Brønnøysundregistrene

ÅRSREGNSKAPET FOR REGNSKAPSÅRET 2020 - GENERELL INFORMASJON

Enheten

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

Årsregnskapet fastsatt av kompetent organ

Bekreftet av representant for selskapet:	Henrik Mollerin
Dato for fastsettelse av årsregnskapet:	23.04.2021

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, 15.05.2022

Resultatregnskap

Beløp i: USD	Note	2020	2019
RESULTATREGNSKAP			
Inntekter			
Sales income	3	171 401 000	399 055 000
Sum inntekter		**171 401 000**	**399 055 000**
Kostnader			
Wages and salaries	5,6,7,9	8 773 000	10 465 000
Depreciations	4,9	534 000	525 000
Nedskrivning av varige driftsmidler og immaterielle eiendeler	9	191 383 000	-7 663 000
Other general and administrative expenses	5,6,7,9	2 849 000	2 875 000
Cost of operations	4,9	189 958 000	231 784 000
Exploration/New Venture expenditure written off	8	957 000	1 245 000
Sum kostnader		**394 454 000**	**239 231 000**
Driftsresultat		**-223 053 000**	**159 824 000**
Finansinntekter og finanskostnader			
Foreign exchange (loss -)/gain		1 530 000	1 997 000
Interest income		20 000	147 000
Sum finansinntekter		**1 550 000**	**2 144 000**
Unwinding of discount on decommissioning provision	16	8 565 000	8 184 000
Interest expense	15,22	18 392 000	31 318 000
Sum finanskostnader		**26 957 000**	**39 502 000**
Netto finans		**-25 407 000**	**-37 358 000**
Ordinært resultat før skattekostnad		**-248 460 000**	**122 466 000**
Income tax (expense -)/revenue	10	-184 118 000	93 063 000
Ordinært resultat etter skattekostnad		**-64 342 000**	**29 403 000**
Directors' fees	6	-13 000	-14 000
Årsresultat		**-64 355 000**	**29 389 000**
Overføringer og disponeringer			
Transferred to/from other equity		-64 355 000	29 389 000

Resultatregnskap

Beløp i: USD	Note	2020	2019
Sum overføringer og disponeringer		**-64 355 000**	**29 389 000**

Balanse

Beløp i: USD	Note	2020	2019
BALANSE - EIENDELER			
Anleggsmidler			
Immaterielle eiendeler			
Utsatt skattefordel	10	180 089 000	146 538 000
Sum immaterielle eiendeler		**180 089 000**	**146 538 000**
Varige driftsmidler			
Property, plant and equipment	9	700 947 000	903 796 000
Sum varige driftsmidler		**700 947 000**	**903 796 000**
Sum anleggsmidler		**881 036 000**	**1 050 334 000**
Omløpsmidler			
Varer			
Inventories	13	12 100 000	10 241 000
Sum varer		**12 100 000**	**10 241 000**
Fordringer			
Trade and other receivables	12	105 193 000	103 491 000
Sum fordringer		**105 193 000**	**103 491 000**
Bankinnskudd, kontanter og lignende			
Cash and cash equivalents	11	13 407 000	4 617 000
Sum bankinnskudd, kontanter og lignende		**13 407 000**	**4 617 000**
Sum omløpsmidler		**130 700 000**	**118 349 000**
SUM EIENDELER		**1 011 736 000**	**1 168 683 000**
BALANSE - EGENKAPITAL OG GJELD			
Egenkapital			
Innskutt egenkapital			
Share capital	21	10 695 000	10 695 000
Overkurs		280 903 000	280 903 000

Balanse

Beløp i: USD	Note	2020	2019
Sum innskutt egenkapital		**291 598 000**	**291 598 000**
Opptjent egenkapital			
Other equity		10 802 000	75 157 000
Sum opptjent egenkapital		**10 802 000**	**75 157 000**
Sum egenkapital		**302 400 000**	**366 755 000**
Gjeld			
Langsiktig gjeld			
Pensjonsforpliktelser		595 000	600 000
Lease Liability - ROUA	22	3 168 000	3 427 000
Decommissioning provision, long term	16	280 625 000	237 620 000
Sum avsetninger for forpliktelser		**284 388 000**	**241 647 000**
Annen langsiktig gjeld			
Long-term borrowing	15	391 691 000	492 633 000
Sum annen langsiktig gjeld		**391 691 000**	**492 633 000**
Sum langsiktig gjeld		**676 079 000**	**734 280 000**
Kortsiktig gjeld			
Leverandørgjeld	14	24 305 000	52 773 000
Kortsiktig konserngjeld	15	2 199 000	7 772 000
Decommissioning provision, short term	16	6 753 000	7 103 000
Sum kortsiktig gjeld		**33 257 000**	**67 648 000**
Sum gjeld		**709 336 000**	**801 928 000**
SUM EGENKAPITAL OG GJELD		**1 011 736 000**	**1 168 683 000**

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Statsautoriserte revisorer
Ernst & Young AS

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INDEPENDENT AUDITOR'S REPORT

To the Annual Shareholders' Meeting of KUFPEC Norway AS

Report on the audit of the financial statements

Opinion

We have audited the financial statements of KUFPEC Norway AS, which comprise the balance sheet as at 31 December 2020, the income statement, and statements of cash flows and changes in equity for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements have been prepared in accordance with laws and regulations and present fairly, in all material respects, the financial position of the Company as at 31 December 2020 and its financial performance and 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 in accordance with the ethical requirements that are relevant to our audit of the financial statements in Norway, and we have fulfilled our ethical responsibilities as required by law and regulations. We have also complied with our other ethical obligations in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

Other information consists of the information included in the Company's annual report other than the financial statements and our auditor's report thereon. The Board of Directors and Chief Executive Officer (management) are responsible for the other information. Our opinion on the audit of 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 management for the financial statements

Management is responsible for the preparation and fair presentation 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.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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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 International Standards on Auditing (ISAs) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with law, regulations and generally accepted auditing principles 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, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with 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.

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 the going concern assumption, and proposal for the allocation of the result 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 ensure that the Company's accounting information is properly recorded and documented as required by law and bookkeeping standards and practices accepted in Norway.

Building a better
working world

Stavanger, 23 April 2021
ERNST & YOUNG AS

Revisjonsberetningen er signert elektronisk

Tor Inge Skjellevik
State Authorised Public Accountant (Norway)

PENNEO

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."

Tor Inge Skjellevik
Oppdragsansvarlig partner
Serienummer: 9578-5997-4-259359
IP: 92.221.xxx.xxx
2021-04-23 15:09:53Z

bank ID

Penneo Dokumentnøkkel: Y3OOO-FC2ZD-YASBY-ICNE0-S4S6T-JQ2T3

KUFPEC NORWAY AS

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

KUFPEC NORWAY AS

(Org. no.: 946 680 591)

Directors' Report & Financial Statements with Notes

31st December 2020

Content:

DIRECTORS' REPORT 2020
KUFPEC Norway AS

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

1. Producing Assets

Gina Krog

The Company holds a 30% working interest in Gina Krog. Oil is exported through a Floating Storage and Offloading vessel. Rich gas is transported to the Sleipner Hub for further processing and export through the Norwegian Gas Transportation Network (Gassled). Initial pressure at Gina Krog is maintained by gas re-injection. The Gina Krog platform has been designed to accommodate potential tie-ins.

In 2020, Gina Krog has sold 7.9 mln bbls of oil/condensate, 1.8 mln bbls of NGL and 11.8 BCF of gas products (all figures are gross).

Sleipner East and West

The Company holds a 10% working interest in the Sleipner East field and a 9.4112% working interest in the Sleipner West field.

Sleipner East is a large gas/condensate field located in the central North Sea. The Gungne satellite field, part of the same Production License, is tied back to Sleipner East through a subsea connection. Condensate from Sleipner is sent to the Kårstø onshore processing terminal for further processing. Processed gas is exported to Zeebrugge in Belgium through the Norwegian Gas Transportation System (Gassled).

Sleipner West is a large gas/condensate field in the central North Sea. Processed gas from Sleipner West is routed to Sleipner East for export. Unstable condensate from Sleipner West is mixed at Sleipner East and sent to Kårstø for final processing.

In 2020, Sleipner East and West has sold 3.1 mln bbls of oil/condensate, 2.5 mln bbls of NGL and 93.4 BCF of gas products (all figures are gross).

Utgard

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

In 2020, Utgard has sold 3.2 mln bbls of oil/condensate, 1.3 mln bbls of NGL and 20.1 BCF of gas products (all figures are gross).

Gyda Field

The Company holds a 5% working interest in the Gyda field (PL 019B). The permanent cessation of production took place at the end of February 2020. According to the cessation plan, disposal of facilities shall be completed in 2023. Execution of well plug and abandonment started in January 2019.

Tambar East Field

The Company holds a 0.8% working interest in the small Tambar East field. Tambar East is a single well at the unmanned Tambar platform which is tied back to the AkerBP operated Ula platform. The well has been closed in 2018. The license has decided to stop production until 2024 whilst studying potential future use of the well.

2. Development Projects

Yme

The Company holds a 10% working interest in the Yme field. A revised PDO was approved by the Norwegian Authorities in March 2018. The PDO includes a leased jack-up rig equipped with drilling and production facilities and re-use of existing facilities on the field. A total of nine wells will be re-used and six new wells are planned. A new subsea template is planned to be installed nearby the existing template on the Beta structure. Modification and construction work on the production facility was completed at the Egersund yard and sail away to the offshore location took place on 29th December 2020. First oil is scheduled for 4Q 2021.

3. Exploration

PL048E

PL048E contains the Eirin discovery (1978), located approximately 9 km from Gina Krog.

The project is currently suspended due to lack of pipeline capacity and uncertain commerciality. The 2021 budget includes funds related to alternative development studies; Next Generation Subsea Tie-back Solutions program. Limited activity is expected in 2021 and the current outlook indicates no pipeline capacity until 2027/28.

PL850

The PL850 license was formally relinquished on 05.05.2020.

Other Exploration Activities

The Company completed a basin screening study around the Greater Sleipner Area in 2019, and a few potential areas were identified and brought forward for further assessment. This culminated in a license application in the APA2020 for the Winston prospect situated between Sleipner and Utgard. The company was awarded a 20% working interest in PL1091 with Lundin as operator and PGNiG and Petoro with 20% each. The license is expected to commence in 1Q 2021 with a 2-year initial program leading to a drill-or-drop decision.

Several farm-in opportunities were also promoted but none of them passed the first decision gate for more in-depth evaluations.

4. Business Development

KUFPEC Norway AS has not made any acquisitions on the Norwegian Continental Shelf in 2020.

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

5. Health, Safety, Security and Environment

KUFPEC Norway AS' office, from where all the Company's Norwegian activities are managed, is located in central Stavanger. The Company had 22 local employees at the end of 2020, of which

6 were females. The Company is actively working to prevent discrimination based on gender, reduced functional ability, ethnic affiliation, nationality, color of skin, religion, or beliefs. There has not been reported any incidents in the KNAS office in 2020 and total sick leave was 4,1 %.

The Company has not carried out any activity which has had a negative impact on the external environment.

As part of the KNAS Management System the Company had in place a business continuity plan so KNAS' business can be managed effectively without working or access to the physical office. The plan was developed already in 2016 and turned out to be important when the COVID-19 situation hit us. This plan was activated on March 12th 2020 following the national lock-down and the Government's request to enable home offices due to COVID-19. The Company immediately vacated the office and staff managed to work efficiently from home without any operational disruptions already from the same day. As the first pandemic wave was over in Norway, we implemented a "Return to Office process" and started a gradual process of returning personnel to the office from June 2020. In August 2020 everybody was back working from the office, but when the second wave came in November, we started to demobilize the office again. The Company has not had any known COVID-19 infection in the office or among any of the employees, and there have been no operational disruptions.

HSSE Activities has been conducted as described in the KNAS HSSE program. Minor adjustments have been made to the program to cater for the home office situation.

6. Corporate Governance & Risks

The Board of Directors consists of 4 persons. KUFPEC Norway AS is one of the several area offices headed by a Country Manager (Managing Director) reporting directly to a Regional Manager at the head office in Kuwait.

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

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

7. R&D

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

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

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

8. Finance

The Income Statement for 2020 shows a total loss for the year of USD 64,355 thousand. Loss from continuing operations is USD 248,460 thousand, impacted by decline in production and reserve revision as well as low oil and gas prices. Included in the income statement is an impairment of USD 191,383 thousand whereof USD 166,413 thousand relates to production facilities and USD 24,970 thousand relates to development facilities. Effective tax rate is 74%, as the impact of uplift is offset by non-deductible depreciation of transaction consideration, exchange rate effect and finance cost not deductible for special tax.

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

Transfer from other equity: USD 64,355 thousand

Positive cash flow from operations, totalling to USD 157,007 thousand, includes tax refunds of USD 88,842 thousand relating to the new temporary tax legislative changes. The positive operational cash flow has funded investments in fixed assets of USD 47,274 thousand, and repayment of loan of USD 100,942 thousand.

The Company's tax loss carry-forward and tax balances, which makes up the major part of the Deferred Tax Asset, is NOK denominated and is exposed to currency risk to the extent that NOK/USD exchange rate varies compared to the year-end rate of NOK 8.53/1 USD. Further reference is made to the notes to the accounts.

Since the start of 2020 there has been a developing outbreak of COVID-19. The travelling restrictions which were introduced as a response to the pandemic, has contributed to a delay in the Yme development project. To date, we have not seen any other material impact onto our operations.

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

Stavanger, 21st April 2021

Saeed M. Al Shaheen
Chairman of the Board

Khaled Al Mullah
Board Member

Steffen Pedersen
Board Member

Leif Sigmund Rosnes
Board Member

Income Statement
for the year ended 31st December 2020

INCOME STATEMENT		**31.12.2020**	31.12.2019
		2020	2019
		USD 000's	*USD 000's*
Continuing operations:			
Sales income	3	145 462	444 316
Other revenue	3	25 939	-45 261
Cost of operations	4,9	-189 958	-231 784
GROSS PROFIT		-18 557	167 272
Exploration/New Venture expenditure written off	8	-957	-1 245
Net impairment (losses -)/ reversals	9	-191 383	7 663
General and administrative expenses	5,6,7,9	-12 155	-13 865
		-204 495	-7 447
PROFIT/LOSS(-) FROM CONTINUING OPERATIONS BEFORE FINANCE INCOME/COSTS AND TAXATION		-223 053	159 825
Interest income		20	147
Unwinding of discount on decommissioning provision	16	-8 565	-8 184
Foreign exchange (loss -)/gain		1 530	1 997
Interest expense	15,22	-18 391	-31 318
PROFIT/LOSS(-) FROM CONTINUING OPERATIONS BEFORE TAXATION AND DIRECTORS' FEES		-248 460	122 467
Income tax (expense -)/revenue	10	184 118	-93 063
PROFIT/LOSS(-) BEFORE DIRECTORS' FEES		-64 342	29 404
Directors' fees	6	-13	-14
PROFIT/LOSS(-) FOR THE YEAR		-64 355	29 391

Statement of Financial Position - Assets

as at 31st December 2020

	Notes	31.12.2020 *USD 000's*	31.12.2019 *USD 000's*
ASSETS			
Current assets			
Cash and cash equivalents	11	13 406	4 616
Trade and other receivables	12	105 193	103 491
Inventories	13	12 100	10 241
		130 700	118 348
Non-current assets			
Property, plant and equipment	9	700 947	903 796
Deferred tax assets	10	180 089	146 538
		881 036	1 050 335
TOTAL ASSETS		1 011 736	1 168 683

Statement of Financial Position – Liabilities and Equity

as at 31st December 2020

	Notes	31.12.2020 USD 000's	31.12.2019 USD 000's
LIABILITIES AND EQUITY			
Current liabilities			
Trade and other payables	14	24 305	52 773
Due to Ultimate Parent Company and affiliates	15	2 199	7 772
Decommissioning provision, short term	16	6 753	7 103
		33 257	67 648
Non-current liabilities			
Decommissioning provision, long term	16	280 625	237 620
Pension liabilities		595	600
Lease Liability - ROUA	22	3 168	3 427
Long-term borrowing	15	391 691	492 633
		676 079	734 280
Total Liabilities		709 336	801 928
Equity			
Share capital	21	10 695	10 695
Share premium		280 903	280 903
Other equity		10 802	75 157
Total equity		302 400	366 755
TOTAL LIABILITIES AND EQUITY		1 011 736	1 168 683

Stavanger, 21st April 2021

Saeed M. Al Shaheen
Chairman of the Board

Khaled Al Mullah
Board Member

Steffen Pedersen
Board Member

Leif Sigmund Rosnes
Board Member

Cash flow Statement

for the year ended 31st December 2020

	2020 *USD 000's*	2019 *USD 000's*
Cash generated/(used -) by operations		
Profit before tax	**-248 460**	122 467
Directors' fees	**-13**	-14
Taxes (paid -)/received	**88 842**	-
Depreciation	**97 326**	119 127
Impairment/(writeback)	**191 383**	-7 663
Payment of decommissioning	**-4 496**	-5 694
Unwinding of Discount ARO	**8 565**	8 184
Change in inventory, accounts receivable/payable	**24 123**	17 327
Changes in other balance sheet items	**-264**	3 894
Net cash inflow/(outflow -) from operations	**157 007**	257 628
Cash generated/(used -) by investments		
Investments in fixed tangible assets (cash payment)	**-47 274**	-106 131
Net cash (outflow -)/inflow from investments	**-47 274**	-106 131
Cash generated/(used -) by financing		
New debt/ (repayment) of long term borrowing	**-100 942**	-168 553
Net cash (outflow -)/inflow from financing	**-100 942**	-168 553
Net change in cash flow during the year	**8 790**	-17 056
Cash at 01.01	**4 616**	21 672
Cash at 31.12	**13 406**	4 616

Changes in Equity
for the year ended 31st December 2020

	Share capital USD 000's	*Share premium USD 000's*	*Other Equity USD 000's*	*Total USD 000's*
At 1 January 2020	10 695	280 903	75 157	366 755
Profit for the year			-64 355	-64 355
At 31 December 2020	**10 695**	**280 903**	**10 802**	**302 400**
At 1 January 2019	10 695	280 903	45 766	337 364
Profit for the year			29 391	29 391
At 31 December 2019	**10 695**	**280 903**	**75 157**	**366 755**

Notes to the Financial Statements

1 CORPORATE INFORMATION

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

2 SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The financial statements have been prepared in accordance with Norwegian Accounting Act § 3-9 and regulations regarding simplified application of International Financial Reporting Standards ("IFRS") issued by the Ministry of Finance on 3 November 2014 ("Norwegian Simplified IFRS"). The Company has not applied any simplifications from the Norwegian Simplified IFRS compared to full IFRS with regards to recognition and measurement.

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

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

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

Changes in accounting policies and disclosures

There have been no changes to the accounting policies in 2020.

Interest in licenses on the Norwegian Continental Shelf

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

Cash and cash equivalents

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

Inventories

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

Oil and natural gas exploration, evaluation and development expenditure

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

Exploration and evaluation costs

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

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

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

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

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

When proved reserves of oil and natural gas are identified and development is sanctioned by management, the relevant capitalized expenditure is first assessed for impairment and (if required) any impairment loss is recognized, then the remaining balance is transferred to oil and gas properties. No amortization is charged during the exploration and evaluation phase.

Development costs

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

Acquisition costs

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

Oil and gas properties and other fixed assets

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

When a development project moves into the production stage, the capitalization of certain construction/development costs cease, and costs are either regarded as part of the cost of inventory or expensed, except for costs which qualify for capitalization relating to oil and gas property asset additions, improvements or new developments.

Decommissioning costs and provisions

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

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

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

If the change in estimate results in an increase in the decommissioning liability and, therefore, an addition to the carrying value of the asset, the Company considers whether this is an indication of impairment of the asset as a whole, and if so, tests for impairment in accordance with IAS 36. If the revised oil and gas assets, net of decommissioning provisions, exceed the recoverable value, that portion of the increase is charged directly to the income statement.

Depreciation, depletion and amortization

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

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

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

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

Impairment of oil and gas properties and other fixed assets

The Company assesses at each reporting date whether there is an indication that an asset or a cash-generating unit ("CGU") may be impaired. The Company classifies fields in production or under development as CGUs. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's or CGU's recoverable amount. Recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the asset is tested as part of a larger CGU to which it belongs.

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

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

Provisions

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

Pension liabilities

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

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

Foreign currencies

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

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

The year end NOK to USD foreign exchange rate used is 8.53.

The average 2020 NOK to USD foreign exchange rate used is 9.44.

Revenue recognition

Revenue is recognized to the extent it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, sales taxes, excise duties and similar levies.

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

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

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

Taxation

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

The current tax payable (receivable) is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the statement of financial position date. Under Norwegian tax legislation a company which has net offshore tax losses has the right to have the tax value of exploration expenditure refunded in the following year. Further, the company may claim a refund of the tax value of the full offshore losses in 2020 and 2021 in accordance with the new short-term tax legislative change. Such refunds are reflected as current tax income in the income statement and as a short-term receivable on the statement of financial position. Included in the short-term tax legislative change are accelerated tax depreciations in special tax basis and increased uplift rate.

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

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

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

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

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

Accounting for leases

The company recognises in the balance sheet, each contract that meets its definition of a lease as right-of-use asset and a lease liability. All leases, except leases of short term (less than 12 moths) and leases of low value, are recognised as a lease liability and a right of use asset in the balance sheet. At initial recognition, the lease liability and right of use asset is measured as the present value of the lease payments, discounted using an incremental borrowing rate. The lease payments are reflected as interest expense and a reduction of lease liabilities. The right-of-use assets are to be depreciated over the shorter of each contract's term and the assets' useful life of the asset.

Significant accounting judgements, estimates and assumptions

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

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

<u>Reserve and resource estimates</u>

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

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

Exploration and evaluation expenditures

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

Recoverability of oil and gas properties

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

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

Decommissioning costs

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

Changes to accounting standards and interpretations

New and amended standards and interpretation issued:

Several new standards are effective for annual periods beginning after 1 January 2020. The following amended standards and interpretations with effective date in 2020 and 2021 are not expected to have a significant impact on the KUFPEC Norway's financial statement:

- Amendments to References to Conceptual Framework in IFRS Standards
- Definition of a Business (Amendments to IFRS 3)
- Definition of Material (Amendments to IAS 1 and IAS 8)
- Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)
- COVID-19-Related Rent Concessions (Amendment to IFRS 16)
- Interest Rate Benchmark Reform 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)

3 SALES INCOME AND OTHER REVENUE

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

	2020 USD 000's	2019 USD 000's
Oil sales	81 052	302 795
NGL sales	17 810	37 491
Gas Sales	46 600	104 030
Total Sales Income	**145 462**	**444 316**

	2020 USD 000's	2019 USD 000's
Changes to over/underlift	25 908	-45 300
Misc. Income	30	39
Total Other Revenue	**25 939**	**-45 261**

4 COST OF OPERATIONS

	2020 USD 000's	2019 USD 000's
Operating cost joint ventures	53 692	62 666
Insurance	5 497	5 963
Pipeline tariffs and marketing cost	28 325	33 986
Income Sharing Sleipner and Utgard	5 652	10 567
Depreciation of producing fields	96 792	118 601
	189 958	**231 784**

5 AUDITORS' REMUNERATION

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

	2020 USD 000's	2019 USD 000's
Audit of financial statements	45	46
Tax advisory services	20	25
Other services	9	10
	74	**81**

6 EMPLOYMENT COST

Total remuneration for 2020 to the Board of directors is USD 13,116.

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

	2020 USD 000's	2019 USD 000's
Wages and salaries	6 766	7 728
Social Security costs	1 037	1 222
Pension costs	653	1 112
Other salary related costs	317	404
	8 773	**10 465**

Remuneration of Managing Director:

	2020 USD 000's	2019 USD 000's
Annual Salary	801	917
	801	**917**
Man-years in the accounting year (KNAS employees)	23	21

7 SPECIFICATION OF GENERAL AND ADMINISTRATIVE EXPENSES

	2020 USD 000's	2019 USD 000's
Salary and personnel cost	8 773	10 465
Office cost	-5	124
Depreciation of capitalised office lease (IFRS16)	440	440
Consultants, legal and professional fees	637	985
Training and travel expenses	28	127
Entertainment, PR and commercial cost	78	54
IT, communication	624	616
Other general/admin cost	96	121
Office asset depreciation	94	85
Timewriting charges to Group companies	-909	-1 309
Cost allocated from Head Office	2 299	2 156
	12 155	**13 865**

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

8 EXPLORATION COST IN THE INCOME STATEMENT

	2020 USD 000's	2019 USD 000's
Expensed drilling and exploration cost	635	926
New Venture cost (Business Development)	322	318
	957	**1 245**

9 INTANGIBLE ASSETS AND PROPERTY, PLANT & EQUIPMENT

	Property, Plant & Equipment				
	Facilities in development	Production facilities including wells	Office equipment etc.	Right of Use Asset	Total
	USD 000's	USD 000's	USD 000's	USD 000's	USD 000's
Cost					
At 1st January 2019	124 923	1 055 193	1 404	-	1 181 520
Additions	39 419	62 236	188	4 288	106 131
Transferred from development to producing	-29 529	29 529	-	-	-
Changes to decommissioning asset	-949	9 341	-	-	8 392
As at 31st Dec 2019 and 1st Jan 2020	133 864	1 156 299	1 593	4 288	1 296 044
Additions	30 641	16 522	111	-	47 274
Changes to decommissioning asset	2 649	35 937	-	-	38 586
As at 31st December 2020	167 154	1 208 758	1 704	4 288	1 381 904
Accumulated depreciation/impairment					
At 1st January 2019	-	279 693	1 091	-	280 784
Depreciation charge for the year	-	118 601	85	440	119 126
Impairment charge/(writeback) for the year	-	-7 663	-	-	-7 663
As at 31st Dec 2019 and 1st Jan 2020	-	390 631	1 176	440	392 247
Depreciation charge for the year	-	96 792	94	440	97 326
Impairment charge/(writeback) for the year	24 970	166 413	-	-	191 383
As at 31st December 2020	24 970	653 836	1 270	880	680 956
Net book value					
As at 31st December 2020	142 184	554 922	434	3 408	700 947
As at 31st December 2019	133 864	765 668	417	3 848	903 796

Gyda and Tambar East are included in the "Production facilities including wells" as shown above although production is ceased. The depreciation of production facilities is based on the unit-of-production method. Office equipment (mainly IT hardware and software) is depreciated over 5 years. Leasehold improvements and Right of Use Asset, representing office lease, are depreciated over the lease period.

Included in the income statement are an impairment of USD 166 724 thousand relating to the Greater Sleipner Area CGU and an impairment of USD 24 970 thousand relating to the Yme CGU. The recoverable amount as at 31st December 2020 has been determined based on a value-in-use calculation using cash flow projections from financial budgets approved by senior management. The projected cash flows have been updated to reflect the change in demand for petroleum products and the impacts associated with COVID-19 as well as other relevant factors. The impact of COVID-19 is mainly relating to the delay on the Yme development project and related production profile as well as the assumed, but unquantifiable impact on commodity prices. The post-tax discount rate applied to the cash flow projections is 4.9% and the inflation rate average is 2.0%.

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

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

	USD 000's
Impairment/(write-back) as per income statement	191 383
Calculated impairment upon increasing WACC by 1 percentage point	232 053
Calculated impairment upon decreasing reserves by 10%	319 927
Calculated impairment upon decreasing commodity prices by 10%	319 927

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

The impairment charge for the year is broken down as follows:

	USD 000's
Gyda - Updated ARO provision	-325
Tambar East - Updated ARO provision	14
YME CGU - Impairment - Facilities in development	24 970
Greater Sleipner Area - Impairment - Production facilities	166 724
Impairment/(write-back) per income statement	191 383

10 TAXATION

Basis for taxes	2020 USD 000's	2019 USD 000's
Profit/(loss) before taxes (after directors' fees)	-248 473	122 467
Permanent differences	-1 950	427
Depreciation/impairment of permanent differences	36 027	14 046
Change in temporary differences	55 322	-88 223
Exchange rate effects NOK/USD	-2 113	-1 822
Basis for corporate tax payable (22%)	-161 187	46 896
Financial items without special tax	26 082	21 759
Fixed assets - accumulated additional tax depreciations special tax regime	-46 355	-
This year's effect of uplift on taxable income	-36 887	-48 549
Basis for special tax payable (56%)	-218 348	20 106
Tax payable/receivable(-) corporate tax	-35 461	-
Tax payable/receivable(-) special tax	-122 275	-
Pre-paid tax	96 011	-
Tax payable/receivable(-)	-61 725	-

Tax expense	2020 USD 000's	2019 USD 000's
Tax payable/receivable(-)	-157 736	-
Corporate tax on current year tax loss carried forward	-	10 317
Special tax on current year tax loss carried forward (incl uplift)	-	11 259
Interest on loss carry forward for corporate tax	-264	-551
Interest on loss carry forward for special tax	-1 298	-2 695
Prior year adjustments	299	1 540
Change in deferred tax on temporary differences	-31 989	68 814
Exchange effects on opening balances; temporary differences and tax payments	6 870	4 379
Tax expense/income(-)	-184 118	93 063

The 2020 income tax refund as a result of the temporary tax legislative changes amounts to USD 158 million where of USD 26 million relates to accelerated tax depreciations and USD 21 million relates to accelerated uplift utilization. Of the USD 158 million tax refund for 2020, USD 89 million is received in 2020 and the remainder will be received in 2021. Note that the temporary tax legislative changes are primarily relating to timing and will increase future tax payments as reflected in the tables above and below.

Temporary differences/Deferred tax	2020 USD 000's	2019 USD 000's
Temporary differences		
Inventory of petroleum	10 826	-6 502
Stock	9 642	-
Pension provision	-595	-600
Fixed assets	313 019	371 873
Long term loan (estimated tax rate 37 %)	17 834	-
Lease liability	-267	-3 048
Gain/loss account	7 878	9 569
Asset retirement obligation	-277 267	-234 899
Total temporary differences corporate tax regime	81 070	136 392
Fixed assets - accumulated additional tax depreciations special tax regime	46 355	-
Total temporary differences special tax regime	109 591	136 392
Tax loss carry forward corporate tax	-201 465	-195 235
Tax loss and uplift carry forward special tax	-388 517	-374 998
Deferred tax		
Deferred corporate tax (22% 31.12.19, 22% 31.12.20)	-23 890	-12 852
Deferred special tax asset (56% 31.12.19, 56% 31.12.20)	-156 199	-133 687
Net deferred tax liabilities/assets (-)	-180 089	-146 538

Calculation of total taxes	2020 USD 000's	2019 USD 000's
Profit before taxes	-248 473	122 467
Expected tax at 78%	193 809	-95 525
Exchange rate effects NOK/USD	8 197	-3 624
Permanent differences	-1 521	333
Depreciation of permanent differences	-28 101	-10 956
Financial items, special tax	-10 185	-12 185
Current year's uplift	20 657	27 187
Interest on loss carry forward	1 562	3 246
Prior year's adjustment/other	-299	-1 540
Total taxes	184 118	-93 063
Effective tax rate	74 %	76 %

11 CASH AND CASH EQUIVALENTS

	2020 USD 000's	2019 USD 000's
Cash at bank (unrestricted)	13 014	3 875
Cash at bank (restricted withholding tax funds)	392	741
	13 406	**4 616**

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

12 TRADE AND OTHER RECEIVABLES

	2020 USD 000's	2019 USD 000's
Trade receivables	11 055	74 124
Tax refund	61 725	-
Licenses; receivables and prepayments	12 982	14 840
Licenses; overcall	4 985	10 759
Prepayments and deferred charges	1 377	2 057
Underlifting Recoverables	13 068	1 688
Other receivables	-	23
	105 193	**103 491**

13 INVENTORIES

	2020 USD 000's	2019 USD 000's
Materials - Joint Ventures	12 100	10 241
	12 100	**10 241**

14 TRADE AND OTHER PAYABLES

	2020 USD 000's	2019 USD 000's
Trade payables	513	2 213
Licenses; payables and accruals	17 288	20 846
Accruals and deferred income	2 294	3 835
Payroll and taxes	1 349	1 646
Overlifting Liabilities	1 288	15 816
Other liabilities	1 568	481
VAT payable	3	7 936
	24 305	**52 773**

15 INTERCOMPANY ACCOUNTS AND TRANSACTIONS

	2020 USD 000's	2019 USD 000's
Intercompany payable, short term	2 199	7 772
Intercompany payable, long term	391 691	492 633
	393 890	**500 405**

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

The Company charged the following cost to other Group companies:

	2020 USD 000's	2019 USD 000's
Timewriting charges to KUFPEC UK Ltd	719	1 259
Recharge of expenses to KUFPEC UK Ltd	10	40
Timewriting charges to KUFPEC k.s.c.	192	55
Recharge of expenses to KUFPEC k.s.c.	843	1 406
	1 763	**2 759**

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

	2020	2019
	USD 000's	USD 000's
Interest on Intercompany loan	18 113	31 067
Insurance and JV audit fee - recharged	6 091	7 700
Guarantee fee	126	125
Head Office timewriting charges	2 256	1 963
Salaries secondees	1 053	1 628
Travel cost support from Head Office	43	193
	27 682	42 677

16 ASSET RETIREMENT OBLIGATION

	2020	2019
	USD 000's	USD 000's
Opening balance	244 724	233 836
Revisions to estimates	38 586	8 398
Payment of decommissioning	-4 496	-5 694
Unwinding of discount	8 565	8 184
	287 379	244 724
Short term ARO provision	6 753	7 103
Long term ARO provision	280 625	237 621
	287 379	244 724

17 DRILL COMMITMENTS

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

18 OBLIGATIONS UNDER OPERATING LEASES AND OTHER NON-CANCELLABLE CONTRACTS

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

	2020 USD 000's	2019 USD 000's
Within one year - KNAS's contracts	729	1 277
Between 1 and 5 years - KNAS's contracts	181	649
After 5 years - KNAS's contracts	-	-
Within one year - non-operated licenses	7 845	20 299
Between 1 and 5 years - non-operated licenses	27 687	51 754
After 5 years - non-operated licenses	22 049	-
	58 492	73 979

The obligations shown above excludes lease commitments per 31.12.20 for leases accounted for under IFRS16, ref. note 22.

19 RELATED PARTY DISCLOSURES

KUFPEC Norway AS has not provided any loans or guarantees to management, employees or board members. For the purpose of related party disclosure in accordance with IAS 24, only directors are considered to be key management personnel. For compensation of key management personnel, note 6 contains additional information regarding remuneration of management – Managing Director.

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

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

20 FINANCIAL INSTRUMENTS, FINANCIAL RISK FACTORS AND CAPITAL MANAGEMENT

(a) Market risk

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

(i) Commodity price risk

The Company is exposed to commodity price risk. There are currently no hedging arrangements in place.

(ii) Foreign currency exchange risk

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

(iii) Interest rate risk

The Company is exposed to interest rate risk through the long-term loan (see note 15 for terms).

(b) Credit risk

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

(c) Liquidity risk

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

21 SHAREHOLDERS AND NUMBER OF SHARES

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

The chairman of the Board is Saeed Al Shaheen. Other members of the Board are Khaled Al Mullah, Steffen Pedersen and Leif Sigmund Rosnes. The chairman solely or two board members jointly are empowered to sign for the Company.

22 LEASE LIABILITY – RIGHT OF USE ASSET AND OTHER LEASES

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

	2020 USD 000's	2019 USD 000's
Right of Use Asset - Net balance 31.12.	3 408	3 848
Lease Liability - Balance 31.12.	3 168	3 427
Interest calculated on lease liability	144	159

Payments in year for leases under IFRS and other leases

	2020 USD 000's
Leases under IFRS 16	481
Short term leases, IFRS 16 not applied	1
Low value leases, IFRS 16 not applied	8
Total lease payments	**490**

Future obilgations for leases under IFRS 16:

	2020 USD 000's
Within one year	507
Between 1 and 5 years	2 160
Over 5 years	1 615
	4 282

23 IMPACT FROM COVID-19 AND SUBSEQUENT EVENTS

Since the start of 2020 there has been a developing outbreak of COVID-19. Measures taken by various governments to contain the virus have affected economic activity. We have taken a number of measures to monitor and mitigate the effects of COVID-19, such as safety and health measures for our people (such as social distancing and working from home) and securing the operational processes (such as testing routines) to avoid operational disruptions.

The travelling restrictions which were introduced as a response to the pandemic, has contributed to a delay in the Yme development project. Further, the low oil/gas prices in 2020 had a significant impact on the company liquidity, but KNAS still had positive cash flow from operations (USD 157 million) and repaid loans of USD 109 million. Our internal forecasts shows that positive cash flow is expected also for the coming years.

As a consequence of the low oil price environment combined with the COVID-19 lock down, Norwegian Authorities implemented temporary tax legislative changes mainly covering 2020 and 2021. In 2020, KNAS received USD 89 million of tax refund related to this legislative change (see note 10 for further details relating to the impact of the temporary tax legislation).

So far in 2021 we have not seen any material impact onto our operations as a result of COVID-19 or of any specific event. However, we recognize there are still macro-economic uncertainties with regards to prices and demand for oil, gas and other products as well as risk of delays in operations as a result of the pandemic, which may impact our earnings, cash flow and financial condition.

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

We will continue to follow the various government policies and advice and, in parallel, we will do our utmost to continue our operations in the best and safest way possible without jeopardizing the health of our people.

24 LICENSES

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

Share	License	Operator	Status	Lic. Expires:
30%	Gina Krog Unit (PL029B/C, PL048)	Equinor Energy AS	Producing oil and gas	31.12.2032
10%	Sleipner East Unit (PL046)	Equinor Energy AS	Producing gas and condensate	31.12.2028
9.4112%	Sleipner West Unit (PL046)	Equinor Energy AS	Producing gas and condensate	31.12.2028
5%	Gyda (PL019B/F/G)	Repsol Norge AS	Production ceased in Q1 2020. Well plug and abandonment has started, and decommissioning must be completed by 2023.	N/A
0.8 %	Tambar East Unit	Aker BP ASA	Production ceased	-
6.2%	Utgard Unit (PL046E/F)	Equinor Energy AS	Producing gas and condensate	31.12.2028
10%	Yme (PL316/PL316B)	Repsol Norge AS	Development ongoing	18.06.2030
21.8%	Eirin (PL048E)	Equinor Energy AS	Project suspended	31.12.2028

25 PROVED AND PROBABLE RESERVES (NOT AUDITED)

Amounts in million barrels of oil equivalents (BOE):

Proved and probable (2P) reserves as of 01.01.20	64.9
Acquisitions in 2020	-
Production in 2020	- 6.1
Revisions	- 6.6
Proved and probable (2P) reserves as of 31.12.20	52.2

Skattedirektoratet

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

KUFPEC NORWAY AS
Postboks 207
4001 STAVANGER

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

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

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

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

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

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

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

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

Postadresse	Besøksadresse:	Sentralbord
Postboks 9200 Grønland	Se www.skatteetaten no	800 80 000
0134 Oslo	Org.nr: 996250318	Telefaks
	E-post: skatteetaten.no/sendepost	22 17 08 60

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

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

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

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

Vennligst oppgi vår referanse ved henvendelser i saken.

Med hilsen

Rune Tystad
seniorrådgiver
Rettsavdelingen, foretaksskatt
Skattedirektoratet

Torstein Kinden Helleland