

Total E&P Danmark A/S

CVR-No. 22757318

Annual Report 2018



Approved at the General Assembly: 28 May 2019
Chairman of the meeting: Majbritt Perotti Carlson

Amerika Plads 29, 2100 Copenhagen Ø

Company information

Total E&P Danmark A/S
Amerika Plads 29
2100 Copenhagen Ø

CVR-No.: 22757318
Date of incorporation: 26 September 1962
Registered office: Copenhagen
Financial year: 1 January 2018 - 31 December 2018

Board of Directors

Michael Borrell (Chairman)
Martin Rune Pedersen
Troels Albrechtsen

Executive Board

Patrick Jacques Joseph Gilly

Auditors

KPMG
Statsautoriseret Revisionspartnerselskab
Dampfærgevej 28
2100 Copenhagen O

Directors' Report**Activities**

As of 31 December 2018, the company is a wholly-owned subsidiary of Total S.A.

Total E&P Danmark A/S participates through subsidiaries in exploration and production of oil and gas outside Denmark and in Denmark as operator for Dansk Undergrunds Consortium's (DUC's) activities in the Danish North Sea.

Financial review

The accounting policies for Investments in Subsidiaries has in 2018 been changed from Equity value to Cost price or lower fair value. Comparative figures for 2017 have therefore been restated.

Financial performance for the year

The 2018 results show a profit of USD 247 million, which is above management expectations but lower than the profit for 2017 (USD 1,636 million - restated). The profit was positively impacted by lower costs due to cost reduction efforts, lower exploration costs, an average oil price of USD 58 USD/barrel, 7% higher than for 2017 (USD 54/barrel). The 2017 result was positively influenced by dividends received (USD 1,393 million) and an impairment on fixed assets was reversed (USD 235 million).

Total E&P Danmark A/S delivered within expectations at 154.7 boepd. The entitlement production of 154.7 boepd was lower than FY 2017 (181.7 boepd).

Key figures for Total E&P Danmark A/S are as follows:

USD million	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Income statement:					
Revenue	1,002	914	736	225	246
Profit before financial items and tax	369	556	114	(144)	(127)
Financial items, net	(20)	1,355	(27)	18	25
Profit for the year after tax	247	1,636	305	(2,200)	(1,424)

Balance sheet:

Total assets	5,311	8,017	6,740	4,887	7,093
Investments in property, plant and equipment	860	1,113	1,258	4,765	5,449
Equity	1,950	5,942	4,855	6,561	6,561
Profit margin	37%	61%	(65%)	(64%)	(53%)
Solvency ratio	37%	74%	90%	90%	92%
Return on equity	24%	32%	2%	(51%)	(21%)

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

The key figures are restated 2016 and 2017 for the effect of the contribution of the oil and gas activities of A.P. Møller – Mærsk A/S. The previous years are not restated.

Guidance for 2019

Total E&P Danmark A/S expects a positive result in 2019. Breakeven is reached with oil prices in the range USD 20-25 per barrel. Total E&P Danmark A/S's entitlement production is expected to decline as the Tyra Re-development Project enters into the shutdown period from October 2019.

Change of parent company owner

The share capital in Total E&P Danmark A/S was acquired by Total S.A. from A.P. Møller – Mærsk A/S with effective date 8th March 2018. This does not affect the going concern of the company.

As of the effective date the company is no longer part of the A.P. Møller – Maersk Group joint taxation but is instead jointly taxed with the Danish registered Total Group companies. Joint liability for previous periods still exists.

Activities in subsidiaries

During 2018 the company's subsidiaries in the US and Norway have been divested to other parts of the Total group.

Production of Oil and Gas is maintained in subsidiaries in UK, Algeria, Kazakhstan and Kurdistan.

Production

Denmark

In 2018, Total E&P Danmark A/S production share of crude oil from DUC's fields in the Danish part of the North Sea reached an average of 25 thousand barrels of oil per day (kbopd) (2017: 36 thousand bopd). Total E&P Danmark A/S share of the gas production in 2018 was 15 thousand boepd (2017: 21 thousand boepd). During 2018, one new well was completed (four wells in 2017).

Development

In Denmark, the DUC partnership of which the company holds 31.2% ownership has commenced the re-development of the Tyra field. The investment cost for the modification to existing facilities and construction of new facilities (CAPEX) is estimated at approx. DKK 17bn (approximately USD 2.5bn - 3.0bn), and the cost in relation to removal and decommissioning of current facilities (ABEX) is estimated at approx. DKK 4bn (approximately USD 0.6bn - 0.7bn). The redeveloped Tyra is expected to deliver approximately 60 thousand barrels of oil equivalent per day at peak, and it is estimated that the redevelopment can enable the production of more than 200 million barrels of oil equivalent. Approximately 2/3 of the production is expected to be gas and 1/3 to be oil. The Tyra field will be shut-in for the redevelopment in November 2019, and production is expected to recommence in July 2022.

Exploration

Exploration and appraisal activities are in progress in The North Sea.

Total E&P Danmark A/S did not complete any exploration/appraisal wells in 2018.

Innovation

Total E&P Danmark A/S is seeking to enhance business competitiveness by developing new knowledge and technologies to more efficiently produce hydrocarbons from complex reservoirs such as tight chalk reservoirs in the North Sea and high-pressure, high-temperature fields. An increasing part of Total E&P Danmark A/S efforts in research and development is conducted at the Danish Hydrocarbon & Technology Centre (funded by Total E&P Danmark A/S and the other Danish Underground Consortium partners). Here major technology programmes focus on many things, including: advanced water flooding and enhanced oil recovery in the Dan & Halfdan fields; materials research and corrosion mitigation of wells and offshore installations; low cost production platforms; and innovative use of Big Data and predictive data analytics.

Other focus areas are enhanced reservoir modelling, cost effective well completions and conformance control measures in horizontal wells.

Risks and uncertainties

Total E&P Danmark A/S is subject to a variety of risks, which derive from the nature of the oil and gas production and exploration activities. In the Danish North Sea, Total E&P Danmark A/S and its DUC partners have secured safe operations by provision of stand-by rigs and hereby mitigated risk caused by subsiding seabed.

Material accounting estimates relate to valuation of non-current assets including determination of amortisation and depreciation profiles, and calculation of provisions to cover abandonment obligations and claims, etc. Total E&P Danmark A/S' future is dependent upon success in finding or acquiring and developing oil and gas reserves. Further, strategic, operational, compliance, financial and emerging risks are monitored through a structured approach including systematic identification, assessment and mitigation of the risks.

The Total Recordable Incident Frequency (TRIF) for 2018 was 3.6 per million working hours compared to 2.4 per million working hours in 2017. Total E&P Danmark A/S works focused on eliminating incidents and has set a target of zero incidents. Moreover, a major accident or oil spill remains an inherent risk in the operations. A high severity incident would first and foremost present a risk to our employees as well as potentially to the marine environment, wildlife and local communities. Additionally it could result in large-scale impact on assets, liquidity and reputation and put our license to operate at risk. The Group is proactively building and supporting incident free operations to mitigate this risk.

Corporate Social Responsibility

Social responsibility is important for Total E&P Danmark A/S' business and the company has in 2018 continued its activities in line with the Total S.A.' Strategy.

For more information, reference is made to Total S.A.'s Registration Document 2018, page 177 at:

<https://www.total.com/en/investors/publications-and-regulated-information/regulated-information/annual-financial-reports>

Requirements according to the Danish Financial Statements Act, section 99a have been fulfilled, reference to reporting for parent Company Total S.A.

External environment

Total E&P Danmark A/S continuously develops the production process using the best and safest technologies. Furthermore, Total E&P Danmark A/S seeks to make use of environmentally friendly and energy efficient solutions to reduce negative impact on the environment.

Goals and policies for the underrepresented gender

The Board believes that its members should be elected on the basis of their combined qualifications and at the same time recognise the advantages of a Board comprising a wide range of backgrounds such as global experience, style, culture and gender. In May 2017, the Company's board ceased having equal representation of genders among the Company's shareholder-appointed board members. On this basis, the Board has in August 2017 defined a target to increase the share of the under-represented gender on the Board to account for at least 25% of the shareholder-appointed Board members within 4 years.

As of 31 December 2018 there are no women among the 3 board members appointed at the general meeting. Consequently, the target for gender diversity has not been met. The background for not meeting the target is that no female candidates was found for the vacant seats at the Board.

Total S.A. has adopted a group policy for the complete group with the aim to increase the share of the under-represented gender on the company's other management levels. In

accordance with this policy the Company has taken steps to look into how the Company can attract qualified women to relevant management positions. In addition, this is a focus area when identifying candidates to key positions. A description of the policy and reporting on the gender composition can be found in Total S.A.'s Registration Document 2018, page 185 at:

<https://www.total.com/en/investors/publications-and-regulated-information/regulated-information/annual-financial-reports>

Requirements according to the Danish Financial Statements Act, section 99c have been fulfilled, reference to reporting for parent Company Total S.A.

Payments to governments

Requirements according to the Danish Financial Statements Act, section 99c have been fulfilled, reference to reporting for parent Company Total S.A.. The information can be found from the Total S.A. annual report 2018 p. 210, 229 and 380 at:

<https://www.total.com/en/investors/publications-and-regulated-information/regulated-information/annual-financial-reports>

Management's Statement

The Board of Directors and Executive Board have today discussed and approved the annual report of Total E&P Danmark A/S for 2018.

The annual report for 2018 of Total E&P Danmark A/S has been prepared in accordance with Danish Financial Statements Act and in our opinion gives a true and fair view of the Company's assets, liabilities and the financial position at 31 December 2018 and of the results of the Company's operations and cash flow for the financial year 2018.

In our opinion the Directors' report includes a fair review of the development in and the result of the Company's operations and financial conditions, the result for the year, cash flows and financial position as well as a description of the most significant risks and uncertainty factors that the Company face.

We recommend that the annual report be approved at the Annual General Meeting.

Copenhagen, 28 May 2019

Executive Board:



Patrick Jacques Joseph Gilly

Board of Directors:



Michael Borrell

(Chairman)



Martin Rune Pedersen



Troels Albrechtsen

Independent auditors' report

To the shareholder of Total E&P Danmark A/S

Opinion

We have audited the financial statements of Total E&P Danmark A/S for the financial year 1 January – 31 December 2018 comprising income statement, balance sheet, statement of changes in equity, and notes, including accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Company's assets, liabilities and financial position at 31 December 2018 and of the results of the Company's operations for the financial year 1 January – 31 December 2018 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 that Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance as to whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to

issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements in Denmark will always detect a material misstatement when it exists. Misstatements may arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of financial statement users made on the basis of these financial statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also

- identify and assess the risks of material misstatement of the company financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Statement on the Management's review

Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the Management's review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the Management's review and, in doing so, consider whether the Management's review is

materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the Management's review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statement Act. We did not identify any material misstatement of the Management's review.

Copenhagen, 28 May 2019

KPMG

Statsautoriseret Revisionspartnerselskab

CVR no. 25 57 81 98



Henrik O. Larsen
State Authorised
Public Accountant
MNE no. 15839



Morten Høgh-Petersen
State Authorised
Public Accountant
MNE no. 34283

TOTAL E&P DANMARK A/S
INCOME STATEMENT
FOR 2018

Note	USD 1,000		
	2018	2017	
1.	Revenue	1,001,679	913,811
	Other operating income	134,962	175,214
		<u>1,136,641</u>	<u>1,089,025</u>
2.	Operating expenses	<u>(266,977)</u>	<u>(349,782)</u>
	Gross Profit	869,664	739,243
2.	Administrative expenses	(243,518)	(225,716)
2.	Exploration expenses	(6,042)	(13,132)
3.	Depreciation and impairment	<u>(251,534)</u>	<u>55,760</u>
	Result before financial items and tax	368,570	556,155
4.	Impairment/Gain & Loss sale of subsidiaries	125,641	0
5.	Financial income	59,044	1,422,034
6.	Financial expenses	<u>(79,068)</u>	<u>(67,347)</u>
	Result before tax	474,187	1,910,842
7.	Tax on result for the year	<u>(226,762)</u>	<u>(274,877)</u>
	RESULT FOR THE YEAR	<u>247,425</u>	<u>1,635,965</u>
8.	Proposed distribution of net profit		

TOTAL E&P DANMARK A/S
BALANCE SHEET AT 31.12.2018

Note	USD 1,000	
	2018	2017
ASSETS		
NON-CURRENT ASSETS		
3.	Property, plant and equipment	
	Production facilities etc.	663,590 1,063,530
	Production facilities etc. under construction	190,993 43,696
	Fixtures, fittings, tools and equipment	0 0
	Land and buildings etc	5,513 6,111
		<u>860,096 1,113,337</u>
	Financial assets	
4.	Investment in subsidiaries	2,270,735 3,540,669
9.	Derivatives	0 5,635
4.	Long term deferred tax assets	457,453 457,453
		<u>2,728,188 4,003,757</u>
	TOTAL NON-CURRENT ASSETS	<u>3,588,284 5,117,094</u>
CURRENT ASSETS		
	Inventories	34,278 48,401
10.	Deferred tax asset	125,924 79,367
	Receivables	
	Trade receivables	19,062 30,925
9.	Receivables Group companies	1,037,428 2,577,505
	Receivables Joint Venture partners	208,902 144,944
	Other receivables	218,689 12,719
11.	Prepayments	8,478 13,057
		<u>1,492,559 2,779,150</u>
	Cash	69,647 35,096
	TOTAL CURRENT ASSETS	<u>1,722,408 2,942,014</u>
	TOTAL ASSETS	<u>5,310,692 8,059,108</u>

TOTAL E&P DANMARK A/S
BALANCE SHEET AT 31.12.2018

Note	USD 1,000		
	2018	2017	
	LIABILITIES AND EQUITY		
	EQUITY		
12.	Share capital	30,086	30,086
	Retained earnings	1,919,793	2,632,145
	Dividend for distribution	0	3,321,379
		1,949,879	5,983,610
	NON-CURRENT LIABILITIES		
13.	Other provisions	952,183	1,264,881
		952,183	1,264,881
	CURRENT LIABILITIES		
	Other provisions	89,332	18,550
	Loan from banks	23,354	0
	Trade payables	320,727	200,398
	Loans from group companies	1,762,479	384,981
9.	Payables to group companies	27,562	66,369
	Tax	114,737	77,217
	Other payables	70,439	63,102
		2,408,630	810,617
	TOTAL LIABILITIES	3,360,813	2,075,498
	TOTAL LIABILITIES AND EQUITY	5,310,692	8,059,108
14.	Contingencies etc.		
15.	Related parties		
16.	Subsequent events		
17.	Accounting policies		

TOTAL E&P DANMARK A/S**STATEMENT OF CHANGES IN EQUITY AT 31.12.2018
(USD 1,000)**

	Share capital	Retained earnings	Dividends	Total
	<u>30,086</u>	<u>2,632,145</u>	<u>3,321,379</u>	<u>5,983,610</u>
Equity 01.01	30,086	2,632,145	3,321,379	5,983,610
Contribution of assets (Danish Business Unit)	0	41,424	0	41,424
Equity after contribution of assets	<u>30,086</u>	<u>2,673,569</u>	<u>3,321,379</u>	<u>6,025,034</u>
Profit for the year	0	247,425	0	247,425
Extraordinary dividend	0	(1,001,201)	1,001,201	0
Dividend paid	0	0	(4,322,580)	(4,322,580)
Equity 31.12	<u>30,086</u>	<u>1,919,793</u>	<u>0</u>	<u>1,949,879</u>

TOTAL E&P DANMARK A/S**Notes as at 31.12.2018****(USD 1,000)**

	2018	2017
Note 1, Revenue		
<u>Segments (geographical)</u>		
Denmark	1,001,679	913,811
	<u>1,001,679</u>	<u>913,811</u>
Note 2, Staff costs		
Salaries	256,773	176,126
Pension contribution	20,754	13,030
Other social security costs	1,302	3,376
	<u>278,829</u>	<u>192,533</u>
Executive and board remuneration	<u>6,850</u>	<u>2,486</u>
Average number of employees in Total E&P Danmark A/S	<u>1,473</u>	<u>1,823</u>

Staff costs included in the income statement are contained under the items operating expenses, exploration expenses, profit from discontinued operations and in the balance sheet under production facilities etc. under construction.

During the financial year 2018 approximately 300 of the employees were transferred to Total Upstream Danmark A/S and a redundancy plan was initiated which caused an increase in staff costs for 2018.

At the point of the sale from A. P. Møller - Maersk Group to Total S.A., the participation in the A.P. Møller - Maersk Group restricted and performance shares program was discontinued and no shares were granted in 2018 under these programs (approximate grant value in 2017: USD 1.3 million (restricted shares) and USD 0.0 million (performance shares) which was recognised in the Income Statement).

The Total Group has a performance shares program, and approximately 5 people were enrolled in the new program. The transfer of performance shares is contingent on Total Group performance, the employee still being permanently employed and takes place when three years have passed from the time of granting.

The value of the performance shares granted in 2018 is estimated at USD 0.5 million.

**Note 3, Property,
plant and equipment,**

	2018	2018	2018	2018	2018
	Production facilities, buildings etc.	Production facilities etc. under construction	Fixtures, fittings, tools & equipment	Land and buildings etc.	Total
Cost at 01.01	6,291,124	43,696	3,073	7,559	6,345,453
Additions during the year, including change in abandonment	(201,124)	199,418	0	0	(1,706)
Disposals during the year	0	0	0	0	0
Transferred	52,121	(52,121)	0	0	0
Cost price 31.12	6,141,121	190,993	3,073	7,559	6,343,746
Depreciation and impairments at 01.01	5,226,595	0	3,073	1,448	5,232,116
Depreciation and impairment during the year	250,936	0	0	598	251,534
Disposals during the year	0	0	0	0	0
Depreciation and impairments at 31.12	5,478,531	0	3,073	2,046	5,483,650
Carrying amount 31.12	663,590	190,993	0	5,513	860,096

Note 4, Financial assets

	2018	2018
	Long term deferred tax asset	Shares in subsidiaries
Cost at 01.01	457,453	12,708,016
Additions during the year	0	41,424
Divestment during the year	0	(2,396,934)
Cost price 31.12	457,453	10,352,506
Value adjustments at 01.01	0	(9,244,195)
Divestment during the year	0	1,124,000
Impairment	0	38,424
Dividends	0	0
Other equity adjustments in subsidiaries	0	0
Value adjustments at 31.12	0	(8,081,771)
Carrying amount 31.12	457,453	2,270,735

As of the carrying amount at USD 2,270,735 thousand subsidiaries with a negative equity are included with amount of USD 36,000 thousand.

As of 31 December 2018, Total E&P Danmark A/S is a wholly-owned subsidiary of Total S.A. (Paris) and is included in the accounts for the Total S.A. and is the parent company for the following directly or indirectly owned subsidiaries (100% owned if not otherwise indicated):

Total E&P ALS A/S, Copenhagen

Total E&P Algérie Berkine A/S, Copenhagen

Total Oil Colombia A/S, Copenhagen

Total E&P Angola Block 16 A/S, Copenhagen

Total Angola Block 16 Holdings A/S, Copenhagen

Total E&P Chissonga Holdings Ltd., British Virgin Islands

Total E&P Chissonga Ltd., British Virgin Islands

Total Energy Marketing A/S, Copenhagen

Total E&P Kalaallit Nunaat A/S, Copenhagen

TEPKRI Sarsang A/S, Copenhagen

TEPKRI Piramagrun Holdings A/S, Copenhagen

Note 4, Financial assets (continued)

TEPKRI Piramagrun A/S, Copenhagen

Total E&P NCE A/S, Copenhagen

TEPKRI Qala Dze A/S, Copenhagen

Total Middle East A/S, Copenhagen

Total Exploration Netherlands B.V., The Netherlands

Total E&P Ethiopia A/S, Copenhagen

Total E&P Three PL B.V., The Netherlands

Total E&P Energia Ltda., Brazil (owned by Total E&P Three PL B.V. (99.99%) and Total E&P Danmark A/S (0.01%))

Total Petróleo & Gás do Brasil Ltda., Brazil (owned by Total E&P Danmark A/S (99.99%) and Total E&P Three PL B.V. (0.01%))

Total E&P Dunga GmbH., Germany

Total E&P International Ltd., United Kingdom

Total E&P International K1 Ltd., United Kingdom

Total E&P International K2 Ltd., United Kingdom

Total E&P International K3 Ltd., United Kingdom

Total Energy (MEUK) Ltd., United Kingdom

Total Oil GB Limited, United Kingdom

Total Oil UK Limited, United Kingdom

Total E&P North Sea UK Limited, United Kingdom

Total E&P Resources UK Limited, United Kingdom

Total E&P Aktobe Limited, United Kingdom

Total Danmark Pipelines A/S, Copenhagen

2018**2017****Note 5, Financial income**

Interest income	8,915	20
Interest income from group companies	45,232	14,619
Dividends	0	1,392,526
Other financial income	0	10,406
Exchange rate adjustments etc.	4,896	4,463
	<u>59,044</u>	<u>1,422,034</u>

Note 6, Financial expenses

Interest expenses	34,209	3,139
Interest expense to group companies	32,158	2,796
Other financial expenses	9	52,593
Exchange rate adjustments etc.	12,692	8,819
	<u>79,068</u>	<u>67,347</u>

Note 7, Corporate tax

Tax on profit for the year, USD (227) million (2017: USD (275) million).

Note 8, Proposed distribution of net profits

	2018	2017
Proposed dividend	0	3,321,379
Retained earnings	247,425	(1,685,414)
	<u>247,425</u>	<u>1,635,965</u>

Note 9, Derivatives

The extent and nature of the Company's long term deposits is stated in the income statement and balance sheet according to accounting policies.

	2018	2017
Non-current receivables	0	5,635
Current receivables	0	13,451
Current liabilities	0	5,344
Receivables/liabilities, net	<u>0</u>	<u>13,742</u>

The fair value of derivatives held at the balance sheet date can be allocated by type as follows:

Commodity derivatives	0	0
Cash flow derivatives	0	13,742
Total 31.12	<u>0</u>	<u>13,742</u>

Commodity derivatives comprise of futures and swaps and are settled on a day to day basis at market price.

Cash flow derivatives comprise of spot and forward contracts and are measured at market value.

Fair values of open positions are primarily subject to change in respect of oil price changes and currency exchange rates.

Note 10, Deferred tax

	<u>2018</u>	<u>2017</u>
Deferred tax asset		
Deferred tax asset at 01.01	79,367	103,250
Deferred tax adjustment during the year	46,557	(23,883)
Deferred tax asset at 31.12	<u>125,924</u>	<u>79,367</u>

Note 11, Prepayments

Prepayments mainly include prepayments to operators, insurance expenses, rental expenses and other costs related to future periods.

Note 12, Share Capital

Share capital consists of the following shares:

	<u>Number</u>	<u>Nominal, DKK</u>
	174,000	<u>1,000</u>
Total nominal		<u>174,000,000</u>

Share capital, changes:

Increase of capital 8 December 2017	1,000,000
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Note 13, Provisions

Other non-current provisions include discounted abandonment provisions USD 836 million (2017: USD 1,140 million) and other obligations with USD 116 million (2017: USD 125 million).

Other current provisions include discounted abandonment provisions USD 84 million (2017: USD 14 million) and other obligations USD 5 million (2017: USD 5 million).

Without changing the base assumption for the future abandonment, Total has for 2018 applied their own assumptions on various factors including the discount factor, which has had an effect on reducing the NPV of the provision at the end of 2018 compared to 2017.

Provisions are recognised based on specific estimates and the amounts as well as timing of payments are subject to variations.

Note 14, Contingencies

The company vouches for its subsidiaries' obligations through performance guarantees with variable periods, which may comprise considerable amounts.

At the end of 2018, Total E&P Danmark A/S has capital commitments etc. amounting to USD 50 million. (2017: USD 373m). The amount is chartering of drilling and production rigs etc. USD 50 million. (2017: USD 319m). Operating lease obligations are amounting to USD 7 million. (2017: USD 54 million).

The Company is currently involved in pending litigations and investigations. While provisions that management deems to be reasonable and appropriate have been made for probable losses, there are uncertainties connected with these estimates. A ruling has been made in relation to a dispute between the Company and the Danish tax authorities. The Company does not expect the ruling to have a material impact on the financial position or operating profit.

Note 15, Related parties

Companies in the Total Group and the Executive board and board members of the company are related parties.

Transactions during 2018 with related parties:

USD 1,000	2018
Revenue	832,889
Expenses	44,191

Remuneration to the Company's Executive Board and Board of Directors is disclosed in note 2.

Payables and receivables to group entities are disclosed in the balance sheet, and financial items are disclosed in note 5 and 6.

Parties exercising control

As of 31 December 2018, the company is 100% owned by Total S.A.

As of 31 December 2018, the ultimate parent company is Total S.A., Tour Coupole, 2 place Jean Millier, 92078 Paris la Défense, France The consolidated Financial Statements of the Total group are available at

<https://www.total.com/en/investors/publications-and-regulated-information/regulated-information/annual-financial-reports>

The Company is included in the consolidated Financial Statements as a subsidiary.

Note 16, Subsequent events

Following the acquisition by Total S.A., a restructuring of the company's international activities are ongoing. As a consequence Total Petroleo & Gas Brasil Ltda. was sold to a Total affiliate in March 2019. Further group internal restructuring of subsidiaries holding UK and Angolan activities are expected to be ongoing during 2019.

Note 17, Accounting Policies

The Annual Report for 2018 of Total E&P Danmark A/S has been prepared in accordance with the provisions of the Danish Financial Statements Act applicable to large class C companies.

The accounting policies for Investments in Subsidiaries has been changed from Equity value to Cost price or lower fair value. Comparative figures for 2017 have been restated. All other accounting policies in the Financial Statements are unchanged from last year.

Pursuant to Section 112(1) of the Danish Financial Statements Act, the Company has not prepared consolidated Financial Statements. The Financial Statements of Total E&P Danmark A/S and its subsidiaries are included in the consolidated Financial Statements of the Total Group.

Total E&P Danmark A/S has with reference to the Danish Financial Statements Act provision 86 section 4 refrained from preparing cash flow statement.

Presentation, classification and designations in the income statement and balance sheet have been adjusted to the special nature of the company. That includes i.e. gain/loss on sale of tangible and intangible assets and exploration costs being presented separately.

Key Figures

The ratios shown in the Directors' Report are computed as follows:

$$\text{Profit margin} = \frac{\text{Result before financial items}}{\text{Revenue}}$$

$$\text{Solvency ratio} = \frac{\text{Equity, closing}}{\text{Total assets, closing}}$$

$$\text{Return on equity} = \frac{\text{Result before taxes}}{\text{Equity, closing}}$$

Foreign Currency

The functional currency is USD. The Annual Report is presented in USD, in accordance with provision 16 of the Danish Financial Statements Act. The exchange rate of USD to DKK was 6.5213 at 31 December 2018 (2017: DKK 6.2067).

Monetary assets and liabilities in currencies other than USD are translated at the exchange rate at the balance sheet date. Transactions in currencies other than USD are translated at the exchange rate prevailing at the date of the transaction.

Exchange rate gains and losses are included in the income statement as financial income and expenses.

Derivatives

Derivative financial instruments are recognised on the trading date and measured at fair value using generally acknowledged valuation techniques based on relevant observable swap curves and exchange rates.

Changes to the value of derivatives used to hedge the value of recognised financial assets or liabilities are recognised in the income statement together with the changes in the value of the hedged assets or liabilities.

Changes to the value of derivatives used to hedge future transactions are recognised directly in equity until the hedged transactions are realised at which time value changes are included in the hedged transactions.

Derivatives classified as held for trading are recognised at fair value. Any change in fair value for oil price derivatives is recognised in the income statement under other income/costs.

Based on the use of the equity method, derivatives in the parent company used to hedge transactions in subsidiaries are in the parent company's annual report recognised consistently with the recognition on group level.

The Income Statement

Revenue comprises the value of the company's share of the oil and gas production as well as oil traded. If the company sells more or less than its share of the produced oil (overlift/underlift), this is recognised at sales price in the balance sheet under "Deferred income/Inventory". In agreements where tax is settled in oil, this tax is recognised both as revenue and tax.

Business activities are seen as one segment and are reported as oil and gas production and exploration activities, which is in line with the internal management reporting.

Geographical split on revenue is based on geographical location where the asset is located.

Other operating income comprises operator fee, administrative fee and recharges/time writing, gain on derivatives held for trading and gains by sale of licence shares, etc. The operating income consists of services provided to subsidiaries as well as operator fee.

Other operating cost comprises loss on derivatives held for trading.

Production expenses comprise costs incurred in generating the revenue for the year including purchase of oil and gas.

Exploration and evaluation expenses are capitalised unless the costs do not qualify for capitalisation, and are then recognised in the income statement as incurred. Expenses for initial surveys incurred before acquisition of licence for hydrocarbon extraction are also included in the income statement as they are incurred.

Financial items comprise interest and currency exchange rate gains and losses from translation of cash, receivables and debt in foreign currencies other than USD.

The company is jointly taxed with a number of Danish companies within the Total Group.

Tax on profit for the year includes the amount estimated to be paid for the year as well

as adjustments regarding previous years and change in deferred tax. Furthermore, tax cost includes oil tax based on gross measures.

Provision for deferred tax is made on temporary differences between the accounting and tax values of assets and liabilities. Deferred tax on temporary differences which at the time of the transaction does not affect the financial result or the taxable income is not recognised.

Deferred tax assets are only recognised to the extent that it is probable that they can be utilised against future taxable income.

Discontinued operations are presented separately in the income statement without restatement of comparison figures. The revenue and cost are following the general accounting standards where applicable.

The Balance Sheet

Property, plant and equipment are measured at cost less accumulated depreciation and impairments.

The cost price of production facilities etc. comprises direct and indirect costs for appraisal and production wells and production equipment, etc. for fields considered commercial. Cost includes the net present value of estimated costs of abandonment, removal and restoration. The cost of an asset is divided into separate components, which are depreciated separately if the useful lives of the individual components differ. Depreciation on production facilities etc. is made over the expected production period/economic life determined individually for each development plan.

For oil production facilities including facilities under construction, where oil is received as payment for the investment (cost oil), depreciation takes place concurrently with the receipt of cost oil.

Fixtures and operating equipment are depreciated within three years.

Depreciation periods and residual values for intangible assets and property, plant and equipment are re-evaluated annually.

Impairment losses are recognised when the carrying amount of an asset or a cash-generating unit exceeds the higher of the estimated value in use and fair value less costs of disposals.

Investments in subsidiaries and associated companies are recognised and valued at lower of cost or fair value.

Long-term financial receivable is recognised as the discounted value of future tax benefits from abandonment obligations not included in deferred tax asset.

Inventories are measured at cost, following the FIFO method. Write-down is made to net realisable value if lower. Underlift is measured at market price.

Deferred tax asset is calculated on temporary differences between the carrying amounts and tax bases of assets and liabilities. A deferred tax asset is recognised to the extent that it is probable that it can be utilised within a foreseeable future.

Receivables are measured at nominal value which in all material respects corresponds to amortised cost. Write-down is made for anticipated losses on an individual basis.

Prepayments recognised under assets include prepaid expenses.

Dividend for distribution regarding the financial year is included as part of the **equity**.

The reserve for hedges on equity includes the accumulated net change in the fair value of transactions qualifying for cash flow hedge accounting.

Provisions are recognised when the Company has an existing legal or actual obligation and includes actuarial calculated pension obligations, deferred tax and provision for abandonment of oil fields, etc. Provisions are recognised on the basis of best estimates and considering discounting when the time element is significant.

Debt to group, suppliers etc. is measured at amortised cost price or lower net realisable value, which in most situations corresponds to the nominal value.

Deferred income regarding future years is recognised under liabilities.