



ÅRSREGNSKAPET FOR REGNSKAPSÅRET 2020 - GENERELL INFORMASJON

Enheten

Organisasjonsnummer: 987 989 297
Organisasjonsform: Allmennaksjeselskap
Foretaksnavn: NORWEGIAN ENERGY COMPANY ASA
Forretningsadresse: Nedre Vollgate 1
0158 OSLO

Regnskapsår

Årsregnskapets periode: 01.01.2020 - 31.12.2020

Konsern

Mørselskap i konsern: Ja
Konsernregnskap lagt ved: Ja

Regnskapsregler

Regler for små foretak benyttet: Nei
Benyttet ved utarbeidelsen av årsregnskapet til selskapet: Regnskapslovens alminnelige regler
Benyttet ved utarbeidelsen av årsregnskapet til konsernet: IFRS

Årsregnskapet fastsatt av kompetent organ

Bekreftet av representant for selskapet: Tone Lise Pedersen
Dato for fastsettelse av årsregnskapet: 19.05.2021

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, 17.06.2022



Resultatregnskap

Beløp i: USD	Note	2020	2019
RESULTATREGNSKAP			
Inntekter			
Revenue	2,15	2 000 000	9 000 000
Sum inntekter		2 000 000	9 000 000
Kostnader			
Personnel expenses	11,15	7 000 000	13 000 000
Avskrivninger		0	0
Other operating expenses	14,15	4 000 000	12 000 000
Sum kostnader		11 000 000	25 000 000
Driftsresultat		-9 000 000	-16 000 000
Finansinntekter og finanskostnader			
Renteinntekt fra foretak i samme konsern		11 000 000	10 000 000
Annen renteinntekt			1 000 000
Other financial income		1 000 000	2 000 000
Reversal of financial assets	12	0	33 000 000
Foreign exchange gain		11 000 000	16 000 000
Sum finansinntekter		23 000 000	62 000 000
Rentekostnad til foretak i samme konsern		1 000 000	1 000 000
Annen rentekostnad		31 000 000	10 000 000
Other financial expenses		2 000 000	3 000 000
Foreign exchange loss		3 000 000	20 000 000
Sum finanskostnader		37 000 000	34 000 000
Netto finans		-14 000 000	28 000 000
Ordinært resultat før skattekostnad		-23 000 000	12 000 000
Ordinært resultat etter skattekostnad		-23 000 000	12 000 000
Årsresultat		-23 000 000	12 000 000



Balanse

Beløp i: USD	Note	2020	2019
BALANSE - EIENDELER			
Anleggsmidler			
Immaterielle eiendeler			
Finansielle anleggsmidler			
Investering i datterselskap	3	393 000 000	393 000 000
Lån til foretak i samme konsern	12	156 000 000	127 000 000
Restricted cash	4	71 000 000	65 000 000
Sum finansielle anleggsmidler		620 000 000	585 000 000
Sum anleggsmidler		620 000 000	585 000 000
Omløpsmidler			
Varer			
Fordringer			
Other current revievable			1 000 000
Konsernfordringer		20 000 000	27 000 000
Sum fordringer		20 000 000	28 000 000
Bankinnskudd, kontanter og lignende			
Bankinnskudd, kontanter og lignende		183 000 000	228 000 000
Sum bankinnskudd, kontanter og lignende		183 000 000	228 000 000
Sum omløpsmidler		203 000 000	256 000 000
SUM EIENDELER		823 000 000	841 000 000
BALANSE - EGENKAPITAL OG GJELD			
Egenkapital			
Innskutt egenkapital			
Share Capital		30 000 000	30 000 000
Overkurs		707 000 000	707 000 000
Sum innskutt egenkapital		737 000 000	737 000 000



Balanse

Beløp i: USD	Note	2020	2019
Opptjent egenkapital			
Other equity		-286 000 000	-254 000 000
Sum opptjent egenkapital		-286 000 000	-254 000 000
Sum egenkapital		451 000 000	483 000 000
Gjeld			
Langsiktig gjeld			
Annen langsiktig gjeld			
Konvertible lån	5	174 000 000	160 000 000
Obligasjonslån	5	169 000 000	168 000 000
Langsiktig konserngjeld		26 000 000	24 000 000
Sum annen langsiktig gjeld		369 000 000	352 000 000
Sum langsiktig gjeld		369 000 000	352 000 000
Kortsiktig gjeld			
Leverandørgjeld	6	0	3 000 000
Other current liabilities	6	3 000 000	3 000 000
Sum kortsiktig gjeld		3 000 000	6 000 000
Sum gjeld		372 000 000	358 000 000
SUM EGENKAPITAL OG GJELD		823 000 000	841 000 000



Konsernets resultatregnskap

Beløp i: USD	Note	2020	2019
RESULTATREGNSKAP			
Inntekter			
Revenue	4	566 000 000	333 000 000
Sum inntekter		566 000 000	333 000 000
Kostnader			
Personnel expenses	7	12 000 000	16 000 000
Avskrivninger	11,10	193 000 000	112 000 000
Nedskrivning av varige driftsmidler og immaterielle eiendeler	9,10		266 000 000
Production expenses	5	295 000 000	171 000 000
Exploration expenses	6	1 000 000	1 000 000
Other operating expenses	8	8 000 000	18 000 000
Sum kostnader		509 000 000	584 000 000
Driftsresultat		57 000 000	-251 000 000
Finansinntekter og finanskostnader			
Annen renteinntekt	12	2 000 000	1 000 000
Other financial income	12,10	83 000 000	120 000 000
Foreign exchange gains	12	18 000 000	31 000 000
Sum finansinntekter		103 000 000	152 000 000
Annen rentekostnad	12	86 000 000	37 000 000
Other financial expenses	12,21	46 000 000	31 000 000
Foreign exchange loss	12	46 000 000	32 000 000
Sum finanskostnader		178 000 000	100 000 000
Netto finans		-75 000 000	52 000 000
Ordinært resultat før skattekostnad		-18 000 000	-199 000 000
Income tax benefit/(expense)	13	-35 000 000	-414 000 000
Ordinært resultat etter skattekostnad		17 000 000	215 000 000
Årsresultat		17 000 000	215 000 000
Overføringer og disponeringer			



Konsernets resultatregnskap

Beløp i: USD	Note	2020	2019
Overføringer til/fra annen egenkapital		17 000 000	215 000 000
Sum overføringer og disponeringer		17 000 000	215 000 000



Konsernets balanse

Beløp i: USD	Note	2020	2019
BALANSE - EIENDELER			
Anleggsmidler			
Immaterielle eiendeler			
Licence and capitalised exploration	9,10	175 000 000	268 000 000
Utsatt skattefordel	13,10	432 000 000	455 000 000
Sum immaterielle eiendeler		607 000 000	723 000 000
Varige driftsmidler			
Property, plant & Equipment	10,11	1 704 000 000	1 550 000 000
Right of Use Asset		1 000 000	1 000 000
Sum varige driftsmidler		1 705 000 000	1 551 000 000
Finansielle anleggsmidler			
Restricted cash	17,18	196 000 000	115 000 000
Contingent consideration - volume protection	15	0	17 000 000
Derivative instruments	17	25 000 000	7 000 000
Sum finansielle anleggsmidler		221 000 000	139 000 000
Sum anleggsmidler		2 533 000 000	2 413 000 000
Omløpsmidler			
Varer			
Fordringer			
Kundefordringer	15	51 000 000	2 000 000
Inventories	16	40 000 000	36 000 000
Prepayments	15	23 000 000	31 000 000
Other recevables	15	8 000 000	63 000 000
Contingent consideration - volume protection	15	15 000 000	104 000 000
Derivatives instruments	18	33 000 000	0
Sum fordringer		170 000 000	236 000 000
Bankinnskudd, kontanter og lignende			
Bankinnskudd, kontanter og lignende	17	259 000 000	286 000 000
Sum bankinnskudd, kontanter og lignende		259 000 000	286 000 000



Konsernets balanse

Beløp i: USD	Note	2020	2019
Sum omløpsmidler		429 000 000	522 000 000
SUM EIENDELER		2 962 000 000	2 935 000 000
BALANSE - EGENKAPITAL OG GJELD			
Egenkapital			
Innskutt egenkapital			
Share Capital	19	30 000 000	30 000 000
Overkurs		707 000 000	707 000 000
Sum innskutt egenkapital		737 000 000	737 000 000
Opptjent egenkapital			
Other equity		-107 000 000	-148 000 000
Sum opptjent egenkapital		-107 000 000	-148 000 000
Sum egenkapital		630 000 000	589 000 000
Gjeld			
Langsiktig gjeld			
Asset retirement obligations	21	927 000 000	915 000 000
Sum avsetninger for forpliktelser		927 000 000	915 000 000
Annen langsiktig gjeld			
Konvertible lån	23,18	131 000 000	108 000 000
Obligasjonslån	23,18	169 000 000	168 000 000
Gjeld til kredittinstitusjoner	23,18	719 000 000	707 000 000
Derivative instruments	18	20 000 000	64 000 000
Other non-current liabilities	23	25 000 000	26 000 000
Sum annen langsiktig gjeld		1 064 000 000	1 073 000 000
Sum langsiktig gjeld		1 991 000 000	1 988 000 000
Kortsiktig gjeld			
Konvertible lån			0
Leverandørgjeld	24	13 000 000	53 000 000
Tax payable	13	27 000 000	106 000 000
Public duties payable	24	159 000 000	26 000 000



Konsernets balanse

Beløp i: USD	Note	2020	2019
Asset retirement obligations	21	24 000 000	52 000 000
Derivative Instruments	18	5 000 000	9 000 000
Other current liabilities	24	113 000 000	112 000 000
Sum kortsiktig gjeld		341 000 000	358 000 000
Sum gjeld		2 332 000 000	2 346 000 000
SUM EGENKAPITAL OG GJELD		2 962 000 000	2 935 000 000



Norwegian Energy Company ASA





ANNUAL REPORT 2020

Contents

PART I

- 4 About Noreco
- 5 Highlights
- 7 Letter from the Executive Chair
- 8 Overview of Assets
- 9 Dan
- 12 Gorm
- 15 Halfdan
- 18 Tyra
- 20 Tyra Redevelopment

PART II

- 24 Introduction
- 25 Performance Status
- 26 Short Term Focus
- 27 Sustainability Linked KPIs
- 28 Decommissioning & Recycling of the Tyra Facilities
- 29 Renewable Power
- 30 Subsurface CCS and Energy Storage
- 31 Offshore Hydrogen & PtX Production
- 32 DHRTC
- 33 Biodiversity in the DUC

PART III

- 35 Noreco's Board of Directors
- 37 Directors' Report
- 48 Reporting of Payments to Governments
- 49 Corporate Governance Report 2020
- 56 Corporate Social Responsibility
- 59 Statutory Accounts 2020
- 75 Consolidated Statements
- 129 Auditor's Report
- 135 Statement of Compliance
- 136 Alternative Performance Measures
- 138 Supplementary Oil and Gas Information (unaudited)
- 139 Information About Noreco



About Noreco

- 4 About Noreco
- 5 Highlights
- 7 Letter from the Executive Chair
- 8 Overview of Assets
- 9 Dan
- 12 Gorm
- 15 Halfdan
- 18 Tyra
- 20 Tyra Redevelopment



About Noreco

Norwegian Energy Company ASA (“Noreco” or the “Company”) is an Oslo Stock Exchange listed oil and gas company trading under the ticker “NOR”. The Company was established in 2005 and completed the transformational acquisition of Shell’s upstream assets in Denmark in 2019.

As a result of this transaction, Noreco established itself as a material independent E&P company, focused on the North Sea and the second-largest oil and gas producer in Denmark. The Company holds a 36.8% non-operated interest in the Danish Underground Consortium (“DUC”) through its fully owned subsidiary Noreco Oil Danmark A/S. The DUC is comprised of 11 producing fields that collectively form four production hubs: Dan, Gorm, Halfdan and Tyra, and is a joint venture between Total E&P Denmark A/S (“Total”) (43.2%) as operator, Noreco (36.8%) and Nordsøfonden (20.0%).

The DUC is currently redeveloping the Tyra field, which will extend production by 25 years. Redeveloped Tyra is expected to increase Noreco’s net production by 90 percent, decrease field emissions by 30 percent,

lower opex significantly and unlock gross reserves in excess of 200 mmbœ. The Company has a focus on developing and implementing solutions that will improve the long-term position of oil and gas as a key part of the global energy mix while reducing greenhouse gas emissions on the Danish Continental Shelf. The Company has proven and probable (“2P”) reserves of 201 million barrels of oil equivalent (“mmbœ”) at the end of 2020 based on an independent CPR assessment and contingent reserves (“2C”) of approximately 200 mmbœ.



2020

Highlights



OPERATIONAL

- **Solid operational performance:** Net production from Halfdan, Dan and Gorm of 28.5 mboepd at an average realized oil price of USD 66.8/bbl
- **Stable producing assets:** Current producing hubs with low decline rates provide predictable outlook for 2021 with expected production of 25.5 – 27.5 mboepd
- **Solid base of 2P reserves:** Total 2P reserves of 201 mmboe at year end
- **2C resource base of 200 mmboe:** Low risk organic growth identified in high value, low capex projects within the DUC
- **Proactive COVID-19 measures to protect people and ensure business continuity:** The operational efficiency during the year was moderately impacted by COVID-19. No reported COVID-19 infections among offshore personnel and the manning successfully returned to pre-COVID-19 levels in October 2020
- **Resilient asset values throughout the year:** No asset impairments necessary in a challenging environment, demonstrating value of DUC assets

FINANCIAL

- **Fully funded to deliver the Tyra redevelopment project:** Unrestricted cash of USD 259 million at the end of 2020, coupled with undrawn RBL capacity of approximately USD 250 million post-completion of underwritten amend, extend and increase of facility, strongly supports Noreco's financial position through the Tyra redevelopment period
- **Strong realisations driven by material hedging arrangements:** Average realized oil price in 2020 of USD 66.8/bbl, an approximately 66 percent premium to the average Dated Brent price of USD 40.3/bbl over the same period
- **Financial outcome of operations enhanced by guaranteed liquids volumes:** Liquids Protection Agreement with Shell, which fixed a minimum level of oil production for which the Company would be commercially compensated during 2020, generated a total cash payment to us of USD 98 million over the period
- **Operations remained profitable and cash generative despite market volatility:** As a result of Noreco's hedging arrangements, the Company generated adjusted EBITDA and cashflow from operations during 2020 of USD 358 million and USD 346 million, respectively
- **Return of capital to shareholders:** Share buyback of approximately USD 10 million during the first half of 2020 demonstrates Noreco's long-term desire to return capital to shareholders, with significant increase in levels of this expected once Tyra is onstream



2020 HIGHLIGHTS CONTINUED



TYRA

- **A game-changing project:** To date the largest project carried out on the Danish Continental Shelf, expecting to increase net production by 90 percent, decrease emissions by 30 percent and unlock gross reserves in excess of 200 mmbøe
- **Successful execution of offshore decommissioning campaign:** Wellhead- and riser platforms removed by the world's largest crane vessel, Sleipnir, and the Tyra East and Tyra West production platform topsides were removed by Pioneering Spirit in August
- **Safety and sustainability:** Dismantling work carried out onshore for increased safety and more than 95 percent of Tyra installations are being recycled.
- **First delivery from yard:** In September, two jackets were safely installed on Tyra after completing fabrication at Dragados Offshore S.A.
- **Updated schedule for first gas:** Due to COVID-19, local governmental imposed restrictions at the fabrication yards impacted the schedule of the new Tyra topsides, and first production from redeveloped Tyra is expected in Q2 2023

2020

Letter from Executive Chair

2020 was an unprecedented year for everyone, and for our industry in particular. It was also the first full year reflecting Noreco's ownership in the Danish Underground Consortium. The pandemic impacted everyone and our industry was not immune, with a combination of extreme market volatility and operational impacts to be mitigated. While we didn't predict this when fully hedging our price and volume exposure in 2020 as part of the DUC acquisition, the benefits were material nonetheless. The robust performance safeguarded by these arrangements is a testament to the underlying and continuing resilience of our business model. As we are moving through 2021 and get closer towards Tyra first gas, our focus will remain on creating value for our shareholders.



Riulf Rustad
Chair of the Board

“Our long-term capital discipline will support significant free cash flow generation and our intention to return capital to shareholders in a material and sustainable manner”

Operationally, we delivered production at the top end of our annual guidance and our 2P reserves replacement ratio since we completed the DUC acquisition in mid-2019 stands at 104 percent. Our progress to date shows the value of the steps our organization takes daily to ensure we deliver the long-term value potential of our DUC investment. Beyond our stable base of producing assets, the Tyra Redevelopment Project is substantially progressed and will continue to de-risk during 2021. The full modernization of the facilities will extend field life by 25 years while maintaining a production capacity of 60,000 barrels of oil equivalent per day and enable substantial volumes from new projects going forward. The project reached important milestones during 2020, with an extensive offshore decommissioning campaign carried out and the first delivery was taken from yard. This year will be an activity-intensive year with the sail away of the accommodation module and the three wellhead and riser platforms significantly progressing the project towards first gas.

We agreed early this year an underwritten increase to USD 1.1 billion of our Reserve Based Lending Facility that, combined with the price hedging protected contribution from our production base, enhances our financial position. Through the defined, fully funded growth that Tyra provides we will deliver a near doubling of production and a step-change in cash flow generation. As we consider what is next for Noreco beyond Tyra, we have over 200 mmbob of contingent resources and several identified opportunities that are being progressed with the objective of supporting our longer-term production and future cash flow levels. Post-Tyra, with substantially lower capex commitments that can be scaled appropriately, our long-term capital discipline will support significant free cash flow generation and our intention to return capital to shareholders in a material and sustainable manner.



Overview

The acquisition of Shell's upstream assets in DUC which was completed July 2019 transformed Noreco into the second largest oil and gas producer in Denmark and a significant E&P player. The asset portfolio includes four hubs and 11 producing fields of which three hubs are currently producing and one hub is under redevelopment. The Company has a significant reserves base with 201 mmbœ of 2P reserves and approximately 200 mmbœ of 2C reserves.

OIL/GAS PRODUCTION SPLIT



2P RESERVES

mmbœ (net)

201

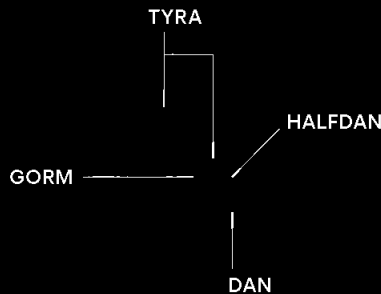
PRODUCTION

mboepd (net)

28.5

OPERATIONAL EFFICIENCY

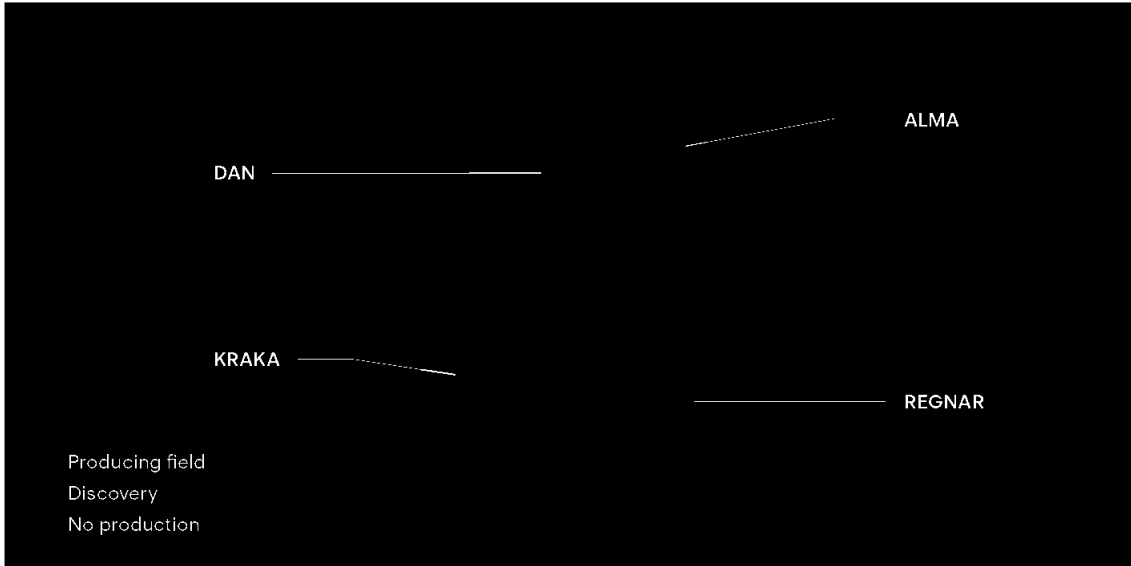
82%





OUR ASSETS

Dan Hub



NET RESERVES
mmboe

31.2

NET PRODUCTION
mboepd

2.6

OPERATIONAL EFFICIENCY

75%

The Dan field, which is a core asset on the DCS, was discovered in 1971 and brought on production in 1972. Dan was the first field in production in Denmark, and close to 28 per cent of total Danish oil production has been extracted from the Dan field.

The Dan field is one of the largest North Sea chalk fields with both Ekofisk and Tor Formations, both with oil rims overlying gas caps and communication between the two formations. The reservoirs are high porosity, but low permeability with long transition zones. The Dan field has been developed in several phases and now consists of a total of 12 platforms, 45 active oil wells and 37 active water injectors. Dan has two satellite fields, Kraka and Regnar (shut-in).

The Dan process centre consists of the Dan F complex, the old Dan complex, and the satellites Kraka and Regnar. Dan was brought on-stream in 1972, Kraka in 1991, Regnar in 1993. The oil production from Dan is transported to Gorm while the gas is transported to Tyra.



NET PRODUCTION

mboepd

2.3

Dan Field

HIGHLIGHTS 2020

- MFB-10 A and MFB 13 workovers were carried out successfully, replacing tubing, new upper and lower completion, and Xmas trees, adding circa 1 mmboe.
- Chemical injection on Dan installed.
- MFB-21 and MFB-22 wells have been closed since the beginning of 2020 due to well integrity issues, planning to be restored in Q2 2021, adding 1,400 boepd)

NET PRODUCTION

mboepd

0.3

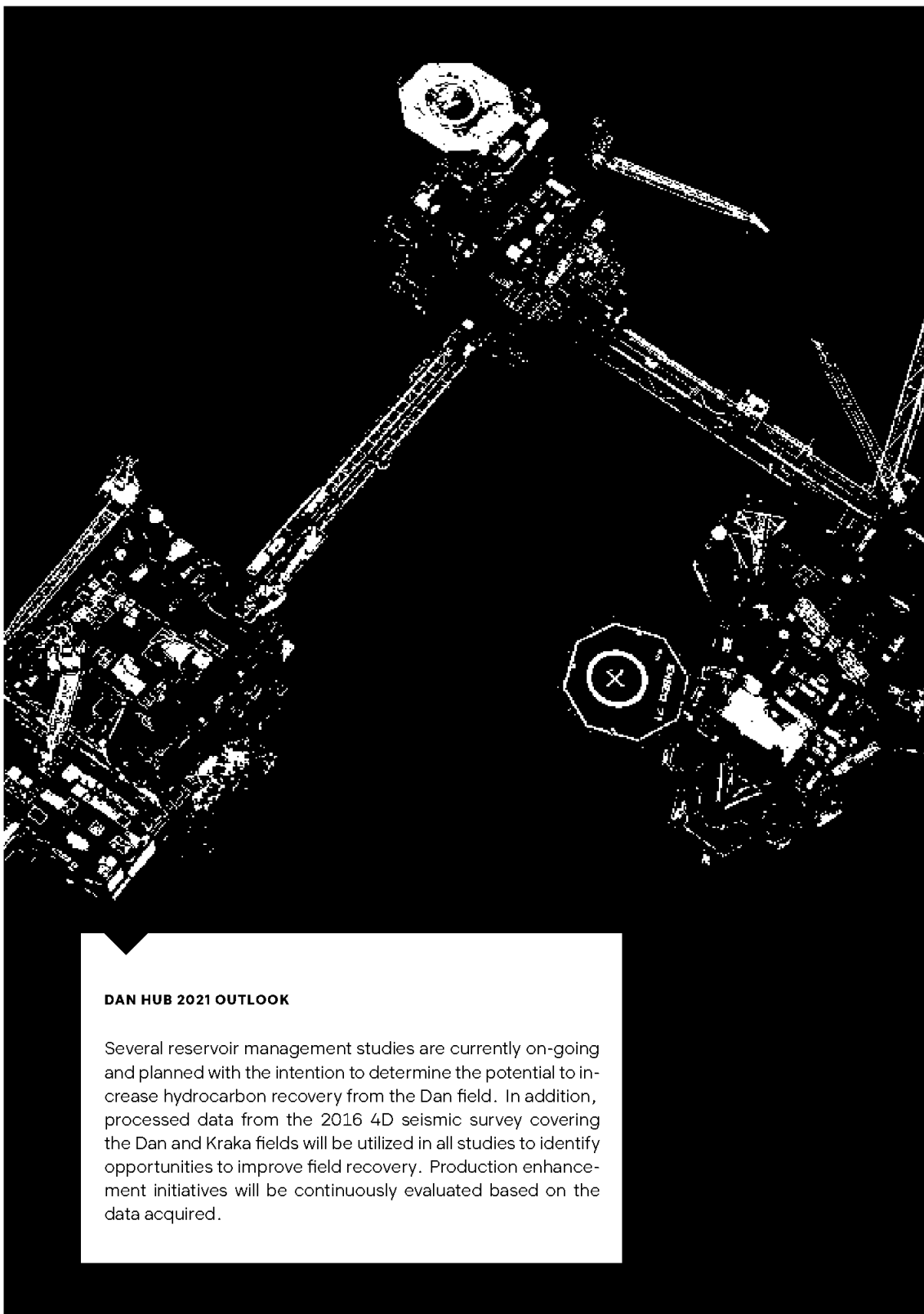
Kraka Field

Kraka is a tie-back to the Dan field and is an oil field located 8 km to the southeast of the Dan field. The field was brought on production in 1991 and produces oil and gas from the Ekofisk chalk ten wells have been drilled and currently 7 oil wells are producing.

DAN HUB 2021 OUTLOOK

The on-going and planned development of Dan, Kraka and Regnar is based on several field development plans and individual well proposals. These activities include well and reservoir management (WRM) activities, drilling activities and development

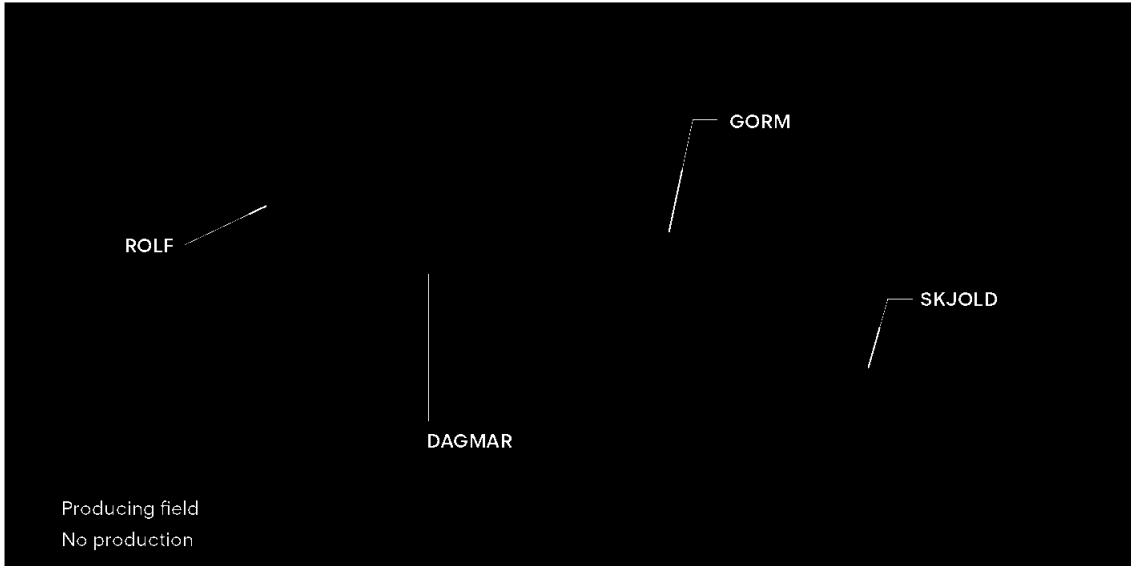
studies with the objective to further increase oil recovery.





OUR ASSETS

Gorm Hub



NET RESERVES
mmboe

17.5

NET PRODUCTION
mboepd

1.6

OPERATIONAL EFFICIENCY

77%

The Gorm field was discovered in 1971 and brought on production in 1981, the second Danish field in production after Dan. The Gorm hub also includes Skjold, Rolf and Dagmar, and is the export hub for most of the liquids produced in Denmark.

The field produces oil and gas from the Ekofisk and Tor Chalk reservoirs. The field is a domal structure divided into a deeper western A-block and the shallower eastern B-block. In total 46 wells have been drilled, with currently 18 active producers and six active water injectors. Gorm serves as the second stage processing center for Halfdan, and as an oil transfer hub for Dan, Tyra, and Halfdan. The oil is transported ashore to Frederica via pipeline from the riser platform Gorm E while gas is sent to Tyra.



NET PRODUCTION

mboepd

0.5

Gorm Field

HIGHLIGHTS 2020

- Successful well service interventions (SSD shifting) GFN 38, GFN 53B, GBN-58A adding back approximately 850 boepd
 - Well scale inhibitor squeezes
 - Stable oil production on Rolf.
- were also executed, results were very satisfactory, resulting in a halting of the production decline in Gorm during 2020.

NET PRODUCTION

mboepd

0.9

Skjold Field

The Skjold field is an oil satellite tie-back to Gorm. It was discovered in 1977 and brought on production in 1982. The field is a dome shaped structure with a relative thin chalk reservoir on the crest, which thickens towards the outer crest and

flank areas. In total thirty wells have been drilled, with currently 13 active oil producers and seven active water injectors.

NET PRODUCTION

mboepd

0.1

Rolf Field

Rolf is an oil field, which has been developed as a satellite to Gorm. The field was discovered in 1981 and brought on production in 1985. The field produces from the Ekofisk and Tor Chalk reservoir with

intervals of good permeability with fracture connected matrix porosity. Three wells have been drilled, with currently one active oil producer.

GORM HUB 2021 OUTLOOK

A "Gorm reconfiguration" project was initiated in 2020 and continued to develop this year with an objective to assess possible strategies for operating the Gorm Hub past its mature life and into its late life (up to the Cessation of Production – COP). The assessment integrates the entire value

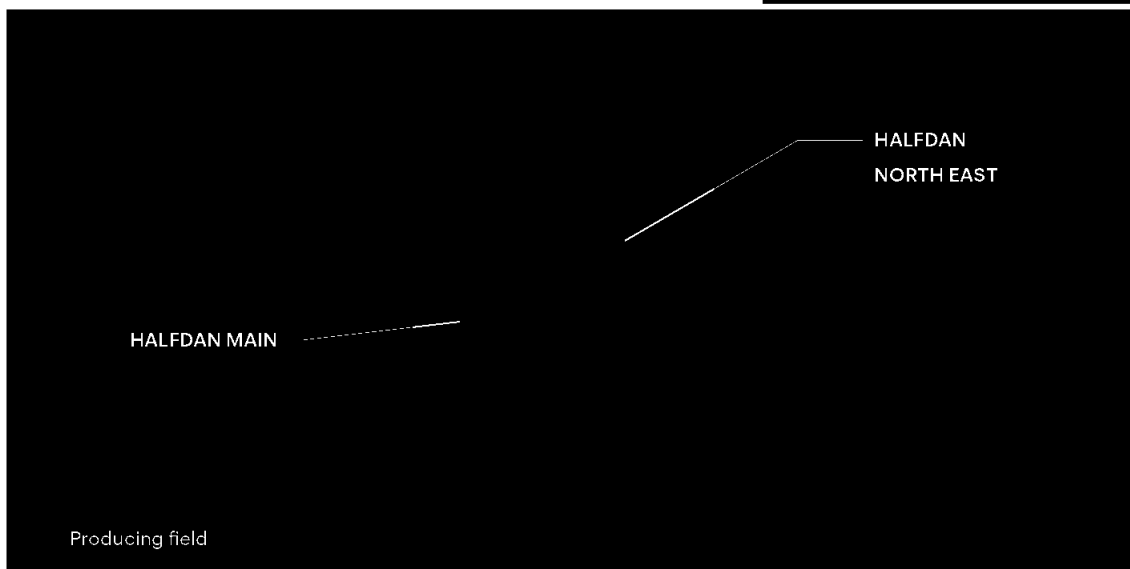
chain from subsurface to export to shore of the Gorm processing hub and its satellite fields and are economically evaluated to form a firm recommendation for the Gorm Hub. The study and reconfiguration proposals for Gorm will continue through 2021.





OUR ASSETS

Halfdan Hub



NET RESERVES
mmboe

65.6

NET PRODUCTION
mboepd

6.2

**OPERATIONAL
EFFICIENCY**

87%

The Halfdan hub includes Halfdan and Halfdan NE. Halfdan is the largest producing field in Denmark and the most important DUC asset in terms of value and resources, both technically and commercially.

The Halfdan main field was discovered in 1998, brought on stream in 1999 and Halfdan North East in 2004. There are no distinct boundaries separating the Halfdan main field and Halfdan North East area. Halfdan North East is a development of the gas accumulation in the Ekofisk formation to the North East of the Halfdan field. The main field produces oil and gas from the Tor Chalk reservoir. The Halfdan main oil accumulation is contiguous with the Dan accumulation. It has been developed in four phases, and 71 wells have been drilled, with currently 35 active oil producers and 17 active water injectors. Halfdan North East has been developed in three phases, and 21 wells have been drilled, with currently 16 active gas producers.

Halfdan consists of two main groups of platforms, Halfdan A and Halfdan B in addition to an unmanned wellhead platform, Halfdan CA (North East). Produced oil is transported in pipeline to Gorm while the gas is transported to Tyra West. Gas can in addition be imported (for injection) and exported to Dan. Injection water is supplied from Dan.



NET PRODUCTION

mboepd

6.2

Halfdan Field

HIGHLIGHTS 2020

- Well maintenance operations completed according to plan.
- Well service activities planned for the year were put on hold due to COVID-19 precautions and rescheduled for H1 2021.
- Wireline work was largely focused on maintaining well integrity with several subsurface safety valve replacements and repairs. Multi-finger caliper runs were performed either to check the condition of wells which were suspected of having rapid corrosion or to calibrate well corrosion model.
- As a consequence of COVID-19 the number of failures and well integrity shortfalls during the year were significant above satisfactory levels including larger shortfalls associated with not having a drilling rig in 2020.

Further Developments

HCA GAS LIFT

The HCA gas lift project is planned to be executed in Q4, 2021. The gas lift is required in order to support well production and thereby optimize production potential. Project scope comprises tie-in modifications to Halfdan B topside facilities as well as a gas lift manifold to be installed at Halfdan C

HALFDAN NORTH

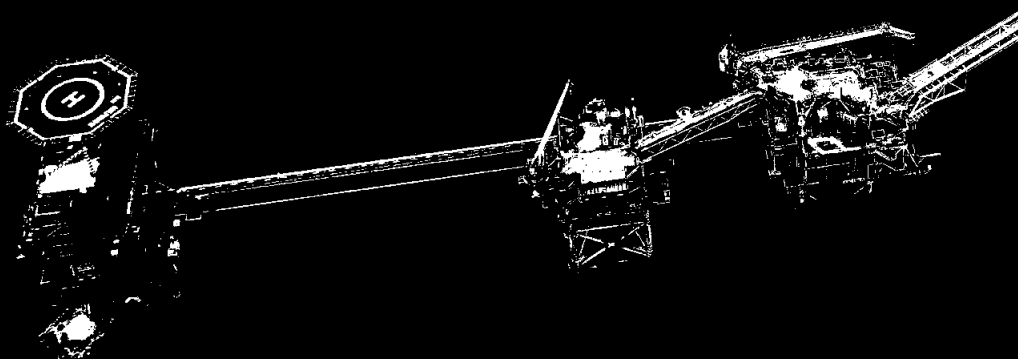
There are a number of projects and studies ongoing for the greater Halfdan development. The most mature is the Halfdan North project which targets a reservoir located between the producing Halfdan and Tyra SE fields. In December 2020 the DUC submitted field development plans to the Danish Energy Agency for the potential field expansions of the Halfdan North development.



HALFDAN HUB 2021 OUTLOOK

Production enhancement initiatives will be continuously evaluated based on the data acquired.

Reservoir models and recovery optimisation, integrated static and dynamic models of the Halfdan and Halfdan North-east fields were built and reviewed as part of the Greater Halfdan Field Development Plan (FDP). As a part of the Greater Halfdan Field Development Plan (FDP), models were built to allow a consistent evaluation approach across reservoirs and areas while also addressing the interaction between the Ekofisk and Tor reservoirs. The models are used to identify development opportunities, to optimise the existing development and to increase the ultimate recovery from the field.



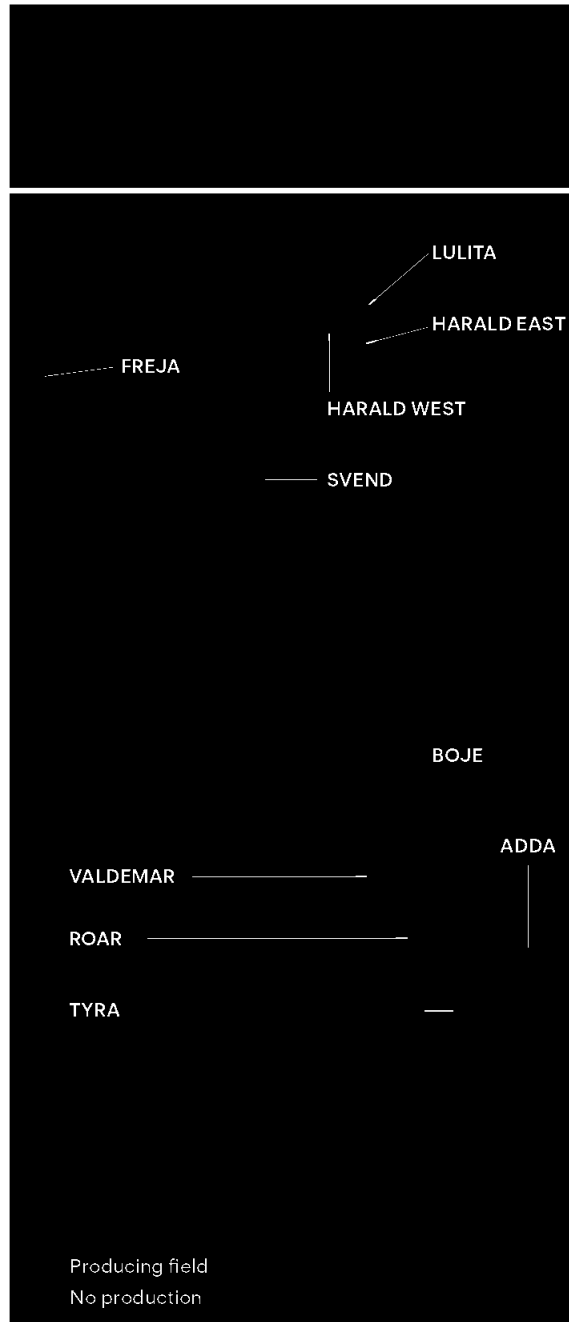


OUR ASSETS

Tyra Hub

The Tyra Field is the largest gas condensate field in the Danish Sector of the North Sea. It was discovered in 1968 and production started in 1984. Its facilities process more than 90 percent of the gas produced in Denmark, as well as the entire gas production of the DUC.

The Tyra main field is a gas field discovered in 1968 and brought on production in 1984. Tyra South East is an oil dominated field area discovered in 1991 and brought on in 2002, with first oil in 2015. The field produces mainly from the Ekofisk and Tor Chalk reservoirs. A total of 93 wells have been drilled on Tyra main and South East, with currently 47 active oil and gas producers. The Tyra field consists of two main process centers, Tyra East and Tyra West, which are linked to five unmanned satellite fields, including Tyra Southeast, Harald, Valdemar, Svend and Roar. The gas is exported to shore and the oil is exported to Gorm E. The Tyra East and West comprises of 11 platforms and due to subsidence, the field is currently being redeveloped.



NET RESERVES
mmboe
86.8



Tyra Field

HIGHLIGHTS 2020

- All wells on Tyra and its satellites safely plugged and abandoned for the extended shutdown related to the Tyra Redevelopment. The project had significant progress during 2020. For further details please see Tyra Redevelopment section in the Asset Overview.

Valdemar Field

The Valdemar field is an oil and gas field discovered in 1977 and further appraised in 1985 and brought on production in 1993. The Lower Cretaceous chalk has been the primary development target, and 26 wells have been drilled on Valdemar, with currently 22 active oil and gas producers.

Roar Field

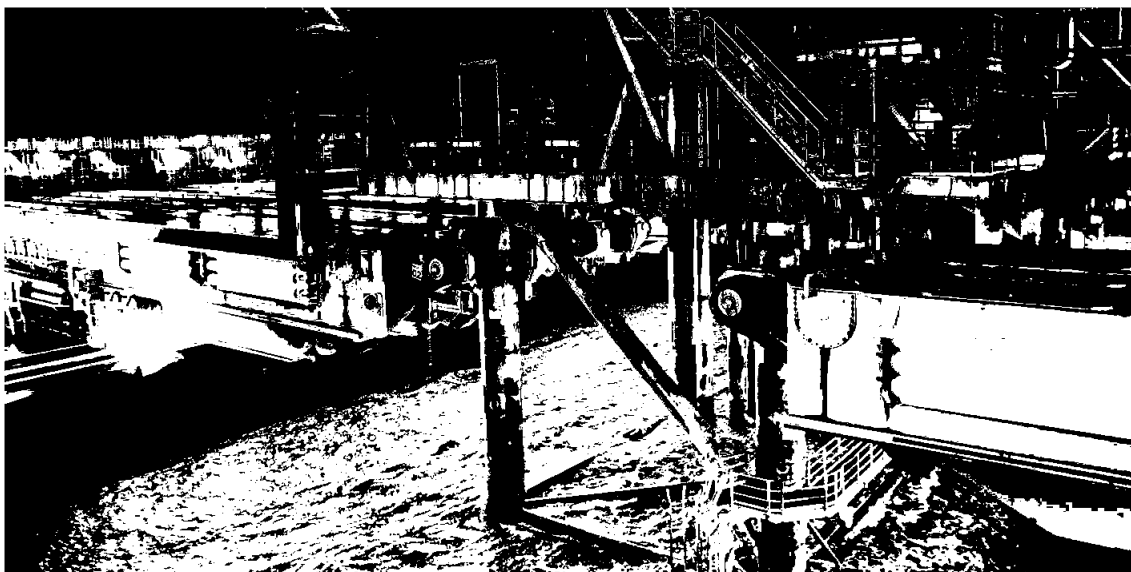
Roar is a gas field with an oil rim tie-back to Tyra East. The field was discovered in 1968 and further appraised in 1981. The field was brought on production in 1996. The field produces gas and condensate from the Ekofisk and Tor Chalk reservoir. Four gas producer wells have been drilled, with all currently being active.

Harald Field

Harald is a gas/condensate field located in the north-western part of the Danish sector. The Harald field comprises two structures; Harald East discovered in 1980 and Harald West discovered in 1983. The fields were brought on production in 1997. The Harald West reservoir consists of Middle Jurassic sandstones, and Harald East is an elongated dome structure in the Upper Cretaceous Ekofisk and Tor Formation. Four wells have been drilled, two on Harald West and two on Harald East, and all four wells are currently active.

Lulita Field

Lulita is an oil field with a gas cap discovered in 1991 which was brought on production in 1998. The reservoir consists of Middle Jurassic sandstones. Two wells have been drilled. However only one is producing. DUC holds a 50 percent interest in the Lulita field with Ineos (40%) and Noreco (10%) as partners.



Tyra Redevelopment

Tyra is a natural gas field in the Danish sector of the North Sea currently under redevelopment. The Tyra Redevelopment project is, to date, the largest project carried out on the Danish Continental Shelf, and is expecting to increase net production by 90 percent and unlock gross reserves in excess of 200 mmboe. Redeveloped Tyra will decrease opex significantly and lower emissions at the field by 30 percent. In addition, the completed project will extend field life by 25 years and produce enough gas to power what equals to 1.5 million homes in Denmark

BACKGROUND

In 2016, The Danish Underground Consortium announced its plan to cease production from the Tyra gas field by the end of 2019 and to redevelop the field infrastructure. The Tyra hub required redevelopment due to compaction of the chalk reservoir, where the seabed has subsided by six metres over a period of 30 years of production. The redevelopment project was necessary to ensure that both crew and equipment are safe, as well as maintaining an efficient level of production. Final investment decision was made in December 2017, following the approval by the Danish authorities.



The execution of the project is both a global and local effort. In addition to fabricating installations in both Europe and Asia, project efforts are being executed locally in Esbjerg and offshore in the Danish North Sea. The scope of the project includes removing old facilities, modifying existing ones, and installing new features. The two existing process and accommodation platforms will be replaced by one new process platform and one new accommodation platform. The four wellhead platforms and two riser platforms will have their jackets extended by 13 meters, and the current topsides will be replaced.

2020 MILESTONES & DEVELOPMENT

During 2020 several milestones were reached, moving the project closer towards what will be a state-of-the-art North Sea production and export facility. The execution of the Offshore Decommissioning Campaign was successfully completed according to plan in the summer. The wellhead and riser platform topsides and bridges were removed by the world's largest crane vessel Sleipnir, and the Tyra East and Tyra West production platform topsides were removed by Pioneering Spirit. Dismantling work was carried out onshore for increased safety. Sustainability is a core driver for the project with both the removed platforms being recycled at Modern American Recycling Services' (M.A.R.S.) recycling yard in Frederikshavn where more than 95 percent will be recycled. The recycling of the old Tyra topsides at M.A.R.S. is to date the largest recycling of offshore installations carried out in Denmark. The wellhead and riser platform topsides and bridges are recycled at Sagro's recycling yard in Rotterdam.

In September, the project took delivery of two jackets after completing fabrication in the yard, Dragados Offshore S.A, in Spain. The jackets form the foundation for the new Tyra process and accommodation platforms and were the first new jacket structures delivered and installed for the Tyra Redevelopment project.

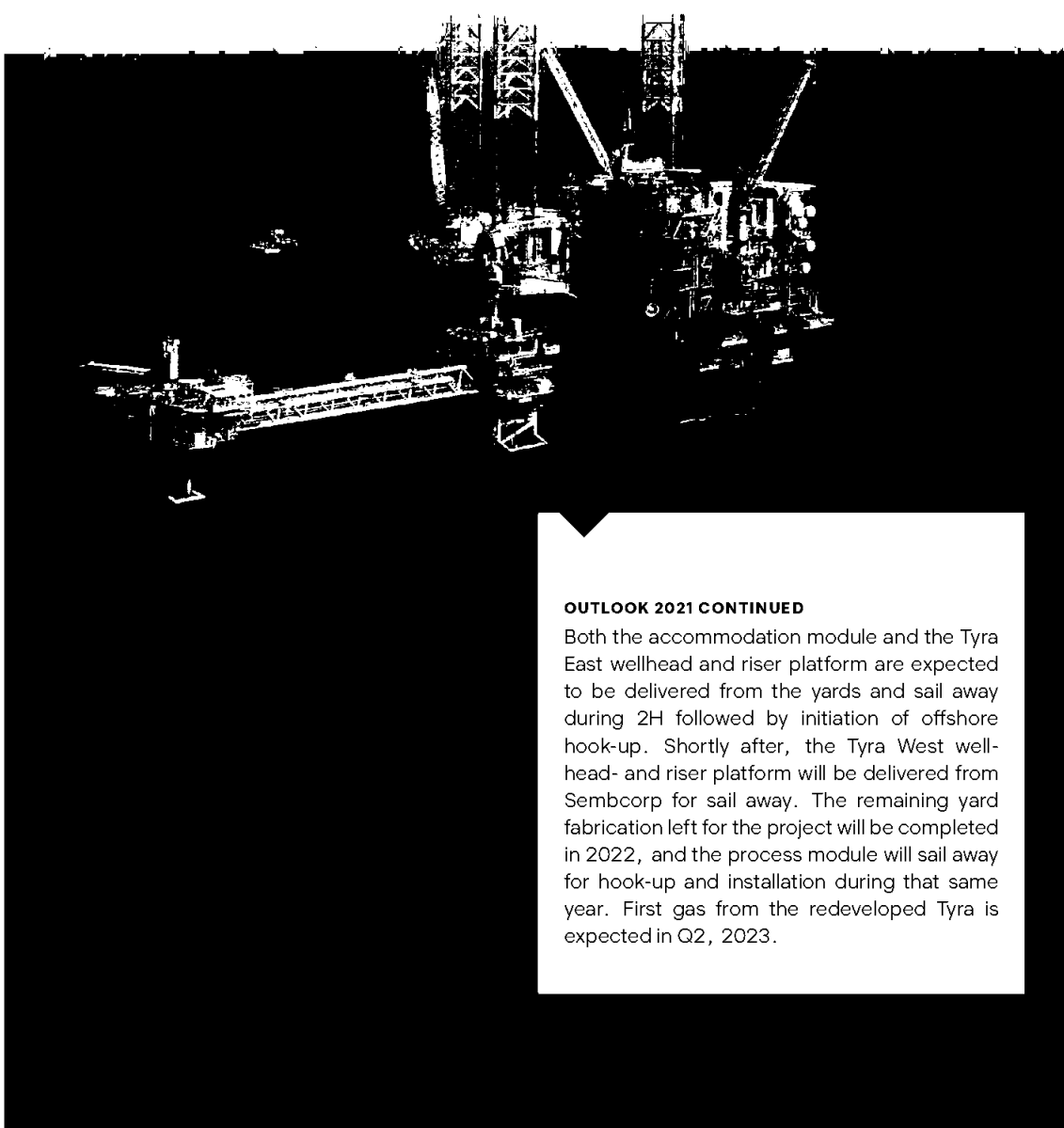
Due to the global pandemic, local governmental imposed restrictions at the fabrication yards and the global supply chain had an impact on the schedule of the new Tyra topsides and as a consequence the schedule for first gas was updated to Q2 2023.

OUTLOOK 2021

High activity levels at both the fabrication yards and offshore is expected during 2021, and several key milestones will move the project significantly towards first gas. Fabrication of the two

platforms and two modules take place on three yards: Sembcorp Marine in Singapore is currently fabricating the wellhead- and riser platforms for Tyra East and Tyra West, the accommodation

module is being fabricated by Rosetti Marine in Ravenna, Italy, and the process module by McDermott in Batam, Indonesia.



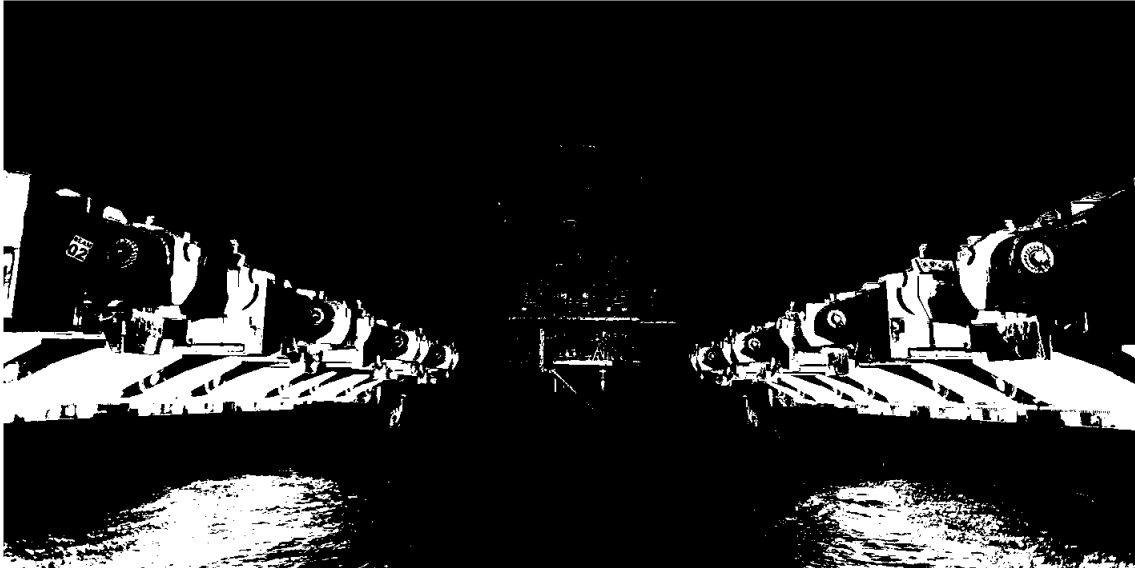
OUTLOOK 2021 CONTINUED

Both the accommodation module and the Tyra East wellhead and riser platform are expected to be delivered from the yards and sail away during 2H followed by initiation of offshore hook-up. Shortly after, the Tyra West wellhead- and riser platform will be delivered from Sembcorp for sail away. The remaining yard fabrication left for the project will be completed in 2022, and the process module will sail away for hook-up and installation during that same year. First gas from the redeveloped Tyra is expected in Q2, 2023.



Sustainability

- 24 Introduction
- 25 Performance Status
- 26 Short Term Focus
- 27 Sustainability Linked KPIs
- 28 Decommissioning & Recycling of the Tyra Facilities
- 29 Renewable Power
- 30 Subsurface CCS and Energy Storage
- 31 Offshore Hydrogen & PtX Production
- 32 DHRTC
- 33 Biodiversity in the DUC



Energy Transition in a Profitable Way

COMPANY OBJECTIVES & COMMITMENTS

- Transparency in the reporting of the Company's operational and environmental performance
- Facilitation of improved technical, commercial and economic framing of sustainability initiatives achieved through partnerships
- Focus on renewable power supply to Noreco's offshore installations
- Pursue extended lifetime of the offshore installations by embracing and integrating sustainable initiatives supporting continued use of subsurface structures for CCS and for energy storage
- Evaluate through partnerships renewable technologies for hydrogen and Power-to-X ("PtX") offshore including potential synergies between Noreco's offshore hydrocarbon production facilities and offshore renewable technologies

Noreco recognizes that, as a Company engaging in the production of oil and gas, it has a responsibility to be an active participant in the Energy Transition, both within and outside of the DUC.

With hydrocarbons expected to remain an important part of the energy mix for the foreseeable future, reducing emissions is the key component to ensure that Noreco's activities can continue to contribute with the smallest environmental footprint possible. As part of the DUC, Noreco is committed reducing emissions from the DUC operations by 400-500 kton towards 2030, and thereby contribute to the delivery of the Danish 70% CO₂ target in 2030. However, in order to justify the deployment of capital, the activities to deliver these targets will need to support the broad objectives of Noreco's stakeholders, including being value additive to the Company and its shareholders. Hence sustainability at Noreco is viewed through this lens.

The Company has taken the first step of lowering the cost of participating in projects that result in significant environmental enhancements through its RBL's ESG linkage. The Company intends that its future reporting and communication on sustainability will be based on GRI guidance and follow the recommendations of the Task Force on Climate-related Financial Disclosures.

Beyond the environment, Noreco will continue to advance a social agenda that supports its people and communities through operating sustainably and safely, while also behaving in a way that recognizes the importance of diversity. The Company established an ESG Committee in 2020 which is contributing to the establishment and execution of a long term sustainability strategy.



OUR ASSET

2020 Performance Status

REMARKS	2020 PERFORMANCE
<p>CO₂ emission The main source of CO₂e is the fuel gas required for production. In addition the figure also includes the contribution from flaring and other fuels. The 2020 emission is low due to the production shut down of the Tyra and Harald facilities during the Tyra Redevelopment</p>	<p>CO₂ verified: 270245 tons CO₂ GHG all sources: 322,6 ktCO₂e GHG Int:</p>
<p>Fuel consumed Fuel is consumed by single cycle gas turbine powering generators, gas compressors and pumps. Natural gas fuel consumption for 2020 is lower and diesel consumption is higher due to the production shut down of the Tyra and Harald facilities during the Tyra Redevelopment</p>	<p>FG verified: 100,46 mill Nm³ GHG FG: 237,8 ktCO₂e Diesel verified: 2298 m³ GHG Diesel: 6,2 ktCO₂e</p>
<p>Flaring Flaring of natural gas is occurring on all hubs when required to allow safe operation during production upsets and non-routine operation.</p>	<p>Flare verified: 14,97 mill Nm³ GHG Flare: 43,10 ktCO₂e</p>
<p>Fugitive emissions Venting of gas from production facilities is to ensure safe operation. Venting is primarily from systems operating at atmospheric pressure but it occurs also during facilities maintenance. The reported figure is likely underestimated.</p>	<p>GHG Venting: 15,6 kt CO₂e CH₄: 395,4 tons</p>
<p>Oil discharge to Sea Water is produced from the fields together with the hydrocarbons and discharged to sea after separation, if not reinjected. The water produced is partly formation water and partly injected sea water.</p>	<p>34,13 tons oil 5,7 mg/L 5,99 mill m³ water</p>
<p>Spills Spills from closed systems and from handling of various liquids are reported in accordance with environmental regulation.</p>	<p>18 Platform reported spills 270 Kg Chemicals 42 Kg Oil</p>
<p>NO_x, SO_x emission The operation of gas turbine drives and diesel engines offshore causes emissions of nitrogen oxides and sulphur oxides.</p>	<p>NO_x: 1,41 tons SO_x: 14,72 tons</p>

Net figures based on data made available by the operator of the DUC



NORECO'S ASSET

The Company's Short-Term Focus

In 2021 we will focus on a number of activities to establish the smallest environmental footprint possible.

Tyra on stream	The 2023 reinstatement of the Tyra hub will reduce fuel consumption and provide a higher operating efficiency. Redeveloped Tyra is expected to have 30 percent lower emissions compared to the old Tyra facility and in addition lower the flaring by 90 percent.
Flare reduction	Flare reduction initiatives have been evaluated during 2020 and will in 2021 include a Halfdan reroute for final stabilisation. Also, the evaluation of Gorm stabilisation may contribute to 2021 flare reduction.
Electrification	A study of the potential of introducing renewable power to replace gas driven single cycle turbines was initiated in 2020 to evaluate the modification scope on Noreco's facilities. This study is being continued with a focus on defining the technical configuration, the most optimal replacement method and defining the associated costs. Noreco see this activity as a significant step towards lowering Noreco's carbon footprint.
Emission monitoring	Improvements are being made to emission monitoring by initiating annual leak detection and repair campaigns (LDAR) with focus on comprehensive register of sources, measurement equipment and evaluation option for better quantification of fugitive emissions. Transition towards new software additionally will improve reporting efficiency and data analytics. Further, novel technique development will be supported in the area of drone imaging technology and LIDAR 3Ds.
Chemicals	Chemicals are being phased out and replaced by green chemicals in a continued dialogue with Danish Environmental Protection Agency.



NORECO'S ASSETS

Sustainability Linked KPIs

**Company specific KPIs set based on two objectives:
(1)emissions reduction, and (2)power from renewables**

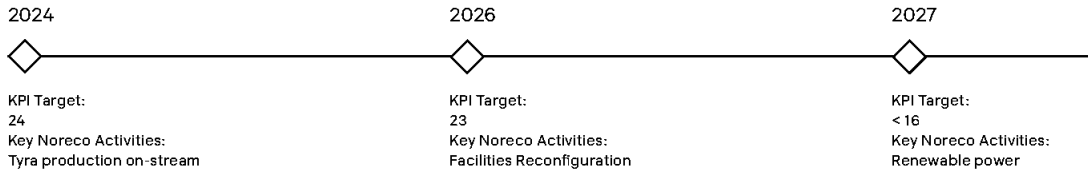
To justify the deployment of capital, the activities to deliver targets need to support the broad objectives of Noreco's stakeholders, including being value additive to the Company and its shareholders. Noreco has taken the first step of lowering the cost of participating in projects that result in significant environmental enhancements through the Company's RBL's ESG linkage.



KPI Emissions Reduction (Scope 1 and Scope 2)

TIMEFRAME

Kg CO2e/boe

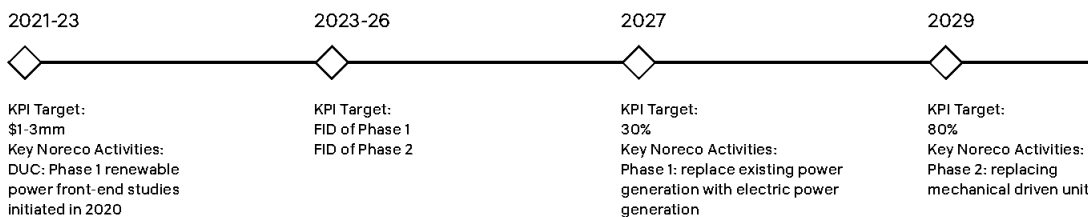


KPI Renewable Power

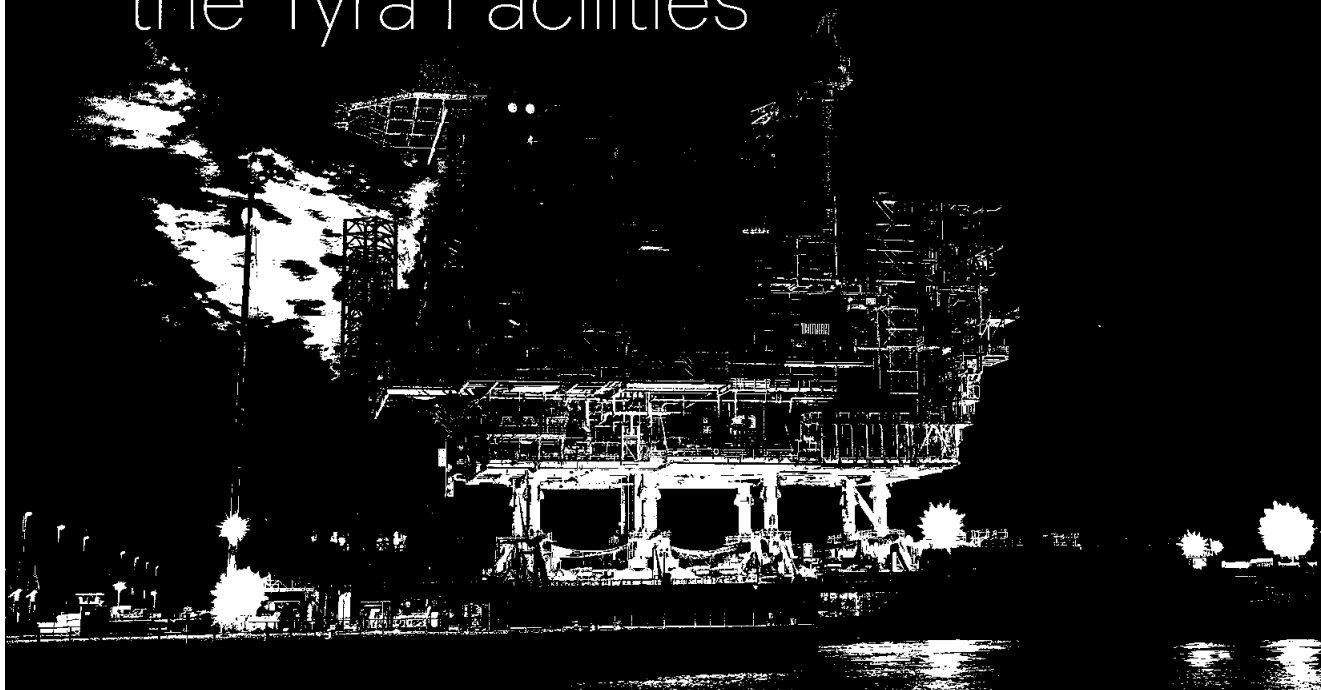
TIMEFRAME

USD per annum

% of power from renewable sources (e.g. electrification)



Decommissioning & Recycling of the Tyra Facilities



As part of the Tyra Redevelopment Project, the old Tyra production facilities were removed during the summer of 2020 by HMC's crane vessel Sleipnir and Allseas' vessel Pioneer Spirit.

The facilities were transferred to the new recycling yard of M.A.R.S. at Frederikshavn in Denmark and to the Sagro's recycling yard in Rotterdam, Netherland. Removal of the 2 remaining jacket structures is scheduled for 2023. Scrapping and recycling is currently ongoing in the yards.

Total weight old facilities: 50,000 tonnes (40,000 tons topsides and 10,000 tons substructure).

The recycling of the old Tyra topsides at M.A.R.S. is the largest recycling of offshore installations in Denmark's history and 95 percent of the old facilities are expected to be recycled.



THE COMPANY'S VIEW ON NORECO'S OPPORTUNITY SET

Renewable Power as an Enabler for Transition

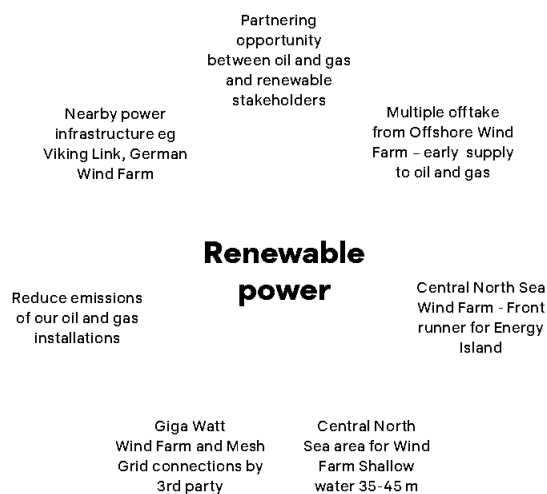
Renewable power supply is one of the key component of the Danish energy transition. Locating renewable power in the vicinity of the Company's oil and gas facilities can forge synergies between existing installations and the new power infrastructure. Notably, Noreco's installations are located in shallow water also allowing for cost effective utilization of wind farm developments in the vicinity.

Supply from a wind farm which has a mesh grid connection with other off-shore windfarms and with shore grids can be the enabler for a significant reduction of emissions from Noreco's oil and gas installations. This both in respect of reducing fuel consumption but also in order to increase production efficiency. Renewable power can thus be part of the solution to continue producing remaining hydrocarbon reserves in a sustainable way.

An electricity grid connection in the central north sea may also utilise the nearby power cable infrastructure available or in the making (e.g. Viking Link, German grid.)

A central North Sea wind farm with the Company's facilities as an early offtake point can also be a required front runner for a future Danish Energy Island with renewable storage and grid connections to Denmark, UK and other North Sea countries.

Partnering with wind farm developers and infrastructure stakeholders can become a early enabler for the transition towards a reduced emission from our assets.





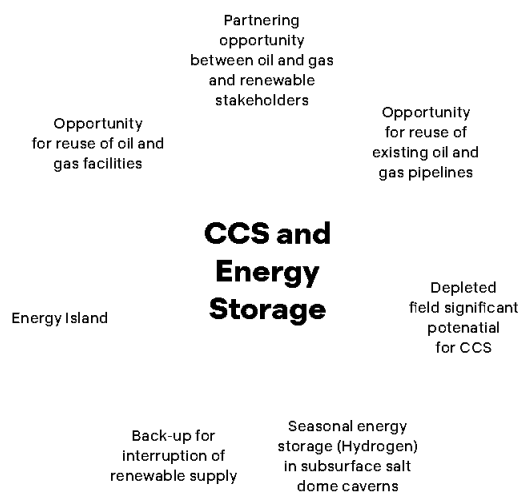
THE COMPANY'S VIEW ON NORECO'S OPPORTUNITY SET

Subsurface CCS and Energy Storage

Noreco's subsurface assets may after hydrocarbon depletion become a significant element in supporting the change towards a renewable society

As part of the Danish energy transition there may be a need for shorter- or longer-term CO₂ capture and subsequent long term storage. the Company's assets may contribute to such a storage opportunity by being able to hold large quantities of CO₂. The storage can be established in our oil and gas field when depleted. Here Noreco's geological understanding and technical expertise may prove significant in assisting in the renewable transition.

Hydrogen production offshore in connection with an extensive offshore wind farm development is a possibility in order to allow for seasonal energy storage and energy back-up during periods with limited renewable production or during periods of higher demand. Large seasonal storage of hydrogen can be accommodated in the geological salt formations below several of our oil and gas fields in the central North Sea. In partnership with renewable enterprises, Noreco's understanding and surface capabilities can be applied to establish the technical feasibility, the practical implementation and the operation of such energy storage. Here also the potential for reusing our existing infrastructure and facilities may become an enabler for lower costs. The planned Danish Energy Island concept can, if placed close to the fields which have geological salt formations, become the main producer of the hydrogen utilizing such energy storage.





THE COMPANY'S VIEW ON NORECO'S OPPORTUNITY SET

Facilities: Offshore Hydrogen & PtX Production

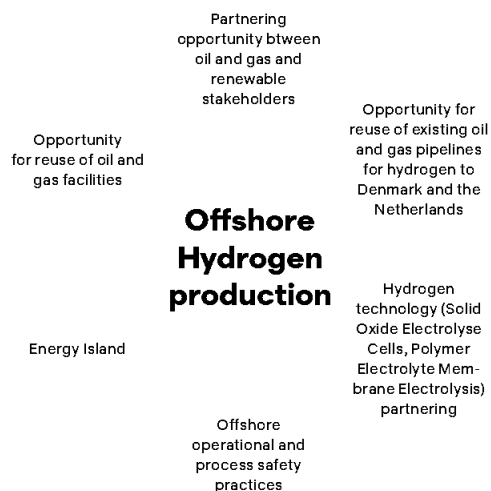
With the planned substantial expansion of the Danish offshore wind power to supply renewable power to consumers in northern Europe, it will be of major importance to establish necessary industrial solutions for producing and handling hydrogen and PtX offshore.

Hydrogen and the PtX production technology will need to be adapted to offshore operating environment and the facilities needs to be constructed to allow for efficient maintenance and safe operation. Here our knowledge from Noreco's facilities and our understanding of safe design practices can be a partnering opportunity with enterprises who are engaged in hydrogen as a renewable energy source.

Initial evaluation of offshore hydrogen production feasibility may utilize offshore oil and gas facilities as test ground before being deployed on a larger scale. The Company's offshore facilities may provide support for such testing and also provide the necessary practical know-how needed for large capacity industrial solutions.

Several electrolysis technologies are currently being matured and progressed to serve the need for utilizing surplus wind power. Noreco see it important to be a contributor to such maturation by assisting with our upstream knowledge. This may also create potential to reuse Noreco's offshore facilities in support of the energy transition.

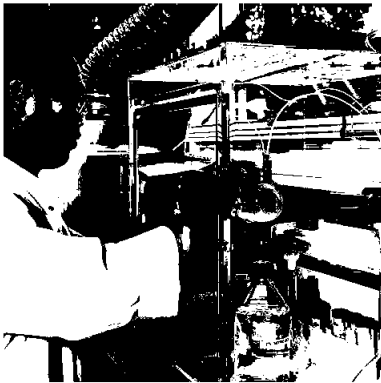
Arranging for hydrogen and PtX production close to existing oil and gas installations and integrating these solutions into a Danish Energy Island concept all located in the Danish central/southern North Sea will also allow for export of hydrogen through existing gas infrastructure to Denmark's shore or to Netherlands.





DHRTC

Research and Technology to Reduce Environmental Impact



Together with its partners in the DUC, Noreco invests in the research and development through partnership with DTU (Technical University of Denmark). The DUC has together established the Danish Hydrocarbon Research and Technology Centre (the DHRTC). DHRTC conducts research aimed towards responsible and efficient oil and gas production from the Danish North Sea, while seeking to reduce the environmental and climate footprint. In 2020 the DUC contributed funding amounting to DKK 131 million to DHRTC.

WORK CONDUCTED BY THE DHRTC:

Advanced Water Flooding

- Improve sweep efficiency of remaining oil in Tor and Ekofisk formations

Lower Cretaceous

- Improve recovery

Well and Production Technology

- Improve integrity and performance of existing and new wells

Operations and Maintenance Technology

- Functional model of process for AI assisted operator support

Enhanced Well Chemistry and Integrity

- Extension of commercial field life by enhanced methods for corrosion, scale and souring prediction and mitigation

AI-assisted Structural Integrity

- Ensure the safety of structures for continued production

Produced Water Management

- Reduce the environmental footprint associated with oil and gas production

Abandonment

- Cost effective abandonment for short and long-term environmental protection

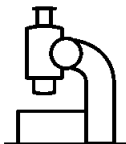


Photo: ©DHRTC

NORECO

2020 ANNUAL REPORT

32



Biodiversity in the DUC

During the past years, the DUC, through the operator Total, has carried out a broad range of scientific studies to increase the understanding of the effects of projects and operations on offshore biodiversity. Studies have been developed and carried out by academics and environmental specialists with expertise in the fields of marine mammal biology, underwater acoustics, metagenomics and ecotoxicology.

The DUC supported marine mammal research program initiated in 2013 has made another significant scientific contribution by providing data regarding the effect on harbor porpoises of underwater sound generated by seismic surveys. The results were published in the peer-reviewed scientific journal *Frontiers in Marine Sciences*.

The DUC also supports researchers on the development of new scientific methodologies in the studies of biodiversity. For example, the partners collaborated with researchers at DTU-aqua for the offshore deployment and testing of state-of-the-art technology in remote and automated biodiversity monitoring. The pilot study aimed at testing the use of a second-generation environmental sample processor (ESP) in an offshore environment. The ESP was deployed close to the facilities to sample and analyze environmental DNA of porpoise, dolphin and fish species.

The Environmental Team in the DUC arranges dedicated biodiversity awareness sessions with onshore and offshore operator employees. Offshore staff is encouraged to report wildlife sightings around platforms and the information is shared with large regional inventory of species like basking sharks or bluefin tuna.



From the Boardroom

35	Noreco Board of Directors
37	Directors Report
48	Reporting of payments to Governments
49	Corporate Governance Report 2020
56	Corporate Social Responsibility
59	Statutory Accounts 2020
75	Consolidated Statements
129	Auditors Report
135	Statement of Compliance
136	Alternative Performance Measures
138	Supplementary oil and gas information (unaudited)
139	Information About Noreco

The Board of Directors



RIULF RUSTAD
Executive chair

Riulf Rustad is a Norwegian businessman with a long track record from investments in sectors such as oil & gas, oil services and offshore. Mr. Rustad operates through his platform Ousdal AS and holds/has held various board positions, both in listed and unlisted companies. Mr. Rustad was elected as Chairman of the board of directors of Noreco in 2016.



MARIANNE LIE
Board Member

Lie is a consultant at Fajoma Consulting AS. She holds various board positions including Treasure ASA, and Wallenius Wilhelmsen ASA. She has previously held various board positions including DNB ASA, R.S. Platou, Rainpower ASA and Fortum Corporation. Lie has served as a member of the board of directors in Noreco since 26 May 2016.



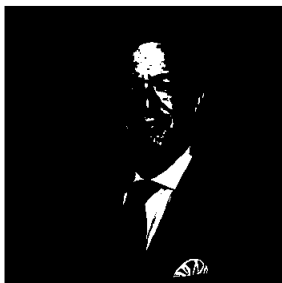
TONE KRISTIN OMSTED
Board Member

Omsted holds a BA Hons. in Finance from University of Strathclyde. She has broad experience from corporate finance and capital markets and currently serves as head of investor relations at Entra ASA. Previous experience includes 14 years as an investment banking executive at SEB Enskilda. She has also served on the board of directors of Panoro Energy ASA. Omsted has served as member of the board of directors of Noreco since 26 May 2016.



COLETTE COHEN
Board Member

Cohen is a chemistry graduate from Queens University Belfast and also holds a master's degree in Project Management and Economics. Her career began with BP in 1991 and she has worked for companies including ConocoPhillips and Britannia in the North Sea, Norway, the US & Kazakhstan. Colette was SVP for Centrica Energy's E&P UK/NL and in August 2016 became the CEO of The Oil & Gas Technology Centre. Cohen has served as member of the board of directors of Noreco since 7 August 2019 and is currently elected until the ordinary general meeting in 2021.



YVES-LOUIS DARRICARRÈRE

Board Member

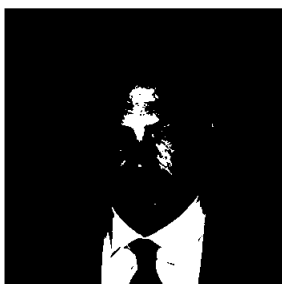
Darricarrère is graduate of Ecole des Mines de Paris, Institut d'Etudes Politiques de Paris and holds a master's degree in Economics. After two years in lecturing and research, he joined in 1978 Elf Aquitaine (later merged with Total) holding various leading positions. In July 2012, he became President of Total Upstream, which brought together Exploration & Production and Gas & Power; he filled the position until he retired in August 2015. Mr. Darricarrère is currently a Senior Advisor with Lazard, a multinational financial advisory and asset management firm, as well as a Senior Lecturer in energy geopolitics at the Institut d'Etudes Politiques de Paris, a board member of ORTEC and CIS and chair of the board of NHV. Mr. Darricarrère has served as member of the board of directors of Noreco since 7 August 2019 and is currently elected until the ordinary general meeting in 2021.



CHRIS BRUIJNZEELS

Board Member

Bruijnzeels holds a master's in Mining Engineering from the University of Delft. He is currently Chairman of ShaMaran Petroleum Corp. and has various other board positions. Chris has since 1985 worked with International Petroleum Corp, Lundi has served as member of the board of directors of Noreco since 7 August 2019 and is currently elected until the ordinary general meeting in 2021. n Petroleum, PGS Reservoir Consultants, Shell and NAM in various leading positions. Mr Bruijnzeels has served as member of the board of directors of Noreco since 7 August 2019 and is currently elected until the ordinary general meeting in 2021.



Robert J. McGuire

Board Member

McGuire is a senior professional at MAEVA Group, LLC., a turnaround and restructuring firm. He has a 25 year global track record as an advisor, investor and business leader, has served on numerous boards and has extensive experience in the energy sector, having led the European energy businesses at both Goldman Sachs and J.P.Morgan. He has a BA from Boston College and an MBA from Harvard Business School. Mr McGuire has served as member of the board of directors of Noreco since 2 March 2020.



Directors' Report

Norwegian Energy Company ASA ("Noreco" or the "Company") is a Norwegian company listed on the Oslo Stock Exchange. The Company was established in 2005 and has a strategic focus on value creation through increased recovery of hydrocarbons, enabled by a competent organisation with a long-term view on reservoir management and the capability to invest in, and leverage new technology.

In July 2019, Noreco completed the acquisition of Shell's Danish upstream assets through the acquisition via a share purchase of Shell Olie- og Gasudvinding Danmark B.V. ("SOGU"), which included ownership of the subsidiary Shell Olie- og Gasudvinding Danmark Pipelines ApS ("SOGUP"), and simultaneous transfer of the interest in the DUC from SOGU to Noreco Oil Danmark A/S. As a result of the Transaction, Noreco became the second largest oil and gas producer in Denmark and a considerable E&P company.

Noreco has a 36.8% non-operated interest in the Danish Underground Consortium ("DUC") with assets that comprise four hubs with 11 producing fields; Halfdan, Tyra, Gorm and Dan. DUC is a joint venture between Total (43.2%), Noreco (36.8%) and Nordsøfonden (20.0%). DUC is operated by Total which has extensive offshore experience in the region and worldwide.

BUSINESS DEVELOPMENT

Noreco delivered strong production from the Halfdan, Dan and Gorm hubs in 2020 with a yearly average of 28.5 mboepd and an overall operational efficiency at approximately 82%. The operational efficiency during the year was impacted by the COVID-19 virus. The offshore manning successfully returned to pre-Covid levels in end of October 2020.

Despite the challenging market environment in 2020 Noreco delivered a realised oil price of USD 66.8 per bbl, demonstrating the strong contribution from Noreco's hedge portfolio. In addition, the Shell liquid protection agreement contributed with a total of USD 98 million in 2020.

The Tyra Redevelopment is an ongoing project within the DUC and is the largest project ever that is carried out in the Danish Continental Shelf (DCS). The project will provide a strong foundation for future reserves growth, unlocking

gross reserves in excess of 200 mmbob. The Tyra hub was temporarily shut-in in September 2019 and during 2020 several important project milestones were successfully reached, including the offshore decommissioning campaign. In September 2020, the two jackets were delivered from the fabrication yard and safely installed on Tyra. Local governmental imposed restrictions at the fabrication yards have impacted the schedule of the new Tyra topsides, including through the global supply chain delivering key components for the topsides. Subsequently the installation of the four new topsides was rescheduled from 2021 to a 2022 installation-window. The Tyra Redevelopment project is progressing towards first gas in Q2 2023.

The annual revision of reserves resulted in total 2P reserves at year end 2020 of 201 mmbob, confirmed by an independent CPR assessment.

In December 2020, the Danish government announced the "2050 North Sea Agreement" ceasing oil and gas extraction by 2050. The agreement provides industry stability and creates opportunities on the Danish Continental Shelf, through and beyond the DUC concession which expires in 2042.

CAPITAL STRUCTURE

Convertible bond ("NOR13"): a USD 171 million convertible bond with an eight-year tenor subscribed to by CQS, Kite Lake Capital Management, Taconic Capital Advisors and York Capital Management. This instrument has a mandatory conversion to equity after five years and PIK interest with additional bonds at a coupon rate of 8.0 percent. Noreco may alternatively, at its own discretion, pay cash interest of 6.0 percent. Should the instrument be in place beyond the five-year conversion period, the interest rate on NOR13 will be reduced to 0.0 percent for the remaining period.

Reserve-based lending facility: a seven-year 1st lien senior-secured reserve-based lending facility (the "RBL Facility") with a total facility amount of USD 900 million and a letter of credit sub-limit of USD 100 million. At the end of 2020, the RBL Facility USD 751 million was drawn, with an additional USD 100 million letter of credit outstanding. The facility will amortize from the second half of 2022 and interest



DIRECTORS' REPORT CONT.

is charged on debt drawings based on the LIBOR rate and a margin of 4.0 to 4.5 percent.

Subsequent to year end 2020 Noreco announced a fully underwritten USD 1.1 million RBL with a two-year extension of maturity and amortizations. In addition, the Company has established a link in the RBL to ESG targets on emissions

intensity reduction and power from renewables that will support progression of the Company's ESG strategy.

Senior unsecured note ("NOR14"): a USD 175 million senior unsecured note with a coupon rate of 9.0 percent and a maturity of June 2026.

GROUP FINANCIAL RESULTS FOR 2020

Selected data from consolidated statement of comprehensive income

All figures in USD million	2020	2019* restated
Total revenue	566	333
EBITDA	250	127
EBIT	57	(251)
Result before tax	(18)	(199)
Net result for the period	17	215
Earnings per share	0.7	14.6

* Figures reflects the contribution from the acquired DUC assets from 1 August 2019

Total revenues for 2020 amounted to USD 566 million, increased from USD 333 million the previous year. The revenue is mainly related to oil and gas sales from the DUC fields. 2019 reflects the revenue from 1 August 2019.

Production expenses of USD 295 million in 2020 compared to USD 171 million in 2019. Of this amount USD 277 million was directly attributable to the lifting and transport of the Company's oil and gas production. These production expenses include a positive impact of USD 3 million related to crude oil inventory adjustment. The cost per boe in 2020 amounted to USD 26.6 per boe compared to USD 23.1 per boe the previous year. The increase is driven by the Tyra shut-in with increased transportation tariffs due to changed market terms, in addition to operational expenses from Tyra without any production contribution

Personnel expenses were USD 12 million in 2020 compared to USD 16 million in 2019. The cost in 2019 includes USD 6 million higher cost related to share-based payments. This is partly offset by restructuring cost of USD 1 million in 2020.

Other operating expenses amounted to USD 8 million in 2020, compared to USD 19 million last year. The other operating expenses in 2019 includes USD 9 million in

consultant fees related to the acquisition and USD 3 million related to offshore insurance cost. The offshore insurance cost for 2020 were included in production expenses.

Operating result (EBITDA) for 2020 was a profit of USD 250 million, mainly from the DUC fields. Adjusted EBITDA, taking into account any claims under the volume guarantee recognised as contingent consideration, was USD 358 million for the year, more details on the Alternative Performance Measures (APM) is included in the end of the report.

Net financial items amounted to an expense of USD 75 million in 2020, compared to an income of USD 52 million in 2019. The increased financial expense is mainly driven by full year interest expenses related to external debt, full year accretion on asset retirement obligation, foreign exchange loss related to working capital as a result of DKK strengthening, partly offset by fair value adjustment embedded derivatives and realized hedge income. The financial income in previous year were in addition influenced by a value increase related to the Shell liquid protection agreement.

Income Tax for the Group amounted to a tax income of USD 35 million for the year, compared to USD 414 million in 2019.



DIRECTORS' REPORT CONT.

The tax income for 2020 relates to the recognition of tax losses and investment uplift for the year. The tax income in 2019 relates the recognition of prior year's deferred tax losses in Denmark due to the expected increase in future profit from the acquisition of the DUC assets. Reference is

made to note 13 in the consolidated financial statements for further details to the taxes this period.

The Group's net result for the year is a profit of USD 17 million, compared to USD 215 million in 2019.

Selected data from the consolidated statement of financial position

All figures in USD million	2020	2019 restated
Total non-current assets	2,533	2,413
Total current assets	429	523
Total assets	2,962	2,935
Total equity	630	589
Interest bearing debt	1,043	1,008
Asset retirement obligations	950	967

Total non-current assets amounted to USD 2,533 million at the end of 2020, of which USD 1,704 million related to Property, Plant & Equipment, in addition to a deferred tax asset of USD 432 million, intangible asset of USD 175 million, USD 196 million restricted cash and USD 26 million in derivatives.

Total current assets amounted to USD 429 million at the end of 2020, USD 34 million in short term derivatives, USD 96 million in trade- and other receivables, of which USD 58 million is related to trade receivables and accrued oil and gas revenue, USD 15 million is related to the liquid volume protection agreement with Shell and USD 23 million is related to offshore insurance premium that is paid in advance. In addition USD 259 million in cash and USD 40 million is related to inventory.

Equity amounted to USD 630 million at the end of 2020, compared to USD 589 million at the end of 2019. The increase in equity is mainly related to the fair value adjustment of derivative instruments and net result for the current year.

Interest-bearing debt amounted to USD 1,043 million at the end of 2020. The convertible bond loan NOR13 had a book value of USD 131 million at the end of 2020. This is valued at amortised cost and the embedded derivatives are accounted for as a derivative liability at fair value through profit and loss. Noreco's USD 900 million RBL facility was drawn USD 751 million and had a book value of USD 719 million at the end of 2020, which reflects an additional draw down of USD 6 million in the current year. The senior unsecured bond loan NOR14 had a book value of USD 169 million at the end of 2020. The RBL facility and the unsecured bond loan are valued at amortized cost. In addition, the interest-bearing debt includes deferred consideration with a book value of USD 25 million at the end of 2020.

Asset retirement obligations amounted to USD 950 million at the end of 2020, compared to USD 967 million at the end of 2019. USD 875 million is related to the DUC assets, USD 71 million to Nini/Cecilie, USD 2 million to Lulita and USD 2 million to the Tyra F-3 pipeline. Part of the asset retirement obligation is secured through an escrow account of USD 71 million.



DIRECTORS' REPORT CONT.

Selected data from the consolidated statement of cash flows

All figures in USD million	2020	2019 restated
Cash flow from operating activities	348	249
Cash flow used in investing activities	(285)	(1,274)
Cash flow from financing activities	(89)	1,309
Net change in cash and cash equivalents	(26)	283
Cash and cash equivalents	259	286

Cash flow from operating activities amounted to USD 348 million at the end of 2020, compared to USD 249 million at the end of last year.

Cash flow used in investing activities amounted to USD 285 million at the end of 2020 compared to USD 1,274 million at the end of last year. The cash flow used in investing activities were related to investments to the DUC asset of USD 236 million, of which USD 221 million is linked to the Tyra redevelopment, USD 75 million deposit into a cash call security account, USD 72 million in tax payment for the period prior to closing, USD 2 million in investment on exploration licenses and benefit received from the volume guarantee of USD 102 million.

Cash flow from financing activities amounted to negative USD 89 million at the end of the year, compared to positive USD 1 309 million in 2019. During 2020 USD 74 million in abandonment expenditure was paid, of which USD 70 million is related to the Tyra redevelopment, USD 52 million received from price hedging, USD 56 million in paid interest on the RBL Facility and bond loan, USD 6 million in additional draw down on the RBL Facility and in addition Noreco bought back its own shares for USD 10 million. The positive cash flow from financing activities last year were related to drawdown of long-term loans and issue of new shares in relation to the acquisition of the DUC assets

Net change in cash and cash equivalents amounted to negative USD 26 million in 2020 compared to positive USD 283 million in 2019. Cash and cash equivalents were in total USD 259 million at the end of 2020.

RISK MITIGATION

The Company actively seeks to reduce the risk it is exposed to regarding fluctuating commodity prices through the establishment of hedging arrangements. Noreco applied hedge accounting from 1 October 2019.

Noreco has to date executed this policy in the market through a combination of forward contracts and options.

As a result of the agreement to acquire SOGU, Noreco had a liquid volume protection agreement with Shell that, from signing of the Sale and Purchase Agreement (SPA) until the end of 2020 (the "Protection Period"), provided a monthly liquid production guarantee at levels above the Company's current internal forecasts. To the extent that actual production levels were below the pre-agreed level in the Protection Period, Noreco received a monthly cash payment from Shell. The fair value of the volume guarantee was recognised as a reduction in the acquisition purchase price. Any changes to the fair value were recognized through profit and loss. For the period 2021 to 2023 (the "Recovery Period"), a payment to Shell may be required if actual production exceeds a pre-agreed level that is currently above the Company's internal forecasts. The amount refunded to Shell during the Recovery Period cannot exceed the value of Noreco's claims during the Protection Period.

As part of the acquisition of the DUC assets, Noreco agreed to sell certain oil volumes (equivalent to 80% of the guaranteed production until the end of September 2020) to Shell at fixed prices. The prices at which Shell would acquire these volumes were set on a monthly basis in line with the Brent forward curve when the SPA was signed in October 2018. As the level of oil Noreco has lifted from the DUC asset is below the original schedule agreed with Shell, volumes of oil are still to be sold to Shell at the pre-agreed fixed prices; this overhang was extinguished during Q4 2020 and at the end of the year Noreco had no remaining price hedges with Shell.

Subsequent to closing of the transaction in August 2019, Noreco entered into a combination of forward contracts and options with financial institutions in the market to reduce the Company's exposure to commodity price volatility. These protect the minimum oil price Noreco will receive during 2021



DIRECTORS' REPORT CONT.

and 2022. The hedging contracts with financial institutions are financially settled on a monthly basis.

As part of the RBL Facility, Noreco has a rolling hedge requirement based on a minimum level of production corresponding to the RBL banking case forecast: 50% of oil equivalent volumes for the following 12 months, 40% in the period from 12 to 24 months and 30% in the period from 24 to 36 months, subject to a maximum level in each of these

periods of 70%. Due to the volatile oil market conditions in 2020, Noreco requested and received waivers from its RBL bank syndicate in June and December relating to the hedging requirements in the 24 to 36 months forward; based on this, the company is not required to meet the minimum hedging level during this period until the end of June 2021. At the end of 2020, Noreco is in full compliance with these temporarily revised RBL hedging requirements.

	Liquids hedged (mmbøe)	Average hedged price
2021	6.3	55.7
2022	4.3	55.7

THE GOING CONCERN ASSUMPTION

Pursuant to the Norwegian Accounting Act section 3-3a, the board confirms that the requirements of the going concern assumption are met and that the annual accounts have been prepared on that basis. The financial solidity and the Company's working capital and cash position are considered satisfactory in regards of the planned activity level for the next twelve months.

Risk factors

The risks and uncertainties described in this section are the material known risks and uncertainties faced by the Group as of the date hereof and represents those risk factors that the Company believes to represent the most material risks for investors. Accordingly, investors should carefully consider these risks.

Risks related to the Company's assets

The Company's future production of oil and gas is concentrated in a limited number of offshore fields that are located in a congregated geographical area. There are currently four production hubs which are interconnected and utilize the same infrastructure. In addition to this, the fields within one hub are interconnected and one field can depend on another for gas injection and other factors important to extract hydrocarbons. Gas produced on each of the hubs is normally processed and transported to shore via the Tyra hub. Due to the ongoing Tyra Redevelopment, gas is temporarily going to Dan and sent to the NOUGAT system in the Dutch sector. The Gorm hub receives liquids from all the other hubs and sends it to shore via a pipeline on Gorm E. Consequently, the concentration of fields, infrastructure and other Noreco assets may result in that accidents, problems,

incidents or similar on one location may affect a significant part of Noreco's business.

Reserves risk

The Company's oil and gas production could vary significantly from reported reserves and resources. Should actual production deviate from estimated reserves, this may have a significant impact on the value of the Group's assets, the cash flow from operations and total revenues over the lifetime of the assets. Material deviations between actual results and estimated reserves for one asset may also create uncertainties about the estimated reserves of other assets based on the same assumptions, which may in turn be detrimental for investors' confidence in Noreco's reserves estimates.

Risks related to development projects

Noreco's development projects and resource portfolio will require substantial investments to bring into production. The Company may be unable to obtain needed capital or financing on satisfactory terms, which could lead to a decline in its oil and gas reserves. The Company makes and expect to continue to make substantial investments in its business for the development and production of oil and natural gas reserves. The Company's development projects may not be finalized within the projected budget or timeframe, or other unforeseen events may arise which affects the projects. The Company intends to finance the majority of its future investments with cash flow from operations and borrowings under its RBL Facility and other equity and debt facilities.

Decommissioning risks

There are significant uncertainties relating to the cost for decommissioning of licences including the schedule for



DIRECTORS' REPORT CONT.

removal of any installation and performance of other decommissioning activities. No assurance can be given that any anticipated costs and time of removal will be correct and any deviation from such estimates may have a material adverse effect on the Company's business, results of operations, cash flow and financial condition.

Third party risk

The Company is subject to third party risk in terms of operators and partners as it does not have a majority interest in any of its licences, and consequently cannot solely control such assets. Although the Company has consultation rights or the right to withhold consent in relation to significant operational matters, depending inter alia on the importance of the matter, level of its interest in the licence, which licence, the contractual arrangements for the licence, etc, the Company will have limited control over management of such assets and mismanagement by the operator or disagreements with the operator as to the most appropriate course of action may result in significant delays, losses or increased costs to it. Jointly owned licences also result in possible joint liability, on certain terms and conditions. Other participants in licences may default on their obligations to fund capital or other funding obligations in relation to the assets. In such circumstances, the Company may be required under the terms of the relevant operating agreement or otherwise to contribute all or part of such funding shortfall ourselves.

Risks related to commodity prices

The Company's business, results of operations, cash flow and financial condition will depend significantly on the level of oil and gas prices and market expectations of these and may be adversely affected by volatile oil and gas prices. The Company's future revenues, cash flow, profitability and rate of growth depend substantially on prevailing international and local prices of oil and gas. As oil and gas are globally traded commodities, Noreco is unable to control or predict the prices it receives for the oil and gas it produces; however, the Company has a material hedging programme in place that mitigates the short-term impact of price volatility. The hydrocarbons produced from specific fields may have a premium/discount to benchmark prices such as Brent and this may vary over time.

Currency risks

The Group is exposed to market fluctuations in foreign exchange rates. Revenues are in US dollars for oil and in Euros and Danish kroner for gas, while operational costs, taxes and investment are in several other currencies, including Danish kroner. The Company's financing is primarily in US dollars.

Significant fluctuations in exchange rates between euros and Danish kroner and US dollars and Danish kroner and Danish and Norwegian kroner may materially adversely affect the reported results.

Risks related to Danish taxation and regulations

All of Noreco's petroleum assets are located in Denmark and the petroleum industry is subject to higher taxation than other businesses. There is no assurance that future political conditions in Denmark will not result in the relevant government adopting different policies for petroleum taxation than currently in place. However, due to the Compensation Agreement in place between the Danish State and the DUC, any alterations in present legislation to the disadvantage of the DUC licensees would be compensated. The compensation would be determined with a view to the impact of the changes on the DUC but however cannot exceed the net advantage deemed to have been obtained by the State. This agreement effectively reduces the risk associated with Danish taxation and regulations and provides for a high degree of influence for the DUC in the design and adoption of any amendments to the petroleum tax rules.

Risks related to debt financing

Noreco has exposure to both floating interest rates, through the Company's USD 900 million RBL, and fixed interest rates, through the Company's USD 171 million Convertible Bond and USD 175 million Senior Unsecured Note. Noreco does not currently have any interest rate hedging in place and any rise in interest rates may negatively impact the Company's profitability and free cashflow generation. In addition, the Company is subject under these financing instruments to several covenants, including maximum leverage relative to earnings and demonstration of a minimum level of liquidity. The Company's material hedging programme provides significant visibility over Noreco's ability to meet these requirements, however if the Company is unable to then actions to rectify this position may be required. There can be no assurance that such actions will be available or enough to allow Noreco to ultimately fulfil its obligations.

Risks related to future capital requirements

Noreco's future capital requirements will be determined based on several factors; including production levels, commodity prices, future expenditures that are required to be funded and the development of the Company's capital structure. To the extent the Company's operating cashflow is insufficient to fund the business plan at the time, and in particular the Tyra redevelopment project, additional external capital may be required. Noreco currently has a strong financial base, supported by existing liquidity and



DIRECTORS' REPORT CONT.

hedging positions, however any unexpected changes that result in lower revenues or increased costs may necessitate the raising of additional external capital. There can be no guarantee that, if required, Noreco would be able to access the debt or equity markets on favourable terms, or if necessary be able to adequately restructure or refinance its debt. To mitigate this risk, Noreco maintains a strong relationship with its banking syndicate through continual engagement to underpin its borrowing position and has commenced an active investor relations strategy to support access to the capital markets.

Financial reporting risk

While Noreco has in place internal controls covering the Company's financial reporting function, any material error or omission could significantly impact the accuracy of our reported financial performance and expose the Company to a risk of regulatory or other stakeholder action.

Insurance risk

Although the Company maintains liability insurance in an amount that it considers adequate and consistent with industry standard, the nature of the risks inherent in oil and gas industry generally, and on the Danish Continental Shelf specifically, are such that liabilities could materially exceed policy limits or not be insured at all, in which event the Company could incur significant costs that could have adverse effect on its financial condition, results of operation and cash flow.

Political and regulatory risks

The Company is exposed to political and regulatory risks. Exploration and development activities in Denmark are dependent on receipt of government approvals and permits to develop its assets. The Danish Subsoil Act, among other things, sets out different criteria for the organization, competence and financial capability that a licensee at the Danish Continental Shelf (DCS) must fulfil at all times. The Company is qualified to conduct its operations on the DCS, however, there is no assurance that future political conditions in Denmark will not result in the government adopting new or different policies and regulations on exploration, development, operation and ownership of oil and gas, environmental protection, and labour relations. In December, the Danish government announced the "2050 North Sea Agreement" ceasing oil and gas extraction by 2050. The agreement provides industry stability and opportunities on the DCS, beyond the DUC concession which expires in 2042. Further, the Company may be unable to obtain or renew required drilling rights, licences, permits and

other authorizations and these may also be suspended, terminated or revoked prior to their expiration.

Risks related to environmental regulations

The Company may be subject to liability under environmental laws and regulations. All phases of the oil and gas business present environmental risks and hazards and are subject to environmental regulation pursuant to a variety of international conventions and state and municipal laws and regulations. Environmental legislation provides for, among other things, restrictions and prohibitions on spills, and releases or emissions of various substances produced in association with oil and gas operations. The legislation also requires that wells and facility sites are operated, maintained, abandoned and reclaimed to the satisfaction of applicable regulatory authorities. The Company is subject to legislation in relation to the emission of carbon dioxide, methane, nitrous oxide and other so-called greenhouse gases. Compliance with such legislation can require significant expenditures and a breach may result in the imposition of fines and penalties, some of which may be material, in addition to loss of reputation.

Reputational risks

Noreco may be negatively affected by adverse market perception as it depends on a high level of integrity and to maintain trust and confidence of investors, DUC participants, public authorities and counterparties. Any mismanagement, fraud or failure to satisfy fiduciary or regulatory responsibilities, or negative publicity resulting from other activities, could materially affect the Company's reputation, as well as its business, access to capital markets and commercial flexibility.

COVID-19

The global pandemic has severely impacted the daily lives of people as well as affected companies and markets. Governments and other authorities have imposed restrictions which limits the prerequisites for continuing normal business operations, including movement of people and their ability to get to their place of work. Noreco is well set up with IT infrastructure and routines which allow all staff to work remotely and as such are able to continue operating the Company. The Company, through its ownership in DUC, relies on a significant number of operational staff and third-party suppliers to maintain its operations at sufficient levels. Total E&P Denmark A/S, as the operator of DUC, has implemented extensive measures to protect personnel and secure business continuity, including among others screening of offshore personnel by Total health staff. Local



DIRECTORS' REPORT CONT.

governmental imposed restrictions at the fabrication yards have impacted the schedule of the new Tyra topsides, including through the global supply chain delivering key components for the topsides. As a direct consequence of this impact the installation of the four new topsides was rescheduled from 2021 to a 2022 installation-window. First production from the redeveloped Tyra is as such expected in Q2 2023. COVID-19 has affected global demand for oil and gas, which is affecting the price of these commodities – see note 2 to the consolidated financial statements. Given the rapidly evolving landscape of the COVID-19 pandemic, where information, impacts and even the regulatory environment can change in a matter of hours, it is challenging to estimate the continued potential future impact of the COVID-19 to the Company's performance and business.

HEALTH, ENVIRONMENT AND SAFETY

Noreco puts emphasis on its employees performing company activities in line with the principals of business integrity and with respect for people and the environment.

During 2020, Noreco was, through its ownership in the DUC in which Total E&P Denmark A/S is the operator, involved in production of oil and gas which could cause emissions to the sea and air.

Noreco will conduct its business operation in full compliance with all applicable national legislation in the countries where it is operating. The Company is committed to carry out its activities in a responsible manner to protect people and the environment. Our fundamentals of HSEQ and safe business practice are an integral part of Noreco's operations and business performance.

The outbreak of the coronavirus (COVID-19) continues to severely impact the daily lives of people and imposes restrictions on movements of people and their ability to get to their normal place of work. Noreco's business continuity actions provide the Company with infrastructure and systems that allow all staff to work remotely and, as such, Noreco can fully continue operating the Company while safeguarding its employees.

The Danish Offshore Safety Act is the legal framework for

promotion of a high level for health and safety offshore and for creating a framework enabling the companies to solve offshore health and safety issues themselves. The Danish Offshore Safety Act generally applies to all offshore activities related to hydrocarbon facilities, infrastructure and pipelines connected hereto.

Licensees under the Danish Subsoil Act are required to identify, assess and reduce health and safety risks as much as reasonably practicable, as well as be compliant with the ALARP (As Low As Reasonably Practicable) principle. Furthermore, the licensee shall ensure that operators are able to fulfil the safety and health obligations pursuant to the Danish Offshore Safety Act.

The Tyra Redevelopment Project experienced a contractor fatality on 24 November 2020 at the Semcorp Marine construction yard in Singapore. Following an incident investigation, the safety action plan has been enhanced including implementation of improved hazard marking protocols

PERSONNEL RESOURCES AND WORKING ENVIRONMENT

At the end of 2020 the Group had 28 employees. 39 percent of the employees were women.

At the end of 2020 the Company's board of directors consists of three women and five men, all elected by shareholders. There are no employee representatives on the Board. At the end of 2020, approximately 40 per cent of the board members were women.

Noreco strives to maintain a working environment with equal opportunities for all based on qualifications, irrespective of gender, ethnicity, religion, sexual orientation or disability. The Company pays equal salaries and gives equal compensation and opportunities for positions at the same level, regardless of gender, ethnicity, religion or disabilities. The management's compensation is described in note 7 to the annual accounts.

Sick leave in the Group was 2 percent in 2020.



DIRECTORS' REPORT CONT.

RESEARCH AND DEVELOPMENT

Noreco invests in research and development to support and further grow its E&P activities. The DUC has a partnership with DTU, (Technical University of Denmark) and has together established the Danish Hydrocarbon Research and Technology Centre (the "DHRTC"). The DHRTC conducts research to improve future production of oil and gas from the Danish North Sea. The Centre's research seeks to increase sustainability through improved cost efficiency and reduced environmental impact. In 2020 the DUC contributed with funding amounting to DKK 131 million to DHRTC. Current ongoing work programme includes:

- Improved recovery of hydrocarbons
- Produced water management (zero harmful discharge vision)
- Operations and maintenance technology
- Extended well life
- Robust & cost-effective abandonment for long-term environmental protection.

CORPORATE GOVERNANCE

The board wishes to maintain an appropriate standard on corporate governance and to fulfil the recommendations in the Norwegian Code of Practice for Corporate Governance.

Corporate governance in Noreco is based on equal treatment of all shareholders through the activity that the board and General Assembly practice. In total, 20 board meetings were held in 2020, participation was 99%.

Safeguarding the Company's people, assets and financial position were the board's key priorities during 2020, a challenging year following the outbreak of the COVID-19 pandemic. In parallel the board has continued working on developing Noreco and how best to position the Company for future value enhancing opportunities.

On 2 March 2020, an extraordinary general meeting was held where Robert J. McGuire was appointed to the board.

On 26 May 2020, the Annual General Meeting of the Company was held in Oslo, all the matters on the agenda were approved.

Further information on corporate governance and corporate social responsibility can be found in other sections of this report or on the Company's web site, www.noreco.com/corporate-governance and www.noreco.com/csr.

OWNERSHIP

There are no restrictions on the transfer of shares in Noreco. The Company currently has approximately 2,950 shareholders, and 15.85% percent of the shares are held by Norwegian residents.

NORWEGIAN ENERGY COMPANY ASA

In 2020, the parent company was a holding company, and the operating expenses mainly consisted of shareholder costs, consultancy fees, legal fees and payroll expenses. For comments on financial risk and market conditions and statement regarding going concern, please see other parts of this annual report. These comments are also valid for the parent company.

PARENT COMPANY FINANCIAL RESULTS FOR 2020

Personnel expenses were USD 7 million in 2020, decreased from USD 13 million compared to 2019, mainly due to higher costs relating to share based payments in previous year.

Other operating expenses amounted to USD 4 million in 2020, compared to USD 12 million last year. The 2019 operating expenses were highly influenced by consulting fees in relation to the transaction in Denmark.

The net operating result for 2020 was a loss of USD 9 million compared to a loss of USD 16 million in 2019.

Net financial items amounted to an expense of USD 14 million in 2020, compared to an income of USD 28 million in 2019. The financial expense in 2020 was mainly related to interest on bond loans, which is partly offset by interest income from intercompany loans and foreign exchange gain mainly related to bank accounts in DKK.

The Company's **net result** for the year amounted to a loss of USD 24 million compared to a gain of USD 12 million in 2019.



DIRECTORS' REPORT CONT.

ALLOCATIONS

The result for the year for Norwegian Energy Company ASA in 2020 was a loss of USD 24 million. The board proposes the following allocations:

Allocated to other equity	USD 24 million
Total appropriation	USD 24 million

OUTLOOK

The ongoing pandemic COVID-19 severely affected companies and markets globally including the global demand for oil and gas which, during 2020, resulted in historically low

oil prices. Noreco has a stable business, underpinned by the Company's position in the DUC and further supported by risk mitigations. Nonetheless, in the near term COVID-19 may continue to affect the sector and the Company's activities. The Tyra Redevelopment is progressing and will significantly enhance the Noreco's base production after start-up. The Company also expects direct field operating expenditure to decrease significantly after Tyra is back on production. Our intent to progress value-additive organic DUC investment projects also continues, and we will seek to sanction projects as they are sufficiently matured. Noreco believes economic investments in these projects will help replace produced reserves and provide strong financial returns benefiting the Company's shareholders.



DIRECTORS' REPORT CONT.

Oslo
19 April 2021

Riulf Rustad
Executive Chair

Tone Kristin Omsted
Board Member

Yves-Louis Darricarrère
Board Member

Marianne Lie
Board Member

Colette Cohen
Board Member

Chris Bruijnzeels
Board Member

Robert J. McGuire
Board Member

David B.Cook
Chief Executive Officer



Reporting of payments to Governments

This report is prepared in accordance with the Norwegian Accounting Act Section § 3-3 d) and Securities Trading Act § 5-5 a). It states that companies engaged in activities within the extractive industries shall annually prepare and publish a report containing information about their payments to governments at country and project level. The Ministry of Finance has issued a regulation (F20.12.2013 nr 1682 – “the regulation”) stipulating that the reporting obligation only apply to reporting entities above a certain size and to payments above certain threshold amounts. In addition, the regulation stipulates that the report shall include other information than payments to governments, and it provides more detailed rules applicable to definitions, publication and group reporting.

The management of Noreco has applied judgment in the interpretation of the wording in the regulation with regards to the specific type of payment to be included in this report, and on what level it should be reported. When payments are required to be reported on a project-by-project basis, it is reported on a field-by-field basis. Only gross amounts on operated licenses are to be reported, as all payments within the license performed by non-operators will normally be cash calls transferred to the operator and will as such not be payments to the government. All activities in Noreco within the extractive industries are located on the Danish Continental Shelf and all are performed as non-operator. All the reported payments below are to the Danish government.

Income tax

The income tax is calculated and paid on corporate level and is therefore reported for the whole Company rather than license-by-license. The income tax payments in 2020 for Noreco Olie- og Gasudvinding Danmark B.V was USD 72.2 million. The income tax payments are related to tax instalments for the income year 2019 pertaining to the period before Noreco’s acquisition of the DUC interest.

OTHER INFORMATION REQUIRED TO BE REPORTED

In accordance with the regulation (F20.12.2013 nr 1682) Noreco is also required to report on investments, operating income, production volumes and purchases of goods and services. All reported information is relating to Noreco’s activities within the extractive industries on the Danish Continental Shelf:

- Total net investments amounted to USD 236 million, as specified in the cash flow analysis in the financial statements
- Sales income (Petroleum revenues) in 2020 amounted to USD 558 million, as specified in Note 4 to the financial statements
- Total production in 2020 was 10.4 million barrels of oil equivalents, see Note 5 to the consolidated financial statements
- For information about purchases of goods and services, reference is made to the Income Statement and the related notes



Corporate Governance Report 2020

Norwegian Energy Company ASA ("Noreco" or "the Company") has made a strong commitment to ensure trust in the Group and to enhance value creation to shareholders and society over time. The Company acts in a responsible and prudent manner through efficient decision-making and communication between the management, the board of directors (the "Board" or "Board of Directors") and the shareholders of the Company represented by the Annual General Meeting. The Company's framework for corporate governance is intended to decrease business risk, maximise value and utilise the Company's resources in an efficient and sustainable manner, to the benefit of shareholders, employees and society at large.

The Company will seek to comply with the Norwegian Code of Practice for Corporate Governance (the "Corporate Governance Code") which is available at the Norwegian Corporate Governance Committee's website www.nues.no. The principal purpose of the Corporate Governance Code is to ensure (i) that listed companies implement corporate governance that clarifies the respective roles of shareholders, the Board of Directors and executive management more comprehensively than what is required by legislation and (ii) effective management and control over activities with the aim of securing the greatest possible value creation over time in the best interest of companies, shareholders, employees and other parties concerned.

The Company will, from the time due to the listing of its shares on Oslo Børs, be subject to reporting requirements for corporate governance under the Accounting Act section 3-3b as well as Oslo Børs' "Continuing obligations of stock exchange listed companies" section 7. The Board of Directors will include a report on the Company's corporate governance in each annual report, including an explanation of any deviations from the Corporate Governance Code. The corporate governance framework of the Company is subject to annual reviews and discussions by the Board of Directors. According to the Company's own evaluation, the Company

deviates from the Corporate Governance Code on the following points:

(a) Item 4: The Board of Directors of the Company has been, and is expected to be, provided with authorisations to acquire own shares and issue new shares. Not all of such authorisations have separate and specific purposes for each authorisation as the purposes of the authorisations shall be explained in the notices to the general meetings adopting the authorisations.

(b) Item 11: Options have been and/or are expected to be granted members of the Board of Directors in addition to management through the share option programme of the Company, first implemented at a general meeting of 21 January 2016 and later extended and expanded.

(c) Item 14: Due to the unpredictable nature of a takeover situation, the Company has decided not to implement detailed guidelines on take-over situations. In the event a takeover was to occur, the Board of Directors will consider the relevant recommendations in the Corporate Governance Code and whether the concrete situation entails that the recommendations in the Corporate Governance Code can be complied with or not.

1. IMPLEMENTATION AND REPORTING ON CORPORATE GOVERNANCE

The Board of Noreco is responsible for compliance with corporate governance standards. Noreco is a Norwegian public limited liability company (ASA), listed on the Oslo Stock Exchange and established under Norwegian laws. In accordance with the Norwegian Accounting Act, section 3-3b, Noreco includes a description of principles for corporate governance as part of the Board of Directors' Report in the annual report. The Company will seek to comply with the Corporate Governance Code. The Board of Directors will include a report on the Company's corporate governance in its annual report, including an explanation of any deviations from the Corporate Governance Code. The Company's



CORPORATE GOVERNANCE REPORT 2020 CONT.

strategy is to continue its value creation to replace and maximise recovery of proven reserves and resources and to continue to explore new opportunities in and above the ground.

2. BUSINESS

The Company is an E&P company with a strategic focus on value creation through increased recovery, enabled by a competent organisation with a long-term view on reservoir management and the capability to invest and leverage new technology.

On an annual basis, the Board defines and evaluates the Company's objectives, main strategies and risk profiles for the Company's business activities to ensure that the company creates value for shareholders.

The Company integrates considerations related to its stakeholders into its value creation and shall achieve its objectives in accordance with the Company's Code of Conduct

The Company's business is defined in the following manner in the Company's articles of association (the "Articles of Association") section 3:

The object of the Company is direct and indirect ownership and participation in companies and enterprises within exploration, production, and sale related to oil and gas, and other activities related hereto.

3. EQUITY AND DIVIDENDS

3.1. Equity

As of 31 December 2020, the Company's consolidated equity was USD 630 million, which is equivalent to approximately 21% of total assets. The Company's equity level and financial strength shall be considered in light of its objectives, strategy and risk profile.

3.2. Dividend policy

The Company has not paid any dividends to date, whether in cash or in kind.

The Company does not expect to make dividend payments prior to completion of the Tyra Redevelopment project. The Company may revise its dividend policy from time to time. The Company currently intends to retain all earnings, if any, and to use these to finance the further business of the Company.

3.3. Share capital increases and issuance of shares

At the Annual General Meeting held on 26 May 2020, The Board of Directors was authorised to increase the Company's share capital by up to NOK 24,549,014 until the Annual General Meeting in 2021, but in no event later than 30 June 2021.

3.4. Purchase of own shares

The Board of Directors of the Company has been authorised to acquire own shares with a total par value of NOK 7,194,730, valid until the Annual General Meeting in 2021, however in any event no later than 30 June 2021. The authorisation can be used in relation to incentive schemes for employees/directors of the group, as consideration in connection with acquisition of businesses and/or for general corporate purposes.

During 2020, the Company bought back 438,161 of its own shares, of which 299,925 shares was bought as part of a reverse book building process and 138,236 shares was bought in the market. The Company currently holds 438,161 of its own shares, approximately 1.78 percent.

4. EQUAL TREATMENT OF SHAREHOLDERS AND TRANSACTIONS WITH RELATED PARTIES

4.1. Class of shares

The Company has one class of shares. All shares carry equal rights in the Company, and the Articles of Association do not provide for any restrictions, or rights of first refusal, on transfer of shares. Share transfers are not subject to approval by the Board of Directors.

4.2. Pre-emption rights to subscribe

According to the Norwegian Public Limited Liability Companies Act section 10-4, the Company's shareholders have pre-emption rights in share offerings against cash contribution. Such pre-emption rights may, however, be set aside, either by the general meeting or by the Board of Directors if the general meeting has granted a board authorisation which allows for this. Any resolution to set aside pre-emption rights will be justified by the common interests of the Company and the shareholders, and such justification will be publicly disclosed through a stock exchange notice from the Company

4.3. Trading in own shares

The Board of Directors will aim to ensure that all transactions pursuant to any share buy-back program will be carried out



CORPORATE GOVERNANCE REPORT 2020 CONT.

either through the trading system at Oslo Børs or at prevailing prices at Oslo Børs. In the event of such program, the Board of Directors will take the Company's and shareholders' interests into consideration and aim to maintain transparency and equal treatment of all shareholders. If there is limited liquidity in the Company's shares, the Company shall consider other ways to ensure equal treatment of all shareholders.

4.4. Transactions with close associates

The Board of Directors aims to ensure that any not immaterial future transactions between the Company and shareholders, a shareholder's parent company, members of the Board of Directors, executive personnel or close associates of any such parties are entered into on arm's length terms. For any such transactions which do not require approval by the general meeting pursuant to the Norwegian Public Limited Liability Companies Act, the Board of Directors will on a case-by-case basis assess whether a fairness opinion from an independent third party should be obtained.

4.5 Guidelines for directors and executive management

The Board of Directors has adopted rules of procedures for the Board of Directors which inter alia includes guidelines for notification by members of the Board of Directors and executive management if they have any material direct or indirect interest in any transaction entered into by the Company.

5. FREELY NEGOTIABLE SHARES

The shares of the Company are freely transferable. There are no restrictions on transferability of shares pursuant to the Articles of Association.

6. GENERAL MEETINGS

The Board of Directors will make its best efforts with respect to the timing and facilitation of general meetings to ensure that as many shareholders as possible may exercise their rights by participating in general meetings, thereby making the general meeting an effective forum for the views of shareholders and the Board of Directors.

6.1. Notification

The notice for a general meeting, with reference to or attached support information on the resolutions to be considered at the General Meeting, shall as a principal rule be sent to shareholders no later than 21 days prior to the date of the General Meeting. The Board of Directors will seek to ensure that the resolutions and supporting information are

sufficiently detailed and comprehensive to allow shareholders to form a view on all matters to be considered at the meeting. The notice and support information, as well as a proxy voting form, will normally be made available on the Company's website www.noreco.com/general-meetings no later than 21 days prior to the date of the general meeting.

6.2. Participation and execution

To the extent deemed appropriate or necessary by the Board of Directors, the Board of Directors will seek to arrange for the general meeting to vote separately on each candidate nominated for election to the Company's corporate bodies.

The Board of Directors and the nomination committee shall, as a general rule, be present at general meetings. The auditor will attend the ordinary general meeting and any extraordinary general meetings to the extent required by the agenda items or other relevant circumstances. The Board of Directors will seek to ensure that an independent chairman is appointed by the general meeting if considered necessary based on the agenda items or other relevant circumstances.

The Company will aim to prepare and facilitate the use of proxy forms which allows separate voting instructions to be given for each item on the agenda, and nominate a person who will be available to vote on behalf of shareholders as their proxy. The Board of Directors may decide that shareholders may submit their votes in writing, including by use of electronic communication, in a period prior to the general meeting. The Board of Directors should seek to facilitate such advance voting.

7. NOMINATION-COMMITTEE

The nomination committee is provided and governed by the Articles of Association, in addition to instructions from the nomination committee. The nomination committee shall consist of three members who shall be shareholders or shareholder representatives. The members shall be elected by the general meeting for a term of two years, unless the General Meeting determines that the term shall be shorter.

The members of the nomination committee should be selected to take into account the interests of shareholders in general. The majority of the committee should be independent of the Board of Directors and the executive personnel. At least one member of the nomination committee should not be a member of the board. No more than one member of the nomination committee should be a member of the Board of Directors, and any such member should not offer himself or herself for re-election to the board.



CORPORATE GOVERNANCE REPORT 2020 CONT.

The nomination committee shall give its recommendation to the general meeting on election of and compensation to members of the Board of Directors, in addition to election of and compensation to members of the nomination committee. The proposals shall be justified.

The Company should provide information on the membership of the committee and provide suitable arrangements for shareholders to submit proposals to the committee for candidates for election.

8. BOARD OF DIRECTORS: COMPOSITION AND INDEPENDENCE

Pursuant to the Articles of Association section 5, the Company's Board of Directors shall consist of three to eight members, which are shareholders' elected members in accordance with a decision by the General Meeting.

The composition of the Board of Directors should ensure that the board can attend to the common interests of all shareholders and meet the Company's need for expertise, capacity and diversity. Attention should be paid to ensuring that the board can function effectively as a collegiate body.

The composition of the Board of Directors should ensure that it can operate independently of any special interests. The majority of the shareholder-elected members of the board should be independent of the Company's executive personnel and material business contacts. At least two of the members of the Board elected by shareholders should be independent of the Company's main shareholder(s), the executive personnel and material business contacts.

The Board of Directors should not include executive personnel, if the board does include executive personnel, the Company should provide an explanation for this and implement consequential adjustments to the organisation of the work of the board, including the use of board committees to help ensure more independent preparation of matters for discussion by the board.

The Chairman of the Board of Directors should be elected by the General Meeting.

The term of office for members of the Board of Directors should not be longer than two years at a time. The board members can be elected for shorter term by the General Meeting. The annual report should provide information to illustrate the expertise of the members of the Board of Directors, and information on their record of attendance at

board meetings. In addition, the annual report should identify which members are considered to be independent.

9. THE WORK OF THE BOARD OF DIRECTORS

9.1. The rules of procedure for the board of directors

The Board of Directors is responsible for the overall management of the Company and shall supervise the Company's business and the Company's activities in general.

The Norwegian Public Limited Liability Companies Act regulates the duties and procedures of the Board of Directors. In addition, the Board of Directors has adopted supplementary rules of procedures, which provides further regulation on inter alia the duties of the Board of Directors and the managing director, the division of work between the Board of Directors and the managing director, the annual plan for the Board of Directors, notices of board proceedings, administrative procedures, minutes, board committees, transactions between the Company and the shareholders and matters of confidentiality.

The board shall produce an annual plan for its work, with a particular emphasis on objectives, strategy and implementation. The managing director shall at least once a month, by attendance or in writing, inform the Board of Directors about the Company's activities, position and profit trend.

The Board of Directors' consideration of material matters in which the chairman of the board is, or has been, personally involved, shall be chaired by some other member of the board.

The Board of Directors shall evaluate its performance and expertise annually and make the evaluation available to the nomination committee.

9.2. The audit committee

The Company's audit committee is governed by the Norwegian Public Limited Liability Companies Act and a separate instruction adopted by the Board of Directors. The members of the audit committee are appointed by and among the members of the Board of Directors. A majority of the members shall be independent of the Company's operations, and at least one member who is independent of the Company shall have qualifications within accounting or auditing. Board members who are also members of the executive management cannot be members of the audit committee. The principal tasks of the audit committee are to:



CORPORATE GOVERNANCE REPORT 2020 CONT.

a) prepare the Board of Directors' supervision of the Company's financial reporting process;

(b) monitor the systems for internal control and risk management;

(c) have continuous contact with the Company's auditor regarding the audit of the annual accounts; and

(d) review and monitor the independence of the Company's auditor, including in particular the extent to which the auditing services provided by the auditor or the audit firm represent a threat to the independence of the auditor.

9.3. The remuneration committee

The compensation for the members of the Board of Directors for their service as directors is determined annually by the shareholders of the Company at the annual general meetings of shareholders, on the basis of the motion from the Nomination Committee.

The Board of Directors has established a guideline for salaries and other remuneration to the managing director and other senior executives valid until the Annual General Meeting in 2020. The guideline was endorsed by the Annual General Meeting in May 2019.

The remuneration package for members of management includes fixed and variable elements. The fixed element consists of a base salary and other benefits, such as free mobile phone and life, accident and sickness insurance in accordance with normal practice in the oil industry.

Variable elements of remuneration may be used, or other special supplementary payment may be awarded other than those mentioned above if this is considered appropriate.

Remuneration to the managing director will be evaluated regularly by the Board of Directors to ensure that salaries and other benefits are kept, at all times, within the above guidelines and principles.

10. RISK MANAGEMENT AND INTERNAL CONTROL

Risk management and internal control are given high priority by the Board of Directors, which shall ensure that adequate systems for risk management and internal control are in place. The control system consists of interdependent areas which include risk management, control environment, control activities, information and communication and monitoring.

The Company's management is responsible for establishing and maintaining sufficient internal control over financial reporting. Company specific policies, standards and accounting principles have been developed for the annual and quarterly financial reporting of the group. The managing director and Chief Financial Officer supervise and oversee the external reporting and the internal reporting processes. This includes assessing financial reporting risks and internal controls over financial reporting within the group. The consolidated external financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) and International Accounting Standards as adopted by the EU.

The Board of Directors shall ensure that the Company has sound internal control and systems for risk management, including compliance to the Company's corporate values, ethical guidelines and guidelines for corporate social responsibility. The Company's Code of Conduct describes the Company's ethical commitments and requirements related to business practice and personal conduct. If employees experience situations or matters that may be contrary to rules and regulations or the Company's Code of Conduct, they are urged to raise their concern with their immediate superior or another manager in the Company. The Company has established a whistle-blowing function that will enable employees to alert the Company's governing bodies about possible breaches of the Code of Conduct.

The Board of Directors shall conduct an annual risk review in order to identify real and potential risks and remedy any incidents that have occurred. The Board of Directors should analyse the most important areas of exposure to risk and its internal control arrangements and evaluate the Company's performance and expertise. The Board of Directors shall undertake a complete annual review of the risk situation, to be carried out together with the review of the annual accounts. The Board of Directors shall present an in-depth report of the Company's financial statement in the annual report. The Audit Committee shall assist the Board of Directors on an ongoing basis in monitoring the Company's system for risk management and internal control. In connection with the quarterly financial statements, the Audit Committee shall present to the Board of Directors reviews and information regarding the Company's current business performance and risks.

11. REMUNERATION OF THE BOARD OF DIRECTORS

The remuneration of the Board of Directors shall be decided by the Company's General Meeting of shareholders, and



CORPORATE GOVERNANCE REPORT 2020 CONT.

should reflect the Board of Directors' responsibility, expertise, time commitment and the complexity of the Company's activities. The remuneration should not be linked to the Company's performance.

The nomination committee shall give a recommendation as to the size of the remuneration to the Board of Directors. Pursuant to the instructions for the nomination committee, the recommendation should normally be published on the Company's website at least 21 days prior to the General Meeting that will decide on the remuneration.

The annual report shall provide details of all elements of the remuneration and benefits of each member of the Board of Directors, which includes a specification of any remuneration in addition to normal fees to the members of the Board.

Members of the Board of Directors and/or companies with which they are associated should not take on specific assignments for the Company in addition to their appointment as a member of the board. If they do nonetheless take on such assignments this should be disclosed to the full board. The remuneration for such additional duties should be approved by the Board of Directors.

12. REMUNERATION OF THE EXECUTIVE MANAGEMENT

The Board of Directors will in accordance with the Norwegian Public Limited Liability Companies Act prepare separate guidelines for the stipulation of salary and other remuneration to key management personnel. The guidelines shall include the main principles applied in determining the salary and other remuneration of the executive management and shall ensure convergence of the financial interests of the executive management and the shareholders. It should be clear which aspects of the guidelines that are advisory and which, if any, that are binding thereby enabling the general meeting to vote separately on each of these aspects of the guidelines. The guidelines will be made available to and shall be dealt with by the ordinary general meeting in accordance with the Norwegian Public Limited Liability Companies Act.

The Board of Directors aims to ensure that performance-related remuneration of the executive management in the form of share options, annual bonus programs or the like, if used, are linked to value creation for shareholders or the Company's earnings performance over time. Performance-related remuneration should be subject to an absolute limit.

Furthermore, the Company aims to ensure that such arrangements are based on quantifiable factors that the employee in question can influence.

13. INFORMATION AND COMMUNICATIONS

13.1. General

The Board of Directors has adopted a separate manual on disclosure of information, which sets forth the Company's disclosure obligations and procedures. The Board of Directors will seek to ensure that market participants receive correct, clear, relevant and up-to-date information in a timely manner, taking into account the requirement for equal treatment of all participants in the securities market.

The Company will each year publish a financial calendar, providing an overview of the dates for major events such as its ordinary general meeting and publication of interim reports.

13.2. Information to shareholders

The Company shall have procedures for establishing discussions with important shareholders to enable the board to develop a balanced understanding of the circumstances and focus of such shareholders. Such discussions shall be done in compliance with the provisions of applicable laws and regulations.

All information distributed to the Company's shareholders will be published on the Company's website at the latest at the same time as it is sent to shareholders.

14. TAKEOVERS

In the event the Company becomes the subject of a takeover bid, the Board of Directors shall seek to ensure that the Company's shareholders are treated equally and that the Company's activities are not unnecessarily interrupted. The Board of Directors shall also ensure that the shareholders have sufficient information and time to assess the offer.

There are no defence mechanisms against takeover bids in the Company's Articles of Association, nor have other measures been implemented to specifically hinder acquisitions of shares in the Company. The Board of Directors has not established written guiding principles for how it will act in the event of a takeover bid, as such situations are normally characterized by concrete and one-off situations which make a guideline challenging to prepare. In the event a takeover were to occur, the Board of Directors will consider the relevant recommendations in the Corporate



CORPORATE GOVERNANCE REPORT 2020 CONT.

Governance Code and whether the concrete situation entails that the recommendations in the Corporate Governance Code can be complied with or not.

15. AUDITOR

The Board of Directors will require the Company's auditor to annually present to the audit committee a review of the Company's internal control procedures, including identified weaknesses and proposals for improvement, as well as the main features of the plan for the audit of the Company.

Furthermore, the Board of Directors will require the auditor to participate in meetings of the Board of Directors that deal with the annual accounts at least one board meeting with the

auditor shall be held each year in which no member of the executive management is present.

The Board of Directors' audit committee shall review and monitor the independence of the Company's auditor, including in particular the extent to which services other than auditing provided by the auditor or the audit firm represents a threat to the independence of the auditor.

The remuneration to the auditor for statutory audit will be approved by the ordinary general meeting. The Board of Directors should report to the general meeting on details of fees for audit work and any fees for other specific assignments.



Corporate Social Responsibility

1. INTRODUCTION

Norwegian Energy Company ASA (the “Company” and including its subsidiaries, the “Group”) defines corporate social responsibility (“CSR”) as achieving commercial profitability in a way that is consistent with fundamental ethical values and with respect for people, the environment and society.

The Group shall respect human and labour rights, establish good HSE (health, safety and the environment) standards, facilitate good dialogue with stakeholders and generally operate in accordance with applicable regulatory frameworks and good business practice.

At the core of the Company’s CSR policy is the group’s five corporate values: collaborative, responsible, ambitious, vigorous and entrepreneurial. The values define who we are, how we act and what employees of the Company and Group stand for.

Each Group company has an independent responsibility for exercising corporate social responsibility in accordance with the Group’s principles, but is free to design its own additional activities and instruments. In addition, each Group company has developed, adopted and is operating according to a Compliance Manual that provides detailed information and a series of policies regarding the professional and ethical standards and compliance requirements of all Group companies.

2. PURPOSE

The purpose of this policy is to define clear areas of focus for the Company’s approach to CSR and clarify the responsibilities and expectations with regard to the Company’s stakeholders.

3. MAIN CSR PRINCIPLES

The Company has identified seven main CSR topics. The Group’s general approach to these topics is described below.

Continuous improvement is emphasized, and priority shall be given to areas where the need for improvement and the potential for making an impact are greatest.

3.1. Professional and ethical standards

It is the Group’s policy to maintain the highest level of professional and ethical standards in the conduct of its business affairs. The Group places the highest importance upon its reputation for honesty, integrity and high ethical standards. These standards can only be attained and maintained through the actions and conduct of all personnel in the Group. It is the obligation of the Group’s employees to conduct themselves in a manner to ensure the maintenance of these standards. Such actions and conduct will be important factors in evaluating an employee’s judgment and competence, and an important element in the evaluation of an employee for promotion. Correspondingly, insensitivity to or disregard for the principles of the Group’s professional and ethical standards will be grounds for appropriate disciplinary actions.

The Group’s ethical and professional standard are further detailed in the Group’s compliance manuals.

3.2. Compliance with local culture and regulations

In promoting the Group’s principles for good business operations, we shall always respect local values and norms, and achieve success by bridging the divide between different cultures. Group companies shall always comply with local regulatory requirements in the countries in which we operate.

3.3. Respect for human and labour rights

Group companies are committed to respecting fundamental human and labour rights, both in our own operations and in our relations with business partners. Our employees shall be treated with respect and given orderly working conditions. The Group companies shall work continuously with issues such as non-discrimination, the right to privacy, the right to



CORPORATE SOCIAL RESPONSIBILITY CONT.

collective bargaining, employment contracts and protection against harassment. Forced labour, child labour and all forms of discrimination are strictly forbidden.

3.4. Equal opportunities

It is the Group's position that equal treatment of all employees is applied, and that different treatment or discrimination based on a person's gender, race, colour, national origin, age, religion, sexual orientation or any other characteristic protected by applicable law is unacceptable. Furthermore, the Group is committed to equal opportunity for all qualified employees and job applicants. All employment decisions (such as hiring, discipline, terminations, promotions and job assignments) are to be based on the Group's needs and an employee's performance and potential. At the end of 2020 the Group had 28 employees. 39 percent of the employees were women.

At the end of 2020 the Company's board of directors consists of three women and five men, all elected by shareholders, hence approximately 40 per cent of the board members were women.

3.5. Anti-corruption and bribery

The Group has zero tolerance regarding corruption and bribery. Corruption undermines all sorts of business activities and free competition, and it is prohibited by law in all the countries in which we operate. Corruption is destructive for the countries involved and would erode our reputation, exposing the Group and the individual employee to considerable risk. The Company expects that local management of each Group subsidiary promotes a strong anti-corruption culture. Each company shall make active efforts to prevent undesirable conduct and ensure that their employees are capable of dealing with difficult situations.

3.6. Health, safety and the working environment

A healthy work environment contributes to a better health, greater engagement and increased job satisfaction. The goal is to create a safe and healthy work environment that contributes to motivated and committed employees, which ultimately is important for the Group's continued success. This requires continuous effort and is a natural part of the Group's daily operations. The Group has no records of work-related accidents or injuries of its employees in 2020.

During 2020, Noreco was, through its ownership in the DUC in which Total E&P Denmark A/S is the operator, involved in production of oil and gas on the Danish Continental Shelf.

The Danish Offshore Safety Act is the legal framework for promotion of a high level for health and safety offshore and for creating a framework enabling the companies to solve offshore health and safety issues themselves. The Danish Offshore Safety Act generally applies to all offshore activities related to hydrocarbon facilities, infrastructure and pipelines connected hereto.

Licensees under the Danish Subsoil Act are required to identify, assess and reduce health and safety risks as much as reasonably practicable, as well as be compliant with the ALARP (As Low As Reasonably Practicable) principle. Furthermore, the licensee shall ensure that operators are able to fulfil the safety and health obligations pursuant to the Danish Offshore Safety Act. The Tyra Redevelopment Project experienced a contractor fatality on 24 November 2020 at the Semcorp Marine construction yard in Singapore. Following an incident investigation, the safety action plan has been enhanced including implementation of improved hazard marking protocols

3.7. Environmental issues

The Group's business in the oil and gas market has an environmental impact. All phases of the oil business present environmental risks and hazards and are subject to strict environmental regulation pursuant to a variety of international conventions and state and municipal laws and regulations. All activities are subject to the receipt of necessary approvals or licences. The Group aims to protect the environment to the greatest extent possible, both in its own operations, and through the Group's partnership in the DUC. In 2020 Noreco further enhanced its work towards identifying tangible solutions that will improve the long-term position of oil and gas as a key part of the global energy mix. Through cooperation with external experts and development of internal specialised competencies, the Company aims to develop sustainable solutions that will reduce greenhouse gas emissions on the Danish Continental Shelf. For further information on the Company's environmental approach, please see the Sustainability section of the Annual Report.

4. WHISTLEBLOWING

It is important that someone who discovers wrongdoing and non-compliance with the Company's CSR policy and other policies is able to report it without risk of retaliation or discrimination. The Company established a Whistleblowing Procedure in 2019 which purpose is to encourage everyone to raise concerns about matters occurring within or related to the Group so that the problem can be resolved promptly and efficiently using internal company resources, rather than



CORPORATE SOCIAL RESPONSIBILITY CONT.

overlooking a problem or seeking a resolution of the problem outside the Company which may delay the elimination of the problem and cause harm to the Group and its employees. The Whistleblowing Procedure applies to all officers, directors and employees of the Company, whether temporary or permanent, full-time or part-time, and regardless of their location.

Anyone doing business for or on the Company's behalf, including the Company's advisors, agents, consultants, contractors, distributors, lawyers, partners, sales representatives, suppliers and other third parties with whom the Company enters into a joint venture, partnership, investment, teaming arrangement or other business combination must comply with the Group's Whistleblowing Policy. Further details of the Whistleblowing Policy can be found in the Group's compliance manuals.

5. ROLES AND RESPONSIBILITIES

The Group's CSR policy is adopted by the Company's board of directors and shall be evaluated at least every second year.

The managing director of the Company is responsible for ensuring the follow up of and compliance with the content of the policy.

All Group subsidiaries are responsible for the day-to-day practice of this policy.

The Company's Corporate Social Responsibility Guidelines can be found on The Company's web site, www.noreco.com/csr



NORWEGIAN ENERGY COMPANY ASA (PARENT COMPANY)

Statutory Accounts 2020

60	Income Statement
61	Balance Sheet
63	Cash Flow Statement
	Notes
64	Note 1: Accounting Principles
66	Note 2: Revenue
66	Note 3: Investments in Subsidiaries
67	Note 4: Restricted Bank Deposits
67	Note 5: Borrowings
69	Note 6: Trade Payables and Other Current Liabilities
69	Note 7: Guarantees
70	Note 8: Shareholders' Equity
70	Note 9: Share Capital and Shareholder Information
72	Note 10: Share-based Compensation
72	Note 11: Payroll Expenses, Number of Employees, Remuneration etc.
73	Note 12: Write-down of Financial Assets
73	Note 13: Tax
74	Note 14: Other Operating Expenses and Audit Fees
74	Note 15: Related Party Transactions



Income Statement for Norwegian Energy Company ASA

(Parent company) for the year ended 31 December

USD million	Note	2020	2019
Revenue	2, 15	2	9
Total revenues		2	9
Personnel expenses	11, 15	(7)	(13)
Other operating expenses	14, 15	(4)	(12)
Total operating expenses		(11)	(25)
Operating result before depreciation and write-downs (EBITDA)		(9)	(16)
Depreciation		(0)	(0)
Net operating result (EBIT)		(9)	(16)
Reversal of financial assets	12	-	33
Interests received from group companies		11	10
Interest income		1	1
Gain on repurchase of bonds		-	1
Foreign exchange gains		11	16
Other financial income		0	1
Total financial income		22	61
Interest expense from bond loans		(31)	(10)
Interest expenses current liabilities		(0)	(0)
Interest expenses to group companies		(1)	(1)
Loss on repurchase of bonds		-	(1)
Foreign exchange losses		(3)	(20)
Impairment of financial assets	12	(1)	-
Other financial expenses		(1)	(2)
Total financial expenses		(37)	(33)
Net financial items		(14)	28
Result before tax (EBT)		(24)	12
Tax	13	-	-
Net result for the year		(24)	12
Appropriation:			
Allocated to/(from) other equity		(24)	12
Total appropriation		(24)	12



Balance sheet for Norwegian Energy Company ASA

(Parent company) for the year ended 31 December

USD million	Note	31.12.20	31.12.19
ASSETS			
Non-current assets			
<i>Financial non-current assets</i>			
Investment in subsidiaries	3	393	393
Loan to group companies	12	156	127
Restricted cash	4	71	65
Total non-current assets		620	584
Current assets			
<i>Receivables</i>			
Trade receivables		0	-
Receivables from group companies		20	27
Other current receivables		0	1
Total current receivables		20	28
<i>Financial current assets</i>			
Bank deposits, cash and cash equivalents		183	228
Total financial current assets		183	228
Total current assets		203	256
Total assets		822	840
EQUITY AND LIABILITIES			
Equity			
<i>Paid-in equity</i>			
Share capital		30	30
Share premium fund		707	707
Treasury share reserve		(0)	-
Total paid-in capital		736	737
<i>Retained earnings</i>			
Other equity		(286)	(254)
Total retained earnings		(286)	(254)
Total equity	8, 9	450	482
Non-current Liabilities			
Convertible bond loan	5	174	160
Bond loan	5	169	168
Loan from group companies		26	24
Other non-current liabilities		-	(0)
Total non-current liabilities		369	352
Current liabilities			
Bond loan		-	-
Other interest-bearing debt		-	-
Trade payables	6	0	3
Debt from group companies		-	-
Other current liabilities	6	3	3
Total current liabilities		3	6
Total liabilities		372	358
Total equity and liabilities		822	840



Balance sheet for Norwegian Energy Company ASA

(Parent company) for the year ended 31 December

Oslo
19 April 2021

Riulf Rustad
Executive Chair

Tone Kristin Omsted
Board Member

Yves-Louis Darricarrère
Board Member

Marianne Lie
Board Member

Colette Cohen
Board Member

Chris Bruijnzeels
Board Member

Robert J. McGuire
Board Member

David B.Cook
Chief Executive Officer



Cash Flow for Norwegian Energy Company ASA (Parent company) for the year ended 31 December

USD million	Note	2020	2019
Net result for the period		(24)	12
Adjustments for:			
Depreciation		0	0
Write-down	12	1	(33)
Share-based payments expenses	8	2	8
Net financial cost/(income)		14	5
Changes in:			
Trade receivable		(1)	(15)
Trade payables		0	0
Other current balance sheet items		0	(1)
Net cash flow from operations		(8)	(25)
Cash flows from investing activities			
Loans to group companies		(11)	(73)
Acquisition of subsidiary	3	-	(351)
Net cash flow from investing activities		(11)	(423)
Cash flows from financing activities			
Drawdowns long-term loans	5	-	333
Repayment short-term loans	5	-	(54)
Share buyback	8	(10)	-
Issue of new shares	8	-	390
Transaction cost related to financing		(0)	(12)
Transaction cost related to equity issue	8	(0)	(4)
Payment of loans from group companies		-	24
Repurchase/(sale) own bonds		-	0
Interest paid		(16)	(1)
Net cash flow from (used) in financing activities		(27)	675
Net change in cash and cash equivalents		(46)	227
Cash and cash equivalents at the beginning of the period		228	1
Cash and cash equivalents at end of the year		183	228



Notes



ACCOUNTING PRINCIPLES

Norwegian Energy Company ASA is a public limited liability company registered in Norway, with headquarters in Oslo (Nedre Vollgate 1, 0158 Oslo).

The annual accounts for Norwegian Energy Company ASA ("Noreco" or the "Company") have been prepared in compliance with the Norwegian Accounting Act ("Accounting Act") and accounting principles generally accepted in Norway ("NGAAP") as of 31 December 2020.

The Company is listed on the Oslo Stock Exchange under the ticker "NOR". The financial statements for 2020 were approved by the board of directors on 19 April 2021 to be approved by the Annual General Meeting on 19 May 2021.

Going concern

The board of directors confirm that the financial statements have been prepared under the presumption of going concern, and that this is the basis for the preparation of these financial statements. The financial solidity and the company's working capital and cash position are considered satisfactory in regards of the planned activity level for the next twelve months.

Basis of preparation

The financial statements are prepared on the historical cost basis. The subtotals and totals in some of the tables may not equal the sum of the amounts shown due to rounding.

Use of estimates

The preparation of financial statements in compliance with the Accounting Act requires the use of estimates. The application of the company's accounting principles also require management to apply judgment. Areas, which to a great extent contain such judgments, a high degree of complexity, or areas in which assumptions and estimates are significant for the financial statements, are described in the notes.

Revenues

Income from sale of services are recognised at fair value of the consideration, net after deduction of VAT. Services are recognised in proportion to the work performed.

Classification of balance sheet items

Assets intended for long term ownership or use have been classified as fixed assets. Receivables are classified as current assets if they are to be repaid within one year after the transaction date. Similar criteria apply to liabilities. First year's instalment on non-current liabilities and non-current receivables are classified as current liabilities and assets.

For interest bearing debt where the company is required to be in compliance with financial covenants, the loans are classified as current liabilities if Noreco is in breach with the covenants to that extent that the loan would be payable on the demand of the creditor. If a waiver is agreed with the creditor prior to approval of these financial statements, the classification is carried forward in accordance with the payment schedule of the initial borrowing agreement.

Investments in subsidiaries

For investments in subsidiaries, the cost method is applied. The cost price is increased when funds are added through capital increases or when group contributions are made to subsidiaries. Dividends received are initially taken as income. Dividends exceeding the portion of retained profit after the acquisition are reflected as a reduction in cost price.

Dividend/group contribution from subsidiaries are reflected in the same year as the subsidiary makes a provision for the amount.

Asset impairments

Impairment tests are carried out if there is indication that the carrying amount of an asset exceeds the estimated



recoverable amount. The test is performed on the lowest level of fixed assets at which independent cash flows can be identified. If the carrying amount is higher than both the fair value less cost to sell and recoverable amount (net present value of future use/ownership), the asset is written down to the highest of fair value less cost of disposal and the recoverable amount.

Previous impairment charges are reversed in later periods if the conditions causing the write-down are no longer present.

Debtors

Trade debtors are recognised in the balance sheet after provision for bad debts. The bad debt provision is made on basis of an individual assessment of each debtor. Significant financial problems at the customers, the likelihood that the customer will become bankrupt or experience financial restructuring and postponements and insufficient payments, are considered indicators that the debtors should be written down.

Other debtors, both current and non-current, are recognised at the lower of nominal and net realisable value. Net realisable value is the present value of estimated future payments. When the effect of a write-down is insignificant for accounting purposes this is, however, not carried out. Provisions for bad debts are valued the same way as for trade debtors.

Foreign currencies

The functional currency and the presentation currency of the company is US dollars (USD).

Assets and liabilities in foreign currencies are valued at the exchange rate on the balance sheet date. Exchange gains and losses relating to sales and purchases in foreign currencies are recognised as other financial income and other financial expenses.

Bonds and other debt to financial institutions

Interest-bearing loans and borrowings are initially recognised at fair value, net of transaction costs incurred. The subsequent measurement is measured at amortised cost using the effective interest method. Gains and losses arising on the repurchase, settlement or cancellation of liabilities are recognised either in interest income and other financial items or in interest and other finance expenses within Net financial items. Financial liabilities are presented as current if the liabilities are due to be settled within 12 months after the balance sheet date, or if they are held for the purpose of being traded.

Other liabilities

Liabilities, with the exception of certain liability provisions, are recognised in the balance sheet at nominal amount.

Taxes

The tax in the income statement includes payable taxes for the period, refundable tax and changes in deferred tax. Deferred tax is calculated at relevant tax rates on the basis of the temporary differences which exist between accounting and tax values, and any carry forward losses for tax purposes at the year-end. Tax enhancing or tax reducing temporary differences, which are reversed or may be reversed in the same period, have been eliminated. Deferred tax and tax benefits which may be shown in the balance sheet are presented net. Deferred tax benefits on net tax reducing differences which have not been eliminated, and carry forward losses, is not presented in the balance sheet due to uncertainty about future earnings.

Tax reduction on group contributions given and tax on group contribution received, recorded as a reduction of cost price or taken directly to equity, are recorded directly against tax in the balance sheet (offset against payable taxes if the group contribution has affected payable taxes, and offset against deferred taxes if the group contribution has affected deferred taxes).

Deferred tax is reflected at nominal value.

Cash flow statement

The cash flow statement has been prepared according to the indirect method. Cash and cash equivalents include cash, bank deposits, and other current investments which immediately and with minimal exchange risk can be converted into known cash amounts, with due date less than three months from purchase date.

Share-based payments

The Company operates a number of equity-settled, share-based compensation plans, under which the entity receives services from employees as consideration for equity instruments (options) of the Company. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

Fair value:

- Including any market performance conditions
- Excludes the impact of any service and non-market



performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period).

Non-market performance and service conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period (which is the period over which all of the specified vesting conditions are to be satisfied). At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the

non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity. When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium. The social security contributions payable in connection with the grant of the share options is considered an integral part of the grant itself, and the charge will be treated as a cash-settled transaction.



REVENUE

USD million	2020	2019
Service fee subsidiaries	2	9
Total Revenue	2	9



INVESTMENTS IN SUBSIDIARIES

Investments in subsidiaries are booked according to the cost method.

USD million		Ownership/ voting right	Equity 31 December	Net Loss	Book value
Subsidiaries	Location				
Altinex AS	Oslo	100%	266	(53)	393
Norwegian Energy Company UK Ltd	Great Britain	100%	(1)	(0)	-
Djerv Energi AS	Oslo	100%	0	(0)	-
Book value 31.12.20					393

The impairment test as of 31.12.2020 justifies the overall value of subsidiaries in Altinex. The intercompany receivables to the UK investment are impaired to zero.



RESTRICTED BANK DEPOSITS

USD million	2020	2019
Restricted cash pledged as security for abandonment obligation related to Nini/ Cecilie ¹⁾	71	65
Other restricted cash and bank deposits	0	0
Total restricted bank deposits	71	65

¹⁾ In connection to the asset retirement obligation of USD 71 million (DKK 432 million) in the subsidiary Noreco Oil Denmark.



BORROWINGS

5.1 SUMMARY OF BORROWINGS

USD million	2020	2019
Non-Current Debt		
NOR 13 Convertible Bond	174	160
NOR 14 Senior Unsecured Bond	169	168
Total non-current debt	343	327
Total borrowings	343	327

Details on borrowings outstanding on 31 December 2020

NOR13

In July 2019, Noreco issued a subordinated convertible bond loan of USD 158 million with a tenor of eight years. In the first five years after issue of this instrument, the lender has been granted a right to convert the loan into new shares in the Company at a conversion price of NOK 240 per share by way of set-off against the claim on the Company. At the end of this five year period, if the lenders have not exercised their conversion option, the loan has a mandatory conversion to equity based on the volume weighted average share price of Noreco in the 20 days prior to the execution of this mandatory conversion. NOR13 carries an interest of 8,0% p.a. on a PIK basis, with an alternative option to pay cash interest at 6,0% p.a., payable semi-annually. Should the instrument be in place beyond the five-year conversion period, the interest rate on NOR13 will be reduced to 0,0 percent for the remaining term of the loan.



NOR14

In December 2019 the Company issued a senior unsecured bond of USD 175 million. The proceeds are utilised for general corporate purposes and the bond carries an interest of 9,0% p.a., payable semi-annually, with a six and a half-year tenor.

5.2 COVENANTS

NOR14

The USD 175 million unsecured bond has two financial covenants included within the terms of the agreement that apply outside the Tyra redevelopment period: a minimum liquidity covenant requirement of USD 25 million unrestricted cash, bank deposits and cash equivalents and a maximum leverage ratio of net debt to EBITDAX (earnings before interest, tax, depreciation, amortisation and exploration) of 3.0:1.0. During the Tyra redevelopment period, defined as from June 2021 until the earlier of (1) two quarters post completion of the Tyra redevelopment project and (2) June 2023, Noreco must maintain a minimum liquidity position of USD 50 million and a maximum leverage ratio of 5.0x. The covenants are tested on a group basis.

5.3 PAYMENT STRUCTURE

Principle	NOR14	Total
2026	168	168
Total	168	168

Interest	NOR13	NOR14	Total
Interest rate	-	9.00%	
2021	-	16	16
2022	-	16	16
2023	-	16	16
2024	-	16	16
2025	-	16	16
2026	-	8	8
Total	-	87	87

5.4 PLEDGED ASSETS

Pledged assets relate to the carrying value of the pledged shares under the reserve based lending facility entered into by the wholly-owned subsidiary Altinex AS, please see note 23 in the Consolidated Financial Statement.



TRADE PAYABLES AND OTHER CURRENT LIABILITIES

USD million	2020	2019
Trade payable	0	3
Accrued interest	0	0
Salary accruals	0	0
Public duties payable	1	0
Other current liabilities	1	2
Total Trade Payables and other current liabilities	3	6



GUARANTEES

OVERVIEW OF ISSUED GUARANTEES ON 31 DECEMBER 2020.

The parent company of the Group, Norwegian Energy Company ASA ("Noreco") has issued a parent company guarantee on behalf of its subsidiary Norwegian Energy Company UK Ltd and Noreco Oil (UK) Limited. Noreco guarantees that, if any sums become payable by Norwegian Energy Company UK Ltd or by Noreco Oil (UK) Limited to the UK Secretary of State under the terms of the licence and the company does not repay those sums on first demand, Noreco shall pay to the UK Secretary of State on demand an amount equal to all such sums. Department for Business, Energy & Industrial Strategy, declined at this time to withdraw Noreco Oil (UK)'s s29 notice with respect to the Huntington platform and pipeline. Under the forfeiture agreement Premier assumes this risk as between Premier and Noreco so, while this contingent liability to the Secretary of State would need to be recognised in any future sale of the company, Noreco Oil (UK) Limited does have recourse against Premier if it defaults in its performance.

On 6 December 2007, Noreco issued a parent company guarantee to the Danish Ministry of Climate, Energy and Building on behalf of its subsidiary Noreco Oil Denmark A/S and Noreco Petroleum Denmark A/S.

On 31 December 2012, Noreco issued a parent company guarantee on behalf of its subsidiary Noreco Norway AS. Noreco guarantees that, if any sums become payable by Noreco Norway AS to the Norwegian Secretary of State under the terms of the licences and the company does not repay those sums on first demand, Noreco shall pay to the Norwegian Secretary of State on demand an amount equal to all such sums. Noreco Norway AS was liquidated in 2018, however as per 31 December 2020 the guarantee has not been withdrawn.

In connection with completion of the acquisition of Shell Olie- og Gasudvinding Danmark B.V. in 2019, Noreco issued a parent company guarantee to the Danish state on behalf of the two acquired companies for obligations in respect of licence 8/06, area B and the Tyra West - F3 gas pipeline. In addition, Noreco issued a parent company guarantee towards the lenders under the Reserve Based Lending Facility Agreement, to Total E&P Danmark A/S for its obligations under the DUC JOA and to Shell Energy Europe Limited related to a gas sales and purchase agreement (capped at EUR 30 million).



8

SHAREHOLDERS' EQUITY

Changes in equity All figures in USD million	Share capital	Share premium	Treasury reserve	Other equity	Total
Equity 31 December 2019	30	707	-	(254)	482
Share-based incentive program	-	-	-	2	2
Share buyback	-	-	(0)	(10)	(10)
Net result for the period	-	-	-	(24)	(24)
Equity 31 December 2020	30	707	(0)	(286)	450

9

SHARE CAPITAL AND SHAREHOLDER INFORMATION

	2020	2019
Ordinary shares	24,549,013	24,549,013
Treasury shares	(438,161)	-
Total shares	24,110,852	24,549,013
Par value in NOK	10	10

Noreco owns 438,161 of its own shares. All shares have equal rights. All shares are fully paid.

CHANGES IN NUMBER OF SHARES AND SHARE CAPITAL:

	No. of shares	Share capital*
Share capital as of 1 January 2019	7,194,730	8
Share issue 26 July 2019	15,585,635	19
Share issue 30 August 2019	1,768,648	2
Share capital as of 31 December 2019	24,549,013	30
Share capital as of 31 December 2020	24,549,013	30

	No. of shares	Treasury share reserve*
Treasury shares as of 1 January 2019	-	-
Treasury shares as of 31 December 2019	-	-
Purchase of Treasury shares	(438,161)	(0)
Treasury shares as of 31 December 2020	(438,161)	(0)

*In USD million.



CHANGES IN 2020

The company bought back 438,161 of its own shares, of which 299,925 shares was bought as part of a reverse book building process and 138,236 shares was bought in the market. The buyback programme was executed in accordance with the authorization given by the Noreco's general meeting in 28 June 2018, which was valid until 28 June 2020. After the completion of the buyback programme, Noreco owns 438,161 of its own shares, approximately 1.78 percent.

CHANGES IN 2019

As part of the Transaction, Noreco issued 15,585,635 new ordinary shares through a private placement and 1,768,645 new ordinary shares through a partially underwritten subsequent offering (which was over-subscribed by 101%), at a subscription price of NOK 185 per share.

OVERVIEW OF SHAREHOLDERS AT 30 MARCH 2021:

Shareholder*	Shareholding	Ownership share	Voting share
Euroclear Bank S.A./N.V.	7,377,191	30.05%	30.05%
Goldman Sachs International	5,865,617	23.89%	23.89%
BNP Paribas	1,431,852	5.83%	5.83%
The Bank of New York Mellon SA/NV	978,193	3.98%	3.98%
Barclays Bank PLC	820,000	3.34%	3.34%
Bank of America, N.A.	774,408	3.15%	3.15%
J.P. Morgan Securities LLC	588,513	2.40%	2.40%
J.P. Morgan Securities LLC	480,340	1.96%	1.96%
NORWEGIAN ENERGY COMPANY ASA	438,161	1.78%	1.78%
UBS Switzerland AG	405,487	1.65%	1.65%
Morgan Stanley & Co. Int. Plc.	293,670	1.20%	1.20%
State Street Bank and Trust Comp	286,392	1.17%	1.17%
The Bank of New York Mellon	240,979	0.98%	0.98%
DnB NOR Bank ASA	237,382	0.97%	0.97%
UBS AG	225,428	0.92%	0.92%
SOBER AS	178,332	0.73%	0.73%
OUSDAL AS	146,975	0.60%	0.60%
Goldman Sachs & Co. LLC	142,488	0.58%	0.58%
VELDE HOLDING AS	116,238	0.47%	0.47%
FINSNES INVEST AS	112,079	0.46%	0.46%
Total	21,139,725	86.1 %	86.1 %
Other owners (ownership <0,42%)	3,409,288	13.89%	13.89%
Total number of shares at 30 March 2021	24,549,013	100%	100%

*Nominee holder



10

SHARE-BASED COMPENSATION

Fair value of the options is calculated using the Black-Scholes-Merton option pricing model. Inputs to the model includes grant date, exercise price, expected exercise date, volatility and risk-free rate.

Outstanding share options	
Total share options outstanding as at 1 January 2019	-
Share options granted in 2019	956,954
Outstanding at 31 December 2019	956,954
Share options granted in 2020	420,000
Amendment to option programme	(323,086)
Share options relinquished in 2020	(70,000)
Outstanding at 31 December 2020	983,868

For more details related to share-based payment, please see note 25 in the Consolidated Financial Statement.

11

PAYROLL EXPENSES AND REMUNERATION

USD million	2020	2019
Salaries (incl. directors' fees)	(4)	(3)
Social security tax	(1)	(1)
Pension costs ¹⁾	(0)	(0)
Costs relating to share based payments	(2)	(8)
Other personnel expenses	(0)	(1)
Total personnel expenses	(7)	(13)

Average number of employees	8	7
-----------------------------	---	---

¹⁾ Norwegian Companies are obliged to have occupational pension in accordance with the Norwegian act related to mandatory occupational pension. Noreco ASA meet the Norwegian requirements for mandatory occupational pension ("obligatorisk tjenestepensjon"). The pension costs amount to USD 0.1 million in 2020, compared to USD 0.2 million in 2019.

For further information on remuneration to key management personnel and board of directors, please see note 7 in the Consolidated Financial Statement.



12

WRITE DOWN OF FINANCIAL ASSETS

USD million	2020	2019
Net write-down loans to subsidiaries	(1)	-
Net write-down loans to subsidiaries	-	33
Total write-down of prior year impairment	(1)	33

2020 WRITE DOWN OF FINANCIAL ASSETS

Write-down of loans to subsidiaries consists of impairment of loans to Noreco Oil (UK) Ltd. and Norwegian Energy Company UK Ltd.

2019 NET REVERSAL OF FINANCIAL ASSETS

Reversal of prior year impairment are mainly related to loan to Altinex. The intercompany receivables to the UK investment are impaired to zero.

13

TAX

Reconciliation of nominal to actual tax rate:

USD million	2020	2019
Result before tax	(24)	12
Corporation income tax of income (loss) before tax -22%	(5)	3
Sum calculated tax expense	(5)	3
Permanent differences	(0)	0
Changes in deferred tax assets - not recognised	5	2
Prior year adjustments	-	0
Income tax expense	(0)	-

Deferred tax liability and deferred tax assets:

USD million	2020	2019
Net operating loss deductible	90	85
Interest limitation carried forward	20	-
Fixed assets	(0)	(0)
Current assets	17	3
Liabilities	(22)	(4)
Tax base deferred tax liability / deferred tax asset	105	83
Net deferred tax liability / (deferred tax asset) (22%)	(24)	(18)
Unrecognised deferred tax asset	24	18



14

OTHER OPERATING EXPENSES AND AUDIT FEES

USD million	2020	2019
Lease expenses	(1)	(0)
IT expenses	(0)	(1)
Travel expenses	(0)	(0)
General and administrative costs	(0)	(0)
Consultant fees	(2)	(10)
Other operating expenses	(0)	(1)
Total other operating expenses	(4)	(12)
Expensed audit fee:		
USD 1000, excl.VAT	2020	2019
Audit	(318)	(226)
Other assurance services	-	(149)
Total audit fees	(318)	(226)

15

RELATED PARTY TRANSACTIONS

Transactions with related party USD million	2020	2019
a) Allocation of cost to group companies	2	9
b) Purchases of services	0	5
c) Sale of assets	-	-

Interest income and interest expenses to group companies are presented separately in the income statement.

Services are charged between group companies at an hourly rate which corresponds to similar rates between independent parties. Allocation of IT and service cost to group companies amounts to USD 2 million for 2020. The decrease compared to last year is because last year included increased activity in the Danish subsidiaries following the Transaction.

Purchase of services includes consultancy cost from S&U Trading ApS (owned by Board Member Lars Purlund) of USD 0.3 million.

BALANCES WITH GROUP COMPANIES

Carrying value of balances with group companies are stated on the face of the balance sheet and are all related to 100 percent controlled subsidiaries.

Noreco did not have any other transactions with any other related parties during 2020. Director's fee paid to shareholders and remuneration to management is described in Note 7 in the consolidated financial statements.



Consolidated Statements

76	Consolidated Statement of Comprehensive Income
77	Consolidated Statement of Financial Position
79	Consolidated Statement of Change in Equity
80	Consolidated Statement of Cash Flows
81	Note 1: Summary of Significant Accounting Policies
91	Note 2: Financial Risk Management
93	Note 3: Critical Accounting Estimates and Judgements
95	Note 4: Revenue
96	Note 5: Production Expenses
96	Note 6: Exploration and Evaluation Expenses
97	Note 7: Payroll Expenses and Remuneration
101	Note 8: Other Operating Expenses
102	Note 9: Intangible Assets
103	Note 10: Acquisition of Subsidiary
106	Note 11: Property, Plant and Equipment
107	Note 12: Financial Income and Expenses
108	Note 13: Tax
110	Note 14: Earnings per Share
111	Note 15: Non-Current Receivables, Trade Receivable and Other Current Receivables
112	Note 16: Inventories
112	Note 17: Restricted Cash, Bank Deposits, Cash and Cash Equivalents
113	Note 18: Financial Instruments
118	Note 19: Share Capital
119	Note 20: Post-Employment Benefits
120	Note 21: Asset Retirement Obligations
121	Note 23: Borrowings
124	Note 24: Trade Payables and Other Payables
125	Note 25: Share-based Compensation
126	Note 26: Guarantees
126	Note 27: Investment in Jointly Owned Assets
127	Note 28: Contingencies and Commitments
128	Note 29: Related Party Transactions
128	Note 30: Subsequent Events



Consolidated Statement of Comprehensive Income

All figures in USD million	Note	2020	2019 restated
Revenue	4	566	333
Total revenues		566	333
Production expenses	5	(295)	(171)
Exploration and evaluation expenses	6	(2)	(1)
Personnel expenses	7	(12)	(16)
Other operating expenses	8	(8)	(19)
Total operating expenses		(316)	(206)
Operating result (EBITDA)		250	127
Depreciation	11, 10	(193)	(112)
Impairment of goodwill	9, 10	-	(266)
Net operating result (EBIT)		57	(251)
Financial income	12, 10	103	152
Financial expenses	12, 22, 10	(177)	(100)
Net financial items		(75)	52
Result before tax (EBT)		(18)	(199)
Income tax benefit / (expense)	13	35	414
Net result for the year		17	215
Other comprehensive income (net of tax):			
Items that may be subsequently reclassified to profit or loss:			
Realized cash flow hedge		(29)	-
Related tax - realized cash flow hedge		18	-
Changes in fair value		108	40
Related tax - changes in fair value		(69)	(26)
Currency translation adjustment		3	1
Total other comprehensive income for the year (net of tax)		32	15
Total comprehensive income for the year (net of tax)		49	230
Earnings per share (USD 1)			
Basic	14	0.7	14.6
Diluted	14	0.4	12.3



Consolidated Statement of Financial Position

as of 31 December

All figures in USD million	Note	31.12.2020	31.12.2019 restated
Non-current assets			
Licence and capitalised exploration expenditures	9, 10	175	268
Deferred tax assets	13, 10	432	455
Property, plant and equipment	10, 11	1,704	1,550
Right of Use asset	22	1	1
Restricted cash	17, 18	196	115
Contingent consideration - volume protection	15	-	17
Derivative instruments	18	26	6
Total non-current assets		2,533	2,413
Current assets			
Derivative instruments	18	34	(0)
Contingent consideration - volume protection	15	15	104
Trade receivables and other current assets	15	81	96
Inventories	16	40	36
Bank deposits, cash and cash equivalents	17	259	286
Total current assets		429	523
Total assets		2,962	2,935
Equity			
Share capital	19	30	30
Other equity		600	560
Total equity		630	589
Non-current liabilities			
Asset retirement obligations	21	927	915
Convertible bond loan	23, 18	131	108
Bond loan	23, 18	169	168
Reserve based lending facility	23, 18	719	707
Derivative instruments	18	20	64
Other non-current liabilities	23, 22	26	26
Total non-current liabilities		1,991	1,988
Current liabilities			
Asset retirement obligations	21	24	52
Tax payable	13	27	106
Derivative instruments	18	5	9
Trade payables and other current liabilities	24	286	191
Total current liabilities		341	358
Total liabilities		2,332	2,346
Total equity and liabilities		2,962	2,935



Consolidated Statement of Financial Position

as of 31 December

Oslo
19 April 2021

Riulf Rustad
Executive Chair

Tone Kristin Omsted
Board Member

Yves-Louis Darricarrère
Board Member

Marianne Lie
Board Member

Colette Cohen
Board Member

Chris Bruijnzeels
Board Member

Robert J. McGuire
Board Member

David B. Cook
Chief Executive Officer



Consolidated Statement of Changes in Equity

All figures in USD million	Share capital	Share premium fund	Treasury share reserve	Currency translation fund	Cash flow hedge reserve	Other equity	Total equity
2019							
Equity on 01.01.2019	8	343	-	(3)	-	(354)	(6)
Net result for the period - restated						215	215
Other comprehensive income							
Changes in fair value - restated	-	-	-	-	(40)	-	(40)
Related tax - restated	-	-	-	-	26	-	26
Currency translation adjustments	-	-	-	2	-	-	2
Other OCI items	-	-	-	-	-	(0)	(0)
Total other comprehensive income	-	-	-	2	(14)	(0)	(13)
Issue of shares	21	369	-	-	-	-	390
Transaction cost equity issue	-	(4)	-	-	-	-	(4)
Share-based incentive program	-	-	-	-	-	8	8
Total transactions with owners for the period	21	364	-	-	-	8	393
Equity as of 31.12.2019 - restated	30	707	-	(2)	(14)	(131)	589
2020							
Equity as of 01.01.2020 - restated	30	707	-	(2)	(14)	(131)	589
Adjustment of prior year				4		(4)	-
Net result for the period						17	17
Other comprehensive income							
Realized cash flow hedge	-	-	-	-	(29)	-	(29)
Related tax - realized cash flow hedge	-	-	-	-	18	-	18
Changes in fair value	-	-	-	-	108	-	108
Related tax - changes in fair value	-	-	-	-	(69)	-	(69)
Currency translation adjustments	-	-	-	3	-	-	3
Total other comprehensive income	-	-	-	3	29	-	32
Share-based incentive program	-	-	-	-	-	2	2
Share buyback	-	-	(0)	-	-	(10)	(10)
Total transactions with owners for the period	-	-	(0)	-	-	(8)	(8)
Equity as of 31.12.2020	30	707	(0)	6	14	(126)	630



Consolidated Statement of Cash Flows

for the year ended 31 December

All figures in USD million	Note	2020	2019
Cash flows from operating activities			
Net result for the year		17	215
Adjustments for:			
Income tax benefit	13	(35)	(414)
Depreciation	11	193	112
Impairment of goodwill	9	-	266
Share-based payments expenses		2	8
Net financial costs	12	75	(52)
Changes in:			
Trade receivable	15	3	20
Trade payables	24	79	68
Inventories and spare parts	15	5	16
Prepayments	15	8	17
Over-/underlift	15	0	(7)
Other current balance sheet items		0	(0)
Net cash flow from operating activities		348	249
Cash flows from investing activities			
Acquisition of subsidiary	10	-	(1,071)
Post completion payment		(2)	-
Volume guarantee	15	102	50
Locked box interest	10	-	(66)
Tax Paid ¹⁾		(72)	(51)
Investment in oil and gas assets	11	(236)	(86)
Investment in exploration licenses	6	(2)	-
Changes in restricted cash accounts	17	(75)	(50)
Net cash flow from investing activities		(285)	(1,274)
Cash flows from financing activities			
Drawdown long-term loans	23	6	1,078
Repayment short-term loans		-	(54)
Abandonment spent	21	(74)	(34)
Lease payments		(1)	(0)
Share buyback		(10)	-
Issue of new shares		-	390
Transaction costs related to financing		(1)	(54)
Transaction costs related to equity issue		(0)	(4)
Repurchase/(sale) own bonds		-	(1)
Interest paid		(56)	(15)
Hedge income		52	-
Other financial items		(6)	3
Net cash flow from financing activities		(89)	1,309
Net change in cash and cash equivalents		(26)	283
Cash and cash equivalents at the beginning of the year		286	3
Cash and cash equivalents at end of the year		259	286

* Tax paid which were attributable to the period before closing is classified as investing activities, 2019 is reclassified from operating activities.



Notes



SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Norwegian Energy Company ASA (“Noreco”, “the Company” or “the Group”) is a public limited liability company registered in Norway, with headquarters in Oslo (Nedre Vollgate 1, 0158 Oslo). The Company has subsidiaries in Norway, Denmark, Netherlands and the United Kingdom. The Company is listed on the Oslo Stock Exchange.

The consolidated financial statements for 2020 were approved by the board of directors on 19 April 2021 for adoption by the General Meeting on 19 May 2021.

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The Group also provides the disclosure requirements as specified under the Norwegian Accounting Law (Regnskapsloven).

1.1 BASIS OF PREPARATION

The consolidated financial statements of Norwegian Energy Company ASA (Noreco ASA) have been prepared in accordance with International Financial Reporting Standards (IFRSs) and interpretations from the IFRS interpretation committee (IFRIC), as endorsed by the EU. The Group does also provide information which is obligated in accordance with the Norwegian Accounting Act and associated N-GAAP standards.

The preparation of financial statements in accordance with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 4.

In accordance with the Norwegian Accounting Act, section 3-3a, the board of directors confirms that the consolidated financial statements have been prepared under the assumption of going concern and that this is the basis for the preparation of the financial statements. The financial solidity and the company’s working capital and cash position are

considered satisfactory in regards of the planned activity level for the next twelve months.

The board of directors is of the opinion that the consolidated financial statements give a true and fair view of the Company’s assets, debt, financial position and financial results. The board of directors are not aware of any factors that materially affect the assessment of the Company’s position as of 31 December 2020, besides what is disclosed in the Director’s report and the financial statements.

The subtotals and totals in some of the tables may not equal the sum of the amounts shown due to rounding.

1.1.1 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

Commodity contracts that were entered into and continue to be held for the purpose of the delivery of a non-financial item in accordance with the Group’s expected sale requirements fall within the exception from IFRS 9 which are now subject to the ‘normal purchase or sale exemption’ and the related intangible assets and their amortisation. Previously these contracts were accounted for as financial assets with subsequent fair value changes recognised in profit or loss. Comparative in the notes has been updated to reflect the revised PPA however it is not marked as restated. For further details see note 10 Acquisition of subsidiary – Final purchase price allocation.

Other amendments to standards

Other standards and amendments to standards, issued are either not expected to impact Noreco’s Consolidated financial statements materially, or are not expected to be relevant to the Consolidated financial statements upon adoption.

1.2 CONSOLIDATION

Subsidiaries

Subsidiaries are all entities over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its



power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are de-consolidated from the date that control ceases.

As of 31 December 2020, all consolidated subsidiaries are 100 percent controlled by the parent company, Norwegian Energy Company ASA or other group companies. The

proportion of the voting rights in the subsidiary undertakings held directly by the parent company does not differ from the proportion of ordinary shares held. The parent company does not have any shareholdings in the preference shares of subsidiary undertakings included in the group. All subsidiary undertakings are included in the consolidation.

The group had the following subsidiaries on 31 December 2020:

Name	Country of incorp and place of business	Nature of business	Ordinary shares directly held by parent (%)	Ordinary shares held by the group (%)
Noreco Denmark A/S	Denmark	Intermediate holding company		100%
Noreco Oil Denmark A/S	Denmark	Exploration and production		100%
Noreco Petroleum Denmark A/S	Denmark	Exploration and production		100%
Noreco Olie- og Gasudvinding Danmark B.V	Netherlands	Exploration and production		100%
Noreco DK Pipeline Aps	Denmark	Infrastructure oil and gas		100%
Norwegian Energy Company UK Ltd	Great Britain	Exploration activity	100%	100%
Noreco Oil (UK) Ltd	Great Britain	Exploration activity		100%
Altinex AS	Norway	Intermediate holding company	100%	100%
Djerv Energi AS	Norway	Dormant Company	100%	100%

The Group acquired 100% of the shares in Shell Olie- og Gasudvinding Danmark B.V. and its wholly owned subsidiary Shell Olie- og Gasudvinding Danmark Pipelines ApS in 2019.

The group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are expensed as incurred, except if related to the issue of debt not at FVTPL or equity securities. If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred or received by the group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in profit or loss. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity. Inter-company transactions, balances, income and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the group's accounting policies.

Interest in jointly controlled assets

A jointly controlled asset is a contractual agreement between two or more parties regarding a financial activity under joint control. The Group has ownership in licences that are not separate legal companies. The company recognizes its share of the assets, liabilities, revenues and expenses of the joint operation in the respective line items in the Company's financial statements based on its ownership share.



1.3 SEGMENT REPORTING

The group's segments were established on the basis of the most appropriate distribution of resource and result measurement. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the managing director. The whole group is considered a single operating segment.

1.4 FOREIGN CURRENCY TRANSLATION

a) Functional and presentation currency

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in US dollars (USD), which is the group's presentation currency and the parent company and main operating companies functional currency.

b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses are recognised in the income statement as other financial income or other financial expenses.

c) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

I) assets and liabilities for each financial position presented are translated at the closing rate at the date of that statement of financial position;

II) income and expenses for each income statement are translated at the average quarterly exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions)

III) All currency translation adjustments are recognised in other comprehensive income. Goodwill and fair value

adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Currency translation adjustments arising are recognised in other comprehensive income.

1.5 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment include production facilities, machinery and equipment. Items of property, plant and equipment are measured at cost, less accumulated depreciation and accumulated impairment losses. Cost includes purchase price or construction cost and any costs directly attributable to bringing the assets to a working condition for their intended use, including capitalised borrowing expenses incurred up until the time the asset is ready to be put into operation.

For property, plant and equipment where asset retirement obligations for decommissioning and dismantling are recognised as a liability, this value is added to acquisition cost for the respective assets. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in the income statement using the effective interest method.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment and depreciated separately.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Gain or loss from sale of property, plant and equipment, which is calculated as the difference between the sales consideration and the carrying amount, is reported in the income statement under other (losses)/gains.

Expenses related to drilling and equipment for exploration wells where proven and probable reserves are discovered are capitalised and depreciated using the unit-of-production (UoP) method based on the proven and probable reserves expected to be produced from the well. Development cost related to construction, installation and completion of



infrastructural facilities such as platforms, pipelines and drilling of production wells, are capitalised as producing oil and gas fields. They are depreciated using the unit-of-production method based on the proven and probable developed reserves expected to be recovered from the area for the economic lifetime of the field. For fields where the oil share of the reserves constitutes the most significant part of the value, the capitalised cost is depreciated based on produced barrels of oil. This generally gives a more systematic allocation of depreciation expenses over the useful life than using all produced oil equivalents. If realisation of the probable reserves demands further future investments, these are added to the basis of depreciation.

Acquired assets used for extraction and production of petroleum deposits, including licence rights, are depreciated using the unit-of-production method based on proven and probable reserves.

Historical cost price for other assets is depreciated over the estimated useful economic life of the asset, using the straight-line method.

The estimated useful lives are as follows:

- Office equipment and fixtures: 3-5 years

Depreciation methods, useful lives, residual values and reserves are reviewed at each reporting date and adjusted if appropriate.

1.6 INTANGIBLE ASSETS

Oil and gas exploration and development expenditures

The group applies the successful efforts method of accounting for oil and gas exploration expenditures. Expenditures to acquire interests in oil and gas properties and to drill and equip exploratory wells are capitalised as exploration expenditures within intangible assets until the well is complete and the results have been evaluated, or there is any other indicator of a potential impairment. Exploration wells that discover potentially economic quantities of oil and natural gas remain capitalised as intangible assets during the evaluation phase of the discovery. This evaluation is normally finalised within one year. If, following the evaluation, the exploratory well has not found potentially commercial quantities of hydrocarbons, the capitalised expenditures are evaluated for derecognition or tested for impairment. Geological and geophysical expenditures and other exploration and evaluation expenditures are expensed as incurred.

Capitalised exploration expenditures, including expenditures to acquire interests in oil and gas properties, related to wells that find proved reserves are transferred from exploration expenditures (intangible assets) to property, plant and equipment at the time of sanctioning of the development project.

Other intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets with definite lives are carried at cost less any accumulated amortisation and accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalised development costs, are not capitalised. Instead, the related expenditure is recognised in profit or loss in the period in which the expenditure is incurred. Intangible assets are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset is reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets is recognised in the Consolidated Statement of Comprehensive income in the line item Depreciation and Amortisation.

Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired. If the total consideration transferred, non-controlling interest recognised and previously held interest measured at fair value is less than the fair value of the net assets of the subsidiary acquired, in the case of a bargain purchase, the difference is recognised directly in the income statement.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash generating units (CGUs), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or



group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

In connection with divestment of assets, gain or loss is calculated by settling all carrying balances related to the realised asset and comparing this with the agreed consideration adjusted for any pro/contra settlement.

In cases where the sold asset forms a part of a cash generating unit to which goodwill is allocated, goodwill is allocated to the sold asset based on the relative share of fair value which forms part of the specific cash generating unit for goodwill. This method is used unless the Company can demonstrate that another method better reflects the goodwill related with the sold asset.

1.7 IMPAIRMENT OF NON-FINANCIAL ASSETS

a) Unit of account

The Group applies each prospect, discovery, or field as unit of account for allocation of profit or loss and financial position items.

When performing impairment testing of licence and capitalised exploration expenditures and production facilities, each prospect, discovery, or field is tested separately as long as they are not defined to be part of a larger cash generating unit.

Developed fields producing from the same offshore installation are treated as one joint cash generating unit. The size of a cash generating unit cannot be larger than an operational segment.

Goodwill is tested for impairment at the same level in which the goodwill is allocated.

b) Impairment testing

Intangible assets with an indefinite useful life are not subject to amortisation and are tested annually for impairment. For Oil and gas exploration and development expenditures, see 2.6 above re assessment of impairment and derecognition.

Property, plant and equipment subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment write-downs are assessed for potential impairment reversal at each reporting date as to whether there is an indication that an impairment loss may no longer exist or may have decreased.

1.8 FINANCIAL ASSETS

1.8.1 CLASSIFICATION

The Group classifies financial assets and financial liabilities according to IFRS 9 through the mixed measurement model with three primary measurement categories for financial assets: amortized cost, fair value through OCI and fair value through P&L. The classification depends on the entity's business model and the contractual cash flow characteristics of the financial assets. Management determines the classification of its financial assets at initial recognition.

(a) Financial assets and liabilities at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading that are not measured at amortized cost or at fair value through other comprehensive income. IFRS 9 requires that for a financial liability designated as at fair value through profit or loss the effects of changes in the liability's credit risk shall be included in other comprehensive income instead of through profit and loss. Derivatives, including embedded derivatives are also recognised at fair value through profit or loss unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months, otherwise they are classified as non-current.

(b) Financial assets and liabilities at amortised cost

The Group measures financial assets at amortised cost if both of the following conditions are met:

-The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows and,



- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment testing. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

These assets are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets.

The Group's financial assets categorised as at amortised cost comprise trade and other receivables, contract assets, restricted cash and cash and cash equivalents in the statement of financial position (notes 2.11 and 2.12).

The group measures interest-bearing loans and borrowings (financial liabilities) at amortised cost using the effective interest method.

1.8.2 RECOGNITION AND MEASUREMENT

Regular purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss, are initially recognised at fair value, and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Financial assets at fair value through profit or loss are subsequently carried at fair value. Trade and other receivables are subsequently carried at amortised cost using the effective interest method. Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category is presented in the income statement within 'Financial items' in the period in which they arise.

1.9 IMPAIRMENT OF FINANCIAL ASSETS

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments (financial assets) not held at fair value through profit or loss. ECLs are based on the

difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

The Group applies a simplified approach in calculating ECLs for trade receivables and contract assets. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date.

1.10 DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

The Group uses derivative financial instruments, such as forward commodity contracts and options, to reduce the exposure to commodity price volatility. Effective from 1 October 2019 the Group has elected to apply cash flow hedge accounting designating these derivatives. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and from the date of start of cash flow hedge accounting. These are subsequently remeasured at fair value and the effective portion of the gain or loss on the hedging instrument is recognised in other comprehensive income (OCI), while any ineffective portion is recognised immediately in profit or loss (financial income or financial expenses). The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item. The amount accumulated in OCI is reclassified to profit or loss as a reclassification adjustment in the same periods during which the hedged cash flows affect profit or loss. If cash flow hedge accounting is discontinued, the amount that has been accumulated in OCI must remain in accumulated OCI if the hedged future cash flows are still expected to occur. Otherwise the amount will be immediately reclassified to profit or loss as a reclassification adjustment. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.



Commodity contracts that were entered into and continue to be held for the purpose of the delivery of a non-financial item in accordance with the Group's expected sale requirements fall within the exception from IFRS 9, which is known as the 'normal purchase or sale exemption' or the 'own use' scope exception. For these contracts and the host part of the contracts containing embedded derivatives, they are accounted for as executory contracts. The Group recognises such contracts in its statement of financial position only when one of the parties meets its obligation under the contract to deliver either cash or a nonfinancial asset.

1.11 TRADE RECEIVABLES

Trade receivables are amounts due from customers for oil and gas sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as noncurrent assets.

Trade receivables are measured at amortized cost using the effective interest method, less provision for impairment.

1.12 CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash, bank deposits and short-term liquid placements, that immediately and with insignificant share price risk can be converted to known cash amounts and with a remaining maturity less than three months from the date of acquisition. In the consolidated statement of financial position, bank overdrafts are shown within borrowings in current liabilities.

1.13 OVER/UNDER LIFTING OF HYDROCARBONS

Over/under lifting occurs when the Group has lifted and sold more or less hydrocarbons from a producing field than what the Group is entitled to at the time of lifting. Over lifting of hydrocarbons is presented as other current liabilities, under lifting of hydrocarbons is presented as other current assets. The value of under lifting is measured at the lower of production expenses and the estimated sales value, less estimated sales costs and the value of over lifting is measured at production expenses. Over lifting and under lifting of hydrocarbons are presented at gross value. Over/under lift positions at the statement of financial position date, are expected to be settled within 12 months from the statement of the financial position date.

For the accounts, under lifts are treated as prepayments and over lifts are treated as accruals for incurred expenses.

1.14 SHARE CAPITAL, TREASURY SHARE RESERVES AND SHARE PREMIUM

Ordinary shares are classified as equity. Costs directly attributable to the issue of new shares or option shares are recognised as a deduction from equity, net of any tax effects. Treasury share reserves are recognised as a deduction on equity at nominal value, the difference between nominal value and purchase price is deducted from other equity.

1.15 TRADE PAYABLES

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as noncurrent liabilities.

Trade payables are measured at fair value at first time recognition. Subsequent measurements are considered trade payables at amortised cost when using effective interest rate.

1.16 BORROWINGS

Borrowings (financial liabilities) are classified as measured at amortised cost or FVTPL. Borrowings that are subsequently measured at amortised cost using the effective interest method are recognised initially at fair value, net of transaction costs incurred. For financial liabilities measured to fair value transaction cost are expensed immediately. For hybrid (combined) instrument that includes a non-derivative host contract that is not accounted for at FVTPL and an embedded derivative that is accounted for at FVTP such as the convertible bond the company has elected an accounting policy that all of the transaction costs are always allocated to and deducted from the carrying amount of the non-derivative host contract on initial recognition. The subsequent measurement depends on which category they have been classified into. The categories applicable for company are either financial liabilities measured at fair value through OCI or financial liabilities measured at amortised cost using the effective interest method. The company designated the bond loan settled in July 2019 at fair value through profit or loss. The new convertible bond loan has been determined to



contain embedded derivatives which is accounted for separately as a derivative at fair value through profit or loss, while the loan element is measured at amortized cost (note 3.1).

Borrowings are classified as non-current if contractual maturity is more than 12 months from the statement of financial position date. If the Group is in breach with any covenants on the statement of financial position date, and a waiver has not been approved before or on the statement of financial position date with 12 months duration or more after the statement of financial position date, the loan is classified as current even if expected maturity is longer than 12 months after the statement of financial position date.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates. A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or when the contractual obligation expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, the exchange or modification is treated as the de-recognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of comprehensive income as a gain or loss under financial items. Transaction costs incurred during this process are treated as a cost of the settlement of the old debt and included in the gain or loss calculation.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

1.17 BORROWING COSTS

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they incur.

1.18 CURRENT AND DEFERRED INCOME TAX

The tax expense for the period comprises current tax, tax impact from refund of exploration expenses and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the statement of financial position date in the countries where the company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised on temporary differences arising between the tax bases of assets, and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using nominal tax rates (and laws) that have been enacted or substantively enacted by the statement of financial position date and are expected to apply when the related deferred income tax asset is realised, or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, associates and joint arrangements only to the extent that it is probable that the temporary difference will



reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Producers of oil and gas on the Danish Continental Shelf are subject to the hydrocarbon tax regime under which, income derived from the sale of oil and gas is taxed at an elevated 64 %. Any income deriving from other activities than first-time sales of hydrocarbons is taxed at the ordinary corporate income rate of currently 22 %. The 64 % is calculated as the sum of the "Chapter 2" tax of 25% plus a specific hydrocarbon tax (chapter 3A) of 52%, in which the 25% tax payable is deductible. When calculating the 52% tax, the company is allowed to deduct an uplift (i.e. increased depreciation basis for tax purposes) of 30% of the investments in property, plant & Equipment's (PP&E) over a period of 6 years. Through an agreement from 2017 license holders on Danish Continental Shelf have had the possibility of applying new rules whereby the company will have the possibility of increased uplift and accelerated depreciation during the period from 2017 to 2025. At the same time the companies utilizing the benefit are also liable for a windfall tax that will materialize from 2022 through 2037 with an oil price (indexed from 2017) above USD 75. The windfall tax cannot exceed the indexed benefit from the applied rules.

1.19 PENSIONS

The Group only has defined contribution plans as of 31 December 2020. For the defined contribution plan, the group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

1.20 SHARE-BASED PAYMENTS

The Group operates a number of equity-settled, share-based compensation plans, under which the entity receives services from employees as consideration for equity instruments (options) of the Group. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

Fair value:

- Including any market performance conditions
- Excludes the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period)

Non-market performance and service conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period (which is the period over which all of the specified vesting conditions are to be satisfied).

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium.

The social security contributions payable in connection with the grant of the share options is considered an integral part of the grant itself, and the charge will be treated as a cash-settled transaction.

1.21 PROVISIONS

Provisions are recognised when the Company has a present obligation (legal or constructive) arising from a past event, and it is probable (more likely than not) that it will result in an outflow from the entity of resources embodying economic benefits, and that a reliable estimate can be made of the amount of the obligation.



Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

1.21.1 ASSET RETIREMENT OBLIGATIONS

Provisions reflect the estimated cost of decommissioning and removal of wells and production facilities used for the production of hydrocarbons. Asset retirement obligations are measured at net present value of the anticipated future cost (estimated based on current day costs inflated). The liability is calculated on the basis of current removal requirements and is discounted to present value using a risk-free rate adjusted for credit risk. Liabilities are recognised when they arise and are adjusted continually in accordance with changes in requirements, price levels etc. When a decommissioning liability is recognised or the estimate changes, a corresponding amount is recorded to increase or decrease the related asset and is depreciated in line with the asset. Increase in the provision as a result of the time value of money is recognised in the income statement as a financial expense. If abandonment cost through agreements with partners have been limited to a given amount, this then forms the basis for the recognized liability.

1.22 CONTINGENT LIABILITIES AND ASSETS

Contingent liabilities are defined as:

- Possible obligations that arise from past events, whose existence depends on uncertain future events.
- Present obligations which have not been recognised because it is not probable that they will result in a payment.
- The amount of the obligation cannot be measured with sufficient reliability.

Specific mention of material contingent liabilities is disclosed, with the exception of contingent liabilities where the possibility of an outflow of resources embodying economic benefits is remote.

Contingent assets are not recognised in the financial statements but are disclosed if there is a certain probability that a benefit will accrue to the Group.

1.23 REVENUE RECOGNITION

Revenue is recognized when the customer obtains control of the hydrocarbons, which is ordinarily at the point of delivery (lifting and sales) when title passes (sales method).

Over/under lifting occurs when the Group has lifted and sold more or less hydrocarbons from a producing field than what the Group is entitled to at the time of lifting. See note 1.13 for description of accounting for over/under lifting of hydrocarbons in the statement of financial position.

1.24 PRODUCTION EXPENSES

Production expenses are expenses that are directly attached to production of hydrocarbons, e.g. expenses for operating and maintaining production facilities and installations. Expenses mainly consist of man-hours, insurance, processing costs, environmental fees, transport costs etc.

1.25 INTEREST INCOME

Interest income is recognised using the effective interest method.

1.26 LEASES

At the inception of a contract, the group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Recognition of leases and exemptions

At the lease commencement date, the group recognizes a lease liability and a corresponding right-of-use asset for all lease agreements in which it is the lessee, except for short-term leases (term of 12 months or less) and leases of low value assets. For such leases, the group recognizes the lease payments as other operating expenses in the statement of profit or loss as and when they are incurred.

Lease liabilities

The lease liability is measured at the present value of the lease payments for the right to use the underlying asset during the lease term. The lease term represents the non-cancellable period of the lease, together with periods covered by an option either to extend or to terminate the lease when the group is reasonably certain to exercise this option.



The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect the lease payments made and remeasuring the carrying amount to reflect any reassessment or lease modifications, or to reflect adjustments in lease payments due to an adjustment in an index or rate.

The group does not include variable lease payments in the lease liability. Such variable leases are recognized as lease expenses in profit or loss as and when incurred.

Right-of-use assets

The group measures the right-of-use asset at cost, less any accumulated depreciation and impairment losses, adjusted for any remeasurement of lease liabilities. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

The group applies IAS 36 Impairment of Assets to determine whether the right-of-use asset is impaired and to account for any impairment loss identified.

The group recognizes its proportionate share of the lease liability where it is a non-operator and considered to share the primary responsibility of the lease payments.

1.27 CONSOLIDATED STATEMENT OF CASH FLOWS

The consolidated statement of cash flows is prepared according to the indirect method. See note 2.12 for the definition of "Cash and cash equivalents".

1.28 SUBSEQUENT EVENTS

Events that take place between the end of the reporting period and the date of issuance of the quarterly or annual accounts, will be considered if the event is of such a nature that it gives new information about items that were present on the statement of financial position date.

2.1 FINANCIAL RISK FACTORS

The group's activities expose it to financial risks: market risk (including currency risk, price risk, interest rate risk), credit risk and liquidity risk. The Group uses bond loans to finance its operations in connection with the day to day business, financial instruments, such as bank deposits, trade receivables and payables, and other current liabilities which arise directly from its operations, are utilised.

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in the market prices. Market risk comprises three types of risk: foreign currency risk, price risk and interest rate risk. Financial instruments affected by market risk include loans and borrowings, deposits, trade receivables, trade payables, accrued liabilities and derivative financial instruments.

(a) Foreign currency risk

The group is composed of businesses with various functional currencies including USD, GBP and DKK. The group is exposed to foreign exchange risk for series of payments in other currencies than the functional currency, mainly related to the ratio between NOK and USD, DKK and USD, and GBP and USD. The Group's statement of financial position includes significant assets and liabilities which are recorded in other currencies than the Group's functional currency. As such the group's equity is sensitive to changes in foreign exchange rates. See Note 15 Non-current receivables, trade receivable and other current receivables, Note 17 Restricted Cash, Bank Deposits, Cash and Cash Equivalents, Note 18 Financial instruments, Note 21 Asset retirement obligation, Note 23 Borrowings and Note 24 Trade payables and other payables, Note 28 Contingencies and commitments. A decrease in the closing rate of NOK, EUR and DKK with 10 percent compared to USD would have the following impact on financial assets, financial liabilities and equity:

USD million	NOK	DKK	EUR
Financial Assets	2	83	1
Financial Liabilities	0	28	1
Effect Net result/Equity	1	55	0

The Company considers the currency risk relating to the different financial instruments be low, as the main financial items held in a currency other than the functional currency of the respective components is offset by positions in other components of the Group. With regards to trade receivables and payables, the Company deems the risk to be immaterial.



2 FINANCIAL RISK MANAGEMENT



(b) Price risk

Noreco produces and sells hydrocarbons in Denmark and is as a result exposed to changes in commodity and oil prices. The Group has a material oil price hedging programme in place that mitigates the risk of near-term oil price movements. As of 31 December 2020, Noreco had commodity derivatives measured at fair value. A change in the value directly affects the company's OCI and recorded equity, and hence the group is exposed to the fair value development of these financial instruments. Assuming an increase in the oil price at 31 December 2020 of 10% and assuming this change will have full effect on the whole curve, the effect on the value of commodity derivatives would have the following impact:

USD million	Equity	OCI	Net result
Oil price +10%	-19	-19	0
Oil price -10%	19	19	0

The effect on equity would be equal to the change in value of the commodity derivatives. The change in value of hedging contracts over time will be offset by the realised value of the contract when the hedge instrument matures, therefore the underlying value to Noreco's business operations is not impacted by changes in the derivative value at any point in time.

(c) Interest rate risk

The Group has loans with fixed and floating interest rates. Loans with fixed interest rate expose the Group to risk (premium/discount) associated with changes in the market interest rate. At year-end, the group has a total of USD 1 043 million (2019: USD 1 008 million) in interest-bearing debt (carrying amount), the principal amount was USD 1 097 million. The Group's RBL facility has a floating interest rate of LIBOR + a margin (currently 4%), while the Group's Bond debt (NOR 13 and NOR 14) have a fixed interest rate exposure. The reserve-based lending facility is linked to the LIBOR rate as set at the time of redetermination. A variance of +/- 1% in the LIBOR rate would result in +/- USD 7.5 million of interest charges to Noreco per annum. For further information about the Group's interest-bearing debt, see Note 23.

All bank deposits (USD 456 million) are at floating interest rates. See note 17 Restricted cash, bank deposits, cash and cash equivalents for further information about bank deposits. The Group considers the risk exposure to changes in market interest to be at an acceptable level.

Liquidity risk

The Group has certain financial commitments arising from its operations and other agreements entered into which are expected to be met by liquid assets, proceeds from external financing and cash flow from operations. The Group monitors its liquidity situation continuously to ensure it will be able to meet its financial obligations as they fall due. As of 31 December 2020, none of the Group's interest-bearing debt were falling due within the next 12 months.

Credit risk

The group's most significant credit risk arises principally from recognised receivables related to the group's operation. The credit risk arising from the production of oil, gas and NGL is considered limited, as sales are to major oil companies with considerable financial resources. The counterparty in derivatives are large international banks and insurance companies whose credit risk is considered low.

2.2 CAPITAL RISK MANAGEMENT

The group's objectives when managing capital is to safeguard the group's ability to continue as a going concern in order to provide return for shareholders and benefits for other stakeholders and to maintain an acceptable capital structure to reduce the cost of capital.

The group monitors the debt with the basis of cash flows, equity ratio and the gearing ratio. The group's debt restricts the payment of dividends until two quarters after the completion of the Tyra redevelopment project; subsequent to this date, NOR14 limits dividend payments to 50% of the group's net profit after tax for the previous year. See further information regarding borrowings and covenants in Note 23.

2.3 FAIR VALUE ESTIMATION

The Group has certain financial instruments carried at fair value. The different fair value hierarchy levels have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets and liabilities

The fair value of financial instruments traded in active markets is based on quoted market prices at the statement of financial position date. A market is regarded as active if



quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price.

Level 2: Inputs other than quoted prices included within level 1 that are observable for the assets or liability, either directly or indirectly

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

Specified valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments;
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves;
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the statement of financial position date, with the resulting value discounted back to present value;

Level 3: Inputs for other assets or liabilities that are not based on observable market data

In level 3 there are two financial instruments, the embedded derivatives convertible bond and the contingent consideration (volume guarantee). As the volume guarantee relates directly to the production of Noreco's DUC asset base, movements in value have a future corresponding effect in revenue of the same assets. Therefore, the volume guarantee represents the minimum production level for which Noreco will receive value. There are no punitive provisions or otherwise for production above the protected volume. The fair value of the contingent consideration was during 2020 calculated based on a discounted cash flow model. As of 31.12.2020 the fair value of the contingent consideration was known as December 2020 were the last

month of production which was protected by the volume guarantee.

The fair value of the embedded derivatives is calculated based on the Black-Scholes-Merton valuation model. A change in the share price of +/- 10 percent would have the following impact on the embedded derivatives, net result and equity:

		Sensitivity Analysis	
Share price	(%)	10%	-10%
Embedded derivatives	USD million	(5)	4
Effect Net result/Equity	USD million	(5)	4

It is evaluated that there is no tax effect of changes in fair value of the contingent consideration and embedded derivatives. See Note 18 for fair value hierarchy and further information.



CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

3.1 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

a) Estimated value of financial assets and financial liabilities

The volume guarantee from Shell is measured at fair value through profit and loss. The volumes expected to be received under the guarantee have been price hedged and the hedging instruments have also been measured at fair value through profit and loss. See note 2.3 for sensitivity analyses. The group's expected oil-production in 2020, excluding the volume guarantee, has been price hedged using cash flow hedging derivatives, which have been measured at fair value through OCI. See note 2.1 for sensitivity analyses. The



embedded derivatives in the convertible debt has been recognised separately at fair value through profit and loss. The value of this embedded derivative has been calculated using the Black-Scholes-Merton valuation model using assumptions for share price, volatility of share price, and other inputs which are subject to significant uncertainty.

For financial assets at amortised cost, an assessment is made on whether objective evidence is present that financial assets or groups of financial assets should be written down.

For more details see note 18 Financial Instruments.

b) Income tax

All figures reported in the statement of comprehensive income and the statement of financial position are based on the group's tax calculations and should be regarded as estimates until the tax for the year has been settled. Tax authorities can be of a different opinion than the company including what constitutes exploration cost and continental shelf deficiency in accordance with the Petroleum Taxation Act. See also Note 13. The tax income in 2019 primarily relates to the recognition of prior year deferred tax losses in Denmark due to the increased expected future taxable profit from the acquisition of the DUC assets. There is uncertainty related to the utilisation of these tax assets and regular assessments are made. The value has been recognised using the weighted average tax rate of the various subsidiaries based on their actual tax positions.

c) Asset retirement obligation

Production of oil and gas is subject to statutory requirements relating to decommissioning and removal obligation once production has ceased. Provisions to cover these future decommissioning and removal expenditures must be recognised at the time the statutory requirement arises. The costs will often incur sometime in the future, and there is significant uncertainty attached to the scale and complexity of the decommissioning and removal involved. Estimated future costs (estimated based on current costs inflated) are based on known decommissioning and removal technology, expected future price levels, and the expected future decommissioning and removal date, discounted to net present value using a risk-free rate adjusted for credit risk. Changes in one or more of these factors could result in changes in the decommissioning and removal liabilities. See note 21 'Asset Retirement Obligations' for further details about decommissioning and removal obligations.

d) Depreciation and impairment of fixed assets

The estimation of the recoverable amount of oil and gas assets as well as the estimation of available commercially depletable reserves is subject to significant uncertainty, primarily related to future oil and gas price levels. Impairment assessments are made to the extent there are indicators of reduced values of fixed assets. Unit of production depreciations are amended on a prospective basis following regular reserves estimation updates performed by the Group.

3.2 CRITICAL JUDGEMENTS IN APPLYING THE ENTITY'S ACCOUNTING POLICIES

a) Accounting for convertible debt

The Group has issued bonds with conversion rights and other embedded derivatives (but the conversion feature is the main element). The conversion feature has been determined to constitute an embedded derivative and has been separated from the loan contract. The loan element has been recognised at amortised cost. At initial recognition the loan was measured as the residual amount of the proceeds from the bond issue, less issue costs, less the calculated fair value of the conversion feature. The process of determining whether the conversion feature in the convertible bond arrangement should be treated as a liability or an equity component requires the application of significant judgement.

The convertible bond is either a financial liability (including certain embedded derivative features which may require separation) or a compound instrument (ie. such a liability plus an equity conversion option). The group has assessed that the holder's conversion option does not involve receiving a fixed number of shares by giving up a fixed stated principal amount of bond, hence the group has assessed this instrument is not a compound instrument with an equity part. Further multiple embedded derivatives have been identified in the host contract that has been assessed is not readily separable and independent of each other as such are treated as a single compound embedded derivative. Also, the fair value measurement of the conversion feature using the Black-Scholes-Merton valuation model, requires significant judgement when selecting and applying the required assumptions.

b) Purchase price allocation

The group applies the acquisition method to account for business combinations. Identifiable assets acquired, and



liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. As objective stand-alone values of an acquired target may be different from subjective entity specific (acquiror) values, the Group could be willing to pay more than stand-alone values for certain assets acquired in a business combination, and hence, incur immediate

impairment write-downs. This is the basis for the goodwill impairment recognised in 2019 as discussed in note 9 and Note 10. Similarly, previously unrecognised deferred tax assets have been recognised on the basis of estimated future taxable income from acquired businesses, see note 13. Significant judgements are required to be applied in such purchase price allocations.



REVENUE

USD million	2020	2019*
Sale of oil	528	305
Sale of gas and NGL	31	26
Other income	8	2
Total Revenue	566	333

* Figures reflects the contribution from the acquired DUC assets from 1 August 2019

Oil - lifted volumes (mmbbl)	7.90	3.98
Realised oil price USD/bbl	66.8	76.7

Noreco's realised price was USD 66.8 per bbl of oil lifted during 2020.

Sale of oil amounted to 528 in 2020. Part of the sale were invoiced under the Company's oil price contracts with Shell International Trading and Shipping Company Limited ("STASCO") that were put in place in conjunction with the acquisition.

The STASCO oil price contracts are settled on a physical basis and Noreco's ability to utilise this is determined by, amongst other things, the Company's actual lifting schedule for the DUC assets. Under the STASCO oil price contracts, at the start 2020 Noreco had an opening balance of hedges from prior periods that had not been utilised. Based on actual liftings in 2020, the Company has now utilized all the oil price contracts with STASCO.

During 2020, Noreco recognised the benefit of price hedges that were put in place with financial institutions in the market as revenue, when these price hedges matches the physical sale of oil. Price hedges in excess of actual liftings are treated as financial income based on the required accounting treatment for these instruments during the period.

Revenue per customer	2020	2019*
Shell Trading International	91.8 %	90.8 %
Orsted Salg & Service AS	5.4 %	6.7 %
Natixis	1.4 %	0.1 %
Shell Energy Europe Limited	1.4 %	1.6 %
INEOS E&P AS	0.0 %	0.5 %
Dansk Shell AS	0.0 %	0.2 %
Total Revenue	100.0 %	100.0 %

**5****PRODUCTION EXPENSES**

USD million	2020	2019
Direct field opex	(177)	(80)
Tariff and transportation expenses	(44)	(24)
Production G&A	(56)	(23)
Field operating cost	(277)	(127)
Total produced volumes (mmbøe)	10.4	5.5
In USD per boe	(26.6)	(23.1)
Adjustments for:		
Change in inventory position	3	(16)
Over/underlift of oil and NGL	(0)	7
Insurance & Other	(21)	(6)
Accruals/periodisation	-	(6)
Exceptional costs	-	(23)
Stock scrap	1	-
Production expenses	(295)	(171)

Production expenses for the year directly attributable to the lifting and transportation to market of Noreco's oil and gas production is in total USD 277 million, which equates to USD 26.6 per boe produced during 2020. 2020 was a full year of DUC operations compared to only 5 months in 2019. Actual opex was lower than expected due to COVID 19 mitigations, partly offset by a weakened USD to DKK exchange rate.

6**EXPLORATION AND EVALUATION EXPENSES**

USD million	2020	2019
Acquisition of seismic data, analysis and general G&G costs	-	-
Exploration wells capitalised in previous years	-	-
Dry exploration wells this period	-	-
Other exploration and evaluation costs	(2)	(1)
Total exploration and evaluation costs	(2)	(1)



PERSONNEL EXPENSES AND REMUNERATION

USD million	Note	2020	2019
Salaries		(8)	(6)
Social security tax		(1)	(1)
Pension costs	20	(0)	(0)
Costs relating to share based payments	25	(2)	(8)
Other personnel expenses		(0)	(1)
Total personnel expenses		(12)	(16)
Average number of employees		29	15

COMPENSATION TO KEY MANAGEMENT*

USD 1 000	Remuneration	Bonus	Pension	Other remuneration ⁷⁾	Total compensation	Share Options ⁸⁾	Total incl share options	Number of shares	Number of options
Senior Executives									
David B. Cook, CEO ¹⁾	294	-	-	-	294	733	1 028	6 700	300 000
Euan Shirlaw, CFO	308	8	6	-	322	252	574	-	42 000
Cathrine Torgersen, EVP ²⁾	159	-	14	1	174	88	262	700	14 000
Frederik Rustad, EVP	235	9	16	1	262	162	424	5 500	56 000
Hege Hayden, EVP ³⁾	39	-	3	0	42	-	42	-	-
							-		
Former Executives									
Atle Sonsen, MD and COO ⁴⁾	398	6	16	1	421	-	421	7 000	-
Sjur Talstad, COO ⁵⁾	144	-	3	2	149	-	149	-	-
Silje Hellestad, Group Acc. Man. ⁶⁾	9	-	-	-	9	-	9	-	-
Total compensation 2020	1 587	23	59	5	1 674	1 236	2 910	19 900	412 000

*Compensation in the form of remuneration and bonus is included in the year paid. Other compensations is included as incurred.



- 1) Chief Executive Officer David B. Cook employed 1 July 2020.
- 2) EVP, Investor Relations & Communications Cathrine Torgersen employed 1 January 2020.
- 3) EVP, People & Capability Hege Hayden employed 1 October 2020.
- 4) Chief Operating Officer and Managing Director Atle Sonesen employed 1 November 2019 and left the company in October 2020.
- 5) Chief Operating Officer Sjur Talstad employed 15 November 2018 and left the company in August 2019.
- 6) Group Account Manager Silje Hellestad left the company in September 2019.
- 7) Other remuneration relates to the benefit of free phone, free newspaper and insurance.
- 8) Expense recognised (not cash) related to the share-based compensation. For more information on share options, please see note 25.

The Company has not issued any loans or acted as a guarantor for directors or management. Compensation in NOK and GBP have been converted to USD by using yearly average rate for 2020 and 2019 respectively.

USD 1 000	Remuneration	Bonus	Pension	Other remuneration ⁶⁾	Total compensation	Share options ⁷⁾	Total Incl. share options	Number of shares	Number of options
Senior Executives									
Atle Sonesen, MD and COO ¹⁾	66	-	2	0	69	-	69	-	-
Euan Shirlaw, CFO ²⁾	77	160	0	-	237	47	284	-	60 000
Frederik Rustad, EVP ³⁾	227	-	14	1	243	615	858	5 500	80 000
							-		
Former Executives									
Sjur Talstad, COO ⁴⁾	418	-	14	1	433	-	433	-	-
Silje Hellestad, Group Acc. Man. ⁵⁾	97	-	13	1	112	-	112	-	-
Total compensation 2019	885	160	45	4	1 094	662	1 756	5 500	140 000

- 1) Chief Operating Officer and Managing Director Atle Sonesen employed 1 November 2019.
- 2) Chief Financial Officer Euan Shirlaw employed 1 October 2019.
- 3) Frederik Rustad was constituted Managing Director with effect from 3 April 2018 to 1 November 2019. Compensation includes salaries for the whole year.
- 4) Chief Operating Officer Sjur Talstad employed 15 November 2018 and left the company in August 2019.
- 5) Group Account Manager Silje Hellestad left the company in September 2019.
- 6) Other remuneration relates to the benefit of free phone, free newspaper and insurance.
- 7) Expense recognised (not cash) related to the share-based compensation. For more information on share options, please see note 25.

The Company has not issued any loans or acted as a guarantor for directors or management. Compensation in NOK and GBP have been converted to USD by using yearly average rate for 2019.



COMPENSATION TO BOARD OF DIRECTORS

USD 1 000	Director's fees	Bonus earned ³⁾	Total compensation ³⁾	Share options ⁴⁾	Total incl. share options	Number of shares	Number of options	Shares purchased/sold	Period served on the board
Current Board of directors									
Riulf Rustad, Chair of the Board	500	200	700	584	1 284	146 975	743 000	(66 000)	27.03.2015
Lars Purlund, Board member ¹⁾	60	-	398	324	722	7 264	210 000	-	26.05.2016
Marianne Lie, Board member	60	-	60	29	89	8 954	4 868	-	26.05.2016
Tone Kristin Omsted, Board member	60	-	60	21	81	5 000	3 500	-	26.05.2016
Chris Bruijnzeels, Board member	60	-	60	-	60	-	-	-	15.09.2019
Colette Cohe, Board member	60	-	60	-	60	-	-	-	15.09.2019
Yves-Louis Darricarrère, Board member	60	-	60	-	60	-	-	-	15.09.2019
Bob McGuire, Board Member ²⁾	50	-	50	-	50	-	-	-	02.03.2020
Total compensation 2020	910	200	1 448	959	2 407	168 193	961 368	(66 000)	

- 1) Lars Purlund resigned from the Board 14 April 2021.
- 2) Bob McGuire was elected as a new Board member at the EGM that took place 2 March 2020.
- 3) Total compensation includes for the Chair and each Director payment for services rendered as consultancy in accordance with consultancy agreement approved by General meeting in 2019.
- 4) Expense recognised (not cash) related to the share-based compensation. For more information on share options, please see note 25.
- 5) The number of shares owned by board members is allocated between private shareholding and shareholding through companies controlled by board members. Number of shares owned as of 31 December 2020.

The Company has not issued any loans or acted as a guarantor for directors or management. Compensation in NOK have been converted to USD by using yearly average rate for 2020 and 2019 respectively.

USD 1 000	Director's fees	Share options ³⁾	Total incl. share options ⁴⁾	Number of shares	Number of options	Shares purchased in 2019	Period served on the board
Current Board of directors							
Riulf Rustad, Chair of the Board	500	4 333	7 825	212 975	490 000	70 000	27.03.2015
Lars Purlund, Board member	45	2 698	4 711	7 264	300 000	1 982	26.05.2016
Marianne Lie, Board member	45	5	50	8 954	6 954	6 954	26.05.2016
Tone Kristin Omsted, Board member	45	4	49	5 000	5 000	5 000	26.05.2016
Chris Bruijnzeels, Board member ¹⁾	18	-	18	-	-	-	15.09.2019
Colette Cohe, Board member ¹⁾	18	-	18	-	-	-	15.09.2019
Yves-Louis Darricarrère, Board member ¹⁾	18	-	18	-	-	-	15.09.2019
Former Board of directors							
John Phillip Madden III - Board member ²⁾	27	-	27	-	-	-	26.05.2016
Total compensation 2019	716	7 041	12 717	234 193	801 954	83 936	



- 1) Chris Bruijnzeels, Colette Cohen and Yves-Louis Darricarrère were elected as new Board members at the EGM that took place 7 August 2019, with effect from 15 September 2019.
- 2) John Phillip Madden III resigned from the board from 15 September 2019.
- 3) Expense recognised (not cash) related to the share-based compensation. For more information on share options, please see note 25.
- 4) Includes for the Chair and each Director payment for services rendered as consultancy in accordance with consultancy agreement approved by General meeting in 2016. In addition, it includes Closing fee in relation to the Acquisition that took place in July 2019.

The Company has not issued any loans or acted as a guarantor for directors or management. Compensations in NOK have been converted to USD by using yearly average rate for 2019.

DIRECTORS' FEES

The annual remuneration to board members is decided on by the Shareholder's Meeting.

The Chair of the Board receives an annual remuneration of USD 500,000 and the other shareholder elected members of the board receive an annual remuneration of USD 60,000. All the remunerations are paid quarterly.

On the Extraordinary General Meeting that took place 7 August 2019, it was agreed that the Chairman of the Board shall be provided with a discretionary bonus of USD 200,000, based on the achievement for the Company. The consultancy agreement between Riulf Rustad (through Ousdal AS) and the Company was terminated. Lars Purlund (through S&U Trading) has a consultancy agreement to provide services to the Company on an hourly basis at a cost of USD 300 per hour.

In addition to the above, Board members are reimbursed for travel expenses and other expenses in connection with company related activities.

BOARD OF DIRECTORS' STATEMENT ON REMUNERATION TO THE MANAGING DIRECTOR AND THE EXECUTIVE OFFICERS

In accordance with section 6-16a of the Norwegian Public Limited Liability Companies Act, the board of directors of Norwegian Energy Company ASA ("Noreco" or the "Company") has prepared a statement related to the determination of salary and other benefits for the Chief Executive Officer and other key executive officers.

I GENERAL ON EXECUTIVE REMUNERATION

The total compensation for the Chief Executive Officer and executive management shall be competitive, reflect the responsibilities and effort required, reward success and not the opposite, and ensure alignment of interest with shareholders. The remuneration for the Chief Executive Officer and executive management include fixed and variable elements. The fixed element consists of a base salary and other benefits, such as free mobile phone and life, accident and sickness insurance in accordance with normal practice in the oil industry. Variable elements of remuneration may be used, or other special supplementary payments may be awarded than those mentioned above if this is considered appropriate.

II BINDING PRINCIPLES RELATED TO SHARE PRICE DEVELOPMENTS

At the extraordinary general meeting held on 8 November 2018 (and later amended) the Company implemented a share option programme. The Board of Directors was authorized to grant options up to a total of 1 510 000 shares in the Company as part of a new incentive program. The options may be granted to the members of the Board, key personnel and employees of the Company. After award, the options must be exercised within 5 years after which they expire.

In May 2020, the beneficiaries under the share option programme was offered to accept amended terms of (i) a reduced strike price of NOK 160 per share and (ii) a reduction in the number of options granted of 30%. Following this, the option programme was reduced from a total of 1,510,000 shares to 1,190,500 shares in the Company and the outstanding options at the time was reduced by 319,500 to 745,500.



The board of directors of the Company has in 2020, adjusted for the amendments mentioned above, allocated 384,000 options with a strike price of NOK 160 per share. In addition, 70,000 options as a result of not being vested by the beneficiary upon resignation, has been relinquished to the Company. Options vest over three years, with one-third per year.

In addition to this option programme, the general meeting resolved on 7 August 2019 a share option programme in which Noreco may issue one option for each share purchased by any board member (except of Riulf Rustad and Lars Purlund) up to a total of 10,000 shares for each Board Member.

III REMUNERATION POLICY

Remuneration to the Managing Director and executive management shall be evaluated and may be amended regularly by the Board of Directors to ensure that salaries and other benefits are based on the above guidelines and principles and in accordance with the purpose of the total compensation package for the Managing Director mentioned above. Remuneration to the managing directors and the executive management for 2020 has been in line with the board of directors' statement on remuneration to the managing director and other key executive officers as approved by the annual general meeting held in 2020.

Remuneration policy for Executives according to the amendment of the Norwegian Public Limited Liability Companies Act §6-16a will be presented for voting to the annual general meeting in 2021 and subsequently published on www.noreco.com, pursuant to applicable legislation".



OTHER OPERATING EXPENSES

USD million	2020	2019
Premises	(0)	(0)
IT expenses	(1)	(1)
Travel expenses	(0)	(0)
Office cost	(1)	(0)
Consultant fees	(5)	(14)
Other operating expenses	(0)	(4)
Total other operating expenses	(8)	(19)
USD 1000, excl. VAT	2020	2019
Auditor's fees	(763)	(337)
Other assurance service	(1)	(149)
Total audit fees	(765)	(486)



9

INTANGIBLE ASSETS

INTANGIBLE ASSETS AT 31 DECEMBER 2020

USD million	Capitalized exploration expenditures	Contract - own use	Licence	Goodwill	Total
Acquisitions					
Acquisition costs 01.01.20	-	128	186	266	580
Additions	2	-	-	-	2
Acquisition costs 31.12.20	2	128	186	266	581
Accumulated depreciation and write-downs					
Accumulated depreciation and write-downs 01.01.20	-	(42)	(5)	(266)	(312)
Depreciation / amortization	-	(86)	(8)	-	(95)
Other items	-	-	-	-	-
Currency translation adjustment	-	-	-	-	-
Accumulated depreciation and write-downs 31.12.20	-	(128)	(13)	(266)	(407)
Book value 31.12.20	2	-	173	-	175

INTANGIBLE ASSETS AT 31 DECEMBER 2019

USD million	Capitalized exploration expenditures	Contract - own use	Licence	Goodwill	Total
Acquisitions					
Acquisition costs 01.01.19	-	-	-	-	-
Acquisitions through business combination	-	-	186	266	452
Additions	-	128	-	-	128
Currency translation adjustment	-	-	-	(0)	(0)
Acquisition costs 31.12.19	-	128	186	266	580
Accumulated depreciation and write-downs					
Accumulated depreciation and write-downs 01.01.19	-	-	-	-	-
Depreciation / amortization	-	(42)	(5)	-	(46)
Impairment	-	-	-	(266)	(266)
Currency translation adjustment	-	-	-	0	0
Accumulated depreciation and write-downs 31.12.19	-	(42)	(5)	(266)	(312)
Book value 31.12.19	-	86	181	-	268

Impairment of USD 266 million is related to the impairment of goodwill during 2019. Goodwill was generated as a result of the acquisition of SOGU and represents the difference between the fair value of the consideration and the net assets acquired. As a result of the goodwill impairment test being performed on a standalone basis and not considering the contribution from our existing Danish tax position, Noreco was required to fully impair this goodwill as it would not be recovered without integration into the broader Noreco group. However, Noreco attributed more value to the transaction than the fair value of the net assets acquired as these existing tax losses carried forward may be utilized to offset future taxes payable and create value beyond the value on a standalone basis as per the goodwill impairment test. As the activities will be operated separately and consequently not merged into other Noreco activities, no other activities will benefit from the acquisition and consequently, no part of the goodwill shall be allocated to other parts of the Noreco group. No amount of goodwill is deductible for tax purposes.



10

ACQUISITION OF SUBSIDIARY

On 31 July 2019 the Company's acquisition of Shell Olie- og Gasudvinding Danmark B.V. was completed. Following the acquisition Noreco has a 36,8% interest in the Danish Underground Consortium (DUC) with 11 producing fields and related infrastructure. The transaction was considered to be a business combination and has been accounted for using the acquisition method of accounting as required by IFRS 3.

A provisional purchase price allocation (PPA) was performed in the third quarter of 2019 and a final PPA has been completed in the third quarter of 2020. No adjustments have been made to the estimated fair values of the identified assets and liabilities which were measured at the acquisition date. However, one commodity contract which were provisionally identified as financial assets, measured at USD 128 million in the provisional PPA, and for which subsequent value changes have been recognized in profit or loss, have been reassessed and now determined to constitute intangible assets measured at a fair value of USD 128 million.

The basis for the revised determination is the fact that the commodity contract to which the fair values relate have now been determined to constitute 'normal purchase or sale' or so called 'own use contracts' which are exempted from IFRS 9, rather than financial assets as provisionally assumed. Subsequent to initial recognition these intangible assets are, in these restated financial statements, being amortized over the period of lifting of the underlying commodity volumes. The adjustment in total revenue is related to the timing difference between when the value of each hedge is set and when they are ultimately utilized. Total revenue, in these restated financial statements, reflects only the physical volumes delivered. See below table for a reconciliation of the reported and restated financial statement line items.

Comparative consolidated statement of comprehensive income

All figures in USD million	YTD 2019	Adj	YTD 2019 restated
Operating result (EBITDA)	127	-	127
Depreciation	(70)	(42)	(112)
Impairment of goodwill	(266)	-	(266)
Net operating result (EBIT)	(209)	(42)	(251)
Financial income	177	(24)	152
Financial expenses	(150)	50	(100)
Net financial items	27	25	52
Result before tax (EBT)	(182)	(16)	(199)
Change in deferred tax / - asset	400	14	414
Net result for the period	218	(2)	215



Comparative Consolidated Statement of Financial positions

All figures in USD million	31.12.2019	Adj	31.12.2019 restated
Non-current assets			
Licence and capitalised exploration expenditures	181	86	268
Deferred tax assets	471	(16)	455
Property, plant and equipment	1,550		1,550
Right of Use asset	1		1
Restricted cash	115		115
Other non-current financial investments	-		-
Contingent consideration - volume protection	17		17
Derivative instruments	6	-	6
Total non-current assets	2,342	71	2,413
Current assets			
Derivative instruments	57	(57)	-
Contingent consideration - volume protection	104		104
Trade receivables and other current assets	133		133
Restricted cash	-		-
Bank deposits, cash and cash equivalents	286		286
Total current assets	580	(57)	523
Total assets	2,921	14	2,935
All figures in USD million	31.12.2019	Adj	31.12.2019 restated
Equity			
Share capital	30		30
Other equity	546	14	560
Total equity	575	14	589
Total non-current liabilities	1,988		1,988
Total current liabilities	358		358
Total liabilities	2,346		2,346
Total equity and liabilities	2,921	14	2,935



A. Consideration transferred

The following table summarizes the acquisition-date fair value of the total purchase price.

USD million	
Initial Cash payment 2018	40
Cash payment 31.12.2018	40
Cash at Completion	1,104
Volume guarantee refund until June 2019	(33)
Total Consideration at completion 2019	1,071
Settlement of prepaid cost – reimbursed to seller	5
Volume guarantee for July 2019	(10)
Locked Box Interest	63
Total Cash payment 31.12.19	1,170
	0
Adjustments	
Deferred payment	25
Volume guarantee market value	(81)
Total Purchase price	1,114

B. Identifiable assets acquired and liabilities assumed

A purchase price allocation (PPA) has been performed and all identified assets and liabilities have been measured at the acquisition date at their fair values in accordance with the requirements of IFRS 3. The fair values of the identifiable assets and liabilities in the transaction at the date of the acquisition have been estimated on a provisional basis as follows:

USD million	SOGU	SOGUP	Provisional PPA	Adj SOGU	Final PPA
Assets					
Tangible and intangible fixed assets	1,712	2	1,714	128	1,842
Deferred tax assets	2	1	3	-	3
Financial assets at fair value	128	-	128	(128)	(0)
Inventories	31	-	31	-	31
Stock	30	-	30	-	30
Net working capital	99	24	123	-	123
Total Assets	2,002	27	2,029	-	2,029
Liabilities					
Asset retirement obligation	(918)	(1)	(919)	-	(919)
Trade and other payables	(118)	(0)	(118)	-	(118)
Tax payables	(144)	-	(144)	-	(144)
Total Liabilities	(1,180)	(1)	(1,181)	-	(1,181)
				-	-
Total identifiable net assets at fair value			848	-	848

Fair value is based on an NPV calculation on a debt / cash free basis.



D. GOODWILL

USD million	
Total consideration	1,114
Total identifiable net assets at fair value, post tax	848
Goodwill at acquisition	266
Impairment	(266)
Goodwill 31.12.19	-



PROPERTY, PLANT AND EQUIPMENT

PROPERTY, PLANT AND EQUIPMENT AT 31 DECEMBER 2020

USD million	Asset under construction	Production facilities	Pipelines	Machinery & equipment	Total
Acquisition costs 01.01.20	376	1,240	1	1	1,619
Additions	232	3	-	1	236
Acquisition of abandonment asset through business combination	-	15	-	-	15
Currency translation adjustment	-	0	0	0	0
Acquisition costs 31.12.20	608	1,259	2	2	1,870
Accumulated depreciation and write-downs					
Accumulated depreciation and write-downs 01.01.20	-	(68)	(0)	(1)	(68)
Depreciation	-	(97)	(0)	(0)	(98)
Currency translation adjustment	-	(0)	(0)	(0)	(0)
Accumulated depreciation and write-downs 31.12.20	-	(165)	(0)	(1)	(166)
Book value 31.12.20	608	1,094	1	1	1,704

PROPERTY, PLANT AND EQUIPMENT AT 31 DECEMBER 2019

USD million	Asset under construction	Production facilities	Pipelines	Machinery & equipment	Total
Acquisition costs 01.01.19	-	3	-	1	4
Acquisitions through business combination	300	309	1	-	610
Additions	76	10	-	0	86
Acquisition of abandonment asset through business combination	-	918	-	-	918
Currency translation adjustment	-	0	0	0	0
Acquisition costs 31.12.19	376	1,240	1	1	1,619
Accumulated depreciation and write-downs					
Accumulated depreciation and write-downs 01.01.19	-	(2)	-	(1)	(3)
Depreciation	-	(66)	(0)	(0)	(66)
Currency translation adjustment	-	(0)	(0)	(0)	(0)
Accumulated depreciation and write-downs 31.12.19	-	(68)	(0)	(1)	(68)
Book value 31.12.19	376	1,173	1	0	1,550

**12****FINANCIAL INCOME AND EXPENSES**

Financial Income

USD million	2020	2019
Value adjustment derivatives and hedging contracts unrealized ¹⁾	29	29
Value adjustment of embedded derivatives ²⁾	27	9
Value adjustment - volume protection ³⁾	-	80
Value adjustment - FX Contract	3	-
Hedge income realized	24	-
Interest income	2	1
Change in fair value of bond debt	0	1
Gain on repurchase of bonds	-	1
Foreign exchange gains	18	31
Other financial income	-	0
Total financial income	103	152

Financial Expenses

USD million	2020	2019
Utilized derivatives	(3)	-
Unrealized loss derivatives	-	(12)
Value adjustment - volume protection ³⁾	(4)	-
Interest expense from bond loans	(39)	(13)
Interest expense from bank debt	(47)	(24)
Interest expenses current liabilities	(0)	(0)
Accretion expense related to asset retirement obligations	(36)	(15)
Loss on repurchase of bonds	-	(1)
Foreign exchange losses	(45)	(32)
Other financial expenses	(3)	(3)
Total financial expenses	(177)	(100)

Net financial items	(75)	52
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1) Fair value adjustment based on the value of bank hedging contracts deemed inefficient (i.e. above physical liftings that mature in the future).

2) Fair value adjustment of the embedded derivatives of the convertible bond.

3) Fair value adjustment of the volume protection – contingent consideration based on the change in future market pricing expectations during the remaining period of the volume hedging agreement with Shell.



13 TAX

TAX RATES

Producers of oil and gas on the Danish Continental Shelf are subject to the hydrocarbon tax regime under which, income derived from the sale of oil and gas is taxed at an elevated 64 %. Any income deriving from other activities than first-time sales of hydrocarbons is taxed at the ordinary corporate income rate of currently 22 %. The 64 % is calculated as the sum of the "Chapter 2" tax of 25% plus a specific hydrocarbon tax (chapter 3A) of 52%, in which the 25% tax payable is deductible.

Income generated in Norway and United Kingdom is taxed at current corporate tax rates.

TAX EXPENSE

USD million

Income tax profit/loss (Danish corporate income tax and hydrocarbon tax)	2020
Income tax current year	(9)
Income tax for prior years	17
Current income tax	8
Deferred tax adjustment	52
Prior year adjustment, deferred tax	(25)
Deferred tax expense	27
Tax (expense)/income	35

Income tax in profit/loss is solely derived from the group's activities on the Danish continental shelf, of which the major part is subject to the elevated 64% hydrocarbon tax.

Tax (expense)/income related to other comprehensive income

Cash flow hedges	(51)
Tax (expense)/income related to other comprehensive income	(51)

Income tax on OCI is related to the unrealised fair value changes in derivatives designated in cash flow hedges. To the extent derivatives are associated with the sale of oil and gas, result from cash flow hedges are subject to 64 % hydrocarbon tax.

Reconciliation of nominal to actual tax rate:	Hydrocarbon tax		Corporate tax		Total
	2020		2020		2020
Income (loss) before tax	9		(27)		(18)
Calculated 64%/ 22% tax on profit before tax	6	64%	(6)	22%	(0)
Tax effect of:					
Prior year adjustment	9	104%	(1)	4%	8
Transfer of loss to 22 % tax	(9)	-98%	-	0%	(9)
Fx adjustment of net operating losses carried forward in DKK	(22)	-245%	-	0%	(22)
Investment uplift on CAPEX projects ¹⁾	(30)	-344%	-	0%	(30)
Permanent differences ²⁾	2	23%	-	0%	2
No recognition of tax loss in Norway	-	0%	15	-56%	15
Tax expense (income)	(44)	-496%	8	-30%	(35)

¹⁾ The tax cost in the hydrocarbon is significantly positively impacted by the 39 % investment uplift on the Tyra Redevelopment project. expenses.

²⁾ The permanent differences mainly relate to unrealized loss on the contingent consideration and minor non-deductible expenses.



Reconciliation of nominal to actual tax rate continues:

Other comprehensive income before tax	80		2		82
Expected tax on other comprehensive income before tax	(51)	64%	(0)	22%	(52)
Tax effect of:					
Non-taxable currency translation adjustment	-		1		
Tax payables	(51)	64%	1	22%	(51)

Current income tax payable

Tax payable relates to the Group's entities in Denmark. The amounts payable as of 31.12.20 were:

Hydrocarbon tax pertaining to pre-acquisition period 2019					(16)
Corporate tax for 2019					-
Corporate tax for 2020					(11)
Tax payables					(27)

Current income taxes for current and prior periods are measured at the amount that is expected to be paid to or be refunded from the tax authorities, as at the balance sheet date. Due to the complexity in the legislative framework and the limited amount of guidance from relevant case law, the measurement of taxable profits within the oil and gas industry is associated with some degree of uncertainty. Uncertain tax liabilities are recognised with the probable value if their probability is more likely than not. As of 31 December 2020, the Company has provided an estimated USD 16 million pertaining to hydrocarbon tax in the part of pre-acquisition period, which is not indemnified by the Seller.

DEFERRED TAX

Deferred tax assets are measured at the amount that is expected to result in taxes due to temporary differences and the value of tax losses.

The recognized deferred tax asset is allocable to the following balance sheet items, all pertaining to the Group's activities on the Danish Continental Shelf:

USD million

	01.01.2020 (restated)	Effect recognized in profit/loss	Effect recognized in OCI	31.12.2020
Deferred tax and deferred tax asset				
Property, plant and equipment	592	(10)	-	582
Intangible assets, licenses	19	4	-	23
Inventories and receivables	19	3	-	22
ARO provision	(572)	11	-	(561)
Other assets and liabilities	5	(5)	-	-
Tax loss carry forward, chapter 2 tax (25%)	(46)	25	20	(1)
Tax loss carry forward, chapter 3a tax (52%)	(473)	(56)	31	(498)
Deferred tax asset, net	(455)	(28)	51	(432)

TAX LOSS CARRYFORWARDS

Tax losses are recognized in accordance with the expected utilisation hereof in subsequent income years based on the current business outlook and economic projections.

Due to the limited taxable activity in UK and Norway, corporate tax losses in these jurisdictions are not capitalized.

Tax losses in Denmark under the hydrocarbon tax regime may be carried forward indefinitely and the utilisation is not subject to an annual cap. Losses are carried forward in DKK.



Tax losses carried forward, Denmark	Million DKK
Chapter 2 Hydrocarbon tax (25 %)	11
Chapter 3a Hydrocarbon tax (52%)	6,270
Tax losses carried forward, Norway	Million NOK
Corporate tax Norway (22%)	873
Tax losses carried forward, UK	Million GBP
Trade losses, UK (hydrocarbon)	74
Pre-trading capital expenditure, UK (hydrocarbon)	40

14**EARNINGS PER SHARE**

Earnings per share are calculated by dividing the profit attributable to ordinary shareholders of the parent company by the weighted average number of ordinary shares in issue during the year. Share options are out of the money as per 31.12.2020 and hence have no dilutive effect.

USD million	2020	2019
Profit (loss) attributable to ordinary shareholders from operations	17	215
Profit (loss) basis for fully diluted shareholders from operations	13	214
Shares issued 1 January	24,549,013	7,194,730
Shares issued during the year	-	17,354,283
Share buyback	(438,161)	-
Shares issued at 31 December	24,110,852	24,549,013
Weighted average number of shares (basic)	24,176,476	14,740,004
Adjustment convertible bond loan	10,930,190	2,597,030
Weighted average number of shares (diluted)	35,106,666	17,337,034
Earnings per share (USD)		
Earnings per share	0.7	14.6
Diluted earnings per share	0.4	12.4

**15****NON-CURRENT RECEIVABLES, TRADE RECEIVABLES AND OTHER CURRENT ASSETS**

USD million	2020	2019
Non-current assets		
Contingent consideration – volume protection	-	17
Total non-current receivables	-	17
Current assets		
Contingent consideration – volume protection	15	104
Trade receivables	51	2
Prepayments	23	31
Other receivables	8	63
Total trade receivables and other current receivables	96	201

AGEING ANALYSIS OF TRADE RECEIVABLES ON 31 DECEMBER 2020

USD million	Total	Not past due	Past due					> 120 days
			> 30 days	30-60 days	61-90 days	91-120 days		
Trade receivables	51	51	0	-	-	-	-	
Total	51	51	0	-	-	-	-	

AGEING ANALYSIS OF TRADE RECEIVABLES ON 31 DECEMBER 2019

USD million	Total	Not past due	Past due					> 120 days
			> 30 days	30-60 days	61-90 days	91-120 days		
Trade receivables	2	0	-	-	1	-	0	
Total	2	0	-	-	1	-	0	

**16****INVENTORIES**

USD million	2020	2019
Product inventory, oil	18	15
Other stock (spares & consumables)	21	22
Total inventories	40	36

17**RESTRICTED CASH, BANK DEPOSITS, CASH AND CASH EQUIVALENTS**

USD million	2020	2019
Non-current assets		
Restricted cash pledged as security for abandonment obligation related to Nini/Cecilie	71	65
Restricted cash pledged as security for cash call obligations towards Total ¹⁾	125	50
Other restricted cash and bank deposits (Bond holder pledge account, Withholding tax etc.)	-	-
Total non-current restricted cash	196	115
Current assets		
Unrestricted cash, bank deposits, cash equivalents	259	286
Total bank deposits	456	401

- 1) Noreco has made a USD 125 million deposit into a cash call security account in accordance with a cash call security agreement with Total E&P Denmark A/S as operator of the DUC. In January 2021 the escrow account will increase by USD 15 million, to a total of USD 140 million.



FINANCIAL INSTRUMENTS 18.1 FAIR VALUE HIERARCHY

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

Level 1 Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 Inputs for the asset or liability that are not based on observable market data.

On 31.12.2020

USD million	Level 1	Level 2	Level 3	Total
Assets				
Financial assets at fair value through profit or loss				
- Contingent considerations	-	-	15	15
- Derivative instruments	-	3	-	3
Financial assets at fair value hedging instruments				
- Derivative instruments	-	57	-	57
Total assets	-	60	15	75
Liabilities				
Financial liabilities at fair value through profit or loss				
- Derivative instruments	-	-	-	-
- Embedded derivatives convertible bond	-	-	18	18
Financial assets at fair value hedging instruments				
- Derivative instruments	-	7	-	7
Total liabilities	-	7	18	25

On 31.12.2019

USD million	Level 1	Level 2	Level 3	Total
Assets				
Financial assets at fair value through profit or loss				
- Contingent considerations	-	-	121	121
- Derivative instruments	-	-	-	-
Financial assets at fair value hedging instruments				
- Derivative instruments	-	6	-	6
Total assets	-	6	121	127
Liabilities				
Financial liabilities at fair value through profit or loss				
- Derivative instruments	-	4	-	4
- Embedded derivatives convertible bond	-	-	45	45
Financial assets at fair value hedging instruments				
- Derivative instruments	-	25	-	25
Total liabilities	-	29	45	73



18.2 FINANCIAL INSTRUMENTS BY CATEGORY

On 31.12.20 USD million	Financial assets at amortised cost	Assets at fair value through profit or loss	Fair value - hedging instruments	Total
Assets				
Contingent considerations	-	15	-	15
Derivative instruments	-	3	57	60
Trade receivables and other current assets	81	-	-	81
Restricted cash	196	-	-	196
Bank deposits, cash and cash equivalents	259	-	-	259
Total	537	18	57	612

USD million	Financial liabilities at amortised cost	Liabilities at fair value through profit or loss	Fair value - hedging instruments	Total
Liabilities				
Derivative instruments	-	-	7	7
Embedded derivative convertible bond	-	18	-	18
Convertible bond loans	131	-	-	131
Senior unsecured bond loan	169	-	-	169
Reserve based lending facility	719	-	-	719
Deferred consideration	25	-	-	25
Lease liability	1	-	-	1
Trade payables and other current liabilities	286	-	-	286
Total	1,330	18	7	1,355

On 31.12.2019 USD million	Financial assets at amortised cost	Assets at fair value through profit or loss	Fair value - hedging instruments	Total
Assets				
Contingent considerations	-	121	-	121
Derivative instruments	-	-	6	6
Trade receivables and other current assets	96	-	-	96
Restricted cash	115	-	-	115
Bank deposits, cash and cash equivalents	286	-	-	286
Total	497	121	6	624



USD million	Financial liabilities at amortised cost	Liabilities at fair value through profit or loss	Fair value - hedging instruments	Total
Liabilities				
Derivative instruments	-	4	25	29
Embedded derivatives convertible bond	-	45	-	45
Convertible bond loans	108	-	-	108
Senior unsecured bond loan	168	-	-	168
Reserve based lending facility	707	-	-	707
Deferred consideration	25	-	-	25
Lease liability	1	-	-	1
Trade payables and other current liabilities	191	-	-	191
Total	1,201	49	25	1,274

18.3 FINANCIAL INSTRUMENTS – FAIR VALUES

Set out below is a comparison of the carrying amounts and fair value of financial instruments as on 31 December 2020:

USD million	Total amount outstanding*	Carrying Amount	Fair Value
Financial assets			
Contingent Consideration		15	15
Cash flow hedge		60	60
Trade receivables and other current assets		81	81
Restricted cash		196	196
Bank deposits, cash, cash equivalents and quoted shares		259	259
Total		612	612
Financial liabilities			
Derivatives and Cash flow hedge		7	7
Embedded derivative convertible bond		18	18
Convertible bond loans	171	131	153
Senior unsecured bond loan	175	169	175
Reserve based lending facility	751	719	751
Deferred consideration		25	25
Lease liability		1	1
Trade payables and other current liabilities		286	286
Total		1,355	1,416

* Total amount outstanding on the bonds and under the RBL facility

As a result of the Transaction, Noreco had a liquid volume protection agreement with Shell (“volume protection”) that, from signing of the Sales and Purchase Agreement (“SPA”) related to the Transaction until the end of 2020 (the “Protection Period”), provided a liquid production guarantee at levels above the Company’s current forecasts. To the extent that actual production levels were below the pre-agreed level in the Protection Period, Noreco received cash payment from Shell. The fair value of the volume guarantee was recognized as a reduction in the acquisition purchase price. Any changes to the fair value have been recognized through profit and loss.



The convertible bond loan has been determined to contain embedded derivatives which are accounted for separately as derivatives at fair value through profit or loss, while the loan element subsequent to initial recognition is measured at amortized cost, a total of USD 4.5 million in transaction cost is included in the amortized cost. The embedded derivative is valued on an option valuation basis, the carrying value is USD 18 million (initial value USD 54 million). As a result of the buyback of 299,925 shares at a price of NOK 242 per share on 23 January 2020, the conversion price for the NOR13 subordinated convertible bond issue was adjusted in accordance with the bond terms, from USD 29.3398 to USD 28.9734, effective from the trade date of the purchase of shares. The fair value calculation for the option portion of the NOR13 bond includes this update to the conversion price.

The following table list the inputs to the model used to calculate the fair value of the embedded derivatives:

		2020
Valuation date	(date)	31 Dec 20
Agreement execution date	(date)	24 Jul 19
Par value of bonds	(USD)	171,042,171
Reference share price at time of agreement	(NOK)	232
Fair value at grant date	(USD)	53,942,754
PIK interest rate	(%)	8.00%
Expected life	(years)	2.9
Number of options	(#)	5,903,421
Conversion price	(NOK)	238
Fixed FX rate of agreement	(USD:NOK)	8.180
Risk-free rate (based on government bonds)	(%)	0.2%
Expected volatility	(%)	50.42%
Model used		Black - Scholes - Merton

The RBL facility is measured at amortized cost, presented net of a total of USD 42 million in transaction cost. Transaction costs are deducted from the amount initially recognised and are expense over the period during which the debt is outstanding under the effective interest method.

The senior unsecured bond loan is measured at amortized cost, presented net of a total of USD 7.6 million in transaction costs are deducted from the amount initially recognised.

18.4 HEDGING

The Group actively seeks to reduce the risk it is exposed to regarding fluctuating commodity prices through the establishment of hedging arrangements. Noreco applied hedge accounting from 1 October 2019. To the extent more than 100% of the projected production is hedged any value adjustments to the instruments covering in excess of 100% are considered ineffective and the value adjustment is treated as a financial item in the Income Statement. The ineffective amount in 2020 charged to financial items in the Income Statement were a loss of USD 1 million. Time Value related to hedging arrangements is considered insignificant and generally the valuation of the instruments do not take into consideration the time value.

Noreco has to date executed this policy in the market through a combination of forward contracts and options, and in addition benefits from the risk mitigation elements inherent in the Transaction.

Under its RBL facility, Noreco has a rolling hedge requirement based on a minimum level of production corresponding to the RBL banking case forecast. Due to the volatile oil market conditions in 2020, Noreco requested and received a waiver from its RBL bank syndicate relating to the hedging requirements in the 24 to 36 months forward period.



In Q1 2021 Noreco has entered into additional forward contract covering some of the 2023 production, contracts entered into after 31 December 2020 are not included in the table below.

As at 31.12.2020	Maturity					
	Less than 1 month	1 to 3 months	3 to 6 months	6 to 9 months	9 to 12 months	More than 12 months
Commodity forward sales contracts:						
Notional quantity (in mbbbl)	-	1,569	1,669	1,591	1,441	4,260
Notional amount (in USD million)	-	88	93	88	81	237
Average hedged sales price (in USD per bbl)	-	56	55	55	56	56
Call options contracts:						
Notional quantity (in mbbbl)	-	429	429	726	726	1,595
Strike price (USD per bbl)	-	75	75	75	75	75
Premium per unit (USD per bbl)	-	2	2	2	2	2

HEDGE RESERVE MOVEMENT

The table below shows the movement in the hedge reserve from changes in the cash flow hedges

USD Million	Hedge Reserve
Balance as of 01.01.2020	(14)
Realized cash flow hedge	(29)
Related tax - realized cash flow hedge	18
Changes in fair value	108
Related tax - changes in fair value	(69)
Balance as of 31.12.2020	14

**19****SHARE CAPITAL**

Noreco owns 438,161 of its own shares. All shares have equal rights. All shares are fully paid.

CHANGES IN NUMBER OF SHARES AND SHARE CAPITAL:

	No. of shares	Share capital*
Number of shares and share capital as of 01.01.2019	7,194,730	8
Share issue 26 July 2019	15,585,635	19
Share issue 30 August 2019	1,768,648	2
Number of shares and share capital as of 31.12.2019	24,549,013	30
Number of shares and share capital as of 31.12.2020	24,549,013	30

	No. of shares	Treasury share reserve*
Number of treasury shares and treasury share reserve as of 01.01.2019	-	-
Number of treasury shares and treasury share reserve as of 31.12.2019	-	-
Purchase of Treasury shares	(438,161)	(0)
Number of treasury shares and treasury share reserve as of 31.12.2020	(438,161)	(0)

*In USD million

CHANGES IN 2020

The company bought back 438,161 of its own shares, of which 299,925 shares was bought as part of a reverse book building process and 138,236 shares was bought in the market. The buyback programme was executed in accordance with the authorization given by the Noreco's general meeting in 28 June 2018, which was valid until 28 June 2020. After the completion of the buyback programme, Noreco owns 438,161 of its own shares, approximately 1,78 percent.

CHANGES IN 2019

As part of the Transaction, Noreco issued 15,585,635 new ordinary shares through a private placement and 1,768,645 new ordinary shares through a partially underwritten subsequent offering (which was over-subscribed by 101%), at a subscription price of NOK 185 per share.



OVERVIEW OF SHAREHOLDERS AT 30 MARCH 2021:

Shareholder*	Shareholding	Ownership share	Voting share
Euroclear Bank S.A./N.V.	7,377,191	30.05%	30.05%
Goldman Sachs International	5,865,617	23.89%	23.89%
BNP Paribas	1,431,852	5.83%	5.83%
The Bank of New York Mellon SA/NV	978,193	3.98%	3.98%
Barclays Bank PLC	820,000	3.34%	3.34%
Bank of America, N.A.	774,408	3.15%	3.15%
J.P. Morgan Securities LLC	588,513	2.40%	2.40%
J.P. Morgan Securities LLC	480,340	1.96%	1.96%
NORWEGIAN ENERGY COMPANY ASA	438,161	1.78%	1.78%
UBS Switzerland AG	405,487	1.65%	1.65%
Morgan Stanley & Co. Int. Plc.	293,670	1.20%	1.20%
State Street Bank and Trust Comp	286,392	1.17%	1.17%
The Bank of New York Mellon	240,979	0.98%	0.98%
DnB NOR Bank ASA	237,382	0.97%	0.97%
UBS AG	225,428	0.92%	0.92%
SOBER AS	178,332	0.73%	0.73%
OUSDAL AS	146,975	0.60%	0.60%
Goldman Sachs & Co. LLC	142,488	0.58%	0.58%
VELDE HOLDING AS	116,238	0.47%	0.47%
FINSNES INVEST AS	112,079	0.46%	0.46%
Total	21,139,725	86.1 %	86.1 %
Other owners (ownership <0,42%)	3,409,288	13.89%	13.89%
Total number of shares at 30 March 2021	24,549,013	100%	100%

*Nominee holder



POST-EMPLOYMENT BENEFITS

DEFINED CONTRIBUTION PLAN

The Group has defined contribution plans for its employees. Pension costs related to the company's defined contribution plan amounts to USD 433 thousand for 2020. For 2019 the corresponding costs were USD 219 thousand.

The Norwegian Companies are obliged to have occupational pension in accordance with the Norwegian act related to mandatory occupational pension. All Norwegian companies meet the Norwegian requirements for mandatory occupational pension ("obligatorisk tjenestepensjon"). Correspondingly, the affiliates in Denmark and United Kingdom comply with the requirement for mandatory occupational pension by local legislation

**21****ASSET RETIREMENT OBLIGATIONS**

USD million	31.12.2020	31.12.2019
Balance on 01.01.	967	68
Acquisition of abandonment liability through business combination	-	918
Provisions and change of estimates made during the year	23	(2)
Accretion expense - present value calculation	34	15
Incurring cost removal	(74)	(34)
Currency translation adjustment	0	0
Total provision made for asset retirement obligations	950	967
Break down of short-term and long-term asset retirement obligations		
Short-term	24	52
Long-term	927	915
Total provision for asset retirement obligations	950	967

Asset retirement obligations are measured at net present value of the anticipated future cost (estimated based on current day costs inflated 1%). The liability is calculated on the basis of current removal requirements and is discounted at 4% (based on a risk-free rate adjusted for credit risk) to a present value. The asset retirement estimate from the operator includes both USD and DKK costs. The change in estimate during the year includes an increase of 51 MUSD as a result of the strengthening of DKK to USD. Most of the removal activities are expected to be executed many years into the future. This makes the ultimate asset retirement costs and timing highly uncertain. Costs and timing can be affected by changes in regulations, technology, estimated reserves, economic cut-off date etc. The provision at the reporting date represents management's best estimate of the present value of the future asset retirement costs required.

As part of the overall restructuring in 2015, an agreement was reached that entails that the partners took over Noreco's share of the Nini/Cecilie licences, however Noreco remains liable for the asset retirement obligation towards the license partners. The liability related to Nini/Cecilie is capped at the escrow amount, which is currently DKK 429 million.

The balance as per 31.12.2020 is USD 875 million for DUC, USD 71 million for Nini/Cecilie, USD 2 million for Lulita (non-DUC share) and USD 2.5 million for Tyra F-3 pipeline.



23

BORROWINGS 23.1 SUMMARY OF BORROWINGS

USD million	31.12.2020		31.12.2019	
	Principal amount	Book value	Principal amount	Book value
NOR 13 Convertible Bond ¹⁾	171	131	158	108
NOR 14 Senior Unsecured Bond ²⁾	175	169	175	168
Total non-current bonds	346	299	333	276
Reserve based lending facility ³⁾	751	719	746	707
Deferred Consideration ⁴⁾	25	25	25	25
Total non-current debt	776	744	771	732
Total borrowings	1,122	1,043	1,104	1,008

Movements in interest-bearing liabilities	31.12.19	Cash flows		Non-cash changes			31.12.20
		Receipts / payments	Deferred consideration	Embedded derivatives	Payment in kind/Amortisation		
Nor 13 Convertible Bond	108	-	-	-	22	131	
Nor 14 Senior Unsecured Bond	168	(16)	-	-	17	169	
Reserve based lending facility	707	(34)	-	-	46	719	
Deferred Consideration	25	-	-	-	-	25	
Total movement non-current interest-bearing liabilities	1,008	(50)	-	-	85	1,043	
Total movement in interest-bearing liabilities	1,008	(50)	-	-	85	1,043	

- 1) The Company issued a convertible bond loan of USD 158 million in 2019 where the lender was granted a right to convert the loan into new shares in the Company by way of set-off against the claim on the Company. The loan carries an interest of 8% p.a. on a PIK basis, with an alternative option for the Company to pay cash interest at 6% p.a., payable semi-annually. 2020 principal amount includes PIK interest issued.
- 2) The Company issued a senior unsecured bond of USD 175 million in 2019. The bond carries an interest of 9% p.a., payable semi-annually.
- 3) The Company entered into a seven-year USD 900 million Reserve Based Lending Facility in 2019 as part of the acquisition. Interest is accrued on the repayment amount with an interest comprising the aggregate of 3-months LIBOR and 4% p.a., payable quarterly
- 4) In accordance with the SPA USD 25 million of the consideration is due the earliest of March 2023 and finalising Tyra Redevelopment.



23.2 DETAILS ON BORROWING

Details on borrowings outstanding on 31 December 2020

Reserve based lending facility

In July 2019, Noreco entered into a committed seven-year senior secured reserve-based credit facility of USD 900 million. The facility is a reserve-based credit facility secured against certain cash flows generated by the Group. The amount available under the facility is recalculated every six months based upon the calculated cash flow generated by certain producing fields and fields under development at an oil price and economic assumptions agreed with the banking syndicate providing the facility. The facility is secured by a pledge over the shares of certain Group companies, a pledge over the Company's working interest in its share of the DUC licence and security over insurances, hedging contracts, project accounts, intercompany loans and material contracts. The pledged assets at 31 December 2020 amounted to USD 1 818 million and represented the carrying value of the pledge of the Group companies whose shares are pledged as described in the section 5 below (Assets pledged as security for interest bearing debt).

Pledge value: carrying value of shares held in Altinex AS, Noreco Denmark A/S, Noreco Oil Denmark A/S, Noreco Petroleum Denmark A/S by Noreco ASA.

NOR13

In July 2019, Noreco issued a subordinated convertible bond loan of USD 158 million with a tenor of eight years where the lender was granted a right to convert the loan into new shares in the Company at a conversion price of NOK 240 (USD 29.3) per share by way of set-off against the claim on the Company. The loan has a mandatory conversion to equity after five years and carries an interest of 8% p.a. on a PIK basis, with an alternative option to pay cash interest at 6% p.a., payable semi-annually. Should the instrument be in place beyond the five-year conversion period, the interest rate on NOR13 will be reduced to 0.0 percent for the remaining term of the loan. The value of the convertible bond at year end is USD 171 million, calculated on a straight-line basis including PIK interest issued.

The convertible bond loan has been determined to contain embedded derivatives which are accounted for separately as derivatives at fair value through profit or loss, while the loan element subsequent to initial recognition is measured at amortized cost, a total of USD 4.5 million in transaction cost is included in the amortized cost. The embedded derivative is valued on an option valuation basis, the carrying value is USD 18 million (initial value USD 54 million). As a result of the buyback of 299,925 shares at a price of NOK 242 per share on 23 January 2020, the conversion price for the NOR13 subordinated convertible bond issue was adjusted in accordance with the bond terms, from USD 29.3398 to USD 28.9734, effective from the trade date of the purchase of shares. The fair value calculation for the option portion of the NOR13 bond includes this update to the conversion price. For inputs to the model used to calculate the fair value of the embedded derivatives, please see note18.

NOR14

In December 2019, Noreco successfully completed the issue of a USD 175 million unsecured bond. The proceeds are utilised for general corporate purposes and the bond carries an interest of 9% p.a., payable semi-annually, with a six and a half-year tenor.



23.3 COVENANTS

COVENANTS RELATING TO INTEREST BEARING DEBT

Reserve based lending facility

The reserve-based credit facility constitutes senior debt of the Company and is secured on a first priority basis against certain of the Company's subsidiaries and their assets. The reserve-based credit facility agreement contains a financial covenant that the ratio of Net Debt to EBITDAX (earnings before interest, tax, depreciation, amortisation and exploration) shall be less than 3.0:1.0 at the end of each six-monthly redetermination period. Noreco must also demonstrate minimum liquidity on a look forward basis of USD 50 million during the relevant period, which is currently to the completion of the Tyra redevelopment project. The agreement also includes special covenants which, among other, restrict the Company from taking on additional secured debt, provide parameters for minimum and maximum hedging requirements and restrict declaration of dividends or other distributions. Noreco is in compliance with these covenants at the end of 2020.

NOR14

The USD 175 million unsecured bond has two financial covenants included within the terms of the agreement that apply outside the Tyra redevelopment period: a minimum liquidity covenant requirement of USD 25 million unrestricted cash, bank deposits and cash equivalents and a maximum leverage ratio of net debt to EBITDAX of 3.0:1.0. During the Tyra redevelopment period, defined as from June 2021 until the earlier of (1) two quarters post completion of the Tyra redevelopment project and (2) June 2023, Noreco must maintain a minimum liquidity position of USD 50 million and a maximum leverage ratio of 5.0x.

23.4 PAYMENT STRUCTURE

Payment structure (USD million):

Year	NOR13	NOR14	Reserve Based Lending Facility	Deferred Consideration	Total
2022	-	-	176	-	176
2023	-	-	225	25	250
2024	-	-	225	-	225
2025	-	-	125	-	125
2026	-	175	-	-	175
Total	-	175	751	25	951

Interest payments (USD million):

Year	NOR13	NOR14	Reserve Based Lending Facility	Deferred Consideration	Total
Interest rate	-	9.0 %	LIBOR + 4%	4.0 %	
2021	-	16	36	1	53
2022	-	16	35	1	52
2023	-	16	29	1	46
2024	-	16	19	-	35
2025	-	16	8	-	24
2026	-	8	-	-	8
Total	-	87	127	3	217



23.5 ASSETS PLEDGED AS SECURITY FOR INTEREST BEARING DEBT

NET BOOK VALUE IN THE SEPARATE FINANCIAL STATEMENTS OF ASSETS PLEDGED AS SECURITIES

The Group has the following pledged assets for the Reserve Based Lending facility:

USD million	2020	2019
Noreco ASA shares in Altinex AS	393	393
Altinex AS shares in Noreco Olie- og Gasutvinding Danmark B.V and other companies	1,295	1,159
Loans from Parent to subsidiaries	130	111
Total net book value	1,818	1,663



TRADE PAYABLES AND OTHER PAYABLES

USD million	2020	2019
Trade payable ¹⁾	1	29
Liabilities to operators relating to joint venture licences ¹⁾	97	101
Overlift of oil/NGL	13	12
Accrued interest	3	5
Salary accruals	1	1
Public duties payable ²⁾	159	26
Other current liabilities	12	18
Total trade payables and other current liabilities	286	191

¹⁾ DUC cash calls at the end of 2019 of 24 MUSD reclassified from Trade payables to Liabilities to operators relating to JV licenses.

²⁾ Public duties payable at the end of 2020 of USD 159 million relate to Noreco's VAT liability covering sales during 2020. This amount will be payable in the first half of 2021, with the payment date having been delayed by the Danish government as a response to the impact of COVID-19 on the economy.

Trade and other payables held in currency

USD million	2020	2019
NOK	3	1
DKK	220	148
USD	49	81
GBP ¹⁾	1	(1)
EUR ¹⁾	13	(38)
Total	286	191

¹⁾ EUR and GBP amounts in 2019 are included in net liabilities to operators relating to joint venture licenses.



SHARE-BASED COMPENSATION

The Company implemented a share option programme at an extraordinary general meeting held 8 November 2018 (and later amended), where the board of directors was authorized to grant options up to a total of 1,510,000 shares in the Company as part of a new incentive program. The options may be granted to the members of the board, key personnel and employees of the Company. After award, the options must be exercised within 5 years after which they expire.

In May 2020, the beneficiaries under the share option programme was offered to accept amended terms of (i) a reduced strike price of NOK 160 per share and (ii) a reduction in the number of options granted of 30%. Following this, the option programme was reduced from a total of 1,510,000 shares to 1,190,500 shares in the Company and the outstanding options at the time was reduced by 319,500 to 745,500.

The board of directors of the Company has in 2020, adjusted for the amendments mentioned above, allocated 384,000 options with a strike price of NOK 160 per share. In addition, 70,000 options as a result of not being vested by the beneficiary upon resignation, has been relinquished to the Company. Options vest over three years, with one-third per year.

In addition to this option programme, the general meeting resolved on 7 August 2019 a share option programme in which Noreco may issue one option for each share purchased by any board member (except of Riulf Rustad and Lars Purlund) up to a total of 10,000 shares for each Board Member.

Total share options outstanding as at 1 January 2019	-
Share options granted in 2019	956,954
Outstanding at 31 December 2019	956,954
Share options granted in 2020	420,000
Amendment to option programme	(323,086)
Share options relinquished in 2020	(70,000)
Outstanding at 31 December 2020	983,868

THE EXPENSE RECOGNISED DURING THE YEAR IS SHOWN IN THE FOLLOWING TABLE:

USD million	2020	2019
Expense arising from equity-settled share-based payment transactions	2	8
Total expense arising from share-based payment transactions	2	8

THE FOLLOWING TABLE LIST THE INPUTS TO THE MODEL USED:

Weighted averages	2020
Fair value at valuation date (NOK)	63
Share price at valuation date (NOK)	145
Exercise price (NOK)	160
Expected volatility	57.92%
Expected life (years)	3.9
Expected dividends	n/a
Risk-free rate (based on government bonds)	0.36%
Model used	Black - Scholes - Merton



GUARANTEES

OVERVIEW OF ISSUED GUARANTEES ON 31 DECEMBER 2020.

The parent company of the Group, Norwegian Energy Company ASA ("Noreco") has issued a parent company guarantee on behalf of its subsidiary Norwegian Energy Company UK Ltd and Noreco Oil (UK) Limited. Noreco guarantees that, if any sums become payable by Norwegian Energy Company UK Ltd or by Noreco Oil (UK) Limited to the UK Secretary of State under the terms of the licence and the company does not repay those sums on first demand, Noreco shall pay to the UK Secretary of State on demand an amount equal to all such sums. Department for Business, Energy & Industrial Strategy, declined at this time to withdraw Noreco Oil (UK)'s s29 notice with respect to the Huntington platform and pipeline. Under the forfeiture agreement Premier assumes this risk as between Premier and Noreco so, while this contingent liability to the Secretary of State would need to be recognised in any future sale of the company, Noreco Oil (UK) Limited does have recourse against Premier if it defaults in its performance.

On 6 December 2007, Noreco issued a parent company guarantee to the Danish Ministry of Climate, Energy and Building on behalf of its subsidiary Noreco Oil Denmark A/S and Noreco Petroleum Denmark A/S.

On 31 December 2012, Noreco issued a parent company guarantee on behalf of its subsidiary Noreco Norway AS. Noreco guarantees that, if any sums become payable by Noreco Norway AS to the Norwegian Secretary of State under the terms of the licences and the company does not repay those sums on first demand, Noreco shall pay to the Norwegian Secretary of State on demand an amount equal to all such sums. Noreco Norway AS was liquidated in 2018, however as per 31 December 2010 the guarantee has not been withdrawn.

In connection with completion of the acquisition of Shell Olie- og Gasudvinding Danmark B.V. in 2019, Noreco issued a parent company guarantee to the Danish state on behalf of the two acquired companies for obligations in respect of licence 8/06, area B and the Tyra West - F3 gas pipeline. In addition, Noreco issued a parent company guarantee towards the lenders under the Reserve Based Lending Facility Agreement and to Total E&P Danmark A/S for its obligations under the DUC JOA and to Shell Energy Europe Limited related to a gas sales and purchase agreement (capped at EUR 30 million)..



INVESTMENT IN JOINTLY OWNED ASSETS

Investment in jointly own assets are included in the accounts by recognize its share of the assets, liabilities, revenues and expenses related to the joint operation.

The Group holds the following licence equities on 31 December 2020:

Licence	Field	Country	Ownership share
DUC	DUC	Denmark	36.8 %
1/90	Lulita Part	Denmark	20.0 %
7/86	Lulita Part	Denmark	20.0 %
8/06B		Denmark	36.8 %

**FINANCIAL COMMITMENTS**

As a partner in DUC, the Company has commitment to fund its proportional share of the budget and work programmes of the DUC. In December each year the operating budget (which includes operating expenditures, capital expenditure related to production, exploration and abandonment) for the following year is agreed amongst the DUC partners. For the coming four years the average operating budget is expected to be around USD 230 million per year. Capital and abandonment expenditure for individual projects, such as Tyra, are approved separately.

Noreco's capital commitments are principally related to the ongoing Tyra redevelopment project. The gross capital and abandonment expenditure budget for the Tyra redevelopment project at the time of the investment decision was DKK 21 billion and DKK 13.3 billion had been incurred by the end of 2020. Based on the current project schedule, Noreco will be required to fund its proportional share of this remaining expenditure over the next three years with Tyra to restart production by June 2023.

The DUC is obliged to use the specially constructed oil trunk line, pumps and terminal facilities and to contribute to the construction and financing costs thereof as a result of an agreement entered into with the Danish government. This obligation is approximately USD 22 million per year (2019: USD 19 million).

In addition to the above and in order to obtain the consent of Total E&P Danmark A/S to the acquisition, Noreco Oil Denmark A/S agreed to place monies in a secured cash call security account in favour of Total E&P Danmark A/S (the concessionaire in respect of the Sole Concession). The cash call security account was funded in an amount of USD 50 million upon completion of the transaction. This escrow amount will then be increased by USD 15 million on a monthly basis during the second half of 2020 up to a maximum amount of USD 140 million by January 2021. By end of 2020 the escrow account was USD 125 million. The cash call security amount will then decrease to USD 100 million at the end of the year in which the Tyra redevelopment project is completed and can, on certain terms and conditions, be replaced with a letter of credit or other type of security.

GUARANTEES

The Company has provided a parent company guarantee to the Danish Ministry of Climate, Energy and Utilities related to the Group's activities on the DCS, including Noreco's participation in the DUC and the Lulita licence. The Company has also provided a parent company guarantee towards the lenders in relation to the Company's USD 900 million reserve-based lending facility and customary obligations/guarantees under joint operating agreements. Noreco has also provided a parent company guarantee to Shell Energy Europe Limited in relation to its subsidiary Noreco Oil Denmark A/S's obligations under a gas offtake and transportation agreement.

Furthermore, the Company has provided a parent company guarantee to Total E&P Danmark A/S for its obligations under the JOA together with a guarantee from Shell. Noreco has provided standby letters of credit of USD 100 million, issued under the USD 100 million sub-limit of the RBL facility for the benefit of Shell in connection with this guarantee.

In relation to Noreco's historic operations in the UK North Sea, the Company has issued a parent company guarantee on behalf of its subsidiaries Norwegian Energy Company UK Ltd and Noreco Oil (UK) Limited.

CONTINGENT LIABILITIES

In relation to the Nini and Cecilie fields, Noreco was in 2015 prevented from making payments for its share of production costs and was consequently in breach of the licence agreements. In accordance with the JOAs, the Nini and Cecilie licences were forfeited and the licences were taken over by the partners, whereas the debt remained with Noreco. Noreco and representatives from the bondholders reached an agreement during 2015 which entails that the Danish Noreco entity remains liable for the abandonment obligation, but the liability is in any and all circumstances limited to a maximum amount equal to



the restricted cash account of USD 71 million (DKK 429 million), adjusted for interest. The total provision made for the asset retirement obligations reflects this.

The Company has received a claim regarding the level of Ørsted pipeline tariffs charged since 2013. As the relevant authority (Forsyningstilsynet) is currently reassessing their view, Noreco believes that there is no basis for this claim prior to a new ruling setting the appropriate level of these tariffs. Given the outcome of this and any consequent liability is not yet known, the Company has not recognized a provision for this claim.

During the normal course of its business, the company may be involved in disputes, including tax disputes (see Note 13 Tax). The company has not made accruals for possible liabilities related to litigation and claims based on management's best judgment.

Noreco has unlimited liability for damage in relation to its participation in the DUC. The Company has insured its pro rata liability in line with standard market practice.

Apart from the issues discussed above, the Group is not involved in claims from public authorities, legal claims or arbitrations that could have a significant negative impact on the Company's financial position or results.



RELATED PARTY TRANSACTIONS

The Noreco Group was renting an accommodation in London for the board of director disposal when working with business development. This contract is terminated in December 2020.

Purchase of services includes consultancy cost from S&U Trading ApS (owned by Board Member Lars Purlund) of USD 0.3.

The Group did not have any other transactions with any other related parties during 2020. Director's fee paid to shareholders and remuneration to management is described in Note 7.



SUBSEQUENT EVENTS

On 2 February 2021, the Company entered into an underwriting agreement with five banks for a USD 1.1 billion RBL facility with a seven-year term and maturing in 2028.

This RBL, with a USD 200 million increased facility size and two years maturity extension, will amortize from the second half of 2024 and reinforces the Company's capital structure. In addition, Noreco has established a link in the RBL to ESG targets that will support development progression of the Company's ESG strategy. The USD 1.1 billion facility will be fully underwritten by BNP Paribas, Deutsche Bank, ING Bank, Lloyds Bank and Natixis.



Norwegian Energy Company ASA

Acquisition of Shell Olie- og Gasutvinding Danmark B.V - revised purchase price allocation
Refer to note 1 Summary of significant accounting policies and note 10 Acquisition of subsidiary.

The key audit matter	How the matter was addressed in our audit
<p>The acquisition of Shell Olie- og Gasutvinding Danmark B.V on 31 July 2019 was a significant acquisition for the Group.</p> <p>The initial accounting for the acquisition required the Group to determine the fair value of consideration transferred, including contingent consideration, and the fair value of the net assets acquired in accordance with IFRS 3 that required the Group to make a number of judgements.</p> <p>During 2020, within the measurement period in IFRS 3, the Group has revised that a commodity contract (derivative) met the 'own use' exemption in IFRS 9 and the fair value of the derivative has been recognized as an intangible assets and not as a financial assets in the final purchase price allocation.</p> <p>There is a risk that the requirements for using the 'own use' exception in the purchase price allocation is not fulfilled and the accounting for the revised purchase price allocation is incomplete and inaccurate as an entity reflect measurement period adjustment by revising its comparative financial statements.</p>	<p>Our audit procedures performed in this area included:</p> <ul style="list-style-type: none"> Reading and understanding the commodity contract (the derivative); Evaluating and critically assessed management assessment that the commodity contract qualified for the 'own use' exemption in IFRS 9; Assessing if the revised purchase price allocation reflects the revised classification of the derivative as "own use", and that the comparative financial information for 2019 have been appropriately restated based on the revised purchase price allocation. Assessing the adequacy and appropriateness of the disclosures in the financial statements.

Valuation of production assets
Refer to note 3 Critical accounting estimates and judgements, note 9 Intangible assets and note 11 Property, plant and equipment.

The key audit matter	How the matter was addressed in our audit
<p>Due to the prevailing market uncertainties and political uncertainty there is an impairment risk related to Noreco Oil Denmark A/S's production assets.</p> <p>Management's determination of the recoverable amounts of the assets is based on a number of key assumptions such as expected oil and gas prices, economic cut-off, opex, capex and abandonment expenditures, discount rate and future production profiles, which involve a high degree of judgment. In addition, the calculation of recoverable amounts requires complex financial modelling of the cash flows of each cash generating unit.</p> <p>Significant auditor judgment is required when evaluating whether the recoverable amounts, and the assumptions which drive the underlying</p>	<p>For each asset and cash generating unit where a material risk of impairment was identified, we critically assessed and challenged the key elements of the cash flow forecasts, including:</p> <ul style="list-style-type: none"> production profiles with reference to reserves estimates prepared by the Company's reservoir engineers and third party reserves certification reports; oil and gas prices with reference to forward curve data and the Company's long term oil price assumptions against benchmark data from third party analysts and competitors; operational expenditures and capital expenditures with reference to historical forecasts, approved license budgets and management forecasts; economic cut-off date for fields prepared by management, operators estimates and third party reports; and

PricewaterhouseCoopers LLP, DEQC, WAA, WRMQ, CALON, ICAS



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

Mads Aleksander Hermansen

Partner
On behalf of: KPMG AS
Serial number: 9578-5997-4-280077
IP: 80.232.no.x.com
2021-09-19 11:15:05Z



Mads Aleksander Hermansen

Statautorisert revisor
On behalf of: KPMG AS
Serial number: 9578-5997-4-280077
IP: 80.232.no.x.com
2021-09-19 11:15:05Z



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Statement of Compliance

BOARD AND MANAGEMENT CONFIRMATION

Today, the board of directors and the managing director reviewed and approved the board of directors' report and the Norwegian Energy Company ASA consolidated and separate annual financial statements as of 31 December 2020.

To the best of our knowledge, we confirm that:

- the Norwegian Energy Company ASA consolidated annual financial statements for 2020 have been prepared in accordance with IFRSs and IFRICs as adopted by the European Union (EU), and additional Norwegian disclosure requirements in the Norwegian Accounting Act, and that
- the financial statements for Norwegian Energy Company ASA have been prepared in accordance with the Norwegian Accounting Act and Norwegian Accounting Standards, and
- that the board of directors' report for the group and the parent company is in accordance with the requirements in the Norwegian Accounting Act and Norwegian Accounting Standard no 16, and
- that the information presented in the financial statements gives a true and fair view of the Company's and the Group's assets, liabilities, financial position and results for the period viewed in their entirety, and
- that the board of directors' report gives a true and fair view of the development, performance, financial position, principle risks and uncertainties of the Company and the group.

Oslo, 19 April 2021

Riulf Rustad
Executive Chair

Tone Kristin Omsted
Board Member

Yves-Louis Darricarrère
Board Member

Marianne Lie
Board Member

Colette Cohen
Board Member

Chris Bruijnzeels
Board Member

Robert J. McGuire
Board Member

David B Cook
Chief Executive Officer



Alternative Performance Measures

Noreco may disclose alternative performance measures as part of its financial reporting as a supplement to the financial statements prepared in accordance with IFRS. Noreco believes that the alternative performance measures provide useful supplemental information to management, investors, security analysts and other stakeholders and are meant to provide an enhanced insight into the financial development of Noreco's business operations and to improve comparability between periods.

Abandonment spent (abex) is defined as the payment for removal and decommissioning of oil fields, to highlight the cash effect for the period.

Adj. EBITDA is adjusted for any claims under the volume guarantee in the quarter as this reflects a payment from Shell if the production performance of the business is below expectations set at the time of the signing of the SPA. This hedge is calculated to make whole Noreco's contribution from the operations had the performance been in line with expectations and is currently reflected in the company's cashflow statement and balance sheet only.

It is also adjusted for exceptional costs in relation to the transaction that are not reflective of the underlying performance of the business, cost from share-base payment arrangements.

All figures in USD million	2020	2019
EBITDA	250	127
Claim volume floor guarantee	98	70
Transaction cost	-	9
Non-payment insurance	8	-
Share-base payment	2	8
Exceptional DUC operating cost	-	22
Adj. EBITDA	358	236

EBITDA Earnings before interest, taxes, depreciation, depletion, amortization and impairments. EBITDA assists in comparing performance on a consistent basis without regard to depreciation and amortization, which can vary significantly depending on accounting methods or non-operating factors and provides a more complete and comprehensive analysis of our operating performance relative to other companies.

Interest bearing debt defined as the book value of the current and non-current interest-bearing debt.

Net interest-bearing debt is defined by Noreco as cash and cash equivalents reduced by current and non-current interest-bearing debt. RBL facility and bond loan are included in the calculation with the total amount outstanding and not the amortised cost including transaction cost.

All figures in USD million	2020	2019
Convertible bond loan	(131)	(108)
Senior Unsecured bond loan	(169)	(168)
Reserve based lending facility	(719)	(707)
Other interest-bearing debt	(25)	(25)
Interest-bearing debt	(1,043)	(1,008)



Alternative Performance Measures

All figures in USD million	2020	2019
Cash and cash equivalents	259	286
Convertible bond loan	(171)	(158)
Senior Unsecured bond loan	(175)	(175)
Reserve based lending facility	(751)	(746)
Other interest-bearing debt	(26)	(25)
Net interest-bearing debt	(863)	(818)



SUPPLEMENTARY OIL AND GAS INFORMATION (UNAUDITED)

In 2021 the Group reported oil and gas reserves, the report is reported separately from the annual report 2020. RISC UK Ltd (RISC) has made an independent reserves evaluation based on the definitions and guidelines set out in the revised June 2018 Petroleum Resources Management System (PRMS) version 1.01 (June 2018)

The reserves for the DUC portfolio and Lulita, are shown below using the figures from the 2020 Annual Statement of Reserves as basis.

TOTAL RESERVES AS OF 31.12. 2020

	Liquids (mill bbl)	Gas (mmboe)	Mill boe	Interest %	Net mill boe
2P/P50					
Dan	71.2	3.8	75.0	36.8 %	27.6
Kraka	9.4	0.3	9.7	36.8 %	3.6
Halfdan	142.0	36.2	178.2	36.8 %	65.6
Gorm	18.2	-	18.2	36.8 %	6.7
Skjold	27.0	-	27.0	36.8 %	9.9
Rolf	2.5	-	2.5	36.8 %	0.9
Tyra	38.3	85.6	123.9	36.8 %	45.6
Valdemar	60.0	28.2	88.2	36.8 %	32.5
Roar	5.4	12.2	17.6	36.8 %	6.5
Harald	0.9	4.5	5.4	36.8 %	2.0
Lulita	0.7	0.5	1.2	28.4 %	0.3
Total					201.2



Information About Noreco

Head Office Noreco

Headquarter	Nedre Vollgate 1, 0158 Oslo, Norway
Telephone	+47 22 33 60 00
Internet	www.noreco.com
Organisation number	NO 987 989 297 MVA

Financial Calendar 2021

19 May	Annual General Meeting
28 May	Q1 2021 Report
13 July	Q2 2021 Report
28 October	Q3 2021 Report

Board of Directors

Riulf Rustad	Chair
Marianne Lie	
Tone Kristin Omsted	
Colette Cohen	
Yves-Louis Darricarrère	
Chris Bruijnzeels	
Bob McGuire	

Management

David B.Cook	Chief Executive Officer
Euan Shirlaw	Chief Financial Officer
John Hulme	Chief Operating Officer
Cathrine Torgersen	EVP, Investor Relations & Communications
Frederik Rustad	EVP, Corporate Finance & Investments
Hege Hayden	EVP, People & Capability

Investor Relations

Phone	+47 22 33 60 00
E-mail	investorrelations@noreco.com

Annual Reports

Annual reports for Noreco are available on www.noreco.com

Quarterly publications

Quarterly reports and supplementary information for investors and analysts are available on www.noreco.com. The publications can be ordered by e-mailing investorrelations@noreco.com.

News Releases

In order to receive news releases from Noreco, please register on www.noreco.com or e-mail investorrelations@noreco.com.



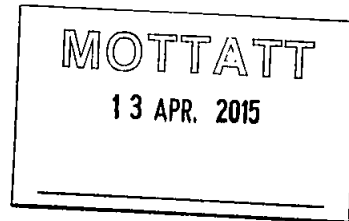
noreco.com



Skattedirektoratet

Saksbehandler Geir Johannessen	Deres dato 26.03.2015	Vår dato 09.04.2015
Telefon 22 07 73 25/22 66 11 14	Deres referanse Odd Arne Slettebø	Vår referanse 2011/813379

NORWEGIAN ENERGY COMPANY ASA
Postboks 550 Sentrum
4003 STAVANGER



Tillatelse til å utarbeide årsregnskap og årsberetning på engelsk språk for Norwegian Energy Company ASA, org.nr. 987 989 297

- Det vises til deres brev av 26. mars 2015, der det søkes om dispensasjon fra kravet til å utarbeide årsregnskap og årsberetning på norsk språk for Norwegian Energy Company ASA fra og med regnskapsåret 2014.

Skattedirektoratet gir på bakgrunn av en konkret helhetsvurdering Norwegian Energy Company ASA dispensasjon fra kravet til å utarbeide årsregnskap og årsberetning på norsk språk fra og med regnskapsåret 2014, 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

Norwegian Energy Company ASA er et allmennaksjeselskap registrert i Norge og med hovedkontor i Stavanger. Selskapet har datterselskaper i Norge, Danmark og Storbritannia. Selskapets formål er leting etter og produksjon av olje og naturgass. Selskapet er notert på Oslo Børs. Dispensasjon i forhold til språkravene i vphl. § 5-13 er mottatt fra Oslo Børs og vedlagt søknaden. Norwegian Energy Company ASA har en stor andel utenlandske aksjonærer. Etter at en planlagt restrukturering ble gjennomført 24. mars 2015, eies 61 % av selskapets aksjer av utenlandske aksjonærer. Utstedelsen av nye aksjer ble gjennomført som et ledd i restruktureringen og tilsvarte 92 % av utestående aksjer i selskapet. Emisjonen ble rettet mot eksisterende obligasjonseiere mot delvis konvertering av obligasjonsgjeld. Selskapet har totalt ca. 5 500 aksjonærer, og 4 % av disse er utenlandske. Dette innebærer at de store aksjepostene eies av utenlandske aksjonærer. Selskapet har også et obligasjonslån (NORIO) som er notert på Oslo Børs. De utenlandske obligasjonseierne utgjør rundt 12 % av antall obligasjonseiere, men eier 63 % av utestående obligasjoner. Selskapet forventer at andelen av profesjonelle og institusjonelle investorer vil være høy både i selskapets noterte obligasjonsinstrumenter og i dets aksjer. For investeringer i obligasjonsmarkedet er det en høy terskel for investeringer og markedet preges av profesjonelle aktører. Ved at majoriteten av selskapets utestående aksjer nylig er utstedt til obligasjonseiere, forventes andelen av profesjonelle investorer som har investert i selskapets egenkapitalinstrumenter også å være betydelig. Selskapet

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Postboks 9200 Grønland
0134 Oslo

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

Sentraltbord
800 80 000
Telefaks
22 17 08 60



har utenlandske styremedlemmer. Alle styremøter avholdes således på engelsk. Engelsk er også arbeidsspråket internt i selskapet, og intern rapportering i selskapet skjer i all hovedsak på engelsk. Selskapet opererer i en internasjonal bransje hvor engelsk er det dominerende arbeidsspråket. Både selskapets kunder og leverandører er komfortable med å forholde seg til engelskspråklig finansiell informasjon. Norwegian Energy Company ASA har ut fra gjeldende børskurs en lav markedsverdi, og det er p.t. ikke utsikter til, eller planer om, høy vekst. Selskapet og konsernet vurderes derfor ikke til å ha stor samfunnsmessig betydning eller være av særlig interesse for lokalmiljøet. Datterselskapet Noreco Norway AS har tidligere fått innvilget søknad om unntak fra norsk språk i årsregnskapet. Som ledd i restruktureringen har Noreco Norway AS blitt ny utsteder for obligasjonslånet NORO6. Norwegian Energy Company ASA var tidligere utsteder for dette obligasjonslånet. Også dette obligasjonslånet har en stor andel av utenlandske obligasjonseiere, hvor ca. 56 % av utestående obligasjoner eies av utenlandske investorer. Bakgrunnen for å søke om å kunne utarbeide informasjonspliktig informasjon på engelsk er således basert på en kost- nytte vurdering i forhold til hvem som er de primære brukerne av informasjonen. Selskapet mener at informasjonsbehovet blir fullt ut ivaretatt ved å avlegge årsregnskap og årsberetning på engelsk språk. Det er også selskapets vurdering at en videreføring av dagens praksis hvor informasjon utarbeides og avlegges på norsk og deretter oversettes, medfører et betydelig merarbeid og kan redusere kvaliteten av informasjonen. En norsk oversettelse vil kun ha til formål å oppfylle regnskapslovens språkkrav i og med at det er innvilget dispensasjon fra Oslo Børs i forhold til språkkravene i vphl. § 5-13.

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 mv., er det uttalt følgende om regnskapslovens formål, jf. pkt. 1.1:

"Regjeringen har som siktemål at regnskapsloven skal bidra til informative regnskaper for ulike grupper av regnskapsbrukere. Regnskapsbrukerne er dels investorer og kreditorer som tilfører kapital til foretakene, og dels andre grupper som har interesse av å vite hvordan foretaket drives, f.eks. de ansatte og lokalsamfunnet. Informasjonen til kapitalmarkedet skal gi grunnlag for riktig prising av finansielle objekter. Riktig prisdannelse på aksjer er en forutsetning for at ressursbruken i samfunnsøkonomien skal bli best mulig. Gode regnskaper vil også gjøre det vanskeligere for markedsdeltakere å ta ut spekulasjonsgevinster med basis i skjevt fordelt informasjon."

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

Det er etter Skattedirektoratets vurdering derfor avgjørende ved vurdering av om dispensasjon fra



kravet til å utarbeide årsregnskap og/eller årsberetning på norsk kan gis, at det ikke foreligger mulige brukere av regnskapsinformasjon som blir vesentlig berørt negativt ved en eventuell dispensasjon.

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 driver virksomhet innen en internasjonal bransje der alle vesentlige aktører behersker og benytter engelsk språk, og at selskapets arbeidsspråk er engelsk. Videre er det vektlagt at en vesentlig andel av selskapets aksjekapital og utestående obligasjoner eies av utenlandske investorer, samt at det forventes at andelen av profesjonelle og institusjonelle investorer vil være høy.

Vennligst oppgi vår referanse ved henvendelser i saken.

Med hilsen

Rune Tystad
Seniorradgiver
Rettsavdelingen, foretaksskatt
Skattedirektoratet

Geir Johannessen

Dokumentet er elektronisk godkjent og har derfor ikke håndskrevne signaturer





KPMG AS
Forusparken 2
Postboks 57
4064 Stavanger

Telephone +47 45 40 40 63
Internet www.kpmg.no
Enterprise 935 174 627 MVA

To the General Meeting of Norwegian Energy Company ASA

Independent auditor's report

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Norwegian Energy Company ASA, which comprise:

- The financial statements of the parent company Norwegian Energy Company ASA (the Company), which comprise the balance sheet as at 31 December 2020, the income statement and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and
- The consolidated financial statements of Norwegian Energy Company ASA and its subsidiaries (the Group), which comprise the statement of financial position as at 31 December 2020, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion:

- The financial statements are prepared in accordance with the law and regulations.
- The accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2020, and its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.
- The accompanying consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

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 and the Group 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.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Offices in:

KPMG AS, a Norwegian limited liability company and member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Statsautoriserte revisorer - medlemmer av Den norske Revisorforening

Oslo	Elverum	Mo i Rana	Stord
Alta	Finnsnes	Molde	Straume
Arendal	Hammer	Skien	Tromsø
Bergen	Haugesund	Sandefjord	Trondheim
Bodo	Knarvik	Sandnessjøen	Tynset
Drammen	Kristiansand	Stavanger	Ålesund

Penneo document key: C7TYJ-EPQDC-LHMVA-0AFMQ-CVLDN-3EAST



Norwegian Energy Company ASA

Acquisition of Shell Olie- og Gasudvinding Danmark B.V - revised purchase price allocation
Refer to note 1 Summary of significant accounting policies and note 10 Acquisition of subsidiary.

<i>The key audit matter</i>	<i>How the matter was addressed in our audit</i>
<p>The acquisition of Shell Olie- og Gasudvinding Danmark B.V on 31 July 2019 was a significant acquisition for the Group.</p> <p>The initial accounting for the acquisition required the Group to determine the fair value of consideration transferred, including contingent consideration, and the fair value of the net assets acquired in accordance with IFRS 3 that required the Group to make a number of judgements.</p> <p>During 2020, within the measurement period in IFRS 3, the Group has revised that a commodity contract (derivative) met the 'own use' exemption in IFRS 9 and the fair value of the derivative has been recognized as an intangible assets and not as a financial assets in the final purchase price allocation.</p> <p>There is a risk that the requirements for using the 'own use' exception in the purchase price allocation is not fulfilled and the accounting for the revised purchase price allocation is incomplete and inaccurate as an entity reflect measurement period adjustment by revising its comparative financial statements.</p>	<p>Our audit procedures performed in this area included:</p> <ul style="list-style-type: none"> • Reading and understanding the commodity contract (the derivative); • Evaluating and critically assessed management assessment that the commodity contract qualified for the 'own use' exemption in IFRS 9; • Assessing if the revised purchase price allocation reflects the revised classification of the derivate as "own use", and that the comparative financial information for 2019 have been appropriately restated based on the revised purchase price allocation. • Assessing the adequacy and appropriateness of the disclosures in the financial statements.

Valuation of production assets

Refer to note 3 Critical accounting estimates and judgements, note 9 Intangible assets and note 11 Property, plant and equipment.

<i>The key audit matter</i>	<i>How the matter was addressed in our audit</i>
<p>Due to the prevailing market uncertainties and political uncertainty there is an impairment risk related to Noreco Oil Denmark A/S's production assets.</p> <p>Management's determination of the recoverable amounts of the assets is based on a number of key assumptions such as expected oil and gas prices, economic cut-off, opex, capex and abandonment expenditures, discount rate and future production profiles, which involve a high degree of judgment. In addition, the calculation of recoverable amounts requires complex financial modelling of the cash flows of each cash generating unit.</p> <p>Significant auditor judgment is required when evaluating whether the recoverable amounts, and the assumptions which drive the underlying</p>	<p>For each asset and cash generating unit where a material risk of impairment was identified, we critically assessed and challenged the key elements of the cash flow forecasts, including:</p> <ul style="list-style-type: none"> • production profiles with reference to reserves estimates prepared by the Company's reservoir engineers and third party reserves certification reports; • oil and gas prices with reference to forward curve data and the Company's long term oil price assumptions against benchmark data from third party analysts and competitors; • operational expenditures and capital expenditures with reference to historical forecasts, approved license budgets and management forecasts; • economic cut-off date for fields prepared by management, operators estimates and third party reports; and

Penneo document key: C7TYJ-EFQDC-LHMVA-0AFMQ-CVLDN-3EAST



Norwegian Energy Company ASA

cash flow estimates, are reasonable and supportable.

- abandonment expenditures used in the valuation of assets corresponds with the abandonment expenditures used when estimated the assets retirement obligation.

In addition, KPMG valuation specialists assessed the mathematical and methodological integrity of management's impairment models, including the modelling of tax related cash flows, and assessed the reasonableness of the discount rate applied with reference to market data.

We also assessed the adequacy and appropriateness of the disclosures in the financial statements.

Other information

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

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

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

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

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

The Board of Directors and the Managing Director (Management) are responsible for the preparation in accordance with law and regulations, including a true and fair view of the financial statements of the Company in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and for the preparation and true and fair view of the consolidated financial statements of the Group in accordance with International Financial Reporting Standards as adopted by the EU, 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 and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern. The financial statements of the Company use the going concern basis of accounting insofar as it is not likely that the enterprise will cease operations. The consolidated financial statements of the Group use the going concern basis of accounting unless management either intends to liquidate the Group 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.

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Norwegian Energy Company ASA

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 or the Group'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 and the Group'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 and the Group 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.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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 and in the statements on Corporate Governance and Corporate Social Responsibility concerning the financial statements, the going

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Norwegian Energy Company ASA

concern assumption and the proposed allocation of the result is consistent with the financial statements and complies with the law and regulations.

Opinion on Registration and Documentation

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

Stavanger, 19 April 2021
KPMG AS

Mads Hermansen
State Authorised Public Accountant

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

Mads Aleksander Hermansen

Partner

On behalf of: KPMG AS

Serial number: 9578-5997-4-280077

IP: 80.232.xxx.xxx

2021-04-19 13:38:35Z



Mads Aleksander Hermansen

Statsautorisert revisor

On behalf of: KPMG AS

Serial number: 9578-5997-4-280077

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