ANNUAL REPORT 2021

Norwegian Energy Company ASA

NORECO

ANNUAL REPORT 2021

Contents

PART I

About Noreco

2021

Highlights

OPERATION

- **Strong operational performance:** Net production from Halfdan, Dan and Gorm of 26.9 mboepd

- **Positive impact from rig program:** The Noble Sam Turner rig program commenced a planned well-workover and maintenance campaign late in the first quarter, with an ongoing positive effect on operating performance during the year

- **Stable producing assets:** Current producing hubs with low decline rates provide predictable outlook for 2022 with expected production of 23.5 – 25.5 mboepd

Stable base of 2P reserves: Total 2P reserves of 200 mmboe at year end and a nearly 100% reserves replacement ratio on producing hubs

- **Valuable base of 2C resources:** Low risk organic growth opportunities identified in high value, low capex projects within the DUC

- Proactive COVID-19 measures continued to protect people and ensure business continuity

- **Participant in CCS Project Bifrost:** Evaluation of the potential for CO_2 transport and storage at the Harald field, with an expected start-up storage capacity of 3 million tons of CO_2 per year

FINANCIAL

- **Fully funded to deliver the Tyra Redevelopment project:** Total liquidity of USD 223 million at the end of the year, with cash on balance sheet of USD 123 million and available undrawn RBL capacity of USD 100 million

- **Strong financial results enhanced by high performance from producing assets:** Total revenues of USD 565 million for the year, with EBITDA of USD 250 million

- **Successful closing of USD 1.1 billion RBL facility:** Amendment of the Company's existing USD 900 million facility, while providing access to significant additional liquidity at the same time as deferring amortisation payments to the second half of 2024 and maturity to 2028

- **Successful written resolution obtained from bondholders of NOR14:** Amending certain financial covenants, providing the Company with additional leverage headroom

- **Further reduced exposure to market risk:** The Company entered into a USD 1.0 billion swap transaction to fix interest rate exposure under the RBL facility

- **Lock-in of strong commodity prices:** With a positive commodity price environment at the end of 2021, Noreco entered into a fixed-price swap contract for additional oil and gas volumes for 2022 to 2024

2021 HIGHLIGHTS CONTINUED

- **A game-changing project:** To date the largest project carried out on the Danish Continental Shelf, expecting to increase net production by 90%, decrease emissions by 30% and unlock gross reserves in excess of 200 mmboe
- **Tyra provides energy security to Denmark:** Once on stream, Tyra will produce enough gas to power the equivalent to 1.5 million Danish homes
- **High activity at yards and offshore:** Activity levels were high in the three fabrication yards in Ravenna, Singapore and Batam from the beginning of the year and the offshore installation campaign on the Tyra field was successfully initiated
- **Successful delivery and installation of Tyra East wellhead and riser platforms:** Tyra East topsides sailed away from Sembcorp Marine, Singapore in July followed by a successful offshore installation
- **Successful delivery of Tyra West wellhead and riser platforms:** The Tyra West topsides were completed at the end of 2021 and sailed from Singapore at the beginning of 2022 with an installation at the Tyra field in April 2022
- **Successful delivery of Tyra Utility- and Living Quarters:** After the end of the period, in March 2022, the accommodation unit sailed from the yard in Ravenna, Italy and will be lifted and installed during April 2022
- **Significant de-risking of the project:** With only one module left in the fabrication yard, the process module being fabricated in Batam, the Tyra Redevelopment project has on a continuous basis, been de-risked, with firs gas expected from Tyra in Q2 2023

Riulf Rustad
Chair of the Board

"In 2021, global markets continued to be volatile, but I am proud of how Noreco as a Company navigated the downturn and ended the year in a strong position."

2021

Letter from Executive Chair

During 2021, energy markets remained unpredictable, but we saw a gradual upward trajectory in both oil and gas prices, which culminated in a sharp uptick around the third quarter. Energy prices rose steeply from there and remain at elevated levels today.

Post-period end, the Russian invasion of Ukraine led to prices increasing further and at the time of writing they remain at levels not seen since 2014. The new pricing environment has led to multiple audiences demanding a greater level of energy security over European energy supply. Given Tyra is set to be the largest contributor of natural gas to the Danish market, we take our role as a domestic energy producer very seriously.

With this in mind, we continue to assess the organic growth opportunities available to us with our assets and believe there is the potential for us to achieve a production profile beyond the estimated 50 mboepd from 2023.

Following our strong operational performance in 2021, the Company continues to be on a robust financial footing, with the business fully funded to first gas at Tyra. Our operating performance, combined with higher energy prices, meant that we incrementally generated growing revenues during the period, leaving us with additional financial headroom.

As a Company, we operate within a business framework that takes all facets of ESG into account. We are particularly conscious of our important role as a domestic energy provider into the Danish market. With gas being deemed a transitional energy source, we believe that Noreco will be able to make a meaningful contribution to Europe's energy transition.

Our commitment to reducing emissions and helping Europe decarbonise, while providing a safe and reliable source of energy is paramount to us. The proof of this can be seen with the work we have done and the progress we continue to make with Project Bifrost. This important CCS project has the potential to set the benchmark for other CCS developments in the region and demonstrates our commitment to being part of the energy transition solution, where we believe part of our future lies. We plan to progress this project further during 2022 and we look forward to updating our stakeholders on this workstream as appropriate.

For 2022, achieving first gas at Tyra in Q2 2023 remains our key deliverable; something we are working hard towards achieving. In short, Tyra coming online will be a game changer for Noreco. **At forecast prices, the resulting cash flows will be significant and enable us to start returning capital to shareholders.**

In closing, I would like to thank all our stakeholders for their continued support. Despite the considerable uncertainty we have faced in recent years, the Company is on a steady footing and remains well placed to achieve its targeted corporate objectives. We have an exciting year ahead and we look forward to keeping the market updated as we look to deliver further milestones over the coming months.

Euan Shirlaw
Acting Managing Director

2021

Letter from Acting Managing Director

The last year was characterised by the continued focus on the delivery of Tyra, with consistent de-risking of the project ahead of planned first production in Q2 2023. The expected contribution of Tyra to Noreco cannot be understated. It will see a 90% uplift in production to c.50mboepd and a material reweighting of production to gas. It will also reduce emissions by 30% and lower production costs to approximately $13 per boe. From a regional perspective, the project will provide energy to the equivalent of 1.5 million Danish homes, offering a material contribution to EU energy security at a time when it is much needed.

"This project will provide energy to the equivalent of 1.5 million Danish homes, offering a material contribution to EU energy security at a time when it is much needed."

Delivering Tyra requires both operational progress and for Noreco to have the right structure in place to support the project. During the last 12 months, the Company's position has been supported by the significant economic contributions from our three producing hubs and the effective, yet balanced, management of cashflow volatility.

Noreco also enhanced its capital structure to strengthen its already robust financing position and the Company continues to be fully funded for the successful delivery of Tyra.

Production

Production for the year was at the top end of the forecast range at 26.9mboepd. This reflects a further year of solid operational efficiency combined with the success of the planned work-over program and the restimulation of wells.

Operational efficiency for the year was achieved despite the impact of compressor issues at the Gorm Hub in January and February, which saw Q1 operational efficiency decline to 77%, planned maintenance on the Gorm Hub in Q3, and the delayed start of the workover program due to the late arrival of the Nobel Sam Turner rig because of COVID related issues.

The success of the planned maintenance program at the Gorm Hub in Q3 saw the impact of lower operational efficiency in October more than offset in November and December, allowing the Company to exit the year with operational efficiency at 94%.

Operational efficiency was also supported by a reduction in the maintenance backlog over the course of the year.

The success of the workover program saw solid incremental production delivered. In Q2 and Q3 2021, a total of 5 workovers were undertaken, adding 5,000boepd to gross production. In Q4 a further 4 workovers were completed, adding additional valuable barrels. After the success of the workovers at Halfdan in Q2 and Q3, production from these assets remained high. In addition to the workover program, the successful restimulation of 11 wells at Gorm, saw a further positive result, with production post stimulation exceeding expectations.

Delivering Tyra

The redevelopment of what will ultimately be Tyra II has been greatly de-risked over the course of 2021. Significant milestones achieved included the successful July sail-away of the Tyra East wellhead and riser platforms (TE-WHRP) from Sembcorp Marine in Singapore. Having been loaded onto the "BIGROLL" Heavy Transport Vessel, the three platforms undertook the month-long journey to Europe, arriving as planned in August. The platforms were successfully lifted and installed on the jackets by Sleipnir, the world's largest crane vessel.

Post the period end, in early January this year, the project was again de-risked by the sail-away of the Tyra West wellhead and riser platforms (TW-WHRP) from Sembcorp Marine in Singapore. This represented a similarly strong performance by the contractor, with 100% mechanical completion. The TW-WHRP's arrived at Rotterdam on 15 February and were later transported to the Tyra field where they were lifted onto the jackets in April 2022.

Also, after the end of 2021, in March 2022, there was the successful sail-away of the Tyra accommodation module ("TEH") from the yard in Ravenna, Italy. Fabricated by EPC contractor, Rosetti Marino, the 5,400-ton unit arrived on site early April this year where it was lifted alongside the TE-WHRPs.

The processing module, which is the only remaining topside still in the yard, is expected to sail-away in Q3 2022. Despite the impact of COVID at the yard, mechanical completion is close to 100% with manpower having been increased to further progress prior to sail away and to reduce carryover hours as much as possible.

Project Bifrost

"Our involvement in this project offers a longer-term opportunity and potential benefits that are very much in line with Noreco's ambitions to play an active and material role in the energy transition."

In September, Noreco announced its participation in Project Bifrost, a carbon capture ("CCS") project in the Danish North Sea, alongside its partners in the DUC and Ørsted and the DTU. The project will evaluate the potential for CO_2 transport and storage at the Harald field, with an expected start up storage capacity of 3 million tons of CO_2 per year.

In December a key enabler was reached, with the approval of DKK 75 million of EUDP funding. The project includes a study to assess the significant potential of utilising additional DUC North Sea reservoirs as they become available, in addition to the possibility of using existing pipeline infrastructure connecting the DUC fields to Denmark.

This project follows recognition by the Danish authorities of the importance and potential of CCS projects to supporting climate change ambitions and the launch of a CCS strategy by the Danish Government in 2021.

HSE and Sustainability

Health and safety remain central to everything we do at Noreco. It is inbuilt as part of our culture and compliance with both legislation and best practice at the forefront of all planning and execution. To that end, we are pleased to have seen further progress in 2021, with a 50% decrease in recordable incidents.

The Company's approach to ESG and sustainability is influenced by its defining principles; driving an evolving and flexible approach, that is meaningful and measured, and appropriate for the interests of all stakeholders. Near term pillars include improving DUC efficiency, the evaluation of supportive projects such as CCS and being a significant enabler of energy security in the EU.

These pillars are in addition to the Company's involvement in the wider energy transition agenda, through the development of the Tyra II natural gas project and the Bifrost CCS project. In addition to natural gas being a transition fuel, Tyra will deliver a 30% decrease in emissions and provide a reliable and secure source of energy to Denmark and Europe for decades.

Complementary to the internal governance structures, the refinancing of the RBL debt facility in May included a linkage to the achievement of environmental KPIs to incentivise investment in projects.

Financials

"The hedging program is a careful balance of creating a floor, while allowing Noreco to see the benefit of higher spot price exposure."

Revenue increased quarter on quarter over the course of the last 12 months and was at USD 565 million for the year as a whole, reflecting the combination of solid production performance and improving commodity prices. This result was broadly in-line with the previous year where the Company had price hedges at significantly higher levels, again reflecting the solidity of our producing assets and the increasingly favourable commodity price environment, particularly for gas.

The solid performance at the revenue line in turn delivered a strong EBITDA contribution in 2021, at USD 250 million. In line with revenues, EBITDA also demonstrated consistent growth quarter on quarter through the year.

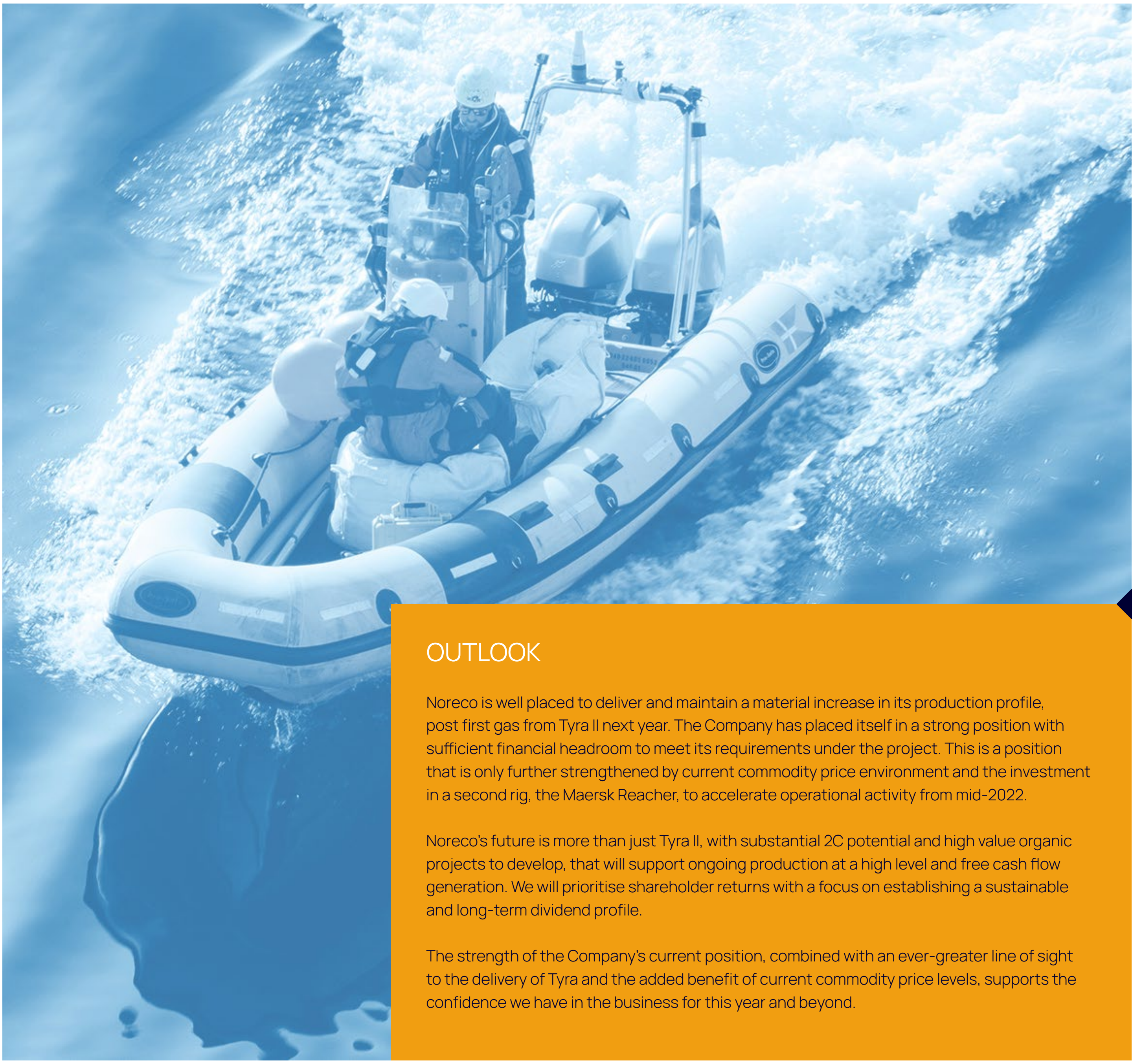
As indicated above, a core focus for the team in 2021 was to ensure the business had the headroom in place to support the delivery of Tyra, regardless of the commodity price environment. To that end, the Company successfully refinanced the RBL facility in May, providing an additional USD 200 million of headroom, extending the facility by two years to 2028 and deferring amortisations that are now scheduled to commence in the second half of 2024. Again, to further reduce exposure to pre-Tyra price risks, Noreco successfully renegotiated certain financial covenants with its NOR14 bondholders providing the Company with additional leverage headroom.

A further support to the delivery of Tyra is the successful implementation of commodity and interest hedging programs to effectively manage cashflow volatility. The hedging program is a careful balance of creating a floor, while allowing Noreco to see the benefit of higher spot price exposure. As a result, the Company will increasingly benefit from exposure to spot prices once Tyra II is on stream. The interest rate swap which came into effect in Q3, fixes the rate on the RBL, of USD 1.1 billion, at a blended rate of 0.4041% until June 2024.

Team

To help strengthen the focus on the future priorities for the business, strategic changes were made to the management team during the year. I undertook the role of Acting Managing Director, alongside my existing role as Chief Financial Officer, following the mutually agreed departure of Noreco's previous CEO.

Again, as part of the process to strengthen the team, we welcomed Marianne Eide to Noreco in January this year, as EVP Upstream, and Cathrine Torgersen took on the role of ESG lead, alongside her existing role as EVP Investor Relations. Marianne brings 30 years of North Sea oil & gas industry experience, including having been a member of the Shell UK Upstream Leadership team. The current team is as such both refocused and well suited to efficiently manage future challenges and opportunities and ultimately create shareholder value.



OUTLOOK

Noreco is well placed to deliver and maintain a material increase in its production profile, post first gas from Tyra II next year. The Company has placed itself in a strong position with sufficient financial headroom to meet its requirements under the project. This is a position that is only further strengthened by current commodity price environment and the investment in a second rig, the Maersk Reacher, to accelerate operational activity from mid-2022.

Noreco's future is more than just Tyra II, with substantial 2C potential and high value organic projects to develop, that will support ongoing production at a high level and free cash flow generation. We will prioritise shareholder returns with a focus on establishing a sustainable and long-term dividend profile.

The strength of the Company's current position, combined with an ever-greater line of sight to the delivery of Tyra and the added benefit of current commodity price levels, supports the confidence we have in the business for this year and beyond.

Our Strategic Approach to Value Creation

We are delivering **Operationally**

Maximise Production from our operational hubs
Minimise Costs to support overall profitability
Reduce Emissions through targeted interventions

We are delivering **Tyra**

Unlocks > 1 Tcfe[1] to support long-term energy security in Denmark
Material Production and Cashflow once onstream
Noreco is **Fully-Funded to First Gas** in Q2 2023

We are delivering **Our potential**

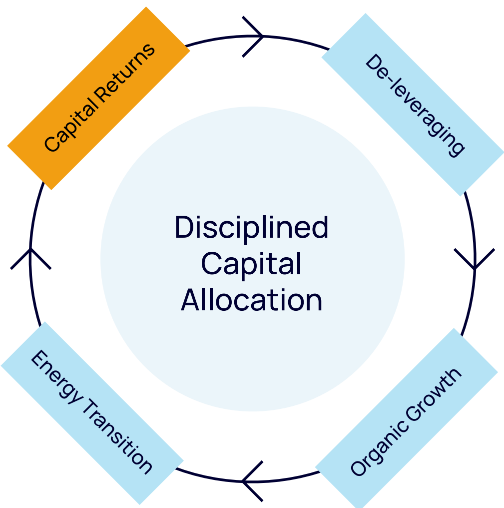
Monetise Remaining Economic Resources in the DUC
Disciplined Capital Allocation that prioritises shareholder returns
Continued Contribution to the Energy Transition

Shareholder Returns Prioritised

Key to establishing a sustainable, long-term dividend profile supported by our balance sheet

Significant Deleveraging With Tyra onstream

Target leverage: **< 2.0x**
(Net Debt / EBITDAX)



Energy Transition

Meaningful contribution to the Energy Transition

Commitment to further reducing emissions intensity

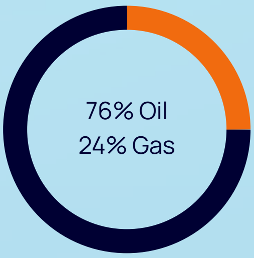
Broad Opportunity Set

Must enhance long-term cashflow generation

IRR Hurdle: **> 20%**

Overview of Assets

The acquisition of Shell's upstream assets in DUC which was completed July 2019 transformed Noreco into the second largest oil and gas producer in Denmark and the EU and a significant E&P player. The asset portfolio includes four hubs and 11 producing fields of which three hubs are currently producing and one hub is under redevelopment. The Company has a significant reserves base with 200 mmboe of 2P reserves.



200

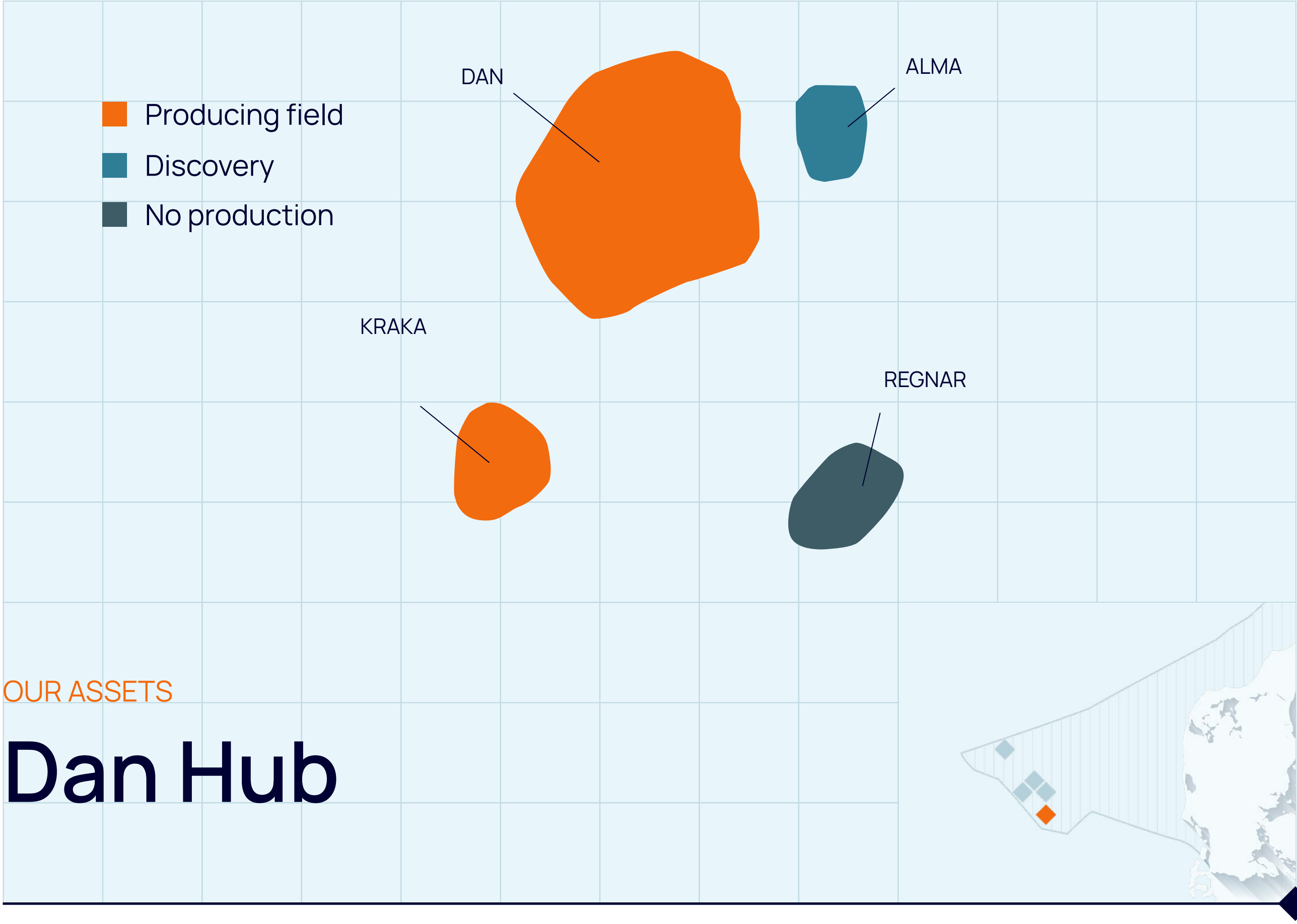
2P RESERVES
mmboe (net)

26.9

PRODUCTION
mboepd (net)

84%

OPERATIONAL EFFICIENCY



OUR ASSETS

Dan Hub

32.1

NET RESERVES
mmboe

8.1

NET RESERVES
mboepd

87%

OPERATIONAL
EFFICIENCY

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 26% 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, both 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 now consists of a total of 12 platforms, 38 active oil wells and 33 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, Regnar in 1993. The oil production from Dan is transported to Gorm while the gas is transported to Tyra.

7.0

NET PRODUCTION

mboepd

DAN HUB

Highlights

- Five workovers to replace top completions on the wells MFB-21, MFF-15, MFF-29, MFF-40 and MFF-22 were carried out successfully, adding circa 1000 bbls/d oil. MFB-21 had been closed since Dec-17, MFF-15 had been closed since Dec-17, MFF-40 had been closed since Oct-22 and MFF-22 had been closed since Jun-19. MFF-29 had been producing under derogation before the workover.
- Well head maintenance and SSSV testing activities were conducted. Several subsurface safety valve repairs and replacements were performed. One coiled tubing intervention was performed for a conformance treatment on MFF-10 to shut off a direct connection to MFF-25.

1.1

NET PRODUCTION

mboepd

OUR ASSETS

Kraka Field

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 ten wells have been drilled and currently 7 oil wells are producing.

The well A-11C on Kraka was reinstated after being used as swing producer.

DAN HUB 2022 OUTLOOK

The on-going and planned development of Dan, Kraka and Regnar is based on several field development plans and individual well proposals. These activities include well and reservoir management (WRM) activities, drilling activities and development studies with the objective to further increase oil recovery.

DAN HUB 2022 OUTLOOK

Planned activities on Dan for 2022 include:

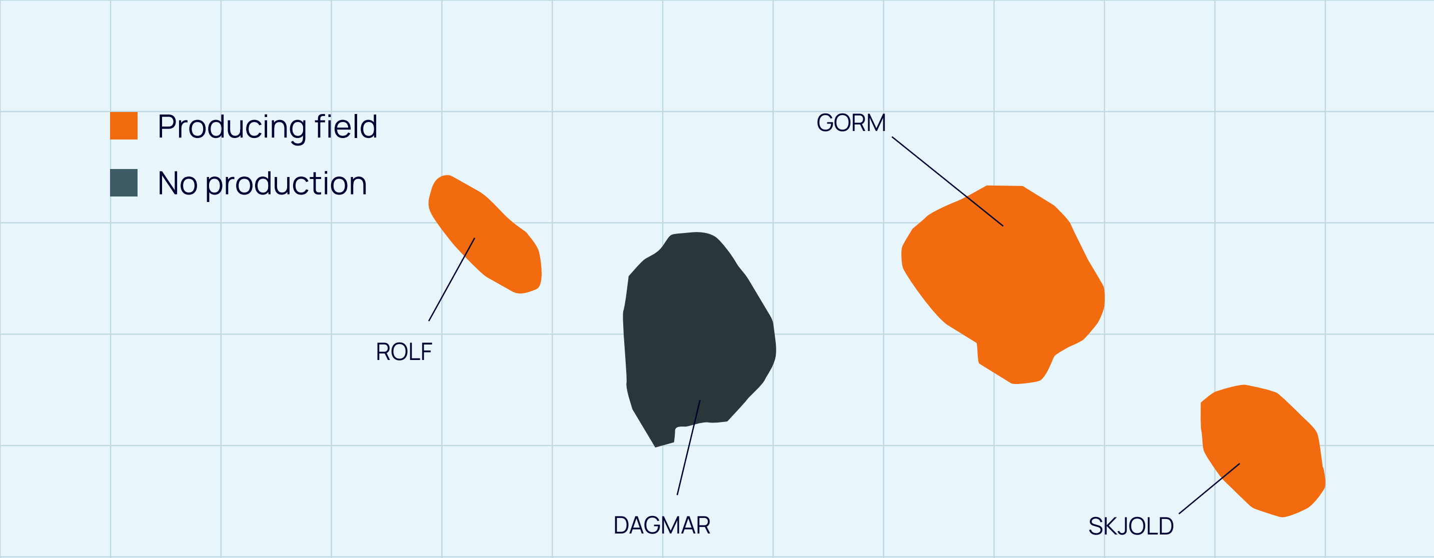
- The Halfdan production partial reroute to Dan will be carried out using existing facilities in 2022. The permanent solution is being assessed for optimization and prepared to be completed end of 2023.
- The Integrity Recovery Project (IRP) campaign related to surface treatment of corroded steelwork

Rig activities in 2022 include the workover of the wells MFB-17 and MFB-08 to replace the tubing comprising the top completion.

An intervention campaign is planned on Dan, consisting of a total of 7.5 months of wireline interventions. The specific interventions will be integrity related to repair failing SSSVs, GLV replacements etc to extend the life of the wells.

Further, a rig is contracted from Mid-July 2022 to perform well interventions under the project name WROM. The purpose of this project is to perform well interventions, initially on Dan and Halfdan, to reduce the backlog of optimisation work. The current plan is to locate this rig at Dan F from Mid-July to end 2022 to perform a range of interventions including water shut offs, conformance treatments, clean outs and stimulations.

The study to improve the history match on the Dan Full Field History is still ongoing. As a part of this process, the reservoir simulation model results are used to generate synthetic 4D seismic responses which are then compared with those derived from real measured seismic data. This part of the study will continue through 2022.



OUR ASSETS

Gorm Hub

20.6

NET RESERVES

mmboe

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.

3.8

NET RESERVES

mboepd

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. In total 46 wells have been drilled, with currently 17 active producers and 6 active water injectors. Gorm serves as the second stage processing centre 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. While Tyra is not producing due to the ongoing re-development gas is exported through the NOGAT pipeline to the Netherlands.

69%

OPERATIONAL EFFICIENCY

GORM HUB

Highlights 2021

1.1

NET PRODUCTION

mboepd

- The well GAN-05B was reinstated and on stream from Apr-21 after being closed in since Nov-17.
- Well intervention operations in the Gorm field were focused on chemical scale inhibitor squeeze along with associated Barium Sulphate dissolver treatments and some restimulations. The scale inhibitor squeeze treatments were performed to reduce the possibility of scale build-up in tubings and around SSSVs and delivered a higher increase of production compared with earlier years due to a change of the chemical formula.

The list of interventions is detailed below.

- Scale Inhibitor Squeeze: GFN-53, 57, 40B, 49D, 50C, 38, 48, 54D
- Restimulations: GFN-36, 38, 53B, 45, GBN-58B, GBN-12, GAN-05B
- $BaSO_4$ scale dissolvers: GAN-21; GAN-05B, GFN-36

OUR ASSETS

Skjold Field

2.4

NET PRODUCTION

mboepd

- 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. In total thirty wells have been drilled, with currently 16 active oil producers and 8 active water injectors.

OUR ASSETS

Rolf Field

0.3

NET PRODUCTION

mboepd

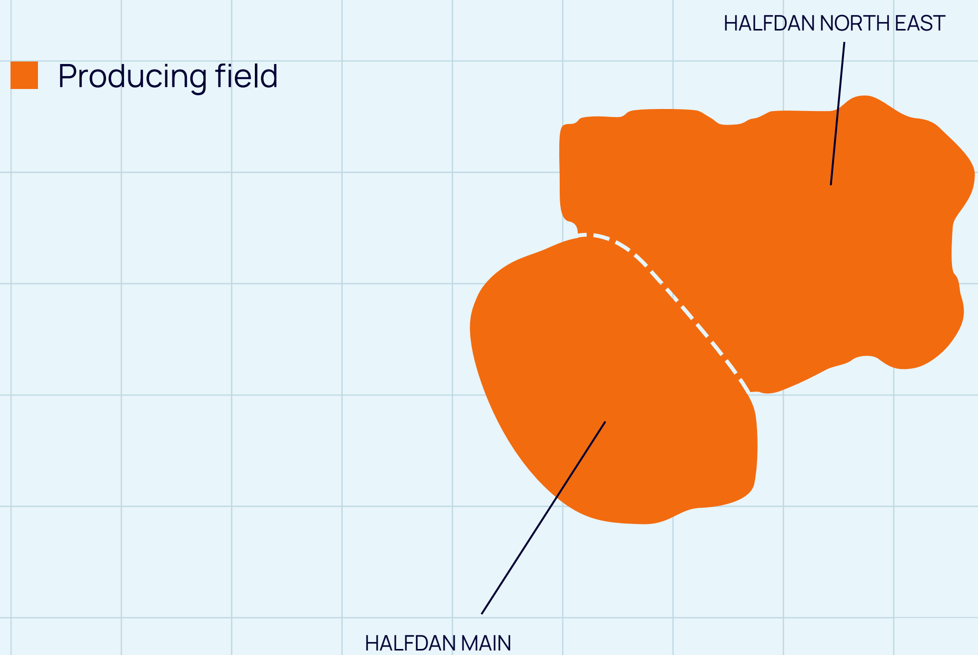
- Rolf is an oil field, which has been developed as a satellite to Gorm. The field was discovered in 1981 and brought on production in 1985. The field produces from the Ekofisk and Tor Chalk reservoir with intervals of good permeability with fracture connected matrix porosity. Three wells have been drilled,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

GORM HUB 2022 OUTLOOK

Planned activities on Gorm for 2022 include:

- The Halfdan production partial reroute to Dan is being done using existing facilities. The permanent solution is being assessed for optimisation and prepared to be completed by end of 2023
- About 4 months of slickline work is planned on Gorm in 2022.
- Some well optimisation work consisting of water shut offs using the sliding side doors in the completion, and perforation of the Ekofisk in 2 wells.
- Similar to 2021, scale inhibitor squeezes will be performed into the major producing wells in Gorm to prevent scale build up in the tubings and flow lines and around the SSSVs

A "Gorm reconfiguration" project was initiated in 2020 and continued to develop this year with an objective to assess 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 value chain from subsurface to export to shore of the Gorm processing hub and its satellite fields and are economically evaluated to form a firm recommendation for the Gorm Hub. The study and reconfiguration proposals for Gorm will continue through 2022.



OUR ASSETS

Halfdan Hub

60.7

NET RESERVES
mmboe

15.1

NET PRODUCTION
mboepd

89%

OPERATIONAL
EFFICIENCY

The Halfdan hub includes Halfdan 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 26 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 CA (North East).

Produced oil is transported by pipeline to Gorm while the gas is transported to Tyra West. Gas can in addition be imported (for injection) and exported to Dan. Injection water is supplied from Dan.

14.0

NET PRODUCTION

mboepd

HALFDAN HUB

Highlights

- Workovers on the 3 wells HBA-09, HBA-01 and HBA-25 were successfully completed, where top completions were replaced.
- The amount of well intervention work achieved was not as planned due to issues with cranes and consequent manning issues. The need to prioritise safety critical work meant that less well optimisation work than planned. Routine preventive maintenance was possible, thus well head maintenance and SSSV testing activities were conducted.

FURTHER DEVELOPMENTS

HCA Gas Lift

The HCA gas lift project is planned to be executed in Q3, 2023. The gas lift is required to support well production and thereby optimise production potential. Project scope comprises tie-in modifications to Halfdan B topside facilities as well as a gas lift manifold to be 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 located between the producing Halfdan and Tyra SE fields. In December 2020 the DUC submitted field development plans to the Danish Energy Agency for the potential field expansions of the Halfdan North development.

HALFDAN HUB 2022 OUTLOOK

The main planned activities for Halfdan field in 2022 are:

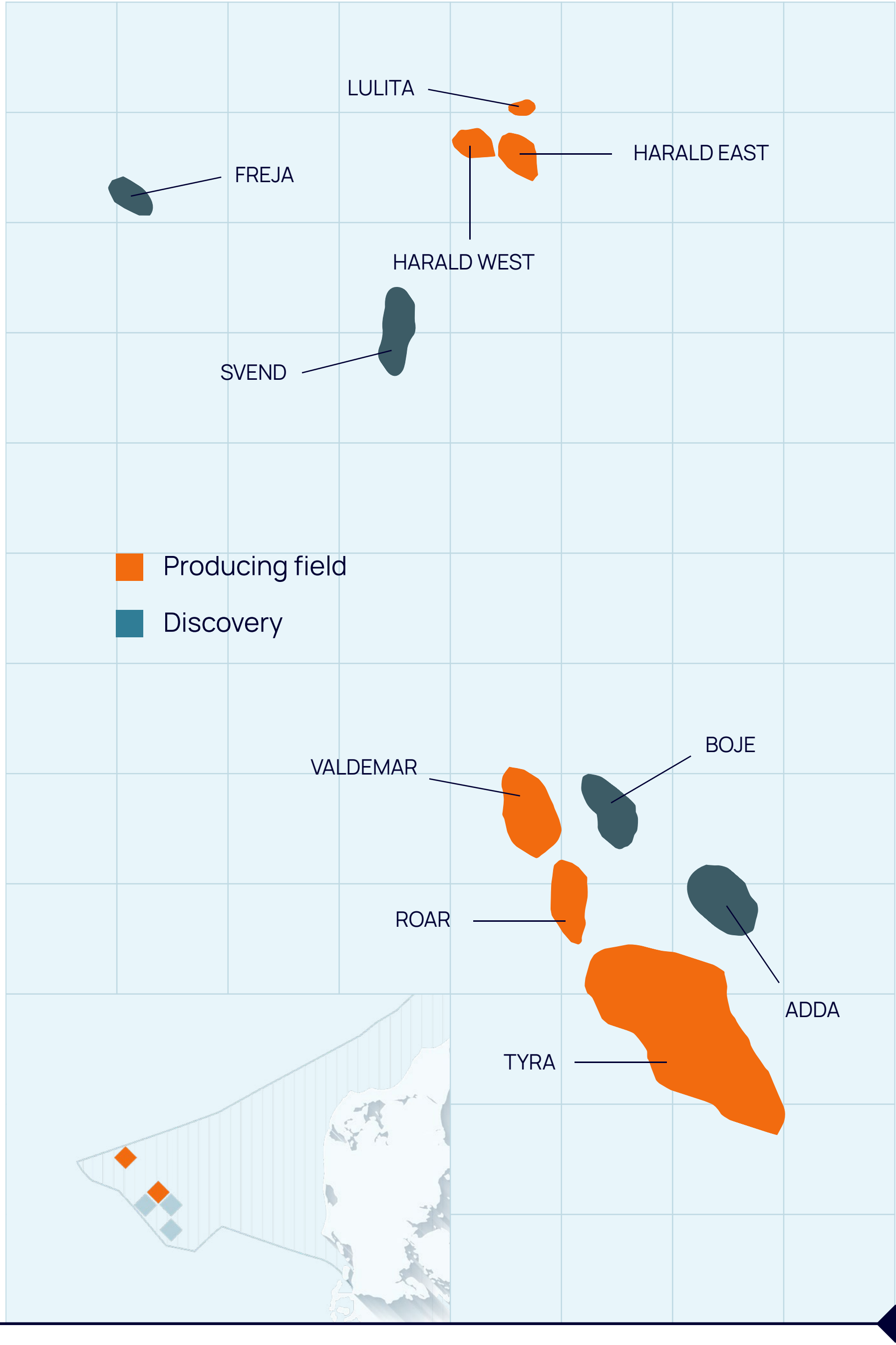
- The Halfdan production partial reroute to Dan is being done using existing facilities. The permanent solution is being assessed for optimisation and prepared to be completed by end of 2023
- Siemens SCADA/ESD/F&G Human Machine Interface/control room operator stations are obsolete and will be replaced to maintain production reliability.

HALFDAN HUB 2022 OUTLOOK - CONT'D

7 workovers are currently expected to be performed by the rig on Halfdan in 2022 on HDA-08, HDA-22, HBA-10, HBA-04, HBA-03, HBA-05 and HBA-07. These wells either have tubing to C annulus leaks due to corroded tubings or are predicted to fail soon. The workovers will all consist of top completion replacements.

An intervention campaign on Halfdan is planned, consisting of a total of 4.5 months of wireline interventions. No coiled tubing interventions are planned.

The Halfdan dynamic simulation model is currently being updated with new production data and added wells (HBB-10, HBB-4 and HBB5). The objectives of this study are to improve the quality of history match for the Halfdan Ekofisk Preliminary study and support WRFM activities and reservoir management decisions. The full field Halfdan history match is expected to be completed in Q2-2022.



OUR ASSETS

Tyra Hub

75.5

NET RESERVES
mmboe

The Tyra Field is the largest natural gas field in the Danish Sector of the North Sea. It was discovered in 1968 and production started in 1984. The Tyra field has been at the core of Denmark's energy infrastructure for more than 30 years, processing 90% of the nation's natural gas production.

The Tyra main field is a gas field discovered in 1968 and brought on production in 1984. Tyra South East is an oil dominated field area discovered in 1991 and brought on in 2002, with first oil in 2015. 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 centers, 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. Due to subsidence, a decision was made to redevelop the field and production was temporarily suspended in September 2019. The two previous integrated 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 metres, and the current topsides will be replaced.

TYRA HUB

Highlights

All wells on Tyra and its satellites are safely plugged and abandoned for the extended shut-down related to the Tyra Redevelopment. The project had significant progress during 2021. For further details please see Tyra Redevelopment section in the Asset Overview.

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.

Roar Field

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.

Harald North

Harald is a gas/condensate field located in the north-western 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. all four wells are currently active.

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 producing. DUC holds a 50% interest in the Lulita field with Ineos (40%) and Noreco (10%) as partners.

OUR ASSETS

Tyra Redevelopment

Tyra is a natural gas field in the Danish sector of the North Sea currently under redevelopment. The Tyra Redevelopment project is, to date, the largest project carried out on the Danish Continental Shelf and is expected to increase net production by 90% and unlock gross reserves in excess of 200 mmboe. Redeveloped Tyra will decrease opex significantly and lower emissions at the field by 30%. In addition, the completed project will extend field life by at least 25 years and produce enough gas to power what equals to 1.5 million homes in Denmark.

BACKGROUND

With FID taken 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 required redevelopment due to compaction of the chalk reservoir, where the seabed had subsided by six metes over a period of at least 30 years of production. The redevelopment project was necessary to ensure that both crew and equipment are safe, as well as maintaining an efficient level of production. The final investment decision 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 the project includes removing old facilities, modifying existing ones, and installing 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 metres, and the current topsides will be replaced.

2021 MILESTONES & DEVELOPMENT

During 2021 several milestones were reached, moving the project closer towards what will be a state-of-the-art North Sea production and export facility. Activity levels in the three fabrication yards remained high throughout the year, and in July 2021 Noreco announced the sail away of the three Tyra East wellhead and riser topsides. The topsides were fabricated at Sembcorp Marine Ltd in Singapore and were transported directly to the Tyra field by HTV (Heavy Transport Vessel) "BIGROLL BEAUFORT". At the Tyra field, the world's largest crane vessel, Sleipnir, safely lifted the three topsides off the vessel and onto the jackets.The lifting of the topsides was followed by an installation in September.

10 January 2022 the three Tyra West wellhead and riser topsides were successfully delivered from yard and sailed away to the North Sea. The topsides were fabricated at Sembcorp Marine Ltd in Singapore and were transported by BIGROLL BEAUFORT. The transportation of the topsides took a planned pit stop in the Netherlands to accommodate for an optimal installation window in the North in April 2022.

On 16 March 2022 the Company announced the sail away of the new Tyra II utility and living quarters (the "accommodation unit" or the "TEH") from Ravenna in Italy. The accommodation unit was fabricated at the Piomboni yard by EPC contractor Rosetti Marino and Heerema Marine Contractors' Barge H-408 safely sailed the 5,400 tons unit to the Tyra field in the Danish North Sea. The utility and living quarters unit is 32.5 meters tall and has seven levels, including a helideck, and an area of 3,500 m2. In addition to housing offshore crew, the unit also has a state-of-the-art control room, a water system turning sea water into drinking water and all fire water and emergency power for Tyra II will be run from the unit. The accommodation unit will be installed by the world's largest crane vessel, Sleipnir alongside the lifting of the Tyra West topsides.

OUTLOOK 2022

With three out of four major yard deliveries taken, the high activity levels will increasingly happen offshore at the Tyra field in the hook-up and commissioning campaigns. In addition, the process module will continue fabrication at the McDermott yard in Batam, Indonesia, before it sails to Denmark. First gas from Tyra II is expected in Q2, 2023.

PART II

Sustainability

A Meaningful Participant in the Energy Transition

COMPANY OBJECTIVES & COMMITMENTS

- Transparency in the reporting of the Company's operational and environmental performance
- Facilitation of improved technical, commercial and economic framing of sustainability initiatives achieved through partnerships
- Contribute to meeting global energy needs in a sustainable, secure and affordable way
- Tangible commitments through sustainability-linked KPIs in the Company's Reserve Based Lending Facility (RBL)
- Support Denmark's target of a 70% CO_2 reduction by 2030
- Continuous emissions reduction, with a particular focus on reducing routine-flaring and improve efficiency
- Pursue extended lifetime of the offshore installations by participation in early-stage CCS projects
- Evaluate through partnerships renewable technologies for hydrogen and Power-to-X ("PtX") offshore, including potential synergies between Noreco's offshore hydrocarbon production facilities and offshore renewable technologies

Noreco will be a considerable European contributor of energy supply through our existing and future business, whilst simultaneously striving for a continuous reduced environmental footprint and partaking in innovative projects supporting the Energy Transition. Our initiatives shall benefit the local community and the region we operate in, and be value accretive to our stakeholders.

With hydrocarbons, and in particular natural gas, expected to remain an important part of the energy mix for the foreseeable future, reducing emissions is the key component to ensure that Noreco's activities can continue to contribute with the smallest environmental footprint possible. By delivering Tyra, Noreco will both secure energy supply for Denmark and materially reduce our emissions intensity profile. Redeveloped Tyra will reduce emissions by 30% while at the same time supply gas to power the equivalent of 1.5 million Danish homes.

As part of the DUC, Noreco is committed to reducing emissions from the DUC operations by 400-500 kton towards 2030, and thereby contribute to the delivery of the Danish 70% CO_2 target in 2030. However, to justify the deployment of capital, the activities to deliver these targets will need to support the broad objectives of Noreco's stakeholders, including being value additive to the Company and its shareholders. Hence sustainability at Noreco is viewed through this lens.

In 2021 Noreco announced its participation in the CCS partnership Project Bifrost. The project includes the evaluation of the potential for CO_2 transport and storage at the Harald field, with an expected start-up storage capacity of 3 million tons of CO_2 per year with a long-term scalability of 16 million tons of CO_2 per year.

Beyond the environment, Noreco will continue to advance a social agenda that supports its people and communities through operating sustainably and safely, while also follow prudent Corporate Governance practices. The Company established an ESG Committee in 2020 which is contributing to the establishment and execution of a long-term ESG strategy. To further improve transparency, Noreco intends to publish an Environmental, Social and Governance Report in 2022 where reporting will follow the Global Reporting Initiative standards ("GRI") and the Task Force on Climate-Related Financial Disclosures framework ("TCFD").

OUR ASSET

2021 Performance Status

Environmental data is based on Operator data for the DUC (Noreco share 36.8%)

Remarks	2021 Performance
CO_2 emission The main source of CO_2 is the fuel gas required for production. In addition, the figure also includes the contribution from flaring and other fuels. The 2021 emission is low due to the production shut down of the Tyra and Harald facilities during the Tyra Redevelopment. For 2021, 0.7 mm tons was part of the CO_2 emissions quota, and 0.03 mm tons were non-quota.	• Total CO_2 emissions: 0.27 mm tons • Corresponding to 297 kton CO_2e/year
Fuel consumed Fuel is consumed by single cycle gas turbine powering generators, gas compressors and pumps. Natural gas fuel consumption for 2021 is lower and diesel consumption is higher due to the production shut down of the Tyra and Harald facilities during the Tyra Redevelopment. In 2021, 76% of the CO_2 emissions was due to fueling with gas and 7% was due to diesel combustion.	• Gas fuel CO_2 emissions: 0,20 mm tons (76%) • Diesel CO_2 emission: 0,02 mm tons (7%)
Flaring Flaring of natural gas is occurring on all hubs when required to allow safe operation during production upsets and non-routine operation. In 2021, 13% of the CO_2 emissions was due to flaring.	• Flaring CO_2 emissions: 0.03 mm tons (13%)
Fugitive emissions Venting of gas from production facilities is to ensure safe operation. Venting is primarily from systems operating at atmospheric pressure, but it occurs also during facilities maintenance. The reported figure is likely underestimated.	• Venting CO_2 emission: 0.01 mm tons (4%)
Oil discharge to Sea Water is produced from the fields together with the hydrocarbons. For the fields Dan and Halfdan, the produced water is discharged to the sea after separation. In the fields Gorm and Skjold, the water is reinjected. The water produced is partly formation water and partly injected sea water. In 2021, 25% of the produced water was reinjected.	• Discharged produced water: 6.2 mm m3 • Volume of oil discharged: 34.1 tons • Oil concentration in water: 5.5 mg/L
Spills Spills from closed systems and from handling of various liquids are reported in accordance with environmental regulation. In 2021, 8 oil and diesel spills and 29 chemical spills were reported.	• Oil and diesel spills: 0.33 tons • Chemical spills: 0.98 tons
NOx, SOx emission The operation of gas turbine drives and diesel engines offshore causes emissions of nitrogen oxides and sulphur oxides.	• NOx: 1262 tons • SOx: 14.4 tons

NORECO'S ASSET

Achievements and Near-Term Focus

In 2022 we will focus on several activities to establish the smallest environmental footprint possible.

Tyra on stream	The 2023 reinstatement of the Tyra hub will reduce fuel consumption and provide a higher operating efficiency. Redeveloped Tyra is expected to have 30% lower emissions compared to the old Tyra facility and in addition lower the flaring by 90%.
Routine-flaring reduction	Routine flaring reduction initiatives have been evaluated during 2021. As part of this evaluation, a step wise implementation of the Halfdan reroute for final oil stabilization is planned to remove routing flaring. The first step was completed in Feb-2022 reducing the flaring to 60%, corre-sponding to a reduction in CO_2 emissions of 3.3 kton CO_2e/year. The second step to be completed in 2023, will remove the routine flaring and reduce the CO_2 emissions by 3.7 kton CO_2e/year.
Fuel reductions	8 various CFR initiatives were implemented in 2021 (compressor bundle replacement on HBD, Dan FD flare tip closed, certified green electricity provided to vessels docked in Esbjerg harbor etc.). These initiatives have resulted in an estimated reduction in CO_2 emissions of more than 12.9 kton CO_2e/year Further, 12 CFR initiatives are planned to be implemented in 2022-2024 (HDA compressor bundling, new gas turbine air filter on HD and Dan etc) which can result in an estimated emission reduction of more than 11.8 kton CO_2e/year with approximately 4,8 kton CO_2e/year in 2022. The use of onshore smart room monitoring of fuel consumption helps reduce the fuel consumption.
Electrification	During 2021 the electrification potential of the Danish North Sea was evaluated by a governmental work group, with participation from the industry, including Noreco. The outcome indicated that a full electrification of the mature assets was challenged by the high modification costs. However, the new Tyra II facilities could potentially be subject for a tie-in to renewable power supply options in the future.
Emission monitoring	Improvements are being made to emission monitoring by initiating annual leak detection and repair campaigns (LDAR) with focus on a comprehensive register of sources, measurement equipment and evaluation options for better quantification of fugitive emissions. Additionally, transition towards new software additionally will improve reporting efficiency and data analytics. Further, novel technique development will be supported with drone imaging technology and LIDAR 3Ds.
Chemicals	Chemicals are being phased out and replaced by green chemicals in a continued dialogue with the Danish Environmental Protection Agency.

2021

CSS Project Bifrost

The Bifrost EUDP project (2022-2023) will perform all the groundwork necessary for CO_2 transportation and storage in the Harald reservoir through engineering demonstration studies.

Timeframe until the beginning of CCS operations in Harald reservoirs:

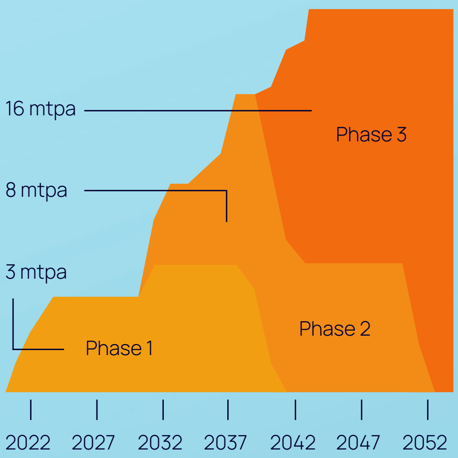
2022	2023	2024	2025	2025	2027
Prelim. Study	Concept select	FEED	FID	Execution	Operation

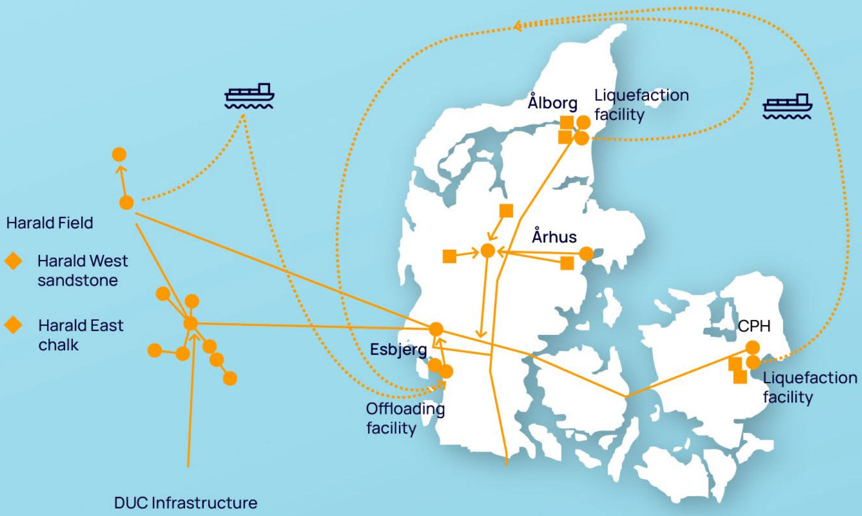
Long- term vision
Our vision is sustained in two pillars - scalability and longevity, provided by the possibility of reusing DUC's infrastructure in the North Sea.

Innovation height

- Depleted hydrocarbon reservoirs (sandstone and chalk)
- Re-use of existing wells and offshore infrastructure
- Cryogenic shipping and offshore floating receiver facility
- Offshore CO_2 injection
- High scalability and longevity
- Job retention and creation in the North Sea

High scalability
Our main differentiator is our large storage capacity, which will be built upon the groundwork performed in the EUDP project.





Decommissioning & Recycling of the Tyra Facilities

50,000

tonnes of total weight

As part of the Tyra Redevelopment Project, the old Tyra production facilities were removed by HMC's crane vessel Sleipnir and Allseas' vessel Pioneer Spirit. Recycling of the retired Tyra assets in a safe and environmentally responsible way was a key priority for the project.

More than

95%

expected to be recycled

The facilities were transferred to the new recycling yard of Modern American Recycling Services ("M.A.R.S.") at Frederikshavn in Denmark and to the Sagro's recycling yard in Vlissingen, Netherland in 2020. Removal of the 2 remaining jacket structures is scheduled for 2022. Scrapping and recycling is currently ongoing in the yards, and in January 2022 the final section of the TWA construction was safely recycled at the M.A.R.S. yard at Frederikshavn.

Total weight old facilities: 50,000 tonnes (40,000 tons topsides and 10,000 tons substructure).

The recycling of the old Tyra topsides at M.A.R.S. is the largest recycling of offshore installations in Denmark's history and more than 95 % of the old facilities are expected to be recycled.

THE COMPANY'S VIEW ON FUTURE OPPORTUNITY SET

Renewable Power as an Enabler for Transition

Renewable power supply is one of the key component of the Danish energy transition. Locating renewable power in the vicinity of the Company's oil and gas facilities can forge synergies between existing installations and the new power infrastructure. Notably, Noreco's installations are located in shallow water also allowing for cost effective utilization of wind farm developments in the vicinity.

Supply from a wind farm which has a mesh grid connection with other off- shore windfarms and with shore grids can be the enabler for a significant reduction of emissions from Noreco's oil and gas installations. This both in respect of reducing fuel consumption but also in order to increase production efficiency. Renewable power can thus be part of the solution to continue producing remaining hydrocarbon reserves in a sustainable way.

An electricity grid connection in the central North Sea may also utilise the nearby power cable infrastructure available or in the making (e.g. Viking Link, German grid.)

A central North Sea wind farm with the Company's facilities as an early offtake point can also be a required front runner for a future Danish Energy Island with renewable storage and grid connections to Denmark, UK and other North Sea countries.

Partnering with wind farm developers and infrastructure stakeholders can become an early enabler for the transition towards reduced emissions from our assets.

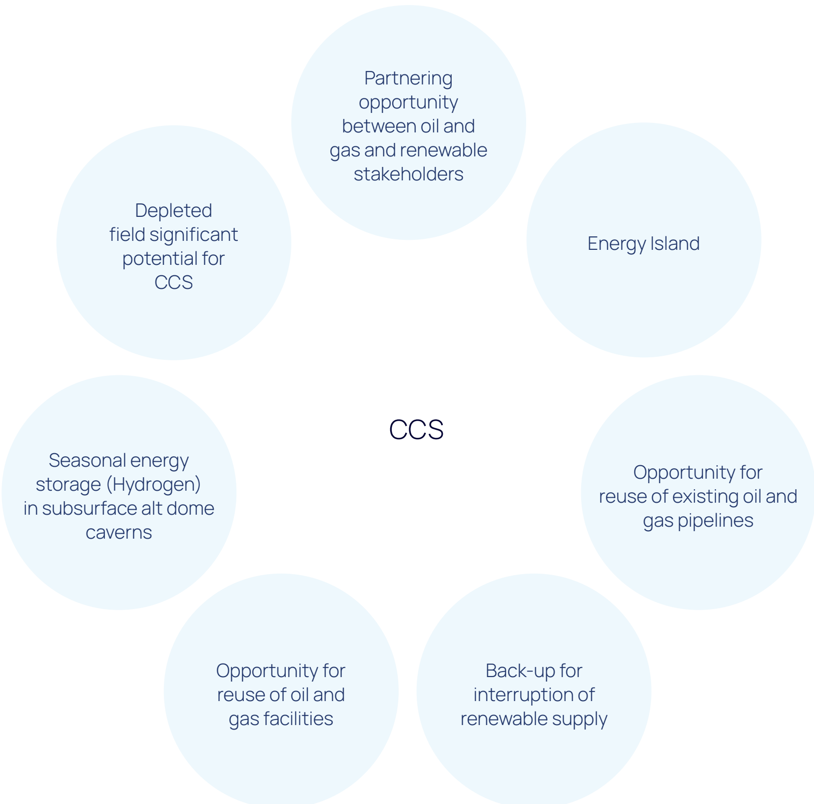
THE COMPANY'S VIEW ON FUTURE OPPORTUNITY SET

Subsurface CCS and Energy Storage

Noreco's subsurface assets may after hydrocarbon depletion become a significant element in supporting the change towards a renewable society.

As part of the Danish Energy Transition there is a need for shorter- and long-term CO_2 capture and subsequent long term storage. The Company's assets may contribute to such a storage opportunity by being able to hold large quantities of CO_2. The storage can be established in our oil and gas field when depleted. Here Noreco's geological understanding and technical expertise may prove significant in assisting in the renewable transition. In 2021 Noreco announced the CCS partnership Project Bifrost. The project includes the evaluation of the potential for CO_2 transport and storage at the Harald field, with an expected start-up storage capacity of 3 million tons of CO_2 per year.

Hydrogen production offshore in connection with an extensive offshore wind farm development is a possibility in order to allow for seasonal energy storage and energy back-up during periods with limited renewable production or during periods of higher demand. Large seasonal storage of hydrogen can be accommodated in the geological salt formations below several of our oil and gas fields in the central North Sea. In partnership with renewable enterprises, Noreco's understanding and surface capabilities can be applied to establish the technical feasibility, the practical implementation and the operation of such energy storage. Here also the potential for reusing our existing infrastructure and facilities may become an enabler for lower costs. The planned Danish Energy Island concept can, if placed close to the fields which have geological salt formations, become the main producer of the hydrogen utilizing such energy storage.

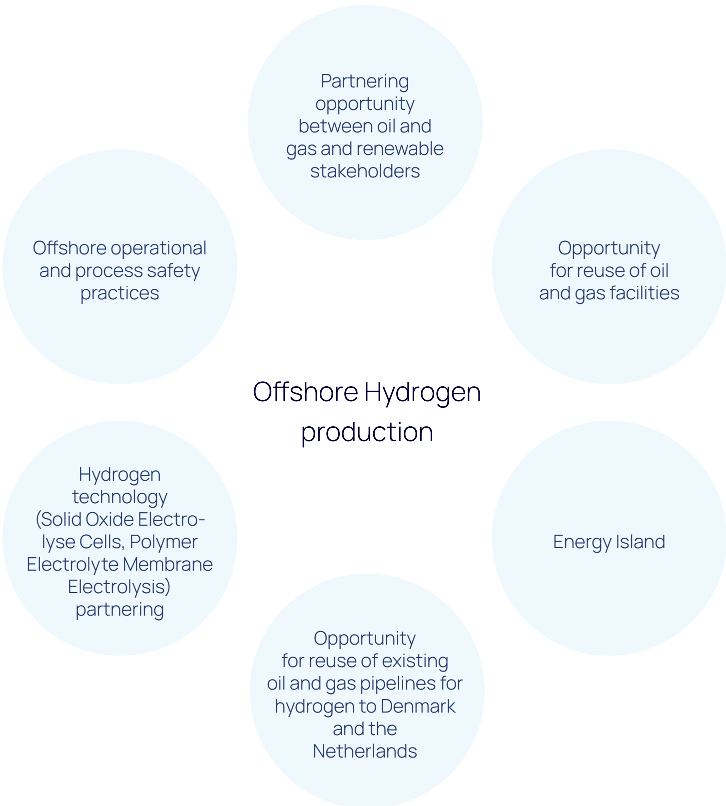


THE COMPANY'S VIEW ON NORECO'S OPPORTUNITY SET

Facilities: Offshore Hydrogen & PtX Production

With the planned substantial expansion of the Danish offshore wind power to supply renewable power to consumers in northern Europe, it will be of major importance to establish necessary industrial solutions for producing and handling hydrogen and PtX offshore.

Hydrogen and the PtX production technology will need to be adapted to offshore operating environment and the facilities needs to be constructed to allow for efficient maintenance and safe operation. Here our knowledge from Noreco's facilities and our understanding of safe design practices can be a partnering opportunity with enterprises who are engaged in hydrogen as a renewable energy source.



Initial evaluation of offshore hydrogen production feasibility may utilize offshore oil and gas facilities as test ground before being deployed on a larger scale. The Company's offshore facilities may provide support for such testing and also provide the necessary practical know-how needed for large capacity industrial solutions.

Several electrolysis technologies are currently being matured and progressed to serve the need for utilizing surplus wind power. Noreco see it important to be a contributor to such maturation by assisting with our upstream knowledge. This may also create potential to reuse Noreco's offshore facilities in support of the energy transition.

Arranging for hydrogen and PtX production close to existing oil and gas installations and integrating these solutions into a Danish Energy Island concept all located in the Danish central/southern North Sea will also allow for export of hydrogen through existing gas infrastructure to Denmark's shore or to Netherlands.

THE DANISH OFFSHORE TECHNOLOGY CENTRE

Research and Technology to Reduce Environmental Impact

Together with its partners in the DUC, Noreco invests in research and development to support and further grow its E&P activities. The DUC has a partnership with the DTU (Technical University of Denmark) and has together established the DTU Offshore - Danish Offshore Technology Centre. The DTU Offshore 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 2021 the DUC contributed with funding amounting to DKK 98 million.

WORK CONDUCTED BY THE DHRTC

Advanced Water Flooding
Improve sweep efficiency of remaining oil in Tor and Ekofisk formations

Lower Cretaceous
Improve recovery

Well and Production Technology
Improve integrity and performance of existing and new wells

Operations and Maintenance Technology
Functional model of process for AI assisted operator support

Enhanced Well Chemistry and Integrity
Extension of commercial field life by enhanced methods for corrosion, scale and souring prediction and mitigation

AI-assisted Structural Integrity
Ensure the safety of structures for continued production

Produced Water Management
Reduce the environmental footprint associated with oil and gas production

Abandonment
Cost effective abandonment for short and long-term environmental protection

Biodiversity in the DUC

During the past years, the DUC, through the operator TotalEnergies, has carried out a broad range of scientific studies to increase the understanding of the effects of projects and operations on offshore biodiversity. Studies have been developed and carried out by academics and environmental specialists with expertise in the fields of marine mammal biology, underwater acoustics, metagenomics and ecotoxicology.

The DUC supported marine mammal research program initiated in 2013 has made another significant scientific contribution by providing data regarding the effect on harbor porpoises of underwater sound generated by seismic surveys. The results were published in the peer-reviewed scientific journal Frontiers in Marine Sciences.

The DUC also supports researchers on the development of new scientific methodologies in the studies of biodiversity. For example, the partners collaborated with researchers at DTU-aqua for the offshore deployment and testing of state-of-the-art technology in remote and automated biodiversity monitoring. The pilot study aimed at testing the use of a second-generation environmental sample processor (ESP) in an offshore environment. The ESP was deployed close to the facilities to sample and analyze environmental DNA of porpoise, dolphin and fish species.

The Environmental Team in the DUC arranges dedicated biodiversity awareness sessions with onshore and offshore operator employees. Offshore staff are encouraged to report wildlife sightings around platforms and the information is shared with large regional inventories of species like basking sharks or bluefin tuna.

PART III

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 was re-elected at the Annual General Meeting of 26 May 2020 for a period of two years.

MARIANNE LIE
Board Member, Member of the Audit Committee and Chair of the Remuneration Committee

Marianne Lie is a consultant at Fajoma Consulting AS. She holds various board positions including in Wallenius Wilhelmsen ASA. She has previously held various board positions including DNB ASA, R.S. Platou, Rainpower ASA and Fortum Corporation. Ms Lie has served as a member of the board of directors in Noreco since 26 May 2016, and was re-elected at the Annual General Meeting of 26 May 2020 for a period of two years.

TONE KRISTIN OMSTED
Board Member and Member of the Audit Committee

Tone 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. Ms Omsted has served as member of the board of directors of Noreco since 26 May 2016, and was re-elected at the Annual General Meeting of 26 May 2020 for a period of two years.

COLETTE COHEN
Board Member and Chair of ESG Committee

Colette Cohen is a chemistry graduate from Queens University Belfast and also holds a master's 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 Net Zero Technology Centre. Ms Cohen has served as member of the board of directors of Noreco since 7 August 2019, and was re-elected at the Annual General Meeting of 18 May 2021 for a period of two years.

ROBERT J. MCGUIRE
Board Member and Member of the ESG Committee

Robert 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. Mr McGuire was elected as member of the board of directors of Noreco at an Extraordinary General Meeting held 2 March 2020 for a period of two years.

PETER COLEMAN
Board Member and Member of the Audit Committee

Peter Coleman joined Taconic in April 2018 where he is a director focusing on European credit, based in their London office. Prior to joining Taconic, Peter was a Managing Director on the European Distressed Debt Team at SVP Global. Previously, he was an Investment Director in distressed debt at Sisu Capital and prior to this, he was a director in the corporate finance group and tax group at PricewaterhouseCoopers. Peter earned a dual LL. B. and B.Com. from Victoria University in New Zealand in 1996. Mr Coleman was elected as a member of the board of directors of Noreco at the Annual General Meeting on 19 May 2021 for a period of two years.

JAN LERNOUT
Board Member and Member of the Remuneration Committee

Jan Lernout is a partner and portfolio manager at Kite Lake Capital Management (UK) LLP, which he founded in July 2010. Prior to that he was a partner and portfolio manager at Cheyne Capital Management (UK) LLP and an Executive Director and member of the Investment Committee in the European Special Situations Group (ESSG) at Goldman Sachs International. He holds a Master in Commercial Engineering from KU Leuven and an MBA from the University of Chicago Booth School of Business. He is a CFA Charterholder. Mr Lernout was elected as a member of the board of directors of Noreco at the Annual General Meeting on 19 May 2021 for a period of two years.

The Executive Management

EUAN SHIRLAW
Acting Managing Director, Chief Financial Officer

Euan joined Noreco in 2019 as CFO and also holds the position of Acting Managing Director. Euan has a background of providing strategic advice to a wide range of oil and gas companies on acquisition, divestment and merger activity as well as raising debt and equity capital. Prior to joining Noreco, Euan was a senior member of the oil & gas advisory team at BMO Capital Markets having also focused on the Energy space while working with Credit Suisse, RBC Capital Markets and Rothschild in London. He has a MSc in Business and Accountancy from the University of Edinburgh.

MARIANNE EIDE
EVP Upstream

Marianne joined Noreco in 2022 and holds the position as EVP Upstream. She has 30 years of experience in the upstream oil and gas industry. Prior to joining Noreco, she held senior management, commercial and technical roles with Shell, BG Group, Gaz de France, Conoco and Equinor, both based in Norway and the United Kingdom. Marianne has a MSc in Petroleum Engineering from the Norwegian Institute of Technology in Trondheim.

CATHRINE F. TORGERSEN
EVP Investor Relations & ESG

Cathrine joined Noreco in 2019 and holds the position as EVP Investor Relations & ESG. She previously had the role as Senior Account Director in Hill+Knowlton, where she advised a wide range of oil & gas- and shipping companies. During her seven years in Hill+Knowlton she was a member of the Management Team and was also leading the Financial Communications practice. Prior to joining Hill+Knowlton, Cathrine worked with institutional high yield sales at Pareto Securities Inc. in New York and Clarksons Platou Securities. She has a BSc in Business Administration and Finance from Bocconi University.

HEGE HAYDEN
EVP People and Capability

Hege joined Noreco in 2019 and holds the position of EVP, People & Capability. She has more than 20 years of broad operational and strategic HR experience as consultant and leader. For the last 13 years she has worked within the E&P industry and prior to joining Noreco she held the position as Director HR & Communications in VNG Norge AS. Hege received her education in Business Administration at Økonomisk College (now Oslo Metropolitan University).

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.

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

Since the acquisition in 2019, Noreco has built a meaningful presence in Denmark, and established good relationships to its partners TotalEnergies and Nordsøfonden in addition to other key stakeholders such as the Danish Energy Agency (DEA).

BUSINESS DEVELOPMENT

Noreco delivered strong production from the Halfdan, Dan and Gorm hubs in 2021 with a yearly average of 26.9 mboepd and an overall operational efficiency at approximately 84.4%. Ongoing well intervention work carried out by Noble Sam Turner had a positive impact on short- and long-term production and optimisation work will remain a focus in 2022.

The Tyra Redevelopment is an ongoing project within the DUC and is the largest project ever that is carried out in the Danish Continental Shelf (DCS). The project will provide a strong foundation for future reserves growth, unlocking gross reserves in excess of 200 mmboe. Redeveloped Tyra will decrease operating expenses significantly and lower emissions at the field by 30 %. In addition, the completed project will extend field life by at least 25 years and produce enough gas to power equal to 1.5 million homes in Denmark. The Tyra hub was temporarily shut-in in September 2019 and during 2021 several important project milestones were reached. Activity levels in the three fabrication yards remained high throughout the year, and in July 2021 Noreco announced the sail away of the three Tyra East wellhead and riser topsides followed by an offshore installation. In January 2022 the three Tyra West wellhead and riser platforms were delivered from yard, and in March 2022 the accommodation unit was completed and sailed to the Tyra field. The Tyra Redevelopment project is progressing towards first gas in Q2 2023.

The annual revision of reserves, confirmed by an independent CRS assessment, resulted in total 2P reserves at year end 2021 of 200 mmboe, demonstrating strong contributions from the producing assets with a reserves replacement ratio of nearly 100 percent.

In 2021, Noreco together with its partners in the DUC, entered into a CCS partnership, Project Bifrost, with Ørsted and DTU on progressing offshore CCS. Project Bifrost will evaluate the potential for CO_2 transport and storage at the Harald field in the Danish North Sea with an expected start-up storage capacity of 3 million tons of CO_2 per year (m/tpa). The project was granted funding in December 2021 of DKK 75 million under the "Energy Technology Development and Demonstration Programme" (EUDP), a Danish public subsidy scheme.

CAPITAL STRUCTURE

Convertible bond ("NOR13"): a USD 185 million convertible bond with an eight-year tenor and a mandatory conversion to equity after five years. NOR13 has PIK interest with additional bonds at a coupon rate of 8.0 %. Noreco may alternatively, at its own discretion, pay cash interest of 6.0 %. The Company has paid coupon interest of 8.0 % (PIK) since issuance. Should the instrument be in place beyond the five-year conversion period, the interest rate on NOR13 will be reduced to 0.0 % for the remaining period.

Reserve-based lending facility (the RBL facility): In Q2 2021 the Company amended, extended and increased its previously facility that was entered into in Q2 2019. Noreco's RBL facility is a seven-year 1st lien senior-secured reserve-based lending facility with a total facility amount of USD 1,100 million, including a letter of credit sub-limit of USD 100 million. At the end of 2021 USD 900 million was drawn under the RBL Facility, with an additional USD 100 million letter of credit outstanding. Principal repayments on the Facility will commence from the second half of 2024 and interest is charged on debt drawings based on the SOFR rate and a margin of 4.0 to 4.5 %. The Company has also established a link in margin payable under the RBL and the achievement of ESG targets on emissions intensity reduction and power from renewables that will support progression of the Company's ESG strategy. This provides a margin decrease for ESG targets being met and a margin increase if ESG targets are not met.

Senior unsecured note ("NOR14"): a USD 175 million senior unsecured note with a coupon rate of 9.0 % and a maturity in June 2026. In order to reduce exposure to future market volatility, Noreco successfully reached an agreement with its bondholders in 2021 adding additional headroom to certain of the financial covenants

GROUP FINANCIAL RESULTS FOR 2021

Selected data from consolidated statement of comprehensive income

All figures in USD million	2021	2020
Total revenue	565	566
EBITDA[1)]	250	250
EBIT[1)]	137	57
Result before tax	5	(18)
Net result for the period	(53)	17
Earnings per share	(2.2)	0.7

1) Please see Alternative Performance Measures for definitions

The Company had revenues of USD 565 million in 2021 mainly related to oil and gas sales from the DUC fields; this compares to USD 566 million in the previous year.

Production expenses of USD 293 million in 2021 compared to USD 295 million in 2020. Of this amount USD 297 million was directly attributable to the lifting and transport of the Company's oil and gas production and USD 22 million related to offshore insurance expenses, in addition to a positive impact of USD 14 million related to an under-lift adjustment and USD 13 million related to stock scrapping adjustments. The cost per boe in 2021 amounted to USD 30.2 per boe compared to USD 26.6 per boe the previous year. The increase compared to 2020 is mainly driven by the high level on well intervention activity.

Personnel expenses were USD 11 million in 2021 compared to USD 12 million in 2020. The decrease is due to lower share-based payments, partly offset by restructuring costs.

Other operating expenses amounted to USD 11 million in 2021, compared to USD 8 million last year. The increase is related to higher consultant and legal fees.

Operating result (EBITDA) for 2021 was a profit of USD 250 million, compared to a profit of USD 250 million in 2020.

Net financial items amounted to an expense of USD 132 million in 2021, compared to an expense of USD 75 million in 2020. This was primarily driven by lower financial income in 2021, where in the comparable period in 2020 the Company realised income on commodity price hedging as well as a positive fair value adjustment on NOR13's embedded derivative. This was partially offset by lower financial expenses as the Company experienced a net foreign exchange gain in 2021, compared to a net foreign exchange loss in 2020, which has been driven by fluctuations in the USD:DKK/EUR exchange rate.

Income Tax for the Group amounted to a tax cost of USD 58 million for the year, compared to an income of USD 35 million in 2020. The tax cost for 2021 mainly relates to tax on the underlying taxable result for the year, cost of FX-adjustments of losses carried forward in DKK offset by value of investment uplift for the year. 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 loss of USD 53 million, compared to a loss of USD 17 million in 2020.

Selected data from the consolidated statement of financial position

All figures in USD million	2021	2020
Total non-current assets	2,807	2,533
Total current assets	283	429
Total assets	3,090	2,962
Total equity	492	630
Interest bearing debt[1)]	1,204	1,043
Asset retirement obligations	1,029	950

1) Please see Alternative Performance Measures for definitions

Total non-current assets amounted to USD 2,807 million at the end of 2021, of which USD 1,899 million related to property, plant & equipment, in addition to a deferred tax asset of USD 526 million, intangible asset of USD 166 million, USD 205 million restricted cash and USD 10 million in derivatives.

Total current assets amounted to USD 283 million at the end of 2021, USD 88 million in trade- and other receivables, mainly related to oil and gas revenue, USD 20 million in prepayments mainly related to offshore insurance premium that has been paid in advance. In addition, USD 123 million was held in cash and inventory of USD 51 million.

Equity amounted to USD 492 million at the end of 2021, compared to USD 630 million at the end of 2020. The decrease is mainly related to the fair value adjustment of derivative instruments and net loss for the current year, partly offset by realized gain on hedge.

Interest-bearing debt amounted to USD 1.2 billion at the end of 2021. The convertible bond loan NOR13 had a book value of USD 157 million at the end of 2021. This is valued at amortised cost and the embedded derivative is accounted for at fair value through profit and loss. Noreco's USD 1.1 billion RBL facility, drawn at USD 900 million on 31 December 2021 and with maximum cash drawing capacity of USD 1.0 billion, had a book value of USD 857 million at the end of 2021. The senior unsecured bond loan NOR14 had a book value of USD 165 million at the end of 2021. The RBL facility and the unsecured bond loan are valued at amortised cost. In addition, the interest-bearing debt includes deferred consideration with a book value of USD 25 million at the end of 2021.

Asset retirement obligations amounted to USD 1,029 million at the end of 2021, compared to USD 950 million at the end of 2020. USD 960 million is related to the DUC assets, USD 65 million to Nini/Cecilie, USD 2 million to Lulita and USD 2 million to the Tyra F-3 pipeline. The Nini/Cecilie asset retirement obligation is secured through an escrow account of USD 65 million.

Selected data from the consolidated statement of cash flows

All figures in USD million	2021	2020
Cash flow from operating activities	50	348
Cash flow used in investing activities	(246)	(359)
Cash flow from financing activities	60	(15)
Net change in cash and cash equivalents	(137)	(26)
Cash and cash equivalents	123	259

Cash flow from operating activities amounted to USD 50 million at the end of 2021, compared to USD 348 million at the end of last year. Cash flow from operating activities excluding changes in working capital amounted to USD 245 million in 2021, compared to USD 252 million in 2020. The decrease in cash flow from working capital is mainly due to the VAT liability related to 2020 of USD 156 million that was paid in 2021, with the payment date delayed to Q1 2021 by the Danish government as a response to the impact of COVID-19 on the economy. In addition to a change from an over-lift to under-lift position, the Company's inventory position and trade and other receivables also increased.

Cash flow used in investing activities amounted to negative USD 246 million at the end of 2021 compared to negative USD 359 million at the end of last year. The cash flow used in investing activities were related to DUC investments of USD 228 million, with USD 213 million related to the Tyra redevelopment, USD 21 million in abandonment expenditure, a deposit of USD 15 million deposit into the cash call security account, USD 2 million in tax refund for the period prior to closing and a benefit received from the volume guarantee of USD 15 million.

Cash flow from financing activities amounted to positive USD 60 million at the end of the year, compared to negative USD 15 million in 2020. The cash flow from financing activities is related to a RBL drawdown of USD 149 million, USD 54 million in paid interest and USD 27 million related to transaction costs on NOR14 and the RBL facility.

Net change in cash and cash equivalents amounted to negative USD 137 million in 2021 compared to negative USD 26 million in 2020. Cash and cash equivalents were in total USD 123 million at the end of 2021.

RISK MITIGATION

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

Noreco has to date executed this policy in the market through a combination of forward contracts and options.

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.

Noreco enters into hedging contracts on both oil and gas to reduce the Company's exposure to commodity price volatility. These contracts protect the future minimum price Noreco will receive on oil and gas for the periods and volumes entered into. All hedging contracts are with financial institutions within the RBL banking syndicate, are secured and are financially settled on a monthly basis. Due to the secured nature of these contracts, Noreco is not subject to cash collateralisation requirements or margin calls.

In addition to Company-driven hedging activities, the RBL Facility contains 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 following 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%. Due to the volatile oil market conditions in 2021, Noreco requested and received waivers from its RBL bank syndicate in June and December relating to the hedging requirements in the 24 to 36 months forward; based on this, the Company is not required to meet the minimum hedging level during this period until the end of June 2022. At the end of 2021, Noreco is in full compliance with these temporarily revised RBL hedging requirements.

	Volume hedged oil (mmboe)	Average hedged price ($/bbl)	Volume hedged gas (MWh)	Average hedged price (EUR/MWh)
2022	4.3	55.7	1,015,000	37.5
2023	4.0	52.4	-	-
2024	2.4	62.2	-	-

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 NOGAT system in 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 is currently involved in one major development project, the redevelopment of Tyra II. While significant progress has been made on the Tyra Redevelopment project, Noreco is during 2022 exposed to the risks relating to the fabrication and sail away of one remaining module, and the ongoing installation, hook-up and commissioning work conducted at the Tyra field. The outcome of the future progress of the development may have an impact on cost and/or schedule. 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. 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 partial exposure to floating interest rates through the Company's USD 1,100 million RBL, where the Company in 2021 fixed USD 1.0 billion of its interest rate exposure until June 2024. The Company also has exposure to fixed interest rates, through the Company's USD 185 million Convertible Bond and USD 175 million Senior Unsecured Note. 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 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.

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 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 labour relations. In

December 2020, the Danish government announced the "2050 North Sea Agreement". The agreement provides industry stability and opportunities on the DCS, beyond the DUC concession which expires in 2042. 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 global pandemic has severely impacted the daily lives of people as well as affected companies and markets. 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. TotalEnergies 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 TotalEnergies health staff.

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 2021, Noreco was, through its ownership in the DUC in which TotalEnergies is the operator, involved in production of oil and gas which could cause emissions to the sea and air.

Noreco will conduct its business operation in full compliance with all applicable national legislation in the countries where it is operating. The Company is committed to carry out its activities in a responsible manner to protect people and the environment. Our fundamentals of HSEQ and safe business practice are an integral part of Noreco's operations and business performance.

The Danish Offshore Safety Act is the legal framework for promotion of a high level for health and safety offshore and for creating a framework enabling the companies to solve offshore health and safety issues themselves. The Danish Offshore Safety Act generally applies to all offshore activities related to hydrocarbon facilities, infrastructure and pipelines connected hereto.

Licensees under the Danish Subsoil Act are required to identify, assess and reduce health and safety risks as much as reasonably practicable, as well as be compliant with the ALARP (As Low As Reasonably Practicable) principle. Furthermore, the licensee shall ensure that operators are able to fulfil the safety and health obligations pursuant to the Danish Offshore Safety Act.

PERSONNEL RESOURCES AND WORKING ENVIRONMENT

At the end of 2021 the Group had 26 employees. 38 % of the employees were women. In December 2021, and following a mutual resignation of Chief Executive Officer David B. Cook, Chief Financial Officer Euan Shirlaw was appointed Acting Managing Director in addition to his existing role.

At the end of 2021 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 2021, more than 40 % 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 the Executive Remuneration Report.

Sick leave in the Group was 0,89 % in 2021.

RESEARCH AND DEVELOPMENT

Noreco invests in research and development to support and further grow its E&P activities. The DUC has a partnership with the DTU (Technical University of Denmark) and has together established the DTU Offshore – Danish Offshore Technology Centre. The DTU Offshore 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 2021 the DUC contributed with funding amounting to DKK 98 million. The 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 which is reflected by the decisions taken at the General Assembly.

In total, 12 board meetings were held in 2021, participation was 98%.

Safeguarding the Company's people, assets and financial position were the board's key priorities during 2021, the second year of the pandemic. The board has continued to work on developing Noreco and how to best position the Company for future value enhancing opportunities.

The annual general meeting, held on 19 May 2021, re-elected Colette Cohen to the board and appointed Jan Lernout and Peter Coleman as new board members. All matters on the agenda were approved.

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 .

DIRECTOR & OFFICER'S LIABILITY INSURANCE

The company has acquired and maintains a Directors and Officers insurance policy to cover the personal liability for financial losses that directors and officers of the company and the directors and officers of the company's subsidiaries may incur in their capacities as such ("Directors and Officers Liability/Styre og ledelsesansvar"). The policy is placed with a reputable international carrier on market terms.

OWNERSHIP

There are no restrictions on the transfer of shares in Noreco. The Company currently has approximately 2.500 shareholders, and 16.35% of the shares are held by Norwegian residents.

NORWEGIAN ENERGY COMPANY ASA

In 2021, the parent company was a holding company, and the operating expenses mainly consisted of shareholder costs, consultancy fees, legal fees and payroll expenses. Net financial loss mainly due to interest expenses from bond loans and net foreign exchange loss this year due to fluctuations in the USD:NOK exchange rate, partly offset by interest received from group companies. 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 2021

Personnel expenses were USD 4 million in 2021, decreased from USD 7 million compared to 2020, mainly due to lower costs relating to share-based payments and lower salary costs due to lower average Full-time equivalent in this year.

Other operating expenses amounted to USD 3 million in 2021, compared to USD 4 million last year.

The net operating result for 2021 was a loss of USD 5 million compared to a loss of USD 9 million in 2020.

Net financial items amounted to an expense of USD 25 million in 2021, compared to an expense of USD 14 million in 2020. The financial expense in 2021 was mainly related to interest on bond loans and foreign exchange loss mainly related to bank accounts in DKK, partly offset by interest income from intercompany loans.

The Company's **net result** for the year amounted to a loss of USD 30 million compared to a gain of USD 24 million in 2020.

ALLOCATIONS

The result for the year for Norwegian Energy Company ASA in 2021 was a loss of USD 30 million. The board proposes the following allocations:

Allocated from other equity	USD 30 million
Total appropriation	USD 30 million

OUTLOOK

Noreco has a stable business, underpinned by the Company's position in the DUC and further supported by risk mitigations. The Tyra Redevelopment is progressing and will significantly enhance the Noreco's base production after start-up. The Company also expects direct field operating expenditure to decrease to USD 13 per barrel after Tyra is back on production. Our intent to progress value-additive organic DUC investment projects also continues, and we will seek to sanction projects as they are sufficiently matured. Noreco believes economic investments in these projects will help replace produced reserves and provide strong financial returns benefiting the Company's shareholders. The Company has provided a production guidance of 23.5 – 25.5 mboepd for 2022. The Company monitors the Russia–Ukraine war closely and has not identified any negative impact on the Company's assets or income

Oslo
11 April 2022

Riulf Rustad Executive Chair	Tone Kristin Omsted Board Member	Marianne Lie Board Member	Colette Cohen Board Member
Robert J. McGuire Board Member	Jan Lernout Board Member	Peter Coleman Board Member	Euan Shirlaw Acting Managing Director

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 applies 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 are as such not 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 2021 for Noreco Olie- og Gasudvinding Danmark B.V was USD 10.2 million pertaining to the income year 2020. In addition, a refund was received pertaining to adjustments on income year 2017 also for Noreco Olie- og Gasudvinding Danmark B.V.

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:

- Total net investments amounted to USD 228 million, as specified in the cash flow analysis in the financial statements
- Sales income (Petroleum revenues) in 2021 amounted to USD 558 million, as specified in Note 4 to the financial statements
- Total production in 2021 was 9.8 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 2021

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") 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 that which 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 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 a publicly owned oil, gas and offshore industry 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, as well as social, environmental and sustainability considerations 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 2021, the Company's consolidated equity was USD 492 million, which is equivalent to approximately 16% 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
At the Annual General Meeting held on 26 May 2020, The Board of Directors was authorised to increase the Company's share capital by up to NOK 24,549,014 until the Annual General Meeting in 2021, but in no event later than 30 June 2021.

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, valid until the Annual General Meeting in 2021, however in any event no later than 30 June 2021. The authorisation can be used in relation to incentive schemes for employees/directors of the group, as consideration in connection with acquisition of businesses and/or for general corporate purposes.

As of 30 March 2022, the Company holds 251,495 of its own shares, approximately 1.20 %.

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. All members of the committee should be independent of the Board of Directors and the executive personnel.

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 and keep the Board of Directors informed about the audit 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;

(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;

(e) prepare any election of the Company's 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. The guideline was endorsed by the Annual General Meeting in May 2019. The Board's declaration pursuant to Section 6-16a of the Public Limited Liability Companies Act in respect of salaries and other remuneration for executives was approved at the Annual General Meeting in May 2021.

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 analyse 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 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 defence 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 Policy

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 competence, 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 2021 the Group had 26 employees. 38 % of the employees were women.

At the end of 2021 the Company’s board of directors consisted of three women and four men, all elected by shareholders, hence more than 40 % 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 of its employees in 2021.

During 2021, Noreco was, through its ownership in the DUC in which TotalEnergies 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 2021 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. For further information on the Company's environmental approach, please see the Sustainability section of the Annual Report.

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 Policy can be found on The Company's web site, www.noreco.com/csr

NORWEGIAN ENERGY COMPANY ASA (PARENT COMPANY)

Statutory Accounts 2021

Income Statement for Norwegian Energy Company ASA (Parent company) for the year ended 31 December

USD million	Note	2021	2020
Revenue	2, 14	2	2
Total revenues		**2**	**2**
Personnel expenses	10, 14	(4)	(7)
Other operating expenses	13, 14	(3)	(4)
Total operating expenses		**(7)**	**(11)**
Operating result before depreciation and write-downs (EBITDA)		**(5)**	**(9)**
Depreciation		(0)	(0)
Net operating result (EBIT)		**(5)**	**(9)**
Interests received from group companies		16	11
Interest income		0	1
Foreign exchange gains		0	11
Other financial income		-	0
Total financial income		**16**	**22**
Interest expense from bond loans		(33)	(31)
Interest expenses current liabilities		(0)	(0)
Interest expenses to group companies		(0)	(1)
Foreign exchange losses		(8)	(3)
Impairment of financial assets	11	(1)	(1)
Other financial expenses		(0)	(1)
Total financial expenses		**(41)**	**(37)**
Net financial items		**(25)**	**(14)**
Result before tax (EBT)		**(30)**	**(24)**
Tax	12	-	-
Net result for the year		**(30)**	**(24)**
Appropriation:			
Allocated to/(from) other equity		(30)	(24)
Total appropriation		**(30)**	**(24)**

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

USD million	Note	31.12.21	31.12.20
ASSETS			
Non-current assets			
Financial non-current assets			
Investment in subsidiaries	3	393	393
Loan to group companies	11	300	156
Restricted cash	4	65	71
Total non-current assets		**758**	**620**
Current assets			
Receivables			
Trade receivables		0	0
Receivables from group companies		-	20
Other current receivables		0	0
Total current receivables		**0**	**20**
Financial current assets			
Bank deposits, cash and cash equivalents		18	183
Total financial current assets		**18**	**183**
Total current assets		**18**	**203**
Total assets		**776**	**822**
EQUITY AND LIABILITIES			
Equity			
Paid-in equity			
Share capital		30	30
Share premium fund		707	707
Treasury share reserve		(0)	(0)
Total paid-in capital		**736**	**736**
Retained earnings			
Other equity		(315)	(286)
Total retained earnings		**(315)**	**(286)**
Total equity	**7, 8**	**421**	**450**
Non-current Liabilities			
Convertible bond loan	5	189	174
Bond loan	5	165	169
Loan from group companies		-	26
Total non-current liabilities		**354**	**369**
Current liabilities			
Trade payables		0	0
Other current liabilities		1	3
Total current liabilities		**1**	**3**
Total liabilities		**355**	**372**
Total equity and liabilities		**776**	**822**

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

Oslo
11 April 2022

Riulf Rustad Executive Chair	**Tone Kristin Omsted** Board Member	**Marianne Lie** Board Member	**Colette Cohen** Board Member
Robert J. McGuire Board Member	**Jan Lernout** Board Member	**Peter Coleman** Board Member	**Euan Shirlaw** Acting Managing Director

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

USD million	Note	2021	2020
Net result for the period		(30)	(24)
Adjustments for:			
Depreciation		0	0
Write-down	11	1	1
Share-based payments expenses	7	0	2
Net financial cost/(income)		24	14
Changes in:			
Trade receivable		0	(1)
Trade payables		(0)	0
Other current balance sheet items		(6)	0
Net cash flow from operations		**(11)**	**(8)**
Cash flows from investing activities			
Loans to group companies		(133)	(11)
Investment in furniture, equipment and machinery	3	(0)	-
Net cash flow from investing activities		**(133)**	**(11)**
Cash flows from financing activities			
Share buyback	7	-	(10)
Transaction cost related to financing		(5)	(0)
Transaction cost related to equity issue	7	-	(0)
Interest paid		(16)	(16)
Net cash flow from (used) in financing activities		(21)	(27)
Net change in cash and cash equivalents		(165)	(46)
Cash and cash equivalents at the beginning of the period		183	228
Cash and cash equivalents at end of the year		18	183

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 2021.

The Company is listed on the Oslo Stock Exchange under the ticker "NOR". The financial statements for 2021 were approved by the board of directors on 11 April 2022.

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.

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 is 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

The functional currency and the presentation currency of the company is US dollars (USD).

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 fair value, net of transaction costs incurred. The subsequent measurement is measured at amortised cost using the effective interest method. 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 offset. Deferred tax and tax benefits which may be shown in the balance sheet are presented net. Net deferred tax assets are not recognized due to uncertainty about future taxable profits

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	2021	2020
Management fee subsidiaries	2	2
Total Revenue	**2**	**2**

3 INVESTMENTS IN SUBSIDIARIES

Investments in subsidiaries are booked according to the cost method.

USD million Subsidiaries	Location	Ownership/ voting right	Equity 31 December	Net Loss	Book value
Altinex AS	Oslo	100%	224	(43)	393
Norwegian Energy Company UK Ltd	Great Britain	100%	(1)	(0)	-
Djerv Energi AS	Oslo	100%	0	(0)	-
Book value 31.12.21					**393**

The impairment test as of 31.12.2021 justifies the overall value of Altinex and its subsidiaries. The intercompany receivables to the UK investment are impaired to zero.

4 RESTRICTED BANK DEPOSITS

USD million	2021	2020
Restricted cash pledged as security for abandonment obligation related to Nini/ Cecilie[1)]	65	71
Total restricted bank deposits	**65**	**71**

[1)] In connection to the asset retirement obligation of USD 65 million (DKK 432 million) in the subsidiary Noreco Oil Denmark.

5 BORROWINGS

5.1 SUMMARY OF BORROWINGS

USD million Non-Current Debt	2021	2020
NOR 13 Convertible Bond	189	174
NOR 14 Senior Unsecured Bond	165	169
Total non-current debt	**354**	**343**
Total borrowings	**354**	**343**

Details on borrowings outstanding on 31 December 2021

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. 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 the Company issued a senior unsecured bond of USD 175 million. 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
In July 2021, Noreco's written resolution regarding the addition of further headroom under the Leverage Ratio covenant through to the end of 2023 was resolved and approved by the Company's NOR14 bondholders. Based on this written resolution, the maximum Leverage Ratio has been amended to 7.0x (from 5.0x) during the Tyra Redevelopment Period ending Q2 2023, 6.0x (from 3.0x) during Q3 2023 and 5.0x (from 3.0x) during Q4 2023. From Q1 2024 onwards, the maximum Leverage Ratio will revert to 3.0x per the original bond terms. In addition to the change in maximum permitted leverage, Noreco's minimum liquidity threshold has increased to USD 75 million until the end of 2023 (from USD 50 million until end Q2 2023 and USD 25 million during Q3 and Q4 2023)

5.3 Payment Structure

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

Interest	NOR13	NOR14	Total
Interest rate	**-**	**9.00%**	
2022	-	16	16
2023	-	16	16
2024	-	16	16
2025	-	16	16
2026	-	8	8
Total	**-**	**71**	**71**

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 AS, please see note 22 in the Consolidated Financial Statement.

6 GUARANTEES

OVERVIEW OF ISSUED GUARANTEES ON 31 DECEMBER 2021.

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 license 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 §29 notice with respect to the Huntington platform and pipeline. Under the forfeiture agreement between Harbour Energy plc (previously Premier) and Noreco, Harbour Energy plc assumes the risk. 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 Harbour Energy plc 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 licenses 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 2021 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 license 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).

7 SHAREHOLDERS' EQUITY

Changes in equity All figures in USD million	Share capital	Share premium	Treasury reserve	Other equity	Total
Equity 31 December 2020	30	707	(0)	(286)	450
Share-based incentive program	-	-	-	0	0
Net result for the period	-	-	-	(30)	(30)
Equity 31 December 2021	**30**	**707**	**(0)**	**(315)**	**421**

8 SHARE CAPITAL AND SHAREHOLDER INFORMATION

	2021	2020
Ordinary shares	24,549,013	24,549,013
Treasury shares	(438,161)	(438,161)
Total shares	**24,110,852**	**24,110,852**
Par value in NOK	10	10

Noreco owns 438.161 of its own 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 as of 31 December 2020	**24,549,013**	**30**
Share capital as of 31 December 2021	**24,549,013**	**30**

	No. of shares	Treasury share reserve*
Treasury shares as of 1 January 2020	-	-
Purchase of Treasury shares	(438,161)	(0)
Treasury shares as of 31 December 2020	**(438,161)**	**(0)**
Treasury shares as of 31 December 2021	**(438,161)**	**(0)**

*In USD million.

CHANGES IN 2020

The company bought back 438.161 of its own shares, of which 299.925 shares was bought as part of a reverse book building process and 138.236 shares was bought in the market. The buyback program was executed in accordance with the authorization given by the Noreco's general meeting on 28 June 2018, which was valid until 28 June 2020. After the completion of the buyback program, Noreco owns 438.161 of its own shares, approximately 1,78 percent.

OVERVIEW OF SHAREHOLDERS AT 31 MARCH 2022:

Shareholder*	Shareholding	Ownership share	Voting share
Euroclear Bank S.A./N.V.	6,967,295	28.38%	28.38%
Goldman Sachs International	5,676,572	23.12%	23.12%
BNP Paribas	1,439,352	5.86%	5.86%
The Bank of New York Mellon SA/NV	993,841	4.05%	4.05%
Barclays Bank PLC	807,575	3.29%	3.29%
Bank of America, N.A.	774,408	3.15%	3.15%
SOBER AS	654,320	2.67%	2.67%
J.P. Morgan Securities LLC	588,513	2.40%	2.40%
UBS Switzerland AG	495,649	2.02%	2.02%
J.P. Morgan Securities LLC	480,340	1.96%	1.96%
State Street Bank and Trust Comp	292,004	1.19%	1.19%
NORWEGIAN ENERGY COMPANY ASA	251,495	1.02%	1.02%
DnB NOR Bank ASA	247,216	1.01%	1.01%
The Bank of New York Mellon SA/NV	240,979	0.98%	0.98%
Morgan Stanley & Co. Int. Plc.	237,292	0.97%	0.97%
Goldman Sachs & Co. LLC	229,981	0.94%	0.94%
VELDE HOLDING AS	200,000	0.81%	0.81%
J.P. Morgan Securities PLC	162,325	0.66%	0.66%
OUSDAL AS	146,975	0.60%	0.60%
FINSNES INVEST AS	119,279	0.49%	0.49%
Total	**21,005,411**	**85.6 %**	**85.6 %**
Other owners (ownership <0,42%)	3,543,602	14.43%	14.43%
Total number of shares at 31 March 2021	**24,549,013**	**100%**	**100%**

*Nominee holder

9 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 2020	956,954
Share options granted in 2020	420,000
Amendment to option program	(323,086)
Share options relinquished in 2020	(70,000)
Outstanding at 31 December 2020	**983,868**
Share options relinquished in 2021	(235,000)
Outstanding at 31 December 2021	**748,868**

For more details related to share-based payment, please see the Executive Remuneration Report 2021.

10 PAYROLL EXPENSES AND REMUNERATION

USD million	2021	2020
Salaries (incl. directors' fees)	(3)	(4)
Social security tax	(0)	(1)
Pension costs[1)]	(0)	(0)
Costs relating to share based payments	(0)	(2)
Other personnel expenses	(0)	(0)
Total personnel expenses	**(4)**	**(7)**
Average number of employees	**6.7**	**9.8**

[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 0,1 million in 2021, compared to USD 0,2 million in 2020.

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

11 WRITE DOWN OF FINANCIAL ASSETS

USD million	2021	2020
Net write-down loans to subsidiaries	(1)	(1)
Total write-down of financial assets	**(1)**	**(1)**

Write-down of loans to subsidiaries in 2021 and 2020 consists of impairment of loans to Noreco Oil (UK) Ltd. and Norwegian Energy Company UK Ltd.

12 TAX

Reconciliation of nominal to actual tax rate:

USD million	2021	2020
Result before tax	**(30)**	**(24)**
Corporation income tax of income (loss) before tax -22%	(7)	(5)
Sum calculated tax expense	**(7)**	**(5)**
Permanent differences	0	(0)
Changes in deferred tax assets - not recognised	6	5
Prior year adjustments	-	-
Income tax expense	**(1)**	**(0)**

Deferred tax liability and deferred tax assets:

USD million	2021	2020
Net operating loss deductible	106	90
Interest limitation carried forward	36	20
Fixed assets	(0)	(0)
Current assets	9	17
Liabilities	(22)	(22)
Tax base deferred tax liability / deferred tax asset	**130**	**105**
Net deferred tax liability / (deferred tax asset) (22%)	**(28)**	**(24)**
Unrecognised deferred tax asset	28	24

13 OTHER OPERATING EXPENSES AND AUDIT FEES

USD million	2021	2020
Lease expenses	(0)	(1)
IT expenses	(1)	(0)
Travel expenses	(0)	(0)
General and administrative costs	(0)	(0)
Consultant fees	(2)	(2)
Other operating expenses	(0)	(0)
Total other operating expenses	**(3)**	**(4)**

Expensed audit fee:

USD 1000, excl.VAT	2021	2020
Audit	(204)	(318)
Other assurance services	-	-
Total audit fees	**(204)**	**(318)**

14 RELATED PARTY TRANSACTIONS

Transactions with related party USD million	2021	2020
a) Allocation of cost to group companies	3	2
b) Purchases of services	0	0
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 management fee to group companies amounts to USD 3 million for 2021.

Purchase of services includes consultancy cost from S&U Trading ApS (owned by former Board Member Lars Purlund) of USD 0,1 million 2021.

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 2021. Please see the Executive Remuneration Report 2021 for director's fee paid to shareholders and remuneration to management.

Consolidated Statements

Consolidated Statement of Comprehensive Income

INCOME STATEMENT USD million	Note	2021	2020
Revenue	4	565	566
Total revenues		**565**	**566**
Production expenses	5	(293)	(295)
Exploration and evaluation expenses	6	(1)	(2)
Personnel expenses	7	(11)	(12)
Other operating expenses	8	(11)	(8)
Total operating expenses		**(316)**	**(316)**
Operating result (EBITDA)		**250**	**250**
Depreciation / amortisation	10	(112)	(193)
Net operating result (EBIT)		**137**	**57**
Financial income	12	28	103
Financial expenses	12	(160)	(177)
Net financial items		**(132)**	**(75)**
Result before tax (EBT)		**5**	**(18)**
Income tax benefit / (expense)	13	(58)	35
Net result for the year		**(53)**	**17**
Basic earnings/loss USD per share	14	(2)	1
Diluted earnings/loss USD per share	14	(2)	0

STATEMENT OF COMPREHENSIVE INCOME USD million	Note	2021	2020
Net result for the year		(53)	17
Other comprehensive income (net of tax):			
Items that may be subsequently reclassified to profit or loss:			
Realized cash flow hedge		135	(29)
Related tax - realized cash flow hedge		(86)	18
Changes in fair value		(372)	108
Related tax - changes in fair value		242	(69)
Currency translation adjustment		(3)	3
Total other comprehensive income for the year (net of tax)		**(85)**	**32**
Total comprehensive income for the year (net of tax)		**(138)**	**49**

Consolidated Statement of Financial Position as of 31 December

All figures in USD million	Note	31.12.2021	31.12.2020
Non-current assets			
Licence and capitalised exploration expenditures	9	166	175
Deferred tax assets	13	526	432
Property, plant and equipment	10	1,899	1,704
Right of Use asset		1	1
Restricted cash	17, 18	205	196
Derivative instruments	18	10	26
Total non-current assets		**2,807**	**2,533**
Current assets			
Derivative instruments	18	-	34
Contingent consideration - volume protection	15	-	15
Trade receivables and other current assets	15	109	81
Inventories	16	51	40
Bank deposits, cash and cash equivalents	17	123	259
Total current assets		**283**	**429**
Total assets		**3,090**	**2,962**
Equity			
Share capital	19	30	30
Other equity		463	600
Total equity		**492**	**630**
Non-current liabilities			
Asset retirement obligations	21	1,003	927
Convertible bond loan	22, 18	157	131
Bond loan	22, 18	165	169
Reserve based lending facility	22, 18	857	719
Derivative instruments	18	101	20
Other non-current liabilities	22	25	26
Total non-current liabilities		**2,309**	**1,991**
Current liabilities			
Asset retirement obligations	21	26	24
Tax payable	13	16	27
Derivative instruments	18	116	5
Trade payables and other current liabilities	23	130	286
Total current liabilities		**289**	**341**
Total liabilities		**2,598**	**2,332**
Total equity and liabilities		**3,090**	**2,962**

Consolidated Statement of Financial Position as of 31 December

Oslo
11 April 2022

Riulf Rustad Executive Chair	**Tone Kristin Omsted** Board Member	**Marianne Lie** Board Member	**Colette Cohen** Board Member
Robert J. McGuire Board Member	**Jan Lernout** Board Member	**Peter Coleman** Board Member	**Euan Shirlaw** Acting Managing Director

Consolidated Statement of Changes in Equity

All figures in USD million	Share capital	Share premium fund	Treasury share reserve	Currency translation fund	Cash flow hedge reserve	Other equity	Total equity
2020							
Equity on 01.01.2020 restated	**30**	**707**	**-**	**(2)**	**(14)**	**(131)**	**589**
Adjustment of prior year				4		(4)	-
Net result for the period						17	17
Other comprehensive income							
Realized cash flow hedge	-	-	-	-	(29)	-	(29)
Related tax - realized cash flow hedge	-	-	-	-	18	-	18
Changes in fair value	-	-	-	-	108	-	108
Related tax - changes in fair value	-	-	-	-	(69)	-	(69)
Currency translation adjustments	-	-	-	3	-	-	3
Total other comprehensive income	**-**	**-**	**-**	**3**	**29**	**-**	**32**
Share-based incentive program	-	-	-	-	-	2	2
Share buyback	-	-	(0)	-	-	(10)	(10)
Total transactions with owners for the period	**-**	**-**	**(0)**	**-**	**-**	**(8)**	**(8)**
Equity as of 31.12.2020	**30**	**707**	**(0)**	**6**	**14**	**(126)**	**630**
2021							
Equity as of 01.01.2021	**30**	**707**	**(0)**	**6**	**14**	**(126)**	**630**
Net result for the period						(53)	(53)
Other comprehensive income							
Realized cash flow hedge	-	-	-	-	135	-	135
Related tax - realized cash flow hedge	-	-	-	-	(86)	-	(86)
Changes in fair value	-	-	-	-	(372)	-	(372)
Related tax - changes in fair value	-	-	-	-	242	-	242
Currency translation adjustments	-	-	-	(3)	-	-	(3)
Total other comprehensive income	**-**	**-**	**-**	**(3)**	**(82)**	**-**	**(85)**
Share-based incentive program	-	-	-	-	-	0	0
Total transactions with owners for the period	**-**	**-**	**-**	**-**	**-**	**0**	**0**
Equity as of 31.12.2021	**30**	**707**	**(0)**	**3**	**(67)**	**(179)**	**492**

Consolidated Statement of Cash Flows
for the year ended 31 December

All figures in USD million	Note	2021	2020
Cash flows from operating activities			
Net result for the year		(53)	17
Adjustments for:			
Income tax benefit / (expense)	13	58	(35)
Tax Paid		(10)	-
Depreciation	10	112	193
Share-based payments expenses		0	2
Net financial items	12	138	75
Changes in:			
Trade receivable	15	(29)	3
Trade payables[1)]	23	(142)	79
Inventories and spare parts	16	(12)	5
Prepayments	15	3	8
Over/under-lift	15	(14)	0
Other current balance sheet items		(0)	0
Net cash flow from operating activities		**50**	**348**
Cash flows from investing activities			
Post completion payment		-	(2)
Volume guarantee	15	15	102
Tax Paid[2)]		2	(72)
Investment in oil and gas assets	10	(228)	(236)
Investment in exploration licenses	6	0	(2)
Abandonment paid[3)]		(21)	(74)
Changes in restricted cash accounts	17	(15)	(75)
Net cash flow from investing activities		**(246)**	**(359)**
Cash flows from financing activities			
Drawdown long-term loans	22	149	6
Lease payments		(1)	(1)
Share buyback		-	(10)
Transaction costs related to financing		(27)	(1)
Transaction costs related to equity issue		-	(0)
Interest paid		(54)	(56)
Settled hedges		(2)	52
Other financial items		(5)	(6)
Net cash flow from financing activities		**60**	**(15)**
Net change in cash and cash equivalents		(137)	(26)
Cash and cash equivalents at the beginning of the year		259	286
Cash and cash equivalents at end of the year		**123**	**259**

1) 2021 reflects the payment of the VAT liability related to 2020 of USD 156 million. The payment date was delayed to Q1 2021 by the Danish government as a response to the impact of COVID-19 on the economy.
2) Tax paid which were attributable to the period before the acquisition of Shell Olie- og Gasudvinding Danmark B.V. on 31 July 2019 is classified as investing activities.
3) Abandonment spent reclassified from financing activities to investing activities.

Notes

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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, Netherlands and the United Kingdom. The Company is listed on the Oslo Stock Exchange.

The consolidated financial statements for 2021 were approved by the board of directors on 11 April 2022.

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 3.

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 2021, 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

No change in 2021.

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 2021, 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 2021:

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 activity		100%
Noreco Petroleum Denmark A/S	Denmark	Exploration and production activity		100%
Noreco Olie- og Gasudvinding Danmark B.V	Netherlands	Exploration and production activity		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%

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. 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.

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 monthly 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.

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.

Other intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets with definite lives are carried at cost less any accumulated amortisation and accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalised development costs, are not capitalised. Instead, the related expenditure is recognised in profit or loss in the period in which the expenditure is incurred. Intangible assets are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset is reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets is recognised in the Consolidated Statement of Comprehensive income in the line-item Depreciation and Amortisation.

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.

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 regarding 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. 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.

Commodity contracts that were entered into and continue to be held for the purpose of the delivery of a non-financial item in accordance with the Group's expected sale requirements fall within the exception from IFRS 9, which is known as the 'normal purchase or sale exemption' or the 'own use' scope exception. For these contracts and the host part of the contracts containing embedded derivatives, they are accounted for as executory contracts. The Group recognises such contracts in its statement of financial position only when one of the parties meets its obligation under the contract to deliver either cash or a nonfinancial asset. The volume hedging agreement with Shell ended 31.12.2020 and is not relevant in 2021.

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 position date.

1.14 SHARE CAPITAL, TREASURY SHARE RESERVES 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. Treasury share reserves are recognised as a deduction on equity at nominal value, the difference between nominal value and purchase price is deducted from other equity.

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 and 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. 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 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 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. 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. 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.

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 neither 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 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 2021. 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 margin. 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 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”.

1.27 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, EUR, 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, EUR 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 17 Restricted Cash, Bank Deposits, Cash and Cash Equivalents, Note 18 Financial instruments, Note 21 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	1	69	5
Financial Liabilities	0	4	2
Effect Net Result/Equity	1	64	2

The Company considers the currency risk relating to the different financial instruments 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 prices. The Group has a material commodity price hedging programme in place that mitigates the risk of near-term price movements. As of 31 December 2021, Noreco had commodity derivatives measured at fair value. A change in the value directly affects the company's OCI and recorded equity, and hence the group is exposed to the fair value development of these financial instruments. Assuming an increase in the commodity price at 31 December 2021 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
Commodity price +10%	-33	-33	0
Commodity price -10%	33	33	0

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 1,204 million (2020: USD 1,043 million) in interest-bearing debt (carrying amount), the principal amount was USD 1,260 million. The Group's RBL facility has a floating interest rate comprising the aggregate of SOFR and 4.0% per annum, 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 SOFR rate as set at the time of redetermination. A variance of + 1% in the SOFR rate would result in USD 9.0 million of interest charges to Noreco per annum, however the Company has hedged this interest rate until 30 June 2024 at a rate of 0.40% to cover any increase in SOFR rate. For further information about the Group's interest-bearing debt, see Note 22.

All bank deposits (USD 328 million) are at floating interest rates. See note 17 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 2021, 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 one financial instrument, the embedded derivatives convertible bond.

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*	(4)	4
Effect Net result/Equity	*USD million*	(4)	4

It is evaluated that there is no tax effect of changes in fair value of the contingent consideration and embedded derivatives. See Note 18 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.

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 embedded derivatives in the convertible debt have 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 18 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.

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 margin. Changes in one or more of these factors could result in changes in the decommissioning

and removal liabilities. See note 21 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. For more details see note note 11 Impairments.

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.

4 REVENUE

USD million	2021	2020
Sale of oil	416	528
Sale of gas and NGL	142	31
Other income	7	8
Total Revenue	**565**	**566**
Oil - lifted volumes (mmbbl)	7.20	7.90
Effective Oil price USD/bbl	57.8	66.8
Gas - lifted volumes (mmboe)	2.3	2.4
Effective Gas price EUR/MWh	30.4	6.6
Effective Gas price USD/boe	61.5	12.7

In 2021 sale of oil amounted to USD 416 million and sale of gas amounted to USD 142 million, realised prices were USD 57.8 per bbl of oil and USD 61.5 per boe gas lifted during the year, adjusted for settlement of price hedges in place with financial institutions.

During 2021, Noreco recognised the settlement of price hedges that were put in place with financial institutions in the market as revenue, when these price hedges match the physical sale of oil. Price hedges in excess of actual liftings are treated as financial income or expenses based on the required accounting treatment for these instruments during the period.

Revenue per customer	2021	2020
Shell Trading International	90.1 %	91.8 %
Orsted Salg & Service AS	28.4 %	5.4 %
Shell Energy Europe Limited	8.2 %	1.4 %
CommonwealthBank[1)]	-4.7 %	-
BNP Paribas[1)]	-10.2 %	-
Natixis[1)]	-11.9 %	1.4 %
Total Revenue	**100.0 %**	**100.0 %**

[1)] The negative percentages in 2021 represents the settlement of commodity hedges in place with financial institutions.

5 PRODUCTION EXPENSES

USD million	2021	2020
Direct field opex	(211)	(177)
Tariff and transportation expenses	(44)	(44)
Production G&A	(42)	(56)
Field operating cost	**(297)**	**(277)**
Total produced volumes (mmboe)	9.8	10.4
In USD per boe	(30.2)	(26.6)
Adjustments for:		
Change in inventory position	(1)	3
Over/under-lift of oil and NGL	14	(0)
Insurance & Other	(22)	(21)
Stock scrap	13	1
Production expenses	**(293)**	**(295)**

Production expenses for the year directly attributable to the lifting and transportation to market of Noreco's oil and gas production is in total USD 297 million, which equates to USD 30.2 per boe produced during 2021. Actual production expenses in 2021 was in line with the expectation. The increase compared to 2020 is mainly driven by the high activity level on well interventions to arrest the decline.

6 EXPLORATION

USD million	2021	2020
Other exploration and evaluation costs	(1)	(2)
Total exploration and evaluation costs	**(1)**	**(2)**

7 PERSONNEL EXPENSES

USD million	Note	2021	2020
Salaries		(10)	(8)
Social security tax		(1)	(1)
Pension costs	20	(1)	(0)
Costs relating to share based payments	24	(0)	(2)
Other personnel expenses		(0)	(0)
Total personnel expenses		**(11)**	**(12)**
Average number of employees		**27**	**29**

Please see the Executive Remuneration Report 2021 for compensation to key Management and Board of Directors in the period 2017-2021.

8 OTHER OPERATING EXPENSES

USD million	2021	2020
Consultant fees	(8)	(5)
Other operating expenses	(3)	(3)
Total other operating expenses	**(11)**	**(8)**

USD 1000, excl. VAT	2021	2020
Auditor's fees	(575)	(763)
Other assurance service	(5)	(1)
Total audit fees	**(580)**	**(765)**

9 INTANGIBLE ASSETS

INTANGIBLE ASSETS AT 31 DECEMBER 2021

USD million	Capitalized exploration expenditures	Contract - own use	Licence	Total
Book value 31.12.20	**2**	**-**	**173**	**175**
Acquisitions				
Acquisition costs 31.12.20	2	128	186	316
Additions	(0)	-	-	(0)
Acquisition costs 31.12.21	**1**	**128**	**186**	**315**
Accumulated depreciation, amortization and write-downs				
Accumulated depreciation, amortization and write-downs 31.12.20	-	(128)	(13)	(141)
Depreciation / amortization	-	-	(8)	(8)
Accumulated depreciation, amortization and write-downs 31.12.21	**-**	**(128)**	**(21)**	**(149)**
Book value 31.12.21	**1**	**-**	**165**	**166**

INTANGIBLE ASSETS AT 31 DECEMBER 2020

USD million	Capitalized exploration expenditures	Contract - own use	Licence	Total
Book value 31.12.19	**-**	**86**	**181**	**268**
Acquisitions				
Acquisition costs 31.12.19	-	128	186	314
Additions	2	-	-	2
Acquisition costs 31.12.20	**2**	**128**	**186**	**316**
Accumulated depreciation and write-downs				
Accumulated depreciation and write-downs 31.12.19	-	(42)	(5)	(46)
Depreciation / amortization	-	(86)	(8)	(95)
Accumulated depreciation and write-downs 31.12.20	**-**	**(128)**	**(13)**	**(141)**
Book value 31.12.20	**2**	**-**	**173**	**175**

10 PROPERTY, PLANT AND EQUIPMENT

PROPERTY, PLANT AND EQUIPMENT AT 31 DECEMBER 2021

USD million	Asset under construction	Production facilities	Pipelines	Machinery & equipment	Total
Book value 31.12.20	**608**	**1,094**	**1**	**1**	**1,704**
Acquisition costs					
Acquisition costs 31.12.20	608	1,259	2	2	1,870
Additions	211	17	-	0	228
Acquisition of abandonment asset	-	71	-	-	71
Currency translation adjustment	-	(0)	(0)	0	(0)
Acquisition costs 31.12.21	**819**	**1,347**	**1**	**2**	**2,168**
Depreciation and write-downs					
Depreciation and write-downs 31.12.20	-	(165)	(0)	(1)	(166)
Depreciation	-	(103)	(0)	(0)	(104)
Currency translation adjustment	-	0	0	(0)	0
Depreciation and write-downs 31.12.21	**-**	**(268)**	**(0)**	**(1)**	**(270)**
Book value 31.12.21	**819**	**1,078**	**1**	**0**	**1,899**

PROPERTY, PLANT AND EQUIPMENT AT 31 DECEMBER 2020

USD million	Asset under construction	Production facilities	Pipelines	Machinery & equipment	Total
Book value 31.12.19	**376**	**1,173**	**1**	**0**	**1,550**
Acquisition costs					
Acquisition costs 31.12.19	376	1,240	1	1	1,619
Additions	232	3	-	1	236
Acquisition of abandonment asset	-	15	-	-	15
Currency translation adjustment	-	0	0	0	0
Acquisition costs 31.12.20	**608**	**1,259**	**2**	**2**	**1,870**
Accumulated depreciation and write-downs					
Accumulated depreciation and write-downs 31.12.19	-	(68)	(0)	(1)	(68)
Depreciation	-	(97)	(0)	(0)	(98)
Currency translation adjustment	-	(0)	(0)	(0)	(0)
Accumulated depreciation and write-downs 31.12.20	**-**	**(165)**	**(0)**	**(1)**	**(166)**
Book value 31.12.20	**608**	**1,094**	**1**	**1**	**1,704**

11 IMPAIRMENTS

IMPAIRMENT TESTING

Impairment testing of our asset base is performed periodically and/or when impairment triggers are identified. In Q4 2021 Noreco carried out a periodical impairment test for the fixed assets and related tangible assets, with the last full impairment assessment being carried out in Q4 2020 and no impairment triggers identified in-between.

Impairment is recognised when the book value of an asset or a cash-generating unit exceeds the recoverable amount. The recoverable amount is the higher of the assets fair value less cost to sell and value in use.

In Q4 2021, the recoverable amount was calculated as the expected future cash flow from the asset, discounted to the net present value by applying a discount rate after tax that reflects the current market valuation of the time value of money, and the specific risk related to the asset. Cash flows are projected for the estimated lifetime of the fields, which exceed periods greater than five years.

COMMODITY PRICES

Future commodity price levels are a key assumption and have a significant impact on the net present value. Forecasted oil and gas prices are based on management's estimates and available market data. Information about market prices in the near future can be derived from the futures contract market. The information about future prices is less reliable on a long-term basis, as there are fewer observable market transactions going forward. In the impairment test, the oil and gas prices are therefore based on the forward curve from the beginning of 2022 to the end of 2024. From 2025, the oil and gas prices are based on the company's long-term price assumptions.

Nominal oil prices applied in the impairment test are as follows:

Year	USD/BBL
2022	75.0
2023	72.5
2024	70.0
From 2025 onwards	65.0

Nominal gas prices applied in the impairment test are as follows:

Year	USD/BBL
2022	80.0
2023	40.0
2024	30.0
From 2025 onwards	24.0

OIL AND GAS RESERVES

Future cash flows are calculated on the basis of expected production profiles and probable remaining reserves.

FUTURE EXPENDITURE

Future opex, capex and abandonment cost are calculated based on the expected production profiles and the best estimate of the related cost.

DISCOUNT RATE

The discount rate is derived from the weighted average cost of capital (“WACC”) for a market participant. The post-tax nominal discount rate used is 8.6%.

EXCHANGE RATES

The exchange rate from US Dollar to Danish Kroner is 6.30 throughout the forecast period. The US Dollar to Euro exchange rate is 0.85 throughout the forecast period. The US Dollar to Euro rate has been pegged to a Euro to Danish Kroner rate of 7.44, sensitivity analysis based on exchange rates will maintain the Euro to Danish Kroner exchange rate.

INFLATION

The long-term inflation rate is assumed to be 2.0 percent.

IMPAIRMENT TESTING OF ASSETS INCLUDING TANGIBLE AND INTANGIBLE ASSET VALUES

Both the tangible and intangible asset value attached to a cash generating unit is tested as part of the impairment assessment. The carrying value of the assets is the sum of tangible assets and intangible assets as of the assessment date.

RESULT OF IMPAIRMENT ASSESSMENT

The impairment assessment has not resulted in any impairment charge being recognised.

SENSITIVITY ANALYSIS

The table below shows how the impairment or reversal of impairment of assets would be affected by changes in the various assumptions, given that the remaining assumptions are constant.

Sensitivity	Change in NPV	Implied Impairment (if applicable) USD 1 000
Long Term Price +10%	8%	-
Long Term Price -10%	-7%	(69.7)
USD:DKK FX rate +10%	-1%	-
USD:DKK FX rate -10%	3%	-
WACC +1.0%	-4%	(2.3)
WACC -1.0%	5%	-
Inflation Rate +1.0%	6%	-
Inflation Rate -1.0%	-5%	(12.0)

12 FINANCIAL INCOME AND EXPENSES

Financial Income

USD million	2021	2020
Value adjustment derivatives and hedging contracts unrealized[1)]	1	29
Value adjustment of embedded derivatives[2)]	6	27
Value adjustment - FX Contract	-	3
Hedge income realized	-	24
Interest income	0	2
Change in fair value of bond debt	-	0
Foreign exchange gains	21	18
Total financial income	**28**	**103**

Financial Expenses

USD million	2021	2020
Value adjustment - volume protection[3)]	-	(4)
Value adjustment - FX Contract	(1)	-
Amortised cost RBL	(5)	-
Utilized derivatives	(4)	(3)
Unrealized loss derivatives	(8)	-
Interest expense from bond loans	(44)	(39)
Interest expense from bank debt	(46)	(47)
Interest expenses current liabilities	(0)	(0)
Accretion expense related to asset retirement obligations	(35)	(36)
Foreign exchange losses	(15)	(45)
Other financial expenses	(4)	(3)
Total financial expenses	**(160)**	**(177)**

Net financial items	**(132)**	**(75)**

1) Fair value adjustment based on the value of bank hedging contracts deemed inefficient (i.e. above physical liftings that mature in the future).
2) Fair value adjustment of the embedded derivatives of the convertible bond.
3) Fair value adjustment of the volume protection – contingent consideration based on the change in future market pricing expectations during the remaining period of the volume hedging agreement with Shell, which ended 31.12.2020.

13 TAX

TAX RATES

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. Income generated in Norway and United Kingdom is subject to regular corporate tax at 22 %.

TAX EXPENSE

USD million

Income tax in profit/loss (Danish corporate income tax and hydrocarbon tax)	2021
Income tax current year	(1)
Income tax for prior years	5
Current income tax	4
Deferred tax movements	(36)
Prior year adjustment, deferred tax	(26)
Deferred tax expense	(62)
Tax (expense)/income	(58)

Income tax in profit/loss is solely derived from the group's activities on the Danish continental shelf, of which the major part is subject to the elevated 64% hydrocarbon tax.

Tax (expense)/income related to other comprehensive income	
Cash flow hedges	156
Tax (expense)/income related to other comprehensive income	156

Income tax on OCI is related to the unrealised fair value changes in derivatives designated in cash flow hedges. To the extent derivates are associated with the sale of oil and gas, results from cash flow hedges are subject to 64 % hydrocarbon tax.

Reconciliation of nominal to actual tax rate	Hydrocarbon tax 64%		Corporate tax 22%		In total
Result before tax	**50**		**(45)**		**5**
Expected tax on profit before tax	32	64%	(10)	22%	22
Tax effect of:					
Prior year adjustment	23	46%	(2)	5%	21
FX adjustment of net operating losses carried forward in DKK	36	71%	-	0%	36
Investment uplift on CAPEX projects[1)]	(35)	-69%	-	0%	(35)
Permanent differences[2)]	(4)	-8%	1	-2%	(3)
No recognition of tax assets in Norway and UK	-	0%	17	38%	17
Tax expense (income) in profit/loss	**52**	**104%**	**6**	**14%**	**58**

[1)] The tax cost in the hydrocarbon tax regime is significantly positively impacted by the 39 % investment uplift on the Tyra Redevelopment project.

[2)] The permanent differences mainly relate to transfer of chapter 2 loss to corporate tax.

Reconciliation of nominal to actual tax rate, continues	Hydrocarbon tax 64%		Corporate tax 22%		In total
Other comprehensive income before tax	(246)		9		(237)
Expected tax on other comprehensive income before tax	158	64%	(2)	22%	156
Tax effect of:					
Non-taxable currency translation adjustment	-		-		-
Tax in other comprehensive income	**158**	**64%**	**(2)**	**22%**	**156**

Current income tax payable

Tax payable relates to the Group's entities in Denmark. The amounts payable as of 31.12.21 were:	
Hydrocarbon tax pertaining to pre-acquisition period 2019 not indemnified by the Seller	(10)
Corporate tax for prior years (Denmark)	(4)
Corporate tax for 2021 (Denmark)	(1)
Tax payables	**(16)**

Current income taxes for current and prior periods are measured at the amount that is expected to be paid to or be refunded from the tax authorities, as at the balance sheet date. Due to the complexity in the legislative framework and the limited amount of guidance from relevant case law, the measurement of taxable profits within the oil and gas industry is associated with some degree of uncertainty. Uncertain tax liabilities are recognised with the probable value if their probability is more likely than not.

As of 31 December 2021, the Company has provided an estimated USD 10 million pertaining to hydrocarbon tax in the part of pre-acquisition period, which is not indemnified by the Seller.

DEFERRED TAX

Deferred tax is recognized for temporary differences between the carrying amounts of assets and liabilities for financial reporting and the amounts used for taxation purposes. Deferred tax is measured at the tax rates expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted at the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority. Deferred tax assets are recognized for unused tax losses, tax credits and deductible temporary differences. The deferred tax asset is only recognized to the extent it is considered probable that future taxable profits will be available to utilize the tax losses and credits.

The recognized deferred tax asset relates to the following balance sheet items, all pertaining to the Group's activities on the Danish Continental Shelf:

USD million Deferred tax and deferred tax asset	01.01.21	Effect recognized in profit/loss	Effect recognized in OCI	31.12.2021
Property, plant and equipment	582	42	-	625
Intangible assets, licenses	23	(6)	-	17
Inventories and receivables	22	4	-	27
ARO provision	(561)	(50)	-	(611)
Tax loss carryforward, corporate tax (22%)		(2)		(2)
Tax loss carryforward, chapter 2 tax (25%)	(1)	37	(59)	(23)
Tax loss carryforward, chapter 3a tax (52%)	(498)	36	(97)	(558)
Deferred tax asset, net	**(432)**	**62**	**(156)**	**(526)**

TAX LOSS CARRYFORWARDS

Tax losses are recognized in accordance with the expected utilisation hereof in subsequent income years based on the current business outlook and economic projections.

Due to the limited taxable activity in UK and Norway, corporate tax losses in these jurisdictions are not capitalized.

Tax losses in Denmark and UK under the hydrocarbon tax regime may be carried forward indefinetly and the utilisation is not subject to an annual cap. Losses are carried forward in DKK and GBP.

Tax losses carried forward, Denmark	Million DKK
Corporate tax (22%)	83
Chapter 2 Hydrocarbon tax (25 %)	591
Chapter 3a Hydrocarbon tax (52%)	6,346

Tax losses carried forward, Norway	Million NOK
Corporate tax Norway (22%)	1,036

Tax losses carried forward, UK	Million GBP/USD
Trade losses, UK (hydrocarbon s 330 (2)), USD	75
Trade losses, UK (hydrocarbon), USD	96
Pre-trading capital expenditure, UK (hydrocarbon). GBP	41

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 31.12.2021 and hence have no dilutive effect.

USD million	2021	2020
Profit (loss) attributable to ordinary shareholders from operations	53	17
Profit (loss) basis for fully diluted shareholders from operations	74	13
Shares issued 1 January	24,110,852	24,549,013
Share buyback	-	(438,161)
Shares issued at 31 December	**24,110,852**	**24,110,852**
Weighted average number of shares (basic)	**24,110,852**	**24,176,476**
Adjustment convertible bond loan	11,149,488	10,930,190
Weighted average number of shares (diluted)	**35,260,340**	**35,106,666**
Earnings per share (USD)		
Earnings per share	2.2	0.7
Diluted earnings per share	2.2	0.4

15 TRADE RECEIVABLES AND OTHER CURRENT ASSETS

USD million	2021	2020
Contingent consideration – volume protection	-	15
Trade receivables	40	51
Under-lift of oil/NGL	1	-
Prepayments	20	23
Other receivables	47	8
Total trade receivables and other current receivables	**109**	**96**

AGEING ANALYSIS OF TRADE RECEIVABLES ON 31 DECEMBER 2021

			Past due				
USD million	Total	Not past due	> 30 days	30-60 days	61-90 days	91-120 days	> 120 days
Trade receivables	40	38	-	-	-	-	2
Total	40	38	-	-	-	-	2

AGEING ANALYSIS OF TRADE RECEIVABLES ON 31 DECEMBER 2020

			Past due				
USD million	Total	Not past due	> 30 days	30-60 days	61-90 days	91-120 days	> 120 days
Trade receivables	51	51	0	-	-	-	-
Total	51	51	0	-	-	-	-

16 INVENTORIES

USD million	2021	2020
Product inventory, oil	18	18
Other stock (spares & consumables)	34	21
Total inventories	**51**	**40**

17 RESTRICTED CASH, BANK DEPOSITS, CASH AND CASH EQUIVALENTS

USD million	2021	2020
Non-current assets		
Restricted cash pledged as security for abandonment obligation related to Nini/Cecilie	65	71
Restricted cash pledged as security for cash call obligations towards Total[1)]	140	125
Total non-current restricted cash	**205**	**196**
Current assets		
Unrestricted cash, bank deposits, cash equivalents	123	259
Total bank deposits	**328**	**456**

1) Noreco has made a USD 140 million deposit into a cash call security account in accordance with a cash call security agreement with Total E&P Denmark A/S as operator of the DUC. All payment obligations from Noreco to the cash call security account have been made and there will be no further increase.

18 FINANCIAL INSTRUMENTS

18.1 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 31.12.2021

USD million	Level 1	Level 2	Level 3	Total
Assets				
Financial assets at fair value through profit or loss				
- Derivative instruments interest swap	-	1	-	1
Financial assets at fair value hedging instruments				
- Derivative instruments interest swap	-	9	-	9
Total assets	**-**	**10**	**-**	**10**
Liabilities				
Financial liabilities at fair value through profit or loss				
- Embedded derivatives convertible bond	-	-	12	12
Financial liabilities at fair value hedging instruments				
- Derivative instruments price hedge	-	205	-	205
Total liabilities	**-**	**205**	**12**	**217**

On 31.12.2020

USD million	Level 1	Level 2	Level 3	Total
Assets				
Financial assets at fair value through profit or loss				
- Contingent considerations	-	-	15	15
- Derivative instruments price hedge	-	3	-	3
Financial assets at fair value hedging instruments				
- Derivative instruments price hedge	-	57	-	57
Total assets	**-**	**60**	**15**	**75**
Liabilities				
Financial liabilities at fair value through profit or loss				
- Embedded derivatives convertible bond	-	-	18	18
Financial liabilities at fair value hedging instruments				
- Derivative instruments price hedge	-	7	-	7
Total liabilities	**-**	**7**	**18**	**25**

18.2 FINANCIAL INSTRUMENTS BY CATEGORY

On 31.12.21 USD million	Financial assets at amortised cost	Assets at fair value through profit or loss	Fair value - hedging instruments	Total
Assets				
Derivative instruments interest swap	-	-	10	10
Trade receivables and other current assets	109	-	-	109
Restricted cash	205	-	-	205
Bank deposits, cash and cash equivalents	123	-	-	123
Total	**437**	**-**	**10**	**447**

USD million	Financial liabilities at amortised cost	Liabilities at fair value through profit or loss	Fair value - hedging instruments	Total
Liabilities				
Derivative instruments price hedge	-	-	205	205
Embedded derivative convertible bond	-	12	-	12
Convertible bond loans	157	-	-	157
Senior unsecured bond loan	165	-	-	165
Reserve based lending facility	857	-	-	857
Deferred consideration	25	-	-	25
Trade payables and other current liabilities	130	-	-	130
Total	**1,335**	**12**	**205**	**1,552**

On 31.12.2020 USD million	Financial assets at amortised cost	Assets at fair value through profit or loss	Fair value - hedging instruments	Total
Assets				
Contingent considerations	-	15	-	15
Derivative instruments price hedge	-	3	57	60
Trade receivables and other current assets	81	-	-	81
Restricted cash	196	-	-	196
Bank deposits, cash and cash equivalents	259	-	-	259
Total	**537**	**18**	**57**	**612**

USD million	Financial liabilities at amortised cost	Liabilities at fair value through profit or loss	Fair value - hedging instruments	Total
Liabilities				
Derivative instruments price hedge	-	-	7	7
Embedded derivatives convertible bond	-	18	-	18
Convertible bond loans	131	-	-	131
Senior unsecured bond loan	169	-	-	169
Reserve based lending facility	719	-	-	719
Deferred consideration	25	-	-	25
Trade payables and other current liabilities	286	-	-	286
Total	**1,329**	**18**	**7**	**1,354**

18.3 FINANCIAL INSTRUMENTS — FAIR VALUES

Set out below is a comparison of the carrying amounts and fair value of financial instruments as at 31 December 2021:

USD million	Total amount outstanding*	Carrying Amount	Fair Value
Financial assets			
Derivative instruments interest swap		10	10
Trade receivables and other current assets		109	109
Restricted cash		205	205
Bank deposits, cash, cash equivalents and quoted shares		123	123
Total		**447**	**447**
Financial liabilities			
Derivative instruments price hedge		205	205
Embedded derivative convertible bond		12	12
Convertible bond loans	185	157	173
Senior unsecured bond loan	175	165	175
Reserve based lending facility	900	857	900
Deferred consideration		25	25
Trade payables and other current liabilities		130	130
Total	**1,260**	**1,552**	**1,621**

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

The convertible bond loan has been determined to contain embedded derivatives which are 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 5.3 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 12 million (initial value USD 54 million). As a result of the buyback of 299,925 shares at a price of NOK 242 per share on 23 January 2020, the conversion price for the NOR13 subordinated convertible bond issue was adjusted in accordance with the bond terms, from USD 29.3398 to USD 28.9734 (NOK 240 to NOK 238), effective from the trade date of the purchase of shares. The fair value calculation for the option portion of the NOR13 bond includes this update to the conversion price.

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

		2021
Valuation date	(date)	31 Dec 21
Agreement execution date	(date)	24 Jul 19
Par value of bonds	(USD)	184,999,212
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)	1.9
Number of options	(#)	6,385,140
Conversion price	(NOK)	238
Fixed FX rate of agreement	(USD:NOK)	8.180
Risk-free rate (based on government bonds)	(%)	1.2%
Expected volatility	(%)	44.64%
Model used		Black - Scholes - Merton

The RBL facility is measured at amortized cost, in addition a total of USD 53 million in transaction cost has been capitalized. 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, in addition a total of USD 7.6 million in transaction costs are deducted from the amount initially recognised.

18.4 HEDGING

The Group actively seeks to reduce the risk it is exposed to regarding fluctuating commodity prices through the establishment of hedging arrangements. 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 2021 charged to financial items in the Income Statement were a loss of USD 2.4 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.

Currently all the company's commodity price hedging arrangements is executed solely in the market through forward contracts.

Under its RBL facility, Noreco has a rolling hedge requirement based on a minimum level of production corresponding to the RBL banking case forecast.

The company has entered a USD 1.0 billion swap transaction with a group of banks to fix the Company's floating interest rate exposure under its RBL facility from 1 Nov 2021 until 30 June 2024. Noreco will as a result pay interest on its RBL cash drawings equal to 0.4041 percent plus the applicable margin. Noreco applies hedge accounting to the Company's hedging arrangements. To the extent more than 100% of the Company's interest under its RBL facility 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 2021 charged to financial items in the Income Statement were an income of USD 1 million.

	Maturity					
As at 31.12.2021	**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 mboe)	-	1,555	1,334	1,070	900	6,360
Notional amount (in USD million)	-	88	81	65	50	357
Average hedged sales price (in USD per boe)	-	56	61	61	56	56

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 01.01.2021	14
Realized cash flow hedge	135
Related tax - realized cash flow hedge	(86)
Changes in fair value	(372)
Related tax - changes in fair value	242
Balance as of 31.12.2021	**(67)**

19 SHARE CAPITAL

Noreco owns 438,161 of its own shares. All shares have equal rights. All shares are fully paid.

CHANGES IN NUMBER OF SHARES AND SHARE CAPITAL:

	No. of shares	Share capital*
Number of shares and share capital as of 01.01.2020	24,549,013	30
Number of shares and share capital as of 31.12.2020	24,549,013	30
Number of shares and share capital as of 31.12.2021	24,549,013	30

	No. of shares	Treasury share reserve*
Number of treasury shares and treasury share reserve as of 01.01.2020	-	-
Purchase of Treasury shares	(438,161)	(0)
Number of treasury shares and treasury share reserve as of 31.12.2020	(438,161)	(0)
Number of treasury shares and treasury share reserve as of 31.12.2021	(438,161)	(0)

*In USD million

CHANGES IN 2020

The company bought back 438.161 of its own shares, of which 299.925 shares was bought as part of a reverse book building process and 138.236 shares was bought in the market. The buyback programme was executed in accordance with the authorization given by the Noreco's general meeting on 28 June 2018, which was valid until 28 June 2020. After the completion of the buyback programme, Noreco owns 438.161 of its own shares, approximately 1,78 percent.

OVERVIEW OF SHAREHOLDERS AT 31 MARCH 2022:

Shareholder*	Shareholding	Ownership share	Voting share
Euroclear Bank S.A./N.V.	6,967,295	28.38%	28.38%
Goldman Sachs International	5,676,572	23.12%	23.12%
BNP Paribas	1,439,352	5.86%	5.86%
The Bank of New York Mellon SA/NV	993,841	4.05%	4.05%
Barclays Bank PLC	807,575	3.29%	3.29%
Bank of America, N.A.	774,408	3.15%	3.15%
SOBER AS	654,320	2.67%	2.67%
J.P. Morgan Securities LLC	588,513	2.40%	2.40%
UBS Switzerland AG	495,649	2.02%	2.02%
J.P. Morgan Securities LLC	480,340	1.96%	1.96%
State Street Bank and Trust Comp	292,004	1.19%	1.19%
NORWEGIAN ENERGY COMPANY ASA	251,495	1.02%	1.02%
DnB NOR Bank ASA	247,216	1.01%	1.01%
The Bank of New York Mellon SA/NV	240,979	0.98%	0.98%
Morgan Stanley & Co. Int. Plc.	237,292	0.97%	0.97%
Goldman Sachs & Co. LLC	229,981	0.94%	0.94%
VELDE HOLDING AS	200,000	0.81%	0.81%
J.P. Morgan Securities PLC	162,325	0.66%	0.66%
OUSDAL AS	146,975	0.60%	0.60%
FINSNES INVEST AS	119,279	0.49%	0.49%
Total	**21,005,411**	**85.6 %**	**85.6 %**
Other owners (ownership <0,42%)	3,543,602	14.43%	14.43%
Total number of shares at 31 March 2021	**24,549,013**	**100%**	**100%**

*Nominee holder

20 POST-EMPLOYMENT BENEFITS

DEFINED CONTRIBUTION PLAN

The Group has defined contribution plans for its employees. Pension costs related to the company's defined contribution plan amounts to USD 558 thousand for 2021. For 2020 the corresponding costs were USD 433 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

21 ASSET RETIREMENT OBLIGATIONS

USD million	31.12.2021	31.12.2020
Balance on 01.01.	950	967
Provisions and change of estimates made during the year	65	23
Accretion expense	35	34
Incurred cost removal	(21)	(74)
Currency translation adjustment	(0)	0
Total provision made for asset retirement obligations	**1,029**	**950**
Break down of short-term and long-term asset retirement obligations		
Short-term	26	24
Long-term	1,003	927
Total provision for asset retirement obligations	**1,029**	**950**

Estimates are based on executing a concept for abandonment in accordance with the Petroleum Activities Act and international regulations and guidelines. The obligations are measured at net present value, assuming an inflation rate of 2.0 percent and a nominal discount rate before tax of 5.0 percent. The credit margin included in the discount rate is 4.0 percent.

The asset retirement estimate from the operator includes both USD and DKK costs. The change in estimate during the year includes a decrease of USD 52 million as a result of the weakening of DKK to USD. 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, economic cut-off date 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 USD 65 million/DKK 427 million.

The balance as per 31.12.2021 is USD 960 million for DUC, USD 65 million for Nini/Cecilie, USD 2.2 million for Lulita (non-DUC share) and USD 2.4 million for Tyra F-3 pipeline.

Sensitivity Analysis

The table below shows how the asset retirement obligation would be affected by changes in the various assumptions, given that the remaining assumptions are constant.

Sensitivity	ARO ($'mm)	Change in provision
Abandonment Cost Estimate increase +10%	1,057	10%
Abandonment Cost Estimate decrease -10%	865	-10%
Discount rate +1.0%	830	-14%
Discount rate -1.0%	1,118	16%
Inflation rate +1.0%	830	-14%
Inflation rate -1.0%	1,115	16%

22 BORROWINGS

22.1 SUMMARY OF BORROWINGS

USD million	31.12.2021 Principal amount	31.12.2021 Book value	31.12.2020 Principal amount	31.12.2020 Book value
NOR 13 Convertible Bond [1)]	185	157	171	131
NOR 14 Senior Unsecured Bond [2)]	175	165	175	169
Total non-current bonds	**360**	**322**	**346**	**299**
Reserve based lending facility [3)]	900	857	751	719
Deferred Consideration [4)]	25	25	25	25
Total non-current debt	**925**	**882**	**776**	**744**
Total borrowings	**1,285**	**1,204**	**1,122**	**1,043**

Movements in interest-bearing liabilities	31.12.20	Cash flows: Receipts / payments	Non-cash changes: Deferred consideration	Non-cash changes: Embedded derivatives	Non-cash changes: Payment in kind/Amortisation	31.12.21
Nor 13 Convertible Bond	131	-	-	-	27	157
Nor 14 Senior Unsecured Bond	169	(21)	-	-	17	165
Reserve based lending facility	719	91	-	-	47	857
Deferred Consideration	25	-	-	-	-	25
Total movement non-current interest-bearing liabilities	**1,043**	**70**	**-**	**-**	**91**	**1,204**
Total movement in interest-bearing liabilities	**1,043**	**70**	**-**	**-**	**91**	**1,204**

Note: Book values reported on the basis of amortised cost for NOR14, the reserve-based lending facility and the convertible bond loan element of NOR13.

1) The Company issued a convertible bond loan of USD 158 million in 2019 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 PIK basis, with an alternative option for the Company to pay cash interest at 6% p.a., payable semi-annually. 2021 principal amount includes PIK interest issued.

2) The Company issued a senior unsecured bond of USD 175 million in 2019. The bond carries an interest of 9% p.a., payable semi-annually. In July 2021, Noreco's written resolution regarding the addition of further headroom under the Leverage Ratio covenant through to the end of 2023 was resolved and approved by the Company's NOR14 bondholders. Based on this written resolution, the maximum Leverage Ratio has been amended to 7.0x (from 5.0x) during the Tyra Redevelopment Period ending Q2 2023, 6.0x (from 3.0x) during Q3 2023 and 5.0x (from 3.0x) during Q4 2023. From Q1 2024 onwards, the maximum Leverage Ratio will revert to 3.0x per the original bond terms. In addition to the change in maximum permitted leverage, Noreco's minimum liquidity threshold has increased to USD 75 million until the end of 2023 (from USD 50 million until end Q2 2023 and USD 25 million during Q3 and Q4 2023).

3) The Company entered into an increased Reserve Based Lending Facility in Q2 2021. The facility has a seven-year tenor with a maximum limit of USD 1.1 billion, with a maximum of USD 1.0 billion available for cash drawdown by the Company. Interest is accrued on the repayment amount with an interest rate comprising the aggregate of SOFR and 4.0% per annum.

4) In accordance with the Sales Purchase Agreement USD 25 million of the consideration is due the earliest of March 2023 or finalising Tyra Redevelopment.

22.2 DETAILS ON BORROWING

Details on borrowings outstanding on 31 December 2021

Reserve based lending facility
In April 2021, Noreco amended its existing senior secured reserve-based credit facility to commit to a seven-year senior reserve-based credit facility of USD 1.1 billion. The facility is a reserve-based credit facility secured against certain cash flows generated by the Group. The amount available under the facility is recalculated every six months based upon the calculated cash flow generated by certain producing fields and fields under development at an oil price and economic assumptions agreed with the banking syndicate providing the facility. The facility is secured by a pledge over the shares of certain Group companies, a pledge over the Company's working interest in its share of the DUC license and security over insurances, hedging contracts, project accounts, intercompany loans and material contracts. The pledged assets on 31 December 2021 amounted to USD 1 818 million and represented the carrying value of the pledge of the Group companies whose shares are pledged as described in the section 5 below (Assets pledged as security for interest bearing debt).

Pledge value: carrying value of shares held in Altinex AS, Noreco Denmark A/S, Noreco Oil Denmark A/S, Noreco Petroleum Denmark A/S 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. The value of the convertible bond at year end is USD 157 million, calculated on a straight-line basis including PIK interest issued.

The convertible bond loan has been determined to contain embedded derivatives which are 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 18 million (initial value USD 54 million). As a result of the buyback of 299,925 shares at a price of NOK 242 per share on 23 January 2020, the conversion price for the NOR13 subordinated convertible bond issue was adjusted in accordance with the bond terms, from USD 29.3398 to USD 28.9734, effective from the trade date of the purchase of shares. The fair value calculation for the option portion of the NOR13 bond includes this update to the conversion price. For inputs to the model used to calculate the fair value of the embedded derivatives, please see note18.

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 6.0:1.0 at the end of financial years 2021 and 2022; less than 3.5:1.0 at the end of financial year 2023; and less than 3.0:1.0 at the end of financial year 2024 onwards until the expiry of the facility. Each test is carried out on the audited full year financial statements of Noreco ASA. 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 2021.

NOR14

In July 2021, Noreco's written resolution regarding the addition of further headroom under the Leverage Ratio covenant through to the end of 2023 was resolved and approved by the Company's NOR14 bondholders. Based on this written resolution, the maximum Leverage Ratio has been amended to 7.0x (from 5.0x) during the Tyra Redevelopment Period ending Q2 2023, 6.0x (from 3.0x) during Q3 2023 and 5.0x (from 3.0x) during Q4 2023. From Q1 2024 onwards, the maximum Leverage Ratio will revert to 3.0x per the original bond terms. In addition to the change in maximum permitted leverage, Noreco's minimum liquidity threshold has increased to USD 75 million until the end of 2023 (from USD 50 million until end Q2 2023 and USD 25 million during Q3 and Q4 2023).

22.4 PAYMENT STRUCTURE

Payment structure (USD million):

Year	NOR13	NOR14	Reserve Based Lending Facility	Deferred Consideration	Total
2022	-	-	-	-	-
2023	-	-	-	25	25
2024	-	-	38	-	38
2025	-	-	275	-	275
2026	-	175	275	-	450
2027	-	-	275	-	275
2028	-	-	38	-	38
Total	**-**	**175**	**900**	**25**	**1,100**

Interest payments (USD million):

Year	NOR13*	NOR14	Reserve Based Lending Facility	Deferred Consideration	Total
Interest rate	**-**	**9.0 %**	**SOFR****	**4.0 %**	
2022	-	16	41	1	57
2023	-	16	41	1	57
2024	-	16	40	-	56
2025	-	16	35	-	50
2026	-	8	21	-	29
2027	-	-	8	-	8
2028	-	-	1	-	1
Total	**-**	**71**	**186**	**2**	**259**

* NOR13 carries a variable interest charge of: (i) 6% per annum in cash, payable semi-annually, or; (ii) 8% per annum payment in kind ("PIK") cumulative interest, rolled up semi-annually, to add to NOR13 capital on conversion at expiry of the bond. Currently the company has elected the PIK interest of 8% and is therefore forecasting no cash interest payments on NOR13 in the above table.

** In Q3 2021 the Company entered a USD 1.0 billion swap transaction with a group of banks to fix the Company's floating interest rate (LIBOR/SOFR from 01 November 2021) exposure under its Reserve Lending Facility from November 2021 until 30 June 2024. Noreco will as a result pay interest on its RBL cash drawings equal to 0.4041 percent plus the applicable margin.

22.5 ASSETS PLEDGED AS SECURITY FOR INTEREST BEARING DEBT

NET BOOK VALUE IN THE SEPARATE FINANCIAL STATEMENTS OF ASSETS PLEDGED AS SECURITIES

The Group has the following pledged assets for the Reserve Based Lending facility:

USD million	2021	2020
Noreco ASA shares in Altinex AS	393	393
Altinex AS shares in Noreco Olie- og Gasutvinding Danmark B.V and other companies	1,295	1,295
Loans from Parent to subsidiaries	300	130
Total net book value	**1,988**	**1,818**

23 TRADE PAYABLES AND OTHER PAYABLES

USD million	2021	2020
Trade payable	5	1
Liabilities to operators relating to joint venture licences	73	97
Over-lift of oil/NGL	-	13
Accrued interest	2	3
Salary accruals	2	1
Public duties payable[1)]	14	159
Other current liabilities	33	13
Total trade payables and other current liabilities	**130**	**286**

[1)] Public duties payable at the end of 2020 of USD 159 million relate to Noreco's VAT liability covering sales during 2020. This amount was paid in the first quarter of 2021, with the payment date having been delayed by the Danish government as a response to the impact of COVID-19 on the economy.

Trade and other payables held in currency

USD million	2021	2020
USD	83	49
DKK	23	220
EUR	22	13
GBP	2	1
NOK	1	3
Total	**130**	**286**

24 SHARE-BASED COMPENSATION

Please see the Executive Remuneration Report 2021 for more details on share-based compensation to key Management and Board of Directors in the period 2017-2021.

Total share options outstanding as at 1 January 2020	956,954
Share options granted in 2020	420,000
Amendment to option programme	(323,086)
Share options relinquished in 2020	(70,000)
Outstanding at 31 December 2020	**983,868**
Share options relinquished in 2021	(235,000)
Outstanding at 31 December 2021	**748,868**

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

USD million	2021	2020
Expense arising from equity-settled share-based payment transactions	0	2
Total expense arising from share-based payment transactions	0	2

THE FOLLOWING TABLE LIST THE INPUTS TO THE MODEL USED:

Weighted averages	2021
Fair value at valuation date (NOK)	83
Share price at valuation date (NOK)	143
Exercise price (NOK)	160
Expected volatility	57.49%
Expected life (years)	2.7
Expected dividends	n/a
Risk-free rate (based on government bonds)	0.35%
Model used	Black - Scholes - Merton

25 GUARANTEES

OVERVIEW OF ISSUED GUARANTEES ON 31 DECEMBER 2021

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 2021 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 and to Shell Energy Europe Limited related to a gas sales and purchase agreement (capped at EUR 30 million).

26 INVESTMENTS IN JOINTLY OWNED ASSETS

Investments 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 license equities on 31 December 2021:

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 230 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 17.0 billion had been incurred by the end of 2021. 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 June 2023.

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 18 million per year (2020: USD 22 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 deposit cash 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 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. On 31 December 2021 the escrow account was USD 140 million. All payment obligations from Noreco to the cash call security account have been made and there will be no further increase. The cash call security amount will then decrease to USD 100 million 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 1.1 billion 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 427 million), adjusted for interest. The total provision made for the asset retirement obligations reflects this.

The Company has received a claim regarding the level of Ørsted pipeline tariffs charged since 2013. As the relevant authority (Forsyningstilsynet) is currently reassessing their view, Noreco believes that there is no basis for this claim prior to a new ruling setting the appropriate level of these tariffs. Given the outcome of this and any consequent liability is not yet known, the Company has not recognized a provision for this claim.

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

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 negative impact on the Company's financial position or results.

28 RELATED PARTY TRANSACTIONS

Purchase of services includes consultancy cost from S&U Trading ApS (owned by former Board Member Lars Purlund) of USD 0,1 million.

The Group did not have any other transactions with any other related parties during 2021.

29 SUBSEQUENT EVENTS

There are no events with significant accounting impacts that have occurred between the end of the reporting period and the date of this report. The Company monitors the Russia–Ukraine war closely and has not identified any negative impact on the Company's assets or income.

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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 2021, 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 consolidated statement of financial position as at 31 December 2021, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated 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 comply with applicable statutory requirements,
- the financial statements give a true and fair view of the financial position of the Company as at 31 December 2021, 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, and
- the financial statements give a true and fair view of the financial position of the Group as at 31 December 2021, 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.

Our opinion is consistent with our additional report to the Audit Committee.

Basis for Opinion

We conducted our audit in accordance with 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 the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), 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.

To the best of our knowledge and belief, no prohibited non-audit services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided.

We have been the auditor of the Company for 14 years from the election by the general meeting of the shareholders on 25 April 2008 for the accounting year 2008.

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.

Valuation of production assets

Refer to note 3 Critical accounting estimates and judgements (section d), note 9 Intangible assets, note 10 Property, plant and equipment and note 11 Impairments

The key audit matter	*How the matter was addressed in our audit*
The recoverable amounts of production assets are sensitive to changes in assumptions, in particular oil and gas prices, discount rate and oil and gas reserves. Any negative developments in these assumptions and forecasts may be an impairment trigger. Management's determination of the recoverable amounts of the production assets is based on a number of key assumptions such as expected oil and gas prices, oil and gas reserves, economic cut-off date, license related expenditures and discount rate, which involve a high degree of judgment. In addition, the calculation of recoverable amounts requires complex financial modelling of the cash flows of each cash generating unit. Significant auditor judgment is required when evaluating whether the recoverable amounts, and the assumptions which drive the underlying cash flow estimates, are reasonable and supportable.	For each asset and cash generating unit where an impairment trigger was identified, we critically assessed and challenged the determined recoverable amounts, and the assumptions which drive the underlying cash flow estimates, including: • expected oil and gas prices and compared these prices to forward curve data and benchmark data from third party analysts and competitors; • the reserves estimates and compared the assessments made by the Company's reservoir engineers to the operators assessments and certain third party reserves certification reports; • forecasted operational expenditures and capital expenditures where we have compared and assessed these by comparing with historical forecasts and approved license budgets; • managements expected economic cut-off date for fields where we have compared and assessed these to the operators and third party reports as well as the economic cut-off dates used in the abandonment provision. In addition, KPMG valuation specialists assessed the reasonableness of the discount rate applied with reference to market data and comparable companies credit risk. We assessed the mathematical and methodological integrity of management's impairment models, including the modelling of tax related cash flows. We also assessed the adequacy and appropriateness of the disclosures in the financial statements.

Asset retirement obligations

Refer to note 3 Critical accounting estimates (section c) and judgements and note 21 Assets retirement obligations.

The key audit matter	*How the matter was addressed in our audit*
The determination of the asset retirement obligations ("ARO") involves judgement related to the estimation of future costs, the discount rate applied, the economic cut-off date for fields and the related timing of the expected costs. Significant auditor judgment is required when evaluating the abandonment provisions, and to determine whether there is sufficient evidence available to support the estimates and judgments made.	Our audit procedures in this area included: • Assessing management's process to determine the present value of the estimated future decommissioning and removal expenditures required by local conditions and requirements. • We critically assessed and challenged the link between the economic cut-off date for fields for consistency to the reserves estimate, for which a third party assessment has been obtained. • We assessed and challenged managements expected future costs estimates by comparing these to reports from the operator company and evaluating the historical accuracy of the cost estimates. • Assessing the discount and inflation rate applied with reference to industry practice along with market and Company data. • We assessed the mathematical and methodological integrity of management's valuation model, We also assessed the adequacy and appropriateness of the disclosures in the financial statements.

Other Information

The Board of Directors and the Managing Director (management) are responsible for the information in the Board of Directors' report and the other information accompanying the financial statements. The other information comprises information in the annual report, but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the information in the Board of Directors' report nor the other information accompanying the financial statements.

In connection with our audit of the financial statements, our responsibility is to read the Board of Directors' report and the other information accompanying the financial statements. The purpose is to consider if there is material inconsistency between the Board of Directors' report and the other information accompanying the financial statements and the financial statements or our knowledge obtained in the audit, or whether the Board of Directors' report and the other accompanying information otherwise appears to be materially misstated. We are required to report if there is a material misstatement in the Board of Directors' report or the other information accompanying the financial statements. We have nothing to report in this regard.

Based on our knowledge obtained in the audit, it is our opinion that the Board of Directors' report

- is consistent with the financial statements and
- contains the information required by applicable legal requirements.

Our opinion on the Board of Director's report applies correspondingly to the Corporate Governance Report 2021 statements on Corporate Governance and Corporate Social Responsibility Policy, and to the Reporting of payments to Governments.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and for the preparation and true and fair view 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 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 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 a true and fair view.

- 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 Audit Committee 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

Report on compliance with Regulation on European Single Electronic Format (ESEF)

Opinion
We have performed an assurance engagement to obtain reasonable assurance that the financial statements with file name noreco-2021-12-31 have been prepared in accordance with Section 5-5 of the Norwegian Securities Trading Act (Verdipapirhandelloven) and the accompanying Regulation on European Single Electronic Format (ESEF).

In our opinion, the financial statements have been prepared, in all material respects, in accordance with the requirements of ESEF.

Management's Responsibilities
Management is responsible for preparing, tagging and publishing the financial statements in the single electronic reporting format required in ESEF. This responsibility comprises an adequate process and the internal control procedures which management determines is necessary for the preparation, tagging and publication of the financial statements.

Auditor's Responsibilities
Our responsibility is to express an opinion on whether the financial statements have been prepared in accordance with ESEF. We conducted our work in accordance with the International Standard for Assurance Engagements (ISAE) 3000 – "Assurance engagements other than audits or reviews of historical financial information". The standard requires us to plan and perform procedures to obtain reasonable assurance that the financial statements have been prepared in accordance with the European Single Electronic Format.

As part of our work, we performed procedures to obtain an understanding of the company's processes for preparing its financial statements in the European Single Electronic Format. We evaluated the completeness and accuracy of the iXBRL tagging and assessed management's use of judgement. Our work comprised reconciliation of the financial statements tagged under the European Single Electronic Format with the audited financial statements in human-readable format. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Oslo, 11 April 2022
KPMG AS

Mona Irene Larsen
State Authorised Public Accountant
(This document is signed electronically)

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

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

Mona Irene Larsen
Statsautorisert revisor
Serial number: 9578-5999-4-1026781
IP: 80.232.xxx.xxx
2022-04-11 12:46:03 UTC

bankID

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 2021.

To the best of our knowledge, we confirm that:

• the Norwegian Energy Company ASA consolidated annual financial statements for 2021 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, 11 April 2022

Riulf Rustad Executive Chair	**Tone Kristin Omsted** Board Member	**Marianne Lie** Board Member	**Colette Cohen** Board Member
Robert J. McGuire Board Member	**Jan Lernout** Board Member	**Peter Coleman** Board Member	**Euan Shirlaw** Acting Managing Director

Alternative Performance Measures

Noreco chooses to disclose Alternative Performance Measures as part of its financial reporting as a supplement to the financial statements prepared in accordance with IFRS. This information is provided as a useful supplemental information to investors, security analysts and other stakeholders to provide an enhanced insight into the financial development of Noreco's business operations and to improve comparability between periods.

Abandonment spent (abex) is defined as the payment for removal and decommissioning of oil fields, to highlight the cash effect for the period.

Adj. EBITDA is adjusted for any claims under the volume guarantee in the period and reflects a payment from Shell if the production performance of the business is below expectations set at the time of the signing of the SPA. The purpose of the Adj. EBITDA is to show how 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.

Adjusted EBITDA

USD million	2021	2020
EBITDA	**250**	**250**
Claim volume floor guarantee	-	98
Non-payment insurance	7	7
Share-base payment	0	2
Adj. EBITDA	**257**	**357**

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.

Effective Oil Price is defined as realised oil price adjusted for derivative effects.

Interest-bearing debt defined as the book value of the current and non-current interest-bearing debt.

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

Interest-bearing debt

USD million	31.12.2021	31.12.2020
Convertible bond loan	(157)	(131)
Senior Unsecured bond loan	(165)	(169)
Reserve based lending facility	(857)	(719)
Other interest-bearing debt	(25)	(25)
Interest-bearing debt	**(1,204)**	**(1,043)**

Net Interest-bearing debt

USD million	31.12.2021	31.12.2020
Cash and cash equivalents	123	259
Convertible bond loan	(185)	(171)
Senior Unsecured bond loan	(175)	(175)
Reserve based lending facility	(900)	(751)
Other interest-bearing debt	(25)	(25)
Net interest-bearing debt	**(1,162)**	**(862)**

SUPPLEMENTARY OIL AND GAS INFORMATION (UNAUDITED)

In March 2022 the Group reported oil and gas reserves, the report is reported separately from the annual report 2021. RISC UK ltd (RISC) has independently assessed the year-end 2021 reserves associated with Noreco's interest in the Danish Underground Consortium (DUC) assets. Reserves are reported according to Society of Petroleum Engineering Petroleum Resources Management System (SPE PRMS) 2018 standards.

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

TOTAL RESERVES AS OF 31.12. 2021

2P/P50	Liquids (mill bbl)	Gas (mmboe)	Mill boe	Interest %	Net mill boe
Dan	71.3	5.0	76.3	36.8 %	28.1
Kraka	10.3	0.7	11.0	36.8 %	4.1
Gorm	21.7	-	21.7	36.8 %	8.0
Rolf	2.5	-	2.5	36.8 %	0.9
Skjold	31.8	-	31.8	36.8 %	11.7
Halfdan	103.5	10.7	114.1	36.8 %	42.0
Halfdan NE	2.8	14.6	17.4	36.8 %	6.4
Tyra	38.3	85.3	123.6	36.8 %	45.5
Valdemar	39.2	18.7	57.9	36.8 %	21.3
Roar	5.3	12.0	17.4	36.8 %	6.4
Harald	0.9	4.5	5.4	36.8 %	2.0
Lulita	0.7	0.5	1.2	28.4 %	0.3
Total	**328.3**	**152.0**	**480.2**		**176.6**

Information About Noreco

ESEF information:

Name of reporting entity or other means of identification	Noreco Group
Explanation of change in name of reporting entity or other means of identification from end of preceding reporting period	NA
Domicile of entity	Norway
Legal form of entity	ASA
Country of incorporation	Norway, Uk, Denmark
Address of entity's registered office	Nedre Vollgate 1, 0158 Oslo, Norway
Principal place of business	Oslo
Description of nature of entity's operations and principal activities	Oil and gas
Name of parent entity	Noreco ASA
Name of ultimate parent of group	Noreco ASA

Head Office Noreco

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Telephone	+47 22 33 60 00
Internet	www.noreco.com
Organisation number	NO 987 989 297 MVA

Financial Calendar 2022

10 May	Q1 2022 Report
19 May	Annual General Meeting
12 July	Q2 2022 Report
26 October	Q3 2023 Report

Board of Directors

Riulf Rustad	Chair
Marianne Lie	
Tone Kristin Omsted	
Colette Cohen	
Robert J. McGuire	
Jan Lernout	
Peter Colman	

Management

Euan Shirlaw	Acting Managing Director and Chief Financial Officer
Marianne Eide	EVP, Upstream
Cathrine Torgersen	EVP, Investor Relations & ESG
Hege Hayden	EVP, People & Capability

Investor Relations

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E-mail	investorrelations@noreco.com

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.

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