

# CT Offshore A/S

Kraftværksvej 53, 7000 Fredericia

## **ANNUAL REPORT 2015**

**1 January-31 December**

**12th accounting year**

**(Registration No. 10 14 49 22)**

Approved at the ordinary Annual General Meeting on 18 May 2016

Chairman: Ulrik Jarlov



# CT Offshore A/S – Annual Report 2015

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## **Table of Contents**

<b>Company Details</b> .....	<b>3</b>
<b>Financial Highlights</b> .....	<b>4</b>
<b>Management’s Review</b> .....	<b>5</b>
<b>Management’s Statement</b> .....	<b>8</b>
<b>Independent Auditor’s Report</b> .....	<b>9</b>
<b>Income Statement 1 January-31 December</b> .....	<b>10</b>
<b>Balance Sheet at 31 December</b> .....	<b>11</b>
<b>Statement of Changes in Equity 1 January-31 December</b> .....	<b>13</b>
<b>Notes</b> .....	<b>14</b>
<b>Accounting Policies</b> .....	<b>21</b>

# CT Offshore A/S – Annual Report 2015

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## Company Details

**Company** CT Offshore A/S  
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E-mail mail@ctoffshore.com  
Internet www.ctoffshore.com

Registration No. 10 14 49 22  
Registered office Fredericia Municipality

**Shareholders** 67% of the shares are owned by A2SEA A/S and 33% by PC Offshore ApS

**Board of Directors** Jens Frederik Hansen (Chairman)  
Michael Glavind  
Niels Vangsø Andersen

**Executive Board** Michael Glavind

**Auditors** PricewaterhouseCoopers, Statsautoriseret Revisionspartnerselskab

**Annual General Meeting** Approved at the ordinary Annual General Meeting on 18 May 2016

Chairman



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Ulrik Jarlov

## CT Offshore A/S – Annual Report 2015

### Financial Highlights

DKK'000	2015	2014	2013	2012	2011
<b>Income Statement</b>					
Net turnover	507,588	634,727	257,063	204,723	223,782
EBITDA <sup>1</sup>	65,035	89,241	51,352	21,484	81,076
<i>EBITDA margin (%)</i>	<i>12,81</i>	<i>14,06</i>	<i>19,98</i>	<i>10,49</i>	<i>36,23</i>
EBIT <sup>2</sup>	-113,147	47,865	10,154	-19,312	57,518
<i>EBIT margin (profit margin) (%)</i>	<i>-22,29</i>	<i>7,54</i>	<i>3,95</i>	<i>-9,43</i>	<i>25,70</i>
Result of net financials	-8,348	-6,196	-6,569	-4,969	-5,636
Profit/loss before tax	-121,494	41,669	3,585	-24,281	51,882
<b>Profit/loss for the year</b>	<b>-94,592</b>	<b>32,118</b>	<b>4,901</b>	<b>-18,217</b>	<b>38,881</b>
<b>Balance</b>					
Investments in tangible fixed assets	41,189	33,265	31,006	17,707	81,646
Tangible fixed assets	57,717	193,818	201,611	214,579	237,990
Equity	49,661	144,253	112,135	107,234	125,451
Balance sheet total	333,177	279,973	332,228	249,322	277,155
<b>Business related key figures</b>					
Average number of employees	173	172	172	160	127

For definition of the financial ratios, please refer to 'Accounting Policies'.

<sup>1</sup> Earnings Before Interest, Tax, Depreciation and Amortisation

<sup>2</sup> Earnings Before Interest and Tax

# CT Offshore A/S – Annual Report 2015

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## Management's Review

### Main activities

CT Offshore A/S is part of the DONG Energy Group as a direct subsidiary to A2SEA A/S, Fredericia, with DONG Energy A/S as the ultimate parent company. For further information, please see the Annual Report of DONG Energy A/S. In addition to A2SEA, the owners count PC Offshore ApS as minority shareholder.

CT Offshore was founded in the year 2003 with the purpose of carrying shipping activities, cabling, monitoring, transport related hereto and support in connection with installation and operation of offshore wind parks and activities associated herewith.

The main emphasis is laid on submarine cables.

## Results and financial development in 2015

### Profit for the year

In the year 2015, CT Offshore realised a loss before tax of DKK 121.5m and a loss of DKK 94.6m after tax compared to a profit of DKK 41.7m and DKK 32.1m, respectively, the year before. This development should be compared with the fact that in the Annual Report for 2014, the Company expected a similar result in 2015 as in 2014.

The decreased profit compared to 2014 is mainly ascribable to low utilisation of the Company's vessels in the first half of 2015 as well as write-down of the Company's vessels due to a negative development in the cable installation market.

The management considers the loss for the year unsatisfactory.

### Investments

In 2015, CT Offshore made small investments primarily related to the ongoing improvement of the Company's ROVs and fleet. The total investments in tangible fixed assets in 2015 amount to DKK 41.2m all relating to the Company's vessels and equipment.

### Capital Resources

At year-end, the solvency ratio was 14.9% (2014: 51.5%) equal to an equity of DKK 49.7m at 31 December 2015 (2014: DKK 144.3m).

The Company's financial resources amount to DKK 62.1m at the end of the financial year, which comprise cash at bank and in hand.

### Expectations for 2016

CT Offshore enters 2016 with one order for execution in 2017. A negative result is expected for 2016.

## Special risks

### General risks

The Company's primary business risk is tied to the ability to remain strongly positioned in the most important markets, primarily in Northern Europe. Besides, it is important for the Company to remain constantly at edge with the technological development within new installation capacity.

### Financial risks

Due to the Company's financial position and financial resources, the Company is only to a limited extent exposed to changes in the level of interest rates. However, in relation to the current operation, the Company is exposed to foreign exchange risks.

### Foreign exchange risks

Activities abroad imply that results, cash flow and equity are affected by the exchange rate movements and the interest rate development of a number of currencies. It is the policy of the Company to cover commercial

## CT Offshore A/S – Annual Report 2015

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currency exposure. The major part of the Company's turnover is paid in EUR, which is not hedged due to this currency's close connection to the DKK.

### **Credit risks**

The Company's credit risks are primarily tied to financial assets recognised in the balance sheet.

The Company does not have any significant risk relating to a single customer or cooperative partner. The Company's policy for undertaking credit risks includes current credit evaluation of all major customers and other cooperative partners.

### **Know-how capacity**

CT Offshore's business is based on delivery of specialist services to the wind industry in the form of installation, documentation and survey of cables in offshore wind farms. These services place heavy demands on employees with special knowledge and on business processes.

In order to be capable of delivering competitive solutions it is crucial that the Company is able to recruit and retain employees with the right competences.

It is our target that the Company should always retain employees with the right experience and knowledge in order to secure our leading position in the market.

Employees are currently offered training as a fundamental element of their employment, to stay ahead with the latest knowledge and technology and to ensure that staff is continuously competent and qualified.

### **Environmental issues, safety and quality management systems**

To control the environmental issues, CT Offshore has prepared an environmental policy. This policy is based on an environmentally compatible way of conducting business and performing projects and is a natural part of CT Offshore's operation and product quality targets.

To ensure that CT Offshore's activities do not affect the environment, specific working instructions have been prepared in order to minimise the risk in connection with the execution of all considerable tasks, both in harbour as well as at sea.

To ensure a continuous development of CT Offshore's organisation, systems and competences regarding the ability to provide extraordinarily good safety and quality in all aspects of our business, the Company is continuously working with personnel training and improvement of documentation within safety and quality.

Focus is continuously on safety. All incidents and near misses are reported, and preventive and corrective actions are taken.

CT Offshore's environmental, safety and quality management systems are certified by Det Norske Veritas (DNV) according to DS/EN ISO9001, MLC (Marine Labour convention), ISO14001, OHSAS18001 and the ISM Code. The ISO/MLC/ISM systems have latest been renewed by an external auditor in July 2015, and the certificates are valid until 2018.

In addition, a biannual Achilles Verify Category B2 Assessment was successfully conducted in August 2015.

### **Corporate social responsibility and underrepresented gender**

In compliance with section 99a and 99b of the Danish Financial Statement Act, no information is given regarding corporate social responsibility and politics in respect of the underrepresented gender. Please refer to the Group Statement 2015 for DONG Energy A/S.

### **Research and development activities**

There has been continuous improvement of equipment, concept and competences. Development in 2015 has primarily been focused on design of new vessels and ROVs for handling the requirements of the future installation and service markets.

## CT Offshore A/S – Annual Report 2015

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### **Events after 31 December 2015**

In March 2016, it was decided to close down the activities of CT Offshore. All employees in the Company have therefore been laid off and all the Company's vessels and equipment is currently in the process of being sold. The above-mentioned has been assessed by Management not to have a significant, adverse effect on the financial position at 31 December 2015.

# CT Offshore A/S – Annual Report 2015

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## Management's Statement

The Board of Directors and the Executive Board have today considered and adopted the Annual Report of CT Offshore for the financial year 1 January-31 December 2015.

The Annual Report is prepared in accordance with the Danish Financial Statements Act.

In our opinion, the Financial Statements give a true and fair view of the financial position at 31 December 2015 of the Company and of the results of the Company's operations for 2015.

Further, in our opinion, Management's Review includes a true and fair account of the conditions dealt with.

We recommend that the Annual Report be adopted at the Annual General Meeting.

Fredericia, 6 May 2016


### Executive Board:



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Michael Glavind  
CEO

### Board of Directors:



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Jens Frederik Hansen  
Chairman



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Michael Glavind



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Niels Vangsø Andersen



# CT Offshore A/S – Annual Report 2015

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## Independent Auditor's Report

To the Shareholders of CT Offshore A/S

### Report on the Financial Statements

We have audited the Financial Statements of CT Offshore A/S for the financial year 1 January – 31 December 2015, which comprise income statement, balance sheet, statement of changes in equity, notes and summary of significant accounting policies. The Financial Statements are prepared in accordance with the Danish Financial Statements Act.

#### Management's Responsibility for the Financial Statements

Management is responsible for the preparation of Financial Statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error.

#### Auditor's Responsibility

Our responsibility is to express an opinion on the Financial Statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and additional requirements under Danish audit regulation. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the Financial Statements are free from material misstatement:

An audit involves performing audit procedures to obtain audit evidence about the amounts and disclosures in the Financial Statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Financial Statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation of Financial Statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the Financial Statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

The audit has not resulted in any qualification.

#### Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2015 and of the results of the Company operations for the financial year 1 January - 31 December 2015 in accordance with the Danish Financial Statements Act.

#### Statement on Management's Review

We have read Management's Review in accordance with the Danish Financial Statements Act. We have not performed any procedures additional to the audit of the Financial Statements. On this basis, in our opinion, the information provided in Management's Review is consistent with the Financial Statements.

Trekantområdet, 6 May 2016  
PricewaterhouseCoopers  
Statsautoriseret Revisionspartnerselskab  
CVR-no. 33 77 12 31



Rasmus Friis Jørgensen  
State Authorised Public Accountant



Lasse Berg  
State Authorised Public Accountant

## CT Offshore A/S – Annual Report 2015

### Income Statement 1 January-31 December

DKK'000	Note	2015	2014
Net turnover	1	507,588	634,727
Project and vessel costs		-338,647	-439,418
Other external expenses		-9,100	-8,335
Staff expenses	2	-94,806	-97,733
<b>Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA)</b>		<b>65,035</b>	<b>89,241</b>
Depreciation and amortisation		-178,182	-39,461
Other operating expenses	3	0	-1,915
<b>Operating profit (EBIT)</b>		<b>-113,147</b>	<b>47,865</b>
Financial income	4	273	5
Financial expenses	5	-8,620	-6,201
<b>Profit/loss before tax</b>		<b>-121,494</b>	<b>41,669</b>
Tax on the profit/loss for the year	6	26,902	-9,551
<b>Profit/loss for the year</b>		<b>-94,592</b>	<b>32,118</b>
<b>Proposal for distribution of the profit/loss for the year</b>			
Proposed dividend for the year		0	0
Retained earnings for the year		-94,592	32,118
		-94,592	32,118

## CT Offshore A/S – Annual Report 2015

### Balance Sheet at 31 December

DKK'000	Note	2015	2014
<b>Assets</b>			
Acquired rights		1,254	1,212
<b>Intangible fixed assets</b>	7	<b>1,254</b>	<b>1,212</b>
Vessels and related equipment		40,102	183,009
Other plants and equipment		17,615	10,809
<b>Tangible fixed assets</b>	8	<b>57,717</b>	<b>193,818</b>
Other receivables		0	354
<b>Financial fixed assets</b>	9	<b>0</b>	<b>354</b>
<b>Total fixed assets</b>		<b>58,971</b>	<b>195,384</b>
Deferred tax asset	10	3,808	0
Trade receivables		667	0
Receivables from group enterprises		120,937	20,987
Receivables from group enterprises, cash pool		61,837	47,976
Receivables from group enterprises, company tax		2,127	0
Other receivables		439	683
Work in progress		84,085	14,738
<b>Receivables</b>	11	<b>273,900</b>	<b>84,385</b>
<b>Cash at bank and in hand</b>		<b>306</b>	<b>204</b>
<b>Total current assets</b>		<b>274,206</b>	<b>84,589</b>
<b>Total assets</b>		<b>333,177</b>	<b>279,973</b>

## CT Offshore A/S – Annual Report 2015

### Balance Sheet at 31 December (continued)

DKK'000	Note	2015	2014
<b>Liabilities</b>			
Share capital	12	517	517
Retained earnings		49,144	143,736
Proposed dividend for the year		0	0
<b>Total equity</b>		<b>49,661</b>	<b>144,253</b>
Provision for deferred tax	10	0	20,961
<b>Provisions</b>		<b>0</b>	<b>20,961</b>
Trade payables		2,563	13,018
Payables to group enterprises		257,096	82,052
Corporation tax		0	5,778
Other debt		11,943	13,911
Deferred income		11,914	0
<b>Short-term debt</b>		<b>283,516</b>	<b>114,759</b>
<b>Total liabilities</b>		<b>283,516</b>	<b>114,759</b>
<b>Liabilities</b>		<b>333,177</b>	<b>279,973</b>
Contractual obligations	13		
Assets charged or otherwise provided as security	14		
Contingent assets and contingent liabilities	15		
Related party transactions	16		

## CT Offshore A/S – Annual Report 2015

### Statement of Changes in Equity 1 January-31 December

DKK'000	Share capital	Retained earnings	Proposed dividend for the year	Total
<b>Equity at 1 January 2014</b>	<b>517</b>	<b>111,618</b>	<b>0</b>	<b>112,135</b>
Profit for the year	0	32,118		32,118
Proposed dividend for the year	0	0	0	0
<b>Equity at 31 December 2014</b>	<b>517</b>	<b>143,736</b>	<b>0</b>	<b>144,253</b>
<b>Equity at 1 January 2015</b>	<b>517</b>	<b>143,736</b>	<b>0</b>	<b>144,253</b>
Loss for the year	0	-94,592	0	-94,592
Proposed dividend for the year	0	0	0	0
<b>Equity at 31 December 2015</b>	<b>517</b>	<b>49,144</b>	<b>0</b>	<b>49,661</b>

## CT Offshore A/S – Annual Report 2015

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### Notes

Note 1	Net turnover	15
Note 2	Staff expenses	15
Note 3	Other operating expenses	15
Note 4	Financial income	15
Note 5	Financial expenses	15
Note 6	Tax on the profit/loss for the year	16
Note 7	Intangible fixed assets	16
Note 8	Tangible fixed assets	17
Note 9	Financial fixed assets	17
Note 10	Deferred tax	18
Note 11	Receivables	18
Note 12	Share capital	19
Note 13	Contractual obligations	19
Note 14	Assets charged or otherwise provided as security	19
Note 15	Contingent assets and contingent liabilities	19
Note 16	Related party transactions	20

## CT Offshore A/S – Annual Report 2015

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### Note 1 Net turnover

CT Offshore is only working within one geographical and activity segment.

### Note 2 Staff expenses

DKK'000	2015	2014
Wages and salaries	78,605	80,912
Pensions	4,789	4,675
Other staff costs, incl. social security costs, etc.	11,412	12,146
<b>Staff expenses</b>	<b>94,806</b>	<b>97,733</b>
Average number of full time employees	173	172

With reference to section 98 b (3) of the Danish Financial Statements Act, no information is given regarding remuneration for the Executive Board and the Supervisory Board for 2015.

### Note 3 Other operating expenses

DKK'000	2015	2014
Loss on sale of fixed assets	0	1,915
<b>Other operating expenses</b>	<b>0</b>	<b>1,915</b>

### Note 4 Financial income

DKK'000	2015	2014
Other financial income	0	5
Foreign exchange gains	273	0
<b>Financial income</b>	<b>273</b>	<b>5</b>

### Note 5 Financial expenses

DKK'000	2015	2014
Interest expenses from group enterprises	8,524	6,006
Other financial expenses	96	195
<b>Financial expenses</b>	<b>8,620</b>	<b>6,201</b>

## CT Offshore A/S – Annual Report 2015

### Note 6 Tax on the profit/loss for the year

DKK'000	2015	2014
<b>Breakdown of the tax for the year:</b>		
Tax on the profit/loss for the year	-26,902	9,551
Tax relating to changes in equity	0	0
<b>Tax on the profit/loss for the year</b>	<b>-26,902</b>	<b>9,551</b>
<b>Explanation of the tax on the profit/loss for the year:</b>		
Current tax	-2,127	5,778
Deferred tax	-24,769	3,942
Adjustments for previous years (current tax)	-6	-1,406
Adjustments for previous years (deferred tax)	0	1,237
<b>Tax on the profit/loss for the year</b>	<b>-26,902</b>	<b>9,551</b>

### Note 7 Intangible fixed assets

DKK'000	Software	Total
Cost at 1 January 2015	2,576	2,576
Additions for the year	934	934
Disposals for the year	0	0
<b>Cost at 31 December 2015</b>	<b>3,510</b>	<b>3,510</b>
Amortisation, depreciation and write-downs at 1 January 2015	1,364	1,364
Depreciation and amortisation for the year	892	892
<b>Amortisation, depreciation and write-downs at 31 December 2015</b>	<b>2,256</b>	<b>2,256</b>
<b>Book value at 31 December 2015</b>	<b>1,254</b>	<b>1,254</b>
Amortised over a period of	1-3 years	



## CT Offshore A/S – Annual Report 2015

### Note 8 Tangible fixed assets

DKK'000	Vessels and related equipment	Other plants and equipment	Total
Cost at 1 January 2015	329,348	18,990	348,338
Additions for the year	27,447	13,742	41,189
Disposals for the year	0	0	0
<b>Cost at 31 December 2015</b>	<b>356,795</b>	<b>32,732</b>	<b>389,527</b>
Depreciation and write-downs at 1 January 2015	146,339	8,181	154,520
Depreciation for the year	170,354	6,936	177,290
Annual depreciation on assets disposed of	0	0	0
<b>Depreciation and write-downs at 31 December 2015</b>	<b>316,693</b>	<b>15,117</b>	<b>331,810</b>
<b>Book value at 31 December 2015</b>	<b>40,102</b>	<b>17,615</b>	<b>57,717</b>
Depreciation period	5-20 years	3-5 years	

### Note 9 Financial fixed assets

DKK'000	Deposit	Total
Cost at 1 January 2015	354	354
Additions for the year	0	0
Disposals for the year	-354	-354
<b>Cost at 31 December 2015</b>	<b>0</b>	<b>0</b>
<b>Depreciation and write-downs at 31 December 2015</b>	<b>0</b>	<b>0</b>
<b>Book value at 31 December 2015</b>	<b>0</b>	<b>0</b>

## CT Offshore A/S – Annual Report 2015

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### Note 10 Deferred tax

DKK'000	2015	2014
Deferred tax at 1 January	20,961	15,782
Deferred tax for the year recognised in the profit/loss for the year	-24,769	3,942
Adjustment for previous years (current tax)	0	0
Adjustment for previous years (deferred tax)	0	1,237
<b>Deferred tax at 31 December</b>	<b>-3,808</b>	<b>20,961</b>
<b>Deferred tax relates to:</b>		
Intangible assets	133	77
Tangible fixed assets	-3,941	20,884
Provisions and losses	0	0
<b>Deferred tax at 31 December</b>	<b>-3,808</b>	<b>20,961</b>

### Note 11 Receivables

All receivables are due for payment within one year after the end of the financial year.

## CT Offshore A/S – Annual Report 2015

### Note 12 Share capital

DKK'000	2015	2014	2013	2012	2011
Share capital at 1 January	517	517	517	517	517
Capital increase	0	0	0	0	0
<b>Share capital at 31 December</b>	<b>517</b>	<b>517</b>	<b>517</b>	<b>517</b>	<b>517</b>

#### Composition of the share capital:

Share capital	Denomination	In total
A shares, 500 thousands	1 DKK	= 500 thousands
B shares, 16.5 thousands	1 DKK	= 17 thousands

#### Ownership:

67% of the share capital is owned by A2SEA A/S

33% of the share capital is owned by PC Offshore ApS

### Note 13 Contractual obligations

CT Offshore A/S has assumed liabilities for a total of DKK'000 19 in the form of property leases and leased operating equipment. Breakdown of the future lease obligations:

DKK'000	2015	2014
0-1 year	8	623
1-5 years	11	19
> 5 years	0	0
	<b>19</b>	<b>642</b>

### Note 14 Assets charged or otherwise provided as security

As security for amounts owed to credit institutions, mortgages of a nominal value of DKK'000 109,500 have been issued on vessels and related equipment with a book value of DKK'000 40,102.

Further, a floating charge has been issued of a value of DKK'000 20,000 on vessels and related equipment, other plants and equipment, acquired rights, trade receivables, and motor vehicles (not registered nor previously registered).

### Note 15 Contingent assets and contingent liabilities

CT Offshore A/S does not have any material contingent assets or contingent liabilities.

### **Note 16 Related party transactions**

The Company is partly owned by A2SEA A/S, Kraftværksvej 53, 7000 Fredericia, Denmark and is thus included in the Consolidated Financial Statements of DONG Energy A/S, Fredericia.

The Danish State represented by the Ministry of Finance is also a related party with control of the Company and the Ultimate Parent DONG Energy A/S through their 59% ownership of the Parent.

Other related parties with a significant influence comprise, beyond PC Offshore ApS, the Company's Board of Directors, the Executive Board and executives and the close family of these individuals. Related parties also include companies in which the before-mentioned individuals hold a considerable interest.

As part of the ordinary activities, CT Offshore A/S sells its products to related parties on an arm's length basis.

# CT Offshore A/S – Annual Report 2015

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## Accounting Policies

### GENERAL

The Annual Report of CT Offshore A/S has been prepared in accordance with the provisions of the Danish Financial Statements Act for enterprises of accounting class C (medium enterprises).

The accounting policies applied in the preparation of the Financial Statements are consistent with those of last year.

In accordance with the Danish Financial Statements Act section 86(4) the Company has omitted the cash flow statement from this Annual Report as CT Offshore A/S is included in the cash flow statement of the DONG Energy A/S Group.

### Recognition and measurement

Assets are recognised in the balance sheet when it is probable that future economic benefits will flow to the Company and the value of the asset can be reliably measured.

Liabilities are recognised in the balance sheet when they are probable and can be reliably measured.

On initial recognition, assets and liabilities are measured at cost. Subsequently, assets and liabilities are measured as described below for each individual item.

Certain financial assets and liabilities are measured at amortised cost implying the recognition of a constant effective interest rate to maturity. Amortised cost is calculated as initial cost minus any principal repayments and plus or minus the cumulative amortisation of any difference between cost and nominal amount.

On recognition or measurement predictable losses and risks appearing before the presentation of the Annual Report that are confirming or invalidating conditions already existing on the balance sheet date will be taken into account.

Income is recognised in the income statement as earned, including value adjustments of financial assets and liabilities, measured at fair value or amortised cost. Equally, costs incurred to achieve the earnings for the year, including depreciation, amortisation and provisions made and reversals resulting from changes in accounting estimates of amounts previously included in the income statement are recognised in the income statement.

### Foreign currency translation

Transactions denominated in foreign currencies are translated at the exchange rate prevailing at the date of the transaction. Foreign exchange differences arising between the exchange rates at the transaction date and at the date of payment are recognised in the income statement as an item under financial income and expenses.

Fixed assets purchased in foreign currencies are measured at the exchange rate prevailing at the date of the transaction.

Receivables and payables and other monetary items denominated in foreign currencies are translated at the exchange rates at the balance sheet date. The difference between the exchange rates at the balance sheet date and at the date at which the receivable or payable arose or was recognised in the latest financial statements is recognised in the income statement under financial income and expenses.

# CT Offshore A/S – Annual Report 2015

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## INCOME STATEMENT

### Net turnover

Net turnover is recognised in the income statement when delivery and passing of risk to buyer have taken place before the year end and if the income can be reliably measured and is expected received before year-end.

Net turnover is measured at fair value of the agreed contract sum exclusive of VAT charged on behalf of a third party. All types of allowed discounts are recognised in the net turnover.

Contracts relating to offshore wind turbine projects with a high degree of individual flexibility are included in the net turnover concurrently with the execution of the work, based on the degree of completion of the individual contracts.

### Project and vessel costs

Project and vessel costs comprising expenses related to project execution and costs for the operation of the Company's fleet are recognised in the income statement when incurred.

### Other external expenses

Other external expenses comprise indirect production costs and costs related to premises, sales and offices, etc.

### Other operating income and expenses

Other operating income and expenses comprise items that are secondary compared to the Company's principal activities, including profit and loss on current sale and renewal of intangible assets and tangible fixed assets. Profits and losses on sale of intangible assets and tangible fixed assets are calculated as the sales price with deduction of selling costs and the book value at the time of sale.

### Financial income and expenses

Financial income and expenses comprise interest income and expenses, capital gains and losses and losses concerning debt and transactions in foreign currencies and amortisation of financial assets and liabilities.

### Tax on profit for the year

The Company is subject to the Danish rules of compulsory joint taxation of the DONG Energy Group's Danish companies and in addition, the Parent Company DONG Energy A/S has chosen international joint taxation with the Group's foreign subsidiaries. The subsidiaries are comprised by the joint taxation from the time when they are initially consolidated in the Consolidated Financial Statements until the time when they leave the consolidation.

The Group Parent Company DONG Energy A/S acts as a management company for the joint taxation and is thus settling all payments of company tax to the tax authorities.

The current Danish company tax is allocated by settlement of joint taxation contributions between the companies subject to the joint taxation proportionate to the taxable profit of these companies. In connection with this Danish subsidiaries with a tax loss receive a joint taxation contribution from the Parent Company equivalent to the tax base of the utilised tax loss (full allocation), while companies using the tax losses in other Danish companies pay a joint taxation contribution to the Parent Company equivalent to the tax base of the utilised tax losses.

Tax for the year comprising the year's joint taxation contribution and change in deferred tax is recognised in the income statement with the share that is attributable to the profit for the year and directly to equity with the share attributable to equity entries.

# CT Offshore A/S – Annual Report 2015

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## BALANCE SHEET

### Intangible fixed assets

#### *Software*

Software is measured at cost less accumulated amortisation. Amortisation is made on a straight-line basis, i.e. the cost related to software is divided over the expected useful life – normally 3-5 years.

### Tangible fixed assets

Tangible fixed assets are measured at cost less accumulated depreciation and impairment losses.

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date when the asset is available for use. The cost of self-constructed assets comprises costs of materials, components, sub-suppliers and direct cost of labour.

The cost of a combined asset is separated into individual items for which depreciation is made individually if the useful life of the individual items differs.

Subsequent costs, e.g. related to replacement of parts of a tangible fixed asset, are recognised in the book value of the asset in question when it is likely that the incurrence will imply a future financial benefit to the Company. The replaced parts cease being recognised in the balance sheet when the book value of these is transferred to the income statement. All other costs related to ordinary repair and maintenance are recognised in the income statement when incurred.

Depreciation based on cost reduced by any residual value is calculated on a straight-line basis over the estimated useful lives of the assets.

Vessels and related equipment	5-20 years
Other plant and equipment	3-5 years

Gains and losses on the disposal of tangible fixed assets are determined as the difference between the selling price less disposal costs and the carrying amount at the date of disposal. The gains or losses are recognised in the income statement as depreciation.

### Impairment of assets

The book value of the Company's fixed assets is estimated on a yearly basis to determine whether there might be indications of impairment beyond the planned depreciation.

If there are any indications of impairment, an impairment test is carried out for each individual asset or group of assets, respectively. Write-down to recoverable amount is made if this turns out to be lower than the book value. The recoverable amount is determined as the higher of net selling price and value in use. The value in use is calculated as the present value of the expected net cash flow from the use of the asset or group of assets and expected net cash flow from sale of the asset or group of assets after expired useful life.

### Receivables

Receivables are measured at amortised cost.

Provisions for bad debts are made when it is estimated on the basis of an objective indication that the value of a receivable is impaired.

### Current tax and deferred tax

According to the joint taxation rules, the subsidiaries' liabilities towards the tax authorities for own company tax is settled concurrently with payment of joint taxation contribution to the management company.

Joint taxation contributions owed and receivable are recognised in the balance sheet under joint taxation contribution payable and receivable, respectively.

## CT Offshore A/S – Annual Report 2015

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Deferred tax is measured under the balance-sheet liability method on all temporary differences between book value and tax base of assets and liabilities. In the cases where statement of the tax base can be made on the basis of different taxation rules, the deferred tax is measured on the basis of the management's planned use of the asset or settlement of the liability, respectively.

Deferred tax assets, including tax base of tax loss carry-forwards, are measured at the value at which the assets are expected realised either by elimination in tax on future earnings or by offsetting against deferred tax liabilities or within the same legal tax entity.

### Debt

Financial debt comprises mortgage debt, credit institutions, trade payables and other liabilities to the public authorities, etc.

Payables to credit institutions are recognised initially at the proceeds received net of transaction expenses incurred. In subsequent periods, the financial debt is measured at amortised cost according to 'the effective interest method', so that the difference between the proceeds and the nominal value is recognised in the income statement under financial expenses during the term of the loan.

Other debt is measured at net realisable value.

### Deferred income

Deferred income includes prepayments and accrual of contribution margin relating to time charter contracts. If the deferred income is an asset, it is recorded as work in progress, if a liability, it is recorded as deferred income.

### FINANCIAL RATIOS

The financial ratios mentioned in the Financial Highlights are calculated as follows:

EBITDA margin	$\frac{\text{Earnings before Interest, Tax, Depreciation and Amortisation}}{\text{Net turnover}}$
EBIT margin	$\frac{\text{Operating profit or loss (EBIT)}}{\text{Net turnover}}$