

nordsøfonden



Annual Report 2016

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.

Nordsøfonden is Denmark's national oil and gas company participating on behalf of the State as a 20 per cent partner in all recent Danish licences, as well as in Danish Underground Consortium (DUC). As a partner Nordsøfonden is involved in taking all major decisions concerning the individual licences. Nordsøfonden participates on equal terms and with equal rights and liabilities like the other commercial oil and gas companies.

The Annual Reports 2016 for Nordsøfonden (page 1-48) and for Nordsøenheden (page 49-71) are gathered in this document.



Annual Report 2016 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 2016 - 31 December 2016. 11th 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	2016	2015	2014	2013	2012 ^{*)}
Oil production - average bbl/day (rounded)	22,900	26,000	28,000	31,200	32,000
Gas production, million m ³ /day (rounded)	1.9	1.9	2.0	2.1	2.3
Average oil price for the year (Brent) DKK	294	358	577	610	661
Net turnover	3,228	3,904	7,421	9,016	4,540
Profits/loss before financial income and expenses	-737	-3,844	-1,271	3,606	2,195
Net financial result	-248	-179	-174	-200	-140
Impairment loss, production facilities	440	1,776	2,500	-	-
Exploration activities	43	276	301	232	187
Net profits/loss for the year	-443	-1,353	-620	1,277	716
Investments in tangible fixed assets	904	944	532	426	201
Equity	2,583	3,027	4,679	6,898	8,921
Total assets	9,795	11,646	16,985	22,750	27,950
Taxes paid	240	1,755	3,574	3,553	1,497
Transferred to the State	-	300	1,600	3,300	550

*) Nordsøfonden entered Danish Underground Consortium (DUC) as of 9 July 2012

Management's Report

Energy is a prerequisite for a modern society, and recovery of oil and gas creates value for Denmark by revenue to the State, security of supply and thousands of jobs.

Denmark has already come a long way with the Green Transition, but for many years to come oil and gas will continue to play a significant part in the supply of energy. Revenue from production of oil and gas in the Danish sector of the North Sea will contribute to financing the Green Transition, and during the remaining period of the transition, natural gas can also substitute coal for production of electricity and district heating. Production of oil and gas is also important to the security of supply of energy as it will reduce Danish dependence on import.

Significant activities of the year

Redevelopment of the Tyra field

During 2016 a high-priority activity for Nordsøfonden has been to ensure that no reserves are left unexploited in the Danish underground. An accessible infrastructure is an important factor because the costs of transportation and treatment of the recovered oil and gas can be the deciding factor in whether productions from new discoveries are viable.

DUC has focused on finding a technical and economical case for redevelopment of the installations of the Tyra field in order to continue recovering the reserves. Many years of production from the field has caused the seabed and the installations to subside. Furthermore, new knowledge of waves and their impact on the platforms have revealed that production from the Tyra field cannot continue in a safe way. Consequently, installations – some of which are more than 30 years old – have to be decommissioned and replaced by new installations.

Optimal use of infrastructure

It is the mission of Nordsøfonden that no substantial reserves are left unexploited in the Danish subsoil. Consequently, Nordsøfonden is striving at maintaining and optimizing the use of the existing infrastructure.

Accessible infrastructure is imperative for the development of the North Sea as the costs of transportation and treatment of the oil and gas produced can be the decisive factor in the decision to develop any new discovery.

Moreover, third party access to the existing infrastructure on reasonable and foreseeable economic conditions is a paramount factor – especially in light of the present level of oil prices. Nordsøfonden is facilitating a constructive dialogue when the question of third party access is brought up in the individual licence groups, and as a participant in the majority of the licences Nordsøfonden can establish contacts between the relevant parties.

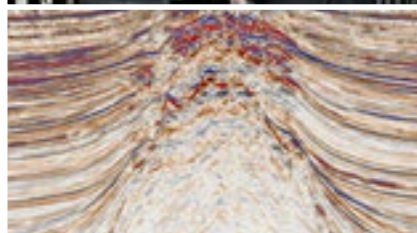
Nordsøfonden during 2016 spent considerable time and effort in ensuring a technically and economically sound solution to the redevelopment of the Tyra field in order to ensure continued production from the field and its satellite fields and to ensure an accessible infrastructure offering profitable production from adjacent, marginal discoveries.

Highlights in 2016



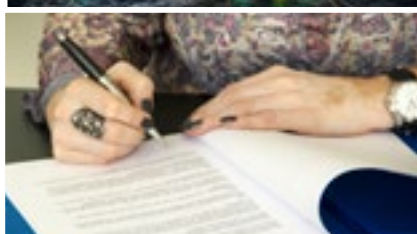
16 new licences granted in the 7th Danish Licensing Round

The Robin Hood licence is granted a 30 year extension



The Board of Directors appoints Birgitta Jacobsen as new CEO in Nordsøfonden

New production wells drilled on Tyra SE



New oil sales agreement with Chevron signed

Second production well drilled at the Ravn field



In March 2017 the Government and on behalf of DUC, the Concessionaires, agreed to an improved framework for production of oil and gas from the North Sea. The agreement offers better terms for the redevelopment of the installations on the Tyra field and ensures continued production from the Tyra and its nearby satellite fields, Harald, Lulita, Svend, Valdemar, Roar and Tyra Southeast.

The improved terms also cover future projects in the North Sea and contribute to establishing a positive investment climate in the Danish sector of the North Sea.

The Tyra field subsides

When producing gas from a field its pressure is reduced, and depending on the geology of the area the subsoil may be compressed.

Through the years production from the Tyra field has resulted in the seabed and also the installations on the field are subsiding. Additionally, recent research provides new knowledge of waves and their impact on the installations in the North Sea.

In total this means that the installations may be exposed to impacts from waves which means it is not possible to continue producing safely from the Tyra field. The Tyra gas field has been producing since 1984, and since then the seabed has subsided more than 5 meters.

For that reason it is necessary to close the production platforms and thereby cease production from Tyra and the satellite fields unless the installations on Tyra are redeveloped.

The Tyra field and nearby fields still hold considerable reserves, and will potentially use the production facilities on Tyra. Nordsøfonden has pursued continued production of gas from the Tyra field while at the same time ensuring an infrastructure that can make production from adjacent marginal discoveries profitable.

Nordsøfonden has clarified the advantages and challenges of a redevelopment of the Tyra field to relevant stakeholders.

New licences granted in the 7th Licensing Round

In 2016 the most important event within exploration was the granting of 16 new licences in the 7th Licensing Round. The licensing round attracted a number of new companies that have not yet operated in Denmark, while other companies extended their areas of interest. The number of Nordsøfonden's partners has hereby increased to 17 companies in 2016.

Nordsøfonden's production in 2016 is equivalent to

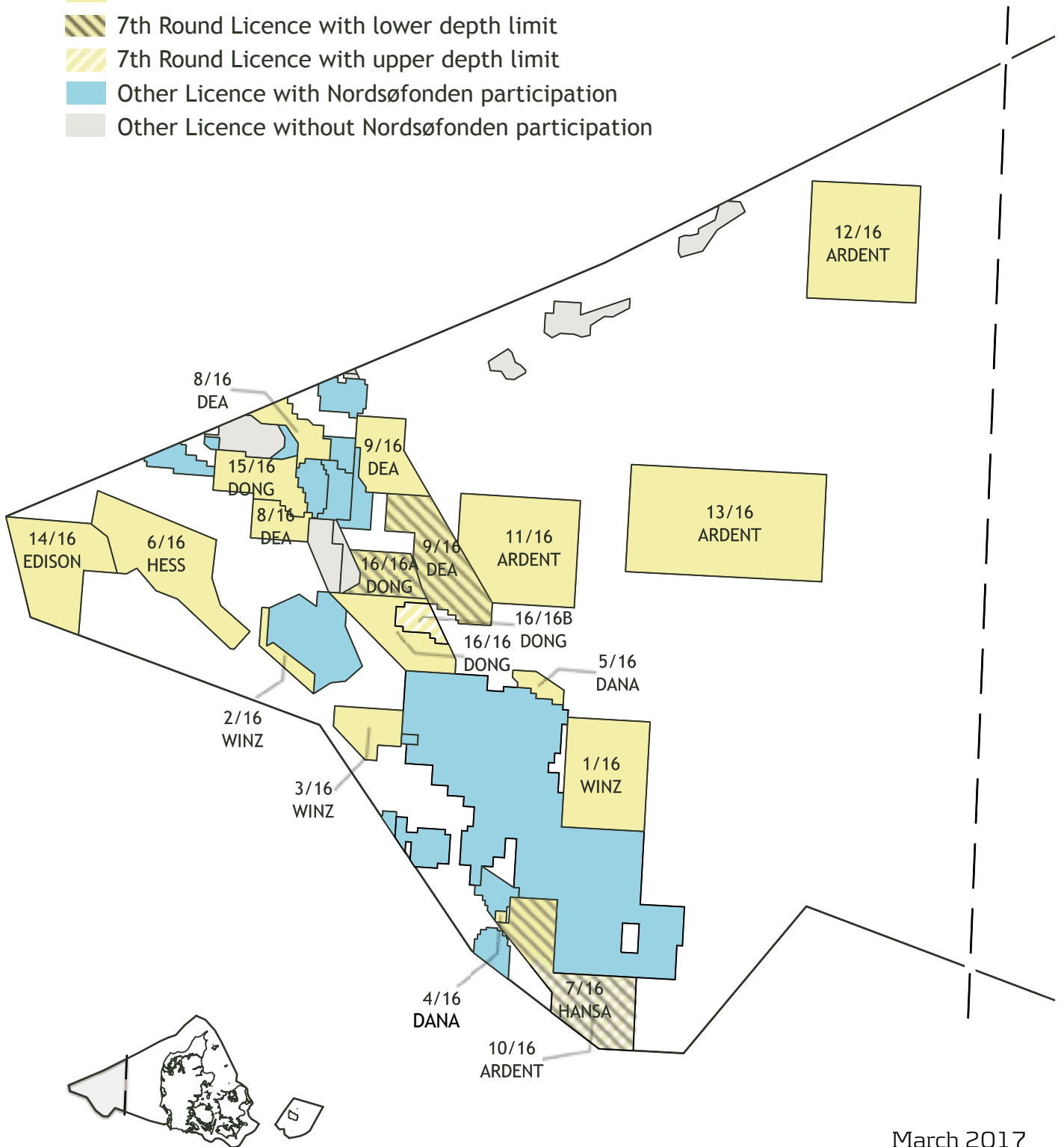


of the consumption of oil and gas in Denmark

Licences in 7th Licensing Round

- 7th Round Licence
- 7th Round Licence with lower depth limit
- 7th Round Licence with upper depth limit
- Other Licence with Nordsøfonden participation
- Other Licence without Nordsøfonden participation

6° 15' E



March 2017

The new licences comprises a number of interesting ideas for exploration and prospects, and include large parts of the Danish area. The exploration portfolio of Nordsøfonden spans wide and includes fracturing of the bedrock to prospects in sandstone and chalk.

The Ravn field - a frontrunner

With production from the Ravn field it is the first time, that:

- A new Danish field is put into production for over 10 years
- Wintershall Nordzee B.V. is operator of a producing field in Denmark
- There is production from a licence from the 6th Danish Licensing Round
- There is production from wells deeper than 4,000 meters
- There is production from the Upper Jurassic reservoir
- Nordsøfonden has production from a field outside DUC

Since the award of licences in April 2016, Nordsøfonden has negotiated and signed joint operating agreements with the new partners and has assisted them in establishing an administrative set-up and introduced them to relevant Danish regulations.

Furthermore, activities have been initiated in all licences to map and mature possible targets worth drilling. The work programs for the licences comprise among other interpretation of seismic data, and within a period of four years, wells must be drilled in two of the licences.

Development of the Ravn field

Throughout 2016 intense development has taken place at the Ravn field, and in March 2017 first oil was produced. The Ravn field is the first producing field outside the Sole Concession in which Nordsøfonden is a partner.

The oil field Ravn is situated close to the Danish-German border in the Danish sector of the North Sea. The accumulation was discovered back in 1986, but at that time it was considered impossible to produce, so the area was relinquished to the State.

After the 6th Licensing Round, Wintershall Noordzee B.V. became the operator of a licence that covers the accumulation. The technological development as well as a new look at the acquired data resulted in the decision to develop the field.

An unmanned platform accommodating up to three wells has been established on the Ravn field. The development will be phased, and in the first phase two wells have been completed. Oil from the field will be transported via a platform in German sector of the North Sea to a platform in Dutch sector from where it will be shipped onshore by tanker.

Well activities in 2016

- On Tyra Southeast five new wells came on production as a part of the current development plan.
- A new production well has been drilled at the Dan field.
- On the Svend and Tyra fields a number of wells have been closed-in in preparation of the shut-down of the Tyra installations.
- Maintenance and repair of older wells have been carried out at other DUC fields.
- A second well has been drilled at the Ravn field as a part of the development plan.

Production from Ravn is the first phase of a possible major development of the area named "Greater Ravn Area". Experience from the coming years of development and production will be essential when assessing the potential for developing the adjacent Hibonite discovery and other prospects in the area. Here Nordsøfonden will focus on ensuring that newly acquired knowledge about the underground is utilised.

Maturing of the Robin Hood discoveries

In May 2016, licence 12/06 was extended with 30 years in order to develop and produce from the discoveries Broder Tuck and Lille John. Development of the two discoveries are planned to take place simultaneously under the name Robin Hood.

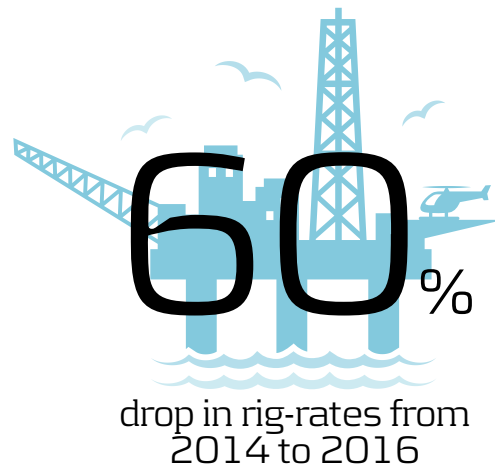
In 2016 assessments were made on how to plan production from the two discoveries. It has been necessary to continue to address the geological model of the area in order to obtain better knowledge of the reservoir distribution and recovery potential.

These efforts will constitute the basis for developing the two discoveries. Nordsøfonden has decided to allocate extra resources to the task in order to ensure - jointly with its partners - the progress of the project.

New sales agreements for sale of oil and gas

In 2016 Nordsøfonden called tenders for sale of its share of the oil produced from DUC, and a contract effective as from 2017 was signed with the oil company Chevron.

Nordsøfonden has also adjusted its portfolio of gas sales agreements in 2016 in order to optimize production of gas and thereby ensure value creation in the future.



Source: www.IHS.com

Nordsøfonden has long-term contracts with DONG, and for a period of time a part of the DUC gas will be sold to a third party. This gas is offered on yearly contracts, so in the first part of 2016, Nordsøfonden sold gas to NGF Nature Energy and as from October 1st to HMN.

A positive contribution to society

Exploration and recovery of oil is creating value to Denmark and contributing positively to the society through revenue and jobs. Since 1963 the Danish society has received more than DKK 400 billion in revenues, and the trade organization, Oil Gas Denmark estimates that some 15,000 persons are working in the oil and gas industry.

Furthermore, production will ensure national supply as it reduces Denmark's dependence on import of oil and gas from countries with unstable political conditions.

Profitable production of the remaining oil and gas from the Danish sector depends on the terms and

conditions, and here especially expectations of the long-term development of the oil price play a dominant part.

Oil and gas being a part of the Green Transition

A modern society is dependent on energy and oil and gas is a major foundation for the supply of energy. Coal and natural gas are used for production of electricity and heating, and oil for transportation. But production and consumption of energy has an impact on the environment – and this footprint must be minimized.

Green Transition in Denmark is already advanced, but for many years to come oil and gas will still play a major part in Danish energy supply. The forecasts for Danish production and consumption of energy until 2030 support this view.

Recovery of oil and gas supports the Green Transition by creating the revenue to society that can finance the transition to sustainable energy supply. Natural gas, furthermore, may replace coal for production of electricity and heating, and as natural gas is the cleanest fossil fuel, gas is a lesser load on the environment.

Strategic focal points

It is a complex task to recover the remaining potential of the Danish sector of the North Sea. Nordsøfonden wishes to contribute to a successful result and maintain the benefits of production of oil and gas many years ahead.

Barriers to creation of value

There is a growing need to be able to predict and control risks in advance. This is also applicable to the

Insights and knowledge across the Danish area

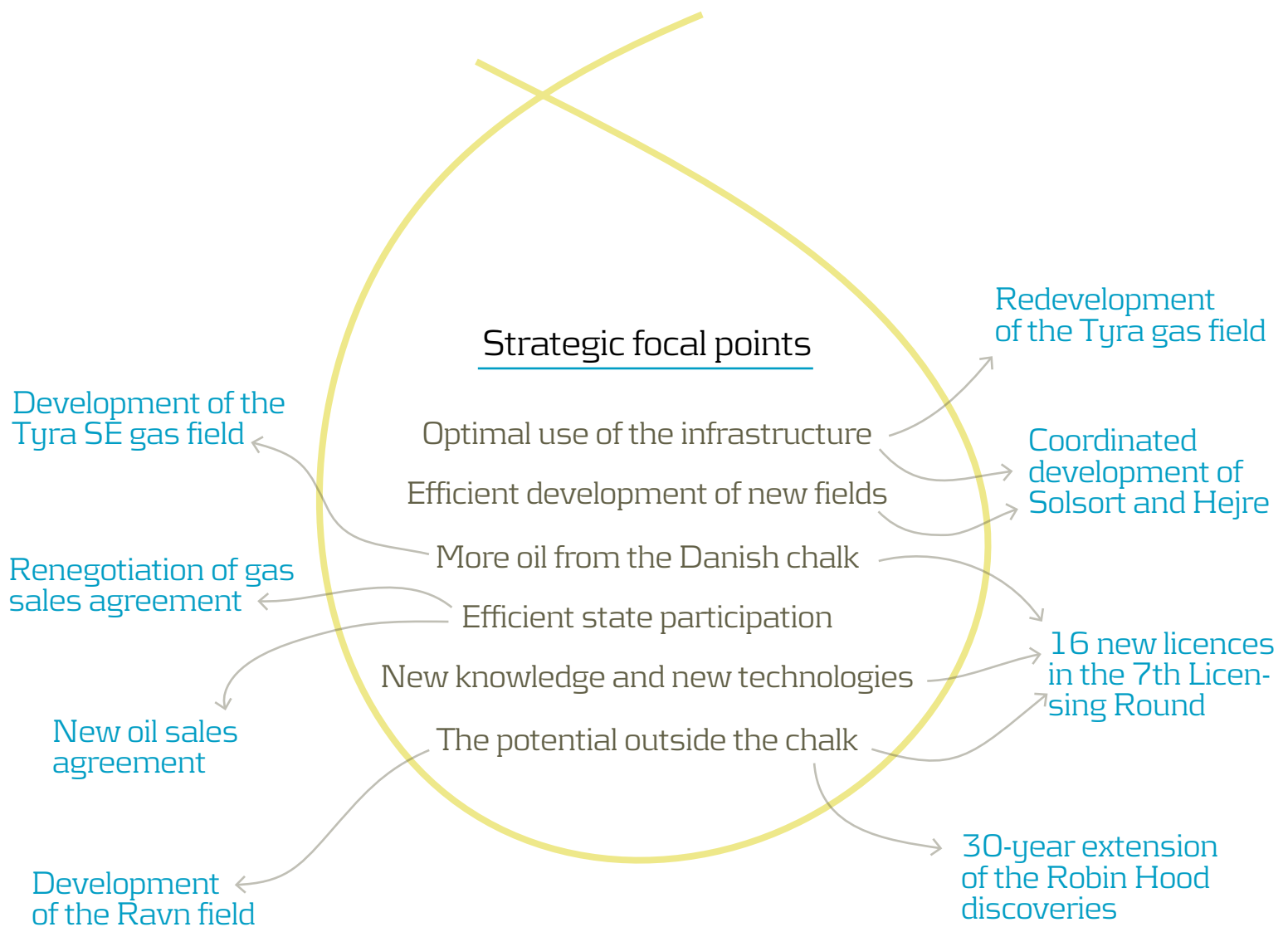
Nordsøfonden is striving in a visionary and innovative way at increasing the values from the oil and gas activities. This is achieved by long term solutions in existing and new fields and by simultaneous exploring widely and effectively for more oil and gas.

The work in the various stages like exploration, development and production requires a clear strategy and a sharp priority to create the highest possible value for the Danish State. Nordsøfonden as a strategic partner may contribute with knowledge across the Danish area by making useful the available knowledge and by inspiring to solutions beneficial to the State as well as to the partners of Nordsøfonden.

Nordsøfonden has knowledge across the Danish area, and via its broad participation in the licences it has insight into the activities and plans of the many licence groups. This may provide a significant and decisive contribution to the basis for the decisions of the licence groups.

Nordsøfonden endeavours to facilitate the cooperation between the licences and internally within the individual licences and consider it of great importance to have an open and constructive dialogue between the partners, licences, companies and authorities. Here Nordsøfonden may act as a "translator" as dialogue is an important element in securing the creation of highest possible value.

Strategic focal points and value-adding activities in 2016



international oil industry which during the latest years has been exposed to a growing number of changes and uncertainties – including lower oil prices.

The oil price is influenced by events in the world around us. 2016 saw major political events such as a new OPEC agreement on reduction of production of oil as well as the implementation of the climate agreement signed at COP21 in Paris. At the same time unrest in the Middle East continues, while Asia's demand for energy is growing. Lately, the election in the US has resulted in uncertainties as to the climate and energy politics of the Trump administration and its possible consequences.

Nordsøfonden has identified a number of challenges and risks which may influence the company's possibilities to create value to Danish society. The present level of the oil price and as a consequence, the oil companies' lack of ability or desire to invest, influences to a large extent these risks. This is particularly evident in the level of investments in exploration for new resources and in maintaining and developing the necessary infrastructure.

The most significant obstacles for value creation in the Danish sector are linked to infrastructure as accessible infrastructure is a deciding factor for existing production as well as for development of new marginal fields. Thus, ensuring a technically and economically sound solution for the redevelopment of the Tyra installations is of paramount importance to Nordsøfonden.

In addition to this, there is still a need for developing new and more efficient ways of reducing the costs of the industry.

Nordsøfonden's primary risks

- Access to basic infrastructure
- Facility Integrity
- Investments in exploration and development

Corporate responsibility

Recovery of oil and gas from the Danish fields must take place based on what is "best practise" on the Danish shelf. This will minimize 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.

In addition, Nordsøfonden and its partners in DUC have financed Center for Oil and Gas at the Danish Technical University (DTU). Here research is focusing on new and improved technologies potentially enhancing recovery from the North Sea.

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

The declaration of Nordsøfonden and Nordsøenheden on corporate responsibility (CSR Report) for 2016, 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

During 2016 Nordsøfonden's share of the DUC oil production amounted to 8.4 million barrels corresponding to 22,900 barrels/day. Compared to 2015 this is a decrease of 10 per cent caused by the natural decline in production from the fields. Nordsøfonden's share of gas produced in 2016 amounted to 690 million m³ remaining at almost the same level as in 2015.

At an average 2016-price of Brent oil of USD 44 per barrel the total turnover of Nordsøfonden amounted to DKK 3.2 billion. Nordsøfonden is not undertaking financial hedging of oil and gas prices.

Nordsøfonden's share of production costs amounted to DKK 1.4 billion of which maintenance of wells accounted for a significant part.

Four new production wells have been completed during 2016. Investment in wells etc. amounted to DKK 904 million. Nordsøfonden, furthermore, has spent DKK 43 million on exploration and appraisal.



billion DKK in revenue from sale of oil and gas in 2016

An arbitration in which Nordsøfonden was a respondent ended in 2015. The outcome had a negative effect of DKK 550 million on the Cash Flow, but has not affected the 2016 result significantly.

Nordsøfonden has performed an impairment test of the estimated value of some production assets.

The impairment test is based on an estimate of the amount of production and production periods, operational and abandonment costs of the existing production plants, and investments already agreed on. All such estimates are vitiated by a significant uncertainty primarily regarding future oil and gas prices as well as estimated reserves. The impairment test is based on the forward prices of Brent oil.

Postponed tax and tax assets have been included in accordance with the accounting practice of Nordsøfonden.

The impairment test showed a need for write-down of the tangible fixed assets by DKK 440 million. The write-down influences the result of the year and equity negatively by DKK 158 million net after tax.

For Nordsøfonden the net result amounted to DKK -443 million compared to DKK -1,352 million in 2015.

Expectations for 2017

The result of 2017 will strongly depend on the trends of the oil price.

DUC expect production of oil and gas in 2017 to be a little below the level of 2016 due to the natural decline in recovery from the fields. Production from the new wells of the Tyra Southeast field and worked-over wells will, however, limit the drop in production.

During 2017 Nordsøfonden's investments are expected to amount to some DKK 700 million which is slightly less than in 2016.

Production costs are expected to remain at the same level as in 2016 i.a. due to a continued significant activity focusing on maintenance of wells and optimizing of production.

For 2017 exploration activities are expected to continue to be limited – similar to the level of 2016.

In all, Nordsøfonden expects a result for 2017 of about DKK 100 million at the present oil price, 53 USD per barrel, which is some 15 per cent above the 2016 oil price.

Subsequent incidents

No subsequent incidents influencing this Annual Report for 2016 have been observed.





Accounting Policies

Accounting Policies

Basis of preparation

The Annual Report of Nordsøfonden for 2016 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 are assessed to be unsuccessful (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

Licence fees are amortised over the expected life of the licence.

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	2016	2015
1	Net turnover	3,227.9	3,904.3
	Production costs	-1,381.2	-1,657.8
7	Depreciations	-2,115.1	-3,792.2
7	Impairment loss, production facilities	-440.0	-1,775.6
	Other income	45.3	49.0
	Gross result	-663.1	-3,272.3
	Exploration costs	-42.7	-251.0
6	Depreciation and writedowns	-	-292.2
2	Administrative costs	-31.1	-28.7
	Profits/loss before financial income and expenses	-736.9	-3,844.2
3	Financial income	3.2	69.6
4	Financial expenses	-251.7	-248.4
	Profits/loss before tax	-985.4	-4,023.0
5	Tax on profits/loss for the year	542.1	2,670.5
	Net profits/loss for the year	-443.3	-1,352.5
	Distribution of result		
	Retained earnings	-443.3	-1,352.5

Balance Sheet 31 December

Assets

Note	mill. DKK	2016	2015
6	Intangible fixed assets		
	Exploration assets	-	-
		-	-
7	Tangible fixed assets		
	Production facilities e.o.	8,463.1	9,898.7
	Production facilities e.o. under construction	360.3	531.6
		8,823.4	10,430.3
	Total fixed assets	8,823.4	10,430.3
	Stock, crude oil and inventory	339.3	298.1
	Receivables		
	Receivables oil and gas sales	343.9	275.1
	Other receivables	15.5	23.5
	Prepayments	40.2	155.0
		738.9	751.7
	Cash	232.5	463.9
	Total current assets	971.4	1,215.6
	Total assets	9,794.8	11,645.9

Balance Sheet 31 December

Liabilities and Equity

Note	mill. DKK	2016	2015
	Equity, refer below	2,583.3	3,026.6
	Total equity	2,583.3	3,026.6
8	Asset retirement obligations	5,773.7	5,484.0
5	Deferred tax	791.0	1,587.4
	Total provisions	6,564.7	7,071.4
	Operator debt	316.1	1,144.4
5	Tax payables	274.1	271.5
	Deferred income	56.6	132.0
	Total short-term debt	646.8	1,547.9
	Total debts	646.8	1,547.9
	Total liabilities and equity	9,794.8	11,645.9
9	Contingent liabilities and other financial obligations		
10	Related parties and ownership		
	Equity		
	As of 1 January	3,026.6	4,679.1
	Net profits/loss for the year	-443.3	-1,352.5
	Transferred to State	-	-300.0
	Equity at 31 December	2,583.3	3,026.6

Cash Flow Statement

Note	mill. DKK	2016	2015
	Profits/loss before financial income and expenses	-736.9	-3,844.2
	Depreciation and writedowns	2,555.1	5,860.0
	Working capital movements	-887.6	1,083.9
5	Taxes paid	-251.7	-1,754.8
	Interest income	3.2	9.3
	Interest expenses	-2.4	-2.4
	Cash Flow from operations	679.7	1,351.8
	Investment in intangible fixed assets	-	-24.6
	Investment in tangible fixed assets	-904.2	-944.0
	Cash Flow from investments	-904.2	-968.6
	Transferred to the State	-	-300.0
	Cash Flow from financing activities	-	-300.0
	Net Cash Flow	-224.5	83.2
	Cash 1 January	463.9	363.9
	Exchange rate adjustment re. cash	-6.9	16.8
	Cash 31 December	232.5	463.9

Notes to the Financial Statements

Note	mill. DKK	2016	2015
1	Net turnover		
	Nordsøfonden's turnover solely comprises the fund's share of oil and gas production in Denmark		
	Sale of oil	2,494.4	3,400.7
	Sale of gas, incl. adjustment re. previous years	733.5	503.6
	Net turnover	3,227.9	3,904.3
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 2016 with DKK 31.1 mill. (DKK 28.7 mill. in 2015).		
	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 million. (DKK 1.0 mill. in 2015) and Board remuneration DKK 1.1 million (DKK 1.1 mill. in 2015).		
	Rigsrevisionen does not charge for auditing.		
3	Financial incomes		
	Interest received in bank	2.8	7.0
	Interest received in joint ventures	0.4	2.3
	Exchange adjustments	-	60.3
	Total	3.2	69.6

Notes to the Financial Statements

Note	mill. DKK	2016	2015
4	Financial Expenses		
	Interest element re. abandonment obligations	245.0	246.0
	Interest paid in joint ventures	2.4	2.4
	Exchange adjustments	4.3	-
	Total	251.7	248.4
5	Tax on profits/loss for the year		
	Current tax for the year	495.1	1,359.7
	Deferred tax assets adjustment for the year cif below	455.3	-602.7
	Deferred tax liability adjustment for the year cif below	-1,251.7	-3,418.2
	Adjustments of previous year's tax	-240.8	-9.3
	Total tax for the year	-542.1	-2,670.5
	Tax to be specified as follows:		
	Calculated company tax on profit of the year	250.0	589.3
	Calculated hydrocarbon tax on profit of the year	245.1	770.4
	Adjustment deferred company tax for the year	-340.7	-1,602.0
	Adjustment deferred hydrocarbon tax for the year	-455.7	-2,418.9
	Adjustment of the previous year	-240.8	-9.3
	Total	-542.1	-2,670.5

Notes to the Financial Statements

Note	mill. DKK	2016	Adjustment for the year	2015
5	Deferred tax			
	Asset related to asset retirement obligations			
	Company tax	902.0	-174.6	1,076.6
	Hydrocarbon tax	1,407.0	-280.7	1,687.7
	Total asset	2,309.0	-455.3	2,764.3
	Liability related to differences between carrying amount and the tax base of fixed assets			
	Company tax	1,237.7	515.3	31,753.0
	Hydrocarbon tax	1,862.3	-736.4	2,598.7
	Total liability	3,100.0	-1,251.7	4,351.7
	Movement deferred tax in total	791.0	796.4	1,587.4
			2016	2015
	Tax payable			
	As of 1 January		271.5	675.9
	Current tax for the year		495.1	1,359.7
	Taxes paid		-251.7	-1,754.8
	Adjustment of previous year's tax		-240.8	-9.3
	Tax payable 31 December		274.1	271.5

Notes to the Financial Statements

Note	mill. DKK	Exploration Assets
6	Intangible fixed assets	
	Cost at 1 January 2016	447.1
	Additions for the year	-
	Transfer	-
	Cost at 31 December 2016	447.1
	Depreciation at 1 January 2016	447.1
	Depreciation and impairment for the period	-
	Depreciation and impairment at 31 December 2016	447.1
	Carrying amount at 31 December 2016	0.0

Notes to the Financial Statements

Note	mill. DKK	Production facilities e.o. u. construction	Production facilities e.o.	Total
7	Tangible fixed assets			
	Cost at 1 January 2016	1,206.6	26,696.0	28,202.6
	Additions for the year	892.8	55.4	948.2
	Transfer	-624.1	624.1	-
	Cost at 31 December 2016	1,475.3	27,675.5	29,150.8
	Depreciation at 1 January 2016	675.0	17,097.3	17,772.3
	Depreciation for the period	-	2,115.1	2,115.1
	Impairment for the period	440.0	-	440.0
	Depreciation at 31 December 2016	1,115.0	19,212.4	20,327.4
	Carrying amount at 31 December 2016	360.3	8,463.1	8,823.4

Notes to the Financial Statements

Note	mill DKK	2016	2015
8	Asset retirement obligation		
	Asset retirement obligation on 1 January	5,484.0	5,473.8
	Accretion for the year	245.0	246.0
	Adjustment of obligation*)	44.7	-235.8
	Asset retirement obligation 31 December	5,773.7	5,484.0

*) Adjustment in 2015 and 2016 as a result of partly changed estimate for abandonment expenses and partly addition of new facilities.

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 2016.

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 2016 and of the results of 2016 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 2016.

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

Copenhagen, 6 April 2017

Anna Birgitta B. Jacobsen
CEO, Nordsøenheden

Board of Directors, Nordsøenheden

Chairman Henrik Michael Normann

Vice Chairman Karsten Sivebæk Knudsen

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

Auditor's Report on the Financial Statements

Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of Nordsøfonden at 31 December 2016, and of the results of Nordsøfonden's operations and cash flows for the financial year 1 January - 31 December 2016 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 2016, 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. 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 opinion.

Statement on Management's Review

Management is responsible for Management's Review.

Our opinion on the Financial Statements does not cover Management's Review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the Financial Statements or our knowledge obtained in our 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 observe any material misstatements in Management's Review.

Management's Responsibilities for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act and 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 and generally accepted public auditing practice 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 and generally accepted public auditing practice, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit

procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Nordsøfonden'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 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 in the notes, and whether the Financial Statements represent the underlying transactions and events in a manner that gives a true and fair view.

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, and for due financial consideration having been made in the administration of the funds and the operation of Nordsøfonden.

In accordance with generally accepted public auditing

practice, it is our responsibility in connection with our audit of the Financial Statements to select the subject matters relevant to both the compliance audit and the performance audit. During a compliance audit, we verify with reasonable assurance for the subject matters selected whether the transactions comprised by the financial reporting are in accordance with the grants given, legislation and other regulations as well as agreements concluded and generally accepted practice. During a 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, 6 April 2017
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR-no. 33 77 12 31

Jens Otto Damgaard
State Authorised Public Accountant

Kim Danstrup
State Authorised Public Accountant

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 2016, 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 Nordsøfond-en at 31 December 2016, and of the results of Nordsøfonden's operations and cash flows for the financial year 1 January - 31 December 2016 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 generally accepted public auditing practice 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). Generally accepted public auditing practice is based on the fundamental principles of public sector auditing of the international standards for supreme audit institutions (ISSAIs 100-999). 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 Responsibility for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 generally accepted public auditing practice 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 generally accepted public auditing practice, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Nordsøfonden'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 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 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, and for due financial consideration having been made in the administration of the funds and the operation of the enterprises comprised by the Financial Statements.

In accordance with generally accepted public auditing practice, it is our responsibility in connection with our audit of the Financial Statements to select the subject matters relevant to both the compliance audit and the performance audit. During a compliance audit, we verify with reasonable assurance for the subject matters selected whether the transactions comprised by the financial reporting are in accordance with the grants given, legislation and other regulations as well as agreements concluded and generally accepted practice. During a 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 enterprises 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.

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

Copenhagen, 6 April 2017
Rigsrevisionen

Lone Lærke Strøm
The Auditor General

Morten Henriksen
Head of Office



Licence Overview and Maps

Licences with participation of Nordsøfonden as of March 2017

Licence		Year of granting	Operator
Appraisal, development and production			
1/62	DUC	1962/2012	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	DONG E&P A/S
Exploration			
9/95		1995/2015	DONG E&P A/S
4/98		1998/2009	DONG E&P A/S
1/06		2006	DONG E&P A/S
8/06b		2006	Mærsk Olie og Gas A/S
3/09		2009	DONG E&P 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		
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	DONG E&P A/S
16/16	2016	DONG E&P A/S

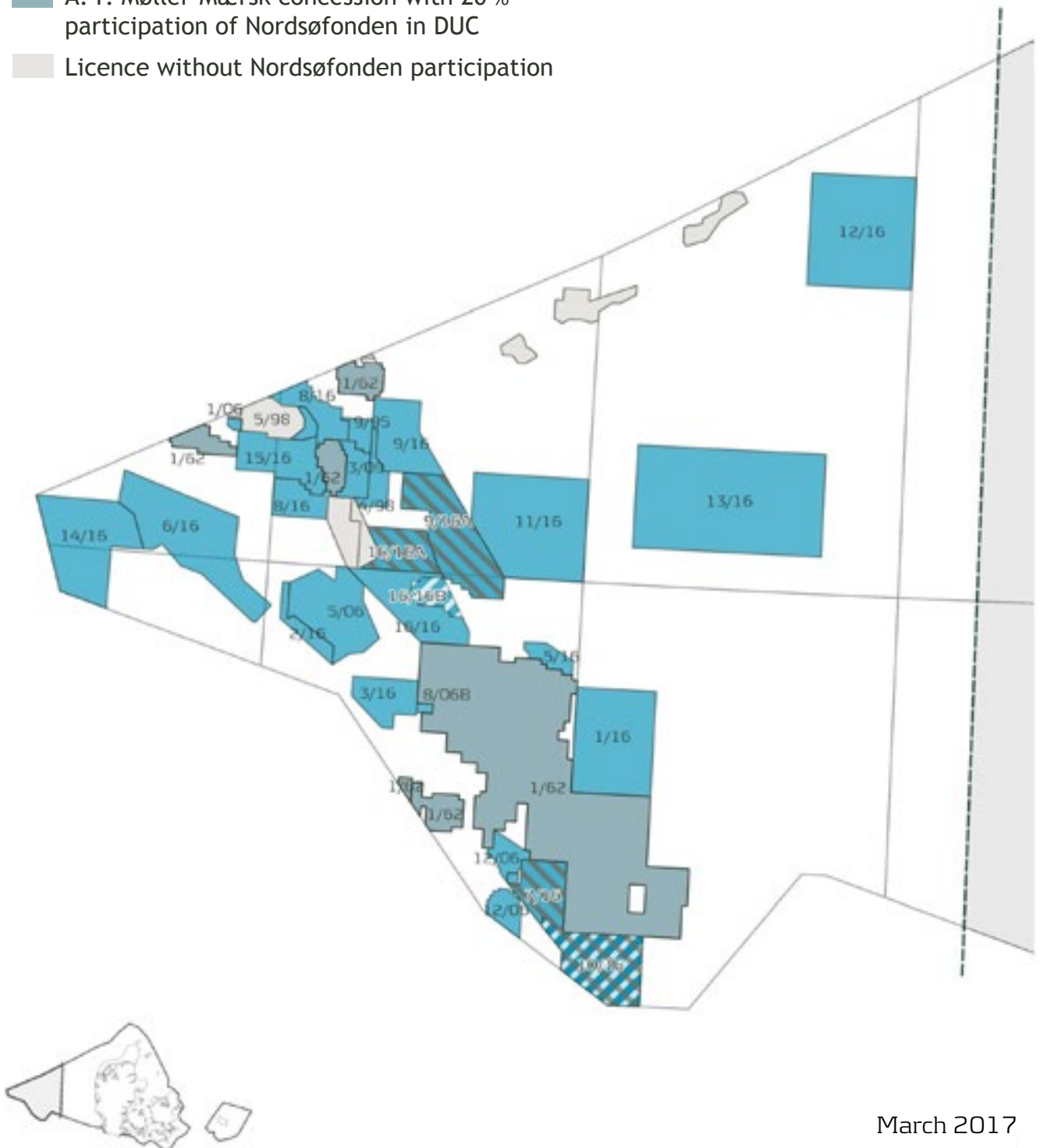
Nordsøfonden has a 20 per cent share in all licences except 5/06 where Nordsøfonden has a 36.36 per cent share and in Solsort Unit, where Nordsøfonden has a 18,44 per cent share.

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

Licences west of 6° 15' E

- Licence with Nordsøfonden participation
Licences with hatchings is limited in depth
- A. P. Møller-Mærsk concession with 20 % participation of Nordsøfonden in DUC
- Licence without Nordsøfonden participation

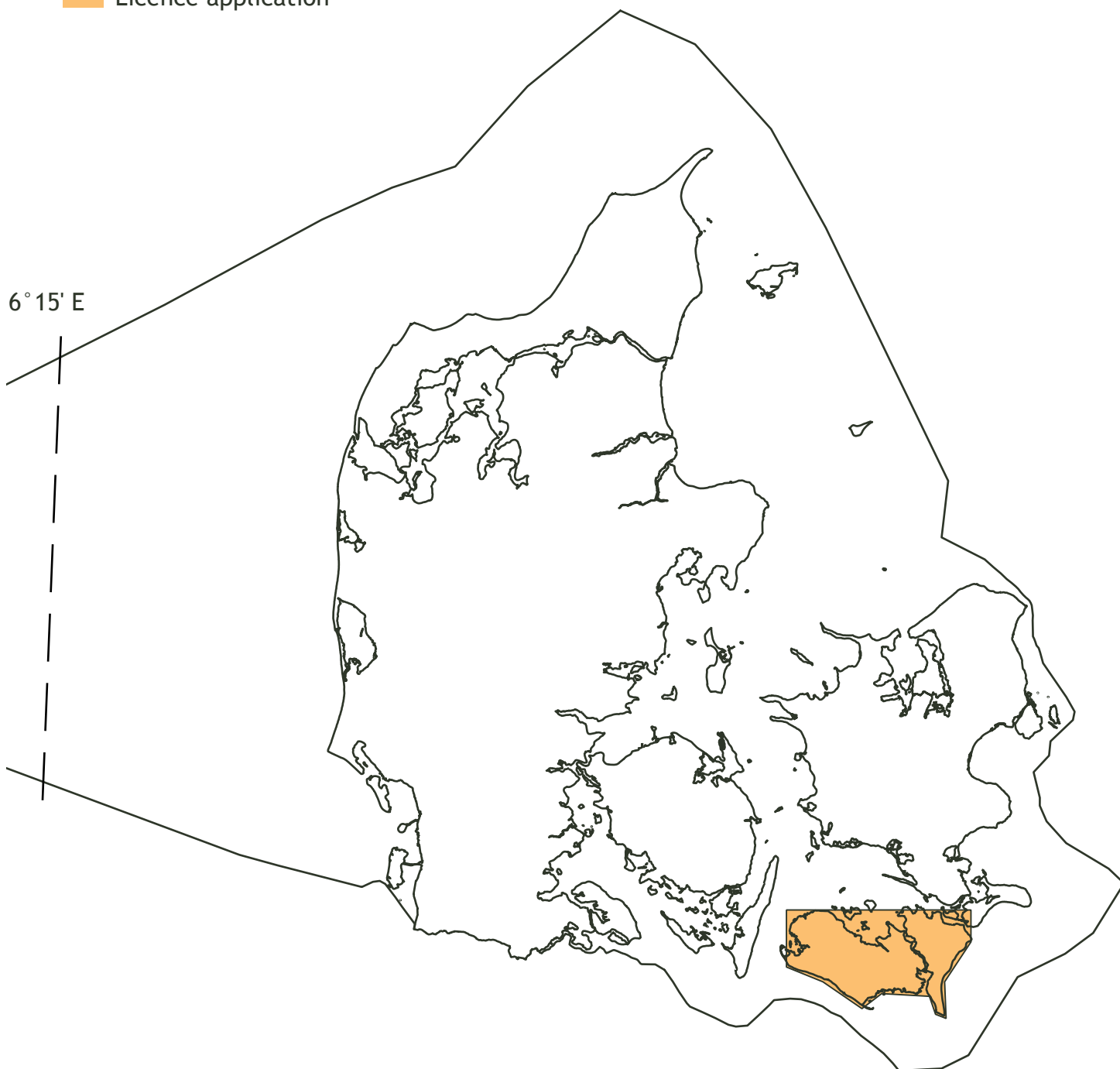
6°15'E



March 2017

Licences east of 6° 15' E

 Licence application



March 2017



Annual Report 2016 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
Fascimile: +45 72 26 57 51
Homepage: www.nordsoeenheden.dk
CVR No.: 31 41 22 42

Municipality of reg. office: Copenhagen

Financial period: 1 January 2016 - 31 December 2016 (3rd 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 five ordinary Board meetings in 2016.

Photos: Nordsøfonden





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 2016 Nordsøenheden in addition to its current tasks related to Nordsøfonden primarily has been focusing on the new licences granted by the 7th Licensing Round as well as assessing and taking decisions regarding a redevelopment of the installations of the Tyra field.

Nordsøenheden's result of 2016 was a profit of DKK 3,609,000 compared to a deficit of DKK 5,699,000 of 2015.

Expectations for 2017

In 2017, Nordsøenheden will continue to make a significant contribution to secure a sound return from Nordsøfonden's participation in both existing and new licences.

A significant part of Nordsøenheden's resources will be allocated to addressing the Tyra field and its adjacent satellites. In addition to this, maturing the Robin Hood field will require resources, and the same goes for following up on production from the new field, Ravn.

Furthermore, resources will be given high priority to ensuring activities in the 16 new exploration licences making useful 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, and in 2017 Nordsøfonden will promote the Danish sector prior to a 8th Licensing Round in cooperation with the Danish Energy Agency and GEUS.

Subsequent incidents

No subsequent incidents have been observed influencing the annual report for 2016.

Accounting Policies

Basis of Preparation

The Annual Report of Nordsøenheden for 2016 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	2016	2015
	Administration fee	31,100	28,700
	Total income	31,100	28,700
	Administrative costs	27,487	34,398
	Profits/loss before financial income and expenses	3,613	-5,698
1	Financial expenses	4	1
	Net profits/loss for the year	3,609	-5,699
	Distribution of result		
	Retained earnings (in equity)	3,609	-5,699

Balance Sheet 31 December

Assets

Note	'000 DKK	2016	2015
	Initial advance payments	169	166
	Total fixed assets	169	166
	Receivables		
	Other receivables	700	1,160
	Prepayments	1,287	1,558
	Total receivables	1,987	2,718
	Cash	13,304	15,449
	Total current assets	15,291	18,167
	Total assets	15,460	18,333

Balance Sheet 31 December

Liabilities and Equity

Note	'000 DKK	2016	2015
	Equity	11,677	8,069
2	Total Equity	11,677	8,069
	Payables		
	Suppliers, goods and services	1,066	1,241
3	Other payables	2,716	9,023
	Total short-term debt	3,782	10,264
	Total debts	3,782	10,264
	Total liabilities and equity	15,460	18,333

4 Employee matters

5 Related parties and ownership

Notes to the Financial Statements

Note	'000 DKK	2016	2015
1	Financial expenses		
	Interest paid	4	1
	Financial expenses at 31 December	4	1
2	Equity (retained earnings)		
	Equity 1 January	8,069	13,768
	Net profits/loss for the year	3,609	-5,699
	Equity at 31 December	11,677	8,069
3	Other Payables		
	Holiday allowance obligation	1,639	1,267
	Other	1,078	7,756
	Total other payables	2,716	9,023

Notes to the Financial Statements

Note	'000 DKK	2016	2015
4	Employee matters		
	In 2016 average number of employees was 17 (17 in 2015)		
	Total employee costs are recognised in administrative costs and compose:		
	Salaries and wages	11,724	9,628
	Pension contributions	1,802	1,502
	Other costs of social security	-548	-375
	Total	12,978	10,755
	Remuneration of Management is included in the above with	1,620	1,048
	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 2016.

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 2016 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 2016.

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

Copenhagen, 6 April 2017

Anna Birgitta B. Jacobsen
CEO, Nordsøfonden

Board of Directors:

Chairman Henrik Michael Normann

Vice Chairman Karsten Sivebæk Knudsen

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

Auditor's Report on the Financial Statements

Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of Nordsøenheden at 31 December 2016, and of the results of Nordsøenheden's operations for the financial year 1 January - 31 December 2016 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 2016, which comprise income statement, balance sheet, 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. 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.

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 our 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 observe any material misstatements in Management's Review.

Management's Responsibilities for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act and 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 and generally accepted public auditing practice 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 and generally accepted public auditing practice, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of 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 Nordsø-fonden'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 in the notes, and whether the Financial Statements represent the underlying transactions and events in a manner that gives a true and fair view.

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, and for due financial consideration having been made in the administration of the funds and the operation of Nordsøenheden.

In accordance with generally accepted public auditing practice, it is our responsibility in connection with our audit of the Financial Statements to select the subject matters relevant to both the compliance audit and the performance audit. During a compliance audit, we verify with reasonable assurance for the subject

matters selected whether the transactions comprised by the financial reporting are in accordance with the grants given, legislation and other regulations as well as agreements concluded and generally accepted practice. During a 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, 6 April 2017

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR-no. 33 77 12 31

Jens Otto Damgaard
State Authorised Public Accountant

Kim Danstrup
State Authorised Public Accountant

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 2016, 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 2016 and of the results of Nordsøenheden's operations for the financial year 1 January - 31 December 2016 in accordance with the Danish Financial Statements Act.

Basis for Opinion

We conducted our audit in accordance with generally accepted public auditing practice as the audit is conducted on the basis of the provisions of the Danish Act on Nordsøenheden (the Danish North Sea Partner) og Nordsøfonden (the Danish North Sea Fund). Generally accepted public auditing practice is based on the fundamental principles of public sector auditing of the international standards for supreme audit institutions (ISSAIs 100-999). 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 audit opinion.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 generally accepted public auditing practice 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 generally accepted public auditing practice, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of 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, and for due financial consideration having been made in the administration of the funds and the operation of the enterprises comprised by the Financial Statements.

In accordance with generally accepted public auditing practice, it is our responsibility in connection with our audit of the Financial Statements to select the subject matters relevant to both the compliance audit and the performance audit. During a compliance audit, we verify with reasonable assurance for the subject matters selected whether the transactions comprised by the financial reporting are in accordance with the grants given, legislation and other regulations as well as agreements concluded and generally accepted practice. During a 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 enterprises 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.

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

Copenhagen, 6 April 2017
Rigsrevisionen

Lone Lærke Strøm
The Auditor General

Morten Henriksen
Head of Office



