
Noreco DK Pipeline ApS

Midtermolen 3, 4., DK-2100 Copenhagen

Annual Report for 1 January - 31 December 2020

CVR No 27 97 75 61

The Annual Report was
presented and adopted at
the Annual General
Meeting of the Company on
19 May 2021

Chairman of the meeting

Erik Borg

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Statement by the executive Board

The Executive Board has today discussed and approved the Annual Report of Noreco DK Pipeline ApS for the financial year 1 January - 31 December 2020.

The Annual Report is prepared in accordance with the Danish Financial Statements Act.

In our opinion the Financial Statements give a true and fair view of the financial position at 31 December 2020 of the Company and of the results of the Company operations for 2020.

Further, in our opinion, the Management's review gives a fair review of the matters discussed in the Management's review.

We recommend that the Annual Report be adopted at the Annual General Meeting.

Copenhagen, 19 May 2021

Executive Board

Urs Michael Mohn

Independent Auditor's Report on the Financial Statements

To the Shareholder of Noreco DK Pipeline ApS

Opinion

We have audited the Financial Statements of Noreco DK Pipeline ApS for the financial year 1 January - 31 December 2020, which comprise an income statement, balance sheet, statement of changes in equity 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 financial position of the Company at 31 December 2020 and of the results of the Company's operations for the financial year 1 January - 31 December 2020 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

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

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 as Management determines is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting 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 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 it not a guarantee that an audit conducted in accordance with ISAs and additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material, if individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Financial Statements.

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

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

Independent Auditor's Report on the Financial Statements

- 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 conclusion is 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 control that we identify during our audit.

Statement on 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 our procedures, 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 Statements Act. We did not identify any material misstatement of the Management's Review.

Copenhagen, 19 May 2021

KPMG

Statsautoriseret Revisionspartnerselskab

CVR No 25 57 81 98

Jon Beck
State Authorised
Public Accountant
mne32169

Company Information

The Company

Noreco DK Pipeline ApS
Midtermolen 3, 4.
DK-2100 Copenhagen

CVR No: 27 97 75 61
Financial period: 1 January - 31 December
Financial year: 16th financial year
Municipality of reg. office: Copenhagen

Parent company

Noreco Olie- og Gasudvinding Danmark B.V. (Holland)

Executive Board

Urs Michael Mohn

Auditors

KPMG
Statsautoriseret Revisionspartnerselskab
Dampfærgevej 28
DK-2100 Copenhagen
CVR No: 25 57 81 98

Management's Review

Main activity

The activities and purpose of the Company is to provide an alternative distribution channel to the European gas market and thereby increase competition. The Company currently provides pipeline transportation capacity to the gas producers from Danish fields to the NOGAT pipeline. Noreco Oil Denmark A/S thereby is able to distribute part of the Danish gas production to the western European market. The Company has a 41.4% interest in the pipeline. The other investors in the pipeline are Total Danmark Pipelines A/S (35.1%), Total Denmark ASW Pipeline ApS (13.5%), and the North Sea Fund (10%).

Development in the year

The income statement of the Company for 2020 shows an income of TDKK 47,833 (2019: loss TDKK 10,280), and at 31 December 2020, the balance sheet of the Company shows equity of TDKK 224,407 (2019: TDKK 176,574). The pipeline capacity has been available all through 2020, and during the redevelopment of the Tyra field, the pipeline will be the only export route for gas from the DUC area.

Targets and expectations for the year ahead

The Company expects revenue to be on the same level as in 2020 as the pipeline will be the only export route for gas from the DUC area during the Tyra Redevelopment Project.

Unusual events

The financial position at 31 December 2020 and the results of the activities for the financial year 2020 of the Company have not been affected by any unusual events other than what has already been described above.

Subsequent events

No events materially affecting the assessment of the Annual Report have occurred after the balance sheet date.

Income Statement 1 January - 31 December

| | Note | 2020 TDKK | 2019 TDKK |
|--|------|---------------|----------------|
| Revenue | | 49,428 | 13,374 |
| Productions costs | | -2,509 | -10,824 |
| Gross profit/loss | | 46,919 | 2,550 |
| Depreciation and impairment of property, plant and equipment | 2 | -549 | -538 |
| External costs | | -435 | -1,316 |
| Profit/loss before financial income and expenses | | 45,935 | 696 |
| Financial income | 3 | 7,235 | 3,361 |
| Financial expenses | | -756 | -13,185 |
| Profit/loss before tax | | 52,413 | -9,128 |
| Tax on profit/loss for the year | 4 | -4,580 | -1,152 |
| Net profit/loss for the year | | 47,833 | -10,280 |

Distribution of profit

Proposed distribution of profit

| | | |
|-------------------|---------------|----------------|
| Retained earnings | 47,833 | -10,280 |
| | 47,833 | -10,280 |

Balance Sheet 31 December

Assets

| | Note | 2020 TDKK | 2019 TDKK |
|------------------------------------|------|----------------|----------------|
| Property, plant and equipment | 5 | 21,302 | 11,826 |
| Deferred tax assets | 6 | 11,850 | 7,390 |
| Non-current assets | | 33,152 | 19,216 |
| Receivables from group enterprises | | 167,756 | 161,098 |
| Other receivables | | 4,743 | 9,754 |
| Current assets | | 172,499 | 170,852 |
| Cash in hand and at bank | | 44,618 | 3,611 |
| Assets | | 250,268 | 193,680 |

Liabilities and equity

| | | 2020 TDKK | 2019 TDKK |
|--------------------------------|---|----------------|----------------|
| Share capital | | 500 | 500 |
| Retained earnings | | 223,907 | 176,074 |
| Equity | | 224,407 | 176,574 |
| Decommissioning provision | 7 | 15,017 | 4,800 |
| Non-current liabilities | | 15,017 | 4,800 |
| Trade payables | | 8 | 325 |
| Payables to group enterprises | | 10,836 | 11,457 |
| Corporation tax | | - | 523 |
| Current liabilities | | 10,844 | 12,305 |
| Liabilities | | 25,861 | 17,106 |
| Equity and liabilities | | 250,268 | 193,680 |

| | Note |
|------------------------|------|
| Contingent liabilities | 8 |
| Related parties | 9 |
| Accounting policies | 10 |

Statement of Changes in Equity

| | Share capital | Retained earnings | Total |
|------------------------------|---------------|-------------------|----------------|
| | TDKK | TDKK | TDKK |
| Equity at 1 January | 500 | 176,074 | 174,574 |
| Net profit/loss for the year | - | 47,833 | 47,833 |
| Equity at 31 December | 500 | 223,907 | 224,407 |

Notes to the Financial Statements

1 Staff costs

There are no employees in the company, management's salary is paid by Norwegian Energy Company ASA

2 Depreciation and impairment of property, plant and equipment

Pipeline depreciation

| 2020 | 2019 |
|------------|------------|
| TDKK | TDKK |
| 549 | 538 |
| 549 | 538 |

3 Financial income and expenses

Financial income

Interest received from group enterprises
Foreign exchange gain

| 2020 | 2019 |
|--------------|--------------|
| TDKK | TDKK |
| 7,068 | 3,215 |
| 167 | 146 |
| 7,235 | 3,361 |

Financial expenses

Pipeline decommissioning accretion expense
Foreign exchange loss
Interest expense
Write down of loans to Group company

| | |
|------------|---------------|
| 192 | 184 |
| 564 | 0 |
| 0 | 6 |
| 0 | 12,955 |
| 756 | 13,185 |

4 Tax on profit/loss for the year

Current tax for the year
Deferred tax for the year
Adjustment of tax concerning previous years

| | |
|--------------|--------------|
| 10,250 | 523 |
| 843 | 514 |
| -6,514 | 115 |
| 4,580 | 1,152 |

Notes to the Financial Statements

5 Property, plant and equipment

| | Pipeline TDKK |
|---|------------------|
| Cost at 1 January | 306,393 |
| Assets acquired | - |
| Decommissioning costs, adjustment | 10,024 |
| Cost at 31 December | 316,417 |
| Impairment losses and depreciation at 1 January | 294,566 |
| Depreciation for the year | 549 |
| Impairment losses and depreciation at 31 December | 295,115 |
| Carrying amount at 31 December | 21,302 |

6 Deferred tax assets

| | 2020 TDKK | 2019 TDKK |
|-------------------------------|---------------|--------------|
| Property, plant and equipment | 9,603 | 6,289 |
| Decommissioning | 2,247 | 1,101 |
| | 11,850 | 7,390 |

7 Decommissioning provision

The Company together with the other consortium participants has an obligation to decommission the pipeline and associated facilities by end of pipeline life. The consortium participants have to develop a plan and a budget for the decommissioning of the pipeline. When the time for decommissioning of the pipeline approaches, application for approval will be sent to the Danish Energy Authority.

Due to the uncertainty of the final decommissioning cost estimates, these Financial Statements contain an estimate of the obligation and equivalent capitalised asset. Reviews of estimated decommissioning costs are carried out annually. The discount rate applied in both years is 4%.

| | 2020 TDKK | 2019 TDKK |
|---|---------------|--------------|
| Decommissioning provision beginning of the year | 4,800 | 4,616 |
| Adjustments in the year | 10,024 | - |
| Accretion | 192 | 184 |
| | 15,017 | 4,800 |

8 Contingent liabilities

The Company is jointly taxed with other Danish group entities and is jointly and severally unlimited liable for payment of Danish income taxes.

There are no other contingencies or other financial obligations.

9 Related parties

Noreco DK Pipeline ApS' related parties comprise:

Substantial influence

Noreco Olie- og Gasudvinding Danmark B.V. (Holland), being principal shareholder.

Noreco DK Pipeline ApS' 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 Financial Statements

10 Accounting Policies

Basis of Preparation

Financial Statements of Noreco DK Pipeline ApS for 2020 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to enterprises of reporting class B as well as selected rules applying to reporting class C.

The accounting policies applied remain unchanged from the prior year.

Financial Statements for 2020 are presented in TDKK.

Translation policies

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Gains and losses arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement.

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the transaction date rates are recognised in financial income and expenses in the income statement.

Fixed assets acquired in foreign currencies are measured at the transaction date rates.

Revenue

Income from the sale of pipeline capacity is recognized in revenue at the time of delivery, provided that the income can be made up reliably. VAT, indirect taxes and discounts are excluded from the revenue.

Production costs

Production costs include the costs incurred to obtain revenue for the year. e.g. costs for operating and maintaining the pipeline.

Depreciation and impairment losses

Depreciation and impairment losses comprise depreciation and impairment of pipeline.

External costs

External costs comprise payment to Group companies, IT cost and auditor fee.

Tax on profit/loss for the year

Tax for the year consists of current tax for the year, changes in deferred tax for the year and adjustment of tax concerning previous years. The tax attributable to the profit for the year is recognised in the income statement.

The Company is jointly taxed with the Danish Noreco Companies. The tax effect of the joint taxation is allocated to Danish enterprises in proportion to their taxable incomes.

Notes to the Financial Statements

10 Accounting Policies – continued

Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and less any accumulated impairment losses.

Acquisition of an asset is recognised by allocating the cost of the purchase across the individual identifiable assets and liabilities in proportion to their relative fair values at the purchase date. No goodwill is recognised.

Depreciation based on cost reduced by any residual value is calculated on a straight-line basis over the expected useful life of the asset. Remaining useful life of the pipeline: 21 years

The depreciation period and the residual value are determined at the time of acquisition and are reassessed annually.

Assets costing less than DKK 12,800 are expensed in the year of acquisition.

Impairment of fixed assets

The carrying amounts of property, plant and equipment are reviewed on an annual basis to determine whether there is any indication of impairment other than that expressed by amortisation and depreciation.

If so, the asset is written down to its lower recoverable amount.

Receivables

Receivables are recognised in the balance sheet at amortised cost, which substantially corresponds to nominal value. Provisions for estimated bad debts are made.

Deferred tax assets and liabilities

Deferred income tax is measured using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes on the basis of the intended use of the asset and settlement of the liability, respectively.

Deferred tax assets, including the tax base of tax loss carry-forwards, are measured at the value at which the asset is expected to be realised, either by elimination in tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity.

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation at the balance sheet date when the deferred tax is expected to crystallise as current tax. Any changes in deferred tax due to changes to tax rates are recognised in the income statement.

Notes to the Financial Statements

10 Accounting Policies – continued

Current tax receivables and liabilities

Current tax liabilities and receivables are recognised in the balance sheet as the expected taxable income for the year adjusted for tax on taxable incomes for prior years and tax paid on account. Extra payments and repayment under the on-account taxation scheme are recognised in the income statement in financial income and expenses.

Financial liabilities

Financial liabilities are measured at amortised cost, substantially corresponding to nominal value.

Provisions

Provisions reflect the estimated cost of decommissioning and removal of the pipeline used for transportation of gas. Provisions 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