Annual report for the SDFI and Petoro

2022

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

Johan Sverdrup. Photo: Lizette Bertelsen and Jonny Engelsvoll / ©Equinor

Kristin Fejerskov Kragseth. Photo: Elisabeth Tønnessen

The world got smaller in 2022

2022 was the year we learned how much we depend on each other. A terrible war broke out in the middle of Europe; a war that was nearly unthinkable for most of us. We've shown how Europe can close ranks to stand up against an active aggressor that is also willing to use energy as a weapon. In order for us to safely navigate uncertain times, we need to cooperate and trust in each other. This is and will always be the most important factor.

In fact, trust was a main theme for ONS in 2022. At Petoro, we had a "Tree of Trust" at our stand where visitors could write a note describing what trust meant for them, and hang it on the tree. Julia was one of the many who contributed. She's an engineer and a Ukrainian refugee. Her note read, "Trust to me is to feel safe and secure", which gives us a certain insight into the inhuman consequences of the war in Ukraine. The world suddenly became very small that day.

Increased gas deliveries to Europe

The war has major consequences for the energy market, particularly in Europe. Secure and stable gas deliveries have never been more important, and Norway is contributing as a predictable and long-term supplier.

Long-term efforts on the Norwegian shelf have ensured that we can contribute large volumes of gas to Europe. Norwegian gas production increased by 8% in 2022, and we're now supplying around 30% of the gas Europe needs. This increase was possible because increased production was permitted from multiple fields, Snøhvit was back on stream, and not least – we've had safe and secure operations. An ever-increasing share of gas is being produced from Petoro's portfolio. The Troll field, where Petoro has an ownership interest of 56%, is a particularly large contributor. The Troll field represents 60% of the gas reserves on the Norwegian shelf, and will be able to produce until 2070. Overall gas production in Norway is expected to remain at the 2022 level for the next four-to-five years.

Energy prices have been record-high in 2022, and this will affect the geopolitical scenario for a long time to come. With historically high prices, Petoro is delivering a cash flow of NOK 528 billion - five times higher than a normal year. The cash flow will be transferred to the Norwegian state in its entirety. This means that the extraordinary revenues can benefit the broader community.

Record-breaking activity

The tax package has contributed around NOK 300 billion in new investments on the Norwegian shelf. Petoro is part of five of the 13 new development plans (PDOs) submitted in 2022. We are part of three of four expansions of existing PDOs, as well as one electrification project. These projects will ensure future production, significant activity for the suppliers, a large number of jobs, and not least a reduction in CO_2 from our activities. Petoro has worked actively in the licences to ensure that the projects are sufficiently mature for a decision.

Tree of trust from ONS 2022 . Photo: Melvær&Co

Climate targets will be reached with electrification

At Petoro, we've established an ambitious target to achieve emission cuts totalling 55% from the SDFI production by 2030, compared with emissions in 2005. This will be challenging, but it is possible. Electrification with power from shore is the most important measure to reach this target. Electrification, where this makes commercial sense, will ensure production with minimal emissions. This is important for the shelf's competitiveness and for the revenues that fall to the broader society. One particularly important project is the electrification of Hammerfest LNG, which processes the gas from Snøhvit and is currently one of the largest single emission points in the country. The upgrade plan was submitted in December.

The Norwegian shelf in general, and the SDFI portfolio in particular, are characterised by very low greenhouse gas emissions on an international scale. Among other things, this is due to the Norwegian authorities' foresight by being an early adopter of a CO_2 tax, a prohibition against flaring and strict measures to reduce methane emissions. We're constantly working to improve in this area.

Moving forward

The long-term goal is to move away from fossil energy, but this will take time. The world's energy needs will necessarily include oil and gas for a long time to come. This underlines the importance of ensuring that this fossil energy is produced with the lowest possible emissions.

In order to achieve the entirely crucial innovation and development, we need more bright minds and skilled workers. There are so many exciting opportunities in our industry; opportunities to contribute to the transition. We need to do a better job of communicating this. At Petoro, we've always had a staff with a high level of technical expertise. Without them, we would not have been able to deliver the way we have since our inception in 2001. But even we will need to be replaced eventually. Our industry needs to reach out to and inspire young people. The future depends on it.

Trust, transparency and dialogue are prerequisites for working together to solve the energy challenges we face today; safe, secure and accessible energy for all, while simultaneously transitioning to a sustainable future. Norwegian oil and gas enjoys a unique competitive position here, one Petoro will work continuously to strengthen.

Energy crisis and climate crisis; we will contribute to solve them both. This is a tall order, and it's urgent. Our shared future depends on it.

Kind regards, Kristin

Kristin Fejerskov Kragseth
Administrerende direktør, Petoro AS

Directors' report 2022

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 528 billion in 2022, which represents an estimated 40 per cent of the state's total revenues from the petroleum activities in 2022.

External trends

The war in Ukraine is not only causing incredible suffering, but has also created an energy crisis in Europe. The past year clearly shows the importance of secure and reliable energy supply.

The outcome of the war in Ukraine is uncertain. The war will cast a shadow over the geopolitical scenario for a long time to come. Europe's goal is to have a broad range of suppliers, energy sources and transport routes to ensure reliable access to energy. This will be balanced with the goals of reasonable and clean energy for households and industry. The solution to this energy trilemma will have a lasting impact on European and global politics for the foreseeable future.

The threat scenario has changed, as demonstrated by the sabotage of the gas pipelines in the Baltic Sea and the many drone observations on the Norwegian shelf. This has led the industry to bolster its emergency preparedness and introduce new safety measures in close cooperation with the authorities.

Norway has strengthened its position as a stable and reliable supplier of gas and oil. A highly significant reason for this is that the framework for Norwegian petroleum policy remains firm. The stimulus package, which was adopted in 2020, has led to the submission of a record-high number of plans for development and operation (PDOs) in 2022. It is still just as important to continue efforts to identify and mature new projects in order to optimize the recovery of existing resources.

In order to secure and increase the value of remaining reserves and resources, it will be important to maintain the shelf's competitiveness. Continued efforts within areas such as increased drilling efficiency, optimised recovery strategies, as well as cost and climate-efficient development solutions, are important. Assessments are now under way as to whether the Norwegian shelf can further increase its gas deliveries to Europe in order to replace the loss of Russian volumes. The Norwegian shelf is mature and will eventually be characterised by declining production of both oil and gas.

According to the Norwegian Petroleum Directorate (NPD), overall gas and oil production in 2040 will be about one-third of the current level, assuming that no substantial new volumes are added.

Exploration is crucial in order to add new volumes. The NPD sees considerable remaining resources on the Norwegian shelf, particularly gas in the Barents Sea. It takes a long time to develop new fields, which means that it's uncertain whether these presumed volumes in the Barents Sea will be able to compensate for the expected decline in production on the shelf.

The number of serious HSE incidents was lower in 2022 compared with the previous year. But you can't be truly satisfied as long as anyone gets injured. Falling objects dominate the range of incidents in raw numbers. The maintenance backlog from 2020 has largely been eliminated. The Petroleum Safety Authority Norway's annual mapping of the risk level on the Norwegian shelf also shows a positive development. It is important that the industry continues its improvement efforts in order to further reduce the number of serious incidents.

Despite the strengthened position of Norwegian oil and gas, the basic framework of global and European energy and climate policy appears to remain firm. The use of fossil energy sources must be reduced in order to reach the targets in the Paris Agreement. The transition to a zero-emission society will still include a need for oil and gas, both for energy purposes or as key raw materials in various parts of the industry. The fossil energy sources with the lowest cost and emissions from production, transport and consumption are expected to be most successful. Norwegian gas and oil are well-positioned in this regard.

The most important measure to achieve considerable reductions in CO_2 emissions from production on the Norwegian shelf is electrification. Several major investment decisions have been made in recent years. The remaining electrification projects are expected to have higher measure costs. In line with additional parts of society requesting access to electricity for new 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 war in Ukraine has demonstrated the importance of stable and predictable gas supplies from Norway to Europe. This emphasises 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 has bolstered the importance of SDFI's vast gas portfolio.

Summary of SDFI results

Net cash flow to the state from the SDFI at year-end amounted to NOK 528 billion, 342 billion higher than last year. The cash flow was positively affected by persistently high oil and gas prices, and increased sales of gas. The increase was offset by reduced oil sales and increased costs associated with third party gas purchase, as well as increased production and transportation costs.

Total production reached 1,044 thousand barrels of oil equivalent per day (kboed), an increase of 17 kboed compared with last year.

Gas production amounted to 109 million standard cubic metres (mill. scm) per day, an increase of seven per cent compared with last year. The increase was mainly caused by increased gas extraction on Troll, a full year of production for Martin Linge and production starting up from Snøhvit following the fire on Melkøya. The average realised gas price was NOK 11.95, compared with NOK 4.78 per scm in 2021. The reason for the persistently high gas prices is mainly the loss of Russian gas deliveries to Europe as a result of the war in Ukraine. The effect of this loss of supply is lower than feared due to record-high LNG imports and reduced demand in Europe compared with 2021.

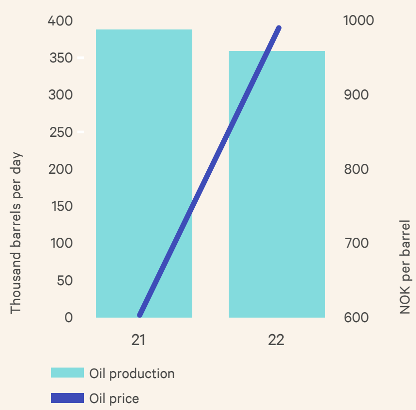
Liquids production was 359 kboed, 29 kboed lower than last year. The reduction in liquids production was primarily caused by natural production decline on multiple mature fields, as well as turnarounds. Extraction of NGL products from the gas stream has also been reduced to optimise the value of gas in the strong gas market. The reduction was offset, in part, by contributions from a full year of production for Martin Linge and production starting up from Snøhvit following the fire on Melkøya. The average realised oil price was USD 104, compared with USD 70 per barrel in 2021. However, the price increase in USD was somewhat bolstered by a weakened NOK, meaning that the achieved oil price measured in NOK was 988, compared with NOK 603 per barrel last year. The increase in the oil price compared with 2021 was caused by strong growth in demand, which was not matched by equivalent growth in supply. This development has partially reversed in the second half of 2022 due to rising interest rates, lower economic growth and a fear of recession. A stable increase in production from the US has also compensated, in part, for the loss of Russian oil imports.

Investments totalled just under NOK 29 billion, about NOK 3 billion higher than 2021. The investments increased due to greater activity on the Breidablikk and Ormen Lange phase III projects, as well as on Oseberg in connection with upgrading the gas capacity. Increased drilling activity on Heidrun and Valemon has also provided a contribution. The increase was partly offset by reduced development investments following the completion of Martin Linge in 2021.

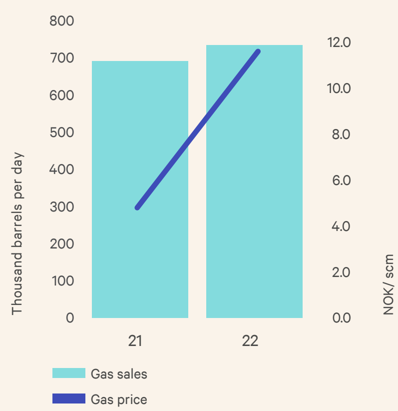
Total operating expenses amounted to NOK 103 billion, NOK 40 billion higher than the same period the year before. The increase was mainly caused by increased costs for purchasing third-party gas, totalling NOK 22 billion, as well as increased production and transport costs. Increased costs for purchasing third-party gas were mainly caused by higher gas prices in combination with higher volumes. Production costs amounted to NOK 23 billion, nearly NOK 6 billion higher than in 2021. The increase was mainly caused by higher electricity costs and increased CO_2 emission credit prices, as well as increased maintenance activity on certain fields and installations.

Total exploration costs during the period came to NOK 2 billion, of which a net of NOK 0.5 billion has been recognised as capitalised exploration expenses.

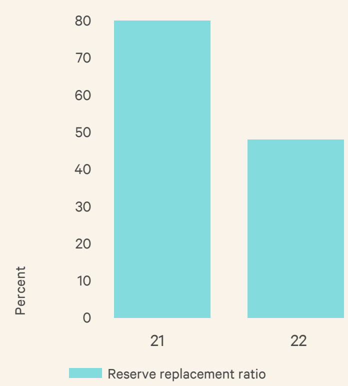
Oil production / - price



Gas sale / -price



Reserve replacement ratio



Net income after financial items at year-end amounted to NOK 539 billion, NOK 317 billion lower than in 2021. The increase was mainly caused by higher revenues as a result of significantly higher prices for oil and gas, as well as increased sales of gas from Troll, Martin Linge and Snøhvit.

The book value of assets at 31 December 2022 was NOK 328 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 198 billion, which is an increase of NOK 11 billion compared with 2021. The increase was caused by the transfer to the state being 11 billion lower than the annual result for accounting purposes. Overall debt amounted to NOK 130 billion, of which 69 billion was related to estimated future removal obligations. Removal obligations were reduced by NOK 10 billion compared with 2021, as a result of updated removal estimates and a higher discount rate.

Health, safety and the environment (HSE)

There were a total of 18 serious incidents in the SDFI portfolio in 2022, which results in a serious incident frequency of 0.5. This represents an improvement from 0.7 in 2021. Falling objects continue to dominate the range of incidents in raw numbers. The personal injury frequency was 3.9, which is about the same level as in 2021. 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 management visits at selected fields and onshore facilities with a focus on HSE.

Principal activities in 2022

As of the end of 2022, the portfolio consisted of 178 interests in production licences, 6 fewer than at the beginning of the year. In January 2023, the Ministry of Petroleum and Energy completed its awards in pre-defined areas, where an additional 9 production licences were awarded with SDFI participation. As the largest partner on the Norwegian shelf, which provides a unique overview, Petoro is well-positioned to identify opportunities and contribute to lessons learned across the portfolio. The company therefore works actively to use its position to create value for its owner.

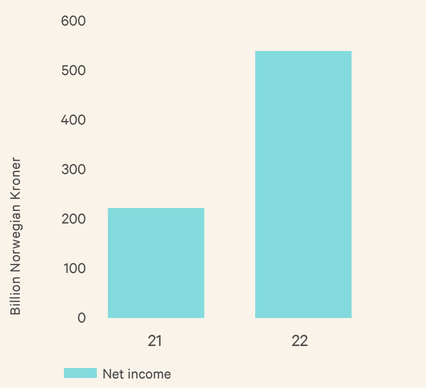
The portfolio consists of 36 producing fields. The projects Johan Castberg, Breidablikk, Kristin South phase 1, Ormen Lange phase 3, Troll Vest electrification, as well as Oseberg increased gas capacity and partial electrification are under development.

Production from mature oil fields continues to dominate liquids production from the SDFI portfolio, despite the fact that Johan Sverdrup accounted for 25 per cent of production in 2022. The Troll, Snorre, Oseberg, Åsgard, Heidrun, Gullfaks and Grane fields accounted for 50 per cent of total liquids production in 2022.

In 2022, gas accounted for two-thirds of overall production. More than 70 per cent of gas output came from Troll, Ormen Lange and Oseberg. Changes were made to the production plans for several of the fields in 2022 due to increased demand for gas, and this has contributed to the increase in gas production compared with the previous year.

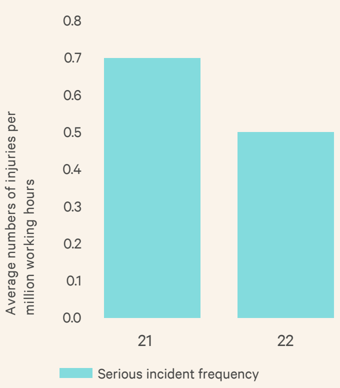
Petoro's strategy describes the company's goal-oriented efforts to

Net income



Investment

Serious incident frequency



create the greatest possible values, while at the same time safeguarding sustainability and the climate. The strategy has five priorities: (1) more wells by increasing drilling efficiency, (2) better understanding of reservoirs by utilising opportunities for digitalisation, (3) choosing solutions with a long-term perspective in field development, (4) by increasing facility utilisation through safe and efficient operations, and (5) sustainability and climate.

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 was a participant in 12 exploration wells in 2022. These resulted in four discoveries. Snøfonn Nord in the Johan Castberg licence (PL532) is considered to be a commercial discovery. With its location close to an existing field, the Skavl Stø discovery in the same licence also has the potential to become commercial. The two remaining discoveries, Hamlet near Gjøa, and Overly east of Ekofisk, are still under evaluation.

The portfolio's estimated remaining reserves totalled 4,779 million boe at the end of the year, down by 193 million boe from the previous year. Reserve growth totalled 188 million boe, which is mainly derived from Dvalin and the projects Dvalin Nord and Irpa, as well as Gullfaks Sør, Statfjord blowdown and Åsgard Blåbjørn. With a production of 372 million boe, this yields a reserve replacement rate of 49 per cent, compared with 80 per cent in 2021 and 20 per cent in 2020.

Additional information about the company's activities in 2022 can be found in Chapter 3, Activities and results from the year.

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 638 million for the SDFI in 2022. This is in addition to projects aimed at field-specific qualification of new solutions or pilot use of technology in licences, where the costs are charged to the joint ventures. Petoro initiate its own technology projects to a limited extent.

Marketing and sale of the products

All oil and natural gas liquids (NGL) from the SDFI portfolio are sold to Equinor. Equinor is responsible for marketing all the SDFI's natural gas along with its own natural gas, at the state's expense and risk. Petoro's task is to follow up 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 total value for Equinor's and the state's petroleum and ensure fair distribution of the value creation. Petoro specifically follows up issues of considerable importance, issues of a principle nature and potential conflicts of interest.

In 2022, 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. 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 considerable importance.

Selected verifications have been conducted to ensure that the SDFI receives its rightful share of sales-related costs and revenues. There is a need for clarification regarding principles in the marketing and sales instructions and throughout the year Petoro has had a dialogue with the Ministry of Trade, Industry and Fisheries on certain areas of the instructions. The company has also had an extensive dialogue with Equinor, including follow-up of shared goals for costs and value creation.

Working environment and expertise

The company's human resources policy shall ensure that Petoro is an attractive workplace for existing and future employees.

In early 2022, all employees were given the opportunity to return to the office after two years of the pandemic and extensive use of home offices. The company has worked actively during the year to ensure a good working environment, and employee feedback indicates that they are pleased to be back in the office. However, the experiences gained from using home offices has been useful, which is why Petoro has practised flexibility as regards where the employees conduct their work, as well as access to equipment for home offices.

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.

An annual plan is prepared as regards diversity, equality and inclusion with concrete steps that cover these areas. This ensures that the company works in an active, targeted manner according to this plan. More detailed information about this area is provided in the company's sustainability report, which will be published later this year.

The company had 70 employees at year-end, the same number as at the end of 2021. Six new appointments were made in 2022, in addition to five employees signing contracts with start-up dates in 2023.

The average age in the company is 52; 53 for men and 49 for women. The ratio of women in Petoro has remained above 30 per cent since 2009, and was 34 per cent in 2022. The company 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 company's Board consists of 57 per cent women. The current ratio of women in company management is 50 per cent, compared with 57 per cent in 2021. Of a total of six representatives in the Working Environment Committee and Works Council, there were four women, compared with two women and four men the previous year.

Petoro's salary system consists of different groups of employees, including management, senior advisers and advisers. The ratio of women in the different salary groups corresponds to the share of women in the company as a whole. Nine per cent of the company's employees belong to the "management" category, while 82 per cent and nine per cent belong to the "senior adviser" and "adviser" groups, respectively. In management, women's overall compensation packages correspond to 97 per cent of men's packages. The equivalent percentages for senior advisers and advisers are 99 and 103.

The company has a number of employees from diverse cultural and ethnic backgrounds. Nine nationalities in addition to Norwegian are represented among the company's employees.

There was one instance of voluntary part-time work in Petoro in 2022 and no temporary employees. Six people took out parental leave during the year.

Absence due to illness was 3.1 per cent, compared with 2.4 per cent the previous year. The company considers this to be low. In an effort to promote good health and prevent burnout, the company emphasises close follow-up and dialogue as described in the Inclusive Workplace Agreement. No occupational accidents were recorded among the company's personnel in 2022. 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 and Works Council lays an important foundation for a good working environment. Cooperation in these bodies is considered to be good.

Corporate governance

Corporate governance was moved from the Ministry of Petroleum and Energy to the Ministry of Trade, Industry and Fisheries in 2021. 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 corporate governance to ensure that SDFI is managed in a manner that maximises financial value creation. 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. 6 (2022-2023) "A greener and more active state ownership - The Norwegian state's direct ownership in companies" and those sections of the "Norwegian Code of Practice for Corporate Governance" regarded as relevant to the company's activities and the frameworks established by its form of organisation and ownership.

The company'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 company's guidelines.

Measures which ensure that the company discharges its CSR include business ethics guidelines, the HSE declaration, the company's strategy, as well as 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 assessment 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 2022, the Board has devoted particular attention to the security situation on the Norwegian shelf and gas export from the portfolio, reductions in greenhouse gas emissions, as well as the risk of cost overruns and delays.

Three internal audit projects were carried out in 2022 aimed at the areas of internal control in connection with decisions in joint ventures, corporate governance and internal control, as well as anti-corruption, fraud and misconduct. 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, and the internal controls fulfil 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 2022 accounting year.

Work of the Board

The Board has overall responsibility for administration of the company. The Board ensures that appropriate management and control systems are in place and supervises daily management and the company's activities. The "Instructions for the Board of Directors" describe the Board's responsibilities and administrative procedures. Balanced scorecards are a key instrument used by the Board in following up the company's results.

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 regarding remuneration of the chief executive and senior personnel.

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. They are furthermore required to report other relationships with licensees involved in petroleum activities on the NCS or with companies that supply licensees.

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

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 Jonas Olsson 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.

Reference is otherwise made to Chapter 4, "Management and control" under "Corporate governance".

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 2022 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 362 million was appropriated for ordinary operation of the company in 2022, compared with NOK 356.6 million in 2021.

Total expenses in 2022 were within the framework of the Board's approved budget, the company's appropriation and allocation letter. The financial result for Petoro AS totalled NOK 0.8 million. The Board proposes that this profit be transferred to other equity. Including net income for the year, other equity amounted to NOK 18.4 million as of 31 December 2022.

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.

Prospects

Norwegian oil and gas have strengthened their position substantially as a result of Russia's invasion of Ukraine. Norway is now Europe's most important supplier of gas, a position that will most likely remain equally important for several years to come. Apart from being a reliable and secure supplier, the Norwegian shelf also needs to be competitive on price and emissions. It is important to further bolster all competitive parameters in the coming years.

Troll and the other mature fields on the Norwegian shelf make up the backbone of the SDFI portfolio, and contribute to high and stable production. There is still a considerable potential for increasing the value of these fields.

Ninety-three fields are now in production on the Norwegian shelf. The number of fields in production has never been higher, and this applies for both the shelf and the SDFI portfolio. Continuous efforts linked to refining the field portfolio will still be needed to realise the remaining assets under the seabed.

Close cooperation with the players on the shelf moving forward will make additional areas important. Examples of this are new developments from exploration close to existing fields and gradual consolidation of facilities. This presumes that all players adopt a comprehensive and long-term perspective.

A greater share of oil production will come from mature fields. Efficient drilling processes means that more wells can be drilled, which will improve the recovery rate. Well maintenance and drilling new production wells are also 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 phased in rapidly.

Good reservoir understanding is needed to identify opportunities for additional wells. Innovative solutions will be crucial, particularly within digitalisation, and the oil industry on the Norwegian shelf has historically been at the forefront in this area. 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 oil and gas industry is expected to contribute in the transition to a low-emission society, and an additional reduction in greenhouse gas emissions from the Norwegian shelf is also expected. The industry's goal is to reduce emissions by 50% by 2030, measured against 2005. In order to achieve this, the electrification of our activities must continue.

The last two years have seen investment decisions for several major electrification projects on the Norwegian shelf with Petoro participation. The Troll West Electrification (TWEL) project and Oseberg Power from Shore constitute partial electrification of Troll B/C and Oseberg, respectively. Decisions have also been made to fully electrify Snøhvit and Draugen. The work with electrification of fields and infrastructure will continue in 2023.
In combination with energy efficiency measures, turnarounds and scale-downs, this could help ensure that Petoro can achieve its target of a 55% reduction in greenhouse gas emissions for the SDFI portfolio by 2030. This target is challenging as regards developing new opportunities for electrification with acceptable measure costs, as well as potential restrictions in access to electricity. This will require substantial efforts from the joint ventures and Petoro.

The market-related climate risk will increase leading up to 2040 despite the fact that Norwegian oil and gas will remain in demand. The Norwegian shelf is mature, and production will eventually decline. Declining production also means a reduction in overall greenhouse gas emissions. There may nevertheless be a need to decarbonise parts of the production, particularly natural gas. This can be done by reforming natural gas into hydrogen or ammonia, anything as presumes carbon storage. The Norwegian shelf has extensive experience with carbon storage and numerous new areas have been mapped for the storage of CO_2. Multiple CO_2 storage licences have been awarded. A German-Norwegian industrial collaboration has also been established to assess an export solution for hydrogen from the Norwegian shelf to the Continent. The IEA also points out that an accelerated transition to a sustainable energy supply will reduce the likelihood of new energy crises. At the same time, 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.

With resources and expertise in areas such as offshore activities, major development projects and technology development, in addition to a well-tailored framework, the Norwegian shelf is well-poised to succeed in the transition.

Stavanger, 9 March 2023

Gunn Wærsted
Chair

Brian Bjordal
Deputy Chair

Trude J. H. Fjeldstad
Director

Kristin Skofteland
Director

Hugo Sandal
Director

Jonas Olsson
Director,
elected by the employees

May Linda Glesnes

May Linda Glesnes
Director,
elected by the employees

Kristin Fejerskov Kragseth
Chief Executive Officer (CEO)

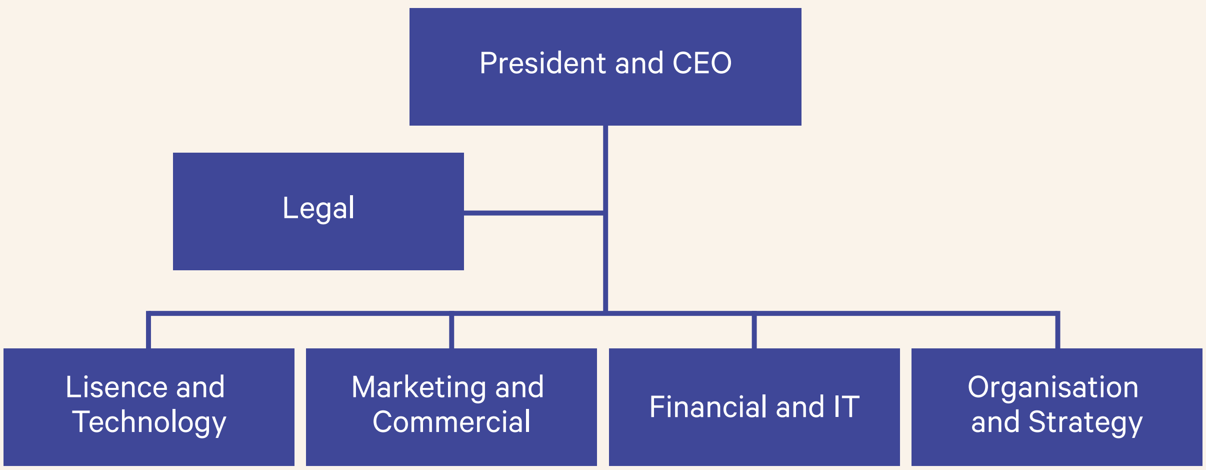
2

Introduction to the enterprise and key figures 2022

Oseberg Field Centre
Photo: Øyvind Hagen / ©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.



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. The Board has overall responsibility for administration of the company. Petoro's organisation is shown in the figure above.

Key figures for Petoro AS

	2022	2021	2020
Total allocation/ administration grant (NOK million)*	**290**	285	288
Employees at 31 December	**70**	70	64
Full-time equivalents (average number of full-time equivalents employed)	**68.4**	65.9	62.8
Payroll share of administration grant (per cent)**	**42**	41	37
Payroll costs per full-time equivalent (NOK million)**	**1.78**	1.77	1.71
Percentage of consultants in administration contribution (per cent)	**17**	18	19
ICT expenses (NOK million)	**33**	31	30
Office lease expenses incl. overhead costs	**11.6**	11.1	10.7

**) excluding VAT*
***) Salaries in Note 3*

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 covers 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 2022, the portfolio consisted of 178 production licences, 36 producing fields and 16 pipelines and terminals, as well as follow-up of 12 production licences with net profit agreements.

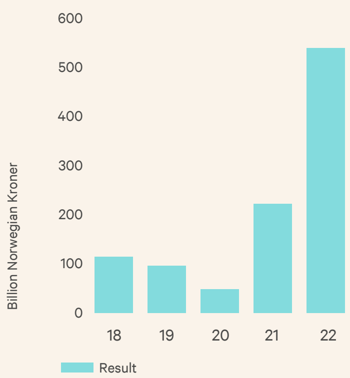
The SDFI portfolio represents about one-third of Norway's overall oil and gas reserves and yielded a cash flow of NOK 528 billion in 2022.

Key figures for SDFI

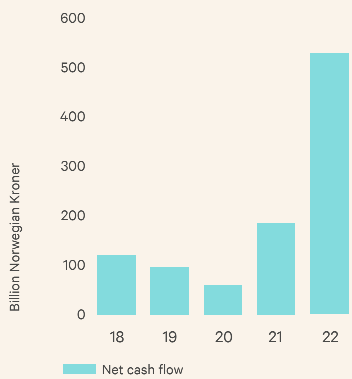
	2022	2021	2020
Net cash flow (in NOK million)	**528,171**	186,058	58,711
Operating revenue (NOK million) (NGAAP)	**640,426**	286,141	108,940
Production expenses (million NOK) (NGAAP)	**23,489**	17,711	14,074
Net income for the year (in NOK million) (NGAAP)	**539,208**	222,135	47,754
Investments (in NOK million) (cash)	**28,378**	24,732	27,601
Production — oil and NGL (thousand bbl/d)	**359**	388	374
Production - dry gas (million scm/d)	**109**	101	98
Production - total (thousand boe/d)	**1,044**	1,026	988
Remaining reserves (million boe)	**4,779**	4,972	5,045
Reserve replacement rate (annual percentage)	**49**	80	20
Reserves added (million boe)	**188**	301	72
Oil price (USD/bbl)	**104**	70	40
Oil price (NOK/bbl)	**988**	603	376
Gas price (NOK/scm)	**11.95**	4.78	1.25

Key figures 2022

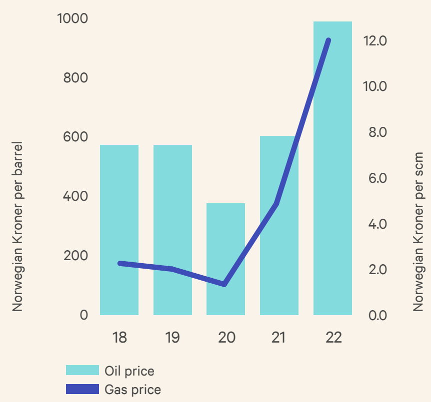
Result



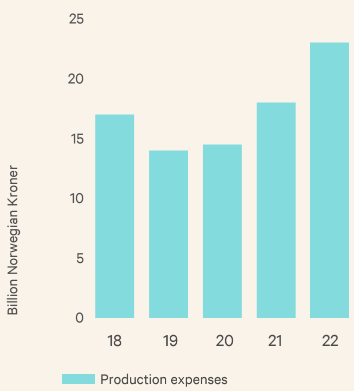
Cash flow



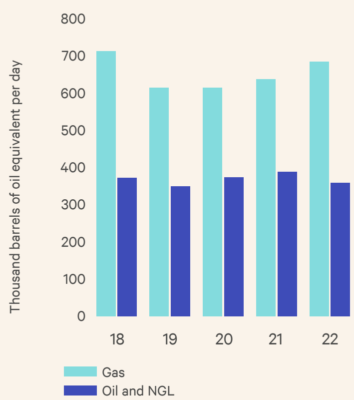
Oil and gas prices



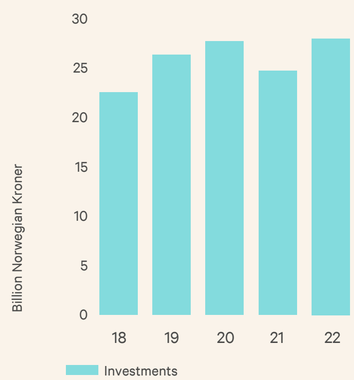
Production expenses



Production



Investments (cash)



3

Activities and results from the year

Melkøya, Hammerfest
Photo: Ole Jørgen Bratland / ©Equinor

Activities and results in 2022

Reference is made to the "Letter of Assignment to Petoro AS for 2022", 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. A record-high number of projects are being planned, many of which will be matured toward an investment decision during 2022.

Operational targets

"Petoro will establish operational targets with the aim of maintaining a high level of production in 2022."
Management parameters: Volume figures. Development over time and description of deviations

Total production reached 1,044 thousand barrels of oil equivalent per day (kboed), an increase of 17 kboed compared with the previous year.

Gas production amounted to 109 million standard cubic metres (mill. scm) per day, an increase of seven per cent compared with last year. The increase was mainly caused by increased gas extraction on Troll, a full year of production for Martin Linge and production starting up from Snøhvit following the fire on Melkøya.

Liquids production was 359 kboed, 29 kboed lower than last year. The reduction in liquids production was primarily caused by natural production decline on multiple mature fields, as well as turnarounds. Extraction of NGL products from the gas stream has also been reduced to optimise the value of gas in the strong gas market. The reduction was offset, in part, by contributions from a full year of production for Martin Linge and production starting up from Snøhvit following the fire on Melkøya.

Production from the mature oil fields continues to dominate the SDFI portfolio, despite Johan Sverdrup accounting for 25% of liquids production. The company's strategy establishes the following four priorities to increase production: (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 (4) increasing 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 also been an important part of Petoro's work in 2022. 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.

Production costs in 2022 amounted to NOK 23 billion, about NOK 6 billion higher than the previous year. The primary reason for the increase is higher prices to purchase electricity and CO_2 credits, as well as increased maintenance activity on certain fields and facilities.

Petoro is closely following the development in production expenses, including expenses 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's improvement efforts in drilling and wells are addressed below in this chapter.

Digitalisation as an instrument to improve and increase competitiveness is high on the strategic agenda of most oil and gas companies as well as 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. Through its strategic cooperation with Schlumberger, Petoro has also targeted special efforts on increased quality and efficient 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 18 serious incidents in the SDFI portfolio in 2022, which results in a serious incident frequency of 0.5. This represents an improvement from 0.7 in 2021. Falling objects continue to dominate the range of incidents in raw numbers. The personal injury frequency was 3.9, which is on par with the previous year.

Petoro prioritises efforts to improve safety. This stance is clearly communicated through the company's expectations for HSE management and HSE culture in the licences. Petoro particularly focuses on handling major accident risk, and the company is addressing the quality of risk assessments and lessons learned across the portfolio. Over the course of the year, Petoro has carried out multiple management visits at selected fields and onshore facilities with a focus on HSE.

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. Electrification of mature fields is a time-critical measure, both as regards reaching national climate targets, in addition to a reduced income potential in the form of increased gas sales and saved CO_2 costs for projects when the remaining operating period is shorter. Petoro therefore actively works with operators and partnerships to maintain progress on these projects.

Petoro has seen significant activity associated with maturing electrification measures that will contribute to large reductions in greenhouse gas emissions from the SDFI portfolio. The last two years have seen investment decisions for multiple major electrification projects. The project Troll West Electrification (TWEL) and Oseberg Power from Shore constitute partial electrification of Troll B/C and Oseberg, respectively. The joint ventures also decided in 2022 to fully electrify Snøhvit and Draugen.

Later this year, Petoro will publish a dedicated sustainability report addressing emissions to air and sea from the SDFI portfolio, as well as developments over time and descriptions of deviations.

Priority targets and activities in 2022

"Petoro shall, through its own in-depth work, studies and verifications, contribute to quality in the basis for investment decisions for the mentioned projects."
Management parameters: Initiatives, measures and work initiated by Petoro, achieved results and their effects.

Over the course of the year, Petoro has processed 19 investment decisions in line with the company's governance requirements. Petoro has contributed to improvements and quality in the documentary basis for several of them through its own efforts. In connection with the Snøhvit electrification and onshore compression project, Petoro provided crucial contributions toward the choice of concept and phase-in timing. On Maria, the company has carried out extensive reservoir simulation work, which significantly strengthened the reserve base for the revitalisation project and laid the groundwork for additional wells. On Blåbjørn and Smørbukk Nord, Petoro has conducted studies to verify the volume base as a basis for unitisation with Åsgard. On Åsgard, the company has also conducted its own studies and built it own reservoir model for the Smørbukk reservoir to bolster the basis for new production wells. These are a few examples of Petoro's work.

"Petoro shall, through its own in-depth work, studies and verifications, contribute to robust and comprehensive concept choice solutions for discoveries and new development projects which allow for future flexibility."
Management parameters: Initiatives, measures and work initiated by Petoro, achieved results and their effects.

In 2022, the company has been engaged in efforts to develop good concept solutions to realise the largest remaining discoveries in the SDFI portfolio; Wisting, Linnorm and Grosbeak. In these efforts, Petoro has emphasised choosing development solutions with the capacity and expansion opportunities to realise the fields' full value potential, and that relevant new technology can be utilised to strengthen profitability. Examples of this include unmanned production facilities, multiphase over greater distances and advanced seismic monitoring.

"Petoro shall, through its own in-depth work, studies and verifications, contribute to reduced uncertainty in the reserve base for new projects."
Management parameters: Initiatives, measures and work initiated by Petoro, achieved results and their effects.

Early use and improvement of technology is important to increase competitiveness. Petoro is aiming its efforts towards technologies to increase the pace of drilling and optimise recovery strategies through the use of new digital tools. The company is also focusing on technologies for next-generation developments in remote operation, low-manned operations and reduced emissions.

2022 saw the submission of a plan for development and operation (PDO) for Halten Øst, Trell & Trine, Irpa, Verdande and Dvalin Nord. Amended PDOs were also submitted for Eldfisk Nord, Draugen electrification, Maria revitalisation, as well as Snøhvit electrification and onshore compression.

- The Halten Øst project is a joint subsea development of six gas/condensate discoveries tied back to the Åsgard field via existing subsea compression
- The Trell & Trine project is a subsea development of an oil/gas discovery tied back to the Alvheim production vessel
- The Irpa project is a subsea development of a gas discovery tied back to the Aasta Hansteen platform
- The Verdande project is a joint subsea development of two oil discoveries tied back to the Norne production vessel
- The Dvalin Nord project is a subsea development of a gas discovery tied

- back to the Heidrun platform via the Dvalin pipeline
- The Eldfisk Nord project is a subsea development tied back to the Eldfisk platform which will improve oil recovery on the field
- The Draugen electrification project will replace current power generation by using gas to reduce the field's CO_2 emissions by 220,000 tonnes per year
- The Snøhvit electrification and onshore compression project is a joint project aiming to both compensate for natural pressure drop in the reservoirs and replace current power generation by using gas. These two measures will extend the field's plateau production and reduce CO_2 emissions from Melkøya by 820,000 tonnes per year.
- The Maria revitalisation project is a subsea development that will improve gas recovery on the Maria field, which is tied back to the Kristin platform.

Investment decisions have also been made for Smørbukk Nord which will contribute to increased gas production. This development is part of the development of the Åsgard field.

Petoro has continued its activities associated with maturing electrification measures aimed at helping reduce greenhouse gas emissions from the SDFI portfolio. Electrification of mature fields is a time-critical measure in order to reach national climate targets, in addition to a reduced income potential in the form of increased gas sales and saved CO_2 costs for projects when the remaining operating period is shorter. Petoro therefore works actively with operators and joint ventures to ensure progress. Multiple major electrification projects on Snøhvit, Kårstø and Draugen have been matured in 2022, and an investment decision was made for two of these projects. Opportunities to electrify other fields in the portfolio, including fields in the Halten Bank and Tampen areas, are also being considered. Alongside the implementation of energy efficiency measures, as well as shutting and scaling down fields, the realisation of electrification projects under consideration will, overall, contribute toward achieving the company's target of a 55 per cent reduction in greenhouse gas emissions from the SDFI portfolio by 2030.

"Petoro shall, through its own in-depth work, studies and verifications, contribute to realising reserve bases and identifying new development projects for further field developments and improved recovery from mature fields in the portfolio."
Management parameters: Initiatives, measures and work initiated by Petoro, achieved results and their effects.

In line with its strategy, the company has aimed its targeted efforts at fields with a potential for further development; Johan Sverdrup, Heidrun, Oseberg, Åsgard, Blåbjørn, Martin Linge, Visund and Snorre. Drilling efficiency has also been addressed as a special topic for the entire field portfolio.

- On Heidrun, the company has conducted its own studies to explore opportunities to accelerate oil and gas production.
- On Blåbjørn, Petoro has conducted studies to verify the volume base as a basis for unitisation with Åsgard.
- On Åsgard, the company has conducted its own studies and built it own reservoir model for the Smørbukk reservoir to bolster the basis for new production wells.
- In light of disappointing production after start-up on Martin Linge, Petoro has taken an active role in identifying measures and concepts to increase production.
- On Oseberg, Visund and Snorre, the company has carried out its own studies to identify and refine volume bases from new drilling targets.
- Petoro has conducted its own studies and analyses on the resource base in potential candidates for new field developments such as Linnorm and potential further development of Johan Sverdrup.

"Petoro shall, through its own in-depth work, studies and verifications, contribute to high drilling efficiency and effective utilisation of rig and drilling capacity to drill new wells."
Management parameters: Initiatives, measures and work initiated by Petoro, achieved results and their effects.

Drilling efficiency has been addressed in 2022 as a special topic for the entire field portfolio.

The company has followed up drilling efficiency over time on ten fixed drilling facilities on the mature fields in the portfolio. 2022 proved to be yet another weak year for the number of completed wells from the fixed facilities, and costs per well were on par with the previous year. Several drilling facilities were unavailable to drill new wells for parts of the year. This was partly caused by prioritising different activity, such as larger projects and well maintenance, but was also a result of technical challenges. In order to realise resources in mature fields and raise the recovery rate, one must increase drilling efficiency and reduce the cost per well.

Despite the result for the year coming in below the company's goal, Petoro expects the work to be fruitful over the longer term. The company has raised multiple improvement initiatives, and cooperation with the operator is good. Petoro influenced improvements in the work process for mapping and identification of new well targets. The improved process has been applied on Snorre and Oseberg with good results, and has helped grow the portfolio of profitable drilling targets. This will contribute to more predictable drilling plans and better utilisation of rig capacity. Petoro has also lobbied for the implementation of automatic drilling control systems on Gullfaks.

Following up Equinor's marketing and sale of the state's petroleum

Petoro will follow up 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 shall follow up identified conflicts of interest, as well as Equinor's documentation of equitable distribution"

Management parameters: Initiatives, measures and work initiated by Petoro, achieved results and their effects.

In 2022, 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. 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 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 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. Petoro has maintained a dialogue throughout the year with the Ministry of Trade, Industry and Fisheries as regards clarifications related to the marketing and sale instructions. The company has also had an extensive dialogue with Equinor, 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 2022, 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 2021.

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. In 2022, the company has implemented a framework for efficiency and improvement. This framework is an integrated part of the company's governance.

Over the course of the year, the company has implemented 67 different improvement and efficiency measures. The impact of the measures is estimated at NOK 1.1 million in saved non-recurring costs and NOK 1.4 million in annual cost savings, as well as 250 saved hours worked. The measures have also yielded improved quality and fewer mistakes, increased availability of information and more efficient work processes.

The company has organised its primary tasks such that new ownership interests the company receives for stewardship are handled with a limited increase in the use of resources. Petoro has organised its activities with low basic staffing. 40 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 closely monitoring costs 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.

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 do not impact Petoro's accounts, but rather 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.

Valuation of the SDFI portfolio

The Ministry of Trade, Industry and Fisheries conducted a valuation of the SDFI in 2022 with external assistance, and the portfolio was valued at NOK 1,584 billion as of 1 January 2022.

4

Management and control

Final heavy lift completing Johan Castberg FPSO.
Foto: Øyvind Gravås / ©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 of 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: Chartered 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 for 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: Business Development Director at Hydro Rein AS.
Education: Social economist from University of Oslo, MBA in Corporate Finance from NHH, Master in Technology Management (MTM) from NTNU.
Career: Various positions in Statkraft and Hydro, including Vice President and general manager of Statkraft Tofte, general manager of Statkraft Treasury Center SA, board secretary of Statkraft AS, senior gas manager at Statkraft, general manager of Plaine de l'Ain Power SAS and portfolio manager for gas in Norsk Hydro.

Hugo Sandal
Director

Year of election: 2017
Occupation: Self-employed.
Education: Chartered 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 of OLF, (now Offshore Norge), 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.

Jonas Olsson
Director (elected by the employees)

Year of election: 2022
Occupation: Senior commercial adviser, Petoro AS
Education: Master's degree with specialisation in finance from the Norwegian School of Economics (NHH). Bachelor's degree in finance and administration from the Norwegian School of Economics (NHH).
Career: Broad experience from commercial, financial, strategy, business development and market analysis in Petoro.

Management of Petoro

Kristin Fejerskov Kragseth

Chief Executive Officer (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

CFO and digitalisation
Education: MBA from the University of Agder and specialisation in business analytics from the Norwegian School of Economics (NHH) in Bergen
Career: 25 years of experience from various roles in finance and economics in the oil and gas industry, both nationally and internationally. He has worked for ConocoPhillips, Norwegian Energy Company and EY.

Kjersti Bergsåker-Aspøy

Vice President Legal Affairs
Education: Law degree from the Universities of Bergen and Oslo, specialising in EU competition law
Career: 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 Board emphasises good corporate governance and management in order to ensure that the SDFI 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. 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. 6 (2022-2023) "A greener and more active state ownership - The Norwegian state's direct ownership in companies" and those sections of the "Norwegian Code of Practice for Corporate Governance" regarded as relevant to the company's activities and the frameworks established by its form of organisation and ownership. A report is provided below on the main topics with relevance for Petoro AS.

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 to ensure this is adhered to, thereby ensuring that the risk is managed in a satisfactory manner 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 the results achieved 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 2023.

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.
- Following up 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 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 five priorities, chosen based on their value potential and Petoro's opportunity to exert influence: (1) sustainability and climate, (2) more wells by increasing drilling efficiency, (3) better understanding of reservoirs, particularly by utilising opportunities for digitalisation, (4) choosing solutions with a long-term perspective in field development, and (5) increasing the utilisation of 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 cover 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. Six ordinary board meetings were held in 2022.

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 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 2022 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 2022.

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 scenario.

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 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, as well as that the management system is effective. In 2022, the internal control has been aimed at the areas of internal control in connection with decisions in joint ventures, corporate governance and internal control, as well as anti-corruption, fraud and misconduct. 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 misconduct 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 were presented and approved by the ordinary general meeting in 2022. The wage report pursuant to Section 6-16a of the 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 2022 lists wages and other benefits for senior executives in line with relevant guidelines. In 2022, the management team consisted of six 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 2021.

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 dedicated sustainability report, which will be published on the company's website in spring 2023.

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 a statement detailing whether the annual accounts pursuant to the accounting principles and on a cash basis were rendered pursuant to the rules of the Accounting Act, generally accepted accounting practices in Norway 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 has participated in Ernst and Young's SHE Index since 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 2023.

Corporate social responsibility

Petoro's corporate social responsibility report is based on the company's guidelines for exercising corporate social responsibility and procedure for due diligence for the supplier chain and business partners pursuant to the (Norwegian) Transparency Act. The mentioned guidelines have been adapted to the company's activities as a licensee on the Norwegian shelf. 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 report to the Storting on state ownership, Report No. 6 to the Storting, 2022-2023 "A greener and more active state ownership – The state's direct ownership in companies". 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 being 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 facilities on behalf of the state as owner. The key elements are the requirement to have a dedicated 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 licences/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 scenario. 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 integral 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. 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 over the last few years; this particularly applies for gas sold to countries in Europe with high ambitions to reduce their greenhouse gas emissions. Over the past few years, Petoro has assessed which challenges and opportunities the transition to a low-emission society may bring for the SDFI values over the longer term. Along with its partners and operators, the company has identified measures that will be carried out in the upcoming years. Important measures include electrification projects, which will reduce emissions from the SDFI portfolio over time. Some of these measures are already under way. 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 misconduct, 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 so far been recorded.

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 misconduct. 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 misconduct 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.

Petoro endorses the Transparency Act's objective of promoting respect for fundamental human rights and decent working conditions throughout the value chain, as well as ensuring general public access to information. Under the Transparency Act, enterprises are obligated to be transparent through annual publication of their CSR due diligence efforts. The Transparency Act is the basis for the social part of sustainability. Our management and Board are driving forces for efforts and processes surrounding ethical trade and the Transparency Act. Petoro publishes its CSR due diligence efforts in its annual Sustainability Report.

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Outlook

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

Johan Sverdrup.
Photo: Ole Jørgen Bratland / ©Equinor

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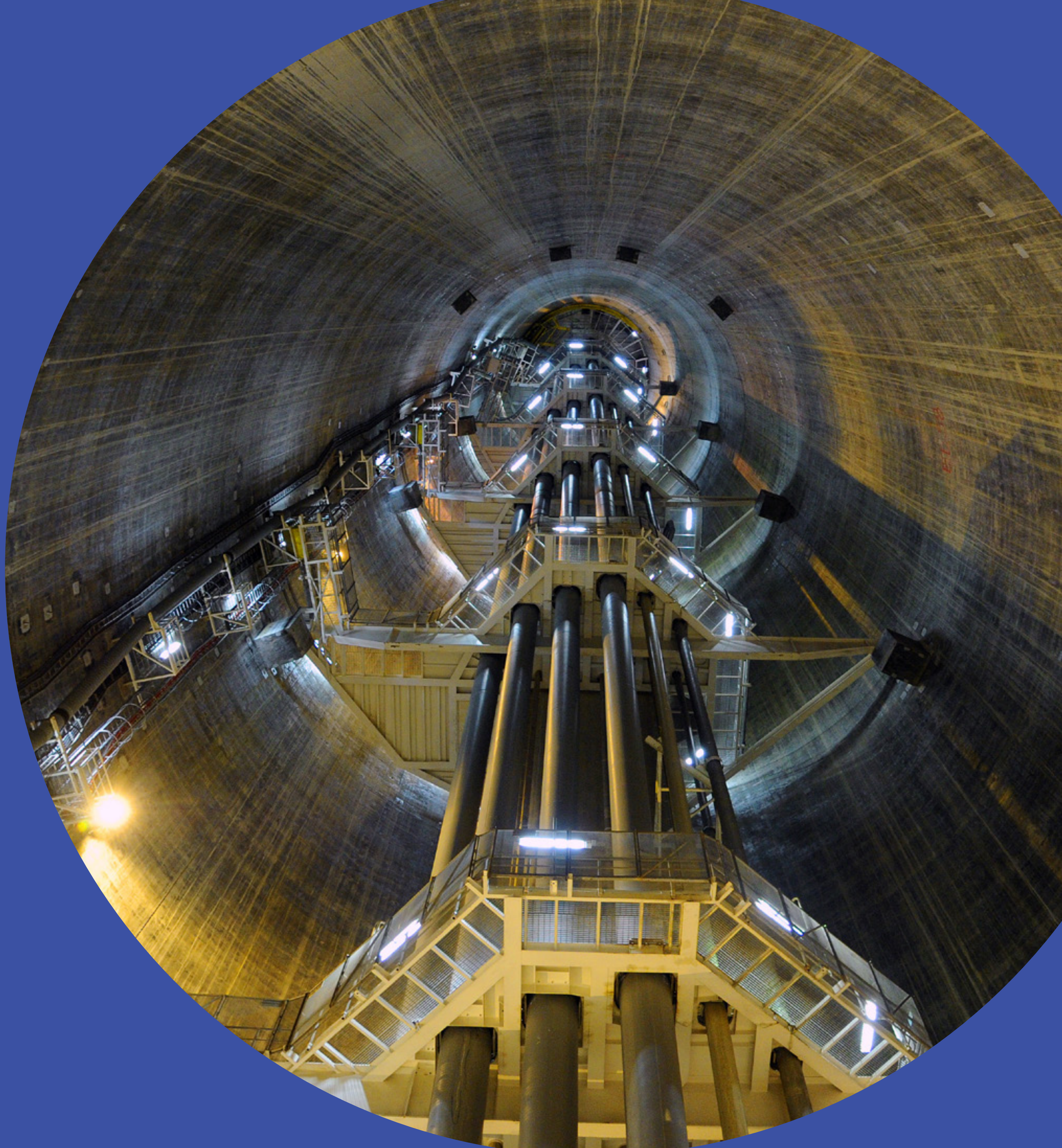
Figures for 2022

Annual accounts SDFI and Petoro AS



Troll A.
Photo: Harald Pettersen / ©Equinor

Management comment regarding 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 2022, the portfolio consisted of 178 production licences, 6 fewer than at the beginning of the year. In January 2022, the Ministry of Petroleum and Energy completed its Awards in Predefined Areas (APA 2021), where 7 production licences were awarded with SDFI participation. Over the course of 2022, 2 production licences were carved out from existing licences with SDFI participation, and 15 production licences were relinquished.

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 2022.

Assessment of significant factors

Appropriation and capital accounts

In accordance with the supplemental allocation letter dated 21 December 2022, the SDFI's appropriation for investments[1] totalled NOK 28.0 billion. The appropriation for operating income[2] totalled NOK 559.3 billion. The appropriation for interest on the state's capital[3] totalled NOK 2.4 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 630.1 billion in 2022, compared with NOK 255.8 billion in 2021. These revenues were largely affected by significantly higher oil and gas prices in 2022. Expenses reported in the appropriation accounts comprise payments of NOK 28.4 billion as investments and NOK 75.0 billion as operating expenses. Payments in 2021 amounted to NOK 24.8 billion related to investments and NOK 38.1 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 payment of financial expenses. Depreciation of fields and facilities amounted to NOK 26.3 billion in 2022, compared with NOK 25.6 billion in 2021.

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 the SDFI at year-end amounted to NOK 528 billion, 342 billion higher than last year. The cash flow was positively affected by persistently high oil and gas prices, and increased sales of gas. The increase was offset, in part, by reduced oil sales and increased costs associated with third-party gas purchases for resale and production expenses, as well as increased transport expenses.

Total production reached 1,044 thousand barrels of oil equivalent per day (kboed), an increase of 17 kboed compared with last year.

Gas production amounted to 109 million standard cubic metres (mill. scm) per day, an increase of seven per cent compared with last year. The increase was mainly caused by increased gas extraction on Troll, a full year of production for Martin Linge and production starting up from Snøhvit following the fire on Melkøya. The average realised gas price was NOK 11.95, compared with NOK 4.78 per scm in 2021. The reason for the persistently high gas prices is mainly the loss of Russian gas deliveries to Europe as a result of the war in Ukraine. The effect of this loss of supply is lower than feared

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

due to record-high LNG imports and reduced demand in Europe compared with 2021.

Liquids production was 359 kboed, 29 kboed lower than last year. The reduction in liquids production was primarily caused by natural production decline on multiple mature fields, as well as turnarounds. Extraction of NGL products from the gas stream has also been reduced to optimise the value of gas in the strong gas market. The reduction was offset, in part, by contributions from a full year of production for Martin Linge and production starting up from Snøhvit following the fire on Melkøya. The average realised oil price was USD 104, compared with USD 70 per barrel in 2021. However, the price increase in USD was somewhat bolstered by a weakened NOK, meaning that the achieved oil price measured in NOK was 988, compared with NOK 603 per barrel last year. The increase in the oil price compared with 2021 was caused by strong growth in demand, which was not matched by equivalent growth in supply. This development has partially reversed in the second half of 2022 due to rising interest rates, lower economic growth and a fear of recession. A stable increase in production from the US has also partly offset the loss of Russian oil imports.

Cash investments amounted to just over NOK 28 billion, 3 billion higher than in 2021. The investments increased due to greater activity on the Breidablikk and Ormen Lange phase III projects, as well as on Oseberg in connection with upgrading the gas capacity. Increased drilling activity on Heidrun and Valemon has also provided a contribution. The increase was partly offset by reduced development investments following the completion of Martin Linge in 2021.

Total operating expenses amounted to NOK 103 billion, NOK 40 billion higher than the same period the year before. The increase was mainly caused by increased costs for purchasing third-party gas, totalling NOK 22 billion, as well as increased production and transport costs. Increased costs for purchasing third-party gas were mainly caused by higher gas prices in combination with higher volumes. Production costs amounted to NOK 23 billion, nearly NOK 6 billion higher than in 2021. The increase was mainly caused by higher electricity costs and increased CO_2 emission credit prices, as well as increased maintenance activity on certain fields and installations.

Total exploration costs during the period came to NOK 2 billion, of which a net of NOK 0.5 billion has been recognised as capitalised exploration expenses.

The financial result for 2022 was a net income of NOK 539 billion, NOK 317 billion higher than the previous year. The increase was mainly caused by higher revenues as a result of significantly higher prices for oil and gas, as well as increased sales of gas from Troll, Martin Linge and Snøhvit.

The book value of assets at 31 December 2022 was NOK 328 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 198 billion, which is an increase of NOK 11 billion compared with 2021. The increase was caused by the transfer to the state being 11 billion lower than the annual result for accounting purposes. Overall debt amounted to NOK 130 billion, of which 69 billion was related to estimated future removal obligations. Removal obligations were reduced by NOK 10 billion compared with 2021, as a result of updated removal estimates and a higher discount rate.

The portfolio's estimated remaining reserves totalled 4,779 million boe at the end of the year, down by 193 million boe from the year before. Reserve growth totalled 188 million boe, which is mainly derived from the Dvalin (incl. Dvalin Nord) and Irpa projects, as well as Gullfaks Sør, Statfjord blowdown and Åsgard (Blåbjørn). With a production of 381 million boe, this yielded a reserve replacement rate of 49 per cent, compared with 80 per cent in 2021 and 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 2023.

The Board has appointed PwC to conduct a financial audit of the SDFI accounts as part of Petoro's internal audit process. As internal auditor, 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.

Stavanger, 9 March 2023

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Chair

Brian Bjordal
Deputy Chair

Trude J. H. Fjeldstad
Director

Kristin Skofteland
Director

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Director,
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Kristin Fejerskov Kragseth
Chief Executive Officer
(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 2022 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 the SDFI.

Accounts on cash basis, SDFI
Appropriation accounts

Presentation of appropriation accounts reporting 31 Dec. 2022

Expense chapter	Chapter name	Category	Description	Total allocation	2022 accounts	(Increase)/ decrease in expenses
2440	Expenses	30	Investments	28,000,000,000	28,378,477,690	(378,477,690)
5440	Expenses	24.02	Operating expenses	73,100,000,000	74,657,535,672	(1,557,535,672)
5440	Expenses	24.03	Exploration and field development expenses	2,000,000,000	1,955,951,399	44,048,601
5440	Expenses	24.04	Depreciation	26,100,000,000	26,314,129,664	(214,129,664)
5440	Expenses	24.05	Interest	2,400,000,000	2,377,551,850	22,448,150
Total expensed				**131,600,000,000**	**133,683,646,275**	**(2,083,646,275)**

Revenue chapter	Chapter name	Category	Description	Total allocation	2022 accounts	Excess revenue and lower revenue (-)
5440	Revenues	24.01	Operating revenue	662,900,000,000	634,025,312,218	(28,874,687,782)
5440	Expenses	30	Depreciation	26,100,000,000	26,314,129,664	214,129,664
5440	Expenses	80	Interest on fixed capital	2,400,000,000	2,382,902,576	(17,097,424)
5440	Expenses	85	Interest on open accounts	0	(5,350,726)	(5,350,726)
Total recognised				**691,400,000,000**	**662,716,993,732**	**(28,683,006,268)**
5440		**24**	**Operating profit**	**559,300,000,000**	**528,720,143,634**	**(30,579,856,366)**
Net reported to appropriation accounts					**(529,033,347,457)**	

Capital accounts

0677.03.04693	Settlement account Norges Bank - paid in	625,575,399,529
0677.03.08710	Settlement account Norges Bank - paid in	18,250,599,361
0677.04.05015	Settlement account Bank of Norway - paid out	(115,655,242,990)
	Change in open accounts	862,591,557
Sum rapportert		0

Holdings reported to the capital accounts (31 Dec)

Account	Text	2022	2021	Change
	Open accounts with the Treasury	(1,309,114,358)	(446,522,801)	(862,591,557)

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		28,000,000,000	28,000,000,000
5440.24.02		73,100,000,000	73,100,000,000
5440.24.03		2,000,000,000	2,000,000,000
5440.24.04		26,100,000,000	26,100,000,000
5440.24.05		2,400,000,000	2,400,000,000
5440.24.01		662,900,000,000	662,900,000,000
5440.30		26,100,000,000	26,100,000,000
5440.80		2,400,000,000	2,400,000,000
5440.85		0	0
5440.24		559,300,000,000	559,300,000,000

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

Petoro has been authorized to post receipts and payments for the SDFI against balances with the Treasury. The balance includes over/undercalling of cash from the operator companies (the difference between cash call and settlements from the operator), working capital, settlement from the operator, value added tax and balances with payment intermediaries, etc. For other power of attorneys, refer to the Letter of Assignment for 2022 given to Petoro from the Ministry of Trade, Industry and Fisheries.

Calculation of the possible amount to be transferred to next year is not relevant for the SDFI, which receives estimated appropriations.

Accounts on cash basis, SDFI
Capital accounts – specified

SDFI capital accounts 2022 – Figures in NOK				
	Items			
	Open account government			1,309,114,358
	Fixed assets before impairment		202,816,260,226	
	(Impairment) / reversal (+)		673,340,886	
	Fixed asset account		203,489,601,112	203,489,601,112
Total				**204,798,715,471**
	Open account state at 1 Jan. 2022		(446,522,801)	
	Total expenses	28,378,477,690		
	Total revenue	(557,411,825,147)		
	Cash flow	(529,033,347,457)	(529,033,347,457)	
	Net transfer to the state		528,170,755,900	
Open account state at 31 Dec. 2022			**(1,309,114,358)**	**(1,309,114,358)**
	Fixed assets 1 Jan. 2022		(200,751,912,200)	
	Investments for the year		(28,378,477,690)	
	Depreciation for the year		26,314,129,664	
	Impairment (+) / (Reversal)		(673,340,886)	
	Fixed assets 31 Dec. 2022		(203,489,601,112)	(203,489,601,112)
Total				**(204,798,715,471)**

Stavanger, 9 March 2023

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Chief Executive Officer
(CEO)

Accounts on cash basis, SDFI
General ledger accounts report

Specification of the general ledger accounts report 31. Dec. 2022		
	2022	**2021**
Operating revenues reported to the appropriation accounts		
Sales and lease payments received	646,148,095,491	270,584,545,129
Other amounts paid in	(16,095,982,525)	(14,780,124,770)
Total paid in from operations	**630,052,112,965**	**255,804,420,359**
Operating expenses reported to the appropriation accounts		
Depreciation	26,314,129,664	25,633,966,699
Other disbursements for operations	75,002,734,960	38,111,073,194
Total disbursed to operations	101,316,864,624	63,745,039,893
Net reported operating expenses	**(528,735,248,341)**	**(192,059,380,467)**
Investment and financial income reported to the appropriation accounts		
Financial income paid in	3,973,199,253	(6,130,120,048)
Total investment and financial income	**3,973,199,253**	**(6,130,120,048)**
Investment and financial expenses reported to the appropriation accounts		
Paid out for investment	28,347,890,748	24,776,788,081
Paid out for share purchases	28,582,627	(43,756,236)
Paid out for financial expenses	3,990,308,275	3,991,464,531
Total investment and financial expenses	**32,366,781,650**	**28,724,496,377**
Net reported investment and financial expenses	**28,393,582,398**	**34,854,616,425**
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)	(26,314,129,664)	(25,633,966,699)
Interest on the government's capital and open accounts with the Treasury (see Ch. 5440 revenue)	(2,377,551,850)	(2,331,397,463)
Net reported expenses under joint chapters	**(28,691,681,513)**	**(27,965,364,163)**
Net expenses reported to the appropriation accounts	**(529,033,347,457)**	**(185,170,128,204)**

Accounts on cash basis, SDFI
General ledger accounts report

Open accounts with the Treasury

Assets and liabilities	2022	2021	Change
O/U call	5,223,091,183	4,889,066,822	334,024,361
AP nonop	(2,360,814,695)	(2,614,962,675)	254,147,980
AR nonop	824,799,820	740,476,361	84,323,458
Inventory nonop	1,655,026,657	1,530,463,309	124,563,349
Prep exp nonop	553,817,712	539,139,890	14,677,822
Working cap - nonop	(4,593,947,580)	(4,640,378,698)	46,431,118
VAT	7,141,540	2,718,071	4,423,469
Agio	(278)	(278)	0
Total open accounts with the Treasury	**1,309,114,358**	**446,522,801**	**862,591,557**

*)
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 open account from 2021 to 2022:
The change is mainly caused by increased advances, calculated as net cash calls and settlement from the operators, as well as a reduction in amounts owed in settlement from the operators.

Accounts based on Accounting Act
Income statement pursuant to NGAAP - SDFI

All figures in NOK million	Notes	2022	2021
OPERATING REVENUE			
Operating revenue	2, 3, 13, 10	**640,426**	**286,141**
Total operating revenue		**640,426**	**286,141**
OPERATING EXPENSES			
Exploration expenses		**1,461**	**1,362**
Production expenses	4	**23,489**	**17,711**
Transport and processing expenses	4	**12,478**	**8,115**
Depreciation and impairment	9	**27,484**	**21,600**
Costs for gas purchases, storage and administra-tion	4, 12, 13	**37,912**	**13,923**
Total operating costs		**102,823**	**62,711**
Operating profit		**537,603**	**223,430**
FINANCIAL ITEMS			
Financial income	7	**10,691**	**3,211**
Financial expenses	7, 15	**9,086**	**4,506**
Net financial items	7	**1,605**	**(1,296)**
NET INCOME FOR THE YEAR	14	**539,208**	**222,135**

Accounts based on accounting act SDFI balance sheet at 31 December

All figures in NOK million	**Notes**	**2022**	**2021**
Intangible fixed assets	9	**49**	**53**
Tangible fixed assets	1, 9, 21, 22	**220,649**	**229,357**
Financial assets	9, 10	**24,668**	**1,827**
Fixed assets		**245,366**	**231,237**
Inventory	11	**3,013**	**2,130**
Trade debtors	12, 13	**79,963**	**73,488**
Bank deposits		**100**	**61**
Current assets		**83,076**	**75,679**
TOTAL ASSETS		**328,442**	**306,916**
Equity at 1 Jan.		**187,190**	**151,113**
Paid from/(to) the state during the year		**(528,171)**	**(186,058)**
Net profit		**539,208**	**222,135**
Equity	14	**198,227**	**187,190**
Long-term decommissioning liabilities	15, 21	**68,677**	**78,734**
Other long-term liabilities	16	**22,331**	**5,759**
Long-term liabilities		**91,008**	**84,493**
Trade creditors		**2,860**	**2,713**
Other current liabilities	13, 17, 18	**36,346**	**32,519**
Current liabilities		**39,206**	**35,233**
TOTAL EQUITY AND LIABILITIES		**328,442**	**306,916**

Stavanger, 9 March 2023

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Accounts based on accounting act
SDFI Cash flow statement

All figures in NOK million	Notes	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from operations	**2, 3**	**634,025**	249,674
Cash disbursements from operations	**4, 15**	**(76,617)**	(39,768)
Change in working capital in the licences		**(485)**	1,017
Change over/under call in the licences		**(334)**	(179)
Net interest payments		**(1)**	(1)
Cash flows from operating activities		**556,588**	**210,743**
CASH FLOW FROM INVESTMENT ACTIVITIES			
Investments	**9, 10**	**(28,378)**	(24,732)
Cash flow from investment activities		**(28,378)**	**(24,732)**
CASH FLOW FROM FINANCING ACTIVITIES			
Net transfer to the state		**(528,171)**	(186,058)
Cash flow from financing activities		**(528,171)**	**(186,058)**
Increase in bank deposits of partnerships with shared liability		**39**	(47)

Note information for accounts based on the Accounting Act

General

As of 31 December 2022, Petoro AS acted as licensee on behalf of the SDFI for interests in 178 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.

Petoro's administration of the portfolio is subject to the Regulations on Financial Management in Central Government and instructions for financial management of the SDFI. 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. Debts 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 historical acquisition cost with deduction for planned and contingent depreciation. Fixed assets under construction are carried at acquisition 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 75 per cent of expected remaining oil reserves in 2022, while the corresponding figure for gas reserves was 84 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 depreciation if there are 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 NRS 6.

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 nature of 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 2022, the Ministry of Petroleum and Energy completed its Awards in Predefined Areas (APA 2021), where 7 production licences were awarded with SDFI participation. Over the course of 2022, 2 production licences were carved out from existing licences with SDFI participation, and 15 production licences were relinquished. In January 2023, the Ministry of Petroleum and Energy completed its Awards in Predefined Areas (APA 2022), where an additional 9 production licences were awarded with SDFI participation.

NOTE 2 Specification of operating revenue by area

All figures in NOK million	2022	2021
Licence	**591,764**	264,485
Infrastructure and Market	**52,911**	25,434
Net profit agreements	**1,245**	(9)
Elimination internal sales	**(5,494)**	(3,769)
Total operating revenue (NGAAP)	**640,426**	**286,141**
Conversion to cash basis	**(6,401)**	(36,467)
Total cash basis	**634,025**	**249,674**

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 3 Specification of operating revenue by product

All figures in NOK million	2022	2021
Crude oil, NGL and condensate	**121,144**	82,644
Gas	**503,924**	192,057
Transport and processing revenue	**13,689**	11,043
Other revenue	**425**	405
Net profit agreements	**1,245**	(9)
Total operating revenue (NGAAP)	**640,426**	**286,141**
Conversion to cash basis	**(6,401)**	(36,467)
Total cash basis	**634,025**	**249,674**

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 33 per cent of annual gas volumes are purchased by the four largest customers. Under gas revenues in 2022, the company allocated NOK 7.3 billion in net unrealised losses on outstanding financial derivatives associated with gas volumes. For more information, see Note 18 on financial instruments.

NOTE 4 Specification of production and other operating expenses by area

All figures in NOK million	2022	2021
PRODUCTION EXPENSES		
Licence	**17,050**	13,245
Infrastructure and Market	**6,439**	4,466
Total production expenses	**23,489**	**17,711**
TRANSPORT AND PROCESSING EXPENSES		
Licence	**17,814**	12,939
Infrastructure and Market	**158**	(1,055)
Elimination internal purchases	**(5,494)**	(3,769)
Total transport and processing expenses	**12,478**	**8,115**
OTHER OPERATING EXPENSES		
Expenses for gas purchases, storage and administration	**37,912**	13,923
Total other operating expenses	**37,912**	**13,923**
Total operating expenses	**73,878**	**39,749**
Conversion to cash basis	779	(1,440)
Total cash basis	**74,658**	**38,308**

Production costs have increased due to higher electricity costs and increased CO2 emission credit prices, as well as increased maintenance activity on certain fields and facilities.
The increase in transport and processing costs was mainly caused by increased gas production in combination with increased tariffs.
Increased costs related to gas purchases, storage and administration are primarily caused by higher gas prices in combination with higher volumes.
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 5 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 638 million was expensed by the SDFI for R&D in 2022 as regards charges from the operators during the accounting year.

NOTE 6 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 2022 – 30 April 2023, and the result of the audit will be reported in the form of an auditor's report by 1 May 2023.

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. As internal auditor, 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 7 Net financial items

All figures in NOK million	**2022**	**2021**
Interest income	**1**	0
Other financial revenue	**2**	0
Currency gain	**10,688**	3,210
Currency loss	**(7,375)**	(2,915)
Currency loss/gain - unrealised	**(70)**	(32)
Interest expenses	**(153)**	(134)
Other financial expenses	**0**	0
Interest on decommissioning liability	**(1,488)**	(1,426)
Net financial items	**1,605**	**(1,296)**

Not relevant to the accounts on a cash basis.

NOTE 8 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 2022 letter of assignment to Petoro from the Ministry of Trade, Industry and Fisheries.

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 2022 letter of assignment to Petoro from the Ministry of Trade, Industry and Fisheries. 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 9 Specification of fixed assets

All figures in NOK million	Book value at 31 Dec 2021	Historical acquisi-tion cost at 1 Jan. 22	Accumulated depreciation 1 Jan. 22	Addit-ions 2022	Rever-sals 2022	Disposal 2022	Transfers 2022	Depre-ciation 2022	Book value at 31 Dec. 2022
Fields under development	13,871	13,871	0	4,631	0	0	0	0	18,502
Fields in operation*	187,159	668,077	(480,918)	10,170	673	0	559	(25,266)	173,295
Pipelines and onshore facilities	23,069	74,943	(51,873)	3,559	0	0	0	(2,887)	23,741
Capitalised exploration expenses*	5,258	5,258	0	1,257	0	(845)	(559)	0	5,112
Total tangible fixed assets	**229,357**	**762,148**	**(532,791)**	**19,617**	**673**	**(845)**	**0**	**(28,153)**	**220,649**
Intangible fixed assets	53	288	(235)	0	0	0	0	(4)	49
Financial assets	1,827	1,827	0	22,841	0	0	0	0	24,668
Total fixed assets (NGAAP)	**231,237**	**764,263**	**(533,026)**	**42,457**	**673**	**(845)**	**0**	**(28,157)**	**245,366**
Conversion to cash basis	(30,485)	(79,062)	48,577	(14,079)	0	845	0	1,843	(41,876)
Total fixed assets on cash basis	**200,752**	**685,202**	**(484,450)**	**28,378)**	**673**	**0**	**0**	**(26,314)**	**203,490**

** Due to reclassification of well costs in 2022, a net amount of NOK 360 million has been moved from "Fields in operation" to "Capitalised exploration expenses" in the incoming balance.*

Historical impairment totalling NOK 673 million has been reversed for fields in operation, related to Ekofisk, as a result of changes in applied short-term price trajectories, as well as updated production profiles and cost estimates.

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 following price assumptions have been used to calculate impairment/reversal of historical impairment:

Real prices/year	2023	2026	2028	2038
Oil NOK/bbl	838	631	585	540
Gas price NOK/scm	13.4	6.7	2.56	2.39

The long-term oil price is somewhat higher than what the IEA presumes in its Sustainable Development Scenario, which is in line with the Paris Agreement.

The long-term gas price reflects an increased probability of scenarios with higher demand, loss of Russian gas and generally higher prices 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 risk for periods with both lower and higher prices is still significant, and volatility can be expected.

Sensitivity analysis

The table below shows a marginal change in what the impairment or reversal of previous impairment would have been in 2022 under various alternative assumptions, presuming that all other assumptions remain constant. A price reduction of 30% on all products would have yielded a total impairment of NOK 595 million for the SDFI portfolio. The analysis indicates that the risk of potential stranded assets in the SDFI portfolio is relatively limited under current market assumptions.

		Alternative calculations of (impairment) / reversal of impairment (+) for 2022	
Assumptions	**Change**	**Increased assumptions**	**Reduced as-sumptions**
Gas and liquids prices	+/- 30 %	0	(595)
Discount rate	+/- 1 %	0	0

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 24,668 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 10).

NOTE 10 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 disproportionate 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 2019, the investment was recorded at the original acquisition cost of NOK 1,190 million. The SDFI's share of investments in gas activities in DC are recognised as increased acquisition cost and long-term liabilities vis-à-vis Equinor. See Note 16 for more information.

	2022		2021	
All figures in NOK million	**DC**	**ENG**	**DC**	**ENG**
Financial assets 1 Jan.	**1,704**	**123**	1,122	167
Share of profit for the year in associate company	**6,122**	**5,631**	(936)	(44)
Dividend	**0**	**(5,602)**	0	0
2022 additions	**16,690**	**0**	1,518	0
Financial assets 31 Dec*	**24,516**	**152**	**1,704**	**123**

** The book value of the shareholding in Norpipe Oil AS constitutes zero kroner and is therefore not included in the table above.*

NOTE 11 Inventories

All figures in NOK million	**2022**	**2021**
Petroleum products	**1,358**	599
Spare parts	**1,655**	1,530
Total inventories	**3,013**	**2,130**

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 12 Accounts receivable

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

NOTE 13 Related parties

The state owns 67 per cent of Equinor through the Ministry of Trade, Industry and Fisheries, and 100 per cent of Gassco through the Ministry of Petroleum and Energy. 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 121 billion (corresponding to 130 million boe) for 2022, compared with NOK 83 billion (143 million boe) for 2021.

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

2,447 million in 2022, compared with NOK 763 million in 2021. 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 48.7 billion in 2022, compared with NOK 21.8 billion in 2021. Open accounts with Equinor totalled NOK 16.0 billion in favour of the SDFI, converted at the exchange rate on the balance sheet date, compared with NOK 16.7 billion in 2021.

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 10.

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 14 Equity

All figures in NOK million	**2022**	**2021**
	187 190	151 113
Egenkapital per. 1.1	**187,190**	151,113
Årets resultat	**539,208**	222,135
Kontantoverføring til staten	**(528,171)**	(186,058)
Egenkapital per 31.12	**198,227**	**187,190**

Not relevant to the accounts on a cash basis.

NOTE 15 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 anticipated removal date is largely 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. In 2022, the discount rate was 3.0%, compared with 1.9% in 2021.

The estimate for decommissioning costs has been lowered by a net of NOK 10.0 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	2022	2021
Liability at 1 Jan	**78,734**	84,029
New liabilities	**4,321**	0
Actual decommissioning	**(782)**	(364)
Change in estimate	**(940)**	(3,483)
Change in discount rate	**(14,144)**	(2,874)
Interest expense	**1,488**	1,426
Liability at 31 Dec	**68,677**	**78,734**

NOK 782 million for cessation and decommissioning accrued in 2022, and is included in the accounts on a cash basis under operating expenses. The SDFI's share of estimated expenses for 2023 associated with shutdown and removal amount to NOK 830 million.

NOTE 16 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 payments for financial leasing total NOK 633 million as of 31 December 2022. Of this, NOK 245 million will be disbursed in 2023, and 388 million will be paid over the subsequent two years. The disbursement for 2023 is classified as current liabilities in the balance sheet.

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 1,851 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 liabilities vis-à-vis Equinor linked to the investment for the SDFI share amounted to NOK 19,461 million at year-end, of which NOK 1,190 million is the historical acquisition cost, and the remaining amount is linked to investments in gas activities.

Other long-term liabilities amount to NOK 632 million.

Not relevant to the accounts on a cash basis.

NOTE 17 Other current liabilities

Other current liabilities pursuant to NGAAP falling due in 2023 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 18 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 2022, the market value of the derivatives was NOK 12,406 million in assets and NOK 19,684 million in liabilities. The comparable figures at the end of 2021 were NOK 19,814 million in assets and NOK 10,280 million in liabilities. These figures include the market value of listed futures and unlisted instruments. The market value of built-in derivatives is associated with contracts entered into with end user customers on the Continent. This amounted to NOK 239 million in assets and NOK 219 million in liabilities in 2022. The comparable figures in 2021 were NOK 188 million in assets and NOK 0 million in liabilities, respectively. Net unrealised losses on outstanding positions at 31 December 2022 were carried to expense under the Norwegian Accounting Act and generally accepted accounting principles (NGAAP).

Price risk

The SDFI's most considerable price risk is related to future market prices on oil and natural gas. The SDFI is also exposed to both positive and negative price developments through the marketing and sale instruction issued to Equinor. In an effort to manage price risk associated with natural gas, Equinor enters into raw materials-based derivatives contracts on behalf of the joint portfolio. These contracts include futures, unlisted (over-the-counter – OTC) forwards and various types of swap agreements. The contracts entered into normally have a maturity of less than three years. The bilateral gas sales portfolio is exposed to various price indices and to a combination of long and short-term price points. Equinor purchases all oil, NGL and condensate from the SDFI at market-based prices.

Currency risk

The majority of the company's revenue from the sale of oil and gas is invoiced in USD, EUR or GBP. Parts 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 2022 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, the company 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 activities. Internal guidelines on managing the flow of liquidity have been established.

NOTE 19 Leases/contractual liabilities

All figures in NOK million	Leases	Transport capacity and other liabilities
2023	2,232	1,981
2024	692	1,043
2025	263	909
2026	178	762
2027	85	484
Beyond	179	514

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 13 wells with an expected cost to the SDFI in 2023 of NOK 1.7 billion.

The SDFI has also accepted contractual liabilities relating to investments in new and existing fields. Overall, this amounts to NOK 10 billion for 2023 and NOK 22 billion for subsequent periods, totalling NOK 32 billion. Through approved budgets and work programmes, the SDFI was also committed to operating and investment expenses for 2023. The mentioned liabilities are included in budgets and work programmes for 2023.

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 978 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 20 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 are 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. No provisions have been made for such issues in the annual accounts for 2022.

Some long-term gas sales agreements contain price review clauses that may lead to claims that become the subject of arbitration. The SDFI's exposure associated with ongoing price review 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 review in the annual accounts for 2022.

Not relevant to the accounts on a cash basis.

NOTE 21 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 effect on the accounts. Where the SDFI portfolio is concerned, it is presumed that assessments of the book values of tangible fixed assets, reserves, shutdown and decommissioning of installations, exploration expenses and financial instruments could have the greatest significance.

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. The valuation is inherently uncertain due to the discretionary nature of the underlying estimates. This risk has increased as a result of the current market conditions with rapid fluctuations in supply and demand for oil and gas, which causes more volatility in prices.

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 approved 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 ratio 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.

As regards shutdown and removal obligations, there will be significant estimate uncertainty linked to multiple factors in the removal estimates, including assumptions for removal and the method of estimation, as well as technology and the time of removal. Changes in the discount rate and the currency exchange rates used may also have a substantial impact on the estimates, and the subsequent adjustment of the obligation thus involves significant discretionary assessment.

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.

Reference is otherwise made to the description of the company's accounting principles and to Notes 15 and 18, 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 22 Expected remaining oil and gas reserves – unaudited

	2022		2021		2020	
Oil* in million bbls, gas in billion scm	**oil**	**gas**	**oil**	**gas**	**oil**	**gas**
Expected remaining reserves at 1 Jan.	**1,400**	**568**	**1,463**	**569**	**1,533**	**604**
Change in reserves	2	30	79	35	67	1
Production	(131)	(40)	(142)	(37)	(137)	(36)
Expected remaining reserves at 31 Dec.	**1,271**	**558**	**1,400**	**568**	**1,463**	**569**

* *Oil includes NGL and condensate.*

The portfolio's estimated remaining reserves totalled 4,779 million boe at the end of the year, down by 193 million boe from the year before. Reserve growth totalled 188 million boe, which is mainly derived from the Dvalin (incl. Dvalin Nord) and Irpa projects, as well as Gullfaks Sør, Statfjord blowdown and Åsgard (Blåbjørn). With a production of 381 million boe, this yielded a reserve replacement rate of 49 per cent, compared with 80 per cent in 2021 and 20 per cent in 2020.

NOTE 23 Events after the balance sheet date

There were no significant events after the balance sheet date which will affect the reported figures in the accounts.

NOTE 24 SDFI overview of interests

Production licence	At 31 Dec. 2022 Participating interest (%)	At 31 Dec. 2021 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
040	30.00000	30.00000
043	30.00000	30.00000
043 BS	30.00000	30.00000

Production licence	At 31 Dec. 2022 Participating interest (%)	At 31 Dec. 2021 Participating interest (%)
050	30.00000	30.00000
050 B	30.00000	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
052	37.00000	37.00000
053	33.60000	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	19.95000
074 DS	19.95000	19.95000
074 ES	19.95000	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
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

Production licence	At 31 Dec. 2022 Participating interest (%)	At 31 Dec. 2021 Participating interest (%)
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
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

Production licence	At 31 Dec. 2022 Participating interest (%)	At 31 Dec. 2021 Participating interest (%)
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
209 BS	35.00000	-
211	35.00000	35.00000
211 CS	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 I	40.00000	40.00000
250	45.00000	45.00000
255	30.00000	30.00000
255 B	30.00000	30.00000
255 C	30.00000	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
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

Production licence	At 31 Dec. 2022 Participating interest (%)	At 31 Dec. 2021 Participating interest (%)
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
537	20.00000	20.00000
537 B	20.00000	20.00000
608	20.00000	20.00000
685	-	20.00000
815	20.00000	20.00000
830	20.00000	20.00000
837	-	20.00000
858	-	20.00000
885	20.00000	20.00000
886	20.00000	20.00000
886 B	20.00000	20.00000
892	-	20.00000
894	20.00000	20.00000
896	20.00000	20.00000
923	20.00000	20.00000
923 B	20.00000	-
935	20.00000	20.00000
958	20.00000	20.00000
960	-	20.00000
968	20.00000	20.00000
970	20.00000	20.00000
973	20.00000	20.00000
973 B	20.00000	20.00000
976	20.00000	20.00000
983	-	20.00000
985	20.00000	20.00000
986	-	30.00000
1025 S	20.00000	20.00000
1025 SB	20.00000	-
1026	-	30.00000
1028	-	20.00000

Production licence	At 31 Dec. 2022 Participating interest (%)	At 31 Dec. 2021 Participating interest (%)
1044	-	20.00000
1046	-	30.00000
1049	20.00000	20.00000
1049 B	20.00000	20.00000
1049 C	20.00000	-
1051	20.00000	20.00000
1071	-	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	20.00000
1086	20.00000	20.00000
1090	20.00000	20.00000
1091	20.00000	20.00000
1093	30.00000	30.00000
1096	20.00000	20.00000
1106	20.00000	20.00000
1128	20.00000	20.00000
1131	20.00000	20.00000
1133	20.00000	20.00000
1134	20.00000	20.00000
1155	20.00000	-
1162	20.00000	-
1169	20.00000	-
1170	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. 2022 Participating interest (%)	At 31 Dec. 2021 Participating interest (%)	Remaining production period	Licence period
Breidablikk Unit	22.20000	22.20000	2044	2030
Fram H-Nord Unit	11.20000	11.20000	2032	2024
Gimle Unit***	24.18630	24.18630	2036	2022
Grane Unit	28.90500	28.90500	2044	2030
Haltenbanken Vest Unit	22.52000	22.52000	2040	2027
Halten Øst Unit	5.90000	5.90000	2039	-
Heidrun Unit	57.79339	57.79339	2046	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	2047	2040
Oseberg Area Unit	33.60000	33.60000	2040	2031
Sindre Unit***	27.09000	27.09000	2036	2022
Snorre Unit	30.00000	30.00000	2040	2040
Snøhvit Unit	30.00000	30.00000	2049	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
Trell & Trine Unit	26.84000	26.84000	2040	-
Troll Unit	56.00000	56.00000	2054	2030
Valemon Unit	30.00000	30.00000	2032	2031
Vega Unit	31.20000	31.20000	2035	2024
Visund Inside	30.00000	30.00000	2036	2034
Åsgard Unit	35.69000	35.69000	2034	2027

Field	At 31 Dec. 2022 Participating interest (%)	At 31 Dec. 2021 Participating interest (%)	Remaining production period	Licence period
Atla	30.00000	30.00000	2022	2025
Draugen	47.88000	47.88000	2040	2024
Dvalin	35.00000	35.00000	2038	2041
Ekofisk	5.00000	5.00000	2049	2048
Eldfisk	5.00000	5.00000	2049	2048
Embla	5.00000	5.00000	2028	2048
Gjøa	30.00000	30.00000	2031	2028
Gullfaks	30.00000	30.00000	2036	2036
Gullfaks Sør	30.00000	30.00000	2036	2025
Heimdal	20.00000	20.00000	2020	2024
Johan Castberg	20.00000	20.00000	2054	2049
Kvitebjørn	30.00000	30.00000	2036	2031
Maria	30.00000	30.00000	2040	2036
Oseberg	33.60000	33.60000	2040	2031
Oseberg Sør	33.60000	33.60000	2040	2031
Oseberg Øst	33.60000	33.60000	2029	2031
Rev	30.00000	30.00000	2024	2026
Skirne	30.00000	30.00000	2022	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	2036	2040
Tune	40.00000	40.00000	2032	2025
Urd	24.54546	24.54546	2036	2026
Vigdis	30.00000	30.00000	2040	2040
Visund Sør	30.00000	30.00000	2036	2034

PIPELINES AND ONSHORE FACILITIES

Oil infrastructure	**At 31 Dec. 2022 Participating interest (%)**	**At 31 Dec. 2021 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

*** Included in the Brime Unit as of 1 Jan. 2023

Resource accounts 2022 - unaudited

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 1-3	Reserves	202.1	557.7	759.8
RC 4	In the planning phase	26.2	17.3	43.5
RC 5	Recovery likely but not clarified	27.0	35.1	62.1
RC 6	Development unlikely	4.4	0.1	4.4
RC 7	Resources in new dis-coveries not evaluated and potential future IOR measures	59.4	66.9	126.4
RC 8	Prospects	23.3	16.7	40.1
	Total	**342.4**	**693.9**	**1036.3**

	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
Breidablikk	6.71	0.00	6.71	6.71	0.00	6.71
Draugen	75.30	1.65	76.96	3.70	0.85	4.55
Dvalin[1]	0.56	10.88	11.44	0.55	10.86	11.41
Ekofisk[2]	38.19	11.96	50.16	3.47	0.35	3.82
Fram H-Nord	0.08	0.00	0.08	0.01	0.00	0.01
Gimle	0.89	0.31	1.20	0.10	0.08	0.18
Gjøa	10.89	13.37	24.26	1.05	2.03	3.08
Grane	43.68	0.00	43.68	5.01	0.00	5.01
Gullfaks[3]	144.98	37.98	182.95	7.32	7.04	14.36
Halten Øst	0.37	0.53	0.90	0.37	0.53	0.90
Haltenbanken Vest	9.94	7.93	17.86	1.36	1.76	3.12
Heidrun	120.56	29.25	149.81	19.67	13.75	33.42
Irpa 6705/10-1	0.08	4.01	4.09	0.08	4.01	4.09
Johan Castberg	17.78	0.00	17.78	17.79	0.00	17.79

Johan Sverdrup	70.97	1.98	72.95	55.45	1.45	56.91
Kvitebjørn	12.05	33.45	45.50	1.18	5.08	6.26
Maria	4.88	0.34	5.23	3.46	0.32	3.78
Martin Linge	3.13	5.40	8.53	2.08	4.32	6.41
Norne	52.41	6.62	59.03	1.22	1.22	2.43
Norne Satellites[4]	3.77	0.23	4.00	0.65	0.07	0.73
Nøkken 34/11-2 S	0.02	0.05	0.07	0.02	0.05	0.07
Ormen Lange	7.20	125.97	133.17	1.05	34.38	35.44
Oseberg	177.97	53.18	231.15	9.85	31.28	41.13
Rev	0.28	0.81	1.09	0.00	0.00	0.00
Sindre Unit	0.03	0.02	0.05	0.03	0.01	0.04
Snorre	93.53	2.00	95.52	19.73	0.00	19.73
Snøhvit	11.81	62.92	74.73	6.89	42.71	49.60
Statfjord Nord	13.89	0.70	14.59	1.28	0.07	1.35
Statfjord Øst	13.61	1.69	15.30	1.10	0.30	1.40
Svalin	3.16	0.00	3.16	0.99	0.00	0.99
Sygna	3.46	0.00	3.46	0.14	0.00	0.14
Tor	1.24	0.44	1.69	0.20	0.02	0.22
Tordis/Vigdis	45.73	2.01	47.74	4.32	0.07	4.39
Trell/Trine	0.92	0.00	0.92	0.92	0.00	0.92
Troll	195.71	799.38	995.09	12.36	372.17	384.53
Tune	1.50	7.56	9.06	0.00	0.03	0.04
Valemon	0.86	4.94	5.80	0.23	1.01	1.24
Vega	7.29	8.40	15.69	1.89	3.19	5.08
Verdande	1.08	0.22	1.30	1.08	0.22	1.30
Visund[5]	18.30	20.47	38.77	2.94	7.09	10.03
Åsgard[6]	148.79	86.38	235.17	5.85	11.34	17.18
Totalt	**1363.6**	**1343.0**	**2706.6**	**202.1**	**557.7**	**759.8**

1) The Dvalin group consists of Dvalin and Dvalin Nord
2) The Ekofisk group consists of Ekofisk, Eldfisk, Embla (in production), as well as Vest Ekofisk, Cod and Edda (shut down)
3) The Gullfaks group consists of Gullfaks and Gullfaks Sør
4) The Norne Satellites consist of Skuld and Urd
5) The Visund group consists of Visund and Visund Sør
6) The Åsgard group consists of Åsgard and Blåbjørn
* Remaining reserves in Atla, Skirne, Heimdal, Veslefrikk are 0, which is why they are not included in the list

Riksrevisjonen

Vår referanse: 2022/00521-9

STATENS DIREKTE ØKONOMISKE ENGASJEMENT
SDØE
Org. Nr.: 980977269

Riksrevisjonens beretning

Konklusjon

Riksrevisjonen har revidert årsregnskapsoppstillingene for Statens direkte økonomiske engasjement SDØE for regnskapsåret 1. januar - 31. desember 2022. Årsregnskapsoppstillingene består av oppstilling av bevilgnings- og artskontorapportering, virksomhetsregnskap og noter, herunder sammendrag av viktige regnskapsprinsipper.

Oppstilling av bevilgnings- og artskontorapporteringen viser at -529 033 347 457 kroner er rapportert netto til bevilgningsregnskapet. Oppstilling av virksomhetsregnskapet viser et årsresultat på 539 208 millioner kroner.

Etter Riksrevisjonens mening

- oppfyller årsregnskapsoppstillingene gjeldende krav, og
- gir oppstilling av bevilgnings- og artskontorapporteringen med noter et dekkende bilde av virksomhetens disponible bevilgninger, inntekter og utgifter for 2022 og kapitalposter per 31. desember 2022, i samsvar med regelverket for økonomistyring i staten, og
- gir oppstilling av virksomhetsregnskapet med noter et rettvisende bilde av virksomhetens resultater for 2022 og av eiendeler, gjeld og egenkapital per 31. desember 2022, i samsvar med regnskapsloven og god regnskapsskikk.

Grunnlag for konklusjonen

Vi har gjennomført revisjonen i samsvar med *lov om Riksrevisjonen, instruks om Riksrevisjonens virksomhet* og internasjonale standarder for offentlig finansiell revisjon (ISSAI-ene). Våre oppgaver og plikter i henhold til lov, instruks og disse standardene er beskrevet nedenfor under Riksrevisjonens oppgaver og plikter ved revisjonen. Vi er uavhengige av virksomheten i samsvar med kravene i lov og instruks om Riksrevisjonen og ISSAI 130 Code of Ethics utstedt av International Organisation of Supreme Audit Institutions (INTOSAIs etikkregler), 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 i årsrapporten

Ledelsen er ansvarlig for informasjonen i årsrapporten. Øvrig informasjon består av ledelseskommentarer (del 6.1) og annen øvrig informasjon (del 1-5) i årsrapporten. Riksrevisjonens konklusjon ovenfor om årsregnskapsoppstillingene dekker ikke informasjonen i øvrig informasjon.

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

Basert på kunnskapen vi har opparbeidet oss i revisjonen, mener vi at den øvrige informasjonen i årsrapporten:

- er konsistent med årsregnskapsoppstillingene og
- inneholder de opplysninger som skal gis i henhold til gjeldende regelverk

Ledelsens, styrets og det overordnede departementets ansvar for årsregnskapsoppstillingene

Ledelsen og styret er ansvarlige for å utarbeide årsregnskapsoppstillingene som gir et dekkende bilde i samsvar med regelverket for økonomistyring i staten og rettvisende bilde i samsvar med regnskapsloven og god regnskapsskikk. Ledelsen og styret er også ansvarlige for slik intern kontroll som de finner nødvendig for å kunne utarbeide årsregnskapsoppstillingene som ikke inneholder vesentlig feilinformasjon, verken som følge av misligheter eller utilsiktede feil.

Det overordnede departementet og styret har det overordnede ansvaret for at virksomheten rapporterer relevant og pålitelig resultat- og regnskapsinformasjon og har forsvarlig intern kontroll.

Riksrevisjonens oppgaver og plikter
Målet med revisjonen er å oppnå betryggende sikkerhet for at årsregnskapsoppstillingene som helhet ikke inneholder vesentlig feilinformasjon, verken som følge av misligheter eller utilsiktede feil, og å avgi en revisjonsberetning som gir uttrykk for Riksrevisjonens konklusjon. Betryggende sikkerhet er en høy grad av sikkerhet, men ingen garanti for at en revisjon utført i samsvar med *lov om Riksrevisjonen, instruks om Riksrevisjonens virksomhet* og internasjonale standarder for offentlig finansiell revisjon, alltid vil avdekke vesentlig feilinformasjon. Feilinformasjon kan oppstå som følge av misligheter eller utilsiktede feil. Feilinformasjon er å anse som vesentlig dersom den, enkeltvis eller samlet, med rimelighet kan forventes å påvirke de beslutningene brukerne foretar på grunnlag av årsregnskapsoppstillingene.

Som del av en revisjon i samsvar med *lov om Riksrevisjonen, instruks om Riksrevisjonens virksomhet* og internasjonale standarder for offentlig finansiell revisjon, utøver vi profesjonelt skjønn og utviser profesjonell skepsis gjennom hele revisjonen. I tillegg:

- identifiserer og vurderer vi risikoene for vesentlig feilinformasjon i årsregnskapsoppstillingene, 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 intern kontroll.
- opparbeider vi oss en forståelse av internkontroll 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 virksomhetens interne kontroll.
- evaluerer vi om de anvendte regnskapsprinsippene er hensiktsmessige, og om tilhørende noteopplysninger utarbeidet av ledelsen er rimelige.
- dersom vi gjennom revisjonen av årsregnskapsoppstillingene får indikasjoner på vesentlige brudd på administrative regelverk med betydning for økonomistyring i staten, gjennomfører vi utvalgte revisjonshandlinger for å kunne uttale oss om hvorvidt det er vesentlige brudd på slike regelverk.
- evaluerer vi den samlede presentasjonen, strukturen og innholdet i årsregnskapsoppstillingene, inkludert tilleggsopplysningene, og hvorvidt årsregnskapsoppstillingene gir uttrykk for de underliggende transaksjonene og hendelsene på en måte som gir et dekkende bilde i samsvar med regelverket for økonomistyring i staten og rettvisende bilde i samsvar med regnskapsloven god regnskapsskikk.

Vi kommuniserer med ledelsen og styret blant annet om det planlagte innholdet i og tidspunkt for revisjonsarbeidet og eventuelle vesentlige funn i revisjonen, herunder vesentlige svakheter i den interne kontrollen som vi avdekker gjennom revisjonen. Vi informerer overordnede departementet om funn og svakheter.

Uttalelse om øvrige forhold

Konklusjon om etterlevelse av administrative regelverk for økonomistyring
Vi uttaler oss om hvorvidt vi er kjent med forhold som tilsier at virksomheten har disponert bevilgningene på en måte som i vesentlig grad strider mot administrative regelverk med betydning for økonomistyring i staten. Uttalelsen gis med moderat sikkerhet og bygger på ISSAI 4000 for etterlevelsesrevisjon. Moderat sikkerhet for uttalelsen oppnår vi gjennom revisjon av årsregnskapsoppstillingene som beskrevet ovenfor, og kontrollhandlinger vi finner nødvendige.

Basert på revisjonen av årsregnskapsoppstillingene er vi ikke kjent med forhold som tilsier at virksomheten har disponert bevilgningene i strid med administrative regelverk med betydning for økonomistyring i staten.

Oslo, 21.06.2023

Etter fullmakt

Tor Digranes
ekspedisjonssjef

Lisbeth Nybøe
avdelingsdirektør

Beretningen er godkjent og ekspedert digitalt.

Petoro AS income statement

All figures in NOK 1,000	NOTES	2022	2021
State contribution recognised as income	1	**289,600**	285,312
Other revenue	1, 15	**2,478**	1,703
Change in deferred revenue recorded	2	**(1,055)**	1,452
Total operating revenue		**291,023**	**288,467**
Payroll expenses	3, 10	**172,539**	171,630
Depreciation	5	**720**	1,542
Accounting fee	14	**12,217**	13,591
Office expenses	13	**11,685**	11,463
ICT costs	14	**32,626**	30,799
Other operating expenses	12	**66,489**	61,559
Total operating costs		**296,276**	**290,584**
Operating profit		**(5,254)**	**(2,117)**
Financial revenue	4	**6,356**	2,033
Financial expenses	4	**(277)**	(275)
Net financial result		**6,079**	**1,758**
NET INCOME FOR THE YEAR		**825**	**(358)**
TRANSFERS			
Transferred from / (to) other equity		**825**	(358)
Total transfers		**825**	**(358)**

Petoro AS balance sheet at 31 December

All figures in NOK 1,000	NOTES	2022	2021
ASSETS			
Fixed assets			
Tangible fixed assets			
Operating equipment, fixtures, etc	5	**2,360**	1,305
Total tangible fixed assets		**2,360**	**1,305**
Total fixed assets		**2,360**	**1,305**
Current assets			
Trade debtors		**95,132**	672
Other debtors	6	**14,143**	21,437
Bank deposits	7	**248,557**	252,841
Total current assets		**357,832**	274,950
TOTAL ASSETS		**360,192**	**276,255**
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	**18,416**	17,591
Total equity		**28,416**	**27,591**
Liabilities			
Provisions			
Pension liabilities	10	**184,627**	187,012
Deferred revenue government contribu-tion	2	**2,360**	1,305
Total provisions		**186,987**	**188,317**
Current liabilities			
Trade creditors		**20,242**	20,784
Withheld taxes and social security		**25,422**	11,644
Other current liabilities	11	**99,126**	27,920
Total current liabilities		**144,790**	60,347
Total liabilities		**331,776**	248,664
TOTAL EQUITY AND LIABILITIES		**360,192**	**276,255**

Stavanger, 9 March 2023

Gunn Wærsted
Chair

Brian Bjordal
Deputy Chair

Trude J. H. Fjeldstad
Director

Kristin Skofteland
Director

Hugo Sandal
Director

Jonas Olsson
Director,
elected by the employees

May Linda Glesnes
Director,
elected by the employees

Kristin Fejerskov Kragseth
Chief Executive Officer
(CEO)

Petoro AS - Cash flow statement

	All figures in NOK 1,000	2022	2021
	LIQUID ASSETS ADDED BY/USED IN OPERATING ACTIVITIES		
	Net profit	**825**	(358)
+	Depreciation	**720**	1,542
+/-	Change in trade debtors	**(94,461)**	(672)
+/-	Change in trade creditors	**(542)**	2,472
+/-	Change in accrued items	**90,948**	1,924
	Net change in liquidity from operating activities	**(2,509)**	**4,907**
	LIQUID ASSETS ADDED BY/USED IN INVESTING ACTIVITIES		
-	Invested in tangible fixed assets	**1,775**	90
	Net change in liquidity from investing activities	**1,775**	**90**
	LIQUID ASSETS ADDED 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	**(4,284)**	4,817
+	Liquidity reserves at 1 Jan	**252,841**	248,024
	Liquidity reserves at 31 Dec.	**248,557**	**252,841**

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 handles marketing and sale of the state's petroleum pursuant to instructions. Petoro is responsible for monitoring that Equinor discharges its responsibilities under the applicable marketing and sale instruction.

Petoro 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 expense for defined benefit-based pension 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 defined 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 Trade, Industry and Fisheries 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 accrued 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 289.6 million was appropriated for operation of Petoro AS, excluding VAT, in 2020. 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 1.8 million in investments made during 2022, as well as NOK 0.7 million in depreciation of investments made during the year and in earlier years, cf. Note 5.

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

Payroll expenses (all figures in NOK 1,000)	**2022**	**2021**
Salaries	**121,420**	118,602
Directors' fees	**2,017**	1,995
Liability insurance for the board (applies to the entire board of directors)	**203**	148
Payroll tax	**18,347**	17,173
Pensions (see Note 10)	**25,613**	30,115
Other remuneration	**4,939**	3,597
Total	**172,539**	**171,630**

Employees at 31 December	70	70
Employees with a signed contract who had not started work at 31 Dec.	5	2
Average number of full-time equivalents employed	68.4	65.9

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	4,512	244	170	4,926	211
Rest of the management team;					
Kjell Morisbak Lund	3,094	218	154	3,467	208
Jonny Mæland	2,630	228	156	3,013	206
Ole Njærheim	2,648	230	152	3,030	210
Kjersti Bergsåker-Aspøy	1,846	160	164	2,170	214
Heidi Iren Nes	1,665	141	152	1,957	208
Total for the rest of the management team	**11,882**	**977**	**778**	**13,638**	**1,046**

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 telephone service. Not included in holiday pay or pension.
4. All members of the management team have defined contribution pension. Expensed pension represents the annual payment.

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 that concerns requirements for the pay declaration entered into force following the ordinary general meeting in June 2022, and Petoro will publish a declaration on senior executive pay for 2022 in advance of the ordinary general meeting in June 2023. “Norwegian State Guidelines on executive remuneration in wholly or partly state-owned enterprises and companies” were most recently updated on 12 December 2022, and remain in force as of 2023. Petoro AS’ guidelines on remuneration for senior executives are updated continuously to reflect changes in the state’s guidelines.

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 and 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

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 performance-related salary, car allowance, pension and insurance benefits, as well as a system for communication allowance.

Pay levels in a reference group comprising relevant companies in the petroleum industry provide 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 principles and framework for performance-related salary are adopted by the Board and take into account the "Norwegian State Guidelines on executive remuneration in wholly or partly state-owned enterprises and companies". This scheme covers all employees, including the 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 annual allocation letters from our owner.

In 2022, 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 improvements in drilling efficiency in selected licences (improvement in %). This was in addition to goals and milestones linked to increasing long-term production beyond the operator's plans, improving the work process for decision support for new wells, preparing area analyses, establishing the company's first sustainability report and efficiency measures through the use of digitalisation. Performance-related salary for 2022 was addressed by the Board after preparation of the annual accounts. The accounts for 2022 include provision of an estimated amount for performance-related salary for the year. Performance-related salary disbursed in 2022 amounted to 9 per cent of basic salary based on the company's goal attainment in 2021.

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 (G is the basic amount in the Norwegian national insurance). 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 2022, the evaluation of other executives was carried out in the 3rd quarter.

NOTE 4 Financial items

All figures in NOK 1,000	**2022**	**2021**
Financial income		
Interest income	6,146	1,897
Currency gain	210	136
Financial expenses		
Interest expenses	-	-
Currency loss	277	275
Net financial result	**6,079**	**1,758**

NOTE 5 Tangible fixed assets

All figures in NOK 1,000	**Fixtures and fittings**	**Operating equipment**	**ICT**	**Total**
Acquisition cost at 1 Jan. 2022	4,979	10,463	40,331	55,773
Additions fixed assets	218	467	1,091	1,775
Disposal fixed assets/obsolescence	-	-	-	-
Acquisition cost at 31 Dec. 2022	**5,196**	**10,930**	**41,421**	**57,548**
Accumulated depreciation at 1 Jan. 2022	4,706	9,491	40,270	54,467
Reversed accumulated depreciation	-	-	-	-
Depreciation for the year	90	539	91	720
Accumulated depreciation at 31 Dec. 2022	**4,796**	**10,030**	**40,362**	**55,188**
Book value at 31 Dec. 2022	**400**	**900**	**1,060**	**2,360**

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 6 Other receivables

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

NOTE 7 Bank deposits

Bank deposits total NOK 249 million, including NOK 9 million in withheld tax and funds to cover unsecured pension obligations in the amount of NOK 218 million.

NOTE 8 Share capital and shareholder information

The company's share capital at 31 December 2022 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)	**Share capital**	**Other equity**	**Total**
Equity at 1 Jan. 2022	**10,000**	17,591	27,591
Net profit		825	825
Equity at 31 Dec. 2022	**10,000**	**18,416**	**28,416**

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. Premiums for the defined contribution plan are expensed on a continuous basis. The company has a transitional arrangement for employees with defined benefit pension who were less than 15 years from retirement age on 1 January 2016. As of 31 December 2022, 49 employees are covered by the defined contribution scheme, while 21 employees are covered by the transitional scheme.

Net pension cost (figures in NOK 1,000)	**2022**	**2021**
Present value of benefits earned during the year	**12,083**	12,842
Interest expense on pension obligation	**6,765**	6,204
Return on pension plan assets	**(4,231)**	(3,592)
Recorded change in estimates	**372**	4,939
Payroll tax	**1,427**	1,550
Pension cost, defined benefit scheme	**16,416**	21,943
Pension cost, defined contribution plan incl. payroll tax	**9,197**	8,172
Net pension cost	**25,613**	**30,115**

Capitalised pension obligation	**2022**	**2021**
Estimated pension obligation at 31 Dec.	**366,081**	357,870
Pension plan assets (market value)	**(135,500)**	(142,312)
Net pension obligations	**230,581**	215,558
Unrecorded change in estimates	**(45,955)**	(28,546)
Capitalised pension obligation	**184,626**	**187,012**

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.

	2022	**2021**
Discount rate	**3.00%**	1.90%
Expected return on plan assets	**4.70%**	3.10%
Expected increase in pay	**3.50%**	2.75%
Expected increase in pensions	**1.50%**	0.00%
Expected adjustment of the National Insurance Scheme's Basic Amount (G)	**3.25%**	2.50%

NOTE 11 Other current liabilities

Other current liabilities generally consists of deposits for incurred costs, salaries owed, holiday pay, withheld taxes and social security and appropriation invoiced in advance for the 1st quarter of 2023.

NOTE 12 Auditor's fees

The company's chosen auditor is KPMG AS. Fees charged for external auditing of the consolidated financial statements in 2022 totalled NOK 0.4 million. Consultancy services from KPMG totalling NOK 6,300 have also been expensed in connection with assistance related to the 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 conduct 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 0.6 million for internal auditing in 2022. Costs have also been expensed for invoiced services from PwC within joint venture auditing totalling NOK 2.7 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 3 years. Rent for the year totalled NOK 11.6 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 fees carried to expense for Azets in 2022 for accountancy for the SDFI amounted to NOK 11.5 million.

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 2022 amounted to NOK 13.2 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 2022 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.

KPMG AS
Forusparken 2
P.O. Box 57
N-4064 Stavanger

Telephone +47 45 40 40 63
Internet www.kpmg.no
Enterprise 935 174 627 MVA

Til generalforsamlingen i Petoro AS

Uavhengig revisors beretning

Konklusjon

Vi har revidert årsregnskapet for Petoro AS som består av balanse per 31. desember 2022, 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, og
- gir årsregnskapet et rettvisende bilde av selskapets finansielle stilling per 31. desember 2022, 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 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 i samsvar med kravene i relevante lover og forskrifter i Norge og International Code of Ethics for Professional Accountants (inkludert internasjonale uavhengighetsstandarder) utstedt av 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. Feilinformasjon kan oppstå som følge av misligheter eller utilsiktede feil. Feilinformasjon er å anse som vesentlig dersom den enkeltvis eller samlet med rimelighet kan forventes å påvirke de økonomiske beslutningene som brukerne foretar på grunnlag av 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 intern 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 om ledelsens bruk av fortsatt drift-forutsetningen er hensiktsmessig, og, basert på innhentede revisjonsbevis, 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 frem til datoen for revisjonsberetningen. Etterfølgende hendelser eller forhold kan imidlertid medføre at selskapet ikke kan fortsette 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 innholdet i og tidspunkt for revisjonsarbeidet og eventuelle vesentlige funn i revisjonen, herunder vesentlige svakheter i intern kontroll som vi avdekker gjennom revisjonen.

Stavanger, 9. mars 2023
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
Statsautorisert revisor
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Petoro's financial calendar 2023

14 March	Annual result 2022 / fourth quarter report 2022
9 May	First quarter report 2023
2 August	Second quarter report 2023
1 November	Third quarter report 2023

Addresses

Petoro AS
Øvre Strandgate 124
P O Box 300 Sentrum
NO-4002 Stavanger
Phone: +47 51 50 20 00
E-mail: post@petoro.no
Website: www.petoro.no
Register of Business Enterprises: Org.nr. NO 983 382 355

Editorial team / production

Editorial team: Eirik Skjæveland
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