DONG E&P A/S

Annual Report for 2015

Kraftværksvej 53, 7000 Fredericia

CVR no. 73 34 96 13

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

Ulrik Jarlov
Chairman

Contents

	Page
Management statement and independent auditor's report	
Statement by the Executive Board and the Board of Directors	2
Independent Auditor’s Report	3
Management´s review	
Company information	5
Performance highlights	6
Management's review	7
Financial statements	
Accounting policies	10
Income Statement for the year ended 31 December	18
Balance Sheet at 31 December	19
Statement of changes in equity	21
Notes to the financial statements	22

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 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's and of the results of the company's operations for the year 1 January - 31 December 2015.

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

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

Skærbæk, 9 May 2016

Executive Board

David B. Cook
Managing Director

Board of Directors

Marianne Wiinholt Chairman	Hanne Legardt Blume Levy Deputy Chairman	Jeppe Hoff Nielsen

Independent Auditor's Report

To the Shareholder of DONG E&P A/S

Report on the Financial Statements

We have audited the Financial Statements of DONG E&P 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 the 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 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 Companys'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 Entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the 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 consistent 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 A/S Kraftværksvej 53 Skærbæk 7000 Fredericia	
	Telephone: Fax: Website:	99 55 11 11 99 55 00 02 www.dongenergy.com
	CVR no.: Financial Period: Reg. office:	73 34 96 13 1 January - 31 December Fredericia
Board of Directors	Marianne Wiinholt, Chairman Hanne Legardt Blume Levy Jeppe Hoff Nielsen	
Executive Board	David B. Cook, Managing Director	
Auditors	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Strandvejen 44 2900 Hellerup	
Consolidated Financial Statements	The company is included in the Consolidated Financial Statement of DONG Energy A/S The Annual Report of DONG Energy A/S can be downloaded at the following address: www.dongenergy.com	

Performance highlights

Viewed over a five-year period, the development of the company can be described by the following performance highlights:

	2015 DKK million	2014 DKK million	2013 DKK million	2012 DKK million	2011 DKK million
Key figures					
Income statement					
Revenue	1.113	2.002	1.825	2.896	3.179
Earnings before interest, taxes, depreciation and amortisation	-567	832	401	804	877
Loss before financial income and expenses	-13.515	-2.768	-751	190	276
Financial income and expenses	-3.758	-5.281	-370	-538	68
Net profit/loss for the year	-16.015	-7.276	-900	-307	333
Balance sheet					
Balance sheet total	14.733	17.190	16.870	14.465	13.194
Investment in intangible assets and property, plant and equipment	3.988	2.772	2.957	1.877	1.516
Equity	-13.018	-4.283	986	1.687	1.545
Number of employees	595	584	545	541	494
Financial ratios					
Profit margin	-1.214,3%	-138,3%	-41,2%	6,6%	8,7%
Return on assets	-84,7%	-16,3%	-4,8%	1,4%	2,2%
EBITDA Margin	-50,9%	41,6%	22,0%	27,8%	27,6%

Financial ratios have been prepared in accordance with the recommendations and guidelines issued by the Danish Society of Financial Analysts. For definitions, see under accounting policies.

Management's review

Core activity

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

Market overview

Oil and gas production totalled 5,4 million boe, up 32% relative to 2014. The increase in production relates to full production from Siri Area and more wells in production from South Arne phase 3.

Development in the year

The Company's income statement for the year ended 31 December 2015 showed a loss of DKK -16,015 million, and the Company's balance sheet at 31 December 2015 showed negative equity of DKK -13,018 million.

Revenue totalled DKK 1,113 million, down DKK 888 million relative to 2014 due to lower oil and gas prices, partly offset by higher oil and gas production. EBITDA decreased by DKK 1,399 million to DKK -567 million in 2015. The decrease was mainly due to lower revenue.

EBIT was heavily impacted by impairment losses primarily due to lower oil and gas prices and decreased by DKK -10,747 million to DKK -13,515 million in 2015. In addition, depreciation increased due to higher production.

Impairment losses amounted to DKK 12,226 million in 2015 related to Hejre, Siri area and South Arne. Impairment cost include a provision for onerous capex contract.

Activities outside Denmark

The Company is the parent company of DONG Energy's exploration and production activities, which is built around Denmark, Faroe Islands, Greenland, Norway and the UK. The activities outside the Danish sector of the North Sea are placed in separate subsidiaries, and the activities are included in the Financial Statement as a share of income and investments in subsidiaries. The activities in UK and Norway are the most significant, and in 2015, the Norwegian activities contributed with a profit of DKK 599 million. The activities in the UK have contributed with a loss of DKK 2,860 million, primarily due to impairment losses.

At the end of 2015, DONG E&P (including subsidiaries) had 59 licences; 11 in Denmark, 20 in the UK, 25 in Norway, 1 in Greenland and 2 in the Faroe Islands.

Management's review

Capital resources

The Company has lost its share capital and the equity is negative by DKK 13,018 million. The Company's shareholder, DONG Energy A/S, will at the General Meeting the 18 May 2016 do a capital increase of DKK 16,500 million. Part of the proceeds from the capital increase will be used for repayment of all debt to DONG Energy A/S (DKK 10,500 million). The management believe, based on this, that the Company will be able to meet its financial obligations as they become due. The annual report is filed under the assumption of the Company's continued operations.

Special risks - operating risks and financial risks

The current risk policy is based on a restricted hedging of currency, primarily the US dollar. Financial hedging is only entered into with the aim of reducing the financial risk. The primarily market risks is linked to the US dollar exchange rate and the price of oil and gas.

Environment

In 2015 DONG E&P discharged 0.7 tonnes of oil into the sea with the produced water from oil and gas activities in Denmark, which was 0.1 tonnes more than in 2014. Reinjection of produced water increased to 99.5% from 98.6% in 2014. Gas flaring from platforms (flaring) increased from 5.1 million Nm3 in 2014, to 7.3 million Nm3 in 2015, mainly due to increase of production in 2015.

The underrepresented gender

Due to equal representation of men and women in the Company management in accordance with the rules in the Danish Companies Act, no targets for the share of the underrepresented gender have been set.

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

After the balance sheet date, DONG Energy and Bayerngas decided to terminate the contract for the Hejre platform due to the supplier consortium’s material breach in meeting its contractual obligations under the EPC contract for the design and construction of the Hejre platform. The termination do not have any material effect on the assesment of the annual report.

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

Management's review

Outlook for the coming year

Production in 2016 is expected to increase as a result of finalizing the development of the South Arne field through phase 3 and getting all wells into full production. There are uncertain external factors such as the US dollar exchange rate and gas/oil prices which will have an effect on the result. For 2016 we expect a result before tax between DKK -1,000 million and DKK -2,000 million.

Report on Corporate Social Responsibility

In accordance with Danish Financial Statements Act § 99a section 6 the Company has chosen not to disclose social responsibility. We refer to the 2015 Annual Report for DONG Energy A/S.

Accounting policies

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

The accounting policies applied remain unchanged from previous years.

The Annual Report for 2015 is presented in Thousand Danish Kroner (DKK '000).

The Company has chosen to deviate from the form requirements of the Danish Financial Statements Act relating to the Income Statement. Provisions for loss-making Capex contracts are presented as part of depreciation, amortisation and impairment of intangible assets and property, plant and equipment in order to provide a fair view of the Company's activities.

In accordance with the Danish Financial Statements Act §112, the Company has chosen to omit the consolidated financial statement.

In accordance with the Danish Financial Statements Act § 86 section 4, the Company has chosen not to prepare cash flow statement as the Company is included in the cash flow statement of DONG Energy A/S Group.

In accordance with the Danish Financial Statements Act § 96 section 3, the Company has chosen not to provide information on audit fees, as the company is fully consolidated in the consolidated financial statements of DONG Energy A/S, where the audit fee quoted the group as a whole.

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.

Accounting policies

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.

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.

Joint ventures

Joint venture represent contractually agreed arrangements on joint economic activities where there is no undertaking involved, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the venturers). Each of the venturers recognises in its individual financial statements the assets that it controls and the liabilities and expenses that it incurs and its share of the income that it earns from the sale of goods and services. The Company’s exploration, development and production activities are generally conducted as co-licensee in joint operations with other companies (Joint Venture).

Derivative financial instruments

Derivative financial instruments are initially recognised in the balance sheet at cost and subsequently at fair value. Positive and negative fair values of derivative financial instruments are recognised as other receivables and other payables, respectively.

Changes in the fair values of derivative financial instruments that are classified as and meet the criteria for hedging of future transactions are recognised directly in equity. On realisation of the hedged transactions, the accumulated changes are recognised in the relevant items.

Changes in the fair values of derivative financial instruments that are classified as and meet the criteria for hedging of the fair value of a recognised asset or a recognised liability are recognised in the income statement together with value adjustments of the hedged asset or the hedged liability.

For derivative financial instruments that do not meet the criteria for designation as hedging instruments, changes in fair value are recognised in the income statement.

Accounting policies

Income statement

Segment reporting

Information is provided on business segments and geographical markets. Segment information follows the Group's accounting policies, risks and internal reporting structure.

Revenue

Revenue comprises sale of natural gas, crude oil and related services is recognised in the income statement when delivery and transfer of risk to buyer have taken place before year end.

Revenue is recognised exclusive of VAT and other duties relating to the sales amount.

Over-/under lift is recognised at fair value in revenue. Over-/under lift refers to the situation in which the company participates in producing fields with several participants and where the Company has lifted and sold more or less crude oil from a producing field than what the Company is entitled at the time of lifting.

Other operating income and expenses

Other operating income and other operating expenses comprise items of a secondary nature to the core activity of the enterprise. Other operating income and expenses comprise of gain/loss on sale of intangible and tangible assets, insurance compensation etc.

Expenses for raw materials and consumables

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

Other external costs

Other external costs comprise expenses for distribution, sales, advertising, administration, premises, bad debts, operating leases, etc.

Staff costs

Staff costs comprise wages and salaries as well as payroll-dependent expenses.

The share programme is initially classified as an equity-based scheme. The fair value of the restricted shares and estimates of the number of restricted shares granted are measured at the time of granting and recognised in the income statement under employee costs over the vesting period, and in the balance sheet under equity over the vesting period.

Accounting policies

Depreciation, amortisation and impairment losses

Depreciation, amortisation and impairment losses comprise depreciation, amortisation and impairment of property, plant and equipment, intangible assets and provision for onerous contracts related to property, plant and equipment.

Income from investments in subsidiaries

The income statement includes the pro rata share of the net profit after the elimination of intercompany profit/losses and amortization of goodwill under the item "Results from investments in subsidiaries". Investments in subsidiaries are recognised and measured using the equity method.

Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts relating to the financial year. Financial income and expenses comprise interest income and expense, gains and losses and liabilities and foreign currency transactions. It also includes realized and unrealized gains and losses on hedge interest rate and currency risks that are not hedges of net sales, cost of sales or fixed assets.

Tax on profit/loss for the year

Tax on net profit 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 net profit for the year and directly in equity to the extent that it relates to entries directly to 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 A/S is furthermore subject to Hydrocarbon Taxation. Hydrocarbon taxes are recognized as income tax expense. DONG E&P A/S is the management company for the Danish hydrocarbon joint taxation and settles all payments of hydrocarbon taxes to the tax authorities.

The ultimate Parent Company, DONG Energy A/S, is the management company for the joint taxation and consequently settles all income tax payments to the tax authorities.

In connection with the settlement of joint taxation contributions, current Danish income tax is allocated among the jointly taxed Danish companies in proportion to their taxable income. In this connection 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 companies that utilise tax losses in other Danish companies pay joint taxation contributions to the Parent Company equivalent to the tax base of the utilised losses.

Accounting policies

Balance sheet

Intangible assets

Software is measured at cost less accumulated depreciation or the recoverable amount, whichever is lower. Software is amortized over 3-5 years.

Cost includes direct and indirect costs associated with acquisition and implementation up to the date when the asset is ready for use.

Costs of development projects comprise salaries and other expensens directly or indirectly attributable to the Company's development activities. As of the date of completion, capitalised development cost are amortised on a straight-line basis.

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 costs. Other exploration expenses are recognised in the income statement as Other external 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.

Interest expenses on loans raised directly for financing the construction of property, plant and equipment are capitalized over the period of construction. All indirectly attributable borrowing costs are recognised in the income statement.

Accounting policies

The basis of depreciation is determined as cost reduced by any residual value, and depreciation is charged on a straight-line basis over the expected useful lives of the assets, which are:

Exploration	No depreciation
Fields under development	No depreciation
Andre anlæg, driftsmateriel og inventar	5 years

Investments in subsidiaries

The items “Investments in subsidiaries” in the balance sheet include the proportionate ownership share of the net asset value of the enterprises calculated on the basis of the fair values of identifiable net assets at the time of acquisition with deduction or addition of unrealised intercompany profits or losses and with addition of any remaining value of positive differences (goodwill) and deduction of any remaining value of negative differences (negative goodwill).

The total net revaluation of investments in subsidiaries and associates is transferred upon distribution of profit to "Reserve for net revaluation under the equity method" under equity. The reserve is reduced by dividend distributed to the Parent Company and adjusted for other equity movements in subsidiaries.

Impairment of non-current 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. Impairment is made to the lower of the recoverable amount and the carrying amount.

The recoverable amount of the asset is calculated as the higher of the net selling price and value in use. The value in use is calculated as the recoverable amount of expected net cash flows from use of the asset or asset group and expected cash flows from the sale of the asset or asset group at the end of its useful life.

Receivables

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

Prepayments

Prepayments comprise expenses incurred in respect of subsequent financial years.

Accounting policies

The item also includes underlift of crude oil, which is measured at realisable value. Because producing fields have several partners, situations may arise in which a partner has lifted and sold more or less oil than its relative entitlement at the point of lifting. Such situations are described as overlift or underlift respectively. Overlift of crude oil is recognised as deferred income within short-term liabilities.

Dividends

Proposed dividends are presented as a separate item in equity. Dividends are recognised as a liability at the date of their adoption at the annual general meeting.

Provisions

Provisions are recognised when - in consequence of an event occurred before or on 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 the market. 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 restoration 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 the market. 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 within 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.

A provision for onerous contracts is recognised when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract. If it is considered unlikely that an outflow from the Company of resources embodying economic benefits will be required to settle an obligation, or if the obligation cannot be measured reliably, the obligation is accounted for as a contingent liability that is not recognised in the balance sheet. Material contingent liabilities are disclosed in the notes.

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.

Accounting policies

Deferred income 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 for financial reporting purposes on the basis of the intended use of the asset and settlement of the liability, respectively.

However, deferred tax is not recognised in respect of temporary differences concerning non-deductible goodwill and license where temporary differences - apart from business acquisitions - have arisen at the time of acquisition without affecting profit or taxable income.

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.

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.

Deferred income

Deferred income comprises payments received in respect of income in subsequent financial years.

Performance highlights

Definition of financial ratios.

Profit margin	Profit before financial income and expenses x 100 / Revenue
Return on assets	Profit before financial income and expenses x 100 / Average total assets
EBITDA Margin	Earnings before interest, taxes, depreciation and amortisation x 100 / Revenue

Income Statement for the year ended 31 December

	Note	2015 DKK '000	2014 DKK '000
Revenue	1	**1.113.456**	**2.001.544**
Other operating income		122.673	734.861
Expenses for raw materials and consumables		-41.973	-31.618
Other external costs		-1.436.134	-1.592.536
Gross profit		**-241.978**	**1.112.251**
Staff costs	2	-325.038	-280.641
Earnings before interest, taxes, depreciation and amortisation		**-567.016**	**831.610**
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment	6	-12.944.243	-3.599.645
Other operating costs		-3.997	-423
Loss before financial income and expenses		**-13.515.256**	**-2.768.458**
Result from investments in subsidiares	7	-2.356.098	-4.440.277
Financial income	3	92.127	45.135
Financial costs	4	-1.493.539	-886.132
Loss before tax		**-17.272.766**	**-8.049.732**
Tax on profit/loss for the year		1.257.597	773.698
Net profit/loss for the year		**-16.015.169**	**-7.276.034**
Retained earnings		-16.015.169	-7.276.034
		-16.015.169	**-7.276.034**

Balance Sheet at 31 December

	Note	2015 DKK '000	2014 DKK '000
Assets			
Software		0	0
Development projects in progress		0	3.997
Intangible assets	5	**0**	**3.997**
Exploration assets		0	371.695
Produktionsanlæg og maskiner		2.288.169	3.732.467
Production assets under construction		191.037	4.153.719
Tangible assets	6	**2.479.206**	**8.257.881**
Investments in subsidiaries	7	355.069	307.976
Fixed asset investments		**355.069**	**307.976**
Total non-current assets		**2.834.275**	**8.569.854**
Trade receivables		145.014	345.904
Receivables from group enterprises		1.769.816	935.513
Other receivables		7.020.580	4.863.773
Deferred tax asset	13	1.847.335	1.134.269
Corporation tax		0	79.970
Prepayments	8	227.019	395.682
Receivables		**11.009.764**	**7.755.111**
Cash at bank and in hand	9	**889.226**	**864.711**
Total current assets		**11.898.990**	**8.619.822**
Total current assets		**14.733.265**	**17.189.676**

Balance Sheet at 31 December

	Note	2015 DKK '000	2014 DKK '000
Liabilities and equity			
Share capital		720.000	420.000
Hedging reserves		-345.321	-356.082
Retained earnings		-13.392.787	-4.346.697
Total equity	10	**-13.018.108**	**-4.282.779**
Other provisions	11	6.579.777	2.278.535
Total provisions		**6.579.777**	**2.278.535**
Payables to group enterprises		10.500.000	12.500.000
Non-current debt	12	**10.500.000**	**12.500.000**
Other credit institutions		77.340	6.761
Trade payables		866.346	1.084.063
Payables to group enterprises	12	76.029	99.773
Corporation tax		120.079	0
Other payables		9.531.802	5.501.335
Deferred income		0	1.988
Current debt		**10.671.596**	**6.693.920**
Total liabilities other than provisions		**21.171.596**	**19.193.920**
Total liabilities and equity		**14.733.265**	**17.189.676**
Contingencies etc.	14		
Related parties and ownership	15		
Licence overview	16		

Statement of changes in equity

	Share capital	Hedging reserves	Retained earnings	Total
	DKK '000	DKK '000	DKK '000	DKK '000
Equity at 1 January	420.000	-356.082	-4.346.697	-4.282.779
Exchange adjustments, foreign	0	0	-243.408	-243.408
Cash capital increase	300.000	0	7.200.000	7.500.000
Other equity movements	0	14.348	12.487	26.835
Tax on other equity movements	0	-3.587	0	-3.587
Net profit for the year	0	0	-16.015.169	-16.015.169
Equity at 31 December	**720.000**	**-345.321**	**-13.392.787**	**-13.018.108**

Notes to the Financial Statement

		2015	2014
		DKK '000	DKK '000
1	**Revenue**		
	Revenue	1.113.456	2.001.544
		1.113.456	**2.001.544**
	Business segments		
	Crude Oil and Natural Gas	825.355	1.727.093
	Other revenue	288.101	274.451
		1.113.456	**2.001.544**
	Geographical segments		
	Denmark	281.902	317.817
	Rest of EU	641.980	1.660.616
	Rest of the world	189.574	23.111
		1.113.456	**2.001.544**
2	**Staff costs**		
	Wages and salaries	541.285	514.604
	Pensions	42.321	42.120
	Other social security costs	1.274	1.277
	Other staff costs	9.261	37.730
		594.141	**595.731**
	Transfers to assets	-269.103	-315.090
		325.038	**280.641**
	Average number of employees	595	584

According to section 98 B(3) of the Danish Financial Statements Act, remernution to the Executive Board has not been disclosed.

Notes to the Financial Statement

		2015	2014
		DKK '000	DKK '000
3	**Financial income**		
	Interest received from Group companies	14.667	9.113
	Other financial income	827	3.321
	Exchange gains	76.633	32.701
		92.127	**45.135**
4	**Financial costs**		
	Interest paid to Group companies	215.146	317.432
	Other financial costs	33.926	29.231
	Exchange loss	53.704	46.676
	Financial cost transferred to assets	0	-8.538
	Fair value adjustments of financial instruments	1.076.426	406.272
	Interest element, abandonment	114.337	95.059
		1.493.539	**886.132**

5 **Intangible assets**

	Software	Development projects in progress
	DKK '000	DKK '000
Cost at 1 January	27.571	3.997
Additions for the year	0	0
Disposals for the year	0	-3.997
Cost at 31 December	27.571	0
Impairment losses and amortisation at 1 January	27.571	0
Depreciation for the year	0	0
Impairment losses and amortisation at 31 December	27.571	0
Carrying amount at 31 December	**0**	**0**

Notes to the Financial Statement

6 Tangible assets

	Exploration assets	Produktionsanlæg og maskiner	Production assets under construction	Total
	DKK '000	DKK '000	DKK '000	DKK '000
Cost at 1 January	371.695	13.865.684	6.653.719	20.891.098
Additions for the year	140.600	654.843	3.406.104	4.201.547
Disposals for the year	-512.295	-39.684	0	-551.979
Transfers for the year	0	654.796	-654.796	0
Cost at 31 December	0	15.135.639	9.405.027	24.540.666
Impairment losses and depreciation at 1 January	0	10.133.217	2.500.000	12.633.217
Impairment losses for the year	0	1.996.109	6.713.990	8.710.099
Depreciation for the year	0	718.144	0	718.144
Impairment losses and depreciation at 31 December	0	12.847.470	9.213.990	22.061.460
Carrying amount at 31 December	**0**	**2.288.169**	**191.037**	**2.479.206**
Interest expenses recognised as part of cost of assets	0	119.441	0	119.441

Tangible assets was impaired by DKK 8,497 million which can be attributed to the Hejre, Siri Area and South Arne. The impairment loss was a result of lower oil and gas prices, reduced reserve estimates as well as project specific factors. Impairment losses in the Income Statement is including provision of DKK 3,516 million for onerous capex contracts.

The recoverable amount of cash-generating units is determined based on a value in use calculations. The calculation of the values in use is based on discount rates after tax of between 8.25% and 9.00%. The specified range reflects differences in risk.

In 2014, tangible assets were impaired by DKK 2,905 million.

Notes to the Financial Statement

		2015	2014
		DKK '000	DKK '000
7	**Investments in subsidiaries**		
	Cost at 1 January	11.800.080	10.031.375
	Additions for the year	3.855.670	3.213.583
	Disposals for the year	0	-1.444.878
	Cost at 31 December	15.655.750	11.800.080
	Revaluations at 1 January	-11.492.104	-5.155.588
	Exchange adjustment	-243.408	-259.778
	Net profit/loss for the year	-2.356.098	-4.440.277
	Dividend to the Parent Company	-1.209.071	-1.636.461
	Revaluations at 31 December	-15.300.681	-11.492.104
	Carrying amount at 31 December	**355.069**	**307.976**

Investments in group enterprises are specified as follows:

Name	Place of registered office	Votes and ownership
DONG UK Ltd.	London, United Kingdom	100%
DONG E&P (Siri) UK Ltd	London, United Kingdom	100%
DONG E&P Grønland A/S	Nuuk, Greenland	100%
DONG E&P Føroyar P/F	Torshavn, Faroe Islands	100%
DONG E&P Norge A/S	Stavanger, Norway	100%
DONG E&P A/S Branch Hejre Paris	Paris, France	100%
DONG E&P nr. 1 A/S	Frederica, Denmark	100%
DONG E&P Services UK Ltd.	London, United Kingdom	100%

8 Prepayments

Prepayments consist of prepaid expenses and recognized underlift of crude oil.

9 Cash at bank and in hand

The company's cash at bank includes DKK '000 18,627 in a cash pool arrangement with the ultimate parent company DONG Energy A/S. DKK '000 870,599 is related to licenses and are bound cash.

Notes to the Financial Statement

10 Equity

The company’s share capital is DKK'000 720,000, divided into shares of DKK '000 1. All shares rank equally. There are no restrictions on voting right.

The share capital has developed as follows

	2015	2014	2013	2012	2011
	DKK '000	DKK '000	DKK '000	DKK '000	DKK '000
Share capital at 1 January	420.000	300.000	300.000	300.000	300.000
Additions for the year	300.000	120.000	0	0	0
Disposals for the year	0	0	0	0	0
Share capital at 31 December	**720.000**	**420.000**	**300.000**	**300.000**	**300.000**

11 Other provisions

	2015	2014
	DKK '000	DKK '000
Balance at 1 January	2.278.535	2.033.838
Provisions made during the year	3.547.999	247.854
Provision used during the year	0	-54.200
Provision reversed during the year	0	-17.258
Change in estimates, interest and other factors	753.243	68.301
	6.579.777	**2.278.535**

	2015	2014
The provisions are expected to mature as follows:		
Within 1 year	761.536	0
Between 1 and 5 years	2.754.464	136.416
Over 5 years	3.063.777	2.142.119
	6.579.777	**2.278.535**

Other provisions comprises of decommissioning obligations relating to demolition and decommissioning of the Company's oil and gas fields and provision for onerous capex contracts. Decommissioning obligations are measured at the present value of the future liability in respect of decommissioning and restoration as expected at the balance sheet date. The value of the decommissioning provision is recognised in property, plant and equipment and depreciated together with the associated asset. The values of the provision for onerous capex contracts is recognised in the Income Statement as impairment of tangible assets.

Notes to the Financial Statement

12 Long term debt

	2015 DKK '000	2014 DKK '000
Payables to group enterprises		
After 5 years	0	12.500.000
Between 1 and 5 years	10.500.000	0
Long-term part	10.500.000	12.500.000
Other short-term debt to subsidiaries	76.029	99.773
Short-term part	76.029	99.773
	10.576.029	**12.599.773**

13 Provision for deferred tax

	2015	2014
Property, plant and equipment	-1.179.627	-147.904
Other assets	-11.615	-545
Other Liabilities	-567.569	-569.634
Tax loss carry-forward	-88.524	-416.186
Transferred to deferred tax asset	1.847.335	1.134.269
	0	**0**
Deferred tax asset		
Calculated tax asset	1.847.335	1.134.269
Carrying amount at 31 December	**1.847.335**	**1.134.269**

14 Contingencies etc.

Contingent assets

DONG E&P A/S has deferred tax assets of DKK 16,910 million (2014: DKK 9,916 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

DONG E&P A/S has advanced claims against commercial partners. The claims have not been recognised, as the existence of these assets is subject to several uncertain future events that are outside DONG E&P A/S' control.

Notes to the Financial Statement

Contingent liabilities

The Group's Danish companies are jointly and severally liable for tax on the Group's jointly taxed income, etc. references is made to the Annual Report DONG Energy A/S, the company responsible for the administration of the joint taxation arrangement.

In all licences, there is a potential risk of partner default in which event DONG E&P A/S and other non-defaulting partners take over a proportionate share of rights and liabilities of the defaulting partner (alternative is to withdraw from the licence).

Liability to pay compensation (strict liability). According to legislation, DONG E&P A/S are liable to pay compensation for damage caused by its 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.

Guarantees

DONG E&P has furnished the Danish Ministry for Economic Affairs and the Interior with guarantees for fulfilment of obligations and liability in damages towards the Danish State or third parties, incurred by DONG E&P A/S in connection with the Company's participation in exploration and production licences, irrespective of whether the obligations and liability rest on DONG E&P A/S alone or jointly and severally with others. The guarantees are not capped, but cannot exceed a sum corresponding to twice DONG E&P's share of each obligation or liability.

As a condition for approval of its participation in gas and oil exploration and production in the Norwegian, UK, Greenland and Faroese continental shelves, DONG E&P A/S has provided a guarantee under which it assumes primary liability as normally required by the local authorities. The guarantees cover obligations and liability incurred or assumed by DONG E&P A/S in connection with its exploration and production activities. The guarantees are not capped, and DONG E&P A/S is jointly and severally liable with the other partners for obligations and liabilities.

Capital commitments

DONG E&P A/S has entered into agreements on investments in property, plant and equipment (primarily offshore licences) for DKK 1,729 million (2014: DKK 2,555 million) at 31 December 2015.

Notes to the Financial Statement

15 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

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

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

16 Licence overview

Country	Licence	Ownership interest
Denmark	7/86 Lulita part	80,00%
Denmark	7/89 Syd Arne Field	36,79%
Denmark	1/90 Lulita	40,00%
Denmark	4/95 Nini Field	57,14%
Denmark	6/95 Siri	100,0%
Denmark	9/95 Xana	70,00%
Denmark	4/98 Svane/Solsort	70,00%
Denmark	5/98 Hejre	60,00%
Denmark	16/98 Cecilie Field	56,41%
Denmark	1/06 Hejre Extension	48,00%
Denmark	3/09 Solsort	35,00%