



ÅRSREGNSKAPET FOR REGNSKAPSÅRET 2020 - GENERELL INFORMASJON

Enheten

Organisasjonsnummer: 991 735 194
Organisasjonsform: Aksjeselskap
Foretaksnavn: LOTOS EXPLORATION AND PRODUCTION
NORGE AS
Forretningsadresse: Blokk C
Jåttåvågveien 7
4020 STAVANGER

Regnskapsår

Årsregnskapets periode: 01.01.2020 - 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: Piotr Statkiewich
Dato for fastsettelse av årsregnskapet: 22.06.2021

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, 23.07.2022



Resultatregnskap

Beløp i: NOK	Note	2020	2019
RESULTATREGNSKAP			
Inntekter			
Sales revenue	2	1 522 591 537	1 646 931 656
Other operating income	4	53 544 806	385 385 591
Sum inntekter		1 576 136 343	2 032 317 247
Kostnader			
Cost of sales	3	1 086 463 701	706 193 840
Other operating expenses	4	1 578 000 000	103 006 298
General and administrative expenses	5	188 601 735	162 390 893
Sum kostnader		2 853 065 436	971 591 031
Driftsresultat		-1 276 929 093	1 060 726 216
Finansinntekter og finanskostnader			
Finance income	20	27 053 465	13 141 522
Sum finansinntekter		27 053 465	13 141 522
Finance cost	19,20	100 741 011	189 597 711
Sum finanskostnader		100 741 011	189 597 711
Netto finans		-73 687 546	-176 456 189
Ordinært resultat før skattekostnad		-1 350 616 639	884 270 027
Corporate income tax	11	-1 013 437 409	677 549 410
Ordinært resultat etter skattekostnad		-337 179 230	206 720 617
Årsresultat		-337 179 230	206 720 617
Overføringer og disponeringer			
Transferred to retained earnings		-337 179 231	206 720 616
Sum overføringer og disponeringer		-337 179 231	206 720 616



Balanse

Beløp i: NOK	Note	2020	2019
BALANSE - EIENDELER			
Anleggsmidler			
Immaterielle eiendeler			
Intangible assets	14	627 199 937	604 666 598
Sum immaterielle eiendeler		627 199 937	604 666 598
Varige driftsmidler			
Property, Plant and Equipment	12,13	2 374 885 838	3 778 986 468
Sum varige driftsmidler		2 374 885 838	3 778 986 468
Finansielle anleggsmidler			
Non-current financial assets	8,15	154 082 432	90 104 772
Non- current prepayments and accrued income	16	3 751 966	6 894 931
Deferred tax asset	11	552 000 859	
Sum finansielle anleggsmidler		709 835 257	96 999 703
Sum anleggsmidler		3 711 921 032	4 480 652 769
Omløpsmidler			
Varer			
Inventories	26	178 257 858	186 475 449
Sum varer		178 257 858	186 475 449
Fordringer			
Trade receivables	26	28 990	32 570
Other receivables	17	915 087	2 072 382
Corrent prepayments and accrued income	17	126 245 521	119 772 170
Sum fordringer		127 189 598	121 877 122
Bankinnskudd, kontanter og lignende			
Cash and cash equivalents	8	357 602 857	262 331 534
Sum bankinnskudd, kontanter og lignende		357 602 857	262 331 534
Sum omløpsmidler		663 050 313	570 684 105
SUM EIENDELER		4 374 971 345	5 051 336 874



Balanse

Beløp i: NOK	Note	2020	2019
BALANSE - EGENKAPITAL OG GJELD			
Egenkapital			
Innskutt egenkapital			
Share capital	18	4 431 890 000	3 686 843 122
Ikke registrert kapitalforhøyelse			745 046 878
Sum innskutt egenkapital		4 431 890 000	4 431 890 000
Opptjent egenkapital			
Retained earning		-2 811 209 816	-2 474 030 585
Sum opptjent egenkapital		-2 811 209 816	-2 474 030 585
Sum egenkapital		1 620 680 184	1 957 859 415
Gjeld			
Langsiktig gjeld			
Utsatt skatt	11	0	233 285 617
Asset retirement obligation	22	2 227 238 465	2 148 687 974
Other provisions	25		10 587 924
Sum avsetninger for forpliktelser		2 227 238 465	2 392 561 515
Annen langsiktig gjeld			
Long term lease liabilities	10	7 720 469	14 330 294
Sum annen langsiktig gjeld		7 720 469	14 330 294
Sum langsiktig gjeld		2 234 958 934	2 406 891 809
Kortsiktig gjeld			
Liabilities to financial institutions	20,21	10 000 000	0
Leverandørgjeld	9	11 192 061	21 200 043
Tax payable	11	176 506 640	402 760 267
Public duties payable	9	8 043 890	6 369 926
Short term lease liabilities	10	7 124 781	8 820 879
Othger current liabilities	9	215 473 069	192 122 033
Asset retirement obligation	22	13 053 898	23 571 987
Accruals and deferred income	9	24 670 506	31 740 514
Short term provision	25	53 267 382	



Balanse

Beløp i: NOK	Note	2020	2019
Sum kortsiktig gjeld		519 332 227	686 585 649
 Sum gjeld		 2 754 291 161	 3 093 477 458
 SUM EGENKAPITAL OG GJELD		 4 374 971 345	 5 051 336 873



LOTOS Exploration and Production Norge AS

Board of Directors Report

for the year ended 31.12.2020

25th of February 2021



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1. Nature and location of business

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

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

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

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

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

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

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

2. Highlights in 2020 financial year.

The business operated by LOTOS Exploration and Production Norge AS focuses on oil and gas production from the Sleipner and the Heimdal areas, development of oil and gas deposits and exploration for near field potential prospects. Total combined annual average daily production rate in 2020 was 15.1 thousand boe.

The Sleipner area includes 15% participating interest in 4 producing fields: Sleipner East (including the production platform), Sleipner Vest, Gungne and Loke and 17.36% participating interest in unitized cross-border field development Utgard. Production of petroleum from the Sleipner area fields in 2020 resulted in 4.8 million boe, with average annual daily rate of 13.0 thousand boe.



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The Heimdal area groups from 5% to 30% participating interest in the producing fields: Heimdal (including production platform), Vale, Skirne and Atla. Production of petroleum from the Heimdal area in 2020 resulted in 0.8 million boe, with an average annual daily rate of 2.1 thousand boe.

2020 year was time of good operational performance for the company. However, financial results of the company were negatively affected by impact of COVID-19 pandemic, particularly lower oil and gas prices and delivery of Yme project. Competitive production costs across all company held assets and timely mitigation actions to limit administrative expenditures have resulted in successful management of challenging times. Taken actions helped to maintain solid liquidity situation during the year.

During the year 2020 company equity was decreased by net loss of NOK 337 million to NOK 1,621 million. The change is only transfer of 2020 negative net result to Retained Earnings. Significant events for LOTOS Exploration and Production Norge AS during 2020 in chronological order were as follows:

January 2020

- The new non-operated exploration licenses were awarded to the company as result of APA2019: PL442C and PL036F.

February/March 2020

- Significant drop in oil and gas prices raises concerns on company profitability and liquidity. Low lifting costs help to sustain company liquidity.

April 2020

- COVID-19 pandemic draws uncertainty on outlook of commodity prices. The company has recognized significant impairments during first quarter 2020.
- Yme development project faces delays related to COVID-19 spread followed by restrictions imposed by the Norwegian government on foreign workers.
- Anti-crisis action and cost savings plan implementation in the Company.

June 2020

- Introduction of temporary tax regime in Norway significantly improves company liquidity for next few years.
- NOAKA development project is influenced positively by temporary change to taxes and negotiations on development concept pick up new pace.

September 2020

- Further COVID-19 impact and operational challenges push the company to recognize additional impairments on Yme and Utgard.

December 2020

- Onshore completion milestone on Yme achieved followed by Maersk Inspirer sail away from the yard and successful jack-up on Yme field.
- Yme development project delay leads to recognition of additional impairment.
- Reversal of previously recognized impairment on Vale due to very good field performance after low pressure production system implementation and lifetime extension on Heimdal facility.

January 2021

- Successful well intervention campaign on Utgard field allows for significant increase in production levels from the field.

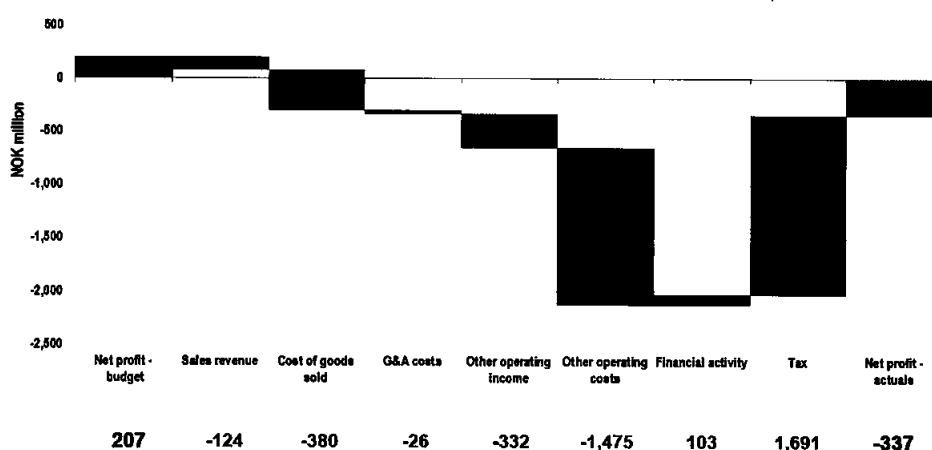
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- The new non-operated exploration licenses were awarded to the company as result of APA2020 round: PL1091, PL1098, and PL1099.

3. Financial performance

The 2020 financial year net loss was NOK 337 million comparing to net income NOK 207 million in 2019. Main negative contributors to the profit or loss statements were significant downward shifts in commodity pricing during the year as well as recognition of impairment losses on Yme and Utgard. On the other hand, significant impairment losses were offset by change in corresponding deferred tax.

Figure 1: Decomposition of Net Profit/Loss from 2019 to 2020



Exceptional Sleipner assets performance and Utgard high production in the beginning of the year were major drivers for company revenue generating ability. Nonetheless, negative trend in macroeconomic conditions has offset benefits from operational activity. The Company sales income dependency on gas has diminished from 61% in 2019 to 39% in 2020 from total revenues. During the 2020-year company generated 40% of its turnover from oil. Further 21% is generated from sale of NGLs and tariff charges.

Exceptionally weaker commodity market during 2020 financial year still allowed company to maintain healthy main financial metrics. In order to reasonably evaluate the trend development, extraordinary items as recognized impairments were excluded from calculation of EBIT, EBITDA and effectively Interest Cover. Short term financial borrowings from group companies were excluded from calculation of current ratio.

Figure 2: Changes in company main Key Performance Indicators

		2020	2019	Change
EBIT (excl. one offs)	NOK mill	248	778	-531
EBITDA (excl. one offs)	NOK mill	727	1,061	-334
Current ratio (excl. borrowings)		1.3	0.8	0.5
Interest cover		2.5	4.1	-2
Equity ratio		37%	39%	-2%



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The Company sales income is generated mainly from gas deliveries and oil sales, which comprises 39% and 40% of total revenue respectfully. Further 13% is generated from sale of of NGLs and tariff charges. The 2020 achieved prices for gas and oil have dropped compared to 2019 by 28% and 37% respectively. In addition, salable production has dropped by 6% in 2020 compared to 2019 levels.

Figure 3: Changes in company supplementary Key Performance Indicators

Production [boe]	units	FULL YEAR		Variance 2020/2019
		2019	2020	
Gas	boe	4,327,512	3,535,253	-18%
Oil	boe	997,990	1,410,747	41%
NGL	boe	558,813	596,517	7%
Other	boe			0%
Total Production	boe	5,884,315	5,542,517	-6%

Sales [boe]	units	FULL YEAR		Variance 2020/2019
		2019	2020	
Gas	boe	4,327,512	3,535,248	-18%
Oil	boe	857,907	1,772,263	107%
NGL	boe	370,765	902,289	143%
Other	boe			0%
Total Sales	boe	5,556,184	6,209,799	12%

Sales Revenue	units	FULL YEAR		Variance 2020/2019
		2019	2020	
Gas	kNOK	995,164	598,347	-40%
Oil	kNOK	443,580	609,088	37%
NGL	kNOK	92,153	193,053	109%
Other	kNOK	116,034	122,104	0%
Total Sales	kNOK	1,646,932	1,522,592	-8%

Average Price	units	FULL YEAR		Variance 2020/2019
		2019	2020	
Gas	USD/boe	26.0	18.6	-28%
Oil	USD/bbl	59.3	37.2	-37%

The net loss of NOK 337 million was allocated to Retained Earnings to add to past accumulated losses.

4. The Company reserves

The company recoverable commercial reserves estimate as at 31.12.2020 were based on all available data including seismic, well logs, core data, drill stem tests and production history by year end of 2020. Proved and probable reserves were the basis for calculations. Industry generally accepted standards were used to quantify and establish 2P reserves. This included decline analysis for mature fields in which reliable trends were established. For undeveloped fields and less mature producing fields profile generation reservoir simulation models or simulations models in combination with decline analysis have been used. Performed simulations were audited by 3rd party.

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Figure 4: Changes in company held reserves.

Amounts in million barrels of oil equivalent, (BoE)	Sleipner Area	Heimdal Area	Yme	Utgard	Total
+Production	-5,03	-0,75		-0,86	-6,63
+/- Revisions	1,86	0,12		-1,83	-0,05
+/- Acquisitions or sales					0,00
+Improved Oil Recovery (IOR)					0,00
+ Discoveries/Developments					0,00
Change	-3,17	-0,63		-2,69	-4,49
Amounts in million barrels of oil equivalent, (BoE)	Sleipner Area	Heimdal Area	Yme	Utgard	Total
+Production	-3,32	-0,79247		-1,43	-5,54
+/- Revisions	2,81	0,92804		-2,37	1,37
+/- Acquisitions or sales					0,00
+Improved Oil Recovery (IOR)					0,00
+ Discoveries/Developments					0,00
Change	-0,51	-0,06443		-3,80	-4,38

The Board of Directors recognizes significant drop of 14% during the year 2020 in recoverable reserves, which is mainly attributable to production from current assets. Maintaining reasonable levels of available reserves is of strategic importance for the company future and goals. The company is actively monitoring M&A market to capitalize on potential opportunities as well as is taking part in APA rounds on NCS. Positive development of the NOAKA area is giving the opportunity to increase 2P reserves by end of 2022.

5. Risk picture

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

6. 2021 and further outlook

Despite the fact that the year 2020 was challenging, the future company performance is positively evaluated by the management, especially with potential for recovery from temporarily COVID-19 effects and growing positive equity further. Therefore, current equity level is considered as acceptable. The management recognizes significant areas of potential better performance and changes, which when implemented, shall enable the company to utilize potential upsides.

Future company financial performance is highly dependent on level of production and commodity pricing. The company expected decrease in production level compared to 2020 is estimated to be



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around 26% due to natural production curve decline, limited Utgard production performance and Yme expected first oil in late 2021. The production of Yme New development asset is expected to significantly contribute to future company performance in the following years. The company is focused on risks related to the current and future Yme project stage. It relates mainly to the existing underwater facility condition, hook up and commissioning before first oil is achieved. Yme New Development will still be the main agenda for the company day to day activities for 2021. The Company intends to remain the active partner on the Yme license to support the ongoing activities for project's timely execution.

In addition, several discoveries are close to mature to development stage providing further strength for company portfolio:

- NOAKA area development consists of LOTOS Exploration and Production Norge AS participating share of 9.74% in FGD (PL442), Langfjellet (PL026B), Froy (PL364), 20% in Fulla (PL873) and 7.87% in Rind (PL026). Currently development concept for the area is under discussion and depends on solution agreed between the partners. Project planned concept select (DG2) is set to Q3 2021.
- LOTOS Exploration and Production Norge AS holds respectively 10% and 16% in Trell (PL102F/G) and Trine (PL036E) developments. Project planned concept select (DG2) is set to 2021.

7. Working environment and equal opportunities

The Board is pleased to report that the Company has built and continues to develop a competent organization based on employees with diverse experience. The average number of full-time positions in 2020 amounted to 31.1. Registered absence due to illness in 2020 was at 3,65%. There have not been any occupational accidents or injuries during the year.

The Company has assimilated a policy aiming to prevent discrimination due to gender or nationality. As of 31 December 2020, the Company had 25 male and 6 female employees of six nationalities. In line with the Grupa LOTOS policy appropriate processes have been implemented to the Company management system. To identify areas of potential improvement as well as to collect feedback from employees on any implemented changes the Working Environment Survey was carried out in November 2020 (conducted every two years).

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

8. External environment

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



LOTOS Exploration and Production Norge AS - Annual Report 2020

9. Going concern assumption

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

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

10. Other matters (if any)

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

Stavanger, 25th February 2021

On behalf of LOTOS Exploration and Production Norge AS

Leszek Jerzy Mierzwa
Chairman of the Board

Bernard Jacek Cichocki
Member of the Board

Olav Fjell
Member of the Board

Wojciech Andrzej Fedko
Member of the Board

Alojzy Zbigniew Nowak
Member of the Board

Marian Roman Krzeński
Member of the Board

Kamil Kowaleczko
Member of the Board
(pending registration)

Piotr Adam Statkiewicz
Chief Executive Officer



LOTOS Exploration and Production Norge AS - Annual Report 2020

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

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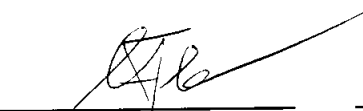
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Kamil Kowalczyk
Member of the Board
(pending registration)

Piotr Adam Statkiewicz
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LOTOS Exploration and Production Norge AS - Annual Report 2020

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

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Stavanger, 25th February 2021

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Kamil Kowaleczko
Member of the Board
(pending registration)

Piotr Adam Statkiewicz
Chief Executive Officer



LOTOS Exploration and Production Norge AS - Annual Report 2020

9. Going concern assumption

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

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

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(pending registration)

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LOTOS Exploration and Production Norge AS - Annual Report 2020

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

10. Other matters (if any)

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

Stavanger, 25th February 2021

On behalf of LOTOS Exploration and Production Norge AS

Leszek Jerzy Mierzwa
Chairman of the Board

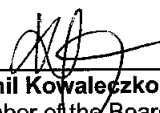
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Member of the Board



Kamil Kowaleczko
Member of the Board
(pending registration)

Piotr Adam Statkiewicz
Chief Executive Officer



LOTOS Exploration and Production Norge AS - Annual Report 2020

9. Going concern assumption

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

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

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LOTOS Exploration and Production Norge AS - Annual Report 2020

9. Going concern assumption

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

10. Other matters (if any)

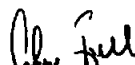
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LOTOS Exploration and Production Norge AS - Annual Report 2020

9. Going concern assumption

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

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

10. Other matters (if any)

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

Stavanger, 25th February 2021

On behalf of LOTOS Exploration and Production Norge AS

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Member of the Board
(pending registration)

Piotr Adam Statkiewicz
Chief Executive Officer



LOTOS Exploration and Production Norge AS

Annual Report 2020

Board of directors' report

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

Auditors' report



LOTOS Exploration and Production Norge AS

Statement of comprehensive income

NOK	Note	2020	2019
Sales revenue	2	1 522 591 537	1 646 931 656
Cost of sales	3	<u>-1 086 463 701</u>	<u>-706 193 840</u>
Gross profit		<u>436 127 836</u>	<u>940 737 815</u>
General and administrative expenses	5,6,7	<u>-188 601 735</u>	<u>-162 390 893</u>
Profit and loss on Sales		<u>247 526 101</u>	<u>778 346 922</u>
Other operating income	4,12,25	53 544 806	385 385 591
Other operating expenses	4,14	<u>-1 578 000 000</u>	<u>-103 006 298</u>
Operating profit		<u>-1 276 929 094</u>	<u>1 060 726 215</u>
Finance income	20	27 053 465	13 141 523
Finance cost	19, 20	<u>-100 741 011</u>	<u>-189 597 711</u>
Ordinary result before tax		<u>-1 350 616 640</u>	<u>884 270 027</u>
Corporate income tax	11	<u>1 013 437 409</u>	<u>-677 549 410</u>
Net profit or (loss) for the year		<u>-337 179 231</u>	<u>206 720 616</u>
Other Comprehensive income			
Total Comprehensive income (losses)		<u>-337 179 231</u>	<u>206 720 616</u>
Total comprehensive income attributable to the Owners of the company			
Transferred to/from retained earnings		<u>-337 179 231</u>	<u>206 720 616</u>
Total allocations		<u>-337 179 231</u>	<u>206 720 616</u>



LOTOS Exploration and Production Norge AS

Statement of financial position

NOK	Note	2020	2019
Assets			
Non-current assets			
Intangible assets	14	627 199 937	604 666 598
Property plant and equipment	12,13	2 374 885 838	3 778 986 468
Non-current financial assets	8, 15	154 082 432	90 104 772
Deferred tax asset	11	552 000 859	0
Non-current prepayments and accrued income	16	<u>3 751 966</u>	<u>6 894 931</u>
Total non-current assets		<u>3 711 921 032</u>	<u>4 480 652 769</u>
Current assets			
Inventories	26	<u>178 257 858</u>	<u>186 475 449</u>
<i>Current receivables</i>			
Trade receivables		28 990	32 570
Other receivables	17	915 087	2 072 382
Current prepayment and accrued income	17	<u>126 245 521</u>	<u>119 772 170</u>
Total current receivables		<u>127 189 598</u>	<u>121 877 122</u>
<i>Current investments</i>			
Cash and cash equivalents	8	<u>357 602 857</u>	<u>262 331 534</u>
Total current investments		<u>357 602 857</u>	<u>262 331 534</u>
Total current assets		<u>663 050 313</u>	<u>570 684 105</u>
Total assets		<u>4 374 971 345</u>	<u>5 051 336 874</u>



LOTOS Exploration and Production Norge AS

Statement of financial position

NOK	Note	2020	2019
Equity			
<i>Paid-in capital</i>			
Share capital	18	4 431 890 000	3 686 843 122
Share issue not registered		0	745 046 878
Total paid-in capital		<u>4 431 890 000</u>	<u>4 431 890 000</u>
<i>Retained earnings</i>			
Retained earnings		<u>-2 811 209 816</u>	<u>-2 474 030 585</u>
Total retained earnings		<u>-2 811 209 816</u>	<u>-2 474 030 585</u>
Total equity		<u>1 620 680 184</u>	<u>1 957 859 415</u>
Liabilities			
<i>Provisions for non-current liabilities</i>			
Deferred tax liability	11	0	233 285 617
Asset retirement obligation	22	2 227 238 465	2 148 687 974
Other provision	25	0	10 587 924
Total provisions for non-current liabilities		<u>2 227 238 465</u>	<u>2 392 561 515</u>
<i>Non-current liabilities</i>			
Long-term lease liabilities	10	<u>7 720 469</u>	<u>14 330 294</u>
Total Non-current liabilities		<u>7 720 469</u>	<u>14 330 294</u>
<i>Current liabilities</i>			
Liabilities to financial institutions	20, 21	10 000 000	0
Trade payable	9	11 192 061	21 200 043
Tax payable	11	176 506 640	402 760 267
Public duties payable	9	8 043 890	6 369 926
Short-term lease liabilities	10	7 124 781	8 820 879
Other current liabilities	9	215 473 069	192 122 033
Asset retirement obligation	22	13 053 898	23 571 987
Short-term provision	25	53 267 382	0
Accruals and deferred income	9	24 670 506	31 740 514
Total current liabilities		<u>519 332 227</u>	<u>686 585 649</u>
Total liabilities		<u>2 754 291 162</u>	<u>3 093 477 459</u>
Total equity and liabilities		<u>4 374 971 345</u>	<u>5 051 336 874</u>



LOTOS Exploration and Production Norge AS

25. February 2021
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LOTOS Exploration and Production Norge AS


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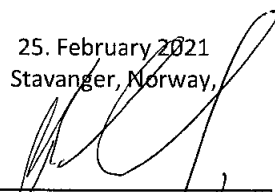
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LOTOS Exploration and Production Norge AS

Statement of cash flow 01.01-31.12

NOK	Note	2020	2019
Cash flow from operating activities			
Profit/(loss) before tax		-1 350 616 640	884 270 026
Income tax paid/received		1 897 306	-750 084 166
Depreciations and amortizations		474 800 618	282 754 922
Impair. reversal PPE/write down exploration licenses		1 578 000 000	-169 697 547
Change in inventories		8 217 591	-49 839 797
Interest and profit distributions (dividends)		401 912	42 074 142
Effect of changes in exchange rates		-23 114 222	-2 506 592
Change in liabilities and accruals		17 350 536	-109 981 276
Change in provisions		40 334 516	-68 060 228
Change in receivables		1 160 874	264 875 743
Change in prepayments		-3 330 387	35 544 917
Other adjustments		0	6 212 359
Net cash flow from operating activities		<u>745 102 104</u>	<u>365 562 503</u>
Cash flow from investing activities			
Cash provided/released from Escrow		0	997 848 157
Purchase of intangible assets and PPE		-610 270 264	-956 611 834
Payment into cash collateral		-63 578 535	-89 473 789
Net cash flow from investing activities		<u>-673 848 799</u>	<u>-48 237 466</u>
Cash flow from financing activities			
Net proceeds from issue of shares and additional contrib. to equity		0	745 046 878
Loans and borrowings		10 000 000	236 387 901
Repayment loans and borrowings		0	-1 297 667 093
Paid interest and fees		0	-60 990 627
Decrease in lease liabilities		-9 096 204	-4 312 230
Net cash flow from financing activities		<u>903 796</u>	<u>-381 535 171</u>
Effect of foreign exchange differences on cash		23 114 222	-1 468 553
Net change in cash and cash equivalents		95 271 323	-65 678 687
Cash and cash equivalents at 01.01		<u>262 331 531</u>	<u>328 010 218</u>
Cash and cash equivalents at 31.12		<u>357 602 854</u>	<u>262 331 531</u>

Restricted cash at 31.12.2020: NOK 4.093.607 (Note 8)

Restricted cash at 31.12.2019: NOK 3.883.809 (Note 8)



LOTOS Exploration and Production Norge AS

Notes to the financial statement

NOK

	Share capital	Share issue not registered	Other equity	Total
Owners' equity 01.01.2019	3 686 843 122	0	-2 680 751 201	1 006 091 921
Profit for the year 2019	0	0	206 720 616	206 720 616
Share issue not registered	0	745 046 878	0	745 046 878
Owners' equity 31.12.2019	3 686 843 122	745 046 878	-2 474 030 585	1 957 859 415
Owners' equity 01.01.2020	3 686 843 122	745 046 878	-2 474 030 585	1 957 859 415
Profit for the year 2020	0	0	-337 179 231	-337 179 231
Share issue registered	745 046 878	-745 046 878	0	0
Owners' equity 31.12.2020	4 431 890 000	0	-2 811 209 816	1 620 680 184

New standards and interpretations

The Company has evaluated that there were no new standards and interpretations that are relevant for 2020.

Note - 1 Accounting Principles

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

The use of estimates when preparing the annual accounts

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

Operating revenues and costs

Revenues

Revenues are recognized according to IFRS 15 Revenue principles. LEPN revenues are generated from contracts with customers for various petroleum products. Sales revenues are recognized when petroleum products are delivered to the customer at point sale, there is no unfulfilled obligation that could affect the acceptance of the petroleum products and commercial terms of the agreements are able to be calculated. Delivery occurs when the ownership of petroleum products has been passed to the buyer. Performance obligations are deemed to be met after actual delivery occurs and after

21/01/2021

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LOTOS Exploration and Production Norge AS

Notes to the financial statement

NOK

commercial value of the arising sales revenue can be reliably estimated. Revenue from sales is based on the price specified in the sales contracts, net of the agreed quality discounts. No element of financing is deemed present as the sales are made with a credit term up to 30 days from actual delivery, which is consistent with market practice.

Operating costs

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

Classification

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

Currency

Transactions in foreign currencies are translated at the exchange rate on the transaction date. Monetary items denominated in foreign currencies are translated into Norwegian kroner using exchange rate at the balance sheet date. Non-monetary items measured at historical exchange rate expressed in foreign currency are translated into Norwegian kroner using the exchange rate on the transaction date. Non-monetary items measured at fair value expressed in foreign currencies are translated at the exchange rate at the balance sheet date. Changes to exchange rates are recognized in the statement of comprehensive income as they occur during the accounting period.

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

Receivables

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

Borrowing costs

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

Income tax and deferred tax

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

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

Deferred taxes and deferred tax assets are measured on the basis of the expected future tax rates



LOTOS Exploration and Production Norge AS

Notes to the financial statement

NOK

applicable to the LEPN where temporary differences have arisen.

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

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

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

Interests in joint ventures

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

Property, Plant and equipment and depreciations

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

Acquired and developed properties used for petroleum production are depreciated using the unit of production method. Assets under construction on the Norwegian continental shelf are depreciated from the time they are put into production. The rate of depreciation is equal to the ratio of oil and gas production for the period for proved and probable reserves of acquired properties, and proved and probable developed reserves of developed properties. Any change in the reserves affecting unit of production calculations are reflected prospectively over the remaining production period.

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

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

Exploration and development costs related to oil and gas fields

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

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

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

Capitalized exploration expenses are classified as intangible assets and are re-classified to tangible

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LOTOS Exploration and Production Norge AS

Notes to the financial statement

NOK

assets upon start of development. All costs for developing commercial oil and/or gas fields are capitalized as tangible assets.

Farm-ins/outs arrangements

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

Impairment of non-current assets

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

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

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

Interest bearing liabilities

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

Provisions

A provision is recognized when LEPN has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

Asset retirement obligations

In accordance with the terms of the license concessions for licenses where LEPN has an ownership interest, the Norwegian State may instruct the license holders to partly or completely remove the



LOTOS Exploration and Production Norge AS

Notes to the financial statement

NOK

facilities at the end of production or when the concession period expires.

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

Acquisitions

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

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

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

Proportionate method: This method is typically applied for situations where assets of "equal value" are acquired. As an example, the purchase of two producing fields would normally qualify for the use of this method. The degree of certainty related to the valuation of the two fields would typically be comparable. When applying this method, the purchase price will be proportionately divided in two, based on the value of each field.

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



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Notes to the financial statement

NOK

Leases

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

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

Right-of-use assets are depreciated according corresponding asset category, while lease liabilities are accounted for using the effective interest rate.

Cash flow

Cash flow analysis is prepared based on the indirect method.

Events after the balance sheet date

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

Note 2 - Revenue by product and geographical market

NOK

Sales have taken place in Europe and Asia.

<i>Revenues by products</i>	2020	2019
Natural Gas	606 070 662	1 005 110 450
Crude oil	601 364 485	433 633 878
NGLs	193 052 690	92 153 006
Other	105 379 755	101 148 775
Tariffs	16 723 945	14 885 545
Total	<u>1 522 591 537</u>	<u>1 646 931 654</u>



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Notes to the financial statement

NOK

Note 3 - Cost of sales

NOK

	2020	2019
Depreciation (Refer to Note 12)	471 095 464	279 537 718
Tariff charges	215 089 546	224 006 360
Production costs	207 084 774	184 248 242
Environmental taxes	56 447 267	47 004 636
Insurance costs	36 987 316	28 969 347
Changes in inventory	99 759 334	-57 572 461
Total	<u>1 086 463 701</u>	<u>706 193 840</u>

Production cost 2020 include forex of NOK 8 million in loss. (2019: forex gain of 0.9 million).

Note 4 - Other operating income and Other operating expenses

NOK

	2020	2019
Other Operating income	53 544 806	385 385 591

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

Other operating income 2019 is mainly reversal of impairment on Yme field of NOK 272.7 million and remeasurement of provision for contingent payments for Price trigger mechanism Sleipner of NOK 101.8 million.

	2020	2019
Other Operating expenses	1 578 000 000	103 006 298

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

Other operating expenses in 2019 are related to write down of PL 910 of NOK 61.9 million, write down of PL 871 of NOK 29.8 million, both due to dry wells, and write down of PL 866 of NOK 2.6 million due to relinquishment.



LOTOS Exploration and Production Norge AS

Notes to the financial statement

NOK

Note 5 - General and administrative expenses

NOK

	2020	2019
Payroll expenses (Refer to Note 6,7)	90 596 061	79 804 169
Development cost	54 467 637	27 584 099
Office expenses	12 704 929	12 235 658
Technical consultancy advice	4 771 671	11 089 883
Financial and legal services	9 726 992	10 240 446
Other external services	5 582 934	4 772 900
Exploration expenses	4 530 249	9 948 720
Depreciation onshore assets (Refer to Note 12, 14)	3 705 154	3 217 204
Other expenses	2 516 104	3 497 815
Total	<u>188 601 735</u>	<u>162 390 893</u>

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

Note 6 – Payroll expenses, senior management remuneration and auditor's fee

NOK

<i>Payroll expenses</i>	2020	2019
Salaries	52 294 704	45 661 146
National insurance contributions	10 939 308	9 830 200
Pension costs	8 960 069	7 445 503
Other benefits	18 401 981	16 867 320
Total	<u>90 596 062</u>	<u>79 804 169</u>

Average full time positions	31	27
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Management remuneration

CEO in 2020:

Piotr Statkiewicz	Salary: 2 738 310	Other remuneration: 2 642 300
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No loans/guarantees have been authorized to either the CEO, the Board or any other related parties. Neither have any severance pay arrangements been established for CEO or the Board. LOTOS has a bonus scheme for all employees calculated according to the achieved objectives.

<i>Auditor fee has been divided as follows</i>	2020	2019
Audit fee billed	835 000	629 750
Audit fee accrued		30 001
Other attestation services	15 000	0
Other services	260 000	
Total	<u>1 110 000</u>	<u>659 751</u>

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



LOTOS Exploration and Production Norge AS

Notes to the financial statement

NOK

Note 7 - Pensions

LOTOS is bound by "Lov om obligatorisk tjenestepensjon" to maintain a pension scheme for its employees. LOTOS has a defined contribution plan for all employees.

<i>Defined contribution plans</i>	2020	2019
Defined contribution cost	8 478 365	7 445 503

Note 8 - Restricted assets

As required by "skattebetalingsloven" cash related to taxes withheld from employees of NOK 4.1 million are restricted (2019: NOK 3.9 million).

Cash Collateral account in SEB Bank for Heimdal decommissioning obligation NOK 154.1 million are restricted. (2019: NOK 90.1 million) Refer to Note 20 for further details.

Note 9 - Specification of other current liabilities

NOK

Specification of items included in other current liabilities:

	2020	2019
Accruals related to non-operated JV licenses	122 691 704	145 137 181
Short term liability to <i>ExxonMobil</i> (Refer to note 25)	0	9 414 279
Liability for overlift	87 308 208	21 887 033
Salaries payable	5 473 161	4 862 278
Parent company guarantee payable	0	10 821 264
Other current liabilities	<u>215 473 069</u>	<u>192 122 033</u>

Accruals related to non-operated licenses ITD from December billing of NOK 122.7 million.

Liability for overlift is according to IFRS 15 implementation, refer to principal note on revenues.

Public duties payable

Public duties payable	8 043 890	6 369 926
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This is related to social security and withholding tax for 6th term of 2020.



LOTOS Exploration and Production Norge AS

Notes to the financial statement

NOK

Accrual and deferred income

Accrued bonus	12 044 323	9 862 286
Other accrued expenses	11 104 572	20 332 651
Petoro tax for PL029	1 521 611	1 545 578
Accruals and deferred income	<u>24 670 506</u>	<u>31 740 514</u>

Other accrued expenses are mostly related to invoices for income year 2020 not yet registered in the accounting system of NOK 11 million.

Trade payables

Trade payables	11 192 061	21 200 043
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The trade payables are due early 2021.

Note 10 - Financial liability IFRS 16

NOK

	Building	Transport	Total
<i>Non-current lease</i>			
Lease contract opening balance	10 308 087	4 022 207	14 330 294
Transfer Long term/short term	- 2 587 618 -	4 022 207 -	6 609 825
Interest expense			
Repayment			
Total Non-current lease 31.12.2020	7 720 469	-	7 720 469
<i>Current lease</i>			
Lease contract initial value	2 387 577	6 433 303	8 820 880
Transfer Long term/short term	2 587 618	4 022 207	6 609 825
Interest expense	635 562	154 718	790 280
Repayment	- 3 014 964 -	6 081 240 -	9 096 204
Total Current lease 31.12.2020	2 595 793	4 528 988	7 124 781

From 01.01.2019 LEPN follows IFRS 16 for leases. Under IFRS 16 a lessee will recognize a right-of-use asset and lease liability for all leases except short-term leases and leases of low-value assets. The lease liability is calculated as the present value of outstanding leases, discounted using the incremental borrowing rate at the date of transition. Refer to principal note on leases.

Lease liabilities are payable as follows		
	Future minimum lease payments 2020	Present value of minimum lease payments 2020
Less than one year	7 641 341	7 117 402
Between one and five years	8 253 751	7 727 847
More than 5 years		-
Total lease payments	15 895 092	14 845 249

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LOTOS Exploration and Production Norge AS

Notes to the financial statement

NOK

Note 11 - Income taxes

	2020	2019
<i>Basis for 22% income taxes</i>		
Basis	- 1 350 616 640	884 270 027
Permanent differences	258 198 077	296 394 734
Change in timing differences	1 346 419 562	330 220 510
Basis for 22% income taxes based on P&L statement	<u>254 000 999</u>	<u>850 444 251</u>

<i>Basis for 56% special taxes</i>		
Basis for 22% income taxes	254 000 999	850 444 251
This year's uplift	- 269 350 818	- 134 077 828
Financial items 22% tax	- 20 090 860	- 1 102 332
Permanent differences		- 305 039 269
Additional change in timing differences in 56%	- 489 825 569	-
Basis for 56% special taxes based on P&L statement	<u>- 525 266 248</u>	<u>412 429 486</u>

<i>Specification of current taxes/utilization of losses:</i>		
Tax basis ordinary taxes 22%	254 000 999	850 444 251
Current tax 22%	<u>55 880 220</u>	<u>187 097 735</u>

<i>Tax basis special taxes 56%</i>		
Current tax 56%	- 525 266 248	412 429 486
	- 294 149 099	230 960 512

<i>Specification of current year's tax income (-)/- loss (+)</i>		
Changes tax payables (-)/- loss (+)	- 238 268 879	418 058 247
Changes deferred tax asset (-)/- loss (+)	- 775 904 940	255 112 458
Prior year adjustments	736 410	4 378 705
Income taxes	<u>- 1 013 437 409</u>	<u>677 549 410</u>

<i>Reconciliation of tax income /-expense</i>		
Marginal taxes 78%	- 1 053 480 979	689 730 621
Tax effect of financial items without special taxes	- 11 250 882	- 346 503
Tax effect of uplift	- 150 836 458	- 75 083 584
Tax effect permanent diff	201 394 500	60 365 902
Correction of previous year's taxes	736 410	2 882 975
Current year's income taxes	<u>- 1 013 437 409</u>	<u>677 549 410</u>

<i>Corporate tax payable</i>		
Corporate tax payable 22%	- 468 758 433	- 345 423 755
Corporate tax payable 56%	294 149 099	230 960 512
Tax paid/received	- 1 897 306	173 624 001
Current tax due	<u>- 176 506 640</u>	<u>- 402 760 267</u>

<i>Corporate tax payable - breakdown</i>		
Current tax due CY	85 347 926	- 177 325 607
Current tax due PY (UTP)	-261 854 566	- 225 434 660
	<u>-176 506 640</u>	<u>- 402 760 267</u>

<i>Tax effect of temporary timing differences:</i>		
Properties, plant and equipment and intangible assets	857 257 826	2 251 928 527
Provision for removal	- 2 110 455 660	- 2 172 259 960
Liability for overlift	- 13 688 723	- 8 459 872
Consumables Spare parts	100 282 823	75 054 873
Other temporary differences	107 240 687	152 820 556
Basis for deferred taxes/ -tax assets - ordinary taxes 22%	<u>- 1 059 363 047</u>	<u>299 084 124</u>

<i>Additional Tax effect of temporary timing differences 56%:</i>		
Properties, plant and equipment and intangible assets additional depreciation	489 825 569	0
Basis for deferred taxes/ - tax assets- special taxes 56%	<u>- 569 537 478</u>	<u>299 084 124</u>

Deferred taxes/ tax assets - 22%	- 233 059 870	65 798 507
Deferred taxes/ tax assets - 56%	- 318 940 988	167 487 110
Deferred taxes/ tax assets in the balance- sheet	<u>- 552 000 859</u>	<u>233 285 617</u>

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Notes to the financial statement

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Basis for assumption on impairment

Methodology – cash generating units (CGU)

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

Oil price

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

Oil and gas reserves

The reserves applied in the impairment testing are based on the proven and probable reserves. The recoverable amounts of assets are sensitive to changes in reserves. Refer to note 24.

Discount rate

Discount rates represent the current market assessment of the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate is derived from LEPN WACC which is used at 6.7%.

Currency rates

LEPN is exposed to exchange rate fluctuations between USD and NOK cash flows with regards to the financial statements. Significant cash flows are invoiced and paid in USD and LEPN has used a future exchange rate of USD/NOK 8.47 in 2021 and a range between USD/NOK 8.35-8.97 in the following years.

Inflation

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



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Notes to the financial statement

NOK

Note 13 - Right-of-use assets

NOK

Right-of-use asset

	Right-of-use asset
Gross value 01.01.2020	26 622 271
Change/additions	-
Gross value 31.12.2020	26 622 271
Acc. depreciation 01.01.2020	-
Depreciation for the year	8 535 188
Acc. depreciation 31.12.2020	13 152 095
Net carrying amt. 31.12.2020	13 470 176

Leasing cost in the comprehensive income			
	Buildings	Vehicles	Total
Depreciation for the year	2 667 440		2 667 440
Finance cost	635 562	154 718	790 280
Total	3 303 002	154 718	3 457 720

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

Note 14 - Intangible assets

NOK

	Cap. expl. costs	Software	Total
Acquisition cost at 01.01.2020	651 003 359	6 173 065	657 176 424
Additions	23 373 046		23 373 046
Acquisition cost 31.12.2020	674 376 405	6 173 065	680 549 470
Accumulated amortization 01.01.2020	-	4 092 870	4 092 870
Amortization for the year	-	839 707	839 707
Accumulated amortization 31.12.2020	-	4 932 577	4 932 577
Accumulated impairments 01.01.2020	-	-	48 416 956
Impairment for the year	-	-	-
Accumulated impairments 31.12.2020	-	-	48 416 956
Net carrying amount at 31.12.2020	625 959 449	1 240 488	627 199 937
Amortization plan		Straight line	
Depreciation rates		33 %	



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Notes to the financial statement

NOK

Note 15 - Non current financial assets

NOK

Cash Collateral Heimdal 2020: 154 082 432 2019: 90 104 771

As an integral part of the Sales and Purchase Agreement between ExxonMobil and LEPN a comprehensive Decommissioning Security Agreement (a DSA) was established and agreed upon. The main element of this DSA is a commitment on LEPN to establish a decommissioning security by providing a Letter of Credit for the total amount or by executing the Escrow Account and Pledge Agreement. Before new financing was in place, LEPN had to fill up with cash and pledge in favor of ExxonMobil an Escrow Account sufficient to secure funding for LEPN share of the future decommissioning and removal costs for the Sleipner East and Sleipner West existing wells and facilities. On 21st of March 2019 new financing facility was established. As result the obligation to fund escrow account was replaced with a letter of credit (LoC) issued by BNP Paribas, following full release of funds from Escrow. Current limit of LoC as at 31.12.2020 is NOK 1 070 million.

According to RBL facility, LEPN has an obligation to provide cash collateral for a Letter of Credit for Heimdal decommissioning obligations, as decommissioning liability approaches maturity. As at 31.12.2020 LEPN has provided NOK 154.1 million to secure Heimdal decommissioning project. From 01-01-2021 Letter of Credit for Heimdal decommissioning obligations together with cash collateral account were replaced with Escrow Account pledged for Spirit Energy Norway.

Note 16 - Non - Current prepayments and accrued income

NOK

<i>Non-Current prepayment</i>	2020	2019
Development asset insurance	3 751 966	6 894 931

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

NOK

<i>Other receivables</i>	2020	2019
VAT receivables	915 087	2 072 382
<i>Current prepayment and accrued income</i>		
Accrued revenue gas	86 020 308	75 853 390
Prepayments arising from JV agreements	32 008 540	34 730 724
Development assets insurance	6 824 447	4 867 311
Other accrued revenue	0	2 602 090
Other prepayments	1 392 226	1 718 654
	<u>126 245 521</u>	<u>119 772 170</u>



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Notes to the financial statement

NOK

Note 18 - Share capital and shareholder information

NOK

Share capital

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

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

Note 19 - Intercompany balances

NOK

<i>Intercompany interest expenses and revenue</i>	2020	2019
Interest expense to AB Geonфта	0	1 394 423
Interest expense to Lotos Petrobaltic SA	0	36 635 139
Interest expense to Grupa Lotos	0	6 097 434
Total	0	44 126 996

Intercompany loans including interests where all repaid in 2019.

Note 20 - Finance income and Finance costs

NOK

<i>Finance income</i>	2020	2019
Foreign exchange gain	25 777 751	4 824 886
Interest income	1 275 714	8 316 637
Total	27 053 465	13 141 523
<i>Finance costs</i>	2020	2019
Interest expense on bank borrowings	10 757	0
Interest expense on non-bank borrowings	57 671	47 683 030
Accretion of abandonment provision and contingent payment	87 786 557	85 098 491
Other finance expense	12 886 026	56 816 190
Total	100 741 011	189 597 711

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Notes to the financial statement

NOK

Of the net foreign exchange gain in 2020 NOK -2.6 million and 2019 NOK 7.4 million is realized forex.

Other finance expenses include NOK 18.9 million for Letter of credit cost and NOK 6.1 million interest cost to BNP Paribas for the RBL financing facility and a credit of NOK 12.8 million related to revision of provision for parent company guarantee cost to Repsol. The NOK 10k in interest expense is related to utilization of the BNP Paribas loan facility. On 17th of December the Company utilized NOK 10 million of the credit facility from BNP Paribas. This loan is reflected under "liabilities to financial institutions".

On 21st of March 2019 LEPN signed with consortium of 5 banks a Reserve based lending (RBL) financing facility. The borrowing base was established by the leading, technical bank BNP Paribas to USD 220 million. USD 145 million could be utilized for letters of credit for security of decommissioning obligations, USD 75 million for Capex and Opex expenditures. Every six months the bank performs borrowing base redetermination, taking into account actual reserves 1P and 2P status, production profiles, status of development assets, RNB-s from Operators etc. Latest decision from December 2020 limited maximum facility amount to USD 180 million. Borrowing base was limited to 26,6 million USD . As of 31.12.2020 NOK 167 million is utilized on Heimdal LoC with issuing bank PKO BP and NOK 1 070 million is utilized on Sleipner LoC with BNP Paribas as issuer. Unused credit facility per 31.12.2020 was USD 36.7 million.

FINANCIAL RISK

The key financial risks that LEPN is exposed to are related to currency exchange rate risk, and interest rate risk. The management has an ongoing assessment of these risks and establishes guidelines for how these are handled. LEPN is exposed to exchange rate risk related to the value of Norwegian kroner relative to USD and EUR.

USD/NOK rate has decreased throughout the year of 2020 from USD/NOK 8.799 to 8.533 with fluctuations during the year up to 11.50. Exchange gains and losses relate mainly to exchange differences in bank deposits in USD and other current financial assets.

LEPN was in 2020 exposed to interest rate risk through its financing activities (see the Statement of cash flow). The interest-bearing debt has floating interest rates, and LEPN is affected by changes in interest rates. LEPN accepts interest rate risk in USD and/or NOK and to limited extent in PLN and EUR. Liquidity risk is the risk that LEPN will not be able to service its financial obligations as they fall due. LEPN strategy to manage liquidity risk is to have sufficient liquidity at all times in order to meet its financial obligations when due, both under normal and extraordinary circumstances, without risking unacceptable losses or at the expense of LEPN reputation. All intercompany loans were repaid in late 2019 ref. note 19, so the interest currency risk has reduced. LEPN has however unused credit facility of USD 36.7 million by end of 2020, when this is to be utilized in the interest currency risk can increase again.

**LOTOS Exploration and Production Norge AS****Notes to the financial statement**

NOK

Note 21 - Mortgages, guarantees and contingent liabilities

NOK

	2020	2019
Short-term loan BNP Paribas	10 000 000	0

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

As part of the acquisition of Heimdal assets LEPN has provided the seller Spirit Energy Norway AS (Previously "Centrica Resources (Norge) AS" and "Centrica Norway Limited" represented by its Norwegian Branch (Spirit Energy NUF)) a bank guarantee in the form of letter of credit as a pledge of LEPN resulting from the future decommissioning. Current amount of the letter of credit is NOK 167 million. The letter of credit was issued under a bank guarantee agreement with PKO BP S.A. signed on 11.12.2013. This was amended twice on 20.12.2018 and on 26.02.2019 with the extension of expiry date till 31.03.2019. This was in March 2019 replaced by Letter of credit issued under new financing facility, refer to Note 20.

<i>Book value of assets pledged as security:</i>	2020	2019
Net book value of assets pledged for the debt	2 408 992 589	3 766 758 019

Note 22 - Asset retirement obligation

NOK

<i>Long-term</i>	2020	2019
Asset retirement obligation as of 01.01	2 148 687 974	1 971 329 709
Additions/Change in provision/estimate	-8 339 907	97 729 668
Current year accretion	86 890 398	79 628 597
Long-term Asset retirement obligation as of 31.12.	<u>2 227 238 465</u>	<u>2 148 687 974</u>
<i>Short-term</i>	2020	2019
Asset retirement obligation as of 01.01	23 571 987	24 981 936
Additions/Change in provision/estimate	12 839 718	-327 990
Use	-23 357 808	-1 081 959
Short-term Asset retirement obligation as of 31.12.	<u>13 053 898</u>	<u>23 571 987</u>
Total Asset retirement obligation as of 31.12.	<u>2 240 292 362</u>	<u>2 172 259 961</u>

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Notes to the financial statement

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The asset retirement obligation regards removal of the installations and plugging and abandonment of wells at Yme, Heimdal, Atla, Skirne, Vale, Utgard and Sleipner fields (Sleipner West, Sleipner East and Gungne). The assumptions for removal are in alignment with the current Norwegian Continental Shelf and International decommissioning guidelines. LEPN expectations of future decommissioning costs are based on Revised National Budgets 2021 issued by operators.

In the calculation of the commitment it is used an assumption of inflation at 2.1%, and a discount rate of 4.0%. Estimated removal time will be between 2021 and 2035. There is a high degree of uncertainty relating to the extent of the abandonment costs. Current year accretion is included in Other financial expenses.

The changes in 2020 include adjustments of the removal provisions for Heimdal, Atla, Skirne, Vale, Yme, Sleipner and Utgard.



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Notes to the financial statement

NOK

Note 23 - Information about licenses

NOK

LOTOS E&P Norge License Portfolio

Licenses per 2020-12-31

#	License	LOTOS E&P Norge Interest [%]	Date valid to	Area [sqkm]	Operator
1	026	7.870%	23.05.2025	29.542	Aker BP ASA
2	026 B	9.740%	23.05.2025	17.356	Aker BP ASA
3	029	15.000%	31.12.2028	27.039	Vår Energi AS
4	036	25.757%	11.06.2021	19.162	Spirit Energy Norge AS
5	036 BS	5.000%	11.06.2021	27.986	Equinor Energy AS
6	036 E	16.000%	11.06.2021	8.739	Aker BP ASA
7	036 F	16.000%	11.06.2021	5.245	Spirit Energy Norge AS
8	046	15.000%	31.12.2028	335.649	Equinor Energy AS
9	046 E	28.000%	31.12.2028	8.690	Equinor Energy AS
10	046 F	28.000%	31.12.2028	15.542	Equinor Energy AS
11	102	30.000%	01.03.2025	37.135	Total E&P Norge AS
12	102 C	20.000%	01.03.2025	11.335	Total E&P Norge AS
13	102 D	20.000%	01.03.2025	33.280	Aker BP ASA
14	102 E	30.000%	01.03.2025	3.495	Total E&P Norge AS
15	102 F	10.000%	01.03.2025	15.727	Aker BP ASA
16	102 G	10.000%	01.03.2025	10.476	Aker BP ASA
17	102 H	20.000%	01.03.2025	74.800	Aker BP ASA
18	249	25.757%	11.06.2021	1.209	Spirit Energy Norge AS
19	316	20.000%	18.06.2030	139.842	Repsol Norge AS
20	316 B	20.000%	18.06.2030	16.569	Repsol Norge AS
21	364	9.740%	06.01.2019	32.204	Aker BP ASA
22	442	9.740%	15.06.2027	90.190	Aker BP ASA
23	442 B	9.740%	15.06.2017	41.686	Aker BP ASA
24	442 C	9.740%	14.02.2023	60.578	Aker BP ASA
25	871	20.000%	10.02.2024	150.075	Wellesley Petroleum AS
26	873	20.000%	10.02.2025	169.638	Equinor Energy AS
27	874	9.740%	10.02.2024	67.515	Aker BP ASA
28	918 S	25.000%	02.03.2021	43.411	Equinor Energy AS

* 28% in Norwegian license PL046E. However, 17.86% in Utgard field unitized between UK and Norway



LOTOS Exploration and Production Norge AS

Notes to the financial statement

NOK

Note 24 - Proved and probable reserves (not audited)

NOK

Amounts in million barrels of oil equivalent, (BoE):	Sleipner Area	Heimdal Area	Yme	Utgard	Total
Proved and probable reserves as of 01.01.2019	14,85	1,51	12,94	8,1	37,4
+Production	-5,03	-0,75		-0,86	-6,63
+/- Revisions	1,86	0,12	-0,20	-1,83	-0,05
+/- Acquisitions or sales					0,00
+Improved Oil Recovery (IOR)					0,00
+ Discoveries/Developments					0,00
Total proved and probable reserves as of 31.12.2019	11,68	0,89	12,74	5,41	30,71

Amounts in million barrels of oil equivalent, (BoE):	Sleipner Area	Heimdal Area	Yme	Utgard	Total
Proved and probable reserves as of 01.01.2020	11,678000	0,88500	12,74	5,41	30,713
+Production	-3,32	-0,79347		-1,43	-5,54
+/- Revisions	2,81	0,92804	-0,20	-2,37	1,17
+/- Acquisitions or sales					0,00
+Improved Oil Recovery (IOR)					0,00
+ Discoveries/Developments					0,00
Total proved and probable reserves as of 31.12.2020	11,17027	1,01957	12,54	1,61	26,34

The reserves were audited by a third-party company in 2020.

Note 25 - Other provision

NOK

	2020	2019
Long-term provision	0	10 587 924
Short-term provision	53 267 382	0

The provision of NOK 53.3 million is related to uncertainties on Yme license.

Maersk Drilling AS and its main subcontractor for the modifications and commissioning of the Maersk Inspirer for Yme New Development, Aker Solutions, have notified the Company that Covid-19 has affected progress and have accordingly requested change in contract price and contract schedule. In addition Maersk has under the Lease & Operate Agreement reserved its rights to claim additional compensation for the duration of any delay due to Covid-19. The Company is currently evaluating the potential impact of this on the financial statements as well as the interaction with the ongoing discussion under the Facilities Agreement regarding pre-Covid-19 project delay.

The provision of NOK 10.6 million in 2019 is related to price trigger mechanism from the acquisition of Sleipner from ExxonMobil. This price trigger mechanism is finalized now in 2020. Due to low oil/gas prices there is not expected any payments for 2020.



LOTOS Exploration and Production Norge AS

Notes to the financial statement

NOK

Note 26 - Inventories

NOK

	2020	2019
Oil	68 939 008	77 679 043
Ethane	0	2 579 762
Propane	3 611 610	14 813 083
Butane	2 111 955	7 148 497
Iso Butane	2 840 922	7 852 812
Naphtha	295 432	1 032 440
Consumables	<u>100 458 932</u>	<u>75 369 812</u>
Total	<u>178 257 858</u>	<u>186 475 449</u>

Inventories is related to consumables and drilling and well equipment for offshore joint venture of NOK 100.4 million. There is an impairment on well equipment of NOK 1.2 million on sleipner east included in consumables.





Skattedirektoratet

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

LOTOS EXPLORATION AND PRODUCTION NORGE AS

Postboks 132
4065 STAVANGER

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

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

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

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

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

Bakgrunn

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

Skattedirektoratets vurdering

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

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

"Regjeringen har som siktemål at regnskapsloven skal bidra til informative regnskaper for ulike grupper av regnskapsbrukere. Regnskapsbrukerne er dels investorer og kreditorer som tilfører kapital til foretakene, og dels andre grupper som har interesse av å vite hvordan foretaket drives, f.eks. de ansatte og lokalsamfunnet. Informasjonen til kapitalmarkedet skal gi grunnlag for riktig prising av finansielle objekter. Riktig prisdannelse på aksjer er en

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800 80 000
Telefaks
22 17 08 60



forutsetning for at ressursbruken i samfunnsøkonomien skal bli best mulig. Gode regnskaper vil også gjøre det vanskeligere for markedsdeltakere å ta ut spekulasjonsgevinster med basis i skjevt fordelt informasjon.”

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

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

Det er særlig hensynet til brukerne av regnskapsinformasjon som skal vurderes ved en dispensasjonssøknad. I denne vurderingen har Skattedirektoratet lagt særlig vekt på at selskapet er et datterselskap av et utenlandsk selskap og at eierkretsen derfor er begrenset. Videre er det vektlagt at selskapet opererer innen en bransje der engelsk er det dominerende språket.

Vennligst oppgi vår referanse ved henvendelser i saken.

Med hilsen

Torstein Kinden Helleland
seniorrådgiver
Rettsavdelingen, foretaksskatt
Skattedirektoratet

Rune Tystad

Dokumentet er elektronisk godkjent og har derfor ikke håndskrevne signaturer



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To the General Meeting of LOTOS Exploration and Production Norge AS

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of LOTOS Exploration and Production Norge AS, which comprise the balance sheet as at 31 December 2020, the income statement, statement of comprehensive income and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the 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 simplified application of international accounting standards according to section 3-9 of the Norwegian Accounting Act.

Basis for Opinion

We conducted our audit in accordance with 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 and a true and fair view of the financial statements in accordance with simplified application of International Accounting Standards according to the Norwegian Accounting Act section 3-9, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of

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LOTOS Exploration and Production Norge AS

accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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.

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.



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Stavanger, 25 February 2021
Deloitte AS

Bjarte M. Jonassen
State Authorised Public Accountant (Norway)