Hess Denmark ApS

Østergade 26B, DK-1100 København K

Annual Report for 1 January - 31 December 2018

CVR No 73 58 91 18

The Annual Report was presented and adopted at the Annual General Meeting of the Company on 29/4 2019

Anders Nymann
Chairman of the General Meeting

Contents

Management's Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of Hess Denmark ApS for the financial year 1 January - 31 December 2018.

The Annual Report is prepared in accordance with the Danish Financial Statements Act.

In our opinion the Financial Statements give a true and fair view of the financial position at 31 December 2018 of the Company and of the results of the Company operations for 2018.

In our opinion, Management's Review includes a true and fair account of the matters addressed in the Review.

We recommend that the Annual Report be adopted at the Annual General Meeting.

Copenhagen, 29 April 2019

Executive Board

Anders Nymann

Board of Directors

Gerhard G. Schoonman Chairman	Evelyn MacLean	Anders Nymann
Timothy B. Goodell		

Independent Auditor's Report

To the Shareholders of Hess Denmark ApS

Opinion

We have audited the financial statements of Hess Denmark ApS for the financial year 1 January – 31 December 2018, which comprise income statement, balance sheet, statement of changes in equity, and notes, including accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

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

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence:
We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements.

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

Auditor's responsibilities for the audit of the Financial Statements

Our objectives are to obtain reasonable assurance as to whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and 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 the financial statements.

Independent Auditor’s Report

As part of an audit conducted in accordance with ISAs and 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.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusion is based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and contents of the financial statements, including the note disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

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

Statement on Management’s Review
Management is responsible for the Management's review.

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

Independent Auditor's Report

In connection with our audit of the financial statements, our responsibility is to read the Management's review and, in doing so, consider whether the Management's review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

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

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

Frederiksberg, 29 April 2019
Ernst & Young
Godkendt Revisionspartnerselskab
CVR No 30 70 02 28

Lissen Fagerlin Hammer State Authorised Public Accountant mne27747	Peter Andersen State Authorised Public Accountant mne34313

Company Information

The Company	Hess Denmark ApS Østergade 26B DK-1100 København K Telephone: + 45 33 30 12 33 Facsimile: + 45 33 30 12 99 Website: www.hess.com CVR No: 73 58 91 18 Financial period: 1 January - 31 December Financial year: 35th financial year Municipality of reg. office: Copenhagen
Board of Directors	Gerhard G. Schoonman, Chairman Evelyn MacLean Anders Nymann Timothy B. Goodell
Executive Board	Anders Nymann
Auditors	Ernst & Young Godkendt Revisionspartnerselskab Osvald Helmuths Vej 4 DK-2000 Frederiksberg

Financial Highlights

Seen over a five-year period, the development of the Company is described by the following financial highlights:

	2018	2017	2016	2015	2014
	USD '000	USD '000	USD '000	USD '000	USD '000
Key figures					
Profit/loss					
Revenue	163,767	191,014	182,456	219,651	428,234
Profit/loss before financial income and expenses	-49,280	-163,010	-39,146	5,512	186,548
Net financials	-9,934	-16,508	-10,766	-6,507	-12,019
Net profit/loss for the year	-45,766	-135,430	-142,690	-193,437	85,187
Balance sheet					
Balance sheet total	845,369	891,009	1,113,399	1,408,240	1,580,196
Equity	471,143	516,909	652,339	795,029	988,466
Investment in property, plant and equipment	12,163	17,839	37,293	235,675	232,469
Number of employees	104	106	117	120	116
Ratios					
Return on assets	-5.8%	-18.3%	-3.5%	0.4%	11.8%
Solvency ratio	55.7%	58.0%	58.6%	56.5%	62.6%
Return on equity	-9.3%	-23.2%	-19.7%	-21.7%	9.0%

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

Management's Review

Main activity

The main activity of Hess Denmark ApS is to be the Operator of the South Arne field under license 7/89 with an equity share of 61.51572%.

Market overview and development in the year

The Hess Denmark ApS share of production from the South Arne field during 2018 averaged 7.5 thousand barrels of oil equivalent per day, a 28% decrease on 2017 production, which is a result of a combination of temporary shortage of water injection in 2017, well performance, delayed well key intervention activity and the effect of converting two producing wells to water injectors in 2018. The decline in production should also be considered in the context of the natural decline rate of the South Arne chalk field. Operational focus throughout 2018 continued to be to optimize production from the existing well stock through well intervention and increased water injection. The exploration work programs have been progressed as planned.

Hess Denmark ApS is not expected to utilize its deferred tax assets over the next five income years based on forecasted income. Hess Denmark ApS has a net deferred tax asset for Chapter 3A tax (hydrocarbon tax) and a net deferred tax liability for Chapter 2 tax (corporation tax). Chapter 2 and 3A taxes cannot be set-off against each other. Consequently, the deferred tax asset for Chapter 3A tax has been de-recognized, and that deferred tax liability for Chapter 2 continues to be recognized. This has affected the year's tax charges materially resulting in a tax expense in the profit and loss account.

All taxes are regarding Danish activities and paid to Danish tax authorities.

The company's revenue for 2018 was USD 163,767 thousand with a net loss after tax of USD 45,766 thousand including an impairment loss of 86,000 thousand (we refer to note 1). The company balance sheet as at 31 December 2018 shows equity of USD 471,143 thousand after a proposed dividend of USD 0 thousand.

Future development

In October 2017, the intention to sell Hess Denmark ApS was announced. However, in June 2018, Hess Corporation announced it had decided to retain ownership of Hess Denmark ApS due to value expectations not being met. For the remainder of 2018, the company focused on maximizing operational efficiency and optimizing costs. For the longer-term horizon, Hess Denmark ApS is working to mature other opportunities for future investment within both its South Arne producing facility and by developing future economically viable exploration success, whilst further optimizing operating costs in line with production.

The past year and follow-up on development expectations from last year

Although production reduced in 2018 compared with 2017, year-end results were ultimately higher than expectations due to higher actual realized oil prices.

Management's Review

Special risks - operating risks and financial risks

Market risks

As the company produces and sells crude oil it is exposed to fluctuating oil prices.

Foreign exchange risks

The operating costs of the company are primarily in DKK and are therefore exposed to currency exchange rate fluctuations.

Environment and safety

Hess Denmark ApS aims to be compliant at all times with all Danish EHS Regulations, Corporate EHS Standards and Industry Guidelines and Recommended Practices. The company strives to ensure its operations and activities are carried out is a safe and responsible manner with no harm to people or damage to the environment. The company's Occupational Health and Safety Management System is OHSAS 18001 certified and the Environmental Management system is ISO14001 certified.

Intellectual capital resources

Hess is committed to creating a work environment that encourages continual learning and development for all employees. We want a diverse and inclusive workforce where everyone grows, builds capabilities, experiences new challenges and sharpens skills. Development at Hess is ideally a mix of on-the-job experiences, coaching and mentoring, and formal education.

Statement of corporate social responsibility

Business model

At Hess we are committed to helping meet the world's growing energy needs in a safe, environmentally responsible, socially sensitive way, while delivering long-term value to our shareholders and other stakeholders. The Hess values and our company culture help us meet these high standards of corporate citizenship. The six core Hess Values support our aim to be the most trusted energy partner. Our Code of Business Conduct and Ethics (Code of Conduct), Social Responsibility (SR) Policy, Human Rights Policy and Environment, Health and Safety (EHS) Policy build on our Values to define internal expectations for sustainable management and performance at Hess. We apply these principles to key company processes and initiatives, as described in this section.

Policies, activities and results

Environmental and climate impact:

Hess is committed to leave a light environmental footprint by setting targets that result in continuously improvements. The Danish offshore asset is ISO 14001 certified and use the management to identify, assess, control and improve the environmental impacts. As an oil field matures the production of water from the reservoir increases. This poses a challenge to the environmental performance since produced

Management's Review

water discharges to sea is a significant aspect. Despite this trend the asset succeeded in 94% re-injection of produced water resulting in the lowest volume of discharge during the last 5 years.

The flare recovery system was commissioned in 2012 with the aim of reducing the volume of flared gas and consequently to reduce the greenhouse gas emission from the flare tower. The performance in 2018 was better than the performance indicator resulting in the lowest flare rate since introduction of the recovery system. Together with a planned maintenance shut-down of the platform the CO_2 emission was lower than past years.

The safety policy of the company sets ambitious objective and we believe all injuries are preventable. Through employee involvement and a well-integrated safety management system Hess Denmark had zero incidents resulting in lost time in 2018. Our goal is to have everyone, everywhere, every day … home safe.

Social conditions, employee conditions and human rights:

Hess is committed to protecting the health and safety of our employees and neighbors, safeguarding the environment, creating a sustainable positive impact in our host communities and respecting all human rights where we operate.

While we believe it is the duty of governments to protect human rights, we know that companies like ours must build trusted partnerships and treat all citizens with dignity and respect wherever we operate. Our strategy is to prevent human rights-related incidents by engaging with stakeholders to proactively address potential issues. The complex environments in which we operate present an opportunity to make positive and lasting contributions in the areas of governance, transparency, respect for rule of law, and social and economic development.

Hess is committed to educating our personnel on the importance of respecting human rights as well as raising internal awareness of the Voluntary Principles on Security and Human Rights.

We do not permit the employment of under-age children in our workforce or the use of forced or compulsory labor in any of our global operations.

We recognize and respect our employees' right to join associations and choose representative organizations for the purpose of engaging in collective bargaining in a manner that is consistent with applicable laws, rules, regulations and customs.

We are committed to diversity and provide equal employment opportunities to all employees and job applicants regardless of race, color, sex, age, sexual orientation, creed, national origin and disability.

We include in all our 3rd party manpower contracts clauses on ethical business practices, human rights, social responsibility and business integrity to mitigate risks. All of these subjects are followed up in annual performance meetings with vendors where no breach of any of the subjects mentioned above were identified in 2018.

Management’s Review

We do not tolerate any form of workplace harassment.

We are committed to providing challenging and rewarding career opportunities to ensure we have a skilled, capable and energized workforce.

We provide learning opportunities for employees to maximize their potential and are committed to the development of our employees.

We conduct regular employee satisfaction surveys and engage our workforce in the follow up on the results of these surveys.

Hess’ first priority is the safety of our workforce. Our safety programs and practices are designed to reduce the risk of accidents and promote a culture in which employees and contractors keep each other safe on the job, so that everyone across our operations returns home safe every day.

Anticorruption:

In the Hess Code of Conduct, we describe the business conduct and behaviors we expect of our employees, officers, directors and contractors. Any individual or company working on behalf of Hess or our subsidiaries is expected to follow similar principles. Hess takes disciplinary actions for violations of the Code of Conduct and related policies.

Hess’ compliance policies and procedures all stem from our Code of Conduct. These policies and procedures are communicated to and available for all employees globally. Our Global Compliance team establishes, maintains and enforces the compliance policies and procedures, as well as other processes and initiatives to prevent and detect compliance violations. Our aim is to promote an organizational culture that is committed to ethical conduct and compliance with the law. The Chief Compliance Officer informs the Audit Committee of the Board of Directors on a regular basis regarding certain business conduct issues.

Tendering and contracting processes undertaken as part of our day to day activities, where we are the Operator, include reviews of controls in place, with the aim of ensuring any risk of corruption is removed, and Hess Denmark ApS remains compliant with the relevant Joint Operating Agreement (JOA) provisions and internal procurement and contracting policies. This is further reinforced by the reviews our Supply Chain function undertakes periodically with the Contract Governance Board and externally with all Co-Ventures, again in line with the relevant JOA provisions.

In other joint venture partnerships, where Hess Denmark ApS is not the Operator, we seek to ensure as a Co- Venture that the Operator adopts the equivalent degree of due diligence in performing the same activities and duties, and is in compliance with the relevant Joint Operating Agreement provisions.

To further continuously enforce compliance controls and embrace best practices, our Global Compliance team focuses on internal investigations and anti-bribery and anti-corruption (ABAC) programs, as well as other enterprise programs and systems. The Hess Anti-Bribery and Anti-Corruption policy prohibits all forms of bribery, whether conducted directly or indirectly through a third party, and whether involving

Management's Review

Government Officials, private sector individuals, or private or state-owned companies. Bribery is never an acceptable business practice and will not be tolerated at Hess.

In 2018 our Global Compliance team continued to investigate all issues and allegations referred to the team through various channels available to our workforce, including our dedicated compliance hotline. In addition, Global Compliance continued to manage the company's automated approval systems – which are used to review and approve higher-risk transactions and relationships with our business partners – including our system for the disclosure, review and approval or mitigation of potential conflicts of interest. Throughout 2018, Global Compliance also continued to partner with key functions across the company, including Legal, EHS, Human Resources and Corporate Audit, to review potential issues and implement appropriate remediation steps.

Providing employees with effective training on the Hess Values is a key element of strengthening our culture and helping to ensure that employees understand and embody the Values in their daily work. As part of this effort, our Global Compliance team has developed and continued to ensure the implementation of in-depth online trainings on our Code of Conduct and our ABAC Policy and Procedure. The training included examples of how employees can translate the Hess Values into on-the - job actions. All employees who are active at the time training is launched, as well as all new employees and certain contracted staff, are required to take these training modules and certify compliance with the Code of Conduct and other applicable policies and procedures.

The Global Compliance team conducts audits and ongoing monitoring to help ensure that all employees complete these online training modules.

Management's Review

Statement on gender composition

Board of Directors:
Hess wants to encourage diversity and create equal opportunities for all. Hess Denmark ApS is following its policy to ensure an increased proportion of females on the Board of Directors and continues to have a female member of its Board of directors. Currently the Board of Directors consist of one female member and three male members, with a target to increase female participation to 50% by 2025.

Management Team:
Gender diversity is still a key aspiration for our operation in Denmark. In the pursuit of recruitment and talent development, professional and managerial competences are, however, always the determining factors in connection with hiring and promotion. Hess Denmark continues to maintain a female member in the Management Team.

The company deploys an individual development program for all staff with individual action plans and selected mentoring programs for career development. In this program and in the recruitment process promoting the underrepresented gender with managerial potential is encouraged.

For more information about our parent company, Hess Corporation's position and progress on diversity, read more about the effort within our annually published Corporate Sustainability Report at: http://www.hess.com/sustainability

Uncertainty relating to recognition and measurement

Hess Denmark ApS has performed an annual asset impairment test and sensitivity analysis. We refer to note 1.

Subsequent events

There is a current decision by the Danish Authorities to withdraw the dispensation from the Danish Pipeline Act that allows for use of the existing South Arne oil offload (SAL) system in 2027. South Arne licensees have, and continue to, appeal this decision and dialogue continues with the Danish Authorities. If this dispensation is finally withdrawn, which remains uncertain, then South Arne could be required to connect to Danish oil pipeline infrastructure.

Post balance sheet date the Group Enterprise loan USD 260 million expiring December 2019, has been replaced. The new loan is expiring June 15, 2024.

There are no other material events post balance sheet date.

Income Statement 1 January - 31 December

	Note	2018	2017
		USD '000	USD '000
Revenue		**163,767**	**191,014**
Cost of sales	3,4	-209,176	-351,183
Gross profit/loss		**-45,409**	**-160,169**
Administrative expenses		-4,640	-2,937
Operating profit/loss		**-50,049**	**-163,106**
Other operating income		769	96
Profit/loss before financial income and expenses		**-49,280**	**-163,010**
Financial income	5	4,982	781
Financial expenses	6	-14,916	-17,289
Profit/loss before tax		**-59,214**	**-179,518**
Tax on profit/loss for the year	7	13,448	44,088
Net profit/loss for the year		**-45,766**	**-135,430**

Balance Sheet 31 December

Assets

	Note	2018	2017
		USD '000	USD '000
Plant and machinery		616,452	740,521
Plant and machinery under construction		25,423	24,914
Property, plant and equipment	9	**641,875**	**765,435**
Fixed assets		**641,875**	**765,435**
Inventories	10	**1,926**	**1,236**
Trade receivables		1,511	1,736
Receivables from group enterprises		182,582	109,857
Other receivables		8,814	8,318
Deferred tax asset	13	0	0
Prepayments	11	1,577	1,586
Receivables		**194,484**	**121,497**
Cash at bank and in hand		**7,084**	**2,841**
Currents assets		**203,494**	**125,574**
Assets		**845,369**	**891,009**

Balance Sheet 31 December

Liabilities and equity

	Note	2018	2017
		USD '000	USD '000
Share capital		2,301	2,417
Retained earnings		468,842	514,492
Equity	12	**471,143**	**516,909**
Provision for deferred tax	13	10,608	24,056
Other provisions	14	72,682	73,484
Provisions		**83,290**	**97,540**
Payables to group enterprises		0	252,150
Long-term debt	15	**0**	**252,150**
Trade payables		6,685	7,659
Payables to group enterprises	15	273,932	1,781
Corporation tax		662	695
Other payables		9,657	14,275
Short-term debt		**290,936**	**24,410**
Debt		**290,936**	**276,560**
Liabilities and equity		**845,369**	**891,009**

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Statement of Changes in Equity

	Share capital	Retained earnings	Total
	USD '000	USD '000	USD '000
2018			
Equity at 1 January	2,417	514,492	516,909
Exchange adjustments	-116	116	0
Net profit/loss for the year	0	-45,766	-45,766
Equity at 31 December	**2,301**	**468,842**	**471,143**
2017			
Equity 1. januar	2,109	650,230	652,339
Exchange adjustments	308	-308	0
Net profit/loss for the year	0	-135,430	-135,430
Equity at 31 December	**2,417**	**514,492**	**516,909**

Notes to the Financial Statements

1 Uncertainty relating to recognition and measurement

Hess Denmark ApS has performed an annual asset impairment test and various sensitivity analysis. Net assets related to the oil and gas activities are tested for impairment if there is any indication of impairment. For assets with a limited lifetime such as oil and gas fields, cash flows are calculated based on forecasts for the entire lifetime of the asset. The determination of the recoverable amount for assets is based on a number of assumptions where estimates are made that are material to the determination. Such assumptions include future market conditions, market prices of oil and gas, estimated oil and gas reserves, weighted average cost of capital (WACC), exchange rates, inflation etc.

The recoverable amounts of the impaired oil and gas assets are measured on the basis of market-based forward prices for oil and gas up until 2021. The prices applied in the period hereafter are based on management's best estimate of long-term oil and gas prices. The recoverable amounts, determined on the basis of value in use, are based on the cash flow forecasts until end of the license.

In 2018, the annual asset impairment test resulted in an impairment of tangible assets of USD 86 million, cf. note 9. The impairment loss is primarily attributable to reserve revisions in the impairment model.

Deferred tax assets for hydrocarbon taxes (Chapter 3A tax) are not recognised, cf. note 13. Deferred tax liabilities for corporate taxes (Chapter 2 taxes) are fully receognised, cf. note 13.

Key assumptions and sensitivity:

Long-term oil prices and WACC are the key assumptions and value drivers in the impairment model. A change of USD 10 per barrel in the long-term oil price will change the recoverable amount by USD +/- 187 million and a change in the WACC of 0.5% points will change the recoverable amount by USD +/- 18 million.

Asset retirement obligation:

The asset retirement obligation is recognised as the present value of the estimated expected obligation regarding to dismantling of the platforms and at the end of the license period in 2047.

Management have based the estimate on input from specialist, available market data and industry/historical knowledge including anticipated cost savings resulting from anticipated advances in technology in the future.

The measurement of the asset retirement obligation is subject to uncertainty due to a number of assumptions, including the scope of work required, timing, regulations, costs, and effect of cost savings resulting from anticipated advances in technology.

Management believes the assumptions applied are reasonable and realistic.

Notes to the Financial Statements

2 Subsequent events

There is a current decision by the Danish Authorities to withdraw the dispensation from the Danish Pipeline Act that allows for use of the existing South Arne oil offload (SAL) system in 2027. South Arne licensees have, and continue to, appeal this decision and dialogue continues with the Danish Authorities. If this dispensation is finally withdrawn, which remains uncertain, then South Arne could be required to connect to Danish oil pipeline infrastructure.

Post balance sheet date the Group Enterprise loan USD 260 million expiring December 2019, has been replaced. The new loan is expiring June 15, 2024.

There are no other material events post balance sheet date.

3 Cost of sales

	2018 USD '000	2017 USD '000
Direct production costs	77,357	78,680
Depreciation	45,819	80,503
Impairment	86,000	192,000
	209,176	**351,183**

4 Staff

	2018 USD '000	2017 USD '000
Wages and Salaries	22,129	19,130
Pensions	1,327	1,285
Other social security expenses	110	115
	23,566	**20,530**
Wages and Salaries, pensions and other social security expenses are recognised in the following items:		
Cost of sales	23,566	20,530
	23,566	**20,530**
Average number of employees	**104**	**106**

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

Notes to the Financial Statements

		2018	2017
		USD '000	USD '000
5	**Financial income**		
	Interest received from group enterprises	2,502	565
	Other financial income	661	216
	Exchange gains	1,819	0
		4,982	**781**
6	**Financial expenses**		
	Interest paid to group enterprises	11,674	9,389
	Other financial expenses	3,242	7,900
		14,916	**17,289**
7	**Tax on profit/loss for the year**		
	Current tax for the year	0	695
	Deferred tax for the year	-13,448	-44,783
		-13,448	**-44,088**
	Which breaks down as follows:		
	Tax on profit/loss for the year	-13,448	-44,783
	Adjustment of deferred hydrocarbon tax	-46,661	-184,948
	De-recognition of hydrocarbon tax asset	46,661	184,948
	Foreign current income tax expense and tax on exchange	0	695
		-13,448	**-44,088**
8	**Distribution of profit**		
	Retained earnings	-45,766	-135,430
		-45,766	**-135,430**

Notes to the Financial Statements

9 Property, plant and equipment

	Plant and machinery	Plant and machinery under construction
	USD '000	USD '000
Cost at 1 January	2,275,691	24,914
Additions for the year	9,987	2,176
Disposals for the year	-2,421	-1,667
Cost at 31 December	2,283,257	25,423
Impairment losses and depreciation at 1 January	1,535,170	0
Impairment losses for the year	86,000	0
Depreciation for the year	45,819	0
Reversal of impairment and depreciation of sold assets	-184	0
Impairment losses and depreciation at 31 December	1,666,805	0
Carrying amount at 31 December	**616,452**	**25,423**
Interest expenses recognised as part of cost	13,395	0

10 Inventories

	2018	2017
	USD '000	USD '000
Raw materials and consumables	1,926	1,236
	1,926	**1,236**

11 Prepayments

Prepayments consist of prepaid expenses concerning rent, insurance, subscriptions etc.

12 Equity

The share capital consists of 15,001 shares of a nominal value of DKK 1,000. No shares carry any special rights.

There have been no changes in the share capital during the last 5 years.

Notes to the Financial Statements

13 Deferred tax asset

	2018 USD '000	2017 USD '000
Deferred tax asset at 1 January	-24,056	-68,839
Amounts recognised in the income statement for the year	13,448	44,783
Deferred tax at 31 December	**-10,608**	**-24,056**
Property, plant and equipment (chapter 2 taxes)	28,437	37,927
Other (chapter 2 taxes)	-4,786	-4,225
Tax loss carry-forward (chapter 2 taxes)	-13,043	-9,646
Property, plant and equipment (chapter 3A taxes)	-21,232	34,443
Provisions (chapter 3A taxes)	-37,795	-38,212
Deferred chapter 2 taxes (chapter 3A taxes)	-5,516	-12,509
Other (chapter 3A taxes)	-9,953	-8,786
Tax loss carry-forward (chapter 3A taxes)	-522,792	-525,563
Transferred to deferred tax asset	597,288	550,627
Provision for deferred tax	**10,608**	**24,056**

Deferred tax asset

Calculated tax asset	597,288	550,627
Write-down to assessed value	-597,288	-550,627
Carrying amount	**0**	**0**

Deferred tax assets related hydrocarbon taxes not capitalised amounts to USD 597 million as of 31 December 2018.

Notes to the Financial Statements

14 Other provisions

	2018	2017
	USD '000	USD '000
Asset retirement obligation		
Asset retirement obligation January 1	25,820	30,842
Revision to cost	-2,237	-5,022
Asset retirement obligation December 31	23,583	25,820
Accumulated Accretion January 1	47,664	41,020
Accretion for the year	3,222	3,100
Revaluation for the year	-1,787	3,544
Accumulated Accretion December 31	49,099	47,664
	72,682	**73,484**

Asset retirement obligation is expected to be paid at the end of the license year.

15 Long-term debt

Payments due within 1 year are recognised in short-term debt. Other debt is recognised in long-term debt.

The debt falls due for payment as specified below:

Payables to group enterprises

	2018	2017
After 5 years	0	0
Between 1 and 5 years	0	252,150
Long-term part	0	252,150
Other short-term debt to group enterprises	273,932	1,781
	273,932	**253,931**

Payables to group enterprises include a I/C loan of DKK 260,414 that expires on 10th December 2019. Post balance sheet date the loan has been replaced. The new loan is expiring June 15, 2024.

Notes to the Financial Statements

16 Contingent assets, liabilities and other financial obligations

Contingent liabilities

A financial commitment exists in relation to licence 6/16 granted by the Danish Ministry of the Environment and Energy for exploration and extraction of hydrocarbons. By April 2020, Hess Denmark ApS need to drill a well. The gross cost of the well is estimated at USD 20 million.

The Company has entered into lease contracts with a period of irrevocability of up to 10 years. The rent in the period of irrevocability amount to USD 74.8 millon at 31 December 2018.

The Company is from time to time involved in legal proceedings. Management believes that these legal proceedings will not affect the financial position of the Company.

Notes to the Financial Statements

17 Related parties

	Basis
Controlling interest	
Hess Corporation, 1185 Avenues of the Americas, New York, USA	Ultimate Parent Company

Transactions

Related party transactions for 2018:

Income for services: kUSD 125
Expense for services: kUSD 14,508
Interest income: kUSD 2,502
Interest expense: kUSD 11,674
Payables to group enterprises: kUSD 273,932
Receivables from group enterprises: kUSD 182,582

Consolidated Financial Statements

The Company is included in the Group Annual Report of the Parent Company of the largest and smallest group:

Name	Place of registered office
Hess Corporation	

The Group Annual Report of Hess Corporation may be obtained at the following address:

Hess Corporation
1185 Avenue of the Americas
New York, USA

Notes to the Financial Statements

18 Fee to auditors appointed at the general meeting

	2018 USD '000	2017 USD '000
Audit fee to Ernst & Young	70	41
Tax consultancy	7	0
	77	**41**

Notes to the Financial Statements

19 Accounting Policies

The Annual Report of Hess Denmark ApS for 2018 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C .

The accounting policies applied remain unchanged from last year.

Financial Statements for 2018 are presented in USD '000.

Cash flow statement

With reference to section 86(4) of the Danish Financial Statements Act and to the cash flow statement included in the consolidated financial statements of Hess Corporation, the Company has not prepared a cash flow statement.

Recognition and measurement

The Financial Statements have been prepared under the historical cost method.

Revenues are recognised in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortised cost are recognised. Moreover, all expenses incurred to achieve the earnings for the year are recognised in the income statement, including depreciation, amortisation, impairment losses and provisions as well as reversals due to changed accounting estimates of amounts that have previously been recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits attributable to the asset will flow to the Company, 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 out of the Company, and the value of the liability can be measured reliably.

Certain financial assets and liabilities are measured at amortised cost, which involves the recognition of a constant effective interest rate over the maturity period. Amortised cost is calculated as original cost less any repayments and with addition/deduction of the cumulative amortisation of any difference between cost and the nominal amount. In this way, capital losses and gains are allocated over the maturity period.

Recognition and measurement take into account predictable losses and risks occurring before the presentation of the Annual Report which confirm or invalidate affairs and conditions existing at the balance sheet date.

Translation policies

The used USD/DKK exchange rate at 31 December 2018 is 651.94 (2017: 620.77). US Dollar is used as the presentation currency. All other currencies are regarded as foreign currencies.

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction.

Notes to the Financial Statements

19 Accounting Policies (continued)

Exchange differences arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement.

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the rates at the time when the receivable or the debt arose are recognised in financial income and expenses in the income statement.

Segment information on revenue

Information on segments are not disclosed as the Company only operates within one segment.

Income Statement

Revenue

Revenue from the sale of oil and gas is recognised in the income statement when the sale is considered effected based on the following criteria:

- delivery has been made before year end;
- a binding sales agreement has been made;
- the sales price has been determined; and
- payment has been received or may with reasonable certainty be expected to be received.

Revenue is measured at the consideration received and is recognised exclusive of VAT and net of discounts relating to sales.

Cost of sales

Cost of sales comprises costs incurred to achieve revenue for the year. Cost comprises raw materials, consumables, direct labour costs and indirect production costs such as maintenance and depreciation, etc.

Administrative expenses

Administrative expenses comprise expenses for Management, administrative staff, office expenses, depreciation, etc.

Notes to the Financial Statements

19 Accounting Policies (continued)

Exploration and development cost

Exploration and development costs are accounted for under the successful efforts method.

Costs of undeveloped oil and gas licenses, including lease bonuses are capitalised.

Exploration expenses, including geological and geophysical expenses and exploratory dry hol costs, are expensed as incurred.

Expenses for development of wells and costs of drilling and equipping productive wells, including development dry holes, and related production facilities are capitalised.

The costs of exploratory wells that find oil and gas reserves are capitalised pending determination of whether proved reserves have been found. In an area requiring major capital expenditure before production can begin, an exploration well is carried as an asset if sufficient reserves are discovered to justify its completion as a production well, and sufficient progress is being made in assessing the reserves and the economic or operational viability of the project. Indicators of sufficient progress in assessing the reserves and the economic and operating viability of a project include commitment of project personnel, active negotiations for sales contracts with customers, negotiations with governments, operators and contractors, firm plans for additional drilling and other factors.

The Company calculates depletion expenses for acquisition costs of proved properties using the units of production method over proved oil and gas reserves. Depreciation and depletion expenses for oil and gas production equipment and wells are calculated using the units of production method over proved developed oil and gas reserves.

Financial income and expenses

Financial income and expenses comprise interest as well as realised and unrealised exchange adjustments.

Tax on profit/loss for the year

Tax for the year consists of current tax for the year and deferred tax for the year. The tax attributable to the profit for year is recognised in the income statement, whereas the tax attributable to equity transactions is recognised directly in equity.

Any changes in deferred tax due to changes to tax rates are recognised in the income statement.

The Company is engaged in oil and gas extraction (hydrocarbons) and is subject to the hydrocarbon tax legislation in Denmark. Hydrocarbon taxes are calculated on the basis of taxable hydrocarbon income and include taxes calculated applying Denmark's ordinary income tax rate as well as tax calculated applying increased tax rates. Hydrocarbon taxes are recognised under tax on profit (loss) for the year.

Notes to the Financial Statements

19 Accounting Policies (continued)

Balance Sheet

Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and less any accumulated impairment losses.

Cost comprises the capitalized exploration and development costs including dismantlement costs as described above in the section "Exploration and development costs".

Depreciation based on cost using the successful efforts method. Accordingly, depreciations are recognised over production.

Impairment of fixed assets

The carrying amounts of plant and machinery are reviewed on an annual basis to determine whether there is any indication of impairment other than that expressed by amortisation and depreciation.

If so, an impairment test is carried out to determine whether the recoverable amount is lower than the carrying amount. If so, the asset is written down to its lower recoverable amount.

The recoverable amount of the asset is calculated as value in use. Where a recoverable amount cannot be determined for the individual asset, the assets are assessed in the smallest group of assets for which a reliable recoverable amount can be determined based on a total assessment.

Inventories

Crude oil inventories are valuated at the lower of average cost or market value.

Receivables

Receivables are measured in the balance sheet at the lower of amortised cost and net realisable value, which corresponds to nominal value less provisions for bad debts.

Prepayments

Prepayments comprise prepaid expenses concerning rent, insurance premiums, subscriptions and interest.

Equity

Dividend

Dividend distribution proposed by Management for the year is disclosed as a separate equity item.

Notes to the Financial Statements

19 Accounting Policies (continued)

Provisions

Asset retirement obligations

The corporation recognises a liability for the fair value of legally required asset retirement obligations associated with long-lived assets in the period in which the retirement obligations are incurred. The Corporation capitalises the associated asset retirement costs as part of the carrying amount of the long-lived assets.

Deferred tax assets and liabilities

Deferred tax is recognised in respect of all temporary differences between the carrying amount and the tax base of assets and liabilities. However, deferred tax is not recognised in respect of temporary differences concerning goodwill not deductible for tax purposes and other items - apart from business acquisitions - where temporary differences have arisen at the time of acquisition without affecting the profit for the year or the taxable income.

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation at the balance sheet date when the deferred tax is expected to crystallise as current tax. In cases where the computation of the tax base may be made according to alternative tax rules, deferred tax is measured on the basis of the intended use of the asset and settlement of the liability, respectively.

Deferred tax assets are measured at the value at which the asset is expected to be realised, either by elimination in tax on future earnings or by set-off against deferred tax liabilities.

Deferred tax assets and liabilities are offset within the same legal tax entity.

Current tax receivables and liabilities

Current tax receivables and liabilities are recognised in the balance sheet at the amount calculated on the basis of the expected taxable income for the year adjusted for tax on taxable incomes for prior years. Tax receivables and liabilities are offset if there is a legally enforceable right of set-off and an intention to settle on a net basis or simultaneously.

Financial debts

Debts are measured at amortised cost, substantially corresponding to nominal value.

Notes to the Financial Statements

19 Accounting Policies (continued)

Financial Highlights

Explanation of financial ratios

Return on assets	$\frac{\text{Profit before financials x 100}}{\text{Total assets}}$
Solvency ratio	$\frac{\text{Equity at year end x 100}}{\text{Total assets at year end}}$
Return on equity	$\frac{\text{Net profit for the year x 100}}{\text{Average equity}}$