



ÅRSREGNSKAPET FOR REGNSKAPSÅRET 2021 - GENERELL INFORMASJON

Enheten

Organisasjonsnummer: 946 680 591
Organisasjonsform: Aksjeselskap
Foretaksnavn: KUFPEC NORWAY AS
Forretningsadresse: Kongsgårdbakken 1
4005 STAVANGER

Regnskapsår

Årsregnskapets periode: 01.01.2021 - 31.12.2021

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: Henrik Mollerin
Dato for fastsettelse av årsregnskapet: 19.04.2022

Grunnlag for avgivelse

År 2021: Årsregnskapet er elektronisk innlevert
År 2020: Tall er hentet fra elektronisk innlevert årsregnskap fra 2021

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, 28.06.2023



Resultatregnskap

Beløp i: USD	Note	2021	2020
RESULTATREGNSKAP			
Inntekter			
Sales income	3	533 129 000	145 462 000
Other income	3	4 857 000	25 939 000
Sum inntekter	3	537 986 000	171 401 000
Kostnader			
Wages and salaries	5,6,7,9	9 406 000	8 773 000
Depreciations	4,9	544 000	534 000
Nedskrivning av varige driftsmidler og immaterielle eiendeler	9	-171 686 000	191 383 000
Cost of operations	4.9	175 293 000	189 958 000
Exploration/New Venture expenditure written off	8	1 983 000	957 000
Other general and administrative expenses	5,6,7,9	2 146 000	2 849 000
Directors' fees	6	14 000	13 000
Sum kostnader		17 700 000	394 467 000
Driftsresultat		520 286 000	-223 066 000
Finansinntekter og finanskostnader			
Interest income		1 000	20 000
Sum finansinntekter		1 000	20 000
Interest expense	15,22	9 373 000	18 392 000
Foreign exchange (loss -)/gain		3 708 000	-1 530 000
Unwinding of discount on decommissioning provision	16	2 874 000	8 565 000
Sum finanskostnader		15 955 000	25 427 000
Netto finans		-15 954 000	-25 407 000
Ordinært resultat før skattekostnad		504 332 000	-248 473 000
Income tax expense	10	389 716 000	-184 118 000
Ordinært resultat etter skattekostnad		114 616 000	-64 355 000
Årsresultat		114 616 000	-64 355 000
Overføringer og disponeringer			



Resultatregnskap

Beløp i: USD	Note	2021	2020
Ordinært utbytte		200 000 000	
Transfer to other equity		-85 384 000	-64 355 000
Sum overføringer og disponeringer		114 616 000	-64 355 000



Balanse

Beløp i: USD	Note	2021	2020
BALANSE - EIENDELER			
Anleggsmidler			
Immaterielle eiendeler			
Utsatt skattefordel	10	0	180 089 000
Sum immaterielle eiendeler		0	180 089 000
Varige driftsmidler			
Property, plant and equipment	9	804 622 000	700 947 000
Sum varige driftsmidler		804 622 000	700 947 000
Finansielle anleggsmidler			
Deposits and prepayments	2,12	9 429 000	10 958 000
Sum finansielle anleggsmidler		9 429 000	10 958 000
Sum anleggsmidler		814 051 000	891 994 000
Omløpsmidler			
Varer			
Inventories	13	12 559 000	12 100 000
Sum varer		12 559 000	12 100 000
Fordringer			
Trade and other receivables	12	167 353 000	94 236 000
Sum fordringer		167 353 000	94 236 000
Bankinnskudd, kontanter og lignende			
Cash and cash equivalents	11	12 702 000	13 406 000
Sum bankinnskudd, kontanter og lignende		12 702 000	13 406 000
Sum omløpsmidler		192 614 000	119 742 000
SUM EIENDELER		1 006 665 000	1 011 736 000

BALANSE - EGENKAPITAL OG GJELD



Balanse

Beløp i: USD	Note	2021	2020
Egenkapital			
Innskutt egenkapital			
Share capital	21	10 695 000	10 695 000
Overkurs		206 321 000	280 903 000
Sum innskutt egenkapital		217 016 000	291 598 000
Opptjent egenkapital			
Other equity		0	10 802 000
Sum opptjent egenkapital		0	10 802 000
Sum egenkapital		217 016 000	302 400 000
Gjeld			
Langsiktig gjeld			
Pensjonsforpliktelser		972 000	595 000
Utsatt skatt	10	196 798 000	0
Lease Liability - ROUA	22	2 812 000	3 168 000
Decommissioning provision, long term	16	226 016 000	280 625 000
Sum avsetninger for forpliktelser		426 598 000	284 388 000
Annen langsiktig gjeld			
Langsiktig konserngjeld	15	54 084 000	391 691 000
Sum annen langsiktig gjeld		54 084 000	391 691 000
Sum langsiktig gjeld		480 682 000	676 079 000
Kortsiktig gjeld			
Leverandørgjeld	14	34 245 000	24 305 000
Tax payable	10	65 075 000	0
Kortsiktig konserngjeld	15	206 652 000	2 199 000
Decommissioning provision, short term	16	2 995 000	6 753 000
Sum kortsiktig gjeld		308 967 000	33 257 000
Sum gjeld		789 649 000	709 336 000
SUM EGENKAPITAL OG GJELD		1 006 665 000	1 011 736 000



Statsautoriserte revisorer
Ernst & Young AS

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Medlemmer av Den norske Revisorforening

INDEPENDENT AUDITOR'S REPORT

To the Annual Shareholders' Meeting of KUPFEC Norway AS

Opinion

We have audited the financial statements of KUPFEC Norway AS (the Company), which comprise the balance sheet as at 31 December 2021, the income statement, statement of cash flows and statement of changes in equity 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 legal requirements and give a true and fair view of the financial position of the Company as at 31 December 2021 and its financial performance and 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 in accordance with the requirements of the 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

Other information consists of the information included in the annual report other than the financial statements and our auditor's report thereon. Management (the board of directors and the Country Manager) is responsible for the other information. Our opinion on the financial statements does not cover the other information, 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 other information, and, in doing so, consider whether the board of directors' report contains the information required by legal requirements and whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information or that the information required by legal requirements is not included, we are required to report that fact.

We have nothing to report in this regard, and in our opinion, the board of directors' report is consistent with the financial statements and contains the information required by applicable legal requirements.

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with simplified application of international accounting standards according to section 3-9 of the Norwegian Accounting 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



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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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting 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 conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the board of directors 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.

Stavanger, 19 April 2022
ERNST & YOUNG AS

The auditor's report is signed electronically

Tor Inge Skjellevik
State Authorised Public Accountant (Norway)

Independent auditor's report - KUPFEC Norway AS 2021

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"By my signature I confirm all dates and content in this document."

Tor Inge Skjellevik

State authorised public accountant (Norway)

On behalf of: EY

Serial number: 9578-5997-4-259359

IP: 213.52.xxx.xxx

2022-04-19 17:28:25 UTC



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KUFPEC NORWAY AS
A Subsidiary of Kuwait Foreign Petroleum Exploration Co. K.S.C.

KUFPEC NORWAY AS
(Org. no.: 946 680 591)

Directors' Report &
Financial Statements with Notes

31st December 2021



KUFPEC Norway AS
Directors' Report and Financial Statements with Notes
31st December 2021



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DIRECTORS' REPORT 2021 KUFPEC Norway AS

Established by its parent company KPC, KUFPEC is an international oil company, engaged in exploration, development and production of crude oil and natural gas outside Kuwait, with activities in Africa, Middle East, Asia, UK, 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). Initial pressure at Gina Krog is maintained by gas re-injection. Since mid-October 2021 gas injection has been paused, in order to take advantage of record high gas prices.

In 2021, Gina Krog has sold 5.4 mln bbls of oil/condensate, 0.8 mln bbls of NGL and 29.0 bcf of gas products (all figures are gross).

Sleipner East and West

The Company 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 2021, Sleipner have sold 2.3 mln bbls of oil/condensate, 1.5 mln bbls of NGL and 73.0 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 2021, Utgard has sold 1.6 mln bbls of oil/condensate, 0.6 mln bbls of NGL and 12.3 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.

Yme

The Company holds a 10% working interest in the Yme field. The field has been re-developed by use of a jack-up rig equipped with drilling and production facilities and re-use of existing facilities on the field. Oil will be produced through re-use of nine wells and drilling of six new wells. The production facility was safely installed on location on 2nd January 2021.

First oil was achieved on 25th October 2021. In 2021, Yme has sold 0.13 mln bbls of oil (gross).

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. According to the cessation plan, disposal of facilities shall be completed in 2023. Execution of well plug and abandonment was completed in October 2021.

2. Exploration

PL048E

PL048E contains the Eirin discovery (1978), located approximately 9 km from Gina Krog. The project is currently suspended due to lack of pipeline capacity and uncertain commerciality. The 2022 budget assumes low spending related to field development and appraisal studies, and a larger contingent budget to cater for further maturation of the business case. The operator has indicated a decision during 2022 with regards to a potential appraisal well in 2023. Pipeline capacity may become available earlier than envisaged depending on future decisions regarding Gina Krog gas injection.

PL1091

PL1091 was awarded in February 2021 (APA2020) with Lundin as the operator with a 40% interest, and KUFPEC, LOTOS and Petoro holding 20% each. A formal kick off meeting was held on 8th April 2021 and the main focus for the first phase work program is reprocessing of the



seismic 3D data set. The proposed 2022 work program and budget in PL1091 is designed to meet the Drill or Drop deadline 19 February 2023.

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 a license application in the APA2021 licensing round for the Sissel prospect situated south of Utgard. The company was awarded a 50% working interest in PL1137 with Equinor as the operator. The license is expected to commence in the first half of 2022 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.

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. The Company had 24 local employees at the end of 2021 and 6 staff seconded from the head office. The Company is committed to prevent discrimination based on gender, reduced functional ability, ethnic affiliation, nationality, color of skin, religion, or beliefs. The working environment is considered to be good in KNAS and there has not been reported any incidents. Total sick leave was 3,6 % in 2021.

The Company has not carried out any activity which has had a negative impact on the external environment. As part of the national "clean beaches week" KNAS staff participated by going out to one of the local beaches to collect plastic and general waste from the shoreline.

The COVID-19 pandemic has not affected KNAS employee's ability to perform work as everybody have been fully equipped to work effectively from home office. KNAS employees have been encouraged to have an active physical life by participating in KNAS arranged fitness campaigns. Workshop on mental health and in particular focus on potential negative effects following the pandemic has been held by an external psychologist. KNAS offered flu vaccination to all staff as recommended by the National Institute of Public Health. Further, all employees were offered a medical health check in 2021.



5. Corporate Governance & Risks

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 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 debt from KUFPEC. 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 acquisition of 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 and Power from Shore. These technologies have been presented to head office as possible intra-group knowledge transfer topics.

7. Finance

The Income Statement for 2021 shows a total profit for the year of USD 114,616 thousand. Profit from continuing operations is USD 504,346 thousand, impacted by increased oil and gas prices in combination with increased gas production. Included in the income statement is an impairment reversal of USD 171,686 thousand. Effective tax rate is 77%, as the impact of uplift is offset by exchange rate effect and finance cost not deductible for special tax.



KUFPEC Norway AS
Directors' Report and Financial Statements with Notes
31st December 2021



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

Dividend:	USD 200,000 thousand
Transfer to/from(-) other equity/share premium:	-USD 85,384 thousand
Current year profit distributed	USD 114,616 thousand

Positive cash flow from operations, totalling to USD 390,102 thousand, includes tax refunds of USD 113,970 thousand relating to the temporary tax legislative changes. The positive operational cash flow has funded investments in fixed assets of USD 53,200 thousand, and repayment of loan of USD 337,607 thousand.

The Company's tax loss carry-forward and tax balances, which is 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 8.8067/1 USD. Further reference is made to the notes to the accounts.

Since the start of 2021 there has been a developing outbreak of COVID-19. The travelling restrictions which were introduced as a response to the pandemic, contributed to a delay in the Yme development project and to the transfer to production phase. To date, we have not seen any other material impact onto our operations.

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 and is expecting the same in future years. The parent company, KUFPEC UK Ltd., and its parent company Kuwait Foreign Petroleum Exploration Company k.s.c., have confirmed 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, 31st March 2022



7/4/22

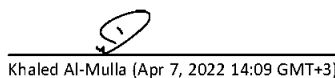
Waleed Al Ben Ali
Chairman of the Board



Ahmed Khalaf
Board Member/Country Manager



Nawwaf Alsalem
Board Member

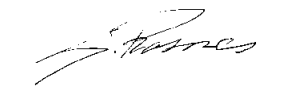


Khaled Al-Mulla (Apr 7, 2022 14:09 GMT+3)

Khaled Al Mullah
Board Member



Steffen Pedersen
Board Member



Leif Sigmund Rosnes
Board Member



KUFPEC Norway AS
Directors' Report and Financial Statements with Notes
31st December 2021



Income Statement for the year ended 31st December 2021

INCOME STATEMENT		31.12.2021	31.12.2020
	<i>Notes</i>	<i>USD 000's</i>	<i>USD 000's</i>
Continuing operations:			
Sales income	3	533,129	145,462
Other revenue	3	4,857	25,939
Cost of operations	4,9	-175,293	-189,958
GROSS PROFIT		362,693	-18,557
Exploration/New Venture expenditure written off	8	-1,983	-957
Net impairment losses(-)/reversals	9	171,686	-191,383
General and administrative expenses	5,6,7,9	-12,096	-12,155
		157,607	-204,495
PROFIT/LOSS(-) FROM CONTINUING OPERATIONS BEFORE FINANCE INCOME/COSTS AND TAXATION		520,300	-223,053
Interest income		1	20
Unwinding of discount on decommissioning provision	16	-2,874	-8,565
Foreign exchange loss(-)/gain		-3,709	1,530
Interest expense	15,22	-9,373	-18,391
PROFIT/LOSS(-) FROM CONTINUING OPERATIONS BEFORE TAXATION AND DIRECTORS' FEES		504,346	-248,460
Income tax expense(-)/revenue	10	-389,716	184,118
PROFIT/LOSS(-) BEFORE DIRECTORS' FEES		114,630	-64,342
Directors' fees	6	-14	-13
PROFIT/LOSS(-) FOR THE YEAR		114,616	-64,355



KUFPEC Norway AS
Directors' Report and Financial Statements with Notes
31st December 2021



Statement of Financial Position - Assets as at 31st December 2021

STATEMENT OF FINANCIAL POSITION

		31.12.2021	31.12.2020
	Notes	USD 000's	USD 000's
ASSETS			
Current assets			
Cash and cash equivalents	11	12,702	13,406
Trade and other receivables	12	167,352	94,235
Inventories	13	12,559	12,100
		<u>192,613</u>	<u>119,742</u>
Non-current assets			
Deposits and prepayments	2,12	9,429	10,958
Property, plant and equipment	9	804,622	700,947
Deferred tax assets	10	-	180,089
		<u>814,051</u>	<u>891,994</u>
TOTAL ASSETS		<u>1,006,665</u>	<u>1,011,736</u>



KUFPEC Norway AS
Directors' Report and Financial Statements with Notes
31st December 2021



Statement of Financial Position – Liabilities and Equity as at 31st December 2021

		31.12.2021	31.12.2020
	Notes	USD 000's	USD 000's
LIABILITIES AND EQUITY			
Current liabilities			
Trade and other payables	14	34,245	24,305
Tax payable	10	65,074	-
Due to Ultimate Parent Company and affiliates	15	206,652	2,199
Decommissioning provision, short term	16	2,995	6,753
		<u>308,967</u>	<u>33,257</u>
Non-current liabilities			
Decommissioning provision, long term	16	226,016	280,625
Pension liabilities		972	595
Lease Liability - ROUA	22	2,812	3,168
Long-term borrowing	15	54,084	391,691
Deferred tax liabilities	10	196,798	-
		<u>480,682</u>	<u>676,079</u>
Total Liabilities		<u>789,649</u>	<u>709,336</u>
Equity			
Share capital	21	10,695	10,695
Share premium		206,321	280,903
Other equity		-	10,802
Total equity		<u>217,016</u>	<u>302,400</u>
TOTAL LIABILITIES AND EQUITY		<u>1,006,665</u>	<u>1,011,736</u>



Stavanger 31st March 2022



10/4/22


Waleed Al Ben Ali
Chairman of the Board



Ahmed Khalaf
Board Member/Country Manager



Nawwaf Alsalem
Board Member

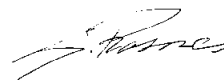


Khaled Al-Mulla (Apr 7, 2022 14:09 GMT+3)

Khaled Al Mullah
Board Member



Steffen Pedersen
Board Member



Leif Sigmund Rosnes
Board Member



KUFPEC Norway AS
Directors' Report and Financial Statements with Notes
31st December 2021



Cash flow Statement for the year ended 31st December 2021

Cash flow statement

	2021 USD 000's	2020 USD 000's
<i>Cash generated/used(-) by operations</i>		
Profit before tax	504,346	-248,460
Directors' fees	-14	-13
Taxes paid(-)/received	113,970	88,842
Depreciation	66,524	97,326
Impairment/writeback(-)	-171,686	191,383
Payment of decommissioning	-6,555	-4,496
Unwinding of Discount ARO	2,874	8,565
Change in inventory, accounts receivable/payable	-120,907	24,123
Changes in other balance sheet items	1,549	-264
<i>Net cash inflow/outflow(-) from operations</i>	<u>390,102</u>	<u>157,007</u>
<i>Cash generated/used(-) by investments</i>		
Investments in fixed tangible assets (cash payment)	-53,200	-47,274
<i>Net cash outflow(-)/inflow from investments</i>	<u>-53,200</u>	<u>-47,274</u>
<i>Cash generated/used(-) by financing</i>		
New debt/repayment(-) of long term borrowing	-337,607	-100,942
<i>Net cash outflow(-)/inflow from financing</i>	<u>-337,607</u>	<u>-100,942</u>
<i>Net change in cash flow during the year</i>	-705	8,790
Cash at 01.01	<u>13,406</u>	<u>4,616</u>
Cash at 31.12	<u>12,702</u>	<u>13,406</u>



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Changes in Equity for the year ended 31st December 2021

	<i>Share capital</i> USD 000's	<i>Share premium</i> USD 000's	<i>Other Equity</i> USD 000's	<i>Total</i> USD 000's
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>
At 1 January 2020	10,695	280,903	75,157	366,755
Profit for the year			-64,355	-64,355
At 31 December 2020	<u>10,695</u>	<u>280,903</u>	<u>10,802</u>	<u>302,400</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., 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 regulations regarding simplified application of International Financial Reporting Standards ("IFRS") issued by the Ministry of Finance on 3 November 2014 ("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 2021.

Deposits and prepayments of USD 11 million as included in short term trade and other receivables in the 2020 financial statement is reclassified to long term deposit and prepayments in the 2021 financial statement as described under note 12.



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 involve 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 or completion 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

When the Company acquires licenses on the NCS which are not deemed to be joint arrangements under the definition in IFRS 11 because there is no joint control, such acquisitions are treated as an asset acquisition. The acquisition cost is allocated across the assets and capitalized, based on the economic evaluation which formed the basis of the Company's bid. A decommissioning provision is calculated and recognized as applicable, and the net of the decommissioning provision and deferred tax on the provision is capitalized. Transaction cost is also capitalized.

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. If the revised oil and gas assets, net of decommissioning provisions, exceed the recoverable value, that portion of the increase is charged directly to the income statement.

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, 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

The Company assesses at each reporting date whether there is an indication that an asset or a cash-generating unit ("CGU") may be impaired. The Company classifies fields in production or under development as CGUs. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's or CGU's recoverable amount.

Recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the asset is tested as part of a larger CGU to which it belongs.

Where the carrying amount of a CGU exceeds its recoverable amount, the CGU is considered impaired and is written down to its recoverable amount. In calculating value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the CGU. Future net revenues are derived from the estimated remaining commercial reserves, using prices and costs according to management's forecast at the year end. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, publicly quoted prices for asset transactions or other available fair value indicators.

For CGUs excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the asset's or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the CGU's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the CGU does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the CGU in prior years. Such a reversal is recognized in the income statement unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase and is recognized through the statement of comprehensive income.

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 the 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.

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 8.81.

The average 2021 NOK to USD foreign exchange rate used is 8.60.

Revenue recognition

Revenue is recognized to the extent it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. 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 he obtains control of those products. The changes in over-/under-lift balances are also classified as 'Other revenues'. Revenue is presented net of customs, excise taxes and royalties paid in-kind on petroleum products.

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 exploration expenditure refunded in the following year. Further, a company may claim a refund of the tax value of the full offshore losses in 2020 and 2021 in accordance with the new short-term tax legislative change. Such refunds are reflected as current tax income in the income statement and as a short-term receivable on the statement of financial position. Included in the short-term tax legislative change are accelerated tax depreciations in special tax basis and increased uplift rate.

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.

Tax losses can be brought forward regardless of when it occurred. If there remains an uncovered loss upon the discontinuation of activities that are liable for petroleum tax, the Company may claim payment from the Norwegian State of the tax value of such loss, in accordance with the Petroleum Taxation Act.

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 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.

Exploration and evaluation expenditures

The application of the Company's accounting policy for exploration and evaluation expenditure requires judgement in determining whether it is likely that future economic benefits are likely either from future exploitation or sale or, where activities have not reached a stage which permits a reasonable assessment, of the existence of reserves. The deferral policy requires management to make certain estimates and assumptions as to future events and circumstances. Any such estimates and assumptions may change as new information becomes available. If, after expenditure is capitalized, information becomes available suggesting that the recovery of the expenditure is unlikely, the relevant capitalized amount is written off in the income statement in the period when the new information becomes available.

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, decommissioning costs, 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 2021. The following amended standards and interpretations with effective date in 2021 and 2022 are not expected to have a significant impact on the KUFPEC Norway's financial statement:

- COVID-19-Related Rent Concessions beyond 30 June 2021 (Amendment to IFRS 16)
- Interest Rate Benchmark Reform 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)
- Reference to the Conceptual Framework (Amendments to IFRS 3)
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)
- Onerous Contracts – Costs of Fulfilling a Contract (Amendments to IAS 37)
- First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter (Annual improvement cycle amendments to IFRS 1)
- Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities (Annual improvement cycle amendments to IFRS 9)



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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:

	2021 USD 000's	2020 USD 000's
Oil sales	135,034	81,052
NGL sales	22,291	17,810
Gas Sales	375,805	46,600
Total Sales Income	533,129	145,462

	2021 USD 000's	2020 USD 000's
Changes to over/underlift	4,857	25,908
Misc. Income	-	30
Total Other Revenue	4,857	25,939

4 COST OF OPERATIONS

	2021 USD 000's	2020 USD 000's
Operating cost joint ventures	62,527	53,692
Insurance	4,685	5,497
Pipeline tariffs and marketing cost	26,617	28,325
Income Sharing Sleipner and Utgard	15,485	5,652
Depreciation of producing fields	65,979	96,792
Total	175,293	189,958



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5 AUDITORS' REMUNERATION

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

	2021 USD 000's	2020 USD 000's
Audit of financial statements	58	45
Tax advisory services	-	20
Other services	5	9
	<u>64</u>	<u>74</u>

6 EMPLOYMENT COST

Total remuneration for 2021 to the Board of Directors is USD 13,835.

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

	2021 USD 000's	2020 USD 000's
Wages and salaries	6,885	6,766
Social Security costs	1,084	1,037
Pension costs	1,253	653
Other salary related costs	183	317
	<u>9,406</u>	<u>8,773</u>

Remuneration of Managing Director:

	2021 USD 000's	2020 USD 000's
Annual Salary	<u>777</u>	<u>801</u>
	<u>777</u>	<u>801</u>
Man-years in the accounting year (KNAS employees)	24	23



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7 SPECIFICATION OF GENERAL AND ADMINISTRATIVE EXPENSES

	2021 USD 000's	2020 USD 000's
Salary and personnel cost	9,406	8,773
Office cost	62	-5
Depreciation of capitalised office lease (IFRS16)	440	440
Consultants, legal and professional fees	291	637
Training and travel expenses	24	28
Entertainment, PR and commercial cost	-38	78
IT, communication	673	624
Other general/admin cost	89	96
Office asset depreciation	104	94
Timewriting charges to Group companies	-715	-909
Cost allocated from Head Office	1,761	2,299
	<u>12,096</u>	<u>12,155</u>

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

8 EXPLORATION COST IN THE INCOME STATEMENT

	2021 USD 000's	2020 USD 000's
Expensed drilling and exploration cost	1,898	635
New Venture cost (Business Development)	85	322
	<u>1,983</u>	<u>957</u>



9 INTANGIBLE ASSETS AND PROPERTY, PLANT & EQUIPMENT

	Property, Plant & Equipment				Total
	Facilities in development	Production facilities including wells	Office equipment etc.	Right of Use Asset	
	USD 000's	USD 000's	USD 000's	USD 000's	USD 000's
Cost					
At 1st January 2020	133,864	1,156,299	1,593	4,288	1,296,044
Additions	30,641	16,522	111	-	47,274
Changes to decommissioning asset	2,649	35,937	-	-	38,586
As at 31st Dec 2020 and 1st Jan 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 December 2021	-	1,374,354	1,774	4,288	1,380,417
Accumulated depreciation/impairment					
At 1st January 2020	-	390,631	1,176	440	392,247
Depreciation charge for the year	-	96,792	94	440	97,326
Impairment charge/(writeback) for the year	24,970	166,413	-	-	191,383
As at 31st Dec 2020 and 1st Jan 2021	24,970	653,836	1,270	880	680,956
Transferred from development to producing	-24,970	24,970			0
Depreciation charge for the year	-	65,979	104	440	66,524
Impairment charge/(writeback) for the year	-	-171,686	-	-	-171,686
As at 31st December 2021	-	573,100	1,374	1,319	575,794
Net book value					
As at 31st December 2021	-	801,254	400	2,969	804,622
As at 31st December 2020	142,184	554,922	434	3,408	700,947

Gyda and Tambar East are included in the "Production facilities including wells" as shown above although production is ceased. 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.

Included in the income statement is an impairment reversal of USD 146 million relating to the Greater Sleipner Area CGU and an impairment reversal of USD 25 million relating to the Yme CGU. The recoverable amount as at 31 December 2021 has been determined based on a value-in-use calculation using cash flow projections from financial budgets approved by senior management. The projected cash flows have been updated to reflect the most current prognosis of demand for petroleum products. The post-tax discount rate applied to the cash flow projections is 4.6% and the inflation rate average is 2.0%.



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The calculations of value in use for the CGU's are sensitive to assumptions as discount rates, inflation rates, foreign exchange rates and petroleum product prices as well as to reserves/production profiles and expenditure estimates.

The overview below indicates the calculation sensitivity and shows the calculated impairment reversal upon changing certain assumptions.

	USD 000's
<u>Impairment/(write-back) as per income statement</u>	-171,686
Calculated impairment upon increasing WACC by 1 percentage point	-171,686
Calculated impairment upon decreasing reserves by 10%	-171,686
Calculated impairment upon decreasing commodity prices by 10%	-171,686
Calculated impairment upon decreasing commodity prices by 25%	-132,648

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	-437
Tambar East - Updated ARO provision	18
YME CGU - Impairment reversal	-24,912
Greater Sleipner Area CGU - Impairment reversal	-146,355
Impairment/(write-back) per income statement	<u>-171,686</u>



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10 TAXATION

	2021 USD 000's	2020 USD 000's
Basis for taxes		
Profit/(loss) before taxes (after directors' fees)	504,332	-248,473
Permanent differences	-41	-1,950
Depreciation/impairment of permanent differences	-3,178	36,027
Change in temporary differences	-243,729	55,322
Exchange rate effects NOK/USD	3,545	-2,113
Basis for corporate tax payable (22%) before loss carry forward utilization	260,929	-161,187
Loss carry forward utilization	-195,938	-
Basis for corporate tax payable (22%) after loss carry forward utilization	64,991	-161,187
Financial items without special tax	-298	26,082
Fixed assets - accumulated additional tax depreciations special tax regime	-61,965	-46,355
This year's effect of uplift on taxable income	-27,282	-36,887
Exchange rate effects NOK/USD	-1,454	-
Basis for special tax payable (56%) before loss/uplift carry forward utilization	169,930	-218,348
Loss/uplift carry forward utilization	-169,930	-
Basis for special tax payable (56%) after loss/uplift carry forward utilization	-	-218,348
Tax payable/receivable(-) corporate tax	14,298	-35,461
Tax payable/receivable(-) special tax	-	-122,275
Pre-paid tax	50,776	96,011
Tax payable/receivable(-)	65,074	-61,725
	2021	2020
Tax expense	USD 000's	USD 000's
Tax payable/receivable(-)	14,298	-157,736
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 corporate tax	-	-264
Interest on loss carry forward for special tax	-815	-1,298
Prior year adjustments	-832	299
Change in deferred tax on temporary differences	240,183	-31,989
Exchange effects on opening balances; temporary differences and tax payments	-1,385	6,870
Tax expense/income(-)	389,716	-184,118

The tax payable at year end of USD 65 million includes repayment of negative tax installments as a result of the temporary tax legislation of USD 51 million. The 2021 impact of the temporary tax legislation is primarily relating to accelerated tax depreciations and accelerated uplift utilization although the impact is limited due to positive taxable results in the current year and losses carried forward from previous years.

The deferred tax liability calculation is based on the current tax regime. However, in August 2021, the Norwegian Government and the Ministry of Finance announced proposals for changes in the Norwegian petroleum taxation from 2022. Overall, the proposal introduced a



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cash tax for the special tax, i.e. depreciation and uplift deductions are replaced by immediate deduction of investments. A detailed hearing proposal was published in September 2021 with a response deadline in December. The Government has indicated the proposed legislation will be published in April 2022.

Temporary differences/Deferred tax	2021 USD 000's	2020 USD 000's
Temporary differences		
Inventory of petroleum	17,321	10,826
Stock	8,894	9,642
Pension provision	-972	-595
Fixed assets	478,062	313,019
Long term loan (estimated tax rate 37 %)	-	17,834
Lease liability	34,783	-267
Gain/loss account	6,105	7,878
Asset retirement obligation	-219,394	-277,267
Total temporary differences corporate tax regime	324,799	81,070
Fixed assets - accumulated additional tax depreciations special tax regime	108,321	46,355
Total temporary differences special tax regime	433,120	109,591
Tax loss carry forward corporate tax	-	-201,465
Tax loss and uplift carry forward special tax	-209,295	-388,517
Deferred tax		
Deferred corporate tax liabilities/assets (-) (22% 31.12.20, 22% 31.12.21)	71,456	-23,890
Deferred special tax liabilities/assets (-) (56% 31.12.20, 56% 31.12.21)	125,342	-156,199
Net deferred tax liabilities/assets (-)	196,798	-180,089
Calculation of total taxes	2021 USD 000's	2020 USD 000's
Profit before taxes	504,332	-248,473
Expected tax at 78%	-393,379	193,809
Exchange rate effects NOK/USD	-14,099	8,197
Permanent differences	-32	-1,521
Depreciation of permanent differences	2,479	-28,101
Financial items, special tax	-1,611	-10,185
Current year's uplift	15,278	20,657
Interest on loss carry forward	815	1,562
Prior year's adjustment/other	832	-299
Total taxes	-389,716	184,118
Effective tax rate	77 %	74 %



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11 CASH AND CASH EQUIVALENTS

	2021 USD 000's	2020 USD 000's
Cash at bank (unrestricted)	12,206	13,014
Cash at bank (restricted withholding tax funds)	495	392
	<u>12,702</u>	<u>13,406</u>

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

12 TRADE AND OTHER RECEIVABLES

	2021 USD 000's	2020 USD 000's
Trade receivables	143,952	11,055
Tax refund	-	61,725
Licenses; receivables and prepayments	3,219	2,024
Licenses; overcall	1,272	4,985
Prepayments and deferred charges	1,306	1,377
Underlifting Recoverables	17,556	13,068
Other receivables	47	-
	<u>167,352</u>	<u>94,235</u>

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 9 million at year end 2021. The 2020 equivalent was USD 11 million. The USD 11 million was included as short term trade and other receivables in the 2020 financial statement, but is reclassified to long term deposits and prepayments in the 2021 financial statement to better reflect the underlying position.



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13 INVENTORIES

	2021 USD 000's	2020 USD 000's
Materials - Joint Ventures	12,559	12,100
	<u>12,559</u>	<u>12,100</u>

14 TRADE AND OTHER PAYABLES

	2021 USD 000's	2020 USD 000's
Trade payables	2,836	513
Licenses; payables and accruals	18,955	17,288
Licenses; undercall	5,223	-
Accruals and deferred income	4,350	2,294
Payroll and related taxes	1,576	1,349
Overlifting Liabilities	918	1,288
Other liabilities	387	1,568
VAT payable	-	3
	<u>34,245</u>	<u>24,305</u>

15 INTERCOMPANY ACCOUNTS AND TRANSACTIONS

	2021 USD 000's	2020 USD 000's
Intercompany payable, short term	6,652	2,199
Dividend payable	200,000	-
Total short term	<u>206,652</u>	<u>2,199</u>
Intercompany payable, long term	<u>54,084</u>	<u>391,691</u>
	<u>260,736</u>	<u>393,890</u>



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No intercompany liabilities are lent by security. The long-term payable is an USD intercompany loan from KUFPEC UK Limited. Interest calculated on the intercompany loans is LIBOR + 3.0%.

The Company charged the following cost to other Group companies:

	2021 USD 000's	2020 USD 000's
Timewriting charges to KUFPEC UK Ltd	419	719
Recharge of expenses to KUFPEC UK Ltd	-	10
Timewriting charges to KUFPEC k.s.c.	296	192
Recharge of expenses to KUFPEC k.s.c.	-	843
	<u>715</u>	<u>1,763</u>

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

	2021 USD 000's	2020 USD 000's
Interest on Intercompany loan	8,964	18,113
Insurance and JV audit fee - recharged	5,477	6,091
Guarantee fee	133	126
Head Office timewriting charges	1,761	2,256
Salaries secondees	854	1,053
Travel cost support from Head Office	-	43
	<u>17,189</u>	<u>27,682</u>

16 ASSET RETIREMENT OBLIGATION

	2021 USD 000's	2020 USD 000's
Opening balance	287,379	244,724
Revisions to estimates	-54,687	38,586
Payment of decommissioning	-6,555	-4,496
Unwinding of discount	2,874	8,565
	<u>229,012</u>	<u>287,379</u>



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Short term ARO provision	2,995	6,753
Long term ARO provision	<u>226,016</u>	<u>280,625</u>
	<u>229,012</u>	<u>287,379</u>

17 DRILL COMMITMENTS

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

18 OBLIGATIONS UNDER OPERATING LEASES AND OTHER NON-CANCELLABLE CONTRACTS

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

	2021 USD 000's	2020 USD 000's
Within one year - KNAS's contracts	414	729
Between 1 and 5 years - KNAS's contracts	55	181
After 5 years - KNAS's contracts	-	-
Within one year - non-operated licenses	9,186	7,845
Between 1 and 5 years - non-operated licenses	21,476	27,687
After 5 years - non-operated licenses	<u>20,391</u>	<u>22,049</u>
	<u>51,522</u>	<u>58,492</u>

The obligations shown above excludes lease commitments per 31.12.21 for leases accounted for under IFRS16, ref. note 22.

19 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 6 contains additional information regarding remuneration of management – Managing Director and the Board of Directors.



KUFPEC k.s.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. based on an arm's length principle assessment.

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

20 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 currently 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, Covid-19 and the Russian invasion of Ukraine.

(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 the long-term loan (see note 15 for terms).

(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 is intercompany borrowing.



The Board ensures that sufficient funding is available before committing to any significant expenditure.

21 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 Waleed Al Ben Ali. 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.

22 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:

	2021	2020
	USD 000's	USD 000's
Right of Use Asset - Net balance 31.12.	2,969	3,408
Lease Liability - Balance 31.12.	2,812	3,168
Interest calculated on lease liability	135	144

Payments in year for leases under IFRS and other leases:

	2021
	USD 000's
Leases under IFRS 16	492
Short term leases, IFRS 16 not applied	1
Low value leases, IFRS 16 not applied	6
Total lease payments	<u><u>498</u></u>



Future obligations for leases under IFRS 16:

	2021 USD 000's
Within one year	504
Between 1 and 5 years	2,145
Over 5 years	1,008
	<u>3,657</u>

23 SUBSEQUENT EVENTS

Since the start of 2021 there has been a developing outbreak of COVID-19. Measures taken by various governments to contain the virus have affected economic activity. We have taken a number of measures to monitor and mitigate the effects of COVID-19, such as safety and health measures for our people (including social distancing and working from home) and securing the operational processes (such as testing routines) to avoid operational disruptions. So far in 2022 we have not seen any material impact to our operations as a result of COVID-19.

We recognize there are macro-economic uncertainties with regards to prices and demand for oil, gas and other products as a result of the invasion of Ukraine, which may impact our earnings, cash flow and financial condition.

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.

An additional dividend of USD 80 million was distributed from KNAS to KUFPEC UK Ltd on 20 January 2022.

24 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 2021 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 20.

25 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	Production ceased in Q1 2020. Well plug and abandonment are completed, and decommissioning is planned to be completed by 2023.	N/A
0.8 %	Tambar East Unit	Aker BP ASA	Production ceased	-
6.2%	Utgard Unit (PL046E/F)	Equinor Energy AS	Producing gas and condensate	31.12.2028
10%	Yme (PL316/PL316B)	Repsol Norge AS	Producing oil	18.06.2030
21.8%	Eirin (PL048E)	Equinor Energy AS	Project suspended	31.12.2028
20%	PL1091	Lundin Energy Norway AS	Exploration	19.02.2028

26 PROVED AND PROBABLE RESERVES (NOT AUDITED)

Amounts in million barrels of oil equivalents (BOE):

Proved and probable (2P) reserves as of 01.01.21	52.2
Acquisitions in 2021	-
Production in 2021	- 5.3
Revisions	- 2.6
Proved and probable (2P) reserves as of 31.12.21	<u>44.3</u>



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27 COUNTRY BY COUNTRY REPORTING

KNAS is subject to the country-by-country reporting as stated in the Norwegian Accounting Act §3-3d and in the Norwegian Regulations to the country-by country reporting. KNAS includes an overview of payments to the authorities and other information as required in a separate report as part of the financial statement submission. The report is not subject to external audit.



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