

**A2SEA A/S**

Kraftværksvej 53, 7000 Skærbæk

## **ANNUAL REPORT 2016**

**1 January-31 December**

**17th accounting year**

**(Registration No. 25 49 03 39)**

Approved at the ordinary Annual General Meeting on 3 March 2017  
Chairman: Ulrik Jarlov

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## Company Details

<b>Company</b>	A2SEA A/S Kraftværksvej 53 DK-7000 Fredericia
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	E-mail a2sea@a2sea.com
	Internet www.a2sea.com
	Registration No. 25 49 03 39
	Registered office Fredericia Municipality


**Shareholders** 51% of the shares are owned by DONG Energy Wind Power A/S and 49% by Siemens International Holding B.V.

**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 3 March 2017

Chairman  
  
\_\_\_\_\_  
Ulrik Jarlov

## Financial Highlights

DKK'000	2016	2015	2014	2013	2012
<b>Income Statement</b>					
Net turnover	650,697	785,567	1,050,230	1,216,155	1,137,206
EBITDA <sup>1</sup>	119,821	305,869	454,355	493,826	292,450
<i>EBITDA margin (%)</i>	18.41	38.94	43.26	40.61	25.72
EBIT <sup>2</sup>	-224,747	39,842	286,386	350,930	207,154
<i>EBIT margin (profit margin) (%)</i>	-34.54	5.07	27.27	28.86	18.22
Result of net financials	3,505	-134,710	13,989	-109	-115,094
Profit/loss before tax	-221,243	-94,868	300,374	350,821	92,060
<b>Profit/loss for the year</b>	<b>-85,563</b>	<b>-105,326</b>	<b>233,931</b>	<b>276,466</b>	<b>38,050</b>
<b>Balance</b>					
Investments in tangible fixed assets	60,723	47,271	434,838	565,728	732,313
Tangible fixed assets	1,849,367	2,258,891	2,477,601	2,222,790	1,798,664
Equity	1,997,338	2,083,237	2,363,834	2,332,487	1,840,249
Balance sheet total	2,149,347	2,647,376	2,810,996	2,635,308	2,146,696
<b>Business related key figures</b>					
Average number of employees	297	407	403	357	308

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

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## 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 International Holding B.V. 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 2016

### Profit for the year

In the year 2016, A2SEA realised a loss before tax of DKK 221.2m and DKK 85.6m after tax compared to a loss before tax of DKK 94.9m and DKK 105.3m after tax the year before.

The loss before tax for the year can mainly be ascribed to two factors; the grounding and loss of the vessel SEA WORKER and a restructuring of the activities in A2SEA.

End of January 2016, SEA WORKER grounded during towing from Frederikshavn to Esbjerg. Salvage of the vessel was not possible and the vessel was considered a Constructive Total Loss. Removal of the wreck is ongoing and expected finalised in 2017. Provisions year end are based on management estimates.

In March 2016, a restructuring plan for A2SEA was launched with the aim of focusing on core business. The plan involved layoff of employees and divestment of vessels and equipment. At the end of 2016, all elements of the restructuring plan have been initiated and the plan is close to being fully completed.

In 2016, A2SEA has elected to be taxed in accordance with the Danish Tonnage Tax Act from 2015 and onwards. The effect of this is specified in note 6.

The management considers the loss for the year unsatisfactory.

### Investments

In 2016, A2SEA has invested in various minor improvements of the existing vessels. The total investments in tangible fixed assets amount to DKK 60.7m in 2016.

### Capital Resources

A2SEA is firmly based. At year end, the solvency ratio was 93.0% (2015: 78.7%) equal to an equity of DKK 1,998.1m at 31 December 2016 (2015: DKK 2,083.2m).

The Company's financial resources amount to DKK 709.0m at the end of the financial year, which reflects undrawn credit facilities in the Company's bank.

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## **Expectations for 2017**

A2SEA enters 2017 with a large order book, which will secure a sound utilisation rate for the 2<sup>nd</sup> generation wind turbine installation vessels in 2017. A higher result is expected in 2017 compared to 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.

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A2SEA's environmental, safety and quality management systems are certified by Det Norske Veritas (DNV) according to DS/EN ISO 9001, MLC (Marine Labour convention), ISO 14001, OHSAS 18001 and the ISM and ISPS Code. (Document of Compliance – DoC)

The ISO/OHSAS systems have latest been certified by an external auditor in September 2016, and the certificates are valid until 2017.

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 hereto, we are certified according to MARPOL, International Anti-Fouling System, Class and several other maritime certificates.

### **Corporate social responsibility**

In compliance with section 99a of the Danish Financial Statements Act, no information is given regarding corporate social responsibility. Please refer to the Group Statement for 2016 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. In 2016, this goal was not reached, as the Company's shareholders, who appoint the board members, not have seen any reason to change the present composition. There is a continuous 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 Statements Act, no information is given on policies in respect of the underrepresented gender at other management levels. Please refer to the Group Statement 2016 for DONG Energy A/S.

### **Research and development activities**

There has been continuous improvement of equipment, concept and competences. Development in 2016 has primarily been focused on design of new vessels and upgrades of existing vessels for handling the requirements of the future installation markets.

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## 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 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, 31 January 2017

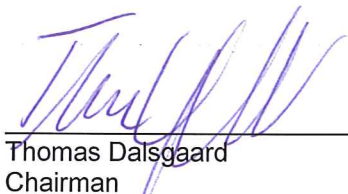
### Executive Board:



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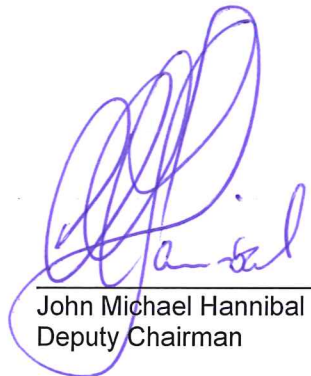
Jens Frederik Hansen  
CEO

### Board of Directors:




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Thomas Dalsgaard  
Chairman



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John Michael Hannibal  
Deputy Chairman



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Andrew Douglas Hall



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Morten Melin



## Independent Auditor's Report

To the Shareholders of A2SEA 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 A2SEA 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,

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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, 31 January 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

## A2SEA A/S – Annual Report 2016

### Income Statement 1 January-31 December

DKK'000	Note	<u>2016</u>	<u>2015</u>
Net turnover	1	650,697	785,567
Project and vessel costs		-318,461	-211,223
Other external expenses		-29,179	-33,398
Staff expenses	2	<u>-183,236</u>	<u>-235,077</u>
<b>Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA)</b>		<b>119,821</b>	<b>305,869</b>
Depreciation and amortisation		-273,541	-265,988
Other operating expenses	3	<u>-71,027</u>	<u>-39</u>
<b>Operating profit (EBIT)</b>		<b>-224,747</b>	<b>39,842</b>
Income from investments in subsidiaries after tax		296	-135,069
Financial income	4	8,338	8,522
Financial expenses	5	<u>-5,130</u>	<u>-8,163</u>
<b>Profit/loss before tax</b>		<b>-221,243</b>	<b>-94,868</b>
Tax on the profit/loss for the year	6	<u>135,680</u>	<u>-10,458</u>
<b>Profit/loss for the year</b>		<b>-85,563</b>	<b>-105,326</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		<u>-85,563</u>	<u>-105,326</u>
		<u>-85,563</u>	<u>-105,326</u>

## A2SEA A/S – Annual Report 2016

### Balance Sheet at 31 December

DKK'000	Note	2016	2015
<b>Assets</b>			
Rights		0	0
Software		3,602	3,774
<b>Intangible fixed assets</b>	7	<b>3,602</b>	<b>3,774</b>
Vessels and related equipment		1,804,905	2,236,474
Other plants and equipment		44,462	22,417
<b>Tangible fixed assets</b>	8	<b>1,849,367</b>	<b>2,258,891</b>
Investments in subsidiaries		2,822	2,862
Deposit		1,744	1,905
<b>Financial fixed assets</b>	9	<b>4,566</b>	<b>4,767</b>
<b>Total fixed assets</b>		<b>1,857,535</b>	<b>2,267,432</b>
Trade receivables		20,088	41,877
Receivables from group enterprises		254,500	316,886
Work in progress		14,379	19,163
Prepayments	10	0	901
Other receivables		2,510	953
<b>Receivables</b>	11	<b>291,477</b>	<b>379,780</b>
<b>Cash at bank and in hand</b>		<b>335</b>	<b>164</b>
<b>Total current assets</b>		<b>291,812</b>	<b>379,944</b>
<b>Total assets</b>		<b>2,149,347</b>	<b>2,647,376</b>

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### Balance Sheet at 31 December (continued)

DKK'000	Note	2016	2015
<b>Liabilities</b>			
Share capital	12	429,363	429,363
Retained earnings		1,567,975	1,653,874
Proposed dividend for the year		0	0
<b>Total equity</b>		<b>1,997,338</b>	<b>2,083,237</b>
Provision for deferred tax	13	0	178,169
<b>Provisions</b>		<b>0</b>	<b>178,169</b>
Trade payables		18,796	9,727
Payables to group enterprises		705	282,942
Corporation tax, balance with management company		16,942	17,403
Other debt		114,796	60,721
Deferred income		770	15,177
<b>Short-term debt</b>		<b>152,009</b>	<b>385,970</b>
<b>Total liabilities</b>		<b>152,009</b>	<b>385,970</b>
<b>Liabilities</b>		<b>2,149,347</b>	<b>2,647,376</b>

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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
<b>Equity at 1 January 2015</b>	<b>429,363</b>	<b>0</b>	<b>1,759,023</b>	<b>175,448</b>	<b>2,363,834</b>
Distributed dividends				-175,448	-175,448
Exchange rate adjustments of investments			176		176
Loss for the year			-105,325		-105,325
<b>Equity at 31 December 2015</b>	<b>429,363</b>	<b>0</b>	<b>1,653,874</b>	<b>0</b>	<b>2,083,237</b>
<b>Equity at 1 January 2016</b>	<b>429,363</b>	<b>0</b>	<b>1,653,874</b>	<b>0</b>	<b>2,083,237</b>
Exchange rate adjustments of investments			-336		-336
Loss for the year			-85,563		-85,563
<b>Equity at 31 December 2016</b>	<b>429,363</b>	<b>0</b>	<b>1,567,975</b>	<b>0</b>	<b>1,997,338</b>

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### Note 1 Net turnover

In compliance with section 96 of the Danish Financial Statements Act, information regarding turnover on geographical markets and activities has been left out for competitive reasons.

### Note 2 Staff expenses

DKK'000	2016	2015
Wages and salaries	151,684	196,603
Pensions	12,915	16,217
Other staff costs, incl. social security costs, etc.	18,637	22,257
<b>Staff expenses</b>	<b>183,236</b>	<b>235,077</b>
Average number of full time employees	297	407

In compliance with 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 3 Other operating expenses

DKK'000	2016	2015
Loss on disposal of fixed assets	71,027	39
<b>Other operating expenses</b>	<b>71,027</b>	<b>39</b>

### Note 4 Financial income

DKK'000	2016	2015
Interest income from group enterprises	7,232	8,524
Other financial income	1,106	-2
<b>Financial income</b>	<b>8,338</b>	<b>8,522</b>

### Note 5 Financial expenses

DKK'000	2016	2015
Interest expenses to group enterprises	3,464	5,479
Other financial expenses	1,665	2,684
<b>Financial expenses</b>	<b>5,130</b>	<b>8,163</b>



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### Note 6 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 for the year	-135,680	10,458
Tax relating to changes in equity	0	0
<b>Tax on the profit for the year</b>	<b>-135,680</b>	<b>10,458</b>
<b>Explanation of the tax on the profit for the year:</b>		
Current tax	1,461	17,403
Deferred tax	0	-6,377
Adjustments for previous years (current tax)	41,027	-36
Adjustments for previous years (deferred tax)	-178,168	-532
<b>Tax on the profit for the year</b>	<b>-135,680</b>	<b>10,458</b>

### Note 7 Intangible fixed assets

DKK'000	Software	Rights	Total
Cost at 1 January 2016	12,959	327	13,286
Additions for the year	2,078	0	2,078
Disposals for the year	-4,177	0	-4,177
<b>Cost at 31 December 2016</b>	<b>10,860</b>	<b>327</b>	<b>11,187</b>
Amortisation, depreciation and write-downs at 1 January 2016	9,185	327	9,512
Depreciation and amortisation for the year	2,250	0	2,250
Reversed depreciation on assets disposed of	-4,177	0	-4,177
<b>Amortisation, depreciation and write-downs at 31 December 2016</b>	<b>7,258</b>	<b>327</b>	<b>7,585</b>
<b>Book value at 31 December 2016</b>	<b>3,602</b>	<b>0</b>	<b>3,602</b>
Amortised over a period of	3-5 years	5 years	-

## Note 8 Tangible fixed assets

DKK'000	<b>Vessels and related equipment</b>	<b>Other plants and equipment</b>	<b>Total</b>
Cost at 1 January 2016	3,138,765	42,529	3,181,294
Additions for the year	19,894	40,829	60,723
Disposals for the year	-423,144	-8,283	-431,427
<b>Cost at 31 December 2016</b>	<b>2,735,515</b>	<b>75,075</b>	<b>2,810,590</b>
Depreciation and write-downs at 1 January 2016	902,291	20,112	922,403
Depreciation and write-downs for the year	255,505	15,787	271,292
Reversed depreciation on assets disposed of	-227,186	-5,286	-232,472
<b>Depreciation and write-downs at 31 December 2016</b>	<b>930,610</b>	<b>30,613</b>	<b>961,223</b>
<b>Book value at 31 December 2016</b>	<b>1,804,905</b>	<b>44,462</b>	<b>1,849,367</b>
Depreciation period	5-20 years	2-5 years	-

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### Note 9 Financial fixed assets

DKK'000	Investments in subsidiaries	Deposit	Total
Cost at 1 January 2016	237,819	1,905	239,724
Additions during the year	0	10	10
Disposals for the year	0	-171	-171
<b>Cost at 31 December 2016</b>	<b>237,819</b>	<b>1,744</b>	<b>239,563</b>
Value adjustments at 1 January 2016	-234,957	0	-234,957
Profit for the year	296	0	296
Changes in equity	-336	0	-336
Depreciations and amortisations at 31 December 2016	<b>-234,997</b>	<b>0</b>	<b>-234,997</b>
<b>Book value at 31 December 2016</b>	<b>2,822</b>	<b>1,744</b>	<b>4,566</b>

Breakdown of investment in subsidiaries:

	Registered office	Result	Equity	Share capital	Ownership
CT Offshore A/S	Denmark	-25,604	24,055	516	67%
A2SEA GmbH	Germany	14	617	186	100%
A2SEA Ltd.	UK	286	2,204	8,829	100%

### Note 10 Prepayments

Prepayments comprise prepaid costs relating to other external costs.

### Note 11 Receivables

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

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### Note 12 Share capital

DKK'000	2016	2015	2014	2013	2012
Share capital at 1 January	429,363	429,363	429,363	302,363	59,863
Capital increase	0	0	0	127,000	242,500
<b>Share capital at 31 December</b>	<b>429,363</b>	<b>429,363</b>	<b>429,363</b>	<b>429,363</b>	<b>302,363</b>

#### 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 International Holding B.V.

### Note 13 Deferred tax

DKK'000	2016	2015
Deferred tax at 1 January	178,168	184,581
Adjustment, beginning of year	-178,168	0
Deferred tax for the year recognised in profit/loss for the year	0	-6,377
Adjustment for previous years (current tax)	0	0
Adjustment for previous years (deferred tax)	0	-36
<b>Deferred tax at 31 December</b>	<b>0</b>	<b>178,168</b>
<b>Deferred tax relates to:</b>		
Intangible assets	0	705
Tangible fixed assets	0	179,350
Provisions and losses	0	-1,887
<b>Deferred tax at 31 December</b>	<b>0</b>	<b>178,168</b>

Deferred tax on transitional balance and equalisation balance relating to vessels amounts to DKK'000 138,490.

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### Note 14 Contractual obligations

A2SEA A/S has assumed liabilities for a total of DKK'000 4,275 in the form of property leases and leased operating equipment. Breakdown of the future lease obligations:

DKK'000	2016	2015
0-1 year	3,929	32,711
1-5 years	346	45,896
> 5 years	0	0
	<b>4,275</b>	<b>78,607</b>

### Note 15 Fees for auditor(s) appointed by the Annual General Meeting

In compliance with section 96(3) of the Danish Financial Statements Act, no information is given regarding audit fees, as the information is included in the Consolidated Financial Statements of DONG Energy A/S.

### Note 16 Assets charged or otherwise provided as security

As security for intercompany balances, mortgages of a nominal value of DKK'000 550,000 have been issued on vessels and related equipment with a book value of DKK'000 1,755,905.

### Note 17 Contingent assets and contingent liabilities

A2SEA A/S has provided guarantee in connection with subsidiaries' business transfer amounting to DKK'000 74,500.

According to the provisions of the Danish Corporation Tax Act, A2SEA 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 18 Unusual items

DKK'000	2016
Grounding and loss of the vessel SEA WORKER: Included in the income statement under Other expenses	69,688
Impairment of 1 <sup>st</sup> generation vessels: Included in the income statement under Depreciation and amortisation	91,361
	<b>156,794</b>

### **Note 19 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 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 Siemens International Holding B.V., 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.

### **Note 20 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.

## 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).

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 2016, A2SEA has elected to be taxed in accordance with the Danish Tonnage Tax Act including L 124 of 28 January 2015. The transition to tonnage tax is considered a change in accounting estimates. The accounting policies applied in the preparation of the Financial Statements are adjusted for relevant items.

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.

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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 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 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



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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**

Tax for the year consists of current tax for the year and adjustment of deferred tax for the year. The tax attributable to the profit for the year is recognised in the income statement, whereas the tax attributable to equity transactions is recognised directly in equity.

The company's current tax is computed according to the provisions of the Danish Tonnage Tax Act. On the basis of the Group's planned shipowning activities, the Tonnage Tax Scheme does not imply recapture of depreciation, and therefore deferred tax for these companies is only disclosed in the note "Deferred tax".

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.

## **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.

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, 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

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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	2-5 years
Plant under construction	No depreciation

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/expenses.

### **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.

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