



ÅRSREGNSKAPET FOR REGNSKAPSÅRET 2022 - GENERELL INFORMASJON

Enheten

Organisasjonsnummer: 946 680 591
Organisasjonsform: Aksjeselskap
Foretaksnavn: ORLEN UPSTREAM NORWAY 2 AS
Forretningsadresse: Kongsgårdbakken 1
4005 STAVANGER

Regnskapsår

Årsregnskapets periode: 01.01.2022 - 31.12.2022

Konsern

Morselskap i konsern: Nei

Regnskapsregler

Regler for små foretak benyttet: Nei
Benyttet ved utarbeidelsen av årsregnskapet til selskapet: Forenklet IFRS

Årsregnskapet fastsatt av kompetent organ

Bekreftet av representant for selskapet: Kirsti Hovland
Dato for fastsettelse av årsregnskapet: 11.04.2023

Grunnlag for avgivelse

År 2022: Årsregnskapet er elektronisk innlevert
År 2021: Tall er hentet fra elektronisk innlevert årsregnskap fra 2022

Det er ikke krav til at årsregnskapet m.v. som sendes til Regnskapsregisteret er undertegnet. Kontrollen på at dette er utført ligger hos revisor/enhetens øverste organ. Sikkerheten ivaretas ved at innsender har rolle/rettighet for innsending av årsregnskapet via Altinn, og ved at det bekreftes at årsregnskapet er fastsatt av kompetent organ.

Brønnøysundregistrene, 16.05.2024



Resultatregnskap

Beløp i: USD	Note	2022	2021
RESULTATREGNSKAP			
Inntekter			
Sales Income	3	1 525 235 000	533 129 000
Other Income	3	2 700 000	4 857 000
Sum inntekter		1 527 935 000	537 986 000
Kostnader			
Wages and salaries	10	11 372 000	9 406 000
Depreciations	8	535 000	544 000
Nedskrivning av varige driftsmidler og immaterielle eiendeler	5	-347 000	-171 686 000
Cost of operations	4	388 793 000	175 293 000
Exploration/New venture Expenditure	6	2 086 000	1 983 000
Other general and administrative expenses	8	3 761 000	2 146 000
Directors' fees	10	12 000	14 000
Gain on sale of asset	7	-21 095 000	
Sum kostnader		385 117 000	17 700 000
Driftsresultat		1 142 818 000	520 286 000
Finansinntekter og finanskostnader			
Interest income		6 297 000	1 000
Sum finansinntekter		6 297 000	1 000
Interest expense	15	912 000	9 373 000
Foreign exchange (loss -)/gain		18 482 000	3 709 000
Unwinding of discount on decommissioning provision	17	3 435 000	2 874 000
Sum finanskostnader		22 829 000	15 956 000
Netto finans		-16 532 000	-15 955 000
Ordinært resultat før skattekostnad		1 126 286 000	504 331 000
Income tax expense	11	854 446 000	389 716 000
Ordinært resultat etter skattekostnad		271 840 000	114 615 000
Årsresultat		271 840 000	114 615 000



Resultatregnskap

Beløp i: USD	Note	2022	2021
Overføringer og disponeringer			
Tilleggsutbytte		311 500 000	200 000 000
Transfer to other equity		-39 650 000	-85 384 000
Sum overføringer og disponeringer		271 850 000	114 616 000



Balanse

Beløp i: USD	Note	2022	2021
BALANSE - EIENDELER			
Anleggsmidler			
Immaterielle eiendeler			
Varige driftsmidler			
Property, plant and equipment	5	470 298 000	804 622 000
Sum varige driftsmidler		470 298 000	804 622 000
Finansielle anleggsmidler			
Deposits and prepayments	13	5 539 000	9 429 000
Intercompany receivable	15	309 187 000	0
Sum finansielle anleggsmidler		314 726 000	9 429 000
Sum anleggsmidler		785 024 000	814 051 000
Omløpsmidler			
Varer			
Inventories	14	9 219 000	12 559 000
Sum varer		9 219 000	12 559 000
Fordringer			
Trade and other receivables	13	167 289 000	167 352 000
Sum fordringer		167 289 000	167 352 000
Bankinnskudd, kontanter og lignende			
Cash and cash equivalents	12	19 875 000	12 702 000
Sum bankinnskudd, kontanter og lignende		19 875 000	12 702 000
Sum omløpsmidler		196 383 000	192 613 000
SUM EIENDELER		981 407 000	1 006 664 000

BALANSE - EGENKAPITAL OG GJELD

Egenkapital



Balanse

Beløp i: USD	Note	2022	2021
Innskutt egenkapital			
Share capital		10 695 000	10 695 000
Overkurs		166 670 000	206 321 000
Sum innskutt egenkapital		177 365 000	217 016 000
Opptjent egenkapital			
Other equity		0	0
Sum opptjent egenkapital		0	0
Sum egenkapital		177 365 000	217 016 000
Gjeld			
Langsiktig gjeld			
Pensjonsforpliktelser		301 000	972 000
Utsatt skatt	11	163 224 000	196 798 000
Lease Liability - ROUA	18	2 155 000	2 812 000
Decommissioning provision, long term	17	182 866 000	226 016 000
Sum avsetninger for forpliktelser		348 546 000	426 598 000
Annen langsiktig gjeld			
Langsiktig konserngjeld	15		54 084 000
Sum annen langsiktig gjeld			54 084 000
Sum langsiktig gjeld		348 546 000	480 682 000
Kortsiktig gjeld			
Leverandørgjeld	16	60 035 000	34 245 000
Tax payable	11	362 651 000	65 074 000
Kortsiktig konserngjeld	15	32 187 000	206 652 000
Decommissioning provision, short term	17	622 000	2 995 000
Sum kortsiktig gjeld		455 495 000	308 966 000
Sum gjeld		804 041 000	789 648 000
SUM EGENKAPITAL OG GJELD		981 406 000	1 006 664 000



KUFPEC NORWAY AS
Kuvait Foreign Petroleum Exploration Company A.S.C.

KUFPEC NORWAY AS

(Org. no.: 946 680 591)

Directors' Report &
Financial Statements with Notes

31st December 2022



KUPPEC Norway AS
Directors' Report and Financial Statements with Notes
31st December 2022



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DIRECTORS' REPORT 2022 KUFPEC Norway AS

Established by its parent company KPC, KUFPEC is an international petroleum company, engaged in exploration, development and production of crude oil and natural gas outside Kuwait, with activities in Africa, Middle East, Asia, Norway, Canada and Australia. KUFPEC has been present in Norway through its subsidiary KUFPEC Norway AS ("the Company" or "KNAS") since 2013.

1. Producing Assets

Gina Krog

The Company holds a 30% working interest in Gina Krog. Oil is exported through a Floating Storage and Offloading vessel. Rich gas is transported to the Sleipner Hub for further processing and export through the Norwegian Gas Transportation Network (Gassled).

In 2022, Gina Krog produced 4.1 mln bbls of oil/condensate, 0.3 mln bbls of NGL and 102.0 bcf of gas products (all figures are gross).

Sleipner East and West

KNAS holds a 10% working interest in the Sleipner East field, including Gungne satellite tie-in, and a 9.4112% working interest in the Sleipner West field.

Sleipner is a large gas/condensate field located in the central North Sea. Condensate from Sleipner is sent to the Kårstø onshore terminal for further processing. Processed gas is exported to Zeebrugge in Belgium through the Norwegian Gas Transportation System (Gassled).

In 2022, Sleipner produced 1.4 mln bbls of oil/condensate, 0.4 mln bbls of NGL and 56.8 bcf of gas products (all figures are gross).

Utgard

The Company holds a 6.2% working interest in the Utgard field. Utgard is developed as a subsea tie-back to Sleipner, and the produced gas is exported through Gassled. Condensate is piped to the Kårstø onshore processing terminal for processing and export.

In 2022, Utgard produced 0.8 mln bbls of oil/condensate, 0.2 mln bbls of NGL and 7.1 bcf of gas products (all figures are gross).



Tambar East Field

The Company holds a 0.8% working interest in Tambar East; a single well at the unmanned Tambar platform which is tied back to the AkerBP operated Ula platform. The well is shut-in and will remain closed until 2024 while the license is studying potential future use of the well.

Gyda Field

The Company holds a 5% working interest in the Gyda field (PL 019B). The permanent cessation of production took place at the end of February 2020. Well plug and abandonment was completed in October 2021, and removal of the facilities was completed in July 2022. According to the cessation plan, disposal of the facilities shall be completed in 2023.

2. Exploration

PL048E

PL048E contains the Eirin discovery (1978), located approximately 9 km from Gina Krog. Development was put on hold due to lack of Gina Krog processing capacity and uncertain commerciality. The license decided in Q4 2022 to fast-track the project towards an investment decision in 2023. The development is planned as a tie-in to Gina Krog and is currently estimated to be put on stream in Q4 2025.

PL1091

PL1091 was awarded in February 2021 with Lundin as the operator with a 40% interest, and KUFPEC, LOTOS and Petoro holding 20% each. The reprocessing project was completed during 2022 but with poor data quality. The JV, by majority voting, supported KUFPEC's recommendation to apply for a license extension and reprocess the seismic data using a different approach. It is assumed that the license will be granted a 12-month extension and initiate a reprocessing project in Q1 2023 with a drill-or-drop decision in February 2024.

PL1137

PL1137 was awarded in March 2022 with Equinor as operator (50%) and KUFPEC (50%). The license is in KUFPEC's core area, directly south of Utgard and Sleipner, with the main prospect being Sissel. The work program constitutes a reprocessing program with a drill-or-drop decision in March 2024.

Other Exploration Activities

The Company completed a basin screening study around the Greater Sleipner Area in 2019, and a few potential areas were identified and brought forward for further assessment. This



culminated in another license application in the APA2022 licensing round for the Pedalo prospect situated east of Sleipner. The company was awarded a 20% working interest in PL1174S with Equinor as the operator (60%) and Petoro (20%). The license is expected to commence in the first half of 2023 with a 2-year initial program leading to a drill-or-drop decision.

3. Business Development

KUFPEC continues to execute its strategy to grow through profitable projects in Norway, and the Company is committed as part of the corporate strategy to continuously investigate possible acquisition opportunities including producing assets, development projects and exploration licenses.

Following an unsuccessful effort to divest KUFPECS's 10% working interest in the Yme field in 2019, a sale process was relaunched in September 2021. Three offers were received in March 2022. After two rounds of rebids, Lime Petroleum was granted exclusivity and an SPA was signed on 10 August 2022 with effective date of 1 January 2022 and USD 68 million consideration. The sale was completed on 23 December 2022.

4. Health, Safety, Security and Environment

KUFPEC Norway AS' office, from where all the Company's Norwegian activities are managed, is located in central Stavanger on two floors. Following the COVID-19 pandemic and a long period of working from home all employees returned fully back to the office on 21st February 2022. There has not been reported any serious illness due to COVID-19 among the employees, nor has there been any other reported incidents. Total sick leave was stable with 2.4 % in 2022.

The Company is committed to prevent discrimination based on gender, reduced functional ability, ethnic affiliation, nationality, color of skin, religion, or beliefs. The Company has not carried out any activity which has had a negative impact on the external environment.

Following a downsizing process spring 2022 the company reduced number of local employees with four, so at the end of 2022 there were 18 local employees, 4 Kuwaitis and 2 contractors. The working environment has been affected by the downsizing process and some employees have resigned from KNAS in 2022.

KNAS employees have been encouraged to have an active physical life by participating in various fitness campaigns. In June KNAS arranged a health activity day promoting healthy eating and activities that promotes an active lifestyle.



KNAS offered flu vaccination to all staff as recommended by the National Institute of Public Health and all employees were offered a medical health check.

5. Corporate Governance & Risks, Board of Director' Liability Insurance

The Board of Directors consists of 6 persons. KUFPEC Norway AS is one of the several area offices headed by a Country Manager (Managing Director) reporting directly to a Regional Manager at the head office in Kuwait.

The ultimate parent company, KPC, has arranged liability insurance for the Board of Directors and the Country Manager. The liability insurance is capped at USD 55 million.

The Company is participating in the entire E&P value chain. One of the highest risks is delivering complex development projects on time and schedule. General market conditions may also impact commerciality. Although the Company operates in a capital-intensive industry, the Company is well positioned as it is fully funded with equity and all long-term debt has been repaid. All projects and future investment decisions are tested with financial input parameters reflecting the projected commodity prices, expected future regulations, climate impact and uncertainty in the macroeconomic environment.

The Company has developed and is following a governance process for its engagement in non-operated ventures, thus exercising its "see-to-it-duty" and optimizing value for KUFPEC.

6. R&D

KUFPEC has defined as a strategic target to facilitate technology and capability transfer between Kuwait domestic and international upstream businesses within three core areas;

- i) Improved Oil Recovery
- ii) Heavy Oil
- iii) High Pressure / High Temperature

The Company has, through license participation in the Greater Sleipner Area assets, ensured access to advanced technologies on CO₂ injection, pipeline intervention while in operation (hot-tap), technology for facilities isolation without shutdown, (adopted by KOC) and Power from Shore. These technologies have been presented to head office as possible intra-group knowledge transfer topics.



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7. Transparency Act

The Transparency Act of 18 June 2021, effective from 1 July 2022, requires KNAS to publish a statement by 30 June. Such statement will be available on www.kufpec.com

8. Finance

The Income Statement for 2022 shows a total profit for the year of USD 271,850 thousand. Profit from continuing operations is USD 1,142,840 thousand, impacted by increased oil and gas prices in combination with increased gas production. Included in the income statement is a gain on sale of asset of USD 21,095 thousand. Effective tax rate is 77%.

The Directors propose this year's results to be applied as follows:

Dividend- paid out interim	USD 201,500 thousand
Dividend	USD 30,000 thousand
Transfer to/(from) share premium:	USD 40,350 thousand (*)
Current year profit distributed	USD 271,850 thousand

(*) In January 2022, USD 80,000 thousand was distributed as dividend based on the audited 31.12.2020 accounts. The dividend payment was offset against share premium. Net change vs. 31.12.21 to share premium is therefor -USD 39,650 thousand.

Positive cash flow from operations is totalling to USD 815,476 thousand after deduction of tax payments of USD 482,439 thousand. The positive operational cash flow has funded net investments in fixed assets of USD 36,468 thousand, repayment of intercompany loan of USD 54,084 thousand and dividend payments of USD 481,500 thousand. Surplus cash of USD 309,187 thousand has been deposited with Head Office.

The Company's tax balances, as included as part of the Deferred Tax Liability, is NOK denominated and is exposed to currency risk to the extent that NOK/USD exchange rate varies compared to the year-end rate of NOK 9.7965/1 USD. Further reference is made to the notes to the accounts.

The Board of Directors is of the opinion that the annual report provides a true and fair view of the Company's assets, debt, financial position, and result. The Company has had a positive cash flow in 2022 and expects the same for the following year. The parent company, KUFPEC UK Ltd., and its parent company Kuwait Foreign Petroleum Exploration Company k.s.c., have indicated its intension to grow the business in Norway and to continue to provide financial support in the normal course of business. The Board of Directors has thus prepared the accounts on the basis of continued operations.



Stavanger, 11 April 2023

Mohammad S. S. M. Alhaimer Almarri
Chairman of the Board

Ahmed Khalaf
Board Member/Country Manager

Nawwaf Alsalem
Board Member

Khaled Al Mullah
Board Member

Steffen Pedersen
Board Member

Leif Sigmund Rosnes
Board Member



KUPPEC Norway AS
Directors' Report and Financial Statements with Notes
31st December 2022



Income Statement for the year ended 31st December 2022

INCOME STATEMENT	Notes	31.12.2022 USD 000's	31.12.2021 USD 000's
Continuing operations:			
Sales income	3	1,525,235	533,129
Other revenue	3	2,700	4,857
Cost of operations	4,5	-388,783	-175,293
GROSS PROFIT		1,139,153	362,693
Exploration/New Venture expenditure written off	6	-2,086	-1,983
Net impairment losses(-)/reversals	5	347	171,686
Gain/Loss(-) on Sale of Asset	7	21,095	-
General and administrative expenses	5,8,9,10	-15,668	-12,096
		3,687	157,607
PROFIT/LOSS(-) FROM CONTINUING OPERATIONS BEFORE FINANCE INCOME/COSTS AND TAXATION		1,142,840	520,300
Interest income	15	6,297	1
Unwinding of discount on decommissioning provision	17	-3,435	-2,874
Foreign exchange loss(-)/gain		-18,482	-3,709
Interest expense	15	-912	-9,373
PROFIT/LOSS(-) FROM CONTINUING OPERATIONS BEFORE TAXATION AND DIRECTORS' FEES		1,126,308	504,346
Income tax expense(-)/revenue	11	-854,446	-389,716
PROFIT/LOSS(-) BEFORE DIRECTORS' FEES		271,862	114,630
Directors' fees	10	-12	-14
PROFIT/LOSS(-) FOR THE YEAR		271,850	114,616



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Statement of Financial Position - Assets as at 31st December 2022

STATEMENT OF FINANCIAL POSITION

		31.12.2022	31.12.2021
	Notes	USD 000's	USD 000's
ASSETS			
Current assets			
Cash and cash equivalents	12	19,875	12,702
Trade and other receivables	13	167,289	167,352
Inventories	14	9,219	12,559
		<u>196,383</u>	<u>192,613</u>
Non-current assets			
Deposits and prepayments	13	5,539	9,429
Intercompany receivable	15	309,187	-
Property, plant and equipment	5	470,298	804,622
		<u>785,024</u>	<u>814,051</u>
TOTAL ASSETS		<u>981,407</u>	<u>1,006,665</u>



KUPPEC Norway AS
Directors' Report and Financial Statements with Notes
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Statement of Financial Position – Liabilities and Equity as at 31st December 2022

	Notes	31.12.2022 USD 000's	31.12.2021 USD 000's
LIABILITIES AND EQUITY			
Current liabilities			
Trade and other payables	16	60,035	34,245
Tax payable	11	362,651	65,074
Due to Ultimate Parent Company and affiliates	15	32,187	206,652
Decommissioning provision, short term	17	622	2,995
		<u>455,495</u>	<u>308,967</u>
Non-current liabilities			
Decommissioning provision, long term	17	182,866	226,016
Pension liabilities		301	972
Lease Liability - ROUA	18	2,155	2,812
Long-term borrowing/(deposit) vs. Head Office	15	-	54,084
Deferred tax liabilities	11	163,224	196,798
		<u>348,546</u>	<u>480,682</u>
Total Liabilities		<u>804,042</u>	<u>789,649</u>
Equity			
Share capital		10,695	10,695
Share premium		166,670	206,321
Total equity		<u>177,365</u>	<u>217,016</u>
TOTAL LIABILITIES AND EQUITY		<u>981,407</u>	<u>1,006,665</u>



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Stavanger 11 April 2023

Mohammad S. S. M. Alhaimer Almarri
Chairman of the Board

Ahmed Khalaf
Board Member/Country Manager

Nawwaf Alsalem
Board Member

Khaled Al Mullah
Board Member

Steffen Pedersen
Board Member

Leif Sigmund Rosnes
Board Member



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Cash flow Statement for the year ended 31st December 2022

	2022 USD 000's	2021 USD 000's
<i>Cash generated/used(-) by operations</i>		
Profit before tax	1,126,308	504,346
Directors' fees	-12	-14
Taxes paid(-)/received	-482,439	113,970
Depreciation	164,823	66,524
Gain on sale of fixed assets	-21,095	-
Impairment/writeback(-)	-347	-171,686
Payment of decommissioning	-2,488	-6,555
Unwinding of Discount ARO	3,435	2,874
Change in inventory, accounts receivable/payable	24,728	-120,907
Changes in other balance sheet items	2,563	1,549
<i>Net cash inflow/outflow(-) from operations</i>	815,476	390,102
<i>Cash generated/used(-) by investments</i>		
Investments in fixed tangible assets (cash payment)	-48,843	-53,200
Divestment of fixed tangible assets (cash payment)	85,311	-
<i>Net cash outflow(-)/inflow from investments</i>	36,468	-53,200
<i>Cash generated/used(-) by financing</i>		
New debt/repayment(-) of long term borrowing	-54,084	-337,607
Funds deposited with Head Office	-309,187	-
Dividend paid	-481,500	-
<i>Net cash outflow(-)/inflow from financing</i>	-844,771	-337,607
<i>Net change in cash flow during the year</i>	7,173	-705
Cash at 01.01	12,702	13,406
Cash at 31.12	19,875	12,702



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Changes in Equity for the year ended 31st December 2022

	<i>Share capital USD 000's</i>	<i>Share premium USD 000's</i>	<i>Other Equity USD 000's</i>	<i>Total USD 000's</i>
At 1 January 2022	10,695	206,321	-	217,016
Profit for the year		271,850		271,850
Distributed as dividend based on 2020 accounts		-80,000		-80,000
Distributed as interim dividend 2022		-201,500		-201,500
Distribute as dividend at year end		-30,000		-30,000
At 31 December 2022	<u>10,695</u>	<u>166,670</u>	<u>-</u>	<u>177,365</u>
At 1 January 2021	10,695	280,903	10,802	302,400
Profit for the year			114,616	114,616
Distribute as dividend		-74,582	-125,418	-200,000
At 31 December 2021	<u>10,695</u>	<u>206,321</u>	<u>-</u>	<u>217,016</u>



Notes to the Financial Statements

1 CORPORATE INFORMATION

KUFPEC Norway AS ("the Company" or "KNAS") is a fully owned subsidiary of KUFPEC UK Ltd, which is fully owned by Kuwait Foreign Petroleum Exploration Company k.s.c.c., a fully owned subsidiary of Kuwait Petroleum Corporation (KPC; the Ultimate Parent Company). The companies are jointly referred to as 'the Group'. KUFPEC Norway AS's registered address is P.O. Box 207, 4001 Stavanger, Norway. The principal activities of the Company are exploration, development and production of oil and gas in Norway. The main office for the corporation has the following address: KPC, P.O. Box 26565, Postal Code No 13126, Safat, Kuwait.

2 SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The financial statements have been prepared in accordance with Norwegian Accounting Act § 3-9 and updated regulations regarding simplified application of International Financial Reporting Standards ("IFRS") issued by the Ministry of Finance on 7 February 2022 ("Norwegian Simplified IFRS"). The Company has not applied any simplifications from the Norwegian Simplified IFRS compared to full IFRS with regards to recognition and measurement.

The financial statements have been prepared on a historical cost basis.

These financial statements have been prepared on a going concern basis as the Company projects positive future cash flow and as the Group has committed to provide financial support to secure sufficient funding of the Company's future activities.

The financial statements are presented in US Dollars (USD) and all values are rounded to the nearest thousand (USD 000's) except when otherwise indicated.

Changes in accounting policies, disclosures and prior year adjustments

There have been no changes to the accounting policies in 2022.

Interest in licenses on the Norwegian Continental Shelf

Licenses held by KNAS on the Norwegian Continental Shelf are not deemed to be joint arrangements under the definition in IFRS 11 because there is no joint control. The Company recognizes its share of related expenses, assets, liabilities and cash flows on a line-by-line basis in the financial statements in accordance with applicable IFRSs.



Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents includes cash and bank balances, deposits and other short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities up to three months from the date of acquisition and that are subject to an insignificant risk of change in value.

Inventories

Inventories comprising mainly of KNAS' share of Joint Venture spare parts, materials and supplies which are valued at the lower of cost and net realizable value.

Oil and natural gas exploration, evaluation and development expenditure

Oil and natural gas exploration, evaluation and development expenditure are accounted for using successful efforts method of accounting, as described in the sections below.

Exploration and evaluation costs

Exploration and evaluation activity involves the search for mineral resources, the determination of technical feasibility and assessment of commercial viability of an identified resource.

Pre-license costs and general, non-well related exploration expenditure are expensed in the period in which they are incurred.

Costs directly associated with an exploration well are capitalized as exploration and evaluation intangible assets until the drilling of the well is complete and the results have been evaluated.

If no potentially commercial hydrocarbons are discovered, the exploration asset is written off as a dry well. If extractable hydrocarbons are found and, subject to further appraisal activity (e.g. the drilling of additional wells), are likely to be capable of being commercially developed, the costs continue to be carried as an intangible asset while sufficient/continued progress is made in assessing the commerciality of the hydrocarbons. Costs directly associated with appraisal activity undertaken to determine the size, characteristics and commercial potential of a reservoir following the initial discovery of hydrocarbons, including the costs of appraisal wells where hydrocarbons were not found, are initially capitalized as an exploration and evaluation intangible asset.

All such capitalized costs are subject to technical, commercial and management review as well as review for indicators of impairment at least once a year. This is to confirm the continued intent to develop or otherwise extract value from the discovery. If this is no longer the case, the costs are written off in the income statement.

When proved reserves of oil and natural gas are identified and development is sanctioned by management, the relevant capitalized expenditure is first assessed for impairment and (if



required) any impairment loss is recognized, then the remaining balance is transferred to oil and gas properties. No amortization is charged during the exploration and evaluation phase.

Development costs

Expenditure relating to construction, installation and commissioning of infrastructure facilities such as platforms, seismic geological and geophysical studies, finance charges, pipelines and the drilling of development wells, including unsuccessful development or delineation wells, is capitalized within oil and gas properties.

Acquisition costs

Acquisitions of interests in oil and gas licences or similar joint operations where the joint operation constitutes a business, are accounted for in accordance with the principles in IFRS 3 Business Combinations (acquisition method). Identifiable assets acquired and liabilities and contingent liabilities assumed are measured initially at their fair values at the acquisition date. Acquisition-related costs are expensed as incurred. The excess of the consideration transferred over the fair value of the net identifiable assets acquired is recorded as goodwill. If, following careful consideration, the consideration transferred is less than the fair value of the net identifiable assets of the joint operation acquired, such difference is recognized directly in profit or loss.

Acquisitions of interests in oil and gas licences or similar joint operations where the joint operation is not considered to be a business, are accounted for as acquisitions of assets. The consideration for the interest is allocated to individual assets and liabilities acquired.

Divestment of assets

When the Company divests licenses, the gain/loss of the divestment is recognized at the completion date of the transaction. All balances related to the asset on that date, including tax balances and estimated tax for the period from effective date to completion date, are offset against the consideration when recognizing the gain/loss.

Oil and gas properties and other fixed assets

Oil and gas properties and other fixed assets are stated at cost, less accumulated depreciation and accumulated impairment losses. The initial cost of an asset comprises its purchase price or construction cost, any costs directly attributable to bringing the asset into operation, the initial estimate of the decommissioning obligation, and for qualifying assets (where applicable), borrowing costs. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset.

When a development project moves into the production stage, the capitalization of certain construction/development costs cease, and costs are either regarded as part of the cost of



inventory or expensed, except for costs which qualify for capitalization relating to oil and gas property asset additions, improvements or new developments.

Decommissioning costs and provisions

The decommissioning provision is calculated based on the net present value of the Company's share of the estimated future cost of decommissioning and site restoration required for facilities in place. This is calculated using the latest estimates provided by the Company's technical staff, which is based upon estimates provided by the field operators. An associated decommissioning asset is recognized, which is amortized for each field on a unit-of-production basis in accordance with the Company's policy for depreciation, depletion and amortization of oil and gas properties. Period charges for changes in the net present value of the decommissioning provision arising from the unwinding of the discount are included in finance costs in the income statement.

The Company recognizes a decommissioning provision when it has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount of obligation can be made. The obligation generally arises when the asset is installed, or the ground/ environment is disturbed at the field location.

Changes in the estimated timing of decommissioning or decommissioning cost estimates are dealt with prospectively by recording an adjustment to the provision, and a corresponding adjustment to oil and gas properties.

If the change in estimate results in an increase in the decommissioning liability and, therefore, an addition to the carrying value of the asset, the Company considers whether this is an indication of impairment of the asset as a whole, and if so, tests for impairment in accordance with IAS 36.

Depreciation, depletion and amortization

Oil and gas properties are depreciated, depleted and amortized on a unit-of-production basis over the total proved developed and undeveloped reserves of the field concerned. The unit-of-production rate calculation for the depreciation, depletion and amortization of field development costs takes into account expenditures incurred to date, together with sanctioned future development expenditure. Oil and gas reserves, both proved developed and undeveloped reserves, and future capital expenditures, are calculated using the latest estimates provided by the Company's technical staff, which are based on estimates provided by the field operator.

Other fixed assets are generally depreciated on a straight-line basis over their estimated useful lives.



An item of oil and gas properties and other fixed assets initially recognized, is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in income statement when the asset is derecognized.

The asset's residual values, useful lives and methods of depreciation, depletion and amortization are reviewed at each reporting period, and adjusted prospectively if appropriate.

Impairment of oil and gas properties and other fixed assets

Property, plant and equipment and other non-current assets are subject to impairment testing when there is an indication that the assets may be impaired. The company makes such assessments on each reporting date. If an indication exists, an impairment test where the company estimates the recoverable amount of the asset is performed. The recoverable amount is the higher of fair value less expected cost to sell and value in use. If the carrying amount of an asset is higher than the recoverable amount, an impairment loss is recognized in the income statement. The impairment loss is the amount by which the carrying amount of the asset exceeds the recoverable amount. The value in use is determined as the discounted future net cash flow expected to be generated by the asset. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows. For oil and gas properties, the field/license or hub is typically considered as one cash generating unit. All other assets are assessed separately. An impairment loss on assets will be reversed when the recoverable amount exceeds the carrying amount.

Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive), as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to any provision is presented in the income statement net of any reimbursement.

Pension liabilities

For base salary up to 12G, the Company operates a defined benefit pension plan for its employees. Defined benefit plans are valued at the present value of accrued future pension benefits at the end of the reporting period less pension plan assets which are valued at their fair value.

Changes in pension obligation due to changes in pension plans are recognized over the estimated average remaining service period. The net pension cost for the period is classified as salaries and personnel cost.



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Foreign currencies

The functional currency for the Company is US Dollars (USD).

Transactions in foreign currencies during the year are recorded in the functional currency at the transaction date. Monetary assets and liabilities are translated using rates prevailing at the statement of financial position date, and any gains and losses on translations are reflected in the income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The year end NOK to USD foreign exchange rate used is 9.80.

The average 2022 NOK to USD foreign exchange rate used is 9.53.

Revenue recognition

Revenue is measured at the fair value of the consideration received, excluding discounts, sales taxes, excise duties and similar levies.

Revenue from contracts with customers is recognized upon satisfaction of the performance obligations for the transfer of goods and services in each such contract. Other revenue is recognized when the risk passes to the customer, and the customer obtains control of those products. The changes in over-/under-lift balances are also classified as 'Other revenues'. Revenue is presented net of customs and excise taxes.

Revenues from petroleum products in which the Company has an interest with other producers are recognized on the basis of the Company's proportionate share of production during the period, regardless of actual sales (entitlement method). This is achieved by applying the following approach in dealing with imbalances between actual sales and entitlements:

The excess of product sold during the period over the participant's ownership share of production from the property is recognized by the over-lift party as a short-term liability (deferred revenue) and not as revenue. Conversely, the under-lift party would recognize an under-lift asset (short-term receivable) and report corresponding revenue. The value of over-lift/under-lift is set at the estimated sales value, minus estimated sales costs.

Taxation

Income tax expense represents the sum of current tax payable/receivable and change in deferred tax.

The current tax payable/receivable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are



never taxable or deductible. The liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the statement of financial position date. Under Norwegian tax legislation a company which has net offshore tax losses has the right to have the tax value of such loss refunded in the following year. Further, a company may claim a refund of the tax value of the full accumulated offshore tax losses per 31.12.21 in accordance with the new petroleum tax law effective 01.01.22. Such refunds are reflected as current tax income in the income statement and as a short-term receivable on the statement of financial position.

Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences, and deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates and tax laws that have been enacted or substantively enacted by the statement of financial position date. The measurement of deferred tax liabilities and assets reflects the tax consequences under the current tax regime that would follow from the manner in which the Company expects, at the statement of financial position date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities.

Current and deferred tax for the period is recognized as an expense or income in the income statement, except when they relate to items recognized in equity, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in calculating goodwill or in determining the excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities, and contingent liabilities over cost.

Accounting for leases

The company recognises in the balance sheet, each contract that meets its definition of a lease as right-of-use asset and a lease liability. All leases, except leases of short term (less than 12 months) and leases of low value, are recognised as a lease liability and a right of use asset in the balance sheet. At initial recognition, the lease liability and right of use asset is measured as the present value of the lease payments, discounted using an incremental borrowing rate. The



lease payments are reflected as interest expense and a reduction of lease liabilities. The right-of-use assets are to be depreciated over the shorter of each contract's term and the assets' useful life of the asset.

Significant accounting judgements, estimates and assumptions

The preparation of the Company's financial statements in conformity with simplified IFRS requires management to make judgements, estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates if different assumptions were used and different conditions existed.

In particular, the Company has identified the following areas where significant judgements, estimates and assumptions are required, and where if actual results were to differ, may materially affect the financial position or financial results reported in future periods. Further information on each of these and how they impact the various accounting policies are described in the relevant notes to the financial statements.

Reserve and resource estimates

Oil and gas production properties are depreciated on a unit-of-production basis at a rate calculated by reference to total proved developed and undeveloped reserves determined using the latest estimates provided by the Company's technical staff, which are based on estimates provided by the field operator. Commercial reserves are determined using estimates of oil in place, recovery factors and future oil price assumptions, the latter having an impact on the total amount of recoverable reserves. Future development costs are estimated using assumptions as to the number of wells required to produce the commercial reserves, the cost of such wells and associated production facilities, and other capital costs.

As the economic assumptions used may change and as additional geological information is produced during the operation of a field, estimates of recoverable reserves may change. Such changes may impact the Company's reported financial position and results for the carrying value of assets, depreciation/depletion/amortization charges, and provisions for decommissioning.



Recoverability of oil and gas properties

The Company assesses each asset or cash generating unit (excluding goodwill, which is assessed annually regardless of indicators) every reporting period to determine whether any indication of impairment exists.

Where an indicator of impairment exists, a formal estimate of the recoverable amount is made, which is considered to be the higher of the fair value less costs to sell and value in use. These assessments require the use of estimates and assumptions such as long-term oil prices, discount rates, estimated future operating and capital expenditure, including those arising from future climate related requirements, exploration potential, reserve estimates, and operating performance (which includes production and sales volumes). These estimates and assumptions are subject to risk and uncertainty. Therefore, there is a possibility that changes in circumstances will impact these projections, which may impact the recoverable amount of assets and/or CGUs.

Decommissioning costs

Decommissioning costs will be incurred by the Company at the end of the operating life of some of the Company's facilities and properties. The Company assesses its decommissioning provision at each reporting date. The ultimate decommissioning costs are uncertain and cost estimates can vary in response to many factors, including changes to relevant legal requirements, the emergence of new restoration techniques or experience at other production sites. The expected timing, extent and amount of expenditure can also change, for example in response to changes in reserves or changes in laws and regulations or their interpretation. Therefore, significant estimates and assumptions are made in determining the provision for decommissioning. As a result, there could be significant adjustments to the provisions established which would affect future financial results. The provision at reporting date represents management's best estimate of the present value of the future decommissioning costs required.

Changes to accounting standards and interpretations

New and amended standards and interpretation issued:

Several new standards are effective for annual periods beginning after 1 January 2022. Amendments to IAS 1 and IFRS Practice Statement 2 - Disclosure of Accounting policies have been considered when developing these notes. The following amended standards and interpretations with effective date in 2022 and 2023 are not expected to have a significant impact on the KUFPEC Norway's financial statement:

- Amendments to IAS16-Proceeds before Intended Use
- Amendments to IAS 37 - Onerous Contracts - Cost of Fulfilling a Contract



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- IFRS 9 Financial Instruments - Fees in the '10 per cent' test for derecognition of financial liabilities – Annual Improvements to IFRSs 2018-2020 Cycle
- Amendments to IAS 12 - Deferred Tax related to Assets and Liabilities arising from a Single Transaction

3 SALES INCOME AND OTHER REVENUE

All revenue recognized in the income statement is relating to operations on the Norwegian continental shelf and is analyzed as follows:

	2022 USD 000's	2021 USD 000's
Oil sales	177,554	135,034
NGL sales	6,721	22,291
Gas Sales	1,340,960	375,805
Total Sales Income	<u>1,525,235</u>	<u>533,129</u>

	2022 USD 000's	2021 USD 000's
Changes to over/underlift	<u>2,700</u>	<u>4,857</u>
Total Other Revenue	<u>2,700</u>	<u>4,857</u>

4 COST OF OPERATIONS

	2022 USD 000's	2021 USD 000's
Operating cost joint ventures	88,421	62,527
Insurance	4,838	4,685
Pipeline tariffs and marketing cost	36,450	26,617
Income Sharing Sleipner and Utgard	22,994	15,485
Net Profit Interest Gina Krog	71,791	-
Depreciation of producing fields	164,289	65,979
	<u>388,783</u>	<u>175,293</u>



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5 INTANGIBLE ASSETS AND PROPERTY, PLANT & EQUIPMENT

	Property, Plant & Equipment				
	Facilities in development	Production facilities including wells	Office equipment etc.	Right of Use Asset	Total
	USD 000's	USD 000's	USD 000's	USD 000's	USD 000's
Cost					
At 1st January 2021	167,154	1,208,758	1,704	4,288	1,381,904
Additions	23,498	29,631	71	-	53,200
Transferred from development to producing	(187,920)	187,920	-	-	-
Changes to decommissioning asset	(2,732)	(51,955)	-	-	-54,687
As at 31st Dec 2021 and 1st Jan 2022	-	1,374,354	1,774	4,288	1,380,417
Additions	-	48,816	27	-	48,843
Transferred from development to producing	-	-	-	-	-
Changes to decommissioning asset	-	(21,237)	-	-	-21,237
Divestment of asset	-	(206,798)	-	-	-206,798
As at 31st December 2022	-	1,195,136	1,801	4,288	1,201,225
Accumulated depreciation/impairment					
At 1st January 2021	24,970	653,836	1,270	880	680,956
Transferred from development to producing	(24,970)	24,970	-	-	-
Depreciation charge for the year	-	65,979	104	440	66,524
Impairment charge/(writeback) for the year	-	(171,686)	-	-	(171,686)
As at 31st Dec 2021 and 1st Jan 2022	-	573,100	1,374	1,319	575,794
Depreciation charge for the year	-	164,289	95	440	164,823
Impairment charge/(writeback) for the year	-	(-347)	-	-	(-347)
Divestment of asset	-	(-9,344)	-	-	(-9,344)
As at 31st December 2022	-	727,699	1,469	1,759	730,927
Net book value					
As at 31st December 2022	-	467,438	332	2,529	470,298
As at 31st December 2021	-	801,254	400	2,969	804,622

The depreciation of production facilities is based on the unit-of-production method. Office equipment (mainly IT hardware and software) is depreciated over 5 years. Leasehold improvements and Right of Use Asset, representing office lease, are depreciated over the lease period.

IAS 36.12 requires the entity to consider the External and Internal Source of information for identifying impairment indicators. The main impairment external indicator is the development in commodity prices for oil and gas. The observed oil prices in 2022 have significantly exceeded the assumptions used in the 2021 impairment exercise, and the gas prices have seen unprecedented high levels in 2022. When it comes to internal sources of information, there are



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no indications that the value of GSA CGU has declined during 2022. Based on the above, it is concluded that there are no indications of impairment per 31.12.22.

Adjustment to the decommissioning provision for Gyda and Tambar East is capitalized as decommissioning asset and impaired (or impairment reversed) straight away as these assets are fully impaired.

The impairment charge/income (-) for the year is broken down as follows:

	USD 000's
Gyda - Updated ARO provision	(337)
Tambar East - Updated ARO provision	<u>(10)</u>
Impairment/(write-back) per income statement	<u>(347)</u>

6 EXPLORATION COST IN THE INCOME STATEMENT

	2022 USD 000's	2021 USD 000's
Expensed drilling and exploration cost	2,086	1,898
New Venture cost (Business Development)	<u>-</u>	<u>85</u>
	<u>2,086</u>	<u>1,983</u>

7 GAIN/(LOSS) ON SALE OF ASSET

The Company sold its 10% share in Yme (PL316) to Lime Petroleum with effective date 01.01.22. Completion date was 23.12.22. Income and expenditure in the interim period between effective date and completion date is reported under gross profit. The gain on sale is comprised of consideration (including pro & contra settlement) plus interest, less booked value of asset and liabilities (and related tax effects) related to the divested asset on completion date.



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8 SPECIFICATION OF GENERAL AND ADMINISTRATIVE EXPENSES

	2022 USD 000's	2021 USD 000's
Salary and personnel cost	11,372	9,406
Office cost	77	62
Depreciation of capitalised office lease (IFRS16)	440	440
Consultants, legal and professional fees	1,934	291
Training and travel expenses	22	24
Entertainment, PR and commercial cost	15	-38
IT, communication	667	673
Other general/admin cost	91	89
Office asset depreciation	95	104
Timewriting charges to Group companies	-999	-715
Cost allocated from Head Office	1,955	1,761
	<u>15,668</u>	<u>12,096</u>

Office cost includes office lease (rent) reversal as according to IFRS 16. The capitalized office lease depreciation is shown on a separate line.

9 AUDITORS' REMUNERATION

The Company paid the following amounts to its auditors EY (for 2021) and PwC (for 2022) in respect of the audit of the financial statement and for other services provided to the Company.

	2022 USD 000's	2021 USD 000's
Audit of financial statements (PwC)	28	-
Other services (PwC)	70	-
Audit of financial statements (EY)	33	58
Other services (EY)	6	5
	<u>137</u>	<u>64</u>

10 EMPLOYMENT COST

Total remuneration for 2022 to the Board of Directors is USD 12 thousand.



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The aggregate payroll cost of staff (including management) was as follows:

	2022 USD 000's	2021 USD 000's
Wages and salaries	9,189	6,885
Social Security costs	1,445	1,084
Pension costs	331	1,253
Other salary related costs	406	183
	<u>11,372</u>	<u>9,406</u>

Remuneration of Managing Director:

	2022 USD 000's	2021 USD 000's
Annual Salary	<u>814</u>	<u>777</u>
	<u>814</u>	<u>777</u>
Man-years in the accounting year (KNAS employees)	22	24



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11 TAXATION

Basis for taxes	2022 USD 000's	2021 USD 000's
Profit/(loss) before taxes (after directors' fees)	1,126,296	504,332
Permanent differences	41	-41
Depreciation/impairment of permanent differences	17,557	-3,178
Change in temporary differences	155,101	-243,729
Temp diffs adjusted as part of asset transaction	-82,532	-
Gain/loss related to asset transaction (section 10)	-26,894	-
Exchange rate effects NOK/USD	20,072	3,545
Basis for corporate tax payable (22%) before loss carry forward utilization	1,209,640	260,929
Loss carry forward utilization	-	-195,938
Basis for corporate tax payable (22%) after loss carry forward utilization	1,209,640	64,991
Financial items without special tax	-31,079	-298
Fixed assets - accumulated additional tax depreciations special tax regime	49,878	-61,965
Less temp diffs adjusted as part of asset transaction	-66,838	-
This year's effect of uplift on taxable income	-2,175	-27,282
Sequential tax (22% corporate tax)	-260,783	-
Exchange rate effects NOK/USD	-	-1,454
Basis for special tax payable before loss/uplift carry forward utilization	898,642	169,930
Loss/uplift carry forward utilization	-	-169,930
Basis for special tax payable after loss/uplift carry forward utilization	898,642	-
Tax payable/receivable(-) corporate tax 22%	266,121	14,298
Tax payable/receivable(-) special tax (current year) 71.8% (56% 2021)	645,225	-
Transition rule payable - special tax loss/uplift carry forward 01.01.22	-115,328	-
Pre-paid tax (-) /tax refund	-433,366	50,776
Tax payable/receivable(-)	362,651	65,074

Tax expense	2022 USD 000's	2021 USD 000's
Tax payable/receivable(-), incl transition rule payable moved from deferred tax	796,017	14,298
Tax on divestment asset in interim period - offset against divestment gain	-6,090	-
Corporate tax on current year tax loss carried forward	-	43,106
Special tax on current year tax loss carried forward (incl uplift)	-	95,161
Interest on loss carry forward for special tax	-	-815
Prior year adjustments	-975	-832
Change in deferred tax on temporary differences	-33,573	240,183
Deferred tax adjustment from asset transaction	114,004	-
Exchange effects on tax payments	-14,937	-1,385
Tax expense/income(-)	854,446	389,716

In June 2022 changes to the Petroleum Tax Act were enacted, with effect from 1 January 2022. The combined tax rate of 78% is maintained, but according to the new rules the special



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petroleum tax (56%) is converted into a cash-based tax. When calculating the special petroleum tax for 2022 and onwards, companies can make immediate deductions for expenses incurred, but with no right for uplift. In addition, the corporate tax (22%) is deductible in the special tax base (56%). In order to maintain the overall tax rate of 78%, the special tax rate is increased to 71.8% [56% / (1-22%)]. In accordance with statutory requirements, the calculation of current tax is required to be based on NOK functional currency. This may impact the effective tax rate as the Company's functional currency is USD.

	2022 USD 000's	2021 USD 000's
Temporary differences/Deferred tax		
Temporary differences		
Inventory of petroleum	13,246	17,321
Stock	8,001	8,894
Pension provision	-301	-972
Fixed assets	319,203	478,062
Lease liability	1	34,783
Gain/loss account	4,390	6,105
Asset retirement obligation	-174,842	-219,394
Total temporary differences corporate tax regime	169,698	324,799
Fixed assets - accumulated additional tax depreciations special tax regime	55,107	108,321
Total temporary differences special tax regime	224,805	433,120
Tax loss carry forward corporate tax	-	-
Tax loss and uplift carry forward special tax	-	-209,295
Deferred tax		
Deferred corporate tax liabilities/assets (-) (22% 31.12.21, 22% 31.12.22)	37,334	71,456
Deferred special tax liabilities/assets (-) (56% 31.12.21, 56% 31.12.22)	125,891	125,342
Net deferred tax liabilities/assets (-)	163,224	196,798



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	2022 USD 000's	2021 USD 000's
Calculation of total taxes		
Profit before taxes	1,126,296	504,332
Expected tax at 78%	-878,511	-393,379
Exchange rate effects NOK/USD	-7,850	-14,099
Permanent differences	-32	-32
Depreciation of permanent differences	-13,694	2,479
Interest cost, special tax	-	-1,611
Current year's uplift	1,562	15,278
Interest on loss carry forward	-	815
Divestment of asset	33,859	-
Prior year's adjustment/other	10,220	832
Total taxes	-854,446	-389,716
Effective tax rate	76%	77%

12 CASH AND CASH EQUIVALENTS

	2022 USD 000's	2021 USD 000's
Cash at bank (unrestricted)	19,349	12,206
Cash at bank (restricted withholding tax funds)	526	495
	19,875	12,702

Cash at bank earns interest at floating daily bank deposit interest rates.

13 TRADE AND OTHER RECEIVABLES

	2022 USD 000's	2021 USD 000's
Trade receivables	117,798	143,952
Receivable, asset divestment	29,369	-
Licenses; receivables and prepayments	2,127	3,219
Licenses; overcall	-	1,272
Prepayments and deferred charges	1,327	1,306
Underlifting Recoverables	16,577	17,556
Other receivables	91	47
	167,289	167,352



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In addition to the short-term receivables as specified above, the Company has long term deposits and prepayments through the joint venture arrangements of USD 5.5 million at year end 2022. The 2021 equivalent was USD 9.4 million.

14 INVENTORIES

	2022 USD 000's	2021 USD 000's
Materials - Joint Ventures	9,219	12,559
	<u>9,219</u>	<u>12,559</u>

15 INTERCOMPANY ACCOUNTS AND TRANSACTIONS

	2022 USD 000's	2021 USD 000's
Intercompany payable, short term	2,187	6,652
Dividend payable	30,000	200,000
Total short term payable	<u>32,187</u>	<u>206,652</u>
Intercompany payable, long term	-	54,084
	<u>32,187</u>	<u>260,736</u>

	2022 USD 000's	2021 USD 000's
Intercompany receivable, short term	309,187	-
	<u>309,187</u>	<u>-</u>

KNAS has place surplus funds with Head Office at the interest rate obtained by Head Office when placing deposits.



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The Company charged the following cost to other Group companies:

	2022	2021
	USD 000's	USD 000's
Timewriting charges to KUFPEC UK Ltd	614	419
Timewriting charges to KUFPEC k.s.c.	383	296
Recharge of expenses to KUFPEC k.s.c.	20	-
Interest on deposit placed by Head Office	6,115	-
	<u>7,131</u>	<u>715</u>

The following cost has been charged to KNAS from other Group companies:

	2022	2021
	USD 000's	USD 000's
Interest on Intercompany loan	374	8,964
Insurance - recharged	4,692	5,477
Guarantee fee	113	133
Head Office timewriting charges	1,853	1,761
Salaries secondees	1,840	854
Travel cost support from Head Office	102	-
	<u>8,975</u>	<u>17,189</u>

16 TRADE AND OTHER PAYABLES

	2022	2021
	USD 000's	USD 000's
Trade payables	2,181	2,836
Licenses; payables and accruals	13,209	18,955
Licenses; undercall	8,212	5,223
Accruals and deferred income	32,584	4,350
Payroll and related taxes	2,306	1,576
Overlifting Liabilities	1,169	918
Other liabilities	373	387
	<u>60,035</u>	<u>34,245</u>



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17 ASSET RETIREMENT OBLIGATION

	2022 USD 000's	2021 USD 000's
Opening balance	229,012	287,379
Revisions to estimates	-21,237	-54,687
Payment of decommissioning	-2,488	-6,555
Unwinding of discount	3,435	2,874
Divestment of asset	-25,234	-
	<u>183,488</u>	<u>229,012</u>
Short term ARO provision	622	2,995
Long term ARO provision	<u>182,866</u>	<u>226,016</u>
	<u>183,488</u>	<u>229,012</u>

The nominal pre-tax discount rate used at end of 2022 is 3.29%, The corresponding rate at year-end 2021 was between 1.5% and 3% depending on the timing of expected cash flows.

18 LEASE LIABILITY – RIGHT OF USE ASSET AND OTHER LEASES

As shown in note 9, a Right of Use Asset was recognized per 01.01.19 for the lease of offices in Ankerbygget, Stavanger. Further details for this lease:

	2022 USD 000's	2021 USD 000's
Right of Use Asset - Net balance 31.12.	2,529	2,969
Lease Liability - Balance 31.12.	2,155	2,812
Interest calculated on lease liability	117	135

Payments in year for leases under IFRS and other leases:

	2022 USD 000's
Leases under IFRS 16	453
Short term leases, IFRS 16 not applied	1
Low value leases, IFRS 16 not applied	5
Total lease payments	<u>459</u>



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Future obligations for leases under IFRS 16:

	2022 USD 000's
Within one year	464
Between 1 and 5 years	1,976
Over 5 years	394
	<u>2,834</u>

19 DRILL COMMITMENTS

There are no drill commitments in any of the licenses in which the Company has an ownership share.

20 OBLIGATIONS UNDER OPERATING LEASES AND OTHER NON-CANCELLABLE CONTRACTS

Future minimum commitments under non-cancellable operating leases contracts and other non-cancellable contracts:

	2022 USD 000's	2021 USD 000's
Within one year - KNAS's contracts	674	414
Between 1 and 5 years - KNAS's contracts	234	55
After 5 years - KNAS's contracts	-	-
Within one year - non-operated licenses	4,117	9,186
Between 1 and 5 years - non-operated licenses	3,121	21,476
After 5 years - non-operated licenses	-	20,391
	<u>8,146</u>	<u>51,522</u>

The obligations shown above exclude lease commitments per 31.12.22 for leases accounted for under IFRS16, ref. note 20.

Long term commitment is reduced following the divestment of the Yme licenses.

21 RELATED PARTY DISCLOSURES

KUFPEC Norway AS has not provided any loans or guarantees to management, employees or board members. For the purpose of related party disclosure in accordance with IAS 24, only directors are considered to be key management personnel. For compensation of key



management personnel, note 10 contains additional information regarding remuneration of management – Managing Director and the Board of Directors.

KUFPEC k.s.c.c. has provided a guarantee on behalf of the Company for decommissioning liabilities on acquired assets. Guarantee fee is paid to KUFPEC k.s.c.c. based on an arm's length principle assessment.

For transactions and outstanding balances vs. other Group companies, reference is made to Note 15.

22 FINANCIAL INSTRUMENTS, FINANCIAL RISK FACTORS AND CAPITAL MANAGEMENT

(a) Market risk

Market risk is the risk arising from possible market price movements and their impact on the future performance of the business. The Company is exposed to commodity price risks in the form of oil and gas prices, movement in foreign currency exchange rates and interest rates.

(i) Commodity price risk

The Company is exposed to commodity price risk. There are currently no hedging arrangements in place. Forecast commodity prices are based on management's estimates and available market data, and consider forward curve pricing over the period for which there is a liquid market, thereafter reverting to a long-term oil price assumption that considers long-term views of global supply and demand in a changing environment, particularly with respect to climate risk and the geopolitical situation.

(ii) Foreign currency exchange risk

The Company has potential currency exposures in respect of items denominated in foreign currencies relating to operating and finance income/cost and capital expenditure incurred in other currencies than the functional currency of operations. There are currently no hedging arrangements in place.

(iii) Interest rate risk

The Company is exposed to interest rate risk through short term deposit (see note 15).

(b) Credit risk

Credit risk is the risk that a customer or partner fails to pay amounts due, causing financial loss to the Company. The Company has very limited exposure to such credit risk.

(c) Liquidity risk

Liquidity risk is the risk that sources of funding for the Company's business activities are not available. The primary source of funding of the Company's activities will be intercompany borrowing. The Board ensures that sufficient funding is available before committing to any significant expenditure.



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23 SHAREHOLDERS AND NUMBER OF SHARES

The share capital in KUFPEC Norway AS is NOK 78,000,000 distributed over 600 shares each at face value NOK 130,000. KUFPEC UK Ltd holds all the shares.

The chairman of the Board is Mohammad S. S. M. Alhaimer Almarri. Other members of the Board are Ahmed Khalaf (Managing Director), Nawwaf Alsalem, Khaled Al Mullah, Steffen Pedersen and Leif Sigmund Rosnes. The chairman solely or two board members jointly are empowered to sign for the Company.

24 SUBSEQUENT EVENTS

KNAS is financed by KUFPEC Group (equity and long term loan) and there is a strong commitment from the Group to financially support the operations in Norway. The KNAS financial statement is prepared on the basis of continued operations.

There are no specific subsequent events identified which may impact KNAS' economic outlook or the valuation of assets/debt per 31.12.22.

25 CLIMATE RISK

Climate risk is the risk arising from physical impact of climate changes as well as related changes to legislation and business trends. Risk related to direct physical impact of climate changes to KNAS operations is considered to be low. Upon preparing the 2022 financial statements, the impact of pending or existing climate-change related legislation and regulations are considered. Related obligations are recognized in the financial statements in accordance with IFRS. By developing and following a governance process for its engagement in non-operated ventures, KNAS is exercising its "see-to-it-duty" to ensure the ventures are in compliance with applicable laws and regulations. KNAS consider and includes possible future legislative changes and business trends in the short term and long term prognosis and forecasts. Further details relating to market risk/commodity price risk is provided in note 22.



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26 LICENSES

The Company holds the following licenses on the Norwegian Continental Shelf:

Share	License	Operator	Status	Lic. Expires:
30%	Gina Krog Unit (PL029B/C, PL048)	Equinor Energy AS	Producing oil and gas	31.12.2032
10%	Sleipner East Unit (PL046)	Equinor Energy AS	Producing gas and condensate	31.12.2028
9.4112%	Sleipner West Unit (PL046)	Equinor Energy AS	Producing gas and condensate	31.12.2028
5%	Gyda (PL019B/F/G)	Repsol Norge AS	Decommissioning is planned to be completed by 2023	N/A
0.8 %	Tambar East Unit	Aker BP ASA	Production paused	-
6.2%	Utgard Unit (PL046E/F)	Equinor Energy AS	Producing gas and condensate	31.12.2028
21.8%	Eirin (PL048E)	Equinor Energy AS	Progressing towards investment decision in 2023	31.12.2028
20%	PL1091	Lundin Energy Norway AS	Exploration	19.02.2028
50%	PL1137	Equinor Energy AS	Exploration	11.03.2028

27 PROVED AND PROBABLE RESERVES (NOT AUDITED)

Amounts in million barrels of oil equivalents (BOE):

Proved and probable (2P) reserves as of 01.01.22	44.3
Divestments in 2022	- 5.7
Production in 2022	- 7.9
Revisions	- 1.6
Proved and probable (2P) reserves as of 31.12.22	<u>29.1</u>



REPORTING ON PAYMENTS TO GOVERNMENTS

This report is prepared in accordance with the Norwegian Accounting Act Section § 3-3 d which stipulates that companies engaged in activities within the extractive industries shall annually prepare and publish a report containing information about their payments to governments at country and project level. The Ministry of Finance has issued a regulation (F20.12.2013 no. 1682) stipulating that the reporting obligation only applies to reporting entities above a certain size and to payments above certain threshold amounts. In addition, the regulation stipulates that the report shall include information other than payments to governments, as included under Other Information below.

Reportable payments are defined in the regulation (F20.12.2013 nr 1682) §3. Management has applied judgment in the interpretation of the regulation regarding the type of payments to be included in the reporting. Management interprets the regulations as such that KNAS should not report payments made by the operators as these should be reported by the operators based on gross amounts. This is applicable to Area Fee, CO2 tax and NOx tax. All activities in KNAS within the extractive industries are located on the Norwegian continental shelf and all the reported payments below have been made to the Norwegian government.

INCOME TAX

Net tax paid in 2022 amounted to USD 482,504,088 and relates to the last three tax instalments for the income year 2021, net residual tax for 2021, and the three first tax instalments for the income year 2022.

NET PROFIT INTEREST

Two of the KNAS held licenses making up the Gina Krog Unit is liable to pay Net Profit Interest (NPI) on accumulated net positive cash flow. The accumulated cash flow turned positive in 2022 and KNAS paid NPI of USD 44,233,063. NPI is deductible against income tax.

OTHER INFORMATION

KNAS is also required to report on investments, operating income, production volumes and purchases of goods and services. All reported information relates to KNAS' activities within the extractive industries on the Norwegian continental shelf:

- As specified in the cash flow statement, investments amounted to USD 49 million whilst divestments amounted to USD 85 million.
- Revenues from crude oil and gas sales amounted to USD 1,525 million as reported in the income statement.
- KNAS' net production in 2022 was 7.9 million barrels of oil equivalents as reported in note 27 to the financial statements.



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Reference is made to the Income Statement and related disclosure notes for information about purchases of goods and services.



To the General Meeting of KUFPEC Norway AS

Independent Auditor's Report

Opinion

We have audited the financial statements of KUFPEC Norway AS (the Company), which comprise the balance sheet as at 31 December 2022, the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion

- the financial statements comply with applicable statutory requirements, and
- the financial statements give a true and fair view of the financial position of the Company as at 31 December 2022, and its financial performance and its cash flows for the year then ended in accordance with simplified application of international accounting standards according to section 3-9 of the Norwegian Accounting Act.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company as required by relevant laws and regulations in Norway and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

The Board of Directors and the Managing Director (management) are responsible for the information in the Board of Directors' report. The other information comprises information in the annual report, but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the information in the Board of Directors' report.

In connection with our audit of the financial statements, our responsibility is to read the Board of Directors' report. The purpose is to consider if there is material inconsistency between the Board of Directors' report and the financial statements or our knowledge obtained in the audit, or whether the Board of Directors' report otherwise appears to be materially misstated. We are required to report if there is a material misstatement in the Board of Directors' report. We have nothing to report in this regard.

Based on our knowledge obtained in the audit, it is our opinion that the Board of Directors' report

- is consistent with the financial statements and
- contains the information required by applicable statutory requirements.

Our opinion on the Board of Director's report applies correspondingly to the report on payments to governments.

PricewaterhouseCoopers AS, Kanalsletta 8, Postboks 8017, NO-4068 Stavanger
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Statsautoriserte revisorer, medlemmer av Den norske Revisorforening og autorisert regnskapsførerselskap



Responsibilities of Management for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with simplified application of International Accounting Standards according to the Norwegian Accounting Act section 3-9, 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 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 about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

For further description of Auditor's Responsibilities for the Audit of the Financial Statements reference is made to: <https://revisorforeningen.no/revisjonsberetninger>

Stavanger, 11 April 2023
PricewaterhouseCoopers AS

Arne Birkeland
State Authorised Public Accountant
(This document is signed electronically)



 Securely signed with Brevio

Signed

Signers:

Name	Method	Date
Birkeland, Arne	BANKID_MOBILE	2023-04-19 19:57

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Skattedirektoratet

Saksbehandler Torstein Kinden Helleland	Deres dato 28.04.2014	Vår dato 06.05.2014
Telefon 22078139	Deres referanse 008-14	Vår referanse 2014/317529

KUFPEC NORWAY AS
Postboks 207
4001 STAVANGER

Tillatelse til å utarbeide årsregnskap og årsberetning på engelsk språk for KUFPEC Norway AS, org. nr. 946 680 591

Det vises til deres brev av 28. april 2014 der det søkes om dispensasjon fra kravet til å utarbeide årsregnskap og årsberetning på norsk språk for KUFPEC Norway AS.

Skattedirektoratet gir på bakgrunn av en konkret helhetsvurdering KUFPEC Norway AS dispensasjon fra kravet til å utarbeide årsregnskap og årsberetning på norsk språk, jf. regnskapsloven § 3-4 tredje ledd. Dispensasjonen forutsetter at opplysningene som vedtaket baserer seg på ikke endres vesentlig.

Kopi av dette brevet må sendes Regnskapsregisteret i Brønnøysund sammen med årsregnskapet. Det påligger den regnskapspliktige å dokumentere ved dette brev at tillatelsen er gitt.

Bakgrunn

KUFPEC Norway AS er et heltid datterselskap av KUFPEC UK Ltd som igjen er 100 % eid av Kuwait Foreign Petroleum Exploration Company. Majoriteten av styrets medlemmer behersker ikke norsk. Selskapet driver virksomhet innen oljesektoren. Arbeidsspråket er engelsk både i selskapet og i konsernet forøvrig. Alle sentrale aktører og samarbeidspartnere innen denne bransjen behersker og benytter engelsk. En norsk oversettelse vil kun ha til formål å oppfylle regnskapslovens språkkrav.

Skattedirektoratets vurdering

Etter regnskapsloven § 3-4 tredje ledd skal *”årsregnskapet og årsberetningen ... være på norsk. Departementet kan ved ... enkeltvedtak bestemme at årsregnskapet og/eller årsberetningen kan være på et annet språk.”*

I Ot. prp. nr. 42 (1997-1998) Om lov om årsregnskap m.v., er det uttalt følgende om regnskapslovens formål, jf. pkt. 1.1:

”Regjeringen har som siktemål at regnskapsloven skal bidra til informative regnskaper for ulike grupper av regnskapsbrukere. Regnskapsbrukerne er dels investorer og kreditorer som tilfører kapital til foretakene, og dels andre grupper som har interesse av å vite hvordan

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foretaket drives, f.eks. de ansatte og lokalsamfunnet. Informasjonen til kapitalmarkedet skal gi grunnlag for riktig prising av finansielle objekter. Riktig prisdannelse på aksjer er en forutsetning for at ressursbruken i samfunnsøkonomien skal bli best mulig. Gode regnskaper vil også gjøre det vanskeligere for markedsdeltakere å ta ut spekulasjonsgevinster med basis i skjevt fordelt informasjon.”

Det fremgår således at et av hovedformålene med regnskapsloven er å bidra til “*informative regnskaper for ulike grupper av regnskapsbrukere*”. Regnskapsbrukere vil omfatte, jf. uttalelsen i proposisjonen, blant andre investorer, kreditorer, ansatte og lokalsamfunnet.

Det er etter Skattedirektoratets vurdering derfor avgjørende ved vurdering av om dispensasjon fra kravet til å utarbeide årsregnskap og/eller årsberetning på norsk kan gis, at det ikke foreligger mulige brukere av regnskapsinformasjon som blir vesentlig berørt negativt ved en eventuell dispensasjon.

Det er særlig hensynet til brukerne av regnskapsinformasjon som skal vurderes ved en dispensasjonssøknad. I denne vurderingen har Skattedirektoratet lagt særlig vekt på at selskapet er et datterselskap til et utenlandsk selskap og inngår i et internasjonalt konsern. Eierkretsen er begrenset. Arbeidsspråket er engelsk og all kommunikasjon skjer på engelsk. Videre er det vektlagt at selskapet driver virksomhet i en internasjonal bransje der alle aktører behersker og benytter engelsk språk.

Vennligst oppgi vår referanse ved henvendelser i saken.

Med hilsen

Rune Tystad

seniorrådgiver

Rettsavdelingen, foretaksskatt

Skattedirektoratet

Torstein Kinden Helleland