
Hess Denmark ApS

Østergade 24B, 2. tv., DK-1100 København K

Annual Report for 1 January - 31 December 2020

CVR No 73 58 91 18

The Annual Report was
presented and adopted at
the Annual General
Meeting of the Company on
26/5 2021

Francois Toussaint
Chairman of the General
Meeting

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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 2020.

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 2020 of the Company and of the results of the Company operations for 2020.

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, 25 May 2021

Executive Board

Francois Toussaint
CEO

Board of Directors

Gerhard G. Schoonman
Chairman

Margaret H. Kloska

Francois Toussaint

Timothy B. Goodell

Brock Hajdik

Independent Auditor's Report

To the Shareholder of Hess Denmark ApS

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2020 and of the results of the Company's operations for the financial year 1 January – 31 December 2020 in accordance with the Danish Financial Statements Act.

We have audited the financial statements of Hess Denmark ApS for the financial year 1 January – 31 December 2020, 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.

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.

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.

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.

Independent Auditor's Report

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.

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.

Independent Auditor's Report

- 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.

Frederiksberg, 25 May 2021

EY

Godkendt Revisionspartnerselskab

CVR No 30 70 02 28

Peter Andersen

State Authorised Public Accountant

mne34313

Company Information

The Company

Hess Denmark ApS
Østergade 24B, 2. tv.
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: 37th financial year

Municipality of reg. office: Copenhagen

Board of Directors

Gerhard G. Schoonman, Chairman
Margaret H. Kloska
Francois Toussaint
Timothy B. Goodell
Brock Hajdik

Executive Board

Francois Toussaint

Auditors

EY
Godkendt Revisionspartnerselskab
Dirch Passers Allé 36
DK-2000 Frederiksberg

Financial Highlights

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

	2020	2019	2018	2017	2016
	USD '000	USD '000	USD '000	USD '000	USD '000
Key figures					
Profit/loss					
Revenue	88,283	138,108	163,767	191,014	182,456
Operating profit/loss	-271,703	-91,006	-50,049	-163,106	-39,146
Net financials	-12,405	-11,061	-9,934	-16,508	-10,766
Net profit/loss for the year	-280,367	-91,592	-45,766	-135,430	-142,690
Balance sheet					
Balance sheet total	344,894	622,705	845,369	891,009	1,113,399
Equity	99,184	379,551	471,143	516,909	652,339
Investment in property, plant and equipment	1,574	17,599	12,163	17,839	37,293
Number of employees	95	99	104	106	117
Ratios					
Return on assets	-77.7%	-14.6%	-5.8%	-18.3%	-3.5%
Solvency ratio	28.8%	61.0%	55.7%	58.0%	58.6%
Return on equity	-117.1%	-21.5%	-9.3%	-23.2%	-19.7%

The ratios have been prepared in accordance with the terms and definitions defined in the accounting policies.

Management's Review

Main activity

The main activity of Hess Denmark ApS is as the Operator of the South Arne field, under license 7/89, and 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 2020 averaged 5.9 thousand barrels of oil equivalent per day, a 17% decrease on 2019 production. The decline in production was due to delayed interventions as a result of logistical and operational reasons brought about by the COVID-19 pandemic and to the shut in of one of the producing wells during part of the year due to technical issues.

COVID-19 continues to have a profound impact on society and industry. A multidisciplinary Hess emergency response team has been overseeing plans and precautions to reduce the risks of COVID-19 in the work environment while maintaining business continuity based on the most current recommendations by government and public health agencies. Hess Denmark has implemented a variety of health and safety measures including enhanced cleaning procedures and modified work practices such as travel restrictions, health screenings, reduced personnel at South Arne and onshore office locations and remote working arrangements for office workers.

The exploration work program in license 6/16 Jill/Danielle was completed during 2019 with the drilling of an exploration commitment well that unfortunately proved to be unsuccessful. The license was relinquished in April 2020.

Pre-development work on the Solsort unit, in which Hess Denmark ApS has an interest of 4.8%, continues to be progressed by the Operator, INEOS.

The company's revenue for 2020 was USD 88,283 thousand with a net loss after tax of USD 280,367 thousand including an impairment loss of USD 245,796 thousand (we refer to note 1). The company balance sheet as at 31 December 2020 shows equity of USD 99,184 thousand after a proposed dividend of USD 0 thousand.

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 both Chapter 3A tax (hydrocarbon tax) and Chapter 2 tax (corporation tax). Chapter 2 and 3A taxes cannot be set-off against each other. Deferred tax asset for Chapter 2 tax and Chapter 3A tax are not recognized as assets.

Future development

In the current low-price environment, the company will continue to focus on optimizing operational efficiency and reducing costs. For the longer-term horizon, Hess Denmark ApS is working to mature other opportunities for future investment as well as continuing to position South Arne as a processing hub for third party production.

Management's Review

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

2020 production from the South Arne field was lower than expected and the year ended with lower daily production compared with that at the start of the year. This was a result of deferred interventions due to logistics and operational challenges brought about by the COVID-19 pandemic and an unsuccessful well intervention.

As a result of lower commodity price environment Hess Denmark conducted a workforce reorganization to improve efficiency and reduce costs. All employees impacted by the reorganization received professional outplacement assistance through an external consultancy.

The overall year-end financial result was lower than expected due to both price and produced volume impacts.

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 equally strives to ensure its operations and activities are carried out in 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 ISO 45001 certified and the Environmental Management system is ISO14001 certified.

The safety policy of the company sets ambitious objectives and we believe all injuries are preventable. Our goal is to have everyone, everywhere, every day... home safe.

Intellectual capital resources

Hess is committed to creating a work environment that encourages continuous 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/mentoring and formal training – split as 70% - 20% -10% respectively. All our people managers are being measured on developing their employees. As a consequence of the reorganization that took place in 2020 many onshore employees moved into increased job responsibilities.

Management's Review

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 continuous improvements. The South Arne offshore asset is ISO 14001 certified and uses management to identify, assess, control and lessen 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 water discharges to sea are a significant aspect. In 2020 the asset succeeded in re-injecting 2.2 mill m3 produced water back to the reservoir instead of discharging to the sea environment.

Operational activities at the South Arne field contribute to climate change predominantly by the generation of power using gas turbines that predominantly burn gas produced from the field and by the safety flaring of gas. In order to mitigate this risk, Hess commissioned a flare recovery system in 2012, with the aim of reducing the volume of flared gas and consequently to reduce the greenhouse gas emissions from the flare tower.

The performance in 2020 was outstanding compared to previous year's resulting in the lowest flare rate ever since first oil in 1999.

Additionally, increased control of the gas turbines along with more stable production resulted in total CO2 emission that were among the lowest in the history of South Arne. A 3 week planned production stop for maintenance contributed to this result.

In 2020, there has been an ongoing focus on reducing power consumption, optimizing the operation and maintenance of the high-power consuming water injection pumps to increase pump output and therefore reduce the number of pumps required to normally operate from a maximum of three down to a maximum of two. This helped reduce power consumption, saving fuel gas and reducing CO2 emissions.

We continue to strive to maintain year on year reduction targets for greenhouse gas emissions and a detailed energy usage and efficiency study of the South Arne offshore facilities has been commissioned to identify further reductions in energy consumption and flaring and further lower South Arne's environmental footprint.

Management's Review

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 these subjects are followed up in annual performance meetings with vendors where no breach of any of the subjects mentioned above were identified in 2020.

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.

Management's Review

In 2020, the main safety focus was on Covid-19. Many countermeasures were taken to prevent the disease from reaching our production platform – e.g. in Spring a down-manning to a minimum number of employees until a structured test strategy was in place for going offshore. The test program started End of May and is still in place through 2021. Daily meetings between on- and off-shore were introduced to ensure collaboration during working from home and to check-in daily on employee mental and physical health. Families with children were addressed specifically to acknowledge that reduced working capacity were fully understood and accepted.

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 action 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 and updates 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.

Hess Denmark ApS remains compliant with relevant Joint Operating Agreement (JOA) provisions and internal procurement and contracting policies. This is further reinforced by internal and joint venture audits, periodic reviews our Supply Chain function undertakes with an internal Contract Governance Board and externally with all Co-Venturers, 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-Venturer 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 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 2020, 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

Management's Review

In addition, Global Compliance continued to manage the company's automated approval systems. These 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 2020, 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.

In 2020, no violations of the Anti-Bribery nor Anti-Corruption policies were found.

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 training 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 and contingent workers 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 on its Board of directors. The Board of Directors consists of the female member and four male members. There is also a target to increase female participation to 50% by 2025. While this target was not achieved in 2020 due to reorganization at both Hess Denmark and its parent company, it remains a key focus for both Hess Denmark ApS and our parent, Hess Corporation to be delivered before the 2025 target date is reached.

Management Team:

Gender diversity remains a key aspiration for our operation in Denmark and Hess Denmark had 3 female members in the Management Team, which by the end of 2020 was made up of 10, headed by the Asset Director. In parallel with ensuring gender diversity, the specific skill needs of the business through development of talent and selection of candidates with strong professional and managerial competencies remain key determining factors in all recruitment.

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 also in the recruitment process promoting managerial potential, irrespective of gender is a key objective.

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

On March 18, 2021, Hess Corporation announced that it had entered into an agreement to sell its interests in Hess Denmark ApS to INEOS E&P AS for a total consideration of \$150 million, effective January 1, 2021. The transaction is expected to close in 2021, subject to government approvals and customary closing conditions.

There are no other material events post balance sheet date.

Income Statement 1 January - 31 December

	Note	2020 USD '000	2019 USD '000
Revenue	3	88,283	138,108
Cost of sales and exploration	4,6	-355,186	-224,020
Gross profit/loss		-266,903	-85,912
Administrative expenses		-4,800	-5,094
Operating profit/loss		-271,703	-91,006
Other operating income	5	3,578	0
Other operating expenses		0	-133
Profit/loss before financial income and expenses		-268,125	-91,139
Financial income	7	715	5,335
Financial expenses	8	-13,120	-16,396
Profit/loss before tax		-280,530	-102,200
Tax on profit/loss for the year	9	163	10,608
Net profit/loss for the year		-280,367	-91,592

Balance Sheet 31 December

Assets

	Note	2020 USD '000	2019 USD '000
Plant and machinery		228,330	491,845
Plant and machinery under construction		12,570	25,809
Property, plant and equipment	10	240,900	517,654
Fixed assets		240,900	517,654
Inventories	11	8,111	12,709
Trade receivables		1,741	2,672
Receivables from group enterprises		74,073	60,607
Other receivables		5,559	9,968
Deferred tax asset	12	0	0
Prepayments	13	1,735	4,490
Receivables		83,108	77,737
Cash at bank and in hand		12,775	14,605
Currents assets		103,994	105,051
Assets		344,894	622,705

Balance Sheet 31 December

Liabilities and equity

	Note	2020 USD '000	2019 USD '000
Share capital		2,476	2,247
Retained earnings		96,708	377,304
Equity	14	99,184	379,551
Other provisions	16	86,208	78,593
Provisions		86,208	78,593
Payables to group enterprises		127,463	123,307
Other payables		0	694
Long-term debt	17	127,463	124,001
Credit institutions		3,356	9,300
Trade payables		3,614	10,009
Payables to group enterprises	17	7,785	4,571
Corporation tax		803	647
Other payables	17	16,481	16,033
Short-term debt		32,039	40,560
Debt		159,502	164,561
Liabilities and equity		344,894	622,705
Uncertainty relating to recognition and measurement	1		
Subsequent events	2		
Staff	6		
Distribution of profit	15		
Contingent assets, liabilities and other financial obligations	18		
Related parties	19		
Fee to auditors appointed at the general meeting	20		
Accounting Policies	21		

Statement of Changes in Equity

	Share capital USD '000	Retained earnings USD '000	Total USD '000
2020			
Equity at 1 January	2,247	377,304	379,551
Exchange adjustments	229	-229	0
Net profit/loss for the year	0	-280,367	-280,367
Equity at 31 December	2,476	96,708	99,184
2019			
Equity 1. januar	2,301	468,842	471,143
Exchange adjustments	-54	54	0
Net profit/loss for the year	0	-91,592	-91,592
Equity at 31 December	2,247	377,304	379,551

Notes to the Financial Statements

1 Uncertainty relating to recognition and measurement

Asset impairment test:

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. On March 18, 2021, Hess Corporation announced that it had entered into an agreement to sell Hess Denmark ApS to INEOS E&P AS for a total consideration of \$150 million, effective January 1, 2021. The transaction is expected to close in 2021, subject to government approvals and customary closing conditions. The annual impairment has been updated based on the agreed consideration.

In 2020, tangible assets have been impaired by USD 246 million, cf. note 10.

Deferred tax assets for hydrocarbon taxes (Chapter 3A tax) and corporate taxes (Chapter 2 tax) are not recognised, cf. note 12.

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.

2 Subsequent events

On March 18, 2021, Hess Corporation announced that it had entered into an agreement to sell its interests in Hess Denmark ApS to INEOS E&P AS for a total consideration of \$150 million, effective January 1, 2021. The transaction is expected to close in 2021, subject to government approvals and customary closing conditions.

There are no other material events post balance sheet date.

Notes to the Financial Statements

	2020 <u>USD '000</u>	2019 <u>USD '000</u>
3 Revenue		
Geographical segments		
Oil sales	82,539	128,827
Gas sales	<u>5,744</u>	<u>9,281</u>
	<u>88,283</u>	<u>138,108</u>
4 Cost of sales and exploration		
Production and exploration costs	81,575	81,814
Depreciation	27,815	52,206
Impairment	<u>245,796</u>	<u>90,000</u>
	<u>355,186</u>	<u>224,020</u>
5 Other operating income		
Other operating income is primarily related to government compensation of fixed cost related to the Covid-19 pandemic.		
6 Staff		
Wages and Salaries	23,667	21,054
Pensions	1,262	1,276
Other social security expenses	<u>104</u>	<u>115</u>
	<u>25,033</u>	<u>22,445</u>
Wages and Salaries, pensions and other social security expenses are recognised in the following items:		
Cost of sales and exploration	<u>25,033</u>	<u>22,445</u>
	<u>25,033</u>	<u>22,445</u>
Average number of employees	<u>95</u>	<u>99</u>

Remuneration to the Executive Board has not been disclosed in accordance with section 98 B(3) of the Danish Financial Statements Act. For 2019, remuneration to the Executive Board and the Board of directors amount to USD 1,718.

Notes to the Financial Statements

	2020 USD '000	2019 USD '000
7 Financial income		
Interest received from group enterprises	464	4,630
Other financial income	251	705
	715	5,335
8 Financial expenses		
Interest paid to group enterprises	6,690	12,893
Other financial expenses	3,662	3,231
Exchange loss	2,768	272
	13,120	16,396
9 Tax on profit/loss for the year		
Current tax for the year	0	0
Deferred tax for the year	0	-10,608
Adjustment of tax concerning previous years	-163	0
	-163	-10,608
Which breaks down as follows:		
Adjustment of tax concerning previous years	-163	0
Adjustment of deferred tax	-276,787	-103,167
De-recognition of hydrocarbon tax asset	205,860	79,040
De-recognition of corporate tax asset	70,927	13,519
	-163	-10,608

Notes to the Financial Statements

10 Property, plant and equipment

	Plant and machinery USD '000	Plant and machinery under construction USD '000
Cost at 1 January	2,300,856	25,809
Additions for the year	1,514	6,787
Disposals for the year	0	-11,444
Transfers for the year	4,107	-4,107
Cost at 31 December	<u>2,306,477</u>	<u>17,045</u>
Impairment losses and depreciation at 1 January	1,809,011	0
Impairment losses for the year	241,321	4,475
Depreciation for the year	<u>27,815</u>	<u>0</u>
Impairment losses and depreciation at 31 December	<u>2,078,147</u>	<u>4,475</u>
Carrying amount at 31 December	<u>228,330</u>	<u>12,570</u>

11 Inventories

	2020 USD '000	2019 USD '000
Finished goods and goods for resale	<u>8,111</u>	<u>12,709</u>
	<u>8,111</u>	<u>12,709</u>

Notes to the Financial Statements

	2020 USD '000	2019 USD '000
12 Deferred tax asset		
Deferred tax asset at 1 January	0	-10,608
Amounts recognised in the income statement for the year	0	10,608
Deferred tax at 31 December	0	0
Property, plant and equipment (chapter 2 taxes)	-38,231	14,007
Other (chapter 2 taxes)	-4,596	-2,693
Tax loss carry-forward (chapter 2 taxes)	-41,619	-24,833
Property, plant and equipment (chapter 3A taxes)	-225,833	-85,435
Provisions (chapter 3A taxes)	-44,828	-40,868
Deferred chapter 2 taxes (chapter 3A taxes)	43,912	7,030
Other (chapter 3A taxes)	-9,560	-5,602
Tax loss carry-forward (chapter 3A taxes)	-645,879	-551,453
Transferred to deferred tax asset	966,634	689,847
Provision for deferred tax	0	0
Deferred tax asset		
Calculated tax asset	966,634	689,847
Write-down to assessed value	-966,634	-689,847
Carrying amount	0	0

Deferred tax assets related to hydrocarbon taxes not capitalised amounts to USD 967 million as of 31 December 2020.

13 Prepayments

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

14 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

	2020 <u>USD '000</u>	2019 <u>USD '000</u>
15 Distribution of profit		
Retained earnings	-280,367	-91,592
	-280,367	-91,592

	2020 <u>USD '000</u>	2019 <u>USD '000</u>
16 Other provisions		
Asset retirement obligation		
Asset retirement obligation January 1	25,994	23,583
Revision to cost	1,514	2,411
Asset retirement obligation December 31	<u>27,508</u>	<u>25,994</u>
Accumulated Accretion January 1	52,599	49,099
Accretion for the year	3,619	3,213
Revaluation for the year	2,482	287
Accumulated Accretion December 31	<u>58,700</u>	<u>52,599</u>
	86,208	78,593

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

17 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:

	2020 <u>USD '000</u>	2019 <u>USD '000</u>
Payables to group enterprises		
After 5 years	0	0
Between 1 and 5 years	127,463	123,307
Long-term part	<u>127,463</u>	<u>123,307</u>
Other short-term debt to group enterprises	7,785	4,571
	135,248	127,878

Notes to the Financial Statements

17 Long-term debt (continued)

	2020	2019
	USD '000	USD '000
Other payables		
Between 1 and 5 years	0	694
Long-term part	0	694
Other short-term payables	16,481	16,033
	16,481	16,727

Payables to group enterprises include a I/C loan of DKK 127,463k that expires on June 15th 2024.

18 Contingent assets, liabilities and other financial obligations

Contingent liabilities

The Company has entered into lease contracts with a period of irrevocability of up to 8 years. The rent in the period of irrevocability amount to USD 62.3 million at 31 December 2020.

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

19 Related parties

Basis

Controlling interest

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

Transactions

Related party transactions for 2020:

Income for services: kUSD 785

Expense for services: kUSD 12,317

Interest income: kUSD 464

Interest expense: kUSD 6,690

Receivables from group enterprises: kUSD 75,174

Payables to group enterprises: kUSD 132,053

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

20 Fee to auditors appointed at the general meeting

EY

	2020 USD '000	2019 USD '000
Audit fee	44	36
	44	36

Notes to the Financial Statements

21 Accounting Policies

The Annual Report of Hess Denmark ApS for 2020 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 2020 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.

Notes to the Financial Statements

21 Accounting Policies (continued)

Translation policies

The used USD/DKK exchange rate at 31 December 2020 is 605.76 (2019: 667.59). 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. 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 fair value of the consideration received and is recognised exclusive of VAT and net of discounts relating to sales.

Cost of sales and exploration

Cost of sales and exploration 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.

Notes to the Financial Statements

21 Accounting Policies (continued)

Exploration and development costs

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 hole 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.

Administrative expenses

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

Other operating income and expenses

Other operating income and other operating expenses comprise items of a secondary nature to the main activities of the Company, including government compensation of fixed cost related to the Covid-19 pandemic.

Financial income and expenses

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

Notes to the Financial Statements

21 Accounting Policies (continued)

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.

Balance Sheet

Property, plant and equipment

Property, plant and equipment (including plant and machinery under construction) 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 the highest of fair value less cost to sell and 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 measured at cost in accordance with the FIFO method.

Notes to the Financial Statements

21 Accounting Policies (continued)

Receivables

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

Prepayments

Prepayments comprise expenses concerning rent, insurance premiums, subscriptions and interest incurred regarding subsequent financial years.

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.

Notes to the Financial Statements

21 Accounting Policies (continued)

Liabilities other than provisions

Financial liabilities are recognised at the date of borrowing at the proceeds received less transaction costs paid. On subsequent recognition, financial liabilities are measured at amortised cost.

Other liabilities are measured at net realisable value.

Financial Highlights

Explanation of financial ratios

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