BLUENORD ENERGY DENMARK A/S

ANNUAL REPORT 2023

Adopted by the Annual General Meeting on
22 May 2024

Chairman of the meeting
Jacqueline Lindmark Boye

BLUENORD ENERGY DENMARK A/S
Lyngbyvej 2, 2100 Copenhagen
CVR-nr. 78 34 27 14

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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 BlueNord Energy Denmark A/S for the financial year 1 January – 31 December 2023.

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 2023 and of the results of the Company's operations for the financial year 1 January – 31 December 2023.

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, 22 May 2024

Executive Board

Marianne Wold Eide

Board of Directors

Euan Campbell Shirlaw
Chairman

Marianne Wold Eide

Jacqueline Lindmark Boye

Independent auditor's report

To the shareholders of BlueNord Energy Denmark A/S

Opinion

We have audited the financial statements of BlueNord Energy Denmark A/S for the financial year 1 January – 31 December 2023 comprising 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 Company's assets, liabilities and financial position at 31 December 2023 and of the results of the Company's operations and cash flows for the financial year 1 January – 31 December 2023 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' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

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 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 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 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 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 control 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 misstatement of the Management's review.

Copenhagen, 22 May 2024
KPMG
Statsautoriseret Revisionspartnerselskab
CVR no. 25 57 81 98

Jon Beck
State Authorised
Public Accountant
mne32169

Company Information

The Company	BlueNord Energy Denmark A/S Lyngbyvej 2 DK - 2100 Copenhagen CVR-nr: 78 34 27 14 Financial year: 1 January – 31 December Registered municipality: Copenhagen
Board of Directors	Euan Campbell Shirlaw, Chairman Jacqueline Lindmark Boye Marianne Wold Eide
Executive Board	Marianne Wold Eide
External Auditors	KPMG Statsautoriseret Revisionspartnerselskab Dampfærgevej 28 DK - 2100 København Ø CVR no. 25 57 81 98

Financial Highlights

	2023	2022	2021	2020	2019	2018
Income Statement (USD million)						
Revenue	791.6	960.5	558.4	480.2	280.4	0.4
Profit (loss) before financial items	326.0	488.0	142.9	70.4	25.2	(15.3)
Net financial items	(145.1)	(114.9)	(102.7)	(40.7)	(0.4)	(7.3)
Profit (loss) for the year	111.1	103.3	17.6	65.0	364.5	(21.1)
Balance sheet (USD million)						
Total Assets	4,038.7	3,845.4	3,615.6	2,609.7	2,395.3	16.0
Shareholders' Equity	626.7	503.2	317.9	382.1	271.9	(61.7)
Investments (USD million)						
Production licence	0.0	0.0	0.0	0.0	156.0	0.0
Production facilities	313.1	237.7	228.2	235.1	694.3	0.0
Financial ratios						
Average oil price (USD/bbl)	68	76	58	57	64	72
Operating margin	41%	51%	26%	15%	9%	-38%
Return on invested capital	10%	19%	7%	5%	4%	46%
Return on Equity	20%	25%	5%	20%	347%	18%
Equity ratio	16%	13%	9%	15%	11%	-385%
Average number of employees	21	18	16	16	9	1

Average oil price is calculated as total invoiced oil sales adjusted for settlement og hedges in place, divided by total lifted volume.

The key figures are calculated as shown below:

Operating margin $\frac{\text{Profit (loss) before financial items x 100}}{\text{Revenue}}$

Return on invested capital $\frac{\text{Profit (loss) before financial items x 100}}{\text{Average invested capital*}}$

Return on Equity $\frac{\text{Profit (loss) for the year x 100}}{\text{Average equity}}$

Equity ratio $\frac{\text{Equity, year-end x 100}}{\text{Total liabilites, year-end}}$

*) Average invested capital is calculated as total liabilities less non interest bearing debts, and Cash in hand and at Bank

Management's review

Following the acquisition of Shell's Danish upstream assets in 2019, BlueNord holds a 36.8 percent non-operated interest in the DUC and is the second largest oil and gas producer in Denmark. DUC is a joint venture between TotalEnergies (43.2 percent), BlueNord Energy Denmark A/S (36.8 percent) and Nordsøfonden (20.0 percent), and comprises four hubs (Halfdan, Tyra, Gorm and Dan) and 11 producing fields. It is operated by TotalEnergies, which has extensive offshore experience in the region and worldwide.

Since the acquisition in 2019, BlueNord has built a meaningful presence in Denmark and established good relationships with its partners TotalEnergies and Nordsøfonden, as well as other stakeholders, including the DEA.

Production remained robust as a result of proactive workovers and well restimulations and BlueNord delivered strong production from the Halfdan, Dan and Gorm hubs in 2023 with a yearly production of 24.9 mboepd and an overall operational efficiency at approximately 86 percent.

The Tyra redevelopment is an ongoing project within the DUC and is the largest project that is ever carried out on the Danish continental shelf. At the start of 2023, Tyra was in final form, so the work for the year centred on testing and commissioning and the tie-in of facilities. This included testing the gas turbine generators, reconnecting the export pipeline to Denmark, completion of subsea work, reconnecting all satellite fields and completion of leak testing.

In 2023, the Company participated in the following licences/concessions:

Licence	Field	Ownership %
DK 1/90 & 7/86	Lulita	10.000
DK Sole Concession of 8 July 1962	DUC	36.800

Organisational structure

BlueNord Energy Denmark A/S is a wholly owned subsidiary of BlueNord Denmark A/S. The ultimate parent company BlueNord ASA is registered in Norway and listed at the Oslo Børs. For more information about the group, please see the website www.bluenord.com.

BlueNord Energy Denmark A/S is the parent company of the subsidiaries BlueNord Gas Denmark A/S and BlueNord Energy UK Ltd.

BlueNord Gas Denmark A/S

BlueNord Gas Denmark holds a 10.0% share of license 1/90 & 786. The company has no employees.

BlueNord Energy UK Ltd.

The company currently holds no licences, however, BlueNord Energy UK Ltd. is actively seeking strategic opportunities.

Key operations and profit

Total revenue for 2023 amounted to USD 792 million, a decrease from USD 961 million the previous year. The revenue is related to oil and gas sales from the DUC fields. The revenue in 2023 was achieved by a production of 6.9 million barrels of oil and 307.3 million Nm^3 of gas from the Company's share in the DUC fields, compared to 7.5 million barrels of oil and 314.3 million Nm^3 of gas the previous year. The decrease in revenue reflects the lower production and lower commodity prices than those seen in 2022. Realised average oil price for 2023 was USD 68 per barrel compared to USD 76 per barrel the previous year. Production cost amounted to USD 407 million in 2023 compared to USD 316 million in 2022.

Net financial items amounted to an expense of USD 145 million in 2023, compared to an expense of USD 115 million in 2022.

Income Tax amounted to a tax expense of USD 70 million for the year, compared to an expense of USD 270 million in 2022.

Net profit after tax for the year amounted to USD 111 million compared to USD 103 million in 2022. Equity amounted to USD 627 million as of 31 December 2023 compared to USD 503 million as of 1 January 2023. The change in equity reflects the net profit after tax and value adjustments of financial instruments.

Outlook for 2024

BlueNord has a stable business, underpinned by the Company's position in the DUC and further supported by risk mitigations. The volatility in prices has been significant and Management is continuously assessing the market to mitigate commodity price volatility. The Company has during 2023 entered into fixed-price swap contracts for additional oil and gas volumes from 2024 to 2026.

The Company monitors global as well as local political and economic conditions that may affect future results. See further detail on this issue and mitigations as outlined in the section Risks and Uncertainties on page 12.

Activity to progress value adding organic DUC investment projects also continues, and we will seek to sanction projects as they are sufficiently matured. BlueNord believes economic investments in these projects will help to replace produced reserves and provide strong financial returns benefiting the Company's shareholders.

First gas from the Tyra II field was achieved 21 March 2024, with ramp-up to maximum technical capacity expected within four months. This will lead to a step-change in performance for BlueNord, with a doubling of production combined with a lowering of production cost per barrel of oil equivalent (boe) and emissions intensity.

Based on forecasted production, including production from Tyra II, and current commodity prices, the Company expects revenue and profit before tax for 2024 to be above 2023 level.

Research and development

BlueNord 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 have together established the Danish Offshore Technology Centre ('DOTC').

DOTC conducts research into responsible and efficient oil and gas production from the Danish North Sea with a reduced environmental and climate footprint. In 2023, the DUC invested DKK 18 million in the DOTC. Current ongoing work programme includes:

• Abandonment of offshore oil and gas fields. Monitoring of abandoned installations in reference to an environmental baseline, for long-term protection.

• CO_2 storage in old oil and gas fields.

• Produced water management. Developing new technologies to optimise the water treatment process, with a view to achieving our vision of zero harmful discharge.

• Operations and maintenance technology. Modular architecture for planning maintenance in a cost-effective way.

BlueNord is actively assessing the long-term potential for carbon capture and storage (CCS), both within its existing asset base in the DUC and beyond. Together with Total Energies and Nordsøfonden we are partner in Project Bifrost, where we are undertaking early-stage studies to determine the feasibility of CO_2 transport and storage using existing infrastructure at the Harald reservoir. BlueNord has made a strategic investment in CarbonCuts A/S, intending to establish an onshore CO_2 storage location in Denmark and address Denmark's ambitions for onshore storage of CO_2. The Company will contribute to the Paris Agreement's goal of arresting global warming, with its core business to build, own and operate permanent geological sites for CO_2 storage. The target for the first storage of CO_2 is 2029. CarbonCuts' first project in the Rødby area has received local support and has attracted national and international political interest.

Corporate Social Responsibility

Requirements according to the Danish Financial Statements Act, section 99a, have been fulfilled. The information can be found in the Annual Report and Accounts 2023 of BlueNord ASA. For a statement of the Company's corporate social responsibility, please refer to Annual Report and Accounts 2023 of BlueNord ASA page 69, the information can be found at: https://www.bluenord.com/content/uploads/2024/04/BlueNord-Annual-Report-2023-Book.pdf

Information in relation to the Company's work with human rights can be found in the Annual Report and Accounts 2023 of BlueNord ASA page 41.

Information in relation to the Company's work with anti-corruption and bribery can be found https://bluenord.com/pdf/Code-of-Conduct.pdf and Annual Report and Accounts 2023 of BlueNord ASA page 41.

Goals and policies for the underrepresented gender

Reporting on goals and policies for the underrepresented gender is done according to the Danish Financial Statements Act, section 99b. The Board believes that its members should be elected on the basis of their combined qualifications and at the same time recognise the advantages of a Board comprising a wide range of backgrounds, such as industry experience, professional competence, culture and gender. On this basis, the Board has in April 2021 defined a target to increase the share of the under-represented gender on the Board to account for at least 33% of the board members appointed at the general meeting within 4 years. As of 31 December 2023, there was 2 women among the 3 board members appointed at the general meeting. Consequently, the Company's board is, according to the Danish Financial Statements Act, considered to have equal representation of genders among the Company's board members.

At present, the gender composition is 6 women and 5 men at the other management levels, these are detailed below. Consequently, the Company's other management levels are, according to the Danish Financial Statements Act, considered to have equal representation of genders among the Company's other management levels.

	2023
Top management body	
Total number of members	3
Underrepresented gender in %	33,3%
Other management levels	
Total number of members	11
Underrepresented gender in %	45%

For further information, see page 36 in the Annual Report and Accounts 2023 of BlueNord ASA.

Health, Environment and Safety

BlueNord 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 2023, BlueNord was, through its ownership in the DUC in which TotalEnergies is the operator, involved in production of oil and gas which could cause emissions to the sea and air.

BlueNord 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 BlueNord's operations and business performance.

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.

Reporting of tax payments to Governments

Requirements according to the Danish Financial Statements Act, section 99c, have been fulfilled. The information can be found in the Annual Report and Accounts 2023 of BlueNord ASA on page 71. The annual report can be found at:
https://www.bluenord.com/content/uploads/2024/04/BlueNord-Annual-Report-2023-Book.pdf

Report on data ethics

BlueNord does not yet have a policy for data ethics. BlueNord primarily sells its products to few large companies and does not handle a significant amount of sensitive personal data. However, one of the purposes of BlueNord Code of Conduct is to ensure that the employees familiarise themselves, and are aware of, proper data management within the BlueNord organisation.

Risks and uncertainties

The Company faces various risks which may impact the Company and not all these risks are necessarily in the Company's control. For this reason, the Company has established a risk management process to identify and assess how to respond to risks. That response can include acceptance, an action plan with mitigating factors to reduce the risk, transfer to third parties, or terminating the risk by ceasing certain activities.

Within the BlueNord Group a single overall control framework is in place. The internal control framework supports the Management and mitigation of risk. The process is designed to manage, mitigate and communicate, rather than eliminate, the risk of failure to achieve strategic priorities.

The most significant risks in general terms and for the Company include:

Geographical concentration and field interdependency

Production of oil and gas is concentrated in a limited number of offshore fields in a limited geographical area of the Danish continental shelf. Consequently, the concentration of fields and infrastructure may result in incidents or events in one location affecting a significant part of BlueNord business.

Material influencing factors:

- Four producing hubs that are interconnected and utilise the same infrastructure.
- The fields within one hub are interconnected and one field can depend on another to extract hydrocarbons.
- All gas produced on the different hubs is processed and transported to shore via the Tyra Hub or the NOGAT pipeline.
- The Gorm Hub receives liquids from all the other hubs and sends it to shore via pipeline from Gorm E.

Actual reserves may differ from reported reserves estimates

The reported reserves and resources represent significant estimates based on several factors and assumptions made as of the reported date, all of which may vary considerably from actual results. Further, oil and gas production could also vary significantly from reported reserves and resources. Should the actual results of the Company deviate from the estimated reserves and resources, this may have a significant impact on the value of the Group's assets and cash flow from operations.

Material influencing factors:

- Assumptions on which the reserves estimates are determined include geological and engineering estimates (which have inherent uncertainties), historical production, the assumed effects of regulation by governmental agencies and estimates of future commodity prices and operating costs.
- The Company is a non-operated partner in the DUC and as such has less control of future decline-mitigating investments in the producing assets that have an impact on oil and gas production.

Ongoing investment in developments

The Company makes and expects to continue to make substantial investments in its business for the development and production of oil and natural gas reserves. Such projects require substantial investments to bring into production, which come with several inherent risks.

Material influencing factors:

- Development projects have inherent execution risks including cost overruns and delays, in addition to the impact of commodity prices on the economics of a project.
- The Company may also be unable to obtain needed capital or financing on satisfactory terms, which could lead to a decline in its oil and gas reserves.

Tyra redevelopment project

The Tyra redevelopment project is, to date, the largest project carried out on the Danish continental shelf. The project is now nearing completion, but the risk of delay remains, particularly with regards to the ramp-up of production and further uncertainty of performance once wells are unplugged. Such risks may have an adverse effect on BlueNord's financial position.

Material influencing factors:

- The scope of the project includes removal of old facilities, modifying existing ones, and installing new features; there are inherent risks with such significant projects, including risks of cost overruns and delays.
- The project has been delayed twice to date; the first in November 2020 due to the Covid-19 pandemic, and again in August 2022 driven by global supply chain challenges.

Decommissioning estimates

There are significant uncertainties and significant estimation risks relating to the cost and timing for decommissioning of offshore installations and infrastructure. A significant deviation from such estimates may have a material adverse effect on the Company's results of operations, cash flow and financial condition. This includes the timing of when security may need to be put in place.

Material influencing factors:

- Within the DUC, the partners are primarily liable to each other on a pro-rata basis and, secondarily, jointly and severally liable for all decommissioning obligations.
- There is an obligation for participants to provide security for their respective share of any decommissioning liabilities ahead of actual decommissioning based on calculations as set out in the joint operating agreement.

Market risks

Commodity prices

The Company's main business is to produce and sell oil and gas, therefore, future revenues, cash flow, profitability, financing, and rate of growth depend substantially on prevailing prices of oil and gas. Because oil and gas are globally traded, the Company is unable to control or predict the prices it receives for the oil and gas it produces.

Commodity price fluctuations could reduce the Company's ability to refinance its outstanding credit facilities and could result in a reduced borrowing base under credit facilities available to the Company, including the RBL facility. Fluctuations in commodity prices could also lead to impairments of the Company's assets.

Material influencing factors:

- During 2023, volatility and uncertainty remained in the commodity market, however, the spikes of 2022 did not recur, and global supply risks have been managed. The impact of conflict in various regions continues to have some impact but markets have tended to adapt to this situation.
- The hydrocarbons produced from specific fields may also have a premium/discount in relation to benchmark prices, such as Brent, which may vary over time.
- The majority of the natural gas produced by the Company is sold at Trading Hub Europe ('THE') prices. THE closely follows the Dutch Title Transfer Facility ('TTF') price. The Company is more exposed to additional price volatility deriving from proposed responses by the European Commission, as seen with the proposed Market Correcting Mechanism, however, this has not recurred in 2023.

Foreign currency exposure

The Group is exposed to market fluctuations in foreign exchange rates. Significant fluctuations in exchange rates between euros and Danish kroner to US dollars may materially adversely affect the reported results.

Material influencing factors:

- Revenues are in US dollars for oil and in euros for gas, while operational costs, taxes and investments are primarily in US dollars, euros and Danish kroner.
- The Company's financing is primarily in US dollars.

Cyber security

A compromised network or infrastructure would seriously impair the Company's ability to maintain regular operations, including being able to continue reporting, regulatory and financial obligations if required information were not available.

Material influencing factors:

- As in 2022, ongoing global tensions continue to raise IT security risks around cyber crime and similar threats.
- Protection and monitoring of critical infrastructure continues to be a high priority in the Danish energy sector.

Financial liabilites

Available funding to meet the Company's financial liabilities

The Company has several debt instruments which expose it to interest rate risk and obligations to meet certain covenants. The Company's material hedging programme provides significant visibility over its 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 BlueNord to ultimately fulfil its obligations. The availability of funding and the nature and diversity of lenders being used can pose third party liquidity risk.

Material influencing factors:

- Exposure to floating interest rates through the Company's USD 1.1 billion RBL.
- Under these financing instruments, the Company is subject to several covenants, including maximum leverage relative to earnings and demonstration of a minimum level of liquidity.

Future capital requirements

BlueNord'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 cash flow is insufficient to fund the business plan at the time, and in particular the Tyra redevelopment project, additional external capital may be required. BlueNord currently has a strong financial base, supported by existing liquidity and 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, BlueNord would be able to access the debt or equity markets on favorable terms, or if necessary, be able to adequately restructure or refinance its debt.

Insurance risk

The Company maintains liability insurance in an amount that it considers adequate and consistent with industry standards. However, 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.

Material influencing factors:

- Due to the ongoing geopolitical situation, there may be an increased risk for the Group's assets becoming a target of war acts and/or sabotage, as seen with the Nord Stream pipeline sabotage in September 2022. No such event was noted during 2023.
- Any such acts of war or sabotage directed towards the Group's assets may have a material adverse effect on the Group's assets and financial position, and whether an incident is classified as an act of war or sabotage under the Group's insurances may have consequences for the Group's right to claim insurance proceeds under the relevant insurances.

Third-party risk

The Company does not have a majority interest in any of its licences and consequently cannot solely control such assets. Nor does the Company have operatorship over any of its assets. The Company therefore has limited control over management of such assets. 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 (as is the case for the Company's 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. The Company may not have the resources to meet these obligations.

Politics, regulation and compliance

Exploration and development activities in Denmark are dependent on receipt of government approvals and permits to develop assets. There is no assurance that future political conditions in Denmark will not result in the government adopting new or different policies and regulations relating to exploration, development, operation and ownership of oil and gas, environmental protection, and labour relations. Any of the above factors may have a material adverse effect on the Company's business, results of operations, cash flow and financial condition.

Material influencing factors:

- Future political conditions in Denmark could result in government adopting new or different policies, meaning that the Company may be unable to obtain, maintain or renew required drilling rights, licences, permits resulting in work being halted.
- Due to the Russian invasion of Ukraine, new regulations have been imposed by the EU, United States, United Kingdom and other governments, which affects the export and import of oil and gas to and from the Russian market.
- Trade restrictions on the Russian market could increase the importance of the oil and gas fields in Europe, including in Denmark. Such increase in importance could result in governments adopting new regulations that could affect the assets and the operations of the Company.

Danish taxation and regulations

All of BlueNord'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 those currently in place.

Material influencing factors:

The law proposal on the Solidarity Contribution was enacted in 2023 and its impact on the Company is known and accounted for. No new exposures have been identified during 2023. As taxation has a major impact on the Company's results, such amendments may significantly impact the group's cash flow and financial condition.

A further tax yet to be adopted is regarding additional CO2 duties. The proposal as currently presented would be implemented from 2025 but as it is still in proposal stage, the timing and extent of impact remains uncertain.

Financial reporting risk

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

Reputational risks

BlueNord may be negatively affected by adverse market perception as it depends on a high level of integrity to maintain the 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.

Climate risk

Changes to and impacts of environmental 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.

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.

Material influencing factors:

- 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.
- 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 GHGs.
- Environmental legislation is evolving in a manner expected to result in stricter standards and enforcement, larger fines and liability, and potentially increased investments and operating costs.
- With all assets on the Danish continental shelf, the Company is highly exposed to changes in Danish law.

Subsequent events

On 24 January 2024, the Company acquired the shares in CarbonCuts A/S.

During the first quarter of 2024, the Tyra facilities were successfully re-started, and gas was exported to the Danish Nybro facility which defined the restart of the Tyra facilities. On the 25 of March gas was also introduced from the Tyra satellite field Harald. However, on the 16th of April, during export of Harald gas, an incident relating to the transformer on the IP compressor occurred. This is temporarily impacting the commissioning of the new Tyra facilities ramp-up and testing period. The Total Energies teams are working to resolve the issue as well as identifying temporary solutions to continue production by bypassing the IP transformer. Export from Harald is expected to resume in July with export from the remaining fields to commence at reduced gas export capacity in August and plateau production is expected to be reached during November 2024. For more details and updates please see Stock Exchange News | www@bluenord.com

Besides from above, there are no events with significant accounting impacts that have occurred between the end of the reporting period and the date of this report.

Financial Statements 1 January - 31 December
Income Statement

NOTE	USD '000	2023	2022
1	Revenue	791,558	960,503
2	Production costs	-406,644	-416,431
	Gross profit	**384,914**	**544,072**
3	Exploration costs	-1,439	-667
	Sales and distribution costs	-34,271	-39,132
4 - 5	Administrative costs	-23,216	-16,288
	Profit before financial items	**325,989**	**487,985**
6	Financial income	139,508	88,914
7	Financial costs	-284,638	-203,850
	Profit before tax	**180,859**	**373,049**
8	Tax on the profit for the year	-69,737	-269,710
	PROFIT FOR THE YEAR	**111,122**	**103,339**
9	**Proposed distribution of net profit**		
	Retained earnings	111,122	103,339
	Proposed dividend	0	0
		111,122	**103,339**

BALANCE SHEET - ASSETS

NOTE	USD '000	2023	2022
	FIXED ASSETS		
	Licence	121,624	130,397
10	**Intangible fixed assets**	**121,624**	**130,397**
	Production facilities	1,005,357	861,482
	Asset under construction	1,171,207	1,047,074
	Other assets	343	115
11	**Tangible fixed assets**	**2,176,907**	**1,908,671**
12	Investments in subsidiaries	45,373	45,373
13	Loans to group entities	815,061	710,931
	Derivative instruments	14,049	33,688
14	Restricted cash	149,578	142,550
15	Deferred tax assets	334,434	301,262
	Financial fixed assets	**1,358,495**	**1,233,804**
	TOTAL FIXED ASSETS	**3,657,026**	**3,272,872**
	CURRENT ASSETS		
	Inventories	**57,269**	**64,842**
	Trade Receivables	58,835	93,247
	Other receivables	4,743	824
	Derivative instruments	71,664	130,919
	Prepayments	25,497	24,631
	Receivables	**160,738**	**249,621**
	Cash in hand and at bank	**163,671**	**258,058**
	TOTAL CURRENT ASSETS	**381,679**	**572,522**
	TOTAL ASSETS	**4,038,705**	**3,845,393**

BALANCE SHEET - LIABILITIES

NOTE	USD '000	2023	2022
	SHAREHOLDERS' EQUITY		
	Share capital	27,040	27,040
	Retained earnings	599,630	476,133
16	**TOTAL SHAREHOLDERS' EQUITY**	**626,670**	**503,173**
	PROVISIONS		
18	Asset retirement obligations	1,019,147	931,980
	TOTAL PROVISIONS	**1,019,147**	**931,980**
	LIABILITIES		
17	Reserve based lending facility	692,388	759,857
	Derivative instruments	3,232	41,522
	Debts to group entities	1,277,079	1,172,616
	Long-term liabilities other than provisions	**1,972,698**	**1,973,995**
17	Reserve based lending facility	125,000	0
18	Asset retirement obligations	15,850	10,228
	Trade payables	71,559	81,040
	Derivative instruments	35,920	125,286
	Tax payable	136,534	190,535
	Other debts	35,326	29,155
	Short-term liabilities	**420,189**	**436,244**
	TOTAL LIABILITIES OTHER THAN PROVISIONS	**2,392,888**	**2,410,238**
	TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**4,038,705**	**3,845,393**

19 Contingent liabilities
20 Guarantees
21 Related party disclosures
22 Contingencies and commitments
23 Subsequent events

Statement of changes in equity

USD '000	Share capital	Retained Earnings	Proposed dividend for the year	Total equity
2023				
Equity at 1 January	27,040	476,133	0	503,173
Net profit for the year	0	111,122	0	111,122
Value adjustment financial instruments after tax	0	11,004	0	11,004
Share-based incentive program	0	1,371	0	1,371
Equity at 31 December	**27,040**	**599,630**	**0**	**626,670**
2022				
Equity at 1 January	27,040	290,898	0	317,938
Net profit for the year	0	103,339	0	103,339
Value adjustment financial instruments after tax	0	81,381	0	81,381
Share-based incentive program	0	515	0	515
Equity at 31 December	**27,040**	**476,133**	**0**	**503,173**

NOTE	USD '000	2023	2022
1	**Revenue**		
	Oil	485,567	552,136
	Gas	305,992	408,367
	Total	**791,558**	**960,503**
	By geographical area:		
	Denmark	762,551	830,742
	North West Europe	29,007	129,761
	Total	**791,558**	**960,503**
2	**Production costs**		
	Operating costs	304,780	283,545
	Depreciation	101,864	132,886
	Total	**406,644**	**416,431**
3	**Exploration costs**		
	Exploration costs	1,439	667
	Total	**1,439**	**667**
4	**Personnel costs and employees**		
	Personnel costs		
	Salaries etc.	6,029	4,835
	Pension contributions	508	353
	Other social security costs	24	20
	Total	**6,562**	**5,208**

Personnel costs and executive and board remuneration are included in the item Administrative costs

Bonus programme and share-based programme has been established for all permanent employees.

With reference to provision 98b, 3.2 of the Danish Financial Statements Act, no Board of Directors' fee and Management remuneration is shown due to only one person receiving remuneration

NOTE	USD '000	2023	2022
	Number of employees		
	Average for the year	21	18
	By the end of the year	21	23
5	**Audit fees**		
	Audit	251	212
	Other assurance services	11	6
	Total	**262**	**218**

NOTES TO THE FINANCIAL STATEMENTS

NOTE	USD '000	2023	2022
6	**Financial income**		
	Interest income	17,555	3,741
	Interest from group entities	74,946	48,527
	Unrealised gains derivatives	0	10,163
	Realised gains derivatives	46,359	12,474
	Foreign exchange gains	648	14,009
	Total	**139,508**	**88,914**
7	**Financial costs**		
	Interest expenses	139,881	109,244
	Interest to group entities	121,989	84,192
	Unrealised loss derivatives	9,935	0
	Realised loss derivatives	5,520	932
	Foreign exchange losses	7,313	9,482
	Total	**284,638**	**203,850**
8	**Tax on the result for the year**		
	Danish tax payable, contribution from joint taxation	131,978	198,666
	Adjustment deferred tax, current year	-53,282	63,692
	Adjustment of deferred tax prior years	-12,185	0
	Adjustment prior year current tax	3,227	7,352
	Total	**69,737**	**269,710**
9	**Proposed distribution of net profits**		
	Retained earnings brought forward	111,122	103,339
	Proposed dividend	0	0
	Total	**111,122**	**103,339**

NOTE USD '000

10	**Intangible fixed assets**	Licence	Exploration	Conseptual studies
	Acquisition cost as at 1 January	156,000	1,830	1,938
	Reclassified to operating expenses	0	0	-1,938
	Additions during the year	0	101	0
	Acquisition cost as at 31 December	**156,000**	**1,931**	**0**
	Depreciation as at 1 January	29,372	0	0
	Depreciation during the year	6,936	0	0
	Depreciation as at 31 December	**36,307**	**0**	**0**
	Book value as at 31 December	**119,693**	**1,931**	**0**
	Depreciation is included in the items below:			
	Production costs	6,936	0	0

11	**Tangible fixed assets**	Production facilities	Asset under construction	Other assets
	Acquisition cost as at 1 January	1,252,086	1,047,074	645
	Additions during the year	68,569	244,570	346
	Reclassification from AUC to production facilities	120,437	-120,437	0
	Disposal	0	0	-28
	Adjustment regarding decommissioning	49,797	0	0
	Acquisition cost as at 31 December	**1,490,889**	**1,171,207**	**963**
	Depreciation as at 1 January	390,604	0	530
	Depreciation for the year	94,929	0	95
	Reversal depreciation, disposal	0	0	-4
	Depreciation as at 31 December	**485,532**	**0**	**620**
	Book value as at 31 December	**1,005,357**	**1,171,207**	**343**
	Depreciation is included in the items below:			
	Production costs	94,929	0	0
	Administrative costs	0	0	95

Impairment reviews

The Group's judgement is that it has only one cash-generating unit (CGU). The Group has not identified any impairment triggers in 2023 or 2022. It is consequently not required to perform any impairment tests.

In its annual financial statements for 2022 the Group disclosed that it had made an estimate of value in use of its CGU. This amount was lower than an estimate of fair value less cost of disposal based on market capitalisation. Market capitalisation was USD 1,281.6 million and USD 1,028.9 million on 31 December 2023 and 2022, respectively, based on US dollar and Norwegian kroner rates at these points in time. Carrying amount of equity was USD 813.6 million and USD 664.2 million on 31 December 2023 and 2022, respectively. Consequently, the Group has not recognised any impairments in 2022 or 2023. It also does not present any sensitivity analysis. If the market capitalisation should decrease materially compared to the carrying amount of equity, this could become an impairment indicator and an impairment test in such a scenario could give rise to impairment of the CGU and an estimate of value in use would again be prepared in such a scenario for assessment of impairment.

NOTES TO THE FINANCIAL STATEMENTS

NOTE USD '000	2023	2022
12 Investments in subsidiaries		
Acquisition cost as at 1 January	57,667	57,667
Acquisition cost as at 31 December	**57,667**	**57,667**
Value adjustments as at 1 January	-12,294	-12,294
Reversal of write-down	0	0
Value adjustments as at 31 December	**-12,294**	**-12,294**
Book value as at 31 December	**45,373**	**45,373**

Investments in subsidiaries are specified as follows:

Name:	Address:	Share of votes and interest	Profit (loss) for the year	Equity
BlueNord Gas Denmark A/S	Copenhagen, Denmark	100%	435	54,964
BlueNord Energy (UK) Limited	London, England	100%	(1,380)	(6,323)

	2023	2022
13 Loans to group entities		
As at 1 January	710,931	655,515
Additions/repayment during the year	104,130	55,416
Balance as at 31 December	815,061	**710,931**

The loans to group entities shall be repaid in full on 31 July 2026.

	2023	2022
14 Restricted cash		
Restricted cash pledged as security for cash call obligation	149,578	142,550
Total	149,578	**142,550**

1) BlueNord has made a USD 150 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. All payment obligations from BlueNord to the cash call security account have been made and with the exception of accrued interest, there will be no further increase.

NOTE	USD '000	2023	2022
15	**Deferred tax**		
	Deferred tax as at 1 January	301,262	474,233
	Tax of value adjustment financial instruments	-32,295	-102,935
	Deferred tax adjustment in the income statement, prior years	12,185	0
	Deferred tax adjustment in the income statement, current year	53,282	-70,036
	Balance as at 31 December	**334,434**	**301,262**
16	**Shareholders' equity**		
	Changes in equity		
	Shareholders' equity as at 1 January	**503,173**	**317,938**
	Profit for the year	111,122	103,339
	Share-based incentive program	1,371	515
	Value adjustment financial instruments after tax	11,004	81,381
	Shareholders' equity as at 31 December	**626,670**	**503,173**
	In 2018 the share capital was increased by 1,000 shares, at a nominal value of DKK 100. After this the share capital comprise 1,531,000 shares, at a nominal value of DKK 100. Prior to this the share capital has remained unchanged for 5 years.		
	Share capital as at 1 January	27,040	27,040
	Additions during the year	0	0
	Shareholders' equity as at 31 December	**27,040**	**27,040**
	Retained earnings		
	Balance as at 1 January	476,133	290,898
	Profit for the year	111,122	103,339
	Share-based incentive program	1,371	515
	Value adjustment financial instruments after tax	11,004	81,381
	Retained earnings as at 31 December	**599,630**	**476,133**
	Shareholders' equity as at 31 December	**626,670**	**503,173**

NOTES TO THE FINANCIAL STATEMENTS

17 Reserve based lending facility

In April 2021, BlueNord amended its existing senior secured reserve-based credit facility to commit to a seven-year senior reserve based credit facility of USD 1.1 billion. 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 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 6.0:1.0 at the end of financial years 2021 and 2022; less than 3.5:1.0 at the end of financial year 2023; and less than 3.0:1.0 at the end of financial year 2024 onwards until the expiry of the facility. Each test is carried out on the audited full year financial statements of BlueNord ASA. BlueNord must also demonstrate minimum liquidity on a look-forward basis of USD 50 million during the relevant period, which is the latest of completion of the Tyra redevelopment project and following 12-month period. 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. BlueNord is in compliance with these covenants at the end of 2023.

Payment stucture - reserve based lending facility	**USD '000**
2024	125
2025 - 2028	725
2029 -	0
Total	850

	USD '000	2023	2022
18	**Asset retirement obligations**		
	Asset retirement obligations as at 1 January	942,208	1,014,164
	Adjustments during the year	43,732	-119,861
	Addition during the year	0	0
	Accretion expense related to asset retirement obligations	49,056	47,905
	Balance as at 31 December	**1,034,996**	**942,208**
	Break down of short-term and long-term asset retirement obligations		
	Short-term	15,850	10,228
	Long-term	1,019,147	931,980
	Balance as at 31 December	**1,034,997**	**942,208**

Estimates are based on executing a concept for abandonment in accordance with the Petroleum Activities Act and international regulations and guidelines. The obligations are measured at net present value, assuming an inflation rate of 2.0 percent and a nominal discount rate before tax of 5.5 percent. The credit margin included in the discount rate is 2.9 percent.

As part of the overall restructuring in 2015, an agreement was reached that entails that the partners took over BlueNord's share of the Nini/Cecilie licences, however, BlueNord 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 434 million, corresponding to USD 64 million of which USD 53 million relates to BlueNord Energy Denmark A/S.

19 Contingent liabilities

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, BlueNord 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 recognised a provision for this claim.

During the normal course of its business, the Company may be involved in disputes, including tax disputes. The Company has not made accruals for possible liabilities related to litigation and claims based on Management's best judgment.

BlueNord 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.

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.

20 Gurantees

The senior reserve-based credit facility of USD 1.1 billion is secured against certain cash flows generated by the Group. Further, the shares in BlueNord Energy Denmark and BlueNord Gas Denmark, and the Company's interest in its share of the DUC and insurances contracts, hedging contracts, project accounts, intercompany loans and material contracts have been pledged as collateral for the BlueNord Group's loans. The pledged assets on 31 December 2023 amounted to USD 2.3 billion.

NOTES TO THE FINANCIAL STATEMENTS

21 Related party disclosures

BlueNord Energy Denmark A/S' related parties comprise the following:

Control

BlueNord Denmark A/S, Lyngbyvej 2, 2100 Copenhagen

BlueNord Denmark A/S holds the majority of the contributed capital in the Company.

Substantial influence

BlueNord Denmark A/S, being principal shareholder.

BlueNord Energy Danmark A/S is part of the consolidated financial statements of BlueNord ASA, Nedre Vollgate 1, 0158 Oslo, Norway, which is the smallest and largest group in which the Company is included as a subsidiary. The consolidated financial statements of BlueNord ASA can be obtained by contacting the company at the above address.

Other related parties

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

Related party transactions USD '000	2023	2022
Purchase of personnel services from associates	6,838	3,736
Purchase of IT services from associates	638	465
Total	**7,477**	**4,201**

Payables and receivables to group entities are disclosed in the balance sheet, and expensed interest and income is disclosed in note 6 and 7.

22 Contingencies and 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 310 million per year. Capital and abandonment expenditure for individual projects, such as Tyra, are approved separately.

BlueNord'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, which in 2024 has been increased to DKK 27.4 billion, of which DKK 24.8 billion had been incurred by the end of 2023. Based on the current project schedule, BlueNord will be required to fund its proportional share of DKK 2.6 million of this remaining expenditure over the coming year. Further, BlueNord has capital commitments to a well to be drilled on Harald East in 2024 with a gross DUC budget of DKK 506 million.

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 19 million per year (2022: USD 18 million) BlueNord share.

In addition to the above and in order to obtain the consent of TotalEnergies EP Danmark A/S to the acquisition, BlueNord Energy Denmark A/S agreed to deposit cash in a secured cash call security account in favour of TotalEnergies EP Danmark A/S (the concessionaire in respect of the Sole Concession). On 31 December 2023, the escrow account was USD 149.6 million. All payment obligations from BlueNord to the cash call security account have been made and there will be no further increase. The cash call security amount will then decrease to USD 100 million following 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.

23 Subsequent events

On 24 January 2024, the Company acquired the shares in CarbonCuts A/S. In March 2024, first gas was processed and exported to Nybro in Denmark from the new Tyra II facilities. Besides from this, there are no events with significant accounting impacts that have occurred between the end of the reporting period and the date of this report.

Notes to the financial statements

Accounting policies

The annual report is prepared in accordance with the provisions of the Danish Financial Statements Act regarding companies under reporting class C large.

The accounting policies are the same as last year.

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

With reference to the Danish Financial Statements Act § 86 section 4, the Company has refrained from preparing cash flow statement.

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 amortised 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 2023 0.148265 USD/DKK; and as of 31 December 2022: 0.143426 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. If currency positions are considered to hedge future cash flows, value adjustments are recognised directly in equity.

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 financial statements (continued)

Accounting policies

BUSINESS COMBINATIONS
When acquiring new activity, the purchase method is applied under which identifiable assets and liabilities are measured at fair value at the date of acquisition. Restructuring costs recognised in the acquirer at the acquisition date that are not a part of the acquisition are included in the pre-acquisition balance sheet and thus the determination of goodwill. Restructuring that is adopted after the acquisition is recognised in the income statement. The tax effect of revaluations is recognised as deferred tax.

Restructuring provisions are recognised as intangible assets and amortised systematically in the income statement based on an individual assessment of the useful life.

Newly acquired or newly established activity is recognised in the consolidated financial statements at the date of acquisition or establishment.

Income Statement

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

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 include depreciation of production facilities and adjustment of over- under lift position.

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 salaries, office costs and depreciations etc.

FINANCIAL INCOME AND EXPENSES
Financial income and expenses include interest income and expense, realised and unrealised exchange rate adjustments and amortisation of financial liabilities.

TAX ON PROFIT FOR THE YEAR
Tax on profit for the year consists of the current tax and offset in deferred tax for the year 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 tax has been calculated considering that BlueNord Energy Denmark A/S has opted out of international joint taxation. The tax value of investments and profit in foreign permanent establishments is not capitalised.

The Company is jointly taxed with Noreco Olie- og Gasudvinding Danmark B.V. Danish Branch, BlueNord Gas Denmark A/S, BlueNord Pipeline Denmark ApS and BlueNord Denmark A/S. The Company’s subject to joint taxation and has unlimited joint and several liability for Danish corporation taxes.

Notes to the financial statements (continued)

Accounting policies

Balance Sheet

INTANGIBLE FIXED ASSETS
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 tangible fixed assets at the time of sanctioning of the development project.

TANGIBLE FIXED ASSETS
Tangible fixed assets 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, incurred up until the time the asset is ready to be put into operation. Production plants are depreciated from the start of production according to the Unit of Production method based on produced and expected recoverable amounts of oil.

For tangible fixed assets where asset retirement obligations for decommissioning and dismantling are recognised as a liability, this value is added to acquisition cost for the respective assets.

When parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items (major components) of tangible fixed assets 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 Company 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 tangible fixed assets, 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.

Notes to the financial statements (continued)

Accounting policies

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.

INVESTMENTS IN SUBSIDIARIES
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.

IMPAIRMENT OF ASSETS
The carrying amount of intangible and 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 net selling price and capital value. 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 amortised cost or a lower net realisable 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.

Prepayments, 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 realisable 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.

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

Notes to the financial statements (continued)

Accounting policies

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 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.

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 recognised 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.

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 remeasured 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 Company 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 Company has elected to apply cash flow hedge accounting designating these derivatives. Such derivative financial instruments are initially recognised 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 Shareholders' equity, 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 Shareholders’ equity 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 Shareholders’ equity must remain in accumulated Shareholders’ equity 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.