

# **NORECO PETROLEUM DENMARK A/S**

## **ANNUAL REPORT 2019**

Adopted by the Annual General Meeting on  
30 June 2020

Chairman of the meeting

NORECO PETROLEUM DENMARK A/S  
Midtermolen 3, 4.th., 2100 Copenhagen  
CVR-nr. 11 72 98 94

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## **Statements**

### ***Management's review***

The Board of Directors and the Executive Board have today discussed and approved the annual report of Noreco Petroleum Denmark A/S for the financial year 1 January – 31 December 2019.

The annual report has been prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Company's assets, liabilities and financial position at 31 December 2019 and of the results of the Company's operations and cash flows for the financial year 1 January – 31 December 2019.

Further, in our opinion, the Management's review gives a fair review of the development in the Company's activities and financial matters, of the results for the year and of the Company's financial position.

We recommend that the annual report be approved at the annual general meeting.

Copenhagen, 30 June 2020

Executive Board

Atle Sonesen

Board of Directors

Lars Purlund  
Chairman

Erik Borg

Riulf Frederik Rustad

# **Independent auditor's report**

## **To the shareholders of Noreco Petroleum Denmark A/S**

### **Opinion**

We have audited the financial statements of Noreco Petroleum Denmark A/S for the financial year 1 January – 31 December 2019, comprising income statement, balance sheet and notes, including accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Company's assets, liabilities and financial position at 31 December 2019 and of the results of the Company's operations for the financial year 1 January – 31 December 2019 in accordance with the Danish Financial Statements Act.

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report.

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Management's responsibility for the financial statements**

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act and for such internal control that Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance as to whether the financial statements as a whole are free from material misstatements, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements in Denmark will always detect a material misstatement when it exists. Misstatements may arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of financial statement users made on the basis of these financial statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also

- identify and assess the risks of material misstatement of the company financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal controls.

- 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 in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls that we identify during our audit.

## **Statement on the Management's review**

Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the Management's review, 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 Management's review and, in doing so, consider whether the Management's review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the Management's review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statement Act. We did not identify any material misstatements of the Management's review.

Copenhagen, 30 June 2020

**KPMG**

Statsautoriseret Revisionspartnerselskab  
CVR no. 25 57 81 98

Jon Beck  
State Authorised  
Public Accountant  
mne32169

## **Company Information**

### **The Company**

Noreco Petroleum Denmark A/S  
Midtermolen 3, 4.th.  
DK - 2100 Copenhagen

CVR-nr: 11 72 98 94  
Financial year: 1 January – 31 December  
Registered municipality: Copenhagen

### **Board of Directors**

Lars Purlund, Chairman  
Riulf Frederik Rustad  
Erik Borg

### **Executive Board**

Atle Sonesen

### **External Auditors**

KPMG  
Statsautoriseret Revisionspartnerselskab  
Dampfærgevej 28  
DK-2100 København Ø

## Financial Highlights

	2019	2018	2017	2016	2015
<b>Income Statement (USD 1,000)</b>					
Revenue	922.0	441.0	598.0	665.0	932.0
Profit (loss) before financial items	(432.0)	380.0	(1,476.0)	287.0	(1,620.0)
Net financial items	3,319.3	410.0	(1,841.0)	56.0	(287.0)
Profit (Loss) for the year	68,018.5	588.0	(3,327.0)	342.0	(1,780.0)
<b>Balance sheet (USD 1,000)</b>					
Total Assets	72,966.9	5,826.0	5,746.0	7,385.0	6,749.0
Shareholders' Equity	60,201.5	(7,817.0)	(8,405.0)	(5,078.0)	(5,419.0)
<b>Investments (USD 1,000)</b>					
Production facilities	0.0	0.0	0.0	0.0	0.0
<b>Financial ratios</b>					
Average oil price (USD/bbl)	64	72	48	52	51
Operating margin	-47%	-86%	-247%	43%	-174%
Equity ratio	83%	N/A	N/A	N/A	N/A
Average number of employees	0	0	0	0	0

Financial ratios are calculated in accordance with the guidelines "Recommendations & Ratios" issued by the Danish Society of Financial Analysts.

The key figures are calculated as shown below:

Operating margin	$\frac{\text{Profit (loss) before financial items} \times 100}{\text{Net sales}}$
Equity ratio	$\frac{\text{Equity, year-end} \times 100}{\text{Total liabilities, year-end}}$

## **Management's review**

### **Principal activities**

Noreco Petroleum Denmark A/S is a wholly owned subsidiary of the Noreco Group. Reference is made to the website [www.noreco.com](http://www.noreco.com).

In March 2015, the Noreco Group underwent a restructuring, in which connection the Group's strategy was changed to focus on realizing the Group's assets in order to settle the outstanding debt as quickly as possible.

For Noreco Petroleum Denmark, this meant that the company's involvement in the upstream oil and gas activity in the Danish part of the North Sea, in 2015 has been reduced to a minor interest in the Lulita field.

### **Key operations and profit**

In 2019 the net profit before tax amounted to USD 2.9 million (2018 USD 0.8 million). Total revenues for 2019 amounted to USD 0.9 million (2018 USD 0.4 million). Realized average oil price for 2019 was USD 64 per barrel compared to USD 72 per barrel the previous year.

The result was positively impacted by the recognition of the company's tax losses, enabled by the Noreco Group's acquisition of the DUC interest and the associated expected future profits, against which the losses may be set-off. The income from recognition of tax losses amounted to USD 65 million USD.

At 31 December 2019 the equity amounted to USD 60.2 million, compared to USD -7.8 million as of 1 January 2019.

### **The company**

In 2019, the company participated in the following licences:

Licence	Field	Ownership %
DK 1/90	Lulita	10.000

As part of the negotiations for a general solution to Noreco's restructuring during the winter of 2015, the parties in the Cecilie licence agreed to take over all the rights and obligations related to the licence except for the obligations related to the closing down of the field. Noreco will still be liable in this connection, though the costs can never exceed the deposit in the escrow account established by the parent company Noreco ASA.

Due to the redevelopment of Tyra, the production in 2019 was lower than expected.

### **Outlook for 2020**

The company currently has one production license, with a 5.0% share of Lulita field. Due to the redevelopment of the Tyra production facilities, the production from the Lulita field will be shut down, until Tyra is back on stream.

### **Safety and environment**

In 2019, no major accidents or incidents occurred with significant impact on humans or the environment in which Noreco Petroleum Denmark took part as partner.

## **Organisational structure**

Noreco Petroleum Denmark A/S is a wholly owned subsidiary of Noreco Oil Denmark A/S. The ultimate parent company Norwegian Energy Company ASA is registered in Norway and listed at the Oslo Børs. For more information about the group please see the website [www.noreco.com](http://www.noreco.com).

**Financial Statements 1 January - 31 December**

**Income Statement**

<b>NOTE USD 1,000</b>	<b>2019</b>	<b>2018</b>
<b>1 Revenue</b>	<b>922</b>	<b>441</b>
<b>2 Production costs</b>	<b>-758</b>	<b>229</b>
<b>Gross profit</b>	<b>164</b>	<b>670</b>
Sales and distribution costs	-7	-19
<b>3 Administrative costs</b>	<b>-589</b>	<b>-272</b>
<b>Profit (loss) before financial items</b>	<b>-432</b>	<b>380</b>
<b>4 Financial income</b>	<b>4,623</b>	<b>1,744</b>
<b>5 Financial costs</b>	<b>-1,304</b>	<b>-1,334</b>
<b>Profit before tax</b>	<b>2,887</b>	<b>790</b>
<b>6 Tax on the profit for the year</b>	<b>65,131</b>	<b>-202</b>
<b>PROFIT FOR THE YEAR</b>	<b>68,018</b>	<b>588</b>
 <b>Proposal for distribution</b>		
Retained earnings brought forward	68,018	588
Proposed dividend	-	-
	<b>68,018</b>	<b>588</b>

## BALANCE SHEET - ASSETS

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NOTE USD 1,000	2019	2018
<b>FIXED ASSETS</b>		
7 Production facilities	403	459
<b>Tangible fixed assets</b>	<b>403</b>	<b>459</b>
8 Deferred tax assets	65,131	-
<b>Financial fixed assets</b>	<b>65,131</b>	-
<b>TOTAL FIXED ASSETS</b>	<b>65,534</b>	<b>459</b>
<b>CURRENT ASSETS</b>		
Receivables from sales and services	381	155
Receivables from affiliates	6,823	4,411
Other receivables	20	20
Accrued income	23	592
<b>Receivables</b>	<b>7,248</b>	<b>5,179</b>
<b>Cash in hand and at bank</b>	<b>186</b>	<b>189</b>
<b>TOTAL CURRENT ASSETS</b>	<b>7,433</b>	<b>5,367</b>
<b>TOTAL ASSETS</b>	<b>72,967</b>	<b>5,826</b>

## BALANCE SHEET - LIABILITIES

NOTE USD 1,000	2019	2018
<b>SHAREHOLDERS' EQUITY</b>		
Share capital	1,784	1,784
Retained earnings brought forward	58,417	-9,601
<b>9 TOTAL SHAREHOLDERS' EQUITY</b>	<b>60,201</b>	<b>-7,817</b>
<b>PROVISIONS</b>		
Asset Retirement Obligations	12,395	12,712
<b>10 TOTAL PROVISIONS</b>	<b>12,395</b>	<b>12,712</b>
<b>LIABILITIES OTHER THAN PROVISIONS</b>		
Trade Payables	1	17
Debts to affiliates	370	876
Other debts	-	39
<b>Short-term liabilities</b>	<b>371</b>	<b>931</b>
<b>TOTAL LIABILITIES OTHER THAN PROVISIONS</b>	<b>371</b>	<b>931</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>72,967</b>	<b>5,826</b>
<b>11 Contingent liabilities</b>		
<b>12 Related parties</b>		

## NOTES TO THE ACCOUNTS

NOTE USD 1,000	2019	2018
<b>1 Revenue</b>		
Olie	828	307
Gas	94	134
<b>Total</b>	<b>922</b>	<b>441</b>
<b>2 Production costs</b>		
Operating costs	701	-291
Depreciation	56	61
<b>Total</b>	<b>758</b>	<b>-229</b>
<b>3 Personnel costs and employees</b>		
There are no employees in the company		
<b>4 Financial income</b>		
Interest income	68	117
Interest from group entities	432	489
Write down of loans to parent company, reversed	3,215	-
Foreign exchange gains	908	1,137
<b>Total</b>	<b>4,623</b>	<b>1,744</b>
<b>5 Financial costs</b>		
Accretion expense related to asset retirement obligations	19	18
Interest to group entities	647	823
Interest expense	1	0
Foreign exchange losses	637	492
<b>Total</b>	<b>1,304</b>	<b>1,334</b>
<b>6 Tax</b>		
Tax on the result for the year	-	202
Reversal of allowance against deferred tax	-64,811	0
Adjustment deferred tax for the year	-320	0
<b>Total</b>	<b>-65,131</b>	<b>202</b>

## NOTES TO THE ACCOUNTS

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### NOTE USD 1,000

<b>7 Tangible fixed assets</b>	Production facilities		
Acquisition cost as at 1 January	2,524		
Additions during the year	-		
Adjustment regarding decommissioning	-		
<b>Acquisition cost as at 31 December</b>	<b>2,524</b>		
Depreciation as at 1 January	2,065		
Depreciation for the year	56		
<b>Depreciation as at 31 December</b>	<b>2,121</b>		
<b>Book value as at 31 December</b>	<b>403</b>		
Depreciation is included in production costs			
	2019	2018	
<b>8 Deferred tax</b>			
Deferred tax as at 1 January	0	0	
Deferred tax adjustment for the year in the income statement	65,131	0	
<b>Balance as at 31 December</b>	<b>65,131</b>	<b>0</b>	
<b>9 Shareholders' equity</b>	<b>Share capital</b>	<b>Retained earnings</b>	<b>Total</b>
<b>Shareholders' equity as at 1 January</b>	<b>1,784</b>	<b>-9,601</b>	<b>-7,817</b>
Profit for the year	-	68,018	68,018
<b>Shareholders' equity as at 31 December</b>	<b>1,784</b>	<b>58,417</b>	<b>60,201</b>

The share capital comprise 10,100 shares, at a nominal value of DKK 1,000.

The share capital has remained unchanged for 5 years.

## NOTES TO THE ACCOUNTS

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<b>NOTE</b>	<b>USD 1,000</b>	<b>2019</b>	<b>2018</b>
<b>10 Asset Retirement Obligations</b>			
Decommissioning as at 1 January		12,712	13,386
Adjustments during the year		-336	-693
Accretion expense related to asset retirement obligations		19	18
<b>Book value as at 31 December</b>	<b>12,395</b>		<b>12,712</b>

In February 2014, Norwegian Energy Company ASA provided DKK 445 million as security for the future abandonment cost for Nini and Cecilie. The amount is deposited into an escrow account pledged in favor of INEOS and Wintershall Dea Deutschland AG. In connection with Noreco's withdrawal of the Nini and Cecilie licenses in 2015, an agreement was reached with the other partners that Noreco remains obliged to pay for the company's share of the future abandonment cost. However, Noreco's obligation can never exceed the amount deposited in the pledged account. The deposit on the pledged account in favor of DONG and DEA totaled December 31, 2019 DKK 431 million corresponding to USD 65 million of which USD 11 million relates to Noreco Petroleum Denmark A/S.

### 11 Contingent liabilities

The interests in the company's licenses have been pledged as collateral for the Noreco Group's loans, including the producing field Lulita.

### 12 Related parties

Noreco Petroleum Denmark A/S' related parties comprise:

#### Substantial influence

Noreco Oil Denmark A/S, being principal shareholder.

Noreco Petroleum Denmark A/S is part of the consolidated financial statements of Norwegian Energy Company ASA, Nedre Vollgate 0158 Oslo, Norway, which is the smallest group in which the Company is included as a subsidiary.

#### Other related parties

The company's other related parties comprise companies in the Noreco Group, board members, management and leading employees and their family members. Further, related parties comprise companies, in which aforementioned persons have substantial interests.

## **Notes to the Accounts**

### **Applied accounting policies**

The annual report is prepared in accordance with the provisions of the Danish Financial Statements Act regarding companies under accounting class B, including selected rules under accounting class C.

The applied accounting policies are the same as last year.

### **Recognition and measurement**

Revenue is recognised in the income statement as it is earned. In addition, value adjustments are recognised for financial assets and liabilities measured at fair value or amortized cost. All expenses incurred to achieve the year's earnings are recognised in the income statement, including depreciations, write-downs and provisions, and reversals as a result of changed accounting estimates of amounts previously recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits will flow to the company and the value of the asset can be reliably measured.

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will derive from the company and the value of the liability can be measured reliably.

At initial recognition, assets and liabilities are measured at cost. Subsequently, assets and liabilities are measured as described for each accounting item below.

### **Foreign currency translation**

The annual report is presented in USD, which is the functional currency of the company. The following exchange rates have been used: as of 31 December 2019 0.149793 USD/DKK; and as of 31 December 2018: 0,153389 USD/DKK

Foreign currency transactions are translated applying the exchange rate at the transaction date. Exchange rate differences arising between the exchange rate at the transaction date and the rate at the payment date are recognised in the income statement as a financial item.

Receivables, debt and other monetary items in foreign currencies not settled at the balance sheet date are measured at the exchange rate at the balance sheet date. The difference between the exchange rate at the balance sheet date and the exchange rate at the time the receivable or debt arises is recognised in the income statement under financial income and expenses.

Fixed assets purchased in foreign currency are measured at the exchange rate on the transaction date.

## **Notes to the Accounts (continued)**

### **Applied accounting principles**

#### **Income Statement**

##### **REVENUE**

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 company has lifted and sold more or less hydrocarbons from a producing field than what the company is entitled to at the time of lifting.

##### **PRODUCTION COSTS**

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

##### **EXPLORATION COSTS**

Exploration costs include the year's costs related to exploration activities and write-downs on dry wells.

##### **SALES AND DISTRIBUTION COSTS**

Sales and distribution costs include costs in connection with transport and sale of oil and gas.

##### **ADMINISTRATION COSTS**

Administration costs comprise office costs and depreciations etc.

##### **RESULT OF SUBSIDIARIES**

A proportionate share of the individual subsidiaries' profit after tax and after a proportionate elimination of internal profit/loss and deduction of amortization of goodwill is included in the parent company's income statement.

##### **FINANCIAL ITEMS**

Financial income and expenses include interest income, realized and unrealized exchange gains and losses.

##### **TAX ON PROFIT FOR THE YEAR**

Tax on profit for the year consists of the current tax and offset changes in deferred tax, including changes in tax rates and is recognised in the income statement with the portion attributable to the profit for the year and directly on equity with the portion attributable to entries directly on equity.

The company is jointly taxed with Noreco Olie- og Gasudvinding Danmark B.V., Noreco Oil Denmark A/S, Noreco Denmark A/S and Noreco DK Pipeline ApS.

### **Balance Sheet**

##### **INTANGIBLE FIXED ASSETS**

Exploration expenses are incurred to determine whether there are deposits of oil or gas.

Research costs for drilling operations where hydrocarbon deposits are detected are recognised at cost as intangible fixed assets. If the finding results in a decision to expand the field, exploration costs are transferred to production plants under tangible fixed assets.

In accordance with the successful efforts method, a "dry hole" is fully depreciated in the year in which it is declared dry or declared uncommercial. For relinquished licenses, any activated exploration costs are fully depreciated in the year in which the license is abandoned.

## **Notes to the Accounts (continued)**

### **Applied accounting principles**

Intangible fixed assets are written down to the recoverable amount if it is lower than the carrying amount. An impairment test is performed for each asset or group of assets, if there is an indication of impairment.

#### **TANGIBLE FIXED ASSETS**

Production plants in connection with the expansion of oil and gas fields are measured at cost price less accumulated depreciation and impairment losses.

Production plants are depreciated from the start of production according to the Unit of Production method based on produced and expected recoverable volumes of oil.

Field closures under tangible fixed assets are measured at the present value of estimated field closure costs less depreciation. Present value is determined at the time the obligation is incurred and capitalized. The capitalised field closure cost is depreciated from the start of production according to the Unit of Production method based on produced and expected recoverable amounts of oil (see provisions).

Operating equipment and fixtures are measured at cost less accumulated depreciation.

Depreciation of operating equipment and fixtures is made on a straight-line basis over the expected useful life of the assets, which is 3-5 years.

Depreciation and write-downs are recognised in the profit and loss account under production costs. Gains and losses on disposal of property, plant and equipment are included in the income statement under the respective functions.

Property, plant and equipment are written down to the recoverable amount if it is lower than the carrying amount. An impairment test is performed for each asset or group of assets, if there is an indication of impairment

#### **IMPAIRMENT OF ASSETS**

The carrying amount of tangible assets is assessed annually for impairment, in addition to what is expressed by depreciation. If there are indications of impairment, an impairment test is performed for each asset or group of assets. Write-down is made to the recoverable amount if it is lower than the carrying amount. The recoverable amount is the highest value of the value in use and fair values less cost of disposal. The capital value is calculated as the present value of expected net cash flows from the use of the asset or group of assets and expected net cash flows from the sale of the asset or group of assets after the end of useful life.

#### **RECEIVABLES**

Receivables are measured at amortized cost or a lower net realizable value, which is normally nominal value less write-downs to meet any expected losses.

Prepayments and debt to operators are measured as the difference between paid cash calls and costs incurred according to the operator accounts for the individual licenses.

Accrued income, recognised under assets, include costs paid for subsequent financial years and are measured at cost. The item also includes recognised underlifting of crude oil, which is measured at realizable value. As the producing fields have more participants, situations may arise where a participant has lifted and sold more/less oil than the participant is relatively entitled to at the time of the lift. Such a situation is termed overlift and underlift respectively. Crude oil lifting is recognised under current liabilities under other debt.

#### **DIVIDEND**

Proposed dividends are recognised as a liability at the time of adoption at the Annual General Meeting (the date of declaration). Dividends expected to be paid out for the year are shown as a separate item under equity.

## **Notes to the Accounts (continued)**

### **Applied accounting principles**

#### **CORPORATE AND DEFERRED TAX**

Current tax liabilities and receivables are recognised in the balance sheet as calculated tax on the taxable income for the year, adjusted for prepaid tax.

Deferred tax is measured using the balance sheet debt method of all temporary differences between the carrying amount and the tax value of assets and liabilities

Deferred tax assets, including the tax value of tax loss carryforwards, are recognised at the value at which they are expected to be used. Changes in deferred tax due to changes in tax rates are recognised in the income statement.

#### **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.

#### **LIABILITIES**

Liabilities including debt to suppliers and group entities, as well as other debt, are measured at amortised cost, which usually corresponds to nominal value.

# PENNEO

The signatures in this document are legally binding. The document is signed using Penneo™ secure digital signature. The identity of the signers has been recorded, and are listed below.

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

## Erik Borg

Bestyrelsesmedlem

On behalf of: Noreco Denmark

Serial number: PID:9208-2002-2-086145238883

IP: 62.243.xxx.xxx

2020-06-30 21:55:42Z

NEM ID 

## Frederik Riulf Rustad

Bestyrelsesmedlem

On behalf of: Noreco Denmark

Serial number: 9578-5998-4-1589034

IP: 84.212.xxx.xxx

2020-06-30 21:58:24Z

 bankID 

## Lars Purlund

Bestyrelsesformand

On behalf of: Noreco Denmark

Serial number: PID:9208-2002-2-757439921063

IP: 77.215.xxx.xxx

2020-06-30 21:59:46Z

NEM ID 

## Atle Sonesen

Adm. direktør

On behalf of: Noreco Denmark

Serial number: 9578-5992-4-902966

IP: 77.16.xxx.xxx

2020-07-01 02:43:54Z

 bankID 

## Jon Wilson Beck

Statsautoriseret revisor

On behalf of: KPMG Statsautoriseret Revisionspartnerselskab

Serial number: CVR:25578198-RID:32142332

IP: 83.151.xxx.xxx

2020-07-01 05:30:00Z

NEM ID 

## Erik Borg

Dirigent

Serial number: PID:9208-2002-2-086145238883

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