, we want to continue to focus on ensuring thorough follow-up and on reducing the number of near-miss incidents with the potential to cause harm to our employees and suppliers, as well as involving our suppliers further in our safety work.

In 2016, we increased our focus on the psychosocial working environment and its impact on physical safety. One example is that we have developed a stress reduction tool for our managers. The tool will be implemented in 2017 and will be integrated in our internal Safety Leadership Onboarding course.

Employee satisfaction

A high level of satisfaction and motivation among our employees is a sign that we are a healthy company, which our employees want to be a part of. The result is a high level of employee loyalty and a high retention rate. In the annual employee survey, our employee satisfaction and motivation index increased from 74 to 76 on a scale from 1 to 100.

This means that we are in line with the highest-ranking international companies, and that we are one point from achieving our 2020 target of an index of 77. At the same time, the loyalty index increased from 82 to 83, while the frequency of employees who chose to leave DONG Energy fell from 7.4% in 2015 to 6.7% in 2016.

The positive development in employee satisfaction and motivation is especially linked to employees holding a more positive view of DONG Energy's reputation and to the

employees' high rating of their immediate managers. The assessment of immediate managers was at 79 index points, which is 16 points higher than an international benchmark of 63.

Reputation

It is important for us that we have the support of our stakeholders, and that they perceive us as a positive player in the communities of which we are part. For this reason, we measure our reputation. In Denmark, our reputation has been negatively affected since the capital injection in 2014, where Goldman Sachs, ATP and PFA bought shares in the company. Through new strategies, we are working on improving our reputation in Denmark. Among other things, we are helping consumers reduce their power bill by communicating our green transition and by engaging in important social activities relevant to our business. On the international markets, our reputation is significantly better than in Denmark.

Our reputation is affected by a number of parameters. Most importantly, by the extent to which the Danish people see DONG Energy as a sympathetic company which you can trust and which conducts itself ethically, which is open about how it works, and which has a positive impact on society. At the moment, DONG Energy is assessed relatively low on these parameters. Since 2011, our reputation score has fallen by 6 points on a scale up to 100.

In connection with our listing in June, our reputation index increased by +2 points. Our reputation increased from 47 in 2015 to 48 in 2016, which is lower than the average among other large Danish companies. Our target is to reach a reputation index of at least 55 in 2020.

Five-year summary

| Income statement (business performance) (DKKm) | 2016 | 2015 | 2014 | 2013 | 2012 |
|---|---------------|-----------------|----------------|--------------|----------------|
| Revenue | 61,201 | 65,444 | 61,280 | 68,555 | 61,004 |
| EBITDA | 19,109 | 8,730 | 7,798 | 7,680 | 2,089 |
| Wind Power | 11,867 | 6,151 | 6,057 | 4,252 | 2,479 |
| Bioenergy & Thermal Power | 100 | 283 | 422 | 744 | 1,067 |
| Distribution & Customer Solutions | 7,108 | 2,173 | 1,404 | 2,348 | (1,455) |
| Other activities | 34 | 123 | (85) | 336 | (2) |
| Depreciation and amortisation | (5,232) | (5,673) | (5,319) | (5,030) | (5,710) |
| Impairment losses | 0 | (1,184) | (216) | (1,344) | (2,791) |
| Operating profit (loss) (EBIT) | 13,877 | 1,873 | 2,263 | 1,306 | (6,412) |
| Gain (loss) on divestment of enterprises | 1,250 | 56 | 1,258 | 2,045 | 2,675 |
| Net financial income and expenses | (767) | (1,409) | (838) | (3,079) | (572) |
| Profit (loss) from associates and joint ventures | (8) | (8) | (484) | (57) | (699) |
| Profit (loss) before tax | 14,352 | 512 | 2,199 | 215 | (5,008) |
| Tax | (2,191) | 455 | (298) | 478 | 1,473 |
| Profit (loss) for the year from continuing operations | 12,161 | 967 | 1,901 | 693 | (3,535) |
| Profit (loss) for the year from discontinued operations | 1,052 | (13,051) | (7,185) | (1,686) | (486) |
| Profit (loss) for the year | 13,213 | (12,084) | (5,284) | (993) | (4,021) |
| Balance sheet | | | | | |
| Total assets | 136,489 | 147,457 | 149,914 | 145,672 | 157,489 |
| Total equity | 57,500 | 51,736 | 61,533 | 51,543 | 50,016 |
| Shareholders of DONG Energy A/S | 39,106 | 32,090 | 41,736 | 31,599 | 33,421 |
| Non-controlling interests | 5,146 | 6,398 | 6,561 | 6,708 | 7,057 |
| Hybrid capital | 13,248 | 13,248 | 13,236 | 13,236 | 9,538 |
| Interest-bearing net debt | 3,461 | 9,193 | 3,978 | 25,803 | 31,968 |
| Capital employed | 60,961 | 60,930 | 65,511 | 77,345 | 81,984 |
| Additions to property plant, and equipment | 17,750 | 19,843 | 15,350 | 19,437 | 16,549 |
| Cash flow | | | | | |
| Cash flow from operating activities | 11,272 | 7,521 | 9,568 | 5,754 | 2,293 |
| Gross investments | (14,960) | (12,709) | (10,327) | (11,623) | (12,653) |
| Divestments | 9,055 | 1,982 | 10,559 | 15,329 | 4,362 |
| Free cash flow | 5,367 | (3,206) | 9,800 | 9,460 | (5,998) |
| Financial ratios | | | | | |
| Return on capital employed (ROCE) ¹ , % | 24.4 | 3.6 | 4.3 | 2.2 | (10.1) |
| Adjusted ROCE ² , % | 24.4 | 5.9 | 4.7 | 4.3 | (5.6) |
| FFO/adjusted net debt ³ , % | 80.5 | 28.7 | 41.7 | 14.0 | 2.9 |
| Number of outstanding shares, 31 December, '000 | 420,381 | 417,726 | 399,855 | 293,710 | 293,710 |
| Share price, 31 December, DKK | 267.6 | - | - | - | - |
| Market capitalisation, 31 December, DKK billion | 112.5 | - | - | - | - |
| Earnings per share (EPS) (BP), DKK | 30.6 | (30.7) | (14.9) | (5.9) | (14.1) |
| Income statement (IFRS) | | | | | |
| Revenue | 57,393 | 66,708 | 61,866 | 67,329 | 60,039 |
| EBITDA | 16,939 | 9,888 | 7,546 | 6,555 | 970 |
| Profit (loss) for the year from continuing operations | 10,467 | 1,854 | 1,708 | (146) | (4,375) |

| Business drivers | 2016 | 2015 | 2014 | 2013 | 2012 |
|---|-------------|--------|--------|---------|--------|
| Wind Power | | | | | |
| Decided (FID) capacity ⁴ , offshore wind, GW | 7.4 | 5.1 | 3.8 | 3.6 | 2.8 |
| Installed capacity, offshore wind ⁴ , GW | 3.6 | 3.0 | 2.5 | 2.1 | 1.7 |
| Production capacity, offshore wind ⁴ , GW | 2.0 | 1.7 | 1.4 | 1.3 | 1.1 |
| Wind energy content (WEC) ⁴ , % | 93 | 103 | 97 | 97 | 99 |
| Load factor ⁴ , % | 41 | 45 | 44 | 42 | 43 |
| Availability ⁴ , % | 92 | 93 | 94 | 93 | 94 |
| Power generation, TWh | 6.0 | 5.8 | 5.0 | 5.3 | 4.6 |
| Bioenergy & Thermal Power | | | | | |
| Degree days ⁴ , number | 2,715 | 2,621 | 2,462 | 2,890 | 2,918 |
| Heat generation, TWh | 9.2 | 9.3 | 8.7 | 11.2 | 11.9 |
| Power generation, TWh | 8.4 | 7.1 | 8.7 | 13.8 | 11.5 |
| Distribution & Customer Solutions | | | | | |
| Regulatory value of power distribution assets ⁵ | 10,648 | 10,778 | 10,373 | 10,127 | 9,814 |
| Power distribution, TWh | 8.5 | 8.4 | 8.4 | 8.6 | 8.7 |
| Gas distribution, TWh | 5.8 | 8.1 | 8.2 | 9.0 | 9.1 |
| Power sales, TWh | 36.7 | 35.5 | 34.5 | 25.5 | 12.6 |
| Gas sales, TWh | 150.4 | 159.1 | 151.3 | 131.7 | 146.7 |
| People & environment | | | | | |
| Employees (FTE) end of period, number | 5,775 | 5,947 | 5,751 | 5,807 | 6,241 |
| Lost-time injury frequency (LTIF), per 1 million hours worked | 1.8 | 2.0 | 2.5 | 3.5 | 4.0 |
| Fatalities, number | 0 | 0 | 0 | 0 | 1 |
| CO ₂ emissions, g CO ₂ e/kWh | 224 | 220 | 280 | 311 | 282 |
| Oil & Gas | | | | | |
| Oil and gas production, million boe | 36.6 | 40.9 | 41.8 | 31.7 | 28.5 |
| EBITDA | 6,507 | 9,754 | 8,591 | 7,324 | 6,550 |
| Free cash flow | 1,106 | 656 | 452 | (5,632) | 595 |
| Capital employed | 2,769 | 5,444 | 17,538 | 20,663 | 17,507 |

In general, the financial and non-financial data are stated excluding discontinued operations



Business performance vs. IFRS
Business performance represents the underlying financial performance of the Group in the reporting period as results are adjusted for temporary fluctuations in the market value of contracts (including hedging transactions) relating to other periods. Apart from this, there is no difference between business performance and IFRS results. Read more in note 2.2.

ROCE is calculated for continuing operations.
¹⁾ EBIT/average capital employed.
²⁾ EBIT adjusted for impairment losses/ average capital employed (with impairment losses after tax added back to ultimo capital employed).
³⁾ Net debt including 50% of hybrid capital, cash and securities not available for use (with the exception

of repo transactions), present value of lease obligations, and decommissioning obligations less deferred tax.
⁴⁾ See definition on page 190 and in the non-financial statements.
⁵⁾ The figures indicate values from the latest regulatory financial statements (updated in June).

Fourth quarter

Financial performance – Group

Revenue

Revenue was DKK 15.7 billion in Q4 2016 compared with DKK 14.3 billion in Q4 2015. The 10% increase was primarily due to higher activity from construction contracts for transmission assets in the UK, and higher thermal power and heat generation due to improved spreads and colder weather. The increase was partially offset by lower revenue from gas sales and power distribution.

EBITDA

EBITDA increased by DKK 4.4 billion, amounting to DKK 6.3 billion in Q4 2016. The increase was due to higher activity from construction contracts for Burbo Bank Extension, a gain of DKK 2.5 billion from the divestment of 50% of Race Bank as well as a one-off payment from the completed renegotiation of a gas purchase contract in Distribution & Customer Solutions.

Profit (loss) for the period from continuing operations

Profit for the period from the Group's continuing operations totalled DKK 4.0 billion and was thus DKK 4.3 billion higher than in Q4 2015. The increase was primarily due to the higher EBITDA. In addition, Q4 2015 was negatively impacted by impairment losses totalling DKK 1.2 billion related to a Dutch power station in Bioenergy & Thermal Power as well as older installation vessels and goodwill in Wind Power.

Profit (loss) for the period from discontinued operations

Profit (loss) for the period from discontinued operations amounted to DKK -0.5 billion in Q4 2016 compared with DKK -15.0 billion in Q4 2015. The loss was negatively impacted by impairment losses totalling DKK 14.8 billion (after tax) in Q4 2015. Adjusted for these impairment losses, the loss was DKK 0.3 billion higher than in 2015.

Cash flow from operating activities

Cash flow from operating activities totalled DKK 1.8 billion in Q4 2016 compared with DKK 4.5 billion in Q4 2015. The decrease was mainly due to higher tax payments, a lower reduction in funds tied up in working capital, partially offset by the higher EBITDA (of which the gain from the divestment of 50% of Race Bank is not recognised in cash flow from operating activities). The lower release of funds tied up in working capital were primarily related to clearing counterparties in connection with exchange trading in Distribution & Customer Solutions due to the increase in oil and gas prices at year-end 2016 as well as construction contracts for offshore wind farms for partners in Wind Power, as a result of received milestone payments in Q4 2015.

Gross investments

Gross investments amounted to DKK 4.7 billion in Q4 2016, 85% of which in Wind Power. The investments were primarily related to Burbo Bank Extension, Walney Extension, Race Bank, Hornsea 1 as well as Borkum Riffgrund 2.

| Financial performance (DKKm) | Q4 2016 | Q4 2015 | % |
|---|---------|----------|-------|
| Revenue | 15,678 | 14,319 | 10% |
| EBITDA | 6,310 | 1,947 | 224% |
| Depreciation | (1,602) | (1,444) | 11% |
| EBIT | 4,708 | (681) | n.a. |
| Profit (loss) before tax | 4,273 | (1,042) | n.a. |
| Tax | (285) | 727 | n.a. |
| Profit (loss) for the period from continuing operations | 3,988 | (315) | n.a. |
| Profit (loss) for the period from discontinued operations | (473) | (15,004) | (97%) |
| Profit (loss) for the period | 3,515 | (15,319) | n.a. |

| Cash flows and net debt (DKKm) | Q4 2016 | Q4 2015 | % |
|---|---------|---------|-------|
| Cash flow from operating activities | 1,752 | 4,463 | (61%) |
| EBITDA | 6,310 | 1,947 | 224% |
| Financial instruments | 845 | 54 | n.a. |
| Changes in provisions | (276) | (134) | 106% |
| Reversal og gain/loss on sale of assets | (2,695) | (24) | n.a. |
| Other items | 27 | 56 | (52%) |
| Interest expense, net | (75) | 8 | n.a. |
| Paid tax | (3,231) | (1,066) | 203% |
| Change in work in progress (WIP) | (8) | 2,269 | n.a. |
| Change in other working capital | 855 | 1,353 | (37%) |
| Gross investments | (4,732) | (2,734) | 73% |
| Divestments | 5,013 | 1,624 | 209% |
| Free cash flow | 2,033 | 3,353 | (39%) |
| Net debt, beginning of period | 5,942 | 13,424 | (56%) |
| Free cash flow from continuing operations | (2,033) | (3,353) | (39%) |
| Free cash flow from discontinued operations | (1,020) | (1,268) | (20%) |
| Dividends and hybrid coupon paid | 240 | 210 | 14% |
| Exchange rate adjustments, etc. | 332 | 180 | 84% |
| Net debt, end of period | 3,461 | 9,193 | (62%) |

Financial performance – business units

Wind Power

Revenue increased by 6% to DKK 4.4 billion in Q4 2016. The increase was driven by higher activity from construction contracts, partly due to the ongoing construction of Burbo Bank Extension and partly due to transmission assets in the UK, partially offset by the Gode Wind 1 & 2 construction contracts in Germany, which saw a high level of activity in Q4 2015. Revenue from wind farms was in line with Q4 2015, as the generation from new wind farms was partially offset by lower wind energy content (108% against 123% in Q4 2015). In addition, generation in Q4 2015 was negatively affected by cable faults.

EBITDA tripled to DKK 5.1 billion. The increase was mainly due to the gain of DKK 2.5 billion from the divestment of 50% of Race Bank, as well as the aforementioned ongoing construction of Burbo Bank Extension. This was partially offset by a high level of activity on the Gode Wind 1 & 2 construction contracts in Q4 2015. In addition, EBITDA from construction contracts was negatively affected by accounting effects related to the construction of transmission assets in the UK in both quarters.

EBITDA from wind farms increased marginally to DKK 1.9 billion. Earnings from new wind farms and compensation from the German transmission owner TenneT for delays in the establishment of infrastructure for Gode Wind 1 & 2 were largely offset by the lower wind energy content.

EBITDA from Other including A2SEA and project development decreased as a result of A2SEA receiving fewer assignments than in Q4 2015.

Cash flow from operating activities decreased by DKK 5.1 billion, amounting to DKK -1.9 billion. The higher EBITDA (excluding the gain from divestment of Race Bank of DKK 2.5 billion) was more than offset by higher tax payments as well as increased funds tied up in working capital from construction contracts. The increased funds tied up were due to milestone payments, which affected cash flows positively in Q4 2015.

Free cash flow was DKK -1.0 billion compared with DKK 2.7 billion in Q4 2015. The lower cash flow from operating activities and a doubling of gross investments relative to Q4 2015 was only partially offset by the divestment of 50% of Race Bank.

Bioenergy & Thermal Power

Revenue increased by DKK 0.5 billion to DKK 2.0 billion in Q4 2016. Revenue from the heat business increased by DKK 0.3 billion as a result of colder weather, leading to a 9% increase in heat generation. Revenue from power (including ancillary services) also increased by DKK 0.3 billion, amounting to DKK 1.1 billion in Q4 2016. The increase was primarily due to higher power generation and a significantly higher average power price relative to Q4 2015.

EBITDA increased by DKK 0.2 billion, amounting to DKK 0.1 billion in Q4 2016. The increase was mainly driven by higher heat and power generation and improved spreads.

| Wind Power results (DKKkm) | Q4 2016 | Q4 2015 | % |
|---|---------|---------|------|
| Revenue | 4,415 | 4,171 | 6% |
| Sites, O&M og PPA ¹ | 2,173 | 2,233 | (3%) |
| Construction contracts | 2,159 | 1,865 | 16% |
| Other incl. A2SEA | 83 | 73 | 14% |
| EBITDA | 5,054 | 1,693 | 199% |
| Sites, O&M og PPA ¹ | 1,899 | 1,866 | 2% |
| Construction contracts and divestment gains | 3,309 | (89) | n.a. |
| Other incl. A2SEA and project development | (154) | (84) | 83% |
| Free cash flow | (958) | 2,714 | n.a. |

| Bioenergy & Thermal Power results (DKKkm) | Q4 2016 | Q4 2015 | % |
|---|---------|---------|-------|
| Revenue | 1,956 | 1,447 | 35% |
| Heat | 849 | 593 | 43% |
| Power, incl. ancillary services | 1,107 | 854 | 30% |
| EBITDA | 115 | (118) | n.a. |
| Heat | 172 | 100 | 72% |
| Ancillary services | 89 | 63 | 41% |
| Power | (146) | (281) | (48%) |
| Free cash flow | 299 | 852 | (65%) |

| Distribution & Customer Solutions results (DKKkm) | Q4 2016 | Q4 2015 | % |
|---|---------|---------|-------|
| Revenue | 10,879 | 12,143 | (10%) |
| EBITDA | 1,243 | 362 | 243% |
| Distribution | 223 | 261 | (15%) |
| Sales | (71) | 36 | n.a. |
| Markets | 1,131 | 110 | 928% |
| LNG | (40) | (45) | (11%) |
| Free cash flow | 922 | 1,510 | (39%) |



For more details on quarterly figures for our business units, please go to www.dongenergy.com/en/investors/key-figures/download-key-figures

¹ O&M: Operation and Maintenance Agreements PPA: Power Purchase Agreements.

Free cash flow was DKK 0.3 billion compared with DKK 0.9 billion in Q4 2015. The decrease was mainly due to lower received taxes than in Q4 2015.

Distribution & Customer Solutions

Revenue decreased by DKK 1.3 billion to DKK 10.9 billion in Q4 2016. The decrease was mainly due to lower gas prices, as well as lower revenue from power distribution, as tax and costs are no longer invoiced on behalf of the transmission owner.

EBITDA was DKK 1.2 billion in Q4 2016 compared to DKK 0.4 billion in Q4 2015. The increase was due to a one-off payment from the completed renegotiation of a long-term oil-indexed gas purchase contract and improved margins in wholesale gas sales.

Free cash flow decreased by DKK 0.6 billion to DKK 0.9 billion in Q4 2016. The higher EBITDA was thus more than offset by higher tax payments and increased funds tied up in working capital in Q4 2016 compared with a decrease in the same period of 2015. The increased funds tied up in working capital in Q4 2016 related, among other things, to central clearing counterparties, primarily as a consequence of rising oil and gas prices in Q4 2016 compared with falling prices in Q4 2015.



Westermøst Rough

Quarterly summary (2015-2016)

Income statement

| (business performance) (DKKm) | Q4 2016 | Q3 2016 | Q2 2016 | Q1 2016 | Q4 2015 | Q3 2015 | Q2 2015 | Q1 2015 |
|---|---------|---------|---------|---------|----------|---------|---------|---------|
| Revenue | 15,678 | 13,114 | 15,001 | 17,408 | 14,319 | 16,004 | 17,312 | 17,809 |
| EBITDA | 6,310 | 3,099 | 2,615 | 7,085 | 1,947 | 1,552 | 2,747 | 2,484 |
| Wind Power | 5,054 | 1,643 | 2,270 | 2,900 | 1,693 | 1,384 | 1,177 | 1,897 |
| Bioenergy & Thermal Power | 115 | (128) | (41) | 154 | (118) | (194) | 321 | 274 |
| Distribution & Customer Solutions | 1,243 | 1,507 | 452 | 3,906 | 362 | 46 | 1,476 | 289 |
| Other activities | (102) | 77 | (66) | 125 | 10 | 316 | (227) | 24 |
| Depreciation and amortisation | (1,602) | (1,239) | (1,215) | (1,176) | (1,444) | (1,489) | (1,376) | (1,364) |
| Impairment losses | 0 | 0 | 0 | 0 | (1,184) | 0 | 0 | 0 |
| Operating profit (loss) (EBIT) | 4,708 | 1,860 | 1,400 | 5,909 | (681) | 63 | 1,371 | 1,120 |
| Gain (loss) on divestment of enterprises | (80) | 1,314 | 19 | (3) | (33) | (12) | 82 | 19 |
| Net financial income and expenses | (352) | (114) | (589) | 288 | (328) | (150) | (273) | (658) |
| Profit (loss) from associates and joint ventures | (3) | (4) | 0 | (1) | 0 | (3) | (2) | (3) |
| Profit (loss) before tax | 4,273 | 3,056 | 830 | 6,193 | (1,042) | (102) | 1,178 | 478 |
| Tax | (285) | (536) | (157) | (1,213) | 727 | 40 | (222) | (90) |
| Profit (loss) for the period from continuing operations | 3,988 | 2,520 | 673 | 4,980 | (315) | (62) | 956 | 387 |
| Profit (loss) for the period from discontinued operations | (473) | 811 | 478 | 236 | (15,004) | 520 | 77 | 1,357 |
| Profit (loss) for the period | 3,515 | 3,331 | 1,151 | 5,216 | (15,319) | 458 | 1,033 | 1,744 |

Balance

| | | | | | | | | |
|--|---------|---------|---------|---------|---------|---------|---------|---------|
| Total assets | 136,489 | 141,197 | 140,700 | 155,915 | 147,457 | 157,663 | 155,073 | 160,346 |
| Total equity | 57,500 | 57,517 | 54,694 | 56,682 | 51,736 | 64,973 | 63,152 | 62,937 |
| Shareholders of DONG Energy A/S | 39,106 | 39,029 | 35,946 | 37,614 | 32,090 | 45,155 | 43,056 | 42,768 |
| Non-controlling interests | 5,146 | 5,240 | 5,500 | 5,820 | 6,398 | 6,570 | 6,848 | 6,933 |
| Hybrid capital | 13,248 | 13,248 | 13,248 | 13,248 | 13,248 | 13,248 | 13,248 | 13,236 |
| Interest-bearing net debt | 3,461 | 5,942 | 3,821 | 940 | 9,193 | 13,424 | 7,785 | 6,934 |
| Capital employed | 60,961 | 63,459 | 58,515 | 57,622 | 60,930 | 78,398 | 70,937 | 69,871 |
| Additions to property plant, and equipment | 4,378 | 5,168 | 3,037 | 5,167 | 4,033 | 4,471 | 4,897 | 6,442 |

Cash flows

| | | | | | | | | |
|-------------------------------------|---------|---------|---------|---------|---------|---------|---------|---------|
| Cash flow from operating activities | 1,752 | (56) | 1,215 | 8,361 | 4,463 | (711) | 2,865 | 904 |
| Gross investments | (4,732) | (4,658) | (2,339) | (3,231) | (2,734) | (4,037) | (2,573) | (3,365) |
| Divestments | 5,013 | 2,139 | (46) | 1,949 | 1,624 | (13) | 349 | 22 |
| Free cash flow | 2,033 | (2,575) | (1,170) | 7,079 | 3,353 | (4,761) | 641 | (2,439) |

Financial ratios

| | | | | | | | | |
|--|---------|---------|---------|---------|---------|---------|---------|---------|
| Return on capital employed (ROCE) ^{1,6} , % | 24.4 | 14.6 | 12.6 | 12.8 | 3.6 | 4.3 | 3.6 | 1.6 |
| Adjusted ROCE ^{2,6} , % | 24.4 | 16.2 | 14.7 | 14.9 | 5.9 | 4.3 | 4.0 | 2.0 |
| FFO/adjusted net debt ^{3,6} , % | 80.5 | 54.9 | 56.7 | 68.0 | 28.7 | 31.0 | 35.6 | 29.9 |
| Number of outstanding shares, end of period, '000 | 420,381 | 420,381 | 420,381 | 417,726 | 417,726 | 417,726 | 417,726 | 417,726 |
| Share price, end of period, DKK | 267.6 | 275.0 | 240.3 | - | - | - | - | - |
| Market capitalisation, end of period, DKK bn | 112.5 | 115.6 | 101.0 | - | - | - | - | - |
| Earnings per share (EPS) (BP), DKK | 8.2 | 7.7 | 1.9 | 12.8 | (36.7) | 0.7 | 1.2 | 4.1 |

Income statement (IFRS)

| | | | | | | | | |
|---|--------|--------|--------|--------|--------|--------|--------|--------|
| Revenue | 13,396 | 13,200 | 13,134 | 17,663 | 15,571 | 17,585 | 16,968 | 16,584 |
| EBITDA | 4,572 | 3,222 | 1,487 | 7,658 | 3,111 | 2,784 | 2,431 | 1,562 |
| Profit (loss) for the period from continuing operations | 2,633 | 2,615 | (207) | 5,426 | 578 | 880 | 715 | (319) |

Business drivers

| | Q4 2016 | Q3 2016 | Q2 2016 | Q1 2016 | Q4 2015 | Q3 2015 | Q2 2015 | Q1 2015 |
|--|---------|---------|---------|---------|---------|---------|---------|---------|
| Wind Power | | | | | | | | |
| Decided (FID) capacity ⁴ , offshore wind, GW | 7.4 | 7.4 | 6.7 | 6.3 | 5.1 | 4.4 | 4.4 | 3.8 |
| Installed capacity, offshore wind ⁴ , GW | 3.6 | 3.0 | 3.0 | 3.0 | 3.0 | 2.7 | 2.7 | 2.5 |
| Production capacity, offshore wind ⁴ , GW | 2.0 | 1.8 | 1.7 | 1.7 | 1.7 | 1.7 | 1.6 | 1.4 |
| Wind energy content ⁴ , % | 108 | 78 | 75 | 111 | 123 | 79 | 89 | 121 |
| Load factor ⁴ , % | 49 | 35 | 34 | 46 | 50 | 36 | 42 | 55 |
| Availability ⁴ , % | 94 | 92 | 94 | 89 | 90 | 93 | 94 | 94 |
| Power generation, TWh | 1.8 | 1.3 | 1.2 | 1.7 | 1.5 | 1.3 | 1.4 | 1.6 |
| Bioenergy & Thermal Power | | | | | | | | |
| Degree days ⁴ , number | 962 | 54 | 399 | 1,300 | 781 | 109 | 520 | 1,211 |
| Heat generation, TWh | 3.1 | 0.4 | 1.4 | 4.3 | 2.9 | 0.6 | 1.6 | 4.2 |
| Power generation, TWh | 3.0 | 1.3 | 1.1 | 3.0 | 2.5 | 0.4 | 1.2 | 3.0 |
| Distribution & Customer Solutions | | | | | | | | |
| Regulatory value of power distribution assets ⁵ | 10,648 | 10,648 | 10,648 | 10,778 | 10,778 | 10,778 | 10,778 | 10,373 |
| Power distribution, TWh | 2.3 | 1.9 | 1.9 | 2.4 | 2.3 | 1.9 | 1.9 | 2.3 |
| Gas distribution, TWh | - | 1.1 | 1.5 | 3.2 | 2.4 | 1.1 | 1.5 | 3.1 |
| Power sales, TWh | 9.2 | 8.3 | 8.5 | 10.7 | 9.9 | 9.3 | 7.8 | 8.5 |
| Gas sales, TWh | 36.1 | 37.1 | 35.6 | 41.6 | 36.2 | 42.2 | 36.8 | 43.9 |

People & environment

| | | | | | | | | |
|---|-------|-------|-------|-------|-------|-------|-------|-------|
| Employees, end of period, number | 5,775 | 5,890 | 5,881 | 6,019 | 5,947 | 5,956 | 5,911 | 5,817 |
| Lost-time injury frequency (LTIF), per million hours worked | 1.8 | 2.1 | 1.9 | 2.1 | 2.0 | 2.1 | 2.0 | 2.3 |
| Fatalities, number | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| CO ₂ emissions, g CO ₂ e/kWh | 183 | 329 | 210 | 232 | 225 | 217 | 217 | 218 |

Oil & Gas

| | | | | | | | | |
|-------------------------------------|-------|-------|---------|-------|-------|--------|--------|--------|
| Oil and gas production, million boe | 9.0 | 8.9 | 8.7 | 10.0 | 11.5 | 11.9 | 7.6 | 9.9 |
| EBITDA | 2,140 | 1,658 | 1,705 | 1,004 | 1,700 | 2,879 | 1,658 | 3,517 |
| Free cash flow | 1,020 | 658 | (1,049) | 477 | 1,269 | (614) | (121) | 122 |
| Capital employed | 2,769 | 4,976 | 4,981 | 5,281 | 5,444 | 20,494 | 18,111 | 17,977 |

In general, the financial and non-financial data are stated excluding discontinued operations.



Business performance vs. IFRS

Business performance represents the underlying financial performance of the Group in the reporting period as results are adjusted for temporary fluctuations in the market value of contracts (including hedging transactions) relating to other periods. Apart from this, there is no difference between business performance and IFRS results. Read more in note 2.2.

ROCE is calculated for continuing operations.

¹⁾ EBIT/average capital employed.

²⁾ EBIT adjusted for impairment losses/ average capital employed (with impairment losses after tax added back to ultimo capital employed).

³⁾ Net debt including 50% of hybrid capital, cash and securities not available for use (with the exception

of repo transactions), present value of lease obligations, and decommissioning obligations less deferred tax.

⁴⁾ See definition on page 190 and in the non-financial statements.

⁵⁾ The figures indicate values from the latest regulatory financial statements (updated in June).

⁶⁾ Last 12 months.

Business units

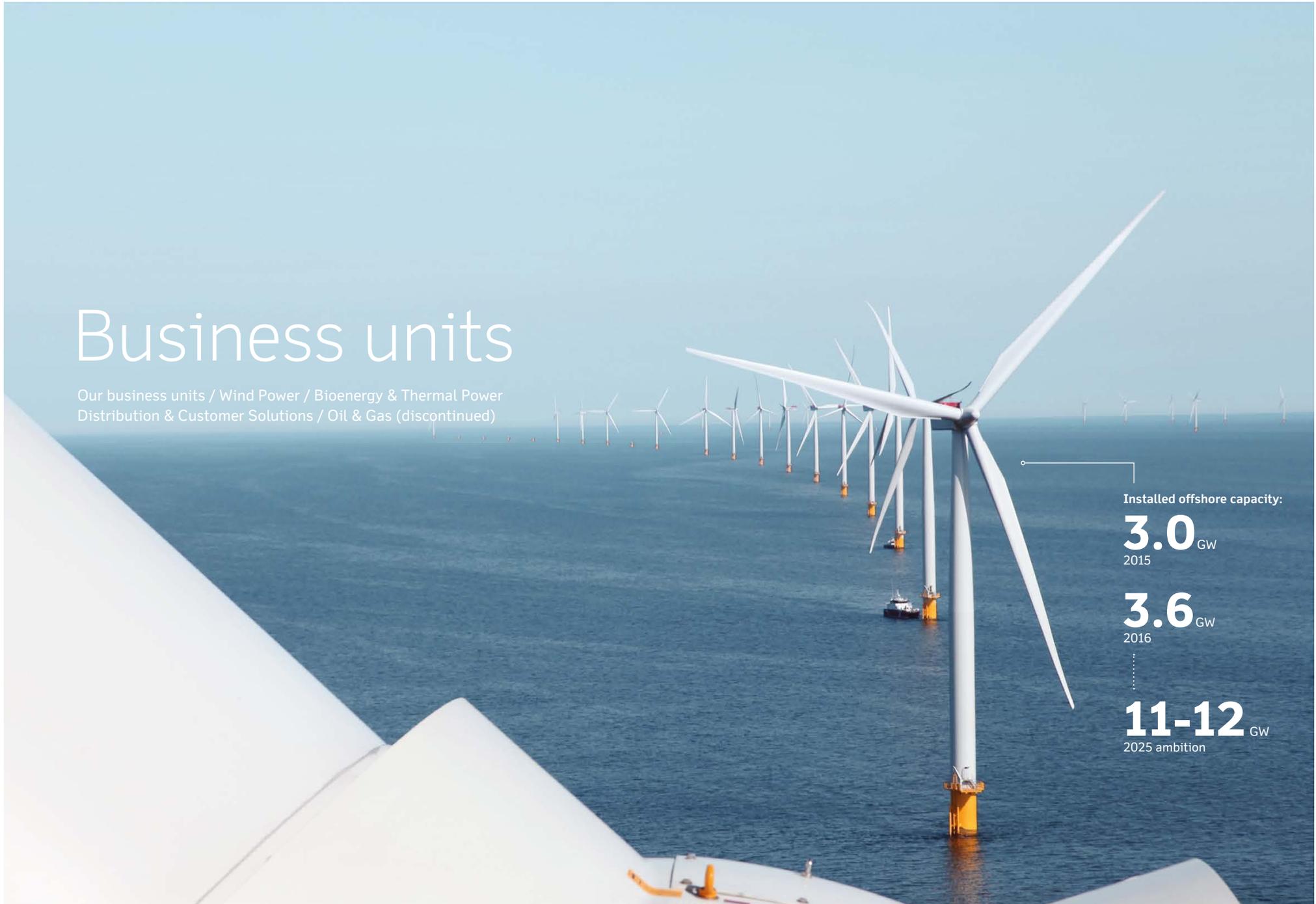
Our business units / Wind Power / Bioenergy & Thermal Power
Distribution & Customer Solutions / Oil & Gas (discontinued)

Installed offshore capacity:

3.0 GW
2015

3.6 GW
2016

11-12 GW
2025 ambition



Our business units

DONG Energy

Core business

Green energy.

EBITDA 2015 — 2016¹

2015
8.7 bn.

2016
19.1 bn.

Key figures 2016^{1,2}

| | |
|---------------------|------------------|
| Revenue | DKK 61.2 billion |
| Gross investments | DKK 15.0 billion |
| Capital employed | DKK 58.2 billion |
| ROCE | 24.4% |
| LTIF | 1.8 |
| Number of employees | 5,775 |

Financial target

ROCE 12-14% (avg. 2017-2023)



Wind Power

Core business

Development, construction, ownership and operation of offshore wind farms in Denmark, the UK, Germany, the Netherlands, the USA and Taiwan.

EBITDA 2015 — 2016¹

2015
6.2 bn.

2016
11.9 bn.

Key figures 2016

| | |
|---------------------|------------------|
| Revenue | DKK 22.4 billion |
| Gross investments | DKK 12.4 billion |
| Capital employed | DKK 52.8 billion |
| ROCE | 16.5% |
| LTIF | 1.2 |
| Number of employees | 2,318 |

Financial target

ROCE 13-15% (avg. 2017-2023)



Bioenergy & Thermal Power

Core business

Power and heat generation from CHP plants in Denmark.

EBITDA 2015 — 2016¹

2015
0.3 bn.

2016
0.1 bn.

Key figures 2016

| | |
|----------------------|-------------------|
| Revenue | DKK 5.1 billion |
| Gross investments | DKK 1.9 billion |
| Capital employed | DKK 2.3 billion |
| Free cash flow (FCF) | DKK (0.6) billion |
| LTIF | 2.5 |
| Number of employees | 784 |

Financial target

FCF Positive from 2018



Distribution & Customer Solutions

Core business

Power distribution and sale of power and gas in the wholesale and retail markets in Denmark, Sweden, Germany and the UK as well as optimisation and hedging of the Group's energy portfolio.

EBITDA 2015 — 2016¹

2015
2.2 bn.

2016
7.1 bn.

Key figures 2016

| | |
|---------------------|------------------|
| Revenue | DKK 38.0 billion |
| Gross investments | DKK 0.6 billion |
| Capital employed | DKK 7.8 billion |
| ROCE | 75.8% |
| LTIF | 3.3 |
| Number of employees | 1,338 |

Financial target

ROCE 9-11% (avg. 2017-2023)

¹ The sum of the business units' key figures for 2016 does not equal the consolidated key figures due to other activities and eliminations. Read more in note 2.1.

² Key figures from continuing operations.

Wind Power

Highlights in 2016

- We decided to build Hornsea 1 in the UK and Borkum Riffgrund 2 in Germany
- We acquired project rights to more than 1GW in New Jersey (USA)
- We opened an office in Taiwan
- We won the tender to build the Dutch offshore wind farms Borssele 1 and 2, totalling 700MW
- We divested 50% of Burbo Bank Extension and Race Bank in the UK as well as 50% of Bay State Wind in the USA
- We got permission by the UK government to build Hornsea 2, and can thus participate in future auctions

Financial performance

Revenue increased by DKK 5.9 billion to DKK 22.4 billion in 2016.

The increase was primarily the result of higher revenue from construction contracts related to transmission systems in the UK, as well as the German offshore wind farm Gode Wind 1 and the British Burbo Bank Extension for partners.

In addition, revenue from wind farms increased due to higher generation from Westermost Rough in the UK and Borkum Riffgrund 1 in Germany, which were under construction in 2015 and inaugurated in July and October, respectively. The German offshore wind farms Gode Wind 1 & 2 were completed

in 2016, but generation was limited due to delayed network connection and faults in the onshore connections of the transmission cable. The transmission system operator is responsible for both conditions. The increase in generation from new wind farms was partially offset by lower power generation from the individual wind farms due to a lower wind energy content (93% compared with 103% in 2015). The wind energy content was unusually low in 2016, while it was higher than in a normal year in 2015 (see next page).

“

Our ambition for the period leading up to the end of 2025 is to expand our installed capacity to 11-12 GW with increased focus on relatively complex projects in strategic markets such as the UK, Germany, the USA and Taiwan, where developers are to deliver the full scope of the projects. Our integrated business model and in-depth technical expertise provide a good basis for maintaining our position as market leader within offshore wind while at the same time retaining a sound risk and return profile.”

Samuel Leupold, CEO, Wind Power



EBITDA increased by 93%.

¹⁾ O&M: Operation and Maintenance Agreements
PPA: Power Purchase Agreements.

| Performance highlights | | 2016 | 2015 | % |
|---|-------------|----------|----------|---------|
| Business drivers | | | | |
| Decided (FID'ed) capacity, offshore wind | GW | 7.4 | 5.1 | 47% |
| Installed capacity, offshore wind | GW | 3.6 | 3.0 | 19% |
| Production capacity, offshore wind | GW | 2.0 | 1.7 | 17% |
| Wind energy content (WEC) | % | 93 | 103 | (10%-p) |
| Load factor | % | 41 | 45 | (4%-p) |
| Availability | % | 92 | 93 | (1%-p) |
| Power generation | TWh | 6.0 | 5.8 | 5% |
| Denmark | | 2.2 | 2.2 | 4% |
| United Kingdom | | 3.1 | 3.3 | (5%) |
| Germany | | 0.7 | 0.3 | 107% |
| Power price, LEBA UK | GBP/MWh | 42.7 | 40.3 | 6% |
| British pound | DKK/GBP | 9.1 | 10.3 | (11%) |
| Financial performance | | | | |
| Revenue | DKK million | 22,428 | 16,505 | 36% |
| Sites, O&Ms and PPAs ¹ | | 7,757 | 7,688 | 1% |
| Construction contracts | | 14,323 | 8,287 | 73% |
| Other incl. A2SEA | | 348 | 530 | (34%) |
| EBITDA | DKK million | 11,867 | 6,151 | 93% |
| Sites, O&Ms and PPAs ¹ | | 5,869 | 5,965 | (2%) |
| Construction contracts and divestment gains | | 7,012 | 751 | 834% |
| Other incl. A2SEA and project development | | (1,014) | (564) | 80% |
| Depreciation (excl. impairment losses) | DKK million | (3,565) | (3,164) | 13% |
| EBIT | DKK million | 8,302 | 2,483 | 234% |
| Impairment losses (add-back) | DKK million | 0 | 504 | (100%) |
| Adjusted EBIT | DKK million | 8,302 | 2,987 | 178% |
| Cash flow from operating activities | DKK million | 4,347 | 3,074 | 41% |
| Gross investments | DKK million | (12,426) | (10,192) | 22% |
| Divestments | DKK million | 6,874 | 1,603 | 329% |
| Free cash flow | DKK million | (1,205) | (5,515) | (78%) |
| Capital employed | DKK million | 52,825 | 48,006 | 10% |
| ROCE | % | 16.5 | 5.7 | 10.8%-p |
| Adjusted ROCE | % | 16.5 | 6.9 | 9.6%-p |

EBITDA doubled and increased by DKK 5.7 billion to DKK 11.9 billion in 2016 as a result of divestment gains and construction contracts. EBITDA from these activities increased by DKK 5.7 billion to DKK 7.0 billion in 2016, partly due to the divestment of 50% of Race Bank to Macquarie in December 2016 and 50% of Burbo Bank Extension to PKA and KIRKBI in February 2016, and partly due to higher activity related to contracts for the construction of offshore wind farms for partners, particularly Burbo Bank Extension and Gode Wind 1 & 2.

EBITDA from wind farms was in line with 2015, totalling DKK 5.9 billion. Earnings from the new wind farms Westermost Rough and Borkum Riffgrund 1 and compensation from the German transmission owner TenneT for delays in the establishment of infrastructure for Gode Wind 1 & 2 were largely offset by lower generation as a result of the significantly lower wind energy content and cable faults at Walney 2.

EBITDA from Other including A2SEA and project development decreased by DKK 0.4 billion in 2016. The decrease was partly due to A2SEA, which, among other things, was negatively impacted by fewer assignments for older installation vessels than in 2015, and partly due to costs related to the development of our portfolio of offshore wind projects for construction after 2020.

Depreciation increased by DKK 0.4 billion due to the commissioning of new offshore wind farms in the UK and Germany.

Cash flow from operating activities totalled DKK 4.3 billion in 2016 compared with DKK 3.1 billion in 2015. The increase was driven by the higher EBITDA (of which the gain of DKK 2.9 billion from divestments is not recognised in cash flow from operating activities) and lower funds tied up in working capital, partially offset by higher tax payments. The fewer funds tied up in working capital compared to 2015 was due to lower receivables at the end of 2016, as well as the divestment of Westermost Rough's offshore transmission assets at a price of DKK 0.8 billion in 2016. The overall impact of funds tied up relating to construction contracts was more negative than in 2015 due to the concurrent construction of a number of offshore transmission assets in 2016, and because we received higher milestone payments in 2015 than in 2016 in connection with the construction of offshore wind farms for partners.

Gross investments amounted to DKK 12.4 billion in 2016. The largest investments related to the construction of the German offshore wind farms Gode Wind 1 & 2 and Borkum Riffgrund 2 as well as the UK offshore wind farms Burbo Bank Extension, Walney Extension, Hornsea 1 and Race Bank.

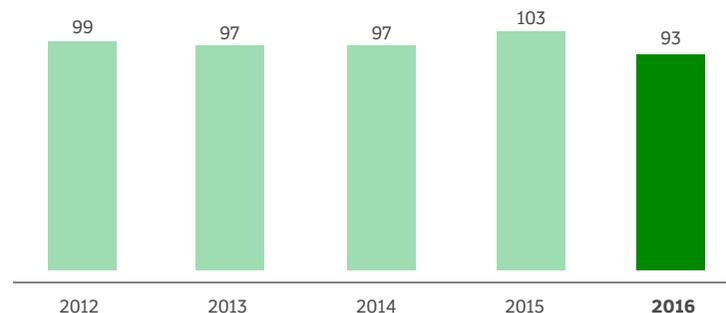
Divestments amounted to DKK 6.9 billion and related to the divestment of 50% of Race Bank and Burbo Bank Extension as well as receipt of the deferred selling price from the divestment of 50% of Gode Wind 1 in 2015.

Adjusted ROCE increased by 10 percentage points to 16%.

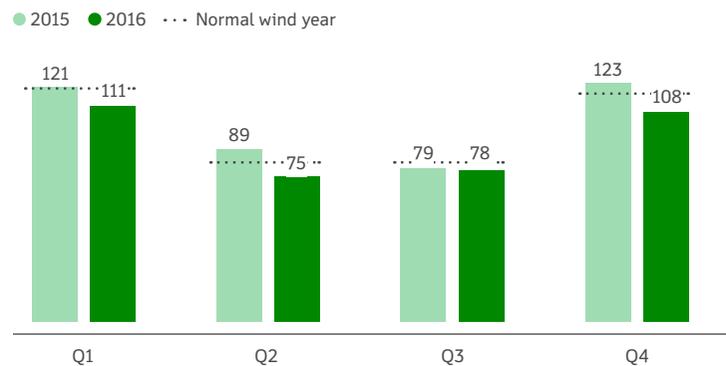
Wind energy content (WEC) for our offshore wind farms

WEC (%)

Yearly WEC



Quarterly WEC



Wind Energy Content ('WEC') roughly explains the relationship between actual wind speeds and normal wind speeds based on historical data for the actual site of an offshore wind farm. The resulting WEC percentage is 100% for the year if there is no deviation between the actual wind speeds and the normal wind speeds. Actual wind speeds can vary significantly from normal wind speeds across years and during a year.



The highest wind energy content is measured in Q1 and Q4, where the wind is at its strongest.

Strategy follow-up

WP's strategic focus is to:

- maintain the position as global market leader
- support profitable growth by realising our current build-out plan for the period towards 2020
- expand installed capacity to 11-12 GW by the end of 2025 provided that the risk and return profile is sound
- continue to reduce the cost of electricity from offshore wind through industrialisation, economies of scale and innovation

Maintain the position as global market leader

Offshore wind plays an important role in the European transition to clean energy, and the potential is considerable. As a company, we have constructed more offshore wind farms globally than any other developer. In fact, we

have constructed more than a quarter of the total offshore wind capacity in the world.

In 2016, we completed the offshore wind farms Gode Wind 1 & 2 in Germany, and we started the offshore installation of the wind farms Burbo Bank Extension and Race Bank in the UK. In connection with the construction of Gode Wind 2, we reached an important milestone by being the first in the world to have installed 1,000 offshore wind turbines.

To continue the future build-out of our capacity and to keep our position as market leader, in 2016 we decided to construct the offshore wind farms Hornsea 1 in the UK and Borkum Riffgrund 2 in Germany. In addition, we were awarded the concessions to the two Dutch offshore wind farms Borssele 1 & 2 in a competitive tender. Finally, we opened offices in the USA and Taiwan as a way of positioning ourselves at an early stage in two important emerging markets.

Realising our current build-out plan towards 2020

In the period leading up to 2020, we will build almost as much offshore wind capacity as in the preceding 25 years combined. Among other things, we will build Hornsea 1, which in 2020 will be the world's largest offshore wind farm with a capacity of 1.2 GW. Including Hornsea 1, we will have installed 6.7 GW by the end of 2020. This means that we will exceed our strategic target set in 2013 of installing 6.5 GW of offshore wind capacity by 2020.

In connection with our divestment of 50% of the Burbo Bank Extension and the Race Bank offshore wind farms in 2016, we again proved the viability of our partnership model to attract capital at the lowest possible cost. Burbo Bank Extension was sold to the Danish pension fund PKA and to the LEGO Group's parent company KIRKBI A/S (each owning 25%), while Race Bank was sold to Macquarie.

are all possible candidates for future German auctions. The first auction in Germany is confirmed to take place in April 2017.

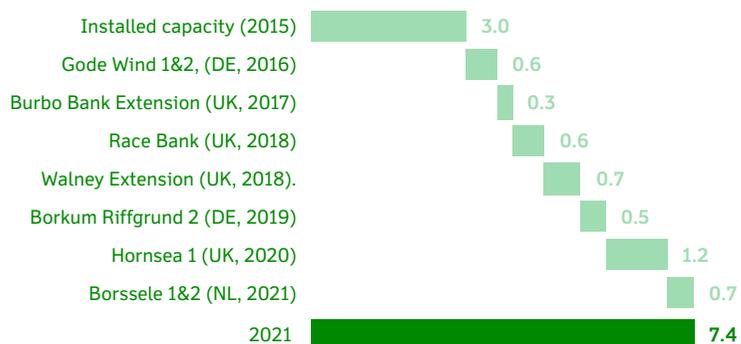
In 2016, we continued to establish ourselves in the emerging US market for offshore wind power. In February, we secured the rights to our second North American project, the Ocean Wind development project off the coast of New Jersey with a potential capacity in excess of 1 GW. With the Ocean Wind and Bay State Wind (potentially more than 2 GW) projects, we have positioned ourselves as one of the largest project developers of offshore wind in the USA. Following the adoption of the energy bill in Massachusetts, which foresees 1.6 GW of offshore wind power by 2027, prospects for the North American market continue to look promising.

At the end of the year, we entered into a strategic partnership with Eversource Energy, one of the largest utility companies in New England, with a view to jointly developing the Bay State Wind project. In our opinion, strategic partnerships with leading local players are a significant advantage when entering new markets.

In 2016, we also progressed the main part of the environmental impact assessments (EIAs) of four offshore wind farm projects in the Changhua region in Taiwan. Subject to approval of the EIAs by the Taiwanese authorities, Wind Power will develop these projects with a total offshore wind capacity of up to 2 GW by 2025.

In January 2017, we concluded an agreement to acquire a 35% ownership share in the

Expected development in installed offshore wind capacity, GW



The figure shows all decided projects. Installed capacity is stated gross, ie. before any divestments. Wind farms constructed over several years are only shown in the year in which they become fully operational.

Ambition to expand installed capacity to 11-12 GW by 2025

The licences to the two Dutch projects Borssele 1 & 2 represent the first 0.7 GW of capacity to be fully commissioned in the post-2020 period. Our project portfolio was further strengthened in 2016 when the British authorities gave us permission to construct the Hornsea 2 development project, which has a capacity of up to 1.8 GW. With development consent for Hornsea 2, we are well-positioned to bid at future auctions in the UK, the first of which is expected to be held in the second quarter of 2017. Similarly, we have a portfolio of several German development projects with a total capacity of more than 1 GW, which

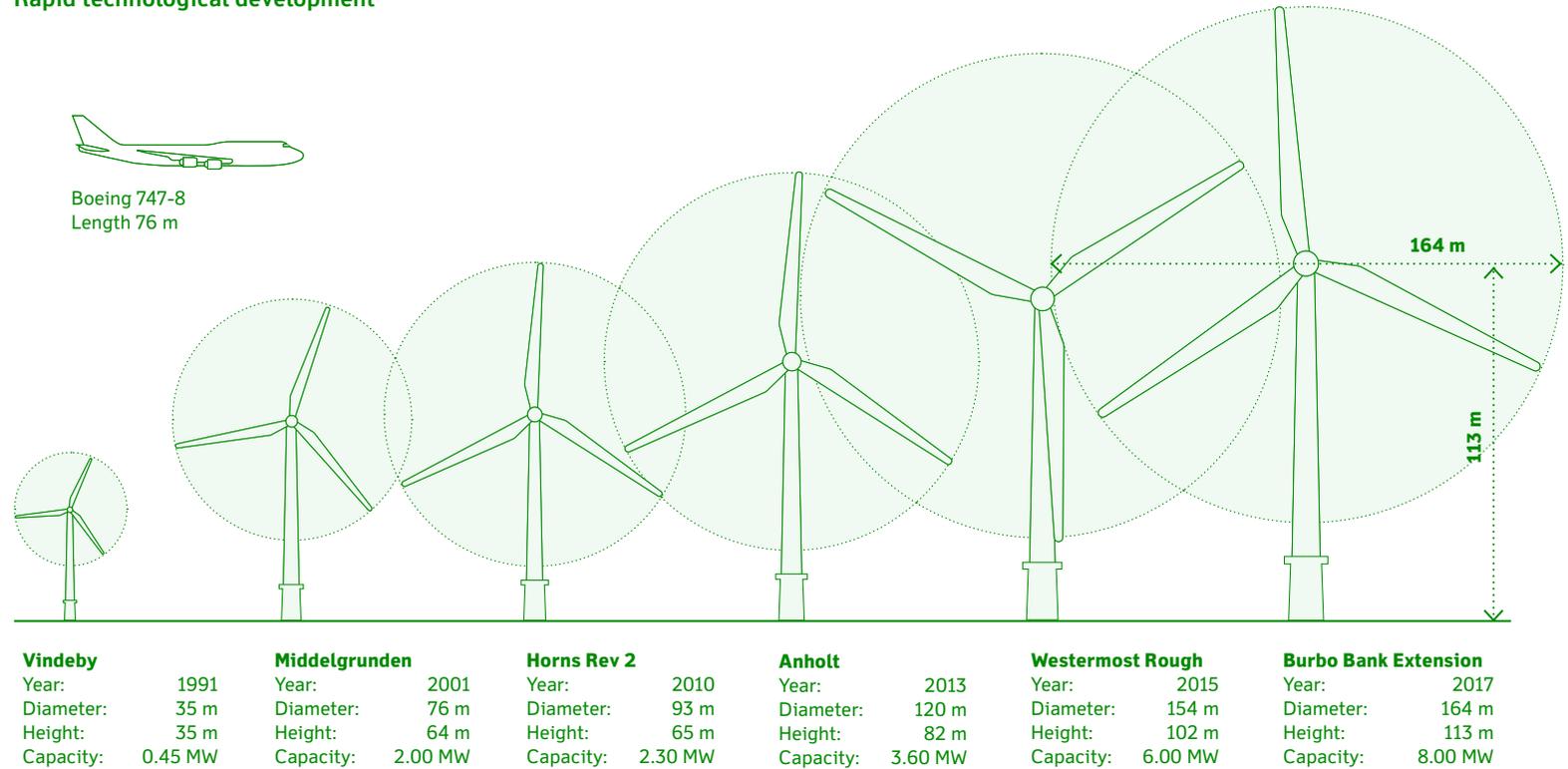
Taiwanese offshore wind farm project Formosa 1, which has been developed by the Taiwanese company Swancor Renewables. Formosa 1, which is Taiwan's first commercial offshore wind farm project, consists of two phases. The first phase was completed in October 2016 and has a size of 8 MW. The second phase is expected to have a size of 120 MW for installation in 2019 if a final investment decision is made.

Continue to reduce the cost of electricity from offshore wind

As mentioned, we were awarded the concessions to the two Dutch projects Borssele 1 & 2 in July 2016. They were based on an average price (exclusive of transmission costs) of EUR 72.7 per MWh during the subsidy period, which runs for the first 15 years. Looking at the average price during the lifetime of Borssele 1 & 2 (in the form of the fixed price guaranteed during the subsidy period and the income from power sales during the remainder of their lifetime) and transmission costs, this equates to EUR 78 per MWh. The price level is proving the increasing competitiveness of offshore wind relative to other energy technologies.

The cost of electricity from offshore wind has been reduced in cooperation with our partners in the energy sector, among other things through continuous innovation of wind turbines and blades, improved installation methods, advanced foundation designs, and a growing and competitive supply chain. In addition, synergies can be achieved by constructing offshore wind farms on a large scale, such as the Borssele 1 & 2. Innovation has not least resulted in much larger and more efficient wind turbines, as illustrated in

Rapid technological development



the figure. Most recently, we have been the first in the world to install MHI Vestas' 8 MW wind turbine at Burbo Bank Extension, which is expected to be fully commissioned in the first half of 2017.

We have previously announced a target for the cost of electricity from offshore wind of a maximum of EUR 100 per MWh for UK projects with final investment decision in 2020. In 2016, we met this target – four years ahead of schedule.

The setting of targets for the cost of electricity from offshore wind has become a sensitive issue in connection with tender and auction processes. For competitive reasons, we have therefore decided to no longer publish our targets for the further reduction of costs. However, we consistently pursue our strategy of further reducing the cost of electricity from offshore wind.

Significant advances are being seen within offshore wind power technology at the moment, resulting in markedly lower costs.

Bioenergy & Thermal Power

Highlights in 2016

- We decided to construct the world's first REnescence waste refinery plant in the UK for commercial use
- We inaugurated the biomass-converted CHP plants Studstrup and Avedøre 1
- We received and appealed against the judgment of the Copenhagen Maritime and Commercial High Court in the Elsam case

Financial performance

Revenue was in line with the year before, amounting to DKK 5.1 billion in 2016. Revenue from heat sales increased by DKK 0.2 billion, despite the fact that heat generation declined by 2% as a result of the sale of the Måbjerg CHP plant in June 2015. The increase was the result of higher underlying heat generation due to colder weather (more degree days). Conversely, revenue from power and ancillary services decreased by DKK 0.2 billion. This was primarily due to revenue from ancillary services in 2015 being positively affected by invoicing relating to previous years.

EBITDA declined by DKK 0.2 billion, mainly due to the recognition of compensation from a settled dispute and insurance compensation in 2015 (both of which are included in EBITDA from 'Power') totalling DKK 0.5 billion. Underlying EBITDA from the power business improved due to better spreads.

Depreciation amounted to DKK 0.8 billion, or a decrease of DKK 0.6 billion relative to the prior year. The decrease was due to the fact that a number of mature assets were fully depreciated by the end of 2015.

Cash flow from operating activities totalled DKK 1.3 billion in 2016 compared with DKK 2.5 billion the year before. The decline was due to lower EBITDA, increased funds tied up in working capital, lower received taxes, and interest received from the dispute over CO₂ emission allowances, which contributed positively in 2015. The increased funds tied up in working capital were primarily attributable to receivables from sales of heat.

“

With two completed bio conversions in 2016, we are well on the way towards establishing a green power and heat business in Denmark. And with the construction of one of the world's most innovative full-scale waste refinery plants in the UK, we show the way to a more circular waste sector.”

Thomas Dalgaard
CEO, Bioenergy & Thermal Power



 The underlying EBITDA development was positive, as 2015 was positively impacted by two non-recurring items amounting to DKK 0.5 billion.

| Performance highlights | | 2016 | 2015 | % |
|--|-------------|---------|---------|----------|
| Business drivers | | | | |
| Degree days | number | 2,715 | 2,621 | 4% |
| Heat generation | TWh | 9.2 | 9.3 | (2%) |
| Power generation | TWh | 8.4 | 7.1 | 18% |
| Power price, DK | EUR/MWh | 28.0 | 23.7 | 18% |
| Green dark spread, DK | EUR/MWh | 3.4 | (1.9) | n.a. |
| Green spark spread, DK | EUR/MWh | (2.2) | (19.1) | (89%) |
| Financial performance | | | | |
| Revenue | DKK million | 5,149 | 5,178 | (1%) |
| Heat | | 2,255 | 2,061 | 9% |
| Power, including ancillary services | | 2,894 | 3,117 | (7%) |
| EBITDA | DKK million | 100 | 283 | (65%) |
| Heat | | 407 | 346 | 17% |
| Ancillary services | | 300 | 383 | (22%) |
| Power | | (607) | (446) | 35% |
| Depreciation (excl. impairment losses) | DKK million | (763) | (1,367) | (44%) |
| EBIT | DKK million | (663) | (1,764) | (62%) |
| Impairment losses (add-back) | DKK million | 0 | 680 | n.a. |
| Adjusted EBIT | DKK million | (663) | (1,084) | (39%) |
| Cash flow from operating activities | DKK million | 1,285 | 2,488 | (48%) |
| Gross investments | DKK million | (1,926) | (1,214) | 59% |
| Divestments | DKK million | 6 | 280 | (98%) |
| Free cash flow | DKK million | (635) | 1,554 | n.a. |
| Capital employed | DKK million | 2,283 | 2,222 | 3% |
| ROCE | % | (29.5) | (50.0) | 20.5%-p |
| Adjusted ROCE | % | (29.5) | (28.6) | (0.9%-p) |

Gross investments increased by DKK 0.7 billion to DKK 1.9 billion in 2016. The largest investments were related to the biomass conversion projects at the Skærbæk, Studstrup and Avedøre CHP plants, as well as the construction of the REnescience bio plant in the UK.

Strategy follow-up

BTP's strategic focus is to:

- continuously strengthen operational excellence
- continue the conversion of Danish CHP plants to sustainable biomass
- phase out the use of coal and stop using coal from 2023
- continue the commercial development of our enzymatic waste technology REnescience.

Continuously strengthen operational excellence

For much of 2016, market conditions remained challenging for Danish CHP plants. We have therefore been strongly focused on maintaining our leading position as an efficient and flexible operator and on continuously reducing costs.

In 2016, we continued our efforts to increase the CHP plants' ability to adapt to and complement the increasing share of renewable energy in the power system. We did that, among other things, by further improving our scope for generating heat and power independently of each other, so that we may choose not to generate power at times when the demand for heat and wind power generation is high, and where power prices

are therefore low. One step in this direction was the commissioning of electric boilers at Esbjerg Power Station and Studstrup Power Station.

Conversion to sustainable biomass

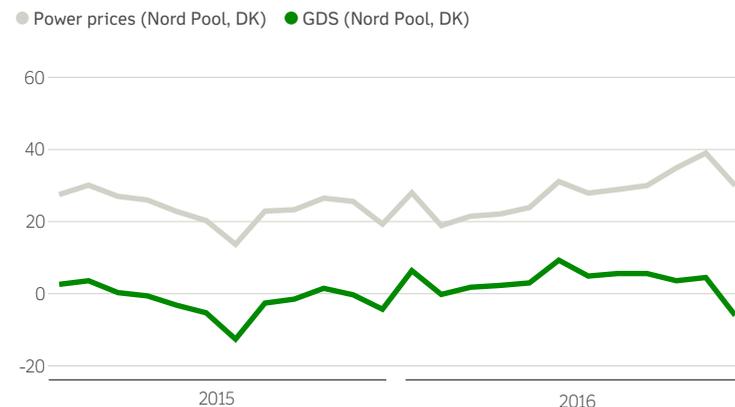
Sustainable biomass in the form of wood pellets and wood chips can supply green district heating and green power when the sun is not shining and the wind turbines are not spinning. In cooperation with our heat customers, in 2016 we came a long way with the execution of our three large-scale biomass conversion projects. Since October and December 2016, respectively, unit 3 at Studstrup Power Station and unit 1 at Avedøre Power Station have been fired with sustainable wood pellets rather than coal. And from the spring of 2017, unit 3 of Skærbæk Power Station will be able to use wood chips rather than gas. Avedøre Power Station, Skærbæk Power Station and Studstrup Power Station will rank among the largest biomass-fired CHP plants in the world. They will thus come to play an important role in the green transformation of the surrounding towns, cities and municipalities – and for Denmark as a whole.

In addition to these three conversions, plans for a biomass solution at Asnæs Power Station are far advanced. Furthermore, an agreement has been reached with our customers at Herning Power Station concerning the key aspects of our continued supply of green heating up until 2033. This means that, within the coming years, our portfolio of CHP plants will be able to supply green district heating equating to the consumption of almost one million Danes.



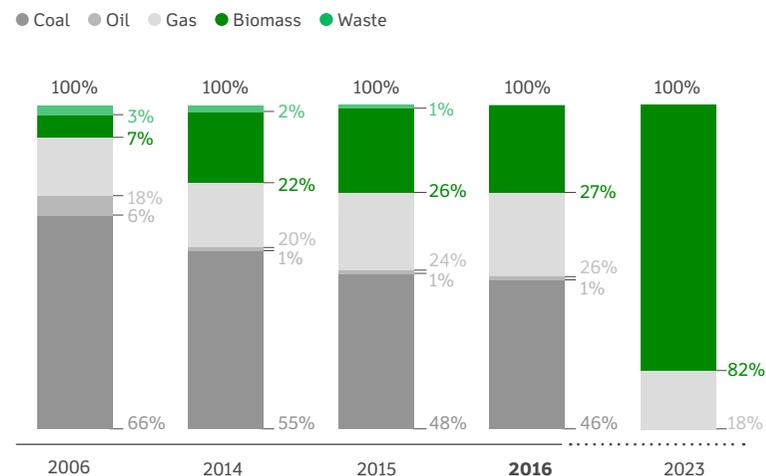
The power price in the two Danish price areas averaged EUR 28/MWh, which was 18% higher than in 2016. The increase was primarily due to a lower hydro-logical balance in the second half of the year, less windy weather and slightly higher coal prices than in 2015.

Power price and green dark spread (GDS), EUR/MWh



Biomass conversions will support a reduction in the usage of coal in the coming years.

Share of fuels in the thermal power and heat generation, %



It is important that our customers can be confident that the biomass-based heat and power, which we supply, is sustainable and makes a real and significant contribution to reducing their carbon footprint. Therefore, we fully support the Danish industry agreement on sustainable wood-based biomass which commits not just DONG Energy but the entire Danish energy industry to documenting the sustainability of our use of biomass. Together with other European energy companies, we are also part of the Sustainable Biomass Programme (SBP), which has developed a robust and independent scheme for the certification of sustainable biomass. This means that – following a phase-in period – our suppliers must provide documentation that the biomass they supply comes from sustainable forestry operations. Among other things, sustainable forestry operations ensure replanting and the protection of biodiversity. Wood pellets and wood chips also consist primarily of thinning trees, sawdust and other residual products.

The Danish industry agreement on sustainable wood-based biomass entered into force in 2016 and is being phased in during the period up until 2019. In the course of 2016, about 60 suppliers of wood pellets and wood chips were SBP-certified, and more are in the process of being so. We were also audited and obtained FSC, PEFC and SBP certification in 2016. This means that our procurement procedures have been reviewed and approved by independent auditors, and that we have now been approved for trading in certified biomass.

In 2016, we were also involved in work to ensure the establishment of robust

pan-European sustainability criteria for biomass. The purpose of the work has been to ensure that only sustainable biomass is used in the EU.

Phase-out the use of coal

In continuation of the conversion of our CHP plants to sustainable wood chips and wood pellets, we have decided to phase out the use of coal completely, so that from 2023 we will no longer be using coal to generate power and heat. Coal is the fuel with the greatest CO₂ impact per generated unit of power and heat, and our decision will significantly reduce our annual CO₂ emissions in Denmark in the period up until 2023. In just over 10 years, by 2023 we will have gone from being one of the most coal-intensive utility companies in Europe to no longer using coal in our generation.

Continue the commercial development of our enzymatic waste technology REnescience.

We are currently working to further develop and expand our bioenergy business, with special emphasis on the commercialisation of the REnescience technology. By means of enzymes, the technology efficiently converts household waste into biogas and recyclable materials (metal, plastic, etc). REnescience saw significant progress in 2016 with the decision to build the first full-scale plant in Northwich in the UK. We expect the plant to be able to process 120,000 tonnes of unsorted residual household waste a year, corresponding to the waste from approximately 110,000 households. We expect the plant to start operating in the spring of 2017. Other full-scale REnescience projects are being planned in the UK, the Netherlands and Malaysia.



The REnescience plant in Northwich, UK

Distribution & Customer Solutions

Highlights in 2016

- We successfully completed the renegotiations of long-term gas purchase contracts and obtained one-off payments of DKK 4.3 billion
- A new wholesale model for the Danish power supply was implemented on 1 April 2016
- We divested the gas distribution network to Energinet.dk

Financial performance

Revenue fell by DKK 11.4 billion to DKK 38.0 billion in 2016. This was primarily due to 5% lower gas sales and an average decline in gas prices of 29% relative to 2015.

EBITDA amounted to DKK 7.1 billion compared with DKK 2.2 billion in 2015 as a consequence of developments in Markets.

EBITDA from Markets increased by DKK 5.0 billion to DKK 5.8 billion as a result of one-off payments and ongoing margin improvement from the completed renegotiations of long-term gas purchase contracts. The total one-off payments from the renegotiations amounted to DKK 4.3 billion in 2016. Renegotiations were completed with three counterparties in 2016 and one counterparty in 2015. Furthermore, the increase was due to continued high earnings from trading and portfolio optimisation, a positive development in the value of our gas storage, as well as 2015 being

negatively impacted by timelag related to oil hedges.

EBITDA from the distribution business was in line with 2015, amounting to DKK 1.6 billion.

EBITDA from the sales business fell by DKK 0.2 billion relative to 2015, resulting in a moderate loss. The fall was due, among other things, to lower activity relating to servicing and maintenance of outdoor lighting. In addition, the implementation and the processes in connection with the operation of the wholesale model, mentioned elsewhere in the course of 2016, increased costs in the

“
We build bridges between our customers and the green transformation with targeted solutions and partnerships. Continued high customer satisfaction and loyalty in 2016 is proof that we are moving in the right direction.”

Morten Buchgreitz
 CEO, Distribution & Customer Solutions



 EBITDA was positively affected by one-off payments of DKK 4.3 billion in 2016.

Gas distribution was a part of EBITDA until the divestment in September.

| Performance highlights | | 2016 | 2015 | % |
|--|-------------|--------|---------|---------|
| Business drivers | | | | |
| Regulatory asset base (power) | DKK million | 10,648 | 10,778 | (1%) |
| Degree days | number | 2,715 | 2,621 | 4% |
| Gas sales | TWh | 150.4 | 159.1 | (5%) |
| Sales | | 37.6 | 40.9 | (8%) |
| Markets (excl. volumes to Sales) | | 112.7 | 118.1 | (5%) |
| Power sales | TWh | 36.7 | 35.5 | 4% |
| Sales | | 10.0 | 8.2 | 22% |
| Markets (excl. volumes to Sales) | | 26.8 | 27.3 | (2%) |
| Gas distribution | TWh | 5.8 | 8.1 | (28%) |
| Power distribution | TWh | 8.5 | 8.4 | 1% |
| Gas price, TTF | EUR/MWh | 14.0 | 19.8 | (29%) |
| Oil price, Brent | USD/boe | 43.7 | 52.5 | (17%) |
| US dollar | DKK/USD | 6.7 | 6.7 | 0% |
| British pound | DKK/GBP | 9.1 | 10.3 | (11%) |
| Financial performance | | | | |
| Revenue | DKK million | 38,009 | 49,444 | (23%) |
| EBITDA | DKK million | 7,108 | 2,173 | 227% |
| Distribution | | 1,602 | 1,661 | (4%) |
| Sales | | (15) | 160 | n.a. |
| Markets | | 5,766 | 740 | 679% |
| LNG | | (245) | (388) | (37%) |
| Depreciation (excl. impairment losses) | DKK million | (874) | (1,109) | (21%) |
| EBIT | DKK million | 6,234 | 1,064 | 486% |
| Impairment losses (add-back) | DKK million | 0 | 0 | n.a. |
| Adjusted EBIT | DKK million | 6,234 | 1,064 | 486% |
| Cash flow from operating activities | DKK million | 4,302 | 3,691 | 17% |
| Gross investments | DKK million | (569) | (1,110) | (49%) |
| Divestments | DKK million | 2,238 | 108 | 1972% |
| Free cash flow | DKK million | 5,971 | 2,689 | 122% |
| Capital employed | DKK million | 7,797 | 8,657 | (10%) |
| ROCE | % | 75.8 | 11.5 | 64.3%-p |
| Adjusted ROCE | % | 75.8 | 11.5 | 64.3%-p |

sales business. Costs previously incurred by the distribution business are now being incurred by the sales division, which became responsible for all customer contact after the implementation.

EBITDA from LNG improved by DKK 0.1 billion, mainly due to lower net expenses related to the Gate terminal in the Netherlands and better margins.

Cash flow from operating activities totalled DKK 4.3 billion, up DKK 0.6 billion. The increase was driven by higher EBITDA, which was partially offset by increased funds tied up in working capital related to clearing counterparties in connection with exchange trading, following the rise in oil and gas prices at year-end 2016. Conversely, funds tied up related to clearing counterparties contributed positively in 2015 as a result of the falling prices throughout the year.

Gross investments totalled DKK 0.6 billion in 2016 and were mainly related to maintenance of the power distribution network.

Divestments amounted to DKK 2.2 billion and were related to the divestment of the gas distribution network to Energinet.dk.

Adjusted ROCE improved from 11% to 76% and was particularly impacted by the received one-off payments from the renegotiations.

Strategy follow-up

DCS' strategic focus is to:

- **maintain a high level of security of supply and customer satisfaction in our distribution business**
- **further strengthen competitiveness and customer satisfaction among residential and business customers in our sales business**
- **optimise our energy portfolio as a whole and provide competitive market access**

Maintain a high level of security of supply and customer satisfaction in our distribution business

It is crucial that our customers experience a high level of security of supply, first and foremost by ensuring that the supply is rarely interrupted, but also by ensuring swift action and accurate information when it happens.

In 2016, customers experienced a slight deterioration of the security of supply from 0.36 power failures a year to 0.49. The level is still very low. In 2016, we commissioned a new system for handling power failures and registrations. This means that we are now able to contact most of our customers by text message to inform them about announced and unannounced power outages. The initiative contributed to improving customer satisfaction in 2016.

On 1 April, DONG Energy Eldistribution changed its name to Radius. The new name is intended to make it easier for customers to distinguish between the Group's trading company and its power distribution company. From now on, customers will therefore see

Radius cars in the streets. The name change also coincides with the trading company being made responsible for billing both power sales and distribution. Our customers will still experience the same high level of service and quality from our power distribution company, even though the Radius name will not feature on the electricity bills sent to customers.

Before the end of 2020, all Danish power customers will have remote power meters. We are therefore busy preparing the replacement of one million power meters. The first meters were installed in 2016. The remote power meters offer many advantages for our customers, among other things because they no longer have to read their power meters and because consumption is billed on an hourly basis. Moreover, the new meters will make it easier for customers to keep an eye on their power consumption and manage their consumption during the day and across the year.

Further strengthen competitiveness and customer satisfaction among residential and business customers in our sales business

It must be easy to be a customer with us, and we must meet our customers at eye level and offer competitive solutions and products.

In 2016, the customer satisfaction score among residential customers who had been in touch with us was 76 on a scale of 1-100. This is the same high level as the year before. Customer loyalty increased from 67 to 69 in 2016, while our reputation among our customers improved considerably. To strengthen customer satisfaction, in 2016 we implemented a set of uniform and improved principles for how we treat our residential customers. The

principles are to ensure that all our customers are treated in an equally forthcoming and competent manner, regardless of the way in which they contact us. At the same time, we are constantly working to tailor our communication and self-service solutions to the needs of individual customers.

To further strengthen our competitiveness, we are developing a new, simple and flexible digital platform, while at the same time ensuring that our products remain competitively priced.

Our customer satisfaction score for business customers is a stable 75 out of 100. As regards our business customers, we are continuing our efforts – across all geographical markets – to establish partnerships with our customers rather than holding on to the classic role as a supplier of power and gas. We are seeing a growing demand for integrated, green energy solutions, and our ambition is to lead this development. Among other things, we offer to enter into climate partnerships with our customers, comprising green power and advice on energy efficiency and procurement. Moreover, we are also working on a service concept under which we offer to assume full responsibility for handling our customers' energy supply.

Optimise our energy portfolio as a whole and provide competitive market access

DCS Markets manages and optimises the Group's energy portfolio as a whole. This means, among other things, that we sell the Group's power and gas as well as green certificates in the market and make sure to balance the power and gas bought and sold in our power and gas portfolio. In addition,

we are responsible for hedging the Group's energy exposure.

The market access which we handle for the Group's power and gas generation, green certificates, etc, we also offer to external customers. In this way, we seek to create synergies across the portfolio. In 2016, we increased the number of external customers and the volumes of energy we handle on their behalf. We saw an increase in demand for balancing power-generating assets.

In 2016, we took a major step further in the renegotiation of our portfolio of long-term oil-indexed gas purchase contracts. We concluded seven renegotiations of gas purchase contracts with satisfactory results and entailing one-off payments of DKK 4.3 billion to cover our historical losses. This means we have closed 16 out of 18 contracts relating to the 2011-2015 period. In 2016, two additional renegotiations were opened. Following the renegotiations, a high proportion of our contracts are now gas-indexed. Our LNG activities are loss-making. This is due to the fixed costs associated with our access to the Gate terminal import facilities, which under our long-term lease agreement from 2007 are higher than the earnings generated from our trading activities. We therefore have a special focus on continuously optimising our LNG position, among other things through increasing the number of transactions and ensuring more LNG to the Gate. In this way, we improve the utilisation of our import capacity and increase the potential earnings from our trading activities.



Oil & Gas

(Discontinued operations)

Strategy follow-up

O&G's strategic focus is to:

- transform the business and improve cash flows
- execute on key projects

Transform the business and improve cash flows

During 2016 we continued our efforts to transform the business into a leading North Sea oil and gas company in terms of returns and cash generation. We are well underway to achieving this as we delivered a positive free cash flow and have competitive lifting costs relative to other North Sea companies.

The transformation of the O&G business has been through continuous improvement to become a stronger business, including restructuring the organisation, optimising the portfolio, focusing relentlessly on driving down costs and minimising new investments. This work continues in 2017.

In 2016, we optimised the portfolio by divesting five Norwegian assets (Ula, Tambar, Tambar East, Oselvar and Trym) and by withdrawing from the Cambo-Tornado licence. Furthermore, we focused the exploration portfolio and seek to relinquish several licences with no strategic fit or with limited value.

Our cost performance continues to improve driven by renegotiations of supplier contracts, reduced exploration spending and improved operational efficiency, with total costs and investments reduced by 38% compared to 2015. We ended the year with a positive free cash flow, an achievement we had not expected.

Execute on key projects

In March 2016, we and Bayerngas, our Hejre licence partner, terminated for cause the Hejre platform EPC contract with the EPC consortium with immediate effect. This was done on the basis of the consortium's material breach of its contractual obligations. The termination means that the Hejre topsides platform will not be completed, and that the Hejre project 'in its original form' has been stopped. We will, however, continue to consider alternative ways to develop the Hejre field together with Bayerngas.

Laggan-Tormore, in the UK's West of Shetland area, was brought on-stream early in 2016 and has produced an average of approximately 16 thousand barrels of oil equivalent per day net to DONG Energy. The ongoing development of the area is supported by the Edradour and Glenlivet projects, which will be tied in to the already established Laggan-Tormore infrastructure. The development of Edradour and Glenlivet is progressing according to schedule with expected first gas in late 2017.

Furthermore, we continue to assess other opportunities for value creation, with investments focused on field extensions or build-out near existing producing assets as well as already initiated developments.

Financial results

O&G's financial results for 2016 are described in note 3.7.

“

Safe. Successful. Sustainable. These are the key words of the strategy we are pursuing with the aim of thriving as a business in any price environment. To do that, the organisation is working hard to further improve cash flows, enhance production, align capabilities and optimise the portfolio.”

David Cook
CEO, Oil & Gas



Our country-by-country reporting in accordance with section 99c of the Danish Financial Statements Act can be found on our website: www.dongenergy.com/country-by-country-2016

Governance

Risk and risk management / Corporate governance
Remuneration report / Shareholder information
Group Executive Management / Board of Directors

Safety, LTIF:

2.0
2015

1.8
2016

⋮
≤1.5
2020 target

Work at the Siri platform

Risk and risk management

Risks are a natural part of our business activities and a precondition for being able to create value. Through risk management, we reduce risks to an acceptable level.

In addition to general operational and business risks, as part of our activities we are exposed to a number of different risks, including fluctuations in commodity prices, foreign exchange, interest rates and credits. Managing these risks is an important focus area for us. The purpose of our risk management is to identify the various risks to which we are exposed, and then decide how to handle them. We assess the extent to which individual risks are acceptable or perhaps even desirable as well as the extent to which these risks can be reduced to ensure an optimum balance between risk and return.

In autumn 2016, we decided to initiate a process aimed at divesting our oil and gas business. Going forward, our revenue will therefore largely come from offshore wind. When we invest in new assets and divest other assets, the risk associated with our portfolio changes. We therefore always assess the impact of a given decision on the portfolio in advance.

We work systematically with risks and follow a plan for the year according to which

all business units and selected executive functions identify and prioritise their business risks. An assessment is made as to the potential financial impact of individual risks and as to whether they are of a short-term, long-term or recurring nature. The risks are consolidated and then prioritised at Group level. The ultimate responsibility for the individual risks rests with a member of Group Executive Management. Similar processes are in place for identifying and prioritising risks related to sustainability, compliance/legal and IT.

The most important business risks identified in connection with the process in autumn 2016 are shown on the right. They are also illustrated in the figure based on their potential impact (post-risk mitigation) on our value and credit metrics over the next few years. Due to the divestment of our oil and gas business, we have decided to only show our five most important risks this year. You can read more about these risks in the following pages. The risks relating to the oil and gas business still exist, but they are not described separately, except for the market risks which are described in note 3.7 to the consolidated financial statements.

The risks related to sustainability, compliance/legal and IT are assessed on the basis of other parameters, for which reason a consolidated picture of the combined risks cannot be

Our 5 principal business risks

1. (#1 2015)
Market risks



2. (#2 2015)
Development and construction of production assets



3. (#3 2015)
Regulatory risks in Wind Power



4. (#7 2015)
Operation of offshore wind farms



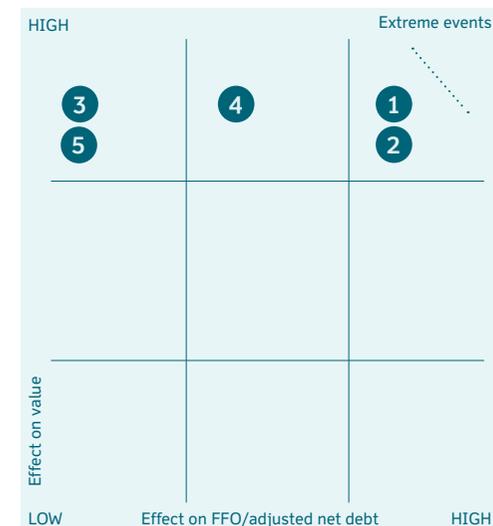
5. (#4 2015)
Cost of electricity for offshore wind power

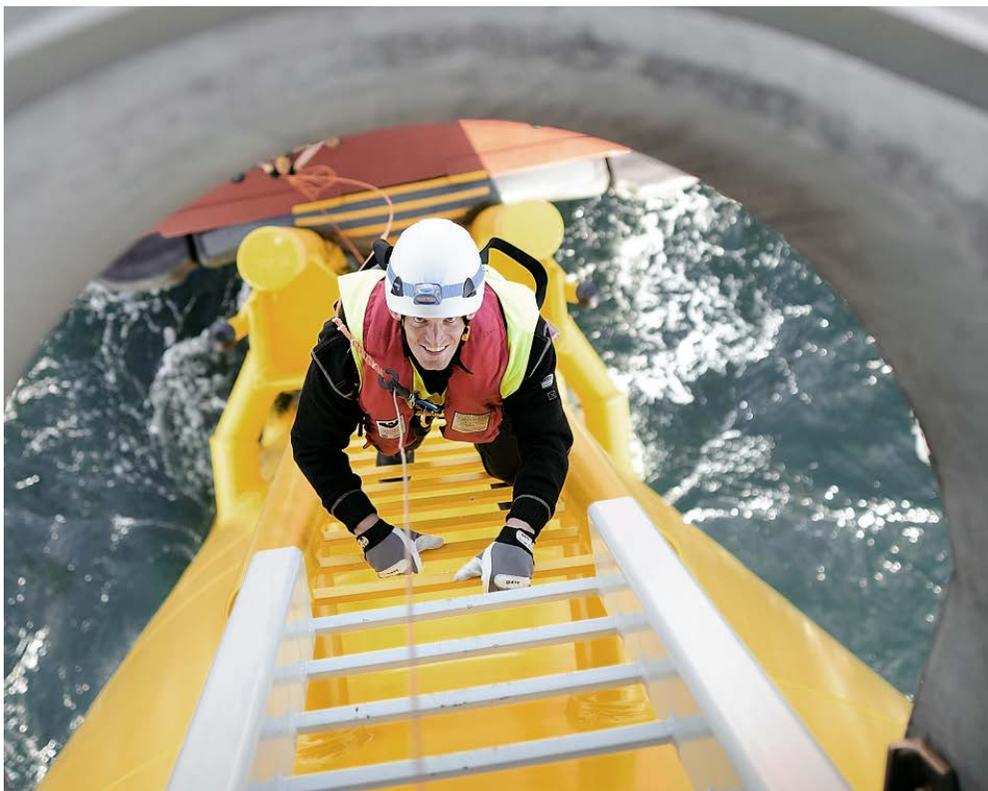


- M** Market risk
- O** Operational risk
- R** Regulatory risk
- S** Short-term risk
- L** Long-term risk
- R** Recurring risk
- Wind Power
- DONG energy** Entire group

Top 5 business risks

Effect on our value and credit metric





shown. You can find a description of the three most important risks for each of these areas on page 50.

Moreover, we are exposed to risks entailing a very small probability of having a considerable impact on the Group's finances and/or reputation. These include, among other things, a 1,000-year storm, fires at or collisions with offshore wind farms, damage to export cables due to anchors being dragged along the seabed, damage to pipes at the Nybro Gas

Treatment Plant, power station breakdowns and the collapse of the financial markets.

For each of the identified risks, Group Executive Management has assessed whether the level of risk – after risk-reducing measures have been implemented – is appropriate or slightly or significantly higher than the desired level. If the risk is higher than the desired level, further risk-reducing measures are initiated to the extent possible.

Development in risks in 2016

Some risks were reduced in 2016, while the potential impact of other risks developed unfavourably.

Factors which contributed to reducing the Group's risks at the end of 2016 compared to the year before were:

- good progress for the development of the Glenlivet-Edrour field, the completion of the Laggan-Tormore field and the offshore wind farms Gode Wind 1 & 2 as well as the bioconversions of Studstrup Power Station and Avedøre Power Station, unit 1 (risk #2 in the annual report for 2015);
- termination of the Hejre project in its original form in March 2016 (risk #6 in the annual report for 2015);
- conclusion of the most significant renegotiations of gas purchase contracts (risk #10 in the annual report for 2015).

Areas in which the potential financial impact was increased or developed unfavourably were, in particular:

- operation of offshore wind farms (risk #7 in the annual report for 2015 and #4 in the annual report for 2016). In 2016, our offshore wind farm operations were negatively affected by transmission cable faults. Walney 2 was one of the wind farms affected by this. The fault led to just over three months without production at the start of the year. Production from the newly constructed offshore wind farms Gode Wind 1 & 2 in Germany was modest in 2016. This was due to faults in cable joints of the onshore

part of the transmission cable which is the responsibility of the transmission system operator. We are not compensated for faults in the transmission grid in the UK, and we are not fully compensated in Germany. The transmission system operator can deduct a number of days planned transmission grid maintenance and non-planned interruptions due to faults. Lost production from Gode Wind 1 & 2 was thus not fully compensated.

- The UK's decision to leave the European Union (indirectly risk #1 and 3, in the 2015 and 2016 annual reports). The consequences of the UK's decision to leave the EU have been subject to a great amount of uncertainty. The UK is our largest market, and all our business areas have activities in the UK. Wind Power's activities are exposed both to the DKK/GBP exchange rate in the long term and to the political environment, including subsidy regimes. We regard the exposure of our other business areas as being limited.
- Intensifying competition for the tendered offshore wind farm projects (covered by risk #3 in the 2015 and 2016 annual reports). The price per produced MWh in winning bids reflects a substantial reduction in the costs associated with the construction of the plants and the ongoing production, but also a reduced return requirement.

1 Market risks

Our primary market risks relate to energy prices, foreign exchange rates and interest rates.

Risk management

The management of market price risks is to ensure stable and robust financial ratios that support our growth strategy.

We hedge prices for up to five years to reduce cash flow fluctuations. Prices are not hedged in the medium to long term, and our long-term market risks are therefore determined by our strategic decisions on investments in new assets, the conclusion of long-term contracts as well as any divestment of assets.

Energy prices

Our energy price risks can be divided into direct price risks, where the exposure depends on a specific price, and spread risks, where the exposure depends on the difference between two or more prices. Direct price risks are generally considered to be higher than spread risks as prices are often co-variant.

We hedge prices based on minimum price hedging requirements for the three business units defined by the Board of Directors, see note 7.1. For the first two years, a high degree of hedging is wanted to ensure stable cash flows after tax, while the degree of hedging is lower in subsequent years. This is due to declining certainty about generated volumes and the increasing cost of hedging instruments due to the declining liquidity of the instruments.

Exchange rates

Our international activities entail a financial exposure to exchange rate fluctuations. The most important risk relates to GBP due to the Group's substantial investments in offshore wind farms in the UK.

The main currency risk management principle is that currency risks are hedged when it is deemed relatively certain that the underlying cash flows in foreign currencies will materialise. Currency risks relating to energy prices are therefore hedged only once the energy price is hedged. Similarly, currency risks relating to divestments and investments are hedged only once the divestment and investment prices are sufficiently certain.

Cash flows relating to fixed tariffs and guaranteed minimum prices from offshore wind farms in the UK derogate from the main principle as they are hedged, less operating expenses, based on a declining level of hedging over the five-year risk management horizon, see note 7.1. Fluctuations in GBP therefore constitute a strategic risk for DONG Energy.

Our EUR risk is subject to continuous assessment, but is generally not hedged as we believe that Denmark will maintain its fixed exchange rate policy.

Interest

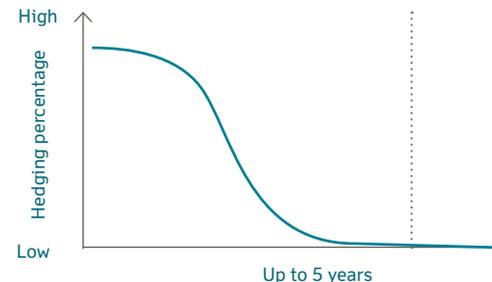
Our interest rate risks relate to interest-bearing loans and borrowings, interest-bearing assets and financial price hedges.

The management of interest rate risks is based on the composition of our assets and



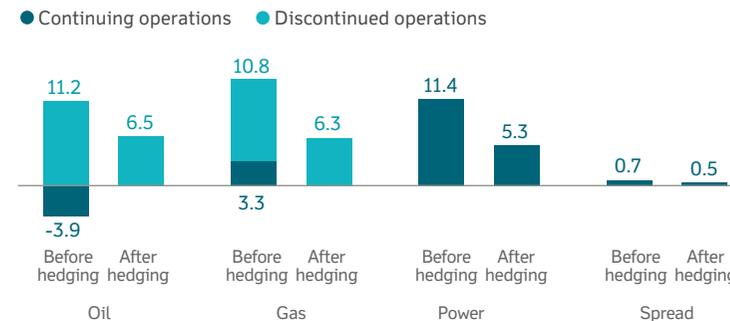
Risk horizon

We hedge market prices with a horizon of up to five years.



Energy exposure 2017–2021 DKK billion

Our energy exposures have been reduced from DKK 33.5bn to DKK 18.6bn via hedging.



Currency exposure 2017–2021 DKK billion

Our currency exposures have been reduced from DKK 58.1bn to DKK 15.6bn via hedging.



the interest rate sensitivity of the cash flows generated by these assets. Fixed-interest financing over a longer term is sought for assets with fixed, interest-insensitive cash flows over a longer term. Conversely, more variable-interest financing is sought for assets with varying, interest-sensitive cash flows.

2 Development and construction of production assets

Our strategy includes the construction of large-scale investment projects, especially in Wind Power. Value creation from new projects depends to a large extent on choosing the right technical and commercial solutions, on the design and construction phase progressing as planned, on avoiding investment budget overruns and on the timely start-up of production.

Most of the new investments are made in offshore assets, which naturally increases risks in the construction phase. The nature of the seabed, weather conditions and dependence on installation vessels are some of the risks associated with the construction of offshore assets.

In Wind Power and Bioenergy & Thermal Power, we have successfully completed a number of investment projects in recent years. Based on the experience gained, we have been able to considerably reduce the risks associated with our projects in progress.

3 Regulatory risks in Wind Power

The risk associated with regulatory regimes is twofold. It is associated with the possibilities for obtaining subsidies and with the possibilities for obtaining relevant approvals from the local authorities.

The EU member states have confirmed their ambitions to reduce CO₂ emissions by 40% and increase the share of production from renewable energy sources (RES) to at least 27% of the total production – both targets to be achieved before 2030.

Under the reformed EU guidelines on state aid for environmental protection and energy, subsidies are generally granted in a competitive bidding process, with the bid submitted by the bidder being the only or most important criterion. This will increase the competition, which can affect the profitability of the projects and the subsidies received.

We do not expect changes to be made to the subsidy schemes, including tax incentive schemes, with retrospective effect for existing offshore wind projects in any of the countries in which offshore wind farms have been commissioned, or in which offshore wind farms are planned.

The greatest risks relating to project development are associated with the need to obtain relevant approvals from the local authorities as well as the connection to the power grid. Delays in both areas may lead to the total or partial loss of subsidies. This risk is significantly reduced for projects where aid and possibly project rights are granted in competitive bidding processes.

We mitigate the risks by monitoring political developments in all the relevant countries and by engaging in an active dialogue with relevant authorities about environmental approvals, regulatory milestones and the economic regimes.

To ensure an appropriate pipeline and the realisation of the desired level of new projects, we are working with a flexible portfolio of projects, the number of which actually exceeds capacity. In this way, it is not critical if individual projects fail to materialise. Furthermore, we are continuously exploring new markets with a view to spreading the geographical risks.

4 Operation of offshore wind farms

The risks associated with the operation of offshore wind farms relate to forecasts for availability and operating expenses as well as faults in transmission cables and substations.

Our forecasts for availability and operating expenses are based on a number of assumptions received from our suppliers and on historical data. There is a risk that the assumptions do not hold, and that fault rates and costs are higher than expected. This may lead to deviations between actual production and the forecasts.

In addition, we are exposed to faults in transmission cables and substations, which may result in breakdowns and loss of production from parts of or entire wind farms over a longer period of time. We are

not compensated for loss of production in the UK. However, in Denmark we are fully compensated, and in Germany we receive compensation for a major part of the operating loss.

We have put in place various contingency plans to cater for unforeseeable events, including an acute repair function to handle transmission cable faults. Moreover, we are continuously working to reduce the risk of faults in the operation of offshore wind farms.

5 Cost of electricity for offshore wind power

A reduction in the cost of electricity for offshore wind power is essential to making offshore wind power less dependent on subsidies and more competitive in relation to other technologies, such as onshore wind power and solar PV. Reducing the cost of offshore wind power is also important to ensure that we can maintain our global market leader position by continuing to win auctions and tenders in key markets.

We want to meet the need for a lower cost, and we are therefore continuing our work on optimising development, installation and operations. We have created a streamlined organisation and initiated strategic cooperation with key suppliers to ensure continuous cost reductions.

Other risks

Sustainability

Risks associated with sustainability are assessed on the basis of their significance to our stakeholders and their strategic importance to the Group. The three most important risks are described below.

Personal safety and well-being

Personal safety is a basic expectation and, at the same time, a competitive aspect in the energy business. Fatal accidents and serious personal injuries are unacceptable, first and foremost due to the human consequences, but also because they can affect our reputation negatively and impact the effectiveness and efficiency of operations. We reduce the risks through a number of initiatives, including HSE action plans, emergency response drills, a new stress prevention programme and a general focus on strengthening the corporate safety culture.

Costs of the green transformation

The most significant risk in this area is that the criticism of the costs related to the green transformation will reduce the demand for offshore wind power after 2020. This may affect Wind Power's investment opportunities. We counter the risk by leading the way in the efforts to reduce costs – as evidenced by our winning Borssele 1 & 2 bid – and by shedding light on the positive contribution made by wind power to society.

Reputation

Having a good reputation matters to us. Our reputation has a bearing on our ability to

retain customers and employees as well as our dialogue with political decision-makers. In Denmark, our reputation has suffered since the capital injection in 2014 when Goldman Sachs, ATP and PFA bought shares in the company. We are seeking to improve our reputation in Denmark through new strategies, for example by helping consumers reduce their energy bills, increasing communication about our green transformation and committing to important societal activities. Our reputation in the international markets is considerably better than in Denmark.

Compliance and legal

Risks associated with compliance and legal are assessed on the basis of financial significance and probability. The three most important risks are described below.

Tax legislation

We are involved in a large number of intra-group transactions under various national tax regimes. These transactions must take place on market-based terms and conditions to comply with local transfer pricing rules and the OECD standards. To prevent problems in this area, we are engaged in dialogue with the tax authorities, particularly in Norway and the UK. Moreover, we have established internal transfer pricing policies and manuals and are developing a tool for controlling transfer pricing.

Public procurement law

Most of our products and services are subject to EU public procurement law, which is generally complex and constantly changing.

In 2016, a new EU directive came into force which the various Member States have interpreted differently. This is making it difficult to compete for contracts in different countries. To counter this risk, we have ensured that our procurement function is involved in the relevant activities.

Financial regulation

We are subject to a number of financial regimes, such as the EMIR, Dodd Frank, REMIT/MAD, SFTR and MiFID. The financial rules and related procedures are complex and constantly changing. In 2016, we have established a new compliance structure for financial regulation staffed by employees who are dedicated to handling these tasks. This will ensure a consistent level of compliance with financial regulations and related types of control throughout the Group.

IT

We assess IT-related risks based on the importance of a potential event for our operations and the likelihood that the event may occur. The three most important risks are described below.

Cyber attacks and security breaches

We are responsible for critical infrastructure, and we own various types of intellectual property rights. This means that we are a potential target for cyber attacks or industrial espionage. To ensure monitoring of system-related risks, we have implemented a global framework for safety risk management. Our strategy also focuses on protecting us against cyber attacks and on ensuring that

the necessary control systems are in place for monitoring and managing the Group's operations.

Breakdown of control systems

IT system failure is the most common type of failure and can lead to operational problems or breakdowns if the systems do not work as they should. In order to mitigate this risk, our IT systems feature extra controls, and we have a plan for restarting systems and hardware.

Breakdown of administrative systems

Systems for operations and finance, electronic communication and filing as well as customer service, etc, constitute a risk in relation to our business processes and the related production. In the past two years, we have intensified our focus on the most important systems, and today we mitigate the risk through maintaining a high level of governance and change management procedures.

Corporate Governance

We have worked with corporate governance for many years. Each year, we consider the recommendations from the Danish Committee on Corporate Governance, describe corporate governance in our annual report and prepare a detailed report, which you can find on our website.

The IPO has led to certain changes in our governance model. Relations between the major shareholders were previously governed by an agreement made between the shareholders who took part in the capital injection in 2014. In connection with the IPO, most parts of this agreement ceased to apply. This means that none of our major shareholders are now entitled to elect a member of our Board of Directors, and Goldman Sachs shall no longer approve certain Board decisions. Our governance model is now in line with that of other major Danish listed companies.

1. Shareholders

Our shareholders exercise their rights at the general meeting, which for example appoints the Board of Directors and the auditors.

2. General meeting

The general meeting adopts decisions in accordance with the general rules set out in the Danish Companies Act. However, for the general meeting to be able to approve proposals to amend the Articles of Association or to dissolve the company, the Danish State, as principal shareholder, must participate in the general meeting and vote in favour of the proposal.

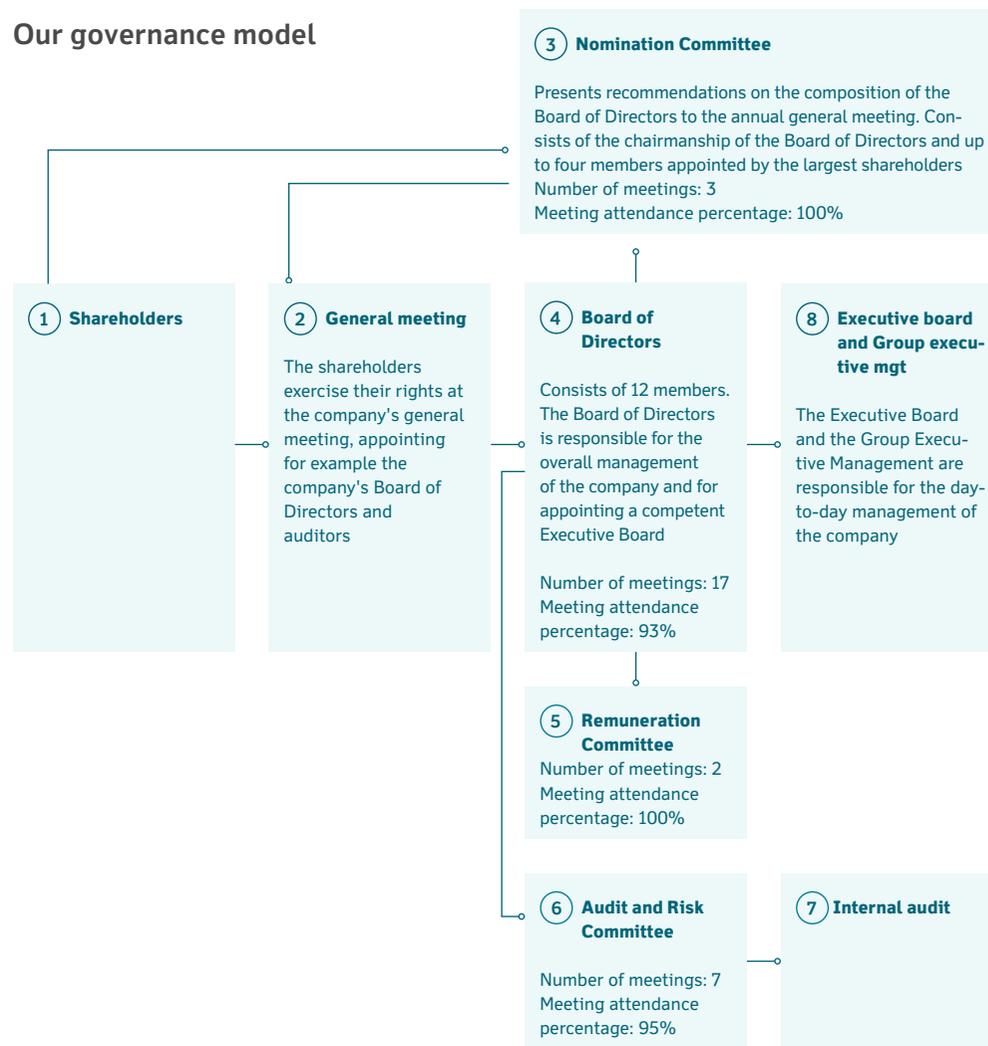
3. Nomination Committee

Members and duties

The Nomination Committee has been appointed in accordance with the Articles of Association and consists of the Chairman and Deputy Chairman of the Board of Directors and up to four members appointed by the largest shareholders every autumn. If one of the four largest shareholders decides not to be represented on the committee, the right of appointment is transferred to the fifth largest shareholder and so on.

Before the IPO, the shareholders Goldman Sachs, SEAS-NVE and ATP were each entitled to appoint a member of our Board of Directors. In addition, Goldman Sachs was represented by two observers on the board. These rights ceased to apply in connection with the IPO. Today, our Nomination Committee therefore plays an even more important role

Our governance model



in ensuring that the right candidates with the right skills are put forward for election by the shareholders at the general meeting.

Current members of the committee are Thomas Thune Andersen, Lene Skole, Rasmus Lønborg (elected by the Danish Ministry of Finance), Michael Specht Bruun (elected by Goldman Sachs), Jesper Hjulmand (elected by SEAS-NVE) and Kasper Ahrndt Lorenzen (elected by ATP).

The committee's work results in a number of written recommendations for the re-election or the new election of board members. We publish and submit the recommendations to the shareholders before the annual general meeting. The committee does not perform any other duties for the company.

The Nomination Committee's duties, meetings, etc, are described in its rules of procedure, which you can find at www.dongenergy.com/corporate_governance.

Special tasks in 2016

In March 2016, the committee recommended to the general meeting that all members of the Board of Directors be re-elected, and the general meeting followed the recommendation.

At its meeting in September 2016, the committee approved the meeting schedule for the year and discussed the composition of the Board of Directors as well as the need for replacements following the IPO. The committee also assessed the skills and profiles of the various board members, including the need to strengthen experience within management

of large investment projects and corporate finance. The committee decided to start a recruitment process to strengthen these skills on the Board of Directors.

4. Board of Directors

Members and duties

The Board of Directors has 12 members. The general meeting elects eight members each year, and the employees elect four members, usually every four years.

Information about the members of the Board of Directors, their other supervisory and executive positions, independence and special competencies can be found on page 60-61.

The Board of Directors is responsible for the overall management of the company. The Board of Directors lays down the company's strategy and makes decisions concerning major investments and divestments, the capital base, key policies, control and audit matters, risk management and significant operational issues. The Board of Directors appoints the Executive Board.

The Board of Directors has appointed two committees from among its members, an Audit and Risk Committee and a Remuneration Committee.

The Board of Directors has adopted rules of procedure, which describe the work and duties of the Board of Directors and the two committees. Each year, the Board of Directors assesses the need to update the rules of procedure. You can read about the rules of

procedure of the Board of Directors and the two committees at www.dongenergy.com/corporate_governance

Special tasks in 2016

Alongside the ordinary work of the Board of Directors, the Board of Directors spent a lot of time on the IPO. Throughout the IPO process, the Board of Directors and the Executive Board looked after the company's interests. Among other things, the Board of Directors considered the prospectus, compliance and corporate matters, our new share programme for senior executives and corporate governance. The Board of Directors also laid down a new investor relations policy and guidelines stipulating how the Board of Directors must act in the event of a takeover bid for DONG Energy. The ordinary work of the Board of Directors was also characterised by high levels of activity, among other things in connection with the final investment decisions taken on the three new offshore wind farms in the UK, Germany and the Netherlands.

Several board members hold executive positions in other companies in the energy sector or companies which have other business relations with us. The persons in question and the Board of Directors as a whole are therefore very aware of the risk of conflicts of interest. In 2016, the Board of Directors adopted supplementary guidelines to avoid conflicts of interest.

The Board of Directors conducted its annual self-assessment in November and December 2016. All members of the Board of Directors completed an anonymous questionnaire, and the Chairman of the Board of Directors had a

Important tasks of the Board of Directors in 2016:

Investments and divestments

- Capital investments in the offshore wind projects Hornsea 1 in the UK, Borssele 1 & 2 in the Netherlands and Borkum Riffgrund 2 in Germany
- Capital investment in a bio plant in the UK designed to handle unsorted household waste by means of enzymes
- Divestment of ownership interests in the offshore wind farms Burbo Bank Extension and Race Bank in the UK
- Divestment of the Danish gas distribution activities
- Divestment of certain Norwegian oil and gas fields.

Other tasks

- Development of our project portfolio for offshore wind after 2020, including start-up of activities in Taiwan and the USA
- Decision to divest the oil and gas business
- Termination of the contract concerning the construction of the Hejre platform
- Buy-back of senior bonds in the amount of just over EUR 500 million
- Appeal against the judgment of the Copenhagen Maritime and Commercial Court in the Elsam case.

dialogue with each individual member prior to the Board of Directors discussing the results. At the meeting, the Board of Directors also considered the follow-up items from last year's self-assessment.

Remuneration

Each year, the general meeting approves the remuneration for the members of the Board of Directors for the coming year. In the new section on remuneration on page 55-56, you can read more about the remuneration of the Board of Directors.

5. Remuneration Committee

Members and duties

Thomas Thune Andersen (Chairman), Pia Gjellerup and Martin Hintze are members of the Remuneration Committee.

The committee assists the Board of Directors in preparing and implementing the remuneration policy. The committee assesses and prepares recommendations on Group Executive Management's salary adjustments, bonuses, the application of retention schemes for key personnel, the use of one-off payments and the introduction of new compensatory elements. In 2016, the Remuneration Committee discussed, among other things, the introduction of a new share programme and a number of retention schemes.

6. Audit and Risk Committee

Members and duties

Benny D. Loft (Chairman), Lene Skole and Claus Wiinblad are members of the Audit and Risk Committee.

The committee assists the Board of Directors in overseeing the financial and non-financial reporting process, financial and business-related risks, compliance with statutory and other requirements from public authorities and the internal control environment. Moreover, the committee approves the framework for the work of the company's external and internal auditors, evaluates the external auditors' independence and qualifications and monitors the company's whistleblower scheme. You can find the description of our internal control environment in the statutory report on corporate governance, which is available on our website.

Special tasks in 2016

New rules governing statutory audits were implemented in Denmark in 2016. As a result, the committee's terms of reference have been updated to reflect the changed responsibilities. The committee has also approved a new policy for the use of a group auditor. Among other things, it introduces a cap on fees charged by the group auditor for the provision of non-audit services of 100% of the group fee as well as a preliminary approval of non-audit services. The committee may approve the exceeding of the limit.

7. Internal Audit

Members and duties

Our internal audit department reports to the Audit and Risk Committee. This means that the department is independent of our general management structures. Internal Audit suggests improvements and ways of streamlining our processes and control environment. Internal Audit is primarily involved in reviewing and advising on our key processes and risk management, amongst others in relation to IT security.

The Chairman of the Audit and Risk Committee is responsible for the whistleblower scheme. Internal Audit receives and processes any reports submitted.

Special tasks in 2016

Internal Audit undertook special revision and consultancy tasks within the following areas: management and control of model risks, implementation of a new system for monitoring various types of expenditure, hedging of commodities and currencies, as well as the monitoring of whether our suppliers and other business partners comply with international standards for human and labour rights, the environment and anti-corruption.

Whistleblower scheme

Our employees and other associates can report serious offences, such as cases of bribery, fraud and other criminal offences, to our whistleblower scheme or via our management system.

In 2016, the reports resulted in three substantiated cases. Two cases concerned

Important tasks of the Audit and Risk Committee in 2016

Audit and accounting

- Implementation of new auditor's report on consolidated financial statements
- Review of the presentation of Oil & Gas as discontinued operations
- Assessment of need for impairment of oil and gas assets
- Review of accounting treatment of the new share programme for senior executives
- Review of provisions regarding the termination of the contract concerning the Hejre platform
- Implementation of new structure in quarterly reports, annual report and sustainability report following IPO
- Review of expectations regarding market prices, foreign exchange rates, discount rates and risk-free interest.

Risk

- Review of IT security in operational and administrative areas as well as cyber defence
- Review of the impact of the UK's vote to leave the EU (Brexit)
- Review of cash reserves, repayment of bank loans and redemption of bonds
- Approval of new mandate for managing interest rate and inflation risks.

conflicts of interest in connection with external business partners, and one case concerned kickbacks from two suppliers. The cases have had consequences for the involved employees and consultants' employment with us.

None of the cases reported were critical to our business, nor have they impacted our financial results. We look very seriously on such cases and do what we can to avoid that similar cases occur again.

8. Executive Board and Group Executive Management

Members and duties

Henrik Poulsen (CEO) and Marianne Wiinholt (CFO) are the members of the Executive Board of DONG Energy A/S.

The Executive Board is responsible for the day-to-day management of the company. The Board of Directors has laid down guidelines for the work of the Executive Board, including the division of work between the Board of Directors and the Executive Board and the Executive Board's powers to enter into agreements on behalf of DONG Energy. The Board of Directors regularly discusses the CEO's performance, for example by following up on developments seen in relation to our strategy and objectives. The Chairman of the Board of Directors and the CEO also regularly discuss the cooperation between the Board of Directors and the Executive Board.

The daily management is also handled by Group Executive Management, which in addition to Henrik Poulsen and Marianne Wiinholt

comprises the Executive Vice Presidents of our four business units: Samuel Leupold (Wind Power), Thomas Dalsgaard (Bioenergy & Thermal Power), Morten H. Buchgreitz (Distribution & Customer Solutions) and David B. Cook (Oil & Gas).

You can find information about the members of the Executive Board, including their previous employment and other executive functions, on page 59. The section on remuneration on pages 55-56 includes a description of the remuneration of the Executive Board.

How we relate to the Recommendations on Corporate Governance

As a listed company, we consider the Recommendations on Corporate Governance prepared by the Danish Committee on Corporate Governance. You can find the recommendations at www.corporategovernance.dk. We derogate wholly or in part from the following recommendations:

- Our shareholders have decided not to stipulate a retirement age for members of the Board of Directors in our Articles of Association as an age limit is deemed to reduce the number of eligible candidates, thereby potentially reducing the expertise of the Board of Directors.
- Our shareholders have also decided that the Articles of Association should include provisions on a Nomination Committee

consisting of members of the Board of Directors as well as other members elected by the shareholders. The committee looks solely on the composition of the Board of Directors and prepares recommendations for the general meeting on the election of board members. The idea behind the committee is to structure the dialogue among our major shareholders on the composition of the Board of Directors. The members and duties of the Nomination Committee therefore differ from those envisaged by the Recommendations on Corporate Governance.

- After the IPO, we introduced a new share programme for the Executive Board. The programme complies with the Recommendations on Corporate Governance, except that the first vesting period is slightly shorter than the recommended three years. This is due to the fact that the programme was introduced in autumn 2016, and that we will prepare an assesment for the first time in spring 2019. Future allotments will take place in spring, so that the vesting period is three years.

Our statutory report on corporate governance can be found at www.dongenergy.com/statutory-reports, see section 107b of the Danish Financial Statements Act. The report describes whether and how we comply with or derogate from the 47 recommendations on corporate governance.

The Danish state has an ownership policy. The policy contains recommendations on corporate governance which apply to the minister responsible and the state-owned

companies. As a listed company, we consider the recommendations from the Danish Committee on Corporate Governance, and therefore we do not report on the recommendations in the ownership policy.

Remuneration report

Remuneration policy

The overall objective of our remuneration policy is to attract, motivate and retain qualified members of the Board of Directors and the Executive Board and to align the interests of the Board of Directors and the Executive Board with the interests of the shareholders.

The Remuneration policy is available at www.dongenergy.com/remuneration-policy.

Remuneration for the Executive Board

The overall objectives of the remuneration policy are:

- the remuneration level must be competitive, but not market-leading, compared to the level in similar major Danish listed companies with international activities
- to ensure the appropriate balance between fixed remuneration and incentive-based remuneration, which in turn aims at rewarding the performance of the individual member of the Executive Board.

The structure of the remuneration for the Executive Board is shown in the table. The two incentive schemes are further described below.

Cash-based incentive schemes ('STI')

The annual bonus is a cash-based incentive scheme that can be up to 30% of the fixed

Remuneration structure

| Element | Objective | Remuneration level | Performance measures |
|--|--|--|---|
| Fixed salary | Attract and retain qualified managers. | Competitive but not market-leading. | n/a |
| Cash-based incentive schemes ('STI') | Ensure shared ownership of the entire company's performance and a clear link between overall performance and payment. The incentive scheme consists of a 40% group element and 60% individual element. | Target of 15% of the fixed annual salary. The maximum bonus amounts to 30% and will be paid in case of full achievement of all performance targets. | The performance reward agreement consists of four targets connected to strategic objectives: a financial target for DONG Energy, a Group safety target, a personal performance target and a behaviour target. |
| IPO Executive Retention Bonus | Retain the Executive Board after the IPO. Short-term bridge to long-term incentive schemes. | 20% of the fixed annual salary as per 1 July 2016. The first instalment will be paid 14 months after the IPO and the second instalment will be paid 26 months after the IPO. | Employment at 1 September 2017 and 1 September 2018, respectively. |
| Share-based incentive scheme (long term) | Reward long-term value creation and align the Executive Board's interests with those of the shareholders. | Grant at 20% of the annual fixed salary conditional on a shareholding requirement for 75% of the annual base salary for the CEO and 50% for the CFO. Vesting at 0-200% of the grant depending on DONG Energy's performance compared to peers and conditional on employment at vesting. | The final number of performance share units (PSU) will be determined on the basis of DONG Energy's total shareholder return benchmarked against 10 peers. The PSU's granted will vest after three years. |
| Pension | n/a | The members of the Executive Board are not entitled to pension contribution. | |

annual salary. The bonus targets underpin the company's strategy and results.

The Remuneration Committee sets bonus targets for and determines the performance of the CEO. The Chairman of the Board of Directors and the CEO set performance targets for and determine the performance of the CFO.

Share-based incentive scheme

The Executive Board is covered by the share programme for managers in DONG Energy. It is a condition for being granted performance share units (PSU) under the programme that the participant holds a number of DONG Energy shares representing a value equal to a share of each participant's annual base salary.

The CEO must hold shares with a value equal to 75% of the fixed salary. The CFO is required to hold 50%.

Participants in the programme must invest in DONG Energy shares prior to the first grant. If the participants fulfil the shareholding requirement at the time of the grant of the



Remuneration package for the Executive Board
Remuneration elements for the CEO and CFO are summarised in the table to the left.

PSUs, they will each year be granted a number of PSUs that represent a value equal to 20% of the annual base salary at the time of the grant.

The PSUs granted will vest after approximately three years, whereafter each PSU will represent a right to receive one share free of charge. The final number of PSUs for each participant will be determined on the basis of DONG Energy's total shareholder return benchmarked against 10 comparable European energy companies during the period of the share programme. The exercise rate will vary from 0% to 200% of the target number of PSUs granted. The maximum value granted will be 40% of the fixed annual salary for the Executive Board.

This maximum will apply if DONG Energy's performance is rated first among the companies included in the above benchmarking. For each lower ranking, the payout of PSUs will drop 20%-points, i.e. a second ranking will entitle the participants to 180% of the target.

If DONG Energy is rated number 11 in the benchmarking, no PSUs will be granted. Vesting of PSUs is conditional on continued employment. Employees who leave us as a consequence of their own resignation or breach of their employment will forfeit their right to PSUs.

Termination payment

If a member of the Executive Board is terminated by the company, that person is entitled to 24 month's pay made up of salary during their notice period (12 months) and a termination payment.

Remuneration for the Board of Directors

The remuneration for the Board of Directors is to be approved at the Annual General Meeting. Each member receives a fixed annual fee. The Chairman of the Board of Directors receives three times the fixed annual fee, and the Deputy Chairman of the Board of Directors receives twice the fixed annual fee. The Chairman of the Audit and Risk Committee receives 0.6 times the fixed annual fee, and for ordinary members the additional fee is 0.3 times the fixed annual fee. The Chairman of the Remuneration Committee receives 0.4 times the fixed annual fee, and for ordinary members the additional fee is 0.25 times the fixed annual fee.

Remuneration for the Board of Directors comprises fixed salary only. However, employee-elected members of the Board of Directors may due to their employment be covered by general incentive schemes applicable to the Group's employees. No agreements on termination payments to board members have been made.



Remuneration for the Board of Directors

The table shows the remuneration paid to the board representatives on each of the boards and committees. No remuneration has been paid to the Chairman and Deputy Chairman of the Nomination Committee.

¹ Employee representatives on the Board of Directors each held 837 shares at 31 December 2016, which was an increase of 465 shares compared to last year. No other board members held shares in the company. ² Martin Hintze has waived his right to receive directors' remuneration.

Remuneration for the Group Executive Management

| | Henrik Poulsen | | Marianne Wiinholt | |
|---------------------|----------------|---------------|-------------------|--------------|
| DKK '000 | 2016 | 2015 | 2016 | 2015 |
| Fixed salary | 9,425 | 9,112 | 5,062 | 4,876 |
| Variable salary | 2,135 | 1,815 | 1,239 | 1,186 |
| Retention bonus | 616 | - | 321 | - |
| Share-based payment | 1,427 | 2,784 | 889 | 1,790 |
| Social security | 2 | 2 | 2 | 2 |
| Total | 13,605 | 13,713 | 7,513 | 7,854 |

Number of PSUs and shares held

| | Henrik Poulsen | Marianne Wiinholt |
|--|----------------|-------------------|
| Maximum number of PSUs at 31 December 2016 | 13,370 | 6,976 |
| Number of DONG Energy shares held | 130,500 | 83,916 |
| Shares held in percent of annual salary | 371% | 444% |

Remuneration for the Board of Directors

| DKK '000 | Annual fee | A&RC | RC | 2016 | 2015 |
|--|--------------|------------|------------|--------------|--------------|
| Thomas Thune Andersen | 960 | - | 128 | 1,088 | 550 |
| Lene Skole | 640 | 48 | - | 688 | 250 |
| Lynda Armstrong | 320 | - | - | 320 | 146 |
| Pia Gjellerup | 320 | - | 80 | 400 | 200 |
| Martin Hintze ² | - | - | - | - | - |
| Benny D. Loft | 320 | 192 | - | 512 | 275 |
| Poul Arne Nielsen | 320 | - | - | 320 | 175 |
| Claus Wiinblad | 320 | 96 | - | 416 | 225 |
| Hanne Steen Andersen ¹ | 320 | - | - | 320 | 175 |
| Poul Dreyer ¹ | 320 | - | - | 320 | 175 |
| Benny Gøbel ¹ | 320 | - | - | 320 | 175 |
| Jens Nybo Stilling Sørensen ¹ | 320 | - | - | 320 | 175 |
| Jørn P. Jensen (departed March 2015) | - | - | - | - | 75 |
| Total | 4,480 | 336 | 208 | 5,024 | 2,596 |



Remuneration for the Group Executive Management

The table to the left shows the total remuneration paid to Henrik Poulsen and Marianne Wiinholt in 2016 and 2015.



Number of shares

The table to the left shows the maximum number of PSUs and shares held in percent of annual salary.

Shareholder information

DONG Energy was listed on Nasdaq Copenhagen on 9 June 2016, the biggest IPO in Danish history. In connection with the IPO, 20% of the company's shares were sold for a total value of DKK 19.7 billion. More than 1,700 employees attended the opening ceremony in Gentofte, which was transmitted to all our 49 locations.

Price development for the DONG Energy share in 2016

The DONG Energy share was introduced at a price of DKK 235 and closed the year at a price of DKK 268, equating a direct return of 14% in the period.

During the same period, the share prices of comparable European utility companies increased by 1%, and the OMX C20 index decreased by 11%.

The highest traded price was DKK 283. The lowest price was DKK 220, traded immediately

Share price performance in 2016 after the IPO

DONG Energy share price and indexed peers



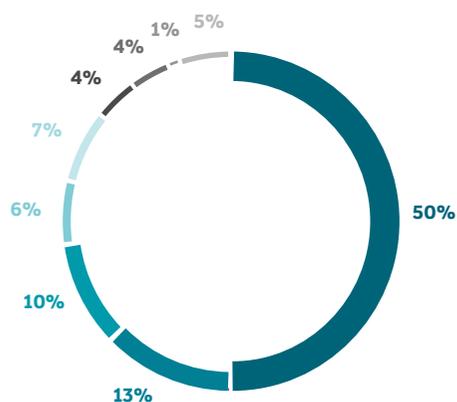
* Comparable companies include E.ON, RWE, Fortum, Centrica, Scottish & Southern Energy, Electricité de France, Iberdrola, GDF Suez, Enel and Gas Natural.



IPO opening ceremony in the Gentofte office

Shareholders at 31 December 2016

- Danish State (majority shareholder)
- New Energy Investment, Luxemburg
- SEAS-NVE, Denmark
- The Capital Group
- Danish institutional investors
- The UK
- North America
- Private investors
- Others



Share information

| | |
|---------------------------|-----------------------|
| ISIN | DK 0060094928220 |
| Share classes | 1 |
| Nominal value | DKK 10 per share |
| Average daily volume | 502,242 |
| Exchange | Nasdaq OMX Copenhagen |
| Ticker code | DENERG |
| Year high | DKK 283 (4 October) |
| Year low | DKK 220 (24 June) |
| Registered share | 99.6% |
| Number of shares | 420,381,080 |
| Number of treasury shares | 225,532 |

after the British no to continued membership of the EU at the end of June. DONG Energy's market value was DKK 112.5 billion at the end of the year, exclusive of the value of treasury shares of DKK 60 million.

The average daily turnover on Nasdaq Copenhagen was half a million shares. After the IPO, some of the selling shareholders were bound by a lock-up agreement, which expired on 22 November. In December, the DONG Energy share was included in both the Nasdaq OMX C20 index containing the most traded Danish shares and the MSCI index.

Share capital and share capital increase

DONG Energy's share capital is divided into 420 million shares enjoying the same voting and dividend rights. At the end of 2016, the company held a portfolio of 226 thousand treasury shares, which will be used to cover the incentive scheme. Treasury shares have not been acquired for the purpose of reducing the share capital.

On 28 June, the company allocated 2.7 million newly issued shares to 3,300 employees and managers. This increased the share capital by DKK 27 million to DKK 4,204 million.

Composition of shareholders

In connection with the IPO, 83.8 million shares were offered for sale. At the end of the year, the number of shareholders was 22,000. The figure to the left shows the composition of shareholders by country and specifies the four shareholders holding more than 5% of the share capital.

Annual general meeting and dividend

The annual general meeting will be held on 2 March 2017 in Copenhagen. In connection with the IPO, the total dividend for 2016 was fixed at DKK 2.5 billion, corresponding to DKK 6.0 per share. No dividend was paid for 2015.

Investor Relations

In order to achieve a fair pricing of our shares and corporate bonds, we seek to ensure a high level of openness and stability in our financial communication. In addition, our management and Investor Relations function engage in regular dialogue with investors and analysts. The dialogue takes the form of quarterly conference calls, road shows, conferences, capital market days and regular meetings with individual or groups of investors and analysts. The dialogue is subject to certain restrictions starting three weeks prior to the publication of our financial reports.

Sixteen share analysts and nine bond analysts cover the Group. Their recommendations and consensus estimates for DONG Energy's future financial performance can be seen at www.dongenergy.com/en/investors. On the site, you can also download our financial reports, investor presentations and a wide range of other data.

Selected company announcements in 2016

| | |
|---------|--|
| 26 Jan. | DONG Energy concludes strategic review of O&G business |
| 3 Feb. | DONG Energy to build new record sized offshore wind farm (Hornsea project 1) |
| 10 Feb. | DONG Energy divests 50% of the offshore wind farm project Burbo Bank Extension |
| 29 Mar. | DONG Energy terminates EPC contract on Hejre platform |
| 9 June | DONG Energy announces the results of its Initial Public Offering |
| 24 June | DONG Energy to build German offshore wind farm Borkum Riffgrund 2 |
| 5 July | DONG Energy wins tender for Dutch offshore wind farms |
| 14 July | DONG Energy agrees to divest its ownership shares in five producing Norwegian oil and gas fields |
| 30 Sep. | Divestment of DONG Energy's Danish gas distribution grid |
| 21 Dec. | DONG Energy divests 50% of Race Bank |

Financial calendar 2017

| | |
|---------|--|
| 2 Feb. | Annual report 2016 |
| 2 Feb. | 'Meet the management day' |
| 2 Mar. | Annual general meeting |
| 27 Apr. | Interim report for the first quarter of 2017 |
| 10 Aug. | Interim report for the first half-year of 2017 |
| 2 Nov. | Interim report for the first nine months of 2017 |

Group Executive Management



The Group Executive Management included six members at the end of 2016.

From the left: **Thomas Dalsgaard** (Bioenergy & Thermal Power), **Morten Hultberg Buchgreitz** (Distribution & Customer Solutions), **Henrik Poulsen** (Chief Executive Officer and President), **Marianne Wiinholt** (Chief Financial Officer), **David Cook** (Oil & Gas) and **Samuel Leupold** (Wind Power).

Henrik Poulsen

Registered as CEO

Chief Executive Officer (CEO) and President since August 2012

Education: MSc (Finance and Accounting), Aarhus School of Business 1994

Born 1967

Remuneration: DKK 13,605 thousand

Read more in the remuneration report

Career and posts

1994-1995 Novo Nordisk A/S, Contoller

1995-1996 Aarsø Nielsen & Partners, Senior Consultant

1996-1999 McKinsey & Co., Senior Engagement Manager

1999-2006 LEGO, VP, Business Development

1999-2000 SVP, Global Segment
8+ 2000-2002 SVP, Innovation and Marketing

2002-2003 Regional managing director

Europe and Asia 2004-2005 EVP Markets and Products 2005-2006

2006-2008 Capstone/KKR. Operating Executive

2008-2012 TDC A/S, CEO and President

2012- DONG Energy A/S, CEO and President

Other management positions

Member: ISS A/S and one wholly-owned subsidiary, chairman of the Audit Committee

Adviser: EQT Partners

Marianne Wiinholt

Registered as CFO

Chief Financial Officer (CFO) since October 2013

Education: MSc in Business Administration and Auditing, Copenhagen Business School 1990,

State Authorised Public Accountant 1992
Born 1965

Remuneration: 7,513 thousand

Read more in the remuneration report

Career and posts

1987-1997 Arthur Andersen, Accountant

1997-2003 Borealis A/S, Head of Group Accounting, Controlling & Tax

2004-2006 DONG A/S, VP, Group Finance
2006- DONG Energy A/S, senior vice

president, Group Finance

2006-2008, SVP, Group Finance and head of Finance, Energy

Markets 2008-2010, SVP, head of Finance, Energy Markets 2010-2011,

SVP, head of Corporate Finance
2011-2013, SVP, CFO, Customers & Markets 2013, CFO 2013-

Other management positions

Member: J. Lauritzen A/S, chairman of the Audit Committee; Norsk Hydro ASA

Board of Directors



Thomas Thune Andersen
(Chairman since 2014). Born 1955. Not independent¹.
Joined/Re-elected: 2014/2016.
Term of office expires: 2017.

Special competencies: Knowledge and experience within all DONG Energy's principal business areas. General management, safety management, risk management and stakeholder management.

Other management positions: Chairman: Lloyds Register Foundation.
Deputy Chairman: VKR Holding A/S. Senior Independent Director: Petrofac Ltd.
Member: Arcon-Sunmark A/S, BW Offshore Ltd.



Lynda Armstrong
Born 1950. Independent.
Joined/Re-elected: 2015/2016.
Term of office expires: 2017.

Special competencies: Knowledge and experience within Oil & Gas. General management, safety management, risk management, stakeholder management and human resources management.

Other management positions: Non-executive Director: KAZ Minerals plc², Central Europe Oil Company.
Chair of the Board of Trustees: British Safety Council. Member of Supervisory Board: SBM Offshore N.V.³



Lene Skole
(Deputy Chairman since 2015). Born 1959. Independent.
Joined/Re-elected: 2015/2016.
Term of office expires: 2017.

Present posts: Lundbeckfonden, CEO.

Special competencies: Knowledge and experience within Oil & Gas. General management, financial management, safety management, risk management, stakeholder management, human resources management and capital markets.

Other management positions: Deputy Chairman: ALK-Abello A/S, H. Lundbeck A/S, Falck A/S.
Member: Tryg A/S, Tryg Forsikring A/S, two subsidiaries of Lundbeckfonden.



Poul Dreyer
(Employee representative). Born 1964. Not independent.
Joined/Re-elected: 2014.
Term of office expires: 2018.

Present posts: DONG Energy, Technician, Distribution & Customer Solutions.

Special competencies: Knowledge and experience within Distribution & Customer Solutions.



Hanne Sten Andersen
(Employee representative). Born 1960. Not independent.
Joined/Re-elected: 2007/2014
Term of office expires: 2018.

Present posts: DONG Energy A/S, Lead HR Business Partner, Distribution & Customer Solutions.

Special competencies: General management and human resources management.



Pia Gjellerup
Born 1959. Independent.
Joined/Re-elected: 2012/2016.
Term of office expires: 2017.

Present posts: Center for Public Innovation, Center Director.

Special competencies: General management, financial management, stakeholder management and human resources management.

Other management positions: Chairman: Vanførefonden.
Deputy Chairman: Fondet Dansk-Norsk Samarbejde.
Member: Gefion Gymnasium, Fonden Rådmandsgade 34.

¹Thomas Thune Andersen is considered independent of shareholder interests. Due to his directorship in Petrofac Limited and the fact that Petrofac in the past year has had significant business relations with DONG Energy, he is not considered independent pursuant to the Recommendations on Corporate Governance prepared by the Danish Committee on Corporate Governance ²As well as Chair of the Remuneration Committee, member of the HSE Committee and member of the Project Assurance Committee ³As well as member of the Technical and Commercial Committee and member of the Remuneration Committee

**Benny Gøbel**

(Employee representative). Born 1967. Not independent.
Joined/Re-elected: 2011/2014.
Term of office expires: 2018.

Present posts: DONG Energy, Engineer, Bioenergy & Thermal Power.

Special competencies: Knowledge and experience within Bioenergy & Thermal Power.

**Poul Arne Nielsen**

Born 1944. Independent.
Joined/Re-elected: 2006/2016.
Term of office expires: 2017.

Special competencies: Knowledge and experience within Distribution & Customer Solutions. General management, financial management, risk management, stakeholder management and human resources management.

Other management positions: Chairman: SEAS-NVE Holding A/S, SEAS-NVE A.m.b.a., Sjællandske Medier A/S, Dansk Energi.

**Martin Hintze**

Born 1970. Independent.
Joined/Re-elected: 2014/2016.
Term of office expires: 2017.

Present posts: Goldman Sachs International, Managing Director.

Special competencies: General management, financial management, risk management, stakeholder management and capital markets.

Other management positions: Xella International Holdings S.à.r.l., Flint HoldCo S.à.r.l., Continental Bakeries Holding B.V., Navico HoldCo.

**Jens Nybo Stilling Sørensen**

(Employee representative). Born 1968. Not independent.
Joined/Re-elected: 2007/2014.
Term of office expires: 2018.

Present posts: DONG Energy, Key Business Project Manager, Bioenergy & Thermal Power.

Special competencies: Knowledge and experience within Bioenergy & Thermal Power.

**Benny D. Loft**

Born 1965. Independent.
Joined/Re-elected: 2012/2016.
Term of office expires: 2017.

Present posts: Novozymes A/S, Executive Vice President and CFO.

Special competencies: General management, financial management, risk management, stakeholder management, human resources management and capital markets, IT og M&A.

Other management positions: Member: Three wholly-owned companies in the Novozymes Group. Member and Chairman of the Finance and Audit Committee: New Xellia Group A/S.

**Claus Wiinblad**

Born 1959. Independent.
Joined/Re-elected: 2014/2016.
Term of office expires: 2017.

Present posts: ATP, Senior Vice President, Danish Equities.

Special competencies: Financial management and capital markets.

Financial statements

1 January 2016 – 31 December 2016

Income statement

1 January – 31 December

| Note | (DKK million) | 2016 | | | 2015 | | |
|----------|---|----------------------|----------------|----------------|----------------------|--------------|-----------------|
| | | Business performance | Adjustments | IFRS | Business performance | Adjustments | IFRS |
| 2.1, 2.3 | Revenue | 61,201 | (3,808) | 57,393 | 65,444 | 1,264 | 66,708 |
| 2.4 | Cost of sales | (39,260) | 1,638 | (37,622) | (51,435) | (106) | (51,541) |
| 8.2 | Other external expenses | (4,078) | | (4,078) | (3,263) | | (3,263) |
| 2.6, 2.7 | Employee costs | (3,088) | | (3,088) | (3,310) | | (3,310) |
| 3.3 | Share of profit (loss) in associates and joint ventures | 25 | | 25 | 112 | | 112 |
| 2.5 | Other operating income | 4,867 | | 4,867 | 1,575 | | 1,575 |
| 2.5 | Other operating expenses | (558) | | (558) | (393) | | (393) |
| | Operating profit (loss) before depreciation, amortisation and impairment losses (EBITDA) | 19,109 | (2,170) | 16,939 | 8,730 | 1,158 | 9,888 |
| | Amortisation, depreciation and impairment losses on intangible assets and property, plant and equipment | (5,232) | | (5,232) | (6,857) | | (6,857) |
| 2.1, 3.1 | Operating profit (loss) (EBIT) | 13,877 | (2,170) | 11,707 | 1,873 | 1,158 | 3,031 |
| 3.5 | Gain on divestment of enterprises | 1,250 | | 1,250 | 56 | | 56 |
| 3.3 | Share of profit (loss) in associates and joint ventures | (8) | | (8) | (8) | | (8) |
| 6.6 | Financial income | 8,179 | | 8,179 | 9,297 | | 9,297 |
| 6.6 | Financial expenses | (8,946) | | (8,946) | (10,706) | | (10,706) |
| | Profit (loss) before tax | 14,352 | (2,170) | 12,182 | 512 | 1,158 | 1,670 |
| 5.2 | Tax on profit (loss) for the year | (2,191) | 476 | (1,715) | 455 | (271) | 184 |
| | Profit (loss) for the year from continuing operations | 12,161 | (1,694) | 10,467 | 967 | 887 | 1,854 |
| | Profit (loss) for the year from discontinued operations | 1,052 | (3,584) | (2,532) | (13,051) | 1,744 | (11,307) |
| 3.7 | Profit (loss) for the year | 13,213 | (5,278) | 7,935 | (12,084) | 2,631 | (9,453) |
| | Profit (loss) for the year is attributable to: | | | | | | |
| | Shareholders of DONG Energy A/S | 12,825 | (5,278) | 7,547 | (12,829) | 2,631 | (10,198) |
| | Interest payments and costs after tax, hybrid capital holders of DONG Energy A/S | 499 | | 499 | 714 | | 714 |
| | Non-controlling interests | (111) | | (111) | 31 | | 31 |
| 6.2 | Profit (loss) per share, DKK: | 30.6 | | 18.1 | (30.7) | | (24.4) |
| | From continuing operations | 28.1 | | 24.1 | 0.5 | | 2.7 |
| | From discontinued operations | 2.5 | | (6.0) | (31.2) | | (27.1) |
| 6.2 | Diluted profit (loss) per share, DKK: | 30.5 | | 18.0 | (30.6) | | (24.4) |
| | From continuing operations | 28.0 | | 24.0 | 0.5 | | 2.6 |
| | From discontinued operations | 2.5 | | (6.0) | (31.1) | | (27.0) |



Profit (loss) for the year from our continuing operations

The Oil & Gas segment is presented as discontinued operations in 2016. Comparative figures for 2015 have been restated. The Group's business performance EBITDA has consequently been reduced by Oil & Gas' share corresponding to DKK 6,507 million in 2016.



Accounting policies

Business performance

The business performance principle was introduced by the DONG Energy Group in 2011. According to IFRS, market value adjustments of energy contracts and related currency risks (including hedging) are recognised on an ongoing basis in the income statement, whereas under the business performance principle, they are deferred and recognised in the period in which the hedged exposure materialises. The difference between IFRS and business performance is specified in the adjustments column. For further information about the business performance principle, see note 2.2.

Statement of comprehensive income

1 January – 31 December

| (DKK million) | 2016 | | | 2015 | | |
|--|----------------------|----------------|----------------|----------------------|-------------|----------------|
| | Business performance | Adjustments | IFRS | Business performance | Adjustments | IFRS |
| Profit (loss) for the year | 13,213 | (5,278) | 7,935 | (12,084) | 2,631 | (9,453) |
| Other comprehensive income: | | | | | | |
| Hedging instruments: | | | | | | |
| Value adjustments for the year | (878) | 2,373 | 1,495 | 5,947 | (5,923) | 24 |
| Value adjustments transferred to revenue | (4,958) | 4,543 | (415) | (2,744) | 2,739 | (5) |
| Value adjustments transferred to cost of sales | 151 | (151) | - | 254 | (254) | - |
| Value adjustments transferred to other operating income | (271) | - | (271) | - | - | - |
| Value adjustments transferred to financial income and expenses | 232 | - | 232 | 179 | - | 179 |
| Tax on value adjustments of hedging instruments | 1,258 | (1,487) | (229) | (856) | 807 | (49) |
| Exchange rate adjustments: | | | | | | |
| Exchange rate adjustments relating to net investment in foreign enterprises | (5,326) | - | (5,326) | 2,060 | - | 2,060 |
| Value adjustments of hedging thereof | 3,040 | - | 3,040 | (1,402) | - | (1,402) |
| Tax on exchange rate adjustments | 100 | - | 100 | (25) | - | (25) |
| Other comprehensive income | (6,652) | 5,278 | (1,374) | 3,413 | (2,631) | 782 |
| Total comprehensive income | 6,561 | - | 6,561 | (8,671) | - | (8,671) |
| Comprehensive income for the year is attributable to: | | | | | | |
| Shareholders of DONG Energy A/S | - | - | 6,910 | - | - | (9,771) |
| Interest payments and costs after tax, hybrid capital holders of DONG Energy A/S | - | - | 499 | - | - | 714 |
| Non-controlling interests | - | - | (848) | - | - | 386 |
| Total comprehensive income | - | - | 6,561 | - | - | (8,671) |



Statement of comprehensive income

All items in other comprehensive income may be recycled to the income statement.

Balance sheet

Assets – 31 December

| Note | (DKK million) | 2016 | 2015 |
|----------|--|----------------|----------------|
| 3.1 | Intangible assets | 955 | 1,134 |
| 3.1 | Land and buildings | 1,505 | 1,490 |
| 3.1 | Production assets | 53,708 | 61,107 |
| 3.1 | Exploration assets | - | 14 |
| 3.1 | Fixtures and fittings, tools and equipment | 438 | 474 |
| 3.1 | Property, plant and equipment under construction | 14,531 | 17,144 |
| | Property, plant and equipment | 70,182 | 80,229 |
| 3.3 | Investments in associates and joint ventures | 1,060 | 1,421 |
| | Receivables from associates and joint ventures | 626 | 832 |
| | Other securities and equity investments | 158 | 191 |
| 5.4 | Deferred tax | 88 | 274 |
| 4.4 | Other receivables | 515 | 751 |
| | Other non-current assets | 2,447 | 3,469 |
| | Non-current assets | 73,584 | 84,832 |
| 4.1 | Inventories | 3,451 | 3,567 |
| 7.1, 8.5 | Derivative financial instruments | 8,689 | 15,642 |
| 4.2 | Construction contracts | 6,453 | 3,864 |
| 4.3 | Trade receivables | 7,286 | 7,739 |
| 4.4 | Other receivables | 1,710 | 2,657 |
| | Receivables from associates and joint ventures | 49 | 56 |
| | Income tax | 430 | 329 |
| 6.5 | Securities | 16,533 | 21,221 |
| 6.5 | Cash | 2,931 | 4,965 |
| | Current assets | 47,532 | 60,040 |
| 3.6 | Assets classified as held for sale | 15,373 | 2,585 |
| | Assets | 136,489 | 147,457 |

Investments in property, plant and equipment

The most important investments were investments in new offshore wind farms and biomass conversions of existing CHP plants as well as intelligent grid investments.

Investments in offshore wind farms were made in the Borkum Riffgrund 2 and Gode Wind 1 and 2 wind farms in Germany, and in Race Bank, Walney Extension, Burbo Bank Extension and Hornsea 1 in the UK.

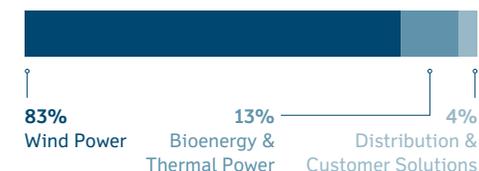
The most significant divestments in 2016 were made by Wind Power, which divested ownership interests in Race Bank and Burbo Bank Extension and by Distribution & Customer Solutions, which divested Gas Distribution.



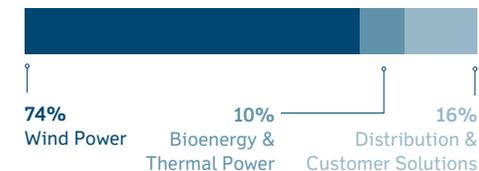
Assets classified as held for sale

The Oil & Gas segment is presented as assets classified as held for sale in 2016. Comparative figures for 2015 have not been restated – for more information, see note 3.7.

Gross investments by segment, % 2016 (DKK 14,960 million)



Property, plant and equipment by segment, % 2016 (DKK 70,182 million)



Balance sheet

Equity and liabilities – 31 December

| Note | (DKK million) | 2016 | 2015 |
|----------|---|----------------|----------------|
| 6.1 | Share capital | 4,204 | 4,177 |
| | Reserves | 20,218 | 20,855 |
| | Retained earnings | 14,684 | 7,058 |
| | Equity attributable to shareholders of DONG Energy A/S | 39,106 | 32,090 |
| 6.4 | Hybrid capital | 13,248 | 13,248 |
| | Non-controlling interests | 5,146 | 6,398 |
| | Equity | 57,500 | 51,736 |
| 5.4 | Deferred tax | 2,185 | 1,646 |
| 3.2 | Provisions | 8,337 | 17,754 |
| 6.3 | Bank loans and issued bonds | 22,164 | 31,775 |
| 4.5 | Other payables | 6,622 | 5,913 |
| | Non-current liabilities | 39,308 | 57,088 |
| 3.2 | Provisions | 702 | 1,434 |
| 6.3 | Bank loans and issued bonds | 2,019 | 4,626 |
| 7.1, 8.5 | Derivative financial instruments | 6,930 | 9,531 |
| 4.2 | Construction contracts | 171 | 671 |
| | Trade payables | 10,024 | 10,673 |
| 4.5 | Other payables | 6,277 | 7,908 |
| | Income tax | 54 | 2,657 |
| | Current liabilities | 26,177 | 37,500 |
| | Liabilities | 65,485 | 94,588 |
| 3.6 | Liabilities relating to assets classified as held for sale | 13,504 | 1,133 |
| | Equity and liabilities | 136,489 | 147,457 |

New circle of owners in DONG Energy

As a result of the IPO of DONG Energy on 9 June 2016, the Group's circle of owners has expanded. The Danish State and other investors sold shares to institutional investors, primarily in the USA, UK and Denmark and to private investors in Denmark.

On 19 December 2016, DONG Energy was included in the C20 index in Denmark.

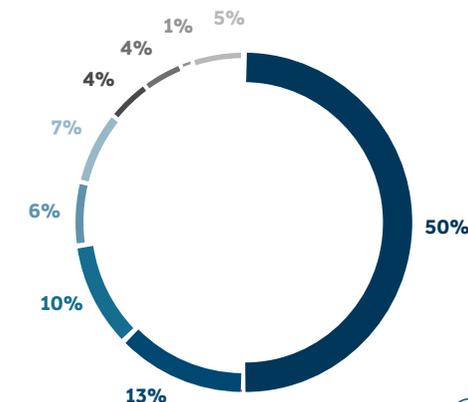


Liabilities relating to assets classified as held for sale

The Oil & Gas segment is presented in 2016 as liabilities relating to assets classified as held for sale. Comparative figures for 2015 have not been restated – for more information, see note 3.7.

Composition of shareholders

- The Danish State:
- New Energy Investment, Luxembourg
- SEAS-NVE, Denmark
- The Capital Group
- Danish institutional investors
- UK
- North America
- Private investors
- Other



DONG Energy's market value was DKK 112.5 billion at the end of the year, exclusive of the value of treasury shares of DKK 60 million.

Statement of changes in equity

1 January – 31 December

| 2016 (DKK million) | Share capital | Hedging reserve | Foreign currency translation reserve | Share premium reserve | Retained earnings | Proposed dividend | Equity attributable to shareholders of DONG Energy A/S | Hybrid capital | Non-controlling interests | Total |
|--|---------------|-----------------|--------------------------------------|-----------------------|-------------------|-------------------|--|----------------|---------------------------|---------------|
| Equity at 1 January 2016 | 4,177 | (337) | (87) | 21,279 | 7,058 | - | 32,090 | 13,248 | 6,398 | 51,736 |
| Comprehensive income for the year: | | | | | | | | | | |
| Profit (loss) for the year | - | - | - | - | 7,547 | - | 7,547 | 499 | (111) | 7,935 |
| Other comprehensive income: | | | | | | | | | | |
| Hedging instruments | - | 1,041 | - | - | - | - | 1,041 | - | - | 1,041 |
| Exchange rate adjustments | - | - | (1,543) | - | - | - | (1,543) | - | (743) | (2,286) |
| Tax on other comprehensive income | - | (229) | 94 | - | - | - | (135) | - | 6 | (129) |
| Total comprehensive income | - | 812 | (1,449) | - | 7,547 | - | 6,910 | 499 | (848) | 6,561 |
| Transactions with owners: | | | | | | | | | | |
| Coupon payments, hybrid capital | - | - | - | - | - | - | - | (640) | - | (640) |
| Tax on coupon payments and costs, hybrid capital | - | - | - | - | - | - | - | 141 | - | 141 |
| Proposed dividend | - | - | - | - | (2,522) | 2,522 | - | - | - | - |
| Dividends paid | - | - | - | - | - | - | - | - | (404) | (404) |
| Issuance of bonus shares | 27 | - | - | - | (27) | - | - | - | - | - |
| Purchase of treasury shares | - | - | - | - | (53) | - | (53) | - | - | (53) |
| Share-based payment | - | - | - | - | 43 | - | 43 | - | - | 43 |
| Tax on share-based payment | - | - | - | - | 93 | - | 93 | - | - | 93 |
| Disposals, non-controlling interests | - | - | - | - | 23 | - | 23 | - | - | 23 |
| Changes in equity in 2016 | 27 | 812 | (1,449) | - | 5,104 | 2,522 | 7,016 | - | (1,252) | 5,764 |
| Equity 31 December 2016 | 4,204 | 475 | (1,536) | 21,279 | 12,162 | 2,522 | 39,106 | 13,248 | 5,146 | 57,500 |



The Board of Directors proposes that dividend of DKK 2,522 million be paid for the 2016 financial year. Read more in note 6.1.



Accounting policies

The hedging reserve covers:

- the cash flow hedging of interest payments
- the currency risk associated with the construction of wind farms
- less tax

The foreign currency translation reserve comprises:

- exchange rate adjustments arising on translation of the financial statements of foreign entities with a currency that is not the Group's functional currency
- exchange rate adjustments relating to loans that form part of our net investment in such entities
- exchange rate adjustments relating to hedging transactions on our net investment in such entities, less tax

On realisation or partial realisation of the net investment, the exchange rate adjustments are recognised in profit (loss) for the year if a foreign exchange gain or loss is realised by the divested entity. The foreign exchange gain (loss) is transferred to the item in which the gain (loss) is recognised.

The share premium reserve represents the excess of the amount of subscribed-for share capital over the nominal value of these shares in connection with capital injections. The reserve is part of DONG Energy's distributable reserves.

Statement of changes in equity

1 January – 31 December

| 2015 (DKK million) | Share capital | Hedging reserve | Foreign currency translation reserve | Share premium reserve | Retained earnings | Equity attributable to shareholders of DONG Energy A/S | Hybrid capital | Non-controlling interests | Total |
|--|---------------|-----------------|--------------------------------------|-----------------------|-------------------|--|----------------|---------------------------|----------------|
| Equity at 1 January 2015 | 4,177 | (486) | (365) | 21,279 | 17,131 | 41,736 | 13,236 | 6,561 | 61,533 |
| Comprehensive income for the year: | | | | | | | | | |
| Profit (loss) for the year | - | - | - | - | (10,198) | (10,198) | 714 | 31 | (9,453) |
| Other comprehensive income: | | | | | | | | | |
| Hedging instruments | - | 198 | - | - | - | 198 | - | - | 198 |
| Exchange rate adjustments | - | - | 303 | - | - | 303 | - | 355 | 658 |
| Tax on other comprehensive income | - | (49) | (25) | - | - | (74) | - | - | (74) |
| Total comprehensive income | - | 149 | 278 | - | (10,198) | (9,771) | 714 | 386 | (8,671) |
| Transactions with owners: | | | | | | | | | |
| Coupon payments, hybrid capital | - | - | - | - | - | - | (822) | - | (822) |
| Bond discount and costs, hybrid capital | - | - | - | - | - | - | (64) | - | (64) |
| Tax on coupon payments and costs, hybrid capital | - | - | - | - | - | - | 172 | - | 172 |
| Additions, hybrid capital | - | - | - | - | - | - | 4,424 | - | 4,424 |
| Disposals, hybrid capital | - | - | - | - | - | - | (4,412) | - | (4,412) |
| Dividends paid | - | - | - | - | - | - | - | (549) | (549) |
| Share-based payment | - | - | - | - | 103 | 103 | - | - | 103 |
| Disposals, non-controlling interests | - | - | - | - | 22 | 22 | - | - | 22 |
| Changes in equity in 2015 | - | 149 | 278 | - | (10,073) | (9,646) | 12 | (163) | (9,797) |
| Equity 31 December 2015 | 4,177 | (337) | (87) | 21,279 | 7,058 | 32,090 | 13,248 | 6,398 | 51,736 |



Retained earnings consists of the IFRS results for the Group, including discontinued operations.

Statement of cash flows

1 January – 31 December

| Note | (DKK million) | 2016 | 2015 | Note | (DKK million) | 2016 | 2015 |
|------|--|---------------|--------------|------|---|-----------------|----------------|
| | Operating profit (loss) before depreciation, amortisation and impairment losses (EBITDA), IFRS | 16,939 | 9,888 | | Purchase of intangible assets and property, plant and equipment | (14,980) | (12,749) |
| | Change in derivative financial instruments and loans, business performance adjustments | 2,170 | (1,158) | | Sale of intangible assets and property, plant and equipment | 7,105 | 1,753 |
| | Change in derivative financial instruments and loans, other adjustments | 806 | (155) | 3.5 | Acquisition of enterprises | (16) | - |
| | Change in provisions | (366) | (299) | | Divestment of enterprises | 1,999 | 261 |
| | Reversal of gain on divestment of assets | (2,939) | 30 | | Disposal of other equity investments | 32 | 48 |
| | Other items | 217 | (8) | | Purchase of securities | (8,278) | (8,119) |
| 4.6 | Change in net working capital | (1,512) | 587 | | Sale/maturation of securities | 12,842 | 11,356 |
| | Interest received and similar items | 5,177 | 7,686 | | Change in other non-current assets | 3 | (8) |
| | Interest paid and similar items | (6,038) | (7,935) | | Transactions with associates and joint ventures | 211 | 33 |
| 5 | Income tax paid | (3,182) | (1,115) | | Dividends received and capital reduction | 22 | 20 |
| | Cash flows from operating activities | 11,272 | 7,521 | | Cash flows from investing activities | (1,060) | (7,405) |
| | | | | | Proceeds from raising of loans | - | 406 |
| | | | | | Instalments on loans | (11,097) | (848) |
| | | | | | Coupon payments on hybrid capital | (640) | (822) |
| | | | | | Repurchase of hybrid capital | - | (4,476) |
| | | | | | Proceeds from issuance of hybrid capital | - | 4,424 |
| | | | | | Purchase of treasury shares | (53) | - |
| | | | | 3.8 | Transactions with non-controlling interests | (527) | (621) |
| | | | | | Change in other non-current liabilities | 28 | 23 |
| | | | | | Cash flows from financing activities | (12,289) | (1,914) |
| | | | | | Cash flows from continuing operations | (2,077) | (1,798) |
| | | | | 3.7 | Cash flows from discontinued operations | 1,466 | 675 |
| | | | | | Total net change in cash and cash equivalents | (611) | (1,123) |
| | | | | 6.5 | Cash and cash equivalents at 1 January | 3,677 | 4,770 |
| | | | | | Total net change in cash and cash equivalents | (611) | (1,123) |
| | | | | | Cash flows for the year from assets classified as held for sale | (433) | (115) |
| | | | | | Exchange rate adjustments of cash and cash equivalents | (5) | 145 |
| | | | | 6.5 | Cash and cash equivalents at 31 December | 2,628 | 3,677 |



Our supplementary statements of gross and net investments appear from note 3.4 and free cash flows (FCF) from note 2.1.



Accounting policies

Cash flows from operating activities are determined using the indirect method as operating profit (loss) before depreciation, amortisation and impairment losses adjusted for changes in operating items without cash flow effect. Trade payables relating to purchases of intangible assets and property, plant and equipment are not recognised in change in net working capital.

Other items primarily comprise reversal of share of profit (loss) of and dividends in associates and joint ventures, and changes in bad debt provisions.

Cash flows from investing activities comprise payments in connection with the purchase and sale of

non-current assets and enterprises, and the purchase and sale of securities that are not recognised as cash and cash equivalents.

Cash flows from financing activities comprise changes in the size or composition of equity and loans. Proceeds from raising of short-term repo loans are presented net.

Cash flows in currencies other than the functional currency are translated at the average exchange rates for the month in question, unless these differ significantly from the rates at the transaction date.

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1. Basis of reporting

In preparing the annual report, we focus on ensuring that the content is relevant to the reader, and that the presentation is clear.

In this section

- 1.1 Consolidated financial statements
- 1.2 Foreign currency translation
- 1.3 Implementation of new standards and interpretations
- 1.4 New standards and interpretations
- 1.5 Definitions of performance highlights

We regularly assess the effect of new IFRS reporting standards and interpretations and implement new reporting standards and interpretations from their mandatory effective dates at the latest.

In November 2016, the Board of Directors decided to initiate a process with the ultimate objective of divesting the Oil & Gas segment. Consequently, we have presented Oil & Gas' external activities, including revenue and other income and expenses, as discontinued operations in the annual report for 2016.

The internal trading between Oil & Gas and Distribution & Customer Solutions is not presented as discontinued operations, as management does not expect the internal trading between the companies to end following a divestment.

In accordance with IFRS, the income statement and statement of cash flows have both been restated in 2015 as well as in 2016. The balance sheet has not been restated in 2015.

In the annual report, we use the following symbol to indicate when the Oil & Gas segment is included in the table or graph.



Including our Oil & Gas activities

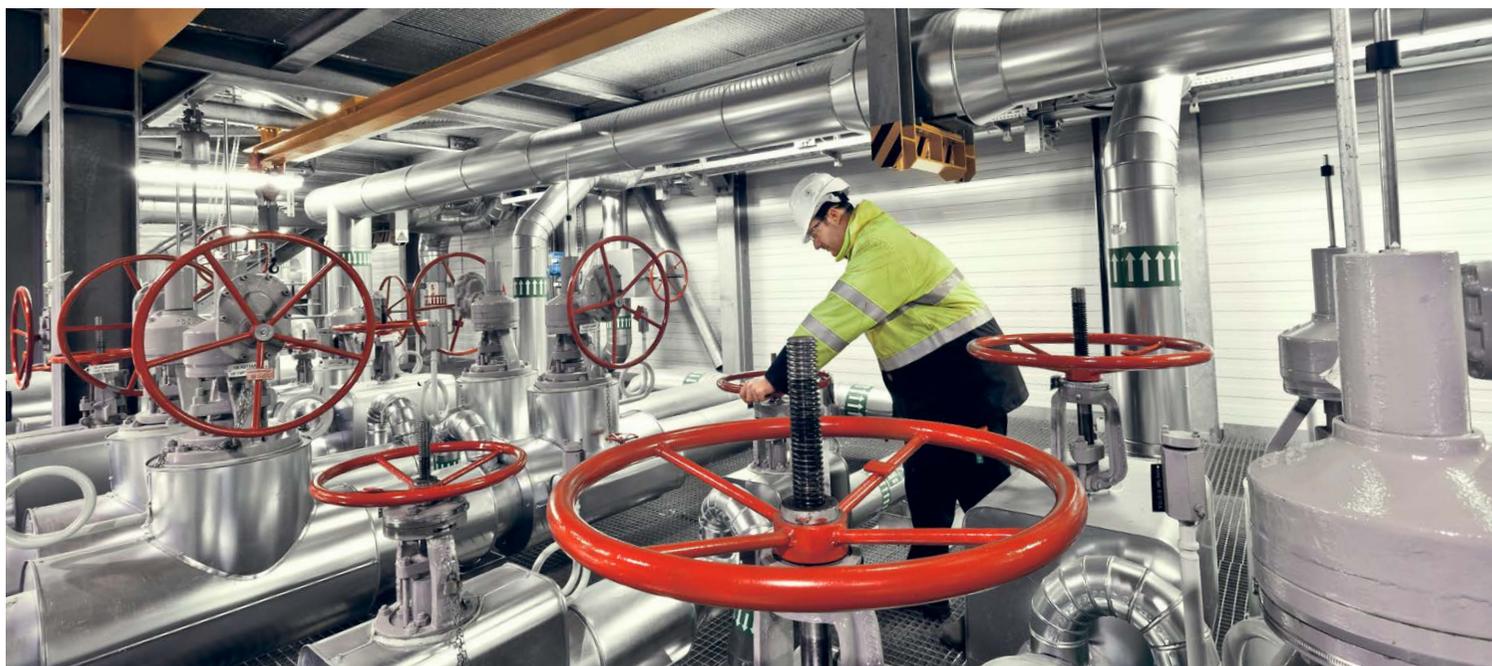
In preparing the consolidated financial statements, management makes a number of accounting estimates and judgements based on assumptions concerning future developments which affect our assets and liabilities as well as our income and costs. Realised figures may deviate from the estimates and judgements made.

Management regularly reassesses these estimates and judgements, based among other things on historical experience, the current situation in the financial markets, the expected effects of Brexit and a number of other relevant factors.

Accounting estimates, judgements and assumptions which may entail a risk of material adjustments in subsequent years are described in the following notes:

- 2.3 Revenue
- 2.5 Other operating income
- 3.1 Impairment test, intangible assets and property, plant and equipment
- 3.1 Useful lives of production assets
- 3.2 Decommissioning obligations
- 3.2 Onerous contracts
- 3.2 Litigation
- 3.3 Investments in associates and joint ventures
- 3.7 Discontinued operations
- 4.2 Construction contracts
- 5.4 Deferred tax





Accounting policies

The financial statements for the period 1 January – 31 December 2016 comprise the consolidated financial statements of DONG Energy A/S and its subsidiaries (the Group) as well as separate financial statements for the parent company, DONG Energy A/S. Reference is made to page 177 for the parent company's accounting policies.

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and further requirements in the Danish Financial Statements Act.

The financial statements are presented in million Danish kroner (DKK), unless otherwise stated.

The consolidated financial statements have been prepared on the historical cost basis except for derivative financial instruments, financial instruments in trading portfolio, financial instruments classified as available for sale and CO₂ emissions allowances in trading portfolio that are measured at market value.

The accounting policies have been applied consistently to the financial year and the comparative figures.

The accounting policies applied to the consolidated financial statements as a whole are described below, while the remaining accounting policies are described in the notes to which they relate.

The descriptions of accounting policies in the statements and notes form part of the overall description of accounting policies.

| | |
|---|----------|
| ◦ Statement of comprehensive income | |
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| ◦ Statement of cash flows | |
| ◦ Segment information | note 2.1 |
| ◦ Business performance | note 2.2 |
| ◦ Revenue | note 2.3 |
| ◦ Other operating income and operating expenses | note 2.5 |
| ◦ Share-based payment | note 2.7 |
| ◦ Intangible assets and property, plant and equipment | note 3.1 |
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| ◦ Deferred tax | note 5.4 |
| ◦ Interest-bearing debt | note 6.3 |
| ◦ Hybrid capital | note 6.4 |
| ◦ Financial resources | note 6.5 |
| ◦ Financial income and expenses | note 6.6 |
| ◦ Market risks | note 7.1 |
| ◦ Hedge accounting and economic hedging | note 7.2 |
| ◦ Trading portfolio | note 7.3 |
| ◦ Credit risks | note 7.5 |
| ◦ Operating lease obligations | note 8.3 |
| ◦ Assets and liabilities measured at fair value | note 8.6 |

1.1 Consolidated financial statements

The consolidated financial statements include the parent company DONG Energy A/S and subsidiaries controlled by DONG Energy A/S.

Enterprises in which we hold or have the ability to exercise, directly or indirectly, between 20% and 50% of the voting rights, but do not exercise control, are accounted for as associates. However, this is based on a specific assessment of our ability to exercise influence. Influence means our ability to influence financial and operational decisions with a bearing on our return.

Any such enterprises that satisfy the criteria for joint control are instead accounted for as investments in joint ventures.

The consolidated financial statements have been prepared as a consolidation of the parent company's and the individual subsidiaries' financial statements prepared in accordance with the Group's accounting policies. Intra-group income and expenses, shareholdings, balances and dividends as well as realised and unrealised gains and losses arising from intra-group transactions are eliminated on consolidation.

Unrealised gains resulting from transactions with associates and joint ventures are eliminated to the extent of the Group's ownership interest. Unrealised losses are eliminated in the same way as unrealised gains to the extent that there has been no impairment.

The Group's share in joint operations is recognised in the consolidated balance sheet through recognition of the Group's own assets and liabilities and income and expenses. The Group's share of joint income and expenses and assets and liabilities is then recognised. The proportionate share of realised and unrealised gains and losses arising from intra-group transactions between fully consolidated enterprises and joint operations is eliminated.

1.2 Foreign currency translation

For each reporting enterprise in the Group, items are determined in the currency of the primary economic environment in which the individual reporting enterprise operates (functional currency). Transactions in currencies other than the functional currency of each enterprise are accounted for as transactions in foreign currencies and translated on initial recognition at the exchange rate at the transaction date. Exchange differences arising between the exchange rate at the transaction date and at the date of payment are recognised in profit (loss) for the year as financial income or expenses.

Receivables, payables and other monetary items in foreign currencies are translated at the exchange rates at the balance sheet date. The difference between the exchange rate at the balance sheet date and the date at which the receivable or payable arose is recognised in profit (loss) for the year as financial income or expenses.

For foreign subsidiaries, joint operations, associates and joint ventures, the statements of comprehensive income are translated at monthly average exchange rates in so far as these do not deviate materially from the actual exchange rates at the transaction dates. Balance sheet items are translated at the exchange rates at the balance sheet date. All exchange differences are recognised in profit (loss) for the year, except for exchange differences arising on:

- translation of the opening equity of these entities at the exchange rates at the balance sheet date
- translation of the statements of comprehensive income of these enterprises from the exchange rates at the transaction date to the exchange rates at the balance sheet date
- translation of balances accounted for as part of the total net investment
- translation of the portion of loans and derivative financial instruments that has been entered into to hedge the net investment in these enterprises and that provides an effective hedge against corresponding foreign exchange gains (losses) on the net investment in the enterprise

The above types of exchange differences are recognised in other comprehensive income. Such exchange rate adjustments are allocated between the parent company's and the non-controlling interests' equity.

On full or partial disposal of the net investment, the accumulated exchange rate adjustments are recognised as follows:

- Disposal results in loss of control. The accumulated exchange rate adjustments, including any associated hedges, are recognised in the profit (loss) for the year if a foreign exchange gain (loss) is realised by the selling enterprise. Any foreign exchange gain (loss) is transferred to the item in which the gain (loss) is recognised. The part of the foreign currency translation reserve that relates to non-controlling interests is not transferred to profit (loss) for the year.
- Disposal does not result in loss of control. A proportionate share of the foreign currency translation reserve is transferred from the parent company shareholders' share of equity to the minority shareholders' share of equity.

Repayment of balances that are considered part of the net investment does not constitute a partial disposal of the subsidiary.

1.3 Implementation of new standards and interpretations

We implemented no new standards (IAS and IFRS) or interpretations (IFRIC) in 2016.

In 2016, we incorporated the following amendments to standards (IAS and IFRS), which are effective for financial years beginning on or after 1 January 2016:

- Amendment to IFRS 11 Joint Arrangements: The amendment adds new guidance to accounting for acquisitions of interests in a joint operation which is a business.
- IAS 1 Presentation of Financial Statements: The amendment is a clarification to the existing IAS 1.

The implementation of the amended standards in the consolidated financial statements for

2016 has not had any impact on our consolidated financial statements for 2016.

1.4 New standards and interpretations

IASB has issued a number of new or amended accounting standards and interpretations which have not yet entered into force and have consequently not been incorporated

into the consolidated financial statements for 2016 (impact is expected). The following accounting standards are the most relevant for DONG Energy:

| Standard | Description of amendment | Expected effect | Commencement | Transitional provision |
|---|---|---|--|--|
| IFRS 15 – Revenue from Contracts with Customers | <p>New standard, which replaces IAS 11 and IAS 18 and associated interpretations. In the new standard, the model for recognising revenue is changed from having been based on the transfer of the risks and rewards of ownership of a product or service to being based on the transfer of control of the goods or services transferred to the customer.</p> <p>The basic principle is that our revenue must be recognised in a way that reflects the transfer of control of goods or services to our customers (customer obtains control) in an amount that reflects the consideration to which we expect to be entitled. Control is defined as the ability to direct the use of and obtain substantially all of the remaining benefits from the asset included in the goods or services.</p> <p>The five steps in the model are as follows:</p> <ol style="list-style-type: none"> 1. Identification of the contracts with the customer, including an assessment of whether several contracts should be treated as a single contract. 2. Identification of separate delivery terms in the contract. 3. Determination of the transaction price, including additional guidance on the treatment of variable consideration. 4. Allocation of the transaction price to identified performance obligations, including allocation in the event of subsequent changes to the agreed consideration. 5. Recognition of revenue when our customer obtains control, which may be either over time or at a certain point in time. <p>The standard also contains special rules concerning the recognition of costs related to the obtaining of contracts with our customers, to the performance of the contracts as well as enhanced disclosure requirements.</p> | <p>We have started an analysis of the cash flows in DONG Energy and a contract review where the analysis has indicated that the standard may impact the consolidated financial statements.</p> <p>Our construction contracts relate to the construction of offshore wind farms in collaboration with partners, where each party typically holds a 50% stake. In the UK, we offer construction contracts for offshore transmission assets, which are subsequently transferred to an OFTO. The assets are divested through a regulated sales process managed by Ofgem, which determines the final transfer value and the buyer. Management has assessed that no contract exists between DONG Energy and the final buyer, which creates legal rights and obligations for both parties when the construction of offshore transmission assets begins. When implementing IFRS 15, revenue from offshore transmission assets must be recognised when we are able to identify a contract which all parties have approved and intend to fulfil.</p> <p>IFRS 15 requires that contracts with a fixed quantity and variable price are recognised at the same average consideration over the term of the contract. We have a number of such contracts. These include contracts for the supply of power and gas where the customer has committed itself to buying a fixed volume at a variable price. As the cost of sales varies, this may defer the recognition of the contribution margin. We are still analysing the interpretation of IFRS 15 and the amendment's possible impact on revenue.</p> <p>We expect to finish the analysis and review of selected contracts in the course of 2017. It is still our assessment that IFRS 15 will not have any significant impact on the income statement, the balance sheet or the related key ratios in the consolidated financial statements.</p> | IFRS 15 will be implemented in our consolidated financial statements for the financial year beginning on 1 January 2018. | The standard will be implemented with retrospective effect as if its requirements have always been applied to our current contracts. We expect to use the relief from restating comparative figures provided by IFRS 15, so the standard's requirements only apply to contracts in progress at 1 January 2018 as well as subsequently concluded contracts. |

| Standard | Description of amendment | Expected effect | Commencement | Transitional provision |
|--------------------------------|---|--|---|--|
| IFRS 9 – Financial Instruments | <p>New standard, which replaces IAS 39 and deals with the accounting treatment of financial assets and liabilities in relation to classification and measurement, hedge accounting and impairment.</p> <p>IFRS 9 simplifies the requirements for hedge accounting. Going forward, it will also become easier to use hedge accounting when engaging in proxy hedging, which is often necessary when hedging risks in the energy markets.</p> <p>The number of categories of financial assets is reduced to three: amortised cost, fair value or fair value through other comprehensive income. Fair value changes in financial liabilities arising from changes in own credit risk must be recognised in other comprehensive income.</p> | <p>The preliminary analysis of the impact of IFRS 9 shows that IFRS 9 is not expected to have any significant impact on the consolidated financial statements.</p> <p>We will be able to continue our application of the business performance principle for hedging of energy-related risks, which are currently recognised continuously at fair value via the income statement according to IFRS. We have started an analysis of our future possibilities of using hedge accounting for all or some of our energy and currency-related hedges according to IFRS 9.</p> <p>The majority of our receivables are trade receivables with a short credit period, and the new impairment rules are therefore not expected to have any significant impact on the impairment need.</p> <p>Our portfolio of securities is optimised on a regular basis, and it is therefore expected that all securities will continue to be recognised at fair value via the income statement according to IFRS 9.</p> | IFRS 9 will be implemented early in our consolidated financial statements for the financial year beginning on 1 January 2017. | The standard will be implemented with retrospective effect as if its requirements have always been applied. We expect to use the relief from restating comparative figures provided by IFRS 9, so the standard's requirements only apply to open contracts at 1 January 2017 as well as subsequently concluded contracts. |
| IFRS 16 – Leases | <p>New standard which replaces IAS 17. The new standard changes the accounting treatment of leases, which are currently treated as operating leases. The standard requires that all leases, regardless of type and with few exceptions, must be recognised in the lessee's balance sheet as an asset with a related liability. Also, the lessee's income statement will be affected, as the annual lease costs will in the future consist of two elements – depreciation and interest expenses – as opposed to now, where the annual costs relating to operating leases are recognised as one amount in other external expenses or in property, plant and equipment in connection with the construction of offshore wind farms.</p> | <p>We have started an analysis of the impact of IFRS 16 on the consolidated financial statements, which has not yet been completed. The preliminary conclusion is still that it will have a limited impact on both the balance sheet, the income statement and related key ratios. The impact at 1 January 2019 will deviate from the future minimum lease payments stated in note 8.3 (DKK 5,601 million) for the following reasons:</p> <ul style="list-style-type: none"> ◦ The scope of leases is expected to change up until 1 January 2019, partly as a result of the conclusion of new leases, partly as a result of run-off on the existing leases. ◦ The lease obligation (see note 8.3) is calculated without discounting, while the lease obligation at 1 January 2019 will be calculated as the present value of remaining lease payments at this date. <p>As a general rule, IFRS 16 requires that service elements which are incorporated into leases and which do not entitle us to use an underlying asset must be dealt with separately and treated as a current operating expense. This will not have an immediate impact as our total obligation stated in note 8.3 does not include payments relating to a service element. We intend to continue this practice so that the service element is not included in the lease obligation and the right-of-use asset in accordance with IFRS 16.</p> | IFRS 16 will be implemented in our consolidated financial statements for the financial year beginning on 1 January 2019. | We expect to implement the standard by using the simplified approach (simplified transition method), where comparative figures will not be restated. We will calculate and recognise the accumulated effect for all ongoing leases at the beginning of 2019. Furthermore, we expect to use the other available reliefs to the widest possible extent, including the exclusion of leases with a term to maturity of less than 12 months and low value assets. |



The new or amended standards and interpretations are not mandatory in connection with the financial reporting for 2016. We expect to implement the standards and interpretations from their mandatory effective dates at the latest. However, we will implement IFRS 9 – Financial Instruments early, cf. above.

1.5 Definitions of performance highlights

Performance highlights are calculated in accordance with the business performance principle.

| | | | |
|--|--|--|--|
| Gross investments | Cash flows from investing activities, excluding dividends received from associates, joint ventures and equity investments, purchase and sale of securities, loans to joint ventures and joint operations, and divestments of assets and enterprises. | Adjusted operating profit (loss) | EBIT adjusted for current hydrocarbon tax with reversal of impairment losses for the year. |
| Net investments | Gross investments less divestments of assets and enterprises. To/from this is added/deducted acquired/transferred debt in connection with acquisitions and divestments of enterprises, and deducted non-controlling interests' share of investments in fully consolidated investment projects, and deducted the selling price of non-controlling interests. | Adjusted return on capital employed (adjusted ROCE) | $\frac{\text{Adjusted operating profit (loss)}}{\text{Average capital employed}^1 + \text{impairment losses for the year with tax added back}}$ |
| Funds from operations (FFO) | Supplementary concept for cash flows from operating activities determined as EBITDA less interest expenses (net) on interest-bearing net debt and hybrid capital (50%), interest element of decommissioning obligations and current tax. In addition, operating lease obligations have been recognised as if they were finance lease obligations, where operating lease payments have been reversed, and calculated interest expenses of the present value of lease payments have been deducted. | Proposed dividend per share (DPS) of DKK 10 | $\frac{\text{Total proposed dividend}}{\text{Number of shares year-end}}$ |
| Adjusted interest-bearing net debt | Interest-bearing net debt plus 50% of the hybrid capital, cash and securities not available for use with the exception of repo transactions, present value of lease payments (operating lease obligations calculated as if they were finance lease obligations), and the present value of decommissioning obligations less deferred tax. | Payout ratio | $\frac{\text{Total proposed dividend}}{\text{Profit (loss) for the year attributable to shareholders}}$ |
| FFO to adjusted interest-bearing net debt | $\frac{\text{FFO}}{\text{Adjusted interest-bearing net debt}}$ | Average number of shares | $\frac{1}{\text{Number of days}} \times \sum_{i=1}^{\text{Number of days}} = X_i$ |
| Free cash flow (FCF) | Cash flows from operating activities less gross investments and divestments. | Net working capital | Inventories, trade receivables, associates and joint ventures, prepayments and other operating current assets less trade payables and liabilities to associates and joint ventures, deferred income (net) and other operating current liabilities. |
| Capital employed | Non-interest-bearing net assets corresponding to non-interest-bearing assets less non-interest-bearing liabilities. | Net working capital, excluding trade payables relating to capital expenditure | Net working capital excluding trade payables relating to purchases of intangible assets and property, plant and equipment. |
| Average capital employed | $\frac{\text{Capital employed beginning of year} + \text{capital employed year-end}}{2}$ | Profit (loss) per share | $\frac{\text{Shareholders' share of the profit (loss) for the period}}{\text{Average number of shares}}$ |
| Return on capital employed (ROCE) | $\frac{\text{EBIT adjusted for current hydrocarbon tax}}{\text{Average capital employed}^1}$ | Diluted profit (loss) per share | $\frac{\text{Shareholders' share of the profit (loss) for the period}}{\text{Average number of shares, including dilutive effect of free shares}}$ |



¹ ROCE (continuing operations) includes average capital employed for the continuing operations. ROCE (discontinued operations) includes average capital employed for the discontinued operations.

2. Return on capital employed

Segment information / Business performance / Revenue
Cost of sales / Other operating income and expenses
Employee costs / Share-based payment

2. Return on capital employed

19.1bn

EBITDA totalled DKK 19,109 million in 2016 against DKK 8,730 million in 2015

13.9bn

Adjusted operating profit (loss) totalled DKK 13,877 million in 2016 against DKK 3,057 million in 2015

24.4%

Adjusted return on capital employed (adjusted ROCE) totalled 24.4% in 2016 against 5.9% in 2015

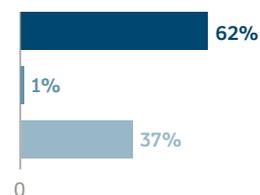
Adjusted return on capital employed (adjusted ROCE) is a strategic key ratio that shows how profitable our business is. The strategic target is for ROCE to constitute an average of 12-14% in the period 2017-2023.

Reporting according to business performance principle

We apply the business performance principle as an alternative to profit (loss) for the year stated in accordance with IFRS. Business performance represents the underlying financial performance of the Group in the reporting period adjusted for temporary fluctuations in the market value of contracts

EBITDA by segment, percentage of DKK 19,109 million, 2016¹

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



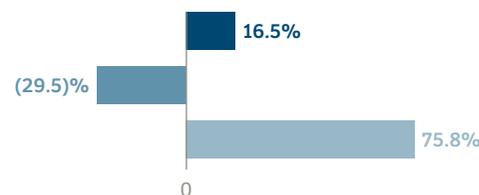
(including hedging transactions) relating to other periods. The difference between the two principles will be eliminated as the contracts expire. Apart from this, there is no difference between business performance and the IFRS financial statements. See more in note 2.2.

Adjusted return on capital employed (adjusted ROCE)

Adjusted ROCE for 2016 was 24.4% against 5.9% in 2015. The increase in ROCE adjusted for impairment losses was primarily due to the higher adjusted operating profit (loss). See more in note 2.1.

Adjusted return on capital employed (adjusted ROCE), % 2016²

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



Adjusted operating profit (loss), business performance (DKK million)

| | 2016 | 2015 |
|--|---------------|--------------|
| Operating profit (loss) (EBIT) | 13,877 | 1,873 |
| Reversal of impairment losses for the year | - | 1,184 |
| Adjusted operating profit (loss) | 13,877 | 3,057 |



Adjusted operating profit (loss) consists of EBIT adjusted for current hydrocarbon tax and reversal of impairment losses for the year. Oil & Gas is not included in the above, as the segment is presented as discontinued operations.



¹ EBITDA stated according to the business performance principle

² Adjusted return on capital employed stated according to the business performance principle

2.1 Segment information



Wind Power (DKK million)

| | |
|---------------------|--------|
| Revenue | 22,428 |
| EBITDA | 11,867 |
| Gross investments | 12,426 |
| Number of employees | 2,318 |

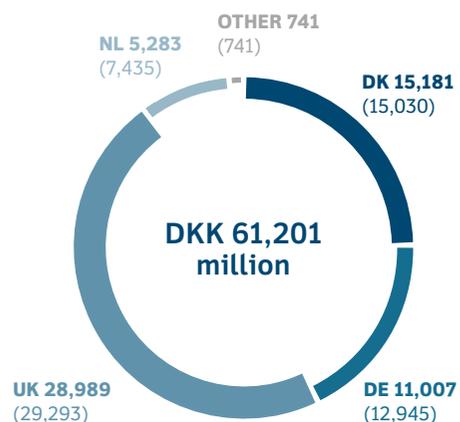
Primary activity

Development, construction, ownership and operation of offshore wind farms in Denmark, the UK, Germany, the Netherlands, Taiwan and the USA.

Revenue

DKK million 2016¹(2015)

- Denmark ● Germany ● UK
- Netherlands ● Other



Bioenergy & Thermal Power (DKK million)

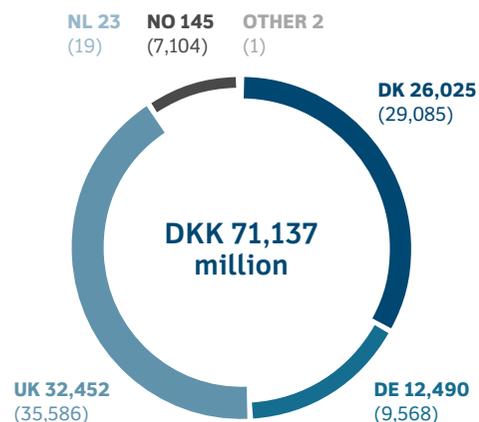
| | |
|---------------------|-------|
| Revenue | 5,149 |
| EBITDA | 100 |
| Gross investments | 1,926 |
| Number of employees | 784 |

Primary activity

Generation of power and heat from CHP plants in Denmark and a gas-fired power station in the Netherlands.

Intangible assets and property, plant and equipment, DKK million 2016¹(2015)

- Denmark ● Germany ● UK
- Netherlands ● Norway ● Other



Distribution & Customer Solutions (DKK million)

| | |
|---------------------|--------|
| Revenue | 38,009 |
| EBITDA | 7,108 |
| Gross investments | 569 |
| Number of employees | 1,338 |

Primary activity

Distribution of power and sales of power and gas in the wholesale and retail markets in Denmark, Sweden, Germany and the UK as well as optimisation and hedging of the Group's total energy portfolio.



Revenue and non-current assets are presented on the basis of the physical location of the customers and the assets

¹ Revenue is stated according to the business performance principle

Geographical distribution of revenue as well as intangible assets and property, plant and equipment

A significant part of our sales are effected via power exchanges and gas hubs in Europe, the physical location of which does not reflect our customer's geographical location.

Segment revenue is broken down, as far as possible, by the customer's geographical location based on supply point.

No single customer accounts for more than 10% of consolidated revenue.

Non-current assets are broken down geographically based on the physical location of the assets and comprise intangible assets and property, plant and equipment.



Accounting policies

We apply an alternative performance measure, business performance, in connection with the statement of profit (loss) for the year. Segment income and segment expenses are stated in accordance with this principle, which is described in note 2.2.

Segment income and segment expenses are those items that, in the internal management reporting, are directly attributable to the individual segment or can be indirectly allocated to the individual segment on a reliable basis.

| 2016 |  |  |  | | | | | |
|--|---|---|--|--------------------|-------------------------------|----------------------|----------------|---------------|
| Income statement (DKK million) | Wind Power | Bioenergy & Thermal Power | Distribution & Customer Solutions | Reporting segments | Other activities/eliminations | Business performance | Adjustments | IFRS |
| External revenue | 18,831 | 4,965 | 36,860 | 60,656 | 545 | 61,201 | (3,808) | 57,393 |
| Intra-group revenue | 3,597 | 184 | 1,149 | 4,930 | (4,930) ¹ | - | - | - |
| Revenue | 22,428 | 5,149 | 38,009 | 65,586 | (4,386) | 61,201 | (3,808) | 57,393 |
| Cost of sales | (11,130) | (3,718) | (28,900) | (43,748) | 4,488 | (39,260) | (1,638) | (37,622) |
| Employee costs and other external expenses | (3,626) | (1,484) | (2,040) | (7,150) | (16) | (7,166) | - | (7,166) |
| Other operating income and expenses | 1,210 | 96 | 116 | 1,422 | (53) | 1,369 | - | 1,368 |
| Gain (loss) on disposal of non-current assets | 2,961 | 56 | (77) | 2,940 | - | 2,940 | - | 2,940 |
| Share of profit (loss) in associates and joint ventures | 24 | 1 | - | 25 | - | 25 | - | 25 |
| EBITDA | 11,867 | 100 | 7,108 | 19,075 | 34 | 19,109 | (2,170) | 16,939 |
| Depreciation and amortisation | (3,565) | (763) | (874) | (5,202) | (30) | (5,232) | - | (5,232) |
| Impairment losses | - | - | - | - | - | - | - | - |
| Operating profit (loss) (EBIT), continuing operations | 8,302 | (663) | 6,234 | 13,873 | 4 | 13,877 | (2,170) | 11,707 |
| Reversal of impairment losses for the year | - | - | - | - | - | - | - | - |
| Adjusted operating profit (loss), continuing operations | 8,302 | (663) | 6,234 | 13,873 | 4 | 13,877 | (2,170) | 11,707 |
| Key figures | | | | | | | | |
| Property, plant and equipment and intangible assets | 52,202 | 6,959 | 11,651 | 70,812 | 325 | 71,137 | - | 71,137 |
| Investments in associates and joint ventures as well as other equity investments | 865 | 8 | 367 | 1,240 | - | 1,240 | - | 1,240 |
| Net working capital, operations | 4,110 | (3,173) | (2,729) | (1,792) | 788 | (1,004) | - | (1,004) |
| Net working capital, installations | (2,452) | (268) | - | (2,720) | - | (2,720) | - | (2,720) |
| Derivative financial instruments, net | 1,723 | (155) | (419) | 1,149 | 610 | 1,759 | - | 1,759 |
| Assets classified as held for sale, net | - | - | 1,930 | 1,930 | (250) | 1,680 | - | 1,680 |
| Decommissioning obligations | (2,785) | (668) | (196) | (3,649) | - | (3,649) | - | (3,649) |
| Other provisions | (1,894) | (802) | (2,654) | (5,350) | (40) | (5,390) | - | (5,391) |
| Tax, net | 980 | 352 | (234) | 1,098 | (2,819) | (1,721) | - | (1,721) |
| Other receivables and other payables, net | 76 | 30 | 82 | 188 | (559) | (371) | - | (371) |
| Capital employed at 31 December | 52,825 | 2,283 | 7,798 | 62,906 | (1,945) | 60,961 | - | 60,961 |
| Of which capital employed for discontinued operations | - | - | - | - | - | 2,769 | - | 2,769 |
| Of which capital employed for continuing operations | - | - | - | - | - | 58,192 | - | 58,192 |
| Return on capital employed (ROCE) % | 16.5 | (29.5) | 75.8 | - | - | 24.4 | - | - |
| Adjusted ROCE % | 16.5 | (29.5) | 75.8 | - | - | 24.4 | - | - |
| Cash flows from operating activities | 4,347 | 1,285 | 4,302 | 9,934 | 1,338 | 11,272 | - | 11,272 |
| Gross investments | (12,426) | (1,926) | (569) | (14,921) | (39) | (14,960) | - | (14,960) |
| Divestments | 6,874 | 6 | 2,238 | 9,118 | (63) | 9,055 | - | 9,055 |
| Free cash flow (FCF) | (1,205) | (635) | 5,971 | 4,131 | 1,236 | 5,367 | - | 5,367 |



Profit (loss) and cash flows are shown only for continuing operations. The balance sheet items for the discontinued operations in the former Oil & Gas segment are included in assets classified as held for sale and in discontinued operations.

The column other activities/eliminations covers primarily the elimination of inter-segment transactions. Also included are income and costs, assets and liabilities, investment activity, taxes, etc, handed at group level.

¹ Of which elimination of intra-group revenue accounts for an outflow of DKK 6,939 million.

| 2015 |  |  |  | | | | | |
|--|---|---|--|--------------------|--------------------------------|----------------------|--------------|----------------|
| Income statement (DKK million) | Wind Power | Bioenergy & Thermal Power | Distribution & Customer Solutions | Reporting segments | Other activities/ eliminations | Business performance | Adjustments | IFRS |
| External revenue | 11,818 | 4,651 | 48,485 | 64,954 | 490 | 65,444 | 1,264 | 66,708 |
| Intra-group revenue | 4,687 | 527 | 959 | 6,173 | (6,173) ¹ | - | - | - |
| Revenue | 16,505 | 5,178 | 49,444 | 71,127 | (5,683) | 65,444 | 1,264 | 66,708 |
| Cost of sales | (7,930) | (3,819) | (45,259) | (57,008) | 5,573 | (51,435) | (106) | (51,541) |
| Employee costs and other external expenses | (3,140) | (1,572) | (2,080) | (6,792) | 219 | (6,573) | - | (6,573) |
| Other operating income and expenses | 595 | 495 | 121 | 1,211 | 2 | 1,213 | - | 1,213 |
| Gain (loss) on disposal of non-current assets | 7 | 3 | (53) | (43) | 12 | (31) | - | (31) |
| Share of profit (loss) in associates and joint ventures | 114 | (2) | - | 112 | - | 112 | - | 112 |
| EBITDA | 6,151 | 283 | 2,173 | 8,607 | 123 | 8,730 | 1,158 | 9,888 |
| Depreciation and amortisation | (3,164) | (1,367) | (1,109) | (5,640) | (33) | (5,673) | - | (5,673) |
| Impairment losses | (504) | (680) | - | (1,184) | - | (1,184) | - | (1,184) |
| Operating profit (loss) (EBIT), continuing operations | 2,483 | (1,764) | 1,064 | 1,783 | 90 | 1,873 | 1,158 | 3,031 |
| Reversal of impairment losses for the year | 504 | 680 | | 1,184 | | 1,184 | - | 1,184 |
| Adjusted operating profit (loss), continuing operations | 2,987 | (1,084) | 1,064 | 2,967 | 90 | 3,057 | 1,158 | 4,215 |
| Key figures | | | | | | | | |
| Property, plant and equipment and intangible assets | 50,653 | 5,855 | 12,140 | 68,648 | 12,715 | 81,363 | - | 81,363 |
| Investments in associates and joint ventures as well as other equity investments | 1,227 | 9 | 404 | 1,640 | 2 | 1,642 | - | 1,642 |
| Net working capital, operations | 3,077 | (2,344) | (4,755) | (4,022) | 1,135 | (2,887) | - | (2,887) |
| Net working capital, installations | (2,598) | (236) | - | (2,834) | (938) | (3,772) | - | (3,772) |
| Derivative financial instruments, net | 479 | 128 | 1,696 | 2,303 | 3,808 | 6,111 | - | 6,111 |
| Assets classified as held for sale, net | - | - | 2,452 | 2,452 | (1,000) | 1,452 | - | 1,452 |
| Decommissioning obligations | (2,461) | (790) | (185) | (3,436) | (7,708) | (11,144) | - | (11,144) |
| Other provisions | (1,648) | (859) | (2,977) | (5,484) | (2,560) | (8,044) | - | (8,044) |
| Tax, net | (1,296) | 459 | (143) | (980) | (2,720) | (3,700) | - | (3,700) |
| Other receivables and other payables, net | 573 | - | 25 | 598 | (689) | (91) | - | (91) |
| Capital employed at 31 December | 48,006 | 2,222 | 8,657 | 58,885 | 2,045 | 60,930 | - | 60,930 |
| Of which capital employed from discontinued operations | - | - | - | - | - | 5,444 | - | 5,444 |
| Of which capital employed from continuing operations | - | - | - | - | - | 55,486 | - | 55,486 |
| Return on capital employed (ROCE) % | 5.7 | (50.0) | 11.5 | - | - | 3.6 | - | - |
| Adjusted ROCE % | 6.9 | (28.6) | 11.5 | - | - | 5.9 | - | - |
| Cash flows from operating activities | 3,074 | 2,488 | 3,691 | 9,253 | (1,732) | 7,521 | - | 7,521 |
| Gross investments | (10,192) | (1,214) | (1,110) | (12,516) | (193) | (12,709) | - | (12,709) |
| Divestments | 1,603 | 280 | 108 | 1,991 | (9) | 1,982 | - | 1,982 |
| Free cash flow (FCF) | (5,515) | 1,554 | 2,689 | (1,272) | (1,934) | (3,206) | - | (3,206) |



¹ Of which elimination of intra-group revenue accounts for an outflow of DKK 8,365 million.

2.2 Business performance

Description of business performance

In 2011, we introduced an alternative performance measure, business performance, as a supplement to the financial statements prepared in accordance with IFRS. The business performance result reflects our internal risk management and shows the result for the period under review. Under the business performance principle, the value of the hedging transaction is deferred and recognised for the period in which the hedged risk materialises. This is illustrated in the example overleaf.

Our reason for introducing the business performance principle was:

- that we could not achieve the same timing of recognition of our commercial exposure and hedging contracts in accordance with the IFRS rules, for example with respect to option premiums and certain commercial fixed-price contracts, and
- a high risk of hedging contracts not being consistent with the IFRS rules on hedge accounting, requiring us to recognise the hedging contracts at market value with value adjustment via the income statement, whereas our commercial exposure is accrued.

Business performance – background

We hedge market risks for up to five years with the aim of stabilising our cash flows and creating certainty about our finances. With a view to ensuring transparency, it is desired

that the financial impact of the hedging transactions is reflected in the financial reporting simultaneously with the hedged exposure (for example sales of power). We can normally achieve this by applying the IFRS rules on hedge accounting. However, for energy companies it is sometimes difficult to ensure simultaneity. This is due to the fact that hedging instruments are not always available which precisely match the exposure which must be hedged, or that no sufficiently liquid market is available. Consequently, some hedging takes place in alternative markets or subject to alternative time horizons. For example, power generation in Denmark is to some extent hedged by financial contracts for nearby trading areas such as EEX (Germany) and the Nord Pool areas (Scandinavia). These areas normally develop relatively uniformly over time compared to Denmark.

This hedging method means that only some of the financial hedging transactions comply

with the IFRS rules on hedge accounting even though the financial risk has been reduced. In case of non-compliance, the hedging transactions must be recognised in the income statement on a regular basis. This may give rise to considerable fluctuations in the income statement, as the effect of the hedging and for example the sale of power are not recognised in the same period.

As a result, we do not apply the IFRS rules on hedge accounting to transactions hedging energy prices and associated currency risks. Value adjustments of these hedges are therefore recognised in the income statement in accordance with IFRS.

Recognition

In the income statement, the business performance result is shown alongside the IFRS results. In the income statement, the difference between the two performance measures is shown in a separate column, Adjustments.

Two types of contracts are included in the business performance principle:

- hedging contracts concerning energy and related currencies
- commercial contracts concerning energy recognised at market value

When we use hedging instruments which do not fully correspond to the underlying risk, any difference between the hedging instruments and the underlying risk is recognised immediately in the income statement. See note 7.3.

The accounting treatment under business performance is otherwise identical with the accounting treatment under IFRS. Our balance sheet, cash flows and equity are consequently not affected. The accounting treatment of our hedging contracts according to IFRS and business performance is summarised in the table below.

| Type of hedging | IFRS | Business performance |
|--|---|---|
| Hedging of energy and associated currency risks as well as fixed-price physical gas and power contracts | Market value adjustments in income statement | Market value adjustments are deferred and recognised in the period in which the exposure materialises |
| Hedging of: <ul style="list-style-type: none"> ◦ proceeds from the divestment of newly constructed offshore wind farms ◦ interest payments | Market value adjustments are deferred and recognised in the period in which the exposure materialises | Recognition the same as under IFRS |
| Hedging of currency risks associated with investments in foreign entities | Market value adjustments are recognised in other comprehensive income | Recognition the same as under IFRS |
| Trading portfolio | Market value adjustments in income statement | Recognition the same as under IFRS |



Only the recognition of the hedging of energy and associated currency risks as well as fixed-price physical gas and power contracts differs under IFRS and the business performance principle.

Expected impact on business performance EBITDA from energy and currency hedging

At 31 December 2016, a gain of DKK 126 million had been deferred (2015: DKK 1,041 million gain), which will affect business performance EBITDA in subsequent years. Of the total deferred gain, business performance EBITDA is expected to be affected by a gain of DKK 737 million in 2017 (2015: DKK 1,462 million gain).

The increase in the market value of currency hedging is primarily attributable to a gain from GBP hedging due to the fall in GBP. Power and gas prices rose in 2016, which means that the market value of the hedging has fallen.

Expected impact on business performance EBITDA from energy and currency hedging (DKK million)

| | 2017 | 2018 | after 2018 | Deferred for subsequent recognition at 31 December 2016 | 2016 | 2017 | after 2017 | Deferred for subsequent recognition at 31 December 2015 |
|--------------|------------|--------------|--------------|---|--------------|--------------|--------------|---|
| Oil | (46) | (48) | 18 | (76) | (1,074) | (774) | (149) | (1,997) |
| Gas | 104 | (314) | (418) | (628) | 1,543 | (34) | 137 | 1,646 |
| Power | (396) | (290) | (329) | (1,015) | 796 | 466 | 307 | 1,569 |
| Coal | 32 | 4 | - | 36 | (156) | (33) | (2) | (191) |
| Currency | 1,043 | 489 | 277 | 1,809 | 353 | 110 | (449) | 14 |
| Total | 737 | (159) | (452) | 126 | 1,462 | (265) | (156) | 1,041 |



The table shows when the deferred value adjustments are expected to be recognised in the business performance EBITDA. The table covers both hedging classified as business performance and IFRS.

Explanation of business performance principle

In year 1, we enter into a contract hedging the price risk associated with Wind Power's production of 1,000GWh in year 5 at GBP 52,000 per GWh. This ensures total revenue of GBP 52 million. In year 5, the power price has decreased to GBP 45,000 per GWh, which means that the hedging contract has a positive market value of GBP 7 million (a hedged price of GBP 52,000 per GWh minus the spot price of GBP 45,000 per GWh). This means that the total income including the hedging transaction is still GBP 52 million. The amount of GBP 52 million consists of a gain from the hedged contract of GBP 7 million and GBP 45 million from the sale of 1,000GWh at the spot price of GBP 45,000 per GWh. The financial impact of the hedging transaction

in years 1-5 is shown in the table. Under the business performance principle, the hedging transaction is recognised in the income statement in year 5, ie at the same time as the hedged contract, with a positive market value of GBP 7 million. The value development is, however, recognised continuously in the income statement according to IFRS. Upon the expiry of the contract in year 5, the total effect on results over the period is the same under the IFRS and the business performance principles. Only the timing differs. The business performance principle ensures simultaneity of recognition of the underlying exposure and the hedging contract.

Recognition in the income statement (GBP million)

| | Power price (GBP '000 per GWh) | Sales of power, GBP million | Recognised in the income statement as follows: | | | Total financial impact | |
|--------------|--------------------------------|-----------------------------|--|----------------------|----------|------------------------|------|
| | | | Market value | Business performance | IFRS | Business performance | IFRS |
| Year 1 | 52 | 0 | 0 | 0 | 0 | 0 | |
| Year 2 | 50 | 0 | 2 | 0 | 2 | 2 | |
| Year 3 | 55 | 0 | (3) | 0 | (5) | 0 | |
| Year 4 | 46 | 0 | 6 | 0 | 9 | 0 | |
| Year 5 | 45 | 45 | 7 | 7 | 1 | 52 | |
| Total | | 45 | | 7 | 7 | 52 | |



Example of recognition of the market value of a hedging contract according to the business performance and IFRS principles in the income statement.

Specification of the difference between EBITDA according to business performance and according to IFRS (DKK million)

| | 2016 | 2015 |
|--|----------------|--------------|
| EBITDA – business performance | 19,109 | 8,730 |
| Business performance adjustments in respect of revenue for the year | (3,808) | 1,264 |
| Business performance adjustments in respect of cost of sales for the year | 1,638 | (106) |
| EBITDA – IFRS | 16,939 | 9,888 |
| Total business performance adjustments for the year comprise: | | |
| Value adjustments for the year of hedging contracts that relate to future periods | (1,397) | 1,632 |
| Reversal of gains (losses) relating to hedges deferred from prior periods, where the hedged production or trading is recognised in business performance EBITDA for this period | (773) | (474) |
| Total adjustments | (2,170) | 1,158 |



The table shows the difference between the income statement according to business performance and according to IFRS, which is shown in the adjustments column in the income statement.

Difference between IFRS and business performance for the year

The value adjustment in respect of future periods totalled DKK -1,397 million (2015: DKK 1,632 million) and reversal of deferred gains (losses) recognised according to business performance in 2016 totalled DKK -773 million (2015: DKK -474 million).

Market value adjustments for the year of hedging contracts

2016 was mainly affected by losses on the hedging of gas and power as a result of increasing prices in 2016. This was partially offset by gains on currency hedging due to the weakened GBP in 2016.

2015 was primarily affected by gains on hedging contracts related to gas and power as a result of a decline in prices in 2015. This was partly offset by losses on currency hedging due to the strengthened USD and GBP, as well as a loss on oil caused by falling prices and a purchase position for continuing operations.

Deferred gains (losses) from previous periods

In 2016, a gain of DKK 773 million was recognised in business performance EBITDA, but as the gain was recognised in IFRS EBITDA in a previous period, the gain was reversed in the Adjustments column in the income statement. The gain in 2016 is primarily attributable to the hedging of gas, power and currency, the sales of which have been hedged at prices exceeding the actual prices in 2016. This was, however, offset by a loss on oil, where purchases have been hedged at prices exceeding the actual prices in 2016.

2015 was primarily affected by gains on hedging contracts relating to currency, gas and power from previous periods. The gain is a result of the fact that sales were hedged at prices exceeding the actual prices in 2015. This was partly offset by a loss relating to oil, which has been hedged at prices exceeding the actual prices in 2015.

Value adjustments for the year of financial and physical hedging (DKK million)

| | 2016 | 2015 |
|--------------------------------|----------------|--------------|
| Oil | 267 | (930) |
| Coal | 75 | (189) |
| Currency | 1,156 | 155 |
| Gas (commercial and hedge) | (735) | 806 |
| Power (commercial and hedge) | (2,160) | 1,790 |
| Total value adjustments | (1,397) | 1,632 |



The table shows value adjustments by product. The value adjustments are recognised in IFRS EBITDA, but not in business performance EBITDA, as the value relates to future periods.

Reversal of deferred gains (losses) on hedges from previous periods (DKK million)

| | 2016 | 2015 |
|--|--------------|--------------|
| Oil | 1,654 | 1,896 |
| Coal | 151 | 254 |
| Currency | (615) | (556) |
| Gas (commercial and hedge) | (1,539) | (1,367) |
| Power (commercial and hedge) | (424) | (701) |
| Total deferred gains (losses) from previous periods | (773) | (474) |



The table shows value adjustments by product. These gains (losses) are recognised in business performance EBITDA. The value adjustment was recognised in IFRS EBITDA in a previous period.

2.3 Revenue

| |  Wind Power |  Bioenergy & Thermal Power |  Distribution & Customer Solutions |  Other activities/eliminations | Total |
|-------------------------------------|--|---|---|---|---------------|
| 2016 (DKK million) | | | | | |
| Distribution and transmission | - | - | 2,318 | (16) | 2,302 |
| Sales of heat and steam | - | 2,255 | - | - | 2,255 |
| Sales of gas | - | - | 18,111 | (1,224) | 16,887 |
| Sales of power | 6,700 | 2,717 | 17,309 | (3,416) | 23,310 |
| Revenue from construction contracts | 14,301 | - | - | - | 14,301 |
| Other revenue | 1,427 | 177 | 271 | 271 | 2,146 |
| Total, business performance | 22,428 | 5,149 | 38,009 | (4,385) | 61,201 |
| Adjustments | 45 | (450) | (3,639) | 236 | (3,808) |
| Total, IFRS | 22,473 | 4,699 | 34,370 | (4,149) | 57,393 |

Revenue for the year according to business performance fell from DKK 65,444 million in 2015 to DKK 61,201 million in 2016, down 6.5%. The fall was mainly due to significantly lower gas prices and lower gas sales. This fall was partially offset by higher activity from construction contracts in Wind Power, which saw revenue from construction contracts almost double.

Revenue for the year from construction contracts mainly related to the construction of the offshore wind farms Burbo Bank Extension and Gode Wind 1 for partners as well as the construction of offshore transmission assets in the UK.

In 2016, revenue totalled DKK 57,393 million according to IFRS, of which DKK 53,874 million was revenue from the sale of goods, and DKK 3,519 million was revenue from the sale of services.

In 2015, revenue totalled DKK 66,708 million, of which DKK 60,322 million was revenue from the sale of goods, while DKK 6,386 million was revenue from the sale of services.



Accounting policies

We recognise revenue from the distribution and transmission of energy and the sale of heat and steam, oil, gas and power when:

- delivery and transfer of risk to the buyer have taken place,
- the income can be measured reliably and is expected to be received, and
- costs incurred or which will be incurred in connection with the sale can be measured reliably.

Revenue is measured at the market value of the agreed consideration excluding VAT and other indirect taxes collected on behalf of third parties.

All forms of discounts granted are recognised in revenue.

| |  Wind Power |  Bioenergy & Thermal Power |  Distribution & Customer Solutions |  Other activities/eliminations | Total |
|-------------------------------------|--|---|---|---|---------------|
| 2015 (DKK million) | | | | | |
| Distribution and transmission | - | - | 5,328 | (38) | 5,290 |
| Sales of heat and steam | - | 2,061 | - | - | 2,061 |
| Sales of gas | - | - | 26,102 | (1,333) | 24,769 |
| Sales of power | 6,893 | 2,592 | 18,587 | (4,336) | 23,736 |
| Revenue from construction contracts | 8,287 | - | - | - | 8,287 |
| Other revenue | 1,325 | 525 | (573) | 24 | 1,301 |
| Total, business performance | 16,505 | 5,178 | 49,444 | (5,683) | 65,444 |
| Adjustments | 591 | 46 | 1,231 | (604) | 1,264 |
| Total, IFRS | 17,096 | 5,224 | 50,675 | (6,287) | 66,708 |

Revenue from offshore wind farms comprises sales of power at market prices and regulated prices (fixed tariffs and guaranteed minimum prices for green certificates).

Revenue from offshore wind farms is recognised at the time of production.

We recognise construction contracts in revenue concurrently with the construction of offshore wind farms and offshore transmission assets. Revenue corresponds to the selling price of work performed during the year (percentage of completion method).

When the outcome of a construction contract cannot be estimated reliably, revenue is recognised to the extent of costs incurred. Reference is made to note 4.2.

Other revenue is income from the installation of offshore wind turbines using vessels in A2SEA. Trading activities, financial hedging transactions, etc, are also included in other revenue.

Adjustments consist of the reversal of business performance adjustments. Reference is made to note 2.2.



The table shows revenue by type and business unit.



Critical accounting estimates

Assumptions underlying accrual of revenue

We estimate revenue from power and gas sales to residential and business customers from the most recent meter readings until 31 December based on factors like:

- actual temperatures in the month and
- the individual customer's consumption history.

Our estimates are subject to considerable uncertainty. This is due to the fact that customers' realised consumption can only be verified through meter readings, which are not available at the date of presentation of the annual report.

2.4 Cost of sales

| |  Wind Power |  Bioenergy & Thermal Power |  Distribution & Customer Solutions |  Other activities/eliminations | Total |
|--|--|---|---|---|---------------|
| 2016 (DKK million) | | | | | |
| Gas | - | 830 | 10,440 | (5,601) | 5,669 |
| Power | - | 57 | 15,303 | (3,077) | 12,283 |
| Biomass | - | 1,408 | - | - | 1,408 |
| Coal | - | 819 | - | - | 819 |
| Distribution and transmission costs | 603 | 123 | 2,632 | (147) | 3,211 |
| Costs associated with construction contracts | 10,360 | - | 22 | (22) | 10,360 |
| Other cost of sales | 167 | 481 | 503 | 4,361 | 5,510 |
| Cost of sales, business performance | 11,130 | 3,718 | 28,900 | (4,488) | 39,260 |
| Adjustments | - | (295) | (2,028) | 685 | (1,638) |
| Cost of sales, IFRS | 11,130 | 3,423 | 26,872 | (3,803) | 37,622 |

Cost of sales relates partly to trading in gas and power, and partly to fuel used at the CHP plants in connection with power and heat generation.

Cost of sales decreased from 2015 to 2016, primarily as a result of lower activity levels and one-off payments from renegotiations which reduced cost of sales by DKK 4.3 billion in 2016.

| |  Wind Power |  Bioenergy & Thermal Power |  Distribution & Customer Solutions |  Other activities/eliminations | Total |
|--|--|---|---|---|---------------|
| 2015 (DKK million) | | | | | |
| Gas | - | 930 | 23,294 | (8,588) | 15,636 |
| Power | - | 77 | 17,086 | (4,257) | 12,906 |
| Biomass | - | 1,251 | - | - | 1,251 |
| Coal | - | 801 | - | - | 801 |
| Distribution and transmission costs | 617 | 159 | 4,238 | (79) | 4,935 |
| Costs associated with construction contracts | 7,383 | - | 34 | (34) | 7,383 |
| Other cost of sales | (70) | 601 | 606 | 7,385 | 8,523 |
| Cost of sales, business performance | 7,930 | 3,819 | 45,259 | (5,573) | 51,435 |
| Adjustments | - | (21) | 403 | (276) | 106 |
| Cost of sales, IFRS | 7,930 | 3,798 | 45,662 | (5,849) | 51,541 |

 The table shows cost of sales by type and business unit.

2.5 Other operating income and expenses

| Other operating income (DKK million) | 2016 | 2015 |
|--------------------------------------|--------------|--------------|
| Gain on divestment of assets | 3,356 | 108 |
| Insurance compensation | 137 | 103 |
| Other compensation | 877 | 689 |
| Miscellaneous operating income | 497 | 675 |
| Other operating income | 4,867 | 1,575 |



Specification of other operating income. Gains on divestment of assets are recognised as other operating income.

| Other operating expenses (DKK million) | 2016 | 2015 |
|--|------------|------------|
| Loss on divestment of assets | 416 | 138 |
| Miscellaneous operating expenses | 142 | 255 |
| Other operating expenses | 558 | 393 |



Specification of other operating expenses. Loss on divestment of assets are recognised as other operating expenses.

Other operating income

Gain on divestment of assets in 2016 consisted primarily of the divestment of 50% of our ownership interests in the UK offshore wind farms Burbo Bank Extension and Race Bank.

Insurance compensation received related to the settlement of insurance claims in Wind Power in 2016 and the settlement of insurance claims in Bioenergy & Thermal Power in 2015.

Compensation was mainly received from the transmission system operators (TSOs) and suppliers due to delayed deliveries for the construction of offshore wind farms.

In 2015, miscellaneous operating income mainly comprised the effect of a settled dispute relating to CO₂ emissions allowances in 2005 and the first half of 2006 in the amount of DKK 384 million in Bioenergy & Thermal Power.

Other operating expenses

Loss on divestment of assets in 2016 consisted among others of loss from the scrapping of a vessel for offshore wind turbine installation.



Accounting policies

Other operating income and other operating expenses comprise items of a secondary nature to the Group's primary activities.

Other operating income comprises:

- income from the divestment of non-current assets, scrapping premiums, etc
- compensation received from insurance companies in connection with the settlement of insurance claims
- compensation for operating losses received from suppliers and grid connection companies as well as
- other non-primary income

Other operating expenses comprise:

- losses in connection with the sale of property, plant and equipment, decommissioning and scrapping costs, etc
- other non-primary expenses, for example in connection with the termination of contracts etc.



Critical accounting estimates

Assessment of conditional remuneration

Agreements on the divestment of offshore wind farms under construction may contain provisions that are conditional on future conditions relating to the construction of the offshore wind farm and matters beyond our control. The determination of gains and the recognition of receivables are therefore subject to uncertainty. The determination is based on management's estimates of the most likely outcomes of future events.



Critical accounting judgements

Assessment of classification of divestment

As part of our business model, we develop and construct offshore wind farms. Before or during the construction phase, we often sell a share (often 50%) of the wind farm to free up cash, which we can then invest in new offshore wind farms. The divested ownership interest in the offshore wind farm under construction is typically not regarded as an enterprise as no employees and only limited processes are transferred in connection with the operation and maintenance of the wind farm.

Gains or losses from the sale are recognised under other operating income/expenses in the income statement.

2.6 Employee costs

Employee costs

Employee costs after transfer to assets fell by 7% relative to 2015. The fall is caused by a higher proportion of the employee costs in 2016 being related to investment projects which are capitalised in the balance sheet.

Pension plans and number of employees

Pension plans are primarily defined-contribution plans that do not commit DONG Energy beyond the amounts contributed. Under our defined-benefit plans, we are obliged to pay a defined benefit to a small number of employees from the CHP plants who are no longer with the company and to public servants taken over from municipally owned regional companies. In 2016, these obligations amounted to DKK 10 million (2015: DKK 12 million).

In 2016, our average number of employees was 5,894 (2015: 5,882).

Remuneration of Group Executive Management

The remuneration of Group Executive Management is based on a fixed salary, including personal benefits such as a company car, free telephone, etc, a variable salary, including a retention bonus in connection with the IPO and share-based payment. The other members of Group Executive Management¹ also receive a pension.

Termination of contract of service

If a member of Group Executive Management is terminated by the company, the member will be entitled to 24 months' salary, made up of the salary during the notice period (12 months) and a termination payment.

The Board of Directors receives fixed remuneration for their work in DONG Energy. Members of the Board of Directors are not entitled to variable remuneration, pension, termination payment or other payments.

| Employee costs (DKK million) | 2016 | 2015 |
|--|--------------|--------------|
| Wages, salaries and remuneration | 3,692 | 3,533 |
| Share-based payment | 37 | 88 |
| Pensions | 311 | 309 |
| Other social security costs | 128 | 132 |
| Other employee costs | 29 | 30 |
| Employee costs before transfers to assets | 4,197 | 4,092 |
| Transfers to assets | (1,109) | (782) |
| Total employee costs | 3,088 | 3,310 |



Salaries and wages for employees in the discontinued part of the business are shown in note 3.7.

| Salaries and remuneration for Group Executive Management and the Board of Directors ('000) | Executive Board | | Other members of Group Executive Management ¹ | | Board of Directors | | Total | |
|--|-----------------|---------------|--|---------------|--------------------|--------------|---------------|---------------|
| | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 |
| Fixed salary | 14,487 | 13,988 | 18,995 | 17,418 | - | - | 33,482 | 31,406 |
| Remuneration | - | - | - | - | 5,024 | 2,596 | 5,024 | 2,596 |
| Variable salary | 4,311 | 3,001 | 9,826 | 4,132 | - | - | 14,137 | 7,133 |
| Share-based payment | 2,316 | 4,574 | 1,479 | 3,072 | - | - | 3,795 | 7,646 |
| Pension | - | - | 1,463 | 1,420 | - | - | 1,463 | 1,420 |
| Social security | 4 | 4 | 9 | 9 | - | - | 13 | 13 |
| Total | 21,118 | 21,567 | 31,772 | 26,051 | 5,024 | 2,596 | 57,914 | 50,214 |



Salaries and remuneration for Group Executive Management and the Board of Directors ('000)



¹ Other members of Group Executive Management are: David Cook, Samuel Leupold, Thomas Dalsgaard and Morten Hultberg Buchgreitz.

2.7 Share-based payment

Share programme

The Executive Board and a number of other members of management participate in our share programme which we established in 2016. Today, approximately 80 senior executives participate in the programme. As a condition for the granting of performance share units (PSUs), the participant must own a number of shares in DONG Energy corresponding to a portion of the individual participant's annual base salary. For the CEO, the portion is 75% of his fixed salary, and for the CFO 50%. The participants in the programme must invest in DONG Energy shares prior to the first granting.

If the participants fulfil the shareholding requirement at the time of granting, the participants will each year be granted a number of PSUs that represent a value equal to 20% of the annual base salary on the date of granting.

The granted PSUs have a vesting period of approximately three years, after which each PSU entitles the holder to one share without consideration. The final number of PSUs for each participant will be determined on the basis of the total shareholder return delivered by DONG Energy during the vesting period benchmarked against ten comparable European energy companies. The rate will vary from 0% to 200% of the number defined as the target for the granted PSUs. The maximum value is 40% of the fixed annual salary for Group Executive Management.

The highest rate will be triggered if DONG Energy's results, measured as the total return to shareholders, outperform those of the comparable companies. For each lower ranking, the number of PSUs granted will fall by 20 percentage points.

If, for example, DONG Energy ranks second, the participants will be entitled to 180% of the target. If DONG Energy ranks 11 in the comparison, no PSUs will be granted to the participants. The right to PSUs is conditional upon continued employment. Employees who leave us due to their own resignation or breach of their employment lose their right to PSUs.



Accounting policies

The share programme is classified as an equity-based programme as the programme is settled in shares. The market value of the PSUs and the estimated number of PSUs granted are measured at the time of granting and recognised:

- in the income statement under employee costs over the vesting period, and
- in the balance sheet under equity over the vesting period.

The valuation of the PSUs and the estimated number of PSUs granted is carried out as a probability simulation based on the expected performance of DONG Energy's total shareholder return relative to ten comparable European energy companies. The expectations are factored into the market value and are not adjusted subsequently.

| Participants | Minimum | Target | Maximum |
|--|---------|--------|---------|
| Group Executive Management | 0% | 20% | 40% |
| Senior Vice Presidents, Vice Presidents and Senior Directors | 0% | 15% | 30% |

| Participants | Number of locked-up shares relative to fixed salary |
|---|---|
| CEO | 75% of fixed salary |
| CFO and other members of Group Executive Management | 50% of fixed salary |
| Senior Vice Presidents | 25% of fixed salary |
| Vice Presidents and Senior Directors | 15% of fixed salary |

| Assumptions for valuation of PSUs | Time of granting 2016 |
|-----------------------------------|-----------------------|
| Share price | 275 |
| Average volatility, peers | 25.6% |
| Volatility, DONG Energy | 24.1% |
| Risk-free interest rate | -0.5% |
| Expected term at time of granting | 2.5 years |



The figure shows the value of the PSUs at the time of granting relative to the participants' fixed salary. As the final number of PSUs granted to the participants depends on the total shareholder return delivered by DONG Energy during the vesting period benchmarked against ten peers, the programme may result in as few as 0 PSUs.



The figure shows the value of the DONG Energy share in percent of the participants' fixed salary which at the time of granting must be locked up for the duration of the share programme.



The figure shows the material assumptions underlying the valuation of the PSUs at the time of granting.

 **Maximum number of outstanding shares at the time of granting**
('000)

| Time of granting | Executive Board | Other members of Group Executive Management | Senior executives | Total | % of share capital | Market value (at time of granting) DKK million | Years until expiry |
|--|-----------------|---|-------------------|-------|--------------------|--|--------------------|
| 1 September 2016 | 20 | 10 | 128 | 158 | 0.1 | 25 | 2.3 |
| Maximum number of outstanding shares at 31 December 2016 | 20 | 10 | 128 | 158 | 0.1 | 25 | |



The figure shows the maximum number of outstanding shares at the time of granting.

| Maximum number of outstanding shares ('000) | Executive Board | Other members of Group Executive Management | Senior executives | Other employees | Total | % of share capital |
|---|-----------------|---|-------------------|-----------------|------------|--------------------|
| Maximum number of outstanding shares at 1 January 2016 | 119 | 80 | 1,247 | 1,262 | 2,708 | 0.6% |
| Cancelled (2014 programme) | | | (20) | (36) | (56) | 0.0% |
| Granted (2014 programme) | (119) | (80) | (1,227) | (1,226) | (2,652) | (0.6%) |
| Issued (2016 programme) | 20 | 10 | 128 | - | 158 | 0.1% |
| Maximum number of outstanding shares at 31 December 2016 | 20 | 10 | 128 | - | 158 | 0.1% |
| DKK million | | | | | | |
| Market value of share programme at the time of granting | 3 | 2 | 20 | - | 25 | |
| Maximum market value of share programme at 31 December 2016 | 5 | 3 | 34 | - | 42 | |



The figure shows the development in the maximum number of shares outstanding in our share programme.

In June 2016, our 2014 share programme expired following the IPO. The 2014 programme was open to all employees. Under the programme, employees were entitled to a number of free shares, depending on their share purchase and DONG Energy's financial performance benchmarked against ten comparable European energy companies. The number of free shares could not exceed 125% of the number of shares subscribed for by the individual employee in 2014.

The maximum market value of the share programme at 31 December 2016 is based on the assumption that the participants receive the maximum number of shares.

3. Capital employed

Intangible assets and property, plant and equipment / Provisions and contingent assets and liabilities

Investments in associates and joint ventures / Gross and net investments

Divestment of enterprises / Assets classified as held for sale / Discontinued operations / Non-controlling interests

3. Capital employed

61.0bn

Capital employed totalled DKK 60,961 million at 31 December 2016

15.0bn

Gross investments, excluding Oil & Gas, totalled DKK 14,960 million in 2016

9.1bn

Cash flows from divestments, excluding Oil & Gas, totalled DKK 9,055 million in 2016

DONG Energy's capital employed primarily relates to production facilities, some of which are under construction. Investment projects are monitored closely, as a large part of the Group's value is created in the development and construction phases.

Investments and divestments in 2016

Total investments of DKK 14,960 million in offshore wind farms, biomass conversions and power infrastructure were made in 2016, and divestments of DKK 9,055 million were made. The most significant assets under construction at the end of 2016 consisted of offshore wind farms in the UK and Germany. See note 3.1.

Discontinued operations

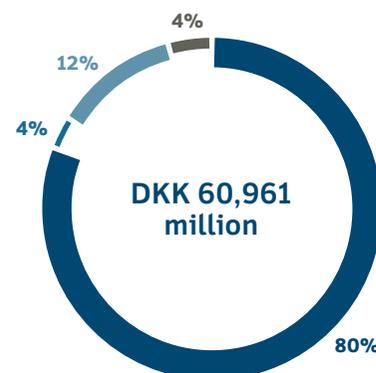
The Oil & Gas segment is presented as discontinued operations in the 2016 consolidated financial statements. As a result, our income statement and statement of cash flows have been restated for both 2015 and 2016, whereas the balance sheet for 2015 has not.

Capital employed (DKK million)

| | 2016 | 2015 |
|--|---------------|---------------|
| Intangible assets and property, plant and equipment | 71,137 | 81,363 |
| Investments in associates and joint ventures as well as other equity investments | 1,240 | 1,642 |
| Net working capital | (3,724) | (6,659) |
| Derivative financial instruments, net | 1,759 | 6,111 |
| Assets classified as held for sale, net | 1,680 | 1,452 |
| Decommissioning obligations | (3,649) | (11,144) |
| Other provisions | (5,390) | (8,044) |
| Tax, net | (1,721) | (3,700) |
| Other receivables and other payables, net | (371) | (91) |
| Capital employed at 31 December | 60,961 | 60,930 |
| of which discontinued operations | 2,769 | 5,444 |
| of which continuing operations | 58,192 | 55,486 |

Capital employed by segment, % 2016

- Wind Power
- Bioenergy & Thermal Power
- Distribution & Customer Solutions
- Discontinued operations



80% of the capital employed is tied up in Wind Power.



The invested capital in Oil & Gas is included in each principal item in 2015. In 2016, Oil & Gas' internal working capital and financial instruments are included in the principal items, while the rest of the invested capital is included as assets classified as held for sale.

3.1 Intangible assets and property, plant and equipment

| Intangible assets and property, plant and equipment (DKK million) | Intangible assets | Land and buildings | Production assets | Exploration assets | Other fixtures and fittings, tools and equipment | Property, plant and equipment under construction | Property, plant and equipment |
|--|--------------------------|---------------------------|--------------------------|---------------------------|---|---|--------------------------------------|
| Cost at 1 January 2016 | 5,501 | 2,603 | 123,272 | 14 | 1,138 | 33,280 | 160,307 |
| Exchange rate adjustments | 6 | (18) | (4,324) | (2) | (28) | (1,376) | (5,748) |
| Addition on acquisition of enterprises | 21 | - | - | - | - | - | - |
| Additions | 159 | 2 | 272 | 191 | 56 | 17,229 | 17,750 |
| Disposal on divestment of enterprises | - | - | (8,882) | (4) | - | - | (8,886) |
| Disposals | (645) | (90) | (1,286) | (250) | (8) | (3,255) | (4,889) |
| Adjustment of decommissioning obligations | - | - | 397 | 57 | - | 572 | 1,026 |
| Reclassified assets | - | 140 | 20,590 | - | 21 | (20,751) | - |
| Transfers to assets classified as held for sale | (46) | (12) | (43,077) | (6) | (25) | (11,168) | (54,292) |
| Cost at 31 December 2016 | 4,996 | 2,625 | 86,962 | 0 | 1,154 | 14,531 | 105,272 |
| Depreciation and amortisation at 1 January 2016 | (3,334) | (1,049) | (49,874) | - | (664) | - | (51,587) |
| Exchange rate adjustments | (1) | 1 | 261 | - | 3 | - | 265 |
| Depreciation and amortisation | (293) | (97) | (6,932) | - | (85) | - | (7,114) |
| Disposal on divestment of enterprises | - | - | 5,164 | - | - | - | 5,164 |
| Disposals | 589 | 77 | 656 | - | 5 | - | 738 |
| Transfers to assets classified as held for sale | 40 | 12 | 21,853 | - | 25 | - | 21,890 |
| Depreciation and amortisation at 31 December 2016 | (2,999) | (1,056) | (28,872) | - | (716) | - | (30,644) |
| Impairment losses at 1 January 2016 | (1,033) | (64) | (12,291) | - | - | (16,136) | (28,491) |
| Exchange rate adjustments | (9) | - | 462 | - | - | 471 | 933 |
| Impairment losses | - | - | - | - | - | (953) | (953) |
| Disposal on divestment of enterprises | - | - | 3,383 | - | - | - | 3,383 |
| Disposals | - | - | 192 | - | - | - | 192 |
| Reclassified assets | - | - | (5,339) | - | - | 5,339 | - |
| Transfers to assets classified as held for sale | - | - | 9,211 | - | - | 11,279 | 20,490 |
| Impairment losses at 31 December 2016 | (1,042) | (64) | (4,382) | - | - | 0 | (4,446) |
| Carrying amount at 31 December 2016 | 955 | 1,505 | 53,708 | - | 438 | 14,531 | 70,182 |

Intangible assets

Intangible assets comprise goodwill of DKK 125 million (2015: DKK 125 million), CO₂ emissions allowances of DKK 247 million (2015: DKK 290 million), other rights of DKK 190 million (2015: DKK 392 million), completed development projects of DKK 317 million (2015: DKK 68 million) and development projects in progress of DKK 76 million (2015: DKK 259 million).

Collateral

We have secured loans on vessels with a carrying amount of DKK 1,756 million (2015: DKK 398 million). The outstanding balance is DKK 550 million (2015: DKK 244 million).



Impairment losses on property, plant and equipment under construction concerned the construction of the Hejre field (Oil & Gas). Provisions had been made for this in 2015, and the impairment loss thus had no effect on the profit for 2016.

The highlighted column on the left shows our intangible assets, while the column on the right shows property, plant and equipment.

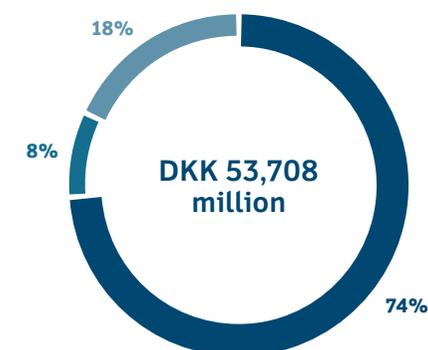
|  Intangible assets and property, plant and equipment (DKK million) | Intangible assets | Land and buildings | Production assets | Exploration assets | Fixtures and fittings, tools and equipment | Property, plant and equipment under construction | Property, plant and equipment |
|--|--------------------------|--------------------|-------------------|--------------------|--|--|--------------------------------------|
| Cost at 1 January 2015 | 5,497 | 2,703 | 125,658 | 388 | 884 | 24,845 | 154,478 |
| Exchange rate adjustments | 10 | 2 | 341 | 1 | (1) | 794 | 1,137 |
| Additions | 369 | 4 | 446 | 139 | 151 | 19,103 | 19,843 |
| Disposal on divestment of enterprises | (1) | (138) | (2,054) | - | (2) | (16) | (2,210) |
| Disposals | (345) | (39) | (437) | (514) | (24) | (2,164) | (3,178) |
| Adjustment of decommissioning obligations | - | - | 543 | - | - | 493 | 1,036 |
| Transfers to assets classified as held for sale | (29) | (29) | (8,994) | - | (1) | (1,775) | (10,799) |
| Transferred | - | 100 | 7,769 | - | 131 | (8,000) | - |
| Cost at 31 December 2015 | 5,501 | 2,603 | 123,272 | 14 | 1,138 | 33,280 | 160,307 |
| Depreciation and amortisation at 1 January 2015 | (3,253) | (999) | (50,874) | - | (593) | - | (52,466) |
| Exchange rate adjustments | (8) | (1) | 643 | - | (1) | - | 641 |
| Depreciation and amortisation | (194) | (144) | (8,270) | - | (93) | - | (8,507) |
| Disposal on divestment of enterprises | - | 58 | 803 | - | 1 | - | 862 |
| Disposals | 92 | 32 | 243 | - | 21 | - | 296 |
| Transfers to assets classified as held for sale | 29 | 5 | 7,581 | - | 1 | - | 7,587 |
| Depreciation and amortisation at 31 December 2015 | (3,334) | (1,049) | (49,874) | - | (664) | - | (51,587) |
| Impairment losses at 1 January 2015 | (876) | (48) | (9,267) | - | - | (6,791) | (16,106) |
| Exchange rate adjustments | - | - | 221 | - | - | (211) | 10 |
| Impairment losses | (157) | (25) | (3,748) | - | - | (9,587) | (13,360) |
| Disposal on divestment of enterprises | - | 9 | 503 | - | - | - | 512 |
| Disposals | - | - | - | - | - | 453 | 453 |
| Impairment losses at 31 December 2015 | (1,033) | (64) | (12,291) | - | - | (16,136) | (28,491) |
| Carrying amount at 31 December 2015 | 1,134 | 1,490 | 61,107 | 14 | 474 | 17,144 | 80,229 |



The highlighted column on the left shows our intangible assets, while the column on the right shows property, plant and equipment.

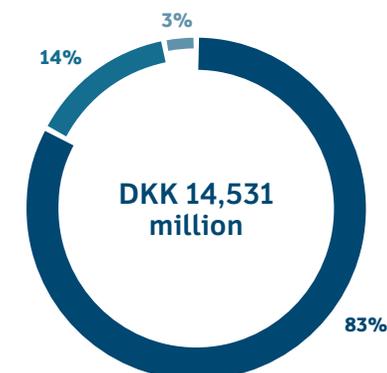
Production assets by segment, % 2016

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



Property, plant and equipment under construction by segment, % 2016

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



83% of property, plant and equipment under construction is ongoing construction of offshore wind farms in Wind Power.



Wind Power

The CGUs are made up of individual offshore wind farms and A2SEA, which each generate cash flows for the segment independently of each other.

The most significant are: Walney ▪ Anholt ▪ West of Duddon Sands ▪ Borkum Riffgrund 1 ▪ London Array ▪ Gunfleet Sands ▪ Westermost Rough ▪ Gode Wind 1 ▪ Gode Wind 2 ▪ A2SEA ▪ Burbo Bank Extension

Impairment losses

Impairment losses relating to goodwill

We have not impaired goodwill or other intangible assets in 2016.

In 2015, goodwill and production assets in Wind Power were impaired by DKK 504 million, of which DKK 157 million pertained to goodwill, and DKK 347 million pertained to older installation vessels. The impairment losses were due to challenging market conditions.

Useful lives

| | |
|---|-------------|
| Buildings | 20-50 years |
| Offshore wind farms ¹ | 20-24 years |
| Production assets, power (thermal) and district heating | 20-25 years |
| Gas transportation system (marine pipelines) | 20-40 years |
| Oil transportation system (marine pipeline) | 15 years |
| Distribution grids, power | 20-40 years |
| Other fixtures and fittings, tools and equipment | 3-10 years |



Bioenergy & Thermal Power

The Danish CHP plants constitute a single CGU as overall production planning is for the entire Danish portfolio of CHP plants. The Dutch power station Enecogen constitutes a single CGU.

Central CHP plants (including goodwill)
▪ Enecogen

Impairment losses relating to property, plant and equipment

In 2015, the Dutch power station Enecogen (Bioenergy & Thermal Power) was impaired by DKK 680 million, of which DKK 655 million related to production facilities and DKK 25 million related to land and buildings. The reason for the impairment loss was falling power prices. We based the calculation of the recoverable amount, which is calculated as a capital value, on a discount rate after tax of 6.5%.



¹ Depreciation is based on the straight-line method or the diminishing-balance method, resulting in declining depreciation over the lifetime of the offshore wind farm. The diminishing-balance method is the primary method used for offshore wind farms.



Distribution & Customer Solutions

The CGUs are constituted primarily by distribution assets which each generate cash flows for the segment independently of each other.

Power distribution ▪ Oil pipelines ▪ Offshore gas pipelines ▪ Street lighting



Accounting policies

Intangible assets

Rights are measured at cost less accumulated amortisation and impairment losses. Rights are amortised on a straight-line basis over their estimated future useful lives, which are 5-20 years.

Allocated and purchased CO₂ emissions allowances, including CO₂ credits that are accounted for as rights, are measured on recognition at cost. If a grant is received in connection with an allocation, the cost constitutes the actual consideration paid for the allowances, ie nil if the allowances are allocated free of charge. CO₂ emissions allowances are not amortised as the value of the allowances upon surrender is on a par with the cost price or higher (allocated emissions allowances).

Property, plant and equipment

Property, plant and equipment is measured at cost less accumulated depreciation and impairment losses. Cost of property, plant and equipment is, as a rule, depreciated on a straight-line basis over the estimated future useful lives.

Cost comprises purchase price and any costs directly attributable to the acquisition until the date the asset is available for use. The cost of self-constructed assets comprises direct and indirect costs of materials, components, sub-suppliers and labour. Borrowing costs relating to both specific and general borrowing directly attributable to assets under construction with a lengthy construction period are recognised in cost during the construction period. Cost is increased

by the present value of the estimated obligations for demolition and decommissioning of assets to the extent that they are recognised as a provision.

Subsequent costs, for example in connection with replacement of parts of an item of property, plant and equipment, are recognised in the carrying amount of the asset in question when it is probable that future economic benefits will flow to the Group. Replaced parts are derecognised from the balance sheet, and their carrying amount is recognised in profit (loss) for the year. All other repair and maintenance expenses are recognised in profit (loss) for the year as incurred.



Critical accounting estimates

Assumptions for impairment test

Production assets are tested for impairment if there is any indication of impairment. For production assets with a limited lifetime such as offshore wind farms and CHP plants, cash flows are calculated based on forecasts for the entire lifetime of the asset. For power distribution, cash flows are based on 25-year forecasts with the addition of a terminal value. The determination of the recoverable amount of production assets is based on a number of assumptions where estimates are made that are material to the determination. These assumptions include future market conditions, market prices of power, biofuel, gas, coal, CO₂, weighted average cost of capital (WACC), exchange rates, etc. The market prices applied are based on available forward prices for a period of up to five years and management's best estimate of long-term prices for the remainder of the period.

When calculating the recoverable amount of property, plant and equipment under construction, the expected completion costs and the commissioning dates are also material assumptions.

Useful lives of production assets

The expected useful lives of production assets are determined based on historical experience and expectations concerning the future use of these assets. The expected future uses may subsequently prove not to be realisable, which may require the useful lives to be reassessed.

3.2 Provisions and contingent assets and liabilities

Provisions

Decommissioning obligations mainly comprise future expenses relating to demolition and disposal of offshore wind farms, restoration of seabeds and the demolition of CHP plants.

As developers of offshore wind farms, we are obliged to decommission and restore the offshore wind farms for our own account. When constructing offshore wind farms in cooperation with investors, they are liable for their share of the decommissioning costs. We have therefore only included the decommissioning obligations in respect of our ownership interest in the offshore wind farms.

Onerous contracts comprise primarily:

- contract for booked LNG terminal capacity in the Netherlands, DKK 1,033 million (2015: DKK 1,158 million)
- contracts concerning the lease of gas storage capacity in Germany, DKK 1,179 million (2015: DKK 1,324 million) and regarding Stenlille Gas Storage Facility, DKK 384 million (2015: DKK 410 million)

Other provisions comprise primarily:

- warranty obligations for offshore wind farms
- possible repayments to electricity consumers in respect of previous years
- obligations in connection with divestments
- CO₂ obligations in respect of our own emissions
- other contractual obligations

| Provisions (DKK million) | 2016 | | | | 2015 | | | |
|---|-----------------------------|-------------------|-------------------|--------------|-----------------------------|-------------------|-------------------|---------------|
| | Decommissioning obligations | Onerous contracts | Other liabilities | Total | Decommissioning obligations | Onerous contracts | Other liabilities | Total |
| Provisions at 1 January | 11,144 | 5,472 | 2,572 | 19,188 | 10,368 | 3,084 | 2,482 | 15,934 |
| Exchange rate adjustments | (153) | (17) | 128 | (42) | (84) | - | 88 | 4 |
| Used during the year | (187) | (1,413) | (505) | (2,105) | (44) | (323) | (472) | (839) |
| Provisions reversed during the year | - | (774) | (350) | (1,124) | - | - | (264) | (264) |
| Provisions made during the year | 746 | - | 1,490 | 2,236 | 368 | 2,579 | 738 | 3,685 |
| Change in estimates of other factors | 215 | - | - | 215 | 516 | - | - | 516 |
| Transferred to assets classified as held for sale/disposal on divestment of enterprises | (6,941) | (883) | (532) | (8,356) | (474) | - | - | (474) |
| Interest element of provisions | 534 | 211 | - | 745 | 494 | 132 | - | 626 |
| Disposal on divestment of enterprises | (1,709) | - | (9) | (1,718) | - | - | - | - |
| Provisions at 31 December | 3,649 | 2,596 | 2,794 | 9,039 | 11,144 | 5,472 | 2,572 | 19,188 |
| Falling due as follows: | | | | | | | | |
| 0-1 year | 49 | 327 | 326 | 702 | 31 | 1,070 | 333 | 1,434 |
| 1-5 years | 73 | 1,089 | 2,016 | 3,178 | 1,894 | 2,993 | 1,688 | 6,575 |
| After 5 years | 3,527 | 1,180 | 452 | 5,159 | 9,219 | 1,409 | 551 | 11,179 |

In 2016, we used DKK 201 million (2015: DKK 235 million) of our provisions for own CO₂ emissions and made additional provisions of DKK 200 million (2015: DKK 204 million) for emissions in 2016, which have yet to be used. CO₂ obligations in respect of our own emissions amounted to DKK 173 million at 31 December 2016 (2015: DKK 174 million).

Provisions concerning the Oil & Gas segment for 2016 have been classified as assets held for sale. The most significant provisions consisted of decommissioning obligations as well as obligations concerning the construction of oil and gas-related production facilities.

Contingent assets

Deferred tax

We have deferred assets of DKK 528 million (2015: DKK 454 million) that have not been recognised as it is currently uncertain if they can be offset against future income. See note 5.4 on Deferred tax.

Contingent liabilities

Liability to pay compensation

According to legislation, the companies DONG Salg & Service A/S and DONG Oil Pipe A/S are liable to pay compensation for any environmental accidents or other types of damage caused by our oil and gas activities, even when there is no proof of negligence (strict liability). We have taken out insurance to cover any such claims.

Litigations

We are party to actions relating to the Danish competition authorities' claim that Elsam A/S and Elsam Kraft A/S charged excessive prices in the Danish wholesale power market in some periods. Following a merger in 2008, Elsam Kraft A/S is part of DONG Energy Thermal Power A/S.

The Danish Competition Appeals Tribunal has concluded that Elsam A/S and Elsam Kraft A/S abused their dominant position in the wholesale power market in Western Denmark to some extent in the periods 1 July 2003 to 31 December 2004 and 1 January 2005 to 30 June 2006 by charging excessive prices. We dispute the rulings, and appeals have been lodged with the Copenhagen Maritime and Commercial Court. In 2016, the Copenhagen Maritime and Commercial Court found the former Elsam guilty of violating the Danish Competition Act in 2005 and the first half of 2006 without, however, providing clear grounds for its

decision. We have decided to lodge an appeal, which will now be heard by the High Court of Western Denmark.

In connection with the above-mentioned cases, some energy companies, some of their customers and others have raised claims for damages. One group has chosen to commence legal proceedings before the Copenhagen Maritime and Commercial Court with a claim for damages of approximately DKK 4.4 billion with addition of interest, while suspension agreements have been concluded with others, meaning that the limitation period for these alleged claims has been suspended. In response to the claims for damages, we have made a provision of DKK 298 million plus interest. The provision has been calculated on the basis of the Danish Competition Council's determination of consumer losses.

In addition, we are party to a number of court cases and legal disputes. In our assessment,

none of these will significantly impact the company's financial position, neither individually nor collectively.

Change of control

Certain of our activities are subject to consents, permits and licences granted by public authorities. We can be faced with a claim for acceptance of the transfer, possibly with additional terms and conditions, if the Danish State holds less than 50% of the share capital or voting rights in DONG Energy A/S.

| Decommissioning obligations by segment |  |  |  | Other activities | Total |
|--|---|---|---|------------------|--------------|
| | Wind Power | Bioenergy & Thermal Power | Distribution & Customer Solutions | | |
| 0-5 years | 94 | 23 | 5 | - | 122 |
| 5-10 years | 287 | 153 | - | - | 440 |
| 10-20 years | 1,840 | 269 | 75 | - | 2,184 |
| After 20 years | 564 | 223 | 116 | - | 903 |
| 2016 | 2,785 | 668 | 196 | - | 3,649 |
| 2015 | 2,461 | 790 | 185 | 7,708 | 11,144 |



The table shows decommissioning obligations by segment as well as a maturity analysis. 2015 includes Oil and Gas.



Accounting policies

Provisions are recognised when the following criteria are fulfilled:

- we have a legal or constructive obligation as a result of an earlier event
- the settlement of the obligation is expected to result in an outflow of resources
- the obligation can be measured reliably

For onerous contracts, a provision is made when the expected income to be derived from a contract is lower than the unavoidable cost of meeting our obligations under the contract.

Provisions concerning CO₂ emissions are recognised when our actual emissions exceed our holding of CO₂ emissions allowances.

Decommissioning obligations are measured at the present value of the future liability in respect of demolition and decommissioning as expected at the balance sheet date. The present value of the provision is recognised as part of the cost of property, plant and equipment and depreciated together with the associated asset. The addition of interest on provisions is recognised in the income statement under financial expenses.



Critical accounting estimates

Timing, probabilities, amounts, etc, which have a bearing on our provisions estimates are updated quarterly based on management's expectations.

Assumptions for decommissioning obligations

Estimates of decommissioning obligations are based on management's expectations of, for example:

- timing and scope
- future cost level
- adopted laws and regulations on remediation

The timing of our decommissioning obligations depends on the expected useful lives of the assets. The expected useful life of our offshore wind farms is 24 years.

As regards our CHP plants in Denmark, we expect them to have to be removed within 12 years of decommissioning at the latest.

In measuring provisions, the costs required to meet the obligations are discounted. In determining decommissioning obligations at 31 December 2016, a discount rate of 4.5% is applied, the same discount rate that the Group applied at 31 December 2015. The rate has been estimated on the basis of expectations concerning the future, long-term interest rate level, based on historical interest rate levels.

Timing, special demolition and decommissioning requirements are assessed based on current legislation and standards in this area. Future cost levels are based, among other things, on expectations with regard to:

- general price development or development in market prices
- demand
- development of existing technologies

Assessment of onerous contracts

We have entered into a number of contracts with fixed terms. Depending on market developments etc and uncertainty about obligations incurred under the contracts made, these contracts may become onerous. Our estimates concerning these complex contracts and their future effects are subject to significant uncertainties.

Assessment of litigation outcomes

When exercising a judgement about a potential liability in connection with litigation, we assess the following factors:

- the nature of the litigation, claim or statement
- the development of the case
- the judgements and recommendations of legal or other advisers
- experience from similar cases
- management's decision on how we are going to react to the litigation, claim or statement

3.3 Investments in associates and joint ventures

Individually material associates

| Name | Ownership interest | Registered office | Activity |
|--|--------------------|-------------------|----------------------|
| Etzel Kavernenbetriebs-gesellschaft mbH & Co. KG | 33% | Bremen, Germany | Gas storage facility |



In the tables, we provide information on our individually material associates and joint ventures.

Individually material joint ventures

| Name | Ownership interest | Registered office | Activity |
|--------------------------------------|--------------------|-------------------|--|
| Lincs Renewable Energy Holdings Ltd. | 50% | London, UK | 50% ownership interest in offshore wind farm |



Accounting policies

Investments in associates and joint ventures are measured using the equity method.

We present the profit (loss) from investments in associates and joint ventures before EBITDA when deemed to pertain to the Group's principal activity. The profit (loss) from investments in associates and joint ventures is presented after EBIT when not deemed to pertain to the Group's principal activity.

Associates and joint ventures with negative net assets are measured at nil.

If we have a legal or constructive obligation to cover the negative equity of an associate or joint venture, the obligation is recognised as a liability.

Receivables from associates and joint ventures are measured at amortised cost. Write-downs are made for bad debts when there is an objective indication of impairment.

The proportionate share of associates' and joint ventures' profit (loss) after tax and non-controlling interests is recognised in profit (loss) for the year. We eliminate the proportionate share of internal gains (losses) in the profit (loss) for the year.

On acquisition of investments in associates and joint ventures, the acquisition method is applied.

Gains or losses on the disposal of investments in associates and joint ventures are determined as the difference between the selling price and the carrying

The most significant associates and joint ventures are Etzel Kavernenbetriebsgesellschaft mbH & Co. KG and Lincs Renewable Energy Holdings Ltd.

In 2016, the Group's share of the loss in associates and joint ventures of DKK 17 million (2015: DKK 104 million) has been recognised in the income statement as share of profit (loss) in associates and joint ventures. Of this amount, DKK 25 million (2015: DKK 112 million) was recognised in income from our principal activities and DKK -8 million (2015: DKK -8 million) was recognised in our non-principal activities.

No dividend was received from associates and joint ventures in 2016 and 2015.

Capital commitments

At the end of 2016 and 2015, we had not assumed capital commitments in respect of, for example, offshore wind farm projects in connection with associates and joint ventures.

amount of net assets, including goodwill at the date of disposal and transaction costs.

Gains and losses are recognised in profit (loss) for the year as gain or loss on the divestment of enterprises. The profit (loss) for the year and total comprehensive income from associates and joint ventures are identical.

| Financial information 2016 (DKK million) | Revenue | Depreciation, amortisation and impairment losses | Tax on profit (loss) for the year | Profit (loss) for the year | Non-current assets | Current assets | Equity | Current liabilities | DONG Energy's share | |
|---|------------|--|-----------------------------------|----------------------------|--------------------|----------------|--------------|---------------------|----------------------------|--------------|
| | | | | | | | | | Profit (loss) for the year | Equity |
| Associates | | | | | | | | | | |
| Etzel Kavernenbetriebsgesellschaft mbH & Co. KG | 452 | (132) | 10 | (23) | 737 | 181 | 740 | 177 | (8) | 247 |
| Other associates | - | - | - | - | - | - | - | - | 18 | 16 |
| Joint ventures | | | | | | | | | | |
| Lincs Renewable Energy Holdings Ltd. | - | - | (18) | 13 | 273 | 1,226 | 1,491 | 8 | 7 | 746 |
| Other joint ventures | - | - | - | - | - | - | - | - | - | 51 |
| Total | 452 | (132) | (8) | (10) | 1,010 | 1,407 | 2,231 | 185 | 17 | 1,060 |
| Financial information 2015 (DKK million) | | | | | | | | | | |
| Associates | | | | | | | | | | |
| Etzel Kavernenbetriebsgesellschaft mbH & Co. KG | 466 | (131) | 11 | (26) | 818 | 91 | 767 | 142 | (9) | 256 |
| Other associates | - | - | - | - | - | - | - | - | 35 | 19 |
| Joint ventures | | | | | | | | | | |
| Lincs Renewable Energy Holdings Ltd. | - | - | (30) | 31 | 517 | 1,617 | 2,170 | 18 | 16 | 1,085 |
| Other joint ventures | - | - | - | - | - | - | - | - | 62 | 61 |
| Total | 466 | (131) | (19) | 5 | 1,335 | 1,708 | 2,937 | 160 | 104 | 1,421 |



Critical accounting estimates

Assumptions for impairment test

Investments in associates and joint ventures are tested for impairment if there is any indication of impairment of such investments.

Indications of impairment include, among other things:

- changes in regulatory, financial and technological factors, and
- general market conditions



Critical accounting judgements

Assessment of classification

On initial recognition of investments and in connection with any restructuring of joint ventures and joint operations, we assess whether an investment is a joint venture or a joint operation.

In assessing joint operations, we look at:

- the corporate form of the operation, and
- whether we are only entitled to the net profit or income and expenses resulting from the operation

In addition, the fact that the parties buy all output, for example the power generated, will lead to the structure being considered to be a joint operation.



In the tables, we provide financial information on our individually material associates and joint ventures. The amounts stated are the overall accounting figures for the individual associates and joint ventures, determined according to our accounting policies.

3.4 Gross and net investments

| Gross and net investments (DKK million) | 2016 | 2015 |
|--|-----------------|-----------------|
| Cash flows from investing activities | (1,060) | (7,405) |
| Dividends received and capital reduction, reversed | (22) | (20) |
| Purchase and sale of securities, reversed | (4,564) | (3,237) |
| Loans to associates and joint ventures, reversed | (210) | (33) |
| Sale of non-current assets, reversed | (9,104) | (2,014) |
| Gross investments | (14,960) | (12,709) |
| Transactions with non-controlling interests in connection with divestments | (49) | (32) |
| Sale of non-current assets | 9,104 | 2,014 |
| Total cash flows from divestments | 9,055 | 1,982 |
| Net investments | (5,905) | (10,727) |



The table shows gross and net investments based on cash flows from investing activities.

In 2016, gross investments totalled DKK 14,960 million (2015: DKK 12,709 million).

Gross investments in Wind Power primarily consisted in the development of wind activities (DKK 12.426 million), including the UK offshore wind farms Burbo Bank Extension, Race Bank, Walney Extension and Hornsea 1 as well as the German offshore wind farms Borkum Riffgrund 2 and Gode Wind 1 & 2.

In 2016, cash flows from the divestment of assets and enterprises totalled DKK 9,055 million (2015: DKK 1,982).

In 2016, Wind Power divested 50% of Burbo Bank Extension to PKA and KIRKBI as well as 50% of Race Bank to Macquarie.

In 2015, divestments in Wind Power consisted primarily of the farmdown of 50% of Gode Wind 1 to Global Infrastructure Partners and the receipt of a deferred selling price relating to the farmdown of 50% of Westermost Rough in 2014.

Distribution & Customer Solutions divested Gas Distribution to Energinet.dk in 2016.

For more information, see the management's review on page 25.

3.5 Divestment of enterprises

| Enterprises divested (DKK million) | 2016 | 2015 |
|---|--------------|------------|
| Non-current assets | 1,432 | 218 |
| Current assets | 494 | 36 |
| Non-current liabilities | (386) | (27) |
| Current liabilities | (938) | (36) |
| Gain on divestment of enterprises in the income statement | 1,250 | 56 |
| Selling price on divestment of enterprises | 1,852 | 247 |
| Of which selling price receivable | (81) | - |
| Of which recognised as other provisions | (14) | 14 |
| Cash transferred | 242 | - |
| Cash selling price on divestment of enterprises | 1,999 | 261 |

In 2016, gains on the divestment of enterprises consisted primarily of a gain on the divestment of Gas Distribution (Distribution & Customer Solutions).

In 2015, gains on the divestment of enterprises consisted primarily of a gain on the divestment of Måbjergværket A/S (Bioenergy & Thermal Power).



The table shows gain on divestment of enterprises in the income statement and cash selling price on divestment of enterprises in statement of cash flows.



Accounting policies

We recognise income from divested enterprises in the income statement up until the date of divestment.

The date of divestment is the date on which we relinquish control of the divested enterprise.

Comparative figures in the income statement and statement of cash flows are restated to reflect divestments.

Gains or losses on the divestment or discontinuation of subsidiaries and associates are determined as the difference between the selling price and the carrying amount of the net assets divested.

Moreover, the fees of advisers etc in connection with the divestment or discontinuation of the enterprise are deducted.

3.6 Assets classified as held for sale



Assets classified as held for sale (DKK million)

| | 2016 | 2015 |
|---|---------------|--------------|
| Intangible assets | 5 | 1 |
| Property, plant and equipment | 12,719 | 2,328 |
| Inventories | 7 | - |
| Trade receivables | 192 | 163 |
| Other receivables | 1,139 | 85 |
| Income tax | 586 | 8 |
| Cash | 725 | - |
| Assets classified as held for sale at 31 December | 15,373 | 2,585 |
| Deferred tax | 1,057 | 190 |
| Provisions | 8,356 | 462 |
| Trade payables | 825 | 72 |
| Other payables | 1,479 | 345 |
| Income tax | 1,787 | 64 |
| Liabilities relating to assets classified as held for sale | 13,504 | 1,133 |
| Net assets classified as held for sale | 1,869 | 1,452 |



The table shows assets and liabilities which have been put up for sale, and which are therefore not expected to contribute to our earnings in future.



Accounting policies

Assets classified as held for sale comprise assets and liabilities, the value of which is highly probable to be recovered through a sale within 12 months rather than through continued use.

Assets and liabilities classified as held for sale are measured at the carrying amount at the classification date as 'held for sale' or at market value less selling costs, whichever is lower. The carrying amount is measured in accordance with the Group's accounting policies. Reference is made to note 3.7 for special policies concerning the Oil & Gas segment, which is presented as discontinued operations.

No depreciation or amortisation is effected on property, plant and equipment and intangible assets from the time when they are classified as 'held for sale'.

Impairment losses arising on first classification as 'held for sale' and gains and losses from the subsequent measurement are recognised in the income statement under the items they concern.

Assets classified as held for sale comprise primarily our Oil & Gas segment, where we have launched a process with the ultimate aim to divest the activities. Also included is the oil pipeline in the North Sea which is being divested to the Danish transmission system operator Energinet.dk (Distribution & Customer Solutions).

The sales process for both activities is expected to be completed within 12 months. The activities have therefore been classified as assets and liabilities classified as held for sale.

Furthermore, our Oil & Gas segment is presented as discontinued operations, for which reason both the income statement and the statement of cash flows have been restated for both 2015 and 2016. The balance sheet for 2015 has not been restated. Read more in note 3.7.

Gas Distribution, which was included in net assets classified as held for sale in 2015, was divested as at 30 September 2016. See note 3.5.

3.7 Discontinued operations

In November 2016, the Board of Directors decided to initiate a process with the ultimate objective of divesting the Oil & Gas segment. The aim is to ensure the best possible long-term development of the Oil & Gas segment.

The Board of Directors' decision was mainly based on the following:

- The Oil & Gas segment is not regarded as a long-term strategic business unit for DONG Energy
- The objective is to build a world-leading business within green energy with cutting-edge expertise within offshore wind farms, bioenergy and green distribution as well as power and heat generation

It is management's assessment that the divestment will be completed before year-end 2017.

As a result, we presented our Oil & Gas segment as assets classified as held for sale and as discontinued operations. This classification means that assets and liabilities are shown separately from other assets and liabilities at the end of 2016. Comparative figures for 2015 have not been restated.

The discontinued operations are also shown separately in the income statement and the statement of cash flows for 2016, and the comparative figures have been restated in both main statements.

The internal trading between Oil & Gas and Distribution & Customer Solutions is not presented as discontinued operations, as management does not expect the internal trading between the companies to end following a divestment.

Ineffective price hedges linked to oil and gas as well as related currency exposures resulting from production after the expected divestment are recognised in EBITDA in our business performance results with DKK 309 million in 2016.

In connection with the expected completion of the transaction in 2017, the equity reserves related to the Oil & Gas segment will be recycled in the statement of comprehensive income and recognised in the profit statement from discontinued operations in the income statement. Reserves from expected recycling represented a loss of DKK 661 million at 31 December 2016.

Highlights in 2016

- We terminated the Engineering, Procurement and Construction contract (EPC contract) for the construction of the Hejre platform
- The Laggan-Tormore field began production in February
- We achieved significant cost reductions
- We divested five Norwegian oil and gas fields to Faroe Petroleum



Key figures

| | | 2016 | 2015 | % |
|--|-------------|---------|----------|---------|
| Business drivers | | | | |
| Oil and gas production | million boe | 36.6 | 40.9 | (10%) |
| Denmark | | 5.6 | 5.4 | 4% |
| Norway | | 25.8 | 35.5 | (27%) |
| UK | | 5.2 | 0.0 | n.a. |
| Gas share of production | % | 73.5 | 75.3 | (1.8%p) |
| Lifting costs per boe (USD) | USD/boe | 6.4 | 7.3 | (12%) |
| Lifting costs per boe (DKK) | DKK/boe | 43.4 | 49.3 | (12%) |
| Oil price, Brent | USD/boe | 43.7 | 52.5 | (17%) |
| Gas price, NBP | EUR/MWh | 14.3 | 20.0 | (29%) |
| Financial performance | | | | |
| Revenue | DKK million | 10,530 | 12,770 | (18%) |
| Oil (incl. condensate) | | 2,779 | 3,260 | (15%) |
| Gas | | 4,592 | 7,499 | (39%) |
| Price hedges | | 2,994 | 1,657 | 81% |
| Other | | 165 | 354 | (53%) |
| EBITDA | DKK million | 6,507 | 9,754 | (33%) |
| Denmark | | (145) | 1,345 | n.a. |
| Norway | | 3,407 | 7,358 | (54%) |
| UK | | 773 | 262 | 195% |
| Exploration | | (522) | (868) | (40%) |
| Price hedges | | 2,994 | 1,657 | 81% |
| Depreciation and amortisation (excl. impairment losses) | DKK million | (2,175) | (3,028) | (28%) |
| EBIT | DKK million | 5,082 | (9,123) | n.a. |
| Current hydrocarbon tax | DKK million | (1,613) | (2,591) | (38%) |
| Impairment losses and reversals | DKK million | 750 | (15,849) | n.a. |
| Adjusted EBIT | DKK million | 2,719 | 4,135 | (34%) |
| Cash flows from operating activities | DKK million | 4,138 | 6,049 | (32%) |
| Gross investments | DKK million | (3,436) | (5,985) | (43%) |
| Divestments | DKK million | 404 | 591 | (32%) |
| Free cash flow | DKK million | 1,106 | 656 | 69% |
| Capital employed | DKK million | 2,769 | 5,444 | (49%) |
| ROCE | % | 84.5 | (101.9) | 186.4%p |
| Adjusted ROCE | % | 71.3 | 21.9 | 30.2%p |

| | 2016 | | | 2015 | | |
|---|---------------------------|----------------|----------------|---------------------------|--------------|-----------------|
| | Business performance 2016 | Adjustments | IFRS | Business performance 2015 | Adjustments | IFRS |
| Discontinued operations (DKK million) | | | | | | |
| External revenue | 5,912 | (4,595) | 1,317 | 5,399 | 2,281 | 7,680 |
| Intra-group revenue | 4,618 | - | 4,618 | 7,371 | - | 7,371 |
| Revenue | 10,530 | (4,595) | 5,935 | 12,770 | 2,281 | 15,051 |
| Cost of sales | (1,020) | - | (1,020) | (902) | - | (902) |
| Employee costs and other external expenses | (2,391) | - | (2,391) | (3,468) | - | (3,468) |
| Other operating income and expenses | (700) | - | (700) | 951 | - | 951 |
| Gain (loss) on disposal of non-current assets | 88 | - | 88 | 403 | - | 403 |
| Operating profit (loss) before depreciation, amortisation and impairment losses (EBITDA) | 6,507 | (4,595) | 1,912 | 9,754 | 2,281 | 12,035 |
| Depreciation and amortisation | (2,175) | - | (2,175) | (3,028) | - | (3,028) |
| Impairment losses and reversals | 750 | - | 750 | (15,849) | - | (15,849) |
| Operating profit (loss) (EBIT) | 5,082 | (4,595) | 487 | (9,123) | 2,281 | (6,842) |
| Gain on investment of enterprises | 151 | - | 151 | (40) | - | (40) |
| Financial income and expenses, net | (814) | - | (814) | (716) | - | (716) |
| Profit (loss) before tax | 4,419 | (4,595) | (176) | (9,879) | 2,281 | (7,598) |
| Tax on profit (loss) for the year | (3,367) | 1,011 | (2,356) | (3,172) | (537) | (3,709) |
| Net profit (loss) from discontinued operations | 1,052 | (3,584) | (2,532) | (13,051) | 1,744 | (11,307) |



Discontinued operations consist of our Oil & Gas segment.

Gas price, EUR/MWh

Oil price, USD/boe

● Gas (NBP) ● Oil (Brent)



Source: ICIS Heren, S&P Global Platts, Danish Central Bank & Thomson Reuters

Financial performance

Revenue totalled DKK 10.5 billion, which is 18% lower than in 2015. The fall is attributable primarily to lower average oil and gas prices, which were partially offset by price hedges.

Oil and gas production fell by 10%, totalling 36.6 million boe.

Production from the Laggan-Tormore field in the UK, which started in February 2016, was more than offset by lower production levels in Norway, among other things as a result of the loss of additional volumes from the Ormen

Lange field from mid-February 2016 according to the redetermination in 2013.

The share of the production from the Ormen Lange field was 16% in 2016 – 2 percentage points higher than the ownership interest of 14% – compared with 24% in 2015. The lower share in 2016 was partially offset by a shut-down of production from the field for a period of 42 days in 2015 due to the connection of new infrastructure to the gas treatment plant at Nyhamna.

EBITDA totalled DKK 6.5 billion, down DKK 3.2 billion on 2015. The decline is attributable

to lower oil and gas prices, which were partially offset by hedging, to a provision of DKK 0.8 billion (without impact at EBIT level) as a result of the termination of the EPC contract with the consortium responsible for the construction of the Hejre platform, and to non-recurring items of DKK 1.2 billion, which conversely contributed positively in 2015. EBITDA from the additional volumes from the Ormen Lange field amounted to DKK 0.3 billion compared with DKK 2.5 billion in 2015.

EBITDA in Denmark declined by DKK 1.5 billion, driven mainly by the previously mentioned provision for onerous contracts

relating to the Hejre platform in 2016 as well as insurance compensation, which contributed positively in 2015.

EBITDA in Norway fell by DKK 4.0 billion as a result of lower production levels and lower prices. In the UK, EBITDA rose by DKK 0.5 billion as a result of the start-up of production from Laggan-Tormore, partially offset by a selling profit relating to 60% of the Glenlivet field, which contributed positively in 2015. Exploration expenses fell by DKK 0.3 billion as a result of lower activity.

Depreciation was DKK 0.9 billion lower in 2016, primarily due to the derived effect of impairment losses in Q4 2015, partially offset by higher depreciation as a result of the start-up of production at Laggan-Tormore.

Impairment losses (including provisions for onerous contracts relating to plants) totalled an income of DKK 0.8 billion in 2016, relating to a partial reversal of the onerous contracts in respect of the Hejre platform, for which provisions were made in December 2015.

Cash flows from operating activities decreased by DKK 1.9 billion, amounting to DKK 4.1 billion in 2016. The decrease was primarily due to lower EBITDA and increased funds tied up in working capital, partially offset by lower tax payments.

Gross investments amounted to DKK 3.4 billion in 2016, which was DKK 2.5 billion lower than in 2015. Investments primarily related to the UK Laggan-Tormore and Glenlivet-Edradour fields as well as the Danish Hejre and Syd Arne fields and the Siri area fields.

The Oil & Gas segment's total costs and investments were reduced by 38% relative to 2015, and this contributed to reaching a free cash flow of DKK 1.1 billion in 2016.



Discontinued operations (DKK million)

| | 2016 | 2015 |
|---|--------------|--------------|
| Property, plant and equipment and intangible assets | 11,914 | 12,382 |
| Net working capital, operations and installations | 1,123 | (126) |
| Derivative financial instruments, net | 1,356 | 5,653 |
| Decommissioning obligations | (6,971) | (7,708) |
| Other provisions | (2,415) | (3,524) |
| Tax, net | (2,238) | (1,233) |
| Capital employed, 31 December | 2,769 | 5,444 |
| Cash flows from discontinued operations | | |
| Cash flows from operating activities | 4,138 | 6,049 |
| EBITDA | 6,507 | 9,754 |
| Financial instruments | (315) | 26 |
| Changes in provisions | 515 | (1) |
| Reversal of gain/loss on sale of assets | (88) | (385) |
| Expensed exploration | 250 | 486 |
| Other items | (41) | (179) |
| Interest expense, net | (395) | (408) |
| Paid tax | (1,706) | (3,976) |
| Change in working capital | (589) | 732 |
| Cash flows from investing activities | (3,032) | (5,393) |
| Cash flows from financing activities | 360 | 19 |
| Cash flows from discontinued operations | 1,466 | 675 |



Assets and liabilities classified as held for sale under discontinued operations concern only our oil and gas business.

Note 3.6 shows the Group's total assets and liabilities classified as held for sale.

List of companies in our Oil & Gas segment

Our Oil & Gas segment consists of nine companies, eight of which are wholly owned subsidiaries.

|  Company | Type ¹ | Ownership interest |
|---|-------------------|--------------------|
| DONG E&P A/S ² , Fredericia, Denmark | S | 100% |
| DONG E&P DK A/S, Fredericia, Denmark | S | 100% |
| DONG E&P Føroyar P/F, Torshavn, Faroe Islands | S | 100% |
| DONG E&P Grønland A/S, Sermersooq, Greenland | S | 100% |
| DONG E&P Norge A/S, Stavanger, Norway | S | 100% |
| DONG E&P Services (UK) Ltd., London, UK | S | 100% |
| DONG E&P (Siri) UK Ltd., London, UK | S | 100% |
| DONG E&P (UK) Ltd., London, UK | S | 100% |
| Shetland Land Lease Ltd., London, UK | A | 20% |



¹ S = subsidiary
A = associate

² Subsidiaries owned directly by DONG Energy A/S



Hydrocarbon exploration and extraction licences in Denmark and abroad

● Producing oil and gas field ● Oil and gas field under construction ● Oil and gas field under evaluation

| Country | Licence | Ownership interest | ● | ● | ● | Country | Licence | Ownership interest | ● | ● | ● |
|---------------|----------------------|--------------------|---|---|---|---------|-----------------------|--------------------|---|---|---|
| Denmark | 7/86 Lulita part | 80% | ● | | | Norway | PL250 Ormen Lange | 9% | ● | | |
| Denmark | 7/89 Syd Arne Field | 37% | ● | | | Norway | PL613 Fafner | 40% | | | ● |
| Denmark | 1/90 Lulita | 40% | ● | | | Norway | PL689 Fat Canoy | 40% | | | ● |
| Denmark | 4/95 Nini Field | 57% | ● | | | Norway | PL689B Hyse Extension | 40% | | | ● |
| Denmark | 6/95 Siri | 100% | ● | | | Norway | PL728 Turtles | 45% | | | ● |
| Denmark | 9/95 Xana | 70% | | | ● | Norway | PL728B Turtles | 45% | | | ● |
| Denmark | 4/98 Solsort | 35% | | | ● | Norway | PL807 Miami | 40% | | | ● |
| Denmark | 4/98 Xana east | 70% | | | ● | Norway | PL844 Klippfisk | 40% | | | ● |
| Denmark | 5/98 Hejre | 60% | | | ● | Norway | PL845 Edelgran | 20% | | | ● |
| Denmark | 16/98 Cecilie Field | 56% | ● | | | UK | P911 Laggan | 20% | ● | | |
| Denmark | 1/06 Hejre Extension | 48% | | | ● | UK | P967 Tobermory | 33% | | | ● |
| Denmark | 3/09 Solsort | 35% | | | ● | UK | P1026 Rosebank | 10% | | | ● |
| Denmark | 15/16 Lappedykker | 60% | | | ● | UK | P1028 Cambo | 20% | | | ● |
| Denmark | 16/16 Nattergal | 30% | | | ● | UK | P1159 Tormore | 20% | ● | | |
| Faroe Islands | F018 Naddoddur | 100% | | | ● | UK | P1189 Cambo | 20% | | | ● |
| Faroe Islands | F019 Marjun | 100% | | | ● | UK | P1190 Tornado | 25% | | | ● |
| Greenland | G2013/40 Amaroq | 18% | | | ● | UK | P1191 Rosebank South | 10% | | | ● |
| Norway | PL019B Gyda | 34% | ● | | | UK | P1195 Glenlivet | 20% | | ● | |
| Norway | PL113 Mjølner | 70% | | | ● | UK | P1262 Tornado | 20% | | | ● |
| Norway | PL122 Marulk | 30% | ● | | | UK | P1272 Rosebank | 10% | | | ● |
| Norway | PL122B Marulk | 30% | ● | | | UK | P1453 Edradour | 20% | | ● | |
| Norway | PL122C Marulk | 30% | ● | | | UK | P1598 Cragganmore | 55% | | | ● |
| Norway | PL122D Marulk | 30% | ● | | | UK | P1678 Tormore | 20% | ● | | |
| Norway | PL159B Alve | 15% | ● | | | UK | P1830 Black Rock | 25% | | | ● |
| Norway | PL208 Ormen Lange | 45% | ● | | | UK | P2138 Rockall | 10% | | | ● |

|  Employee costs, discontinued operations (DKK million) | 2016 | 2015 |
|--|------------|------------|
| Wages, salaries and remuneration | 692 | 691 |
| Share-based payment | 6 | 15 |
| Pensions | 51 | 61 |
| Other social security costs | 19 | 22 |
| Other employee costs | 10 | 18 |
| Employee costs before transfers to assets | 778 | 807 |
| Transfers to assets | (325) | (313) |
| Employee costs | 453 | 494 |

 The table shows salaries, wages and remuneration for the Oil & Gas segment, which is presented in the income statement in profit (loss) for the year from discontinued operations.

|  Unrecognised tax assets, discontinued operations (DKK million) | 2016 | 2015 |
|---|---------------|---------------|
| Denmark, hydrocarbon income (Chapter 3A of DHTA), tax base | 17,917 | 23,717 |
| Denmark, hydrocarbon income (Chapter 2 of DHTA), tax base | 3,421 | 546 |
| The UK, hydrocarbon income, special income tax and hydrocarbon tax, tax base | 4,084 | 6,011 |
| Greenland and the Faroe Islands, hydrocarbon income, tax base | 229 | 221 |
| Total at 31 December | 25,651 | 30,495 |

 Unrecognised tax assets can be carried forward indefinitely.

Employee costs

At the end of 2016, the number of employees in the Oil & Gas segment was 472 (2015: 727). In 2015 and 2016, different initiatives have been launched to reduce costs including significant reductions in the number of employees. Wages and salaries comprise wages and severance pay to former employees.

Tax

Unrecognised deferred tax assets
Our unrecognised deferred tax assets in discontinued operations relate partly to unutilised losses in hydrocarbon income in Denmark and the UK, and partly to the basis of depreciation for the hydrocarbon regime in Denmark. We consider it unlikely that these losses can be utilised in the foreseeable future.

|  2016 (DKK million) | Business performance | | |
|---|--------------------------|----------------|-----------------|
| | Profit (loss) before tax | Tax | Tax rate |
| Oil and gas activities in Norway (hydrocarbon income) | 1,860 | (1,489) | 80% |
| Oil and gas exploration activities in the UK and the Faroe Islands | 269 | 0 | n.a. |
| Gains (losses) from divestments and other non-taxable income and non-deductible costs | (17) | 38 | 223% |
| Impairment losses | 750 | (1,575) | 210% |
| Other activities in the Oil & Gas segment | 1,557 | (341) | 22% |
| Effective tax for the year | 4,419 | (3,367) | 76% |
| Tax on profit (loss) for the year, IFRS | (176) | (2,356) | (1,339)% |

|  2015 (DKK million) | Profit (loss) before tax | Tax | Tax rate |
|---|--------------------------|----------------|--------------|
| Oil and gas activities in Norway (hydrocarbon income) | 4,664 | (3,887) | 83% |
| Oil and gas exploration activities in the UK and the Faroe Islands | (67) | 47 | 70% |
| Impairment losses | (15,849) | 1,012 | 6% |
| Other activities in the Oil & Gas segment | 1,373 | (344) | 25% |
| Effective tax for the year | (9,879) | (3,172) | (32)% |
| Tax on profit (loss) for the year, IFRS | (7,598) | (3,709) | (49)% |



Impairment losses in the Oil & Gas segment in 2016 consisted of reversal of impairment losses from previous years as well as impairment of the remaining tax assets to zero.

Current tax

Total current tax amounted to DKK 879 million in 2016 against DKK 3,693 in 2015.

Market risks

Oil & Gas

The price exposure of the Oil & Gas segment concerns the production of oil and gas.

The hedging of the gas and oil exposures is carried out after tax, including the special hydrocarbon tax, to achieve the desired stabilisation of cash flows after tax.

For 2017-2021, the oil and gas exposures totalled DKK 6.5 billion and DKK 6.3 billion, respectively, or DKK 12.8 billion in total after hedging. The market value of hedging contracts in the Oil & Gas segment at 31 December 2016 totalled DKK 1.4 billion, of which DKK 1.1 billion is expected to be recognised in business performance EBITDA for the discontinued operations in 2017.

Liability to pay compensation

According to legislation, the companies DONG E&P A/S, DONG E&P DK A/S and DONG E&P Grønland A/S are liable to pay

compensation for any environmental accidents or other types of damage caused by our oil and gas activities, even when there is no proof of negligence (strict liability). We have taken out insurance to cover any such claims.

Guarantees

DONG Energy has furnished the Danish State with guarantees for the fulfilment of obligations and liability in damages towards the State or third parties incurred by DONG E&P A/S or DONG E&P DK A/S in connection with the companies' participation in exploration and production licences, irrespective of whether the obligations and liability rest on DONG E&P A/S or DONG E&P DK A/S alone or jointly and severally with others.

The guarantees are not capped, but if claims are made under a guarantee due to obligations assumed by DONG E&P A/S or DONG E&P DK A/S on a joint and several basis with other licensees, the guarantee amount cannot exceed a amount corresponding to twice

DONG E&P's or DONG E&P DK A/S's share of each obligation or liability.

As a condition for approval of its participation in oil and gas exploration and production on the Norwegian, UK, Greenland and Faroese continental shelves, DONG Energy has provided a guarantee as normally required by the local authorities. The guarantee covers obligations and liability incurred or assumed by DONG Energy's Oil & Gas segment in connection with exploration and production activities.

The guarantees are not capped, and DONG Energy is jointly and severally liable with the other licensees for any environmental accidents or other damage.

Litigations

In March 2016, the Hejre licensing partners (DONG O&G and Bayerngas) terminated the EPC contract for the Hejre platform with immediate effect due to the EPC consortium's

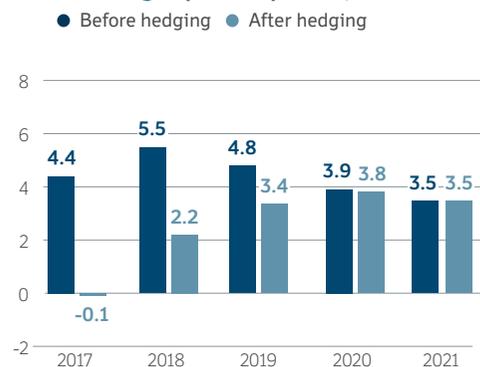
material breach of its contractual obligations. Both DONG O&G and the EPC consortium have instituted arbitration proceedings concerning the EPC contract; these were initiated before and after the EPC contract was terminated. The arbitration proceedings are in the preparatory phase, and the proceedings have not yet been scheduled for hearing.

Development projects in progress

In March 2015, the UK authorities approved the joint extension of the Edradour and Glenlivet gas fields. Both fields will be connected to the existing gas pipeline from Laggan-Tormore and Shetland Gas Plant. We expect that Edradour and Glenlivet will start production in 2017. The drilling of the first two wells and the extension work have gone according to plan in 2016.

The Oil & Gas segment consists of a strong portfolio of oil and gas assets in Denmark, Norway and the UK. The asset portfolio has attractive lifting costs and the potential to generate value-adding returns and cash flows.

Oil and gas price exposure, DKK billion



The figure shows the oil and gas price exposure before and after hedging for the years 2017-2021.

| Exploration activities (DKK million) | 2016 | 2015 |
|--|--------------|--------------|
| Income from exploration activities | 0 | 407 |
| Exploration expenses | (522) | (868) |
| Exploration expenses, net | (522) | (461) |
| Exploration assets | 7 | 39 |
| Obligations in respect of exploration assets | (8) | (26) |
| Exploration assets, net | (1) | 13 |
| Cash flows from operating activities | (197) | (240) |
| Cash flows from investing activities | (191) | (139) |
| Free cash flow (FCF) | (388) | (379) |

The table shows the development in exploration activities for discontinued operations.

Exploration activities

The exploration activities in the Oil & Gas segment have been scaled down over the years. Costs of exploration activities totalled net DKK 522 million in 2016 (2015: DKK 461 million).

The activities have been reduced significantly relative to 2015. The costs of exploration activities primarily relate to one exploration well in the Hejre oil/gas field. In 2015, the exploration wells Xana and Solsort were expensed.

The reason for the lower exploration activities is primarily the fall in oil and gas prices, which leads to uncertainty regarding the financial viability of any expansion of these.



Accounting policies

Exploration activities

Exploration assets comprise exploration drilling expenses that relate to successful wells. Costs are recognised using the successful-efforts method. Under the successful-efforts method, exploration drilling expenses for drilling specific exploration wells are recognised in the balance sheet if the well is successful. Recognition in the balance sheet is maintained pending determination of commercial viability.

Recognised exploration drilling expenses for commercial discoveries are transferred to property, plant and equipment under construction on commencement of the construction of a field. All exploration drilling expenses determined as unsuccessful are recognised in profit (loss) for the year as other external expenses.

Application of the successful-efforts method means that the value of the Group's exploration assets is lower than if the full-cost method had been applied.

Exploration assets are not depreciated, as depreciation of such assets does not commence until the assets are available for use, on which date they are transferred to production assets.

Tax

Subsidiaries that are engaged in oil and gas extraction (hydrocarbons) are subject to the hydrocarbon tax legislation in the countries in which they operate. Hydrocarbon taxes are calculated on the basis of taxable hydrocarbon income and comprise taxes calculated on the basis of the respective country's ordinary income tax rate as well as taxes calculated on the basis of increased tax rates. Hydrocarbon taxes are recognised under tax on profit (loss) for the year.

For other accounting policies concerning tax for the year as well as deferred tax, reference is made to notes 5.2 and 5.4.



Critical accounting estimates

Assumptions for impairment test

The assessment of oil and gas reserves is based on estimates of both proved and probable reserves (Proved plus Probable/2P). Proved reserves are the estimated volumes of oil and gas that, under existing economic conditions, are recoverable using known technology from reservoirs in which oil or gas has been proved.

Probable reserves are those additional reserves that are less likely to be recovered than proved reserves. DONG Energy conducts an annual internal evaluation and review of the Group's reserves. An independent valuer has reviewed DONG Energy's reserves classification system and guidelines and has verified that the internal guidelines are in agreement with the SPE-PRMS guidelines.

Oil and gas production assets are depreciated using the unit-of-production method, which means that the useful lives of these production assets are determined based on expectations concerning annual production and estimated reserves for each field. Changed expectations concerning future annual production and/or estimated reserves for each field may therefore result in a need to reassess the useful lives of the production assets of the individual fields.

For other accounting policies concerning intangible assets and property, plant and equipment as well as impairment test, reference is made to note 3.1.



3.8 Non-controlling interests

| Transactions with non-controlling interests (DKK million) | 2016 | 2015 | (DKK million) | A2SEA A/S group | | Gunfleet Sands Holding Ltd. group | | Walney (UK) Offshore Windfarms Ltd. | |
|--|--------------|--------------|--|-----------------|-------|--------------------------------------|-------|--|-------|
| | | | | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 |
| Transactions with non-controlling interests | | | Statement of comprehensive income | | | | | | |
| Dividends paid to non-controlling interests | (404) | (549) | Revenue | 665 | 1,293 | 430 | 484 | 1,126 | 1,267 |
| Disposal of equity investments to non-controlling interests | (100) | (70) | EBITDA | (6) | 359 | 233 | 288 | 569 | 752 |
| Other capital transactions with non-controlling interests | (23) | (2) | Profit (loss) for the year | (149) | (209) | 21 | 54 | 67 | 179 |
| Total transactions, cf. statement of cash flows | (527) | (621) | Total comprehensive income | (149) | (209) | (202) | 186 | (508) | 323 |
| Disposal of equity investments to non-controlling interests | | | Profit (loss) for the year attributable to non-controlling interests | (123) | (124) | 10 | 90 | 21 | 63 |
| Selling price | 19 | 22 | Balance sheet | | | | | | |
| Of which change in receivables relating to the acquisition and disposal of non-controlling interests | (119) | (41) | Non-current assets | 1,855 | 2,332 | 2,637 | 3,252 | 6,813 | 8,318 |
| Of which change in payables relating to the acquisition and disposal of non-controlling interests | - | (52) | Current assets | 325 | 459 | 166 | 169 | 231 | 301 |
| Cash selling price, total | (100) | (71) | Non-current liabilities | - | 258 | 304 | 313 | 700 | 712 |
| | | | Current liabilities | 195 | 399 | 63 | 40 | 195 | 134 |
| | | | Carrying amount of non-controlling interests | 837 | 961 | 1,215 | 1,531 | 3,075 | 3,886 |
| | | | Statement of cash flows | | | | | | |
| | | | Cash flows from operating activities | 444 | 165 | 225 | 264 | 650 | 754 |
| | | | Cash flows from investing activities | 14 | (92) | - | - | (1) | (6) |
| | | | Cash flows from financing activities | (92) | (163) | (227) | (255) | (630) | (720) |
| | | | of which dividends paid to non-controlling interests | - | (86) | (113) | (127) | (302) | (334) |



The table shows transactions with non-controlling interests.

| Subsidiaries with significant non-controlling interests | Non-controlling interest | Registered office |
|---|--------------------------|-------------------|
| A2SEA A/S | 49.0% | Fredericia, DK |
| Gunfleet Sands Holding Ltd. | 49.9% | London, UK |
| Walney (UK) Offshore Windfarms Ltd. | 49.9% | London, UK |



Our subsidiaries with significant non-controlling interests.



Accounting policies

Transactions with non-controlling interests are accounted for as transactions with the shareholder base.

Gains and losses on the divestment of equity investments to non-controlling interests are recognised in equity when the divestment does not result in a loss of control.

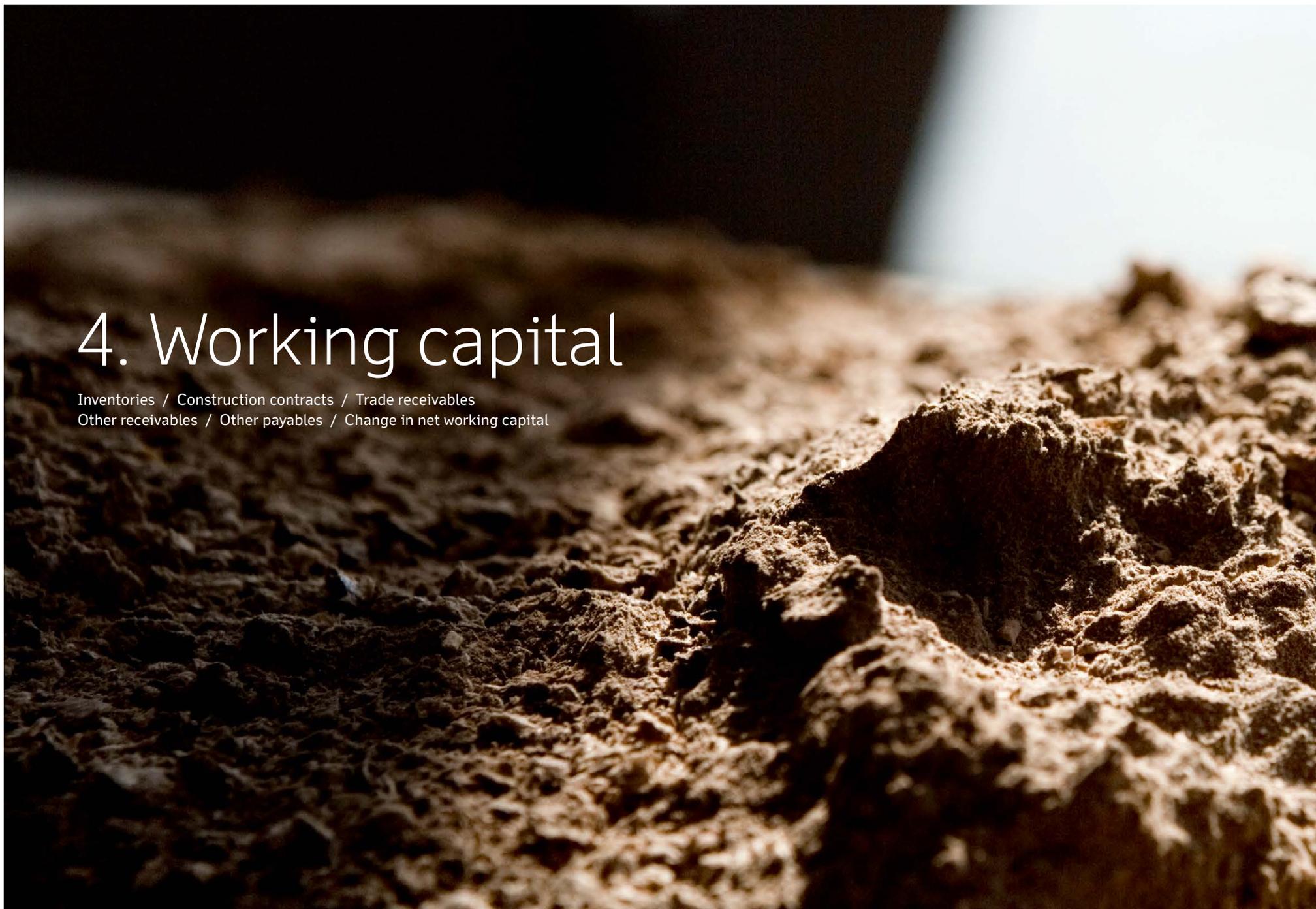
Net assets acquired are not revalued on the acquisition of non-controlling interests. Any difference between the carrying amount and the acquisition or selling price is recognised in equity.



In the table, we provide financial information for our subsidiaries with material non-controlling interests. The amounts stated are the consolidated figures of the individual enterprises/groups, determined according to our accounting policies.

4. Working capital

Inventories / Construction contracts / Trade receivables
Other receivables / Other payables / Change in net working capital



4. Working capital

-1.0bn

Our net working capital, excluding trade payables relating to capital expenditure in 2016

1.9bn

We have an additional amount of DKK 1,883 million tied up in working capital relative to 2015

We are continuously working to optimise funds tied up in working capital.

Working capital

Our most important working capital items consist of inventories, construction contracts, trade receivables, trade payables and other payables, including prepayments from heat customers and connection charges from power customers.

Working capital items vary across the year in line with the seasonal variations in our production and sales activities. The contracts in Wind Power for the construction of offshore wind farms with partners and for the construction of offshore transmission systems in the UK also vary over the year and from year to year. This is due to the fact that payments are received in the form of milestone payments from partners and upon divestment of the transmission assets after construction, respectively.

Trade payables relating to capital investments are not included in this section as they are presented as part of the cash flows from investing activities.

| Total (DKK million) | 2016 | 2015 |
|---|----------------|----------------|
| Inventories | 3,451 | 3,567 |
| Construction contracts, net | 6,282 | 3,193 |
| Trade receivables | 7,286 | 7,739 |
| Other receivables | 1,402 | 1,737 |
| Receivables from associates and joint ventures | - | 6 |
| Trade payables, excluding trade payables relating to capital expenditure | (7,304) | (7,092) |
| Other payables | (12,121) | (12,037) |
| Net working capital, excluding trade payables relating to capital expenditure at 31 December | (1,004) | (2,887) |
| Of which construction contracts and related trade payables | 3,944 | 1,701 |
| Of which other working capital | (4,948) | (4,588) |

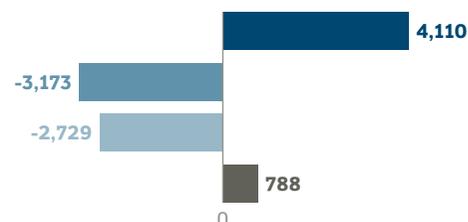


Our net working capital has changed substantially relative to 2015. This is due primarily to the development in construction contracts, net.

The Oil & Gas segment is presented as discontinued operations in 2016. As a consequence thereof, working capital is presented exclusive of Oil & Gas's external working capital.

Working capital, DKK million 2016

- Wind Power
- Bioenergy & Thermal Power
- Distribution & Customer Solutions
- Other



Wind Power primarily has funds tied up in construction contracts, while BTP and DCS have a negative capital as a result of prepayments from heat and electricity customers.

4.1 Inventories

| Inventories (DKK million) | 2016 | 2015 |
|--------------------------------------|--------------|--------------|
| Biomass | 244 | 136 |
| Gas | 1,286 | 1,232 |
| Coal | 395 | 288 |
| Oil | 111 | 135 |
| Green certificates | 1,282 | 1,578 |
| CO ₂ emissions allowances | 80 | 127 |
| Other inventories | 53 | 71 |
| Inventories at 31 December | 3,451 | 3,567 |



The largest portfolios are gas for fuel and ROCs in connection with the generation of power by using renewable energy sources.

Biomass, gas, coal and oil are used as fuel in our CHP plants. Green certificates are primarily Renewables Obligation Certificates (ROCs), which are issued to producers of power by using renewable energy sources under the Renewables Obligation scheme in the UK.



Accounting policies

The cost of gas in the storage facility is determined as a weighted average of the previous month's purchase prices, including transportation costs.

Purchased CO₂ emissions allowances are measured at market value.

Other inventories are measured at cost using the first-in, first-out (FIFO) principle or net realisable value.

Inventories are written down to the lower of net realisable value and cost price.

The net realisable value is the amount (discounted), which the inventories are expected to generate through a normal sale.



4.2 Construction contracts

| Construction contracts (DKK million) | 2016 | 2015 |
|---|----------|---------|
| Selling price of construction contracts | 18,279 | 11,761 |
| Invoicing on account | (11,997) | (8,568) |
| Construction contracts at 31 December | 6,282 | 3,193 |
| Construction contracts (assets) | 6,453 | 3,864 |
| Construction contracts (liabilities) | (171) | (671) |
| Construction contracts at 31 December | 6,282 | 3,193 |



The table shows the selling price less invoiced on account as well as where construction contracts are presented in the balance sheet under assets and liabilities.

Construction contracts

We construct offshore wind farms in cooperation with partners, with each party owning 50% of the offshore wind farm. Construction contracts comprise our partners' shares of the offshore wind farms and our construction of offshore transmission systems for Ofgem in the UK. The contracts are negotiated individually in terms of their design, construction and technology.

Construction contracts at the end of 2016 include our partners' shares of the offshore wind farms Burbo Bank Extension, Gode Wind 1 and Gode Wind 2. The offshore wind farms are under construction, and we expect them to be completed in 2017. Construction contracts also include the construction of five offshore transmission systems in the UK. They are expected to be completed in 2017-2020.

In 2015, construction contracts included the offshore wind farms Borkum Riffgrund 1, Gode Wind 1 and Gode Wind 2 as well as five offshore transmission systems in the UK.



Accounting policies

The construction contracts are recognised in revenue when the outcome of the contracts can be estimated reliably.

The construction contracts are measured at the selling price of the work which we have performed on the offshore wind farms less invoiced on account. Our calculation of the selling price is based on the total expected income from the individual contracts and the completion degree of the offshore wind farm or offshore transmission system at the balance sheet date.

An expected loss is recognised when it is assessed probable that the total construction costs will exceed the total revenue from individual contracts. The expected loss is recognised as an expense and a provision.

Construction contracts are recognised as receivables when the selling price of the work which we have performed exceeds invoiced on account and expected losses.

Construction contracts are recognised as liabilities when invoiced on account and expected losses exceed the selling price. Prepayments from investors are recognised as liabilities.



Critical accounting estimates

We make an estimate when we are determining the expected selling price of an individual construction contract. These estimates are influenced by management's assessment of:

- the completion degree of the individual offshore wind farm and offshore transmission system
- the value of incentive agreements under which we may be paid a bonus for early delivery or have to pay compensation for late delivery
- liabilities assumed such as guarantee commitments
- share of total costs associated with offshore transmission systems which are expected to be covered upon handover etc.

Our determination of profit on payments received on account and the recognition of receivables are therefore subject to material uncertainty. We believe that our estimates are the most likely outcomes of future events.

4.3 Trade receivables

| Trade receivables (DKK million) | 2016 | 2015 |
|--|--------------|--------------|
| Trade receivables, not overdue | 6,661 | 7,345 |
| Trade receivables, 1-30 days overdue | 568 | 270 |
| Trade receivables, more than 30 days overdue | 171 | 228 |
| Trade receivables, write-down | (114) | (104) |
| Trade receivables at 31 December | 7,286 | 7,739 |



The table shows the classification by maturity of trade receivables.

Trade receivables

Our trade receivables primarily concern residential customers in Distribution & Customer Solutions, where the general terms of payment vary according to customer type and product type down to payment terms of 10 days.

Write-downs for the year totalled DKK 59 million (2015: DKK 24 million). Losses for the year totalled DKK 43 million (2015: DKK 21 million).



Accounting policies

Write-downs are made for bad debts when there is an objective indication of impairment.

The write-down is calculated as the difference between the carrying amount and the net present value of expected future cash flows associated with the receivable.

The discount rate used is the effective interest rate for the individual receivable or the individual portfolio.

4.4 Other receivables

| Other receivables (DKK million) | 2016 | 2015 |
|--|--------------|--------------|
| Receivables from the divestment of equity investments to non-controlling interests | 544 | 468 |
| Receivables from the divestment of assets and investments | 202 | 1,043 |
| VAT and other indirect taxes receivable | 367 | 456 |
| Central clearing counterparties | 400 | 40 |
| Prepayments | 207 | 657 |
| Other accounts receivable | 505 | 744 |
| Other receivables | 2,225 | 3,408 |
| Of which working capital | 1,402 | 1,737 |
| Of which other capital employed | 545 | 754 |
| Of which interest-bearing net debt | 278 | 917 |



The table shows our other receivables broken down on working capital, interest-bearing net debt and other capital employed.

Other receivables

Receivables from the divestment of equity investments to non-controlling interests in 2016 and 2015 related primarily to the divestment of investments in the offshore wind farms Gunfleet Sands and Walney.

Receivables from the divestment of assets and investments concerned primarily the sale of the German offshore wind farm project Gode Wind 1 in 2015 as well as receivables from the divestment of ownership interests in Glenlivet in 2014.

The Group's central clearing counterparties comprise receivables from banks in connection with trading on energy exchanges.

Prepayments in 2015 consisted primarily of prepayments from business partners in Oil & Gas. In 2016, these are presented as assets classified as held for sale.

The short-term portion of other receivables totalled DKK 1,710 million (2015: DKK 2,657 million).



Accounting policies

Other receivables are recognised at amortised cost or net realisable value, if lower.

Other receivables consist primarily of:

- Receivables from the divestment of assets and investments
- Receivables from the divestment of equity investments to non-controlling interests
- Prepayments
- VAT and other indirect taxes receivable

4.5 Other payables

| Other payables (DKK million) | 2016 | 2015 |
|---|---------------|---------------|
| Payables to associates and joint ventures | 136 | 345 |
| Prepaid VAT on exports | 1,749 | 1,549 |
| CO ₂ rights | 72 | 111 |
| VAT and other indirect taxes payable | 1,460 | 1,389 |
| Salary-related items payable | 736 | 838 |
| Accrued interest | 629 | 801 |
| Virtual gas storage | 69 | 40 |
| Advance payments from heat customers | 2,890 | 1,891 |
| Grid connection charges | 1,775 | 1,645 |
| Other deferred income | 1,320 | 1,037 |
| Central clearing counterparties | 1,096 | 1,952 |
| Other accounts payable | 967 | 2,223 |
| Other payables | 12,899 | 13,821 |
| Of which working capital | 12,121 | 12,037 |
| Of which other capital employed | 629 | 1,006 |
| Of which interest-bearing net debt | 149 | 778 |



The table shows our other payables broken down on working capital, interest-bearing net debt and other capital employed.

Other payables

In 2016, other payables were reduced by DKK 922 million relative to 2015. The main reason for this is that Oil & Gas has been presented as assets held for sale.

The majority of Oil & Gas's other payables consist of payables to business partners, which were included in other accounts payable in 2015.

The short-term portion of other payables totalled DKK 6,277 million in 2016 (2015: DKK 7,908 million).

4.6 Change in net working capital

| Change in net working capital (DKK million) | 2016 | 2015 |
|--|----------------|------------|
| Change in inventories | 32 | (589) |
| Change in construction contracts | (3,232) | (2,879) |
| Change in trade receivables | 616 | 227 |
| Change in other receivables | (322) | 366 |
| Change in trade payables | 874 | 801 |
| Change in other payables | 520 | 2,661 |
| Change in net working capital | (1,512) | 587 |
| Of which changes relating to construction contracts and related trade payables | (2,393) | (1,418) |
| Of which changes relating to other working capital | 881 | 2,005 |



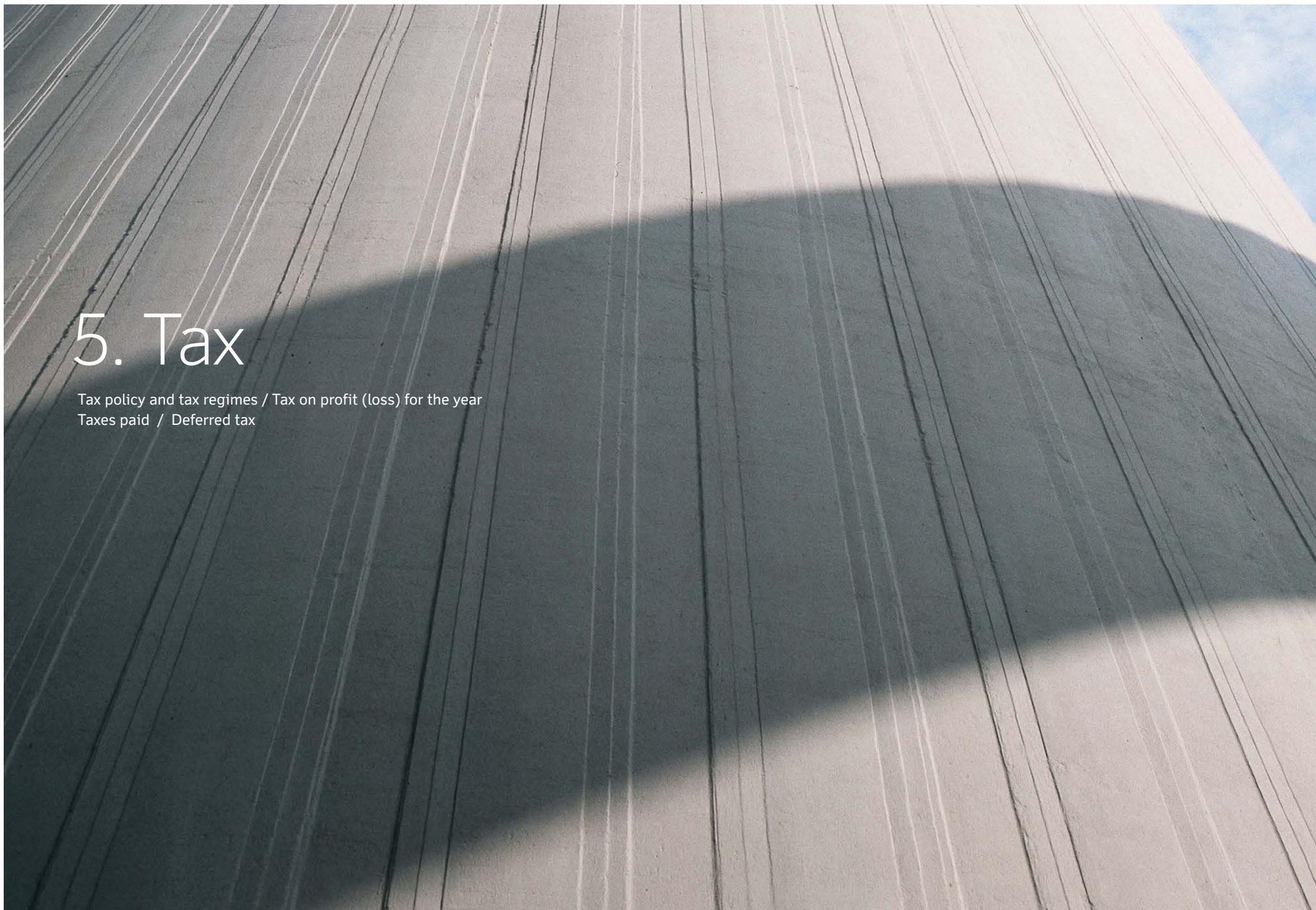
Specification of changes in net working capital.

Change in net working capital

Funds tied up in net working capital in 2016 primarily related to clearing counterparties in connection with trading on energy exchanges in Distribution & Customer Solutions and construction contracts for offshore transmission systems and offshore wind farms for partners in Wind Power.

5. Tax

Tax policy and tax regimes / Tax on profit (loss) for the year
Taxes paid / Deferred tax



5. Tax

14.4bn

The profit (loss) before tax according to business performance totalled DKK 14,352 million

3.2bn

Income tax paid by the Group totalled DKK 3,182 million

3.5bn

Current tax in 2016 totalled DKK 3,541 million

Responsible approach to tax

Our tax policy is public, and we acknowledge that tax plays a key role for society. We also believe that a responsible approach to tax is essential to the long-term sustainability of our business in the countries in which we operate.

Tax on profit (loss) for the year

The effective tax rate was 15% for the continuing operations. The effective tax rate was particularly affected by a tax-exempt gain on the divestment of Gas Distribution and 50% of the offshore wind farms Race Bank and Burbo Bank Extension.

Taxes paid

Based on the results of the activities in Denmark and retaxation on the divestment of 50% of Race Bank and Burbo Bank Extension, we paid DKK 3,182 million in taxes for 2016.

Deferred tax

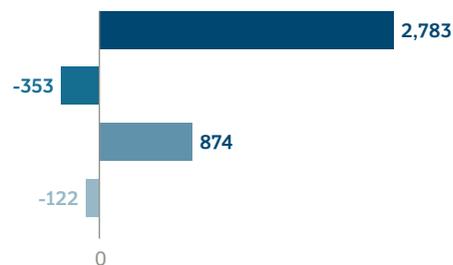
Development in deferred tax was significantly impacted by the fact that the Oil & Gas segment was transferred to assets and liabilities classified as held for sale. The development was also affected by changes in tax relating to recognised profit received on account in Wind Power and to financial instruments in Distribution & Customer Solutions. The retaxation balance was affected by retaxation on divestments, and finally, the tax loss carryforwards changed due to the utilisation in 2016.

Income tax paid by segment, 2016 (DKK 3,182 million)

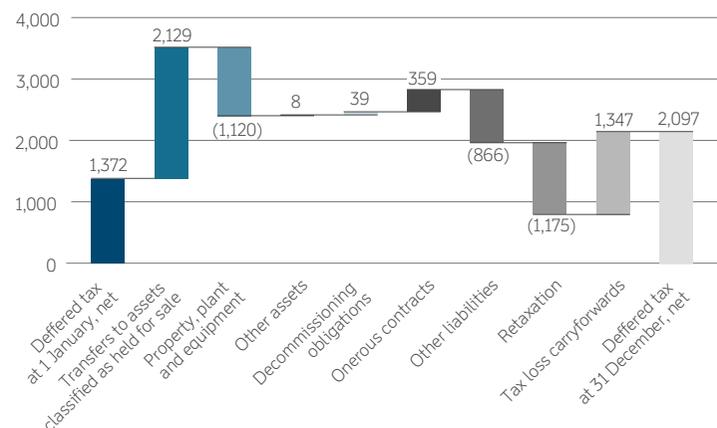
- Wind Power
- Bioenergy & Thermal Power
- Distribution & Customer Solutions
- Group enterprises



The tax paid is mainly related to our wind activities.



Development in deferred tax assets and liabilities, DKK million 2016



As a result of the expected sale of our Oil & Gas segment, the Group's deferred tax assets have been reduced by DKK 2,129 million.

5.1 Tax policy and tax regimes

Our tax policy

We acknowledge that tax plays a key role for society. We also believe that a responsible approach to tax is essential to the long-term sustainability of our business in the countries in which we operate.

We are subject to a number of different rules on direct and indirect taxes as well as taxes collected on behalf of the Danish State. Also, many transactions involve different segments across national borders and between different tax systems. Due to this complexity, we have a strong focus on the management of our tax affairs.

→ Read more about our tax policy on www.dongenergy.com/taxpolicy

We comply with tax rules

We regularly assess our internal processes and controls to ensure that we comply with all local and international tax rules. Due to the scope of intra-group transactions across national borders, transfer pricing and VAT are particularly important issues.

We do not use structures which

- are artificially constructed tax structures designed for tax evasion
- have no commercial substance
- do not meet the spirit of local or international tax law

Use of incentives

We use the incentives and tax reliefs applying where we have commercial activities, and where this is the legislator's intention.

We engage in dialogue with tax authorities

As a proactive approach to handling any uncertainties about the interpretation of tax rules, we have an open dialogue with the national tax authorities in Denmark and abroad.

Countries in which we operate

We are subject to a number of different tax regimes in the countries in which we operate. At the end of 2016, we had the largest continuing operations in Denmark, the UK and Germany.

International joint taxation

We have been taxed under the Danish international joint taxation scheme since 2005. International joint taxation means that depreciation and amortisation for tax purposes and expenses incurred abroad can be deducted in the Danish statement of taxable income, just as profit earned abroad is taxed in Denmark. In recent years, we have made significant investments in Denmark and abroad, especially in wind power and in developing oil and gas production. Over the past ten years, we have realised significant depreciation and amortisation for tax purposes and thus major advanced deductions. This means that some

of the Danish tax payments are deferred to subsequent years.

The rules concerning Danish international joint taxation merely result in changes to the timing of the tax payments in Denmark. It thus leads to increased Danish tax payments at a later point in time, corresponding to the tax savings realised in previous years.

Provisions have been made for deferred tax payments, which totalled DKK 1,730 million in 2016 against DKK 2,903 million in 2015. See note 5.4.

Local taxes

In Denmark, we have for a number of years paid modest income tax. The reason for this is that we have incurred significant costs in connection with the establishment of offshore wind farms, biomass conversions in Bio-energy & Thermal Power and the development and maintenance of existing production facilities. In addition, earnings in previous years in Denmark were impacted by, among other things, falling power prices and large exchange rate fluctuations. In terms of tax, 2016 was positively impacted by a number of lump sum payments from the renegotiation of gas purchase contracts and completed construction contracts in connection with the construction of offshore wind farms.

As from 2015, the subsidiary A2SEA A/S joined the tonnage tax scheme for a

binding 10-year period. Under the tonnage tax scheme, the calculation of taxable income is not based on income and expenses as with normal income taxation. Instead, taxable income is calculated based on the tonnage used during the period with addition/deduction of taxable gains (losses) on the disposal of property, plant and equipment.

We have made significant investments in offshore wind farms in the UK, resulting in the accumulation of significant tax assets in recent years. Accordingly, we have not paid taxes in the UK. However, this will now change as a result of the new rules on interest and loss relief restriction entering into force in 2017.

We have also made significant investments in offshore wind farms in Germany. We expect to become liable to pay tax in Germany within the next couple of years.

5.2 Tax on profit (loss) for the year

Income tax

Tax on the business performance profit (loss) was DKK -2,191 million in 2016 against DKK 455 million in 2015. The effective tax rate was 15% in 2016 against -89% in 2015.

The effective tax rate in 2016 was particularly affected by a tax-exempt gain on the divestment of Gas Distribution and 50% of the offshore wind farms Burbo Bank Extension and Race Bank.

The tax rate in 2015 was effected by recognised tax assets in 2015 and previous years.

| 2016 (DKK million) | Business performance | | |
|-----------------------------------|--------------------------|----------------|------------|
| | Profit (loss) before tax | Tax | Tax rate |
| Gain (loss) on divestments | 4,243 | (88) | 2% |
| Rest of the Group | 10,109 | (2,103) | 21% |
| Effective tax for the year | 14,352 | (2,191) | 15% |

| 2015 (DKK million) | Business performance | | |
|---|--------------------------|------------|--------------|
| | Profit (loss) before tax | Tax | Tax rate |
| Unrecognised tax assets and capitalisation of tax assets not previously capitalised | - | 497 | n.a. |
| Effect of change in tax rate | - | 49 | n.a. |
| Rest of the Group | 512 | (91) | 19% |
| Effective tax for the year | 512 | 455 | (89)% |



Gain (loss) on divestments primarily consists of profit from the divestment of Gas Distribution, Burbo Bank Extension and Race Bank.



Accounting policies

We are taxed jointly with our Danish and foreign subsidiaries (international joint taxation). Subsidiaries are included in the joint taxation from the date they are included in the consolidation in the consolidated financial statements and up to the date on which they are no longer included in the consolidation.

Tax for the year consists of current tax, changes in deferred tax and adjustment in respect of previous years. In addition, some of the tax for the year is tonnage tax. Tonnage tax is recognised as current tax in the income statement. Tax on profit (loss) for the year is recognised in the income statement, and tax on other comprehensive income items is recognised in other comprehensive income.

Tax on profit (loss) for the year and other comprehensive income

In 2016, tax on the IFRS profit (loss) for the year amounted to DKK 1,715 million consisting of current tax of DKK 3,541 million, changes in deferred tax of DKK 1,385 million, tax on assets classified as held for sale of DKK 87 million and an adjustment of tax in respect of previous years of DKK 54 million.

In 2015, tax on the IFRS profit (loss) for the year amounted to DKK 184 million consisting of current tax of DKK 622 million, changes in deferred tax of DKK 596 million and an adjustment of tax in respect of previous years of DKK 211 million. The change in deferred tax for the year was primarily due to impairment losses in respect of property, plant and equipment.

| | 2016 | | 2015 | |
|--|----------------------|----------------|----------------------|-------------|
| | Business performance | IFRS | Business performance | IFRS |
| Income tax (DKK million) | | | | |
| Tax on profit (loss) for the year | (2,191) | (1,715) | 455 | 184 |
| Tax on other comprehensive income | 345 | (131) | (345) | (74) |
| Tax on hybrid capital | 141 | 141 | 172 | 172 |
| Total tax for the year | (1,705) | (1,705) | 282 | 282 |
| Tax on profit (loss) for the year can be broken down as follows: | | | | |
| Current tax | (3,541) | (3,568) | (622) | (622) |
| Deferred tax | 1,385 | 1,801 | 867 | 596 |
| Tax on assets classified as held for sale | (87) | (87) | (1) | (1) |
| Adjustment of tax concerning previous years | 52 | 52 | 211 | 211 |
| Tax on profit (loss) for the year | (2,191) | (1,715) | 455 | 184 |
| Tax on other comprehensive income can be broken down as follows: | | | | |
| Current tax | (138) | (138) | (74) | (74) |
| Deferred tax | 483 | 7 | (271) | - |
| Tax on other comprehensive income | 345 | (131) | (345) | (74) |



The effective tax for the year is calculated on the basis of the profit (loss) before tax from continued operations.

| | 2016 | | | | 2015 | | | |
|--|----------------------|-----------|----------------|-----------|----------------------|-------------|-------------|-------------|
| | Business performance | | IFRS | | Business performance | | IFRS | |
| Effective tax rate (DKK million/%) | DKK million | % | DKK million | % | DKK million | % | DKK million | % |
| Tax on profit (loss) for the year can be explained as follows: | | | | | | | | |
| Calculated 22% tax on profit (loss) before tax (2015: 23.5%) | (3,157) | 22 | (2,681) | 22 | (121) | 23.5 | (392) | 23.5 |
| Adjustments of calculated tax in foreign subsidiaries in relation to 22% (2015: 23.5%) | 229 | (2) | 229 | (2) | (149) | 29 | (149) | 9 |
| Tax effect of: | | | | | | | | |
| Non-taxable income and non-deductible costs, net | 709 | (5) | 709 | (6) | (8) | - | (8) | - |
| Unrecognised tax assets and capitalisation of tax assets not previously capitalised | (28) | - | (28) | - | 497 | (97) | 497 | (30) |
| Share of profit (loss) in associates and joint ventures | 4 | - | 4 | - | 24 | (5) | 24 | (2) |
| Adjustment of tax concerning previous years | 11 | - | 11 | - | 163 | (32) | 163 | (10) |
| Effect of change in tax rate | 41 | - | 41 | - | 49 | (10) | 49 | (3) |
| Effective tax for the year | (2,191) | 15 | (1,715) | 14 | 455 | (89) | 184 | (11) |



Adjustments of calculated tax in foreign subsidiaries were primarily due to elimination of internal gains in our German companies, which are taxed at a rate of 30%.

Non-taxable income and non-deductible expenses primarily concern the tax-exempt gain from the divestment of Gas Distribution and 50% of Burbo Bank Extension and Race Bank.

5.3 Taxes paid

| (DKK million) | 2016 | | | 2015 | | |
|---|--------------|-----------------|--------------|--------------|-----------------|--------------|
| | Denmark | Other countries | Total | Denmark | Other countries | Total |
| Tax on profit (loss) for the year: | | | | | | |
| Income tax | 3,520 | 20 | 3,540 | 587 | 35 | 622 |
| Tonnage tax | 1 | - | 1 | - | - | - |
| Total | 3,521 | 20 | 3,541 | 587 | 35 | 622 |
| Taxes paid for the year: | | | | | | |
| Income tax | 3,133 | 49 | 3,182 | 1,050 | 65 | 1,115 |
| Tonnage tax | - | - | - | - | - | - |
| Total | 3,133 | 49 | 3,182 | 1,050 | 65 | 1,115 |



The table shows the relationship between the tax on profit (loss) for the year for accounting purposes and the taxes paid for the year.

The difference between tax on profit (loss) for the year and taxes paid can be explained as follows:

Income tax paid for the year is based on estimates and preliminary tax positions. This means that tax payable for the year may materialise if the final results for 2016 deviate from the estimates and the preliminary tax positions are changed.

Income tax paid in Denmark includes payment of DKK 705 million (2015: DKK 665 million) for the utilisation of losses for the Group's Danish companies in the Oil & Gas segment. These companies are still included in the Group's Danish joint taxation until they are divested.

5.4 Deferred tax



Other activities/
eliminations

Deferred tax at 31 December

| Deferred tax 2016 (DKK million) | Wind Power | Bioenergy & Thermal Power | Distribution & Customer Solutions | Other activities/eliminations | Deferred tax at 31 December |
|---------------------------------|------------|---------------------------|-----------------------------------|-------------------------------|-----------------------------|
| Deferred tax, assets | 548 | 420 | 25 | (905) | 88 |
| Deferred tax, liabilities | 1,065 | 231 | 584 | 305 | 2,185 |
| Unrecognised tax assets | 209 | 11 | 308 | - | 528 |

Deferred tax 2015 (DKK million)

| | | | | | |
|---------------------------|-------|-----|-----|-------|-------|
| Deferred tax, assets | 143 | 681 | 56 | (606) | 274 |
| Deferred tax, liabilities | 1,677 | 224 | 221 | (476) | 1,646 |
| Unrecognised tax assets | 177 | 1 | 276 | - | 454 |

Development in deferred tax assets and liabilities

We do not expect any of the deferred tax of DKK 2,097 million net (2015: DKK 1,372 million) to fall due within the first 12 months (2015: DKK 1,594 million).

In 2016, DKK 2,129 million related to Oil & Gas were transferred to assets classified as held for sale. The transferred deferred tax primarily comprises tax assets on decommissioning obligations of production assets and additional depreciation for tax purposes of the same production facilities.

In 2016, deferred tax from continuing operations fell by DKK 1,861 million as a result of the utilisation of deferred tax liabilities. This includes changes in the taxation of profit

on payments on works in progress, changes in the taxation of financial instruments and retaxation in the international joint taxation as a result of the divestment of 50% of Burbo Bank Extension and Race Bank. The deferred tax was affected positively by the utilisation of Danish joint taxation losses from previous years.

Adjustments concerning previous years primarily comprise changes between continuing and discontinued operations calculated on the basis of the final tax for 2015.

Deferred tax by segment

Deferred tax (liabilities) in Wind Power relates primarily to recognised profit received on account and property, plant and equipment, in respect of which depreciations for tax



The table shows the reconciliation of deferred tax to the balance sheet by segment.

Unrecognised tax assets comprise continuing operations. Reference is made to note 3.7 for a description of the unrecognised tax assets relating to the Oil & Gas segment.

purposes exceeds depreciations for accounting purposes. Deferred tax assets in Bioenergy & Thermal Power are primarily attributable to property, plant and equipment for which impairment was made in previous years.

Other activities/eliminations comprise the value of deferred tax liabilities resulting from Danish international joint taxation as well as intra-group eliminations in the joint taxation across segments.

Unrecognised deferred tax assets

Our unrecognised deferred tax assets relate to losses in foreign project companies as well as impairment losses in foreign companies, where we deem that such tax assets cannot be utilised in the foreseeable future.

Unrecognised tax assets can be carried forward indefinitely.

See note 3.7 for a description of the tax matters of the Oil & Gas segment.

| Development in deferred tax assets and liabilities 2016 (DKK million) | Balance sheet 1 January | Transferred to assets and liabilities classified as held for sale | Exchange rate adjustments | Additions, individual assets and activities, net | Recognised in profit (loss) for the year | Recognised in other com- prehensive income | Adjustments in respect of previous years, etc | Balance sheet 31 December |
|--|----------------------------|---|------------------------------|---|--|---|--|------------------------------|
| Intangible assets | 151 | - | - | 5 | (46) | - | (1) | 109 |
| Property, plant and equipment | 4,807 | (1,292) | (141) | 57 | (1,194) | 4 | 154 | 2,395 |
| Other non-current assets | (40) | - | 22 | 17 | - | - | - | (1) |
| Current assets | 19 | (36) | 3 | - | 2 | 5 | 1 | (6) |
| Decommissioning obligations | (3,957) | 3,292 | (121) | - | 147 | - | 13 | (626) |
| Onerous contracts | (930) | - | - | - | 359 | - | - | (571) |
| Other non-current liabilities | (233) | - | (6) | - | (137) | - | (3) | (379) |
| Current liabilities | 1,362 | - | - | - | (771) | (4) | 57 | 644 |
| Retaxation | 2,903 | - | - | - | (1,175) | - | 2 | 1,730 |
| Tax loss carryforwards | (2,710) | 165 | 133 | - | 954 | 2 | 258 | (1,198) |
| Deferred tax | 1,372 | 2,129 | (110) | 79 | (1,861) | 7 | 481 | 2,097 |
| Of which recognised in the balance sheet under assets | 274 | | | | | | | 88 |
| Of which recognised in the balance sheet under liabilities | 1,646 | | | | | | | 2,185 |



The amounts transferred to assets and liabilities presented as held for sale only concern activities in Oil & Gas.

The most significant changes in 2016 concerned to taxation of recognised profit received on account affecting deferred tax on property, plant and equipment, as well as a reduction of the retaxation balance relating to the divestment of 50% of the two British offshore wind farms Burbo Bank Extension and Race Bank.

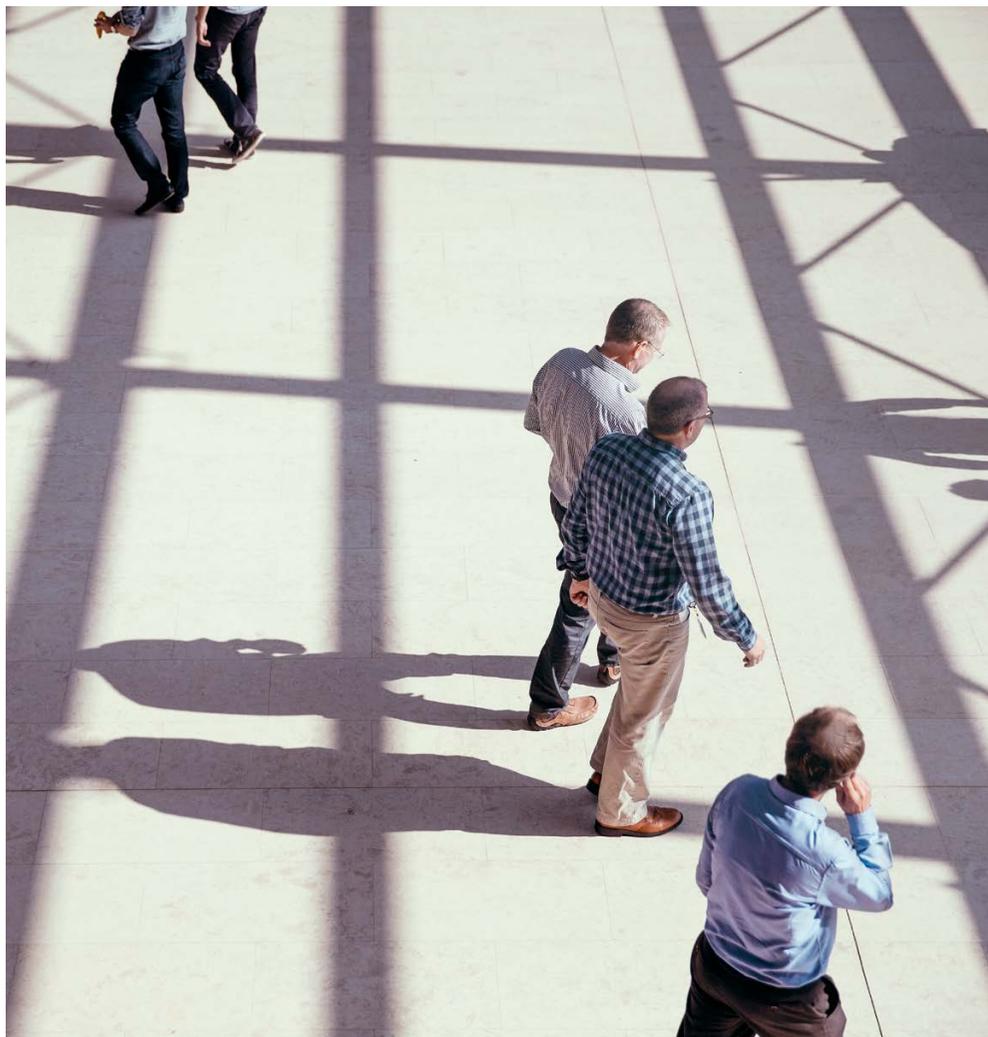
Development in deferred tax assets and liabilities 2015 (DKK million)

| | | | | | | | | |
|--|--------------|--------------|-----------|--------------|--------------|----------|----------------|--------------|
| Intangible assets | 173 | - | - | - | (23) | - | 1 | 151 |
| Property, plant and equipment | 7,146 | (279) | (96) | (276) | (2,285) | - | 597 | 4,807 |
| Other non-current assets | 119 | - | 1 | - | (165) | - | 5 | (40) |
| Current assets | (46) | - | - | - | 63 | - | 2 | 19 |
| Decommissioning obligations | (4,165) | 95 | 137 | - | (157) | - | 133 | (3,957) |
| Onerous contracts | (678) | - | - | - | (252) | - | - | (930) |
| Other non-current liabilities | (402) | 2 | 47 | - | 54 | - | 66 | (233) |
| Current liabilities | 806 | - | - | - | 592 | - | (36) | 1,362 |
| Retaxation | 2,656 | - | - | - | 677 | - | (430) | 2,903 |
| Tax loss carryforwards | (1,960) | - | (73) | - | 676 | - | (1,353) | (2,710) |
| Deferred tax | 3,649 | (182) | 16 | (276) | (820) | - | (1,015) | 1,372 |
| Of which recognised in the balance sheet under assets | 632 | | | | | | | 274 |
| Of which recognised in the balance sheet under liabilities | 4,281 | | | | | | | 1,646 |



The amount for 2015 covers the entire Group, including Oil & Gas.

In 2015, deferred tax was reduced by DKK 2,277 million, primarily due to impairment losses and an adjustment of deferred tax in previous years. In addition, an amount was transferred to tax payable in respect of uncertain tax positions which are expected to materialise as tax payable if the uncertain tax position is realised.



Accounting policies

Deferred tax is recognised in respect of all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts.

However, deferred tax is not recognised in respect of temporary differences relating to:

- goodwill
- office premises acquired without any relation to business combinations
- the acquisition of joint operations, including licence interests
- other items, where differences arise at the time of acquisition without affecting neither the profit (loss) for the year nor the taxable income. However, this does not include differences arising in connection with company acquisitions

Deferred tax is measured depending on how we plan to use the assets and settle the liabilities. We set off tax assets and liabilities when the tax asset can be accommodated by tax liabilities in the year in which the deferred tax assets are expected to be used.

Deferred tax assets are recognised at the value at which they are expected to be used. They may be offset against future earnings or against deferred tax. This must be done in companies within the same legal tax entity. Intra-group gains and losses are eliminated.

Deferred tax is measured based on the tax rules and rates applying when the deferred tax becomes current tax. Changes in deferred tax as a result of changes in tax rates are recognised in profit (loss) for the year.

Liabilities in respect of uncertain tax positions are measured as follows:

- The most-likely-outcome method is applied in cases where there are two possible outcomes
- The weighted-average method is used in cases with more than two possible outcomes

The liability is recognised under income tax payable or deferred tax, depending on how the realisation of the tax position will affect the financial statements.



Critical accounting estimates

Estimated value of tax assets

Deferred tax assets, including tax loss carryforwards, are assessed once a year. Losses are recognised if it is likely that they will be utilised in the foreseeable future. Management's estimates depend on whether a final investment decision has been made, and the long-term outlook for the Group's development.



Critical accounting judgements

Assessment of disputes and litigation with tax authorities

As we operate our business across national borders, disputes may arise concerning taxation and transfer pricing with the tax authorities in the various countries. Management assesses the possible outcome of such disputes on a regular basis. We believe that sufficient provisions have been made for such unresolved disputes. However, the actual obligation may be different as it depends on the outcome of the disputes and settlements reached with the tax authorities in question.



6. Capital structure

Capital structure / Earnings per share / Interest-bearing debt / Hybrid capital / Financial resources
Financial income and expenses / Funds from operations (FFO)/adjusted interest-bearing net debt

6. Capital structure

80.5%

Funds from operations (FFO) relative to adjusted interest-bearing net debt amounted to 80.5% at 31 December 2016

3.5bn

Our interest-bearing net debt totalled DKK 3.461 billion at 31 December 2016

31.5bn

Our cash reserve totalled DKK 31,511 million at 31 December 2016

Our capital base reflects how we have financed our activities. The capital base consists of 54% equity, 16% hybrid capital and 30% interest-bearing debt.

DONG Energy has been listed on the stock exchange

In June 2016, we were listed on NASDAQ OMX Copenhagen. This facilitates our future access to issue new capital, and provides our existing owners with better opportunities for trading in our shares.

Early repayment of bank and bond debt as well as interest rate swaps

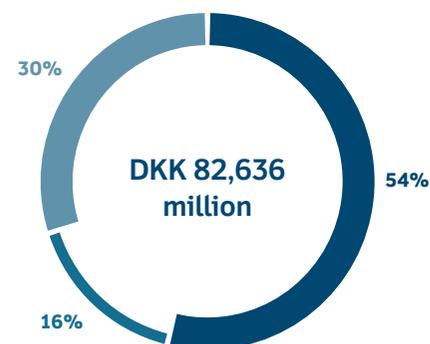
In spring 2016, we repaid bank and bond debt as well as interest rate swaps early at a combined market value of DKK 7.5 billion.

Hybrid capital and interest-bearing debt

Our hybrid capital is made up of bond loans that are subordinate to our other debt. The loans have a maturity of 1,000 years, and the coupon payments may be postponed if we lack the sufficient funds to make the payments. In return, these bond holders will receive a slightly higher interest rate than on the short-term bond loans. The other interest-bearing debt is obtained from several different financing institutions and with different maturities.

Capital base at 31 December 2016

- Equity
- Hybrid capital
- Interest-bearing debt



The figure shows the composition of our capital base.

6.1 Capital structure

Capital structure

To ensure the financial strength to operate in the international energy and capital markets and secure financing on attractive terms, we have defined a number of credit rating and capital structure targets. The overarching capital structure targets are a credit rating of Baa1/BBB+ and an FFO/adjusted net debt credit metric of around 30%.

In April 2016, Moody's added a negative outlook to our Baa1 credit rating. Our BBB+ rating with Standard & Poor's and Fitch has a stable outlook.

Financing policy

The aim of our financing policy is to ensure the best possible loan arrangements, while also minimising financing costs, liquidity and refinancing risks.

The borrowing activities are diversified among various funding sources and maturities. In addition, we have robust financial resources.

Our borrowing activities are consolidated in the parent company, where cash resources are available to the Group's companies via an internal bank.

Cash management

We have decided to maintain robust financial resources to limit the company's sensitivity to unrest in the financial markets.

The financial resources consist of bank deposits and securities, as well as non-cancellable credit facilities from a group of robust Nordic and international banks. At 31 December 2016, financial resources totalled DKK 31,511 million (2015: DKK 35,428 million).

Share capital

DONG Energy's share capital is DKK 4,203,810,800, divided into shares of DKK 10 (2015: DKK 4,177,263,730). No shares are subject to special rights or restrictions on voting rights. The shares are fully paid up.

Treasury shares

To secure our share programme, we acquired a portfolio of treasury shares consisting of 225,904 shares at 31 December 2016.

Dividends

The Board of Directors recommends that dividends of DKK 2,522 million be paid for the 2016 financial year, corresponding to DKK 6 per share. No dividends were paid for the 2015 financial year.

Development in share capital (DKK million)

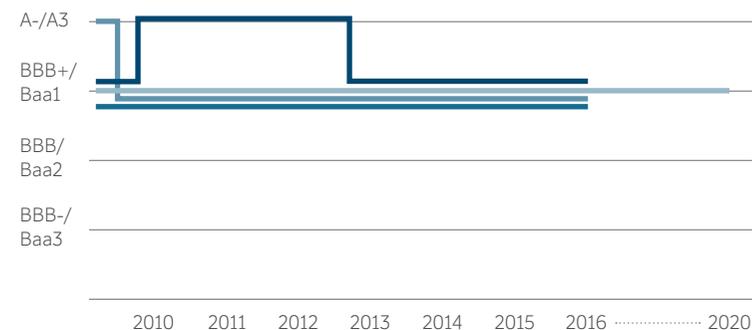
| | 2016 | 2015 |
|-------------------------------------|--------------|--------------|
| Share capital at 1 January | 4,177 | 4,177 |
| Capital injection | 27 | - |
| Share capital at 31 December | 4,204 | 4,177 |

The figure shows the development in our credit rating since 2010 compared to our objective.



Rating, category

● S&P ● Moody's ● Fitch ● Financial objective



Credit rating

| | |
|-------------------|--------------|
| Standard & Poor's | Minimum BBB+ |
| Moody's | Minimum Baa1 |
| Fitch | Minimum BBB+ |



The table shows our credit rating at the individual rating agencies.

Capital base (DKK million)

| | 2016 | 2015 |
|--|---------------|---------------|
| Equity attributable to shareholders of DONG Energy A/S | 39,106 | 32,090 |
| Hybrid capital | 13,248 | 13,248 |
| Non-controlling interests | 5,146 | 6,398 |
| Issued bonds | 20,119 | 29,215 |
| Bank loans | 4,064 | 7,186 |
| Other interest-bearing debt | 953 | 778 |
| Capital base at 31 December 2016 | 82,636 | 88,915 |



The table shows the composition of our capital base.



The table shows a change in the share capital, which is due to the issuance of bonus shares in connection with the expiry of the 2014 share programme.

6.2 Earnings per share

| Earnings per share (DKK million) | 2016 | | 2015 | |
|---|----------------------|----------------|----------------------|-----------------|
| | Business performance | IFRS | Business performance | IFRS |
| Profit (loss) for the year from continuing operations | 12,161 | 10,467 | 967 | 1,854 |
| Interest paid after costs and tax, hybrid capital holders of DONG Energy A/S | (499) | (499) | (714) | (714) |
| Non-controlling interests | 111 | 111 | (31) | (31) |
| DONG Energy's share of profit (loss) for the year from continuing operations | 11,773 | 10,079 | 222 | 1,109 |
| Profit (loss) for the year from discontinued operations | 1,052 | (2,532) | (13,051) | (11,307) |
| DONG Energy's share of profit (loss) for the year from discontinued operations | 1,052 | (2,532) | (13,051) | (11,307) |
| ('000) | | | | |
| Average number of outstanding shares | 419,010 | 419,010 | 417,726 | 417,726 |
| Dilutive effect of share programme | 1,296 | 1,296 | 1,311 | 1,311 |
| Average number of outstanding shares, diluted | 420,306 | 420,306 | 419,037 | 419,037 |
| (DKK) | | | | |
| Profit (loss) per share | | | | |
| From continuing operations | 28.1 | 24.1 | 0.5 | 2.7 |
| From discontinued operations | 2.5 | (6.0) | (31.2) | (27.1) |
| Total profit (loss) per share | 30.6 | 18.1 | (30.7) | (24.4) |
| Diluted profit (loss) per share | | | | |
| From continuing operations | 28.0 | 24.0 | 0.5 | 2.6 |
| From discontinued operations | 2.5 | (6.0) | (31.1) | (27.0) |
| Total diluted profit (loss) per share | 30.5 | 18.0 | (30.6) | (24.4) |



The table shows earnings per share divided into:

- continuing operations
- discontinued operations

6.3 Interest-bearing debt

Interest-bearing net debt

Interest-bearing net debt totalled DKK 3,461 million at the end of 2016, down DKK 5,732 million relative to 2015. The reduction covers a fall in interest-bearing debt of DKK 12,043 million, of which DKK 6,148 million was due to early repayment. The fall was partially offset by a decrease in the portfolio of securities and cash and cash equivalents. In 2015, interest-bearing net debt rose by DKK 5,215 million from DKK 3,978 million in 2014.

Market value of bond and bank debt

The market value of bond and bank debt totalled to DKK 26,010 million and DKK 4,110 million, respectively, at 31 December 2016 (2015: DKK 33,980 million and DKK 7,433 million, respectively).

The market value of bond and bank debt exceeds the carrying amount due to the fall in interest levels since the arrangement of the debt. The market value of issued bonds (level 1 – quoted prices) has been determined as the market value on the stock exchange at 31 December 2016. The market value of bank loans (level 2 – observable inputs) has been determined as the present value of expected future instalments and interest payments using our current interest rate on loans as discount rate.

Loan arrangements

At 31 December 2016, we had loan obligations totalling DKK 4,064 million (2015: DKK 7,186

million) primarily to the European Investment Bank and the Nordic Investment Bank. The loans are recognised in the balance sheet under bank debt. The loans offered by these multilateral financial institutions include loans to co-fund infrastructure and energy projects on favourable terms and with maturities exceeding those normally available in the commercial banking market. In connection with these loans, the Group may be met with demands for repayment or collateral in the event of the Danish State holding less than 50% of the share capital or voting rights in DONG Energy A/S (change of control), or repayment in the event of Moody's or Standard & Poor's downgrading our rating to Baa3 or BBB- or less, respectively.

Furthermore, at 31 December 2016, we had non-cancellable credit facilities of DKK 13,000 million (2015: DKK 13,061 million) with a number of Scandinavian and international banks. In connection with these credit facilities, we may be met with demands for cancellation and repayment of any used share in the event of players other than a group consisting of the Danish State and Danish power distribution companies acquiring more than 50% of the share capital or voting rights in DONG Energy A/S, or in the event of the Danish State ceasing to hold at least 20% of the share capital. Our financing agreements are not subject to any other unusual terms or conditions.

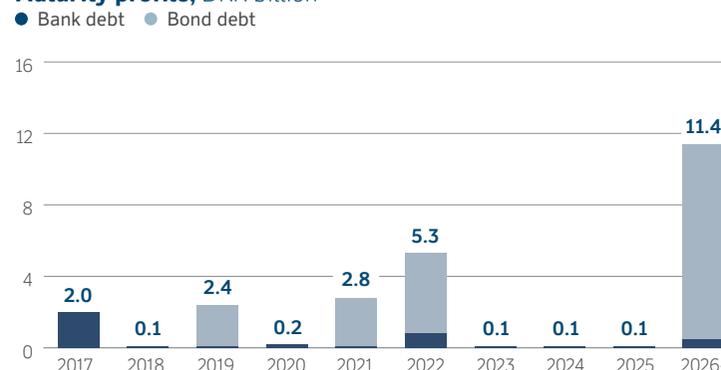
Interest-bearing debt and interest-bearing assets (DKK million)

| | 2016 | 2015 |
|--|---------------|---------------|
| Interest-bearing debt comprises: | | |
| Bank debt | 4,064 | 7,186 |
| Bond debt | 20,119 | 29,215 |
| Bond and bank debt | 24,183 | 36,401 |
| Liabilities classified as held for sale | 803 | - |
| Other interest-bearing debt | 150 | 778 |
| Total interest-bearing debt | 25,136 | 37,179 |
| Interest-bearing assets comprise: | | |
| Securities | 16,533 | 21,221 |
| Cash | 2,931 | 4,965 |
| Receivables from associates and joint ventures | 674 | 883 |
| Other receivables | 544 | 917 |
| Assets classified as held for sale | 993 | - |
| Total interest-bearing assets | 21,675 | 27,986 |
| Total interest-bearing net debt | 3,461 | 9,193 |



The table shows our interest-bearing debt and assets. The reduction in net debt covers a fall in our bond and bank debt which is partly offset by a decrease in securities and cash and cash equivalents.

Maturity profile, DKK billion



The graph shows the maturity profile for our bank loans and bond debt.

Interest rate risk

Our interest rate risks relate to interest-bearing debt, interest-bearing assets and financial price hedges. We manage the interest rate risk through the composition of assets and the variability of the cash flows generated by the assets. Fixed-interest financing over a longer term is sought for assets with fixed, interest-insensitive cash flows over a longer term. Conversely, more variable-interest financing is sought for assets with more varying, interest-sensitive cash flows.

We have hedged part of our future interest payments. The hedging is in the form of fixed-rate debt and interest rate swaps. At the end of 2016, 89% (2015: 89%) of the Group's debt was fixed-rate debt.

At 31 December 2016, the loan portfolio had an average time to maturity of 8.5 years (2015: 10.9 years).

Interest-bearing assets consist primarily of short-term bonds with limited risk.

Hedging of future interest payments

At 31 December 2016, interest-bearing receivables in the amount of DKK 677 million (2015: interest-bearing receivables in the amount of DKK 5,781 million) had been swapped from variable to fixed interest. The market value of interest rate swaps is DKK 78 million (2015: DKK -446 million) due to the fact that the hedged interest rate exceeds the current market rate.

The market value is recognised in other comprehensive income and transferred to the income statement over the term of the interest rate swap. In 2016, most of our interest

rate swaps were repaid. As the loans still exist, the value of the repaid interest rate swaps is recognised in equity and amortised over the maturity of the loans. In 2017, a total of DKK -84 million is expected to be transferred to the income statement (2015: DKK -161 million).

In connection with early repayment of loans, a loss has been recognised in the income statement from interest rate swaps with a total of DKK 70 million.

Forward exchange contracts have also been concluded for the purpose of hedging the currency risk associated with interest payments on loans in GBP. These forward exchange contracts correspond to a contractual principal amount of DKK 2,846 million (2015: DKK 3,308 million) and a market value of DKK -391 million (2015: DKK -51 million); see the table on the right for further information.



Accounting policies

Bond debt, bank debt and other payables are recognised at inception at market value (typically proceeds received) net of transaction costs incurred. In subsequent periods, the liabilities are measured at amortised cost so that the difference between the cost (proceeds) and the nominal value is recognised in profit (loss) for the year as interest expenses over the term of the loan, using the effective interest rate method.

Financial liabilities are classified as current unless the Group has an unconditional right to defer settlement of the liability to at least one year after the balance sheet date.

The market value of issued bonds has been determined as the market value at 31 December.

The market value of bank loans has been determined as the present value of expected future instalments and interest payments using the Group's current interest rate on loans as discount rate.

Bond issues at 31 December 2016

| Currency | Outstanding amount (million) | Coupon (%) | Maturing | Quoted in |
|---------------------|------------------------------|------------|-------------|------------|
| Senior bonds | | | | |
| EUR | 306 | 6.500 | 7 May 2019 | London |
| EUR | 360 | 4.875 | 16 Dec 2021 | London |
| EUR | 602 | 2.625 | 19 Sep 2022 | London |
| GBP | 750 | 4.875 | 12 Jan 2032 | London |
| GBP | 500 | 5.750 | 9 Apr 2040 | London |
| Hybrid bonds | | | | |
| EUR | 700 | 6.250 | Year 3013 | Luxembourg |
| EUR | 500 | 4.875 | Year 3013 | Luxembourg |
| EUR | 600 | 3.000 | Year 3015 | Luxembourg |



The table shows our outstanding bond issues at 31 December 2016.

Hedging of future interest payments (DKK million)

| | Notional amount | Market value | Recognition in comprehensive income | Expected date of transfer to profit (loss) for the year | | |
|--|-----------------|--------------|-------------------------------------|---|-------------|--------------|
| | | | | 2017 | 2018 | After 2018 |
| Interest rate swaps 31 December 2016 | 677 | 78 | (247) | (84) | (35) | (128) |
| Forward exchange contracts 31 December 2016 | 2,846 | (391) | (391) | (93) | (90) | (208) |
| | | | | 2016 | 2017 | After 2017 |
| Interest rate swaps 31 December 2015 | 5,781 | (446) | (461) | (161) | (101) | (199) |
| Forward exchange contracts 31 December 2015 | 3,308 | (51) | (51) | (9) | (9) | (33) |



The table shows our hedging of future interest payments which comprise interest and currency derivatives. The values are transferred to financial income and expenses in step with interest payments.

6.4 Hybrid capital

Hybrid bonds

| |
|------------------------------|
| Type |
| Carrying amount |
| Notional amount |
| Issued |
| Maturing |
| First redemption date at par |
| Interest |
| Deferral of interest payment |

Hybrid capital due in 3013

| |
|--|
| Subordinate to other creditors |
| DKK 5,127 million |
| EUR 700 million (DKK 5,200 million) |
| June 2013 |
| June 3013 |
| 26 June 2023 |
| For the first ten years, the coupon is fixed at 6.25% p.a., after which it is adjusted every five years with the 5-year euro swap + 4.75 percentage points from 2023-2043 and + 5.5 percentage points after 2043 |
| Optional deferral option |

We have issued hybrid capital which is subordinate to our other creditors. The purpose of issuing hybrid capital is to strengthen our capital base and fund our investments. In the European capital markets, we have issued EUR hybrid bonds with a total nominal value of DKK 13,371 million (EUR 1,800 million). The hybrid bonds are subject to special terms.

Coupon payments on hybrid capital are settled annually and recognised in equity as they are regarded as dividends to the bond holders.

We may defer coupon payments to bond holders and ultimately decide not to pay them. Deferred coupon payments become payable, however, if we decide to pay dividends to our shareholders or pay coupon payments on another hybrid bond.

Hybrid capital due in 3013

| |
|---|
| Subordinate to other creditors |
| DKK 3,698 million |
| EUR 500 million (DKK 3,714 million) |
| July 2013 |
| July 3013 |
| 8 July 2018 |
| Coupon for the first five years is fixed at 4.875% p.a., after which it is adjusted every five years with the 5-year euro swap + 3.8 percentage points from 2018, 4.05 percentage points from 2023 and 4.80 percentage points from 2038 |
| Optional deferral option |



Accounting policies

Hybrid capital comprises issued bonds that qualify for treatment in accordance with the rules on compound financial instruments due to the special characteristics of the loan. The notional amount, which constitutes a liability, is recognised at present value, and equity has been increased by the difference between the net proceeds received and the present value of the discounted liability. Accordingly, any coupon payments are accounted for as dividends, which are recognised directly in equity at the time the payment obligation arises. This is because coupon is discretionary, and any deferred coupon therefore lapses upon maturity of the hybrid capital. Coupon payments consequently do not have any effect on profit (loss) for the year.

The part of the hybrid capital that is accounted for as a liability is measured at amortised cost. However, as the carrying amount of this component amounted to nil on initial recognition, and because of the 1,000-year term of the hybrid capital, amortisation charges will only impact on profit (loss) for the year towards the end of the 1,000-year term of the hybrid capital. Coupon

Hybrid capital due in 3015

| |
|---|
| Subordinate to other creditors |
| DKK 4,423 million |
| EUR 600 million (DKK 4,457 million) |
| May 2015 |
| November 3015 |
| 6 November 2020 |
| Coupon for the first 5.5 years is fixed at 3.0% p.a., after which it is adjusted every five years with the 5-year euro swap + 2.819 percentage points from 2020, 3.069 percentage points from 2025, and 3.819 percentage points from 2040 |
| Optional deferral option |

payments are recognised in the statement of cash flows in the same way as dividend payments within financing activities.

On redemption of the hybrid capital, the payment will be distributed between the liability and equity applying the same principles as used when the hybrid capital was issued. This means that the difference between the payment on redemption and the net proceeds received on issue is recognised directly in equity as the debt portion of the existing hybrid issues will be nil during the first part of the life of the hybrid capital.

On the date on which the Board of Directors decides to exercise an option to redeem the hybrid capital, the part of the hybrid capital that will be redeemed will be reclassified to loans and borrowings. The reclassification will be made at the market value of the hybrid capital at the date the decision is made. Coupon payments and exchange rate adjustments following the reclassification to loans and borrowings will be recognised in profit (loss) for the year as financial income or expenses.

6.5 Financial resources

Our liquidity and financing risks are managed centrally in accordance with the principles and delegated authorities laid down by the Board of Directors.

One of the most significant financial management tasks is to secure sufficient and flexible financial resources in relation to our day-to-day operations, investment programme and debt maturity profile.

We therefore define minimum financial resources for the coming calendar year. Due to divestment activities and the capital injection in 2014, our cash reserves at 31 December 2016 were still significantly above the minimum financial resource level defined.

Financial resources, DKK million

- Cash, available
- Securities, available
- Undrawn non-cancellable credit facilities

2016



DKK 31,511 million

2015



DKK 35,428 million

Cash and cash equivalents and securities

Cash not available for use which is not part of the financial resources primarily comprises:

- cash and cash equivalents pledged as collateral for insurance-related provisions, and
- cash and cash equivalents pledged as collateral for trading in financial instruments

Securities are a key element in our financial resources, for which reason investments are primarily made in liquid AAA-rated Danish mortgage bonds and to a lesser extent in other bonds. Most of the securities qualify for repo transactions in Danish Central Bank.

Securities not available for use comprise:

- Securities pledged as collateral for insurance-related provisions. These totalled DKK 394 million at 31 December 2016 (2015: DKK 459 million)
- Securities pledged as collateral for trading in financial instruments. These totalled DKK 276 million at 31 December 2016 (2015: DKK 2,072 million)

At 31 December 2016, we had received collateral in the amount of DKK 773 million (2015: DKK 65 million) concerning the market value of financial instruments.

| Cash and cash equivalents and securities (DKK million) | 2016 | 2015 |
|--|---------------|---------------|
| Cash, available | 2,648 | 3,677 |
| Bank overdrafts that are part of the ongoing cash management | (20) | - |
| Cash and cash equivalents at 31 December, cf. statement of cash flows | 2,628 | 3,677 |
| Cash can be specified as follows: | | |
| Cash, available | 2,648 | 3,677 |
| Cash, not available for use, interest-bearing | 283 | 1,288 |
| Cash at 31 December | 2,931 | 4,965 |
| Securities can be specified as follows: | | |
| Securities, available | 15,863 | 18,690 |
| Securities, not available for use, other | 670 | 2,531 |
| Securities at 31 December | 16,533 | 21,221 |



The table shows our cash which is divided into cash available and cash not available for use.

Overview of securities (DKK million)

| Maturities | Fixed-rate | Floating-rate | 2016 | Fixed-rate | Floating-rate | 2015 |
|------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|
| 0-2 years | 4,650 | 2,193 | 6,843 | 9,146 | 1,621 | 10,767 |
| 2-5 years | 7,877 | 1,749 | 9,626 | 6,251 | 2,652 | 8,903 |
| After 5 years | 36 | 28 | 64 | 1,207 | 344 | 1,551 |
| Total carrying amount | 12,563 | 3,970 | 16,533 | 16,604 | 4,617 | 21,221 |

Hedging of the market value of securities

As part of our risk management, we have hedged part of the interest rate risk on our securities portfolio. We have entered into interest rate swaps with a notional amount of DKK 794 million (2015: DKK 796 million). Market value amounts to DKK -3 million (2015: DKK -10 million).



The majority of our securities are invested in fixed-interest short-term instruments.

**Maturity analysis of loans and borrowings
2016** (DKK million)

| | 2017 | 2018 | 2019-2020 | After 2020 | 2016 |
|--|---------------|--------------|--------------|---------------|---------------|
| Bank loans and issued bonds | | | | | |
| Notional amount | 1,994 | 105 | 2,592 | 19,684 | 24,375 |
| Interest payments | 970 | 969 | 1,790 | 9,209 | 12,938 |
| Trade payables | 10,024 | - | - | - | 10,024 |
| Other payables | 6,330 | 505 | 704 | 5,523 | 13,062 |
| Derivative financial instruments | 4,551 | 1,674 | 884 | 67 | 7,176 |
| Liabilities relating to assets classified as held for sale | 2,291 | - | - | - | 2,291 |
| Total payment obligations | 26,160 | 3,253 | 5,970 | 34,483 | 69,866 |


**Maturity analysis of loans and borrowings
2015** (DKK million)

| | 2016 | 2017 | 2018-2019 | After 2019 | 2015 |
|--|---------------|--------------|--------------|---------------|---------------|
| Bank loans and issued bonds | | | | | |
| Notional amount | 4,626 | 2,043 | 4,997 | 24,969 | 36,635 |
| Interest payments | 1,560 | 1,405 | 2,624 | 11,909 | 17,498 |
| Trade payables | 10,673 | - | - | - | 10,673 |
| Other payables | 8,002 | 668 | 597 | 4,647 | 13,914 |
| Derivative financial instruments | 5,717 | 2,007 | 1,660 | 262 | 9,646 |
| Liabilities relating to assets classified as held for sale | 1,133 | - | - | - | 1,133 |
| Total payment obligations | 31,711 | 6,123 | 9,878 | 41,787 | 89,499 |


Maturity analysis of loans and borrowings

The Group's cash needs in respect of its financial loans and borrowings are shown in the table on the left. The maturity analysis was determined at 31 December 2016.

The maturity analysis is based on undiscounted cash flows, including estimated interest payments. Interest payments are based on market conditions and interest-rate hedging entered into at 31 December 2016.

The maturity analysis does not include hybrid capital. At 31 December 2016, we had issued hybrid capital with a notional amount totalling DKK 13,371 million due in 3013 (DKK 8,914 million) and 3015 (DKK 4,457 million), respectively.


Accounting policies

Securities comprise bonds that are monitored, measured and reported at market value on an ongoing basis in conformity with the Group's investment policy. Changes in market value are recognised in profit (loss) for the year as financial income and expenses.

For listed securities, market value equals the market price, and for unlisted securities, market value is estimated based on generally accepted valuation methods and market data.

Divested securities where a repurchase agreement (repo transactions) has been made at the time of sale are recognised in the balance sheet at the settlement date as if the securities were still held. The amount received is recognised as a liability, and the difference between the selling price and the purchase price is recognised in profit (loss) for the year over the term as interest. The return on the securities is recognised in profit (loss) for the year.

6.6 Financial income and expenses

We manage our currency and interest rate risks on a net basis and therefore present our financial income and expenses net.

Exchange rate adjustments and hedging contracts entered into to hedge currency risks are presented net under the item Exchange rate adjustments, net.

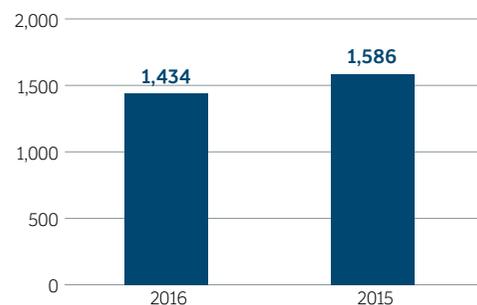
Exchange rate adjustments of currency hedging are recognised in revenue and cost of sales with a gain of DKK 1,893 million (2015: a loss of DKK 1,647 million).

Borrowing costs transferred to assets under construction are calculated at the weighted average effective interest rate for general borrowing, which is 4.4% (2015: 4.3%).

Net financial income and expenses

Net financial income and expenses decreased in 2016 as a result of large exchange rate adjustments and small capital losses on securities, which, however, are partially offset by capital losses in connection with the early repayment of loans and interest rate swaps.

Development in interest expenses concerning loans and borrowings, etc, DKK million



The graph shows the development in interest expenses concerning loans and borrowings. Interest expenses decreased as the interest-bearing debt was reduced.



Accounting policies

Market value adjustments of interest rate and currency derivatives that have not been entered into to hedge revenue, cost of sales or non-current assets are presented as financial income or expenses.

| Net financial income and expenses (DKK million) | 2016 | 2015 |
|--|--------------|----------------|
| Interest expenses, net | (402) | (294) |
| Interest element of provisions, etc | (392) | (357) |
| Capital losses on early repayment of loans and interest rate swaps | (892) | - |
| Value adjustments of derivative financial instruments, net | (124) | (107) |
| Exchange rate adjustments, net | 1,035 | 71 |
| Value adjustments of securities, net | (96) | (496) |
| Net financial income and expenses | 104 | (226) |
| Net financial income and expenses | (767) | (1,409) |



The table shows net financial income and expenses, corresponding to our internal control.

| Financial income and expenses (DKK million) | 2016 | 2015 |
|---|----------------|-----------------|
| Interest income from cash, etc | 39 | 345 |
| Interest income from securities at market value | 420 | 571 |
| Capital gains on securities at market value | 0 | 99 |
| Foreign exchange gains | 3,446 | 5,662 |
| Value adjustments of derivative financial instruments | 4,169 | 2,613 |
| Other financial income | 105 | 7 |
| Financial income | 8,179 | 9,297 |
| Interest expenses relating to loans and borrowings, etc | (1,434) | (1,586) |
| Interest expenses transferred to assets | 574 | 378 |
| Interest element of provisions | (296) | (299) |
| Capital losses on securities at market value | (111) | (607) |
| Foreign exchange losses | (2,821) | (5,733) |
| Value adjustments of derivative financial instruments | (3,919) | (2,600) |
| Other financial expenses | (939) | (259) |
| Financial expenses | (8,946) | (10,706) |



The table shows gross financial income and expenses.

6.7 Funds from operations (FFO)/adjusted interest-bearing net debt

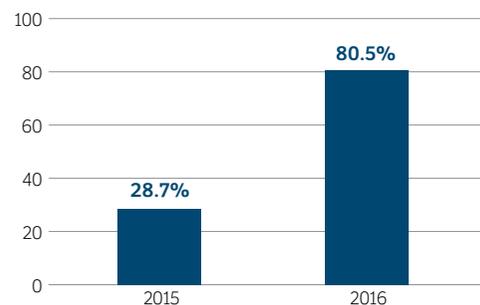
Funds from operations (FFO)

Our long-term target is for FFO to be around 30% of adjusted interest-bearing net debt.

FFO is calculated on the basis of business performance EBITDA less interest expenses, the interest element of decommissioning obligations, 50% of the hybrid capital coupon payments and calculated interest paid on the Group's operating lease obligations and total current tax. Operating lease payments in profit (loss) for the year are reversed.

FFO is calculated for the continuing operation, and the comparative figures have therefore been restated.

Development in FFO/adjusted interest-bearing net debt, %



Adjusted interest-bearing net debt

In the calculation of adjusted interest-bearing net debt, 50% of the hybrid capital is added, in line with the calculation method used by the Group's rating agencies, as well as cash, cash equivalents and securities not available for use. Similarly, the Group's decommissioning obligations after tax and operating lease obligations are regarded as part of the interest-bearing debt, regardless of the fact that the associated assets are not recognised under non-current assets.

Since FFO is calculated for the continuing operation, adjusted interest-bearing net debt has been changed so that items relating to the discontinued operation have been excluded. As a result, the comparative figures have been restated.

The Group's adjusted interest-bearing net debt amounted to DKK 18,046 million at 31 December 2016, down DKK 7,458 million relative to 2015.



The graph shows the development in FFO relative to adjusted interest-bearing net debt. The increase is attributable to the impact of renegotiations of gas contracts and divestment gains, among other things.

| Funds from operations (FFO) (DKKK million) | 2016 | 2015 |
|--|----------------|----------------|
| EBITDA – business performance | 19,109 | 8,730 |
| Interest expenses, net | (402) | (294) |
| Reversal of interest expenses transferred to assets | (574) | (378) |
| Interest element of decommissioning obligations | (172) | (167) |
| 50% of coupon payments on hybrid capital | (320) | (411) |
| Calculated interest paid on operating lease obligations | (194) | (191) |
| Adjusted interest expenses, net | (1,662) | (1,441) |
| Reversal of recognised operating lease payment in profit (loss) for the year | 746 | 722 |
| Total current tax | (3,665) | (697) |
| Funds from operations (FFO) | 14,528 | 7,314 |



The table shows which items are included in FFO, funds from operations.

| Adjusted interest-bearing net debt (DKK million) | 2016 | 2015 |
|--|---------------|---------------|
| Total interest-bearing net debt | 3,461 | 9,193 |
| 50% of hybrid capital | 6,624 | 6,624 |
| Cash and securities not available for distribution, excluding repo loans | 953 | 2,866 |
| Present value of operating lease payments | 3,986 | 4,051 |
| Decommissioning obligations | 3,649 | 3,436 |
| Deferred tax on decommissioning obligations | (627) | (665) |
| Adjusted interest-bearing net debt | 18,046 | 25,505 |



The table shows which items are included in the adjusted interest-bearing debt as well as FFO relative to adjusted interest-bearing debt.

Funds from operations (FFO)/adjusted interest-bearing net debt (DKK million)

| Funds from operations (FFO)/adjusted interest-bearing net debt | 2016 | 2015 |
|---|--------------|--------------|
| Funds from operations (FFO)/adjusted interest-bearing net debt | 80.5% | 28.7% |

7. Risk management

Market risks / Hedge accounting and economic hedging
Trading portfolio / Sensitivity analysis of financial instruments / Credit risks



7. Risk management

5 years

We hedge prices for up to five years to reduce cash flow fluctuations

1.5bn

In 2016, business performance EBITDA from continuing operations was positively impacted by DKK 1,459 million from hedging contracts

64.7bn

We have entered into hedging contracts with a notional amount of DKK 64,655 million to hedge our energy and related currency exposure

Market and credit risks are a natural part of our business activities and a precondition for being able to create value. Through risk management, risks are reduced to an acceptable level

Energy and currency exposures

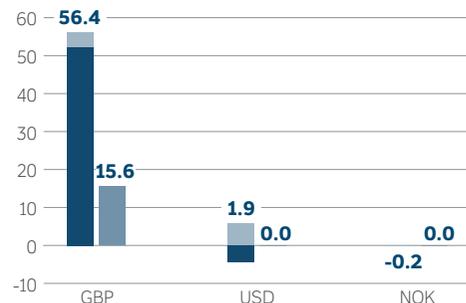
At the end of 2016, our energy and currency exposures from production, sales, investments and divestments in respect of continuing operations had been reduced from DKK 59.3 billion to DKK 21.4 billion via hedging.

Trading portfolio

We have a limited trading portfolio, the main purpose of which is to optimise the execution of hedging contracts and gain from short-term energy price fluctuations. The trading activities comply with the mandates approved by the Board of Directors. Read more in note 7.3.

Currency exposure 2017-2021, DKK billion

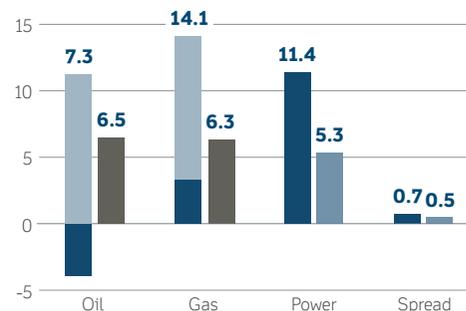
- Before hedging, continuing operations
- Before hedging, discontinued operations
- After hedging, continuing operations
- After hedging, discontinued operations



Our currency exposure totalled DKK 58.1 billion before hedging and DKK 15.6 billion after hedging at the end of 2016.

Energy exposure 2017-2021, DKK billion

- Before hedging, continuing operations
- Before hedging, discontinued operations
- After hedging, continuing operations
- After hedging, discontinued operations



Our energy exposures totalled DKK 33.5 billion before hedging and DKK 18.6 billion after hedging at the end of 2016.

7.1 Market risks

This section describes market risks in respect of continuing operations. Market risks for O&G are described in note 3.7.

Market risks and market risk management

Our most significant market risks relate to:

- energy prices
- foreign exchange rates and
- interest rates (see note 6.2)

The management of market risks is to ensure stable and robust financial ratios that support our growth strategy.

We hedge prices for up to five years to reduce cash flow fluctuations. Prices are not hedged in the medium to long term, and our long-term market risks are therefore determined by our strategic decisions on investments in new assets, the conclusion of long-term contracts as well as any divestment of assets.

The Board of Directors determines the minimum hedging levels in the five-year period based on the following principles. In the first two years, a high degree of hedging is wanted to ensure stable cash flows after tax. The degree of hedging is lower in subsequent years. This is due to:

- reduced certainty about long-term production volumes and
- rising hedging costs in the medium to long term

Energy price risks

Our risks related to continuing operations after hedging for the years 2017-2021 can be summarised as follows:

| Risk after hedging (DKK billion) | Effect of price change | |
|-------------------------------------|------------------------|------|
| | +10% | -10% |
| Oil: 0.0 Purchase position | +0.0 | -0.0 |
| Gas: +0.0 Sales position | +0.0 | -0.0 |
| Power: +5.3 Sales position | +0.5 | -0.5 |
| Spread: +0.5 Sales position | +0.1 | -0.1 |

A 10% increase in the power price in 2017-2021 will therefore result in a gain of DKK 0.5 billion in the period, all else remaining unchanged.

Currency risks

Our largest currency risk relates to GBP due to the investments in offshore wind farms in the UK.

The exchange rate related to proceeds in foreign currency from divestments is hedged when we have a high degree of certainty about the price and structure of the transaction. The expected cash flows from divestments reflect the cash flows we would otherwise had obtained from the operation of the offshore wind farms had we kept the share divested. As the payments are concentrated on a few years, they represent a relatively large share

of our GBP exposure the next two years. Any subsequent divestments are not included, as we do not have high certainty about the price and structure of the transaction.

Investments in GBP are set off against the expected proceeds from divestments before hedging.

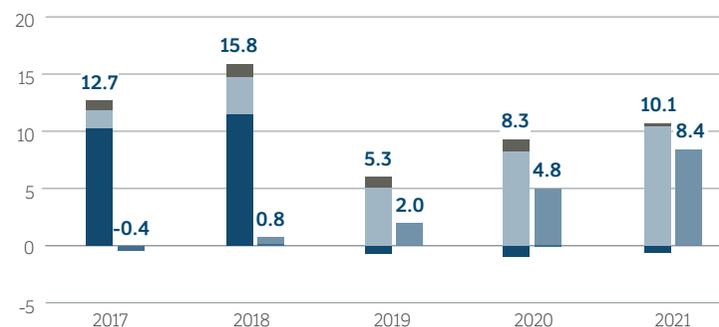
The exchange rate related to energy prices in foreign currency is not hedged until the energy price is hedged. This means that the GBP exchange rate associated with power generation in the UK is not hedged until the GBP power price is hedged.

Cash flows that relate to fixed tariffs and guaranteed minimum prices from offshore wind farms in the UK deviate from the main principle. Hedging of these, less operating expenses, is based on a declining level of hedging over the five-year risk management horizon. The target is to hedge 100% of the risk in year 1, declining by 20 percentage points each year, to 20% in year 5.

Our risk relating to continuing operations in terms of GBP exposures amounted to DKK 15.6 billion (sales position) after hedging for the years 2017-2021. Of these, unhedged prices of green certificates amount to DKK

GBP exposures, DKK billion

- Before hedging (from divestments and investments)
- Before hedging (from green certificates)
- Before hedging (from hedged energy)
- After hedging (from green certificates)
- After hedging (from hedged energy, divestments, etc)



The graph shows our GBP exposure which represents our largest currency exposure. Currency risks are hedged in accordance with our currency policy to ensure stable and robust key ratios.

16.0 billion, while other unhedged prices represent a value of DKK -0.4 billion. The GBP exchange rate for cash flows in 2017 is almost fully hedged at an average exchange rate of 9.4 DKK/GBP. A significant share of the GBP cash flows for 2018 is hedged at an average exchange rate of 9.2 DKK/GBP.

Our EUR risk is subject to continuous assessment, but is generally not hedged as we believe that Denmark will maintain its fixed exchange rate policy.

Our USD and NOK exposures after hedging amount to DKK 0.0 billion for the 2017-2021 period.

Wind Power

Earnings from our generation of power from offshore wind farms mainly comprise:

- fixed tariffs (Denmark, Germany, the Netherlands and the UK) and
- guaranteed minimum prices for green certificates (the UK)

At the end of 2016, such fixed tariffs and guaranteed minimum prices cover 85% of the expected income from offshore wind farms over the next five years. The remaining price exposure concerns sales of power at market price in the UK and Denmark.

The annual adjustment of the fixed tariffs varies from country to country.

- In the UK, the tariff is adjusted with inflation
- The tariff is not adjusted in Denmark, Germany and the Netherlands

This results in an inflation risk for earnings from tariff-based wind farms in Denmark, Germany and the Netherlands. The share of our debt which is fixed in nominal terms partially offsets this inflation risk.

Bioenergy & Thermal Power

Our CHP plant portfolio consists of biomass and coal-fired plants in Denmark and a gas-fired power station in the Netherlands. The plants in Denmark produce both heat and power.

Heat generation does not give rise to price risk as the associated costs are borne by the heat customers. However, heat generation often entails a price risk for power, as heat and power are generally generated simultaneously.

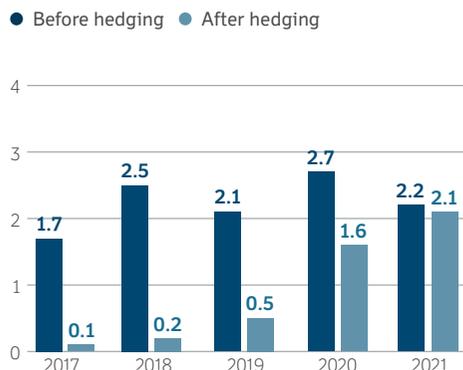
The profitability of power generation is determined by the difference between the selling price of power and the purchase price of fuel and CO₂ emissions allowances. We therefore hedge the contribution margin by simultaneously selling power and buying fuel as well as CO₂ emissions allowances.

The risk management horizon is three years due to low liquidity in the hedging markets. At the end of 2016, 58% of the power generation from our power stations expected in 2017 was hedged. The total net risk associated with the power stations' power generation for the period 2017-2021 is DKK 0.5 billion after hedging.

Distribution & Customer Solutions

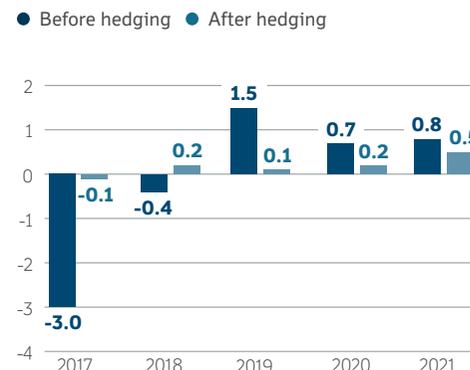
Our price risk in Distribution & Customer Solutions arises from the purchase and sale of power and gas.

Wind Power's power price exposure, DKK billion



The graph shows price exposures in Wind Power. Their primary exposures are power prices and associated currency risks as well as GBP exposures in connection with divestments.

Distribution & Customer Solutions price exposure, DKK billion



The graph shows the price exposure in Distribution & Customer Solutions, which only has a limited market risk after hedging.

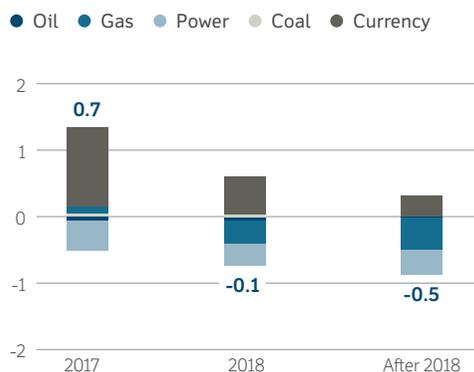
The price risks associated with the purchase and sale of gas result from differences in the indexing of sales and purchase prices. Our largest gas purchase contracts include the option of renegotiating the contract price if it no longer reflects market conditions. We have completed most of these renegotiations in recent years; as a result, the contract prices have largely been indexed to pure gas prices and not to oil prices, as was previously the case. We are therefore less sensitive to differences in the oil and gas price development than before.

Going forward, our oil price risk may rise again, however, as we conclude more and more LNG purchase agreements which are typically oil-indexed.

The price risks associated with power purchases and sales are constituted by the difference between the purchase and sales prices.

Expected value for recognition in business performance EBITDA

DKK billion



The price risk relates primarily to timing differences between purchases and sales and is therefore considered to be limited.

Financial impact of hedging

Our hedging of market risks is based on a number of different accounting principles depending on the type of risk being hedged.

Under the business performance principle, the gain or loss on contracts hedging energy and related currency risks is postponed and recognised in the period in which the hedged exposure materialises. The figure below shows the value of our energy and currency hedging which is expected to be recognised in EBITDA in the various years.

Accounting for hedges

The table on the next page shows the Group's derivative and hedging contracts according to the type of accounting treatment and the

affected items. The accounting treatment and classification of hedging contracts depends on the purpose of the hedging:

- Economic hedging comprises hedging of energy-related risks and related currency risks. These hedging contracts are treated as hedge accounting in accordance with the business performance principle (see note 2.2 for a detailed description), whereby the value adjustment (loss/gain) is postponed and only recognised during the period in which the hedged transaction materialises. Under IFRS, the value adjustment of this type of hedging is recognised directly in the income statement.
- Hedging of cash flows concerning interest rates and currencies comprises hedging of future interest payments and currency risks on future income. When hedging cash flows, the effective part of the market value

is temporarily recognised in equity until the hedged transaction materialises.

- Hedging of the market value of securities or currency comprises hedging of recognised assets or liabilities. By hedging of the market value of currency, the effective portion of the market value is recognised in profit for the year together with changes in the market value of the hedged asset or the hedged liability.
- Hedging of net investments comprises hedging of the currency risk associated with investments in assets located in foreign countries. By hedging of net investments, the effective portion of the market value is recognised in equity until the hedged net investment is divested.
- The trading portfolio and other interest and currency derivatives are recognised at market value in the income statement.

Note 2.2 provides further details on economic hedging, including information about the underlying products traded.

At 31 December 2016, the contractual value of contracts categorised as economic hedging totalled DKK 64,655 million against DKK 52,904 million at 31 December 2015.



Accounting policies

Exposure is calculated as the expected production (or net purchase/sale) times the forward price for the respective years. In addition, the exposure is determined on the basis of the expected exposure after renegotiations of oil-indexed gas purchase contracts.



The table shows the time of the transfer of the market value of hedging contracts in business performance EBITDA for both business performance and IFRS hedges.

| Note | Overview of the Group's positions (DKK million) | 2016 | | | | 2015 | | | |
|--|---|------------------------------|----------------|------------------------------------|--------------|------------------------------|--------------|------------------------------------|----------------|
| | | Energy hedging | | Currency and interest rate hedging | | Energy hedging | | Currency and interest rate hedging | |
| | | Contractual principal amount | Market value | Contractual principal amount | Market value | Contractual principal amount | Market value | Contractual principal amount | Market value |
| Positions recognised with EBITDA impact | | | | | | | | | |
| 2.2, 7.2 | Economic hedging | 21,319 | (1,068) | 20,946 | 512 | 32,564 | 8,791 | 20,340 | (1,658) |
| 7.2 | Hedging of cash flows, currency | - | - | 15,532 | 1,476 | - | - | 6,204 | 113 |
| 7.3 | Trading portfolio | 4,783 | (375) | - | - | 1,672 | 496 | - | - |
| | Total | 26,102 | (1,443) | 36,478 | 1,988 | 34,236 | 9,287 | 26,544 | (1,545) |
| Positions recognised in financial income and expenses | | | | | | | | | |
| 6.5 | Hedging of market value, securities | - | - | 794 | (3) | - | - | 796 | (10) |
| 7.2 | Hedging of market value, currency | - | - | 18,334 | (398) | - | - | 18,930 | 1,403 |
| 6.3 | Hedging of cash flows, interest | - | - | 677 | 78 | - | - | 5,781 | (446) |
| 6.3 | Hedging of cash flows, currency | - | - | 2,846 | (391) | - | - | 3,308 | (51) |
| 7.2 | Other interest derivatives | - | - | 550 | (25) | - | - | 2,752 | 15 |
| 7.2 | Other currency derivatives | - | - | 851 | 344 | - | - | 2,258 | 113 |
| | Total | - | - | 24,052 | (395) | - | - | 33,825 | 1,024 |
| Positions recognised directly in other comprehensive income | | | | | | | | | |
| 7.2 | Hedging of net investments | - | - | 24,421 | 253 | - | - | 27,958 | (2,655) |
| | Total | - | - | 24,421 | 253 | - | - | 27,958 | (2,655) |
| | Total continuing operations | 26,102 | (1,443) | 84,951 | 1,846 | 34,236 | 9,287 | 88,327 | (3,176) |
| Positions recognised in discontinued operations | | | | | | | | | |
| | Economic hedging | 10,849 | 1,557 | 11,541 | (201) | - | - | - | - |
| | Total discontinued operations | 10,849 | 1,557 | 11,541 | (201) | - | - | - | - |
| | Total market value | 36,951 | 114 | 96,492 | 1,645 | 34,236 | 9,287 | 88,327 | (3,176) |



The table provides an overview of our financial instruments. The table is divided according to where the financial instruments are recognised. See the individual sections for more details on the positions.

7.2 Hedge accounting and economic hedging

Positions recognised with EBITDA impact

When the market value of contracts classified as economic hedging, commercial contracts and partly cash flow hedging (currency) is recognised in the income statement, they are presented in an item which is included in EBITDA.

Economic hedging and commercial contracts

The purpose of economic hedging is to reduce our risk, for which reason the fluctuations in value are expected to be offset by the underlying exposure.

We have entered into a number of commercial contracts under which physical delivery is made, and which are managed together with the financial contracts, for which reason they are recognised at market value in accordance with IFRS.

Under the business performance principle, the market value adjustment of contracts concluded for the purpose of economic hedging and commercial contracts is postponed to the period during which the hedged transaction affects results, see note 2.2.

Our hedging of energy prices and commercial contracts recognised at market value is specified in the table.

The table shows an effect on EBITDA from agreements with a contractual principal

amount of DKK 42,265 million (2015: DKK 52,904 million).

Cash flow hedging

Forward exchange contracts have been concluded for the purpose of hedging the part of the currency risk associated with the construction of offshore wind farms which are expected to be divested. See the table on the bottom right.

Ineffectiveness of currency hedging totalled DKK 0 million (2015: DKK 0 million). Forward exchange contracts have also been concluded for the purpose of hedging the currency risk associated with interest payments on loans in GBP. This is specified in note 6.3.



Accounting policies

Market value adjustments of financial contracts offered to customers with a view to price hedging and financial instruments that have been entered into to hedge the Group's principal operating activities are recognised as revenue or cost of sales.

Under the business performance, economic hedging is accounted for as effective hedging. The resulting market value adjustment is consequently postponed to the period in which the hedged transaction affects results.

The contractual principal amount has been determined as the net position per derivative type.

| Economic hedging and commercial contracts (DKK million) | 2016 | | 2015 | |
|---|------------------------------|--------------|------------------------------|--------------|
| | Contractual principal amount | Market value | Contractual principal amount | Market value |
| Energy | | | | |
| Oil swaps | 3,985 | (76) | 6,185 | 2,211 |
| Gas swaps | 7,522 | (629) | 17,499 | 4,588 |
| Gas options | - | - | 57 | 37 |
| Power swaps | 8,014 | (641) | 8,179 | 2,154 |
| Power options | 1,497 | 242 | 172 | (8) |
| Coal | 301 | 36 | 472 | (191) |
| Currency | | | | |
| Forward exchange contracts | 20,946 | 512 | 20,340 | (1,658) |
| Options | - | - | - | - |
| Total | 42,265 | (556) | 52,904 | 7,133 |



Under the business performance principle, economic hedging is accounted for as effective hedging. The resulting market value adjustment is consequently postponed to the period in which the hedged transaction affects results. The contractual principal amount has been determined as the net position per derivative type.

Cash flow hedging, currency (DKK million)

| Contractual principal amount | Market value | Recognised in comprehensive income | Expected date of transfer to EBITDA | |
|------------------------------|--------------|------------------------------------|-------------------------------------|------|
| | | | 2017 | 2018 |
| 15,532 | 1,476 | 1,309 | 1,032 | 277 |
| 2015 | | | 2016 | 2017 |
| 6,204 | 113 | 113 | 70 | 43 |



The table shows the Group's cash flow hedging which is transferred to EBITDA.

Hedging of market value, currency

Hedging contracts are classified as market value hedges when the contract hedges items that are recognised as financial assets or liabilities. Hedges are recognised in financial income and expenses.

The net position expresses our currency risk from financial assets and liabilities at 31 December.

Other currency and interest derivatives

Changes to the market value of currency and interest derivatives which are not categorised as hedging are recognised in financial income and expenses. These are shown in the table to the right.

The contractual principal amount of other currency and interest derivatives was DKK 1,401 million at 31 December 2016 (2015: DKK 5,010 million), and the market value at 31 December 2016 was DKK 319 million (2015: DKK 128 million).

Hedging of market value, currency 2016 (DKK million)

| | EUR | USD | GBP | Other | Total |
|-------------------------------------|----------------|--------------|-----------|-------------|----------------|
| Financial assets | 8,866 | 657 | 5,248 | 153 | 14,924 |
| Financial liabilities | (19,852) | (831) | (16,125) | (166) | (36,974) |
| Hedged using hedging instruments | 7,439 | - | 10,895 | - | 18,334 |
| Net position | (3,547) | (174) | 18 | (13) | (3,716) |
| Market value of hedging instruments | (21) | - | (377) | - | (398) |

Hedging of market value, currency 2015

| | | | | | |
|-------------------------------------|----------------|------------|--------------|-------------|----------------|
| Financial assets | 16,373 | 2,664 | 7,571 | 410 | 27,018 |
| Financial liabilities | (30,717) | (2,282) | (18,686) | (456) | (52,141) |
| Hedged using hedging instruments | 6,269 | - | 12,661 | - | 18,930 |
| Net position | (8,075) | 382 | 1,546 | (46) | (6,193) |
| Market value of hedging instruments | 14 | - | 1,389 | - | 1,403 |



Accounting policies

Changes to the market value of hedging instruments that qualify for recognition as a hedge of future cash flows are recognised in other comprehensive income within a separate hedging reserve. On realisation of the hedged cash flow, the resulting gain or loss is transferred from equity and recognised in the same item as the hedged item. However, on hedging of proceeds from future loans, the resulting gain or loss is transferred from equity over the term of the loan.

If the hedged cash flows are no longer expected to be realised, the accumulated value change is transferred to profit (loss) for the year.

Changes in the market value of derivative financial instruments that are classified as hedges of the market value of a recognised asset or liability are recognised in profit (loss) for the year together with changes in the value of the hedged asset or liability to the extent of the hedged risk.

| Other currency and interest derivatives 2016 (DKK million) | Contractual principal amount | Market value |
|---|------------------------------|--------------|
| Forward exchange contracts and currency swaps | 851 | 344 |
| Interest rate swaps | 550 | (25) |
| Total derivative financial instruments | 1,401 | 319 |

Other currency and interest derivatives 2015

| | | |
|---|--------------|------------|
| Forward exchange contracts and currency swaps | 2,258 | 113 |
| Interest rate swaps | 2,752 | 15 |
| Total derivative financial instruments | 5,010 | 128 |



The table presents the currency risk from financial assets and liabilities based on the currencies with the greatest impact on our business. A portion of this currency risk is hedged through the use of forward exchange contracts and currency swaps.



The tables show positions and values of the currency and interest trades not used for hedging purposes.

Hedging of net investments in foreign subsidiaries

Our foreign activities entail a currency risk. The currency risk is hedged through the raising of loans in foreign currencies as well as forward exchange contracts and currency swaps.

The table to the right presents our currency risk from investments in foreign enterprises after hedging. The net position expresses the accounting exposure. If, for example, the GBP/DKK exchange rate had gone up by 10% on 31 December 2016, equity would have increased by DKK 1,262 million, corresponding to 10% of 12,622.

At 31 December 2016, the accumulated exchange rate adjustments totalled DKK -1,710 million distributed on the exchange rate adjustment of the net investment of DKK -1,723 million and the hedging thereof of DKK 13 million.

Ineffectiveness relating to hedging of net investments in foreign subsidiaries totalled DKK 1 million (2015: DKK 9 million) and is recognised in financial income and expenses.



Accounting policies

Changes in the market value of derivative financial instruments and loans that are used to hedge net investments in foreign subsidiaries or associates are recognised in the consolidated financial statements directly in equity within a separate foreign currency translation reserve.

| 2016 DKK million | Net investments, including equity-like loans | Of which non-controlling interests | Hedged amount in currency | Net position | Accumulated exchange rate adjustment of net investments, including equity-like loans | Accumulated exchange rate adjustment of hedging of net investments, including equity-like loans | Accumulated net exchange rate adjustment recognised in equity |
|---------------------|--|------------------------------------|---------------------------|---------------|--|---|---|
| Currency | | | | | | | |
| GBP | 35,678 | (4,291) | (18,765) | 12,622 | (854) | (455) | (1,309) |
| NOK | 3,186 | - | - | 3,186 | (792) | 470 | (322) |
| SEK | 114 | - | - | 114 | (26) | (14) | (40) |
| EUR | 15,220 | - | (5,656) | 9,564 | (50) | 12 | (38) |
| Other | 49 | - | - | 49 | (1) | - | (1) |
| Total | 54,247 | (4,291) | (24,421) | 25,535 | (1,723) | 13 | (1,710) |

2015
DKK million

| 2015 DKK million | Net investments, including equity-like loans | Of which non-controlling interests | Hedged amount in currency | Net position | Accumulated exchange rate adjustment of net investments, including equity-like loans | Accumulated exchange rate adjustment of hedging of net investments, including equity-like loans | Accumulated net exchange rate adjustment recognised in equity |
|---------------------|--|------------------------------------|---------------------------|---------------|--|---|---|
| Currency | | | | | | | |
| GBP | 39,311 | (5,418) | (23,231) | 10,662 | 3,847 | (3,489) | 358 |
| NOK | 4,203 | - | (249) | 3,954 | (994) | 487 | (507) |
| SEK | 205 | - | - | 205 | (15) | (14) | (29) |
| EUR | 12,159 | - | (4,478) | 7,681 | 22 | (11) | 11 |
| Other | 15 | - | - | 15 | - | - | - |
| Total | 55,893 | (5,418) | (27,958) | 22,517 | 2,860 | (3,027) | (167) |



The table shows our hedging of investments in foreign subsidiaries. The table also shows the exchange rate adjustment of the investment as well as the associated hedging value.

Net investments in foreign currency, % 2016 DKK 54,247 million.

● GBP ● NOK ● EUR



The figure shows our investments in foreign subsidiaries distributed by currency.

7.3 Trading portfolio

Trading portfolio

Our trading portfolio is managed by our central Risk Management department for the purpose of:

- optimising hedging contracts
- contributing to increased market insight and
- profiting from short-term fluctuations in energy prices

The trading portfolio consists primarily of positions in oil, gas and power.

The trading portfolio constitutes a small part of our total portfolio of derivatives, and the associated risk is limited. Also, earnings from the trading portfolio constitute a limited share of our total earnings.

Trading portfolio mandate

When hedging instruments do not fully correspond to the hedged risk, any difference between the hedging contract and the hedged exposure is recognised in the income statement as part of the gain (loss) from the trading portfolio.

| Overview of the Group's trading portfolio (DKK million) | 2016 | | 2015 | |
|---|------------------------------|--------------|------------------------------|--------------|
| | Contractual principal amount | Market value | Contractual principal amount | Market value |
| Oil swaps | 848 | (810) | 199 | (312) |
| Gas swaps and options | 2,199 | 440 | 1,365 | 823 |
| Power swaps | 1,647 | 3 | 57 | 8 |
| CO ₂ emissions allowances | 69 | (18) | 49 | (21) |
| Coal | 20 | 10 | 2 | (2) |
| Total | 4,783 | (375) | 1,672 | 496 |

Market trading mandates

| VaR max in 2016: DKK 70 million | Stress max in 2016: DKK 400 million | Maximum open positions in trading portfolio |
|--|---|--|
| VaR indicates the largest loss in one trading day to a probability of 95%. VaR is based on data for the past 60 trading days with the heaviest weighting being assigned to the most recent trading days. | Stress indicates the largest daily loss which could be sustained with the given portfolio. Stress based on data from 1 January 2006 to the present day. | <ul style="list-style-type: none"> ◦ Max 10TWh gas ◦ Max 4 million boe oil ◦ Max 8TWh power ◦ Max 3 million tonnes CO₂ ◦ Max 2 million tonnes coal |

Daily position in the trading portfolio, market trading mandates, DKK million



The graph shows the daily position in the trading portfolio.



Accounting policies

Market value adjustments of physical and financial contracts relating to energy that are concluded with a view to generating gains from short-term price changes are recognised as revenue.

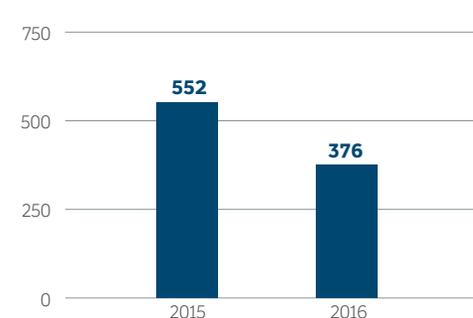


The contractual principal amount has been determined as the net position per derivative type. The table shows the market value of our derivatives which are included in the trading portfolio at 31 December.



Trading activities are carried out within mandates approved by the Board of Directors. The mandates comprise a Value at Risk (VaR) mandate and a stress mandate as well as a limit for the maximum positions measured in energy units per product (oil, gas, etc).

Annual contribution margin from the trading portfolio, DKK million



The graph shows the annual contribution margin from the trading portfolio.

7.4 Sensitivity analysis of financial instruments

The sensitivity analysis in the table shows the effect of market value changes assuming a relative price change at 31 December. The sensitivity analysis is calculated inclusive of the Oil & Gas segment for both 2015 and 2016.

Effect on profit (loss) before tax comprises financial instruments that remained open at the balance sheet date and which have an effect on profit (loss) in the current financial year.

The effect is broken down by:

- trading portfolio, these contracts will affect profit
- economic hedging, including commercial contracts. The market value changes of contracts allocated as economic hedging will be offset, wholly or in part, by a change in the hedged risk

Effect on equity before tax comprises financial instruments that remained open at the balance sheet date and which are value-adjusted directly in equity.

Financial instruments include derivatives as well as receivables and payables in foreign currencies.

The illustrated sensitivities only comprise our financial instruments and therefore omit the

| Sensitivity analysis of financial instruments (DKK million) | | 31 December 2016 | | | 31 December 2015 | | |
|---|------------------|------------------------------------|-------------------------------|-----------------------------|------------------------------------|-------------------------------|-----------------------------|
| | | Effect on profit (loss) before tax | | Effect on equity before tax | Effect on profit (loss) before tax | | Effect on equity before tax |
| Risk | Price change | Trading portfolio | Economic hedging ¹ | | Trading portfolio | Economic hedging ¹ | |
| Oil | 10% | 10 | (86) | - | (6) | (396) | - |
| | -10% | (10) | 86 | - | 6 | 407 | - |
| Gas | 10% | (107) | (2,773) | - | (18) | (928) | - |
| | -10% | 107 | 2,773 | - | 18 | 939 | - |
| Power | 10% | 126 | (885) | - | (3) | (506) | - |
| | -10% | (135) | 894 | - | 3 | 515 | - |
| Coal | 10% | (1) | (43) | - | - | (34) | - |
| | -10% | 1 | 43 | - | - | 34 | - |
| USD | 10% | 38 | (243) | - | (2) | (501) | 3 |
| | -10% | (38) | 243 | - | 2 | 501 | (8) |
| GBP | 10% | (57) | (2,112) | (1,165) | (109) | (979) | (286) |
| | -10% | 57 | 2,112 | 1,285 | 109 | 979 | 286 |
| EUR | 10% | 175 | (468) | - | 107 | (288) | - |
| | -10% | (175) | 468 | - | (107) | 288 | - |
| Interest | 100 basis points | (255) | - | (4) | (333) | - | 210 |

effect from contracts concluded under which physical delivery of the underlying assets is made, as these are not recognised as financial instruments in accordance with IAS 39.

If the hedged exposure had been included in the sensitivity analysis, the effect of a price change would have been reduced or offset entirely.

Net investments and associated hedging of net investments in foreign subsidiaries are not included in the table, as the effect of the sum of the investment and the hedging is considered to be neutral to price changes.

A 10% increase in the currencies hedged in connection with net investments would reduce equity by DKK 2,442 million (2015: DKK 2,796

million) arising from the hedging instruments. All other conditions being equal, a decrease in the exchange rate would have had a corresponding opposite effect.



¹ Economic hedging comprises derivatives entered into to hedge future financial risks. The market value changes of these contracts will be offset, wholly or in part, by a change in the hedged risk. Also included are commercial contracts recognised at market value.

7.5 Credit risks

We are exposed to credit risks from our trading partners and customers. A large part of our counterparty risks concerns large international energy companies and banks. Such trading is regulated under standard agreements, such as EFET and ISDA agreements, which feature, for instance, credit rating and netting provisions. Our credit exposure is mainly concentrated on counterparties in Denmark, the UK, Germany and Sweden.

We limit our credit risks by:

- systematically rating significant counterparties
- granting a credit limit or
- demanding that collateral be furnished

The counterparties and credit limits granted are monitored on an ongoing basis. The monitoring is based on the framework established by our Board of Directors and Executive Board. For the most significant counterparties, an internal credit rating is required to determine the internal rating and the granting of credit limits. The rating is based on information from external credit rating agencies, publicly available information and own analyses.

We suffered no losses from any single major counterparty in 2015 or 2016.

The credit risk from our financial assets primarily concerns derivatives, cash and

bond portfolios as well as receivables. The assessment is based on the individual counterparty's ratings with Standard & Poor's, Moody's and Fitch. The figures do not reflect our actual credit exposure as the positions are calculated before offsetting our debt to such counterparties.

The AAA/Aaa category covers our position in Danish AAA-rated government and mortgage bonds. The non-rated category primarily consists of trade receivables from customers such as end-users and PSO customers.

The credit quality of the Group's counterparties (DKK million)

| | 2016 | 2015 |
|------------------------------|---------------|---------------|
| Clearing centres | 1,652 | 3,734 |
| AAA/Aaa | 12,395 | 14,877 |
| AA/Aa | 3,687 | 6,176 |
| A/A | 7,382 | 8,601 |
| BBB/Baa | 3,966 | 4,209 |
| Non-rated | 15,138 | 19,547 |
| Total credit exposure | 44,220 | 57,144 |



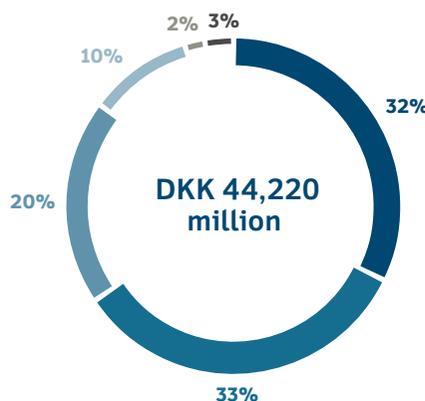
The table shows the credit quality of our counterparties distributed by category.

The Group's credit exposure distributed by type and line of business, DKK million 2016

- Securities
- Financial institutions
- Not distributed
- Energy and supply
- Other businesses
- Oil & Gas companies



The graph shows the distribution of our credit exposure.



Offsetting of financial assets and liabilities

We have a number of counterparties in respect of which we are both buyer and seller of financial contracts, etc. Consequently, our gross financial assets and liabilities can be significant before offsetting.

Offsetting is typically limited within specific products. According to IFRS, offsetting is possible when payment and receipt from the same counterparty occur simultaneously.

The table to the right shows financial assets and liabilities that are subject to offsetting agreements, and related collaterals.

The increase in the amount offset against derivative financial instruments is primarily attributable to the increase in the market value of oil-related trades.



Accounting policies

Positive and negative values are only offset if we are entitled to and intend to settle several financial instruments net.

| Offsetting of financial assets DKK million | Derivative financial instruments | Trade receiv- ables | 2016 | Derivative financial instruments | Trade receiv- ables | 2015 |
|--|--|---------------------------|--------------|--|---------------------------|---------------|
| Financial assets | 21,734 | 30,349 | 52,083 | 29,555 | 39,953 | 69,508 |
| Financial liabilities, offset | (14,065) | (28,061) | (42,126) | (19,386) | (37,843) | (57,229) |
| Gross financial assets in the balance sheet | 7,669 | 2,288 | 9,957 | 10,169 | 2,110 | 12,279 |
| Amounts not offset in the balance sheet: | | | | | | |
| Liabilities with right of set-off | (1,697) | - | (1,697) | (1,610) | - | (1,610) |
| Collateral received in the form of bonds | (773) | - | (773) | (65) | - | (65) |
| Net | 5,199 | 2,288 | 7,487 | 8,494 | 2,110 | 10,604 |

| Offsetting of financial liabilities (DKK million) | Derivative financial instruments | Trade payables | 2016 | Derivative financial instruments | Trade payables | 2015 |
|---|--|-------------------|--------------|--|-------------------|---------------|
| Financial liabilities | 19,683 | 30,330 | 50,013 | 26,936 | 40,532 | 67,468 |
| Financial assets, offset | (14,065) | (28,061) | (42,126) | (19,386) | (37,843) | (57,229) |
| Gross financial liabilities in the balance sheet | 5,618 | 2,269 | 7,887 | 7,550 | 2,689 | 10,239 |
| Amounts not offset in the balance sheet: | | | | | | |
| Assets with right of set-off | (1,697) | - | (1,697) | (1,610) | - | (1,610) |
| Collateral provided in the form of bonds | (276) | - | (276) | (2,072) | - | (2,072) |
| Net | 3,645 | 2,269 | 5,914 | 3,868 | 2,689 | 6,557 |



The table shows our financial assets and liabilities where a share is offset and is therefore presented net.

8. Other notes

[Related-parties transactions](#) / [Auditor's fees](#)

[Operating lease obligations](#) / [Contractual obligations](#) / [Categories of financial instruments](#)

[Assets and liabilities measured at fair value](#) / [Company overview](#)

8. Other notes

174 companies

DONG Energy comprises 174 Danish and foreign companies in the continuing part of the Group

44.4bn

Our contractual obligations amounted to DKK 44,414 million at 31 December 2016

5.6bn

Our operating lease obligations amounted to DKK 5,601 million at 31 December 2016

This section contains the remaining statutory notes.

Operating lease obligations

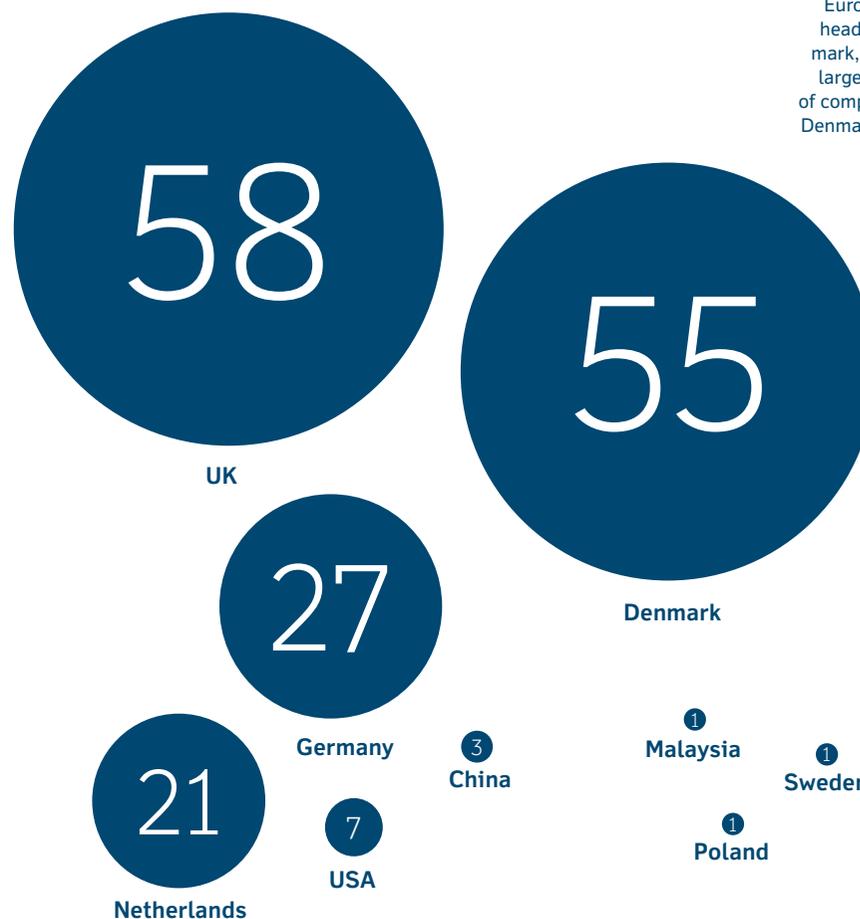
DONG Energy has entered into operating leases for use in the day-to-day operation and servicing of commissioned assets as well as in relation to the construction of offshore wind farms, in particular.

Assets held under operating leases comprise, among other things, land and seabeds for use for offshore wind farms in the UK, leased harbour areas and leased gas storage facilities in Germany. Finally, the office premises in Gentofte and London are also held under operating leases.

Contractual obligations

DONG Energy has entered into agreements on investments in property, plant and equipment in connection with the construction of offshore wind farms, biomass conversions of power station units and improvement of the power distribution network.

Distribution of companies



We are a Northern European group with headquarters in Denmark, and we have the largest concentration of companies in the UK, Denmark and Germany.

8.1 Related-party transactions

Related parties that have control over the Group comprise the Danish State, represented by the Danish Ministry of Finance.

Related parties with a significant influence include Goldman Sachs.

Other related parties are the Group's associates and joint ventures, members of the Board of Directors and the Executive Board and other senior executives.

Reference is made to note 8.7 for an overview of our joint ventures and associates.

In 2016, we divested Gas Distribution to Energinet.dk, which is owned by the Danish State. The cash selling price was DKK 2,325 million.

Related-party transactions are made on arm's length terms. Intra-group transactions have been eliminated in the consolidated financial statements.

The remuneration and share programme for management are described in notes 2.6 and 2.7.

We use the exemption set out in IAS 24.25 concerning entities in which the state is a related party, and transactions with state enterprises are therefore not disclosed. Transactions with owners consist solely of transactions with Goldman Sachs.

There were no other related-party transactions during the period.

| | 31 December 2016 | 31 December 2015 |
|---|-----------------------------|---------------------|
| Joint ventures (DKK million) | | |
| Dividends received and capital reductions | 175 | 53 |
| Capital transactions, net | 29 | - |
| Trade payables | (143) | (72) |
| Interest, net | 24 | 28 |
| Receivables | 674 | 883 |
| Payables | 133 | 344 |
| Associates (DKK million) | | |
| Dividends received and capital reductions | 15 | 5 |
| Trade receivables | 17 | 36 |
| Trade payables | (20) | (24) |
| Interest, net | - | (201) |
| Receivables | - | 5 |
| Payables | 3 | - |
| Owners (DKK million) | | |
| Trade receivables | 469 | 954 |
| Receivables | 17 | 256 |



Transactions with joint ventures, associates and owners are shown in the table.

8.2 Auditor's fees

The Danish Parliament has adopted amendments to the Danish Act on Approved Auditors and Audit Firms which came into force on 17 May 2016. The amendments implement the Directive of the European Parliament and of the Council amending the eighth Company Law Directive.

The purpose is to improve audit quality by focusing on the auditor's professional scepticism, increasing the requirement for auditor independence and the internal organisation of audit firms and their quality management and thereby strengthening public confidence in audited financial statements.

The change entails, among other things, limitations on which and how many non-audit services the auditor is allowed to provide.

We have prepared a new policy for the use of a group auditor. The purpose of the policy is to fulfil the Audit and Risk Committee's responsibility for monitoring non-audit services.

Among other things, the policy introduces a cap on fees charged by the group auditor for the provision of non-audit services of 100% of statutory audit as well as introducing a preliminary approval of non-audit services. The cap may be exceeded subject to approval by the Audit and Risk Committee.

PwC is DONG Energy's auditors appointed by the general meeting. PwC audits the

consolidated financial statements of DONG Energy and our subsidiaries' financial statements in all the countries where we are represented. In addition, PwC provides consultancy services and performs other audit-related tasks.

In 2015 and 2016, PwC also provided consultancy services in connection with the IPO as well as issuing a report on the prospectus and carrying out other assurance engagements in connection with the IPO. The total fees to PwC in connection with the IPO amounted to DKK 27 million, of which DKK 18 million in 2016.

Other assurance engagements include besides statements on the prospect reviews of non-financial data and of regulatory financial statements.

Tax and VAT advice primarily includes advice in connection with the divestment of assets and companies and advice in connection with the preparation of tax returns and the calculation of the income subject to international joint taxation.

Non-audit services include other consultancy services from PwC, including advice in connection with the divestment of assets and companies, capital injections, etc.

In 2016 tax advice and non-audit services include fee of DKK 5.6 million concerning the divestment process of Gas Distribution and oil pipeline in the North Sea to Energinet.dk

|  DKK million | 2016 | 2015 |
|---|-----------|-----------|
| Statutory audit | 9 | 9 |
| Other assurance engagements | 14 | 6 |
| Tax and VAT advice | 10 | 8 |
| Non-audit services | 9 | 11 |
| Total fees to PwC | 43 | 34 |



The table includes a fee of DKK 2.4 million in 2016 relating to the Oil & Gas segment.

8.3 Operating lease obligations

Wind Power's assets held under operating leases comprise mainly seabed relating to offshore wind farms in the UK, service vessels and a harbour area in Belfast, Northern Ireland.

Bioenergy & Thermal Power's significant leased assets are two plots of land. In the Netherlands, we lease the land on which the Enecogen Power Station is located, and in the UK, we lease land in Northwich which will be the site of our first REnescience plant.

Distribution & Customer Solutions mainly lease gas storage facilities in Germany.

Leased assets recognised under Other activities mainly comprise two office premises in Gentofte and London. The premises are used by employees in most of our segments.

We have entered into leases for service and installation vessels (Wind Power) for the period 2017–2023. These obligations are not included in the statement of operating lease obligations, as we had no right to use the leased assets at 31 December 2016. The minimum lease payments total DKK 959 million.

Seabed leases include variable lease payments which depend on the amount of MWh generated. However, we have agreed on minimum lease payments for seabeds.

Lease payments recognised in profit (loss) for the year amount to DKK 746 million (2015: DKK 722 million).

For the purpose of calculating the FFO/adjusted interest-bearing net debt, the present value and interest expenses of the lease obligations are calculated. The results and the discount rate are shown in the table with supplementary information for operating lease obligations.



Accounting policies

We recognise operating lease payments in profit (loss) for the year over the term of the lease on a straight-line basis. When using assets held under operating leases in respect of construction of offshore wind farms or other assets, we recognise lease payments in the cost of the asset in step with the construction of the asset.



| Operating lease obligations by segment 2016 (DKK million) | Wind Power | Bioenergy & Thermal Power | Distribution & Customer Solutions | Other activities | Total |
|---|--------------|---------------------------|-----------------------------------|------------------|--------------|
| 0-1 year | 166 | 9 | 146 | 182 | 503 |
| 1-2 years | 133 | 6 | 159 | 196 | 494 |
| 2-3 years | 100 | 7 | 79 | 202 | 388 |
| 3-4 years | 99 | 7 | 80 | 199 | 385 |
| 4-5 years | 100 | 7 | 80 | 199 | 386 |
| After 5 years | 1,661 | 145 | 101 | 1,538 | 3,445 |
| Total | 2,259 | 181 | 645 | 2,516 | 5,601 |
| Present value | 1,449 | 108 | 563 | 1,877 | 3,997 |

Operating lease obligations by segment 2015

| | | | | | |
|---------------|--------------|------------|------------|--------------|--------------|
| 0-1 year | 207 | 7 | 147 | 448 | 809 |
| 1-2 years | 184 | 7 | 144 | 179 | 514 |
| 2-3 years | 98 | 4 | 159 | 197 | 458 |
| 3-4 years | 81 | 5 | 79 | 211 | 376 |
| 4-5 years | 81 | 5 | 80 | 213 | 379 |
| After 5 years | 1,309 | 114 | 181 | 1,753 | 3,357 |
| Total | 1,960 | 142 | 790 | 3,001 | 5,893 |
| Present value | 1,306 | 82 | 677 | 2,183 | 4,248 |

Supplementary information to operating lease obligations, continuing operations (DKK million)

| | 2016 | 2015 |
|---|-------|-------|
| Present value of lease payments | 3,986 | 4,248 |
| Lease payments recognised in profit (loss) for the year | 746 | 722 |
| Calculated interest expenses on lease obligations | 194 | 191 |
| Discount rate applied | 4.5% | 4.5% |



The present value is calculated by discounting the individual obligations each year using our internal discount rate of 4.5%.

8.4 Contractual obligations

Contractual obligations at 31 December 2016 in Wind Power mainly related to wind turbines, foundations and cables, etc, for the construction of offshore wind farms. The obligations of Bioenergy & Thermal Power mainly related to the biomass conversion of Skærbæk Power

Station and the construction of a REnescence plant in Northwich, UK, while the obligations of Distribution & Customer Solutions related to the roll-out of intelligent power meters.

|  Contractual obligations by segment (DKK million) |  Wind Power |  Bioenergy & Thermal Power |  Distribution & Customer Solutions | Other activities | Total |
|---|--|---|---|------------------|--------|
| | 0-1 year | 20,981 | 565 | 207 | 284 |
| 1-5 years | 20,695 | 4 | 1,093 | 585 | 22,377 |
| 2016 | 41,676 | 569 | 1,300 | 869 | 44,414 |
| 2015 | 39,452 | 1,121 | 1,412 | 2,472 | 44,457 |



Overview of concluded contracts where delivery had not taken place at 31 December.

8.5 Categories of financial instruments

Categories of financial instruments

Financial instruments are used for various purposes. The purpose determines the category, and whether the value adjustment of the instrument should be recognised in the profit (loss) for the year or as part of the hedging reserve in equity.

Financial instruments are recognised at market value. However, bond and bank debt is recognised at amortised cost. The market value of bond and bank debt is stated in note 6.3.

|  Categories of financial instruments (DKK million) | 2016 | 2015 |
|--|--|--------|
| | Financial assets measured at market value in profit (loss) for the year (derivative financial instruments) | 4,945 |
| Financial assets measured at market value in profit (loss) for the year (securities) | 16,533 | 21,221 |
| Financial assets used as hedging instruments | 3,744 | 7,429 |
| Loans and receivables | 12,490 | 15,548 |
| Available-for-sale financial assets | 158 | 190 |
| Financial liabilities measured at market value in profit (loss) for the year | 4,201 | 456 |
| Financial liabilities used as hedging instruments | 2,729 | 9,075 |
| Financial liabilities measured at amortised cost | 38,239 | 53,255 |



The table shows our financial instruments divided into categories. The category indicates how the financial instrument is recognised in the financial statements.

8.6 Assets and liabilities measured at fair value

| Fair value hierarchy of financial instruments (DKK million) | Quoted prices (level 1) | Observable inputs (level 2) | Non-observable inputs (level 3) | | | | | |
|--|----------------------------|--------------------------------|------------------------------------|---------------|----------------------------|--------------------------------|------------------------------------|---------------|
| | | | | 2016 | Quoted prices (level 1) | Observable inputs (level 2) | Non-observable inputs (level 3) | 2015 |
| Securities | 13,428 | 3,105 | - | 16,533 | 16,739 | 4,482 | - | 21,221 |
| Total securities | 13,428 | 3,105 | - | 16,533 | 16,739 | 4,482 | - | 21,221 |
| Commodities | 2,461 | 2,914 | 269 | 5,644 | 4,993 | 8,569 | 796 | 14,358 |
| Currency | - | 2,967 | - | 2,967 | - | 1,195 | - | 1,195 |
| Interest | - | 78 | - | 78 | - | 89 | - | 89 |
| Total derivative financial instruments | 2,461 | 5,959 | 269 | 8,689 | 4,993 | 9,853 | 796 | 15,642 |
| Total assets | 15,889 | 9,064 | 269 | 25,222 | 21,732 | 14,335 | 796 | 36,863 |
| Commodities | 1,467 | 3,637 | 426 | 5,530 | 680 | 3,573 | 818 | 5,071 |
| Currency | - | 1,372 | - | 1,372 | - | 3,930 | - | 3,930 |
| Interest | - | 28 | - | 28 | - | 530 | - | 530 |
| Total derivative financial instruments | 1,467 | 5,037 | 426 | 6,930 | 680 | 8,033 | 818 | 9,531 |
| Total equity and liabilities | 1,467 | 5,037 | 426 | 6,930 | 680 | 8,033 | 818 | 9,531 |



The table shows our assets and liabilities which are measured at fair value distributed by types of price input. Fair values at level 3 where significant inputs cannot be observed in a market constitute a small part of the total fair values.

Valuation principles and material assumptions

In order to keep modifications of parameters, calculation models or the use of subjective estimates to a minimum, it is our policy to determine fair values on the basis of external information that most accurately reflects the fair values.

Fair values are determined continuously by our Risk Management function, which reports to the CFO.

- Level 1: Fair values are included in quoted prices if the fair value can be derived

directly from an active market, for example for listed securities.

- Level 2: Fair values are included in observable inputs if the fair value has been calculated using inputs which can be derived from active markets etc.
- Level 3: Fair values are included in non-observable inputs if the fair value has been calculated using inputs which cannot be derived from active markets etc. often because trading in the active market is within a short time horizon. The valuation of this group is therefore subject to some uncertainty.

The most important parameter resulting in contracts being classified as level 3 is the power price. Normally, the price can be observed for a maximum of five years in the power market, after which an active market no longer exists. Beyond the five-year horizon, the energy price is thus projected on the basis of the observable forward price for years 1 to 5. As the forward price of power develops stably during the five-year period, the projection over a small number of years is not deemed to be associated with any material risk.



Accounting policies

Level 1 comprises quoted securities and derivative financial instruments that are traded in active markets.

Level 2 comprises derivative financial instruments, where valuation models with observable inputs are used to measure fair value.

Level 3 comprises primarily long-term contracts on the purchase/sale of, in particular, power and gas, and oil options. The fair values are based on assumptions concerning the long-term prices of, in particular, power, gas, coal, USD, EUR, volatilities as well as risk premiums in respect of liquidity and market risks. Since there are no active markets for the long-term prices of power, oil and gas, the fair value has been determined through an estimate of the future prices.

All assets and liabilities measured at fair value are measured on a recurring basis.

8.7 Company overview

| Segment/company/registered office | Type ¹ | Owner-ship interest |
|--|-------------------|---------------------|
| Parent company | | |
| DONG Energy A/S, Fredericia, Denmark | - | - |
| Wind Power | | |
| A2SEA A/S, Fredericia, Denmark | S | 51% |
| A2SEA Deutschland GmbH, Hamburg, Germany | S | 100% |
| A2SEA Ltd., London, UK | S | 100% |
| Anholt Havvindmøllepark I/S ² , Fredericia, Denmark | JO | 50% |
| Barrow Offshore Wind Ltd., London, UK | S | 100% |
| Bay State HoldCo LLC., Delaware, USA | JV | 50% |
| Bay State Wind LLC., Delaware, USA | S | 100% |
| Borkum Riffgrund I Holding A/S, Fredericia, Denmark | S | 100% |
| Borkum Riffgrund I Offshore Windpark A/S GmbH & Co. oHG, Norden, Germany | JV | 50% |
| Breesea Ltd., London, UK | S | 100% |
| Breeveertien II Wind Farm B.V., Rotterdam, the Netherlands | S | 100% |
| BSW Holdco LLC, Delaware, USA | JO | 50% |
| BSW Projectco LLC, Delaware, USA | S | 100% |
| Burbo Extension (UK) Ltd, London, UK | S | 100% |
| Burbo Extension Holding Ltd, London UK | JO | 50% |
| Celtic Array Ltd., Berkshire, UK | JV | 50% |
| CT Offshore A/S, Fredericia, Denmark | S | 67% |
| DE Wind Power, USA LLC, USA | S | 100% |
| Den Helder Wind Farm B.V., Rotterdam, the Netherlands | S | 100% |
| DONG Energy – Anholt Offshore A/S, Fredericia, Denmark | S | 100% |
| DONG Energy Borkum Riffgrund I GmbH, Hamburg, Germany | S | 100% |
| DONG Energy Borkum Riffgrund I HoldCo GmbH, Hamburg, Germany | S | 100% |
| DONG Energy Borkum Riffgrund II GmbH, Hamburg, Germany | S | 100% |
| DONG Energy Borkum Riffgrund West I GmbH, Hamburg, Germany | S | 100% |
| DONG Energy Borkum Riffgrund West II GmbH, Hamburg, Germany | S | 100% |

| Segment/company/registered office | Type ¹ | Owner-ship interest |
|---|-------------------|---------------------|
| DONG Energy Borssele 1 B.V., 's-Gravenhage, the Netherlands | S | 100% |
| DONG Energy Borssele 2 C.V., 's-Gravenhage, the Netherlands | S | 100% |
| DONG Energy Borssele 2 GP B.V., 's-Gravenhage, the Netherlands | S | 100% |
| DONG Energy Borssele 2 LP 1 B.V., 's-Gravenhage, the Netherlands | S | 100% |
| DONG Energy Borssele 2 LP 2 B.V., 's-Gravenhage, the Netherlands | S | 100% |
| DONG Energy Borssele 2 LP 3 B.V., 's-Gravenhage, the Netherlands | S | 100% |
| DONG Energy Borssele 3 C.V., 's-Gravenhage, the Netherlands | S | 100% |
| DONG Energy Borssele 3 GP 3 B.V., 's-Gravenhage, the Netherlands | S | 100% |
| DONG Energy Borssele 3 LP 1 B.V., 's-Gravenhage, the Netherlands | S | 100% |
| DONG Energy Borssele 3 LP 2 B.V., 's-Gravenhage, the Netherlands | S | 100% |
| DONG Energy Borssele 3 LP 3 B.V., 's-Gravenhage, the Netherlands | S | 100% |
| DONG Energy Borssele Holding B.V., 's-Gravenhage, the Netherlands | S | 100% |
| DONG Energy Burbo (UK) Ltd., London, UK | S | 100% |
| DONG Energy Burbo Extension Holding Ltd., London, UK | S | 100% |
| DONG Energy Hornsea Project Three (UK) Ltd., London, UK | S | 100% |
| DONG Energy InvestCo Limited, Taipei City, Taiwan | S | 100% |
| DONG Energy Gode Wind 1 Holding GmbH, Hamburg, Germany | S | 100% |
| DONG Energy Gode Wind 2 GmbH, Hamburg, Germany | S | 100% |
| DONG Energy Gunfleet Sands Demo (UK) Ltd., London, UK | S | 100% |
| DONG Energy Horns Rev I A/S, Fredericia, Denmark | S | 100% |
| DONG Energy Horns Rev 2 A/S, Fredericia, Denmark | S | 100% |
| DONG Energy Isle of Man (UK) Ltd., Isle of Man | S | 100% |
| DONG Energy Lincs (UK) Ltd., London, UK | S | 100% |
| DONG Energy London Array Ltd., London, UK | S | 100% |
| DONG Energy London Array II Ltd., London, UK | S | 100% |
| DONG Energy Nearshore Wind ApS, Fredericia, Denmark | S | 100% |
| DONG Energy Nysted I A/S, Fredericia, Denmark | S | 86% |
| DONG Energy Power (Gunfleet Sands) Ltd., London, UK | S | 100% |
| DONG Energy Power (Participation) Ltd., London, UK | S | 100% |

| Segment/company/registered office | Type ¹ | Owner-ship interest | Segment/company/registered office | Type ¹ | Owner-ship interest |
|---|-------------------|---------------------|---|-------------------|---------------------|
| DONG Energy Power (UK) Ltd., London, UK | S | 100% | Nördlicher Grund GmbH, Hamburg, Germany | S | 100% |
| DONG Energy Race Bank (Holding) Ltd., London, UK | S | 100% | Ocean Wind LLC, Delaware, USA | S | 100% |
| DONG Energy Shell Flats (UK) Ltd., London, UK | S | 100% | OFTRAC Ltd., London, UK | S | 100% |
| DONG Energy UK III Ltd., London, UK | S | 100% | Optimus Wind Ltd., London, UK | S | 100% |
| DONG Energy Walney Extension (UK) Ltd., London, UK | S | 100% | Optimus Wind Transmission Ltd., London, UK | S | 100% |
| DONG Energy West of Duddon Sands (UK) Ltd., London, UK | S | 100% | Race Bank Wind Farm (Holding) Ltd., London, UK | JO | 50% |
| DONG Energy Westermost Rough Ltd., London, UK | S | 100% | Race Bank Wind Farm Ltd., London, UK | S | 100% |
| DONG Energy Wind Power (U.S.) Inc., Delaware, USA | S | 100% | Rhiannon Wind Farm Ltd., Windsor, UK | JV | 100% |
| DONG Energy Wind Power A/S, Fredericia, Denmark | S | 100% | Scarweather Sands Ltd., Coventry, UK | JV | 50% |
| DONG Energy Wind Power Denmark A/S, Fredericia, Denmark | S | 100% | SMart Wind Ltd., London, UK | S | 100% |
| DONG Energy Wind Power Germany GmbH, Hamburg, Germany | S | 100% | SMart Wind SPC5 Ltd., London, UK | S | 100% |
| DONG Energy Wind Power Holding A/S ³ , Fredericia, Denmark | S | 100% | SMart Wind SPC6 Ltd., London, UK | S | 100% |
| DONG Energy Wind Power Netherlands B.V., 's-Gravenhage, the Netherlands | S | 100% | SMart Wind SPC8 Ltd., London, UK | S | 100% |
| DONG Energy Wind Power Netherlands Holding B.V., Rotterdam, the Netherlands | S | 100% | UMBO GmbH, Hamburg, Germany | A | 90% |
| DONG Energy Wind Power Taiwan Ltd, Taiwan | S | 100% | VI Aura Ltd., London, UK | S | 100% |
| DONG Energy Wind Power TW Holding A/S, Denmark | S | 100% | VI Aura Transmission Ltd., London, UK | S | 100% |
| DONG VE A/S, Fredericia, Denmark | S | 100% | Walney (UK) Offshore Windfarms Ltd., London, UK | S | 50% |
| DONG Vind A/S, Fredericia, Denmark | S | 100% | West of Duddon Sands | JO | 50% |
| Gode Wind 04 GmbH, Hamburg, Germany | S | 100% | West Rijn Wind Farm B.V., Rotterdam, the Netherlands | S | 100% |
| Gode Wind 1 Offshore Wind Farm GmbH & Co. oHG, Norden, Germany | JO | 50% | Westermost Rough (Holding) Ltd., London, UK | JO | 50% |
| Gode Wind 2 Offshore Wind Farm P/S GmbH & Co. oHG, Norden, Germany | JO | 50% | Westermost Rough Ltd., London, UK | JO | 100% |
| Gunfleet Sands Ltd., London, UK | S | 100% | | | |
| Gunfleet Sands II Ltd., London, UK | S | 100% | Bioenergy & Thermal Power | | |
| Gunfleet Sands Holding Ltd., London, UK | S | 50% | Cure DONG Energy REnescience B.V., 's-Gravenhage, the Netherlands | S | 100% |
| Heron Wind Ltd., London, UK | S | 100% | DE Thermal Power Nr. 1 A/S in voluntary liquidation, Fredericia, Denmark | S | 100% |
| Horns Rev I Offshore Wind Farm | JO | 40% | DONG Energy Holding Ludwigsau I GmbH, Hamburg, Germany | S | 100% |
| Lincs Renewable Energy Holdings Ltd., London, UK | JV | 50% | DONG Energy Kraftwerke Greifswald Verwaltungs GmbH in liquidation, Stralsund, Germany | S | 100% |
| Lincs Wind Farm Ltd., Aberdeen, UK | JV | 50% | DONG Energy Kraftwerke Holding GmbH, Hamburg, Germany | S | 100% |
| London Array Ltd., Kent, UK | JO | 25% | DONG Energy Maabjerg Energy Concept A/S, Fredericia, Denmark | S | 70% |
| Morecambe Wind Ltd., London, UK | JO | 50% | DONG Energy Netherlands B.V., 's-Hertogenbosch, the Netherlands | S | 100% |
| Njord Ltd., London, UK | S | 100% | DONG Energy New Bio Solutions (China) A/S, Fredericia, Denmark | S | 100% |
| Northern Energy OWP West GmbH, Aurich, Germany | S | 100% | DONG Energy New Bio Solutions Co. Ltd., Beijing, China | S | 100% |
| Nysted Havmøllepark I | JO | 50% | DONG Energy New Bio Solutions Holding A/S, Fredericia, Denmark | S | 100% |

| Segment/company/registered office | Type ¹ | Owner-ship interest |
|--|-------------------|---------------------|
| DONG Energy Power Rotterdam B.V., 's-Hertogenbosch, the Netherlands | S | 100% |
| DONG Energy REnescience Northwich Ltd., London, UK | S | 100% |
| DONG Energy REnescience Northwich O&M Ltd., London, UK | S | 100% |
| DONG Energy SP (UK) Ltd., London, UK | S | 100% |
| DONG Energy SP Holding (UK) Ltd., London, UK | S | 100% |
| DONG Energy Thermal Power A/S ³ , Fredericia, Denmark | S | 100% |
| DONG Energy Waste (UK) Ltd., London, UK | S | 100% |
| Emineral A/S, Fredericia, Denmark | S | 50% |
| Enecogen V.O.F, Rotterdam, the Netherlands | JO | 50% |
| Haderslev Kraftvarmeværk A/S in voluntary liquidation, Fredericia, Denmark | S | 100% |
| Inbicon A/S, Fredericia, Denmark | S | 100% |
| Konsortiet for etablering af Maabjerg Energy Concept I/S, Holstebro, Denmark | NC | 50% |
| Pyroner A/S, Fredericia, Denmark | S | 100% |
| REnescience A/S, Fredericia, Denmark | S | 100% |
| Severn Power Funding Ltd., London, UK | S | 100% |
| Stignæs Vandindvinding I/S, Slagelse, Denmark | NC | 64% |
| Vejen Kraftvarmeværk A/S in voluntary liquidation, Fredericia, Denmark | S | 100% |

Distribution & Customer Solutions

| | | |
|---|---|------|
| DONG Energy Aktiebolag, Malmö, Sweden | S | 100% |
| DONG Energy Infrastructure GmbH ³ , Hamburg, Germany | S | 100% |
| DONG Energy Leitung E GmbH, Hamburg, Germany | S | 100% |
| DONG Energy Markets GmbH, Hamburg, Germany | S | 100% |
| DONG Energy Pipelines A/S, Fredericia, Denmark | S | 100% |
| DONG Energy Power Sales UK Ltd., London, UK | S | 100% |
| DONG Energy Real Estate A/S, Fredericia, Denmark | S | 100% |
| DONG Energy S&D UK Ltd., London, UK | S | 100% |
| DONG Energy Sales (UK) Ltd., London, UK | S | 100% |
| DONG Energy Sales & Distribution A/S ³ , Fredericia, Denmark | S | 100% |
| DONG Energy Sales GmbH, Hamburg, Germany | S | 100% |
| DONG Energy Salg & Service A/S ³ , Fredericia, Denmark | S | 100% |
| DONG Energy Services B.V., 's-Hertogenbosch, the Netherlands | S | 100% |

| Segment/company/registered office | Type ¹ | Owner-ship interest |
|---|-------------------|---------------------|
| DONG Energy Speicher E GmbH, Hamburg, Germany | S | 100% |
| DONG Energy Speicher R GmbH, Hamburg, Germany | S | 100% |
| DONG Offshore Gas Systems A/S, Fredericia, Denmark | S | 100% |
| DONG Oil Pipe A/S ³ , Fredericia, Denmark | S | 100% |
| Etzel-Kavernenbetriebs-Verwaltungsgesellschaft mbH, Bremen, Germany | A | 33% |
| Etzel-Kavernenbetriebsgesellschaft mbH & Co. KG, Bremen, Germany | A | 33% |
| Kalundborg Bioenergi ApS, Skanderborg, Denmark | S | 40% |
| Obviux A/S, Fredericia, Denmark | S | 100% |
| Radius Elnet A/S, Fredericia, Denmark | S | 100% |

Other

| | | |
|---|---|------|
| DONG E&P nr. 1 2008 A/S, Fredericia, Denmark ^{2,3} | S | 100% |
| DONG EGJ A/S, Fredericia, Denmark | S | 100% |
| DONG EL A/S ³ , Fredericia, Denmark | S | 100% |
| DONG Energy (UK) Ltd., London, UK | S | 100% |
| DONG Energy IT Malaysia Sdn. Bhd., Kuala Lumpur, Malaysia | S | 100% |
| DONG Energy IT Polska Sp. z o. o., Warsaw, Poland | S | 100% |
| DONG Energy Nr. 1 2014 A/S ^{2,3} , Fredericia, Denmark | S | 100% |
| DONG Energy Nr. 2 2014 A/S ^{2,3} , Fredericia, Denmark | S | 100% |
| DONG Energy Nr. 3 2014 A/S ^{2,3} , Fredericia, Denmark | S | 100% |
| DONG Energy Nr. 4 2014 A/S ^{2,3} , Fredericia, Denmark | S | 100% |
| DONG Energy Oil & Gas A/S ³ , Fredericia, Denmark | S | 100% |
| DONG Insurance A/S ³ , Fredericia, Denmark | S | 100% |
| EM EL Holding A/S, Fredericia, Denmark | S | 100% |
| EnergiGruppen Jylland EL A/S, Fredericia, Denmark | S | 100% |
| EnergiGruppen Jylland EL Holding A/S, Fredericia, Denmark | S | 100% |
| Lithium Balance A/S, Egedal, Denmark | A | 20% |



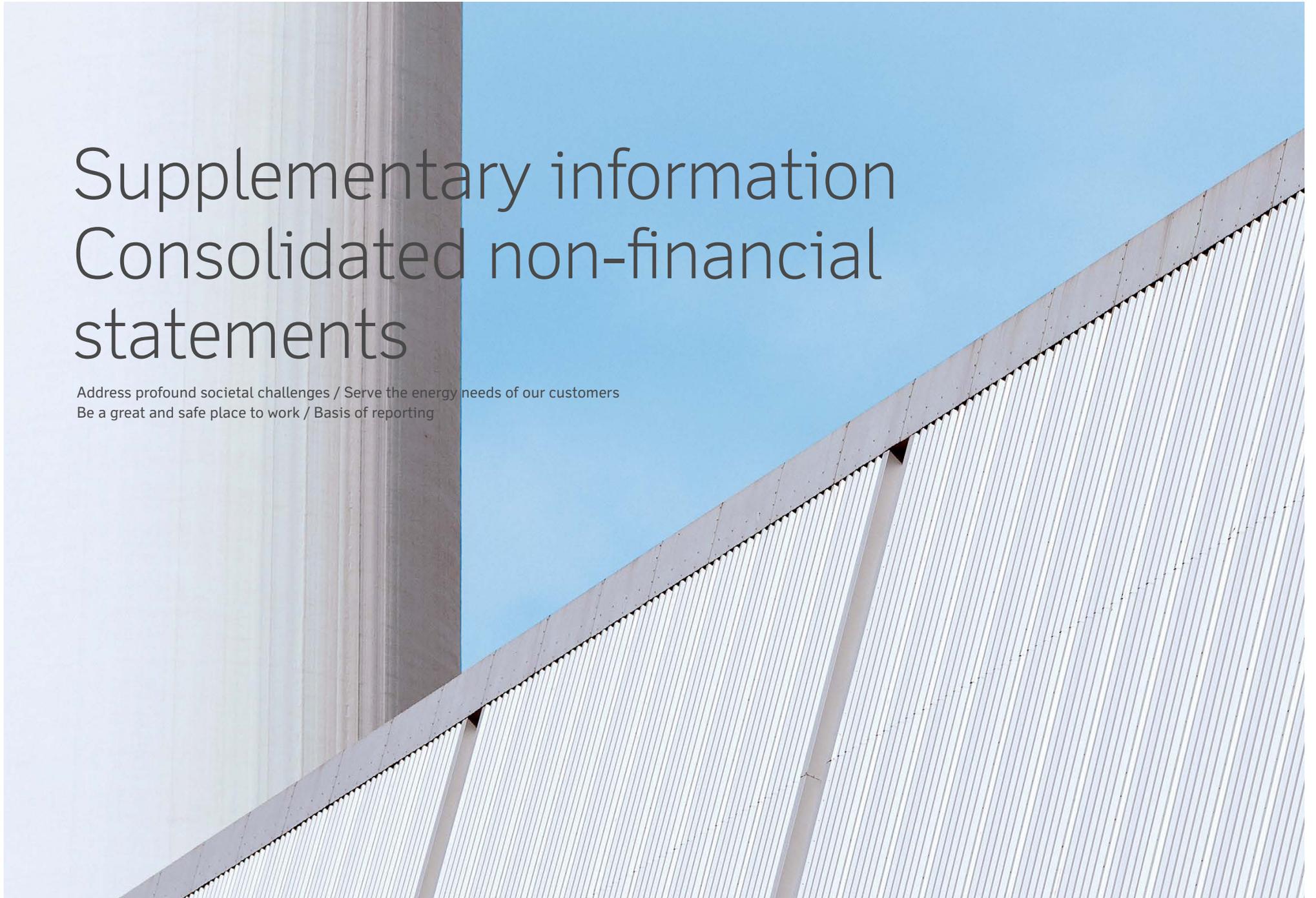
¹ S = subsidiary
A = associate
JO = joint operation
JV = joint venture
NC = non-consolidated entity

² The company applies the provision in section 5 or section 6 of the Danish Financial Statements Act to omit presenting a separate annual report.

³ Subsidiaries owned directly by DONG Energy A/S

Supplementary information Consolidated non-financial statements

Address profound societal challenges / Serve the energy needs of our customers
Be a great and safe place to work / Basis of reporting



Consolidated non-financial statements

3.6GW

At the end of 2016, we had installed a total of 3.6GW of offshore wind capacity. Our ambition is to reach 11-12GW by the end of 2025

46%

The coal share of fuels used at the power stations was 46% in 2016. Our target is to phase out coal altogether in 2023

LTIF of 1.8

The lost-time injury frequency (LTIF) has been reduced from 2.0 in 2015 to 1.8 in 2016. The target is an LTIF of 1.5 or less by the end of 2020

To drive and document DONG Energy's green energy transformation and responsible business operations, we use a range of non-financial indicators in addition to the financial statements.

In the non-financial statements, we explain our results, developments, objectives and accounting policies for non-financial strategic targets and business drivers and for selected sustainability indicators.

We track the progress of our strategy through 11 strategic targets (page 21). Our business drivers (page 27) support the realisation of our strategic targets.

The full reporting of sustainability is available in two independent publications: Sustainability Report 2016 and Sustainability Performance 2016.

In 2016, we announced that we were planning to divest our Oil & Gas entity. Data from Oil & Gas are therefore not included in the non-financial statements. In the Sustainability Performance 2016 report, we show selected non-financial results for Oil & Gas.

In the non-financial statements, we report in accordance with the applicable Danish Financial Statements Act and selected standards. Data are consolidated according to the same principles as in the financial statements, unless otherwise stated.

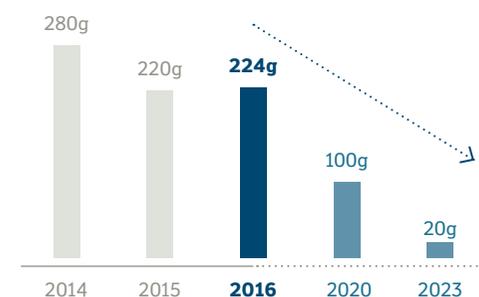
The non-financial statements are structured in the same way as our thematic division of the strategic targets.

- Address profound societal challenges
- Serving the energy needs of our customers
- Be a great and safe place to work

The purpose is to clarify how the non-financial indicators support DONG Energy's mission, vision and strategy.

Greenhouse gas emissions, g CO₂e/kWh

We have reduced our 2020 target to 100g CO₂e/kWh, which represents a halving of our original target. We have also defined a target of no more than 20g CO₂e/kWh in 2023.



We continue to reduce greenhouse gas emissions in step with our green energy expansion and phase-out of coal as a fuel. In 2016, emissions were 224g CO₂e/kWh, which is slightly higher than in 2015. This is primarily attributable to higher power generation at the power stations due to increased demand as a consequence of a lower supply of wind power and hydropower in the Nordic region in 2016. In addition, our Dutch power station generated 48% more power than in 2015, where power generation was low. We are working to achieve a maximum emissions level of 100g CO₂e/kWh by 2020 and 20g CO₂e/kWh by 2023.

We have changed our accounting policies in respect of the calculation of emissions of CO₂ per kWh. See page 165.

Address profound societal challenges

| Strategic target | Business driver | Sustainability indicator | Title | Unit | Target 2020 | 2016 | 2015 |
|--|-----------------|--------------------------|--|--------------------------------|---------------------------|-------|-------|
| Capacity | | | | | | | |
| | ● | ● | Decided capacity (FID), offshore wind | GW | | 7.4 | 5.1 |
| ● | ● | ● | Installed capacity, offshore wind | GW | 11-12 (2025) ¹ | 3.6 | 3.0 |
| | ● | ● | Production capacity, offshore wind | GW | | 2.0 | 1.7 |
| Availability, load factor and wind energy content for offshore wind | | | | | | | |
| | ● | | Availability | % | | 92 | 93 |
| | ● | | Load factor | % | | 41 | 45 |
| | ● | | Wind energy content | % | | 93 | 103 |
| Generation | | | | | | | |
| | ● | | Power generation | TWh | | 14.4 | 12.9 |
| | ● | | Power generation, wind | TWh | | 6.0 | 5.8 |
| | ● | | Power generation, thermal | TWh | | 8.4 | 7.1 |
| | ● | | Heat generation | TWh | | 9.2 | 9.3 |
| | ● | | Degree days | Number | | 2,715 | 2,621 |
| Coal and biomass in thermal power and heat generation | | | | | | | |
| ● | | ● | Coal share of fuels used for thermal power and heat generation | % | 0 (2023) ² | 46 | 48 |
| | | ● | Biomass share of Danish heat generation capacity | % | ≥60 | 41 | 19 |
| | | ● | Biomass share of thermal power and heat generation | % | | 32 | 30 |
| ● | | ● | Sourcing of certified biomass (wood pellets and wood chips) | % | 100 | 61* | - |
| Greenhouse gases | | | | | | | |
| ● | | ● | Greenhouse gas emissions of power and heat generation | g CO ₂ e/kWh | 100/20 ³ | 224 | 220 |
| | | ● | Greenhouse gas emissions of thermal power and heat generation | g CO ₂ e/kWh | | 302 | 297 |
| | | ● | EU ETS CO ₂ emissions | Million tonnes CO ₂ | | 5.3 | 4.8 |
| Fuels and primary energy resources in power and heat generation | | | | | | | |
| | | ● | Renewable energy share of power and heat generation | % | | 50 | 49 |
| | | ● | Wind | % | | 26 | 26 |
| | | ● | Biomass | % | | 24 | 22 |
| | | ● | Waste (biodegradable) | % | | 0 | 1 |
| | | ● | Fossil energy share of power and heat generation | % | | 50 | 51 |
| | | ● | Coal | % | | 30 | 33 |
| | | ● | Gas | % | | 19 | 17 |
| | | ● | Oil and waste (non-biodegradable) | % | | 1 | 1 |

We address profound societal challenges by developing green, independent and economically viable energy systems.



¹ Our 2025 ambition is an installed offshore wind capacity of 11-12GW

² Our 2023 target is to stop using coal in 2023

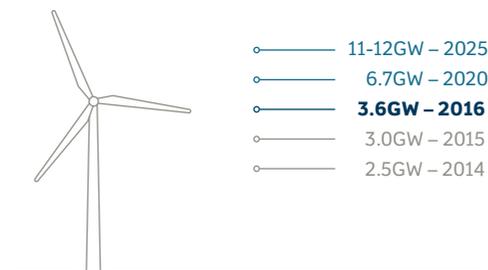
³ Our 2020 target is 100g CO₂e/kWh and our 2023 target is 20g CO₂e/kWh

* We started measuring and recording the sourcing of certified biomass in August 2016. Data have therefore been calculated for the period August to December 2016.

The wind energy content fell from 103% in 2015 to 93% in 2016. In 2016, we saw lower wind energy content than in a normal wind year, based on historical averages, whereas 2015 had higher wind energy content than a normal wind year.

Installed offshore wind capacity, GW

We have an ambition of increasing the installed capacity to 11-12GW at the end of 2025. Following the completion of Hornsea 1, we will exceed our original target of installing 6.5GW of offshore wind capacity by 2020 by 0.2GW.



We are the company that has constructed the most offshore wind turbines globally. We have constructed more than a quarter of the world's total offshore wind capacity.

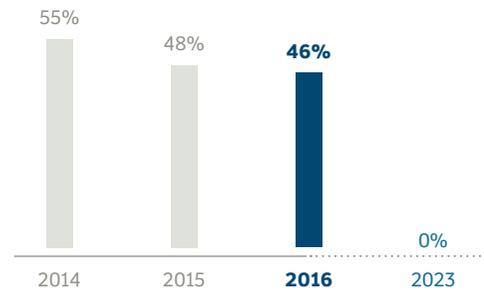
In 2016, we reached the milestone of offshore wind turbine no. 1,000.

In 2016, we completed the offshore wind farms Gode Wind 1 & 2 in Germany. We made a final investment decision to construct Hornsea 1 in the UK and Borkum Riffgrund 2 in Germany.

We continued our maturation of new offshore wind projects in the USA and opened an office in Taiwan.

Coal share of fuels used for thermal power and heat generation, %

Coal is the form of energy resulting in the highest CO₂ emissions from incineration. Our target is to completely phase out coal in our thermal power and heat generation by 2023.



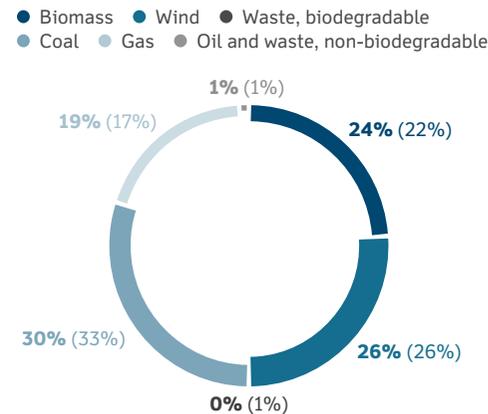
We are phasing out coal by converting our heat generation to sustainable biomass in the form of wood pellets and wood chips and by discontinuing our coal-based power generation.

The coal share of fuels used for thermal power and heat generation dropped from 48% in 2015 to 46% in 2016. At the end of 2016, we completed the conversion of unit 3 at Studstrup Power Station and unit 1 at Avedøre Power Station from coal to biomass.

The decision to stop all use of coal in 2023 means that we will have to find a future solution for the last two coal-fired power stations: Asnæs Power Station and Esbjerg Power Station.

Fuels and primary energy resources in power and heat generation, % 2016 (2015)

Energy generation from wind and biomass constitute green energy resources that can replace coal, gas and oil. We believe that renewable energy is crucial in the fight against climate change.



Since the establishment of DONG Energy in 2006, we have undergone a transformation from being one of the most coal-consuming companies in Europe to being a global leader within renewable energy.

Wind-based generation accounted for 26% of the total power and heat generation in both 2015 and 2016. The share has not increased even though wind-based generation rose by 5% from 2015 to 2016. This is due to the fact that thermal generation was also higher in 2016.

Biomass-based power and heat generation increased from 22% in 2015 to 24% in 2016. At the same time, the coal-based share fell from 33% in 2015 to 30% in 2016.

CO₂/kWh and renewable energy share – new accounting policies

In 2016, we changed our accounting policies in respect of the calculation of CO₂/kWh and renewable energy share. The Greenhouse Gas Protocol forms the basis of the change. The change has been implemented for all historical results and the 2020 target for CO₂e/kWh.

In the calculation of the total power and heat generation, we have previously translated the heat generation into so-called power equivalents. This means that we have translated the heat generation into how much power we could have generated by not having generated heat. In practice, this meant that the considerably higher energy efficiency that the combined power and heat generation entailed was not reflected in the results. The Greenhouse Gas Protocol recommends that, in the calculation of total generation from combined heat and power plants, power and heat generation be translated into the same unit and aggregated. We use GWh as the aggregated unit.

Based on the Greenhouse Gas Protocol, we have expanded our statement of CO₂ emissions to include the other two greenhouse gases N₂O and CH₄ from thermal generation. We now calculate CO₂e/kWh, which means that greenhouse gas emissions are measured in CO₂ equivalents per produced kWh of power and heat generation, rather than just CO₂. The change has only had a marginal impact.



Accounting policies

Decided (FID'ed) capacity, offshore wind

Decided (FID'ed) capacity is the accumulated installed offshore wind capacity, including capacity for offshore wind farms where a final investment decision has been made.

Installed capacity, offshore wind

Installed offshore wind capacity is calculated as the cumulative offshore wind capacity installed by DONG Energy. The capacity is calculated as installed gross capacity before divestments.

Production capacity, offshore wind

Production capacity is calculated as the capacity of the power generation which DONG Energy Wind Power produces and reports. The same scope and consolidation as for power generation are used.

Production capacity is calculated and factored in from the time when the individual wind turbine has passed the 240-hour test. Production capacity, offshore wind is calculated at 31 December. The wind farms Gunfleet Sands and Walney 1 & 2 have been consolidated according to ownership interest. The other wind farms are financially consolidated.

Availability, load factor and wind energy content for offshore wind

Availability, load factor and wind energy content are calculated only for offshore wind farms. The time-based availability factor (availability) is calculated as the ratio of the number of hours the offshore wind farms are available for power generation to the total number of hours in a given period. Total availability is determined by weighting the individual offshore wind farms' availability by the capacity of the offshore wind farm. Availability is commercially adjusted.

The load factor is calculated as the ratio between actual production over a period relative to potential production which is possible by continuously exploiting the maximum capacity over the same period. The load factor is commercially adjusted.

Commercially adjusted means that, for Danish and German offshore wind farms, availability and load factor, respectively, are adjusted if the offshore wind farm

has been financially compensated by the transmission system operators in situations where the offshore wind farm is available for generation, but the output cannot be supplied to the grid due to maintenance or grid interruptions. Offshore wind farms in the UK are not compensated for non-access to supply power to the grid.

New offshore wind turbines are included in the calculation of availability and load factor once they have passed the 240-hour test.

Wind energy content is calculated as the ratio between actual gross production in a given period and production in a 'normal wind year'. Actual production is calculated as actual net production adjusted for availability.

The wind energy content for new offshore wind farms is included from the beginning of the first calendar year in which the entire wind farm is in operation.

Generation

Power generation from wind is calculated as sold production. The wind farms Gunfleet Sands and Walney 1 & 2 have been consolidated according to ownership interest. The other wind farms are financially consolidated.

Thermal power generation is determined as net production sold based on settlements from the official Danish production database. Data for generation from foreign facilities are provided by the operators.

Thermal heat and steam generation is measured as net output sold to heat customers.

The average for degree days is based on the period 2000–2014. The degree days for a day are calculated as the difference between the average indoor temperature of 17 degrees Celsius and the average outdoor temperature.

Renewable energy share of power and heat generation

The renewable energy share of the power and heat generation and the distribution of the generation on the individual energy sources and fuels are calculated on the basis of the generation from the plants.

For wind-based generation, it is simply a question of calculating the individual energy-based generation for the plant, as it uses one energy source only.

For the combined heat and power plants, which can use several different fuels, the calculation is as follows: For the individual combined heat and power plant unit in the given period, the share of the specific fired fuel (eg biomass) is calculated relative to the total fired fuel quantity. The fired fuel share is then multiplied by the total power and heat generation (including steam) for the specific unit in the specific period. This results in the fuel-based generation for the individual unit – for example the biomass-based generation of power and heat in the combined heat and power plant unit.

All the calculated fuel-based generation and the wind power generation are then added up to a total, which tallies with the total generation. Based on this, the shares of the individual energy sources and the fuel-based generation can be divided by the total to arrive at the shares in per cent.

In practice, waste consists of a mixture of biomass and fossil fuel-based parts. When calculating the renewable energy share, waste fuel is therefore divided into a biodegradable and a non-biodegradable part. Key figures from the Danish Centre for Environment and Energy are used for this purpose. In 2016, 55% of the waste was biodegradable.

The following energy sources and fuels are considered renewable energy: Wind, biomass, waste (biodegradable). The following energy sources are considered fossil energy sources: Coal, natural gas, oil and waste (non-biodegradable).

Coal share used for thermal power and heat generation

The fuel consumption for power and heat generation at the individual power stations is stated in GJ. The coal-based share is calculated as the coal consumption in GJ relative to the total fuel volume in GJ.

Biomass share of thermal power and heat generation

The biomass share of thermal power and heat generation is calculated according to the same method as the

one used to calculate the renewable energy share of power and heat generation described above.

Sourcing of certified biomass

Certified biomass is defined as wood-based biomass; wood pellets and wood chips. Certified biomass must be certified within at least one of the categories defined in the Danish industry agreement on ensuring sustainable biomass.

Certified biomass is calculated as the share of sourced certified wood-based biomass of the total sourcing of wood-based biomass delivered to the combined heat and power plants.

Certified biomass is a new strategic target and a new non-financial indicator. The reporting began in August 2016 on the start date for the Danish industry agreement on certification and reporting of certified biomass.

Greenhouse gases

Greenhouse gas emissions per kWh of power and heat generation is defined as the greenhouse gas emissions divided by the total power, heat and steam generation supplied to the network.

CO₂ emissions (g CO₂e/kWh) are calculated as greenhouse gases measured in CO₂e (CO₂ equivalents) relative to the total generation of power, heat and steam, measured in kWh.

Greenhouse gases comprise greenhouse gas emissions from the combustion of fuels in thermal power and heat generation. These are covered by the GHG Protocol and comprise CO₂ (carbon dioxide), N₂O (nitrous oxide) and CH₄ (methane).

In practice, waste is considered a partially CO₂-neutral fuel, as it consists of both fossil fuels and biomass-based fuels. We use a conversion factor to calculate the CO₂ emissions from the incineration of waste. The conversion factor (37kg CO₂/GJ waste) has been used by the Danish Centre for Environment and Energy since 1990 and until today.

Serving the energy needs of our customers

| Strategic target | Business driver | Sustainability indicator | Title | Unit | Target 2020 | 2016 | 2015 |
|------------------|-----------------|--------------------------|--|-------------|-------------|-------|-------|
| | | | Reputation | | | | |
| ● | | ● | Reputation | Scale 0-100 | ≥55 | 48 | 47 |
| | | | Customer experience | | | | |
| ● | | ● | Customer satisfaction, residential customers in Denmark | Scale 1-100 | ≥80 | 76 | 76 |
| ● | | ● | Customer satisfaction, business customers in Denmark | Scale 1-100 | ≥75 | 75 | 75 |
| ● | | ● | Customer satisfaction, distribution customers in Denmark | Scale 1-100 | ≥80 | 83 | 78 |
| | | ● | Customer complaints | Number | | 2,473 | 2,031 |
| ● | | ● | Security of supply (power outages per customer, SAIFI) | Number | 0.5* | 0.49 | 0.35 |
| | | | Sales and distribution | | | | |
| | ● | | Gas sales | TWh | | 143.4 | 153.2 |
| | ● | | Sales of power | TWh | | 36.5 | 35.2 |
| | ● | | Gas distribution | TWh | | 5.8 | 8.1 |
| | ● | | Distribution of power | TWh | | 8.5 | 8.4 |

We are working at all times to fulfil our customers' energy needs by delivering innovative and efficient energy solutions through our distribution and sales activities, while in Denmark we have the most reliable power supply in Europe.



Sales of gas and power are exclusive of internal sales from Distribution & Customer Solutions to Bioenergy & Thermal Power.

* Average security of supply in Denmark in 2015. Our target is to offer a level of security of supply which is higher than or on par with the Danish average.

Reputation, scale 0-100

We are working to improve our reputation by ensuring a high level of integrity in our business, continuing the green transformation, helping our customers to save energy and being an attractive place to work.



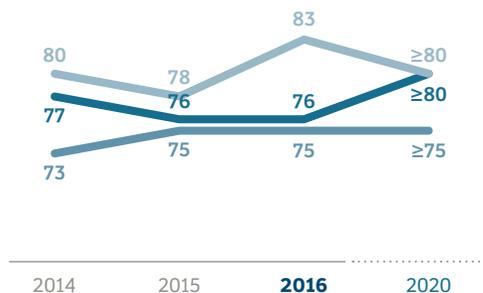
Our overall reputation is affected by a number of parameters, such as the extent to which the Danish people see DONG Energy as a likeable company which you can trust and which conducts itself in an ethically correct manner, and as an open and responsible company with a positive impact on society. We are currently being assessed relatively low on these parameters. Since 2011, our reputation score has fallen by 6 index points on a scale of 0 to 100.

In connection with our IPO on the stock exchange in Copenhagen in June 2016, we saw a brief boost in DONG Energy's reputation of +2 points. In 2016, our reputation score was 48 points, which is lower than the average for other large Danish companies.

Customer satisfaction, scale 1-100

A high level of customer satisfaction is key to retaining existing customers and attracting new ones. We regularly measure how satisfied our customers are with DONG Energy.

● B2C ● B2B ● Distribution



In 2016, we introduced new measures to ensure that our residential customers are treated in an open and competent way.

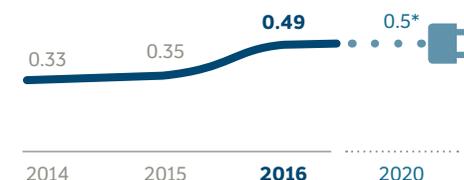
Customer satisfaction among our residential customers remained at 76 in 2016. Our objective of achieving at least 80 in 2020 is therefore still at distance.

Customer satisfaction among our business customers remained at 75 in 2016, which – like last year – corresponds to our 2020 target.

Our distribution customers' satisfaction increased from 78 in 2015 to 83 in 2016. The result is three index points above our 2020 target, and we are therefore very pleased with this development.

Security of supply, number of power outages per customer, SAIFI

Meeting our clients' expectations of a high level of security of supply requires a smoothly functioning power grid without interruptions. The frequency of power outages per customer increased from 0.35 in 2015 to 0.49 in 2016.



* Average security of supply in Denmark in 2015. Our target is to offer a level of security of supply which is higher than or on a par with the Danish average.

The number of 10kV cable faults on a special type of cables has been considerably higher in 2016, which has entailed that more customers experienced power outages compared with 2015.

One of the reasons for the increased error frequency was the high level of construction activity in the Copenhagen area.

Our cables were, among other things, impacted in connection with excavations, which they are very sensitive to due to their age and construction.

In 2016, we implemented a new IT system to monitor the power grid with a view to enabling quicker correction of technical problems.



Accounting policies

Reputation

DONG Energy's reputation is measured through interviews with 100 people per week in the Danish population aged 18-64. The respondents are selected at random and are representative in terms of age, gender and geography within the above-mentioned group. Each respondent is asked three questions about DONG Energy's reputation.

The questions are the same, and the survey is therefore comparable across the individual years. The responses are translated into an index of 0-100, and the total score for the year is the average of the results for the 12 months. The survey is carried out by an external research firm.

Our reputation is measured for DONG Energy as a whole. It was therefore not possible to remove Oil & Gas data from our reputation score for 2016 and all comparative years as opposed to the remaining consolidated non-financial statements for the Group.

Customer satisfaction in Denmark

In 2016, we introduced more detailed accounting policies for all three customer satisfaction surveys in order to strengthen the data quality of the historic customer satisfaction data in accordance with the changed practice.

Customer satisfaction for residential customers in Denmark is measured according to interaction between the customer and DONG Energy. The score is therefore not an expression of customers' overall satisfaction with DONG Energy, but is rather related to a given situation.

The score is a weighted score based on the contact volume of the underlying touch points. The current touch points are customer service for gas and power, outbound sales and web. An external supplier conducts interviews.

In 2016, it was specified that customer satisfaction for residential customers is a quarterly average of monthly values. The average for Q4 is shown in the annual report.

Customer satisfaction for business customers in Denmark is determined on the basis of customer satisfaction surveys among DONG Energy's business customers in Denmark. Customer satisfaction is determined on the basis of quarterly interviews about customers' satisfaction with DONG Energy as a whole.

The survey only comprises active customers with whom DONG Energy has been in touch in connection with contracts for the supply of power or gas in the previous or next month. So-called sleeping customers are therefore not included in the statement. The method follows the ACSI model based on the EPSI scale. An external agency conducts the interviews and reports absolute and weighted results via a web-based dashboard.

In 2016, it was specified that customer satisfaction for business customers is reported on a quarterly basis as a year-to-date simple average based on the number of respondents per quarter (approximately 250). Data for Q4 are shown in the annual report.

Customer satisfaction for distribution customers in Denmark is determined on the basis of four types of interactions with distribution customers: Disruption of supply, visits relating to gas, replacement of meters and customer and market support. Customer satisfaction is measured as the customer's satisfaction in a specific context. Respondents are randomly selected, and the survey is carried out by an external supplier.

In 2016, it was specified that customer satisfaction for distribution customers is reported on a quarterly basis as a year-to-date average of quarterly results. Data for Q4 are shown in the financial statements.

Customer satisfaction for residential and distribution customers thus relates to a specific situation, whereas customer satisfaction for business customers is an expression of customers' satisfaction with DONG Energy as a whole.

We have a number of very large business customers. In respect of these, it is important for us to assess the customer relationship in general and not just the experience of a specific situation.

Customer complaints, Denmark

The number of customer complaints received is calculated each month by a direct count from DONG Energy's case handling system. The number of customer complaints has been calculated on the basis of all customer groups in Denmark (residential, business and distribution customers). The number of new customer complaints is reported on a monthly basis, and monthly follow-up reports are prepared which are used internally to monitor the development.

Security of supply

The frequency of announced and unannounced power outages for customers is expressed in terms of SAIFI (System Average Interruption Frequency Index), which is calculated as the average number of power outages per customer per year.

Sales

Sales of power and gas are calculated as physical sales to retail and wholesale customers and exchanges. Sales of power and gas are based on readings from DONG Energy's trading systems. Internal sales to Bioenergy & Thermal Power are not included in the statement. Only natural gas is included in gas sales.

Distribution

Gas distribution has been determined on the basis of data from the official system in Denmark. Distribution of power has been determined on the basis of data from the official system in Denmark, EL-Panda, which measures and calculates total area consumption.

Be a great and safe place to work

| Strategic target | Business driver | Sustainability indicator | Title | Unit | Target 2020 | 2016 | 2015 |
|---|-----------------|--------------------------|--|--------------------------|-------------|-------|-------|
| Employees | | | | | | | |
| | | | Total number of employees at 31 December | Number of FTEs | | 5,775 | 5,947 |
| | | | Average number of employees for the year | Number of FTEs | | 5,894 | 5,882 |
| ● | | ● | Employee satisfaction | Scale 0-100 | 77 | 76 | 74 |
| | | ● | Loyalty | Scale 0-100 | | 83 | 82 |
| | | ● | Employee turnover rate | % | | 16 | 12 |
| | | ● | Employee turnover rate, voluntary | % | | 6.7 | 7.4 |
| Women in management | | | | | | | |
| | | ● | Women on the Board of Directors of DONG Energy A/S | % | | 38 | 38 |
| | | ● | Women in Top Management | % | | 16 | 18 |
| | | ● | Women in Leadership Forum | % | | 20 | 22 |
| | | ● | Other female managers | % | | 25 | 25 |
| Safety for employees and the environment | | | | | | | |
| ● | | ● | Fatalities | Number | 0 | 0 | 0 |
| | | ● | Lost-time injuries (LTI) | Number | | 35 | 35 |
| ● | | ● | Lost-time injuries, frequency (LTIF) | Per million hours worked | ≤1.5 | 1.8 | 2.0 |
| | | ● | Significant environmental incidents (C4 and C5) | Number | | 8 | 5 |
| | | ● | Very significant environmental incidents (C5) | Number | | 0 | 0 |
| | | ● | Significant environmental incidents (C4) | Number | | 8 | 5 |
| Good business conduct | | | | | | | |
| | | ● | Employees who have completed a course in good business conduct | % | | 98 | 95 |
| | | ● | Substantiated whistle-blower cases | Number | | 3 | 6 |
| | | ● | Cases transferred to the police | Number | | 0 | 1 |
| Responsible business partners | | | | | | | |
| | | ● | Business partner assessments | Number | | 21 | 21 |
| | | ● | Site assessments | Number | | 14 | 11 |
| | | ● | Self-assessments | Number | | 7 | 10 |
| | | ● | Improvement points open at 31 December | Number | | 19 | 15 |
| | | ● | Improvement points opened in the course of the year | Number | | 20 | 33 |
| | | ● | Improvement points closed in the course of the year | Number | | 16 | 18 |

We never compromise on safety for our employees, and keep a constant focus on being a great and safe place to work with committed, motivated and satisfied employees through continuous training and development.



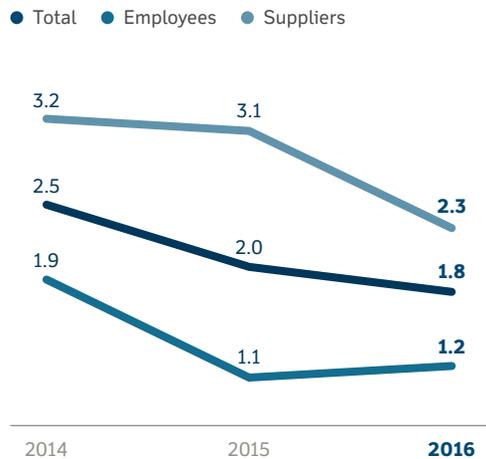
Our employee turnover rate increased from 12% in 2015 to 16% in 2016. The primary cause is the restructuring of A2SEA and the discontinuation of activities in the subsidiary CT Offshore.

In 2016, reporting on cases of inappropriate or illegal business conduct led to three substantiated whistle-blower cases. Two cases concerned conflicts of interest in connection with external business partners, and one case concerned kickbacks from two suppliers. The cases have had consequences for the involved employees and consultants' employment with us. None of the cases reported were critical to our business, nor have they impacted the Group's financial results. We take such cases very seriously and do what we can to avoid that similar cases occur again.

Safety for employees and suppliers, LTIF

We must ensure that our employees and suppliers return home from work safely, no matter whether they work at the top of an offshore wind turbine or in the office. In 2016, we achieved an LTIF of 1.8.

Lost-time injuries, LTIF



The frequency of lost-time injuries (LTIF) for both employees and suppliers has improved significantly over the past three years. LTIF was 1.8 at year-end 2016.

Our LTIF dropped from 2.0 in 2015 to 1.8 in 2016. We will continue to work towards achieving our target of an LTIF of ≤ 1.5 in 2020. Most importantly, we have had no fatalities since 2012.

We are constantly striving to improve safety for employees by focusing on areas in which

we believe that we are best able to influence the safety culture, manage risks and improve our safety performance.

One of our focus areas is the safety culture in DONG Energy. In 2016, we conducted the first safety culture survey in the entire company. The results showed a maturity level of 3.5 on a scale of 0 to 4 and is a good basis for our efforts in 2017.

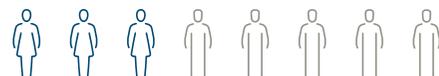
A large proportion of our occupational injuries involves persons tripping, falling or twisting a limb or joint, and we are working to further reduce these types of injuries.

Furthermore, we will ensure thorough follow-up on and reduce the number of near-miss incidents with the potential to cause harm to our employees. We will also involve our suppliers further in our safety work.

In 2016, we increased our focus on the psychosocial working environment and its impact on physical safety. For example, we have developed a stress reduction tool for our managers. The tool will be rolled out in 2017 and will be integrated in our internal Safety Leadership Onboarding course.

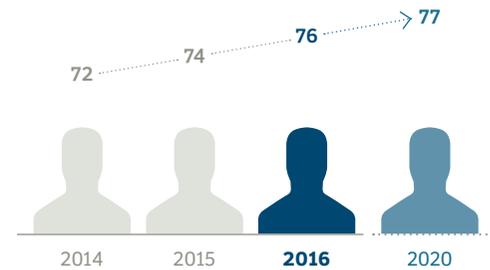
Women on the Board of Directors, number

Diversity creates a dynamic, innovative and inspiring working environment. In DONG Energy, three out of eight board members are women, which means that we live up to Danish legislation.



Employee satisfaction, scale 0-100

We cannot perform as well as we want to as a company if our employees are not satisfied and motivated. We measure our employees' satisfaction and motivation in our annual employee satisfaction survey.



A high level of satisfaction and motivation among our employees is a sign that ours is a healthy company that our employees want to be a part of. The result is a high level of employee loyalty and a high retention rate.

In the annual employee survey, our employee satisfaction and motivation increased from 74 to 76 on a scale of 0 to 100. We are one index point from reaching our 2020 target of 77. At the same time, the loyalty index increased from 82 to 83.

The positive development in employee satisfaction and motivation is ascribable especially to the employees' perception of DONG Energy's reputation and their high rating of their immediate managers.

The frequency of employees who voluntarily chose to leave DONG Energy decreased from 7.4 in 2015 to 6.7 in 2016.

Responsible business partners, number of points for improvement

We work with more than 22,000 suppliers and joint venture partners from all over the world. To help our business partners live up to international standards and our own Code of Conduct, we conduct assessments of their practices.

In 2016, we conducted 21 assessments of our business partners. As a result of these, we opened one very significant and 19 significant improvement points, which our business partners must address and improve. In addition, we closed one very significant improvement point which had been continued from 2015 and which concerned anti-corruption.

We closed a total of 15 significant improvement points identified in 2016, 14 of which were closed after business partners' successful implementation of improvements and one was closed due to discontinuity of the commercial relationship.

One significant improvement point from 2015 remained open. In 2016, we opened and closed two significant improvement points after satisfactory implementation of improvements.

Significant environmental incidents, number

The number of significant environmental incidents (C4) rose from 5 in 2015 to 8 in 2016. The number of very significant environmental incidents (C5) remained 0 in 2016. In Bioenergy & Thermal Power, the number of C4 environmental incidents rose from 0 to 3. The reasons include fly ash from a power station and two cases of spillage of oil-based products.



Accounting policies

Employees

The reporting covers contractually employed employees in Danish and foreign DONG Energy companies in which DONG Energy holds an ownership interest of more than 50%. Staff in associates are not included.

Employee data are recognised based on records from the Group's ordinary registration systems. The number of employees is determined as the number of employees at the end of each month converted to full-time equivalents (FTEs).

Employees who have been made redundant are recognised until the expiry of their notice period, regardless of whether they have been released from all or part of their duties during the notice period.

Employee satisfaction and loyalty

DONG Energy conducts a comprehensive employee satisfaction survey once a year. All DONG Energy employees are invited to participate in the survey. In the survey, the employees are, for example, asked a number of questions about their job satisfaction and loyalty. The answers are given on a scale from 1 to 10 and are subsequently converted to index figures on a scale from 0 to 100.

Employee turnover rate

The employee turnover rate is calculated as the number of permanent employees who have left the company relative to the average number of permanent employees in the financial year.

The voluntary employee turnover rate is calculated as the number of permanent employees who have voluntarily left the company relative to the average number of permanent employees in the financial year.

Women in management

The employee representatives on the Board of Directors are not included in the data and the targets for women on the Board of Directors. The Top Management comprises the CEO, the CFO and the Executive Vice Presidents, Senior Vice Presidents and Vice Presidents in the Group. The Leadership Forum consists of Senior Directors, Directors and Senior Managers. Other female managers include Managers and team leaders.

Women in management is calculated as the share of women out of the total number of employees converted into full-time equivalents (FTEs) at the relevant management levels.

Occupational injuries

Occupational injuries are calculated according to operational scope. Data from companies wholly or partly owned by DONG Energy and where DONG Energy is responsible for safety are included. Occupational injuries and lost-time injuries are calculated for both our own employees and suppliers. Data from Danish and foreign locations are recognised.

A lost-time injury is defined as an injury that results in incapacity for work for one or more calendar days in addition to the day of the incident. The lost-time injury frequency is calculated as the number of lost-time injuries per one million hours worked. The number of hours worked is based on 1,667 working hours annually per full-time employee and monthly records of the number of employees converted into full-time employees. For suppliers, the actual number of hours worked is recognised on the basis of data provided by the supplier, access control systems at locations or estimates.

Significant environmental accidents

An environmental incident is an unintended incident which has a negative impact on the environment. DONG Energy registers all environmental incidents at facilities for which DONG Energy is responsible in its capacity as operator or accountable for operations, including both actual and potential incidents.

The materiality of an incident is determined on the basis of an assessment of the extent, dispersion and impact on the environment. On this basis, all environmental incidents are categorised on a scale from 1 to 5. Actual incidents in categories 4 and 5 are reported.

Share of employees who have completed a course in good business conduct

All employees in wholly-owned business units are invited to take an e-learning course in good business conduct.

The number of employees who have completed a course in good business conduct is calculated as the proportion of employees at 31 December who have

completed an e-learning course in good business conduct relative to the number of employees invited to take the course.

Substantiated whistle-blower cases

DONG Energy's whistle-blower hotline is available to both internal and external business partners so that they can report suspected or actual cases of inappropriate or illegal business conduct.

Whistle-blower cases are received and handled by the Internal Audit function, which also receives similar reports through the management system and from Compliance Officers.

All reports are handled in accordance with the guidelines for the handling of whistle-blower cases approved by the Audit and Risk Committee, which is ultimately responsible for the whistle-blower scheme.

Only cases which are closed during the financial year, and which have been reported to the Audit and Risk Committee as fully or partially substantiated, are reported in the annual report.

Cases transferred to the police are the number of cases reported in accordance with the accounting policies mentioned above which are transferred to the police.

Responsible Business Partner Programme

A site assessment is a visit to a business partner's facilities for the purpose of carrying out an assessment of the ability of the business partner to live up to DONG Energy's Code of Conduct (or any other form of comprehensive CSR due diligence). The assessment is performed by DONG Energy and/or a third party.

Self-assessments are based on a questionnaire about DONG Energy's Code of Conduct which the business partner must complete. The questionnaire is verified by DONG Energy.

Improvement points are observations from assessments of a business partners' actions in respect of fulfilling the expectations set out in DONG Energy's Code of Conduct. DONG Energy monitors the implementation of improvements as part of its continuous engagement with its business partners, for example through meetings and telephone calls. Once it is

confirmed that satisfactory improvements have been implemented by the business partner, the improvement point is closed.

Improvement points are categorised according to the following scale: possible improvement point, less significant improvement point, significant improvement point and very significant improvement point.

A very significant improvement point is a very significant violation of applicable legislation, a policy or procedure or adopted good practices which may cause immediate danger to human or labour rights, the environment or anti-corruption, and which requires immediate action.

A significant improvement point is a significant violation of applicable legislation or a lack of policy, procedure or established good practices, which may lead to serious negative impacts on human or labour rights, the environment or anti-corruption in the short to medium term, or a lack of documentation in this respect.

The number of completed assessments reported for 2015 has been changed as a result of the more detailed accounting policies applied in 2016. We have done this in order to make it easier to separate our own efforts carried out in cooperation with business partners from efforts which required the assistance of the organisation Bettercoal (<http://bettercoal.org>), which has assessed coal mines with us.

Basis of reporting



Accounting policies

The accounting policies applied to the consolidated non-financial statements for the Group as a whole are described below, while the remaining accounting policies are described in the sections to which they relate.

In the non-financial statements, we give an account of results, developments, objectives and accounting policies according to non-financial strategic targets and business drivers as well as selected sustainability indicators.

We track the progress of our strategy through eleven strategic targets (page 21). Our business drivers (page 27) support the realisation of our strategic targets.

A selection of sustainability indicators are included in the non-financial statements. The full reporting of sustainability is available in two independent publications: Sustainability Performance 2016 and Sustainability Report 2016.

Requirements, standards and guidelines

We continuously monitor the development of national and international non-financial reporting requirements, standards and guidelines. We do this in order to evaluate which reporting form provides the most accurate insights into DONG Energy for our stakeholders.

Pursuant to section 99a of the Danish Financial Statements Act, DONG Energy is obliged to account for the company's CSR activities and report on business strategies and activities with regard to human rights, labour rights, anti-corruption as well as the environment and the climate.

DONG Energy is a signatory to the UN Global Compact. The UN Global Compact provides enterprises with a strategic framework for incorporating ten principles on human rights, labour rights, anti-corruption measures as well as the environment and the climate into their strategy and business processes. The ten principles

constitute the framework for DONG Energy's sustainability efforts, and the Group is consistently working to promote the principles.

Companies which are signatories to the UN Global Compact are under an obligation to submit and publish their annual Communication on Progress (COP) report, in which they must detail the progress made in implementing the ten UN Global Compact principles.

By publishing COP reports, companies comply with section 99a of the Danish Financial Statements Act, provided that the annual report includes a reference to where the information is publicly available.

DONG Energy's two independent reports Sustainability Performance 2016 (dongenergy.com/sustainabilitydata2016) and Sustainability Report 2016 (dongenergy.com/sustainability2016) constitute the Group's COP report available on the UN Global Compact website at <http://unglobalcompact.org/participant/2968-DONG-Energy-A-S>.

Under section 99b of the Danish Financial Statements Act, DONG Energy must account for the company's objectives and policies which over time will ensure greater diversity in relation to gender representation at management level. In addition to DONG Energy's COP report, the information is provided in the non-financial statements.

Consolidation of non-financial data

Non-financial data are consolidated according to the same principles as in the financial statements. The consolidated non-financial statements thus cover the parent company DONG Energy A/S and subsidiaries controlled by DONG Energy A/S.

Data from associates and joint ventures are not included in the consolidated non-financial statements with the exception of accident statistics data, which are included from individual enterprises where DONG Energy is responsible for safety, including safety for external suppliers.

Installed offshore wind capacity includes the wind farms in respect of which DONG Energy has overall responsibility for the installation and commissioning of the wind farms.

In 2016, we announced the decision to divest the Oil & Gas business unit. We have therefore omitted Oil & Gas data from the consolidated non-financial statements for the Group. Changes in historical data are due to the exclusion of Oil & Gas, unless otherwise specified. Read more about Oil & Gas's non-financial results in Sustainability Performance 2016 at dongenergy.com/sustainabilitydata2016.

Collection of non-financial data

In DONG Energy, we collect non-financial data in a number of systems in our various business units and group support functions. The data are reported in our consolidation tool, which is shared with the financial data reporting. This ensures that the non-financial data can be consolidated with the financial data and that comparisons can be made between, for example, earnings and capacity.

Evaluation of materiality

In DONG Energy, we have in 2016 systematically assessed the contents of the non-financial statements to ensure that they report on the focus areas which are part of the Group Executive Management's strategic focus, and which therefore form part of the Group's strategy for 2020 or are categorised as business drivers.

Moreover, the non-financial statements contain a selection of indicators which are not directly included in the 2020 strategy or categorised as business drivers, but which particularly support DONG Energy's mission, vision and strategy.

In deciding which areas to include in the annual report, we have taken account of the statutory requirements and the disclosure requirements to which DONG Energy is subject. This resulted in a number of indicators being removed from the non-financial statements. We have also added a number of new indicators.

In 2016, the following indicators were removed compared with 2015

- CO₂ emissions, power and heat generation, CO₂ g/kWh
- CO₂ emissions in thermal power and heat generation, CO₂ g/kWh
- Power and heat generation distributed on countries
- Gas customers, number
- Power customers, number
- Gas and power distribution customers, number
- Residential gas and power customers, number
- Business gas and power customers, number
- EU ETS CO₂ emissions from Bionergy & Thermal Power
- EU ETS CO₂ emissions per produced kWh from Bioenergy & Thermal Power
- Renewable energy share of power and heat generation, hydro, %
- Significant environmental accidents (C4) distributed on business units, number
- Employee distribution per country, number
- Average age of employees, years
- Lost-time injury frequency, suppliers, number
- LTIF distributed on business units

In 2016, the following indicators were added compared with 2015

- Greenhouse gases, power and heat generation, g CO₂e/kWh
- Greenhouse gases in thermal power and heat generation, g CO₂e/kWh
- Decided (FIDed) capacity, offshore wind, GW
- Generation: Power generation, wind, TWh
- Generation: Power generation, thermal, TWh
- Coal share of fuels used in thermal power and heat generation, %
- Biomass share of thermal power and heat generation, %
- Sourcing of certified biomass, %
- LTIF, employees
- LTIF, suppliers

Parent company financial statements

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Notes

[Basis of reporting](#) / [Employee costs](#) / [Financial income and expenses](#)

[Tax on profit \(loss\) for the year and deferred tax](#) / [Investments in subsidiaries](#)

[Derivative financial instruments](#) / [Securities](#) / [Loans and borrowings](#)

[Contingent liabilities](#) / [Related-party transactions](#) / [Operating lease obligations](#)

[Auditor's fees](#) / [Ownership information](#)

Income statement

1 January – 31 December

| Note | Income statement (DKK million) | 2016 | 2015 |
|------|---|--------------|-----------------|
| | Revenue | 229 | 266 |
| | Other operating income | 1 | 12 |
| 2 | Employee costs | (28) | (26) |
| | External expenses | (453) | (341) |
| | Operating profit (loss) before depreciation, amortisation and impairment losses (EBITDA) | (251) | (89) |
| | Depreciation and impairment losses on property, plant and equipment | - | (1) |
| | Operating profit (loss) (EBIT) | (251) | (90) |
| | Gain on divestment of enterprises | 1,527 | (14) |
| 3 | Financial income | 20,221 | 21,624 |
| 3 | Financial expenses | (21,645) | (30,914) |
| | Profit (loss) before tax | (148) | (9,394) |
| 4 | Tax on profit (loss) for the year | 623 | (1,220) |
| | Profit (loss) for the year | 475 | (10,614) |
| | Profit (loss) for the year is attributable to: | | |
| | Shareholders of DONG Energy A/S, proposed dividend for the financial year | 2,522 | - |
| | Shareholders of DONG Energy A/S, retained earnings | (2,546) | (11,328) |
| | Coupon payments and bond discount after tax, hybrid capital holders of DONG Energy A/S | 499 | 714 |
| | Profit (loss) for the year | 475 | (10,614) |



Income statement

Balance sheet

31 December

| Note | Assets (DKK million) | 2016 | 2015 |
|------|----------------------------------|----------------|----------------|
| 5 | Investments in subsidiaries | 54,755 | 42,116 |
| | Receivables from subsidiaries | 50,402 | 64,435 |
| | Financial assets | 105,157 | 106,551 |
| | Non-current assets | 105,157 | 106,551 |
| | Receivables from subsidiaries | 7,628 | 921 |
| 6 | Derivative financial instruments | 19,980 | 35,871 |
| | Other receivables | 209 | 167 |
| | Receivables | 27,817 | 36,959 |
| 7 | Securities | 16,061 | 20,762 |
| | Cash | 438 | 1,373 |
| | Current assets | 44,316 | 59,094 |
| | Assets | 149,473 | 165,645 |



Assets

| Note | Equity and liabilities (DKK million) | 2016 | 2015 |
|------|---|----------------|----------------|
| | Share capital | 4,204 | 4,177 |
| | Reserves | 20,782 | 20,880 |
| | Retained earnings | 11,958 | 14,581 |
| | Proposed dividend | 2,522 | - |
| | Equity attributable to shareholders of DONG Energy A/S | 39,466 | 39,638 |
| 8 | Hybrid capital | 13,248 | 13,248 |
| | Equity | 52,714 | 52,886 |
| 4 | Deferred tax | 1,744 | 1,928 |
| 8 | Bank loans and issued bonds | 22,164 | 31,775 |
| 8 | Other payables | 1,516 | 1,549 |
| | Non-current liabilities | 25,424 | 35,252 |
| | Bank loans and issued bonds | 2,015 | 4,626 |
| 6 | Derivative financial instruments | 19,171 | 30,531 |
| | Trade payables | 173 | 117 |
| | Payables to subsidiaries | 48,461 | 40,528 |
| | Other payables | 886 | 800 |
| | Income tax | 629 | 905 |
| | Current liabilities | 71,335 | 77,507 |
| | Liabilities | 96,759 | 112,759 |
| | Equity and liabilities | 149,473 | 165,645 |



Equity and liabilities

Statement of changes in equity

1 January – 31 December

| Statement of changes in equity (DKK million) | Share capital | Hedging reserve | Share premium reserve | Retained earnings | Proposed dividend for the financial year | Equity attributable to shareholders of DONG Energy A/S | Hybrid capital | Total |
|--|---------------|-----------------|-----------------------|-------------------|--|--|----------------|-----------------|
| Equity at 1 January 2016 | 4,177 | (399) | 21,279 | 14,581 | - | 39,638 | 13,248 | 52,886 |
| Issuance of bonus shares | 27 | - | - | (27) | - | - | - | - |
| Profit (loss) for the year | - | - | - | (24) | - | (24) | 499 | 475 |
| Proposed dividend for the financial year | - | - | - | (2,522) | 2,522 | - | - | - |
| Value adjustments of hedging instruments | - | (358) | - | - | - | (358) | - | (358) |
| Value adjustments transferred to financial income and expenses | - | 232 | - | - | - | 232 | - | 232 |
| Tax on changes in equity | - | 28 | - | - | - | 28 | - | 28 |
| Coupon payments, hybrid capital | - | - | - | - | - | - | (640) | (640) |
| Tax on coupon payments and costs, hybrid capital | - | - | - | - | - | - | 141 | 141 |
| Bond discount and costs, hybrid capital | - | - | - | - | - | - | - | - |
| Purchase of treasury shares | - | - | - | (53) | - | (53) | - | (53) |
| Share-based payment | - | - | - | 3 | - | 3 | - | 3 |
| Changes in equity in 2016 | 27 | (98) | - | (2,623) | 2,522 | (172) | - | (172) |
| Equity at 31 December 2016 | 4,204 | (497) | 21,279 | 11,958 | 2,522 | 39,466 | 13,248 | 52,714 |
| Equity at 1 January 2015 | 4,177 | (450) | 21,279 | 25,904 | - | 50,910 | 13,236 | 64,146 |
| Profit (loss) for the year | - | - | - | (11,328) | - | (11,328) | 714 | (10,614) |
| Value adjustments of hedging instruments | - | (78) | - | - | - | (78) | - | (78) |
| Value adjustments transferred to financial income and expenses | - | 143 | - | - | - | 143 | - | 143 |
| Tax on changes in equity | - | (14) | - | - | - | (14) | - | (14) |
| Coupon payments, hybrid capital | - | - | - | - | - | - | (822) | (822) |
| Tax on coupon payments and costs, hybrid capital | - | - | - | - | - | - | 172 | 172 |
| Bond discount and costs, hybrid capital | - | - | - | - | - | - | (64) | (64) |
| Additions, hybrid capital | - | - | - | - | - | - | 4,424 | 4,424 |
| Disposals, hybrid capital | - | - | - | - | - | - | (4,412) | (4,412) |
| Share-based payment | - | - | - | 5 | - | 5 | - | 5 |
| Changes in equity in 2015 | - | 51 | - | (11,323) | - | (11,272) | 12 | (11,260) |
| Equity at 31 December 2015 | 4,177 | (399) | 21,279 | 14,581 | - | 39,638 | 13,248 | 52,886 |



Share capital composition and dividends are disclosed in note 6.1 to the consolidated financial statements. You can also find information on treasury shares.

1. Basis of reporting



Accounting policies

The parent company financial statements have been prepared in accordance with the Danish Financial Statements Act (reporting class D).

The accounting policies remain unchanged from the previous year.

Unless otherwise stated, the financial statements are presented in Danish kroner (DKK) rounded to the nearest million.

The parent company accounting policies are consistent with the accounting policies described for the consolidated financial statements, with the following exceptions:

Foreign currency translation

We recognise exchange rate adjustments of receivables from and payables to subsidiaries as financial income and expenses in the income statement when the balances are accounted for as part of the total net investment in foreign enterprises. Likewise, we recognise foreign exchange gains and losses on loans and derivative financial instruments in the income statement as financial income and expenses when they have been entered into to hedge the net investment in the foreign enterprises.

Revenue

Rental income comprises income from commercial leases and is recognised over the term of the lease. Income from services is recognised when delivery has taken place.

Dividends from investments

Dividends from subsidiaries and associates are recognised in the income statement for the financial year in which the dividends are approved at the annual general meeting. If the dividends exceed the total income after the time of takeover, the dividends are recognised as a reduction of the cost of the investment under assets.

Investments

We measure our investments in subsidiaries and associates at cost. If there is any indication that the value of a company is lower than our future earnings in the company, impairment testing of the company is carried out as described in the consolidated financial statements. The carrying amount is written down to the recoverable amount whenever the carrying amount exceeds the future earnings in the company (recoverable amount).

If we have a legal or constructive obligation to cover a deficit in subsidiaries and associates, we recognise a provision for this.

Tax

DONG Energy A/S is taxed jointly with its Danish and foreign subsidiaries. The jointly taxed companies are part of international joint taxation with the parent company as the management company.

Current tax for 2016 is recognised by the individual jointly taxed companies.

Statement of cash flows

We do not prepare a separate statement of cash flows for the parent company. Reference is made to the consolidated statement of cash flows on page 69.



Critical accounting estimates

In connection with the preparation of the financial statements, a number of accounting estimates have been made that affect the profit (loss) and balance sheet. Estimates are regularly reassessed by management on the basis of historical experience and other relevant factors.

Impairment test

If there is any indication that the carrying amount is lower than our future earnings in a company, we test for impairment as described in the consolidated financial statements. The future earnings of the company (recoverable amount) is calculated based on assumptions concerning significant estimates. See assumptions in note 3.1 to the consolidated financial statements.

2. Employee costs

| Employee costs (DKK million) | 2016 | 2015 |
|----------------------------------|-----------|-----------|
| Wages, salaries and remuneration | 25 | 21 |
| Share-based payment | 3 | 5 |
| Employee costs | 28 | 26 |



The table shows the total employee costs including remuneration for Board of Directors (DKK million).

| Executive Board (DKK '000) | Henrik Poulsen | | Marianne Wiinholt | | Executive Board, total | |
|-------------------------------|----------------|---------------|-------------------|--------------|---------------------------|---------------|
| | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 |
| Fixed salary | 9,425 | 9,112 | 5,062 | 4,876 | 14,487 | 13,988 |
| Variable salary | 2,751 | 1,815 | 1,560 | 1,186 | 4,311 | 3,001 |
| Share-based payment | 1,427 | 2,784 | 889 | 1,790 | 2,316 | 4,574 |
| Social security | 2 | 2 | 2 | 2 | 4 | 4 |
| Total | 13,605 | 13,713 | 7,513 | 7,854 | 21,118 | 21,567 |



Remuneration is described in more detail in notes 2.6 and 2.7 to the consolidated financial statements.

The remuneration report in the management's review and the consolidated financial statements notes 2.6 and 2.7 describe the remuneration of the Executive Board, share-based payment, termination and bonus scheme for the Executive Board and details on remuneration of the Board of Directors.

The parent company had an average of five employees in 2016 (2015: six employees).

3. Financial income and expenses

| Financial income and expenses (DKK million) | 2016 | 2015 |
|---|-----------------|-----------------|
| Interest income from cash, etc | 18 | 35 |
| Interest income from subsidiaries | 1,842 | 1,762 |
| Interest income from securities at market value | 417 | 563 |
| Capital gains on securities at market value | 141 | 85 |
| Foreign exchange gains | 1,715 | 4,948 |
| Value adjustments of derivative financial instruments | 14,363 | 13,030 |
| Dividends received | 1,630 | 1,170 |
| Other financial income | 95 | 31 |
| Financial income | 20,221 | 21,624 |
| Interest expenses relating to loans and borrowings | (1,685) | (1,934) |
| Interest expenses to subsidiaries | (50) | (47) |
| Impairment of investments in subsidiaries | - | (15,663) |
| Capital losses on securities at market value | (252) | (594) |
| Foreign exchange losses | (4,282) | (3,534) |
| Value adjustments of derivative financial instruments | (15,349) | (9,084) |
| Other financial expenses | (27) | (58) |
| Financial expenses | (21,645) | (30,914) |
| Net financial income and expenses | (1,424) | (9,290) |



The table shows financial income and expenses.

4. Tax on profit (loss) for the year and deferred tax

| Income tax (DKK million) | 2016 | 2015 |
|--|------------|----------------|
| Tax on profit (loss) for the year | 623 | (1,220) |
| Tax on changes in equity | 169 | 159 |
| Total tax for the year | 792 | (1,061) |
| Tax on profit (loss) for the year can be broken down as follows: | | |
| Current tax | (231) | (1,404) |
| Adjustments to deferred tax | 803 | 273 |
| Adjustments to current tax in respect of prior years | 670 | (324) |
| Adjustments to deferred tax in respect of prior years | (619) | 238 |
| Effect of change in tax rate | - | (3) |
| Tax on profit (loss) for the year | 623 | (1,220) |



Income tax for the year is divided into tax on profit (loss) for the year and tax on changes in equity.

| Development in deferred tax (DKK million) | 2016 | 2015 |
|--|--------------|--------------|
| Deferred tax at 1 January | 1,928 | 2,347 |
| Adjustment for the year recognised in profit (loss) for the year | (803) | (273) |
| Adjustments to deferred tax in respect of prior years | 619 | (238) |
| Effect of change in tax rate | - | 92 |
| Deferred tax at 31 December | 1,744 | 1,928 |



Development in deferred tax from beginning of year to end of year.

| Deferred tax concerns (DKK million) | 2016 | 2015 |
|-------------------------------------|--------------|--------------|
| Property, plant and equipment | - | 12 |
| Non-current liabilities | (3) | (403) |
| Current liabilities | 17 | (2) |
| Retaxation | 1,730 | 2,903 |
| Tax loss carryforwards | - | (582) |
| Deferred tax | 1,744 | 1,928 |



Deferred tax distributed by assets, equity and liabilities and tax items.

5. Investments in subsidiaries

| Investments in subsidiaries (DKK million) | 2016 | 2015 |
|---|-----------------|-----------------|
| Cost at 1 January | 54,291 | 45,107 |
| Additions | 16,500 | 9,184 |
| Disposals | (355) | - |
| Cost at 31 December | 70,436 | 54,291 |
| Value adjustments at 1 January | (12,175) | (19) |
| Impairment losses | (3,506) | (12,156) |
| Value adjustments at 31 December | (15,681) | (12,175) |
| Carrying amount at 31 December | 54,755 | 42,116 |



Note 8.7 of the consolidated financial statements contains a complete overview of subsidiaries, etc.

We have tested investments in subsidiaries for impairment by comparing the expected future income in the individual subsidiary with the carrying value of the individual subsidiary.

Our test in 2016 gave rise to impairment of investments in subsidiaries of DKK 3,506 million. Last year's impairment of receivables of DKK 3,506 million has been reversed.

In 2015, we impaired the carrying amount of our subsidiaries by DKK 15,663 million, of which DKK 12,156 million concerned investments in subsidiaries and the rest the receivables from subsidiaries.

6. Derivative financial instruments

DONG Energy A/S has assumed the subsidiary's currency risks via forward exchange contracts, which have subsequently been hedged in the market. Furthermore, hedging contracts have been concluded to hedge the currency risk associated with investments in subsidiaries in foreign currencies.

We have also entered into a number of interest rate swaps to manage our interest rate risk.

The company has market value-hedged loans in GBP and EUR. The value of the market value hedge offset amounted to DKK 1,793 million (2015: DKK -733 million).

Derivatives at the end of December 2016 mature as follows: 2017: DKK 1,344 million, 2018: DKK -379 million, after 2018: DKK -156 million (2015: 2016: DKK 3,558 million, 2017: DKK 2,182 million, after 2017: DKK -400 million).

| Overview of derivatives (DKK million) | 2016 | | 2015 | |
|--|------------------------------|-----------------|------------------------------|-----------------|
| | Contractual principal amount | Market value | Contractual principal amount | Market value |
| Oil derivatives | 6,016 | 1,300 | 9,264 | 4,207 |
| Gas derivatives | 4,834 | 257 | 7,955 | 2,973 |
| Power derivatives | - | - | 21 | (3) |
| Interest derivatives | 2,022 | 50 | 9,969 | (430) |
| Currency derivatives | 26,364 | (798) | 33,562 | (1,407) |
| Total at 31 December | 39,236 | 809 | 60,771 | 5,340 |
| Assets | | 19,980 | | 35,871 |
| Equity and liabilities | | (19,171) | | (30,531) |



See note 7.1 to the consolidated financial statements and the management's review on pages 46-50 for more details on risk and risk management.

7. Securities

Securities are primarily liquid AAA-rated Danish mortgage bonds that qualify for repo transactions in Danmarks Nationalbank. Repo

transactions are transactions where securities are provided as collateral for a loan.

| Securities (DKK million) | 2016 | 2015 |
|-----------------------------------|---------------|---------------|
| Securities, available | 15,864 | 18,690 |
| Securities, not available for use | 197 | 2,072 |
| Securities at 31 December | 16,061 | 20,762 |



Securities not available for use are used as collateral for repo loans and trading in financial instruments.

8. Loans and borrowings

At 31 December 2016, we had issued hybrid capital with a total notional amount of DKK 13,371 million (2015: 13,435). The hybrid bonds have a 1,000-year term and expire as follows: DKK 8,914 million in 3013 and DKK 4,457 million in 3015.

The long-term portion of bank loans and issued bonds amounted to DKK 22,164 million at 31 December 2016 (2015: DKK 31,775

million), of which DKK 16,901 million (2015: DKK 24,518 million) falls due in more than five years.

The long-term portion of other payables amounted to DKK 1,516 million at 31 December 2016 (2015: DKK 1,549 million) and falls due in more than five years.

9. Contingent liabilities

Contingent liabilities

Guarantees

DONG Energy A/S has furnished the Danish State with guarantees for the fulfilment of obligations and liability in damages towards the state or third parties incurred by DONG E&P A/S or DONG E&P DK A/S in connection with the companies' participation in exploration and production licences, irrespective of whether the obligations and liability rest on DONG E&P A/S or DONG E&P DK A/S alone or jointly and severally with others.

The guarantees are not capped, but if claims are made under a guarantee due to obligations assumed by DONG E&P A/S or DONG E&P DK A/S on a joint and several basis with other licensees, the guarantee amount cannot exceed an amount corresponding to twice DONG E&P A/S's or DONG E&P DK A/S's share of each obligation or liability.

As a condition for approval of its participation in gas and oil exploration and production on the Norwegian, UK, Greenland and Faroese continental shelves, DONG Energy A/S has provided a guarantee as normally required by the local authorities. The guarantee covers obligations and liability incurred or assumed by DONG Energy's oil and gas business in connection with its exploration and production activities.

The guarantees are not capped, and DONG Energy's oil and gas business is jointly and severally liable with the other licensees for any environmental accidents or other damage.

DONG Energy A/S has also provided guarantees in connection with participation by subsidiaries and subsidiaries' joint operations and joint ventures in natural gas and oil exploration and production, construction and operation of wind farms, and geothermal plants and natural gas installations, and has provided guarantees in respect of leases, decommissioning obligations, and purchase, sale and supply agreements, etc.

DONG Energy A/S also acts as guarantor with primary liability for bank balances in certain subsidiaries.

Indemnities

DONG Energy is a member of the reinsurance company Oil Insurance Ltd. In the event of exit, an exit premium will be payable, which has been calculated at USD 19.8 million at 31 December 2016 (2015: USD 16.5 million).

DONG Energy A/S is taxed jointly with other companies in the DONG Energy Group. As management company, the company has unlimited and joint and several liability together with the other jointly taxed companies for

Danish income taxes and withholding taxes on dividends, interest and royalties within the jointly taxed companies.

Litigation

DONG Energy A/S is not a party to any litigation proceedings or legal disputes that could have an effect on the company's financial position, either individually or collectively.

10. Related-party transactions

For a description of related parties, reference is made to note 8.1 to the consolidated financial statements.

Remuneration of the Board of Directors and the Executive Board is disclosed in notes 2.6

and 2.7 and the remuneration report in the review in the consolidated financial statements.

Our related-party transactions are made on arm's length terms.

11. Operating lease obligations

We have entered into leases for office premises, primarily in Gentofte (expiring in 2028), Virum (expiring in 2027) and Esbjerg (expiring in 2035). In 2016, an amount of DKK 173 million was recognised (2015: DKK 229 million) in profit (loss) for the year in respect of operating lease payments.

We have entered into leases with subsidiaries for subleasing of office premises. In 2016, an amount of DKK 146 million was recognised (2015: DKK 205 million) in profit (loss) for the year in respect of rental income.

We have minimum payments of DKK 2,196 million (2015: DKK 2,168 million), most of which concerns subleasing via subleasing agreements.

12. Auditor's fees

| Auditor's fee (DKK million) | 2016 | 2015 |
|-----------------------------|-----------|-----------|
| Statutory audit | 1 | 1 |
| Other assurance engagements | 12 | 4 |
| Tax and VAT advice | 8 | 2 |
| Non-audit services | 7 | 5 |
| Total auditor's fees | 28 | 12 |



The table shows auditor's fees distributed by service.

13. Ownership information

| Ownership information | Registered office | Ownership interest and voting share |
|--|-----------------------|-------------------------------------|
| The Danish State represented by the Danish Ministry of Finance | Copenhagen K, Denmark | 50.12% |
| New Energy Investment S.à.r.l. | Luxembourg | 13.31% |
| SEAS-NVE Holding A/S | Svinninge, Denmark | 9.54% |
| The Capital Group Companies, Inc. | Los Angeles, USA | 5.68% |



The table shows the shareholders with ownership interests and voting shares of at least 5%.

A close-up photograph of industrial metal beams and cables, likely part of an offshore oil or gas rig. The beams are dark and weathered, with some showing signs of rust. The cables are thick and dark, running diagonally across the frame. The background is a blurred, light-colored surface, possibly a wooden deck or a concrete structure.

Management statement, auditor's reports and glossary

Statement by the Executive Board and the Board of Directors / Independent auditor's reports
Glossary

Statement by the Executive Board and the Board of Directors

The Board of Directors and the Executive Board have today considered and approved the annual report of DONG Energy A/S for the financial year 1 January – 31 December 2016.

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements in the Danish Financial Statements Act. The financial statements of the parent company, DONG Energy A/S, have been prepared in accordance with the provisions of the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent company financial statements provide a fair presentation of the Group's and the parent company's assets, liabilities and financial position at 31 December 2016 and of the results of the Group's and the parent company's operations and the Group's cash flows for the financial year 1 January – 31 December 2016.

In our opinion, the management's review provides a true and fair account of the development in the Group's and the parent company's operations and financial circumstances, of the results for the year and of the overall financial position of the Group and the parent company as well as a description of the most significant

risks and elements of uncertainty facing the Group and the parent company.

In our opinion, the non-financial statements ("Supplemental information") represent a fair, reasonable and balanced representation of the Group's social responsibility and sustainability performance and are prepared in accordance with the stated accounting policies.

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

* Employee representative

Skærbæk, 2 February 2017

Executive Board:

Henrik Poulsen
President and CEO

Marianne Wiinholt
CFO

Board of Directors:

Thomas Thune Andersen
Chairman

Poul Dreyer*

Pia Gjellerup

Martin Hintze

Jens Nybo Sørensen*

Poul Arne Nielsen

Lynda Armstrong

Lene Skole
Deputy chairman

Benny Gøbel*

Claus Wiinblad

Benny D. Loft

Hanne Steen Andersen*

Independent auditor's report

Our opinion

In our opinion, the Consolidated financial statements give a true and fair view of the Group's financial position at 31 December 2016 and of the results of the Group's operations and cash flows for the financial year 1 January to 31 December 2016 in accordance with International Financial Reporting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act.

Moreover, in our opinion, the Parent Company Financial Statements give a true and fair view of the Parent Company's financial position at 31 December 2016 and of the results of the Parent Company's operations for the financial year 1 January to 31 December 2016 in accordance with the Danish Financial Statements Act.

What we have audited

DONG Energy's Consolidated financial statements for the financial year 1 January to 31 December 2016, pp 62–161 and 184, comprise the consolidated income statement and statement of comprehensive income, the consolidated balance sheet, the consolidated statement of changes in equity, the consolidated cash flow statement and the notes to the financial statements, including summary of significant accounting policies.

DONG Energy's Parent Company Financial Statements for the financial year 1 January to 31 December 2016, pp 174–184, comprise

the income statement, the balance sheet, the statement of changes in equity and the notes to the financial statements, including summary of significant accounting policies. Collectively referred to as the 'financial statements'.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the ethical requirements that are relevant to our audit of the financial statements in Denmark. We have also fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for 2016. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter

Impairment assessment

The value of DONG Energy's tangible assets, of which the majority relates to offshore wind farms, oil and gas production and power and heat generation assets, is supported by either value-in-use calculations, which are based on future cash flow forecasts or fair value less costs of disposal (ie 'recoverable amount').

We focused on this area because the impairment assessments of these assets are dependent on complex and subjective judgements by Management.

Refer to note 3.1 in the Consolidated financial statements.

How our audit addressed the Key Audit Matter

We considered the overall impairment assessments prepared by Management and tested the relevant internal controls in place to check that the Group's assets are valued appropriately including those controls in place to identify any asset impairments or impairment reversals.

We considered the assumptions and estimates used to determine the value in use or the fair value less costs of disposal of the assets. This includes those relating to operating cost forecasts and expected production profiles. We tested these assumptions by reference to third-party documentation where available, such as commodity price forecasts, and inquired operational Management. We used PwC valuation specialists to assess the discount rates used by Management.

We performed a sensitivity analysis around key drivers of cash flow forecasts, including output volumes, commodity prices, operating costs and expected life of assets.

Key Audit Matter**Discontinuing the oil and gas business**

The Board of Directors has initiated a process with the aim of ultimately exiting from the Group's oil and gas business. Management has therefore assessed that the planned divestment should be presented as a disposal group and as discontinued operations in accordance with IFRS 5 Non-Current Assets Held for Sale and Discontinued Operations.

We focused on this area because determining the appropriate application of IFRS 5 are dependent on subjective judgements by Management, in particular:

- Whether the transaction meets the criteria for separate presentation of assets and liabilities classified as held for sale.
- Whether the oil and gas business represents a separate major line of business or geographical area of operations resulting in the presentation of discontinued operations.
- Whether the assets and liabilities are measured at the lower of the fair value less costs of disposal or their carrying amounts.

In addition, we focused on the disclosures relating to the oil and gas business as contained in the consolidated income statement, the consolidated balance sheet and the consolidated cash flow statement, especially in relation to eliminations of intragroup transactions between the continuing and the discontinued business and whether other activities within the Group should be classified as discontinued.

Refer to note 3.7 in the Consolidated financial statements.

How our audit addressed the Key Audit Matter

We evaluated whether Management had appropriately applied the requirements of IFRS 5 by for example:

- Examining minutes of Board of Directors' meetings, written correspondence between the Group and the prospective purchasers to assess the classification of assets held for sale and discontinued operations against the 'highly probable' criteria in the accounting standard.
- Assessing the valuation of assets and liabilities in the oil and gas business to consider whether any revaluation or impairment was required by considering the headroom between the fair value less costs of disposal and the carrying value of assets and liabilities in the Group.
- Assessing the completeness and accuracy of the disclosure of discontinued operations against the disclosure requirements of IFRS 5.
- Testing the Group's restatement of the comparative numbers, including eliminations of intragroup transactions, and associated disclosures to assess whether the relevant oil and gas business had been appropriately recognised as discontinued.

Key Audit Matter**Decommissioning provisions**

The decommissioning provisions are judgmental and based on the estimate of future costs of restoring sites to a pre-defined state. This estimate requires specialist knowledge and therefore our focus is on determining how Management made their estimate and that the decommissioning provisions are materially accurate and complete.

We focused on this area because determining the carrying value of the provisions are dependent on complex and subjective judgements by Management.

Refer to note 3.2 in the Consolidated financial statements.

Financial derivative transactions with forward energy trades

The Group enters into a number of forward energy trades. Certain of these arrangements are accounted for as derivative financial instruments and are recorded at fair value.

Judgement is required in valuing these derivative contracts, particularly where the life of the contract is beyond the liquid market period.

In addition, DONG Energy uses business performance as an alternative to profit (loss) for the year stated in accordance with IFRS as adopted by the EU. Business performance represents the underlying financial performance of the Group in the reporting period adjusted for temporary fluctuations in the market value of contracts (including hedging transactions) relating to other periods.

We focused on this area because the valuation of financial instruments are dependent on complex and subjective judgements by Management and because the business performance reporting is dependent on the consistent use and documentation of hedging rules.

Refer to notes 2.2, 7.1, 7.2 and 7.4 in the Consolidated financial statements.

How our audit addressed the Key Audit Matter

We assessed Management's methodology compared to common industry practice. We also assessed the qualifications and experience of both Management's internal and external specialists. We considered the key assumptions used by Management and tested these to current market information comprising recent quotes, industry studies and benchmark data. This included rig rates and discount rates. In respect of discount rates, we used PwC valuation specialists to assess rates used by Management.

In addition, we performed detailed audit procedures on the decommissioning estimate model and performed a sensitivity analysis over the decommissioning liabilities.

We assessed the overall trading process for forward energy trades, including internal risk management procedures and the system and controls around origination and maintenance of complete and accurate information relating to derivative contracts.

We tested the valuation of derivative contracts at the year-end date. Our audit procedures focused on the integrity of these valuation models and the incorporation of the contract terms and the key assumptions, including future price assumptions and discount rates. We tested the prices in the models and recalculated valuations for a sample of derivatives, as well as performing sensitivity analyses for more complex derivatives.

We considered Management's use of business performance and tested the adjustments between IFRS and business performance. In this connection, we assessed the hedging rules applied under the business performance accounting policies and whether these are used consistently from period to period.

Key Audit Matter

Revenue recognition

The accuracy of (a) the revenue recognition related to unread and unbilled revenue and (b) related to work in progress of large construction contracts and its presentation in the income statement is dependent on complex estimation methodologies, including estimates such as the amount of energy supplied to customers between the date of the last meter reading and year-end (unread) and the percentage of completion for construction contracts.

We focused on this area because (a) the revenue recognition related to unread and unbilled revenues and (b) the revenue recognised with reference to percentage of completion both requires complex and subjective judgements by Management.

Refer to notes 2.3 and 4.2 in the Consolidated financial statements.

Onerous contracts and other contractual claims and obligations

The Group's operations include exposures to the risk of litigation, contractual claims from and against third parties and contracts being onerous, particularly in relation to significant capital projects and long-term contracts.

We focused on this area because of the range of potential outcomes and the considerable uncertainty around (a) the resolution of various litigations, claims and contractual disputes, and (b) the determination of the amount, if any, to be recognized in the financial statements as a provision, and the related disclosures are inherently subjective.

Refer to note 3.2 og 3.7 in the Consolidated financial statements.

How our audit addressed the Key Audit Matter

We focused our substantive testing on the manual processes over estimated revenue related to unread and unbilled revenue, assessing the appropriateness of the estimation methodologies and the level of subsequent true-ups to actual bills raised. We also tested the reconciliation of unbilled reports to the general ledger at year-end.

For construction contracts, our audit of whether revenue is accurately recorded focused on challenging the forecasted costs to complete a sample of contracts, including the assumptions used, and by evaluating the outturn of previous estimates and agreeing the actual costs incurred post-year-end to the forecast costs for the period. We also assessed how the project managers determined that the stage of completion was correctly determined through obtaining their calculations and agreeing the inputs to documentary evidence or our independently formed expectation as appropriate.

We considered the provisions recognised to cover contractual obligations and claims raised against the Group by third parties, inspected relevant legal advice received by the Group in connection with such claims and obtained formal confirmation from the Group's solicitors on the status and potential outcomes of any legal claims with which the Group is dealing. Moreover, we considered the assets related to claims raised by the Group against third parties. Finally, we also considered the Group's disclosures relating to provisions and/or contingent liabilities and assets for legal and other contractual obligations and claims.

We challenged the valuation of the onerous contract provisions by evaluating whether appropriate judgements and assumptions had been applied in determining the unavoidable costs of meeting the obligation and the estimate of the expected benefits to be received under the contract.

Statement on Management's Review

Management is responsible for the Management's Review, pp 4-61.

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

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

Moreover, we considered whether Management's Review includes the disclosures required by the Danish Financial Statements Act.

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

Responsibilities for the financial statements and the audit

Management is responsible for the preparation of Consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act and for the preparation of Parent Company Financial Statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Parent Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group or the Parent Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information

of the entities or business activities within the Group to express an opinion on the Consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Hellerup, 2 February 2017

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR no. 33 77 12 31

Lars Baungaard

State-Authorised Public Accountant

Rasmus Friis Jørgensen

State-Authorised Public Accountant

Independent Auditor's Assurance Report

To the Stakeholders of DONG Energy

We have undertaken a limited assurance engagement of the consolidated non-financial statements for 2016 as expressed on pp 162-173 and 184. A multidisciplinary team including assurance practitioners, engineers and other experts conducted this engagement.

Management's Responsibility for the Consolidated Non-financial Statements

Management of DONG Energy is responsible for the preparation of the consolidated non-financial statements in accordance with Group accounting policies as expressed on pages 166, 169 and 172-173. This responsibility includes design, implementation and maintenance of internal control relevant to the preparation of the consolidated non-financial statements ensuring that data are free from material misstatement, whether due to fraud or error.

The DONG Energy non-financial accounting policies contain Management's reasoning for the selection of topics and indicators as well as define reporting scope for each data type.

Our Independence and Quality Control

We have complied with the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which includes independence and other requirements founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

PwC applies International Standard on Quality Control 1, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Our Responsibility

Our responsibility is to express a limited assurance conclusion on the consolidated non-financial statements stated on pp 162-173 based on the procedures we have performed and the evidence we have obtained. We conducted our limited assurance engagement in accordance with International Standard on Assurance Engagements 3000, 'Assurance Engagements other than Audits or Reviews of Historical Financial Information'. The standard requires that we plan and perform this engagement to obtain limited assurance about whether the consolidated non-financial statements are free from material misstatement.

A limited assurance engagement undertaken in accordance with ISAE 3000 involves assessing the suitability in the circumstances of DONG Energy's use of stated accounting policies as the basis for the preparation of the consolidated non-financial statements. Furthermore, it involves assessing the risks of material misstatement whether due to fraud or error, responding to the assessed risks as necessary in the circumstances and evaluating the overall presentation of the consolidated non-financial statements. A limited assurance engagement is substantially less in scope than a reasonable assurance engagement in relation to both the risk assessment procedures, including an understanding

of internal control, and the procedures performed in response to the assessed risks.

The procedures we performed were based on our professional judgment and included inquiries, observation of processes performed, inspection of documents, analytical procedures, evaluating the appropriateness of quantification methods and reporting policies, and agreeing or reconciling with underlying records.

Given the circumstances of the engagement, in performing the procedures listed above we:

- Through inquiries, obtained an understanding of the DONG Energy control environment and information systems relevant to quantification and reporting of non-financial data;
- Conducted interviews and with Group functions to assess consolidation processes, use of company-wide systems and controls performed at group level as well as test non-financial data prepared at Group level to underlying documentation.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had we performed a reasonable assurance engagement. Accordingly, we express a limited assurance opinion about whether the DONG Energy non-financial data have been prepared, in all material respects, in accordance with the non-financial

accounting policies applied and stated on pp 166, 169 and 172-173.

Limited Assurance Conclusion

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that the consolidated non-financial statements for 2016 presented on pp 162-173 are not prepared, in all material respects, in accordance with the stated accounting policies as expressed on pp 166, 169 and 172-173.

Hellerup, 2 February 2017

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR no. 33 77 12 31

Lars Baungaard

State-Authorised Public Accountant

Rasmus Friis Jørgensen

State-Authorised Public Accountant

Glossary

2P reserves: Sum of proved reserves plus probable reserves (according to Society of Petroleum Engineers and World Petroleum Congress (SPE/WPC) reserve classification standards).

Availability: Time-based availability is the ratio of the number of hours in a given period the offshore wind turbines are available for power generation to the total number of hours in the same period.

Biomass: Also known as biomass fuel. A term for all combustible organic material, including straw, wood chips and wood pellets. CO₂ emissions produced by the combustion of biomass are not covered by EU ETS. Biomass can be used in both central CHP plants and small-scale CHP plants.

Biomass conversion: When a CHP plant is converted from using fossil fuels to using biomass such as wood pellets, wood chips and straw. After the conversion, the CHP plant will typically be able to use biomass along with the original fuel types.

CHP plant: A Combined Heat and Power (CHP) plant generates both heat and power in the same process. The heat generated may be used for industrial purposes and/or district heating.

CO₂ emissions allowances: Carbon dioxide emissions allowances subject to the European Union Emissions Trading Scheme (EU ETS).

Cost of Electricity: Average cost measured as present value per megawatt hour (MWh) generated from offshore wind power covering costs for development and construction as well as subsequent operation and maintenance of the wind farm.

Decided (FID'ed) capacity: Installed offshore wind capacity plus capacity for wind farms where a final investment decision has been made.

Degree days: Number of degrees in absolute figures in difference between the average temperature and the official Danish indoor temperature of 17 degrees Celsius.

DK1 and DK2: Area prices for power in West Denmark (DK1) and East Denmark (DK2).

EEX: European Energy Exchange, German power exchange.

EMIR: Regulation (EU) No 648/2012/EU on OTC derivatives, central counterparties and trade repositories.

Fossil fuels: Fuel resources such as coal, coal products, gas, crude oil and other hydrocarbon products.

FTE: Employees (Full Time Equivalent). The number of full-time employees during a fixed time period.

Green certificate: Certificate awarded to producers of environment-friendly power as a supplement to the market price of power in the given price area.

Green dark spread (GDS): Green dark spread represents the contribution margin per MWh of power generated at a coal-fired CHP plant of a given efficiency. It is determined as the difference between the market price of power and the cost of the coal (including associated freight costs) and CO₂ emissions allowances used to generate the power.

Green spark spread (GSS): Green spark spread represents the contribution margin per MWh generated at a gas-fired power station of a given efficiency. It is determined as the difference between the market price of power and the costs of the gas and CO₂ emissions allowances used to generate the power.

Hedging instruments: Financial and physical instruments that can be used to guarantee a specific price for the purchase or sale of, for example, commodities and currency.

Hydrological balance: Most of the power generated in the Nordic countries comes from hydroelectric power plants, and their output depends on their water reservoir levels. The hydrological balance reflects whether the levels in the Norwegian and Swedish water and snow reservoirs are above or below normal.

Lifting costs: Operating and processing costs in accordance with industry practice. The repair costs for the Siri platform are not included as these costs were not part of the ordinary operations.

LNG: Liquefied Natural Gas. Gas that has been liquefied by cooling to minus 161 degrees Celsius. LNG takes up 600 times less space than conventional gas. LNG can be transported in customised tankers to receiving terminals, where the LNG is vapourised and pressurised before being routed into the transmission system for onwards distribution and sale.

Load factor: The ratio between the actual power generation in a given period relative to the potential generation which is possible by continuously exploiting the maximum capacity over the same period.

LTIF: Lost Time Injury Frequency. DONG Energy defines lost time injuries as occupational injuries resulting in at least one day's absence from work in addition to the day of the injury.

MiFID: Directive 2004/39/EC, as amended, on markets in financial instruments. A European law that provides harmonised regulation for investment services across all the member states of the European Economic Area.

NBP: National Balancing Points, UK gas hub.

Nord Pool: The Norwegian-based Nordic power exchange, which facilitates power trading in Norway, Sweden, Finland and Denmark.

Offshore transmission assets: Offshore transmission assets connect offshore generation to the onshore grid, and typically include the offshore power transmission infrastructure, an onshore substation and the electrical equipment relating to the operation of the substation.

Oil/gas spread: The difference in price of a TWh of gas traded on a gas hub and a TWh of gas bought or sold under an oil price-indexed contract.

Power station: A power station generates power only. A large (central) power station typically has a net installed capacity of more than 100MW.

PSO: Indirect taxes regarding the public service obligation (PSO) which are used to finance research and green energy and are charged to power customers along with other tariff elements.

Public obligation: A company with a public obligation is bound by law to deliver power or natural gas to a certain geographic area at prices approved by the Danish Energy Regulatory Authority.

QHSE: Quality, Health, Safety and Environment.

REnescience: An enzyme-based waste treatment technology in the early phase of commercialisation.

ROCs: Renewables Obligation Certificates issued by Ofgem in the UK to operators of accredited generating stations for the eligible renewable energy they generate. Operators can trade ROCs with other parties.

Stress: Method of measuring the market trading risk of loss on a portfolio from day to day, calculated on a fair-value basis.

Thermal generation: Power and heat generated through the combustion of fossil fuels, biomass or waste.

TTF: Title Transfer Facility, Dutch gas hub.

TWh: Terawatt hour. The amount of energy generated in one hour with the effect of 1TW. 1TWh is equivalent to 1,000GWh or 1,000,000MWh.

Value at Risk (VaR): A financial term used for measuring the loss that may occur in connection with a risk position, assuming a certain volatility and that the position is held for a certain period of time.

Wind energy content: The ratio between the actual reported generation in a given period, adjusted for availability losses, and the generation in a 'normal wind year', based on historical wind data for the individual areas where the offshore wind farms are located.

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Design and layout

e-Types

Publication:

2 February 2017

Cover photo:

Westermøst Rough offshore wind farm
located off the UK's east coast

This report has been prepared in Danish
and English. In the event of discrepancies
between the Danish and the English reports,
the Danish version shall prevail.