Annual report for the SDFI and Petoro

2023:

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.

Table of contents:

1

President and CEO's letter and Directors' report

Grane. Photo: Elisabeth Sahl/Jonny Engelsvoll - Woldcam/copyright: Equinor

Kristin Fejerskov Kragseth. Photo: Anne Lise Norheim

The Norwegian shelf – important today and in the years to come

In the spring of 2023, I met Hayat Al-Sharif at Petoro's internal corporate gathering. She made a strong impression and has become an important part of my attempts to explain the energy challenges the world is facing.

Hayat is a prize-winning photographer and photojournalist from Yemen who was forced to flee due to her projects depicting everyday life in her home country with a focus on women and children living lives marred by war and desperation. One of her most striking photos shows a mother and daughter using the children's schoolbooks as kindling in the open fireplace in order to cook their dinner. So far from our reality, yet so close to us.

We live in a world with substantial energy injustices. In this same reality, we're working to secure access to enough energy on our own continent, while at the same time, the energy systems must become cleaner if the world is going to be liveable for our descendants.

Sometimes, it can be hard to explain and rationalise this energy trilemma, and I know I'm far from the only one who's pondered our role in all of this. Nevertheless, I've come to the conclusion that the cooperative work carried out by the Norwegian industry and authorities on the Norwegian shelf is both meaningful and entirely necessary for a very large number of people.

Energy produced from the Norwegian shelf is important for both energy security in Europe and for the ongoing energy transition. However, I think that the just distribution of safe and clean energy can be much more difficult than the actual energy transition and demands for zero emissions.

Good operations

Petoro delivered NOK 277 billion to the state in 2023, and this is the second-highest cash flow ever recorded. Since our company was established in 2001 to administer the State's Direct Financial Interest (SDFI), we've delivered more than NOK 3000 billion. These are vast sums that the Government Pension Fund Global (also known as the Oil Fund) manages to secure the finances, prosperity and sustainability of future generations.

Gas prices fell considerably from the levels in 2022, and both gas and oil production declined somewhat. The fields are generally delivering high uptime and good HSE results. Petoro is the largest partner on the Norwegian shelf, and with our strong expertise within subsurface, technology and development, we play an active part in creating value from our extensive portfolio in 43 producing fields. We have a strong team that's contributing to further develop the Norwegian shelf in great collaboration with players on the Norwegian shelf.

The future role of gas

Over a short period of time, and alongside our allies, we've played a part in helping the European energy system achieve independence from Russian pipeline gas. This upheaval has also created new opportunities. Among other things, Norwegian and European authorities have entered into collaboration to study opportunities for establishing value chains for both hydrogen and CO_2. Europe is in the midst of a massive energy transition, and Norwegian gas will be an important and competitive product as we transition to a European low-carbon society. The Norwegian Offshore Directorate's analyses show that only half of the projected total recoverable resources in Norway have been produced so far. Norwegian oil and gas can and should play an important role for a long time to come.

More electrification

Emission reductions are trending the right way, but if we're going to reach our ambitious climate targets, we need to electrify large swaths of our industry. Over the next few years, Petoro is planning to invest around NOK 25 billion in emission-reducing measures in existing installations, and will continuously assess opportunities for additional measures that can be implemented quickly.

The industry is working hard to find solutions that allow us to reduce emissions from the Norwegian shelf by 55 per cent by 2030. Much of this has already been decided, but we can see that the remaining measures are becoming increasingly challenging. Nevertheless, they are entirely necessary to strengthen our portfolio toward a more sustainable future.

Both the discussion regarding access to power from shore and a higher cost level are strong contributors to this challenge. Electrification with power from shore is the best alternative we have when it comes to execution time and costs, but there are plenty of players that want to access this energy. The industry, as well as the authorities, have an important job to do as far as implementing systems that, overall, provide the best possible solution for the power system, the industry and the environment. All of the choices we make have consequences.

Challenges and opportunities

Activity on the Norwegian shelf will remain high over the next few years, and for 2024 alone, Offshore Norge expects investments in oil and gas to amount to about NOK 240 billion. Investments are also expected to be high over the next few years, and Petoro is well-situated to deliver the highest possible values for the state by creating investment opportunities in mature fields and finding good development solutions throughout the licence portfolio.

We're facing major global challenges in the political, environmental and social realms, and they all require our shared efforts and engagement. We can't afford to lose our nerve or our hope. We're all responsible for doing what we can to create a better future. In Norway, we have a lot of advantages that give us opportunities to be part of the solution. We have stable framework conditions, access to natural resources, high levels of expertise and advanced technology.

This makes the Norwegian shelf instrumental in helping to solve the energy trilemma. It contributes infrastructure and energy resources that are needed to secure energy supplies for Europe. It's competitive, and it supplies oil and gas produced with the lowest carbon footprint. These are all crucial factors given the need for oil and gas as a source of energy during the transition toward an energy system aiming for net zero emissions.

Petoro's most important job in the time ahead is to consistently ensure that the oil and gas portfolio we manage is realised at the highest possible value. The consideration for people, nature and our surroundings will be a prerequisite here.

Best regards,

Kristin Fejerskov Kragseth
Administrerende direktør, Petoro AS

Directors' report 2023

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 277 billion in 2023, which represents an estimated 30 per cent of the state's total revenues from the petroleum activities in 2023.

External trends

In recent years, the markets have been characterised by wars and the aftermath of the pandemic. During these years, many countries have introduced major stimulus packages to contribute toward energy and climate transition in their own territory. Examples of this include the Inflation Reduction Act in the US and the Green Deal Industrial Act in the EU. Extensive state policy instruments have been introduced to reduce greenhouse gas emissions, stimulate industrial development and jobs, as well as to secure the energy supply. These stimulus packages have led to debates on protectionism, green trade wars and a lack of faith in international treaties and cooperation.

The past year has seen the presentation of a number of analyses, both international and national, with largely the same message; it's going to be challenging to reach the established climate targets. The analyses consistently point out the need for action and that a lot needs to happen quickly in order to reach the targets. An agreement was reached at the Dubai climate summit in late December where the countries recognised the UN Climate Panel's conclusions to the effect that global greenhouse gas emissions need to peak before 2025 in order for it to be possible to limit global warming to 1.5 degrees. Despite record-high investments in renewable energy and a new record in the addition of renewable capacity, primarily solar energy, global emissions have also increased in 2023.

To its credit, Europe has undergone a serious energy crisis and has adapted to the elimination of Russian gas in a short period of time. Today, Norway is clearly the largest supplier of gas to the Continent, and a number of initiatives have been implemented on the Norwegian shelf which have bolstered our ability to deliver over the short and longer term. The Norwegian shelf is mature and will eventually be characterised by declining production of both oil and gas. At the same time, the Norwegian Offshore Directorate's analyses show that only half of the projected total recoverable resources have been produced so far. There is broad political agreement to the effect that oil and gas activity in Norway must be developed, not dismantled.

The oil price in 2023 varied between USD 70-90 per barrel, which is about on par with the level prior to Russia's invasion of Ukraine. During the first half of the year, the oil market was affected by financial unrest triggered by the banking sectors in Switzerland and the US. The fear of falling demand led to OPEC+ following up with cuts. The oil market tightened in the 4th quarter as it became clear that global demand was not declining. Oil prices increased further as a result of the war between Hamas and Israel, driven by the fear of a broader conflict.

A significant share of the previous Russian pipeline gas imports has now been replaced by LNG, largely at the expense of deliveries to the Asian market. LNG imports increased in 2023, mainly as a result of Europe still receiving gas from Russia via Nord Stream during the first half of 2022. However, Norwegian pipeline gas exports have declined in 2023 due to extensive planned maintenance and unplanned shutdowns.

The gas price in 2023 was significantly lower than in 2022, but remained at a historically high level. The reason for the lower gas prices is complex, but this was mainly caused by historically high LNG imports and filling up inventories in Europe, combined with lower demand.

In order to secure and increase the value of remaining reserves and resources on the Norwegian shelf, it is important that competitiveness is maintained through cost and climate-efficient solutions. Many fields on the Norwegian shelf are operated using power from shore, and decisions have been made in recent years to electrify several key fields and onshore plants, such as Troll B/C, Oseberg and Snøhvit/Melkøya. According to the Norwegian Offshore Directorate, within a few years, nearly half of Norwegian oil and gas production will come from fields connected to the onshore power grid. The floating offshore wind farm Hywind Tampen became fully operational in 2023, and contributes self-generated renewable power and CO_2 emission cuts for the Gullfaks and Snorre fields.

The number of serious safety incidents on the Norwegian shelf has been stable over the last 10 years. Falling objects continue to dominate the range of incidents. The maintenance backlog from 2020 has largely been eliminated, and the Norwegian Ocean Industry Authority's annual mapping of the risk level on the Norwegian shelf shows a positive development. It is important that the industry continues its improvement efforts in order to further reduce the number of serious incidents.

The threat scenario has changed significantly in recent years, and emergency preparedness on the Norwegian shelf was further tightened following the explosion that destroyed the Nord Stream gas pipelines in the Baltic Sea. Equinor and Gassco have been subject to the (Norwegian) Security Act since 2022, and the industry cooperates closely with the authorities on emergency preparedness and security measures.

Major players with a focus on oil and gas activities on the Norwegian shelf have been cultivated in recent years, such as Vår Energi and Aker BP. This is happening alongside many of the previous traditional oil and gas companies changing their strategy to become energy companies. Equinor remains the dominant operator in Petoro's portfolio. The state players have also tweaked their roles and received new responsibilities and names in recent years. As of 1 January 2024, the Ministry of Petroleum and Energy changed its name to the Ministry of Energy, the Petroleum Safety Authority to the Norwegian Ocean Industry Authority and the Norwegian Petroleum Directorate to the Norwegian Offshore Directorate.

2023 was yet another year of high activity levels and considerable investments in oil and gas activities on the Norwegian shelf. Projects under development consist of discoveries, further development and electrification projects that will contribute production, revenues and emission reductions over the upcoming years. They also provide jobs and activity for the supplier industry. Activity associated with exploration close to fields has been high in 2023. This will lay a good foundation for continued substantial deliveries of oil and gas from the Norwegian shelf and from the SDFI portfolio. A high activity level and a general increase in costs entail a risk for cost overruns and delays, so there is a need to closely follow up projects in the implementation phase.

On 28 April 2023, the MPE sent a letter to relevant licensees indicating that the State aims to exercise its right of reversion at the end of the licence period, with a view toward full state ownership of the key parts of the Norwegian gas transport system. The plan is to continue the current model, where Petoro manages the state's ownership through SDFI, moving towards increased or full state ownership.

Summary of SDFI results

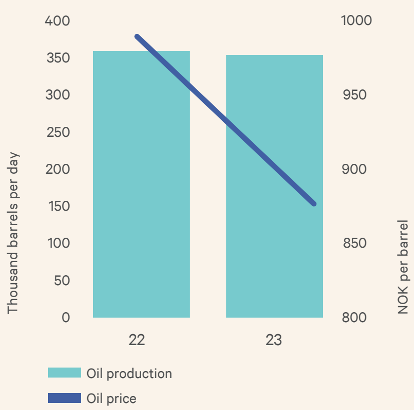
Net cash flow to the state from the SDFI at year-end amounted to NOK 277 billion, 251 billion lower than the previous year. The cash flow was mainly affected by a decline in oil and gas prices from the extraordinary levels of the year before, as well as lower gas sales. The decline was partly offset by increased cash flow as a result of lower costs associated with third-party gas purchases and a reduction in working capital. In spite of the significant reduction compared with 2022, the cash flow for the year is still the second-highest in Petoro's history.

Total production reached 994 thousand barrels of oil equivalent per day (kboed), a reduction of 50 kboed compared with the previous year.

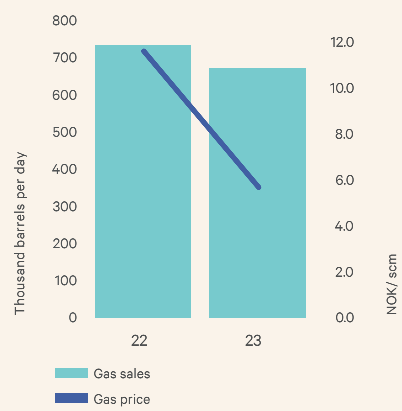
Gas production amounted to 102 million standard cubic metres (mill. scm) per day, which is a reduction of seven per cent compared with the previous year. The decline was primarily caused by a turnaround on Troll, as well as the temporary shutdown of fields tied back to the process plant at Nyhamna. The reduction was partly offset by production from Snøhvit, which was shut down during the first half of 2022, and Dvalin, which came on stream in 2023. The average realised gas price was NOK 5.76, compared with NOK 11.95 per scm the previous year. The reason for the lower gas prices is complex, but this was mainly caused by historically high LNG imports and filling up inventories in Europe, combined with lower demand.

Liquids production amounted to 354 kboed, a reduction of 5 kboed compared with the previous year. The decline in liquids production was primarily caused by natural production decline on several mature fields and a turnaround on Troll C, partly offset by increased production from Johan Sverdrup phase 2. The average realised oil price was USD 83, compared with USD 104 per barrel the previous year. However, the reduction measured in Norwegian kroner was somewhat offset by a weakened NOK exchange rate, leading to an achieved oil price of NOK 876, compared with NOK 988 per barrel the year before. The oil

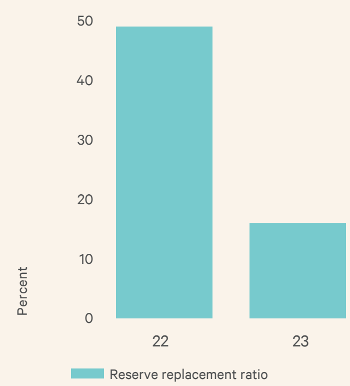
Oil production / - price



Gas sale / -price



Reserve replacement ratio



price reduction was caused by lower demand growth than expected due to rising interest rates, lower economic growth and a fear of recession in several parts of the world. This effect was offset by increased geopolitical unrest and persistent cuts from OPEC+.

Investments came to NOK 30 billion, NOK 1.6 billion higher than the previous year. The increase in investments was caused by high activity on several fields with projects in the implementation phase, partly offset by lower production drilling on Troll.

Total operating expenses amounted to NOK 86 billion, NOK 17 billion lower than the year before. The reduction was caused by lower costs for purchasing third-party gas, which was partly offset by impairment on operating fields.

Costs for purchasing third-party gas amounted to NOK 15 billion, NOK 21 billion lower than the previous year. This decline was caused by significantly lower gas prices in combination with lower volumes.

Production costs amounted to NOK 23 billion, which is on par with the previous year. CO_2 costs and operating and maintenance expenses have increased in 2023, however, but the effect was offset by reduced electricity costs.

Transport costs came to just under NOK 12 billion, which is NOK 0.7 billion lower than the year before.

Fixed assets were impaired by a total of NOK 5.2 billion in 2023. Martin Linge, Valemon and Nøkken have been impaired by NOK 4.5, 0.5 and 0.2 billion, respectively. The primary drivers for the impairments are updates to production profiles and cost estimates.

Overall exploration costs during the period amounted to NOK 1.7 billion, while expensing of dry wells drilled during the year accounted for NOK 0.4 billion of this, and previously capitalised exploration expenses prior to 2023 amounted to NOK 0.7 billion.

Net income after financial items came to NOK 266 billion, NOK 273 billion lower than the previous year. This reduction was mainly caused by lower income as a result of substantially lower prices, as well as a lower volume of gas sales.

The book value of assets at 31 December 2023 was NOK 295 billion. The assets mainly consist of fixed assets related to field installations, pipelines and onshore plants, as well as current debtors. Equity at year-end came to NOK 187 billion, which is a reduction of NOK 11 billion compared with the year before. This reduction was caused by the transfer to the state being NOK 11 billion higher than the annual result for accounting purposes. Overall debt amounted to NOK 107 billion, while NOK 75 billion of this was related to estimated future removal obligations. Removal obligations increased by NOK 6 billion compared with 2022, primarily as a result of updated removal estimates.

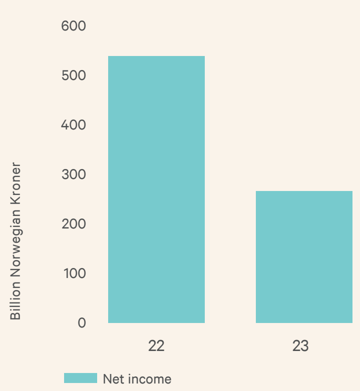
Health, safety and the environment (HSE)

There were a total of 18 serious incidents in the SDFI portfolio in 2023, and this yields a serious incident frequency of 0.56, which represents a slight weakening from 0.54 in 2022. Falling objects continue to dominate the range of incidents. The personal injury frequency was 4.11, which is about the same level as in 2022. 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.

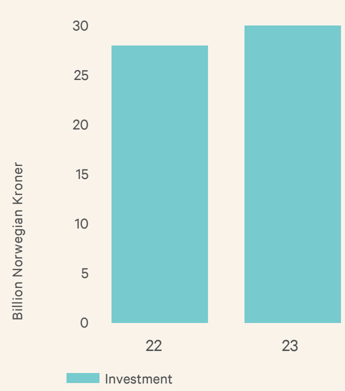
Principal activities in 2023

At year-end, the SDFI portfolio consisted

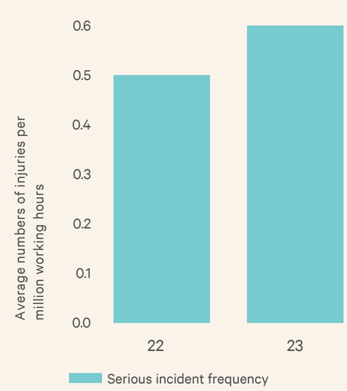
Net income



Investment



Serious incident frequency



of 175 ownership interests in production licences; three fewer than at the beginning of the year. In January 2024, the Ministry of Petroleum and Energy completed its awards in pre-defined areas, where an additional 20 production licenses 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 43 producing fields. The Johan Castberg, Kristin Sør phase 1, Ormen Lange phase 3 and Troll Vest electrification projects, 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 34 per cent of production in 2023. The Troll, Snorre, Oseberg, Åsgard, Heidrun, Gullfaks and Grane fields accounted for 43 per cent of total liquids production in 2023. In 2023, gas accounted for about two-thirds of overall production. Approximately 70 per cent of the gas production came from Troll, Ormen Lange and Oseberg.

Petoro's strategy describes the company's goal-oriented efforts to generate the greatest possible values from the SDFI portfolio. The strategy has three priorities: (1) Mature fields, where the goal is to create more investment opportunities, (2) Area development, where the goal is to find solutions across the portfolio, (3) People and nature, where the goal is to take care of our surroundings.

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

Petoro was a participant in 11 exploration wells in 2023, which resulted in 7 discoveries, but 5 of these discoveries are characterised as technical/non-commercial. Obelix Upflank (PL1128) in the area around Aasta Hansteen and Røver Sør (PL923) in the area around Troll are both considered to be commercial discoveries.

The portfolio's estimated remaining reserves totalled 4,475 million boe at the end of the year, down by 304 million boe compared with the end of 2022. Reserve growth came to 59 million boe, and this mainly comes from the Snorre and Visund fields as a result of somewhat extended economic tail-end production. With a production of 363 million boe, this yielded a reserve replacement rate of 16 per cent, compared with 49 per cent in 2022 and 80 per cent in 2021.

Additional information about the company's activities in 2023 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 703 million for the SDFI in 2023. 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 only initiates its own technology development 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 collective value for Equinor's and the SDFI's petroleum, and ensure just distribution of the value creation. 2023 has seen Petoro particularly focus on the market situation, potential divergent interests, as well as issues of significant importance as regards value.

In 2023, Petoro has prioritised issues within the marketing and sale of both oil and gas. The company has particularly highlighted measures to increase gas production in order to deliver as much gas as possible to the European market moving forward. 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 a manner which ensures that the highest possible price is achieved, in addition to ensuring that the portfolio's flexibility is used to achieve the highest possible value creation. In this context, optimal further development, regularity, utilisation of capacity and flexibility in production facilities and infrastructure are of significant importance.

Selected verifications have been conducted to ensure that the SDFI receives its rightful share of sales-related revenues and costs. Multiple clarifications of principle have been undertaken related to the marketing and sale, and Petoro has been in dialogue with the Ministry of Trade, Industry and Fisheries regarding topics in the Instructions throughout the year. 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.

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 attract, retain and develop 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 73 employees at the end of the year; three more than compared with the previous year. Seven new appointments were made in 2023, in addition to one employee signing a contract with start-up in 2024.

The average age in the company is 52; 53 for men and 50 for women. The ratio of women in Petoro has remained above 30 per cent since 2009, and was 37 per cent in 2023, which is an increase of 3 per cent compared with 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, which is the same as in 2022. Four of six representatives on the Working Environment Committee and Works Council are women, and this is the same as in 2022.

Petoro's salary system consists of different groups of employees, including management, senior advisers and advisers. Eight per cent of the company's employees belong to the management category, while 84 per cent and eight per cent belong to the senior adviser and adviser groups, respectively. In management, women's overall compensation packages are entirely equal to men's. The equivalent percentages for senior advisers and advisers are 97 and 109 per cent.

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

There were two instance of voluntary part-time work in Petoro in 2023 and no temporary employees. Five people were on parental leave during the year.

Absence due to illness was 2.5 per cent, compared with 3.1 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 2023. The company conducts annual employee surveys as part of its efforts to safeguard a good working environment, and these surveys are followed up with measures.

The company has worked actively during the year to ensure a good working environment, and employee feedback indicates satisfaction with the company's working environment. We've had good experiences with the use of home offices, which is why Petoro has practised flexibility as regards where the employees conduct their work, as well as access to equipment for home offices.

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 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.
Petoro endorses the (Norwegian) 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. The Transparency Act obligates businesses to be transparent through an annual statement of their due diligence efforts. Petoro publishes this on the company's website (www.petoro.no) and in the annual report's chapter on Corporate social responsibility.
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.

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 2023, 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. The Board and management started an effort in 2023 to update the company's risk management process to adapt the framework to future commercial needs.

In addition to the annual review of the company's governance, two internal audit projects were carried out in 2023 aimed at the areas of internal control in connection with assurance and follow-up of cash flows for the SDFI, and following up information security at the SDFI's accountancy provider. 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 2023 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 remuneration through a sub-committee comprising two of the shareholder-elected directors, one of whom is the deputy chair.

In 2023, the Board established a sub-committee linked to audit and risk management. This committee consists of three shareholder-elected members, one of which is the chair of the Board.

A declaration has been drawn up by the Board regarding remuneration of the chief executive and senior personnel.

As an appendix to the Board 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, Arne Sigve Nylund 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 2023 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 380 million was appropriated for ordinary operation of the company in 2023, compared with NOK 362 million in 2022.

Total expenses in 2023 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 6.8 million. The Board proposes that this profit be transferred to other equity. Including net income for the year, other equity amounted to NOK 25.2 million as of 31 December 2023.

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

There are still substantial remaining resources on the Norwegian shelf. Production is expected to reach a peak in 2025, followed by rapid decline. According to the Norwegian Offshore Directorate's projection, overall oil and gas production in 2040 will be about one-third of the current level if no new volumes are added. The Directorate particularly sees opportunities for gas in the Barents Sea, and a number of licences in the Barents Sea were awarded in the most recent awards of exploration acreage (APA 2023). Petoro received a total of 20 licences for administration, 8 of which in the Barents Sea, and will be well-positioned as one of the most important players on the Norwegian shelf. Petoro shall be a driving force for realising the values on the shelf and producing them in the most sustainable way possible. Today, gas constitutes 64 per cent of total SDFI production and about 70 per cent of future production.

Petoro is working to map the resource base, drill new wells and implement other improved recovery measures on operating fields. A number of new drilling targets have been identified on the fields, but the fixed drilling installations have a low drilling pace, which means that not enough wells are being drilled.

Furthermore, Petoro contributes in developing new fields and further development projects towards investment decisions. These projects include both resource extraction, improved recovery measures, and measures to reduce greenhouse gas emissions. Several of these projects are complex, where bottlenecks in the value chain and alternatives for utilising existing infrastructure will affect the chosen solutions. Different ownership structures in different geographical areas often make it challenging to find good solutions across fields, discoveries and infrastructure.

The last few years have seen decisions made to electrify several crucial fields and onshore plants on the Norwegian shelf with power from shore. With the already adopted climate measures, emissions from the SDFI portfolio will be reduced by close to 30 per cent by 2030, compared with 2005. Additional emission-reducing electrification measures will need to be adopted and implemented over the next few years in order for Petoro to reach its target of a 55 per cent cut by 2030. The licences' plans include multiple potential emission reduction measures. Measure costs in these plans are currently high, and there is a need to optimise and improve these projects, alongside identifying and developing new measures. This will require substantial efforts from the joint ventures and Petoro. The preconditions for achieving this include access to power from shore, that the joint ventures can agree on solutions, and approval from the authorities. Beyond the electrification projects, energy efficiency measures and planned shutdowns and scale-downs will contribute to emission reductions.

The COP28 climate summit in December made it clear to the entire world that an extensive energy transition is needed in order to reach the targets in the Paris Agreement. Considerable amounts of renewable clean energy must be developed, and over the long term, this needs to replace fossil energy. For the first time, the International Energy Agency (IEA) expects that global demand for both oil and gas will peak before 2030. The fossil fuels with the lowest cost and lowest emissions from production, transport and consumption are expected to be the ones that succeed.

There are great ambitions for new commercial activity on the Norwegian shelf, including offshore wind, carbon capture and storage and seabed mineral extraction. With resources and expertise in areas such as offshore activities, major development projects and technology development, in addition to a well-tailored framework, the shelf is well-poised to succeed in the transition. The new industries will largely depend on the same expertise as oil and gas activities and the onshore renewables industry. This means that there will be a significant need for recruitment over the next few years, both as a result of activity growth and retirement.

In sum, Norwegian oil and gas has been able to remain competitive on costs and emissions in recent years, and Norway has bolstered its position as a reliable and safe supplier of energy. Future competitiveness will be contingent on cost and climate-efficient solutions in order to ensure that the shelf can contribute to continued energy security and energy transition. It will be important to maintain these competitive parameters in the years to come, and Petoro will contribute to this as a key player on the Norwegian shelf.

Stavanger, 8 March 2024

Gunn Wærsted
Chair

Brian Bjordal
Deputy chair

Trude J. H. Fjeldstad
Director

Kristin Skofteland
Director

Arne Sigve Nylund
Director

Jonas Olsson
Director,
elected by the employees

May Linda Glesnes
Director,
elected by the employees

Kristin Fejerskov Kragseth
President and CEO

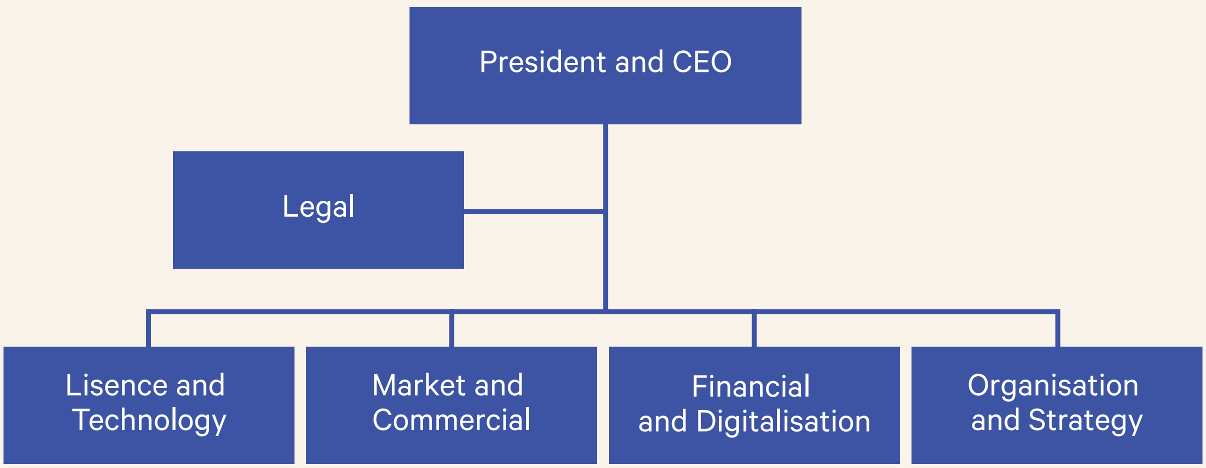
2

Introduction to the enterprise and key figures 2023

Oseberg Field Centre
Photo: Harald Pettersen, 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 73 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.

Licence and Technology:

This department safeguards the state's participating interests in production licences that are subject to active follow-up. Along with other Petoro units, the objective is to create the greatest possible value and highest possible revenues from the state's direct participating interests in petroleum activities. The department pays particular attention to influencing developments in the production licenses through effective data application and analysis, deep professional and industrial insight, as well as its own studies for increased value creation.

Market and Commercial:

This department is responsible for following up to ensure 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 primary goals of the Marketing and Sale Instructions is to achieve the highest possible value creation from the state's oil and gas production and secure equitable distribution of income and costs between Equinor and the state. The department is also responsible for market analysis, which supports both the follow-up of the Marketing and Sale Instructions and decisions related to investments in fields and infrastructure. The department safeguards the licensee role in joint ventures for infrastructure, and is also responsible for carrying out commercial negotiations.

Financial and Digitalisation:

This department is responsible for financial management of Petoro's activities and the State's Direct Financial Interest (SDFI). The department is also responsible for preparing budgets and long-term forecasts for use in the company's planning and strategy work. Profitability assessments in connection with investment decisions and analyses of other relevant commercial issues are also important parts of the department's area of responsibility.

The department is furthermore responsible for the company's digitalisation efforts both internally and externally, as well as IT operations and data management. Petoro sees digitalisation as an important instrument for increased profitability in the SDFI portfolio and to ensure efficient operation of the company.

Organisation and Strategy:

This department handles HR, communication and administrative support functions. The department is also responsible for the company's strategy and analysis work, which contributes to necessary insights as a basis for solving tasks across the entire organisation, and is a key tool in decision processes for both management and the Board.

Legal Affairs and Compliance:

This department is responsible for handling legal issues and legal advice associated with the company's needs.
The EVP for Legal Affairs and Compliance is responsible for the company's compliance function, as well as the Board Secretariat.

Key figures for Petoro AS

	2023	2022	2021
Total allocation/ administration grant (NOK million)*	**304**	290	285
Employees at 31 December	**73**	70	70
Full-time equivalents (average number of full-time equivalents employed)	**71.5**	68.4	65.9
Payroll share of administration grant (per cent)**	**43**	42	41
Payroll costs per full-time equivalent (NOK million)**	**1.85**	1.78	1.77
Percentage of consultants in administration contribution (per cent)	**14**	17	18
ICT expenses (NOK million)	**34**	33	31
Office lease expenses incl. overhead costs	**12.6**	11.6	11.1

*) *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 meets expenses associated with SDFI's ownership interests. Petoro acts as licensee for the state's ownership interests in production licences, fields, pipelines and onshore facilities, and manages this portfolio based on sound business principles. At the end of 2023, the portfolio consisted of 175 production licences, 43 producing fields and 16 pipelines and terminals, as well as follow-up of 12 production licences with net profit agreements. The listed quantities are based on the Norwegian Offshore Directorate's definitions.

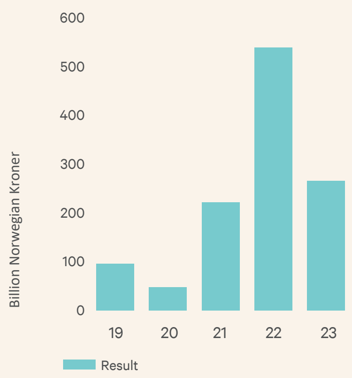
The SDFI portfolio represents about one-third of Norway's overall oil and gas reserves and yielded a cash flow of NOK 277 billion in 2023.

Key figures for SDFI

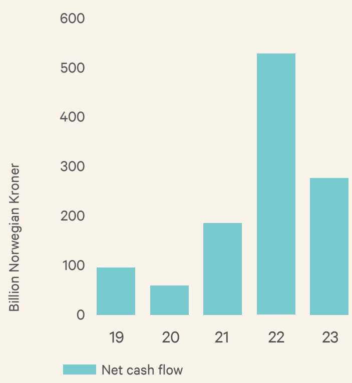
	2023	2022	2021
Net cash flow (in NOK million)	**276,905**	528,171	186,058
Operating revenue (NOK million) (NGAAP)	**352,690**	640,426	286,141
Production expenses (million NOK) (NGAAP)	**23,362**	23,489	17,711
Net income for the year (in NOK million) (NGAAP)	**266,172**	539,208	222,135
Investments (in NOK million) (cash)	**30,396**	28,378	24,732
Production — oil and NGL (thousand bbl/d)	**354**	359	388
Production - dry gas (million scm/d)	**102**	109	101
Production - total (thousand boe/d)	**994**	1,044	1,026
Remaining reserves (million boe)	**4,475**	4,779	4,972
Reserve replacement rate (annual percentage)	**16**	49	80
Reserves added (million boe)	**59**	188	301
Oil price (USD/bbl)	**83**	104	70
Oil price (NOK/bbl)	**876**	988	603
Gas price (NOK/scm)	**5.76**	11.95	4.78

Key figures 2023

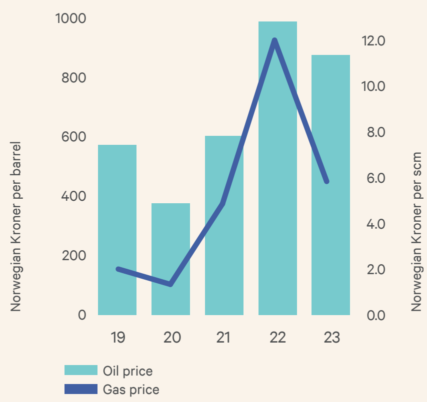
Result



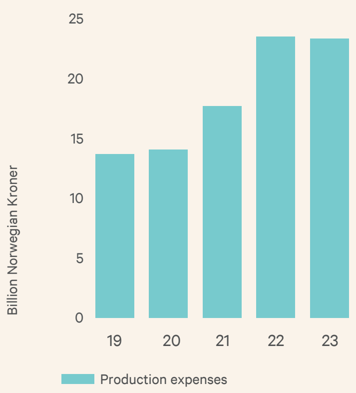
Cash flow



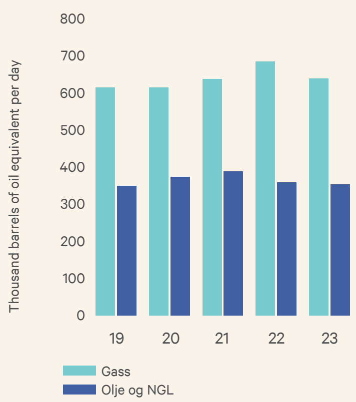
Oil and gas prices



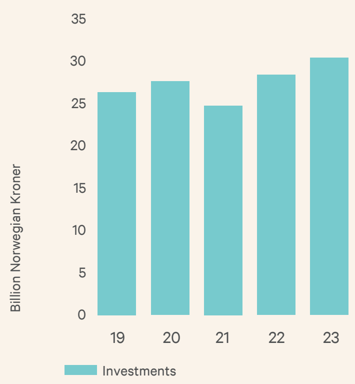
Production expenses



Production



Investments (cash)



3

Activities and results from the year

Johan Sverdrup
Photo: Lizette Bertelsen/Jonny Engselsvoll - Woldcam/©Equinor

Activities and results in 2023

Reference is made to the "Letter of Assignment to Petoro AS for 2023", 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, through its own efforts, helps maximise the value of the SDFI portfolio through comprehensive assessments. The work shall be focused on areas and tasks where the company, based on the portfolio and in interaction with other players on the Norwegian shelf, can provide a particular contribution toward increased value creation, considering the state's overall financial interests. In 2023, Petoro will be following up a number of large and challenging projects in the implementation phase, as well as several in the planning phase. Mature fields remain the bedrock in the SDFI portfolio, and many of the projects will contribute to new production from them. Additional wells through increased drilling efficiency is key in this effort. Furthermore, choosing the right concept and reduced uncertainty in the reserve base are significant for realising values for projects in the planning phase.

Operational targets

"Petoro will establish operational targets with the aim of maintaining a high level of production in 2023."
Management parameters: Volume figures. Development over time and description of deviations.

Total production reached 994 thousand barrels of oil equivalent per day (kboed), a reduction of 50 kboed compared with the previous year.

Gas production amounted to 102 million standard cubic metres (mill. scm) per day, a reduction of seven per cent compared with the previous year. The decline was primarily caused by a turnaround on Troll, as well as the temporary shutdown of fields tied back to the process plant at Nyhamna. The reduction was partly offset by production from Snøhvit, which was shut down during the first half of 2022, and Dvalin, which came on stream in 2023.

Liquids production amounted to 354 kboed, a reduction of 5 kboed compared with the previous year. The decline in liquids production was primarily caused by natural production decline on several mature fields and a turnaround on Troll C, partly offset by increased production from Johan Sverdrup phase 2.

Production from mature fields dominates the SDFI portfolio. The company's strategy establishes the following three priorities to increase production: (1) Mature fields, where the goal is to create more investment opportunities, (2) Area development, where the goal is to find solutions across the portfolio, (3) People and nature, where the goal is to take care of our surroundings. 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 operating fields have been part of Petoro's work in 2023 as well. The company has also been a driving force for efficiency and cost reductions, particularly within the area of drilling and wells.

Production costs in 2023 came to NOK 24 billion, which is about on par with previous years. Increased costs for operations and maintenance were offset by reduced costs for purchasing electricity due to lower prices.

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

The need for efficiency improvements and cost reductions within the drilling and well service area has been an important issue for Petoro over several years. The company's improvement efforts in drilling and wells are addressed below in this chapter.

Digitalisation as an instrument to improve and increase competitiveness is still 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 strategic cooperation with SLB, Petoro has also targeted special efforts on increased quality and efficient work processes in reservoir modelling and well planning.

“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 2023, which results in a serious incident frequency of 0.56. This represents a slight worsening from 0.54 in 2022. Falling objects continue to dominate the range of incidents. The personal injury frequency was 4.1, which is on par with the previous year.

Petoro is prioritising efforts to improve safety. This stance is clearly communicated through the company’s expectations for HSE management and HSE culture in the licences. Petoro has particular focus 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 management visits at selected fields and onshore facilities with a focus on HSE.

In 2023, 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 2023

“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.

Petoro has not taken any new investment decisions for larger projects in 2023, as a result of the very high level of sanction activity in 2022. In line with its strategy, the company emphasised work to create a basis for new projects. A significant share of the efforts have been aimed at own reservoir simulation work, and this has resulted in an improved basis for realising additional reserves on the Johan Sverdrup, Åsgard, Visund, Heidrun, Troll, Oseberg, Snorre, Gullfaks and Martin Linge fields. Petoro has also particularly focused on increasing gas extraction from the fields in the portfolio, and the company’s own studies have identified opportunities for this on the Troll, Gullfaks, Oseberg and Åsgard fields. Overall, these opportunities are projected at 19 billion scm for the fields collectively in the form of increased and accelerated gas extraction.

“Petoro shall, through its own in-depth work, studies and verifications, contribute to increased 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.

In 2023, Petoro focused on contributing to process improvements associated with well maturation and approval of new wells, releasing rig time and better utilisation of digital solutions throughout the entire well construction phase. The first initiative has resulted in a successful pilot on Snorre. Petoro has conducted its own studies and presented proposals to release rig time in select parts of the portfolio. It is also positive that, in 2023, following many years of pressure from Petoro, investment decisions were made for automated drilling control (ADC) solutions on several fields with fixed drilling facilities. Over the course of the year, Petoro has started work on new digital solutions, including the use of artificial intelligence. The company is also working on continuing the roll-out of an improved process for well maturation and well approval in the portfolio.

“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 2023, 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 an unmanned production facility (Linnorm), multiphase over longer distances (Grosbeak) and advanced seismic monitoring (Wisting). The common denominator for all these projects is that Petoro, as a major licensee on connected infrastructure contributes an area perspective that yields synergies and optimisation gains. This is particularly important for the development of gas solutions.

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

Petoro has made no new investment decisions for larger projects in 2023. The company's efforts have largely been aimed at creating new investment opportunities in the portfolio. Petoro has contributed alternative assessments and proposed solutions in a number of early-phase-projects, and has also ensured that these decisions satisfy relevant quality requirements.

"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.

In 2023, Petoro carried out its own reservoir simulation work in an effort to reduce uncertainty in the reserve base for the following major future projects:

- Johan Sverdrup – to support the development of phase 3
- Heidrun HEP – to create opportunities for further expansions
- Troll phase 3 step 3 – to ensure optimal utilisation of field infrastructure

"Petoro shall, through its own in-depth work, studies and verifications, contribute to the reduction of greenhouse gas emissions through electrification and other measures."
Management parameters: Initiatives, measures and work initiated by Petoro, achieved results and their effects.

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 new 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 when the operating period is shorter. Petoro therefore works actively with operators and joint ventures 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 portfolio. In 2023, the company has had four projects in the implementation phase; Partial electrification of Troll B/C and Oseberg, in addition to full electrification of Snøhvit and Draugen. New electrification projects have also been matured on the Halten Bank and in the Tampen area, as well as on Grane and at Kårstø. Overall, these projects have the potential to reduce the portfolio's CO_2 emissions, thus allowing Petoro to reach its target of 55% reduction by 2030.

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 will follow up the marketing and sale of the state's petroleum with attention to the market situation, potential conflicting interests, as well as issues of substantial importance as regards value."
Management parameters: Measures initiated by Petoro and achieved results.

In 2023, Petoro has prioritised issues within the marketing and sale of both oil and gas. The company has particularly focused on measures to increase 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 Instructions regarding Maximum Value Creation and Equitable Distribution between Equinor and SDFI.

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

Selected verifications have been conducted to ensure that the SDFI receives its rightful share of sales-related costs and revenues. Multiple important clarifications of principle have been undertaken related to the marketing and sale, and Petoro has been in dialogue with the Ministry of Trade, Industry and Fisheries regarding topics in the Instructions throughout the year. 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 2023, 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.

The company also received a clean bill of health from the Office of the Auditor General for 2022.

Efficient operations

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

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

Petoro aims to carry out its activities as efficiently as possible. The company has a framework for efficiency measures and improvement. This framework is an integrated part of the company's governance.

Over the course of the year, the company has implemented 54 different improvement and efficiency measures. The effect of these measures is estimated at between NOK 1.5 and 2.5 million in annual cost savings, as well as 300 saved work hours. 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. About 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 the company's strategic priorities. Petoro is concerned with facilitating a high level of competition in its tender processes, thus allowing the company to achieve the best terms available on the market, as well as close cost monitoring in existing agreements.

In line with the company's digital strategy plan, Petoro works 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. 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 the use of digital solutions and increased data sharing within and between the joint ventures to increase value for the SDFI portfolio. Petoro is an active driving force for this effort.

4

Management and control

Kårstø.
Photo: Harald Pettersen, Equinor

Board of directors of Petoro

Gunn Wærsted

Chair

Year of election: 2014
Other directorships: 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 of 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 of Helse Fonna Health Trust
Education: Civil engineer, BSc, Heriot-Watt University, Edinburgh
Career: 1984 - 2001: Statoil ASA, senior engineer pipelines & structures; head of Pipeline and 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

Arne Sigve Nylund

Director

Year of election: 2023
Occupation: Self-employed.
Other directorships: Chair of Ocean Installer, director of Archer
Education: Mechanical engineer in operations technology, BSc in business economics
Career: Technical/operative management roles at Mobil Exploration Inc./Statoil (1983-1996), OIM Gullfaks (1996-2001), VP for Production at Equinor (2001-2009), VP for Production for Onshore Plants at Equinor (2009-2013), EVP of Development & Production Norway at Equinor (2014-2021), EVP of Projects, Drilling & Procurement at Equinor (2021-2022)

Photo: Anne Lise Norheim

Kristin Skofteland
Director

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

Trude J. H. Fjeldstad
Director

Year of election: 2015
Occupation: Business Development Director at Hydro Rein AS
Education: Economics degree from the University of Oslo, MBA in Corporate Finance from NHH, MSc 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 Treasury Centre SA; secretary to the board of Statkraft; senior gas manager at Statkraft; chief executive of Paine de l'Ain Power SAS and portfolio manager for gas at Norsk Hydro

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 at Petoro, senior project economist at 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 at Petoro

Management of Petoro

Kristin Fejerskov Kragseth

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

Kjell Morisbak Lund

Executive Vice President Licence Follow-up and Technology
Education: MSc marine technology, NTNU.
Career: Broad experience from work in both upstream and downstream oil and gas activities. Started his career at SINTEF as a researcher in the area of marine structures, and then worked for Statoil (now Equinor) for 18 years - many of which in the area of pipelines. Held several project, staff and management positions at Equinor – including as HR manager, VP of Pipeline and Transport Technology, Operations Manager at Statoil Tjeldbergodden (methanol) and HSE Manager for Midstream and Downstream Activities. Has been in Petoro management since 2014, primarily with responsibility for licence follow-up.

Ole Njærheim

Executive 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: Anne Lise Norheim

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: 20 years of experience from various management positions in finance, both in Norway and abroad. Previous employers include ConocoPhillips, Noreco and EY.

Kjersti Bergsåker-Aspøy

Executive Vice President Legal Affairs and Compliance

Education: Law degree from the University of Bergen and Oslo, specialising in EU competition law.

Career: Bergsåker-Aspøy has close to 20 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. During the period from 2011 to 2016, she was the legal director of Engie. She has also worked as an attorney at the Statoil legal department, where she worked on the StatoilHydro 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 (now Offshore Norge).

Heidi Iren Nes

Executive 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 that this is adhered to, thereby ensuring satisfactory risk management 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, with more extensive details described in the company's sustainability report in spring 2024.

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 direct 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 exercising Petoro's activities.

Petoro's strategy has been prepared with a point of departure in the SDFI portfolio and changes in its surroundings. It takes a point of departure in the company's principal goals and mandate, and includes value creation opportunities where Petoro can achieve the greatest impact through proactive efforts on its own and in concert with other players. The objective is to create the greatest possible value and achieve the greatest possible revenue for the State from SDFI. Three strategic priorities have been chosen, with associated strategic goals: (1) Mature fields, where the goal is to create more investment opportunities, (2) Area development, where the goal is to find solutions across the portfolio, and (3) People and nature, where the goal is to take care of our surroundings.

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

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

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

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

Share capital and dividends

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

Equal treatment of shareholders

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

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

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

Annual 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 2023.

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

The Board considers major investment decisions within the SDFI portfolio, follow-up and consideration of activities in the joint ventures, and monitoring of gas sales — including an assessment of the overall risk scenario, as well as the climate risk. The Board has chosen to organise its work related to compensation through a sub-committee comprising two of the shareholder-elected directors, one of whom is the deputy chair.

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.

The Board has also established a sub-committee linked to audit and risk management. This committee consists of three shareholder-elected members, one of which is the chair of the Board. 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.

The Board conducts an annual assessment which includes an evaluation of its own work and mode of working, as well as its collaboration with company management. This evaluation is carried out by an external player every two years. A self-evaluation was carried out in 2023.

The Board has reviewed guidelines for the company's corporate social responsibility, business ethics guidelines and the Board Instructions, as well as the guideline for diversity, inclusion and equality.

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 the comprehensive situation are assessed for all management information and that the management system is effective.

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

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

Guidelines have been adopted by Petoro to facilitate internal reporting of improprieties in its activities. Whistleblowing guidelines have also been 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 wage report pursuant to Section 6-16b of the (Norwegian) Public Limited Liability Companies Act and associated Regulation was presented for approval at the ordinary general meeting in 2023. The company's declaration on senior executive pay for 2023 lists salaries and other benefits for senior executives in line with relevant guidelines. In 2023, the management team consisted of six people, including the CEO. Actual salaries and other remuneration of the senior employees are described in more detail in the company's declaration on senior executive pay.

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 2024.

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 2024.

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 plants on behalf of the state as owner. The key elements are the requirement to have one's own management system and the supervisory duty. By exercising its supervisory duty, Petoro contributes to continuous improvement of HSE results for fields and facilities where Petoro is a licensee. Petoro manages a large and diverse portfolio, and prioritises its level of follow-up on the various 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 integrated part of Petoro's governance. Petoro will work to ensure that a broad spectrum of effective climate solutions and new technology are considered in selected licenses. 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 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. This is addressed in more detail in Petoro's sustainability report.

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

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

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

Petoro's employees comply with the company's business ethics guidelines. The company's guidelines on business ethics are available to the public. 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/sports activities for employees. The various events are well-attended.

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

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

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

Statement on human rights due diligence pursuant to the Transparency Act

The Transparency Act entered into force on 1 July 2022. Through stricter requirements for transparency and due diligence, the Transparency Act aims to help prevent human rights violations and improper employment at the enterprises' business associates and in the supplier chain. For Petoro, this means that the company will provide information to anyone who requests it regarding how the company handles actual and potential negative impact on fundamental human rights and decent employment. Petoro received no such inquiries in 2023.

Nature of the enterprise

Petoro AS is a state-owned limited liability company which safeguards the state's participating interests in joint ventures on Norwegian continental shelf. The majority of the company's activities therefore take place as a licensee in such joint ventures established under the Joint Operating Agreement. In accordance with Offshore Norge Guideline No. 148, the operator is primarily responsible for undertaking risk-based human rights due diligence in connection with the joint venture's activities. As a result of the Guideline assigning responsibility for human rights due diligence to the licensee company, Petoro generally uses the operator's human rights due diligence as a basis for its own due diligence under the Transparency Act.

Petoro conducts its own human rights due diligence for suppliers and business partners outside the mentioned joint ventures.

Human rights due diligence as a partner in joint ventures

According to the industry guideline referenced above, Petoro can use the operator's human rights due diligence as a basis for its own due diligence. As an obligated party pursuant to the statute, Petoro also conducts its own assessments. This takes place by Petoro assessing whether the information the operator in the joint venture has provided is sufficient for the company to fulfil its obligations under the Transparency Act.

Petoro has availed itself of existing arrangements in the Joint Operating Agreement to address human rights due diligence associated with the joint venture's activities in the following manner in 2023:

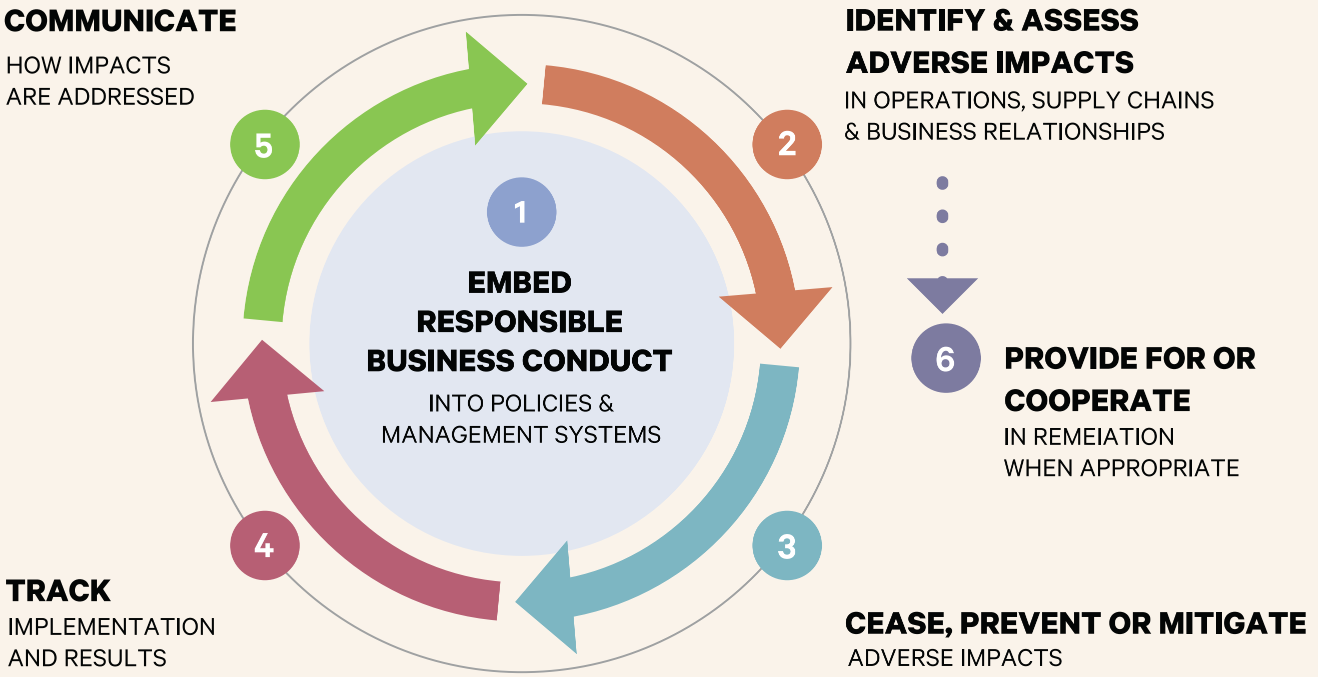
- Petoro has ensured in multiple Partner Forums, and alongside the other licensees, that the operator has explained its efforts on human rights due diligence. This has included pointing out incomplete or lacking explanations.
- Through active participation in the joint venture's Management Committee, Petoro has focused on ensuring that the operator's efforts to identify and manage risk have included sharing information about any actual negative impact and substantial risk of negative impact associated with the joint venture's activities. This also covers compliance with the Transparency Act.

No circumstances have come to light in 2023 which gave grounds for action from Petoro.

Human rights due diligence in Petoro AS

Separate human rights due diligence is undertaken for the company's suppliers outside the mentioned joint ventures. Work on human rights due diligence is codified in an internal guideline in accordance with a framework based on the UN Guiding Principles on Business and Human Rights (UNGP) and the OECD Due Diligence Guidance for Responsible Business Conduct, and ownership is assigned to the company's management and Board.

Petoro has conducted human rights due diligence based on the nature and degree of risk, as well as the company's connection to relevant risks in 2023. All suppliers have been subject to due diligence based on Petoro's ability to influence them and the defined risk, including type of activity and the



OECD Due Diligence guidance for responsible business conduct

organisation's geographical location. Suppliers have furthermore been split into different categories to ensure that the most serious risks are prioritised first. Measures are implemented to follow up the supplier based on their category.

The mapping has not revealed actual negative impact from the company's activities, either at Petoro or at the company's suppliers or business partners.

Measures and expectations for suppliers

Petoro has worked on corporate social responsibility as an integrated part of the company's governance for several years, and will continue this work in 2024. The focus will be on internal training and awareness campaigns in an effort to ensure good compliance and continuous improvement in the organisation.

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

5

Outlook

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

Digital field worker.
Photo: Ole Jørgen Bratland, Equinor

6

Figures for 2023

Annual accounts SDFI and Petoro AS

Troll A.
Photo: Øyvind Granås/Even Kleppa - Woldcam/©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 2023, the portfolio consisted of 175 production licences, three fewer than at the beginning of the year. Twelve production licences were relinquished in 2023. In January 2023, the Ministry of Petroleum and Energy completed its Awards in Pre-defined Areas (APA 2023), where an additional 20 production licenses were awarded with SDFI participation.

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 2023.

Assessment of significant factors

Appropriation and capital accounts

In accordance with the supplemental allocation letter dated 21 December 2023, the SDFI's appropriation for investments[1] totalled NOK 30.0 billion. The appropriation for operating income[2] totalled NOK 287.1 billion. The appropriation for interest on the state's capital[3] totalled NOK 2.7 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 355.2 billion in 2023, compared with NOK 630.1 billion in 2022. The revenues are greatly affected by lower oil and gas prices in 2023. Expenses reported in the appropriation accounts comprise payments of NOK 30.4 billion as investments and NOK 53.3 billion as operating expenses. Payments in 2022 amounted to NOK 28.4 billion related to investments and NOK 75.0 billion related to operations. Payments to operations were primarily related to the operation of fields and facilities, processing and transport costs, as well as exploration and field development expenses. This is in addition to payments of financial expenses. Depreciation of fields and facilities amounted to NOK 27.2 billion in 2023, compared with NOK 26.3 billion the previous year.

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

Net cash flow to the state from the SDFI at year-end amounted to NOK 277 billion, 251 billion lower than the previous year. The cash flow was mainly affected by a decline in oil and gas prices from the extraordinary levels of the year before, as well as lower gas sales. The decline was partly offset by increased cash flow as a result of lower costs associated with third-party gas purchases and a reduction in working capital. In spite of the significant reduction compared with 2022, the cash flow for the year is still the second-highest in Petoro's history.

Total production reached 994 thousand barrels of oil equivalent per day (kboed), a reduction of 50 kboed compared with the previous year.

Gas production amounted to 102 million standard cubic metres (mill. scm) per day, a reduction of seven per cent compared with the year before. The decline was primarily caused by a turnaround on Troll, as well as the temporary shutdown of fields tied back to the process plant at Nyhamna. The reduction was partly offset by production from Snøhvit, which was shut down during the first half of 2022, and Dvalin, which came on stream in 2023. The average realised gas price was NOK 5.76, compared with NOK 11.95 per scm the previous year. The reason for the lower gas prices is complex, but this was mainly caused by historically high

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[1] Ch./item 2440.30

[2] Ch./item 5440.24

[3] Ch./item 5440.80

LNG imports and filling up inventories in Europe, combined with lower demand.

Liquids production amounted to 354 kboed, a reduction of 5 kboed compared with the previous year. The decline in liquids production was primarily caused by natural production decline on several mature fields and a turnaround on Troll C, partly offset by increased production from Johan Sverdrup phase 2. The average realised oil price was USD 83, compared with USD 104 per barrel in 2022. However, the reduction measured in Norwegian kroner was somewhat offset by a weak NOK exchange rate, leading to an achieved oil price of NOK 876, compared with NOK 988 per barrel in the same period last year. The oil price reduction was caused by lower demand growth than expected due to rising interest rates, lower economic growth and a fear of recession in several parts of the world. This effect was offset by increased geopolitical unrest and persistent cuts from OPEC+.

Investments came to NOK 30 billion, NOK 1.6 billion higher than the previous year. The increase in investments was caused by high activity on several fields with projects in the implementation phase, partly offset by lower production drilling on Troll.

Total operating expenses amounted to NOK 86 billion, NOK 17 billion lower than the year before. The reduction was caused by lower costs for purchasing third-party gas, which was partly offset by impairment on operating fields.

Costs for purchasing third-party gas amounted to NOK 15 billion, NOK 21 billion lower than the previous year. This decline was caused by significantly lower gas prices in combination with lower volumes.

Production costs amounted to NOK 23 billion, which is on par with the previous year. CO_2 costs and operating and maintenance expenses have increased in 2023, however, but the effect was offset by reduced electricity costs.

Transport costs came to just under NOK 12 billion, which is NOK 0.7 billion lower than the year before.

Fixed assets were impaired by a total of NOK 5.2 billion in 2023. Martin Linge, Valemon and Nøkken have been impaired by NOK 4.5, 0.5 and 0.2 billion, respectively. The primary drivers for the impairments are updates to production profiles and cost estimates.

Overall exploration costs during the period amounted to NOK 1.7 billion, while expensing of dry wells drilled during the year accounted for NOK 0.4 billion of this, and previously capitalised exploration expenses prior to 2023 amounted to NOK 0.7 billion.

Net income after financial items came to NOK 266 billion, NOK 273 billion lower than the previous year. This reduction was mainly caused by lower income as a result of substantially lower prices, as well as a lower volume of gas sales.

The book value of assets at 31 December 2023 was NOK 295 billion. The assets mainly consist of fixed assets related to field installations, pipelines and onshore plants, as well as current debtors. Equity at year-end came to NOK 187 billion, which is a reduction of NOK 11 billion compared with the year before. This reduction was caused by the transfer to the state being NOK 11 billion higher than the annual result for accounting purposes. Overall debt amounted to NOK 107 billion, while NOK 75 billion of this was related to estimated future removal obligations. Removal obligations increased by NOK 6 billion compared with 2022, primarily as a result of updated removal estimates.

The portfolio's estimated remaining reserves totalled 4,475 million boe at the end of the year, down by 304 million boe compared with the end of 2022. Reserve growth came to 59 million boe, and this mainly comes from the Snorre and Visund fields as a result of somewhat extended economic tail-end production. With a production of 363 million boe, this yielded a reserve replacement rate of 16 per cent, compared with 49 per cent in 2022 and 80 per cent in 2021.

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 2024.

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, 8 March 2024

Gunn Wærsted Chair	**Brian Bjordal** Deputy chair	**Trude J. H. Fjeldstad** Director	**Kristin Skofteland** Director
Arne Sigve Nylund Director	**Jonas Olsson** Director, elected by the employees	**May Linda Glesnes** Director, elected by the employees	**Kristin Fejerskov Kragseth** President and CEO

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

The annual accounts for the SDFI have been prepared and presented in accordance with detailed guidelines stipulated in the Provisions on Financial Management in Central Government ("the Provisions"). The accounts accord with the requirements in Section 3.4 of the Provisions and more detailed provisions in circular R-115 of December 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 general ledger accounts report is not set up in accordance with the methodology from the Norwegian Agency for Public and Financial Management (DFØ) due to adaptations for special circumstances that apply for the SDFI.

Accounts on cash basis – SDFI Appropriation accounts

Presentation of appropriation accounts reporting 31 Dec. 2023

Expense chapter	Chapter name	Category	Description	Total allocation	2023 accounts	(Increase)/ decrease in expenses
2440	Expenses	30	Investments	30,000,000,000	30,396,449,395	(396,449,395)
5440	Expenses	24.02	Operating expenses	56,700,000,000	55,109,741,265	1,590,258,735
5440	Expenses	24.03	Exploration and field development expenses	1,700,000,000	1,476,141,141	223,858,859
5440	Expenses	24.04	Depreciation	27,600,000,000	27,206,411,972	393,588,028
5440	Expenses	24.05	Interest	2,700,000,000	2,696,659,333	3,340,667
Total expensed				**118,700,000,000**	**116,885,403,105**	**1,814,596,895**

Revenues chapter	Chapter name	Category	Description	Total allocation	2023 accounts	Excess revenue and (lower revenue)
5440	Revenues	24.01	Operating revenue	375,800,000,000	363,492,331,081	(12,307,668,920)
5440	Expenses	30	Depreciation	27,600,000,000	27,206,411,972	(393,588,028)
5440	Expenses	80	Interest on fixed capital	2,700,000,000	2,707,840,333	7,840,333
5440	Expenses	85	Interest on open accounts	0	(11,181,000)	(11,181,000)
Total recognised				**406,100,000,000**	**393,395,402,385**	**(12,704,597,615)**
5440		**24**	**Operating profit**	**287,100,000,000**	**277,003,377,370**	**(10,096,622,630)**
Net reported to appropriation accounts					**(276,509,999,280)**	

Capital accounts

0677.03.04693	Settlement account Norges Bank - paid in	374,385,636,017	
0677.03.08710	Settlement account Norges Bank - paid in	16,863,225,088	
0677.04.05015	Settlement account Norges Bank - paid out	(114,343,880,145)	
	Change in open accounts	(394,981,680)	
Total reported		0	

Holdings reported to the capital accounts (31 Dec)

Account	Text	2023	2022	Change
	Open accounts with the Treasury	(914,132,678)	(1,309,114,358)	394,981,680

Accounts on cash basis - SDFI Appropriation accounts

NOTE A Explanation of total allocation

Type and category	Transferred from the previous year	Allocation for the year	Total allocation
2440.30		30,000,000,000	30,000,000,000
5440.24.02		56,700,000,000	56,700,000,000
5440.24.03		1,700,000,000	1,700,000,000
5440.24.04		27,600,000,000	27,600,000,000
5440.24.05		2,700,000,000	2,700,000,000
5440.24.01		375,800,000,000	375,800,000,000
5440.30		27,600,000,000	27,600,000,000
5440.80		2,700,000,000	2,700,000,000
5440.85		0	0
5440.24		287,100,000,000	287,100,000,000

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

Petoro has been given authority to post payments and disbursements for the SDFI against the open accounts with the Treasury. The open accounts comprise over/under calls of cash from the operating companies (difference between cash calls and settlements from operators), working capital, settlements from operators, VAT and open accounts with payment providers, etc. As regards other authorisations, please refer to the Allocation Letter for 2023 issued to Petoro from the Ministry of Trade, Industry and Fisheries.

There will be no need to calculate a potential roll-over amount for next year, as the SDFI receives estimated appropriations.

Accounts on cash basis – SDFI
Capital accounts – specified

SDFI capital accounts 2023 – Figures in NOK

	Items			
	Open account state			914,132,678
	Fixed assets before impairment		206,679,638,535	
	(Impairment) / reversal (+)		(5,176,723,109)	
	Fixed asset account		201,502,915,426	201,502,915,426
Total	**Total**			**202,417,048,104**
	Open account state at 1 Jan. 2023		(1,309,114,358)	
	Total expenses	30,396,449,395		
	Total revenue	(306,906,448,675)		
	Cash flow	(276,509,999,280)	(276,509,999,280)	
	Net transfer to the state		276,904,980,961	
Open account state at 31 Dec. 2023			**(914,132,678)**	**(914,132,678)**
	Fixed assets at 1 Jan. 2023		(203,489,601,112)	
	Investments for the year		(30,396,449,395)	
	Depreciation for the year		27,206,411,972	
	Impairment (+) / (Reversal)		5,176,723,109	
	Fixed assets at 31 Dec. 2023		(201,502,915,426)	(201,502,915,426)
Total				**(202,417,048,104)**

Stavanger, 8 March 2024

Gunn Wærsted
Chair

Brian Bjordal
Deputy chair

Trude J. H. Fjeldstad
Director

Kristin Skofteland
Director

Arne Sigve Nylund
Director

Jonas Olsson
Director,
elected by the employees

May Linda Glesnes
Director,
elected by the employees

Kristin Fejerskov Kragseth
President and CEO

Accounts on cash basis – SDFI
General ledger accounts report

Specification of the general ledger accounts report 31. Dec. 2023		
	2023	**2022**
Operating revenues reported to the appropriation accounts		
Sales and lease payments received	312,016,148,644	646,148,095,491
Other amounts paid in	43,186,328,447	(16,095,982,525)
Total paid in from operations	**355,202,477,091**	**630,052,112,965**
Operating expenses reported to the appropriation accounts		
Depreciation	27,206,411,972	26,314,129,664
Other disbursements for operations	53,264,561,076	75,002,734,960
Total disbursed to operations	80,470,973,048	101,316,864,624
Net reported operating expenses	**(274,731,504,043)**	**(528,735,248,341)**
Investment and financial income reported to the appropriation accounts		
Financial income paid in	8,289,853,990	3,973,199,253
Total investment and financial income	**8,289,853,990**	**3,973,199,253**
Investment and financial expenses reported to the appropriation accounts		
Paid out for investment	30,375,210,977	28,347,890,748
Paid out for share purchases	7,183,689	28,582,627
Paid out for financial expenses	6,032,035,391	3,990,308,275
Total investment and financial expenses	**36,414,430,057**	**32,366,781,650**
Net reported investment and financial expenses	**28,124,576,067**	**28,393,582,398**
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)	(27,206,411,972)	(26,314,129,664)
Interest on the government's capital and open accounts with the Treasury (see Ch. 5440 revenue)	(2,696,659,333)	(2,377,551,850)
Net reported expenses under joint chapters	**(29,903,071,305)**	**(28,691,681,513)**
Net expenses reported to the appropriation accounts	**(276,509,999,280)**	**(529,033,347,457)**

Accounts on cash basis – SDFI
General ledger accounts report

Open accounts with the Treasury

Assets and liabilities	**2023**	**2022**	**Endring**
O/U call	6,377,448,460	5,223,091,183	1,154,357,277
AP nonop	(3,130,003,302)	(2,360,814,695)	(769,188,607)
AR nonop	999,193,720	824,799,820	174,393,900
Inventory nonop	1,565,195,990	1,655,026,657	(89,830,667)
Prep exp nonop	733,876,464	553,817,712	180,058,751
Working cap - nonop	(5,635,085,292)	(4,593,947,580)	(1,041,137,712)
VAT	3,506,917	7,141,540	(3,634,622)
Agio	(278)	(278)	0
Total open accounts with the Treasury	**914,132,678**	**1,309,114,358**	**(394,981,680)**

*)
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 2022 to 2023:
The change was mainly caused by an increase in accounts payable and working capital in licences, but is partly offset by increased cash calls from operators.

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

All figures in NOK million	Notes	2023	2022
OPERATING REVENUE			
Operating revenue	2, 3, 13, 10	**352,690**	**640,426**
Total operating revenue		**352,690**	**640,426**
OPERATING EXPENSES			
Exploration expenses		**1,668**	**1,461**
Production expenses	4	**23,362**	**23,489**
Transport and processing expenses	4	**11,771**	**12,478**
Depreciation and impairment	9	**33,504**	**27,484**
Costs gas purchases, storage and administration	4, 12, 13	**15,804**	**37,912**
Total operating costs		**86,109**	**102,823**
Operating profit		**266,581**	**537,603**
FINANCIAL ITEMS			
Financial income	7	**7,494**	**10,691**
Financial expenses	7, 15	**7,903**	**9,086**
Net financial items	7	**(409)**	**1,605**
NET INCOME FOR THE YEAR	14	**266,172**	**539,208**

Accounts based on accounting act SDFI balance sheet at 31 December

All figures in NOK million	Notes	2023	2022
Intangible fixed assets	9	**45**	**49**
Tangible fixed assets	1, 9, 21, 22	**221,982**	**220,649**
Financial assets	9, 10	**15,016**	**24,668**
Fixed assets		**237,042**	**245,366**
Inventory	11	**2,080**	**3,013**
Accounts receivable	12,13	**55,266**	**79,963**
Bank deposits		**162**	**100**
Current assets		**57,508**	**83,076**
TOTAL ASSETS		**294,551**	**328,442**
Equity at 1 Jan.		**198,227**	**187,190**
Paid from/(to) the state during the year		**(276,905)**	**(528,171)**
Net profit		**266,172**	**539,208**
Equity	14	**187,494**	**198,227**
Long-term decommissioning liabilities	15, 21	**74,800**	**68,677**
Other long-term liabilities	16	**2,787**	**22,331**
Long-term liabilities		**77,587**	**91,008**
Trade creditors		**3,729**	**2,860**
Other current liabilities	13, 17, 18	**25,741**	**36,346**
Current liabilities		**29,470**	**39,206**
TOTAL EQUITY AND LIABILITIES		**294,551**	**328,442**

Stavanger, 8 March 2024

Gunn Wærsted
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Kristin Fejerskov Kragseth
President and CEO

Accounts based on accounting act
SDFI Cash flow statement

All figures in NOK million	Notes	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from operations	**2, 3**	**363,492**	634,025
Cash disbursements from operations	**4, 15**	**(56,580)**	(76,617)
Change in working capital in the licences		**1,608**	(485)
Change over/under call in the licenses		**(1,154)**	(334)
Net interest payments		**(2)**	(1)
Cash flows from operating activities		**307,364**	**556,588**
CASH FLOW FROM INVESTMENT ACTIVITIES			
Investments	**9, 10**	**(30,396)**	(28,378)
Cash flow from investment activities		**(30,396)**	**(28,378)**
CASH FLOW FROM FINANCING ACTIVITIES			
Net transfer to the state		**(276,905)**	(528,171)
Cash flow from financing activities		**(276,905)**	**(528,171)**
Increase in bank deposits of partnerships with shared liability		**63**	39

Note information for accounts based on the Accounting Act

General

As of 31 December 2023, Petoro AS acted as licensee on behalf of the SDFI for interests in 175 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 Norwegian shelf 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 of 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 expenses for direct research and development in each joint venture, the operator also charges expenses for general research and development to the partnership in accordance with the extent of exploration, development and operating expenses in the joint venture.

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

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

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

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

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

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

Petoro determines the reserve base for depreciation purposes on the basis of estimated remaining reserves per field, which are adjusted by a factor calculated as the ratio between the Norwegian Petroleum Directorate's total of low reserves in production and the sum of expected reserves in production. This is done for both oil and gas reserves. This reserve adjustment factor amounted to 76 per cent of expected remaining oil reserves in 2023, while the corresponding figure for gas reserves was 89 per cent. The reserve estimates are revised annually, and any changes affect only future depreciation expenses.

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

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

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

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

The impairment charge will be reversed if the conditions for writing down the asset no longer apply, limited to what the value would have been if no impairment 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 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 2023, the Ministry of Petroleum and Energy (now Ministry of Energy) completed its Awards in Predefined Areas (APA 2022), where nine production licences were awarded with SDFI participation. Twelve production licences were relinquished in 2023. In January 2023, the Ministry of Petroleum and Energy completed its Awards in Pre-defined Areas (APA 2023), where an additional 20 production licences were awarded with SDFI participation.

NOTE 2 Specification of operating revenue by area

All figures in NOK million	2023	2022
Licence	311,158	591,764
Infrastructure and Market	44,609	52,911
Net profit agreements	1,051	1,245
Elimination internal sales	(4,128)	(5,494)
Total operating revenue (NGAAP)	**352,690**	**640,426**
Conversion to cash basis	10,803	(6,401)
Total cash basis	**363,492**	**634,025**

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	2023	2022
Crude oil, NGL and condensate	106,685	121,144
Gas	231,597	503,924
Transport and processing revenue	12,688	13,689
Other revenue	670	425
Net profit agreements	1,051	1,245
Total operating revenue (NGAAP)	**352,690**	**640,426**
Conversion to cash basis	10,803	(6,401)
Total cash basis	**363,492**	**634,025**

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". Under gas revenues in 2023, the company allocated NOK 1.1 billion in net unrealised losses on outstanding financial derivatives associated with gas volumes. The corresponding figure in 2022 was NOK 7.3 billion. 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	2023	2022
PRODUCTION EXPENSES		
Licence	**17,988**	17,050
Infrastructure and Market	**5,374**	6,439
Total production expenses	**23,362**	**23,489**
TRANSPORT AND PROCESSING EXPENSES		
Licence	**15,813**	17,814
Infrastructure and Market	**86**	158
Elimination internal purchases	**(4,128)**	(5,494)
Total transport and processing expenses	**11,771**	**12,478**
OTHER OPERATING EXPENSES		
Expenses for gas purchases, storage and administration	**15,804**	37,912
Total other operating expenses	**15,804**	**37,912**
Total operating costs	**50,937**	**73,878**
Conversion to cash basis	4,173	779
Total cash basis	**55,110**	**74,658**

Production costs were on par with previous years. CO_2 costs and operating and maintenance expenses have increased in 2023, however, but the effect was offset by reduced electricity costs.

The reduction in transport and processing costs was mainly caused by lower volumes.
Reduced costs related to gas purchases, storage and administration are primarily caused by lower gas prices in combination with reduced volumes.

Over / underlift is included in the figure for Infrastructure and Market under production expenses. Gassled and other gas infrastructure are 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 703 million was expensed by the SDFI for R&D in 2023 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 2023 – 30 April 2024, and the result of the audit will be reported in the form of an auditor's report by 1 May 2024.

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	**2023**	**2022**
Interest income	**195**	1
Other financial revenue	**1**	2
Currency gain	**7,298**	10,688
Currency loss	**(3,479)**	(7,375)
Currency loss/gain - unrealised	**(1,544)**	(70)
Interest expenses	**(856)**	(153)
Other financial expenses	**0**	0
Interest on decommissioning liability	**(2,024)**	(1,488)
Net financial items	**(409)**	**1,605**

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 2023 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 2023 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. 2022	Historical acquisition cost at 1 Jan. 2023	Accumulated depreciation 1 Jan. 2023	Addition	Impair-ment	Dis-posal	Trans-fers*	Depre-ciation	Book value at 31 Dec. 2023
Fields under development	18,502	18,502	0	6,172	0	0	(9,347)	0	15,326
Operating fields	173,295	680,451	(507,157)	25,686	(5,177)	0	9,516	(25,356)	177,964
Pipelines and onshore facilities	23,741	78,501	(54,761)	3,049	0	0	0	(2,968)	23,822
Capitalised exploration expenses	5,112	5,112	0	994	0	(1,068)	(169)	0	4,870
Total tangible fixed assets	**220,649**	**782,566**	**(561,917)**	**35,901**	**(5,177)**	**(1,068)**	**0**	**(28,323)**	**221,982**
Intangible fixed assets	49	288	(239)	0	0	0	0	(4)	45
Financial assets	24,668	24,668	0	(9,652)	0	0	0	0	15,016
Total fixed assets (NGAAP)	**245,366**	**807,522**	**(562,156)**	**26,249**	**(5,177)**	**(1,068)**	**0**	**(28,327)**	**237,042**
Conversion to cash basis	(41,876)	(92,296)	50,420	4,148	0	1,068	0	1,121	(35,540)
Total fixed assets on cash basis	**203,490**	**715,226**	**(511,737)**	**30,396**	**(5,177)**	**0**	**0**	**(27,206)**	**201,503**

**Transfers apply for the Dvalin and Breidablikk fields, which came on stream during 2023*

Operating fields have been impaired by a total of NOK 5,177 million, primarily as a result of updated production profiles and cost estimates. The Martin Linge, Valemon and Nøkken fields have been impaired by NOK 4,462, 455 and 259 million, respectively.

Impairment tests are based on Petoro's best estimate of cash flows (market prices, production, investments, 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 for 2023:

Real prices/year	2024	2027	2030	2050
Oil NOK/bbl	946	648	612	540
Gas price NOK/scm	6.9	3.7	2.7	2.5

Multiple different scenarios are taken into account in the preparation of price forecasts, including scenarios developed by the International Energy Agency (IEA) in the World Energy Outlook report.

However, the risk of periods with lower and higher prices is still significant, and volatility can be expected.

Sensitivity analysis

The table below shows alternative calculations of what the impairment and marginal change would have been in 2023 under various assumptions, given that all other assumptions remain constant. A price reduction of 10% on all products would have yielded an additional total impairment of NOK 1,641 million for the SDFI portfolio.

		Alternative calculations of impairment for 2023		Increase / (reduction) in impairment for 2023	
Assumptions	**Change**	**Increased assumptions**	**Reduced assumptions**	**Increased assumptions**	**Reduced assumptions**
Gas and liquids prices	+/- 10%	3,530	6,818	(1,647)	1,641
Discount rate	+/- 1%	5,419	4,924	243	(252)

The SDFI portfolio has also been tested for loss in value based on scenarios from the IEA. Prices from these scenarios are stated in actual 2023 terms for 2030 and 2050. Future expected prices have been applied for 2024, and they have been linearly interpolated from the price for 2024 to the IEA's scenario price for 2030, and then linearly interpolated from the IEA's scenario prices for 2030 to the IEA's scenario prices for 2050. The figures on the left represent alternative impairment calculations, and the figures on the right express changes from reported impairment for 2023 of NOK 5,177 million.

IEA scenario	Prices for 2030 and 2050	Alternative calculations of impairment for 2023	Increase / (reduction) in impairment for 2023
Net zero	Oil 395-235 NOK/bbl, gas 1.5-1.5 NOK/scm	7,459	2,282
Announced pledges	Oil 696-564 NOK/bbl, gas 2.3-1.9 NOK/scm	3,812	(1,365)
Stated policies	Oil 799-781 NOK/bbl, gas 2.5-2.5 NOK/scm	3,730	(1,446)

Only the "net zero" scenario will result in increased impairment compared with the current base scenario for the SDFI portfolio. On the other hand, the two other scenarios will result in a reduced loss of value. The analysis indicates that the risk of potential stranded assets in the SDFI portfolio is limited under current market assumptions.

Financial assets totalling NOK 15,016 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 Instructions 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 Instructions. 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.

In 2023, the SDFI recognised an investment associated with Equinor's financial trading activity, including Global Financial Trading (GFT). GFT is operated from the United Kingdom and is formally owned by Equinor, but the SDFI participates in the investment through the Marketing and Sale Instructions for a share of the activities which affects the European gas market. The SDFI's participation in GFT is assessed as an investment in an associated company and is recorded in accordance with the equity method.

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 Instructions. At the time of acquisition in 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 short-term liabilities vis-à-vis Equinor. See Note 17 for more information.

	2023			2022	
All figures in NOK million	**DC**	**GFT**	**ENG**	**DC**	**ENG**
Financial assets 1 Jan.	**24,516**	**0**	**152**	1,704	123
Share of profit for the year in associated company	**1,902**	**126**	**2,838**	6,122	5,631
Dividend	**0**	**0**	**(2,957)**	0	(5,602)
Net additions	**(11,561)**	**0**	**0**	16,690	0
Financial assets 31 Dec*	**14,857**	**126**	**33**	**24,516**	**152**

** 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	**2023**	**2022**
Petroleum products	**515**	1,358
Spare parts	**1,565**	1,655
Total inventories	**2,080**	**3,013**

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 Close associates

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 Energy. These companies are classified as close associates of the SDFI. Petoro, as the SDFI licensee, 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 106 billion (corresponding to 130 million boe) for 2023, compared with NOK 121 billion (130 million boe) for 2022.

Equinor markets and sells the state's natural gas at the state'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 817 million in 2023, compared with NOK 2,447 million in 2022. 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 27.0 billion in 2023, compared with NOK 48.7 billion in 2022. Open accounts with Equinor totalled NOK 11.2 billion in favour of the SDFI, converted at the exchange rate on the balance sheet date, compared with NOK 16.0 billion in 2022.

Pursuant to the Marketing and Sale Instructions, 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) and Global Financial Trading (GFT) under the Marketing and Sale Instructions 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	**2023**	**2022**
Equity at 1 Jan.	**198,227**	187,190
Net profit	**266,172**	539,208
Cash transfers to the government	**(276,905)**	(528,171)
Equity at 31 Dec.	**187,494**	**198,227**

Not relevant to the accounts on a cash basis.

NOTE 15 Shutdown/decommissioning

This 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 removal date is expected largely to occur one or two years after cessation of production. See Note 24.

Interest expense on the liability is classified as a financial expense in the income statement. The discount rate is based on the discount rate for corporate bonds (OMF) as stated in NRS6. In 2023, the discount rate was 3.1%, compared with 3.0% in 2022.

The estimate for decommissioning costs has been reduced 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	**2023**	**2022**
Liability at 1 Jan	**68,677**	78,734
New liabilities	**80**	4,321
Actual decommissioning	**(417)**	(782)
Change in estimate	**5,734**	(940)
Change in discount rate	**(1,298)**	(14,144)
Interest expense	**2,024**	1,488
Liability at 31 Dec	**74,800**	**68,677**

NOK 417 million has been accrued for cessation and decommissioning in 2023, and is included in the accounts on a cash basis under operating expenses. The SDFI's share of estimated expenses for 2024 associated with shutdown and amounts to NOK 877 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

Three financial leasing contracts were entered into in 2006 on the delivery of three ships to transport LNG from Snøhvit. These contracts run for 20 years, with two options for five-year extensions. Future discounted minimum payment for financial leasing totals NOK 414 million as of 31 December 2023. Of this, NOK 252 million will be disbursed in 2024 and 162 million will be paid the following year. The disbursement for 2024 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 1,963 million.

Other long-term liabilities amount to NOK 663 million.

Not relevant to the accounts on a cash basis.

NOTE 17 Other current liabilities

The following other current liabilities fall due in 2024:

- Provisions for accrued unpaid costs, adjusted for cash calls in December, amounting to NOK 15,100 million as of year-end 2023, compared with NOK 14,479 in 2022.
- Open account vis-à-vis Equinor related to financial instruments under the Marketing and Sale Instructions amounting to NOK 1,062 million as of year-end 2023, compared with NOK 15,436 million in 2023.
- Outstanding debt vis-à-vis Equinor related to investment in Danske Commodities amounted to NOK 8,135 million as of year-end 2023. This liability is classified as short-term this year, as settlement is expected to take place in 2024.
- Other provisions for accrued unpaid costs not included in the accounts received from operators amounted to NOK 1,444 million in 2023, compared with NOK 6,431 million in 2022.

Accounts receivable vis-à-vis licence operators are classified as 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 Instructions issued to Equinor utilise derived financial instruments (derivatives) to manage risk in the SDFI portfolio. The SDFI does not have significant interest-bearing debt, and primarily sells oil, gas and NGL at current prices. Instruments used to manage price risk for sales at fixed prices or for deferred gas production are linked to forwards and futures.

At 31 December 2023, the market value of the derivatives was NOK 5,079 million in assets and NOK 6,141 million in liabilities. The comparable figures at the end of 2022 were NOK 12,406 million in assets and NOK 19,684 million in liabilities. These figures include the market value of listed “futures”, unlisted instruments and embedded derivatives. The market value of embedded derivatives is linked to contracts entered into with end-user customers on the Continent. This amounted to NOK 104 million in assets and NOK 666 million in liabilities in 2023. The comparable figures in 2022 were NOK 239 million in assets and NOK 219 million in liabilities, respectively. Net unrealised losses on outstanding positions at 31 December 2023 were carried to expense under the (Norwegian) Accounting Act and generally accepted accounting principles (NGAAP).

Price risk
The SDFI’s most significant price risk is related to future market prices for oil and natural gas. The SDFI is also exposed to both positive and negative price developments through the Marketing and Sale Instructions issued to Equinor. Equinor enters into raw materials-based derivatives contracts on behalf of the joint portfolio in an effort to manage price risk associated with natural gas. 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. Petoro 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 2023 was largely related to a single 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). Alongside Equinor, the company has a financial liability related to leasing contracts for LNG ships pursuant to the Marketing and Sale Instructions. 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 counterparties which are considered to have high creditworthiness, and all oil, NGL and condensate is sold to Equinor. In accordance with the Marketing and Sale Instructions, financial instruments for the SDFI's operations are purchased from buyers with sound credit ratings. Financial instruments are only established with large banks or financial institutions within pre-approved exposure levels and margin requirements. The SDFI's credit risk in current transactions is accordingly regarded as limited.

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

NOTE 19 Leases/contractual liabilities

All figures in NOK million	Leases	Transport capacity and other liabilities
2024	1,170	1,571
2025	926	1,088
2026	276	874
2027	112	593
2028	99	260
Beyond	117	709

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 are associated with gas sales activities and mainly consist of transport and storage obligations in the United Kingdom and continental Europe. 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 14 wells with an expected cost to the SDFI in 2024 of NOK 1.3 billion.

The SDFI has also accepted contractual liabilities relating to investments in new and existing fields. Overall, this amounts to NOK 12 billion for 2024 and NOK 14 billion for subsequent periods, totalling NOK 26 billion. The SDFI also committed itself to operating and investment expenses for 2024 through approved budgets and work programmes. The mentioned liabilities are included in work programmes and budgets for 2024.

In connection with the sale of the SDFI's oil and gas, Equinor has issued guarantees to suppliers and owners of transport infrastructure 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 894 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 2023.

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 reviews 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 reviews in the annual accounts for 2023.

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 impaired 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. In recent years, 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' plan for development and operation (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) is used as a basis for depreciation. A share of oil and gas, respectively, is calculated annually for the portfolio to represent the relationship between low and expected reserves in production. This joint share is used to calculate the depreciation basis for each field. The reduced expected reserves forming the basis for the depreciation expenses are of great significance for net income, 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

	2023		2022		2021	
Oil* in million bbls, gas in billion scm	**oil**	**gas**	**oil**	**gas**	**oil**	**gas**
Expected remaining reserves at 1 Jan.	**1,271**	**558**	**1,400**	**568**	**1,463**	**569**
Change in reserves	41	3	2	30	79	35
Production	(129)	(37)	(131)	(40)	(142)	(37)
Expected remaining reserves at 31 Dec	**1,183**	**523**	**1,271**	**558**	**1,400**	**568**

* *Oil includes NGL and condensate.*

The portfolio's estimated remaining reserves totalled 4,475 million boe at the end of the year, down by 304 million boe compared with the end of 2022. Reserve growth came to 59 million boe, and this mainly comes from the Snorre and Visund fields as a result of somewhat extended economic tail-end production. With a production of 363 million boe, this yielded a reserve replacement rate of 16 per cent, compared with 49 per cent in 2022 and 80 per cent in 2021.

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. 2023 Participating interest (%)	At 31 Dec. 2022 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
040	30.00000	30.00000
043	30.00000	30.00000
043 BS	30.00000	30.00000
043 FS	30.00000	-
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

Production licence	At 31 Dec. 2023 Participating interest (%)	At 31 Dec. 2022 Participating interest (%)
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
094	14.95000	14.95000
094 B	34.53000	35.69000
095	59.00000	59.00000
097	30.00000	30.00000
099	30.00000	30.00000
100	30.00000	30.00000
102	30.00000	30.00000
102 C	30.00000	30.00000
102 D	30.00000	30.00000
102 E	30.00000	30.00000
102 F	30.00000	30.00000
102 G	30.00000	30.00000
102 H	30.00000	30.00000
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

Production licence	At 31 Dec. 2023 Participating interest (%)	At 31 Dec. 2022 Participating interest (%)
134	13.55000	13.55000
134 E	13.55000	-
152	30.00000	30.00000
153	30.00000	30.00000
153 B	30.00000	30.00000
153 C	30.00000	30.00000
158	47.88000	47.88000
169	30.00000	30.00000
169 B1	37.50000	37.50000
169 B2	30.00000	30.00000
171 B	33.60000	33.60000
176	47.88000	47.88000
190	40.00000	40.00000
193	30.00000	30.00000
193 B	30.00000	30.00000
193 C	30.00000	30.00000
193 D	30.00000	30.00000
193 E	30.00000	30.00000
193 FS	30.00000	30.00000
193 GS	30.00000	30.00000
195	35.00000	35.00000
195 B	35.00000	35.00000
199	27.00000	27.00000
208	30.00000	30.00000
209	35.00000	35.00000
209 BS	-	35.00000
211	35.00000	35.00000
211 CS	35.00000	35.00000
237	34.53000	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
248 K	40.00000	-

Production licence	At 31 Dec. 2023 Participating interest (%)	At 31 Dec. 2022 Participating interest (%)
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
277	30.00000	30.00000
309 C	33.60000	33.60000
318	20.00000	20.00000
318 B	20.00000	20.00000
318 C	20.00000	20.00000
327	20.00000	20.00000
327 B	20.00000	20.00000
327 C	20.00000	-
393	20.00000	20.00000
435	35.00000	35.00000
448	30.00000	30.00000
473	19.95000	19.95000
475 BS	30.00000	30.00000
475 CS	30.00000	30.00000
479	34.53000	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
815	20.00000	20.00000
830	-	20.00000
885	-	20.00000
886	20.00000	20.00000
886 B	20.00000	20.00000
894	20.00000	20.00000
896	-	20.00000
923	20.00000	20.00000
923 B	20.00000	20.00000
935	20.00000	20.00000

Production licence	At 31 Dec. 2023 Participating interest (%)	At 31 Dec. 2022 Participating interest (%)
958	20.00000	20.00000
968	-	20.00000
970	-	20.00000
973	-	20.00000
973 B	-	20.00000
976	20.00000	20.00000
985	20.00000	20.00000
1025 S	20.00000	20.00000
1025 SB	20.00000	20.00000
1049	20.00000	20.00000
1049 B	-	20.00000
1049 C	-	20.00000
1051	-	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	20.00000
1155 B	20.00000	-
1162	20.00000	20.00000
1169	20.00000	20.00000
1170	20.00000	20.00000
1174 S	20.00000	-
1188	34.53000	-
1189	34.53000	-
1197	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		

Agreement area	At 31 Dec. 2023 Participating interest (%)	At 31 Dec. 2022 Participating interest (%)
Breidablikk Unit	22.20000	22.20000
Brime Unit	25.34000	-
Fram H-Nord Unit	11.20000	11.20000
Gimle Unit	-	24.18630
Grane Unit	28.90500	28.90500
Haltenbanken Vest Unit	22.52000	22.52000
Halten Øst Unit	5.90000	5.90000
Heidrun Unit	57.79339	57.79339
Johan Sverdrup Unit	17.36000	17.36000
Martin Linge Unit	30.00000	30.00000
Norne Inside	54.00000	54.00000
Ormen Lange Unit	36.48500	36.48500
Oseberg Area Unit	33.60000	33.60000
Sindre Unit	-	27.09000
Snorre Unit	30.00000	30.00000
Snøhvit Unit	30.00000	30.00000
Statfjord Øst Unit	30.00000	30.00000
Sygna Unit	30.00000	30.00000
Tor Unit	3.68744	3.68744
Troll Unit	56.00000	56.00000
Tyrving	26.84000	26.84000
Valemon Unit	30.00000	30.00000
Vega Unit	31.20000	31.20000
Verdande Unit	22.40670	-
Visund Inside	30.00000	30.00000
Åsgard Unit	34.53000	35.69000

Field	At 31 Dec. 2023 Participating interest (%)	At 31 Dec. 2022 Participating interest (%)	Remaining production period	Licence period
Breidablikk	22.20000	22.20000	2060	2030
Draugen	47.88000	47.88000	2040	2024
Dvalin	35.00000	35.00000	2039	2041
Ekofisk	5.00000	5.00000	2048	2048
Eldfisk	5.00000	5.00000	2048	2048
Embla	5.00000	5.00000	2028	2048
Fram H-Nord	11.20000	11.20000	2032	2024
Gimle	25.34000	24.18630	2040	2026
Gjøa	30.00000	30.00000	2031	2028
Grane	28.90500	28.90500	2060	2030
Gullfaks	30.00000	30.00000	2040	2036
Gullfaks Sør	30.00000	30.00000	2040	2025
Halten Øst	5.90000	5.90000	2032	2027
Heidrun	57.79339	57.79339	2046	2024
Irpa	20.00000	-	2039	2041
Johan Castberg	20.00000	20.00000	2054	2049
Johan Sverdrup	17.36000	17.36000	2054	2036
Kristin	22.52000	22.52000	2042	2027
Kvitebjørn	30.00000	30.00000	2034	2031
Maria	30.00000	30.00000	2042	2036
Martin Linge	30.00000	30.00000	2036	2027
Norne	54.00000	54.00000	2036	2026
Ormen Lange	36.48500	36.48500	2046	2040
Oseberg	33.60000	33.60000	2040	2031
Oseberg Sør	33.60000	33.60000	2040	2031
Oseberg Øst	33.60000	33.60000	2026	2031
Rev	30.00000	30.00000	2025	2026
Sindre	25.34000	27.09000	2040	2026
Skuld	24.54546	24.54546	2036	2026
Snorre	30.00000	30.00000	2050	2040
Snøhvit	30.00000	30.00000	2049	2035
Statfjord Nord	30.00000	30.00000	2038	2026
Statfjord Øst	30.00000	30.00000	2038	2026
Svalin	30.00000	30.00000	2060	2030
Sygna	30.00000	30.00000	2038	2026
Tor	3.68744	3.68744	2048	2028
Tordis	30.00000	30.00000	2040	2040
Troll	56.00000	56.00000	2054	2030

Tune	40.00000	40.00000	2040	2031
Tyrving	26.84000	26.84000	2040	2025
Urd	24.54546	24.54546	2036	2026
Valemon	30.00000	30.00000	2028	2031
Vega	31.20000	31.20000	2035	2024
Verdande	22.40670	-	2035	2023
Vigdis	30.00000	30.00000	2041	2040
Visund	30.00000	30.00000	2042	2034
Visund Sør	30.00000	30.00000	2040	2034
Åsgard	34.53000	34.53000	2038	2027

PIPELINES AND ONSHORE FACILITIES

Oil infrastructure	At 31 Dec. 2023 Participating interest (%)	At 31 Dec. 2022 Participating interest (%)	Licence period
Oseberg Transport System (OTS)	48.38379	48.38379	2031
Troll Oil Pipeline I + II	55.76808	55.76808	2030/2040
Grane Oil Pipeline	42.06310	42.06310	2030
Kvitebjørn Oil Pipeline	30.00000	30.00000	2031
Norpipe Oil AS (ownership)	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	56.00000	56.00000	2030
Nyhamna	26.13840	26.13840	2041
Polarled	11.94600	11.94600	2041
Valemon Rich Gas Pipeline	30.00000	30.00000	2031
Dunkerque Terminal DA	30.35317	30.35317	2028
Zeepipe Terminal J.V.	22.88161	22.88161	2028
Vestprosess DA	41.00000	41.00000	-
Ormen Lange Eiendom DA	36.48500	36.48500	-

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

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

** Gassled has multiple transport licences with various licence periods

Resource accounts 2023 - unaudited

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

		Remaining recoverable reserves		
	Resource classes 1-8	**Oil, NGL and condensate** mill scm	**Gas** bn scm	**Oil equivalents** mill scm
RC 1-3	Reserves	188.0	523.5	711.5
RC 4	Resources in the planning phase	9.9	15.6	25.4
RC 5	Recovery likely but not clarified	47.7	62.3	110.0
RC 6	Development unlikely	4.2	0.3	4.5
RC 7	Resources in new discoveries not evaluated and potential future IOR measures	50.3	48.7	99.1
RC 8	Prospects	24.5	17.5	42.0
	Total	**324.7**	**667.9**	**992.5**

	Original reserves			Remaining reserves		
Field	**Oil, NGL, cond.** mill scm o.e	**Gas** bill scm	**Oil equivalent** mill scm o.e	**Oil, NGL, cond.** mill scm o.e	**Gas** bill scm	**Oil equivalent** mill scm o.e
Breidablikk	6.71	0.00	6.71	6.66	0.00	6.66
Brime Unit	1.02	0.35	1.37	0.17	0.11	0.28
Draugen	76.23	1.76	77.98	4.24	0.93	5.17
Dvalin[1]	0.57	10.88	11.45	0.56	10.63	11.19
Ekofisk[2]	38.14	12.00	50.14	3.07	0.33	3.40
Fram H-Nord	0.08	0.00	0.08	0.00	0.00	0.00
Gjøa	10.49	13.57	24.06	0.43	1.53	1.96
Grane	43.83	0.00	43.83	4.62	3.67	8.28
Gullfaks[3]	145.22	38.43	183.66	6.41	5.94	12.35
Halten Øst	0.35	0.54	0.88	0.35	0.54	0.88
Haltenbanken Vest	10.29	8.38	18.67	1.63	2.12	3.75
Heidrun	121.77	30.32	152.09	19.49	13.70	33.19
Irpa 6705/10-1	0.08	4.01	4.09	0.08	4.01	4.09
Johan Castberg	17.79	0.00	17.79	17.79	0.00	17.79

Johan Sverdrup	68.83	1.87	70.71	46.19	1.11	47.30
Kvitebjørn	11.85	32.95	44.80	0.80	3.78	4.58
Maria	5.35	0.51	5.86	3.52	0.34	3.86
Martin Linge	2.93	4.92	7.85	1.48	3.30	4.78
Norne	52.29	6.65	58.93	0.96	0.85	1.81
Norne satellites[4]	3.66	0.23	3.89	0.50	0.07	0.57
Nøkken 34/11-2 S	0.02	0.00	0.02	0.02	0.00	0.02
Ormen Lange	7.16	122.13	129.28	0.89	28.10	28.99
Oseberg	179.58	53.80	233.38	8.05	29.67	37.72
Rev	0.28	0.81	1.09	0.00	0.00	0.00
Snorre	98.52	2.00	100.51	22.98	0.00	22.98
Snøhvit	12.32	62.51	74.84	7.04	40.54	47.58
Statfjord Nord	13.88	0.71	14.59	1.15	0.07	1.22
Statfjord Øst	13.59	1.72	15.32	1.03	0.30	1.32
Svalin	3.17	0.00	3.17	0.86	0.00	0.86
Sygna	3.44	0.00	3.44	0.11	0.00	0.11
Tor	1.24	0.43	1.67	0.17	0.02	0.19
Tordis/Vigdis	46.32	2.05	48.37	4.22	0.09	4.31
Troll	196.35	799.47	995.82	10.91	350.68	361.59
Tune	1.50	7.61	9.11	0.01	0.08	0.09
Tyrving	1.01	0.01	1.01	1.01	0.01	1.01
Valemon	0.74	4.44	5.18	0.10	0.42	0.52
Vega	7.06	8.61	15.67	1.37	2.82	4.19
Verdande	0.99	0.19	1.18	0.99	0.19	1.18
Visund[5]	18.58	23.24	41.82	2.76	8.15	10.91
Åsgard[6]	72.38	83.43	155.81	5.43	9.36	14.78
	1295.6	**1340.5**	**2636.1**	**188.0**	**523.5**	**711.5**

1) The Dvalin group consists of Dvalin and Dvalin Nord
2) The Ekofisk group consists of Ekofisk, Eldfisk, Embla (producing), 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

Vår referanse: 2023/00933-33

Riksrevisjonen

Riksrevisjonens beretning

Konklusjon
Riksrevisjonen har revidert årsregnskapsoppstillingene for Statens direkte økonomiske engasjement for regnskapsåret 1. januar - 31. desember 2023. Årsregnskapsoppstillingene består av oppstilling av bevilgnings- og artskontorapportering, virksomhetsregnskap og noter, herunder sammendrag av viktige regnskapsprinsipper.

Oppstilling av bevilgnings- og artskontorapporteringen viser at - 276 509 999 280 kroner er rapportert netto til bevilgningsregnskapet. Oppstilling av virksomhetsregnskapet viser et årsresultat på 266 172 000 000 kroner.

Etter Riksrevisjonens mening

- oppfyller årsregnskapsoppstillingene gjeldende krav,
- gir oppstilling av bevilgnings- og artskontorapporteringen med noter et dekkende bilde av virksomhetens disponible bevilgninger, inntekter og utgifter for 2023 og kapitalposter per 31. desember 2023, i samsvar med regelverket for økonomistyring i staten, og
- gir oppstilling av virksomhetsregnskapet med noter et dekkende bilde av virksomhetens resultater for 2023 og av eiendeler, gjeld og statens kapital per 31. desember 2023, i samsvar med statlige regnskapsstandarder (SRS).

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 (i del VI) og annen øvrig informasjon (del I–V) 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 årsregnskapet
Ledelsen og styret er ansvarlige for å utarbeide årsregnskapet som gir et dekkende bilde i samsvar med regelverket for økonomistyring i staten og de statlige regnskapsstandardene (SRS). Ledelsen og styret er også ansvarlige for slik intern kontroll som de finner nødvendig for å kunne utarbeide årsregnskapet 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 ved revisjon av årsregnskapsoppstillingene
Vårt mål 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 de statlige regnskapsstandardene (SRS).

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 og kontrollhandlinger vi har funnet nødvendige i henhold til ISSAI 4000, 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, 2.mai 2024

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	2023	2022
State contribution recognised as income	1	**304,202**	289,600
Other revenue	1,15	**256**	2,478
Change in deferred revenue recorded	2	**938**	(1,055)
Total operating revenue		**305,396**	**291,023**
Payroll expenses	3,10	**193,504**	172,539
Depreciation	5	**995**	720
Accounting fee	14	**11,048**	12,217
Office expenses	13	**12,588**	11,685
ICT costs	14	**34,177**	32,626
Other operating expenses	12	**58,484**	66,489
Total operating costs		**310,795**	**296,276**
Operating profit		**(5,400)**	**(5,254)**
Financial revenue	4	**12,387**	6,356
Financial expenses	4	**(234)**	(277)
Net financial result		**12,153**	**6,079**
NET INCOME FOR THE YEAR		**6,753**	**825**
TRANSFERS			
Transferred from/to other equity		**6,753**	825
Total transfers		**6,753**	**825**

Petoro AS balance sheet at 31 December

All figures in NOK 1,000	NOTES	2023	2022
ASSETS			
Fixed assets			
Tangible fixed assets			
Operating equipment, fixtures, etc	5	**1,422**	2,360
Total fixed assets		**1,422**	**2,360**
Current assets			
Accounts receivable		**103,059**	95,132
Other debtors	6	**17,417**	14,143
Bank deposits	7	**253,348**	248,557
Total current assets		**373,824**	357,832
TOTAL ASSETS		**375,247**	**360,192**
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	**25,169**	18,416
Total equity		**35,169**	**28,416**
Liabilities			
Provisions			
Pension liabilities	10	**182,711**	184,627
Deferred revenue government contribution	2	**1,422**	2,360
Total provisions		**184,134**	**186,987**
Current liabilities			
Accounts payable		**21,292**	20,242
Withheld taxes and social security		**29,471**	25,422
Other current liabilities	11	**105,181**	99,126
Total current liabilities		**155,944**	144,790
Total liabilities		**340,077**	331,776
TOTAL EQUITY AND LIABILITIES		**375,247**	**360,192**

Stavanger, 8 March 2024

Gunn Wærsted
Chair

Brian Bjordal
Deputy chair

Trude J. H. Fjeldstad
Director

Kristin Skofteland
Director

Arne Sigve Nylund
Director

Jonas Olsson
Director,
elected by the employees

May Linda Glesnes
Director,
elected by the employees

Kristin Fejerskov Kragseth
President and CEO

Cash flow statement – Petoro AS

	All figures in NOK 1,000	2023	2022
	LIQUID ASSETS PROVIDED BY/USED IN OPERATING ACTIVITIES		
	Added from activities in 2023 *)	**7,748**	1,546
+/-	Change in accounts receivable	**(7,927)**	(94,461)
+/-	Change in accounts payable	**1,050**	(542)
+/-	Change in accrued items	**3,976**	90,948
	Net change in liquidity from operating activities	**4,848**	**(2,509)**
	LIQUID ASSETS PROVIDED BY/USED IN INVESTMENTS		
-	Invested in tangible fixed assets	**57**	1,775
	Net change in liquidity from investments	**57**	**1,775**
	LIQUID ASSETS PROVIDED BY/USED IN FINANCING ACTIVITIES		
+	Equity paid	**0**	0
	Net change in liquidity from financing activities	**0**	**0**
	Net change in liquid assets through the year	**4,791**	(4,284)
+	Liquidity reserves at 1 Jan	**248,557**	252,842
	Liquidity reserves at 31 Dec.	**253,348**	**248,557**

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 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 AS is responsible for following up to ensure 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 information

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.

Receivables

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 state 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 deferred contribution is recorded as income in line with the depreciation of the investments and specified as deferred revenue in the income statement.

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

Foreign currencies

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

Cash flow statement

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

NOTE 1 Government contribution and other revenue

NOK 304.2 million was appropriated for operation of Petoro AS, excluding VAT, in 2023. This amount is recorded as a contribution from the Norwegian state.

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 0.06 million in investments made during 2023, as well as NOK 1.0 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)	**2023**	**2022**
Salaries	**132,029**	121,420
Directors' fees	**2,174**	2,017
Liability insurance for the Board (applies to the entire Board of Directors)	**240**	203
Payroll tax	**23,479**	18,347
Pension costs (see Note 10)	**32,018**	25,613
Other remuneration	**3,564**	4,939
Total	**193,504**	**172,539**

Employees at 31 Dec.	73	70
Employees with a signed contract who had not started work at 31 Dec.	1	5
Average number of full-time equivalents employed	71.5	68.4

Please refer to Petoro's executive pay report for 2023 for additional information about remuneration for executive management and the Board.

NOTE 4 Financial items

All figures in NOK 1,000	2023	2022
Financial income		
Interest income	12,330	6,146
Currency gain	57	210
Financial expenses		
Interest expenses	2	-
Currency loss	232	277
Net financial result	**12,153**	**6,079**

NOTE 5 Tangible fixed assets

All figures in NOK 1,000	Fixtures and fittings	Operating equipment	ICT	Total
Acquisition cost at 1 Jan. 2023	5,196	10,930	41,421	57,548
Additions fixed assets	-	57	-	57
Disposal fixed assets/obsolescence	-	-	-	-
Acquisition cost at 31 Dec. 2023	**5,196**	**10,987**	**41,421**	**57,605**
Accumulated depreciation at 1 Jan. 2023	4,796	10,030	40,362	55,188
Reversed accumulated depreciation	-	-	-	-
Depreciation for the year	125	496	374	995
Accumulated depreciation at 31 Dec. 2023	**4,921**	**10,526**	**40,736**	**56,183**
Book value at 31 Dec. 2023	**275**	**461**	**686**	**1,422**

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 253 million, including NOK 10 million in withheld tax and funds to cover unsecured pension obligations in the amount of NOK 228 million.

NOTE 8 Share capital and shareholder information

The company's share capital at 31 December 2023 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.	**10,000**	18,416	28,416
Net profit		6,753	6,753
Equity at 31 Dec.	**10,000**	**25,169**	**35,169**

NOTE 10 Pension costs, assets and liabilities

The company is obliged to offer an occupational pension scheme under the (Norwegian) Mandatory Occupational Pension Schemes Act. 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 (Norwegian) 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 2023, 53 employees are covered by the defined contribution scheme, while 20 employees are covered by the transitional scheme.

Net pension cost (figures in NOK 1,000)	**2023**	**2022**
Present value of benefits earned during the year	**10,945**	12,083
Interest expense on pension obligation	**10,756**	6,765
Return on pension plan assets	**(6,577)**	(4,231)
Recorded change in estimates	**4,321**	372
Payroll tax	**1,262**	1,427
Pension cost, defined benefit scheme	**20,707**	16,416
Pension cost, defined contribution plan incl. payroll tax	**11,311**	9,197
Net pension cost	**32,018**	**25,613**

Capitalised pension obligation	**2023**	**2022**
Estimated pension obligation at 31 Dec.	**387,844**	366,081
Pension plan assets (market value)	**(143,500)**	(135,500)
Net pension obligations	**244,343**	230,581
Unrecorded change in estimates	**(61,632)**	(45,955)
Capitalised pension obligation	**182,711**	**184,626**

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.

	2023	**2022**
Discount rate	**3.10%**	3.00%
Expected return on plan assets	**4.80%**	4.70%
Expected increase in pay	**3.50%**	3.50%
Expected increase in pensions	**1.80%**	1.50%
Expected adjustment of the National Insurance Scheme's Basic Amount (G)	**3.25%**	3.25%

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 2024.

NOTE 12 Auditor's fees

The company's chosen auditor is KPMG AS. Fees charged for ordinary external auditing of the consolidated financial statements in 2023 totalled NOK 0.4 million. Consultancy services from KPMG totalling NOK 7,000 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 prepare a financial audit of the SDFI accounts as part of the company's internal auditing. PwC invoiced NOK 0.9 million for financial auditing and NOK 0.6 million for internal auditing in 2023. Costs have also been expensed for invoiced services from PwC within joint venture auditing totalling NOK 0.8 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 2 years. Rent for the year totalled NOK 12.6 million, which included all operating and shared expenses.

NOTE 14 Significant contracts

Petoro AS has a contract 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. The accounting fee carried to expense for Azets in 2023 for accountancy for the SDFI amounted to NOK 11 million.

Petoro AS has had a contract with Tietoevry ASA concerning the provision of IT operations services for office support and administrative solutions as well as consultancy services leading up to 31 December 2023. Costs under the IT operations agreement for 2023 amounted to NOK 14.2 million. New agreements for IT operations services have been entered into as of 1 January 2024. Petoro AS also has a contract with SLB AS concerning the operation of petroleum technology solutions. This agreement entered into force on 1 January 2023 with a duration of 3 years, and will then be automatically renewed in one-year increments. Costs under the operations contract for petroleum technology solutions amounted to NOK 9 million in 2023.

NOTE 15 Close associates

Equinor ASA and Petoro AS have the same owner, the Ministry of Trade, Industry and Fisheries, and are thus close associates. There were no significant transactions in 2023 between Equinor ASA and Petoro AS. Petoro AS acted as lead negotiator for certain fields associated with the SDFI portfolio where Equinor ASA is operator, cf. Note 1.

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Til generalforsamlingen i Petoro AS

Uavhengig revisors beretning

Konklusjon

Vi har revidert årsregnskapet for Petoro AS som består av balanse per 31. desember 2023, 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 2023, 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 og annen øvrig informasjon som er publisert sammen med årsregnskapet. Øvrig informasjon omfatter informasjon i årsrapporten bortsett fra årsregnskapet og den tilhørende revisjonsberetningen. Vår konklusjon om årsregnskapet ovenfor dekker verken informasjonen i årsberetningen eller annen øvrig informasjon.

I forbindelse med revisjonen av årsregnskapet er det vår oppgave å lese årsberetningen og annen øvrig informasjon. Formålet er å vurdere hvorvidt det foreligger vesentlig inkonsistens mellom årsberetningen, annen øvrig informasjon og årsregnskapet og den kunnskap vi har opparbeidet oss under revisjonen av årsregnskapet, eller hvorvidt informasjon i årsberetningen og annen øvrig informasjon ellers fremstår som vesentlig feil. Vi har plikt til å rapportere dersom årsberetningen eller annen øvrig informasjon 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, 8. mars 2024

KPMG AS

Mads Hermansen
Statsautorisert revisor

Petoro's financial calendar 2024

11 March	Annual result 2023 / fourth quarter report 2023
2 May	First quarter report 2024
1 August	Second quarter report 2024
6 November	Third quarter report 2024

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