



nordsøfonden

ANNUAL REPORT

2019

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Nordsøfonden & Nordsøenheden

Unofficial translation





Nordsøfonden is administrated by Nordsøenheden, which is an independent state company.

Nordsøfonden is owned by the Danish State through the Minister for Industry, Business and Financial Affairs.

The Annual Reports 2019 for Nordsøfonden (page 2-34) and for Nordsøenheden (page 35-52) are gathered in this document.



ANNUAL REPORT 2019

NORDSØFONDEN





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NORDSØFONDEN

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Information on Nordsøfonden

Nordsøfonden
Rentemestervej 8
DK-2400 Copenhagen NV

Telephone: +45 72 26 57 50
Homepage: www.nordsoefonden.dk
CVR No: 29 43 50 65

Municipality of reg. office: Copenhagen

Financial period: 1 January 2019 - 31 December 2019. 14th accounting year.

Nordsøfonden is administered by Nordsøenheden.

Auditors: Rigsrevisionen (external auditors) and PricewaterhouseCoopers,
Statsautoriseret Revisionspartnerselskab (internal auditors)

Photos: Total, Nordsøfonden



Key Figures

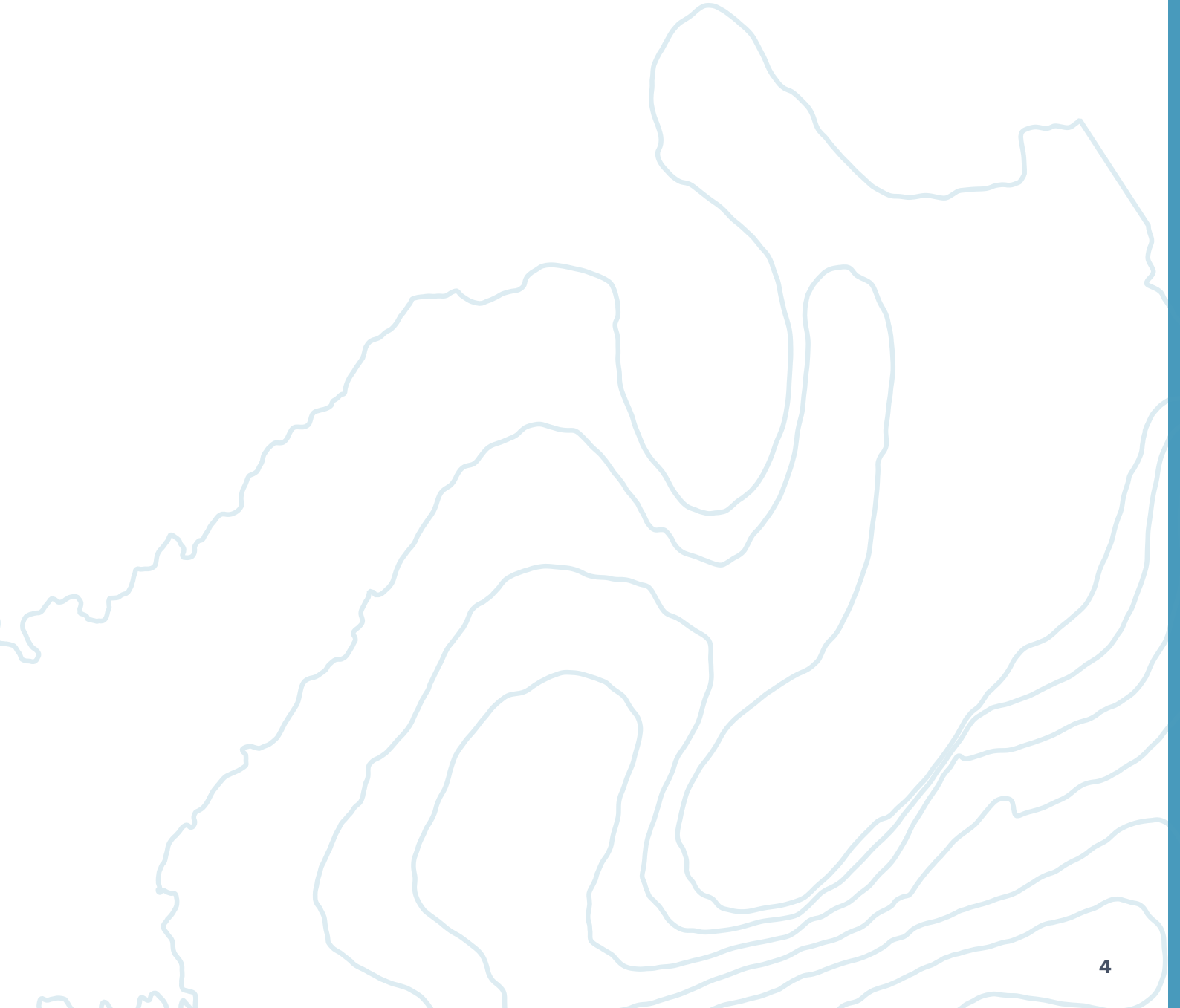
	2019	2018	2017	2016	2015
Oil production - average bbl per day (rounded)	17,700	20,100	23,100	22,900	26,000
Gas production, MWh per day (rounded)	15,700	21,600	25,000	22,800	23,500
Average oil price for the year (Brent) DKK/bbl	427	449	357	294	358
Average gas price per MWh for the year DKK	85	143	105	93	154

mill. DKK	2019	2018	2017	2016	2015
Net turnover	3,280	4,382	4,058	3,228	3,904
Impairment loss, production facilities	-	-	-	440	1,776
Exploration activities	84	34	47	43	276
Profits/loss before financial income and expenses	791	1,455	874	-737	-3,844
Net financial result	-168	-155	-233	-248	-179
Net profits/loss for the year	565	464	466	-443	-1,353
Investments in tangible fixed assets	666	669	274	904	944
Equity	2,077	1,913	2,449	2,583	3,027
Total assets	7,455	7,795	8,248	9,795	11,646
Taxes paid	806	1,429	1,019	240	1,755
Transferred to the State	400	1,000	600	-	300



MANAGEMENT'S REPORT

NORDSØFONDEN





Management's Report



Nordsøfonden is the Danish State's oil and gas entity. We produce oil and gas, thus helping to assure supplies of energy and raw materials, and to generate income for the state coffers.

Nordsøfonden participates on behalf of the Danish state in licences in the Danish area of the North Sea, and is a partner in the Danish Underground Consortium (DUC), which accounted for almost 90 percent of Danish production in 2019. Nordsøfonden's mission is to create value by making the best possible use of the resources at our disposal.

Nordsøfonden is a public fund, owned by the Danish state as represented by the Minister of Industry, Business and Financial Affairs. Nordsøfonden is administrated by Nordsøenheden, which is an independent public company.

Significant activities during the year

The DUC's redevelopment of the Tyra field facilities

In 2017, the DUC decided to invest DKK 21 billion in redeveloping the Tyra field facilities. This constitutes the largest single investment ever made in the Danish area of the North Sea. The total investment is comparable with that made in Cityringen – the fourth phase of the Copenhagen Metro.

The redevelopment will allow production from Tyra and the nearby fields to continue, simultaneously assuring the future for a key part of the gas infrastructure in the Danish part of the North Sea.



The work to redevelop the Tyra field facilities was the most significant activity of the DUC in 2019. As planned, production from Tyra and the satellite fields was shut down in September 2019. The operator's preparations prior to the shut-down entailed, for instance, the installation of temporary stabilising decks on the platforms, suspending more than 50 wells, and rerouting several pipelines. All these activities were completed as planned. The work on the Tyra field facilities is set to continue in 2020, such that it should be possible to remove those parts of the installations that require replacement.

DUC invests DKK

21

billion in the Tyra field redevelopment

Meanwhile, shutting down the Tyra facilities meant that the export of gas to Nybro on the west coast of Jutland had to be discontinued. The DUC's fields in the southern part of the North Sea remain in production, and the gas produced here is currently being exported to the Netherlands via the Dan field.

The new installations are under construction in countries including Indonesia, Italy, Singapore and Spain. The project as a whole is both large and extremely complex, which translates into some uncertainty with regard to price and delivery time. One of the key suppliers to the project – McDermott – is undergoing financial reconstruction according to the American “Chapter 11” regulations. However the DUC's operator, Total, does not expect this to have a significant impact on the project as a whole, and production from the new facilities is still expected to recommence as planned in 2022.

Changes in the DUC

In April 2019 Total took over Chevron's 12 percent share in the DUC and the Norwegian company Noreco took over Shell's 36.8 percent share in the DUC in August. The DUC partnership hereafter comprises Total, the operator, with a 43.2 percent share, Noreco with a 36.8 percent share and Nordsøfonden, which holds a 20 percent share.

New technology in a DUC well

In 2019, a new production well was drilled in the Halfdan field, where a new technology was tested.

The oil and gas from the Halfdan field is extracted from dense chalk formations with low permeability. It is therefore necessary to boost the flow of the oil and gas from the chalk and into the wells to increase production. Conventionally, this is achieved by establishing fractures from the well out into the chalk, and then pumping sand into the fractures or dissolving parts of the chalk formation.

A new method has been used in the recent well in the Halfdan field, with what is known as “Fishbone technology” being applied in the outermost 1,000 metres or so of the horizontal well.

This technology involves jetting a series of 12-metre-long “needles” into the chalk around the well itself, using an agent that dissolves the chalk around these needles. This creates channels in the chalk, which the oil and gas can then flow through into the well. The Fishbone method is more cost-effective than conventional methods.

It is the first time that this technology has been used in Denmark. Development in the production from the well is being monitored to assess whether it would be beneficial to use the new technology in other wells in the future.

The Ravn area

The Ravn oil field has been in production since early 2017. Oil has been found at a depth of more than 4,000 metres, situated in layers with high pressure and temperature. The Ravn field is part of a larger area in licence 5/06 and called the “Greater Ravn Area”, where Wintershall is the operator.



In December 2019, the licence group was granted a 30-year extension of licence 5/06 beyond the Ravn field. Over the coming years, the operator and Nordsøfonden will work together on activities such as collecting seismic data, drilling a new well and evaluating their experience from the development and production of the Ravn field, with a view to gaining a better understanding of reservoir quality and thus production capacity for fields with deep reservoirs. This work will lay the foundations for a decision regarding the possible development of other sections of the “Greater Ravn Area”.

The Solsort area

The Solsort discovery is located in licence 4/98, with INEOS as the operator. In 2019, Nordsøfonden and the other licence partners continued their work to assess possible development concepts for the Solsort discovery. Clarification as to whether it will be possible to establish a viable financial basis for development is expected in 2020.

Exploration activities

In 2019, the companies active in Denmark planned to drill a number of wells in the Danish section of the North Sea, following several years without drilling of any exploration wells.

- The exploration well Jill-1 was drilled in autumn 2019 in licence 6/16. The well found no hydrocarbons, but the drilling itself featured the successful trial of a new technique that should help cut drilling costs. Hess is the operator in the licence.
- The DUC has committed to drill an exploration well in the Sole Concession. The work to plan and design the well has started and it is expected that the well will be drilled in 2021.
- The planning of the exploration well Vibe-1 in licence 9/16 in the eastern part of Central Graben is under way, and drilling is expected to commence in spring 2021. Wintershall is the operator for this licence.

- Wintershall is planning exploration and appraisal surveys in the area delineated by licence 5/06 outside of the Ravn field.
- In licence 12/06, the operator - Dana - continues to work on evaluating the Broder Tuck and Lille John discoveries with a view to possible shared development.

These activities may produce new knowledge and even lead to new discoveries. As such, it is increasingly likely that the new fields will come into production and that the existing infrastructure will be maintained for a protracted period. This would contribute to Denmark’s energy supply reliability and generate revenues for the Danish Treasury.

For additional information about the licences, see the licence overview on page 33 and on the Nordsøfonden website.

8th licensing round

In 2018, the Danish Energy Agency opened the 8th licensing round for exploration and production of oil and gas in the Danish part of the North Sea. Five applications for new licences were submitted.

In early 2020, the government decided to postpone a decision concerning the 8th licensing round until publication of the upcoming climate action plans.

Strategy

We generate value for society

Denmark has extensive subsurface oil and gas deposits, which constitute an important common resource. These raw materials have a key



Nordsøfonden works to generate the greatest possible value from the oil and gas activities for the benefit of the Danish society



role to play in modern society and they are a part of our everyday life.

Nordsøfonden's mission is to create value by making the best possible use of the resources at our disposal for the benefit of Danish society. The assignment is defined at political level, and we accomplish it by operating a profitable business and promoting long-term production of oil and gas.

Society shares in the value of the resources through Nordsøfonden's co-ownership of licences, and through taxation of all companies that are partners in the licences. The production of oil and gas from the Danish area generates revenues for the Danish Treasury, secures jobs and is of significance to Denmark's energy security of supply in a geopolitically changeable world. These revenues can help finance the ongoing green transition and the Danish welfare society.

A positive contribution to the partnership

Nordsøfonden is a key player with affinity with and in-depth knowledge of Denmark, and likewise holds a unique position in the Danish oil and gas sector. As a state-owned oil and gas company, Nordsøfonden works at the intersection where partners, operators and public authorities meet. It is here that we strive to promote mutual understanding and to pave the way for collaboration on the development of the Danish area to the benefit of society as a whole.

Nordsøfonden is a consistent participant in more-or-less all activities in the North Sea, and our strength lies in our interdisciplinary knowledge and insight into Danish exploration and production. By bringing our knowledge and experience into play, we can boost progress in the licences and help provide better and more holistic solutions – thus generating value.

Major changes are currently taking place in the oil industry at both national and global level. At the same time, changes in the world around us entail Nordsøfonden taking on an increasingly significant role in the activities in the Danish part of the North Sea and the development of new fields.

Social Responsibility

We take responsibility

The green transition is under way, but oil and gas will remain a significant source of energy and raw material for many years. Nordsøfonden is well aware that both the production and utilisation of oil and gas contribute to climate change.



We are to administrate our assignment in an ethical and responsible manner, and show consideration for societal, environmental and social conditions

Nordsøfonden has the stated aim of ensuring that activities are run efficiently and profitably for the benefit of Danish society. We are to administrate our assignment in an ethical and responsible manner, which is why we carry out our work with full consideration for societal, environmental and social conditions.

Nordsøfonden works continuously to ensure utilisation of environmentally sound and energy-efficient solutions, while placing great emphasis on making sure production is conducted as safely and carefully as possible – so that the activities have as little impact as possible on the environment.

The production of oil and gas in the Danish section of the North Sea is subject to stringent demands regarding safety and the environment.




A Stanford University study from 2018 demonstrates that oil production in Denmark is among the most CO₂-efficient in the world, leaving one of the smallest carbon footprints in the oil industry.

CSR

We work ambitiously with our social responsibility within the framework that has been established for our business. We do so by making demands both on ourselves and on our partners.

The focus areas of our CSR policy

- 
- ✘ Safety
 - ✘ Sustainability
 - ✘ Requirements on suppliers
 - ✘ Housekeeping

Nordsøfonden's and Nordsøenheden's CSR report for 2019, cf. Section 99a of the Danish Financial Statements Act, is published (in Danish) on the Nordsøfonden website: nordsoefonden.dk/ansvarlighed.

The report has been prepared in accordance with the requirements in the Danish Financial Statements Act concerning the reporting of companies' corporate social responsibility. It includes Nordsøfonden's and Nordsøenheden's policies for corporate social responsibility, how these are applied in practice, and an appraisal of the results achieved.

Risks

Investment decisions in the oil industry are usually made from a very long-term perspective, so it is essential to be able to forecast and minimise risks.

Nordsøfonden strives to identify risks that may affect our opportunities to carry out our assignment of generating value from our activities for the benefit of Danish society.

One crucial factor in this value creation is the price of oil and gas, and the fluctuations in such prices in recent years have been a source of uncertainty in the industry. In 2019, oil prices varied between USD 53 and USD 74 per barrel, while the market price of gas fell sharply over the course of the year.

The oil industry has over the past few years been affected by changes in licence compositions and significant restructuring, which has drawn companies' focus away from launching new projects. Nordsøfonden has also noted that the industry is now taking a more short-term approach to investments. Both factors limit Nordsøfonden's opportunities to generate value.

As a state participant, Nordsøfonden focuses on the overall extraction from the Danish area. We do so, for example, by aligning knowledge and activities across licences to allow synergy effects to underpin optimal utilisation of the resources. The intention here is to ensure that we achieve maximum value from Danish production potential.

Financial performance

For 2019, Nordsøfonden's share of the DUC oil production amounted to 6.2 million barrels, equivalent to 17,000 barrels per day. This represents a 12 percent decrease in relation to production in 2018. Gas production for 2019 totalled 5.7 million MWh, which is 27 percent below the figure for 2018. The decrease is due in part to the natural decline in production from the fields, and in part to the shut-down of the Tyra field facilities in September 2019.



Nordsøfonden sent a total of DKK 1.2 billion to the State in 2019 (DKK 2.4 billion in 2018)

With an average price of Brent crude of USD 64 per barrel in 2019, and an average gas price of EUR 11/MWh during the same period, Nordsøfonden's total turnover amounted to DKK 3.3 billion. Nordsøfonden does not undertake financial hedging of oil and gas prices. Nordsøfonden's share of the production costs amounted to DKK 1.3 billion.

In 2019, the DUC drilled a new production well and investments in the redevelopment of the Tyra field totalled slightly over DKK 600 million. Total investments thus amounted to DKK 665 million. Nordsøfonden devoted DKK 84 million to exploration and appraisal activities in 2019, including drilling an exploration well.

The Nordsøfonden accounts include company and hydrocarbon taxes paid in the amount of DKK 805 million. In addition, DKK 400 million was paid in dividends to the state, which translates into a total cash flow of DKK 1.2 billion to the Danish Treasury. Nordsøfonden's net result for 2019 was a profit of DKK 565 million, compared to a profit of DKK 464 million in 2018.

Expectations for 2020

The result for 2020 will depend heavily on the development in oil prices, and will likewise be influenced by the ongoing redevelopment of the Tyra facilities. The DUC expects oil and gas production for 2020 to be slightly below 2019 levels as a result of the natural decline in production of the fields and the shut-down of production from the Tyra area.

Nordsøfonden's investments for 2020 are expected to total approximately DKK 1.1 billion, which is almost double the level for 2019. The reason for this is the extensive activity associated with the redevelopment of Tyra.

Production costs are expected to be lower than in 2019 on account of the shut-down of the Tyra area, for example, and due to a reduction in expenses for the repair and maintenance of production wells.

In light of the sharp decline in the oil price and the Covid-19 situation, the scale of exploration activities in 2020 is highly uncertain.

All in all, with the current oil and gas price level, Nordsøfonden expects a deficit of around DKK 100 million for 2020, calculated prior to the effect of a potential impairment test.

The wide spread of Covid-19 and its effect on global oil consumption as well as the conflict in OPEC led to a significant drop in oil prices in March 2020. At the date of presentation of the annual report, it is not possible to assess the long-term consequences of these two events for the activities of Nordsøfonden.

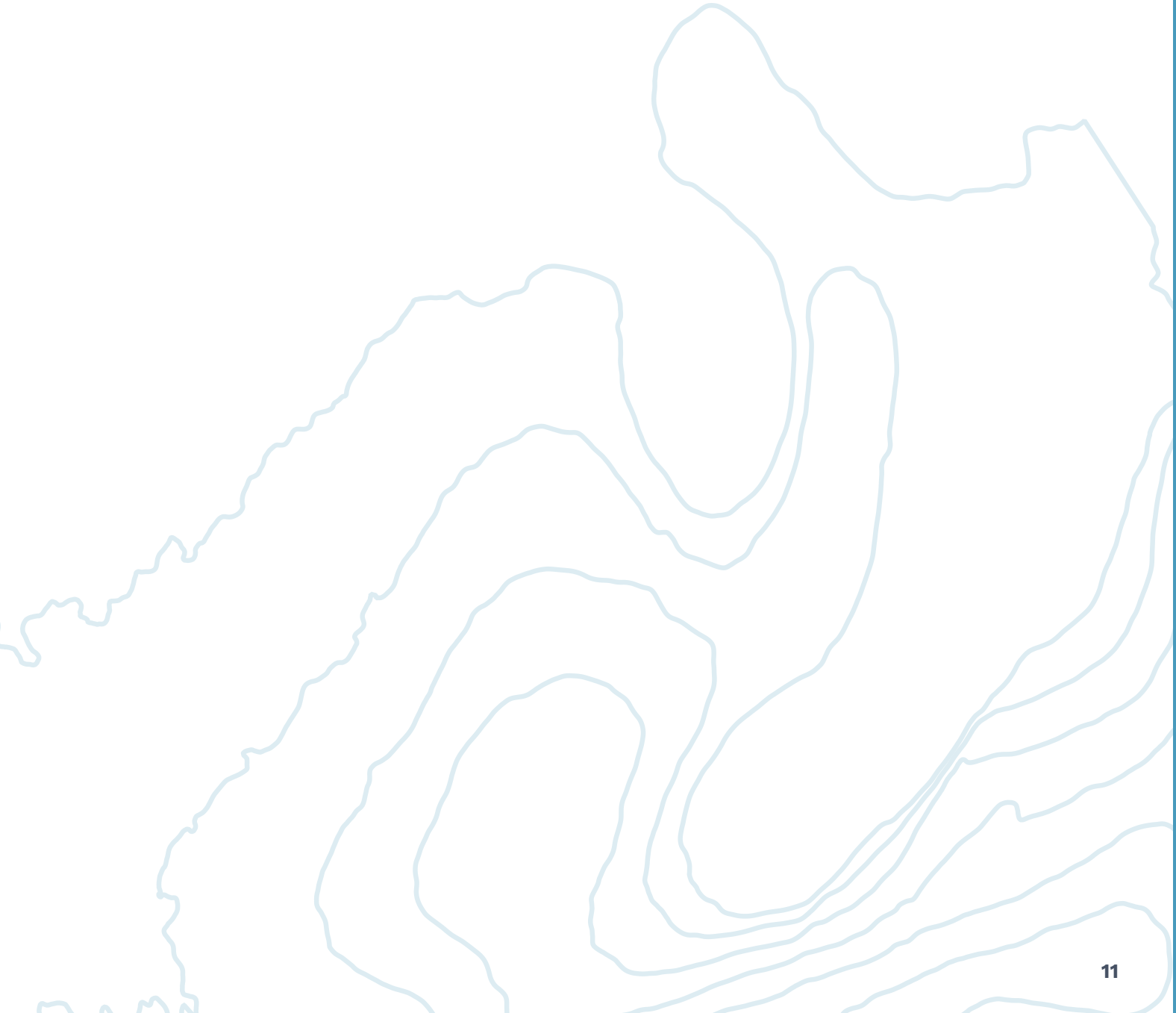
Subsequent incidents

Apart from Covid-19, as discussed above, no subsequent incidents have been observed that have an influence on the assessment of the annual report for 2019.



ACCOUNTING POLICIES

NORDSØFONDEN





Accounting Policies

Basis of preparation

The Annual Report of Nordsøfonden for 2019 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C.

The accounting policies are the same as those applied last year.

Format, classifications and designations in the income statement and the balance sheet have been adapted to the special nature of Nordsøfonden.

Opening balance regarding entrance into DUC reflects the present value calculated, which was established as cost price as of 9 July 2012.

Recognition and measurement

The Financial Statements have been prepared under the historical cost method.

Revenues are recognised in the income statement as earned. Moreover, all expenses incurred to achieve the earnings for the year are recognised in the income statement, including depreciation, amortisation, impairment losses and provisions as well as reversals due to changed accounting estimates of amounts that have previously been recognised in the income statement.

Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

Certain financial assets and liabilities are measured at amortised cost, which involves the recognition of a constant effective interest rate over the maturity period.

Amortised cost is calculated as original cost less any repayments and with addition/deduction of the cumulative amortisation of any difference between cost and the nominal amount. In this way, capital losses and gains are allocated over the maturity period.

Danish kroner is used as the measurement currency. All other currencies are regarded as foreign currencies.

Joint operations

Joint operations include jointly operated licences within oil exploration and production.

On consolidation, joint operations investments are recognised on a proportionate basis as the share of the jointly controlled assets and liabilities, classified by the nature of the assets and liabilities, and the share of the expenses incurred by the jointly controlled operation.

Accounting treatment of exploration and production

Nordsøfonden recognises exploration costs using the successful efforts method.

Exploration costs that are not directly attributable to individual exploration wells and exploration wells that turn out unsuccessfully (dry) are expensed as incurred. Costs for other exploration wells are capitalised on a licence by licence basis under exploration assets and are not amortised.

Acquired shares in exploration and appraisal licences are, as a rule, capitalised on a licence by licence basis.

The result of subsequent appraisal activities is reviewed on a licence by licence basis. On completion of an appraisal well, the wells are ex-



pensed together with the associated capitalised exploration costs, unless the results indicate with reasonable probability the existence of reserves that can be utilised commercially. If no subsequent appraisal activities are performed, capitalised exploration costs from exploration assets are written down.

Once a decision has been made on a development and operating plan for a licence, and the plan has been approved by the relevant authorities, the exploration and appraisal costs are transferred to property, plant and equipment in the course of construction.

When the field is ready for start-up of commercial production, such capitalised costs and other investments in production assets are transferred to production assets in the balance sheet.

The cost of production assets comprises direct and indirect expenses incurred in respect of fields that are considered to be commercial.

Depreciation commences when the field comes on stream. Production assets are depreciated over their useful lives, which are assessed on the basis of production expectations for the individual field/process centre.

Translation policies

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Gains and losses arising due to differences between the rates at the dates of transaction and the rates at the dates of payment are recognised in financial income and expenses in the income statement.

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the transaction date rates are recognised in financial income and expenses in the income statement.

Income statement

Revenue comprises the value of Nordsøfonden's share of oil and gas production. A provision is made at the selling price obtained under deferred income in the balance sheet to the extent that the volume of oil sold exceeds the share of the produced oil (overlift).

The item production costs comprise costs for the production and transport of oil and gas to the point of delivery. A provision is made at sales price under prepayments in the balance sheet to the extent that the volume of oil sold is smaller than the share of the produced oil (underlift).

Exploration expenses mainly include expenses relating to geological and geophysical analyses expenses and exploratory dry hole costs.

Administrative expenses primarily comprise administration fee to Nordsøenheden, expenses for insurances and advisory services, etc.

Financial income and expenses comprise interest, realised and unrealised exchange adjustments, accretion related to asset retirement obligations as well as extra interest payments and repayment under the on-account taxation scheme.

Tax on the profit/loss for the year comprises the amount expected to be payable for the year and adjustment concerning previous years as well as adjustment of deferred tax. The amount includes the special taxes paid in connection with extraction and production of hydrocarbons.

Provision for deferred tax is made on the basis of the difference between the carrying amount and the tax base of assets and liabilities.

Deferred tax is not recognised on temporary differences which at the time of transaction have no effect on either net profit/loss or taxable income. Deferred tax assets are only recognised to the extent it is probable that the tax asset can be utilised against future taxable income.



Balance sheet

Property, plant and equipment are valued at cost less accumulated depreciation and less any accumulated impairment losses.

The cost of production facilities etc. comprises direct and indirect costs incurred in respect of appraisal and production wells and production equipment etc. relating to fields assessed to be commercial. Cost comprises the net present value of estimated asset retirement costs, which include disassembly and removal of the asset as well as cleanup. Production facilities etc. are depreciated over the expected production period/ useful lives determined individually for each field/ process centre.

The periods of depreciation and amortisation of property, plant and equipment are reassessed on an annual basis.

The carrying amounts of property, plant and equipment are reviewed on an annual basis to determine whether there is any indication of impairment other than that expressed by amortisation and depreciation. If so, an impairment test is carried out to determine whether the recoverable amount is lower than the carrying amount, and the asset is written down to its lower recoverable amount.

The recoverable amount of the asset is calculated as the higher of net selling price and value in use. Where a recoverable amount cannot be determined for the individual asset, the assets are assessed in the smallest group of assets for which a reliable recoverable amount can be determined on a total assessment.

Raw materials and auxiliary items as well as oil stock are measured at the lower of average cost and net realisable value and are recognised in the item prepayments.

Receivables are recognised in the balance sheet at amortised cost, which substantially corresponds to nominal value. Provisions for estimated bad debts are made based on a specific assessment of each receivable.

Prepayments comprise prepaid expenses and underlift.

Nordsøfonden recognises provisions for asset retirement obligations relating to oil fields etc. The provisions are recognised on the basis of an actual assessment and at net present value. The provision assumptions are reassessed on an annual basis. A considerable portion of the obligation will not become payable in 20-30 years and, therefore, major uncertainty is associated with the statement of the obligation, including the assumptions applied for especially the useful lives of fields which depends on the future oil prices.

Deferred income comprises overlift.

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation at the balance sheet date when the deferred tax is expected to crystallise as current tax.

Deferred tax assets and liabilities are offset if there is a legally enforceable right of set-off and an intention to settle on a net basis or simultaneously.

Current tax receivables and liabilities are recognised in the balance sheet at the amount calculated on the basis of the expected taxable income for the year adjusted for tax on taxable incomes for prior years. Tax receivables and liabilities are offset if there is a legally enforceable right of set-off and an intention to settle on a net basis or simultaneously.

Short-term debts are measured at amortised cost, which all-in-all corresponds to nominal value.

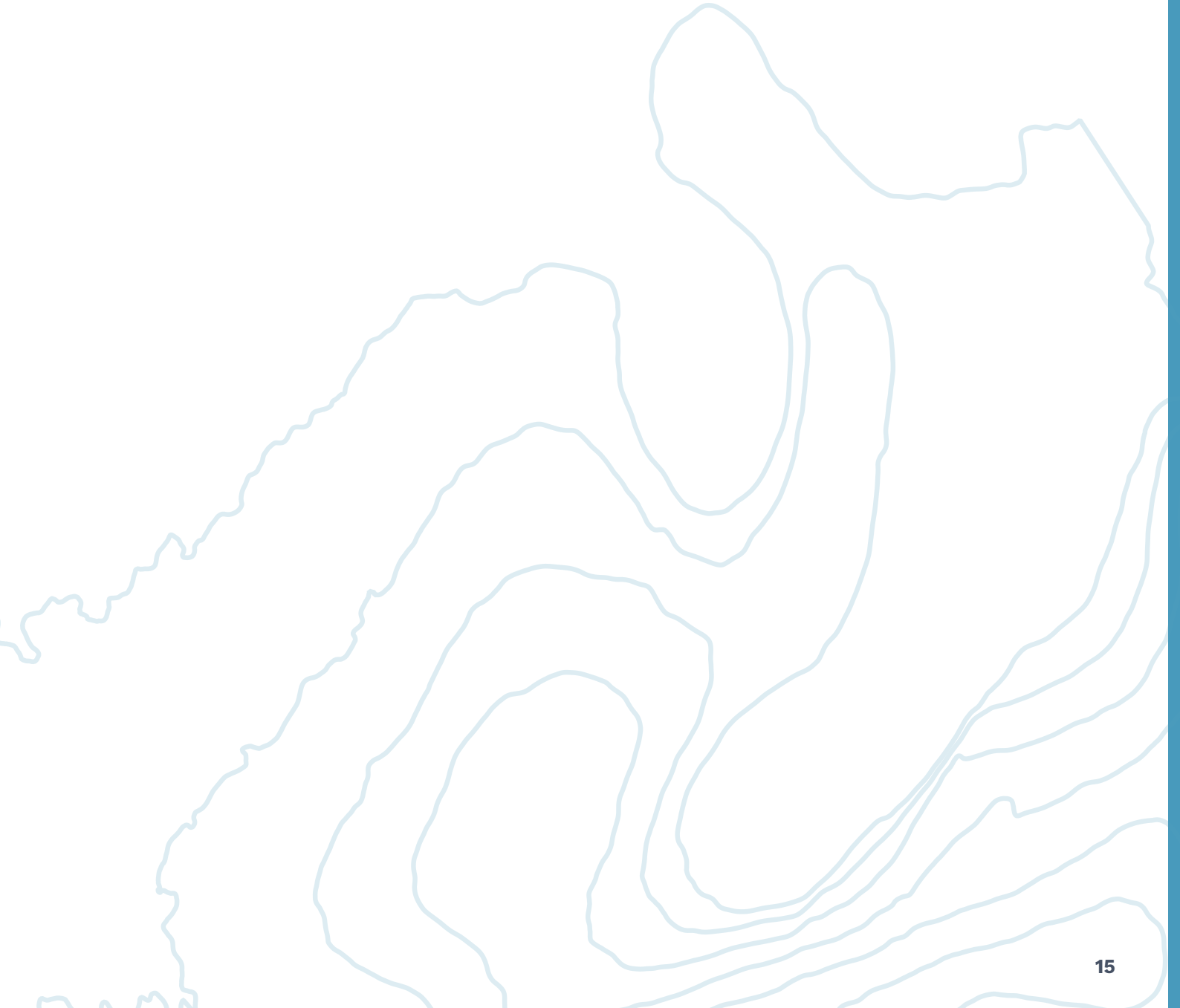
Cash Flow statement

The Cash Flow statement shows Nordsøfonden's Cash Flows for the year broken down by operating, investing and financing activities.



FINANCIAL STATEMENTS

NORDSØFONDEN





Income Statement

Note	mill. DKK	2019	2018
1	Net turnover	3,279.7	4,382.1
	Production costs	-1,330.3	-1,365.0
7	Depreciations	-1,061.3	-1,528.8
	Other income	16.4	30.1
	Gross result	904.5	1,518.4
	Exploration costs	-83.6	-34.4
2	Administrative costs	-30.0	-29.5
	Profits/loss before financial income and expenses	790.9	1,454.5
3	Financial income	14.4	19.0
4	Financial expenses	182.6	-173.5
	Profits/loss before tax	622.7	1,300.0
5	Tax on profits/loss for the year	-58.1	-836.4
	Net profits/loss for the year	564.6	463.6
6	Distribution of result		



Balance Sheet 31 December

Assets

Note	mill. DKK	2019	2018
7	Tangible fixed assets		
	Production facilities e.o.	3,683.4	4,886.4
	Production facilities e.o. under construction	1,036.1	684.4
	Total fixed assets	4,719.5	5,570.8
	Stock, crude oil and inventory	209.3	274.9
	Receivables		
	Receivables oil and gas sales	264.0	365.4
	Other receivables	143.6	14.0
	Prepayments	6.3	10.1
5	Deferred tax asset	1,252.7	733.9
		1,875.9	1,398.3
	Cash	859.2	825.9
	Total current assets	2,735.1	2,224.2
	Total assets	7,454.6	7,795.0



Balance Sheet 31 December

Liabilities and Equity

Note	mill. DKK	2019	2018
	Equity, refer below	2,077.3	1,912.7
	Total equity	2,077.3	1,912.7
8	Asset retirement obligations	4,719.6	5,201.7
	Total provisions	4,719.6	5,201.7
	Operator debt	378.8	317.7
5	Tax payables	134.3	362.9
	Deferred income	144.6	-
	Total short-term debt	657.7	680.6
	Total debts	5,377.3	5,882.3
	Total liabilities and equity	7,454.6	7,795.0
	Equity		
	As of 1 January	1,912.7	2,449.1
	Net profits/loss for the year	564.6	463.6
	Transferred to State	-400,0	-1,000.0
	Equity at 31 December	2,077.3	1,912.7
9	Contingent liabilities and other financial obligations		
10	Related parties and ownership		
11	Subsequent incidents		



Cash Flow Statement

Note	mill. DKK	2019	2018
	Profits/loss before financial income and expenses	790.9	1,454.5
	Depreciation and writedowns	1,061.3	1,528.8
	Working capital movements	47.6	182.7
5	Taxes paid	-805.5	-1,429.0
	Interest income	13.1	14.6
	Interest expenses	-0.2	-0.5
	Cash Flow from operations	1,107.2	1,751.1
	Investment in tangible fixed assets	-665.5	-669.1
	Cash Flow from investments	-665.5	-669.1
	Transferred to the State	-400.0	-1,000.0
	Cash Flow from financing activities	-400.0	-1,000.0
	Cash Flow for the Year	41.7	82.0
	Cash 1 January	825.9	749.2
	Exchange rate adjustment re. cash	-8.4	-5.3
	Cash 31 December	859.2	825.9



Notes to the Financial Statements

Note	mill. DKK	2019	2018
1	Net turnover		
	Nordsøfonden's turnover solely comprises the fund's share of oil and gas production in Denmark.		
	Sale of oil	2,844.0	3,285.0
	Sale of gas	435.7	1,097.1
	Net turnover	3,279.7	4,382.1
2	Administrative expenses		
	Nordsøenheden administrates Nordsøfonden and collects a consideration hereof. The consideration is determined in the annual Finance Act and is recognised as an expense in Nordsøfonden's Profit and Loss for 2019 with DKK 30.0 mill. (DKK 29.5 mill. in 2018). Remuneration of management, other employees, rent and other costs are at the expense of Nordsøenheden, and are therefore not a part of the Financial Statements for Nordsøfonden. An administration fee is paid from Nordsøfonden to Nordsøenheden covering the latter's undertaking of these functions, of which management remuneration constitutes DKK 1.7 mill. (DKK 1.7 mill. in 2018) and Board remuneration DKK 1.2 mill. (DKK 1.2 mill. in 2018).		
	Rigsrevisionen does not charge for auditing.		
3	Financial incomes		
	Interest received in bank	12.8	14.2
	Interest received in joint ventures	0.3	0.4
	Exchange adjustments	1.3	4.4
	Total	14.4	19.0



Notes to the Financial Statements

Note	mill. DKK	2019	2018
4	Financial Expenses		
	Interest element re. abandonment obligations	182.2	173.0
	Interest paid in joint ventures	0.2	0.5
	Exchange adjustments	0.2	-
	Total	182.6	173.5
5	Tax on profits/loss for the year		
	Current tax for the year	543.5	1,412.9
	Deferred tax assets adjustment for the year cif below	57.0	-163.0
	Deferred tax liability adjustment for the year cif below	-575.8	-466.2
	Adjustments of previous year's tax	33.4	52.7
	Total tax for the year	58.1	836.4
	Tax to be specified as follows:		
	Calculated company tax on profit of the year	297.8	616.9
	Calculated hydrocarbon tax on profit of the year	245.7	796.0
	Adjustment deferred company tax for the year	-212.4	-302.9
	Adjustment deferred hydrocarbon tax for the year	-306.4	-326.3
	Adjustment of the previous year	33.4	52.7
	Total	58.1	836.4



Notes to the Financial Statements

Note	mill. DKK	2019	Adjustment for the year	2018
5	Deferred tax Asset related to asset retirement obligations*)			
	Company tax	771.1	-22.3	793.4
	Hydrocarbon tax	1,202.9	-34.7	1,237.6
	Total asset	1,974.0	-57.0	2,031.0
	Liability related to differences between carrying amount and the tax base of fixed assets			
	Company tax	-235.8	234.7	-470.5
	Hydrocarbon tax	-485.5	341.1	-826.6
	Total liability	-721.3	575.8	-1,297.1
	Net deferred tax	1,252.7	518.8	733.9

*) The tax asset is recognised, only to the extent it reflects expected utilisation or repayment of the hydrocarbon tax part of the asset, which will be released at licence cessation.

	2019	2018
Tax payable		
As of 1 January	362.9	326.4
Current tax for the year	543.5	1,412.9
Taxes paid	-805.5	-1,429.0
Adjustment of previous year's tax	33.4	52.7
Tax payable 31 December	134.3	362.9



Notes to the Financial Statements

Note	mill. DKK	2019	2018
6	Proposed distribution of result		
	Year result	564.6	463.6
	Retained earnings	564.6	463.6

Note	mill. DKK	Production facilities e.o. u. construction	Production facilities e.o.	Total
7	Tangible fixed assets			
	Cost at 1 January 2019	684.4	28,449.8	29,134.2
	Additions for the year	416.3	-206.3	210.0
	Transfer	-64.6	64.4	-
	Cost at 31 December 2019	1,036.1	28,308.1	29,344.2
	Depreciation at 1 January 2019	-	23,563.4	23,563.4
	Depreciation for the period	-	1,061.3	1,061.3
	Depreciation at 31 December 2019	-	24,624.7	24,624.7
	Carrying amount at 31 December 2019	1,036.1	3,683.4	4,719.5



Notes to the Financial Statements

Note	mill. DKK	2019	2018
8	Asset retirement obligation		
	Asset retirement obligation on 1 January	5,201.7	4,951.0
	Abandonment expenditure for the year	-208.8	-
	Accretion for the year	182.2	173.0
	Adjustment of obligation*)	-455.5	77.7
	Asset retirement obligation 31 December	4,719.6	5,201.7

*) Adjustment in 2018 and 2019 as a result of partly changed estimate for abandonment expenses and partly addition of new facilities.

Of the total obligation DKK 0,5 bill. (DKK 0,9 bill. in 2018) is expected to be due in 2-5 years, while the remaining part is expected to be due in more than 5 years.

9 Contingent liabilities and other financial obligations

Obligations regarding exploration rest upon Nordsøfonden under the licences for exploration and production of hydrocarbons granted by the Minister for Climate, Energy and Utilities. Nordsøfonden is jointly and severally liable with the other partners in the licence for any damages claimed and for the satisfaction of any obligations to the State under the licences.

Nordsøfonden is jointly and severally liable with the other partners in DUC and other licences towards the Operator for contracts regarding field development, chartering of drilling rigs a. o. under contracts entered by the Operator.

10 Related parties and ownership

Nordsøfonden is a public Fund, which is responsible for the State's participation in licences for exploration and production of hydrocarbons. Related parties of Nordsøfonden are other state institutions. For information about remuneration of the administration, the management and the Board, see note 2.

11 Subsequent events

The implications of COVID-19 with many governments across the world deciding to "close down their countries" will have great impact on the global economy, including prospective oil and gas prices. Management considers the implications of COVID-19 a subsequent event occurred after the balance sheet date (31 December 2019), which is therefore a non-adjusting event to the Company.

At present, it is not possible to quantify the negative impact of COVID-19 for Nordsøfonden. We moreover refer to the section on expectations for 2020 in Management's Review on page 10 of the Annual Report.



Management's Statement

As management of Nordsøenheden, which is responsible for the administration of Nordsøfonden, we have today approved the Annual Report of Nordsøfonden for the financial year 2019.

The Annual Report is prepared in accordance with the Danish Financial Statements Act. We consider the accounting policies applied appropriate and the accounting estimates made reasonable. In our opinion, the Financial Statements give a true and fair view of the financial position at 31 December 2019 and of the results of 2019 operations of Nordsøfonden.

In our opinion, Management's Report includes a true and fair account of the operational development, the financial circumstances of Nordsø-

fonden, the results for the year and of the financial position.

Moreover, in our opinion, procedures and internal controls have been established which as far as possible ensure that the transactions underlying the Financial Statements are in accordance with legislation and other provisions as well as agreements concluded and usual practice. Finally, we consider that Nordsøfonden has been managed with due financial consideration in 2019.

We recommend that the Annual Report, including the proposed distribution of profit, be adopted by the Minister for Industry, Business and Financial Affairs.

Copenhagen, 16 April 2020

Anna Birgitta B. Jacobsen
CEO, Nordsøenheden

Board of Directors, Nordsøenheden

Henrik Michael Normann
Chairman

Karsten Sivebæk Knudsen
Vice Chairman

Birgitte Brinch Madsen

Christian Herskind Jørgensen

Mads Bo Keis Andersen

Sanne Weidner

Søren Houman



Auditor's Report

Internal Auditor's Report

To the Danish Minister for Industry,
Business and Financial Affairs

Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of Nordsøfonden at 31 December 2019 and of the results of Nordsøfonden's operations and cash flows for the financial year 1 January - 31 December 2019 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of Nordsøfonden for the financial year 1 January - 31 December 2019, which comprise income statement, balance sheet, statement of changes in equity, cash flow statement and notes, including summary of significant accounting policies ("the Financial Statements").

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark as well as public auditing standards. 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 Nordsøfonden in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional rules and requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit 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 Nordsøfonden'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 Nordsøfonden 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 as well as public auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, 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 as well as public auditing standards, we exercise professional judgement 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 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 Nordsøfonden's internal control.
- Evaluate the appropriateness of accounting policies used by Management 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 Nordsøfonden'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, where such disclosures are not adequate, 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 Nordsøfonden 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 achieves fair presentation.

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.



Report on other legal and regulatory requirements

Statement on compliance audit and performance audit

Management is responsible for the transactions comprised by the financial reporting being in accordance with the grants given, legislation and other regulations as well as with agreements concluded and generally accepted practice. Management is also responsible for due financial consideration having been made in the administration of the funds and the operation of Nordsøenheden. In this connection, Management is responsible for establishing systems and processes that support economy, productivity and efficiency.

In connection with our audit of the Financial Statements, it is our responsibility to perform a compliance audit and a performance audit of selected subject matters in accordance with

public auditing standards. During our compliance audit, we verify with reasonable assurance for the subject matters selected whether the examined transactions comprised by the financial reporting are in accordance with the relevant provisions relating to the grants given, legislation and other regulations as well as with agreements concluded and generally accepted practice. During our performance audit, we assess with reasonable assurance whether the systems, processes or transactions examined support due financial consideration made in the administration of the funds and the operation of Nordsøfonden.

If, on the basis of the work performed, we conclude that our audit gives rise to material critical comments, we are to report on these in this statement.

We do not have any material critical comments to report in this respect.

Copenhagen, 16 April 2020

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No: 33 77 12 31

Gert Fisker Tomczyk
State Authorised Public Accountant
mne9777

Kim Danstrup
State Authorised Public Accountant
mne32201



Auditor's Report

Independent Auditor's Report

**To the Danish Minister for Industry,
Business and Financial Affairs**

Report on the Financial Statements

Opinion

We have audited the Financial Statements of Nordsøfonden for the financial year 1 January - 31 December 2019, which comprise income statement, balance sheet, statement of changes in equity, cash flow statement and notes, including a summary of significant accounting policies. The Financial Statements are 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 of Nordsøfonden at 31 December 2019, and of the results of Nordsøfonden's operations and cash flows for the financial year 1 January - 31 December 2019 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with public auditing standards. The audit is conducted on the basis of section 2 (1) (iii) of the Danish Executive Order on the Auditing of the Danish Government Accounts (cf. Consolidated Act no. 101 of 19. January 2012) and provisions of the Danish Act on Nordsøenheden (the Danish North Sea Partner) and Nordsøfonden (the Danish North Sea Fund). Our responsibilities under the public auditing standards are further described in the "The Office of the Auditor General of Denmark's responsibilities for the audit of the Financial Statements" section of our report.

The Auditor General is independent of Nordsøfonden in accordance with section 1 (6) of the Danish Executive Order on the Auditing of the Danish Government Accounts.

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

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 Nordsøfonden'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 Nordsøfonden or to cease operations, or has no realistic alternative but to do so.

The Office of the Auditor General of Denmark'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 public auditing standards, of the provisions of the Danish Act on Nordsøenhe-



den (the Danish North Sea Partner) and Nordsøfonden (the Danish North Sea Fund), will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of financial statement users taken on the basis of these Financial Statements.

As part of an audit conducted in accordance with public auditing standards, of the provisions of the Danish Act on Nordsøenheden (the Danish North Sea Partner) and Nordsøfonden (the Danish North Sea Fund), we exercise professional judgement 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 Nordsøfonden's internal control.
- Evaluate the appropriateness of accounting policies used by Management 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 Nordsøfonden'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 Nordsøfonden 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.

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 with our knowledge obtained in the audit, or otherwise appears to be materially misstated.

Moreover, we are responsible for considering whether Management's Review includes the disclosures required by 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.

Report on Other Legal and Regulatory Requirements

Statement on compliance audit and performance audit

Management is responsible for the transactions comprised by the financial reporting being in accordance with the grants given, legislation and other regulations as well as with agreements concluded and generally accepted practice. Management is also responsible for due financial consideration having been made in the administration of the funds and the operation of the Institutes comprised by the Financial Statements. In this connection, Management is responsible for establishing systems and processes that support economy, productivity and efficiency.

In connection with our audit of the Financial Statements, it is our responsibility to perform a compliance audit and a performance audit of selected subject matters in accordance with public auditing standards. During our compliance audit, we verify with reasonable assurance for the subject matters selected whether the examined transactions comprised by the financial reporting are in accordance with the relevant provisions relating to the grants given, legislation and other regulations as well as with agreements concluded and generally accepted practice. During our performance audit, we assess with reasonable assurance whether the systems, processes or transactions examined support due financial consideration made in the administration of the funds and the operation of the Institutes comprised by the Financial Statements.

If, on the basis of the work performed, we conclude that our audit gives rise to material critical comments, we are to report on these in this statement.

We do not have any material critical comments to report in this respect.

Copenhagen, 16 April 2020

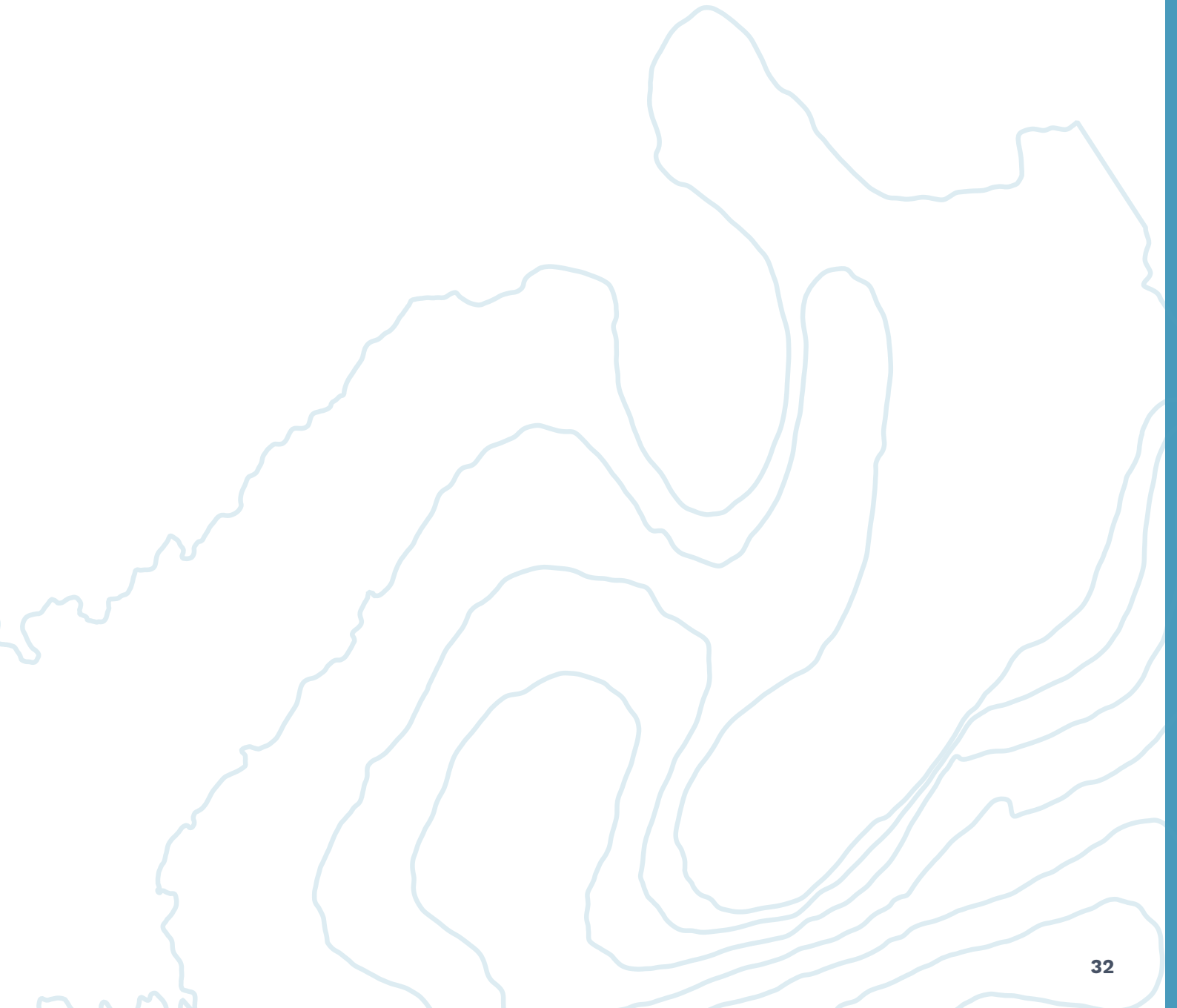
Rigsrevisionen
(The Office of the Auditor General of Denmark)
CVR No: 77 80 61 13

Lone Lærke Strøm
The Auditor General

Marie Katrine Bisgaard Lindeløv
Head of Office



LICENCES AND MAP NORDSØFONDEN





Licences with participation of Nordsøfonden, March 2020

Appraisal, development or production

Licence		Year of granting	Operator
1/62	DUC	1962/2012	Total E&P Danmark A/S
5/06	Ravn, Hibonite	2006	Wintershall Noordzee B.V.
12/06	Broder Tuck, Lille John	2006	Dana Petroleum Denmark B.V.
4/98 3/09	Solsort Unit	1998/2009	INEOS E&P A/S

Exploration

Licence		Year of granting	Operator
1/06		2006	INEOS E&P A/S
8/06b		2006	Total E&P Danmark A/S
2/16		2016	Wintershall Noordzee B.V.
4/16		2016	Dana Petroleum Denmark B.V.
6/16*		2016	Hess Denmark ApS
9/16		2016	Wintershall Dea International AG
11/16		2016	Ardent Oil (Denmark) S.A.

Nordsøfonden has a 20 per cent share in all licences except licens 5/06, where Nordsøfonden has a 36.36 per cent share and in Solsort Unit, where Nordsøfonden has a 18.44 per cent share.

* Licence is being relinquished.

More details on the licences to be found at www.nordsoefonden.dk/en/licences



ANNUAL REPORT 2019

NORDSØENHEDEN





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NORDSØENHEDEN

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Information on Nordsøenheden

Nordsøenheden (independent State company)
Rentemestervej 8
DK-2400 Copenhagen NV

Telephone: +45 72 26 57 50
Homepage: www.nordsoeenheden.dk
CVR No: 31 41 22 42

Municipality of reg. office: Copenhagen

Financial period: 1 January 2019 - 31 December 2019. 6th accounting year

CEO: Anna Birgitta B. Jacobsen

Board of Directors: Henrik Michael Normann (Chairman)
Karsten Sivebæk Knudsen (Vice Chairman)
Birgitte Brinch Madsen
Christian Herskind Jørgensen
Mads Bo Keis Andersen
Sanne Weidner
Søren Houman

Auditors: Rigsrevisionen (external auditors) and PricewaterhouseCoopers,
Statsautoriseret Revisionspartnerselskab (internal auditors)

The Board has held four ordinary Board meetings and two extraordinary Board meetings in 2019.



Management's Report

Principal activity

Nordsøenheden is an independent public company whose principal assignment is to administer Nordsøfonden.

Nordsøenheden's income consists of an administration fee from Nordsøfonden, which is set in the annual Danish national budget.

Nordsøenheden's mission is to create value by contributing to making the best possible use of the resources at our disposal. The unit accomplishes this by operating a profitable business and promoting long-term extraction of oil and gas from the Danish area of the North Sea, which helps to ensure a solid return on Nordsøfonden's licences.

Nordsøenheden is owned by the Danish State, and the ownership role is handled by the Minister of Industry, Business and Financial Affairs.

Significant events during the year

In 2019, in addition to the ongoing assignments in relation to Nordsøfonden, Nordsøenheden has focused in particular on the work concerning the redevelopment of the Tyra field facilities.

Nordsøenheden's profit for 2019 totalled DKK 4,053,000 compared to a profit of DKK 2,941,000 in 2018

Expectations for 2020

In 2020, Nordsøenheden is to continue to assist in assuring the supply of energy and raw materials and in generating revenues for the Danish Treasury through the production of oil and gas.

Nordsøenheden will continue to devote a significant proportion of its resources to the work to assure successful redevelopment of the Tyra field, and will work on maturing other Danish Underground Consortium (DUC) projects. At the same time, resources will be prioritised for assuring progress in the work on Nordsøfonden's other licences, including making practical use of Nordsøfonden's experience, interdisciplinary know-how and own geological and geophysical appraisals.

The spread of Covid-19 in the beginning of 2020 is not expected to have a significant impact on Nordsøenheden's operations and results.

Subsequent incidents

No subsequent incidents have been observed that have an influence on the assessment of the Annual Report for 2019.



Accounting Policies

Basis of Preparation

The Annual Report of Nordsøenheden for 2019 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to enterprises of reporting class B.

Format, classifications and designations in the income statement and the balance sheet have been adapted to the special nature of Nordsøenheden.

Recognition and measurement

The Financial Statements have been prepared under the historical cost method.

Revenues are recognised in the income statement as earned. Moreover, all expenses incurred to achieve the earnings for the year are recognised in the income statement, including depreciation, amortisation, impairment losses and provisions as well as reversals due to changed accounting estimates of amounts that have previously been recognised in the income statement.

Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

Danish kroner is used as the measurement currency. All other currencies are regarded as foreign currencies.

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Gains and losses arising due to differences between the rates at the dates of transaction and the rates at the dates of payment are recognised in financial income and expenses in the income statement.

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the transaction date rates are recognised in financial income and expenses in the income statement.

Nordsøenheden is not taxable of its activities, and thus taxes are not included in the Financial Statements.

Income Statement

Revenue comprises only administration fee related to administration of Nordsøfonden, which is determined by law.

Administrative expenses primarily comprise salaries, office expenses and cost of consultancies, professional forums etc.

Financial income and expenses comprise interest and realised and unrealised exchange adjustments.

Balance sheet

Receivables and short term debt are recognised in the balance sheet at amortised cost, which substantially corresponds to nominal value. Provisions for estimated bad debts are made based on a specific assessment of each receivable.

Prepayments under assets comprise prepaid expenses in particular covering Insurance Broker.



FINANCIAL STATEMENTS

NORDSØENHEDEN





Income Statement

Note	'000 DKK	2019	2018
	Administration fee	30,000	29,500
	Total income	30,000	29,500
	Administrative costs	25,914	26,549
	Profits/loss before financial income and expenses	4,086	2,951
1	Financial expenses	33	10
	Net profits/loss for the year	4,053	2,941

2 Proposed distribution of result



Balance Sheet 31 December

Assets

Note	'000 DKK	2019	2018
	Receivables		
	Other receivables	459	474
	Prepayments	1,001	1,190
	Total receivables	1,460	1,664
	Cash	22,010	17,269
	Total current assets	23,470	18,933
	Total assets	23,470	18,933



Balance Sheet 31 December

Liabilities and Equity

Note	'000 DKK	2019	2018
	Equity	18,753	14,700
3	Total equity	18,753	14,700
	Payables		
	Suppliers, goods and services	1,882	1,508
4	Other payables	2,835	2,725
	Total short-term debt	4,717	4,233
	Total debts	4,717	4,233
	Total liabilities and equity	23,470	18,933

5 Employee matters

6 Related parties and ownership



Notes to the Financial Statements

Note	'000 DKK	2019	2018
1	Financial expenses		
	Interest paid	33	10
	Total	33	10
2	Proposed distribution of result		
	Year result	4,053	2,941
	Retained earnings (in equity)	4,053	2,941
3	Equity (retained earnings)		
	Equity 1 January	14,700	11,759
	Net profits/loss for the year	4,053	2,941
	Equity at 31 December	18,753	14,700
4	Other payables		
	Holiday allowance obligation	1,916	1,856
	Other	919	869
	Total other payables	2,835	2,725



Notes to the Financial Statements

Note	'000 DKK	2019	2018
5	Employee matters		
	In 2019 average number of employees was 19 (19 in 2018)		
	Total employee costs are recognised in administrative costs and compose:		
	Salaries and wages	11,643	11,999
	Pension contributions	1,928	1,952
	Other costs of social security	-	-
	Total	13,571	13,951
	Remuneration of Management is included in the above with	1,692	1,664
	In addition, remuneration to the Board:		
	Henrik Normann - Chairman (10/2014)	370	363
	Karsten Knudsen - Vice Chairman (10/2014)	160	157
	Berit Rynning (10/2014 - 4/2018)	-	40
	Birgitte Brinch Madsen (10/2014)	132	130
	Christian Herskind (10/2014)	132	130
	Mads Andersen (10/2014)	132	130
	Sanne Weidner (10/2014)	132	130
	Søren Houman (4/2018)	132	90
	Total	1,190	1,170

6 Related parties and ownership

Nordsøenheden is an independent State company. Related parties of Nordsøenheden are other State institutions. Transactions with related parties comprise administrative services on market terms.



Management's Statement

As management of Nordsøenheden we have today approved the Annual Report for the financial year 2019.

The Annual Report is prepared in accordance with the Danish Financial Statements Act. We consider the accounting policies applied appropriate and the accounting estimates made reasonable. In our opinion, the Financial Statements give a true and fair view of the financial position at 31 December 2019 and of the results of operations of Nordsøenheden throughout the year.

In our opinion, Management's Report includes a true and fair account of the operational development, the financial circumstances of Nordsøen-

heden, the results for the year and of the financial position.

Moreover, in our opinion, procedures and internal controls have been established which as far as possible ensure that the transactions underlying the Financial Statements are in accordance with legislation and other provisions as well as agreements concluded and usual practice. Finally, we consider that Nordsøenheden has been managed with due financial consideration in 2019.

We recommend that the Annual Report, including the proposed distribution of profit, be adopted by the Minister for Industry, Business and Financial Affairs.

Copenhagen, 16 April 2020

Anna Birgitta B. Jacobsen
CEO, Nordsøenheden

Board of Directors, Nordsøenheden:

Henrik Michael Normann
Chairman

Karsten Sivebæk Knudsen
Vice Chairman

Birgitte Brinch Madsen

Christian Herskind Jørgensen

Mads Bo Keis Andersen

Sanne Weidner

Søren Houman



Auditor's Report

Internal Auditor's Report

To the Danish Minister for Industry, Business and Financial Affairs

Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of Nordsøenheden at 31 December 2019 and of the results of Nordsøenheden's operations for the financial year 1 January - 31 December 2019 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of Nordsøenheden for the financial year 1 January - 31 December 2019, which comprise income statement, balance sheet and notes, including summary of significant accounting policies ("the Financial Statements").

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark as well as public auditing standards. 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 Nordsøenheden in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional rules and requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit 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 Nordsøenheden'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 Nordsøenheden 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 as well as public auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, 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 as well as public auditing standards, we exercise professional judgement 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 Nordsøenheden'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 Nordsøenheden'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 Nordsøenheden 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.



Report on Other Legal and Regulatory Requirements

Statement on compliance audit and performance audit

Management is responsible for the transactions comprised by the financial reporting being in accordance with the grants given, legislation and other regulations as well as with agreements concluded and generally accepted practice. Management is also responsible for due financial consideration having been made in the administration of the funds and the operation of Nordsøenheden. In this connection, Management is responsible for establishing systems and processes that support economy, productivity and efficiency.

In connection with our audit of the Financial Statements, it is our responsibility to perform a compliance audit and a performance audit of selected subject matters in accordance with public auditing standards. During our compliance

audit, we verify with reasonable assurance for the subject matters selected whether the examined transactions comprised by the financial reporting are in accordance with the relevant provisions relating to the grants given, legislation and other regulations as well as with agreements concluded and generally accepted practice. During our performance audit, we assess with reasonable assurance whether the systems, processes or transactions examined support due financial consideration made in the administration of the funds and the operation of Nordsøenheden.

If, on the basis of the work performed, we conclude that our audit gives rise to material critical comments, we are to report on these in this statement.

We do not have any material critical comments to report in this respect.

Copenhagen, 16 April 2020

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No: 33 77 12 31

Gert Fisker Tomczyk
State Authorised Public Accountant
mne9777

Kim Danstrup
State Authorised Public Accountant
mne32201



Auditor's Report

The independent Auditor's Report

To the Danish Minister for Industry, Business and Financial Affairs

Report on the Financial Statements

Opinion

We have audited the Financial Statements of Nordsøenheden for the financial year 1 January - 31 December 2019, which comprise income statement, balance sheet and notes, including summary of significant accounting policies. The financial statements are 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 of Nordsøenheden at 31 December 2019 and of the results of Nordsøenheden's operations for the financial year 1 January - 31 December 2019 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with public auditing standards. The audit is conducted on the basis of section 2 (1) (iii) of the Danish Executive Order on the Auditing of the Danish Government Accounts (cf. Consolidated Act no. 101 of 19. January 2012) and provisions of the Danish Act on Nordsøenheden (the Danish North Sea Partner) and Nordsøfonden (the Danish North Sea Fund). Our responsibilities under the public auditing standards are further described in the "The Office of the Auditor General of Denmark's responsibilities for the audit of the Financial Statements" section of our report.

The Auditor General is independent of Nordsøenheden in accordance with section 1 (6) of the Danish Executive Order on the Auditing of the Danish Government Accounts.

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

Management's responsibilities for the Financial Statements

Management is responsible for the preparation of the 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 Nordsøenheden'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 Nordsøenheden or to cease operations, or has no realistic alternative but to do so.

The Office of the Auditor General of Denmark'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 public auditing standards, of the



provisions of the Danish Act on Nordsøenheden (the Danish North Sea Partner) and Nordsøfonden (the Danish North Sea Fund), will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of financial statement users taken on the basis of these Financial Statements.

As part of an audit conducted in accordance with public auditing standards, of the provisions of the Danish Act on Nordsøenheden (the Danish North Sea Partner) and Nordsøfonden (the Danish North Sea Fund), we exercise professional judgement 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 Nordsøenheden'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 Nordsøenheden'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 Nordsøenheden 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.

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



Moreover, we considered whether Management's Review includes the disclosures required by 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.

Report on Other Legal and Regulatory Requirements

Statement on compliance audit and performance audit

Management is responsible for the transactions comprised by the financial reporting being in accordance with the grants given, legislation and other regulations as well as with agreements concluded and generally accepted practice. Management is also responsible for due financial consideration having been made in the administration of the funds and the operation of the Institutes comprised by the Financial Statements. In this connection, Management is responsible

for establishing systems and processes that support economy, productivity and efficiency.

In connection with our audit of the Financial Statements, it is our responsibility to perform a compliance audit and a performance audit of selected subject matters in accordance with public auditing standards. During our compliance audit, we verify with reasonable assurance for the subject matters selected whether the examined transactions comprised by the financial reporting are in accordance with the relevant provisions relating to the grants given, legislation and other regulations as well as with agreements concluded and generally accepted practice. During our performance audit, we assess with reasonable assurance whether the systems, processes or transactions examined support due financial consideration made in the administration of the funds and the operation of the Institutes comprised by the Financial Statements.

If, on the basis of the work performed, we conclude that our audit gives rise to material critical comments, we are to report on these in this statement.

We do not have any material critical comments to report in this respect.

Copenhagen, 16 April 2020

Rigsrevisionen
(The Office of the Auditor General of Denmark)
CVR No: 77 80 61 13

Lone Lærke Strøm
The Auditor General

Marie Katrine Bisgaard Lindeløv
Head of Office

**Danish production
of oil and gas
reinforces our
security of supply**

