



Annual Report 2018

Nordsøfonden

Nordsøenheden

Unofficial translation

Nordsøfonden holds the State interest in Danish oil and gas licences and is administrated by Nordsøenheden, which is an independent State company held by the Ministry of Industry, Business and Financial Affairs.

The Annual Reports 2018 for Nordsøfonden (page 2-38) and for Nordsøenheden (page 39-59) are gathered in this document.



Annual Report 2018 Nordsøfonden

Contents

Nordsøfonden

| | |
|-----------------------------|----|
| Information on Nordsøfonden | 4 |
| Key Figures | 7 |
| Management's Report | 8 |
| Accounting Policies | 13 |
| Financial Statements | 18 |
| Statements and Reports | 28 |
| Licence Overview | 35 |

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 2018 - 31 December 2018. 13th accounting year.

Nordsøfonden is administered by Nordsøenheden.

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

Photos: Nordsøfonden





Key Figures Management's Report

Key Figures

| mill. DKK | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|--------|--------|--------|--------|--------|
| Oil production - average bbl/day (rounded) | 20,100 | 23,100 | 22,900 | 26,000 | 28,000 |
| Gas production, million m ³ /day (rounded) | 1.8 | 2.0 | 1.9 | 1.9 | 2.0 |
| Average oil price for the year (Brent) DKK/bbl | 449 | 357 | 294 | 358 | 577 |
| Net turnover | 4,382 | 4,058 | 3,228 | 3,904 | 7,421 |
| Profits/loss before financial income and expenses | 1,300 | 874 | -737 | -3,844 | -1,271 |
| Net financial result | -155 | -233 | -248 | -179 | -174 |
| Impairment loss, production facilities | - | - | 440 | 1,776 | 2,500 |
| Exploration activities | 34 | 47 | 43 | 276 | 301 |
| Net profits/loss for the year | 464 | 466 | -443 | -1,353 | -620 |
| Investments in tangible fixed assets | 669 | 274 | 904 | 944 | 532 |
| Equity | 1,913 | 2,449 | 2,583 | 3,027 | 4,679 |
| Total assets | 7,795 | 8,248 | 9,795 | 11,646 | 16,985 |
| Taxes paid | 1,429 | 1,019 | 240 | 1,755 | 3,574 |
| Transferred to the State | 1,000 | 600 | - | 300 | 1,600 |

Management's Report

Nordsøfonden is an oil and gas company that, on behalf of the Danish state, is a partner with 20 per cent in all licences granted since 2005 and in the Danish Underground Consortium (DUC).

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

Nordsøfonden is involved in all major decisions concerning the individual licences and participates on equal terms and with equal rights and obligations as other commercial oil and gas companies. The goal is to optimise the value of the oil and gas activities for the Danish society.

Significant activities of the year

Partner changes in the DUC

In September 2018, Total announced that the company planned to increase its involvement in the Danish part of the North Sea by acquiring Chevron's 12 per cent share in the DUC. Total's aggregated share now amounts to 43.2 per cent.

Furthermore, in October 2018 Shell announced that the company wishes to sell its 36.8 per cent share in DUC to Noreco.

Tyra field redevelopment well under way

The Tyra field redevelopment has been the most significant activity in DUC in 2018. The redevelopment of the Tyra field was decided in 2017, comprising an investment of 21 billion DKK in the project. Consequently, continued production from the Tyra field and the nearby satellite fields has been secured for many

years to come, and the field will continue to be a central part of the gas infrastructure in the Danish sector of the North Sea.

The redevelopment of the Tyra field will make access to modern infrastructure possible for the surrounding new and marginal discoveries, enabling exploitation of the remaining potential of oil and gas in the Danish area.

The Tyra field has been in production since 1984 causing the seabed and facilities to subside. Knowledge about waves and their impact on offshore installations has recently been renewed. As a consequence, the facilities on the Tyra field must be rebuilt and new installations established to continue production in a safe manner.

"The Tyra redevelopment makes it possible to exploit the remaining potential of oil and gas in the Danish area"

On sites in Spain, Italy and Indonesia, construction of the large, new facilities was commenced in 2018. At the same time, the operator has been preparing the shutdown of the Tyra field and the satellite fields. Temporary decks have been installed on the platforms, wells have been closed and pipelines rerouted. The activities have been performed as planned.

Production from the existing facilities in the Tyra area is scheduled to shut down by the end of 2019, and production via the new facilities is expected to be resumed in 2022.

The Ravn field enters production phase

First oil was produced from the Ravn field in early 2017. In August the same year after a longer period of production difficulties, Wintershall, the operator, temporarily ceased production from the field. The difficulties were, among other things, due to precipitation of asphaltenes, i.e. heavy components in the oil.

Following a number of technical analyses and assessments, oil production from Ravn was resumed on 15 February 2018. Throughout 2018, oil production has been near to stable and with production rates on or above expectations. Valuable information is now being obtained on the field's production characteristics. This knowledge will contribute to assessments of the additional potential for oil and gas developments in the Ravn area.

8th Licencing Round opened

In June 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 were received and the licences are expected to be awarded soon.

Nordsøfonden and GEUS (Geological Surveys of Denmark and Greenland) have contributed to the preparation of the licensing round and more over made presentations at the Danish Energy Agency's seminars for oil companies prior to the opening of the round. In addition, Nordsøfonden has presented the Danish area on conferences and exhibitions abroad.

Nordsøfonden does not participate in establishing licence groups, preparing applications or work programmes, but will join as a partner with a 20 per cent share in all granted licences. Nordsøfonden look forward to join forces with future partners.

Strategy

Energy is a necessity for modern society and plays a crucial role in our daily lives. Oil and gas will continue to be an important source of energy for many years to come. The oil and gas resources in the subsurface belong to the Danish society, and society receive a share of the value of the resources both indirectly through taxation of the private companies and directly through Nordsøfonden's participation in the hydrocarbon licences.

Production of oil and gas from the Danish area generates considerable revenue to the Danish Treasury, secures jobs and is important for the national supply of energy. In addition, the revenues can contribute to financing the ongoing green transition.

"The goal is to ensure that the activities run efficiently and profitable while producing in an ethical and responsible manner."

Nordsøfonden creates value through its co-ownership of the production of oil and gas, and will continue to play an important role in maintaining a significant Danish production. Nordsøfonden's goal is to ensure that the activities run efficiently and profitably while producing in an ethical and responsible manner. It is Nordsøfonden's ambition to contribute to the decarbonisation of the energy system with a special focus on the environmental advantages of gas compared to other fossil energy sources.

Currently, major alterations are taking place in the oil industry, both at global and national level. In recent years, there has been a number of replacements among operators and other partners in the licences. The changes amongst partners lead to Nordsøfonden has become a even more central player with a thorough knowledge about and affiliation to Denmark.

Changes in the world around us also present Nordsøfonden with new challenges as well as changed perspectives. It is Nordsøfonden's strategy to more actively engage in the development of new fields.

Barriers to creation of value

The oil industry has a great need to anticipate and minimise risks, as decisions and investments are often long-term.

Nordsøfonden's primary risks

- Development in oil price level
- Low exploration activity
- Lower investment in oil and gas production

Nordsøfonden's task is to identify risks that may affect the possibility to create value for the Danish state.

A key factor in creating value is the oil price, and 2018 has offered great variations with prices between 50 and 80 USD per barrel of oil.

The current activity level means that production will continue to decline in the years ahead. Furthermore, there are indications that the oil industry today has a

more short-term approach to investments. Along with a focus on optimising existing production, this will influence the type of activities and which technical solutions are chosen for new field developments.

"Focus on the total recovery in the Danish area will help to ensure that the value of Danish production potential is realised for the benefit of society."

As a state partner, Nordsøfonden focuses on the overall recovery in the Danish area. This is achieved through e.g. integrating knowledge and activities across the licences, enabling synergy effects to support an optimal utilization of resources. This will contribute to ensure that the value of the Danish production potential is realised for the benefit of society.

Corporate Social Responsibility

Nordsøfonden is a state-owned company whose mission is to create the highest possible value of our assets. Nordsøfonden is aware that the production and use of oil and gas has a negative impact on the environment and contributes to climate change, and therefore has a responsibility for ensuring that activities as a whole benefit the society.

Nordsøfonden must ensure that activities have a minimal environmental impact and at the same time run a profitable business. Nordsøfonden works with corporate social responsibility within the framework established for the company.

In 2018, CSR activities included preparing a new CSR policy and a Supplier Code of Conduct, both available at nordsoefonden.dk/en/corporate-responsibility

“Nordsøfonden has a responsibility to ensure that its activities as a whole benefit the society.”

The declaration of Nordsøfonden and Nordsøenheden on corporate social responsibility (CSR Report) for 2018, cf. the Danish Financial Statements Act, § 99a, can be found in Danish on nordsoefonden.dk/ansvarlighed.

CSR policy focus areas

- Safety
- Sustainability
- Requirements to suppliers
- Housekeeping

The report complies with the requirements of the Danish Act on Annual Accounts regarding reporting on corporate social responsibility. The report includes policies for the corporate social responsibility of Nordsøfonden and Nordsøenheden, how they are put into action and an evaluation of the results achieved.

Financial performance

For 2018, Nordsøfonden's share of the DUC oil production amounted to 7.1 million barrels corresponding to 19,500 barrels per day. Compared to 2017 this is a decline of 15 per cent. Nordsøfonden's share of gas produced in 2018 amounted to 650 million m³, which is 13 per cent below the production of gas in 2017. The decline is mainly due to a natural decline in recovery from the fields.

With an average 2018-price of Brent oil of USD 71 per barrel the total turnover of Nordsøfonden amounted to DKK 4.4 billion. Nordsøfonden does not undertake financial hedging of oil and gas prices. Nordsøfonden's share of production costs amounted to DKK 1.4 billion.

One new production well has been completed during 2018, and the investment in the Tyra redevelopment amounted to just under DKK 600 million bringing the total investments to DKK 730 million. In addition, Nordsøfonden spent DKK 34 million on exploration and appraisal.

The accounts of Nordsøfonden includes company and hydrocarbon taxes paid amounting to DKK 1.4 billion. Furthermore, DKK 1.0 billion have been transferred as dividend to the State. Thus, the total cash flow to the Danish State is DKK 2.4 billion. For Nordsøfonden the net result for 2018 amounted to a net profit of DKK 464 million compared to a net profit of DKK 466 million in 2017.

Expectations for 2019

The result of 2019 will strongly depend on the trends of the oil price and the effects from the Tyra redevelopment. DUC expects production of oil and gas in 2019 to be somewhat below the level of 2018 due to the natural decline in recovery from the fields and the planned closing of the Tyra facilities late 2019.

During 2019 Nordsøfonden's investments are expected to amount to some DKK 1.6 billion doubling the 2018 investments. The increase is due to the Tyra redevelopment.

Production costs in 2019 are expected to be lower than in 2018 i.a. due to fewer costs for maintenance of production wells.

For 2019, exploration activities are still expected to be very limited, corresponding to the level in 2018, although an exploration well is expected to be drilled in 2019.

All in all, Nordsøfonden expects a net result for 2019 of about DKK 300 million at the present oil price.

Subsequent incidents

No subsequent incidents influencing this Annual Report for 2018 have been observed.



Accounting Policies

Accounting Policies

Basis of preparation

The Annual Report of Nordsøfonden for 2018 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C and accepted accounting principles in the industry.

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

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.

The result of subsequent appraisal activities is reviewed on a licence by licence basis. On completion of an appraisal well, the wells are expensed 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 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 cost 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 and residual values 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. Such impairment test is performed on an annual basis for development projects in progress irrespective of whether or not there is any indication of impairment.

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.

Cash at bank and in hand comprises deposits in financial institutions and Statens Koncern Bank (bank of the Danish State).

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 at selling price.

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.

Cash and cash equivalents etc. comprise cash at bank and in hand as well as deposits in Statens Koncern Bank.



Financial Statements

Income Statement

| Note | mill. DKK | 2018 | 2017 |
|------|--|----------------|--------------|
| 1 | Net turnover | 4,382.1 | 4,057.9 |
| | Production costs | -1,365.0 | -1,443.2 |
| 7 | Depreciations | -1,528.8 | -1,707.2 |
| | Other income | 30.1 | 40.7 |
| | Gross result | 1,518.4 | 948.2 |
| | Exploration costs | -34.4 | -47.3 |
| 2 | Administrative costs | -29.5 | -26.7 |
| | Profits/loss before financial income and expenses | 1,454.5 | 874.2 |
| 3 | Financial income | 19.0 | 7.5 |
| 4 | Financial expenses | -173.5 | -240.5 |
| | Profits/loss before tax | 1,300.0 | 641.2 |
| 5 | Tax on profits/loss for the year | -836.4 | -175.4 |
| | Net profits/loss for the year | 463.6 | 465.8 |
| 6 | Distribution of result | | |

Balance Sheet 31 December

Assets

| Note | mill. DKK | 2018 | 2017 |
|------|---|----------------|----------------|
| 7 | Tangible fixed assets | | |
| | Production facilities e.o. | 4,886.4 | 6,200.9 |
| | Production facilities e.o. under construction | 684.4 | 165.4 |
| | Total fixed assets | 5,570.8 | 6,336.3 |
| | Stock, crude oil and inventory | 274.9 | 304.9 |
| | Receiveables | | |
| | Receivables oil and gas sales | 365.4 | 381.3 |
| | Other receivables | 14.0 | - |
| | Prepayments | 10.1 | 341.1 |
| 5 | Deferred tax asset | 733.9 | 104.7 |
| | | 1,398.3 | 1,132.0 |
| | Cash | 825.9 | 749.2 |
| | Total current assets | 2,224.2 | 1,881.2 |
| | Total assets | 7,795.0 | 8,247.5 |

Balance Sheet 31 December

Liabilities and Equity

| Note | mill. DKK | 2018 | 2017 |
|------|--|----------------|----------------|
| | Equity, refer below | 1,912.7 | 2,449.1 |
| | Total equity | 1,912.7 | 2,449.1 |
| 8 | Asset retirement obligations | 5,201.7 | 4,951.0 |
| | Total provisions | 5,201.7 | 4,951.0 |
| | Operator debt | 317.7 | 173.3 |
| 5 | Tax payables | 362.9 | 326.4 |
| | Deferred income | - | 347.7 |
| | Total short-term debt | 680.6 | 847.4 |
| | Total debts | 5,882.3 | 5,798.4 |
| | Total liabilities and equity | 7,795.0 | 8,247.5 |
| | Equity | | |
| | As of 1 January | 2,449.1 | 2,583.3 |
| | Net profits/loss for the year | 463.6 | 465.8 |
| | Transferred to State | -1,000.0 | -600.0 |
| | Equity at 31 December | 1,912.7 | 2,449.1 |
| 9 | Contingent liabilities and other financial obligations | | |
| 10 | Related parties and ownership | | |

Cash Flow Statement

| Note | mill. DKK | 2018 | 2017 |
|------|---|-----------------|----------------|
| | Profits/loss before financial income and expenses | 1,454.5 | 874.2 |
| | Depreciation and writedowns | 1,528.8 | 1,707.2 |
| | Working capital movements | 182.7 | -168.6 |
| 5 | Taxes paid | -1,429.0 | -1,018.6 |
| | Interest income | 14.6 | 7.5 |
| | Interest expenses | -0.5 | -1.4 |
| | Cash Flow from operations | 1,751.1 | 1,400.3 |
| | Investment in tangible fixed assets | -669.1 | -273.6 |
| | Cash Flow from investments | -669.1 | -273.6 |
| | Transferred to the State | -1,000.0 | -600.0 |
| | Cash Flow from financing activities | -1,000.0 | -600.0 |
| | Cash Flow for the Year | 82.0 | 526.7 |
| | Cash 1 January | 749.2 | 232.5 |
| | Exchange rate adjustment re. cash | -5.3 | -10.0 |
| | Cash 31 December | 825.9 | 749.2 |

Notes to the Financial Statements

| Note | mill. DKK | 2018 | 2017 |
|------|--|----------------|----------------|
| 1 | Net turnover | | |
| | Nordsøfonden's turnover solely comprises the fund's share of oil and gas production in Denmark | | |
| | Sale of oil | 3,285.0 | 3,097.1 |
| | Sale of gas | 1,097.1 | 960.8 |
| | Net turnover | 4,382.1 | 4,057.9 |
| 2 | Administrative expenses | | |
| | Nordsøenheden administrates Nordsøfonden and collects a consideration herefore. The consideration is determined in the annual Finance Act and is recognised as an expense in Nordsøfonden's Profit and Loss for 2018 with DKK 29.5 mill. (DKK 26.7 mill. in 2017). 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 1.6 mill. in 2017) and Board remuneration DKK 1.2 mill. (DKK 1.1 mill. in 2017). | | |
| | Rigsrevisionen does not charge for auditing. | | |
| 3 | Financial incomes | | |
| | Interest received in bank | 14.2 | 6.9 |
| | Interest received in joint ventures | 0.4 | 0.6 |
| | Exchange adjustments | 4.4 | - |
| | Total | 19.0 | 7.5 |

Notes to the Financial Statements

| Note | mill. DKK | 2018 | 2017 |
|------|--|--------------|--------------|
| 4 | Financial Expenses | | |
| | Interest element re. abandonment obligations | 173.0 | 201.0 |
| | Interest paid in joint ventures | 0.5 | 1.4 |
| | Exchange adjustments | - | 38.1 |
| | Total | 173.5 | 240.5 |
| 5 | Tax on profits/loss for the year | | |
| | Current tax for the year | 1,412.9 | 1,101.6 |
| | Deferred tax assets adjustment for the year cif below | -163.0 | 441.0 |
| | Deferred tax liability adjustment for the year cif below | -466.2 | -1,336.7 |
| | Adjustments of previous year's tax | 52.7 | -30.5 |
| | Total tax for the year | 836.4 | 175.4 |
| | Tax to be specified as follows: | | |
| | Calculated company tax on profit of the year | 616.9 | 485.8 |
| | Calculated hydrocarbon tax on profit of the year | 796.0 | 615.8 |
| | Adjustment deferred company tax for the year | -302.9 | -355.7 |
| | Adjustment deferred hydrocarbon tax for the year | -326.3 | -540.0 |
| | Adjustment of the previous year | 52.7 | -30.5 |
| | Total | 836.4 | 175.4 |

Notes to the Financial Statements

| Note | mill. DKK | 2018 | Adjustment for the year | 2017 |
|------|--|-----------------|----------------------------|-----------------|
| 5 | Deferred tax | | | |
| | Asset related to asset retirement obligations^{*)} | | | |
| | Company tax | 793.4 | 63.7 | 729.7 |
| | Hydrocarbon tax | 1,237.6 | 99.3 | 1,138.3 |
| | Total asset | 2,031.0 | 163.0 | 1,868.0 |
| | Liability related to differences between carrying amount and the tax base of fixed assets | | | |
| | Company tax | -470.5 | 239.2 | -709.7 |
| | Hydrocarbon tax | -826.6 | 227.0 | -1,053.6 |
| | Total liability | -1,297.1 | 466.2 | -1,763.3 |
| | Movement deferred tax in total | 733.9 | 629.2 | 104.7 |

^{*)} 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.

| | 2018 | 2017 |
|-----------------------------------|----------------|--------------|
| Tax payable | | |
| As of 1 January | 326.4 | 274.1 |
| Current tax for the year | 1,412.9 | 1,101.6 |
| Taxes paid | -1,429.0 | -1,018.6 |
| Adjustment of previous year's tax | 52.7 | -30.7 |
| Tax payable 31 December | 3,462.9 | 326.4 |

Notes to the Financial Statements

| Note | mill. DKK | 2018 | 2017 |
|------|---------------------------------|--------------|--------------|
| 6 | Proposed distribution of result | | |
| | Year result | 463.6 | 465.8 |
| | Retained earnings | 463.6 | 465.8 |

| Note | mill. DKK | Production facilities e.o. u. construction | Production facilities e.o. | Total |
|------|--|--|----------------------------|-----------------|
| 7 | Tangible fixed assets | | | |
| | Cost at 1 January 2018 | 165.4 | 28,235.5 | 28,400.9 |
| | Additions for the year | 633.4 | 99.9 | 733.3 |
| | Transfer | -114.4 | 114.4 | - |
| | Cost at 31 December 2018 | 684.4 | 28,449.8 | 29,134.2 |
| | Depreciation at 1 January 2018 | - | 22,034.6 | 22,034.6 |
| | Depreciation for the period | - | 1,528.8 | 1,528.8 |
| | Depreciation at 31 December 2018 | - | 23,563.4 | 23,563.4 |
| | Carrying amount at 31 December 2018 | 684.4 | 4,886.4 | 5,570.8 |

Notes to the Financial Statements

| Note | mill DKK | 2018 | 2017 |
|------|--|----------------|----------------|
| 8 | Asset retirement obligation | | |
| | Asset retirement obligation on 1 January | 4,951.0 | 5,773.7 |
| | Accretion for the year | 173.0 | 201.0 |
| | Adjustment of obligation ^{*)} | 77.7 | -1,023.7 |
| | Asset retirement obligation 31 December | 5,201.7 | 4,951.0 |

^{*)} Adjustment in 2017 and 2018 as a result of partly changed estimate for abandonment expenses and partly addition of new facilities and change in discount rate.

Of the total obligation DKK 0.9 bill. (DKK 0.7 bill. in 2017) is due in 2-5 years, while the remaining part will 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 Industry, Business and Financial Affairs. Nordsøfonden is jointly and severally liable with the other partners in the license 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.

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 2018.

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 2018 and of the results of 2018 operations of Nordsøfonden.

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

financial circumstances of Nordsøfonden, 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 2018.

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

Copenhagen, 5 April 2019

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 2018, and of the results of Nordsøfonden's operations and cash flows for the financial year 1 January - 31 December 2018 in accordance with the Danish Financial Statements Act and the industry's generally accepted accounting principles.

We have audited the Financial Statements of Nordsøfonden for the financial year 1 January - 31 December 2018, 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").

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.

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 the industry's generally accepted accounting principles, 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.

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 relation to our audit of the Financial Statements, it is our responsibility to read Management's Review and, in that connection, consider whether Management's Review is materially inconsistent with the

Financial Statements or with the knowledge we have obtained during our audit, or whether it seems to be otherwise materially misstated.

Moreover, we are responsible for considering whether Management's Review includes the disclosures required by the Danish Financial Statements Act and the industry's generally accepted accounting principles.

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 and the industry's generally accepted accounting principles. 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

Nordsøfonden. 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, 5 April 2019

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

Kim Danstrup
State Authorised Public Accountant
mne32201

Jens Otto Damgaard
State Authorised Public Accountant
mne9231

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 2018, 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 and the industry's generally accepted accounting principles.

In our opinion, the Financial Statements give a true and fair view of the financial position of Nordsøfonden at 31 December 2018, and of the results of Nordsøfonden's operations and cash flows for the financial year 1 January - 31 December 2018 in accordance with the Danish Financial Statements Act and the industry's generally accepted accounting principles.

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 the industry's generally accepted accounting principles, 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 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 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 and the industry's generally accepted accounting principles.

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 and the industry's generally accepted accounting principles. 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 general

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, 5 April 2019

Rigsrevisjonen (The Office of the Auditor General of Denmark)

CVR No 77 80 61 13

Marie Katrine Bisgaard Lindeløv

Head of Office

Lone Lærke Strøm
The Auditor General



Licence Overview and Map

Licences with participation of Nordsøfonden, March 2019

| Licence | | Year of granting | Operator |
|--|-------------------------|------------------|-----------------------------|
| Appraisal, development and production | | | |
| 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. |
| | Solsort Unit | 2015 | INEOS E&P A/S |
| Exploration | | | |
| 1/06 | | 2006 | INEOS E&P A/S |
| 8/06b | | 2006 | Total E&P Danmark A/S |
| 1/16 | | 2016 | Wintershall Noordzee B.V. |
| 2/16 | | 2016 | Wintershall Noordzee B.V. |
| 4/16 | | 2016 | Dana Petroleum Denmark B.V. |
| 5/16 | | 2016 | Dana Petroleum Denmark B.V. |
| 6/16 | | 2016 | Hess Denmark ApS |
| 8/16 | | 2016 | DEA Deutsche Erdoel AG |

| Licence | Year of granting | Operator |
|--------------------------------|------------------|-----------------------------|
| Exploration (continued) | | |
| 9/16 | 2016 | DEA Deutsche Erdoel AG |
| 11/16 | 2016 | Ardent Oil (Denmark) S.A. |
| 14/16 | 2016 | Edison International S.P.A. |
| 16/16 | 2016 | INEOS E&P A/S |

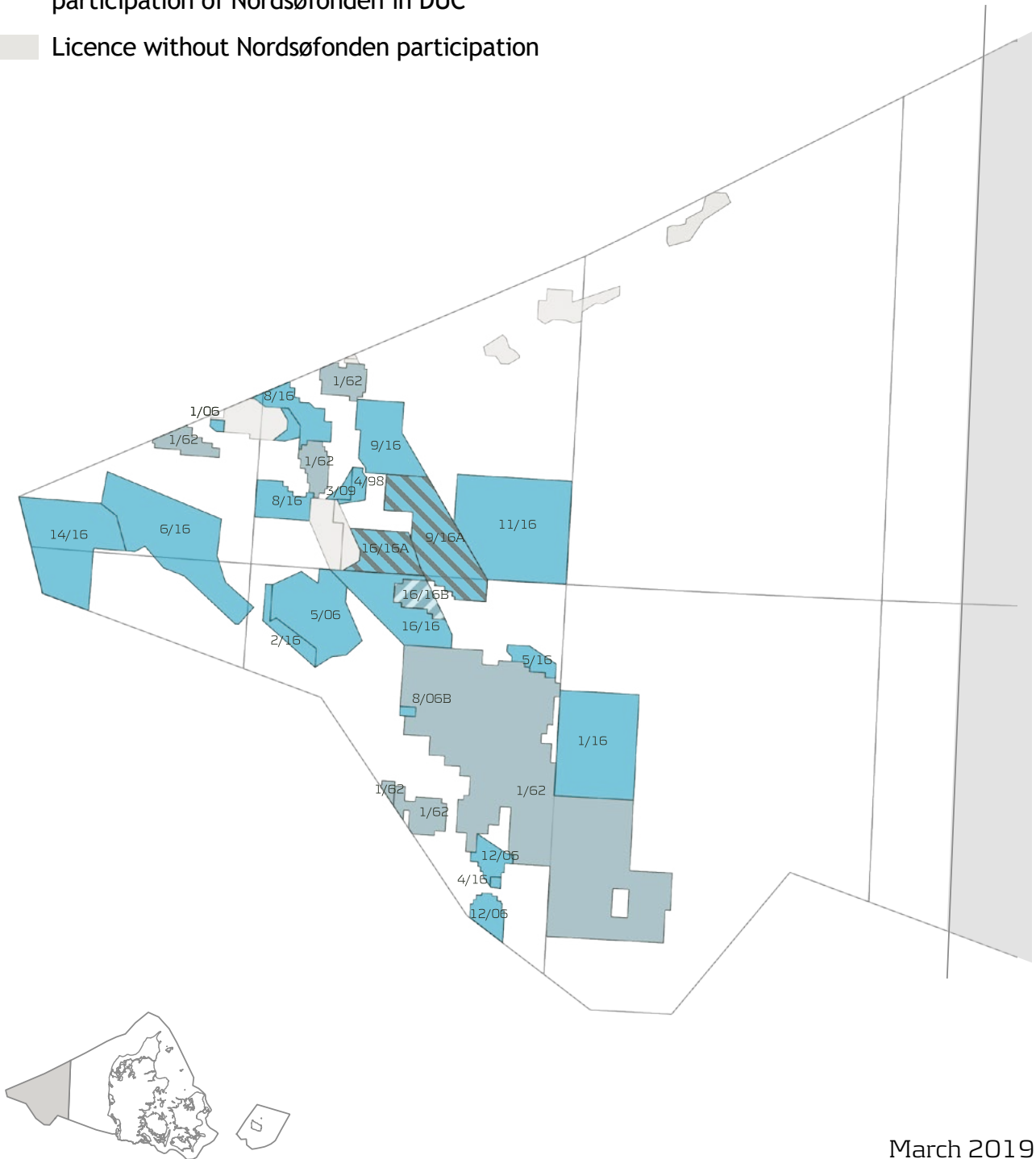
Nordsøfonden has a 20 per cent share in all licences except licens 5/06, where Nordsøfonden has a 36.36 per cent share and in Solsort Unit, where Nordsøfonden has a 18.44 per cent share.

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

Licences west of 6° 15' E

- Licence with Nordsøfonden participation
Licences with hatchings is limited in depth
- Sole Concession with 20 per cent participation of Nordsøfonden in DUC
- Licence without Nordsøfonden participation

6° 15' E



March 2019



Annual Report 2018 Nordsøenheden

Contents

Nordsøenheden

| | |
|------------------------------|----|
| Information on Nordsøenheden | 41 |
| Management's Report | 43 |
| Accounting Policies | 45 |
| Financial Statements | 46 |
| Statements and Reports | 52 |

Information on Nordsøenheden

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

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

Municipality of reg. office: Copenhagen

Financial period: 1 January 2018 - 31 December 2018 (5th 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 four extraordinary Board meetings in 2018.

Photos: Nordsøfonden



In October 2018 Nordsøfonden
moved to new premises at
Rentemestervej, Copenhagen



Management's Report Accounting Policies

Management's Report

Main activity

Nordsøenheden is an independent State owned company tasked with administrating Nordsøfonden.

The income of Nordsøenheden consists of an administration fee from Nordsøfonden determined in the Annual Finance Act.

The Danish State is the owner of Nordsøenheden and the execution of the ownership is undertaken by the Minister of Industry, Business and Financial Affairs.

Development during the year

In addition to its current tasks related to Nordsøfonden, Nordsøenheden has primarily been focusing on the redevelopment of the installations of the Tyra field during 2018.

Nordsøenheden's net result of 2018 was a profit of DKK 2,941,000 compared to a net result of DKK 82,000 of 2017.

Expectations for 2019

Nordsøenheden will continue to create value for Denmark through its oil and gas production, and secure a sound return from the activities in Nordsøfondens licences.

Significant resource in Nordsøenheden will be allocated to ensure a progress of the Tyra redevelopment in accordance with the project plan. In addition, work will have to be done on the maturation of other DUC projects.

Progress in Nordsøfonden's exploration licences has high priority. Resources will be allocated to ensure that the experiences and knowledge in Nordsøenheden are put to active use, for instance by carrying out own geological and geophysical assessments.

In 2019, new licences are expected to be awarded in the 8th Danish Licensing Round. Nordsøfonden will establish cooperation with partners in the new licences as soon as they are awarded.

Subsequent incidents

No subsequent incidents influencing this Annual Report for 2018 have been observed.

Accounting Policies

Basis of Preparation

The Annual Report of Nordsøenheden for 2018 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.

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 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

Income Statement

| Note | '000 DKK | 2018 | 2017 |
|------|--|---------------|---------------|
| | Administration fee | 29,500 | 26,700 |
| | Total income | 29,500 | 26,700 |
| | Administrative costs | 26,549 | 26,617 |
| | Profits/loss before financial income and expenses | 2,951 | 83 |
| 1 | Financial expenses | 10 | 1 |
| | Net profits/loss for the year | 2,941 | 82 |

2 Proposed distribution of result

Balance Sheet 31 December

Assets

| Note | '000 DKK | 2018 | 2017 |
|------|-----------------------------|---------------|---------------|
| | Initial advance payments | - | 171 |
| | Total fixed assets | - | 171 |
| | Receivables | | |
| | Other receivables | 474 | 326 |
| | Prepayments | 1,190 | 1,362 |
| | Total receivables | 1,664 | 1,688 |
| | Cash | 17,269 | 13,225 |
| | Total current assets | 18,933 | 14,913 |
| | Total assets | 18,933 | 15,084 |

Balance Sheet 31 December

Liabilities and Equity

| Note | '000 DKK | 2018 | 2017 |
|------|-------------------------------------|---------------|---------------|
| | Equity | 14,700 | 11,759 |
| 3 | Total Equity | 14,700 | 11,759 |
| | Payables | | |
| | Suppliers, goods and services | 1,508 | 835 |
| 4 | Other payables | 2,725 | 2,490 |
| | Total short-term debt | 4,233 | 3,325 |
| | Total debts | 4,233 | 3,325 |
| | Total liabilities and equity | 18,933 | 15,084 |
| 5 | Employee matters | | |
| 6 | Related parties and ownership | | |

Notes to the Financial Statements

| Note | '000 DKK | 2018 | 2017 |
|------|--|---------------|---------------|
| 1 | Financial expenses | | |
| | Interest paid | 10 | 13 |
| | Financial expenses at 31 December | 10 | 13 |
| 2 | Proposed distribution of result | | |
| | Year result | 2,941 | 82 |
| | Retained earnings (in equity) | 2,941 | 82 |
| 3 | Equity (retained earnings) | | |
| | Equity 1 January | 11,759 | 11,677 |
| | Net profits/loss for the year | 2,941 | 82 |
| | Equity at 31 December | 14,700 | 11,759 |
| 4 | Other Payables | | |
| | Holiday allowance obligation | 1,856 | 1,751 |
| | Other | 869 | 739 |
| | Total other payables | 2,725 | 2,490 |

Notes to the Financial Statements

| Note | '000 DKK | 2018 | 2017 |
|------|--|---------------|---------------|
| 5 | Employee matters | | |
| | In 2018 average number of employees was 19 (19 in 2017) | | |
| | Total employee costs are recognised in administrative costs and compose: | | |
| | Salaries and wages | 11,999 | 11,746 |
| | Pension contributions | 1,952 | 1,913 |
| | Other costs of social security | - | -11 |
| | Total | 13,951 | 13,648 |
| | Remuneration of Management is included in the above with | 1,664 | 1,587 |
| | In addition, remuneration to the Board: | | |
| | Henrik Normann - Chairman (10/2014) | 363 | 350 |
| | Karsten Knudsen - Vice Chairman (10/2014) | 157 | 150 |
| | Berit Rynning (10/2014 - 4/2018) | 40 | 125 |
| | Birgitte Brinch Madsen (10/2014) | 130 | 125 |
| | Christian Herskind (10/2014) | 130 | 125 |
| | Mads Andersen (10/2014) | 130 | 125 |
| | Sanne Weidner (10/2014) | 130 | 125 |
| | Søren Houman (4/2018) | 90 | |
| | Total | 1,170 | 1,125 |

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 2018.

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 2018 and of the results of operations of Nordsøenheden.

In our opinion, Management's Report includes a true and fair account of the operational development, the financial circumstances of Nordsøenheden, 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 2018.

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

Copenhagen, 5 April 2019

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 2018 and of the results of Nordsøenheden's operations for the financial year 1 January - 31 December 2018 in accordance with the Danish Financial Statements Act and the industry's generally accepted accounting principles.

We have audited the Financial Statements of Nordsøenheden for the financial year 1 January - 31 December 2018, 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 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 the industry's generally accepted accounting principles, 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.

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 relation to our audit of the Financial Statements, it is our responsibility to read Management's Review and, in that connection, consider whether Management's Review is materially inconsistent with the Financial Statements or with the knowledge we have obtained during our audit, or whether it seems to be otherwise materially misstated.

Moreover, we are responsible for considering whether Management's Review includes the disclosures required by the Danish Financial Statements Act and the industry's generally accepted accounting principles.

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 and the industry's generally accepted accounting principles. 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 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 State-

ments, 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, 5 April 2019

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

Jens Otto Damgaard
State Authorised Public Accountant
mne9231

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 2018, 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 2018 and of the results of Nordsøenheden's operations for the financial year 1 January - 31 December 2018 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 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, cf 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, cf 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

Lone Lærke Strøm
The Auditor General

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, 5 April 2019
Rigsrevisionen (The Office of the
Auditor General of Denmark)
CVR No 77 80 61 13

Marie Katrine Bisgaard Lindeløv
Head of Office

