A2SEA A/S

Kraftværksvej 53, 7000 Skærbæk

ANNUAL REPORT 2015

1 January-31 December

16th accounting year

(Registration No. 25 49 03 39)

Approved at the ordinary Annual General Meeting on 11 May 2016
Chairman: Ulrik Jarlov

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Company Details

Company	A2SEA A/S Kraftværksvej 53 DK-7000 Fredericia	
	Telephone Telefax E-mail Internet	+45 75 92 82 11 +45 75 92 63 75 a2sea@a2sea.com www.a2sea.com
	Registration No. Registered office	25 49 03 39 Fredericia Municipality
Shareholders	51% of the shares are owned by DONG Energy Wind Power A/S and 49% by Siemens Wind Power A/S	
Board of Directors	Thomas Dalsgaard (Chairman) John Michael Hannibal (Deputy Chairman) Andrew Douglas Hall Morten Melin	
Executive Board	Jens Frederik Hansen	
Auditors	**PricewaterhouseCoopers, Statsautoriseret Revisionspartnerselskab**	
Annual General Meeting	Approved at the ordinary Annual General Meeting on 11 May 2016	

Chairman

Ulrik Jarlov

Financial Highlights

DKK'000	**2015**	**2014**	**2013**	**2012**	**2011**
Income Statement					
Net turnover	785,567	1,050,230	1,216,155	1,137,206	954,431
EBITDA[1]	305,869	454,355	493,826	292,450	293,978
EBITDA margin (%)	*38,94*	*43,26*	*40,61*	*25,72*	*30,80*
EBIT[2]	39,842	286,386	350,930	207,154	211,411
EBIT margin (profit margin) (%)	*5,07*	*27,27*	*28,86*	*18,22*	*22,15*
Result of net financials	-134,710	13,989	-109	-115,094	6,734
Profit/loss before tax	-94,868	300,374	350,821	92,060	218,145
Profit/loss for the year	**-105,326**	**233,931**	**276,466**	**38,050**	**164,512**
Balance					
Investments in tangible fixed assets	47,271	434,838	565,728	732,313	172,813
Tangible fixed assets	2,258,891	2,477,601	2,222,790	1,798,664	1,153,561
Equity	2,083,237	2,363,834	2,332,487	1,840,249	1,438,551
Balance sheet total	2,647,376	2,810,996	2,635,308	2,146,696	1,718,389
Business related key figures					
Average number of employees	407	403	357	308	251

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

[1] Earnings Before Interest, Tax, Depreciation and Amortisation
[2] Earnings Before Interest and Tax

Management's Review

Main activities
A2SEA A/S is part of the DONG Energy Group as a direct subsidiary to DONG Energy Wind Power 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 DONG, the owners count Siemens Wind Power A/S as minority shareholder.

A2SEA was founded in the year 2000 on the basis of the idea of providing a crane vessel with legs and is today one of the world's leading companies within installation of offshore wind farms and offshore service.

A2SEA's vision is:

> "to stay ahead in taking wind power offshore and the future of energy in a sustainable direction".

A2SEA's mission is:

> "to provide the offshore wind industry with safer, sustainable, and more cost efficient operations through know how, seamless integration of installation and service solutions, and quality of service".

The above-mentioned has been the core business of A2SEA since the establishment in 2000.

Results and financial development in 2015

Profit for the year
In the year 2015, A2SEA realised a loss before tax of DKK 94.9m and DKK 105.3m after tax compared to DKK 300.4m and DKK 233.9m, respectively, the year before.

The decreased profit compared to 2014 is mainly ascribable to a change in the valuation of shares in CT Offshore A/S due to the negative development in the cable installation market. In addition, the result is negatively affected by write-downs on 1st generation wind turbine installation vessels due to challenging market conditions for this generation of vessels.

The market for installation of offshore wind turbines continued its positive development in 2015 with the installation of a number of new wind farms of which A2SEA was directly involved in the turbine installation work of Westermost Rough Offshore Wind Farm in the UK and in Borkum Riffgrund and Gode Wind in Germany. However, the market for installation vessels is affected by overcapacity, which has resulted in falling rates and declining utilisation of especially older tonnage.

The management considers the loss for the year unsatisfactory.

Investments
In 2015, A2SEA has invested in various minor improvements of the existing vessels. The total investments in tangible fixed assets in 2015 amount to DKK 47.3m.

Capital Resources
A2SEA is firmly based. At year-end, the solvency ratio was 78.7% (2014: 84.1%) equal to an equity of DKK 2,083.2m at 31 December 2015 (2014: DKK 2,363.8m).

The Company's financial resources amount to DKK 596.3m at the end of the financial year, which reflects undrawn credit facilities in the Company's bank.

Expectations for 2016
A2SEA enters 2016 with a large order book, which will secure a sound utilisation rate for 2nd generation wind turbine installation vessels in 2016. However, as described under "Events after 31 December 2015", SEA WORKER, grounded during towing from Frederikshavn to Esbjerg end of January 2016. Salvage of the vessel was not possible, thus the vessel is considered a Constructive Total Loss. Removal of the wreck is ongoing

and expected finalised in 2016. In March 2016, a restructuring plan for A2SEA was launched with the aim of focusing on core business. The plan consists of several elements involving laying off employees and divesting vessels and equipment. These factors combined, and compared to 2015, imply that a lower profit is expected in 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 currency exposure. The major part of the Company's turnover is, however, 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

A2SEA's business is based on delivery of a very essential business service to the wind industry in the form of transport, installation and servicing of offshore wind turbines. This service places 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, A2SEA 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 A2SEA's operation and product quality targets.

To ensure that A2SEA'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 and in connection with transportation and performance of offshore lifting tasks.

To ensure a continuous development of A2SEA'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. In addition, all incidents and near-misses are reported, and preventive and corrective actions taken.

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

A2SEA'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/OHSAS systems have latest been re-certified by an external auditor in November 2015, and the certificates are valid until 2016.

In addition, A2SEA's Document of Compliance (DoC) has been verified under the ISM Code from Søfartsstyrelsen (the Danish Maritime Authority) for operation of passenger and HSC vessels as well as for the operation of installation vessels.

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

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

Underrepresented gender
Presently, the Board of Directors of A2SEA consists of four men. A2SEA has, adhering to the rules of Companies Law, set a goal of having one woman on the Board of Directors by 2019. A2SEA has initiated a dialogue with the Company's shareholders in order to ensure that the goal is met no later than 2019.

In compliance with section 99b of the Danish Financial Statement Act, no information is given on policies in respect of the underrepresented gender at other management levels. 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 upgrades of existing vessels for handling the requirements of the future installation markets.

Events after 31 December 2015
End of January 2016, the vessel SEA WORKER grounded during towing from Frederikshavn to Esbjerg. Salvage of the vessel was not possible and the vessel is considered a Constructive Total Loss. Removal of the wreck is ongoing and expected finalised in 2016. In March 2016, a restructuring plan for A2SEA was launched with the aim of focusing on core business. The plan consists of several elements involving laying off employees and divesting vessels and equipment.

The above-mentioned has been assessed by Management not to have a significant, adverse effect on the financial position at 31 December 2015.

Management's Statement

The Board of Directors and the Executive Board have today considered and adopted the Annual Report of A2SEA 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:

Jens Hansen

Jens Frederik Hansen
CEO

Board of Directors:

Thomas Dalsgaard Chairman	John Michael Hannibal Deputy Chairman
Andrew Douglas Hall	Morten Melin

Independent Auditor's Report

To the Shareholders of A2SEA A/S

Report on the Financial Statements

We have audited the Financial Statements of A2SEA 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

Income Statement 1 January-31 December

DKK'000	Note	2015	2014
Net turnover	1	785,567	1,050,230
Project and vessel costs		-211,223	-346,499
Other operating income	2	0	2,147
Other external expenses		-33,398	-36,198
Staff expenses	3	-235,077	-215,325
Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA)		**305,869**	**454,355**
Depreciation and amortisation		-265,988	-167,970
Other operating expenses	4	-39	0
Operating profit (EBIT)		**39,842**	**286,385**
Income from investments in subsidiaries after tax		-135,069	17,162
Financial income	5	8,522	6,057
Financial expenses	6	-8,163	-9,231
Profit/loss before tax		**-94,868**	**300,373**
Tax on the profit/loss for the year	7	-10,458	-66,443
Profit/loss for the year		**-105,326**	**233,930**
Proposal for distribution of the profit/loss for the year			
Proposed dividend for the year		0	175,448
Retained earnings for the year		-105,326	58,482
		-105,326	233,930

Balance Sheet at 31 December

DKK'000	Note	2015	2014
Assets			
Rights		0	0
Software		3,774	3,243
Intangible fixed assets	8	**3,774**	**3,243**
Vessels and related equipment		2,236,474	2,455,483
Other plants and equipment		22,417	22,118
Fixed assets under construction and prepayments regarding fixed assets		0	0
Tangible fixed assets	9	**2,258,891**	**2,477,601**
Investments in subsidiaries		2,862	137,755
Deposit		1,905	1,643
Financial fixed assets	10	**4,767**	**139,398**
Total fixed assets		**2,267,432**	**2,620,242**
Trade receivables		41,877	18,789
Receivables from group enterprises		316,886	166,652
Work in progress		19,163	2,008
Prepayments	11	901	1,036
Other receivables		953	2,269
Receivables	12	**379,780**	**190,754**
Cash at bank and in hand		**164**	**0**
Total current assets		**379,944**	**190,754**
Total assets		**2,647,376**	**2,810,996**

Balance Sheet at 31 December (continued)

DKK'000	Note	2015	2014
Liabilities			
Share capital	13	429,363	429,363
Retained earnings		1,653,874	1,759,024
Proposed dividend for the year		0	175,448
Total equity		**2,083,237**	**2,363,834**
Provision for deferred tax	14	178,169	184,582
Provisions		**178,169**	**184,582**
Credit institutions		199,026	96,568
Trade payables		9,727	21,825
Payables to group enterprises		83,916	80,000
Corporation tax, balance with management company		17,403	3,863
Other debt		60,721	60,324
Deferred income		15,177	0
Short-term debt		**385,970**	**262,580**
Total liabilities		**385,970**	**262,580**
Liabilities		**2,647,376**	**2,810,996**

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Statement of Changes in Equity 1 January-31 December

DKK'000	Share capital	Other reserves	Retained earnings	Proposed dividend for the year	Total
Equity at 1 January 2014	**429,363**	**0**	**1,695,774**	**207,350**	**2,332,487**
Distributed dividends				-207,350	-207,350
Exchange rate adjustments of investments			93		93
Profit for the year			233,930		233,930
Value adjustments of hedging instruments			6,232		6,232
Tax relating to value adjustments of hedging instruments			-1,558		-1,558
Proposed dividend for the year			-175,448	175,448	0
Equity at 31 December 2014	**429,363**	**0**	**1,759,023**	**175,448**	**2,363,834**
Equity at 1 January 2015	**429,363**	**0**	**1,759,023**	**175,448**	**2,363,834**
Distributed dividends				-175,448	-175,448
Exchange rate adjustments of investments			176		176
Loss for the year			-105,325		-105,325
Equity at 31 December 2015	**429,363**	**0**	**1,653,874**	**0**	**2,083,237**

Notes

Note 1 Net turnover

A2SEA is only working within one geographical and activity segment.

Note 2 Other operating income

DKK'000	2015	2014
Profit from sale of fixed assets	0	2,147
Other operating income	**0**	**2,147**

Note 3 Staff expenses

DKK'000	2015	2014
Wages and salaries	196,603	178,949
Pensions	16,217	13,572
Other staff costs, incl. social security costs, etc.	22,257	22,804
Staff expenses	**235,077**	**215,325**
Average number of full time employees	407	403

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 2014.

Note 4 Other operating expenses

DKK'000	2015	2014
Loss on sale of fixed assets	39	0
Other operating expenses	**39**	**0**

Note 5 Financial income

DKK'000	2015	2014
Interest income from group enterprises	8,524	6,025
Other financial income	-2	32
Financial income	**8,522**	**6,056**

Note 6 Financial expenses

DKK'000	2015	2014
Interest expenses from group enterprises	5,479	4,029
Other financial expenses	2,684	5,202
Financial expenses	**8,163**	**9,231**

Note 7 Tax on the profit/loss for the year

DKK'000	2015	2014
Breakdown of the tax for the year:		
Tax on the profit for the year	10,458	66,443
Tax relating to changes in equity	0	1,558
Tax on the profit for the year	**10,458**	**68,001**
Explanation of the tax on the profit for the year:		
Current tax	17,403	2,305
Deferred tax	-6,377	62,850
Adjustments for previous years (current tax)	-36	-532
Adjustments for previous years (deferred tax)	-532	1,820
Tax on the profit for the year	**10,458**	**66,443**

Note 8 Intangible fixed assets

DKK'000	Software	Rights	Total
Cost at 1 January 2015	10,301	327	10,628
Additions for the year	2,658	0	2,658
Cost at 31 December 2015	**12,959**	**327**	**13,286**
Amortisation, depreciation and write-downs at 1 January 2015	7,058	327	7,385
Depreciation and amortisation for the year	2,127	0	2,127
Amortisation, depreciation and write-downs at 31 December 2015	**9,185**	**327**	**9,512**
Book value at 31 December 2015	**3,774**	**0**	**3,774**
Amortised over a period of	3-5 years	5 years	-

Note 9 Tangible fixed assets

DKK'000	Vessels and related equipment	Other plants and equipment	Total
Cost at 1 January 2015	3,097,396	39,001	3,136,397
Additions for the year	42,958	4,313	47,271
Disposals for the year	-1,589	-785	-2,374
Transfer	0	0	0
Cost at 31 December 2015	**3,138,765**	**42,529**	**3,181,294**
Depreciation and write-downs at 1 January 2015	641,913	16,883	658,796
Depreciation for the year	260,378	3,482	263,860
Annual depreciation on assets disposed of	0	-253	-253
Transfer	0	0	0
Depreciation and write-downs at 31 December 2015	**902,291**	**20,112**	**922,403**
Book value at 31 December 2015	**2,236,474**	**22,417**	**2,258,891**
Depreciation period	5-20 years	3-5 years	-

Note 10 Financial fixed assets

DKK'000	Investments in subsidiaries	Deposit	Total
Cost at 1 January 2015	237,819	1,643	239,462
Additions during the year	0	262	262
Cost at 31 December 2015	**237,819**	**1,905**	**239,724**
Value adjustments at 1 January 2015	-100,064	0	-100,064
The adjustment for the year	0	0	0
Loss for the year	-67,399	0	-67,399
Depreciations and amortisations of the year	-67,669	0	-67,669
Changes in equity	175	0	175
Depreciations and amortisations at 31 December 2015	**-234,957**	**0**	**-234,957**
Book value at 31 December 2015	**2,862**	**1,905**	**4,767**

Breakdown of investment in subsidiaries:

	Registered office	Share capital	Ownership
CT Offshore A/S	Denmark	516	67%
A2SEA GmbH	Germany	186	100%
A2SEA Ltd.	The UK	10,260	100%

Note 11 Prepayments

Prepayments comprise prepaid costs relating to other external costs.

Note 12 Receivables

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

Note 13 Share capital

DKK'000	2015	2014	2013	2012	2011
Share capital at 1 January	429,363	429,363	302,363	59,863	45,432
Capital increase	0	0	127,000	242,500	14,431
Share capital at 31 December	**429,363**	**429,363**	**429,363**	**302,363**	**59,863**

Composition of the share capital:

Share capital	Denomination	In total
A shares, 59,863 thousands	1 DKK	= 59,863 thousands
B shares, 369,500 thousands	1 DKK	= 369,500 thousands

Ownership:
51% of the share capital is owned by DONG Energy Wind Power A/S
49% of the share capital is owned by Siemens Wind Power A/S

Note 14 Deferred tax

DKK'000	2015	2014
Deferred tax at 1 January	184,581	119,911
Deferred tax for the year recognised in profit/loss for the year	-6,377	62,850
Adjustment for previous years (current tax)	0	0
Adjustment for previous years (deferred tax)	-36	1,821
Deferred tax at 31 December	**178,168**	**184,582**
Deferred tax relates to:		
Intangible assets	705	547
Tangible fixed assets	179,350	186,774
Provisions and losses	-1,887	-2,739
Deferred tax at 31 December	**178,168**	**184,582**

Note 15 Contractual obligations

A2SEA A/S has assumed liabilities for a total of DKK'000 78,607 in the form of property leases and leased operating equipment. Breakdown of the future lease obligations:

DKK'000	2015	2014
0-1 year	32,711	33,497
1-5 years	45,896	76,783
> 5 years	0	0
	78,607	**110,280**

Note 16 Assets charged or otherwise provided as security

As security for intercompany balances, mortgages of a nominal value of DKK'000 146,000 have been issued on vessels and related equipment with a book value of DKK'000 375,111.

Note 17 Contingent assets and contingent liabilities

A2SEA A/S has provided guarantee in connection with subsidiaries' cable installation projects at the amount of DKK'000 104,345.

Note 18 Related party transactions

The Company is partly owned by DONG Energy Wind Power 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 Siemens Wind Power A/S, 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. In addition, related parties also include group enterprises to A2SEA A/S. For a complete list of subsidiaries, please refer to note 9 'Financial fixed assets'.

As part of the ordinary activities, A2SEA A/S sells its products to related parties on an arm's length basis.

Accounting Policies

GENERAL

The Annual Report of A2SEA A/S has been prepared in accordance with the provisions of the Danish Financial Statements Act for enterprises of accounting class C (large 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 112(1) no consolidated annual accounts have been made. The annual accounts for A2SEA A/S and subsidiaries are part of the consolidated annual accounts for DONG Energy A/S.

In accordance with the Danish Financial Statements Act section 86(4) the Company has omitted the cash flow statement from this Annual Report as A2SEA 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.

Derivative financial instruments
Derivative financial instruments are initially recognised in the balance sheet at cost and are subsequently measured at fair value. Positive and negative fair values of derivative financial instruments are included in other receivables and payables, respectively.

Changes in the fair value of derivative financial instruments designated as and qualifying for recognition as a hedge of the fair value of a recognised asset or liability are recognised in the income statement together with changes in the value of the hedged asset or liability.

Changes in the fair value of derivative financial instruments designated as and qualifying for recognition as a hedge of future assets or liabilities are recognised as receivables or payables and in capital and reserves. If the future transaction results in recognition of assets or liabilities, the amount previously recognised under equity will be transferred to the cost of the asset or liability, respectively. If the future transaction results in income or expenses, the amount, deferred under equity or together with a recognised asset in the balance sheet will be transferred to the income statement for the period in which the hedged item affects the income statement.

For derivative financial instruments that do not qualify for hedge accounting, changes in fair value are recognised in the income statement when they occur.

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.

BALANCE SHEET

Intangible fixed assets

Rights
Rights include patents. These are measured at cost less accumulated amortisation and impairment losses. Patents are amortised over 5 years.

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
Plant under construction	No depreciation

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.

Investments in subsidiaries
Investments in subsidiaries are measured under the equity method in the Parent Company's balance sheet.

Investments in subsidiaries are measured in the balance sheet at the proportionate share of the enterprises' net assets calculated in conformity with the according policies adopted by the Parent Company less or plus unrealised inter-company profit/loss and plus or less remaining value of positive or negative goodwill calculated in accordance with the acquisition method.

Net revaluation of investments in subsidiaries is transferred under equity to net revaluation reserve according to the equity method to the extent that the book value exceeds the acquisition cost. The acquisition method is applied in connection with acquisition of subsidiaries as described above under Consolidated Financial Statements.

Subsidiaries with negative net asset values are measured at DKK 0 (nil), and any amounts owed by such enterprises are written down by the Parent Company's share of the negative net asset value if the amount owed is considered irrecoverable. Where the negative net asset value exceeds the amount owed, the remaining amount is recognised under provisions if the Parent Company has a legal or constructive obligation to cover the enterprise's deficit.

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.

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