A2SEA A/S

ANNUAL REPORT 2012

(Registration No. 25 49 03 39)

13th accounting year

A2 SEA
powered by knowhow

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Company Details

Company	A2SEA A/S Kraftværksvej 53 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 Wind Power A/S	
Board of Directors	Christina Grumstrup Sørensen (Chairman) Jan Kjærsgaard (Deputy Chairman) Bent Christensen John Michael Hannibal Morten Hultberg Buchgreitz Wolfgang Dieter Hermann	
Management	Jens Frederik Hansen	
Auditors	**PricewaterhouseCoopers, Statsautoriseret Revisionspartnerselskab**	
Annual General Meeting	Approved at the ordinary Annual General Meeting on 20 February 2013 Chairman ____________________________	

Financial Highlights

DKK'000	2012	2011	2010	2009	2008
Profit and Loss Account					
Net turnover	1,137,206	954,431	586,651	613,091	410,978
EBITDA[1]	292,450	293,978	220,055	192,942	105,608
EBITDA margin (%)	*25.72*	*30.80*	*37.51*	*31.47*	*25.70*
EBIT[2]	207,154	211,411	129,882	101,609	38,590
EBIT margin (profit margin) (%)	*18.22*	*22.15*	*22.14*	*16.57*	*9.39*
Result of net financials	-115,094	6,734	-11,843	-38,255	-22,659
Profit/loss before tax	92,060	218,145	118,039	63,354	15,931
Profit/loss for the year	**38,050**	**164,512**	**86,108**	**47,171**	**11,888**
Balance					
Investments in tangible fixed assets	732,313	172,813	400,311	32,703	434,522
Tangible fixed assets	1,798,664	1,153,561	1,067,527	761,798	839,720
Equity	1,840,249	1,438,551	758,139	326,502	257,279
Balance sheet total	2,146,696	1,718,389	1,095,315	926,399	928,730
Business related key figures					
Average number of employees	308	251	216	204	167

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 Report

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 for 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.

In 2011, A2SEA invested in a minority share of the company CT Offshore A/S, a specialist in cable laying and similar services to offshore wind farms. Furthermore, in January 2012 A2SEA exercised an option for purchase of additional shares in CT Offshore A/S, and thus owns a total of 67% of the shares in CT Offshore today.

Result and financial development in 2012

Profit for the year
In the year 2012, A2SEA realised a profit before tax of DKK 92.0m and DKK 38.0 after tax compared to DKK 218.1m and DKK 164.5m, respectively, last year. This development should be compared with the fact that the company in the Annual Report for 2011 expected a 2012 result on par with that of 2010, which was below the level of 2011.

The reduced profit compared to 2011 is mainly ascribable to a write-down of A2SEA's investment in CT Offshore. The reason for this was a poor 2012 result prompted by low utilisation of the company's vessels as a consequence of a spot market with low installation activities and only few repair and remedial jobs and partly by decreasing expectations for the company's possibilities of high utilisation of its fleet and generation of profit the coming 2-3 years in an increasingly competitive market.

The market for offshore installation of wind turbines continued to grow in 2012 with the installation of a number of new wind farms, of which A2SEA was directly involved in the projects Sheringham Shoal Offshore Wind Farm, London Array and Teeside Offshore Wind Farm in England and Anholt Havvindmøllepark in Denmark.

The management considers the profit for the year less satisfactory.

Investments
In the year 2010, the company initiated the building of a new vessel – which was delivered in the end of 2012 – for the handling of future installation projects. In the beginning of 2012, the company initiated the building of a sister ship for delivery in 2014. In addition to these, a number of smaller investments have been made in

2012, primarily related to current improvements of the company's fleet. The total investments in tangible fixed assets in 2012 amount to DKK 732.3m of which DKK 45.5m relate to the company's vessels and rigs and DKK 679.9m relate to vessel under construction.

The activities in the subsidiaries A2SEA Ltd. and A2SEA GmbH comprised sales activities exclusively. Projects and service projects have thus been carried out by the parent company A2SEA A/S.

Capital Resources
A2SEA is firmly based. In connection with the initiation of another installation vessel in 2012, a capital increase of DKK 485.0m has been carried out. At year end, the solvency ratio was 85.7% (2011: 83.7 %) equal to an equity of DKK 1,840.2m as at 31 December 2012 (2011: DKK 1,438.6m).

The company's financial resources amount to DKK 644.4m at the end of the financial year of which DKK 144.4m are cash at bank and in hand, while the remaining amount reflects undrawn credit facilities in the company's bank.

Expectations to 2013
A2SEA enters 2013 with a large order book, which will secure a sound utilisation rate for the vessels in 2013. A higher result is expected in 2013 than in 2012.

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, which has involved hedging of USD in connection with the construction of new vessels. 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 as well as 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 December, a fatality involving a subcontractor of A2SEA occurred on board one of our vessels. Investigations are presently on-going.

A2SEA's environmental, safety and quality management systems are certified by Det Norske Veritas (DNV) according to DS/EN ISO9001, ISO14001, OHSAS18001 and the ISM Code. The ISO/OHSAS systems have latest been renewed by an external auditor in February 2012 (office) and July 2012 (vessels), and the certificates are valid until 2014.

In addition, in 2012 A2SEA has been issued Document of Compliance (DoC) under the ISM Code from Søfartsstyrelsen (the Danish Maritime Authority) for operation of passenger and HSC vessels; A2SEA has already been issued DoC for operation of installation vessels.

Corporate social responsibility
In compliance with section 99A (6) of the Danish Financial Statements Act, no information is given regarding corporate social responsibility, please refer to the Group Statement 2012 for DONG Energy.

Research and development activities
There has been continuous improvement of equipment, concept and competences. Development in 2012 has primarily been focused on design of new vessels for handling the requirements of the future installation and service markets.

Events after 31 December 2012
No events have occurred after the closing of this financial year which would influence the financial position of the company.

Management Statement

The Board of Directors and the Management have today considered and adopted the Annual Report of A2SEA for the financial year 1 January-31 December 2012.

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 2012 of the Company and of the results of the Company operations for 2012.

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

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

Fredericia, 20 February 2013

Management:

Jens Frederik Hansen
CEO

Board of Directors:

Christina Grumstrup Sørensen
Chairman

Jan Kjærsgaard
Deputy Chairman

Bent Christensen

John Michael Hannibal

Morten Hultberg Buchgreitz

Wolfgang Dieter Hermann

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 2012, 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 2012 and of the results of the Company operations for the financial year 1 January-31 December 2012 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.

Fredericia, 20 February 2013

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab

Søren Skov Larsen	Steffen Kjær Rasmussen
State Authorised Public Accountant	State Authorised Public Accountant

Income Statement 1 January-31 December

DKK'000	Note	2012	2011
Net turnover	1	1,137,206	954,431
Project and vessel cost		-666,950	-511,613
Other operating income	2	0	1,930
Other external expenses		-34,515	-24,830
Staff cost	3	-143,291	-125,940
Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA)		**292,450**	**293,978**
Depreciation and amortisation		-85,229	-82,567
Other operating expenses	4	-67	0
Operating profit (EBIT)		**207,154**	**211,411**
Income from investments in subsidiaries after tax		-115,245	11,680
Financial income	5	1,707	1,879
Financial expenses		-1,556	-6,825
Profit before tax		**92,060**	**218,145**
Tax on the profit for the year	6	-54,010	-53,633
Profit for the year		**38,050**	**164,512**

Proposal for distribution of the profit for the year		
Proposed dividend for the year	28,538	123,384
Retained earnings for the year	9,512	41,128
	38,050	164,512

Balance sheet as at 31 December

DKK'000	Note	2012	2011
Assets			
Rights		0	0
Software		1,915	1,709
Intangible fixed assets	7	**1,915**	**1,709**
Vessels and related equipment		1,600,130	672,129
Other plants and equipment		19,872	21,543
Fixed assets under construction and prepayments regarding fixed assets		178,662	459,889
Tangible fixed assets	8	**1,798,664**	**1,153,561**
Investments in subsidiaries		119,530	78,630
Other receivables		1,570	2,190
Financial fixed assets	9	**121.100**	**80.820**
Total fixed assets		**1,921,679**	**1,236,090**
Trade receivables		8,614	82,245
Receivables from group enterprises		40,560	63,310
Corporation tax, balance with administrative company		13,057	0
Other receivables		7,569	37,454
Accruals	10	0	140
Receivables	11	**69,800**	**183,149**
Cash at bank and in hand	12	**155,217**	**299,150**
Total current assets		**225,017**	**482,299**
Total assets		**2,146,696**	**1,718,389**

Balance sheet as at 31 December

DKK'000	Note	2012	2011
Liabilities			
Share capital	13	302,363	59,863
Other reserves		0	0
Retained earnings		1,509,348	1,255,304
Proposed dividend for the year		28,538	123,384
Total equity		**1,840,249**	**1,438,551**
Provision for deferred tax	14	108,693	40,988
Provisions		**108,693**	**40,988**
Credit institutions		10,839	0
Trade creditors		44,951	57,244
Payables to group enterprises		390	0
Corporation tax, balance with administrative company		0	35,176
Other debt		53,980	53,820
Prepayments		87,594	92,610
Short-term debt		**197,754**	**238,850**
Total liabilities		**197,754**	**238,850**
Liabilities		**2,146,696**	**1,718,389**

Note 15 Contractual obligations
Note 16 Assets charged or otherwise provided as security
Note 17 Contingent assets and contingent liabilities
Note 18 Related party transactions

Statement of changes in equity 1 January-31 December

DKK'000	Share capital	Other reserves	Retained earnings	Proposed dividend for the year	In total
Equity as at 1 January 2011	**45,432**	**0**	**712,707**	**0**	**758,139**
Capital increase	14,431	495,472			509,903
Transferred to distributable reserves		-495,472	495,472		0
Exchange rate adjustments of investments			-23		-23
Profit for the year			164,512		164,512
Value adjustments of hedging instruments			8,027		8,027
Tax relating to value adjustments of hedging instruments			-2,007		-2,007
Proposed dividend for the year			-123,384	123,384	0
Equity as at 31 December 2011	**59,863**	**0**	**1,255,304**	**123,384**	**1,438,551**
Equity as at 1 January 2012	**59,863**	**0**	**1,255,304**	**123,384**	**1,438,551**
Distributed dividends				-123,384	-123,384
Capital increase	242,500	242,500			485,000
Transferred to distributable reserves		-242,500	242,500		0
Exchange rate adjustments of investments			3		3
Profit for the year			38,050		38,050
Value adjustments of hedging instruments			2,705		2,705
Tax relating to value adjustments of hedging instruments			-676		-676
Proposed dividend for the year			-28,538	28,538	0
Equity as at 31 December 2012	**302,363**	**0**	**1,509,348**	**28,538**	**1,840,249**

Notes

Note 1 Net turnover

A2SEA is only working within one geographical and activity segment.

Note 2 Other operating income

DKK'000	2012	2011
Profit from sale of fixed assets	0	1,930
Other operating income	**0**	**1,930**

Note 3 Staff costs

DKK'000	2012	2011
Wages and salaries	110,247	102,583
Pensions	13,927	10,336
Other staff costs, incl. social security costs, etc.	19,117	13,021
Staff costs	**143,291**	**125,940**
Average number of full time employees	308	251

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 2012.

Note 4 Other operating expenses

DKK'000	2012	2011
Loss on sale of fixed assets	67	0
Other operating expenses	**67**	**0**

Note 5 Financial income

DKK'000	2012	2011
Interest income from group enterprises	229	136
Interest income from cash in bank and in hand	82	241
Value adjustment of derivatives	0	1,500
Other financial income	1,396	2
Financial income	**1,707**	**1,879**

Note 6 Tax on profit or loss for the year

DKK'000	2012	2011
Breakdown of the tax for the year:		
Tax on net profit or loss for the year	54,010	53,633
Tax relating to changes in equity	676	2,007
Tax on profit or loss for the year	**54,686**	**55,640**
Explanation of the tax on net profit or loss for the year:		
Current tax	-13,057	35,176
Deferred tax	67.686	18,457
Adjustment for previous years (current tax)	-638	0
Adjustment for previous years (deferred tax)	19	0
Tax on net profit or loss for the year	**54,010**	**53,633**

Note 7 Intangible assets

DKK'000	Software	Rights	Total
Cost as at 1 January 2012	4,808	327	5,135
Additions during the year	2,405	0	2,405
Disposals during the year	0	0	0
Transfer	0	0	0
Cost as at 31 December 2012	**7,213**	**327**	**7,540**
Amortisation, depreciation and write-downs as at 1 January 2012	3,099	327	3,426
Depreciation and amortisation for the year	2,199	0	2,199
Amortisation and depreciation relating to disposals	0	0	0
Transfer	0	0	0
Amortisation, depreciation and write-downs as at 31 December 2012	**5,298**	**327**	**5,625**
Book value as at 31 December 2012	**1,915**	**0**	**1,915**
Amortised over a period of	3-5 years	5 years	-

Note 8 Tangible fixed assets

DKK'000	Vessels and related equipment	Other plants and equip-ment	Fixed assets under construction and pre-payments regarding fixed assets	Total
Cost as at 1 January 2012	1,062,043	30,337	459,889	1,552,269
Additions during the year	45,483	6,925	679,905	732,313
Disposals during the year	0	-3,929	0	-3,929
Transfer	961,132	0	-961,132	0
Cost as at 31 December 2012	**2,068,658**	**33,333**	**178,662**	**2,280,653**
Depreciation and write-downs as at 1 January 2012	389,914	8,794	0	398,708
Depreciation for the year	78,614	4,943	0	83,557
Annual depreciation on assets disposed of	0	-276	0	-276
Transfer	0	0	0	0
Depreciation and write-downs as at 31 December 2012	**468,528**	**13,461**	**0**	**481,989**
Book value as at 31 December 2012	**1,600,130**	**19,872**	**178,662**	**1,798,664**
Assets held under finance lease	0	0	0	0
Depreciation period	5-20 years	3-5 years	-	-

Note 9 Financial fixed assets

DKK'000	Investments in subsidi-aries	Other receivables	Total
Cost as at 1 January 2012	81,678	2,190	83,868
Additions during the year	156,141	0	156,141
Disposals during the year	0	-620	-620
Cost as at 31 December 2012	**237,819**	**1,570**	**239,389**
Value adjustments as at 1 January 2012	-3,048	0	-3,048
Correction at the beginning of the year	0	0	0
Profit for the year	-11,325	0	-11,325
Depreciations and amortisations of the year	-103,920	0	-103,920
Changes in equity	4	0	4
Disposals	0	0	0
Depreciations and amortisations as at 31 December 2012	-118,289	0	-118,289
Book value as at 31. December 2012	**119,530**	**1,570**	**121,100**

The remaining positive balance, which is part of the above book value as at 31 December 2012	16,757

Breakdown of investment in subsidiaries:

	Registered office	Equity	Ownership
CT Offshore A/S	Denmark	517	67
A2SEA GmbH	Germany	186	100
A2SEA Ltd.	The UK	9,906	100

Note 10 Accruals

Accruals comprise prepaid cost relating to other external costs.

Note 11 Receivables

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

Note 12 Cash at bank and in hand

The company's cash at bank and in hand is in all material respects part of a cash-pool arrangement with the ultimate parent of the group, DONG Energy A/S.

Note 13 Share capital

DKK'000	2012	2011	2010	2009	2008
Share capital as at 1 January	59,863	45,432	30,530	29,500	16,564
Capital increase	242,500	14,431	14,902	1,030	12,936
Capital reduction with transfer to distributable reserves	0	0	0	0	0
Share capital as at 31 December	**302,363**	**59,863**	**45,432**	**30,530**	**29,500**

Composition of the share capital:

Share capital	Denomination		In total
A shares, 59,863 thousands	1 DKK	=	59,863 thousands
B shares, 242,500 thousands	1 DKK	=	242,500 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 Provision for deferred tax

DKK'000	2012	2011
Deferred tax as at 1 January	40,988	20,524
Deferred tax for the year recognised in profit/loss for the year	67,686	20,464
Adjustment for previous years	19	0
Deferred tax as at 31 December	**108,693**	**40,988**
Deferred tax includes:		
Intangible assets	120	427
Tangible fixed assets	115,517	47,172
Provisions and losses	-6,944	-6,611
Deferred tax as at 31 December	**108,693**	**40,988**

Note 15 Contractual obligations

A2SEA A/S has assumed liabilities for a total of DKK'000 49,313 in the form of property leases and leased operating equipment. Breakdown of the future lease obligations:

DKK'000	2012	2011
0-1 years	12,194	5,322
1-5 years	37,119	12,916
> 5 years	0	0
	49,313	**18,238**

In addition, A2SEA A/S has assumed purchase obligations amounting to DKK'000 695,246 in connection with fixed assets under construction.

Note 16 Assets charged or otherwise provided as security

As security for intercompany balances, mortgages at a nominal value of DKK'000 146,000 have been issued on technical plant and machinery with a book value of DKK'000 659,069.

Note 17 Contingent assets and contingent liabilities

A2SEA A/S does not have any important contingent assets or contingent liabilities.

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 annual accounts for 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 76% ownership of the parent.

Other related parties with a significant influence comprise, beyond Siemens Wind Power A/S, the company's board, the executive management and management employees and the close family of these individuals. Related parties do also include companies in which the before-mentioned individuals hold a considerable interest. In addition, related parties do also include group enterprises to A2SEA A/S. For a complete list of subsidiaries please refer to note 9 'Investments'.

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

Accounting policies

IN GENERAL

The Annual Report for A2SEA A/S has been prepared in accordance with the provisions of the Danish Financial Statements Act for enterprises in accounting class C (large enterprises).

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.

According to the Danish Financial Statements Act section 86(4) the company has omitted cash flow statement from this Annual Report as A2SEA A/S are included in the cash flow statement for the DONG Energy A/S group.

The accounting policies applied in the preparation of the financial statement are consistent with those of last year.

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 year's earning, 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 currency 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 expense.

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 the 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 revenues
Revenue is recognised in the income statement when delivery and passing of risk to buyer has taken place before the year end and if the income can be liably calculated and is expected received before year end.

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

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

Project and vessel cost
Project and vessel cost, 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 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. Profit and loss on sale of intangible assets and tangible fixed assets are calculated as the sales price with deduction of sales 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 or loss for the year
The company falls within 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 enter the joint taxation from the time they enter the consolidation in the consolidated annual accounts until the time they leave the consolidation.

The group parent company DONG Energy A/S functions as an administrative 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 proportional with 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 value of the used tax loss (full allocation) while companies, using the tax losses in other Danish companies, are paying joint taxation contribution to the parent company equivalent to the tax value of the used 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 year result and directly to equity with the share attributable to entries directly to equity.

BALANCE SHEET

Intangible fixed assets
Rights
Rights include patents. These are measured at cost less accumulated amortisation and impairment losses. Patents are depreciated over 5 years.

Software
Software is included 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 lifetime – 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 for 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 advance to the company. The replaced parts cease being recognised in the balance sheet and the book value of these are transferred to the income statement. All other costs related to ordinary repair and maintenance are recognised in the income statement when incurred.

The basis of depreciation, calculated as the cost less possible residual value, is as basis depreciated on a straight-line basis over the estimated useful life.

Vessels and related equipment	5-20 years
Other plants and equipment	3-5 years
Plants under construction	No depreciation

Gains and losses on the disposal of tangible fixed assets are determined as the difference between the sales 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 depreciations.

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 done if this turns out to be lower than the book value. The recoverable amount is determined to be the highest value 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 in the parent company's balance sheet measured under the equity method.

Investments in subsidiaries are in the balance sheet measured according to the proportional share of the enterprises' equity value 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 the book value exceeds the acquisition cost. The acquisition method is applied in connection with acquisition of subsidiaries as described above under consolidated annual accounts.

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.

Write-downs for bad and doubtful debts are made when it is estimated on the basis of an objective indication that the value of a receivable is impaired.

Prepayments, assets
Prepayments recognised under assets comprise incurred expenses relating to the following financial year and are measured at cost.

Current tax and deferred tax
According to the joint taxation rules, the subsidiaries' liability towards the tax authorities for own company tax are settled concurrently with payment of joint taxation contribution to the administrative 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 of all temporary differences between book value and tax value of assets and liabilities. In the cases where statement of the tax value 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 obligation, respectively.

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

Debt
Financial liabilities comprise mortgage debt, bank loans, trade creditors 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 liabilities are 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 profit and loss account under financial expenses during the term of the loan.

Other liabilities are measured at net realisable value.

Debt, which value is effectively hedged, is adjusted to fair value as to the hedged risk. The value adjustment is recognised in the profit and loss account under financial income or financial expenses.

Prepayments, liabilities
Prepayments recognised under liabilities include prepayments and accrual of contribution margin relating to time charter contracts.

FINANCIAL RATIOS

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

EBITDA margin $\dfrac{\text{Earnings before Interest, Tax, Depreciation and Amortisation}}{\text{Net turnover}}$

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