INEOS E&P A/S

Teknikerbyen 5, 1.
Virum

Annual report for 2019

CVR no. 73 34 96 13

Adopted at the annual general meeting on
31 July 2020

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Anders Foldager

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Management's Statement

The Executive Board and the Board of Directors have today discussed and approved the annual report of INEOS E&P A/S for the financial year 1 January - 31 December 2019.

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 2019 and of the results of the Company's operations for the financial year 1 January - 31 December 2019.

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.

Virum, 31 July 2020

Excutive Board

Sebastian Koks Andreassen

Board of Directors

Erik Fantoft Magnesen Chairman	Morten Rosenløv Jensen	Sebastian Koks Andreassen

Independent Auditor's Report

To the shareholder of INEOS E&P A/S

Opinion

We have audited the financial statements of INEOS E&P A/S for the financial year 01.01.2019 - 31.12.2019, which comprise the income statement, balance sheet, statement of changes in equity, notes, including a summary of significant 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 Entity's financial position at 31.12.2019 and of the results of its operations for the financial year 01.01.2019 – 31.12.2019 in accordance with the Danish Financial Statements Act.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and 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 this auditor's report. We are independent of the Entity in accordance with the International Ethics Standards Board of 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.

Management's Responsibilities 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 Entity's ability to continue as a going concern, for disclosing, as applicable, matters related to going concern, and for using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Entity 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 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 judgement and maintain professional scepticism 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.

Independent auditor's report

- 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 Entity'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 Entity'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 Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures in the notes, 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 commentary

Management is responsible for the management commentary.

Our opinion on the financial statements does not cover the management commentary, 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 commentary and, in doing so, consider whether the management commentary is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the management commentary provides the information required under the Danish Financial Statements Act.

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

Copenhagen, 31 July 2020

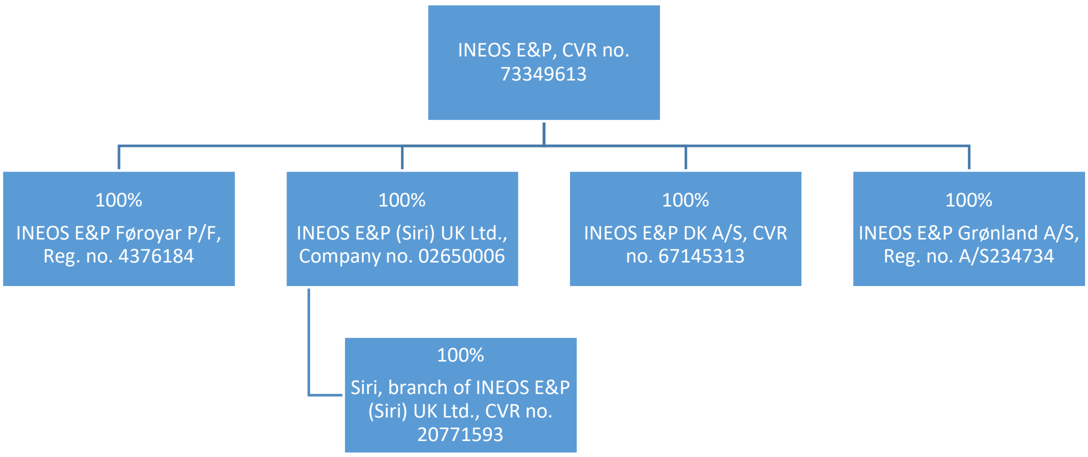
Deloitte
Statsautoriseret Revisionspartnerselskab
Business Registration No 33 96 35 56

Lars Hillebrand
State-Authorised Public Accountant
Indentification No (MNE) mne26712

Company Details

The Company	INEOS E&P A/S Teknikerbyen 5, 1. 2830 Virum	
	Website:	www.ineos.com
	CVR no.: Reporting period:	73 34 96 13 1 January - 31 December
Board of Directors	Erik Fantoft Magnesen, Chairman Morten Rosenløv Jensen Sebastian Koks Andreassen	
Executive Board	Sebastian Koks Andreassen	
Auditors	Deloitte Statsautoriseret Revisionspartnerselskab Weidekampsgade 6 2300 København S	
Consolidated Financial Statements	The Company is included in the consolidated Financial Statements of INEOS E&P UK Holdings Limited. The consolidated financial statements of INEOS E&P UK Holdings Limited can be obtained by contacting INEOS E&P A/S or at: https://beta.companieshouse.gov.uk/company/SC200459	

Company Overview



Financial Highlights

Key figures

Income statement (DKKm)	2019	2018	2017	2016	2015
Revenue	1,182	1,211	1,252	1,332	1,113
EBITDA	689	347	212	258	-567
(Loss)/profit before financial income and expenses	114	-176	-1,233	679	-13,515
Net financial items	247	1,563	233	522	-3,758
(Loss)/profit for the year	352	1,391	-748	157	-16,015
Balance Sheet (DKKm)					
Total assets	8,914	8,449	8,005	15,021	14,733
Investment in property, plant and equipment	64	36	207	1,724	3,704
Equity	2,134	1,786	364	3,835	-13,018
Financial ratios					
EBIT margin	9.66%	-14.50%	-98.51%	50.98%	-1214.29%
Return on assets	1.28%	-2.08%	-15.41%	4.52%	-91.73%
EBITDA margin	58.27%	28.65%	16.91%	19.37%	-50.94%
None-financial data					
Average number of employees (FTE's)	210	306	371	512	595
OSHA Recordable injury rate (per 200,000 hours)	0.43	0.00	0.68	0.10	0.43*
Discharging of oil into the sea, tonnes	1.65	0.98	0.93	0.89	0.87
Rejection of produced water, %	98.5%	98.9%	99.3%	99.2%	99.5%
Gas flaring from platforms (flaring), million Nm3	2.48	2.13	3.11	6.12	4.77

The financial ratios are calculated in accordance with the Danish Finance Society's recommendations and guidelines. For definitions, see the summary of significant accounting policies.

*INEOS Group use OSHA to measure injuries. As we don't have data from 2015 to report OSHA the number is based on Lost-time injury frequency (LTIF), per 1 million hours worked, which was the method used under the previously ownership.

Management's Review

Business review
The company's objects are to engage in activities in the energy sector and ancillary activities.

Financial review
The Company's income statement for the year ended 31 December shows a profit of DKK 352 million, and the balance sheet at 31 December 2019 shows equity of DKK 2,134 million.

Revenue totaled DKK 1,182 million, which is 29 million lower than in 2019. The decrease is primarily attributable to lower oil and gas production in the year. EBITDA increased by DKK 342 million to DKK 689 million in 2019. The increase was mainly due to change in decommissioning provision, cost savings and reduction in staff

EBIT increased by DKK 290 million to DKK 114 million. The increase is mainly due to the impact in EBITDA offset by higher depreciations.

Financial performance for 2019 matched expectations.

Market development

Crude Brent and US dollar
The average price of crude brent in 2019 was approximately 64 USD/BBL, which is a 7 USD/BBL decrease compared to 2018.

The first 4 months of 2019 we saw rising prices crude oil prices, however from May prices turned before picking up again in September and closed the year at 66 USD/BBL.

The USD exchange rate started 2019 at 6.51 DKK/USD but increased during the year and closed at 6.66 DKK-/USD.

Production
Oil and gas production totaled 3.0 million boe, down 13% from 2018. Decrease in production is in line with our expectation.

Investments
Investments held by INEOS E&P A/S consist of technical installations on South Arne, Siri and Hejre. Capital expenditure in 2019 amounted to DKK 64 million, as compared to DKK 36 in 2018. Expenditure is mainly related to South Arne. No major investments has been completed on Siri Area in 2019.

Future outlook
The start of 2020 has been marked by a developing outbreak of COVID-19. In this context of pandemic, the key objectives for the Company are twofold:

- keep its employees safe, with the strict application of the recommendation for social distancing,
- keep operations running, so far we have not seen a material impact on our operations.

Current market visibility remain poor, as there is uncertainty in the length of the lockdown in Europe and the impact of this on oil and gas prices. Recent uncertainties in oil supply agreements have caused further volatility in commodity markets. The Company will continue to closely monitor the impact on cash flows and financial conditions.

The Company is reviewing its strategy but will continue to pursue growth opportunities through further developments in Denmark.

Management's Review

Future outlook (continued)
The Company looks forward to the coming years with optimism in developing near term resources in a safe, reliable and profitable manner.

Based on the uncertainties the Company expect a result before tax between DKK -250 million and DKK -750 mil lion. Further, due to natural decline in the reservoir, shut down of the Lulita field and other factors, we expect lower production of 20-25% in 2020.

Subsidaries
The subsidaries in Denmark, UK, Greenland and Faroe Islands have cotributed a profit of DKK 119 million in 2019.

At the end of 2019, INEOS E&P A/S (including subsidiaries) had 12 licenses; 11 in Denmark 1 in Greenland and 0 in the Faroe Islands.

Special risks
Management of the business and the execution of the Company's strategy are subject to a number of risks. The key business risks affecting the Company are considered to relate to the safe and reliable operation of fields, specifically those for which the Company is operator, management of the impact of oil and gas price volatility on the revenues and cash flows, and the ability to find and exploit gas deposits in the DK sector of the North Sea. The Company deploys highly skilled and experienced resources to identify, evaluate and financially assess development opportunities, applies the best safety and environmental practices in the production of proven oil and gas reserves and adopts robust financial management which, together with appropriate monitoring of business performance seeks to mitigate such risks.

Financial risk
The Company's operations are exposed to a variety of financial risks that include effects of the commodity price risk, credit risk, liquidity and cash flow risk, currency risk and interest rate risk. The Company has in place a risk management programme that seeks to limit any adverse effects on the financial performance of the Company where appropriate.

The main financial risk which could affect the company are set out below:

a) Commodity price risk: Oil and gas is a traded commodity with open market price. The Company is exposed to fluctuations in market prices to the extent that it has not entered into fixed price agreements. The directors regularly review cost-benefit of entering into price hedges to minimise risk. The company has no price hedging in place.

b) Interest rate risk: The company has a mix of financing facilities including deposits to subsidiaries and shareholder deposit and loan facility. Deposits to subsidiaries and shareholders bears interest at variable rates based on LIBOR and; the shareholder loan bear interest at variable rates based on CIBOR. The directors review the interest rate and assess the cost-benefit of interest rate hedging. The company has no interest rate hedging in place.

c) Currency risk: The Company undertakes transactions in various currencies, and the Company manages this risk by matching receipts and payments in the same currency (where possible) and monitoring the movements in exchange rates. The Company also has shareholder and subsidiary loan and deposits facility in USD, GBP, NOK and DKK. Although the significant majority of transactions are denominated in USD and DKK (the Company's functional currency). The directors continue to review the cost-benefit of currency hedging. The company has no currency hedging in place.

Management's Review

Financial risk (continued)

d) Credit risk: The Company has in place policies and procedures to mitigate the risk that customers default on amounts owed to the Company. Exposure to credit risk is further minimised by the nature of the customers with which the Company deals.

e) Liquidity and cash flow risk: The Company's operating assets generate sufficient positive cash flows to cover the Company's costs and development activities and service the Company's own obligations. The Company has access to liquidity, through participation in external financing and support from shareholders to manage such risks.

Recognition and measurement uncertainties

The recognition of Deferred Tax, Fixed Assets (impairments) and decommissioning liabilities are all subject to a high degree of uncertainty due to the level and nature of assumptions made when estimating the outcome of subsequent events. The assumptions which would change future measurement includes:

- General price development or development in market prices
- Expected useful live of production assets
- Weighted average cost of capital (WACC) and risk free rate
- Exchange rates, etc.
- Development of existing technologies

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

Unusual matters

The Company's financial position at 31 December 2019 and the results of its operations for the financial year ended 31 December 2019 are not affected by any unusual matters.

Management's Review

Statutory report on corporate governance

Business model
The Company's main activity is exploration and production of oil and gas in the Danish part of the North Sea. Oil and gas are sold to primarily oil refinery in Europe.

A part of our strategy is to transform the business into a leading North Sea oil and gas company in terms of returns and cash generation. Furthermore, we continue to assess other opportunities for value creation, with investments focused on field extensions or build-out near existing producing assets as well as already initiated developments.

Corporate social responsibility
In INEOS E&P A/S we are committed to conducting our operations in a responsible manner for the benefit of our shareholders, customers, employees, and the society and environment in which we work. Safety is our number 1 priority, and our efforts to keep people safe never end, and we hold ourselves and one another accountable for our Quality, Health, Safety and Environment (QHSE) performance. We continuously strive to improve our performance and the INEOS 20 Safety Principles are an integral part of this.

INEOS E&P A/S is aware of the role it plays in society and of its responsibility towards its business partners as well as its shareholders and employees. INEOS E&P A/S has therefore committed itself to clear principles, which serve as the foundation for the actions INEOS E&P A/S takes as a business and as a corporate citizen.

The actions taken by INEOS E&P A/S and by its employees are founded on personal responsibility, honesty, loyalty and respect for others and for the environment. Managers bear particular responsibility in this regard.

Therefore, the Company has implemented a Code of Conduct which serves two main purposes:

1. It encourages every single employee to take responsibility for his or her actions and it seeks to provide them with appropriate guidance.

2. It outlines the ethical principles which guide the business activities of INEOS E&P A/S.

The Company has joined the principles of the UN Global Compact. INEOS E&P A/S works to further honor the Global Compact in its business relationships and does not have business relationships with business partners who are known to be in violation of the principles underlying the Global Compact.

INEOS E&P A/S is a part of INEOS Group. Read more about the Group Corporate Social Reponsibility (CSR) objectives on the Company's website www.ineos.com/sustainability.

Human rights
No significant risks have been identified in relation to human rights. INEOS E&P A/S conduct business in a regulated market where authorities inspects companies to make sure that they comply with legislation and where labour unions is involved in negotiation regarding working conditions including human rights for employees.

INEOS E&P A/S conducts business business to business (B2B) and our customers are mostly large corporation or public companies. Therefore, violation of human rights is rare and INEOS E&P A/S haven't registered any.

Management's Review

Human rights (continued)
INEOS E&P A/S will continuously ensure that all human rights are respected, and there is a continuous follow up. INEOS E&P A/S will continuously ensures that all human rights are respected and will implement adequate policies if deemed required.

Anti-Corruption Policy
INEOS E&P A/S is committed to conduct all its business activities throughout the world in an honest and ethical manner and expects the same of its Employees and Business Partners. INEOS have implemented a policy on anti-corruption in order to follow this.

INEOS E&P A/S does not tolerate any form of Corruption, neither active or passive nor direct or indirect, and works against Corruption in all its forms. In all its activities, INEOS E&P A/S is committed to complying with the provisions of the Bribery Act 2010, the United States Foreign Corrupt Practices Act and any applicable anti-corruption laws in the countries where it does business. INEOS E&P A/S implements and enforces adequate procedures and systems, including the anti-corruption Policy, in order to ensure compliance with these commitments and laws.

During 2019, we have registered no cases of anti-corruption nor bribery behavior.

Social and employee conditions
Through relevant procedures and processes, we must create the safest possible working environment for our employees and minimize work-related accidents and diseases. Furthermore, we must protect our employees from stress, bullying, harassment and physical danger in their workplace.

Every year, our goal is to avoid accidents in the workplace completely. The prevention will be upheld by a combination of education of each employee and the implementation of behavioral procedures ensuring a safe working environment. We must always make sure that all equipment is maintained properly, for it to carry a minimal risk to our employees.

In 2019, we reported 0.43 workplace accidents (OSHA recordable injury rate per 200,000 hours). It is the view of the Company that the most significant risk pertaining to working conditions is workplace accidents, which can cause injury to employees and impact our ability as a company to attract a skilled workforce.

Environmental
INEOS E&P A/S take the environment seriously and have therefore defined a mandatory minimum requirement for environmental management in the Company and it provides direction and support to the statements in the Company's QHSE Policy "We will commit ourselves to continual improvement and prevention of pollution" and "We will minimise our consumption of resources and impact on the environment".

In 2019 INEOS E&P A/S discharged 1645 kg of oil into the sea with the produced water and 262 kg with the ballast water from operated oil and gas activities in Denmark. This was an increase from 2018 which can mainly be attributed to increased pigging frequency of the water injection pipelines for corrosion protection reasons. As a consequence, reinjection of produced water decreased slightly to 98.5% from 98.9% in 2018.

Gas flaring from own operated platforms increased to 2.48 Nm3 in 2019 from 2.13 Nm3 in 2018, mainly due to maintenance on compressors in 2019.

Management's Review

Environmental (continued)
The increases in discharges and emissions are considered minor coming from an all-time low in 2018 and are well within the limits of the relevant permits. INEOS E&P A/S believe that results of our efforts are reflected in our success in complying with regulatory requirements regarding environment and climate and acted with due environmental care. Nonetheless continuous efforts are put in to reducing our impacts going forward.

Climate
Global air temperatures have warmed steadily over past decades, and climate variations becomes more and more severe, with both warmer and wetter climate in some areas, and drier in other areas. The cause for the warmer climate is to a large extent ascribed to an increased amount of greenhouse gasses in the atmosphere, due to burning of fossil fuels.

INEOS is committed to contribute to reduce the emission of greenhouse gasses, both when it comes to our own installation, and in our effort to contribute in other sectors.

At our installation, we constantly strive to make the process more efficient and reduce the energy consumption, in particularly by waste-heat recovery and improved procedures.

The Siri Area holds a number of oil fields, which are to be decommissioned during this decade, due to the natural decline in production. However, the reservoirs are at a benign depth for geological storage of CO_2, and the facility already in place, may be used for future carbon storage. INEOS is in the process of analyzing the feasibility and potential for carbon storage in our fields. If the use of the fields is deemed feasible, it may open up for storage of up to 4 million tons CO_2 per year.

The Siri Area Complex is uniquely located in an area where:
- Carbon storage is viable (sand reservoir in depth 800-3,000m)
- Electricity from wind farms is likely ~2025 (Sørlige Nordsjø II in Norway)
- Hydrogen storage might be matured for power-to-X (presence of salt diapirs)

INEOS is investigating the options for making the Siri Area a future test area for a number of Green Transition Projects, due to its benign location.

INEOS supports the ambition of the Danish Government to reduce CO_2 emission by 70 % in 2030. Therefore, INEOS has played an active role in the work within the oil and gas industry which has led to input to the Climate Partnership for Energy and Utilities demonstrating a large potential for reductions.

Statement on the underrepresented gender
Currently the Board of directors consist of 3 members of whom 0 is women. Therefore, the company is required to set a target for the underrepresented gender in according to The Financial Statements Act section 99 b. Our target is that the Board of Directors should consist of at least 1 woman before end of 2025.

INEOS E&P A/S has a policy in place to increase the number of underrepresented gender in other management levels. In our recruitment process we ensure that everyone has an equal opportunity. When recruiting for a specific job we make sure to invite at least one qualified female applicant for an interview. Each year when the People Review has been completed, women with special leadership potential are identified, and individual action plans are prepared for them, so they are ready when a management position becomes open.

The development of women in management is monitored through continuous reporting by HR. On at least a quarterly basis the IOG DK Executive management receives an overview of the gender distribution of management in our organisation to ensure appropriate focus and efforts to increase the proportion of female managers.

Management's Review

Statement on the underrepresented gender (continued)
During 2019, we have strived to invite qualified candidates of both genders to interviews for job positions at management level. When we have made use of external recruiting agencies, we have asked that they provide a list of qualified candidates of both genders. Furthermore, we have during 2019 continued to encourage all employees with the desire and competences to advance within the Company.

By the end of 2019, the Company has still not met an equal composition of men and women in other management level. The Company will keep working towards a more equal composition of men and women in other management levels in 2020.

Regardless of the objective concerning underrepresented gender, INEOS E&P A/S appoints members of management according to qualifications rather than gender.

Report on payments to authorities
Pursuant to section 99c of the Danish Financial Statements Act, INEOS E&P A/S is obliged to account for payment authorities. In 2019 INEOS E&P A/S has made payment of DKK 2,702 thousand regarding Nitrogen Oxide (NOx) fee.

Income Statement 1 January - 31 December 2019

	Note	2019	2018
		DKK'000	DKK'000
Revenue	2	**1,182,106**	**1,210,788**
Other operating income		213,541	30,756
Raw materials and consumables		-20,891	-21,956
Other external expenses		-522,050	-656,860
Gross profit		**852,706**	**562,728**
Staff costs	3	-163,900	-215,795
Operating profit before depreciation, amortisation and impairment losses (EBITDA)		**688,806**	**346,933**
Amortisation, depreciation, impairment losses on intangible assets and property, plant and equipment	4	-574,643	-522,468
Other operating costs		13	-
Loss before financial income and expenses (EBIT)		**114,176**	**-175,535**
Income from investments in subsidiaries	5	119,094	1,412,815
Financial income	6	214,541	208,596
Financial expenses	7	-86,466	-58,489
Profit/(loss) before tax		**361,345**	**1,387,387**
Tax on profit for the year	8	-9,366	3,435
Profit/(loss) for the year		**351,979**	**1,390,822**
Distribution of profit/ (loss)	9		

Balance Sheet at 31 December 2019

	Note	2019	2018
		DKK'000	DKK'000
Assets			
Software	10	5,292	5,801
Intangible assets		**5,292**	**5,801**
Fixtures	11	1,446	1,800
Production assets	11	1,117,820	1,320,672
Lease assets	12	148,534	-
Tangible assets		**1,267,800**	**1,322,472**
Investments in subsidiaries	13	44,288	-
Receivables from group enterprises	14	5,493,290	5,342,758
Other non-current assets		**5,537,578**	**5,342,758**
Non-current assets		**6,810,670**	**6,671,031**
Inventory		76,569	82,305
Trade receivables		131,613	15,105
Receivables from group enterprises	14	1,536,921	1,291,437
Other receivables		9,422	16,399
Tax receivables		29,361	-
Prepayments		145,756	99,586
Current assets		**1,929,642**	**1,504,832**
Cash at bank and in hand	15	**173,921**	**272,889**
Current assets		**2,103,563**	**1,777,721**
Assets		**8,914,233**	**8,448,752**

Balance Sheet at 31 December 2019

Liabilities and equity

	Note	2019 DKK'000	2018 DKK'000
Share capital		500,000	500,000
Hedging reserves		6,197	10,138
Retained earnings		1,628,245	1,276,266
Equity	16	**2,134,442**	**1,786,404**
Other provisions	17	5,425,846	5,611,632
Lease liabilities	12	138,462	-
Non-current liabilities		**5,564,308**	**5,611,632**
Lease liabilities	12	12,376	-
Trade payables		106,242	115,702
Payables to group enterprises		583,110	496,016
Corporation tax		175,117	138,138
Other payables		162,970	181,418
Other provision		146,019	118,112
Deferred income		29,650	1,330
Current liabilities		**1,215,484**	**1,050,716**
Liabilities		**6,779,792**	**6,662,348**
Liabilities and equity		**8,914,234**	**8,448,752**

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Statement of Changes in Equity

	Share capital	Hedging reserves	Retained earnings	Total
	DKK'000	DKK'000	DKK'000	DKK'000
Equity at 1 January	500,000	10,138	1,276,266	1,786,404
Other equity movements	-	-5,689	-	-5,689
Tax on other equity movements	-	1,748	-	1,748
Profit for the year	-	-	351,979	351,979
Equity at 31 December	**500,000**	**6,197**	**1,628,245**	**2,134,442**

Notes

1 Going concern

The Company has considered its funding position and the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence and meets its liabilities as they fall due, for the foreseeable future, being at least 12 months from the date of signing of the financial statements. As part of assuring the going concern basis of preparation for the Company, the ability of the Company's immediate parent, INEOS UK E&P Holdings Limited, to support the Company has been taken into consideration.

The Group monitors its funding position and its liquidity risk throughout the year to ensure it has sufficient funds to meet its forecast cash requirement. Cash forecasts are produced based on a number of inputs, such as production and expenditure forecasts, oil and gas price assumptions, and financing cash flow forecasts. These inputs have been reviewed and approved by the board and sensitivities are run for different scenarios, the most significant of which is a sustained decline in commodity prices, resulting in an average oil price of $32/bbl for the remainder of 2020 and $36/bbl in 2021. The INEOS UK E&P Holdings Limited consolidated financial statements continue to be prepared on a going concern basis.

In arriving at this conclusion, the directors have considered the principal risks and uncertainties and financial risks that the business is exposed to, discussed further in the Strategic Report, including the challenges the Company faces with COVID-19 and the depression of commodity prices following the year-end.

Although the Directors cannot predict the extent and duration of the COVID-19 pandemic and the impact that this will have, particularly on commodity prices, as above the directors have undertaken a rigorous assessment of the potential impact for 12 months from the date of signing of these financial statements. The directors have implemented a series of programmes to preserve cash including review of the timings and/or level of non-essential capital expenditure and reduction in spend against provisions. In conclusion, the directors believe the Company would still have sufficient cash flow to meet its obligations as they fall due based on available cash and the financial support of INEOS UK E&P Holdings Limited.

2 Revenue

	2019 DKK'000	2018 DKK'000
Type of goods/services		
Oil and gas	1,138,286	1,121,306
Other income relating to oil and gas production	43,820	89,482
Total	1,182,106	1,210,788
Geographical information by location of customers		
Denmark	55,534	114,449
Rest of EU	1,015,499	1,078,524
Rest of world	111,073	17,815
Total	1,182,106	1,210,788
Timing of revenue recognition from customers		
At a point in time	1,142,250	1,167,353
Over time	39,856	43,435
	1,182,106	1,210,788

Notes

		2019	2018
		DKK'000	DKK'000
3	**Staff costs**		
	Wages and salaries	206,903	343,847
	Pensions	17,176	24,386
	Other social security costs	-544	677
	Other staff costs	4,557	3,682
		228,092	372,592
	Payroll charged to partners etc.	-64,192	-156,797
		163,900	215,795
	Average number of employees (FTE's)	210	306

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

		2019	2018
4	**Depreciation, amortisation and impairment of intangible assets and property, plant and equipment**		
	Amortisation of intangible assets	2,288	527
	Depreciation of tangible assets	552,994	521,941
	Depreciation of leased assets	19,361	-
		574,643	522,468
5	**Income from investments in subsidiaries**		
	Net profit/loss for the year	44,288	65,512
	Gains from divestment	-	1,347,303
	Reversed provision	74,806	-
		119,094	1,412,815
6	**Financial income**		
	Bank interest	1,091	2,184
	Interest received from group companies	172,089	142,099
	Other financial income	5	-
	Exchange gains	41,356	64,313
		214,541	208,596

Notes

7 Financial expenses

Bank interest	381	254
Financial expenses to group companies	2,158	21,048
Other financial expenses	71,039	250
Exchange loss	550	26,514
Lease interest	5,998	-
Interest element, provision	6,340	10,423
	86,466	58,489

8 Tax on profit for the year

Current tax for the year	-	-
Deferred tax for the year	7,618	3,379
Adjustment of tax concerning previous years	1,748	-6,814
Adjustment of deferred tax concerning previous years	-	-
	9,366	-3,435

9 Distribution of profit/(loss)

Proposed distribution of (profit/loss)		
Retained earnings	351,979	1,390,822
	351,979	1,390,822

10 Intangible assets

	Software DKK'000
Cost at 1 January	33,899
Additions for the year	1,779
Cost at 31 December	35,678
Impairment losses and amortisation at 1 January	28,098
Amortisation for the year	2,288
Impairment losses and amortisation at 31 December	30,386
Carrying value at 31 December	**5,292**

Notes

11 Tangible assets

	Other fixtures and fittings, tools and equipment	Production assets	Production assets under construction	Total
	DKK'000	DKK'000	DKK'000	DKK'000
Cost at 1 January	1,800	16,617,164	10,101,723	26,720,687
Additions for the year	-	63,861	-	63,861
Change in decommissioning provision	-	285,927	-	285,927
Disposals	-	-	-3,261,970	-3,261,970
Cost at 31 December	1,800	16,966,952	6,839,753	23,808,505
Impairment losses and depreciaiton at 1 January	-	15,296,492	10,101,723	25,398,215
Depreciation for the year	354	552,640	-	552,994
Disposals	-	-	-3,261,970	-3,261,970
Impairment losses and depreciaiton at 31 December	354	15,849,132	6,839,753	22,689,239
Carrying amount at 31 December	**1,446**	**1,117,820**	**-**	**1,119,266**
Interest expenses recognised as part of cost of assets	-	-	-	-

12 Lease assets

	Land and buildings	Furniture and equipment	Total
	DKK'000	DKK'000	DKK'000
Cost at 1 January	151,949	16,138	168,087
Lease modifications	-	135	135
Disposals	-	-562	-562
Cost at 31 December	151,949	15,711	167,660
Depreciaiton at 1 January			
Depreciation for the year	9,054	10,307	19,361
Disposals	-	-235	-235
Depreciaiton at 31 December	9,054	10,072	19,126
Carrying amount at 31 December	**142,895**	**5,639**	**148,534**

The Company leases a number of assets as part of its activities. This primarily includes its offices, storage tanks as well as company cars and vessel charter. Some leases will have payments that vary with market interest or inflation rates. The Company's obligations are secured by the lessors' title to the leased assets for such leases.

Notes

12 Lease assets (continued)

Amount recognised in profit and loss

	2019
	DKK'000
Expense relating to short-term leases for which recognition exemption is applied	553
Expense relating to leases of low value assets for which recognition exemption is applied	532
Expense relating to variable lease payments not included in the measurement of the lease liability	-
Income from subleasing right-of-use assets	-

Interests on lease debt expensed in profit (loss) were DKK 6 million in 2019.

Lease liabilities

	2019
	DKK'000
Maturity analysis - contractual undiscounted cash flows	
Within 1 year	17,888
Within 1 and 5 year	46,810
Over 5 years	144,844
Less: impact on discounting	-58,704
Balance at 31 December 2019	**150,838**
Current	12,376
Non-current	138,462
Total	**150,838**
Commitment to short term leases as at 31 December	80
Commitment to low value leases as at 31 December	8
Total commitment	**88**

	2018
	DKK'000
Operating lease obligations	
Within 1 year	38,923
Within 1 and 5 year	61,622
Over 5 years	152,403
Total	**252,948**

Notes

	2019	2018
	DKK'000	DKK'000
13 Investments in subsidiaries		
Cost at 1 January	1,684,684	17,870,881
Disposals for the year	-	-16,186,197
Cost at 31 December	1,684,684	1,684,684
Revaluations at 1 January	-1,684,684	-16,112,199
Exchange adjustments	-	69,083
Net profit for the year	44,288	65,512
Disposals for the year	-	14,292,920
Revaluations at 31 December	-1,640,396	-1,684,684
Carrying amount at 31 December	**44,288**	**-**

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Votes and ownership	Equity	Net profit/loss for the year
INEOS E&P (Siri) UK Ltd.*	London, United Kingdom	100%	-77,205	51,795
INEOS E&P DK A/S	Virum, Denmark	100%	69,880	83,295
INEOS E&P Grønland A/S	Nuuk, Greenland	100%	30,241	-262
INEOS E&P Føroyar P/F	Torshavn, Faroe Islands	100%	21,372	-17
			44,288	**134,811**

	2019	2018
	DKK'000	DKK'000
14 Receivables from group enterprises		
Between 1 and 5 years	5,493,290	5,342,758
Non-current portion	5,493,290	5,342,758
Other short-term debt to subsidiaries	1,536,921	1,291,437
	7,030,211	**6,634,195**

With reference to Note 1 the receivable from INEOS UK E&P Holdings Limited is covered by a letter of support from our indirect parent company INEOS Industries Limited.

	2019	2018
	DKK'000	DKK'000
15 Cash at bank and in hand		
Available cash	450	93,500
Licenses and restricted cash	173,471	179,389
	173,921	**272,889**

Notes

16 Equity

The share capital consists of 500,000 shares of a nominal value of DKK 1,000. No shares carry any special rights.

The share capital has developed as follows:

	2019	2018	2017	2016	2015
	DKK'000	DKK'000	DKK'000	DKK'000	DKK'000
Share capital at 1 January	500,000	500,000	1,380,000	720,000	420,000
Increase for the year	-	-	-	660,000	300,000
Reduction for the year	-	-	-880,000	-	-
Share capital at 31 December	**500,000**	**500,000**	**500,000**	**1,380,000**	**720,000**

17 Other provisions

	2019	2018
	DKK'000	DKK'000
Balance at 1 January	5,611,632	5,781,710
Provision used during the year	-139,042	-5,169
Provision made / (reversed)	-200,511	-30,756
Change in estimated, interest and other factors	153,767	-134,153
Balance at 31 December	**5,425,846**	**5,611,632**
The expected due dates of other provsions are:		
Within one year	-	65,786
Between 1 and 5 years	2,669,255	3,452,731
Over 5 years	2,756,591	2,093,115
	5,425,846	**5,611,632**

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

18 Payables to group enterprises

	2019	2018
	DKK'000	DKK'000
Between 1 and 5 years	-	-
Non-current portion	-	-
Other short-term debt to subsidiaries	583,110	496,016
	583,110	**496,016**

Notes

19 Subsequent events

On 2 March 2020, the Company entered into an agreement with Spirit Energy to acquire its Danish and Norwegian legal entities covering the participating interests in the Hejre and Solsort licences. The acquisition is subject to approval by the Danish Authorities and is expected to close later in the year.

The spread of the COVID-19 virus (corona) during the first months of 2020 has caused global disruption with negative consequences for human health as well as economic activity. INEOS E&P A/S has implemented several measures to minimize the spread of the virus and minimize the risk of disruptions to its operations.

The corona situation has created significant uncertainty in the global market for oil and gas products. This uncertainty has been further amplified by signals of increased production volumes from several major oil producing countries and has caused a significant decline in global oil prices.

Moreover, INEOS E&P A/S recognize that impact of the spread of COVID-19 virus on public health and economy may cause challenges in maintaining operations both with partners and critical suppliers. This may in turn result in disruptions and/or delays in operations in INEOS E&P A/S assets.

It is difficult to predict how these events will impact INEOS E&P A/S operations, global economy and the market for oil and gas products in a longer term. From an accounting perspective, the situation could significantly impact recoverable amounts of INEOS E&P A/S assets.

20 Contingent assets, liabilities and other financial obligations

Contingent assets

INEOS E&P A/S has deferred tax assets of DKK 19,198 million (2018: DKK 18,839 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.

Contingent liabilities

According to legislation, INEOS E&P A/S are liable to pay compensation for any environmental accidents or other types of damage caused by our oil and gas activities, even when there is no proof of negligence (strict liability). We have taken out insurance to cover any such claims.

INEOS E&P A/S is taxed jointly with all Danish subsidiaries. As management company, the company has unlimited and joint and several liability together with the other jointly taxed companies for Danish income taxes and withholding taxes on dividends, interest and royalties within the jointly taxed companies.

Capital commitments

INEOS E&P A/S has entered into agreements to invest in property, plant and equipment (primarily offshore Licences) for DKK 0 million (2018: DKK 111 million) at 31 December 2019.

Guarantees

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

Notes

21 Related parties and group information

Transactions with related parties
According to the Danish Financial Statement Act section 98 c transactions with related parties are not disclosed as all transactions have been affected at arm's length.

Group information
INEOS E&P A/S immediate parant company is INEOS E&P UK Holdings Limited, United Kingdom (100 percent ownership). The ultimate parent is INEOS Limited, a company incorporated in the Isle of Man.

INEOS E&P A/S is included in the consolidated financial statements prepared by INEOS E&P UK Holdings Limited, United Kingdom.

The consolidated financial statements of INEOS E&P UK Holdings Limited can be obtained by contacting INEOS E&P A/S or at:

https://beta.companieshouse.gov.uk/company/SC200459

22 License overview

License	Operator	Ownership Interest	Producing Oil and gas field	Oil and gas field under evaluation
1/06 Hejre Extension	INEOS E&P A/S	48.00%		x
1/90 Luita	INEOS E&P A/S	43.59%	x	
3/09 Solsort	INEOS E&P A/S	35.00%		x
4/95 Nini Field	INEOS E&P A/S	57.14%	x	
4/98 Solsort	INEOS E&P A/S	35.00%		x
5/98 Hejre	INEOS E&P A/S	60.00%		x
6/95 Siri	INEOS E&P A/S	70.00%	x	
7/86 Luita Part	INEOS E&P A/S	43.59%	x	
7/89 Syd Arne Field	Hess Denmark ApS	36.79%	x	
16/98 Cecilie Field	INEOS E&P A/S	56.41%	x	

Accounting policies

Basis of preparation
The annual report of DONG E&P A/S for 2019 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C as well as selected provisions of the International Financial Reporting Standards approved by EU.

The annual report for 2019 is presented in Thousand Danish Kroner (DKK '000).

In pursuant of Section 112 of the Danish Financial Statements Act, the company has not prepared consolidated financial statements as the company is included in the cash flow statement of the INEOS UK E&P Holdings Limited.

In pursuance of Section 86(4) of the Danish Financial Statements Act, the company has omitted preparing a cash flow statement as the company is included in the cash flow statement of the INEOS UK E&P Holdings Limited.

In pursuance of Section 96(3) of the Danish Financial Statements Act, the company has omitted providing information on audit fees as the company is fully consolidated in INEOS UK E&P Holdings Limited's consolidated financial statements, in which the audit fees for the Group as a whole are disclosed.

Implementation of new or changed accounting standards and interpretations
The Company applied, for the first time, certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2019. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The nature and the effect of these changes are disclosed below. Other than the changes described below, the accounting policies adopted are consistent with those of the previous financial year.

- IFRS 16

In the current year, the Group has applied IFRS 16 (as issued by the IASB in January 2016) that is effective for annual periods that begin on or after 1 January 2019.

IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between operating and finance lease and requiring the recognition of a right-of-use asset and a lease liability at commencement for all eases, except for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. The impact of the adoption of IFRS 16 on the Group’s consolidated financial statements is described below.

The Company has applied IFRS 16 on 1 January 2019 using the modified retrospective approach. Under this approach, the comparative figures and information have not been restated.

Impact of the new definition of a lease
The Company has decided not to take advantage of the practical expedient to grandfather the definition of a lease on transition. This means that all contracts currently identified as leases in accordance with IAS 17 and IFRIC 4 have been reassessed to determine whether they meet the definition of a lease under IFRS 16.

Accounting policies

Impact of the new definition of a lease (continued)
The change in definition of a lease mainly relates to the concept of control. IFRS 16 determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration. This is in contrast to the focus on 'risk and rewards' in IAS 17 and IFRIC 4.

The Company applies the definition of a lease and related guidance set out in IFRS 16 to all contracts entered into or changed on or after 1 January 2019. In preparation for the first-time application of IFRS 16, the Group has carried out an implantation project. The project has identified a number of contracts relating to joint operations previously treated as operating expenses are now classified as leases under IFRS 16.

Impact on Lessee Accounting
Former operating lease
IFRS 16 changes how the Company accounts for leases previously classified as operating leases under IAS 17, which were off balance sheet.

Applying IFRS 16, for all leases (except as note below), the Group:

- Recognises right-of-use assets and lease liabilities in the consolidated statements of financial position, initially measured at the present value of the future lease payments;
- Recognises depreciation of right-of-use assets and interest on lease liabilities in profit or loss;

Lease incentives (e.g. rent-free period) are recognised as part of the measurement of the right-of-use assets and lease liabilities whereas under IAS 17 they resulted in the recognition of lease incentive, amortised as a reduction of rental expenses generally on a straight-line basis.

Under IFRS 16, right-of-use assets are tested for impairment in accordance with IAS 36.

For short-term leases (lease term of 12 months or less) and leases of low-value assets, the Company has opted to recognise a lease expense in profit or loss on a straight-line basis as permitted by IFRS 16.

Former finance leases
The main differences between IFRS 16 and IAS 17 with respect to contracts formerly classified as finance lease is the measurement of the residual value guarantees provided by the lessee to the lessor. IFRS 16 requires that the Company recognises as part of its lease liability only the amount expected to be payable under a residual value guarantee, rather than the maximum amount guaranteed as required by IAS 17. The Company has no finance leases therefore this change did not have a material impact on the Group's consolidated financial statements.

Impact on Lessor Accounting
IFRS 16 does not change substantially how a lessor accounts for leases. Under IFRS 16, a lessor continues to classify leases as either finance leases or operating leases and account for those two types of leases differently.

However, IFRS 16 has changed and expanded the disclosure required, in particular with regard to how a lessor manages the risks arising from its residual interest in leased assets. Under IFRS 16, an intermediate lessor accounts for the head lease and the sub-lease as two separate contracts. The intermediate lessor is required to classify the sub-lease as a finance or operating lease by reference to the right-of-use asset arising from the head lease (and not by reference to the underlying asset as was the case under IAS 17).

Accounting policies

Impact on Lessor Accounting (continued)
This change did not have a material impact on the Company's consolidated financial statements as the Company has no sub-lease agreements.

Financial impact of the initial application of IFRS 16
The table below provides a reconciliation of the Company's operating lease commitments as at 31 December 2018 to the total lease liability recognised in accordance with IFRs 16 as at 1 January 2019.

	DKK'000
Operating lease commitments disclosed as at 31 December 2018	252,948
Impact of discounting using the incremental borrowing rate (IBR) on transition	-64,708
(Less): short-term leases recognised on a straight-line basis as expense	-761
(Less): low-value leases recognised on a straight-line basis as expense	-9
(Less): contracts reassessed as service agreements	-23,744
Add/(less): adjustments as a result of a different treatment of extension and termination options	505
Add/(less): adjustments relating to changes in the index or rate affecting variable payments	3,417
Other	439
Lease liability recognised as at 1 January 2019	**168,087**
Of which are:	
Current lease libilities	16,999
Non-current lease liabilities	151,088
	168,087

The right-of use assets were measured at the amount equal to the lease liability. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The recognised right-of-use assets relate to the following types of assets:

	1 January 2019
	DKK'000
Land and buildings	151,949
Furniture and equipment	16,138
	168,087

Practical expedients applied
In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics
- reliance on previous assessments on whether leases are onerous
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application

Accounting policies

Basis of recognition and measurement
Income is recognised in the income statement as earned, including value adjustments of financial assets and liabilities. All expenses, including amortisation, depreciation and impairment losses, are also 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 are presented and which confirm or invalidate matters existing at the balance sheet date.

Income statement

Segment information
Information is provided on business segments and geographical markets. The segment information is provided in consideration of the company's accounting policies, risks and management control.

Revenue
The Company has chosen IFRS 15 as basis of recognition and measurement.

Revenue, which is stated net of value added tax, represents oil and gas products sold to third parties. Contracts for goods and services are analysed to determine the distinct performance obligations against which revenue should be recognised. The amount to be recognised is determined from the standalone selling prices for goods and services, allocated to the performance obligations.

Revenue is recognised when (or as) the performance obligations are satisfied by transferring a promised good or service to a customer. For sales resulting from hydrocarbon production, this generally occurs when the product is physically transferred into a vessel, pipe or other delivery mechanism. Revenue resulting from hydrocarbon production from properties in which the Company has an interest with partners in joint arrangements is recognised on the basis of the Company’s volumes lifted and sold. Lifting or offtake arrangements for oil and gas produced in certain of the Company’s oil and gas properties are such that each participant may not receive and sell its precise share of the overall production in each period. The resulting imbalance between cumulative entitlement and cumulative volume sold less inventory is an “underlift”’ or “overlift”. Underlift and overlift are valued at cost price and included within receivables and payables respectively. Movements during an accounting period are adjusted through cost of sales in the income statement.

Other income relating to gas production include technical service to third or related parties, and revenue arised from tariffs for third or related parties use of owned pipelines and infrastructure. Tariffs are recognised at the end of the month for pipeline movements during the month and are based on quantity transported through the pipeline.

Accounting policies

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

Other operating income and expenses
Other operating income and other operating expenses comprise items of a secondary nature relative to the company's activities.

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

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

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

Employee costs
Employee costs comprise wages and salaries as well as payroll dependent expenses, including pensions, social security costs and other employee related costs.

Depreciation, amortisation 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. Financial income and expenses comprise interest income and expense, gains and losses and liabilities and foreign currency transactions. It also includes realized and unrealized gains and losses on hedge interest rate and currency risks that are not hedges of net sales, cost of sales or fixed assets.

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

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

Accounting policies

Tax on profit 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. 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 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.

INEOS E&P A/S is covered by the Danish Hydrocarbon Tax 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.

The company is jointly taxed with Danish Hydrocarbon group enterprises. The Hydrocarbon tax is distributed among the enterprises in proportion to their taxable incomes.

Balance sheet

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

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

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

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

Cost comprises the purchase price and any expenses directly attributable to the acquisition until the date the asset is ready for use. In the case of assets of own construction, cost comprises direct and indirect expenses for labour, materials, components and sub-suppliers.

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

Exploration comprises recognised expenses for drilling successful exploration and appraisal wells where development of the field has yet to commence. Expenses are recognised using the successful efforts method. Under the successful efforts method, expenses for drilling specific exploration wells are recognised in the balance sheet. Acquired licences where discoveries have been made, including acquired reserves, are also recognised

Accounting policies

Tangible assets (continued)
under exploration. General exploration expenses and expenses for unsuccessful exploration wells are recognised in the income statement. Recognition in the balance sheet is maintained pending determination of commercial viability. Where a discovery is found not to be commercially viable, the drilling expenses incurred are recognised in the income statement as Other external costs. Other exploration expenses are recognised in the income statement as Other external costs as incurred.

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

Exploration assets and production assets under construction is not depreciated until production of oil and gas is started.

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

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

Other fixtures and fittings, tools and equipment	5 years

Investments in subsidiaries
Investments in subsidiaries and associates are measured at the proportionate share of the net asset value of the entities, calculated on the basis of the group's accounting policies, less or plus unrealised intra-group gains or losses and plus or less any remaining value of positive or negative goodwill made up according to the purchase method.

Investments in subsidiaries and associates with a negative net asset value are measured at DKK 0, and the carrying amount of any receivables from these entities is reduced to the extent that they are considered irrecoverable. If the parent company has a legal or constructive obligation to cover a deficit that exceeds the receivable, the balance is recognised under provisions.

Net revaluations of investments in subsidiaries and associates are taken to the net revaluation reserve according to the equity method to the extent that the carrying amount exceeds the cost. Dividends from subsidiaries which are expected to be declared before the annual report of INEOS E&P A/S is adopted are not taken to the net revaluation reserve.

Acquisitions are accounted for using the purchase method.

Impairment of fixed assets
The carrying amount of intangible assets, property, plant and equipment and investments in subsidiaries are reviewed annually to determine whether there is any indication of impairment.

If there are indications of impairment, an impairment test is carried out for each asset or group of assets. Impairment is made to the lower of the recoverable amount and the carrying amount.

Accounting policies

Impairment of fixed assets (continued)
The recoverable amount of the asset is calculated as the higher of the net selling price and the value in use. The value in use is calculated as the present value of expected net cash flows from the use of the asset or group of assets and the expected net cash flows from the sale of the asset or group of assets after the end of their useful lives.

Inventory
Inventories consist of petroleum, condensate, liquid petroleum gas. Inventories are valued at the lower of cost and net realisable value.

Cost is determined as lifiting cost for the month.

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

Prepayments
Prepayments comprise costs incurred concerning subsequent financial years.

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

Equity
Dividend
Proposed dividends are disclosed as a separate item under equity. Dividends are recognised as a liability at the date of declaration by the annual general meeting.

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

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

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

Accounting policies

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

Leases
The Company has initially adopted IFRS 16 from 1 January 2019.

At inception of a contract, the Company assesses whether the contract is, or contains, a lease. If a contract is, or contains a lease, the Company applies IFRS 16 when accounting for such contracts. For all other contracts, it applies other IFRSs as appropriate.

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Company assesses whether:

At inception or on reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative standalone prices.

The Company, as lessee, has availed the exemption from lessee accounting for its short-term leases and leases of low-value items. Accordingly for these leases, it recognises the lease payments as an expense, on either a straight line basis over the lease term or another systematic basis if that basis is more representative of the pattern of the Company's benefit.

The Company recognizes the full lease liability, rather than its working interest share, for leases entered into on behalf of a joint operation if the Company has the primary responsibility for making the lease payments.

For contracts in scope, the Company, as the lessee, recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liability. The lease liability is initially measured at the present value of lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company’s incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise the following:

- Fixed payments, including in-substance fixed payments;
- Variable lease payments that depend on an index or a rate, initially measured using
- the index or rate as at the commencement date;
- Amounts expected to be payable under a residual value guarantee; and

Accounting policies

Leases (continued)

- The exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is re-measured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is re-measured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Income tax and defered 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 between 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.

Mortgage debt is measured at amortised cost, which for cash loans corresponds to the debt outstanding. For bond loans, amortised cost corresponds to the debt outstanding calculated as the underlying cash value of the loan at the date of inception, adjusted for depreciation charged over the repayment period on the market value adjustment of the loan at inception.

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

Accounting policies

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

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 and payables and other monetary items denominated in foreign currencies are translated at the exchange rates at the balance sheet date. The difference between the exchange rates at the balance sheet date and the date at which the receivable or payable arose or was recognised in the latest financial statements.

Foreign currency translation
is recognised in the income statement as financial income or financial expenses.

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

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

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

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

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

Changes in the fair values of derivative financial instruments that are used to hedge net investments in separate foreign subsidiaries are recognised directly in equity.

Financial Highlights
Definitions of financial ratios.

EBIT margin $\dfrac{\text{Profit/loss before financials x 100}}{\text{Revenue}}$

Return on assets $\dfrac{\text{Profit/loss before financials x 100}}{\text{Total assets}}$

EBITDA margin $\dfrac{\text{Earnings before interest, taxes, depreciation and amortisation x 100}}{\text{Revenue}}$