

Deutsche Oel & Gas SA
Société Anonyme

Annual Accounts
As at 31 December 2017

R.C.S. Luxembourg : B179408

Registered Office

45, Boulevard Prince Henri
L-1724 LUXEMBOURG



International Audit Services
Cabinet de Révision Agréé

To the shareholders of
Deutsche Oel & Gas S.A.
45, Boulevard Prince Henri
L-1724 Luxembourg

REPORT OF THE REVISEUR D'ENTREPRISES AGREÉ

We have audited the accompanying annual accounts of Deutsche Oel & Gas S.A., which comprise the balance sheet as at 31 December 2017 and the profit and loss account for the year then ended, and a summary of significant accounting policies and other explanatory information.

Responsibility of the Board of Directors for the annual accounts

The Board of Directors is responsible for the preparation and fair presentation of these annual accounts in accordance with Luxembourg legal and regulatory requirements relating to the preparation of the annual accounts, and for such internal control as the Board of Directors determines is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

Responsibility of the réviseur d'entreprises agréé

Our responsibility is to express an opinion on these annual accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted for Luxembourg by the *Commission de Surveillance du Secteur Financier*. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain a reasonable assurance about whether the annual accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts. The procedures selected depend on the *réviseur d'entreprises agréé's* judgement, including the assessment of the risks of material misstatement of the annual accounts, whether due to fraud or error. In making those risk assessments, the *réviseur d'entreprises agréé* considers internal control relevant to the entity's preparation and fair presentation of the annual accounts 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 Board of Directors, as well as evaluating the overall presentation of the annual accounts.

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



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Opinion

In our opinion, the annual accounts give a true and fair view of the financial position of Deutsche Oel & Gas S.A. as of 31 December 2017 and of the results of its operations for the year then ended in accordance with Luxembourg legal and regulatory requirements relating to the preparation of the annual accounts.

Luxembourg, 30th of June 2018

A handwritten signature in dark ink, appearing to read 'K. Horsburgh', with a stylized flourish at the end.

Karl Horsburgh
Réviseur d'Entreprises Agréé
International Audit Services S.à r.l.

Deutsche Oel & Gas SA

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Abridged Balance Sheet as at 31 December 2017

	Note	2017 EUR	2016 EUR
ASSETS			
C. Fixed Assets		1,774,024,002	1,784,863,401
II. Tangible assets		60,285	60,767
III. Financial assets	3	1,773,963,717	1,784,802,634
D. Current Assets		2,821,432	738,913
II. Debtors	4	2,755,991	692,662
a) becoming due and payable within one year		2,755,991	-
b) becoming due and payable after more than one year		-	692,662
IV. Cash at bank and in hand		65,441	46,251
E. Prepayments	5	33,554	33,554
TOTAL ASSETS		1,776,878,988	1,785,635,868
LIABILITIES			
A. Capital and reserves		1,758,651,622	1,768,075,893
I. Subscribed Capital	6	502,435,652	500,000,000
II. Share premium account	7	527,622,660	530,058,312
III. Revaluation reserve	8	200,700,000	200,700,000
IV. Reserves	9	51,557,795	61,036,379
V. Profit brought forward	10	476,279,825	476,253,655
VI. Profit for the financial year	10	55,690	27,547
B. Provisions	11	584,815	580,000
C. Creditors	12	17,642,551	16,979,975
a) becoming due and payable within one year		1,132,281	5,023,476
b) becoming due and payable after more than one year		16,510,270	11,956,499
TOTAL CAPITAL, RESERVES AND LIABILITIES		1,776,878,988	1,785,635,868

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Abridged Profit and Loss Account for the year ended 31 December 2017

	Note	2017 EUR	2016 EUR
ABRIDGED PROFIT AND LOSS ACCOUNT			
1 to 5 Gross profit or (loss)		411,601	944,046
6. Staff costs		(277,636)	(249,398)
a) Wages and salaries		(253,307)	(249,398)
b) Social security costs		(23,429)	-
ii) other social security costs		(23,429)	-
c) Other staff costs		(900)	-
7. Value adjustments		(20,095)	-
a) in respect of formation expenses and of tangible and intangible fixed assets		(20,095)	-
8. Other operating expenses	13	(1,016)	(60,393)
11. Other interest receivable and similar income		31,366	-
b) other interest and similar income		31,366	-
14. Interest payable and similar expenses		(83,715)	(575,905)
b) other interest and similar expenses		(83,715)	(575,905)
15. Tax on profit or loss		(4,815)	(30,803)
16. Profit or (loss) after taxation		55,690	27,547
18. Profit for the financial year		55,690	27,547

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Notes to the abridged annual accounts

31 December 2017

1. GENERAL

Deutsche Oel & Gas SA (hereafter the "Company") was formed on 29 July 2013 as a Société Anonyme for an unlimited duration.

The registered office is established at 45, Boulevard Prince Henri, L-1724 LUXEMBOURG.

The Company's financial year begins on 1 January and ends on 31 December.

The object of the Company is the holding of participations, in any form whatsoever, in Luxembourg and foreign companies, or other business entities, the acquisition by purchase, subscription, or in any other manner as well as the transfer by sale, exchange or otherwise of stock, bonds, debentures, notes and other securities of any kind, and the ownership, administration, development and management of its portfolio. The Company may also hold interests in partnerships and carry out its business through branches in Luxembourg or abroad. Further, it may invest in the acquisition and management of a portfolio of trademarks or other intellectual property rights of any nature or origin.

The Company may borrow in any form and proceed to the issue of bonds and debentures.

The Company may grant assistance (by way of loans, advances, guarantees or securities or otherwise) to companies or other enterprises in which the Company has an interest or which forms part of the group of companies to which the Company belongs, take any controlling and supervisory measures and carry out any operation which it may deem useful in the accomplishment and development of its purposes.

The Company can perform all commercial, technical and financial or other operations, connected directly or indirectly in all areas in order to facilitate the accomplishment of its purpose.

The Company is defined as a small company under the law of 19 December 2002 as amended. Consequently, these annual accounts consist of an abridged Balance Sheet and an Full Profit and Loss Account as permitted by that law.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2 Basis of preparation

The annual accounts have been prepared in accordance with the Luxembourg legal and regulatory requirements following accounting principles generally accepted in Luxembourg. Accounting policies and valuation rules are, besides the ones laid down by the law of 19 December 2002 as amended, determined and applied by the Sole Director.

The preparation of annual accounts requires the use of certain critical accounting estimates. It also requires the sole Director to exercise judgement in the process of applying the accounting policies.

Changes in assumptions may have a significant impact on the annual accounts in the period in which the assumptions changed. Management believes that the underlying assumptions are appropriate and that the annual accounts therefore present the financial position and results fairly.

The Company makes estimates and assumptions that affect the reported amounts of assets and liabilities in the next financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

2 Significant accounting policies

The main valuation rules applied by the Company are as follows:

Tangible fixed assets

Tangible assets are valued at purchase price including the expenses incidental thereto or at production cost. Tangible assets are depreciated over their estimated useful economic lives.

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Financial fixed assets

Shares in affiliated undertakings/participating interests/loans to these undertakings/securities held as fixed assets/other loans are valued at purchase price/nominal value (loans and claims) including the expenses incidental thereto, except for Deutsche Oel & Gas AG, Stuttgart which is at fair value.

In case of durable depreciation in value according to the opinion of the sole Director, value adjustments are made in respect of fixed assets, so that they are valued at the lower figure to be attributed to them at the balance sheet date, except for Deutsche Oel & Gas AG, Stuttgart which is at fair value.

These value adjustments are not continued if the reasons for which the value adjustments were made have ceased to apply.

Debtors

Debtors are valued at their nominal value. They are subject to value adjustments where their recovery is compromised. These value adjustments are not continued if the reasons for which the value adjustments were made have ceased to apply.

Translation of foreign currencies

The Company maintains its accounting records in EUR. All transactions expressed in currencies other than EUR are converted into EUR at the exchange rate ruling at the date of the transaction.

Formation costs as well as long-term assets expressed in currencies other than EUR are converted into EUR at rates of exchange ruling on the date of the transaction. At the date of the Balance Sheet, these remain at historic rates of exchange.

Cash and bank balances are converted at rates of exchange ruling at the date of the Balance Sheet. Profits or losses resulting from such conversion are shown on the Profit and Loss Account.

Other assets are individually converted and shown at the lower of cost or converted values. Liabilities are individually converted and shown at the higher of their nominal or converted values. Realised gains and all losses on exchange, whether realised or unrealised, are shown on the Profit and Loss Account.

Where there is an economic link between an asset and a liability, these are valued in total according to the method described above and the net unrealised loss is recorded in the Profit and Loss Account.

Prepayments and accrued income

This asset item includes expenditure incurred during the financial year but relating to a subsequent financial year, and income earned during the financial year but receivable in a subsequent financial year.

Provisions

Provisions for liabilities and charges are intended to cover losses or debts the nature of which is clearly defined and which, at the date of the balance sheet are either likely or certain to be incurred but uncertain as to their amount or as to the date on which they will arise.

Value adjustments

Value adjustments are deducted directly from the related asset.

Turnover

The net turnover comprises the amounts derived from the provision of services falling within the Company's ordinary activities, after deductions of sales rebates and of value added tax and other taxes directly linked to the turnover.

Creditors

Creditors are recorded at their reimbursement value.

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3. FINANCIAL FIXED ASSETS	2017 EUR	2016 EUR
Cornucopia Oil and Gas Company LLC	493,124,703	493,124,703
Deutsche Oel & Gas AG	1,254,228,328	1,255,587,284
Deutsche Oel & Gas I SA	7,750	7,750
Oel & Gas Invest GmbH SARL	12,500	12,500
Invenit Holding AG	100,000	100,000
Own shares or corporate units	26,490,436	35,970,397

1,773,963,717	1,784,802,634
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Enterprises in which the Company holds at least 20% of the capital, or in which it is a general partner, and the registered addresses	Capital held %	Date to which the last annual accounts are made	The Company's share of net equity at the date of the annual accounts, in EUR	The Company's share of results of the last financial year, in EUR
Deutsche Oel & Gas AG Gerokstrasse 33, D-70184 STUTTGART	100%	31.12.2016	178,612,544	(9,222,478)
Deutsche Oel & Gas I SA, (formerly ELMAGO SA) 45, Boulevard Prince Henri L-1724 LUXEMBOURG	100%	31.12.2016	21,275	(3,210)
Oel & Gas Invest GmbH SARL 45, Boulevard Prince Henri, L-1724 LUXEMBOURG	100%	31.12.2016	7,655	(535)

The investment held in Cornucopia Oil and Gas Company LLC is in form of a silent partnership interest without voting rights.

Deutsche Oel & Gas SA has guaranteed the payment of future chartering costs by Furie Operating for the drilling vessel Randolph Jost amounting to €20.4 million. Furthermore, Deutsche Oel & Gas SA has also guaranteed the payment of the financial obligations of Deutsche Oel & Gas AG, Stuttgart up to an amount of €51.9 million.

Movements	2017 EUR	2016 EUR
Own shares or corporate units		
Gross book value - opening balance	35,970,397	38,759,339
Disposals	(9,479,961)	(2,788,942)
Gross book value - closing balance	26,490,436	35,970,397
Net book value - opening balance	35,970,397	38,759,339
Net book value - closing balance	26,490,436	35,970,397
TOTAL FINANCIAL FIXED ASSETS	26,490,436	35,970,397

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4. DEBTORS

	2017	2016
	EUR	EUR
Trade debtors	1,252,233	409,314
Amounts due from affiliated undertakings	104,548	-
Fiscal debtors		
Taxation advances	8,315	-
Value Added Tax recoverable	164,191	60,269
Other debtors		
Amounts due in less than one year	655,221	-
Amounts due after more than one year	571,482	223,079
Total debtors	2,755,991	692,662

5. PREPAYMENTS

	2017	2016
	EUR	EUR
Prepayments and accrued income	33,554	33,554
Total prepayments	33,554	33,554

6. SHARE CAPITAL

The authorised capital is EUR 1,500,000,000 and the subscribed capital is EUR 502,435,652 represented by 502,435,652 shares with a nominal value of EUR 1.00 each, divided into 168,597,906 A-shares and 333,837,746 D-shares of EUR 1.00 each and fully paid.

	2017	2016
Number of shares in issue on 31 December	502,435,652	500,000,000
	EUR	EUR
Nominal value of shares in issue on 31 December	502,435,652	500,000,000

7. SHARE PREMIUM AND SIMILAR PREMIUMS

	2017	2016
	EUR	EUR
Balance at 1 January	530,058,312	24,951,000
Movements during the year	(2,435,652)	505,107,312
Balance at 31 December	527,622,660	530,058,312

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8. REVALUATION RESERVES	2017 EUR	2016 EUR
Revaluation Reserves on 1 January	200,700,000	705,807,312
Movements during the year	-	(505,107,312)
Revaluation Reserves on 31 December	200,700,000	200,700,000
9. RESERVES		
Legal Reserve	2017 EUR	2016 EUR
Legal Reserve at 1 January	25,065,982	24,970,439
Movements during the year	1,377	95,543
Legal Reserve at 31 December	25,067,359	25,065,982
Reserve for own shares or own corporate units	2017 EUR	2016 EUR
Reserve for own shares or own corporate units at 1 January	35,970,397	38,759,339
Movements during the year	(9,479,961)	(2,788,942)
Reserve for own shares or own corporate units at 31 December	26,490,436	35,970,397
Total reserves	51,557,795	61,036,379
10. RETAINED PROFIT	2017 EUR	2016 EUR
Profit brought forward at 1 January	476,281,202	476,349,198
Transfer to statutory reserves	(1,377)	(95,543)
	476,279,825	476,253,655
Results for the year	55,690	27,547
Profit carried forward at 31 December	476,335,515	476,281,202
11. PROVISIONS	2017 EUR	2016 EUR
The provisions for liabilities and charges are as follows:		
Taxation	34,815	30,000
Other operating provisions mainly consist of Legal, Tax and Audit fees.	550,000	550,000
Total provisions	584,815	580,000

The provisions for taxation represent charges for tax, estimated by the Company, for which no assessments have been received. Any taxes paid in advance appear under "Other debtors".

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12. CREDITORS	2017 EUR	2016 EUR
Amounts due and payable are as follows:		
Due within one year		
Trade creditors	985,043	93,425
Amounts owed to affiliated undertakings	134,161	-
Other creditors		
Grosspeter Bond	-	4,061,931
Tax Credit Bond	-	868,120
Tax on Wages and Social Security	13,077	-
Total creditors due within one year	1,132,281	5,023,476
Due after one and before five years		
Other creditors		
Grosspeter Bond	4,061,931	-
Tax Credit Bond	868,120	-
Total creditors due after one and before five years	4,930,051	-
Due after five years		
Amounts owed to Deutsche Oel & Gas I SA, Luxembourg an undertaking linked by virtue of participating interests	11,580,219	11,956,499
Total creditors due after five years	11,580,219	11,956,499
Total creditors	17,642,551	16,979,975
13. OTHER OPERATING EXPENSES	2017 EUR	2016 EUR
Trademarks and franchise	-	(60,393)
Tax fines and penalties in relation with tax, social and criminal	(1,016)	-
Total other operating expenses	(1,016)	(60,393)
14. OTHER OPERATING INCOME	2017 EUR	2016 EUR
Recharge of expenses	6,933,184	5,917,346
Deutsche Oel & Gas SA Management fees	1,273,269	1,335,000
Foreign currency exchange gains	31,366	-
	8,237,819	7,252,346

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15. NUMBER OF EMPLOYEES	2017 EUR	2016 EUR
Average number of employees in full-time employment during the year		
Employees	5	4
	<hr/>	<hr/>
Total employees	5	4
	<hr/>	<hr/>
16. OFF-BALANCE SHEET COMMITMENTS	2017 EUR	2016 EUR
Gross Shareholder's Goodwill	8,762,857	9,802,857
Goodwill write off	(1,040,000)	(1,040,000)
Net Shareholder's Goodwill	7,722,857	8,762,857
Goodwill write off		
Total off Balance Sheet commitments	7,722,857	8,762,857
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17. COMPARATIVE FIGURES

Certain comparative figures have been restated to align with the layout imposed by current reporting requirements.

18. SUBSEQUENT EVENTS

It is expected that the A-Shares of the company will be listed on the Riga Stock Exchange by the end of July 2018.