Brønnøysundregistrene

ÅRSREGNSKAPET FOR REGNSKAPSÅRET 2020 - GENERELL INFORMASJON

Enheten	
Organisasjonsnummer:	919 603 771
Organisasjonsform:	Aksjeselskap
Foretaksnavn:	SPIRIT ENERGY NORWAY AS
Forretningsadresse:	Veritasveien 29 4007 STAVANGER
Regnskapsår	
Årsregnskapets periode:	01.01.2020 - 31.12.2020
Konsern	
Morselskap i konsern:	Nei
Regnskapsregler	
Regler for små foretak benyttet:	Nei
Benyttet ved utarbeidelsen av årsregnskapet til selskapet:	Regnskapslovens alminnelige regler
Årsregnskapet fastsatt av kompetent organ	
Bekreftet av representant for selskapet:	Tore Tengesdal
Dato for fastsettelse av årsregnskapet:	07.06.2021

Grunnlag for avgivelse

År 2020: Årsregnskapet er elektronisk innlevert

År 2019: Tall er hentet fra elektronisk innlevert årsregnskap fra 2020

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, 03.06.2022

Resultatregnskap

Beløp i: NOK	Note	2020	2019
RESULTATREGNSKAP			
Inntekter			
Revenues	3	6 132 981 000	7 991 260 000
Other income	2	30 833 000	62 620 000
Sum inntekter		**6 163 814 000**	**8 053 880 000**
Kostnader			
Production costs		2 052 110 000	2 441 389 000
Payroll expenses	6	177 964 000	188 805 000
Depreciation and amortisation	7, 8	3 094 632 000	2 775 540 000
Nedskrivning av varige driftsmidler og immaterielle eiendeler	7,8	1 453 500 000	890 016 000
Other operating expenses	9, 5	170 521 000	165 398 000
Exploration expenses	4	314 957 000	267 120 000
Sum kostnader		**7 263 684 000**	**6 728 268 000**
Driftsresultat		**-1 099 870 000**	**1 325 612 000**
Finansinntekter og finanskostnader			
Annen renteinntekt	23	501 000	3 721 000
Foreign exchange gain	23	151 731 000	165 258 000
Sum finansinntekter		**152 232 000**	**168 979 000**
Rentekostnad til foretak i samme konsern	23	23 188 000	57 636 000
Annen rentekostnad	23	3 345 000	-285 000
Guarantee charges from related parties	23	62 310 000	47 985 000
Unwind of discount on decommissioning provisions	23	58 177 000	77 451 000
Other financial expenses	23		456 000
Foreign exchange losses	23	75 627 000	172 180 000
Sum finanskostnader		**222 647 000**	**355 423 000**
Netto finans		**-70 415 000**	**-186 444 000**
Ordinært resultat før skattekostnad		**-1 170 285 000**	**1 139 168 000**
Income tax	12	-1 010 862 000	1 144 893 000
Ordinært resultat etter skattekostnad		**-159 423 000**	**-5 725 000**

Resultatregnskap

Beløp i: NOK	Note	2020	2019
Årsresultat		**-159 423 000**	**-5 725 000**
Overføringer og disponeringer			
Allocated to equity	16	-159 423 000	-5 725 000
Sum overføringer og disponeringer		**-159 423 000**	**-5 725 000**

Balanse

Beløp i: NOK	Note	2020	2019
BALANSE - EIENDELER			
Anleggsmidler			
Immaterielle eiendeler			
Capitalised exploration cost	7	659 927 000	436 559 000
Other intangible assets	7	0	2 693 000
Sum immaterielle eiendeler		**659 927 000**	**439 252 000**
Varige driftsmidler			
Property, plant and equipment	8, 18	12 919 191 000	14 158 608 000
Sum varige driftsmidler		**12 919 191 000**	**14 158 608 000**
Finansielle anleggsmidler			
Other long-term receivables	13	109 590 000	118 697 000
Sum finansielle anleggsmidler		**109 590 000**	**118 697 000**
Sum anleggsmidler		**13 688 708 000**	**14 716 557 000**
Omløpsmidler			
Varer			
Spare parts and supplies	10	305 456 000	287 531 000
Sum varer		**305 456 000**	**287 531 000**
Fordringer			
Trade receivables		71 545 000	70 322 000
Other receivables	14	984 536 000	1 306 576 000
Konsernfordringer	17	214 567 000	177 500 000
Sum fordringer		**1 270 648 000**	**1 554 398 000**
Bankinnskudd, kontanter og lignende			
Cash and cash equivalents	11	204 448 000	333 268 000
Sum bankinnskudd, kontanter og lignende		**204 448 000**	**333 268 000**
Sum omløpsmidler		**1 780 552 000**	**2 175 197 000**
SUM EIENDELER		**15 469 260 000**	**16 891 754 000**

Balanse

Beløp i: NOK	Note	2020	2019
BALANSE - EGENKAPITAL OG GJELD			
Egenkapital			
Innskutt egenkapital			
Share capital		30 000	30 000
Overkurs		9 324 876 000	9 324 876 000
Sum innskutt egenkapital	16	**9 324 906 000**	**9 324 906 000**
Opptjent egenkapital			
Udekket tap		4 764 343 000	4 604 920 000
Sum opptjent egenkapital	16	**-4 764 343 000**	**-4 604 920 000**
Sum egenkapital		**4 560 563 000**	**4 719 986 000**
Gjeld			
Langsiktig gjeld			
Utsatt skatt	12	1 351 806 000	1 827 544 000
Sum avsetninger for forpliktelser		**1 351 806 000**	**1 827 544 000**
Annen langsiktig gjeld			
Gjeld til kredittinstitusjoner	17	145 457 000	1 105 193 000
Provision for decommissioning	18	7 073 033 000	5 811 535 000
Other provisions		346 000	1 177 000
Sum annen langsiktig gjeld		**7 218 836 000**	**6 917 905 000**
Sum langsiktig gjeld		**8 570 642 000**	**8 745 449 000**
Kortsiktig gjeld			
Leverandørgjeld		128 634 000	134 155 000
Current tax payables	12	1 044 860 000	2 072 004 000
Public duties payable		33 677 000	20 794 000
Kortsiktig konserngjeld	17	36 787 000	46 229 000
Other short term-liabilities	15	1 094 097 000	1 153 137 000
Sum kortsiktig gjeld		**2 338 055 000**	**3 426 319 000**
Sum gjeld		**10 908 697 000**	**12 171 768 000**
SUM EGENKAPITAL OG GJELD		**15 469 260 000**	**16 891 754 000**

Balanse

Beløp i: NOK	Note	2020	2019

Skatteetaten

Vår dato	Din/Deres dato	Saksbehandler
20.03.2019	27.12.2018	Henning Stokke
800 80 000	Din/Deres referanse	Telefon
Skatteetaten.no	Kari Holm	800 80 000
Org.nr	Vår referanse	Postadresse
974761076	2019/5205256	Postboks 9200 Grønland 0134 OSLO

SPIRIT ENERGY NORWAY AS
Postboks 520
4007 STAVANGER

Tillatelse til å utarbeide årsberetning og årsregnskap på engelsk språk Spirit Energy Norway AS, org.nr. 919 603 771

Vi viser til deres brev av 27. desember 2018 der det søkes om dispensasjon fra kravet til å utarbeide årsregnskap og årsberetning på norsk språk for Spirit Energy Norway AS.

Skattedirektoratet gir på bakgrunn av en konkret helhetsvurdering Spirit Energy Norway AS dispensasjon fra kravet til å utarbeide årsregnskap og årsberetning på norsk språk, jf. regnskapsloven § 3-4 tredje ledd. Dispensasjonen gjelder så lenge 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
Fra søknaden gjengis:

- Eiere / investorer
Spirit Energy Norway AS er et 100 % eiet datterselskap av Spirit Energy Limited, som igjen eies 69% av Centrica PLC og 31% av Stadtwerke MUnchen GmbH / Bayerngas GmbH. Årsregnskap og årsberetning må utarbeides på engelsk for at investorer og eiere skal ha nytte, samt mulighet til å forstå regnskapet.

- Bransje
Spirit Energy Norway AS bransje er petroleumsvirksomhet hvor bransjespråket i all hovedsak er engelsk.

- Kunder og leverandører
Som det fremgår av punktet over er engelsk bransjespråket og korrespondanse foregår i all hovedsak på engelsk både til kunder og leverandører.

- Ansatte
Arbeidspråket for de ansatte er engelsk.

- Långivere
Selskapet har ingen eksterne lånegivere.

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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 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.

Som nevnt ovenfor er det er særlig hensynet til brukerne av regnskapsinformasjon som skal vurderes ved en dispensasjonssøknad. I denne vurderingen har Skattedirektoratet lagt vekt på at selskapet er heleid av et utenlandsk selskap. Eierkretsen er begrenset. I tillegg opererer selskapet i en internasjonal bransje. Videre er det vektlagt at alle sentrale aktører og samarbeidspartnere innen denne bransjen behersker og benytter engelsk.

Vennligst oppgi vår referanse ved henvendelse i saken.

Med hilsen

Inger Helene Iversen
seniorrådgiver
Juridisk avdeling
Skattedirektoratet

Henning Stokke

Dokumentet er elektronisk godkjent og har derfor ikke håndskrevne signaturer.

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Spirit Energy Norway AS

EQUALITY AND ANTI-DISCRIMINATION REPORT

EQUALITY AND ANTI-DISCRIMINATION 2020 REPORT – SPIRIT ENERGY NORWAY

Reference to Equality and Anti-Discrimination Act, chapter 4, §26 and WEA chapter 13.

Introduction – Duty of employers to promote equality/Arbeidsgivers redegjørelsesplikt

"All employers shall, in their operations, make active, targeted and systematic efforts to promote equality, prevent discrimination on the basis of gender, pregnancy, leave in connection with childbirth or adoption, care responsibilities, ethnicity, religion, belief, disability, sexual orientation, gender identity, gender expression or combinations of these grounds, and shall seek to prevent harassment, sexual harassment and gender-based violence. Such efforts shall encompass the areas of recruitment, pay and working conditions, promotion, development opportunities, accommodation and the opportunity to combine work with family life".

Part 1 Statement for Gender Equality/Del 1 Redegjørelse for kjønnslikestilling

- Gender balance within the company/Kjønnsbalanse per 31.12.2020
  - Male/Menn: 69 Female/Kvinner: 46

- Number of men and women who are **temporary employed** of total women/men employed/ Andel menn og kvinner som er midlertidig ansatte, av alle menn/kvinner som er ansatt
  - 0 temporary employees throughout 2020

- Number of women/men employed in **part time position** of total women/men employed/Andel kvinner og menn som er ansatt i deltidsstillinger, av alle menn/kvinner som er ansatt.
  - 0 part time positions throughout 2020.

- Average weeks of parental leave distributed between women/men (who is elgible for parental leave)/Gjennomsnitt uttak av uker foreldrepermisjon fordelt på kvinner og menn (som har rett til foreldrepermisjon).
  - Male/menn: 15 Female/Kvinner: 38,6

SPIRIT ENERGY

Part 2 What does Spirit Energy do for equality and anti-discrimination/Del 2: Vårt arbeid for likestilling og mot diskriminering

"Diversity and Inclusion (D&I) is an important part of building a culture that will support a winning platform for Spirit Energy".

Examples on principals, procedures and standards;

- Spirit Energy's diversity and inclusion commitment are embedded in our core Values, our business strategy and directive. A focus area strategy started in 2019 with new Policy, Vision and Mission;

- Policy: Spirit Energy Diversity, Respect & Inclusion Policy was updated in 2019

- Vision:
  - Create an inclusive environment by building a balanced, diverse business, providing equal opportunity for everyone, representing the communities we work within, delivering better business results
- Mission:
  - Balanced representation at all levels in the business.
  - Unconscious bias training for everyone
  - Identify specific diversity metrics and report our performance against those, share insights and take action to improve
  - Spirit Way will be embedded in all D&I activities & initiatives across the business

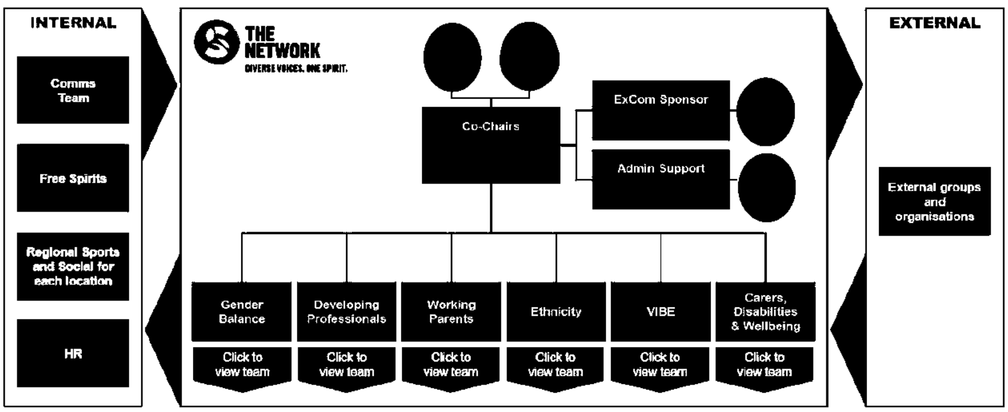
- Along with many other companies in our industry we have committed to "A General Counsel for Diversity & Inclusion/Statement of Support"

- Spirit Energy incorporated directions in order to prevent discrimination, bullying, violence or harassment in "Spirit Energy Speak Up Policy and Procedures« in 2019.

- The Network is a Spirit Energy's employee-led organisation set up to support and raise awareness of diversity and inclusion issues and opportunities.

- The Network team organisation chart (further details on Pipeline/intranet) shows Spirit Energy's structure with ExCom involvement and sponsorship and describes the different areas of responsibility and how they work. *Names and pictures below depersonalised.*

THE NETWORK TEAM – SEPTEMBER 2020



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Who we are: A diverse group for Me, for You, for Everyone, building relationships and celebrating differences

Our Vision: An (Unconsciously) inclusive environment which represents the communities we work within and delivers better business results

Our Mission: Create space for discussion and action on diversity and inclusion

- Grow a well-known and supportive network across all Spirit Energy's locations
- Attract, retain and celebrate diverse talent in the industry
- Work collaboratively with external bodies and networks to learn and share
- Educate on and challenge hidden barriers, including our unconscious bias
- Promote (signpost) awareness of existing support within Spirit Energy
- Removing inequality of opportunity

How do we incorporate diversity and inclusion in our daily work.

We undertake to practice and advance diversity and inclusion by;

- Promoting diversity and inclusion within our own teams
- Considering diversity and inclusion in our hiring and purchasing practices
- Encouraging and partnering with our law firms to adopt best practices in diversity and inclusion
- Promoting diversity initiatives at all levels in the legal and business community

Cooperation with safety delegates and employee representatives

In 2020 Spirit Energy in Norway held regular Work Environment Committee (AMU) meetings per quarter/4 times a year, with extraordinary meetings as required.
As employer Spirit Energy in Norway worked close with safety delegates and employee representatives in matters of importance and where cooperation is required by law. E.g. impact on working environment ref. to reorganisation process and office location, structure of the org. and number of employees, and personnel policy in Norway office was discussed in extraordinary WEC meetings.

The 2020 reorganisation process was based on meetings with employer and employee representatives through consultation committee in order to ensure compliance in Norwegian legislation and tariff agreement (Tekna).

Our **Diversity, Respect and Inclusion Policy** is applicable to all Spirit Energy employees and contractors. Line managers are responsible for ensuring this policy is applied in their teams and should be influencing diversity through conversations and challenging other behaviors or decisions.

Applying the policy – As a business, we want to do everything we can to promote equality of opportunity, diversity, respect and inclusion in the workplace, and to eliminate unfair or unlawful discrimination. This applies to all our policies and practices, including:

- Recruitment and selection
- Pay and reward / terms and conditions of employment
- Promotion and career progression
- Training and development
- Our working environment
- Opportunity to balance work and family-life

Recruitment and selection
In recruitment and selection processes Spirit Energy aim to achieve a gender diverse iinterview panel and candidate slate. Our resourcing search process is optimised to ensure that we use job boards and resources which will allow us the best change of attracting a gender balanced cross section of applicants. If a hiring manager is unable to invite a gender balanced group of candidates to interview, the hiring manager will need to let their ExCom member know they have been unable to achieve a gender diverse candidate slate, providing the reasons for this and requesting that their ExCom member asks CEO for permission to proceed with a non-diverse candidate slate. There should not be any hiring decision until permission has been received from CEO, with copy to information Director, D&I, Resourcing, Talent & L&D in HR.

Use of permanent and temporary resources
Annual statistics was presented in WEC in Q4 2020 re. use of «Permanent and temporary appointment» (recruitment and contingent workers), ref. to WEA section 14-9.

Pay and reward / terms and condition of employment
A reward framework and principles were introduced late 2020 with detailed information on Pipeline/intranet regarding ARR-Salary & bonus, promotion and progression, grades, job families and career ladders, pension & benefits and wellbeing.

Pay and bonus process - ExCom is to review Spirit-wide data to ensure a fair and consistent distribution across Directorates and countries, and checking for any diversity or equal pay bias, as well as performance. HR work within and across Directorates during the recommendation and calibration processes, to support managers in delivering on this basis.

Annual salary review Norway – Negotiations regarding annual pay settlement for 2020 were held in accordance with tariff agreement (Hovedavtalen mellom NHO & Tekna).

Promotion and career progression – Training and Development
The Learning & Development team provide Professional business training and development programs to enable Spirit's people to increase their skills and capabilities.

- Give space for our Developing Professionals to grow personally and professionally
- Develop talent across the business
- Create and support excellence
- Share learnings across teams and locations
- Support the business and add value
- Build network (internally and externally)

The Performance Review and Personal Development Process are tools to support the individual opportunity to grow personally and professionally.

"Shield" was introduced as one of the tools for Training and Development for both leaders and employees.

Our working environment
In addition to monitoring different processes and procedures to identify risks for discrimination and hindrance of equal opportunities through our regular meetings with Work Environment Committee (AMU), safety delegates and employee representatives, Spirit Energy took initiative to establish "Free Spirit", in June 2019.

The Free Spirits are a coordinated network of over 85 representatives across Spirit Energy, formed for the long term. They embody our Values and behaviors and role model our desired ways of working. They come from all our grades, directorates, and locations (including offshore) and play a key role in driving and embedding change within our business.

Spirit Energy use Peakon as our Employment Engagement Survey tool. The last Peakon Survey was held in 2020 and a new Survey was introduced beginning of 2021, with the following topics;

- **Engagement** - Drivers measure how satisfied employees are with the culture, leadership, and responsibilities that make up their experience at work.

- **Diversity and Inclusion** - Drivers measure how satisfied employees are with an organisation's efforts to maintain a diverse workforce and create an environment where every individual feels included.

- **Health and Wellbeing** - Drivers measure how satisfied employees are with an organisation's efforts to help them cope with stress and stay mentally, socially and physically healthy.

Opportunity to balance work and family-life
In Norway employees have rights embedded in our legislation related to e.g. parental leave, sick-leave, annual vacation, etc. Spirit Energy in Norway also practice flexible working. In addition to having an Employee Assistance Program, Spirit Energy also introduced a well-being program in 2020 with Mental Health Wellbeing, Corlife and Nugde.

Spirit Energy Norway AS

COUNTRY BY COUNTRY REPORT

Country by country report 2020

Spirit Energy`s country by country reporting has been developed to comply with requirements in the Norwegian Accounting Act §3-3d and the Norwegian Security Trading Act §5-5a, valid from 2014.

The reporting requirement applies to Spirit Energy with exploration and extractive activities in Norway. According to the Norwegian Accounting Act the companies are required to annually disclose payments above 800 000 NOK to governments per country and project. Spirit Energy have defined "project" as licence in the report.

Spirit Energy operates only in the exploration and extractive industry in Norway.

Spirit Energy has the following payments above 800 000 NOK to the Norwegian government:

Regulation § 2 nr 5 defines the various types of payments covered by the reporting requirements. In the following only payments that are appropriate for Spirit Energy will be described.

Area Fee

Area fees per licence paid as operator to the Norwegian authorities on behalf of the joint ventures (100% figures):

Amounts in NOK:

Licence	100 %	Interest
PL405 Oda	1 224 000 NOK	40,0 %
PL433 Fogelberg	12 240 000 NOK	51,7 %
PL528 Hades-Iris	5 967 000 NOK	40,0 %
PL719 Sandia	11 352 942 NOK	50,0 %

Refund of area fee from prior years PL719 Sandia 15 472 646, PL405 Oda 8 631 715 NOK PL036 Vale 1 377 000 received in 2020 is not included in the amounts above.

NOx

Spirit Energy is a member of the NOx fund and all payments is to the fund and not directly to the authorities.

Corporate tax

The income tax is calculated and paid at company level and are therefore not reported per licence.

Amounts in NOK thousand	
Tax paid in 2020	492 020
Interest	4 786
Totalt	496 806

Other reporting requirements:

When an entity is required to report the payments as noted above, it is also mandatory to report investment, sales revenue, production volume and purchase of goods and services assigned to the individual countries where the company operates in the extractive industries.

Spirit Energy operates only on the Norwegian shelf. This reporting requirement is considered thus being fulfilled by the accounts as specified in the following paragraphs:

Investments:

Total paid investments in 2020 amounted to NOK 2 257 956 thousand with reference to the cash flows statement.

The investment is mainly related to:

- Producing assets:
    - PL037 Statfjord Area, PL475 Maria, PL001B Ivar Aasen and PL193 Kvitebjørn
- Assets under development:
    - PL418 Nova
- Exploration assets:
    - PL644 Hades-Iris, PL836S Bergknapp, PL719 Sandia og PL780 Sørvesten

Revenues and production:

Revenues from production of hydrocarbons amounted to 6 132 981 thousand (2019 NOK 7 991 260 thousand), with reference to note 3 revenues in Spirit Energy Norway AS' financial statement.

Production of oil, NGL and gas for 2020 amounted to 20.0 million barrels of oil equivalents (19.1 mmboe in 2019).

Intercompany interest

Interest expenses to affiliated companies located in UK was in 2020 NOK 23 188 thousand, with reference to note 23 financial items and note 24 transaction with related parties. Essentially, all the interest was paid in 2020.

Purchase of goods and services

For information reference is made to the income statement and accompanying notes.

This report will be made public in the Brønnøysund Register Center.

Deloitte.

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NO-4032 Stavanger
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To the General Meeting of Spirit Energy Norway AS

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Spirit Energy Norway AS showing a loss of NOK 159 422 676. The financial statements comprise the balance sheet as at 31 December 2020, the income statement and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements are prepared in accordance with law and regulations and give a true and fair view of the financial position of the Company as at 31 December 2020, and its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.

Basis for Opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including 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 we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

Management is responsible for the other information. The other information comprises information in the annual report, except the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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 in accordance with law and regulations, including a true and fair view of the financial statements in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, 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.

Deloitte.

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. The financial statements use the going concern basis of accounting insofar as it is not likely that the enterprise will cease operations.

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 laws, regulations, and auditing standards and practices generally accepted in Norway, including 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 laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. 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 those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Deloitte.

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report concerning the financial statements and the going concern assumption is consistent with the financial statements and complies with the law and regulations.

Opinion on Registration and Documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements *(ISAE) 3000, Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, it is our opinion that management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the Company's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Stavanger, 7 June 2021
Deloitte AS

Arnstein Antonsen
State Authorised Public Accountant (Norway)

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Signaturene i dette dokumentet er juridisk bindende. Dokument signert med "Penneo™ - sikker digital signatur".
De signerende parter sin identitet er registrert, og er listet nedenfor.

"Med min signatur bekrefter jeg alle datoer og innholdet i dette dokument."

Arnstein Antonsen
Statsautorisert revisor
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Spirit Energy Norway AS

FINANCIAL STATEMENTS 2020

Spirit Energy Norway AS

Annual Report for 2020

Operations and locations

The principal activity of Spirit Energy Norway AS ("the Company"), is the exploration and production of oil and gas on the Norwegian Continental Shelf. The Company was originally founded on 13th September 2017 (named "Inceptum 1036 AS") as a shelf company with no activity. However, on 1st December 2018 all the activity from Spirit Energy NUF was transferred. The head office address is in Stavanger.

The COVID-19 pandemic presented a new key risk in 2020, which remains an area of intense focus for Spirit Energy with measures in place to ensure safe operations both on and offshore, thereby enabling Spirit Energy to maintain consistent oil and gas production.

In 2020 Spirit Energy produced from the Statfjord fields, Kvitebjørn, Oda, Ivar Aasen, Maria, Vega, Vale and Heimdal. The production of oil, NGL and gas in 2020 amounted to net 20.0 million barrels of oil equivalents (mmboe), compared to 19.1mmboe in 2019. The average daily production in 2020 was 55 thousand barrels (52 thousand barrels in 2019). The increase in production from 2019 to 2020 is mainly driven by the first full year of production from the Oda field totaling 1.7mmboe, in addition to good performance on Vale 0.9mmboe. This was offset by lower production due to the sale of Valemon in 2019 by (1.2)mmboe and no production from Trym in 2020 (0.6)mmboe.

Spirit Energy Norway AS drilled three exploration wells over the year, including Bergknapp which was among the largest discoveries on the Norwegian Continental Shelf in 2020. Unfortunately, the exploration program also included sub-economic well campaigns at Sandia and Sørvesten. Spirit Energy are working with the partners to develop economic concepts for Fogelberg, Halten East and Iris Hades.

It was a major milestone in January 2020 when Spirit Energy and its partners announced the plan to extend the production from the Statfjord fields towards 2040. At the time, Spirit Energy had been involved in Statfjord for more than 10 years and had been working to identify new opportunities. The work revealed that the remaining potential of the Statfjord area was considerable, which led the partnership to agree on a new and ambitious business plan to drill up to 100 new wells in the years leading up to 2030.

Comments related to the financial statement:

Income statement

Alongside the challenges posed by the COVID-19 pandemic, the industry was confronted with both low gas prices and low and volatile oil prices in 2020. These depressed prices suppressed the revenues to NOK 6 132 981 thousand (NOK 7 991 260 thousand in 2019), excluding other income.

Depreciation in 2020 amounted to NOK 3 094 632 thousand (NOK 2 775 540 thousand in 2019), which was driven by the increase in production from 2019 of 0.9mmboe. The depreciation for producing assets per barrel increased from NOK 145 in 2019 to NOK 155 in 2020. The total increase in depreciation and per barrel is mainly related to the increased production on Oda (NOK 488 792 thousand increased depreciation compared to 2019, depreciation per barrels NOK 274 in 2020).

Write-off / impairment of exploration wells (Sandia and Sørvesten) for reporting period was NOK 253 800 thousand (NOK 127 600 thousand in 2019), while impairment of assets under construction and producing assets amounted to NOK 1 199 700 thousand (762 416 thousand in 2019). NOK 1 171 600 thousand of the impairment in 2020 relates to Maria.

Spirit Energy made difficult decisions this year including the restructuring our organisation and the deferral of projects we were eager to progress in 2020. This led to an extraordinary effort across the business to reduce our costs and implement lasting savings in both operating expenditure and general and administrative costs. Ideas on how we could reduce our costs safely and effectively came from all corners of Spirit Energy and is testament to our teams' determination to find better ways of working. As a result operating cost, excluding depreciation and impairment, reduced from NOK 3 062 711 thousand in 2019 to NOK 2 715 551 thousand in 2020.

Operating loss for the reporting period was NOK 1 099 869 thousand (profit of NOK 1 325 614 thousand in 2019).

Loss before tax was NOK 1 170 285 thousand (profit before tax in 2019 of NOK 1 139 168 thousand).
The income tax expense amounted to NOK 1 010 862 thousand (income tax income NOK 1 144 893 thousand in 2019) resulting in a net loss after tax of NOK 159 423 thousand (loss in 2019 of NOK 5 725 thousand). See note 12 for further details.

Balance

In 2020 intangible assets increased by NOK 220 675 thousand, mainly due to increased capitalised exploration cost on the non-operated licences PL644 Iris Hades and PL836S Bergknapp.

Tangible assets decreased from NOK 14 158 608 thousand 31 December 2019 to NOK 12 919 191 thousand 31 December 2020. This reduction is driven by the depreciation of producing assets and impairment of Maria, partly offset by decommission assets from change in estimate and additions from producing assets and assets under constructions.

Total current assets decreased by NOK 394 645 thousand in 2020. NOK 128 821 thousand of the reduction was due to a decrease in the bank balance. Other drivers for the reduction were lower overcall in non-operated licences of NOK 159 907 thousand and lower underlift in producing assets of NOK 111 946 thousand.

Overall, the non-current provision increased from NOK 7 640 256 thousand in 2019, compared to NOK 8 425 186 thousand in 2020. The increase mainly stemmed from an increased decommission provision of NOK 1 261 499 thousand, hereof NOK 950 774 related to change in discount rate from 1,2% in 2019 to 0% in 2020. The increase in decommission provision is partly offset by reduction in deferred tax liability of NOK 475 738 thousand.

Net cash provided by operating activities offset by cash flow used in investing activities decreased the long-term debt to related parties from NOK 1 105 193 thousand as at 31 December 2019 to NOK 145 457 thousand as at 31 December 2020.

Overall, the total current liability reduced in 2020, from NOK 3 426 319 thousand as at 31 December 2019 to NOK 2 338 053 thousand as at 31 December 2020, hereof is NOK 1 027 145 of the reduction related to a decrease in current tax payable. The reduction in the tax payable is due to a loss in year before tax of NOK 1 170 285 thousand, as shown in the income statement, and the enactment of temporary changes to the tax legislation by Norwegian tax authorities.

Net loss for the year of NOK 159 423 reduced the equity from NOK 4 719 987 thousand as at 31 December 2019 to NOK 4 560 564 thousand as at 31st December 2020. Equity in percent of total assets increased from 28 % in 2019 to 29 % in 2020.

Cash flow and liquidity

The Statement of Cash flows shows that the Company's operational activities generated a positive cash flow of NOK 3 047 413 thousand in the reporting period (NOK 1 912 391 thousand in 2019). A reduction in the tax paid of NOK 1 662 148 thousand is the main driver for the improved operated cashflow in 2020 compared to 2019. In response to the COVID-19 pandemic, the Norwegian tax authorities enacted temporary changes to the tax legislation. These changes included an increase of up to 24% in the uplift allowance for investment and the immediate tax expensing of uplift allowance and capital expenditures in the special tax regime in 2020 and 2021. As a result, Spirit Energy received three installment of tax refunds totaling NOK 302 575 thousand in the third and fourth quarter in 2020.

The Company invested NOK 2 257 956 thousand (1 712 697 thousand in 2019) in intangible and tangible assets in the reporting period.

Cash outflow from financing activities amounted to NOK 959 737 thousand (NOK 941 734 thousand in 2019). Net cash flow from operated activities and investing activities is used for down-payment of the intercompany loan. The net decrease in the cash balance in the reporting period was NOK 128 821 thousand (decrease of NOK 290 791 thousand in 2019). The total cash balance was considered satisfactory by the Company.

Cash flow from operating activities in the reporting period, together with parent company loans, were adequate to finance investments in 2020 in Spirit Energy Norway AS.

It is the opinion of the Board that the annual accounts for the reporting period is an accurate reflection of the Company's financial position with respect to assets, liabilities, financial position and results.

The Company has ownership in 53 licences on the Norwegian Continental Shelf as of year-end 2020.

The Company has licences in the exploration phase, under development and in production. Spirit Energy Norway AS is the operator of two fields in production, Oda and Vale. The Company has recorded NOK 7 043 thousand in research and development costs for operated assets (NOK 5 807 thousand in 2019), in addition to the costs charged from operators through licence contributions in the reporting period.

Health, Safety and Environment

Our health, safety and environmental principles are a core part of our business. All necessary resources are allocated to preventing incidents that may lead to personal injuries, loss of life, spills, other damage to the environment or financial loss. We are co-operating closely with licence partners, other operators, suppliers and the authorities to learn and contribute towards obtaining the best possible results with respect to health, safety and the environment.

The safety of our employees and our business partners is our highest priority. We are working actively to develop a strong HSE culture among our employees and offer training to ensure a high level of competency. In the reporting period, the Company had no incidents that led to serious personnel injuries, material damage or significant health issues amongst employees.

The health and working environment of our employees is of major importance to the Company. COVID-19 had a significant impact on the way employees worked throughout 2020. Despite the sudden change, Spirit Energy continued to show their care with continued focus on the three pillars of wellbeing: mental, physical and financial. A mental health coaching service was launched alongside our physical wellbeing programme (CorLife). Employees were also given access to Nudge to support financial planning. Collaboration between the Diversity & Inclusion Network Groups and the Incident free Workplace team, led to a wealth of supportive COVID-19, remote working, work-life balance information/guidance being shared via the intranet 'Pipeline', Yammer and the newsletter 'Team Spirit'. Regular surveys are also performed to monitor the quality of our work environment.

The Company has a diverse workforce in terms of age, background and experience. Absence from work due to illness was very low (less than 2 percent) in 2020. The work environment is perceived as good.

On 31st December 2020, 46 women (40 percent) and 69 men were employed by the Company. The Board is not aware of any activities in the Company which may be in violation of the laws regulating equal rights between the genders. Refer to the appendix to the financial statements "equality and anti-discrimination 2020 report – Spirit Energy Norway" for further information.

Exploration and production of oil and gas have an environmental impact. We are therefore actively working to understand and to minimise the environmental impact of our activities as far as possible. Our operations in the reporting period did not lead to any material environmental pollution. Information regarding the activities of our non-operated licences and fields are reported by the operator.

Spirit Energy believes that the provision of energy in the face of the climate emergency is one of the biggest challenges confronting the world. We recognise the world's demand for action to address climate change and we aim to play our part in helping to sustainably meet energy demand. Our vision is to become a net-zero company for operational (scope 1 and 2) emissions by 2050. We also intend to explore how our assets could be repurposed to generate net-zero carbon energy. Spirit Energy have recently appointed an Energy Transition director to oversee our work towards net-zero. We have also established formal roles to oversee our efforts in reducing our emissions, and work is ramping up across the organisation to support our ambition.

Country to country reporting

Spirit Energy has country to country reporting in accordance with the Norwegian Company Act §3-5. The annual report will be made public in The Brønnøysund Register Centre (www.brreg.no).

Market developments and outlook

Since its inception in December 2017, the Spirit Energy team has been focused on creating an agile, independent full-cycle exploration and production company. The successful separation of functional services previously provided by Centrica brought us closer to realising that vision. It was an immense undertaking which was executed seamlessly and as a result Spirit Energy is now standing on its own feet with a clear sense of purpose. Now, a more nimble, lower cost model supporting the creation of long-term value for our shareholders is in place.

This year has also seen renewed investment in the Statfjord field in Norway – Thanks to Spirit Energy's work alongside our partners the field life has now extended out towards 2040 with up to 100 wells to be drilled in the field.

Spirit Energy plan to continue to reinvest operating cash flow on capital project across operated portfolio which includes Oda and the non-operated portfolio on Statfjord life extension and the Nova development. Following investigation and based on an overall assessment, Wintershall Dea and the Nova licence partnership have in May 2021 decided to terminate the rig contract with Seadrill Northern Operation ltd for the West Mira drilling rig. West Mira has not been in operation since March 19, following the incident with the dropped X-mas tree. An alternativ drilling rig will be contacted to secure progress of the field development, and production start for Nova is still planned for second half of 2022.
Furthermore, Spirt Energy expect to participate in two appraisal wells, one at Bergknapp and one at Lille Prinsen.

During 2020, studies on the operated asset, Fogelberg, have continued. In addition, drilling costs have been reduced significantly and further subsurface work is in progress to better define the low (P90) reserves case. Potential synergies with adjacent discoveries are also being investigated. Host tie-in studies will be progressed further within 2021 and a DG2 (concept select) is planned for the third quarter 2021. The project has also received approval from the Norwegian Ministry of Petroleum and Energy to shifting BoV (DG2) and PDO (DG3) dates to December 2021 and December 2022 respectively.

Vale is a sub-sea tie-back to the Heimdal host for processing. Since water breakthrough in 2015, Vale has experienced long shutdowns and production regularity has been low due to high salt content in the produced water, which the Heimdal topside could not handle. In 2020, a freshwater injection- and filtration system was installed on Heimdal, and the salt content of the condensate is reduced. In the second quarter of 2020, Vale restarted with the new topside equipment in service and initial results are promising. Production regularity on Vale has improved and lifetime extension until July 2023 was approved by the licence in May 2021.

Oda is a sub-sea tie-back to the Ula host for processing. In August 2020, the B-1 well, drilled low on the structure, had water breakthrough. Since then, the water production (or the water cut) from the Oda field has been higher than the reservoir model predicted. The work to mature an infill well target in the crestal B-3 location has been completed. This is a deep side-track well in the B-3 well and will spud in Q4 2021. The well will target thicker and better reservoir sections to accelerate production and make the tail much more robust.

The Company's financial result is expected to improve in 2021. Revenues are expected to improve due to improved commodity prices, partly offset by decreased production, and there will be continued focus on lowering costs in 2021. Subsequently, it is expected that an operating profit and profit after tax will arise in 2021, compared to a loss in 2020.

In January 2021 as part of the APA 2020 Spirit was awarded three new licences, none as operator.

Financial risk

The Company`s normal operating activities expose it to a variety of financial risk: market risk (including commodity price risk and currency risk), credit risk and liquidity risk. The Company`s financial risk strategy is managed by the parent company, which continuously monitors and initiates financial risk instruments. Spirit Energy Group maintains strict policies to manage its financial risks as approved by the Group Board of Directors. This includes the use of financial derivative instruments to hedge certain of these exposures.

Commodity price risk management
The Company is exposed to commodity price risk on its future revenues from crude oil and natural gas. A change in these prices may alter the gross margin of the company. Accordingly, the parent company may enter into commodity futures and forward contracts to manage fluctuations in prices of anticipated revenues.

Currency risk management
The Company is exposed to currency fluctuations. Revenue is invoiced in pounds sterling, US dollars or euros. Purchase of materials and services are in Norwegian kroner and foreign currencies (primarily pounds sterling and US dollars). The Company's foreign currency strategy is managed by the parent company, which continuously monitors and initiates financial risk instruments.

Credit risk management
Credit risk is the risk of loss associated with a counterparty's inability or failure to discharge its obligations under a contract. The Company is exposed to credit risk for gas sales to related parties of the Centrica group, as well as credit exposures to customers in its trading and energy sales activities.

The Company only has a few and financially sound customers and credit risk is deemed to be very low.

Liquidity risk management
Liquidity risk is the risk that the Spirit Energy is unable to meet its financial obligations as they fall due. The Company's financing is supplied via a loan agreement with related party within the Spirit Energy Group. The loan agreement consists of a draw down funding facility. To mitigate this risk, the Spirit Energy Group holds adequate cash and cash equivalents and has access to a revolving unsecured credit facility. The liquidity risk is deemed to be very low.

Going concern

The Board and General Manager confirm that the annual accounts are based on the going concern principle in accordance with the Accounting Act § 3-3a. Expectations of future economic results have been mentioned above, as the Company's financial status. The uncertain tax provision is based on updated estimates. The equity is considered to be sound and sufficient in respect to the Company's activities, size and risk profile

Stavanger, 7 June 2021

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Gro Kyllingstad
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Gro Kyllingstad
General Manager & Chairman of the Board

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Den Jones
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Dennis Gareth Jones
Board Member

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Board Member

Spirit Energy Norway AS

Income Statement
(Amounts in thousand NOK)

	Note	2020	2019
Revenue	3	6 132 981	7 991 260
Other income	2	30 834	62 622
Total revenues and other income		**6 163 814**	**8 053 882**
Production costs		2 052 110	2 441 389
Payroll expenses	6	177 964	188 805
Depreciation, amortisation and impairment	7, 8	4 548 132	3 665 556
Other operating expenses	9, 5	170 521	165 398
Exploration expenses	4	314 957	267 120
Total operating costs		**7 263 683**	**6 728 268**
Operating (loss) / profit		**(1 099 869)**	**1 325 614**
Interest income		501	3 721
Interest expenses		(88 843)	(105 336)
Other financial income		151 731	165 258
Other financial cost		(133 804)	(250 088)
Net financial income and cost	23	**(70 416)**	**(186 445)**
(Loss) / profit before tax		(1 170 285)	1 139 168
Income tax	12	1 010 862	(1 144 893)
Net loss for the year		**(159 423)**	**(5 725)**
Net profit or loss for the year is allocated as follows:			
Allocated to equity	16	(159 423)	(5 725)
Total allocated		**(159 423)**	**(5 725)**

Spirit Energy Norway AS

Balance sheet at 31 December

(Amounts in thousand NOK)

Assets	**Note**	**2020**	**2019**
Capitalised exploration cost	7	659 927	436 559
Other intangible assets	7	0	2 693
Total intangible assets		**659 927**	**439 252**
Property, plant and equipment	8, 18	12 919 191	14 158 608
Total tangible assets		**12 919 191**	**14 158 608**
Other long-term receivables	13	109 590	118 697
Total financial assets		**109 590**	**118 697**
Spare parts and supplies	10	305 455	287 529
Trade receivables		71 545	70 322
Receivables - related parties	17	214 567	177 500
Other receivables	14	984 536	1 306 576
Cash and cash equivalents	11	204 448	333 268
Total current assets		**1 780 551**	**2 175 197**
Total assets		**15 469 260**	**16 891 754**

Spirit Energy Norway AS

Balance sheet at 31 December

(Amounts in thousand NOK)

Equity and liabilities	**Note**	**2020**	**2019**
Share capital		30	30
Share premium		9 324 876	9 324 876
Total contributed equity		**9 324 906**	**9 324 906**
Accumulated deficits			
Loss carried forward		(4 764 343)	(4 604 920)
Total retained earnings		**(4 764 343)**	**(4 604 920)**
Total equity	16	**4 560 564**	**4 719 987**
Deferred tax liabilities	12	1 351 806	1 827 544
Provision for decommissioning	18	7 073 033	5 811 535
Other provisions		346	1 177
Total provisions		**8 425 186**	**7 640 256**
Long-term debt - related parties	17	145 457	1 105 193
Total long term liabilities		**145 457**	**1 105 193**
Trade payables		128 634	134 155
Payables - related parties	17	36 787	46 229
Current tax payables	12	1 044 860	2 072 004
Public duties payable		33 675	20 793
Other short term-liabilities	15	1 094 097	1 153 137
Total current liabilities		**2 338 053**	**3 426 319**
Total liabilities		**10 908 696**	**12 171 768**
Total equity and liabilities		**15 469 260**	**16 891 754**

Stavanger, 7 June 2021

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Board Member

Spirit Energy Norway AS

Statement of Cash flows

(Amounts in thousand NOK)

	Note	2020	2019
Profit/(loss) before tax		(1 170 285)	1 139 168
Reversal of gain on sale of licences		(26 571)	(57 076)
Tax paid	12	(492 020)	(2 154 168)
Depreciation and amortisation	7,8	3 094 632	2 775 540
Impairment/(reversal of impairment)	7,8	1 453 500	878 355
Decommissioning interest	18	58 177	73 445
Decommissioning cost paid	18	(113 215)	(34 833)
Decommissioning estimate update	18	30 215	-
Change in working capital		212 979	(708 040)
Cash flow provided by operating activities		**3 047 413**	**1 912 391**
Capital expenditure	7,8	(2 257 956)	(1 712 697)
Cash from sale of licences		41 459	451 249
Cash flow used in investing activities		**(2 216 497)**	**(1 261 448)**
Change in long term loan from related parties	17	(959 737)	(941 734)
Cash flow used in financing activities		**(959 737)**	**(941 734)**
Net increase/(decrease) in cash and cash equivalents		(128 821)	(290 791)
Cash and cash equivalents beginning of the period		333 268	624 059
Cash and cash equivalents end of the period		**204 448**	**333 268**

Note 1 Accounting Principals

The financial statements have been prepared in accordance with Norwegian Accounting Act and generally accepted accounting principals in Norway.

Classification and valuation of balance sheet items

Assets for long term ownership or use are classified as fixed assets. Other assets are classified as current assets. Receivables to be paid within one year are classified as current assets. Same principles have been applied for classification of short and long term liabilities.

Fixed assets are held at cost less accumulated depreciation and any provisions for impairment.

Current assets are valued at the lower of cost and market value. Short and long term liabilities are included in the balance sheet at nominal amount when established.

Exploration, evaluation, development and production assets

The Company uses the successful efforts method for accounting for exploration and evaluation expenditure. Exploration and evaluation expenditure associated with an exploration well resulting in a discovery of hydrocarbons, including acquisition costs related to exploration and evaluation activities, are capitalised initially as intangible assets. Certain expenditures, such as geological and geophysical exploration costs, are expensed. If the prospects are subsequently determined to be successful on completion of evaluation, the relevant expenditures including licence acquisition costs are transferred to property, plant and equipment (PP&E) and is subsequently depreciated on a unit of production basis. If the prospects are subsequently determined to be unsuccessful on completion of evaluation, the associated costs are expensed in the period in which that determination is made.

All field development costs are capitalised as PP&E. Such costs relate to the acquisition and installation of production facilities and include development drilling costs, project-related engineering and other technical service costs. PP&E, including rights and concessions related to production activities, are depreciated from the commencement of production in the fields concerned, using the unit of production method, based on all of the 2P reserves of those fields. Changes in these estimates are dealt with on a prospective basis, with the exception of Heimdal area which is depreciated on a straight-line basis using the estimated remaining life of the field.

The net carrying value of the fields in production and development is compared on a field-by-field basis with the likely discounted future net revenues to be derived from the remaining commercial reserves. An impairment loss is recognised where it is considered that recorded amounts are unlikely to be fully recovered from the net present value of future net revenues. Exploration assets are reviewed annually for indicators of impairment and production and development assets are tested annually for impairment. Impairments are reversed if the conditions resulting in the impairment are no longer applicable.

Participation in joint ventures (JV)

The Company's share in Joint Ventures licences on the Norwegian continental shelf are recognised in the income statement and balance sheet similar to using the gross method (proportionate consolidation) in accordance with underlying rights and obligations.

Unit arrangements

Where the Group has entered into unit arrangements with partner licences, the share of ownership is reviewed on a regular basis in accordance with the unit agreement based on updated estimates of reserves contributed by each partner in the unit. In the event a review results in a decreased share in the unit, where excess volumes received in the past are redelivered by the partner with the reduced ownership share according to an agreed schedule, these volumes are accounted for at the time of redelivery and not accrued for in advance. Similarly, where the review results in an increased share, the volumes are accounted for at the time of receipt.

Research & development

Costs are expensed when incurred.

Decommissioning

Under the terms of the concessions of the licences in which the company participate the Norwegian State has at end of field life, or when the licence expire, the right to take over the permanent installations. If the State does not exercise this right, the Ministry may require the owners to partially and fully remove the installations. The Ministry of Petroleum and Energy decides whether the installations shall be removed.

The Company recognises the discounted cost of decommissioning when the obligation to rectify environmental damage arise. The first time the liability is recognised in the Balance Sheet the provision equals the net present value of the future estimated assets retirement obligation. A corresponding asset is recorded as part of the cost of property, plant and equipment and is subsequently depreciated as part of the capital cost based on the unit of production method. The unwinding of the discount on the decommissioning provision is recognised as finance cost.

Any change in the estimate is reflected as an adjustment in the decommissioning liability and the corresponding asset.

The key area of estimation uncertainty for decommissioning is the cost estimate as it requires a high degree of judgement. The cost is based on the present regulatory framework and technology, adjusted for relevant risk and uncertainty. Removal and abandonment activities will take place in the

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future and may be subject to several changes in regulatory framework, technology and cost level. The expected economic life of field, inflation and nominal discount rate will in also have an impact on the estimate.

Recharges to operated licences

Salary and operating costs are allocated to the Company's various activities. As appropriate, costs are recharged to the Company's partners in those licences where Spirit is the operator. Costs which are recharged to the operated licences are presented as a reduction in salary and other operating costs.

Receivables

Accounts receivables and other receivables are included in the balance sheet at nominal value less expected losses. Provision for the expected losses are based on an individual assessment of each receivable.

Foreign currency

The functional currency and presentation currency is Norwegian Kroner (NOK).

Foreign currency transactions are translated using the average monthly exchange rate. Cash equivalents denominated in foreign currencies are measured at the foreign currency rate at the balance sheet date. Foreign exchange gains and losses are recognised in the income statement.

Spare parts and supplies

Stock of spare parts and supplies is valued at the lower of cost using the first inn, first out (FIFO) principle and net realisable value. Obsolete spare parts and supplies are written off.

Revenue and cost recognition

Revenue is recognised in the profit and loss account when realised. Revenue is realised when ownership is transferred to the customer at the time of delivery. The company sells crude, condensate, gas and natural gas liquids (NGL).

Costs are matched with and expensed in the same period as related income. Costs which cannot be matched directly to income are expensed in the period they are incurred.

Over / underlift

Overlift and underlift of hydrocarbons are valued at marked price at balance sheet date (estimated sales value deducted for cost of sales). Changes in overlift balances are accounted for as a decrease or increase in cost of sales. Changes in underlift balances are accounted for as a decrease or increase in revenue.

Overlift is classified as other short term liabilities and underlift is classified as other receivables.

Taxes

The Company's income taxes are based on calculations and assumptions that are subject to examination by tax authorities. The Company accrues for uncertain tax provisions when it is more likely than not that the Company's position will not be sustained or based on the latest resolution made by the tax authorities even if appealed by the Company.

Pensions

Spirit Energy have a defined contribution pension plan for all employees. The arrangement meet the requirement of mandatory pension arrangement "OTP".

Defined contribution pension plan
Contributions are charged to the income statement as incurred.

Defined benefit pension plan
A defined benefit plan is a pension plan that defines the expected level of future pensions for the employees. The pension liability is the present value of the defined benefits on the balance sheet date minus the fair value of any plan assets, adjusted for unrecognised gains or losses. The pension liability is calculated annually by an independent actuary using a linear method. The assumptions used in the calculation, especially related to the future salary growth and discount rate, could possibly have a significant impact on the accounts.

Purchase and sale of licence shares

For purchases or sales of licence shares (Farm-in / Farm-out agreements) during the exploration phase, where all or part of the consideration is tied to carry agreements, the cost is booked as incurred according to the appropriate accounting principles. Any consideration paid as part of the transfer is recorded as a reduction of the carrying value. Any consideration in excess of the carrying value is recorded to the income statement. Payment received from the buyer during the settlement period are recorded as a reduction to cost.

Ordinary purchase and sale of licence shares are considered fulfilled when official approval is received and agreement is closed.

Operation leases

Operational leases are expensed as incurred.

Statement of cash flow

The statement of cash flow is presented using the indirect method. Cash and cash equivalents includes cash, bank deposits and other short term liquid investments with maturities of three months or less.

Spirit Energy Norway AS – ownership

Spirit Energy Norway AS is owned by Spirit Norway Ltd which is owned by Spirit Energy Limited. Spirit Energy Limited is registered in England and Wales. Office address: 1st Floor, 20 Kingston Road, Staines-upon-Thames, Surrey TW18 4LG, England.

Spirit Energy Norway AS accounts are included in Spirit Energy Limited group accounts. Spirit Energy Limited Annual Report can be found on the Spirit Energy Limited website: www.spirit-energy.com.

Note 2 Significant transactions

Spirit Energy Norway AS was originally founded 13th of September 2017 (named Inceptum 1036 AS) as a shelf company with no activity until the transfer from Spirit Energy NUF on the 1st of December 2018.

Disposal of Kvitebjørn Gas Pipeline capacity upgrade
In July 2020, the group signed a sale and purchase agreement for divestment of their interest in Kvitebjørn Gas Pipeline Capacity upgrade to Gassled for a consideration of NOK 40.0 million, with a profit of disposals of NOK 26.8 million before tax.

Disposal of interests in Valemon and Sindre
On 13 September 2019, Spirit Energy signed a sale and purchase agreement for the divestment of their respective interests in Valemon and Sindre to Equinor for a consideration of $57.5 million. The economic date for the sale was 1 January 2019 and it was completed on 29 November 2019. An impairment charge of NOK 575 million (pre-tax) was recognised in the income statement prior to the disposal. Profit on disposals was NOK 4 million.

Disposal of interests in Nøkken
Spirit Energy divested their non-operating interest in the discovery licence Nøkken (located in the Kvitebjørn field) to Equinor. Profit on disposal was NOK 49 milion, and the sale completed on 29 May 2019.

Note 3 Revenues

Revenue relates to the sale of oil, NGL and gas production on Statfjord, Vale, Heimdal, Kvitebjørn, Maria, Trym, Vega, Ivar Aasen and Oda, in addition to processing and transport services provided by the Heimdal installation.

(NOK 1000)

	2020	2019
Sale of crude oil	4 048 955	4 639 084
Sale of NGL	365 813	396 224
Sale of gas	1 460 535	2 551 589
Transport and processing services	257 678	404 363
Total	**6 132 981**	**7 991 260**

Revenue split by geographic area (by place of delivery):

(NOK 1000)	2020			
	Crude	NGL	Gas	Total
UK	195 355	46 226	1 450 286	**1 691 867**
Norway	2 067 838	41 027	10 249	**2 119 114**
Switzerland	1 480 130	208 654	-	**1 688 784**
Denmark	(3 047)	-	-	**(3 047)**
USA	456 249	-	-	**456 249**
Italy	-	34 282	-	**34 282**
Total	**4 196 525**	**330 189**	**1 460 535**	**5 987 250**
Change in over-/underlift	(147 570)	35 624	-	(111 946)
Total sale including over-/underlift	**4 048 955**	**365 813**	**1 460 535**	**5 875 303**
Other income (transport & processing)				257 678
Total revenues	**4 048 955**	**365 813**	**1 460 535**	**6 132 981**

Note 4 Exploration expenses

(NOK 1000)

	2020	2019
Geology and geophysics	31 802	18 779
Seismic	207 866	175 537
Special studies	5 319	3 805
Other exploration expenses	69 970	68 998
Total	**314 957**	**267 120**

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Note 5 Auditors' remuneration

Auditors' remuneration (amounts in NOK)

	2020	2019
Statutory audit	91 320	422 000
Tax compliance and advice	121 000	-
Other compliance services "non-audit related"	65 000	-
Total	**277 320**	**422 000**

Audit fees for the group and statutory accounts are invoiced to the parent company in the UK

VAT is excluded from the audit fees disclosed.

Note 6 Payroll expenses

(NOK 1000)

	2020	2019
Salaries [1]	199 470	237 373
Social security costs	29 858	34 628
Pension costs	39 277	38 054
Other compensations	(2 104)	807
Charges to JV partners	(88 537)	(122 057)
Total	**177 964**	**188 805**

[1] Salaries include bonus, severance packages and expatriate costs in addition to base pay.

	31.12.2020	31.12.2019
Number of employees	**115**	**136**

Remuneration to Director, Norway (NOK 1000) [2]

	2020	2019
Salary, bonus and pension	4 995	4 990
Other compensations	696	1 169
Total	**5 691**	**6 159**

[2] Remuneration to Director, Norway in 2020. (Due to change leadership remuneration consists of 8 months relating to Dag Halvar Omre who resigned in August and 4 months Gro Kyllingstad)
Remuneration to Director, Norway in 2019. (Due to change in leadership remuneration consists of 8 months relating to Rune Martinsen who resigned in August and 4 months Dag Halvard Omre)

Up to the end of 2020, the Director, Norway took part in the Spirit Energy`s Annual Incentive Plan (AIP) and Performance Share Plan (PSP). For the AIP, if a bonus is paid this will be split with a portion paid in the April after the performance year and the remainder paid 3 years later, subject to the Director, Norway's continuous employment. For the PSP, at the end of the three year performance period the outcome of the measures are considered by the Board to determine the company performance score, together with the broader environment and shareholder experience to determine the percentage of the award that will vest.

No other benefits, including 'golden parachutes', loans or security, has been provided to the Director, Norway or members of the board.

The Company is subject to the requirements of the Mandatory Company Pensions Act, and the Company`s pension scheme comply with these requirements.

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Note 7 Intangible assets

(NOK 1000)

	Capitalised exploration	Other	TOTAL
Cost as at 01.01.2020	1 595 613	34 565	**1 630 178**
Additions [1]	477 176	-	**477 176**
Scrapping	-	(34 565)	**(34 565)**
Transfers	(8)	-	**(8)**
Cost as at 31.12.2020	**2 072 781**	**-**	**2 072 781**
Net accumulated depreciation	-	35 000	**35 000**
Net accumulated write-off / (net accumulated write-back)	1 412 854	(435)	**1 412 419**
Scrapping	-	(34 565)	**(34 565)**
Book value 31.12.2020	**659 927**	**0**	**659 927**
Annual depreciation	-	2 693	**2 693**
Annual write-off [2]	253 800	-	**253 800**

[1] The capitalised exploration costs are mainly related to PL644 Hades-Iris, PL836S Bergknapp, PL719 Sandia and PL 780 Sørvesten.

[2] The net annual write-off is mainly related to the dry well PL719 Sandia and PL780 Sørvesten

Note 8 Property, plant and equipment

(NOK 1000)

	Assets under development	Producing assets	Fixtures and fittings	Office Equipment	TOTAL
Cost as at 01.01.2020	1 449 960	34 990 978	31 399	66 032	**36 538 369**
Additions	494 011	1 281 744	1	5 026	**1 780 780**
Change in estimate for decommissioning assets	0	1 286 322	-	-	**1 286 322**
Transfer between asset classes	14	(5)	-	-	**8**
Scrapping/ Disposal	-	(31 749)	(2 817)	(267)	**(34 833)**
Cost as at 31.12.2020	1 943 984	37 527 288	28 583	70 791	**39 570 646**
Accumulated depreciation 31.12.2020	-	22 531 321	23 747	74 068	**22 629 137**
Accumulated write-off 31.12.2020	186 476	3 868 780	323	(1 655)	**4 053 924**
Scrapping accumulated depreciation 31.12.2020	-	(18 550)	(1 127)	(11 928)	**(31 606)**
Book value 31.12.2020	**1 757 508**	**11 145 738**	**5 640**	**10 305**	**12 919 191**
Annual depreciation [1]	-	3 083 929	1 761	6 249	**3 091 939**
Impairment [2]	-	1 199 700	-	-	**1 199 700**
Depreciation method		UoP/Straight Line [1]	Straight Line	Straight Line	
Estimated useful lives (years)			5 - 10 years	3 years	

[1] All licences are depreciated according to UoP (Unit of Production) method with the exception of Heimdal which is depreciated straight-line over expected lifetime.

[2] Annual impairment of producing assets relates to Kvitebjørn NOK 28 100 thousand and Maria NOK 1 171 600 thousand.

The carrying values of PP&E are tested annually for impairment/reversal of impairment and are reviewed for impairment/reversal of impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. Residual values and useful lives are reassessed annually and if necessary changes are accounted for prospectively. The future post-tax cash flows used for impairment are discounted using a post-tax nominal discount rate of 10% to determine the value-in-use. The inflation rate used for impairment calculations is 2.0 %. WACC is 10.0% and is calculated based on the cost of capital and the cost of debt. It is applied to the average capital employed when calculating economic profit to ensure projects cover their cost of capital. Commodity prices used in the impairment calculations are based on observable market data and in part on internal estimates. In the impairment calculation a forward oil price, in the liquid period for the next 4 years is used amounting to respectively USD 50.3/bbl, USD 50.2/bbl, USD 49.6/bbl and USD 49.4/bbl, as well as a forward rate for USD versus GBP at 1.4 for 2021 and NOK versus USD at 8.6 for 2021.

Capitalised interest has not been recognised in 2020 or 2019.

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Operating leases

The Company only has office locations in Stavanger at the year-end. The rental agreement of the Oslo office was terminated on 30 September 2020.

Stavanger:

The Company is located in Stavanger (Veritasveien 29) and the rent for 2020 was NOK 20 724 thousand (2019 NOK 20 228 thousand). The office in Stavanger is leased from Rosenberggata 101 AS and the lease agreement expires 10 years from the handover date (March 2015). The Company has the option of extending the contract by 5+5 years. The office lease has been classified as an operating lease and therefore is expensed to the income statement.

Oslo:
The rent for 2020 was NOK 7 110 thousand including termination fee (2019 NOK 2 736 thousand).

Office lease future minimum lease payments (NOK 1000)

	31.12.2020	31.12.2019
Payable within		
1 year	20 724	22 964
2 to 5 years	62 229	91 856
Thereafter	-	5 057
Total	**82 953**	**119 877**

Reference is made to note 19 commitments.

Note 9 Other operating expenses

(NOK 1000)

	2020	2019
Consultancy	104 109	115 082
Services supplied by related companies [1)]	69 673	89 318
Insurance [1)]	48 565	39 318
Restructuring cost	38 578	0
IT including software maintenance	36 052	38 706
Office rental [2)]	27 833	23 056
Travel expenses	2 497	10 313
Other costs	27 343	28 697
Recharge of services to related parties [1)]	(95 314)	(60 469)
Charges to operated licences	(88 816)	(118 624)
Total	**170 521**	**165 398**

[1)] Reference is made to note 24 transactions with related parties.
[2)] Reference is made to note 8 property, plant and equipment.

Note 10 Spare parts and supplies

(NOK 1000)

	31.12.2020	31.12.2019
Spare parts and supplies	305 455	287 529
Total	**305 455**	**287 529**

Spare parts and supplies relates primarily to non-operated licences. There is no information from the operator indicating the non-existence of obsolete spare parts or supplies at year end. Write downs amounting to NOK 30 203 thousand (2019: NOK 0 thousand) related to operated licences where charged to the Income Statement in year.

Note 11 Restricted cash

(NOK 1000)

	31.12.2020	31.12.2019
Restricted cash related to taxes withheld from employees wages	13 922	11 776
Restricted cash related to JV bank accounts	136 552	258 153
Restricted cash deposit related to rent of office and employee housing	-	1 910
Total	**150 474**	**271 839**

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Note 12 Income taxes

(NOK 1000)

Taxes Payable / basis for tax refund	2020	2019
Net (loss) / profit before taxes	(1 170 285)	1 139 168
Permanent differences	374 623	1 026 384
Changes in temporary differences	609 920	(66 562)
Basis for company tax before loss carried forward	**(185 742)**	**2 098 990**

Basis for company tax	**(185 742)**	**2 098 990**
Financing costs only subject to 22% tax	(73 259)	(4 199)
Uplift	(695 559)	(464 688)
Basis for special tax	**(954 559)**	**1 630 103**

Company tax charged through profit and loss accounts (22%)	40 863	(461 778)
Special tax charged through profit and loss accounts (56%)	534 553	(912 858)
Provision for possible outstanding tax liability in previous years	(20 506)	(93 608)
Adjustment prior year periods	(19 786)	-
Tax receivable / (payable) recognised to the income statement	**535 125**	**(1 468 243)**

	31.12.2020	31.12.2019
Total company tax in balance sheet	(40 863)	461 778
Total special tax in balance sheet	(534 553)	912 858
Term refunds / (payments)	302 575	(581 000)
Adjustment prior year periods	12 803	(5 100)
Group contribution to Spirit Energy Petroleum Danmark AS	-	(924)
Provision for possible outstanding tax liability in previous years	1 304 898	1 284 393
Tax payable in balance sheet	**1 044 860**	**2 072 004**

Specification of temporary differences - computation of deferred taxes	Changes	31.12.2020	31.12.2019
Fixed assets	(181 227)	6 215 760	6 396 987
Other Fixed Assets	25 712	14 709	(11 003)
Decommissioning - net	(426 832)	(4 695 168)	(4 268 336)
Other Temporary differences	(27 572)	197 784	225 357
Net temporary differences	**(609 920)**	**1 733 085**	**2 343 005**
Basis for deferred tax - company tax	**(609 920)**	**1 733 085**	**2 343 005**
Fix assets related to hedging exempt from special tax			
Fix assets related to capitalised interest exempt from special tax			
Basis for deferred tax - special tax	**(609 920)**	**1 733 085**	**2 343 005**
Deferred tax in balance sheet		**1 351 806**	**1 827 544**

Income taxes charged to the income statement consist of:	2020	2019
Tax receivable / (payable)	535 125	(1 468 243)
Changes in deferred taxes	134 182	8 121
Changes in deferred taxes - special tax	341 555	(70 714)
Deferred tax HFS	-	385 943
Total tax income / (expense)	**1 010 862**	**(1 144 893)**

Effective tax rate reconciliation		2020	2019
(Loss) / profit before tax		(1 170 285)	1 139 168
		-	-
Expected tax charge	78 %	912 822	(888 551)
Permanent differences		(292 206)	(800 579)
Financial items net		41 025	2 352
Uplift		389 513	260 225
Adjustment prior year periods		(40 292)	(93 608)
Onshore tax 22%		-	(10 869)
Deferred tax HFS		-	385 943
Effect of change in the tax rate - not incorporated		-	194
Total tax income / (expense)		**1 010 862**	**(1 144 893)**

The tax rate on company tax from fiscal year 2020 and 2019 is 22%. Deferred tax liability and deferred tax asset has been calculated with a tax rate of 22% for company tax and special tax of 56%.

Note 13 Other long term receivables

The Company is partner in the Vega fields, which has agreed with participants of the neighboring Gjøa field to share capacity in the processing facilities on Gjøa. The Gjøa participants are compensated thorough a prepayment from the participants. The prepayment is amortised over the expected economic life of field and as of 31 December 2020 Spirit's share of the prepayment was NOK 109 590 thousand (118 697 thousand in 2019).

Note 14 Other receivables

(NOK 1000)

	31.12.2020	31.12.2019
Prepaid expenses	19 693	49 910
Line-fill	30 739	30 739
Underlift producing fields	171 561	283 508
Accrued income	363 384	350 435
Receivables non-operated licences	21 950	51 104
Overcall non-operated licences	363 156	523 063
Other receivables	14 052	17 818
Total	**984 536**	**1 306 576**

Note 15 Other short term liabilities

(NOK 1000)

	31.12.2020	31.12.2019
Other licence related liabilities [1]	748 394	744 225
Overlift producing fields	84 268	145 727
Overcall operated licences	72 466	113 873
Deferred revenue	28 521	22 271
Salary and bonus accrual	56 697	71 872
Accrual restructuring cost [2]	34 565	-
Other accruals [3]	69 186	55 168
Total	**1 094 097**	**1 153 137**

[1] Other licence liabilities relate to both operated and not operated licences.

[2] Accrual for severance payment and other restructuring related cost.

[3] Other accruals include future payments related to tariff costs and other miscellaneous short term liabilities

Note 16 Equity

Changes in equity during the year:
(NOK 1000)

	Share capital	Share premium	Loss carried forward	Total
Equity 31.12.2019	30	9 324 876	(4 604 920)	4 719 987
Net profit			(159 423)	(159 423)
Equity 31.12.2020	**30**	**9 324 876**	**(4 764 343)**	**4 560 564**

The company is owned 100% by Spirit Norway Ltd, registered in England and Wales, which is ultimately owned 69% by Centrica plc, with Bayerngas Norge's former shareholders, led by Stadtwerke München Group (SWM), owning the remaining 31%.

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Note 17 Balances with related parties

(NOK 1000)

Intercompany	Related parties	31.12.2020	31.12.2019
Short term receivable - related parties	British Gas Trading Ltd.	214 567	172 676
Short term receivable - related parties	Multiple related parties	-	4 825
Total		**214 567**	**177 500**
Long term loan from related parties	Spirit Energy Treasury Limited [1]	145 457	1 105 193
Total		**145 457**	**1 105 193**
Short term debt - related parties	Centrica Plc	(1 973)	(12 927)
Short term debt - related parties	Spirit Production Services Ltd	(26 350)	(33 295)
Short term debt - related parties	British Gas Trading Ltd.	(6 627)	-
Short term debt - related parties	Multiple related parties	(1 837)	(8)
Total		**(36 787)**	**(46 229)**

[1] The interest rate is supplied by Spirit Energy Treasury Limited, and the interest rate is added to the company loan.

Reference is made to note 24 for transactions with related parties.

Note 18 Provision for decommissioning

(NOK 1000)

	2020	2019
Decommissioning obligations at 31.12	(5 811 535)	(6 528 081)
Reduction due to sale	-	445 225
Revision in estimates contra in assets	(1 286 322)	309 933
Revision in estimates contra income statement	(30 215)	-
Decommissioning cost in balance	113 215	34 847
Interest expenses	(58 177)	(73 445)
Decommissioning cost in income statement	-	(14)
Decommissioning obligation at 31.12	**(7 073 033)**	**(5 811 535)**
Assets related to decommissioning at 31.12	1 540 302	2 457 059
Reduction due to sale	-	(220 754)
Additional assets/revision in estimates	1 286 322	(309 933)
Depreciation and write-off	(451 711)	(386 070)
Assets related to decommissioning at 31.12	**2 374 913**	**1 540 302**

The provision for future decommissioning of offshore installations is recognised at the net present value of the estimated cost at the end of the installation's life of field, based on the assumption of present technology and level of cost. Future decommissioning costs are then discounted using index based treasury bonds as the most appropriate risk free interest rate. In 2020 the interest used was 1.2% for the period January to November, and changed to 0% for December. Interest used in 2019 was 1.2%.

Assets related to decommissioning are also included in note 8 under "Producing assets". The interest expense is classified as finance cost in the income statement.

Note 19 Commitments

Leases
Per December 31 the maturity analyses for the total minimum lease payments under non-cancellable leases were (NOK 1000)

	31.12.2020	31.12.2019
Payable within		
1 year	20 724	22 964
2 to 5 years	62 229	91 856
Thereafter	-	5 057
Total	**82 953**	**119 877**

The leasing commitments at year-end 2020 and 2019 was related to office rental.

Acquisition of property plant and equipment (NOK 1000)

	31.12.2020	31.12.2019
Contractual commitment for acquisition of property, plant and equipment were as follows:	**1 032 165**	**726 264**

Other financial commitments
The financial commitments not provided in the financial statement as of 31 December 2020 was NOK 1 245 675 thousand against NOK 1 224 273 thousand as of 31 December 2019, largely in relation to transport capacity charges.

Note 20 Financial and market risks

The main market risks for Spirit Energy are fluctuations in oil and gas prices, and currency fluctuation between pound (GBP), dollar (USD) and Norwegian kroner (NOK). The company has not entered into any contract to reduce such risk.

The Company is financed by Spirit Energy Group, which have a good liquidity and no external loans as of 31 December 2020.

The credit and liquidity risk is low as the company is financed by the Spirit Energy Group that at year-end is self-financed without any external loans. Customer relationships are largely with solid participants on the Norway Continental Shelf and related parties.

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Note 21 Licence ownership

The company has per December 31, 2020 following status in terms of share in licences:

Licence number	Share in %	Operator	Expiration of licence
PL036	50,00 %	Spirit Energy Norway AS	Jun - 2021
PL249	50,00 %	Spirit Energy Norway AS	Jun - 2021
PL405	40,00 %	Spirit Energy Norway AS	Dec - 2036
PL433	51,70 %	Spirit Energy Norway AS	Feb - 2042
PL528	40,00 %	Spirit Energy Norway AS	May - 2047
PL528 B	40,00 %	Spirit Energy Norway AS	May - 2047
PL719	50,00 %	Spirit Energy Norway AS	Mar - 2021
PL780	60,00 %	Spirit Energy Norway AS	Feb - 2022
PL852	60,00 %	Spirit Energy Norway AS	Jun - 2021
PL852 B	60,00 %	Spirit Energy Norway AS	Mar - 2022
PL852 C	60,00 %	Spirit Energy Norway AS	Mar - 2022
PL962	60,00 %	Spirit Energy Norway AS	Jun - 2024
PL1067	40,00 %	Spirit Energy Norway AS	Feb - 2021
PL036 BS	28,80 %	Equinor Energy AS	June - 2021
PL037	23,13 %	Equinor Energy AS	Aug - 2026
PL090 HS	25,00 %	Equinor Energy AS	Feb - 2024
PL167	20,00 %	Equinor Energy AS	Mar - 2030
PL167 B	20,00 %	Equinor Energy AS	Mar - 2030
PL167 C	20,00 %	Equinor Energy AS	Mar - 2024
PL193	19,00 %	Equinor Energy AS	Sep - 2031
PL193 C	19,00 %	Equinor Energy AS	Sep - 2031
PL263	30,00 %	Equinor Energy AS	May - 2037
PL263 B	30,00 %	Equinor Energy AS	May - 2037
PL959	20,00 %	Equinor Energy AS	Jun - 2025
PL959 B	20,00 %	Equinor Energy AS	Jun - 2025
PL1012	25,00 %	Equinor Energy AS	Mar - 2027
PL1040	30,00 %	Equinor Energy AS	Feb - 2027
PL1049	40,00 %	Equinor Energy AS	Feb - 2025
PL1050	34,30 %	Equinor Energy AS	Feb - 2022
PL090 C	25,00 %	Wintershall Dea Norge AS	Mar- 2024
PL418	20,00 %	Wintershall Dea Norge AS	Feb - 2041
PL418 B	20,00 %	Wintershall Dea Norge AS	Feb - 2041
PL 475 BS	20,00 %	Wintershall Dea Norge AS	Feb - 2036
PL 475 CS	20,00 %	Wintershall Dea Norge AS	Aug - 2036
PL 836 S	30,00 %	Wintershall Dea Norge AS	Feb - 2025
PL001 B	15,00 %	Aker BP ASA	Dec - 2036
PL028 B	15,00 %	Aker BP ASA	Dec - 2036
PL242	15,00 %	Aker BP ASA	Dec - 2036
PL914 S	12,32 %	Aker BP ASA	Mar - 2022
PL915	15,00 %	Aker BP ASA	Mar - 2024
PL886	20,00 %	Lundin Energy Norway AS	Feb - 2025
PL886 B	20,00 %	Lundin Energy Norway AS	Feb - 2025
PL965	40,00 %	Lundin Energy Norway AS	Jun - 2024
PL1029	20,00 %	Lundin Energy Norway AS	Mar - 2026
PL1082	50,00 %	Lundin Energy Norway AS	Feb - 2028
PL644	10,00 %	OMV (Norge) AS	Feb - 2022
PL644 B	10,00 %	OMV (Norge) AS	Feb - 2022
PL644 C	10,00 %	OMV (Norge) AS	Feb - 2022
PL969	15,00 %	A/S Norske Shell	Mar - 2026
PL1112	20,00 %	A/S Norske Shell	Feb - 2027
PL147	50,00 %	DNO Norge AS	July - 2027
P1007	20,00 %	DNO Norge AS	Mar - 2026
PL1038	30,00 %	Sval Energy AS	Feb - 2027

Note 22 Foreign exchange rates used at year end

Foreign exchange rates applied at year end are group provided exchange rates.

	31.12.2020	31.12.2019
Pounds (GBP)	11,7177	11,6530
Dollars (USD)	8,5775	8,7828
Euro (EUR)	10,4885	9,8600

Note 23 Financial items

(NOK 1000)

	2020	2019
Interest income	501	3 721
Interest income	**501**	**3 721**
Foreign exchange gain	151 731	165 258
Other financial income	**151 731**	**165 258**
Finance income	**152 232**	**168 979**
Interest expenses	3 345	(285)
Interest expenses on loan from related parties	23 188	57 636
Guarantee charges from related parties	62 310	47 985
Interest expenses	**88 843**	**105 336**
Foreign exchange losses	75 627	172 180
Unwind of discount on decommissioning provisions	58 177	77 451
Other financial expenses	-	456
Other financial expenses	**133 804**	**250 088**
Finance cost	**222 647**	**355 424**
Net financial items	**(70 416)**	**(186 445)**

Note 24 Transactions with related parties

Transaction with related parties (NOK 1000):

a) Sales of products and services	**Intercompany**	**2020**	**2019**
Sale of Dry Gas	British Gas Trading	1 437 232	2 392 591
Sale/ recharge of services	Spirit Energy Resources Limited	15 314	5 290
Sale/ recharge of services	Spirit Energy Petroleum Danmark AS [1)]	(988)	14 205
Sale/ recharge of services	Spirit Energy Danmark Aps [1)]	(1 693)	22 294
Sale/ recharge of services	Spirit Production (Services) Limited	73 445	15 865
Sale/ recharge of services	Bayerngas Norge AS	4 402	-
Sale/ recharge of services	Spirit Energy North Sea Gas Limited	3 045	2 152
Sale/ recharge of services	Multiple related parties	1 789	2 334

b) Purchase of products and services	**Intercompany**	**2020**	**2019**
Purchase of services from related parties	British Gas Trading	89 309	94 523
Purchase of services from related parties	Spirit Production (Services) Limited	89 613	105 130
Interest expenses on loan from related parties	Spirit Energy Treasury Limited	23 188	57 636
Guarantee charges from related parties	Spirit Production (Services) Limited	62 310	47 985

[1)] Negative recharge in 2020 due to through up from 2019.

The purchase of services from Spirit Production Services Ltd mainly relates to management fee and corporate charges.

For remuneration to management, see note 6. For intercompany balances see note 17.

In addition, 2020 insurance charges of NOK 48 565 thousand (2019 NOK 39 318 thousand) has been recharged from Spirit Production (Services) Limited.

Note 25 Reserves (not audited by external auditor)

Reserves are based on numbers from the fields' respective operator. The reserves quantities are imprecise and change over time as new information become available.

Million barrels of oil and gas equivalent:

	2020	**2019**
Remaining reserves 01.01	**142,3**	**131,9**
Produced	(19,7)	(19,1)
Increase in reserves of exploration fields	(1,2)	2,9
Increase in reserves in producing fields	10,1	30,5
Sale of licences	-	(3,9)
Remaining reserves 31.12.	**131,4**	**142,3**

Note 26 Subsequent events

In January 2021 as part of the APA 2020 Spirit was awarded three new licences, none as operator

Following investigation and based on an overall assessment, Wintershall Dea and the Nova licence partnership have in May 2021 decided to terminate the rig contract with Seadrill Northern Operation ltd for the West Mira drilling rig. West Mira has not been in operation since March 19, following the incident with the dropped X-mas tree. An alternativ drilling rig will be contacted to secure progress of the field development, and production start for Nova is still planned for second half of 2022.

No other subsequent events have been identified which impact the financial information as per December 31, 2020