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# ***VNG Danmark ApS***

c/o Bech-Bruun Advokatfirma, Langelinie Allé 35,  
DK-2100 København Ø

## **Annual Report for 1 January - 31 December 2015**

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CVR No 32 93 22 07

The Annual Report was  
presented and adopted at  
the Annual General  
Meeting of the Company on  
31/5 2016

Atle Sonesen  
Chairman

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# **Management's Statement**

The Executive Board and Board of Directors have today considered and adopted the Annual Report of VNG Danmark ApS for the financial year 1 January - 31 December 2015.

The Annual Report is prepared in accordance with the Danish Financial Statements Act.

In our opinion the Financial Statements give a true and fair view of the financial position at 31 December 2015 of the Company and of the results of the Company operations for 2015.

In our opinion, Management's Review includes a true and fair account of the matters addressed in the Review.

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

Stavanger, 28 April 2016

## **Executive Board**

Atle Sonesen

## **Board of Directors**

Hans-Joachim Polk  
Chairman

Bodo Jens Rodestock

Anton Peter Irmen

Mike Diekmann

# **Independent Auditor's Report on the Financial Statements**

To the Shareholder of VNG Danmark ApS

## **Report on the Financial Statements**

We have audited the Financial Statements of VNG Danmark ApS for the financial year 1 January - 31 December 2015, which comprise income statement, balance sheet, statement of changes in equity, notes and summary of significant accounting policies. The Financial Statements are prepared in accordance with the Danish Financial Statements Act.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

Our responsibility is to express an opinion on the Financial Statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and additional requirements under Danish audit regulation. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the Financial Statements are free from material misstatement.

An audit involves performing audit procedures to obtain audit evidence about the amounts and disclosures in the Financial Statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Financial Statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation of Financial Statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the Financial Statements.

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

Our audit has not resulted in any qualification.

### **Opinion**

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2015 and of the results of the Company operations for the financial year 1 January - 31 December 2015 in accordance with the Danish Financial Statements Act.

# **Independent Auditor's Report on the Financial Statements**

## **Statement on Management's Review**

We have read Management's Review in accordance with the Danish Financial Statements Act. We have not performed any procedures additional to the audit of the Financial Statements. On this basis, in our opinion, the information provided in Management's Review is in accordance with the Financial Statements.

Hellerup, 28 April 2016

**PricewaterhouseCoopers**

Statsautoriseret Revisionspartnerselskab

*CVR No 33 77 12 31*

Ole T. Thomsen

statsautoriseret revisor

## **Company Information**

### **The Company**

VNG Danmark ApS  
c/o Bech-Bruun Advokatfirma  
Langelinie Allé 35  
DK-2100 København Ø

CVR No: 32 93 22 07

Financial period: 1 January - 31 December

Municipality of reg. office: København

### **Board of Directors**

Hans-Joachim Polk, Chairman  
Bodo Jens Rodestock  
Anton Peter Irmen  
Mike Diekmann

### **Executive Board**

Atle Sonesen

### **Auditors**

PricewaterhouseCoopers  
Statsautoriseret Revisionspartnerselskab  
Strandvejen 44  
DK-2900 Hellerup

# Management's Review

## The Company

The Company is a 100 % owned subsidiary of VNG Norge AS. VNG Norge AS (VNG Norge) is a wholly owned subsidiary of the Leipzig-based Group, VNG – Verbundnetz Gas Aktiengesellschaft (VNG AG). The company is responsible for the VNG Group's oil and gas exploration and production activities. The activities of VNG Danmark is run by an established separate project organisation within VNG Norge.

Changes have been made to the license portfolio in Danmark in the last year. The Solsort discovery has been unitised with the neighbouring license 7/89 and have thus become a separate unit/entity. VNG Danmark have since withdrawn from exploration license 4/98.

VNG Danmark therefore currently has an interest of 13.83 % in the Solsort Unit, with a 30 year production license period (together with DONG E&P (operator), Nordsøfonden, Bayerngas Danmark ApS, Hess Denmark ApS, Danoil Exploration A/S). VNG Danmark also owns 15% in the 3/09 exploration license together with DONG E&P (operator), Bayerngas Danmark ApS and Nordsøfonden.

VNG Danmark ApS intends to work closely and constructively with the licence partners and the authorities in order to optimise development of the two licences.

## Main activity

In 2010, the Solsort hydrocarbon accumulation was discovered by the Solsort-1 well in an area which extends over both the 3/09 and 4/98 licences. Since the discovery, focus has primarily been on assessing the potential of the hydrocarbon accumulation and the feasibility of a commercial development.

## Evolution of the year

The income statement of the Company for 2015 shows a loss of TDKK 21,644, and at 31 December 2015 the balance sheet of the Company shows equity of TDKK 110,312.

2015 was a challenging year for the oil & gas industry industry with volatile oil prices and uncertain marked conditions. In addition the Solsort pre-development project has been influenced by difficult commercial negotiations with various hosts for a tie back concept. The focus has been on making sure the current development concepts under evaluation is fit for purpose, as well as working up new alternative concepts to secure robust development and sound economy.

# **Management's Review**

## **Planned developments and future prospects / Going concern**

The Solsort development project is approaching a feasibility gate (DG2) in summer 2016. With a successful passing of this gate the plan is to continue work toward the concept selection gate (DG3) in early 2017.

A deficit is expected in 2016 as the company does not have income-generating activities throughout the year.

The board is satisfied with the activity throughout the year and is well positioned to meet the challenging market situation for the oil industry. The shareholder's parent company's (VNG – Verbundnetz Gas Aktiengesellschaft) financial position and long-term commitment in Norway and Denmark ensures that the opportunities for development of the business is good. The ultimate parent company has issued a parent company guarantee for the Danish state, which ensures the fulfilment of all existing and future obligations for the company as a joint holder of licenses. Furthermore, in February 2016, VNG Norge AS increased the company's equity through a capital increase of DKK 25 million including share premium to finance the company's ongoing activities. On this basis, the management considers the capital resources to be satisfactory.

## **Subsequent events**

No events materially affecting the assessment of the Annual Report have occurred after the balance sheet date.



## Income Statement 1 January - 31 December

	Note	2015 TDKK	2014 TDKK
Other operating income		3,063	0
Exploration costs	2	-18,186	-15,466
Other external expenses		-9,619	-18,142
<b>Gross profit/loss</b>		<b>-24,742</b>	<b>-33,608</b>
Financial income	3	4,887	1,210
Financial expenses	4	-1,789	-3,276
<b>Profit/loss before tax</b>		<b>-21,644</b>	<b>-35,674</b>
Income tax	5	0	0
<b>Net profit/loss for the year</b>		<b>-21,644</b>	<b>-35,674</b>

## Distribution of profit

### Proposed distribution of profit

Proposed dividend for the year	0	0
Retained earnings	-21,644	-35,674
	<b>-21,644</b>	<b>-35,674</b>

## Balance Sheet 31 December

### Assets

	<u>Note</u>	<u>2015</u> TDKK	<u>2014</u> TDKK
Capitalized exploration costs		101,178	104,377
<b>Intangible assets</b>	6	<b>101,178</b>	<b>104,377</b>
<b>Fixed assets</b>		<b>101,178</b>	<b>104,377</b>
Other receivables	7	2,903	11,927
<b>Receivables</b>		<b>2,903</b>	<b>11,927</b>
<b>Cash at bank and in hand</b>		<b>10,011</b>	<b>25,491</b>
<b>Currents assets</b>		<b>12,914</b>	<b>37,418</b>
<b>Assets</b>		<b>114,092</b>	<b>141,795</b>

# Balance Sheet 31 December

## Liabilities and equity

	Note	2015 TDKK	2014 TDKK
Share capital		62,405	62,405
Share premium account		186,975	186,975
Retained earnings		-139,068	-117,424
<b>Equity</b>	8	<b>110,312</b>	<b>131,956</b>
Trade payables		46	2,352
Payables to group enterprises		220	440
Other payables	10	3,514	7,047
<b>Short-term debt</b>		<b>3,780</b>	<b>9,839</b>
<b>Debt</b>		<b>3,780</b>	<b>9,839</b>
<b>Liabilities and equity</b>		<b>114,092</b>	<b>141,795</b>
Going concern	1		
Contingent assets, liabilities and other financial obligations	12		
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Provision for deferred tax	9		

## Statement of Changes in Equity

	<u>Share capital</u> TDKK	<u>Share premium account</u> TDKK	<u>Retained earnings</u> TDKK	<u>Total</u> TDKK
Equity at 1 January	62,405	186,975	-117,424	131,956
Net profit/loss for the year	<u>0</u>	<u>0</u>	<u>-21,644</u>	<u>-21,644</u>
<b>Equity at 31 December</b>	<b><u>62,405</u></b>	<b><u>186,975</u></b>	<b><u>-139,068</u></b>	<b><u>110,312</u></b>

# Notes to the Financial Statements

## 1 Going concern

The Company relies on the Group to continuously providing financing which allows the Company to continue to meet its obligations as they fall due. In February 2016, VNG Norge AS increased the Companys equity by DKK 25 million including share premium. Management assesses that the capital increase allows the Company to honour all of its commitments throughout 2016 and thus the 2015 Annual Report has been developed under the going concern assumption.

	2015 TDKK	2014 TDKK
<b>2 Exploration costs</b>		
Exploration costs from licences	17,410	14,621
Seismic, well data and field studies	776	845
	<u>18,186</u>	<u>15,466</u>
<b>3 Financial income</b>		
Other financial income	578	530
Exchange rate gain	4,309	680
	<u>4,887</u>	<u>1,210</u>
<b>4 Financial expenses</b>		
Other financial cost	1	1
Exchange rate loss	1,788	3,275
	<u>1,789</u>	<u>3,276</u>
<b>5 Income tax</b>		
Actual tax	0	0
Change in deferred tax	0	0
	<u>0</u>	<u>0</u>

## Notes to the Financial Statements

### 6 Intangible assets

	Capitalized exploration costs TDKK
Cost at 1 January	104,377
Disposals for the year	-3,199
Cost at 31 December	<u>101,178</u>
Impairment losses and amortisation at 1 January	0
Impairment losses for the year	0
Impairment losses and amortisation at 31 December	<u>0</u>
<b>Carrying amount at 31 December</b>	<b><u>101,178</u></b>

### 7 Other receivables

	2015 TDKK	2014 TDKK
Over-/undercall licenses	1,818	10,243
Working capital licences	312	1,500
VAT receivable	263	185
Other short-term receivables	510	0
	<u><b>2,903</b></u>	<u><b>11,928</b></u>

### 8 Equity

The share capital in the company at year-end is divided into 624 050 shares with a nominal value of DKK 100 per share. The shares are not divided into classes.

The share capital has developed as follows:

	2015 TDKK	2014 TDKK	2013 TDKK	2012 TDKK	2011 TDKK
Share capital at 1 January	62,405	55,505	30,205	20,080	20,080
Capital increase	0	6,900	25,300	10,125	0
Capital decrease	0	0	0	0	0
<b>Share capital at 31 December</b>	<b><u>62,405</u></b>	<b><u>62,405</u></b>	<b><u>55,505</u></b>	<b><u>30,205</u></b>	<b><u>20,080</u></b>

# Notes to the Financial Statements

## 9 Deferred tax

Deferred tax is not recognised as a tax asset, as the Company's short-term budgets, not with high probability, indicate that this can be exploited. The value of the asset is reviewed in accordance with the development of the licences.

	2015 TDKK	2014 TDKK
<b>10 Other current liabilities</b>		
Working capital from licences	2,625	1,538
Other short-term liabilities	889	5,509
	<b>3,514</b>	<b>7,047</b>

## 11 Related parties and ownership

### Basis

#### Controlling interest

VNG Norge AS, Stavanger, Norway

Parent company 100 %

VNG - Verbundnetz Gas Aktiengesellschaft, Leipzig,  
Germany

Owns 100 % of the shares in parent company

#### Ownership

The Company has registered the following shareholder holding more than 5 % of share capital voting rights or nominal value:

VNG Norge AS, Laberget 22, 4020 Stavanger, Norge (100 %)

#### **Consolidated Financial Statements**

The Company is included in the Group Annual Report of Verbundnetz Gas Aktiengesellschaft in Germany.

The Group Annual Report of may be obtained at the following address:

Verbundnetz Gas Aktiengesellschaft  
Braunstraße 7  
04347 Leipzig  
Deutschland

# Notes to the Financial Statements

## 12 Contingent assets, liabilities and other financial obligations

### Contingent liabilities

VNG Danmark ApS, which is involved in two exploration licenses on the Danish Continental Shelf, is according to approved work programs for exploration and development of the licenses, required to invest substantial amounts in the years to come. The company is joint and severally liable with the other license participants from obligations under the licenses.

VNG Danmark ApS' share of agreed-to commitments relating to exploration and development through licensing agreements amount to DKK 17,018k as per 31 December 2015.



## **Accounting Policies**

### **Basis of Preparation**

The Annual Report of VNG Danmark ApS for 2015 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to enterprises of reporting class B as well as selected rules applying to reporting class C.

The accounting policies applied remain unchanged from last year.

Financial Statements for 2015 are presented in TDKK.

### **Recognition and measurement**

Revenues are recognised in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortised cost are recognised. Moreover, all expenses incurred to achieve the earnings for the year are recognised in the income statement.

Assets are recognized in the balance sheet when, as a result of a past event, is probable that future economic benefits will flow, and the value of the asset can be measured reliably.

Liabilities are recognized in the balance sheet when the entity, as a result of a past event, has a legal or constructive obligation and it is probable that future economics benefits will flow from the company, and the value of the liability can be measured reliably.

On initial recognition assets and liabilities are measured at cost. Measurement after initial recognition is effected as described for each item below.

Recognition and measurement take into account foreseeable risks and losses that arise before the presentation of the annual report, and that confirm or deny conditions that existed at the balance sheet date.

### **Translation policies**

Transactions in foreign currencies are translated initially at the transaction date. Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at balance date, are translated at the exchange rate on the balance date. Exchange differences arising between the transaction date and payment date, is recognized in the income statement as financial items.

## **Income Statement**

### **Exploration costs**

Exploration costs comprise the raw materials and consumables consumed to achieve revenue for the year.

# **Accounting Policies**

## **Other external expenses**

Other external costs include the costs of distribution, sales, marketing, administration, premises, bad debts etc.

Other external expenses also include research costs and costs of development that do not meet the criteria for capitalization.

## **Other operating income and expenses**

Other operating income and other operating expenses comprise items of a secondary nature to the core activities of the enterprise.

## **Financial income and expenses**

Financial income and expenses comprise renter, finansielle omkostninger ved finansiell leasing, realiserede og urealiserede valutakursreguleringer, kursregulering på værdipapirer, amortisering af realkreditlån samt tillæg og godtgørelse under acontoskatteordningen.

## **Income tax**

Income tax for the year comprises current tax and change in deferred tax expense, in the income attributable to this years profit or loss, and in equity by the portion attributable to entries directly on equity.

Current tax payable or receivable is recognized in the balance sheet as tax calculated on the taxable income, adjusted for prepaid tax.

Deferred tax is recognized on all temporary differences between book and tax values of assets and liabilities.

Deferred tax assets, including the tax value of tax loss carry forwards are recognized in the balance sheet with the amount the asset is expected to be realized at, either against deferred tax liabilities or as net assets.

## **Balance Sheet**

### **Intangible assets; capitalised exploration costs**

The cost of exploration licences are capitalised as an intangible asset and include costs such as external fees which are directly attributable to the acquisition of the licenses.

Exploration costs are spent to determine whether there are deposits of oil or gas.

## **Accounting Policies**

Exploration expenditure for the accomplishment of drilling, which demonstrated deposits of hydrocarbons are carried at cost to intangible fixed assets. When a decision of field development is made, the exploration cost is transferred to production plant as tangible assets.

VNG Danmark ApS uses the "successful efforts" method for the consideration of exploration and development costs. All exploration costs, excluding costs associated with drilling of exploration wells, are expensed consecutively. Costs associated with the drilling of exploration wells are temporarily recognised until an evaluation of possible discoveries of oil and gas reserves has occurred. Drilling Costs related to findings declared dry or which are not considered technically or commercially extractable, are expensed.

Capitalised licenses and exploration costs are amortized based on the unit of production method, from the time where the field is put into operation, but not exceeding 20 years.

For exploration licences the acquisition cost is impairment tested based on a potential value assessment whereby estimated recoverable resources are assigned a value per barrel.

### **Receivables**

Receivables are measured at amortised costs, which usually corresponds to the nominal value less write-downs for bad debts.

### **Other financial liabilities**

Other financial liabilities are measured at amortised cost, which usually corresponds to the nominal value.