INEOS E&P DK A/S

Nesa Allé 1
2820 Gentofte

Annual report
1 January 2017 - 31 December 2017

The annual report has been presented and approved on the company's general meeting the

20/06/2018

Anders Foldager
Chairman of general meeting

Content

Company information

Reporting company	INEOS E&P DK A/S Nesa Allé 1 2820 Gentofte	
	Phone number:	99551111
	CVR-nr:	67145313
	Reporting period:	01/01/2017 - 31/12/2017
Auditor	PRICEWATERHOUSECOOPERS STATSAUTORISERET REVISIONSPARTNERSELSKAB Strandvejen 44 2900 Hellerup DK Denmark	
	CVR-nr:	33771231
	P-number:	1016959517

Statement by Management

The Executive Board and the Board of Directors have today considered and approved the annual report of INEOS E&P DK A/S for the financial year 1 January - 31 December 2017.

The annual report has been 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 financial position at 31 December 2017 and of the results of the the Company's operations for the financial year 1 January - 31 December 2017.

In our opinion, Management's review includes a fair review of the matters dealt with in the Management's review.

We recommend the adoption of the annual report at the annual general meeting.

Gentofte, the 31/05/2018

Management

Flemming Horn Nielsen
Managing director

Board of directors

Sebastian Koks Andreassen
Chairman

Roger Bell
Deputy chairman

Gareth Jon Anderson

Geir Tuft

The independent auditor's report on financial statements

To the shareholder of INEOS E&P DK A/S

Opinion

We have audited the financial statements of INEOS E&P DK A/S for the financial year 1 January - 31 December 2017, which comprise an income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies. The financial statements are prepared under the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Company´s financial position at 31 December 2017 and of the results of the Company's operations for the financial year 1 January - 31 December 2017 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 requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of management for the financial statements

Management is responsible for the preparation of Financial Statements that give a true and fair view in accordance
with the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error.

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 responsibility

Our objectives are to obtain reasonable assurance about 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 applicable in Denmark will always detect a material misstatement when it exists. Misstatements can 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 users taken 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 judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the 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.

Copenhagen, 31/05/2018

Kim Danstrup , mne32201
State Authorised Public Accountant
PRICEWATERHOUSECOOPERS STATSAUTORISERET
REVISIONSPARTNERSELSKAB
CVR: 33771231

Management’s Review

Business activities
The Company’s objects is exploration and development of hydrocarbons as well as ancillary activities.

The Company has a interest of 36,41% in the 1/90 Lulita licence. The production consist primarily of oil.

Business review
The Company's income statement for the year ended 31 December shows a loss of DKK'000 3.729, and the balance sheet at 31 December 2017 shows equity of DKK'000 13.037.

Financial performance for 2017 matched expectations.

Recognition and measurement uncertainties
The recognition and measurement of items in the financial statements is not subject to any uncertainty.

Unusual matters
The Company's financial position at 31 December 2017 and the results of its operations for the financial year ended 31 December 2017 are not affected by any unusual matters.

Accounting Policies

The annual report has been prepared in accordance with the regulation applying to Reporting class B. There have been options of certain rules in reporting class C.
The annual report of INEOS E&P DK A/S for 2017 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to enterprises of reporting class B as well as selected provisions as regards larger entities.

The accounting policies applied are consistent with those of last year.

The annual report for 2017 is presented in DKK'000.

Basis of recognition and measurement
Income is recognised in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortised cost are recognised. Moreover, all expenses incurred to generate the earnings for the year are recognised in the income statement, including depreciation, amortisation, impairment losses and provisions as well as reversals as a result of changed accounting estimates of amounts previously recognised in the income statement.

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

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow from the company's and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. On subsequent recognition, assets and liabilities are measured as described below for each individual accounting item.

Certain financial assets and liabilities are measured at amortised cost using the effective interest method. Amortised cost is calculated as the historic cost less any instalments and plus/less the accumulated amortisation of the difference between the cost and the nominal amount.

On recognition and measurement, allowance is made for predictable losses and risks which occur before the annual report is presented and which confirm or invalidate matters existing at the balance sheet date.

Income statement

Revenue
Revenue from the sale of oil and gas is recognised in the income statement, when delivery and transfer of risk to the buyer has taken place before year end. Revenue is recognised exclusive of VAT and net of any trade discounts.

Other external expenses
Other external expenses include expenses related to administration, exploration licenses, geological and seismic data.

Other external expenses also comprise cost for exploration and appraisal wells that do not qualify for capitalisation.

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

Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts relating to the financial year. Net financials include interest income and expenses, financial expenses relating to realised and unrealised capital/exchange gains and losses on foreign currency transactions.

Tax on profit/loss for the year
Tax on profit/loss for the year, consisting of current tax for the year and deferred tax for the year, is recognised in the income statement to the extent that it relates to profit/loss for the year and directly in equity to the extent that it relates to entries made directly in equity. The company is subject to the Danish rules on compulsory joint taxation of the INEOS E&P A&S's Danish companies. Subsidiaries are included in the joint taxation from the date they are included in the consolidation in the consolidated financial statements and up to the date on which they are no longer included in the consolidation.

INEOS E&P DK A/S is comprised by the Danish Hydrocarbon taxation Act. Hydrocarbon taxes are recognised under tax on profit/loss for the year. INEOS E&P A/S is the management company responsible for the carbon tax joint taxation and thus settles all hydrocarbon tax payments with the tax authorities.

INEOS E&P A/S, is the management company for the joint taxation and consequently settles all income tax payments with the tax authorities.

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

Tax for the year, which comprises the current tax charge for the year and changes in the deferred tax charge, including changes arising from changes in tax rates, is recognised in the income statement as regards the portion that relates to entries directly in equity.

Balance sheet

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

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date when the asset is available for use. The cost of self-constructed assets comprises direct and indirect costs of materials, components, sub-suppliers and wages.

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

Exploration comprises recognised expenses for the successful drilling of exploration and appraisal wells where development of the field has yet to commence. Expenses are recognised using the successful efforts method. Under the successful efforts method, expenses for drilling specific exploration wells are recognised in the balance sheet. Acquired licences where discoveries have been made, including acquired reserves, are also recognised under exploration. General exploration expenses and expenses for unsuccessful exploration wells are recognised in the income statement. Recognition in the balance sheet is maintained pending determination of commercial viability.

Where a discovery is found not to be commercially viable, the drilling expenses incurred are recognised in the income statement as exploration expenses. Other exploration expenses are recognised in the income statement as exploration expenses as incurred.

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

Impairment of fixed assets
The carrying amount of production assets is reviewed for impairment, other than what is reflected through normal amortisation and depreciation, on an annual basis.

Where there are indications of impairment, an impairment test is performed for each individual asset or group of assets, respectively. The carrying amount of impaired assets is reduced to the higher of the net selling price and the value in use (recoverable amount).

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

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

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

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

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

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

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

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation enacted at the balance sheet date when the deferred tax is expected to materialise as current tax. Where the tax base can be determined applying alternative tax rules, deferred tax is measured on the basis of the intended use of the asset or settlement of the liability, respectively.

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

Liabilities
Financial liabilities such as mortgage loans and loans from credit institutions are recognised at the date of inception at the proceeds received net of transaction costs. In subsequent periods, the financial liabilities are

measured at amortised cost, corresponding to the capitalised value, using the effective interest rate. The difference between the proceeds received and the nominal value is recognised in the income statement over the term of the loan.

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

Foreign currency translation
Transactions in foreign currencies are translated on initial recognition at the exchange rates applicable at the dates of transaction. Exchange differences arising between the exchange rate applicable at the transaction date and at the date of payment are recognised in the income statement as financial income or expenses.

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates applicable at the balance sheet date. The differences between the exchange rates at the balance sheet date and the date at which the receivable or payable arose or was recognised in the most recent financial statements is recognised in the financial statements as financial income or financial expenses.

Non-current assets acquired in foreign currencies are measured at the transaction date rates.

Income statement 1 Jan 2017 - 31 Dec 2017

	Disclosure	2017	2016
		kr.	**kr.**
Revenue		14,279,000	14,953,000
Other external expenses		-5,896,000	-5,421,000
Gross Result		**8,383,000**	**9,532,000**
Depreciation, amortisation expense and impairment losses of property, plant and equipment and intangible assets		-14,214,000	-8,201,000
Profit (loss) from ordinary operating activities		**-5,831,000**	**1,331,000**
Other finance income	1	82,000	266,000
Other finance expenses	2	-1,135,000	-1,256,000
Profit (loss) from ordinary activities before tax		**-6,884,000**	**341,000**
Tax expense	3	3,155,000	36,973,000
Profit (loss)		**-3,729,000**	**37,314,000**

Proposed distribution of results

Proposed dividend recognised in equity		0	185,000,000
Retained earnings		-3,729,000	-147,686,000
Proposed distribution of profit (loss)		**-3,729,000**	**37,314,000**

Balance sheet 31 December 2017

Assets

	Disclosure	2017 kr.	2016 kr.
Plant and machinery		46,647,000	31,090,000
Property, plant and equipment	**4**	**46,647,000**	**31,090,000**
Total non-current assets		**46,647,000**	**31,090,000**
Trade receivables		813,000	0
Receivables from group enterprises		1,364,000	150,272,000
Current deferred tax assets			0
Tax receivables		0	41,808,000
Other receivables		787,000	0
Receivables		**2,964,000**	**192,080,000**
Cash and cash equivalents		16,507,000	105,000
Current assets		**19,471,000**	**192,185,000**
Total assets		**66,118,000**	**223,275,000**

Balance sheet 31 December 2017

Liabilities and equity

	Disclosure	2017 kr.	2016 kr.
Contributed capital		9,500,000	9,500,000
Retained earnings		3,537,000	7,266,000
Proposed dividend		0	185,000,000
Total equity		**13,037,000**	**201,766,000**
Other provisions	5	49,414,000	18,974,000
Provisions, gross		**49,414,000**	**18,974,000**
Trade payables		21,000	21,000
Payables to group enterprises		3,446,000	1,691,000
Other payables, including tax payables, liabilities other than provisions		200,000	262,000
Deferred income		0	561,000
Short-term liabilities other than provisions, gross		**3,667,000**	**2,535,000**
Liabilities other than provisions, gross		**3,667,000**	**2,535,000**
Liabilities and equity, gross		**66,118,000**	**223,275,000**

Statement of changes in equity 1 Jan 2017 - 31 Dec 2017

	Contributed capital	Retained earnings	Proposed dividend recognised in equity	Total
	kr.	kr.	kr.	kr.
Equity, beginning balance	9,500,000	7,266,000	185,000	16,951,000
Dividend paid	0	0	-185,000	-185,000
Profit (Loss)	0	-3,729,000	0	-3,729,000
Equity, ending balance	9,500,000	3,537,000	0	13,037,000

Disclosures

1. Other finance income

	2017 kr.	2016 kr.
Other financial income	21,000	0
Exchange gains	61,000	266,000
	82,000	266,000

2. Other finance expenses

	2017 kr.	2016 kr.
Financial ecpenses, group enterprises	0	350,000
Other financial expenses	926,000	807,000
Exchange loss	209,000	99,000
	1,135,000	1,256,000

3. Tax expense

	2017 kr.	2016 kr.
Current tax for the year	-3,155,000	0
Deferred tax for the year	0	3,157,000
Adjustment of tax concerning previous years	0	-41,960,000
Adjustment of deferred tax concerning previous years	0	1,830,000
	-3,155,000	-36,973,000

4. Property, plant and equipment

	Plants and machinery kr.
Cost, beginning of year	39,931,000
Increase	29,771,000
Cost, end of year	**69,702,000**
Impairment losses and amortisation, beginning of year	-8,841,000
Impairment losses, this year	-14,214,000
Impairment losses and amortisation, end of year	**-23,055,000**
Carrying value, end of year	**46,647,000**

5. Other provisions

	2017 kr.	2016 kr.
Balance at 1 January	18,974,000	17,920,000
Change in estimated, interest and other factors	30,440,000	1,054,000
Balance at 31 December	49,414,000	18,974,000

The expected due dates of other provsions are:

Over 5 years	49,414,000	18,974,000
	49,414,000	18,974,000

Other provisions comprises of decommissioning obligations relating to demolition and decommissioning of the Company's oil field. Decommissioning obligations are measured at the present value of the future liability in respect of decommissioning and restoration as expected at the balance sheet date. The value of the decommissioning provision is recognised in property, plant and equipment and depreciated together with the associated asset.

6. Disclosure of significant events occurring after end of reporting period

No events have occurred after the balance sheet date which could significantly affect the company's financial position.

7. Disclosure of contingent assets

INEOS E&P DK A/S has deferred tax assets of DKK 3.823 million (2016: DKK 3.818 million) that have not been recognised and related primarily to unutilised losses in hydrocarbon income. It is considered unlikely that these losses can be utilised in the foreseeable future.

8. Disclosure of contingent liabilities

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

9. Disclosure of ownership

Group relations

The smallest parent entity producing consolidated financial statements is INEOS E&P UK Holdings Limited,
incorporated in United Kingdom.