

INEOS E&P A/S

**Teknikerbyen 5, 1.
Virum**

Annual report for 2020

CVR no. 73 34 96 13

Adopted at the annual general meeting on
30 June 2021

Christian Vinten

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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 2020.

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 2020 and of the results of the Company's operations for the financial year 1 January - 31 December 2020.

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, 30 June 2021

Excutive Board

Mads Weng Gade

Board of Directors

Erik Fantoft Magnesen
Chairman

Douglas Stewart Scott

Mads Weng Gade

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 01.01.2020 - 31.12.2020, 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 31.12.2020 and of the results of its operations for the financial year 01.01.2020 – 31.12.2020 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, 30 June 2021

Deloitte

Statsautoriseret Revisionspartnerselskab
Business Registration No 33 96 35 56

Lars Hillebrand

State-Authorised Public Accountant
Identification No (MNE) mne26712

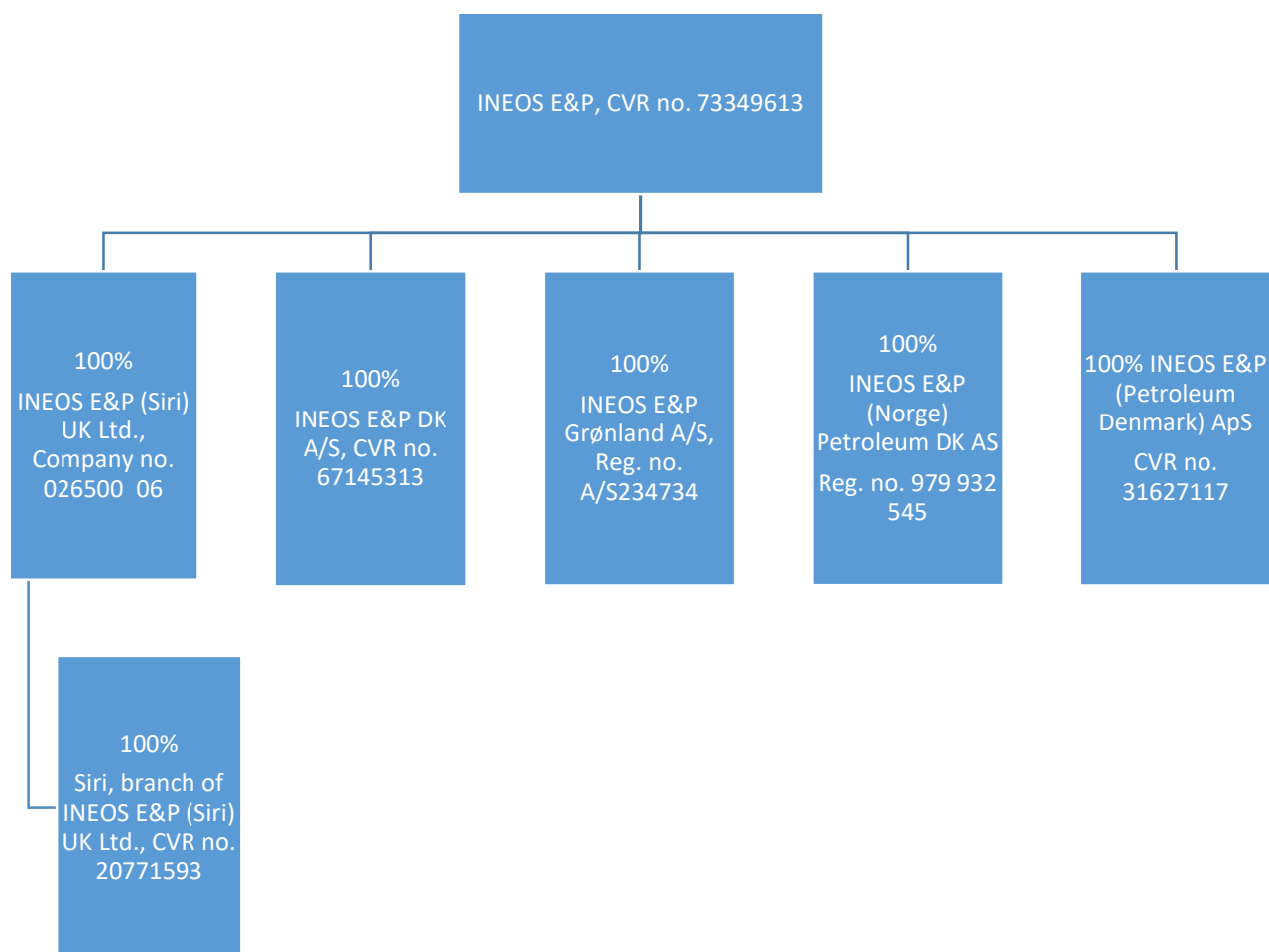
Murat Güler

State-Authorised Public Accountant
Identification No (MNE) mne46582

Company Details

The Company	INEOS E&P A/S Teknikerbyen 5, 1. 2830 Virum Website: www.ineos.com CVR no.: 73 34 96 13 Reporting period: 1 January - 31 December
Board of Directors	Erik Fantoft Magnesen, Chairman Douglas Stewart Scott Mads Weng Gade
Executive Board	Mads Weng Gade
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)	2020	2019	2018	2017	2016
Revenue	535	1,182	1,211	1,252	1,332
EBITDA	237	689	347	212	258
(Loss)/profit before financial income and expenses	399	114	-176	-1,233	679
Net financial items	-651	247	1,563	233	522
(Loss)/profit for the year	-252	352	1,391	-748	157
Balance Sheet (DKKm)					
Total assets	8,282	8,914	8,449	8,005	15,021
Investment in property, plant and equipment	28	64	36	207	1,724
Equity	1,876	2,134	1,786	364	3,835
Financial ratios					
EBIT margin	74.56%	9.66%	-14.50%	-98.51%	50.98%
Return on assets	4.82%	1.28%	-2.08%	-15.41%	4.52%
EBITDA margin	44.37%	58.27%	28.65%	16.91%	19.37%
None-financial data					
Average number of employees (FTE's)	195	210	306	371	512
OSHA Recordable injury rate (per 200,000 hours)	0.45	0.43	0.00	0.68	0.10
Discharging of oil into the sea, tonnes	1.10	1.65	0.98	0.93	0.89
Rejection of produced water, %	98.8%	98.5%	98.9%	99.3%	99.2%
Gas flaring from platforms (flaring), million Nm ³	2.09	2.48	2.13	3.11	6.12

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.

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 loss of DKK 252 million, and the balance sheet at 31 December 2020 shows equity of DKK 1,876 million.

Revenue totaled DKK 535 million, which is 647 million lower than in 2019. The decrease is primarily due to decrease in prices due to COVID-19 and lower oil and gas production in the year. EBITDA decreased by DKK 451 million to DKK 237 million in 2020. The decrease was mainly due to prices and lower production offset by change in decommissioning provision and COVID-19 fixed cost compensation cost savings and reduction in staff.

EBIT increased by DKK 284 million to DKK 399 million. The increase is mainly due to reversal of impairment relation to Syd Arne offset by the events in EBITDA.

Financial performance for 2020 matched expectations.

Market development

Crude Brent and US dollar

The average price of crude Brent in 2020 was approximately 42 USD/BBL, which is a 22 USD/BBL decrease compared to 2019. When the COVID-19 outbreak hit the world in beginning of 2020 oil prices drop from almost 70 USD/BBL to between 10-20 USD/BBL. Through autumn the prices began to increase again and closed the year at 50 USD/BBL. In 2021 the prices has continue to increase and in June 2021 the average price of crude Brent has been 72.4 USD/BBL.

The USD exchange rate started 2020 at 6.66 DKK/USD but increased during the year and closed at 6.09 DKK-/USD.

Production

Oil and gas production totaled 2.2 million boe, down 36% from 2019. Decrease in production is due to the bi-annual shutdown on Syd Arne, shutdown on Lulita due to the redevelopment project on Tyra and natural decline in reservoir.

Investments

Investments held by INEOS E&P A/S consist of technical installations on South Arne, Siri and Hejre. Capital expenditure in 2020 amounted to DKK 28 million, as compared to DKK 64 in 2019. Expenditure is mainly related to South Arne. No major investments has been completed on Siri Area in 2020.

Future outlook

COVID-19 continues to have a impact on society and industry but in 2021 we have seen increase in prices to levels before the COVID-19 pandemic. In this context of pandemic, the key objectives for the Company are two-fold:

- 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 but we are beginning to see positive signs in Europe and rest of the world. The Company will continue to closely monitor the impact on supply, cash flows and financial conditions.

Management's Review

Future outlook (continued)

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

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 -250 million. Further, due to natural decline in the reservoir, shut down of the Lulita field and other factors, we expect lower production of 15-20% in 2021.

Subsidiaries

The subsidiaries in Denmark, UK, Greenland, Norway and Faroe Islands have contributed a loss of DKK 663 million in 2020. The loss is mainly related to the acquisitions from Bayerngas Norge AS.

Further, on 8 March 2021 we have liquidated our company on Faroe Islands, P/F INEOS E&P Føroyar. The liquidation will not have any impact on the result for 2021.

At the end of 2020, INEOS E&P A/S (including subsidiaries) had 11 licenses; 10 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.

Management's Review

Financial risk (continued)

- 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.
- 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 2020 and the results of its operations for the financial year ended 31 December 2020 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 refineries 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 Responsibility (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 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 ensure 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 2020, 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 2020, we reported 0.45 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 1079 kg of oil into the sea with the produced water and 31 kg with the ballast water from operated oil and gas activities in Denmark. This was an increase from 2019 which can mainly be attributed to decreased pigging frequency of the water injection pipelines for corrosion protection reasons. As a consequence, reinjection of produced water increased slightly to 98.8% from 98.5% in 2020.

Gas flaring from own operated platforms decreased to 2.09 Nm³ in 2020 from 2.48 Nm³ in 2019. The overall flare gas consumption in 2020 was at a historical low, and also the uptime on the 23-compressor in 2020 was high.

Management's Review

Environmental (continued)

The discharges and emissions are both decreased in 2020 compared to 2019, 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 CO₂, 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 CO₂ 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 CO₂ 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 2020, 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 2020, 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 2021.

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 2,510 thousand regarding Nitrogen Oxide (NOx) fee.

Income Statement 1 January - 31 December 2020

	Note	2020 DKK'000	2019 DKK'000
Revenue	2	534,874	1,182,106
Other operating income	3	332,557	213,541
Raw materials and consumables		-963	-20,891
Other external expenses		-476,890	-522,050
Gross profit		389,578	852,706
Staff costs	4	-152,244	-163,900
Operating profit before depreciation, amortisation and impairment losses (EBITDA)		237,334	688,806
Amortisation, depreciation, impairment losses on intangible assets and property, plant and equipment	5	161,674	-574,643
Other operating costs		-226	13
Profit before financial income and expenses (EBIT)		398,782	114,176
Income from investments in subsidiaries	6	-663,316	119,094
Financial income	7	162,317	214,541
Financial expenses	8	-150,350	-86,466
Profit/(loss) before tax		-252,567	361,345
Tax on profit for the year	9	428	-9,366
Profit/(loss) for the year		-252,139	351,979
Distribution of profit/ (loss)	10		

Balance Sheet at 31 December 2020

	Note	2020 DKK'000	2019 DKK'000
Assets			
Software	11	2,857	5,292
Intangible assets		2,857	5,292
Fixtures	12	1,092	1,446
Production assets	12	1,165,001	1,117,820
Lease assets	13	142,478	148,534
Tangible assets		1,308,571	1,267,800
Investments in subsidiaries	14	-	44,288
Receivables from group enterprises	15	5,648,586	5,493,290
Other receivables		77,044	-
Other non-current assets		5,725,630	5,537,578
Non-current assets		7,037,058	6,810,670
Inventory		71,566	76,569
Trade receivables		6,612	131,613
Receivables from group enterprises	15	924,572	1,536,921
Other receivables		13,781	9,422
Tax receivables		29,361	29,361
Prepayments		84,920	145,757
Current assets		1,130,812	1,929,643
Cash at bank and in hand	16	113,935	173,921
Current assets		1,244,747	2,103,564
Assets		8,281,805	8,914,234

Balance Sheet at 31 December 2020

	Note	2020 DKK'000	2019 DKK'000
Liabilities and equity			
Share capital		500,000	500,000
Hedging reserves		-	6,197
Retained earnings		1,376,106	1,628,245
Equity	17	1,876,106	2,134,442
Provisions	18	4,906,519	5,425,846
Lease liabilities	13	131,281	138,462
Non-current liabilities		5,037,800	5,564,308
Lease liabilities	13	15,829	12,376
Trade payables		52,279	106,242
Payables to group enterprises		645,369	583,110
Corporation tax		5,607	175,117
Other payables		252,382	162,970
Provisions	18	396,433	146,019
Deferred income		-	29,650
Current liabilities		1,367,899	1,215,484
Liabilities		6,405,699	6,779,792
Liabilities and equity		8,281,805	8,914,234
Going concern	1		
Subsequent events	19		
Contingent assets, liabilities and other financial obligations	20		
Related parties and group information	21		
License overview	22		

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	6,197	1,628,245	2,134,442
Other equity movements	-	-6,197	-	-6,197
Profit for the year	-	-	-252,139	-252,139
Equity at 31 December	500,000	-	1,376,106	1,876,105

Notes

1 Going concern

The Company has considered its funding position and financial projection, including stress test sensitivities, and Management have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements. In arriving at this conclusion, Management have considered the principal risks and uncertainties and financial risks that the business is exposed to, discussed further in the Management's review and in the financial risk management section below, including the ongoing challenges the Company faces with COVID-19.

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 (the "Group"), 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 investing and financing cash flow forecasts, which includes the Danish acquisition and Norwegian disposal in 2021, as detailed in note 32 of the consolidated financial statements. These inputs have been reviewed and approved by the board of the Group and sensitivities are run for different scenarios, the most significant of which is an extended low commodity prices environment, resulting in an average gas price of 37 p/th for the remainder of 2021 and 39p/th in 2022, and an average oil price of \$48/bbl for the remainder of 2021 and 2022.

Oil and gas prices have improved during the course of 2021, with development and approval of several COVID-19 vaccines, OPEC+'s supply management, together with economic rebound in Asia from COVID-19, resulting in the commodity price assumptions included in management's base case being lower than the spot price at the time of signing of the financial statements. Although Management cannot predict the prolonged impact of the COVID-19 pandemic, Management have undertaken a rigorous assessment of the potential impact for 12 months from the date of signing of these financial statements. In conclusion, the stress testing and sensitivity analysis on both EBITDA and cash flow has indicated that the Group would still have sufficient cash flow to meet its obligations as they fall due based on available cash and undrawn balance on the reserves based lending ("RBL") facilities at 31 December 2020. As detailed in the post balance sheet events note in the consolidated financial statements, the Group has entered into agreements to acquire HESS Denmark ApS for \$150.0 million base consideration and sold its Norwegian business post year end for \$615.0 million base consideration, the Group expects to remain able to meet its obligations during the going concern period, including in a stressed scenario as indicated by the sensitivities above.

Furthermore the Group have received a confirmation from INEOS Industries Ltd, which with respect to the intercompany loans "guarantee the repayment of the loans in line with the contractual terms" and a to the confirmation that "INEOS Industries Ltd confirms to provide financial support, to the extent needed, to INEOS E&P A/S and subsidiaries of the INEOS E&P A/S so that each entity will be able to meet their liabilities as they fall due for at least 12 months following the date of signing the financial statements of INEOS E&P A/S and subsidiary's thereof."

The base assumptions indicate that the Group expects to be able to operate within its contractual debt facilities and have sufficient finance headroom for at least 12 months from the date of approval of these financial statements, with RBL covenants fully complied throughout the forecast period. As such, Management have a reasonable expectation that the Group and the Company have adequate resources to continue operation in the foreseeable future. Therefore, the Directors consider that preparing the financial statements on the going concern basis continues to be appropriate.

Notes

	2020 DKK'000	2019 DKK'000
2 Revenue		
<i>Type of goods/services</i>		
Oil and gas	494,972	1,138,286
Other income relating to oil and gas production	39,902	43,820
Total	<u>534,874</u>	<u>1,182,106</u>
<i>Geographical information by location of customers</i>		
Denmark	29,935	55,534
Rest of EU	442,794	1,015,499
Rest of world	62,145	111,073
Total	<u>534,874</u>	<u>1,182,106</u>
<i>Timing of revenue recognition from customers</i>		
At a point in time	512,264	1,142,250
Over time	22,610	39,856
	<u>534,874</u>	<u>1,182,106</u>
3 Other operating income		
Other Operating income contains Government Grant of 91 million (2019: 0 million) related to fixed cost compensation as a result of COVID-19 pandemic.		
4 Staff costs		
Wages and salaries	212,801	206,903
Pensions	17,337	17,176
Other social security costs	-188	-544
Other staff costs	36	4,557
	<u>229,986</u>	<u>228,092</u>
Payroll charged to partners etc.	-77,742	-64,192
	<u>152,244</u>	<u>163,900</u>
Average number of employees (FTE's)	<u>195</u>	<u>210</u>

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

Notes

	2020 DKK'000	2019 DKK'000
5 Depreciation, amortisation and impairment of intangible assets and property, plant and equipment		
Amortisation of intangible assets	2,539	2,288
Depreciation of tangible assets	357,713	552,994
Reserval of impairment of tangible assets	-541,588	-
Depreciation of leased assets	19,662	19,361
	<u>-161,674</u>	<u>574,643</u>
6 Income from investments in subsidiaries		
Net profit/loss for the year	-280,890	44,288
Impairment	-155,194	-
Provision	-227,232	74,806
	<u>-663,316</u>	<u>119,094</u>
7 Financial income		
Bank interest	148	1,091
Interest received from group companies	162,169	172,089
Other financial income	-	5
Exchange gains	-	41,356
	<u>162,317</u>	<u>214,541</u>
8 Financial expenses		
Bank interest	180	381
Financial expenses to group companies	1,135	2,158
Other financial expenses	30,069	71,039
Exchange loss	104,603	550
Lease interest	5,643	5,998
Interest element, provision	8,720	6,340
	<u>150,350</u>	<u>86,466</u>
9 Tax on profit for the year		
Deferred tax for the year	-	7,618
Adjustment of tax concerning previous years	-428	1,748
	<u>-428</u>	<u>9,366</u>
10 Distribution of profit/(loss)		
<i>Proposed distribution of (profit/loss)</i>		
Retained earnings	-252,139	351,979
	<u>-252,139</u>	<u>351,979</u>

Notes

11 Intangible assets

	Software DKK'000
Cost at 1 January	35,678
Additions for the year	104
Cost at 31 December	<u>35,782</u>
Impairment losses and amortisation at 1 January	30,386
Amortisation for the year	2,539
Impairment losses and amortisation at 31 December	<u>32,925</u>
Carrying value at 31 December	<u>2,857</u>

12 Tangible assets

	Other fixtures and fittings, tools and equipment DKK'000	Production assets DKK'000	Production assets under construction DKK'000	Total DKK'000
Cost at 1 January	1,800	16,966,952	6,839,753	23,808,505
Additions for the year	-	27,683	-	27,683
Change in decommissioning provision	-	-164,731	-	-164,731
Cost at 31 December	<u>1,800</u>	<u>16,829,904</u>	<u>6,839,753</u>	<u>23,671,457</u>
Impairment losses and depreciaiton at 1 January	354	15,849,132	6,839,753	22,689,239
Depreciation for the year	354	357,359	-	357,713
Impairment	-	40,116	-	40,116
Reversal of impairment	-	-581,704	-	-581,704
Impairment losses and depreciaiton at 31 December	<u>708</u>	<u>15,664,903</u>	<u>6,839,753</u>	<u>22,505,364</u>
Carrying amount at 31 December	<u>1,092</u>	<u>1,165,000</u>	<u>-</u>	<u>1,166,093</u>
Interest expenses recognised as part of cost of assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

Due to change in key assumptions and higher prices compared to 2019 a reserval of impairment of 582 million is recognised related to Syd Arne. Key assumptions are disclosed by Group (INEOS UK E&P Holdings Limited) in note 12 of the financial statements for INEOS UK E&P Holdings Limited.

Notes

13 Lease assets

	Land and buildings DKK'000	Furniture and equipment DKK'000	Total DKK'000
Cost at 1 January	151,949	15,711	167,660
Lease modifications	-	13,833	13,833
Disposals	-	-1,065	-1,065
Cost at 31 December	<u>151,949</u>	<u>28,469</u>	<u>180,428</u>
Depreciation at 1 January	9,054	10,072	19,126
Depreciation for the year	9,054	10,608	19,662
Disposals	-	-838	-838
Depreciation at 31 December	<u>18,108</u>	<u>19,842</u>	<u>37,950</u>
Carrying amount at 31 December	<u>133,841</u>	<u>8,627</u>	<u>142,478</u>

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.

Amount recognised in profit and loss

	2020 DKK'000	2019 DKK'000
Expense relating to short-term leases for which recognition exemption is applied	965	553
Expense relating to leases of low value assets for which recognition exemption is applied	88	532
Expense relating to variable lease payments not included in the measurement of the lease liability		-
Income from subleasing right-of-use assets	13,091	-

Interests on lease debt expensed in profit (loss) were DKK 6 million in 2020 (2019: DKK 6 million).

Lease liabilities

Maturity analysis - contractual undiscounted cash flows

Within 1 year	21,436	17,888
Between 1 and 5 year	44,179	46,810
Over 5 years	134,857	144,844
Less: impact on discounting	-53,362	-58,704
Balance at 31 December 2020	<u>147,110</u>	<u>150,838</u>

Current	15,829	12,376
Non-current	131,281	138,462
Total	<u>147,110</u>	<u>150,838</u>

Commitment to short term leases as at 31 December	965	80
Commitment to low value leases as at 31 December	88	8
Total commitment	<u>1,053</u>	<u>88</u>

Notes

	2020 DKK'000	2019 DKK'000
14 Investments in subsidiaries		
Cost at 1 January	1,684,684	1,684,684
Additions for the year	391,796	-
Cost at 31 December	<u>2,076,480</u>	<u>1,684,684</u>
Revaluations at 1 January	-1,640,396	-1,684,684
Net profit for the year	-280,890	44,288
Impairment	-155,194	-
Revaluations at 31 December	<u>-2,076,480</u>	<u>-1,640,396</u>
Carrying amount at 31 December	<u><u>-</u></u>	<u><u>44,288</u></u>

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%	-97,702	-20,497
INEOS E&P DK A/S	Virum, Denmark	100%	69,364	-516
INEOS E&P Grønland A/S	Nuuk, Greenland	100%	30,183	-58
INEOS E&P Føroyar P/F	Torshavn, Faroe Islands	100%	21,340	-32
INEOS E&P (Petroleum Denmark) ApS	Virum, Denmark	100%	-71,279	-84,890
INEOS E&P (Norge) Petroleum DK AS	Stavanger, Norway	100%	-179,138	-174,897
			<u>-227,232</u>	<u>-280,890</u>
			2020 DKK'000	2019 DKK'000

15 Receivables from group enterprises

Between 1 and 5 years	5,648,586	5,493,290
Non-current portion	5,648,586	5,493,290
Other short-term debt to subsidiaries	924,572	1,536,921
	<u>6,573,158</u>	<u>7,030,211</u>

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.

	2020 DKK'000	2019 DKK'000
16 Cash at bank and in hand		
Available cash	705	450
Licenses and restricted cash	113,230	173,471
	<u>113,935</u>	<u>173,921</u>

Notes

17 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:

	2020 DKK'000	2019 DKK'000	2018 DKK'000	2017 DKK'000	2016 DKK'000
Share capital at 1 January	500,000	500,000	500,000	1,820,000	720,000
Increase for the year	-	-	-	-	660,000
Reduction for the year	-	-	-	-880,000	-
Share capital at 31 December	500,000	500,000	500,000	940,000	1,380,000

18 Provisions

	2020 DKK'000	2019 DKK'000
Balance at 1 January	5,571,865	5,654,938
Provision used during the year	-145,975	-174,034
Provision made / (reversed)	33,073	-201,306
Change in estimated, interest and other factors	-156,011	292,267
Balance at 31 December	5,302,952	5,571,865

Provisions by category:

Decommissioning obligations	3,828,599	4,207,735
Onerous contracts	1,216,420	1,356,611
Other provisions	257,933	7,519
	5,302,952	5,571,865

The expected due dates of other provisions are:

Within one year	396,432	146,019
Between 1 and 5 years	2,738,365	2,669,255
Over 5 years	2,168,155	2,756,591
	5,302,952	5,571,865

Provisions comprises of decommissioning obligations relating to demolition and decommissioning of the Company's oil and gas fields, provision for onerous opex and capex contracts and other provision which mainly relates to provision for negative equity in investments in subsidiaries. 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 contracts is recognised in the Income Statement as impairment of tangible assets.

Notes

	2020 DKK'000	2019 DKK'000
19 Payables to group enterprises		
Between 1 and 5 years	-	-
Non-current portion	-	-
Other short-term debt to subsidiaries	645,369	583,110
	645,369	583,110

20 Subsequent events

On 18 March 2021, the Company entered into an agreement with Hess (Netherlands) Holding B.V. to acquire its Danish legal entity Hess Denmark ApS for \$150 million covering the participating interests in the Syd Arne and Solsort licences. The acquisition is subject to approval by the Danish Authorities and is expected to close in Q3 2021.

21 Contingent assets, liabilities and other financial obligations

Contingent assets

INEOS E&P A/S has deferred tax assets of DKK 18,864 million (2019: DKK 19,198 million) that have not been recognised and relates partly to unutilised losses DKK 8,140 million (2019: DKK 7,739 million) in hydrocarbon income and partly to timely differences DKK 10,724 million (2019: DKK 11,459 million). 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.

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.

22 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.

Notes

22 Related parties and group information (continued)

Group information

INEOS E&P A/S immediate parent company is INEOS UK E&P 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 UK E&P Holdings Limited, United Kingdom.

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

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

23 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 INEOS E&P A/S for 2020 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 2020 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.

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.

Accounting policies

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 arising 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.

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.

Accounting policies

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).

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.

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.

Accounting policies

Balance sheet

Intangible assets (continued)

Costs of development projects comprise salaries and other expenses 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 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

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.

Accounting policies

Investments in subsidiaries (continued)

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.

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 lifting 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, respectively. 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.

Accounting policies

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.

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

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.

Accounting policies

Leases (continued)

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
- 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 deferred 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.

Accounting policies

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.

Deferred income

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

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 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 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.

Derivative financial instruments (continued)

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.

Accounting policies

Financial Highlights

Definitions of financial ratios.

EBIT margin	$\frac{\text{Profit/loss before financials} \times 100}{\text{Revenue}}$
Return on assets	$\frac{\text{Profit/loss before financials} \times 100}{\text{Total assets}}$
EBITDA margin	$\frac{\text{Earnings before interest, taxes, depreciation and amortisation} \times 100}{\text{Revenue}}$