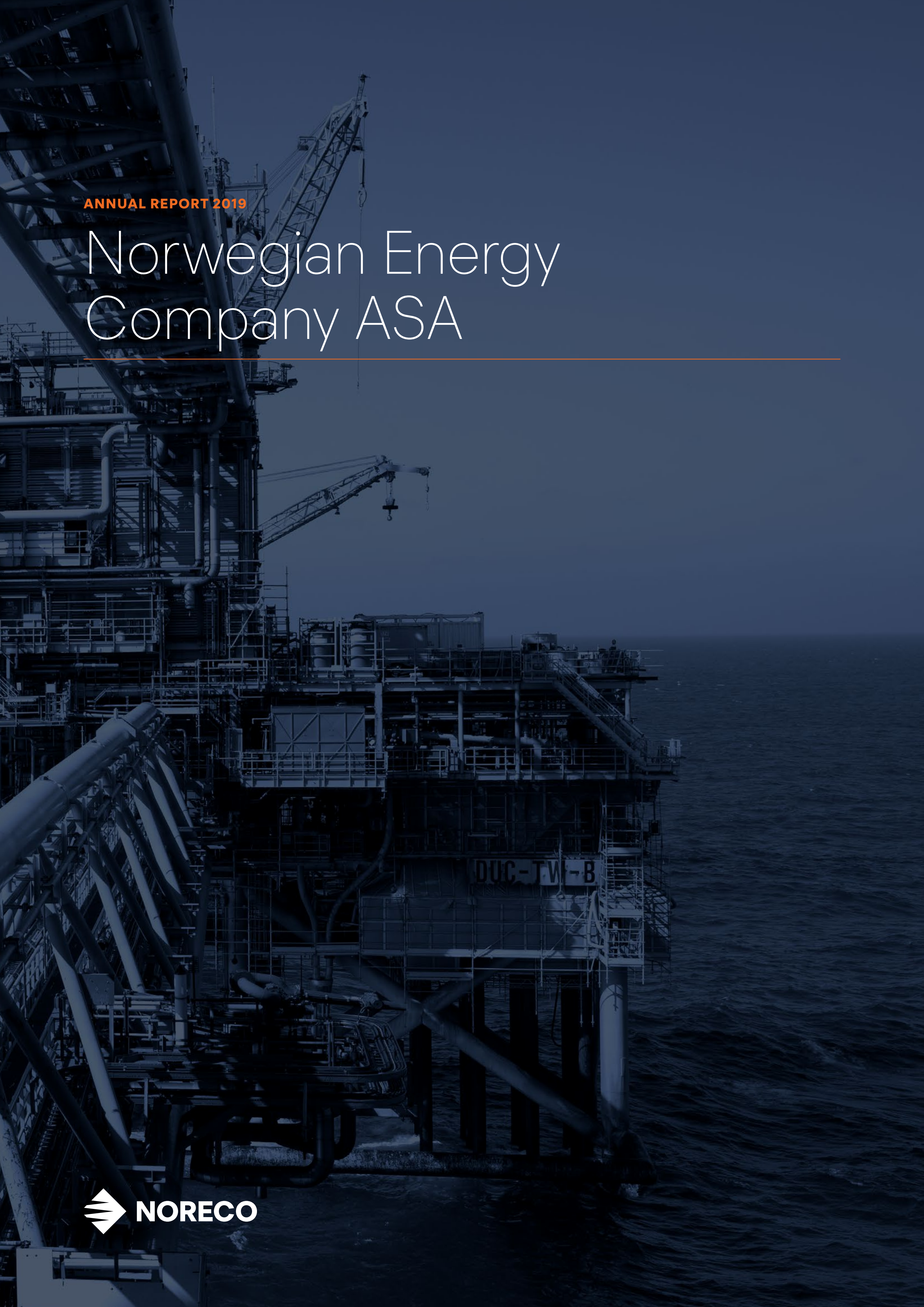

ANNUAL REPORT 2019

Norwegian Energy Company ASA

NORECO

ANNUAL REPORT 2019

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PART I

About Noreco

ABOUT NORECO

A Transformed E&P Company

Norwegian Energy Company ASA ("Noreco" or the "Company") is a Norwegian oil and gas company trading on the Oslo Stock Exchange under the ticker "NOR". The Company was established in 2005 and completed the transformational acquisition of Shell's upstream assets in Denmark during the second half of 2019. Noreco has a strategic focus on value creation that is enabled by a competent organisation focused on increased recovery with a long-term view on reservoir management and the capability to invest and leverage new technology and solutions. Noreco has offices in Oslo, Copenhagen and London.

Noreco is the second largest oil and gas producer in Denmark and a substantial North Sea focused independent E&P company. In July 2019, Noreco completed the acquisition of Shell´s Danish upstream assets through the acquisition via a share purchase of Shell Olie- og Gasudvinding Danmark B.V. ("SOGU") (the "Transaction"). The Company holds a 36.8% non-operated interest in the Danish Underground Consortium ("DUC") through its fully owned subsidiary Noreco Oil Danmark A/S. The DUC is comprised of 11 producing fields that collectively form four production hubs: Halfdan, Tyra, Gorm and Dan, and is a joint venture between Total E&P Denmark A/S ("Total") (43.2%) as operator, Noreco (36.8%) and Nordsøfonden (20.0%).

As a result of the Transaction, Noreco increased its reserves and production base significantly. The Transaction included proven and probable (2P) reserves of 209 million barrels of oil equivalent (mmboe) at the end of 2019 based on an independent CPR assessment, an increase of 14 mmboe compared to 2018. Noreco has established a stable, long-term business built upon the Company's position in the DUC.

Noreco aims to support to the greatest extent possible the ongoing energy transition, both through its own operations and actions and as a supportive partner in the DUC. Noreco will continuously focus on developing and implementing solutions that will improve the long-term position of oil and gas as a key part of the global energy mix through cooperation with external experts and the development of internal specialised competencies. The Company aims to develop sustainable solutions that will reduce greenhouse gas emissions on the Danish Continental Shelf and support the green transition.

2019

Highlights

ACQUISITION

- **Successful completion of transformational acquisition:** The acquisition of Shell's 36.8% interest in the Danish Underground Consortium ("DUC") was completed on 31 July 2019, transforming Noreco into the second largest oil and gas producer in Denmark

- **Formidable investor base:** As part of the Transaction, Noreco raised gross proceeds of approximately USD 1.3 billion from external sources

- **Ownership in key infrastructure on DCS:** Noreco's position in the DUC provides ownership of 11 producing fields that form four production hubs and associated infrastructure on the Danish Continental Shelf ("DCS")

- **Strong partnership with supermajor operatorship:** The DUC is held jointly together with Nordsøfonden with a 20.0% stake and Total, the operator of the DUC, with a 43.2% stake

- **Opportunity for value creation:** Noreco seeks to continue to deliver value creation by maximizing recovery of the DUC assets and by identifying new opportunities

OPERATIONAL

- **Increasing its 2P reserves:** In line with the Company's ambition to more than replace produced volumes over the medium-term, Noreco increased its 2P reserves from 195 mmboe at the end of 2018 to 209 mmboe at the end of 2019

- **Efforts towards a sustainable energy transition:** With a research and technology driven approach to investment decisions, Noreco progressed work towards delivering solutions that will improve the long-term position of oil and gas as a key part of the global energy mix

- **Identification of value additive projects:** Noreco has identified several value additive organic DUC investment projects that will support the long-term potential of the DUC

- **Tyra Redevelopment in motion:** Tyra was shut-in on a temporary basis in September 2019 as a part of a redevelopment project to fully modernize the hub's facilities. In addition to securing long-term production from the existing Tyra field, this project is expected to enable volumes from new projects and tie-ins to be delivered going forward

- **Strengthening of the organization:** In connection with the acquisition, Noreco further strengthened its organization with the recruitment of a new management team, in addition to an experienced technical staff capable of independent views on reservoir management and development of reserves and assets. New board members with complimentary experience were also appointed to the Board

2019 HIGHLIGHTS CONTINUED

FINANCIAL

- **Strengthening of financial position:** During 2019, Noreco raised gross proceeds of approximately USD 1.5 billion to fund the Transaction and strengthen the Company's financial position

- **Substantial contribution from acquired assets:** Five months ownership in DUC contributed to revenues of USD 333 million and EBITDA of USD 127 million, with a net result for the year of USD 218 million

- **Secured liquid volumes until end of 2020:** The liquid volume protection agreement with Shell provides a monthly liquid production guarantee at levels above the Company's current internal forecasts

- **Risk mitigating hedging in place:** Noreco has benefited throughout 2019 from price hedges significantly above the relevant market price. Given hedges in place and current forward price levels, the Company expects to continue to benefit from this to the end of 2022

- **Access to the international high yield market:** To further strengthen Noreco's financial position and diversify its sources of capital, the Company issued a USD 175 million unsecured note in December 2019 which was substantially oversubscribed

2019

Letter from the Executive Chair

2019 marked a milestone in Noreco's 15 years as an E&P company. The Company's acquisition of Shell's upstream assets on Danish Continental Shelf was successfully complete and transformed Noreco into the second largest oil and gas producer in Denmark and a significant E&P player. Stable producing assets combined with a broad spectrum of development opportunities and strategic initiatives will support the Company's ambition to be a sustainable force in the global energy transition.

Riulf Rustad
Chair of the Board

"It is now time to take advantage of our relative strength and create more value for our shareholders"

When signing the agreement with Shell in 2018, the investment rationale was in part based on Noreco's ability to further evolve and develop the upstream assets. The organization was strengthened accordingly, and resources were dedicated to obtaining competitive knowledge and understanding of our new asset base and its potential. It is therefore a pleasure to present 2P reserves which have grown significantly during the year to levels not attained since 2017. That Noreco grew its 2P reserves during the year by 14 mmboe, from 195 mmboe to 209 mmboe, significantly more than offsetting production, is fully in line with our expectations prior to the close of the Transaction. This is the result of Noreco deploying a competent organization with unparalleled knowledge of reservoir management and new technology.

In addition to continuous efforts to increase the reserve base and protect the Company's assets, Noreco has also been involved in important value creating development projects. The Tyra Redevelopment, executed together with the Company's partners in the DUC, includes a full modernization of facilities that is expected to deliver substantial volumes with a production capacity of 60,000 barrels of oil-equivalent per day and extend the field life by 25 years. Throughout the Tyra Redevelopment investment period, Noreco expects stable cash generation from the other producing assets in the DUC.

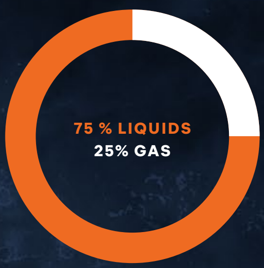
When writing this it is inevitable that we touch upon the current situation in the market. Due to the impact of COVID-19 on the demand for oil, and the oversupply caused by a fight for market shares, the short-term price is at levels not experienced since early 2000s. Noreco, in line with our philosophy, has hedged the price of all of its liquids production in 2020 and a major part for 2021 and 2022. This was done, not because we foresaw the current market, but because we will always seek to reduce risk where possible and be prepared for event-driven risk situations. As of today, this puts us in a favourable position relative to the E&P industry with significant visibility of our cashflow going forward. It is now time for us to take advantage of our relative strength and create more value for our shareholders outside our organic development. This must be done without increasing risk and by seeking asymmetric risk positions.

OUR ASSETS

Overview

The acquisition of Shell's upstream assets in DUC which was completed in July 2019 transformed Noreco into the second largest oil- and gas producer in Denmark and a significant E&P player. The asset portfolio includes four production hubs and 11 producing fields, and in line with the Company's objectives, Noreco has more than fully replaced its reserves during 2019.

PRODUCT OUTCOME



2P RESERVES

mmboe (net)

209

PRODUCTION

mboepd (net)

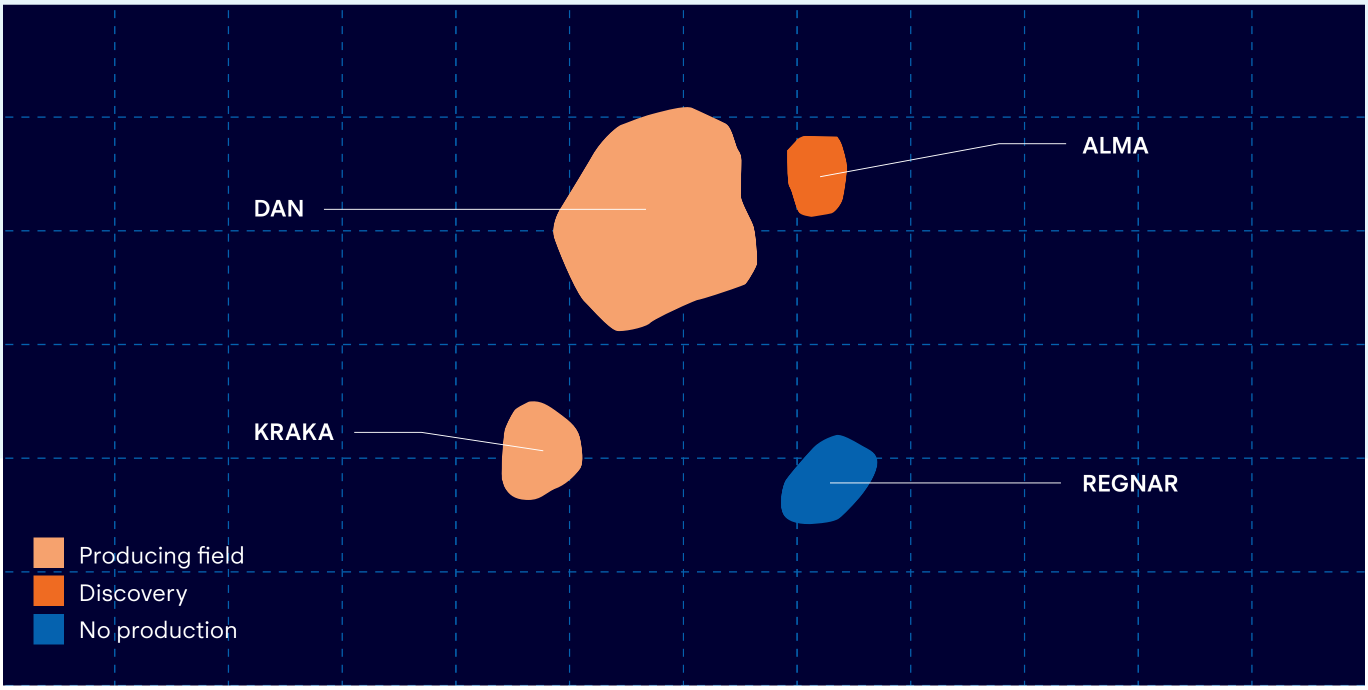
35.7

OPERATIONAL EFFICIENCY

86%

OUR ASSETS

Dan Hub



NET RESERVES
mmboe

35

NET PRODUCTION
mboepd

8.9

OPERATIONAL EFFICIENCY 2019

78.9%

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

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

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

Dan Field

NET PRODUCTION

mboepd

8.0

OPERATIONAL SUMMARY

The Dan field average oil rate was less compared to 2018 primarily a result of general field decline, as well as variation in unplanned losses associated with well integrity, the two-week summer shutdown and reduced water injection availability.

In addition to the routine well head maintenance and subsea safety valves testing activities, well work-overs and intervention operations were focused on restoring production and maintaining the integrity of the wells, and a number of subsea safety valve repairs and replacements were performed.

Also during 2019 substantial amount of work has been done to restore well water injection potential and optimise field wide water injection which will remain a focus area during 2020.

Several reservoir management studies are currently on-going and planned with the aim to determine the potential to increase hydrocarbon recovery from the Dan field. In addition, processed data from the 2016 4D seismic survey covering the Dan and Kraka fields will be utilized in all studies to identify opportunities to improve field recovery.

Kraka Field

NET PRODUCTION

mboepd

0.8

Kraka is a tie-back to the Dan field and is an oil field located 8 km to the southeast of the Dan field. The field was brought on production in 1991 and produces oil and gas from the Ekofisk chalk. 10 wells have been drilled and currently seven oil wells are producing.

OPERATIONAL SUMMARY

No modification, rig or well activities were carried out in 2019.

DAN HIGHLIGHTS 2019

- With the temporary shut-in of the Tyra gas export facilities, the Dan hub has been turned into the interim export facility with continued gas export to the NOGAT system in the Dutch sector
- Successful installation of downhole injection to enhance and safeguard oil production was initiated in 2019
- 4 workovers carried out successfully replacing tubing, new upper & lower completion and new Xmas trees
- Dan and Halfdan Well and Pattern reviews close-out resulting in significant basket of well optimisation, restoration and safeguarding opportunities to be included in 2020 and future well plans
- Well work during 2019 added approximately 7 mmboe of gross reserves on Dan through production safeguarding and well restoration of locked-in-potential
- An updated dynamic model for Dan has been undertaken and is planned for assessing the potential for infill drilling opportunities

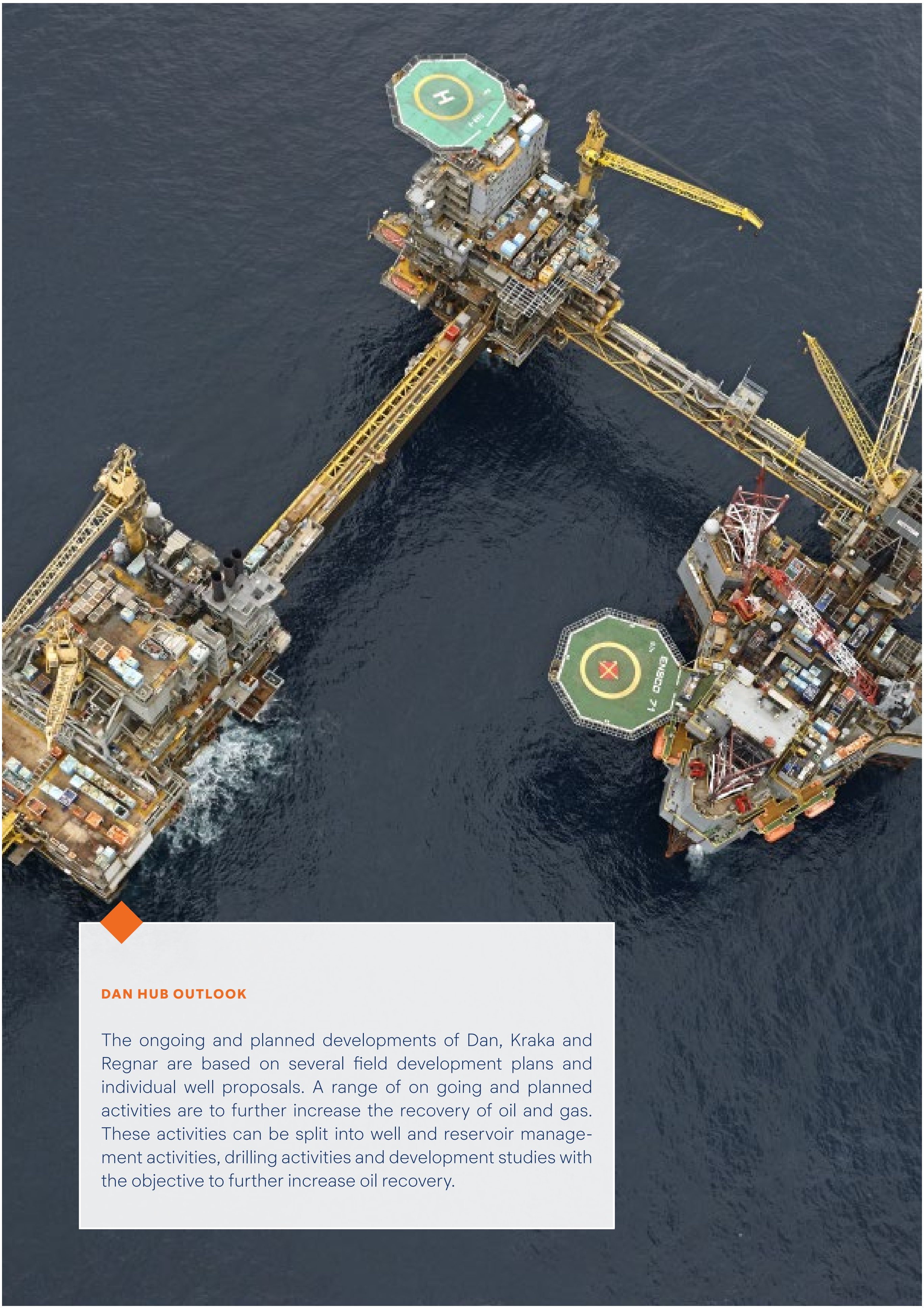


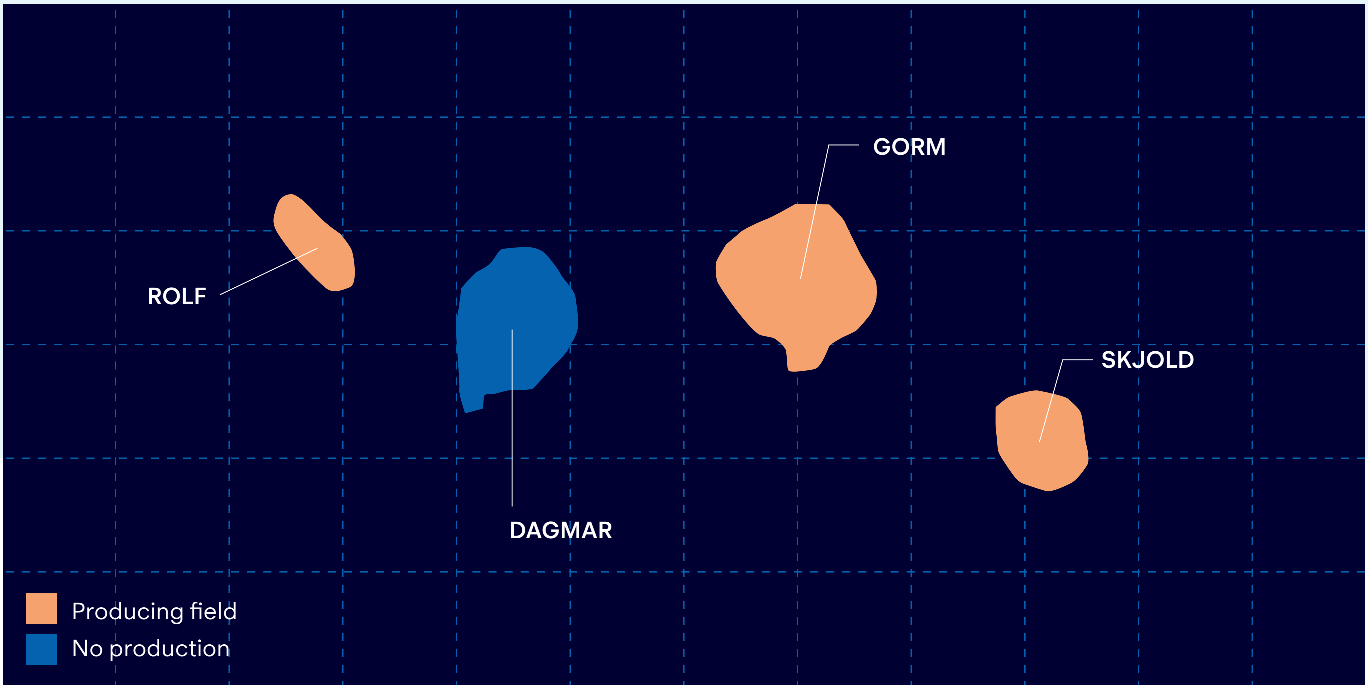
Photo: ©Total E&P Denmark A/S

DAN HUB OUTLOOK

The ongoing and planned developments of Dan, Kraka and Regnar are based on several field development plans and individual well proposals. A range of on going and planned activities are to further increase the recovery of oil and gas. These activities can be split into well and reservoir management activities, drilling activities and development studies with the objective to further increase oil recovery.

OUR ASSETS

Gorm Hub



NET RESERVES
mmboe

18.5

NET PRODUCTION
mboepd

5.1

OPERATIONAL EFFICIENCY 2019

80.4%

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

The field produces oil and gas from the Ekofisk and Tor Chalk reservoirs. The field is a domal structure divided into a deeper western A-block and the shallower eastern B-block. 46 wells have been drilled, with currently 18 active producers and 6 active water injectors. Gorm serves as the second stage processing center for Halfdan, and as an oil transfer hub for Dan, Tyra, and Halfdan. The oil is transported ashore to Frederica via pipeline from the riser platform Gorm E while gas is sent to Tyra.

Gorm Field

NET PRODUCTION

mboepd

2.0

OPERATIONAL SUMMARY

The annual oil production of the A-block remained similar similar to 2018, but with a lower gas-oil ratio due to improved water injection. Also, higher production efficiency and successful well interventions helped to arrest the oil decline. Water injection improved significantly compared to the previous years, despite two long-lasting shut-downs in June and November 2019. The main contributing factors to this were improved water injection capacity and a number of well restorations. The abovementioned improvement of water injection resulted in a negative voidage replacement (injection volumes exceed reservoir offtake) after several years of voidage deficit.

In addition to the routine well head maintenance and subsea safety valve testing activities, well intervention operations in the Gorm field were focused on maintaining well integrity and on well optimization opportunities, resulting in a halting of the production decline in Gorm during 2019.

The annual oil production of the B-block increased compared to 2018. Five well intervention activities resulted in oil production potential increase compared to the previous year. Water injection in B-block was higher compared to the previous years mainly because of better water injection capacity.

A “Gorm Late Life” project was kicked off in 2017 and continued to mature during 2019. 2019 objectives were to assess, via a high-level approach, possible strategies for operating the Gorm hub past its mature life and into its late life (up to the Cessation of Production – CoP). The assessment integrates the entire chain from subsurface to export to shore (i.e. reservoir management strategies, facilities configurations, operations and maintenance strategies) of the Gorm processing hub and its satellite fields (Gorm, Skjold, Rolf, Dagmar).

Skjold Field

NET PRODUCTION

mboepd

2.8

The Skjold field is an oil satellite tie-back to Gorm. It was discovered in 1977 and brought on production in 1982. The field is a dome shaped structure with a relative thin chalk reservoir on the crest, which thickens towards the outer crest and flank areas. 30 wells have been drilled, with currently 13 active oil producers and seven active water injectors.

OPERATIONAL SUMMARY

The average oil production rates in 2019 increased compared to 2018. This can be attributed to the overall uptime improvement of the Gorm hub in 2019 compared to 2018, and to the convertion of a gas re-injection well to a producer during major part of the year.

No modifications, rig or well activities were carried out in 2019.

NET PRODUCTION

mboepd

0.4

Rolf Field

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

OPERATIONAL SUMMARY

The annual oil production increased compared to 2018. This can be attributed mainly to better production uptime on the Gorm hub in 2019. In July 2019, Rolf production was rerouted to Gorm HP separator. This helped to reduce the surface back pressure and thus an increase in production.

No modifications, rig or well activities were carried out in 2019.

GORM HIGHLIGHTS 2019

- Overall uptime improvement of the Gorm hub in 2019 compared to 2018
- Well optimisation opportunities executed resulting in a halting of the production decline
- In July 2019, Rolf production was rerouted to Gorm HP separator resulting in a significant increase in production

Photo: ©Total E&P Denmark A/S

GORM HUB OUTLOOK

Gorm HUB late life

A "Gorm Late Life" project was kicked off in 2017 and continued to mature during 2019. 2019 objectives were to assess, via a high-level approach, possible strategies for operating the Gorm Hub past its mature life and into its late life. The assessment integrates the entire chain from subsurface to export to shore (i.e. reservoir management strategies, facilities configurations, operations and maintenance strategies) of the Gorm processing hub and its satellite fields (Gorm, Skjold, Rolf, Dagmar).

OUR ASSETS

Halfdan Hub

NET RESERVES
mmboe

78.3

NET PRODUCTION
mboepd

18.5

OPERATIONAL EFFICIENCY 2019

86.0%

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

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

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

NET PRODUCTION

mboepd

18.5

Halfdan Field

OPERATIONAL SUMMARY

The Halfdan oil production follows an expected steady field decline with a high availability and general good water injection support. The HBB-05 development well was drilled in 2019, and it was delivered safely with no incidents, within budget. The well was drilled with the aim to develop Ekofisk oil and gas resources in Halfdan main, without impacting the underlying Tor development. No communication between HBB-05 and underlying producers was seen during the drilling, completion and stimulation of this well. The well further appraised Ekofisk development potential, as it demonstrated the potential for Ekofisk development without impacting Tor reserves. The HBB-05 was successfully drilled and completed with Fishbones technology. The well was put on production in August 2019, and produces above the expected rate.

Aside from the routine wellhead maintenance and subsea safety valves testing activities, a range of interventions on Halfdan were performed with both wireline and coiled tubing. Wireline work was largely focused on maintaining well integrity with several subsea safety valve replacements and repairs. Work was also performed to improve the water injection rates and placement in several wells using coiled tubing and acid stimulation vessels.

HCA GAS LIFT

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

Halfdan North

There are a number of projects and studies ongoing for the greater Halfdan development. The most mature is the Halfdan North project which targets a reservoir that lies between the producing Halfdan and Tyra SE fields. The area is undeveloped, but it cannot be reached from existing facilities. The development concept comprises a nine well water flood development of the thinnest oil column yet to be produced in the Upper Cretaceous in the Danish North Sea. The wells will be drilled from a new unmanned facility (HNA) that will be tied back to the Halfdan BD platform.

HALFDAN HIGHLIGHTS 2019

- The HBB-05 was successfully drilled and completed with Fishbones technology – adding additional 3 mmboe of incremental gross reserves and is producing above gross expectations
- Dan and Halfdan Well and Pattern reviews resulting in significant basket of well optimisation, restoration and safeguarding opportunities to be included in 2020 and future well plans
- Well work during 2019 safeguarded approximately 25,000 bbl of water injection per day

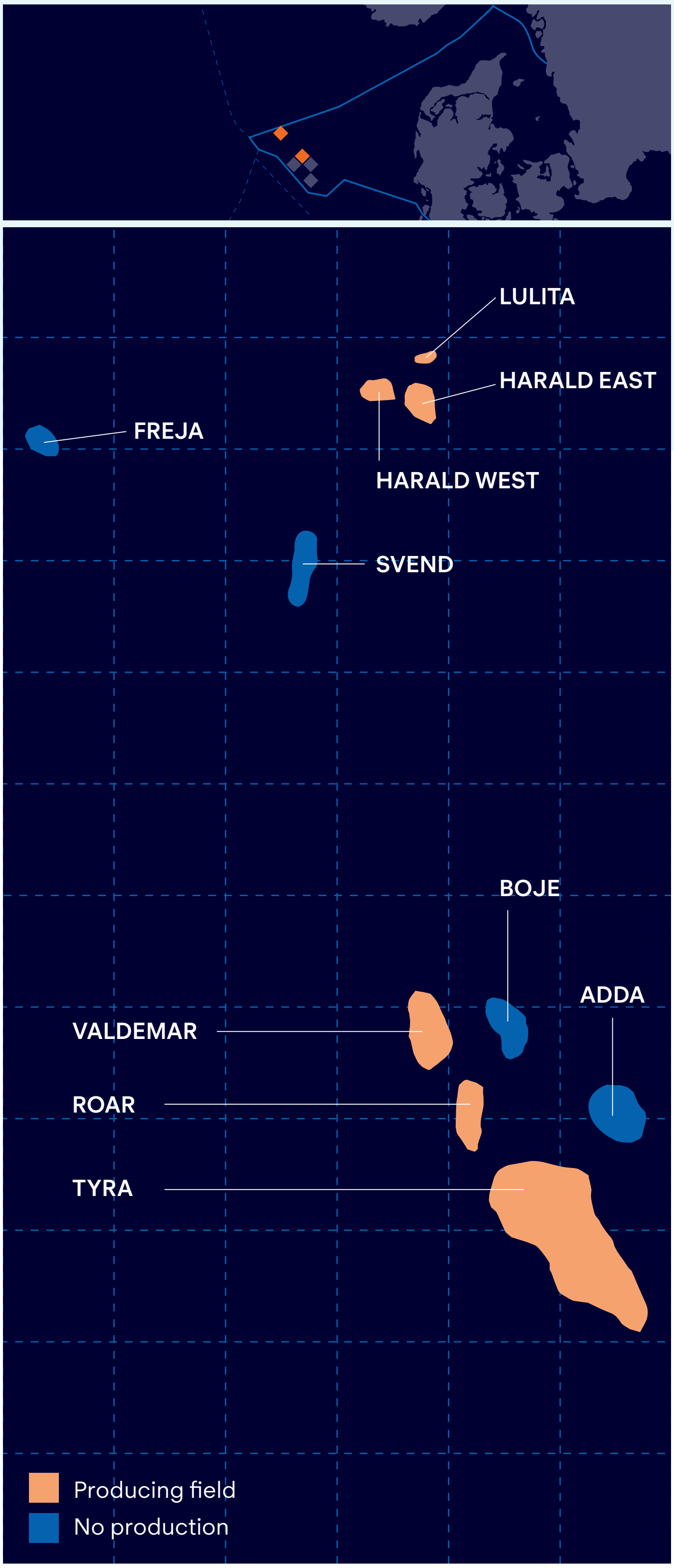
Photo: ©Total E&P Denmark A/S

HALFDAN HUB OUTLOOK

The ongoing and planned development of Halfdan is based on several field development plans and individual well proposals. A range of ongoing and planned activities to further increase the recovery of these activities can be split into production optimisation activities, appraisal activities, field development plans and studies to further increase hydrocarbon recovery.

OUR ASSETS

Tyra Hub



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

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

NET RESERVES mmboe	NET PRODUCTION mboepd	OPERATIONAL EFFICIENCY 2019
77	3.1	88.4%

NET PRODUCTION
mboepd

2.0

Tyra Field

OPERATIONAL SUMMARY

Production from Tyra and its satellites was shut-in during September 2019 in preparation for removal of existing wellhead, process and accommodation topsides and installation of new jackets and processing and accommodation topsides. All remaining Tyra wells (and its satellites) were safely plugged for shut-in.

4D seismic data has been acquired between August & October, without HSE incidents.

The aim of the ongoing 4D seismic project is to provide additional information about fluid movement and distribution caused by the existing development. In particular 4D results of the Tyra field are useful for monitoring water movement and identifying areas with remaining oil potential. The information is used to optimise both short- and long-term reservoir management. Further, the data are used to de-risk already identified opportunities and to identify new opportunities for workovers, interventions and infill drilling.

NET PRODUCTION
mboepd

0.4

Valdemar Field

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

OPERATIONAL SUMMARY

No modifications, rig or well activities were carried out in 2019 (other than plugging of the wells, related to Tyra Redevelopment.)

VALDEMAR LOWER CRETACEOUS DEVELOPMENT

In 2019, a conceptual study was performed to mature a Bo South development. The study focused on value improvement opportunities in terms of subsurface uncertainty modelling, well placement, completion design, operating strategy optimisation and cost reductions. The proposed concept consists of five long horizontal wells and a new Bo South platform. The concept study will continue into 2020.

NET PRODUCTION
mboepd

0.1

Lulita Field

Lulita is an oil field with a gas cap discovered in 1991 which was brought on production in 1998. The reservoir consists of Middle Jurassic sandstones. Two wells have been drilled, however only one is currently producing. Noreco holds a 28,4% interest in the Lulita field.

OPERATIONAL SUMMARY

No modifications, rig or well activities were carried out in 2019 (other than plugging of the wells, related to Tyra Redevelopment).

Roar Field

NET PRODUCTION

mboepd

0.2

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

OPERATIONAL SUMMARY

4D seismic data has been acquired between August & October, without HSE incidents.

The aim of the ongoing 4D seismic project is to provide additional information about fluid movement and distribution caused by the existing development. In particular, 4D results of the Roar field are useful for monitoring water movement and identifying areas with remaining oil potential. The information is used to optimise both short-, and long-term reservoir management. Further, the data are used to derisk already identified opportunities and to identify new opportunities for workovers, interventions and infill drilling.

No modifications, rig or well activities were carried out in 2019 (other than plugging of the wells, related to Tyra Redevelopment).

Harald Field

NET PRODUCTION

mboepd

0.5

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

OPERATIONAL SUMMARY

No modifications, rig or well activities were carried out in 2019 (other than plugging of the wells, related to Tyra Redevelopment).

TYRA HIGHLIGHTS 2019

- Production shut in on Tyra and its satellites during September
- All wells on Tyra and it satellites safely plugged and abandoned for the extended shut-in related to the Tyra Redevelopment
- 4D seismic acquisition completed

TYRA OUTLOOK

The redeveloped Tyra will be a high-tech production and export center that will secure gas supply for many years ahead. It will be a state-of-the-art facility ensuring efficient production and enhanced safety. With the use of new technology, digital and modernized working processes, Tyra's operational efficiency is expected to increase at the same time as the emissions will be significantly reduced.

Photo: ©Total E&P Denmark A/S

Photo: ©Total E&P Denmark A/S

Tyra Redevelopment

In 2017, The Danish Underground Consortium announced its plan to cease production from the Tyra gas field by the end of 2019 and to redevelop the field infrastructure.

The Tyra hub requires redevelopment due to compaction of the chalk reservoir, where the seabed has subsided by six metres over a period of 30 years of production. The redevelopment project is necessary to ensure that both crew and equipment are safe, as well as maintaining an efficient level of production. Final investment decision on the Tyra Redevelopment project was made in December 2017, following the approval by the Danish authorities.

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

The redevelopment project aims to extend the field life by 25 years, while maintaining a production capacity of 60,000 barrels of oil-equivalent per day. The redeveloped Tyra hub will in addition enable volumes from new projects and tie-ins going forward.

PART II

From the Boardroom

The Board of Directors

RIULF RUSTAD
Executive chair

Riulf Rustad is a Norwegian businessman with a long track record from investments in sectors such as oil & gas, oil services and offshore. Mr. Rustad operates through his platform Ousdal AS and holds/has held various board positions, both in listed and unlisted companies. Mr. Rustad was elected as Chairman of the board of directors of Noreco in 2016, and is currently elected until the ordinary general meeting in 2020.

LARS PURLUND
Board Member

Purlund is a Danish citizen residing in Denmark. He has extensive experience with corporate restructurings and leveraged finance and nearly 30 years of investment and portfolio management experience across Northern Europe, Asia and the US. Mr. Purlund was elected to the board by the shareholders after the restructuring and has served as a member of the board of directors of Noreco since 26 May 2016, and is currently elected until the ordinary general meeting in 2020.

MARIANNE LIE
Board Member

Lie is a consultant at Fajoma Consulting AS. She holds various board positions including Arendal Fossekompani ASA, and Wilh. Wilhemsen ASA. She has previously held various board positions including DNB ASA, R.S. Platou, Rainpower ASA, Fortum Corporation, and Telenor ASA. Lie has served as a member of the board of directors in Noreco since 26 May 2016, and is currently elected until the ordinary general meeting in 2020.

TONE KRISTIN OMSTE
Board Member

Omsted holds a BA Hons. in Finance from University of Strathclyde. She has broad experience from corporate finance and capital markets and currently serves as head of investor relations at Entra ASA. Previous experience includes 14 years as an investment banking executive at SEB Enskilda. She has also served on the board of directors of Panoro Energy ASA. Omsted has served as member of the board of directors of Noreco since 26 May 2016, and is currently elected until the ordinary general meeting in 2020.

COLETTE COHEN
Board Member

Cohen is a chemistry graduate from Queens University Belfast and also holds a masters degree in Project Management and Economics. Her career began with BP in 1991 and she has worked for companies including ConocoPhillips and Britannia in the North Sea, Norway, the US & Kazakhstan. Colette was SVP for Centrica Energy's E&P UK/NL and in August 2016 became the CEO of The Oil & Gas Technology Centre.

YVES-LOUIS DARRICARRÈRE
Board Member

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

CHRIS BRUIJNZEELS
Board Member

Bruijnzeels holds a master in Mining Engineering from the University of Delft. He is currently Chairman of ShaMaran Petroleum Corp. and has various other board positions. Chris has since 1985 worked with International Petroleum Corp, Lundin Petroleum, PGS Reservoir Consultants, Shell and NAM in various leading positions.

BOB MCGUIRE
Board Member

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

Directors' Report

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

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

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

BUSINESS DEVELOPMENT

In October 2018, Noreco 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 1.91 billion at the effective date of 1 January 2017; the payment due at completion of USD 1.07 billion was made on 31 July 2019. The DUC accounts for the majority of Danish oil and gas production and is the owner of key points of infrastructure of all activity in the Danish sector of the North Sea, including the four production hubs Halfdan, Tyra, Dan and Gorm. As part of the Transaction with Shell, Noreco increased its reserves and production base significantly. The transaction included proven and probable (2P) reserves of 195 million barrels of oil equivalent (mmboe) based on an independent CPR assessment as per year-end 2018. The annual revision of reserves conducted for 2019 has resulted in an increase of the 2P reserves of 14 mmboe, to 209 mmboe per year-end 2019, confirmed by an independent CPR assessment. The transaction was approved by the Danish Energy Agency in April 2019 and was completed in July 2019.

The Tyra Redevelopment is an ongoing project within the DUC that will provide a strong foundation for future reserves growth, unlocking gross reserves in excess of 200 mmboe. In September 2019 the Tyra hub was temporarily shut-in and the redevelopment project is progressing towards start up in 2022.

CAPITAL STRUCTURE

During 2019, Noreco raised gross proceeds of approximately USD 1.5 billion to fund the Transaction and strengthen the Company's financial position.

As part of the Transaction, which closed on 31 July 2019, Noreco raised gross proceeds of approximately USD 1,292 million from external sources. This comprised equity totalling USD 390 million, a USD 158 million convertible bond and a USD 900 million reserve-based lending facility of which USD 746 million was drawn. In December 2019, Noreco raised a further USD 175 million through the issue of a senior unsecured note.

Private placement of equity: Noreco issued new ordinary shares through a USD 352 million private placement (the "Private Placement") which was subscribed by Noreco's largest shareholders CQS (UK) LLP, Kite Lake Capital Management (UK) LLP, Taconic Capital Advisors UK LLP, and by funds managed or advised by York Capital Management Europe (UK) Advisors LLP.

Subsequent offering of equity: Noreco executed a repair rights issue subsequent to the Transaction and raised gross proceeds of USD 37 million. This partially underwritten offering was made to existing shareholders who did not participate in the Private Placement and was oversubscribed by c. 101%.

Convertible bond ("NOR13"): Noreco issued NOR13, a USD 158 million convertible bond with an eight-year tenor and subscribed to by CQS, Kite Lake Capital Management, Taconic Capital Advisors and York Capital Management. This instrument has a mandatory conversion to equity after five years and PIK interest with additional bonds at a coupon rate of 8.0 percent. Noreco may alternatively, at its own discretion, pay cash interest of 6.0 percent. Should the instrument be in place beyond the five-year conversion period, the interest rate on NOR13 will be reduced to 0.0 percent for the remaining period. The short-term funding agreement Noreco entered in 2018 of USD 35 million to part fund the initial payment to Shell was rolled at par into NOR13 on issue.

Reserve-based lending facility: Noreco entered into a seven-year 1st lien senior-secured reserve-based lending facility (the "RBL Facility") with a total facility amount of USD 900 million and a letter of credit sub-limit of USD 100 million. At the end of 2019, the RBL Facility USD 746 million was drawn, with an additional USD 100 million letter of credit outstanding. The facility will amortize from the second half of 2022 and interest is charged on debt drawings based on the LIBOR rate and a margin of 4.0 to 4.5 percent.

Senior unsecured note ("NOR14"): Noreco issued NOR14 in December 2019, a new USD 175 million senior unsecured note with a coupon rate of 9.0 percent and a maturity of June 2026. The proceeds from the issue of NOR14 will be used for general corporate purposes to further strengthen Noreco's financial position and to diversify the Company's sources of capital.

Senior secured note ("NOR10"): At the end of July 2019, NOR10 was redeemed by the Company at 101.5% of par value.

GROUP FINANCIAL RESULTS FOR 2019

Selected data from consolidated statement of comprehensive income

All figures in USD million*	2019	2018
Total revenue	333	2
EBITDA	127	(19)
EBIT	(209)	(19)
Result before tax	(182)	(18)
Net result for the period	218	(17)
Earnings per share**	14,8	(2,4)

* As a result of the material change in the Group's business following the Shell transaction the presentation currency of the Group was changed to US dollars (USD). Comparative figures have been translated to reflect the change in currency. See note 1 for more details.
** For further information see note 17.

Total revenues for 2019 amounted to USD 333 million, increased from USD 2 million the previous year. The increase is related to revenue from oil and gas sales from the acquired DUC fields as of closing date 31/7-2019.

Production expenses of USD 171 million in 2019 compared to USD 0,3 million in 2018. Of this amount USD 127 million was directly attributable to the lifting and transport of the Company's oil and gas production. These production expenses include a negative USD 7 million of underlift adjustment and USD 16 million of crude oil inventory adjustment. During the period Noreco recognised USD 23 million of exceptional charges from the operator related to DUC's organisational restructuring and write-down of inventory.

Personnel expenses were USD 16 million in 2019 compared to USD 2 million in 2018 due to additional headcount as a result of the acquisition. Of this amount USD 8 million was related to share based payments.

Other operating expenses amounted to USD 19 million in 2019, compared to USD 18 million last year. The operating expenses are mainly driven by consulting fee (USD 14 million) of which USD 9 million is related to the acquisition and insurance cost of USD 3 million.

Operating result (EBITDA) for 2019 was a gain of USD 127 million, mainly from the acquired DUC fields. Adjusted EBITDA, taking into account any claims under the volume guarantee recognised as contingent consideration, was USD 236 million for the year, more details on the Alternative

Performance Measures (APM) is included in the end of the report.

Impairment of USD 266 million is related to the impairment of goodwill. The goodwill was generated as a result of the acquisition of SOGU and represents the difference between the fair value of the consideration and the net assets acquired. The goodwill has been calculated according to the purchase price allocation of the underlying acquired assets and liabilities on a post-tax basis. With the goodwill impairment performed on a standalone basis and not accounting for the contribution from our existing Danish tax position, we are required to fully impair this goodwill as it would not be recovered without integration into the broader Noreco group. However, Noreco attributed more value to the transaction than the fair value of the net assets acquired as these existing tax losses carried forward may be utilized to offset future taxes payable and create value beyond the value on a standalone basis as per the goodwill impairment test.

Net financial items amounted to an income of USD 27 million in 2019, compared to an income of USD 2 million in 2018. The increase is mainly related to changes in market value of derivatives which primarily represents the value of the Company's commodity price hedging not part of company's hedge accounting and a fair value adjustment of the volume guarantee (contingent consideration). This also includes interest expenses and amortised cost on the bank and bond debt.

Income Tax for the Group amounted to a tax income of USD 400 million for the year, compared to USD 0 million in 2018. The tax income for 2019 is related to the recognition of deferred tax on losses in Denmark due to the expected increase in future profit from the acquisition of the DUC assets. Reference is made to note 13 in the consolidated financial statements for further details to the taxes this period.

The Group's net result for the year is a profit of USD 218 million, compared to a loss of USD 17 million in 2018.

Selected data from the consolidated statement of financial position

All figures in USD million	2019	2018
Total non-current assets	2 342	68
Total current assets	580	57
Total assets	2 921	125
Total equity	575	(6)
Interest bearing debt	983	54
Asset retirement obligations	967	68

Total non-current assets were mainly related to PP&E of USD 1 550 million, in addition to a deferred tax asset of USD 471 million, intangible asset of USD 181 million, USD 115 million restricted cash and USD 6 million in non-current volume guarantee (contingent consideration).

Current assets amounted to USD 580 million at the end of the 2019, of which USD 61 million is related to receivables, USD 286 million is cash, USD 104 million is related to the volume guarantee (contingent consideration), USD 31 million is related to offshore insurance premium that is paid in advance and USD 36 million is related to inventory.

Equity amounted to USD 575 million at the end of the 2019, compared to USD -6 million at the end of 2018 the increase is mainly related to issue of shares of USD 390 million and the net result of the year of USD 218 million.

Asset retirement obligations amounted to USD 967 million at the end of 2019, compared to USD 68 million at the end of 2018. USD 900 million is related to the DUC assets. Part of the asset retirement obligation is secured through an escrow account of USD 65 million.

Interest-bearing debt is related to Noreco's USD 900 million RBL facility, USD 746 million was drawn at the end of the year, the convertible bond loan NOR13 had a book value of USD 108 million at the end of the 2019. The convertible bond loan is valued at amortised cost and the embedded derivatives are accounted for as a derivative liability at fair value through profit and loss, see note 1 for more details. In the end of Q4 2019 Noreco successfully completed a new 6.5-year senior unsecured bond issue of USD 175 million with a coupon rate of 9.00 percent, issued at par.

Selected data from the consolidated statement of cash flows

All figures in USD million	2019	2018
Cash flow from operating activities	198	(2)
Cash flow used in investing activities	(1 223)	(40)
Cash flow from financing activities	1 309	29
Net change in cash and cash equivalents	283	15
Cash and cash equivalents	286	3

Cash flow from operating activities amounted to USD 198 million at the end of 2019, compared to negative USD 2 million at the end of last year.

Cash flow used in investing activities amounted to USD 1 223 million at the end of 2019 mainly related to the acquisition of Shell's Danish upstream assets for USD 1 071 million, USD 66 million of locked box interest paid to Shell, additional investments to the DUC asset of USD 86 million, of which USD 68 million is linked to the Tyra redevelopment, an escrow account of USD 50 million in accordance with a cash call agreement with Total E&P Denmark AS and in addition benefit received from the volume guarantee of USD 50 million.

Cash flow from financing activities amounted to USD 1 309 million at the end of the year, compared to USD 29 million in 2018. During 2019, Noreco financed the acquisition through the release of USD 746 million of funds from the seven-year USD 900 million Reserve Based Lending Facility, equity issuance of USD 390 million through a private placement and a partially underwritten subsequent offering, issuance of a convertible bond loan of USD 158 million and USD 175 million issued senior unsecured bond, in addition the outstanding NOR10 bond loan was repaid. USD 34 million in abandonment expenditure was paid, of which USD 30 million is related the Tyra redevelopment.

Net change in cash and cash equivalents amounted to USD 283 million in 2019 compared to USD (13) million in 2018. Cash and cash equivalents were in total USD 286 million at the end of 2019.

RISK MITIGATION

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

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

As a result of the Transaction, Noreco has a liquid volume protection agreement with Shell (volume guarantee) that will, from signing of the Sales and Purchase Agreement (SPA) related to the Transaction until the end of 2020 (the "Protection Period"), provide a liquid production guarantee at levels above the Company's current internal forecasts. To the extent that actual production levels are below the pre-agreed level in the Protection Period, Noreco will receive cash payments from Shell. The fair value of the volume guarantee was recognised as a reduction in the acquisition purchase price. Any changes to the fair value will be recognized at through profit and loss. For the period 2021 to 2023 (the "Recovery Period"), a payment to Shell may be required if actual production exceeds a pre-agreed level that is currently above the Company's internal forecasts. The amount refunded to Shell during the Recovery Period cannot exceed the value of Noreco's claims during the Protection Period. In addition, to the extent that during the Protection Period total actual production exceeds the total pre-agreed level of production, Noreco will be required to make an after-tax payment based on the incremental production volumes and the relevant average price during the period.

As part of the Transaction, Noreco also price hedged 80% of the guaranteed production at signing of the SPA in line with market prices for Dated Brent at the time. Subsequent to closing of the Transaction, Noreco in August 2019 entered into a combination of forward contracts and options in the market to further reduce the Company's exposure to commodity price volatility and fully hedged the remaining portion of its guaranteed production under the liquid volume protection agreement with Shell in the market. Noreco has also entered into additional contracts to protect its minimum oil price received during 2021 and 2022.

Under its RBL facility, Noreco has a rolling hedge requirement based on a minimum level of production corresponding to the RBL banking case forecast: 50% of oil equivalent volumes for the next 12 months, 40% in the period from 12 to 24 months and 30% in the period from 24 to 36 months, subject to a maximum level in each of these periods of 70% . At the end of 2019, Noreco is in full compliance with this requirement.

	Liquids hedged (mmboe)	Average hedged price
2020*	10,2	67,5
2021	5,9	56,2
2022	4,3	55,7

* All hedged liquid volumes are protected by a volume guarantee from Shell

THE GOING CONCERN ASSUMPTION

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

Risk factors

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

Risks related to the Company's assets

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

Reserves risk

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

Risks related to development projects

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

Decommissioning risks

There are significant uncertainties relating to the cost for decommissioning of licences including the schedule for removal of any installation and performance of other decommissioning activities. The DUC partners are currently executing a redevelopment of the Tyra field, scheduled to be completed in 2022, which includes a material decommissioning scope. No assurance can be given that any anticipated costs and time of removal will be correct and any deviation from such estimates may have a material adverse effect on the Company's business, results of operations, cash flow and financial condition.

Third party risk

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

Risks related to commodity prices

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

Currency risks

The Group is exposed to market fluctuations in foreign exchange rates. Revenues are in US dollars for oil and in Euros and Danish kroner for gas, while operational costs, taxes and investment are in several other currencies, including Danish kroner. The Company's financing is primarily in US dollars. Significant fluctuations in exchange rates between euros and Danish kroner and US dollars and Danish kroner and Danish and Norwegian kroner may materially adversely affect the reported results.

Risks related to Danish taxation and regulations

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

Risks related to debt financing

Noreco has exposure to both floating interest rates, through the Company's USD 900 million RBL, and fixed interest rates, through the Company's USD 158 million Convertible Bond and USD 175 million Senior Unsecured Note. Noreco does not currently have any interest rate hedging in place and any rise in interest rates may negatively impact the Company's profitability and free cashflow generation. In addition, the Company is subject under these financing instruments to several covenants, including maximum leverage relative to earnings and demonstration of a minimum level of liquidity. The Company's material hedging programme provides significant visibility over Noreco's ability to meet these requirements, however if the Company is unable to then actions to rectify this position may be required. There can be no assurance that such actions will be available or enough to allow Noreco to ultimately fulfil its obligations.

Risks related to future capital requirements

Noreco's future capital requirements will be determined based on several factors; including production levels, commodity prices, future expenditures that are required to be funded and the development of the Company's capital structure. To the extent the Company's operating cashflow is insufficient to fund the business plan at the time, and in particular the Tyra redevelopment project, additional external capital may be required. Noreco currently has a strong financial base, supported by existing liquidity and hedging positions, however any unexpected changes that result in lower revenues or increased costs may necessitate the raising of additional external capital. There can be no guarantee that, if required, Noreco would be able to access the debt or equity markets on favourable terms, or if necessary be able to adequately restructure or refinance its debt. To mitigate this risk, Noreco maintains a strong relationship with its banking syndicate through continual engagement to underpin its borrowing position and has commenced an active investor relations strategy to support access to the equity capital markets.

Financial reporting risk

While Noreco has in place internal controls covering the Company's financial reporting function, any material error or omission could significantly impact the accuracy of our reported financial performance and expose the Company to a risk of regulatory or other stakeholder action. The Company has significantly strengthened its finance function following completion of the Transaction to ensure that it is staffed appropriately with individuals holding significant oil and gas experience.

Insurance risk

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

Political and regulatory risks

The Company is exposed to political and regulatory risks. Exploration and development activities in Denmark are dependent on receipt of government approvals and permits to develop its assets. The Danish Subsoil Act, among other things, sets out different criteria for the organization, competence and financial capability that a licensee at the Danish Continental Shelf (DCS) must fulfil at all times. The Company is qualified to conduct its operations on the DCS, however, there is no assurance that future political conditions in Denmark will not result in the government adopting new or different policies and regulations on exploration, development, operation and ownership of oil and gas, environmental protection, and labor relations. Further, the Company may be unable to obtain or renew required drilling rights, licences, permits and other authorizations and these may also be suspended, terminated or revoked prior to their expiration.

Risks related to environmental regulations

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

Reputational risks

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

COVID-19

The current outbreak of the 2019 coronavirus (COVID-19) has resulted in a global pandemic and severely impacted the daily lives of people as well as affected companies and markets globally. Governments and other authorities have imposed restrictions which limits the prerequisites for continuing normal business operations, including movement of people and their ability to get to their place of work. Noreco is well set up with IT infrastructure and routines which allow all staff to work remotely and as such are able to continue operating the Company. The Company, through its ownership in DUC, relies on a significant number of operational staff and third-party suppliers to maintain its operations at sufficient levels. Total E&P Denmark A/S, as the operator of DUC, has implemented extensive measures to protect personnel and secure business continuity, including among others screening of offshore personnel by Total health staff. Restrictions and the outbreak itself may also lead to long-term disruptions in work being carried out by DUC's project-related subcontractors' as well as their ability to comply with their obligations and deliver according to plan. Noreco has been informed by the operator Total, that first gas for the Tyra Redevelopment project is still expected to be in 2022. COVID-19 has affected global demand for oil and gas, which is affecting the price of these commodities – see note 2 to the consolidated financial statements and the directors report. Given the rapidly evolving landscape of the COVID-19 pandemic, where information, impacts and even the regulatory environment can change in a matter of hours, it is at this point in time challenging to estimate the potential future impact of the COVID-19 to the Company's performance and business.

HEALTH, ENVIRONMENT AND SAFETY

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

During 2019, Noreco was, through its ownership in the DUC in which Total E&P Denmark A/S is the operator, involved in production of oil and gas which could cause emissions to the sea and air.

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.

PERSONNEL RESOURCES AND WORKING ENVIRONMENT

At the end of 2019 the Group had 25 employees. Approximately 40 percent of the employees were women.

At the end of 2019 the Company's board of directors consists of three women and four men, all elected by shareholders. There are no employee representatives on the Board. At the end of 2019, more than 40 per cent of the board members were women.

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

Sick leave in the Group was 1.35 percent in 2019.

RESEARCH AND DEVELOPMENT

Noreco invests in research and development to support and further grow its E&P activities. The DUC has a partnership with DTU, Technical University of Denmark and has together established the Danish Hydrocarbon Research and Technology Centre (the "DHRTC"). The DHRTC conducts research to improve future production of oil and gas from the Danish North Sea. The Centre's research seeks to increase sustainability through improved cost efficiency and reduced environmental impact. In 2019 the DUC contributed with funding amounting to DKK 131 million to DHRTC. Current ongoing work programme includes:

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

CORPORATE GOVERNANCE

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

Corporate governance in Noreco is based on equal treatment of all shareholders through the activity that the board and General Assembly practice. In total, 17 board meetings were held in 2019, participation was 95%.
The activities of the board have been focused on promoting value enhancing and preserving measures in the Company's portfolio, strengthening the Company's financial position and further developing the Company's strategy. Significant work was carried out by the board in 2019 regarding the implementation and execution of the strategy.

On 22 May 2019, the Annual General Meeting of the Company was held in Oslo, all the matters on the agenda were approved. On 7 August 2019, an extraordinary general meeting was held which appointed Colette Cohen, Yves-Louis Darricarrere and Chris Bruijnzeels as new members of the Board of Directors.

After year end, Bob McGuire was in an Extraordinary General Meeting appointed as an additional board member.

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

OWNERSHIP

There are no restrictions on the transfer of shares in Noreco. The Company currently has approximately 1.900 shareholders, and 13,33% percent of the shares are held by Norwegian residents.

NORWEGIAN ENERGY COMPANY ASA

In 2019, the parent company was a holding company, and the operating expenses mainly consisted of shareholder costs, M&A costs and payroll expenses. For comments on financial risk and market conditions and statement regarding going concern, please see other parts of this annual report. These comments are also valid for the parent company.

PARENT COMPANY FINANCIAL RESULTS FOR 2019

Personnel expenses were USD 13 million in 2019, increased from USD 2 million compared to 2018, mainly due to the USD 8 million of costs relating to share based payments, increased bonus payments and base salary due to the strengthening of the executive team after the Transaction.

Other operating expenses amounted to USD 12 million in 2019, compared to USD 3 million last year. The 2019 operating expenses are mainly influenced by consulting fees in relation to the transaction in Denmark.

The net operating result for 2019 was a loss of USD 16 million compared to a loss of USD 4 million in 2018, mainly caused by higher personnel expenses.

Net financial items amounted to an income of USD 28 million in 2019, compared to an income of USD 39 million in 2018. The financial income is mainly related to reversal of previously impaired intercompany loan of USD 33 million. The decrease in net financial items from last year is mainly related to interest on bond loans and exchange rate losses.

The Company's **net result** for the year amounted to a gain of USD 12 million compared to a gain of USD 35 million in 2018.

ALLOCATIONS

The result for the year for Norwegian Energy Company ASA in 2019 was a gain of USD 12 million. The board proposes the following allocations:

Allocated to other equity	USD 12 million
Total appropriation	USD 12 million

OUTLOOK

The current outbreak of COVID-19 has severely affected companies and markets globally, including global demand for oil and gas which has resulted in historically low oil prices, all of which persist for a prolonged period of time may affect the Company´s outlook. Noreco has built a stable business that is underpinned by the Company's position in the DUC and supported by risk mitigating actions. Noreco has identified a number of value additive organic DUC investment projects that the Company will seek to sanction when they have sufficiently progressed. The Company's ambition is to more than replace produced volumes with incremental 2P reserves additions over the medium-term. The Company anticipates direct field opex to decrease to USD 12 per boe once Tyra is back on stream. Noreco will continue work to further enhance its reserves and production base, as well as seek to leverage its relative strong position in the E&P industry to create shareholder value outside organic development.

Oslo, 30 April 2020

Riulf Rustad Executive Chair	**Tone Kristin Omsted** Board Member	**Lars Purlund** Board Member	**Yves-Louis Darricarrère** Board Member
Marianne Lie Board Member	**Colette Cohen** Board Member	**Chris Bruijnzeels** Board Member	**Bob McGuire** Board Member
Atle Sonesen Chief Operating Officer & MD			

Reporting of payments to Governments

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

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

Income tax

The income tax is calculated and paid on corporate level and is therefore reported for the whole Company rather than license-by-license. The income tax payments in 2019 for for Noreco Olie- og Gasudvinding Danmark B.V was USD 93,7 million. The income tax payments are related to tax instalments for the income year 2018 and income year 2019 pertaining to the period before Noreco's acquisition of the DUC interest.

OTHER INFORMATION REQUIRED TO BE REPORTED

In accordance with the regulation (F20.12.2013 nr 1682) Noreco is also required to report on investments, operating income, production volumes and purchases of goods and services. All reported information is relating to Noreco's activities within the extractive industries on the Danish Continental Shelf (from August 2019):

- Total net investments amounted to USD 86 million, as specified in the cash flow analysis in the financial statements
- Sales income (Petroleum revenues) in 2019 amounted to USD 331 million, as specified in Note 4 to the financial statements
- Total production in 2019 was 5.5 million barrels of oil equivalents, see Note 5 to the consolidated financial statements
- For information about purchases of goods and services, reference is made to the Income Statement and the related notes

Corporate Governance Report 2019

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

The Company will seek to comply with the Norwegian Code of Practice for Corporate Governance (the "Corporate Governance Code"), last revised on 17 October 2018, which is available at the Norwegian Corporate Governance Committee's website www.nues.no. The principal purpose of the Corporate Governance Code is to ensure (i) that listed companies implement corporate governance that clarifies the respective roles of shareholders, the Board of Directors and executive management more comprehensively than what is required by legislation and (ii) effective management and control over activities with the aim of securing the greatest possible value creation over time in the best interest of companies, shareholders, employees and other parties concerned.

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

According to the Company's own evaluation, the Company deviates from the Corporate Governance Code on the following points:

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

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

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

1. IMPLEMENTATION AND REPORTING ON CORPORATE GOVERNANCE

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

2. BUSINESS

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

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

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

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

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

3. EQUITY AND DIVIDENDS

3.1. Equity

As of 31 December 2019, the Company's consolidated equity was USD 575 million, which is equivalent to approximately 20% of total assets. The Company's equity level and financial strength shall be considered in light of its objectives, strategy and risk profile.

3.2. Dividend policy

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

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

3.3. Share capital increases and issuance of shares

In the extraordinary general meeting held on 8 November 2018 the Board of Directors was granted authorization to increase the share capital of the Company in connection with acquisition of shares in SOGU, valid until the ordinary General Meeting in 2020, however in any event no later than until 30 June 2020.

3.4. Purchase of own shares

The Board of Directors of the Company has been authorised to acquire own shares with a total par value of NOK 7,194,730 that is valid until 28 June 2020. The authorisation may be used in relation to incentive schemes, strengthening the equity capital and for funding business opportunities.

At the end of 2019, the Company did not hold any of its own shares. Subsequent to the period end, Noreco launched a share buy-back programme in early 2020 and at the date of this report holds 345,917 of its own shares.

4. EQUAL TREATMENT OF SHAREHOLDERS AND TRANSACTIONS WITH RELATED PARTIES

4.1. Class of shares

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

4.2. Pre-emption rights to subscribe

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

4.3. Trading in own shares

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

4.4. Transactions with close associates

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

4.5 Guidelines for directors and executive management

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

5. FREELY NEGOTIABLE SHARES

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

6. GENERAL MEETINGS

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

6.1. Notification

The notice for a general meeting, with reference to or attached support information on the resolutions to be considered at the General Meeting, shall as a principal rule be sent to shareholders no later than 21 days prior to the date of the General Meeting. The Board of Directors will seek to ensure that the resolutions and supporting information are sufficiently detailed and comprehensive to allow shareholders to form a view on all matters to be considered at the meeting. The notice and support information, as well as a proxy voting form, will normally be made available on the Company's website www.noreco.com/general-meetings no later than 21 days prior to the date of the general meeting.

6.2. Participation and execution

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

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

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

7. NOMINATION-COMMITTEE

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

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

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

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

8. BOARD OF DIRECTORS: COMPOSITION AND INDEPENDENCE

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

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

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

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

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

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

9. THE WORK OF THE BOARD OF DIRECTORS

9.1. The rules of procedure for the board of directors

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

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

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

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

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

9.2. The audit committee

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

The principal tasks of the audit committee are to:

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

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

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

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

9.3. The remuneration committee

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

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

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

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

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

10. RISK MANAGEMENT AND INTERNAL CONTROL

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

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

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

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

11. REMUNERATION OF THE BOARD OF DIRECTORS

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

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

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

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

12. REMUNERATION OF THE EXECUTIVE MANAGEMENT

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

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

13. INFORMATION AND COMMUNICATIONS

13.1. General

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

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

13.2. Information to shareholders

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

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

14. TAKEOVERS

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

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

15. AUDITOR

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

Furthermore, the Board of Directors will require the auditor to participate in meetings of the Board of Directors that deal with the annual accounts. At least one board meeting with the auditor shall be held each year in which no member of the executive management is present.

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

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

Corporate Social Responsibility

1. INTRODUCTION

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

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

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

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

2. PURPOSE

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

3. MAIN CSR PRINCIPLES

The Company has identified seven main CSR topics. The Group’s general approach to these topics is described below. Continuous improvement is emphasized, and priority shall be given to areas where the need for improvement and the potential for making an impact are greatest.

3.1. Professional and ethical standards

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

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

3.2. Compliance with local culture and regulations

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

3.3. Respect for human and labour rights

Group companies are committed to respecting fundamental human and labour rights, both in our own operations and in our relations with business partners. Our employees shall be treated with respect and given orderly working conditions. The Group companies shall work continuously with issues such as non-discrimination, the right to privacy, the right to collective bargaining, employment contracts and protection against harassment. Forced labour, child labour and all forms of discrimination are strictly forbidden.

3.4. Equal opportunities

It is the Group's position that equal treatment of all employees is applied, and that different treatment or discrimination based on a person's gender, race, colour, national origin, age, religion, sexual orientation or any other characteristic protected by applicable law is unacceptable. Furthermore, the Group is committed to equal opportunity for all qualified employees and job applicants. All employment decisions (such as hiring, discipline, terminations, promotions and job assignments) are to be based on the Group's needs and an employee's performance and potential. At the end of 2019 the Group had 25 employees. Approximately 40 percent of the employees were women.

At the end of 2019 the Company's board of directors consists of three women and four men, all elected by shareholders, hence more than 40 per cent of the board members were women.

3.5. Anti-corruption and bribery

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

3.6. Health, safety and the working environment

A healthy work environment contributes to a better health, greater engagement and increased job satisfaction. The goal is to create a safe and healthy work environment that contributes to motivated and committed employees, which ultimately is important for the Group's continued success. This requires continuous effort and is a natural part of the Group's daily operations. The Group has no records of work-related accidents or injuries in 2019.

During 2019, Noreco was, through its ownership in the DUC in which Total E&P Denmark A/S is the operator, involved in production of oil and gas on the Danish Continental Shelf.

The Danish Offshore Safety Act is the legal framework for promotion of a high level for health and safety offshore and for creating a framework enabling the companies to solve offshore health and safety issues themselves. The Danish Offshore Safety Act generally applies to all offshore activities related to hydrocarbon facilities, infrastructure and pipelines connected hereto.
Licensees under the Danish Subsoil Act are required to identify, assess and reduce health and safety risks as much as reasonably practicable, as well as be compliant with the ALARP (As Low As Reasonably Practicable) principle. Furthermore, the licensee shall ensure that operators are able to fulfil the safety and health obligations pursuant to the Danish Offshore Safety Act.

3.7. Environmental issues

The Group's business in the oil and gas market has an environmental impact. All phases of the oil business present environmental risks and hazards and are subject to strict environmental regulation pursuant to a variety of international conventions and state and municipal laws and regulations. All activities are subject to the receipt of necessary approvals or licences. The Group aims to protect the environment to the greatest extent possible, both in its own operations, and through the Group's partnership in the DUC. In 2019 Noreco further enhanced its work towards identifying tangible solutions that will improve the long-term position of oil and gas as a key part of the global energy mix. Through cooperation with external experts and development of internal specialised competencies, the Company aims to develop sustainable solutions that will reduce greenhouse gas emissions on the Danish Continental Shelf.

4. WHISTLEBLOWING

It is important that someone who discovers wrongdoing and non-compliance with the Company's CSR policy and other policies is able to report it without risk of retaliation or discrimination. The Company established a Whistleblowing Procedure in 2019 which purpose is to encourage everyone to raise concerns about matters occurring within or related to the Group so that the problem can be resolved promptly and efficiently using internal company resources, rather than overlooking a problem or seeking a resolution of the problem outside the Company which may delay the elimination of the problem and cause harm to the Group and its employees.The Whistleblowing Procedure applies to all officers, directors and employees of the Company, whether temporary or permanent, full-time or part-time, and regardless of their location.

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

5. ROLES AND RESPONSIBILITIES

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

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

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

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

NORWEGIAN ENERGY COMPANY ASA (PARENT COMPANY)

Statutory Accounts 2019

Notes

Income Statement for Norwegian Energy Company ASA

(Parent company) for the year ended 31 December

USD million	Note	2019	2018
Revenue	2, 15	9	1
Total revenues		9	1
Personnel expenses	11, 15	(13)	(2)
Other operating expenses	14, 15	(12)	(3)
Total operating expenses		**(25)**	**(4)**
Operating result before depreciation and write-downs (EBITDA)		**(16)**	**(4)**
Depreciation		(0)	-
Net operating result (EBIT)		**(16)**	**(4)**
Reversal of financial assets	12	33	32
Interests received from group companies		10	8
Interest income		1	0
Gain on repurchase of bonds		1	-
Foreign exchange gains		16	9
Other financial income		1	-
Total financial income		**61**	**50**
Interest expense from bond loans		(10)	(3)
Interest expenses current liabilities		(0)	-
Interest expenses to group companies		(1)	(0)
Loss on repurchase of bonds		(1)	-
Foreign exchange losses		(20)	(7)
Other financial expenses		(2)	(1)
Total financial expenses		**(33)**	**(11)**
Net financial items		**28**	**39**
Result before tax (EBT)		**12**	**35**
Tax	13	-	-
Net result for the year		**12**	**35**
Appropriation:			
Allocated to/(from) other equity		12	35
Total appropriation		**12**	**35**

Balance sheet for Norwegian Energy Company ASA

(Parent company) for the year ended 31 December

USD million	Note	31.12.19	31.12.18
ASSETS			
Non-current assets			
Financial non-current assets			
Investment in subsidiaries	3	393	-
Loan to group companies	12	127	56
Restricted cash	4	65	67
Total non-current assets		**584**	**122**
Current assets			
Receivables			
Receivables from group companies		27	12
Other current receivables		1	5
Total current receivables		**28**	**17**
Financial current assets			
Bank deposits, cash and cash equivalents		228	1
Total financial current assets		**228**	**1**
Total current assets		**256**	**18**
Total assets		**840**	**140**
EQUITY AND LIABILITIES			
Equity			
Paid-in equity			
Share capital		30	8
Share premium fund		707	343
Total paid-in capital		**737**	**352**
Retained earnings			
Other equity		(254)	(275)
Total retained earnings		**(254)**	**(275)**
Total equity	8, 9	**482**	**77**
Non-current Liabilities			
Convertible bond loan	5	160	-
Bond loan	5	168	-
Loan from group companies		24	-
Other non-current liabilities		(0)	-
Total non-current liabilities		**352**	**-**
Current liabilities			
Bond loan		-	19
Other interest-bearing debt		-	36
Trade payables	6	3	3
Debt from group companies		-	3
Other current liabilities	6	3	4
Total current liabilities		**6**	**63**
Total liabilities		**358**	**63**
Total equity and liabilities		**840**	**140**

Balance sheet for Norwegian Energy Company ASA
(Parent company) for the year ended 31 December

Oslo
30 April 2020

Riulf Rustad Executive Chair	**Tone Kristin Omsted** Board Member	**Lars Purlund** Board Member	**Yves-Louis Darricarrère** Board Member
Marianne Lie Board Member	**Colette Cohen** Board Member	**Chris Bruijnzeels** Board Member	**Bob McGuire** Board Member
Atle Sonesen Chief Operating Officer & MD			

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

USD million	Note	2019	2018
Net result for the period		12	35
Adjustments for:			
Depreciation		0	-
Write-down	12	(33)	(32)
Share-based payments expenses	8	8	1
Net financial cost/(income)		5	-
Loss/(gain) on repurchase of bonds		-	0
Interest received /paid - net		-	5
Effect of changes in exchange rates		-	(2)
Payment in kind Interest with no cash effect		-	1
Changes in:			
Trade receivable		(15)	(1)
Trade payables		0	2
Other current balance sheet items		(1)	3
Net cash flow from operations		**(25)**	**12**
Cash flows from investing activities			
Loans to group companies		(73)	(7)
Acquisition of subsidary	3	(351)	(40)
Net cash flow from investing activities		**(423)**	**(47)**
Cash flows from financing activities			
Drawdowns long-term loans	5	333	-
Proceeds from issuance of short-term loan	5	-	36
Repayment short-term loans	5	(54)	-
Issue of new shares	8	390	-
Transaction cost related to financing		(12)	(5)
Transaction cost related to equity issue	8	(4)	-
Payment of loans from group companies		24	3
Repurchase/(sale) own bonds		0	(1)
Interest paid		(1)	(1)
Net cash flow from (used) in financing activities		**675**	**33**
Net change in cash and cash equivalents		227	(2)
Cash and cash equivalents at the beginning of the period		1	3
Cash and cash equivalents at end of the year		**228**	**1**

Notes

1 ACCOUNTING PRINCIPLES

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

The annual accounts for Norwegian Energy Company ASA ("Noreco" or the "Company") have been prepared in compliance with the Norwegian Accounting Act ("Accounting Act") and accounting principles generally accepted in Norway ("NGAAP") as of 31 December 2019.

The Company is listed on the Oslo Stock Exchange under the ticker "NOR". The financial statements for 2019 were approved by the board of directors on 30 April 2020 to be approved by the Annual General Meeting on 26 May 2020.

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

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

Change in functional and presentation currency
Previously the Norwegian kroner (NOK) has been regarded as the functional and presentation currency of the parent company. As a result of a material change in the subsidiaries' business following the Transaction and that all financing in the company is in US dollars (USD), the functional currency of the parent company was changed to US dollars (USD), which is the currency of the primary economic environment in which this entities operate. The presentation currency has changed to USD.

The change in functional currencies were effective from the transaction date, 31 July 2019. All comparative figures have been translated to reflect the change in the presentation currency, using the NOK into USD rate (0,11739) at the Transaction date, 31 July 2019.

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

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

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

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

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

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

Asset impairments

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

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

Debtors

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

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

Foreign currencies

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

Bonds and other debt to financial institutions

Interest-bearing loans and borrowings are initially recognised at cost and subsequently measured at historical cost. Gains and losses arising on the repurchase, settlement or cancellation of liabilities are recognised either in interest income and other financial items or in interest and other finance expenses within Net financial items. Financial liabilities are presented as current if the liabilities are due to be settled within 12 months after the balance sheet date, or if they are held for the purpose of being traded.

Other liabilities

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

Taxes

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

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

Deferred tax is reflected at nominal value.

Cash flow statement

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

Share-based payments

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

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

Non-market performance and service conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period (which is the period over which all of the specified vesting conditions are to be satisfied). At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity. When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium. The social security contributions payable in connection with the grant of the share options is considered an integral part of the grant itself, and the charge will be treated as a cash-settled transaction.

2 REVENUE

USD million	2019	2018
Service fee subsidiaries	9	1
Total Revenue	**9**	**1**

3 INVESTMENTS IN SUBSIDARIES

Investments in subsidiaries are booked according to the cost method.

USD million Subsidiaries	Location	Ownership/ voting right	Equity 31 December	Net Income	Book value
Altinex AS	Oslo	100%	399	52	393
Norwegian Energy Company UK Ltd	Great Britain	100%	(0)	0	-
Djerv Energi AS	Oslo	100%	(0)	(0)	-
Book value 31.12.19					**393**

Investment in Altinex has increased following the conversion of loan in 2019. The impairment test as of 31.12.2019 justifies the overall value of subsidiaries in Altinex. The intercompany receivables to the UK investment are impaired to zero.

4 RESTRICTED BANK DEPOSITS

USD million	2019	2018
Restricted cash pledged as security for abandonment obligation related to Nini/ Cecilie[1)]	65	67
Other restricted cash and bank deposits	0	0
Total restricted bank deposits	**65**	**67**

[1)]Any currency exposure in the subsidiary connected with the asset retirement obligation of USD 65 million (DKK 432 million), the Group has a pledged bank account containing the same amount in DKK in the Parent company.

5 BORROWINGS

5.1 SUMMARY OF BORROWINGS

USD million		
Non-Current Debt	**2019**	**2018**
NOR 13 Convertible Bond	160	-
NOR 14 Senior Unsecured Bond	168	-
Total non-current debt	**328**	**-**
Current Debt		
Deposit Loan	-	36
NOR 10 Bond Loan	-	19
Total current debt	**-**	**55**
Total borrowings	**328**	**55**

Details on borrowings outstanding on 31 December 2019

NOR13

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

NOR14

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

5.2 COVENANTS

NOR14

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

5.3 PAYMENT STRUCTURE

Principle	NOR14	Total
2026	168	168
Total	**168**	**168**

Interest	NOR13	NOR14	Total
Interest rate	**-**	**9,00%**	
2020	-	16	16
2021	-	16	16
2022	-	16	16
2023	-	16	16
2024	-	16	16
2025	-	16	16
2026	-	8	8
Total	**-**	**102**	**102**

5.4 PLEDGED ASSETS

Pledged assets relate to the carrying value of the pledged shares under the reserve based lending facility entered into by the wholly-owned subsidiary Altinex ASA, please see note 22 in the Consolidated Financial Statement.

6 TRADE PAYABLES AND OTHER CURRENT LIABILITIES

USD million	2019	2018
Trade payable	3	3
Accrued interest	0	1
Salary accruals	0	2
Public duties payable	0	0
Other current liabilities	2	1
Total Trade Payables and other current liabilities	**6**	**7**

7 GUARANTEES

OVERVIEW OF ISSUED GUARANTEES ON 31 DECEMBER 2019.

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

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

On 31 December 2012, Noreco issued a parent company guarantee on behalf of its subsidiary Noreco Norway AS. Noreco guarantees that, if any sums become payable by Noreco Norway AS to the Norwegian Secretary of State under the terms of the licences and the company does not repay those sums on first demand, Noreco shall pay to the Norwegian Secretary of State on demand an amount equal to all such sums. Noreco Norway AS was liquidated in 2018, however as per 31 December 2019 the guarantee has not been withdrawn.

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

8 SHAREHOLDERS' EQUITY

Changes in equity All figures in USD million	Share capital	Share premium	Other equity	Total
Equity 31 December 2018	8	343	(274)	77
Issue of shares	21	369	-	390
Transaction cost equity issue	-	(4)	-	(4)
Share-based incentive program	-	-	8	8
Net result for the period	-	-	12	12
Equity 31 December 2019	**30**	**707**	**(254)**	**482**

9 SHARE CAPITAL AND SHAREHOLDER INFORMATION

	2019	2018
Ordinary shares	24 549 013	7 194 730
Total shares	24 549 013	7 194 730
Par value in NOK	10	10

The Group does not own any of its parent company shares. All shares have equal rights.

CHANGES IN NUMBER OF SHARES AND SHARE CAPITAL:

	No. of shares	Share capital*
Share capital on 1 January 2018	7 194 730	8
Share capital on 31 December 2018	**7 194 730**	**8**

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

*In USD million.

CHANGES IN 2019

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

CHANGES IN 2018

There were no changes to the share capital in 2018.

OVERVIEW OF SHAREHOLDERS AT 16 APRIL 2020:

Shareholder*	Shareholding	Ownership share	Voting share
Euroclear Bank S.A./N.V.	7 436 035	30,29%	30,29%
Goldman Sachs International	5 437 499	22,15%	22,15%
CLEARSTREAM BANKING S.A.	1 684 525	6,86%	6,86%
BNP Paribas	1 640 084	6,68%	6,68%
J.P. Morgan Securities LLC	1 325 659	5,40%	5,40%
Barclays Bank PLC	820 000	3,34%	3,34%
Bank of America, N.A.	774 408	3,15%	3,15%
Morgan Stanley & Co. Int. Plc.	392 515	1,60%	1,60%
Norwegian Energy Company ASA	345 917	1,41%	1,41%
DB London (Inv. Serv.) Nominees Lt	300 000	1,22%	1,22%
State Street Bank and Trust Comp	284 546	1,16%	1,16%
TCA SPV I SARL	240 979	0,98%	0,98%
DnB NOR Bank ASA, EGENHANDELSKONTO	237 324	0,97%	0,97%
BNP Paribas	216 960	0,88%	0,88%
OUSDAL AS	146 975	0,60%	0,60%
Goldman Sachs & Co. LLC	142 696	0,58%	0,58%
UBS AG, LONDON BRANCH	122 320	0,50%	0,50%
CREDIT SUISSE SECURITIES (USA) LTD	117 477	0,48%	0,48%
FINSNES INVEST AS	112 079	0,46%	0,46%
HANASAND, LIV INGER	102 162	0,42%	0,42%
Total	**21 880 160**	**89,1 %**	**89,1 %**
Other owners (ownership <0,42%)	1 424 636	10,87%	10,87%
Total number of shares at 16 April 2020	**23 304 796**	**100%**	**100%**

*Nominee holder

10 SHARE-BASED COMPENSATION

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

Outstanding share options	
Total share options outstanding as at 1 January 2018	180 627
Share options settled or forfeited due to the discontinuation of the options program	(180 627)
Outstanding at 31 December 2018	**-**
Share options granted in 2019	956 954
Outstanding at 31 December 2019	**956 954**

For more details related to share-based payment, please see note 24 in the Consolidated Financial Statement.

11 PAYROLL EXPENSES AND REMUNERATION

USD million	2019	2018
Salaries (incl. directors' fees)	(3)	(1)
Social security tax	(1)	(0)
Pension costs[1]	(0)	(0)
Costs relating to share based payments	(8)	(1)
Other personnel expenses	(1)	(0)
Total personnel expenses	**(13)**	**(2)**

Average number of employees	7	8

[1] Norwegian Companies are obliged to have occupational pension in accordance with the Norwegian act related to mandatory occupational pension. Noreco ASA meet the Norwegian requirements for mandatory occupational pension ("obligatorisk tjenestepensjon"). The pension costs amount to USD 0,2 million in 2019, compared to USD 0,1 million in 2018.

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

12 NET REVERSAL OF FINANCIAL ASSETS

USD million	2019	2018
Net reversal of prior years impairments on loans to subsidiaries	33	-
Provision guarantee related to Danish subsidiaries	-	32
Net write-down loans to subsidiaries	-	(0)
Total reversal of prior years impairment	**33**	**32**

2019 NET REVERSAL OF PRIOR YEARS IMPAIRMENT

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

2018 REVERSAL OF FINANCIAL ASSETS

Impairment of the guarantee made by Noreco ASA in relation to the asset retirement obligation in the Danish subsidiaries of USD 32 million was reversed in 2018 due to the Danish subsidiaries were able to meet their asset retirement obligations from 2019. Write-down of loans to subsidiaries mainly consists of impairment of loans to Joint venture, Noreco Oil (UK) Ltd. and Norwegian Energy Company UK Ltd.

13 TAX

Reconciliation of nominal to actual tax rate:

NOK million	2019	2018
Result before tax	12	35
Corporation income tax of income (loss) before tax - 22%	3	8
Sum calculated tax expense	**3**	**8**
Permanent differences	0	0
Changes in deferred tax asset - not recognised	2	9
Prior year adjustments	0	-
Changes in tax rate	-	(1)
Income tax expense	**-**	**-**

Deferred tax liability and deferred tax assets:

NOK million	2019	2018
Net operating loss deductible	85	60
Fixed assets	(0)	(0)
Current assets	3	36
Liabilities	(4)	-
Tax base deferred tax liability / deferred tax asset	83	96
Net deferred tax liability / (deferred tax asset) (22% / 23%)	(18)	(21)
Unrecognised deferred tax asset	18	21
Deferred tax liability / (deferred tax asset) recognised	-	-
Recognised deferred tax asset	-	-
Recognised deferred tax liability	-	-

14 OTHER OPERATING EXPENSES AND AUDIT FEES

USD million	2019	2018
Lease expenses	(0)	(0)
IT expenses	(1)	(0)
Travel expenses	(0)	(0)
General and administrative costs	(0)	(0)
Consultant fees	(10)	(1)
Other operating expenses	(1)	(1)
Total other operating expenses	**(12)**	**(3)**

Expensed audit fee:

USD 1000, excl.VAT	2019	2018
Audit	(226)	(161)
Other assurance services	(149)	(103)
Total audit fees	**(226)**	**(161)**

15 RELATED PARTY TRANSACTIONS

Transactions with related party USD million	2019	2018
a) Allocation of cost to group companies	9	1
b) Purchases of services	5	1
c) Sale of assets	-	-

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

Services are charged between group companies at an hourly rate which corresponds to similar rates between independent parties.

Allocation of IT and service cost to group companies amounts to USD 9 million for 2019. The increase compared to last year were related to the increased activity in the Danish subsidiaries following the Transaction.

Purchase of services includes consultancy cost from board members of USD 0,8 million in addition to office rent of USD 0,1 million. Following closing of the transaction with Shell, a closing fee of USD 2,1 million excluding VAT to Ousdal AS (company owned by Executive Chair Riulf Rustad) and USD 1,5 million excluding VAT to S&U Trading ApS (owned by Board Member Lars Purlund) was incurred as approved by the general meeting on 8 August 2019.

The Noreco Group was renting offices from Riulf Rustad at a cost of NOK 96 000 pr month. The cost increased to NOK 108 000 pr month from May 2019 when the number of Employees increased. This agreement was assumed to be at arm's length. From October 2019 this agreement was terminated and Noreco ASA is renting offices directly from the landlord.

BALANCES WITH GROUP COMPANIES

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

Noreco did not have any other transactions with any other related parties during 2019. Director's fee paid to shareholders and remuneration to management is described in Note 7 in the consolidated financial statements.

Consolidated Statements

Consolidated Statement of Comprehensive Income

All figures in USD million	Note	2019	2018
Revenue	4	333	2
Total revenues		333	2
Production expenses	5	(171)	(0)
Exploration and evaluation expenses	6	(1)	-
Personnel expenses	7	(16)	(2)
Other operating expenses	8	(19)	(18)
Total operating expenses		**(206)**	**(21)**
Operating result (EBITDA)		**127**	**(19)**
Depreciation	11	(70)	(0)
Impairment of goodwill	9, 10	(266)	-
Net operating result (EBIT)		**(209)**	**(19)**
Financial income	12	177	21
Financial expenses	12, 21	(150)	(19)
Net financial items		**27**	**2**
Result before tax (EBT)		**(182)**	**(18)**
Income tax benefit / (expense)	13	400	0
Net result for the year		**218**	**(17)**
Other comprehensive income:			
Items that will not be reclassified to profit or loss:			
Changes in fair value of bond debt		-	(0)
Items that may be subsequently reclassified to profit or loss:			
Realized cash flow hedge		9	-
Cash flow hedge		(95)	-
Related tax		55	-
Currency translation adjustment		1	(4)
Total other comprehensive income for the year		**(30)**	**(4)**
Total comprehensive income for the year		**188**	**(21)**
Earnings per share (USD 1)			
Basic	14	14,8	(2,4)
Diluted	14	12,5	(2,4)

Consolidated Statement of Financial Position

as of 31 December

All figures in USD million	Note	31.12.2019	31.12.2018
Non-current assets			
Licence and capitalised exploration expenditures	9,10	181	-
Deferred tax assets	13	471	0
Property, plant and equipment	10, 11	1 550	1
Right of Use asset	21	1	-
Restricted cash	16,	115	67
Contingent consideration - volume protection	15	17	-
Derivative instruments	17	6	-
Total non-current assets		**2 342**	**68**
Current assets			
Derivative instruments	17	57	-
Contingent consideration - volume protection	15	104	-
Trade receivables and other current assets	15	133	54
Bank deposits, cash and cash equivalents	16	286	3
Total current assets		**580**	**57**
Total assets		**2 921**	**125**
Equity			
Share capital	18	30	8
Other equity		546	(14)
Total equity		**575**	**(6)**
Non-current liabilities			
Asset retirement obligations	20	915	68
Convertible bond loan	22, 17	108	-
Bond loan	22, 17	168	-
Reserve based lending facility	22, 17	707	-
Derivative instruments	17	64	-
Other non-current liabilities	22, 21	26	-
Total non-current liabilities		**1 988**	**68**
Current liabilities			
Asset retirement obligations	20	52	(0)
Bond loan	22, 17	-	18
Other interest bearing debt	22	-	36
Tax payable	13	106	-
Derivative instruments	17	9	-
Trade payables and other current liabilities	23	191	8
Total current liabilities		**358**	**62**
Total liabilities		**2 346**	**130**
Total equity and liabilities		**2 921**	**124**

Consolidated Statement of Financial Position
as of 31 December

Oslo
30 April 2020

Riulf Rustad Executive Chair	**Tone Kristin Omsted** Board Member	**Lars Purlund** Board Member	**Yves-Louis Darricarrère** Board Member
Marianne Lie Board Member	**Colette Cohen** Board Member	**Chris Bruijnzeels** Board Member	**Bob McGuire** Board Member
Atle Sonesen Chief Operating Officer & MD			

Consolidated Statement of Changes in Equity

All figures in USD million	Share capital	Share premium fund	Currency translation fund	Cash flow hedge reserve	Other equity	Total equity
2018						
Equity on 01.01.2018	**8**	**343**	**58**	**-**	**(393)**	**17**
Impact change in functional and presentation currency	-	-	(58)	-	58	-
Restated Equity on 01.01.2018	**8**	**343**	**0**	**-**	**(335)**	**17**
Net result for the period	-	-	-	-	(17)	(17)
Other comprehensive income (net of tax)						
Change in fair value of bond debt	-	-	-	-	(0)	(0)
Currency translation adjustments	-	-	(4)	-	-	(4)
Other OCI items	-	-	-	-	-	-
Total other comprehensive income (net of tax)	**-**	**-**	**(4)**	**-**	**(0)**	**(4)**
Issue of shares	-	-	-	-	0	0
Transaction cost equity issue	-	-	-	-	-	-
Share-based incentive program	-	-	-	-	(2)	(2)
Total transactions with owners for the period	**-**	**-**	**-**	**-**	**(2)**	**(2)**
Equity on 31.12.18	**8**	**343**	**(3)**	**-**	**(354)**	**(6)**
2019						
Equity on 01.01.2019	**8**	**343**	**(3)**	**-**	**(354)**	**(6)**
Net result for the period	-	-	-	-	218	218
Other comprehensive income						
Realized cash flow hedge	-	-	-	9	-	9
Changes in fair value	-	-	-	(95)	-	(95)
Related tax	-	-	-	55	-	55
Currency translation adjustments	-	-	2	-	-	2
Other OCI items	-	-	-	-	(0)	(0)
Total other comprehensive income	**-**	**-**	**2**	**(31)**	**(0)**	**(30)**
Issue of shares	21	369	-		-	390
Transaction cost equity issue	-	(4)	-		-	(4)
Share-based incentive program	-	-	-		8	8
Capital reduction	-	-	-		-	-
Total transactions with owners for the period	**21**	**364**	**-**	**-**	**8**	**393**
Equity on 31.12.19	**30**	**707**	**(2)**	**(31)**	**(129)**	**575**

Consolidated Statement of Cash Flows

for the year ended 31 December

All figures in USD million	Note	2019	2018
Cash flows from operating activities			
Net result for the year		218	(17)
Adjustments for:			
Income tax benefit	13	(400)	(0)
Tax Refundable		-	(0)
Tax paid		(51)	-
Depreciation	11	70	(0)
Impairment of goodwill	9	266	-
Share-based payments expenses		8	1
Net financial costs	12	(27)	(3)
Changes in:			
Trade receivable	15	20	11
Trade payables	23	68	5
Inventories and spare parts	15	16	-
Prepayments	15	17	-
Over-/underlift	15	(7)	-
Other current balance sheet items		(0)	2
Net cash flow from operating activities		**198**	**(2)**
Cash flows from investing activities			
Acquisition of subsidiary	10	(1 071)	(40)
Volume guarantee	15	50	-
Locked box interest	10	(66)	-
Investment in oil and gas assets	11	(86)	-
Changes in restricted cash accounts	16	(50)	-
Net cash flow from investing activities		**(1 223)**	**(40)**
Cash flows from financing activities			
Drawdown long-term loans	22	1 078	0
Proceeds from issuance of short-term loan		-	36
Repayment short-term loans		(54)	-
Abandonment spent	20	(34)	-
Lease payments		(0)	-
Issue of new shares		390	0
Transaction costs related to financing		(54)	(5)
Transaction costs related to equity issue		(4)	(1)
Repurchase/(sale) own bonds		(1)	(1)
Interest paid		(15)	(1)
Other financial items		3	-
Net cash flow from financing activities		**1 309**	**29**
Net change in cash and cash equivalents		**283**	**(13)**
Cash and cash equivalents at the beginning of the year		3	15
Cash and cash equivalents at end of the year		**286**	**3**

Notes

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIESS

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

The consolidated financial statements for 2019 were approved by the board of directors on 30 April 2020 for adoption by the General Meeting on 26 May 2020.

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

1.1 BASIS OF PREPARATION

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

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

In accordance with the Norwegian Accounting Act, section 3-3a, the board of directors confirms that the consolidated financial statements have been prepared under the assumption of going concern and that this is the basis for the preparation of the financial statements. The financial solidity and the company’s working capital and cash position are considered satisfactory in regards of the planned activity level for the next twelve months.
The board of directors is of the opinion that the consolidated financial statements give a true and fair view of the Company’s assets, debt, financial position and financial results. The board of directors are not aware of any factors that materially affect the assessment of the Company’s position as of 31 December 2019, besides what is disclosed in the Director’s report and the financial statements.

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

1.1.1 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

IFRS 16 Leases
IFRS 16 was issued by the IASB in January 2016 and was implemented by the group effective from 1 January 2019. The standard replaced IAS 17 Leases. In the financial statement of lessees, contracts that qualify under the standard’s definition of a lease are recognized as right-of-use assets and lease liabilities in the statement of financial position, while lease payments are to be reflected as interest expense and reduction of lease liabilities. The right-of-use assets are depreciated in accordance with IAS 16 Property, Plant and Equipment over the shorter of the estimated economic life and the lease term. IFRS 16 defines a lease as a contract that conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The standard introduced new requirements both with regards to establishing the term of a lease and the related discounted cash flows that determine the amount of lease liabilities to be recognised. The standard has been adopted retrospectively with the cumulative effect of initially applying the standard as an adjustment to retained earnings at the date of initial application (modified retrospective approach).

Due to the limited lease payment amounts and the relatively short duration of the contracts, IFRS 16 did not have a material impact on the consolidated statement of financial position or statement of comprehensive income.

Change in presentation and functional currency

As a result of a material change in the group entities' business following the Transaction, the functional currency of the parent company and the subsidiary Altinex AS was changed from NOK to US dollars (USD), which is the currency of the primary economic environment in which these entities operate. The presentation currency of the group was also changed to USD. Norwegian Energy Company (UK) Ltd (functional currency GBP) and Noreco DK Pipeline Aps (functional currency DKK) are the only subsidiaries of the group with a different functional currency than the USD.

The change in functional and presentation currencies in presenting the operating results and financial positions of the Group were effective from the transaction date and have been accounted for in accordance with International Accounting Standard ("IAS") 21 The Effects of Changes in Foreign Exchange Rates.

All comparative figures have been translated to reflect the change in the Group's presentation currency. For Norwegian Energy Company ASA (Parent) and Altinex AS where the functional and presentation currency was changed at the same time, comparatives have been translated to reflect the change in the presentation currency, using the NOK into USD rate (0,11739) at the Transaction date, 31 July 2019. The currency translation fund at 1 January 2018 was related to the accumulated currency translation adjustment from USD to NOK. As a result that the presentation currency was changed from NOK to USD, all currency translation adjustment related to the companies with USD as functional currency ceased to exist and was reclassified to other equity.

Other amendments to standards

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

1.2 CONSOLIDATION

Subsidiaries

Subsidiaries are all entities over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are de-consolidated from the date that control ceases.

As of 31 December 2019, all consolidated subsidiaries are 100 percent controlled by the parent company, Norwegian Energy Company ASA or other group companies. The proportion of the voting rights in the subsidiary undertakings held directly by the parent company does not differ from the proportion of ordinary shares held. The parent company does not have any shareholdings in the preference shares of subsidiary undertakings included in the group. All subsidiary undertakings are included in the consolidation.

The group had the following subsidiaries on 31 December 2019:

Name	Country of incorp and place of business	Nature of business	Ordinary shares directly held by parent (%)	Ordinary shares held by the group (%)
Noreco Denmark A/S	Denmark	Intermediate holding company		100%
Noreco Oil Denmark A/S	Denmark	Exploration and production		100%
Noreco Petroleum Denmark A/S	Denmark	Exploration and production		100%
Noreco Olie- og Gasudvinding Danmark B.V	Netherlands[1]	Exploration and production		100%
Noreco DK Pipeline Aps	Denmark	Infrastructure oil and gas		100%
Norwegian Energy Company UK Ltd	Great Britain	Exploration activity	100%	100%
Noreco Oil (UK) Ltd	Great Britain	Exploration activity		100%
Altinex AS	Norway	Intermediate holding company	100%	100%
Djerv Energi AS	Norway	Dormant Company	100%	100%

[1] Changed domicile to Denmark from 2020

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

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

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

Interest in jointly controlled assets

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

1.3 SEGMENT REPORTING

The group's segments were established on the basis of the most appropriate distribution of resource and result measurement. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the managing director. After the restructuring in 2015, the whole group is considered a single operating segment.

1.4 FOREIGN CURRENCY TRANSLATION

a) Functional and presentation currency

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in US dollars (USD), which is the group's presentation currency and the parent company and main operating companies functional currency. The presentation and functional currency were changed in 2019, see section 1.1.1 for more details.

b) Transactions and balances

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

c) Group companies

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

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

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

III) All currency translation adjustments are recognised in other comprehensive income. Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Currency translation adjustments arising are recognised in other comprehensive income.

1.5 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment include production facilities, machinery and equipment. Items of property, plant and equipment are measured at cost, less accumulated depreciation and accumulated impairment losses. Cost includes purchase price or construction cost and any costs directly attributable to bringing the assets to a working condition for their intended use, including capitalised borrowing expenses incurred up until the time the asset is ready to be put into operation.
For property, plant and equipment where asset retirement obligations for decommissioning and dismantling are recognised as a liability, this value is added to acquisition cost for the respective assets. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in the income statement using the effective interest method.

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

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

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

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

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

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

The estimated useful lives are as follows:
- Office equipment and fixtures: 3-5 years

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

1.6 INTANGIBLE ASSETS

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

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

Goodwill

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

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash generating units (CGUs), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

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

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

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

1.7 IMPAIRMENT OF NON-FINANCIAL ASSETS

a) Unit of account

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

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

Developed fields producing from the same offshore installation are treated as one joint cash generating unit. The size of a cash generating unit cannot be larger than an operational segment.
Goodwill is tested for impairment at the same level in which the goodwill is allocated.

b) Impairment testing

Intangible assets with an indefinite useful life are not subject to amortisation and are tested annually for impairment. For Oil and gas exploration and development expenditures, see 2.6 above re assessment of impairment and derecognition. Property, plant and equipment subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment write-downs are assessed for potential impairment reversal at each reporting date as to whether there is an indication that an impairment loss may no longer exist or may have decreased.

1.8 FINANCIAL ASSETS

1.8.1 CLASSIFICATION

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

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

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

(b) Financial assets and liabilities at amortised cost

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

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

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

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

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

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

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

1.8.2 RECOGNITION AND MEASUREMENT

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

1.9 IMPAIRMENT OF FINANCIAL ASSETS

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments (financial assets) not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

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

1.10 DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES

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

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

1.11 TRADE RECEIVABLES

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

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

1.12 CASH AND CASH EQUIVALENTS

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

1.13 OVER/UNDER LIFTING OF HYDROCARBONS

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

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

1.14 SHARE CAPITAL AND SHARE PREMIUM

Ordinary shares are classified as equity. Costs directly attributable to the issue of new shares or option shares are recognised as a deduction from equity, net of any tax effects.

1.15 TRADE PAYABLES

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

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

1.16 BORROWINGS

Borrowings (financial liabilities) are classified as measured at amortised cost or FVTPL. Borrowings that are subsequently measured at amortised cost using the effective interest method are recognised initially at fair value, net of transaction costs incurred. For financial liabilities measures to fair value transaction cost are expensed immediately. For hybrid (combined) instrument that includes a non-derivative host contract that is not accounted for at FVTPL and an embedded derivative that is accounted for at FVTP such as the convertible bond the company has elected an accounting polity that all of the transaction costs are always allocated to and deducted from the carrying amount of the non-derivative host contract on initial recognition. The subsequent measurement depends on which category they have been classified into. The categories applicable for company are either financial liabilities measured at fair value through OCI or financial liabilities measured at amortised cost using the effective interest method. The company designated the bond loan settled in July 2019 at fair value through profit or loss. The new convertible bond loan has been determined to contain embedded derivatives which is accounted for separately as a derivative at fair value through profit or loss, while the loan element is measured at amortized cost (note 3.1).

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

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

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

1.17 BORROWING COSTS

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

1.18 CURRENT AND DEFERRED INCOME TAX

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

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

Deferred income tax is recognised on temporary differences arising between the tax bases of assets, and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects nether accounting nor taxable profit or loss. Deferred income tax is determined using nominal tax rates (and laws) that have been enacted or substantively enacted by the statement of financial position date and are expected to apply when the related deferred income tax asset is realised, or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.
Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, associates and joint arrangements only to the extent that it is probable that the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

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

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

1.19 PENSIONS

The Group only has defined contribution plans as of 31 December 2019. For the defined contribution plan, the group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

1.20 SHARE-BASED PAYMENTS

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

Fair value:

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

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

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

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

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

1.21 PROVISIONS

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

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

1.21.1 ASSET RETIREMENT OBLIGATIONS

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

1.22 CONTINGENT LIABILITIES AND ASSETS

Contingent liabilities are defined as:

• Possible obligations that arise from past events, whose existence depends on uncertain future events.

• Present obligations which have not been recognised because it is not probable that they will result in a payment.

• The amount of the obligation cannot be measured with sufficient reliability.

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

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

1.23 REVENUE RECOGNITION

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

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

1.24 PRODUCTION EXPENSES

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

1.25 INTEREST INCOME

Interest income is recognised using the effective interest method.

1.26 LEASES

At the inception of a contract, the group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The accounting policy for leases was changed 01.01.2019, see note 1.1.1.

Recognition of leases and exemptions

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

Lease liabilities

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

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

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

Right-of-use assets

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

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

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

1.27 CONSOLIDATED STATEMENT OF CASH FLOWS

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

1.28 SUBSEQUENT EVENTS

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

2 FINANCIAL RISK MANAGEMENT

2.1 FINANCIAL RISK FACTORS

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

Market risk

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

(a) Foreign currency risk

The group is composed of businesses with various functional currencies including USD, GBP and DKK. The group is exposed to foreign exchange risk for series of payments in other currencies than the functional currency, mainly related to the ratio between NOK and USD, DKK and USD, and GBP and USD. The Group's statement of financial position includes significant assets and liabilities which are recorded in other currencies than the Group's functional currency. As such the group's equity is sensitive to changes in foreign exchange rates. See Note 15 Non-current receivables, trade receivable and other current receivables, Note 16 Restricted Cash, Bank Deposits, Cash and Cash Equivalents, Note 17 Financial instruments, Note 20 Asset retirement obligation, Note 22 Borrowings and Note 23 Trade payables and other payables, Note 27 Contingencies and commitments. A decrease in the closing rate of NOK, EUR and DKK with 10 percent compared to USD would have the following impact on financial assets, financial liabilities and equity:

USD million	NOK	DKK	EUR
Financial Assets	3	65	2
Financial Liabilities	0	18	0
Effect Net result/Equity	3	47	2

The Company considers the currency risk relating to the different financial instruments to end 2022 to be low, as the main financial items held in a currency other than the functional currency of the respective components is offset by positions in other components of the Group. With regards to trade receivables and payables, the Company deems the risk to be immaterial.

(b) Price risk

Noreco produces and sells hydrocarbons in Denmark and is as a result exposed to changes in commodity and oil prices. The Group has a material oil price hedging programme in place that mitigates the risk of near-term oil price movements. As of 31 December 2018 Noreco had outstanding bond debt, listed at Oslo Stock exchange, which was measured at fair value. As of 31 December 2019 Noreco had commodity derivatives measured at fair value. A change in the value directly affects the company's profit and loss, OCI and recorded equity, and hence the group is exposed to the fair value development of these financial instruments. Assuming an increase in the oil price at 31 December 2019 of 10% and assuming this change will have full effect on the whole curve, the effect on the value of commodity derivatives would have the following impact:

USD million	Equity	OCI	Net result
Oil price +10%	-49	-45	-4
Oil price -10%	49	45	4

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

(c) Interest rate risk

The Group has loans with fixed and floating interest rates. Loans with fixed interest rate expose the Group to risk (premium/discount) associated with changes in the market interest rate. At year-end, the group has a total of USD 983 million (2018: USD 54 million) in interest-bearing debt (carrying amount), the principal amount was USD 1 079 million. The Group's RBL facility has a floating interest rate of LIBOR + a margin (currently 4%), while the Group's Bond debt (NOR 13 and NOR 14) have a fixed interest rate exposure. The reserve-based lending facility is linked to the LIBOR rate as set at the time of redetermination. A variance of +/- 1% in the LIBOR rate would result in +/- USD 7.5 million of interest charges to Noreco per annum. For further information about the Group's interest-bearing debt, see Note 22.

All bank deposits (USD 401) million) are at floating interest rates. See note 16 Restricted cash, bank deposits, cash and cash equivalents for further information about bank deposits. The Group considers the risk exposure to changes in market interest to be at an acceptable level.

Liquidity risk

The Group has certain financial commitments arising from its operations and other agreements entered into which are expected to be met by liquid assets, proceeds from external financing and cash flow from operations. The Group monitors its liquidity situation continuously to ensure it will be able to meet its financial obligations as they fall due. As of 31 December 2019, none of the Group's interest-bearing debt were falling due within the next 12 months.

Credit risk

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

2.2 CAPITAL RISK MANAGEMENT

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

The group monitors the debt with the basis of cash flows, equity ratio and the gearing ratio. The group's debt restricts the payment of dividends until two quarters after the completion of the Tyra redevelopment project; subsequent to this date, NOR14 limits dividend payments to 50% of the group's net profit after tax for the previous year. See further information regarding borrowings and covenants in Note 22.

2.3 FAIR VALUE ESTIMATION

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

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

The fair value of financial instruments traded in active markets is based on quoted market prices at the statement of financial position date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price.

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

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

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

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

In level 3 there are two financial instruments, the embedded derivatives convertible bond and the contingent consideration (volume guarantee). As the volume guarantee relates directly to the production of Noreco's DUC asset base, movements in value have a future corresponding effect in revenue of the same assets. Therefore, the volume guarantee represents the minimum production level for which Noreco will receive value. There is no punitive provisions or otherwise for production above the protected volume. The fair value of the contingent consideration is calculated based on a discounted cash flow model. A change in the production of +/- 5 percent would have the following impact on contingent consideration, net result and equity (excl. the future corresponding effect on revenue):

		Sensitivity Analysis	
Benchmark Price	(USD/bbl)	60	60
Actual Production Variance	(%)	5%	-5%
Contingent consideration	*USD million*	(26)	25
Effect Net result/Equity	*USD million*	(26)	25

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

		Sensitivity Analysis	
Share price	(%)	10%	-10%
Embedded derivatives	*USD million*	(10)	9
Effect Net result/Equity	*USD million*	(10)	9

It is evaluated that there is no tax effect of changes in fair value of the contingent consideration and embedded derivatives. See Note 17 for fair value hierarchy and further information.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

3.1 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

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

Due to the change in the Group's assets and liabilities the uncertainty related to the applied assumptions and estimates have changed significantly during the year. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

a) Estimated value of financial assets and financial liabilities

The volume guarantee from Shell is measured at fair value through profit and loss. The volumes expected to be received under the guarantee have been price hedged and the hedging instruments have also been measured at fair value through profit and loss. See note 2.3 for sensitivity analyses. The group's expected oil-production in 2020, excluding the volume guarantee, has been price hedged using cash flow hedging derivatives, which have been measured at fair value through OCI. See note 2.1 for sensitivity analyses. The embedded derivatives in the convertible debt has been recognised separately at fair value through profit and loss. The value of this embedded derivative has been calculated using the Black-Scholes-Merton valuation model using assumptions for share price, volatility of share price, and other inputs which are subject to significant uncertainty.

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

For more details see note 17 Financial Instruments.

b) Income tax

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

c) Asset retirement obligation

Production of oil and gas is subject to statutory requirements relating to decommissioning and removal obligation once production has ceased. Provisions to cover these future decommissioning and removal expenditures must be recognised at the time the statutory requirement arises. The costs will often incur sometime in the future, and there is significant uncertainty attached to the scale and complexity of the decommissioning and removal involved. Estimated future costs (estimated based on current costs inflated) are based on known decommissioning and removal technology, expected future price levels, and the expected future decommissioning and removal date, discounted to net present value using a risk-free rate adjusted for credit risk. Changes in one or more of these factors could result in changes in the decommissioning and removal liabilities. See note 20 'Asset Retirement Obligations' for further details about decommissioning and removal obligations.

d) Depreciation and impairment of fixed assets

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

3.2 CRITICAL JUDGEMENTS IN APPLYING THE ENTITY'S ACCOUNTING POLICIES

a) Accounting for convertible debt

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

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

b) Purchase price allocation

The group applies the acquisition method to account for business combinations. Identifiable assets acquired, and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. As objective stand-alone values of an acquired target may be different from subjective entity specific (acquiror) values, the Group could be willing to pay more than stand-alone values for certain assets acquired in a business combination, and hence, incur immediate impairment write-downs. This is the basis for the goodwill impairment recognised in 2019 as discussed in note 9 and Note 10. Similarly, previously unrecognised deferred tax assets have been recognised on the basis of estimated future taxable income from acquired businesses, see note 13. Significant judgements are required to be applied in such purchase price allocations.

4 REVENUE

USD million	2019	2018
Sale of oil	305	2
Sale of gas and NGL	26	0
Other income	2	-
Total Revenue	**333**	**2**

Revenue per customer	2019	2018
Shell Trading International	90,8 %	-
Orsted Salg & Service AS	6,7 %	-
Shell Energy Europe Limited	1,6 %	-
INEOS E&P AS	0,5 %	87,5 %
Dansk Shell AS	0,2 %	-
Natixis	0,1 %	-
INEOS Naturgas AS	0,0 %	12,5 %
Total Revenue	**100,0 %**	**100,0 %**

5 PRODUCTION EXPENSES

USD million	2019	2018
Direct field opex	(80)	(0)
Tariff and transportation expenses	(24)	(0)
Production G&A	(23)	-
Field operating cost	**(127)**	**(0)**
Total produced volumes (mmboe)	5,5	
In USD per boe	(23,1)	
Adjustments for:		
Change in inventory position	(16)	-
Over/underlift of oil and NGL	7	-
Insurance & Other	(6)	-
Accruals/periodisation	(6)	-
Exeptional costs	(23)	-
Production expenses	**(171)**	**(0)**

Production expenses for the year directly attributable to the lifting and transportation to market of our oil and gas production is in total USD 127 million, which equates to USD 23,1 per boe produced during the period.

The transportation expense increased during the year which was driven by changed market terms for the cost of getting the gas to market. This is related to the shut-down of the Tyra platform.

Noreco closed the year with a minor overlift reduction compared to the overlift at closing date of the Transaction, the adjustment of USD 7 million is mainly related to a valuation change. Opening balance from the Transaction is valued at marked price and closing balance is valued at production cost. In addition Noreco also recognised USD 16 million movement in the Company's inventory position.

Accruals of USD 6,1 million were charged in December, reflecting the overhead charges from Total not included in the billing from the operator as of 31.12.2019. This will be billed by Total in 2020.

During the year, the Company also recognised a number of exceptional expenses related to its operations in the DUC. Total, the operator of the DUC, has recently undertaken a restructuring programme to ensure an efficient organisational structure is in place going forward, and Noreco recognised a charge related to this of USD 10,8 million. Total also wrote-off the value of certain items of inventory to reflect its net realisable value, and as a result of this Noreco recognised a charge of USD 11,9 million during the period.

6 EXPLORATION AND EVALUATION EXPENSES

USD million	2019	2018
Acquisition of seismic data, analysis and general G&G costs	-	-
Exploration wells capitalised in previous years	-	-
Dry exploration wells this period	-	-
Other exploration and evaluation costs	(1)	-
Total exploration and evaluation costs	**(1)**	**-**

7 PERSONNEL EXPENSES AND REMUNERATION

USD million	Note	2019	2018
Salaries		(6)	(1)
Social security tax		(1)	(0)
Pension costs	19	(0)	(0)
Costs relating to share based payments	24	(8)	(1)
Other personnel expenses		(1)	(0)
Total personnel expenses		**(16)**	**(2)**
Average number of employees		**15**	**8**

COMPENSATION TO KEY MANAGEMENT FOR 2019

USD 1 000	Remuneration	Bonus earned	Share options 6)	Pension	Other remuneration 7)	Total compensation	Number of shares	Number of options
Senior Executives								
Atle Sonsen, MD and COO[1)]	66	-	-	2	0	69	-	-
Euan Shirlaw, CFO[2)]	77	160	47	0	-	284	-	60 000
Frederik Rustad, EVP[3)]	227	-	615	14	1	858	5 500	80 000
Former Executives								
Sjur Talstad, COO[4)]	418	-	-	14	1	433	-	-
Silje Hellestad, Group Acc. Man.[5)]	97	-	-	13	1	112	-	-
Total compensation 2019	885	160	662	45	4	1 756	5 500	140 000
Total compensation 2018	477	546	-	32	6	1 062	-	-

1) Chief Operating Officer and Managing Director Atle Sonesen employed 1 November 2019.
2) Cheif Financial Officer Euan Shirlaw employed 1 October 2019.
3) Frederik Rustad was constituted Managing Director with effect from 3 April 2018 to 1 November 2019. Compensation includes salaries for the whole year.
4) Chief Operating Officer Sjur Talstad employed 15 November 2018 and left the company in August 2019.
5) Group Account Manager Silje Hellestad left the company in September 2019.
6) For more information on share options, please see note 24.
7) Other remuneration relates to the benefit of free phone, free newspaper and insurance.

The Company has not issued any loans or acted as a guarantor for directors or management. Compensation in NOK and GBP have been converted to USD by using yearly average rate for 2019 and 2018 respectively.

USD 1 000	Director's fees	Share options 3)	Total compensation 4)	Number of shares 5)	Number of options 6)	Shares purchased in 2019 7)	Period served on the board
Current Board of directors							
Riulf Rustad, Chair of the Board	500	4 333	7 825	212 975	490 000	70 000	27.03.2015
Lars Purlund, Board member	45	2 698	4 711	7 264	300 000	1 982	26.05.2016
Marianne Lie, Board member	45	5	50	8 954	6 954	6 954	26.05.2016
Tone Kristin Omsted, Board member	45	4	49	5 000	5 000	5 000	26.05.2016
Chris Bruijnzeels, Board member 1)	18	-	18	-	-	-	15.09.2019
Colette Cohe, Board member 1)	18	-	18	-	-	-	15.09.2019
Yves-Louis Darricarrére , Board member 1)	18	-	18	-	-	-	15.09.2019
Former Board of directors							
John Phillip Madden III - Board member 2)	27	-	27	-	-	-	26.05.2016
Total compensation 2019	716	7 041	12 717	234 193	801 954	83 936	
Total compensation 2018	203	-	899	150 257	-	-	

1) Chris Bruijnzeels, Colette Cohen and Yves-Louis Darricarrére were elected as new Board members at the EGM that took place 7 August 2019, with effect from 15 September 2019.
2) John Phillip Madden III resigned from the board from 15 September 2019.
3) For more information on share options, please see note 24.
4) Total compensation includes for the Chair and each Director payment for services rendered as consultancy in accordance with consultancy agreement approved by General meeting in 2016. In addition, it includes Closing fee in relation to the Acquisition that took place in July 2019.
5) The number of shares owned by board members is allocated between private shareholding and shareholding through companies controlled by board members. Number of shares owned as of 31 December 2019.
6) At the extraordinary general meeting held on 8 November 2018, the general meeting replaced the Company's existing option scheme. The Board of Directors was authorized to grant options up to a total of 1 510 000 shares in the Company as part of a new incentive program. The options may be granted to the members of the Board and key personnel of the Company. After award, the options must be exercised within 5 years after which they expire.
7) Figures show the net increase in shareholding in 2019.

The Company has not issued any loans or acted as a guarantor for directors or management. Compensation in NOK have been converted to USD by using yearly average rate for 2019 and 2018 respectively.

DIRECTORS' FEES

The annual remuneration to board members is decided on by the Shareholder's Meeting.
The Chair of the Board receives an annual remuneration of USD 500 000 and the other shareholder elected members of the board receive an annual remuneration of USD 60 000.

On the Extraordinary General Meeting that took place 7 August 2019, it was agreed to adjust remuneration to the members of the board. With effect of the calendar year of 2018, the Chair of the Board shall receive an annual remuneration of USD 500 000, instead of NOK 450 000. The other shareholder elected members of the board shall receive a remuneration of USD 60 000 with effect from 7 August 2019. All the remunerations are paid quarterly. Certain Board member have entered into consultancy agreements to provide services to the Company on an hourly basis at a cost of USD 300 per hour.

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

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

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

I GENERAL ON EXECUTIVE REMUNERATION

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

II BINDING PRINCIPLES RELATED TO SHARE PRICE DEVELOPMENTS

At the extraordinary general meeting held on 8 November 2018, the general meeting replaced the Company's existing option scheme. The Board of Directors was authorized to grant options up to a total of 1 510 000 shares in the Company as part of a new incentive program. The options may be granted to the members of the Board and key personnel of the Company. After award, the options must be exercised within 5 years after which they expire. On 7 August 2019 the share option programme was amended to include all the Group's employees, at the Board's discretion.

Options were to be divided into (i) options to buy or subscribe for 715 000 shares at a strike price of NOK 240 per share, (ii) options to buy or subscribe for 170 000 shares at a strike price based on the volume weighted average price (VWAP) 30 days after completion of the acquisition of the DUC assets, and (iii) options to buy or subscribe for 625 000 shares at a strike price determined at the Board of Director's discretion with reference to the share price at the time of granting the options. The options (ii) and (iii) shall have a vesting period of 3 years from the time of award, with 1/3 vesting for each of the three years. The option (i) shall not have any vesting period. In addition to the programme above the Board is authorised to issue one option for each share purchased by any Board Member (except of Executive Chairman Riulf Rustad and Board Member Lars Purlund) up to a total of 10 000 shares for each Board Member.

The Board of Directors may also award other options, other terms for options and other kind of remuneration related to the share price of the Company.

III REMUNERATION POLICY FOR 2019

Remuneration to the Managing Director and executive management shall be evaluated and may be amended regularly by the Board of Directors to ensure that salaries and other benefits are based on the above guidelines and principles and in accordance with the purpose of the total compensation package for the Managing Director mentioned above. Remuneration to the managing directors and the executive management for 2019 has been in line with the board of directors' statement on remuneration to the managing director and other key executive officers as approved by the annual general meeting held in 2019.

COMPENSATION TO KEY MANAGEMENT FOR 2018

USD 1 000	Remuneration	Bonus earned	Share options	Pension	Other remuneration 4)	Total compensation	Number of shares	Number of options
Senior Executives								
Frederik Rustad, MD[1)]	207	546	-	11	2	766	-	-
Sjur Talstad, COO[2)]	64	-	-	-	0	64	-	-
Silje Hellestad, Group Acc. Man.	136	-	-	16	2	154	-	-
Former Executives								
Cecilie Olesen Lindseth, MD[3)]	70	-	-	5	2	77	-	-
Total compensation 2018	477	546	-	32	6	1 062	-	-

1) Frederik Rustad was constituted managing director with effect from 3 April 2018. Compensation includes salary for the whole year.
2) Chief Operating Officer Sjur Talstad employed 15 November 2018.
3) Compensation includes salary to managing director Cecilie Olesen Lindseth. She was employed until 31 March 2018.
4) Other remuneration relates to the benefit of free phone, free newspaper and insurance.

The Company has not issued any loans or acted as a guarantor for directors or management. Compensation in NOK and GBP have been converted to USD by using yearly average rate for 2018

USD 1 000	Director's fees	Total compensation 1)	Number of shares 2)	Number of options 3)	Shares purchased in 2018 4)	Period served on the board
Current Board of Directors						
Riulf Rustad, Chair of the Board(5)	55	456	142 975	-	-	27/03/15
Lars Purlund, Board member	37	332	5 282	-	-	26/05/16
Marianne Lie, Board member	37	37	2 000	-	-	26/05/16
Tone Kristin Omsted, Board member	37	37	-	-	-	26/05/16
John Philip Madden III, Board member	37	37	-	-	-	26/05/16
Total compensation 2018	203	899	150 257	-	-	

1) Total compensation includes for the Chair and each Director payment for services rendered as consultants in accordance with consultancy agreement with a remuneration of NOK 2,000 per hour. Approved by General meeting in 2016.

2) The number of shares owned by board members is allocated between private shareholding and shareholding through companies controlled by board members. Number of shares owned as of 31 December 2018.

3) The former share options program was discontinued on the general meeting held 8 November 2018, options in the money will be settled with cash and options out of the money will be forfeited.

4) Figures show the net increase in shareholding in 2018.

5) It was approved by the general meeting on 8 November 2018 that existing options in-the-money on 15 October 2018 shall be settled by cash payment from the Company to the option holder in an amount of NOK 198 per option. This relates to 100 000 options granted in 2016 to the chairman Riulf Rustad, and the total payment to be made in 2019 will be NOK 19.8 million. The additional benefit is calculated to NOK 4.7 million as of 8 November 2018. No amount related to this is included in the total compensation in the table above.

The Company has not issued any loans or acted as a guarantor for directors or management. Compensations in NOK have been converted to USD by using yearly average rate for 2018

DIRECTORS' FEES

The annual remuneration to board members is decided on by the Shareholder's Meeting. Current benefits are;
The Chair of the Board receives an annual remuneration of NOK 450 000 and the other shareholder elected members of the board receive an annual remuneration of NOK 300 000. Certain remuneration is paid quarterly. The Board members have entered into consultancy agreements to provide services to the Company on an hourly basis at a cost of NOK 2 000 per hour.

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

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II BINDING PRINCIPLES RELATED TO SHARE PRICE DEVELOPMENTS

At the extraordinary general meeting held on 8 November 2018, the general meeting replaced the Company's existing option scheme. The board of directors was authorized to grant options up to a total of 1 510 000 shares in the Company as part of a new incentive program. The options may be granted to the members of the board and key personnel of the Company. After award, the options must be exercised within 5 years after which they expire. The options shall have a vesting period of 3 years from the time of award, with 1/3 vesting for each of the three years. Options were to be divided into (i) options to buy or subscribe for 715,000 shares at a strike price of NOK 240 per share, (ii) options to buy or subscribe for 170,000 shares at a strike price based on the VWAP 30 days after completion of the acquisition of the DUC assets, and (iii) options to buy or subscribe for 625,000 shares at a strike price determined at the board of director's discretion with reference to the share price at the time of granting the options. The board of directors may also award other options, other terms for options and other kind of remuneration related to the share price of the Company. Remuneration to the managing director and executive management shall be evaluated and may be amended regularly by the board of directors to ensure that salaries and other benefits are based on the above guidelines and principles and in accordance with the purpose of the total compensation package for the managing director mentioned above.

III REMUNERATION POLICY FOR 2018

Remuneration to the managing directors and the executive management for 2018 has been in line with the board of directors' statement on remuneration to the managing director and other key executive officers as approved by the annual general meeting held in 2018.

8 OTHER OPERATING EXPENSES

USD million	2019	2018
Premises	(0)	(0)
IT expenses	(1)	(0)
Travel expenses	(0)	(0)
Office cost	(0)	(0)
Consultant fees	(14)	(17)
Other operating expenses	(4)	(0)
Total other operating expenses	**(19)**	**(18)**

USD 1000, excl. VAT	2019	2018
Auditor's fees	(337)	(211)
Other assurance service	(149)	(103)
Total audit fees	**(486)**	**(314)**

9 INTANGIBLE ASSETS

INTANGIBLE ASSETS AT 31 DECEMBER 2019

USD million	Licence and capitalised exploration expenditures	Goodwill	Total
Acquisitions			
Acquisition costs 01.01.19	-	-	-
Acquisitions through business combination	186	266	452
Currency translation adjustment	-	(0)	(0)
Acquisition costs 31.12.19	**186**	**266**	**452**
Accumulated depreciation and write-downs			
Accumulated depreciation and write-downs 01.01.19	-	-	-
Depreciation	(5)	-	(5)
Impairment	-	(266)	(266)
Currency translation adjustment	-	0	0
Accumulated depreciation and write-downs 31.12.19	**(5)**	**(266)**	**(271)**
Book value 31.12.19	**181**	**-**	**181**

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

INTANGIBLE ASSETS AT 31 DECEMBER 2018

USD million	Licence and capitalised exploration expenditures	Goodwill	Total
Acquisitions			
Acquisition costs 01.01.18	-	1	1
Acquisitions through business combination	-	-	-
Additions	-	-	-
Currency translation adjustment	-	0	0
Acquisition costs 31.12.18	**-**	**1**	**1**
Accumulated depreciation and write-downs			
Accumulated depreciation and write-downs 01.01.18	-	(1)	(1)
Impairment	-	-	-
Currency translation adjustment	-	-	-
Accumulated depreciation and write-downs 31.12.18	**-**	**(1)**	**(1)**
Book value 31.12.18	**-**	**(0)**	**(0)**

10 ACQUISITION OF SUBSIDIARY

On 31 of July 2019 the Company completed the acquisition of 100% of the shares in Shell Olie- og Gasudvinding Danmark B.V. Following the acquisition Noreco has a 36,8% interest in the Danish Underground Consortium (DUC) with 11 producing fields and related infrastructure. This acquisition has transformed Noreco to become the second largest oil and gas producer in Denmark and a considerable independent exploration and production company in the North Sea.

The acquisition was financed through a seven-year USD 900 million Reserve Based Lending Facility, a share capital increase of USD 352 million, and the issuance of a convertible bond loan with the principal amount of USD 158 million, in addition the outstanding NOR10 bond loan was repaid at 101,5% of par value.

The transaction is considered to be a business combination and has been accounted for using the acquisition method of accounting as required by IFRS 3. The acquisition date for accounting and tax purposes (transfer of control) has been determined to be 31 July 2019. In the five months to 31 December 2019 the new subsidiary contributed revenue of USD 331 million and net loss after tax of USD 221 million to the Group's result. The net loss after tax includes USD 266 million impairment of goodwill generated as a result of the acquisition. As a consequence of the acquisition, the Group recognised USD 444 million through the income statement previously unrecognised deferred tax assets related to the Group's tax losses carried forward in Denmark. Recognition of these deferred tax assets is not a part of the purchase price allocation in the business combination, and is not included in the contribution from the new subsidiary quantified above. If the acquisition had occurred on 1 January, management estimates that the consolidated revenue would have been approximately USD 1 028 million and the consolidated net profit after tax would have been approximately USD 286 million for the year. Net profit after tax includes the impairment of goodwill of USD 266 million and USD 444 million of recognised tax losses carried forward. In determination of these amounts, management has assumed that the fair value adjustments, determined provisionally that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 January 2019.

A. CONSIDERATION TRANSFERRED

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

USD million	
Initial Cash payment	40
Cash payment 31.12.18	**40**
Cash at Completion	1 104
Volume guarantee refund until June 2019	(33)
Total Consideration at completion	**1 071**
Settlement of prepaid cost – reimbursed to seller	5
Volume guarantee for July 2019	(10)
Locked Box Interest	63
Total Cash payment 31.12.19	**1 170**
Adjustments	
Deferred payment	25
Volume guarantee market value	(81)
Total Purchase price	**1 114**

The final consideration for the acquisition of SOGU was set in the SPA consisting of a cash payment, of which USD 25 million has been deferred until 2023 and an additional volume protection payment covering the period from signing the SPA until end of December 2020. This volume protection payment requires the seller to compensate Altinex according to a formula set in the SPA, if the actual volume is lower than a stipulated volume. Management has estimated the fair value of this protection payment from closing until December 2020 (being a contingent consideration comprising a receivable from the seller) to USD 81 million which has been deducted from the consideration. The contingent consideration is categorized within Level 3 of the fair value hierarchy in IFRS 13 and has been calculated based on net present value model where the key inputs are future oil price (where an average oil price of 60 USD/bbls has been applied) and latest production forecasts. Any changes in the fair value of the volume guarantee have been recognised on the balance sheet and through profit or loss, at 31 December 2019 the value of the receivable was USD 121 million. If the production forecast change with +/- 5 % the value of the contingent consideration would change with USD +/- 26 million (note 2.3) During the locked box period Altinex became entitled to volume protection payments of USD 33 million which similarly has been deducted from the consideration.

B. ACQUISITION-RELATED COSTS

The Group incurred acquisition-related cost of USD 9 million in 2019 (USD 1,5 million in 2018) related to external legal fees and due diligence cost. These costs have been included in Other operating expenses in the consolidated statement of comprehensive income.

C. IDENTIFIABLE ASSETS ACQUIRED AND LIABILITIES ASSUMED

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

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

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

D. GOODWILL

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

For comments related to goodwill and impairment please see note 8.

11 PROPERTY, PLANT AND EQUIPMENT

PROPERTY, PLANT AND EQUIPMENT AT 31 DECEMBER 2019

USD million	Asset under construction	Production facilities	Pipelines	Machinery & equipment	Total
Acquisition costs 01.01.19	-	3	-	1	4
Acquisitions though business combination	300	309	1	-	610
Additions	76	10	-	0	86
Acquisition of abandonment asset through business combination	-	918	-	-	918
Currency translation adjustment	-	0	0	0	0
Acquisition costs 31.12.19	**376**	**1 240**	**1**	**1**	**1 619**
Accumulated depreciation and write-downs					
Accumulated depreciation and write-downs 01.01.19	-	(2)	-	(1)	(3)
Depreciation	-	(66)	(0)	(0)	(66)
Currency translation adjustment	-	(0)	(0)	(0)	(0)
Accumulated depreciation and write-downs 31.12.19	**-**	**(68)**	**(0)**	**(1)**	**(68)**
Book value 31.12.19	**376**	**1 324**	**1**	**0**	**1 550**

PROPERTY, PLANT AND EQUIPMENT AT 31 DECEMBER 2018

USD million	Asset under construction	Production facilities	Pipelines	Machinery & equipment	Total
Acquisition costs 01.01.18	-	3	-	1	4
Acquisitions though business combination	-	-	-	-	-
Additions	-	-	-	0	0
Acquisition of abandonment asset through business combination	-	-	-	-	-
Disposal	-	-	-	-	-
Currency translation adjustment	-	0	-	(0)	0
Acquisition costs 31.12.18	**-**	**3**	**-**	**1**	**4**
Accumulated depreciation and write-downs					
Accumulated depreciation and write-downs 01.01.18	-	(2)	-	(1)	(3)
Depreciation	-	(0)	-	(0)	(0)
Disposal	-	-	-	-	-
Currency translation adjustment	-	(0)	-	0	(0)
Accumulated depreciation and write-downs 31.12.18	**-**	**(2)**	**-**	**(1)**	**(3)**
Book value 31.12.18	**-**	**1**	**-**	**0**	**1**

12 FINANCIAL INCOME AND EXPENSES

Financial Income

USD million	2019	2018
Value adjustment derivatives and hedging contracts	54	-
Value adjustment of embedded derivatives	9	-
Fair value adj. contingent consideration - volume guarantee	80	-
Interest income	1	1
Change in fair value of bond debt	1	(0)
Gain on repurchase of bonds	1	-
Foreign exchange gains	31	21
Other financial income	0	0
Total financial income	**177**	**21**

Financial Expenses

USD million	2019	2018
Realized loss derivatives	(50)	-
Unrealized loss derivatives	(12)	-
Interest expense from bond loans	(13)	(3)
Interest expense from bank debt	(24)	-
Interest expenses current liabilities	(0)	(0)
Accretion expense related to asset retirement obligations	(15)	(0)
Loss on repurchase of bonds	(1)	(0)
Foreign exchange losses	(32)	(16)
Other financial expenses	(3)	(1)
Total financial expenses	**(150)**	**(19)**

Net financial items	**27**	**2**

13 TAX

USD million

Income tax	2019
Current tax	15
Change in deferred tax/-deferred tax asset	29
Deferred tax asset previously not recognised	(444)
Income tax benefit	**(400)**

Income tax related to other comprehensive income	
Derivatives	(55)
Total income tax related to other comprehensive income	**(55)**

Reconciliation of nominal to actual tax rate:	USD	%
Income (loss) before tax	**(182)**	
Calculated 22% tax on profit before tax	(40)	22%
Hydrocarbon tax, Denmark	10	-6%
Tax effect of:		
Recognized deferred tax on assets and liabilities previously not recognized	(58)	32%
Valuation allowances	47	-26%
Recognition of deferred tax on tax losses in Denmark	(386)	212%
Impairment of goodwill	59	-32%
Permanent differences[1]	(41)	22%
No recognition of current tax losses in Norway and UK	10	-5%
Tax expense (income)	**(400)**	**219%**

[1]The permanent differences mainly relate to unrealized gain on the contingent consideration and uplift in the operating

Tax payable

Tax payable relates to the Group's entities in Denmark. The amounts payable as of December 31 was:

Calculated tax payable in Denmark (Hydrocarbon tax) **106**

Noreco estimates that hydrocarbon tax payable for 2019 in Denmark relation to the assets, including the period prior to closing of the Shell transaction, will total USD 216 million.

Deferred tax and deferred tax asset	Denmark	Norway/UK
Net operating loss deductible	(810)	(129)
Fixed assets	955	(41)
Current assets	13	0
Liabilities	(893)	52
Other	-	(11)
Basis of deferred tax/deferred tax asset	**(736)**	**(128)**
Net deferred tax/deferred tax asset	**(471)**	**(28)**
Deferred tax/deferred tax asset recognised		
Recognised deferred tax asset foreign	(1 090)	-
Recognised deferred tax foreign	619	-
Net deferred tax/deferred tax asset	**(471)**	**-**

Net operating loss deductible	Denmark	Norway/UK
Hydrocarbon Tax chapter 2, Denmark (unlimited)	183	
Hydrocarbon Tax chapter 3A, Denmark (unlimited)	974	
Coporate tax, Norway		129

Due to the complexity in the legislative framework and the limited amount of guidance from relevant case law, the measurement of taxable profits and deferred taxes within the oil and gas industry is associated with a some degree of uncertainty. Tax liabilities and assets are measured based on management's best judgement and interpretation of the applicable tax rules and the likelihood of settlement. If a tax treatment is considered to be uncertain, a provision is made for the estimated outcome in accordance with the principles laid out in IFRIC 23.

As of 31 December 2019, the Company has provided for uncertainty pertaining to some minor tax disputes concerning the deduction of interest costs and capital gains taxation in the Danish entities for the income years 2015-2017. The total provision is estimated at USD 5 million, recognized as a reduction of the deferred tax asset.

Any known or potential tax claims related to previous taxable income of companies acquired as part of Noreco's entry into the DUC are fully indemnified by the seller.

14 EARNINGS PER SHARE

Earnings per share are calculated by dividing the profit attributable to ordinary shareholders of the parent company by the weighted average number of ordinary shares in issue during the year. Share options are out of the money as per 31.12.2019 and hence have no dilutive effect.

USD million	2019	2018
Profit (loss) attributable to ordinary shareholders from operations	218	(17)
Profit (loss) basis for fully diluted shareholders from operations	217	(17)
Shares issued 1 January	7 194 730	7 194 730
Shares issued during the year	17 354 283	-
Shares issued at 31 December	**24 549 013**	**7 194 730**
Weighted average number of shares (basic)	**14 740 004**	**7 194 730**
Adjustment convertible bond loan	2 597 030	-
Weighted average number of shares (diluted)	**17 337 034**	**7 194 730**
Earnings per share (USD)		
Earnings per share	14,8	(2,4)
Diluted earnings per share	12,5	(2,4)

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

USD million	2019	2018
Non-current assets		
Contingent consideration – volume protection	17	-
Total non-current receivables	**17**	**-**
Current assets		
Tax receivables	-	0
Contingent consideration – volume protection	104	-
Trade receivables	2	0
Inventories	36	-
Underlift of oil/NGL	-	1
Prepayments	31	48
Other receivables	63	4
Total trade receivables and other current receivables	**237**	**54**

AGEING ANALYSIS OF TRADE RECEIVABLES ON 31 DECEMBER 2019

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

AGEING ANALYSIS OF TRADE RECEIVABLES ON 31 DECEMBER 2018

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

16 RESTRICTED CASH, BANK DEPOSITS, CASH AND CASH EQUIVALENTS

USD million	2019	2018
Non-current assets		
Restricted cash pledged as security for abandonment obligation related to Nini/Cecilie [1)]	65	67
Restricted cash pledged as security for cash call obligations towards Total [2)]	50	-
Other restricted cash and bank deposits (Bond holder pledge account, Withholding tax etc.)	-	-
Total non-current restricted cash	**115**	**67**
Current assets		
Unrestricted cash, bank deposits, cash equivalents	286	3
Total bank deposits	**401**	**69**

1) Any currency exposure in the subsidiary connected with the asset retirement obligation of USD 65 million (DKK 432 million), the Group has a pledged bank account containing the same amount in DKK in the Parent company.

•

2) Noreco has made a USD 50 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. From August 2020 until January 2021 the escrow account will increase by USD 15 million monthly, up to a total of USD 140 million.

17 FINANCIAL INSTRUMENTS

17.1 FAIR VALUE HIERARCHY

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

Level 1 Quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2 Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3 Inputs for the asset or liability that are not based on observable market data.

On 31.12.19

USD million	Level 1	Level 2	Level 3	Total
Assets				
Financial assets at fair value through profit or loss				
– Contingent considerations	-	-	121	121
- Derivative instruments	-	112	-	112
Financial assets at fair value				
- Derivative instruments	-	(49)	-	(49)
Total assets	**-**	**63**	**121**	**184**
Liabilities				
Financial liabilities at fair value through profit or loss				
– Derivative instruments	-	(8)	-	(8)
– Embedded derivatives convertible bond	-	-	45	45
Financial liabilities at fair value				
– Derivative instruments	-	36	-	36
Total liabilities	**-**	**29**	**45**	**73**

On 31.12.2018

USD million	Level 1	Level 2	Level 3	Total
Assets				
Financial assets at fair value through profit or loss				
– Underlift of oil	-	1	-	1
Total assets	**-**	**1**	**-**	**1**
Liabilities				
Financial assets at fair value through profit or loss				
– Bond loans	-	-	18	18
Total liabilities	**-**	**-**	**18**	**18**

17.2 FINANCIAL INSTRUMENTS BY CATEGORY

On 31.12.19 USD million	Financial assets at amortised cost	Assets at fair value through profit or loss	Fair value - hedging instruments	Total
Assets				
Contingent considerations	-	121	-	121
Cash flow hedge	-	-	63	63
Trade receivables and other current assets	96	-	-	96
Restricted cash	115	-	-	115
Bank deposits, cash and cash equivalents	286	-	-	286
Total	**497**	**121**	**63**	**681**

USD million	Financial liabilities at amortised cost	Liabilities at fair value through profit or loss	Fair value - hedging instruments	Total
Liabilities				
Derivative instruments and Cash flow hedge	-	12	17	29
Embedded derivative convertible bond	-	45	-	45
Convertible bond loans	108	-	-	108
Senior unsecured bond loan	168	-	-	168
Reserve based lending facility	707	-	-	707
Deferred consideration	25	-	-	25
Lease liability	1	-	-	1
Trade payables and other current liabilities	191	-	-	191
Total	**1 201**	**56**	**17**	**1 274**

On 31.12.2018 USD million	Financial assets at amortised cost	Assets at fair value through profit or loss	Fair value - hedging instruments	Total
Assets				
Trade receivables and other current assets	54	1	-	55
Restricted cash	68	-	-	68
Bank deposits, cash and cash equivalents	3	-	-	3
Total	**125**	**1**	**-**	**126**

USD million	Financial liabilities at amortised cost	Liabilities at fair value through profit or loss	Fair value - hedging instruments	Total
Liabilities				
Bond loan	-	19	-	19
Other interest-bearing debt	37	-	-	37
Trade payables and other current liabilities	8	-	-	8
Total	**44**	**19**	**-**	**63**

17.3 FINANCIAL INSTRUMENTS – FAIR VALUES

Set out below is a comparison of the carrying amounts and fair value of financial instruments as on 31 December 2019:

USD million	Total amount outstanding*	Carrying Amount	Fair Value
Financial assets			
Contingent Consideration		121	121
Cash flow hedge		63	63
Trade receivables and other current assets		96	96
Restricted cash		115	115
Bank deposits, cash, cash equivalents and quoted shares		286	286
Total		**681**	**681**
Financial liabilities			
Derivatives and Cash flow hedge		29	29
Embedded derivative convertible bond		45	45
Convertible bond loans	158	108	113
Senior unsecured bond loan	175	168	175
Reserve based lending facility	746	707	746
Deferred consideration		25	25
Lease liability		1	1
Trade payables and other current liabilities		191	191
Total		**1 274**	**1 325**

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

As a result of the Transaction, Noreco has a liquid volume protection agreement with Shell (volume guarantee) that will, from signing of the Sales and Purchase Agreement (SPA) related to the Transaction until the end of 2020 (the "Protection Period"), provide a liquid production guarantee at levels above the Company's current internal forecasts. To the extent that actual production levels are below the pre-agreed level in the Protection Period, Noreco will receive cash payment from Shell. The fair value of the volume guarantee was recognised as a reduction in the acquisition purchase price. Any changes to the fair value will be recognized at through profit and loss. For more details and sensitivity analysis see Note 2.3 and Note 10.

The convertible bond loan has been determined to contain embedded derivatives which is accounted for separately as derivatives at fair value through profit or loss, while the loan element subsequent to initial recognition is measured at amortized cost, a total of USD 4,5 million in transaction cost is included in the amortized cost. The embedded derivative is valued on an option valuation basis, the carrying value is USD 45 million (initial value USD 54 million). For sensitivity analysis see note 2.3.

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

		2019
Valuation date	(date)	31 des. 19
Agreement execution date	(date)	24 jul. 19
Par value of bonds	(USD)	158 138 102
Reference share price at time of agreement	(NOK)	232
Fair value at grant date	(USD)	53 942 754
PIK interest rate	(%)	8,00%
Expected life	(years)	3,9
Number of options	(#)	5 390 215
Conversion price	(NOK)	240
Fixed FX rate of agreement	(USD:NOK)	8,180
Risk-free rate (based on government bonds)	(%)	1,20%
Expected volatility	(%)	39,40%
Model used	Black - Scholes - Merton	

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

The senior unsecured bond loan is measured at amortized cost, presented net of a total of USD 7,6 million in transaction costs initially recognised.

17.4 HEDGING

The Group actively seeks to reduce the risk it is exposed to regarding fluctuating commodity prices through the establishment of hedging arrangements. AS of 1 October 2019, Noreco is applying hedge accounting. To the extent more than 100% of the projected production is hedged any value adjustments to the instruments covering in excess of 100% are considered ineffective and the value adjustment is treated as a financial item in the Income Statement. The ineffective amount in 2019 were USD 11,9 million. Time Value related to hedging arrangements is considered insignificant and generally the valuation of the instruments do not take into consideration the time value.

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

At signing of the SPA related to the Transaction in October 2018, SOGU entered into a price hedge with Shell in line with market prices for Dated Brent at the time for 80% of the production guaranteed under the liquid volume protection agreement (contingent consideration). Noreco continues to benefit from these hedges post-closing of the Transaction. In August 2019, Noreco also entered into a combination of forward contracts and options in the market to further reduce the Company's exposure to commodity price volatility and fully hedged the remaining portion of its guaranteed production under the liquid volume protection agreement with Shell in the market. Noreco has also entered into additional contracts to protect its minimum oil price received during 2021 and 2022.

Under its RBL facility, Noreco has a rolling hedge requirement based on a minimum level of production corresponding to the RBL banking case forecast: 50% of oil equivalent volumes for the next 12 months, 40% in the period from 12 to 24 months and 30% in the period from 24 to 36 months, subject to a maximum level in each of these periods of 70%. At the end of Q4 2019, Noreco is in full compliance with this requirement.

The Group's risk management strategy and how it is applied to manage risk are explained in Note 2 above. The Group is holding the following commodity forward contracts:

	Maturity					
As at 31 December 2019	Less than 1 month	1 to 3 months	3 to 6 months	6 to 9 months	9 to 12 months	More than 12 months
Commodity forward sales contracts:						
Notional quantity (in mbbl)	-	2 597	2 558	2 548	2 519	10 181
Notional amount (in USD million)	-	185	180	177	148	570
Average hedged sales price (in USD per bbl)	-	71	70	69	59	56
Call options contracts:						
Notional quantity (in mbbl)	-	-	-	-	-	3 905
Strike price (USD per bbl)						75
Premium per unit (USD per bbl)						2,45

HEDGE RESERVE MOVEMENT

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

USD Million	Hedge Reserve
Balance as of 1 January 2019	-
Realized cash flow hedge	9
Changes in fair value	(95)
Related tax	55
Balance as of 31 December 2019	(31)

18 SHARE CAPITAL

The Group does not own any of its parent company shares. All shares have equal rights. All shares are fully paid.

CHANGES IN NUMBER OF SHARES AND SHARE CAPITAL:

	No. of shares	Share capital*
Share capital on 1 January 2018	7 194 730	8
Share capital on 31 December 2018	**7 194 730**	**8**
Share capital on 1 January 2019	7 194 730	8
Share issue 26 July 2019	15 585 635	19
Share issue 30 August 2019	1 768 648	2
Share capital on 31 December 2019	**24 549 013**	**30**

*In USD million

CHANGES IN 2019

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

OVERVIEW OF SHAREHOLDERS AT 16 APRIL 2020:

Shareholder*	Shareholding	Ownership share	Voting share
Euroclear Bank S.A./N.V.	7 436 035	30,29%	30,29%
Goldman Sachs International	5 437 499	22,15%	22,15%
CLEARSTREAM BANKING S.A.	1 684 525	6,86%	6,86%
BNP Paribas	1 640 084	6,68%	6,68%
J.P. Morgan Securities LLC	1 325 659	5,40%	5,40%
Barclays Bank PLC	820 000	3,34%	3,34%
Bank of America, N.A.	774 408	3,15%	3,15%
Morgan Stanley & Co. Int. Plc.	392 515	1,60%	1,60%
Norwegian Energy Company ASA	345 917	1,41%	1,41%
DB London (Inv. Serv.) Nominees Lt	300 000	1,22%	1,22%
State Street Bank and Trust Comp	284 546	1,16%	1,16%
TCA SPV I SARL	240 979	0,98%	0,98%
DnB NOR Bank ASA, EGENHANDELSKONTO	237 324	0,97%	0,97%
BNP Paribas	216 960	0,88%	0,88%
OUSDAL AS	146 975	0,60%	0,60%
Goldman Sachs & Co. LLC	142 696	0,58%	0,58%
UBS AG, LONDON BRANCH	122 320	0,50%	0,50%
CREDIT SUISSE SECURITIES (USA) LTD	117 477	0,48%	0,48%
FINSNES INVEST AS	112 079	0,46%	0,46%
HANASAND, LIV INGER	102 162	0,42%	0,42%
Total	**21 880 160**	**89,1 %**	**89,1 %**
Other owners (ownership <0,42%)	1 424 636	10,87%	10,87%
Total number of shares at 16 April 2020	**23 304 796**	**100%**	**100%**

*Nominee holder

19 POST-EMPLOYMENT BENEFITS

DEFINED CONTRIBUTION PLAN

The Group only has defined contribution plans for its employees. Pension costs related to the company's defined contribution plan amounts to USD 219 thousand for 2019. For 2018 the corresponding costs were USD 83 thousand.

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

20 ASSET RETIREMENT OBLIGATIONS

USD million	31.12.2019	31.12.2018
Balance on 01.01.	68	72
Acquisition of abandonment liability through business combination	918	-
Provisions and change of estimates made during the year	(2)	(4)
Accretion expense - present value calculation	15	0
Incurred cost removal	(34)	-
Currency translation adjustment	0	-
Total provision made for asset retirement obligations	**967**	**68**
Break down of short-term and long-term asset retirement obligations		
Short-term	52	-
Long-term	915	68
Total provision for asset retirement obligations	**967**	**68**

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

As part of the overall restructuring in 2015, an agreement was reached that entails that the partners took over Noreco's share of the Nini/Cecilie licences, however Noreco remains liable for the asset retirement obligation towards the license partners. The liability related to Nini/Cecilie is capped at the escrow amount, which is currently DKK 431 million.

The balance as per 31.12.2019 is USD 900 million for DUC, USD 65 million for Nini/Cecilie and USD 1 million for Lulita (non-DUC share).

21 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES RECOGNITION AND MEASUREMENT APPROACH ON TRANSITION

The Company has elected to use the recognition exemptions in the standard for short-term leases and leases of low value items such as computers and office equipment. The Company also applied the recognition exemption for leases that expire in 2019.

The movement in the right-of-use assets and lease liabilities since implementation is summarized below.

Right of Use assets USD million	Land and buildings	Machinery and vehicles	Total
Acquisition costs 01.01.2019	-	-	-
Additions	2	0	2
Acquisition costs 31.12.19	**2**	**0**	**2**
Accumulated depreciation and write-downs			
Accumulated depreciation and write-downs 01.01.2019	-	-	-
Depreciation	(0)	(0)	(0)
Accumulated depreciation and write-downs 31.12.19	**(0)**	**(0)**	**(0)**
Book value 31.12.19	**1**	**0**	**1**

Lease liabilities USD million	Land and buildings	Machinery and vehicles	Total
Balance on 01.01.2019	-	-	-
Additions	2	0	2
Interest expense	0	0	0
Lease payment	(0)	(0)	(0)
Total lease liability 31.12.19	**1**	**0**	**1**
Break down of short-term and long-term lease liability			
Short - term	1	(0)	1
Long - term	1	0	1
Total lease liability	**1**	**0**	**1**

22

BORROWINGS

22.1 SUMMARY OF BORROWINGS

Non-Current Debt USD million	2019 Principal amount	2019 Book value	2018 Principal amount	2018 Book value
NOR 13 Convertible Bond [1]	158	108	-	-
NOR 14 Senior Unsecured Bond [2]	175	168	-	-
Total non-current bonds	**333**	**276**	**-**	**-**
Reserve based lending facility [3]	746	707	-	-
Deferred Consideration [4]	25	25	-	-
Total non-current debt	**771**	**732**	**-**	**-**

Current Debt USD million	2019 Principal amount	2019 Book value	2018 Principal amount	2018 Book value
Deposit loan [5]	-	-	36	36
NOR10 [6]	-	-	18	18
Total current debt	**-**	**-**	**54**	**54**
Total borrowings	**1 104**	**1 008**	**54**	**54**

Movements in interest-bearing liabilities	31.12.18	Cash flows: Receipts / payments	Non-cash changes: Deferred consideration	Non-cash changes: Embedded derivatives	Non-cash changes: Payment in kind/Amortisation	31.12.19
Nor 13 Convertible Bond	-	154	-	(54)	8	108
Nor 14 Senior Unsecured Bond	-	167	-	-	1	168
Reserve based lending facility	-	704	-	-	3	707
Deferred Consideration	-	-	25	-	-	25
Total movement non-current interest-bearing liabilities	**-**	**1 025**	**25**	**(54)**	**12**	**1 008**
NOR10 bond loan[5]	18	(19)	-	-	1	-
Deposit loan[6]	36	(36)	-	-	-	-
Total movement current interest-bearing liabilities	**54**	**(55)**	**-**	**-**	**1**	**-**
Total movement in interest-bearing liabilities	**54**	**970**	**25**	**(54)**	**13**	**1 008**

1) The Company issued a convertible bond loan of USD 158 million where the lender was granted a right to convert the loan into new shares in the Company by way of set-off against the claim on the Company. The loan carries an interest of 8% p.a. on a payment in kind (PIK) basis, with an alternative option for the Company to pay cash interest at 6% p.a., payable semi-annually.

2) The Company issued a senior unsecured bond of USD 175 million. The bond carries an interest of 9% p.a., payable semi-annually.

3) Released funds from the seven-year USD 900 million Reserve Based Lending Facility. Interest is accrued on the repayment amount with an interest comprising the aggregate of 3-month LIBOR and 4% p.a., payable quarterly.

4) In accordance with the SPA USD 25 million of the consideration is not due until after the redevelopment of Tyra has been concluded.

5) In order to fund part of the initial payment to Shell, Noreco entered into a short-term funding agreement of USD 35 million in 2018 which upon closing of the transaction was rolled into the convertible bond issue at par.

6) The NOR10 bond loan was settled in July 2019.

22.2 DETAILS ON BORROWING

Details on borrowings outstanding on 31 December 2019

Reserve based lending facility

In July 2019, Noreco entered into a committed seven-year senior secured reserve-based credit facility of USD 900 million. The facility is a reserve-based credit facility secured against certain cash flows generated by the Group. The amount available under the facility is recalculated every six months based upon the calculated cash flow generated by certain producing fields and fields under development at an oil price and economic assumptions agreed with the banking syndicate providing the facility. The facility is secured by a pledge over the shares of certain Group companies, a pledge over the Company's working interest in its share of the DUC licence and security over insurances, hedging contracts, project accounts, intercompany loans and material contracts. The pledged assets at 31 December 2019 amounted to USD 1 654 million and represented the carrying value of the pledge of the Group companies whose shares are pledged as described in the Parent Company note 5.

Pledge value: carrying value of shares held in Altinex AS, ND, NOD, NPD by Noreco ASA.

NOR13

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

NOR14

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

22.3 COVENANTS

COVENANTS RELATING TO INTEREST BEARING DEBT

Reserve based lending facility

The reserve-based credit facility constitutes senior debt of the Company and is secured on a first priority basis against certain of the Company´s subsidiaries and their assets. The reserve-based credit facility agreement contains a financial covenant that the ratio of Net Debt to EBITDAX (earnings before interest, tax, depreciation, amortisation and exploration) shall be less than 3.0:1.0 at the end of each six-monthly redetermination period. Noreco must also demonstrate minimum liquidity on a look forward basis of USD 50 million during the relevant period, which is currently to the completion of the Tyra redevelopment project. The agreement also includes special covenants which, among other, restrict the Company from taking on additional secured debt, provide parameters for minimum and maximum hedging requirements and restrict declaration of dividends or other distributions. Noreco is in compliance with these covenants at the end of 2019.

NOR14

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

22.4 PAYMENT STRUCTURE

Payment structure (USD million):

Year	NOR13	NOR14	Reserved Based Lending Facility	Deferred Consideration	Total
2022	-	-	171	-	171
2023	-	-	225	25	250
2025	-	-	225	-	225
2026	-	175	125	-	300
Total	-	175	746	25	946

Interest payments (USD million):

Year	NOR13	NOR14	Reserved Based Lending Facility	Deferred Consideration	Total
Interest rate	-	**9,0 %**	**LIBOR3 + 4%**	**4,0 %**	
2020	-	16	48	1	65
2021	-	16	48	1	65
2022	-	16	46	1	63
2023	-	16	36	1	53
2024	-	16	20	-	36
2025	-	16	5	-	21
2026	-	8	-	-	8
Total	**-**	**102**	**203**	**4**	**309**

22.5 ASSETS PLEDGED AS SECURITY FOR INTEREST BEARING DEBT

NET BOOK VALUE IN THE CONSOLIDATED ACCOUNTS OF ASSETS PLEDGED AS SECURITIES

USD million	2019	2018
Noreco ASA shares in Altinex AS	392	-
Altinex AS shares in Noreco Olie- og Gasutvinding Danmark B.V and other companies	1 160	-
Loans from Parent to subsidiaries	103	-
Property, plant and equipment	-	1
Prepayments	-	40
Cash at bank	-	3
Total net book value	**1 654**	**44**

SPECIFICATION OF ASSETS PLEDGED AS SECURITIES PER BOND/LOAN:

USD million	2019	2018
RBL		
Noreco ASA shares in Altinex AS	392	-
Altinex AS shares in Noreco Olie- og Gasutvinding Danmark B.V and other companies	1 160	-
Loans from Parent to subsidiaries	103	-
Altinex AS shares in Noreco Olie- og Gasutvinding Danmark B.V and other companies	**1 654**	**-**

USD million	2019	2018
NOR10		
Property, plant and equipment	-	1
Cash at bank	-	3
Total	**-**	**4**

USD million	2019	2018
Deposit loan		
Prepayments	-	40
Total	**-**	**40**

23 TRADE PAYABLES AND OTHER PAYABLES

USD million	2019	2018
Trade payable	53	3
Liabilities to operators relating to joint venture licences	76	(0)
Overlift of oil/NGL	12	(0)
Accrued interest	5	1
Salary accruals	1	2
Public duties payable	26	(0)
Other current liabilities	18	2
Total trade payables and other current liabilities	**191**	**8**

Trade and other payables held in currency

USD million	2019	2018
NOK	1	7
DKK	148	-
USD	81	0
GBP[1)]	(1)	1
EUR[1)]	(38)	
Total	**191**	**8**

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

24 SHARE-BASED COMPENSATION

The Company implemented a share option programme for key personnel, including members of the Board, at a general meeting held 21 January 2016 and extended and expanded in March 2017. In total 280 000 options were granted under the option programme.

The option programme was cancelled and replaced by the extraordinary general meeting 8 November 2018 (as amended by the extraordinary general meeting held on 7 August 2019), where the board of directors was authorized to grant options up to a total of 1 510 000 shares in the Company as part of a new incentive program. The options may be granted to the members of the board and key personnel of the Company. After award, the options must be exercised within 5 years after which they expire. Existing options in-the-money on 15 October 2018 were settled by cash payment from the Company to the option holder in an amount of NOK 198 per option. 100,000 options were in-the-money 15 October 2018 and these were settled by cash 15 August 8 2019. All existing options out-of-the-money on 15 October 2018 shall be cancelled without any further payment from the Company to the option holder.

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

The board of directors of the Company has in 2019 allocated (i) 715 000 options with a strike price of NOK 240 per share and (ii) 241 954 options with a strike price of NOK 230 per share, of which 11 954 options are granted under the share option programme for certain board members. Options vest over three years, with one-third per year. Options mentioned in (i) will have no vesting period.

Total share options outstanding as at 1 January 2018	**180 627**
Share options settled or forfeited due to the discontinuation of the options program	(180 627)
Outstanding at 31 December 2018	**-**
Share options granted in 2019	956 954
Outstanding at 31 December 2019	**956 954**

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

USD million	2019	2018
Expense arising from equity-settled share-based payment transactions	8	1
Total expense arising from share-based payment transactions	**8**	**1**

THE FOLLOWING TABLE LIST THE INPUTS TO THE MODEL USED:

Weighted averages	2019
Fair value at grant date (NOK)	91,9
Share price at grant date (NOK)	277,6
Excercise price (NOK)	237,5
Expected volatility	34,6 %
Expected life (years)	5
Expected dividends	n/a
Risk-free rate (based on government bonds)	1,2 %
Model used	Black - Scholes - Merton

25 GUARANTEES

OVERVIEW OF ISSUED GUARANTEES ON 31 DECEMBER 2019.

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

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

On 31 December 2012, Noreco issued a parent company guarantee on behalf of its subsidiary Noreco Norway AS. Noreco guarantees that, if any sums become payable by Noreco Norway AS to the Norwegian Secretary of State under the terms of the licences and the company does not repay those sums on first demand, Noreco shall pay to the Norwegian Secretary of State on demand an amount equal to all such sums. Noreco Norway AS was liquidated in 2018, however as per 31 December 2019 the guarantee has not been withdrawn.

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

26 INVESTMENT IN JOINTLY OWNED ASSETS

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

The Group holds the following licence equities on 31 December 2019:

Licence	Field	Country	Ownership share
DUC	DUC	Denmark	36,8 %
1/90	Lulita Part	Denmark	20,0 %
7/86	Lulita Part	Denmark	20,0 %
8/06B		Denmark	36,8 %

27 CONTINGENCIES AND COMMITMENTS

FINANCIAL COMMITMENTS

As a partner in DUC, the Company has commitment to fund its proportional share of the budget and work programmes of the DUC. In December each year the operating budget (which includes operating expenditures, capital expenditure related to production, exploration and abandonment) for the following year is agreed amongst the DUC partners. For the coming four years the average operating budget is expected to be around USD 270 million per year. Capital and abandonment expenditure for individual projects, such as Tyra, are approved separately.

Noreco's capital commitments are principally related to the ongoing Tyra redevelopment project. The gross capital and abandonment expenditure budget for the Tyra redevelopment project at the time of the investment decision was DKK 21 billion and DKK 8.1 billion had been incurred by the end of 2019. Based on the current project schedule, Noreco will be required to fund its proportional share of this remaining expenditure over the next three years with Tyra to restart production by July 2022.

The DUC is obliged to use the specially constructed oil trunk line, pumps and terminal facilities and to contribute to the construction and financing costs thereof as a result of an agreement entered into with the Danish government. This obligation is approximately USD 22 million per year (2018: USD 25 million).

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

GUARANTEES

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

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

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

CONTINGENT LIABILITIES

In relation to the Nini and Cecilie fields, Noreco was in 2015 prevented from making payments for its share of production costs and was consequently in breach of the licence agreements. In accordance with the JOAs, the Nini and Cecilie licences were forfeitured and the licences were taken over by the partners, whereas the debt remained with Noreco. Noreco and representatives from the bondholders reached an agreement during 2015 which entails that the Danish Noreco entity remains liable for the abandonment obligation, but the liability is in any and all circumstances limited to a maximum amount equal to the restricted cash account of USD 65 million (DKK 431 million), adjusted for interest. The total provision made for the asset retirement obligations reflects this.

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

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

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

28 RELATED PARTY TRANSACTIONS

The Noreco Group was renting offices from Riulf Rustad at a cost of NOK 96.000 pr month. The cost increased to NOK 108.000 per month from May 2019 when the number of Employees increased. This agreement was assumed to be at arm's length terms. From October 2019 this agreement was terminated and Noreco ASA is renting offices directly from the landlord. In addition, Noreco Group is renting an accommodation in London for the board director disposal when working with business development.

Purchase of services includes consultancy cost from the board members of USD 0,8 million in addition to the office rent of USD 0,1 million. Following closing of the transaction with Shell, a closing fee of USD 2,1 million excluding VAT to Ousdal AS (company owned by Executive Chair Riulf Rustad) and USD 1,5 million excluding VAT to S&U Trading ApS (owned by Board Member Lars Purlund) was incurred as approved by the general meeting on 8 August 2019. For further reference see Statutory Accounts 2019 for the parent company.

The Group did not have any other transactions with any other related parties during 2019. Director's fee paid to shareholders and remuneration to management is described in Note 7.

29 SUBSEQUENT EVENTS

On 23 January 2020 Noreco completed the buyback of 299,925 of its own shares through a reversed book building process.

On 27 February Noreco initiated a share buyback programme of up to 160,000 shares in connection with its option program, with a daily limit equivalent to 25% of the average daily volume in Noreco's shares during January 2020. In March, the maximum number of shares that may be acquired daily under the share buyback programme was increased from 25% to 50%.

On 2 March 2020 an extraordinary general meeting was held which appointed Bob McGuire as an additional board member, in accordance with the proposal from the nomination committee. In addition to this, the Company´s articles of association were amended so that the board could have up to eight members.

During the course of Q1 2020, the pandemic virus COVID-19 escalated to a global extent and significantly reduced global oil demand as the impact of the new coronavirus (COVID-19) spreads around the world, constricting travel and broader economic activity. While the situation remains fluid, creating uncertainty over what the full global impact of the virus will be, in the near-term commodity prices have declined materially subsequent to the period end. To mitigate risk related to commodity prices, Noreco has substantial hedging arrangements in place with Shell and other financial institutions through a combination of forward contracts and options lowering the Company’s exposure to the current low oil price. Additional, Noreco has a liquid volume protection agreement with Shell that guarantees a minimum level of liquids production that the Company will be commercially compensated for until the end of 2020. The liquid volume protection agreement and hedging arrangements in place provide significant cashflow mitigation from weak near-term commodity prices.

KPMG

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To the General Meeting of Norwegian Energy Company ASA

Independent auditor's report

Report on the Audit of the Financial Statements

Opinion

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

- The financial statements of the parent company Norwegian Energy Company ASA (the Company), which comprise the balance sheet as at 31 December 2019, the income statement and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and
- The consolidated financial statements of Norwegian Energy Company ASA and its subsidiaries (the Group), which comprise the statement of financial position as at 31 December 2019, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion:

- The financial statements are prepared in accordance with the law and regulations.
- The accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2019, and its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.
- The accompanying consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Basis for Opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company and the Group as required by laws and regulations, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Acquisition of Shell Olie-og Gasudvinding Danmark B.V.

Refer to Note 3 Critical accounting estimates and judgements, Note 9 Intangible assets and Note 10 Acquisition of subsidiary

The key audit matter	*How the matter was addressed in our audit*
The acquisition of Shell Olie- og Gasudvinding Danmark B.V on 31 July 2019 for a consideration of USD 1 114 million was a significant acquisition for the Group. Goodwill of USD 266 million was generated as a result of the acquisition which was subsequently fully impaired. Accounting for the acquisition requires the Group to determine the fair value of consideration transferred, including contingent consideration, and the fair value of the net assets acquired in accordance with IFRS 3. This requires the Group to make a number of judgements, which focus on, but are not limited to: • assessment of transaction date; • estimates of oil and gas reserves, forecast production profiles and prices; • forecast operating, capital, abandonment and tax expenditures; • identification and valuation of fair values of assets and liabilities assumed at the date of the acquisition; • discount rates to be applied, and • impairment of goodwill In addition, the calculation of fair values requires financial modelling of the cash flows relating to each asset or liability, including tax effects, which can be complex and may require additional assumptions to be made. As such, the purchase price allocation, total consideration and subsequent impairment of goodwill requires significant attention during the audit and is subject to a high degree of auditor judgment.	Audit procedures performed in this area included: • Reading and understanding the share purchase agreement and other relevant documents to assess the established acquisition date and to identify other factors which may impact the financial statements; • Obtaining the transaction documents and tracing cash payments to bank statements; • Involving our valuation specialists to assess the mathematical and methodological integrity of the valuation models; • Evaluating and challenging management assessment of the discount rates and key assumptions used in estimates and forecasts, by comparing to externally derived data; • Evaluating management's assessment of impairment of goodwill; • Assessing the adequacy and appropriateness of the disclosures in the financial statements.

Initial recognition of convertible bond

Refer to Note 2 Financial risk management, Note 3 Critical accounting estimates and judgements, Note 17 Financial Instruments and Note 22 Summary of Borrowings

The key audit matter	*How the matter was addressed in our audit*
The Group entered into a convertible bond (NOR 13) in 2019 of USD 158 million. Accounting for the convertible loan is considered to be a risk area due to the complexity of the agreement which consists of several conversion options held by both the holders and the issuer, including prepayments and embedded derivates features. The key accounting assessments and judgements applied by management relate to: • determining whether the convertible loan is a financial liability or a compound instrument; • identification of embedded derivates • assessment of whether embedded derivates are not readily separable and independent of each other; • determining fair value of embedded derivatives. Due to the significant amount and the degree of management judgement involved, we consider the initial recognition of the convertible bond as a key audit matter.	Audit procedures performed in this area included: • Inspecting the convertible loan agreement and other relevant documents to examine the terms and conditions of the bond; • Meeting with management and legal counsel to clarify contractual terms in the convertible loan agreement; • Assessing management's classification of the financial instrument in accordance to IAS 32, including identification of embedded derivatives and if these should the accounted for a as a single compound embedded derivative; • Evaluating and challenging management's assessment of and key assumptions applied of the fair values of the embedded derivatives; • Involvement of our valuation specialists to assess the mathematical and methodological integrity of the Black-Scholes-Merton option pricing model used to calculate the fair value of the conversion option (main part of the fair value of the embedded derivatives); • Assessing the adequacy and appropriateness of the disclosures in the financial statements.

Change in functional and presentation currency

Refer to Note 1 Accounting principles the parent financial statements and Note 1 Summary of significant accounting policies in the consolidated financial statements.

The key audit matter	*How the matter was addressed in our audit*
The functional and presentation currency in the parent company was changed from Norwegian kroner (NOK) to US dollars (USD) as of 31 July 2019, impacting the comparative figures of the Parent. The change to USD as the functional and presentation currency was a result of the material change in the subsidiaries' business following the acquisition of Shell Olie- og Gasudvinding Danmark B.V. US dollars is the currency of the primary economic environment in which this company operates and is the currency used in the Group's financing activities. As such the Group changed the presentation currency from Norwegian kroner (NOK) to US dollars (USD), impacting the comparative figures of the Group. As the accounting treatment of the change of functional and presentation currency will impact all financial statement captions it has been a key audit matter.	Audit procedures performed in this area included: • Evaluating and challenging management's assessment of change in functional currency; • Evaluating whether the change is done in accordance with IAS 21 and NRS 20 by assessing the underlying documentation with the details of the events and facts supporting the change and by performing an independent calculation of the effects at the date of the change; • Assessing the adequacy and appropriateness of the disclosures in the financial statements.

Other information

Management is responsible for the other information. The other information comprises information in the annual report, except the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director (Management) are responsible for the preparation in accordance with law and regulations, including fair presentation of the financial statements of the Company in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and for the preparation and fair presentation of the consolidated financial statements of the Group in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern. The financial statements of the Company use the going concern basis of accounting insofar as it is not likely that the enterprise will cease operations. The consolidated financial statements of the Group use the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's or the Group's internal control.

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and the Group to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report and in the statements on Corporate Governance and Corporate Social Responsibility concerning the financial statements, the going concern assumption and the proposed allocation of the result is consistent with the financial statements and complies with the law and regulations.

Opinion on Registration and Documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements *(ISAE) 3000, Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, it is our opinion that management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the Company's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Stavanger, 30 April 2020
KPMG AS

Mads Hermansen
State Authorised Public Accountant

Statement of Compliance

BOARD AND MANAGEMENT CONFIRMATION

Today, the board of directors and the managing director reviewed and approved the board of directors' report and the Norwegian Energy Company ASA consolidated and separate annual financial statements as of 31 December 2019.

To the best of our knowledge, we confirm that:

• the Norwegian Energy Company ASA consolidated annual financial statements for 2019 have been prepared in accordance with IFRSs and IFRICs as adopted by the European Union (EU), and additional Norwegian disclosure requirements in the Norwegian Accounting Act, and that

• the financial statements for Norwegian Energy Company ASA have been prepared in accordance with the Norwegian Accounting Act and Norwegian Accounting Standards, and

• that the board of directors' report for the group and the parent company is in accordance with the requirements in the Norwegian Accounting Act and Norwegian Accounting Standard no 16, and

• that the information presented in the financial statements gives a true and fair view of the Company's and the Group's
assets, liabilities, financial position and results for the period viewed in their entirety, and • that the board of directors' report gives a true and fair view of the development, performance, financial position, principle risks and uncertainties of the Company and the group.

Oslo, 30 April 2020

Riulf Rustad Executive Chair	**Tone Kristin Omsted** Board Member	**Lars Purlund** Board Member	**Yves-Louis Darricarrère** Board Member
Marianne Lie Board Member	**Colette Cohen** Board Member	**Chris Bruijnzeels** Board Member	**Bob McGuire** Board Member
Atle Sonesen Chief Operating Officer & MD			

Alternative Performance Measures

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

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

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

All figures in USD million	2019	2018
EBITDA	127	(19)
Volume guarantee (contingent consideration) August-December	70	-
Transaction cost	9	2
Share-base payment	8	-
Exceptional DUC operating cost	22	-
Adj. EBITDA	236	(18)

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

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

All figures in USD million	2019	2018
Cash and cash equivalents	286	3
Convertible bond loan	(158)	-
Senior Unsecured bond loan	(175)	(18)
Reserve based lending facility	(746)	-
Other non-current liabilities*	(26)	(36)
Net interest-bearing debt	(819)	(52)

* YTD 2018 is related to deposit loan

SUPPLEMENTARY OIL AND GAS INFORMATION (UNAUDITED)

In 2020 the Group reported oil, gas and NGL reserves, the report is reported separately from the annual report 2019. RISC UK ltd (RISC) has made an independent reserves evaluation based on the definitions and guidelines set out in the revised June 2018 Petroleum Resources Management System (PRMS) version 1.01 (June 2018)

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

TOTAL RESERVES AS OF 31.12. 2019

1P+2P	Liquids (mill bbl)	Gas (mmboe)	Mill boe	Interest %	Net mill boe
Dan	81,7	4,6	86,3	36,8 %	31,8
Kraka	8,5	0,5	9,0	36,8 %	3,3
Halfdan	171,1	41,8	212,9	36,8 %	78,3
Gorm	18,2	-	18,2	36,8 %	6,7
Skjold	28,6	-	28,6	36,8 %	10,5
Rolf	3,5	-	3,5	36,8 %	1,3
Tyra	39,4	86,8	126,2	36,8 %	46,4
Valdemar	40,1	19,0	59,1	36,8 %	21,7
Roar	5,4	12,2	17,6	36,8 %	6,5
Harald	0,8	4,4	5,2	36,8 %	1,9
Lulita	0,7	0,5	1,2	28,4 %	0,3
Total					**208,8**

Information About Noreco

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Organisation number	NO 987 989 297 MVA

Financial Calendar 2020

26 May	Annual General Meeting
20 May	Q1 2020 Report
21 August	Q2 2020 Report
13 November	Q3 2020 Report

Board of Directors

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

Management

Atle Sonesen	Chief Operating Officer and Managing Director
Euan Shirlaw	Chief Financial Officer
Cathrine Torgersen	EVP, Investor Relations & Communications
Frederik Rustad	EVP, Corporate Finance & Investments

Investor Relations

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Annual Reports

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

Quarterly publications

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

News Releases

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

NORECO

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