INFORMATION MEMORANDUM

in connection with the acquisition of

Shell Olie- og Gasudvinding Danmark B.V. by

NORECO

Norwegian Energy Company ASA

(a public limited liability company incorporated under the laws of Norway)

The information contained in this information memorandum (the "**Information Memorandum**") relates to the contemplated acquisition of Shell Olie- og Gasudvinding Danmark B.V. ("**SOGU**") (the "**Transaction**") by Norwegian Energy Company ASA, a public limited liability company existing under the laws of Norway ("**Noreco**" or the "**Company**", and taken together with its subsidiaries, the "**Group**"), through its wholly owned subsidiary Altinex AS ("**Altinex**").

This Information Memorandum serves as an information document as required under Section 3.5 of the Continuing Obligations for Stock Exchange Listed Companies (the "**Continuing Obligations**"). The Continuing Obligations apply in respect of companies with shares admitted to trading on Oslo Børs (the "**Oslo Stock Exchange**") and this Information Memorandumhas been submitted to the Oslo Stock Exchange for inspection before it was published. This Information Memorandum is not a prospectus and has neither been inspected nor approved by the Norwegian Financial Supervisory Authority (Nw. *Finanstilsynet*) in accordance with the rules that apply to prospectuses.

On 17 October 2018, the Company's wholly owned subsidiary Altinex entered into a share purchase agreement (the "**SPA**") with Shell Overseas Holdings Ltd as seller (the "**Seller**"), in respect of the Transaction. Subject to the terms and conditions of the SPA, Altinex will acquire 100% of the shares in SOGU against a cash consideration. **All conditions for the Transaction have not been met at the date hereof and the Transaction has consequently not been completed. No assurance can be made that such conditions will be met or waived, or that the Transaction will be completed.**

This Information Memorandum does not constitute an offer or solicitation to buy, subscribe or sell the securities described herein, and no securities are being offered or sold pursuant to this Information Memorandum.

In reviewing this Information Memorandum, you should carefully consider the matters described in Section 1 "Risk Factors" beginning on page 3.

The date of this Information Memorandum is 15 January 2019.

IMPORTANT INFORMATION

The information contained herein is current as of the date hereof and subject to change, completion and amendment without notice. The publication and distribution of this Information Memorandum shall not under any circumstances create any implication that there has been no change in the affairs of the Group or that the information herein is correct as of any date subsequent to the date of this Information Memorandum. No person is authorised to give information or to make any representation in connection with the Transaction other than as contained in this Information Memorandum. The contents of this Information Memorandum are not to be construed as legal, business or tax advice. Each reader of this Information Memorandum should consult with his or her own legal, business or tax advisor as to legal, business or tax advice. No due diligence has been made on the Company in connection with preparation of this Information Memorandum.

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CONTENTS

Clause **Page**

1. RISK FACTORS

*Holders of shares in the Company ("**Shares**") should consider the risks described below, as well as the other information in this Information Memorandum. The order in which the risks are presented below is not intended to provide an indication of the likelihood of their occurrence nor of their severity or significance.*

The information contained in this Section 1 "Risk Factors" identifies certain factors that could adversely affect the business, financial condition, operating results, liquidity, performance and prospects of the Group. Readers are urged to read all sections of this Information Memorandum.

1.1 Risks Relating to the Transaction

The unaudited pro forma financial information included in this Information Memorandum has been prepared solely to show what the significant effects of the Transaction might have been had the Transaction occurred at an earlier date and does not purport to present the results of operations or financial condition of the Group, nor should it be used as the basis of projections of the results of operations or financial condition of the Group for any future period or date.

This Information Memorandum includes unaudited pro forma consolidated financial information for the Group as of and for the year ending 31 December 2017. Although the unaudited pro forma financial information is based on estimates and assumptions based on current circumstances believed to be reasonable, actual results could have materially differed from those presented herein. There is a greater degree of uncertainty associated with pro forma figures than with actual reported results. The unaudited pro forma financial information has been prepared for illustrative purposes only and, because of its nature, addresses a hypothetical situation and, therefore, does not purport to present the results of operations of the Group as if the Transaction had occurred at the commencement of the period being presented, or the financial condition of the Group as of the date being presented, nor should it be used as the basis of projections of the results of operations for the Group for any future period or the financial condition of the Group for any date in the future.

Under the SPA, consummation of the Transaction is conditional upon satisfaction of a number of conditions that are beyond the control of the Company; the Transaction may hence not be consummated and transaction costs will have been incurred for the Group regardless of whether the Transaction is consummated which could negatively affect the business, results of operation and financial condition of the Group.

Consummation of the Transaction is conditional upon satisfaction of a number of conditions, the satisfaction of which are beyond the control of the Company; see Section 4 "The Transaction". If the Transaction is not consummated, transaction costs, including costs of advisors and the use of key management personnel's time and attention, will have been incurred without the expected benefits and at the expense of other business opportunities.

In addition, there will be no realization of any of the expected benefits of having completed the Transaction and failure to complete the Transaction could result in a negative perception by the stock market of the Company and result in a decline of the market value of the Company's shares.

If any of the above or below risks materialize, it could negatively affect the business, results of operation and financial condition of the Group.

The Company may not be able to transfer the contracts currently held by SOGU or transfer these on the same terms.

Some of SOGU's contracts contain consent requirements triggered by the Transaction. The Company may not be able to obtain such consents, or may be unable to renew the existing contracts entered into by SOGU or establish new contracts on terms as favorable as those contracts currently held. Further, the Company may incur transfer fees under certain contracts as a result of the Transaction.

The Company may discover contingent or other liabilities within SOGU.

The Company will acquire the shares in SOGU on "as is" terms, with certain limited warranties and indemnities from the Seller relating to inter alia ownership and title to the shares and certain other matters. The Company may discover issues or liabilities relating to SOGU's business that may have a material adverse effect on the Company's business, results of operations, cash flow and financial condition, which the Company may not be entitled to seek remedy for from the Seller.

1.2 Risks Relating to the Industry in which the Group and SOGU Operates

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. Because oil and gas are globally traded, the Company is unable to control the prices it receives for the oil and gas it produces.

Both oil and gas prices are volatile and are subject to significant fluctuations for many reasons, including, but not limited to:

- changes in global and regional supply and demand, and expectations regarding future supply and demand for oil and gas, even relatively minor changes;
- geopolitical uncertainty;
- availability of pipelines, tankers and other transportation and processing facilities;
- proximity to, and the capacity and cost of, transportation;
- petroleum refining capacity;
- price, availability and government subsidies of alternative fuels;
- price and availability of new technologies;
- the willingness of the members of the Organisation of the Petroleum Exporting Countries ("**OPEC**") and other oil producing nations to set and maintain specified levels of production and prices;
- political, economic and military developments in producing regions, particularly the Middle East, Russia, Africa and Central and South America, and domestic and foreign governmental regulations and actions, including import and export restrictions, taxes, repatriations and nationalisations;
- global and regional economic conditions;
- trading activities by market participants and others either seeking to secure access to oil and gas or to hedge against commercial risks, or as part of investment portfolio activity;
- weather conditions and natural disasters; and
- terrorism or the threat of terrorism, war or threat of war, or cyber security attacks, which may affect supply, transportation or demand for hydrocarbons and refined petroleum products.

It is impossible to accurately predict future oil and gas price movements. Historically, crude oil prices have been highly volatile and subject to large fluctuations in response to relatively minor changes in the demand for oil. For example, during 2016, oil prices dipped below approximately USD 30 per barrel and rose to approximately USD 50 per barrel by the end of the year.

The Company's profitability is determined in large part by the difference between the income received from the oil and gas that it produces and its operational costs, taxation, as well as costs incurred in transporting and selling the oil and gas. Therefore, lower prices for oil and gas may reduce the amount of oil and gas that the Company is able to produce economically or may reduce the economic viability of the production levels of specific wells or of projects planned or in development to the extent that production costs exceed anticipated revenue from such production. This may result in the Company having to make substantial downward adjustments to its oil and gas reserves.

The economics of producing from some wells and assets may also result in a reduction in the volumes of its reserves which can be produced commercially, resulting in decreases to its reported commercial reserves. Further reductions in commodity prices may result in a reduction in the volumes of its reported reserves. The Company might also elect not to produce from certain wells at lower prices, or the other license participants may not want to continue production regardless of the Company's position. All of these factors could result in a material decrease in its net production revenue, causing a reduction in its oil and gas exploration and development activities and acquisition of reserves. In addition, certain development projects could become unprofitable as a result of a decline in price and could result in the

Company having to postpone or cancel a planned project, or if it is not possible to cancel the project, carry out the project with negative economic impact. Further, a reduction in oil prices may lead its producing fields to be shut down and enter into the decommissioning phase earlier than estimated.

In addition, a substantial material decline in prices from historical average prices could reduce its ability to refinance its outstanding credit facilities and could result in a reduced borrowing base under credit facilities available to the company, including the RBL Facility. Changes in the oil and gas prices may thus adversely affect its business, results of operations, cash flow, financial condition and prospects.

Sustained lower oil and gas prices or future price declines could result in a reduction in the carrying value of its assets, which could adversely affect its results of operations.

Sustained lower oil and gas prices may cause the Company to make substantial downward adjustments to its oil and gas reserves. If this occurs, or if its estimates of production or economic factors change, the Company may be required to write-down, as a non-cash charge to earnings, the carrying value of its proved oil and gas properties for impairments. Accounting rules applicable to the Company require that the Company periodically reviews the book value of its properties and goodwill for possible impairment. Based on specific market factors and circumstances at the time of prospective impairment reviews and the continuing evaluation of development plans, production data, economics and other factors, the Company may be required to write down the carrying value of its oil and natural gas properties or goodwill to the extent that such tests indicate that the carrying value may not be recoverable due to a reduction of the estimated useful life or estimated future cash flows of its oil and natural gas properties. Such write-downs constitute a non-cash charge against current earnings.

Adverse changes to commodity prices could cause the Company to record additional impairments (on top of the additional impairments the Company has accounted for) of its oil and gas properties and goodwill in future periods, which could materially adversely affect its results of operations in the period incurred.

In addition, the depreciation of oil and gas assets charged to its income statement is dependent on the estimate of its oil and gas reserves. An increase in estimated reserves will cause a reduction to its income statement charge because a larger base exists on which to depreciate the asset. Correspondingly, a decrease in estimated reserves will cause an increase to its income statement charge. The estimate of oil and gas reserves also underpins the net present value of a field used for impairment calculations, and reductions to the commercial reserves estimate can lead to an impairment charge.

The Company is affected by the general global economic and financial market situation.

The Company may be affected by the general state of the economy and business conditions, including but not limited to, the occurrence of recession and inflation, unstable or adverse credit markets, fluctuations in operating expenses, technical problems, work stoppages or other labor difficulties, property or casualty losses which are not adequately covered by insurance, and changes in governmental regulations, such as increased taxation or the introduction of new regulations, increasing operating costs and capital expenditure, which may materially and adversely affect its business, operating results, cash flow and financial conditions. Weak global or regional economic conditions may negatively impact its business in ways that the Company cannot predict. Global financial markets and economic conditions have been severely disrupted and volatile in recent years and remain subject to significant vulnerabilities, such as the deterioration of fiscal balances and the rapid accumulation of public debt, continued deleveraging in the banking sector and a limited supply of credit. As a result of disruptions in the credit markets and higher capital requirements, many lenders have increased margins on lending rates, enacted tighter lending standards, required more restrictive terms (including higher collateral ratios for advances, shorter maturities and smaller loan amounts), or have refused to refinance existing debt at all. Additional tightening of capital requirements, and the resulting policies adopted by lenders, could further reduce lending activities. The Company may experience difficulties obtaining financing commitments or be unable to fully draw on the capacity under committed loans the Company arranges in the future if its lenders are unwilling to extend financing to the Company or unable to meet their funding obligations due to their own liquidity, capital or solvency issues. The Company cannot be certain that financing will be available on acceptable terms or at all. If financing is not available when needed, or is available only on unfavorable terms, the Company may be unable to meet its future obligations as they come due. Our failure to obtain such funds could have a material adverse effect on its business, results of operations and financial condition, as well as its ability to service its indebtedness.

The Company is dependent on finding, acquiring, developing and producing oil and gas reserves that are economically recoverable. Unless the Company replaces its oil and natural gas reserves, its reserves and production will decline, which would adversely affect its business, financial condition and results of operations.

Oil and gas exploration and production activities are capital intensive and inherently uncertain in their outcome. Significant expenditure is required to establish the extent of oil and gas reserves through seismic and other surveys and drilling and there can be no certainty that further commercial quantities of oil and gas will be discovered or acquired by the Company. The Company's existing and future oil and gas appraisal and exploration projects may therefore involve unprofitable efforts, either from dry wells or from wells that are productive but do not produce sufficient net revenues to return a profit after development, operating and other costs. Few prospects that are explored are ultimately developed into producing oil and gas fields. Even if the Company is able to discover or acquire commercial quantities of oil and gas in the future, there can be no assurance that these will be commercially developed.

Completion of a well does not guarantee a profit on the investment or recovery of the costs associated with that well. Additionally, the cost of operations and production from successful wells may be materially adversely affected by unusual or unexpected geological formation pressures, oceanographic conditions, hazardous weather conditions, delays in obtaining governmental approvals or consents, shut-ins of connected wells, difficulties arising from environmental or other challenges or other factors. Any inability on the Company's part to recover its costs and generate profits from its exploration and production activities could have a material adverse effect on its business, results of operations, cash flow and financial condition.

Additionally, production from oil and natural gas reservoirs, particularly in the case of mature fields, is generally characterized by declining production rates that vary depending upon reservoir characteristics and other factors. The rate of decline will change if production from existing wells declines in a different manner than the Company has estimated and can change under other circumstances. Thus, its future oil and natural gas reserves and production and, therefore, its cash flow and results of operations are highly dependent upon its success in efficiently developing and exploiting its current properties and economically finding or acquiring additional recoverable reserves. The Company may not be able to develop, find or acquire additional reserves to replace its current and future production at acceptable costs. If the Company is unable to replace its current and future production, the value of its reserves will decrease, and its business, financial condition and results of operations would be adversely affected.

Exploration and production operations involve numerous operational risks and hazards which may result in material losses or additional expenditures.

Developing oil and gas resources and reserves into commercial production involves a high degree of risk. Our operations are subject to all the risks common in its industry. These hazards and risks include but are not limited to encountering unusual or unexpected rock formations or geological pressures, geological uncertainties, seismic shifts, blowouts, oil spills, uncontrollable flows of oil, gas or well fluids, explosions, fires, improper installation or operation of equipment and equipment damage or failure.

Given the nature of its offshore operations, its exploration, production and drilling facilities are also subject to the hazards inherent in marine operations, such as capsizing, sinking, grounding and damage from severe storms or other severe weather conditions.

The offshore operations conducted by the Company involves risks including but not limited to high pressure drilling, mechanical difficulties, or equipment failure which increase the risk of delays in drilling and of operational challenges arising, as well as material costs and liabilities occurring.

If any of these events were to occur in relation to any of its licenses, they could, among other adverse effects, result in environmental damage, injury to persons and loss of life and a failure to produce oil and/or gas in commercial quantities. They could also result in significant delays to drilling programs, a partial or total shutdown of operations, significant damage to its equipment and equipment owned by third parties and personal injury or wrongful death claims being brought against the Company. These events can also put at risk some or all of its licenses and could result in the Company incurring significant civil liability claims (as BP plc incurred following the Macondo well blowout), significant fines or penalties as well as criminal sanctions potentially being enforced against the Company and/or its officers. The Company may also be required to curtail or cancel any operations on the occurrence of such events.

In its capacity as holder of an interest in the DUC under the Danish Subsoil Act, the Company will be subject to strict statutory liability in respect of losses or damage suffered as a result of pollution caused by spills or discharges of petroleum from facilities or otherwise resulting from its petroleum activities on the DCS. The statutory regulations set out that anyone who suffers damage or loss as a result of pollution caused by any of the license areas can claim compensation from the Company without needing to demonstrate that the damage is due to any fault on its part. Any of the above circumstances could materially and adversely affect its business, results of operations, cash flow and financial condition.

The market in which the Company operates is highly competitive.

The oil and gas industry is very competitive. Competition is particularly intense in the acquisition of (prospective) oil and gas licenses. Our competitive position depends on our geological, geophysical and engineering expertise, financial resources, ability to develop the Company's assets and ability to select, acquire, and develop proved reserves. Many such companies operating in the market does not only engage in the acquisition, exploration, development and production of oil and gas reserves, but also carry on refining operations and market refined products. In addition, the Company competes with major oil and gas companies and other companies within industries supplying energy and fuel in the marketing and sale of oil and gas to transporters, distributors and end users, including industrial, commercial, and individual consumers. The Company also competes with other oil and gas companies in attempting to secure drilling rigs and other equipment necessary for drilling and completion of wells. Such equipment may be in short supply from time to time. In addition, equipment and other materials necessary to construct production and transmission facilities may be in short supply from time to time. Finally, companies and private equity firms not previously investing in oil and gas may choose to acquire reserves to establish a firm supply or simply as an investment. Any such companies will also provide competition for the Company. As a result of this competitive environment, the Company may be unable to acquire suitable licenses or licenses on terms that the Company considers acceptable. As a result, its revenues may decline over time, thereby materially and adversely affecting its business, results of operations, cash flow and financial condition.

The Company may not be able to keep pace with technological developments in its industry.

The oil and gas industry is characterized by rapid and significant technological advancements and the introduction of new products and services using new technologies. As others use or develop new technologies, the Company may be placed at a competitive disadvantage or may be forced by competitive pressures to implement those new technologies at substantial costs. In addition, other oil and gas companies may have greater financial, technical and personnel resources that allow them to enjoy technological advantages, which may in the future allow them to implement new technologies before the Company can. The Company may not be able to respond to these competitive pressures or implement new technologies on a timely basis or at an acceptable cost. If one or more of the technologies the Company uses now or in the future were to become obsolete, its business, prospects, financial condition and results of operations could be materially adversely affected. In addition, any new technology that the Company implement may have unanticipated or unforeseen adverse consequences, either to its business or the industry as a whole.

The Company's business and financial condition could be adversely affected if the Danish tax regulations for the petroleum industry were amended.

There is no assurance that future political conditions in Denmark will not result in the government adopting different policies for petroleum taxation. In the event there are changes to this tax regime, it could lead to new investments being less attractive and prevent the Company from further growth.

Furthermore, the amounts of taxes the Company must pay could also change significantly as a result of new interpretations of the relevant tax laws and regulations or changes to such laws and regulations. In addition, tax authorities could review and question its tax returns leading to additional taxes and tax penalties which could be material.

1.3 Risks Relating to the Business of the Group

The Company's expected future production is concentrated in a limited number of fields.

The Company's future production of oil and gas is concentrated in a limited number of offshore fields. If mechanical or technical problems, storms or other events or problems affect the production on one of these offshore fields, it may have direct and significant impact on a substantial portion of its production or if the actual reserves associated with any one of its fields are less than the estimated reserves, its results of operations and financial condition could be materially adversely affected.

Any decrease in production volumes or reserve estimates may adversely affect the Company's results of operation and financial condition. Moreover, the Company and the other license participants may have to make significant capital expenditures with regard to the development or re-development of these fields and their related facilities. Any cost overruns or delays in the development or in completion and delivery of these facilities could have a material adverse effect on its business, results of operations, cash flow and financial condition. Further, if the current agreements in place pursuant to which oil and gas is sold for any reason should be terminated or expire, a contract with a new buyer may not be signed at the time its existing contract terminates, or the sale price obtained for the crude may be significantly less than that currently paid to it, or the volumes of production a buyer is required to take could be reduced.

Unexpected shutdowns may occur at its fields.

The Company will be sensitive to a shutdown or other technical issues on its producing fields (e.g., with respect to platform shutdowns). The Company will have facility insurance and loss of production insurance for all its producing fields. The insurance program the Company has in place may be insufficient to offset the impact of any accidental shutdown of any of the fields. A shutdown or other technical issues, or other problems relating to its production of oil and gas causing a reduction in production levels, may, however, materially adversely affect its profitability, as a result of the increase in costs and reduction in income which normally result from such delays and through claims for compensation from third parties. Delays may also result in cancellation of contracts, which may in turn adversely affect its business, results of operations, cash flow and financial condition.

Unitisation of Hydrocarbons under the Danish Act on the Use of the Danish Subsoil

According to the Danish Subsoil Act, unitization is required among the licensees if hydrocarbons extend into areas of several licensees. In such case the relevant licensees shall coordinate exploration and any subsequent production activities. Agreements in this respect are subject to the approval of the Danish Minister for Energy, Utilities and Climate. Where the parties fail to reach an agreement on coordination of such activities within a reasonable time limit, the Minister may decide upon the applicable terms and conditions for the coordination of exploration and any production activities.

A risk related to this provision primarily appears in situations where a new hydrocarbon deposit is discovered and where it is not possible for the licensees to agree upon the unitization or the Minister for Energy, Utilities and Climate decides the terms of unitization against SOGU's interest.

Future development projects may be associated with risks relating to delays and costs.

Future projected target dates for production may be delayed and significant cost overruns may incur due to delays, changes in any part of its development projects, technical difficulties, project mismanagement, equipment failure, natural disasters, political, economic, taxation, legal, regulatory or social uncertainties, piracy, terrorism, visa issues, protests or cyber security attacks, which again may materially adversely affect its future business, operating results, financial condition and cash flow. Ultimately, there are risks that the rights granted under its licenses or agreements with the government may be forfeited and the Company may be liable to pay large penalty sums, which could jeopardize its ability to continue operations.

Going forward, the Company, or the operator of the Danish Underground Consortium (the "**DUC**") in which the Company will have an interest after consummation of the Transaction, may be unable to explore, appraise or develop petroleum operations, or the development or production of oil and/or gas may be delayed as a result of, among other things, activities such as the failure of the other license participants and counterparties to obtain equipment, equipment failure, natural disasters, political, economic, taxation, legal, regulatory or social uncertainties, piracy, terrorism, visa issues, protests or cyber security attacks. Moreover, the other license participants and counterparties consist of a diverse base with no single material source of credit risk. A general downturn in financial markets and economic activity may result in a higher volume of late payments and outstanding receivables, which may in turn adversely affect its business, results of operations, cash flows and financial condition.

Furthermore, its estimated exploration costs are subject to a number of assumptions that may not materialize. Any such inability to explore, appraise or develop petroleum operations or non-materialization of assumptions regarding exploration costs, may have a material adverse effect on its growth ambitions, future business and revenue, operating results, financial condition and cash flow.

The Company is exposed to risks relating to labour disputes.

While the Company generally enjoys good labor relations with its employees, strikes, labor disruptions and other types of conflicts with employees including those of its independent contractors or their unions may occur at its operations. Labor disruptions may be used not only for reasons specific to its business, but also to advocate labor, political or social goals. Any such disruptions or delays in its business activities may result in increased operational costs or decreased revenues from delayed or decreased (or zero) production and significant budget overruns. If such disruptions are material, they could materially adversely affect its business, results of operations, cash flow and financial condition.

Exploration and production operations are dependent on its compliance with obligations under licenses, joint operating agreements and field development plans.

All exploration and production licenses for the DCS have incorporated detailed and mandatory work programs that are required to be fulfilled within a specific timespan. These may include seismic surveys to be performed, wells to be drilled, development decisions to be taken etc. Failure to comply with the obligations under the licenses may lead to fines, penalties, restrictions and revocation of licenses and termination of related agreements, which could materially and adversely affect its business, results of operations, cash flows and financial condition.

A failure to comply with the payment obligations (cash calls) under the standard joint operating agreements for its licenses, may lead to penal interest on the defaulted amount, loss of voting rights and information within the license and a right for the other licensees to acquire its participant interest on terms that are unfavorable to the Company and disconnected from the value of the license interest. All such sanctions could materially and adversely affect the Company's business, financial conditions and results of operations.

The Company is subject to third party risk in terms of operators and partners.

Although the Company may have consultation rights or the right to withhold consent in relation to significant operational matters depending on the level of its interest in licenses (as most decisions by the management committee only require a majority vote), the Company will have limited control over management of the 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.

The terms of the relevant operating agreements generally impose standards and requirements in relation to the operator's activities. However, there can be no assurance that such operators will observe such standards or requirements and this could result in a breach of the relevant operating agreement.

There is a risk that other participants with interests in its licenses may not be able to fund or may elect not to participate in, or consent to, certain activities relating to those licenses which require such participant's consent, including but not limited to, decisions relating to drilling programs, such as the number, identity and sequencing of wells, appraisal and development decisions, decisions relating to production and also any decision to not drill at all (e.g., ''drill or drop'' decisions). In these circumstances, it may not be possible for such activities to be undertaken by it alone or in conjunction with other participants at the desired time or sequence or at all. Inversely, decisions by the other participants to engage in certain activities as noted in the preceding sentence, may also be contrary to its desire not to engage in or commence such activities and may require the Company to incur its share of costs in relation thereto, which may become significant, or that the other participants may enforce decisions which will delay or affect the profitability of a project. This will especially be an inherent risk in fields under development if the Company only holds a minority interest, as the management committee makes all the decisions from planning to operations of the project licenses.

Other participants in licenses 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. The Company may not have the resources to meet these obligations.

Any disagreement, absence of consent, delay, opposition, breach of agreement, or inability to undertake activities or failure to provide funding of the kind identified above could materially adversely affect its business, results of operations, cash flow and financial condition.

Failure of any of the license participants to comply with obligations under the relevant licenses, pursuant to which the Company operates, may lead to fines, penalties, restrictions and revocation of the license. Further, the license participants are jointly and severally responsible to the Danish Government for financial obligations arising out of petroleum activities pursuant to such license. Hence, if one or more of the other licensees fails to cover their share of a license cost (e.g. related to the mandatory work program or decommissioning liability), the Company can be held liable for such licensee's share of the relevant cost.

If any of the other license participants become insolvent or otherwise unable to pay debts as they come due, the license interest awarded to them may be revoked by the relevant government authority who will then reallocate the license interest. Although the Company anticipates that the relevant government authority may permit the Company to continue operations at a field during a reallocation process, there can be no assurance that the Company will be able to continue operations pursuant to these reclaimed licenses or that any transition related to the reallocation of the license would not materially disrupt its operations or development or productions schedule. The occurrence of any of the situations described above could materially and adversely affect its business, results of operations, cash flow and financial condition.

Market conditions may also impair the liquidity situation of contractors and consequently their ability to meet their obligations to the Company. This may in turn impact both project timelines and cost. The incurrence of cost overruns or delays could have a material adverse effect on its business, results of operations, cash flow and financial condition

The Company is subject to risks relating to capacity constraints and cost inflation in the service sector.

The Company is, as other exploration and production companies, reliant upon services, goods and equipment provided by contractors and other companies to carry out its operations. As there are numerous material projects to be carried out on the DCS in the years to come, there is a continuing risk for capacity constraints and cost inflation in the service sector. If The Company is unable to obtain the services, goods or equipment necessary to carry out its operations (including its current and planned exploration and development projects), or if any of its contractors are unable or unwilling to carry out its services or deliver goods or equipment to The Company as planned or otherwise become unable to respect their obligations, become insolvent or otherwise unable to pay debts as they come due, The Company's operations or projects may suffer from delays and a subsequent decrease in net production revenue which may materially adversely affect The Company's business, results of operations, cash flow and financial condition.

The Company is subject to third-party risk in terms of contractors.

Market conditions may impair the liquidity situation of contractors and consequently their ability to meet their obligations towards the Company. This could materially adversely affect the Company's business, operating results, cash flow and financial condition.

The Company may not have access to necessary infrastructure for the transportation of oil and gas.

The transport and sale of produced oil and gas will be capacity-dependent (whether through pipelines, tankers or otherwise). The Company, or the license group in which the Company holds an interest, may need to rely on access to third-party infrastructure to be able to transport produced oil and gas (e.g., by depending on obtaining approval for construction of pipelines in close proximity to or crossing third-party infrastructure or being able to acquire the necessary capacity to transport gas). There can be no assurance that the Company will be able to get access to necessary infrastructure at an economically justifiable cost or access necessary infrastructure at all. If access to third-party infrastructure and necessary capacity bookings are unavailable or unavailable at an economically justifiable cost, the Company's income relating to the sale of oil and gas may be reduced, which may materially adversely affect the Company's business, results of operations, cash flow and financial condition.

The Company faces risks related to decommissioning activities and related costs.

There are significant uncertainties relating to the cost for decommissioning of licenses 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. In addition to this, further environmental requirements may be implemented which in turn could effect in increased costs associated with the removal of installations or other decommission activities.

Also, under the Danish Subsoil Act, licensees are responsible towards the Danish Government for making sure that decision relating to disposal is carried out, unless otherwise decided by the Ministry. Within the joint venture, the licensees are: (i) primarily liable to each other on a pro-rata basis and (ii) secondarily jointly and severally liable for all decommissioning obligations arising by virtue of the joint venture's activities.

In Denmark, there is an obligation for license participants to provide security for their respective share of any decommissioning liabilities ahead of actual decommissioning.

The Company is exposed to political and regulatory risks.

The oil and gas industry in general is subject to extensive government policies and regulations. No assurance can be given that existing legislation or new interpretation of existing legislation, will not result in a curtailment of production, delays or a material increase in operating costs and capital expenditure of its activities or otherwise adversely affect its financial condition, results of operations or prospects. Further, a failure to comply with applicable legislation, regulations and conditions or orders issued by the regulatory authorities, may lead to fines, penalties, restrictions, withdrawal of licenses and termination of related agreements, which could have the same effect on its business, results of operations, cash flow and financial condition.

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 fulfill at all times. The Company is qualified to conduct its operations on the DCS, however, there is no assurance that future political conditions in Denmark will not result in the government adopting new or different policies and regulations on exploration, development, operation and ownership of oil and gas, environmental protection, and labor relations. Further, the Company may be unable to obtain or renew required drilling rights, licenses, permits and other authorizations and these may also be suspended, terminated or revoked prior to their expiration. This may affect the Company's ability to undertake exploration and development activities in respect of present and future assets, as well as its ability to raise funds for such activities. Also, there can be no assurance that licenses granted by the Danish Energy Agency will be extended or will not be revoked in the future. Furthermore, there is a risk that the Danish Energy Agency stipulates conditions for any such extension or for not revoking any licenses. Lack of governmental approvals or permits or delays in receiving such approval may delay its operations, increase its costs and liabilities or affect the status of its contractual arrangements or its ability to meet its contractual obligations. Any of the above factors may have a material adverse effect on its business, results of operations, cash flow and financial condition.

The Company's ability to sell or transfer license interests may be restricted by provisions in its joint operating agreements or applicable legislation.

An exit strategy in relation to any particular oil and gas interest may be subject to the prior approval of the other license participants pursuant to joint operating agreements (''**JOA**''), unitization agreements and approval from the **Danish Energy Agency** thus restricting its ability to dispose of, sell or transfer a license interest and make funds available when needed.

Further, under applicable Danish law, the Company may be subject to secondary liability for decommissioning costs in relation to licenses that have been sold by the Company if the buyer should default on his license obligations.

The Company is vulnerable to adverse market perception.

The Company is vulnerable to adverse market perception as it must display a high level of integrity and maintain the trust and confidence of investors, the other license participants, public authorities and counterparties. Any mismanagement, fraud or failure to satisfy fiduciary or regulatory responsibilities, allegations of such activities, or negative publicity resulting from such other activities, or the association of any of the above with the Company could materially adversely affect its reputation and the value of its brand, as well as its business, results of operations, cash flow and financial condition.

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. Environmental legislation is evolving in a manner expected to result in stricter standards and enforcement, larger fines and liability, and potentially increased capital expenditures and operating costs. The discharge of oil, gas or other pollutants into the air, soil or water may give rise to material liabilities to foreign governments and third parties and may require the Company to incur material costs to remedy such discharge. No assurance can be given that environmental laws will not result in a curtailment or shut down of production or a material increase in the costs of production, development or exploration activities or otherwise materially adversely affect the Company's business, results of operations, cash flow and financial condition.

Furthermore, environmental concerns relating to the oil and gas industry's operating practices are expected to increasingly influence government regulation and consumption patterns which favor cleaner burning fuels such as gas. Future compliance with existing emissions legislation or any future emissions legislation could adversely affect its profitability. Future legislative initiatives designed to reduce the consumption of hydrocarbons could also have an impact on the ability of the Company to market its oil and gas and the prices which the Company is able to obtain, which in turn may adversely affect its business, results of operations, cash flow and financial condition.

The Company has been operating in the oil and gas business for several years. While the Company is not currently aware of any material pollution or environmental liabilities in relation to its operations on the NCS, DCS and UKCS, it may potentially be subject to various liabilities such as pollution and environmental liabilities related to its business. Climate change and climate change legislation and regulatory initiatives could adversely affect its business and ongoing operations.

The business and results of operations could be adversely affected by climate change and the adoption of new climate change laws, policies and regulations. Growing concerns about climate change and greenhouse gas emissions have led to the adoption of various regulations and policies, including the Paris Agreement negotiated at the 2015 United Nations Conference on Climate Change (''COP 21''), which requires participating nations to reduce carbon emissions every five years beginning in 2023. Additionally, some scientists have concluded that increasing concentrations of greenhouse gases in the Earth's atmosphere may produce climate changes that have significant physical effects, such as increased frequency and severity of storms, droughts, floods and other climatic events. Offshore operations are particularly at risk from severe climatic events. If any such climate changes were to occur, they could have an adverse effect on the Company's financial condition and results of operations.

The Company's insurance may not provide sufficient funds to protect the Company from liabilities that could result from its operations.[1]

Oil and gas exploration, development, and production operations are subject to all the risks and hazards typically associated with such operations, including, but not limited to fires, explosions, blowouts, and oil spills, each of which could result in substantial damage to oil and gas wells, production facilities, other property, and the environment, or result in personal injury and business interruption. The Company maintains a number of separate insurance policies to protect its core businesses against loss and liability to third parties. Insured risks typically include general liability, workers' compensation and employee liability, professional indemnity and material damage. Furthermore, not all mentioned risks are insurable, or only insurable at a disproportionately high cost. Although the Company maintains liability insurance in an amount that it considers adequate and consistent with industry standard, the nature of these risks is 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. Any uninsured loss or liabilities, or any loss and liabilities exceeding the insured limits, may adversely affect the Company's business, results of operations, cash flow and financial condition.

Availability of drilling equipment and other required equipment and access restrictions may affect the Company's operations.

Oil and gas exploration and development activities are dependent on the availability of specialized equipment, including, but not limited to drilling and related equipment in the particular areas where such activities will be conducted. From time to time the demand for limited equipment may be high or access restrictions will affect the availability and cost of such equipment, and from time to time may delay exploration and development activities. Also the Company will be dependent on the operator for the timing of activities related to such assets and will be largely unable to direct or control the activities of the operators. If any of these risks materialize, they may have a material adverse effect on its business, results of operations, cash flow and financial condition.

The Company's oil and gas production could vary significantly from reported reserves and resources.

The reserves set forth in this Information Memorandum represent estimates only and are based on a technical expert's reports. The standards utilized to prepare the commercial reserves information that has been included in this Information Memorandum, are different from the standards of reporting adopted in other jurisdictions. Investors, therefore, should not assume that the data found in the reserves information set forth in this Information Memorandum is directly comparable to similar information that has been prepared in accordance with the reserve reporting standards of other jurisdictions.

In general, estimates of economically recoverable oil reserves and resources are based on a number of factors and assumptions made as of the date on which the reserves estimates were determined, such as geological and engineering estimates (which have inherent uncertainties), historical production from the properties, the assumed effects of regulation by governmental agencies and estimates of future commodity prices and operating costs, all of which may vary considerably from actual results.

Underground accumulations of hydrocarbons cannot be measured in an exact manner and estimates thereof are a subjective process aimed at understanding the statistical probabilities of recovery. Estimates of the quantity of economically recoverable oil and gas reserves, rates of production and the timing of development expenditures depend upon several variables and assumptions, including the following:

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[1] See for instance section 3.10 below about the Siri insurance case. In this case it was disputed whether damages to one of the installations of which Noreco held 50 % interest were covered by the insurance taken out by Noreco.

- production history compared with production from other comparable producing areas;
- quality and quantity of available data;
- interpretation of the available geological and geophysical data;
- effects of regulations adopted by governmental agencies;
- future percentages of international sales;
- future oil prices;
- capital investments;
- timeliness of the commencement and completion of production phases;
- effectiveness of the applied technologies and equipment;
- renewals of licenses beyond their stated expiry dates;
- future operating costs, tax on the extraction of commercial minerals, development costs and
- workover and remedial costs; and
- the judgment of the persons preparing the estimate.

As all reserve estimates are subjective, each of the following items may differ materially from those assumed in estimating reserves:

- the quantities and qualities that are ultimately recovered;
- the timing of the recovery of oil and gas reserves;
- the production and operating costs incurred;
- the amount and timing of additional exploration and future development expenditures; and
- future hydrocarbon sales prices.

Many of the factors in respect of which assumptions are made when estimating reserves are beyond its control and therefore these estimates may prove to be incorrect over time. Evaluations of reserves necessarily involve multiple uncertainties. The accuracy of any reserves or resources evaluation depends on the quality of available information and oil and gas engineering and geological interpretation. Drilling, interpretation, testing and production after the date of the estimates may require substantial upward or downward revisions in its reserves or resources data. Moreover, different reserve engineers may make different estimates of reserves and cash flows based on the same available data. Actual production, revenues and expenditures with respect to reserves and resources will vary from estimates and the variances may be material.

The uncertainties in relation to the estimation of reserves summarized above also exist with respect to the estimation of resources. The probability that contingent resources will be economically recoverable is considerably lower than for commercial reserves. Volumes and values associated with contingent resources should be considered with higher uncertainty than volumes and values associated with reserves.

If the assumptions upon which the estimates of its oil and gas reserves and resources have been based prove to be incorrect or if the actual reserves or recoverable resources available to the Company are otherwise less than the current estimates or of lesser quality than expected, the Company may be unable to recover and produce the estimated levels or quality of oil and gas set out in this Information Memorandum and this may materially and adversely affect its business, prospects, financial condition and results of operations.

Accounting policies may result in non-cash charges and write downs considered unfavourably by the market.

IFRS requires that management apply certain accounting policies and make certain estimates and assumptions, which affect reported amounts in the consolidated financial statements of the Company. The accounting policies may result in non-cash charges to net income and material write downs of net assets in the financial statements. Such non-cash charges and write downs may be viewed unfavorably by the market and result in an inability to borrow funds and/or may result in a significant decline in the trading price of the Company's shares.

The Company may not be successful in attracting and retaining sufficient skilled employees.

The successful development and performance of its business depends on its ability to attract and retain skilled professionals with appropriate experience and expertise. Attracting and retaining additional key personnel will assist in the expansion of its business and the loss of key employees could also have a material negative effect on its business. The Company faces significant competition for skilled personnel and there can be no assurance that it will have access to sufficient skilled and experienced professionals. This may be particularly evident for its offshore activities, which are operated by Total, where the location of its production facilities and shift work arrangements associated with offshore work, may negatively affect the ability to attract the necessary employment resources, as skilled personnel may be reluctant to take on such assignments.

Additionally, there is no assurance that the Company will successfully attract and retain personnel required to continue to expand its business and to successfully execute its business strategy. Failure to attract or retain such employees could result in the inability to maintain the appropriate technological standard or take advantage of new opportunities that may arise, which may in turn lead to a subsequent decline in competitiveness and could materially adversely affect its business, results of operations, cash flow and financial condition.

The Company faces the risk of litigation or other proceedings in relation to its business.

The Company faces the risk of litigation and other proceedings in relation to its business. The outcome of any litigation may expose the Company to unexpected costs and losses, reputational and other non-financial consequences and diverting management attention, which may in turn adversely affect the Company's business, results of operations, cash flow and financial condition.

The Company may experience conflicts of interest.

There are potential conflicts of interest to which the directors, officers and principal shareholders may be subject to in connection with the Company's operations. Some of its directors, officers and principal shareholders are or may become engaged in other oil and gas interests (including interests relating to oil and gas services) on their own behalf and on behalf of other companies resulting in a conflict of interest and situations may arise where the directors and officers will be in direct competition with the Company. Such conflicts, if any, will be subject to the procedures and remedies under Norwegian company law, petroleum law and general Norwegian law, but may not prevent adverse effects for the Company with regard to such conflicts. The Company's directors, officers and principal shareholders may not devote their time on a full-time basis to the affairs of the Company as a result of such conflicts.

The Company's development projects require substantial capital expenditures. 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 capital expenditures in its business for the development, production and acquisition of oil and natural gas reserves. The Company intends to finance the majority of its future capital expenditures with cash flow from operations and borrowings under its RBL Facility and other equity and debt facilities. The Company's cash flows from operations and access to capital are subject to a number of variables which it does not control, including:

• its proved reserves;

• the level of oil and natural gas the Company is able to produce from existing wells;

• the price at which its oil and gas are sold; and

• its ability to acquire, locate and produce new reserves.

If the Company's revenues or the borrowing base under its RBL Facility decrease as a result of lower oil or gas prices, operating difficulties, declines in reserves or for any other reason, the Company may have limited ability to obtain the capital necessary to sustain its operations at current levels. The Company's debt facilities restrict its ability to obtain certain types of new financing. If additional capital is needed, the Company may not be able to obtain additional debt or capital required. If cash generated by operations or cash available under the Company's RBL Facility or other debt facilities (see Section 3.7 "*Capital Resources*") is not sufficient to meet its capital requirements, the failure to obtain additional financing could result in a curtailment of its operations relating to development of its prospects, which in turn could lead to a decline in the Company's oil and natural gas reserves, or if it is not possible to cancel or stop a project, be legally obliged to carry out the project contrary to its desire or with negative economic impact. Further, the Company may fail to make required cash calls and breach license obligations. All of the above could adversely affect the Company's production, revenues and results of operations as well as having an adverse effect on its ability to service its indebtedness.

Changes in foreign exchange rates may affect the Company's results of operations and financial position.

The Company 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.

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.

The Company's website and internal systems may be subject to intentional and unintentional disruption, and its confidential information may be misappropriated, stolen or misused, which could adversely impact its reputation and future sales.

The Company could be a target of cyber-attacks designed to penetrate its network security or the security of its internal systems, misappropriate proprietary information, commit financial fraud and/or cause interruptions to its activities, including a reduction or halt in its production. Such attacks could include hackers obtaining access to the Company's systems, the introduction of malicious computer code or denial of service attacks. If an actual or perceived breach of the Company's network security occurs, it could adversely affect the Company's business or reputation, and may expose it to the loss of information, litigation and possible liability. Such a security breach could also divert the efforts of the Company's technical and management personnel. In addition, such a security breach could impair the Company's ability to operate its business and provide products and services to its customers. If this happens, the Company's reputation could be harmed, its revenues could decline and its business could suffer.

In addition, confidential information that the Company maintains may be subject to misappropriation, theft and deliberate or unintentional misuse by current or former employees, third-party contractors or other parties who have had access to such information. Any such misappropriation and/or misuse of its information could result in the Company, among other things, being in breach of certain data protection and related legislation. The Company expects that it will need to continue closely monitoring the accessibility and use of confidential information in its business, educate its employees and third-party contractors about the risks and consequences of any misuse of confidential information and, to the extent necessary, pursue legal or other remedies to enforce its polices and deter future misuse.

1.4 Risks Relating to the Noreco shares

The price of the Shares may fluctuate significantly.

The trading price of the Shares could fluctuate significantly in response to a number of factors beyond the control of the Company, including quarterly variations in operating results, adverse business developments, changes in financial estimates and investment recommendations or ratings by securities analysts, announcements by competitors of new product and service offerings, significant contracts, acquisitions or strategic relationships, publicity about their products and services or their competitors, lawsuits, unforeseen liabilities, changes to the regulatory environment or general market conditions.

The Company's ability to distribute dividends is subject to financial capacity and absence of restrictions under loan agreements and other restrictions.

The market value of the Shares may fluctuate significantly and may not reflect the underlying asset value of the Company.

The market value of the Shares can fluctuate significantly and may not always reflect the underlying asset value of the Company. A number of factors outside the control of the Company may have an impact on its performance and the price of the Shares. Such factors include but are not limited to a change in market sentiment regarding the Shares and the Company, the operating and share price performance of other companies in the industry and markets in which the Company operates, speculation about the Company's business in the press, media or investment community, changes to the Company's profit estimates, the publication of research reports by analysts and general market conditions. If any of these factors actually occurs, this may have a material adverse effect on the pricing of the Shares.

The market price of the Shares could decline as a result of sales of a large number of Shares in the market or the perception that these sales could occur.

Future issuances of shares or other securities may dilute the holdings of shareholders and could materially affect the share price.

It is possible that the Company may in the future decide to offer shares or other securities in order to finance new capital-intensive projects, in connection with unanticipated liabilities or expenses or for any other purposes. Any such offering could reduce the proportionate ownership and voting interests of holders of shares, as well as the earnings per share and the net asset value per share, and any offering could have a material adverse effect on the market price of the shares.

For example, upon a completion of the Transaction, it is contemplated that the Company will carry out several share issues that will dilute existing shareholdings significantly.

Investors may not be able to exercise their voting rights for shares registered in a nominee account.

Beneficial owners of Shares that are registered in a nominee account (such as through brokers, dealers or other third parties) may not be able to vote for such shares unless their ownership is (a) re-registered in their names with the VPS, prior to the Company's general meetings or (b) the registered nominee holder grants a proxy to such beneficial owner in the manner provided in the Articles of Association in force at that time and pursuant to the contractual relationship, if any, between the nominee and the beneficial owner, to vote for such Shares. The Company cannot guarantee that beneficial owners of the Shares will receive the notice of a general meeting of shareholders of the Company in time to instruct their nominees to either effect a re-registration of their Shares or otherwise vote for their Shares in the manner desired by such beneficial owners. Any persons that hold their Shares through a nominee arrangement should consult the nominee to ensure that any Shares beneficially held are voted for in the manner desired by such beneficial owner.

The transfer of the Shares is subject to restrictions under the securities laws of the United States and other jurisdictions.

The Shares have not been registered under the U.S. Securities Act or any U.S. state securities laws or any other jurisdiction outside of Norway and are not expected to be registered in the future. As such, the Shares may not be offered or sold except pursuant to an exemption from the registration requirements of the U.S. Securities Act and applicable securities laws. In addition, there can be no assurances that shareholders residing or domiciled in the United States will be able to participate in future capital increases or rights offerings.

Shareholders outside of Norway are subject to exchange rate risk.

The Company's Shares are priced in NOK, and any future payments of dividends on the Shares may be denominated in NOK. Accordingly, any investor outside Norway may be subject to adverse movements in the NOK against their local currency, as the foreign currency equivalent of any dividends paid on the shares or price received in connection with any sale of the shares could be materially adversely affected.

Pre-emptive rights to subscribe for Shares in additional issuances could be unavailable to US or other shareholders.

Under Norwegian law, unless otherwise resolved at the Company's general meeting, existing shareholders have pre-emptive rights to participate on the basis of their existing ownership of Shares in the issuance of any new Shares for cash consideration. Shareholders in the United States, however, could be unable to exercise any such rights to subscribe for new Shares unless a registration statement under the U.S. Securities Act is in effect in respect of such rights and Shares or an exemption from the registration requirements under the U.S. Securities Act is available. Shareholders in other jurisdictions outside Norway could be similarly affected if the rights and the new Shares being offered have not been registered with, or approved by, the relevant authorities in such jurisdiction. The Company is under no obligation to file a registration statement under the U.S. Securities Act or seek similar approvals under the laws of any other jurisdiction outside Norway in respect of any such rights and Shares, and doing so in the future could be impractical and costly. Accordingly, there is no assurance that shareholders residing or domiciled in the United States will be able to participate in future capital increases or rights offerings. To the extent that the Company's shareholders are not able to exercise their rights to subscribe for new Shares, their proportional interests in the Company will be diluted.

2. RESPONSIBILITY STATEMENT

The Board of Directors of Norwegian Energy Company ASA accepts responsibility for the information contained in this Information Memorandum. The members of the Board of Directors confirm that, having taken all reasonable care to ensure that such is the case, the information contained in this Information Memorandum is, to the best of their knowledge, in accordance with the facts and contains no omissions likely to affect its importance.

Oslo, 15 January 2019

The Board of Directors of Norwegian Energy Company ASA

Marianne Lie	Lars Purlund
John P. Madden	Tone Kristin Omsted

Riulf Rustad (Chair)

3. PRESENTATION OF NORWEGIAN ENERGY COMPANY ASA

3.1 Introduction

The Company is an oil and gas exploration and production company listed on the Oslo Stock Exchange under the ticker "NOR". The Company is a public limited liability company registered under Norwegian law and domiciled in Norway with headquarters in Oslo. The Company has subsidiaries in Norway, Denmark and the United Kingdom and holds production licenses on the Danish Continental Shelf through its fully owned subsidiaries Noreco Oil Denmark A/S and Noreco Petroleum Denmark A/S.

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

The Group has participated in exploration and production activities within the oil and gas industry since the mid-1980s, including several development projects. After the Transaction, the Group will have a significant production and reserves base including ownership of the four production hubs Halfdan, Tyra, Dan and Gorm on the DCS. The Group will carry out an important redevelopment of the Tyra field together with its partners in the Danish Underground Consortium, with first gas expected in mid-2022.

The organization is based in Oslo and Copenhagen and comprise, together with Senior Management, of individuals with long experience from the oil and gas industry, including companies like Equinor (formerly Statoil), Maersk Oil, BP, Chevron, Bayerngas/Spirit Energy and AGR Petroleum Services. As part of the Transaction, employees of SOGU will transfer to Noreco and bring continuity and additional competence to the organization.

3.2 History and Development

The early years: Growth through acquisitions

2005.......... Noreco was founded on 28 January 2005.

2007.......... Noreco acquired Altinex ASA (now Altinex AS), a Norwegian oil Company which at the time was listed on Oslo Børs.
On 9 November 2007, Noreco was listed on Oslo Stock Exchange with the ticker code "NOR".

2008.......... On 25 April 2008, Noreco announced its agreement to acquire all the shares in Talisman Oil Denmark Limited (that hold 30% working interest in the Siri license) for a consideration of USD 83 million.

Refinanced and rewarded with promising licences on the NCS

2009.......... On 4 May 2009, Noreco was awarded five of the total of 21 licences awarded in the 20th licensing round, second only to StatoilHydro in terms of number of licences. The licences Noreco were offered were all in the Norwegian Sea.
On 31 August 2009 cracks were discovered in the Siri installation of which Noreco held a 50 % interest. Noreco was of in the opinion that the damages were covered by an insurance held by Noreco. However, the insurers were unwilling to cover the insurance claim, which in turn led to the commencement of the Siri case as described in more detail below under 3.10.

2010.......... On 19 July 2010, Noreco announced that the Company had entered into an agreement to sell its 20% interest in PL378 to Talisman Energy Norge AS for a consideration of USD 43 million. The licence contained the Grosbeak oil discovery.

2011.......... On 25 July 2011, Noreco announced it had entered into an agreement to sell its interests in the Siri field in Denmark to DONG Energy. The agreement involved Noreco's 50% interest in licence 6/95 in Denmark, and the price was USD 13 million with effective date 1 July 2011. Noreco's ownership of Siri's satellite fields Nini East, Nini and Cecilie remained unchanged and unaffected. As part of the agreement Noreco would not carry any historical or future costs related to the permanent repair solution for the Siri field. These costs were at the time estimated to be DKK 2 billion in total. Noreco also retained existing and future insurance claims pertaining to Noreco's 50 % ownership and relating to the damage to the caisson support structure of the Siri platform. The transaction was completed in December 2011.

On 11 August 2011, Noreco announced it had entered into an agreement to sell its interests in the South Arne oil field in Denmark to Hess Denmark ApS for a consideration of USD 200 million.

On 21 October 2011, Noreco announced it had entered into an agreement to sell its 20% share of licence PL435 on Haltenbanken to OMV (Norge) AS. Licence PL435 contained the gas discovery Zidane-1 which was made in 2010. The agreed consideration was NOK 180 million. The transaction was completed late December 2011. As part of the agreement, Noreco was also entitled to a volume-dependent consideration if a discovery was made in the next well in the licence on the Zidane-2 prospect. Such conditional amount would be payable upon approval of a PDO which included Zidane-2. The well was completed in April 2012 as a discovery.

Assuming a bigger role: Becoming an operator

2012.......... In March 2012, Noreco completed the drilling of its first operated exploration well in Denmark, the Luna-1X well. The operation was performed without any incidents related to health, safety or environment. The well did not encounter hydrocarbons.

Production issues, disappointing wells and mounting financial challenges

2013.......... On 2 January 2013, Noreco announced that it had completed the reorganization of the Noreco Group structure, transferring all production licences and operatorships from the parent company Norwegian Energy Company ASA (which discontinued its direct petroleum activities) to its subsidiary Noreco Norway AS. The reorganization was completed in order to provide for more efficient operations.

2014.......... On 21 January 2014, Noreco announced that it had been awarded five new licences through the 2013 APA in Norway. Noreco was offered operatorship in two of the licences.

On 23 May 2014, Noreco announced the commencement of the drilling of an appraisal well on the Lundin operated Gohta discovery in licence PL492 in the Barents Sea.

On 9 December 2014, Noreco announced the commencement of the drilling of the Xana-1 well in Danish licence 9/95.

Reconstructing Noreco

2015.......... On 2 March 2015, the bondholders of Noreco approved a restructuring proposal which involved a debt to equity conversion of approx. NOK 1 900 million (plus accrued interest), amended amortisation profile and changed security packages. See section 5

On 3 March 2015, the shareholders of the Company approved the restructuring proposal and the restructuring was completed on 24 March.

On 27 March 2015, the Norwegian businessman Riulf Rustad was elected to the Board of Directors.

On 1 July 2015, Noreco Norway AS announced the sale of its 15 per cent participating interest in the Norwegian Continental Shelf licences PL274 and PL274 CS, which includes the Oselvar field with associated tax balances, to CapeOmega for a total consideration of NOK 201 million.

On 2 July 2015, Noreco announced that it has reached an agreement with its joint venture partners in Denmark with respect to its forfeited licences and abandonment liabilities.

On 18 December 2015, Noreco entered into a partnership with Awilhelmsen Special

Opportunities and QVT with regards to the Siri Insurance Claims.
On 21 December 2015, Noreco announced the sale of its Norwegian E&P operations to Djerv Energi AS, a company which Noreco would have a 30% ownership in together with a US based investment fund. The transaction failed to receive necessary bondholder approvals.

2016.......... On 2 March 2016, it was announced that the entire remaining E&P operation in Norway was sold to Det norske oljeselskap ASA (Aker BP). The transaction constituted a cessation of all of Noreco Norway AS' petroleum activities. The transaction was completed on on 30 June.
On 15 December 2016 the ruling from the Maritime and Commercial High Court in Copenhagen related to the Siri Insurance Claims was announced, the total damages ruled in favour of Noreco and its partners amounted to approximately USD 470 million.
On 19 December 2016 Noreco announced that its fully owned subsidiary Noreco Oil UK Limited had entered into an agreement to transfer its 20 % participating interest in the Huntington license with all rights and obligations to Premier Oil E&P UK Limited.

2017.......... On 15 February 2017, Noreco announced the success payment of USD 14.32 million related to the Dvalin PDO.
As a consequence of the transaction with Det norske oljeselskap ASA (Aker BP), Noreco Norway AS ceased all of its petroleum activities. Noreco Norway AS initiated the process of claiming exit tax refund during first half of 2017, which was received during Q4 2017. In accordance with the approved bondholder proposal, as of March 2016, Noreco Norway AS repaid approximately NOK 393 million to the bondholders, and the remaining NOR06 bond debt was discharged, resulting in a large taxable profit. To neutralise the tax effect a group contribution was made.

2018.......... Following the group contribution in 2017 Noreco Norway AS was liquidated in the first quarter of 2018.
On 4 May 2018, the Eastern High Court ruled on the Siri Insurance Claims appeal case, Noreco was awarded USD 12.5 million plus additional interest of approx. USD 8.3 million, in total USD 20.8 million.
On 31 May 2018, Noreco applied to the Danish Appeals Permission Board for permission to appeal the decision from the Eastern High Court to the Supreme Court of Denmark.
On 17 October 2018, Noreco announced the agreement for the contemplated acquisition of SOGU, containing Shell's Danish upstream assets, and through the acquisition, Noreco to become the second largest oil and gas producer in Denmark and a considerable E&P company.
On 22 October 2018, Noreco announced that it had entered into fixed price arrangements with Shell Trading and Supply for 80% of the guaranteed liquid production volumes until 30 September 2020.
On 24 October 2018, the Danish Appeals Permission Board declined to forward the appeal to the Supreme Court of Denmark and thus the upheld the ruling from the Eastern High Court was upheld.
On 1 and 8 November 2018, the Transaction and associated financing were approved by the bondholders and shareholders of the Company respectively.
On 30 November, it was announced that none of the DUC partners had invoked their pre-emption rights to purchase SOGU and that the pre-emption period had expired.

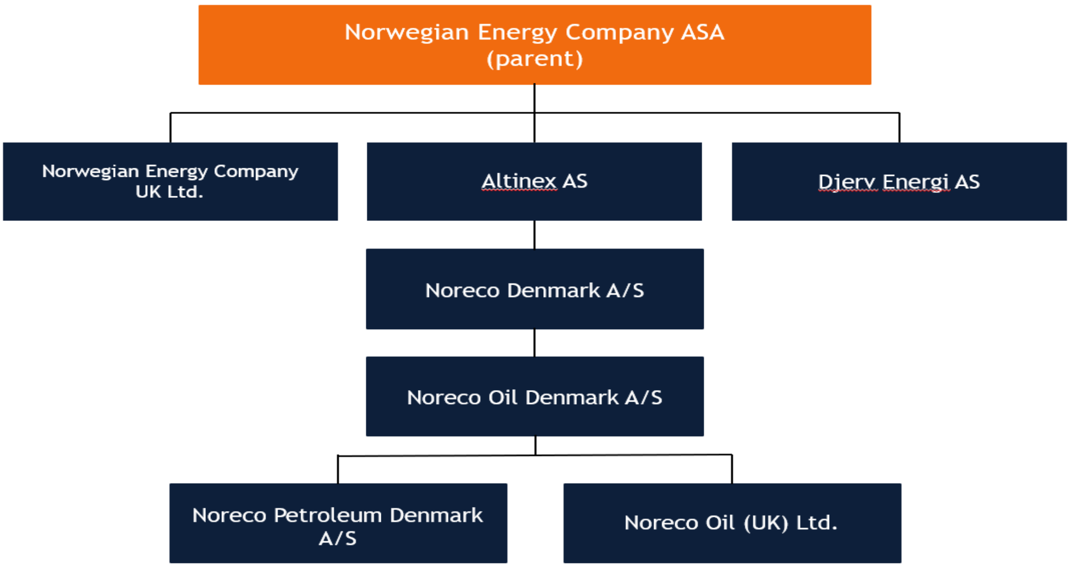
3.3 The Business of the Group

The Group’s business is focused around exploration and production of hydrocarbon resources in the North Sea. As a result of a comprehensive reconstruction of the Group, Noreco had divested all license interests except one on the Danish Continental Shelf by the end of 2017. The Company has legal entities registered in Norway, Denmark and the UK. Following completion of the Transaction, Noreco will become the second largest oil and gas producer in Denmark and a considerable independent exploration and production company.

The Group’s revenues are derived entirely from the sale of produced oil, gas and NGL (this breakdown of revenue sources has also characterised the Group's operations historically, that is, no new sources of revenue have been introduced for the Group in recent years). Accordingly, the Group considers the risk and return of the business units to be similar and thus comprise one business segment.

In the year 2016 all of the Group’s revenues derived from the sale of oil and gas from the Lulita field to the Danish market. The total revenues were NOK 11 million, whereas respectively about NOK 9 million derived from the sale of oil and NOK 2 million from the sale of gas and NGL. In the year 2017 the total revenues of the Group amounted to NOK 10 million, and this year about 7 million derived from the sale of oil and NOK 2 million from the sale of gas and NGL. In both the years 2016 and 2017, all the oil and gas sold were extracted from the Lulita field on the Danish continental shelf and sold to the Danish market.

The Company is the parent of the Group and is a holding company with seven subsidiaries. The Group is structured in accordance with the diagram below:



In 2017, the Group had NOK 10 million in revenues derived from sale of petroleum products, compared to NOK 11 million in 2016. The Group had total production of 33,580 boe in 2017 and 32,850 boe in 2016. For the nine months ended 30 September 2018, the Group had revenues from sale of petroleum products of NOK 1 million. The deviation from earlier periods for the first nine months of 2018 is mainly related to production on the Lulita field being closed-in.

3.4 License Portfolio, Reserves and Resources

License Portfolio

As of 31 December 2017, the Company had divested the major part of its licenses. It participated as a licence partner in the following single license.

Production Licenses (License Partner)

Field	Group Participating Interest	Operator	Expiry
Lulita Unit	10%	Total E&P Danmark A/S	8 March 2026
Total	**1**		

Reserves, Resources and Operating Data

The Company has prepared a Statement of Reserves report for the reserves associated with the upstream asset portfolio of SOGU, attached to this Information Memorandum as appendix D1. See section 5 for an overview of the SOGU portfolio. The reserves are estimated and classified in accordance with the SPE´s PRMS, which is consistent with the Oslo Stock Exchange´s requirement for disclosure of hydrocarbon resources.

As appendix E1 to this Information Memorandum is attached a Comfort Letter from Senergy (GB) Limited ("Lloyd's Register") with respect to the reserves estimates of the asset portfolio of SOGU included in the Statement of Reserves.

Lloyd's Register is a global technical and commercial consultancy with a broad range of technical skills including subsurface, wells, facilities and production operations. Since Lloyd's Register's inception in 2005 it has carried out many due diligence asset evaluations, competent person's reports, and finance sector support exercises for clients across the globe. Lloyd's Register has the capability to perform the full range of technical due diligence studies, and commercial services for stock markets, banks and private investors. The business address of Lloyd's Register is 71 Fenchurch Street, London, EC3M 4BS.

Exploration Activity

The Company has not participated in any exploration or appraisal wells since 2015.

3.5 Non-operational Material Contracts

In the last two fiscal years, Noreco has not entered into any material contracts outside the ordinary course of business, other than the transaction agreement and related agreements entered into for the purpose of the Transaction, see section 4 "The Transaction".

3.6 Recent Trends

Noreco has a 10% working interest in the Lulita oil and gas field on the Danish Continental shelf. The Lulita field is located in the Danish part of the North Sea and was discovered in 1992. The field is operated by Total. The production from Lulita has during first half of 2018 been closed-in for nearly four and a half months due to compressor issues at Tyra. The production has been stable since July 2018.

There are no significant changes to production cost, but sales prices have increased compared to previous year. There are no capital commitments for the year and decommissioning cost is maintained at NOK 15 million (Noreco share). The Company is not aware of any trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on the issuer's prospects for the current financial year. Due to the Tyra Redevelopment project, production from Lulita will be closed-in during the fourth quarter of 2019.

3.7 Capital Resources

Sources of Liquidity

The Company's principal sources of liquidity will be operating cash flows from its producing assets. In addition to its operating cash flows, the Company relies on debt and equity capital markets for both short and long-term funding. Currently, the Company has one outstanding bond issue maturing on 6 November 2019 of approx. NOK 169.6 million. The Company has also one short term funding loan maturing 15 October 2019 (see below for further information).

The Company prepares forecasts on a regular basis in order to plan the Company's liquidity requirements. These plans are updated regularly for various scenarios and form part of the decision basis for the Company's Board of Directors and Management.

As of the date of this Information Memorandum, the Company is not, nor about to be, in breach of any of its covenants under its borrowing arrangements.

The Company's Borrowing Arrangements

*NOR10 – Senior Secured Bond Loan ("**NOR10**")*

The NOR10 senior secured callable bond was issued in December 2013 and later restated and amended in March 2015. The initial bond issue was NOK 1,399,050,000 and the proceeds were used to refinance certain existing bond agreements of the Company. The loan carries fixed interest at a rate equal to 10.0% per annum and is callable from 6 December 2018 at 101.5% of par value up until maturity. The maturity date is 6 November 2019 and interest is payable on 6 September 2019 and the maturity date.

On 1 November 2018, the bondholders approved certain amendments to the bond agreement in connection with the Transaction. The Company will upon closing of the Transaction call the outstanding bonds at 101.5% of par value (plus accrued but unpaid interest). The bonds will then be fully redeemed. In the event that the Transaction is not completed, the maturity date of the bond will be 31 March 2020.

The bond constitutes senior debt of the Company and is secured on a first priority basis against certain of the Company´s Danish and English subsidiaries and their assets. The bond agreement contains special covenants which, among other, restrict the Company from taking on additional debt and declaring dividends. The agreement does not contain any financial covenants.

*Short-Term Funding Loan ("**ST-Loan**")*

On 16 October 2018, the Company entered into a short-term funding agreement with the investors participating in financing of the Transaction in order to fund part of an initial deposit payment to the Seller. The principal of the loan is USD 35,000,000 and it carries a fixed interest at a rate of 12.0% per annum. The loan shall in conjunction with completion of the Transaction, but no later than 15 October 2019, be repaid together with accrued interest upon issuance of new bonds under the contemplated convertible bond issue by the Company. In the event that the Transaction is not completed, the loan shall be rolled into NOR10 at par and be repaid together with accrued interest on 31 March 2020.

The loan is secured by the initial deposit payment of USD 40,000,000 made in connection with the Transaction, and the loan agreement does not contain any financial covenants. The outstanding principal as of the date of this Information Memorandum is set out in the table below.

Maturity Overview

The table below shows the contractual maturities of financial liabilities of the Group, including estimated interest payments, specified per category of interest bearing liabilities as of the date of this Information Memorandum.

NOK thousands Loan	Original Loan Amount	Outstanding Principal	Payments Due by Period 2018	2019	2020—
NOR10................................	600,000	169,581	-	191,917	-
ST-Loan (USD[2])	297,500	297,500	-	339,130	-
Total	**897,500**	**467,081**	**-**	**531,047**	**-**

Restrictions on the Use of Capital Resources

There are no restrictions on the use of capital resources under the Company's financing facilities that may materially affect, directly or indirectly, the issuer's operations. However, the ST-loan shall be used to fund an initial deposit payment to the Seller. The proceeds from the NOR10 issue were used to refinance existing debts under previous bond issues and used for general corporate purposes.

3.8 Recent Developments

The Transaction shall be financed through a new Reserve Based Lending bank facility of up to USD 900 million, by the issuance of a up to USD 160 million convertible bond, issuing new ordinary shares through a USD 352 million private placement and USD 40 million through a subsequent offering. The convertible bond and private placement will be directed towards and subscribed by Noreco's largest shareholders CQS (UK) LLP, Kite Lake Capital Management (UK) LLP and Taconic Capital Advisors UK LLP, and by funds managed or advised by York Capital Management Europe (UK) Advisor LLP. The issue price in the private placement is set to USD 22.62 (NOK 185) per share and will result in the issuance of 15.6 million shares. The convertible bond can be converted into new shares in Noreco for the first five years at a conversion price of NOK USD 29.34 (NOK 240) per share, subject to adjustment mechanisms.

Subject to completion of the private placement, a subsequent offering of up to 1.8 million shares, amounting to up to USD 40 million shall be carried out towards existing shareholders as of 16 October 2018, as registered in the VPS on 18 October 2018, who were not allocated shares in the private placement and who are not resident in a jurisdiction where such offering would be unlawful or, for jurisdictions other than Norway, would require any prospectus, filing, registration or similar action. Such shareholders shall be granted non-transferable preferential rights to subscribe for, and, upon subscription, be allocated new shares. The Company's shares have accordingly traded ex. right to participate in the subsequent offering as from 17 October 2018. The subscription price in such subsequent offering will be the same as the subscription price in the private placement.

Other than mentioned above, there has been no significant change in the Group's financial and trading position as of the date of this Information Memorandum.

3.9 Working Capital Statement

While the Company is of the opinion that the available working capital would be sufficient in order for the Company to carry out its general business activities in the ordinary course during the next twelve months, the Company is dependent on both new debt and equity for financing of the Transaction. The Company has entered into agreements on certain terms and conditions for such financing, including a Reserve Based Lending bank facility of USD 900 million, a Private Placement of USD 352 million, a Convertible Bond of up to USD 160 million and a Subsequent Offering of up to USD 40 million. See section 3.8 above for further information about the financing arrangements. The Company is therefore confident that is has sufficient financing in place to close the Transaction.

[2] USD/NOK exchange rate of 8.50

3.10 Legal and Arbitration Proceedings

The Siri Insurance Case:

In August 2009 cracks were discovered in the structure of the Siri installation of which Noreco held a 50% interest. The close down of the production together with the significant cost related to the repair was financially challenging. The incident was in the opinion of Noreco covered by the insurance taken out by Noreco and the Company therefore attempted to engage in a constructive dialogue with the insurers to cover the damages in accordance with the established insurance program. The insurers, however, were unwilling to honour their obligation leading to Noreco filing the claims which ended up in a court case that commenced 12 September 2016 in the Maritime and Commercial High Court in Copenhagen.

In December 2016, Noreco together with its partners, Awilhelmsen Special Opportunities AS and QVT Financial LP, received a favourable ruling from the Maritime and Commercial High Court amounting to approximately USD 470 million (including interest). Noreco was entitled to approximately USD 270 million of the total amount.

In late February 2017, the Eastern High Court in Copenhagen received an appeal from the insurers which was accepted. The court hearings started on 1 March 2018 and concluded on 23 March 2018. The ruling from the Eastern High Court was given on 4 May 2018. Noreco was awarded approx. USD 12.5 million in addition to interest of approx. USD 8.3 million, in total approx. USD 20.8 million.

Noreco, in cooperation with its Danish legal counsel, found the decision from the Eastern High Court to be incorrect. The fact that two courts arrived at very different rulings was the basis for wanting to have the ruling tried at the Supreme Court. As a result of this, Noreco applied to the Danish Appeals Permission Board on the 31 May 2018 for permission to appeal the decision to the Supreme Court of Denmark.

On 24 October 2018, it was announced that the Danish Appeals Permission Board did not permit the Siri Insurance claims case to be tried at the Supreme Court of Denmark. The ruling from the Eastern High Court was thus upheld.

Other:

In the ordinary cause of tax audits, Noreco has been asked to provide further documentation on the Danish 2015 tax return, which has been provided. The tax audit is not expected to lead to significant changes to the tax return filed.

Other than mentioned above, the Company is at the date of this Information Memorandum not aware of any other governmental, legal or arbitration proceedings during the course of the preceding twelve months, including any such proceedings which are pending or threatened, of such importance that they may have a significant effect on the Group's financial position or profitability.

3.11 Board of Directors, Management and Corporate Governance

Board of Directors

The Company's Articles of Association provide that the board of directors shall have between 3 and 7 members. In accordance with Norwegian law, the managing director and at least half of the members of the board of directors must either be resident in Norway or be citizens of and resident in an EU/EEA country.

The members of the board of directors and their holdings of shares in the Company as of the date of this Information Memorandum are presented in the table below.

	Position	Shares
Riulf Rustad	Executive Chairman	142,975
Lars Purlund	Board Member	5,282
Marianne Lie	Board Member	2,000
Tone Kristin Omsted	Board Member	-
John P. Madden	Board Member	-

The composition of the Company's board of directors is currently in compliance with the independence requirements of the Norwegian Code of Practice for Corporate Governance of 17 October 2018 (the "**Corporate Governance Code**" or the "**Code**")). The Corporate Governance Code provides that a board member is generally considered to be independent when he or she does not have any personal, material business or other contacts that may influence the decisions he or she makes as a board member.

Management

The Company's executive management (the "**Management**") consists of three individuals. The members of the Company's Management and their holdings of Shares in the Company as of the date of this Information Memorandum are set out in the table below.

	Position	Shares
Frederik Rustad	Managing Director	-
Sjur Talstad	Chief Operating Officer/MD, E&P	-
Silje Hellestad	Group Accounting Manager	-

Benefits upon Termination of Employment

None of the members of the Company's board of directors have contracts providing benefits upon termination of their positions as board members.

The members of the Company's Management have contracts with three months' notice period upon termination of contract, with the exception of Mr. Talstad which has a six months' notice period.

Nomination Committee

The Company's articles of association provide for a Nomination Committee composed of a minimum of three members who are elected by the general meeting. The Nomination Committee is responsible for preparing a motion for the Annual General Meeting related to the election of the members of the Board of Directors and the chairperson of the Board of Directors, election of the members of the Nomination Committee and the chairperson of the Committee, the remuneration of the Directors and the members of the Nomination committee and any amendments of the Nomination Committee's Mandate and Charter. The Nomination Committee of the Company is comprised of the following members: Richard Sjøqvist (chair), Annette Malm Justad and Kristian Utkilen.

Audit Committee

The Company has an Audit Committee which is comprised of the following members: Marianne Lie and Tone Kristin Omsted. The Audit Committee shall act as preparatory body in connection with the supervisory role of the Board with respect to financial control, review and external audit of the Company´s financial statements. The Audit Committee is also responsible for proposing to the Board of Directors, who then proposes to the general meeting, the election of the Company´s independent auditor.

Loans and Guarantees

The Company has not provided any guarantees, granted any loans or any other similar commitments to any member of the Board of Directors or the Executive Management.

Corporate Governance

The Company's corporate governance principles are based on, and comply with, the Norwegian Code of Practice, with the following exceptions:

- Mandate to the board to increase the Company's share capital is granted for three defined purposes collectively, and not considered by the general meeting on an individual basis for each purpose. In addition, the mandate is granted for two years instead of one year as the Code implies.
- Mandate to the board for the Company to purchase its own shares is granted for three defined purposes collectively, and not considered by the general meeting on an individual basis for each purpose. In addition, the mandate is granted for two years instead of one year as the Code implies.
- Not all members of the board, all members of the nomination committee or the auditor will normally attend the general meeting in order to carry out the general meetings in an efficient manner. It is Noreco's aim that at least one of the board members is present at the general meetings, that one of the members of the nomination committee is present in the event that an election is on the agenda, and that the auditor is present when the general meetings discusses the annual accounts, or other matters in which the auditor's presence may be useful.
- Certain board members have been engaged through a consultancy agreement to perform special tasks for the Company that fall outside of ordinary board duties and may receive remuneration based on results.

The business address of the Board of Directors, Management and Supervisory Bodies

The Company's registered business address, Nedre Vollgate 1, N-0158 Oslo, serves as c/o address for the members of the board of directors, Management and the other supervisory bodies in relation to their functions in the Company.

3.12 Corporate Information and Share Capital

Incorporation, Company Registration Number, Registered Office and Other Company Information

Norwegian Energy Company ASA is a Norwegian public limited liability company incorporated under the laws of Norway and in accordance with the Norwegian Public Limited Companies Act of 13 June 1997 no. 45 with company registration number 987 989 297. The Company was incorporated on 28 January 2005.

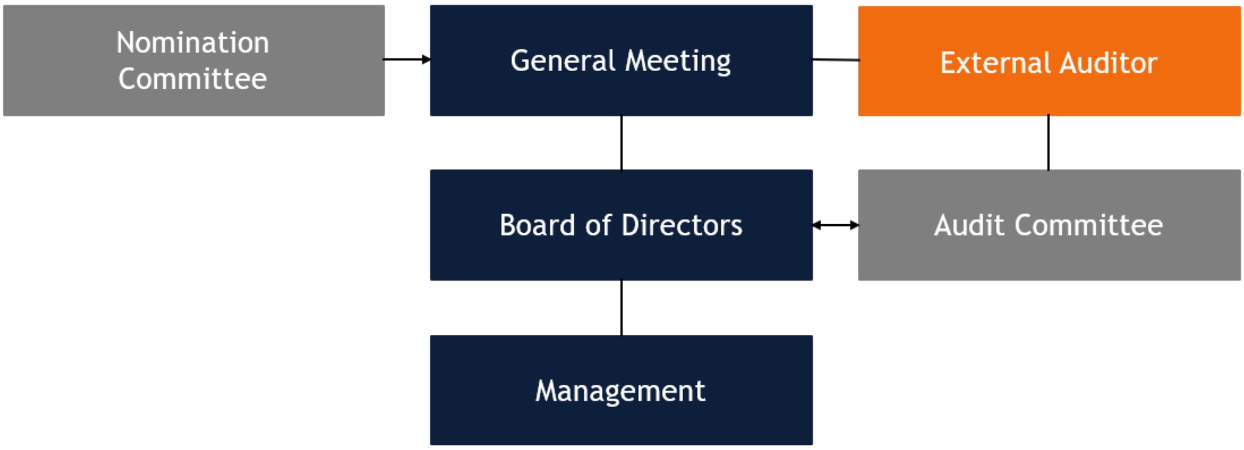
The Company has its head office and registered address at Nedre Vollgate 1, N-0158 Oslo, Norway, its telephone number is +47 22 33 60 00, and its website is www.noreco.com.

The Company has seven wholly owned subsidiaries as of the date of this Information Memorandum: Altinex AS, Djerv Energi AS, Noreco Denmark A/S, Noreco Oil Denmark A/S ("NOD"), Noreco Petroleum Denmark A/S ("NPD"), Norwegian Energy Company UK Limited and Noreco Oil (UK) Limited.

The Company participates in extraction and production of oil and gas resources on the Danish Continental Shelf through licences granted to NOD and NPD, as such these subsidiaries are material to the Group's operations.

Governance Structure

The Company's governance structure is set out in the diagram below.



Trading Market for the Shares and Trading Symbol

The shares of the Company are admitted to trading on the Oslo Stock Exchange and trade under the trading symbol "NOR".

International Securities Identification Number (ISIN) and Shareholders' Register

The Company's Shares are registered in book-entry form with the VPS under the International Securities Identification Number ("ISIN") NO001 0379266. The Company's register of shareholders with the VPS is administrated by DNB Bank ASA, Registrars Department, Dronning Eufemias gate 30, N-0191 Oslo, Norway.

Share Capital

As of the date hereof, the Company´s share capital is NOK 71,947,303.85 divided into 7,194,730 shares, each with a par value of NOK 10.0000005. All the existing shares have been created under the Norwegian Public Limited Companies Acts and are validly issued and fully paid. The Company has one class of shares.

Share Capital History

On 14 September 2017, the Company carried out a share capital increase in conjunction with exercise of 50,000 options under the Company´s employee share option scheme. The share capital was increased by NOK 500,000 from NOK 71,447,304 to NOK 71,947,304 by issue of 50,000 new shares, each with a par value of NOK 10 (rounded).

On 16 June 2017, the Company carried out a share capital increase in conjunction with exercise of 50,000 options under the Company´s employee share option scheme. The share capital was increased by NOK 500,000 from NOK 70,947,304 to NOK 71,447,304 by issue of 50,000 new shares, each with a par value of NOK 10 (rounded).

On 24 March 2015, the Company carried out a reverse split (amalgamation) of the Company´s shares in conjunction with the financial restructuring of the Company. The Company´s shares were consolidated in the ratio 100:1, so that one hundred shares each with a nominal value of NOK 0.10 were replaced by one new share with a nominal value of NOK 10. The share capital of the Company after the reverse split were NOK 70,947,304 divided into 7,094,730 shares, each with a par value of NOK 10.

On 24 March 2015, the Company carried out a share capital increase in conjunction with conversion of bonds under the loan agreements NOR10, NOR11 and NOR12. The share capital was increased by NOK 65,271,519 from NOK 5,675,784 to NOK 70,947,304, each with a par value of NOK 0.10.

On 24 March 2015, the Company carried out a share capital reduction in conjunction with the financial restructuring of the Company. The share capital was reduced by NOK 561,902,646 from NOK 567,578,430 to NOK 5,675,784 by a reduction in the nominal value of the Company´s shares from NOK 10 to NOK 0.10.

Notifiable Holdings

As of 8 November 2018, which was the date of the latest general meeting of the Company, and insofar as known to the Company, the following persons had, directly or indirectly, interest in 5% or more of the issued share capital of the Company (which constitutes a notifiable holding under the Norwegian Securities Trading Act):

	Number of Shares	Holding (%)
Kite Lake Capital Management (UK) LLP [3]	2,048,912	28.5%
Taconic Capital Advisors UK LLP[3]	892,940	12.4%
Caius Capital LLP[3]	564,376	7.8%
CQS (UK) LLP[3]	433,770	6.0%

Pursuant to the Transaction, Kite Lake Capital Management (UK) LLP, Taconic Capital Advisors UK LLP and CQS (UK) LLP shall together with York Capital Management Europe (UK) Advisors LLP subscribe for Shares in the private placement and subscribe for convertible bonds as further described in section 4.5.

3.13 Independent Auditor

The Company's independent auditor is KPMG AS, which has its registered address at Sørkedalsveien 6, 0369 Oslo, Norway and has audited the Company's separate and consolidated financial statements as of 31 December 2016 and 2017 and for each of the years then ended. The separate financials statements of the parent company Norwegian Energy Company ASA are prepared in accordance with the Norwegian Accounting Act and accounting standards and the consolidation financials statements of Norwegian Energy Company ASA are prepared in accordance with IFRS and are incorporated by reference in this Information Memorandum. The partners of KPMG AS are members of The Norwegian Institute of Public Accountants (Nw. *Den Norske Revisorforening*).

With respect to the unaudited pro forma financial information included in this Information Memorandum, KPMG AS has applied assurance procedures in accordance with ISAE 3240 Assurance Engagement to Report on Compilation of Pro Forma Financial Information Included in a Prospectus in order to express an opinion as to whether the unaudited pro forma financial information has been properly compiled on the basis stated, and that such basis is consistent with the accounting policies of the Company; see Appendix A (*Independent Practitioner's Assurance Report on the Compilation of Pro-Forma Financial Information included in an Information Memorandum*).

3.14 Legal Advisors

Advokatfirmaet BAHR AS, Tjuvholmen Allé 16, 0252 Oslo, Norway (as to Norwegian law), CMS Cameron McKenna Nabarro Olswang LLP, Cannon Place, 78 Cannon Street, EC4N 6AF London, United Kingdom (as to English law) and Lundgrens Advokatpartnerselskab, Tuborg Boulevard 12, DK-2900 Hellerup, Denmark (as to Danish law) have acted as legal counsel to the Company in connection with the Transaction.

[3] Includes funds affiliated with, managed or advised by.

4. THE TRANSACTION

This Section provides information on the background and reasons for the Transaction as well as a discussion of certain related arrangements and agreements entered into or to be entered into in conjunction with the Transaction.

4.1 Overview

Through the Transaction Altinex shall acquire 100% of the shares in SOGU, against a consideration of USD 1.91 billion with economic effective date as of 1 January 2017 and at close simultaneously perform an intra-group assignment of certain assets, including the economic interest in the DUC Sole Concession, from SOGU to Noreco Oil Denmark A/S. The consideration of USD 1.91 billion will on closing be adjusted for net debt as per the Effective Date of the Transaction. The Group assumes cash flow from the producing assets as from the Effective Date.

SOGU is today a wholly owned subsidiary of the Seller which in turn is controlled by Royal Dutch Shell plc.

SOGU owns i.a. a 36.8% interest in the Danish Underground Consortium, which includes a 36.8% interest in the DUC facilities, wells and interconnecting pipelines and a 100% interest in Shell Olie- Og Gasudvinding Denmark Pipelines ApS, which will own a proportionate interest in the Tyra West – F3 gas pipeline.

In addition to the DUC interest, SOGU also holds the following interests:

a) 36.8% direct interest in the 8/06 Area B License including its corresponding entitlement to hydrocarbons won and saved under the 8/06 Area B License; and
b) 18.4% interest in the Lulita Field unitization and operations including its corresponding entitlement to hydrocarbons won and saved under the Lulita Field.

4.2 Background and Reason for the Transaction

By purchasing the shares in SOGU, the Company will become the second largest oil and gas producer in Denmark, production and reserves will increase materially.

Noreco sees great opportunities in the Danish Underground Consortium and on the Danish Continental Shelf and has a strong ambition to secure further value creation through increased recovery from reservoirs that are currently producing and from new structures and potential in-fill developments.

During the past 3-4 years, and as several international oil majors have refocused their activities, exploration and production activity on the Danish Continental Shelf has been limited. Noreco will work to shift this trend and to play a key role in revitalizing the Danish oil and gas industry.

4.3 The Seller

The Seller is a wholly owned subsidiary within the Royal Dutch Shell Group. The shares of the ultimate parent company Royal Dutch Shell plc are traded on the London Stock Exchange, Euronext Amsterdam and New York Stock Exchange (in ADR form).

4.4 Description of the Transaction

Altinex shall acquire 100% of the shares in SOGU against a cash consideration payable upon closing of the Transaction. The economic effective date of the transaction will be 1 January 2017, and closing is expected in the first half of 2019.

Altinex will as consideration for acquisition of 100% of the shares in SOGU pay USD 1.91 billion, which will be adjusted for the net debt of approx. USD 575 million as per the Effective Date.

In addition hereto, Altinex shall make an additional payment to the Seller, if SOGU's actual production (the entire entitlement to crude oil attributed to the DUC interests) is greater than the forecasted level of production during the period running from signing until and including December 2020.

SOGU owns i.a. a 36.8% interest in the DUC. DUC is established through a joint operating agreement and is the joint venture for the operation of the license granted under the Sole Concession. The Sole Concession is the concession held by Total E&P Danmark A/S (formerly Maersk Olie og Gas A/S) for the exploration and exploitation of hydrocarbons in the Danish subsoil and continental shelf of 8 July 1962 with the addendum in force from 1 January 2004 and as amended from time to time. SOGU's interest in the DUC is non-operated as the Sole Concession is operated by Total E&P Danmark A/S.

As holder of an economic interest in the DUC, SOGU is entitled to receive 36.8 % of hydrocarbons won and saved under the Sole Concession. Furthermore, SOGU is the owner of 36.8 % DUC facilities, wells and interconnecting pipelines.

In addition to the DUC interest, SOGU also holds the following interests:

a) 36.8% direct interest in the 8/06 Area B License including its corresponding entitlement to hydrocarbons won and saved under the 8/06 Area B License;
b) 18.4% interest in the Lulita Field unitization and operations including its corresponding entitlement to hydrocarbons won and saved under the Lulita Field; and
c) A proportionate interest in the Tyra West – F3 gas pipeline (indirectly through its ownership of Aps/SOGUP).

Through the Transaction, the Company will become the second largest oil and gas producer in Denmark and establish itself as a considerable E&P company.

Included in the Transaction are proven and probable (2P) reserves of 209 million barrels of oil equivalents (mmboe) based on an independent CPR assessment as per year-end 2017, of which 65% are liquids. The Seller's share of production from DUC in 2017 was 67 thousand barrels of oil equivalents per day (mboepd).

As part of the Transaction, the Seller has provided a monthly production guarantee for 98% of the pre-agreed liquid production level from signing of the Transaction until 31 December 2020 ("**Protection Period**"). Monthly payments will be based on the price achieved by Noreco in that month. During this period, following a potential production shortfall below the threshold, in the event that production subsequently exceeds the 98% of the pre-agreed liquid volume, the additional revenue associated with such excess production will be paid to Shell to repay any potential payment from Shell to Noreco to date. In this period, any payment received from the loss of production insurance will be paid to Shell to repay any potential payment from Shell to Noreco to date.

A recovery mechanism will be in place from 1 January 2021 to 31 December 2023 ("**Recovery Period**"), whereby Noreco will repay to Shell any amount up to the potential net received payments from Shell during the Protection Period, to the extent the actual liquid production exceeds 90% of a pre-agreed liquid production volume during the Recovery Period.

Until 31 December 2020, Noreco will pay to Shell the post-tax revenue associated with production in excess of 100% of the pre-agreed liquid production level, the payment will be a single payment made in January 2021.

Shell International Trading and Shipping Company Limited will continue to have oil lifting rights from the assets via a crude oil sale and purchase agreement, the parties have agreed to a fixed price arrangement for 80% of the guaranteed liquid production volumes until 30 September 2020 ("**Fixed Price Arrangements**").

Local SOGU staff mostly dedicated to the DUC will pass to Noreco along with the business with their existing contracts of employment intact and full continuity of service. In total ca. 8 employees will follow from SOGU, which will bring additional competences to the Noreco organisation. Following the Transaction, the Group will have 15 employees, and does not plan to make any organisational reductions. The board of directors of SOGU currently consists of two members. Mr. Lee James Hodder currently serves as Chair. The other board members are Mr. Michael Lund Jensen. Mr. Lee James Hodder serves as Managing Director.

According to the 2017 Financial Statements, the total revenues for SOGU were USD 1.15 billion and the net operating result was USD -188 million. Total balance sheet assets were USD 2.25 billion (all of the foregoing in rounded numbers, for further accounting information see Section 10 "*Selected financial information for SOGU and SOGUP*").

Regarding SOGUP, the total revenues for 2017 were TDKK 55,383 and the Net profit was TDKK 75,228. SOGUP had a total balance sheet asset of TDKK 193,874. These numbers are extracted from the Annual Report for SOGU, and also for SOGUP, additional information can be found under section 10 "*Selected financial information for SOGU and SOGUP*".

4.5 Financing Arrangements in Connection with the Transaction

The cash consideration will be financed on certain terms and conditions through a new USD 900 million senior secured Reserve Based Lending bank facility, by the issuance of a up to USD 160 million convertible bond, issuing new ordinary shares through a USD 352 million private placement and USD 40 million through a subsequent offering. The private placement will be directed towards and subscribed by Noreco's largest shareholders CQS (UK) LLP (shall subscribe for 4,359,294 Shares), Kite Lake Capital Management (UK) LLP (shall subscribe for 3,360,432 Shares) and Taconic Capital Advisors UK LLP (shall subscribe for 6.665,035 Shares), and by funds managed or advised by York Capital Management Europe (UK) Advisors LLP (shall subscribe for 1,200,874 Shares). The issue price in the private placement is set to NOK 185 per share and will result in the issuance of approx. 15.6 million shares. The convertible bond shall be subscribed by the aforementioned investors, will have a tenor of eight years and can be converted to new shares in Noreco for the first five years at a conversion price of NOK 240 per share, subject to customary adjustment mechanisms.

Subject to completion of the private placement, the Company will carry out a subsequent offering of up to approx. 1.8 million shares, amounting to up to USD 40 million (of which USD 30 million has been underwritten) towards certain eligible shareholders, at a subscription price of NOK 185 per Share.

Reference is made to the notice of the general meeting of the Company, dated 17 October 2018, and the minutes of the general meeting of the Company, dated 8 November 2018, for further information about the private placement, convertible bond and subsequent offering.

The Reserve Based Lending bank facility is entered into between, inter alios, Altinex AS as Company and Borrower (as defined therein), Noreco Oil Denmark A/S as co-borrower, Noreco as parent and the lenders named therein as lenders, including BMO Capital Markets, Deutsche Bank and Natixis. The lenders will provide a USD 900 million facility reducing on a semi-annual basis on and from June 2022 and letter of credit sub-limit of USD 100 million for the purposes of issuing letters of credit. The bank facility will have its final maturity falling 7 years after the signing date of the facility.

The Company has provided a parent company guarantee to the Danish Ministry of Climate, Energy and Building related to the Group's activities on the DCS. Following the Transaction, such guarantee will continue. Following the Transaction, on certain terms and conditions, the Company shall provide a parent company guarantee towards the lenders for the Reserve Based Lending bank facility and customary obligations/guarantees under joint operating agreements.

4.6 Conditions for Completion of the Transaction

The Transaction is not completed.

The Transaction is subject to customary conditions precedent to closing, including consents and approvals from the Danish Energy Agency, which approvals may be subject to conditions (*See 1.1 Risks Relating to the Transaction)*; and other conditions customary for a transaction of this nature.

It was also a condition for the completion of the Transaction that no party to the DUC joint operating agreements invoked their option rights to purchase Shell's ownership of SOGU before 29 November 2018. As none of the relevant parties exercised their pre-emption right to acquire the shares within the exercise period, this condition for completion is satisfied as announced by Noreco on 30 November 2018.

4.7 Completion of the Transaction

Closing of the Transaction is expected in the first half of 2019, subject to completion of outstanding conditions to closing including regulatory approval.

4.8 Agreements with Members of the Board of Directors and Management in Connection with the Transaction

The Company expects to implement a new share incentive program for its key management as well as board of directors in connection with the Transaction. It is expected that current options in-the-money will be settled with cash at NOK 240 per share amounting to a total of NOK 19.8 million, while options out of the money will be cancelled (subject to option-holders' approval). The new program is expected to consist of 1,510,000 new options. It is further expected that existing management and board of directors will be allotted 715,000 options which will have a strike price of NOK 240 per share and no vesting period as well as 170,000 options with a strike price determined by the VWAP 30 days after completion of the Transaction and a vesting period of three years. The remaining 625,000 options are intended for new employees and will have a strike price based on board policies and a vesting period of three years.

4.9 Accounting and Tax Matters

Upon completion of the transaction, SOGU is expected to be joint taxable with Noreco´s other Danish subsidiaries and the Group expects to be able to utilize its tax loss carry forwards of approx. NOK 6.3 billion in the Danish offshore tax regime.

4.10 Allocation of Expenses Relating to the Transaction

Each of Altinex, or any applicable member of the Group, and the Seller shall bear its own costs arising out of or in connection with the Transaction.

4.11 Significance and Effects for the Company Following the Transaction

Following the Transaction, the Company will establish itself as the second largest oil and gas producer in Denmark, with significant production and reserves. The Company will have a strong financial position, which is expected to allow the Company to invest further in recovery of its existing reserves as well as position it for further growth.

5. PRESENTATION OF SOGU

This Section provides an overview of the business of SOGU as of the date of this Information Memorandum. The following discussion contains Forward-looking Statements that reflect the Company's plans and estimates; see "Cautionary Note Regarding Forward-Looking Statements" in section 11. You should read this Section in conjunction with the other parts of this Information Memorandum, in particular Section 1 "Risk Factors" and Section 6 "The Company Following completion of the Transaction".

5.1 Introduction

Shell Olie- Og Gasudvinding Danmark B.V. is a Dutch private limited liability company incorporated under the laws of Netherlands and operates on the DCS as a Danish branch in accordance with Danish law. The Company has the company registration number 27 09 62 97 (Dutch Registration Trade reg.). The Company was incorporated on 27 August 1975 and operates as a Danish branch with registration number 87 19 77 19 (Danish Registration CVR-no) and a local tax resident.

SOGU has its registered address at Carel van Bylandtlaan 30, 2596 HR Den Haag, Holland and its website is http:/// www.shell.dk.

SOGU participates in the Danish Underground Consortium with a share of 36.8%, DUC is a joint venture between Total, Shell, Chevron and Nordsøfonden cooperating to recover oil from the Sole Concession holder´s area of the Danish North Sea. DUC is operated by Total, which has extensive offshore experience in the region and worldwide.

DUC was established in 1962 in order to assist A.P. Møller (now A.P. Møller-Mærsk) in producing oil from the Sole Concession in the best possible way. The first oil production started in 1972 from the Dan field, and by 1984 the DUC had constructed and started production from Gorm (1981), Skjold (1982) and Tyra (1984), thus beginning the first Danish production of natural gas. The Halfdan field was brought on stream in 1999 and the DUC reached peak production in 2005 at approx. 500 mboepd.

In 2017, the DUC partners approved the full redevelopment of the Tyra facilities which will enable production for at least 25 years. Tyra is the center of Denmark´s national energy infrastructure, processing 90% of the nation's gas production.

SOGU produced 67 thousand barrels of oil equivalents in 2017 and had total revenue of USD 1,149 million. Total assets amounted to USD 2.25 billion at the end of 2017.

SOGU operates from its office in Midtermolen 3, 4th floor, DK-2100 Copenhagen, Denmark. The company employed on average 29 employees[4] in 2017.

The board of directors of SOGU currently consists of two members. Mr. Lee James Hodder currently serves as Chair. The other board members are Mr. Michael Lund Jensen. Mr. Lee James Hodder serves as Managing Director.

5.2 Field Interests

SOGU currently participates in 15 fields on the DCS through DUC as set out in the table below.

Field	Company Participating Interest	Operator	Licence
Dagmar	36.8%	Total E&P Danmark A/S	Sole Concession
Dan	36.8%	Total E&P Danmark A/S	Sole Concession
Gorm	36.8%	Total E&P Danmark A/S	Sole Concession
Halfdan	36.8%	Total E&P Danmark A/S	Sole Concession

[4] Including expats

Harald	36.8%	Total E&P Danmark A/S	Sole Concession
Kraka	36.8%	Total E&P Danmark A/S	Sole Concession
Lulita	18.4%	Total E&P Danmark A/S	Sole Concession
Regnar	36.8%	Total E&P Danmark A/S	Sole Concession
Roar	36.8%	Total E&P Danmark A/S	Sole Concession
Rolf	36.8%	Total E&P Danmark A/S	Sole Concession
Skjold	36.8%	Total E&P Danmark A/S	Sole Concession
Svend	36.8%	Total E&P Danmark A/S	Sole Concession
Tyra	36.8%	Total E&P Danmark A/S	Sole Concession
Tyra SE	36.8%	Total E&P Danmark A/S	Sole Concession
Valdemar	36.8%	Total E&P Danmark A/S	Sole Concession
Total	**15**		

In addition to the Sole Concession, SOGU also holds a 36.8% interest in licence 8/06, area B.

5.3 Key Assets

Halfdan

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 field came into production in 1999 and 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 in 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.

SOGU's share of remaining reserves are estimated to 61 mmboe oil and 163 Bscf gas as of 01.01.2018 based on independent reserves report. Halfdan produced approx. 24 kboepd in 2017 (net to SOGU).

Dan hub

Dan was the first field in production in Denmark in 1972. Close to 28% of total Danish oil production has been extracted from Dan. The field remains a significant asset within the DUC portfolio with over 25% of remaining oil resources.

The Dan field has been developed in several phases and consists now of a total of 12 platforms. Dan has two satellite fields Kraka and Regnar (shut-in). The oil production from Dan is transported to Gorm while the gas is transported to Tyra.

Kraka is a satellite development to the Dan Field with one unmanned STAR platform without a helideck. The production is transported to the Dan FA installation for processing and then exported ashore. Lift gas is imported from the Dan FF installation. The field was discovered in 1966 in the Anne prospect and came on stream in 1991. Currently, there are seven oil producing wells at Kraka.

SOGU's share of remaining reserves related to the Dan hub is estimated to 28.4 mmboe oil as of 01.01.2018 based on independent reserves report. The Dan hub produced approx. 10 kboepd in 2017 (net to SOGU).

Tyra hub

The Tyra Field installations comprise three platform complexes, Tyra West, Tyra East and Tyra South East. Tyra is the processing centre for all gas produced by DUC. The oil and condensate production from the Tyra field and its satellite fields are transported to shore via Gorm.

Total, as operator is undertaking the full redevelopment of Tyra as Denmark's major gas hub, and in the process extending the life of the Danish North Sea. The redevelopment of Tyra ensures continued production from Denmark's largest gas field and will protect important Danish North Sea infrastructure. Tyra is also the centre of Denmark's national energy infrastructure, processing 90% of the nation's gas production. The Tyra re-development was sanctioned in 2017 and is expected to bring the fields on-stream in 2022.

The DUC partners have approved an investment of approximately 21bn DKK in the full redevelopment of the Tyra Gas field. This represents the largest project investment ever made in the Danish North Sea, enabling Tyra to continue operations for at least 25 years.

Valdemar is a satellite field to Tyra that consists of a northern reservoir, North Jens, and a southern reservoir, Bo. The North Jens area is developed with Valdemar AA and AB as bridge-linked unmanned wellhead platforms of the STAR type. The Bo area is also utilising a STAR platform, Valdemar BA. There is currently 23 oil producing wells at Valdemar. All development wells are horizontal wells and the production of oil is based on natural depletion.

The Roar field is developed as a satellite to Tyra with an unmanned wellhead platform of the STAR type. Roar started production in 1996. A pipeline has been established from the Valdemar BA platform to Tyra East via the Roar Field, which transports the gas from Roar to Tyra East.

Svend has been developed as a satellite to Tyra consisting of one unmanned wellhead platform of the STAR type, without a helideck. Svend came on stream in 1996. Production is transported to Tyra East for processing and export. The Svend field is connected to the pipeline from Harald to Tyra East.

Harald is the north most field in Denmark, close to the Norwegian median line. The Harald Field consists of two accumulations, Harald East (Lulu) and Harald West (West Lulu), which contain gas mainly. Harald has two main facilities Harald A and Harald B. Harald hosts the Lulita facilities in addition to being the host of the Norwegian subsea field Trym. Unprocessed condensate and gas are transported to Tyra.

SOGU's share of remaining reserves related to the Tyra hub are estimated to 35 mmboe oil and 263 Bscf gas as of 01.01.2018 based on independent reserves report. The Tyra hub produced approx. 27 kboepd in 2017 (net to SOGU).

Gorm hub

Gorm production started in 1981, the second Danish field in production after Dan. Gorm has three satellites fields, Skjold, Rolf and Dagmar, and is a gathering centre for most of the liquids produced in Denmark. The oil is transported ashore to Frederica via pipeline from the riser platform Gorm E while Gas is sent to Tyra.

Skjold consists of two wellhead platforms, Skjold A and B, and one accommodation platform with a helideck, Skjold C. The field was discovered in 1977 in the Ruth prospect and started production in 1982. The oil and gas production peaked in June 1991 at 53 thousand boe kboepd.

Rolf consists of an unmanned wellhead platform with a helideck. The field was discovered in the Midt Rosa prospect in 1981. The first well came on stream in 1986. The field was shut-in from March 2011 to September 2015 due to a suspected pipeline leak.

SOGU's share of remaining reserves related to the Gorm hub are estimated to 11 mmboe oil as of 01.01.2018 based on independent reserves report. The Gorm hub produced approx. 6 kboepd in 2017 (net to SOGU).

SOGUP

Shell Olie- Og Gasudvinding Danmark Pipelines ApS («SOGUP») is a company owned 100% by SOGU. The activities and purpose of SOGUP is to provide an alternative distribution channel to the European gas market. The company currently provides pipeline transportation capacity to the gas producers from the Danish fields to the NOGAT pipeline. SOGUP has 23 % interest in the pipeline. Other investors are APM Pipelines (recently acquired by Total as part of the acquisition of Maersk Oil)(19.5%), Chevron Pipeline (7.5%) and Ørsted Pipelines (formerly DONG Pipelines)(50%).

The total revenues for SOGUP were DKK 55.4 million and the net profit was USD DKK 75.2 million in 2017. Total balance sheet assets were DKK 193.9 million at the end of the year (all of the foregoing in rounded numbers).

5.4 Disclosure About Dependency on Contracts, Patents and Licenses

SOGU's activities under the Sole Concession are carried out through DUC, in which SOGU holds an interest of 36.8%. SOGU also holds a 36.8% interest in 8/06 sub-area B (Bo South).

It is crucial for SOGU's business to remain a party to the DUC JOA, and that the Sole Concession license and License 8/06B are not revoked.

5.5 Material Contracts

SOGU has entered into two JOAs in relation to the exploration and development and production of hydrocarbons etc. in respect of the Sole Concession and License 8/06B with the other DUC parties.

SOGU has also entered into two gas sales agreements according to which SOGU has agreed to sell all natural gas, which it has available to sell to a third party from the Tyra platforms, to either Ørsted Salg og Service A/S or Shell Energy Europe Limited.

According to the Crude oil sale and purchase agreement between SOGU and Shell International Trading and Shipping Company Limited, SOGU shall sell and deliver DUC Crude Oil.

SOGU has also entered into various transport agreements regarding the transport of crude oil and gas.

5.6 Significant Recent Trends

SOGU´s revenues are affected by changes in commodity prices, specifically crude oil and natural gas prices. During 2018 crude oil prices has seen great fluctuations but has compared to 2017 been higher on average. Given the natural decline in production, SOGU´s revenues are expected to be higher than the USD 1,149 million reported for 2017. The DUC partners have started the Tyra Redevelopment and as such SOGU´s capital expenditures are expected to increase in 2018 compared to 2017.

5.7 Recent Developments

The following recent changes have been made in the financial and trading position in SOGU:

- The Crude oil sale and purchase agreement with Shell International Trading and Shipping Company Limited has been amended to reflect the Fixed Price Arrangements.

- An agreement entered into by SOGU in 2017 with Shell Energy Europe Limited (SEEL) to monetise its freely marketable share of DUC gas as well as transport and balance the share of gas dedicated to Orsted under long term contracts has become effective.

- Shareholder loans repaid in accordance with repayment schedule.

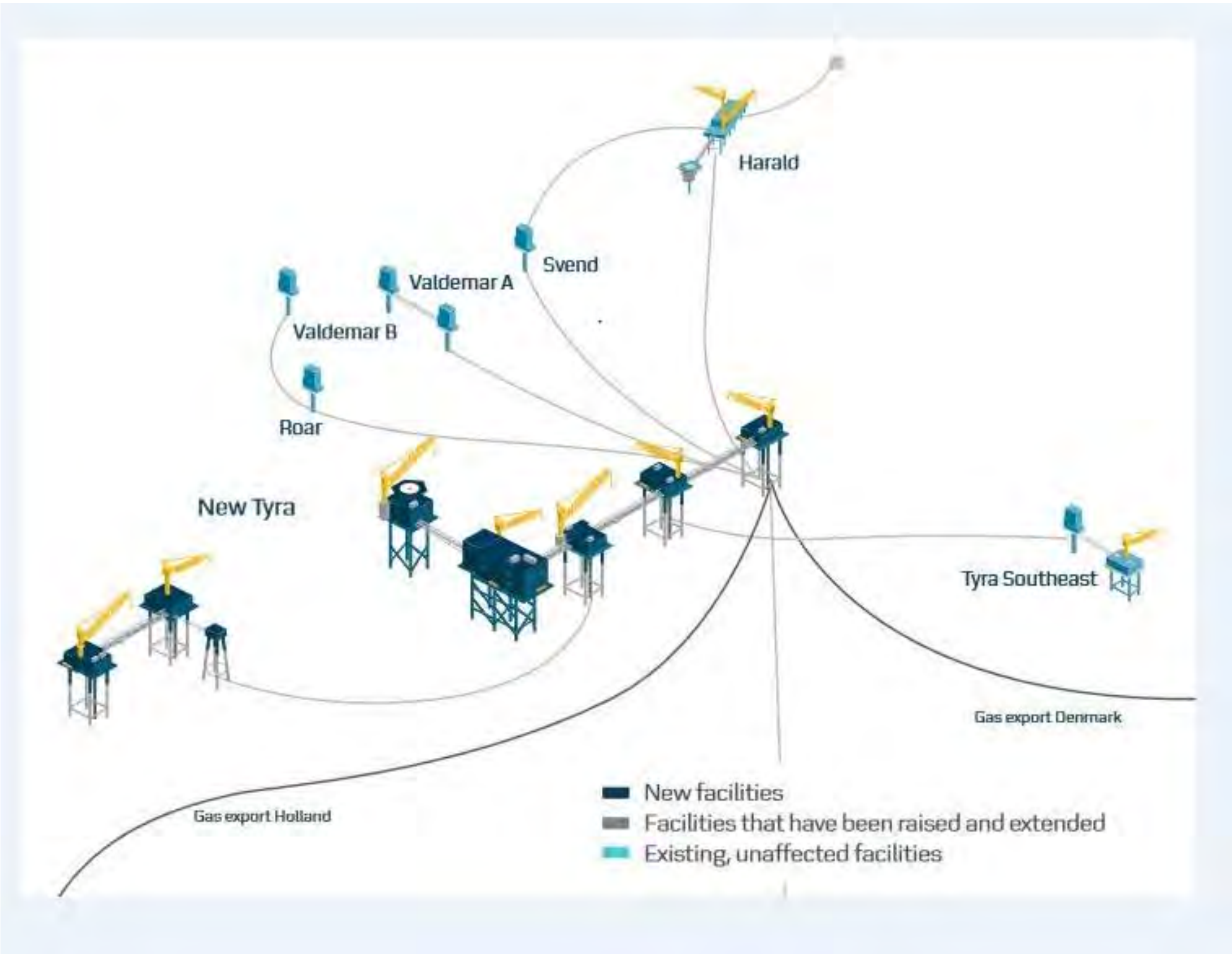
5.8 Legal and Arbitration Proceedings

The Company has been informed that SOGU is involved in certain legal disputes with tax authorities. According to the Transaction documents, the Seller shall be responsible for such disputes and, on that assumption, these disputes shall have no impact on the Company.

Other than mentioned above, the Company is at the date of this Information Memorandum not aware of any other governmental, legal or arbitration proceedings during the course of the preceding twelve months, including any such proceedings which are pending or threatened, of such importance that they may have a significant effect on the Group's financial position or profitability.

5.9 The Tyra Redevelopment

The Tyra field requires redevelopment due to subsidence of the chalk reservoir which has led to the platforms sinking by approximately 5 meters over the past 30 days. At the end of 2017 the Tyra Redevelopment was approved making it the largest oil and gas project investment ever made in the Danish North Sea. The project scope includes replacing two existing accommodation and one processing platform by one single accommodation and one processing platform. The jackets of the wellhead and riser platforms will be raised, and topsides replaced. The investment cost for the modification of existing facilities, the construction of new facilities and the decommissioning of certain of the facilities is estimated to DKK 21bn. The project will allow Tyra, which is the centre of Denmark's national energy infrastructure processing 90% of the nation's gas production, to continue its operations for at least 24 years. The redeveloped Tyra hub is expected to deliver approximately 60 000 barrels of oil equivalents per day and provide enough gas to supply 1.5 million Danish homes at peak and enable the production of over 200 million barrels of oil equivalents. The redeveloped Tyra field has the potential to become a processing and transportation hub for further developments and third-party tie-ins in the region.



6. THE COMPANY FOLLOWING COMPLETION OF THE TRANSACTION

This Section provides information about the prospects of the results of the Transaction and its expected implications on the Company following the Transaction and should be read in conjunction with other parts of the Information Memorandum, in particular Section 5 "Presentation of SOGU" and Section 9 "Pro Forma Financial Information". The following discussion contains Forward-looking Statements that reflect the Company's plans and estimates. Factors that could cause or contribute to differences to these Forward-looking Statements include, but are not limited to, those discussed in Section 1 "Risk Factors" and the "Cautionary Note Regarding Forward-Looking Statements" in section 11.

All conditions for the Transaction have not been met at the date hereof and the Transaction has consequently not been completed. No assurance can be made that such conditions will be met or waived, or that the Transaction will be completed.

6.1 The Company Following Completion of the Transaction

The acquisition will establish Noreco as an E&P company on the Danish Continental Shelf and position it as the second largest oil and gas producer in Denmark. Noreco will post completion have a 36.8% non-operated interest in the Danish Underground Consortium with assets that comprise 15 fields in four producing hubs; Halfdan, Tyra, Gorm and Dan. Local SOGU staff mostly dedicated to the DUC will pass to Noreco along with the business with their existing contracts of employment intact and full continuity of service. In total ca. 8 employees will follow from Shell, which will bring additional competences to the Noreco organisation. The Company will have a balanced portfolio of operated assets with opportunities to improve production through existing contingent resources.

6.2 Strengths and Strategies Following Completion of the Transaction

The strengths and strategies of the Company will materially change upon completion of the Transaction. The Company currently has few oil and gas assets, and the Transaction will again provide the Company with increased exposure to the E&P industry. The Transaction will bring significant additional organizational competences to the Company. Further expertise will be recruited to form a strong platform for continued value creation.

The Company sees great value creation potential in the existing portfolio of assets and intends to develop the assets with the sanctioning of new projects that will increase production in the portfolio. The Company intends to apply operational strategies deployed on the Norwegian Continental Shelf to improve operations and ensure efficient field developments.

The Company will be a fully-fledged oil company with activities within exploration, development and production. The Company will have a resource base and organisation as a sizeable player. The Tyra redevelopment field will further add strength to the Company's foundation and be important to ensure the Company's position in the years to come.

7. THE MARKET

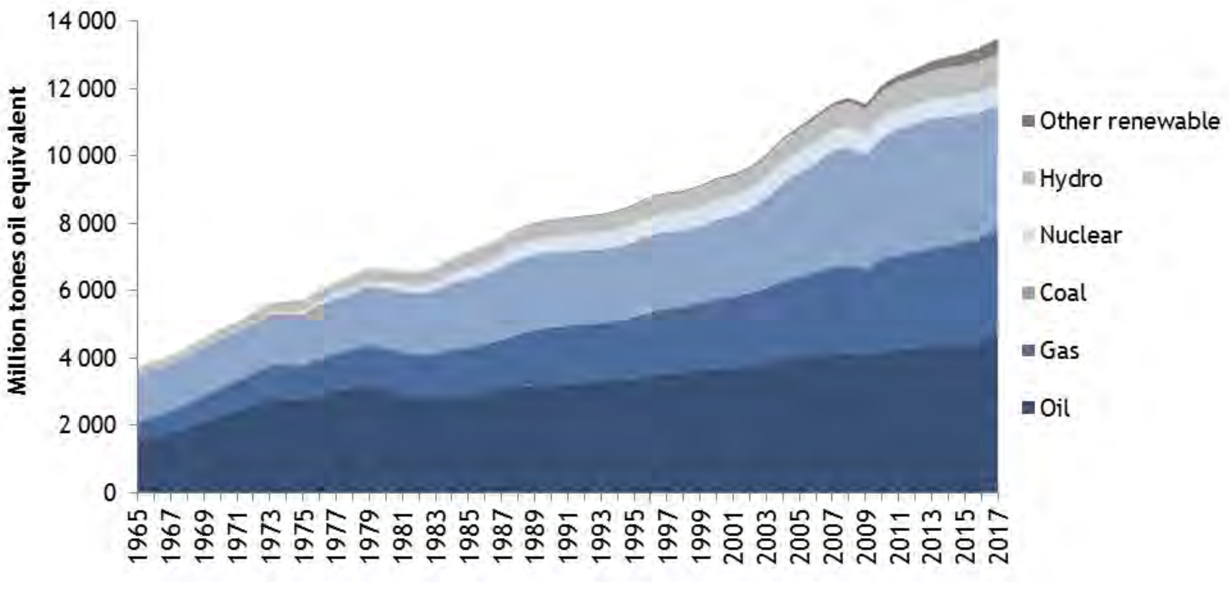
The following discussion and the discussion appearing under section 9 of this Information Memorandum contain information sourced from third parties. The Company confirms that this information has been accurately reproduced and that, as far as the Company is aware and is able to ascertain from information published by such third parties, no facts have been omitted that would render the reproduced information inaccurate or misleading. Where information sourced from third parties has been presented, the source of such information has been identified.

7.1 The global energy market

The world energy consumption has seen a steady increase since the industrial revolution, and is expected to continue to do so in the years to come. Fossil fuels continue to supply more than 85% of the world's energy according to BP Statistical Review of World Energy June 2018.

The world consumption of primary energy – including oil, natural gas, coal, nuclear, hydro power and other renewable energy – increased by 2.2% in 2017, according to BP Statistical Review of World Energy June 2018. Global oil consumption increased by 1.7 million barrels per day or 1.8% in 2017, and is by the International Energy Agency (as of October 2018) reported to have increased by 1.7% in 2017.

Figure: World Energy Consumption



Source: BP Statistical Review of World Energy June 2018

7.2 The oil market

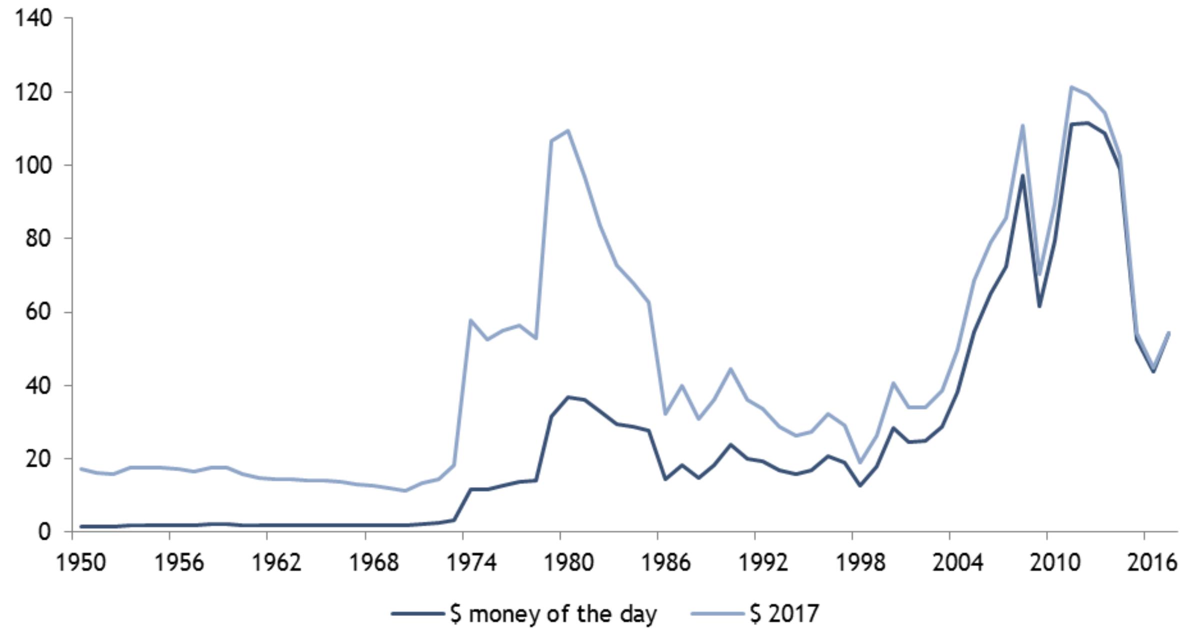
Oil is a common description for hydrocarbons in liquid form. Crude oil produced from different oil fields varies greatly in composition, and the composition and distribution of hydrocarbon components determines the weight of the oil, with light crude oil having a higher percentage of light hydrocarbons than heavier oil. Light oil requires less refinement to be usable, and is therefore more valuable than the heavy oil. Oil is well suited for storage and transportation, and is transported over long distances in large crude oil tankers or pipelines. Because of this, oil is a commodity with a well-developed world market. The prices are determined on the world's leading commodities exchanges, with NYMEX in New York and the ICE in London as the most important markets for the determination of world oil prices. Relative oil price differentials are primarily determined by the weight of the oil and its sulphur content, with WTI, the main benchmark for NYMEX, as the lightest and sweetest (less sulphur) of the main benchmarks in oil pricing. Brent crude, the main benchmark for ICE is slightly heavier.

7.3 The oil price

Oil prices traded at all-time high levels during 2011-2013, however, during 2014 oil prices were falling as a result of increased production from North American unconventional drilling. The price of oil fell from around $100 per barrel in 2013 to $27 per barrel in February 2016. In November 2016, the OPEC members agreed to cut production. In conjunction with the OPEC cuts, Russia which is not part of OPEC, committed to cut its production by 0.30 million barrels per day. The cuts that began officially in January 2017 were supposed to continue for six months but during the OPEC meeting in May 2017, OPEC was joined by its non-OPEC partners and it was decided to extend production cuts until March 2018. The agreement does however not include the shale oil producers in the United States. The most recent decision was to prolong the production cut deal until the end of 2018. In December 2018, the OPEC Reference Basket (ORB) averaged $56.94/b.

As evidenced by the decline in prices from record levels, the oil price is highly dependent on the current and expected future supply and demand of oil, and is as such influenced by global macroeconomic conditions and may experience material fluctuations on the basis of economic indicators, material economic events and geopolitical events. Historically, oil prices have also been heavily influenced by organizational and national policies, most significantly the implementation of OPEC and subsequent production policies announced by the organization. The figures below show the historical oil price development from 1950 to 2017, as well as the development in Brent prices from 2014 until today.

Figure: Historical oil price, annual average



Source: BP Statistical Review of World Energy June 2018

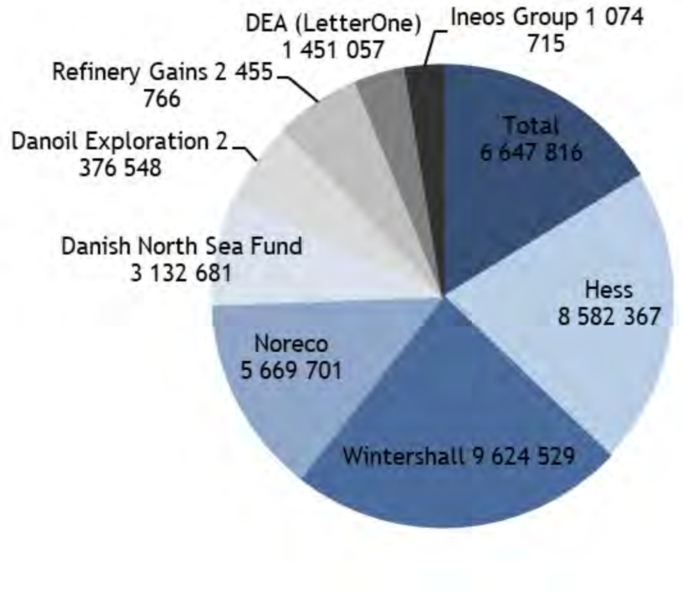
Figure: Brent oil price, daily from 1 Jan 2014 to 14 Nov 2018

Source: Factset

7.4 The Danish Continental Shelf

According to the Danish Energy Agency ("DEA"), the Danish Continental Shelf contains in total 19 producing fields of varying size. Total production of oil in 2017 amounted to 7.9 million m^3, a decline of 2.9% compared to 2016. Natural gas production was 4.7 billion Nm^3, of which 85% was exported ashore as sales gas. As of January 1 2018, DEA estimates oil reserves on the DCS to 139 million m^3 and sales reserves of sales gas to 72 billion Nm^3

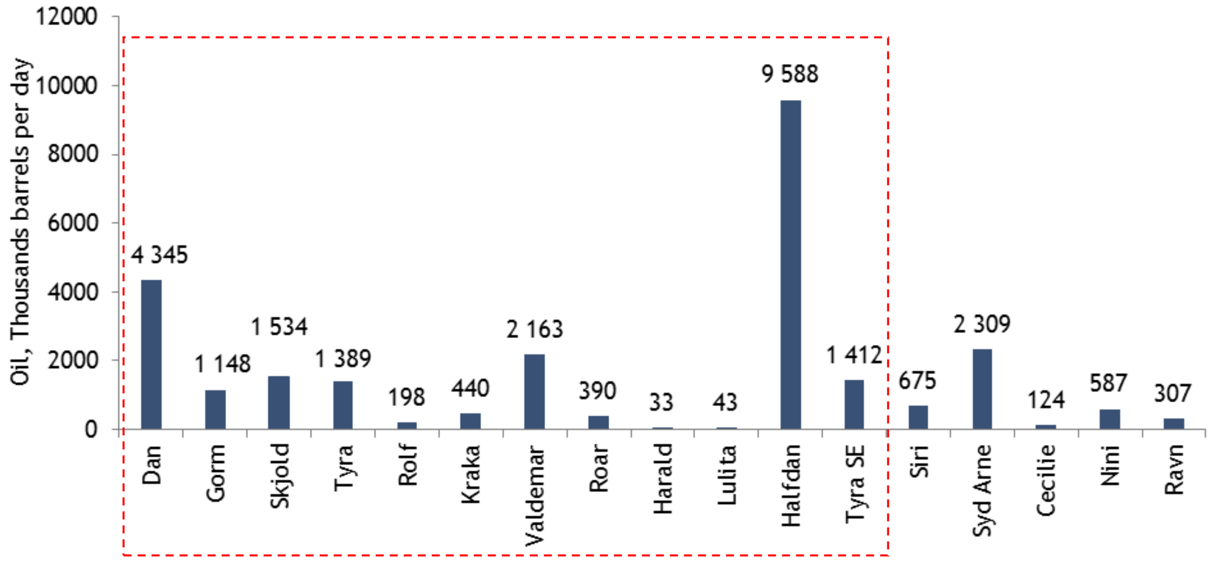
Figure: Breakdown of oil production by company (kbbl/d)

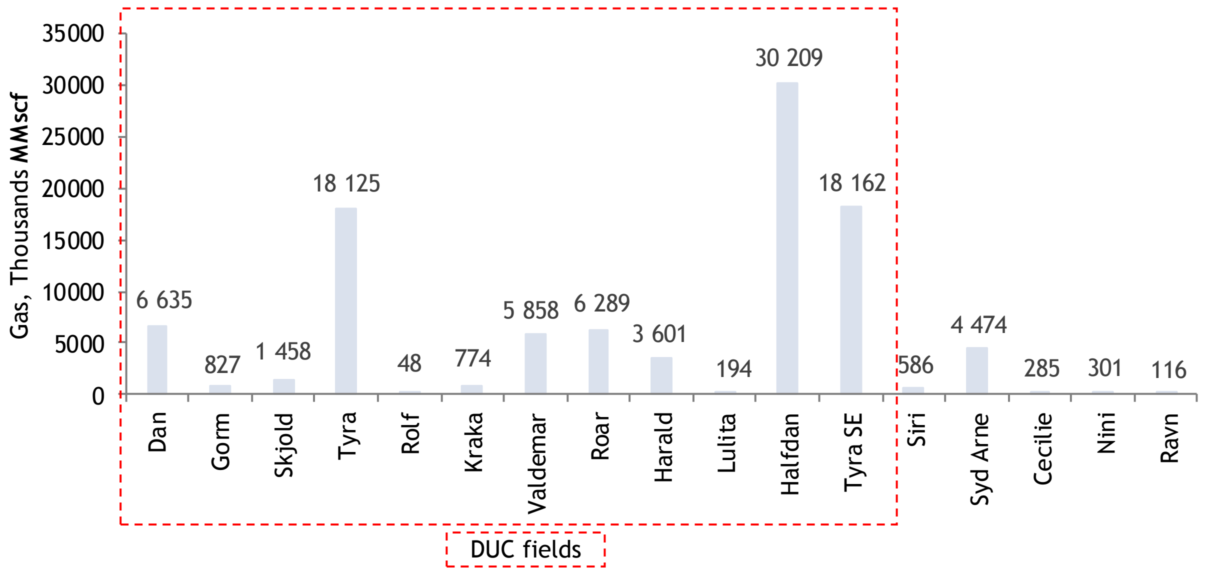


Source: "Rystad Energy Ucube – 19-November-2018"
Note: Total includes Chevron's 12% in DUC, Noreco includes Shell's stake in DUC

The Danish Underground Consortium (DUC), which started production in 1972, currently operates 15 fields, all located in the Central Graben sector of the North Sea. DUC is a joint venture between Total (43.2%), Noreco (36.8%) and Nordsøfonden (20.0%, owned by the Danish state) cooperating to recover oil from the Sole Concession holder's area of the Danish North Sea. The Sole Concession covers 1,635.7 km² of the DCS and is operated by Total. It covers nearly 90% of Danish oil and gas production, managing 85% of the oil and 97% gas exports of Denmark, averaging 182,000 boe/d in 2017 (~67% liquids and ~33% gas)

Figure: Danish Production of oil and gas in 2018 (until Aug-18)





Source: Danish Energy Agency, "Monthly Production – August 2018"
Note: Dagmar, Regnar and Svend fields did not have any production of Oil or Gas in 2018, hence excluded

Halfdan is the largest producing field in Denmark and the most important DUC asset in terms of value and resources that consists of consists of two main platforms groups, Halfdan A and Halfdan B in addition to an unmanned wellhead platform, Halfdan CA.

The Tyra field installations comprise three platform complexes, Tyra West, Tyra East and Tyra South East and is the processing centre for all gas produced by DUC. Reservoir compaction has resulted in decreased air gap and the requirement for a full redevelopment of the Tyra field installations The DUC partners have agreed to invest $3.27 billion ($21 billion DKK) to develop the Tyra Gas field, which will be able to produce 60,000 barrels of oil equivalent per day (boe/d) from 2022.

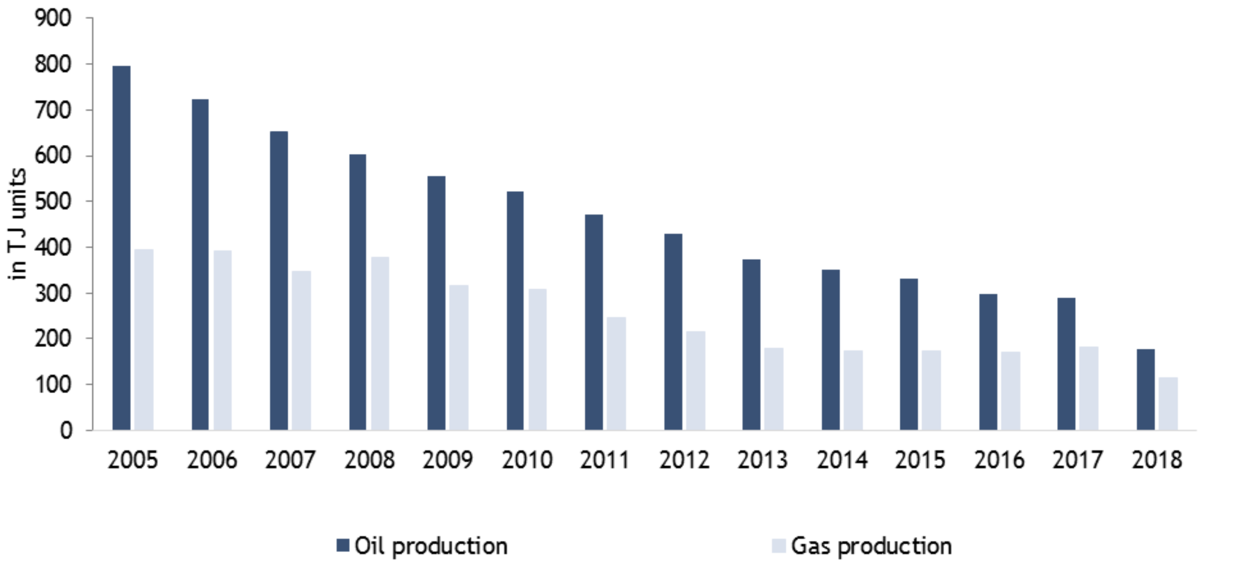
Dan was the first field brought on production in Denmark in 1972 and has since contributed with approximately 28% of the cumulative Danish oil production. The field remains a significant asset within the

DUC portfolio with over 25% of remaining oil resources. Dan has two satellite fields Kraka and Regnar (shut-in).

Gorm production started in 1981, the second Danish field in production after Dan. Gorm has three satellites fields, Skjold, Rolf and Dagmar. Most of the Gorm resources have been produced. Gorm acts as an export centre for most of the liquids produced in Denmark

The Lulita field is the only field in the DUC portfolio with shared ownership. DUC has 50% ownership in Lulita with Ineos (40%) and Noreco (10%) as partners (prior to acquiring Shell's working interest in the DUC) and is hosted by the Harald facilities. It currently has only one producing well.

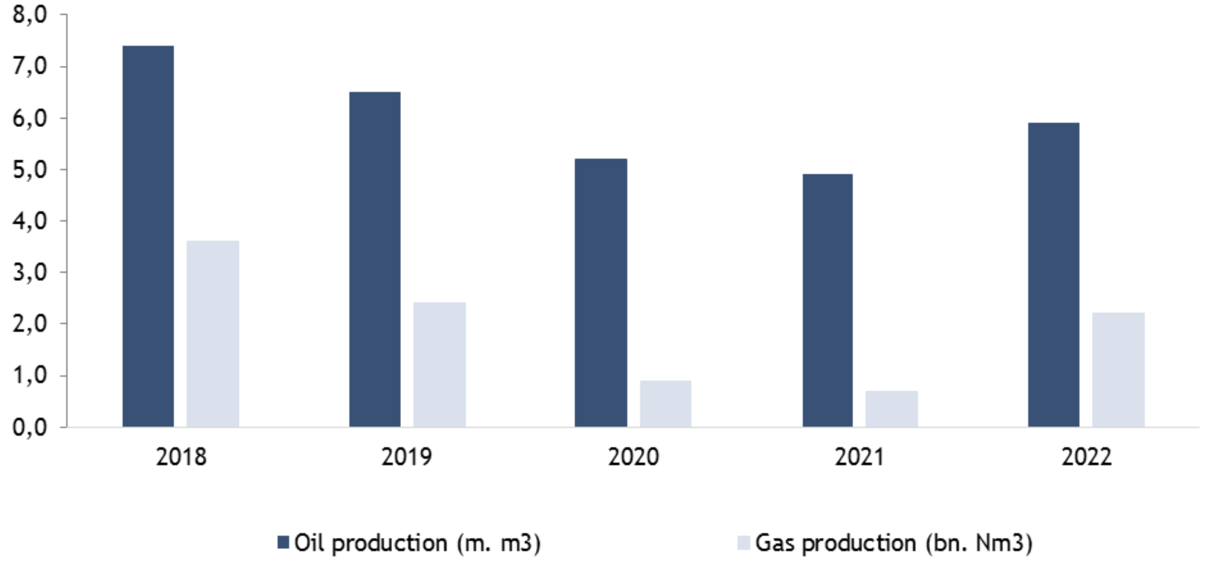
Figure: Development of oil and gas production on the DCS



Source: Danish Energy Agency
Note: 2018 numbers are up to Sep-2018

Production is expected to decline driven by revision of fields and discoveries together with risking of a number of development projects. For 2018, DEA expects production to total 7.4 million m3 of oil, equal to about 128,000 barrels of oil per day, and 3.6 billion Nm3 of sales gas, equal to a combined total of about 193,000 barrels of oil equivalents per day. In the period 2018-2022 a decline in production is estimated due to lower production levels by larger oil fields and postponement of production start for a number of fields.

Figure: Expected production profile for production of oil and sales gas on the DCS



Source: Danish Energy Agency, " Resource Assessment and Production Forecasts – 30 August 2018"

Since 1983, areas in the Danish North Sea have been offered to interested oil companies in a system of rounds. Seven licensing rounds have been held and the 8th licensing round is currently open for applications until 1 February 2019. On behalf of the Danish state, the Danish North Sea Fund will hold a 20% interest in the new licenses, and the oil companies will hold an 80% interest. In addition to the licensing Rounds, Denmark also has an Open Door procedure for applying for licenses in some unlicensed areas. A "first come first served" policy applies according to the license conditions. The procedure applies to areas in which no commercial oil or gas discoveries have been made, and these applications are therefore subject to more lenient work program requirements than in the western part of the North Sea. The aggregate value of the licensees' expenditures for exploration, field developments and operations in the period between 1963 and 2014 slightly exceeded DKK 355 billion (2014 prices), which averages close to DKK 7 billion a year.

8. SELECTED FINANCIAL INFORMATION FOR THE GROUP

The following selected financial information has been extracted from the Group's audited financial statements as of and for the years ended 31 December 2017, which includes comparative figures for 2016, and the Group's unaudited interim financial statements for the three and nine months ended 30 September 2018, which includes comparative figures for the corresponding interim periods in 2017.

The comparative figures for the three and nine months ended 30 September 2017 included in the unaudited interim financial statements for the three and nine months ended 30 September 2018, have been changed compared to the same periods presented in the unaudited interim financial statements that were dated 16 November 2017. This is due to correction of an error and a change in accounting policies (IFRS 9):

1. *Correction of an error*

   When the Company re-issued its audited financial statements as of and for the year ended 31 December 2017 on 13 June 2018, it corrected an error for the years 2016 and 2017. This error also affected the interim periods in 2017, which are corrected in the comparable figures for the interim periods in 2017 when publishing unaudited interim financial statements for 2018.

   The currency effects of a DKK bank account in a Danish subsidiary with USD as functional currency had been reported as a part of currency translation adjustment in other comprehensive income (OCI). The correction is a reclassification between net result and OCI, with no effect on total comprehensive income, equity, statement of financial position or net cash flows.

2. *Change in accounting policies (IFRS 9)*

   The Company has designated the amended and restated bond loan at fair value through profit or loss. According to IFRS 9, which was implemented on 1 January 2018, the change in fair value due to own credit risk of the bond shall be classified as part of OCI instead as part of net result. The comparative figures for 2017 have been restated accordingly. The change is a reclassification between net result and OCI, with no effect on total comprehensive income, equity, statement of financial position or net cash flows.

The comparative figures in the Consolidated Statement of Comprehensive Income for the year 2017 included in the unaudited interim financial statements for the three and nine months ended 30 September 2018, have been changed compared to the Group's audited financial statements as of and for the year ended 31 December 2017. This is due to the change in accounting policy following implementation of IFRS 9, as explained above. Consequently, some amounts in the Condensed Consolidated Statement of Comprehensive Income for the year 2017 included as comparative figures in the unaudited interim financial statements for the three and nine months ended 30 September 2018 deviates from the figures from the Group's audited financial statements as of and for the year ended 31 December 2017.

The amounts below in Selected line items from the Consolidated Statement of Comprehensive Income for the years 2017 and 2016 are extracted from the re-issued audited financial statements as of and for the year ended 31 December 2017 with comparative figures for 2016. The amounts have not been restated for the change in accounting policies following implementation of IFRS 9 as of 1 January 2018, as explained above. When the Company re-issued its audited financial statements as of and for the year ended 31 December 2017 on 13 June 2018, it corrected an error for the years 2016 and 2017 related to currency effects, as explained above.

The historical results of the Group are not necessarily indicative of its results for any future period. For a discussion of certain risks that could impact the business, operating results, financial condition, liquidity and prospects of the Group, see Section 1 "Risk Factors". The following summary of consolidated financial data should be read in conjunction with the other information contained in this Information Memorandum, *including the Annual Financial Statements of the Group and the notes therein and the Interim Financial Statements, which have been incorporated in this Information Memorandum by reference; see Section 11 "Incorporation by Reference; Documents on Display".*

8.1 Selected line items from the Consolidated Statement of Comprehensive Income

The table below sets out a summary of the Group's Comprehensive Income statement information for the three and nine months ended 30 September 2018 and 2017 and for the years ended 31 December for 2017 and 2016.

	For the Three Months Ended 30 September		**For the Nine Months Ended 30 September**		**For the Year Ended 31 December**	
(NOK million)	**2018**	**2017**	**2018**	**2017**	**2017**	**2016**
Continued operations						
Revenue	1	1	3	6	10	11
Total revenues	**1**	**1**	**3**	**6**	**10**	**11**
Production expenses	(1)	(1)	(2)	4	(386)	(5)
Personnel expenses	(3)	(6)	(9)	(26)	(29)	(20)
Other operating expenses	(9)	(4)	(21)	(23)	(33)	(11)
Other (losses) / gains	-	-	-	-	-	1
Total operating expenses	(13)	(10)	(33)	(45)	(448)	(35)
Operating result before depreciation (EBITDA)	**(11)**	**(9)**	**(29)**	**(39)**	**(439)**	**(23)**
Depreciation	(0)	(1)	(1)	(0)	(1)	(1)
Net operating result (EBIT)	**(12)**	**(10)**	**(30)**	**(41)**	**(440)**	**(24)**
Financial income	23	19	84	74	180	82
Financial expenses	(26)	(67)	(97)	(172)	(165)	(149)
Net financial items	**(3)**	**(48)**	**(13)**	**(98)**	**14**	**(67)**
Result before tax (EBT)	**(15)**	**(57)**	**(43)**	**(137)**	**(426)**	**(91)**
Income tax benefit / (expense)	0	11	0	26	(9)	65
Net result for the period continued operation	**(14)**	**(47)**	**(42)**	**(112)**	**(435)**	**(26)**
Discontinued operation Profit (loss) from discontinued operation (net of income tax)	(1)	(0)	(2)	109	102	304
Net result for the period	**(15)**	**(47)**	**(44)**	**(3)**	**(332)**	**279**
Other comprehensive income (net of tax): ** *Items to be reclassified to profit or loss in subsequent periods*						
Change in fair value of bond debt	7	(2)	3	3	-	-
Currency translation adjustment	(1)	(0)	0	2	20	8
Total	*6*	*(2)*	*3*	*4*	*20*	*8*
Total other comprehensive income (net of tax)	**6**	**(2)**	**3**	**4**	**20**	**9**
Total comprehensive income (net of tax)	**(9)**	**(49)**	**(41)**	**1**	**(312)**	**287**
Earnings per share (NOK 1)						
Basic	(2,1)	(6,5)	(6,1)	(0,4)	(46,5)	39,3
Diluted	(2,1)	(6,2)	(6,0)	(0,4)	(45,4)	38,2
Earnings per share continuing operation (NOK 1)						

Basic	(2,)	(6,5)	(5,9)	(15,5)	(60,5)	(3,6)
Diluted	(1,9)	(6,2)	(5,7)	(14,9)	(59,5)	(3,5)

When the Company re-issued its audited financial statements as of and for the year ended 31 December 2017 on 13 June 2018, it corrected an error for the years 2016 and 2017 related to currency effects, as explained above. The amounts above in Selected line items from the Consolidates Statement of Comprehensive Income for the year 2016 is the restated 2016 figures included as comparative figures in the re-issued audited financial statements as of and for the year ended 31 December 2017. Consequently, some line items in the Selected line items from the Consolidated Statement of Comprehensive Income for the year 2016 deviates from the corresponding 2016 figures in the audited financial statements as of and for the year ended 31 December 2016. The correction is explained in the re-issued audited financial statements as of and for the year ended 31 December 2017.

8.2 Selected line items from the Consolidated Financial Position Information

The table below sets out a summary of the Group's financial position information as of 30 September 2018 and as of 31 December 2017 and 2016.

	As of 30 September	As of 31 December	
(NOK million)	**2018**	**2017**	**2016**
Non-current assets			
Deferred tax assets	0	-	9
Property, plant and equipment	11	11	12
Restricted cash	571	598	591
Receivables	-	-	510
Total non-current assets	**581**	**609**	**1.122**
Current assets			
Tax refund	0	-	397
Trade receivables and other current assets	173	174	8
Restricted cash	0	2	4
Bank deposits, cash and cash equivalents	87	133	89
Total current assets	**260**	**310**	**498**
Total assets	**841**	**919**	**1.620**
Equity			
Share capital	72	72	71
Other equity	28	69	366
Total equity	**100**	**141**	**437**
Non-current liabilities			
Deferred tax	0	0	23
Asset retirement obligations	567	593	563
Bond loan	-	-	153
Other interest-bearing debt	(0)	(0)	0
Total non-current liabilities	**567**	**593**	**739**
Current liabilities			
Bond loan	154	155	377

Other interest-bearing debt	0	(0)	(0)
Trade payables and other current liabilities	20	30	67
Total current liabilities	**174**	**185**	**444**
Total liabilities	**741**	**778**	**1.183**
Total equity and liabilities	**841**	**919**	**1.620**

8.3 Selected Changes in Equity Information

The table below sets out a summary of the Group's changes in equity information for the years ended 31 December 2017 and 2016 and the nine months ended 30 September 2018. The amounts for the years ended 31 December 2017 and 2016 are from the re-issued audited financial statements as of and for the year ended 31 December 2017, with comparative figures for 2016. The comparative figures for 2016 were corrected for error as explained above in the audited financial statements as of and for the year ended 31 December 2017, and deviates from the figures reported in the audited financial statements as of and for the year ended 31 December 2016. Total equity was not affected. The amounts for the years ended 31 December 2017 and 2016 have not been restated due to change in accounting policy (IFRS 9) as explained above.

(NOK million)	Share capital	Currency translation fund	Other equity	Total eguity
Equity on 01.01.2016	**71**	**465**	**(392)**	**144**
Net result for the period		-	279	279
Other comprehensive income (net of tax)				
Currency translation adjustments	-	8	-	8
Change in fair value of bond debt	-	-	-	-
Total comprehensive income (net of tax)	**-**	**8**	**279**	**287**
Transactions with owners				
Proceeds from share issued	0	-	0	0
Share-based incentive program	-	-	7	7
Total transactions with owners	**0**	**-**	**7**	**7**
Equity on 31.12.2016	**71**	**473**	**(107)**	**437**
Equity on 01.01.2017	**71**	**473**	**(107)**	**437**
Net result for the period		-	(332)	(332)
Other comprehensive income (net of tax)				
Currency translation adjustments	-	20	-	20
Change in fair value of bond debt	-	-	-	-
Total comprehensive income (net of tax)	**-**	**20**	**(332)**	**(312)**
Transactions with owners				
Proceeds from share issued	1	-	3	4
Share-based incentive program	-	-	13	13
Total transactions with owners	**1**	**-**	**16**	**17**
Equity on 31.12.2017	**72**	**493**	**(424)**	**141**
Equity on 01.01.2018	**72**	**493**	**(424)**	**141**
Net result for the period		-	(44)	(44)

Other comprehensive income (net of tax)				
Currency translation adjustments	-	0	-	0
Change in fair value of bond debt	-	-	3	3
Total transactions with owners	**-**	**0**	**3**	**3**
Transactions with owners				
Proceeds from share issued	-	-	-	-
Share-based incentive program	-	-	-	-
Total comprehensive income (net of tax)	**-**	**-**	**-**	**-**
Equity on 30.09.2018	**72**	**493**	**(465)**	**100**

8.4 Selected Cash Flow Information

The table below sets out a summary of the Group's cash flow information for the three and nine months ended 30 September 2018 and 2017 and for the years ended 31 December 2017 and 2016.

The amounts for the years ended 31 December 2017 and 2016 are from the re-issued audited consolidated financial statements as of and for the year ended 31 December 2017, with comparative figures for 2016. The comparative figures for 2016 were corrected for error as explained above, and deviates from the figures reported in the audited consolidated financial statements as of and for the year ended 31 December 2016. Net cash flow was not affected. The amounts for the years ended 31 December 2017 and 2016 have not been restated due to change in accounting policy (IFRS 9) as explained above.

The amounts for the nine months ended 30 September 2017 has been extracted from the unaudited interim financial statements for the nine months ended 30 September 2018 and have been changed compared to the same period presented in the unaudited interim financial statements that were dated 16 November 2017. This is due to correction of an error and a change in accounting policies (IFRS 9) as explained above. Net cash flow was not affected.

	For the Three Months Ended 30 September		**For the Nine Months Ended 30 September**		**For the Year Ended 31 December**	
(NOK million)	**2018**	**2017**	**2018**	**2017**	**2017**	**2016**
Net result for the period	(15)	(47)	(44)	(3)	(332)	279
Income tax benefit	(0)	(11)	(0)	(26)	(6)	(76)
Cash Flow from operating activities:						
Tax Refundable		(4)		(4)	401	119
Depreciation	1	(1)	1	(1)	(0)	1
Write-downs and reversal of write-downs						(245)
Expensed exploration expenditures previously capitalized			-			6
Share-based payments expenses		2	-	17	13	7
(Gain) / loss on sale of licenses	-	-				(66)
Change in fair value of bonds				3	22	34
Unrealized loss / (gain) related to financial instruments		-				(1)
Interests received		-				3
Effect of changes in exchange rates	(1)	(0)	0		20	8

Paid abandonment cost				-	(9)	0
Payment in kind interest with no cash effect	8	15	8	35	36	16
Reversal of Siri claim				-	343	-
Changes in working capital						
Changes in trade receivable	(3)	9	1	21	1	-
Changes in trade payables	(7)	12	(10)	15	(37)	(1)
Changes in other current balance sheet items	2	16	8	8	(12)	75
Net cash flow from operations	**(16)**	**(9)**	**(35)**	**65**	**438**	**159**
Cash flows from investing activities						
Purchase of tangible assets				-	1	6
Purchase of intangible assets						(6)
Net cash outflow from divestment of assets						31
Net cash flow used in investing activities	**-**	**-**	**-**	**-**	**1**	**31**
Cash flows from financing activities						
Issue of share capital			-	4	4	-
Repayment of bonds				(33)	(393)	(179)
Repayment of exploration facility	-					(110)
Repurchase own bonds			(6)			(170)
Interest paid		(5)	(5)	5	(5)	(31)
Net cash flow from (used) in financing activities	**-**	**(5)**	**(12)**	**(24)**	**(394)**	**(490)**
Net change in cash and cash equivalents	**(16)**	**(13)**	**(47)**	**41**	**45**	**(363)**
Cash and cash equivalents at the beginning of the period	102	142	133	89	89	452
Cash and cash equivalents at end of the quarter	**86**	**129**	**86**	**129**	**133**	**89**

9. PRO FORMA FINANCIAL INFORMATION

9.1 Cautionary Note Regarding the Unaudited Pro Forma Financial Information

The following tables set out unaudited pro forma financial information for the Group as of and for the year ended 31 December 2017 and is prepared under the assumption that the Transaction will close as described. For more details about the Transaction, please refer to Section 4.

The unaudited pro forma financial information has been prepared solely to show how the Transaction could have impacted on the Consolidated Statement of Income for the Group for the twelve months ended 31 December 2017 had the Transaction occurred on 1 January 2017, and the consolidated statement of financial position as of 31 December 2017 had the Transaction occurred on 31 December 2017. The Transaction is targeted to be completed by within the first half year 2019, subject to completion of the applicable conditions.

Although the unaudited pro forma financial information is based on estimates and assumptions based on current circumstances believed to be reasonable, actual results could have materially differed from those presented herein. There is a greater degree of uncertainty associated with pro forma figures than with actual reported financial information. The unaudited pro forma financial information has been prepared for illustrative purposes only and, because of its nature, the pro forma financial information addresses a hypothetical situation and, therefore, does not represent the Group's actual financial position or results.

The unaudited pro forma financial information has been compiled to comply with the requirements as set forth in Section 3.5 of the Continuing Obligations by reference to Annex II of Commission Regulation (EC) no. 809/2004 implementing Directive 2003/71/EC of the European Parliament and of the Council of 4 November 2003 regarding information contained in prospectuses as well as the format, incorporation by reference and publication of such prospectuses and dissemination of advertisements, which pursuant to the Continuing Obligations apply correspondingly to information memorandums such as this Information Memorandum.

9.2 Independent Practitioners Assurance Report on the compilation of Pro Forma Financial Information included in an Information Memorandum

With respect to the unaudited pro forma financial information included in this Information Memorandum, KPMG AS has applied assurance procedures in accordance with ISAE 3420 *Assurance Engagement to Report on Compilation of Pro Forma Financial Information Included in a Prospectus* in order to express an opinion as to whether the unaudited pro forma financial information has been properly compiled on the basis stated, and that such basis is consistent with the accounting policies of the Company; see Appendix B (*Independent Practitioner's Assurance Report on the Compilation of Pro-Forma Financial Information included in an Information Memorandum*).

9.3 Sources of the Unaudited Pro Forma Financial Information

The historical financial information for the Company used for compilation of the pro forma Consolidated Statement of Income has been extracted from the audited consolidated financial statements for the Group as of and for the year ended 31 December 2017. These documents are incorporated by reference to this Information Memorandum; See Section 11 "Incorporation by Reference; Documents on Display".

Shell Olie- Og Gasudvinding Danmark B.V. is the 100% owner of Shell Olie- Og Gasudvikling Denmark Pipelines ApS. These two companies have previously not been consolidated as a Group but consolidated into Shell Group only.

The financial information of SOGU has been extracted from the audited Annual Accounts of SOGU as of and for the year ended 31 December 2017 prepared in accordance with International Financial Reporting Standard (IFRS) as adopted by the European Union and they also comply with the financial reporting requirements included in section 9 of Book 2 of the Netherlands Civil Code. The Annual Accounts of SOGU are set out in Appendix C. SOGU does not have an official half year report for 2018.

The tables below show the SOGU 2017 Annual Accounts presented in USD and the recalculation to NOK. The currency rate for conversion to NOK is the average 2017 rate 8,263 for the Income Statement and the year end 2017 rate 8,205 for the Statement of financial position.

SOGU Income Statement:

Year ended 31 December 2017	USD (million)	NOK (million)	Adjusted presentation* NOK (million)
Sale of oil	1,149	9,498	9,498
Total revenue	**1,149**	**9,498**	**9,498**
Cost of sales / *Production expense*	(1,293)	(10,683)	(2,343)
Exploration expense	(1)	(10)	(10)
Administrative expense / *Other operating expense*	(13)	(111)	(370)
Selling and Distribution expense	(31)	(258)	-
Total operating expenses	**(1,339)**	**(11,062)**	**(2,723)**
Depreciation	-	-	(8,340)
Net operating result	**(189)**	**(1,565)**	**(1,565)**
Interest income / *Financial income*	9	72	72
Interest expense / *Financial expense*	(91)	(756)	(756)
Net financial items	**(83)**	**(684)**	**(684)**
Result before tax	**(272)**	**(2,248)**	**(2,248)**
Taxation / *Income tax benefit*	84	696	696
Net result for the period	**(188)**	**(1,552)**	**(1,552)**

Line items in cursive is Noreco's equivalent account name

Depreciation has been reclassified from cost of sales to depreciation based on information for SOGU. Selling and distribution expense is reclassified to Other operating expense.

SOGU Statement of financial position:

Year ended 31 December 2017	USD (million)	NOK (million)	Adjusted presentation* **NOK (million)**
ASSETS			
Non-current assets			
Deferred tax asset	97	799	799
Property plant and equipment	1,614	13,246	13,246
Investment in subsidiaries	16	132	132
Total non-current assets	**1,728**	**14,177**	**14,177**
Current assets			
Inventories / *Underlift of oil*	94	771	-
Trade and other receivables / *Trade receivables*	54	440	-
Receivables from group companies / *Group receivables*	371	3,041	-
Trade receivables and other current assets	-	-	4,252
Bank deposits, cash and cash equivalents	-	-	-
Total current assets	**518**	**4,252**	**4,252**
Total assets			

	2,246	**18,429**	**18,429**
EQUITY & LIABILITIES			
Equity			
Share capital	38	315	315
Other reserves / *Currency translation fund*	4	33	-
Retained earnings / *Other equity*	187	1,537	1,570
Total equity	**230**	**1,885**	**1,885**
Non-current liabilities			
Decommissioning and other provisions / *Asset retirement obligation*	1,116	9,154	9,154
Payable to Group companies / Loan from Group Companies	175	1,436	1,436
Total non-current liabilities	**1,291**	**10,590**	**10,590**
Current liabilities			
Taxes payable / *Tax payable*	226	1,850	1,850
Trade and other payables / *Trade payables and othher current liabilities*	78	643	4,104
Payable to Group companies / *Group payables*	378	3,100	-
Decommissioning and other provisions / *Asset retirement obligation*	44	360	-
Total current liabilities	**726**	**5,954**	**5,954**
Total liabilities	**2,016**	**16,545**	**16,545**
Total equity and liabilities	**2,246**	**18,429**	**18,429**

Line items in cursive is Noreco's equivalent account name

Group receivables and Underlift of oil are reclassified to Trade receivables. Currency translation fund is reclassified to Other Equity. Group payables and short-term Assets Retirement Obligation is reclassified to Trade payables and other current liabilities.

The financial information of SOGUP has been extracted from the Annual Accounts of SOGUP as of and for the year ended 31 December 2017 prepared in accordance with the provisions of the Danish Financial Statement Act applying to enterprises of reporting class B as well as selected rules applying to reporting class C ("DK GAAP"). The Financial Statements for SOGUP are set out in Appendix C. SOGUP does not have an official half year report for 2018.

The tables below show the SOGUP 2017 financial statement presented in DKK and the recalculation to NOK. The currency rate for conversion to NOK is the average 2017 rate 1,2539 for the Income Statement and the year end 2017 rate 1,3218 for the Statement of financial position.

SOGUP Income Statement:

Year ended 31 December 2017	DKK (million)	NOK (million)	Adjusted presentation* NOK (million)
Sale of gas and NGL	55	69	69
Total revenue	**55**	**69**	**69**
Production expenses	(5)	(6)	(6)
External costs / *Exploration expenses*	(0)	(1)	(1)
Total operating expenses	**(6)**	**(7)**	**(7)**
Depreciation	(9)	(12)	(12)
Net operating result	**41**	**51**	**51**
Interest income / *Financial income*	-	-	-

Interest expense / *Financial expense*	-	-	-
Net financial items	**-**	**-**	**-**
Result before tax	**41**	**51**	**51**
Tax on profit for the year / *Income tax benefit*	35	43	43
Net result for the period	**75**	**94**	**94**

Line items in cursive is Noreco's equivalent account name

SOGUP Statement of financial position:

Year ended 31 December 2017	**DKK (million)**	**NOK (million)**	Adjusted presentation* **NOK (million)**
ASSETS			
Non-current assets			
Deferred tax asset	9	11	11
Property plant and equipment	38	50	50
Total non-current assets	**46**	**61**	**61**
Current assets			
Corporate tax receivable / *Taxes receivable*	31	41	-
Receivables from group enterprises / *Group receivables*	117	154	-
Trade receivables and other current assets	-	-	195
Total current assets	**148**	**195**	**195**
Total assets	**194**	**256**	**256**
EQUITY & LIABILITIES			
Equity			
Share capital	1	1	1
Retained earnings / *Other Equity*	186	246	246
Total equity	**187**	**247**	**247**
Non-current liabilities			
Asset retirement obligations	3	4	4
Total non-current liabilities	**3**	**4**	**4**
Current liabilities			
Trade payables and other current liabilities	3	4	5
Payables to Group enterpises	1	2	-
Total current liabilities	**4**	**5**	**5**
Total liabilities	**7**	**9**	**10**
Total equity and liabilities	**194**	**256**	**256**

Line items in cursive is Noreco's equivalent account name

Group receivables are reclassified to Trade receivables. Group payables are reclassified to Trade payables.

9.4 Unaudited Pro Forma Condensed Consolidated Financial Information

Unaudited pro forma Consolidates Statement of Income

Year ended 31.12.2017 (NOK million)	GROUP (IFRS)	SOGU (IFRS)	SOGUP (DKGAAP)	Pro Forma	IFRS/ Acc policy change	Notes	Pro Forma as year ended 31.12.2017
Sale of oil	7	9,498	--	--	64	**1**	9,569
Sale of gas and NGL	2	--	69	(69)	--	**1**	2
Total revenue	**10**	**9,498**	**69**	**(69)**	**64**		**9,571**
Production expenses	(386)	(2,343)	(6)	69	(64)	**1**	(2,730)
Exploration expenses	--	(10)	(1)	--	--		(11)
Payroll expenses	(29)	--	--	--	--		(29)
Other operating expenses	(33)	(370)	--	(95)	--	**5**	(497)
Total operating expenses	**(448)**	**(2,723)**	**(7)**	**(25)**	**(64)**		**(3,267)**
Depreciation	(1)	(8,340)	(12)	(404)	6,060	**2**	(2,696)
Write-downs	--	--	--	(1,130)	--	**4**	(1,130)
Net operating result	**(440)**	**(1,565)**	**51**	**(1,628)**	**6,060**		**2,478**
Financial income	180	72	--	--	--		252
Financial expenses	(165)	(756)	--	(391)	--	**3,7**	(1,312)
Net financial items	**14**	**(684)**	**--**	**(391)**	**--**		**(1,060)**
Result before tax	**(426)**	**(2,248)**	**51**	**(2,019)**	**6,060**		**1,418**
Income tax benefit	(9)	696	43	4,265	(3,877)	**8**	1,119
Net result for the year continued operations	**(435)**	**(1,552)**	**94**	**2,246**	**2,183**		**2,536**
Profits from discontinued operations	102						102
Net result for the period	**(332)**	**(1,552)**	**94**	**2,246**	**2,183**		**2,638**

Unaudited pro forma condensed consolidated statement of financial position:

31.12.2017 (NOK million)	GROUP (IFRS)	SOGU (IFRS)	SOGUP (DKGAAP)	Pro Forma	IFRS/ Acc. policy change	Notes	Pro Forma as of 31.12.2017
ASSETS **Non-current assets**							
License and capitalized exploration	(0)	--	--	3,236	--	**4**	3,236
Goodwill	(0)	--	--	5,478	--	**4**	5,478
Deferred tax asset	0	799	11	(810)	--	**8**	0
Property plant and equipment	11	13,246	50	2,641	--	**4**	15,948
Restricted Cash LT	598	--	--	--	--		598
Investment in subsidiaries	(0)	132	--	(132)	--		(0)
Other non-current financial investments	0	--	--	89	--	**4**	89
Contingent asset LT	--	--	--	552	--	**4**	552
Total non-current assets	**609**	**14,177**	**61**	**11,054**	**--**		**25,901**
Current assets							
Trade receivables and other current assets	174	4,252	195	--	--	**6**	4,622
Restricted cash ST Tax	2	--	--	--	--		2
Other non-current financial investments	0	--	--	555	--	**4**	555
Contingent asset ST	0	--	--	383	--	**4**	383
Bank deposits, cash and cash equivalents	133	--	--	277	--	**10**	410
Total current assets	**310**	**4,252**	**195**	**1,214**	**--**		**5,971**
Total assets	**919**	**18,429**	**256**	**12,268**	**--**		**31,872**
EQUITY & LIABILITIES							
Total equity	**141**	**1,885**	**247**	**4,955**	**--**	**9**	**7,227**
Non-current liabilities							
Deferred tax	0	--	--	997	--	**8**	998
Asset retirement obligations	593	9,154	4	(2,038)	--	**3**	7,714
Convertible bond loan LT	--	--	--	1,313	--	**7**	1,313
Other interest-bearing debt LT	(0)	--	--	7,168	--	**7**	7,168
Loan from Group Companies	--	1,436	--	(1,436)	--	**6**	--
Total non-current liabilities	**593**	**10,590**	**4**	**6,005**	**--**		**17,193**
Current liabilities							
Bond loan ST	155	--	--	(155)	--	**7**	0
Other interest-bearing debt ST	(0)	--	--	--	--		(0)
Tax Payable	--	1,850	--	--	--		1,850
Trade payables and other current liabilities	30	4,104	5	1,463	--	**6,11**	5,602
Total current liabilities	**185**	**5,954**	**5**	**1,308**	**--**		**7,452**
Total liabilities	**778**	**16,545**	**10**	**7,313**	**--**		**24,645**
Total equity and liabilities	**919**	**18,429**	**256**	**12,268**	**--**	**9**	**31,872**

Notes to unaudited pro forma condensed consolidated financial information related to the Transaction

The first column to the left in the unaudited pro forma consolidated statement of income shows the 2017 income statement of Noreco Group which is presented in NOK in the audited 2017 statement of income. The second column reflects the 2017 income statement of Shell Olie- og Gasudvinding Danmark B.V. (SOGU) which is presented in USD in the audited 2017 financial statements. The financial information of SOGU has been converted from USD to NOK as presented above. The third column reflects the 2017 income statement of Shell Olie- og Gasudvinding Denmark Pipelines ApS (SOGUP) which is presented in DKK in the audited 2017 financial statements. The financial information of SOGUP has been converted from DKK to NOK as presented above.

The fourth column shows the pro forma adjustments and, when applicable, these adjustments are disclosed separately in notes below. SOGU has historically presented its financial information in accordance with IFRS and SOGUP in accordance with DKGAAP. In connection with the compilation of the unaudited pro forma financial information, unaudited differences between IFRS and DK GAAP were identified and the resulting adjustments are presented in the fifth column in the unaudited pro forma condensed consolidated income statement. The sixth column includes references to the notes below and the total pro forma financial information reflecting the SOGU Transaction is presented in the column to the far right.

All amounts are expressed in millions of NOK unless otherwise specified.

(1) Over- / Underlifting

(a) IFRS adjustment

In Noreco overlifting of hydrocarbons is presented as current liabilities, underlifting of hydrocarbons is presented as current receivables. The value of overlifting or underlifting is measured at the estimated sales value, less estimated sales costs. In SOGU the under- or overlift is included in Statement of Income in line item Cost of Sales. Hence, SOGU cost of sales has been adjusted for the over- or underlift as follows:

Income statement		Year Ended 31.12.2017 **(mNOK)**
Increased revenue	NOK	64
Decreased production cost	NOK	(64)
Net impact before tax	NOK	-

The adjustments will have continuing impact.

(b) Pro Forma adjustment

Revenue in SOGUP is sale of pipeline capacity in Denmark to Parent Company SOGU. This revenue is there for eliminated in the Pro Forma column against production expenses in the parent company.

Income statement		Year Ended 31.12.2017 **(mNOK)**
Reduced revenue	NOK	(69)
Increased production cost	NOK	69
Net impact before tax	NOK	-

The adjustments will have continuing impact.

(2) Depreciation

(a) Pro forma adjustment
The Company has for the purpose of the pro forma financial information provisionally performed an allocation of the cost of the business combinations to the assets acquired and liabilities and contingent liabilities assumed in accordance with IFRS 3. This is based on an estimated transaction price and fair values at the future transaction date in the beginning of 2019. Based on an estimated statement of financial position of SOGU/SOGUP at this date, it has been estimated fair value adjustments ("excess values") for non-current tangible and intangible assets, asset retirement obligations, related deferred tax on the fair value adjustments, and goodwill as residual. SOGU has also entered into a hedge contract for future oil prices that is also included. The excess values on non-current tangible and intangible assets has formed the basis for the depreciation and amortization charges in the pro forma adjustments in the unaudited Pro Forma condensed consolidated Income Statements.

The depreciation and amortization of excess value is calculated using the Units Of Production ("UOP") method.

(b) IFRS adjustment

Both Noreco and SOGU apply the UOP method for oil and gas fields. However, Noreco's UOP is based on proved and probable reserves ("2P") while SOGU applies only proved reserves ("1P") in its calculation of depreciation and amortization. Hence, Noreco applies a wider reserve definition as basis for the depreciation and amortization of oil and gas fields, which means that the depreciation from SOGU is expected to decrease if SOGU had included, proved and probable reserves as the basis for depreciation and amortization. The depreciation and amortization reported by SOGU for 2017 has been reduced in the pro forma adjustments to reflect this. To arrive to the IFRS adjustment, the Company has estimated depreciation and amortization based on 2P for 2017 using SOGUs carrying values at 1 January 2017, and the difference to SOGUs reported depreciation and amortization for 2017 is the IFRS adjustment amount.

In the pro forma financial statements the total depreciation should equal the calculated UOP depreciation, and the pro forma and IFRS adjustments reflect these adjustments.

Income statement		Year Ended 31.12.2017 **(mNOK)**
Pro Forma adjustment:		
Depreciation and amortization field excess values	NOK	(404)
IFRS adjustment:		
Decreased depreciation and amortization based on 2P reserves	NOK	6 060
Net impact before tax	NOK	5 656

The adjustments will have continuing impact

(3) Decommissioning and removal costs

In accordance with IFRS Noreco recognizes asset retirement obligations ("ARO"), based on the net present value of future related decommissioning and removal costs. A corresponding asset is capitalized as a Tangible fixed asset and depreciated using the unit of production method. Changes in the time value (net present value) of the ARD are recognized as financial expenses in the income statement and increases ARO liability in the statement of financial position. Changes in the best estimate for expenses related to decommissioning and removal are recognized in the statement of financial position. The discount rate used in the calculation of the fair value of the decommissioning and removal obligation is the risk-free rate with the addition of a credit risk element.

(a) Pro forma adjustment

In the PPA, Noreco has applied a different timing and estimate for decommissioning cost than SOGU and assumed that the costs will be incurred at a later point in time. This results in a decreased present value of the provision. The related asset is a part of the estimated fair value of the fixed assets in the PPA. Depreciation is consequently included in the total depreciation and amortization of the fair value and included in the adjustment in note (2) above. The calculated impact on accretion in the income statement under financial expenses is as follows:

		Year Ended 31.12.2017
Income statement		**(mNOK)**
Accretion expense	NOK	82
Discount rate applied for accretion		4.0 %

The estimated fair value of the decommissioning identified in the PPA is less than the decommissioning value in SOGU. Hence, the adjustment above decreases the accretion originally charged to the SOGU financial statements.

The adjustment will have continuing impact

(4) Purchase Price allocation - PPA

(a) Pro forma adjustment

The Company has for the purpose of the pro forma financial information provisionally performed an allocation of the cost of the business combinations to the assets acquired and liabilities and contingent liabilities assumed in accordance with IFRS 3. This is based on an estimated transaction price and fair values at the future transaction date in the beginning of 2019. Based on an estimated statement of financial position of SOGU/SOGUP at this date, it has been estimated fair value adjustments ("excess values") for non-current tangible and intangible assets, asset retirement obligations, related deferred tax on the fair value adjustments, and goodwill as residual. SOGU has also entered into a hedge contract for future oil prices that is also included. The excess values have formed the basis for the presentation in the unaudited Pro Forma condensed consolidated Statement of Financial Position.

The purchase price, including interim settlement as defined by the agreement, is for the purpose of the preliminary PPA estimated to NOK 10 331 million (USD 1 259 million), of which NOK 3 216 million (USD 392 million) is funded by equity increase. The purchase price is based on a cash consideration at closing date of NOK 10 954 million (USD 1 335 million), which has been reduced by an estimate of accumulated production below estimated production up to 2020. As part of the Transaction, the Seller has provided a monthly production guarantee 98% of the pre-agreed liquid production level from signing of the Transaction until 31 December 2020 ("Protection Period"). Monthly payments will be based on the price achieved by Noreco in that month. During this period, following a potential production shortfall below the threshold, in the event that production subsequently exceeds the 98% of the pre-agreed liquid volume, the additional revenue associated with such excess production will be paid to Shell to repay any potential payment from Shell to Noreco to date. The net accumulated production below estimated production up to 2020 has been calculated to NOK 935 million (USD 113 million). The volume guarantee is split between a short term contingent consideration asset of NOK 383 million (USD 46 million) and a long term contingent consideration asset of NOK 552 million (USD 67 million). Additionally the cash consideration is reduced by NOK 54 million (USD 6.5 million) due to Shell's prepayment of insurance from the beginning of 2018 until closing date. Included in the purchase price is interest on consideration increasing the purchase price by NOK 366 million (USD 44.5 million)

The Company has provisionally determined that the excess value primarily relates to licenses related to producing properties, asset retirement obligations, hedge contract for future oil prices, deferred taxes and goodwill. The final allocation may significantly differ from this allocation and this could materially have affected the depreciation and amortization of excess values in the unaudited pro forma consolidated statement of income and the presentation in the unaudited pro forma consolidated statement of financial position. The main uncertainties relate to fair value of the licenses, the hedge contract for future oil prices and the value of decommissioning liabilities, which in turn affects the value of goodwill.

The historical depreciation in SOGU has been based on proved reserves, and for pro forma purposes the opening book values have not been adjusted to reflect depreciation based on proved and probable reserves. Going forward, the excess value will be depreciated in accordance with UOP based on proved and probable reserves in line with the reserve base applied for Noreco's other oil and gas assets.

In this provisionally allocation of excess values, goodwill is primarily related to the deferred tax on excess values. Goodwill will not be depreciated, but will be subject to yearly impairment test in accordance with lAS36. See explanation of impairment under the table below.

Provisional allocation of excess value		**31.12.2017 (mNOK)**
Value of licenses	NOK	3,236
Value of PP&E	NOK	2,641
Value of financial assets ST (hedge contract for future oil prices)	NOK	555
Value of financial assets LT (hedge contract for future oil prices)	NOK	89
Decreased decommissioning liability	NOK	2,038
Deferred tax liability (64% rate)	NOK	(5,478)
Goodwill	NOK	6,599
Total excess value	NOK	9,680

The fair values of these assets and liabilities have been determined on a preliminary basis and is subject to change pending additional information that may become available prior to or upon completion of the transaction. The split between the various assets may subsequently change after the completion of the purchase transaction. If more of the cost of the business combination should be allocated to producing properties, the pro forma income statements would have shown higher amortization expenses. As a consequence of the Transaction, all previous intercompany balances with Shell Group are expected to be settled. The intercompany loan and trade balances in SOGU and SOGUP will be settled as part of the transaction and is adjusted against external trade payables and trade receivables for the purpose of the pro forma.

The goodwill is adjusted by an impairment of NOK 1 122 million (USD 137 million) in the balance sheet due to the expected utilization of the tax losses carried forward giving a goodwill of NOK 6 599 million (USD 668 million) after impairment. See note 8 for further explanation of the tax loss carry forward. In the P&L the impairment of goodwill is shown as write-down with an amount of NOK 1 130 million. The difference between the write down of goodwill in the income statement and the impairment of goodwill in the statement of financial position is due to currency.

Deferred tax assets are netted against the deferred tax liabilities in Statement of financial position in accordance with IAS12. See note 8 for further explanation.

These adjustments will have continuing impact, except for impairment of goodwill that will not have continuing impact.

(5) Transaction costs

(a) Pro forma adjustments

The external transaction costs to be expensed and unrelated to equity increase are estimated to NOK 95 million. These are not tax deductible and are expensed in the unaudited pro forma consolidated Statements of income and included in the unaudited pro forma consolidated Statement of financial position as a reduction in other equity and a corresponding increase in other current liabilities. This pro forma adjustment will not have continuing impact. The external cost related to capital increase is estimated to NOK 27 million and is recorded against other paid in capital in the pro forma Statements of financial position (see note 9). This pro forma adjustment will not have continuing impact.

		Year Ended 31.12.2017
Income statement		**(mNOK)**
External transaction cost	NOK	(95)
Net impact before tax	**NOK**	**(95)**

(6) Intercompany Loan

(a) Pro forma adjustments
The intercompany loan and trade balances in SOGU and SOGUP will be settled as part of the transaction and is adjusted against external trade payables and trade receivables for the purpose of the pro forma.

Statement of financial position		Year ended 31.12.2017 **(mNOK)**
Reclassification I/C Trade receivables to Trade receivables (SOGU/SOGUP)	NOK	3,195
Reclassification I/C Trade payables to Trade payables (SOGU/SOGUP)	NOK	(3,102)
Reclassification I/C Trade loan to Trade payables (SOGU/SOGUP)	NOK	(1,436)
Net impact on trade receivables /payables	**NOK**	**(1,342)**

(7) RBL and Convertible Bond Loan

The assumed interest expense from the NOK 7.4 billion (USD 900 million) RBL loan that will be established upon completion amounts to NOK 338 million in addition to the convertible bond loan of NOK 1.3 billion (USD 160 million) with assumed interest expense of NOK 106 million. Hence the net impact on interest expense is an increase of NOK 444 million. The interest related to the new Reserve Based Lending Facility (RBL) and the new convertible bond loan is calculated according to the terms of the contracts. This adjustment will have continuing impact

Both loans are denominated in USD. Before the Transaction, Noreco ASA (the parent company) has NOK as functional currency. The Company is in the process of evaluating if the Transaction will give rise to a change in functional currency but has not concluded. For the purpose of the pro forma financial information, it is assumed NOK as functional currency.

With NOK as the functional currency, exchange rate fluctuations between NOK and USD will give rise to currency gains or losses in profit or loss. For the purpose of the pro forma financial information, no currency gains or losses have been calculated.

The convertible bond loan includes embedded derivatives, including conversion rights. With NOK as functional currency, no part of the conversion rights is equity. In the pro forma financial information, the total convertible bond loan is recognized as financial liabilities, and it is not calculated any fair value changes to profit or loss on the embedded derivatives in the loan.

(a) Pro forma adjustment	**31.12.2017**
Income statement	**(mNOK)**

Interest RBL	NOK	(338)
Interest convertible bond loan	NOK	(106)
Accretion expense (see note 3)	NOK	82
Amortization Startfee RBL loan	NOK	(29)
Net impact on financial expenses	**NOK**	**(391)**

(b) Pro Forma adjustment **Statement of financial position**		31.12.2017 (mNOK)
RBL facility including startfee and commitment fee	NOK	7,168
Convertible bond loan	NOK	1,313
Payment NOR10 Bond loan	NOK	(155)

(8) Tax

Deferred tax liability is calculated on the excess value of the assets and reduction of decommissioning liability in accordance with IAS12, by an amount of NOK 5.6 billion in the PPA (see note 4).

Upon completion of the transaction, SOGU is expected to be joint taxable with Noreco´s other Danish subsidiaries and the Group will be able to utilize its tax loss carry forwards in the Danish offshore tax regime.

The expected utilization of the tax losses carried forward is not a part of the IFRS 3 business combination and PPA calculation. However, one of the requirements for finalizing the Transaction has been that the acquired business shall be joint taxable with the existing Noreco business in Denmark, and that the tax losses in this Noreco business shall be eligible to be offset to future profits from the acquired business. Therefore, Management believes it provides relevant information to include this in the pro forma adjustments.

Estimated deferred tax income and asset of NOK 3.7 billion has been included in the unaudited pro forma statement of income, and the same amount is included as tax asset in the unaudited statement of financial position. A tax rate of 64% has been used.

This pro forma adjustment will not have continuing impact.

(a) Pro forma adjustment **Income statement**		Year ended 31.12.2017 **(mNOK)**
Pro Forma adjustment:		
Income Tax Benefit from tax loss carry forwards	NOK	3,696
Deferred Tax on depreciation of excess value	NOK	258
Deferred Tax on interest, transaction cost and accretion	NOK	311
Total pro forma adjustment	**NOK**	**4,265**
IFRS adjustment:		
Deferred Tax on depreciation of 2P reserves	NOK	(3 877)

(b) Pro Forma adjustment **Statement of financial position**		31.12.2017 (mNOK)
Deferred Tax Asset from tax loss carry forwards	NOK	3,670
Deferred Tax Liability from excess value of assets	NOK	(5,478)

Reclassification of Deferred Tax Asset from SOGU and SOGUP	NOK	810
Net impact on tax liability	**NOK**	**(997)**

The difference between the deferred tax assets in the statement of income and the statement of financial position is due to currency. Deferred tax asset is netted against the deferred tax liability in statement of financial position.

(9) Equity

(a) Pro Forma adjustment **Statement of financial position**		31.12.2017 (mNOK)
Deferred Tax Asset from tax loss carry forwards	NOK	3,670
PPA (SOGU equity)	NOK	(651)
PPA (Equity issue)	NOK	3, 216
External transaction cost (equity capital increase)	NOK	(27)
Elimination investment in subs	NOK	(132)
Impairment of Goodwill	NOK	(1,122)
Pro forma Equity change	**NOK**	**4,955**

The equity is also affected by the timing difference of the excess values estimated as at 31.12.2018 and the balance sheet dates for the book values as at 31.12.2017.

(10) Bank deposits, cash

(a) Pro Forma adjustment **Statement of financial position**		31.12.2017 (mNOK)
Remaining cash	NOK	493
Startfee and commitment fee RBL loan	NOK	(216)
Pro forma Bank deposit change	**NOK**	**277**

The estimated remaining cash after the consideration is paid and the call of NOR10 at 101,5% is settled is Expected to be NOK 493 million.

(11) Trade payables and other current liabilities

(a) Pro Forma adjustment **Statement of financial position**		31.12.2017 (mNOK)
Reclassification I/C Trade loan to Trade payables (SOGU/SOGUP)	NOK	1,436
External transaction cost (capital increase) (see note 9)	NOK	27
Pro forma Trade payables, other current liabilities change	**NOK**	**1,463**

10. SELECTED FINANCIAL INFORMATION FOR SOGU AND SOGUP

The following selected financial information has been extracted from the audited financial statements for SOGU and SOGUP as of and for the years ended 31 December 2017 and 2016. The historical results of SOGU and SOGUP are not necessarily indicative of its results for any future period. For a discussion of certain risks that could impact the business, operating results, financial condition, liquidity and prospects of SOGU, see Section 1 "Risk Factors".

10.1 Accounting Principles

Introduction

The annual accounts of Shell Danmark have been prepared in accordance with International Financial Reporting Standard (IFRS) as adopted by the European Union and they also comply with the financial reporting requirements included in section 9 of Book 2 of the Netherlands Civil Code. The annual accounts of SOGUP have been prepared in accordance with the provisions of the Danish Financial Statement Act applying to enterprises of reporting class B as well as selected rules applying to reporting class C. In accordance with section 110(1) of the Danish Financial Statement Act, SOGU has not prepared consolidated financial statement.

The tables below set out a summary of information extracted from the audited income statement of SOGU and SOGUP for the years ended 31 December 2017 and 2016.

Selected Income Statement Information SOGU

	For the Years ended 31. December	
(USD million)	**2017**	**2016**
Sale of oil	1,149	849
Total revenue	**1,149**	**849**
Cost of sales	(1,293)	(1,464)
Exploration expense	(1)	(2)
Administrative expense	(13)	(15)
Selling and Distribution expense	(31)	(37)
Total operating expenses	**(1,339)**	**(1,518)**
Depreciation	--	--
Net operating result	**(189)**	**(669)**
Interest income	9	16
Interest expense	(91)	(87)
Net financial items	**(83)**	**(72)**
Result before tax	**(272)**	**(740)**
Taxation/ *Income tax benefit*	84	592
Net result for the period	**(188)**	**(148)**

Line item in cursive is Norecos' equivalent account name

Selected Income Statement Information SOGUP

(DKK million)	For the Years ended 31. December 2017	2016
Sale of gas and NGL	55	51
Total revenue	**55**	**51**
Production expenses	(5)	(3)
External costs / *Exploration expenses*	(0)	(0)
Total operating expenses	**(6)**	**(4)**
Depreciation	(9)	(28)
Net operating result	**41**	**20**
Interest income / *Financial income*	--	--
Interest expense / *Financial expense*	--	--
Net financial items	**--**	**--**
Result before tax	**41**	**20**
Tax on profit for the year / *Income tax benefit*	35	(7)
Net result for the period	**75**	**13**

Line item in cursive is Norecos' equivalent account name

10.2 Selected Balance Sheet Information

The table below sets out a summary of selected balance sheet information extracted from the Annual Accounts of SOGU and SOGUP as of 31 December 2017 and 2016.

Selected Balance Sheet Information SOGU

(USD million)	For the Years ended 31. December 2017	2016
ASSETS		
Non-current assets		
Deferred tax asset	97	-
Property plant and equipment	1,614	2,642
Investment in subsidiaries	16	16
Total non-current assets	**1,728**	**2,658**
Current assets		
Inventories / *Underlift of oil*	94	102
Tax receivables	-	12
Trade and other receivables / *Trade receivables*	54	40
Receivables from group companies / *Group receivables*	371	265
Bank deposits, cash and cash equivalents	-	-
Total current assets	**518**	**419**
Total assets	**2,246**	**3,076**
EQUITY & LIABILITIES		
Equity		
Share capital	38	34
Other reserves / *Currency translation fund*	4	9
Retained earnings / *Other equity*	187	375
Total equity	**230**	**418**

Non-current liabilities		
Deferred tax	-	419
Decommissioning and other provisions / *Asset retirement obligation*	1,116	1,266
Payable to Group companies / Loan from Group Companies	175	548
Total non-current liabilities	**1,291**	**2,233**
Current liabilities		
Taxes payable / *Tax payable*	226	-
	78	82
Trade and other payables / *Trade payables and other current liabilities*		
Payable to Group companies / *Group payables*	378	296
	44	48
Decommissioning and other provisions / *Asset retirement obligation*		
Total current liabilities	**726**	**425**
Total liabilities	**2,016**	**2,659**
Total equity and liabilities	**2,246**	**3,076**

Line item in cursive is Noreco's equivalent account name

Selected Balance Sheet Information SOGUP

	For the Years ended 31. December	
(DKK million)	**2017**	**2016**
ASSETS		
Non-current assets		
Deferred tax asset	9	4
Property plant and equipment	38	46
Total non-current assets	**46**	**51**
Current assets		
Corporate tax receivable / *Taxes receivable*	31	-
Receivables from group enterprises / *Group receivables*	117	78
Total current assets	**148**	**78**
Total assets	**194**	**129**
EQUITY & LIABILITIES **Equity**		
Share capital	1	1
Retained earnings / *Other Equity*	186	111
Total equity	**187**	**112**
Non-current liabilities		
Asset retirement obligations	3	3
Total non-current liabilities	**3**	**3**
Current liabilities		
Tax Payable	-	8
Trade payables and other current liabilities	3	1
Payables to Group enterprises	1	5
Total current liabilities	**4**	**14**
Total liabilities	**7**	**17**

Total equity and liabilities	**194**	**129**

Line item in cursive is Noreco's equivalent account name

Selected Cash Flow Information

The table below sets out a summary of selected cash flow information extracted from the audited Annual Accounts of SOGU for the years ended 31 December 2017 and 2016. SOGUP has not reported any cash flow in the audited Annual Accounts for the years ended 31 December 2017 and 2016 so below only the cash flow of Shell Danmark is shown.

Selected cash flow information SOGU

	For the Years Ended 31 December	
(USD million)	2017	2016
Cash flow from operating activities		
Income for the period	(188)	(148)
Adjustment for:		
Taxation	432	24
Interest expense	18	16
Interest income	(1)	(0)
Depreciation, depletion and amortisation	1,009	1,088
Non-cash adjustment to property, plant and equipment	--	1
Impairment losses	--	18
Working capital adjustments:		
Decrease/-increase in inventories	8	(8)
Decrease/-increase in trade and other receivables	(80)	47
Decrease/-increase in trade and other payables	(9)	(56)
Decrease/-increase in deferred taxation, decommissioning and other provisions	(594)	(574)
Other	1	5
Tax paid	(196)	(112)
Net cash flow from operating activities	**400**	**302**
Cash flow from investing activities		
Capital expenditure	(64)	(128)
Interest received	1	0
Net cash flow from investing activities	**(62)**	**(128)**
Cash flow from financing activities		
Interest paid	(18)	(16)
Equity injection	--	820
Repayment of shareholder payable	--	(630)
Net cash flow from financing activities	**(18)**	**174**
Net increase/(decrease) in cash	**320**	**348**
Cash and cash equivalents at beginning of year	**(584)**	**(933)**
Cash and cash equivalents at end of year		

	(264)	**(584)**

Included in cash and cash equivalents

(USD million)	For the Years Ended 31 December 2017	2016
Cash and cash equivalents as at 1 January		
Receivables from group companies - cash pool	248	--
Payables to group companies - cash pool and loans	(832)	(933)
Cash and cash equivalents as at 1 January	**(584)**	**(933)**
Cash and cash equivalents as at 31 December		
Receivables from group companies - cash pool	288	248
Payables to group companies - cash pool and loans	(552)	(832)
Cash and cash equivalents as at 31 December	**(264)**	**(584)**

11. CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Information Memorandum includes forward-looking statements that reflect the Company's current views with respect to future events and financial and operational performance, as well as other statements relating to the Group's future business development and economic performance. These forward-looking statements can be identified by the use of forward-looking terminology, including the terms "assumes", "projects", "forecasts", "estimates", "expects", "anticipates", "believes", "plans", "intends", "may", "might", "will", "would", "can", "could", "should" or, in each case, their negative, or other variations or comparable terminology. These forward-looking statements are not historic facts. They appear in a number of places throughout this Information Memorandum and include statements regarding the Company's intentions, beliefs or current expectations concerning, among other things, goals, objectives, financial condition and results of operations, liquidity, prospects, growth, strategies, impact of regulatory initiatives, capital resources, and the industry trends and developments. Readers are cautioned that forward-looking statements are not guarantees of future performance and that the actual financial condition, operating results and liquidity of the Group, and the development of the industries in which it operates, may differ materially from those made in or suggested by the forward-looking statements contained in this Information Memorandum. By their nature, forward-looking statements involve and are subject to known and unknown risks, uncertainties and assumptions as they relate to events and depend on circumstances that may or may not occur in the future. Because of these known and unknown risks, uncertainties and assumptions, the outcome may differ materially from those set out in the forward-looking statements.

The Company undertakes no obligation to publicly update or publicly revise any forward-looking statement, whether as a result of new information, future events or otherwise. All subsequent written and oral forward-looking statements attributable to the Company or to persons acting on the Company's behalf are expressly qualified in their entirety by the cautionary statements referred to above and contained elsewhere in this Information Memorandum.

This Information Memorandum shall be governed by and construed in accordance with Norwegian law. The courts of Norway, with Oslo as legal venue, shall have exclusive jurisdiction to settle any dispute which may arise out of or in connection with this Information Memorandum.

12. INFORMATION SOURCES FROM THIRD PARTIES

The information in this Information Memorandum that has been sourced from third parties has been accurately reproduced and as far as the Company is aware and able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.

13. INCORPORATION BY REFERENCE; DOCUMENTS ON DISPLAY

13.1 Cross Reference Table

The Continuing Obligations allow the Company to incorporate by reference information in this Information Memorandum that has been previously filed with the Oslo Stock Exchange or the Norwegian Financial Supervisory Authority in other documents. The audited historical consolidated financial statements for the Group as of and for the years ended 31 December 2017 and 2016 prepared in accordance with International Financial Reporting Standards as adopted by the European Union , the unaudited historical condensed interim financial statements for the Group as of and for the three and nine months ended 30 September 2018, which includes comparative figures for the corresponding interim periods in 2017 prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting* and the audit reports in respect of the Annual Financial Statements have been incorporated as a part of this Information Memorandum. Accordingly, this Information Memorandum is to be read in conjunction with these documents.

The Annual Financial Statements and the related audit reports and the Interim Financial Statements are available at https://www.noreco.com/reports-presentations.

The information incorporated by reference in this Information Memorandum should be read in connection with the following cross-reference table. References in the table to "Annex" and "Items" are references to the disclosure requirements as set forth in the Continuing Obligations by reference to such Annex (and Item therein) of Commission Regulation (EC) no. 809/2004 implementing Directive 2003/71/EC of the European Parliament and of the Council of 4 November 2003 regarding information contained in prospectuses as well as the format, incorporation by reference and publication of such prospectuses and dissemination of advertisements, which pursuant to the Continuing Obligations apply correspondingly to information memorandums such as this Information Memorandum.

Minimum Disclosure Requirement for Prospectuses (Annex I)		**Reference Document**	**Page of Reference Document**
Item 16.4	A statement as to whether or not the issuer complies with its country of incorporation's corporate governance regime(s); and in the event of non-compliance a statement to that effect with an explanation regarding non-compliance.	2017 Annual Report	Page 85
Item 20.1	Audited historical financial information covering the latest two financial years, and the audit report in respect of each year prepared according to Regulation (EC) No 1606/2002.	2017 Annual Report 2016 Annual Report	Page 1 - 88 Page 1 - 82
Item 20.4.1	A statement that the historical financial information has been audited. If audit reports on the historical financial information have been refused by the statutory auditors or if they contain qualifications or disclaimers, such refusal or such qualifications or disclaimers must be reproduced in full and the reasons given.	2017 Annual Report 2016 Annual Report	Page 81-86 Page 75-79
Item 20.6.1	The issuer's published quarterly information since the date of its last audited financial statements. The interim report is unaudited and has not been reviewed by the Company's auditor.	3rd Quarter Report 2018	Page 1—25

13.2 Documents on Display

For twelve months from the date of this Information Memorandum, copies of the following documents will be available for inspection at the Company's registered office during normal business hours from Monday through Friday each week (except public holidays):

- The Articles of Association of the Company.
- All reports, letters, and other documents, historical financial information, valuations and statements prepared by any expert at the Company's request any part of which is included or referred to in the Information Memorandum.
- The Group's Annual Financial Statements as of and for the years ending 31 December 2017 and 2016, and the related auditor reports thereto.
- The Group's Interim Financial Statements as of and for the three and nine months ended 30 September 2018 and 2017.
- This Information Memorandum.

14. DEFINITIONS

Capitalised terms used throughout this Information Memorandum shall have the meaning ascribed to such terms as set out below, unless the context require otherwise.

Annual Financial Statements	The audited historical consolidated financial statements for the Group as of and for the years ended 31 December 2017 and 2016, prepared under IFRS.
APA	Awards in Predefined Areas.
ARO	Asset retirement obligations.
Boe..	Barrels of oil equivalent.
Boepd.......................................	Barrels of oil equivalent per day.
Effective Date	1 January 2017.
Company	Norwegian Energy Company ASA.
Continuing Obligations	Continuing Obligations for Stock Exchange Listed Companies.
Corporate Governance Code	The Norwegian Corporate Governance Code of 17 October 2018.
DCS	Danish Continental Shelf.
E&P	Exploration and production.
EC Regulation 809/2004.................	The Commission Regulation (EC) no. 809/2004 implementing the Prospectus Directive and the format, incorporation by reference and publication of prospectuses and dissemination of advertisements, as amended.
FPSO	Floating Production Storage and Offloading.
Group..	The Company together with its consolidated subsidiaries.
GTA	The Norwegian General Tax Act of 199.
HSE	Health, safety and environment.
IAS	International Accounting Standards.
IFRS	International Financial Reporting Standards as adopted by the EU.
Interim Financial Statements	The unaudited historical financial statements for the Group as of and for three and nine months ended on 30 September 2018.
IEA	International Energy Agency.
ISIN..	International Securities Identification Number.
JOA	Joint operating agreements.
LR	Lloyd's Register.
Management	The members of the Company's executive Management.
MoF	Ministry of Finance.
MoL	Ministry of Labour.
MPE	Ministry of Petroleum and Energy.
M&A	Mergers and acquisitions.
NCS	Norwegian Continental Shelf.
NEA	Norwegian Environmental Agency.
Net Price	Means the turnover realised (taking into consideration any fixed price arrangements entered into by the Group) by the Group on DUC Crude Oil in the Seller's guarantee period divided by the total actual production in barrels for such period.
NGAAP......................................	Norwegian generally accepted accounting principles.
NGL	Natural gas liquids.
NOR10	The NOK Senior Unsecured Bond
Norwegian Securities Trading Act	The Norwegian Securities Trading Act of 29 2007 no. 75, as amended.
NPD	Norwegian Petroleum Directorate.
OECD	Organization for Economic Co-operation and Development.
OPEC	Organization of the Petroleum Exporting Countries.

Oslo Stock Exchange	Oslo Børs (a stock exchange operated by Oslo Børs ASA).
OTO	Oil Taxation Office.
p.a.	per annum.
PDO	Plan for Development and Operations.
PIO	Plan for Installation and Operation,
PPA	Purchase price allocation.
PRMS...	Petroleum Resources Management System.
Prospectus Directive......................	Directive 2003/71/EC of the European Parliament and the Council of 4 November 2003, as amended, regarding information contained in prospectuses.
PSA...	Petroleum Safety Authority.
PTA	Petroleum Tax Act.
RBL Facility.................................	The seven year Reserve Based Lending bank facility provided by BMO Capital Markets, Deutche Bank and Natixis up to USD 900 million.
Relevant Member State	Each member state of the EEA which has implemented the Prospectus Directive.
Securities Trading Act....................	The Norwegian Securities Trading Act of 27 June 2007 no. 75.
Seller	Shell Overseas Holding Limited
Shares	The shares of the Company, each with a nominal value of NOK 10.0000005.
SOGU	Shell Olie- og Gasudvinding Danmark B.V.
SOGUP	Shell Olie- og Gasudvinding Danmark Pipelines ApS
Sole Concession............................	Means the sole concession held by Total E&P Danmark A/S (formerly Maersk Olie og Gas A/S) for the exploration and exploitation of hydrocarbons in the Danish subsoil and continental shelf of 8 July 1962 with the addendum in force from 1 January 2004 and all protocols and amendments referred to the preamble of said addendum and as further amended and/or supplemented form time to time. .
SPA	The share purchase agreement entered into on 17 October 2018 between Alinex AS and Shell.
SPE...	Society of Petroleum Engineer.
Transaction.................................	The acquisition by the Company of shares of SOGU.
UKCS	United Kingdom Continental Shelf.
UOP	Unit of production method.
VWAP	Volume Weighted Average Price.
VPS	The Norwegian Central Securities Depository (Nw. *Verdipapirsentralen*).
YTD	Year to date

APPENDIX A—INDEPENDENT PRACTITIONERS ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION INCLUDED IN AN INFORMATION MEMORANDUM

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KPMG

KPMG AS
Verksgata1 A
Postboks 57
4063 Stavanger

Telephone +47 04063
Fax +47 22 60 96 01
Enterprise 935 174 627 MVA
Internet www.kpmg.no

To the Board of Directors of Norwegian Energy Company ASA

Independent Practitioners Assurance Report on the Compilation of Pro Forma Financial Information included in an Information Memorandum

In accordance with the requirements in section 3.5.2.6 of the 'Continuing Obligations of Stock Exchange Listed Companies" issued by The Oslo Stock Exchange (Continuing Obligations) we have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Norwegian Energy Company ASA (the "Company"). The pro forma financial information consists of the unaudited pro forma consolidated balance sheet and income statement as at and for the year ended 31 December 2017, and related notes as set out in section 9 of the Information Memorandum dated 15 January 2019 (the "Information Memorandum") issued by the Company. The applicable criteria on the basis of which management of the Company has compiled the pro forma financial information are specified in EU Commission Regulation (EC) No 809/2004 which is incorporated in section 7-13 of the Securities Trading Act (Norway) and as described in the Unaudited Pro Forma Financial Information in section 9 of the Information Memorandum.

The unaudited pro forma financial information has been compiled by management of the Company to illustrate the impact of the transaction set out in section 4 of the Information Memorandum on the Company's financial position as at 31 December 2017 as if the transaction had taken place at 31 December 2017, and on the Company's financial performance for the year ended 31 December 2017 as if the transaction had taken place at 1 January 2017. As part of this process, information about the Company's, Shell Olie- og Gasudvinding Danmark B.V and Shell Olie- og Gasudvinding Danmark Pipelines ApS financial position and performance has been extracted by management from the related annual financial statements as at and for the year ended 31 December 2017.

The Company's Management's Responsibility

The Company's management is responsible for compiling the pro forma financial information on the basis of EU Commission Regulation (EC) No 809/2004 as required by the Continuing Obligations.

Practitioner's Responsibilities

Our responsibility is to express an opinion as required by Annex II, item 7 of EU Commission Regulation (EC) No 809/2004 which is incorporated in the Securities Trading Act (Norway), about whether the pro forma financial information has been properly compiled, by management of the Company, on the basis described in the Basis of Presentation to the unaudited pro forma consolidated balance sheet and income statement information and that basis is consistent with the accounting policies of the Company.

We conducted our engagement in accordance with International Standard on Assurance Engagements (ISAE) 3420, *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*, issued by the International Auditing and Assurance Standards Board. This standard requires that the practitioner comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether management of the Company has compiled the pro forma financial information on the basis described in the basis of presentation.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information, including any adjustments made to conform accounting policies, or assumptions used in compiling the pro forma financial information. Our work has consisted primarily of comparing the underlying historical financial information used to combine the pro forma financial information to source documentation, assessing documentation supporting any pro forma and other adjustments and discussing the pro forma information with management of the Company.

The purpose of pro forma financial information included in an Information Memorandum is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Company as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the transaction, if the transaction had taken place at 31 December 2017 and at 1 January 2017, would have been as presented.

A reasonable assurance engagement to report on whether the pro forma financial information has been compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by management of the Company in the compilation of the pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria;
- The pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information; and
- The pro forma financial information has been complied on a basis consistent with the accounting policies of the Company.

The procedures selected depend on the practitioner's judgment, having regard to the practitioner's understanding of the nature of the company, the event or transaction in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KPMG

Opinion

In our opinion:

a) the pro forma financial information has been compiled on the basis stated in section 9 of the Information Memorandum; and
b) the basis is consistent with the accounting policies of the Company.

This report has been prepared solely in connection with the filing of the Company's Information Memorandum required by Oslo Stock Exchange's Continuing Obligations of Stock Exchange Listed Companies section 3.5. This report is not appropriate for any other jurisdiction or purpose other than for the transaction described in the Information Memorandum.

KPMG AS
Stavanger, 15 January 2019

Mads Hermansen

State Authorised Public Accountant (Norway)

APPENDIX B—ANNUAL ACCOUNTS OF SHELL OLIE- OG GASUDVINDING DANMARK B.V.

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SHELL OLIE- OG GASUDVINDING DANMARK B.V. THE HAGUE

Midtermolen 3, 4th floor
DK-2100 København
Danish Registration CVR-no. 87 19 77 19

and

Carel van Bylandtlaan 30,
2596 Den Haag, Holland
Dutch Registration Trade reg 27 09 62 97

Annual Report 2016

Contents

Report to the Shareholder of Shell Olie- og Gasudvinding Danmark B.V.

We herewith submit the Annual Report for the year 2016, consisting of:

1 The Directors' Report

2 Financial Statements, consisting of:

a) Balance sheet as at 31 December 2016;

b) Statement of income for the year ended 31 December 2016;

c) Statement of comprehensive income for the year ended 31 December 2016;

d) Statement of changes in equity for the year ended 31 December 2016;

e) Statement of cash flows for the year ended 31 December 2016;

f) Notes to the financial statements for the year 2016.

We have the honour to submit the following proposals:

a) that the balance sheet as at 31 December 2016, the profit and loss account for the year ended 31 December 2016 and the notes to the balance sheet and profit and loss account be finalised in accordance with the Annual Accounts enclosed;

b) to deduct the loss amounting to USD 145.5 million, from the other reserves.

c) that the Board of Directors be discharged of responsibility in respect of its management during the year 2016.

Copenhagen, 2 June 2017

On behalf of the Board of Directors

Lee James Hodder (Chairman)

Michael Lund Jensen

Directors' report

Review of activities

Shell Olie- og Gasudvinding Danmark B.V. ('The Company') is one of the entities within the "Shell Group".

The Company participates in the Dansk Undergrunds Consortium (DUC) with a share of 36.8%.

Turnover amounted to USD 849 million compared with USD 1,241 million in 2015. Compared to 2015, oil production decreased by 12% while Gas production decreased by 6%. Oil sales decreased by 33% compared to 2015 due to lower production and lower realised prices (USD 43/bbl in 2016 compared with USD 53/bbl in 2015). Gas sales decreased by 32% compared to 2015 due to lower production and lower realised prices (USD 4.3/MScf in 2016 compared with USD 6.3/MScf in 2015). Lower production is in line with expectations based on field life and the existing reserves base.

The loss for the year after tax amounted to USD 145.5 million compared with a loss of USD 272.2 million in 2015. The Company's investments during 2016 amounted to USD 128 million, compared with USD 201 million in 2015. The 2016 amount included USD 4 million regarding expenditure on exploration and appraisal activities.

Similar to 2016, the financial results for 2017 will depend heavily on the development of crude oil prices and gas prices. Production is expected to be similar to 2016.

The activities/operations of the Company, including capital investments, will in 2017 be financed by loans from group companies and/or operating cash flows, as per the treasury policy and funding strategy of the Company. Its solvency ratio of 36 % and liquidity ratio of 75% do not give rise to any concerns with respect to the current year and its going concern assumption. The Company received an equity injection of USD 820 million during 2016.

The decommissioning and restoration provision at December 31, 2016 is USD 1,291 million, compared to USD 1,465 million at December 31, 2015. The decrease is primarily as a result of a change in the underlying cost estimates, including rig and general rates.

A new fiscal agreement has been reached with the Danish government on 23 March 2017. This is still subject to final approval, which is expected end 2017, but allows partners to continue with the full redevelopment of the Tyra facilities towards the final investment decision.

The business is taken care of either by the DUC operator, Mærsk Oil & Gas, or by way of service arrangements between the Company and Shell International Exploration and Production B.V., The Hague, and A/S Dansk Shell, Copenhagen. The Company employed 33 staff on average in 2016, compared to no employees in 2015. For more information see note 5.

Risk management and internal control systems

The overall risk appetite of the Company is Moderate (e.g. kept or keeping within reasonable or proper limits) with zero tolerance for compliance risks and operational risks tolerance as low as reasonably practical.

Within the Shell Group a single overall control framework is in place, which is designed to manage rather than eliminate the risk of failure to achieve business objectives, and only provides reasonable and not absolute assurance against material misstatement or loss. The Shell Control Framework applies to the Company and all wholly owned Shell companies and to those ventures and other companies where Royal Dutch Shell plc, directly or indirectly, has a controlling interest. Management of the Company is responsible for application of, adherence to and safeguarding of internal systems for risk management.

The risks that the Company is exposed to and the instruments the Company uses to control those risks are not materially different from the risks and instruments other Group companies are exposed to and use. The Company specifically executes Business Assurance Committee meetings where risks are actively reviewed and actions identified and monitored. The risks that the Company faces could have a material adverse effect separately, or in combination, on our operational performance, earning, cash flows and financial conditions. The other activities and results that the Company is exposed to are a consequence of changing circumstances such as competitive position, economic, political, legal and social circumstances, development in industries and sectors as well as financial circumstances. The most significant risks in general terms and for the Company specifically are:

Fluctuating prices for oil, natural gas, oil products and chemicals
Prices of crude oil, natural gas, oil products and chemicals are affected by supply and demand, both globally and regionally. Moreover, prices for oil and gas can move independently from each other. Price fluctuations could have a material effect on the Company's business, including impact on cash flows and earnings. For example, in a low oil and gas price environment, Shell would generate less revenue from its Upstream production, and as a result some long-term projects might become less profitable, or even incur losses. Low oil and gas prices could result in the debooking of proved oil or gas reserves, if they become uneconomic in this type of environment. Prolonged periods of low oil and gas prices, or rising costs, could result in projects being delayed or cancelled and/or in the impairment of some assets. They may also impact the ability to maintain our long-term investment programme and company profitability. The Company monitors the long-term and short-term impact of prices on its economic decision regularly, executes impairment reviews and creates budgets and latest estimates based on centrally provided assumptions.

Competition
The Company faces competition within the energy industry and from other industries for land and reserves, developing innovative products and solutions, and developing and applying new technology. Failure to clearly understand or effectively respond to competition could affect the Company's financial position.

The Company's future hydrocarbon production depends on the delivery of large and complex projects, as well as on the ability to replace proved oil and gas reserves.
The Company faces numerous challenges in developing capital projects, especially large ones (e.g. Tyra Future). Challenges include uncertain geology, frontier conditions, the existence and availability of necessary technology and engineering resources, availability of skilled labour, project delays, expiration of licenses and potential cost overruns, as well as technical, fiscal, regulatory, political and other conditions.

Changes in legislation and fiscal and regulatory polices
Changes in legislation, taxation (tax rate or policy), regulation, and to policies on renationalisation and the seizure of property all pose a risk to operations and can affect the operational performance and financial position of the Company. In upstream these matters affect land tenure, entitlement to produced hydrocarbons, production rates, royalties, pricing, environmental protection, social impact, exports, taxes and foreign exchange.

Currency fluctuations and exchange control
As part of a global group of companies, changes in currency values and exchange controls could affect the operational performance and financial position of the Company. The Company manage currency risk based on Group Treasury policy and in close cooperation with operator.

Economic and financial market conditions
The Company is subject to differing economic and financial market conditions in countries where it has operations or investments. Political or economic instability pose a risk to such markets. If such risks materialize it could affect the operational performance and financial position of the Company operating or with investments in the country or region concerned.

Investment in joint ventures
Our investment in joint ventures may reduce our degree of control as well as our ability to identify and manage risks.

All of our major projects and operations are conducted in joint ventures. In certain cases, we may have less influence over and control of the behaviour, performance and cost of operations in which a Shell company holds an interest.

The Board of Directors considers that the internal risk management and control system, which is designed to provide reasonable but not absolute assurance of achieving business objectives, is adequate and appropriate.

The Dutch legislation, 'Wet Bestuur en Toezicht', was implemented in 2013. This law provides guidance on disclosure in the Directors' Report with regard to the composition of the Board of (Supervisory) Directors and its equal division among men and women. At this moment the composition of the Board of Directors does not reflect the situation as described in article 276 Book 2 of the Dutch Civil Code. A balanced situation as outlined in the above mentioned articles would only be realised if and when vacancies may become available and only to the extent that compliant candidates are of equal quality. In the case of new (Supervisory) Directors the qualitative requirements will be supplemented with the existing male / female division of the Board and the ratios prescribed by law.

Shell Olie- og Gasudvinding Danmark B.V.

Copenhagen, 2 June 2017

The Board of Directors

Lee James Hodder (Chairman)

Michael Lund Jensen

Statement of income

	Note	2016 USD ('000)	2015 USD ('000)
Revenue		**849,281**	1,241,333
Cost of sales	*4*	**-1,464,042**	-1,532,061
Gross loss		**-614,761**	-290,728
Selling and distribution expenses		**-37,176**	-51,761
Administrative expenses	*5,6*	**-14,998**	-17,103
Exploration expenses	*7*	**-1,817**	-17,720
Loss before financial items		**-668,752**	-377,312
Interest income and similar income	*8*	**15,814**	94,032
Interest expenses and similar expenses	*9*	**-87,429**	-150,751
Loss before taxation		**-740,367**	-434,031
Taxation	*10*	**594,827**	161,833
Loss for the period		**-145,540**	-272,198

The notes on pages 15 to 45 are an integral part of these financial statements.

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Statement of comprehensive income

	Note	2016 USD ('000)	2015 USD ('000)
Loss for the period		**-145,540**	-272,198
Other comprehensive income/-loss, net of tax		-	-
Total comprehensive loss		**-145,540**	-272,198

Proposed appropriation of result

	2016 USD ('000)	2015 USD ('000)
Retained earnings – interim dividend distributed during the year	-	-
Retained earnings – carry forward	-145,540	-272,198
Total proposed distribution	-145,540	-272,198

This proposal has been recorded in the balance sheet, awaiting the final decision of the general meeting of shareholders.

The notes on pages 15 to 45 are an integral part of these financial statements.

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Balance Sheet

(after profit appropriation of the result)

	Note	Dec 31, 2016 USD ('000)	Dec 31, 2015 USD ('000)
Assets			
Non-current assets			
Property, plant and equipment	*11*	**2,641,672**	3,849,976
Investments in subsidiaries	*12*	**16,028**	16,028
Total non-current assets		**2,657,700**	3,866,004
Current assets			
Inventories	*14*	**101,573**	93,941
Receivables from group companies	*15*	**264,908**	61,185
Trade and other receivables	*16*	**40,104**	42,898
Taxes receivable		**12,018**	-
Total current assets		**418,603**	198,024
Total assets		**3,076,303**	4,064,028

The notes on pages 15 to 45 are an integral part of these financial statements.

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Balance Sheet - continued

	Note	Dec 31, 2016 USD ('000)	Dec 31, 2015 USD ('000)
Liabilities			
Non-current liabilities			
Payable to group companies	*17*	**548,000**	808,720
Decommissioning and other provisions	*18*	**1,266,134**	1,442,385
Deferred tax liabilities	*13*	**370,652**	989,401
Total non-current liabilities		**2,184,786**	3,263,475
Current liabilities			
Payable to group companies	*17*	**295,760**	130,581
Payable to shareholders	*19*	**-**	630,000
Trade and other payables	*20*	**103,093**	177,538
Decommissioning and other provisions	*18*	**26,569**	22,969
Taxes payables		**-**	70,799
Total current liabilities		**425,422**	1,008,918
Total liabilities		**2,610,208**	4,272,393
Equity			
Share capital		**33,711**	34,993
Retained earnings		**423,759**	-250,701
Other reserves		**8,625**	7,343
Total equity	*21*	**466,095**	-208,365
Total liabilities and equity		**3,076,303**	4,064,028

The notes on pages 15 to 45 are an integral part of these financial statements.

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Statement of changes in equity

	Share capital USD ('000)	Retained earnings USD ('000)	Other reserves USD ('000)	Total equity USD ('000)
As at 1 January 2015:	38,940	-203,503	3,396	-161,167
Other comprehensive income, net of tax	–	–	–	–
Equity injection	–	225,000	–	225,000
Loss for the period	–	-272,198	–	-272,198
Interim dividends paid to shareholders	–	–	–	–
Currency translation of share capital	-3,947	–	3,947	–
As at 31 December 2015	34,993	-250,701	7,343	-208,365
As at 1 January 2016:	**34,993**	**-250,701**	**7,343**	**-208,365**
Other comprehensive income, net of tax	–	–	–	–
Equity injection	–	**820,000**	–	**820,000**
Loss for the period	–	**-145,540**	–	**-145,540**
Interim dividends paid to shareholders	–	–	–	–
Currency translation of share capital	**-1,281**	–	**1,281**	–
As at 31 December 2016	**33,711**	**423,759**	**8,625**	**466,095**

The notes on pages 15 to 45 are an integral part of these financial statements.

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for identification purposes only
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Statement of cash flows

	Note	2016 USD ('000)	2015 USD ('000)
Cash flow from operating activities			
Income for the period		**-145,540**	-272,198
Adjustment for:			
Current taxation	*10*	**23,922**	289,709
Interest expense (net)	*8,9*	**15,828**	12,871
Depreciation, depletion and amortisation	*11*	**1,088,078**	1,150,770
Non-cash adjustment to property, plant and equipment		**992**	-
Impairment losses	*4,11*	**17,999**	-
Decrease/-increase in inventories	*14*	**-7,632**	-15,723
Decrease/-increase in trade and other receivables	*15,16*	**47,321**	71,369
Decrease/-increase in trade and other payables	*17,20*	**-55,593**	-60,689
Decrease/-increase in deferred taxation and decommissioning provision	*10,13,18*	**-576,777**	-420,928
Other		**4,814**	-
Net cash from operating activities (pre-tax)		**413,412**	755,181
Tax paid	*10*	**-111,552**	-583,227
Net cash from operating activities		**301,860**	171,954
Cash flow from investing activities			
Capital expenditure	*11*	**-127,559**	-201,276
Net cash used in investing activities		**-127,559**	-201,276

The notes on pages 15 to 45 are an integral part of these financial statements.

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Statement of cash flows – continued

	Note	2016 USD ('000)	2015 USD ('000)
Cash flow from financing activities			
Interest paid	*8,9*	**-15,838**	-12,871
Equity injection		**820,000**	225,000
Repayment of shareholder payable	*19*	**-630,000**	-
Net cash used in financing activities		**174,162**	212,129
Increase/-decrease in cash and cash equivalents		**348,463**	182,807
Cash and cash equivalents as at 1 January		**-932,588**	-1,115,395
Cash and cash equivalents as at 31 December		**-584,125**	-932,588

Included in cash and cash equivalents

	Note	2016 USD ('000)	2015 USD ('000)
Cash and cash equivalents as at 1 January			
Receivables from group companies – cash pool	*22*	**-**	239,204
Payables to group companies – cash pool	*17,22*	**-932,588**	-1,354,599
Cash and cash equivalents as at 1 January		**-932,588**	-1,115,395
Cash and cash equivalents as at 31 December			
Receivables from group companies – cash pool	*15,22*	**248,250**	0
Payables to group companies – cash pool	*17,22*	**-832,375**	-932,588
Cash and cash equivalents as at 31 December		**-584,125**	-932,588

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Notes to the financial statements

Contents **Page**

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1 Basis of preparation

The Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and also comply with the financial reporting requirements included in section 9 of Book 2 of the Netherlands Civil Code.

The principal accounting policies applied in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

The preparation of financial statements in conformity 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.

The Board of Directors and the Management Board have on 2 June 2017 considered and adopted the annual report for 2016, which will be presented for adoption by the shareholders at the Company's Annual General Meeting on 2 June 2017.

Individual and consolidated financial statement

The Company has made use of the exemption in IFRS 10.4 and has therefore not prepared consolidated financial statements.

The financial information of the Company, its subsidiary and of other Group companies is incorporated in the consolidated financial statements of Royal Dutch Shell plc, which forms part of the Annual Report and form 20F for the year ended 31 December 2016 of Royal Dutch Shell plc, The Hague, which will be deposited at the office of the Commercial Registry in The Hague.

1 Basis of preparation – continued

New and amended standards adopted by the Company

The Company has assessed that the new standards and amendments to standards and interpretations effective for annual periods beginning after 1 January 2016, are neither relevant or have no significant effect on the financial statements of the Company.

New standards and interpretations not yet adopted

IFRS 9 Financial instruments address the classification, measurement and recognition of financial assets and financial liabilities. The standard replaces most guidance in IAS 39 and is effective for accounting periods beginning on or after 1 January 2018. Management does not expect the changes from IFRS 9 to have any material impact on the Company.

IFRS 15 Revenue from contracts with customers deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. The standard replaces IAS 18 Revenue and IAS 11 Construction contracts and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2018. Management does not expect the changes from IFRS 15 to have any material impact on the Company.

IFRS 16 Leases amends the rules for the lessee's accounting treatment of operating leases. In future, operating leases must be recognised in the balance sheet as lease assets and similar lease liabilities. IFRS 16 is effective for annual reporting periods beginning on or after 1 January 2019. Earlier application is permitted, but only in conjunction with IFRS 15. Management is currently assessing the impact of IFRS 16 on the Company.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Company.

Going concern

As per end 2016 there has been negative income for the period for second consecutive year and a negative working capital position. The Company has received equity from its parent company of USD 820 million. Based on cash flow forecasts and the committed borrowing facilities from Royal Dutch Shell Group in place, management expect the Company can continue operating in the foreseeable future. Therefore, the financial statements are prepared on a going concern basis.

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2 Accounting policies

The Financial Statements have been prepared under the historical cost convention as modified by the revaluation of certain financial assets and liabilities

Nature of operation

The objective of the Company is to prospect for and production of solid, liquid and gaseous hydrocarbons and other minerals, and also to process, transport, store and engage in trading – including commission business and agencies - in solid, liquid and gaseous hydrocarbons and other minerals, alone or with other substances. It is further entitled to do all that is useful or necessary for the attainment of its objective or that is related thereto in the widest sense of the word, including the establishment of, participating in and managing other companies or undertakings engaged directly or indirectly in the oil industry or any related industry having a similar or related objective. Shell Overseas Holdings Limited holds the shares of the Company.

The main activity of the Company is participation in the DUC (Dansk Undergrunds Consortium), which is a mature producing asset in the Danish part of the North Sea. The Company has a 36.8% interest in the DUC and exercises joint control with the other participants.

Currency translation

The Company's presentation currency and functional currency is US dollars (USD).

Foreign currency transactions are translated using the exchange rate at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies (including those in respect of intercompany balances) are recognised in income, and presented within interest income and interest expenses.

Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates (the functional currency).

Joint arrangements

Arrangements under which the Company has contractually agreed to share control with another party or parties are joint arrangement, which may be incorporated (joint ventures) or unincorporated (joint operations).

Interests in joint operations are recognised by including the Company's share of assets, liabilities, income and expenses on a line-by-line basis. Where necessary, adjustments are made to the financial statements of joint operations to bring the accounting policies used into line with those of the Company. Unrealised gains on other transactions between the Company's and its joint operations are eliminated to the extent of the Company's interest in them; unrealised losses are treated similarly but may also result in an assessment of whether the asset transferred is impaired.

2 Accounting policies – continued

Revenue recognition

Revenue from sales of oil and natural gas is recognised at the fair value of consideration received or receivable, when the significant risks and rewards of ownership have been transferred, which is when title passes to the customer. For sales by Upstream operations, this generally occurs when product is physically transferred into a vessel, pipe or other delivery mechanism.

Revenue from the production of oil, natural gas properties in which the Company has an interest with other producers are recognized on the basis of lifting and nominations.

Under or overlift

Under or overlifted positions of oil and gas are valued at market prices prevailing at the balance sheet date or the prevailing contract price. An underlift of production is included in the current receivables while an overlift of production is included in the current liabilities. Under- or over lift positions are recognised based on current market prices using the entitlement method. Under- or over lift is included in Statement of Income in line item Cost of Sales.

Dividend income

Dividends are recognised on a paid basis unless the dividend has been confirmed by a general meeting of the subsidiary, in which case income is recognised on declaration date.

Exploration cost

Oil and natural gas exploration costs are accounted for under the successful efforts method: exploration costs are recognised in income when incurred, except that exploratory drilling costs are included in property, plant and equipment pending determination of proved reserves. Should the efforts be determined unsuccessful, the costs are then charged to income. Exploration costs capitalised in respect of exploration wells that are more than 12 months old are written off unless (a) proved reserves are booked, or (b) (i) they have found commercially producible quantities of reserves, and (ii) they are subject to further exploration or appraisal activity in that either drilling of additional exploratory wells is underway or firmly planned for the near future or other activities are being undertaken to sufficiently progress the assessing of reserves and the economic and operating viability of the project.

Other income and expense

General and administrative expenses, interest expense and similar expenses and interest income and similar income are accounted for in the period to which they relate.

2 Accounting policies – continued

Taxation

The Company is subject to income taxes in Denmark and as such the tax charge is computed in accordance with Danish tax law. The Company is not subject to Dutch taxation, due to that no activities are performed in the Netherlands.

The charge for current tax is calculated based on the net income reported by the Company, as adjusted for items that are non-taxable or disallowed and using rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax assets and liabilities are recognised in respect of temporary differences between the tax base of assets and liabilities and the carrying amount in the Balance Sheet. Deferred tax assets and liabilities are calculated based on the statutory tax rates as at year-end or future applicable rates that are substantively enacted.

Deferred tax assets, including those from losses carried forward, are recognised to the extent that it is probable that taxable profit will be available to offset losses, and settlement possibilities can be utilised.

Income taxes are recognised in income except when they relate to items recognised in other comprehensive income, in which case the tax is also recognised in other comprehensive income. Income tax assets and liabilities are presented separately in the Balance Sheet except where there is a right of set-off within fiscal jurisdictions and an intention to settle such balances on a net basis.

Property, plant and equipment

Property, plant and equipment comprise assets owned by the Company. Property, plant and equipment are initially recognised in the Balance Sheet at deemed cost of date of the transition to IFRS per 1 January 2011. Subsequently property, plant and equipment are recognised at cost where it is probable that they will generate future economic benefits. This includes capitalisation of decommissioning and restoration costs associated with provisions for asset retirement (see "Provisions). The accounting for exploration costs is described separately above (see "Exploration costs").

Property, plant and equipment are subsequently carried at cost less accumulated depreciation, depletion and amortisation (including any impairment). Gains and losses on disposals are determined by comparing the proceeds with the carrying amounts of assets sold and are recognised in income.

Property, plant and equipment related to hydrocarbon production activities are depreciated on a unit-of-production basis over the proved developed reserves of the field concerned. The useful life is based on the expected production profile of the fields.

2 Accounting policies – continued

Impairment

All assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amounts for those assets may not be recoverable. If assets are determined to be impaired, the carrying amounts of those assets are written down to their recoverable amount, which is the higher of fair value less costs of disposal and value-in-use.

Value-in-use is determined as the amount of estimated risk-adjusted discounted future cash flows. For this purpose, assets are grouped into cash-generating units based on separately identifiable and largely independent cash inflows. Estimates of future cash flows used in the evaluation of impairment of assets are made using management's forecasts of commodity prices, market supply and demand, product margins and, in the case of exploration and production assets, expected production volumes. The latter takes into account assessments of field and reservoir performance and includes expectations about both proved reserves and volumes that are expected to constitute proved reserves in the future (unproved volumes), which are risk-weighted utilising geological, production, recovery and economic projections.

Impairments are reversed as applicable to the extent that the events or circumstances that triggered the original impairment have changed.

Investments in subsidiaries

The Company carries its investments in subsidiaries at cost, net of any impairment.

Inventories

Inventories are stated at cost or net realisable value, whichever is lower. Cost comprises direct purchase costs (including transportation), cost of production and manufacturing and taxes, and is determined using the first-in, first-out (FIFO) method for oil and chemicals and by the weighted average cost method for materials.

Financial instruments

Financial assets

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand.

Receivables

Receivables are recognised initially at fair value based on amounts exchanged and subsequently at amortised cost less any impairment.

2 Accounting policies – continued

Financial liabilities

Debt and accounts payable are recognised initially at fair value based on amounts exchanged, net of transaction costs, and subsequently at amortised cost.

Interest expense on debt is accounted for using the effective interest method and, other than interest capitalised, is recognised in income.

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 Company documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Company also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values of the hedged items. The fair values of various derivative instruments used for hedging purposes are disclosed in note 22. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining hedged item is more than 12 months and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

Derivative financial instruments consist of forward foreign exchange contracts.

Capitalisation of 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.

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

Provisions

Provisions are recognised for legally enforceable or constructive obligations existing on the balance sheet date, the settlement of which is likely to require an outflow of resources whose extent can be reliably estimated. Provisions mainly relate to decommissioning obligation and are recognised in the balance sheet under decommissioning and other provisions.

2 Accounting policies – continued

Provisions are measured on the basis of the management's best estimate of the amounts required to settle the obligations as at the balance sheet date. The carrying amounts of provisions are regularly reviewed and adjusted for new facts or changes in law or technology.

If the expenditure to settle obligations is expected to be recovered from third parties, the recovery is carried as an asset on the balance sheet if it is virtually certain to be received upon settlement of the obligation.

Non-current amounts are discounted using the risk-free rate.

Decommissioning and restoration

Provisions for decommissioning and restoration costs, which arise principally in connection with hydrocarbon production facilities, are measured on the basis of current requirements, technology and price levels; the present value is calculated using amounts discounted over the useful economic life of the assets. The liability is recognised (together with a corresponding amount as part of the related property, plant and equipment) once an obligation crystallises in the period when a reasonable estimate can be made. The effects of changes resulting from revisions to the timing or the amount of the original estimate of the provision are reflected on a prospective basis, generally by adjustment to the carrying amount of the related property, plant and equipment.

Long-term liabilities

Long-term liabilities are recognized initially at fair value, net of transaction cost incurred and are subsequently carried at amortised cost. Any difference between the proceeds (net of transactions costs) and the redemption value is recognized in the income statement during the term of the liabilities using the effective interest method.

Shareholder's equity

Expenses directly related to the purchase, sale and/or issue of new shares are directly charged against shareholders equity, after processing of the relevant profit tax effects. Other direct changes in shareholder's equity are also recognised after processing of the relevant profit tax effects.

3 Key accounting estimates and judgements

In order to prepare the Financial Statements in conformity with IFRS, management has to make estimates and judgements. The matters described below are considered to be the most important in understanding the judgements that are involved in preparing these statements and the uncertainties that could impact the amounts reported in the results of operations, financial condition and cash flows. The Company's accounting policies are described in Note 2.

Estimation of reserves, which affects future depreciation

Unit-of-production depreciation, depletion and amortisation charges are principally measured based on management's estimates of proved developed oil and gas reserves. Estimates of proved reserves are also used in the determination of impairment charges and reversals. Also exploration drilling costs are capitalised pending the results of further exploration or appraisal activity, which may take several years to complete and before any related proved reserves can be booked.

Proved reserves are estimated by reference to available geological and engineering data and only include volumes for which access to market is assured with reasonable certainty. Estimates of proved reserves are inherently imprecise, require the application of judgement and are subject to regular revision, either upward or downward, based on new information such as from the drilling of additional wells, observation of long-term reservoir performance under producing conditions and changes in economic factors, including product prices, contract terms or development plans.

Changes to estimates of proved developed reserves affect prospectively the amounts of depreciation, depletion and amortisation charged and, consequently, the carrying amounts of exploration and production assets. It is expected, however, that in the normal course of business the diversity of the asset portfolio will limit the effect of such revisions. The outcome of, or assessment of plans for, exploration or appraisal activity may result in the related capitalised exploration drilling costs being recorded in income in that period.

Information about the carrying amounts of exploration and production assets and the amounts charged to income, including depreciation, depletion and amortisation, is presented in Note 11.

Decommissioning obligations

Provisions are recognised for the future decommissioning and restoration of hydrocarbon production facilities and pipelines at the end of their economic lives. The estimated cost is recognised in income over the life of the proved developed reserves on a unit-of-production basis or on a straight-line basis, as applicable. Changes in the estimates of costs to be incurred, proved developed reserves or in the rate of production will therefore impact income, generally over the remaining economic life of the related assets.

Estimates of the amounts of provisions recognised are based on current legal and constructive requirements, technology and price levels. Because actual outflows can differ from estimates due to changes in laws, regulations, public expectations, technology, prices, conditions and change in timing of abandonment activities, and can take place many years in the future, the carrying amounts of provisions are regularly reviewed and adjusted to take account of such changes. The discount rate applied is reviewed annually. The discount rate applied for 2016 is 4% (the same as in 2015).

Information about decommissioning and restoration provisions is presented in Note 18.

3 Key accounting estimates and judgements – continued

Taxation

Tax liabilities are recognised when it is considered probable that there will be a future outflow of funds to a taxing authority. In such cases, provision is made for the amount that is expected to be settled, where this can be reasonably estimated. This requires the application of judgement as to the ultimate outcome, which can change over time depending on facts and circumstances. A change in estimate of the likelihood of a future outflow and/or in the expected amount to be settled would be recognised in income in the period in which the change occurs.

Deferred tax assets are recognised only to the extent it is considered probable that those assets will be recoverable. This involves an assessment of when those deferred tax assets are likely to reverse, and a judgement as to whether or not there will be sufficient taxable profits available to offset the tax assets when they do reverse. This requires assumptions regarding future profitability and is therefore inherently uncertain. To the extent assumptions regarding future profitability change, there can be an increase or decrease in the amounts recognised in respect of deferred tax assets as well as in the amounts recognised in income in the period in which the change occurs.

Information about taxation charges, deferred tax liabilities and recognised and unrecognised deferred tax assets is presented in Note 13.

Contingent assets and liabilities

Information on contingent assets and liabilities and when recognition should be made as asset and liability, respectively, is based on assessments of the expected outcome of each claim. The assessments are made on the basis of legal assessments of the signed agreements, which in considerable claims also include assessments obtained from external advisors including lawyers, among others.

Assets are recognized when it is virtually certain that the claim will have a positive outcome for the Company. A liability is recognised if it is probable that the claim will have a negative outcome and when the amount is estimable. If this is not the case, the matter is stated in the notes to the financial statements. Rulings in connection with such matters may in coming accounting periods produce realized gains or losses which may differ considerably from the recognised amounts or information.

Exploration

Oil and natural gas exploration costs are accounted for under the successful efforts method: exploration costs are recognised in income when incurred, except that exploratory drilling costs are included in property, plant and equipment pending determination of proved reserves.

Exploration costs capitalised in respect of exploration wells that are more than 12 months old are written off unless (a) proved reserves are booked, or (b) (i) they have found commercially producible quantities of reserves, and (ii) they are subject to further exploration or appraisal activity in that either drilling of additional exploratory wells is underway or firmly planned for the near future or other activities are being undertaken to sufficiently progress the assessing of reserves and the economic and operating viability of the project

4 Cost of sales

	2016 USD ('000)	2015 USD('000)
Operation expenses	333,712	378,013
Depreciation	1,088,078	1,150,770
Impairment loss	17,999	-
Restoration costs	24,253	3,278
Total cost of sales	1,464,042	1,532,061

5 Employees and salary costs

	2016 USD ('000)	2015 USD('000)
Wages and salaries	9,622	-
Pension contributions	860	-
Other social security costs	18	-
Other salary related costs	936	-
Recharged to other companies (see comment below)	-4,461	
Total employees and salary costs	6,975	-

In 2016 the Company employed, on average, 33 employees during the year. Of these employees, 11 have been providing services to other companies (six to Maersk, the DUC operator, and five to other Shell entities). Those companies have been invoiced for all costs associated with the employees. The Company contributes to a defined contribution pension plan.

The Company employed no personnel during 2015 and therefore incurred no salary or related costs of employment. For remuneration of key management personnel reference is made to Note 25.

6 Auditor's Fee

The auditor's fee disclosure has been included in the consolidated accounts of Royal Dutch Shell plc, which are filed with the Chamber of Commerce in The Hague.

7 Exploration expenses

Exploration expenses in the profit and loss account comprise:

	2016 USD ('000)	2015 USD ('000)
Exploration well write off	**-1,947**	13,945
Other exploration costs	**3,765**	3,775
Exploration expenses	**1,817**	17,720

8 Interest income and similar income

	2016 USD ('000)	2015 USD ('000)
Group companies	**10**	-
Currency exchange gains	**15,804**	92,737
Other	**-**	1,295
Total interest income and similar income	**15,814**	94,032

9 Interest expenses and similar expenses

	2016 USD ('000)	2015 USD ('000)
Group companies	**15,067**	14,165
Accretion expense (see Note 18)	**58,410**	46,868
Fair value loss on financial instruments	**13,181**	89,718
Other	**771**	-
Total interest expenses and similar expenses	**87,429**	150,751

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10 Taxation

Taxation charge	**2016 USD ('000)**	2015 USD ('000)
Current taxation		
Charge in respect of current period	**50,444**	295,724
Adjustment in respect of prior periods	**-26,522**	-6,015
Total current taxation	**23,922**	289,709
Deferred taxation		
Relating to the origination and reversal of temporary differences	**-618,749**	-451,542
Total deferred taxation	**-618,749**	-451,542
Total taxation charge	**-594,827**	-161,833

The effective tax rate in 2016 is 80.3% (2015: 37.3%) in comparison to the nominal tax rate in Denmark of 64% (2015: 64%) for hydrocarbon activities. The main reconciling items are shown below:

	2016 USD ('000)	2015 USD ('000)
Loss before taxation	**-745,780**	-434,031
Taxation	**-594,827**	-161,833
Nominal corporation tax rate for hydrocarbon activities in percent	**64.0%**	64.0%
Adjustment to previous years' taxes	**-3.6%**	-1.4%
De/re-recognition of deferred tax assets	**7.8%**	-28,1%
Permanent differences, net	**12,1%**	2,8%
Effective tax rate in percent	**80.3%**	37.3%

Adjustment to previous years' taxes in 2016 related to tax return true-ups and reassessment of uncertain tax positions.

The change in effective tax rate in 2016 is associated primarily with a change made in 2015. In 2015 there was a de-recognition of part of the deferred tax asset on the decommissioning provision as management assessed there would not be sufficient income in the future to offset all of the deferred tax asset. This has been reassessed and updated in 2016.

The permanent difference in 2016 relates primarily to deductions in the 2016 tax filing not previously considered tax deductible.

11 Property, plant and equipment

	Production assets USD ('000)	Production wells USD ('000)	Exploration wells USD ('000)	Assets under construction USD ('000)	Total USD ('000)
Cost					
As at 1 January 2016	5,350,583	3,175,924	825	184,804	8,712,136
Additions	7,968	2,173	206	103,032	113,379
Sales, retirements and other movements	23,525	83,013	-206	-107,316	-984
Adjustment to decommissioning	-214,622	–	–	–	-214,622
As at 31 December 2016	**5,167,454**	**3,261,110**	**825**	**180,520**	**8,609,909**
Depreciation, depletion and amortisation, including impairment					
As at 1 January 2016	-2,931,369	-1,930,791	–	–	-4,862,160
Depreciation for the year	-731,435	-356,643	–	–	-1,088,078
Impairment for the year	-18,777	778	–	–	-17,999
As at 31 December 2016	**-3,681,581**	**-2,286,656**	**–**	**–**	**-5,968,237**
Net carrying amount as at 31 December 2016	**1,485,873**	**974,454**	**825**	**180,520**	**2,641,672**

	Production assets USD ('000)	Production wells USD ('000)	Exploration wells USD ('000)	Assets under construction USD ('000)	Total USD ('000)
Cost					
As at 1 January 2015	4,763,968	3,088,933	1,267	208,496	8,062,664
Additions	29,901	6,127	13,697	151,551	201,276
Sales, retirements and other movements	94,379	80,864	-14,139	-175,243	-14,139
Adjustment to decommissioning	462,335	–	–	–	462,335
As at 31 December 2015	**5,350,583**	**3,175,924**	**825**	**184,804**	**8,712,136**
Depreciation, depletion and amortisation, including impairment					
As at 1 January 2015	-2,138,519	-1,572,871	–	–	-3,711,390
Depreciation for the year	-792,850	-357,920	–	–	-1,150,770
As at 31 December 2015	**-2,931,369**	**-1,930,791**	**–**	**–**	**-4,862,160**
Net carrying amount as at 31 December 2015	**2,419,214**	**1,245,133**	**825**	**184,804**	**3,849,976**

11 Property, plant and equipment – continued

During the year the Company has not capitalized any borrowing costs.

The above represents the Company's interest in the total assets in each license group. All property, plant and equipment are held as an undivided interest under the Joint Operating Agreements. Assets under construction relates to new wells and construction within the joint venture Dansk Undergrounds Consortium (DUC).

The Company is partner in the joint venture DUC with a share of 46% until 8 July 2012 and 36.8% from 9 July 2012. The Company has a commitment equal to its equity share and there is a joint commitment between the partners.

Assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amounts for those assets may not be recoverable. If assets are determined to be impaired, the carrying amounts of those assets are written down to their recoverable amount, which is the higher of fair value less costs to sell and value in use.

Value in use is determined as the amount of estimated risk-adjusted discounted future cash flows. For this purpose, assets are grouped into cash generating units based on separately identifiable and largely independent cash inflows. Estimates of future cash flows used in the evaluation of impairment of assets are made using management's forecasts of commodity prices, market supply and demand, and expected production volumes. Cash flow estimates are risk-adjusted and discounted at a rate based on marginal cost of debt.

Management has not identified any indicators of impairment in the current year on the overall integrated asset base. However, it has been identified that one specific asset should be impaired on the basis that all oil and gas reserves were derecognised in relation to the field and therefore no future cash flows can be directly attributed to the asset at this time, resulting in a nil value in use. A carrying value of USD 18.8 million has been written down which represents the remaining net book value of the asset. Refer to note 4 for the amount recognised in the income statement.

12 Investment in subsidiaries

	2016 USD ('000)	2015 USD ('000)
Cost		
As at 1 January	**55,919**	55,919
Cost as at 31 December	**55,919**	55,919
Impairment		
As at 1 January:	**-39,891**	-39,891
Impairment as at 31 December:	**-39,891**	-39,891
Net carrying amount as at 31 December	16,028	16,028

The investment in subsidiaries consists of a 100% holding in Shell Olie- og Gasudvinding Danmark Pipelines ApS. The Company's interest in the net asset value is approximately USD 16 million (2015: USD 16 million).

Management has performed an impairment test, which shows no need for impairment. An impairment of USD 6.5 million was recognized in 2014. The profit after tax in 2016 in Shell Olie- og Gasudvinding Danmark Pipelines ApS is approximately USD 1.9 million (2015: USD 0.8 million). Results in line with 2016 are expected in future years.

13 Deferred tax liabilities

Recognised deferred tax assets and liabilities are attributable to the following:

	Decommissioning & other provisions USD ('000)	Property, plant and equipment USD ('000)	Field Losses USD ('000)	Other USD ('000)	Total USD ('000)
As at 1 January 2016					
Deferred tax liabilities	-335,669	1,371,998	-28,866	-18,032	989,401
Net as at 1 January 2016	-335,669	1,371,998	-28,866	-18,032	989,401
Charge for the year					
Credited/-charged to income	-237,340	-422,892	28,601	12,882	-618,749
Total charge for the year	-237,340	-422,892	28,601	12,882	-618,749
As at 31 December 2016					
Deferred tax liabilities	-573,039	949,106	-265	-5,150	370,652
Net as at 31 December 2016	-573,039	949,106	-265	-5,150	370,652

Tax Attribute Carryovers

As part of the transition rules from 2004, the Company has losses carried forward of which a percentage can be utilized in each income year until 2016. The total remaining deferred tax on tax loss carry forwards is calculated as 52% of the total remaining balance of un-utilised losses carried forward.

In 2015 part of the deferred tax asset (USD 122 million) was derecognised as a consequence of increased abandonment liabilities associated with Tyra and anticipated completion of the sale of all downstream businesses in Denmark. In 2016 the derecognised amount has been reduced to USD 78 million.

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13 Deferred tax liabilities – continued

	Decommissioning & other provisions USD ('000)	Property, plant and equipment USD ('000)	Field Losses USD ('000)	Other USD ('000)	Total USD ('000)
As at 1 January 2015					
Deferred tax liabilities	-287,372	1,818,045	-66,895	-22,835	1,440,943
Net as at 1 January 2015	-287,372	1,818,045	-66,895	-22,835	1,440,943
Charge for the year					
Credited/-charged to income	-48,327	-446,047	38,029	4,803	-451,542
Total charge for the year	-48,327	-446,047	38,029	4,803	-451,542
As at 31 December 2015					
Deferred tax liabilities	-335,699	1,371,998	-28,866	-18,032	989,401
Net as at 31 December 2015	-335,699	1,371,998	-28,866	-18,032	989,401

14 Inventories

	2016 USD ('000)	2015 USD ('000)
Materials	75,905	71,948
Crude Oil	25,668	21,993
Total inventories	101,573	93,941

15 Receivables from group companies

	2016 Due within 1 Year USD ('000)	2015 Due within 1 Year USD ('000)
Total receivables from group companies	264.908	61,185

Interest on receivables from group companies is at variable interest rate on the day, with the interest compilation once a month. The interest rate is based on LIBOR minus 0.25% for DKK, EURIBOR minus 0.125% for EUR, LIBOR minus 0.125% for USD.

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16 Trade and other receivables

	2016 Due within 1 Year USD ('000)	2015 Due within 1 Year USD ('000)
Trade receivables	8,737	10,706
Prepayments	17,267	21,412
Other Receivables	14,100	10,780
Total trade and other receivables	40,104	42,898

Provisions for impairments deducted from trade and other receivables amounted to nil at December 31, 2016 (2015: nil).

Ageing of trade receivables and other receivables at December 31

	2016 USD ('000)	2015 USD ('000)
Not overdue	22,837	21,486
Overdue 1 - 30 days	-	-
Overdue 31 - 60 days	-	-
Overdue 61 - 90 days	-	-
Overdue 91 - 180 days	-	-
Overdue more than 180 days	-	-
Total	22,837	21,486

Information about credit risk is presented in Note 23.

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17 Payables to group companies

	Due within 1 year USD ('000)	Due between 1-5 years USD ('000)	Due after 5 year USD ('000)	Total USD ('000)
2016				
Total	**295,760**	**548,000**	**-**	**843,760**
2015				
Total	130,581	808,720	-	939,301

Interest on payables to group companies (disclosed above as due within 1 year) is at variable interest rate on the day, with interest compilation once a month.

The Company has entered into four loan agreements with a group company, Shell Finance Switzerland AG, for a total amount equivalent of USD 817.6 million. Average interest rate percentage in 2016 on the loans is 1.93 % (2015: 1.65%).

- One loan in 2008, in total USD 269.6 million (DKK 1,904.1 million) repayable at the end of the term, carrying interest at CIBOR plus a margin of 0.20 basis points. The loan has been repaid on 31 January 2017.
- One loan in 2013, in total USD 187 million repayable at the end of the term, carrying interest at LIBOR plus a margin of 1.50 basis points and mature 31 December 2018.
- One loan in 2014, in total USD 175 million repayable at the end of the term, carrying interest at LIBOR plus a margin of 1.41 basis points and mature 29 March 2019.
- One loan in 2015, in total USD 186 million repayable at the end of the term, carrying interest at LIBOR plus a margin of 2.65 basis points and mature 29 June 2018.

18 Decommissioning and other provisions

	Decommissioning		Redundancy	
	2016	2015	**2016**	2015
	USD ('000)	USD ('000)	**USD ('000)**	USD ('000)
As at 1 January 2016	**1,465,354**	986,544	**–**	–
Additional/-reduction in provision estimate	**-216,083**	465,680	**1,718**	–
Amounts charged against provisions	**-16,696**	-33,738	**–**	–
Accretion expense	**58,410**	46,868	**–**	–
As at 31 December 2016	**1,290,985**	**1,465,354**	**1,718**	–
Presented on the balance sheet as:				
Current	**24,851**	22,969	**1,718**	–
Non-current	**1,266,134**	1,442,385	**–**	–
	1,290,985	1,465,354	**1,718**	–

The decommissioning and restoration provision at 31 December 2016 is an estimated amount of USD 1,291 million, and is expected to be utilised at the end of the licence period in 2042 and on an ongoing basis in particular in relation to the Tyra Redevelopment.

Reviews of estimated decommissioning and restoration costs are carried out annually, which in 2016 resulted in a decrease of USD 216 million (2015: USD 465 million increase). Hereof USD 215 million is recognised as a reduction in the corresponding property, plant and equipment assets reported within sales, retirements and other movements in (see note 11) and USD 1 million is recognised in cost of sales.

The 2016 decrease is due primarily to updated cost estimates resulting in a decrease in estimated abandonment costs. The 2015 change was as a result of increased cost estimates and change in the timing of abandonment activities (USD 272 million). Furthermore, the discount rate changed from 5% to 4% (USD 193 million).

19 Payables to shareholders

The payables to shareholder relates to a capital redemption that occurred in 2012 resulting in a payable to shareholder. This amount has been repaid during 2016.

20 Trade and other payables

	2016 Due within 1 Year USD ('000)	2015 Due within 1 Year USD ('000)
Trade creditors	27,976	21,731
Accruals	61,715	95,916
VAT payable	12,603	20,933
Other payables – including over lifting	799	38,958
Total trade and other payables	103,093	177,538

The fair value of financial liabilities included above approximates the carrying amount.

21 Shareholder's equity

At 31 December 2016, 32,036 ordinary shares (2015: 32,036 shares) with a total nominal value of EUR 32,036,000 (2015: EUR 32,036,000) were issued and fully paid.

	2016 USD ('000)	2015 USD ('000)
Dividend per share, USD	0.00	0.00
Interim dividend payments, USD	-	-

22 Financial instruments by category

Financial instruments measured at amortised cost

	Carrying amount	
	2016	2015
Loans and receivables	**USD ('000)**	USD ('000)
Receivables from group companies	**248,250**	-
Total interest-bearing receivables	**248,250**	-
Trade receivables	**8,737**	10,706
Other receivables	**14,100**	10,780
Other receivables to group companies	**16,658**	61,185
Taxes receivable	**12,018**	-
Total receivables	**299,762**	82,671

	Carrying amount	Carrying amount
	2016	2015
	USD ('000)	USD ('000)
Financial liabilities measured at amortised cost		
Payables to group companies	**832,375**	932,588
Total interest-bearing liabilities	**832,375**	932,588
Trade payables and accruals	**89,691**	117,647
Other payables to group companies	**5,121**	4,971
Other payables – including over lifting	**15,118**	59,891
Derivative financial instruments at fair value through profit and loss	**6,264**	1,742
Total financial liabilities	**948,569**	1,116,839

Fair value of the non-current payables is not materially different than the carrying amount.

Fair value of interest-bearing financial liabilities, calculated on the basis of discounted interest and instalments, is affected by the lower interest rate in the market.

22 Financial instruments by category – continued

Derivative financial instruments

	Fair value 2016 USD ('000)	Fair value 2015 USD ('000)
Forward foreign exchange contracts	6,264	1,742
Total	**6,264**	1,742

Forward exchange contracts are measured at fair value and included in level 2 in the fair value hierarchy. The measurement using generally acknowledged valuation techniques based on relevant observable swap curves and exchange rates.

Forward foreign exchange contracts
The notional principal amounts of the outstanding forward foreign exchange contracts at 31 December 2016 were USD 278 million (2015: USD 292 million). Face value of the outstanding forward foreign exchange contract at 31 December was USD 271 million (2015: USD 290 million).

23 Financial risks

In the normal course of business, financial instruments of various kinds may be used for the purposes of managing exposure to interest rate, currency and commodity price movements.

As a subsidiary in the Shell Group, the Company has developed treasury policy in line with such policies of the Parent Company, to manage the amount of interest, currency and credit exposure to any counterparty or market. These procedures limit the Company's exposure to concentrations of these risks. The policies cover: financing structure; interest rate and foreign exchange risk management; insurance; counterparty risk management; and use of derivative instruments. Wherever possible, treasury operations are carried out through specialist regional organizations at Group level, without removing the responsibility to formulate and implement appropriate treasury policies from subsidiaries.

The Company's operations expose it to market risk, i.e. currency risk and interest rate risk, credit risk and liquidity risk, as described below.

Market risk

Market risk is the possibility that changes in interest rates, currency exchange rates or the prices of crude oil and natural gas will adversely affect the Company's profit and value of assets, liabilities or expected future cash flows. Below sensitivity analyses prepared for interest rate risk and currency risk relate to the position of financial instruments at 31 December 2016.

23 Financial risks – continued

The sensitivity analyses for currency risk and interest rate risk have been prepared on the basis that the amount of net debt, the ratio of fixed to floating interest rates of the debt and the proportion of financial instruments in foreign currencies remain unchanged from hedge designations in place at 31 December 2016. Furthermore, it is assumed that the exchange rate and interest rate sensitivities have a symmetric impact, i.e. an increase in rates results in the same absolute movement as a decrease in rates.

The sensitivity analyses show the effect on profit or loss and equity of a reasonably possible change in exchange rates and interest rate.

Currency risk

The Company's currency risk arises due to income from hydrocarbon activities are denominated mainly in USD and sales of gas in EUR, while the related expenses are incurred in both USD and a range of other currencies such as DKK, EUR. Tax payments are denominated in DKK and in accordance to the Danish taxation rules for hydrocarbon activities, the taxes are paid in March, June, October and November partly as pre-payments and partly as true-up payments. This increases the currency risk, because the basis of taxation is earned after or before the tax payments.

An increase in the USD exchange rate of 10% against all other significant currencies to which the Company is exposed, is estimated to have a positive impact on the Company's profit before tax and equity by USD 8 million (2015: USD 22 million). A decrease in the USD exchange rate of 10% would have a similar negative effect.

The hedging arrangement in place as per balance sheet date is supposed to minimize the risk of the DKK denominated loan. The intercompany loan and associated hedging denominated in DKK has been repaid/closed on 31 January 2017.

Currency position

	Receivables and payables USD ('000)	Interest-bearing receivables USD ('000)	Interest-bearing payables USD ('000)	Net currency Position USD ('000)
2016				
USD	**10.557**	**248,250**	**-548,000**	**-289,193**
DKK	**-92,093**	**-**	**-277,713**	**-369,806**
EUR	**22,030**	**-**	**-6,662**	**15,368**
Total	**-59,505**	**248,250**	**-832,375**	**-643,631**
2015				
USD	74,896	-	-649,469	-574,573
DKK	-170,338	-	-282,316	-452,654
EUR	15,275	-	-804	14,471
Total	-80,167	-	-932,589	-1,012,756

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23 Financial risks – continued

Interest rate risk

The Company is exposed to interest rate risk on the interest-bearing receivables and interest-bearing current liabilities.

The Company is exposed to the variability in cash flows of variable interest rates on receivables and liabilities. In relation to fixed interest receivables and liabilities, it is exposed to the fair value of the receivables and liabilities.

A general increase in interest rates by one percentage point is estimated, all other things being equal, to affect profit before tax negatively by USD 5 million (2015: USD 8 million). The effect on equity, excluding tax effect, of an increase in interest rates as mentioned above is estimated to be negative by USD 5 million (2015: USD 8 million). A decrease in interest rates by one percentage point would have a similar opposite effect.

This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

Net interest-bearing payables by interest rate levels

	2016 **USD ('000)**	2015 USD ('000)
0-3%	**832,375**	932,588
3-6%	-	-
6%-	-	-
Total	**832,375**	932,588
Of which:		
Bearing fixed interest	-	-
Bearing floating interest	**832,375**	932,588

23 Financial risks – continued

The Company does not have any significant concentrations of credit risk. The Group clients are subjected to creditworthiness tests. Sales are subject to payment conditions ranging from 10 to 40 days.

Reference is made to note 16 for information on trade and other receivables.

The credit quality of intercompany receivables is considered satisfactory.

The maximum amount of exposure to credit risk is the carrying at the balance sheet date.

Capital disclosures

Capital is managed on the basis of the equity ratio, which is calculated as being equity in percentage of total assets. The Company is not subject to capital adequacy requirements.

Liquidity risk

Liquidity risk is the risk that suitable sources of funding for the Company's business activities may not be available. Management believes that it has access to sufficient debt funding sources and to undrawn committed borrowing facilities to meet currently foreseeable requirements.

Information about borrowing facilities provided by group companies is presented in Note 17.

	2016	2015
	USD ('000)	USD ('000)
Interest-bearing receivables	**248,250**	-
Net interest-bearing receivables	**248,250**	-

Based on the liquidity reserve, the size of the committed loan facilities, including loans for the financing of specific assets, the maturity of outstanding loans, and the current investment profile, the Company's financial resources are deemed satisfactory.

23 Financial risks – continued

Maturities of liabilities and commitments

	Carrying amount	Cash flows including interest			
		0-1 year	**1-5 years**	**5- years**	**Total**
2016					
Financial liability at fair value through profit and loss					
Forward foreign exchange contracts	6,264	6,264	-	-	6,264
Total	**6,264**	**6,264**	-	-	**6,264**
Loans and receivables measured at amortised cost					
Receivables from group companies	264,908	264,908	-	-	264,908
Trade receivables	8,737	8,737	-	-	8,737
Other receivables	14,100	14,100	-	-	14,100
Total	**287,745**	**287,745**	-	-	**287,745**
Financial liabilities measured at amortised cost					
Payables to group companies	843,760	295,760	548,000	-	843,760
Trade payables	89,691	89,691	-	-	89,691
Other payables	15,118	15,118	-	-	15,118
Total	**948,569**	**400,569**	**548,000**	-	**948,569**
2015					
Financial liability at fair value through profit and loss					
Forward foreign exchange contracts	1,742	1,742	-	-	1,742
Total	**1,742**	**1,742**	-	-	**1,742**
Loans and receivables measured at amortised cost					
Receivables from group companies	61,185	61,185	-	-	61,185
Trade receivables	10,706	10,706	-	-	10,706
Other receivables	10,780	10,780	-	-	10,780
Total	**82,671**	**82,671**	-	-	**82,671**
Financial liabilities measured at amortised cost					
Payables to group companies	939,301	130,581	808,720	-	939,301
Trade payables	117,647	117,647	-	-	117,647
Other payables	59,891	59,891	-	-	59,891
Total	**1,116,839**	**308,119**	808,720		**1,116,839**

24 Financial commitments and contingent liabilities

As a consequence of an agreement entered into with the Danish Government, 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. This obligation is approximately USD 18 million per year.

As a consequence of a long-term agreement with Dansk Olie- og Naturgas A/S (DONG), the Company is obliged to deliver an annual gas quantity at contracted price. During 2005 the Company entered into an agreement with Shell Energy Europe Ltd (SEEL) for the delivery of gas. In case the Company is not able to honour the commitment to DONG from own production the Company can chose to pay penalty or honour the commitment by supplying DONG with substitution gas from other sources than own production. Commitment to deliver gas to SEEL is only applicable to the extend production of gas exceed the commitment to DONG.

As partner in DUC the Company has budget and work programmes and carry a proportional and solitary commitment to these programs. The Company is committed to the ongoing operation of DUC. In December each year the operating budget for the following year is agreed amongst the DUC partners is approved. For the coming years the budget is around USD 375 million per year. Capital projects are approved individually.

The Company is involved in the following tax cases raised by the Danish Tax Authorities (SKAT) regarding its taxable income: challenge of the transfer price within the financing area (years 2010-2013), the transfer price of crude intercompany sales (years 2010-2011) and the tariff level set between the Company and its subsidiary, Shell Olie- og Gasudvinding Danmark Pipelines ApS (SOGUP) (years 2011-2012). The outcome of these cases is currently not known, but if taken at face value, the aggregated amount of these challenges could be seen as material. In accordance with the Company's accounting policies, management concluded that no provision needs to be made at this stage.

25 Related parties

The Company has its statutory seat in The Hague and is one of the companies of the Shell Group. In this context the term "Companies of the Shell Group" ("Group companies") means companies in which Royal Dutch Shell plc, either directly or indirectly, has control either through a majority of the voting rights or the right to exercise a controlling influence or to obtain the majority of the benefits and be exposed to the majority of the risks. Companies in which Group companies have significant influence but not control are classified as "Associated companies". Royal Dutch Shell plc, a company incorporated in the England and Wales, is known as the "Parent Company" of the Shell Group.

All legal entities that can be controlled, jointly controlled or significantly influenced are considered to be a related party. Also, entities which can control the Company are considered a related party. In addition, statutory directors and close relatives are regarded as related parties.

25 Related parties – continued

Transactions and balances with related parties

(Amounts in USD million)

	Parent		**Subsidiaries**		**Jointly controlled assets**	
	2016	2015	**2016**	2015	**2016**	2015
Revenue	**743,148**	1,036,743	-	-	**19,603**	10,052
Operating cost, including production cost	**39,391**	53,534	**7,564**	5,346	**313,546**	379,755
Remuneration to management	**965**	1,159	-	-	-	-
Dividend income			-	-		
Interest and other income	-	-	-	-	**-771**	1,262
Fair value loss on financial instruments	**13,181**	89,718	-	-	-	-
Interest expenses	**15,067**	14,166	-	-	-	-
Trade receivables	-	-	-	-	**602**	1,367
Interest-bearing receivables, current	**248,250**	-	-	-	-	-
Other receivables, current	**33,925**	82,597	-	-	**14,028**	10,780
Derivative financial instruments at fair value	**6,264**	1,742	-	-	-	-
Interest-bearing payables, current	**832,375**	932,588	-	-	-	-
Trade payables	-	-	-	-	**27,655**	21,543
Other payables, current	**2,710**	3,945	**2,411**	1,026	-	-
Purchase of property, plant and equipment	-	-	-	-	**112,395**	201,276

*Parents includes subsidiaries of the parent

Key Management personnel include Board of Directors. The compensation paid or payable amounts to USD 964,839 of which salaries amounts to USD 711,789, pension USD 124,643, performance shares USD 59,218 and other benefits USD 69,189.

For jointly controlled entities, only the non-eliminated part is included.

26 Subsequent events

As mentioned in the Directors' Report, a new fiscal agreement has been reached with the Danish government on 23 March 2017. This is still subject to final approval, expected end 2017, but allows partners to continue with the full redevelopment of the Tyra facilities towards the final investment decision.

Shell Olie- og Gasudvinding Danmark B.V.

Copenhagen, 2 June 2017

For signature of the Annual Accounts, as presented on pages 5 up to and including 45:

The Board of Directors

Lee James Hodder

Michael Lund Jensen

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Other Information

Statutory rules as to appropriation of profit.

Pursuant to Article 11, paragraph 5 of the Company's Articles of Association, the profit as established by the General Meeting of Shareholders shall be at its disposal.

Proposed appropriation of result

	2016 USD ('000)	2015 USD ('000)
Retained earnings – interim dividend distributed during the year	-	-
Retained earnings – carry forward	**-145,540**	-272,198
Total proposed distribution	**-145,540**	-272,198

Subsequent events

Subsequent events are disclosed in note 26 of the financial statements.

Independent auditors' report

The independent auditors' report is included on the next page.

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Independent auditor's report

To: the shareholder and board of directors of Shell Olie- og Gasudvinding Danmark B.V.

Report on the audit of the financial statements 2016 included in the annual report

Our opinion

We have audited the financial statements 2016 of Shell Olie- OG Gasudvinding Danmark B.V., The Hague.

In our opinion the accompanying financial statements give a true and fair view of the financial position of Shell Olie- og Gasudvinding Danmark B.V. as at 31 December 2016, and of its result and its cash flows for 2016 in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code.

The financial statements comprise:

- The balance sheet as at 31 December 2016
- The following statements for 2016: the income statement, the statement of comprehensive income, the statement of changes in equity and statement of cash flows
- The notes comprising a summary of the significant accounting policies and other explanatory information

Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the "Our responsibilities for the audit of the financial statements" section of our report.

We are independent of Shell Olie- og Gasudvinding Danmark B.V. in accordance with the "Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten" (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore we have complied with the "Verordening gedrags- en beroepsregels accountants" (VGBA, Dutch Code of Ethics).

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Report on other information included in the annual report

In addition to the financial statements and our auditor's report thereon, the annual report contains other information that consists of:

- The directors' report
- Other information pursuant to Part 9 of Book 2 of the Dutch Civil Code

Based on the following procedures performed, we conclude that the other information:
- Is consistent with the financial statements and does not contain material misstatements
- Contains the information as required by Part 9 of Book 2 of the Dutch Civil Code

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements. By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is less than the scope of those performed in our audit of the financial statements.

Management is responsible for the preparation of the other information, including the directors' report in accordance with Part 9 of Book 2 of the Dutch Civil Code and other information pursuant to Part 9 of Book 2 of the Dutch Civil Code.

Description of responsibilities for the financial statements

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with EU-IFRS and Part 9 of Book 2 of the Dutch Civil Code. Furthermore, management is responsible for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, management is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, management should prepare the financial statements using the going concern basis of accounting unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so. Management should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

Our responsibilities for the audit of the financial statements

Our objective is to plan and perform the audit assignment in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not have detected all material errors and fraud.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgment and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included e.g.,:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining 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
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management
- Concluding 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'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 a company to cease to continue as a going concern
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures
- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation

Because we are ultimately responsible for the opinion, we are also responsible for directing, supervising and performing the group audit. In this respect we have determined the nature and extent of the audit procedures to be carried out for group entities. Decisive were the size and/or the risk profile of the group entities or operations. On this basis, we selected group entities for which an audit or review had to be carried out on the complete set of financial information or specific items.

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

Amsterdam, 2 June 2017

Ernst & Young Accountants LLP

signed by J.J. Vernooij

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DANMARK B.V.
THE HAGUE

Midtermolen 3, 4th floor
DK-2100 København
Danish Registration CVR-no. 87 19 77 19

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Annual Report 2017

Contents

Report to the Shareholder of Shell Olie- og Gasudvinding Danmark B.V.

We herewith submit the Annual Report for the year 2017, consisting of:

1 The Directors' Report

2 Financial Statements, consisting of:

   a) Balance sheet as at 31 December 2017;

   b) Statement of income for the year ended 31 December 2017;

   c) Statement of comprehensive income for the year ended 31 December 2017;

   d) Statement of changes in equity for the year ended 31 December 2017;

   e) Statement of cash flows for the year ended 31 December 2017;

   f) Notes to the financial statements for the year 2017.

We have the honour to submit the following proposals:

a) that the balance sheet as at 31 December 2017, the profit and loss account for the year ended 31 December 2017 and the notes to the balance sheet and profit and loss account be finalised in accordance with the Annual Accounts enclosed;

b) to deduct the loss amounting to USD 188 million, from the other reserves.

c) that the Board of Directors be discharged of responsibility in respect of its management during the year 2017.

Copenhagen, 8 June 2018

On behalf of the Board of Directors

Lee James Hodder (Chairman)

Michael Lund Jensen

Directors' report

Review of activities

Shell Olie- og Gasudvinding Danmark B.V. ('The Company') is one of the entities within the "Shell Group".

The Company participates in the Dansk Undergrunds Consortium (DUC) with a share of 36.8%. The Company has a non-operating interest in the license which was granted in 1962 and expires in 2042. The partners during 2017 are Maersk Oil & Gas (31.2% interest and operator), Chevron (12%) and the North Sea Fund (20%). The acquisition of Maersk Oil & Gas by Total was completed in March 2018.

Turnover amounted to USD 1,149 million compared with USD 849 million in 2016. Oil production decreased by 1% while Gas production increased by 9% compared to 2016. Oil sales increased by 35% compared to 2016 due to higher realised prices (USD 54/bbl in 2017 compared with USD 43/bbl in 2016). Gas sales increased by 42% compared to 2016 due to higher production and higher realised prices (USD 5.7/MScf in 2017 compared with USD 4.3/MScf in 2016).

Taxes are high, relative to the loss before taxation, due to previous years' adjustment related to tax return true-ups and reassessment of uncertain tax positions. Refer to note 10 for further details.

The loss for the year after tax amounted to USD 188 million compared with a loss of USD 148 million in 2016. The Company's capital expenditure during 2017 amounted to USD 63.5 million against USD 127.6 million in 2016.

The decommissioning and restoration provision at December 31, 2017 is USD 1,134.7 million, compared to USD 1,291 million at December 31, 2016. The decrease is primarily as a result of a change in the underlying cost estimates, including rig and general rates, and mainly relates to the Tyra.

During 2017 a new fiscal agreement was reached and enacted in law by the Danish government. This enabled the DUC partners to take the Final Investment Decision on the Tyra redevelopment project. This is the largest oil and gas project investment ever made in the Danish North Sea and will ensure continued production from Denmark's largest gas field, protecting and rejuvenating the important North Sea infrastructure. In the first quarter 2018, following the completion of the acquisition of Maersk Oil & Gas by Total, the DUC partners received a letter from the Danish Ministry of Energy requesting the modernisation of the Sole Concession within the next 24 months.

Similar to 2017, the financial results for 2018 will depend heavily on the development of crude oil prices and gas prices. Production in 2018 is expected to be slightly lower compared to 2017, mainly due to natural field decline.

The activities/operations of the Company, including capital expenditures, will in 2018 be financed by loans from group companies and/or operating cash flows, as per the treasury policy and funding strategy of the Company. Its solvency ratio of 35% and liquidity ratio of

58% do not give rise to any concerns with respect to the current year and its going concern assumption.

The business is taken care of either by the DUC operator, or by way of service arrangements between the Company and Shell International Exploration and Production B.V., The Hague, and A/S Dansk Shell, Copenhagen. The Company employed 29 staff on average in 2017, compared to 33 employees in 2016. For more information see note 5.

Risk management and internal control systems

The overall risk appetite of the Company is Moderate (e.g. kept or keeping within reasonable or proper limits) with zero tolerance for compliance risks and operational risks tolerance as low as reasonably practical.

Within the Shell Group a single overall control framework is in place, which is designed to manage rather than eliminate the risk of failure to achieve business objectives, and only provides reasonable and not absolute assurance against material misstatement or loss. The Shell Control Framework applies to the Company and all wholly owned Shell companies and to those ventures and other companies where Royal Dutch Shell plc, directly or indirectly, has a controlling interest. Management of the Company is responsible for application of, adherence to and safeguarding of internal systems for risk management.

The risks that the Company is exposed to and the instruments the Company uses to control those risks are not materially different from the risks and instruments other Group companies are exposed to and use. The Company specifically executes Business Assurance Committee meetings where risks are actively reviewed and actions identified and monitored. The risks that the Company faces could have a material adverse effect separately, or in combination, on our operational performance, earning, cash flows and financial conditions. The other activities and results that the Company is exposed to are a consequence of changing circumstances such as competitive position, economic, political, legal and social circumstances, development in industries and sectors as well as financial circumstances. The most significant risks in general terms and for the Company specifically are:

Fluctuating prices for oil and natural gas

Prices of crude oil and natural gas are affected by supply and demand, both globally and regionally. Moreover, prices for oil and gas can move independently from each other. Price fluctuations could have a material effect on the Company's business, including impact on cash flows and earnings. For example, in a low oil and gas price environment, the Company would generate less revenue from its production of oil and gas and a sustained low price scenario can affect the value of long-term projects such as Tyra Redevelopment. Low oil and gas prices could result in the debooking of proved oil or gas reserves, if they become uneconomic in this type of environment. Prolonged periods of low oil and gas prices, or rising costs, could result in projects being delayed or cancelled and/or in the impairment of some assets. They may also impact the ability to maintain our long-term investment programme and company profitability. The Company monitors the long-term and short-term impact of prices on its economic decision regularly, executes impairment reviews and creates budgets and latest estimates based on centrally provided assumptions.

Competition
The Company faces competition within the energy industry for example in respect of opportunities to bid for new licenses in the Danish North Sea and in relation to oil and gas sales. Failure to clearly understand or effectively respond to competition could affect the Company's financial position.

The Company's future hydrocarbon production depends on safe and reliable ongoing operations, the delivery of large and complex projects, as well as on the ability to replace proved oil and gas reserves.
The Company faces challenges related to a mature North Sea offshore operation, which includes asset integrity and process safety considerations. In addition, developing capital projects, especially large ones (e.g. Tyra redevelopment, to mitigate subsidence and wave impact risk) come with challenges include uncertain geology, the existence and availability of necessary technology and engineering resources, availability of skilled labour, project delays, expiration of licenses and potential cost overruns, as well as technical, fiscal, regulatory, political and other conditions.

Changes in legislation and fiscal and regulatory polices
Changes in legislation, taxation (tax rate or policy), regulation, and to policies on renationalisation and the seizure of property all pose a risk to operations and can affect the operational performance and financial position of the Company. In the Company these matters affect entitlement to produced hydrocarbons, production rates, pricing, environmental protection, social impact, exports, taxes and foreign exchange.

Currency fluctuations and exchange control
As part of a global group of companies, changes in currency values and exchange controls could affect the operational performance and financial position of the Company. The major currencies transacted in are USD, DKK and EUR. The Company manage currency risk based on Group Treasury policy and in close cooperation with operator.

Economic and financial market conditions
The Company is subject to differing economic and financial market conditions in Denmark where it has operations and investments. Political or economic instability pose a risk to such markets. If such risks materialise it could affect the operational performance and financial position of the Company.

Investment in joint operations
Our investment in joint operations may reduce our degree of control as well as our ability to identify and manage risks.

All of our major projects and operations are conducted in joint operations. In certain cases, we may have less influence over and control of the behaviour, performance and cost of operations in which the Company holds an interest.

The Board of Directors considers that the internal risk management and control system, which is designed to provide reasonable but not absolute assurance of achieving business objectives, is adequate and appropriate.

The Dutch legislation, 'Wet Bestuur en Toezicht', was implemented in 2013. This law provides guidance on disclosure in the Directors' Report with regard to the composition of the Board of (Supervisory) Directors and its equal division among men and women. At this moment the composition of the Board of Directors does not reflect the situation as described in article 276 Book 2 of the Dutch Civil Code. A balanced situation as outlined in the above mentioned articles would only be realised if and when vacancies may become available and only to the extent that compliant candidates are of equal quality. In the case of new (Supervisory) Directors the qualitative requirements will be supplemented with the existing male / female division of the Board and the ratios prescribed by law.

Subsequent events
There are no material subsequent events.

Copenhagen, 8 June 2018

The Board of Directors

Lee James Hodder (Chairman)

Michael Lund Jensen

Statement of income

	Note	2017 USD ('000)	Restated* 2016 USD ('000)
Revenue		**1,149,431**	849,281
Cost of sales	*4*	**-1,292,825**	-1,464,042
Gross loss		**-143,394**	-614,761
Selling and distribution expenses		**-31,261**	-37,176
Administrative expenses	*5,6*	**-13,488**	-14,998
Exploration expenses	*7*	**-1,210**	-1,817
Loss before financial items		**-189,353**	-668,752
Interest income and similar income	*8*	**8,702**	15,814
Interest expenses and similar expenses	*9*	**-91,431**	-87,429
Loss before taxation		**-272,082**	-740,367
Taxation	*10*	**84,250**	592,294
Loss for the period		**-187,832**	-148,073

The notes on pages 15 to 46 are an integral part of these financial statements.

* For 2016, certain amounts have been restated, see note 1.4

Statement of comprehensive income

	2017 USD ('000)	Restated* 2016 USD ('000)
Loss for the period	**-187,832**	-148,073
Total comprehensive loss	**-187,832**	-148,073

Proposed appropriation of result

	2017 USD ('000)	Restated* 2016 USD ('000)
Retained earnings – carry forward	**-187,832**	-148,073
Total proposed distribution	**-187,832**	-148,073

This proposal has been recorded in the balance sheet, awaiting the final decision of the general meeting of shareholders.

The notes on pages 15 to 46 are an integral part of these financial statements.

* For 2016, certain amounts have been restated, see note 1.4

Balance Sheet

(after proposed appropriation of the result)

	Note	Dec 31, 2017 USD ('000)	Restated* Dec 31, 2016 USD ('000)
Assets			
Non-current assets			
Property, plant and equipment	*11*	**1,614,435**	2,641,672
Investments in subsidiaries	*12*	**16,028**	16,028
Deferred tax asset	*13*	**97,386**	-
Total non-current assets		**1,727,849**	2,657,700
Current assets			
Inventories	*14*	**93,923**	101,573
Receivables from group companies	*15*	**370,658**	264,908
Trade and other receivables	*16*	**53,648**	40,104
Taxes receivable		**-**	12,018
Total current assets		**518,229**	418,603
Total assets		**2,246,078**	3,076,303

The notes on pages 15 to 46 are an integral part of these financial statements.

* For 2016, certain amounts have been restated, see note 1.4

Balance Sheet - continued

	Note	Dec 31, 2017 USD ('000)	Restated* Dec 31, 2016 USD ('000)
Liabilities			
Non-current liabilities			
Payable to group companies	*17*	**175,000**	548,000
Decommissioning and other provisions	*18*	**1,115,710**	1,266,134
Deferred tax liabilities	*13*	**-**	419,231
Total non-current liabilities		**1,290,710**	2,233,365
Current liabilities			
Payable to group companies	*17*	**377,834**	295,760
Trade and other payables	*19*	**78,414**	81,506
Decommissioning and other provisions	*18*	**43,920**	48,156
Taxes payables		**225,516**	-
Total current liabilities		**725,684**	425,422
Total liabilities		**2,016,394**	2,658,787
Equity			
Share capital		**38,339**	33,711
Retained earnings		**187,348**	375,180
Other reserves		**3,997**	8,625
Total equity	*20*	**229,684**	417,516
Total liabilities and equity		**2,246,078**	3,076,303

The notes on pages 15 to 45 are an integral part of these financial statements.

* For 2016, certain amounts have been restated, see note 1.4

Statement of changes in equity

	Share capital USD ('000)	Retained earnings USD ('000)	Other reserves USD ('000)	Total equity USD ('000)
As at 1 January 2016:	34,993	-250,701	7,343	-208,365
Adjustment on correction of error	–	-46,046	–	-46,046
As at 1 January 2016 (restated*):	34,993	-296,747	7,343	-254,411
Loss for the period	–	-145,540	–	-145,540
Adjustment on correction of error	–	-2,533	–	-2,533
Restated loss for the period	–	-148,073	–	-148,073
Equity injection	–	820,000	–	820,000
Currency translation of share capital	-1,281	–	1,281	–
As at 31 December 2016 (restated*)	33,711	375,180	8,625	417,516
As at 1 January 2017:	**33,711**	**375,180**	**8,625**	**417,516**
Loss for the period	–	**-187,832**	–	**-187,832**
Currency translation of share capital	**4,628**	–	**-4,628**	–
As at 31 December 2017	**38,339**	**187,348**	**3,997**	**229,684**

The notes on pages 15 to 46 are an integral part of these financial statements.

* For 2016, certain amounts have been restated, see note 1.4

Statement of cash flows

	Note	2017 USD ('000)	2016 USD ('000)
Cash flow from operating activities			
Income for the period		**-187,832**	-148,073
Adjustment for:			
Taxation	*10*	**432,367**	23,922
Interest expense	*9*	**17,802**	15,839
Interest income	*8*	**-1,461**	-11
Depreciation, depletion and amortisation	*11*	**1,009,285**	1,088,078
Non-cash adjustment to property, plant and equipment		**-**	992
Impairment losses	*4,11*	**-**	17,999
Working capital adjustments:			
Decrease/-increase in inventories	*14*	**7,650**	-7,632
Decrease/-increase in trade and other receivables	*15,16*	**-79,522**	47,321
Decrease/-increase in trade and other payables	*17,19*	**-9,459**	-55,593
Decrease/-increase in deferred taxation, decommissioning and other provisions	*10,13,18*	**-593,848**	-574,244
Other		**1,288**	4,814
Tax paid	*10*	**-196,122**	-111,552
Net cash from operating activities		**400,148**	301,860
Cash flow from investing activities			
Capital expenditure	*11*	**-63,504**	-127,559
Interest received	*8*	**1,461**	11
Net cash used in investing activities		**-62,043**	-127,548

The notes on pages 15 to 45 are an integral part of these financial statements.

Statement of cash flows – continued

	Note	2017 USD ('000)	2016 USD ('000)
Cash flow from financing activities			
Interest paid	*9*	**-17,802**	-15,839
Equity injection		**-**	820,000
Repayment of shareholder payable		**-**	-630,000
Net cash used in financing activities		**-17,802**	174,161
Increase/-decrease in cash and cash equivalents		**320,303**	348,463
Cash and cash equivalents as at 1 January		**-584,125**	-932,588
Cash and cash equivalents as at 31 December		**-263,822**	-584,125

Included in cash and cash equivalents

	Note	2017 USD ('000)	2016 USD ('000)
Cash and cash equivalents as at 1 January			
Receivables from group companies – cash pool	*21*	**248,250**	-
Payables to group companies – cash pool and loans	*17,21*	**-832,375**	-932,588
Cash and cash equivalents as at 1 January		**-584,125**	-932,588
Cash and cash equivalents as at 31 December			
Receivables from group companies – cash pool	*15,21*	**288,022**	248,250
Payables to group companies – cash pool and loans	*17,21*	**-551,844**	-832,375
Cash and cash equivalents as at 31 December		**-263,822**	-584,125

The notes on pages 15 to 46 are an integral part of these financial statements.

Notes to the financial statements

Contents **Page**

1 Basis of preparation

The Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and also comply with the financial reporting requirements included in section 9 of Book 2 of the Netherlands Civil Code.

The principal accounting policies applied in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

The preparation of financial statements in conformity 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.

The Board of Directors and the Management Board have on 8 June 2018 considered and adopted the annual report for 2017, which will be presented for adoption by the shareholder.

1.1 Individual and consolidated financial statement

The Company has made use of the exemption in IFRS 10.4 and has therefore not prepared consolidated financial statements.

The financial information of the Company, its subsidiary and of other Group companies is incorporated in the consolidated financial statements of Royal Dutch Shell plc, which forms part of the Annual Report and form 20F for the year ended 31 December 2017 of Royal Dutch Shell plc, The Hague, which will be deposited at the office of the Commercial Registry in The Hague.

1.2 Changes in accounting policies

New and amended standards adopted by the Company

The Company has assessed that the new standards and amendments to standards and interpretations effective for annual periods beginning after 1 January 2017, are neither relevant or have no significant effect on the financial statements of the Company.

New standards and interpretations not yet adopted

The final version of IFRS 9 Financial Instruments was issued in 2014 and sets out the requirements for recognising and measuring financial assets, financial liabilities and certain contracts to buy or sell non-financial items. It replaces IAS 39 Financial Instruments: Recognition and Measurement. The adoption of IFRS 9 in 2018 results in no change in equity at 1 January 2018 as there was no material impact on impairment of receivables under the expected credit loss model.

1 Basis of preparation – continued

IFRS 15 Revenue from Contracts with Customers was issued in 2014 and replaces IAS 18 Revenue. It provides a single model of accounting for revenue arising from contracts with customers based on the identification and satisfaction of performance obligations, and revenue from contracts with customers will be distinguished from other sources. The Company has adopted IFRS 15 with effect from January 1, 2018, and has elected to apply the modified retrospective transition approach. IFRS 15 does not generally represent a change from the Company's current practice, and therefore no transition adjustment will be presented.

IFRS 16 Leases was issued in 2016 to replace IAS 17 Leases and is required to be adopted by 2019. Under the new standard all lease contracts, with limited exceptions, are recognised in financial statements by way of right of use assets and corresponding lease liabilities. Compared with the existing accounting for operating leases, it will also impact the classification and timing of expenses and consequently the classification between cash flow from operating activities and cash flow from financing activities. It is expected that the Company will apply the modified retrospective approach, which would mean that the cumulative effect of initially applying the standard is recognised at the date of initial application and there is no restatement of comparative information. The Company will not early adopt IFRS 16. The impact of the adoption of the new standard at 1 January 2019 will be dependent on factors such as the Company's lease contracts at that date and the discount rate to be applied in accordance with IFRS 16, and therefore the impact cannot be determined from the disclosure of the minimum lease payments. A detailed review of the Company's contracts and it's share from joint operations is under way to determine the impact of the new standard.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Company.

1.3 Going concern

As per end 2017 there has been negative income for the period for third consecutive year and a negative working capital position. The Company received equity from its parent company of USD 820 million in 2016. Based on cash flow forecasts and the committed borrowing facilities from Royal Dutch Shell Group in place, management expect the Company can continue operating in the foreseeable future. Therefore, the financial statements are prepared on a going concern basis.

1.4 Correction of an error

In 2017, it was identified that a deferred tax liability relating to the materials balance within inventory had not been recognised. The error has been corrected by restating each of the affected financial statement line items for the prior periods, as follows:

Impact on equity (decrease in equity)	31 December 2016	1 January 2016	Total
	USD ('000)	USD ('000)	USD ('000)
Deferred tax liability	(2,533)	(46,046)	(48,579)
Net impact on equity	(2,533)	(46,046)	(48,579)
Impact on statement of income (increase in loss)			
Income tax expense	(2,533)		
Net impact on loss for the year	(2,533)		

2 Accounting policies

The Financial Statements have been prepared under the historical cost convention as modified by the revaluation of certain financial assets and liabilities

Nature of operation

The objective of the Company is to prospect for and production of solid, liquid and gaseous hydrocarbons and other minerals, and also to process, transport, store and engage in trading – including commission business and agencies - in solid, liquid and gaseous hydrocarbons and other minerals, alone or with other substances. It is further entitled to do all that is useful or necessary for the attainment of its objective or that is related thereto in the widest sense of the word, including the establishment of, participating in and managing other companies or undertakings engaged directly or indirectly in the oil industry or any related industry having a similar or related objective. Shell Overseas Holdings Limited holds the shares of the Company.

The main activity of the Company is participation in the DUC (Dansk Undergrunds Consortium), which is a mature producing asset in the Danish part of the North Sea. The Company has a 36.8% interest in the DUC and exercises joint control with the other participants.

Currency translation

The Company's presentation currency and functional currency is US dollars (USD).

Foreign currency transactions are translated using the exchange rate at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies (including those in respect of intercompany balances) are recognised in income, and presented within interest income and interest expenses.

Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates (the functional currency).

Joint arrangements

Arrangements under which the Company has contractually agreed to share control with another party or parties are joint arrangement, which may be incorporated (joint ventures) or unincorporated (joint operations).

Interests in joint operations are recognised by including the Company's share of assets, liabilities, income and expenses on a line-by-line basis. Where necessary, adjustments are made to the financial statements of joint operations to bring the accounting policies used into line with those of the Company. Unrealised gains on other transactions between the Company's and its joint operations are eliminated to the extent of the Company's interest in them; unrealised losses are treated similarly but may also result in an assessment of whether the asset transferred is impaired.

2 Accounting policies – continued

Revenue recognition

Revenue from sales of oil and natural gas is recognised at the fair value of consideration received or receivable, when the significant risks and rewards of ownership have been transferred, which is when title passes to the customer. For sales by Upstream operations, this generally occurs when product is physically transferred into a vessel, pipe or other delivery mechanism.

Revenue from the production of oil, natural gas properties in which the Company has an interest with other producers are recognized on the basis of lifting and nominations.

Under or overlift

Under or overlifted positions of oil and gas are valued at market prices prevailing at the balance sheet date or the prevailing contract price. An underlift of production is included in the current receivables while an overlift of production is included in the current liabilities. Under- or over lift positions are recognised based on current market prices using the entitlement method. Under- or over lift is included in Statement of Income in line item Cost of Sales.

Dividend income

Dividends are recognised on a paid basis unless the dividend has been confirmed by a general meeting of the subsidiary, in which case income is recognised on declaration date.

Exploration cost

Oil and natural gas exploration costs are accounted for under the successful efforts method: exploration costs are recognised in income when incurred, except that exploratory drilling costs are included in property, plant and equipment pending determination of proved reserves. Should the efforts be determined unsuccessful, the costs are then charged to income. Exploration costs capitalised in respect of exploration wells that are more than 12 months old are written off unless (a) proved reserves are booked, or (b) (i) they have found commercially producible quantities of reserves, and (ii) they are subject to further exploration or appraisal activity in that either drilling of additional exploratory wells is underway or firmly planned for the near future or other activities are being undertaken to sufficiently progress the assessing of reserves and the economic and operating viability of the project.

Other income and expense

General and administrative expenses, interest expense and similar expenses and interest income and similar income are accounted for in the period to which they relate.

2 Accounting policies – continued

Taxation

The Company is subject to income taxes in Denmark and as such the tax charge is computed in accordance with Danish tax law. The Company is not subject to Dutch taxation, due to that no activities are performed in the Netherlands.

The charge for current tax is calculated based on the net income reported by the Company, as adjusted for items that are non-taxable or disallowed and using rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax assets and liabilities are recognised in respect of temporary differences between the tax base of assets and liabilities and the carrying amount in the Balance Sheet. Deferred tax assets and liabilities are calculated based on the statutory tax rates as at year-end or future applicable rates that are substantively enacted.

Deferred tax assets, including those from losses carried forward, are recognised to the extent that it is probable that taxable profit will be available to offset losses, and settlement possibilities can be utilised.

Income taxes are recognised in income except when they relate to items recognised in other comprehensive income, in which case the tax is also recognised in other comprehensive income. Income tax assets and liabilities are presented separately in the Balance Sheet except where there is a right of set-off within fiscal jurisdictions and an intention to settle such balances on a net basis.

Property, plant and equipment

Property, plant and equipment comprise assets owned by the Company. Property, plant and equipment are initially recognised in the Balance Sheet at deemed cost of date of the transition to IFRS per 1 January 2011. Subsequently property, plant and equipment are recognised at cost where it is probable that they will generate future economic benefits. This includes capitalisation of decommissioning and restoration costs associated with provisions for asset retirement (see "Provisions). The accounting for exploration costs is described separately above (see "Exploration costs").

Property, plant and equipment are subsequently carried at cost less accumulated depreciation, depletion and amortisation (including any impairment). Gains and losses on disposals are determined by comparing the proceeds with the carrying amounts of assets sold and are recognised in income.

Property, plant and equipment related to hydrocarbon production activities are depreciated on a unit-of-production basis over the proved developed reserves of the field concerned. The useful life is based on the expected production profile of the fields.

2 Accounting policies – continued

Impairment

All assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amounts for those assets may not be recoverable. If assets are determined to be impaired, the carrying amounts of those assets are written down to their recoverable amount, which is the higher of fair value less costs of disposal and value-in-use.

Value-in-use is determined as the amount of estimated risk-adjusted discounted future cash flows. For this purpose, assets are grouped into cash-generating units based on separately identifiable and largely independent cash inflows. Estimates of future cash flows used in the evaluation of impairment of assets are made using management's forecasts of commodity prices, market supply and demand, product margins and, in the case of exploration and production assets, expected production volumes. The latter takes into account assessments of field and reservoir performance and includes expectations about both proved reserves and volumes that are expected to constitute proved reserves in the future (unproved volumes), which are risk-weighted utilising geological, production, recovery and economic projections.

Impairments are reversed as applicable to the extent that the events or circumstances that triggered the original impairment have changed.

Investments in subsidiaries

The Company carries its investments in subsidiaries at cost, net of any impairment.

Inventories

Inventories are stated at cost or net realisable value, whichever is lower. Cost comprises direct purchase costs (including transportation), cost of production and manufacturing and taxes, and is determined using the first-in, first-out (FIFO) method for oil and chemicals and by the weighted average cost method for materials.

Financial instruments

Financial assets

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand.

Receivables

Receivables are recognised initially at fair value based on amounts exchanged and subsequently at amortised cost less any impairment.

2 Accounting policies – continued

Financial liabilities

Debt and accounts payable are recognised initially at fair value based on amounts exchanged, net of transaction costs, and subsequently at amortised cost.

Interest expense on debt is accounted for using the effective interest method and, other than interest capitalised, is recognised in income.

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 Company documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Company also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values of the hedged items. The fair values of various derivative instruments used for hedging purposes are disclosed in note 21. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining hedged item is more than 12 months and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

Derivative financial instruments consist of forward foreign exchange contracts.

Capitalisation of 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.

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

Provisions

Provisions are recognised for legally enforceable or constructive obligations existing on the balance sheet date, the settlement of which is likely to require an outflow of resources whose extent can be reliably estimated. Provisions mainly relate to decommissioning obligation and are recognised in the balance sheet under decommissioning and other provisions.

2 Accounting policies – continued

Provisions are measured on the basis of the management's best estimate of the amounts required to settle the obligations as at the balance sheet date. The carrying amounts of provisions are regularly reviewed and adjusted for new facts or changes in law or technology.

If the expenditure to settle obligations is expected to be recovered from third parties, the recovery is carried as an asset on the balance sheet if it is virtually certain to be received upon settlement of the obligation.

Non-current amounts are discounted using the risk-free rate.

Decommissioning and restoration

Provisions for decommissioning and restoration costs, which arise principally relating to hydrocarbon production facilities, are measured on the basis of current requirements, technology and price levels; the present value is calculated using amounts discounted over the useful economic life of the assets. The liability is recognised (together with a corresponding amount as part of the related property, plant and equipment) once an obligation crystallises in the period when a reasonable estimate can be made. The effects of changes resulting from revisions to the timing or the amount of the original estimate of the provision are reflected on a prospective basis, generally by adjustment to the carrying amount of the related property, plant and equipment.

Long-term liabilities

Long-term liabilities are recognized initially at fair value, net of transaction cost incurred and are subsequently carried at amortised cost. Any difference between the proceeds (net of transactions costs) and the redemption value is recognized in the income statement during the term of the liabilities using the effective interest method.

Shareholder's equity

Expenses directly related to the purchase, sale and/or issue of new shares are directly charged against shareholders equity, after processing of the relevant profit tax effects. Other direct changes in shareholder's equity are also recognised after processing of the relevant profit tax effects.

3 Key accounting estimates and judgements

In order to prepare the Financial Statements in conformity with IFRS, management has to make estimates and judgements. The matters described below are considered to be the most important in understanding the judgements that are involved in preparing these statements and the uncertainties that could impact the amounts reported in the results of operations, financial condition and cash flows. The Company's accounting policies are described in note 2.

Estimation of reserves, which affects future depreciation

Unit-of-production depreciation, depletion and amortisation charges are principally measured based on management's estimates of proved developed oil and gas reserves. Estimates of proved reserves are also used in the determination of impairment charges and reversals. Also, exploration drilling costs are capitalised pending the results of further exploration or appraisal activity, which may take several years to complete and before any related proved reserves can be booked.

Proved reserves are estimated by reference to available geological and engineering data and only include volumes for which access to market is assured with reasonable certainty. Estimates of proved reserves are inherently imprecise, require the application of judgement and are subject to regular revision, either upward or downward, based on new information such as from the drilling of additional wells, observation of long-term reservoir performance under producing conditions and changes in economic factors, including product prices, contract terms or development plans.

Changes to estimates of proved developed reserves affect prospectively the amounts of depreciation, depletion and amortisation charged and, consequently, the carrying amounts of exploration and production assets. It is expected, however, that in the normal course of business the diversity of the asset portfolio will limit the effect of such revisions. The outcome of, or assessment of plans for, exploration or appraisal activity may result in the related capitalised exploration drilling costs being recorded in income in that period.

Information about the carrying amounts of exploration and production assets and the amounts charged to income, including depreciation, depletion and amortisation, is presented in note 11.

Decommissioning obligations

Provisions are recognised for the future decommissioning and restoration of hydrocarbon production facilities and pipelines at the end of their economic lives. The estimated cost is recognised in income over the life of the proved developed reserves on a unit-of-production basis or on a straight-line basis, as applicable. Changes in the estimates of costs to be incurred, proved developed reserves or in the rate of production will therefore impact income, generally over the remaining economic life of the related assets.

Estimates of the amounts of provisions recognised are based on current legal and constructive requirements, technology and price levels. Because actual outflows can differ from estimates due to changes in laws, regulations, public expectations, technology, prices, conditions and change in timing of abandonment activities, and can take place many years in the future, the carrying amounts of provisions are regularly reviewed and adjusted to take account of such changes. The discount rate applied is reviewed annually. The discount rate applied for 2017 is 4% (the same as in 2016).

Information about decommissioning and restoration provisions is presented in note 18.

3 Key accounting estimates and judgements – continued

Taxation

Tax liabilities are recognised when it is considered probable that there will be a future outflow of funds to a taxing authority. In such cases, provision is made for the amount that is expected to be settled, where this can be reasonably estimated. This requires the application of judgement as to the ultimate outcome, which can change over time depending on facts and circumstances. A change in estimate of the likelihood of a future outflow and/or in the expected amount to be settled would be recognised in income in the period in which the change occurs.

Deferred tax assets are recognised only to the extent it is considered probable that those assets will be recoverable. This involves an assessment of when those deferred tax assets are likely to reverse, and a judgement as to whether or not there will be sufficient taxable profits available to offset the tax assets when they do reverse. This requires assumptions regarding future profitability and is therefore inherently uncertain. To the extent assumptions regarding future profitability change, there can be an increase or decrease in the amounts recognised in respect of deferred tax assets as well as in the amounts recognised in income in the period in which the change occurs.

Information about taxation charges, deferred tax liabilities and recognised and unrecognised deferred tax assets is presented in note 13.

Contingent assets and liabilities

Information on contingent assets and liabilities and when recognition should be made as asset and liability, respectively, is based on assessments of the expected outcome of each claim. The assessments are made on the basis of legal assessments of the signed agreements, which in considerable claims also include assessments obtained from external advisors including lawyers, among others.

Assets are recognized when it is virtually certain that the claim will have a positive outcome for the Company. A liability is recognised if it is probable that the claim will have a negative outcome and when the amount is estimable. If this is not the case, the matter is stated in the notes to the financial statements. Rulings in connection with such matters may in coming accounting periods produce realized gains or losses which may differ considerably from the recognised amounts or information.

4 Cost of sales

	2017 USD ('000)	2016 USD ('000)
Operation expenses	**400,207**	333,712
Depreciation	**1,009,285**	1,088,078
Impairment loss	**-**	17,999
Restoration costs (see also note 18)	**-116,667**	24,253
Total cost of sales	**1,292,825**	1,464,042

5 Employees and salary costs

	2017 USD ('000)	2016 USD ('000)
Wages and salaries	**6,983**	9,622
Pension contributions	**664**	860
Other social security costs	**139**	18
Other salary related costs	**593**	936
Recharged to other companies (see comment below)	**-2,784**	-4,461
Total employees and salary costs	**5,595**	6,975

In 2017 the Company employed, on average, 29 (2016: 33) employees during the year. Of these employees, 11 (2016: 11) have been providing services to other companies (three to the DUC operator, and eight to other Shell entities). Those companies have been invoiced for all costs associated with the employees. The Company contributes to a defined contribution pension plan.

For remuneration of key management personnel reference is made to note 24.

6 Auditor's Fee

The auditor's fee disclosure has been included in the consolidated accounts of Royal Dutch Shell plc, which are filed with the Chamber of Commerce in The Hague.

7 Exploration expenses

Exploration expenses in the profit and loss account comprise:

	2017 USD ('000)	2016 USD ('000)
Exploration well write off	-613	-1,947
Other exploration costs	1,823	3,765
Exploration expenses	1,210	1,817

Well write-off relates to clearing of old items on Jude 1X and Siah NE-1X (2016: Jude 1X) wells.

8 Interest income and similar income

	2017 USD ('000)	2016 USD ('000)
Group companies	1,461	10
Currency exchange gains	-	15,804
Fair value gain on financial instruments	7,241	-
Total interest income and similar income	8,702	15,814

9 Interest expenses and similar expenses

	2017 USD ('000)	2016 USD ('000)
Group companies	16,900	15,067
Currency exchange losses	21,270	-
Accretion expense (see note 18)	52,360	58,410
Fair value loss on financial instruments	-	13,181
Other	901	771
Total interest expenses and similar expenses	91,431	87,429

10 Taxation

Taxation charge	2017 USD ('000)	Restated* 2016 USD ('000)
Current taxation		
Charge in respect of current period	**316,117**	50,444
Tax return true ups and adjustments to uncertain tax positions	**116,250**	-26,522
Total current taxation	**432,367**	23,922
Deferred taxation		
Relating to the origination and reversal of temporary differences	**-522,866**	-616,216
Tax return true ups	**6,249**	-
Total deferred taxation	**-516,617**	-616,216
Total taxation charge	**-84,250**	-592,294

The effective tax rate in 2017 is 31% (2016: 80%) in comparison to the nominal tax rate in Denmark of 64% (2016: 64%) for hydrocarbon activities. The main reconciling items are shown below:

	2017 USD ('000)	Restated* 2016 USD ('000)
Loss before taxation	**-272,082**	-740,367
Taxation	**-84,250**	-592,294
Nominal corporation tax rate for hydrocarbon activities in percent	**64.0%**	64.0%
Adjustment to previous years' taxes	**-45.0%**	-3.6%
De/re-recognition of deferred tax assets	**0.0%**	7.8%
Permanent differences, net	**12.0%**	11.8%
Effective tax rate in percent	**31.0%**	80.0%

Adjustment to previous years' taxes in 2017 related to true up to tax return and reassessment of uncertain tax positions.

The permanent difference in 2017 relates primarily to deductions in 2017 not considered tax deductible, tax effect on uplift and foreign exchange differences.

* See also note 1.4 regarding the prior year restatement due to correction of an error.

11 Property, plant and equipment

	Production assets USD ('000)	Production wells USD ('000)	Exploration wells USD ('000)	Assets under construction USD ('000)	Total USD ('000)
Cost					
As at 1 January 2017	**5,167,454**	**3,261,110**	**825**	**180,520**	**8,609,909**
Additions	880	3,227	–	55,371	59,477
Sales, retirements and other movements	166,165	52,091	–	-218,256	–
Adjustment to decommissioning	-77,429	–	–	–	-77,429
As at 31 December 2017	**5,257,069**	**3,316,428**	**825**	**17,634**	**8,591,955**
Depreciation, depletion and amortisation, including impairment					
As at 1 January 2017	-3,681,581	-2,286,656	–	–	-5,968,237
Depreciation for the year	-598,333	-410,952	–	–	-1,009,285
As at 31 December 2017	**-4,279,914**	**-2,697,606**	–	–	**-6,977,521**
Net carrying amount as at 31 December 2017	**977,155**	**618,821**	**825**	**17,634**	**1,614,435**

	Production assets USD ('000)	Production wells USD ('000)	Exploration wells USD ('000)	Assets under construction USD ('000)	Total USD ('000)
Cost					
As at 1 January 2016	5,350,583	3,175,924	825	184,804	8,712,136
Additions	7,968	2,173	206	103,032	113,379
Sales, retirements and other movements	23,525	83,013	-206	-107,316	-984
Adjustment to decommissioning	-214,622	–	–	–	-214,622
As at 31 December 2016	**5,167,454**	**3,261,110**	**825**	**180,520**	**8,609,909**
Depreciation, depletion and amortisation, including impairment					
As at 1 January 2016	-2,931,369	-1,930,791	–	–	-4,862,160
Depreciation for the year	-731,435	-356,643	–	–	-1,088,078
Impairment for the year	-18,777	778	–	–	-17,999
As at 31 December 2016	**-3,681,581**	**-2,286,656**	–	–	**-5,968,237**
Net carrying amount as at 31 December 2016	**1,485,873**	**974,454**	**825**	**180,520**	**2,641,672**

11 Property, plant and equipment – continued

During the year the Company has not capitalized any borrowing costs.

The above represents the Company's interest in the total assets in each license group. All property, plant and equipment are held as an undivided interest under the Joint Operating Agreements. Assets under construction relates to new wells and construction within the joint venture Dansk Undergrounds Consortium (DUC).

The Company is partner in the joint venture DUC with a share of 46% until 8 July 2012 and 36.8% from 9 July 2012. The Company has a commitment equal to its equity share and there is a joint commitment between the partners.

Assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amounts for those assets may not be recoverable. If assets are determined to be impaired, the carrying amounts of those assets are written down to their recoverable amount, which is the higher of fair value less costs to sell and value in use.

Value in use is determined as the amount of estimated risk-adjusted discounted future cash flows. For this purpose, assets are grouped into cash generating units based on separately identifiable and largely independent cash inflows. Estimates of future cash flows used in the evaluation of impairment of assets are made using management's forecasts of commodity prices, market supply and demand, and expected production volumes. Cash flow estimates are risk-adjusted and discounted at a rate based on marginal cost of debt.

Management has not identified any indicators of impairment in the current year on the overall integrated asset base.

12 Investment in subsidiaries

	2017 USD ('000)	2016 USD ('000)
Cost		
As at 1 January	55,919	55,919
Cost as at 31 December	55,919	55,919
Impairment		
As at 1 January	-39,891	-39,891
Impairment as at 31 December:	-39,891	-39,891
Net carrying amount as at 31 December	16,028	16,028

The investment in subsidiaries consists of a 100% holding in Shell Olie- og Gasudvinding Danmark Pipelines ApS. The Company's interest in the net asset value is approximately USD 16 million (2016: USD 16 million).

Management has performed an impairment test, which shows no need for impairment or reversal of previous impairment. An impairment of USD 6.5 million was recognized in 2014. The profit after tax in 2017 in Shell Olie- og Gasudvinding Danmark Pipelines ApS is approximately USD 11.4 million (2016: USD 1.9 million). Other than the uncertain tax positions, results in line with 2017 are expected in future years.

13 Deferred tax liabilities / assets

Recognised deferred tax assets and liabilities are attributable to the following:

	Decommissioning & other provisions USD ('000)	Property, plant and equipment USD ('000)	Field Losses USD ('000)	Other USD ('000)	Total USD ('000)
As at 1 January 2017					
Deferred tax liabilities/-assets	-573,039	949,106	-265	43,429	419,231
Net as at 1 January 2017	-573,039	949,106	-265	43,429	419,231
Charge for the year					
Credited/-charged to income	31,357	-551,001	265	2,762	-516,617
Total charge for the year	31,357	-551,001	265	2,762	-516,617
As at 31 December 2017					
Deferred tax liabilities/-assets	-541,682	398,105	–	46,191	-97,386
Net as at 31 December 2017	-541,682	398,105	–	46,191	-97,386

Part of the deferred tax asset (USD 78 million) related to abandonment liabilities is not recognised, as the Company does not expect to have sufficient corporate income to utilise the abandonment cost, when the Company starts decommissioning/removing the facilities. The amount is unchanged compared to prior year.

The movement in deferred tax on property, plant and equipment is due to high accounting depreciation relative to tax deductible depreciation.

13 Deferred tax liabilities / assets – continued

	Decommissioning & other provisions USD ('000)	Property, plant and equipment USD ('000)	Field Losses USD ('000)	Other USD ('000)	Total USD ('000)
As at 1 January 2016					
Deferred tax liabilities	-335,699	1,371,998	-28,866	-18,032	989,401
Adjustment on correction of error	–	–	–	46,046	46,046
Net as at 1 January 2016 (restated*)	-335,699	1,371,998	-28,866	28,014	1,035,447
Charge for the year					
Credited/-charged to income	-237,340	-422,892	28,601	12,882	-618,749
Adjustment on correction of error	–	–	–	2,533	2,533
Total charge for the year (restated*)	-237,340	-422,892	28,601	15,415	-616,216
As at 31 December 2016 (restated*)					
Deferred tax liabilities	-573,039	949,106	-265	43,429	419,231
Net as at 31 December 2016 (restated*)	-573,039	949,106	-265	43,429	419,231

* See also note 1.4 regarding the prior year restatement due to correction of an error.

14 Inventories

	2017 USD ('000)	2016 USD ('000)
Materials	**72,530**	75,905
Crude Oil	**21,393**	25,668
Total inventories	**93,923**	101,573

15 Receivables from group companies

	2017 Due within 1 Year USD ('000)	2016 Due within 1 Year USD ('000)
Total receivables from group companies	**370,658**	264,908

Interest on receivables from group companies is at variable interest rate on the day, with the interest compilation once a month. The interest rate is based on LIBOR minus 0.25% for DKK, EURIBOR minus 0.125% for EUR, LIBOR minus 0.125% for USD.

16 Trade and other receivables

	2017 Due within 1 Year USD ('000)	2016 Due within 1 Year USD ('000)
Trade receivables	18,491	8,737
Prepayments	13,874	17,267
Other Receivables - including under lifting	21,283	14,100
Total trade and other receivables	53,648	40,104

Provisions for impairments deducted from trade and other receivables amounted to nil at 31 December 2017 (2016: nil).

Ageing of trade receivables and other receivables

	2017 USD ('000)	2016 USD ('000)
Not overdue	39,774	22,837
Overdue 1 - 30 days	-	-
Overdue 31 - 60 days	-	-
Overdue 61 - 90 days	-	-
Overdue 91 - 180 days	-	-
Overdue more than 180 days	-	-
Total	39,774	22,837

Information about credit risk is presented in note 22.

17 Payables to group companies

	Due within 1 year USD ('000)	Due between 1-5 years USD ('000)	Due after 5 years USD ('000)	Total USD ('000)
2017				
Total	**377,834**	**175,000**	**-**	**522,834**
2016				
Total	295,760	548,000	-	843,760

Interest on payables to group companies (disclosed above as due within 1 year) is at variable interest rate on the day, with interest compilation once a month.

The Company repaid one loan on 31 January 2017 of USD 269.6 million (DKK 1,904.1 million). As at 31 December 2017 the Company has three outstanding loan agreements with a group company, Shell Finance Switzerland AG, for a total amount equivalent of USD 548 million. Average interest rate percentage in 2017 on the loans is 2.32 % (2016: 1.93%).

- One loan in 2013, in total USD 187 million repayable at the end of the term, carrying interest at LIBOR plus a margin of 1.50 basis points and mature 31 December 2018.
- One loan in 2014, in total USD 175 million repayable at the end of the term, carrying interest at LIBOR plus a margin of 1.41 basis points and mature 29 March 2019.
- One loan in 2015, in total USD 186 million repayable at the end of the term, carrying interest at LIBOR plus a margin of 2.65 basis points and mature 29 June 2018.
- Balance includes other payables to Group entities of USD 4.8 million in current payables.

18 Decommissioning and other provisions

	Decommissioning		Other Provisions	
				Restated*
	2017	2016	**2017**	2016
	USD ('000)	USD ('000)	**USD ('000)**	USD ('000)
As at 1 January 2017	**1,290,985**	1,465,354	**23,304**	27,000
Additional/-reduction in provision estimate	**-193,818**	-216,083	**2,844**	-3,695
Amounts charged against provisions	**-14,801**	-16,696	**-1,245**	–
Accretion expense	**52,360**	58,410	–	–
As at 31 December 2017	**1,134,727**	1,290,985	**24,903**	23,305
Presented on the balance sheet as:				
Current	**19,017**	24,851	**24,903**	23,305
Non-current	**1,115,710**	1,266,134	–	–
	1,134,727	1,290,985	**24,903**	23,304

The decommissioning and restoration provision at 31 December 2017 is an estimated amount of USD 1,135 million, and is expected to be utilised at the end of the licence period in 2042 and on an ongoing basis in particular in relation to the Tyra Redevelopment.

Reviews of estimated decommissioning and restoration costs are carried out annually, which in 2017 resulted in a decrease of USD 194 million (2016: USD 216 million decrease). Hereof USD 77 million is recognised as a reduction in the corresponding property, plant and equipment assets (note 11) and USD 117 million is recognised in cost of sales (note 4) to the extent that the net book value of the decommissioning asset was already reduced to zero.

The 2017 decrease is due primarily to updated cost estimates resulting in a decrease in estimated abandonment costs mainly relating to Tyra. The discount rate applied in both years is 4%.

The other provisions represent the Company's estimated potential liabilities regarding production allocation from prior years.

* The prior year figure of Other Provisions has been restated from USD 1.7 million to USD 23.3 million. This has been reclassified from Trade and other payables (note 19) as provision classification is considered more appropriate.

19 Trade and other payables

	2017	Restated* 2016
	Due within 1 Year	Due within 1 Year
	USD ('000)	USD ('000)
Trade creditors	**35,791**	27,976
Accruals	**23,284**	40,128
VAT payable	**18,456**	12,603
Other payables – including over lifting	**883**	799
Total trade and other payables	**78,414**	81,506

The fair value of financial liabilities included above approximates the carrying amount.

* The prior year figure of Accruals has been restated from USD 61.7 million to USD 40.1 million. This has been reclassified to Other provisions (note 18) as provision classification is considered more appropriate.

20 Shareholder's equity

At 31 December 2017, 32,036 ordinary shares (2016: 32,036 shares) with a total nominal value of EUR 32,036,000 (2016: EUR 32,036,000) were issued and fully paid.

21 Financial instruments by category

Financial instruments measured at amortised cost

	Carrying amount	
	2017	2016
Loans and receivables	**USD ('000)**	USD ('000)
Receivables from group companies	**288,022**	248,250
Total interest-bearing receivables	**288,022**	248,250
Trade receivables	**18,491**	8,737
Other receivables	**21,283**	14,100
Other receivables to group companies	**82,636**	16,658
Taxes receivable	**-**	12,018
Total receivables	**410,432**	299,762

	Carrying amount	Carrying amount
	2017	2016
	USD ('000)	USD ('000)
Financial liabilities measured at amortised cost		
Payables to group companies	**551,844**	832,375
Total interest-bearing liabilities	**551,844**	832,375
Trade payables and accruals	**59,075**	89,691
Other payables to group companies	**941**	5,121
Other payables – including over lifting	**19,339**	15,118
Derivative financial instruments at fair value through profit and loss	**48**	6,264
Total financial liabilities	**631,248**	948,569

Fair value of the non-current payables is not materially different than the carrying amount.

Fair value of interest-bearing financial liabilities, calculated based on discounted interest and instalments, is affected by the lower interest rate in the market.

21 Financial instruments by category – continued

Derivative financial instruments

	Fair value 2017 USD ('000)	Fair value 2016 USD ('000)
Forward foreign exchange contracts	**48**	6,264
Total	**48**	6,264

Forward exchange contracts are measured at fair value and included in level 2 in the fair value hierarchy. The measurement using generally acknowledged valuation techniques based on relevant observable swap curves and exchange rates.

Forward foreign exchange contracts
The notional principal amounts of the outstanding forward foreign exchange contracts at 31 December 2017 were USD 21 million, comparing to USD 278 million. The higher 2016 balance was due to an outstanding Danish kroner contract, which expired with the loan repayment in January 2017.

22 Financial risks

In the normal course of business, financial instruments of various kinds may be used for the purposes of managing exposure to interest rate, currency and commodity price movements.

As a subsidiary in the Shell Group, the Company has developed treasury policy in line with such policies of the Parent Company, to manage the amount of interest, currency and credit exposure to any counterparty or market. These procedures limit the Company's exposure to concentrations of these risks. The policies cover: financing structure; interest rate and foreign exchange risk management; insurance; counterparty risk management; and use of derivative instruments. Wherever possible, treasury operations are carried out through specialist regional organizations at Group level, without removing the responsibility to formulate and implement appropriate treasury policies from subsidiaries.

The Company's operations expose it to market risk, i.e. currency risk and interest rate risk, credit risk and liquidity risk, as described below.

Market risk

Market risk is the possibility that changes in interest rates, currency exchange rates or the prices of crude oil and natural gas will adversely affect the Company's profit and value of assets, liabilities or expected future cash flows. Below sensitivity analyses prepared for interest rate risk and currency risk relate to the position of financial instruments at 31 December 2017.

22 Financial risks – continued

The sensitivity analyses for currency risk and interest rate risk have been prepared on the basis that the amount of net debt, the ratio of fixed to floating interest rates of the debt and the proportion of financial instruments in foreign currencies remain unchanged from hedge designations in place at 31 December 2017. Furthermore, it is assumed that the exchange rate and interest rate sensitivities have a symmetric impact, i.e. an increase in rates results in the same absolute movement as a decrease in rates.

The sensitivity analyses show the effect on profit or loss and equity of a reasonably possible change in exchange rates and interest rate.

Currency risk

The Company's currency risk arises due to income from hydrocarbon activities are denominated mainly in USD and sales of gas in EUR, while the related expenses are incurred in both USD and a range of other currencies such as DKK, EUR. Tax payments are denominated in DKK and in accordance to the Danish taxation rules for hydrocarbon activities, the taxes are paid in March, June, October and November partly as pre-payments and partly as true-up payments. This increases the currency risk, because the basis of taxation is earned after or before the tax payments.

An increase in the USD exchange rate of 10% against all other significant currencies to which the Company is exposed, is estimated to have a positive impact on the Company's profit before tax and equity by USD 7 million (2016: USD 8 million). A decrease in the USD exchange rate of 10% would have a similar negative effect.

The hedging arrangement in place as per 2016 balance sheet date is supposed to minimize the risk of the DKK denominated loan. The intercompany loan and associated hedging denominated in DKK has been repaid/closed on 31 January 2017.

Currency position

	Receivables and payables USD ('000)	Interest-bearing receivables USD ('000)	Interest-bearing payables USD ('000)	Net currency Position USD ('000)
2017				
USD	**81.625**	**270,182**	**-548,000**	**-196,193**
DKK	**-281,635**	**-**	**-3,844**	**-285,479**
EUR	**31,313**	**17,840**	**-**	**49,153**
Total	**-168,697**	**288,022**	**-551,844**	**-432,519**
2016				
USD	10.557	248,250	-548,000	-289,193
DKK	-92,093	-	-277,713	-369,806
EUR	22,030	-	-6,662	15,368
Total	-59,505	248,250	-832,375	-643,631

22 Financial risks – continued

Interest rate risk

The Company is exposed to interest rate risk on the interest-bearing receivables and interest-bearing current liabilities.

The Company is exposed to the variability in cash flows of variable interest rates on receivables and liabilities. In relation to fixed interest receivables and liabilities, it is exposed to the fair value of the receivables and liabilities.

A general increase in interest rates by one percentage point is estimated, all other things being equal, to affect profit before tax negatively by USD 5 million (2016: USD 5 million). The effect on equity, excluding tax effect, of an increase in interest rates as mentioned above is estimated to be negative by USD 5 million (2016: USD 5 million). A decrease in interest rates by one percentage point would have a similar opposite effect.

This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

Net interest-bearing payables by interest rate levels

	2017 USD ('000)	2016 USD ('000)
0-3%	**365,844**	646,375
3-6%	**186,000**	186,000
6%-	-	-
Total	**551,844**	832,375
Of which:		
Bearing fixed interest	-	-
Bearing floating interest	**551,844**	832,375

22 Financial risks – continued

The Company does not have any significant concentrations of credit risk. The Group clients are subjected to creditworthiness tests. Sales are subject to payment conditions ranging from 10 to 40 days.

Reference is made to note 16 for information on trade and other receivables.

The credit quality of intercompany receivables is considered satisfactory.

The maximum amount of exposure to credit risk is the carrying at the balance sheet date.

Capital disclosures

Capital is managed based on the equity ratio, which is calculated as being equity in percentage of total assets. The Company is not subject to capital adequacy requirements.

Liquidity risk

Liquidity risk is the risk that suitable sources of funding for the Company's business activities may not be available. Management believes that it has access to sufficient debt funding sources and to undrawn committed borrowing facilities to meet currently foreseeable requirements.

Information about borrowing facilities provided by group companies is presented in note 17.

	2017 **USD ('000)**	2016 USD ('000)
Interest-bearing receivables	**288,022**	248,250
Net interest-bearing receivables	**288,022**	248,250

Based on the liquidity reserve, the size of the committed loan facilities, including loans for the financing of specific assets, the maturity of outstanding loans, and the current investment profile, the Company's financial resources are deemed satisfactory.

22 Financial risks – continued

Maturities of liabilities and commitments

	Carrying amount	Cash flows including interest			
		0-1 year	1-5 years	5- years	Total
2017					
Financial liability at fair value through profit and loss					
Forward foreign exchange contracts	48	48	-	-	48
Total	**48**	**48**	-	-	**48**
Loans and receivables measured at amortised cost					
Receivables from group companies	370,658	370,658	-	-	370,658
Trade receivables	18,491	18,491	-	-	18,491
Other receivables	21,283	21,283	-	-	21,283
Total	**410,432**	**410,432**	-	-	**410,432**
Financial liabilities measured at amortised cost					
Payables to group companies	552,834	377,834	175,000	-	552,834
Trade payables	59,075	59,075	-	-	59,075
Other payables	19,339	19,339	-	-	19,339
Total	**631,248**	**456,248**	**175,000**	-	**631,248**
2016					
Financial liability at fair value through profit and loss					
Forward foreign exchange contracts	6,264	6,264	-	-	6,264
Total	**6,264**	**6,264**	-	-	**6,264**
Loans and receivables measured at amortised cost					
Receivables from group companies	264,908	264,908	-	-	264,908
Trade receivables	8,737	8,737	-	-	8,737
Other receivables	14,100	14,100	-	-	14,100
Total	**287,745**	**287,745**	-	-	**287,745**
Financial liabilities measured at amortised cost					
Payables to group companies	843,760	295,760	548,000	-	843,760
Trade payables	89,691	89,691	-	-	89,691
Other payables	15,118	15,118	-	-	15,118
Total	**948,569**	**400,569**	**548,000**	-	**948,569**

23 Financial commitments and contingent liabilities

As a consequence of an agreement entered into with the Danish Government, 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. This obligation is approximately USD 24 million per year (2016: 18 million).

As partner in DUC the Company has budget and work programmes and carry a proportional and solitary commitment to these programs. The Company is committed to the ongoing operation of DUC. In December each year the operating budget for the following year is agreed amongst the DUC partners is approved. For the coming years the budget is around USD 375 million per year. Capital projects are approved individually.

The Company is involved in the following tax cases raised by the Danish Tax Authorities (SKAT) regarding its taxable income: challenge of the transfer price within the financing area (years 2010-2013), the transfer price of crude intercompany sales (years 2010-2012), the tariff level set between the Company and its subsidiary, Shell Olie- og Gasudvinding Danmark Pipelines ApS (SOGUP) (years 2011-2012). The Company is also responding to queries from SKAT in relation to the 2014 tax return. The outcome of these cases is currently not known, but if taken at face value, the aggregated amount of these challenges could be seen as material. In accordance with the Company's accounting policies, management has recognised provisions for the above recognised as a part of current tax payable.

24 Related parties

The Company has its statutory seat in The Hague and is one of the companies of the Shell Group. In this context the term "Companies of the Shell Group" ("Group companies") means companies in which Royal Dutch Shell plc, either directly or indirectly, has control either through a majority of the voting rights or the right to exercise a controlling influence or to obtain the majority of the benefits and be exposed to the majority of the risks. Companies in which Group companies have significant influence but not control are classified as "Associated companies". Royal Dutch Shell plc, a company incorporated in the England and Wales, is known as the "Parent Company" of the Shell Group.

All legal entities that can be controlled, jointly controlled or significantly influenced are considered to be a related party. Also, entities which can control the Company are considered a related party. In addition, statutory directors and close relatives are regarded as related parties.

Shell Overseas Holdings Limited is the direct parent of the Company.

24 Related parties – continued

Transactions and balances with related parties

(Amounts in USD million)

	Parent		Subsidiaries		Jointly controlled assets	
	2017	2016	**2017**	2016	**2017**	2016
Revenue	**997,902**	743,148	-	-	**11,675**	19,603
Operating cost, including production cost	**33,312**	39,391	**8,520**	7,564	**380,326**	313,546
Remuneration to management	**988**	965	-	-	-	-
Interest and other income	**1,461**	-	-	-	-	-
Fair value loss/-gain on financial instruments	**-7,241**	13,181	-	-	-	-
Interest expenses	**16,900**	15,067	-	-	**902**	771
Trade receivables	-	-	-	-	**936**	602
Interest-bearing receivables, current	**288,022**	248,250	-	-	-	-
Other receivables, current	**96,342**	33,925	**168**	-	**21,223**	14,028
Derivative financial instruments at fair value	**48**	6,264	-	-	-	-
Interest-bearing payables	**551,844**	832,375	-	-	-	-
Trade payables	-	-	-	-	**35,634**	27,655
Other payables, current	**865**	2,710	**77**	2,411	-	-
Purchase of property, plant and equipment	-	-	-	-	**59,477**	112,395

*Parents includes subsidiaries of the parent

Key Management personnel include Board of Directors. The compensation paid or payable amounts to USD 988,309 of which salaries amounts to USD 677,205, pension USD 50,621, performance shares USD 125,502 and other benefits USD 134,981.

For jointly controlled entities, only the non-eliminated part is included.

25 Subsequent events

There are no material subsequent events.

26 Proposed appropriation of result

	2017 USD ('000)	Restated 2016 USD ('000)
Retained earnings – interim dividend distributed during the year	-	-
Retained earnings – carry forward	-187,832	-148,073
Total proposed distribution	**-187,832**	-148,073

The directors propose to deduct the loss for the year from retained earnings. In anticipation of the adoption of the financial statements, the loss has been deducted from retained earnings. The balance sheet is presented after this proposed appropriation of result.

Copenhagen, 8 June 2018

For signature of the Annual Accounts, as presented on pages 5 up to and including 46:

The Board of Directors

Lee James Hodder

Michael Lund Jensen

Other Information

Statutory rules as to appropriation of profit.

Pursuant to Article 11, paragraph 5 of the Company's Articles of Association, the profit as established by the General Meeting of Shareholders shall be at its disposal.

Independent auditors' report

The independent auditors' report is included on the next page.

Independent auditor's report

To: the shareholders and management of Shell Olie- OG Gasudvinding Danmark B.V.

Report on the audit of the financial statements 2017 included in the annual report

Our opinion

We have audited the financial statements 2017 of Shell Olie- OG Gasudvinding Danmark B.V., based in The Hague, Netherlands.

In our opinion the accompanying financial statements give a true and fair view of the financial position of Shell Olie- OG Gasudvinding Danmark B.V. as at 31 December 2017, and of its result and its cash flows for 2017 in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code.

The financial statements comprise:

- The balance sheet as at 31 December 2017
- The following statements for 2017: the Income statement, the statement of comprehensive income, the statement of changes in equity and statement of cash flows
- The notes comprising a summary of the accounting policies and other explanatory information

Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the "Our responsibilities for the audit of the financial statements" section of our report.

We are independent of Shell Olie- OG Gasudvinding Danmark B.V. in accordance with the Wet toezicht accountantsorganisaties (Wta, Audit firms supervision act), the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA, Dutch Code of Ethics).

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Report on other information included in the annual report

In addition to the financial statements and our auditor's report thereon, the annual report contains other information that consists of:

- The directors' report
- Other information pursuant to Part 9 of Book 2 of the Dutch Civil Code

Based on the following procedures performed, we conclude that the other information:

- Is consistent with the financial statements and does not contain material misstatements
- Contains the information as required by Part 9 of Book 2 of the Dutch Civil Code

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements. By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is less than the scope of those performed in our audit of the financial statements.

Management is responsible for the preparation of the other information, including the directors' report in accordance with Part 9 of Book 2 of the Dutch Civil Code and other information pursuant to Part 9 of Book 2 of the Dutch Civil Code.

Description of responsibilities for the financial statements

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with EU-IFRS and Part 9 of Book 2 of the Dutch Civil Code. Furthermore, management is responsible for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, management is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting framework mentioned, management should prepare the financial statements using the going concern basis of accounting unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so. Management should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

Our responsibilities for the audit of the financial statements

Our objective is to plan and perform the audit assignment in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not have detected all material errors and fraud.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgment and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included e.g.,:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining 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
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control

- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management
- Concluding 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'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 a company to cease to continue as a going concern
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures
- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation

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

Amsterdam, 8 June 2018

Ernst & Young Accountants LLP

signed by J.J. Vernooij

APPENDIX C—ANNUAL ACCOUNTS OF SHELL OLIE- OG GASUDVINDING DANMARK PIPELINES APS

Shell Olie- og Gasudvinding Danmark Pipelines ApS

Midtermolen 3, 4., DK-2100 Copenhagen

Annual Report for 1 January - 31 December 2016

CVR No 27 97 75 61

The Annual Report was presented and adopted at the Annual General Meeting of the Company on 31/5/2017

Yara Young Ramirez
Chairman

Contents

Management's Statement

The Executive Board has today considered and adopted the Annual Report of Shell Olie- og Gasudvinding Danmark Pipelines ApS for the financial year 1 January - 31 December 2016.

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

In our opinion the Financial Statements give a true and fair view of the financial position at 31 December 2016 of the Company and of the results of the Company operations for 2016.

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

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

Copenhagen, 31 May 2017

Executive Board

Bob Anthony Tulleken	Lee James Hodder	Michael Lund Jensen

Independent Auditor's Report on the Financial Statements

To the Shareholder of Shell Olie- og Gasudvinding Danmark Pipelines ApS

Opinion

We have audited the Financial Statements of Shell Olie- og Gasudvinding Danmark Pipelines ApS for the financial year 1 January - 31 December 2016, which comprise an income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies. The Financial Statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2016 and of the results of the Company's operations for the financial year 1 January - 31 December 2016 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountant' Code of Ethics for Professional Accountants (IESBA Code) and additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of Financial Statements that give a true and fair view in accordance with the Danish Financial Statements Act and for such internal control as Management determines is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the Financial Statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

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

Independent Auditor's Report on the Financial Statements

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the Financial Statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusion is based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that gives a true and fair view.

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

Statement on Management's Review

Management is responsible for the Management's review.

Our opinion on the Financial Statements does not cover the Management's review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read the Management's Review and, in doing so, consider whether the Management's Review is materially inconsistent with the Financial Statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the Management's review provides the information required under the Danish Financial Statements Act.

Based on our procedures, we conclude that the Management's Review is in accordance with the Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the Management's Review.

Copenhagen, 31 May 2017

Ernst & Young

Godkendt Revisionspartnerselskab

CVR No 30 70 02 28

Brian Stubtoft	Kennet Hartmann
State Authorised Public Accountant	State Authorised Public Accountant

Company Information

The Company	Shell Olie- og Gasudvinding Danmark Pipelines ApS Midtermolen 3, 4. DK-2100 Copenhagen CVR No: 27 97 75 61 Financial period: 1 January - 31 December Financial year: 12th financial year Municipality of reg. office: Copenhagen
Parent company	Shell Olie- og Gasudvinding Danmark B.V. (Holland)
Executive Board	Bob Anthony Tulleken Lee James Hodder Michael Lund Jensen
Auditors	Ernst & Young Godkendt Revisionspartnerselskab Osvald Helmuths Vej 4 2000 Frederiksberg CVR No: 30 70 02 28

Management's Review

Main activity

The activities and purpose of the company is to provide an alternative distribution channel to the European gas market and thereby increase competition. The company currently provides pipeline transportation capacity to the gas producers from Danish fields to the NOGAT pipeline. The parent company thereby is able to distribute part of the Danish gas production to the western European market. The Company has a 23 % interest in the pipeline. The other investors in the pipeline are A.P. Møller-Mærsk (19,5 %), Chevron (7,5 %) and DONG (50%).

Development in the year

The income statement of the Company for 2016 shows a profit of TDKK 13.329, and at 31 December 2016, the balance sheet of the Company shows equity of TDKK 111.535.

Targets and expectations for the year ahead

The Company expects a result at this year's level in 2017.

Unusual events

The financial position at 31 December 2016 and the results of the activities for the financial year 2016 of the Company have not been affected by any unusual events.

Restatement of prior year balances

The 2015 comparative information has been restated to reflect a correction in the production costs recognised and depreciation has been corrected to accurately reflect the useful life of the asset. This has resulted in an additional production expense of TDKK 1.965 and a reduction in depreciation expense of TDKK 10.125 in 2015. Please refer to the accounting policies section on page 13 for more detail.

Subsequent events

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

Income Statement 1 January - 31 December

	Note	2016 TDKK	2015 TDKK
Revenue	1	**51.288**	**36.134**
Productions costs	2	-3.256	-4.932
Gross profit/loss		**48.032**	**31.201**
Depreciation and impairment of property, plant and equipment	3	-27.502	-24.427
External costs		-273	-293
Profit/loss before financial income and expenses		**20.257**	**6.480**
Profit/loss before tax		**20.257**	**6.480**
Tax on profit/loss for the year	4	-6.928	-1.354
Net profit/loss for the year		**13.329**	**5.127**

Distribution of profit

Proposed distribution of profit

Proposed dividend for the year	0	0
Retained earnings	13.329	5.127
	13.329	**5.127**

Balance Sheet 31 December

Assets

	Note	2016 TDKK	2015 TDKK
Property, plant and equipment	5	46.484	73.485
Deferred tax asset	6	4.331	2.589
Non-current assets		**50.815**	**76.074**
Receivables from group enterprises		77.899	32.881
Current assets		**77.899**	**32.881**
Assets		**128.714**	**108.955**

Liabilities and equity

	Note	2016 TDKK	2015 TDKK
Share capital		500	500
Retained earnings		111.035	97.706
Equity		**111.535**	**98.206**
Decommissioning provision	7	2.873	2.373
Non-current liabilities		**2.873**	**2.373**
Trade payables		720	2.037
Payables to group enterprises		5.385	554
Corporation tax		8.201	5.785
Current liabilities		**14.306**	**8.376**
Liabilities		**17.179**	**10.749**
Equity and liabilities		**128.714**	**108.955**
Contingent assets, liabilities and other financial obligations	8		
Group information	9		
Accounting policies	10		

Statement of Changes in Equity

	Share capital	Retained earnings	Total
	TDKK	TDKK	TDKK
Equity at 1 January	500	97.706	98.206
Net profit/loss for the year	0	13.329	13.329
Equity at 31 December	**500**	**111.035**	**111.535**

The share capital consists of 5.000 shares of a nominal value of DKK 100. No shares carry any special rights.

There have been no changes in the share capital during the last five years.

Notes to the Financial Statements

1 Revenue

The Company's revenue comes from selling pipeline capacity in Denmark to the Parent Company.

2 Staff costs

The Company has no employees. No wages or salaries were paid in the financial year.
No fees were paid to members of the Executive Board in the year.

	2016	2015
	TDKK	TDKK
3 Depreciation and impairment of property, plant and equipment		
Depreciation of property, plant and equipment	27.502	24.427
	27.502	**24.427**
Which is specified as follows:		
Pipeline depreciation	27.395	24.341
Pipeline decommissioning accretion expense	106	86
	27.502	**24.427**

4 Tax on profit/loss for the year

	2016	2015
Current tax for the year	8.663	5.785
Deferred tax for the year	-1.743	-3.839
Adjustment of tax concerning previous years	8	-592
	6.928	**1.354**

5 Property, plant and equipment

	Pipeline
	TDKK
Cost at 1 January	329.501
Restoration costs, adjustment	394
Cost at 31 December	329.895
Impairment losses and depreciation at 1 January	256.015
Depreciation for the year	27.395
Impairment losses and depreciation at 31 December	283.411
Carrying amount at 31 December	**46.484**

Notes to the Financial Statements

6 Deferred tax

	2016	2015
	TDKK	TDKK
Property, plant and equipment	-3.943	-2.233
Decommissioning	-389	-355
	-4.331	**-2.589**

7 Decommissioning provision

The Company together with the other consortium participants has an obligation to dismantle the pipeline and associated facilities by end of pipeline life. The consortium participants have to develop a plan and a budget for the decommissioning of the pipeline. In a Management Committee meeting on the 19th of June 2007, the operator has presented a schedule and a budget for the removal of pipelines and this has been approved by the consortium partners. When the time for decommissioning of the pipeline approaches, application for approval will be sent to the Danish Energy Authority.

Due to the uncertainty of the final removal cost estimates, these Financial Statements contain an estimate of the obligation and equivalent capitalized asset.

	2016	2015
	TDKK	TDKK
Decommissioning provision beginning of the year	2.373	1.825
Adjustments in the year	394	462
Accretion	106	86
	2.873	**2.373**

8 Contingent assets, liabilities and other financial obligations

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

The Company is involved in a tax case raised by the Danish Tax Authorities regarding its taxable income. The outcome of the tax case is subject to uncertainty and ongoing dialogue.

There are no other contingencies or other financial obligations.

9 Group information

Shell Olie og Gasudvinding Danmark Pipelines ApS is included in the consolidated Financial Statements of Royal Dutch Shell plc, the Hague, the Netherlands, which is the ultimate Parent Company. Consolidated Financial Statements of Royal Dutch Shell plc, can be found at the website, www.shell.com.

Notes to the Financial Statements

10 Accounting Policies

Basis of Preparation

Financial Statements of Shell Olie- og Gasudvinding Danmark Pipelines ApS for 2016 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to enterprises of reporting class B as well as selected rules applying to reporting class C.

In accordance with section 110(1) of the Danish Financial Statements Act, the Company has not prepared consolidated financial statements.

Effective 1 January 2016, the Company has adopted act no. 738 of 1 July 2015. This implies a change in the recognition and measurement in the following area:

- Yearly reassessment of residual values of property, plant and equipment.

In future, residual values of property, plant and equipment will be subject to annual reassessment. The Company has no significant residual values relating to property, plant and equipment. Consequently, the change is made with future effect only as a change in accounting estimates with no impact on equity.

The above change does not have any impact on the income statement or the balance sheet for 2016 or the comparative figures.

In addition, the Company has decided to present its balance sheet in horizontal format where non-current and current assets and liabilities are broken down and comparative figures for 2015 are restated.

Apart from the above new and changed presentation and disclosure requirements, which follow from act no. 738 of 1 June 2015, the accounting policies are consistent with those of last year.

Financial Statements for 2016 are presented in TDKK.

Notes to the Financial Statements

10 Accounting Policies – continued

Restatement of prior year balances

The 2015 comparative information has been restated to reflect:

1. A correction in the production costs recognised in the income statement. This has resulted in an additional expense and a higher trade payable of TDKK 1.965 in 2015, and a reduction of tax payable and tax expense for the year of TDKK 462.
2. Depreciation has been corrected to accurately reflect the useful life of the asset, which remains unchanged. This has resulted in a reduction in depreciation expense and a higher net book value of property, plant and equipment of TDKK 10.125 as of 31 December 2015, and a reduction of deferred tax asset and tax expense of TDKK 2,379.

The total impact on beginning equity at 1 January 2016 is TDKK 6.242.

Recognition and measurement

Revenues are recognised in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortised cost are recognised. Moreover, all expenses incurred to achieve the earnings for the year are recognised in the income statement including depreciation, amortisation, impairment losses and provisions as well as reversals due to changed accounting estimates of amounts that have previously been recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits attributable to the asset will flow to the Company, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow out of the Company, and the value of the liability can be measured reliably.

Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

Translation policies

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

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

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

Notes to the Financial Statements

10 Accounting Policies – continued

Revenue

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

Production costs

Production costs include the costs incurred to obtain revenue for the year.

Depreciation and impairment losses

Depreciation and impairment losses comprise depreciation and impairment of pipeline.

External costs

External costs comprise overhead expenses of a secondary nature to the core activities of the enterprise.

Tax on profit/loss for the year

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

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

Property, plant and equipment

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

Depreciation based on cost reduced by any residual value is calculated on a straight-line basis over the expected useful life of the asset, which is:

Pipeline	14 years

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

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

Impairment of fixed assets

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

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

Notes to the Financial Statements

10 Accounting Policies – continued

Receivables

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

Deferred tax assets and liabilities

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

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

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

Current tax receivables and liabilities

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

Financial liabilities

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

Provisions

Provisions comprise expected expenses relating to restructurings. Provisions are recognised when, at the balance sheet date, the enterprise has a legal or constructive obligation and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation.

Provisions expected to be settled after more than one year after the balance sheet date are measured at the net present value of the expected payment. Other provisions are measured at the net realisable value.

Shell Olie- og Gasudvinding Danmark Pipelines ApS

Midtermolen 3, 4., DK-2100 Copenhagen

Annual Report for 1 January - 31 December 2017

CVR No 27 97 75 61

The Annual Report was presented and adopted at the Annual General Meeting of the Company on 28/5/2018

Katrine Thorup
Chairman

Contents

Management's Statement

The Executive Board has today considered and adopted the Annual Report of Shell Olie- og Gasudvinding Danmark Pipelines ApS for the financial year 1 January - 31 December 2017.

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

In our opinion the Financial Statements give a true and fair view of the financial position at 31 December 2017 of the Company and of the results of the Company operations for 2017.

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

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

Copenhagen, 28 May 2018

Executive Board

Bob Anthony Tulleken	Lee James Hodder	Michael Lund Jensen

Independent Auditor's Report on the Financial Statements

To the Shareholder of Shell Olie- og Gasudvinding Danmark Pipelines ApS

Opinion

We have audited the Financial Statements of Shell Olie- og Gasudvinding Danmark Pipelines ApS for the financial year 1 January - 31 December 2017, which comprise an income statement, balance sheet, statement of changes in equity and notes, including accounting policies. The Financial Statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2017 and of the results of the Company's operations for the financial year 1 January - 31 December 2017 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

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

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of Financial Statements that give a true and fair view in accordance with the Danish Financial Statements Act and for such internal control as Management determines is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the Financial Statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

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

Independent Auditor's Report on the Financial Statements

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the Financial Statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusion is based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that gives a true and fair view.

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

Statement on Management's Review

Management is responsible for the Management's review.

Our opinion on the Financial Statements does not cover the Management's review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read the Management's Review and, in doing so, consider whether the Management's Review is materially inconsistent with the Financial Statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the Management's review provides the information required under the Danish Financial Statements Act.

Based on our procedures, we conclude that the Management's Review is in accordance with the Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the Management's Review.

Copenhagen, 28 May 2018

Ernst & Young
Godkendt Revisionspartnerselskab
CVR No 30 70 02 28

Ole Hedemann	Kennet Hartmann
State Authorised	State Authorised
Public Accountant	Public Accountant
MNE no.: mne14949	MNE no.: mne40036

Company Information

The Company	Shell Olie- og Gasudvinding Danmark Pipelines ApS Midtermolen 3, 4. DK-2100 Copenhagen CVR No: 27 97 75 61 Financial period: 1 January - 31 December Financial year: 13th financial year Municipality of reg. office: Copenhagen
Parent company	Shell Olie- og Gasudvinding Danmark B.V. (Holland)
Executive Board	Bob Anthony Tulleken Lee James Hodder Michael Lund Jensen
Auditors	Ernst & Young Godkendt Revisionspartnerselskab Osvald Helmuths Vej 4 2000 Frederiksberg CVR No: 30 70 02 28

Management's Review

Main activity

The activities and purpose of the Company is to provide an alternative distribution channel to the European gas market and thereby increase competition. The Company currently provides pipeline transportation capacity to the gas producers from Danish fields to the NOGAT pipeline. The parent company thereby is able to distribute part of the Danish gas production to the western European market. The Company has a 23 % interest in the pipeline. The other investors in the pipeline are APM Pipelines (recently acquired by Total as part of the acquisition of Maersk Oil) (19,5 %), Chevron Pipeline (7,5 %) and Ørsted Pipelines (formerly DONG Pipelines) (50%).

Development in the year

The income statement of the Company for 2017 shows a profit of TDKK 75,228 (2016: TDKK 13,329), and at 31 December 2017, the balance sheet of the Company shows equity of TDKK 186,763 (2016: TDKK 111,535).

As a result of negotiations by the Company's parent concluded in late November 2017, there is an amended Gas Sales Agreement that allows for the continued export of gas to the Dutch market beyond 2018. Further, on 1 December 2017, the Danish Underground Consortium approved a redevelopment plan for the Tyra field. These developments have resulted in extending the expected useful life of the asset to 2041 and reversed TDKK 12,378 of a previously recognised impairment.

On 23 November 2017, the Company agreed to increase its share of the asset and associated liabilities in the pipeline. This is a proportionate share of the pipeline from Ørsted Pipelines. This will be effective from 1 January 2018 but is still subject to completion which is expected towards end 2018, early 2019. Subsequently the new ownership will be as follows:

	Up to 31 December 2017	**From 1 January 2018**
The Company	23,0%	41,4%
APM Pipelines	19,5%	35,1%
Chevron Pipeline	7,5%	13,5%
Nordsøfonden	-	10,0%
Ørsted Pipelines	50,0%	-

Targets and expectations for the year ahead

The Company expects in 2018 to have slightly higher production costs as a result of the increased ownership of the pipeline and lower depreciation as a result of the extended asset useful life with corresponding tax effects.

Unusual events

The financial position at 31 December 2017 and the results of the activities for the financial year 2017 of the Company have been affected by a reversal of a prior year fixed assets impairment resulting from the extended Gas Sales Agreements and Tyra redevelopment.

Subsequent events

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

Income Statement 1 January - 31 December

	Note	2017 TDKK	2016 TDKK
Revenue	1	**55,383**	**51,288**
Productions costs	2	-5,113	-3,256
Gross profit/loss		**50,270**	**48,032**
Depreciation and impairment of property, plant and equipment	3	-9,229	-27,502
External costs		-482	-273
Profit/loss before financial income and expenses		**40,559**	**20,257**
Profit/loss before tax		**40,559**	**20,257**
Tax on profit/loss for the year	4	34,669	-6,928
Net profit/loss for the year		**75,228**	**13,329**

Distribution of profit

Proposed distribution of profit

Retained earnings	75,228	13,329
	75,228	**13,329**

Balance Sheet 31 December

Assets

	Note	2017 TDKK	2016 TDKK
Property, plant and equipment	5	37,555	46,484
Deferred tax asset	6	8,580	4,331
Non-current assets		**46,135**	**50,815**
Receivables from group enterprises		116,628	77,899
Corporate tax receivable		31,111	0
Current assets		**147,739**	**77,899**
Assets		**193,874**	**128,714**

Liabilities and equity

	Note	2017 TDKK	2016 TDKK
Share capital		500	500
Retained earnings		186,263	111,035
Equity		**186,763**	**111,535**
Decommissioning provision	7	3,172	2,873
Non-current liabilities		**3,172**	**2,873**
Trade payables		2,749	720
Payables to group enterprises		1,190	5,385
Corporation tax		0	8,201
Current liabilities		**3,939**	**14,306**
Liabilities		**7,111**	**17,179**
Equity and liabilities		**193,874**	**128,714**
Contingent assets, liabilities and other financial obligations	8		
Group information	9		
Accounting policies	10		

Statement of Changes in Equity

	Share capital	Retained earnings	Total
	TDKK	TDKK	TDKK
Equity at 1 January	500	111,035	111,535
Net profit/loss for the year	0	75,228	75,228
Equity at 31 December	**500**	**186,263**	**186,763**

The share capital consists of 5,000 shares of a nominal value of DKK 100. No shares carry any special rights.

There have been no changes in the share capital during the last five years.

Notes to the Financial Statements

1 Revenue

The Company's revenue comes from selling pipeline capacity in Denmark to the Parent Company.

2 Staff costs

The Company has no employees. No wages or salaries were paid in the financial year.
No fees were paid to members of the Executive Board in the year.

3 Depreciation and impairment of property, plant and equipment

	2017	2016
	TDKK	TDKK
Depreciation of property, plant and equipment	9,229	27,502
	9,229	**27,502**
Which is specified as follows:		
Pipeline depreciation	9,139	27,395
Pipeline decommissioning accretion expense	90	106
	9,229	**27,502**

4 Tax on profit/loss for the year

	2017	2016
	TDKK	TDKK
Current tax for the year	12,140	8,663
Deferred tax for the year	-4,249	-1,743
Adjustment of tax concerning previous years	-42,560	8
	-34,669	**6,928**

5 Property, plant and equipment

	Pipeline
	TDKK
Cost at 1 January	329,895
Restoration costs, adjustment	210
Cost at 31 December	330,105
Impairment losses and depreciation at 1 January	283,411
Depreciation for the year	21,518
Impairment reversal for the year	-12,379
Impairment losses and depreciation at 31 December	292,550
Carrying amount at 31 December	**37,555**

Notes to the Financial Statements

6 Deferred tax

	2017	2016
	TDKK	TDKK
Property, plant and equipment	-8,094	-3,943
Decommissioning	-486	-389
	-8,580	**-4,331**

7 Decommissioning provision

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

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

	2017	2016
	TDKK	TDKK
Decommissioning provision beginning of the year	2,873	2,373
Adjustments in the year	210	394
Accretion	90	106
	3,172	**2,873**

8 Contingent assets, liabilities and other financial obligations

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

The Company is involved in a tax case raised by the Danish Tax Authorities regarding its taxable income. The outcome of the tax case is subject to uncertainty and ongoing dialogue.

There are no other contingencies or other financial obligations.

9 Group information

Shell Olie og Gasudvinding Danmark Pipelines ApS is included in the consolidated Financial Statements of Royal Dutch Shell plc, The Hague, the Netherlands, which is the ultimate Parent Company. Consolidated Financial Statements of Royal Dutch Shell plc, can be found at the website, www.shell.com.

Notes to the Financial Statements

10 Accounting Policies

Basis of Preparation

Financial Statements of Shell Olie- og Gasudvinding Danmark Pipelines ApS for 2016 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to enterprises of reporting class B as well as selected rules applying to reporting class C.

In accordance with section 110(1) of the Danish Financial Statements Act, the Company has not prepared consolidated financial statements.

The accounting policies applied remain unchanged from the prior year.

Financial Statements for 2017 are presented in TDKK.

Recognition and measurement

Revenues are recognised in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortised cost are recognised. Moreover, all expenses incurred to achieve the earnings for the year are recognised in the income statement including depreciation, amortisation, impairment losses and provisions as well as reversals due to changed accounting estimates of amounts that have previously been recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits attributable to the asset will flow to the Company, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow out of the Company, and the value of the liability can be measured reliably.

Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

Translation policies

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

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

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

Notes to the Financial Statements

10 Accounting Policies – continued

Revenue

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

Production costs

Production costs include the costs incurred to obtain revenue for the year.

Depreciation and impairment losses

Depreciation and impairment losses comprise depreciation and impairment of pipeline.

External costs

External costs comprise overhead expenses of a secondary nature to the core activities of the enterprise.

Tax on profit/loss for the year

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

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

Property, plant and equipment

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

Depreciation based on cost reduced by any residual value is calculated on a straight-line basis over the expected useful life of the asset, which is:

Remaining useful life of the pipeline: 24 years

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

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

Impairment of fixed assets

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

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

Notes to the Financial Statements

10 Accounting Policies – continued

Receivables

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

Deferred tax assets and liabilities

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

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

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

Current tax receivables and liabilities

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

Financial liabilities

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

Provisions

Provisions comprise expected expenses relating to restructurings. Provisions are recognised when, at the balance sheet date, the enterprise has a legal or constructive obligation and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation.

Provisions expected to be settled after more than one year after the balance sheet date are measured at the net present value of the expected payment. Other provisions are measured at the net realisable value.

Statement of Reserves

2018

Prepared in relations with Noreco's acquisition of Shell Olie- og Gasudvinding Denmark B.V.

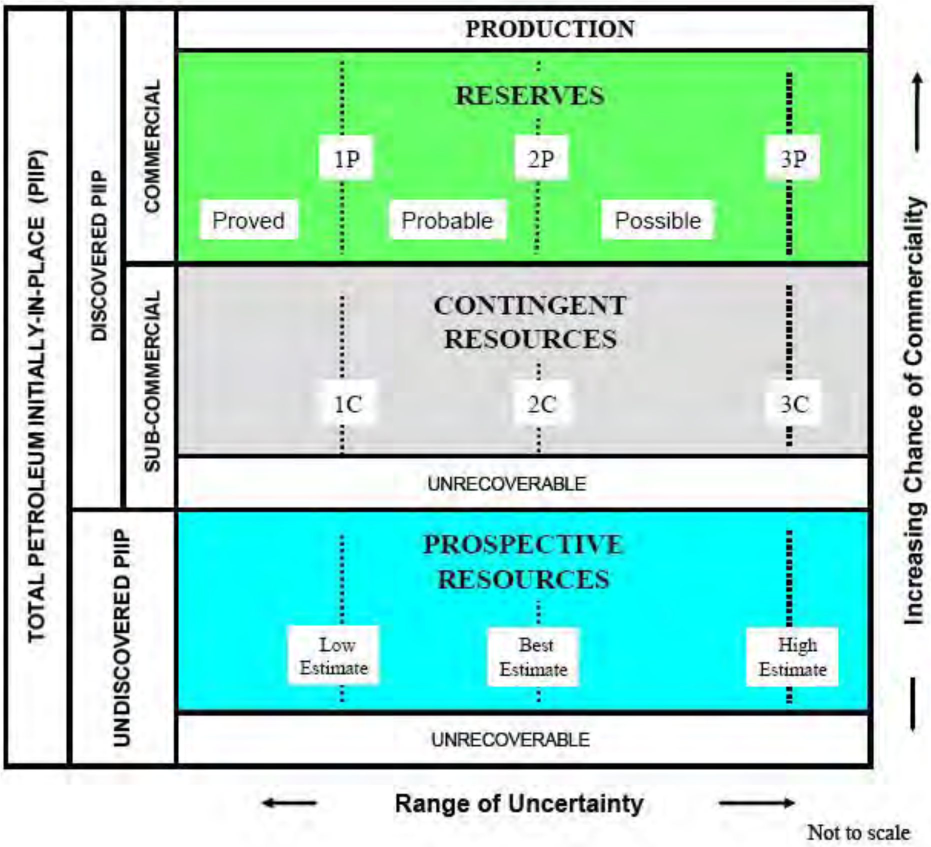
Reference: NOR-RR-543215

TABLE OF CONTENTS

1 Introduction

This statement of reserves has been prepared in relations with Noreco's acquisition of Shell Olie- og Gasudvinding Denmark B.V. ("SOGU"), SOGU is a significant oil and gas production company on the Danish Continental Shelf with material reserves. For further information about the transaction see www.noreco.com.

Llyod's Register (LR), Senergy Limited has made an independent reserves evaluation based on the definitions and guidelines set out in the Petroleum Resources Management System (PRMS, 2007 and 2011) **(**Figure 1**)**. The PRMS has been prepared by the Oil and Gas reserves Committee of Society of Petroleum Engineers (SPE) and reviewed and jointly sponsored by the World Petroleum Council (WPC), the American Association of petroleum Geologists (AAPG) and the Society of Petroleum Evaluation Engineers (SPEE).



- Figure 1 Petroleum Resources Classification System

This report provides an overview of Developed Reserves (in production) and the Undeveloped reserves associated with sanctioned incremental projects. No assessment has been made of contingent or prospective resources (in accordance with the classification table above).

The DUC portfolio of assets comprises four main infrastructure and production hubs, i.e. Dan, Halfdan, Gorm and Tyra, each of which serves as a host platform for several satellite fields. Each hub produces its own power and has at least one accommodation platform. The fields are generally mature, the oldest being the Dan field which came on production in 1972. Dan, Halfdan and Gorm are oil dominated producing assets and the Tyra Hub including satellites are gas dominated producing assets.

Subsidence of the aging Tyra West and East platforms poses a risk for the platform integrity under severe weather conditions. Consequently, the DUC partners made a final investment decision (FID) and sanctioned the Tyra Future projects in December 2017. Tyra and the associated satellite fields will be closed-in during the fourth quarter of 2019 and production start-up from the new Tyra facility and satellites are scheduled for the first half of 2022.

License extension agreement where granted 29th September 2003, with the Danish Minister for economic and Business Affairs for the period 1st January 2004 and up to 8th July 2042.

2 Reserves – technical Evaluation

- The reserves reported are net for the interests (36.8%) in the DUC portfolio. These are arithmetically summed Developed[5] (in production) and Undeveloped[6] reserves (Justified or approved for development). All reserves[7] conform to the PRMS guidelines. LR, Senergy Limited has conducted a review of the information and technical work provided by Noreco and formed an independent view of the Reserves on a field by field basis.

LR has reviewed the historical production and injection performance and the production forecast for the producing fields have been estimated using Decline Analysis. Reserves has been classified accordingly to the associated risk and probability for the reserves actually to be produced.

- **1P** - Proved Reserves: Volumes that will be recovered with 90% probability.
- **2P** - Proved + Probable Reserves: Volumes that will be recovered with 50% probability.
- **3P** - Proved + Probable + Possible Reserves: Volumes that will be recovered with 10% probability.

Proved Reserves represent a reasonable certainty of being recovered, which mean a high degree of confidence. Probable and Possible reserves are commonly combined and referred to as unproved reserves, with decreasing levels of technical certainty.

In accordance with the PRMS guidelines, the COP date used to estimate Reserves is defined as the latest 6 months period with positive operating cash flow, or the end of the technical field life (typical end of the license period), whichever occur soonest. The total Reserves for the different fields, are arithmetic summed as recommended in the PRMS reporting guidelines. However, it should be noted that the aggregated Proved Reserves (1P) may be a conservative estimate and the aggregated Proved plus Probable plus Possible (3P) may be optimistic. It is, therefore likely that the Proved (1P) total will statistically be a downside estimate and the Proved plus Probable plus Possible (3P) will statistically be an upside estimate, for this large diverse package of assets. The aggregated Proved plus Probable (2P) reserves typical exhibit less portfolio effect. Hence, the statistically median will tend to approach the mean of the distribution.

[5] Developed Reserves are expected quantities to be recovered from existing wells and facilities. It has not been distinguished between producing and non-producing status in the reporting of Developed Reserves.
[6] Undeveloped Reserves are quantities expected to be recovered through future investments.
[7] Reserves are those quantities of petroleum anticipated to be commercially recoverable by application of development projects to known accumulations from a give date forwards under defined conditions. Reserves must further satisfy four criteria: They must be discovered, recoverable, commercial and remaining (as of a given date) based on the development projects applied.

3 Assets Portfolio

3.1 Introduction

- The DUC is a joint venture between TOTAL (31.2%), Shell (36.8%), Chevron (12%) and Nordsøfonden (20%). TOTAL recently announced the acquisition of Chevrons interest and will following the completion of the transaction hold an interest of 43.2%. Noreco will following the completion of the Shell transaction hold an interest of 36.8%.

- The DUC assets consist of fifteen fields on the Danish Continental Shelf, which can be divided into four main producing hubs. Production started in 1972 and oil and gas are exported to shore via one oil pipeline from Gorm and two gas pipelines from Tyra.

3.2 Dan Hub

Dan is an oil field which was discovered in 1971 and brought on production in 1972. The field produces oil and gas from the Ekofisk and Tor chalk reservoir by and the production drive mechanism are gas cap drive/solution gas expansion and secondary by pressure support from waterflooding. Dan is a domal structure divided by a major fault into a NW downthrown A-block and a SE Upthrown B-block.
Initially, the field was developed with vertical and deviated wells and later full field development by horizontal wells. Water injection was tested in 1991 and expanded to full field scale in 1995. A total of approximately 128 wells has been drilled, with currently 39 active oil wells and 35 active water injectors. By end of 2017 the field has produced 721 MMstb of oil and 939 Bscf of gas.

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 reservoir by a combination of solution gas drive and natural aquifer support. Currently 7 oil wells are producing. By end of 2017 the field has produced 37 MMstb of oil and 48 Bscf of gas.

3.3 Halfdan Hub

Halfdan Main was discovered in 1998 and brought on production in 2000. The field produces oil and gas from the Tor Chalk reservoir by gas cap drive/solution gas expansion and secondary waterflooding. The Halfdan NE field produces gas from the Ekofisk Chalk reservoir by depletion drive. The Halfdan Main oil accumulation is contiguous with the Dan accumulation and thins towards SW and NE.
Halfdan Main has been developed in four phases and 71 wells has been drilled, with currently 33 active oil producers and 28 active water injectors. By end of 2017 the field has produced 475 MMstb of oil and 542 Bscf of gas.

Halfdan NE has been developed in three phases and 22 wells has been drilled, with currently 17 active gas producers. By end of 2017 the field has produced 13 MMstb of oil and 658 Bscf of gas.

3.4 Gorm Hub

The Gorm field was discovered in 1971 and brought on production 1981. 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. Ekofisk is absent across most of the B-block and thickens down flank on the B-block. The production mechanism is dominated by secondary waterflooding. 46 wells have been drilled, with currently 18 active producers and 4 active water injectors. By end of 2017 the field has produced 393 MMstb of oil and 593 Bscf of gas.

Gorm acts further as the oil gathering center and export hub for all DUC fields.

The Skjold is an oil satellite field tie-back to Gorm which 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. The Chalk is highly fractured with low matrix permeability and the main production drive mechanism is waterflooding. 30 wells have been drilled, with currently 16 active oil producers and 7 active water injectors. By end of 2017 the field has produced 299 MMstb of oil and 150 Bscf of gas.

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. The production mechanism is aquifer support associated with spontaneous imbibition. 3 wells have been drilled, with currently 2 active oil producers. By end of 2017 the field has produced 29 MMstb of oil and 7 Bscf of gas.

3.5 Tyra Hub

Tyra Main is a gas field discovered in 1968 and Tyra SE is an oil field discovered in 1991. Tyra Main was brought on production in 1984 and Tyra SE in 2002. The Tyra fields lies on an inverted structure on the Valdemar-Tyra-Igor low relief ridge. The fields produces mainly from the Ekofisk and Tor Chalk reservoirs. The field was developed during 1984 to 1991 with gas plateau production from 1992 to 2007. One horizontal well has been drilled into the Lower Cretaceous Chalk, Tuxen Fm. The gas in the flank area towards Tyra SE was developed during 1998 to 2008. The gas recovery mechanism is depletion drive and gas recycling.

The Tyra East and West comprises of 11 platforms and due to subsidence, the field is currently being redeveloped. The Tyra Future project scope include replacing the two existing accommodation and one processing platforms by one single accommodation and one processing platform. The wellhead jackets will be raised and topside replaced. No new wells are planned. Tyra is scheduled to be closed-in during the fourth quarter of 2019 and estimated start-up of the new Tyra facility and the Tyra Satellites is planned for the first half of 2022.

93 wells have been drilled on Tyra Main and SE, with currently 48 active oil and gas producers and 15 active gas injectors. By end of 2017 the field has produced 203 MMstb of oil and 4,164 Bscf of gas.

Tyra acts further as the gas gathering center and export hub for all DUC fields. During the Tyra redevelopment, Dan will temporary be the host for gas export and a long by-pass pipeline will connect the Dan F to the Tyra-NOGAT pipeline system to the F/3 in the Netherlands.

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, Tuxen Fm has been the primary development target and horizontal wells has been drilled and completed with sand prop fractures. The field is produced by natural depletion and solution gas drive mechanism under controlled bottom hole pressure constrained mode.
25 wells have been drilled on Valdemar, with currently 20 active oil and gas producers. By end of 2017 the field has produced 83 MMstb of oil and 241 Bscf of gas.

The VBA-10 infill well has been drilled in 2018 with the aim to increase and test production from the thinner oil column in the Tuxen Fm. Further new completion technology has been tested to find cost effective solutions for an expansion of the Valdemar Lower Cretaceous development.

Roar is a gas field satellite with an oil rim tie-back to Tyra East. The field was discovered in1968 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. The gas column thickens towards South, while the oil rim has been encountered by the wells towards the north. 4 gas producer wells have been drilled, with all currently being active. By end of 2017 the field has produced 571 Bscf of gas and 17 MMstb of condensate.

Harald is a gas/condensate field located in the northwestern part of the Danish sector. The Harald field comprises of 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 Fm. The production mechanism is depletion drive. Four wells have been drilled, two on Harald West and two on Harald East, and all four wells are currently active. By end of 2017 the field has produced 888 Bscf of gas and 51 MMstb of condensate.

Lulita is an oil field with a gas cap discovered in 1991 which were brought on production in 1998. The field is NE dipping monocline with a main fault boundary in the west and structural dip closure to the SE. The reservoir consists of Middle Jurassic sandstones. The production mechanism is natural aquifer encroachment, gas cap drive and solution gas expansion. Two wells have been drilled, however only one is currently producing. By end of 2017 the field has produced 7 MMstb of oil and 27 Bscf of gas. DUC holds an 50% interest in the Lulita field with Ineos (40%) and Noreco (10%) as partners.

4 2018 – Developed and Undeveloped Reserves

The developed reserves comprise of the fields in production from the Dan, Halfdan and Gorm Hub and until end of field life. The developed reserves from the Tyra hub comprises of the production from Tyra and the satellites until end 2019 when Tyra goes offline as a result of the Tyra redevelopment project. The undeveloped reserves comprise primarily of reserves from the Tyra redevelopment project, including satellites, from start-up in 2022 and until end of field life and various development projects in the Halfdan Area plus (**Figure 2**).

Asset	1P	2P	3P
Oil & Liquid Reserves			
Dan Hub	22.8	28.3	31.8
Halfdan	49.2	61.0	68.1
Gorm Hub	8.1	11.5	11.9
Tyra Hub	25.3	34.9	40.0
Total Oil & Liquids, MMstb	**105.3**	**135.7**	**151.9**
Gas reserves			
Dan Hub	0.0	0.0	4.8
Halfdan	105.5	163.1	192.5
Gorm Hub	0.0	0.0	0.0
Tyra Hub	172.4	263.4	338.6
Total Gas, Bscf	**277.9**	**426.4**	**535.9**
Total Net, MMboe	**153.2**	**209.2**	**244.3**

- Figure 2 Developed and Undeveloped Net Reserves, 1/1-2018

Noreco's total 1P, 2P and 3P reserves at end of 2017 amount to 153.2 MMBOE, 209.2 MMBOE and 244.3 MMBOE respectively.

No contingent or prospective Resources has been included in this report.

5 Disclaimer

The information provided in this report are based on reservoir assessments, which in general must be recognized as subjective for estimating hydrocarbon volumes that cannot be measured in an exact way. It should also be recognized that results of recent and future drilling, testing, production, and new technology applications may justify revisions that could be material. This report represents the best professional judgment and should not be considered a guarantee of results.

Certain assumptions on the future beyond Noreco's control have been made. These include assumptions made regarding market variations affecting both product prices and investment levels. As a result, actual developments may deviate materially from what is stated in this report.

The estimates in this report are based on third party assessments prepared by Lloyd's Register, Senergy Limited.

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APPENDIX E – COMFORT LETTER FROM LLOYD'S REGISTER

Lloyd's Register

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9th January 2019

Re.: Reserves Assurance Report for Noreco
Ref.: LR PRJ11069686 / June 2018

Lloyd's Register (LR or Senergy (GB) Limited) prepared a Resources Assurance Report (RAR) on behalf of the Norwegian Energy Company ASA ("Noreco") on a project to acquire Shell's working interests in oil and gas fields held as part of the Danish Underground Consortium (DUC). The reporting date of the RAR was 1st January 2018 and the report was dated 13th June 2018.

The RAR relates specifically and solely to the subject assets and is conditional upon various assumptions that are described therein. The RAR must, therefore, be read in its entirety. The RAR was provided for use at the discretion of Noreco on a fee basis.

The Reserves quoted in Figure 2 of Noreco's published Reserves Report (Noreco reference: NOR-RR-543215 / January 2019) are in compliance with the estimated net working interest volumes, understood to be acquired by Noreco, of the combined Developed Reserves[1] and Undeveloped Reserves[2] of the portfolio (at 1st January 2018) as reported in LR's Reserves Assurance Report (LR reference: PRJ11069686 / June 2018).

Yours faithfully,

Dr. Iain Morrison

VP Reservoir Services

For and on behalf of Lloyd's Register

[1] Developed Reserves are expected quantities to be recovered from existing wells and facilities. LR has not distinguished between producing and non- producing status in the reporting of Developed Reserves.

[2] Undeveloped Reserves are quantities expected to be recovered through future investments.