Annual report for the SDFI and Petoro

2021:

petoro

The Norwegian state has large holdings in oil and gas licences on Norway's continental shelf (NCS) through the State's Direct Financial Interest (SDFI). These are managed by Petoro AS. The company's most important job is to help ensure the highest possible value creation from the SDFI – value which benefits the whole of Norway.

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President and CEO's letter and Directors' report

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Troll A. Photo: Øyvind Gravås and Even Kleppa / Equinor

Kristin Fejerskov Kragseth. Photo: Elisabeth Tønnessen

Record-high value creation and reliable energy deliveries

It is challenging to write an introduction to our annual report as we are currently experiencing war in Europe. Russia's invasion of Ukraine tells the story of a major setback in international cooperation and stable politics. This conflict could lead to lower economic growth and even higher energy prices. This will have vast consequences for the energy markets and energy policy. High energy prices mean high revenues for Norway, which of course is a good thing, but this is overshadowed by the considerable suffering in the wake of war and invasion. Our thoughts particularly go to the civilian population afflicted by this war.

We had hoped that, after nearly two years in the grip of the pandemic, a sense of normality would slowly but surely settle in. But just as the world was headed back into normal life, someone has a different idea. At the same time, we have a year to summarise, and I think Petoro deserves a little extra credit as we put 2021 behind us. It was not only Petoro's 20th anniversary, but we also delivered a record-high cash flow of 186 billion to the broader community. This should make us proud of what our industry is contributing in the form of value creation. All this built on a foundation of enormous efforts and cooperation over several decades.

At the same time, this also shows the potential magnitude of fluctuations in our industry. Cash flow from the SDFI reached a record low just one year ago. This is food for thought, and emphasises the importance of taking a long-term perspective on our activity, which is, and will continue to be, a hallmark of Petoro.

The record-high cash flow in 2021 also comes at a price. Gas prices have been exceptionally high, particularly in the last half of 2021. The oil price has also rallied considerably after a period of historic lows, including a brief period of time in 2020 where it was negative. This is good for Norway as a country financially, but is not good for everyone who depends on our products. This kind of price level is not sustainable.

The extreme energy prices are caused by a number of factors. There has been geopolitical unrest for quite some time in several places around the world, and the invasion of Ukraine is very serious for Europe. This causes an imbalance and uncertainty in the markets, with substantial price effects. In this connection, it is important for Norway to be seen as a safe and reliable energy supplier for Europe, particularly for gas.

This winter's energy crisis in Europe was hard to predict and was caused by a confluence of unfortunate factors at the same time. Higher gas prices as a result of increased demand and lower supply from Russia is one of the causes. Energy prices are also affected by higher CO_2 prices, which is an intentional development to speed up the energy transition. This is all occurring alongside the shutdown of coal and nuclear power plants. Not much wind in Europe, and very low levels in Norwegian reservoirs, also added to the pressure on electricity prices.

Norway has historically been blessed with low and very stable electricity prices, while this winter brought our first experience of the opposite. This gives rise to questions of how we should use our clean hydropower. What should be prioritised when society is going to be electrified from top to bottom? Over the last six months, the debate surrounding electrification of the Norwegian shelf has cast a critical eye on using power from the mainland to cut emissions offshore.

On the other hand, electrifying the shelf using power from shore is crucial in order for Norway to reach its national climate targets. A unified oil and gas industry has set itself a goal to reduce emissions by 40 per cent by 2030 and to near-zero by 2050. In connection with passing the tax package in the Storting in the summer of 2020, the Storting asked the Government to increase the emission cuts target for 2030 to 50 per cent. The industry has identified a number of measures needed to achieve these targets. The conclusion is clear: Electrification of existing and new fields is the most important means to this end. The industry presumes that close to 90 per cent of emission reductions will need to take place through electrification.

Over the longer term, carbon capture and storage, offshore wind, as well as potential use of hydrogen and ammonia for power generation, will contribute to significant emission reductions. The inherent challenge in the measures beyond electrification is that they will have a limited impact and will not be fully developed for use on a large scale until 2030. In order to reach the climate targets, we will need vast changes in the energy systems, and investments in low-carbon technology will need to be bolstered. Our industry is well-situated here, both from a financial, expertise and technology perspective. We can be an engine for the transformation that must come. The transition must happen now. It will demand a lot from us all. Bold and clear decisions, as well as continued good cooperation, are entirely essential.

In late 2021, the European Commission proposed that natural gas be counted as sustainable under the provisions of the taxonomy, which is the Commission's proposed regulation for sustainable investments. Of course, strict requirements are set for the gas to be classified as "sustainable", but this nevertheless shows that natural gas is slated to play an important role in the transition period. This applies both as regards securing the energy supply, but also to smooth out fluctuations from more unstable energy sources, particularly from solar and wind. Norwegian gas covers just over one quarter of Europe's gas consumption, and is a perfect match alongside renewables; easy to transport, far lower emissions than coal and can be quickly switched on or off. Over time, gas could also be used to produce emission-free blue hydrogen and ammonia, which will be important to decarbonise the parts of the energy market that are difficult to electrify, such as ship transport and industry.

Petoro's portfolio is producing an increasingly larger share of gas. The largest of all gas producers on the Norwegian shelf is Troll, where Petoro's ownership interest is 56%. The Troll field is considered to be one of the world's largest gas fields, and is also the home of 60% of the gas reserves on the Norwegian shelf. Troll can produce until 2070 and Petoro's share of the production currently yields NOK 24 million per hour for the broader Norwegian society.

The world's energy needs will have to be covered by both oil and gas for many years to come, so this energy needs to be produced with the lowest possible emissions. With the momentous challenges the world is facing, it is crucial to use the available energy carriers with the lowest possible emissions and at the lowest price. Norwegian oil and gas is in a unique competitive position here, one we will continue to strengthen.

The activity level on the Norwegian shelf is now record-high. The shipyard and supplier industry are full-up on orders. This creates value for all the people going to work there every day. This also gives us as an industry a long-term perspective. By investing around and in connection with existing platforms and pipelines, we can continue to build on previous investments and achieve high returns faster. We fulfil our mission by maximising value creation, thereby contributing to all of Norwegian society. This expertise and experience are now also used in the transition to a low-carbon society through deliveries to various types of projects within renewable energy generation.

Norway wants to remain an industrial giant in energy. At Petoro, we want to help make this happen. We will be a driving force on the Norwegian shelf. A driving force that works for reliable and competitive production of oil and gas for a long time to come, with near-zero emissions in 2050. We are convinced that our industry is well-positioned for the important and entirely necessary transition. We've set ourselves challenging goals before and succeeded, and we will do it again. Because the world still needs energy while simultaneously needing a transition. We will achieve both. Together.

Kind regards from Kristin

Kristin Fejerskov Kragseth
CEO, Petoro AS

Directors' report 2021

Petoro manages the State's Direct Financial Interest (SDFI), which represents about one-third of Norway's overall oil and gas reserves. The company's objective is to create the greatest possible value and achieve the greatest possible revenue for the State from SDFI.

The SDFI scheme was established in 1985. Under this arrangement, the state participates as a direct investor in petroleum activities on the Norwegian continental shelf (NCS), so that the state receives revenues and incurs expenses associated with SDFI's ownership interests. Petoro acts as licensee, on equal footing with other partners, for the state's ownership interests in production licences, fields, pipelines and onshore facilities.

As SDFI manager, Petoro contributed a cash flow of NOK 186 billion in 2021, which represents an estimated 50 per cent of the state's total revenues from the petroleum activities in 2021.

External trends

The previous year was yet another year for the world and Norway characterised by major challenges associated with the Covid-19 pandemic. Other global challenges are also on the rise, such as the climate crisis, protectionism and geopolitical conflicts, to name a few. The unrest in Ukraine through 2021 ended with Russia's invasion and full war in February 2022. This is a major humanitarian crisis, while shaking geopolitical stability. As a consequence of this, the world is experiencing increasing supply issues and higher inflation. Among other things, higher energy prices, particularly for gas and electricity, are having a substantial impact.

The oil and gas industry on the Norwegian shelf has maintained a high activity level and delivered good results in a year defined by the global challenges in the energy markets. Gas prices in particular have been extraordinarily high in 2021, and prices at this level have led to concern as regards predictable and reasonable access to energy. At the same time, this has strengthened Norway's role as a reliable supplier, particularly of gas, to Europe.

Prices for both gas, coal and electricity are now at levels most market players did not believe were possible a short time ago. The consequences for consumers are massive and the situation has been called an energy crisis. An increasing number of stakeholders are questioning how the markets are organised and demanding that politicians take additional steps. Despite the significant income increases high gas prices entail for players on the Norwegian shelf, a long-term high price level could weaken the attractiveness of gas over time. The oil price has also been relatively high in 2021, but this increase has not been as sharp as for gas and electricity. During the winter, high regularity and increased gas exports have been important for Europe in a situation where Russia has failed to deliver the vast volumes expected by the market.

2021 saw a high level of activity in the oil and gas industry in Norway. The stimulus package adopted in 2020 to counteract a reduction in investments as a result of the Covid pandemic has contributed to a record-high number of plans for development and operation (PDOs) scheduled for submission by the end of 2022. It is decisive and Petoro emphasizes to ensure the highest possible quality and value in these projects. The high activity level puts pressure on capacity in the supplier industry, and it is crucial that the plans for implementing the projects take this into account. It is also important that the work to identify and mature new projects continues once the stimulus package expires in order to secure further development on the Norwegian shelf.

The trend is that companies on the Norwegian shelf prioritise exploration close to fields, at the expense of exploration in more frontier areas. In spite of the Norwegian Petroleum Directorate's expectation that the greatest remaining resources on the shelf are located in the Barents Sea, the companies do not appear to prioritise exploration for gas in the area. This is the result of a lack of export capacity and several disappointing exploration wells.

Companies on the Norwegian shelf continued to consolidate in 2021. This has led several of the medium-sized companies to strengthen their positions. AkerBP's agreement to take over Lundin's activities on the Norwegian shelf is a good example of this development. The emergence of the medium-sized companies is a positive contribution to the further development of the Norwegian shelf. The selldown in recent years from the major international companies with significant operator experience means that there is constrained access to valuable experience and expertise on the Norwegian shelf.

Safety results were improved somewhat in 2021, but the number of serious incidents is still too high. Falling objects still dominate the range of incidents in raw numbers. The maintenance backlog from 2020 has largely been overcome, and the Petroleum Safety Authority Norway's annual mapping of the risk level on the Norwegian shelf shows a positive development. It is important that the industry continues its improvement efforts in order to further reduce the number of serious incidents.

The new report from the Intergovernmental Panel on Climate Change was published in August, and its conclusion was clear; the climate challenges we are facing must be treated as an acute threat. At the same time, UN Secretary General António Guterres stated that the report is "code red" for humanity. The UN believes that greenhouse gas emissions from fossil fuels constitute an immediate threat to millions of humans.

The subsequent climate summit in Glasgow (COP 26) also emphasised that the goal is still to avoid global warming beyond 1.5 degrees. 196 countries signed an agreement for an emission trading system, scaling back coal power, as well as cutting subsidies for the fossil fuel industry. These ambitions will require a substantial energy system transition in an effort to cut emissions. Over time, this will contribute toward phasing out fossil energy sources such as coal, oil and gas.

The EU aims to be climate neutral by 2050. In April 2021, the EU agreed to raise its climate target from 40 to 55 per cent emission cuts by 2030. Last summer, the European Commission presented the first part of an extensive policy package to reach the objectives; the Fit-for-55 package. Parallel efforts are under way on the EU's taxonomy for sustainable finance. Developments in the EU are important for the SDFI, as Norway follows the EU's ambitions and goals and will adapt Norwegian climate policy correspondingly.

A unified Norwegian oil and gas industry is following up on the climate roadmap and climate targets for the Norwegian shelf that were established in 2020. The oil and gas industry is expected to reduce emissions by 50% by 2030, compared with 2005, which will require significant efforts over the next few years.

Electrification of existing fields is the most important measure to reduce CO_2 emissions from production. Efforts have been under way in recent years to mature more projects to replace gas turbines with power from shore or offshore wind. Investment decisions were made in 2021 for a few of the fields with long remaining lifetimes, such as Troll and Oseberg. These projects are extensive and require major investments, but will lead to considerable reductions in CO_2 emissions.

In line with additional parts of society requesting access to electricity for new green investments and measures to reduce greenhouse gas emissions, more and more people are asking where the future power will come from and to what extent shelf electrification should be prioritised. The Government stated in its Hurdal Platform that, to the extent possible, electrification of the shelf shall take place using offshore wind or other renewable electricity generated on the shelf. This is challenging in the short term.

The oil and gas companies are changing their strategy to develop their activities in the face of a low-carbon future. Renewable energy and decarbonisation of particularly natural gas will be key in this regard. In addition to offshore wind, efforts are under way to explore whether natural gas can be converted to hydrogen and ammonia with carbon capture and storage. New licenses for CO_2 storage on the Norwegian shelf were announced in 2021. In the Barents Sea, this has materialised as an interesting business opportunity in the short term, as ammonia production not only reduces the climate risk for natural gas, but also increases the export capacity for gas from this area.

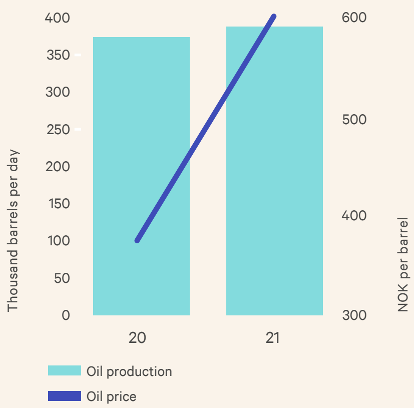
The Norwegian shelf has further strengthened its competitiveness in 2021. Three factors are important to emphasise here:

Even with a high activity level and an ongoing pandemic, the players have been able to keep operating expenses at a stable level. There has been a significant increase in costs for CO_2 emissions and electricity. Overall, the Norwegian shelf is still competitive internationally measured in cost per produced unit. Over the last year, the petroleum industry has lived up to its reputation as a driving force for development and implementing new technology with a solid domestic market as a foundation. This is important to ensure not only the continued competitiveness of the Norwegian shelf, but also significant export of goods and expertise.

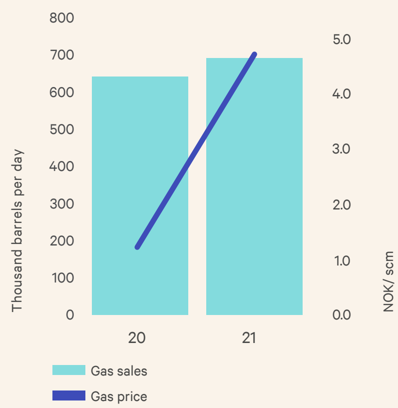
Secondly, multiple electrification measures were adopted over the last year, and additional measures are in planning stages. This will strengthen the competitive position of the Norwegian shelf as world-leading, with the lowest greenhouse gas emissions from upstream production of hydrocarbons. Low emissions are expected to be an important competitive parameter which will only grow in significance in the years to come. This particularly applies in the European core markets for the Norwegian shelf.

In conclusion, the winter of 2021/2022 has clearly shown the importance of stable and predictable gas supplies from Norway to Europe. The war in Ukraine has emphasized this even more clearly, with more countries now turning away from Russia and towards more reliable energy suppliers. This emphasises

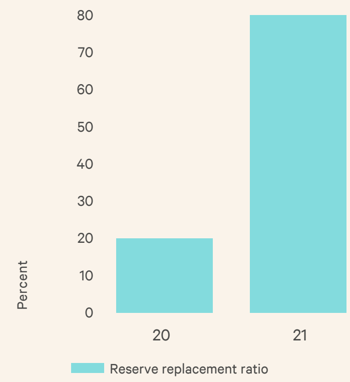
Oil production / - price



Gas sale / -price



Reserve replacement ratio



the fact that security of supply and reliability have again become an important competitive parameter, where particularly Norwegian gas has been given an important role for geopolitical stability in Europe. This scenario could strengthen the significance of the SDFI's highly gas-weighted portfolio.

Summary of SDFI results

Net cash flow to the state from the SDFI at year-end amounted to NOK 186 billion, 127 billion higher than last year. The increase was mainly caused by significantly higher income as a result of increased oil and gas prices. The positive effect has been offset by increased working capital and third-party gas purchases.

Total production amounted to 1,026 thousand barrels of oil equivalent per day (kboed), an increase of 38 kboed compared with the same period last year.

Gas production amounted to 101 million standard cubic metres (mill. scm) per day, an increase of 3 per cent compared with the same period last year. This increase was mainly caused by increased gas extraction on Troll and Oseberg, partially offset by the production shutdown on Snøhvit following the fire on Melkøya. The average realised gas price was NOK 4.78 per scm, compared with NOK 1.25 in the same period last year. The strong increase in gas prices was mainly caused by low gas storage levels, strong LNG demand from Asia, as well as lower LNG imports and renewables production in Europe compared with last year.

Liquids production amounted to 388 kboed, 14 kboed higher than the same period last year. The increase was caused by higher production capacity and accelerated production from Johan Sverdrup, as well as production from the Snorre Expansion Project. This increase was partially offset by natural production decline on several mature fields. The average realised oil price was USD 70, compared with USD 40 per barrel in 2020. However, the price increase in USD was somewhat offset by a strengthened NOK, meaning that the achieved oil price measured in NOK was 603, compared with NOK 376 per barrel last year. The increase in oil price compared with last year was caused by strong growth in demand as a result of societies reopening in large parts of the world, while at the same time, the increase in supply has not been able to keep pace with this development.

Cash investments amounted to NOK 25 billion, just under 3 billion less than the last year. The reduction was mainly caused by lower investments on the development projects Johan Sverdrup, Johan Castberg and Troll, as well as lower drilling activity compared with last year. This was partially offset by increased development investments on Breidablikk and Ormen Lange, as well as increased operational investments on Snøhvit and Troll.

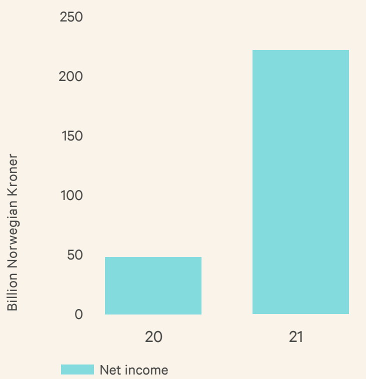
Production costs ended at NOK 18 billion, NOK 4 billion higher than in 2020. The increase was mainly caused by higher electricity prices and environmental taxes, as well as increased maintenance activities on certain fields. The reduction in transport costs was mainly caused by reversal of previous provisions for an onerous contract for transport capacity.

Total exploration costs in 2021 came to NOK 1.5 billion, of which a net of NOK 0.1 billion has been recognised as capitalised exploration expenses.

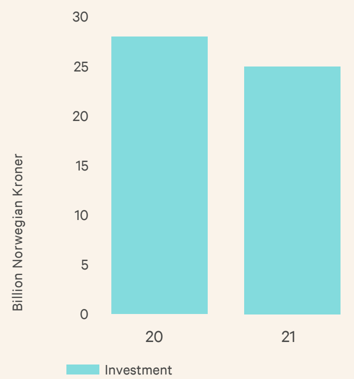
The financial result for 2021 was a net income of NOK 222 billion, NOK 174 billion higher than last year. The increase was mainly caused by significantly higher income as a result of increased prices on oil and gas, as well as reversal of previous impairments of fixed assets in the 1st and 4th quarters, as well as somewhat lower transport costs. The increase was partially offset by higher gas purchases, depreciation, as well as increased operating expenses.

The book value of assets at 31 December 2021 was NOK 307 billion. The assets mainly consist of fixed assets related to

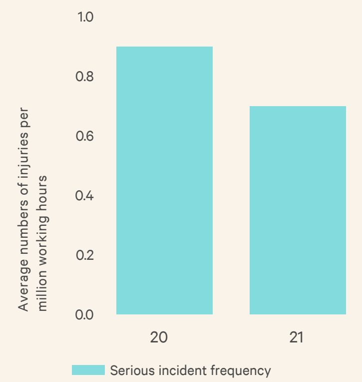
Net income



Investment



Serious incident frequency



field installations, pipelines and onshore plants, as well as current debtors. Equity at year-end came to NOK 187 billion, which is an increase of NOK 36 billion compared with last year. The increase was caused by the transfer to the state being 36 billion lower than the annual result for accounting purposes. Overall debt amounted to NOK 120 billion, of which 79 billion was related to estimated future removal obligations. Removal obligations were reduced by just over NOK 5 billion compared with 2020, primarily as a result of updated removal estimates and a higher discount rate.

Health, safety and the environment (HSE)

There were a total of 22 serious incidents in the SDFI portfolio in 2021, which results in a serious incident frequency on 0.7. This represents an improvement from 0.9 in 2020. Falling objects continue to dominate the range of incidents in raw numbers. The personal injury frequency was 3.8, which is at about the same level as 2020. Petoro always puts safety first, and this approach is clearly communicated through the company's expectations for HSE management and HSE culture in the licences. In a major accident perspective, Petoro focuses on learning across the portfolio, as well as ensuring quality in risk assessments. Over the course of the year, Petoro has carried out multiple digital management visits at selected fields and onshore facilities with a focus on HSE.

Principal activities in 2021

As of the end of 2021, the portfolio consisted of 184 interests in production licences, 10 fewer than at the beginning of the year. In January 2022, the Ministry of Petroleum and Energy completed its awards in pre-defined areas, where an additional 7 production licenses were awarded with SDFI participation. As the largest partner on the Norwegian shelf, which provides a unique overview, Petoro is in a unique position to contribute to value creation by exploring opportunities and contributing to lessons learned across the portfolio.

At the end of the year, the portfolio consisted of 37 fields in production. The Martin Linge field came on stream in June 2021. Johan Castberg, Dvalin and Breidablikk are under development.

A plan for development and operation (PDO) was submitted in 2021 for Kristin South phase 1, as well as a change to the PDO for Ormen Lange phase 3, Troll Vest electrification, in addition to Oseberg increased gas capacity and partial electrification.

- The Kristin South phase 1 project is a joint subsea development of the Lavrans discovery and the southern part of the Kristin field.
- The Ormen Lange phase 3 project aims to improve recovery from the Ormen Lange field. The solution consists of a subsea wet gas compressor, which will provide pressure support to transport the gas from the field to the onshore facility at Nyhamna. There are multiple elements of new technology in the project, and the solution creates opportunities for use on other fields in Petoro's portfolio.
- The Troll Vest electrification project involves switching the power supply on the Troll B and Troll C installations from gas turbine operation to power from shore. This measure will reduce CO_2 emissions from the field by 466,000 tonnes per year and will help ensure very low emissions from production on Troll during the expected remaining lifetime leading up to 2060.
- The Oseberg increased gas capacity and partial electrification project will improve the recovery of gas on the Oseberg field by installing electric compressors on the Oseberg Field Centre, in addition to building a power cable from shore. The new compressor capacity is achieved without CO_2 emissions, and the access to electric power from shore will also help reduce CO_2 emissions from the field by 316,000 tonnes per year.

An investment decision has also been made for Askeladd West as part of the development of the Snøhvit field, and which will help secure the supply of gas to the LNG plant on Melkøya.

Production from mature oil fields continues to dominate liquids production from the SDFI portfolio, despite the fact that Johan Sverdrup accounted for 23 per cent of production in 2021. The Troll, Oseberg, Åsgard, Heidrun, Gullfaks and Grane fields accounted for 46 per cent of total liquids production in 2021. In 2021, gas accounted for two-thirds of overall production. More than 70 per cent of gas output came from Troll, Ormen Lange and Oseberg.

Petoro's strategy describes the company's goal-oriented efforts to create the greatest possible values, while at the same time safeguarding sustainability and the climate. The strategy has four priorities: (1) more wells by increasing drilling efficiency, (2) better understanding of reservoirs, particularly by utilise opportunities for digitalisation, (3) choosing solutions with a long-term perspective in field development, and by (4) increasing the utilisation of the facilities through safe and efficient operations.

Through focused follow-up, supported by in-depth professional commitment, Petoro works to reinforce value creation opportunities with emphasis on long-term business development.

In line with this strategy, the company has paid special attention to the fields and discoveries Grane, Heidrun, Maria, Oseberg, Åsgard, Gullfaks, Grosbeak and Wisting. Drilling efficiency has also been addressed as a special topic for the entire field portfolio.

On Åsgard, the company conducted its own studies in 2021 to identify and specify projects that could help improve the recovery rate. In light of disappointing production following the start-up on Maria, Petoro has taken an active role in identifying measures and concepts to improve production. This ended up with a concept choice for further development in accordance with Petoro's preferred solution. On Grane, Petoro has carried out studies to identify additional resources. This was done using a new methodology which entailed significant streamlining of these types of studies. On Gullfaks, Oseberg and Snorre, the company has carried out its own studies to identify and refine volume bases from new drilling targets. Petoro has also conducted its own studies and analyses in 2021 to ensure equitable ownership interests in connection with the unitisation of Breidablikk.

As regards new fields in the portfolio, the company's efforts are associated with assessing various development solutions leading up to a concept choice. Petoro emphasises the selection of development solutions with the capacity and expansion opportunities to realise the full value potential of each field.

The company conducted its own assessments for new development projects whose resource potential was associated with significant uncertainty. Examples of this include Grosbeak and Wisting.

In 2021, the company followed up a substantial portfolio of major development projects in the implementation phase, including Johan Sverdrup phase 2, Johan Castberg, Martin Linge and Troll phase 3.
The follow-up has been focused on factors that affect HSE, climate and implementation risk as well as ensuring sound preparations for operations.
In addition to these factors, the Cold Return repair project on Snøhvit was followed up closely, with an emphasis on strengthening the facility for further operations and safe implementation of the work.

Early technology adoption and technological advances are important in order to increase competitiveness. The primary technology areas Petoro is focusing on include technology to radically increase the drilling pace, optimising the recovery strategy by using new digital tools, next-generation developments with remote operation and low manning, as well as technology to reduce greenhouse gas emissions.

Petoro has been following up drilling efficiency on 10 of the fixed drilling facilities on the mature fields in the portfolio over a long period of time. 2021 was a weak year for the number of new wells from fixed facilities, and costs per well were at the same level as the previous year. The reason for this was that several drilling rigs were unavailable to drill new wells for large parts of the year. This was in part caused by prioritising other activity, such as larger projects and well maintenance, but was also a consequence of technical challenges. In order to realise resources in the mature fields and improve the recovery rate, the drilling efficiency must be increased and the cost per well reduced.

Digitalisation as an instrument to improve and increase competitiveness is high on the strategic agenda of most oil and gas companies and suppliers. Petoro actively uses its role in the joint ventures and on the Norwegian shelf to reinforce the momentum for improvement and contribute to change processes, as well as to facilitate efficient data sharing. Petoro has also employed strategic collaboration with Schlumberger, aimed special efforts toward improving quality and streamlining work processes in reservoir modelling.

In 2021, Petoro has seen significant activity associated with maturing electrification measures that will contribute to considerable reductions in greenhouse gas emissions from the SDFI portfolio. Electrification of mature fields is a time-critical measure as the projects' income potential is reduced when the remaining operating period is curtailed. Petoro therefore actively works with operators and partnerships to maintain progress on these projects. Several large electrification projects at Snøhvit, Kårstø and Draugen were further matured throughout the year toward planned investment decisions in 2022 and 2023. Assessments have also been made of the opportunity for electrifying other fields in the portfolio, including Åsgard, Heidrun and Grane. If all the evaluated electrification projects can be realised, they can contribute alongside Hywind Tampen, planned shutdowns and downscalings on fields in reducing the SDFI's share of emissions from the field portfolio by up to 55% by 2030.

Petoro was a participant in 9 exploration wells in 2021. They resulted in three discoveries that are deemed to be economically viable; the Dvalin North and Røver North gas discoveries, as well as the Isflak oil discovery. It is presumed that all discoveries can be tied into existing infrastructure.

The portfolio's estimated remaining reserves totalled 4,972 million boe at the end of the year, down by 73 million boe from the year before. Reserve growth amounted to 301 million boe and mainly comes from project decisions such as Ormen Lange phase 3, Oseberg increased gas capacity and Åsgard B low-pressure production phase 3, in addition to extending drilling activities on Heidrun. With a production of 375 million boe, this yielded a reserve replacement rate of 80 per cent, compared with 20 per cent in 2020.

Research and development

Petoro contributes to research and development (R&D) through the SDFI meeting its share of the operator's costs for general research and development pursuant to the Accounting Agreement. The funds are managed by the respective operators. This amounted to NOK 562 million for the SDFI in 2021. This is in addition to projects aimed at field-specific qualification of new solutions or pilot application of technology in licences, where the costs are charged to the joint ventures. Petoro does not initiate its own technology development and research projects.

Marketing and sale of the products

All oil and natural gas liquids (NGL) from the SDFI portfolio are sold to Equinor, which is responsible for marketing all the SDFI's natural gas along with its own gas, at the state's expense and risk. Petoro's task is to monitor that Equinor's marketing and sale of the state's petroleum together with its own production complies with the marketing and sale instructions issued to Equinor. The objective of the marketing and sale instructions is to achieve the highest possible value for Equinor's and the state's petroleum and ensure just distribution of the total value creation. Petoro specifically follows up issues of significant importance, issues of a principle nature and potential conflicts of interest.

In 2021, Petoro has prioritised issues within the marketing and sale of both oil and gas. The company has particularly focused on measures to optimise gas production in order to deliver as much gas as possible to the European market, which has been characterised by very high prices, particularly in the second half of 2021. In addition, the company has paid particular attention to the extent to which the marketing and sale models satisfy the objectives in the Marketing and Sale Instruction regarding Maximum Value Creation and Equitable Distribution between Equinor and SDFI.

Petoro is concerned with ensuring that the products are marketed and sold in such a way that the highest price is achieved, in addition to ensuring that the portfolio's flexibility is used to achieve the highest possible value creation. In this context, optimal further development, regularity, utilisation of capacity and flexibility in production facilities and infrastructure are of significant importance.

Selected verifications have been conducted to ensure that the SDFI receives its rightful share of sales-related costs and revenues. Petoro has maintained a dialogue throughout the year with the Ministry of Petroleum and Energy as regards clarifications related to the Marketing and Sale Instruction, and these will continue with the Ministry of Trade, Industry and Fisheries, which is the new owner starting from 2022. The company has also had an extensive dialogue with Equinor associated with monitoring the marketing and sale, including follow-up of shared goals for costs and value creation.

Working environment and expertise

The people of Petoro are the company's most important resource, and the company's values are the foundation of the vision to be a driving force on the Norwegian shelf. The company's human resources policy shall ensure that Petoro is an attractive workplace for existing and future employees.

The Covid-19 pandemic has also entailed challenges in 2021 as a result of national and local infection control measures. Our employees' safety and infection control have been our foremost priorities in 2021, and implemented measures have been in accordance with the authorities' guidelines. The offices have been closed for normal operations for large parts of the year. The company has facilitated the use of home offices and initiated various virtual and physical measures both to ensure continuity and to maintain mission-critical functions, in addition to safeguarding the working environment and welfare.

Petoro's personnel have extensive experience from the petroleum industry and a high level of expertise. The individual employee is crucial to the company's deliveries and success, and the board places emphasis on ensuring that Petoro offers competitive terms and a stimulating working environment that attracts people with the right expertise. Opportunities for professional and personal development help to retain, develop and attract skilled personnel.

As regards diversity, inclusion and equality, a plan with concrete steps for the upcoming year is prepared annually for these areas. This ensures that the company works actively, in a goal-oriented and planned fashion to promote diversity, inclusion and equality. More detailed information about these areas is provided in the company's sustainability report, which will be published later this year.

At the end of 2021, Petoro had 70 employees, six more than the year before. The increase was partly caused by overlapping expertise to handle future resignations, in addition to employment replacing contracting. Eight new appointments were made in 2021. The percentage of women in the company was 33 at the end of the year, 57 per cent in company management and 57 per cent on the company's board.

The ratio of women in Petoro has remained above 30 per cent since 2009, and was 33 per cent in 2021. The average age in Petoro is 51.4; 51.7 for men and 50.6 for women.

Petoro has had at least 40 per cent women on its board since its inception. The rules for electing employee representatives to the Board require one representative for each gender. The current ratio of women in company management is 57 per cent, compared with 43 per cent in 2020. There are two women among a total of six representatives in the AMU and SAMU.

Female representation in the company's various wage groups is in accordance with the ratio of women in the company as a whole. 83 per cent of Petoro's employees are in the job category "senior adviser", while 7 per cent are in the job category "adviser". In management, women's fixed salaries amount to 90 per cent of men's fixed salaries. Looking at the total compensation package, the women's share is 92 per cent that of men. As regards senior advisers, women's fixed salaries are 101 per cent that of men's. Women's total compensation package for senior advisers constitutes 102 per cent of men's. As regards advisers, women's fixed salaries amount to 92 per cent of men's. Looking at the total compensation package for the adviser level, the women's share is 91 per cent that of men.

21 per cent of promotions in 2021 involved women. The company has a number of employees from diverse cultural and ethnic backgrounds. Seven nationalities are represented among the company's employees.

There were two instances of part-time employment in Petoro in 2021, both of which were voluntary, and both genders were represented. There were no temporary employees in 2021. Seven people have taken out parental leave over the last three years. These were all men, and they took out an average of 62 days.

Absence due to illness was 2.4 per cent, compared with 2.1 per cent the previous year. The company considers this to be low. Petoro emphasises close follow-up and dialogue as described in the inclusive workplace (IA) agreement to promote health and prevent absence due to illness. No occupational accidents were recorded among Petoro's personnel in 2020. As part of the effort to safeguard a good working environment, the company conducts annual employee surveys, which are followed up with measures.

Collaboration in the company's working environment committee (AMU) and works council (SAMU) lays an important foundation for a good working environment. Cooperation in these bodies is considered to be good.

Corporate governance

Corporate governance was moved in 2021 moved from the Ministry of Petroleum and Energy to the Ministry of Trade, Industry and Fisheries. The Minister of Trade and Industry represents the state as sole owner and constitutes the company's general meeting and highest authority.

The Board emphasises good governance to ensure that the state's portfolio is managed in a way which maximises financial value creation in a long-term comprehensive perspective. Requirements for governance in the public sector are specified in "Regulations on Financial Management in Central Government" and in standards for good corporate governance. The Board observes the Norwegian state's principles for sound corporate governance as expressed in Storting Report No. 8 2019-2020 "The Norwegian state's direct ownership in companies - Sustainable value creation" and those sections of the "Norwegian Code of Practice for Corporate Governance" regarded as relevant to Petoro's activities and the frameworks established by its form of organisation and ownership.

Petoro's values base and ethics are embedded in its values and guidelines on business ethics.

The management system is tailored to Petoro's distinctive nature, and enterprise management is based on balanced management by objectives, under which objectives are established that support the company strategy.

Corporate social responsibility

Petoro discharges its corporate social responsibility (CSR) in line with the relevant guidelines, which are tailored to the company's role. Petoro's funding for performing its management duties and for running the company is provided through appropriations from the government. Petoro does not have the opportunity to provide monetary support to social causes.

Measures which ensure that Petoro discharges its CSR include business ethics guidelines, the HSE declaration, the company's strategy and an HR policy that ensures diversity, inclusion and equal opportunity. Petoro has no activity outside Norway, but participates indirectly in certain foreign activities as licensee and through the marketing and sale instructions. The Board provides a more detailed presentation of the exercise of CSR in a separate section of the annual report, and more extensively in the company's sustainability report later this year.

Risk management and internal control

Risk management in the form of avoiding threats and securing opportunities is an integrated part of Petoro's governance and closely linked to the company's strategy and business processes. The company's general risk matrix with associated risk factors is continuously evaluated and identified measures are followed up. Sustainability and climate are reflected in the company's strategy, goals and risk matrix. In 2021, the Board has focused special attention on two risks associated with climate: The risk of being unable to realise measures for CO_2 reduction in the SDFI portfolio, as well as the risk of the value of the portfolio being affected over the longer term.

Three internal audit projects were carried out in 2021 aimed at following up the marketing and sale area, compliance with information security guidelines and the procurement process. The results were summarised in a report to the Board describing the audit actions undertaken, findings, as well as proposed and implemented measures for the internal audit projects. The result is satisfactory in all areas and the internal controls are in accordance with generally acceptable standards. The internal audit projects were conducted by PwC, which has also been responsible for the internal financial audit of the SDFI for the 2021 accounting year.

Work of the Board

The Board has overall responsibility for the management of Petoro, including ensuring that appropriate management and control systems are in place, and for exercising supervision of the day-to-day conduct of the company's business. The Board met 8 times in 2021. An annual schedule of meetings has been established for the work of the Board, with emphasis on considering topical commercial issues and following up strategies, budgets and interim results. Balanced scorecards are a key instrument used by the Board in following up the company's results. Sustainability and climate have been key in the Board's handling of various issues throughout the year.

The Board considers major investment decisions in the portfolio. It also follows up activities in the licences and the monitoring of marketing and sales and financial management, including assessments of the overall risk scenario.

The Board has chosen to organise its work related to compensation through a sub-committee comprising two of the shareholder-elected directors, one of whom is the deputy chair. No other sub-committees have been established. A declaration has been drawn up by the board on remuneration of the chief executive and senior personnel.

Conflicts of interest are a fixed item on the agenda at board meetings and in the consideration of matters, and directors with such a conflict withdraw from the Board's consideration of the relevant issue.

An annual self-assessment is conducted by the Board, which encompasses an evaluation of its own work and mode of working, as well as its collaboration with company management. The self-assessment for 2021 is complete.

The work of the Board is based on the "Board Instructions", which describe its responsibilities and mode of working. As an appendix to the Instructions, the Board has adopted supplementary provisions for matters which it will consider. The Board also conducts annual reviews of the company guidelines on business ethics and CSR, as well as the Board Instructions. Directors must routinely report their ownership of shares or similar interest in other companies which could constitute, or which could be perceived as constituting, a conflict of interest with their position. Directors must also disclose other relationships with licensees in petroleum activities on the Norwegian shelf, or with companies that supply licensees.

Each director and the Board as a collective shall seek to strengthen their expertise in various ways. These include participation in courses and conferences and generally following developments within the business area.

Kristin Fejerskov Kragseth was hired as the new CEO in December 2020 and started the position on 1 June 2021. At the same time as joining, Kjell Morisbak Lund resigned as acting CEO.

The Board of Directors of Petoro AS consists of Gunn Wærsted as chair, deputy chair Brian Bjordal, Trude J. H. Fjeldstad, Hugo Sandal and Kristin Skofteland as shareholder-elected directors. Board members May Linda Glesnes and Ragnar Sandvik were elected to represent the employees.

Directors and officers liability insurance has been taken out on commercial terms. The insurance covers policy holders' legal liability for economic loss incurred by virtue of their positions, with the restrictions and endorsements that follow from the terms.

PETORO AS

Share capital and shareholder

Petoro AS was established as part of the restructuring of the state's oil and gas activities in 2001, when Equinor (previously Statoil) was partially privatised and management of the SDFI was assigned to Petoro AS. The company's operations are governed by Chapter 11 of the Petroleum Act. The company's general meeting is the Ministry of Trade, Industry and Fisheries.

Petoro's share capital at 31 December 2021 was NOK 10 million, distributed among 10,000 shares owned by the Ministry of Trade, Industry and Fisheries on behalf of the Norwegian state. Petoro's business office is in Stavanger.

Net income and allocations

Petoro AS maintains separate accounts for all transactions relating to participating interests in the joint ventures. Revenue and expenses from the SDFI portfolio are kept separate from day-to-day operation of the company. Cash flow from the portfolio is transferred to the central government's own accounts with Norges Bank. Accounts for the portfolio are presented both on the cash basis used by the government and in accordance with the Norwegian Accounting Act and Norwegian generally-accepted accounting principles (NGAAP).

Funds for operating Petoro AS are provided by the state, which is directly responsible for the contractual obligations incurred by the company. NOK 356.6 million was appropriated for ordinary operation of Petoro AS in 2021, compared with NOK 360 million in 2020.

Total expenses in 2020 were within the framework of the Board's approved budget, the company's appropriation and allocation letter. The financial result for Petoro AS totalled a net loss of NOK 0.4 million. The Board proposes that the deficit in Petoro AS be covered by other equity. Including net loss for the year, other equity amounted to NOK 17.6 million as of 31 December 2021.

Pursuant to Section 3-2a of the Norwegian Accounting Act, the board affirms that the annual accounts for the portfolio and the company provide a true and fair picture of the company's assets and obligations, financial position and results of the business, and that the annual accounts have been prepared under the assumption that the company is a going concern. The company has satisfactory equity and low financial risk.

Outlook

Once the world has overcome the pandemic, there was an expectation of more normal times in terms of economic growth and development globally. Regardless of the pandemic, increased protectionism and nationalism over a long period of time have also contributed to creating challenges for international cooperation. With Russia's recent entry into Ukraine, for the first time in decades, there is again war in Europe. This is a very serious development that creates fear and insecurity, not only for the Ukrainian population, but also for geopolitical cooperation. At the time of writing, the outcome of the war is completely uncertain. The ongoing war and pandemic have clearly shown how vulnerable the global economy is. Whether the supply problems that not only the commodity and energy markets are experiencing today will be solved remains to be seen.

How these conditions in total will affect future developments in the oil and gas markets is difficult to predict. At the same time, the UN's sustainability goals and the ambitions of the Paris Agreement will require a significant energy shift to clean energy that challenges fossil energy such as coal, oil and gas. In terms of direction, the consumption of gas and oil must be reduced if the climate goals are to be achieved. But the green transition takes time, and in the meantime, developments in the gas market in particular over the past year show how important stable deliveries from the Norwegian continental shelf and the SDFI's portfolio are. Decades of targeted work on the environment, climate and safety on the Norwegian continental shelf also contribute to strengthening the competitiveness of the SDFI's oil and gas.

Troll and the other mature fields on the Norwegian shelf, with the addition of the Johan Sverdrup field, make up the backbone of the Norwegian petroleum industry in general and the SDFI portfolio in particular. These fields are the primary reason for the high and stable production that is the hallmark of the SDFI portfolio, and there will be considerable value creation opportunities associated with these areas in the years to come.

But extensive efforts will be needed in order to realise these values. Multiple areas will be important moving forward in order to secure the values in place through close cooperation with all players on the shelf.

94 fields are now in production on the Norwegian shelf, which is a historically high number. Realising the vast values still in the ground will require continuous efforts associated with further developing the field portfolio. At the same time, new developments will need to be taken into consideration, particularly from exploration close to fields, but also eventually a gradual consolidation of installations. This presumes a comprehensive and long-term perspective in order for the Norwegian shelf to maintain, and preferably strengthen its competitive position. The highest possible level of safety, the lowest possible production expenses and low emissions will be crucial in the future.

Improved drilling processes means that more wells can be drilled, which in turn can improve the recovery rate. An increasingly larger share of oil production is now coming from mature fields. Well maintenance and drilling new production wells is very important in order to realise the remaining potential in the fields. This provides good utilisation of existing infrastructure in that new identified resources can be rapidly phased in.

In order to identify opportunities for additional wells, we need an extensive understanding of the reservoir. Innovative solutions will be crucial, particularly within digitalisation. The oil industry on the Norwegian shelf has historically been at the forefront here, which is something the industry must ensure that it continues to develop. It is important that the industry maintains focus on the long-term ongoing efforts for additional efficiency measures, including technology development, digitalisation of work processes and data sharing across the industry.

The Norwegian shelf already has low greenhouse gas emissions in an international context. Both fields, plants, infrastructure and oil and gas can be subject to measures to reduce climate impact. Further reduction of greenhouse gas emissions will largely be contingent on additional electrification with power from shore or potentially offshore wind. Reductions can also be achieved through energy efficiency measures, as well as using hydrogen and ammonia to generate electricity. Solutions with an area perspective help realise measures that are difficult to implement for individual fields.

The production of hydrogen and ammonia from natural gas is contingent on access to carbon storage. Companies on the Norwegian shelf have extensive experience with carbon storage and numerous new areas have been mapped for the storage of CO_2. We expect multiple CO_2 storage licenses to be awarded over the next few years.

We are facing substantial challenges associated with the climate, green adaptation and security of supply for energy. There is extensive cooperation on energy, particularly in Europe, and it is important that this also continues toward a low-carbon-future. Despite the urgency, it is important to strike a good balance between fossil and renewable energy. Oil and gas cannot be phased out until sustainable alternatives are in place. Such a situation could contribute to creating high prices and increased volatility, which in turn results in a market in imbalance. This is an outcome that serves neither producers, consumers and certainly not the climate.

With vast resources and high expertise in key areas such as offshore activities, major industrial projects and technology development, our industry has a good starting point for success in the transition. This will allow for the creation of value and higher employment both nationally and internationally. The Norwegian shelf is highly competitive as a result of a fine-tuned framework, a diversity of companies and good cooperation among authorities, companies and employees.

The oil and gas industry will continue its effort to provide sustainable and safe energy to our core markets. The SDFI portfolio has a competitive advantage in the form of low emissions from production and transport compared with other oil and gas on the international scale. This provides a good point of departure for further developing carbon neutral value chains, which in turn could strengthen the Norwegian shelf's competitiveness in a generational perspective.

The necessary decarbonising of energy systems will require increased integration in the value chains. Maintaining Norway as a giant in industrial energy will require a significant ability to adapt. The SDFI and Petoro will continue to be a driving force on the Norwegian shelf, including in the future energy landscape.

Stavanger, 7 March 2022

Gunn Wærsted
Chair

Brian Bjordal
Deputy Chair

Trude J. H. Fjeldstad
Director

Kristin Skofteland
Director

Hugo Sandal
Director

Ragnar Sandvik
Director,
elected by the employees

May Linda Glesnes
Director,
elected by the employees

Kristin Fejerskov Kragseth
President and CEO

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Introduction to the enterprise and key figures 2021

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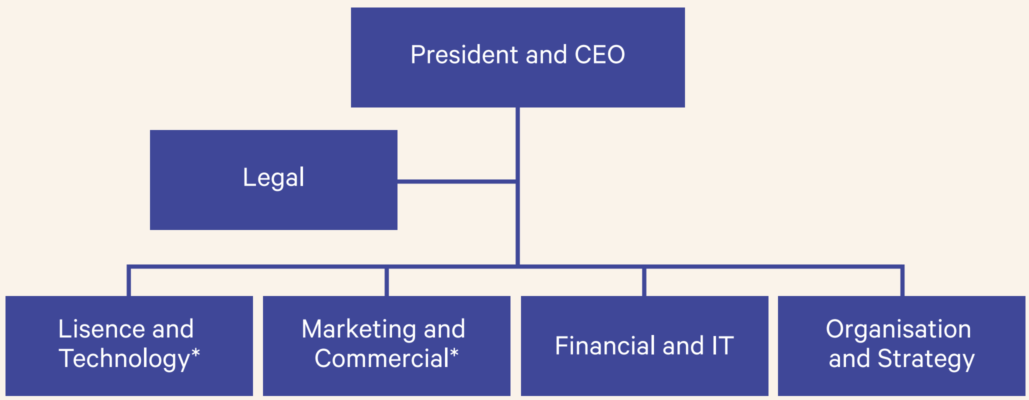
Page 22 Key figures 2021

Melkøya, Hammerfest
Photo: Einar Aslaksen / Equinor

Petoro as

Petoro manages the State's Direct Financial Interest (SDFI). The company's principal objective is to generate the highest possible financial value from the SDFI portfolio. At year-end, the company had 70 employees.



Ministry of Trade, Industry and Fisheries, in the person of the minister, represents the government as sole owner and serves as the company's general meeting and highest authority. The Board has overall responsibility for administration of the company. Petoro's organisation is shown in the figure below.

**as of 1 January 2022, the former Licence Follow-up and Commercial is distributed between Licence and Technology and Market and Commercial*

Key figures for Petoro AS

	2021	2020	2019
Total allocation/ administration grant (NOK million)*	**285**	288	287
Employees at 31 December	**70**	64	65
Full-time equivalents (average number of full-time equivalents employed)	**65.9**	62.8	62.9
Payroll share of administration grant (per cent)**	**41**	37	37
Payroll costs per full-time equivalent (NOK million)**	**1.77**	1.71	1.71
Percentage of consultants in administration contribution (per cent)	**18**	19	20
ICT expenses (NOK million)	**31**	30	35
Office lease expenses incl. overhead costs	**11.1**	10.7	10.8

* *excluding VAT*
** *Payroll in Note 3 excl. provision for agreed severance pay*

The State's Direct Financial Interest (SDFI)

The SDFI scheme was established in 1985. Under this arrangement, the state participates as a direct investor in petroleum activities on the Norwegian continental shelf (NCS), so that the state receives revenues and meets expenses associated with SDFI's ownership interests. Petoro acts as licensee for the state's ownership interests in production licences, fields, pipelines and onshore facilities, and manages this portfolio based on sound business principles. At the end of 2021, the portfolio consisted of 184 production licences, 37 producing fields and 16 pipelines and terminals, as well as follow-up of 12 production licences with net profit agreements.

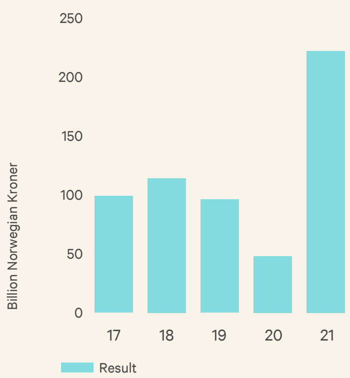
The SDFI portfolio represents about one-third of Norway's overall oil and gas reserves and yielded a cash flow of NOK 186 billion in 2021.

Key figures for SDFI

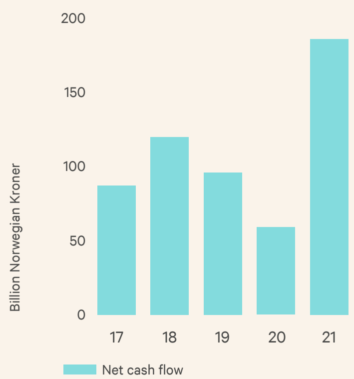
	2021	2020	2019
Net cash flow (in NOK million)	**186,058**	58,711	96,184
Operating revenue (NOK million) (NGAAP)	**286,141**	108,940	153,395
Production expenses (million NOK) (NGAAP)	**17,711**	14,074	13,690
Net income for the year (in NOK million) (NGAAP)	**222,135**	47,754	95,647
Investment (in NOK million) (capital accounts)	**24,732**	27,601	26,331
Production — oil and NGL (thousand bbl/d)	**388**	374	349
Production - dry gas (million scm/d)	**101**	98	98
Production - total (thousand boe/d)	**1,026**	988	964
Remaining reserves (million boe)	**4,972**	5,045	5,335
Reserve replacement rate (annual percentage)	**80**	20	40
Reserves added (million boe)	**301**	72	142
Oil price (USD/bbl)	**70**	40	65
Oil price (NOK/bbl)	**603**	376	572
Gas price (NOK/scm)	**4.78**	1.25	1.92

Key figures 2021

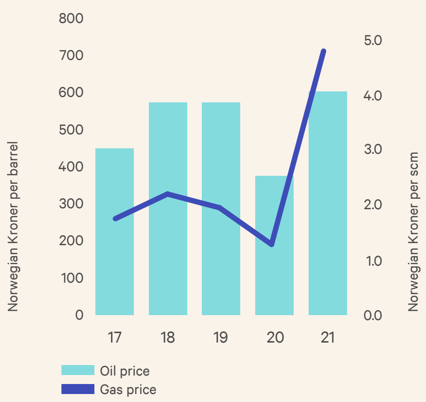
Result



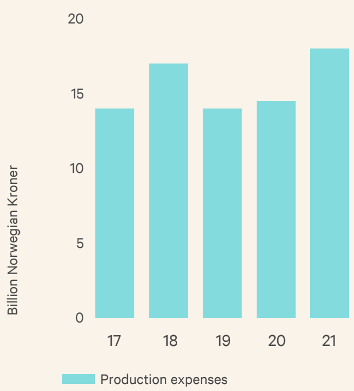
Cash flow



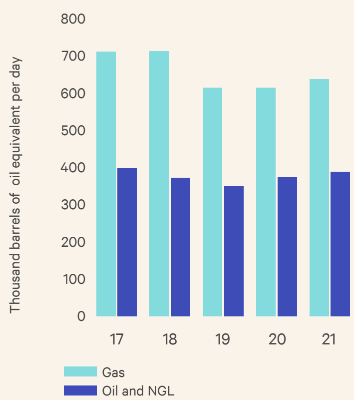
Oil and gas prices



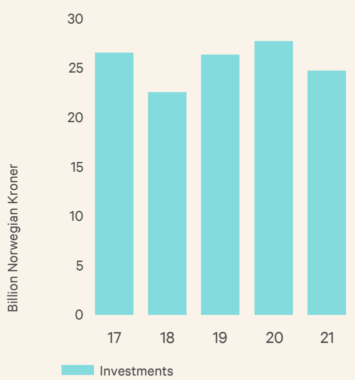
Production expenses



Production



Investments (cash)



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Activities and results from the year

Snorre A.
Photo: Bo B. Randulff & Even Kleppa / Equinor

Activities and results in 2021

Reference is made to the letter of assignment to Petoro AS for 2021, and to the business plan for Petoro AS. The targets set in the letter of assignment and Petoro's performance in relation to these are presented below.

Safeguarding the state's direct participating interests

Petoro shall be an active partner that helps maximise the value of the SDFI portfolio through comprehensive assessments. The work shall be focused on areas and tasks where the company, based on the portfolio and in interaction with other players on the Norwegian shelf, can provide a particular contribution toward increased value creation, considering the state's overall financial interests. In 2021, Petoro will follow up a number of larger projects for improved recovery from mature fields, new development projects and discoveries.

Operational targets

"Petoro will establish operational targets with the aim of maintaining a high level of production in 2021."
Management parameters: Volume figures. Development over time and description of deviations

Total production reached 1,026 thousand barrels of oil equivalent per day (kboed), an increase of 38 kboed compared with the previous year.
Gas production amounted to 101 million standard cubic metres (mill. scm) per day, an increase of three per cent compared with the same period last year. This increase was mainly caused by increased gas extraction on Troll and Oseberg, partially offset by the production shutdown on Snøhvit following the fire on Melkøya.

Liquids production was 388 kboed, 14 kboed higher than the previous year. The increase was mainly caused by higher production capacity and accelerated production on Johan Sverdrup, as well as production from the Snorre Expansion Project. This increase was partially offset by natural production decline on several mature fields.

Production from mature oil fields continues to dominate liquids production from the SDFI portfolio. Petoro's strategy has four priorities: (1) more wells by increasing drilling efficiency, (2) better understanding of reservoirs, particularly by utilising opportunities for digitalisation, (3) choosing solutions with a long-term perspective in field development, and by (4) increasing the utilisation of the facilities through safe and efficient operations. Through focused follow-up, supported by in-depth professional commitment, Petoro works to reinforce value creation opportunities with emphasis on long-term business development.

"Petoro will prepare operational targets as regards efficient operations."
Management parameters: Development in operating expenses with description of deviations

Efficiency measures on fields in operation have been an important part of Petoro's work in 2021 as well. The company has been a driving force for efficiency measures and cost reductions, particularly within the area of drilling and wells, as well as operations and maintenance.

Petoro is closely following the development in production expenses, including costs for operation and maintenance of fields and infrastructure. Petoro assesses the cost level of the various items in the licences' budgets and requests efficiency measures, e.g. based on independent benchmark-analyses.

The need for efficiency improvements and cost reductions within the drilling and well service area has been an important issue for Petoro over several years. The company has followed the development in drilling efficiency on ten fixed installations on five selected fields in the portfolio over a number of years. 2021 was yet another weak year for the number of new wells from fixed facilities, and costs per well were at the same level as the year before. The reason for this was that several drilling rigs were unavailable to drill new wells for large parts of the year. This was in part caused by prioritising other activity, such as larger projects and well maintenance, but was also a consequence of technical challenges. In order to realise resources in the mature fields and improve the recovery rate, the drilling efficiency must be increased and the cost per well reduced.

Digitalisation as an instrument to improve and increase competitiveness is high on the strategic agenda of most oil and gas companies and suppliers. Petoro actively uses its role in the joint ventures and on the Norwegian shelf to reinforce the momentum for improvement and contribute to change processes, as well as to facilitate efficient data sharing. Petoro has also employed strategic collaboration with Schlumberger to aim special efforts toward improving quality and streamlining work processes in reservoir modelling.

"Petoro will prepare operational targets as regards safeguarding safety and environmental concerns."
Management parameters: Serious incidents, CO_2 emissions. Development over time and description of deviations.

The serious incident frequency, defined

as the number of actual and potential serious near-miss incidents per million hours worked, is still too high. There were a total of 22 serious incidents in the SDFI portfolio in 2021, which results in a serious incident frequency of 0.7. This represents an improvement from 0.9 in 2020. Falling objects continue to dominate the range of incidents in raw numbers. The personal injury frequency was 3.8, which is at about the same level as 2021. Petoro is prioritising efforts to improve safety. This stance is clearly communicated through the company's expectations for HSE management and HSE culture in the licences. In a major accident perspective, Petoro focuses on learning across the portfolio, as well as ensuring quality in risk assessments. Over the course of the year, Petoro has carried out multiple digital management visits at selected fields and onshore facilities with a focus on HSE. The Covid-19 pandemic has led to considerable challenges, but the operators have been able to maintain stable and safe operations throughout the year. The pandemic has resulted in certain planned maintenance being postponed. This will be followed up in 2022.

The most important measure to achieve considerable reductions in CO_2 emissions from production on the Norwegian shelf is electrifying installations. The industry has embarked upon a number of initiatives to identify and mature electrification projects. In 2021, Petoro has seen significant activity associated with maturing electrification measures that will contribute to considerable reductions in greenhouse gas emissions from the SDFI portfolio. Electrification of mature fields is a time-critical measure as the projects' income potential is reduced when the remaining operating period is curtailed. Petoro therefore actively works with operators and partnerships to maintain progress on these projects. Several large electrification projects at Snøhvit, Kårstø and Draugen were further matured throughout the year toward planned investment decisions in 2022 and 2023. Assessments have also been made of the opportunity for electrifying other fields in the portfolio, including Åsgard, Heidrun and Grane. If all the evaluated electrification projects can be realised, they can contribute alongside Hywind Tampen, planned shutdowns and downscalings on fields in reducing the SDFI's share of emissions from the field portfolio by up to 55% by 2030.

Over the course of the year, Petoro will publish a dedicated sustainability report, which will contain emissions to air and sea from the SDFI portfolio. Emissions of carbon dioxide (CO_2) from the SDFI portfolio amounted to 2.81 million tonnes in 2020, a reduction of five per cent from 2019. CO_2 emissions per produced unit were also reduced from 8.4 kg/boe in 2019 to 7.7 kg/boe in 2020. The decline was largely caused by shutting down Melkøya in the fourth quarter. A total of 23 new measures were implemented in 2020 to reduce CO_2 emissions from the SDFI portfolio. The measures are expected to yield CO_2 emission reductions of 100,000 tonnes.

Priority targets and activities in 2021

"Petoro shall contribute to good solutions through separate in-depth work, studies and verifications for further development of the mature fields with important milestones in 2021."
Management parameters: Initiatives, measures and work initiated by Petoro, achieved results and their effects.

In line with this strategy, the company has paid special attention to the Grane, Heidrun, Maria, Oseberg, Åsgard and Gullfaks fields. Early adoption of technology and technological advances are important in order to increase competitiveness. The primary technology areas Petoro is focusing on include technology to radically increase the drilling pace, optimising the recovery strategy by using new digital tools, next-generation developments with remote operation and low manning, as well as technology to reduce greenhouse gas emissions.

On Åsgard, the company conducted its own studies in 2021 to identify and specify projects that could help improve the recovery rate. In light of disappointing production following the start-up on Maria, Petoro has taken an active role in identifying measures and concepts to improve production. This ended up with a concept choice for further development in accordance with Petoro's preferred solution. On Grane, Petoro has carried out studies to identify additional resources. This was done using a new methodology which entailed significant streamlining of these types of studies. On Gullfaks, Oseberg and Snorre, the company has carried out its own studies to identify and refine volume bases from new drilling targets. Petoro has also conducted its own studies and analyses in 2021 to ensure equitable ownership interests in connection with the unitisation of Breidablikk.

"Petoro shall contribute to good operational preparations through its own in-depth work, studies and verifications for projects in the implementation phase."
Management parameters: Initiatives, measures and work initiated by Petoro, achieved results and their effects.

In 2021, the company followed up a substantial portfolio of major development projects in the implementation phase, including Johan Sverdrup phase 2, Johan Castberg, Martin Linge and Troll phase 3.
The follow-up has been focused on factors that affect HSE, climate and implementation risk as well as ensuring sound preparations for operations.
In addition to these factors, the Cold Return repair project on Snøhvit was followed up closely, with an emphasis on strengthening the facility for further operations and safe implementation of the work.

"Petoro shall contribute to reduced uncertainty in the resource and reserve base through its own in-depth work, studies and verifications for discoveries and fields in the planning phase and comprehensive solutions that preserve future flexibility."
Management parameters: Initiatives,

measures and work initiated by Petoro, achieved results and their effects.

As regards new fields in the portfolio, the company's efforts are associated with assessing various development solutions leading up to a concept choice. Petoro emphasises the selection of development solutions with the capacity and expansion opportunities to realise the full value potential of each field.

The company conducted its own assessments for new development projects whose resource potential was associated with significant uncertainty. Examples of this include Grosbeak and Wisting.

An investment decision has also been made for Askeladd West as part of the development of the Snøhvit field, and which will help secure the supply of gas to the LNG plant on Melkøya.

"Petoro shall contribute to progressing and maturing discoveries and new projects, through its own in-depth work, studies and verifications, including measures to reduce greenhouse gas emissions."
Management parameters: Initiatives, measures and work initiated by Petoro, achieved results and their effects.

Early technology adoption and technological advances are important in order to increase competitiveness. The primary technology areas Petoro is focusing on include technology to radically increase the drilling pace, optimising the recovery strategy by using new digital tools, next-generation developments with remote operation and low manning, as well as technology to reduce greenhouse gas emissions.

A plan for development and operation (PDO) was submitted in 2021 for Kristin South phase 1, as well as a change to the PDO for Ormen Lange phase 3, Troll Vest electrification, in addition to Oseberg increased gas capacity and partial electrification.

- The Kristin South phase 1 project is a joint subsea development of the Lavrans discovery and the southern part of the Kristin field.
- The Ormen Lange phase 3 project aims to improve recovery from the Ormen Lange field. The solution consists of a subsea wet gas compressor, which will provide pressure support to transport the gas from the field to the onshore facility at Nyhamna. There are multiple elements of new technology in the project, and the solution creates opportunities for use on other fields in Petoro's portfolio.
- The Troll Vest electrification project involves switching the power supply on the Troll B and Troll C installations from gas turbine operation to power from shore. This measure will reduce CO_2 emissions from the field by 466,000 tonnes per year and will help ensure very low emissions from production on Troll during the expected remaining lifetime leading up to 2060.
- The Oseberg increased gas capacity and partial electrification project will improve the recovery of gas on the Oseberg field by installing electric compressors on the Oseberg Field Centre, in addition to building a power cable from shore. The new compressor capacity is achieved without CO_2 emissions, and the access to electric power from shore will also help reduce CO_2 emissions from the field by 316,000 tonnes per year.

"Petoro shall contribute to increased drilling efficiency on fields in its portfolio through its own in-depth work, studies and verifications."
Management parameters: Initiatives, measures and work initiated by Petoro, achieved results and their effects.

Drilling efficiency has been addressed in 2021 as a special topic for the entire field portfolio.

Petoro has been following up drilling efficiency on 10 of the fixed drilling facilities on the mature fields in the portfolio over a long period of time. 2021 was a weak year for the number of new wells from fixed facilities, and costs per well were at the same level as the previous year. The reason for this was that several drilling rigs were unavailable to drill new wells for large parts of the year. This was in part caused by prioritising other activity, such as larger projects and well maintenance, but was also a consequence of technical challenges. In order to realise resources in the mature fields and improve the recovery rate, the drilling efficiency must be increased and the cost per well reduced.

In 2021, Petoro has impacted the establishment of concrete improvement agendas for drilling and wells on selected fields. On Oseberg, Snorre and Gullfaks, they put drilling efficiency in a strategic perspective and contain concrete areas/activities for improvement, including plans for implementation.

Monitoring Equinor's marketing and sale of the state's petroleum

Petoro will monitor to ensure that Equinor conducts the marketing and sale of the state's petroleum alongside its own in accordance with the marketing and sale instructions issued to Equinor ASA. This includes contributing to equitable distribution of revenues and costs between the state and Equinor.

"Petoro will monitor the marketing and sale of the state's petroleum with attention to the market situation, potential differences in interests, as well as issues of significant importance as regards value."
Management parameters: Describe which initiatives and activities have been carried out and which considerations form the basis for the company's priorities. What results have been achieved through the activities and what impact have they had as regards value.

In 2021, Petoro has prioritised issues within the marketing and sale of both oil and gas. The company has particularly focused on measures to optimise gas production in order to deliver as much gas as possible to the European market, which has been characterised by very high prices, particularly in the second half of 2021. In addition, the company has paid attention to the extent to which the marketing and sale models satisfy the objectives in the Marketing and Sale Instruction regarding Maximum Value Creation and Equitable Distribution between Equinor and SDFI.

Petoro is concerned with ensuring that the products are marketed and sold in the markets where the highest price can be achieved, in addition to ensuring that the portfolio's flexibility is used to achieve the highest possible value creation. In this context, optimal further development, regularity, utilisation of capacity and flexibility in production facilities and infrastructure are of significant importance in order to achieve maximum value creation.

Selected verifications have been conducted to ensure that the SDFI receives its rightful share of sales-related costs and revenues. The company has also had an extensive dialogue with Equinor associated with monitoring the marketing and sale, including follow-up of shared goals for costs and value creation.

Financial management

"Petoro shall
- **ensure sound financial management and control of SDFI pursuant to the Regulations on Financial Management in Central Government and instructions for financial management of the SDFI**
- **prepare and follow up budgets and forecasts, conduct accountancy and perform periodic variance analyses and reporting on the SDFI's financial standing and development."**

In 2021, Petoro has ensured sound financial management and control of the SDFI in line with the Regulations on Financial Management in Central Government and instructions for financial management of the SDFI.

The company has furthermore prepared and followed up budgets and forecasts, been responsible for accountancy through an external accountant and performed periodic variance analyses and reporting on the SDFI's financial standing and development in accordance with deadlines specified in the Allocation Letter.

Petoro also received a clean bill of health from the Office of the Auditor General for 2020.

Efficient operations

Petoro will work systematically to utilise its allocated resources in an efficient manner. The company will prepare operational targets and indicators that demonstrate the efficiency of the company's operations and which can be compared over time.

"Petoro shall carry out its primary tasks in an efficient manner, which includes utilising opportunities for efficient operations by using digital solutions and digital data sharing"
Management parameters: Initiatives, measures and work initiated by Petoro and demonstrating their impact.

Petoro aims to carry out its activities as efficiently as possible. The company has implemented a framework for efficiency measures and improvement. This framework is an integrated part of the company's governance and consists of the following activities:
1. Efficiency and improvement measures are defined in objectives and strategies
2. Senior management is engaged and is fronting the improvement effort
3. The improvement effort is anchored and involves the entire organisation
4. A culture of learning and change has been developed
5. Improvement objectives and activities have been defined and are evaluated continuously
6. Effects of the improvement effort are measured and followed up

The company has organised its primary tasks such that new ownership interests the company receives for stewardship are handled without any increased use of resources. Petoro has chosen to organise its activities with low basic staffing. 45 per cent of the company's cost consumption is linked to the purchase of external goods and services, and the largest areas are ICT, accounting and auditing services, as well as procurement of project-oriented expertise and studies within Petoro's strategic priorities. The company is concerned with facilitating a high level of competition in its tender processes, thus allowing Petoro to achieve the best terms available on the market, as well as close cost follow-up in existing agreements.

In line with the company's digital strategy plan, Petoro works continuously to seize the opportunity for efficiency measures and improvement by using digital tools. The objective is to improve the quality and accessibility of information, reduce time spent on routine tasks and manual operations, streamline reporting and supervisory tasks, as well as to improve the company's impact through better insight, analyses and decision documentation. Last year's examples include the implementation of digital processing of licence settlements and cash calls for the SDFI. Petoro has been working for this for several years and it will reduce the scope of manual processes and the risk of mistakes. Another example is the transition to a system we have developed ourselves to manage objectives using existing functionality in Office 365, which has resulted in Petoro no longer needing to engage an external supplier.

Petoro also addresses efficiency and improvement measures in the joint ventures by following up costs and efficiency measures, e.g. through its strategic prioritisations within drilling efficiency and efficient operations. The efficiency measures in the joint ventures have an impact on Petoro's accounts, albeit through increased cash flow from the SDFI. In the same vein, there is a considerable potential in using digital solutions and increased data sharing within and between the joint ventures to increase value for the SDFI portfolio. Petoro is an active driving force for this effort.

4

Management and control

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Johan Sverdrup.
Photo: Ole Jørgen Bratland / Equinor

Board of directors of Petoro

Gunn Wærsted
Chair

Year of election: 2014
Other directorships: Chair of Telenor; chair of Obton AS, director of FIL Ltd – group holding company for Fidelity International and Eight Roads Limited.
Education: MBA, BI Norwegian Business School.
Career: Executive vice president in DnB responsible for capital management and life insurance, in addition to being chief executive in Vital Forsikring ASA and member of corporate executive management, 1999-2002; CEO, SpareBank 1 Gruppen AS, and head of SpareBank 1 Alliance, 2002-2007. Global head of wealth management, president of Nordea Bank Norge and member of the corporate executive management of Nordea, 2007-2016.

Brian Bjordal
Deputy chair

Year of election: 2016
Occupation: Self-employed
Other directorships: Deputy chair Fonna Health Trust, member of the Government-appointed Security Council
Education: Civil engineer, BSc, Heriot-Watt University, Edinburgh
Career: 1977-1979: Stoltz Røthing (construction); 1979-1984: Taugbøl & Øverland; 1984-2001: Statoil ASA, Senior Engineer pipelines & structures; head of Pipeline & Platform Inspection, asset owner representative Europipe development, head of early-phase studies Europipe II, Åsgard Transport, Ekofisk by-pass, Franpipe, director of Process plant Kårstø, director Troll / Sleipner area (Development and Production Norway); 2001-2015: Gassco AS, President and CEO.

Kristin Skofteland
Director

Year of election: 2020
Occupation: Chief Commercial Officer & Legal Counsel Beyonder AS
Education: Law degree from the University of Tromsø, Attorney and TRIUM Executive MBA
Career: Various positions in Total Norge AS, including Legal Director and then Director of Gas and Oil Sales, Strategy, Business Development and R&D.

Photo: Anne Lise Norheim and Kjetil Alsvik

Trude J. H. Fjeldstad

Director

Year of election: 2015
Occupation: Vice President Portfolio Management New Business/ Managing director Statkraft Tofte AS
Education: Economics degree, University of Oslo, financial analyst and MBA in corporate finance, Norwegian School of Economics.
Career: Various positions in Statkraft Treasury Centre SA; secretary to the board, Statkraft; senior gas manager, Statkraft; chief executive, Paine de l'Ain Power SAS and portfolio manager for gas in Norsk Hydro

Hugo Sandal

Director

Year of election: 2017
Occupation: Self-employed.
Education: Civil engineer from NTH (now NTNU) and Degree of Engineer from Stanford University.
Career: Various positions in Saga Petroleum during the period 1976-1987. Consultant in Railo International from 1987-1989. Chief executive in Sabico AS 1989-1991, primary activities aquaculture and biotechnology. Worked for Deminex, later DEA from 1991, chief executive since 1996 until reaching retirement age in 2016. Director Saga Petroleum 1983-1985. Chair OLF, (now NOROG), 1999-2003. Member of NHO's executive committee 2000-2004.

May Linda Glesnes

Director (elected by the employees)

Year of election: 2020
Occupation: Senior financial adviser, Petoro AS
Education: MSc in Business from University of Edinburgh, Master's degree in finance from the University of Wollongong.
Career: Senior financial adviser in Petoro, senior project economist in Subsea 7, financial adviser at Sparebank1 in Kongsberg.

Ragnar Sandvik

Director (elected by the employees)

Year of election: 2018
Occupation: Senior adviser, Strategy and Analysis, Petoro AS.
Education: MSc in Business Economics with specialisation in finance from NHH
Career: Broad experience as senior adviser for Strategy, Commercial and Economics in Petoro, as well as consultant in Accenture for Change Management, Strategy and Digitalisation in Systems Development and Process Improvement.

Management of Petoro

Kristin Fejerskov Kragseth

President and CEO
Education: Marine engineer with a master's degree from Texas A&M University.
Career: Nearly 30 years of experience from the oil and gas industry, and comes from the position of President and CEO of Vår Energi. Has previously worked as Vice President for Production in Point Resources and Technical Manager for the Norwegian shelf in ExxonMobil. She has also held a number of positions in ExxonMobil, both nationally and internationally.

Kjell Morisbak Lund

Vice President Licence Follow-up and Technology
Education: MSc marine technology, NTNU.
Career: Broad experience from work in upstream and downstream oil and gas activities. This includes positions as a researcher on marine structures in SINTEF, multiple project, staff and management positions in Statoil - most recently as HSE director for midstream and downstream activities. Acting CEO of Petoro AS between September 2020 and June 2021.

Ole Njærheim

Vice President Marketing and Commercial
Education: MBA from the University of Agder, MSc University of Surrey and Certified European Financial Analyst, Norwegian School of Economics (NHH)
Career: Broad experience from financial and commercial consultancy as Managing Director for ECON Consulting Group. Njærheim has also been investment director for IKM Invest AS and Spring Capital AS. He has previously worked for e.g. Lyse Energi and Standard and Poor's/DRI.

Photo: Elisabeth Tønnessen

Jonny Mæland

Vice President of Finance and IT
Education: MBA from the University of Agder and specialisation in business analytics from the Norwegian School of Economics (NHH) in Bergen
Career: Extensive experience from various positions, both domestically and internationally, in ConocoPhillips since 1998, as well as two years as Finance Manager in Norwegian Energy Company ASA. Comes from the position of Director Financial Reporting and Analysis in ConocoPhillips Norge. Employed by Petoro since 2018.

Kjersti Bergsåker-Aspøy

Vice President Legal Affairs
Education: Law degree from the Universities of Bergen and Oslo, specialising in EU competition law
Career: Has more than 15 years of experience from the oil industry and came to Petoro from the position of legal director in DEA Norge AS, a position she had held since January 2017. Before that, she was the legal director of Engie for almost six years and spent more than six years in the legal department at Statoil, where she worked on the Hydro merger, among other things. Before joining Statoil in 2005, she was both an attorney and deputy judge. Bergsåker Aspøy has also been the head of the Legal Committee in Norwegian Oil and Gas.

Heidi Iren Nes

Vice President Organisation and Strategy
Education: MSc in business economics, Norwegian School of Economics, Bergen.
Career: Started in Petoro's finance department in 2008 after a few years in Subsea 7 Norway. Then transitioned into a new role in Petoro's marketing department from 2013 to 2019. Was also an employee representative on the Petoro Board from 2016 to 2018.

Corporate governance

The State's Direct Financial Interest in petroleum activities on the Norwegian continental shelf (SDFI) represents one-third of Norway's oil and gas reserves. Petoro acts as steward for substantial assets on behalf of the Norwegian state. This requires good governance that safeguards expectations from the owner, our peers and society at large.

The Petoro Board adheres to the requirements for governance in the public sector specified in "Regulations on Financial Management in Central Government" and in standards for good corporate governance. The company follows the state's principles for good corporate governance with particular attention devoted to the state's expectations for the companies, as expressed in the white paper Meld. St. 8, 2019-2020 "The state's direct ownership in companies. Sustainable value creation". The company observes those sections of the Norwegian Code of Practice for Corporate Governance regarded as relevant to Petoro's business and to the frameworks established by its form of organisation and ownership. A report is provided below on the main topics with relevance for Petoro AS.

The Board emphasises good corporate governance and management in order to ensure that the SDFI portfolio is managed in a way which maximises financial value creation, and creates a basis for confidence in the company by the owner, the employees, the petroleum industry and other stakeholders, as well as society at large. Corporate governance in Petoro is based on balanced management by objectives with established objectives that are stipulated on an annual basis and which support the company's strategy. The company's management system is tailored to the distinctive nature of the enterprise and contains governing documentation that shall contribute to ensure that Petoro realises its goals and strategies and carries out its primary tasks in an efficient and systematic manner within the given framework and an acceptable risk profile. The Board is responsible for stipulating the general framework for internal control, and then following up that this is adhered to, thereby ensuring that the risk is satisfactorily managed at all times. All governing documents at the enterprise level are reviewed annually, and attention is focused on continuous improvement of processes and controls. The company's privacy policy is included in the management system. The company reports achieved results throughout the year to its owner and has regular meetings with the owner over the course of the year.

Petoro's values base is integrated in its business activities. Petoro's values - dynamic, responsible, inclusive and bold – are the foundation that will define how the employees work and thereby support the company's goals and strategy.

Guidelines for exercising CSR are stipulated by the company's Board and are an integrated part of Petoro's activities, strategy and values. Petoro reports on the follow-up of its CSR in a separate chapter of this annual report, and provides extensive details in the company's sustainability report in spring 2022.

Activities

Petoro AS' main activities follow from Chapter 11 of the Petroleum Act, as well as the company's Articles of Association.

Petoro's purpose is to safeguard the commercial aspects associated with the State's Direct Financial Interest in petroleum activities on the Norwegian continental shelf, as well as associated activities. Management is exercised at the state's expense and risk.

The company has three main duties:

- Management of the state's participating interests in the joint ventures where the state has such interests at any given time.
- Monitoring Equinor's marketing and sale of the petroleum produced from the state's direct participating interests, in line with Equinor's marketing and sale instructions.
- Financial management for the state's direct participating interests.

Petoro's operations are subject to the Norwegian Limited Liability Companies Act and the Norwegian Petroleum Act, as well as the Regulations on Financial Management in Central Government — including the rules on appropriations and accounting. The Instructions for Financial Management of the SDFI and annual letters of allocation govern how the company manages the SDFI's activities. In addition, the company's Articles of Association, strategy, values and guidelines on business ethics, including its guidelines for exercising the company's CSR, provide guidance for exercising Petoro's activities.

Petoro's strategy has been prepared with a point of departure in the SDFI portfolio and changes in its surroundings. This strategy takes a point of departure in the company's vision and overall goals. The goal is to create the greatest possible values, and achieve the greatest possible revenue for the state from the SDFI, while at the same time safeguarding sustainability and the climate. The strategy has four priorities: (1) more wells by increasing drilling efficiency, (2) better understanding of reservoirs, particularly by utilising opportunities for digitalisation, (3) choosing solutions with a long-term perspective in field development, and by (4) increasing the utilisation of the facilities through safe and efficient operations.

The company is the licensee for the state's portfolio on the NCS, with the same rights and obligations as other licensees. The scope of the SDFI portfolio gives Petoro the overview and insight to be a driving force on the Norwegian Shelf. The company works to reinforce value creation opportunities with emphasis on long-term business development through focused follow-up, supported by in-depth professional commitment. Petoro's follow-up of activities in the joint ventures is differentiated on the basis of its capacity and the commitment required to perform its role. The company endeavours to achieve good governance in the joint ventures, and cooperates with other operators and partners on further development of good performance-management processes.

Pursuant to the agreements for petroleum activities, the commercial information Petoro receives is subject to confidentiality. The company has internal instructions for dealing with inside information received by Petoro. These apply to the company's directors, employees, auditor, advisers or others in a relationship with the company who receive information that is not publicly known and/or expressly defined as "inside information" within the meaning of the Norwegian Securities Trading Act. Information that may have an impact on the stock market must be treated as "inside information".

A special system has also been established for approving external directorships held by employees. Employees must ensure that their ownership of shares does not create any conflict between their personal interests and management of the state's participating interests or the interests of Petoro AS. Senior employees (President and CEO and employees who report directly to the President and CEO) are prohibited from owning shares in licensee companies.

Petoro presents separate accounts for SDFI portfolio transactions, which form part of the government's accounts. Cash flows generated from the portfolio are transferred to the state's own accounts with Norges Bank.

Share capital and dividends

Petoro has a share capital of NOK 10 million and is wholly owned by the Norwegian state. The state guarantees the company's liabilities. The limited company's own operating costs are covered by annual appropriations over the fiscal budget. The operating contribution is presented as operating revenue in the limited company's accounts. The company receives appropriations to meet its costs and does not pay a dividend. Shares in the company cannot be traded or transferred.

Equal treatment of shareholders

Shares in Petoro AS are owned by the state and the company has no personal shareholders.

The state employs a common ownership strategy to maximise the overall value of its ownership interests in Equinor ASA as well as the state's own oil and gas interests. On this basis, Equinor ASA undertakes the marketing and sale of the state's petroleum pursuant to a marketing and sale instruction approved by the general meeting of Equinor ASA. Through Petoro AS' articles of association, Chapter 11 of the Petroleum Act and the marketing and sale instruction for Equinor ASA, the government has given Petoro responsibility for monitoring that Equinor ASA performs its duties in accordance with this instruction.

A duty of commercial confidentiality applies to information Petoro receives through its monitoring of Equinor ASA's marketing and sales and in its work on the budget and accounts relating to the marketing and sale of the state's petroleum. The company's ethical guidelines emphasise that recipients of such confidential information must use it only for its intended purpose, and must not trade in Equinor ASA's securities for as long as the information is not publicly known.

General meeting

The Ministry of Trade, Industry and Fisheries, in the person of the Minister, represents the Government as sole owner and serves as the company's general meeting and highest authority. A notice of general meetings is issued in accordance with the provisions of the Norwegian Limited Liability Companies Act relating to state-owned companies. The annual general meeting is held before the end of June each year. Guidelines for issues to be considered by the company's general meeting are laid down in the Petroleum Act. Owner decisions and resolutions are adopted at the general meeting, which also elects the company's external auditor.

Election of directors

The company is subject to the state's procedures for selecting directors.

Directors are elected by the general meeting, which also determines the remuneration of all directors. Directors elected by and from among the employees serve two-year terms.

Composition and independence of the Board

Petoro's Board comprises seven directors, five of whom are elected by the general meeting. Two are elected by and from among the company's employees. Four of the directors are women. Directors are elected for two-year terms and have no commercial agreements or other financial relationships with the company apart from the directors' fees established by the general meeting and contracts of employment for the directors elected by the employees. All shareholder-elected directors are independent of the owner.

The Board considers its composition in terms of expertise, capacity and diversity to be appropriate for following up the company's goals and assignments. Each director and the Board as a collective body continuously seek to strengthen their expertise in various ways. These include participation in courses and conferences and generally following developments within the business area.

Work of the Board

The Board has overall responsibility for the management of Petoro, including ensuring that appropriate management and control systems are in place, and for exercising supervision of the day-to-day conduct of the company's business. The Board's work is based on instructions that describe the Board's responsibilities and administrative process, which includes the Board's emphasis on ensuring that CSR is integrated in the activities and the Board's decisions. Eight ordinary board meetings were held in 2021.

As an appendix to the instructions for its work, the Board has adopted supplementary provisions for matters it shall consider. An annual schedule of meetings has been established for the work of the Board, with the emphasis on considering topical commercial issues and following up strategies, budgets and interim results. The Board utilises a balanced scorecard system as a key instrument for measuring results.

The Board considers major investment decisions within the SDFI portfolio, follow-up and consideration of activities in the joint ventures, and monitoring of gas sales — including an assessment of the overall risk scenario, as well as the climate risk. The Board has chosen to organise its work related to compensation through a sub-committee comprising two of the shareholder-elected directors, one of whom is the deputy chair. No other sub-committees have been established. In the event of conflicts of interest, the established practice has been for the director concerned to abstain from the Board's consideration of the matter. Conflicts of interest are a fixed item on the agenda for the Board's meetings and consideration of matters.

An annual self-assessment is conducted by the Board, which encompasses an evaluation of its own work and mode of working, as well as its collaboration with company management. The self-assessment for 2021 is complete. The Board has reviewed the company's CSR and business ethics guidelines, as well as the Board instructions. The company has prepared guidelines for diversity, inclusion and equality in 2021.

Risk management and internal control

Risk management in Petoro is a continuous process where management and the Board identify and prioritise relevant risks for Petoro's goal attainment. The Board undertakes an annual review of the company's most important risk areas and internal control. In this review, the Board emphasises the risks and opportunities that Petoro itself can influence through its own measures within the frameworks available to it. The most important operational risks are followed up in the management committees for the prioritised joint ventures. Petoro works continuously on risk management in line with principles for integrated management and developments in the company's risk picture.

Identification and management of risk and risk exposure make up part of Petoro's business processes. The company works with risk management to handle matters that could affect its ability to attain specified targets and to implement chosen strategies, as well as matters that may affect its ability to submit accurate accounts. Risk management is integrated in Petoro's performance management system. The climate risk for the SDFI has become clearer in 2021, and has been integrated in the company's risk picture. We have identified risks of Petoro being unable to realise CO_2 reduction measures in the portfolio and that the value of the SDFI portfolio could be affected over the longer term. The company has identified measures to accommodate this risk. This is described in more detail in the dedicated sustainability report this spring.

The company's internal control shall ensure that its activities are carried out in accordance with the company's governance model and compliance with regulatory requirements. The internal control function forms an integrated element in Petoro's management processes, and is responsible for ensuring that integrity and completeness are assessed for all management information and that the management system is effective. In 2021, internal controls have been particularly aimed at following up the marketing and sale area, complying with guidelines for information security and the procurement process. The result is satisfactory in all areas and the internal controls are in accordance with generally acceptable standards.

The framework for internal control has been formulated to provide a reasonable level of assurance that goals will be met in the following areas:

Purposeful and cost-effective operations
- Reliable reporting of accounts
- Compliance with applicable statutes and regulations

Guidelines have been adopted by Petoro to facilitate internal reporting of improprieties in its activities. Whistleblowing is also included in the company's business ethics guidelines. Whistleblowers who want to preserve their anonymity or who do not wish to raise the matter with their superior for other reasons, can notify the internal auditor. The company's values and business ethics guidelines clarify principles that shall govern the company's commercial operations and employee conduct.

Remuneration of the Board and senior employees

The general meeting determines the remuneration of directors. The Board determines the remuneration of the president and CEO. The CEO determines the remuneration of other members of the company's senior management. The Ministry of Trade, Industry and Fisheries stipulated new guidelines for senior executive pay in companies with state ownership on 30 April 2021. The company's Articles of Association were most recently amended on 25 June 2021. Guidelines pursuant to Section 6-16a of the (Norwegian) Public Limited Liability Companies Act and associated Regulation shall be presented for approval no later than at the ordinary general meeting in 2022. The wage report pursuant to Section 6-16a of the (Norwegian) Public Limited Liability Companies Act and associated Regulation shall be presented for approval no later than at the ordinary general meeting in 2023. The company's annual report for 2021 shall state wages and other benefits for senior executives in line with relevant guidelines. In 2021, the management team consisted of 7 people, including the CEO. Actual wages and other remuneration for senior executives is described in more detail in a note to the annual accounts in the same manner as in 2020.

Information and communication

The company has established a communication strategy to ensure that an open dialogue is pursued both in-house and externally, so that the employees and other stakeholders are well informed about its business activities.

The company publishes information via its website, including press releases as well as the interim and annual reporting of its results. Petoro's annual report presents a broad description of the company's operations, as well as the directors' report and the annual accounts. The Board's presentation of the company's CSR is included in this annual report. The company is also preparing a separate sustainability report from 2021. This will be published on the company's website in spring 2022.

Auditor

The Office of the Auditor General (OAG) is the external auditor for the SDFI portfolio pursuant to the OAG Act. The OAG verifies that the company's management of the portfolio accords with the decisions and assumptions of the Storting (parliament), and audits the annual accounts for the SDFI portfolio. On the basis of this work, the OAG submits its report in a final auditor's letter.

The Board has also appointed PwC to conduct a financial audit of the SDFI accounts as part of Petoro's internal audit process. PwC conducts a financial audit of the portfolio's accounts and submits an independent statement. This statement details whether the annual accounts pursuant to the accounting principles and on a cash basis were rendered pursuant to the rules of the Accounting Act and rules for state accountancy on a cash basis. The contract with the external auditor company covers both financial auditing of the SDFI and Petoro's internal auditor function. In this role, the company audits the internal control systems in accordance with the instructions and an annual plan approved by the Board. The internal auditor handles the company's function for receiving notices.

The general meeting chose KPMG AS as the external auditor for Petoro AS.

Guidelines for diversity, inclusion and equality.

The company emphasises diversity, inclusion and equality and pursues this in a goal-oriented manner both as regards the composition of the management team and elsewhere. Petoro has had at least 40 per cent women on its board since its inception. The rules for electing employee representatives to the Board require one representative for each gender. External directors are designated by the responsible ministry. The company participates in Ernst and Young's SHE Index as of 2021. Petoro has guidelines for diversity, inclusion and equality. The statement on how the company exercises corporate social responsibility specifies that Petoro does not discriminate on the basis of gender, religion, national or ethnic affiliation, social group or political opinion. A more detailed account of the company's work on diversity, inclusion and equality will be provided in the dedicated sustainability report in spring 2021.

Corporate social responsibility

Petoro's CSR presentation is based on guidelines for exercising CSR adopted by the company, and is tailored to its activities as a licensee on the Norwegian Continental Shelf (NCS). CSR comprises the responsibilities companies are expected to fulfil for people, society, climate and the environment affected by their activities. The work on corporate social responsibility is an integral part of the Board's efforts. Petoro's funding for performing its management duties and for running the company is provided through appropriations from the government. Pursuant to its mandate, Petoro will not provide monetary support for public welfare purposes.

The owner's expectations as regards corporate social responsibility are expressed in the white paper on state ownership, Meld. St.8 (2019-2020) "The state's direct ownership in companies. Sustainable value creation." The Board's presentation below, tailored to Petoro's role and mandate, is based on the owner's expectations and the company's guidelines for CSR.

Petoro undertakes to pursue its business activities in an ethically prudent, sustainable and responsible manner. The Board emphasises that the company's CSR forms an integral part of its activities and strategies, and is reflected through its values. These include dynamic, responsible, inclusive and bold. The company's guidelines on business ethics support these values.

Petoro exercises its activities in accordance with good corporate governance. This applies to its participation in the individual production licences and as a partner in the joint ventures. The joint venture agreements for the production licences include governance requirements for the operators. Petoro exercises its role through active participation in management committees and sub-committees on the basis of a prioritisation of available resources and where it can make a difference. Follow-up of the state's equity interests in all joint ventures is incorporated in Petoro's management system.

The HSE regulations establish requirements for Petoro as a licensee on the shelf and participant in the individual onshore plants on behalf of the state as owner. The key elements are the requirement to have one's own management system and the supervisory duty. By exercising its supervisory duty, Petoro contributes to continuous improvement of HSE results for fields and facilities where Petoro is a licensee. Petoro manages a large and diverse portfolio, and prioritises its level of follow-up on the various licenses/fields/onshore facilities based on commercial criteria, including activities and results related to HSE. The portfolio is subject to an HSE assessment as part of the company's annual planning process. The assessment is conducted based on the historical development in HSE results, developments in the installation's technical condition (TIMP, uptime), changes in operator situation, as well as activities as described in the work programme for the upcoming years which affect the risk picture. Annual major accident workshops are an important part of the joint ventures' safety work. Petoro also participates every year in HSE management visits on selected fields and installations.

Petoro exercises its activities in a sustainable manner which minimises negative impact on nature and the environment. Petoro recognises that climate challenges make it necessary to restrict anthropogenic climate impact. The company wants to contribute to ensuring that the oil and gas industry on the Norwegian Shelf leads the way in addressing climate challenges. Climate is an integrated part of Petoro's governance. Petoro will work to ensure that a broad spectrum of effective climate solutions and new technology are considered in selected licences. In 2021, the Board devised a dedicated strategy within sustainability and climate. The climate-related market risk that follows from changes in climate policy, customer needs and customer preferences must, to an increasing extent, be taken into consideration in the company's measures and decisions. In climate-related decisions, we preserve optionality, which secures or increases the value of the portfolio in the event of changes in market needs (reducing risk). The decisions are made in a value chain perspective to secure a potential added value for the products over the longer term. The company's work on climate-related issues is prioritised within the topics of "Decarbonising fields", "Product differentiation" and "Decarbonised products".

The climate risk for the SDFI has become clearer in 2021; this particularly applies for gas sold to countries in Europe with high ambitions to reduce their greenhouse gas emissions. Over the past year, Petoro has assessed which challenges and opportunities the transition to a low-emission society may bring for the SDFI values over the longer term. The company has identified measures that will be carried out over the next few years along with our partners and operators by helping to identify and mature a number of electrification projects which, over time, will reduce emissions from the SDFI portfolio. This is addressed in more detail in Petoro's sustainability report.

Petoro reports emissions to air and water from the portfolio in the company's sustainability report based on figures obtained from the operators.

Petoro does not tolerate any form of corruption or other improprieties, and employees are not permitted to accept remuneration from others in their work for the company. Guidelines on business ethics define what is regarded as corruption, and the consequences of breaching these guidelines are addressed specifically. No breaches of these guidelines have been recorded.

Petoro's employees shall not accept or offer unlawful monetary gifts or other benefits to secure an advantage for themselves, for Petoro or for others. Employee directorships and secondary employment must be approved by the CEO in order to avoid possible conflicts of interest. Guidelines on business ethics detail the consequences of breaches. No breaches of the guidelines have been recorded so far.

Petoro's employees comply with the company's business ethics guidelines. The company's guidelines on business ethics are publicly available. Their purpose is to clarify principles which will govern the company's commercial operations and employee conduct. All employees sign the company's ethical guidelines each year. These guidelines set requirements for the individual to exercise conduct that does not raise questions, based on the requirement to maintain high ethical standards. It follows from the guidelines that the individual is expected to contribute to an inclusive work environment. The individual has a shared responsibility to ensure a good environment in terms of health and safety. The guidelines also address matters such as the duty of confidentiality, potential conflicts of interest and questions linked to accepting gifts and services. Senior employees (CEO and employees who report directly to the CEO) are prohibited from owning shares in licensee companies. Petoro has established requirements for information and ICT security in its activities.

Petoro's employees discharge their duties with a high level of integrity and honesty, and show respect for other people, public authorities and business contacts, as well as health, safety and the environment. Petoro aims to maintain a sound psychosocial and physical working environment for all employees. The company shall have a corporate structure that promotes good results within health, safety and the environment. Petoro shall actively encourage continuous HSE improvement and believes that all incidents can be prevented. The PetoroAktiv employee association organises a number of social, cultural and athletic activities for employees. The various events are well-attended.

Petoro does not discriminate on the basis of gender, religion, national or ethnic affiliation, social group or political views. Petoro emphasises equal opportunities for professional and personal development, pay and promotion. The company facilitates a flexible customising of working hours. When determining wages and in wage negotiations, Petoro is conscious that men and women must be treated equally. No systematic or significant differences exist between male and female pay in the company. The company has a number of employees from diverse cultural and ethnic backgrounds. Working conditions at Petoro are customised to allow employment of people with disabilities. Additional details and a statement on diversity, inclusion and equality will be provided in the company's sustainability report.

The company has routines for reporting improprieties. The Board encourages the company's employees to raise ethical issues and to report any breaches of the regulations they encounter. The internal audit function is an independent whistleblowing channel with the right and duty to report to the Board. The right to report improprieties in the enterprise also comprises consultants who carry out assignments on behalf of Petoro.

Petoro expects its partners and contractors/ suppliers to maintain the same ethical standards set for its own business operations. Petoro's standard contractual terms incorporate requirements that contractors/suppliers must execute the assignment with a high level of professionalism and in accordance with high ethical standards. An extract from the company's guidelines on business ethics is incorporated into all Petoro's standard contracts as a normative standard. The management committee in each joint venture is responsible for considering and deciding issues related to the procurement and contract strategy.

5

Outlook

Outlook is described in the Directors' report, Chapter 1.2.

Johan Castberg hull sail away from Sembcorp, Singapore 8. February 2022.
Photo: Ong Tze Wei Justin & Chua Chee Hou / Equinor

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Figures for 2021

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Compliance report for the SDFI annual accounts

Purpose

Since its establishment in 2001, Petoro has served as the licensee for the state's participating interests in production licences, fields, pipelines and land-based facilities. Petoro is charged with managing the SDFI portfolio on the basis of sound business principles. As of the end of 2021, the portfolio consisted of 184 production licences, 10 fewer than at the beginning of the year. In January 2021, the Ministry of Petroleum and Energy completed its Awards in Predefined Areas (APA 2020), where 10 production licences were awarded with SDFI participation. 25 production licences were relinquished in 2021.

Confirmation

The annual accounts are presented in accordance with the Provisions on Financial Management in Central Government, circular R-115 from the Ministry of Finance, and requirements in the instructions on financial management of the SDFI in Petoro, with the exceptions granted for the SDFI. The Board hereby confirms that the annual accounts, which comprise the appropriation and capital accounts prepared on a cash basis, provide a true and fair picture in accordance with the cash basis. The general ledger accounts report presents accounting figures for the SDFI as reported to the government accounts in accordance with the standard chart of accounts for state-owned undertakings.

The Board confirms that the company accounts have been prepared in accordance with the Accounting Act and Norwegian generally-accepted accounting principles (NGAAP), and provide a true and fair picture of the SDFI's assets, obligations and financial results at 31 December 2021.

Assessment of significant factors

Appropriation and capital accounts

In accordance with the supplemental allocation letter dated 20 December 2021, the SDFI's appropriation for investments[1] totalled NOK 26.0 billion. The appropriation for operating income[2] totalled NOK 168.5 billion. The appropriation for interest on the state's capital[3] totalled NOK 2.3 billion. Operating income in accordance with the cash basis is affected first and foremost by the price of oil and gas and the volume of the SDFI's production sold. Equinor handles marketing and sale of SDFI's products through the marketing and sale instructions issued by the Ministry of Petroleum and Energy.

The general ledger accounts report on the cash basis shows net reported revenues including financial income totalling NOK 255.8 billion in 2021, compared with NOK 113.7 billion in 2020. These revenues were largely affected by significantly higher gas and liquids prices in 2021. Expenses reported in the appropriation accounts comprise payments of NOK 24.8 billion as investments and NOK 38.1 billion as operating expenses. Payments in 2020 amounted to NOK 27.6 billion related to investments and NOK 28.0 billion related to operations. Payments to operations were primarily related to the operation of fields and facilities, processing and transport costs, as well as exploration and field development expenses. This is in addition to payments of financial expenses. Depreciation of fields and facilities amounted to NOK 25.6 billion in 2021, compared with NOK 22.4 billion the previous year.

The SDFI accounts include a number of significant estimates which are subject to uncertainties and rely on discretionary assessments. These e.g. include capitalised exploration costs, estimates of reserves as the basis for depreciation, decommissioning expenses based on estimates for costs to be incurred far into the future, and assessment of impairment charges on tangible fixed assets.

Net cash flow to the state from SDFI totalled NOK 186 billion in 2021, NOK 127 billion higher than in 2020. The increase was mainly caused by significantly higher revenues as a result of increased oil and gas prices, but were partially offset by increased working capital and third-party gas purchases.
Total production amounted to 1,026 thousand barrels of oil equivalent per day (kboed), an increase of 38 kboed compared with the same period last year.

Gas production amounted to 101 million standard cubic metres (mill. scm) per day, an increase of 3 per cent compared with the same period last year. This increase was mainly caused by increased gas extraction on Troll and Oseberg, partially offset by the production shutdown on Snøhvit following the fire on Melkøya.
The average realised gas price was NOK 4.78 per scm, compared with NOK 1.25 in the same period last year. The strong increase in gas prices was mainly caused

[1] Ch./item 2440.30
[2] Ch./item 5440.24
[3] Ch./item 5440.80

by low gas storage levels, strong LNG demand from Asia, as well as much lower LNG imports and renewables production in Europe compared with last year. Liquids production amounted to 388 kboed, 14 kboed higher than the same period last year. The increase was caused by higher production capacity and accelerated production from Johan Sverdrup, as well as production from the Snorre Expansion Project. This increase was partially offset by natural production decline on several mature fields. The average realised oil price was USD 70, compared with USD 40 per barrel the last year. However, the price increase in USD was somewhat offset by a strengthened NOK, meaning that the achieved oil price measured in NOK was 603, compared with NOK 376 per barrel last year.

Cash investments amounted to NOK 25 billion, just under 3 billion less than the last year. This reduction was mainly caused by lower development investments on Johan Sverdrup, Johan Castberg and Troll, as well as reduced production drilling, but was partly offset by increased development investments on Breidablikk and Ormen Lange, as well as operational investments on Snøhvit and Troll.

Production costs ended at NOK 18 billion, NOK 4 billion higher than last year. The increase was mainly caused by higher electricity prices and environmental taxes, as well as increased maintenance activities on certain fields. The reduction in transport costs was mainly caused by reversal of previous provisions for an onerous contract for transport capacity.

Total exploration costs in 2021 came to NOK 1.5 billion, of which a net of NOK 0.1 billion has been recognised as capitalised exploration expenses.

The financial result for 2021 was a net income of NOK 222 billion, NOK 174 billion higher than last year. The increase was mainly caused by significantly higher income as a result of increased prices on oil and gas, as well as reversal of previous impairments of fixed assets in the 1st and 4th quarters, as well as somewhat lower transport costs. The increase was partially offset by higher gas purchases, depreciation, as well as increased operating expenses.

The book value of assets at 31 December 2021 was NOK 307 billion. The assets mainly consist of fixed assets related to field installations, pipelines and onshore plants, as well as current debtors. Equity at year-end came to NOK 187 billion, which is an increase of NOK 36 billion compared with last year. The increase was caused by the transfer to the state being 36 billion lower than the annual result for accounting purposes. Overall debt amounted to NOK 120 billion, of which 79 billion was related to estimated future removal obligations. Removal obligations were reduced by just over NOK 5 billion compared with 2020 as a result of updated removal estimates, a lower discount rate, in addition to the fact that the removal date is one year closer.

The portfolio's estimated remaining reserves totalled 4,972 million boe at the end of the year, down by 73 million boe from the year before. Reserve growth amounted to 301 million boe and mainly comes from project decisions such as Ormen Lange phase 3, Oseberg Gas Project and Åsgard B low-pressure phase 3, in addition to extending drilling activities on Heidrun. With a production of 375 million boe, this yielded a reserve replacement rate of 80 per cent, compared with 20 per cent in 2020.

Additional information

The Office of the Auditor General (OAG) is the external auditor, and approves the annual accounts for the SDFI. On completing its annual audit, the OAG issues a final audit letter (report) which summarises the conclusion of its audit work. The result of the audit will be reported by 1 May 2022.

The Board has appointed PwC to conduct a financial audit of the SDFI accounts as part of Petoro's internal audit process. PwC submits its audit report to the Petoro AS Board regarding the annual accounts pursuant to the accounting principles on a cash basis and in accordance with international auditing standards. PwC's audit work forms the basis for the OAG's review of the annual accounts.

Stavanger, 7 March 2022

Gunn Wærsted
Chair

Brian Bjordal
Deputy chair

Trude J. H. Fjeldstad
Director

Kristin Skofteland
Director

Hugo Sandal
Director

Ragnar Sandvik
Director,
elected by the employees

May Linda Glesnes
Director,
elected by the employees

Kristin Fejerskov Kragseth
President and CEO

Accounts on cash basis, SDFI
Note on accounting principles for the accounts on a cash basis

The annual accounts for the SDFI have been prepared and presented in accordance with detailed guidelines stipulated in the Provisions on Financial Management in Central Government ("the Provisions"). The accounts accord with the requirements in Section 3.4 of the Provisions and more detailed provisions in circular R-115 of December 2019 from the Ministry of Finance, with the exceptions that apply for the SDFI.

The presentation of reporting to the appropriation accounts and general ledger accounts is prepared on the basis of Section 3.4.2 of the Provisions, the basic principles for the annual accounts:

a) the accounting year matches the calendar year
b) the accounts present all expenses and revenues for the accounting year
c) the accounts are prepared in accordance with the cash basis.
d) expenses and revenues are shown gross in the accounts

The reporting presentations of the appropriation accounts and general ledger accounts are prepared on the basis of the same principles, but are grouped in different charts of accounts. These principles correspond with requirements in Section 3.5 of the Provisions on how enterprises shall report to the government accounts. The item "net reported to appropriation accounts" is identical in both presentations.

Pursuant to the requirements in Section 3.7.1 of the Provisions, the enterprise is affiliated with the government's group account scheme for state-owned companies in Norges Bank.

Appropriation reporting

The presentation of reporting to the appropriation accounts comprises an upper section with the appropriation reporting and a lower section, which shows the enterprise's listed balances in the capital accounts. The appropriation reporting presents accounting figures reported by the enterprise to the government accounts. These are posted in accordance with the chapters and items in the appropriation accounts the enterprise has at its disposal. The column "Total allocation" shows what the enterprise has at its disposal in the letter of assignment for each government account (chapter/item). The presentation also shows all financial assets and liabilities entered against the enterprise in the government's capital accounts.

The SDFI receives estimated appropriations. No authorisations have been received or issued to charge from/to chapters/items in other undertakings.

General ledger accounts report

The general ledger accounts report is formatted with an upper part which shows what has been reported to the government accounts in accordance with the standard chart of accounts for state-owned enterprises and a lower part which presents assets and liabilities included in the open account with the state. The general ledger accounts report presents accounting figures reported to the government accounts in accordance with the standard chart of accounts for state-owned enterprises. The report is not formatted in accordance with the method recommended by the Norwegian Government Agency for Financial Management (DFØ), but incorporates adjustments which reflect special conditions for public-sector enterprises.

Accounts on cash basis, SDFI
Appropriation accounts

Presentation of appropriation accounts reporting 31 Dec. 2021

Expense chapter	Chapter name	Category	Description	Total allocation	2021 accounts	(Increase)/ decrease in expenses
2440	Expenses	30	Investments	26,000,000,000	24,731,940,247	1,268,059,753
5440	Expenses	24.02	Operating expenses	35,100,000,000	38,308,415,683	(3,208,415,683)
5440	Expenses	24.03	Exploration and field development expenses	1,800,000,000	1,463,816,178	336,183,822
5440	Expenses	24.04	Depreciation	25,100,000,000	25,633,966,699	(533,966,699)
5440	Expenses	24.05	Interest	2,300,000,000	2,331,397,463	(31,397,463)
Total expensed				**90,300,000,000**	**92,469,536,270**	**(2,169,536,270)**

Revenue chapter	Chapter name	Category	Description	Total allocation	2021 accounts	Excess revenue and lower revenue (-)
5440	Revenues	24.01	Operating revenue	232,800,000,000	249,674,300,311	16,874,300,311
5440	Expenses	30	Depreciation	25,100,000,000	25,633,966,699	533,966,699
5440	Expenses	80	Interest on fixed capital	2,300,000,000	2,331,385,785	31,385,785
5440	Expenses	85	Interest on open accounts	0	11,678	11,678
Total recognised				**260,200,000,000**	**277,639,664,474**	**17,439,664,474**
5440		**24**	**Operating profit**	**168,500,000,000**	**181,936,704,288**	**13,436,704,288**
Net reported to appropriation accounts					**(185,170,128,204)**	

Capital accounts

0677.03.04693	Settlement account Norges Bank - paid in	244,282,591,333
0677.03.08710	Settlement account Norges Bank - paid in	14,067,999,763
0677.04.05015	Settlement account Bank of Norway - paid out	(72,292,915,770)
	Change in open accounts	(887,547,122)
Total reported		0

Holdings reported to the capital accounts (31 Dec)

Account	Text	2021	2020	Change
	Open accounts with the Treasury	(446,522,801)	(1,334,069,923)	887,547,122

Accounts on cash basis, SDFI
Appropriation accounts

NOTE A Explanation of total allocation

Type and category	Transferred from last year	Allocation for the year	Total allocation
2440.30		26,000,000,000	26,000,000,000
5440.24.02		35,100,000,000	35,100,000,000
5440.24.03		1,800,000,000	1,800,000,000
5440.24.04		25,100,000,000	25,100,000,000
5440.24.05		2,300,000,000	2,300,000,000
5440.24.01		232,800,000,000	232,800,000,000
5440.30		25,100,000,000	25,100,000,000
5440.80		2,300,000,000	2,300,000,000
5440.85		0	0
5440.24		168,500,000,000	168,500,000,000

NOTE B Explanation for authorisations used and calculation of possible amount to be transferred to next year

Not relevant for the SDFI, which receives estimated appropriations

Accounts on cash basis, SDFI
Capital accounts – specified

SDFI capital accounts 2021 – Figures in NOK

	Items			
	Open account government			446,522,801
	Fixed assets before impairment		193,310,890,236	
	(Impairment)/ reversal		7,441,021,964	
	Fixed asset account		200,751,912,200	200,751,912,200
Total	**Total**			**201,198,435,001**
	Open account state at 01.01.2021		(1,334,069,923)	
	Total expenses			
	Total revenue	24,731,940,247		
	Cash flow	(209,902,068,450)	(185,170,128,204)	
	Net transfer to the state	(185,170,128,204)	186,057,675,326	
Open account state at 31.12.2021			**(446,522,801)**	**(446,522,801)**
	Fixed assets 01.01.2021		(194,212,916,689)	
	Investments for the year		(24,731,940,247)	
	Depreciation for the year		25,633,966,699	
	Impairment/(reversal)		(7,441,021,964)	
	Fixed assets 31.12.2021		(200,751,912,200)	(200,751,912,200)
Total				**(201,198,435,001)**

Stavanger, 7 March 2022

Gunn Wærsted
Chair

Brian Bjordal
Deputy chair

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Director

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Director

Hugo Sandal
Director

Ragnar Sandvik
Director,
elected by the employees

May Linda Glesnes
Director,
elected by the employees

Kristin Fejerskov Kragseth
President and CEO

Accounts on cash basis, SDFI
General ledger accounts report

Specification of the general ledger accounts report 31. Dec. 2021		
	2021	**2020**
Operating revenues reported to the appropriation accounts		
Sales and lease payments received	270,584,545,129	101,154,121,164
Other amounts paid in	(14,780,124,770)	12,539,270,486
Total paid in from operations	**255,804,420,359**	**113,693,391,649**
Operating expenses reported to the appropriation accounts		
Depreciation	25,633,966,699	22,438,630,777
Other disbursements for operations	38,111,073,194	28,027,059,450
Total disbursed to operations	63,745,039,893	50,465,690,227
Net reported operating expenses	**(192,059,380,467)**	**(63,227,701,422)**
Investment and financial income reported to the appropriation accounts		
Financial income paid in	(6,130,120,048)	100,580,507
Total investment and financial income	**(6,130,120,048)**	**100,580,507**
Investment and financial expenses reported to the appropriation accounts		
Paid out for investment	24,776,788,081	27,641,882,871
Paid out for share purchases	(43,756,236)	(41,198,749)
Paid out for financial expenses	3,991,464,531	4,253,755,799
Total investment and financial expenses	**28,724,496,377**	**31,854,439,921**
Net reported investment and financial expenses	**34,854,616,425**	**31,753,859,414**
Collection activity and other transfers to the state		
Contribution management and other transfers from the state		
Revenues and expenses reported under common chapters		
Depreciation (see Ch. 5440 revenue)	(25,633,966,699)	(22,438,630,777)
Interest on the government's capital and open accounts with the Treasury (see Ch. 5440 revenue)	(2,331,397,463)	(2,474,387,043)
Net reported expenses under joint chapters	**(27,965,364,163)**	**(24,913,017,820)**
Net expenses reported to the appropriation accounts	**(185,170,128,204)**	**(56,386,859,828)**

Accounts on cash basis, SDFI
General ledger accounts report

Total change open accounts with the Treasury

Assets and liabilities*	**2021**	**2020**
O/U call	179,248,168	(2,810,556,994)
AP nonop	(804,529,698)	561,316,837
AR nonop	367,246,798	(139,103,151)
Inventory nonop	68,422,115	29,727,085
Prep exp nonop	(86,289,021)	(97,139,650)
Working cap - nonop	(608,207,356)	132,837,112
VAT	(3,437,852)	(1,583,538)
Agio	(276)	0
Total change open accounts with the Treasury	**(887,547,122)**	**(2,324,502,299)**

*)
O/U call - prepayments calculated net of JV cash call and settlement from operators
AP nonop - accounts payable in settlements from operators
AR nonop - accounts receivable in settlements from operators
Inventory nonop - inventory in settlements from JV operators
Prep exp nonop – prepaid expenses to operators - settlements
Working cap - nonop - primarily accruals in monthly settlements from operators
VAT - balance of VAT payments
Agio - rounding-off related to currency translation (agio/disagio)

Comment on change in open account from 2020 to 2021:
The change was mainly caused by increased provisions in the licences and amounts owed in settlement from the operators. However, this is partially offset by increased net advances in licences and receivable amounts in settlements from the operators.

Accounts based on accounting act
Income statement pursuant to NGAAP - SDFI

All figures in NOK million	Notes	2021	2020
OPERATING REVENUE			
Operating revenue	3, 4, 9, 11	**286,141**	**108,940**
Total operating revenue		**286,141**	**108,940**
OPERATING EXPENSES			
Exploration expenses		**1,362**	**1,368**
Production expenses	5	**17,711**	**14,074**
Transport and processing expenses	5	**8,115**	**10,247**
Depreciation and impairment	2	**21,600**	**30,395**
Costs gas purchases, storage and administra-tion	5, 9, 10	**13,923**	**3,962**
Total operating costs		**62,711**	**60,045**
Operating profit		**223,430**	**48,895**
FINANCIAL ITEMS			
Financial income		**3,211**	**2,941**
Financial expenses	7, 12	**4,506**	**4,082**
Net financial items	8	**(1,296)**	**(1,141)**
NET INCOME FOR THE YEAR	19	**222,135**	**47,754**

Accounts based on accounting act SDFI balance sheet at 31 December

All figures in NOK million	Notes	2021	2020
Intangible fixed assets	2	53	57
Tangible fixed assets	1, 2, 18, 21	229,357	231,410
Financial assets	2, 11	1,827	1,289
Fixed assets		231,237	232,756
Inventory	6	2,130	1,698
Trade debtors	9, 10	73,488	21,922
Bank deposits		61	108
Current assets		75,679	23,728
TOTAL ASSETS		306,916	256,484
Equity at 1 Jan.		151,113	162,070
Paid from/(to) the state during the year		(186,058)	(58,711)
Net profit		222,135	47,754
Equity	19	187,190	151,113
Long-term decommissioning liabilities	12, 18	78,734	84,029
Other long-term liabilities	13	5,759	4,394
Long-term liabilities		84,493	88,423
Trade creditors		2,713	1,912
Other current liabilities	9, 14, 15	32,519	15,037
Current liabilities		35,233	16,948
TOTAL EQUITY AND LIABILITIES		306,916	256,484

Stavanger, 7 March 2022

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Kristin Fejerskov Kragseth
President and CEO

Accounts based on accounting act
SDFI Cash flow statement

All figures in NOK million	Notes	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from operations	3, 4	249,674	113,794
Cash disbursements from operations	5	(39,768)	(29,804)
Change in working capital in the licences		1,017	(380)
Change over/under call in the licenses		(179)	2,811
Net interest payments		(1)	0
Cash flows from operating activities		**210,743**	**86,420**
CASH FLOW FROM INVESTMENT ACTIVITIES			
Investments	2, 11	(24,732)	(27,601)
Cash flow from investment activities		**(24,732)**	**(27,601)**
CASH FLOW FROM FINANCING ACTIVITIES			
Net transfer to the state		(186,058)	(58,711)
Cash flow from financing activities		**(186,058)**	**(58,711)**
Increase in bank deposits of partnerships with shared liability		(47)	107

Note information for accounts based on the Accounting Act

General

As of 31 December 2021, Petoro AS acted as licensee on behalf of the SDFI for interests in 184 production licences and 16 joint ventures for pipelines and terminals, including the company's management of commercial interests in Mongstad Terminal DA and Vestprosess DA, and the shares in Norsea Gas AS and Norpipe Oil AS. The SDFI is also entitled to potential profits in production licences with net profit agreements. Petoro has the same rights and obligations as other licensees, and manages the SDFI on the NCS on the basis of sound business principles.

Administration of the portfolio is subject to the Regulations on Financial Management in Central Government. Accounts for the portfolio are presented both on the cash basis used by the government and in accordance with the Norwegian Accounting Act. The company maintains separate accounts for all transactions relating to its participating interests, so that revenue and costs from production licences and joint ventures are kept separate from operation of the company. Cash flow from the portfolio is transferred to the central government's own accounts with Norges Bank. Petoro prepares separate annual accounts for the SDFI, with an overview of the participating interests managed by the company and associated resource accounting.

Accounting principles for the company accounts

The principal difference between the profit based on the Accounting Act and on a cash basis is that the latter includes cash payment for investments and operating expenses. Adjustments are also made for accruals of income and expenses on a cash basis, with a corresponding adjustment to debtors and creditors in the balance sheet. Realised currency loss/gain related to operating expenses and income is classified on the cash basis as operating expenses and income. The accounts based on the Accounting Act present realised currency loss/gain as financial expenses/income, and these items are accordingly not included in the operating profit. Differences between the accounts prepared in accordance with the Accounting Act (NGAAP) and on a cash basis are indicated in the notes below.

The SDFI's interests in partnerships with shared liability relating to the production of petroleum are included under the respective items in the income statement and recorded in the balance sheet based on relative ownership interest for the SDFI's share of income, expenses, assets and liabilities. The same applies to licence interests in oil and gas activities, including pipeline transport, which are not organised as companies.

SDFI's participation in Equinor's investments that fall under the marketing and sale instruction, are assessed as investments in associated companies or jointly controlled enterprises and are recorded pursuant to the equity method. The SDFI's share of the equity is recorded in the balance sheet under financial fixed assets and its share of the profit/loss is recorded as operating revenue in the income statement.

SDFI's ownership interests in limited companies are recorded in the balance sheet in accordance with the cost method and any dividend is recorded as a financial item. In addition, revenue from production licences with net profit agreements (concerns licences awarded in the second licensing round) is recorded as other income.

The functional currency is the Norwegian krone.

Revenue recognition principles
The SDFI records revenue from the production of oil, NGL and gas using the sales method. This means that sales are recorded in the period when the volumes are lifted and sold to the customer.

Revenue from ownership in transport and process facilities is recorded when the service is rendered.

Gas swap and borrowing agreements where settlement takes the form of returning volumes are, as a general rule, accrued using the sales method. At the same time, a provision is made for the associated production costs in the event that the SDFI has lent/swapped gas. When lending gas from the SDFI, the lower of production expense and estimated net present value of the future sales price is capitalised as a pre-paid expense at the date of the loan. The SDFI's share of location swaps associated with the purchase or sale of third-party gas is recorded net as operating revenue. The SDFI's share of timeswaps is recorded gross.

Liabilities arising because too much crude oil has been lifted in relation to the SDFI's share of the production partnership are valued at production cost, while receivables from the other partners in the production partnerships are valued at the lower of production cost and the estimated present value of the future sales price.

Purchases of third-party gas for resale and gas for inventory are recorded gross as operating expenses. The corresponding revenue is included in sales income.

Purchases and sales between fields and/or transport systems
Internal expenses and revenues are eliminated in purchases and sales between fields and/or transport systems in which the SDFI is both owner and shipper, so that only costs paid to third parties appear as net transport costs.

Foreign currencies
Transactions in foreign currencies are recorded at the transaction rate. Monetary items in foreign currencies are valued at the exchange rate prevailing on the balance sheet date. Unrealised currency losses and realised currency losses/gains are recorded as financial income or financial expenses.

Classification of assets and liabilities
Assets intended for ownership or use over a longer period are classified as fixed assets. Other assets are classified as current assets. Debtors due within one year are classified as current assets. Equivalent criteria are applied for classification of current and long-term liabilities.

Research and development
Research and development costs are expensed on a continuous basis. In addition to spending on direct research and development in each joint venture, the operator also charges expenses for general research and development to the partnership in accordance with the extent of exploration, development and operating expenses in the joint venture.

Exploration and development costs
Petoro employs the successful efforts method to record exploration costs for SDFI oil and gas operations. This means that costs related to geological and geophysical surveys are expensed. However, expenses linked to the drilling of exploration wells are recognised in the balance sheet in anticipation of evaluation. Such costs are expensed if the evaluation determines that the discovery is not commercially viable. Considerable time can elapse between the drilling of a well and a final development decision. Capitalised exploration well expenses are accordingly assessed quarterly to determine whether sufficient progress is being made in the projects so that the criteria for capitalisation continue to be met. Dry wells or those where progress is insufficient are expensed.

Expenses linked to development, including wells, platforms and equipment, are capitalised. Costs for operational preparations are expensed on a continuous basis.

Tangible fixed assets
Tangible fixed assets and investments are carried at acquisition cost with deduction for planned and contingent depreciation. Fixed assets under construction are carried at historical cost.

Fixed assets leased on terms which largely transfer the financial risk and control to the SDFI (financial leasing) are capitalised under tangible fixed assets and the associated lease obligation is recognised as an obligation under long-term interest-bearing debt at the net present value of the lease charges. The fixed asset is subject to planned depreciation, and the obligation is reduced by the lease payment after deduction of calculated interest costs.

The SDFI does not take up loans, and incurs no interest expenses associated with the financing of development projects.

Ordinary depreciation of oil and gas production facilities is calculated for each field and field-dedicated transport system using the unit of production method. This means that the acquisition cost is depreciated in line with the ratio between volume sold during the period and reserves at the start of the period. Investments in wells are depreciated in line with the reserves made available by the wells drilled.

Petoro determines the reserve base for depreciation purposes on the basis of estimated remaining reserves per field, which are adjusted by a factor calculated as the ratio between the Norwegian Petroleum Directorate's total of low reserves in production and the sum of expected reserves in production. This is done for both oil and gas reserves. This reserve adjustment totalled 78 per cent of expected remaining oil reserves in 2021, while the corresponding figure for gas reserves was 85 per cent. The reserve estimates are revised annually, and any changes affect only future depreciation expenses.

Ordinary depreciation for onshore facilities and transport systems as well as riser platforms used by multiple fields, is calculated on a straight-line basis over the remaining licence period at 31 December.

Other tangible fixed assets are depreciated on a straight-line basis over their expected economic lifetime.

Intangible fixed assets
Intangible fixed assets are carried at their fair value at the time of acquisition. They are depreciated over the expected contract period or their expected economic lifetime, and any impairment charges are deducted.

Impairment
When the accounts are prepared, tangible fixed assets and intangible assets are reviewed for indications of a decline in value. Producing fields or installations are normally treated as separate entities for the purposes of assessing impairment. Should the recoverable value be lower than the book value, and this decline is not expected to be temporary, the asset is written down to its recoverable value, which is the higher of the asset's fair value less sales costs and its utility value. The utility value is calculated using expected future cash flows, which are discounted using a discount rate based on the weighted average cost of capital (WACC) calculated for the company.

The impairment charge will be reversed if the conditions for writing down the asset no longer apply, limited to what the value would have been if no writedown was undertaken.

Maintenance expenses
Expenses related to repair and maintenance are expensed on a continuous basis. Expenses for major replacements and renovations that significantly extend the economic life of the tangible fixed assets are capitalised.

Abandonment and decommissioning expenses
Under the terms of a licence, the authorities can require the licensees to remove offshore installations when their production life comes to an end. The estimated fair value of obligations for decommissioning and removal is recorded in the accounts in the period when the liability arises, normally when wells are drilled and installations are built and ready for use. The obligation is capitalised as part of the acquisition cost of wells and installations, and depreciated therewith. Changes to estimated cessation and decommissioning costs are recorded and capitalised in the same manner and depreciated over the remaining economic life of the assets. The discount rate is based on the discount rate for corporate bonds (OMF) as stated in NRS6.

A change in the liability relating to its time value — the effect of the decommissioning date having come one year closer — is recorded as a financial expense.

Inventories
Inventories of spare parts and operating materials are valued at the lower of acquisition cost according to the FIFO principle, or net realisable value. Spare parts of insignificant value for use in connection with operating oil or gas fields are expensed at the time of acquisition. Spare parts of significant value are recorded as inventory at the time of acquisition and expensed when they are used in operations. Petoro takes a point of departure in the operators' assessments in monthly settlements (billings) as regards which materials should be capitalised and which expensed.

Accounts receivable
Accounts receivable are recognised at face value in the balance sheet less a provision for expected loss. This provision is based on an individual assessment of each debtor.

Bank deposits
Bank deposits include cash, bank deposits and other monetary instruments with a maturity of less than three months at the date of purchase. Cash flows from oil and gas sales are transferred to the state on a daily basis. Booked bank deposits thus include the SDFI's share of bank deposits in companies with apportioned liability in which the SDFI has an interest, and in which the proportionate consolidation method is used.

Current liabilities
Current liabilities are recognised at face value.

Taxes and fees
The SDFI is exempt from income tax in Norway. The SDFI is registered for value-added tax (VAT) in Norway. Virtually all the SDFI's sales of oil and gas products from its activity take place outside the geographic scope of Norway's VAT legislation (continental shelf and exports). The SDFI invoices these sales to the buyer free of tax. At the same time, the SDFI can deduct any VAT incurred on invoiced costs relevant to its activity.

Financial instruments
The SDFI is covered by the state's overall risk management. Financial instruments are used as part of Equinor's optimisation of gas sales.

Financial instruments are valued according to the lowest value principle, unless stated criteria have been met. Unrealised losses relating to financial instruments are recorded as expenses. Portfolio valuations are used as a basis where this, based on the financial instruments, is considered to be the most sensible approach, and where the portfolio is balanced in volume and time. Eliminations are carried out where legal rights exist to offset unrealised losses and gains, or where deposits/margins that correspond with the market value of the derivatives have been paid and capitalised. Gains are otherwise recognised upon realisation.

Financial instruments that are not current assets follow the valuation rules for fixed assets.

Uncertain obligations and contingent assets
Probable and quantifiable losses are expensed. Contingent assets are not included unless the asset is reasonably certain to be settled. Liabilities related to legal disputes are reflected when there is a preponderance of evidence indicating that the SDFI is on the losing side or when a judgement is pronounced, regardless of whether the judgement is appealed and the dispute is still making its way through the legal system.

NOTE 1 Asset transfers and changes

In January 2021, the Ministry of Petroleum and Energy completed its Awards in Predefined Areas (APA 2020), where 10 production licences were awarded with SDFI participation. Two production licences were awarded with SDFI participation in the 25th licensing round. Over the course of 2021, three production licences were carved out from existing licences with SDFI participation, and 25 production licences were relinquished. In January 2022, the Ministry of Petroleum and Energy completed its Awards in Pre-defined Areas (APA 2021), where an additional 7 production licences were awarded with SDFI participation.

NOTE 2 Specification of fixed assets

All figures in NOK million	Book value at 31 Dec 2020	Historical acquisition cost at 1 Jan. 20	Accumulated depreciation 1 Jan. 20	Additions 2021	Reversals 2021	Disposal 2021	Transfers 2021	Depreciation 2021	Book value at 31 Dec. 2021
Fields under development	24,278	24,278	0	9,850	0	0	(20,260)	0	13,868
Fields in operation	177,401	631,773	(454,372)	8,466	7,743	0	20,454	(26,546)	187,519
Pipelines and onshore facilities	24,936	74,016	(49,080)	926	0	0	0	(2,793)	23,069
Capitalised exploration expenses	4,795	4,795	0	948	0	(647)	(194)	0	4,902
Total tangible fixed assets	**231,410**	**734,862**	**(503,452)**	**20,190**	**7,743**	**(647)**	**0**	**(29,339)**	**229,357**
Intangible fixed assets	57	288	(231)	0	0	0	0	(4)	53
Financial assets	1,289	1,289	0	539	0	0	0	0	1,827
Total fixed assets (NGAAP)	**232,756**	**736,439**	**(503,683)**	**20,729**	**7,743**	**(647)**	**0**	**(29,343)**	**231,237**
Conversion to cash basis	(38,543)	(83,713)	45,169	4,003	(302)	647	0	3,709	(30,485)
Total fixed assets on cash basis	**194,213**	**652,727**	**(458,514)**	**24,732**	**7,441**	**0**	**0**	**(25,634)**	**200,752**

Previous impairment totalling NOK 7,743 million has been reversed for fields in operation as a result of changes in applied short-term price trajectories, as well as updated production profiles and cost estimates. As regards the fields Ekofisk, Maria, Martin Linge and Valemon, previous impairment has been reversed totalling NOK 705 million, 844 million, 4,921 million and 1,273 million, respectively.

Impairment tests are based on Petoro's best estimate of cash flows (market prices, production, costs and exchange rate assumptions). The real discount rate in the calculation of utility value is 7-8 per cent. Inflation is estimated at 2 per cent annually. When the utility value is assessed to be lower than the book value, the assets are written down to their utility value.

The price assumptions used to calculate impairments/reversal of previous impairments are:

Real prices/year	2022	2024	2026	2030
Oil NOK/bbl	654	549	468	468
Gas price NOK/scm	5.00	2.87	1.93	1.93

The long-term oil price is on par with what the IEA presumes in its Sustainable Development Scenario, which is in line with the Paris Agreement.However, the risk for periods with both somewhat lower and higher prices is still significant, and volatility can be expected.

The long-term gas price reflects an increased likelihood of scenarios with lower demand, increased competition in supply and price pressure in the global gas market. The projected gas price is somewhat higher than the price trajectory the IEA presumes in its Sustainable Development Scenario. However, the gas price expectation is considered to be consistent with achieving the objectives in the Paris Agreement.

Sensitivity analysis

The table below shows a marginal change in what the impairment or reversal of previous impairment would have been in 2021 under various alternative assumptions, presuming that all other assumptions remain constant. The fields affected are Ekofisk, Maria, Martin Linge and Valemon.

		Alternative calculations of impairment/ reversal of impairment for 2021	
Assumptions	**Change**	**Increased assumptions**	**Reduced as-sumptions**
Gas and liquids pric-es	+/- 10 %	661	(4,533)
Discount rate	+/- 1 %	(822)	-

Tangible fixed assets for Snøhvit include a capitalised long-term financial charter for three ships used for LNG transport from the field. These vessels are being depreciated over 20 years, which is the duration of the charter.
Depreciation assessments calculate utility values by discounting future cash flows using a discount rate based on capital costs (WACC).

Intangible fixed assets include investments in further development of Etzel Gas Storage and a lesser amount in Åsgard Transport.

Financial assets totalling NOK 1,827 million include capacity rights for regasification of LNG at the Cove Point terminal in the US with an associated agreement regarding the sale of LNG from Snøhvit to Equinor Natural Gas LLC (ENG) in the US, as well as SDFI's share of Equinor's investment in Danske Commodities (DC). The SDFI participates in ENG under the marketing and sale instruction with regard to activities related to the marketing and sale of the state's LNG from Snøhvit. Cash flows from ENG are settled continuously on a monthly basis in connection with the purchase and sale of LNG. SDFI's share of DC is linked to gas activities under the marketing and sale instruction. These activities are assessed as investments in associated companies and recorded according to the equity method (see also Note 11).

NOTE 3 Specification of operating revenue by area

All figures in NOK million	2021	2020
Licence	**264,485**	94,316
Infrastructure and Market	**25,434**	19,185
Net profit agreements	**(9)**	(228)
Elimination internal sales	**(3,769)**	(4,333)
Total operating revenue (NGAAP)	**286,141**	**108,940**
Conversion to cash basis	**(36,467)**	4,854
Total cash basis	**249,674**	**113,794**

Infrastructure and Market generally consists of revenues from the resale of gas, tariff revenues for transport and processing, unrealised losses and revenues from trading inventory. Trading inventory mainly relates to physical volumes.

NOTE 4 Specification of operating revenue by product

All figures in NOK million	2021	2020
Crude oil, NGL and condensate	**82,644**	47,613
Gas	**192,057**	47,460
Transport and processing revenue	**11,043**	12,170
Other revenue	**405**	1,926
Net profit agreements	**(9)**	(228)
Total operating revenue (NGAAP)	**286,141**	**108,940**
Conversion to cash basis	**(36,467)**	4,854
Total cash basis	**249,674**	**113,794**

All oil, NGL and condensate from SDFI is sold to Equinor. All gas is sold by Equinor through the marketing and sale instructions issued to Equinor at SDFI's expense and risk. Virtually all gas is sold to customers in Europe under bilateral contracts, or over the "trading desk". About 35 per cent of annual gas volumes is purchased by the four largest customers.

NOTE 5 Specification of production and other operating expenses by area

All figures in NOK million	2021	2020
PRODUCTION EXPENSES		
Licence	**13,245**	11,261
Infrastructure and Market	**4,466**	2,813
Total production expenses	**17,711**	**14,074**
TRANSPORT AND PROCESSING EXPENSES		
Licence	**12,939**	13,206
Infrastructure and Market	**(1,055)**	1,374
Elimination internal purchases	**(3,769)**	(4,333)
Total transport and processing expenses	**8,115**	**10,247**
OTHER OPERATING EXPENSES		
Expenses for gas purchases, storage and administration	**13,923**	3,962
Total other operating expenses	**13,923**	**3,962**
Total operating costs	**39,749**	**28,282**
Conversion to cash basis	(1,440)	(219)
Total cash basis	**38,308**	**28,063**

A loss provision is recorded in 2020 under transport and processing expenses associated with a future transport capacity agreement totalling NOK 1.3 billion. This loss provision was reversed in 2021.

Over / underlift is included in the figure for Infrastructure and Market under production expenses. Gassled and other gas infrastructure is organisationally placed under Infrastructure and Market as regards reporting of production expenses and transport and processing expenses.

NOTE 6 Inventories

All figures in NOK million	**2021**	**2020**
Petroleum products	**599**	236
Spare parts	**1,530**	1,462
Total inventories	**2,130**	**1,698**

Petroleum products comprise LNG and natural gas. The SDFI does not hold inventories of crude oil, as the difference between produced and sold volumes is included in over/underlift. Not relevant to the accounts on a cash basis.

NOTE 7 Interest included in the SDFI's appropriation accounts

Interest on the state's fixed capital is incorporated in the accounts on a cash basis. Interest amounts are calculated in accordance with the requirements in the 2021 letter of assignment to Petoro from the Ministry of Petroleum and Energy.

Interest on the state's fixed capital is charged to operations in order to take account of capital costs and to provide a more accurate picture of the use of resources. This is a calculated expense without cash effect.

The accounts on a cash basis include an open account with the state which represents the difference between the recorded amount in the chapter/item in the appropriation accounts and ingoing and outgoing payments in the settlement accounts in Norges Bank.

Interest on the open account with the state is calculated in accordance with the 2021 letter of assignment to Petoro from the Ministry of Petroleum and Energy. The interest rate applied is linked to the interest rate on short-term government securities and corresponds to the interest rate applied to short-term loans to the Treasury, calculated on the basis of the average monthly balance in the open account with the government.

Not relevant to the accounts based on the Accounting Act (NGAAP).

NOTE 8 Net financial items

All figures in NOK million	2021	2020
Interest income	**0**	1
Other financial revenue	**0**	1
Currency gain	**3,210**	2,940
Currency loss	**(2,915)**	(2,535)
Currency loss/gain - unrealised	**(32)**	154
Interest expenses	**(134)**	(95)
Other financial expenses	**0**	0
Interest on decommissioning liability	**(1,426)**	(1,605)
Net financial items	**(1,296)**	**(1,141)**

Not relevant to the accounts on a cash basis.

NOTE 9 Related parties

The state, represented by the Ministry of Petroleum and Energy, owns 67 per cent of Equinor and 100 per cent of Gassco. These companies are classified as related parties of the SDFI. Petoro, as licensee for SDFI, has significant participating interests in pipelines and terminals operated by Gassco.

Equinor is the buyer of the state's oil, condensate and NGL. Sales of oil, condensate and NGL from the SDFI to Equinor totalled NOK 83 billion (corresponding to 143 million boe) for 2021, compared with NOK 48 billion (135 million boe) for 2020.

Equinor markets and sells the state's natural gas at the government's expense and risk, but in Equinor's name and along with its own production. The state receives the market value for these sales. The state sold dry gas directly to Equinor at a value of NOK 763 million in 2021, compared with NOK 167 million in 2020. Equinor is reimbursed by the state for its relative share of costs associated with the transport, storage and processing of dry gas, the purchase of dry gas for resale and administrative expenses relating to gas sales. These reimbursements amounted to NOK 21.8 billion in 2021, compared with NOK 13.2 billion in 2020. Open accounts with Equinor totalled NOK 16.7 billion in favour of the SDFI, converted at the exchange rate on the balance sheet date, compared with NOK 5.2 billion in 2020.

Pursuant to the marketing and sale instruction, the SDFI participates with a financial interest in Equinor Natural Gas LLC (ENG) in the US. Cash flows from ENG are settled continuously on a monthly basis in connection with the purchase and sale of LNG. The SDFI is also a participant in Equinor's investment in Danske Commodities (DC) under the marketing and sale instruction for the part assigned to gas activities. This participating interest entitles Petoro to a share of future results. The investments are addressed in more detail in Note 11.

Open accounts and transactions relating to activities in the production licences are not included in the above-mentioned amounts. Hence, no information has been included with regard to open accounts and transactions relating to licence activities with Equinor or Gassco. The SDFI participates as a partner in production licences on the NCS. These are accounted for in accordance with the proportionate consolidation method.

NOTE 10 Accounts receivable

Accounts receivable and other receivables are recorded at nominal value in NGAAP following deduction for foreseeable losses.

NOTE 11 Investments in associated companies

As of 1 January 2009, the SDFI's participation in Equinor Natural Gas LLC (ENG) in the US has been treated as an investment in an associate, which is recognised in accordance with the equity method. At the time it was established in 2003, the investment was recorded at the original acquisition cost of NOK 798 million.

The company's business office is located in Stamford in the US and it is formally owned 56.5 per cent by Equinor Norsk LNG AS, which reflects the SDFI's ownership interest under the marketing and sale instruction. The remaining 43.5 per cent is owned by Equinor North America Inc. As a result of the merger of former Statoil and Hydro's petroleum activities in 2007, the profit/loss is allocated in accordance with a skewed distribution model which gives 48.4 per cent to the SDFI.

The SDFI participates in ENG under the marketing and sale instruction with regard to activities related to the marketing and sale of the state's LNG from Snøhvit. Cash flows from ENG are settled continuously on a monthly basis in connection with the purchase and sale of LNG.

The SDFI recognised an investment associated with Equinor's acquisition of Danske Commodities (DC) under the marketing and sale instruction in 2019. DC is one of Europe's largest companies within short-term electricity trading. The company's activities also include short-term gas trading. The company is headquartered in Aarhus, Denmark. The company is formally owned by Equinor, but the SDFI participates in the investment through the marketing and sale instruction for the part of the enterprise related to gas activities. The acquisition agreement was finalised on 1 February 2019. The SDFI's participation in DC is assessed as an investment in an associated company and is recorded in accordance with the equity method. After the transaction date, the SDFI is entitled to a share of the result from gas activities that fall under the marketing and sale instruction. At the time of acquisition in 2019, the investment was recorded at the original acquisition cost of NOK 1,190 million.

The table below includes the shareholdings in Norpipe Oil AS in addition to ENG and DC.

All figures in NOK million	**2021**	**2020**
Financial assets 1 Jan.	**1,289**	1,464
Share of profit for the year in associate company	**(979)**	(202)
2019 additions	**1,518**	27
Financial assets 31 Dec.	**1,827**	**1,289**

NOTE 12 Shut-down/decommissioning

The liability comprises future abandonment and decommissioning of oil and gas installations. Norwegian authority requirements and the Oslo-Paris (OSPAR) Convention for the Protection of the Marine Environment of the North-East Atlantic provide the basis for determining the extent of the decommissioning liability.

The liability is calculated on the basis of estimates from the respective operators. A number of factors underlying the decommissioning estimate are associated with significant uncertainty, including assumptions for decommissioning and estimating methods, as well as technology and the removal date. The latter is expected largely to occur one or two years after cessation of production. See Note 24.

Interest expense on the liability is classified as a financial expense in the income statement. The discount rate is based on the discount rate for corporate bonds (OMF) as stated in NRS6.

The estimate for decommissioning costs has been reduced by NOK 5.3 billion as a result of changes in future estimated costs from operators, alterations to cessation and decommissioning dates, as well as a change in the discount rate.

All figures in NOK million	**2021**	**2020**
Liability at 1 Jan.	**84,029**	69,883
New liabilities	**0**	146
Actual decommissioning	**(364)**	(310)
Change estimate and discount rate	**(6,357)**	12,704
Interest expense	**1,426**	1,605
Liability at 31 Dec	**78,734**	**84,029**

NOK 364 million for cessation and decommissioning accrued in 2021, and is included in the accounts on a cash basis. The SDFI's share of estimated expenses for 2022 associated with shutdown and removal amounts to NOK 700 million.

NOTE 13 Other long-term liabilities

Other long-term liabilities pursuant to NGAAP comprise:

- debt related to financial lease agreements for three LNG carriers delivered in 2006
- income not yet earned in anticipated repayment of profit shares in licences with net profit agreements
- debt to Equinor in connection with acquisition of Danske Commodities

Three financial leasing contracts were entered into in 2006 on the delivery of three ships to transport LNG from Snøhvit. These contracts run for 20 years, with two options for five-year extensions. Future discounted minimum payment for financial leasing totals NOK 754 million as of 31 December 2021. Of this, NOK 219 million will be disbursed in 2022 and 535 million will be paid over the subsequent three years.

Repayment liabilities for previously paid-up profit shares in licences with net profit agreements linked to decommissioning are included in long-term liabilities and amount to NOK 1,782 million.

Equinor finalised its acquisition of Danske Commodities in 2019. SDFI became a participant in the part of the acquisition associated with gas activities under the marketing and sale instruction. Outstanding debt associated with the investment for the SDFI share came to NOK 2,772 million at year-end.

Other long-term liabilities amount to NOK 668 million.

Not relevant to the accounts on a cash basis.

NOTE 14 Other current liabilities

Other current liabilities pursuant to NGAAP falling due in 2021 consist mainly of:

- provisions for accrued unpaid costs at December, adjusted for cash calls in December
- other provisions for accrued unpaid costs not included in the accounts received from operators
- open account vis-à-vis Equinor related to financial instruments under the marketing and sale instruction

Licence operator credits have been moved from current liabilities to current assets in the report.

Not relevant to the accounts on a cash basis.

NOTE 15 Financial instruments and risk management

The marketing and sale instruction issued to Equinor utilises derived financial instruments (derivatives) to manage risk in the SDFI portfolio. The SDFI does not have significant interest-bearing debt, and sells primarily oil, gas and NGL at current prices. Instruments used to manage price risk for sales at fixed prices or for deferred gas production relate to forwards and futures.

At 31 December 2021, the market value of the derivatives was NOK 19,814 million in assets and NOK 10,280 million in liabilities. The comparable figures at the end of 2020 were NOK 2,557 million in assets and NOK 1,785 million in liabilities. These figures include the market value of listed futures and unlisted instruments. The market value of built-in derivatives related to end-user customers in continental Europe. This amounted to NOK 188 million in assets and NOK 0 million in liabilities in 2021. The comparable figures in 2020 were NOK 187 million in assets and NOK 0 million in liabilities, respectively. Net unrealised gains on outstanding positions at 31 December 2021 are not recognised as income under the Norwegian Accounting Act and generally accepted accounting principles (NGAAP).

Price risk

The SDFI is exposed to fluctuations in oil and gas prices in the global market. Equinor purchases all oil, NGL and condensate from the SDFI at market-based prices. The SDFI's revenue from gas sales is the price actually obtained. Based on the arrangement relating to the marketing and sale instruction along with the SDFI's participation in the government's overall risk management, limited use is made of financial instruments (derivatives). They are primarily employed to manage price risk for sales at fixed prices or for deferred gas production to counteract fluctuations in profit and loss owing to variations in commodity prices.

Currency risk

The majority of the company's revenue from the sale of oil and gas is invoiced in USD, EUR or GBP. Part of its operating expenses and investments are also billed in equivalent currencies. When converting to NOK, currency fluctuations will affect the SDFI's income statement and balance sheet. The SDFI does not utilise currency hedging in relation to future sales of the SDFI's petroleum, and its exposure in the balance sheet at 31 December 2021 was largely related to one month's outstanding revenue.

Interest risk

The SDFI is primarily exposed to credit risk through financial leasing contracts. These are recognised in the SDFI accounts in accordance with the Norwegian Accounting Act and generally accepted accounting principles (NGAAP). Together with Equinor, it has a financial liability related to leasing contracts for LNG ships pursuant to the marketing and sale instruction. The SDFI has no other interest-bearing debt exposed to interest rate fluctuations.

Credit risk

SDFI's sales take place vis-à-vis a limited number of counter-parties which are considered to have high creditworthiness, of which all oil, NGL and condensate is sold to Equinor. In accordance with the marketing and sale instruction, financial instruments for the SDFI's operations are purchased from other parties with sound credit ratings. Financial instruments are only established with large banks or financial institutions at levels of exposure approved in advance. The SDFI's credit risk in current transactions is accordingly regarded as limited.

Liquidity risk
The SDFI generates a significant positive cash flow from its operations. Internal guidelines on managing the flow of liquidity have been established.

NOTE 16 Leases/contractual liabilities

All figures in NOK million	Leases	Transport capacity and other liabilities
2022	3,314	1,272
2023	1,860	1,071
2024	550	785
2025	170	624
2026	150	296
Beyond	211	328

Leases represent operations-related contractual liabilities for the chartering/leasing of rigs, supply ships, production ships, helicopters, standby vessels, bases and so forth as specified by the individual operator.

Transport capacity and other liabilities relate to the sale of gas, and consist mainly of transport and storage liabilities in the UK and continental Europe as well as terminal capacity liabilities relating to the Cove Point terminal in the US. The SDFI's share of installations and pipelines on the NCS is generally higher than or equal to the transport share. Hence, no liabilities are calculated for these systems.

Other liabilities
In connection with the award of licences to explore for and produce petroleum, licensees may be required to commit to drill a certain number of wells. Licensees are also committed to undertake exploration activities through approved budgets and work programmes. The SDFI was committed at year-end to participate in 15 wells with an expected cost to the SDFI in 2022 of NOK 1.1 billion.

The SDFI has also accepted contractual liabilities relating to investments in new and existing fields. Overall, this amounts to NOK 9 billion for 2022 and NOK 17 billion for subsequent periods, totalling NOK 26 billion. Through approved budgets and work programmes, the SDFI was also committed to operating and investment expenses for 2022. The mentioned liabilities are included in budgets and work programmes for 2022.

In connection with the sale of the SDFI's oil and gas, Equinor has issued guarantees to suppliers and owners of transport infrastructure, as well as in connection with operations in the US, the UK and continental Europe. Guarantees issued in connection with trading activities are provided as security for lack of financial settlement. In total, the guarantees amount to NOK 870 million for the SDFI's share.

The SDFI and Equinor deliver gas to customers under joint gas sale agreements. SDFI gas reserves will be utilised in accordance with the SDFI's share of production from the fields selected to deliver the gas at any given time.

Not relevant to the accounts on a cash basis.

NOTE 17 Other liabilities

The SDFI could be affected by possible ongoing legal actions or unresolved disputes and claims as a participant in production licences, pipelines and onshore facilities, and in the joint sale of the SDFI's gas together with Equinor. The final scope of the SDFI's liabilities or assets associated with such disputes and claims cannot be reliably estimated at this time. The SDFI's financial standing is not expected to be significantly impacted by the outcome of such disputes. Provisions have been made in the accounts for issues where a negative outcome for the SDFI portfolio is thought to be more likely than not, or when a judgement has been pronounced and SDFI is on the losing side, regardless of whether the judgement is appealed and the dispute will advance through the legal system. A loss provision was reversed in 2021 associated with a future transport capacity agreement from 2020 totalling NOK 1.3 billion.

Some long-term gas sales agreements contain price revision clauses that may lead to claims that become the subject of arbitration. The SDFI's exposure associated with ongoing price revision is not considered to have a significant effect on the SDFI's net income or financial position. Based on the SDFI's assessments, no substantial provisions have been made for price revision in the annual accounts for 2021.

Not relevant to the accounts on a cash basis

NOTE 18 Significant estimates

The SDFI accounts are presented in accordance with the Norwegian Accounting Act and Norwegian generally accepted accounting principles (NGAAP), which means that the management makes assessments and exercises judgement in a number of areas. Changes in the underlying assumptions could have a significant impact on the accounts. Where the SDFI portfolio is concerned, it is presumed that assessments of the book value of tangible fixed assets, reserves, decommissioning of installations, exploration expenses and financial instruments could have the greatest significance.

Recoverable reserves include volumes of crude oil, NGL (including condensate) and dry gas as reported in resource classes 1-3 in the classification system used by the Norwegian Petroleum Directorate (NPD). Only reserves for which the licensees' PDO has been sanctioned in the management committee and submitted to the authorities are included in the portfolio's expected reserves. A share of the field's remaining reserves in production (resource class 1) provides the basis for depreciation. A share of oil and gas, respectively, is calculated annually for the portfolio to represent the relationship between low and expected reserves. This common share is used to calculate the depreciation basis for each field. The reduced expected reserves which make up the foundation for depreciation expenses are of great significance for the result, and adjustments to the reserve base can cause major changes to the SDFI's profit.

Drilling expenses are capitalised temporarily until an assessment has been made of whether oil or gas reserves have been found. Assessments of the extent to which these expenses should remain capitalised or be written down in the period will affect results for the period.

Substantial investments in tangible fixed assets have been made in the SDFI portfolio. Each time the accounts are prepared, these investments are reviewed for indications of a decline in value. The assessment of whether an asset must be written down is primarily based on judgements and assumptions about future market prices.

Reference is otherwise made to the description of the company's accounting principles and to Notes 12 and 15, which describe the company's treatment of exploration expenses, uncertainties related to decommissioning and financial instruments.

Not relevant to the accounts on a cash basis.

NOTE 19 Equity

All figures in NOK million	2021	2020
Equity at 1 Jan.	**151,113**	162,070
Net profit	**222,135**	47,754
Cash transfers to the government	**(186,058)**	(58,711)
Equity at 31 Jan.	**187,190**	**151,113**

Not relevant to the accounts on a cash basis.

NOTE 20 Auditors

The SDFI is subject to the Appropriations Regulations, as well as the Regulations and Provisions on Financial Management in Central Government. In accordance with the Act relating to the Office of the Auditor General (OAG) of 7 May 2004, the OAG is the external auditor for the SDFI. The audit takes place during the period from 1 May 2021 – 30 April 2022, and the result of the audit will be reported in the form of an auditor's report by 1 May 2022.

PricewaterhouseCoopers AS (PwC) has also been engaged by Petoro's Board of Directors to perform a financial audit of the SDFI as part of the internal audit function. PwC submits its audit report to the Board in accordance with international auditing standards. PwC's fee is charged to the accounts of Petoro AS.

NOTE 21 Expected remaining oil and gas reserves – unaudited

	2021		2020		2019	
Oil* in million bbls, gas in billion scm	**oil**	**gas**	**oil**	**gas**	**oil**	**gas**
Expected remaining reserves at 1 Jan.	**1,463**	**569**	**1,533**	**604**	**1,572**	**632**
Change in reserves	79	35	67	1	88	9
Production	(142)	(37)	(137)	(36)	(127)	(36)
Expected remaining reserves at 31 Dec.	**1,400**	**568**	**1,463**	**569**	**1,533**	**604**

* Oil includes NGL and condensate

The portfolio's estimated remaining reserves totalled 4,972 million boe at the end of the year, down by 73 million boe from the year before. Reserve growth amounted to 301 million boe and mainly comes from project decisions such as Ormen Lange phase 3, Oseberg increased gas capacity and Åsgard B low-pressure production phase 3, in addition to extending drilling activities on Heidrun. With a production of 375 million boe, this yielded a reserve replacement rate of 80 per cent, compared with 20 per cent in 2020.

NOTE 22 Research and development

Petoro contributes to research and development (R&D) through the SDFI meeting its share of the operator's costs for general research and development pursuant to the Accounting Agreement. NOK 562 million was expensed by the SDFI for R&D in 2021 as regards charges from the operators during the accounting year.

NOTE 23 Events after the balance sheet date

There were no significant events after the balance sheet date.

NOTE 24 SDFI overview of interests

Production licence	At 31 Dec. 2021 Participating interest (%)	At 31 Dec. 2020 Participating interest (%)
018	5.00000	5.00000
018 B	5.00000	5.00000
028 C	30.00000	30.00000
034	40.00000	40.00000
036 BS	20.00000	20.00000
036 E	20.00000	20.00000
036 F	20.00000	20.00000
037	30.00000	30.00000
037 B	30.00000	30.00000
037 E	30.00000	30.00000
038 C	30.00000	30.00000
038 D	30.00000	30.00000
040	30.00000	30.00000
043	30.00000	30.00000
043 BS	30.00000	30.00000
050	30.00000	30.00000
050 B	30.00000	30.00000
050 C	-	30.00000
050 D	30.00000	30.00000
050 DS	30.00000	30.00000
050 ES	30.00000	30.00000
050 FS	30.00000	30.00000
050 GS	30.00000	30.00000
050 HS	30.00000	30.00000
050 IS	30.00000	30.00000

Production licence	At 31 Dec. 2021 Participating interest (%)	At 31 Dec. 2020 Participating interest (%)
052	37.00000	37.00000
053	33.60000	33.60000
053 C	-	33.60000
054	40.80000	40.80000
055 C	33.60000	33.60000
057	30.00000	30.00000
062	19.95000	19.95000
064	30.00000	30.00000
074	19.95000	19.95000
074 B	19.95000	19.95000
074 CS	19.95000	-
074 DS	19.95000	-
074 ES	19.95000	-
077	30.00000	30.00000
078	30.00000	30.00000
079	33.60000	33.60000
085	62.91866	62.91866
085 B	62.91866	62.91866
085 C	56.00000	56.00000
089	30.00000	30.00000
093	47.88000	47.88000
093 B	47.88000	47.88000
093 C	47.88000	47.88000
093 D	47.88000	47.88000
093 F	47.88000	47.88000
094	14.95000	14.95000
094 B	35.69000	35.69000
095	59.00000	59.00000
097	30.00000	30.00000
099	30.00000	30.00000
100	30.00000	30.00000
102	30.00000	30.00000
102 C	30.00000	30.00000
102 D	30.00000	30.00000
102 E	30.00000	30.00000
102 F	30.00000	30.00000
102 G	30.00000	30.00000
102 H	30.00000	30.00000

Production licence	At 31 Dec. 2021 Participating interest (%)	At 31 Dec. 2020 Participating interest (%)
104	33.60000	33.60000
104 B	33.60000	33.60000
107 B	7.50000	7.50000
107 D	7.50000	7.50000
110	30.00000	30.00000
110 B	30.00000	30.00000
120	16.93548	16.93548
120 B	16.93548	16.93548
120 CS	16.93548	16.93548
124	27.08962	27.08962
128	24.54546	24.54546
128 B	54.00000	54.00000
128 D	24.54546	24.54546
128 E	24.54546	24.54546
134	13.55000	13.55000
152	30.00000	30.00000
153	30.00000	30.00000
153 B	30.00000	30.00000
153 C	30.00000	30.00000
158	47.88000	47.88000
169	30.00000	30.00000
169 B1	37.50000	37.50000
169 B2	30.00000	30.00000
171 B	33.60000	33.60000
176	47.88000	47.88000
190	40.00000	40.00000
193	30.00000	30.00000
193 B	30.00000	30.00000
193 C	30.00000	30.00000
193 D	30.00000	30.00000
193 E	30.00000	30.00000
193 FS	30.00000	30.00000
193 GS	30.00000	30.00000
195	35.00000	35.00000
195 B	35.00000	35.00000
199	27.00000	27.00000
208	30.00000	30.00000
209	35.00000	35.00000

Production licence	At 31 Dec. 2021 Participating interest (%)	At 31 Dec. 2020 Participating interest (%)
211	35.00000	35.00000
237	35.69000	35.69000
248	40.00000	40.00000
248 B	40.00000	40.00000
248 C	40.00000	40.00000
248 D	40.00000	40.00000
248 E	40.00000	40.00000
248 F	40.00000	40.00000
248 GS	40.00000	40.00000
248 HS	-	40.00000
248 I	40.00000	40.00000
248 J	-	40.00000
250	45.00000	45.00000
255	30.00000	30.00000
255 B	30.00000	30.00000
255 C	30.00000	30.00000
255 D	-	30.00000
263 C	19.95000	19.95000
265	30.00000	30.00000
275	5.00000	5.00000
277	30.00000	30.00000
277 C	30.00000	30.00000
309 C	33.60000	33.60000
318	20.00000	20.00000
318 B	20.00000	20.00000
318 C	20.00000	20.00000
327	20.00000	20.00000
327 B	20.00000	20.00000
393	20.00000	20.00000
435	35.00000	35.00000
448	30.00000	30.00000
473	19.95000	19.95000
475 BS	30.00000	30.00000
475 CS	30.00000	30.00000
479	14.95000	14.95000
489	20.00000	20.00000
502	33.33333	33.33333
532	20.00000	20.00000

Production licence	At 31 Dec. 2021 Participating interest (%)	At 31 Dec. 2020 Participating interest (%)
537	20.00000	20.00000
537 B	20.00000	20.00000
602	-	20.00000
608	20.00000	20.00000
685	20.00000	20.00000
695	-	20.00000
815	20.00000	20.00000
829	-	20.00000
830	20.00000	20.00000
832	-	20.00000
832 B	-	20.00000
837	20.00000	20.00000
854	-	20.00000
858	20.00000	20.00000
860	-	20.00000
885	20.00000	20.00000
886	20.00000	20.00000
886 B	20.00000	20.00000
892	20.00000	20.00000
894	20.00000	20.00000
896	20.00000	20.00000
902	-	20.00000
902 B	-	20.00000
904	-	30.00000
907	-	20.00000
923	20.00000	20.00000
934	-	20.00000
935	20.00000	20.00000
954	-	20.00000
958	20.00000	20.00000
959	-	20.00000
959 B	-	20.00000
960	20.00000	20.00000
961	-	20.00000
964	-	25.00000
968	20.00000	20.00000
970	20.00000	20.00000
973	20.00000	20.00000

Production licence	At 31 Dec. 2021 Participating interest (%)	At 31 Dec. 2020 Participating interest (%)
973 B	20.00000	20.00000
976	20.00000	20.00000
983	20.00000	20.00000
985	20.00000	20.00000
986	30.00000	30.00000
993	-	20.00000
1025 S	20.00000	20.00000
1026	30.00000	30.00000
1028	20.00000	20.00000
1031	-	20.00000
1044	20.00000	20.00000
1046	30.00000	30.00000
1049	20.00000	20.00000
1049 B	20.00000	-
1051	20.00000	20.00000
1056	-	20.00000
1071	20.00000	20.00000
1078	20.00000	20.00000
1079	20.00000	20.00000
1080	20.00000	20.00000
1083	30.00000	30.00000
1085	20.00000	-
1086	20.00000	-
1090	20.00000	-
1091	20.00000	-
1093	30.00000	-
1096	20.00000	-
1106	20.00000	-
1128	20.00000	-
1131	20.00000	-
1133	20.00000	-
1134	20.00000	-

Net profit licences*
027
027 C
027 FS
027 HS
028
028 B
028 S
029
029 B
029 C
033
033 B

Unitised fields	At 31 Dec. 2021 Participating interest (%)	At 31 Dec. 2020 Participating interest (%)	Remaining production period	Licence period
Breidablikk Unit	22.20000	-	2044	2030
Fram H-Nord Unit	11.20000	11.20000	2034	2024
Gimle Unit	24.18630	24.18630	2033	2023
Grane Unit	28.90500	28.90500	2044	2030
Gullfaks Unit	30.00000	30.00000	2034	2036
Haltenbanken Vest Unit (Kristin)	22.52000	19.57700	2039	2027
Heidrun Unit	57.79339	57.79339	2045	2024
Johan Sverdrup Unit	17.36000	17.36000	2058	2036
Martin Linge Unit	30.00000	30.00000	2032	2027
Norne Inside	54.00000	54.00000	2036	2026
Ormen Lange Unit	36.48500	36.48500	2043	2040
Oseberg Area Unit	33.60000	33.60000	2040	2031
Sindre Unit	27.09000	27.09000	2033	2023
Snorre Unit	30.00000	30.00000	2040	2040
Snøhvit Unit	30.00000	30.00000	2051	2035
Statfjord Øst Unit	30.00000	30.00000	2038	2026
Sygna Unit	30.00000	30.00000	2038	2026
Tor Unit	3.68744	3.68744	2049	2028
Troll Unit	56.00000	56.00000	2054	2030
Valemon Unit	30.00000	30.00000	2030	2031
Vega Unit	31.20000	31.20000	2035	2024
Visund Inside	30.00000	30.00000	2035	2034
Åsgard Unit	35.69000	35.69000	2032	2027

Field	At 31 Dec. 2021 Participating interest (%)	At 31 Dec. 2020 Participating interest (%)	Remaining production period	Licence period
Atla	30.00000	30.00000	2019	2025
Draugen	47.88000	47.88000	2035	2024
Dvalin	35.00000	35.00000	2034	2041
Ekofisk	5.00000	5.00000	2050	2028
Eldfisk	5.00000	5.00000	2049	2028
Embla	5.00000	5.00000	2028	2028
Gjøa	30.00000	30.00000	2028	2028
Heimdal	20.00000	20.00000	2022	2021
Johan Castberg	20.00000	20.00000	2053	2049
Kvitebjørn	30.00000	30.00000	2036	2031
Maria	30.00000	30.00000	2040	2036
Rev	30.00000	30.00000	2024	2023
Skirne	30.00000	30.00000	2023	2025
Skuld	24.54546	24.54546	2036	2026
Statfjord Nord	30.00000	30.00000	2038	2026
Svalin	30.00000	30.00000	2044	2030
Tordis	30.00000	30.00000	2032	2040
Tune	40.00000	40.00000	2032	2025
Urd	24.54546	24.54546	2036	2026
Veslefrikk	37.00000	37.00000	2022	2025
Vigdis	30.00000	30.00000	2040	2040

Fields no longer producing	At 31 Dec. 2021 Participating interest (%)	At 31 Dec. 2020 Participating interest (%)	Licence period
Jette Unit		-	-
Varg		-	-
Yttergryta		-	-

PIPELINES AND ONSHORE FACILITIES

Oil infrastructure	At 31 Dec. 2021 Participating interest (%)	At 31 Dec. 2020 Participating interest (%)	Licence period
Oseberg Transport System (OTS)	48.38379	48.38379	2031
Troll Oil Pipeline I + II	55.76808	55.76808	2023
Grane Oil Pipeline	42.06310	42.06310	2030
Kvitebjørn Oil Pipeline	30.00000	30.00000	2031
Norpipe Oil AS (interest)	5.00000	5.00000	2028
Mongstad Terminal DA	35.00000	35.00000	-
Johan Sverdrup Eiendom DA	17.36000	17.36000	-

Gas infrastructure			
Gassled**	46.69700	46.69700	2028
Haltenpipe	57.81250	57.81250	2024
Mongstad Gas Pipeline (EMV)	56.00000	56.00000	2030
Nyhamna	26.13840	26.13840	2041
Polarled	11.94600	11.94600	2041
Valemon Rich Gas Pipeline	30.00000	30.00000	2031
Dunkerque Terminal DA	30.35317	30.35317	2028
Zeepipe Terminal J.V.	22.88161	22.88161	2028
Vestprosess DA	41.00000	41.00000	-
Ormen Lange Eiendom DA	36.48500	36.48500	-

The SDFI also has intangible fixed assets relating to gas storage capacity in the UK and Germany, and financial fixed assets related to an associate in the US (ENG).

* Production licences where the SDFI is not a licensee, but is entitled to a share of possible profit

** Gassled has multiple transport licences with various licence periods

Resource accounts 2021

The tables below present remaining reserves in resource classes 1 to 3, as well as resources in classes 4 to 8.

	Resource classes 1-8	Remaining recoverable reserves Oil, NGL and condensate mill scm	Gas bn scm	Oil equivalents mill scm
RC 1	Reserves	222.1	567.8	790.0
RC 4	In the planning phase	35.5	31.0	66.5
RC 5	Recovery likely but not clarified	33.6	46.4	80.1
RC 6	Development unlikely	7.1	0.4	7.5
RC 7	Resources in new discoveries not evaluated and potential future IOR measures	58.6	67.5	126.1
RC 8	Prospects	19.7	14.7	34.4
	Total	**376.7**	**727.8**	**1104.5**

	Original reserves			Remaining reserves		
Field	**Oil, NGL, cond.** mill scm o.e	**Gas** bill scm	**Oil equivalent** mill scm o.e	**Oil, NGL, cond.** mill scm o.e	**Gas** bill scm	**Oil equivalent** mill scm o.e
Atla	0.12	0.42	0.54	0.00	0.00	0.00
Breidablikk	6.71	0.00	6.71	6.71	0.00	6.71
Draugen	75.34	1.43	76.77	4.16	0.62	4.78
Dvalin	0.30	6.28	6.58	0.30	6.28	6.58
Ekofisk[1]	37.53	11.87	49.40	4.27	2.05	6.31
Fram H-Nord	0.08	0.00	0.08	0.01	0.00	0.01
Gimle	0.92	0.30	1.23	0.13	0.08	0.21
Gjøa	10.38	12.53	22.91	1.10	1.95	3.05
Grane	43.80	0.00	43.80	5.89	0.00	5.89
Gullfaks[2]	144.13	35.21	179.33	7.63	5.99	13.62
Heidrun	120.86	28.34	149.21	21.78	13.83	35.61
Heimdal	1.33	9.24	10.57	0.00	0.00	0.00
Johan Castberg	17.78	0.00	17.78	17.78	0.00	17.78
Johan Sverdrup	71.81	1.85	73.66	61.54	1.49	63.03

Haltenbanken Vest	9.28	7.85	17.13	2.40	2.45	4.85
Kvitebjørn	15.86	30.75	46.60	1.99	5.12	7.11
Maria	4.17	0.26	4.43	3.00	0.20	3.19
Martin Linge	4.49	7.95	12.44	4.49	7.95	12.44
Norne	53.05	6.94	59.99	2.12	1.74	3.86
Norne Satellites[3]	3.91	0.20	4.11	0.90	0.04	0.93
Nøkken 34/11-2 S	0.02	0.05	0.07	0.02	0.05	0.07
Ormen Lange	7.25	126.51	133.76	1.28	38.14	39.42
Oseberg	180.10	52.93	233.03	12.27	26.41	38.67
Rev	0.28	0.82	1.10	0.01	0.01	0.01
Sindre Unit	0.03	0.02	0.05	0.03	0.02	0.04
Skirne	0.72	3.18	3.90	0.00	0.02	0.02
Snorre	94.28	2.00	96.27	22.22	0.00	22.22
Snøhvit	11.86	63.55	75.42	7.42	44.47	51.89
Statfjord Nord	13.77	0.70	14.46	1.33	0.07	1.40
Statfjord Øst	13.57	1.65	15.22	1.13	0.28	1.41
Svalin	2.98	0.00	2.98	0.84	0.00	0.84
Sygna	3.45	0.00	3.45	0.16	0.00	0.16
Tor	1.26	0.44	1.70	0.24	0.04	0.28
Tordis/Vigdis	44.99	1.97	46.96	4.34	0.06	4.39
Troll	187.04	804.31	991.35	12.38	383.46	395.85
Tune	1.48	7.52	9.00	0.00	0.01	0.01
Valemon	0.86	5.52	6.38	0.28	1.78	2.06
Vega	7.48	8.05	15.54	2.44	3.31	5.75
Veslefrikk	21.77	1.99	23.76	0.00	0.00	0.00
Visund[4]	18.05	20.16	38.21	3.30	8.42	11.72
Åsgard	74.09	83.15	157.24	6.28	11.50	17.78
Totalt	**1307.19**	**1345.92**	**2653.12**	**222.14**	**567.84**	**789.99**

1) Ekofisk group consists of Ekofisk, Eldfisk and Embla
2) Gullfaks group: Gullfaks and Gullfaks Sør
3) Norne satellites: Skuld and Urd
4) Visund group: Visund and Visund Sør

Riksrevisjonen

Vår saksbehandler
Stig Allan Snähre 21540881

Vår dato	Vår referanse
02.03.2022	2021/00432-3
Deres dato	Deres referanse

STATENS DIREKTE ØKONOMISKE ENGASJEMENT
SDØE
Postboks 300 Sentrum
4002 STAVANGER

Revisjon av regnskapet for 2021 for Statens direkte økonomiske engasjement i petroleumsvirksomheten

I henhold til lov av 7. mai 2004 nr. 21 om Riksrevisjonen er Riksrevisjonen revisor for Statens direkte økonomiske engasjement i petroleumsvirksomheten.

Ved avslutningen av den årlige revisjonen, innen 30. april 2022 utsteder Riksrevisjonen en revisjonsberetning som oppsummerer revisjonsarbeidet. Det gjøres oppmerksom på at revisjonsberetningen kan offentliggjøres sammen med regnskapet.

Styret og eventuelt generalforsamlingen i Petoro AS vil bli orientert om resultatet av årets revisjon.

Etter fullmakt

Bernt Nordmark
avdelingsdirektør

Stig Allan Snähre
seniorrådgiver

Brevet er godkjent og ekspedert digitalt.

Liste over kopimottakere:

NÆRINGS- OG FISKERIDEPARTEMENTET

Postadresse	Kontoradresse	Telefon	E-post	Nettside	Bankkonto	Org.nr.
Postboks 6835 St Olavs plass 0130 Oslo	Storgata 16	22 24 10 00	postmottak@riksrevisjonen.no	www.riksrevisjonen.no	7694 05 06774	974760843

Petoro AS income statement

All figures in NOK 1,000	NOTES	2021	2020
State contribution recognised as income	1	**285,312**	288,000
Other revenue	1,15	**1,703**	2,187
Change in deferred revenue recorded	2	**1,452**	926
Total operating revenue		**288,467**	**291,113**
Payroll expenses	3,10	**171,630**	165,467
Depreciation	4	**1,542**	2,295
Accounting fee	14	**13,591**	15,472
Office expenses	13	**11,463**	10,737
ICT costs	14	**30,799**	29,107
Other operating expenses	12	**61,559**	65,239
Total operating costs		**290,584**	**288,316**
Operating profit/loss		**(2,117)**	**2,797**
Financial revenue	5	**2,033**	2,540
Financial expenses	5	**(275)**	(1,361)
Operating loss		**1,758**	**1,179**
NET INCOME FOR THE YEAR		**(358)**	**3,976**
TRANSFERS			
Transferred from (to) other equity		**(358)**	3,976
Total transfers		**(358)**	**3,976**

Petoro AS balance sheet at 31 December

All figures in NOK 1,000	NOTES	2021	2020
ASSETS			
Fixed assets			
Tangible fixed assets			
Operating equipment, fixtures, etc.	4	1,305	2,757
Total tangible fixed assets		1,305	2,757
Total fixed assets	4	1,305	2,757
Current assets			
Trade debtors		672	0
Other debtors	6	21,437	20,013
Bank deposits	7	252,841	248,024
Total current assets		274,950	268,037
TOTAL ASSETS		276,255	270,793
EQUITY AND LIABILITIES			
Equity			
Paid-in capital			
Share capital (10,000 shares at NOK 1,000)	8	10,000	10,000
Retained earnings			
Other equity	9	17,591	17,949
Total equity		27,591	27,949
Liabilities			
Provisions			
Pension liabilities	10	187,012	185,386
Deferred revenue government contribution	2	1,305	2,757
Total provisions		188,317	188,143
Current liabilities			
Trade creditors		20,784	18,312
Withheld taxes and social security		11,644	11,157
Other current liabilities	11	27,920	25,232
Total current liabilities		60,347	54,701
Total liabilities		248,664	242,844
TOTAL EQUITY AND LIABILITIES		276,255	270,793

Stavanger, 7 March 2022

Gunn Wærsted
Chair

Brian Bjordal
Deputy chair

Trude J. H. Fjeldstad
Director

Kristin Skofteland
Director

Hugo Sandal
Director

Ragnar Sandvik
Director,
elected by employees

May Linda Glesnes
Director,
elected by employees

Kristin Fejerskov Kragseth
Chief executive

Petoro AS - Cash flow statement

	All figures in NOK 1,000	2021	2020
	LIQUID ASSETS PROVIDED BY/USED IN OPERATING ACTIVITIES		
	Net profit	**(358)**	3,977
+	Depreciation	**1,542**	2,295
+/-	Change in trade debtors	**(672)**	968
+/-	Change in trade creditors	**2,472**	2,382
+/-	Change in pension liabilities	**1,626**	9,733
+/-	Change in other accrued items	**297**	(1,600)
	Net change in liquidity from operating activities	**4,907**	**17,754**
	LIQUID ASSETS PROVIDED BY/USED IN INVESTING ACTIVITIES		
-	Invested in tangible fixed assets	**90**	1,369
	Net change in liquidity from investing activities	**90**	**1,369**
	LIQUID ASSETS PROVIDED BY/USED IN FINANCING ACTIVITIES		
+	Equity paid	**0**	0
	Net change in liquidity from financing activities	**0**	**0**
	Net change in liquid assets through the year	**4,817**	16,386
+	Liquidity reserves at 1 Jan	**248,024**	231,638
	Liquidity reserves at 31 Dec.	**252,841**	**248,024**

Petoro AS - Note information

Accounting principles

Description of the company's business

Petoro AS was established by the Ministry of Petroleum and Energy on behalf of the Norwegian state on 9 May 2001. The company's objective is to be responsible, on behalf of the state, for managing the commercial aspects of the State's Direct Financial Interest (SDFI) in petroleum activities on the Norwegian Continental Shelf, and associated activities.

The state is the majority shareholder in Equinor ASA and the owner of the SDFI. On this basis, Equinor ASA handles marketing and sale of the state's petroleum. Petoro is responsible for monitoring that Equinor ASA discharges its responsibilities under the applicable marketing and sale instruction.

Petoro AS is also responsible for presenting separate annual accounts for the SDFI portfolio. The cash flow for the SDFI is accordingly excluded from the limited company's annual accounts.

General

The annual accounts for Petoro AS were prepared in accordance with the provisions of the Accounting Act and Norwegian accounting standards for other enterprises.

Classification of assets and liabilities

Assets intended for ownership or use over a longer period are classified as fixed assets. Other assets are classified as current assets. Receivables due within one year are classified as current assets. Equivalent criteria are applied for classification of current and long-term liabilities.

Fixed assets

Fixed assets are carried at acquisition cost with a deduction for planned depreciation. Should the fair value of a fixed asset be lower than the book value, and this decline is not expected to be temporary, the fixed asset will be written down to its fair value. Fixed assets with a limited economic lifetime are depreciated on a straight-line basis over their economic lifetime.

Accounts receivable

Accounts receivable and other receivables are carried at face value.

Bank deposits

Bank deposits include cash, bank deposits and other monetary instruments with a maturity of less than three months at the date of purchase.

Pensions

Petoro AS has a defined contribution-based pension scheme pursuant to the Defined Contribution Pensions Act. Premiums for the defined contribution plan are expensed on a continuous basis.

The company has a transitional arrangement that is still defined benefit-based for employees who were less than 15 years from retirement age on 1 January 2016. The capitalised obligation relating to the scheme for employees who remain in the defined benefit scheme, is the present value of the defined obligation on the balance sheet date less the fair value of the plan assets, adjusted for unrecorded change in estimates. The pension obligation is calculated annually by an independent actuary on the basis of a linear earnings method and expected final pay. The pension plan is valued at its expected fair value. The net book liability includes payroll tax.

The period's pension expense is included in payroll expenses and comprises pension rights earned over the period, interest charges on the estimated pension obligation, expected return on pension plan assets, the recorded effect of estimate changes and accrued payroll tax from the benefit-based scheme, as well as premiums for the contribution-based scheme.

Changes made to estimates as a result of new information or changes in actuarial assumptions in excess of the larger of 10 per cent of the value of the pension plan assets or 10 per cent of the pension obligations are recorded in the income statement over a period which corresponds to the employees' expected average remaining period of employment.

Current liabilities

Current liabilities are assessed at their face value.

Income taxes

The company is exempt from tax pursuant to Section 2-30 of the Taxation Act.

Operating revenue

The company receives appropriations from the government for services provided to the Ministry of Petroleum and Energy in accordance with the company's objective. This operating contribution is appropriated annually by the Storting (parliament). The operating contribution is presented in the accounts as operating revenue.

The contribution applied to investment for the year is accrued as deferred revenue and recognised as a liability in the balance sheet. The deferred contribution is recorded as income in line with the depreciation of the investments and specified as deferred revenue in the income statement.

Contributions for special projects are recorded as income in line with costs expended in the projects (matching principle).

Foreign currencies

Transactions in foreign currencies are recorded at the exchange rate on the transaction date. Receivables and liabilities in foreign currencies are recorded at the exchange rate on the balance sheet date.

Cash flow statement

The cash flow statement is prepared in accordance with the indirect method. Cash and cash equivalents include cash in hand and at bank, as well as other current liquid assets.

NOTE 1 Government contribution and other revenue

NOK 285.3 million was appropriated for operation of Petoro AS, excluding VAT, in 2021. The amount is recorded as a contribution from the Norwegian government.

Other revenue primarily relates to services in connection with negotiation management in the SDFI portfolio.

NOTE 2 Deferred revenue

The change in deferred revenue recorded in the income statement comprises deferred revenue related to NOK 90 thousand in investments made during 2021, as well as NOK 1.5 million in depreciation of investments made during the year and in earlier years, cf. Note 4.

NOTE 3 Payroll expenses, number of employees, remuneration, etc.

Payroll expenses (all figures in NOK 1,000)	**2021**	**2020**
Payroll[1]	**118,602**	111,788
Directors' fees	**1,995**	1,856
Liability insurance for the Board (applies to the entire Board of Directors)	**148**	105
Payroll tax	**17,173**	15,706
Pensions (see Note 10)	**30,115**	32,569
Other benefits	**3,597**	3,443
Total	**171,630**	**165,467**

[1)] 2021 includes a provision for a severance agreement, as well as a provision for performance-related salary based on better goal achievement than in 2020.

Employees at 31 December	70	64
Employees with a signed contract who had not started work at 31 Dec.	2	1
Average number of full-time equivalents employed	65.85	62.8

Remuneration of senior executives (All figures in NOK 1,000)	**Fixed salaries**[1]	**Cash allowance**[2]	**Other taxable benefits**[3]	**Taxable pay**	**Expensed pension**[4]
Kristin Fejerskov Kragseth[5]	2,241	0	98	2,339	121
Rest of the management team;					
Heidi Iren H Nes	1,545	42	151	1,737	195
Hilde Fey Lunde	1,884	59	149	2,093	199
Ole Njærheim	2,568	81	154	2,803	196
Jonny Mæland	2,538	80	155	2,773	193
Kjell Morisbak Lund[6]	3,151	76	151	3,378	194
Kjersti Bergsåker-Aspøy	1,672	22	151	1,845	200
Rest of the management team	**13,358**	**360**	**911**	**14,628**	**1,177**

1. Fixed salaries consist of basic salary and holiday pay.
2. Cash allowance is performance-related pay. This disbursement is not included in pensionable income.
3. Other taxable remuneration includes car allowance, as well as minor remuneration for news subscriptions and tele-phone. Not included in holiday pay or pensionable income.
4. Expensed pension represents the annual premium in the defined contribution plan. All members of the manage-ment team now have defined contribution pension.
5. Kristin Fejerskov Kragseth took over as CEO on 1 June 2021.
6. Acting CEO until 1 June 2021. Fixed salaries include remuneration for temporary appointments and cash allowance as compensation for loss of the defined benefit pension scheme calculated based on actuarial assumptions and pen-sionable income.

Declaration on senior executive pay for Petoro AS

The declaration on remuneration for the CEO and other senior executives is in line with the provisions of the Norwegian Public Limited Liability Companies Act and the guidelines for state ownership, including the “Norwegian State Guidelines on executive remuneration in wholly or partly state-owned enterprises and companies”, which came into force on 30 April 2021. The part of the Guidelines concerning the requirement for an executive pay report enters into force following the ordinary general meeting in June 2022 and will be presented for first approval in June 2023.

Guidelines on remuneration

Petoro’s remuneration guidelines are entrenched in the company’s vision, goals and values. The relationship between the level of performance, demonstrated leadership/collegiality and reward shall be predictable, motivational, clear and easy to communicate. Petoro AS has a uniform pay policy and system for the whole company, and aims to pay a competitive rate without being a pacesetter on remuneration, with reference to moderation as regards total compensation in relation to the relevant market for the petroleum industry.

Decision-making process

The Board has appointed a compensation sub-committee comprising the deputy chair and another director. The HR manager acts as secretary for the committee. The compensation committee prepares proposals and recommendations for the Board in compensation issues. The Board determines compensation for the CEO, who in turn determines the compensation for other members of the company’s senior management within the approved framework.

Main principles for remuneration

Petoro’s wage policy is to be competitive without being a pacesetter on overall remuneration, including the company’s pension schemes. Moderation shall also factor into this equation.

Total compensation for the CEO and the other senior executives shall reflect the responsibilities and complexity of the role in question, the company's values and culture, the relevant executive's behaviour and performance, and the need to attract and retain key personnel. The arrangements are transparent and in accordance with the principles for good corporate governance.

Basic pay is the main component in Petoro's compensation scheme. Senior executives are also entitled to benefits on an equal footing with others in the company, including car allowance as well as pension and insurance benefits, as well as a system for communication allowance.

Pay levels in a reference group comprising relevant companies in the upstream petroleum industry provide the basic guidelines for the company's remuneration profile. Basic pay is primarily fixed on the basis of the responsibilities and complexity of the position. Basic pay is subject to an annual assessment.

Petoro AS has a performance-related salary scheme to promote achievement of the company's goals. The principle and framework for performance-related salary have been stipulated by the Board and embedded in the "Guidelines on pay and other remuneration for senior executives in wholly or partly state-owned enterprises and companies". This scheme covers all employees, including the President and CEO, with an equal percentage of basic salary.

The Board will stipulate performance-related salary in accordance with the assessed goal attainment within the framework of 10 per cent of basic salary. The goals included in the assessment of performance-related salary consist of select quantitative goals associated with operational and financial activities, as well as goals associated with the company's prioritised activities. The goals shall be based on objective, definable and measurable criteria that management can influence and are stipulated with a point of departure in the company's strategy and risk scenario, as well as guidelines laid out in allocation letters from our owner.

In 2021, the following goals were included in the assessment of performance-related salary; serious incidents (frequency), liquids production (kboed), CO_2 reduction measures and project progress (decision milestones), as well as concrete goals and milestones associated with improving drilling efficiency in selected licences, optimised recovery, digital data sharing through the implementation of e-billing and cash calls, in addition to exploring the commercial potential for decarbonised products as part of the company's prioritisation within sustainability and climate. Performance-related salary for 2021 was addressed by the Board after preparation of the annual accounts. The accounts for 2021 include provision of an estimated amount for performance-related salary for the year. Performance-related salary disbursed in 2021 amounted to 3.25 per cent of basic salary based on the company's goal attainment in 2020.

Share programmes, options and other option-like arrangements are not used by the company.

Petoro AS has a defined contribution-based pension scheme pursuant to the Defined Contribution Pensions Act. The company has no collective pension scheme for employees whose pay exceeds 12 G. This scheme was introduced on 1 Jan. 2016. Petoro AS has a transitional scheme that is still defined-benefit for pay above 12 G . This is the same for executives as for other employees less than 15 years from retirement age (67) at 1 Jan. 2016. Senior executives with employment contracts entered into before 13 February 2015 are covered by the same transitional scheme as other employees.

Senior executives are covered by the company's defined contribution pension scheme, which applies for salaries under 12 G. Consequently, after these new guidelines came into force, Petoro AS no longer has senior executives with a defined benefit pension and no pension expenses over and above those which follow from the defined contribution plan will accrue (pursuant to the Defined Contribution Pension Act). Petoro's internal retirement age is 70.

According to the employment agreement, the CEO has a mutual notice period of six months, as well as a six-month termination payment.

Remuneration principles and their implementation in the preceding year
The annual evaluation of the basic pay of the CEO and other senior executives was conducted with effect from 1 July. In 2021, the evaluation of other executives was carried out in the 3rd quarter.

NOTE 4 Tangible fixed assets

All figures in NOK 1,000	Fixtures and fittings	Operating equipment	ICT	Total
Acquisition cost 1 Jan. 2021	4,979	10,373	40,331	55,683
Additions fixed assets	-	90	-	90
Disposal fixed assets/obsolescence	-	-	-	-
Acquisition cost 31 Dec. 2021	**4,979**	**10,463**	**40,331**	**55,773**
Accumulated depreciation 1 Jan. 2021	4,652	8,954	39,320	52,926
Reversed accumulated depreciation	-	-	-	-
Depreciation for the year	54	537	951	1,542
Accumulated depreciation at 31 Dec. 2021	**4,706**	**9,491**	**40,271**	**52,926**
Book value at 31 Dec. 2021	**273**	**972**	**60**	**1,305**

Economic life	Lease term	3/5 years	3 years
Depreciation schedule	Straight line	Straight line	Straight line

Operational leasing contracts include office equipment and machines. The initial lease period is 3-5 years.

NOTE 5 Financial items

All figures in NOK 1,000	2021	2020
Financial income		
Interest income	1,897	2,395
Currency gain	136	145
Financial expenses		
Interest expenses		-
Currency loss	275	1,361
Operating loss	**1,758**	**1,179**

NOTE 6 Other receivables

Other receivables consist in their entirety of pre-paid costs relating primarily to rent, insurance, licences, subscriptions for market information and VAT credits.

NOTE 7 Bank deposits

Bank deposits total NOK 253 million , including NOK 9 million in withheld tax and funds to cover unsecured pension obligations in the amount of NOK 206 million.

NOTE 8 Share capital and shareholder information

The company's share capital at 31 December 2021 comprised 10,000 shares with a nominal value of NOK 1,000 each. All shares are owned by the Norwegian state, and all have the same rights.

NOTE 9 Equity

Petoro AS (All figures in NOK 1 000)	**Aksjekapital**	**Annen EK**	**Sum**
Equity at 1 Jan. 2021	**10,000**	17,949	27,949
Net profit		(358)	(358)
Equity at 31 Dec. 2021	**10,000**	**17,591**	**27,591**

NOTE 10 Pension costs, assets and liabilities

The company is obliged to offer an occupational pension scheme under the Norwegian Act on Mandatory Occupational Pension Schemes. The company's pension plans comply with the requirements of this Act.

The company implemented a new pension plan with effect from 1 January 2016. This is a defined contribution plan pursuant to the Defined Contribution Pensions Act. The company has a transitional arrangement for employees who were less than 15 years from retirement age on 1 January 2016. Premiums for the defined contribution plan are expensed on a continuous basis.

Net pension cost (figures in NOK 1,000)	**2021**	**2020**
Present value of benefits earned during the year	**12,842**	14,216
Interest expense on pension obligation	**6,204**	7,844
Return on pension plan assets	**(3,592)**	(4,488)
Recorded change in estimates	**4,939**	5,909
Payroll tax	**1,550**	1,819
Pension cost, defined benefit scheme	**21,943**	25,300
Pension cost, defined contribution plan incl. payroll tax	**8,172**	7,269
Net pension cost	**30,115**	**32,569**

Capitalised pension obligation	**2021**	**2020**
Estimated pension obligation at 31 Dec.	**357,870**	364,999
Pension plan assets (market value)	**(142,312)**	(128,106)
Net pension obligations	**215,558**	236,893
Unrecorded change in estimates	**(28,546)**	(51,507)
Capitalised pension obligation	**187,012**	**185,386**

Calculation of the year's net pension cost is based on the assumptions of previous years. The net pension liability is calculated on the basis of assumptions in the present year. Petoro AS has allocated dedicated funds to cover unsecured pension liabilities, cf. Note 7.

The actuarial assumptions are based on common assumptions made in the insurance business for demographic factors.

	2021	**2020**
Discount rate	**1.90%**	1.70%
Expected return on plan assets	**3.10%**	2.70%
Expected increase in pay	**2.75%**	2.25%
Expected increase in pensions	**0.00%**	0.00%
Expected adjustment of the National Insurance Scheme's Basic Amount (G)	**2.50%**	2.00%

NOTE 11 Other current liabilities

Other current liabilities relate almost entirely to provisions for costs incurred, pay outstanding and holiday pay.

NOTE 12 Auditor's fees

The company's chosen auditor is KPMG AS. Fees charged for external auditing of the consolidated financial statements in 2021 totalled NOK 0.3 million. Consultancy services from KPMG totalling NOK 32,900 have also been expensed in connection with support in a digital collaboration solution.

In accordance with the Act relating to the Office of the Auditor General of 7 May 2004, the OAG is the external auditor for the SDFI. PricewaterhouseCoopers AS (PwC) has been engaged as the company's financial accountant in order to prepare a financial audit of the SDFI accounts as part of the company's internal auditing. PwC invoiced NOK 0.7 million for financial auditing and NOK 0.5 million for internal auditing in 2021. Costs have also been expensed for invoiced services from PwC within joint venture auditing totalling NOK 2.6 million.

NOTE 13 Leases

Petoro AS entered into a lease with Smedvig Eiendom AS for office premises in the autumn of 2003. Petoro AS chose to exercise the last option in the lease from 2021. The remaining lease term is now 4 years. Rent for the year totalled NOK 11.1 million, which included all operating and shared expenses.

NOTE 14 Significant contracts

Petoro AS has an agreement with Azets Insights AS (Azets) concerning the delivery of accounting services and associated ICT services linked to SDFI accounting. This agreement entered into force on 1 March 2020 and runs for five years with an option for Petoro AS to extend it for two years. Accounting fee carried to expense for Azets in 2021 for accountancy for the SDFI amounted to NOK 12.4

Petoro AS has an agreement with TietoEVRY ASA for providing IT operations services for office support, administrative and technical petroleum solutions, as well as consultant assistance. This agreement entered into force on 1 January 2017 and runs for five years with an option for Petoro AS to extend it for 1+1 years. Costs under the IT operations agreement for 2021 amounted to NOK 10.8 million.

NOTE 15 Related parties

Equinor ASA and Petoro AS have the same owner, the Ministry of Trade, Industry and Fisheries, and are thus related parties. There were no significant transactions in 2021 between Equinor ASA and Petoro AS. Petoro AS acted as negotiation manager for certain fields associated with the SDFI portfolio where Equinor ASA is operator, cf. Note 1.

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Til generalforsamlingen i Petoro AS

Uavhengig revisors beretning

Konklusjon

Vi har revidert Petoro AS' årsregnskap som består av balanse per 31. desember 2021, resultatregnskap og kontantstrømoppstilling for regnskapsåret avsluttet per denne datoen og noter til årsregnskapet, herunder et sammendrag av viktige regnskapsprinsipper.

Etter vår mening

- oppfyller årsregnskapet gjeldende lovkrav,
- gir årsregnskapet et rettvisende bilde av selskapets finansielle stilling per 31. desember 2021, og av dets resultater og kontantstrømmer for regnskapsåret avsluttet per denne datoen i samsvar med regnskapslovens regler og god regnskapsskikk i Norge.

Grunnlag for konklusjonen

Vi har gjennomført revisjonen i samsvar med de internasjonale revisjonsstandardene International Standards on Auditing (ISA-ene). Våre oppgaver og plikter i henhold til disse standardene er beskrevet nedenfor under *Revisors oppgaver og plikter ved revisjonen av årsregnskapet*. Vi er uavhengige av selskapet slik det kreves i lov, forskrift og International Code of Ethics for Professional Accountants (inkludert internasjonale uavhengighetsstandarder) utstedt av the International Ethics Standards Board for Accountants (IESBA-reglene), og vi har overholdt våre øvrige etiske forpliktelser i samsvar med disse kravene. Innhentet revisjonsbevis er etter vår vurdering tilstrekkelig og hensiktsmessig som grunnlag for vår konklusjon.

Øvrig informasjon

Styret og daglig leder (ledelsen) er ansvarlige for informasjonen i årsberetningen. Øvrig informasjon omfatter informasjon i årsrapporten bortsett fra årsregnskapet og den tilhørende revisjonsberetningen. Vår konklusjon om årsregnskapet ovenfor dekker ikke informasjonen i årsberetningen.

I forbindelse med revisjonen av årsregnskapet er det vår oppgave å lese årsberetningen. Formålet er å vurdere hvorvidt det foreligger vesentlig inkonsistens mellom årsberetningen og årsregnskapet og den kunnskap vi har opparbeidet oss under revisjonen av årsregnskapet, eller hvorvidt informasjon i årsberetningen ellers fremstår som vesentlig feil. Vi har plikt til å rapportere dersom årsberetningen fremstår som vesentlig feil. Vi har ingenting å rapportere i så henseende.

Basert på kunnskapen vi har opparbeidet oss i revisjonen, mener vi at årsberetningen

- er konsistent med årsregnskapet og
- inneholder de opplysninger som skal gis i henhold til gjeldende lovkrav.

Ledelsens ansvar for årsregnskapet

Ledelsen er ansvarlig for å utarbeide årsregnskapet og for at det gir et rettvisende bilde i samsvar med regnskapslovens regler og god regnskapsskikk i Norge. Ledelsen er også ansvarlig for slik internkontroll som den finner nødvendig for å kunne utarbeide et årsregnskap som ikke inneholder vesentlig feilinformasjon, verken som følge av misligheter eller utilsiktede feil.

Ved utarbeidelsen av årsregnskapet må ledelsen ta standpunkt til selskapets evne til fortsatt drift og opplyse om forhold av betydning for fortsatt drift. Forutsetningen om fortsatt drift skal legges til grunn for årsregnskapet så lenge det ikke er sannsynlig at virksomheten vil bli avviklet.

Revisors oppgaver og plikter ved revisjonen av årsregnskapet

Vårt mål er å oppnå betryggende sikkerhet for at årsregnskapet som helhet ikke inneholder vesentlig feilinformasjon, verken som følge av misligheter eller utilsiktede feil, og å avgi en revisjonsberetning som inneholder vår konklusjon. Betryggende sikkerhet er en høy grad av sikkerhet, men ingen garanti for at en revisjon utført i samsvar med ISA-ene, alltid vil avdekke vesentlig feilinformasjon som eksisterer. Feilinformasjon kan oppstå som følge av misligheter eller utilsiktede feil. Feilinformasjon blir vurdert som vesentlig dersom den enkeltvis eller samlet med rimelighet kan forventes å påvirke økonomiske beslutninger som brukerne foretar basert på årsregnskapet.

Som del av en revisjon i samsvar med ISA-ene, utøver vi profesjonelt skjønn og utviser profesjonell skepsis gjennom hele revisjonen. I tillegg:

- identifiserer og vurderer vi risikoen for vesentlig feilinformasjon i regnskapet, enten det skyldes misligheter eller utilsiktede feil. Vi utformer og gjennomfører revisjonshandlinger for å håndtere slike risikoer, og innhenter revisjonsbevis som er tilstrekkelig og hensiktsmessig som grunnlag for vår konklusjon. Risikoen for at vesentlig feilinformasjon som følge av misligheter ikke blir avdekket, er høyere enn for feilinformasjon som skyldes utilsiktede feil, siden misligheter kan innebære samarbeid, forfalskning, bevisste utelatelser, uriktige fremstillinger eller overstyring av internkontroll.

- opparbeider vi oss en forståelse av den interne kontroll som er relevant for revisjonen, for å utforme revisjonshandlinger som er hensiktsmessige etter omstendighetene, men ikke for å gi uttrykk for en mening om effektiviteten av selskapets interne kontroll.

- evaluerer vi om de anvendte regnskapsprinsippene er hensiktsmessige og om regnskapsestimatene og tilhørende noteopplysninger utarbeidet av ledelsen er rimelige.

- konkluderer vi på hensiktsmessigheten av ledelsens bruk av fortsatt drift-forutsetningen ved avleggelsen av årsregnskapet, basert på innhentede revisjonsbevis, og hvorvidt det foreligger vesentlig usikkerhet knyttet til hendelser eller forhold som kan skape tvil av betydning om selskapets evne til fortsatt drift. Dersom vi konkluderer med at det eksisterer vesentlig usikkerhet, kreves det at vi i revisjonsberetningen henleder oppmerksomheten på tilleggsopplysningene i årsregnskapet, eller, dersom slike tilleggsopplysninger ikke er tilstrekkelige, at vi modifiserer vår konklusjon. Våre konklusjoner er basert på revisjonsbevis innhentet inntil datoen for revisjonsberetningen. Etterfølgende hendelser eller forhold kan imidlertid medføre at selskapet ikke fortsetter driften.

- evaluerer vi den samlede presentasjonen, strukturen og innholdet i årsregnskapet, inkludert tilleggsopplysningene, og hvorvidt årsregnskapet gir uttrykk for de underliggende transaksjonene og hendelsene på en måte som gir et rettvisende bilde.

Vi kommuniserer med styret blant annet om det planlagte omfanget av revisjonen og til hvilken tid revisjonsarbeidet skal utføres. Vi utveksler også informasjon om forhold av betydning som vi har avdekket i løpet av revisjonen, herunder om eventuelle svakheter av betydning i den interne kontrollen.

Stavanger, 8. mars 2022
KPMG AS

Mads Hermansen
Statsautorisert revisor
(elektronisk signert)

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"Med min signatur bekrefter jeg alle datoer og innholdet i dette dokument."

Mads Aleksander Hermansen
Partner
På vegne av: KPMG AS
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2022-03-08 15:13:35 UTC
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Mads Aleksander Hermansen
Statsautorisert revisor
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Petoro's financial calendar 2022

9 March	Annual result 2021 / fourth quarter report 2021
11 May	First quarter report 2022
3 August	Second quarter report / first-half report 2022
2 November	Third quarter report 2022

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