

# CT Offshore A/S

Kongens Kvarter 51, 7000 Fredericia

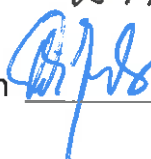
## ANNUAL REPORT 2016

1 January-31 December

13th accounting year

(Registration No. 10 14 49 22)

Approved at the ordinary Annual General Meeting on  
Chairman: Ulrik Jarlov

29/5 2017  


**Table of Contents**

**Company Details.....3**

**Financial Highlights.....4**

**Management’s Review.....5**

**Management’s Statement.....6**

**Independent Auditor’s Report .....7**

**Income Statement 1 January-31 December.....9**

**Balance Sheet at 31 December.....10**

**Statement of Changes in Equity 1 January-31 December.....12**

**Notes.....13**

**Accounting Policies.....19**


# CT Offshore A/S – Annual Report 2016

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## Company Details

<b>Company</b>	CT Offshore A/S Kongens Kvarter 51 DK-7000 Fredericia
	Telephone +45 75 92 82 11 Telefax +45 75 92 63 75 E-mail mail@ctoffshore.com Internet www.ctoffshore.com
	Registration No. 10 14 49 22 Registered office Fredericia Municipality
<b>Shareholders</b>	67% of the shares are owned by A2SEA A/S and 33% by PC Offshore ApS
<b>Board of Directors</b>	Jens Frederik Hansen (Chairman) Michael Glavind Niels Vangsø Andersen
<b>Executive Board</b>	Michael Glavind
<b>Auditors</b>	PricewaterhouseCoopers, Statsautoriseret Revisionspartnerselskab
<b>Annual General Meeting</b>	Approved at the ordinary Annual General Meeting on <u>29 May 2017</u>

Chairman



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Ulrik Jarlov

## CT Offshore A/S – Annual Report 2016

### Financial Highlights

DKK'000	2016	2015	2014	2013	2012
<b>Income Statement</b>					
Net turnover	14,587	507,588	634,727	257,063	204,723
EBITDA <sup>1</sup>	-17,787	65,035	89,241	51,352	21,484
<i>EBITDA margin (%)</i>	-121.94	12.81	14.06	19.98	10.49
EBIT <sup>2</sup>	-24,953	-113,147	47,865	10,154	-19,312
<i>EBIT margin (profit margin) (%)</i>	-171.07	-22.29	7.54	3.95	-9.43
Result of net financials	-7,912	-8,348	-6,196	-6,569	-4,969
Profit/loss before tax	-32,865	-121,494	41,669	3,585	-24,281
<b>Profit/loss for the year</b>	<b>-25,584</b>	<b>-94,592</b>	<b>32,118</b>	<b>4,901</b>	<b>-18,217</b>
<b>Balance</b>					
Investments in tangible fixed assets	330	41,189	33,265	31,006	17,707
Tangible fixed assets	0	57,717	193,818	201,611	214,579
Equity	24,077	49,661	144,253	112,135	107,234
Balance sheet total	31,684	333,177	279,973	332,228	249,322
<b>Business related key figures</b>					
Average number of employees	94	173	172	172	160

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 2016

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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.

After the completion of the Gode Wind project 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 have been sold.

## Results and financial development in 2016

### Profit for the year

In the year 2016, CT Offshore realised a loss before tax of DKK 32.9m and a loss of DKK 25.6m after tax compared to a loss of DKK 121.5m and DKK 94.6m, respectively, the year before. This year is affected by the decision to close down the activities of CT Offshore in March 2016 as mentioned in main activities.

### Investments

In 2016, CT Offshore made small investments primarily related to the Company's ROVs and fleet. The total investments in tangible fixed assets in 2016 amount to DKK 0.3m all relating to the Company's vessels and equipment.

### Capital Resources

At year-end, the solvency ratio was 76% (2015: 14.9%) equal to an equity of DKK 24.1m at 31 December 2016 (2015: DKK 49.7m).

The Company's financial resources amount to DKK 19.2m at the end of the financial year, which comprise cash at bank and in hand.

### Expectations for 2017

A result reflecting no activities is expected for 2017.

## Special risks

As mentioned under main activities, all activities are closed and the Company has no general, financial, foreign exchange or credit risks.

### Environmental issues, safety and quality management systems

As mentioned under main activities, all activities were closed in March 2016.

### 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 2016 for DONG Energy A/S.

### Research and development activities

As mentioned under main activities, all activities were closed in March 2016.

# CT Offshore A/S – Annual Report 2016

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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 2016.

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 2016 of the Company and of the results of the Company's operations for 2016.

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, 21 April 2017

### 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

## Independent Auditor's Report

To the Shareholders of CT OFFSHORE A/S

### Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2016, and of the results of the Company's operations for the financial year 1 January - 31 December 2016 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of CT OFFSHORE A/S for the financial year 1 January-31 December 2016, which comprise income statement, balance sheet, statements of changes in equity and notes, including a summary of significant accounting policies ("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 are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Statement on Management's Review

Management is responsible for Management's Review.

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 during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether Management's Review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, in our view, Management's Review is in accordance with the 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.

### Management's Responsibilities 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.

In preparing the financial statements, Management is responsible for assessing the 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 in preparing the financial statements unless Management either intends to liquidate the 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,

## CT Offshore A/S – Annual Report 2016

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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 conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgment and maintain professional scepticism 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 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 in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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 Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

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.

Trekantområdet, 21 April 2017  
**PricewaterhouseCoopers**  
Statsautoriseret Revisionspartnerselskab  
CVR-no. 33 77 12 31

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Rasmus Friis Jørgensen  
State Authorised Public Accountant

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Lasse Berg  
State Authorised Public Accountant



## CT Offshore A/S – Annual Report 2016

### Income Statement 1 January-31 December

DKK'000	Note	2016	2015
Net turnover	1	14,587	507,588
Project and vessel costs		-5,728	-338,647
Other operating income	2	36,507	0
Other external expenses		-5,009	-9,100
Staff expenses	3	-40,331	-94,806
<b>Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA)</b>		<b>26</b>	<b>65,035</b>
Depreciation and amortisation		-7,167	-178,182
Other operating expenses	4	-17,812	0
<b>Operating profit (EBIT)</b>		<b>-24,953</b>	<b>-113,147</b>
Financial income	5	0	273
Financial expenses	6	-7,912	-8,620
<b>Profit/loss before tax</b>		<b>-32,865</b>	<b>-121,494</b>
Tax on the profit/loss for the year	7	7,281	26,902
<b>Profit/loss for the year</b>		<b>-25,584</b>	<b>-94,592</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		-25,584	-94,592
		-25,584	-94,592

## CT Offshore A/S – Annual Report 2016

### Balance Sheet at 31 December

DKK'000	Note	2016	2015
<b>Assets</b>			
Acquired rights		0	1,254
<b>Intangible fixed assets</b>	8	<b>0</b>	<b>1,254</b>
Vessels and related equipment		0	40,102
Other plants and equipment		0	17,615
<b>Tangible fixed assets</b>	9	<b>0</b>	<b>57,717</b>
<b>Total fixed assets</b>		<b>0</b>	<b>58,971</b>
Deferred tax asset	10	0	3,808
Trade receivables		1	667
Receivables from group enterprises		0	120,937
Receivables from group enterprises, cash pool		0	61,837
Receivables from group enterprises, company tax		11,089	2,127
Other receivables		1,423	439
Work in progress		0	84,085
<b>Receivables</b>	11	<b>12,513</b>	<b>273,900</b>
<b>Cash at bank and in hand</b>		<b>19,171</b>	<b>306</b>
<b>Total current assets</b>		<b>31,684</b>	<b>274,206</b>
<b>Total assets</b>		<b>31,684</b>	<b>333,177</b>

## CT Offshore A/S – Annual Report 2016

### Balance Sheet at 31 December (continued)

DKK'000	Note	2016	2015
<b>Liabilities</b>			
Share capital	12	517	517
Retained earnings		23,560	49,144
<b>Total equity</b>		<b>24,077</b>	<b>49,661</b>
Trade payables		0	2,563
Payables to group enterprises		0	257,096
Other debt		7,607	11,943
Deferred income		0	11,914
<b>Short-term debt</b>		<b>7,607</b>	<b>283,516</b>
<b>Total liabilities</b>		<b>7,607</b>	<b>283,516</b>
<b>Liabilities</b>		<b>31,684</b>	<b>333,177</b>
Contractual obligations	13		
Assets charged or otherwise provided as security	14		
Contingent assets and contingent liabilities	15		
Unusual items	16		
Related party transactions	17		
Events after 31 December 2016	18		

## CT Offshore A/S – Annual Report 2016

### 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 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
<b>Equity at 31 December 2015</b>	<b>517</b>	<b>49,144</b>	<b>0</b>	<b>49,661</b>
<b>Equity at 1 January 2016</b>	<b>517</b>	<b>49,144</b>	<b>0</b>	<b>49,661</b>
Loss for the year	0	-25,584	0	-25,584
<b>Equity at 31 December 2016</b>	<b>517</b>	<b>23,560</b>	<b>0</b>	<b>24,077</b>

## Notes

<b>Note 1</b>	<b>Net turnover .....</b>	<b>14</b>
<b>Note 2</b>	<b>Other operating income .....</b>	<b>14</b>
<b>Note 3</b>	<b>Staff expenses .....</b>	<b>14</b>
<b>Note 4</b>	<b>Other operating expenses .....</b>	<b>14</b>
<b>Note 5</b>	<b>Financial income .....</b>	<b>14</b>
<b>Note 6</b>	<b>Financial expenses.....</b>	<b>15</b>
<b>Note 7</b>	<b>Tax on the profit/loss for the year.....</b>	<b>15</b>
<b>Note 8</b>	<b>Intangible fixed assets .....</b>	<b>15</b>
<b>Note 9</b>	<b>Tangible fixed assets .....</b>	<b>16</b>
<b>Note 10</b>	<b>Deferred tax.....</b>	<b>16</b>
<b>Note 11</b>	<b>Receivables.....</b>	<b>16</b>
<b>Note 12</b>	<b>Share capital .....</b>	<b>17</b>
<b>Note 13</b>	<b>Contractual obligations .....</b>	<b>17</b>
<b>Note 14</b>	<b>Assets charged or otherwise provided as security.....</b>	<b>17</b>
<b>Note 15</b>	<b>Contingent assets and contingent liabilities.....</b>	<b>17</b>
<b>Note 16</b>	<b>Unusual items.....</b>	<b>18</b>
<b>Note 17</b>	<b>Related party transactions.....</b>	<b>18</b>
<b>Note 18</b>	<b>Events after 31 December 2016.....</b>	<b>18</b>

## CT Offshore A/S – Annual Report 2016

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### Note 1 Net turnover

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

### Note 2 Other operating income

DKK'000	2016	2015
Profit on sale of fixed assets	36,507	0
<b>Other operating income</b>	<b>36,507</b>	<b>0</b>

### Note 3 Staff expenses

DKK'000	2016	2015
Wages and salaries	35,041	78,605
Pensions	2,222	4,789
Other staff costs, incl. social security costs, etc.	3,069	11,412
<b>Staff expenses</b>	<b>40,331</b>	<b>94,806</b>
Average number of full time employees	70	173

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 2016.

### Note 4 Other operating expenses

DKK'000	2016	2015
Loss on sale of fixed assets	17,812	0
<b>Other operating expenses</b>	<b>17,812</b>	<b>0</b>

### Note 5 Financial income

DKK'000	2016	2015
Foreign exchange gains	0	273
<b>Financial income</b>	<b>0</b>	<b>273</b>

## CT Offshore A/S – Annual Report 2016

### Note 6 Financial expenses

DKK'000	2016	2015
Interest expenses from group enterprises	7,232	8,524
Other financial expenses	680	96
<b>Financial expenses</b>	<b>7,912</b>	<b>8,620</b>

### Note 7 Tax on the profit/loss for the year

DKK'000	2016	2015
<b>Breakdown of the tax for the year:</b>		
Tax on the profit/loss for the year	-7,281	-26,902
<b>Tax on the profit/loss for the year</b>	<b>-7,281</b>	<b>-26,902</b>
<b>Explanation of the tax on the profit/loss for the year:</b>		
Current tax	-11,089	-2,127
Deferred tax	3,808	-24,769
Adjustments for previous years (current tax)	0	-6
<b>Tax on the profit/loss for the year</b>	<b>-7,281</b>	<b>-26,902</b>

### Note 8 Intangible fixed assets

DKK'000	Software	Total
Cost at 1 January 2016	3,510	3,510
Additions for the year	99	99
Disposals for the year	-3,609	-3,609
<b>Cost at 31 December 2016</b>	<b>0</b>	<b>0</b>
Amortisation, depreciation and write-downs at 1 January 2016	2,256	2,256
Depreciation and amortisation for the year	189	189
Reversed depreciation on assets disposed of	-2,445	-2,445
<b>Amortisation, depreciation and write-downs at 31 December 2016</b>	<b>0</b>	<b>0</b>
<b>Book value at 31 December 2016</b>	<b>0</b>	<b>0</b>
Amortised over a period of	1-3 years	

## CT Offshore A/S – Annual Report 2016

### Note 9 Tangible fixed assets

DKK'000	Vessels and related equipment	Other plants and equipment	Total
Cost at 1 January 2016	356,795	32,732	389,527
Additions for the year	5	325	330
Disposals for the year	-356,800	-33,057	-389,857
<b>Cost at 31 December 2016</b>	<b>0</b>	<b>0</b>	<b>0</b>
Depreciation and write-downs at 1 January 2016	-316,693	15,117	331,810
Depreciation for the year	4,605	2,373	6,978
Reversed depreciation on assets disposed of	-321,298	-17,490	-338,788
<b>Depreciation and write-downs at 31 December 2016</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Book value at 31 December 2016</b>	<b>0</b>	<b>0</b>	<b>0</b>
Depreciation period	5-20 years	3-5 years	

### Note 10 Deferred tax

DKK'000	2016	2015
Deferred tax at 1 January	-3,808	20,961
Deferred tax for the year recognised in the profit/loss for the year	3,808	-24,769
<b>Deferred tax at 31 December</b>	<b>0</b>	<b>-3,808</b>
<b>Deferred tax relates to:</b>		
Intangible assets	0	133
Tangible fixed assets	0	-3,941
<b>Deferred tax at 31 December</b>	<b>0</b>	<b>-3,808</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 2016

### Note 12 Share capital

DKK'000	2016	2015	2014	2013	2012
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 the following liabilities in the form of property leases and leased operating equipment:

DKK'000	2016	2015
0-1 year	0	8
1-5 years	0	11
> 5 years	0	0
	<b>0</b>	<b>19</b>

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

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). All assets are disposed at year end.

### Note 15 Contingent assets and contingent liabilities

According to the provisions of the Danish Corporation Tax Act, CT Offshore A/S are subsidiary liable for tax on the Group's jointly taxed income, etc. The total amount of corporation tax payable is stated in the Annual Report of DONG Energy A/S, which is the management company of the joint taxation scheme. Moreover, the Danish group companies are subsidiary liable for Danish withholding taxes in the form of dividend tax, royalty tax and tax on interest. Any subsequent adjustments to corporation taxes and withholding taxes may increase the Company's liability.

### **Note 16 Unusual items**

In 2016, CT Offshore A/S decided to close down all activities and operations have only been ongoing in three months. All employees have been laid off in March. All fixed assets have been sold and remaining items are guaranties and short term receivables and payables.

### **Note 17 Related party transactions**

The Company is partly owned by A2SEA A/S, Kraftværksvej 53, 7000 Fredericia, Denmark and is thus included in the immediate Consolidated Financial Statements of DONG Energy Wind Power A/S, Kraftværksvej 53, 7000 Fredericia, Denmark and ultimate Consolidated Financial Statements of DONG Energy A/S, Kraftværksvej 53, 7000 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 50.1% 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.

### **Note 18 Events after 31 December 2016**

No events have occurred after the closing of this financial year that would influence the financial position of the Company.

# CT Offshore A/S – Annual Report 2016

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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 (large enterprises).

In accordance with Act 738 of 1 June 2015, the Company has implemented the amendments to the Danish Financial Statements Act effective from 1 January 2016.

Amendments to the Danish Financial Statements Act effective from 1 January 2016 have not affected the Company's assets, liabilities or financial position at 31 December 2016, but has alone resulted in additional information in the Annual Report.

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 2016

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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 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.

Vessel costs are recognised in the income statement when incurred.

Costs related to offshore wind turbine projects are included in the project costs concurrently with the execution of the work, based on the degree of completion of the individual contracts.

### Other external expenses

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

### Staff expenses

Staff expenses comprise wages and salaries as well as payroll expenses other than project wages.

### 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 2016

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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.

Residual value of intangible fixed assets is reassessed every year.

### 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 and indirect production cost.

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

Depreciation period and residual value of tangible fixed assets is reassessed every year.

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 other operating income/expense.

### 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.

## CT Offshore A/S – Annual Report 2016

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

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	$\frac{\text{Operating profit or loss (EBIT)}}{\text{Net turnover}}$