



Annual Report 2017

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 2017 for Nordsøfonden (page 2-38) and for Nordsøenheden (page 39-58) are gathered in this document.



Annual Report 2017 Nordsøfonden

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Nordsøfonden

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Information on Nordsøfonden

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CVR No: 29 43 50 65

Municipality of reg. office: Copenhagen

Financial period: 1 January 2017 - 31 December 2017. 12th 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	2017	2016	2015	2014	2013
Oil production - average bbl/day (rounded)	23,100	22,900	26,000	28,000	31,200
Gas production, million m ³ /day (rounded)	2.0	1.9	1.9	2.0	2.1
Average oil price for the year (Brent) DKK/bbl	357	294	358	577	610
Net turnover	4,058	3,228	3,904	7,421	9,016
Profits/loss before financial income and expenses	874	-737	-3,844	-1,271	3,606
Net financial result	-233	-248	-179	-174	-200
Impairment loss, production facilities	-	440	1,776	2,500	-
Exploration activities	47	43	276	301	232
Net profits/loss for the year	466	-443	-1,353	-620	1,277
Investments in tangible fixed assets	274	904	944	532	426
Equity	2,449	2,583	3,027	4,679	6,898
Total assets	8,248	9,795	11,646	16,985	22,750
Taxes paid	1,019	240	1,755	3,574	3,553
Transferred to the State	600	-	300	1,600	3,300

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's goal is to optimise the value of exploration and production of oil and gas in Denmark."

As a partner, Nordsøfonden is involved in all major decisions concerning the individual licences. Nordsøfonden participates on equal terms and with equal rights and liabilities as other commercial oil and gas companies. The goal is to optimise the value of exploration and production of oil and gas for the Danish state.

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

Significant activities of the year

Redevelopment of the Tyra field

The most important event in the Danish area in 2017 was DUC's decision to invest up to DKK 21 billion in the redevelopment of the Tyra field. Production from the new facilities is expected to start in 2022.

In March 2017, the Government and, Mærsk Oil og Gas A/S on behalf of the partners in DUC reached agreement on an improved framework for oil and gas production from the Danish part of the North Sea. The agreement primarily implies the possibility

of commencing depreciation of investments earlier, whereby the Danish legislation becomes more aligned with the legislation in other North Sea countries. At the same time the agreement paved the way for the decision to redevelop the Tyra field installations.

Gas and oil have been produced from the Tyra field since 1984 and parts of the production facilities are more than 30 years old. The gas production has resulted in a subsiding seabed and installations likewise. New knowledge of waves and their impact on the installations may along with subsidence have an impact on safety. Some of the plants must thus be removed and new plants established, while others must be improved allowing production to continue in a safe manner.

Through 2017, a high-priority activity in DUC has been to prepare the technical and financial basis for redevelopment of Tyra field installations.

With the redevelopment decision, Tyra and the nearby satellite fields, Harald, Lulita, Svend, Valdemar, Roar and Tyra Southeast can continue production in the future. Furthermore, processing and export of almost 90 per cent of the Danish gas production is ensured by continued access to a central part of the infrastructure in the North Sea.

"In 2017 DUC decided to invest up to DKK 21 billion in the redevelopment of the Tyra field."

The redevelopment of the Tyra field creates an opportunity for new, marginal discoveries in the area to access the infrastructure. Third party access to

existing infrastructure may be the decisive factor in the development of new, marginal fields, as it may reduce investments.

The redevelopment decision along with the improved framework for oil and gas production may contribute to create a positive investment climate in the Danish sector of the North Sea, and thereby realise the remaining potential.

Successful development of Tyra Southeast Field

In early 2017, the ninth and final well of the Tyra Southeast field development was handed over to production, marking the completion of a successful project. Production of oil and gas from the field was initiated in 2002 from an unmanned satellite to Tyra.

In connection with drilling work, the operator tested several new technologies, which contributed valuable information for future projects.

Overall, production from the new wells is somewhat above expectations, and the project has increased the field reserves by approx. 50 million barrels of oil equivalents (boe). Production data from the wells will contribute to the assessment of the additional potential for oil and gas production in the area.

Production from the Ravn field

In the first quarter of 2017, first oil was produced from the Ravn field, operated by Wintershall. The Ravn field is the first producing field outside the Sole Concession in which Nordsøfonden is also a partner.

In August, precipitation of asphaltenes was detected, i.e. heavy components in the oil from Ravn. The precipitation can cause major technical problems in equipment and installations, and possibly in the reser-

voir. It was therefore necessary to temporarily cease production from the Ravn field.

The operator carried out a number of studies which supported the possibility to produce from the Ravn field with the given technical conditions. Production was resumed in February 2018. A decision to further develop the Ravn area awaits data from the ongoing first production phase.

Adjustment of Nordsøfonden's gas sales agreements

Following the decision on redevelopment of the Tyra field, a number of agreements regarding infrastructure and gas sales have been modified.

Among other things, Nordsøfonden's long-term gas sales agreements have been adjusted to better reflect production arrangements during the redevelopment period and the arrangement, when the new infrastructure is in place in 2022.

In addition, Nordsøfonden becomes a co-owner of the export gas pipeline, which runs from Tyra to the NOGAT system in the Dutch part of the North Sea.

Strategy

*"Oil and gas production
is a profitable business
for Denmark."*

In the Danish Government's North Sea Strategy from July 2017 it is estimated that there is a potential of approx. 3 billion barrels of oil equivalents in the Danish part of the North Sea. For comparison, up until 2018 a total of 3.9 billion barrels of oil equivalents have been produced.

It has been estimated that just over half of the potential can be recovered with the existing technology and optimal use of the infrastructure.

Oil and gas production is a profitable business for Denmark in a number of areas. The production of oil and gas generates revenue to the Danish treasury and jobs. According to the trade organization Oil Gas Denmark there were approx. 15,000 people employed in the sector in 2016 (*OGD: The Socioeconomic Importance of the Oil and Gas Sector, Sep. 2016*). Furthermore, the production has a bearing on the national supply of energy. In 2016, the self-sufficiency for oil and gas was 106 per cent and 141 per cent respectively.

Similarly, gas is an important element in the green transition as it leaves less of a footprint on the environment than other fossil fuels.

"The task of Nordsøfonden is to make the most out of the potential in a forward looking way."

The oil industry is changing globally and nationally. In 2017 the three largest operators in Denmark announced their exit from the Danish part of the North Sea. A.P. Møller - Mærsk A/S have sold their oil and gas activities to Total while DONG E&P was acquired by INEOS. Likewise, Hess' activities in Denmark are put up for sale.

The major changes among the players mean that Nordsøfonden is the only major player with a thorough knowledge the Danish area and affiliation to Denmark. These changes are expected to provide Nordsøfonden

with both new challenges and perspectives as a strategic partner in the licences. Furthermore, the changes will require adaptability, new skills and changes to the way work is being performed in Nordsøfonden.

The task of Nordsøfonden is to make the most out of the potential in a forward looking way. This must be done through long-term and innovative projects in existing and new fields, and at the same time by exploring widely and efficiently for more oil and gas, thus creating value from the North Sea.

Barriers to creation of value

In recent years, the oil and gas industry has been exposed to a growing number of changes and uncertainties. The need to be able to anticipate and control risks in advance is therefore a focus area for industry, and Nordsøfonden has identified a number of challenges and risks which may influence the company's possibilities to create value to Danish society.

A key factor for creating value is the oil price. The oil price level in recent years has led to a backlog of investments, and the long-term oil price forecast may mean that companies will also be reluctant for further investments.

"Nordsøfonden endeavours to facilitate cooperation between licences so synergies support optimal use of resources."

A lower level of activity in exploration can lead to a failure to realise the production potential.

The oil and gas industry has in recent years seen a broader range among partners, which now also includes private equity funds, downstream companies and energy companies as well as several smaller companies. The changes among partners may affect future activities in the oil and gas sector as a result of a more short-term approach.

Nordsøfonden's primary risks

- Oil price level
- Low exploration activity
- Lack of investments in renovation of older infrastructure
- Lack of access to existing infrastructure for new players

Furthermore, there is a risk that focus on the individual project may lead to sub-optimisation and not necessarily benefit the overall recovery from the Danish area. Therefore, Nordsøfonden endeavours to facilitate cooperation between licences so synergies support optimal use of resources.

Accessible infrastructure can be the deciding factor for the development of new fields and thereby the creation of value. A large part of the existing infrastructure has been in use for many decades and requires an increasingly focus on maintenance and renovation.

Corporate responsibility

Recovery of oil and gas from the Danish fields must take place based on "best practice" in the Danish part of the North Sea. This will minimise the impact on

the environment, reduce the risk of accidents and create most value for society and the oil companies.

In the advisory and deciding bodies Nordsøfonden exercises its influence by actively impressing on partners the need to focus on safety, environment protection and energy consumption of their exploration and production activities.

Nordsøfonden only participates in licences in Denmark and is therefore subject to Danish legislation. Danish legislation governs safety and environmental protection, human rights, workers' rights and anti-corruption etc.

"Nordsøfonden is actively impressing on partners the need to focus on safety, environment protection and energy consumption of their exploration and production activities."

Nordsøfonden will comply with legislation within the areas in which it is active and strive to operate in a responsible way.

The declaration of Nordsøfonden and Nordsøenheden on corporate responsibility (CSR Report) for 2017, cf. the Danish Financial Statement Act § 99a, is to be found in Danish on www.nordsoefonden.dk/csr-politik.

The report is complying with the requirements of the Danish Act on Annual Accounts regarding reporting on corporate responsibility. The report contains the policies for the corporate responsibility of Nordsøfonden and Nordsøenheden, how they are implementing the Act and an evaluation of the results achieved.

Financial performance

For 2017, Nordsøfonden's share of the DUC oil production amounted to 8.4 million barrels corresponding to 23,100 barrels/day remaining at almost the same level as in 2016. Nordsøfonden's share of gas produced in 2017 amounted to 745 million m³. Compared to 2016 this is an increase of close to 10 per cent mainly due to the drilling of several gas production wells in 2016 and 2017.

At an average 2017-price of Brent oil of USD 54 per barrel the total turnover of Nordsøfonden amounted to DKK 4.1 billion. Nordsøfonden is not undertaking financial hedging of oil and gas prices.

Nordsøfonden's share of production costs amounted to DKK 1.4 billion.

Three new production wells have been completed during 2017, and investment in wells etc. amounted to DKK 274 million. Furthermore, Nordsøfonden has used DKK 47 million on exploration and appraisal.

In the accounts of Nordsøfonden are included company and hydrocarbon taxes paid amounting to DKK 1.0 billion. Furthermore, DKK 600 million have been transferred as dividend to the State. Thus, the total cash flow to the Danish State is DKK 1.6 billion.

For Nordsøfonden the net result for 2017 amounted to a net profit of DKK 466 million compared to a loss of DKK 443 million in 2016.

Expectations for 2018

The result of 2018 will strongly depend on the trends of the oil price.

DUC expects production of oil and gas in 2018 to be slightly below the level of 2017 due to the natural decline in recovery from the fields. Production from the new wells of the Halfdan field and worked-over wells will, however, partly offset the drop in production.

During 2018 Nordsøfonden's investments are expected to amount to some DKK 1.0 billion which is considerably above the 2017 investments.

Production costs in 2018 are expected to remain at the same level as in 2017 i.a. due to a continued significant activity with maintenance of wells and optimising of production.

For 2018 exploration activities are expected to continue to be very limited on level with 2017.

All in all, Nordsøfonden expects a net result for 2018 of about DKK 450 million at the present oil price, 65 USD per barrel, which is some 10 per cent above the 2017 oil price.

Subsequent incidents

No subsequent incidents influencing this Annual Report for 2017 have been observed.



Accounting Policies

Accounting Policies

Basis of preparation

The Annual Report of Nordsøfonden for 2017 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 the Fund'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

Capitalised exploration costs primarily comprise wells where a discovery has been made, but where no decision has been made yet as to commercial utilisation and consequent development of the field.

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 intangible assets and property, plant and equipment are reassessed on an annual basis.

The carrying amounts of intangible assets and 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	2017	2016
1	Net turnover	4,057.9	3,227.9
	Production costs	-1,443.2	-1,381.2
6	Depreciations	-1,707.2	-2,115.1
6	Impairment loss, production facilities	-	-440.0
	Other income	40.7	45.3
Gross result		948.2	-663.1
	Exploration costs	-47.3	-42.7
2	Administrative costs	-26.7	-31.1
Profits/loss before financial income and expenses		874.2	-736.9
3	Financial income	7.5	3.2
4	Financial expenses	-240.5	-251.7
Profits/loss before tax		641.2	-985.4
5	Tax on profits/loss for the year	-175.4	542.1
Net profits/loss for the year		465.8	-443.3
Distribution of result:			
Retained earnings		465.8	-443.3

Balance Sheet 31 December

Assets

Note	mill. DKK	2017	2016
6	Tangible fixed assets		
	Production facilities e.o.	6,200.9	8,463.1
	Production facilities e.o. under construction	165.4	360.3
	Total fixed assets	6,336.3	8,823.4
	Stock, crude oil and inventory	304.9	339.3
	Receiveables		
	Receivables oil and gas sales	381.3	343.9
	Other receivables	-	15.5
	Prepayments	341.1	40.2
5	Deferred tax asset	104.7	-
		1,132.0	738.9
	Cash	749.2	232.5
	Total current assets	1,881.2	971.4
	Total assets	8,247.5	9,794.8

Balance Sheet 31 December

Liabilities and Equity

Note	mill. DKK	2017	2016
	Equity, refer below	2,449.1	2,583.3
	Total equity	2,449.1	2,583.3
7	Asset retirement obligations	4,951.0	5,773.7
5	Deferred tax	-	791.0
	Total provisions	4,951.0	6,564.7
	Operator debt	173.3	316.1
5	Tax payables	326.4	274.1
	Deferred income	347.7	56.6
	Total short-term debt	847.4	646.8
	Total debts	5,798.4	646.8
	Total liabilities and equity	8,247.5	9,794.8
8	Contingent liabilities and other financial obligations		
9	Related parties and ownership		
	Equity		
	As of 1 January	2,583.3	3,026.6
	Net profits/loss for the year	465.8	-443.3
	Transferred to State	-600.0	-
	Equity at 31 December	2,449.1	2,583.3

Cash Flow Statement

Note	mill. DKK	2017	2016
	Profits/loss before financial income and expenses	874.2	-736.9
	Depreciation and writedowns	1,707.2	2,555.1
	Working capital movements	-168.6	-887.6
5	Taxes paid	-1,018.6	-251.7
	Interest income	7.5	3.2
	Interest expenses	-1.4	-2.4
	Cash Flow from operations	1,400.3	679.7
	Investment in tangible fixed assets	-273.6	-904.2
	Cash Flow from investments	-273.6	-904.2
	Transferred to the State	-600.0	-
	Cash Flow from financing activities	-600.0	-
	Net Cash Flow	526.7	-224.5
	Cash 1 January	232.5	463.9
	Exchange rate adjustment re. cash	-10.0	-6.9
	Cash 31 December	749.2	232.5

Notes to the Financial Statements

Note	mill. DKK	2017	2016
1	Net turnover		
	Nordsøfonden's turnover solely comprises the fund's share of oil and gas production in Denmark		
	Sale of oil	3,097.1	2,494.4
	Sale of gas	960.8	733.5
	Net turnover	4,057.9	3,227.9
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 2017 with DKK 26.7 mill. (DKK 31.1 mill. in 2016). 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 1.6 mill. (DKK 1.6 mill. in 2016) and Board remuneration DKK 1.1 mill. (DKK 1.1 mill. in 2016).		
	Rigsrevisionen does not charge for auditing.		
3	Financial incomes		
	Interest received in bank	6.9	2.8
	Interest received in joint ventures	0.6	0.4
	Total	7.5	3.2

Notes to the Financial Statements

Note	mill. DKK	2017	2016
4	Financial Expenses		
	Interest element re. abandonment obligations	201.0	245.0
	Interest paid in joint ventures	1.4	2.4
	Exchange adjustments	38.1	4.3
	Total	240.5	251.7
5	Tax on profits/loss for the year		
	Current tax for the year	1,101.6	495.1
	Deferred tax assets adjustment for the year cif below	441.0	455.3
	Deferred tax liability adjustment for the year cif below	-1,336.7	-1,251.7
	Adjustments of previous year's tax	-30.5	-240.8
	Total tax for the year	175.4	-542.1
	Tax to be specified as follows:		
	Calculated company tax on profit of the year	485.8	250.0
	Calculated hydrocarbon tax on profit of the year	615.8	245.1
	Adjustment deferred company tax for the year	-355.7	-340.7
	Adjustment deferred hydrocarbon tax for the year	-540.0	-455.7
	Adjustment of the previous year	-30.5	-240.8
	Total	175.4	-542.1

Notes to the Financial Statements

Note	mill. DKK	2017	Adjustment for the year	2016
5	Deferred tax			
	Asset related to asset retirement obligations^{*)}			
	Company tax	729.7	172.3	902.0
	Hydrocarbon tax	1,138.3	268.7	1,407.0
	Total asset	1,868.0	441.0	2,309.0
	Liability related to differences between carrying amount and the tax base of fixed assets			
	Company tax	709.7	-528.0	1,237.7
	Hydrocarbon tax	1,053.6	-808.7	1,862.3
	Total liability	1,763.3	-1,336.7	3,100.0
	Movement deferred tax in total	-104.7	895.7	791.0

^{*)} 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.

	2017	2016
Tax payable		
As of 1 January	274.1	271.5
Current tax for the year	1,101.6	495.1
Taxes paid	-1,018.6	-251.7
Adjustment of previous year's tax	-30.7	-240.8
Tax payable 31 December	326.4	274.1

Notes to the Financial Statements

Note	mill. DKK	Production facilities e.o. u. construction	Production facilities e.o.	Total
6	Tangible fixed assets			
	Cost at 1 January 2017	1,475.3	27,675.5	29,150.8
	Additions for the year/Adjustment primo	261.3	-1,011.2	-749.9
	Transfer	-1,571.2	1,571.2	-
	Cost at 31 December 2017	165.4	28,235.5	28,400.9
	Depreciation at 1 January 2017	1,115.0	19,212.4	20,327.4
	Transfer	-1,115.0	1,115.0	-
	Depreciation for the period	-	1,707.2	1,707.2
	Depreciation at 31 December 2017	-	22,034.6	22,034.6
	Carrying amount at 31 December 2017	165.4	6,200.9	6,366.3

Notes to the Financial Statements

Note	mill DKK	2017	2016
7	Asset retirement obligation		
	Asset retirement obligation on 1 January	5,773.7	5,484.0
	Accretion for the year	201.0	245.0
	Adjustment of obligation ^{*)}	-1,023.7	44.7
	Asset retirement obligation 31 December	4,951.0	5,773.7

^{*)} Adjustment in 2016 and 2017 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 0.7 bill. (DKK 1.5 bill. in 2016) is due in 2-5 years, but the remaining part will be due in more than 5 years.

8 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.

9 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 2017.

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 2017 and of the results of 2017 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 2017.

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

Copenhagen, 9 April 2018

Anna Birgitta B. Jacobsen
CEO, Nordsøenheden

Board of Directors, Nordsøenheden

Henrik Michael Normann
Chairman

Karsten Sivebæk Knudsen
Vice Chairman

Berit Rynning

Birgitte Brinch Madsen

Christian Herskind Jørgensen

Mads Bo Keis Andersen

Sanne Weidner

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 2017, and of the results of Nordsøfonden's operations and cash flows for the financial year 1 January - 31 December 2017 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 2017, 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.

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

Copenhagen, 9 April 2018
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

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 2017, 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 2017, and of the results of Nordsøfonden's operations and cash flows for the financial year 1 January - 31 December 2017 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 as the audit is conducted on the basis of the provisions of the Danish Act on Nordsøenheden (the Danish North Sea Partner) and Nordsøfonden (the Danish North Sea Fund). 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.

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.

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 con-

ducted 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 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, 9 April 2018
Rigsrevisoren (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 2018

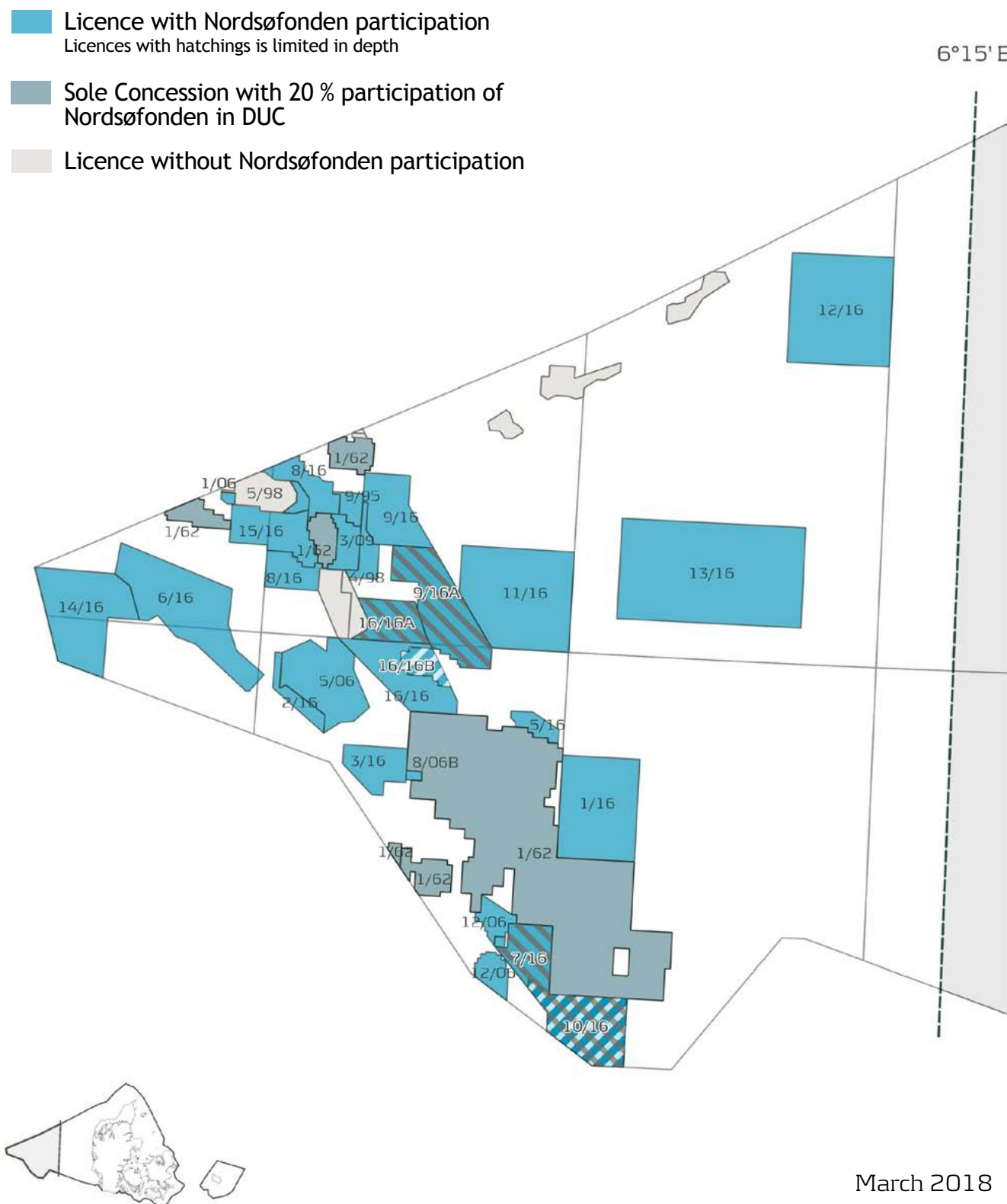
Licence		Year of granting	Operator
Appraisal, development and production			
1/62	DUC	1962/2012	Total - Mærsk Olie og Gas A/S
5/06	Ravn, Hibonite	2006	Wintershall Noordzee B.V.
12/06	Broder Tuck, Lille John	2006	Dana Petroleum Denmark B.V.
	Solsort Unit	2015	INEOS E&P A/S
Exploration			
9/95		1995/2015	INEOS E&P A/S
4/98		1998/2009	INEOS E&P A/S
1/06		2006	INEOS E&P A/S
8/06b		2006	Total - Mærsk Olie og Gas A/S
1/16		2016	Wintershall Noordzee B.V.
2/16		2016	Wintershall Noordzee B.V.
3/16		2016	Wintershall Noordzee B.V.
4/16		2016	Dana Petroleum Denmark B.V.
5/16		2016	Dana Petroleum Denmark B.V.

Licence	Year of granting	Operator
Exploration (continued)		
6/16	2016	Hess Denmark ApS
7/16	2016	Hansa Hydrocarbons Limited
8/16	2016	DEA Deutsche Erdoel AG
9/16	2016	DEA Deutsche Erdoel AG
10/16	2016	Ardent Oil (Denmark) S.A.
11/16	2016	Ardent Oil (Denmark) S.A.
12/16	2016	Ardent Oil (Denmark) S.A.
13/16	2016	Ardent Oil (Denmark) S.A.
14/16	2016	Edison International S.P.A.
15/16	2016	INEOS E&P A/S
16/16	2016	INEOS E&P A/S

Nordsøfonden has a 20 per cent share in all licences except 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





Annual Report 2017 Nordsøenheten

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Nordsøenheden

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Information on Nordsøenheden

Nordsøenheden (independent State company)
Amaliegade 45, 1st floor
DK-1256 Copenhagen K

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 2017 - 31 December 2017 (4th accounting year)

CEO: Anna Birgitta B. Jacobsen

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

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

The Board has held four ordinary Board meetings in 2017.

Photos: Nordsøfonden



A stylized, light-colored map of Denmark is visible in the background of the page, centered behind the title text.

Management's Report Accounting Policies

Management's Report

Main activity

Nordsøenheden is an independent State 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

During 2017 Nordsøenheden in addition to its current tasks related to Nordsøfonden primarily has been focusing on the assessing and deciding on a redevelopment of the installations of the Tyra field.

Nordsøenheden's net result of 2017 was a profit of DKK 82,000 compared to a net result of DKK 3,609,000 of 2016.

Expectations for 2018

In 2018, Nordsøenheden will continue to make a significant contribution to secure a sound return from participation in Nordsøfonden's licences.

A significant part of Nordsøenheden's resources will be allocated to the redevelopment of the Tyra field. In addition, maturing of discoveries will require resources.

Furthermore, resources will be given priority to ensuring exploration activities in licences making use of the experience of Nordsøfonden and its lateral know-how. In addition to this, Nordsøenheden will carry out its own geological and geophysical assessments of selected licences.

In 2018 Nordsøfonden will promote the Danish sector in cooperation with the Danish Energy Agency and GEUS prior to the 8th Licensing Round, which is expected to be announced during 2018.

Subsequent incidents

No subsequent incidents have been observed influencing the annual report for 2017.

Accounting Policies

Basis of Preparation

The Annual Report of Nordsøenheden for 2017 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	2017	2016
	Administration fee	26,700	31,100
	Total income	26,700	31,100
	Administrative costs	26,617	27,487
	Profits/loss before financial income and expenses	83	3,613
1	Financial expenses	1	4
	Net profits/loss for the year	82	3,609
	Proposed distribution of result		
	Retained earnings (in equity)	82	3,609

Balance Sheet 31 December

Assets

Note	'000 DKK	2017	2016
	Initial advance payments	171	169
	Total fixed assets	171	169
	Receivables		
	Other receivables	326	700
	Prepayments	1,362	1,287
	Total receivables	1,688	1,987
	Cash	13,225	13,304
	Total current assets	14,913	15,291
	Total assets	15,084	15,460

Balance Sheet 31 December

Liabilities and Equity

Note	'000 DKK	2017	2016
	Equity	11,759	11,677
2	Total Equity	11,759	11,677
	Payables		
	Suppliers, goods and services	835	1,066
3	Other payables	2,490	2,716
	Total short-term debt	3,325	3,782
	Total debts	3,325	3,782
	Total liabilities and equity	15,084	15,460

4 Employee matters

5 Related parties and ownership

Notes to the Financial Statements

Note	'000 DKK	2017	2016
1	Financial expenses		
	Interest paid	1	4
	Financial expenses at 31 December	1	4
2	Equity (retained earnings)		
	Equity 1 January	11,677	8,069
	Net profits/loss for the year	82	3,609
	Equity at 31 December	11,759	11,677
3	Other Payables		
	Holiday allowance obligation	1,751	1,639
	Other	739	1,078
	Total other payables	2,490	2,716

Notes to the Financial Statements

Note	'000 DKK	2017	2016
4	Employee matters		
	In 2017 average number of employees was 19 (17 in 2016)		
	Total employee costs are recognised in administrative costs and compose:		
	Salaries and wages	11,746	11,724
	Pension contributions	1,913	1,802
	Other costs of social security	-11	-548
	Total	13,648	12,978
	Remuneration of Management is included in the above with	1,587	1,620
	In addition, remuneration to the Board:		
	Henrik Normann - Chairman (10/2014)	350	350
	Karsten Knudsen - Vice Chairman (10/2014)	150	150
	Berit Rynning (10/2014)	125	125
	Birgitte Brinch Madsen (10/2014)	125	125
	Christian Herskind (10/2014)	125	125
	Mads Andersen (10/2014)	125	125
	Sanne Weidner (10/2014)	125	125
	Total	1,125	1,125
5	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 2017.

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 2017 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 2017.

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

Copenhagen, 9 April 2018

Anna Birgitta B. Jacobsen
CEO, Nordsøenheden

Board of Directors, Nordsøenheden:

Henrik Michael Normann
Chairman

Karsten Sivebæk Knudsen
Vice Chairman

Berit Rynning

Birgitte Brinch Madsen

Christian Herskind Jørgensen

Mads Bo Keis Andersen

Sanne Weidner

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 2017 and of the results of Nordsøenheden's operations for the financial year 1 January - 31 December 2017 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 2017, 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.

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

Copenhagen, 9 April 2018

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 2017, 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 2017 and of the results of Nordsøenheden's operations for the financial year 1 January - 31 December 2017 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with public auditing standards as the audit is conducted on the basis of the provisions of the Danish Act on Nordsøenheden (the Danish North Sea Partner) and Nordsøfond- en (the Danish North Sea Fund). 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.

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 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.

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 public auditing standards, cf. the provisions of the Danish Act on Nordsøenheden (the Danish North Sea Partner) and Nordsøfond- en (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 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, 9 April 2018
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

