

Total E&P Danmark A/S

CVR-No. 22757318

Annual Report 2019

Approved at the General Assembly: 19 June 2020
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 2019 - 31 December 2019

Board of Directors

Michael Borrell (Chairman)
Martin Rune Pedersen
Christina Sjøberg Heineke Petersen

Executive Board

Philippe Marie Rene Maurice Groueix

Auditors

KPMG
Statsautoriseret Revisionspartnerselskab
Dampfærgevej 28
2100 Copenhagen O

Directors' Report

Activities

As of 31 December 2019, 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

Financial performance for the year

The 2019 results show a profit of USD 407 million, which is above management expectations and higher than the profit for 2018 (USD 247 million). The profit was positively impacted by lower costs due to cost reduction efforts and dividend received from subsidiaries. The revenue was negatively affected by the shutdown of Tyra, however partly off-set by increased average oil price of USD 65/barrel, 12% higher than for 2018 (USD 58/barrel).

Total E&P Danmark A/S delivered within expectations at 41.2 thousand barrel of oil equivalent per day (boepd). The entitlement production of 41.2 thousand boepd was lower than FY 2018 (48.3 thousand boepd).

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

USD million	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Income statement:					
Revenue	689	1,002	914	736	225
Profit before financial items and tax	303	369	556	114	(144)
Financial items, net	258	(20)	1,355	(27)	18
Profit for the year after tax	407	247	1,636	305	(2,200)

Balance sheet:

Total assets	4,907	5,311	8,017	6,740	4,887
Investments in property, plant and equipment	913	860	1,113	1,258	4,765
Equity	2,357	1,950	5,942	4,855	6,561
Profit margin	44%	37%	61%	(65%)	(64%)
Solvency ratio	48%	37%	74%	90%	90%
Return on equity	26%	24%	32%	2%	(51%)

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 year is not restated.

Guidance for 2020

Total E&P Danmark A/S expects to achieve a neutral result in 2020. Breakeven is reached with oil prices in the range USD 20-25 per barrel, which have been experienced due to decrease in demand due to COVID-19 and OPEC+ country production increases. Further Total E&P Danmark A/S's entitlement production has declined for 2020 as the Tyra Re-development Project entered into a shutdown period from September 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 2019 the Company's subsidiaries in Angola, Brazil and UK have been divested to other parts of the Total group, as part of the planned international alignment of the legacy Mærsk Oil activities into Total group.

Production of oil and gas is maintained in subsidiaries in Algeria, Kazakhstan and Kurdistan.

Production

Denmark

In 2019, 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 27 thousand barrels of oil per day (bopd) (2018: 30 thousand bopd). Total E&P Danmark A/S share of the gas production in 2019 was 14 thousand boepd (2018: 18 thousand boepd). During 2019, one new well was completed (one well in 2018).

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 boepd 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 was shut-in for the redevelopment in September 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 2019.

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 DUC 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 2019 was 3.3 per million working hours compared to 3.6 per million working hours in 2018. Total E&P Danmark A/S is 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 2019 continued its activities in line with the Total S.A.' Strategy.

For more information, reference is made to Total S.A.'s Registration Document 2019, page 203 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 2019, there was 1 woman among the 3 board members appointed at the general meeting. Consequently, the Company's board is according to the Danish Companies Act considered having equal representation of genders among the Company's shareholder-appointed board members.

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 2019, page 211 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 2019 p. 240, 261 and 421 at:

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

Subsequent events

The oil price has significantly declined during the spring of 2020 and is at the time of filing this annual report, at a historically low level.

The Total group expects the oil price will stabilise at a higher level than the current within the coming year and have not identified impairment related to the annual report for the Company or its investments, though the overall market situation currently could be indicative of an impairment trigger.

Management will closely monitor the development in longer term market conditions and expected future earnings during the coming year.

The COVID19 situation has not directly impacted the Company or the activities in its subsidiaries but has had an indirect impact on global demand for oil and thereby on the above considerations. The impact of COVID19 on the Company cannot be further quantified at the time of reporting but management expects that all significant impact can be mitigated with appropriate measures.

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 2019.

The annual report for 2019 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 2019 and of the results of the Company's operations and cash flow for the financial year 2019.

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, 19 June 2020

Executive Board: _____

Philippe Marie Rene Maurice Groueix

Board of Directors: _____

Michael Borrell
(Chairman)

Martin Rune Pedersen

Christina S. Heineke Petersen

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 2019 comprising income statement, balance sheet, statement of changes in equity, cash flow statement 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 2019 and of the results of the Company's operations and cash flows for the financial year 1 January – 31 December 2019 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 skepticism 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 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.

Copenhagen, 19 June 2020

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 2019

Note	USD 1,000		
	2019	2018	
1.	Revenue	688,571	1,001,679
	Other operating income	41,417	134,962
		<u>729,988</u>	<u>1,136,641</u>
2.	Operating expenses	(221,830)	(266,977)
	Gross Profit	508,158	869,664
2.	Administrative expenses	(32,368)	(243,518)
2.	Exploration expenses	(9,807)	(6,042)
3.	Depreciation and impairment	(162,504)	(251,534)
	Result before financial items and tax	303,480	368,570
4.	Impairment/Gain & Loss sale of subsidiaries	40,643	125,641
5.	Financial income	358,390	59,044
6.	Financial expenses	(100,592)	(79,068)
	Result before tax	601,921	474,187
7.	Tax on result for the year	(195,149)	(226,762)
	RESULT FOR THE YEAR	<u>406,772</u>	<u>247,425</u>
8.	Proposed distribution of net profit		

TOTAL E&P DANMARK A/S
BALANCE SHEET AT 31.12.2019

Note	USD 1,000	
	2019	2018
ASSETS		
NON-CURRENT ASSETS		
3.	Property, plant and equipment	
	Production facilities etc.	583,499 663,590
	Production facilities etc. under construction	324,607 190,993
	Fixtures, fittings, tools and equipment	0 0
	Land and buildings etc	4,912 5,513
		<u>913,018 860,096</u>
	Financial assets	
4.	Investment in subsidiaries	764,927 2,270,735
4.	Long term deferred tax assets	448,222 457,453
		<u>1,213,149 2,728,188</u>
	TOTAL NON-CURRENT ASSETS	<u>2,126,167 3,588,284</u>
CURRENT ASSETS		
	Inventories	<u>50,038 34,278</u>
9.	Deferred tax asset	<u>41,087 125,924</u>
	Receivables	
	Trade receivables	22,283 19,062
	Receivables Group companies	2,324,986 1,037,428
	Receivables Joint Venture partners	227,408 208,902
	Other receivables	76,792 218,689
10.	Prepayments	3,546 8,478
		<u>2,655,015 1,492,559</u>
	Cash	<u>34,875 69,647</u>
	TOTAL CURRENT ASSETS	<u>2,781,015 1,722,408</u>
	TOTAL ASSETS	<u>4,907,182 5,310,692</u>

TOTAL E&P DANMARK A/S
BALANCE SHEET AT 31.12.2019

Note	USD 1,000	
	2019	2018
	LIABILITIES AND EQUITY	
	EQUITY	
	30,086	30,086
	2,326,565	1,919,793
	<u>2,356,651</u>	<u>1,949,879</u>
	NON-CURRENT LIABILITIES	
11.	741,283	952,183
	<u>741,283</u>	<u>952,183</u>
	CURRENT LIABILITIES	
	178,663	89,332
	260,809	320,727
	1,053,284	1,762,479
	33,754	35,861
	28,199	114,737
	254,539	85,494
	<u>1,809,248</u>	<u>2,408,630</u>
	2,550,531	3,360,813
	TOTAL LIABILITIES AND EQUITY	
	<u>4,907,182</u>	<u>5,310,692</u>
12.	Contingencies etc.	
13.	Related parties	
14.	Accounting policies	

TOTAL E&P DANMARK A/S**STATEMENT OF CHANGES IN EQUITY AT 31.12.2019
(USD 1,000)**

	Share capital	Retained earnings	Dividends	Total
	<hr/>	<hr/>	<hr/>	<hr/>
Equity 01.01	30,086	1,919,793	0	1,949,879
Profit for the year	0	406,772	0	406,772
Equity 31.12	30,086	2,326,565	0	2,356,651

Share capital consists of the
following shares:

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

Share capital, changes:

Increase of capital 8 December 2017	1,000,000
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TOTAL E&P DANMARK A/S

Notes as at 31.12.2019

(USD 1,000)

	2019	2018
Note 1, Revenue		
<u>Segments (geographical)</u>		
Denmark	688,571	1,001,679
	<u>688,571</u>	<u>1,001,679</u>
 Note 2, Staff costs		
Salaries	172,935	256,773
Pension contribution	14,094	20,754
Other social security costs	1,453	1,302
	<u>188,482</u>	<u>278,829</u>
Executive and board remuneration	<u>0</u>	<u>6,850</u>
 Average number of employees in Total E&P Danmark A/S	<u>1,227</u>	<u>1,473</u>

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

With reference to provision 98b, 3.2 of the Danish Financial Statements Act, no Board of Directors' fee and Management remuneration is shown due to only one person receiving remuneration.

The Total Group has a performance shares program, and approximately 200 people (2018: 5 persons) are enrolled in the program. The Performance Shares will vest 3 years after the grant provided that the vesting conditions (presence and performance conditions) are met. After the vesting period, the employee becomes the owner of the Performance Shares. The employee must own the Performance Shares for 2 years calculated from end of the Vesting Period prior to selling the shares.

The value of the performance shares granted in 2019 is estimated at USD 2.6 (2018: USD 0.5 million).

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.

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

	2019	2019	2019	2019	2019
	Production facilities, buildings etc.	Production facilities etc. under construction	Fixtures, fittings, tools & equipment	Land and buildings etc.	Total
Cost at 01.01	6,142,121	190,993	3,073	7,559	6,343,746
Additions during the year, including change in abandonment	0	215,426	0	0	215,426
Disposals during the year	0	0	(3,073)	0	(3,073)
Transferred	81,812	(81,812)	0	0	0
Cost price 31.12	6,223,933	324,607	0	7,559	6,556,099
Depreciation and impairments at 01.01	5,478,531	0	3,073	2,046	5,483,650
Depreciation and impairment during the year	161,903	0	0	601	162,504
Disposals during the year	0	0	(3,073)	0	(3,073)
Depreciation and impairments at 31.12	5,640,434	0	0	2,647	5,643,081
Carrying amount 31.12	583,499	324,607	0	4,912	913,018

Note 4, Financial assets

	2019	2019
	Long term deferred tax asset	Shares in subsidiaries
Cost at 01.01	457,453	10,352,506
Additions during the year	0	0
Divestment during the year	(9,231)	(5,597,21)
Cost price 31.12	448,222	4,754,985
Value adjustments at 01.01	0	(8,081,771)
Divestment during the year	0	4,089,699
Impairment	0	0
Dividends	0	25,681
Other equity adjustments in subsidiaries	0	(27,696)
Value adjustments at 31.12	0	(3,990,058)
Carrying amount 31.12	448,222	764,927

As of the carrying amount at USD 764,927 thousand subsidiaries with a negative equity are included with amount of USD 0 thousand.

As of 31 December 2019, 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 Energy Marketing A/S, Copenhagen
Total E&P Kalaallit Nunaat A/S in liquidation, Copenhagen
TEPKRI Sarsang A/S, Copenhagen
TEPKRI Piramagrun Holdings A/S, Copenhagen
TEPKRI Piramagrun A/S, Copenhagen
Total E&P NCE A/S, Copenhagen
TEPKRI Qala Dze A/S, Copenhagen
Total Middle East A/S in liquidation, Copenhagen

Note 4, Financial assets (continued)

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 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 E&P Aktobe Limited, United Kingdom
Total Danmark Pipelines A/S, Copenhagen

	<u>2019</u>	<u>2018</u>
Note 5, Financial income		
Interest income	371	8,915
Interest income from group companies	38,327	45,232
Dividends	311,521	0
Exchange rate adjustments etc.	8,171	4,896
	<u>358,390</u>	<u>59,044</u>

Note 6, Financial expenses

Interest expenses	6,735	34,209
Interest expense to group companies	50,765	32,158
Other financial expenses	41,417	9
Exchange rate adjustments etc.	1,675	12,692
	<u>100,592</u>	<u>79,068</u>

Note 7, Corporate tax

Tax on profit for the year, USD (195.1) million, comprises actual tax USD (110.3) million, and change in deferred tax USD (84.8) million. For 2018 Tax on profit for the year, USD (226.8) million, comprise of actual tax USD (273.4) million, and change in deferred tax USD 46.6 million.

Note 8, Proposed distribution of net profits

	<u>2019</u>	<u>2018</u>
Retained earnings	406,772	247,425
	<u>406,772</u>	<u>247,425</u>

Note 9, Deferred tax

	<u>2019</u>	<u>2018</u>
Deferred tax asset		
Deferred tax asset at 01.01	125,924	79,367
Deferred tax adjustment during the year	<u>(84,837)</u>	<u>46,557</u>
Deferred tax asset at 31.12	<u>41,087</u>	<u>125,924</u>

Note 10, Prepayments

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

Note 11, Provisions

Other non-current provisions include discounted abandonment provisions USD 741 million (2018: USD 836 million) and no other obligations (2018: USD 116 million).

Other current provisions include discounted abandonment provisions USD 168 million (2018: USD 84 million) and other obligations USD 11 million (2018: USD 5 million).

Without changing the base assumption for the future abandonment, Total has after the acquisition in 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 12, Contingencies

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

At the end of 2019, Total E&P Danmark A/S has capital commitments etc. amounting to USD 28 million. (2018: USD 50m). The amount is chartering of drilling and production rigs etc. Operating lease obligations are amounting to USD 7 million. (2018: USD 7 million).

The Company is currently involved in a tax case relating to prior years. The provisions made in this relation are deemed to be reasonable and appropriate, and at this point in time management does not expect additional material impact on the Company's financial position.

Note 13, Related parties

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

Transactions during 2019 with related parties:

USD 1,000	2019
Revenue	716,141
Expenses	124,475

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 2019, the Company is 100% owned by Total S.A.

As of 31 December 2019, 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 14, Accounting Policies

The Annual Report for 2019 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 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.

Total E&P Danmark A/S has with reference to the Danish Financial Statements Act provision 96 section 3 refrained from presenting fees paid to the auditors elected at the general assembly.

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.

Some items have been reclassified to a more correct line items, the 2018 comparison figures have been updated.

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 6.6759 at 31 December 2019 (2018: DKK 6.5213).

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.

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 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.