

NORECO DENMARK A/S

ANNUAL REPORT 2020

Adopted by the Annual General Meeting on
19 May 2021

Chairman of the meeting
Erik Borg

NORECO DENMARK A/S
Midtermolen 3, 4.th., 2100 Copenhagen
CVR-nr. 29 52 08 52

Table of contents

	<u>Page</u>
Management's Statement and Auditor's Report	
Statement by the Board of Directors and the Executive Board	3
Independent Auditor's Report on the Financial Statements	4
Management's review	
Company Information	6
Management's review	7
Financial Statements 1 January – 31 December	
Income Statement 1 January – 31 December	8
Balance Sheet 31 December	9
Notes to the Financial Statements	11
Accounting Policies	13

Statement by the Board of Directors and the executive Board

The Board of Directors and the Executive Board have today discussed and approved the annual report of Noreco Denmark A/S for the financial year 1 January – 31 December 2020.

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 2020 and of the results of the Company's operations for the financial year 1 January – 31 December 2020.

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, 19 May 2021

Executive Board

Erik Borg

Board of Directors

Euan Campbell Shirlaw
Chairman

Erik Borg

Urs Michael Mohn

Independent auditor's report

To the shareholders of Noreco Denmark A/S

Opinion

We have audited the financial statements of Noreco Denmark A/S for the financial year 1 January – 31 December 2020, 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 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 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, 19 May 2021

KPMG

Statsautoriseret Revisionspartnerselskab
CVR no. 25 57 81 98

Jon Beck
State Authorised
Public Accountant
mne32169

Company Information

The Company

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

CVR-nr: 29 52 08 52
Financial year: 1 January – 31 December
Registered municipality: Copenhagen

Board of Directors

Euan Campbell Shirlaw, Chairman
Urs Michael Mohn
Erik Borg

Executive Board

Erik Borg

External Auditors

KPMG
Statsautoriseret Revisionspartnerselskab
Dampfærgevej 28
DK-2100 København Ø

Management's review

Principal activities

Noreco Denmark A/S is a wholly owned subsidiary of Altinex AS, whose ultimate owner is the listed Norwegian company Norwegian Energy Company ASA, from which the consolidated financial statements can be requested.

Noreco Denmark A/S was founded 28 April 2006 with the purpose of acquiring and owning the share capital of the subsidiary Noreco Oil Denmark A/S.

In October 2018, Norwegian Energy Company ASA announced the acquisition of Shell's Danish upstream assets, including a 36.8 % interest in the Danish Underground Consortium (the "DUC"), for a consideration of USD 1.334 billion. The transaction was approved by the Danish Energy Agency in April 2019 and was completed in July 2019, through the acquisition of Shell Olie- og Gasudvinding Danmark B.V. ("SOGU"). The 36.8 % interest in the Danish Underground Consortium has been assigned to Noreco Oil Denmark A/S, which has given a significant increase in Noreco Oil Denmark A/S' activity and solidity.

Key operations and profit

In 2020 the net profit before tax amounted to USD 57.1 million (2019 USD 249.6 million). The profit in 2020 and 2019 was significantly influenced by the reversal of write down of investments in Noreco Oil Denmark A/S.

At 31 December 2020 the equity amounted to USD 331.7 million, compared to USD 274.1 million as of 1 January 2020.

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.

PROFIT & LOSS ACCOUNT 1 JANUARY - 31 DECEMBER

NOTE USD 1,000	2020	2019
Administrative costs	-14	-4
Profit before financial items	-14	-4
4 Reversal of write-down of investments in subsidiary	57,052	249,337
1 Financial income	239	1,041
2 Financial costs	-116	-706
Profit before tax	57,160	249,668
3 Tax on the profit for the year	-24	-73
PROFIT FOR THE YEAR	57,136	249,595
Proposal for distribution		
Retained earnings brought forward	57,136	249,595
Proposed dividend	0	0
	57,136	249,595

BALANCE SHEET - ASSETS

NOTE	USD 1.000	2020	2019
FIXED ASSETS			
4	Investments in subsidiary	328,944	271,892
5	Loans to group entities	2,437	2,419
Financial fixed assets		331,382	274,311
TOTAL FIXED ASSETS		331,382	274,311
CURRENT ASSETS			
	Receivables from affiliates	1,579	0
Receivables		1,579	0
TOTAL CURRENT ASSETS		1,579	0
TOTAL ASSETS		332,960	274,311

BALANCE SHEET - LIABILITIES

NOTE	USD 1,000	2020	2019
SHAREHOLDERS' EQUITY			
	Share capital	190	190
	Retained earnings	331,078	273,942
6	TOTAL SHAREHOLDERS' EQUITY	331,268	274,132
LIABILITIES			
	Debts or payables to group entities	16	106
	Tax payable	1,675	73
	Short-term liabilities	1,691	179
	TOTAL LIABILITIES OTHER THAN PROVISIONS	1,691	179
	TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	332,960	274,311
7	Contingent liabilities		
8	Related parties		

NOTES TO THE ACCOUNTS

NOTE USD 1,000	2020	2019
There are no employees in the company.		
1 Financial income		
Interest from affiliates	124	277
Exchange rate adjustments	115	763
Total	239	1,041
2 Financial costs		
Exchange rate adjustments	-116	-706
Total	-116	-706
3 Tax		
Tax on the result for the year	24	73
Adjustment deferred tax	0	0
Adjustment regarding previous years	0	0
Total	24	73

NOTES TO THE ACCOUNTS

NOTE USD 1,000	2020	2019
4 Investments in subsidiaries		
Acquisition cost as at 1 January	328,944	328,944
Additions during the year	0	0
Acquisition cost as at 31 December	328,944	328,944
Value adjustments as at 1 January	-57,052	-306,389
Reversal/write down	57,052	249,337
Value adjustments as at 31 December	0	-57,052
Book value as at 31 December	328,944	271,892
Investments in subsidiaries are specified as follows:		
Name:	Address:	Share of votes and interest
Noreco Oil Denmark A/S	Copenhagen, Denmark	100%
		Profit for the year
		65.0
		Equity
		382.1

NOTES TO THE ACCOUNTS

NOTE	USD 1,000	2020	2019
5 Loans to affiliates			
As at 1 January		2,419	10,304
Additions during the year		18	-7,885
Book value as at 31 December		2,437	2,419
6 Shareholders' equity			
Changes in equity			
Shareholders' equity as at 1 January		274,132	24,537
Profit for the year		57,136	249,595
Shareholders' equity as at 31 December		331,268	274,132
Share capital			
Share capital as at 1 January		190	190
Additions during the year		0	0
Share capital as at 31 December		190	190
The share capital comprise 1,100 shares, at a nominal value of DKK 1,000. The share capital has remained unchanged for 5 years.			
Retained earnings			
Balance as at 1 January		273,942	24,347
Profit for the year		57,136	249,595
Balance as at 31 December		331,078	273,942
Shareholders' equity as at 31 December		331,268	274,132

7 Contingent liabilities

The shares of the subsidiary Noreco Oil Denmark A / S has been pledged as collateral for the Noreco Group's loans.

The company is jointly taxed with other Danish group companies. As a group company, the company is indefinitely and jointly and severally liable with other group companies for Danish corporate and withholding taxes on dividends, interest and royalties within the joint taxation. Any subsequent corrections of joint tax income and withholding tax, etc. could result in liability for the company.

8 Related parties

Noreco Denmark A/S' related parties comprise:

Substantial influence

Altinex AS, being principal shareholder.

Noreco Danmark A/S is part of the consolidated financial statements of Norwegian Energy Company ASA, Nedre Vollgate 0158 Oslo, Norway, which is the smallest and largest 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 opt-ins from reporting class C.

According to the Danish Financial Statements Act's §112, subsection 1, no consolidated account is to be prepared. The annual reports of Noreco Denmark A/S and its subsidiaries are included in the consolidated accounts for Noreco ASA.

The applied accounting policies are the same as last year.

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 2020, 0.165082 USD/DKK; and as of 31 December 2019: 0.149793 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.

Income Statement

ADMINISTRATION COSTS

Administration costs comprise office costs.

FINANCIAL ITEMS

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

Dividends from investments in subsidiaries are recognized as income in the financial year in which the dividend is declared.

TAX ON PROFIT FOR THE YEAR

Tax on profit for the year consists of the current tax and 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 Oil Denmark A/S, Noreco Petroleum Denmark A/S, Noreco DK Pipeline ApS and Noreco Olie- og Gasudvinding Danmark B.V. Danish Branch

Notes to the Accounts (continued)

Applied accounting principles

Balance Sheet

FINANCIAL FIXED ASSET INVESTMENTS

Investments in subsidiaries are measured in the parent company at cost. An impairment test is performed of each asset or group of assets, respectively, if there is an indication of impairment. When the cost exceeds the recoverable amount, write-down is made to the lower value.

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.

CORPORATE AND DEFERRED TAX

Current tax liabilities and current tax receivable are recognized in the balance sheet as calculated tax for the year taxable income, 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 carry forwards, 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.

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.