



ÅRSREGNSKAPET FOR REGNSKAPSÅRET 2021 - GENERELL INFORMASJON

Enheten

Organisasjonsnummer: 991 735 194
Organisasjonsform: Aksjeselskap
Foretaksnavn: LOTOS EXPLORATION AND PRODUCTION
NORGE AS
Forretningsadresse: Blokk C
Jåttåvågveien 7
4020 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: Piotr Statkiewich
Dato for fastsettelse av årsregnskapet: 23.06.2022

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, 04.07.2023



Resultatregnskap

Beløp i: NOK	Note	2021	2020
RESULTATREGNSKAP			
Inntekter			
Sales revenue	2	2 912 133 932	1 522 591 537
Other operating income	4	151 117 125	53 544 806
Sum inntekter		3 063 251 057	1 576 136 343
Kostnader			
Cost of sales	3	783 379 439	1 086 463 701
Other operating expenses	4	87 000 000	1 578 000 000
General and administrative expenses	5	218 260 842	188 601 735
Sum kostnader		1 088 640 281	2 853 065 436
Driftsresultat		1 974 610 776	-1 276 929 093
Finansinntekter og finanskostnader			
Finance income	20	364 102	27 053 465
Sum finansinntekter		364 102	27 053 465
Finance cost	19,20	154 455 753	100 741 011
Sum finanskostnader		154 455 753	100 741 011
Netto finans		-154 091 651	-73 687 546
Ordinært resultat før skattekostnad		1 820 519 125	-1 350 616 639
Corporate income tax		1 262 994 473	-1 013 437 409
Ordinært resultat etter skattekostnad		557 524 652	-337 179 230
Årsresultat		557 524 652	-337 179 230



Balanse

Beløp i: NOK	Note	2021	2020
BALANSE - EIENDELER			
Anleggsmidler			
Immaterielle eiendeler			
Intangible assets	14	820 063 669	627 199 937
Sum immaterielle eiendeler		820 063 669	627 199 937
Varige driftsmidler			
Property Plant and Equipment	12,13	3 305 256 425	2 374 885 838
Sum varige driftsmidler		3 305 256 425	2 374 885 838
Finansielle anleggsmidler			
Non- current financial assets	8,15	152 879 050	154 082 432
Deferred tax asset	11		552 000 859
Non-current prepayments and accrued income	16	128 000	3 751 966
Sum finansielle anleggsmidler		153 007 050	709 835 257
Sum anleggsmidler		4 278 327 144	3 711 921 032
Omløpsmidler			
Varer			
Inventories	27	190 511 298	178 257 858
Sum varer		190 511 298	178 257 858
Fordringer			
Trade receivables	26	14 575	28 990
Current prepayments and accrued income	17	486 298 595	126 245 521
Other receivables	17	1 080 390	915 087
Sum fordringer		487 393 560	127 189 598
Bankinnskudd, kontanter og lignende			
Cash and cash equivalents	8	1 948 107 639	357 602 857
Sum bankinnskudd, kontanter og lignende		1 948 107 639	357 602 857
Sum omløpsmidler		2 626 012 497	663 050 313
SUM EIENDELER		6 904 339 641	4 374 971 345



Balanse

Beløp i: NOK	Note	2021	2020
BALANSE - EGENKAPITAL OG GJELD			
Egenkapital			
Innskutt egenkapital			
Share capital	18	4 431 890 000	4 431 890 000
Sum innskutt egenkapital		4 431 890 000	4 431 890 000
Opptjent egenkapital			
Retained earnings		-2 253 685 166	-2 811 209 816
Sum opptjent egenkapital		-2 253 685 166	-2 811 209 816
Sum egenkapital		2 178 204 834	1 620 680 184
Gjeld			
Langsiktig gjeld			
Utsatt skatt	11	402 306 467	0
Asset retirement obligations	23	2 240 155 065	2 227 238 465
Sum avsetninger for forpliktelser		2 642 461 532	2 227 238 465
Annen langsiktig gjeld			
Long term lease liability	10	580 861 945	7 720 469
Sum annen langsiktig gjeld		580 861 945	7 720 469
Sum langsiktig gjeld		3 223 323 477	2 234 958 934
Kortsiktig gjeld			
Liabilities to financial institutions	20,21		10 000 000
Leverandørgjeld		14 511 222	11 192 061
Tax payable	11	1 047 069 095	176 506 640
Public duties payable	9	6 589 057	8 043 890
Short term lease liability	10	88 189 456	7 124 781
Other current liabilities	9	291 558 620	215 473 068
Asset retirement obligation	23	13 569 690	13 053 898
Accruals and deferred income	9	28 984 539	24 670 506
Short term provision	26	12 339 650	53 267 382
Sum kortsiktig gjeld		1 502 811 329	519 332 226



Balanse

Beløp i: NOK	Note	2021	2020
Sum gjeld		4 726 134 806	2 754 291 160
SUM EGENKAPITAL OG GJELD		6 904 339 640	4 374 971 344



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To the General Meeting of LOTOS Exploration & Production Norge AS

INDEPENDENT AUDITOR'S REPORT

Opinion

We have audited the financial statements of LOTOS Exploration & Production Norge AS (the Company), which comprise the balance sheet as at 31 December 2021, 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 2021, 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 laws and regulations 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.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director (management) are 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.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit.

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Organisasjonsnummer: 980 211 282

Penneo Dokumentnøkkel: 175JB-YJAGZ-POQW4-5A008-A4BYV-0FOYY



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Independent Auditor's Report -
LOTOS Exploration & Production Norge AS

We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We 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 a true and fair view.

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, 24 February 2022
Deloitte AS

Bjarte M. Jonassen
State Authorised Public Accountant

Penneo Dokumentnøkkel: 175JB-YIAGZ-POQW4-5A008-A4BYV-0FOYY



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Bjarte Munkejord Jonassen

Statsautorisert revisor

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LOTOS Exploration and Production Norge AS

Annual report 2021

Board of Directors' report

Annual accounts

- **Statement of comprehensive income**
- **Statement of financial position**
- **Statement of cash flow**
- **Statement of changes in equity**
- **Notes to the financial statement**

Auditors' report



LOTOS Exploration and Production Norge AS

Statement of Comprehensive Income

NOK	Note	2021	2020
Sales revenue	2.	2 912 133 932	1 522 591 537
Cost of sales	3.	-783 379 439	-1 086 463 701
Gross profit		2 128 754 493	436 127 836
General and administrative expenses	5, 6, 7	-218 260 842	-188 601 735
Profit and loss on Sales		1 910 493 652	247 526 101
Other operating income	4	151 117 125	53 544 806
Other operating expenses	4	-87 000 000	-1 578 000 000
Operating profit		1 974 610 776	-1 276 929 094
Finance income	20	364 102	27 053 465
Finance cost	20	-154 455 753	-100 741 011
Ordinary result before tax		1 820 519 124	-1 350 616 640
Corporate income tax	11	-1 262 994 473	1 013 437 409
Net profit or loss for the year		557 524 651	-337 179 231
Allocated as follows			
Transferred to other equity		557 524 651	-337 179 231
Total allocations		557 524 651	-337 179 231



LOTOS Exploration and Production Norge AS

Statement of Financial Position

NOK	Note	2021	2020
Assets			
Non-current assets			
Intangible assets	14	820 063 669	627 199 937
Property plant and equipment	12, 13	3 305 256 425	2 374 885 838
Non-current financial assets	8, 15	152 879 050	154 082 432
Deferred tax assets	11	0	552 000 859
Non-current prepayments and accrued income	16	128 000	3 751 966
Total non-current assets		<u>4 278 327 144</u>	<u>3 711 921 032</u>
Current assets			
Inventories	27	<u>190 511 298</u>	<u>178 257 858</u>
<i>Current receivables</i>			
Trade receivables		14 575	28 990
Other receivables	17	1 080 390	915 087
Current prepayment and accrued income	17	<u>486 298 595</u>	<u>126 245 521</u>
Total current receivables		<u>487 393 560</u>	<u>127 189 598</u>
<i>Current investments</i>			
Cash and cash equivalents	8	<u>1 948 107 639</u>	<u>357 602 857</u>
Total current investments		<u>1 948 107 639</u>	<u>357 602 857</u>
Total current assets		<u>2 626 012 497</u>	<u>663 050 313</u>
Total assets		<u>6 904 339 641</u>	<u>4 374 971 345</u>



LOTOS Exploration and Production Norge AS

Statement of Financial Position

NOK	Note	2021	2020
Equity			
<i>Paid-in capital</i>			
Share capital	18	4 431 890 000	4 431 890 000
Total paid-in capital		<u>4 431 890 000</u>	<u>4 431 890 000</u>
<i>Retained earnings</i>			
Retained earnings		<u>-2 253 685 166</u>	<u>-2 811 209 816</u>
Total retained earnings		<u>-2 253 685 166</u>	<u>-2 811 209 816</u>
Total equity		<u>2 178 204 834</u>	<u>1 620 680 184</u>
Liabilities			
<i>Provisions for non-current liabilities</i>			
Deferred tax liability	11	402 306 467	0
Asset retirement obligation long term	23	<u>2 240 155 065</u>	<u>2 227 238 465</u>
Total provisions for non-current liabilities		<u>2 642 461 532</u>	<u>2 227 238 465</u>
<i>Non-current liabilities</i>			
Long-term lease liabilities	10	<u>580 861 945</u>	<u>7 720 469</u>
Total Non-current liabilities		<u>580 861 945</u>	<u>7 720 469</u>
<i>Current liabilities</i>			
Liabilities to financial institutions	20, 21	0	10 000 000
Trade payable		14 511 222	11 192 061
Tax payable	11	1 047 069 095	176 506 640
Public duties payable	9	6 589 057	8 043 890
Short term liabilities to Group companies		0	0
Short-term lease liabilities	10	88 189 456	7 124 781
Other current liabilities	9	291 558 620	215 473 068
Asset retirement obligation	23	13 569 690	13 053 898
Short term provision	26	12 339 650	53 267 382
Accruals and deferred income	9	<u>28 984 539</u>	<u>24 670 506</u>
Total current liabilities		<u>1 502 811 329</u>	<u>519 332 226</u>
Total liabilities		<u>4 726 134 806</u>	<u>2 754 291 161</u>
Total equity and liabilities		<u>6 904 339 641</u>	<u>4 374 971 345</u>



LOTOS Exploration and Production Norge AS

Łukasz
Minuth

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podpisany przez Łukasz
Minuth
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February 24, 2022
Stavanger, Norway

Łukasz Bogdan Minuth
Chairman of the Board

Bernard Jacek Cichocki
Board member

Wojciech Andrzej Fedko
Board member

Olav Fjell
Board member

Alojzy Zbigniew Nowak
Board member



LOTOS Exploration and Production Norge AS

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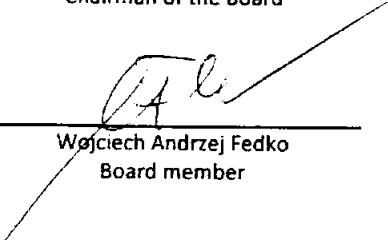


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Board member



LOTOS Exploration and Production Norge AS

Cash Flow 01.01 – 31.12.2021

NOK

	2021	2020
Cash flow from operating activities		
Profit/(loss) before tax	1 820 519 124	-1 350 616 640
Income tax paid/received	561 875 308	1 897 306
Depreciations and amortizations	196 512 717	474 800 618
Impairments/ Reversal of impairments	9 000 000	1 578 000 000
Change in inventories	-12 253 440	8 217 591
Interest and profit distributions (dividends)	3 408 293	401 912
Effect of changes in exchange rates	28 038 822	-23 114 222
Change in liabilities and accruals	82 274 667	17 350 536
Change in provisions	-31 176 942	40 334 516
Change in receivables	-150 887	1 160 874
Change in prepayments	-356 429 107	-3 330 387
Other adjustments	-1 434 178	0
Net cash flow from operating activities	<u>2 300 184 377</u>	<u>745 102 104</u>
Cash flow from investing activities		
Purchase of intangible assets and property, plant and equipment	-692 056 674	-610 270 264
Other cash used in investing activity	0	-63 578 535
Net cash flow from investing activities	<u>-692 056 674</u>	<u>-673 848 799</u>
Cash flow from financing activities		
Loans and borrowings	0	10 000 000
Repayment loans and borrowings	-10 000 000	0
Paid interest and fees	-24 383	0
Decrease in lease liabilities	-15 640 347	-9 096 204
Net cash flow from financing activities	<u>-25 664 730</u>	<u>903 796</u>
Effect of foreign exchange differences on cash	8 041 812	23 114 222
Net change in cash and cash equivalents	1 590 504 785	95 271 323
Cash and cash equivalents at 01.01	357 602 854	262 331 531
Cash and cash equivalents at 31.12	<u>1 948 107 639</u>	<u>357 602 854</u>

Restricted cash at 31.12.2021: NOK 4 160 098

Restricted cash at 31.12.2020: NOK 4 093 607



LOTOS Exploration and Production Norge AS

Statement of changes in equity

NOK

	Share capital	Share issue not registered	Other equity	Total
Owner's equity 01.01.2020	3 686 843 122	745 046 878	-2 474 030 585	1 957 859 415
Profit for the year 2020	-	-	-337 179 231	-337 179 231
Share issue not registered	745 046 878	-745 046 878	-	-
Owner's equity 31.12.2020	4 431 890 000	-	-2 811 209 816	1 620 680 184
Owner's equity 01.01.2021	4 431 890 000	-	-2 811 209 816	1 620 680 184
Profit for the year 2021	-	-	557 524 651	557 524 651
Owner's equity 31.12.2021	4 431 890 000	-	-2 253 685 165	2 178 204 834



LOTOS Exploration and Production Norge AS

Notes to the financial statement

New standards and interpretations

The Company, later also called LEPN or LOTOS Norge, has evaluated that there were no new standards and interpretations that are relevant for 2021.

Note - 1 Accounting Principles

The Financial Statements have been prepared in accordance with the Accounting Act § 3-9 and Regulations for simplified IFRS adopted by the Ministry of Finance 21.01.2008. This means essentially that the recognition, measurement follow international accounting standards (IFRS) and the presentation and disclosures are in accordance with the Norwegian accounting act. and generally accepted accounting principles. The Financial Statements have been prepared on a historical cost basis.

The use of estimates when preparing the annual accounts

The management has used estimates and assumptions that have affected assets, liabilities, expenses and information on potential liabilities. This particularly applies to the depreciations and impairments of tangible assets and intangible assets, and abandonment provision and other provisions. Future events may lead to these estimates being changed. Estimates and their underlying assumptions are reviewed on a regular basis. Changes in accounting estimates are recognized during the period when the changes take place. If the changes also apply to future periods, the effect is divided among the present and future periods.

Operating revenues and costs

Revenues

Revenues are recognized according to IFRS 15 Revenue principles. LEPN revenues are generated from contracts with customers for various petroleum products. Sales revenues are recognized when petroleum products are delivered to the customer at point sale, there is no unfulfilled obligation that could affect the acceptance of the petroleum products and commercial terms of the agreements are able to be calculated. Delivery occurs when the ownership of petroleum products has been passed to the buyer. Performance obligations are deemed to be met after actual delivery occurs and after commercial value of the arising sales revenue can be reliably estimated. Revenue from sales is based on the price specified in the sales contracts, net of the agreed quality discounts. No element of financing is deemed present as the sales are made with a credit term up to 30 days from actual delivery, which is consistent with market practice.

Operating costs

Operating costs are recognized in the statement of Comprehensive Income in the same period as the corresponding revenues are recognized.

Classification

Assets intended for permanent ownership or use, and receivables due more than one year after the balance sheet date, is included as fixed assets. Other assets are classified as current assets. Liabilities falling due more than one year after the close of the accounts are classified as long-term liabilities. First year's repayment of long-term liabilities is classified as current liabilities.

Currency

Transactions in foreign currencies are translated at the exchange rate on the transaction date. Monetary items denominated in foreign currencies are translated into Norwegian kroner using exchange rate at the balance sheet date. Non-monetary items measured at historical exchange rate expressed in foreign currency are translated into Norwegian kroner using the exchange rate on the transaction date. Non-monetary items



LOTOS Exploration and Production Norge AS

Notes to the financial statement

measured at fair value expressed in foreign currencies are translated at the exchange rate at the balance sheet date. Changes to exchange rates are recognized in the statement of comprehensive income as they occur during the accounting period.

Exchange rate losses on loans in foreign currencies are capitalized to the extent that the total borrowing costs capitalized do not exceed the amount of borrowing costs that would be incurred on functional currency equivalent borrowings.

Receivables

Receivables are recognized at the balance sheet date based on book value less any actual and anticipated losses.

Borrowing costs

Borrowing costs are expensed when incurred. Borrowing costs are capitalized to the extent that these are directly related to the manufacture of a fixed asset. Interest costs incurred during the construction period are capitalized as assets under construction. Capitalization of borrowing costs is made until the time the asset is ready for use. For exchange losses/gains, see Currency.

Income tax and deferred tax

The tax expenses consist of the tax payable and changes to deferred tax. Deferred taxes/tax assets are calculated on all differences between the book value and tax value of assets and liabilities, except for non-deductible acquisitions, for purchased licenses treated as purchase of asset.

Deferred tax assets are recognized when it is probable that LEPN will have a sufficient profit for tax purposes in subsequent periods to utilize the tax asset.

Deferred taxes and deferred tax assets are measured based on the expected future tax rates applicable to the LEPN where temporary differences have arisen.

The calculation considers losses carried forward and deductions from the petroleum tax regime such as uplift. Uplift reduces petroleum taxation but has no effect for regular corporation tax.

Deferred taxes and deferred tax assets are recognized at their nominal value and classified as intangible assets (long-term liabilities) in the balance sheet.

The tax amount of the exploration expenses is recognized in the balance-sheet as current tax receivable.

Interests in joint ventures

A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control. LEPN accounts for joint ventures, including jointly controlled assets (oil and gas licenses), by recording its share of the revenues, costs, assets, liabilities and cash flows on a line-by-line basis with similar items in LEPN financial statements.

Property, Plant and equipment and depreciations

Property, Plant and Equipment is valued at historical cost less accumulated depreciation and any impairment charges.

Acquired and developed properties used for petroleum production are depreciated using the unit of production method. Assets under construction on the Norwegian continental shelf are depreciated from the time they are put into production. The rate of depreciation is equal to the ratio of oil and gas production for



LOTOS Exploration and Production Norge AS

Notes to the financial statement

the period for proved and probable reserves of acquired properties and proved and probable developed reserves of developed properties. Any change in the reserves affecting unit of production calculations is reflected prospectively over the remaining production period.

Spare parts and service equipment are capitalized as fixed assets, if it is expected that they will be used in more than one accounting period and when they can only be used in conjunction with the fixed assets they are recorded along with.

Assets in use (excluding oil and gas properties) are depreciated on a straight-line basis at rates varying from three to seven years. Expected useful lives of long-lived assets are reviewed at each balance sheet date and, where they differ significantly from previous estimates, depreciation periods are changed accordingly. Any change is accounted for prospectively.

Exploration and development costs related to oil and gas fields

Seismic costs in advance of drilling and drilling costs for exploration wells are temporarily capitalized pending the evaluation of potential discoveries of oil and gas reserves.

If reserves are not found, or if the discoveries are considered not to be technically or commercially recoverable, capitalized exploration expenses are expensed.

The costs for acquiring licenses are capitalized and assessed for impairment at each reporting date.

Capitalized exploration expenses are classified as intangible assets and are re-classified to tangible assets upon start of development. All costs for developing commercial oil and/or gas fields are capitalized as tangible assets.

Farm-ins/outs arrangements

For exploration and evaluation transfer of interests (farm-in agreements) in which LEPN has made arrangements to fund a portion of the other partners' (farmer's) expenditures, expenditures are reflected in the financial statements as and when the exploration and evaluation work progresses. Exploration and evaluation asset disposals (farm-out arrangements) are accounted for on a historical cost basis with no gain or loss recognition.

Impairment of non-current assets

Property, plant and equipment and intangible assets with finite useful life (excluding goodwill) are reviewed for potential impairment indicators annually, and whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows. For oil and gas properties this is done on a field-by-field basis. An impairment loss is the amount by which the carrying amount of the assets exceeds the recoverable amount. The recoverable amount is the higher of the asset's net selling price and its value in use. The value in use is determined by reference to discounted future net cash flows expected to be generated by the asset. Cash flows are discounted using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount, however, not to a higher amount than if no impairment loss had been recognized. Such reversal is recognized in the statement of comprehensive income. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.



LOTOS Exploration and Production Norge AS

Notes to the financial statement

Interest bearing liabilities

The interest-bearing liabilities are recorded at amortized cost, which is cost adjusted for currency fluctuations, less repayments of principal plus or minus the cumulative amortization using the effective interest method of difference between the purchase amount and the maturity amount. The effective interest rate is the rate that exactly matches the initial amount with the discounted future cash flows related to the loan over its lifetime. The cash flows include all fees and payments between the parties in the loan agreement that may be related to the acquisition, issuance and repayment of the loan.

Provisions

A provision is recognized when LEPN has a present obligation (legal or constructive) as a result of a past event, 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. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

Asset retirement obligations

In accordance with the terms of the license concessions for licenses where LEPN has an ownership interest, the Norwegian State may instruct the license holders to partly or completely remove the facilities at the end of production or when the concession period expires.

The asset retirement obligation is recognized at the time when the installation is placed at the offshore location. Upon initial recognition of a removal liability, the LEPN calculates and records the net present value related to future abandonment and decommissioning. This removal liability is viewed to be a part of the total cost of the relevant property, plant and equipment and depreciated using the unit of production method. The change in the time value (net present value) of the liability is charged as a finance cost (accretion) and increases the future liability related to abandonment and decommissioning. Any change in the best estimate related to expenditures associated with abandonment and decommissioning liabilities are accounted for prospectively. The discount rate used when calculating the net present value of the abandonment and decommissioning liability is calculated based on mechanism agreed in Decommissioning Security Agreement and comprises 3m NIBOR and additional premium.

Acquisitions

For a business combination to exist, the acquired asset or group of assets must constitute a business. A business combination is a transaction or event in which an acquirer obtains control of one or more businesses. A business is defined as an integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing a return directly to investors or other owners, members or participants. This requires judgment to be applied on a case-by-case basis as to whether the acquisition meets the definition of a business combination.

If deemed not to be a business combination, the transaction will be treated as an ordinary acquisition of asset(s). In an asset acquisition the purchase price shall be fully allocated to the asset(s) acquired. No goodwill shall be booked for such transactions, and the purchase price therefore represents the fair value of the assets. Transaction costs are recorded net after deductions for tax effects, until the transaction date.

For asset acquisitions LEPN applies one of the following methods, dependent on the nature of the transaction, when allocating the purchase price to the asset(s):

Proportionate method: This method is typically applied for situations where assets of "equal value" are acquired. As an example, the purchase of two producing fields would normally qualify for the use of this method. The degree of certainty related to the valuation of the two fields would typically be comparable.



LOTOS Exploration and Production Norge AS

Notes to the financial statement

When applying this method, the purchase price will be proportionately divided in two, based on the value of each field.

Cumulative method: This method is typically applied for situations where assets of "unequal value" are acquired. Purchase of unexplored exploration acreage in combination with a producing field would normally qualify for the use of this method. Different from the proportionate method, the degree of certainty related to the valuation of these two assets would not be comparable. When applying this method, the purchase price will be allocated to the asset where the valuation is most certain (producing field), and to the least certain (exploration acreage) only if there is anything left to allocate.

Leases

LEPN follows IFRS 16 for leases under which the lessee recognizes right-of-use assets and lease liabilities for all leases except short-term leases and leases of low-value assets. Short-term leases are leases with a term of 12 months or less, containing no purchase options. The materiality level defined by LEPN to identify low-value leases is NOK 45 thousand for entities whose functional currency is NOK, and the equivalent of USD 5 thousand for entities whose functional currency is other than NOK. The lease liability is calculated as the present value of outstanding leases, discounted using the incremental borrowing rate at the date of transition (this varies depending on the currency and the duration of the leasing period). The asset is then set equal to the liability.

LEPN recognizes a right-of-use asset and a lease liability upon commencement of a contract under which control of the use of specified assets is transferred for a certain period of time. The date of commencement of a lease contract is the date on which the leased asset is made available to LEPN as the lessee. Right-of-use assets are recognized in the statement of financial position under corresponding asset category. Right-of-use assets are depreciated according to corresponding asset category, while lease liabilities are accounted for using the effective interest rate.

Cash flow

Cash flow analysis is prepared based on the indirect method.

Events after the balance sheet date

New information on LEPN financial position at the end of the reporting period which becomes known after the balance sheet date is recorded in the annual accounts. Events after the balance sheet date that do not affect LEPN financial position at the end of the reporting period, but which will affect the LEPN financial position in the future are disclosed if significant.



LOTOS Exploration and Production Norge AS

Notes to the financial statement

Note 2 - Revenue by product and geographical market

Sales have taken place in Europe and Asia.

<i>Revenues by products</i>	2021	2020
Crude oil	514 830 592	601 364 485
Gas	2 131 310 336	606 070 662
NGL	149 472 468	193 052 690
Tariff	31 030 020	16 723 945
Other	85 490 516	105 379 755
Total	<u>2 912 133 932</u>	<u>1 522 591 537</u>

Note 3 - Cost of sales

	2021	2020
Production	270 684 642	207 084 774
Tariff	177 549 506	215 089 546
Depreciation (Refer to Note 12)	192 783 745	471 095 464
Insurance	39 599 965	36 987 316
Changes in inventory	10 181 656	99 759 334
Total	<u>783 379 440</u>	<u>1 086 463 701</u>

Note 4 - Other operating income and Other operating expenses

	2021	2020
Other operating income	151 117 256	53 544 909
Other operating expenses	<u>-87 000 000</u>	<u>-1 578 000 000</u>
Total	<u>64 117 256</u>	<u>-1 524 455 091</u>

Other operating income 2021 is mainly reversal of impairment on Vale field, NOK 78 million. In addition, the company had other operating income from reversal of provision for cost for decommissioning on Yme field of NOK 71.1 million.

Other operating income 2020 is mainly remeasurement of provision for costs for decommissioning of NOK 33.4 million, remeasurement of provision for contingent payments for Price mechanism on Sleipner field of NOK 10.8 million and compensation received regarding Yme CAR insurance of NOK 9 million.

Other operating expenses in 2021 is related to impairment on Utgard field with NOK 87 million.

Other operating expense in 2020 is mainly impairment on Yme field of NOK 1 244.3 million, Impairment of Utgard field of NOK 373.7 million and reversal of impairment on Vale field of NOK 40 million.



LOTOS Exploration and Production Norge AS

Notes to the financial statement

Note 5 - General and administrative expenses

	2021	2020
Payroll expenses (Refer to Note 6,7)	93 291 406	90 596 061
Exploration expenses	10 253 159	4 530 249
Development cost	79 466 235	54 467 637
Financial and legal services	7 066 579	9 726 992
Depreciation onshore assets (Refer to Note 12, 14)	3 728 973	3 705 154
Office expenses	12 071 534	12 704 929
Technical consultancy advice	4 310 013	4 771 671
Other external services	6 490 435	5 582 934
Other expenses	1 582 506	2 516 104
Total	<u>218 260 842</u>	<u>188 601 731</u>

Majority of Development cost is related to Yme field related expenses.

Note 6 – Payroll expense, number of employees, management remuneration, loans to employees and auditor's fee

<i>Wage costs</i>	2021	2020
Salaries	54 493 604	52 294 704
National insurance contributions	10 915 293	10 939 308
Pension costs	9 019 513	8 960 069
Other benefits	18 862 996	18 401 981
Total	<u>93 291 406</u>	<u>90 596 062</u>

The total number of employees in the company during the year:

Average full-time positions	32	32
-----------------------------	----	----

Management remuneration

	Salary	Other remuneration
Piotr Statkiewicz	2 582 342	2 942 702

No loans/guarantees have been authorized to either the CEO, the Board or any other related parties. Neither have any severance pay arrangements been established for CEO or the Board. LOTOS has a bonus scheme for all employees calculated according to the achieved objectives.



LOTOS Exploration and Production Norge AS

Notes to the financial statement

Auditor fee has been divided as follows

	2021	2020
Audit fee	656 005	835 000
Other assurance services	46 000	15 000
Other services		260 000
Total	<u>702 005</u>	<u>1 110 000</u>

VAT is not included in the figures of auditor's fee.

Note 7 - Pensions

NOK

LOTOS is bound by law to maintain a pension scheme for its employees.
LOTOS has a defined contribution plan for all employees.

	2021	2020
Defined contribution cost	<u>8 593 495</u>	<u>8 478 365</u>
	<u>8 593 495</u>	<u>8 478 365</u>

Note 8 - Restricted assets

As required under Norwegian law cash related to taxes withheld from employees of NOK 4.2 million are restricted (2020: NOK 4.1 million).

Cash Collateral account in SEB Bank for Heimdal decommissioning obligation NOK 152.8 million are restricted (2020: NOK 154.1 million). Refer to Note 22 for further details.



LOTOS Exploration and Production Norge AS

Notes to the financial statement

Note 9 - Specification of other current liabilities

Specification of items included in other short-term liabilities:

	2021	2020
Accruals related to non-operated licenses	222 335 206	122 691 703
Salaries and wages	5 889 221	5 473 161
Liability for over-lift	63 334 194	87 308 208
Other current liabilities	<u>291 558 620</u>	<u>215 473 072</u>

Accruals related to non-operated licenses ITD from December billing of NOK 222.3 million.

Liability for over-lift is according to IFRS 15 implementation, ref. principal note on revenues.

Public duties payable

	2021	2020
Social security& withholding tax	<u>6 589 057</u>	<u>8 043 890</u>
Public duties payable	<u>6 589 057</u>	<u>8 043 890</u>

Social security and withholding tax are for 6th term of 2021.

Accrual and deferred income

	2021	2020
Accrued bonus	14 617 010	12 044 323
Other accrued expenses	10 602 631	11 104 572
Petoro tax for PL029	3 764 917	1 521 611
Total accruals	<u>28 984 558</u>	<u>24 670 506</u>

Other accrued expenses are mostly related to tariff cost accruals: NOK 8.9 million.

The rest (NOK 1.2 million) is related to trade payables. They are all due early 2022.



LOTOS Exploration and Production Norge AS

Notes to the financial statement

Note 10 – Financial liability IFRS 16

Leasing cost in the comprehensive income				
	Buildings	Vehicles	Production facilities	Total
Depreciation for the year	2 667 440		4 254 419	6 921 859
Finance cost	481 687	105 682	2 886 746	3 474 115
Total	3 149 127	105 682	7 141 165	10 395 974

	Building	Transport	Production facilities	Total
<i>Lease</i>				
Lease contract opening balance	10 316 262	4 528 985	-	14 845 247
Renewal of contract		8 594 061	625 259 900	633 853 961
Accrued interest			28 422 880	28 422 880
Paid interest	635 562	81 914		717 476
Repayment	- 3 212 598	- 5 575 565	-	8 788 163
Total lease 31.12.2021	7 739 226	7 629 395	653 682 780	669 051 401
	2 021	2 020		
Short term lease	88 189 456	14 845 249		
Long Term lease	580 861 945			
Total Lease 31.12.2021	669 051 401	14 845 249		

Lease liabilities are payable as follows			
	<i>Future minimum lease payments 2021</i>	<i>Interest</i>	<i>Present value of minimum lease payments 2021</i>
Less than one year	89 676 880	32 064 441	57 612 439
Between one and five years	329 253 531	99 342 993	229 910 538
More than 5 years	403 151 220	50 265 790	352 885 430
Total lease payments	822 081 631	181 673 224	640 408 407



LOTOS Exploration and Production Norge AS

Notes to the financial statement

Note 11 – Income Taxes

	2021	2020
<i>Basis for 22% income taxes</i>		
Basis	1 820 519 124	- 1 350 616 640
Permanent differences	72 878 721	258 198 077
Change in timing differences	- 628 804 180	1 346 419 562
Basis for 22% income taxes based on P&L statement	<u>1 264 593 665</u>	<u>254 000 999</u>
 <i>Basis for 56% special taxes</i>		
Basis for 22% income taxes	1 264 593 665	254 000 999
This year's uplift	- 386 179 207	- 269 350 818
Financial items 22% tax	41 892 674	- 20 090 860
Permanent differences	- 6 740 093	-
Additional change in timing differences in 56%	- 861 639 370	- 489 825 569
Basis for 56% special taxes based on P&L statement	<u>51 927 669</u>	<u>- 525 266 248</u>
 <i>Specification of current taxes/utilization of losses:</i>		
Tax basis ordinary taxes 22%	<u>1 264 593 665</u>	<u>254 000 999</u>
Current tax 22%	<u>278 210 606</u>	<u>55 880 220</u>
 <i>Tax basis special taxes 56%</i>		
	<u>51 927 669</u>	<u>- 525 266 248</u>
Current tax 56%	<u>29 079 495</u>	<u>- 294 149 099</u>
 <i>Specification of current year's tax income (-)/- loss (+)</i>		
Changes tax payables (-)/- loss (+)	307 290 101	- 238 268 879
Changes deferred tax asset (-)/- loss (+)	972 985 308	- 775 904 940
Prior year adjustments	- 17 280 936	736 410
Income taxes	<u>1 262 994 473</u>	<u>- 1 013 437 409</u>
 <i>Reconciliation of tax income /-expense</i>		
Marginal taxes 78%	1 420 004 917	- 1 053 480 979
Tax effect of financial items without special taxes	23 459 897	- 11 250 882
Tax effect of uplift	- 216 260 356	- 150 836 458
Tax effect permanent diff	53 070 950	201 394 500
Correction of previous year's taxes	- 17 280 936	736 410
Current year's income taxes	<u>1 262 994 472</u>	<u>- 1 013 437 409</u>
 <i>Corporate tax payable</i>		
Corporate tax payable 22%	- 456 120 910	- 468 758 433
Corporate tax payable 56%	- 29 079 495	294 149 099
Tax paid/received	- 561 875 308	- 1 897 306
Current tax due	<u>- 1 047 075 713</u>	<u>- 176 506 640</u>
 <i>Corporate tax payable - breakdown</i>		
Current tax due CY	- 785 214 529	85 347 926
Current tax due PY (UTP)	<u>-261 861 184</u>	<u>-261 854 566</u>
	<u>-1 047 075 713</u>	<u>-176 506 640</u>
 <i>Tax effect of temporary timing differences:</i>		
Properties, plant and equipment and intangible assets	1 785 015 430	857 153 975
Provision for removal	- 2 345 503 453	- 2 110 455 660
Liability for overlift	11 384 373	- 13 688 723
Consumables Spare parts	124 584 281	99 517 983
Other temporary differences	- 29 985 630	84 163 247
Basis for deferred taxes/ -tax assets - ordinary taxes 22%	<u>- 454 504 999</u>	<u>- 1 083 309 178</u>
 <i>Additional Tax effect of temporary timing differences 56%:</i>		
Properties, plant and equipment and intangible assets additional depreciation	1 351 464 939	489 825 569
Basis for deferred taxes/ - tax assets- special taxes 56%	<u>896 959 940</u>	<u>- 593 483 609</u>
 <i>Deferred taxes/ tax assets - 22%</i>		
	- 99 991 100	- 238 328 019
Deferred taxes/ tax assets - 56%	502 297 566	- 332 350 821
Deferred taxes/ tax assets in the balance- sheet	<u>402 306 467</u>	<u>- 570 678 840</u>



LOTOS Exploration and Production Norge AS

Notes to the financial statement

Note 12 - Property, Plant and Equipment

NOK

Property, Plant and Equipment in Balance Sheet consist of both PP&E as well as Right-of-use Assets and divided as follow. Please see Note 13 for further info on Right-of-use Assets.

	Note	2021	2020
Property, Plant and Equipment	12	2 668 888 550	2 361 415 662
Right of Use assets	13	636 367 871	13 470 176
Total Property, plant and equipment		3 305 256 425	2 374 885 838

	Office equipment and other moveables	Fields under development	Production facilities Incl. wells	Total
Adjusted balance at 1 January 2021	16 632 953	2 959 208 512	4 367 518 291	7 343 359 756
Additions	198 527	337 291 637	169 531 860	507 022 024
Reclassification from development to production	-	3 166 248 554	3 166 248 554	-
Abandonment asset change in provision	-	-	-	-
Write down Yme gross values	-	-	-	-
Acquisition cost 31.12.2021	16 831 480	130 251 595	7 703 298 705	7 850 381 780
Acc. depreciation 01.01.2021	-	7 823 667	3 069 634 330	3 084 109 547
Depredation for the year	-	2 883 757	190 332 816	193 216 573
Acc. depreciation 31.12.2021	-	7 823 667	3 259 967 146	3 277 326 120
Acc. impairment 01.01.2021	-	1 229 684 292	665 482 819	1 895 167 111
Write down Yme gross values	-	-	-	-
Impairments for the year	-	-	87 000 000	87 000 000
Reversal impairment for the year	-	-	78 000 000	78 000 000
Reclassification from development to production	-	1 052 096 128	1 052 096 128	-
Acc. impairment 31.12.2021	-	177 588 164	1 726 578 947	1 904 167 111
Net carrying amt. 31.12.2021	7 296 173	55 160 236	2 716 752 612	2 668 888 550

Property, Plant and Equipment are depreciated according to the Unit of Production method (UoP).

Fields under development

Fields under development is related to the 20% share NOAKA- field (FGD, Fulla, Rind and Frøy) as well as Trell&Trine licenses. Yme- field came in operation in October 2021. Current year impairment of NOK 87 million is related to the Utgard field, and reversal of previous years impairment of NOK 78 million on Vale.

Production facilities incl. wells

Production facilities incl. wells are related to Yme- license, Heimdal licenses and Sleipner licenses.

In the assessment of recoverable value, the expected future cash flow is discounted to the net present value by applying a discount rate after tax that reflects the current market valuation of the time value of money, and the specific risk related to the asset. The discount rate is derived from the weighted average cost of capital (WACC) for a market participant. Cash flows are projected for the estimated lifetime of the fields. According to IAS 36 Impairment of Assets methodology of recoverable value of assets verification is based on the higher of fair value less costs of disposal and value in use.



LOTOS Exploration and Production Norge AS

Notes to the financial statement

Basis for assumption on impairment

Methodology – cash generating units (CGU)

LEPN determines the recoverable amount for the individual assets, however if it is justified, recoverable amount for the asset's cash-generating unit (CGU) is calculated. The CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Considering cash inflows and technical structure of facilities, LEPN treats Sleipner West, Sleipner East and Gungne as one CGU for impairment test purposes.

Oil price

Future price level is a key assumption and has significant impact on the net present value. Forecasted oil and gas prices are based on the LOTOS Group estimates and available market data. Prices of hydrocarbons i.e., oil and gas are partly based on forward curves. Forward curve refers to a series of sequential prices note market participants could enter contracts to purchase. The information about future prices is less reliable on a long-term basis, as there are fewer observable market transactions going forward.

Oil and gas reserves

The reserves applied in the impairment testing are based on the proven and probable reserves. The recoverable amounts of assets are sensitive to changes in reserves. Refer to note 23.

Discount rate

Discount rates represent the current market assessment of the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate is derived from LEPN WACC which is used at 8.55%.

Currency rates

LEPN is exposed to exchange rate fluctuations between USD and NOK cash flows with regards to the financial statements. Significant cash flows are invoiced and paid in USD and LEPN has used a future exchange rate of USD/NOK 8.74 in 2022 and a range between USD/NOK 7.30 – 7.90 in following years.

Inflation

The long-term inflation rate is assumed to be 2.1% annually. This assumption of NOK Consumer Price Index increase is used across whole LOTOS Capital Group and is considered a reasonable estimate of the future inflation rate.



LOTOS Exploration and Production Norge AS

Notes to the financial statement

Note 13 - Right-of-use assets

NOK

	Right-of-use asset
Gross value 01.01.2021	26 622 271
Change/additions	633 008 760
Gross value 31.12.2021	659 631 031
Acc. depreciation 01.01.2021	- 13 152 095
Depreciation for the year	- 10 111 065
Acc. depreciation 31.12.2021	- 23 263 160
Net carrying amt. 31.12.2021	636 367 871

	Right-of-use asset
Gross value 01.01.2020	26 622 271
Change/additions	-
Gross value 31.12.2020	26 622 271
Acc. depreciation 01.01.2020	- 4 616 907
Depreciation for the year	- 8 535 188
Acc. depreciation 31.12.2020	- 13 152 095

LEPN follows IFRS 16 for leases. Under IFRS 16 a lessee will recognize a right-to-use asset and a lease liability for all leases except short term leases and leases of low value assets. The lease liability is calculated as the present value of outstanding leases, discounted using the incremental borrowing rate at the date of the transition. The asset is the set equal to the liability. Right- to-use assets are depreciated using the straight- line method. Ref principal note on lease.

Repsol Norge AS (RNAS), operator on Yme license, concluded and signed on behalf of Yme license on the 27th of May 2021 with the owner of Mobile Offshore Drilling and Production Unit (MODPU) "Maersk Inspirer Operations AS" on a financial lease through a BBC (Bare Boat Charter) with 'Havila Sirius AS' as a financial counterparty, whereas:

- Havila Sirius AS will buy the MODPU from Maersk Inspirer Operations AS for USD 373 million,
- Yme partners will lease the MODPU for 10 years, paying to Havila Sirius AS leasing rates on a quarterly basis, with the obligation to buy it for 1 NOK upon termination of the lease agreement,
- RNAS will take over complete operatorship of the MODPU from Maersk, and the current 'Lease and Operate Agreement' with Maersk was terminated.



LOTOS Exploration and Production Norge AS

Notes to the financial statement

Note 14 - Intangible assets

	Cap. expl. costs	Software	Total
Acquisition cost at 01.01.2021	674 376 405	6 173 065	680 549 470
Additions	193 609 797	99 150	193 708 947
Write down			-
Acquisition cost 31.12.2021	867 986 202	6 272 215	874 258 417
Accumulated amortization 01.01.2021	-	4 932 577	4 932 577
Amortization for the year	-	845 215	845 215
Accumulated amortization 31.12.2021	-	5 777 792	5 777 792
Accumulated impairments 01.01.2021	48 416 956	-	48 416 956
Impairment for the year	-	-	-
Accumulated impairments 31.12.2021	48 416 956	-	48 416 956
Net carrying amount at 31.12.2021	819 569 246	494 423	820 063 669

	Cap. expl. costs	Software	Total
Acquisition cost at 01.01.2020	651 003 359	6 173 065	657 176 424
Additions	23 373 046		23 373 046
Write down			-
Acquisition cost 31.12.2020	674 376 405	6 173 065	680 549 470
Accumulated amortization 01.01.2020	-	4 092 870	4 092 870
Amortization for the year	-	839 707	839 707
Accumulated amortization 31.12.2020	-	4 932 577	4 932 577
Accumulated impairments 01.01.2020	48 416 956	-	48 416 956
Impairment for the year	-	-	-
Accumulated impairments 31.12.2020	48 416 956	-	48 416 956
Net carrying amount at 31.12.2020	625 959 449	1 240 488	627 199 937

Amortization plan
Depreciation rates

Straight line
33 %



LOTOS Exploration and Production Norge AS

Notes to the financial statement

Note 15 – Non-current financial assets

NOK

Escrow Account Heimdal in NOK, 2021: 152 879 050 (2020: 154 082 432)

According to RBL facility, LEPN has an obligation to provide cash collateral for each issued Letter of Credit as decommissioning liability approaches maturity. As at 31.12.2021 LEPN has provided NOK 152.88 million to secure Heimdal decommissioning project. From 01.01.2021 Letter of Credit for Heimdal decommissioning obligations together with cash collateral account were replaced with Escrow Account in SEB bank, pledged for Spirit Energy Norway.

As an integral part of the Sales and Purchase Agreement between ExxonMobil and LEPN a comprehensive Decommissioning Security Agreement (a DSA) was established and agreed upon. The main element of this DSA is a commitment on LEPN to establish a decommissioning security by providing a Letter of Credit for the total amount or by executing the Escrow account and Pledge Agreement. Before financing facility was in place, LEPN had filled up with cash and pledge in favor of ExxonMobil an Escrow Account sufficient to secure funding for LEPN share of the future decommissioning and removal costs for the Sleipner East and Sleipner West existing wells and facilities. On 21st of March 2019 financing facility was established. As a result, the obligation to fund escrow account was replaced with a letter of credit (LoC) issued by BNP Paribas, following full release of funds from Escrow. Current limit of LoC as at 31.12.2021 is NOK 1 104 million.

Note 16 - Non - Current prepayments and accrued income

<i>Non-Current prepayment</i>	2021	2020
Development asset insurance	128 000	3 751 966

Note 17 - Specification of other receivables and current prepayment and accrued income

<i>Other receivables</i>	2021	2020
VAT receivables	1 080 390	915 088
<i>Current prepayment and accrued income</i>		
Accrued revenue gas	437 496 915	86 020 308
Prepayments arising from JV agreements	31 203 020	32 008 540
Development asset insurance	3 623 961	6 824 447
Other accrued revenue	8 684 942	0
Other prepayments	5 289 757	1 392 226
	<u>486 298 596</u>	<u>126 245 521</u>



LOTOS Exploration and Production Norge AS

Notes to the financial statement

Note 18 - Share capital and shareholder information

Share capital	Number of shares	Face value	Book value
LOTOS UPSTREAM S.P.	4 431 889 999	1	4 431 889 999
Grupa LOTOS S.A.	1	1	1
Total	4 431 890 000		4 431 890 000

All the shares have equal voting rights. Grupa LOTOS¹, A- share carries one board member position in the company. Group accounts are prepared by Grupa Lotos S.A. 135, Elblaska St., 80-718 Gdansk, Poland. Consolidated financial statements may be obtained at the internet link: <http://inwestor.lotos.pl/en/> .

Note 19 – Related Parties

The following expenses charged by related parties are included in General and administrative expenses:

	2021	2020	Type of service
Grupa Lotos	1 595 614	840 249	Accounting services
Lotos Petrobaltic	2 328 670	2 238 467	Management services, IT, data storage etc.
Lotos Upstream	546 268	579 662	Financial services

The company has no loans or guarantees towards any Group companies.



LOTOS Exploration and Production Norge AS

Notes to the financial statement

Note 20 - Finance income and Finance costs

NOK

<i>Finance income</i>	2021	2020
Foreign exchange gain/ loss		25 777 751
Interest income	364 102	1 275 714
Total	<u>364 102</u>	<u>27 053 465</u>

Of the net foreign exchange gain/ loss in 2020 NOK 2.6 million was realized forex loss

<i>Finance costs</i>	2021	2020
Interest expense on bank borrowings	13 626	10 757
Interest expense on non-bank borrowings	988 549	57 671
Accretion of abandonment provision and contingent payment (Note 23)	90 199 064	87 786 557
Other finance expense	35 215 692	12 886 026
Foreign exchange gain/ loss	28 038 822	
Total	<u>154 455 753</u>	<u>100 741 011</u>

Of the net foreign exchange gain/ loss in 2021 NOK 14 million realized forex.

Other finance expenses include NOK 18.5 million for Letter of credit cost and NOK 3.5 million interest cost to BNP Paribas for the RBL financing facility. The NOK 13 thousand in interest expense is related to a utilization of the BNP Paribas loan facility.

LOTOS Norge arranged in March 2019 a Reserves Based Lending financing facility of USD 220 million. At 31.12.2021 NOK 1 104 million is utilized on Sleipner decommissioning Letter of Credit for ExxonMobil. Unused available credit facility per 31.12.2021 is USD 22.1 million.



LOTOS Exploration and Production Norge AS

Notes to the financial statement

Note 21 – Gassled removal liability

Based on the estimates received from Gassco - operator of the gas transport system on the Norwegian Continental Shelf, LOTOS Norge discloses the decommissioning obligation under the General Terms and Conditions for Gas Transport via the Gassled-system, effective from October 1, 2021.

As the timing of this work is not foreseeable at the moment and can start in 20 years at the earliest, this amount is not material and is disclosed as an off-balance sheet liability.

Also, the liability has not been recognized, as no reliable estimate can be made due to limited information available from Gassco. The total liability for LOTOS Norge is depending on LOTOS' total throughput in comparison to total throughput by other shippers, which is an unknown number.

Although no reliable estimate can be made, a report received by Gassco, indicates that LOTOS' share of the removal cost will amount to NOK 13 million (pre-tax), which is evaluated to be immaterial by 31.12.21.

Note 22 - Mortgages, guarantees and contingent liabilities

	2021	2020
Short term loan BNP Paribas	0	10 000 000

On 17th of December 2020 the Company used NOK 10 million of the credit facility from BNP Paribas. This short-term loan was repaid in full in January 2021.

As part of the acquisition of Sleipner assets LEPN has provided the seller (ExxonMobil Exploration and Production Norway AS) full and final settlement of the decommissioning security in respect of the Sleipner East Field Facilities. With respect to Abandonment Obligations relating to all other Facilities (Sleipner East Existing Wells, Sleipner West Field Facilities and Sleipner West Existing Wells) LEPN has established the Escrow Account held by the Escrow Agent – Nordea Bank - and pledged as first priority security in favor of ExxonMobil. As a result of new RBL financing arrangement, funds on Escrow account were released in 2019, and replaced by Letter of Credit issued bank BNP Paribas (refer to Note 15).

As part of the acquisition of Heimdal assets LEPN has provided the seller Spirit Energy Norway AS (Previously "Centrica Resources (Norge) AS" and "Centrica Norway Limited" represented by its Norwegian Branch (Spirit Energy NUF)" a bank guarantee in the form of letter of credit as a pledge of LEPN resulting from the future decommissioning. This was in January 2021 replaced with Escrow Account in SEB Bank, pledged for Spirit Energy Norway

<i>Book value of assets pledged as security:</i>	2021	2020
Net book value of assets pledged for the debt	2 668 483 270	2 446 354 563



LOTOS Exploration and Production Norge AS

Notes to the financial statement

Note 23 - Asset retirement obligation

<i>Long - term</i>	2021	2020
Asset retirement obligation as of 01.01	2 227 238 465	2 148 687 974
Addition/ Change in provision/ estimate	- 76 695 095 -	8 339 907
Current year accretion	89 611 695	86 890 398
Long- term Asset retirement obligation as of 31.12	<u>2 240 155 065</u>	<u>2 227 238 465</u>
<i>Short- term</i>	2 021	2 020
Asset retirement obligation as of 01.01	13 053 897	23 571 987
Addition/ Change in provision/ estimate	9 200 279	12 839 718
Use	- 8 684 487 -	23 357 808
Short- term Asset retirement obligation as of 31.12	<u>13 569 689</u>	<u>13 053 897</u>
Total Asset retirement obligation as of 31.12	<u>2 253 724 754</u>	<u>2 240 292 362</u>

The asset retirement obligation regards removal of the installations, plugging and abandonment of wells at Yme, Heimdal, Atla, Skirne, Vale, Utgard and Sleipner fields (Sleipner West, Sleipner East and Gungne). The assumptions for removal are in alignment with the current Norwegian Continental Shelf and International decommissioning guidelines. LEPN expectations of future decommissioning costs are based on Revised National Budgets 2022 issued by operators.

In the calculation of the commitment it is used an assumption of inflation at 2.1%, and a discount rate of 4.0%. Estimated removal time will be between 2022 and 2035. There is a high degree of uncertainty relating to the extent of the abandonment costs. Current year accretion is included in Other financial expenses.

The changes in 2021 include adjustments of the removal provisions for Heimdal, Atla, Skirne, Vale, Yme, Sleipner and Utgard.



LOTOS Exploration and Production Norge AS

Notes to the financial statement

Note 24 - Information about licenses

No.	Production License Number	License Name	Expiration date	Operator	LOTOS E&P Norge [%]	Area [sqkm]
7	PL 036 F		11.06.2023	Aker BP ASA	58.00%	5.25
8	PL 046	Sleipner	31.12.2028	Equinor Energy AS	62.00%	335.65
9	PL 046 E	Utgard	31.12.2028	Equinor Energy AS	62.00%	8.69
10	PL 046 F	Utgard	31.12.2028	Equinor Energy AS	62.00%	15.54
11	PL 102	Skirne/Byggve	01.03.2025	Total E&P Norge AS	40.00%	37.14
12	PL 102 C	Asa	01.03.2025	Total E&P Norge AS	40.00%	11.34
13	PL 102 D	South of Tir	01.03.2025	Aker BP ASA	44.00%	6,999
14	PL 102 E	Skirne	01.03.2025	Total E&P Norge AS	40.00%	3.50
15	PL 102 F	Trell	01.03.2025	Aker BP ASA	44.00%	15.73
16	PL 102 G	Trell	01.03.2025	Aker BP ASA	44.00%	10.48
17	PL 102 H	Tir	01.03.2025	Aker BP ASA	44.00%	26,248
18	PL 249	Vale	11.06.2023	Spirit Energy Norge AS	50.00%	1.21
19	PL 316	Yme	18.06.2030	Repsol Norge AS	55.00%	139.84
20	PL 316 B	Yme	18.06.2030	Repsol Norge AS	55.00%	16.57
21	PL 364	Froy	31.12.2023	Aker BP ASA	90.26%	32.20
22	PL 442	Frigg Gamma Delta/Langfjellet	15.06.2027	Aker BP ASA	90.26%	90.19
23	PL 442 B	Frigg Gamma Delta/Langfjellet	31.12.2023	Aker BP ASA	90.26%	41.69
24	PL 442 C		14.02.2025	Aker BP ASA	90.26%	60.58
25	PL 873	Fulla	10.02.2025	Aker BP ASA	40.00%	169.64
26	PL 874	Frigg Gamma Delta/Langfjellet	10.02.2027	Aker BP ASA	90.26%	67.52
27	PL 918 S	Peak	02.03.2021	Equinor Energy AS	75.00%	43.41
28	PL 1091		19.02.2028	Lundin Energy Norway A:	40.00%	195.71
29	PL 1098		19.02.2028	Swal Energi AS	50.00%	53.14
30	PL 1099		19.02.2028	Aker BP ASA	40.00%	1,210.44

* 28% in Norwegian license PL046E. However, 17.36% in Utgard field unitized between UK and Norway.

As a result of Agreement regarding assignment of participating interests on the NCS between Aker BP ASA and LOTOS Norge from 2nd of September 2021, LEPN holds harmonized ownership of 12.3% interest in Frigg Gamma Delta, Langfjellet, Rind, Fulla and Froy.



LOTOS Exploration and Production Norge AS

Notes to the financial statement

Note 25 - Proved and probable reserves (not audited)

NOK

Amounts in million barrels of oil equivalent, (BoE):	Sleipner Area	Heimdal Area	Yme	Utgard	Total
Proved and probable reserves as of 01.01.2020	11.68	0.89	12.74	5.41	30.71
+Production	-3.32	-0.79		-1.43	-5.54
+/-Revisions	2.81	0.93	-0.20	-2.37	1.17
+/- Aquisitions or sales					0.00
+Improved Oil Recovery (IOR)					0.00
+ Discoveries/Developments					0.00
Total proved and probable reseves as of 31.12.2020	11.17	1.02	12.54	1.61	26.34

Amounts in million barrels of oil equivalent, (BoE):	Sleipner Area	Heimdal Area	Yme	Utgard	Total
Proved and probable reserves as of 01.01.2021	11.17	1.02	12.54	1.61	26.34
+Production	-2.54	-0.74	-0.03	-0.76	-4.07
+/-Revisions	0.50	0.32	0.04	-0.80	0.06
+/- Aquisitions or sales					0.00
+Improved Oil Recovery (IOR)					0.00
+ Discoveries/Developments					0.00
Total proved and probable reseves as of 31.12.2021	9.12	0.61	12.56	0.04	22.33

Note 26 - Other provision

NOK

	2021	2020
Long-term provision	0	0
Short-term provision	12 339 650	53 267 382

The provision of NOK 12.3 million in 2021 (2020: NOK 53.3 million) was related to Yme project company delay risk. NOK 40 million of this provision was reversed in 2021. The rest will be reversed in 2022.



LOTOS Exploration and Production Norge AS

Notes to the financial statement

Note 27 - Inventories

NOK

	2021	2020
Oil	60 016 741	68 939 008
Ethane	366 107	0
Propane	2 619 905	3 611 610
Butane	664 909	2 111 955
Iso butane	1 047 308	2 840 922
Naptha	271 099	295 432
Consumables	<u>125 525 230</u>	<u>100 458 932</u>
Total	<u>190 511 299</u>	<u>178 257 859</u>

Inventories is related to consumables and drilling and well equipment for offshore joint venture of NOK 125.5 million.



LOTOS Exploration and Production Norge AS

Board of Directors Report

for the year ended 31.12.2021

24th of February 2022



LOTOS Exploration and Production Norge AS - Annual Report 2021

1. Nature and location of business

LOTOS Exploration and Production Norge AS (LOTOS E&P Norge, the Company), a Norwegian private limited liability company and a subsidiary of Grupa LOTOS S.A. Business Group in Poland, was established on 14 September 2007. The purpose of the Company is, *inter alia*, to explore for and produce hydrocarbons and perform services in connection with oil and gas fields.

The Company's premises are located in Stavanger, Jåttåvågeveien 7, Blokk C. The Company's activities are mainly directed at the Norwegian Continental Shelf (NCS). As at 31 December 2020 the Company was owned 99.9999998% by LOTOS Upstream Sp. z o.o. (4 431 889 999 shares), headquartered in Gdańsk, Poland, (LOTOS Upstream Sp. z o.o. is further owned 100.00% by Grupa LOTOS S.A.) and 0.0000002% (1 share) by Grupa LOTOS S.A., also headquartered in Gdańsk, Poland.

The ultimate parent company, Grupa LOTOS S.A., is a joint-stock company listed on the Warsaw Stock Exchange (WSE) since June 2005, and has since November 2009 been continuously included in the index of socially responsible companies listed on the Warsaw Stock Exchange – the RESPECT Index, which is the first such index in Central and Eastern Europe. Grupa LOTOS S.A. operates the state-of-the-art refinery in Gdańsk, Poland.

LOTOS capital group comprises over a dozen other companies under the LOTOS brand. Activities of the group companies are diverse: gas and crude oil exploration and production from Norwegian Continental Shelf, Baltic Sea and onshore hydrocarbon deposits in Lithuania, production and marketing products such as unleaded gasoline, diesel oil, gas oil and aviation fuel and supply to nearly one-third of the Polish fuel market. LOTOS is also a leading producer of bitumens as well as lubricants for cars, aircraft, trains, ships, and military vehicles.

LOTOS is the Polish capital group whose activity has strategic importance for national and European security in the energy sector, and for the Polish economy. Current strategy is set for the period from 2017 to 2022 and focuses on delivering stability and sustainable growth. Two key target metrics for the upstream segment of the LOTOS capital group to be reached by end of 2022 are:

- 2P reserves of 60+ million boe
- Daily production of 30-50 thousand boe

The Company and NCS are focus areas for the capital group to be able to execute set strategy.



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2. Highlights in 2021 financial year.

The business operated by LOTOS Exploration and Production Norge AS focuses on oil and gas production from the Sleipner, the Heimdal areas and YME, development of oil and gas deposits and exploration for near field potential prospects. Total combined annual average daily production rate in 2021 was 11.2 thousand boe.

The Sleipner area includes 15% participating interest in 4 producing fields: Sleipner East (including the production platform), Sleipner Vest, Gungne and Loke and 17.36% participating interest in unitized cross-border field development Utgard. Production of petroleum from the Sleipner area fields in 2021 resulted in 3.3 million boe, with average annual daily rate of 9.0 thousand boe.

The Heimdal area groups from 5% to 30% participating interest in the producing fields: Heimdal (including production platform), Vale, Skirne and Atla. Production of petroleum from the Heimdal area in 2021 resulted in 0.7 million boe, with an average annual daily rate of 2.0 thousand boe.

The Yme field, with 20% participating interest, has started production in Q4 2021. Production of petroleum from the Yme field in 2021 resulted in 28 thousand boe.

2021 year was time of good operational performance for the company and importantly first oil from the Yme field. Financial results of the company were highly positively driven by extraordinary macro-economic environment, which prevailed in second part of the year. Competitive production costs across all company held assets helped to maintain gross margins and solid liquidity situation at exceptional levels during the year.

During the year 2021 company equity was increased by net profit of NOK 558 million to NOK 2,178 million. The change is only transfer of 2021 positive net result to Retained Earnings. Significant events for LOTOS Exploration and Production Norge AS during 2021 in chronological order were as follows:

January 2021

- COVID-19 pandemic was still affecting administrative operations of the company. As result of country wide restrictions most of the staff was working remotely.
- The new non-operated exploration licenses were awarded to the company as result of APA2020:

PL1091 West of Sleipner

Lundin	40%	Operator
LOTOS	20%	
KUFPEC	20%	
PETORO	20%	

PL 1098 NOAKA SE

Sval Energy	50%	Operator
LOTOS	50%	

PL 1099 NOAKA EAST

AkerBP	40%	Operator
LOTOS	30%	
Lundin	30%	



LOTOS Exploration and Production Norge AS - Annual Report 2021

May 2021

- Alta deal, that allowed to Yme license partners to buy out Inspirer rig from Maersk Drilling AS, was sanctioned by the partnership. Repsol took over operatorship on the rig, and the Yme License initiated 10-year financial leasing of the rig (bareboat charter).

June 2021

- Reversal of previously recognized impairment on Vale in the amount of NOK 40 million due to very good field performance after low pressure production system implementation and lifetime extension on Heimdal facility.
- Impairment on Utgard in the amount of NOK 87 million due to deteriorating field performance and increasing water production.

October 2021

- First oil produced on Yme on 23rd October 2021.
- Yme group has finalized Alta deal by acquisition of Inspirer platform from Maersk Drilling AS.

December 2021

- Yme first oil lifting from the field.
- Reversal of previously recognized impairment on Vale in the amount of NOK 38 million due to very good field performance after low pressure production system implementation and lifetime extension on Heimdal facility.
- Formal approval and finalization of Unitization of Trell and Trine – LOTOS share in the unit 11,9%.
- Formal approval and finalization of Harmonization of NOA and Fulla (part of NOAKA) ownership share to 12,3%.

January 2022

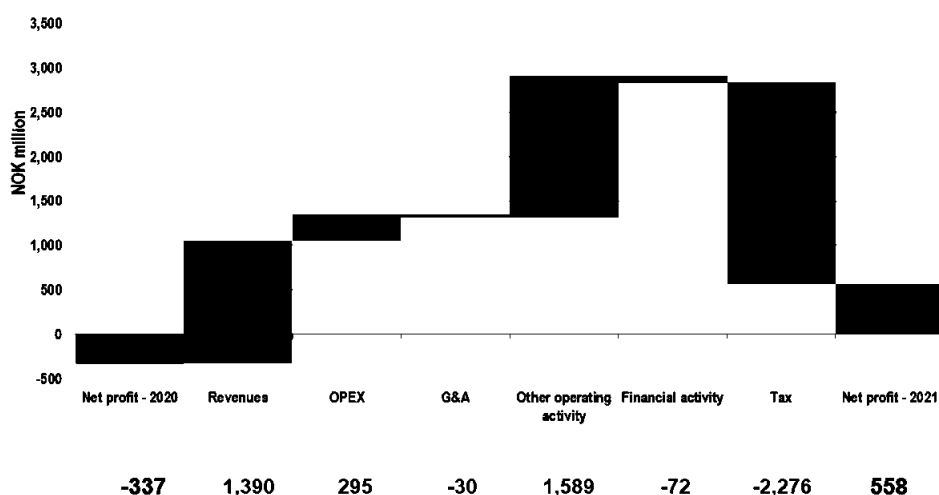
- Four offers of new non-operated exploration licenses were awarded to the company as a result of APA2021 round.

3. Financial performance

The 2021 financial year net profit was NOK 558 million comparing to net loss of NOK 337 million in 2020. Main positive contributors to the profit or loss statements were significant upward shifts in commodity pricing during the year, especially extraordinary gas price levels in the last quarter of 2021.

LOTOS Exploration and Production Norge AS - Annual Report 2021

Figure 1: Decomposition of Net Profit/Loss from 2020 to 2021



Exceptional Sleipner assets performance and stable Heimdal assets production were major drivers for company revenue generating ability. The Company sales income in majority was generated by sales of natural gas 73% in 2021 compared to 39% in 2020 from total revenues. During the 2021-year company generated 18% of its turnover from oil compared to 40% in 2020. Further 9% were generated from sales of NGLs and tariff charges compared to 21% in 2020. Exceptionally better than expected commodity market during end of 2021 financial year allowed company to maintain healthy main financial metrics.

31% increase in Intangible Assets was mainly driven by CAPEX on NOAKA and Trell/Trine Projects. In addition to that Company acquired also seismic data. Change in Property plant and equipment by 39% was mainly a result of CAPEX related to Yme Development (NOK 574 million). In addition, Company recognized in 2021 asset related to Inspirer platform lease (Net Book Value (NBV) as at 31.12.2021 amounted to NOK 623 million). As a consequence, Company also recognized relevant lease liability (value as at 31.12.2021 in the amount of NOK 654 million). On top of that Company recognized impairment of Utgard in the amount of NOK 87 million as well as reversal of historical impairment on Vale in the amount of NOK 78 million. Depreciation cost in 2021 was 59% lower compared to 2020, which is mainly result of the fact that significant portion of Vale and Utgard assets have been depreciated during 2020, thus resulting in relatively low NBV remaining for depreciation starting from 01.01.2021.

During 2021 Company's cash position improved significantly due to favorable macroeconomic environment – which, together with healthy operational performance, resulted in NOK 2.3 billion operating cashflow and cash balance as at 31.12.2021 in the amount of NOK 1.9 billion.

Increase in Prepayments and accrued income by 285% is a result of accrued gas revenue (NOK 437 million).

Significant increase in income tax payable comprise of two main elements:

- NOK 478 million represents the amount received from OTO as a negative tax instalment which needs to be repaid back in 1HY 2022. This is due to the fact that the initial tax refund amount was based on preliminary calculation of company's tax position made in May 2021



LOTOS Exploration and Production Norge AS - Annual Report 2021

when macroeconomic outlook was not so favorable. Based on that preliminary calculation, Company was entitled to receive from OTO, under so called temporary tax regime, refund of the expected tax loss. Due to significantly higher oil and gas quotations in 2HY 2021 compared to the assumptions used in the preliminary calculation, Company ended up with tax profit for 2021 instead of tax loss.

- NOK 307 million represents corporate income tax amount resulting from achieved 2021 tax profit, which will have to be paid by the end of 2022.

Deferred tax liability at the end of 2021 in the amount of NOK 402 million is mainly a consequence of temporary tax regime, which allowed Company to deduct under special tax regime full 2021 CAPEX, including the value of Inspirer platform. Change in the asset retirement obligation is a result of updated calculations of the removal provisions for Heimdal, Atla, Skirne, Vale, Yme, Sleipner and Utgard, based on available Revised National Budgets (RNB) 2022 issued by operators. Estimated removal time will take place between 2022 and 2035. Due to such a long-time span, there is a high degree of uncertainty relating to the extent of the abandonment costs.

The net profit of NOK 558 million was allocated to Retained Earnings and contributes to reduce past accumulated losses.

Figure 2: Changes in company main Key Performance Indicators

	units	FULL YEAR		Variance 2021/2020
		2020	2021	
EBIT	th. NOK	-1,276,929	1,974,611	● 3,251,540
Depreciation	th. NOK	474,801	196,513	● -278,288
EBITDA	th. NOK	-802,128	2,171,123	● 2,973,252
Other operating income	th. NOK	53,545	151,117	● 97,572
Other operating costs	th. NOK	1,578,000	87,000	● -1,491,000
EBITDA (without one-offs)	th. NOK	722,327	2,107,006	● 1,384,680
Net profit/loss	th. NOK	-337,179	557,525	● 894,704

The 2021 achieved prices for gas and oil have increased compared with 2020 with 316% and 78% respectively, but the effect of high prices on revenues was somewhat reduced by a 27% drop in salable production mainly due to the maturity of the company's portfolio.

LOTOS Exploration and Production Norge AS - Annual Report 2021

Figure 3: Changes in company supplementary Key Performance Indicators

Production [boe]	units	FULL YEAR		Variance 2021/2020
		2020	2021	
Gas	boe	3,535,253	2,766,728	● -22%
Oil	boe	1,410,747	948,716	● -33%
NGL	boe	596,517	356,258	● -40%
Other	boe			○ 0%
Total Production	boe	5,542,517	4,071,703	● -27%

Sales [boe]	units	FULL YEAR		Variance 2021/2020
		2020	2021	
Gas	boe	3,535,248	2,766,728	● -22%
Oil	boe	1,772,263	920,192	● -48%
NGL	boe	902,289	403,494	● -55%
Other	boe			○ 0%
Total Sales	boe	6,209,799	4,090,415	● -34%

Sales Revenue	units	FULL YEAR		Variance 2021/2020
		2020	2021	
Gas	kNOK	598,347	2,122,309	● 255%
Oil	kNOK	609,088	523,832	● -14%
NGL	kNOK	193,053	149,472	● -23%
Other	kNOK	122,104	116,521	○ 0%
Total Sales	kNOK	1,522,592	2,912,134	● 91%

Average Price	units	FULL YEAR		Variance 2021/2020
		2020	2021	
Gas	USD/boe	17.9	74.4	● 316%
Oil	USD/bbl	37.2	66.3	● 78%

4. The Company reserves

The company recoverable commercial reserves estimate as at 31.12.2021 were based on all available data including seismic, well logs, core data, drill stem tests and production history by year end of 2021. Proved and probable reserves were the basis for calculations. Industry generally accepted standards were used to quantify and establish 2P reserves. This included decline analysis for mature fields in which reliable trends were established. For undeveloped fields and less mature producing fields profile generation reservoir simulation models or simulations models in combination with decline analysis have been used. Performed simulations were audited by 3rd party.

LOTOS Exploration and Production Norge AS - Annual Report 2021

Figure 4: Changes in company held reserves.

Amounts in million barrels of oil equivalent, (BoE):	Sleipner Area	Heimdal Area	Yme	Utgard	Total
Proved and probable reserves as of 01.01.2020	11.68	0.89	12.74	5.41	30.71
+Production	-3.32	-0.79		-1.43	-5.54
+/- Revisions	2.81	0.93	-0.20	-2.37	1.17
+/- Acquisitions or sales					0.00
+Improved Oil Recovery (IOR)					0.00
+Discoveries/Developments					0.00
Total proved and probable reserves as of 31.12.2020	11.17	1.02	12.54	1.61	26.34

Amounts in million barrels of oil equivalent, (BoE):	Sleipner Area	Heimdal Area	Yme	Utgard	Total
Proved and probable reserves as of 01.01.2021	11.17	1.02	12.54	1.61	26.34
+Production	-2.54	-0.74	-0.03	-0.76	-4.07
+/- Revisions	0.50	0.32	0.04	-0.80	0.06
+/- Acquisitions or sales					0.00
+Improved Oil Recovery (IOR)					0.00
+Discoveries/Developments					0.00
Total proved and probable reserves as of 31.12.2021	9.12	0.61	12.56	0.04	22.33

The Board of Directors recognizes significant drop of 15% during the year 2021 in recoverable reserves, which is mainly attributable to production from current assets. Maintaining reasonable levels of available reserves is of strategic importance for the company future and goals. Taking into account current positive liquidity position, the company is actively monitoring M&A market to capitalize on potential opportunities as well as is taking part in APA rounds on NCS. Positive development of the NOAKA area is giving the opportunity to increase 2P reserves by end of 2022.

5. Risk picture

The Company is exposed to various market and business risks. Volatility in market conditions (petroleum prices) and currency exchange rates may affect future margins and liquidity. In order to address associated financial risks, the company has reached various commercial terms with buyers of hydrocarbon products. The approach contributes by lowering total exposure by differentiation between various commodities pricing points and currencies. In addition, the Company is participating in several offshore development projects, which possesses certain level of inherent risk due to technical complexity, geological risk and uncertainty over future hydrocarbons pricing levels. At the same time, participation interest in producing areas (Heimdal and Sleipner) is characterized by relatively low production costs, high margins and experienced operatorship. As result of the combination of the above, total risk exposure is regarded as acceptable.

6. 2022 and further outlook

2022 outlook of the company performance is evaluated by company management as positive. Highly beneficial macroeconomic environment is expected to last into year 2022, which should allow the company to further strengthen its high liquidity. Current equity level is considered as reasonably acceptable. The management recognizes areas of potential better performance and financial optimization, which when implemented, shall enable the company to utilize potential upsides.



LOTOS Exploration and Production Norge AS - Annual Report 2021

Future company financial performance is highly dependent on level of production and commodity pricing. The company expected increase in production level compared to 2021 is estimated to be around 23% due to Yme production ramp-up. The production of Yme New development asset is expected to significantly contribute to future company performance in the following years. The company is focused on risks related to the current and future Yme project stage. It relates mainly to the hot commissioning of the Inspirer platform. Yme New Development will still be the main agenda for the company day to day activities for 2022. In addition, several discoveries are close to mature to development stage providing further strength for company portfolio:

- NOAKA area development consists of LOTOS Exploration and Production Norge AS participating share of 12,3% in FGD (PL442), Langfjellet (PL026B), Froy (PL364), Fulla (PL873) and Rind (PL026). Project planned concept select (DG3) is set to Q3 2022.
- LOTOS Exploration and Production Norge AS holds respectively 10% and 16% in Trell (PL102F/G) and Trine (PL036E) developments. The ownership in the licenses was unitized to 11.9% during 2021. Project planned concept select (DG3) is set to Q2 2022.

7. Working environment and equal opportunities

The Board is pleased to report that the Company has built and continues to develop a competent organization based on employees with diverse experience. The average number of full-time positions in 2021 amounted to 31.9. Registered absence due to illness in 2021 was at 1.93%. There have not been any occupational accidents or injuries during the year.

The Company has assimilated a policy aiming to prevent discrimination due to gender or nationality. As of 31 December 2021, the Company had 24 male and 8 female employees of seven nationalities. In line with the Grupa LOTOS policy appropriate processes have been implemented to the Company management system. To identify areas of potential improvement as well as to collect feedback from employees on any implemented changes the Working Environment Survey is carried out every two years. To strengthen cooperation between main stakeholders within the company the Working Environment Committee has been established.

The COVID-19 pandemic and the resulting restrictions have changed the mode of work to work remotely, from home. A task force has been established in the Company to monitor and manage the situation during the pandemic. A survey conducted among employees showed satisfaction with the way how remote work is organized and managed. The company is working on the post pandemic hybrid work solution to be implemented.

8. External environment

Our aim is to conduct our business in a professional, safe and environmentally friendly manner. LOTOS E&P Norge operates in an industry which implies risk of pollution of the environment. We closely follow the operator's actions to perform see-to-it duties to prevent any actions potentially harmful to the environment. There is no information known to the Board of Directors that would suggest any pollution of external environment caused by the Company.



LOTOS Exploration and Production Norge AS - Annual Report 2021

9. Going concern assumption

The annual accounts and information presented in the Board of Directors' report have been prepared on the basis of going concern assumption, meaning that the entity will continue to have sufficient funds to finance continued operations and fulfil all LOTOS Exploration and Production Norge AS joint ventures obligations in the foreseeable future. Pursuant to Section 3-4 of the Private Limited Companies Act (the "Act") the company, at all times, must have an equity and liquidity, which is sufficiently sound, based on the risk and extent of the activities of the company.

During past 4 years, the Company has restored negative equity to sufficient positive levels and future outlook allows for reasonable belief that the entity will continue to deliver positive results. In the year 2021 LOTOS Exploration and Production Norge AS is exposed to significant expenditure related to its current development assets. As result, the Company has restructured its financing solutions in 2019, signing RBL agreement, which is fully sufficient to cover expected investments. In accordance with the section 3-3 of the Accountancy Act, the Board of Directors confirm that the Company meets the requirements for continuation as a going concern.

10. Other matters (if any)

As far as the Board of Directors is aware, there has been no other event of any significance since the closing of the accounts which would be significant for the financial position and profits of the Company.

Stavanger, 24th of February 2022

On behalf of LOTOS Exploration and Production Norge AS

**Łukasz
Minuth**

Elektronicznie podpisany
przez Łukasz Minuth
Data: 2022.02.25 08:37:29
+01'00'

Łukasz Bogdan Minuth
Chairman of the Board

Bernard Jacek Cichocki
Board member

Wojciech Andrzej Fedko
Board member

Alojzy Zbigniew Nowak
Board member

Olav Fjell
Board member

Piotr Adam Statkiewicz
CEO



LOTOS Exploration and Production Norge AS - Annual Report 2021

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During past 4 years, the Company has restored negative equity to sufficient positive levels and future outlook allows for reasonable belief that the entity will continue to deliver positive results. In the year 2021 LOTOS Exploration and Production Norge AS is exposed to significant expenditure related to its current development assets. As result, the Company has restructured its financing solutions in 2019, signing RBL agreement, which is fully sufficient to cover expected investments. In accordance with the section 3-3 of the Accountancy Act, the Board of Directors confirm that the Company meets the requirements for continuation as a going concern.

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Stavanger, 24th of February 2022

On behalf of LOTOS Exploration and Production Norge AS

Lukasz Bogdan Minuth
Chairman of the Board

Bernard Jacek Cichocki
Board member

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LOTOS Exploration and Production Norge AS - Annual Report 2021

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During past 4 years, the Company has restored negative equity to sufficient positive levels and future outlook allows for reasonable belief that the entity will continue to deliver positive results. In the year 2021 LOTOS Exploration and Production Norge AS is exposed to significant expenditure related to its current development assets. As result, the Company has restructured its financing solutions in 2019, signing RBL agreement, which is fully sufficient to cover expected investments. In accordance with the section 3-3 of the Accountancy Act, the Board of Directors confirm that the Company meets the requirements for continuation as a going concern.

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Stavanger, 24th of February 2022

On behalf of LOTOS Exploration and Production Norge AS

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Board member

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CEO



LOTOS Exploration and Production Norge AS - Annual Report 2021

9. Going concern assumption

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During past 4 years, the Company has restored negative equity to sufficient positive levels and future outlook allows for reasonable belief that the entity will continue to deliver positive results. In the year 2021 LOTOS Exploration and Production Norge AS is exposed to significant expenditure related to its current development assets. As result, the Company has restructured its financing solutions in 2019, signing RBL agreement, which is fully sufficient to cover expected investments. In accordance with the section 3-3 of the Accountancy Act, the Board of Directors confirm that the Company meets the requirements for continuation as a going concern.

10. Other matters (if any)

As far as the Board of Directors is aware, there has been no other event of any significance since the closing of the accounts which would be significant for the financial position and profits of the Company.

Stavanger, 24th of February 2022

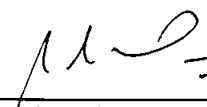
On behalf of LOTOS Exploration and Production Norge AS

Łukasz Bogdan Minuth
Chairman of the Board

Wojciech Andrzej Fedko
Board member

Olav Fjell
Board member

Bernard Jacek Cichocki
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Alojzy Zbigniew Nowak
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Piotr Adam Statkiewicz
CEO



LOTOS Exploration and Production Norge AS - Annual Report 2021

9. Going concern assumption

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During past 4 years, the Company has restored negative equity to sufficient positive levels and future outlook allows for reasonable belief that the entity will continue to deliver positive results. In the year 2021 LOTOS Exploration and Production Norge AS is exposed to significant expenditure related to its current development assets. As result, the Company has restructured its financing solutions in 2019, signing RBL agreement, which is fully sufficient to cover expected investments. In accordance with the section 3-3 of the Accountancy Act, the Board of Directors confirm that the Company meets the requirements for continuation as a going concern.

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Stavanger, 24th of February 2022

On behalf of LOTOS Exploration and Production Norge AS

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Board member

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Alojzy Zbigniew Nowak
Board member

Olav Fjell
Board member

Piotr Adam Statkiewicz
CEO



LOTOS Exploration and Production Norge AS - Annual Report 2021

9. Going concern assumption

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During past 4 years, the Company has restored negative equity to sufficient positive levels and future outlook allows for reasonable belief that the entity will continue to deliver positive results. In the year 2021 LOTOS Exploration and Production Norge AS is exposed to significant expenditure related to its current development assets. As result, the Company has restructured its financing solutions in 2019, signing RBL agreement, which is fully sufficient to cover expected investments. In accordance with the section 3-3 of the Accountancy Act, the Board of Directors confirm that the Company meets the requirements for continuation as a going concern.

10. Other matters (if any)

As far as the Board of Directors is aware, there has been no other event of any significance since the closing of the accounts which would be significant for the financial position and profits of the Company.

Stavanger, 24th of February 2022

On behalf of LOTOS Exploration and Production Norge AS


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Chairman of the Board

Bernard Jacek Cichocki
Board member

Wojciech Andrzej Fedko
Board member

Alojzy Zbigniew Nowak
Board member

Olav Fjell
Board member


Piotr Adam Statkiewicz
CEO



Skattedirektoratet

Saksbehandler Rune Tystad	Deres dato 03.07.2015	Vår dato 11.08.2015
Telefon 977 59 464	Deres referanse Brit Elise Huth	Vår referanse 2015/657079

LOTOS EXPLORATION AND PRODUCTION NORGE AS

Postboks 132
4065 STAVANGER

LOTOS Exploration & Production AS Norge	
Date: 13.08.2015	Sign: <i>[Signature]</i>
Doc.nr: OT01-F-GA-15-0056	
CC: Brit Elise Huth	
File: <input checked="" type="checkbox"/>	Scanned: <input checked="" type="checkbox"/>

Tillatelse til å utarbeide årsregnskap og årsberetning på engelsk språk for LOTOS Exploration & Production Norge AS, org.nr. 991 735 194

- Vi viser til deres brev av 3. juli 2015 der dere søker om dispensasjon fra kravet til å utarbeide årsregnskap og årsberetning på norsk språk for LOTOS Exploration & Production Norge AS.

Skattedirektoratet gir på bakgrunn av en konkret helhetsvurdering LOTOS Exploration & Production Norge 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

LOTOS Exploration & Production Norge AS er eid 99,999% av Lotos Petrobaltic SA som har adresse i Gdansk i Polen. Lotos Petrobaltic SA er dels privat og dels statlig. Privat andel er 46,8% mens statlig andel er 53,2%. Selskapet har totalt 6 styremedlemmer med styreformann hvor kun 2 er norske. All omsetning som i all hovedsak er olje og gass skjer til andre internasjonale oljeselskap i Norge.

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 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

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Se www.skatteetaten.no
Org.nr: 996250318
E-post: skatteetaten.no/sendepost

Sentralbord
800 80 000
Telefaks
22 17 08 60



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 av et utenlandsk selskap og at eierkretsen derfor er begrenset. Videre er det vektlagt at selskapet opererer innen en bransje der engelsk er det dominerende språket.

Vennligst oppgi vår referanse ved henvendelser i saken.

Med hilsen

Torstein Kinden Helleland
seniorrådgiver
Rettsavdelingen, foretaksskatt
Skattedirektoratet

Rune Tystad

Dokumentet er elektronisk godkjent og har derfor ikke håndskrevne signaturer