

DONG E&P DK A/S

Annual Report for 2015

Kraftværksvej 53, 7000 Fredericia

CVR no. 67 14 53 13

The annual report was presented and adopted at the annual general meeting of the company on 18/05 2016

Ulrik Jarlov

Chairman

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Statement by the Executive Board and the Board of Directors

The Board of Directors and the Executive Board have today considered and adopted the Annual Report of DONG E&P DK A/S 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 the year 1 January - 31 December 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

Skærbæk, 9 May 2016

Executive Board

Flemming Horn Nielsen
Managing director

Board of Directors

David B. Cook
Chairman

Hanne Legardt Blume Levy
Deputy Chairman

Jeppe Hoff Nielsen

Independent Auditor's Report

To the Shareholder of DONG E&P DK A/S

Report on the Financial Statements

We have audited the Financial Statements of DONG E&P DK A/S for the financial year 1 January - 31 December 2015, which comprise summary of significant accounting policies, income statement, balance sheet, statement of changes in equity and notes. 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

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, it is our opinion that the information provided in the Management's Review is in accordance with the Financial Statements.

København, 9 May 2016

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR-no.33 77 12 31

Thomas Wraae Holm
State Authorised Public Accountant

Kim Danstrup
State Authorised Public Accountant

Company Information

The Company

DONG E&P DK A/S
Kraftværksvej 53
Skærbæk
7000 Fredericia

Telephone: 99 55 11 11
Fax: 99 55 00 02
Website: www.dongenergy.com

Central Business Registration no.: 67 14 53 13
Financial Period: 1 January - 31 December
Municipality of reg. office: Fredericia

Board of Directors

David B. Cook, Chairman
Hanne Legardt Blume Levy, Deputy Chairman
Jeppe Hoff Nielsen

Executive Board

Flemming Horn Nielsen, managing director

Auditors

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab

Consolidated Financial Statements

The Company is incorporated into the consolidated Financial Statements DONG Energy A/S.

The Group Annual Report of DONG Energy A/S can be downloaded at the following address:

www.dongenergy.com

Management Review

Core activity

The Company's objects are to engage in activities in the energy sector and ancillary activities.

Development in the year

The Company's income statement for the year ended 31 December 2015 showed a loss of t.kr. 246,362, and the Company's balance sheet at 31 December 2015 showed an equity of t.kr. 164,452.

The Company has in 2015 purchased 18,2% of the Lulita license, located in the North Sea.

In 2015 the Company's tax asset has been written down with DKK 244 million due it is uncertain that the Company will benefit from the tax losses in the future.

Unusual events

The financial position at 31 December 2015 of the Company and the results of the Company operations for the financial year 2015 have not been affected by any unusual events.

Subsequent events

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

Outlook for the coming year

For 2016 we expect a loss before tax between DKK 5 million and DKK 10 million.

Accounting policies

The Annual Report of DONG E&P DK A/S for 2015 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to enterprises of reporting class B.

The accounting policies applied remain unchanged from previous years.

The Annual Report for 2015 is presented in t.kr.

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, including depreciation, amortisation, impairment losses and provisions.

Assets are recognised in the balance sheet when it is probable that future economic benefits attributable to the asset will flow to the Company, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow out of the Company, and the value of the liability can be measured reliably.

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.

Recognition and measurement take into account predictable losses and risks occurring before the presentation of the Annual Report which confirm or invalidate affairs and conditions existing at the balance sheet date.

Income statement

Revenue

Revenue is recognised in the income statement when delivery and transfer of risk to the buyer have taken place before year-end. Revenue is recognised exclusive of VAT and net of discounts relating to sales.

Other external costs

Other external costs comprise expenses for administration, premises, operating leases, etc.

Accounting policies

Amortisation, depreciation and impairment losses

Amortisation, depreciation and impairment losses comprise the year's depreciation, amortisation and impairment losses on intangible assets and property, plant and equipment.

Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts relating to the financial year.

Tax on profit/loss for the year

Tax on profit/loss for the year, consisting of current tax for the year and deferred tax for the year, is recognised in the income statement to the extent that it relates to the net profit/loss for the year and directly in equity to the extent that it relates to entries directly in equity. The company is subject to the Danish rules on compulsory joint taxation of the DONG Energy Group's Danish companies, and the ultimate parent company, DONG Energy A/S, has also elected international joint taxation with the Group's foreign subsidiaries. Subsidiaries are included in the joint taxation from the date they are included in the consolidation in the consolidated financial statements and up to the date on which they are no longer included in the consolidation.

DONG E&P DK A/S is subject to Hydrocarbon Taxation. Hydrocarbon taxes are recognized as income tax expense. DONG E&P A/S is the management company for the hydrocarbon joint taxation and settles all payments of hydrocarbon taxes to the tax authorities.

The ultimate parent company, DONG Energy A/S, is the administration company for the joint taxation and consequently settles all income tax payments with the tax authorities.

In connection with the settlement of joint taxation contributions, current Danish income tax is allocated among the jointly taxed Danish enterprises in proportion to their taxable income. Further to this, Danish subsidiaries with tax losses receive joint taxation contributions from the parent company equivalent to the tax base of the tax losses utilised (full allocation), while enterprises that utilise tax losses in other Danish enterprises pay joint taxation contributions to the parent company equivalent to the tax base of the utilised losses.

Accounting policies

Balance sheet

Tangible assets

Tangible assets are measured at cost less accumulated depreciation and impairment losses.

Cost comprises the purchase price and any expenses directly attributable to the acquisition until the date the asset is ready for use. In the case of assets of own construction, cost comprises direct and indirect expenses for labour, materials, components and sub-suppliers.

Cost is increased by estimated expenses for dismantling and removing the asset and restoration to the extent that they are recognised as a provision.

Exploration comprises recognised expenses for drilling successful exploration and appraisal wells where development of the field has yet to commence. Expenses are recognised using the successful efforts method. Under the successful efforts method, expenses for drilling specific exploration wells are recognised in the balance sheet. Acquired licences where discoveries have been made, including acquired reserves, are also recognised under exploration. General exploration expenses and expenses for unsuccessful exploration wells are recognised in the income statement. Recognition in the balance sheet is maintained pending determination of commercial viability. Where a discovery is found not to be commercially viable, the drilling expenses incurred are recognised in the income statement as other external cost. Other exploration expenses are recognised in the income statement as other costs as incurred.

In the case of oil and gas production assets, cost is depreciated using the unit-of-production method based on the ratio of current production to estimated recoverable reserves by individual field.

Impairment of fixed assets

The carrying amounts of intangible assets and property, plant and equipment and investments in subsidiaries are reviewed on an annual basis to determine whether there is any indication of impairment.

If there are indications of impairment, an impairment test is carried out, for each asset or group of assets, to determine whether the recoverable amount is lower than the carrying amount, and the asset is written down to its lower recoverable amount.

Receivables

Receivables are recognised at amortised cost, which normally corresponds to nominal value. Provisions for estimated bad debts are made.

Accounting policies

Provisions

Provisions are recognised when in consequence of an event occurring before or at the balance sheet date the company has a legal or constructive obligation and it is probable that economic benefits must be given up to settle the obligation.

In measuring provisions, the expenses required to settle the liability are discounted to net present value, if this has a significant effect on the measurement of the liability. A pre-tax discount rate is used that reflects the general interest rate level in society. The change in present values for the financial year is recognised as financial expenses.

Provisions for decommissioning of production assets and restoration are measured at the present value of the future liability in respect of decommissioning and shutdown as estimated at the balance sheet date. The amount provided is determined on the basis of existing requirements and estimated expenses, which are discounted to present value. If specific risks are deemed to be attached to a provision, the estimated expenses are recognised. A discount rate is used that reflects the general interest rate level in society. These liabilities are recognised as they arise and are adjusted on a regular basis to reflect changes in requirements, price level, etc. The value of the provision is recognised in property, plant and equipment and depreciated together with the relevant assets. The increase in time of the present value of the provision is recognised in net profit for the year as financial expenses.

Deferred tax assets and liabilities

Current tax payable and current tax receivable are recognised in the balance sheet as tax calculated on the taxable income for the year, adjusted for tax on previous years' taxable income and taxes paid on account.

Deferred tax is measured using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts on the basis of the intended use of the asset and settlement of the liability, respectively.

Deferred tax assets, including the tax base of tax loss carry-forwards, are measured at the value at which the asset is expected to be realised, either by elimination against tax on future earnings or by set-off against deferred tax liabilities.

Accounting policies

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. Where the tax base can be determined applying alternative tax rules, deferred tax is measured on the basis of the intended use of the asset or settlement of the liability, respectively.

Any changes in deferred tax due to changes to tax rates are recognised in the income statement. For the current year, a tax rate of 25% on Hydrocarbon activities and 22% on corporate tax has been applied.

Payables

Financial liabilities are recognised at inception at the proceeds received net of transaction expenses incurred. In subsequent periods, the financial liabilities are measured at amortised cost, corresponding to the capitalised value, using the effective interest rate. The difference between the proceeds received and the nominal value is recognised in the income statement over the term of the loan.

Other payables are measured at amortised cost, corresponding to nominal value.

Foreign currency translation

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Gains and losses arising due to differences between the transaction date rates 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.

Fixed assets acquired in foreign currencies are measured at the transaction date rates.

Resultatoppgørelse 1. januar - 31. december

	<u>Note</u>	<u>2015</u> t.kr.	<u>2014</u> t.kr.
Revenue		251	0
Other external costs		-474	-43.064
Gross profit		-223	-43.064
Staff costs	2	0	0
Earnings before interest, taxes, depreciation and amortisation		-223	-43.064
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment		-640	0
Loss before financial income and expenses		-863	-43.064
Financial income		2.229	225
Financial costs		-3.385	-1.084
Result before tax		-2.019	-43.923
Tax on profit/loss for the year	1	-244.343	2.268
Result for the year		-246.362	-41.655
Transfer to retained earnings		-246.362	-41.655
		-246.362	-41.655

Balance 31. december

	Note	2015 t.kr.	2014 t.kr.
Assets			
Production assets		39.044	0
Tangible assets	3	39.044	0
Total non-current assets		39.044	0
Receivables from subsidiaries		159.939	19.526
Other receivables		274	282
Deferred tax asset	4	4.987	249.330
Receivables		165.200	269.138
Cash at bank and in hand		101	0
Total currents assets		165.301	269.138
Total assets		204.345	269.138

Balance 31. december

	<u>Note</u>	<u>2015</u> t.kr.	<u>2014</u> t.kr.
Liabilities and equity			
Share capital		9.500	2.000
Retained earnings		<u>154.952</u>	<u>183.814</u>
Total equity	5	<u>164.452</u>	<u>185.814</u>
Other provisions		<u>17.920</u>	<u>0</u>
Total provisions		<u>17.920</u>	<u>0</u>
Payables to group enterprises		21.830	7.447
Corporation tax		0	75.849
Other payables		<u>143</u>	<u>28</u>
Short-term debt		<u>21.973</u>	<u>83.324</u>
Total liabilities other than provisions		<u>21.973</u>	<u>83.324</u>
Total liabilities and equity		<u>204.345</u>	<u>269.138</u>
Contingent assets, liabilities and other financial obligations	6		
Related parties and ownership	7		

Statement of changes in equity

	Share capital	Retained earnings	Total
	t.kr.	t.kr.	t.kr.
Equity 1. januar	2.000	183.814	185.814
Cash capital increase	7.500	217.500	225.000
Net profit for the year	0	-246.362	-246.362
Equity 31. december	9.500	154.952	164.452

Notes to the Annual Report

	<u>2015</u> t.kr.	<u>2014</u> t.kr.
1 Tax on profit/loss for the year		
Current tax for the year	196	0
Deferred tax for the year	244.313	-10.981
Adjustment of tax concerning previous years	0	8.713
Adjustment of deferred tax concerning previous years	-166	0
	<u>244.343</u>	<u>-2.268</u>

	<u>2015</u> t.kr.	<u>2014</u> t.kr.
2 Staff costs		
Average number of employees	<u>0</u>	<u>0</u>

The company had no employees in the accounting period, and no remuneration was paid to the Board of Directors and the Executive Board.

	<u>Production assets</u> t.kr.
3 Tangible assets	
Cost 1. januar	0
Additions for the year	<u>39.684</u>
Cost 31. december	<u>39.684</u>
Depreciation for the year	<u>640</u>
Impairment losses and depreciation 31. december	<u>640</u>
Carrying amount at 31 December	<u>39.044</u>

Notes to the Annual Report

	<u>2015</u> t.kr.	<u>2014</u> t.kr.
4 Provision for deferred tax		
Tax loss carry-forward	-4.987	-249.330
Transferred to deferred tax asset	<u>4.987</u>	<u>249.330</u>
	<u>0</u>	<u>0</u>
Deferred tax asset		
Calculated tax asset	<u>4.987</u>	<u>249.330</u>
Carrying amount	<u>4.987</u>	<u>249.330</u>

5 Equity

The share capital consists of 9,500 shares of a nominal value of t.kr. 1. No shares carry any special rights.

The share capital has developed as follows:

	<u>2015</u> t.kr.	<u>2014</u> t.kr.	<u>2013</u> t.kr.	<u>2012</u> t.kr.	<u>2011</u> t.kr.
Share capital 1. januar	2.000	2.000	1.000	1.000	1.000
Additions for the year	7.500	0	1.000	0	0
Disposals for the year	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Share capital 31. december	<u>9.500</u>	<u>2.000</u>	<u>2.000</u>	<u>1.000</u>	<u>1.000</u>

Notes to the Annual Report

6 Contingent assets, liabilities and other financial obligations

DONG E&P DK A/S has deferred tax assets of DKK 5,970 million (2014: DKK 3,831 million) that have not been recognised and related primarily to unutilised losses in hydrocarbon income. It is considered unlikely that these losses can be utilised in the foreseeable future.

Liability to pay compensation (strict liability)

According to legislation, DONG E&P DK A/S are liable to pay compensation for damage caused by their oil and gas activities, even where there is no proof of negligence (strict liability). The usual insurance has been taken out to cover any such claims.

7 Related parties and ownership

Basis

Controlling interest

DONG Energy A/S, Kraftsværksvej 53, 7000 Fredericia.

Parent Company, 100% owned

Other related parties

The Danish State (Ministry of Finance)

The Board of Directors, The Executive board and other executive staff

Subsidiaries and associated companies in DONG Energy Group

Goldman Sachs

Ownership

The following shareholders are recorded in the Company's register of shareholders as holding at least 5% of the votes or at least 5% of the share capital:

DONG Energy A/S