



## Total E&P Norge AS

# Board of Directors' Report 2019

### 1 Introduction

Total E&P Norge AS (Total or the Company) is involved in exploration and production of oil and gas on the Norwegian Continental Shelf. The Company is a wholly owned subsidiary of TOTAL S.A. and forms part of the Total Group.

TOTAL S.A. is a global, integrated energy company committed to supplying affordable energy to a growing population, addressing climate change and meeting new customer expectations. With operations in more than 130 countries worldwide, TOTAL S.A. is a leading oil and gas company and a major player in low-carbon energy, with the ambition of becoming the responsible energy major.

Total has been present in Norway for more than 50 years and has its office in Stavanger. The Company is responsible for Total Group's exploration and production activities in Norway. In 2019, the average production was 204,000 barrels of oil equivalents per day (Kboe/d). The production from our Norwegian producing assets represented approximately 8% of the annual production from Total Group's global E&P business. Total continues to be a significant player and has a long-term perspective on its activities in Norway.

### 2 Activities on the Norwegian Continental Shelf

#### 2.1 Licence Portfolio

Total has continued the optimization of its portfolio in Norway during 2019 and exited non-core assets as well as applying for more in the APA round. By the end of 2019, the Company had interests in 63 licenses on the Norwegian Continental Shelf.

The Company agreed the sale of Aker BP operated King Lear in production licenses 146 and 333 to PGNiG. The transaction was completed on 31 October 2019. Further, a 10% interest in the exploration license PL785S and operatorship was transferred to Equinor. Total remains with a 50% interest in the license. The transaction was concluded 20 December 2019.

A transaction was also agreed with DNO to carve out a stratigraphic layer underlying the Flyndre field and transferring Total's 88.346% share in the new carve-out license to DNO.

#### 2.2 Exploration and Licensing rounds

The Company continued the search for attractive new exploration acreage in 2019. Total still sees exploration potential on the NCS. Total is focusing on material exploration prospects which have the potential for stand-alone economic development and aiming to increase the value of the portfolio through nearby exploration and tie-backs to existing infrastructure.

Total applied in the Awards in Pre-defined Areas 2019 round and in early 2020 the Company was awarded two licenses. PL 1070 is a very large licence in the Vøring Basin (over 13 blocks within quadrants 6504, 6505, and 6605) and was awarded to Total (40%, operator) and partners Vår Energi (30%) and DNO Norge (30%). In the other awarded license, PL1039, Total has a 40% participating interest together with Equinor (60%, operator). The license is in the direct vicinity of Johan Sverdrup.

Two exploration wells south of the Kristin field were completed in January 2019, after having begun operations in 2018. Total drilled as operator the Jasper well and sidetrack 6406/6-6 S & A in PL255B (Total 40%) and the participated in the Ragnfrid North well (6406/2-9 S) in PL199 (Total 6%, partner), both resulted in minor gas discoveries. Ongoing work in PL255B with prospect analysis and integration of well results is being carried out.

The next planned exploration well targets the Brunost prospect in PL 785S in the North Sea (Total 50%, partner). Originally planned for drilling in late 2020, the well is now due to begin operations in 2021.

### 2.3 Producing fields and development

#### **Ekofisk area, the North Sea**

Ekofisk celebrated 50 years in 2019 and Total and affiliated companies is proud to have been involved since the beginning. The Greater Ekofisk Area contributed more than a third of the Company's production, in total 68.7 Kboe/d (the Company's share) during 2019, where the most important contributors were the Ekofisk and Eldfisk fields (Total 39.9%, partner).

The two major projects Ekofisk South and Eldfisk II that were launched in 2011 are underway with a few wells still to be drilled. Ekofisk South comprises a subsea template for 8 injection wells and a platform with 36 well slots installed in 2013. At year-end 2019, the 27th production well was in the process of being finalized. The remaining scope includes two wells to be drilled in 2021. At Eldfisk II the 2/7-S platform jacket was installed in 2013 followed by the topsides in 2014. In total, the project includes 30 new production wells and 9 injector wells of which 9 wells remain to be drilled in 2020-2021, and 5 re-drilled wells are planned for the late 2020s.

In 2019, there were also activities Ekofisk VC project and Ekofisk Removal Cat 3 project, both sanctioned in 2018. The two final wells of the Ekofisk VC project were put on injection in January 2019. The Ekofisk Removal Cat 3 project consists of removal of four redundant Ekofisk I platforms. In 2019, the 2/4 FTP topsides and 2/4 Q MSF were removed. The remaining scope includes removal of 2/4 A topside and jacket, 2/4 Q jacket and the 2/4 H bridge, topside and jacket.

Total has been instrumental in the partnership in instigating a review of Ekofisk with a view to sustaining it for the long term. Production levels are falling lower than initially forecast which puts pressure on costs if more barrels cannot be economically added. Total is working with the partnership to transfer methods and technology to maintain Ekofisk through efficiencies and further investment.

The Tor Redevelopment project was sanctioned in 2019. The project is a redevelopment of the Tor field which ceased production in 2015. The project comprises eight oil production wells using two subsea templates tied back by multiphase production and gas lift pipelines to existing risers at the Ekofisk 2/4 M platform.

### **Johan Sverdrup, the North Sea**

The Johan Sverdrup field (Total 8.44%, partner) commenced production 5 October 2019, ahead of plan and significantly below cost. The ramp up of the 8 pre-drilled producers went very well and the production efficiency so far has been high. When the drilling of the next producers started, they were also delivered within the plan.

The field is producing with a cost and CO<sub>2</sub> emission per barrel significantly below industry standards. Due to power from shore, the CO<sub>2</sub> emissions are below 0.7 kg per boe (vs the global average of around 18).

Total is extremely grateful to the strong project deliver from operator Equinor's team, but Total is also proud of the work it has done in the licence to aid project delivery and subsurface definition for this huge project and field.

In May 2019, the second phase of the development of the giant field Johan Sverdrup was approved. Construction of a new processing platform has started, which will be the second of its kind at the field center. The field will have five platforms when the development is completed. When the final platform starts operation in 2022, the total production capacity is expected to increase to 660 Kboe/d per day.

### **Troll area, the North Sea**

The Troll unit (Total 3.69 %, partner) contributed to 12% of the Company's production in 2019, with 25 Kboe/d. The Troll field provides a significant share of the natural gas requirements of continental Europe. The production from the Kvitbjørn gas-condensate field (5% interest) contributed to 2 % of the Company's production in 2019, with 5 Kboe/d.

Troll Phase 3, sanctioned in 2018 as a subsea development of the Troll West gas cap, is well underway with an expected production start in 2021. Projects under maturation are a continuation of phase 3 and additional power from shore (part electrification).

### **Atla and Skirne/Byggve operated fields, the North Sea**

The Skirne gas and condensate field (Total 40%, operator) includes the two subsea wells Skirne and Byggve which are both connected to the Heimdal facilities. The Atla field (Total 40%, operator) has one production well and is also connected to Heimdal.

The fields are in late life and during 2019 only Skirne and intermittently Atla have been producing. Production is expected to end in 2021. Preparations for decommissioning have started and Total is active in ensuring the partnership do this in the most environmentally friendly manner.

### **Oseberg, the North Sea**

In 2019, the Oseberg assets contributed with 14% of the the Company's production 28.4 Kboe/d. The fields in production are Oseberg Main, Oseberg East and Oseberg South, (Total 14.7%, partner). Projects under maturation are gas compression upgrade and power from shore (electrification).

### **Haltenbanken, the Norwegian Sea**

The main themes for the Company's interests in the Haltenbanken/Åsgard area is to keep up production by maturing new projects and drilling targets and to reduce the costs, as the assets are in their mid to late life cycle.

The Åsgard unit (Total 7.68%, partner) operated by Equinor contributed in 2018 to 9% of the Company's production – on average 18.8 Kboe/d. The production (in 100%) from the Tyrihans field (Total 23.145%, partner) was 20.7 Kboe/d and contributed with 10 % of the Company's production.

The production from the Kristin field (Total 6%, partner) contributed with 1% of the Company's production – on average 1.6 Kboe/d.

### **Snøhvit, the Barents Sea**

In 2019, the Snøhvit unit in the Barents Sea (Total 18.4%, partner) contributed with 13 % of the Company's production – on average 26.2 Kboe/d. The current production is exceeding the capacity design and regularity is high.

The Askeladd phase 1 development project was approved in March 2018 and will be finalized and put into production in 2020. This will be followed by an expected investment decision on Askeladd (west) phase 2 planned for 2020. The Snøhvit Future Phases is being matured in order to select the next building block for maintaining the production plateau after the Askeladd projects; the current plan is to mature two investment decisions for onshore compression and electrification in 2021 and later also offshore compression. Total is pleased to be able to offer its global LNG experience to the Snøhvit licence.

## 3 Health, Safety and the Environment (HSE)

### 3.1 HSE performance

The Company continues its efforts in order to reach the ambition of being a benchmark company in HSE performance, based on safe and environmentally friendly operations. Safety is a core value.

There was no recordable or Lost Time Injury (LTI) recorded within the Company's HSE perimeter in 2019.. The Lost Time Injury Frequency (LTIF) was hence 0.00, with a target of 0.00. The number of worked hours within the Company's perimeter was 0.2 million hours, compared to 0.3 million budgeted hours.

The Company also met its objective when it comes to high potential incidents in 2019, with zero high potential incidents and zero spills recorded during the year.

The annual HSE program for 2019 included several activities to improve the HSE standards in operated and non-operated activities. 100% of the HSE program was completed at year end.

Absences due to illness in the Company have been low and stable and ended at an average of 2.77% in 2019. The Company has a Rehabilitation Committee which is responsible for providing relevant assistance to employees suffering from long-term illness. During 2019, six employees were on long-term sick leave beyond four weeks. This number was reduced to two at year-end.

### 3.2 Environmental accounts and impact

The Company focuses on limiting its energy consumption, atmospheric emissions, discharges to sea and waste production in line with the Total Group's commitments. Our environmental performance is measured through key indicators established annually in order to measure and continuously improve our performance. Environmental verifications are performed throughout the year to follow up on compliance with regulatory and internal requirements.

Detailed information on our environmental accounts can be found in the annual discharge report submitted through the joint electronic reporting format for the Norwegian Environment Agency, the Norwegian Petroleum Directorate and the Norwegian Oil and Gas Association. The direct Environmental impact of TEPN's activities is small but we actively contribute to schemes within the licences to reduce GHG emissions, including evaluation of several electrification projects across assets including Troll and Snøhvit. The start-up of the Johan Sverdrup field has also led to a step change in the carbon intensity of our production.

TEPN participates in the Northern Lights CO2 transport and storage project which is expected to be sanctioned in 2020, and would be the first industrial scale project of its kind.

## 4 Financial Highlights

### 4.1 - Comments to the Income Statement

#### **Production volumes**

In 2019, the average daily quantities produced were 204 thousand barrels of oil equivalents per day (Kboe/d). In total, 49% of the annual production came from gas production, equivalent to an average of 15.3 million standard cubic meters per day.

The production was lower than in 2018, mainly due to the disposal of Mikkel in January 2019, turnaround on Ekofisk area summer 2019 (PL018 – Ekofisk, Eldfisk and Embla) partly offset by start-up on Johan Sverdrup Q4 2019. In 2019, the 39.9% interest in Ekofisk area remained the largest contributor, representing a third of the Company's overall production.

#### **Revenues**

The revenues in 2019 were NOK 30 628 million, compared to NOK 35 091 million in 2018, down 13%. Liquids and gas sales amounted to NOK 29 415 million, while the figure in 2018 was NOK 33 055 million. The decrease was due to lower average liquids and gas prices. The average price achieved for liquids in 2019 was USD 60.0 per barrel, 9% lower than the average price of USD 66.2 per barrel in 2018, in addition to decrease in average gas sales prices of 36% from 2018 to 2019. Revenues from liquids were NOK 20 439 million compared to NOK 19 927 million in 2018. Booked gas revenues (excluding trading) reached NOK 8 869 million, down 31% from NOK 12 879 million in 2018, primarily due to lower selling prices.

Overall in 2019, the value of the NOK has been affected by the oil and gas price trends. The Company's accounts are denominated in NOK, while liquids sales are invoiced in USD and gas sales predominantly in EUR, Pound Sterling or USD. The average exchange rate for NOK/USD was 8.8, up 8,3% compared to 8.13 in 2018. The average NOK/EUR exchange rate was 9.85, up 2.6% from 9.60 in 2018.

The amount shown as other income includes if any gains on disposals of assets, insurance claim settlements and other income attached to licenses. The main contributor to the amount in 2019 shown as other income, stems from the disposal of Total's 7,65% participating interest in PL 092 and PL 121 to Repsol Norge AS with closing date on 31 January 2019 (economic and fiscal effective date on 1 January 2018). The disposal contributed to a gain of NOK 259 million. In addition, Total disposed 57% participating interest in PL 211 to DEA Norge AS with closing date 31 March 2019 (economic and fiscal effective date on 1 January 2019). The disposal contributed to a gain of NOK 3 million. Further, Total sold 22,2% participating interest in PL 146 and PL 333 to PGNIG with closing date 31 October 2019 (economic and fiscal effective date on 1 January 2019). The disposal contributed to a gain of NOK 501 million. Further, Total disposed 10% participating interest in PL 785S including the operatorship to Equinor Energy AS with closing date 20 December 2019 (economic and fiscal effective date on 1 August 2019). The disposal contributed to a gain of NOK 8 thousand. In addition, ongoing disposal of residential houses during 2019 contributed to a gain of NOK 90 million.

### **Operating expenses**

After the deduction of charges to partners, net operating costs in 2019 were up 10% at NOK 19 021 million, compared to NOK 17 305 million in 2018. This increase is mainly due to higher depreciation, depletion and amortization charges, higher variation of product stock and higher production and transportation expenses.

### **Net income**

The pre-tax profit was NOK 11 430 million in 2019, compared to NOK 17 407 million in 2018. This decrease was driven by lower oil and gas prices and higher operating expenses. Due to lower taxable income, the current and deferred tax cost decreased to NOK 7 334 million in 2019 from NOK 12 077 million in 2018. After taking into account current and deferred taxes, the net profit of the year was NOK 4 097 million compared to NOK 5 331 million in 2018, down 23%.

## [4.2 - Comments to the Statement of Cash Flows](#)

### **Cash Flows**

Cash flow from operations was NOK 11 300 million, compared to NOK 16 249 million in 2018. After working capital variation, the net cash flow provided by operating activities was NOK 10 732 million, down 41% when compared to the net cash flow of NOK 18 345 million in 2018.

### **Investments**

Investments totaled NOK 7 421 million (including exploration, appraisal, development capital expenditures and acquisitions) which were 7% higher than the NOK 6 967 million spent in 2018.

The largest development investments were linked to drilling activities in the Greater Ekofisk Area and Johan Sverdrup investments. In addition, Total incurred a NOK 277 million exploration effort in 2019 compared to NOK 573 million in 2018.

### **Sales of assets**

Total's main disposals in 2019 was the sale of its 7.65% participating interest in PL 092 and PL 121 to Repsol Norge AS, its 57% participating interest in PL 211 to DEA Norge AS, its 22.2% participating interest in PL 146 and PL 333 to PGNIG and its 10% participating interest in PL 785S including the operatorship to Equinor Energy AS.

### **Financing**

In 2015, Total agreed with an affiliated company a restructuring of its financing facilities, by having a NOK 22 000 million 4.5-years term loan and a NOK 5 000 million 4.5-years revolving credit facility. During 2018, the maximum amount of NOK 5 000 million of the revolving credit facility loan was reduced to a maximum amount of NOK 4 000 million and the one term loan reduced to NOK 12 000 million, both with the same maturity date.

During 2019, the maturity date for both loans were prolonged to December 2024. At year-end 2019, the one term loan is NOK 12 000 million and the undrawn funding capacity is NOK 4 000 million. The interest rate applicable on the long-term loans from associated companies are based on a floating market rate.

## [4.3 - Comments to the Balance Sheet](#)

### **Fixed Assets**

Total fixed assets after depreciation, depletion and amortization have decreased to NOK 63 530

million compared to NOK 64 508 million in 2018. Total has in 2019 decreased its assets in progress mainly due to the startup of Johan Sverdrup phase 1. The producing assets after depreciation are therefore increased to NOK 58 097 million, compared to NOK 51 875 million at year-end 2018.

#### **Current assets**

Total current assets are at NOK 9 724 million, down 16% compared to NOK 11 580 million booked at year-end 2018. This is relating to a decrease in cash equivalents.

#### **Equity and Liabilities**

Total equity has increased in 2019 to NOK 12 657 million from NOK 12 665 million in 2018, after the proposed dividend distribution for 2019.

This increase is composed by the net result of NOK 4 097 million for the year 2019, the proposed NOK 4 095 million dividend for 2019.

The total long-term provisions are decreasing to NOK 36 014 million in 2019, compared to NOK 36 471 million in 2018; mainly because of the lower deferred tax position. During 2018, TEPN has restructured its organization after the sale of its participating interests in the Martin Linge field and the transfer of its operatorship. A new organization was put in place on 22 May. As a result, the planned reduction in headcount in that phase was reached. An effect of this also in 2019, was a decrease in pension obligations to NOK 1 093 million at year-end 2018, compared to NOK 827 million at year-end 2019.

Total liabilities have decreased from NOK 63 432 million to NOK 60 597 million in 2019, mainly due to decrease in deferred and payable tax liabilities.

#### **Proposed Dividend**

Taking into account the current and forecasted income and cash flow development of the Company for the coming year, it is recommended to distribute a dividend of NOK 4 095 million, as per the request from the shareholder. The shareholder's equity together with the continuation of the funding support provided by the shareholder and other related affiliates and external financing capacity of the Company is ensuring a sound equity and liquidity for the Company.

### [4.4 - Comments as regards the Financial Risks](#)

#### **Market risk**

The Company is exposed to changes in oil and gas prices, and to changes in currency exchange rates, in particular USD and EUR, as the Company's revenues are largely in these two currencies. The Company hedges the exposure on recognized crude oil sales in foreign currencies and on a significant portion of its gas sales. Some capital expenditures and operating costs are incurred in other currencies than NOK, mainly USD. The Company is exposed to changes in interest rate levels, as the Company's debt is subject to floating interest rates.

#### **Credit risk**

Risk associated with the inability of counterparties to fulfil their obligations is considered low, as the Company's sales are mainly to group companies and other large corporations. The Company has not realized losses on receivables in previous years.

#### **Liquidity risk**

The Company's liquidity is considered satisfactory. It is anticipated that the Company will be able to fund its future cash requirements through cash flows from operations and loans within the Total Group.

#### 4.5 – Report on payments to authorities

According to the Accounting Act Section 3-3d, the Company shall issue a yearly report detailing payments made to the Authorities. The Company contributed to the Total Group's transparency reporting which was consolidated by TOTAL S.A. and submitted according to similar obligations under the French Law which transposed the EU reporting requirements.

The contribution from the Company is accessible through the Total Group Registration Document (available on the [www.total.com](http://www.total.com) Group web site) in the chapter 11 referring to "Supplemental oil and gas information (unaudited)", in the "Report on the payments made to governments".

### 5 Employees and Organisation

At the end of 2019, the total number of staff employed by the Company was 106. This figure includes 89 local employees, 16 impatriated staff and 1 contracted employee. In addition, 36 employees were assigned abroad or to partners in Norway.

At year end, the workforce represented 15 different nationalities with women making up 39% of the organisation. At senior position levels of local employees, 20% were women.

At year end, 42% of the local employees were union members belonging to Tekna or IndustriEnergi (avd. 268). The Company is a member of the Norwegian Oil and Gas Association. The association is affiliated with the Confederation of Norwegian Enterprises (NHO).

### 6 Applied Research

The R&D centre situated in the Company's offices is one of five international Total Group R&D centres outside France within the Exploration & Production branch of the Total Group. The Company has incurred R&D expenses of NOK 93 million during 2019..

The R&D centre plays a key role within an integrated research strategy strongly linked to Total Group's overall technology development vision and committed to better energy. The Company's R&D objectives focus on specific challenges associated with the NCS, covering three technical domains: subsurface including drilling and well technology, production and the environment.

The Total Group provides the Company access to the substantial research undertaken in France and elsewhere in the world. In line with Total Group's ambition to deliver responsible energy that is reliable, affordable and clean, the Company is increasingly involved in the development of Carbon, Capture, Utilization and Storage (CCUS) technologies through its participation in the Norwegian CCS Research Centre (NCCS), the Technology Centre Mongstad (TCM) and the Northern Lights project, aiming at developing a full scale CCUS value chain.

The Research Council of Norway runs two major R&D initiatives aligned with OG21 priorities. The PETROMAKS program covers basic research whilst DEMO2000 addresses the development and demonstration of new technologies. The Company plays an active role in both programs, providing technical expertise, pilot testing opportunities and financial support for projects.

In addition to supporting the Research Council of Norway, the Company's R&D strategy includes active participation and collaboration within the wider Norwegian technology innovation ecosystem including Joint Industry Projects managed by the SINTEF and NORCE research institutes.

Further, the Company invests in the training of young professionals coming from both French and Norwegian higher education institutions. Through R&D cooperation with the Norwegian universities, the Company continues to support and evaluate opportunities for PhD projects in 2020 and beyond.

## 7 Company Outlook

The Company will continue to be a significant player in Norway and maintain its strong presence on the NCS after more than 50 years of activity, key to the E&P branch of the Total Group. The Company currently ranks as number four in Norway in terms of equity production and reserves, after Equinor, Petoro (representing the State's Direct Financial Interest) and Vår Energi (following their recent acquisition of Exxon's Norwegian assets).

Total has a strong and diversified portfolio of licences on the NCS. Nearly all the production comes from assets operated by others. The Company works with the operators and other licence partners in order to maximize value creation from the asset portfolio.

The Norwegian portfolio continues to be well aligned with Group strategy which involves a presence in the North Sea, and to become the responsible energy major, both aspects offered by a continued substantial presence in Norway.

The Covid-19 epidemic that began in December 2019, in China, has been impacting demand since the beginning of the first quarter 2020 and has caused oil prices to fall significantly.

In this context of oversupply, the decision on 6 March 2020 by OPEC and Russia to stop their cooperation on the markets caused crude oil prices to fall sharply, by around 30%.

Despite the uncertainties related to Covid-19 and oil supply policies, Total Group's fundamentals remain strong. The Company has not observed material impact to its NCS production related to Covid-19 and continue normal business activities focusing on sustainability.

## 8 Accounts

The 2019 accounts and explanatory notes are presented in this annual report.

We are not aware of any matters not dealt with in this report or the accompanying accounts that could be of significance when evaluating the Company's position at 31 December 2019 and the results of the year just ended.

Taking into account legal requirements and other relevant considerations, it is proposed that the Company's net profit shall be distributed as follows:

|                      |     |              |
|----------------------|-----|--------------|
| 2019 net income      | NOK | 4097 million |
| To retained earnings | NOK | 2 million    |
| Dividend             | NOK | 4095 million |

### The Board of Directors of Total E&P Norge AS, 7 May 2020

The image shows the signatures of the Board of Directors of Total E&P Norge AS, dated 7 May 2020. The signatures are arranged in two rows. The first row contains five signatures, and the second row contains four signatures. Each signature is accompanied by the name and title of the signatory.

|  |  |  |  |                            |
|--|--|--|--|----------------------------|
| <br>Morten Stege<br>Chairman                             | <br>Philip James Cunningham<br>Managing Director     | <br>Dimitri Maxime Lcbadowsky                              | <br>Henning Eide   | <br>Heinz Ulrich Bollhauer |
| <br>Grethe Kjeilen-Eliertsen*<br>Employee representative | <br>Håvard Sævik Knutsen*<br>Employee representative | <br>Ann-Cathrin Knutzen Vetaas*<br>Employee representative | <br>Monica Paulsen Reissænen*<br>Employee representative |                            |

## INCOME STATEMENT

(all amounts in million NOK)

|   | 2019          | 2 018         | Variance       |
|---|---------------|---------------|----------------|
| <b>REVENUES</b>   |               |               |                |
| Liquids and gas sales                                   | 29,415        | 33,055        | (3,640)        |
| Tariff income   | 326           | 421           | (95)           |
| Other income  | 887           | 1,615         | (728)          |
| <b>TOTAL REVENUES</b>                                   | <b>30,628</b> | <b>35,091</b> | <b>(4,463)</b> |
| <b>OPERATING EXPENSES</b>                               |               |               |                |
| Purchases of gas  | 316           | 261           | 55             |
| Salaries and employee benefits                          | 294           | 991           | (697)          |
| Licence fees, royalties and governmental expenses       | 669           | 662           | 7              |
| Production and transportation expenses                  | 7,362         | 6,431         | 931            |
| Exploration expenses                                    | 107           | 165           | (58)           |
| General and administrative expenses                     | 129           | 185           | (56)           |
| Provisions for well plugging, dismantlement and removal | 1,456         | 1,314         | 142            |
| Depreciation, depletion and amortization                | 7,677         | 7,088         | 589            |
| Variation of product stock                              | 1,011         | 210           | 801            |
| <b>OPERATING EXPENSES</b>                               | <b>19,021</b> | <b>17,305</b> | <b>1,716</b>   |
| <b>OPERATING PROFIT</b>                                 | <b>11,607</b> | <b>17,785</b> | <b>(6,178)</b> |
| <b>FINANCIAL INCOME AND (EXPENSES)</b>                  |               |               |                |
| Financial income  | 52            | 45            | 7              |
| Financial expenses                                      | (137)         | (337)         | 200            |
| Income from subsidiary and related companies            | 9             | 12            | (3)            |
| Net exchange gains/(losses)                             | (102)         | (99)          | (3)            |
| <b>FINANCIAL INCOME/(EXPENSES) - NET</b>                | <b>(177)</b>  | <b>(379)</b>  | <b>202</b>     |
| <b>ORDINARY NET INCOME BEFORE TAXES</b>                 | <b>11,430</b> | <b>17,407</b> | <b>(5,977)</b> |
| Taxes payable   | 7,434         | 7,820         | (386)          |
| Deferred taxes  | (101)         | 4,257         | (4,358)        |
| <b>NET INCOME</b>                                       | <b>4,097</b>  | <b>5,331</b>  | <b>(1,234)</b> |
| <b>ALLOCATION</b>                                       |               |               |                |
| Dividend  | 4,095         | 5,000         | (905)          |
| Retained earnings                                       | 2             | 331           | (329)          |
| <b>TOTAL ALLOCATION</b>                                 | <b>4,097</b>  | <b>5,331</b>  | <b>(1,234)</b> |

## STATEMENT OF CASH FLOWS

|   | 2019           | 2 018           | Variance        |
|---|----------------|-----------------|-----------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                 |                |                 |                 |
| Net income before taxes                                     | 11,430         | 17,407          | (5,977)         |
| Current taxes on income                                     | (7,434)        | (7,820)         | 386             |
| Depreciation, depletion and amortisation                    | 7,677          | 7,088           | 589             |
| Long-term provisions  | 481            | 1,088           | (607)           |
| Loss / (gain) on sales of property, plant and equipment     | (853)          | (1,514)         | 661             |
| <b>Cash flows from operations</b>                           | <b>11,300</b>  | <b>16,249</b>   | <b>(4,949)</b>  |
| Cash increase/(decrease) from variations in:                |                |                 |                 |
| Accounts receivable and prepaid expenses                    | 196            | (433)           | 629             |
| Inventories   | 1,009          | 715             | 294             |
| Accounts payable and accrued liabilities                    | 81             | (1,479)         | 1,560           |
| Accrued taxes   | (1,870)        | 3,282           | (5,152)         |
| Long-term receivables                                       | 16             | 11              | 5               |
| <b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>            | <b>10,732</b>  | <b>18,345</b>   | <b>(7,613)</b>  |
| <b>CASH FLOWS FROM/(TO) INVESTING ACTIVITIES</b>            |                |                 |                 |
| Capital expenditures  | (7,421)        | (6,967)         | (454)           |
| Proceeds from sales of property, plant and equipment        | 723            | 15,695          | (14,972)        |
| <b>NET CASH USED IN INVESTING ACTIVITIES</b>                | <b>(6,698)</b> | <b>8,728</b>    | <b>(15,426)</b> |
| <b>CASH FLOWS FROM/(TO) FINANCING ACTIVITIES</b>            |                |                 |                 |
| Increase/(decrease) in associated long-term liabilities     | 0              | (12,658)        | 12,658          |
| Increase/(decrease) in other long-term liabilities          | (105)          | (8,075)         | 7,970           |
| Dividend paid to shareholder                                | (5,000)        | (10,000)        | 5,000           |
| <b>NET CASH FLOWS FROM/(TO) FINANCING ACTIVITIES</b>        | <b>(5,105)</b> | <b>(30,733)</b> | <b>25,628</b>   |
| <b>Net increase/(decrease) in cash and cash equivalents</b> | <b>(1,071)</b> | <b>(3,660)</b>  | <b>2,589</b>    |
| Cash and cash equivalents at 01.01                          | 6,015          | 9,675           | (3,660)         |
| <b>CASH AND CASH EQUIVALENTS AT 31.12</b>                   | <b>4,944</b>   | <b>6,015</b>    | <b>(1,071)</b>  |

## BALANCE SHEET

(all amounts in million NOK)

| <b>FIXED ASSETS</b>                        | <b>31 Dec 2019</b> | <b>31 Dec 2018</b> | <b>Variance</b> |
|--|--------------------|--------------------|-----------------|
| <b>INTANGIBLE ASSETS</b>                   |                    |                    |                 |
| Licence acquisitions                       | 1,111              | 1,256              | (145)           |
| <b>TOTAL INTANGIBLE ASSETS</b>             | <b>1,111</b>       | <b>1,256</b>       | <b>(145)</b>    |
| <b>PROPERTY, PLANT AND EQUIPMENT</b>       |                    |                    |                 |
| Buildings                                  | 135                | 166                | (31)            |
| Producing assets - completed               | 58,097             | 51,875             | 6,222           |
| Producing assets - in progress             | 2,432              | 8,331              | (5,899)         |
| Exploration wells                          | 555                | 1,567              | (1,012)         |
| Transport - and other equipment            | 945                | 1,041              | (96)            |
| <b>TOTAL PROPERTY, PLANT AND EQUIPMENT</b> | <b>62,163</b>      | <b>62,980</b>      | <b>(817)</b>    |
| <b>FINANCIAL INVESTMENTS</b>               |                    |                    |                 |
| Shares                                     | 217                | 217                | (0)             |
| Long-term receivables                      | 39                 | 55                 | (16)            |
| <b>TOTAL INVESTMENTS</b>                   | <b>256</b>         | <b>272</b>         | <b>(16)</b>     |
| <b>TOTAL FIXED ASSETS</b>                  | <b>63,530</b>      | <b>64,508</b>      | <b>(978)</b>    |
| <b>CURRENT ASSETS</b>                      |                    |                    |                 |
| <b>INVENTORIES</b>                         |                    |                    |                 |
| Material and supplies                      | 293                | 291                | 2               |
| Oil/Gas underlift                          | 1,090              | 1,681              | (591)           |
| <b>TOTAL INVENTORIES</b>                   | <b>1,383</b>       | <b>1,972</b>       | <b>(589)</b>    |
| <b>ACCOUNTS RECEIVABLE</b>                 |                    |                    |                 |
| Customers                                  | 3,266              | 3,507              | (241)           |
| Other                                      | 132                | 86                 | 46              |
| <b>TOTAL ACCOUNTS RECEIVABLE</b>           | <b>3,397</b>       | <b>3,593</b>       | <b>(196)</b>    |
| <b>CASH AND CASH EQUIVALENT</b>            | <b>4,944</b>       | <b>6,015</b>       | <b>(1,071)</b>  |
| <b>TOTAL CURRENT ASSETS</b>                | <b>9,724</b>       | <b>11,580</b>      | <b>(1,856)</b>  |
| <b>TOTAL ASSETS</b>                        | <b>73,254</b>      | <b>76,087</b>      | <b>(2,833)</b>  |

(all amounts in million NOK)

| <b>EQUITY</b>                               | <b>31 Dec 2019</b> | <b>31 Dec 2018</b> | <b>Variance</b> |
|---|--------------------|--------------------|-----------------|
| <b>PAID-IN CAPITAL</b>                      |                    |                    |                 |
| Share capital (4 201 000 shares à 1 000.00) | 4,201              | 4,201              | 0               |
| Share premium                               | 4,255              | 4,255              | 0               |
| <b>TOTAL PAID-IN CAPITAL</b>                | <b>8,456</b>       | <b>8,456</b>       | <b>0</b>        |
| <b>RETAINED EARNINGS</b>                    |                    |                    |                 |
| Retained earnings                           | 4,201              | 4,199              | 2               |
| <b>TOTAL RETAINED EARNINGS</b>              | <b>4,201</b>       | <b>4,199</b>       | <b>2</b>        |
| <b>TOTAL EQUITY</b>                         | <b>12,657</b>      | <b>12,655</b>      | <b>2</b>        |
| <b>LIABILITIES</b>                          |                    |                    |                 |
| <b>LONG-TERM PROVISIONS</b>                 |                    |                    |                 |
| Pension obligations                         | 827                | 1,093              | (266)           |
| Deferred taxes                              | 18,574             | 19,470             | (896)           |
| Well plugging, dismantlement and removal    | 16,254             | 15,345             | 909             |
| Other provisions                            | 359                | 564                | (205)           |
| <b>TOTAL LONG-TERM PROVISIONS</b>           | <b>36,014</b>      | <b>36,471</b>      | <b>(457)</b>    |
| <b>OTHER LONG-TERM LIABILITIES</b>          |                    |                    |                 |
| Long-term loans from associated companies   | 12,000             | 12,000             | 0               |
| Long-term loans from other companies        | 1,542              | 1,647              | (105)           |
| <b>TOTAL LONG-TERM LIABILITIES</b>          | <b>13,542</b>      | <b>13,647</b>      | <b>(105)</b>    |
| <b>CURRENT LIABILITIES</b>                  |                    |                    |                 |
| Oil/Gas overlift                            | 579                | 159                | 420             |
| Accounts payable and accrued expenses       | 1,540              | 1,408              | 132             |
| Taxes other than income taxes               | 2                  | 44                 | (42)            |
| Income taxes payable                        | 4,709              | 6,579              | (1,870)         |
| Proposed dividend                           | 4,095              | 5,000              | (905)           |
| Other short term debt                       | 115                | 124                | (9)             |
| <b>TOTAL CURRENT LIABILITIES</b>            | <b>11,041</b>      | <b>13,314</b>      | <b>(2,273)</b>  |
| <b>TOTAL LIABILITIES</b>                    | <b>60,597</b>      | <b>63,432</b>      | <b>(2,835)</b>  |
| <b>TOTAL EQUITY AND LIABILITIES</b>         | <b>73,254</b>      | <b>76,087</b>      | <b>(2,833)</b>  |

### **Accounting Policies**

The financial statements are presented in accordance with the regulations in the Accounting Act and Norwegian Generally Accepted Accounting Principles.

### **Revenue recognition**

Revenues associated with sales and transportation of hydrocarbons is recognised when title passes to the customer at the point of delivery of the goods based on the contractual terms of the agreements. Other services are recognized at the time of delivery.

### **Joint operations**

The Company's shares in joint operations are booked under the respective lines in the profit and loss statement and the balance sheet.

### **Balance sheet classification**

Current assets and short-term liabilities consist of receivables and payables due within one year after transaction date. Other balance sheet items are classified as fixed assets / long-term liabilities.

Current assets are valued at the lowest of acquisition cost and fair value. Short term liabilities are recognized at nominal value.

Fixed assets are valued at cost, less depreciation and impairment losses. Long term liabilities are recognized at nominal value.

### **Foreign currency translation**

Transactions in foreign currency are translated at the rate applicable on the transaction or invoicing date. Monetary items in a foreign currency are translated into NOK using the exchange rate applicable on the balance sheet date or, if covered by forward currency exchange contracts, at the contract rate. Changes to exchange rates are recognized in the income statement as they occur during the accounting period.

### **Cash and Cash equivalents**

Cash and cash equivalents includes cash, bank deposits and other short term highly liquid investments with maturities of three months or less.

### **Intangible assets, property, plant and equipment**

Costs related to intangible assets, property, plant and equipment are capitalized and depreciated linearly over the estimated useful life. Maintenance is expensed as incurred, whereas costs for improving and upgrading property plant and equipment are added to the acquisition cost and depreciated with the related asset.

Depreciation charges for licence acquisitions, offshore and onshore production installations, booked under operating expenses, are determined mainly by the unit-of-production method. Other onshore property, plant and equipment are depreciated by use of the linear or declining balance method.

If carrying value of a non current asset exceeds the estimated recoverable amount, the asset is written down to the recoverable amount. The recoverable amount is the greater of the net realizable value and value in use. In assessing value in use, the discounted estimated future cash flows from the asset are used.

Incurred interest cost related to substantial development projects are capitalized as part of the development cost.

## **Exploration**

Exploration costs are treated in accordance with the successful effort method, with the well as basis for the evaluation. Exploratory drilling costs are capitalized pending the determination of whether the wells found proved reserves. If the wells are determined commercially unsuccessful costs are expensed as depreciation. Geological and geophysical costs are expensed as incurred.

## **Research and development**

Research and development costs are expensed as incurred.

## **Leasing commitments**

Leases transferring substantially all the risks and rewards incidental to ownership from the lessor to the lessee are treated as financial leases. These contracts are capitalized as assets at fair value, or if lower, at the present value of the minimum lease payments according to the contract. A corresponding financial debt is recognized. These assets are depreciated over the shortest of the estimated economical life time of the asset and the leasing period.

Leasing agreements without transfer of substantially all the risk and control to the lessee are considered as operating leases. The Company's leasing costs in operating leases are reflected as operating expenses.

## **Shares**

The investment is valued as at cost of the shares in the subsidiary, less any impairment losses. An impairment loss is recognized if the impairment is not considered temporary, in accordance with generally accepted accounting principles. Impairment losses are reversed if the reason for the impairment loss disappears in a later period.

The operations of the subsidiaries are considered immaterial compared to the level of the company's business, and consolidated accounts have therefore not been prepared. Group accounts are prepared by the holding company TOTAL S.A resident in France.

The Group's parent company in France prepares consolidated financial statements that include Total E&P Norge AS and its subsidiary Total Gass Handel Norge AS. Consolidated accounts can be found on the group's website [www.total.com](http://www.total.com).

## **Section 3-7 Exemption from the obligation to prepare consolidated accounts for the parent company in a subgroup**

The obligation to prepare consolidated accounts shall not apply to an enterprise, which is itself a subsidiary, if its parent company is domiciled in an EEA state and prepares consolidated accounts comprising the enterprise and its subsidiaries, and these consolidated accounts are prepared and audited in accordance with the legislation of this state. These consolidated accounts shall be in Norwegian, unless otherwise decided by the Ministry in a general or individual resolution. The provisions in chapter 8 shall apply correspondingly to these consolidated accounts.

## **Inventories**

Consumable inventories consist of equipment for exploration and field development, and are calculated at average purchase prices. Spare parts are charged to operations when acquired.

## **Over-/Underlifting**

Overlifts or underlifts of petroleum products in relation to the company's ownership, is valued at sales price.

## **Future well plugging, abandonment and removal costs**

Annual provisions are made to meet future costs for decommissioning, abandonment and removal of installations. Provision requirements are reviewed on an individual field basis, and the net present

value of future costs is the basis for the recognized obligation. Changes in time element (net present value) of the abandonment provisions are expensed annually and increase the obligations in the balance sheet. Changes in estimates are recognized over the remaining production period, unless the production is for material purposes completed. In such a case the changes in estimate is recognized immediately.

### **Pensions**

Defined benefit plans- are valued at the present value of accrued future pension benefits at the balance sheet date. Pension plan assets are valued at their fair value.

Changes in the pension obligations due to changes in pension plans are recognized over the estimated average remaining service period.

The company follows the revised IAS19, also valid in NRS 6. The accumulated effects of the changes in estimates in financial and actuarial assumptions are recognized in full in the “Changes in actuarial assumptions for pensions” in equity. These are incorporating revisions of costs of previous years’ contributions, changes in interest costs, expected return on the pension funds and in discount rates used to calculate the pension obligations and assets.

The net pension cost for the period is classified in salaries and personnel costs.

Defined contribution plan – Contribution to the defined contribution scheme is recognized in the income statement in the period in which the contribution amounts are earned by the employees.

### **Income tax**

Income taxes reflect both current taxes and taxes payable in the future as a result of the current year’s activity. When calculating the deferred taxes, the company uses the liability method, under which deferred taxes are calculated applying legislated tax rates in effect at the closing date. Earned future deductible uplift allowance is offset against the special tax when calculating deferred taxes.

### **Cash flow statement**

The statement of cash flow has been prepared in accordance with the indirect method as per the temporary Norwegian accounting standard.

**Note 1 Liquid and gas sales**

| Million NOK  | 2019          | 2018          |
|--------------|---------------|---------------|
| Crude oil    | 18,571        | 17,334        |
| NGL          | 1,542         | 2,058         |
| Gas          | 8,976         | 13,127        |
| Condensate   | 326           | 536           |
| <b>Total</b> | <b>29,415</b> | <b>33,055</b> |

Most sales of petroleum products are within Europe with some LNG cargoes sold in other markets. The main part of the liquid and gas sales are to Group companies.

**Note 2 Other income / Other operating costs**

The amount shown as other income includes if any gains on disposals of assets, insurance claim settlements and other income attached to licenses. The main contributor to the amount in 2019 shown as other income, comes from the disposal of Total E&P Norge's 7,65% participating interest in PL 092 and PL 121 to Repsol Norge AS with closing date on 31/01/2019 (and economic and fiscal effective date on 1/1/2018). The disposal contributed to a gain of NOK 259 million. In addition, disposal of Total E&P Norge's 57% participating interest in PL 211 to DEA Norge AS with closing date 31/03/2019 (and legal and fiscal effective date on 1/1/2019). The disposal contributed to a gain of NOK 3 million. In addition, disposal of Total E&P Norge's 22,2% participating interest in PL 146 and PL 333 to PGNIG with closing date 31/10/2019 (and legal and fiscal effective date on 1/1/2019). The disposal contributed to a gain of NOK 501 million. In addition, disposal of Total E&P Norge's 10% participating interest in PL 785S including the operatorship to Equinor Energy AS with closing date 20/12/2019 (and legal and fiscal effective date on 1/8/2019). The disposal contributed to a gain of NOK 8 thousand. In addition, ongoing disposal of own houses during 2019 contributed to a gain of NOK 90 million.

**Note 3 Salary, employee benefits, number of employees**

| Million NOK                                 | 2019       | 2018       |
|---|------------|------------|
| Salaries                                    | 180        | 493        |
| Social security and other benefits          | 88         | 105        |
| Pension cost                                | (7)        | 303        |
| Other                                       | 33         | 90         |
| <b>Total salaries and employee benefits</b> | <b>294</b> | <b>991</b> |

| Average number of full-time employees | 2019 | 2018 |
|---------------------------------------|------|------|
|                                       | 113  | 212  |

Fees paid to the Board of Directors in 2019 amounted to NOK 180 000. Full cost incurred by Total E&P Norge for salaries and remunerations to the Managing Directors amounted to NOK 6 194 549 in 2019. The Company has a new Managing Director from June 2019. The Managing Directors is formally employed and part of a pension agreement in another group company. The former Managing Director of Total E&P Norge AS participated in a share plan of TOTAL S.A. There are no agreements with the Managing Director or the Board of Directors for special bonuses or separate remuneration in connection with termination.

The General Assembly of Shareholders of TOTAL S.A. has decided restricted share plans and share subscription option plans. The restricted shares plan is subject to certain conditions of economic performance of the TOTAL S.A. Group after a vesting period. Certain employees of Total E&P Norge AS were invited to participate in the plans. Given the immaterial value of the benefits, no expense has been recognized in the accounts.

Long-term receivables contain loans to employees of NOK 7 million. Total E&P Norge AS have also issued a guarantee to Nordea for loans to Total E&P Norge AS employees of total NOK 216 million as per 31.12.2019. No company loans were granted to the Managing Director.

**Note 4 Employee retirement plans**

All employees of Total E&P Norge AS born in 1963 or later are included in a defined contribution plan, and employees born before 1963 are included in a closed collective benefit retirement plan. The Company has a pension compensation scheme for those employees between 40-52 years, that were previously part of the closed collective defined benefit plan. This scheme is included in unfunded pension plan. Employees born in 1962 or earlier will still have a part of the Company's collective benefit retirement with DNB. In addition, this plan also includes retired personnel who receive defined future pensions.

All employees with higher salary that previously were part of an unfunded benefit plan, were transferred to an unfunded compensation plan based on defined contribution principles. The compensation covers those employees with insufficient funding at 67 years compared to the unfunded benefit scheme.

| Million NOK                                | 2019      | 2018      |
|--|-----------|-----------|
| <b>Benefit plans:</b>                      |           |           |
| Current service cost                       | 36        | 67        |
| Interest cost                              | 58        | 60        |
| Interest on plan assets                    | (31)      | (32)      |
| Loss (gain) from curtailment or settlement | (62)      | (93)      |
| <b>Net periodic pension cost *</b>         | <b>1</b>  | <b>2</b>  |
| <b>Contribution plans:</b>                 |           |           |
| Defined contribution cost                  | 18        | 23        |
| <b>Total periodic pension cost</b>         | <b>19</b> | <b>25</b> |

\* Pension cost includes associated social security tax.

The following statement presents the status of the plans at 31 December 2019:

| Million NOK                            | Net funded pension plans | Net unfunded pension plans | Total all plans |
|--|--------------------------|----------------------------|-----------------|
| Projected benefit obligation           | 891                      | 1,070                      | 1,961           |
| Pension plan assets                    | 614                      | 520                        | 1,134           |
| <b>Net pension assets (obligation)</b> | <b>(277)</b>             | <b>(550)</b>               | <b>(827)</b>    |

Net unfunded plans are presented under long-term provisions.

Social security tax is calculated based on the pension plan's net funded status and is included in the defined benefit obligation.

| The actuarial present value has been calculated using the following assumptions: | 2019         | 2018          |
|--|--------------|---------------|
| Discount rate  | 2.1 %        | 2.6 %         |
| Projected wage increases   | 2.25 %       | 2.75 %        |
| Projected pension regulation   | 2.0% / 1.50% | 2.50% / 1.50% |

The calculation is based on the mortality table K2013FT.

Total E&P Norge AS is obliged to follow the Act on mandatory pension obligations. The pension scheme satisfies the requirement in this Act.

#### Note 5 Auditor

The audit fee for work performed in 2019 amounted to NOK 4 372 458 excl VAT, of which NOK 4 332 008 was for audit related services and NOK 40 450 for income tax and VAT advice.

#### Note 6 Research and Development

In 2019 the Company has incurred expenses of NOK 93 million on Research and Development activities. The Company's R&D program is a part of the TOTAL Group plan and is aimed at improving the value of our current and future investments on the Norwegian Continental Shelf. The focus is on improving understanding, developing new methodologies, models and hardware in the areas of enhanced oil recovery, reservoir/well monitoring, flow assurance, power supply and distribution on seabed, technology for subsea separation and fluid treatment for transport on long distances, and environmental assessment/monitoring. The program of work is accomplished through joint industry projects collaboration with Norwegian universities and institutes. The program also recognizes technical challenges set out in the national technology strategy, OG21.

#### Note 7 Provisions for future well plugging, dismantlement and removal costs

Under the terms of the oil and gas licenses, the State may require full or partial dismantlement and removal of offshore oil and gas installations, or assume ownership at no charge when production finally ceases or upon the expiration of the licenses, and also if the license is surrendered or recalled. In the event of take over, the State will assume responsibility for dismantlement and removal of installations. If the Norwegian Government should require dismantlement and removal of the installations, removal costs will be fully tax deductible for the licensees.

The change in provision in 2019 for future well plugging, dismantlement and removal costs has been calculated at NOK 1 456 million using the unit-of-production method. Incurred expenses in 2019 amounting to NOK 499 million have been offset to previous year's provisions. The net discounted value of the total obligations expected to be paid for removal activities, are estimated to NOK 16 254 (including the retirement asset).

#### Note 8 Financial income and expenses

| Million NOK                          | 2019         | 2018         |
|--------------------------------------|--------------|--------------|
| Financial income                     |              |              |
| Interest income from group companies | 52           | 45           |
| <b>Total financial income</b>        | <b>52</b>    | <b>45</b>    |
| Financial expenses                   |              |              |
| Interest expenses to group companies | (260)        | (313)        |
| Other interest expenses              | (106)        | (196)        |
| Capitalized financial interest       | 229          | 172          |
| <b>Total financial expenses</b>      | <b>(137)</b> | <b>(337)</b> |

**Note 9 Income taxes**

Taxes include both current and deferred taxes on income. The special petroleum tax has been calculated after the deduction of the available uplift allowance.

The basis for the current tax provisions is calculated as follows:

| Million NOK  | 2019          | 2018          |
|--|---------------|---------------|
| Net income before taxes  | 11,430        | 17,407        |
| Permanent differences *  | (1,602)       | (26,417)      |
| Change in timing differences                                   | 1,753         | 24,740        |
| Losses carried forward   | -             | (3,938)       |
| <b>Basis for current tax calculation</b>                       | <b>11,581</b> | <b>11,792</b> |
| Onshore loss (income)  | 155           | 786           |
| Uplift Carried Forward   | -             | (783)         |
| Uplift Usable Current Year                                     | (1,509)       | (1,598)       |
| <b>Basis for Special Offshore Tax</b>                          | <b>10,227</b> | <b>10,197</b> |
| Corporate Tax 22% (23%)  | 2,548         | 2,712         |
| Special Revenue Tax 56% (55%)                                  | 5,727         | 5,608         |
| Previous years' adjustment                                     | (841)         | (500)         |
| Tax cost on interim result for Sale and Acquisitions of assets | 795           | 11,301        |
| Deferred tax   | (896)         | (7,045)       |
| <b>This year's tax cost</b>                                    | <b>7,333</b>  | <b>12,077</b> |
| Taxes payable in the income statement                          | 7,434         | 7,821         |
| Taxes refundable relating to exploration cost                  |               |               |
| Previous years' adjustment                                     | 841           | 500           |
| <b>This year's taxes payable</b>                               | <b>8,275</b>  | <b>8,321</b>  |
| Instalments of income taxes paid                               | (3,921)       | (2,310)       |
| Other payable taxes related to previous years                  | 355           | 575           |
| <b>Total taxes payable in the balance sheet</b>                | <b>4,709</b>  | <b>6,586</b>  |

Deferred tax liabilities are provided on all temporary differences between the financial reporting basis and the tax basis of the Company's assets and liabilities :

| Million NOK                                     | 2019          | 2018           |
|---|---------------|----------------|
| Property, plant and equipment                   | 43,928        | 44,204         |
| Pensions  | (1,186)       | (1,657)        |
| Other   | (1,231)       | (681)          |
| Provision for well plugging and decommissioning | (15,950)      | (15,081)       |
| <b>Basis for deferred ordinary taxes 22%</b>    | <b>25,561</b> | <b>26,785</b>  |
| Deferred Uplift                                 | (2,220)       | (2,216)        |
| Onshore assets                                  | (215)         | (323)          |
| <b>Basis for deferred special taxes 56%</b>     | <b>23,126</b> | <b>24,246</b>  |
| Deferred tax:                                   |               |                |
| Corporate Tax                                   | 5,623         | 5,893          |
| Special Revenue Tax                             | 12,951        | 13,578         |
| Deferred tax liabilities                        | 18,574        | 19,470         |
| <b>Change in deferred tax</b>                   | <b>(896)</b>  | <b>(7,045)</b> |

Tax Proof:

|   |              |               |
|---|--------------|---------------|
| Income before taxes   | 11,430       | 17,407        |
| Marginal tax rate 78%   | 8,915        | 13,577        |
| Tax effect of:  |              |               |
| - Permanent and other differences   | (691)        | (11,554)      |
| - Tax interimperiod related to sale and acquisition of participating interest in licenses | 796          | 11,301        |
| - Earned uplift   | (846)        | (747)         |
| - Previous years' adjustment  | (841)        | (500)         |
| <b>This years tax cost</b>  | <b>7,333</b> | <b>12,077</b> |

\* Mainly related to disposal of the Mikkil and King Lear Deal

Payable taxes are calculated based on 22% corporate tax and 56% special tax which were the applicable rates for 2019.

Deferred tax is calculated based on 22% corporate tax and 56% special tax which are the applicable rates valid from 1. January 2019.

**Note 10 Intangible assets, property, plant and equipment**

| Million NOK                         | Prod. inst.<br>completed | Transport- &<br>other equipments | Buildings | Construction<br>in progress | Explo wells | License<br>acquisitions | Total all<br>assets |
|-------------------------------------|--------------------------|----------------------------------|-----------|-----------------------------|-------------|-------------------------|---------------------|
| At cost 01.01.19                    | 166,844                  | 2,134                            | 274       | 8,331                       | 7,688       | 5,655                   | 190,926             |
| Additions**                         | 5,586                    | 0                                | 0         | 1,757                       | 77          | 0                       | 7,420               |
| Transfers                           | 7,635                    | 1                                | 0         | (7,657)                     | 21          | 0                       | 0                   |
| Retirements and sales*              | (10,370)                 | 0                                | (27)      | -                           | (2,086)     | (531)                   | (13,014)            |
| Accumulated investments at 31.12.19 | 169,694                  | 2,135                            | 247       | 2,432                       | 5,700       | 5,124                   | 185,332             |
| Accumulated depreciation            | 111,597                  | 1,190                            | 112       | 0                           | 5,146       | 4,013                   | 122,058             |
| Book value 31.12.19                 | 58,097                   | 945                              | 135       | 2,432                       | 554         | 1,111                   | 63,274              |

\* Asset Retirement of removed assets from prior periods

\*\* Capitalized financial interests are included in the additions with 229 mnok

2019 depreciation 6,912 97 5 0 518 145 7,677

Estimated useful life of assets  
Depreciation plan Unit-of-prod 10-20 years Decl bal / linear 30 - 50 years Decl bal Evaluation - Evaluation - Unit-of-prod

Fixed assets include the following amounts for capital leasing agreements per 31. December 2019 and 2018:

| Million NOK                   | 31.12.2019 | 31.12.2018 |
|-------------------------------|------------|------------|
| Transport- & Other equipments | 1,544      | 1,544      |
| Accumulated depreciation      | 615        | 529        |
| Book value year end           | 929        | 1,015      |

The financial leasing is reflecting a contract with a fixed capital cost for initial charter period of 18 years. Total E&P Norge AS has in addition the possibility to extend this agreement by 11 more years.

**Note 11 Shares**

| All amounts in thousand NOK                      | Registered<br>Office | Ownership<br>interest | Voting<br>interest | Equity<br>31.12.2019 | Profit (loss)<br>2019 | Book<br>value |
|--|----------------------|-----------------------|--------------------|----------------------|-----------------------|---------------|
| Shares in subsidiaries and associated companies: |                      |                       |                    |                      |                       |               |
| Total Etzel Gaslager GmbH                        | Düsseldorf           | 100 %                 | 100.00 %           | 15,021               | 254                   | 8,736         |
| Total Gass Handel Norge AS *                     | Stavanger            | 100 %                 | 100.00 %           | 80,622               | 19,905                | 300           |
| Norpipe Oil AS                                   | Sola                 | 34.93%                | 34.93%             | 63,610               | 29,636                | 178,347       |
| Total subsidiaries and associated companies      |                      |                       |                    |                      |                       | 187,383       |

Shares in Other companies:

|                           |  |         |  |  |  |        |
|---------------------------|--|---------|--|--|--|--------|
| Kunnskapsparken Nord AS   |  | 11.75%  |  |  |  | 13,002 |
| Johan Sverdrup Eiendom DA |  | 8.44 %  |  |  |  | 1,012  |
| Leda Technologies DA      |  | 25.00 % |  |  |  | 15,374 |
| Total other companies     |  |         |  |  |  | 29,388 |

\* According to Accounting Act §3-7 - Exemption from the obligation to prepare consolidated accounts for the parent company in a subgroup;

Total Gass Handel Norge AS wholly owned by Total E&P Norge AS, are both subsidiaries of TOTAL HOLDINGS EUROPE S.A.S, a company in the Total Group domiciled in France. The parent company TOTAL S.A. prepares the consolidated accounts comprising its subsidiaries, and these consolidated accounts are prepared and audited in accordance with the legislation of this state. The consolidated accounts of TOTAL S.A. are available on [www.total.com](http://www.total.com).

**Note 12 Transaction and current balances with group companies**

Total E&P Norge AS has different transactions with Group companies. All the transactions, are part of the normal business and with arm's-length prices. Except for the group internal loan described in note 14, the major transactions in 2019 are:

| Million NOK                   | Type             | Sales  | Costs |       |       |
|-------------------------------|------------------|--------|-------|-------|-------|
| Group companies               |                  |        |       |       |       |
| TOTAL S.A.                    | Services         |        | 217   |       |       |
| Total Gas & Power Ltd         | Sale of Gas      | 5,035  |       |       |       |
| Total Oil Trading SA          | Sale of Oil/ NGL | 19,883 |       |       |       |
| Receivables                   |                  |        |       | 2019  | 2018  |
| Intercompany customers        |                  |        |       | 2,732 | 2,563 |
| Total                         |                  |        |       | 2,732 | 2,563 |
| Payables                      |                  |        |       | 2019  | 2018  |
| Intercompany accounts payable |                  |        |       | 151   | 161   |
| Total                         |                  |        |       | 151   | 161   |

The cash deposit is integrated into a group cash pooling agreement.

**Note 13 Equity**

| Million NOK               | Share capital | Share premium | Retained earnings | Total         |
|---------------------------|---------------|---------------|-------------------|---------------|
| Equity at 31.12.2018      | 4,201         | 4,255         | 4,199             | 12,655        |
| Net income                | 0             | 0             | 4,097             | 4,097         |
| Dividend                  | 0             | 0             | -4,095            | -4,095        |
| <b>Equity at 31.12.19</b> | <b>4,201</b>  | <b>4,255</b>  | <b>4,201</b>      | <b>12,657</b> |

At 31.12.19 Total E&P Norge AS was a wholly owned subsidiary of TOTAL HOLDINGS EUROPE S.A.S, a company in the Total Group. The consolidated accounts of TOTAL S.A. are available on www.TOTAL.com. Share capital consist of 4 201 000 shares of NOK 1 000.

**Note 14 Other long-term liabilities****LONG-TERM LOANS FROM ASSOCIATED COMPANIES**

Two new unsecured intercompany financing tools were signed in May 2015 with Total Treasury maturing in December 2019; one term loan for the amount of NOK 22 000 million and one revolving credit facility for the maximum amount of NOK 5 000 million. During 2018, the maximum amount of NOK 5 000 million of the revolving credit facility was reduced to a maximum amount of NOK 4 000 million, and the one term loan reduced to NOK 12 000 million. Both with the same maturity date. During 2019, the maturity date for both of the two loans were prolonged to December 2024. The maximum amount of NOK 4 000 million of the revolving credit facility was reduced to NOK 2 000 million in the beginning of 2020. The interest rate applicable on the long-term loans from associated companies are based on a floating market rate.

**LONG-TERM LOANS FROM OTHER COMPANIES**

As of 31 December 2019, the long-term loans from other companies is linked to the booked financial leasing commitment.

| (million NOK)                                | 1 year | 2 - 5 years | 5 years + |
|--|--------|-------------|-----------|
| Long term debt related to leasing commitment | 121    | 484         | 937       |

**Note 15 Liabilities, lease agreements and other commitments****LEASES**

As an Operator, Total E&P Norge AS has lease contracts for rental of LNG carrier vessels (charter party) for the transportation of LNG production share of the Snøhvit field, and a rental contract of an office building.

As a non operating Partner in the fields under development and operation, the Company has leasing agreements for helicopters, FSO's, storage and vessels. Leasing payments for Total E&P Norge AS was in 2019 NOK 315 million. Total future leasing costs for Total E&P Norge AS are NOK 5 370 million.

| Million NOK        | 1 year | 2-3 years | 4-5 years | 5 years + |
|--------------------|--------|-----------|-----------|-----------|
| Leasing agreements | 664    | 1,088     | 1,127     | 2,491     |

**OTHER COMMITMENTS**

As a non operating partner Total E&P Norge AS has several commitments to purchase goods and services related to development of different projects for an amount of NOK 1 161 million.

**Note 16 Oil and Gas Reserves (not audited)**

The estimation of oil and gas reserves is based on the Norwegian Petroleum Directorate's (NPD) resource classification system. Reserves are defined as oil and gas resources, which are associated to fields in production or to projects which are approved or decided for production. This corresponds to resource classes 1 to 3 in the NPD's classification.

The base estimates of these reserves provided to the Revised National Budget (RNB) are reported and are given in company group entitlement. They reflect the current understanding, properties and recovery rate of the reservoir and correspond to the best estimates of petroleum volumes that are expected to be recovered from a project.

|  | Oil and<br>Condensate<br>(millions<br>of bbls) | NGL<br>(millions<br>of tons) | Natural Gas<br>(billions<br>of Sm3) | Oil<br>Equivalents<br>(millions<br>of bbls) |
|--|--|------------------------------|-------------------------------------|---|
| <b>Reserves 31.12.2019</b>                 |  |                              |                                     |   |
| Proven, developed and undeveloped reserves | 511.0  | 5.1                          | 86.3                                | 1115.4                                      |

**Note 17 License portfolio 31.12.2019**

| TOTAL NORGE ASSETS                        | SHARE (%) | OPERATOR       | COMPRISED OF   |
|---|-----------|----------------|--|
| <b>EKOFISK AREA</b>                       |           |                |  |
| EKOFISK                                   | 39.90     | CONOCOPHILLIPS | PL 018, PL 018 B   |
| TOR                                       | 48.20     | CONOCOPHILLIPS | PL 006   |
| <b>HEIMDAL AREA</b>                       |           |                |  |
| ATLA & SKIRNE                             | 40.00     | TOTAL          | PL 102 C, PL 102, PL 102 E                                       |
| HEIMDAL (reservoir)                       | 26.33     | EQUINOR        | PL 036 BS  |
| <b>ÅSGARD AREA</b>                        |           |                |  |
| KRISTIN                                   | 6.00      | EQUINOR        | PL 134 D, PL 199   |
| TYRIHANS                                  | 23.15     | EQUINOR        | PL 073, PL 073 B   |
| ASGARD                                    | 7.68      | EQUINOR        | PL 062, PL 094, PL 094 B, PL 134, PL 237, PL 479                 |
| YTTERGRYTA ***                            | 24.50     | EQUINOR        | PL 263 C   |
| <b>OSEBERG AREA</b>                       |           |                |  |
| OSEBERG                                   | 14.70     | EQUINOR        | PL 053, PL 053 C, PL 055 C, PL 079, PL 104, PL 104 B, PL 171 B   |
| TUNE                                      | 10.00     | EQUINOR        | PL 034, PL 190   |
| ISLAY*                                    | 100.00    | TOTAL          | PL 043 CS, PL 043 DS   |
| FLYNDRE**                                 | 88.35     | TOTAL          | PL 018 C, PL 018 DS  |
| <b>SNØHVIT AREA</b>                       |           |                |  |
| SNØHVIT                                   | 18.40     | EQUINOR        | PL 064, PL 077, PL 078, PL 099, PL 100, PL 110, PL 110 B, PL 448 |
| <b>TROLL AREA</b>                         |           |                |  |
| TROLL                                     | 3.69      | EQUINOR        | PL 054, PL 085, PL 085 B, PL 085 C                               |
| KVITEBJØRN                                | 5.00      | EQUINOR        | PL 193, PL 193 C, PL 193 E                                       |
| GIMLE                                     | 4.90      | EQUINOR        | PL 120 B   |
| SINDRE                                    | 4.95      | EQUINOR        | PL 193 FS  |
| <b>JOHAN SVERDRUP</b>                     |           |                |  |
| JOHAN SVERDRUP                            | 8.44      | EQUINOR        | PL 501, PL 501 B   |
| <b>SUM FIELDS</b>                         |           |                | 49 Licenses  |
| <b>DISCOVERIES</b>                        |           |                |  |
| TOMMELITEN ALPHA                          | 20.23     | CONOCOPHILLIPS | PL 044   |
| LINNORM                                   | 20.00     | SHELL          | PL 255   |
| NØKKEN                                    | 4.95      | EQUINOR        | PL 193 GS  |
| ERLEND AND RAGNFRID                       | 6.00      | EQUINOR        | PL 257   |
| <b>EXPLO LICENSES</b>                     |           |                |  |
| Jasper                                    | 40.00     | TOTAL          | PL 255 B , PL 255 C, PL 255 D                                    |
| Castor                                    | 15.00     | EQUINOR        | PL 219   |
| West Tor                                  | 40.00     | CONOCOPHILLIPS | PL 275   |
| Brunost                                   | 50.00     | TOTAL          | PL 785 S   |
| Maersk PL 764                             | 40.00     | LUNDIN         | PL 764   |
| Maersk PL 922                             | 20.00     | SPIRIT         | PL 922   |
| PL 982                                    | 60.00     | TOTAL          |  |
| PL 983                                    | 20.00     | EQUINOR        |  |
| <b>SUM DISCOVERIES AND EXPLO LICENSES</b> |           |                | 14 Licenses  |
| <b>SUM PORTFOLIO</b>                      |           |                | 63 Licenses  |

\*Operated from the U.K., Norwegian share of 5.51% of the field

\*\*Operated from the U.K., Norwegian share of 6.26% of the field

\*\*\* Ceased production - P&amp;A and removal when Åsgard is removed

**Note 18 Subsequent Events**

Total E&P Norge AS transferred its share of the Edinburgh prospect to DNO. The Edinburgh prospect is carved out from the PL 018C (Flyndre) in a new stratigraphically delineated license - PL 018ES. MPE approval received 20 December 2019, and final settlement completed 31/01/2020. Effective date is the date of the MPE award of the new license.

Total E&P Norge AS received a notice from the Norwegian Tax Authorities on 21 January 2020 in respect of potentially reduced deductibility of financial cost for the years. The final assessment of the case is ongoing.

Total E&P Norge AS has transferred its share in Vestprocess DA to NSI. The final settlement was completed 30/04/2020. Effective date is set 01/01/2020.



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To the General Meeting of Total E&P Norge AS

## Independent auditor's report

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the financial statements of Total E&P Norge AS showing a profit of NOK 4 097 000 000. The financial statements 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.

In our opinion, the accompanying financial statements are prepared in accordance with law and regulations and 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.

#### 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 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.

#### 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.

#### Offices in:

|         |              |              |           |
|---------|--------------|--------------|-----------|
| Oslo    | Elverum      | Mo i Rana    | Stord     |
| Alta    | Finnsnes     | Molde        | Straume   |
| Arendal | Hamar        | Skien        | Tromsø    |
| Bergen  | Haugesund    | Sandefjord   | Trondheim |
| Bodø    | Knarvik      | Sandnessjøen | Tynset    |
| Drammen | Kristiansand | Stavanger    | Alesund   |

## 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 in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern. The financial statements use the going concern basis of accounting insofar as it is not likely that the enterprise will cease operations.

## 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 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's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- evaluate the overall presentation, structure and 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.

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.

## 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 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, 8 May 2020  
KPMG AS



Mads Hermansen  
State Authorised Public Accountant