THE ROLE OF ENERGY COMPANIES IN THE ENERGY TRANSITION – LATEST INSIGHTS IN COST REDUCTIONS

October 2016 – EUFores Copenhagen
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Green transformation is our growth strategy

**CO₂ emissions halved**
g/kWh

- 613 g/kWh in 2007
- 334 g/kWh in 2015
- 46% decrease

**Operating profit (EBITDA) doubled**
DKK Bn

- 9.3 Bn in 2007
- 18.5 Bn in 2015
- 2.0x increase

**Business transformed**
Share of capital employed\(^1\)
%

- 24% in 2007
- 16% in 2015
- 60% to 75%
- 16% to 16% (no change)
- 24% to 24% (no change)

**International expansion**
Share of operating profit (EBITDA)
%

- 88% in 2007
- 63% in 2015
- International share >5x

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1. Excluding unallocated capital employed on DONG Energy group level
DONG Energy Wind Power is the market leader within offshore wind

DONG Energy Wind Power geographical footprint

Unparalleled experience and track record

- 25 years of experience and track record in the offshore wind sector
- 19 offshore wind farms in operation
- 9 offshore wind farms under construction
- 3,009 MW constructed capacity
- 2,000 dedicated employees
- 4,440 MW under construction
- 7.5 million Europeans with clean electricity
- 3,103 MW world’s leading operator
- 13 partnerships

In operation
Under construction
Under development

Bay State Wind
Ocean Wind

Walney Extension
West of Duddon Sands
Isle of Man
Barrow
Burbo Bank Ext.

Walney 1 + 2
Westermost Rough
Hornsea 1
Hornsea 2 + 3 + 4
Gode Wind 1
Borkum Riffgrund 1

Horns Rev 1 + 2
Race Bank
Gode Wind 2
Gode Wind 3
Gode Wind 2
Borkum Riffgrund 2

Gode Wind 3
Gode Wind 2
Borkum Riffgrund 2

Gunfleet Sands 1 + 2
Lincoln
Borssele 1 + 2
London Array

Gunfleet Sands 3

Anholt
Middelgrunden
Avedøre
Vindeby
Nysted

APAC
Taipei office

1991
2016

7.5 million Europeans with clean electricity

DONG Energy Wind Power geographical footprint

DONG Energy Wind Power geographical footprint

DONG Energy Wind Power geographical footprint
... and we are today a global leader

Largest offshore wind player globally today

Global offshore wind capacity
MW

<table>
<thead>
<tr>
<th></th>
<th>Installed</th>
<th>Under construction</th>
<th>% share of global installed capacity</th>
</tr>
</thead>
<tbody>
<tr>
<td>DONG Energy</td>
<td>3,009</td>
<td>785</td>
<td>26%</td>
</tr>
<tr>
<td>e-on</td>
<td>2,010</td>
<td>1,225</td>
<td>11%</td>
</tr>
<tr>
<td>RWE</td>
<td>1,941</td>
<td>668</td>
<td>11%</td>
</tr>
<tr>
<td>Vattenfall</td>
<td>1,784</td>
<td>1,273</td>
<td>9%</td>
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<tr>
<td>Iberdrola</td>
<td>1,064</td>
<td>787</td>
<td>0%</td>
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<tr>
<td>SSE</td>
<td>858</td>
<td>588</td>
<td>2%</td>
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<tr>
<td>Northland Power</td>
<td>600</td>
<td>270</td>
<td>2%</td>
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<tr>
<td>Statoil</td>
<td>472</td>
<td>161</td>
<td>3%</td>
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<tr>
<td>WPD</td>
<td>399</td>
<td>311</td>
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<tr>
<td>EnBW</td>
<td>336</td>
<td>111</td>
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<tr>
<td>Stakraft</td>
<td>280</td>
<td>121</td>
<td></td>
</tr>
</tbody>
</table>

Source: Bloomberg New Energy Finance, 4COffshore, DONG Energy (as of August 2016)
2020 cost target reached 3 years ahead of time
The Borssele 1&2 auction shows a cost reduction of 50% since 2012

Costs of offshore wind
Year of final investment decision, EUR/MWh, 2012 / 2016 prices

1: Target originally communicated in 2012 prices (corresponds to 165 and 103 EUR/MWh in 2016-prices, respectively.
2: Average price for the electricity over the lifetime of the plant used as proxy for the levelised costs of electricity. It consists of a subsidy element for the first 15 years and a market income for the remaining 10 years. Discount rate of 3.5% used to reflect society’s discount rate. Market income based on PBL Dutch National Energy Outlook (NEV) 2015. Strike price 72.70 EUR/MWh & contract length 15 years.
3: Adjustment of costs to account for the fact that the 2012 target was set for a UK project which primarily incl. costs of transmission and extra development costs.
Offshore wind shows rapidly declining costs across all markets

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

1: Average price for the electricity over the lifetime of the plant used as proxy for the levelised costs of electricity. It consists of a subsidy element for the first years and a market income for the remaining years of the 25 years lifetime. Discount rate of 3.5% used to reflect society’s discount rate. Market income based on country specific wholesale market price projections at the time of contracting.

Note: Exchange rate on July 7 2016 has been used. Adjustment of costs to account for the fact that the 2012 target was set for a UK project which primarily incl. costs of transmission and extra development costs.

Source: DECC, Danish Energy Agency, Energinet.dk; NEV
By 2025 offshore wind will be truly global
Will Europe still lead the offshore wind energy sector?

Strong growth in established and new offshore wind markets
Installed Capacity, GW

Source: Bloomberg New Energy Finance (BNEF), H1 2016 offshore wind market outlook and DONG Energy