REGISTRATION DOCUMENT

NORWEGIAN ENERGY COMPANY ASA

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

The information contained in this registration document (the "**Registration Document**") relates to the listing of bonds with a face value of USD 50,000 each (the "**Bonds**") issued by Norwegian Energy Company ASA (the "**Issuer**", "**Noreco**" or the "**Company**", taken together with its consolidated subsidiaries the "**Group**") on 17 December 2019.

For the definitions of capitalised terms used throughout this Registration Document, see Section 10 "Definitions". ***Investing in the Bonds involves risks; see Section 1 "Risk Factors" beginning on page 3***.

5 June 2020.

IMPORTANT INFORMATION

The Joint Lead Managers and/or affiliated companies and/or officers, directors and employees may be a market maker or hold a position in any instrument or related instrument discussed in this Registration Document, and may perform or seek to perform financial advisory or banking services related to such instruments. The Joint Lead Managers' corporate finance departments may act as manager or co-manager for this Issuer in private and/or public placement and/or resale not publicly available or commonly known.

Copies of this Registration Document are not being mailed or otherwise distributed or sent in or into or made available in the United States other than on the Issuer's and the Oslo Stock Exchange's web pages. Persons receiving this document (including custodians, nominees and trustees) must not distribute or send such documents or any related documents in or into the United States.

Other than in compliance with applicable United States securities laws, no solicitations are being made or will be made, directly or indirectly, in the United States. Securities will not be registered under the United States Securities Act of 1933 and may not be offered or sold in the United States absent registration or an applicable exemption from registration requirements.

In certain other jurisdictions, the distribution of this Registration Document may be limited by law, for example in Canada, Japan, and in the United Kingdom. Verification and approval of this Registration Document by the Norwegian FSA implies that this Registration Document may on certain terms be used in any EEA country. No other measures have been taken to obtain authorisation to distribute this Registration Document in any other jurisdiction where such action is required. Persons that receive this Registration Document are ordered by Noreco and the Joint Lead Managers to obtain information on and comply with such restrictions.

This Registration Document is not an offer to sell or a request to buy bonds. The content of this Registration Document does not constitute legal, financial or tax advice and bondholders should seek legal, financial and/or tax advice.

Unless otherwise stated, this Registration Document is subject to the Norwegian law. In the event of any dispute regarding this Registration Document, Norwegian law will apply.

This Registration Document is valid for a period of up to 12 months following its approval by the Financial Supervisory Authority of Norway (*Norwegian*: *Finanstilsynet*) (the "**Norwegian FSA**"). This Registration Document should be read together with the Securities Note dated 5 June 2020 (the "**Securities Note**") and Summary dated 5 June 2020 (the "**Summary**"), which together with this Registration Document constitute a prospectus (the "**Prospectus**").

The Prospectus has been prepared in order to provide information about the Company and its business in relation to the Listing of the Bonds and to comply with the Norwegian Securities Trading Act of 29 June 2007 no. 75 (as amended from time to time, the "**Norwegian Securities Trading Act**") and related secondary legislation, including Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Directive 2014/71/EC, as amended and as implemented in Norway in accordance with Section 7-1 of the Norwegian Securities Trading Act (the "**EU Prospectus Regulation**"). The Prospectus has been prepared solely in the English language.

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1. RISK FACTORS

GENERAL

Investing in Bonds issued by Company involves inherent risks. An investment in the Bonds is suitable only for investors who understand the risk factors associated with this type of investment and who can afford a loss of all or part of their investment.

Prospective investors should consider, among other things, the risk factors set out in the Prospectus, including those set out in both this Registration Document and the Securities Note, before making an investment decision. The risks and uncertainties described in this section are the material known risks and uncertainties faced by the Group as of the date hereof, and represents those risk factors that the Company believes to represent the most material risks for investors when making their investment decision in the Bonds. Prospective investors should also read the detailed information set out in any accompanying Securities Note and reach their own views prior to making any investment decision.

The risk factors included in this section are presented in a limited number of categories, where each risk factor is sought placed in the most appropriate category based on the nature of the risk it represents. Within each category the risk factors deemed most material for the Group, taking into account their potential negative affect for the Company and its subsidiaries and the probability of their occurrence, are set out first. This does not mean that the remaining risk factors are ranked in order of their materiality or comprehensibility, nor based on a probability of their occurrence. The absence of negative past experience associated with a given risk factor does not mean that the risks and uncertainties in that risk factor are not genuine and potential threats, and they should therefore be considered prior to making an investment decision. If any of the following risks were to materialize, either individually, cumulatively or together with other circumstances, it could have a material adverse effect on the Group and/or its business, results of operations, cash flows, financial condition and/or prospects, which may cause a decline in the value and trading price of the Shares, resulting in loss of all or part of an investment in the Bonds.

RISKS RELATED TO THE GROUP'S BUSINESS

The impact of the coronavirus COVID-19 may adversely affect the business operations

The current outbreak of the 2019 coronavirus (COVID-19) has resulted in a global pandemic and severely impacted the daily lives of people as well as affected companies and markets globally. Governments and other authorities have imposed restrictions which limit the prerequisites for continuing normal business operations, including movement of people and their ability to get to their place of work. Noreco is well set up with IT infrastructure and routines which allow all staff to work remotely and as such are able to continue operating the Company. At present, Norway, Denmark and the rest of the world are facing an adverse financial and economic downturn that may lead to recession. It is currently not possible to predict the consequences for Norway, Denmark, the Company, its business partners, the oil and gas industry or global business and markets – other than the expectations of adverse negative effects that may be long-term. Such consequences may also impact the Company and its current and planned operations and projects – as well as its customers, suppliers of goods and services, contractors and constructors, including future customers' ability to buy the Company's products at attractive prices or at all. The future of the Company and its business are therefore more uncertain than normal, and general effects of COVID-19 – especially if it continues for a longer period – may have a material adverse effect on the Company's business.

The Company, through its ownership in DUC, relies on a significant number of operational staff and third-party suppliers to maintain its operations at sufficient levels. Total E&P Denmark A/S, as the operator of DUC, has implemented extensive measures to protect personnel and secure business continuity, including among others screening of offshore personnel by Total health staff. Restrictions and the outbreak itself may also lead to long-term disruptions in work being carried out by DUC's project-related subcontractors' as well as their ability to comply with their obligations and deliver according to plan. Noreco has been informed by the operator Total, that first gas for the Tyra Redevelopment project is still expected to be in 2022. COVID-19 has affected global demand for oil and gas, which is affecting the price of these commodities – see note 2 to the consolidated financial statements and the Directors Report in the 2019 annual report.

Given the rapidly evolving landscape of the COVID-19 pandemic, where information, impacts and even the regulatory environment can change in a matter of hours, it is at this point in time challenging to estimate the potential future impact of the COVID-19 to the Company's performance and business. The general reduction in macroeconomic activity and its negative effect on the global energy markets following the COVID-19 disease outbreak could directly impact the growth and/or demand for the Company's output, which could result in lower operational revenues, and thereby have a material adverse effect on the Company's financial results.

Risk related to compliance with debt obligations

Should the Group's operations not generate sufficient cash flow to satisfy future liquidity requirements and/or to finance future operations or if for other reasons the Group is not able to upstream funds to the Issuer, the Issuer may not be able to service or repay the Bonds. Terms and conditions of the Group's debt arrangements, including the Bonds, require the Group (or members of the Group) to maintain specified financial ratios and satisfy financial covenants. In its financing agreements, the Group is subject to various covenants, including restrictions on dividends and distributions, minimum liquidity of USD 50 million and net interest bearing debt / EBITDAX lower than 3.0x. Non-compliance with such terms and conditions may have an adverse effect.

The Company's 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 that are concentrated in a limited geographical area. There are currently four production hubs which are interconnected and utilize the same infrastructure. In addition to this, the fields within one hub are interconnected and one field can depend on another for gas injection and other factors important to extract hydrocarbons. All gas produced on the different hubs is processed and transported to shore via the Tyra hub[1]. The Gorm hub receives liquids from all the other hubs and sends it to shore via a pipline on Gorm E. Consequently, the concentration of fields, infrastructure and other Noreco assets may result in that accidents, problems, incidents or similar on one location may affect a significant part of Noreco's business.

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

Noreco does not have a majority interest in any of its licences, and consequently cannot solely control such assets. Although the Company has consultation rights or right to withhold consent in relation to significant operational matters, depending inter alia on the importance of the matter, level of its interest in the licence, which licence, the contractual arrangements for the licence, etc, the Company will have limited control over management of such assets and mismanagement by the operator or disagreements with the operator as to the most appropriate course of action may result in significant delays, losses or increased costs to it.

Jointly owned licences (as is the case for Noreco's licences) also results in possible joint liability, on certain terms and conditions. Other participants in licences may default on their obligations to fund capital or other funding obligations in relation to the assets. In such circumstances, the Company may be required under the terms of the relevant operating agreement or otherwise to contribute all or part of such funding shortfall ourselves. The Company may not have the resources to meet these obligations.

The Company faces risks related to decommissioning activities and related costs

There are significant uncertainties relating to the cost for decommissioning of offshore installations and infrastructure including the schedule for removal of any installation and performance of other decommissioning activities. The Danish Underground Consortium (the "**DUC**") partners are currently executing a redevelopment of the Tyra field ("**Tyra Redevelopment**"), scheduled to be completed in 2022, which includes a material decommissioning scope. The Tyra field is a material part of the DUC, and the Tyra Redevelopment is therefore of material importance for the DUC – and thus also for the Company. Such large construction projects involve inherent risks for unforeseen challenges and events, as well as cost overruns and delays – all of which could have a material impact to the Company. The COVID-19 outbreak could increase such risks, Further, McDermott, one of the largest constructor/contractor for the Tyra Redevelopment, has faced financial difficulties and is currently subject to a restructurings process under Chapter 11 in the United States. Any failure of McDermott to comply with its obligations pertaining to the Tyra Redevelopment could have a material adverse effect on the Tyra Redevelopment. No assurance can therefore 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 lead to increased costs associated with the removal of installations or other decommission activities.

Also, under the Danish Subsoil Act, licencees are responsible to the Danish Government for making sure that the decommissioning decision is carried out, unless otherwise decided by the Ministry. Under the Sole Concession the Concessionaire is liable for these obligations towards the State. Within a joint operation, the partners 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 operation's activities.

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

[1] Information about the different hubs can be found in Noreco's reserve report in Appendix 2.

The Company's insurance may not provide sufficient funds to protect the Company from liabilities that could result from its operations [2]

Although the Company maintains liability insurance in an amount that it considers adequate and consistent with industry standard, the nature of the risks inherent in oil and gas industry generally, and on the Danish Continental Shelf specifically, are such that liabilities could materially exceed policy limits or not be insured at all, in which event the Company could incur significant costs that could have adverse effect on its financial condition, results of operation and cash flow. The Company has in the Siri Insurance Case experienced challenges related to recovering insurance claims which have had a significant impact on the Company, see section 5.2. 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.

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

Noreco obtained a reserve report in connection with the listing of the Bonds. The reserves set forth in this Prospectus are based on that report. The reported reserves represent estimates based on technical expert's reports, and 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. Noreco's reserve report, which is based on a reserve report prepared by RISC (UK) Limited, is attached to this Prospectus as Appendix 2. These statements are based on the same assumptions and estimates as described above, and should be considered in this context. See the Appendices for further information. Should the actual results of Noreco deviate from the estimated reserves, this may have a significant impact on the value of the Group's assets, the cash flow from operations and the total revenues from the assets over the lifetime of the assets (or the lifetime of the related licence). Material deviations between actual results and estimated reserves for one asset may also create uncertainties about the estimated reserves of other assets based on the same assumptions, which may be detrimental for investors' confidence in Noreco's reserves estimates.

The Company's development projects require substantial investments. The Company may be unable to obtain needed capital or financing on satisfactory terms, which could lead to a decline in its oil and gas reserves

The Company makes and expect to continue to make substantial investments in its business for the development, production and acquisition of oil and natural gas reserves. The Company's development projects may not be finalized within the projected budget or timeframe, or other unforeseen events may arise which affects the projects. The Company intends to finance the majority of its future investments with cash flow from operations and borrowings under its RBL Facility and other equity and debt facilities. 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 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 licence 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.

[2] See for instance section 5.2 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.

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

The Group is exposed to market fluctuations in foreign exchange rates. Revenues are in US dollars for oil and in Euros and Danish kroner for gas, while operational costs, taxes and investment are in several other currencies, including Danish kroner. The Company's financing is primarily in US dollars.

Significant fluctuations in exchange rates between euros and Danish kroner and US dollars and Danish kroner and Danish and Norwegian kroner may materially adversely affect the reported results.

RISKS ASSOCIATED WITH THE INDUSTRY AND THE MARKET IN WHICH COMPANY/GROUP 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 main business is to sell / produce oil and gas. 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 or predict the prices it receives for the oil and gas it produces. In addition to this the hydrocarbons produced from specific fields may have a premium/discount to benchmark prices such as Brent. The premium/discount to the benchmark prices may vary over time.

The last months, and especially during March 2020, the oil price has dropped adversely to prices in the low USD 20s. Such drop, also in conjunction with the COVID-19 outbreak, has caused adverse effects to the oil and gas business at large. Continued oil price of current levels for a longer period of time could result in even more adverse effects for the business. The Company's business may be affected by these events. The Company has entered into minimum production volume and fixed the price for its sale of oil for limited period of time. Such arrangements therefore currently limit the adverse effects to the Company's financial position. If such events become long-term, they may have more adverse effects to the Company's business and financial position. At this point in time it is difficult to estimate the potential concrete impact of these events to the Company's financial results.

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. 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 a project in execution. If it is not possible to cancel the project, the Company may have to carry out the project with negative economic impact. The DUC partners are currently executing the Tyra Redevelopment which is a substantial redevelopment project scheduled to be completed in 2022.

Commodity price fluctuations could reduce the Company's ability to refinance its outstanding credit facilities and could result in a reduced borrowing base under credit facilities available to the Company, including the RBL Facility. Fluctuations in commodity prices could lead to impairments of the Company's assets. Changes in the oil and gas prices may thus adversely affect its business, results of operations, cash flow, financial condition and prospects.

The Company is dependent on finding, acquiring, developing and producing oil and gas reserves that are economically recoverable for continued operations

Discoveries or acquisition of new oil and gas reserves and/or assets is required for long-term continued operations. Noreco has through its acquisition of shares in Shell Olie- og Gasudvinding Danmark B.V. in the summer of 2019 acquired oil and gas assets, but would need to seek for other assets or ability for extended reserves on existing assets to maintain significant operations over time. Expenditure is therefore required to seek for and establish oil and gas reserves through seismic, acquisitions, 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. Production from oil and natural gas reservoirs, particularly in the case of mature fields, which the DUC fields are defined as, is generally characterized by declining production rates. Noreco may not be able to finance such activities. Also, the Company has previously completed the drilling of wells without encountering hydrocarbons, see section 3.2, illustrating the risk of making significant investments with low or no economic return.

RISKS RELATING TO CONTRACTUAL AND LEGISLATIVE FRAMEWORKS

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

Noreco's operations are depended on contractual arrangements with the Danish State and the other parties in the licences Noreco holds interest in. Consequently, non-compliance or termination of such agreements may have an adverse effect for the Group. On the basis that the acquisition of the Shell Olie- og Gasudvinding Danmark B.V. shares has fairly recently been completed, Noreco has limited experience in complying with the contractual arrangements related to the DUC licences and the cooperation with the parties in these licences. Further, all exploration and production licences for the Danish Continental Shelf (the "**DCS**") have 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 of complying with such obligations may lead to fines, penalties, restrictions and revocation of licences, as well as termination. Since Noreco currently has concentrated most of its assets in a limited number of such arrangements, any non-compliance (by Noreco or its contractual parties) or other incidents could materially and adversely affect the Company's business, results of operations, cash flows and financial condition.

The Company is exposed to political and regulatory risks

Exploration and development activities in Denmark are dependent on receipt of government approvals and permits to develop its assets. The Danish Subsoil Act, among other things, sets out different criteria for the organization, competence and financial capability that a licencee 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, licences, 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 licences 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 licences. 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 business and financial condition could be adversely affected if the Danish tax regulations for the petroleum industry were amended

All of Noreco's petroleum assets are located in Denmark and the petroleum industry is subject to higher taxation than other businesses. The Group is therefore exposed to Danish tax rates and regulation, as these vary from time to time. There is no assurance that future political conditions in Denmark will not result in the relevant government adopting different policies for petroleum taxation than currently in place. The tax regime in Denmark for the petroleum industry was amended in recent years. These amendments have had a significant effect for the DUC licences. Future amendments to taxation of Noreco's business are likely, the outcome of which is difficult to predict. As taxation has a major impact in Noreco's results of operations, such amendments may significant impact the Group's 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 investments 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. The Danish Energy Strategy 2050 aims to achieve 100% independence of fossil energy by 2050. 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.

2. PERSONS RESPONSIBLE

2.1 Persons responsible for the information

Persons responsible for the information contained in this Registration Document:

Norwegian Energy Company ASA
Nedre Vollgate 1
0158 Oslo
Norway

2.2 Declaration by persons responsible

Norwegian Energy Company ASA confirms that, having taken all reasonable care to ensure that such is the case, the information contained in this Registration Document is, to the best of its knowledge, in accordance with the facts and contains no omissions likely to affect its import.

Oslo, 5 June 2020.

The Board of Directors of Norwegian Energy Company ASA

Marianne Lie	Lars Purlund
Tone Kristin Omsted	Christiaan Andreas Bruijnzeels
Colette Brigid Cohen	Yves Louis Charles Justin Darricarrere
Riulf Rustad (Chair)	Robert J. McGuire

3. BUSINESS OVERVIEW

This Section provides an overview of the business of the Group as of the date of this Registration Document. You should read this Section in conjunction with the other parts of this Registration Document, in particular Section 1 "Risk Factors".

3.1 Introduction

Norwegian Energy Company ASA, also known commercially as Noreco, is an oil and gas exploration and production company listed on the Oslo Stock Exchange under the ticker "NOR". The Company is domiciled in Norway with headquarters in Oslo. The Company has subsidiaries in Norway, Denmark, the Netherlands and the United Kingdom and holds production licences on the Danish Continental Shelf through its fully owned subsidiaries Noreco Oil Denmark A/S, Noreco Petroleum Denmark A/S and Noreco Olie- og Gasudvidning Danmark B.V. (previously Shell Olie- og Gasudvining Danmark B.V). The Company, indirectly through its subsidiaries, produces and sells oil and gas to the Danish and global energy markets.

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. Noreco aims to protect and enhance the value of its assets by taking a leading and fact-based approach to contributing to a safe and sustainable energy transition.

The Group has participated in exploration and production activities within the oil and gas industry since the mid-1980s, including several development projects. Now, after the acquisition of the shares in Shell Olie- og Gasudvinding Danmark B.V. **("SOGU")** (the "**Transaction**"), the Group has 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, Copenhagen and London and comprises, together with Senior Management, of individuals with long experience from the oil and gas industry, including companies like Shell, Equinor (formerly Statoil), Maersk Oil (now Total), VNG, Hess, Dong (now INEOS), Schlumberger, Neptune Energy, GDF Suez, & OMV. As part of the Transaction, employees of SOGU have been transferred to Noreco and brought continuity and additional competence to the organization. The name SOGU has been changed to Noreco Olie- og Gasudvinding Danmark B.V. ("**NOGU**").

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 Stock Exchange.
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 held 30% working interest in the Siri licence) 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 out of the total of 21 licences awarded in the 20th licensing round in Norway, 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 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 5.2.

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 E&P. 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 platform. 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 operation 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, see section 5.2.
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 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 litigation 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 licence with all rights and obligations to Premier Oil E&P UK Limited.

2017 .... On 15 February 2017, Noreco announced the success payment of USD 13.1 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 including 36.8% participating interest in the DUC, 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 in connection with the Transaction had secured a fixed price arrangement with Shell Trading and Supply for 80% of the guaranteed liquid production volumes from SOGU's assets until 30 September 2020. The fixed price arrangement has been entered into by SOGU.

On 24 October 2018, the Danish Appeals Permission Board declined to forward the appeal to the Supreme Court of Denmark and thus the ruling from the Eastern High Court became final.

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.

Noreco, a new player and second largest producer on DCS

2019 Altinex, a wholly owned subsidiary of Noreco, acquired 100% of the shares in NOGU against a consideration of USD 1.91 billion with economic effect as of 1 January 2017, and the Group has assumed cash flow from the producing assets as of that date. The Transaction was completed on 31 July 2019.

On 4 December 2019, Noreco successfully completed a new USD 175 million senior unsecured bond issue. The bond issue attracted strong international investor interest and was significantly oversubscribed.

In 2019 the, organization grew from 8 to 27 employees. Noreco also strengthened its organization with both key appointments to its board as well as an executive management group.

The Company issued the Bonds on 17 December 2019.

2020 In January 2020, Noreco acquired its own shares through a reversed book building process. Subsequently, Noreco has carried out multiple buy-backs of the Company's shares.

On 30 April 2020, Noreco published its 2020 annual statement of reserves, demonstrating close to 200% reserves replacement ratio.

3.3 Portfolio, Reserves and Resources

License & Concession Portfolio

As of 31 December 2019, the Company participated, through its subsidiaries, as a partner in three licences and one concession on the DCS in accordance with the table below:

License & concession overview (Partner)

Licence/concession	Group Participating Interest	Operator	Expiry
Sole Concession (DUC)	36.8%	Total E&P Danmark A/S[3]	8 July 2042
Licence 7/86 (Lulita part)	20.0%	INEOS E&P A/S	8 March 2026
Licence 1/90 (Lulita part)	20.0%	INEOS E&P A/S	8 March 2026
8/06 Area B	36.8%	Total E&P Denmark A/S	8 July 2042
Total	**4**		

The portfolio cover 15 fields on the DCS as set out in the table below.

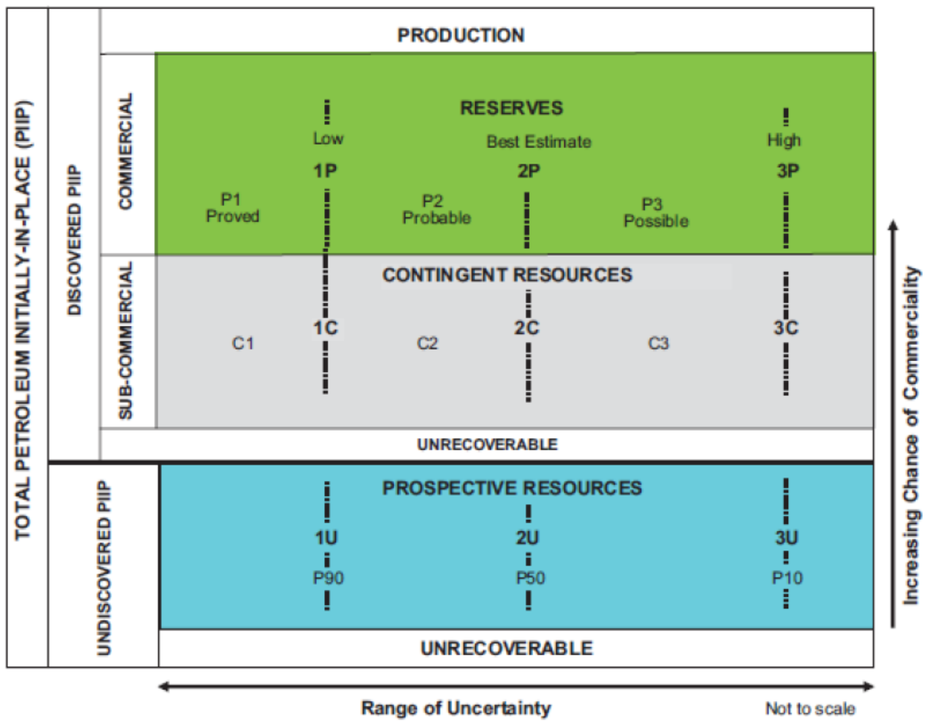
[3] Total E&P Denmark A/S is the concessionaire under the Sole Concession.

Field	Company Participating Interest	Field Operator
Dagmar	36.8%	Total E&P Danmark A/S
Dan	36.8%	Total E&P Danmark A/S
Gorm	36.8%	Total E&P Danmark A/S
Halfdan	36.8%	Total E&P Danmark A/S
Harald	36.8%	Total E&P Danmark A/S
Kraka	36.8%	Total E&P Danmark A/S
Lulita	28.4%	Total E&P Danmark A/S
Regnar	36.8%	Total E&P Danmark A/S
Roar	36.8%	Total E&P Danmark A/S
Rolf	36.8%	Total E&P Danmark A/S
Skjold	36.8%	Total E&P Danmark A/S
Svend	36.8%	Total E&P Danmark A/S
Tyra	36.8%	Total E&P Danmark A/S
Tyra SE	36.8%	Total E&P Danmark A/S
Valdemar	36.8%	Total E&P Danmark A/S
Total	**15**	

Reserves and Resources

The Company has prepared a Statement of Reserves report for the reserves associated with its asset portfolio, attached to this Prospectus as appendix Appendix 2. The Statement of Reserves is based on a reserve report prepared by RISC (UK) Limited on request from the Company. RISC (UK) Limited is an independent oil and gas advisory firm founded in 1994 providing independent advice to companies associated with the oil and gas industry. Today the company has approximately 40 highly experienced professional staff at offices in Perth, Brisbane, Jakarta and London, and have completed over 2,000 assignments in 70+ countries for nearly 500 clients. The business address of RISC (UK) Limited is Rex House, 10 Regent Street, SW1Y 4PE London, United Kingdom.

The reserves are estimated and classified in accordance with the definitions and guidelines set out in the revised June 2018 Petroleum Resources Management System (PRMS) version 1.01 (June 2018) (Figure below), which is consistent with the Oslo Stock Exchange´s requirement for disclosure of hydrocarbon resources. 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 Society of Petroleum Engineers (SPE), the World Petroleum Council (WPC), the American Association of Petroleum Geologists (AAPG), the Society of Petroleum Evaluation Engineers (SPEE), the Society of Exploration Geophysicists (SEG), the Society of Petrophysicists and Well Log Analysts (SPWLA) and the European Association of Geoscientists & Engineers (EAGE). Noreco reports on developed reserves (in production), undeveloped reserves and two projects in the sub-class justified for development that has not yet been sanctioned. Noreco has not included any assessment in relation to contingent or



prospective resources in this Prospectus or in the Statement of Reserves.

Overview of reserves and anticipated lifetime

The table below gives an overview of proved (1P/P90), probable (2P/P50) and possible reserves (3P/P10) per year end 2019 in accordance with the Statement of Reserves. The lifetime of the fields depends on a number of factors, including, among some, commodity prices and the ability of the field partners to recover hydrocarbons. Noreco expects to be able to extract hydrocarbons from the CS until the expiry of the Sole Concession in 2042.

Reserves		1P/P90				2P/P50				3P/P10
		Gross liquids	Gross gas	Gross boe	Net boe	Gross liquids	Gross gas	Gross boe	Net boe	Net boe
as of 31.12.2019	*Interest*	*mmbbl*	*mmboe*	*mmboe*	*mmboe*	*mmbbl*	*mmboe*	*mmboe*	*mmboe*	*mmboe*
On Production										
Dan	36.8%	57	2.8	59.8	22.0	81.7	4.6	86.3	31.7	38.2
Kraka	36.8%	6.4	0.3	6.7	2.5	8.5	0.5	9.0	3.3	3.7
Halfdan	36.8%	120.2	20.3	140.5	51.7	144.9	31.4	176.3	64.9	73.3
Gorm	36.8%	12.5	-	12.5	4.6	18.2	-	18.2	6.7	9.1
Skjold	36.8%	19.9	-	19.9	7.3	28.6	-	28.6	10.5	14.1
Rolf	36.8%	2.6	-	2.6	1.0	3.5	-	3.5	1.3	1.7
Total		**218.6**	**23.4**	**242.0**	**89.1**	**285.4**	**36.5**	**321.9**	**118.4**	**140.1**
Under Development										
Tyra Hub	36.8%	66.2	91.2	157.5	57.9	86.5	122.8	209.3	77.0	88.0
Total		**66.2**	**91.2**	**157.5**	**57.9**	**86.5**	**122.8**	**209.3**	**77.0**	**88.0**
Justified for Development										
Halfdan HCA gas lift	36.8%	0.2	5.1	5.3	1.9	0.3	7.6	7.9	2.9	3.3
Halfdan North	36.8%	16.6	1.8	18.4	6.8	25.9	2.8	28.7	10.5	17.0
Total		**16.8**	**6.9**	**23.7**	**8.7**	**26.2**	**10.3**	**36.5**	**13.4**	**20.2**
On Production plus Under Development										
Total		**284.8**	**114.6**	**399.5**	**147.0**	**371.9**	**159.3**	**531.2**	**195.5**	**228.1**
On Production plus Under Development plus Justified for Development										
Total Reserves		**301.6**	**121.5**	**423.2**	**155.6**	**398.1**	**169.6**	**567.7**	**208.9**	**248.2**

Deficiencies in fuel gas in the Dan and Gorm Hubs are supplied from the Halfdan Hub and/or Tyra Hub and hence, the total gas is aggregate Sales Gas reserves entering the Export gas pipeline(s).

For total MMBoe, Gas reserves have been added to the Oil and Liquid reserves, using a conversion factor of 5.2 Bscf/MMBoe, from the Operator, based on actual calorific value of the sales gas.

The table below gives an overview of reserves per associated hub.

Reserves per hub		1P/P90				2P/P50				3P/P10
		Gross liquids	Gross gas	Gross boe	Net boe	Gross liquids	Gross gas	Gross boe	Net boe	Net boe
as of 31.12.2019	*Interest*	*mmbbl*	*mmboe*	*mmboe*	*mmboe*	*mmbbl*	*mmboe*	*mmboe*	*mmboe*	*mmboe*
Dan	36.8%	57	2.8	59.8	22.0	81.7	4.6	86.3	31.7	38.2
Kraka	36.8%	6.4	0.3	6.7	2.5	8.5	0.5	9.0	3.3	3.7
Dan Hub		**63.4**	**3.1**	**66.5**	**24.5**	**90.2**	**5.0**	**95.2**	**35.0**	**41.9**
Halfdan	36.8%	137.0	27.2	164.2	60.4	171.1	41.8	212.9	78.4	93.4
Halfdan Hub		**137**	**27.2**	**164.2**	**60.4**	**171.1**	**41.8**	**212.9**	**78.4**	**93.4**
Gorm	36.8%	12.5	-	12.5	4.6	18.2	-	18.2	6.7	9.1
Skjold	36.8%	19.9	-	19.9	7.3	28.6	-	28.6	10.5	14.1
Rolf	36.8%	2.6	-	2.6	1.0	3.5	-	3.5	1.3	1.7
Gorm Hub		**35.0**	**0.0**	**35.0**	**12.9**	**50.3**	**0.0**	**50.3**	**18.5**	**24.9**
Tyra	36.8%	30.3	63.5	93.8	34.5	39.4	86.8	126.2	46.4	52.6
Valdemar	36.8%	29.8	13.2	43.0	15.8	40.1	19.0	59.1	21.8	26.0
Roar	36.8%	4.7	10.0	14.7	5.4	5.4	12.2	17.7	6.5	6.9
Harald	36.8%	0.8	4.1	4.8	1.8	0.8	4.4	5.2	1.9	2.2
Lulita	28.4%	0.6	0.4	1.0	0.3	0.7	0.5	1.2	0.3	0.3
Tyra Hub		**66.2**	**91.2**	**157.5**	**57.9**	**86.5**	**122.8**	**209.4**	**77.0**	**88.0**
Total Reserves		**301.6**	**121.5**	**423.2**	**155.6**	**398.1**	**169.6**	**567.7**	**208.9**	**248.2**

The table below gives an overview of reserves development from 31.12.2018 to 31.12.2019.

Reserves Development	On Production			Under Development			Justified for Development			Total		
Net attributable mmboe	1P/P90	2P/P50	3P/P10	1P/P90	2P/P50	3P/P10	1P/P90	2P/P50	3P/P10	1P/P90	2P/P50	3P/P10
Balance as of 31.12.2018	82.2	112.9	128.6	49.4	82.4	101.9	-	-	-	131.6	195.3	230.5
Production	17.6	17.6	17.6	-	-	-	-	-	-	17.6	17.6	17.6
Acquisition and disposals	-	-	-	-	-	-	-	-	-	-	-	-
Revisions	24.5	23.2	29.1	8.5	-5.4	-13.9	-	-	-	32.9	17.8	15.2
Discovery and Extensions	-	-	-	-	-	-	-	-	-	-	-	-
New Developments	-	-	-	-	-	-		-	-	-	-	-
Projects matured	-	-	-	-	-	-	8.7	13.4	20.2	8.7	13.4	20.2
Balance as of 31.12.2019	89.1	118.4	140.1	57.9	77.0	88.0	8.7	13.4	20.2	155.6	208.9	248.2
Delta (2019-2018)	6.8	5.5	11.5	8.5	-5.4	-13.9	8.7	13.4	20.2	24.0	13.6	17.7

2019 production (Noreco share) is the Available for Sales volume based on actual production, fuel and flare and re-injected volumes determined by Noreco.

Current and anticipated progress of extraction

	mmboe	*mmboe*	
Field	**Produced per 31 Dec 2019***	**Estimated 2P reserves****	**Estimated 2P reserves** / Produced per 31 Dec 2019***
Dan	314,0	31,7	10,1 %
Gorm	150,2	6,7	4,5 %
Skjold	121,4	10,5	8,7 %
Tyra	238,8	46,5	19,5 %
Rolf	11,4	1,3	11,3 %
Kraka	18,0	3,3	18,3 %
Dagmar	2,3	0,0	0,0 %
Regnar	2,3	0,0	0,0 %
Valdemar	48,7	21,7	44,7 %
Roar	43,3	6,5	15,0 %
Svend	20,1	0,0	0,0 %
Harald	74,0	1,9	2,6 %
Lulita	3,4	0,4	12,4 %
Halfdan	267,0	78,3	29,3 %
Total	**1 314,9**	**208,9**	**15,9 %**

Source: ens.dk "Yearly production, injection, flare, fuel and export in SI units"

**Source: Independent estimate from RISC (UK) Ltd. per 31 December 2019*

Asset overview

The Company´s assets consist of eleven active fields with reserves. All fields are situated on the Danish Continental Shelf. The developments can be divided into four main producing hubs: Dan, Gorm, Halfdan and Tyra. Production started in 1972 and oil and gas are exported to shore via one oil pipeline from Gorm and two gas pipelines from Tyra.

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 and the production drive mechanisms 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 126 wells has been drilled, with currently 42 active oil wells and 37 active water injectors.

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 aquifer support. 10 wells have been drilled and currently 7 oil wells are producing.

Halfdan Hub

Halfdan Main was discovered in 1998 and brought on production in 1999. The field produces oil and gas from the Tor Chalk reservoir by gas cap drive/solution gas expansion and secondary waterflooding. The Halfdan NE area 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 35 active oil producers and 17 active water injectors.

The well HBB-05A was drilled and brought on production in September 2019. The well is currently producing approximately 1,300 kstb/d and 10,000 mmscf/d. The well is producing above sanctioned expectations.

Halfdan NE has been developed in three phases and 21 wells have been drilled, with currently 16 active gas producers.

Two commercial projects at the Halfdan production hub have field development plans underway and volumes are included in the Justified for Development category.

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 17 active producers and 6 active water injectors. Gorm acts further as the oil gathering center and export hub for all DUC fields.

The Skjold field is an oil satellite tie-back to Gorm. It was discovered in 1977 and brought on production in 1982. The field is a dome shaped structure with a relative thin chalk reservoir on the crest, which thickens towards the outer crest and flank areas. The Chalk is highly fractured with low matrix permeability and the main production drive mechanism is waterflooding. 30 wells have been drilled, with currently 13 active oil producers and 7 active water injectors.

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 mechanisms are solution gas drive and aquifer support. 3 wells have been drilled, with currently 1 active oil producers.

Tyra Hub

Tyra Main is a gas dominated field discovered in 1968 and Tyra SE is an oil dominated field area discovered in 1991. Tyra Main was brought on production in 1984 and Tyra SE in 2002. The Tyra field lies on an inverted structure on the Valdemar-Tyra-Igor low relief ridge. The field produce 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 recovery mechanism is depletion by gas expansion and rock compaction.

The Tyra East and West comprises of 11 platforms and due to subsidence, the field is currently being redeveloped. The Tyra Re-development project scope include replacing the existing accommodation and processing platforms by one single accommodation and one processing platform. The wellhead jackets will be raised and topsides replaced. No new wells are planned. The estimated start-up of the new Tyra facility and the Tyra Satellites is scheduled for 2022. A total of 93 wells have been drilled on Tyra Main and SE, with currently 47 active oil and gas producers.

Tyra acts further as the gas gathering center and export hub for all DUC fields. During the Tyra redevelopment project, Dan is temporary the host for gas export via a by-pass pipeline connecting 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 depletion and rock compaction drive under controlled bottom hole pressure constrained mode. 26 wells have been drilled on Valdemar, with currently 22 active oil and gas producers.

Roar is a gas field 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.

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.

Lulita is an oil field with a gas cap discovered in 1991 which were brought on production in 1998. The field is a 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 aquifer encroachment, gas cap drive and solution gas expansion. Two wells have been drilled, however only one is currently producing. DUC holds an 50% interest in the Lulita field with Ineos (40%) and Noreco (10%) as partners.

Exploration Activity

The Company has not participated in any exploration well since 2015.

3.4 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, by the end of 2017 Noreco had divested all licence interests except two on the Danish Continental Shelf. The Company has legal entities registered in Norway, Denmark, the Netherlands and the UK. After the completion of the Transaction, Noreco has 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 in 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 2019 the majority of the Group´s revenues derived from the sale of oil and gas from the Group's interest in the DUC to the Danish and international energy market. In 2018 the Group's revenues derived entirely from sale of oil and gas from the Lulita field. The total revenue for 2019 amounted to USD 333 million, whereas respectively about USD 305 million derived from the sale of oil, USD 26 million from the sale of gas and NGL and USD 2 million from other income. In the year 2018 the total revenues of the Group amounted to USD 2 million from the sale of oil. The Group had total production of 5.46 million boe in 2019 and approx. 23,000 boe in 2018. The Group had total revenues of USD 148 million in the first quarter of 2020 and produced approx. 2.9 million boe in the quarter.

3.5 Material Contracts

For the two years immediately preceding publication of this Prospectus, 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 and the Bond Terms.

3.6 Recent Investments

On 17 October 2018 it was announced that Noreco would acquire Shell's share in DUC through a transaction comprising 100% of the shares in Shell's wholly owned subsidiary SOGU. The Transaction was completed on 31 July 2019. SOGU had a commitment equal to its participating interest in the DUC and there is a joint liability between the partners for the Sole Concession. All property, plant and equipment are held as an undivided interest under the Joint Operating Agreements.

Historical

The Tyra Redevelopment comprises the largest share of NOGU's investments in 2019. For the years 2018-2019, the focus of the DUC was on preparations for shut-in of the Tyra Hub and the redevelopment. Production from the Tyra Hub was successfully shut-in in September 2019 to enable the removal, renovation and redevelopment of the facilities. In addition to the investments in the Tyra Redevelopment Projects, the DUC has made investments in 4D seismic, new wells on

Halfdan, water injections and flow assurance projects on Dan, and in general upgrade and life extension projects across the DUC facilities.

Historical investments are related to investments in DUC's facilities and wells. Tyra is the field with the highest investments in the years 2019 and 2018.

Historical Investments[4]

	As of 31 December	
(USD million)	**2019**	**2018**
Noreco Investments excluding NOGU	**120**	**0**
NOGU Investments	**146**	**196**
Total Investments	**265**	**196**

Ongoing and future investments

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

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

The remaining investments and other planned projects are expected to be financed through operating cash flows and a combination of debt and equity financing.

[4] Includes capital expenditure and abandonment expenditure

4. INDUSTRY OVERVIEW

The following discussion and the discussion appearing elsewhere of this Prospectus 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.

4.1 The global energy market

Current market scenario

Since January, the Covid-19 disease (coronavirus) has spread from China to all over the world and was declared as a pandemic by the World Health Organization on 11 March 2020. The outbreak has caused several countries to go into a lockdown situation, halting industrial and commercial activity and restricting air travel, thus hitting oil demand and lowering prices.

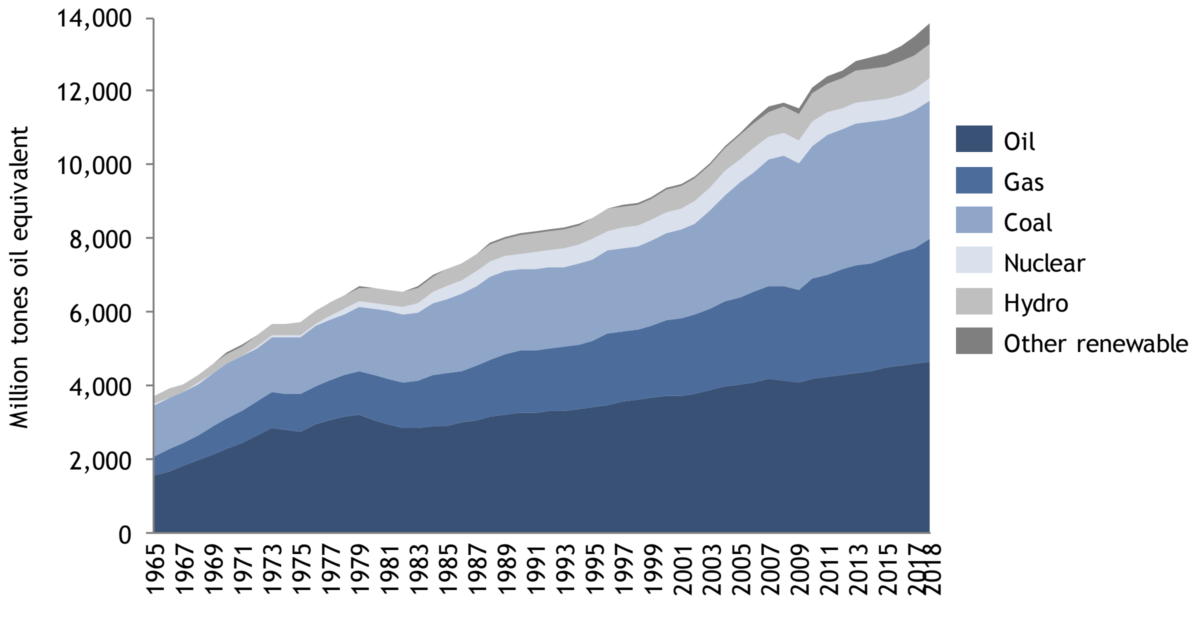
The second reason for the drop in oil prices is the price war that OPEC, led by Saudi Arabia, has initiated with Russia. Following the March 6 meeting between members of the OPEC and its partner countries, which ended without an agreement on production levels, on 8 March 2020, Saudi Arabia announced unexpected price discounts of $6 to $8 per barrel to customers in Europe, Asia, and the U.S. The announcement triggered a free fall in oil prices and other consequences that day, with brent crude falling by 30%, the largest drop in a single day since the Gulf War. The extra oil being pumped has led to a major oversupply in the markets. Their battle is about market share and both Saudi Arabia and Russia have the capacity to pump oil at low prices for quite some time in future.

The world energy consumption has seen a rapid increase in 2018, growing at a rate of 2.9%, led by natural gas and renewables. Growth was the strongest since 2010 and almost double the 10-year average of 1.5% per year, according to BP Statistical Review of World Energy June 2019.

The global demand for all fuels increased, driven by gas accounting for 43% of the global increment in energy growth and renewables accounting for 18% of the global increase. China, the U.S. and India together accounted for more than two thirds of the global increase in energy demand, with U.S. consumption expanding at its fastest rate for 30 years.

Global oil consumption increased by and above-average 1.4 million barrels per day or 1.5% in 2018.

Figure: World Energy Consumption



Source: BP Statistical Review of World Energy June 2019

As per International Energy Agency ("IEA"), the global oil demand was at 100.0 million barrels per day, and increase of 0.8% y-o-y.

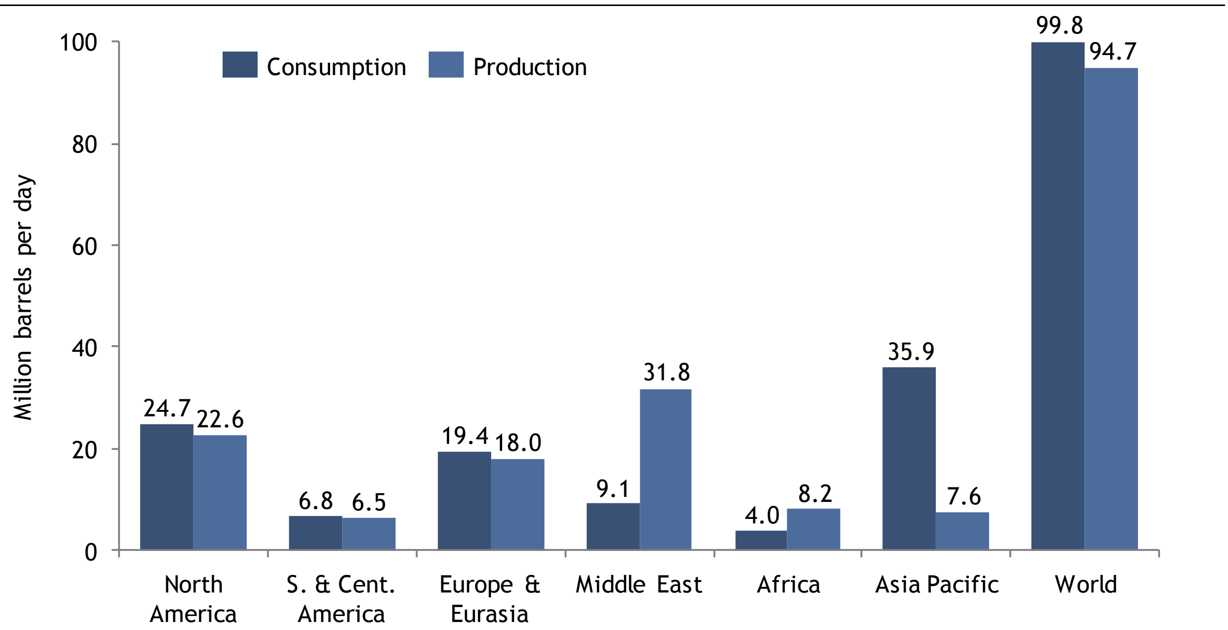
It follows from the BP's Energy Outlook 2019 edition that the transition to a lower-carbon energy system continues, with renewable energy and natural gas gaining in importance, relative to oil and coal, and accounting for 85% of energy growth in 2040. World continues to electrify, with power consumption growing strongly as around three-quarters of the increase in primary energy is absorbed by the power sector.

The mix of fuels in global power generation shifts materially, with renewables gaining share at the expense of coal, nuclear and hydro. The share of natural gas to be broadly flat at around 20%. Renewable energy is the fastest growing source of energy (7.1% p.a.), contributing half of the growth in global energy supplies and becoming the largest source of power by 2040, with its share in primary energy increasing from 4% at present to around 15% by 2040. Natural gas (1.7% p.a.), grows much faster than either oil or coal, overtaking coal to be the second largest source of global energy. Oil is expected to grow slower than the past at 0.3% p.a. Coal consumption (-0.1% p.a.) is broadly flat over the Outlook period till 2040, with its importance in the global energy system declining to its lowest level since before the industrial revolution.

4.2 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.

Figure: World oil consumption and production by region



Source: BP Statistical Review of World Energy June 2019

World oil consumption in 2018 increased to approximately 99.8 million barrels per day, of which Asia Pacific, North America and Europe including Eurasia (most importantly, Russia) accounted for approximately 36%, 25% and 19%, respectively. Consumption in the Middle East was about 9.2% of the world total.

Global oil production increased by 2.2 million barrels per day to 94.7 million barrels per day. The Middle East is the world's largest oil producing region, accounting for 33.5% of the world total. North America is second behind the Middle East, accounting for 24%, followed by Europe and Eurasia with 19%. Despite being the largest consuming region, oil production in Asia Pacific accounts for only 8% of total world production. (BP Statistical Review June 2019)

In 2019, as per IEA's report, the oil production for 2019 was at 95.4 million barrels per day (excl. processing gains and global biofuels), while the global consumption stood at 100.0 million barrels per day.

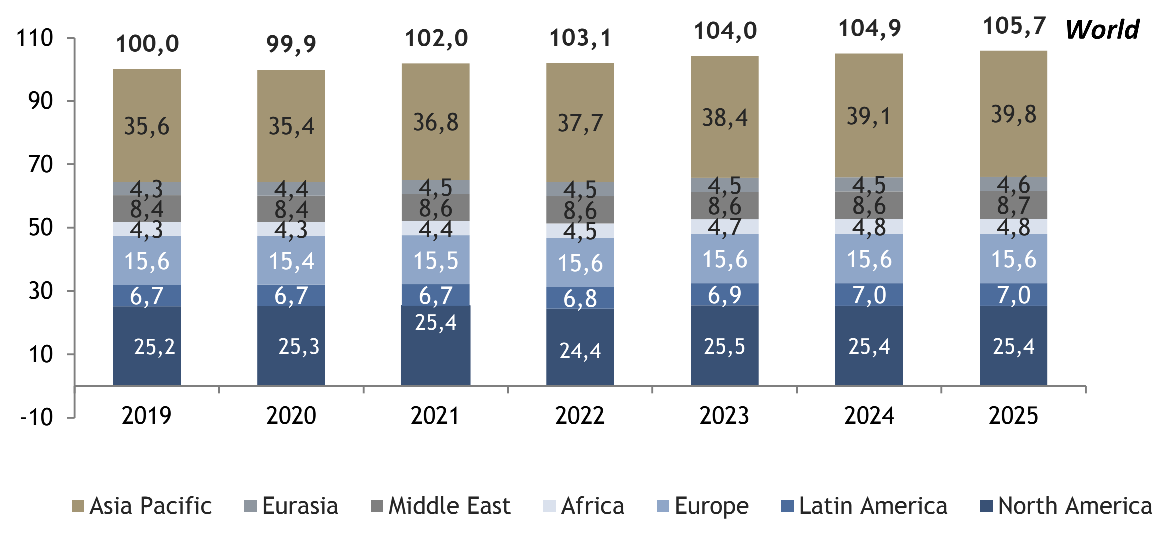
Forecasts (based on EIA Short-Term Energy Outlook March 2020, IEA Oil Market Report 9 March 2020, and IEA Oil 2020 - Analysis and forecast to 2025, March 2020 report).

Oil demand:

On the demand side, growth in 2019 was significantly weaker than expected and new vehicle efficiency measures have started to weigh on transport fuels. The outbreak of the COVID-19 has added a major level of uncertainty to the oil market outlook. In 2020, global oil demand is expected to contract for the first time since the global recession of 2009. The situation remains very fluid, however, making it extremely difficult to assess the full impact of the virus. As per IEA, global oil demand is forecast to grow by 5.7 million barrels per day over the 2019-2025 period, with China and India accounting for about half of growth, at an average annual rate of 0.95 million barrels per day. This is a sharp one-third reduction on the 1.5 million barrels per day annual rate seen in the previous 10-year period. Following a difficult start in 2020 (-0.9 million barrels per day) due to the coronavirus, growth is to rebound to 2.1 million barrels per day in 2021 and decelerate to 0.8 million barrels per day by 2025 as transport fuels demand growth stagnates.

IEA has cut its 2020 base case global oil demand forecast by 1.1 million barrels per day. For the first time since 2009, demand is expected to fall year-on-year, by 0.9 million barrels per day. The lower global oil demand growth forecasts for 2020 reflects a reduced assumption for global economic growth along with reduced expected travel globally because of the 2019-2020 novel coronavirus pandemic (COVID-19). In Q1 2020, the visible decline in transport, industrial and commercial activity points to a massive drop in global oil demand of 2.5 million barrels per day compared with the first quarter of last year. This includes an estimated annual decline of 4.2 million barrels per day in February, of which 3.6 million barrels per day was in China. In the second half of the year, demand is expected to pick up, growing by 1.1 million barrels per day compared with the second half of 2019. In a pessimistic low case, global oil demand could decline by 730,000 barrels per day in 2020.

Figure: Global oil demand by region (million barrels per day)



Source: IEA Oil 2020 - Analysis and forecast to 2025, March 2020 report

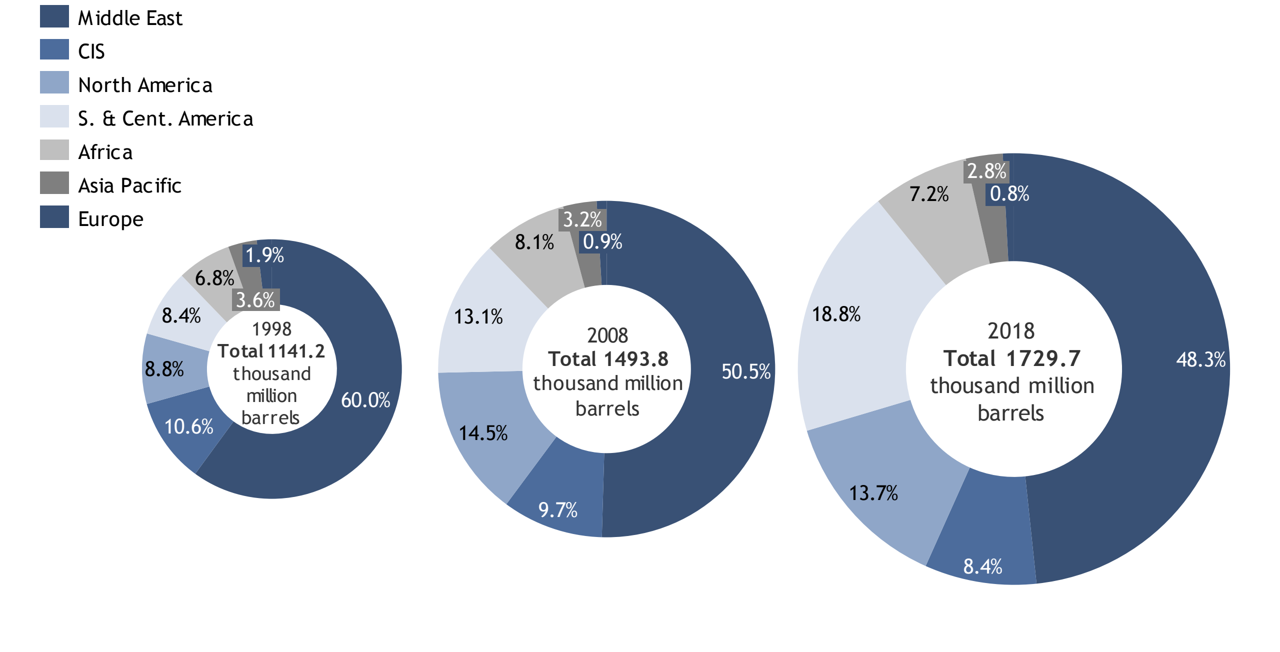
Oil supply:

Production losses from Iran, Libya and Venezuela have reached a combined 3.5 million barrels per day since the start of 2018. Even before the coronavirus, markets had been over-supplied, leading OPEC+ producers to cut output. IEA believes that beyond the short term, the oil market looks comfortably supplied through 2025. IEA forecasts that between 2019 and 2025, the world's oil production capacity is expected to rise by 5.9 million barrels per day. Non-OPEC supply will rise by 4.5 million barrels per day while OPEC builds another 1.4 million barrels per day of crude and natural gas liquids capacity. This assumes that there is no change to sanctions on Iran or Venezuela.

EIA forecasts OPEC crude oil production will average 29.2 million barrels per day from April through December 2020, up from an average of 28.7 million barrels per day in the first quarter of 2020. OPEC crude oil production is expected to rise to an average of 29.4 million barrels per day in 2021. Crude oil production in Libya has declined by 1.0 million million barrels per day of since December 2019, and EIA estimates February production in Libya averaged 150,000 barrels per day.

Worldwide proven oil reserves stood at an estimated 1,730 billion barrels at the end of 2018, up 2 billion barrels from 2017, sufficient to meet some 50 years of global production at 2018 production levels. The members of OPEC together held 71.8% of total global reserves in 2018. OPEC includes the largest Middle East oil producers, namely Iran, Iraq, Kuwait, Saudi Arabia, Qatar and the UAE, in addition to Algeria, Angola, Congo, Equatorial Guinea, Libya, Nigeria, Gabon, Ecuador, and Venezuela. OPEC has historically played the role of swing producer in the global oil market and its decisions have had considerable influence on oil supply availability and thus international oil prices.

Figure: Distribution of proved reserves in 1998, 2008 and 2018



Source: BP Statistical Review of World Energy June 2019

4.3 The oil price

Oil prices have historically been at levels substantially below current levels, looking at both nominal and real level (see figure below). The prices reached an initial peak in the early 1980s, before slowed economic activity led to a substantial fall with a period of stabilisation thereafter. 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 however does not include the shale oil producers in the United States. The most recent decision by OPEC, Russia and other producers in January 2019 was to cut output by 1.2 million barrels per day for the next six months. In December 2019, the OPEC Reference Basket (ORB) rose by $3.54, or 5.6%, month-on-month (m-o-m), to average $66.48/b, the highest value since April 2019. Similarly, ICE Brent increased by $2.46, or 3.9%, m-o-m to average $65.17/b, while NYMEX WTI increased by $2.73, or 4.8%, m-o-m to average $59.80/b.

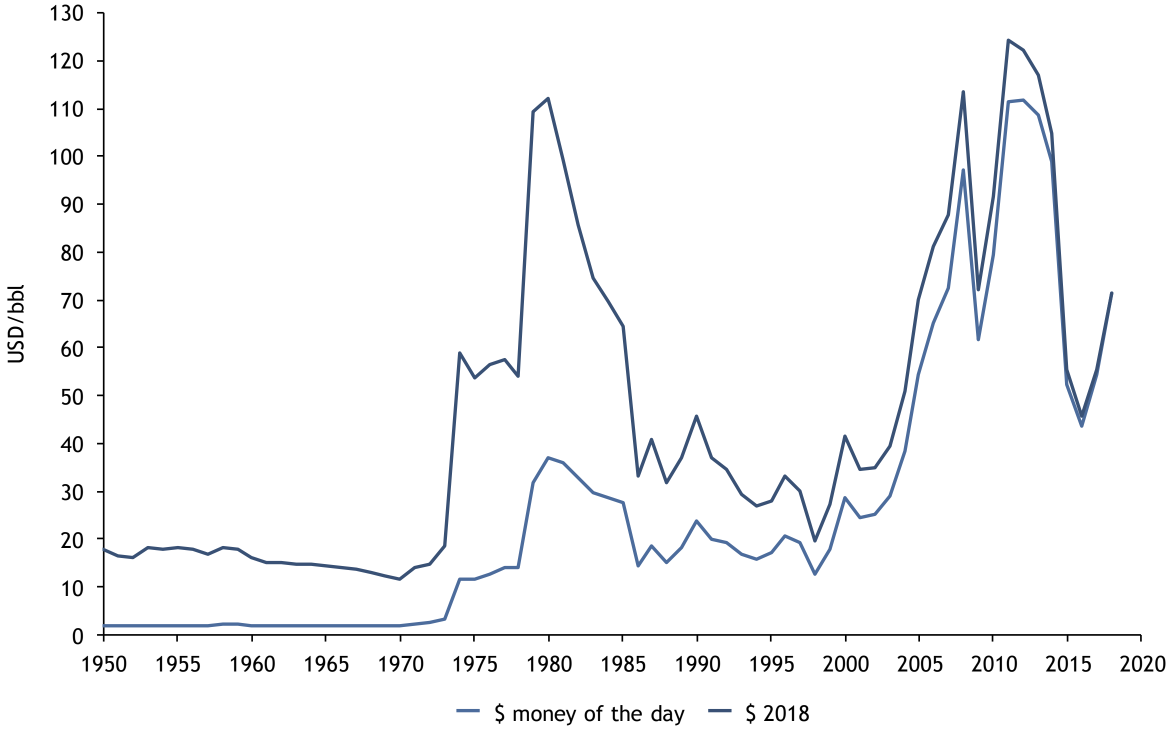
Currently, both the coronavirus pandemic and the Russia / Saudi Arabia price war have sent oil prices plummeting since March starting. The Brent crude fell c.50% over the month of March to close at $25.94/b. On 8 March 2020, Saudi Arabia initiated a price war with Russia, triggering a major fall in the price of oil, with US oil prices falling by 34% the next day, crude oil falling by 26%, and Brent oil falling below $35/b, a 24% daily decline and the second largest daily price decline on record.

Brent crude averaged $64/b in 2019, while the average was down to $55.6/b in Feb 2020 and $33.5 in March 2020. EIA forecasts Brent crude oil prices will average $43/b in 2020, averaging $37/b during the second quarter and then rising to

$42/b during the second half of the year. As per EIA forecasts, average Brent prices will rise to an average of $55/b in 2021, as declining global oil inventories put upward pressure on prices.

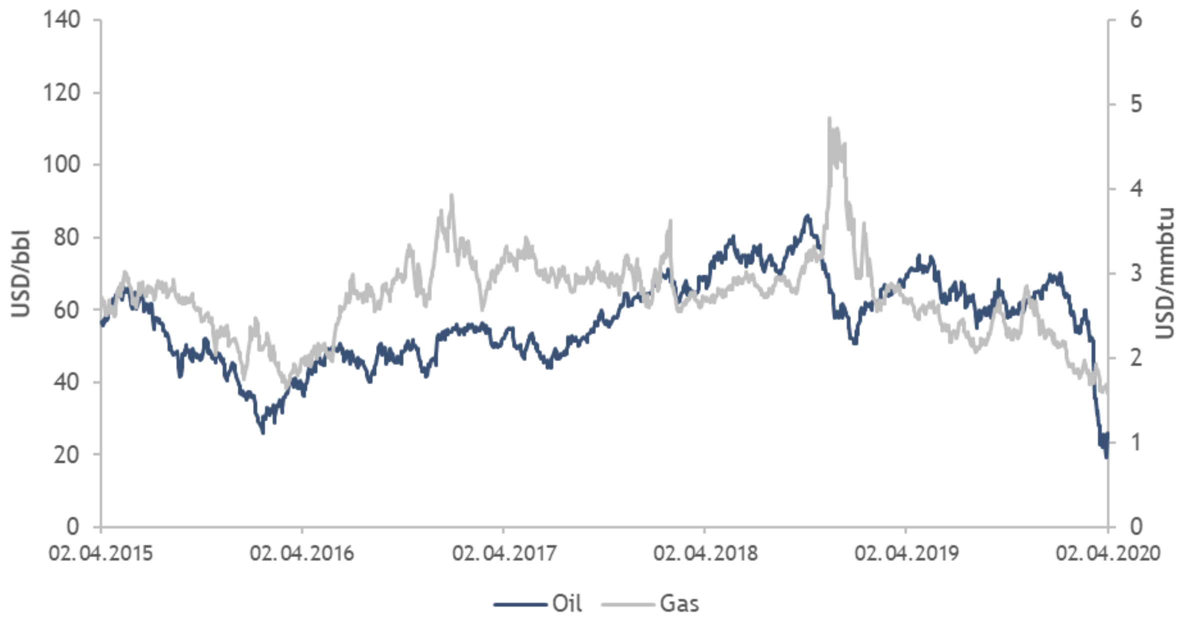
As evidenced by the decline in prices from record levels, the oil price is highly dependent on the current and expected future supply and demand of oil, and is as such influenced by global macroeconomic conditions and may experience material fluctuations on the basis of economic indicators, material 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 2019

Figure: Brent oil price and NYMEX gas price, daily from April 2015 to April 2020

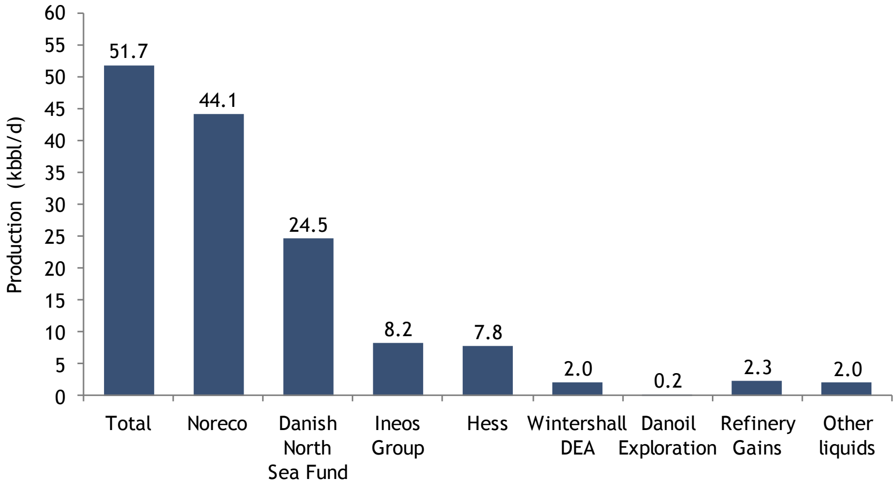


Source: Factset

4.4 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 2019 amounted to 5.9 million m^3, a decline of 11.6% compared to 2018. Natural gas production was 3.05 billion Nm^3, of which 81% was exported ashore as sales gas. As of 1 January 2019, DEA estimates oil reserves on the DCS to 128 million m^3 and sales reserves of sales gas to 70 billion Nm^3

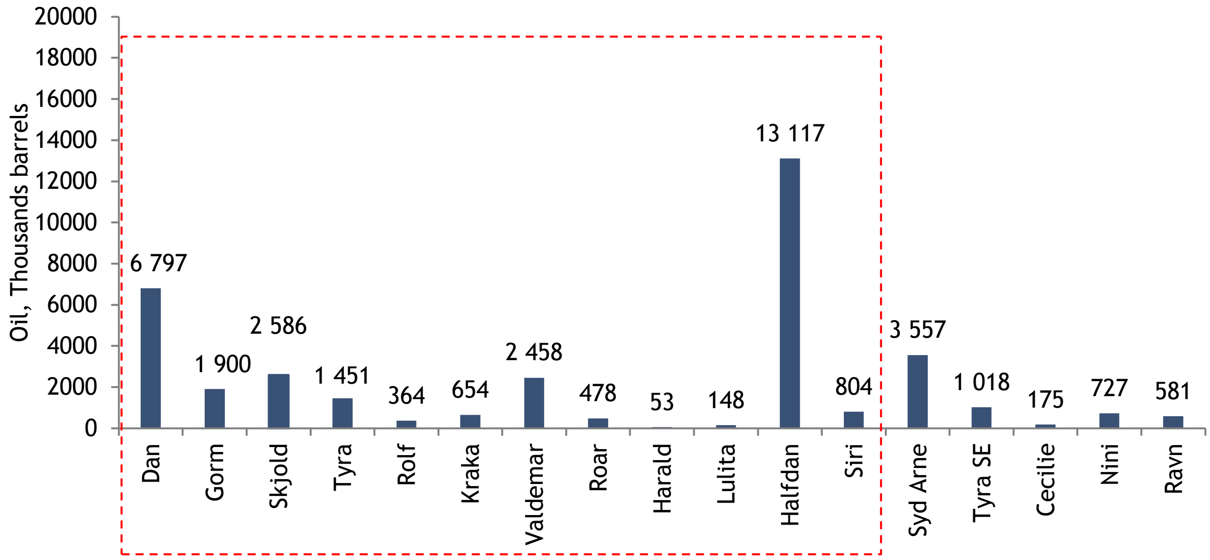
Figure: Production in 2019

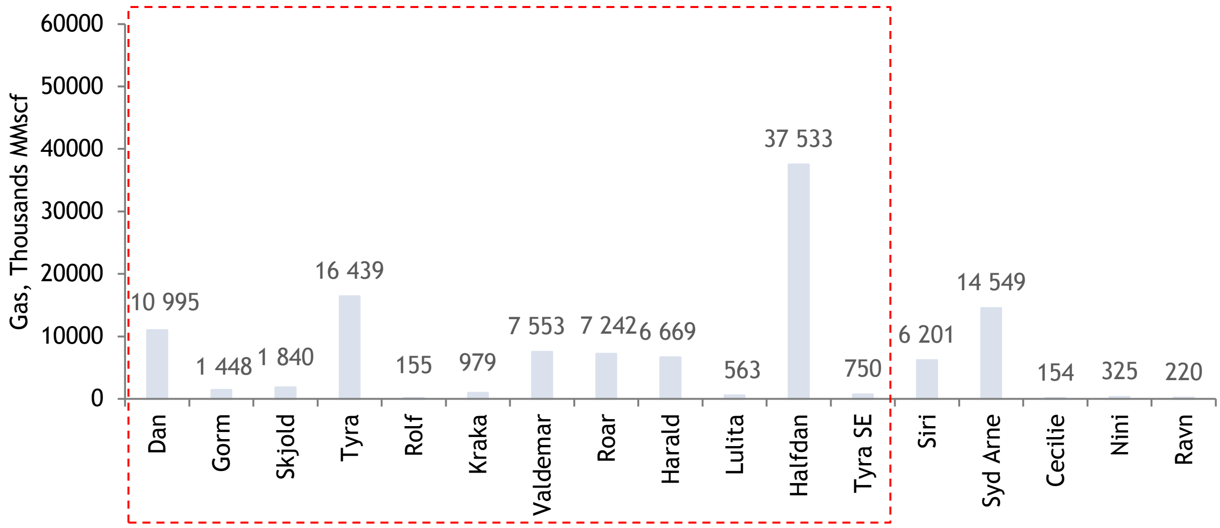


Source: Rystad UCube browser as of 20 January 2020

The Danish Continental Shelf is characterized by 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. 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). DUC is a joint operation 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.

Figure: Danish Production of oil and gas in 2019





DUC fields

Source: Danish Energy Agency, "Monthly Production - Dec 2019"
Note: Dagmar, Regnar and Svend fields did not have any production of Oil or Gas in 2019, 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 two main platforms groups, Halfdan A and Halfdan B in addition to an unmanned wellhead platform, Halfdan CA.

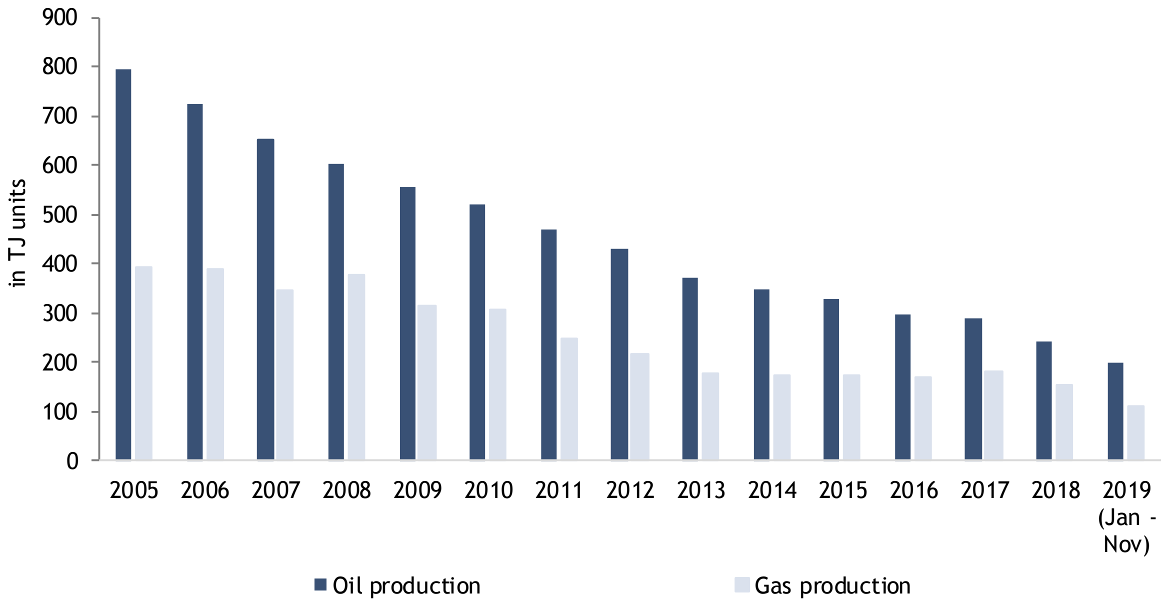
The Tyra field installations comprise three platform complexes, Tyra West, Tyra East and Tyra South East and is the processing centre for all gas produced by DUC. Reservoir compaction has resulted in decreased air gap and the requirement for a full redevelopment of the Tyra field installations The DUC 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.

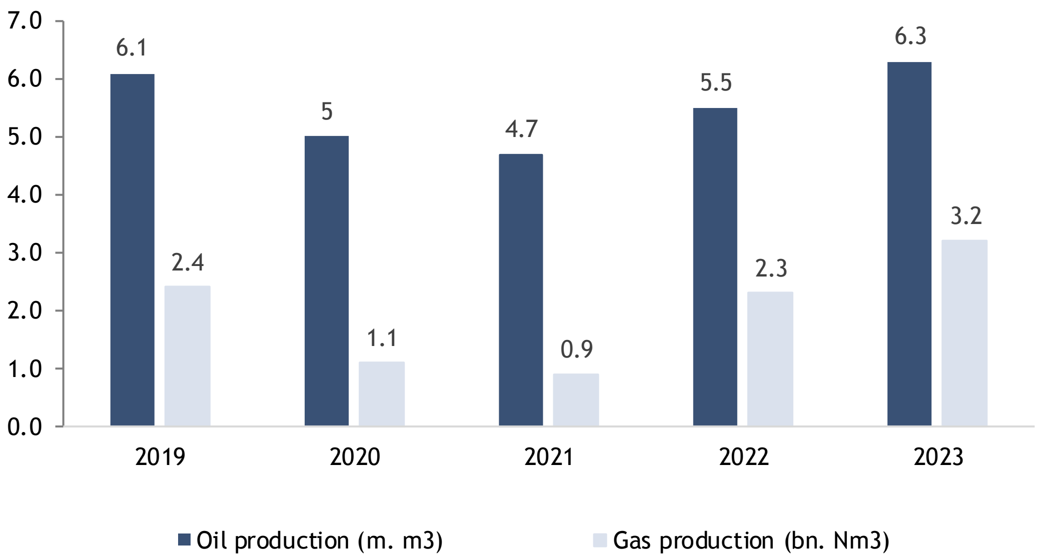
Figure: Development of oil and gas production on the DCS



Source: Danish Energy Agency

Production is expected to decline driven by the expectations of a smaller production in some of the larger fields. For 2019, DEA had forecasted a production of total 6.1 million m3 of oil, equal to about 105,000 barrels of oil per day, and 2.4 billion Nm3 of sales gas, equal to a combined total of about 44,000 barrels of oil equivalents per day. However, actual production in 2018 was 6.6 million m^3 of oil and 4.0 billion Nm^3 of sales gas. In the period 2019 - 2023 an increase in production is estimated, by an average of 6%, due to a reassessment of gas production in some of the larger fields.

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



Source: Danish Energy Agency, " Resource Assessment and Production Forecasts – January 2019"

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 closed for applications on 1 February 2019. DEA announced it has received five applications for concessions from four companies including Total E&P Danmark, Lundin Norway, Mol Dania and Ardent Oil and new concessions are expected to be awarded in the summer of 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. On 22 February 2018 the Danish Government closed for oil and gas exploration on land and in inner Danish waters, however, the Open Door procedure is consequently expected to be maintained only in 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.

4.5 Regulatory framework for oil and gas activities on the Danish Continental Shelf

4.5.1 Key legislation and authorities

The exploration for and production of hydrocarbons from the Danish Continental Shelf is regulated by extensive legislation and other rules and regulations issued by both the EU and Denmark. Below is a non-exhaustive overview of the most important legislation for the Danish Continental Shelf in effect as of the date of issuance of this Prospectus.

The Danish Subsoil Act ("Undergrundsloven", consolidated Act No. 1533 dated 16 December 2019) is the framework regulation of the exploration and production of hydrocarbons, from the Danish subsoil, and is an implementation of the EU Directive 94/22/EC on the Conditions for Granting Authorizations for the Investigation, Exploration and Production of Hydrocarbons.

The Danish Offshore Safety Act ("Offshoresikkerhedsloven", consolidated Act. No. 125 dated 6 February 2018) is the framework regulation with the purpose to ensure safety of offshore installations, the working environment on the installations and other health conditions and is an implementation of the EU Directive 13/30/EU on safety of offshore oil and gas operations.

The Danish Continental Shelf Act ("Kontinentalsokkelloven", consolidated Act No. 1189 dated 21 September 2018) sets the legal framework for the regulation of and requirement for necessary approvals and licences for the establishment and operation of offshore facilities for the production of oil and gas and related infrastructure (offshore activities) and is also an implementation of various EU Directives.

The Danish Pipeline Act, ("Rørledningsloven" consolidated Act no. 807 13 August 2019) has been implemented to improve the recovery of crude oil and condensate in the fields in the Danish part of the North Sea and to reduce the environmental impact of transportation and landing. Under the DPA, the owner of the pipeline, currently Danish Oil Pipe A/S (a subsidiary of Ørsted A/S), operates the pipeline on the Danish continental shelf from the Gorm field to Fredericia as well as separation facilities. Any party recovering liquid hydrocarbons in the Danish part of the North Sea is obliged to connect the field facility to the pipeline and use it to transport the crude oil and condensate intended for refining or marketing in Denmark.

The DEA is the regulatory body appointed by the Danish Ministry of Energy, Utilities and Climate to regulate all matters relating to the award of licences and supervision of the exploration and production of oil and gas in Denmark.

The Danish Working Environment Authority (in Danish "Arbejdstilsynet") is appointed by the Ministry of Employment to supervise the health and safety aspects of the offshore installations on the Danish Continental Shelf.

The Danish Ministry of Environment and Food has the overall responsibility for environmental matters in Denmark. The administration at state level is managed by two agencies of the Ministry, the Danish Environmental Protection Agency and the Danish Nature Agency. At the regional and local levels, much of the administrative responsibility has been delegated to the municipalities.

4.5.2 Licensing

Through the Danish Subsoil Act the Danish Minister of Energy is authorized to grant non-exclusive licences for preliminary investigation and exclusive licences for exploration and production within a defined geographic area for a set period of time and under specific conditions relating to the efficient use of resources.

The Sole Concession was granted in 1962 well before the current regulation and licensing rules were introduced. Under the current rules licences are granted either in a licensing round or outside such rounds as “open door” or as “neighbouring blocks” licences, which both are less stringent procedures. All procedures are further described below.

Since the introduction of the licensing system seven licensing rounds have been completed. All licences granted after the introduction of the licensing system are based on standard terms and conditions with respect to the exploration and production of hydrocarbons. Such terms will also apply for licences awarded under the pending 8th round and are likely to apply to future rounds as well. The standard terms and conditions include rules and obligations intended to ensure that the exploration activities take place in an effective manner ensuring high health, safety and environmental standards. The model terms also set out certain financial terms, abandonment obligations, state participation etc. Further the internal relationship between the licencees must be regulated in a JOA, for which the DEA has also issued a model agreement. In 2012, the DUC JOA was adjusted to the terms of the standard JOA in connection with Nordsøfonden becoming a partner to the DUC. Another usual requirement under licences awarded under the current licensing system is that each licensee has to issue security for the performance of its obligations to the DEA (normally as a parent company guarantee from the ultimate parent company). As the DUC partners are not concessionaires under the Sole Concession, such requirement is not applicable to the DUC partners under the Sole Concession.

The licences are granted on the basis of the applicants’ technical competencies and financial capacities, the ability to carry out activities in a manner as to ensure that society gains maximum insight into and benefit from the activities and the working obligations offered by an applicant, see Chapter 7a of the Danish Subsoil Act. Such competencies and capacities also have to be documented before the DEA will provide the necessary approval of any assignment of participating interest in a licence.

The initial licence term for an exploration licence for hydrocarbons is up to six years and may be further extended by up to 10 years, or longer in exceptional cases. If commercially exploitable hydrocarbon resources are discovered the licensee has a statutory right to have the licence extended for a period of up to 30 years, subject to production being initiated within a set time limit. Again, the licence period may be extended but generally cannot exceed 50 years in total.

4.5.3 State participation by the Kingdom of Denmark

Nordsøfonden is a Danish state owned fund established by law in 2005. Its role is to take part in all hydrocarbon licences on behalf of the state and since 2012 Nordsøfonden is also a DUC partner holding 20% participating interest in the DUC on behalf of the Danish State.

4.5.4 Environmental and Safety regulation

The business of the Group, including the Danish business acquired through the Transaction, is subject to extensive risks from an environmental and safety perspective. Below is a non-exhaustive summary of the main environmental and safety regulation.

4.5.5 Environmental

All phases of the oil business present environmental risks and hazards and are subject to strict environmental regulation pursuant to a variety of international conventions and state and municipal laws and regulations. All activities are subject to the receipt of necessary approvals or licences.

The Danish Subsoil Act and the Danish Continental Shelf Act impose strict liability for all damage, including environmental damage, caused by the activities conducted pursuant to a licence, including spills, releases or emissions of various substances produced in association with hydrocarbon operations.

Pursuant to the Danish Environmental Marine Protection Act (“Havmiljøbeskyttelsesloven”, consolidated Act no. 1165 of 25 November 2019) it is generally prohibited to discharge any substance into the sea, although in certain cases a permit allowing discharge of substances originating from exploration and/or production of natural resources may be granted.

The Environmental Impact Assessment Act and the Statutory Order on Offshore Impact Assessment concerns environmental impact assessments, appropriate assessments regarding international nature conservation areas and protection of certain species in Danish territorial waters, in the Danish exclusive economic zone and on the Danish continental shelf. Certain projects related to the DSA, CSA and DPA (e.g., the production of oil) may only be initiated after an environmental impact assessment and certain other impact assessments have been carried out.

The Company’s portfolio includes both production and exploration licences, including concession. In all licences or concessions the Company’s subsidiaries act as non-operating party, and as such the primary responsibility for the environmental management of the activities within the licence areas rests with the designated operator (currently Total in all licences and concessions). However, as Company holds joint and shared liability in connection with any environmental damage from activities undertaken in each licence, it is in the Company's best interest from a risk management perspective to ensure that the operator will follow environmental regulations.

The exploration, production and transportation of hydrocarbons entails significant environmental risks and the Company may become liable for any pollution pursuant to the abovementioned risks. See also section 1.

4.5.6 Safety

The Danish Offshore Safety Act is the legal framework for promotion of a high level for health and safety offshore and for creating a framework enabling the companies to solve offshore health and safety issues themselves.

The Danish Offshore Safety Act generally applies to all offshore activities related to hydrocarbon facilities, infrastructure and pipelines connected hereto.

Licensees under the Danish Subsoil Act are required to identify, assess and reduce health and safety risks as much as reasonably practicable, see Section 5 of the Danish Offshore Safety Act, which is known as the obligation to comply with the ALARP (As Low As Reasonably Practicable) principle. Furthermore, the licensee shall ensure that operators are able to fulfil the safety and health obligations pursuant to the Danish Offshore Safety Act.

The Danish Working Environment Authority shall be notified by the operator of any contemplated constructions or significant changes to facilities covered by the Danish Offshore Safety Act and the Danish Working Environment Authority shall approve such constructions or significant changes before the facilities are commissioned for operation. Before the facilities are commissioned for operation the operator shall also prepare and submit to the Danish Working Environment Authority a safety and health report covering i.e. identification of risks related to the hydrocarbon facilities, an assessment of such risks, and how they have been reduced as much as reasonably practicable.

Under the Statutory Order on Safety Zones and Zones for the Observance of Order and the Prevention of Danger, fixed installations, drilling rigs, drilling ships, etc., used for or in connection with exploration or extraction of raw materials on the Danish continental shelf must be surrounded by a safety zone.

4.5.7 Abandonment

At the end of the lifetime of every licence the Minister of Energy is entitled to choose between exercising the right under the licence to take over the facilities in whole or in part, free of charge or ordering the licensee to abandon and decommission all existing facilities. Pursuant to the Danish Subsoil Act a licensee who assigns its interest in a licence remains secondary liable towards the Danish State for any economic abandonment obligations for facilities which existed at the time of the transfer.

Abandonment is the last act to be performed under the licence and the JOA. Under the Sole Concession the Concessionaire is liable for these obligations towards the State in other licences all licensees are liable towards the State. Under all existing JOAs the partners have agreed to be liable towards each other for each partner's participating interest share of the abandonment obligations.

It is common for partners to enter into agreements setting forth regulation of when and how to provide securities for abandonment obligations in order to avoid one or more. For the Lulita Unit this is regulated in the Unitization Agreement and for the Sole Concession in the JOA.

5. FINANCIAL INFORMATION CONCERNING THE GROUP'S ASSETS AND LIABILITIES, FINANCIAL POSITION AND PROFITS AND LOSSES

This section should be read together with the annual accounts and interim reports of the Issuer which are incorporated by reference to this Prospectus.

5.1 Introduction

The Issuer prepares its annual consolidated financial statements in accordance with IFRS and its interim reports in accordance with IAS 34. The audited consolidated financial statements of the Issuer for the years ended 31 December 2019 and 31 December 2018, and the unaudited financial statements for the first quarter of 2020, are attached to this Prospectus.

5.2 Legal and Arbitration Proceedings

The Siri Insurance Case:

In August 2009 cracks were discovered in the structure of the Siri platform 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 litigation 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, considered that 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 thus became final.

Other:

In the ordinary cause of tax audits, Noreco has been asked to provide further documentation on the Danish 2015-2018 tax returns, which has been provided. The tax audit is not expected to lead to significant changes to the tax returns filed.

Other than mentioned above, the Company is at the date of this Prospectus 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.

5.3 Recent Developments

The current outbreak of 2019 coronavirus (COVID-19) has resulted in a global pandemic and severely impacted the daily lives of people as well as affected companies and markets globally. At present, Norway, Denmark and the rest of the world are facing an adverse financial and economic downturn that may lead to recession.

The last months, and especially since March 2020, the oil price has dropped adversely at worst below USD 20. Such drop, also in conjunction with the COVID-19 outbreak, has caused adverse effects to the oil and gas business at large.

The situation is still evolving, creating an extraordinary degree of uncertainty over what the full global impact of the virus will be, including the direct impact of the Group's operations and financial results. The duration of the low oil price and weakened demand is difficult to predict at this point in time, and as such the long-term potential impact of the Group remains uncertain.

To mitigate risk related to commodity prices, Noreco has substantial hedging arrangements in place through a combination of forward contracts and options, lowering the Group's exposure to oil price fluctuations. Noreco has a rolling hedge requirement based on a minimum level of production related to the RBL Facility. Noreco also has a minimum volume agreement with Shell until the end of 2020 that provides a monthly liquid production guarantee. See the risk mitigation section of the Directors Report in the 2019 annual report for further information about the Company's arrangements for minimum production, oil price and hedging activities. As a result of the liquid volume protection agreement and hedging arrangements, the Group is expected to be more limited affected by reduced oil prices in the near term.

See also section 5.4 "Trend Information" for further description of trends and section 1 "Risk Factors" for further description of risk related to the Company and its business.

Other than the developments mentioned above, there has been no significant change in the Group's financial and trading position since the end of the last financial period for which audited financial information has been published.

5.4 Trend Information

Noreco has, separate from the DUC interest acquired on 31 July 2019, a 10% working interest in the Lulita Unit operating the Lulita oil and gas field. The Group had total production from the Lulita Field of approx. 234 thousand boe in 2018, production suffered from a shut-down for nearly four and a half months during first half of 2018 due to compressor issues at Tyra. Reserves and production increased significantly in 2019 following the acquisition of the DUC interest, Noreco had total production of 5.46 million boe (35.7 mboepd) for the 5-month period from August to the end of the year. In September 2019, the Tyra Hub was shut-in as part of the Tyra Redevelopment project, which was reflected in the fourth quarter 2019 financials and performance. Noreco produced 31.9 thousand boe in the first quarter of 2020 and expects production between 27 and 29 thousand boe for the second quarter of 2020.

Total revenue for 2019 was USD 333 million, up from USD 2 million in 2018 primarily attributable to the acquired DUC interest. Sales prices has decreased compared to previous year, however Noreco has entered into various liquids hedging arrangements at price levels for 2020 above current market prices. Noreco reported total revenue of USD 148 million (unaudited) for the first quarter of 2020. Total production expenses, USD 171 million for 2019 and USD (0) million for 2018, has increased compared to previous years as a result of increased production from the acquired DUC interest. In the fourth quarter of 2019, Noreco recognized USD 22 million of exceptional production expenses related to stock scrapping and organizational optimization carried out by Total (as the operator of DUC). For the first quarter of 2020, Noreco reported total production expenses of USD 60 million.

During 2019, Noreco had an income tax benefit of USD 400 million, mainly related to recognition of a deferred tax asset in Denmark following acquisition of the DUC interest, in addition a net impairment of USD 266 million related to goodwill was recognized. For the first quarter of 2020, Noreco reported an income tax expense of USD 34 million, mainly related to changes in deferred taxes.

Investments are expected to increase compared to previous years following the acquisition of the DUC interest, mainly related to DUC assets and the Tyra Redevelopment project of which Noreco has certain capital commitments. Noreco had investments in oil and gas assets not related to the acquisition of SOGU of USD 86 million for the 5-month period ending on 31 December 2019, compared to zero for the entire 2018. In the same period in 2019, Noreco had USD 34 million of abandonment spend compared to zero for the entire 2018, mainly related to the Tyra Redevelopment project. Noreco has recognized USD 967 million of asset retirement obligations at the end of 2019 compared to USD 68 million at the end of 2018, mainly related to the DUC interest.

In December 2019, Noreco issued a senior unsecured bond of USD 175 million with a fixed interest. Since January 2020, the Company has carried out share buybacks of its own shares. Other than described above and in Section 5.3 "Recent Developments", the Company is not aware of any other 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.

6. THE BOARD OF DIRECTORS, EXECUTIVE MANAGEMENT AND SUPERVISORY BODIES

This Section contains information about the Board of Directors, Executive Management and Supervisory Bodies of the Issuer.

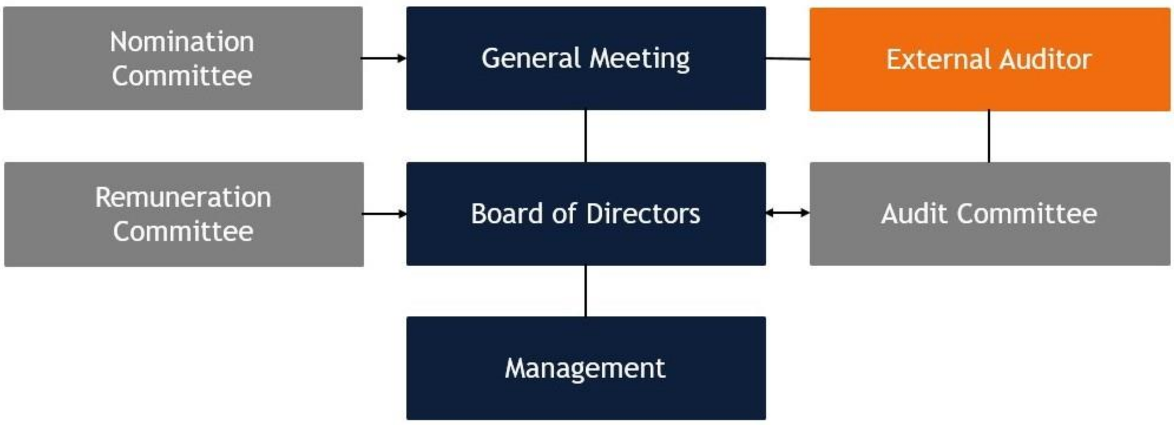
6.1 Overview

The board of directors is responsible for the overall management of the Company and may exercise all the powers of the Company. In accordance with Norwegian law, the board of directors is responsible for, among other things, supervising the general and day-to-day management of the Company's business; ensuring proper organisation, preparing plans and budgets for its activities; ensuring that the Company's activities, accounts and asset management are subject to adequate controls and to undertake investigations necessary to ensure compliance with its duties. The board of directors may delegate such matters as it deems fit to the executive management of the Company.

The Company's executive management is responsible for the day-to-day management of the Company's operations in accordance with instructions set out by the board of directors. Among other responsibilities, the Company's Managing Director is responsible for keeping the Company's accounts in accordance with existing Norwegian legislation and regulations and for managing the Company's assets in a responsible manner. In addition, at least once a month the Company's Managing Director must brief the board of directors about the Company's activities, financial position and operating results.

6.2 Governance Structure

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



6.3 The Issuer

Board of Directors

The Company's Articles of Association provide that the board of directors shall have between 3 and 8 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 Company's board of directors currently consists of the following members:

Name	Position	Served Since	Expiry of Term
Riulf Rustad	Chair	27 March 2015	AGM 2022
Lars Purlund	Member	26 May 2016	AGM 2022
Marianne Lie	Member	26 May 2016	AGM 2022
Tone Kristin Omsted	Member	26 May 2016	AGM 2022
Yves-Louis Darricarrère	Member	15 September 2019	AGM 2021
Colette Cohen	Member	15 September 2019	AGM 2021
Chris Bruijnzeels	Member	15 September 2019	AGM 2021
Robert J. McGuire	Member	2 March 2020	AGM 2022

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.

Set out below are brief biographies of the directors of the Company, along with disclosures about the companies and partnerships of which each director has been member of the administrative, management and supervisory bodies in the previous five years, not including directorships and executive management positions in the Company or any of its subsidiaries.

Riulf Rustad

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

Current other directorships and management positions	Directorships: Ousdal AS including subsidiaries (Chair), Offshore Holding AS (Chair), Cecon Contracting AS (Chair), Fara Holdco Limited (Chair). Management position(s): -
Previous directorships and management positions held during the last five years	Directorships: Opinion AS (Chair). Management position(s): -

Lars Purlund

Purlund is a Danish citizen residing in Denmark. He has extensive experience with corporate restructurings and leveraged finance and nearly 30 years of investment and portfolio management experience across Northern Europe, Asia and the US. Mr. Purlund was elected to the board by the shareholders after the restructuring.

Current other directorships and management positions	Directorships: Copenhagen Capital Management A/S (Director), VIP Holding A/S (Director), Oil Gas Denmark (Director). Management position(s): S&U Trading.
Previous directorships and management positions held during the last five years	Directorships: DOF ASA (Director), Monyx SICAV Luxembourg (Chair), AlphaCore Fonder AB (Director), Husejerforeningen af 1891. Management position(s): Sparinvest S.A. Luxembourg (Head of FI).

Marianne Lie

Lie is a consultant at Fajoma Consulting AS. She holds various board positions including Wallenius Wilhelmsen ASA and Treasure ASA. She has previously held various board positions including DNB ASA, R.S. Platou, Rainpower ASA and Fortum Corporation.

Current other directorships and management positions	Directorships: Fajoma Consulting AS (Chair), Arendals Fossekompani Pensjonskasse (Chair), GNP Energy AS (Director), Wallenius Wilhelmsen ASA (Director), Treasure ASA (Director), Incus Investor ASA (Director), Hermitage Offshore Services Ltd(Director).

	Management position(s): Fajoma Consulting AS, Forum for Miljøteknologi.
Previous directorships and management positions held during the last five years	Directorships: Det norske oljeselskap ASA (Director), Nao Norway AS (Chair), Cecon ASA (Director), Zoncolan AS (Director), Scandinavian Presence AS (Director), Rainpower AS (Director), ARD Group AS (Director), ISCO Group AS (Director), Arendal Fossekompani ASA (Director), Wilh. Wilhelmsen ASA (Director). Management position(s): -

Tone Kristin Omsted

Omsted holds a BA Hons. in Finance from University of Strathclyde. She has broad experience from corporate finance and capital markets and currently serves as head of investor relations at Entra ASA. Previous experience includes 14 years as an investment banking executive at SEB Enskilda. She has also served on the board of directors of Panoro Energy ASA.

Current other directorships and management positions	Directorships: - Management position(s): Entra ASA (Head of Investor Relations).
Previous directorships and management positions held during the last five years	Directorships: Panoro Energy ASA (Director). Management position(s): -

Yves-Louis Darricarrère

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

Current other directorships and management positions	Directorships: ORTEC (Director), CIS (Director), NHV (Chair). Management position(s): Lazard (Senior Advisor).
Previous directorships and management positions held during the last five years	Directorships: - Management position(s): Total S.A. (Head of Upstream).

Colette Cohen

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

Current other directorships and management positions	Directorships: - Management position(s): The Oil & Gas Technology Centre (CEO)
Previous directorships and management positions held during the last five years	Directorships: - Management position(s): Centrica Energy (SVP, E&P UK/NL)

Chris Bruijnzeels

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

Current other directorships and management positions	Directorships: ShaMaran Petroleum Corp. (Chair), International Petroleum Corp. (Director), LMC Netherlands Holdings B.V., LMC Brazil Holdings B.V. Management position(s): -
Previous directorships and management positions held during the last five years	Directorships: Amromco Holdings S.A. Management position(s): ShaMaran Petroleum Corp. (President & CEO), Lundin Petroleum (SVP Development).

Robert J. McGuire

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

Current other directorships and management positions	Directorships: Longwing Partners Ltd. Management position(s): MAEVA Group LLC., Longwing Partners Ltd.
Previous directorships and management positions held during the last five years	Directorships: Entouch Ltd., Wistla Ltd. Management position(s): DealGlobe Ltd.

Management

The Company's executive management consists of five individuals. The members of the Company's executive management and their holdings of Shares in the Company as of the date of this Prospectus are set out in the table below.

Name	Position	Employed From	Holdings
David B. Cook[5]	Chief Executive Officer	1 July 2020	
Atle Sonesen	Chief Operating Officer	1 November 2019	Owns 7,000 shares and 70,000 options to buy or subscribe for shares in Noreco
Euan Shirlaw	Chief Financial Officer	1 October 2019	Owns 42,000 options to buy or subscribe for shares in Noreco
Frederik Rustad	EVP, Corporate Finance & Investments	7 December 2015	Owns 5,500 shares and 56,000 options to buy or subscribe for shares in Noreco
Cathrine Torgersen	EVP, Investor Relations and Communications	1 January 2020	Owns 700 shares and 14,000 options to buy or subscribe for shares in Noreco

Set out below are brief biographies of the members of the executive management, along with disclosures about the companies and partnerships of which each member of the Executive Management has been member of the administrative, management and supervisory bodies in the previous five years, not including directorships and Executive Management positions in the Company or its subsidiaries.

David B. Cook

Mr. Cook will take on the position as Chief Executive Officer from 1 July 2020. Dave has a successful track record in executive roles in the oil & gas industry. Most recently David comes from the INEOS Oil & Gas Board where he was responsible for the strategic expansion of INEOS' oil and gas businesses within and outside its North Sea assets. Prior to INEOS, Mr. Cook was the CEO of the Danish upstream company DONG Oil and Gas for several years, leading that company through DONG's successful IPO and later the sale of DONG Oil & Gas to INEOS. In addition, Dave brings prior experience from various C-level positions in BP plc, TNK-BP and TAQA.

Current other directorships and management positions	Directorships: TransGlobe Energy Corporation (chair)
	Management position(s):-
Previous directorships and management positions held during the last five years	Directorships: -
	Management position(s): INEOS Oil & Gas Board (Head of Strategy), INEOS DeNoS (Chief Executive Officer), DONG Energy (Chief Executive Officer)

Atle Sonesen

Mr. Sonesen joined Noreco in 2019 and holds the position as Chief Operating Officer. Atle has more than 25 years of experience within the oil and gas industry and has held technical, commercial, and management positions across the service industry and with upstream operating companies. Mr. Sonesen was previously Managing Director of VNG Norge and he has in the past worked for companies like GDF Suez, Gas de France and Schlumberger.

Current other directorships and management positions	Directorships: Ace Oil Tools AS (Chair).

[5] Employment will commence on 1 July 2020.

	Management position(s):-
Previous directorships and management positions held during the last five years	Directorships: Øgreid AS (Director).
	Management position(s): VNG Norge AS (Managing Director).

Euan Shirlaw

Prior to joining Noreco, Euan was most recently a senior member of the Oil & Gas Investment Banking team at BMO Capital Markets, having previously also focused on the Energy space while working with Credit Suisse, RBC Capital Markets and Rothschild in London. During this period, Euan spent over 12 years advising a wide range of oil & gas clients on their acquisition, divestment and merger transactions as well as debt and equity capital raising activities.

Current other directorships and management positions	Directorships: -
	Management position(s): -
Previous directorships and management positions held during the last five years	Directorships: -
	Management position(s): -

Frederik Rustad

Mr. Rustad has been with Noreco since 2015 and holds the position as EVP, Corporate Finance & Investments. He has previously worked closely with management and development of the Company and has held various positions, including Managing Director. He holds an MSc in Business Finance from Queen Mary University of London and a Bachelor of Finance from BI Norwegian Business School.

Current other directorships and management positions	Directorships: Rhapsodie AS (Chair), Sonatina AS (Chair).
	Management position(s): -
Previous directorships and management positions held during the last five years	Directorships: -
	Management position(s): Ousdal Investments AS.

Cathrine Torgersen

Ms. Torgersen joined Noreco in 2019 and holds the position as EVP Investor Relations & Communications. She has seven years of IR- and communications experience from Gambit Hill+Knowlton Strategies as a Senior Account Director. Prior to joining Gambit Hill+Knowlton Strategies, Ms. Torgersen worked with institutional high yield sales at Pareto Securities Inc. in New York and RS Platou Markets.

Current other directorships and management positions	Directorships: -
	Management position(s):
Previous directorships and management positions held during the last five years	Directorships: -
	Management position(s): Gambit Hill+Knowlton Strategies AS (Director)

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.

Remuneration Committee

The Company has a Remuneration Committee which is comprised of the following members: Marianne Lie (chair) and Lars Purlund. The Remuneration Committee was established by the board of directors to ensure that the remuneration arrangements for senior executives of the Company are within the guidelines put forth by the board of directors; to ensure the remuneration package is competitive, reflect the responsibilities and effort required, reward success and not the opposite, and also ensure alignment of interest with shareholders.

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.

6.4 Disclosure of Conflicts of Interests

There is a family relationship between the Chair and Frederik Rustad who holds the position as EVP, Corporate Finance & Investments. Frederik Rustad is the son of Riulf Rustad. Other than this, there are, to the Company's knowledge, currently no other actual or potential conflicts of interest between the Company and members of the board of directors or executive management, including any family relationships between such persons as of the date of this Prospectus.

6.5 Corporate Governance

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

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

(ii) Options have been and/or are expected to be granted members of the board of directors in addition to management through the share option programme of the company, first implemented at a general meeting of 8 November 2018 with subsequent amendments.

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

7. INFORMATION ABOUT THE ISSUER

The following is a summary of certain corporate information and other information relating to the Issuer.

7.1 Incorporation; Registration Number; Registered Office and Other Company Information

The Issuer

Norwegian Energy Company ASA also commercially known as Noreco 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, and its legal entity identification ("LEI") number is 5967007LIEEXZXGE3C16. The Company was incorporated on 28 January 2005.

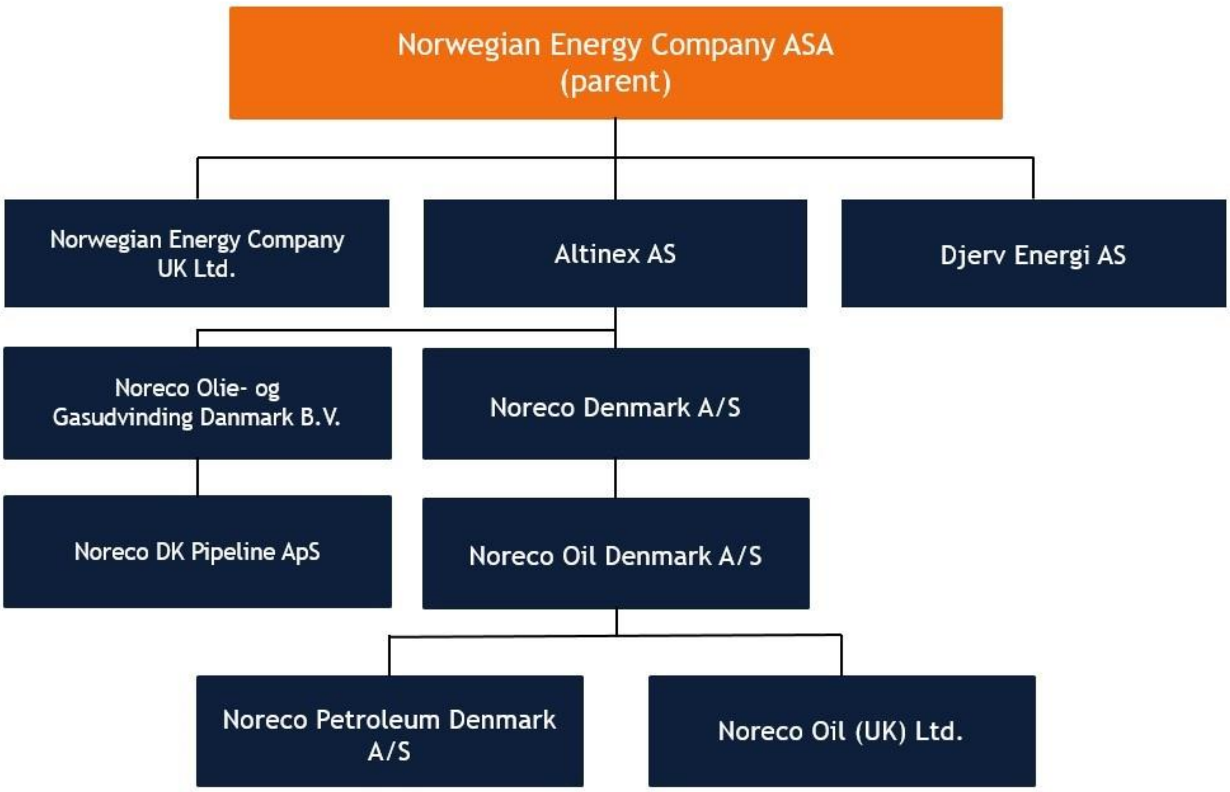
The Company has its head office and registered address at Nedre Vollgate 1, N-0158 Oslo, Norway, its telephone number is +47 22 33 60 00, and its website is www.noreco.com.

The Company has nine wholly owned (directly or indirectly) subsidiaries as of the date of this Prospectus: 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, Noreco Oil (UK), Noreco Olie- og Gasudvinding Danmark B.V. and Noreco DK Pipeline ApS.

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

7.2 Organisational Structure

The Company is the parent of the Group and is a holding company, the Company is as such dependent upon other entities within the Group to carry out its principal activity. The Group is structured in accordance with the diagram below:



The table below contains a list of the Company's subsidiaries as of the date of this Prospectus.

Fig.7.4.1: Subsidiaries

Company name	Country of incorporation and address	Percentage of shares and votes held by the Company (directly or indirectly)	Description of the company's role in the Group
Norwegian Energy Company UK Ltd.	UK	100%	The Company is engaged in exploration of hydrocarbons on the UKCS.
Altinex AS	Norway	100%	The company is a holding company with two wholly owned subsidiaries, Noreco Denmark A/S and Shell Olie- og Gasudvinding Danmark B.V.
Djerv Energi AS	Norway	100%	The company is a dormant company.
Noreco Denmark A/S	Denmark	100%	The company is a holding company with one wholly owned subsidiary, Noreco Oil Denmark A/S.
Noreco Oil Denmark A/S	Denmark	100%	The company participates in exploration and production of hydrocarbons on the DCS, and currently holds a 36,8% interest in the DUC and an additional interest in the Lulita field.
Noreco Petroleum Danmark A/S	Denmark	100%	The company participates in exploration and production of hydrocarbons on the DCS, and currently holds a 5% interest in the Lulita field.
Noreco Oil (UK) ltd.	UK	100%	The company is engaged in exploration and production of hydrocarbons on the UKCS, until 2016 the company was a partner in the Huntington field.
Noreco Olie- og Gasudvinding Danmark B.V.	The Netherlands	100%	Previously Shell Olie- og Gasudvinding Danmark B.V. The company participates in exploration and production of hydrocarbons on the DCS, and currently holds an interest in the 8/06 B licence.
Noreco DK Pipeline ApS	Denmark	100%	Previously Shell Olie- og Gasudvinding Danmark Pipelines ApS. The company provides pipeline transportation capacity to the Danish gas producers.

7.3 Share Capital and Share Classes

The Issuer

As of the date hereof, the Company´s share capital is NOK 245 490 143.14866814 divided into 24,549,013 Shares, each with a par value of NOK 10.00000053560883. 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. The Company owned as of 4 June 2020 393,017 of its own shares.

7.4 Major Shareholders

As per each of the shareholder's major shareholding notifications published on the Company's ticker "NOR" at www.newsweb.no, and insofar as known to the Company, the following persons had, directly or indirectly through affiliated funds, 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 held	Holding (%)	Holding incl convertible bond rights
Taconic Capital Advisors UK LLP [6]	7,640,022	31.12%	33.35%
Kite Lake Capital Management (UK) LLP [7]......................	5,409,344	23.75%	28.44%
CQS (UK) LLP [8]...	4,359,294	19.14%	21.16%
Caius Capital LLP[9]	1,604,562	7.04%	
York Capital Management Europe (UK) Advisors LLP [10]	825,874	3.63%	11.43%

The issuer's major shareholders mentioned above do not have different voting rights.

None of the above mentioned shareholders are by the Company deemed to have control over the Company, directly or indirectly, on the basis that shareholdings are not exceeding 1/3 of the votes in the Company, which is the threshold for generally having negative control over a company under Norwegian law.

The Company has not implemented any specific measurements in order to prevent the abuse of any control. The Company is neither aware of any arrangements that may result in, prevent or restrict a change of control of the Company.

7.5 Articles of Association

Objective of the Issuer

Pursuant to Section 3 of the Articles of Association, the Company's objectives are direct and indirect ownership and participation in companies and enterprises within exploration, production, and sale related to oil and gas, and other activities related hereto.

[6] As per major shareholding notification published 31 January 2020, includes fund affiliated with, managed or advised by.

[7] As per major shareholding notification published on 26 July 2019, based on number of shares after completion of the Private Placement, but prior to conversion of all the convertible bonds are issuance of shares in the subsequent offering carried out in 2019. Includes fund affiliated with, managed or advised by.

[8] As per major shareholding notification published on 26 July 2019, based on number of shares after completion of the Private Placement, but prior to conversion of all the convertible bonds are issuance of shares in the subsequent offering carried out in 2019. Includes fund affiliated with, managed or advised by.

[9] As per major shareholding notification published 12 August 2019, based on number of shares after completion of the Private Placement, but prior to conversion of all the convertible bonds and issuance of shares in the subsequent offering carried out in 2019. Includes fund affiliated with, managed or advised by.

[10] As per major shareholding notification published on 26 July 2019, based on number of shares after completion of the Private Placement, but prior to conversion of all the convertible bonds are issuance of shares in the subsequent offering carried out in 2019. Includes fund affiliated with, managed or advised by.

8. INCORPORATION BY REFERENCE; DOCUMENTS ON DISPLAY

The Norwegian Securities Trading Act and the Norwegian Securities Trading Regulations, implementing the EU Prospectus Regulation regarding incorporation by reference and publication of such prospectuses and dissemination of advertisements, allow the Issuer to incorporate by reference information into this Prospectus that has been previously filed with the Oslo Stock Exchange or the Norwegian Financial Supervisory Authority in other documents. The Issuer's consolidated financial statements as of and for the years ended 31 December 2018 and 2019 and the audit reports in respect of these financial statements, and the interim report for the first quarter of 2020, and the annual statement of reserves for 2020, are by this reference incorporated as a part of this Prospectus. Accordingly, this Prospectus is to be read in conjunction with these documents.

Cross Reference Table

The information incorporated by reference in this Prospectus 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 EU Prospectus Regulation by reference to such Annex (and Item therein) of the Commission Delegated Regulation (EU) 2019/980.

Minimum Disclosure Requirement for Registration Documents (Annex 6)		Reference Document	Page of Reference Document
Item 11.1	Audited historical financial information	Issuer's Annual Report 2019:	
		https://www.noreco.com/reports-presentations	48-118
		Issuer's Annual Report 2018:	
		https://www.noreco.com/reports-presentations?year=2018	18-85
Item 11.2	Interim financial information	Issuer's Q1 Report 2020:	
		https://www.noreco.com/reports-presentations	2-13
		Issuer's Q1 Report 2019:	
		https://www.noreco.com/reports-presentations	6-9
Item 11.3	Audit reports	Issuer's Audit Report 2019:	
		https://www.noreco.com/reports-presentations	119-124
		Issuer's Audit Report 2018:	
		https://www.noreco.com/reports-presentations	86-89
Annual Statement of Reserves			
	Annual Statement of Reserves 2020	https://www.noreco.com/uploads/documents/Annual-Statement-of-Reserves-2020.pdf	3-10

Documents on Display

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

- The Articles of Association and Memorandum of Incorporation of the Issuer.
- All reports, letters, and other documents, historical financial information, valuations and statements prepared by any expert at the Issuer's request any part of which is included or referred to in the Registration Document.
- Historical financial information of the Issuer and the subsidiaries of the Issuer, as of and for the years ended 31 December 2019 and 31 December 2018, as well as the interim report for the first quarter of 2020.

9. ADDITIONAL INFORMATION

9.1 Independent Auditors

The Company's independent auditor is KPMG AS, which has its registered address at Sørkedalsveien 6, 0369 Oslo, Norway. The parent and consolidated financial statements of Norwegian Energy Company ASA as of year-end 31 December 2019 and 2018 included in this Prospectus, have been audited by KPMG AS, independent auditors, as stated in their reports incorporated by reference herein.

9.2 Legal Advisors

Advokatfirmaet BAHR AS is acting as legal adviser to the Issuer in connection with the Listing.

9.3 The approval of this Prospectus by the Norwegian Financial Supervisory Authority

This Registration Document has been approved by the Norwegian FSA, as the competent authority under Regulation (EU) 2017/1129. The Norwegian FSA only approves this Registration Document as meeting the standards of completeness, comprehensibility and consistency imposed by Regulation (EU) 2017/1129, and such approval should not be considered as an endorsement of the issuer or the quality of the securities that are the subject of this Registration Document. Investors should make their own assessment as to the suitability of investing in the securities.

The Norwegian FSA as competent authority under the EU Prospectus Regulation has reviewed the Registration Document. The Norwegian FSA approved the Registration Document on 5 June 2020, but has not verified or approved the accuracy or completeness of the information included in the Prospectus. The approval given by the Norwegian FSA only relates to the information included in the Prospectus in accordance with pre-defined disclosure requirements imposed by the EU Prospectus Regulation. The Norwegian FSA has not made any form of verification or approval relating to corporate matters described in or referred to in the Registration Document. On no account must the publication or the disclosure of this Registration Document give the impression that the information herein is complete or correct on a given date after the date of this Registration Document, or that the business activities of the Issuer or its subsidiaries may not have been changed.

10. DEFINITIONS

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

Bonds	The debt instruments issued by the Issuer pursuant to the Bond Agreement.
Bond Agreement	The agreement entered into on 11 December 2019 between Norwegian Energy Company ASA as Issuer and Nordic Trustee AS as bond trustee on behalf of the Bondholders regarding the Bond Issue
Bond Issue.......................................	The bond issue constituted by the Bonds.
Bondholder......................................	A holder of Bonds.
Company	The Issuer.
DCS	Danish Continental Shelf.
DUC	Danish Underground Consortium
EU Prospectus Regulation.....................	Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Directive 2014/71/EC, as amended and as implemented in Norway in accordance with Section 7-1 of the Norwegian Securities Trading Act
Financial Statements	The Issuer's Financial Statements.
Group	The Company together with its consolidated subsidiaries.
IFRS	International Financial Reporting Standards as adopted by the EU.
Issue	The Bond Issue.
Issuer	Norwegian Energy Company ASA.
Issuer's Financial Statements	The Issuer's audited consolidated financial statements as of and for the years ended 31 December 2019 and 31 December 2018.
Listing	The listing of the Bonds on Oslo Stock Exchange.
Managers	ABG Sundal Collier ASA, Arctic Securities AS and Skandinaviska Enskilda Banken AB (publ).
NAS...	The Norwegian Accounting Standards *(*Nw. *Norsk Regnskapsstandard)*
NOGU	Noreco Olie- og Gasudvinding Danmark B.V.
Norwegian Code of Practice..................	The Norwegian Corporate Governance Code of 17 October 2018.
Norwegian FSA	The Norwegian Financial Supervisory Authority (Nw. *Finanstilsynet*)
Norwegian Securities Trading Act	The Norwegian Securities Trading Act of 29 2007 no. 75, as amended.
NUES	The Norwegian Corporate Governance Board (Nw. *Norsk Utvalg for Eierstyring og Selskapsledelse*).
Oslo Stock Exchange...........................	Oslo Børs (a stock exchange operated by Oslo Børs ASA).
p.a.	Per annum.
Prospectus	This Registration Document together with the Securities Note and the Summary.
RBL Facility	The seven year Reserve Based Lending bank facility provided by *inter alia* BMO Capital Markets, Deutsche Bank and Natixis of up to USD 900 million.
Registration Document........................	This Registration Document dated 5 June 2020.
Securities Note	Document describing the terms of the Bond Issue.
SOGU	Shell Olie- og Gasudvinding Danmark B.V.
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.
Summary	Document setting out the key contents of the Registration Document and the Securities Note.
Transaction	The acquisition by the Company and its subsidiaries of the shares in Shell Olie- og Gasudvinding Danmark B.V.
VPS	The Norwegian Central Securities Depository (Nw. *Verdipapirsentralen*).

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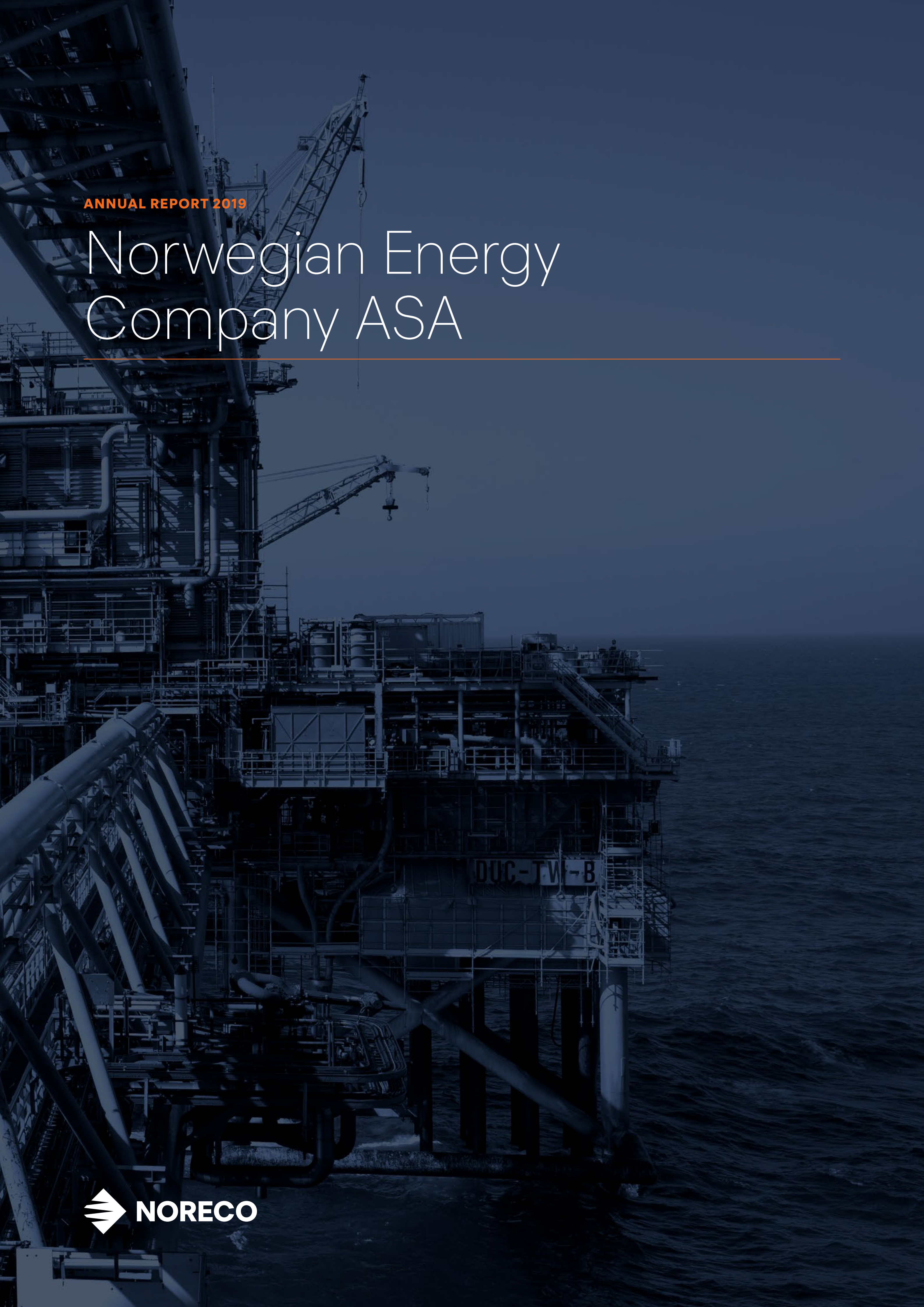
APPENDIX 1 – FINANCIAL STATEMENTS



ANNUAL REPORT 2019

Norwegian Energy Company ASA

NORECO

ANNUAL REPORT 2019

Contents

PART I

PART II

PART I

About Noreco

ABOUT NORECO

A Transformed E&P Company

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

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

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

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

2019

Highlights

ACQUISITION

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

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

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

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

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

OPERATIONAL

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

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

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

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

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

FINANCIAL

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

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

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

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

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

2019

Letter from the Executive Chair

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

Riulf Rustad
Chair of the Board

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

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

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

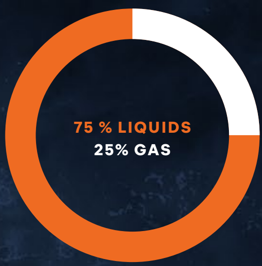
When writing this it is inevitable that we touch upon the current situation in the market. Due to the impact of COVID-19 on the demand for oil, and the oversupply caused by a fight for market shares, the short-term price is at levels not experienced since early 2000s. Noreco, in line with our philosophy,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

OUR ASSETS

Overview

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

PRODUCT OUTCOME



2P RESERVES

mmboe (net)

209

PRODUCTION

mboepd (net)

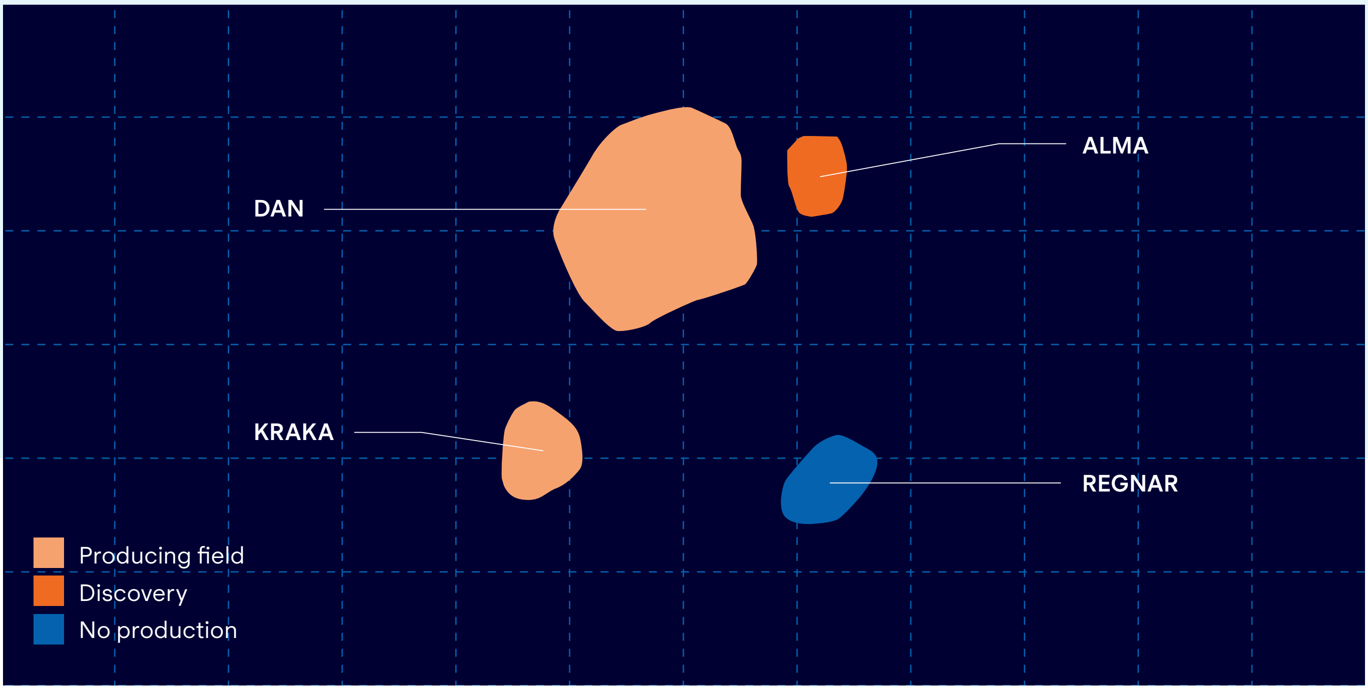
35.7

OPERATIONAL EFFICIENCY

86%

OUR ASSETS

Dan Hub



NET RESERVES
mmboe

35

NET PRODUCTION
mboepd

8.9

OPERATIONAL EFFICIENCY 2019

78.9%

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

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

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

NET PRODUCTION

mboepd

8.0

Dan Field

OPERATIONAL SUMMARY

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

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

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

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

NET PRODUCTION

mboepd

0.8

Kraka Field

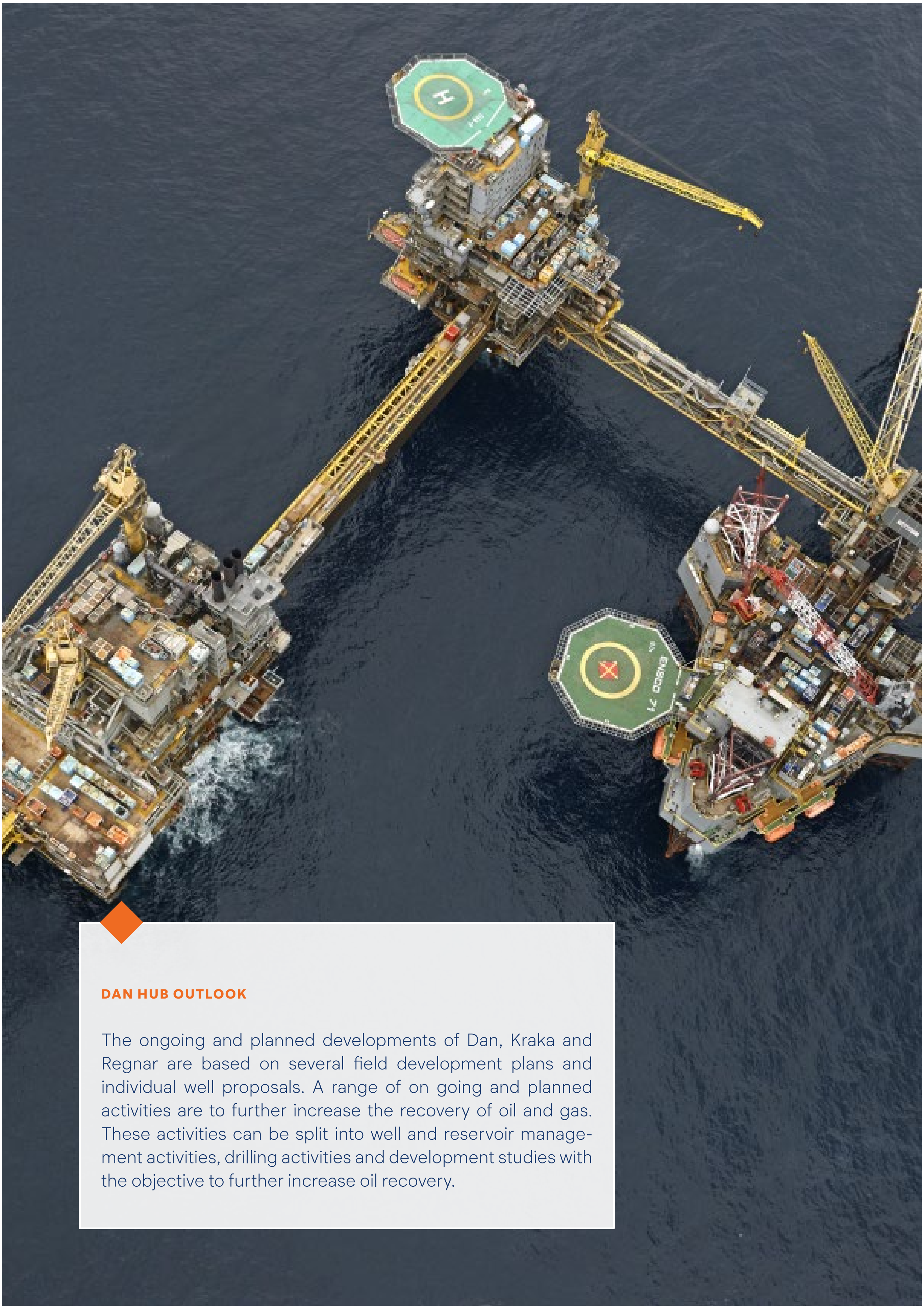
Kraka is a tie-back to the Dan field and is an oil field located 8 km to the southeast of the Dan field. The field was brought on production in 1991 and produces oil and gas from the Ekofisk chalk. 10 wells have been drilled and currently seven oil wells are producing.

OPERATIONAL SUMMARY

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

DAN HIGHLIGHTS 2019

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



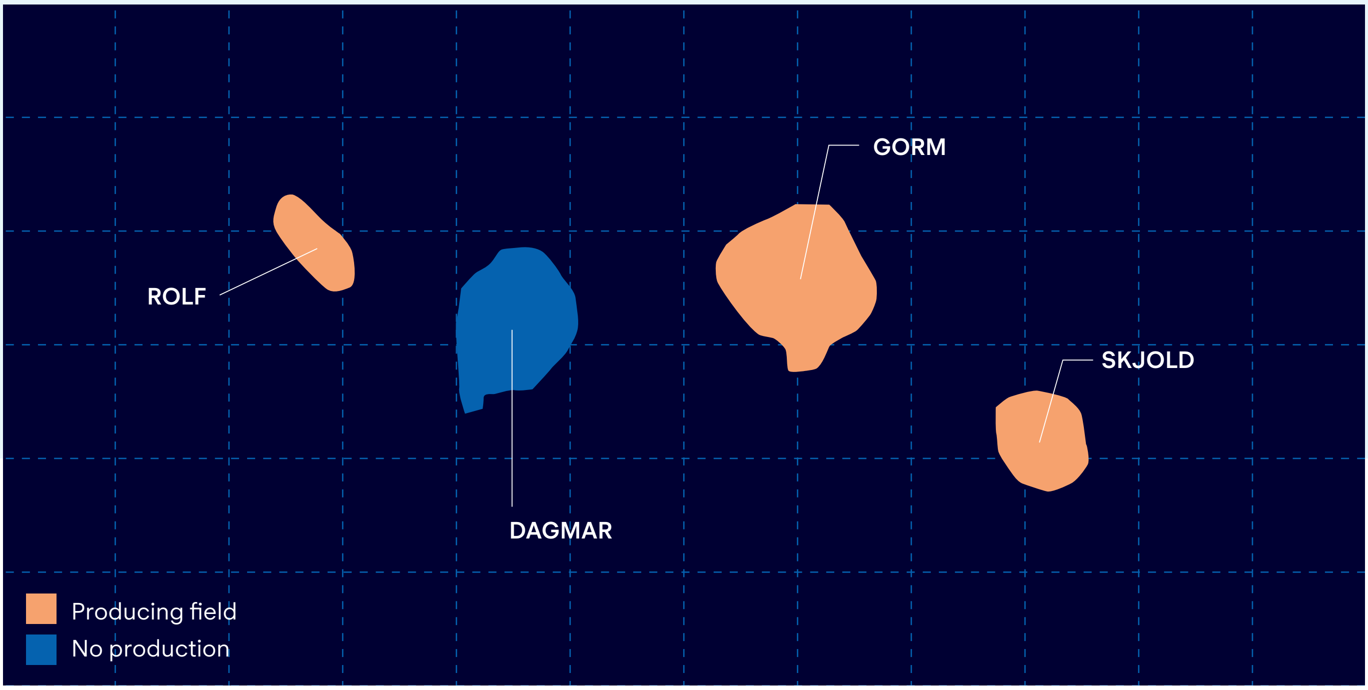
DAN HUB OUTLOOK

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

Photo: ©Total E&P Denmark A/S

OUR ASSETS

Gorm Hub



NET RESERVES
mmboe

18.5

NET PRODUCTION
mboepd

5.1

OPERATIONAL EFFICIENCY 2019

80.4%

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

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

NET PRODUCTION

mboepd

2.0

Gorm Field

OPERATIONAL SUMMARY

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

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

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

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

NET PRODUCTION

mboepd

2.8

Skjold Field

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

OPERATIONAL SUMMARY

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

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

NET PRODUCTION

mboepd

0.4

Rolf Field

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

OPERATIONAL SUMMARY

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

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

GORM HIGHLIGHTS 2019

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

Photo: ©Total E&P Denmark A/S

GORM HUB OUTLOOK

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

OUR ASSETS

Halfdan Hub

NET RESERVES
mmboe

78.3

NET PRODUCTION
mboepd

18.5

OPERATIONAL EFFICIENCY 2019

86.0%

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

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

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

NET PRODUCTION

mboepd

18.5

Halfdan Field

OPERATIONAL SUMMARY

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

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

HCA GAS LIFT

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

Halfdan North

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

HALFDAN HIGHLIGHTS 2019

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

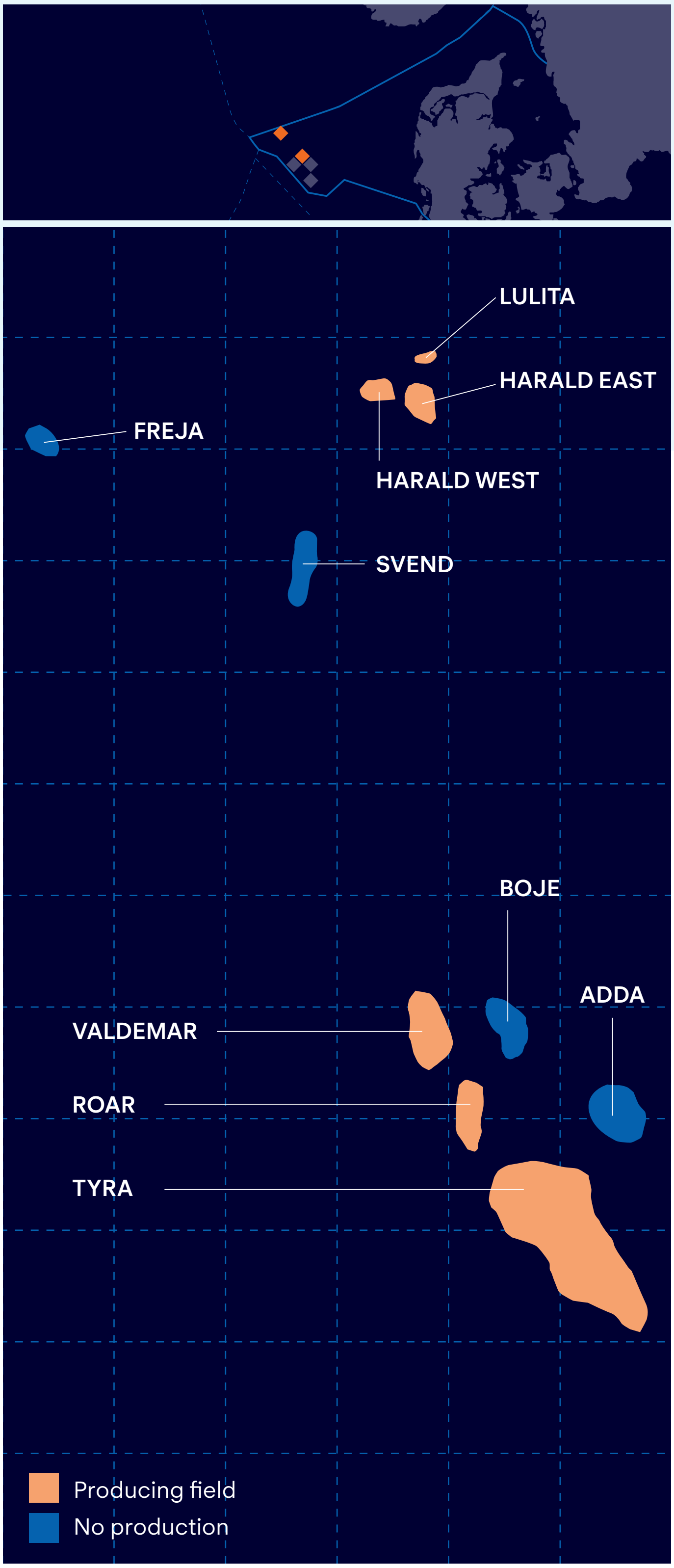
HALFDAN HUB OUTLOOK

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

Photo: ©Total E&P Denmark A/S

OUR ASSETS

Tyra Hub



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

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

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

NET PRODUCTION
mboepd
2.0

Tyra Field

OPERATIONAL SUMMARY

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

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

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

NET PRODUCTION
mboepd
0.4

Valdemar Field

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

OPERATIONAL SUMMARY

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

VALDEMAR LOWER CRETACEOUS DEVELOPMENT

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

NET PRODUCTION
mboepd
0.1

Lulita Field

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

OPERATIONAL SUMMARY

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

NET PRODUCTION
mboepd
0.2

Roar Field

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

OPERATIONAL SUMMARY

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

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

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

NET PRODUCTION
mboepd
0.5

Harald Field

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

OPERATIONAL SUMMARY

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

TYRA HIGHLIGHTS 2019

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

TYRA OUTLOOK

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

Photo: ©Total E&P Denmark A/S

Photo: ©Total E&P Denmark A/S

Tyra Redevelopment

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

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

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

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

PART II

From the Boardroom

The Board of Directors

RIULF RUSTAD
Executive chair

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

LARS PURLUND
Board Member

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

MARIANNE LIE
Board Member

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

TONE KRISTIN OMSTE
Board Member

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

COLETTE COHEN
Board Member

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

YVES-LOUIS DARRICARRÈRE
Board Member

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

CHRIS BRUIJNZEELS
Board Member

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

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

Directors' Report

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

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

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

BUSINESS DEVELOPMENT

In October 2018, Noreco announced the acquisition of Shell's Danish upstream assets, including a 36.8% interest in the Danish Underground Consortium (the "DUC"), for a consideration of USD 1.91 billion at the effective date of 1 January 2017; the payment due at completion of USD 1.07 billion was made on 31 July 2019. The DUC accounts for the majority of Danish oil and gas production and is the owner of key points of infrastructure of all activity in the Danish sector of the North Sea, including the four production hubs Halfdan, Tyra, Dan and Gorm. As part of the Transaction with Shell, Noreco increased its reserves and production base significantly. The transaction included proven and probable (2P) reserves of 195 million barrels of oil equivalent (mmboe) based on an independent CPR assessment as per year-end 2018. The annual revision of reserves conducted for 2019 has resulted in an increase of the 2P reserves of 14 mmboe, to 209 mmboe per year-end 2019, confirmed by an independent CPR assessment. The transaction was approved by the Danish Energy Agency in April 2019 and was completed in July 2019.

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

CAPITAL STRUCTURE

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

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

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

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

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

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

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

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

GROUP FINANCIAL RESULTS FOR 2019

Selected data from consolidated statement of comprehensive income

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

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

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

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

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

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

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

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

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

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

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

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

Selected data from the consolidated statement of financial position

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

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

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

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

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

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

Selected data from the consolidated statement of cash flows

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

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

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

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

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

RISK MITIGATION

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

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

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

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

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

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

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

THE GOING CONCERN ASSUMPTION

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

Risk factors

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

Risks related to the Company's assets

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

Reserves risk

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

Risks related to development projects

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

Decommissioning risks

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

Third party risk

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

Risks related to commodity prices

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

Currency risks

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

Risks related to Danish taxation and regulations

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

Risks related to debt financing

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

Risks related to future capital requirements

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

Financial reporting risk

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

Insurance risk

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

Political and regulatory risks

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

Risks related to environmental regulations

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

Reputational risks

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

COVID-19

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

HEALTH, ENVIRONMENT AND SAFETY

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

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

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

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

PERSONNEL RESOURCES AND WORKING ENVIRONMENT

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

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

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

Sick leave in the Group was 1.35 percent in 2019.

RESEARCH AND DEVELOPMENT

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

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

CORPORATE GOVERNANCE

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

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

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

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

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

OWNERSHIP

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

NORWEGIAN ENERGY COMPANY ASA

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

PARENT COMPANY FINANCIAL RESULTS FOR 2019

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

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

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

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

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

ALLOCATIONS

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

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

OUTLOOK

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

Oslo, 30 April 2020

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

Reporting of payments to Governments

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

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

Income tax

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

OTHER INFORMATION REQUIRED TO BE REPORTED

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

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

Corporate Governance Report 2019

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

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

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

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

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

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

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

1. IMPLEMENTATION AND REPORTING ON CORPORATE GOVERNANCE

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

2. BUSINESS

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

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

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

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

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

3. EQUITY AND DIVIDENDS

3.1. Equity

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

3.2. Dividend policy

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

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

3.3. Share capital increases and issuance of shares

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

3.4. Purchase of own shares

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

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

4. EQUAL TREATMENT OF SHAREHOLDERS AND TRANSACTIONS WITH RELATED PARTIES

4.1. Class of shares

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

4.2. Pre-emption rights to subscribe

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

4.3. Trading in own shares

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

4.4. Transactions with close associates

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

4.5 Guidelines for directors and executive management

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

5. FREELY NEGOTIABLE SHARES

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

6. GENERAL MEETINGS

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

6.1. Notification

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

6.2. Participation and execution

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

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

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

7. NOMINATION-COMMITTEE

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

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

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

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

8. BOARD OF DIRECTORS: COMPOSITION AND INDEPENDENCE

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

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

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

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

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

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

9. THE WORK OF THE BOARD OF DIRECTORS

9.1. The rules of procedure for the board of directors

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

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

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

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

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

9.2. The audit committee

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

The principal tasks of the audit committee are to:

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

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

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

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

9.3. The remuneration committee

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

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

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

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

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

10. RISK MANAGEMENT AND INTERNAL CONTROL

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

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

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

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

11. REMUNERATION OF THE BOARD OF DIRECTORS

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

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

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

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

12. REMUNERATION OF THE EXECUTIVE MANAGEMENT

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

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

13. INFORMATION AND COMMUNICATIONS

13.1. General

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

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

13.2. Information to shareholders

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

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

14. TAKEOVERS

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

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

15. AUDITOR

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

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

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

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

Corporate Social Responsibility

1. INTRODUCTION

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

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

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

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

2. PURPOSE

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

3. MAIN CSR PRINCIPLES

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

3.1. Professional and ethical standards

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

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

3.2. Compliance with local culture and regulations

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

3.3. Respect for human and labour rights

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

3.4. Equal opportunities

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

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

3.5. Anti-corruption and bribery

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

3.6. Health, safety and the working environment

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

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

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

3.7. Environmental issues

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

4. WHISTLEBLOWING

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

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

5. ROLES AND RESPONSIBILITIES

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

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

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

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

NORWEGIAN ENERGY COMPANY ASA (PARENT COMPANY)

Statutory Accounts 2019

Notes

Income Statement for Norwegian Energy Company ASA

(Parent company) for the year ended 31 December

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

Balance sheet for Norwegian Energy Company ASA

(Parent company) for the year ended 31 December

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

Balance sheet for Norwegian Energy Company ASA

(Parent company) for the year ended 31 December

Oslo
30 April 2020

Riulf Rustad
Executive Chair

Tone Kristin Omsted
Board Member

Lars Purlund
Board Member

Yves-Louis Darricarrère
Board Member

Marianne Lie
Board Member

Colette Cohen
Board Member

Chris Bruijnzeels
Board Member

Bob McGuire
Board Member

Atle Sonesen
Chief Operating Officer
& MD

Cash Flow for Norwegian Energy Company ASA

(Parent company) for the year ended 31 December

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

Notes

1 ACCOUNTING PRINCIPLES

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

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

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

Going concern

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

Basis of preparation

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

Change in functional and presentation currency

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

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

Use of estimates

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

Revenues

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

Classification of balance sheet items

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

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

Investments in subsidiaries

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

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

Asset impairments

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

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

Debtors

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

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

Foreign currencies

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

Bonds and other debt to financial institutions

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

Other liabilities

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

Taxes

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

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

Deferred tax is reflected at nominal value.

Cash flow statement

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

Share-based payments

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

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

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

2 REVENUE

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

3 INVESTMENTS IN SUBSIDARIES

Investments in subsidiaries are booked according to the cost method.

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

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

4 RESTRICTED BANK DEPOSITS

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

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

5 BORROWINGS

5.1 SUMMARY OF BORROWINGS

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

Details on borrowings outstanding on 31 December 2019

NOR13

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

NOR14

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

5.2 COVENANTS

NOR14

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

5.3 PAYMENT STRUCTURE

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

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

5.4 PLEDGED ASSETS

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

6 TRADE PAYABLES AND OTHER CURRENT LIABILITIES

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

7 GUARANTEES

OVERVIEW OF ISSUED GUARANTEES ON 31 DECEMBER 2019.

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

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

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

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

8 SHAREHOLDERS' EQUITY

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

9 SHARE CAPITAL AND SHAREHOLDER INFORMATION

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

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

CHANGES IN NUMBER OF SHARES AND SHARE CAPITAL:

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

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

*In USD million.

CHANGES IN 2019

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

CHANGES IN 2018

There were no changes to the share capital in 2018.

OVERVIEW OF SHAREHOLDERS AT 16 APRIL 2020:

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

*Nominee holder

10 SHARE-BASED COMPENSATION

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

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

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

11 PAYROLL EXPENSES AND REMUNERATION

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

Average number of employees	7	8

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

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

12 NET REVERSAL OF FINANCIAL ASSETS

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

2019 NET REVERSAL OF PRIOR YEARS IMPAIRMENT

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

2018 REVERSAL OF FINANCIAL ASSETS

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

13 TAX

Reconciliation of nominal to actual tax rate:

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

Deferred tax liability and deferred tax assets:

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

14 OTHER OPERATING EXPENSES AND AUDIT FEES

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

Expensed audit fee:

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

15 RELATED PARTY TRANSACTIONS

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

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

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

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

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

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

BALANCES WITH GROUP COMPANIES

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

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

Consolidated Statements

Consolidated Statement of Comprehensive Income

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

Consolidated Statement of Financial Position

as of 31 December

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

Consolidated Statement of Financial Position
as of 31 December

Oslo
30 April 2020

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

Consolidated Statement of Changes in Equity

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

Consolidated Statement of Cash Flows

for the year ended 31 December

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

Notes

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIESS

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

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

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

1.1 BASIS OF PREPARATION

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

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

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

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

1.1.1 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

IFRS 16 Leases

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

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

Change in presentation and functional currency

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

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

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

Other amendments to standards

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

1.2 CONSOLIDATION

Subsidiaries

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

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

The group had the following subsidiaries on 31 December 2019:

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

[1] Changed domicile to Denmark from 2020

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

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

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

Interest in jointly controlled assets

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

1.3 SEGMENT REPORTING

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

1.4 FOREIGN CURRENCY TRANSLATION

a) Functional and presentation currency

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

b) Transactions and balances

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

c) Group companies

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

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

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

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

1.5 PROPERTY, PLANT AND EQUIPMENT

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

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

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

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

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

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

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

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

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

1.6 INTANGIBLE ASSETS

Oil and gas exploration and development expenditures

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

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

Goodwill

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

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

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

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

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

1.7 IMPAIRMENT OF NON-FINANCIAL ASSETS

a) Unit of account

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

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

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

b) Impairment testing

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

1.8 FINANCIAL ASSETS

1.8.1 CLASSIFICATION

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

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

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

(b) Financial assets and liabilities at amortised cost

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

-The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows and,
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

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

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

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

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

1.8.2 RECOGNITION AND MEASUREMENT

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

1.9 IMPAIRMENT OF FINANCIAL ASSETS

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

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

1.10 DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES

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

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

1.11 TRADE RECEIVABLES

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

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

1.12 CASH AND CASH EQUIVALENTS

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

1.13 OVER/UNDER LIFTING OF HYDROCARBONS

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

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

1.14 SHARE CAPITAL AND SHARE PREMIUM

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

1.15 TRADE PAYABLES

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

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

1.16 BORROWINGS

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

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

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

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

1.17 BORROWING COSTS

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

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

1.18 CURRENT AND DEFERRED INCOME TAX

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

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

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

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

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

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

1.19 PENSIONS

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

1.20 SHARE-BASED PAYMENTS

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

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

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

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

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

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

1.21 PROVISIONS

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

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

1.21.1 ASSET RETIREMENT OBLIGATIONS

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

1.22 CONTINGENT LIABILITIES AND ASSETS

Contingent liabilities are defined as:

- Possible obligations that arise from past events, whose existence depends on uncertain future events.
- Present obligations which have not been recognised because it is not probable that they will result in a payment.
- The amount of the obligation cannot be measured with sufficient reliability.

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

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

1.23 REVENUE RECOGNITION

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

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

1.24 PRODUCTION EXPENSES

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

1.25 INTEREST INCOME

Interest income is recognised using the effective interest method.

1.26 LEASES

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

Recognition of leases and exemptions

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

Lease liabilities

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

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

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

Right-of-use assets

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

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

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

1.27 CONSOLIDATED STATEMENT OF CASH FLOWS

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

1.28 SUBSEQUENT EVENTS

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

2 FINANCIAL RISK MANAGEMENT

2.1 FINANCIAL RISK FACTORS

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

Market risk

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

(a) Foreign currency risk

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

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

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

(b) Price risk

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

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

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

(c) Interest rate risk

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

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

Liquidity risk

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

Credit risk

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

2.2 CAPITAL RISK MANAGEMENT

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

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

2.3 FAIR VALUE ESTIMATION

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

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

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

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

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

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

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

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

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

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

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

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

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

3.1 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

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

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

a) Estimated value of financial assets and financial liabilities

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

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

For more details see note 17 Financial Instruments.

b) Income tax

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

c) Asset retirement obligation

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

d) Depreciation and impairment of fixed assets

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

3.2 CRITICAL JUDGEMENTS IN APPLYING THE ENTITY'S ACCOUNTING POLICIES

a) Accounting for convertible debt

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

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

b) Purchase price allocation

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

4 REVENUE

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

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

5 PRODUCTION EXPENSES

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

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

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

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

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

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

6 EXPLORATION AND EVALUATION EXPENSES

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

7 PERSONNEL EXPENSES AND REMUNERATION

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

COMPENSATION TO KEY MANAGEMENT FOR 2019

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

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

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

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

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

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

DIRECTORS' FEES

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

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

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

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

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

I GENERAL ON EXECUTIVE REMUNERATION

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

II BINDING PRINCIPLES RELATED TO SHARE PRICE DEVELOPMENTS

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

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

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

III REMUNERATION POLICY FOR 2019

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

COMPENSATION TO KEY MANAGEMENT FOR 2018

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

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

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

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

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

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

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

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

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

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

DIRECTORS' FEES

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

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

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II BINDING PRINCIPLES RELATED TO SHARE PRICE DEVELOPMENTS

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

III REMUNERATION POLICY FOR 2018

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

8 OTHER OPERATING EXPENSES

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

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

9 INTANGIBLE ASSETS

INTANGIBLE ASSETS AT 31 DECEMBER 2019

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

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

INTANGIBLE ASSETS AT 31 DECEMBER 2018

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

10 ACQUISITION OF SUBSIDIARY

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

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

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

A. CONSIDERATION TRANSFERRED

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

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

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

B. ACQUISITION-RELATED COSTS

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

C. IDENTIFIABLE ASSETS ACQUIRED AND LIABILITIES ASSUMED

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

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

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

D. GOODWILL

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

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

11 PROPERTY, PLANT AND EQUIPMENT

PROPERTY, PLANT AND EQUIPMENT AT 31 DECEMBER 2019

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

PROPERTY, PLANT AND EQUIPMENT AT 31 DECEMBER 2018

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

12 FINANCIAL INCOME AND EXPENSES

Financial Income

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

Financial Expenses

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

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

13 TAX

USD million

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

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

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

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

Tax payable

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

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

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

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

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

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

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

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

14 EARNINGS PER SHARE

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

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

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

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

AGEING ANALYSIS OF TRADE RECEIVABLES ON 31 DECEMBER 2019

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

AGEING ANALYSIS OF TRADE RECEIVABLES ON 31 DECEMBER 2018

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

16 RESTRICTED CASH, BANK DEPOSITS, CASH AND CASH EQUIVALENTS

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

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

•

2) Noreco has made a USD 50 million deposit into a cash call security account in accordance with a cash call security agreement with Total E&P Denmark A/S as operator of the DUC. From August 2020 until January 2021 the escrow account will increase by USD 15 million monthly, up to a total of USD 140 million.

17 FINANCIAL INSTRUMENTS

17.1 FAIR VALUE HIERARCHY

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

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

On 31.12.19

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

On 31.12.2018

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

17.2 FINANCIAL INSTRUMENTS BY CATEGORY

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

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

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

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

17.3 FINANCIAL INSTRUMENTS – FAIR VALUES

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

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

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

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

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

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

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

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

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

17.4 HEDGING

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

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

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

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

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

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

HEDGE RESERVE MOVEMENT

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

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

18 SHARE CAPITAL

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

CHANGES IN NUMBER OF SHARES AND SHARE CAPITAL:

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

*In USD million

CHANGES IN 2019

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

OVERVIEW OF SHAREHOLDERS AT 16 APRIL 2020:

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

*Nominee holder

19 POST-EMPLOYMENT BENEFITS

DEFINED CONTRIBUTION PLAN

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

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

20 ASSET RETIREMENT OBLIGATIONS

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

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

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

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

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

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

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

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

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

22 BORROWINGS

22.1 SUMMARY OF BORROWINGS

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

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

Total borrowings	**1 104**	**1 008**	**54**	**54**

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

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

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

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

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

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

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

22.2 DETAILS ON BORROWING

Details on borrowings outstanding on 31 December 2019

Reserve based lending facility

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

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

NOR13

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

NOR14

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

22.3 COVENANTS

COVENANTS RELATING TO INTEREST BEARING DEBT

Reserve based lending facility

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

NOR14

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

22.4 PAYMENT STRUCTURE

Payment structure (USD million):

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

Interest payments (USD million):

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

22.5 ASSETS PLEDGED AS SECURITY FOR INTEREST BEARING DEBT

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

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

SPECIFICATION OF ASSETS PLEDGED AS SECURITIES PER BOND/LOAN:

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

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

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

23 TRADE PAYABLES AND OTHER PAYABLES

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

Trade and other payables held in currency

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

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

24 SHARE-BASED COMPENSATION

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

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

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

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

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

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

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

THE FOLLOWING TABLE LIST THE INPUTS TO THE MODEL USED:

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

25 GUARANTEES

OVERVIEW OF ISSUED GUARANTEES ON 31 DECEMBER 2019.

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

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

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

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

26 INVESTMENT IN JOINTLY OWNED ASSETS

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

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

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

27 CONTINGENCIES AND COMMITMENTS

FINANCIAL COMMITMENTS

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

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

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

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

GUARANTEES

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

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

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

CONTINGENT LIABILITIES

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

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

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

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

28 RELATED PARTY TRANSACTIONS

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

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

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

29 SUBSEQUENT EVENTS

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

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

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

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

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To the General Meeting of Norwegian Energy Company ASA

Independent auditor's report

Report on the Audit of the Financial Statements

Opinion

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

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

In our opinion:

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

Basis for Opinion

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

Key Audit Matters

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

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

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

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

Initial recognition of convertible bond

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

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

Change in functional and presentation currency

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

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

Other information

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

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

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report

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

Opinion on Registration and Documentation

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

Stavanger, 30 April 2020
KPMG AS

Mads Hermansen
State Authorised Public Accountant

Statement of Compliance

BOARD AND MANAGEMENT CONFIRMATION

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

To the best of our knowledge, we confirm that:

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

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

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

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

Oslo, 30 April 2020

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

Alternative Performance Measures

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

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

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

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

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

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

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

* YTD 2018 is related to deposit loan

SUPPLEMENTARY OIL AND GAS INFORMATION (UNAUDITED)

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

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

TOTAL RESERVES AS OF 31.12. 2019

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

Information About Noreco

Head Office Noreco

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Internet	www.noreco.com
Organisation number	NO 987 989 297 MVA

Financial Calendar 2020

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

Board of Directors

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

Management

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

Investor Relations

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E-mail	investorrelations@noreco.com

Annual Reports

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

Quarterly publications

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

News Releases

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


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Annual Report 2018

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Content

Noreco Board of Directors

Riulf Rustad

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

Lars Purlund

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

Marianne Lie

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

Tone Kristin Omsted

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

John P. Madden

Madden holds a BA in Political Economy from Williams College. He is currently Senior Managing Director of Kaupthing and is member of the Executive Committee of Kaupthing. He has previously worked with Lehman Brothers, Inc. and the Arcapita group. Madden has served as member of the board of directors of Noreco since 26 May 2016, and is currently elected until the ordinary general meeting in 2020.

Norwegian Energy Company ASA ("Noreco" or the "Company") is a Norwegian company listed on the Oslo Stock Exchange. The Company was established in 2005 focusing on exploration and production of hydrocarbon resources on the Norwegian, Danish and United Kingdom continental shelves.

In October 2018, Noreco announced the acquisition of Shell´s Danish upstream assets (the "Transaction") through the acquisition of Shell Olie- og Gasudvinding Danmark B.V. ("SOGU"). Through the transaction Noreco becomes the second largest oil and gas producer in Denmark and a considerable E&P company.

Noreco will post-completion have a 36.8% non-operated interest in the Danish Underground Consortium ("DUC") with assets that comprise 15 fields in four producing hubs; Halfdan, Tyra, Gorm and Dan. DUC is a joint venture between Total (43.2%), Shell (36.8%) and Nordsøfonden (20.0%). DUC is operated by Total which has extensive offshore experience in the region and worldwide.

On 30 November 2018, it was announced that no party relevant to the JOA had invoked their option rights to purchase Shell's SOGU interests.

On 29 April 2019, the Danish Energy Agency granted its approval for the Transaction, Noreco is working towards completion of the Transaction by the end of May 2019.

Business development

As part of the Transaction with Shell, Noreco will increase its reserves and production base significantly. Included in the Transaction are proven and probable (2P) reserves of 209 million barrels of oil equivalent (mmboe) as per beginning of 2018, of which 65% are liquids.

Noreco estimates significant reserves and production growth coming from existing resources (discoveries, EOR, initiatives & new projects). Shell's share of production from DUC in 2018 was 57 thousand barrels of oil equivalent per day (mboepd)*. Noreco expects to maintain strong production in the years to come and will continue to evaluate strategic opportunities.

In October 2018 the Danish Appeals Permission Board declined to submit Noreco's appeal to the Supreme Court related to the Siri Insurance Claims. As a result the ruling from the Eastern High Court was upheld and Noreco was awarded USD 12,5 million plus additional interest. Adjusted for accrued litigation fees from pursuing the claim as well as court ordered legal fees Noreco received in excess of USD 6 million.

Capital structure

In 2018, as part of the transaction process to acquire SOGU, new financing and capital structure has been agreed. Noreco will issue new ordinary shares through a USD 352 million private placement and USD 40 million through a partially underwritten subsequent offering in addition to raising additional capital through a new seven-year Reserve Based Lending Facility of up to USD 900 million with a sub-limit of USD 100 million for letters of credit, by the issuance of a convertible bond of up to USD 160 million. In order to fund part of the initial payment to Shell made in 2018, Noreco entered into a short-term funding agreement of USD 35 million which upon closing of the Transaction will be rolled into the convertible bond issue at par.

The convertible bond, private placement, and short-term funding loan will be directed towards and subscribed by Noreco's largest shareholders CQS (UK) LLP, Kite Lake Capital Management (UK) LLP, Taconic Capital Advisors UK LLP, and by funds managed or advised by York Capital Management Europe (UK) Advisors LLP. For further information please see www.noreco.com.

The maturity of the NOR10 bond loan was on 1 November 2018 extended until 6 November 2019. The Company intends to settle the bond upon closing of the transaction with Shell. Noreco has during 2018 made the following payments to NOR10 bondholders:

On 23 February 2018 the Company announced that it had bought back a principal amount of NOK 6.139.515 at par, following a voluntary offer to all bondholders.

On 6 March 2018 NOK 5,3 million in interest was settled in cash. On 6 September 2018 NOK 8,1 million in interest was settled via payment-in-kind (PIK). Outstanding principal amount at the end of 2018 was NOK 159,7 million.

Group financial results for 2018

Due to the disposal of the remaining hydrocarbon activities in Norway in 2017, the accounts are presented with continued and discontinued operations.

*Source: Danish Energy Agency

Total revenues for 2018 amounted to NOK 16 million, increased from NOK 10 million the previous year for continued operations. A reallocation of the oil production from Lulita in 2017 was made in the last quarter of 2018 increasing the revenue for the year.

Production expenses for continued operations ended with an expense of NOK 3 million due to lower production in Lulita. In 2017 the production expense was NOK 386 million due to expensing of the Siri Insurance Claims after the Eastern High Court on 4 May 2018 reversed previously accrued and expensed production costs.

Personnel expenses for continued operations were NOK 19 million in 2018, decreased by NOK 10 million compared to 2017. The share-based payment costs of 2017 were affected by the option program with no vesting period. The board of directors allocation of 80.000 new share options in the second part of 2017, had a a cost related to share base payment of approximately NOK 11 million. This is partly a result of high volatility in the share price. It was approved by the general meeting on 8 November 2018 that the company's existing option scheme , as approved by the general meeting on 21 January 2016 and subsequently extended on 8 March 2017, shall discontinue. Existing options in-the-money on 15 October 2018 shall be settled by cash payment from the Company to the option holder in an amount of NOK 198 per option. All existing options out-of-the-money on 15 October 2018 shall be canceled without any further payment from the Company to the option holder. During the year 2017 former CEO Silje Augustson exercised 100,000 of her share options resulting in high social security cost in 2017.

Other operating expenses for continued operations amounted to NOK 156 million in 2018, compared to NOK 33 million last year. The operating expenses are influenced by consulting fees mainly in relation to new business opportunities and accrued litigation fees from pursuing the Siri Insurance claim as well as court order legal fees.

The **net operating result** for continued operations for 2018 was a loss of NOK 163 million, , mainly due to litigation and legal fees of the Siri Insurance case, compared to a loss of NOK 440 million in 2017. This was mainly due to expensing of the Siri Incurance Claim after the verdict from Eastern High Court on 4 May 2018 reversed previously accrued production costs.

Net financial items for continued operations amounted to an income of NOK 20 million in 2018, compared to an income of NOK 31 million in 2017. The reduced net financial items are mainly due to currency translation.

Interest expenses on bond loans decreased from NOK 31 million in 2017 to NOK 15,2 million in 2018. The decrease was driven by the liquidation of Noreco Norway and payment of NOR06 which had an interest of NOK 20,1 million in 2017. The increase of interest expense in NOR10 is related to an increase from 6,5% to 10% interest in 2018 due to extension of the bond with a new maturity date of 6 November 2019.

The effect of change in credit risk is reclassified to OCI from 1. January 2018 according to IFRS 9, previously booked through financial income.

The Group's **net result** for the year from continued operations amounted to a loss of NOK 143 million, compared to a loss of NOK 418 million in 2017.

Taxes for the Group from continued operations amounted to NOK 0 million, compared to an expense of NOK 9 million from a negative net result before tax of NOK 409 million in 2017. This corresponds to an average tax rate of 0 percent in 2018.Noreco operates in three countries and thus under multiple tax regimes. The tax rate represents the weighted results from the different subsidiaries. The Tax rate in 2017 is mainly influenced by the change in deferred tax assets in Denmark and the reversal of deferred tax in Norway due to advance tax assessment for 2017 when ceasing Noreco Norway AS.

Result from discontinued operations amounted to NOK 0 million, compared to a gain of NOK 102 million in 2017. The profit in 2017 relate to excess value of the Zidane payment after paying the bondholders their part.

Net result for the full year 2018, including continued and discontinued operations, was a loss of NOK 143 million, compared to a loss of NOK 316 million last year.

Net cash flow from the Group's continued operations in 2018 amounted to a loss of NOK 23 million. Cash and cash equivalent excluding restricted cash of NOK 578 million was NOK 22 million at year end 2018, down from NOK 133 million at the end of 2017, excluding restricted cash of NOK 600 million.

Interest-bearing debt of the Group had a book value of NOK 471 million (principal amount NOK 475 million) on 31 December 2018, compared to NOK 155 million (principal amount NOK 161 million) at the end of 2017. During the year the Company has issued a short term loan of NOK 312 million in relation to the initial payment to Shell related to the Transaction.

The going concern assumption

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

Financial risk

Noreco´s most significant risk factors are related to currency exchange rates. For as long as the Transaction with Shell is not completed, Noreco remains exposed towards transaction risk, however this is not viewed as significant. All of the Company's financial debt has a fixed interest rate. More information on the management of financial risk can be found in the notes to the financial statements.

Health, environment and safety

Noreco puts emphasis on everyone performing company activities in line with good business integrity and with respect for people and the environment.

During 2018, Noreco was involved in production of oil and gas which could cause emissions to the sea and air. Noreco's operations were in accordance with all regulatory requirements, and there were no breaches of these requirements in 2018.

Personnel resources and working environment

At the start of 2018 and through the year the Company had 8 employees. 50 percent of the employees were women, same as at the beginning of the year.

The Company's board of directors consists of two women and three men, all elected by shareholders. There are no employee representatives on the Board. At the end of 2018, 40 per cent of the board members were women, same as at end 2017.

Noreco pays equal salaries and gives equal compensation for positions at the same level, regardless of gender, ethnicity, religion or disabilities.

Sick leave in Noreco has decreased compared to previous years. The management's compensation is described in note 9 to the annual accounts.

Research and development

The Company has no activity within research and development.

Corporate governance

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

Corporate governance in Noreco is based on equal treatment of all shareholders through the activity that the board and General Assembly practice. In total, 12 board meetings were held in 2018.

The activities of the board have been focused on promoting value preserving measures in the Company's portfolio, strengthening the Company's financial position and further developing the Company strategy. Significant work was carried out by the board in 2018 regarding the implementation and execution of the strategy.

On 28 June 2018, the Annual General Meeting for 2018 was held in Oslo.

On 8 November 2018, an Extraordinary General Meeting in Norwegian Energy Company ASA was held. The meeting approved, subject to completion of the transaction, a share capital increase (private placement) of approx. NOK 2 883 million by the issuance of 15 585 635 shares at a subscription price of NOK 185 per share. In addition, a subsequent offering of up to a maximum of 1 768 648 new shares at a subscription price of NOK 185 per share. The meeting also approved the issue of a convertible bond loan of up to USD 160 million convertible into ordinary shares of the Company and a new options scheme for Board and Management to subscribe for up to a total of 1 510 000 shares in the Company. Additionally, the board of directors was authorised to increase the share capital with up to NOK 25 549 014. This authorization is valid until the ordinary general meeting in 2020.

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

Ownership

There are no restrictions on the transfer of shares in Noreco. The Company currently has approximately 2.300 shareholders, and approximately 27% percent of the shares are held by Norwegian residents.

Norwegian Energy Company ASA

In 2018, the parent company was a pure holding company, and the operating expenses mainly consisted of shareholder costs, M&A costs and payroll expenses. For comments on financial risk and market conditions and statement regarding going concern, please see other parts of this annual report. These comments are also valid for the parent company.

Parent company financial results for 2018

Personnel expenses were NOK 16 million in 2018, decreased by NOK 9 million compared to 2017, mainly due to the NOK 12 million of costs relating to share based payments in 2017 in addition to social tax on beneficial amount from option program realized by former CEO.

Other operating expenses amounted to NOK 15 million in 2018, compared to NOK 13 million in 2017. The 2018 operating expenses are influenced by a large amount of consulting fees, audit fees and solicitor services mainly in relation to new business opportunities in Denmark.

The **net operating result** for continued operations for 2018 was a loss of NOK 26 million compared to a loss of NOK 31 million in 2017, mainly caused by lower personnel expenses.

Reversal of **write-down of financial assets** amounts to NOK 277 million in 2018, which is the reversal of the guarantee provision of NOK 280 million made in relation to the Asset retirement obligation for the Danish subsidiaries in 2017, in addition to net write-down of loans to UK subsidiaries of NOK 3 million.

Other financial expenses increased from NOK 39 million in 2017 to NOK 70 million in 2018. The amount mainly consists of exchange loss.

Net financial items amounted to an income of NOK 334 million in 2018, compared to an expense of NOK 133 million in 2017. The increase in net financial items is mainly due to the reversal of the guarantee provision of NOK 280 million made in relation to the asset retirement obligation in the Danish subsidiaries.

The Company's **net result** for the year from continued operations amounted to a gain of NOK 303 million compared to a loss of NOK 171 million in 2017.

Allocations

The result for the year for Norwegian Energy Company ASA in 2018 was a gain of NOK 303 million. The board proposes the following allocations:

Allocated to other equity	NOK 303 million
Total appropriation	NOK 303 million

Outlook

Following receipt of the governmental approval from the Danish Energy Agency, Noreco is working towards completion of the Transaction by the end of May 2019.

Noreco will continue work to further enhance its reserves and production base and evaluate strategic opportunities.

Oslo,
30 April 2019

Riulf Rustad
Chair

Tone Kristin Omsted
Board Member

Lars Purlund
Board Member

Marianne Lie
Board Member

John Philip Madden
Board Member

Frederik Rustad
Managing Director

Corporate Governance Report 2018

Norwegian Energy Company ASA (“Noreco” or the "Company") has made a strong commitment to ensure trust in the Company and to enhance shareholder value through efficient decision-making and improved communication between the management, the board of directors (the “Board” or “board of directors”) and the shareholders of the Company. The Company's framework for corporate governance is intended to decrease business risk, maximise value and utilise the Company's recourses in an efficient, sustainable manner, to the benefit of shareholders, employees and society at large.

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

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

The following provides a discussion of the Company's corporate governance in relation to each section of the Corporate Governance Code. According to the Company's own evaluation, the Company deviates from the Corporate Governance Code on the following points:

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

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

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

1. Implementation and reporting on corporate governance

The Company will seek to comply with the Corporate Governance Code. The board of directors will include a report on the Company's corporate governance in its annual report, including an explanation of any deviations from the Corporate Governance Code.

The Company's strategy is to continue its value creation to maximise recovery of proven reserves and resources and to continue to explore new opportunities in and above the ground.

2. Business

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

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

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

3. Equity and dividends

3.1. Equity

As of 31 December 2018, the Company's consolidated equity was negative NOK 50 million. The Company's equity level and financial strength shall be considered in light of its objectives, strategy and risk profile. The Company has entered into agreements to increase its share capital in connection with the acquisition of SOGU.

3.2. Dividend policy

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

Given that the Company is currently in a build-up phase where it will invest heavily in the acquisition of Shell Olie- og Gasudvinding Danmark B.V. ("SOGU") in order to facilitate future growth, the Company does not expect to make dividend payments the foreseeable future. The Company may revise its dividend policy from time to time. The Company currently intends to retain all earnings, if any, and to use these to finance the further growth of the Company.

3.3. Share capital increases and issuance of shares

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

3.4. Purchase of own shares

The board of directors of the Company has been authorized to acquire own shares with a total par value of NOK 7,194,730 that is valid until 28 June 2020. The authorization may be used in relation to incentive schemes, strengthening the equity capital and for funding business opportunities. The Company or any of its subsidiaries does currently not own any treasury shares in the Company.

4. Equal treatment of shareholders and transactions with related parties

4.1. Class of shares

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

4.2. Pre-emption rights to subscribe

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

4.3. Trading in own shares

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

4.4. Transactions with close associates

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

4.5 Guidelines for directors and executive management

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

5. Freely negotiable shares

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

6. General meetings

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

6.1. Notification

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

6.2. Participation and execution

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

The board of directors and the nomination committee shall, as a general rule, be present at general meetings. The auditor will attend the ordinary general meeting and any extraordinary general meetings to the extent required by the agenda items or other relevant circumstances.

The board of directors will seek to ensure that an independent chairman is appointed by the general meeting if considered necessary based on the agenda items or other relevant circumstances.

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

7. Nomination-committee

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

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

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

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

8. Board of directors: composition and independence

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

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

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

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

The chairman of the board of directors should be elected by the general meeting.

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

There is a family relationship between the Chairman and the Managing Director of the Company, as Frederik Rustad is the son of Riulf Rustad. Other than this, to the Company's knowledge, the members of the board of directors in Noreco are not related to Noreco's larger shareholders, management or material business partners.

9. The work of the board of directors

9.1. The rules of procedure for the board of directors

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

The Norwegian Public Limited Liability Companies Act regulates the duties and procedures of the board of directors. In addition, the board of directors has supplementary procedures, which provides regulation on inter alia the duties of the board of directors and the managing director, notices of board proceedings, administrative procedures, minutes, board committees, transactions between the Company and the shareholders and matters or confidentiality.

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

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

9.2. The audit committee

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

(a) prepare the board of directors' supervision of the Company's financial reporting process;

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

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

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

9.3. The remuneration committee

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

The board of directors has established a guideline for salaries and other remuneration to the managing director and other senior executives valid until the annual general meeting in 2019. The guideline was endorsed by the annual general meeting in June 2018.

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

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

Remuneration to the managing director will be evaluated regularly by the board of directors to ensure that salaries and other benefits are kept, at all times, within the above guidelines and principles.

10. Risk management and internal control
Risk management and internal control are given high priority by the board of directors, which shall ensure that adequate systems for risk management and internal control are in place. The control system consists of interdependent areas which include risk management, control environment, control activities, information and communication and monitoring.

The Company's management is responsible for establishing and maintaining sufficient internal control over financial reporting. Company specific policies, standards and accounting principles have been developed for the annual and quarterly financial reporting of the group. The managing director supervise and oversee the external reporting and the internal reporting processes. This includes assessing financial reporting risks and internal controls over financial reporting within the group. The consolidated external financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) and International Accounting Standards as adopted by the EU.

The board of directors shall ensure that the Company has sound internal control and systems for risk management, including compliance to the Company's corporate values. The Company's guidelines for corporate social responsibility describes the Company's ethical commitments and requirements related to business practice and personal conduct.

If employees experience situations or matters that may be contrary to rules and regulations or these guidelines, they are urged to raise their concern with their immediate superior or another manager in the Company.

The board of directors should analyze the most important areas of exposure to risk and its internal control arrangements, and evaluate the Company's performance and expertise. The board of directors shall present an in-depth report of the Company's financial statement in the annual report. The Audit Committee shall assist the board of directors on an ongoing basis in monitoring the Company's system for risk management and internal control. In connection with the quarterly financial statements, the Audit Committee shall present to the board of directors reviews and information regarding the Company's current business performance and risks.

11. Remuneration of the board of directors
The remuneration of the board of directors shall be decided by the Company's general meeting of shareholders, and should reflect the board of directors' responsibility, expertise, time commitment and the complexity of the Company's activities.

The nomination committee shall give a recommendation as to the size of the remuneration to the board of directors. Pursuant to the instructions for the nomination committee, the recommendation should normally be published on the Company's website at least 21 days prior to the general meeting that will decide on the remuneration.

The annual report shall provide details of all elements of the remuneration and benefits of each member of the board of directors, which includes a specification of any remuneration in addition to normal fees to the members of the Board.

Members of the board of directors and/or companies with which they are associated should not take on specific assignments for the Company in addition to their appointment as a member of the board. If they do nonetheless take on such assignments this should be disclosed to the full board. The remuneration for such additional duties should be approved by the board of directors.

12. Remuneration of the executive management

The board of directors will in accordance with the Norwegian Public Limited Liability Companies Act prepare separate guidelines for the stipulation of salary and other remuneration to key management personnel. The guidelines shall include the main principles applied in determining the salary and other remuneration of the executive management, and shall ensure convergence of the financial interests of the executive management and the shareholders. It should be clear which aspects of the guidelines that are advisory and which, if any, that are binding thereby enabling the general meeting to vote separately on each of these aspects of the guidelines. The guidelines will be made available to and shall be dealt with by the ordinary general meeting in accordance with the Norwegian Public Limited Liability Companies Act.

The board of directors aims to ensure that performance-related remuneration of the executive management in the form of share options, annual bonus programs or the like, if used, are linked to value creation for shareholders or the Company's earnings performance over time. Performance-related remuneration should be subject to an absolute limit. Furthermore, the Company aims to ensure that such arrangements are based on quantifiable factors that the employee in question can influence.

13. Information and communications

13.1. General

The board of directors has adopted a separate manual on disclosure of information, which sets forth the Company's disclosure obligations and procedures. The board of directors will seek to ensure that market participants receive correct, clear, relevant and up-to-date information in a timely manner, taking into account the requirement for equal treatment of all participants in the securities market.

The Company will each year publish a financial calendar, providing an overview of the dates for major events such as its ordinary general meeting and publication of interim reports.

13.2. Information to shareholders

The Company shall have procedures for establishing discussions with important shareholders to enable the Board to develop a balanced understanding of the circumstances and focus of such shareholders. Such discussions shall be done in compliance with the provisions of applicable laws and regulations.

All information distributed to the Company's shareholders will be published on the Company's website at the latest at the same time as it is sent to shareholders.

14. Takeovers

In the event the Company becomes the subject of a takeover bid, the board of directors shall seek to ensure that the Company's shareholders are treated equally and that the Company's activities are not unnecessarily interrupted. The board of directors shall also ensure that the shareholders have sufficient information and time to assess the offer.

There are no defense mechanisms against takeover bids in the Company's Articles of Association, nor have other measures been implemented to specifically hinder acquisitions of shares in the Company. The board of directors has not established written guiding principles for how it will act in the event of a takeover bid, as such situations are normally characterized by concrete and one-off situations which make a guideline challenging to prepare. In the event a takeover were to occur, the board of directors will consider the relevant recommendations in the Corporate Governance Code and whether the concrete situation entails that the recommendations in the Corporate Governance Code can be complied with or not.

15. Auditor

The board of directors will require the Company's auditor to annually present to the audit committee a review of the Company's internal control procedures, including identified weaknesses and proposals for improvement, as well as the main features of the plan for the audit of the Company.

Furthermore, the board of directors will require the auditor to participate in meetings of the board of directors that deal with the annual accounts. At least one board meeting with the auditor shall be held each year in which no member of the executive management is present.

The board of directors' audit committee shall review and monitor the independence of the Company's auditor, including in particular the extent to which services other than auditing provided by the auditor or the audit firm represents a threat to the independence of the auditor.

The remuneration to the auditor for statutory audit will be approved by the ordinary general meeting. The board of directors should report to the general meeting on details of fees for audit work and any fees for other specific assignments.

Corporate Social Responsibility

1. Introduction
Norwegian Energy Company ASA (the “Company” and including its subsidiaries, the “Group”) defines corporate social responsibility (“CSR”) as achieving commercial profitability in a way that is consistent with fundamental ethical values and with respect for individuals, the environment and society.

The Group shall respect human and labour rights, establish good HSE (health, safety and the environment) standards, facilitate good dialogue with stakeholders and generally operate in accordance with applicable regulatory frameworks and good business practice.

At the core of the Company group’s CSR policy is the group’s four customer-centric corporate values: trust, fair, bold and share. The values define who we are, how we act and what employees of the Company and Group stand for.

Each Group company has an independent responsibility for exercising corporate social responsibility in accordance with the Group’s principles, but is free to design its own additional activities and instruments. In addition, each Group company has developed, adopted and is operating according to a Compliance Manual that provides detailed information and a series of policies regarding the professional and ethical standards and compliance requirements of all Group companies.

2. Purpose
The purpose of this policy is to define clear areas of focus for the Company’s approach to CSR and clarify the responsibilities and expectations with regard to our most important stakeholders.

3. Main CSR principles
The Company has identified seven main CSR topics. The Group’s general approach to these topics is described below. Continuous improvement is emphasized, and priority shall be given to areas where the need for improvement and the potential for making an impact are greatest.

3.1. Professional and ethical standards
It is the Group’s policy to maintain the highest level of professional and ethical standards in the conduct of its business affairs. The Group places the highest importance upon its reputation for honesty, integrity and high ethical standards. These standards can only be attained and maintained through the actions and conduct of all personnel in the Group. It is the obligation of the Group’s employees to conduct themselves in a manner to ensure the maintenance of these standards. Such actions and conduct will be important factors in evaluating an employee’s judgment and competence, and an important element in the evaluation of an employee for promotion. Correspondingly, insensitivity to or disregard for the principles of the Group’s professional and ethical standards will be grounds for appropriate disciplinary actions.

The Group’s ethical and professional standard are further detailed in the Group’s compliance manuals.

3.2. Compliance with local culture and regulations
In promoting the Group’s principles for good business operations, we shall always respect local values and norms, and achieve success by bridging the divide between different cultures. Group companies shall always comply with local regulatory requirements in the countries in which we operate.

3.3. Respect for human and labour rights
Group companies are committed to respecting fundamental human and labour rights, both in our own operations and in our relations with business partners. Our employees shall be treated with respect and given orderly working conditions. The Group companies shall work continuously with issues such as non-discrimination, the right to privacy, the right to collective bargaining, employment contracts and protection against harassment. Forced labour, child labour and all forms of discrimination are strictly forbidden.

3.4. Equal opportunities
It is the Group’s position that equal treatment of all employees is applied and that different treatment or discrimination based on person’s gender, race, colour, national origin, age, religion, sexual orientation or any other characteristic protected by applicable law is unacceptable. Furthermore, the Group is committed to equal opportunity for all qualified employees and job applicants. All employment decisions (such as hiring, discipline, terminations, promotions and job assignments) are to be based on the Group’s needs and an employee’s performance and potential.

3.5. Anti-corruption and bribery
The Group has a zero tolerance policy regarding corruption and bribery. Corruption undermines all sorts of business activities and free competition, and it is prohibited by law in all the countries in which we operate. Corruption is destructive for the countries involved and would erode our reputation, exposing the Group and the individual employee to consid-

erable risk. The Company expects that local management of each Group subsidiary promotes a strong anti-corruption culture. Each company shall make active efforts to prevent undesirable conduct, and ensure that their employees are capable of dealing with difficult situations. A detailed bribery and corrupt payments policy can be found in each Group company's Compliance Manual.

3.6. Health, safety and the working environment
A healthy work environment contributes to a better health, greater engagement and increased job satisfaction. The goal is to create a safe and pleasant work environment that contributes to motivated and committed employees, which ultimately is important for the Group's continued success. This requires continuous effort, and is a natural part of the Group's daily operations. The Group has no records of accidents or injuries in recent years, and has therefore not deemed it necessary to take special measures in this area, but expects this to be an area of focus going forward.

3.7. Environmental issues
The Group's business in the oil market affects the external environment. All phases of the oil business present environmental risks and hazards and are subject to strict environmental regulation pursuant to a variety of international conventions and state and municipal laws and regulations. All activities are subject to the receipt of necessary approvals or licences. The Group aims to protect the environment to the greatest extent possible, both in its own operations, and will also following completion of the transaction promote the environment in the Group's partnership in the DUC.

4. Whistleblowing
It is important that someone who discovers wrongdoing and non-compliance with the Company's CSR policy and other policies is able to report it without risk of retaliation or discrimination. The Company has established a Whistleblowing Policy which purpose is to encourage everyone to raise concerns about matters occurring within or related to the Group so that the problem can be resolved promptly and efficiently using internal company resources, rather than overlooking a problem or seeking a resolution of the problem outside the Company which may delay the elimination of the problem and cause harm to the Group and its employees.

The Whistleblowing Policy applies to all officers, directors and employees of the Company, whether temporary or permanent, full-time or part-time, and regardless of their location.

Anyone doing business for or on the Company's behalf, including the Company's advisors, agents, consultants, contractors, distributors, lawyers, partners, sales representatives, suppliers and other third parties with whom the Company enters into a joint venture, partnership, investment, teaming arrangement or other business combination must comply with the Group's Whistleblowing Policy. Further details of the Whistleblowing Policy can be found in the Group's compliance manuals.

5. Roles and responsibilities
The Group's CSR policy is adopted by the Company's board of directors and shall be evaluated at least every second year.

The managing director of the Company is responsible for ensuring the follow up of and compliance with the content of the policy.

All Group subsidiaries are responsible for the day-to-day practice of this policy.

Statutory Accounts 2018

Norwegian Energy Company ASA
(Parent company)

Content

Income Statement for Norwegian Energy Company ASA (Parent company)
for the year ended 31 December

NOK million	Note	2018	2017
Revenue		-	-
Total revenues		**-**	**-**
Personnel expenses	10, 14	(16)	(25)
Other operating expenses	13, 14	(15)	(13)
Total operating expenses		**(31)**	**(38)**
Net operating result		**(31)**	**(38)**
Interests received from group companies		73	65
Interest income		1	0
Other financial income [1]		81	133
Write-down of financial assets	11	277	(273)
Interest expenses to group companies		(4)	(8)
Interest expenses		(23)	(11)
Other financial expenses [2]		(70)	(39)
Net financial items		**334**	**(133)**
Result before tax		**303**	**(171)**
Net result for the year		**303**	**(171)**
Appropriation:			
Allocated to/(from) other equity		303	(171)
Total appropriation		**303**	**(171)**

1) Other financial income is currency translation income of NOK 81 million (2017: NOK 80 million)

2) Other financial expenses is currency translation expense of NOK 65 million (2017: NOK 35 million) and other financial expenses of NOK 5 million (2017: NOK 4 million)

Balance sheet for Norwegian Energy Company ASA (Parent company)
for the year ended 31 December

NOK million	Note	31.12.18	31.12.17
ASSETS			
Non-current assets			
Financial non-current assets			
Investment in subsidiaries	2	0	0
Loan to group companies		484	187
Restricted cash	3	578	578
Machinery and equipment		1	1
Total non-current assets		**1 063**	**766**
Current assets			
Receivables			
Receivables from group companies		100	89
Other current receivables		46	0
Total current receivables		**147**	**89**
Financial current assets			
Restricted cash	3	1	2
Bank deposits, cash and cash equivalents		8	26
Total financial current assets		**8**	**28**
Total current assets		**155**	**117**
Total assets		**1 218**	**883**
EQUITY AND LIABILITIES			
Equity			
Paid-in equity			
Share capital	7,8	72	72
Total paid-in capital		**72**	**72**
Retained earnings			
Other equity	7	582	299
Total retained earnings		**582**	**299**
Total equity		**654**	**371**
Liabilities			
Provisions			
Guarantee provisions	11	-	280
Total provisions		**-**	**280**
Current liabilities			
Bond loan	4	163	161
Other interest bearing debt		312	-
Trade payables		25	4
Debt to group companies		30	55
Other current liabilities	5	33	12
Total current liabilities		**564**	**232**
Total liabilities		**564**	**512**
Total equity and liabilities		**1 218**	**883**

Cash Flow for Norwegian Energy Company ASA (Parent company)
for the year ended 31 December

NOK million	Note	2018	2017
Net result for the period		303	(171)
Adjustments to reconcile net result before tax to net cash flows from operating activities:			
Depreciation and writedowns		0	0
Write-downs	11	(277)	273
Share based payment		5	13
Unrealised loss / (gain) related to financial instruments		-	-
Gain on extinguishment of debt	4	-	-
Loss on repurchase of bonds		0	-
Interest received /paid - net		46	13
Group contribution and impairments with no cash effect		-	(67)
Effect of changes in exchange rates		(16)	(45)
Payment in kind Interest with no cash effect		8	-
Changes in working capital			
Changes in trade receivable		(12)	(71)
Changes in trade payables		21	8
Changes in other current balance sheet items		24	14
Net cash flow from operations		**103**	**(33)**
Cash flows from financing activities			
Issue of share capital		-	4
Paid issue cost		(43)	-
Proceeds from issuance of short-term loan		312	-
Prepayment to Subsidiary for acquisition of tangible assets		(348)	-
Payment of loans from group companies		29	11
Payment of loans to group companies		(59)	-
Purchase own bonds		(6)	-
Interest paid		(5)	(5)
Net cash flow from (used) in financing activities		**(121)**	**10**
Net change in cash and cash equivalents		(18)	(23)
Cash and cash equivalents at the beginning of the period		26	49
Cash and cash equivalents at end of the year		**8**	**26**

1 Accounting principles

Norwegian Energy Company ASA is a public limited company registered in Norway, with headquarters in Oslo (Nedre Vollgate 1, 0158 Oslo).

The annual accounts for Norwegian Energy Company ASA (“Noreco” or the "Company”) have been prepared in compliance with the Norwegian Accounting Act (“Accounting Act”) and accounting principles generally accepted in Norway (“NGAAP”) as of 31 December 2018.

The Company is listed on the Oslo Stock Exchange under the ticker “NOR”. The financial statements for 2018 were approved by the board of directors on 30 April 2019 to be approved by the Annual General Meeting on 15 May 2019.

Going concern

The board of directors confirm that the financial statements have been prepared under the presumption of going concern, and that this is the basis for the preparation of these financial statements. The financial solidity and the company’s working capital and cash position are considered satisfactory in regards of the planned activity level for the next twelve months.

As part of the Transaction, Noreco will raise additional capital through a new seven-year Reserve Based Lending Facility up to USD 900 million with a sub-limit of USD 100 million for lettersof credit, by the issuance of a convertible bond of up to USD 160 million, issuing new ordinary shares through a USD 352 million private placement and USD 40 million through a partially underwritten subsequent offering. In order to fund part of the initial payment to Shell, Noreco entered into a short-term funding agreement of USD 35 million which upon closing of the Transaction will be rolled into the convertible bond issue at par.

Basis of preparation

The financial statements are prepared on the historical cost basis with some exceptions, as detailed in the accounting policies set out below. The subtotals and totals in some of the tables may not equal the sum of the amounts shown due to rounding.

Use of estimates

The preparation of financial statements in compliance with the Accounting Act requires the use of estimates. The application of the company’s accounting principles also require management to apply judgment. Areas, which to a great extent contain such judgments, a high degree of complexity, or areas in which assumptions and estimates are significant for the financial statements, are described in the notes.

Revenues

Income from sale of services are recognised at fair value of the consideration, net after deduction of VAT. Services are recognised in proportion to the work performed.

Classification of balance sheet items

Assets intended for long term ownership or use have been classified as fixed assets. Receivables are classified as current assets if they are to be repaid within one year after the transaction date. Similar criteria apply to liabilities. First year’s installment on long term liabilities and long term receivables are classified as current liabilities and assets.

For interest bearing debt where the company is required to be in compliance with financial covenants, the loans are classified as current liabilities if Noreco is in breach with the covenants to that extent that the loan would be payable on the demand of the creditor. If a waiver is agreed with the creditor prior to approval of these financial statements, the classification is carried forward in accordance with the payment schedule of the initial borrowing agreement.

Investments in subsidiaries

For investments in subsidiaries, the cost method is applied. The cost price is increased when funds are added through capital increases or when group contributions are made to subsidiaries. Dividends received are initially taken as income. Dividends exceeding the portion of retained profit after the aquisition are reflected as a reduction in cost price.

Dividend/group contribution from subsidiaries are reflected in the same year as the subsidiary makes a provision for the amount.

Asset impairments

Impairment tests are carried out if there is indication that the carrying amount of an asset exceeds the estimated recoverable amount. The test is performed on the lowest level of fixed assets at which independent cash flows can be identified. If the carrying amount is higher than both the fair value less cost to sell and recoverable amount (net present value of future use/ownership), the asset is written down to the highest of fair value less cost of disposal and the recoverable amount.

Previous impairment charges are reversed in later periods if the conditions causing the write-down are no longer present.

Debtors
Trade debtors are recognised in the balance sheet after provision for bad debts. The bad debt provision is made on basis of an individual assessment of each debtor and an additional provision is made for other debtors to cover expected losses. Significant financial problems at the customers, the likelihood that the customer will become bankrupt or experience financial restructuring and postponements and insufficient payments, are considered indicators that the debtors should be written down.

Other debtors, both current and long term, are recognised at the lower of nominal and net realisable value. Net realisable value is the present value of estimated future payments. When the effect of a writedown is insignificant for accounting purposes this is, however, not carried out. Provisions for bad debts are valued the same way as for trade debtors.

Foreign currencies
Assets and liabilities in foreign currencies are valued at the exchange rate on the balance sheet date. Exchange gains and losses relating to sales and purchases in foreign currencies are recognised as other financial income and other financial expenses.

Bonds and other debt to financial institutions
Interest-bearing loans and borrowings are initially recognised at cost and subsequently measured at historical cost. Gains and losses arising on the repurchase, settlement or cancellation of liabilities are recognised either in interest income and other financial items or in interest and other finance expenses within Net financial items. Financial liabilities are presented as current if the liabilities are due to be settled within 12 months after the balance sheet date, or if they are held for the purpose of being traded.

Other liabilities
Liabilities, with the exception of certain liability provisions, are recognised in the balance sheet at nominal amount.

Taxes
The tax in the income statement includes payable taxes for the period, refundable tax and changes in deferred tax. Deferred tax is calculated at relevant tax rates on the basis of the temporary differences which exist between accounting and tax values, and any carryforward losses for tax purposes at the year-end. Tax enhancing or tax reducing temporary differences, which are reversed or may be reversed in the same period, have been eliminated. Deferred tax and tax benefits which may be shown in the balance sheet are presented net. Deferred tax benefits on net tax reducing differences which have not been eliminated, and carryforward losses, is not presented in the balancesheet due to uncertainty about future earnings.

Tax reduction on group contributions given and tax on group contribution received, recorded as a reduction of cost price or taken directly to equity, are recorded directly against tax in the balance sheet (offset against payable taxes if the group contribution has affected payable taxes, and offset against deferred taxes if the group contribution has affected deferred taxes).

Deferred tax is reflected at nominal value.

Cash flow statement
The cash flow statement has been prepared according to the indirect method. Cash and cash equivalents include cash, bank deposits, and other short term investments which immediately and with minimal exchange risk can be converted into known cash amounts, with due date less than three months from purchase date.

2 Investments in subsidiaries

Investments in subsidiaries are booked according to the cost method.

NOK million Subsidiaries	Location	Ownership/ voting right	Equity 31 December 2018	Net Income 2018	Book value
Altinex AS	Oslo	100 %	(391)	(31)	-
Norwegian Energy Company UK Ltd	Great Britain	100 %	(8)	(1)	-
Djerv Energi AS	Oslo	100 %	-0	-0	-
Book value 31.12.18					**-**

Investment in Altinex is unchanged compared to last year following an impairment test as of 31 December 2018. The impairment is justified by the overall value of subsidiaries in Altinex AS. The intercompany receivable related to the UK investment is impaired to zero.

3 Restricted Bank Deposits

NOK million	2018	2017
Restricted cash pledged as security for abandonment obligation [1]	578	578
Other restricted cash and bank deposits	1	2
Total restricted bank deposits	**578**	**580**

1) Restricted cash pledged as security for abandonment obligation in Denmark originally NOK 499 million (DKK 445 million) adjusted for interest.

4 Borrowings

4.1 Summary of borrowings

NOR10 Bond Loan
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.

Short-Term Funding 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 Shell (the "ST-Loan"). 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 ST-Loan including accrued interest will upon closing of the Transaction be rolled into the Convertible Bond at par. If completion of the Transaction does not occur, the ST-Loan shall be rolled into the current NOR10 bond issue at par and be repaid together with accrued interest in cash on 31 March 2020. The loan is secured by the initial deposit payment of USD 40,000,000 made in connection with the Transaction.

For more information please see the consolidated financial statement for Noreco, note 23.

NOK million	2018	2017
Current debt		
NOR10 bond loan	163	161
ST-Loan[1)]	312	-
Total	**475**	**161**
Total borrowings	**475**	**161**

1) Principal of the loan is USD 35 million

4.2 Covenants

Covenants relating to interest bearing debt outstanding on 31 December 2018
The NOR10 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 addition-al debt and declaring dividends. The agreement does not contain any financial covenants. The covenants were in line with what is considered custom-ary in the Norwegian high yield bond market. Norwegian Energy Company ASA (parent) was in line with the covenants at 31 December 2018.

4.3 Payment Structure

Payment structure loans after refinancing (NOK million):

Principle	NOR10	ST-Loan	Total
2019	163	312	475
Total	**163**	**312**	**475**

Interest	NOR10	ST-Loan	Total
Interest rate	**10,00 %**	**12,00 %**	
2019	8	18	26
Total	**8**	**18**	**26**

If completion of the Transaction does not occur, the ST-Loan shall be rolled into the current NOR10 bond issue at par and be repaid together with accrued interest in cash on 31 March 2020.

4.4 Assets Pledged as Security for Interest Bearing Debt

Specification of assets pledged as security as at 31 December:

NOK million	2018	2017
Collateralised debt (book value)		
Bond loans	163	161
ST-Loan	312	-
Total collateralised debt (book value)	475	161
Capitalised value in the consolidated accounts of assets pledged as securities		
Shares in subsidiaries	0	0
Total capitalised value	0	0

5 Current Liabilities

NOK million	2018	2017
Accrued interest	5	3
Salary accruals	21	0
Other current liabilities	7	8
Total other current liabilities	**33**	**12**

6 Guarantees

Overview of issued guarantees on 31 December 2018
The parent company of the Group Norwegian Energy Company ASA ("Noreco") has issued a parent company guarantee on behalf of its subsidiary Norwegian Energy Company UK Ltd and Noreco Oil (UK) Limited. Noreco guarantees that, if any sums become payable by Norwegian Energy Company UK Ltd or by Noreco Oil (UK) Limited to the UK Secretary of State under the terms of the licence and the company does not repay those sums on first demand, Noreco shall pay to the UK Secretary of State on demand an amount equal to all such sums. Department for Business, Energy & Industrial Strategy, declined at the time of transfer of the license to withdraw Noreco Oil (UK)'s s29 notice with respect to the Huntington platform and pipeline. Under the forfeiture agreement Premier E&P ("Premier") assumes this risk as between Premier and Noreco, while this contingent liability to the Secretary of State would need to be recognised in any future sale of the company, Noreco Oil (UK) Limited does have recourse against Premier if it defaults in its performance.

On 6 December 2007, Noreco issued a parent company guarantee to the Danish Ministry of Climate, Energy and Building on behalf of its subsidiary Noreco Oil Denmark A/S and Noreco Petroleum Denmark A/S.

On 31 December 2012, Norwegian Energy Company ASA issued a parent company guarantee on behalf of its subsidiary Noreco Norway AS. Noreco guarantees that, if any sums become payable by Noreco Norway AS to the Norwegian Secretary of State under the terms of the licences and the company does not repay those sums on first demand, Norwegian Energy Company ASA shall pay to the Norwegian Secretary of State on demand an amount equal to all such sums. Noreco Norway AS was liquidated in 2018.

On 6 December 2013, several subsidiaries in the Noreco group entered into Co-debtor guarantees related to the refinancing of outstanding bonds at that time. These are unconditional and irrevocable Norwegian law on-demand guarantee from the Guarantor securing the Obligor's obligations when they have become due under the Bond Agreement and any other Finance Document, including interest, cost and expenses, with payment by the Guarantor to be made within 10 business days of any demand, such guarantees to be qualified as required by Danish law with respect to any Danish Guarantor.

7 Shareholders' equity

Changes in equity	Share capital	Share premium	Other paid-in equity	Other equity	Total
Equity 31 December 2017	72	3		296	371
Transaction cost - Equity issue	-			(5)	(5)
Correction previous year	-			(0)	(0)
Share option program				(15)	(15)
Profit for the year				303	303
Equity 31 December 2018	**72**	**3**	**-**	**579**	**654**

8 Share capital and shareholder information

Changes in equity	2018	2017
Ordinary shares	7 194 730	7 194 730
Total shares	7 194 730	7 194 730
Par value	10,00	10,00

The Group does not own any of its parent company shares. All shares have equal rights.

Changes in number of shares and share capital:

NOK million	No. of shares	Share Capital
Share capital on 1 January 2017	7 094 730	71
Share issue 13 June 2017	50 000	1
Share issue 11 September 2017	50 000	1
Share capital on 31 December 2017	**7 194 730**	**72**

NOK million	No. of shares	Share Capital
Share capital on 1 January 2018	7 194 730	72
Share capital on 31 December 2018	**7 194 730**	**72**

Changes in 2018
There has been no changes to the share capital in 2018.

Changes in 2017
On 13 June 2017 the share capital of Noreco was increased by NOK 500,000 from NOK 70 947 300 to NOK 71 447 300 by issuance of 50 000 new shares, each at a nominal value of NOK 10, for a subscription price of NOK 42 per share. The new shares were subscribed for by Silje Augustson, CEO at the time.

On 11 September 2017 the share capital of Noreco was increased by NOK 500,000 from NOK 71 447 300 to NOK 71 947 300 by issuance of 50 000 new shares, each at a nominal value of NOK 10, for a subscription price of NOK 42 per share. The new shares were subscribed for by Silje Augustson, CEO at the time.

Existing mandates
The board of directors was in November 2018 granted a mandate by the General Meeting to increase the share capital by a total amount of up to approx. NOK 24,5 million by one or more share issues in relation to the employee incentive schemes existing at any time for employees in the group as well as strengthening of the company`s balance sheet and in relations to business opportunities. The mandate is valid until the ordinary general meeting in 2020.

Overview of shareholders at 11 April 2019:

Changes in equity	Shareholding	Ownership share	Voting share
Goldman Sachs International	3 236 430	44,98 %	44,98 %
Euroclear Bank S.A./N.V.	789 864	10,98 %	10,98 %
State Street Bank and Trust Comp	194 178	2,70 %	2,70 %
UBS AG	157 939	2,20 %	2,20 %
OUSDAL AS	142 975	1,99 %	1,99 %
Bank of America, N.A.	129 959	1,81 %	1,81 %
Goldman Sachs & Co. LLC	125 730	1,75 %	1,75 %
CREDIT SUISSE SECURITIES (USA) LTD	120 200	1,67 %	1,67 %
ALTO HOLDING AS	119 332	1,66 %	1,66 %
Citibank Europe plc	110 406	1,53 %	1,53 %
HANASAND, LIV INGER	104 000	1,45 %	1,45 %
LEIKVOLLBAKKEN AS	100 777	1,40 %	1,40 %
HANASAND, EINAR MIKAL	95 000	1,32 %	1,32 %
MOROAND AS	57 500	0,80 %	0,80 %
VELDE HOLDING AS	56 400	0,78 %	0,78 %
PERSHING LLC	51 305	0,71 %	0,71 %
REECO AS	47 630	0,66 %	0,66 %
DIRECTMARKETING INVEST AS	47 244	0,66 %	0,66 %
SIX SIS AG	43 625	0,61 %	0,61 %
SOGNNES, WALTER	39 600	0,55 %	0,55 %
Total	**5 770 094**	**80,2 %**	**80,2 %**
Other owners (ownership <0,55%)	1 424 636	19,8 %	19,8 %
Total number of shares at 11 April 2018	**7 194 730**	**100 %**	**100 %**

9 Share-based compensation

Fair value of the option is calculated by external advisors using the Black and Scholes Merton option pricing model. Inputs to the option pricing model is for instance grant date, exercise price, expected exercise date, volatility and risk free rate.

Outstanding share options and bonus shares	
Total share options and bonus shares outstanding as at 1 January 2017	200 652
Share options granted in 2017 [1)]	80 000
Share options excercised by former CEO [2)]	(100 000)
Share options and bonus shares forfeited by employees due to the discontinuation of the options program	(25)
Outstanding at 31 December 2017	**180 627**
Share options settled or forfeited due to the discontinuation of the options program	(180 627)
Outstanding at 31 December 2018	**0**

1) The granted shares in 2017 have no vesting period and the fair value at grant date was NOK 141 per share.
2) The exercised shares in 2017 were exercised at a share price of NOK 250 per share for the shares exercised at 13 June 2017 and NOK 296 per share for the shares exercised at 11 September 2017.

10 Payroll Expenses and Remuneration

NOK million	2018	2017
Salaries (incl. directors' fees)	(9)	(8)
Social security tax	(1)	(4)
Pension costs [1)]	(0)	(1)
Costs relating to share based payments	(5)	(13)
Other personnel expenses	(1)	(0)
Total personnel expenses	**(16)**	**(25)**
Average number of employees	8	5

See note 9 in the Consolidated financial statement for further information on remuneration to key management personnel and board of directors.

1) Norwegian Companies are obliged to have occupational pension in accordance with the Norwegian act related to mandatory occupational pension. Noreco ASA meet the Norwegian requirements for mandatory occupational pension ("obligatorisk tjenestepensjon"). The pension costs amounts to 0,4 million in 2018, compared to NOK 0,7 million i 2017.

11 Writedown of financial assets

NOK million	2018	2017
Writedown investments in subsidiaries	-	0
Net writedown loans to subsidiaries	(3)	7
Provision guarantee related to Danish subsidiaries	280	(280)
Total writedown of financial assets	**277**	**(273)**

Write down loans to subsidiaries mainly consists of impairment of loans to Joint venture, Noreco Oil (UK) Ltd. and Norwegian Energy Company UK Ltd. Impairment of the guarantee made by Noreco ASA in relation to the asset retirement obligation in the Danish subsidiaries of NOK 280 million was reversed in 2018 due to the Danish subsidiaries are able to meet their asset retirement obligations from 2019.

12 Tax

Reconciliation of nominal to actual tax rate:

NOK million	2018	2017
Result before tax	303	(171)
Corporation income tax of income (loss) before tax — 23%	70	(41)
Sum calculated tax expense	**70**	**(41)**
Permanent differences	3	1
Changes in deferred tax asset — not recognised	75	40
Changes in tax rate	(8)	–
Income tax expense	**0**	**0**

Deferred tax liability and deferred tax assets:

NOK million	2018	2017
Net operating loss deductible	518	529
Fixed assets	-	-
Current assets	312	309
Liabilities	-	280
Tax base deferred tax liability / deferred tax asset	829	1 118
Net deferred tax liability / (deferred tax asset) (22% / 23%)	(182)	(257)
Unrecognised deferred tax asset	182	257
Deferred tax liability / (deferred tax asset) recognised	-	-
Recognised deferred tax asset	-	-
Recognised deferred tax liability	-	-

13 Other operating expenses and audit fees

NOK million	2018	2017
Lease expenses	(1)	(1)
IT expenses	(1)	(1)
Travel expenses	(1)	(2)
General and administrative costs	(0)	(0)
Consultant fees	(9)	(6)
Other operating expenses	(2)	(2)
Total other operating expenses	**(15)**	**(13)**

Expensed audit fee:

NOK million	2018	2017
Statutory audit (incl. audit related services with financial statements)	(1)	(1)
Total audit fees	**(1)**	**(1)**

VAT is not included in the audit fee

14 Related party transactions

Transactions with related party NOK million	2018	2017
a) Allocation of cost to group companies	8	12
b) Purchases of services	7	7
c) Sale of assets	–	–

Interest income and interest expenses to group companies are presented separately in the income statement

Services are charged between group companies at an hourly rate which corresponds to similar rates between independent parties. The revenue is registered as a cost reduction since operationally it is considered cost sharing.

Allocation of service cost to group companies amounts to NOK 8 million for 2018.

The difference from last year is mainly caused by the Share Options that was included in the Service cost allocation in 2017.

Purchase of services includes consultancy cost from board members of NOK 6 million in addition to office rent of NOK 1 million.

Noreco is renting offices from Riulf Rustad at a cost of NOK 84.000 pr month. The cost increased to NOK 96.000 pr month from December when the number of Employees increased. The agreement is assumed to be at arm's length.

Balances with group companies
Carrying value of balances with group companies are stated on the face of the balance sheet and are all related to 100 percent controlled subsidiaries.

Noreco did not have any other transactions with any other related parties during 2018. Director's fee paid to shareholders and remuneration to management is described in Note 9 in the consolidated financial statements.

Consolidated Statements

Content

Consolidated Statement of Comprehensive Income

NOK million	Note	2018	2017 1)
Continuing operation			
Revenue	5,6	**16**	**10**
Production expenses	7	(3)	(386)
Exploration and evaluation expenses	8	-	-
Payroll expenses	9,21	(19)	(29)
Other operating expenses	10	(156)	(33)
Total operating expenses		**(178)**	**(448)**
Operating results before depreciation and write-downs		**(162)**	**(439)**
Depreciation		(1)	(1)
Write-downs and reversal of write-downs	12,13	-	-
Net operating result		**(163)**	**(440)**
Financial income	14,32	179	180
Financial expenses 1)	14,32	(159)	(149)
Net financial items		**20**	**31**
Result before tax		**(143)**	**(409)**
Income tax expense (benefit)	15	0	(9)
Net result for the year continuing operation		**(143)**	**(418)**
Discontinued operation			
Profit (loss) from discontinued operation (net of income tax)	5	(0)	102
Net result for the period		**(143)**	**(316)**
Items that will not be reclassified to profit or loss			
Change in fair value of bond debt 1)		(3)	(17)
Items that are or may be reclassified subsequently to profit or loss			
Currency translation adjustment		(31)	20
Total other comprehensive income (loss) for the year (net of tax)		**(34)**	**3**
Total comprehensive income (loss) for the year (net of tax)		**(177)**	**(312)**
Earnings per share (NOK 1)			
Basic	16	(19,8)	(43,9)
Diluted	16	(19,8)	(43,9)
Earnings per share continuing operation (NOK 1)			
Basic	16	(19,8)	(58,1)
Diluted	16	(19,8)	(58,1)

1) Restated 2017 due to implementation of IFRS 9 from 1 January 2018. Change in fair value of bond debt due to own credit risk has been reclassified from financial expenses to other comprehensive income. See note 14.

Note 1 to 31 are an integral part of these consolidated financial statements

Consolidated Statement of Financial Position
as of 31 December

NOK million	Note	31.12.2018	31.12.2017
Non-current assets			
Deferred tax assets	15	0	0
Property, plant and equipment	13,26	10	11
Restricted cash	18,19	578	598
Total non-current assets		**558**	**609**
Current assets			
Tax refund	15	0	(0)
Trade receivables and other current assets	17,19	471	174
Restricted cash	18,19	1	2
Bank deposits, cash and cash equivalents	18,19	22	133
Total current assets		**494**	**310**
Total assets		**1 082**	**919**
Equity			
Share capital	20	72	72
Other equity	20,25	(122)	69
Total equity		**(50)**	**141**
Non-current liabilities			
Deferred tax	15	0	0
Asset retirement obligations	22	594	593
Total non-current liabilities		**594**	**593**
Current liabilities			
Bond loan	19,23,26	160	155
Other interest bearing debt	19,23,26	312	(0)
Trade payables and other current liabilities	19,24	66	30
Total current liabilities		**537**	**185**
Total liabilities		**1 132**	**778**
Total equity and liabilities		**1 082**	**919**

Note 1 to 31 are an integral part of these consolidated financial statements

Oslo,
30 April 2019

Riulf Rustad
Chair

Tone Kristin Omsted
Board Member

Lars Purlund
Board Member

Marianne Lie
Board Member

John Philip Madden
Board Member

Frederik Rustad
Managing Director

NOK million	Note	Share capital	Currency translation fund	Other equity	Total equity
Equity at 01.01.2017		**71**	**473**	**(107)**	**437**
Net result for 2017				(316)	(316)
Comprehensive income/(lossfor the period (net of tax					
Change in fair value of bond debt			-	(17)	(17)
Currency translation adjustments		-	20		20
Total comprehensive income (loss) for 2017	19	**-**	**20**	**(17)**	**3**
Transactions with owners					
Proceeds from share issued	20	1	-	3	4
Share-based incentive program	25	-	-	13	13
Total transactions with owners for the period		**1**	-	**16**	**17**
Equity at 31.12.2017		**72**	**493**	**(424)**	**141**
Equity at 01.01.2018		**72**	**493**	**(424)**	**141**
Net result for 2018				(143)	(143)
Comprehensive income/(lossfor the period (net of tax					
Change in fair value of bond debt				(3)	(3)
Currency translation adjustments		-	(31)	-	(31)
Total comprehensive income(loss) for 2018		**-**	**(31)**	**(3)**	**(34)**
Transactions with owners					
Proceeds from share issued	20	-	-	0	0
Share-based incentive program	25	-	-	(15)	(15)
Total transactions with owners for the period		**-**	**-**	**(14)**	**(14)**
Equity at 31.12.2018		**72**	**462**	**(584)**	**(50)**

Note 1 to 31 are an integral part of these consolidated financial statements

Consolidated Statement of Cash Flows
for the year ended 31 December

NOK million	Note	2018	2017 [1)]
Net result for the period		(143)	(316)
Income tax benefit for total operations	15	(0)	(6)
Adjustments to reconcile net result before tax to net cash flows from operating activities:			
Tax refunded	15	(0)	401
Depreciation	13	(1)	(0)
Share-based payments expenses	25	5	13
Change in fair value of bond debt	14,19	-	22
Change in fair value of bonds own credit risk	14	(3)	(17)
Effect of changes in exchange rates (net foreign exchange loss)	14	(31)	20
Paid abandonment cost	22	0	(9)
Payment in kind interest with no cash effect		8	36
Reversal of Siri claim			343
Changes in working capital			
Changes in trade receivable		93	1
Changes in trade payables		41	(37)
Changes in other current balance sheet items		13	(12)
Net cash flow from operating activities		(19)	**438**
Cash flows from investing activities			
Prepayment for acquisition of tangible assets	13 ,17	(346)	1
Net cash flow used in investing activities		**(346)**	**1**
Cash flows from financing activities			
Issue of share capital		0	4
Paid transaction cost of convertible bond loan	17	(43)	
Proceeeds from issuance of short-term loan	23	312	
Paid transaction cost of equity issue in 2019		(4)	0
Repayment of bonds	23	-	(393)
Repurchase own bonds	23	(6)	-
Interest paid	23	(5)	(5)
Net cash flow from financing activities		**254**	**(394)**
Net change in cash and cash equivalents		**(111)**	**45**
Cash and cash equivalents at the beginning of the year	18	133	89
Cash and cash equivalents at end of the year	**18**	**22**	**133**

1) Restated 2017 due to implementation of IFRS 9 from 1 January 2018. Change in fair value of bond debt due to own credit risk has been reclassified from financial expenses to other comprehensive income. See note 14.

Notes

1 General information

Norwegian Energy Company ASA ("Noreco", "the Company" or "the Group") is a public limited company registered in Norway, with headquarters in Oslo (Nedre Vollgate 1, 0158 Oslo). The Company has subsidiaries in Norway, Denmark and the United Kingdom. The Company is listed on the Oslo Stock Exchange.

The consolidated financial statements for 2018 was approved by the board of directors on 30 April 2019 for adoption by the General Meeting on 15 May 2019.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The Group also provides the disclosure requirements as specified under the Norwegian Accounting Law (Regnskapsloven).

2.1 Basis of preparation

The consolidated financial statements of Norwegian Energy Company ASA (Noreco ASA) have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations from the IFRS interpretation committee (IFRIC), as endorsed by the EU. The Group does also provide information which is obligated in accordance with the Norwegian Accounting Act and associated N-GAAP standards.

The preparation of financial statements in accordance with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 4.

In accordance with the Norwegian Accounting Act, section 3-3a, the board of directors confirms that the consolidated financial statements have been prepared under the assumption of going concern and that this is the basis for the preparation of the financial statements. The financial solidity and the company's working capital and cash position are considered satisfactory in regards of the planned activity level for the next twelve months.

The board of directors is of the opinion that the consolidated financial statements give a true and fair view of the Company's assets, debt, financial position and financial results. The board of directors are not aware of any factors that materially affect the assessment of the Company's position as of 31 December 2018, besides what is disclosed in the Director's report and the financial statements.

The subtotals and totals in some of the tables may not equal the sum of the amounts shown due to rounding.

2.1.1 Changes in accounting policies and disclosures

IFRS 9 and IFRS 15 is adopted by the Group while IFRS 16 is not yet effective, and the Group has not early adopted this standard.

IFRS 9 Financial instruments
IFRS 9, effective from 1 January 2018, has replaced IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 introduces a new model for classification and measurement of financial assets and financial liabilities, a reformed approach to hedge accounting, and a more forward-looking impairment model. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through OCI and fair value through P&L. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial assets.

The standard permits early adoption, and was issued July 2014. IFRS 9 was endorsed by the EU in late 2016.

IFRS 9 requires that for a financial liability designated as at fair value through profit or loss the effects of changes in the liability's credit risk shall be included in other comprehensive income instead of through profit and loss. This is relevant for the bond loans recognized at fair value through profit or loss according to IFRS 9. This does not have any effect on total equity. Comparative figures for 2017 are restated in the Consolidated financial statements 2018.

The group uses practical expedients when measuring expected credit losses, taking into consideration the customer base, historical experience, outlook and detailed evaluation of some individual balances. The effect of classification of financial instruments and the expected credit loss principle haven't had any significant impact on the financial statements of the group and the group has not any effect on equity 1 January 2018.

IFRS 15 Revenue from contracts with customers

IFRS 15 is a joint revenue recognition standard issued from IASB and FASB and is effective from 1 January 2018, with earlier adoption allowed. The standard presents a single, principles-based five-step model for determination and recognition of revenue to be applied to all contracts with customers. The standard replaces existing IFRS requirements in IAS 11 Construction Contracts and IAS 18 Revenue, as well as supplemental IFRIC guidance. The standard was endorsed by the EU in October 2016. The Group has applied the modified retrospective approach only to contracts that are not completed at 1 January 2018. Under this method, comparative figures are not restated and the cumulative effect of initially applying the standard (if any) would be recognized at the date of adoption. Under IFRS 15, revenue will be recognised when the customer obtains control of the hydrocarbons, which will ordinarily be at the point of delivery when title passes. Over/under lifting of hydrocarbons is until end of 2018 classified according to the entitlement method and valued at estimated sales value minus estimated sales costs on the reporting date. IFRS 15 requires the use of sales method instead of entitlement method which imply that underlift will be classified as a reduction of production expense with a contra entry on prepayment in which case you are entitled to the oil which is not lifted and not yet sold. The overlift will be booked as sales with a corresponding cost accrual related to the overlift which you are not entitled to. IFRIC concluded in March 2019 that the joint operator recognizes revenue that depicts only the transfer of output to its customers in each reporting period, ie revenue recognized applying IFRS 15. This means, for example, the joint operator does not recognize revenue for the output to which it is entitled but which it has not received from the joint operation and sold. The Group will therefore change accounting policy for over-/undelift from 2019 to meet the latest requirements of IFRIC.

IFRS 16 Leases

IFRS 16 was issued by IASB in January 2016, and is effective from 1 January 2019, covers the recognition of leases and related disclosure in the financial statements, and will replace IAS 17 Leases. In the financial statement of lessees, the new standard requires recognition of all contracts that qualify under its definition of a lease as right-of-use assets and lease liabilities in the balance sheet, while lease payments are to be reflected as interest expense and reduction of lease liabilities. The right-of-use assets are to be depreciated in accordance with IAS 16 Property, Plant and Equipment over the lessees' accounting for leases currently defined as operating leases under IAS 17, both with regard to impact on the balance sheet and the statement of income. IFRS 16 defines a lease as a contract that conveys the right to control the use of an identified asset for a period of time in exchange for consideration. While this definition is not dissimilar to that of IAS 17, it would have required further evaluation of each contract to determine whether all leases included or contracts currently not defined as leases, would qualify as leases under the new standard. The standard introduces new requirements both as regards establishing the term of a lease and the related discounted cash flows that determine the amount of a lease liability to be recognised. The standard requires adoption either on a full retrospective basis, or retrospectively with the cumulative effect of initially recognising the standard as an adjustment to retained earnings at the date of initial application, and if so with a number of practical expedients in transitioning existing leases at the time of initial application. The standard was endorsed in November 2018 by the EU.

The Noreco Group currently leases some office equipment and premises, currently classified as operating leases. Due to the size of lease payments and the duration of the contracts, IFRS 16 is not expected to have a material impact on the Consolidated balance sheet or statement of income.

Other amendments to standards

Other standards and amendments to standards, issued but not yet effective, are either not expected to impact Norecos Consolidated financial statements materially, or are not expected to be relevant to the Consolidated financial statements upon adoption.

2.2 Consolidation

Subsidiaries

Subsidiaries are all entities over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are de-consolidated from the date that control ceases.

As of 31 December 2018, all consolidated subsidiaries are 100 percent controlled by the parent company, Norwegian Energy Company ASA or other group companies. The proportion of the voting rights in the subsidiary undertakings held directly by the parent company does not differ from the proportion of ordinary shares held. The parent company does not have any shareholdings in the preference shares of subsidiary undertakings included in the group. All subsidiary undertakings are included in the consolidation.

The group had the following subsidiaries on 31 December 2018:

Name	Country of incorp and place of business	Nature of business	Ordinary shares directly held by parent (%)	Ordinary shares held by the group (%)
Noreco Denmark A/S	Denmark	Intermediate holding company		100 %
Noreco Oil Denmark A/S	Denmark	Exploration and production activity in Denmark		100 %
Noreco Petroleum Denmark A/S	Denmark	Exploration and production activity in Denmark		100 %
Norwegian Energy Company UK Ltd	Great Britain	Exploration activity in Great Britain	100 %	100 %
Noreco Oil (UK) Ltd	Great Britain	Production activity in Great Britain		100 %
Altinex AS	Norway	Intermediate holding company	100 %	100 %
Djerv Energi AS	Norway	Dormant Company	100 %	100 %

The Group entered into agreements to acquire 100% of the shares in Shell Olie- og Gasudvinding Danmark B.V. and its wholly owned subsidiary Shell Olie- og Gasudvinding Danmark Pipelines ApS in 2018.

The group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred. If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IFRS 9 in profit or loss. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity. Inter-company transactions, balances, income and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the group's accounting policies.

b) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of the net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

c) Disposal of subsidiaries

When the group ceases to have control any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

c) Interest in jointly controlled assets
A jointly controlled asset is a contractual agreement between two or more parties regarding a financial activity under joint control. The Group has ownership in licences that are not separate legal companies. The Company recognises investments in jointly controlled assets by applying the proportionate consolidation method by accounting for its share in the assets income, cost, assets, debt and cash flow in the respective line items in the Company's financial statements.

2.3 Segment reporting

The group's segments were established on the basis of the most appropriate distribution of resource and result measurement. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the managing director. After the restructuring in 2015, the whole group is considered as a single operating segment.

2.4 Foreign currency translation

a) Functional and presentation currency
Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Norwegian Kroner (NOK), which is the group's presentation currency and the parent company's functional currency.

b) Transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses are recognised in the income statement as other financial income or other financial expenses.

c) Group companies
The results and financial position of all the group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

I) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

II) income and expenses for each income statement are translated at the average quarterly exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions)

III) All currency translation adjustments are recognised in other comprehensive income. Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Currency translation adjustments arising are recognised in other comprehensive income.

2.5 Property, plant and equipment

Property, plant and equipment include production facilities, machinery and equipment. Items of property, plant and equipment are measured at cost, less accumulated depreciation and accumulated impairment losses. Cost includes purchase price or construction cost and any costs directly attributable to bringing the assets to a working condition for their intended use, including capitalised borrowing expenses incurred up until the time the asset is ready to be put into operation.

For property, plant and equipment where asset retirement obligations for decommissioning and dismantling are recognised as a liability, this value will be added to acquisition cost for the respective assets. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in the income statement using the effective interest method.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment and depreciated separately.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Gain or loss from sale of property, plant and equipment, which is calculated as the difference between the sales consideration and the carrying amount, is reported in the income statement under other (losses)/gains.

Expenses related to drilling and equipment for exploration wells where proven and probable reserves are discovered are capitalised and depreciated using the unit-of-production (UoP) method based on the proven and probable reserves expected to be produced from the well. Development cost related to construction, installation and completion of infrastructural facilities such as platforms, pipelines and drilling of production wells, are capitalised as producing oil and gas fields. They are depreciated using the unit-of-production method based on the proven and probable developed reserves expected to be recovered from the area for the economic lifetime of the field. For fields where the oil share of the reserves constitutes the most significant part of the value, the capitalised cost is depreciated based on produced barrels of oil. This gives a more correct matching of expenses and revenue than using all produced oil equivalents. If realisation of the probable reserves demands further future investments, these are added to the basis of depreciation.

Acquired assets used for extraction and production of petroleum deposits, including licence rights, are depreciated using the unit-of-production method based on proven and probable reserves.

Historical cost price for other assets is depreciated over the estimated useful economic life of the asset, using the straight line method.

The estimated useful lives are as follows:
- Office equipment and fixtures: 3-5 years

Depreciation methods, useful lives, residual values and reserves are reviewed at each reporting date and adjusted if appropriate.

2.5.1 Property, plant and equipment available for sale

Property, plant and equipment are classified as held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are measured at the lower of carrying amount and the fair value less costs of disposal.

2.6 Intangible assets

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired. If the total consideration transferred, non-controlling interest recognised and previously held interest measured at fair value is less than the fair value of the net assets of the subsidiary acquired, in the case of a bargain purchase, the difference is recognised directly in the income statement.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the CGUs, or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

In connection with divestment of assets, gain or loss is calculated by settling all carrying balances related to the realised asset and comparing this with the agreed consideration adjusted for any pro/contra settlement.

In cases where the sold asset forms a part of a cash generating unit to which goodwill is allocated, goodwill is allocated to the sold asset based on the relative share of fair value which forms part of the specific cash generating unit for goodwill. This method is used unless the Company can demonstrate that another method better reflects the goodwill related with the sold asset.

2.7 Impairment of non-financial assets

a) Unit of account
The Group applies each prospect, discovery, or field as unit of account for allocation of profit or loss and balance sheet items.

When performing impairment testing of licence and capitalised exploration expenses and production facilities, each prospect, discovery, or field is tested separately as long as they are not defined to be part of a larger cash generating unit.

Developed fields producing from the same offshore installation are treated as one joint cash generating unit. The size of a cash-generating unit can not be larger than an operational segment.

Goodwill is tested for impairment at the same level in which the goodwill is allocated. During 2015 all goodwill was impaired.

b) Impairment testing
Intangible assets with an indefinite useful life are not subject to amortisation and are tested annually for impairment. Property, plant and equipment subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered

2.8 Non-current assets (or disposal groups) held for sale and discontinued operations

Non-current assets (or disposal groups) are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell.

A discontinued operation is a component of the Group's business, the operation and cash flows of which can be clearly distinguished from the rest of the Group and which:

• Represents a major line of business or geographical are of operations

• Is part of a single co-ordinated plan to dispose of a separate major line of business or geographic are of operations.

Classification as a discontinued operation occurs at the earlier of disposal or when the operation meets the criteria to be classified as held-for-sale.

2.9 Financial assets

2.9.1 Classification

The Group classifies financial assets and financial liabilities according to IFRS 9 through the mixed measurement model with three primary measurement categories for financial assets: amortized cost, fair value through OCI and fair value through P&L. The classification depends on the entity's business model and the contractual cash flow characteristics of the financial assets. Management determines the classification of its financial assets at initial recognition.

(a) Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss are financial assets held for trading that are not measured at amortized cost or at fair value through other comprehensive income. IFRS 9 requires that for a financial liability designated as at fair value through profit or loss the effects of changes in the liability's credit risk shall be included in other comprehensive income instead of through profit and loss. Derivatives are also categorised as available-for-sale unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months, otherwise they are classified as non-current.

(b) Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Group classifies loans and receivables according to IFRS 9 through amortized cost. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets.

The Group's loans and receivables comprise 'trade and other receivables', "restricted cash" and 'cash and cash equivalents' in the balance sheet (notes 2.11 and 2.12).

2.9.2 Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss, are initially recognised at fair value, and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the income statement within 'Other (losses)/gains' in the period in which they arise.

2.10 Impairment of financial assets

a) Assets carried at amortised cost

The Group assesses whether there is objective evidence that a non derivative financial assets is impaired at the end of each reporting period. A non derivative financial asset is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For the loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

2.11 Derivative financial instruments and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

The Group has no derivatives designated as hedging as of 31 December 2018.

2.12 Trade receivables

Trade receivables are amounts due from customers for oil and gas sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are measured at amortized cost using the effective interest method, less provision for impairment.

2.13 Cash and cash equivalents

Cash and cash equivalents includes cash, bank deposits and short term liquid placements, that immediately and with insignificant share price risk can be converted to known cash amounts and with a remaining maturity less than three months from the date of acquisition. In the consolidated balance sheet, bank overdrafts are shown within borrowings in current liabilities.

2.14 Over/under lifting of hydrocarbons

Over lifting of hydrocarbons is presented as current liabilities, under lifting of hydrocarbons is presented as current receivables. The value of over lifting or under lifting is measured at the estimated sales value, less estimated sales costs. Over lifting and under lifting of hydrocarbons are presented at gross value. Over/under lift positions at the balance sheet date, are expected to be settled within 12 months from the balance sheet date.

For the accounts, the items are treated as financial instruments at fair value through profit or loss. The item is considered to be a financial instrument as the over/under lift position will be settled in cash at the end of the fields' life time or when the licence is sold or returned.

2.15 Share capital and share premium

Ordinary shares are classified as equity. Costs directly attributable to the issue of new shares or option shares are recognised as a deduction from equity, net of any tax effects.

2.16 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are measured at fair value at first time recognition. Subsequent measurements are considered trade payables at amortised cost when using effective interest rate.

2.17 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. The subsequent measurement depends on which category they have been classified into. The categories applicable for company are either financial liabilities measured at fair value through OCI or financial liabilities measured at amortised cost using the effective interest method. The company has designated the amended and restated bond loan at fair value through profit and loss and the effects of changes in the liability's credit risk through other comprehensive income according to IFRS 9.

Borrowings are classified as non-curent if contactual maturity is more than 12 months from the balance sheet date. If the Group is in breach with any covenants on the balance sheet date, and a waiver has not been approved before or on the balance sheet date with 12 months duration or more after the balance sheet date, the loan is classified as current even if expected maturity is longer than 12 months after the balance sheet date.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or when the contractual obligation expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, the exchange or modification is treated as the de-recognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of comprehensive income as a gain or loss under financial items. Transaction costs incurred during this process are treated as a cost of the settlement of the old debt and included in the gain or loss calculation.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

2.18 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they incur.

2.19 Current and deferred income tax

The tax expense for the period comprises current tax, tax impact from refund of exploration expenses and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised on temporary differences arising between the tax bases of assets, and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects nether accounting nor taxable profit or loss. Deferred income tax is determined using nominal tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, associates and joint arrangements only to the extent that it is probable that the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

In Denmark the maximum marginal tax rate for oil and gas companies is 64 per cent, whereof 25 per cent is related to ordinary company tax. When calculating the 39% tax (64%-25%) the company is allowed to deduct an uplift of 30% of the investments in PP&A over a period of 6 years. Through an agreement from 2017 license holders on Danish Continental Shelf have had the possibility of applying new rules whereby the company will have the possibility of increased uplift and accelerated depreciation during the period from 2017 to 2025. At the same time the companies utilizing the benefit are also liable for a windfall tax that will materialize from 2022 through 2037 with an oil price (indexed from 2017) above USD 75. The windfall tax can not exceed the indexed benefit from the applied rules.

2.20 Pensions

The Group only has defined contribution plans as of 31 December 2018. For the defined contribution plan, the group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

2.21 Share-based payments

The Group operates a number of equity-settled, share-based compensation plans, under which the entity receives services from employees as consideration for equity instruments (options) of the Group. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

Fair value:
- Including any market performance conditions
- Excludes the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period)

Non-market performance and service conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period (which is the period over which all of the specified vesting conditions are to be satisfied).

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium.

The social security contributions payable in connection with the grant of the share options is considered an integral part of the grant itself, and the charge will be treated as a cash-settled transaction.

2.22 Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) arising from a past event, and it is probable (more likely than not) that it will result in an outflow from the entity of resources embodying economic benefits, and that a reliable estimate can be made of the amount of the obligation.

Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.22.1 Asset retirement obligations

Provisions reflect the estimated cost of decommissioning and removal of wells and production facilities used for the production of hydrocarbons. Asset retirement obligations are measured at net present value of the anticipated future cost (estimated based on current day costs inflated). The liability is calculated on the basis of current removal requirements and is discounted to present value using a risk-free rate adjusted for credit risk. Liabilities are recognised when they arise and are adjusted continually in accordance with changes in requirements, price levels etc. When a decommissioning liability is recognised or the estimate changes, a corresponding amount is recorded to increase or decrease the related asset and is depreciated in line with the asset. Increase in the provision as a result of the time value of money is recognised in the income statement as a financial expense. If abandonment cost through agreements with partners have been limited to a given amount, this then forms the basis for the recognized liability.

2.23 Contingent liabilities and assets

Contingent liabilities are defined as:
- Possible obligations that arise from past events, whose existence depends on uncertain future events.
- Present obligations which have not been recognised because it is not probable that they will result in a payment.
- The amount of the obligation cannot be measured with sufficient reliability.

Specific mention of material contingent liabilities is disclosed, with the exception of contingent liabilities where the possibility of an outflow of resources embodying economic benefits is remote.

Contingent assets are not recognised in the financial statements, but are disclosed if there is a certain probability that a benefit will accrue to the Group.

2.24 Revenue recognition

Under IFRS 15, revenue is recognized when the customer obtains control of the hydrocarbons, which will ordinarily be at the point of delivery when title passes.

Revenue from the production of oil, gas and NGL (hydrocarbons) is recognised depending on the Group's share of production in the separate licences the Group is part of. Over/under lifting of hydrocarbons as a consequence of the entitlement method is valued to estimated sales value minus estimated sales costs on the reporting date. Over/under lifting occurs when the Group has lifted and sold more or less hydrocarbons from a producing field than what the Group is entitled to at the lift time. See note 2.14 for description of accounting for over/under lifting of hydrocarbons in the balance sheet. IFRIC concluded in March 2019 that the joint operator recognizes revenue that depicts only the transfer of output to its customers in each reporting period, ie revenue recognized applying IFRS 15. This means, for example, the joint operator does not recognize revenue for the output to which it is entitled but which it has not received from the joint operation and sold. The Group will therefore change accounting policy for over-/undelift from 2019 to meet the latest requirements of IFRIC.

2.25 Production cost

Production cost is costs that are directly attached to production of hydrocarbons, e.g. cost for operating and maintaining production facilities and installations. Costs mainly consist of man-hours, insurance, processing costs, environmental fees, transport costs etc.

2.26 Interest income

Interest income is recognised using the effective interest method. When a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loan and receivables is recognised using the original effective interest rate.

2.27 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

2.28 Consolidated statement of cash flow

The consolidated statement of cash flow is prepared according to the indirect method. See note 2.12 for the definition of "Cash and cash equivalents".

2.29 Subsequent events

Events that take place between the end of the reporting period and the issuing of the quarterly or annual accounts, will be considered if the event is of such a nature that it gives new information about items that were present on the balance sheet date.

3 Financial risk management

3.1 Financial risk factors

The group's activities expose it to financial risks: market risk (including currency risk, price risk, interest rate risk), credit risk and liquidity risk. The Group uses bonds to finance its operations in connection with the day to day business, financial instruments, such as bank deposits, trade receivables and payables, and other short term liabilities which arise directly from its operations, are utilised.

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in the market prices. Market risk comprises three types of risk: foreign currency risk, price risk and interest rate risk. Financial instruments affected by market risk include loans and borrowings, deposits, trade receivables, trade payables, accrued liabilities and derivative financial instruments.

(a) Foreign currency risk

The group is composed of businesses with various functional currencies in USD, GBP and NOK. The group is exposed to foreign exchange risk for series of payments in other currencies than the functional currency, mainly related to the ratio between NOK and USD, DKK and USD, and GBP and NOK. The Group's balance sheet includes significant assets and liabilities which are recorded in other currencies than the Group's presentation currency. As such the group's equity is sensitive to changes in foreign exchange rates. See Note 17 Trade receivables and other current receivables, Note 18 Restricted cash, bank deposits, cash and cash equivalents, Note 19 Financial instruments, Note 22 Asset retirement obligation, Note 23 Borrowings and Note 24 Trade payables and other payables, Note 28 Contingencies and commitments. A decrease in the closing rate of USD, GBP and DKK with 10 percent would have the following impact on financial assets, financial liabilities and equity:

NOK million	USD	GBP	DKK
Financial Assets	-8	-0	-58
Financial Liabilities	-0	-1	-59
Equity	-8	1	0

The Company considers the currency risk relating to the different financial instruments to be low, as the main financial items held in a currency other than the functional currency of the respective components is offset by positions in other components of the Group. With regards to trade receivables and payables, the Company deems the exposure risk to be immaterial.

(b) Price risk

Noreco produces and sells hydrocarbons in Denmark and are as a result exposed to changes in commodity and oil prices. As of 31 December Noreco had outstanding bond debt, listed at Oslo Stock exchange, which is recorded at fair value. A deviation from recorded fair value would directly affect the company's recorded equity, and correspondingly the group is exposed to the development on the bond debt.

(c) Interest rate risk

The Group has no loans with floating interest rate. Loans with fixed interest rate expose the Group to risk (premium/discount) associated with changes in the market interest rate. At year-end, the group has a total of NOK 475 million (2017: NOK 161 million) in interest-bearing debt (nominal value), of which NOK 475 million (2017: NOK 161 million) is classified as current. All the Group's debt are loans with a fixed interest rate. For further information about the Group's interest-bearing debt, see Note 23.

All bank deposits (NOK 600 million) are at floating interest rates. See note 18 Restricted cash, bank deposits, cash and cash equivalents for further information about bank deposits. The Group considers the risk exposure to changes in market interest to be at an acceptable level.

Liquidity risk
The Group has certain financial commitments arising from its operations and other agreements entered into which are expected to be met by liquid assets, proceeds from external financing and cash flow from operations. The Group monitors its liquidity situation continuously to ensure it will be able to meet its financial obligations as they fall due. As per 31 December 2018, the Group had NOK 472 million of interest bearing debt falling due within 12 months. The Group has entered into agreements for financing on certain terms and conditions in which the current indebtedness will be settled or refinanced, conditional upon closing of the transaction with Shell. For further information on the financing related to the transaction see the directors report section. In case the transaction should not complete the indebtedness will fall due on 31 March 2020, the Group expects under such circumstances to be able to repay the majority of the indebtedness with the deposit payed to Shell.

Credit risk
The groups most significant credit risk arises principally from recognised receivables and insurance arrangements related to the group’s operation. The credit risk arising from the production of oil, gas and NGL is considered limited, as sales during 2018 are to major oil companies with considerable financial resources. The counterparty in derivatives and insurance related issues are large international banks and insurance companies whose credit risk is considered low.

3.2 Capital risk management

The group's objectives when managing capital is to safeguard the group's ability to continue as a going concern in order to provide return for shareholders and benefits for other stakeholders and to maintain an acceptable capital structure to reduce the cost of capital.

The group monitors the debt with the basis of cash flows, equity ratio and the gearing ratio. See further information regarding borrowings and covenants in Note 23.

3.3 Fair value estimation

The Group has certain financial instruments carried at fair value. The different levels have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets and liabilities

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm’s length basis.

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm’s length basis. The quoted market price used for financial assets held by the Group is the current bid price.

Level 2: Inputs other than quoted prices included within level 1 that are observable for the assets or liability, either directly or indirectly

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

Specified valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments;
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves;
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date, with the resulting value discounted back to present value;

Level 3: Inputs for other assets or liabilities that are not based on observable market data

Other techniques, such as discounted cash flow analysis, are used to determine fair value for the financial instruments included in this level. See Note 19 for fair value hierarchy and further information.

4 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

4.1 Critical accounting estimates and assumptions

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Due to the change in the Group's assets and liabilities the uncertainty related to the applied assumptions and estimates have reduced significantly during the year. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

a) Estimated value of financial assets
For every reporting date, an assessment is made on whether objective evidence is present that financial assets or groups of financial assets should be written down.

b) Income tax
All figures reported in the income statement and balance sheet are based on the group's tax calculations, and should be regarded as estimates until the tax for the year has been settled. Tax authorities can be of a different opinion than the company including what constitutes exploration cost and continental shelf deficiency in accordance with the Petroleum Taxation Act. See also Note 15.

c) Asset retirement obligation
Production of oil and gas is subject to statutory requirements relating to decommissioning and removal obligation once production has ceased. Provisions to cover these future decommissioning and removal expenditures must be recognised at the time the statutory requirement arises. The costs will often incur some time in the future, and there is significant uncertainty attached to the scale and complexity of the decommissioning and removal involved. Estimated future costs (estimated based on current costs inflated) are based on known decommissioning and removal technology, expected future price levels, and the expected future decommissioning and removal date, discounted to net present value using a risk-free rate adjusted for credit risk. Changes in one or more of these factors could result in changes in the decommissioning and removal liabilities; however through agreements with partners and the group structure the majority of these obligations are capped and very little uncertainty is attached to the estimates.

4.2 Critical judgements in applying the entity's accounting policies

a) Impairment testing of financial assets
The Group follows the guidance of IFRS 9 to determine impairment of receivables recognised in accordance with amortised cost. This determination requires significant judgement. See Notes 19 and 28 for further information.

5 Discontinued operations

On 2 March 2016 it was announced that Noreco had divested its Norwegian exploration activities to Det norske oljeselskap ASA (Aker BP). The transaction constituted a ceasing of all of Noreco Norway's petroleum activities, and Noreco initiated the process of claiming Exit refund during first half of 2017. During Q4 2017 Noreco Norway recieved the Exit refund and repaid NOK 393 million to the bondholders in accordance with the approved bondholder proposal of 16 March 2016 after which it was liquidated.

In December 2016 Noreco announced that it's 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, resulting in a reversal of the previously accrued cost relating to produc-tion expense and asset retirement obligations relating to the license. Due to tax loss carry forward the reversal has no tax implications.

Consolidated statement of income for discontinued operation NOK million	2018	2017
Revenue	**-**	**-**
Production expenses	-	0
Exploration and evaluation expenses	-	(1)
Payroll expenses	-	(0)
Other operating expenses	(0)	(4)
Other (losses) / gains [1]	-	112
Total operating expenses	**(0)**	**107**
Operating result before depreciation and write-downs	**(0)**	**107**
Depreciation	-	(0)
Write-downs and reversals of write-downs	-	-
Net operating result	**(0)**	**107**
Financial income	-	2
Financial expenses	-	(21)
Net financial items	**(0)**	**(19)**
Result before tax	**(0)**	**88**
Income tax benefit / (expense)	-	15
Net result for the period	**(0)**	**102**
Earnings per share discontinued operation (NOK 1)		
Basic	(0,0)	14,2
Diluted	(0,0)	14,0

NOK million	2018	2017
Net cash from operating activities		472
Net cash from investing activities		-
Net cash from financing activities		(390)
Net cash flow for the period [3]	**-**	**82**

1) Excess value of the Dvalin payment after paying the bondholders their part.

6 Revenue

NOK million	2018	2017
Continuing operation		
Sale of oil	14	8
Sale of gas and NGL	2	2
Total revenue continuing operation	**16**	**10**
Total revenue discontinued operation	**-**	**-**
Total revenue	**16**	**10**

Revenue per customer, continued operation	2018	2017
INEOS E&P AS	87,5 %	77,8 %
INEOS Naturgas AS	1250 %	22,2 %
Total	**100,0 %**	**100,0 %**

7 Production Expenses

NOK million	2018	2017
Continuing operation		
Lulita	(3)	3
Siri [1)]	-	(388)
Total production expenses continuing operation	**(3)**	**(385)**
Total production expenses discontinued operation	**-**	**0**
Total production expenses	**(3)**	**(385)**

1) The ruling from Danish High Court only awarded Noreco a total compensation of NOK 171 million (USD 20,8 million) including interest of NOK 68 million (USD 8,3 million). The amount already accounted for of NOK 490 million (USD 59,7 million) was reversed while awarded amount was accounted for in 2017.

8 Exploration and Evaluation Expenses

NOK million	2018	2017
Continuing operation		
Total exploration and evaluation costs continuing operation	-	-
Total exploration and evaluation costs discontinued operation	-	(1)
Total exploration and evaluation costs	-	(1)

9 Personell Expenses and Remuneration

NOK million	2018	2017
Continuing operation		
Salaries	(12)	(12)
Social security tax	(1)	(4)
Pensions costs (note 21)	(1)	(1)
Costs relating to share-based payments (note 25)	(5)	(13)
Other personnel expenses	(0)	(0)
Total personell expenses continuing operation	**(19)**	**(29)**
Total personell expenses discontinued operation	**-**	**(0)**
Total personell expenses	**(19)**	**(30)**

Average number of employees, continuing operations	**8**	**8**
Average number of employees, discontinued operation	**-**	**-**
Average number of employees	**8**	**8**

Share based payments relate to the option program decided at the EGM in January 2016 for the benefit of the executive management. This option programme was in March 2017 extended until March 2019. During 2017 former CEO Silje Augustson exercised 100,000 of her share options resulting in high social security cost. The board of directors allocated 80,000 new share options in the second quarter of 2017. As a result of the high volatility in the share price the cost relating to share based payment increased by approx. NOK 13 million in 2017.

In 2018 part of the accrued cash settlement for the existing options in-the-money on 15 October 2018, when the options program was discontinued, exceeded the fair value of the option by NOK 4,7 million.

Compensation to key management for 2018

NOK 1 000		Remuneration	Bonus earned 2017, paid 2018	Retention bonus for 2017 paid 2018	Pension	Other remuneration [4]	Total compensation	Number of shares	Number of options
Senior executives									
Frederik Rustad [2]	Managing Director	1 680	263	-	92	13	2 048	-	-
Sjur Talstad [3]	Chief Operating Officer	518	-	-	-	3	521	-	-
Silje Hellestad	Group Acc. Man.	1 110	193	-	127	18	1 447	-	-
Former executives									
Cecilie Olesen Lindseth [1]	Managing Director	572	-	-	40	17	629	-	-
Total compensation 2018		**3 308**	**456**	**0**	**259**	**51**	**4 646**	**0**	**0**
Total compensation 2017		2 029	0	0	0	109	2 138	50 000	100 000

1) Compensation includes salary to managing director Cecilie Olesen Lindseth. She was employed until 31 March 2018.
2) Frederik Rustad was constituted managing director with effect from 3 April 2018. Compensation includes salary for the whole year.
3) Chief Operating Officer Sjur Talstad employed 15 November 2018.
4) Other remuneration relates to the benefit of free phone, free newspaper and insurance.

The Company has not issued any loans or acted as a guarantor for directors or management.

NOK 1 000	Director's fees	Total compensation 1)	Number of shares 2)	Number of options 3)	Shares purchased in 2018 4)	Period served on the board
Current Board of directors						
Riulf Rustad – Chair of the Board 5)	450	3 688	142 975	–	-	27/03/15
Lars Purlund – Board member	300	2 704	5 282	–	-	26/05/16
Marianne Lie – Board member	300	300	2 000	-	-	26/05/16
Tone Kristin Omsted – Board member	300	300	-	-	-	26/05/16
John Philip Madden III – Board member	300	300	-	-	-	26/05/16
Total compensation 2018	**1 650**	**7 292**	**150 257**	**0**	**0**	
Total compensation 2017	1 650	6 708	157 534	170 000	0	

1) Total compensation includes for the Chair and each Director payment for services rendered as consultants in accordance with consultancy agreement with a remuneration of NOK 2,000 per hour. Approved by General meeting in 2016.
2) The number of shares owned by board members is allocated between private shareholding and shareholding through companies controlled by board members. Number of shares owned as of 31 December 2018.
3) 3) The former share options program was discontinued on the general meeting held 8 November 2018, options in the money will be settled with cash and options out of the money will be forfeited.
4) Figures show the net increase in share holding in 2018.
5) It was approved by the general meeting on 8 November 2018 that existing options in-the-money on 15 October 2018 shall be settled by cash payment from the Company to the option holder in an amount of NOK 198 per option. This relates to 100 000 options granted in 2016 to the chairman Riulf Rustad, and the total payment to be made in 2019 will be NOK 19.8 million. The additional benefit is calculated to NOK 4.7 million as of 8 November 2018. No amount related to this is included in the total compensation in the table above.

The Company has not issued any loans or acted as a guarantor for directors or management.

Directors' fees

The annual remuneration to board members is decided on by the Shareholder's Meeting. Current benefits are;
The Chair of the Board receives an annual remuneration of NOK 450 000 and the other shareholder elected members of the board receive an annual remuneration of NOK 300 000. Certain remuneration is paid quarterly. The Board members have entered into consultancy agreements to provide services to the Company on an hourly basis at a cost of NOK 2 000 per hour.

In addition to the above, Board members are reimbursed for travel expenses and other expenses in connection with company related activities.

Board of Directors' Statement on Remuneration to the Managing Director and the Executive Officers

In accordance with section 6-16a of the Norwegian Public Limited Liability Companies Act, the board of directors of Norwegian Energy Company ASA ("Noreco" or the "Company") has prepared a statement related to the determination of salary and other benefits for the managing director and other key executive officers.

I General on executive remuneration

The total compensation for the managing director and the executive management shall be competitive, reflect the responsibilities and effort required, reward success and not the opposite, and also ensure alignment of interest with shareholders. The remuneration for the Managing. Director and executive management includes fixed and variable elements. The fixed element consists of a base salary and other benefits, such as free mobile phone and life, accident and sickness insurance in accordance with normal practice in the oil industry. Variable elements of remuneration may be used, or other special supplementary payments may be awarded than those mentioned above if this is considered appropriate.

II Binding principles related to share price developments

At the extraordinary general meeting held on 8 November 2018, the general meeting replaced the Company's existing option scheme. The board of directors was authorized to grant options up to a total of 1 510 000 shares in the Company as part of a new incentive program. The options may be granted to the members of the board and key personnel of the Company. After award, the options must be exercised within 5 years after which they expire. The options shall have a vesting period of 3 years from the time of award, with 1/3 vesting for each of the three years. Options were to be divided into (i) options to buy or subscribe for 715,000 shares at a strike price of NOK 240 per share, (ii) options to buy or subscribe for 170,000 shares at a strike price based on the VWAP 30 days after completion of the acquisition of the DUC assets, and (iii) options to buy or subscribe for 625,000 shares at a strike price determined at the board of director's discretion with reference to the share price at the time of granting the options. The board of directors may also award other options, other terms for options and other kind of remuneration related to the share price of the Company. Remuneration to the managing director and executive management shall be evalu-ated and may be amended regularly by the board of directors to ensure that salaries and other benefits are based on the above guidelines and principles and in accordance with the purpose of the total compensation package for the managing director mentioned above.

III Remuneration policy for 2018

Remuneration to the managing directors and the executive management for 2018 has been in line with the board of directors' statement on remuneration to the managing director and other key executive officers as approved by the annual general meeting held in 2018.

Compensation to key management for 2017

NOK 1 000		Remuneration	Bonus earned 2016, paid 2017	Retention bonus for 2016 paid 2017	Pension	Other remuneration [1]	Total compensation [2]	Number of shares [3]	Number of options	Shares purchased in 2017 [4]
Senior executives										
Silje Christine Augustson [1]	Group Acc. Man.	1 529	-	-	-	107	1 636	50 000	-	100 000
Cecilie Olesen Lindseth [2]	Managing Dir.	500	-	-	-	2	502			
Total compensation 2017		**2 029**	**0**	**0**	**0**	**109**	**2 138**	**50 000**	**0**	**100 000**
Total compensation 2016		1 731	0	0	0	0	1 731	10 000	0	10 000

1) Compensation includes salary as CEO. Silje Augustson was employed until 30 September 2017. She excersized her option program in June and August 2017 giving a total gain on share based payment of 22.85 million NOK. No severance payment was made to former CEO when leaving the company.
2) Compensation includes salary to managing director Cecilie Olesen Lindseth employed 1 October 2017. Frederik Rustad was constituted managing director with effect from 3 April 2018.
3) Shares held as per the end of employment.

The Company has not issued any loans or acted as a guarantor for directors or management.

NOK 1 000	Director's fees	Total compensation 1)	Number of shares 2)	Number of options 3)	Shares purchased in 2017 4)	Period served on the board	
Current board of directors							
Riulf Rustad, Chair of the Board	450	3 354	142 975	100 000	-	27/03/15	-
Lars Purlund, Board member	300	2 454	12 559	70 000	-	26/05/16	-
Marianne Lie, Board member	300	300	2 000	-	-	26/05/16	-
Tone Kristin Omsted, Board member	300	300	-	-	-	26/05/16	-
John Philip Madden III, Board member	300	300	-	-	-	26/05/16	-
Total compensation 2017	**1 650**	**6 708**	**157 534**	**170 000**	**0**		
Total compensation 2016	1 538	8 200	182 534	200 000	152 329		

1) Total compensation includes payment for services rendered as consultants in accordance with consultancy agreement with a remuneration of NOK 2,000 per hour. Approved by General meeting in 2016.
2) The number of shares owned by board members is allocated between private shareholding and shareholding through companies con-trolled by board members. Number of shares owned as of 31 December 2017.
3) Total number of options according to the Company's incentive arrangement
4) Figures show the net increase in share holding in 2017

Director's fees

The annual remuneration to board members is decided on by the Shareholder's Meeting. Current benefits are;

The Chair of the Board receives an annual remuneration of NOK 450 000 and the other shareholder elected members of the board receive an annual remuneration of NOK 300 000. The remuneration is paid quarterly. The Board members have entered into consultancy agreements to provide services to the Company on an hourly basis at a cost of NOK 2 000 per hour. Also Riulf Rustad will receive 1 per cent of net insurance proceeds received by the Noreco's bondholders and/or shareholders in connection with the Siri insurance claim.

Employee elected board representatives receive an annual remuneration of NOK 150 000, and deputy director of the board receive NOK 5.000 per meeting. The remuneration is paid quarterly.

In addition to the above, Board members are reimbursed for travel expenses and other expenses in connection with company related activities.

10 Other Operating Expenses

Specification of other operating expenses

NOK million	2018	2017
Continuing operation		
Lease expenses	(3)	(1)
IT expenses	(2)	(2)
Travel expenses	(1)	(2)
Office cost	(0)	(0)
Consultant fees	(20)	(26)
Litigation fees	(127)	(0)
Other operating expenses	(2)	(2)
Total other operating expenses continuing operation	**(156)**	**(33)**
Total other operating expenses discontinued operation	**(0)**	**(4)**
Total other operating expenses	**(156)**	**(37)**

NOK million	2018	2017
Continuing operation		
Auditor’s fees	(2)	(2)
Other assurance service	-	(0)
Other non-audit assistance	(1)	(0)
Total audit fees continuing operation	**(3)**	**(2)**
Total audit fees discontinued operation	**-**	**-**
Total audit fees	**(3)**	**(2)**

11 Other (Losses) / Gains

NOK million	2018	2017
Continuing operation		
Change in value, other derivatives	-	-
Total other (losses)/gains continuing operations	**-**	**-**
Total other (losses)/gains discontinued operations	**-**	**112**
Total other (losses) / gains	**-**	**112**

12 Intangible Fixed Assets

Intangible fixed assets at 31 December 2018

NOK million	Licence and capitalised exploration expenditures	Goodwill	Total
Acquisition costs at 1 January 2018	(0)	7	7
Additions	-	-	-
Expensed exploration expenditures previously capitalised			
Disposal	-	-	-
Currency translation adjustment	-	0	0
Acquisition costs at 31 December 2018	**-**	**7**	**7**
Accumulated depreciation and write-downs			
Accumulated depreciation and write-downs 1 January 2018		(7)	(7)
Disposal		-	-
Currency translation adjustment		(0)	(0)
Accumulated depreciation and write-downs 31 December 2018	**-**	**(7)**	**(7)**
Book value 31 December 2018	**-**	**-**	**-**

Impairment test was not performed in 2018 for intangible assets due to all intangible non-current assets being impaired in full during 2015, and no triggers or reversal triggers have been present in 2018.

Intangible fixed assets at 31 December 2017

NOK million	Licence and capitalised exploration expenditures	Goodwill	Total
Acquisition costs at 1 January 2017	(0)	7	7
Additions	-	-	-
Expensed exploration expenditures previously capitalised	-	-	-
Disposal	-	-	-
Reclassified to assets held for sale	-	-	-
Currency translation adjustment	-	(0)	(0)
Acquisition costs at 31 December 2017	**-**	**7**	**7**
Accumulated depreciation and write-downs			
Accumulated depreciation and write-downs 1 January 2017		(7)	(7)
Write-downs		-	-
Disposal		-	-
Reclassified to assets held for sale		-	-
Currency translation adjustment		0	0
Accumulated depreciation and write-downs 31 December 2017	**-**	**(7)**	**(7)**
Book value 31 December 2017	**-**	**(0)**	**(0)**

13 Property, Plant and Equipment

Property, plant and equipment at 31 December 2018

NOK million	Production facilities	Office equipment and fixtures	Total
Acquisition costs at 1 January 2018	27	6	34
Additions	-	0	0
Revaluation abandonment assets	-	-	-
Disposal	-	(0)	(0)
Currency translation adjustment	2	0	2
Acquisition costs at 31 December 2018	**29**	**7**	**36**
Accumulated depreciation			
Accumulated depreciation and write downs 1 January 2018	(18)	(5)	(23)
Depreciation	(1)	(0)	(1)
Write-downs / reversal of writedowns	-	-	-
Disposal	-	0	0
Currency translation adjustment	(1)	(0)	(1)
Accumulated depreciation and write downs 31 December 2018	**(20)**	**(6)**	**(26)**
Book value 31 December 2018	**9**	**1**	**10**
Economic life	N/A	3-5 years	
Depreciation plan	UoP	Straight line	

Property, plant and equipment at 31 December 2017

NOK million	Production facilities	Office equipment and fixture	Total
Acquisition costs at 1 January 2017	47	6	53
Additions	0	1	1
Revaluation abandonment assets	(2)	-	(2)
Disposal	(16)	(0)	(16)
Currency translation adjustment	(2)	(0)	(2)
Acquisition costs at 31 December 2017	**27**	**6**	34
Accumulated depreciation			
Accumulated depreciation and write downs 1 January 2017	(34)	(6)	(40)
Depreciation	(0)	(0)	(0)
Write-downs / reversal of writedowns	(0)	-	(0)
Disposal	16	-	16
Currency translation adjustment	1	0	1
Accumulated depreciation and write downs 31 December 2017	**(18)**	**(5)**	**(23)**
Book value 31 December 2017	**10**	**1**	**11**
Economic life	N/A	3-5 years	
Depreciation plan	UoP	Straight line	

14 Financial Income and Expenses

Financial income

NOK million	2018	2017
Continuing operation		
Interest income	5	74
Change in fair value of bond debt	-	2
Foreign exchange gains [1]	174	104
Other financial income	0	-
Total financial income continuing operation	**179**	**180**
Total financial income discontinued operation	**-**	**2**
Total financial income	**179**	**181**

Financial expenses	**2018**	**2017**
Continuing operation		
Interest expenses from bond loans [2]	(23)	(31)
Interest expenses current liabilities	(0)	(0)
Accretion expense related to asset retirement obligations (ref note 23)	(0)	(0)
Loss on repurchase of bond	(0)	-
Foreign exchange losses [1, 2]	(130)	(126)
Change in fair value of bond debt	-	(5)
Other financial expenses	(5)	14
Total financial expenses continuing operation	**(159)**	**(148)**
Total financial expenses discontinued operation	**-**	**(21)**
Total financial expenses	**(159)**	**(169)**

Net financial items continuing operation	**20**	**31**
Net financial items discontinued operation	**-**	**(20)**
Net financial items	**20**	**12**

1) The foreign exchange currency gains and losses is mainly related to the ARO and the restricted cash in relation to the ARO. See note 22 for further information.

2) Short term loan in foreign currency has been translated to spot rate as at 31.12.18 increasing foreign exchange losses by NOK 18,3 million since the Q4-2018 report in addition to interest expense on the same loan of NOK 7,5 million increasing the interest expense from bond loans since the Q4-2018 report .

15 Tax

Income tax NOK million	2018	2017
Income (loss) before tax total operations	(143)	(321)
Income tax benefit / (expense) total operations	0	6
Equivalent to a tax rate of	**-0,0 %**	**-1,8 %**
Income (loss) before tax continued operations	(143)	(409)
Income tax benefits / (expense) continued operations	0	(9)
Equivalent to a tax rate of	**-0,0 %**	**2,1 %**
Income (loss) before tax discontinued operations	(0)	88
Income tax benefits / (expense) discontinued operations	-	15
Equivalent to a tax rate of	**0,0 %**	**16,6 %**

The effective tax rate for the year is approximately 0 percent. Noreco operates in different tax regimes with separate tax rates. As such, the weighted average tax rate varies from year to year based on variations of the tax basis. Deferred tax asset and deferred tax liability are presented net for each jurisdiction and tax regime, where our legal entities have, or are expected to have a legally enforceable right to offset current tax assets against current tax liabilities, and the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority.

Tax loss carry forward 31.12.18	Offshore		Onshore	
NOK million	Recognised	Un-Recognised	Recognised	Un-Recognised
Norway (offshore 55% / onshore 23%)				
Norwegian Energy Company ASA	–	–	–	518
Altinex AS	–	–	–	–
Denmark (offshore 39% / onshore 25%)				
Noreco Denmark A/S	–	–	–	–
Noreco Oil Denmark A/S (Chapter 2, 25%)	–	572	–	–
Noreco Oil Denmark A/S (Chapter 3a, 52%)	–	5 507	–	–
Noreco Petroleum Denmark A/S (Chapter 2, 25%)	–	10	–	–
Noreco Petroleum Denmark A/S (Chapter 3a, 52%)	–	857	–	–
UK (offshore 20% / onshore 30%)				
Norwegian Energy Company (UK) Ltd.		462	–	462
Noreco Oil (UK) Ltd.	–	820	–	636
Total tax loss carry forward	**–**	**8 228**	**–**	**1 616**

Tax loss carry forwards in the Danish offshore tax regime of NOK 6 364 million and NOK 582 million has been calculated according to Chapter 3A and Chapter 2 respectively in the Danish Hydrocarbon Taxation Act (kulbrinteskatteloven). Deferred tax assets is recognized for tax loss carry forwards and negative temporary differences to the extent that the realization of the related tax benefit throuh future taxable profits is probable. Though an agreement with Shell to acquire 36.8% of DUC on the DCS has been signed the deal has not yet completed and the tax loss carry forward therefore has not yet been recognised in the balancesheet.

Current forecast indicate that the tax loss carry forward in Noreco Oil (UK) Ltd will not be utilised until enhanced reserves and production base have been established and an approval by the UK authorities to utilise the tax loss carry forward by new activities.

Deferred tax assets is recognised for tax loss carry forward and negative temporary differences to the extent that the realisation of the related tax benefit through future taxable profits is probable.

Reconciliation of nominal to actual tax rate

NOK million	2018	%	2017	%
Income (loss) before tax	**(143)**		**(321)**	
Calculated tax expense on profit before tax	33	23 %	77	24 %
Adjustment of calculated tax expense in foreign subsidiaries				
in relation to difference in tax rate		0 %		0 %
Petroleum tax expense		0 %		0 %
Tax effect of:				
Change in recognised deferred tax assets compared to previous years	(50)	-37 %	(49)	-15 %
Effect of change in tax rate	8	6 %	6	2 %
Permanent differences	(3)	-2 %	(15)	-5 %
Currency translation adjustments		0 %		0 %
Other items	13	9 %	(13)	-4 %
Income tax benefit	**0**	**0 %**	**6**	**-2 %**

Deferred tax liability and deferred tax asset

NOK million	2018	2017
Net operating loss deductible	9 843	9 091
Fixed assets		(229)
Current assets	311	309
Liabilities		280
Other	(0)	(23)
Basis of deferred tax liability/deferred tax asset	**10 155**	**9 427**
Net deferred tax liability (deferred tax asset)	**(2 139)**	**(1 976)**
Unrecognised deferred tax asset	2 139	1 976
Deferred tax liability/deferred tax asset recognised	**(0)**	**(0)**
Recognised deferred tax asset	0	0
Recognised deferred tax liability	(0)	(0)
Recognised deferred tax asset domestic	-	-
Recognised deferred tax asset foreign	0	0
Recognised deferred tax liability domestic	(0)	(0)
Recognised deferred tax liability foreign	-	-
Net deferred tax liability/deferred tax asset	**(0)**	**(0)**

Deferred tax asset is recognised for tax loss carry forwards and negative temporary differences to the extent that the realisation of the related tax benefit through future taxable profits is probable.

For Noreco Oil (UK) Ltd, this implies that only loss carry forwards sufficient to offset the total estimated taxable income used in the impairment test are considered probable.

All figures reported in the income statement and the balance sheet are based on Noreco's tax calculations, and should be considered as estimates until the final tax return is settled for each specific year.

16 Earnings per share

Earnings per share are calculated by dividing the profit attributable to ordinary shareholders of the parent company by the weighted average number of ordinary shares in issue during the year.

NOK million	2018	2017
Profit (loss) attributable to ordinary shareholders from continuing operations	(143)	(418)
Profit (loss) attributable to ordinary shareholders from discontinued operations	(0)	102
Shares issued 1 January	7 194 730	7 094 730
Shares issued during the year		100 000
Reverse split	-	-
Shares issued at 31 December	**7 194 730**	**7 194 730**
Weighted average number of shares	**7 194 730**	**7 137 230**
Earnings per share on total operations (NOK 1)		
Earnings per share	(19,8)	(43,9)
Diluted earnings per share	(19,8)	(43,9)
Earnings per share on continued operations (NOK 1)		
Earnings per share	(19,8)	(58,1)
Diluted earnings per share	(19,8)	(58,1)
Earnings per share on discontinued operations (NOK 1)		
Earnings per share	(0,0)	14,2
Diluted earnings per share	(0,0)	14,2

1) The fair value adjustment of the bond loan related to own credit risk has in 2018 been classified through OCI instead of financial items in line with the IFRS9. The 2017 comparative figures are reclassified accordingly affecting the earnings per share in 2017 compared to the reissued Annual financial statements issued by the board of directors and managing director on 13 June 2018.

17 Trade receivables and other current receivables

NOK million	2018	2017
Current assets		
Trade receivables *	3	2
Receivables from operators relating to joint venture licences *	0	0
Underlift of oil/NGL *	10	1
Prepayments [1]	406	0
Other receivables [2]	52	171
Total trade receivables and other current receivables	**471**	**174**

* See note 19 for fair value disclosures

1) Initial payment to Shell of NOK 347.5 million (USD 40 million) for the contemplated acquisition of Shell Olie- og Gasudvinding Danmark B.V. transaction cost of NOK 3.9 million related to issue of Convertible Bond loan, transaction cost of NOK 10.8 million and underwriting fee of NOK 43.1 million both related to issue of RBL loan.
2) Receivable from the Siri insurance case of NOK 52.4 million.

Ageing analysis of trade receivables and other short term receivables on 31 December 2018

			Past due				
NOK 1 000	Total	Not past due	> 30 days	30-60 days	61-90 days	91-120 days	> 120 days
Trade receivables	3	3	-	-	-	-	-
Total	**3**	**3**	**-**	**-**	**-**	**-**	**-**

Ageing analysis of trade receivables and other short term receivables on 31 December 2017

			Past due				
NOK 1 000	Total	Not past due	> 30 days	30-60 days	61-90 days	91-120 days	> 120 days
Trade receivables	2	2	-	-	-	–	-
Total	**2**	**2**	**-**	**-**	**-**	**-**	**-**

18 Restricted Cash, Bank Deposits, Cash and Cash Equivalents

Specification of restricted cash, bank deposits, cash and cash equivalents.

NOK million	2018	2017
Non-current assets		
Restricted cash pledged as security for abandonment obligation [1)]	578	578
Other restricted cash and bank deposits	(0)	20
Total non-current restricted cash	**578**	**598**
Current assets		
Other restricted cash and bank deposits	1	2
Total current restricted cash	**1**	**2**
Unrestricted cash, bank deposits, cash equivalents	22	133
Total bank deposits	**600**	**733**

Restricted cash

The restricted cash pledged as security for abandonment obligation in Denmark is originally NOK 499 million (DKK 445 million) adjusted for interest.

1) The restricted cash is on a DKK bank account in the parent company with NOK functional currency. The corresponding DKK asset retirement obligation is recognized in the Danish subsidiary with USD functional currency. This contributes to offsetting currency gains and losses, see note 14. Any inefficiencies on this economic hedge gives a net effect on profit or loss.

19 Financial instruments

19.1 Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows (se also note 3.3):

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2 - Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3 - Inputs for the asset or liability that are not based on observable market data.

Further disclosure on fair value measurement of the bond loan, level 3 disclosures and own credit risk disclosure are not considered necessary as the bond is valued close to par at 31 December 2017 had a maturity to March 2018.

NOK million	Level 1	Level 2	Level 3	Total
Assets				
Recurring fair value measurements of assets				
Financial assets at fair value through profit or loss				
- Underlift of oil (ref. note 17)		10		10
Total	**-**	**10**	**-**	**10**
Liabilities				
Recurring fair value measurements of liabilities				
Financial liabilities at fair value through profit or loss				
- Bond loans			160	160
Total	**-**	**(0)**	**160**	**160**
On 31 December 2017				
Assets				
Recurring fair value measurements of assets				
Financial assets at fair value through profit or loss				
- Underlift of oil		2		2
Total	**-**	**2**	**-**	**2**
Liabilities				
Recurring fair value measurements of liabilities				
Financial liabilities at fair value through profit or loss				
- Bond loans			155	155
Total	**-**	**(0)**	**155**	**155**

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to determine the fair value for a financial instrument are observable, the instrument is included in level 2.

19.2 Financial instruments by category

As at 31 December 2018

NOK million	Financial assets at amortised cost	Assets at fair value through profit or loss	Total
Assets			
Trade receivables and other current assets	461	10	471
Restricted cash	578		578
Bank deposits, cash and cash equivalents	22	0	22
Total	**1 061**	**10**	**1 072**

NOK million	Other financial liabilities at amortised cost	Liabilities at fair value through profit or loss	Total
Liabilities			
Bond loan		160	160
Other interest bearing debt	312		312
Trade payables and other current liabilities	66	(0)	66
Total	**377**	**160**	**537**

As at 31 December 2017

NOK million	Financial assets at amortised cost	Assets at fair value through profit or loss	Total
Assets			
Trade receivables and other current assets	173	2	174
Restricted cash	600		600
Bank deposits, cash and cash equivalents	133	0	133
Total	**906**	**2**	**908**

NOK million	Other financial liabilities at amortised cost	Liabilities at fair value through profit or loss	Total
Liabilities			
Bond loan		155	155
Other interest bearing debt	(0)		(0)
Trade payables and other current liabilities	30	(0)	30
Total	**30**	**155**	**185**

19.3 Financial instruments — Fair values

Set out below is a comparison of the carrying amounts and fair value of financial instruments as on 31 December 2018:

As at 31 December 2018

NOK million	Note	Carrying amount	Fair value
Financial assets			
Trade receivables and other current assets *	17	471	471
Restricted cash *	18	578	578
Bank deposits, cash, cash equivalents and quoted shares *	18	22	22
Total		**1 072**	**1 072**
Financial liabilities			
Bonds (current and non current)	23.1	160	160
Other interest bearing debt	23.1	312	312
Trade payables and other current liabilities *	24	66	66
Total		**537**	**537**

* The carrying amount is a reasonable approximation of fair value, hence the items are not included in the fair value hierarchy as the information in not required.

As at 31 December 2017

NOK million	Note	Carrying amount	Fair value
Financial assets:			
Trade receivables and other current assets *	17	174	174
Restricted cash *	18	600	600
Bank deposits, cash and cash equivalents *	18	133	133
Total		**907**	**907**
Financial liabilities:			
Bonds (current and non current)	23.1	155	155
Other interest bearing debt	23.1	(0)	(0)
Trade payables and other current liabilities *	24	30	30
Total		**185**	**185**

* The carrying amount is a reasonable approximation of fair value, hence the items are not included in the fair value hierarchy as the information in not required.

20 Share Capital

The Group does not own any of its parent company shares. All shares have equal rights. All shares are fully paid.

Changes in number of shares and share capital:

NOK million	No. of shares	Share Capital
Share capital on 1 January 2017	7 094 730	71
Share issue 13 June 2017	50 000	1
Share issue 11 September 2017	50 000	1
Share capital on 31 December 2017	**7 194 730**	**72**
Share capital on 1 January 2018	7 194 730	72
Share capital on 31 December 2018	**7 194 730**	**72**

Changes in 2018

An extraordinary general meeting approved on 8 November 2018 a private placement of 15 585 635 new shares as well as a subsequent offering of up to a maximum of 1 768 648 new shares in connection with the transaction with Shell.

Existing mandates

The board of directors was in November 2018 granted a mandate by the General Meeting to increase the share capital by a total amount of up to approx. NOK 24,5 million by one or more share issues in relation to the employee incentive schemes existing at any time for employees in the group as well as strengthening of the company`s balance sheet and in relations to business opportunities. The mandate is valid until the ordinary general meeting in 2020.

Overview of shareholders at 11 April 2019:

Changes in equity	Shareholding	Ownership share	Voting share
Goldman Sachs International	3 236 430	44,98 %	44,98 %
Euroclear Bank S.A./N.V.	789 864	10,98 %	10,98 %
State Street Bank and Trust Comp	194 178	2,70 %	2,70 %
UBS AG	157 939	2,20 %	2,20 %
OUSDAL AS	142 975	1,99 %	1,99 %
Bank of America, N.A.	129 959	1,81 %	1,81 %
Goldman Sachs & Co. LLC	125 730	1,75 %	1,75 %
CREDIT SUISSE SECURITIES (USA) LTD	120 200	1,67 %	1,67 %
ALTO HOLDING AS	119 332	1,66 %	1,66 %
Citibank Europe plc	110 406	1,53 %	1,53 %
HANASAND, LIV INGER	104 000	1,45 %	1,45 %
LEIKVOLLBAKKEN AS	100 777	1,40 %	1,40 %
HANASAND, EINAR MIKAL	95 000	1,32 %	1,32 %
MOROAND AS	57 500	0,80 %	0,80 %
VELDE HOLDING AS	56 400	0,78 %	0,78 %
PERSHING LLC	51 305	0,71 %	0,71 %
REECO AS	47 630	0,66 %	0,66 %
DIRECTMARKETING INVEST AS	47 244	0,66 %	0,66 %
SIX SIS AG	43 625	0,61 %	0,61 %
SOGNNES, WALTER	39 600	0,55 %	0,55 %
Total	**5 770 094**	**80,2 %**	**80,2 %**
Other owners (ownership <0,55%)	1 424 636	19,8 %	19,8 %
Total number of shares at 11 April 2018	**7 194 730**	**100 %**	**100 %**

21 Post-Employment Benefits

Defined contribution plan

The Group only has defined contribution plans for its employees. Pension costs related to the company's defined contribution plan amounts to NOK 1 million for 2018. For 2017 the corresponding costs were NOK 1 million.

The Norwegian Companies are obliged to have occupational pension in accordance with the Norwegian act related to mandatory occupational pension. All companies meet the Norwegian requirements for mandatory occupational pension ("obligatorisk tjenestepensjon").

22 Asset Retirement Obligations

Specification of asset retirement obligations

NOK million	2018	2017
Balance on 1 January	593	563
Provisions made during the year	(5)	(4)
Abandonment cost paid	0	(9)
Liabilities sold	-	-
Reversed provision from disposal of assets	-	-
Currency translation	6	43
Provision made for asset retirement obligations on 31 December	**594**	**593**

Noreco has issued security on behalf of some its Danish subsidiaries for its abandonment obligations towards the Nini/Cecilie licences, currently in the form of an escrow account of NOK 578 million (DKK 434 million). The liability is in any and all circumstances limited to a maximum amount which equals the amount on the escrow account adjusted for interest. Total provision made for asset retirement obligations reflects this.

In 2016 Noreco received a new estimate on the abandonment of the Lulita field. Noreco is investigating the amount and has made it's own preliminary assessment resulting in an increased provision of NOK 10 million in 2016. The provision has not changed in 2017 nor 2018.

The balance as per 31.12.2018 is NOK 578 million for Nini/Cecilie and NOK 16 million for Lulita.

Expected maturity

NOK million	2018	2017
1-5 years		
> 5 years	594	593
Provision made for asset retirement obligations on 31 December	**594**	**593**

23 23.1 Summary of Borrowings

NOK million Current debt	Note	2018 Principal amount	2018 Book value	2017 Principal amount	2017 Book value
NOR10 bond loan	23.3	163	160	161	155
ST Loan	23.3	312	312	-	-
Total Current debt		**475**	**471**	**161**	**155**
Total borrowings		**475**	**471**	**161**	**155**

Movements in interest-bearing liabilities	31.12.2017	Cash flows Receipts / payments	Non-cash changes Reclass-ification	Non-cash changes Value adjustment of bond	Non-cash changes Payment in kind	31.12.2018
NOR10 bond loan [1]	155	(6)		3	8	160
ST loan	-	312				312
Total movement non-current interest bearing liabilities	**155**	**306**	**0**	**3**	**8**	**471**

1) The fairvalue adjustment of NOR10 was NOK 2,8 million in 2018. Payment in kind interest amounted to NOK 8 million in 2018. Noreco bought back 6.289.515 of the NOR10 bonds at par value.

23.2 The Refinancing and Subsequent Measurement

On 2 March 2015, the bondholders' meeting in NOR06, NOR10, NOR11 and NOR12 resolved to approve the company's proposal with close to unanimous support. On 3 March 2015, the general meeting also resolved to approve the proposal, also with close to unanimous support. The financial restructuring was completed on 24 March 2015, through issuance of new shares and execution of amended bond agreements, after which the amended bond loans were admitted to trading at Oslo Stock Exchange. Following a temporary period on N-OTC , the new shares were admitted to trading at Oslo Stock Exchange on 13 May 2015. (See details on borrowing below.)

NOK million

Measurement at initial recognition

Borrowings were initially recognised at fair value, net of transaction costs incurred. However, management disagreed with this method as the intention was to repay the loans at par value. The subsequent quarters have been adversely affected by a loss as the FV of the bonds increased with the improved outlook of a full repayment becoming increasingly clear. The following fair values were observed and were applied for the amended and restated bond loans at initial recognition:

NOR10	56,0 %

Subsequent measurement

The subsequent measurement depends on which category the borrowings have been classified into. The categories applicable for Noreco are either financial liabilities at fair value through profit or loss or financial liabilities measured at amortised cost using the effective interest method. Noreco has designated the amended and restated bond loans at fair value through profit or loss. The following fair values were applied for the amended and restated bond loans at the end of 2018:

NOR10	97,8 %

23.3 Details on borrowing

Details on borrowings outstanding on 31 December 2018

NOR10

The bond was entered into in March 2015, with a face value of NOK 600 million and final maturity on 6 March 2018. An extension of the bond wasapproved on 1 November 2018 with a new maturity date of 6 November 2019. The bonds are callable at any time from 6 November 2018 to , but notincluding the Maturity date, at 101.5% of par value (plus accrued but unpaid interest). Upon closing of the Aquisition of Shell and issuance of the Convertible Bond the issuer wishes to call the Bonds at the curent call premium of 101.5% of par value of Bonds (plus accrued but not paid interest). If the aquisition is cancelled the Bond Agreement is ammended so the maturity date is 31 March 2020 (Fallback Maturity Date) The loan held a fixed interest rate of 6,5 % p.a. with semi-annually payments only if available cash on the proceeds account (and subject always to the company having a lawful level of equity), otherwise payment-in-kind (PIK). The fixed interest rate was amended to 10% p.a. with effect from 6 March 2018.

In third quarter 2015 Noreco repaid approx. NOK 243 million at par on NOR10.

In first quarter 2016 Noreco repaid NOK 200 million of NOR10 bonds at the fixed price of 85% of par value. The Company has later PIKed interest on the bond, remaining outstanding principal as per 31 December 2018 were NOK 163 million.

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 Shell (the "ST-Loan"). 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 ST-Loan including accrued interest will upon closing of the Transaction be rolled into the Convertible Bond at par. If completion of the Transaction does not occur, the ST-Loan shall be rolled into the current NOR10 bond issue at par and be repaid together with accrued interest in cash on 31 March 2020.

23.4 Covenants

Covenants relating to interest bearing debt

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.

23.5 Payment structure

Payment structure loans after refinancing (NOK million):

Year	NOR10	ST Loan	Total 2018
2019	163	312	475
Total	**163**	**312**	**475**

Interest payments after refinancing (NOK million):

Year	NOR10	ST Loan	Total 2018
Interest rate	**10,00 %**	**12,00 %**	
2019	8	18	26
Total	**8**	**18**	**26**

Extension of the NOR10 bond loan was approved on 1 November 2018 at a bondholders meeting. New maturity date is 6 November 2019.

If completion of the Transaction does not occur, the ST Loan shall be rolled into the current NOR10 bond issue at par and be repaid together with accrued interest in cash on 31 March 2020.

23.6 Assets Pledged as Security for Interest Bearing Debt

Net book value in the consolidated accounts of assets pledged as securities

NOK million	2018	2017
Property, plant and equipment	9	10
Prepayments	348	-
Cash at bank	22	136
Total net book value	**379**	**146**

Specification of assets pledged as securities per bond/loan:

NOK million	2018	2017
Bond loan NOR10		
Property, plant and equipment	9	10
Cash at bank	22	136
Total	**31**	**146**

Specification of assets pledged as securities per bond/loan:

NOK million	2018	2017
ST Loan		
Prepayments	348	-
Total	**348**	**-**

24 Trade Payables and Other Payables

NOK million	2018	2017
Trade payable *	26	5
Accrued interest *	5	3
Employee bonus/salary accruals	21	0
Public duties payable *	(0)	1
Other current liabilities *	14	20
Total trade payable and other payables	**66**	**30**

* See note 19 for fair value disclosures

Trade and other payables held in currency

NOK million	2018	2017
NOK	59	4
DKK		
USD	2	25
GBP	5	1
EUR		
Total	**66**	**30**

25 Share-based compensation

The Group established an option program in January 2008. The purpose of the program was to establish a long-term incentive program for employees. During 2015 the options program was discontinued in Noreco Norway. All remaining options for the employees in Norway were cancelled and the remaining cost booked in Q4 2015. The options issued to Danish employees remain open active until future expiry dates.

It was approved by the general meeting on 8 November 2018 that the company's existing option scheme , as approved by the general meeting on 21 January 2016 and subsequently extended on 8 March 2017, shall discontinue. Existing options in-the-money on 15 October 2018 shall be settled by cash payment from the Company to the option holder in an amount of NOK 198 per option. All existing options out-of-the-money on 15 October 2018 shall be cancelled without any further payment from the Company to the option holder.

A liability of NOK 19,8 million for the payment of existing options in-the money is accounted for in other current liabilities. The accrued cash payment is accounted for as the repurchase of an equity interest, ie as a deduction from equity of NOK 15,1 million. The existing options in-the-money exceeded the fair value of the option by NOK 4,7 million which is accounted for through the P&L as a share-based payment expense.

Total share options and bonus shares outstanding as at 1 January 2017	**200 652**
Share options and bonus shares forfeited by employees due to the discontinuation of the options program	(25)
Share options granted in 2017	80 000
Share options excercised by former CEO	(100 000)
Outstanding at 31 December 2017	**180 627**
Share options settled or forfeited due to discontinuation of the option program	(180 627)
Outstanding at 31 December 2018	**0**

26 Guarantees

Overview of issued guarantees on 31 December 2018.

The parent company of the Group Norwegian Energy Company ASA ("Noreco") has issued a parent company guarantee on behalf of its subsidiary Norwegian Energy Company UK Ltd and Noreco Oil (UK) Limited. Noreco guarantees that, if any sums become payable by Norwegian Energy Company UK Ltd or by Noreco Oil (UK) Limited to the UK Secretary of State under the terms of the licence and the company does not repay those sums on first demand, Noreco shall pay to the UK Secretary of State on demand an amount equal to all such sums. Department for Business, Energy & Industrial Strategy, declined at this time to withdraw Noreco Oil (UK)'s s29 notice with respect to the Huntington platform and pipeline. Under the forfeiture agreement Premier assumes this risk as between Premier and Noreco so, while this contingent liability to the Secretary of State would need to be recognised in any future sale of the company, Noreco Oil (UK) Limited does have recourse against Premier if it defaults in its performance.

On 6 December 2007, Noreco issued a parent company guarantee to the Danish Ministry of Climate, Energy and Building on behalf of its subsidiary Noreco Oil Denmark A/S and Noreco Petroleum Denmark A/S.

On 31 December 2012, Norwegian Energy Company ASA issued a parent company guarantee on behalf of its subsidiary Noreco Norway AS. Noreco guarantees that, if any sums become payable by Noreco Norway AS to the Norwegian Secretary of State under the terms of the licences and the company does not repay those sums on first demand, Norwegian Energy Company ASA shall pay to the Norwegian Secretary of State on demand an amount equal to all such sums. Norwegian Energy Company ASA intends to apply for a withdrawal of this guarantee because Noreco Norway AS was liquidated in Q1 2018. As of 31 December 2018 the ap-proval of withdrawal has not been granted yet.

On 6 December 2013, several subsidiaries in the Noreco group entered into Co-debtor guarantees related to the refinancing of outstanding bonds at that time. These are unconditional and irrevocable Norwegian law on-demand guarantee from the Guarantor securing the Obligor's obliga-tions when they have become due under the Bond Agree-ment and any other Finance Document, including interest, cost and expenses, with payment by the Guarantor to be made within 10 Business Days of any demand, such Guaran-tees to be qualified as required by Danish law with respect to any Danish Guarantor.

27 Investment in jointly owned assets

Investment in jointly own assets are included in the accounts by the gross method (proportionally consolidated), based on the ownership share.

The Group holds the following licence equities on 31 December:

2018 Licence	Field	Country	Ownership share
1/90	Lulita	Denmark	10,0 %

28 Contingencies and commitments

Contingent liabilities
Sale of producing assets and abandonment guarantees
The Group has sold participating interest in a number of producing assets including installation, wells and other infrastructure and abandonment liabilities which existed at the completion date of that license sales in Noreco Norway AS. If the obligor failes to settle its liability for decommissioning costs, the Noreco Group could be liable for such costs.

Nini/Cecilie abandoment guarantee
Noreco was 2015 prevented from making payments for its share of production costs at the Nini and Cecilie fields, and was consequently in breach of the licence agreements. In accordance with the JOAs, the Nini and Cecilie licences were forfeitured in and the licences were taken over by the partners, whereas the debt remained with Noreco. Noreco and representatives from the bondholders reached during 2015 an agreement which entails that The Danish part of Noreco remains liable for the abandonment obligation, but the liability is in any and all circumstances limited to a maximum amount which equals the restricted cash account of NOK 499 million (DKK 445 million) adjusted for interest. Total provision made for asset retirement obligations reflects this.

Apart from the issues discussed above, the Group is not involved in claims from public authorities, legal claims or arbitrations that could have a significant impact on the Company’s financial position or results.

29 Related Party transactions

The Noreco Group is renting offices from Riulf Rustad at a cost of NOK 84.000 pr month. The cost increased to NOK 96.000 pr month from December 2018 when the number of employees increased. The agreement is assumed to be at arm’s length. In addition Noreco Group is renting an accomodation in London for the board director disposal when working with business development.

Purchase of services includes consultancy cost from the board members of NOK 7 million in addition to office rent of NOK 1 million. For further reference see Statutory Accounts 2018 for the parent company.

The Group did not have any other transactions with any other related parties during 2018. Director's fee paid to shareholders and remuneration to management is described in Note 9.

30 Supplementary oil and gas information (unaudited)

In 2014 the Group reported oil, gas and NGL reserves according to the guidelines given in the Stock Exchange circular no. 1/2013. The report was included as a separate section in the annual report in 2014.

The reserves for Lulita, are shown below using the figures from the audited 2014 Reserves Report as basis.

Total reserves as of 31.12.2018

1P+2P	Liquids (mill bbl)	Gas (bscf)	mill boe	Interest %	Net mill boe
Lulita	1,05	4,21	1,80	10,00	0,18
Total					**0,18**

31 Subsequent Events

On 15 January 2019, Noreco published an information memorandum in accordance with the Oslo Stock Exchange Continuing Obligations for listed companies section 3.5 in relation to the Transaction with Shell.

On 29 April 2019, it was announced that Noreco had received governmental approval from the Danish Energy Agency for the Transaction with Shell. Noreco will work towards completion of the Transaction by the end of May 2019, for further information see press release from the Company.

Auditors Report

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To the General Meeting of Norwegian Energy Company ASA

Independent auditor's report

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Norwegian Energy Company ASA, which comprise:

- The financial statements of the parent company Norwegian Energy Company ASA (the Company), which comprise the balance sheet as at 31 December 2018, the income statement and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and
- The consolidated financial statements of Norwegian Energy Company ASA and its subsidiaries (the Group), which comprise the balance sheet as at 31 December 2018, the income statement, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion:

- The financial statements are prepared in accordance with the law and regulations.
- The accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2018, and its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.
- The accompanying consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Basis for Opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company and the Group as required by laws and regulations, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined that there are no key audit matters to communicate in our report.

Other information

Management is responsible for the other information. The other information comprises information in the annual report, except the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director (Management) are responsible for the preparation in accordance with law and regulations, including fair presentation of the financial statements of the Company in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and for the preparation and fair presentation of the consolidated financial statements of the Group in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern. The financial statements of the Company use the going concern basis of accounting insofar as it is not likely that the enterprise will cease operations. The consolidated financial statements of the Group use the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's or the Group's internal control.

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and the Group to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report and in the statements on Corporate Governance and Corporate Social Responsibility concerning the financial statements, the going concern assumption and the proposed allocation of the result is consistent with the financial statements and complies with the law and regulations.

Opinion on Registration and Documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements *(ISAE) 3000, Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, it is our opinion that management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the Company's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Stavanger, 30 April 2019
KPMG AS

Mads Hermansen
State Authorised Public Accountant

Board and Management Confirmation

Today, the board of directors and the managing director reviewed and approved the board of directors' report and the Norwegian Energy Company ASA consolidated and separate annual financial statements as of 31 December 2018.

To the best of our knowledge, we confirm that:

- the Norwegian Energy Company ASA consolidated annual financial statements for 2018 have been prepared in accordance with IFRSs and IFRICs as adopted by the European Union (EU), and additional Norwegian disclosure requirements in the Norwegian Accounting Act, and that

- the financial statements for Norwegian Energy Company ASA have been prepared in accordance with the Norwegian Accounting Act and Norwegian Accounting Standards, and

- that the board of directors' report for the group and the parent company is in accordance with the requirements in the Norwegian Accounting Act and Norwegian Accounting Standard no 16, and

- that the information presented in the financial statements gives a true and fair view of the Company's and the Group's assets, liabilities, financial position and results for the period viewed in their entirety, and

- that the board of directors' report gives a true and fair view of the development, performance, financial position, principle risks and uncertainties of the Company and the group.

Oslo,
30 April 2019

Riulf Rustad
Chair

Tone Kristin Omsted
Board Member

Lars Purlund
Board Member

Marianne Lie
Board Member

John Philip Madden
Board Member

Frederik Rustad
Managing Director

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Norwegian Energy Company ASA

First Quarter 2020

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Content

First Quarter 2020 summary

Highlights

- Advantageously positioned with strong overall performance despite current environment
- Proactive approach by the DUC operator to mitigate the impact of COVID-19
- Continued strong DUC value proposition, with no impairment required following testing in the current environment
- Net hydrocarbon production of 31.9 mboepd in the first quarter.
- Net result (excluding non-cash taxes) of USD 20 million; no tax payable during the period.
- Net cash flow from operating activities of USD 62 million in the quarter.
- Strong liquidity position with cash on balance sheet of USD 273 million at the end of the first quarter.
- Buyback of 345,917 shares executed in Q1 2020.

Financial and operational summary	Unit	Q1 2020	Q1 2019	2020	2019
Total revenue	USDm	148	0	148	333
EBITDA[1)]	**USDm**	**82**	**(1)**	**82**	**127**
Adj. EBITDA[1)]	**USDm**	**105**	**(1)**	**105**	**236**
Net result (excluding non-cash taxes)	**USDm**	**20**	**(4)**	**20**	**(182)**
Net result for the period	USDm	(14)	(4)	(14)	218
Net Cash flow from operating activities	USDm	62	(0)	62	198
Investments in oil and gas assets	USDm	66	-	66	86
Abandonment spend[1)]	USDm	19	-	19	34
Reserve based lending facility – currently drawn	USDm	746	-	746	746
Net interest-bearing debt[1)]	USDm	837	54	837	818
Oil production	mboepd	23.9	0.1	23.9	25.5
Gas production	mboepd	8.0	0.0	8.0	10.2
Total production	**mboepd**	**31.9**	**0.1**	**31.9**	**35.7**
Over/underlift	mboepd	(3.1)	(0.0)	(3.1)	0.5
Realized Oil price[2)]	USD/boe	72.0	61.0	72.0	76.4

1) See the description of "Alternative performance measures" at the end of this report for definitions.
2) Including impact of accrued hedging benefit attributable to lifted volumes as of 31.03.20, see note 2 for more details.

Report for the First Quarter 2020
Norwegian Energy Company ASA

Financial review

Selected data from consolidated statement of comprehensive income

All figures in USD million*	Q1 2020	Q1 2019	2020	2019
Total revenue	148	0	148	333
EBITDA	82	(1)	82	127
EBIT	48	(1)	48	(209)
Result before tax	20	(4)	20	(182)
Net result for the period	(14)	(4)	(14)	218
Earnings per share	(0.6)	(0.5)	(0.6)	14.8

* As a result of the material change in the Group's business following the Shell transaction the presentation currency of the Group was changed to US dollars (USD). Comparative figures for previous periods have been restated. See note 1 for more details.

The Company had **revenues** of USD 148 million in the first quarter of 2020 of which USD 122 million is related to oil and gas sales from the DUC fields compared to USD 0.4 million in the first quarter of 2019 from Lulita and USD 333 million for the year 2019 which were mainly oil and gas sales from the acquired DUC fields from 1 August 2019. In addition, Noreco recognized USD 25 million of other income attributable to accrued revenue related to volumes lifted during the period (see note 2 for further details).

Production expenses amounted to USD 60 million in the first quarter of 2020 compared to USD 0.1 million in the first quarter of 2019. Of this amount USD 66 million was directly attributable to the lifting and transport of the Company's oil and gas production. These production expenses include an overlift reduction of USD 8 million compared to the overlift position at year end 2019, an increase of USD 4 million of the crude oil inventory compared to end of last year and USD 4 million in offshore insurance expense. The production expenses for Q1 were based on proforma financials from the operator as the accounting and reporting system for the DUC is currently being replaced and, as a result, actual cost reporting for this period is not available.

Personnel expenses in first quarter of 2020 were USD 2 million compared to USD 1 million in the first quarter of 2019 due to additional headcount as a result of the acquisition completed in Q3 2019.

Other operating expenses were USD 4 million for the first quarter of 2020 compared to USD 1 million in the first quarter of 2019. The increase is mainly related to consultant fees and insurance cost in relation to the increased activity in Denmark.

Operating result (EBITDA) in the first quarter of 2020 was a profit of USD 82 million, mainly from the DUC fields compared to a loss of USD 1 million in first quarter of 2019. **Adjusted EBITDA,** which takes into account any claims under the volume guarantee recognised as contingent consideration, was USD 105 million for the first quarter.

Net Financial items amounted to an expense of USD 27 million for the first quarter of 2020, compared to an expense of USD 3 million in the first quarter of 2019. The financial items in the current period were mainly related to unrealised gain on derivatives, fair value adjustment on embedded derivatives convertible bond, the fair value adjustment on the volume protection (contingent consideration) and interest expenses on the bank and bond debt.

Income Tax amounted to USD 34 million for the first quarter of 2020 compared to USD 0 million for the first quarter of 2019. Reference is made to note 7 in the interim financial report for further details to the taxes this period.

Net result for the first quarter of 2020 is a loss of USD 14 million, compared to a loss of USD 4 million for the first quarter of 2019. Net result for 2019 was USD 218 million.

Selected data from the consolidated statement of financial position

All figures in USD million	Q1 2020	Q1 2019	2020	2019
Total non-current assets	2,201	66	2,201	2,342
Total current assets	741	54	741	580
Total assets	2,942	121	2,942	2,921
Total equity	683	(9)	683	575
Interest bearing debt	1,019	57	1,019	1,008
Asset retirement obligations	955	67	955	967

Total non-current assets were mainly related to Property, Plant and Equipment of USD 1.6 billion, in addition to intangible assets of USD 179 million, deferred tax asset of USD 187 million, USD 114 million restricted cash and USD 135 million in derivatives.

Total current assets amounted to USD 741 million at the end of first quarter of 2020, USD 66 million in other receivable related to accrued revenue and hedging benefit, USD 273 million of cash, USD 49 million related to the liquid volume protection agreement with Shell, USD 25 million mainly related to offshore insurance premium that is paid in advance and USD 41 million related to inventory.

Total equity amounted to USD 683 million at the end of the first quarter of 2020, compared to USD 575 million at the end of 2019. The increase in equity is related to the fair value adjustment to the derivative instruments.

Interest-bearing debt related to the convertible bond loan NOR13 had a book value of USD 113 million at the end of the first quarter of 2020. The convertible bond loan is valued at amortised cost and the embedded derivatives are accounted for as a derivative liability at fair value through profit and loss. Noreco's USD 900 million RBL facility was drawn USD 746 million and had a book value of USD 709 million at the end of the first quarter. The senior unsecured bond loan NOR14 had a book value of USD 172 million at the end of the period. The RBL facility and the unsecured bond loan is valued at amortized cost. In addition, the interest-bearing debt includes the deferred consideration with a book value of USD 25 million at the end of the first quarter.

Asset retirement obligations amounted to USD 955 million at the end of first quarter of 2020, compared to USD 967 million at the end of 2019. USD 889 million is related to the DUC assets, USD 63 million to Nini/Cecilie USD 1.9 million to Lulita and USD 0.7 million to the Tyra F-3 pipeline. Part of the asset retirement obligation is secured through an escrow account of USD 63 million.

Selected data from the consolidated statement of cash flows

All figures in USD million	Q1 2020	Q1 2019	2020	2019
Cash flow from operating activities	62	(0)	62	198
Cash flow used in investing activities	(33)	-	(33)	(1,223)
Cash flow from financing activities	(41)	1	(41)	1,309
Net change in cash and cash equivalents	(13)	0	(13)	283
Cash and cash equivalents	273	3	273	286

Cash flow from operating activities amounted to USD 62 million at the end of first quarter of 2020, compared to negative USD 0.2 million for the same period in 2019. The increased cash flow in first quarter was related to the acquisition of the DUC assets which completed in Q3 2019.

Cash flow used in investing activities amounted to USD 33 million at the end of the quarter mainly related to investments on the DUC asset of USD 66 million, of which USD 63 million is linked to the Tyra Redevelopment and benefit received from the volume guarantee of USD 33 million.

Cash flow from financing activities amounted to negative USD 41 million at the end of the first quarter of 2020, compared to USD 1 million for the same period in 2019. During the period USD 19 million in abandonment expenditure were paid, of which USD 18 million is related to Tyra Redevelopment, USD 12 million in paid interest on the RBL Facility and Noreco bought back its own shares for USD 9 million.

Net change in cash and cash equivalents amounted to negative USD 13 million in the quarter compared to USD 0.5 million in first quarter of 2019. Cash and cash equivalents were in total USD 273 million at the end of 2020.

Risk Mitigation

The Company actively seeks to reduce the risk it is exposed to regarding fluctuating commodity prices through the establishment of hedging arrangements. As of 1 October 2019, Noreco is applying hedge accounting.

Noreco has to date executed this policy in the market through a combination of forward contracts and options, and in addition benefits from the risk mitigation elements inherent in the agreement to acquire Shell Oil & Gas Unit ("SOGU") from Shell.

As a result of the agreement to acquire SOGU, Noreco has a liquid volume protection agreement with Shell that will, from signing of the Sale and Purchase Agreement ("SPA") until the end of 2020 (the "Protection Period"), provide a monthly liquid production guarantee at levels above the Company's current internal forecasts. To the extent that actual production levels are below the pre-agreed level in the Protection Period, Noreco will receive a monthly cash payment from Shell. The fair value of the volume guarantee was recognised as a reduction in the acquisition purchase price. Any changes to the fair value will be recognized through profit and loss. For the period 2021 to 2023 (the "Recovery Period"), a payment to Shell may be required if actual production exceeds a pre-agreed level that is currently above the Company's internal forecasts. The amount refunded to Shell during the Recovery Period cannot exceed the value of Noreco's claims during the Protection Period.

As part of the acquisition of the DUC assets, Noreco price hedged 80% of the guaranteed production at signing of the SPA in line with market prices at the time. These hedges are physically settled when Noreco's share of produced volumes are lifted. Subsequent to closing of the transaction in August 2019, Noreco entered into a combination of forward contracts and options with financial institutions in the market to further reduce the Company's exposure to commodity price volatility and fully hedge the remaining portion of its guaranteed production under the liquid volume protection agreement with Shell. Noreco has also entered into additional contracts to protect its minimum oil price received during 2021 and 2022. The hedging contracts with financial institutions are financially settled on a monthly basis.

As part of the RBL Facility, Noreco has a rolling hedge requirement based on a minimum level of production corresponding to the RBL banking case forecast: 50% of oil equivalent volumes for the following 12 months, 40% in the period from 12 to 24 months and 30% in the period from 24 to 36 months, subject to a maximum level in each of these periods of 70%. At the end of Q1 2020, Noreco is in full compliance with this requirement.

	Liquids hedged (mmboe)	Average hedged price
Q2 2020*	3.3	71.0
Q3 2020*	2.5	69.4
Q4 2020*	2.5	58.8
2021	5.9	56.2
2022	4.3	55.7

* All hedged liquid volumes are protected by a volume guarantee from Shell

Operational review

Production

Key figures	Unit	Q1 2020	Q1 2019	2020	2019**
Dan hub	mboepd	8.5	0.0	8.5	8.9
Gorm hub	mboepd	4.9	0.0	4.9	5.1
Halfdan hub	mboepd	18.5	0.0	18.5	18.5
Tyra hub*	mboepd	0.0	0.1	0.0	3.1
Total production	**mboepd**	**31.9**	**0.08**	**31.9**	**35.7**
Over/-underlift	mboepd	-3.1	-0.01	-3.1	0.5
Net sales	**mboepd**	**28.8**	**0.08**	**28.8**	**36.2**
Oil sales	mboepd	20.8	0.04	20.8	26.1
Gas sales	mboepd	8.0	0.03	8.0	10.2
Operating efficiency	%	89.0 %	-	89.0 %	86.0 %

* Production including Noreco's share of Lulita outside the DUC.
** Production figures include the acquired DUC assets from 1 August 2019.

Various steps to address the impact of COVID-19 have been taken, and since mid-March the offshore crews were reduced, and extensive precautions were put in place to protect people and maintain production whereas non-critical activities were put on hold.

Dan hub

Key figures	Unit	Q1 2020	Q1 2019	2020	2019*
Dan	mboepd	7.7	-	7.7	8.00
Kraka	mboepd	0.8	-	0.8	0.80
Operating efficiency		78.0 %	-	78.0 %	78.9 %

* Production figures include the acquired DUC assets from 1 August 2019.

First quarter average production was 8.5 kboepd from the Dan hub. Operating efficiency (defined as delivered production compared to potential production including planned and unplanned shortfalls) for the quarter was 78 %, compared to 76,8% for the previous quarter, mainly due to equipment maintenance. One well underwent planned workover and a successful water pump wash & maintenance.

Gorm hub

Key figures	Unit	Q1 2020	Q1 2019	2020	2019*
Gorm	mboepd	2.0	-	2.0	2.00
Rolf	mboepd	0.2	-	0.2	0.40
Skjold	mboepd	2.6	-	2.6	2.80
Operating efficiency		79.0 %	-	79.0 %	80.5 %

* Production figures include the acquired DUC assets from 1 August 2019.

First quarter average production was 4.9 kboepd from the Gorm hub. In January Gorm reached an operating efficiency of 98%. In the following month there was a high well services & maintenance activity impacting the operating efficiency. During the campaign, maintenance of several wellheads and pipeline pigging operations were successfully executed, including improvement and repair work of the water injection system. Reduced compressor capacity in February and March resulted in lower production from Gorm, Rolf, and Skjold, however the operation efficiency for the quarter was 79% compared to 70.5% in the previous quarter.

Halfdan hub

Key figures	Unit	Q1 2020	Q1 2019	2020	2019*
Halfdan	mboepd	18.5	-	18.5	18.5
Operating efficiency		97.0 %	-	97.0 %	86.0 %

* Production figures include the acquired DUC assets from 1 August 2019.

First quarter average production was 18.5 kboepd. Operating efficiency was 97% compared to 88,5% in the previous quarter. Main activities during the period where pigging and coiled tubing integrity work.

Tyra hub

Key figures	Unit	Q1 2020	Q1 2019	2020	2019**
Tyra	mboepd	-	-	-	2.0
Harald	mboepd	-	-	-	0.5
Lulita*	mboepd	-	0.1	-	0.1
Roar	mboepd	-	-	-	0.2
Svend	mboepd	-	-	-	0.0
Valdemar	mboepd	-	-	-	0.4
Operating efficiency	%	-	-	-	85%

* Production included Lulita share outside DUC

** Production figures include the acquired DUC assets from 1 August 2019.

Production from the Tyra hub was temporarily suspended in September 2019 in preparation for removal of existing wellhead, process and accommodation topsides and installation of new jackets and processing and accommodation topsides. The remaining Tyra wells, including its satellites, were safely plugged for shut-in, and "safe state" reached in January 2020. The isolation and cleaning campaign of the existing Tyra modules to be decommissioned in 2020 is progressing in accordance with the plan. The 2020 offshore installation campaign is progressing with only minor adjustments to the schedule due to COVID-19. Thus, during the summer and fall this year removal of the wellhead and riser platform topsides will take place, removal of the Tyra East and West platform topsides, as well as installation of the jackets.

The world's largest crane vessel, Sleipnir, is scheduled to arrive late May for the heavy lift work, and the construction vessel, Pioneering Spirit, will arrive late summer to remove the Tyra East A and Tyra West A topsides.

Source: Total E&P Denmark A/S

Health, Safety and the Environment

Noreco will conduct its business operation in full compliance with all applicable national legislations in the countries where it is operating. The Company is committed to carry out its activities in a responsible manner to protect people and the environment. The consideration of HSEQ and safe business practice is an integral part of Noreco's operations and business performance.

Governance and organization

The number of employees was 29 at the end of the first quarter. The Company currently has a search process ongoing for a Group CEO.

Risks and uncertainties

An investment in Noreco involves risks and uncertainties as described in the Company´s annual report for 2019. Noreco's business, results from operations, cash flow and financial condition depend on the level of oil and gas prices and market expectations of these. Further, Noreco is dependent on successfully developing and producing oil and gas reserves that are economically recoverable. Unless the Company replaces its oil and gas reserves, its reserves and production will decline, which over time could adversely affect its business, financial condition and results of operations. Noreco increased its 2P reserves from 195 mmboe at the end of 2018 to 209 mmboe at the end of 2019 as described in the Company's Annual Statement of Reserves 2020. Noreco is also exposed to risks such as, but not limited to, changes in exchange rates, interest rates, tax, regulations and access to capital.

Outlook

Noreco has built a stable business that is underpinned by the Company's position in the DUC. Noreco is well positioned going forward to navigate the impact of COVID-19 and any future oil price volatility as a result of both the price and volume hedging arrangements the Company has in place and pro-active steps taken by the operator of the DUC. The Company continues to seek to replace produced volumes with incremental 2P reserves additions over the medium-term and has a portfolio of investment opportunities that have the potential to be value additive over the long-term. The Company anticipates direct field opex to decrease to USD 12 per boe once Tyra is back on stream. Based on a revised schedule for maintenance and repair work, which also includes a planned shutdown for the oil export system in June, the Company expects the following production for the second quarter of 2020:

	Unit	Q2 2020 Guidance	Q1 2020
Production*	mboepd	27-29	31.9

* Figures do not take into account the volume guarantee.

Condensed Consolidated Statement of Comprehensive Income

All figures in USD million	Note	Q1 2020	Q1 2019	2019
Revenue	2	148	0	333
Total revenues		**148**	**0**	**333**
Production expenses	3	(60)	(0)	(171)
Exploration and evaluation expenses		(1)	-	(1)
Personnel expenses	4	(2)	(1)	(16)
Other operating expenses	5	(4)	(1)	(19)
Total operating expenses		**(67)**	**(1)**	**(206)**
Operating result (EBITDA)		**82**	**(1)**	**127**
Depreciation	9	(34)	(0)	(70)
Impairment of goodwill	8	-	-	(266)
Net operating result (EBIT)		**48**	**(1)**	**(209)**
Financial income	6	87	7	177
Financial expenses	6, 17	(115)	(10)	(150)
Net financial items		**(27)**	**(3)**	**27**
Result before tax (EBT)		**20**	**(4)**	**(182)**
Current tax payable	7	-	-	-
Change in deferred tax / - deferred tax asset	7	(34)	-	400
Net result for the period		**(14)**	**(4)**	**(182)**
Other comprehensive income (net of tax):				
Items that may be subsequently reclassified to profit or loss:				
Realized cash flow hedge		19	-	9
Changes in fair value		345	(0)	(95)
Related tax		(233)	-	55
Currency translation adjustment		(1)	-	1
Total other comprehensive income for the period (net of tax)		**131**	**(0)**	**(30)**
Total comprehensive income for the period (net of tax)		**117**	**(4)**	**(212)**
Earnings per share (USD 1)				
Basic		(0.6)	(0.5)	14.8
Diluted		(0.6)	(0.5)	12.5

Condensed Consolidated Statement of Financial Position

All figures in USD million	Note	31.03.2020	31.12.2019
Non-current assets			
Licence and capitalised exploration expenditures	8	179	181
Deferred tax assets	7	187	471
Property, plant and equipment	9	1,585	1,550
Right of Use asset	17	1	1
Restricted cash	11, 14	114	115
Contingent consideration - volume protection	10	-	17
Derivative instruments	14	135	6
Total non-current assets		**2,201**	**2,342**
Current assets			
Derivative instruments	14	284	57
Contingent consideration - volume protection		49	104
Trade receivables and other current assets	10	134	133
Bank deposits, cash and cash equivalents	11	273	286
Total current assets		**741**	**580**
Total assets		**2,942**	**2,921**
Equity			
Share capital	16	30	30
Other equity		653	546
Total equity		**683**	**575**
Non-current liabilities			
Asset retirement obligations	15	908	915
Convertible bond loan	12, 14	113	108
Bond loan	12, 14	172	168
Reserve based lending facility	12, 14	709	707
Derivative instruments	14	29	64
Other non-current liabilities	12, 17	26	26
Total non-current liabilities		**1,958**	**1,988**
Current liabilities			
Asset retirement obligations	15	47	52
Tax payable	7	90	106
Derivative instruments	14	-	9
Trade payables and other current liabilities	13	165	191
Total current liabilities		**301**	**358**
Total liabilities		**2,259**	**2,346**
Total equity and liabilities		**2,942**	**2,921**

Condensed Consolidated Statement of Changes in Equity

All figures in USD million	Share capital	Share premium fund	Treasury share reserve	Currency translation fund	Cash flow hedge reserve	Other equity	Total equity
2019							
Equity on 01.01.2019	**8**	**343**	**0**	**(3)**	**-**	**(354)**	**(6)**
Net result for the period						(4)	(4)
Other comprehensive income (net of tax)							
Changes in fair value	-	-	-	-	-	(0)	(0)
Currency translation adjustments	-	-	-	1	-	-	1
Other OCI items	-	-	-	-	-	0	0
Total other comprehensive income (net of tax)	**-**	**-**	**-**	**1**	**-**	**(0)**	**0**
Equity on 31.03.19	**8**	**343**	**-**	**(2)**	**-**	**(358)**	**(9)**
2020							
Equity on 01.01.2020	**30**	**707**	**-**	**(2)**	**(31)**	**(129)**	**575**
Net result for the period						(14)	(14)
Other comprehensive income							
Realized cash flow hedge	-	-	-	-	19	-	19
Changes in fair value	-	-	-	-	345	-	345
Related tax	-	-	-	-	(233)	-	(233)
Currency translation adjustments	-	-	-	4	0	(4)	(1)
Total other comprehensive income	**-**	**-**	**-**	**4**	**131**	**(4)**	**131**
Issue of shares	-	-	-	-	-	-	-
Transaction cost equity issue	-	-	-	-	-	-	-
Share-based incentive program	-	-	-	-	-	0	0
Share buyback	-	0	(9)	-	-	(0)	(9)
Total transactions with owners for the period	**-**	**0**	**(9)**	**-**	**-**	**0**	**(9)**
Equity on 31.03.20	**30**	**708**	**(9)**	**2**	**100**	**(147)**	**683**

Condensed Consolidated Statement of Cash Flows

All figures in USD million	Note	Q1 2020	Q1 2019	2019
Cash flows from operating activities				
Net result for the period		(14)	(4)	218
Adjustments for:				
Income tax benefit	7	34	-	(400)
Tax paid		-	-	(51)
Depreciation	9	34	0	70
Impairment of goodwill	8	-	-	266
Share-based payments expenses		0	-	8
Net financial item	6	27	3	(27)
Changes in:				
Trade receivable	10	3	3	20
Trade payables	13	(17)	(3)	68
Inventories and spare parts	10	(4)	-	16
Prepayments	10	6	-	17
Over-/underlift	10	(8)	-	(7)
Other current balance sheet items		-	0	(0)
Net cash flow from operating activities		**62**	**(0)**	**198**
Cash flows from investing activities				
Acquisition of subsidiary		-	-	(1,071)
Volume guarantee	10	33	-	50
Locked box interest		-	-	(66)
Investment in oil and gas assets	9	(66)	-	(86)
Investment in exploration licenses	9	(1)	-	-
Changes in restricted cash accounts	9	-	-	(50)
Net cash flow from investing activities		**(33)**	**-**	**(1,223)**
Cash flows from financing activities				
Drawdown long-term loans	12	-	-	1,078
Repayment short-term loans		-	-	(54)
Abandonment spent	15	(19)	-	(34)
Lease payments		(0)	-	(0)
Share buyback		(9)	-	-
Issue of new shares		-	-	390
Transaction costs related to financing		-	-	(54)
Transaction costs related to equity issue		-	-	(4)
Repurchase/(sale) own bonds		-	1	(1)
Interest paid		(12)	-	(15)
Other financial items		(0)	-	3
Net cash flow from financing activities		**(41)**	**1**	**1,309**
Net change in cash and cash equivalents		**(13)**	**0**	**283**
Cash and cash equivalents at the beginning of the period		286	3	3
Cash and cash equivalents at end of the quarter		**273**	**3**	**286**

Notes

1 Accounting Principles

Norwegian Energy Company ASA (“Noreco”, “the Company” or “the Group”) is a public limited liability company registered in Norway, with headquarters in Oslo (Nedre Vollgate 1, 0158 Oslo). The Company has subsidiaries in Norway, Denmark, Netherlands and the United Kingdom. The Company is listed on the Oslo Stock Exchange.

Basis for preparation

The interim condensed consolidated financial statements (the interim financial statements) for the first quarter of 2020 comprise Norwegian Energy Company ASA (Noreco) and its subsidiaries. These interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the EU. The interim financial statements do not include all the information and disclosures required to represent a complete set of financial statements, and these interim financial statements should be read in conjunction with the annual financial statements. The interim financial statements are unaudited. The subtotals and totals in some of the tables may not equal the sum of the amounts shown due to rounding. The interim financial statements for the first quarter of 2020 were approved by the Board of Directors on 19 May 2020.

Going concern

The Board of Directors confirms that the interim financial statements have been prepared under the presumption of going concern, and that this is the basis for the preparation of these interim financial statements. The financial solidity and the Company's cash and working capital position are considered satisfactory in regards of the planned activity level for the next twelve months.

Reference to summary of significant accounting policies

These interim financial statements are prepared using the same accounting principles as the annual financial statements for 2019. For the full summary of significant accounting policies, reference is made to the annual financial statements for 2019.

Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The significant judgements made in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual financial statements.

The production expenses for the first quarter were based on pro-forma financials from the operator as the accounting and reporting system for the DUC is currently being replaced and, as a result, actual cost reporting for this period is not available.

2 Revenue

USD million	Q1 2020	Q1 2019
Sale of oil	112	0
Sale of gas and NGL	10	0
Other income	26	-
Total Revenue	**148**	**0**
Oil - lifted volumes (mmbbl)	1.89	0
Invoiced oil revenues	112	0
Other income - accrued hedge benefit for the period	25	-
Total Revenue Oil	136	0
Realised oil price USD/bbl	**72.0**	**61.0**

In the first quarter, Noreco's realised price was USD 72 per bbl of oil lifted during the period.

Sale of oil amounted to USD 112 million in the first quarter, representing invoiced oil revenue under the Company's price hedging arrangements with Shell International Trading and Shipping Company Limited ("STASCO") that were put in place in conjunction with the acquisition.

These STASCO price hedging arrangements are settled on a physical basis and Noreco's ability to utilise these is determined by, amongst other things, the Company's actual lifting schedule for the DUC assets. Under the STASCO arrangements, at the start of 2020 Noreco had an opening balance of hedges from prior periods that had not been utilised and during the first quarter added additional barrels according to the monthly schedule. Based on actual liftings in the first quarter, the Company has at the end of the first quarter a balance of hedges that will be rolled into future periods.

As these hedges are utilised on a First In, First Out basis, there is a timing difference between when the value of each hedge is set (according to the monthly STASCO hedge schedule and based on average prices during this month) and when they are ultimately utilised. Based on this and driven by the significant oil price volatility during the first quarter, Noreco has accrued revenue totalling USD 25 million during the period.

During the first quarter, Noreco recognised the benefit of price hedges that were put in place with financial institutions in the market as financial income rather than revenue based on the required accounting treatment for these instruments during the period.

3 Production Expenses

USD million	Q1 2020	Q1 2019	2019
Direct field opex	(40)	(0)	(80)
Tariff and transportation expenses	(11)	(0)	(24)
Production G&A	(14)	-	(23)
Field operating cost	**(66)**	**(0)**	**(127)**
Total produced volumes (mmboe)	2.9	0	5.5
In USD per boe	(22.7)	(14.9)	(23.1)
Adjustments for:			
Change in inventory position	4	-	(16)
Over/underlift of oil and NGL	8	-	7
Insurance & Other	(4)	-	(6)
Accruals/periodization	-	-	(6)
Stock Scrap	(2)	-	(23)
Production expenses	**(60)**	**(0)**	**(171)**

Production expenses for the first quarter directly attributable to the lifting and transportation to market of our oil and gas production is in total USD 66 million, which equates to USD 22.7 per boe produced during the period compared to USD 24,7 per boe in Q4 2019.

Noreco closed the period with an overlift reduction of USD 8 million (measured at production cost) compared to the overlift at year end 2019. The Company also recognised a USD 4 million increase in the Crude Oil inventory.

The production expenses for the first quarter were based on pro-forma financials from the operator as the accounting and reporting system for the DUC is currently being replaced and, as a result, actual cost reporting for this period is not available.

4 Personnel Expenses

USD million	Q1 2020	Q1 2019
Salaries	(2)	(0)
Social security tax	(0)	(0)
Pension costs	(0)	(0)
Costs relating to share-based payments	(0)	-
Other personnel expenses	(0)	(0)
Total personnel expenses	**(2)**	**(1)**
Average number of employees	**28**	**10**

5 Other Operating Expenses

USD million	Q1 2020	Q1 2019
Premises	(0)	(0)
IT expenses	(0)	(0)
Travel expenses	(0)	(0)
Office costs	(0)	(0)
Consultant fees	(1)	(0)
Insurance	(2)	-
Other operating expenses	(0)	(0)
Total other operating expenses	**(4)**	**(1)**

6 Financial Income and Expenses

Financial Income

USD million	Q1 2020	Q1 2019
Value adjustment derivatives and hedging contracts unrealized [1)]	48	-
Value adjustment of embedded derivatives[2)]	22	-
Hedge income realized	4	-
Interest income	1	0
Change in fair value of bond debt	-	(0)
Gain on repurchase of bonds	-	0
Foreign exchange gains	12	7
Total financial income	**87**	**7**

Financial Expenses

USD million	Q1 2020	Q1 2019
Realized loss derivatives[3)]	(27)	-
Value adjustment - volume protection[4)]	(38)	-
Interest expense from bond loans	(9)	(2)
Interest expense from bank debt	(13)	-
Interest expenses current liabilities	(0)	(0)
Accretion expense related to asset retirement obligations	(9)	(0)
Foreign exchange losses	(17)	(8)
Other financial expenses	(1)	(0)
Total financial expenses	**(115)**	**(10)**

Net financial items	**(27)**	**(3)**

1) Fair value adjustment based on the value of bank hedging contracts deemed inefficient (i.e. above physical liftings) that mature in the future
2) Fair value adjustment of the embedded derivatives of the convertible bond
3) Expense related to the value of the hedge contracts with STASCO maturing during the period that was previously booked as a gain
4) Fair value adjustment of the volume protection – contingent consideration based on the change in future market pricing expectations during the remaining period of the volume hedging agreement with Shell

7 Tax

USD million

Income tax	2020
Current tax	-
Change in deferred tax/-deferred tax asset	34
Prior year adjustment, current tax	(14)
Prior year adjustment, deferred tax	14
Income tax	**34**

Income tax related to other comprehensive income	
Derivatives	233
Total income tax related to other comprehensive income	**233**

Reconciliation of nominal to actual tax rate:	USD	%
Income (loss) before tax	**20**	
Calculated 22% tax on profit before tax	4	22%
Hydrocarbon tax, Denmark	21	104%
Tax effect of:		
Permanent differences[1)]	6	32%
No recognition of tax loss in Norway	2	8%
Tax expense (income)	**34**	**165%**

[1)]The permanent differences mainly relate to unrealized gain on the contingent consideration and uplift in the operating entities

Tax payable

Tax payable relates to the Group's entities in Denmark. The amounts payable as of March 31 was:

Calculated tax payable in Denmark (Hydrocarbon tax)	90

Noreco estimates that hydrocarbon tax payable for 2019 in Denmark relation to the assets, including the period prior to closing of the Shell transaction, will total USD 216 million.

Deferred tax and deferred tax asset	Denmark
Net operating loss deductible	(801)
Fixed assets	1,033
Current assets	359
Liabilities	(883)
Other	-
Basis of deferred tax/deferred tax asset	**(292)**
Net deferred tax/deferred tax asset	**(187)**

Deferred tax/deferred tax asset recognised	
Recognised deferred tax asset foreign	(1,079)
Recognised deferred tax foreign	892
Net deferred tax/deferred tax asset	**(187)**

8 Intangible non-current assets and goodwill

USD million	Capitalised exploration expenditures	Licence	Goodwill	Total
Acquisition costs 01.01.20	-	186	266	452
Acquisitions though business combination	-	-	-	-
Additions	1	-	-	1
Currency translation adjustment	-	-	-	-
Acquisition costs 31.03.20	**1**	**186**	**266**	**452**
Accumulated depreciation and write-downs				
Accumulated depreciation and write-downs 01.01.20	-	(5)	(266)	(271)
Depreciation	-	(2)	-	(2)
Currency translation adjustment	-	-	-	-
Accumulated depreciation and write-downs 31.03.20	**-**	**(7)**	**(266)**	**(273)**
Book value 31.03.20	**1**	**179**	**-**	**179**

9 Property, Plant and Equipment

USD million	Asset under construction	Production facilities	Pipelines	Machinery & equipment	Total
Acquisition costs 01.01.20	376	1,240	1	1	1,619
Additions	63	3	-	0	66
Revaluation abandonment assets	-	(0)	-	-	(0)
Currency translation adjustment	-	(0)	(0)	(0)	(0)
Acquisition costs 31.03.20	**439**	**1,243**	**1**	**1**	**1,685**
Accumulated depreciation and write-downs					
Accumulated depreciation and write-downs 01.01.20	-	(68)	(0)	(1)	(68)
Depreciation	-	(31)	(0)	(0)	(31)
Currency translation adjustment	-	0	0	0	0
Accumulated depreciation and write-downs 31.03.20	**-**	**(99)**	**(0)**	**(1)**	**(100)**
Book value 31.03.20	**439**	**1,144**	**1**	**0**	**1,585**

Given the recent volatility in the global economy, and the oil and gas market specifically, Noreco undertook an impairment review for the holding value of its oil and gas assets. The conclusion of this review was that no impairment was required at the current time. This review included a calculation of the current net present value of Noreco's assets on an after-tax basis without utilisation of Noreco's existing tax losses. Operational assumptions for this analysis are based on Noreco's developed and undeveloped 2P reserves, supported by Noreco's latest Annual Statement of Reserves. The key macro-economic assumptions underpinning Noreco's assessment include a long-term oil price of 60 USD per bbl, applied from 2024 onwards; a USD:DKK exchange rate of 6.72; and an inflation rate of 2% per annum, commencing in 2022.

10 Non-Current Receivables, Trade Receivables and Other Current Assets

USD million	31.03.2020	31.12.2019
Non-current assets		
Contingent consideration – volume protection	-	17
Total non-current receivables	**-**	**17**
Current assets		
Contingent consideration – volume protection	49	104
Trade receivables	2	2
Inventories	41	36
Prepayments	25	31
Other receivables	66	63
Total trade receivables and other current receivables	**183**	**237**

11 Restricted Cash, Bank Deposits, Cash and Cash Equivalents

USD million	31.03.2020	31.12.2019
Non-current assets		
Restricted cash pledged as security for abandonment obligation related to Nini/Cecilie	63	65
Restricted cash pledged as security for cash call obligations towards Total [1)]	50	50
Other restricted cash and bank deposits (Bond holder pledge account, Withholding tax etc.)	-	-
Total non-current restricted cash	**114**	**115**
Current assets		
Unrestricted cash, bank deposits, cash equivalents	273	286
Total bank deposits	**387**	**401**

1) Noreco has made a USD 50 million deposit into a cash call security account in accordance with a cash call security agreement with Total E&P Denmark A/S as operator of the DUC. From August 2020 until January 2021 the escrow account will increase by USD 15 million monthly, up to a total of USD 140 million.

12 Borrowings

Non-Current Debt USD million	31.03.2020 Principal amount	31.03.2020 Book value	31.12.2019 Principal amount	31.12.2019 Book value
NOR 13 Convertible Bond [1]	164	113	158	108
NOR 14 Senior Unsecured Bond [2]	175	172	175	168
Total non-current bonds	**339**	**286**	**333**	**276**
Reserve based lending facility [3]	746	709	746	707
Deferred Consideration [4]	25	25	25	25
Total non-current debt	**771**	**734**	**771**	**732**
Total borrowings	**1,110**	**1,019**	**1,104**	**1,008**

1) The Company issued a convertible bond loan of USD 158 million where the lender was granted a right to convert the loan into new shares in the Company by way of set-off against the claim on the Company. The loan carries an interest of 8% p.a. on a PIK basis, with an alternative option to pay cash interest at 6% p.a., payable semi-annually.

2) The Company issued a senior unsecured bond of USD 175 million. The bond carries an interest of 9% p.a., payable semi-annually.

3) The Company entered into a seven-year USD 900 million Reserve Based Lending Facility as part of the acquisition. Interest is accrued on the repayment amount with an interest comprising the aggregate of 3-month LIBOR and 4% p.a., payable quarterly.

4) In accordance with the SPA USD 25 million of the consideration is due after the redevelopment of Tyra has been concluded.

Payment structure (USD million)

Year	NOR13	NOR14	Reserve Based Lending Facility	Deferred consideration	Total
2022	-	-	171	-	171
2023	-	-	225	25	250
2024	-	-	225	-	225
2025	-	-	125	-	125
2026	-	175	-	-	175
Total	-	**175**	**746**	**25**	**946**

Interest payments (USD million)

Year	NOR13	NOR14	Reserve Based Lending Facility	Deferred consideration	Total
Interest rate		**9.0 %**	**LIBOR3 + 4%**	**4.0 %**	
2020	-	16	48	1	65
2021	-	16	48	1	65
2022	-	16	46	1	63
2023	-	16	36	1	53
2024	-	16	20	-	36
2025	-	16	5	-	21
2026	-	8	-	-	8
Total	-	**102**	**203**	**4**	**309**

13 Trade Payables and Other Current Liabilities

USD million	31.03.2020	31.12.2019
Trade payable	45	53
Liabilities to operators relating to joint venture licences	83	76
Overlift of oil/NGL	5	12
Accrued interest	4	5
Salary accruals	1	1
Public duties payable	11	26
Other current liabilities	16	18
Total other current liabilities	**165**	**191**

14

Financial Instruments
14.1 Fair Value Hierarchy

The table below analyses financial instruments carried at fair value, by valuation method.
The different levels have been defined as follows:

Level 1 Quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2 Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3 Inputs for the asset or liability that are not based on observable market data.

On 31.03.20

USD million	Level 1	Level 2	Level 3	Total
Assets				
Financial assets at fair value through profit or loss				
– Contingent considerations	-	-	49	49
– Derivative instruments	-	126	-	126
Financial assets at fair value				
– Derivative instruments	-	293	-	293
Total assets	**-**	**419**	**49**	**469**
Liabilities				
Financial liabilities at fair value through profit or loss				
– Derivative instruments	-	(8)	-	(8)
– Embedded derivatives convertible bond	-	-	23	23
Financial liabilities at fair value				
– Derivative instruments	-	14	-	14
Total liabilities	**-**	**7**	**23**	**29**

On 31.12.2019

USD million	Level 1	Level 2	Level 3	Total
Assets				
Financial assets at fair value through profit or loss				
– Contingent considerations	-	-	121	121
- Derivative instruments	-	112	-	112
Financial assets at fair value	-	-	-	-
- Derivative instruments	-	(49)	-	(49)
Total assets	**-**	**63**	**121**	**184**
Liabilities				
Financial liabilities at fair value through profit or loss				
– Derivative instruments	-	(8)	-	(8)
– Embedded derivatives convertible bond	-	-	45	45
Financial liabilities at fair value	-	-	-	-
– Derivative instruments	-	36	-	36
Total liabilities	**-**	**29**	**45**	**73**

14.2 Financial Instruments by Category

On 31.03.20 USD million	Financial assets at amortised cost	Assets at fair value through profit or loss	Fair value - hedging instruments	Total
Assets				
Contingent considerations	-	49	-	49
Derivative instruments	-	126	293	419
Trade receivables and other current assets	93	-	-	93
Restricted cash	114	-	-	114
Bank deposits, cash and cash equivalents	273	-	-	273
Total	**480**	**176**	**293**	**949**

USD million	Financial liabilities at amortised cost	Liabilities at fair value through profit or loss	Fair value - hedging instruments	Total
Liabilities				
Derivative instruments and Cash flow hedge	-	(8)	14	7
Embedded derivative convertible bond	-	23	-	23
Convertible bond loans	113	-	-	113
Senior unsecured bond loan	172	-	-	172
Reserve based lending facility	709	-	-	709
Deferred consideration	25	-	-	25
Lease liability	1	-	-	1
Trade payables and other current liabilities	165	-	-	165
Total	**1,185**	**15**	**14**	**1,214**

On 31.12.2019 USD million	Financial assets at amortised cost	Assets at fair value through profit or loss	Fair value - hedging instruments	Total
Assets				
Contingent considerations	-	121	-	121
Cash flow hedge	-	-	63	63
Trade receivables and other current assets	96	-	-	96
Restricted cash	115	-	-	115
Bank deposits, cash and cash equivalents	286	-	-	286
Total	**497**	**121**	**63**	**681**

USD million	Financial liabilities at amortised cost	Liabilities at fair value through profit or loss	Fair value - hedging instruments	Total
Liabilities				
Derivative instruments and Cash flow hedge	-	12	17	29
Embedded derivatives convertible bond	-	45	-	45
Convertible bond loans	108	-	-	108
Senior unsecured bond loan	168	-	-	168
Reserve based lending facility	707	-	-	707
Deferred consideration	25	-	-	25
Lease liability	1	-	-	1
Trade payables and other current liabilities	191	-	-	191
Total	**1,201**	**56**	**17**	**1,274**

14.3 Financial Instruments — Fair Values

Set out below is a comparison of the carrying amounts and fair value of financial instruments as on 31 March 2020:

USD million	Total amount outstanding*	Carrying Amount	Fair Value
Financial assets			
Contingent consideration - volume protection		49	49
Derivative instruments		419	419
Trade receivables and other current assets		93	93
Restricted cash		114	114
Bank deposits, cash, cash equivalents and quoted shares		273	273
Total		**949**	**949**
Financial liabilities			
Derivatives and Cash flow hedge		7	7
Embedded derivative convertible bond		23	23
Convertible bond loans	164	113	113
Senior unsecured bond loan	175	172	172
Reserve based lending facility	746	709	709
Deferred consideration		25	25
Lease liability		1	1
Trade payables and other current liabilities		165	165
Total	**1,085**	**1,214**	**1,214**

* Total amount outstanding on the bonds and under the RBL facility

As a result of the Transaction, Noreco has a liquid volume protection agreement with Shell (“volume protection”) that will, from signing of the Sales and Purchase Agreement (“SPA”) related to the Transaction until the end of 2020 (the “Protection Period”), provide a liquid production guarantee at levels above the Company’s current internal forecasts. To the extent that actual production levels are below the pre-agreed level in the Protection Period, Noreco will receive cash payment from Shell. The fair value of the volume guarantee was recognised as a reduction in the acquisition purchase price. Any changes to the fair value will be recognized through profit and loss.

The convertible bond loan has been determined to contain embedded derivatives which is accounted for separately as derivatives at fair value through profit or loss, while the loan element subsequent to initial recognition is measured at amortized cost, a total of USD 4,5 million in transaction cost is included in the amortized cost. The embedded derivative is valued on an option valuation basis, the carrying value is USD 15 million (initial value USD 54 million). As a result of the buyback of 299,925 shares at a price of NOK 242 per share on 23 January 2020, the conversion price for the NOR13 subordinated convertible bond issue was adjusted in accordance with the bond terms, from USD 29.3398 to USD 28.9734, effective from the trade date of the purchase of shares. The fair value calculation for the option portion of the NOR13 bond as of Q1 2020 includes this update to the conversion price.

The following table lists the inputs to the model used to calculate the fair value of the embedded derivatives:

		2020
Valuation date	(date)	31 Mar 20
Agreement execution date	(date)	24 Jul 19
Par value of bonds	(USD)	158,138,102
Reference share price at time of agreement	(NOK)	232
Fair value at grant date	(USD)	53,942,754
PIK interest rate	(%)	8.00%
Expected life	(years)	3.6
Number of options	(#)	5,458,045
Conversion price	(NOK)	238
Fixed FX rate of agreement	(USD:NOK)	8.180
Risk-free rate (based on government bonds)	(%)	1.20%
Expected volatility	(%)	57.20%
Model used	Black - Scholes - Merton	

The RBL facility is measured at amortized cost, in addition a total of USD 42 million in transaction cost. Transaction costs are deducted from the amount initially recognised and are expensed over the period during which the debt is outstanding under the effective interest method.

The senior unsecured bond loan is measured at amortized cost, in addition a total of USD 7,6 million in transaction cost are deducted from the amount initially recognised.

14.4 Hedging

The Group actively seeks to reduce the risk it is exposed to regarding fluctuating commodity prices through the establishment of hedging arrangements. As of 1 October 2019, Noreco is applying hedge accounting. To the extent more than 100% of the projected production is hedged any value adjustments to the instruments covering in excess of 100% are considered ineffective and the value adjustment is treated as a financial item in the Income Statement. The ineffective amount in Q1 2020 were USD 48 million. Time Value related to hedging arrangements is considered insignificant and generally the valuation of the instruments do not take into consideration the time value.

Noreco has to date executed this policy in the market through a combination of forward contracts and options, and in addition benefits from the risk mitigation elements inherent in the Transaction.

Under its RBL facility, Noreco has a rolling hedge requirement based on a minimum level of production corresponding to the RBL banking case forecast. At the end of Q1 2020, Noreco is in full compliance with this requirement.

The Group is holding the following commodity forward contracts:

	Maturity					
As at 31 March 2020	Less than 1 month	1 to 3 months	3 to 6 months	6 to 9 months	9 to 12 months	More than 12 months
Commodity forward sales contracts:						
Notional quantity (in mbbl)	-	2,558	2,548	2,519	1,519	8,662
Notional amount (in USD million)	-	180	177	148	86	485
Average hedged sales price (in USD per bbl)	-	70	69	59	56	56
Call options contracts:						
Notional quantity (in mbbl)	-	-	-	-	-	3,905
Strike price (USD per bbl)						75
Premium per unit (USD per bbl)						2.45

Hedge Reserve Movement

The table below shows the movement in the hedge reserve from changes in the cash flow hedges

USD Million	Hedge Reserve
Balance as of 1 January 2020	(31)
Realized cash flow hedge	19
Changes in fair value	345
Related tax	(233)
Balance as of 31 March 2020	100

15 Asset Retirement Obligations

USD million	31.03.2020	31.12.2019
Balance on 01.01.2020	967	68
Acquisition of abandonment liability through business combination	-	918
Provisions and change of estimates made during the year	0	(2)
Accretion expense - present value calculation	7	15
Incurred cost removal	(19)	(34)
Currency translation adjustment	(0)	0
Total provision made for asset retirement obligations	**955**	**967**
Break down of short-term and long-term asset retirement obligations		
Short-term	47	52
Long-term	908	915
Total provision for asset retirement obligations	**955**	**967**

Asset retirement obligations are measured at net present value of the anticipated future cost (estimated based on current day costs inflated 1%). The liability is calculated on the basis of current removal requirements and is discounted at 4% (based on a risk-free rate adjusted for credit risk) to a present value. Most of the removal activities are expected to be executed many years into the future. This makes the ultimate asset retirement costs and timing highly uncertain. Costs and timing can be affected by changes in regulations, technology, estimated reserves etc. The provision at the reporting date represents management's best estimate of the present value of the future asset retirement costs required.

As part of the overall restructuring in 2015, an agreement was reached that entails that the partners took over Noreco's share of the Nini/Cecilie licences, however Noreco remains liable for the asset retirement obligation towards the license partners. The liability related to Nini/Cecilie is capped at the escrow amount, which is currently DKK 430 million.

The balance as per 31.03.2020 is USD 889 million for DUC, USD 63 million for Nini/Cecilie, USD 1.9 million for Lulita (non-DUC share) and USD 0.7 million for Tyra F-3 pipeline.

16 Shares and Share Capital

	No. of Shares	Share Capital*
Number of shares and share capital 31.12.19	24,549,013	30
Number of shares and share capital 31.03.20	**24,549,013**	**30**

	No. of Shares	Treasury share reserve*
Treasury shares as of 31.12.19	-	-
Purchase of Treasury shares	(345,917)	(9)
Treasury shares as of 31.03.20	**(345,917)**	**(9)**

* In USD million

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Right-of-Use Assets and Lease Liabilities

Right of Use assets USD million	Land and buildings	Macinery and vehicles	Total
Balance on 01.01.2020	1	0	1
Additions	0	-	0
Depreciation	(0)	(0)	(0)
Total provision made for right of use assets	**1**	**0**	**1**

Lease liabilities USD million	Land and buildings	Macinery and vehicles	Total
Balance on 01.01.2020	1	0	1
Additions	(0)	-	(0)
Interest expense	0	0	0
Lease payment	(0)	(0)	(0)
Total lease liability 31.03.20	**1**	**0**	**1**
Break down of short-term and long-term lease liability			
Short - term	1	(0)	0
Long - term	1	0	1
Total lease liability	**1**	**0**	**1**

18 Subsequent Events

On 30 April, the Company published its 2019 Annual Report and Annual Statement of Reserves 2020 demonstrating an increase in Noreco's 2P reserves from 195 mmboe at the end of 2018 to 209 mmboe at the end of 2019.

Noreco may disclose alternative performance measures as part of its financial reporting as a supplement to the financial statements prepared in accordance with IFRS. Noreco believes that the alternative performance measures provide useful supplemental information to management, investors, security analysts and other stakeholders and are meant to provide an enhanced insight into the financial development of Noreco's business operations and to improve comparability between periods.

Abandonment spend (abex) is defined as the payment for removal and decommissioning of oil fields, to highlight the cash effect for the period.

Adj. EBITDA is adjusted for any claims under the volume guarantee in the quarter as this reflects a payment from Shell if the production performance of the business is below expectations set at the time of the signing of the SPA. This hedge is calculated to make whole Noreco's contribution from the operations had the performance been in line with expectations and is currently reflected in the company's cashflow statement and balance sheet only.

It is also adjusted for exceptional costs in relation to the transaction that are not reflective of the underlying performance of the business, cost from share-base payment arrangements.

All figures in USD million	Q1 2020	Q1 2019	2020	2019
EBITDA	82	(1)	82	127
Claim volume floor guarantee	21	-	21	70
Transaction cost	0	0	0	9
Share-base payment	2	-	2	8
Exceptional DUC operating cost	-	-	-	22
Adj. EBITDA	105	(1)	105	236

EBITDA Earnings before interest, taxes, depreciation, depletion, amortization and impairments. EBITDA assists in comparing performance on a consistent basis without regard to depreciation and amortization, which can vary significantly depending on accounting methods or non-operating factors and provides a more complete and comprehensive analysis of our operating performance relative to other companies.

Net result (excluding non-cash taxes) defined as the net result including tax payable without regard to any changes in deferred tax / deferred tax assets.

Net interest-bearing debt is defined by Noreco as cash and cash equivalents reduced by current and non-current interest-bearing debt. RBL facility and bond loan are included in the calculation with the total amount outstanding and not the amortised cost including transaction cost.

All figures in USD million	Q1 2020	Q1 2019	2020	2019
Cash and cash equivalents	273	3	273	286
Convertible bond loan	(164)	-	(164)	(158)
Senior Unsecured bond loan	(175)	(20)	(175)	(175)
Reserve based lending facility	(746)	-	(746)	(746)
Other interest-bearing debt	(25)	(37)	(25)	(25)
Net interest-bearing debt	(837)	(54)	(837)	(818)

Information About Noreco

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Organisation number	NO 987 989 297 MVA

Financial Calendar 2020

25 February	Q4 2019 Report
30 April	Annual Report 2019
20 May	Q1 2020 Report
26 May	Annual General Meeting
21 August	Q2 2020 Report
13 November	Q3 2020 Report

Board of Directors

Riulf Rustad	Chair
Lars Purlund	
Marianne Lie	
Tone Kristin Omsted	
Colette Cohen	
Yves-Louis Darricarrère	
Chris Bruijnzeels	
Bob McGuire	

Management

Atle Sonesen	Chief Operating Officer and Managing Director
Euan Shirlaw	Chief Financial Officer
Cathrine Torgersen	EVP, Investor Relations & Communications
Frederik Rustad	EVP, Corporate Finance & Investments

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Annual Reports

Annual reports for Noreco are available on www.noreco.com

Quarterly publications

Quarterly reports and supplementary information for investors and analysts are available on www.noreco.com. The publications can be ordered by e-mailing investorrelations@noreco.com.

News Releases

In order to receive news releases from Noreco, please register on www.noreco.com or e-mail investorrelations@noreco.com.

APPENDIX 2 – NORECO’S RESERVE REPORT

NORECO

Norwegian Energy Company ASA
Annual Statement of Reserves 2020

noreco.com

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1 Management's Discussion and Analysis (MD&A)

The reported 2P reserves include remaining volumes expected to be recovered based on reasonable assumptions about future technical, economical, fiscal and financial conditions based on YE19 data. Discounted future cash flows pre-tax are calculated for the various fields on the basis of expected production profiles and estimated proven and probable reserves. Cut-off time for the reserves in a field is set at the time when the maximum cumulative net cashflow occurs, with production and costs grouped at each production hub or at end of license in year 2042. The company has used a long-term inflation assumption of 2 percent, a long- term exchange rate of 6.75 DKK/USD, and a long-term oil price of 60 USD/bbl (real 2020 terms). A gas sales price of US$5.8/kscf in 2020 has been assumed, with a forward profile provided by independent consultancy Rystad Energy.

The calculations of recoverable volumes are associated with significant uncertainties. The 2P estimate represents a best estimate of reserves, whereas the 1P reflects a low estimate, and the 3P a high estimate.

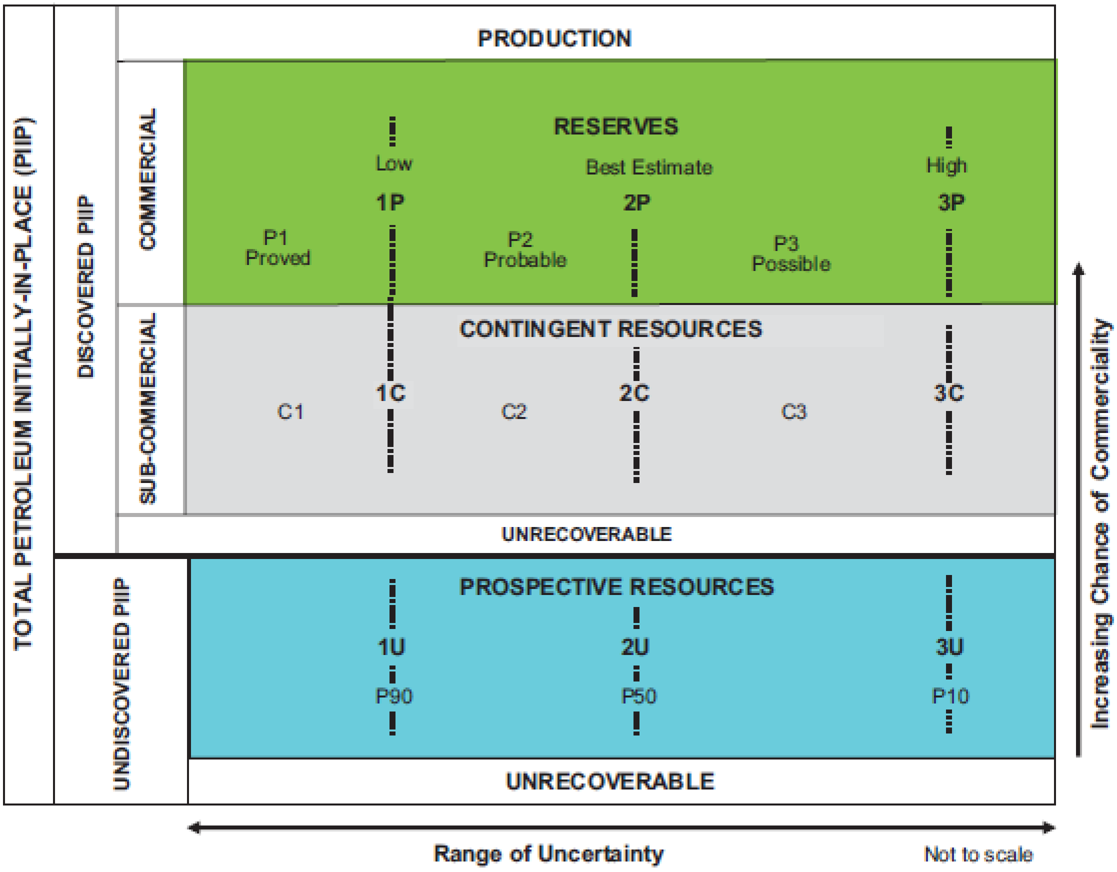
All volumes reported are estimated by an independent third-party consultancy RISC (UK) Ltd. All production- and cost profiles are included in the RISC 2020 certification report for completeness and assessment of economic cut-off. The volumes are disclosed on a non-reliance basis.

Atle Sonesen

Managing Director & COO

2 Introduction

RISC (UK) Ltd (RISC) has made an independent reserves evaluation based on the definitions and guidelines set out in the revised June 2018 Petroleum Resources Management System (PRMS) version 1.01 (June 2018) (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 Society of Petroleum Engineers (SPE), the World Petroleum Council (WPC), the American Association of Petroleum Geologists (AAPG), the Society of Petroleum Evaluation Engineers (SPEE), the Society of Exploration Geophysicists (SEG), the Society of Petrophysicists and Well Log Analysts (SPWLA) and the European Association of Geoscientists & Engineers (EAGE)."



- Figure 1 Petroleum Resources Classification System

This report provides an overview of Developed Reserves (on production), Undeveloped reserves associated with ongoing projects, and two projects in the sub-class Justified for Development that has not yet been sanctioned. No assessment has been made of contingent or prospective resources (in accordance with the classification table above) by RISC.

The Danish Underground Consortium (DUC) is a joint venture with three partners:

Total	43.2% equity (Operator)
Noreco	36.8% equity except for Lulita where the equity is 28.4%
Nordsøfonden	20.0% equity (State participation, fully paying)

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.

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.

Seabed subsidence of the aging Tyra West and Tyra East platforms posed a risk for the platform integrity under severe weather conditions. Consequently, the DUC partners made a final investment decision (FID) and sanctioned the Tyra Redevelopment project in December 2017. Tyra and the associated satellite fields were closed-in end of Q3 2019 and production start-up from the new Tyra facility and satellites are scheduled for 2022. All associated volumes are reported as Under Development.

Two commercial projects at the Halfdan production hub have field development plans underway and volumes are included in the Justified for Development category.

3 2020 – Developed and Undeveloped Reserves

The developed reserves comprise of the fields on production from the Dan, Halfdan and Gorm hubs and until end of field life. The undeveloped reserves comprise of reserves from the Tyra redevelopment project and two development projects in the Halfdan Area.

Table 1 – Noreco 1P, 2P and 3P reserves as of 31.12.2019 per reserve class

Reserves		1P/P90				2P/P50				3P/P10
		Gross liquids	Gross gas	Gross boe	Net boe	Gross liquids	Gross gas	Gross boe	Net boe	Net boe
as of 31.12.2019	*Interest*	*mmbbl*	*mmboe*	*mmboe*	*mmboe*	*mmbbl*	*mmboe*	*mmboe*	*mmboe*	*mmboe*
On Production										
Dan	36.8%	57	2.8	59.8	22.0	81.7	4.6	86.3	31.7	38.2
Kraka	36.8%	6.4	0.3	6.7	2.5	8.5	0.5	9.0	3.3	3.7
Halfdan	36.8%	120.2	20.3	140.5	51.7	144.9	31.4	176.3	64.9	73.3
Gorm	36.8%	12.5	-	12.5	4.6	18.2	-	18.2	6.7	9.1
Skjold	36.8%	19.9	-	19.9	7.3	28.6	-	28.6	10.5	14.1
Rolf	36.8%	2.6	-	2.6	1.0	3.5	-	3.5	1.3	1.7
Total		**218.6**	**23.4**	**242.0**	**89.1**	**285.4**	**36.5**	**321.9**	**118.4**	**140.1**
Under Development										
Tyra Hub	36.8%	66.2	91.2	157.5	57.9	86.5	122.8	209.3	77.0	88.0
Total		**66.2**	**91.2**	**157.5**	**57.9**	**86.5**	**122.8**	**209.3**	**77.0**	**88.0**
Justified for Development										
Halfdan HCA gas lift	36.8%	0.2	5.1	5.3	1.9	0.3	7.6	7.9	2.9	3.3
Halfdan North	36.8%	16.6	1.8	18.4	6.8	25.9	2.8	28.7	10.6	16.9
Total		**16.8**	**6.9**	**23.7**	**8.7**	**26.2**	**10.3**	**36.5**	**13.4**	**20.2**
On Production plus Under Development										
Total		**284.8**	**114.6**	**399.5**	**147.0**	**371.9**	**159.3**	**531.2**	**195.5**	**228.1**
On Production plus Under Development plus Justified for Development										
Total Reserves		**301.6**	**121.5**	**423.2**	**155.6**	**398.1**	**169.6**	**567.7**	**208.9**	**248.2**

Deficiencies in fuel gas in the Dan and Gorm Hubs are supplied from the Halfdan Hub and/or Tyra Hub and hence, the total gas is aggregate Sales Gas reserves entering the Export gas pipeline(s).

For total MMBoe, Gas reserves have been added to the Oil and Liquid reserves, using a conversion factor of 5.2 Bscf/MMBoe, from the Operator, based on actual calorific value of the sales gas.

Table 2 – Noreco 1P, 2P and 3P reserves as of 31.12.2019 per associated hub

Reserves per hub		1P/P90				2P/P50				3P/P10
		Gross liquids	Gross gas	Gross boe	Net boe	Gross liquids	Gross gas	Gross boe	Net boe	Net boe
as of 31.12.2019	*Interest*	*mmbbl*	*mmboe*	*mmboe*	*mmboe*	*mmbbl*	*mmboe*	*mmboe*	*mmboe*	*mmboe*
Dan	36.8%	57	2.8	59.8	22.0	81.7	4.6	86.3	31.7	38.2
Kraka	36.8%	6.4	0.3	6.7	2.5	8.5	0.5	9.0	3.3	3.7
Dan Hub		**63.4**	**3.1**	**66.5**	**24.5**	**90.2**	**5.0**	**95.2**	**35.0**	**41.9**
Halfdan	36.8%	137.0	27.2	164.2	60.4	171.1	41.8	212.9	78.4	93.4
Halfdan Hub		**137**	**27.2**	**164.2**	**60.4**	**171.1**	**41.8**	**212.9**	**78.4**	**93.4**
Gorm	36.8%	12.5	-	12.5	4.6	18.2	-	18.2	6.7	9.1
Skjold	36.8%	19.9	-	19.9	7.3	28.6	-	28.6	10.5	14.1
Rolf	36.8%	2.6	-	2.6	1.0	3.5	-	3.5	1.3	1.7
Gorm Hub		**35.0**	**0.0**	**35.0**	**12.9**	**50.3**	**0.0**	**50.3**	**18.5**	**24.9**
Tyra	36.8%	30.3	63.5	93.8	34.5	39.4	86.8	126.2	46.4	52.6
Valdemar	36.8%	29.8	13.2	43.0	15.8	40.1	19.0	59.1	21.8	26.0
Roar	36.8%	4.7	10.0	14.7	5.4	5.4	12.2	17.7	6.5	6.9
Harald	36.8%	0.8	4.1	4.8	1.8	0.8	4.4	5.2	1.9	2.2
Lulita	28.4%	0.6	0.4	1.0	0.3	0.7	0.5	1.2	0.3	0.3
Tyra Hub		**66.2**	**91.2**	**157.5**	**57.9**	**86.5**	**122.8**	**209.4**	**77.0**	**88.0**
Total Reserves		**301.6**	**121.5**	**423.2**	**155.6**	**398.1**	**169.6**	**567.7**	**208.9**	**248.2**

Table 3 – Noreco 1P, 2P and 3P reserves development from 31.12.2018 to 31.12.2019

Reserves Development	On Production			Under Development			Justified for Development			Total		
Net attributable mmboe	1P/P90	2P/P50	3P/P10	1P/P90	2P/P50	3P/P10	1P/P90	2P/P50	3P/P10	1P/P90	2P/P50	3P/P10
Balance as of 31.12.2018	**82.2**	**112.9**	**128.6**	**49.4**	**82.4**	**101.9**	**-**	**-**	**-**	**131.6**	**195.3**	**230.5**
Production	17.6	17.6	17.6	-	-	-	-	-	-	17.6	17.6	17.6
Acquisition and disposals	-	-	-	-	-	-	-	-	-	-	-	-
Revisions	24.5	23.2	29.1	8.5	-5.4	-13.9	-	-	-	32.9	17.8	15.2
Discovery and Extensions	-	-	-	-	-	-	-	-	-	-	-	-
New Developments	-	-	-	-	-	-		-	-	-	-	-
Projects matured	-	-	-	-	-	-	8.7	13.4	20.2	8.7	13.4	20.2
Balance as of 31.12.2019	**89.1**	**118.4**	**140.1**	**57.9**	**77.0**	**88.0**	**8.7**	**13.4**	**20.2**	**155.6**	**208.9**	**248.2**
Delta (2019-2018)	**6.8**	**5.5**	**11.5**	**8.5**	**-5.4**	**-13.9**	**8.7**	**13.4**	**20.2**	**24.0**	**13.6**	**17.7**

2019 production (Noreco share) is the Available for Sales volume based on actual production, fuel and flare and re-injected volumes determined by Noreco.

No contingent or prospective Resources has been included in this report.

4 Reserves – Technical Evaluation

The reserves reported are net for the interests (36.8%) in the DUC portfolio. These are arithmetically summed Developed[1] (in production) and Undeveloped[2] reserves (Justified or Approved for development). All reserves[3] conform to the PRMS guidelines. RISC 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.

RISC has reviewed the historical production and injection performance and the production forecast for the producing fields have been estimated using Decline Analysis or based on a review of the Operators YE19 reserves forecasts (simulation work). These simulations and reports were not available to Noreco or RISC. They were not auditable, but the simulation forecasts appear reasonable for initial production rate, with the general trends following historical trends.

Reserves has been classified accordingly to the associated risk and probability for the reserves to be produced.

- **1P** - Proved Reserves: Low estimate of reserves.
- **2P** - Proved + Probable Reserves: Best estimate of reserves.
- **3P** - Proved + Probable + Possible Reserves: High estimate of reserves.

In accordance with the PRMS guidelines, the cessation of production (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 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 Assets Portfolio

5.1 Introduction

The DUC assets consist of eleven active fields with reserves. All fields are situated on the Danish Continental Shelf. The developments can be divided into four main producing hubs: Dan, Gorm, Halfdan and Tyra. Production started in 1972 and oil and gas are exported to shore via one oil pipeline from Gorm and two gas pipelines from Tyra.

[1] Developed Reserves are expected quantities to be recovered from existing wells and facilities.
[2] Undeveloped Reserves are quantities expected to be recovered through future investments.
[3] 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.

5.2 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 and the production drive mechanisms 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 126 wells has been drilled, with currently 42 active oil wells and 37 active water injectors. By end of 2019 the field has produced 735 MMstb of oil and 961 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 aquifer support. 10 wells have been drilled and currently 7 oil wells are producing. By end of 2019 the field has produced 38 MMstb of oil and 63 Bscf of gas.

5.3 Halfdan Hub

Halfdan Main was discovered in 1998 and brought on production in 1999. The field produces oil and gas from the Tor Chalk reservoir by gas cap drive/solution gas expansion and secondary waterflooding. The Halfdan NE area 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 35 active oil producers and 17 active water injectors. By end of 2019 the field has produced 502 MMstb of oil and 567 Bscf of gas.

The well HBB-05A was drilled and brought on production in September 2019. The well is currently producing approximately 1,300 kstb/d and 10,000 mmscf/d. The well is producing above sanctioned expectations.

Halfdan NE has been developed in three phases and 21 wells have been drilled, with currently 16 active gas producers. By end of 2019 the field has produced 14 MMstb of oil and 715 Bscf of gas.

5.4 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 17 active producers and 6 active water injectors. By end of 2019 the field has produced 396 MMstb of oil and 595 Bscf of gas and 305 Bscf gas has been injected (no injection since 2005). Gorm acts further as the oil gathering center and export hub for all DUC fields.

The Skjold field is an oil satellite tie-back to Gorm. It was discovered in 1977 and brought on production in 1982. The field is a dome shaped structure with a relative thin chalk reservoir on the crest, which thickens towards the outer crest and flank areas. The Chalk is highly fractured with low matrix permeability and the main production drive mechanism is waterflooding. 30 wells have been drilled, with currently 13 active oil producers and 7 active water injectors. By end of 2019 the field has produced 304 MMstb of oil and 154 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 mechanisms are solution gas drive and aquifer support. 3 wells have been drilled, with currently 1 active oil producers. By end of 2019 the field has produced 30 MMstb of oil and 7.5 Bscf of gas.

5.5 Tyra Hub

Tyra Main is a gas dominated field discovered in 1968 and Tyra SE is an oil dominated field area discovered in 1991. Tyra Main was brought on production in 1984 and Tyra SE in 2002. The Tyra field lies on an inverted structure on the Valdemar-Tyra-Igor low relief ridge. The field produce 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 recovery mechanism is depletion by gas expansion and rock compaction.

The Tyra East and West comprises of 11 platforms and due to subsidence, the field is currently being redeveloped. The Tyra Re-development project scope include replacing the existing accommodation and processing platforms by one single accommodation and one processing platform. The wellhead jackets will be raised and topsides replaced. No new wells are planned. The estimated start-up of the new Tyra facility and the Tyra Satellites is scheduled for 2022. A total of 93 wells have been drilled on Tyra Main and SE, with currently 47 active oil and gas producers by end of 2019 the field has produced 208 MMstb of oil and 4,251 Bscf of gas.

Tyra acts further as the gas gathering center and export hub for all DUC fields. During the Tyra redevelopment project, Dan is temporary the host for gas export via a by-pass pipeline connecting 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 depletion and rock compaction drive under controlled bottom hole pressure constrained mode. 26 wells have been drilled on Valdemar, with currently 22 active oil and gas producers. By end of 2019 the field has produced 89 MMstb of oil and 257 Bscf of gas.

Roar is a gas field 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 2019 the field has produced 588 Bscf of gas and 18 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 2019 the field has produced 902 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 a 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 aquifer encroachment, gas cap drive and solution gas expansion. Two wells have been drilled, however only one is currently producing. By end of 2019 the field has produced 7.4 MMstb of oil and 28.3 Bscf of gas. DUC holds an 50% interest in the Lulita field with Ineos (40%) and Noreco (10%) as partners.