



Annual report 2021

Next generation oil and gas operator

Vår Energi in brief



Committed to deliver a better future and attractive sustainable shareholder returns

Track record

>50 years of successful operations with heritage from world-class operators

Scale and focus

Leading pure-play E&P independent on the attractive NCS with material gas production

Excellence

Diversified and robust portfolio focused on hub strategy

Growth

High value growth driven by best-in-class exploration and development capabilities and disciplined M&A

Environment

Low-carbon barrels from NCS aligned with Energy Transition

Returns

Material free cash flow generation from low-cost, low-carbon barrels with full upside exposure to commodity prices

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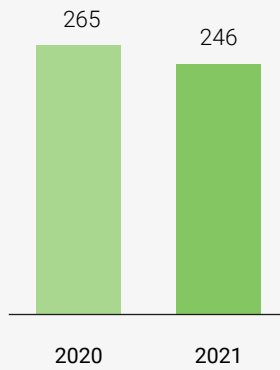
Vår Energi at a glance

 **950**
Employees

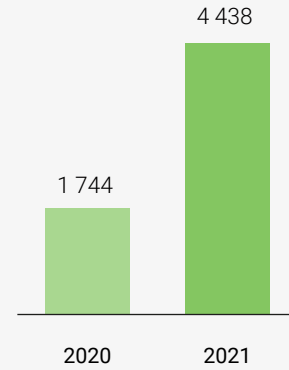
 **36**
Producing fields

 **148**
Licenses

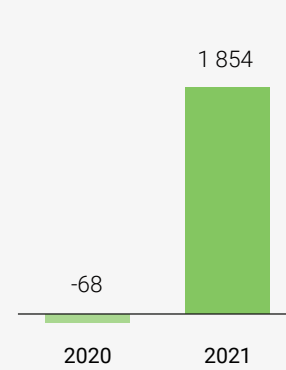
Production
kboepd



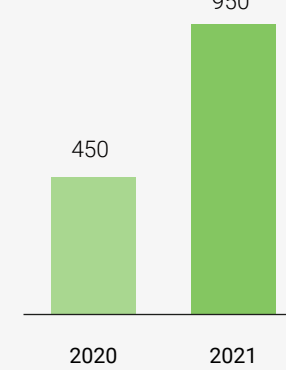
CFFO
USD million



Free cash flow
USD million



Dividends
USD million



We are Vår Energi

Vår Energi is a leading independent upstream oil and gas company on the Norwegian continental shelf (NCS). The Company is founded on more than 50 years of NCS operations, a robust and diversified asset portfolio with ongoing development projects centred around hubs, and a strong exploration track record. With more than 900 employees and equity stakes in 36 producing fields, Vår Energi produced net 246 kboepd of oil and gas in 2021.

The Company has an ambition to increase production to 350 kboepd by end 2025 while reducing production cost to USD 8 per boe from USD 12 per boe in 2021 as new projects come onstream and effects from improvement measures are achieved. Material cash flow generation and an investment grade balance sheet enable attractive and resilient dividend distributions. The Company distributed USD 950 million in dividend in 2021. For 2022, Vår Energi targets a minimum dividend of USD 800 million. From 2023 and onwards, the Company plans to distribute 20–30% of cash flow from operations after tax (CFFO) as dividend.

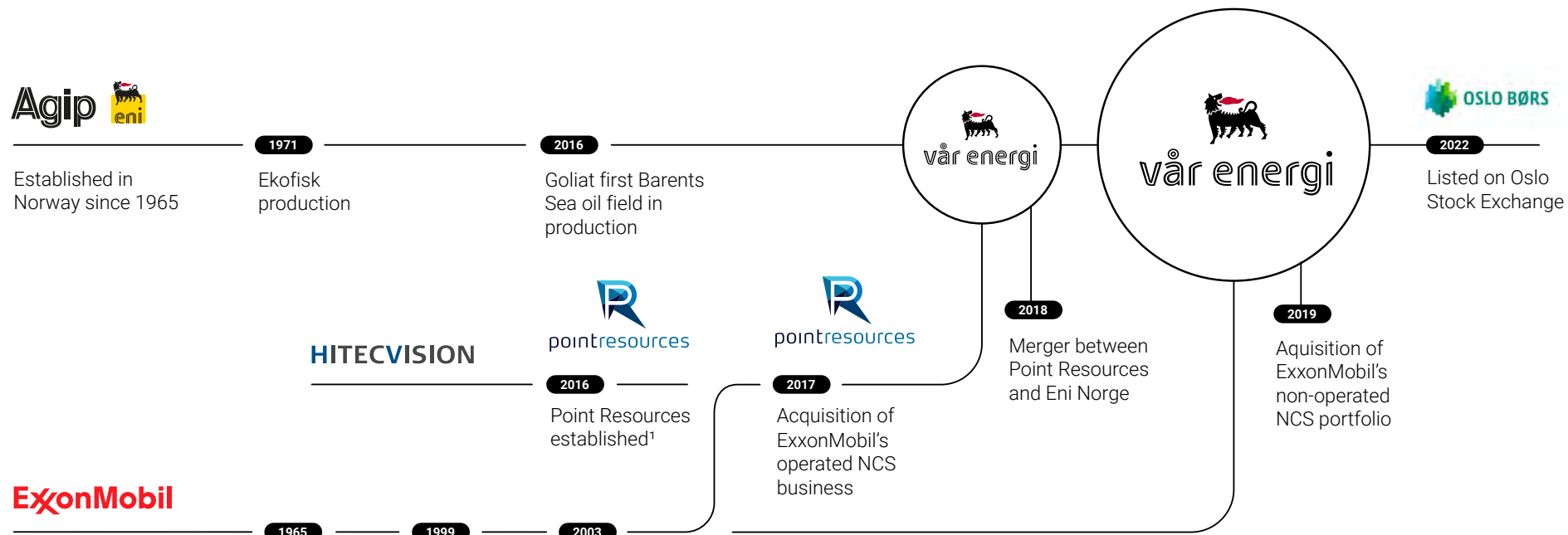
On 16 February 2022, Vår Energi listed on Oslo Stock Exchange (OSE) under the ticker "VAR". The initial public offering (IPO) provides access to Norwegian and international capital markets, a diversification of the Company's ownership structure and supports employee participation.

Vår Energi is committed to deliver a better future. The Company's ambition is to be the safest operator on the NCS, the partner of choice, an ESG leader and a net zero producer (Scope 1 and 2) at operated fields by 2030.



A 50-year success story continues

Creation of the largest NCS pure-play independent



The Group's heritage is built on over 50 years of operations on the NCS, including the very first license issued on the NCS in 1965 (PL001). Vår Energi AS was established in 2018 through the merger of Eni Norge AS and Point Resources. Eni Norge AS was founded in 1965, while Point Resources was created through the merger of the HitecVision portfolio companies in 2016, which then acquired the Norwegian operated business of ExxonMobil in 2017. In 2019, the Group's senior management further proved its ability to execute complex transactions, with the acquisition of substantially all of ExxonMobil's partner-operated assets on the NCS.

Vår Energi's strengths, competencies and best practices have been developed over time, combining the capabilities of two supermajors to harness ExxonMobil's and Eni's operational resources and technical expertise. The Company also leverages on HitecVision's NCS expertise with a demonstrated history of value creation.

¹ Established through a three-way merger between Core Energy, Spike exploration and Pure E&P, all of which were fully owned by HitecVision

2021 Key figures

Actual serious injury frequency

Zero

(2020: Zero)

CO₂ emissions (operated licenses)

kg/boe

8.7

(2020: 8.5)

EBITDAX

USD million

4 672

(2020: 1 689)

Adjusted net interest bearing debt/EBITDAX

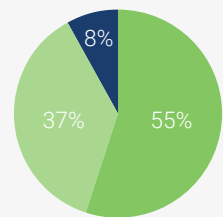
(excl. leasing) USD million

1.0

(2020: 3.1)

Production split

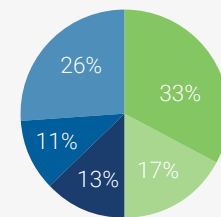
Q4 2021, percentage based on kboepd



■ Crude oil
■ Gas
■ NGL

Production split by hubs

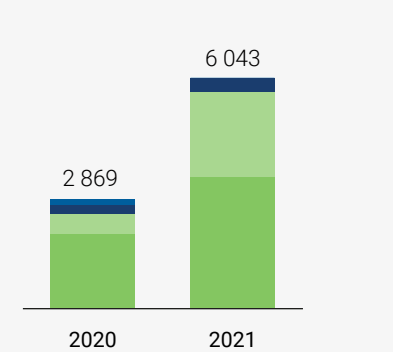
Q4 2021, percentage based on kboepd



■ Åsgard area
■ Tampen area
■ Balder/Grane area
■ Barents sea area
■ Other

Petroleum revenues split by product type

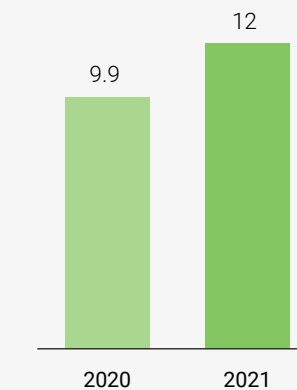
USD million



■ Revenue from crude oil sales
■ Revenue from gas sales
■ Revenue from NGL sales
■ Gain from realized crude put options

Production cost

USD/boe



Delivering the strategy – key achievements 2021

Operations

- Åsgard LPP3 low pressure compression FID
- World's first subsea retrofit multilateral well completed
- Successful installation of the world's longest Electrical Heat-Traced Pipe on Fenja
- Balder FPU Life-Time Extension granted
- World's first subsea riser Grayloc connection hook-up without divers
- Joined a research project aiming at optimising the CO₂ value chain
- Launched SAP Success Factors to digitalise and automate HR activities and people processes
- Further optimised contract portfolio - reduced inventory, cost and carbon footprint
- Issued SPS/SURF tender for strategic supplier collaboration
- Issued drilling services tender for strategic supplier collaboration

Project execution

- Kristin South FID and PDO submission
- Frosk FID and PDO submission
- Balder/Grane electrification DG1
- Ormen Lange Phase 3 FID and PDO submission
- King Phase 1 DG1 decision
- Åsgard LPP3 subsea compression phase 2 FID
- Signed Cooperation Agreement for Barents Blue and Ammonia Agreement for Barents Blue Polaris
- Tommeliten A Development Project FID and PDO submission
- Breidablikk PDO approved
- Halten East DG2 in April
- Strengthen FPSO organisation on all levels in the Balder X project

Exploration

- 2021 exploration campaign with 75% success rate adding 135 million boe of resources, equal to 1.5x full-year production of 90 mmboe
- 10 licences awarded in January in the 2020 APA licensing round (of which 5 operated)

Corporate

- Investment grade credit assigned from S&P (BBB) and Moody's (Baa3), both with stable outlook
- Refinanced reserve-based lending facility with a USD 6 billion unsecured loan
- Preparations for listing on the Oslo Stock Exchange in 2022
- Acquired Brent Dated put options with a strike price of USD 47 per barrel covering 100% of planned after-tax production of oil for 2022
- Leverage ratio reduced to 1.0x at year end from 3.1x at end 2020 on strong cash flow
- ESG-rated by Sustainalytics in the top 9th percentile of E&P companies (ranked 14 out of 155)
- Increased focus on ESG as part of contract awards
- Joined a research project aiming at optimising the CO₂ value chain

CEO message

Committed to deliver a better future

The first weeks and months of 2022 have shown that we live in a world of rapid change and great contrasts.

Vår Energi's role as a safe and reliable supplier of oil and gas to Europe is evident in a time where we see energy shortages and unstable supply. This has been underlined by recent geopolitical events, which make it clear that we face a new reality when it comes to energy availability and the impact it has on people and industry all over the world. The Russian invasion in Ukraine is contrary to international law. Like everyone else, we are deeply concerned by the recent developments and give our heartfelt support to the Ukrainian people and all of those affected by the crisis.

For Vår Energi, a new chapter opened with our initial public offering (IPO) and listing on Oslo Stock Exchange (OSE) 16 February. This was a significant milestone in the continued development of Vår Energi as a leading oil and gas company on the Norwegian continental shelf (NCS).

Committed to deliver a better future

The listing was the largest upstream oil and gas IPO in Europe in the past 15 years and was a natural next step in realising our full potential. We are honoured to welcome more than 19 000 new shareholders to our company, including significant participation by employees, and by the continued support from our two main owners Eni S.p.A. and HitecVision.



Our shareholders have invested in a company with clear strategic priorities and a strong commitment to delivering a better future. This commitment is reflected in our strategic beliefs that: 1) ESG and climate are global and national priorities, and that a pathway to net zero will be required, 2) oil and gas will continue to be a part of the long-term energy mix, with gas to increase its share of NCS production and 3) the NCS will continue to be an attractive region driven by cost competitiveness, low emissions, reliability and long-term oriented governments and regulators.

Strong operational performance and record cash flow

We delivered strong operational and record financial performance in 2021. Safety is about people and is our number one priority, and we are pleased to report that we had no actual serious incidents during the year. We maintained efficient management of the Covid-19 pandemic, leveraging well-established procedures and industry collaboration, as well as the use of digital solutions and home office when required.

Oil and gas production averaged 246 kboepd, a decrease of 7% from 2020. This was mainly due to maintenance postponed from 2020 to 2021 due to the pandemic. Natural gas represented 35% of 2021 production.

The value creation from our activities is significant. Increased production volumes late in the year and rising oil and gas prices led to a record cash flow from operations (CFFO) of USD 4.4 billion and USD 950 million of dividend distributed in 2021. We have a minimum dividend expectation of USD 800 million for 2022, with USD 225 million expected for the first quarter. From 2023 and onwards, we plan to distribute 20%-30% of our cashflow from operations (CFFO) as dividend.

Our commitment to attractive shareholder returns over time is supported by our solid financial position. We refinanced our reserve-based lending facility with a new USD 6 billion unsecured debt facility in October and obtained investment grade ratings from Moody's and S&P. The refinancing and strong operational cashflow for 2021 led to a significant reduction in our leverage ratio to 1.1x at year end.

Sustainable and high value growth

We are well positioned to execute our growth plan delivering a production of over 350 kboepd by the end of 2025. In 2021, we had record high project activity supporting our growth, investing around USD 2.6 billion in assets and exploration. With execution of some projects affected by Covid-19 restrictions, plans were revised during 2021. All the main developments, including Johan Castberg, Balder X and Breidablikk, saw good progress towards the end of the year. Our growth and focus on operational efficiencies will help drive down production cost per boe and realise our climate ambitions.

This was further supported by strong exploration results which generated 135 mmboe in net new contingent resources. Six of eight exploration wells were discoveries, yielding an industry-leading success rate of 75%. Our 2022 campaign targets additional high-value barrels near our operating hubs.

We believe decarbonisation of oil and gas production is the right thing to do and we want Vår Energi to lead the way. It will also make us more competitive in the future and build a resilient business model fit for long-term value creation.

We have clear targets to actively reduce and minimise our environmental impact by becoming a net zero producer (Scope 1 and 2) by 2030

through electrification, portfolio optimisation and energy management, supported by carbon offsets and R&D. We work on this every day, and in January 2022 we received an indicative ESG assessment from Sustainalytics, which places Vår Energi among the top 10% of Oil & Gas Exploration and Production companies assessed, ranking Vår Energi as number 14 out of 155 E&P companies assessed.

Realising our full potential

The assessment is another confirmation of Vår Energi's leading position on the NCS which is founded on a unique 50-year track record, scale, operational excellence and strong partnerships. I am confident that this provides a great starting point for continued sustainable growth and improvements.

Since joining the company as CEO in June 2021, I have had the pleasure of working with a motivated and high-performing organisation and a supportive Board of Directors. I would like to extend my gratitude to everyone for your dedication and hard work in making 2021 a record year for Vår Energi. You all live up to our commitment to delivering a better future. For Vår Energi, this is the foundation from which we will realise our full potential and deliver long-term value to all our stakeholders.

Stay safe!



Torger Rød
CEO, Vår Energi ASA

Long-term value creation



Strategic beliefs

Vår Energi considers the decarbonisation of oil and gas production a prerequisite for ensuring a resilient business model and driving long-term value creation. The Company has announced operational targets to actively reduce and minimise its environmental impact, with a target of net zero emissions (Scope 1 and 2 emissions) by 2030.

There is a trilemma of available, reliable and sustainable access to energy. Vår Energi plays an important role in supplying energy. Global energy demand is projected to increase by 4.5% through 2030, with oil and gas to account for over 50% of the global energy mix in 2030. Hence, oil and gas will remain a critical energy source for many years to come.

In February 2022, natural gas was included in the EU Taxonomy. Gas is argued to be in line with EU's climate and environmental objectives and will allow acceleration of the shift from more polluting activities, such as coal generation, towards a climate-neutral future.

The Company believes the NCS is one of the most attractive E&P regions globally, with

proven development potential, significant remaining reserves and resources, high quality exploration prospects, well-understood geology, existing infrastructure, low production costs and a stable regulatory environment and tax regime.

The NCS exhibits low CO₂ emissions relative to other regions within the global oil and gas sector, with an average of 7 kg CO₂ per boe as compared to the global average which exceeds 18 kg per boe. The region is a global leader in electrification, with 40% of the NCS targeted to be electrified by 2025. Other large-scale NCS sustainability initiatives include a strong focus on carbon capture and storage and utilisation offshore wind as source of energy.

Our strategic foundation



ESG and climate are global and national priorities, a pathway to net zero will be required



Oil & Gas will continue to be a part of the energy mix long term; gas to increase share of NCS production



The NCS will continue to be attractive driven by cost competitiveness, low emissions, and long-term oriented regulators



Investment in sustainable projects



Growing forecast production

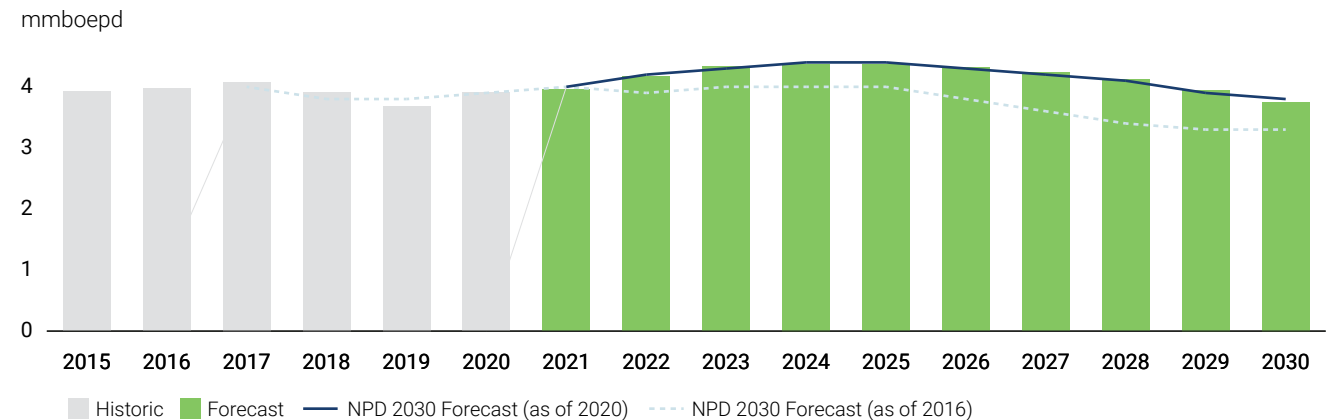


Continued exploration



Supportive and stable environment

Positive long-term outlook for the NCS



Business model and strategic priorities

Vår Energi's highest priority is to carry out its activities without causing harm to people or the environment. It is the Company's expressed ambition to be the safest operator on the Norwegian Continental Shelf.

The Vår Energi organisation is high performing, flexible and collaborative. The Company leverages its extensive capabilities across operations and aspires to be the partner of choice for field operators, suppliers, regulators and other stakeholders.

The Company has a clear ambition to reduce costs and increase efficiency. This includes portfolio and reservoir optimisation, efficiency improvements and technology implementation.

Vår Energi has a hub-focused approach to further develop and focus the portfolio both organically and inorganically, creating opportunities through scale and diversification.

Clear strategic priorities for value creation



Be the **safest operator with leading ESG** performance



Cultivate a **robust portfolio** positioned for further growth



Drive **operational excellence** across our portfolio



Be the **partner of choice** in everything we do



Foster a **high-performing organisation**

Vår Energi's values

Integrity

Growth

Will to win

Inspiring

Team player



Safety is the #1 priority

Operational safety is a top priority for Vår Energi, whose ambition is to be one of the safest operators in the oil & gas industry. The Group's ambition is to be the safest operator on the NCS, with the aim of reducing injury totals to near-zero levels. For the year ended 31 December 2021, the Group exhibited positive improvements with respect to safety KPIs, including a reduction in total recordable incidents frequency (TRIF) and serious incidents frequency (SIF).

Vår Energi collaborates with Equinor, ConocoPhillips and Aker BP on the Always Safe annual wheel. The purpose of Always Safe is to strengthen the industry's safety behaviour and culture. Through this joint effort Vår Energi utilises the strength of standardisation, increasing the impact in the industry with partners, suppliers, contractors and the Company. Vår Energi believes Always Safe is a key enabler in becoming the safest operator on the NCS.

Vår Energi has incorporated the nine Life-Saving Rules as stated by the International Association of Oil & Gas producers (IOGP). These rules provide workers with a simple set of actions to protect themselves and others from incidents and fatalities.

Other ongoing initiatives include MARI (Major Accident Risk Indicator) tracking operated fields and new digital tools to ensure technical integrity, support proactiveness, facilitate standardisation of safety initiatives across our operations and ensure compliance.

Ambition to be the safest operator on the NCS

Health and working environment

Avoid major accidents



Safe work at heights / prevent falling objects

Prevent personal injuries

Image: www.alwaysafe.no

Life-Saving Rules





Be the safest operator

Clearly defined ESG agenda

Long-term target of net zero emissions by 2030



2021

Net zero emissions from office buildings², business travels³ and employee commuting³



2025

Net zero emissions from offshore assets² and offshore marine vessels³



2030

50% reduction in scope 1 GHG emissions from operated assets and net zero emissions¹ from operated assets and equity share of partner operated assets



2050

Near zero emissions from operated assets

¹ Scope 1 ² Scope 2 ³ Scope 3

From an environmental perspective, Vår Energi strives to create long-term value for stakeholders, employees and the Norwegian state by managing resources in a responsible and sustainable manner. The Company aims to implement high-quality and sustainable solutions for both operations and suppliers, including the use of the best available technologies and methods to reduce emissions to air, discharges to sea and waste generation.

The Company also contributes to large joint-industry research and development projects to find solutions to create a more sustainable future. This includes a low emissions research centre aimed at reducing Scope 1 emissions, the Norwegian Carbon Capture and Storage Research Centre aimed at reducing Scope 3 emissions and a circular economy project aimed at developing green and sustainable solutions.

Vår Energi believes that achieving a lower carbon footprint will make the Company more competitive in the future and help to maintain an efficient and resilient business model fit for long-term value creation.

Vår Energi has announced operational targets to actively reduce and minimise its environmental impact, with a target of net zero emissions for Scope 1 (direct) and 2 (indirect) emissions by 2030.



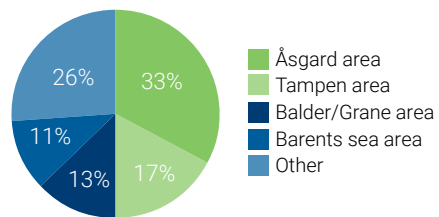
Unlocking value through a proven hub strategy

Vår Energi's hub strategy is to cultivate a strong portfolio focused on four core hubs with significant production, and exploration potential. The robust and diverse portfolio provides insights into assets and licenses across the entire NCS, identifying and realising opportunities for value capture.

Long-term target of net zero emissions by 2030

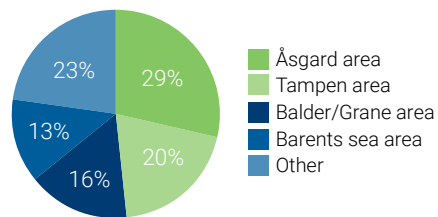
Production split

FY 2021

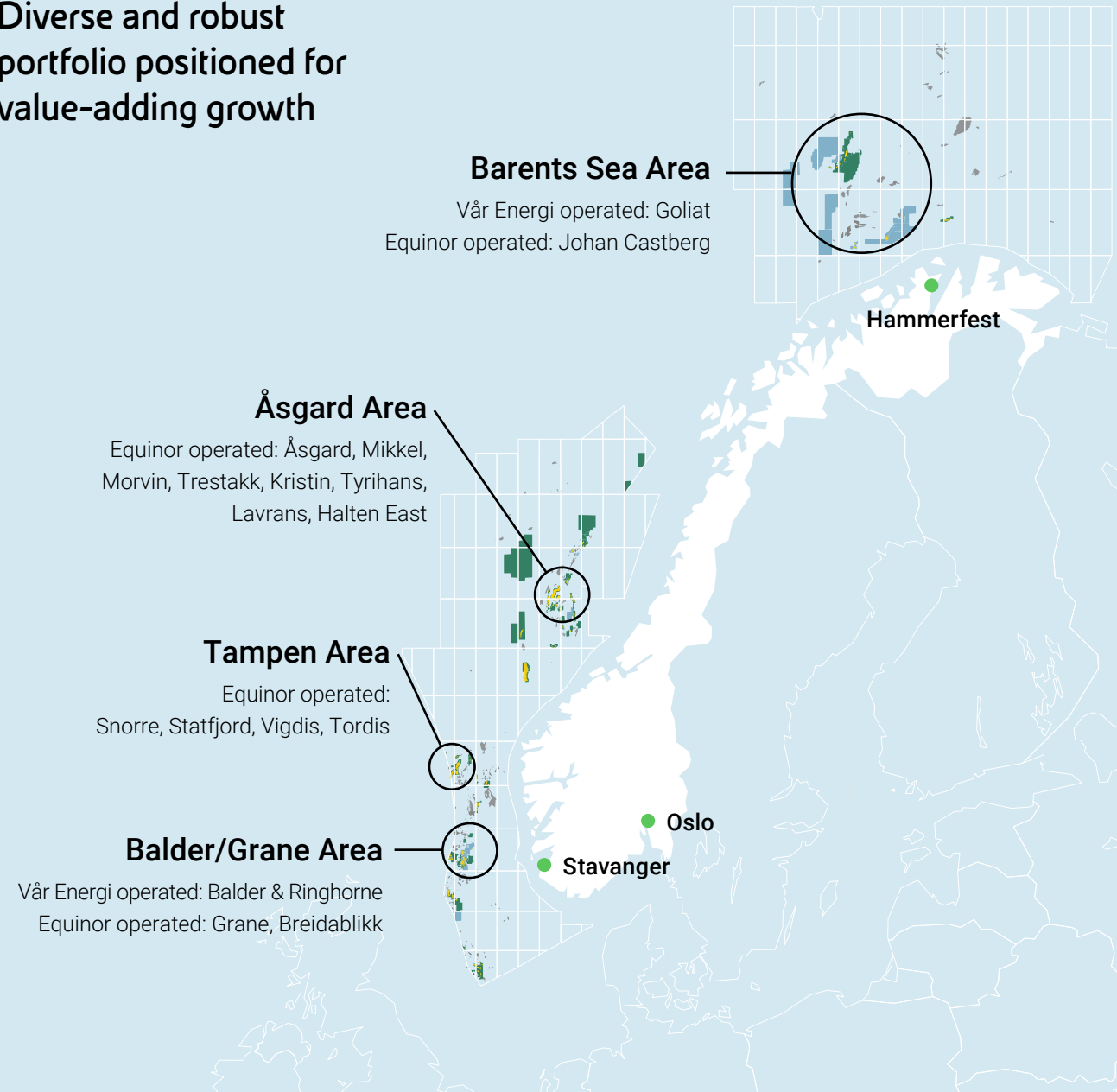


Reserves split

mmbœ¹



Diverse and robust portfolio positioned for value-adding growth



Vår Energi has a strong production outlook and intends to capture the upside of its robust asset portfolio by investing in high-value barrels. The Company is targeting above 350 kboepd of production volume by end 2025 through organic growth in the current portfolio.

After 2025, key growth levers include the Company's exploration capabilities and new commercial discoveries, new projects and drilling in existing fields, as well as capitalising on strategic M&A opportunities in hub areas. Vår Energi intends to have a disciplined approach to M&A that strengthens positions in core areas, utilises operational synergies, capitalises on assets with significant upside and acquires more operatorships for the Company.

Vår Energi ensures efficiency in growth plans and capital expenditures by taking a disciplined approach to field development. The Company's exploration strategy is focused on identifying additional in- and near-field drilling prospects at established assets and core hubs.

The Company pursues collaboration with other operators and key suppliers, particularly those with longstanding expertise and a proven-track record, to further facilitate efficiency in field development. Vår Energi has an annual exploration budget of approximately USD 140 million per year and subjects development opportunities to conservative investment hurdles by targeting a break-even price of less than USD 30 per boe and an internal rate of return of greater than 20% for new projects. In 2021, the Company's exploration campaign achieved a 75% success rate adding 135 mmmboe of contingent resources with an average unit exploration cost of USD 0.2 per boe after tax.

Resilient and low risk growth projects

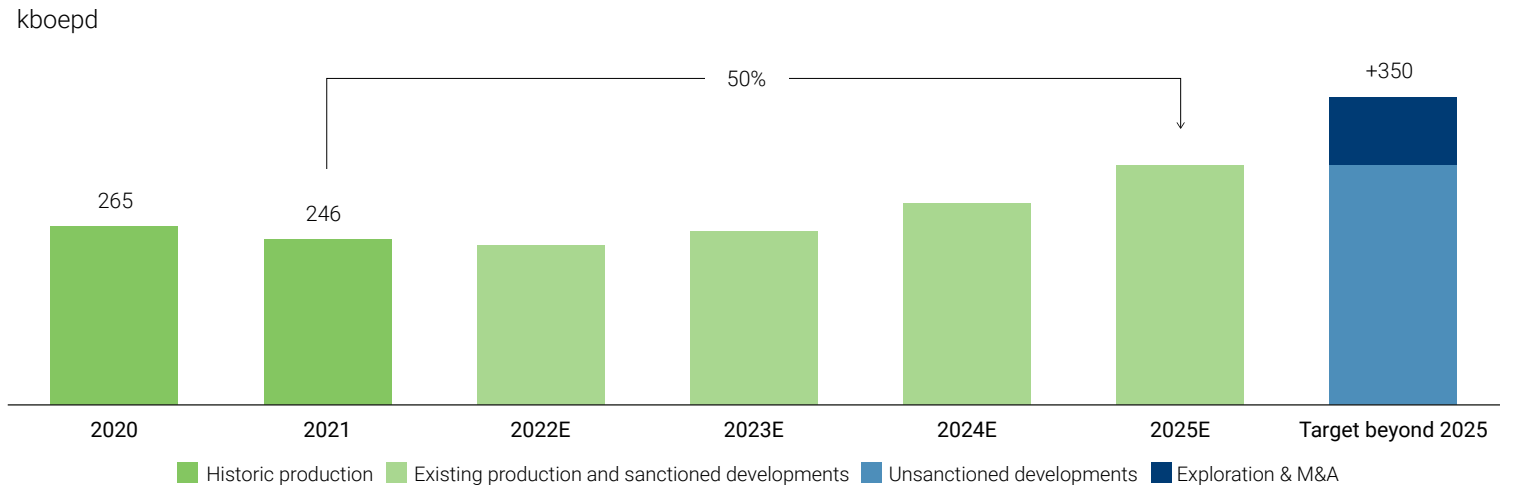
Vår Energi's development pipeline and exploration track record have positioned the Company for growth in the coming years. Sanctioned developments include Balder X, Breidablikk, Johan Castberg and the Snorre Expansion Project. The Company's development projects, such as Johan Castberg, generally exhibit high reserve quantities and low break even prices.

In addition, Vår Energi has several attractive projects in the development pipeline which are being matured toward an investment decision, including King and Prince discoveries made in 2021.

In the medium term, the Company is targeting production of more than 350 kboepd by end 2025. In addition, there are a number of opportunities within Vår Energi's existing production base to add reserves and extend field life through incremental investments in infill drilling and well intervention programmes, facilities modifications, subsea satellite developments and near field exploration.

A significant part of Vår Energi's capital expenditure programme is targeted at subsea tie-back projects, which are typically low risk with relatively small-scale capital requirements and significant potential for financial returns.

Ambition for >350 kboepd by end 2025





Robust portfolio

Resilient and low risk growth projects

- ◆ First oil – field extension
- ◆ First oil – new field development
- Producing

Key Areas	Operator	2P mmboe	2021	2022	2023	2024	2025
Balder	vår energi	216	◆ Ringhorne Phase III			◆ Balder X	
Grane	equinor	109				◆ Breidablikk	
Goliat / Johan Castberg	vår energi equinor	222					◆ Johan Castberg
Tampen	equinor	148	◆ Snorre Expansion Project			◆ Statfjord East IOR	
Åsgard	equinor	178			◆ Åsgard LWP	◆ SMBN LPP3	◆ Subsea compression II ◆ Kristin South
Ekofisk	ConocoPhillips	102	◆ Tor II			◆ Tommeliten A	
Other		162			◆ Bauge	◆ Fenja ◆ Frosk	OL Subsea Compression ◆



Operational excellence

Ambition to continue driving down production cost per barrel

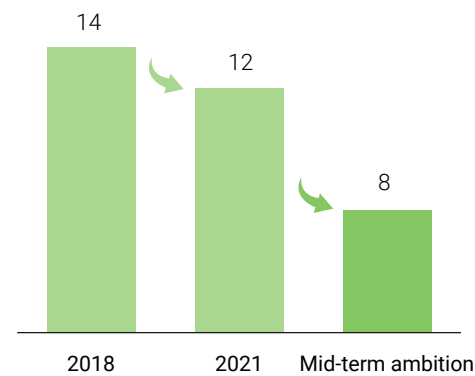
Vår Energi has a high focus on operational efficiency and is targeting a continued reduction in production costs per barrel. The Company reduced production costs from USD 14 per boe in 2018 to USD 12 per boe in 2021 through accretive M&A and cost reduction programs.

The Company is targeting a further reduction of production costs to USD 8.0 per boe in the medium-term.

Vår Energi intends to achieve this target through the execution of ongoing projects, including the Balder X and major partner-operated asset developments at Johan Castberg and Breidablikk. Additional cost reductions are to be realised through active portfolio management, uptime improvements, strategic supplier partnerships, cost sharing with other operators, digitalisation and new technologies.

Production cost per barrel¹ – mid-term ambition

USD/boe





Working actively with key partners and suppliers

Vår Energi strives to be a partner of choice in all of its activities. The Company has a strong partnership with Equinor, the largest and one of the most experienced operators on the NCS, with Vår Energi being Equinor's largest partner on the NCS.

The Company leverages its strong partnership with Equinor to seek cost and energy efficiencies, most recently by entering a five-year helicopter-sharing agreement to support operations in the North Sea.

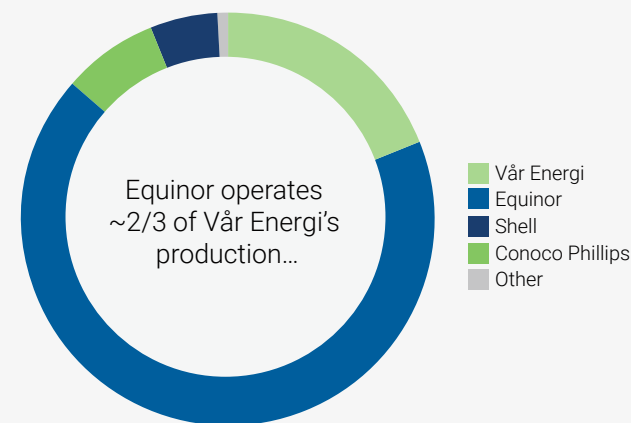
Other ongoing partnerships include the Hywind Tampen engagement, to provide renewable energy to Snorre by use of floating wind, a joint power from shore project for the Balder/Grane area and the Barents Blue Ammonia study with Equinor and Horisont Energi, which is aiming to establish Europe's first large-scale production facility for blue ammonia.

In addition to close dialogue with Equinor, Vår Energi is engaged in strong collaboration with Eni S.p.A. in order to leverage on Eni's capabilities in the areas of exploration, asset operation and drilling expertise. Vår Energi engages in commercial offtake agreements with Eni (through Eni Trade & Biofuels S.p.A) to provide offtake security and reduce the costs of hedging activity.

As part of developing new ways of working, enhancing performance and actively using the suppliers capabilities, Vår Energi also seeks more strategic partnerships and collaboration models as part of tendering and contract awards.

Equinor's largest partner on NCS

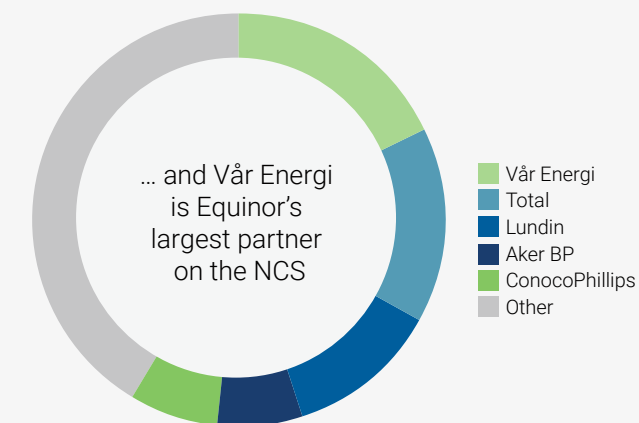
Vår Energi production¹



¹ 2020, kboepd

² Excluding Petoro, 2021, kboepd

Partner production from Equinor operated fields²



Partner collaboration examples



Decarbonisation collaboration

Hywind Tampen Offshore Wind, Balder/Grane Electrification, Sleipner Power from Shore



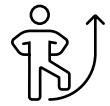
Barents Blue Ammonia and Polaris

Developing offshore gas to ammonia, and re-injecting CO₂



Helicopter-sharing agreement

Cooperation with Equinor to reduce costs and environmental footprint of crew transport



High-performing organisation

World-class operating capabilities

As a people-centred organisation, with a strong technological innovation record, Vår Energi endeavours to be a high-performing organisation in every aspect of its business.

At year-end 2021, the total number of employees was 950, of which 26% were female. In addition to fostering a safe and healthy work environment, Vår Energi is maintaining low employee turnover and is targeting 40% gender diversity by 2025.

Vår Energi values local community engagement and in addition to awarding long term HSSEQ contracts to local suppliers, funds local scholarships for educational institutions and collaborates with municipal schools.

People-centred organisation

950 employees

Low employee turnover

40% gender diversity target by 2025

Strong focus on health and work environment

People

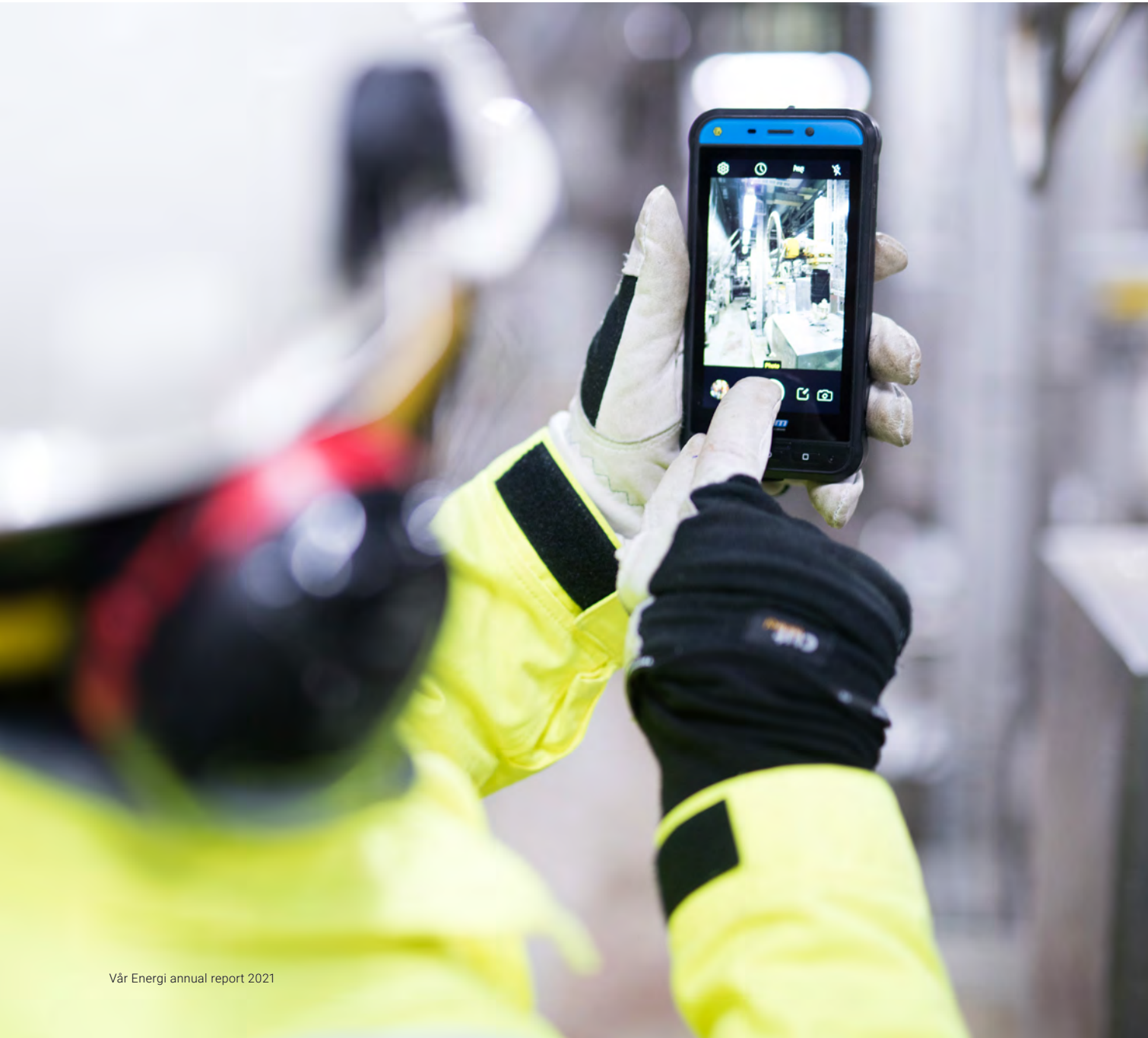
Talent engine and Vår Energi culture

Competence

Systematic building of competence

Diversity

Diverse organisation and equal opportunities



High-performing organisation

Key digital initiatives

With respect to digitalisation, the Company aims to be an agile adopter of technological opportunities to ensure safe operations and increase competitiveness. Digital solutions are applied across the Group, from providing field workers with access to real-time data to monitoring sustainability metrics and improving the Group's ESG performance. With a production heritage founded on over 50 years of operator activity on the NCS, Vår Energi benefits from leading technical capabilities. Among other achievements, the Company has a number of technical innovations, many of which have increased safety and production efficiency on the NCS.

These include the installation of the Grayloc connector at Balder, which is believed to be the world's first remotely operated vehicle (ROV) installation and eliminated the need for a diving vessel and divers, and the world's first retrofit multilateral completion on the Goliat field, which allowed for the development of new production wells while significantly reducing development costs.

The Company intends to build on this track record through similar innovative solutions and strategic collaboration with partners across the NCS.



Mobile field worker

Improve safety, productivity and data quality



Optimised drilling performance

Accelerate operations and minimise non-productive time (NPT)



Maintenance optimisation and integrity

Maximise asset utilisation



Digitalisation by design

Integrate new ways of working from early project phase



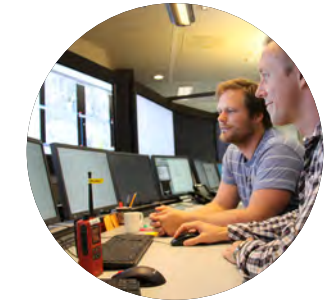
Production optimisation

Optimise production levels



Inventory optimisation

Secure stable operations while reducing operating costs



Data driven safety and sustainability

Leverage real-time data and analytics improve safety and ESG performance

Finance policy

Vår Energi's profitable and resilient asset base provides a foundation to deliver significant value to shareholders, supported by an investment grade balance sheet.

The Company believes its investment grade balance sheet and capital structure provide flexibility and a strong long-term outlook. Vår Energi has obtained BBB and Baa3 credit ratings from S&P and Moody's, respectively, and is committed to maintaining an investment grade rating. Vår Energi targets a net leverage through-the-cycle of 1.3x, where the NIBD to EBITDAX ratio was 1.1x at the end of 2021.

The Company also delivers value to shareholders through an attractive dividend policy and has distributed a total dividend of USD 3.1 billion since 2019, of which USD 950 million was paid in 2021. Vår Energi targets paying a dividend of USD 800 million for 2022 and 20% to 30% of cash flow from operations (CFFO) from 2023. As a reflection of the strong commodity price environment, especially with respect to European gas prices and the Company's cash generation, Vår Energi anticipates paying a dividend of USD 225 million in May based on the first quarter 2022 performance.

Vår Energi's conservative financial risk policy aims to secure full funding for all committed and planned activities, a sufficient liquidity buffer with headroom to manage market fluctuations and a diversified debt structure. The Company further maintains a conservative risk profile through hedging, extensive insurance coverage and investment flexibility.

Waterfall of capital allocation priorities



Sustain production of existing portfolio



Fund capex of existing developments



Maintain a strong **investment grade credit profile**



Pay dividends according to stated policy



Use additional FCF **for new projects, additional shareholder distributions and debt repayment**

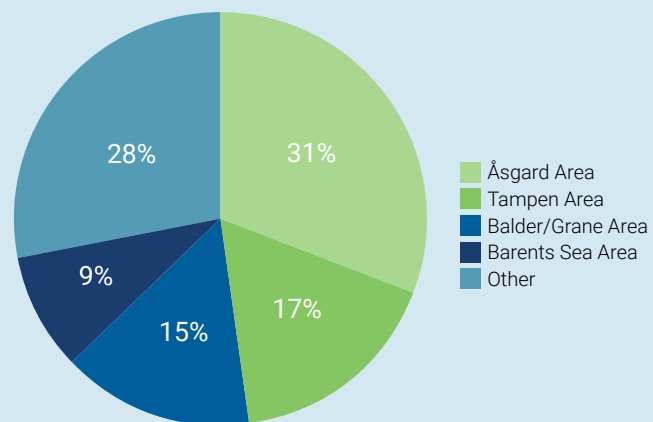
Strategy into action

As part of Vår Energi's hub strategy, the Company identifies strategic focus areas that provide a framework for evaluating exploration and development opportunities, maximising the use of resources and optimising value creation throughout Vår Energi's portfolio.

The Company's core assets are located around four strategic hubs: the Balder/Grane Area, the Barents Sea Area, the Åsgard Area and the Tampen Area. No single area accounted for more than 30% of the total 2P reserves at the end of 2021.

Production 2021

kboepd (%)



Åsgard Area



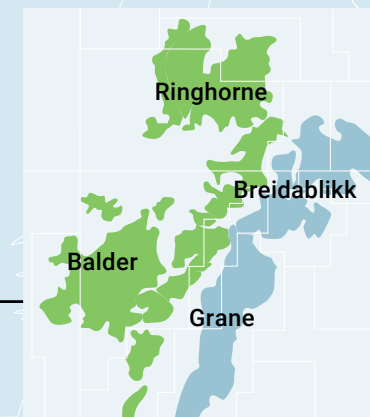
Barents Sea Area



Tampen Area

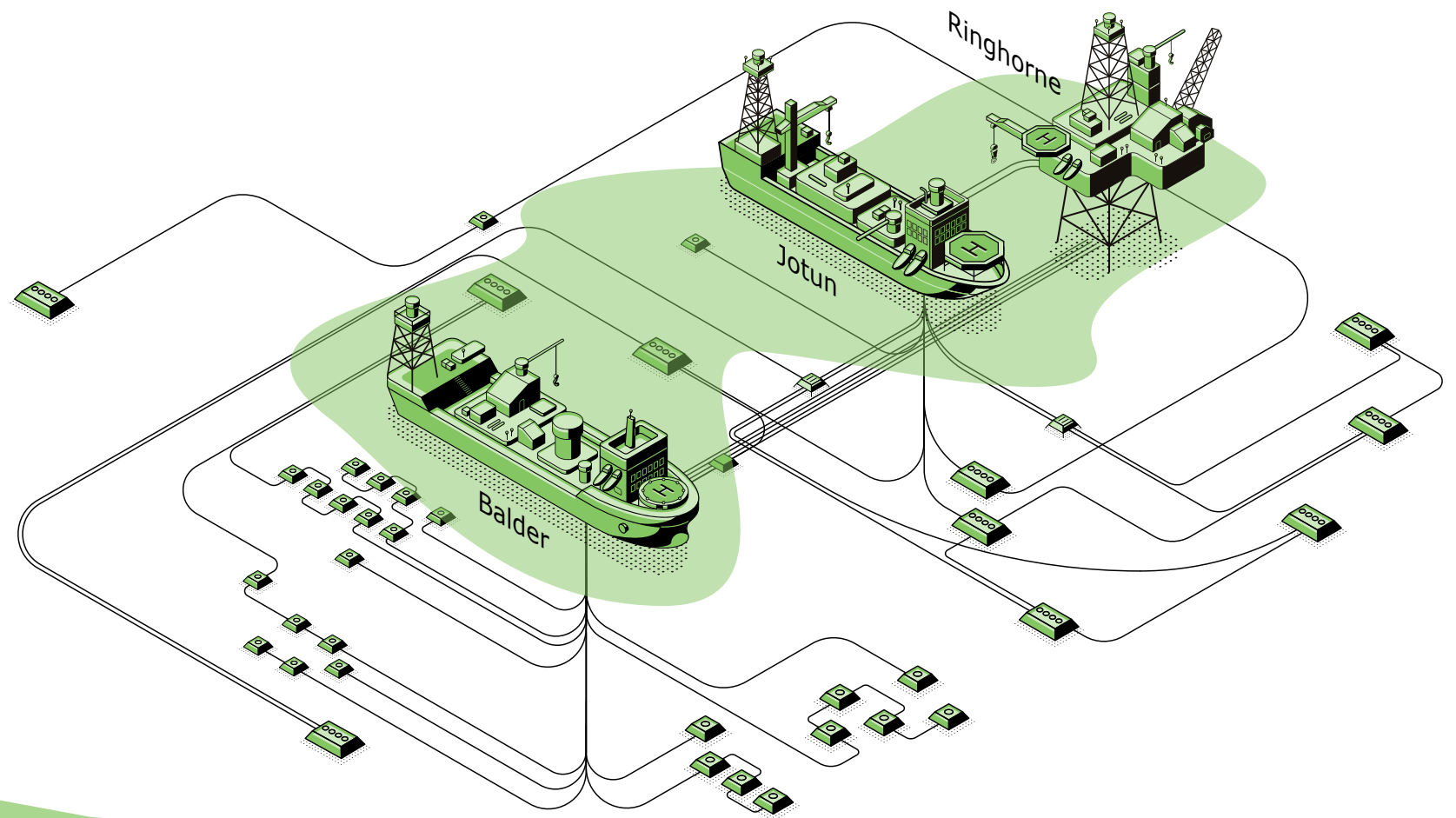


Balder/Grane Area



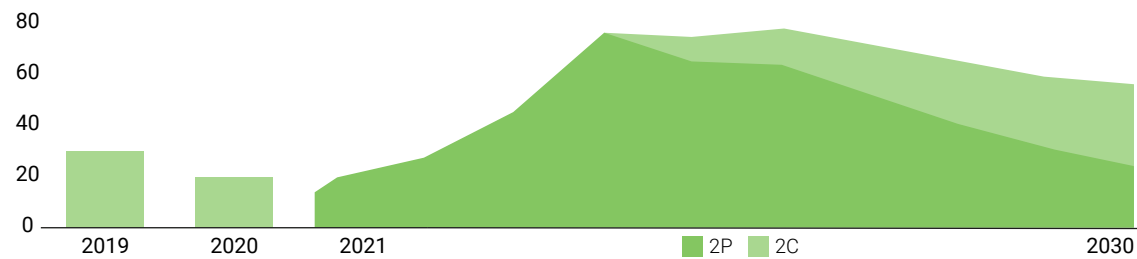
The Balder/Grane Area

The Balder/Grane Area, which accounted for 15% of the Company's production for 2021 and 341 mmboe in 2P reserves at the end of the year, is a core hub with expected long-term production upside. At Balder and Ringhorne, Vår Energi is operator and holds 90% working interest in Balder and 70% working interest in Ringhorne East.

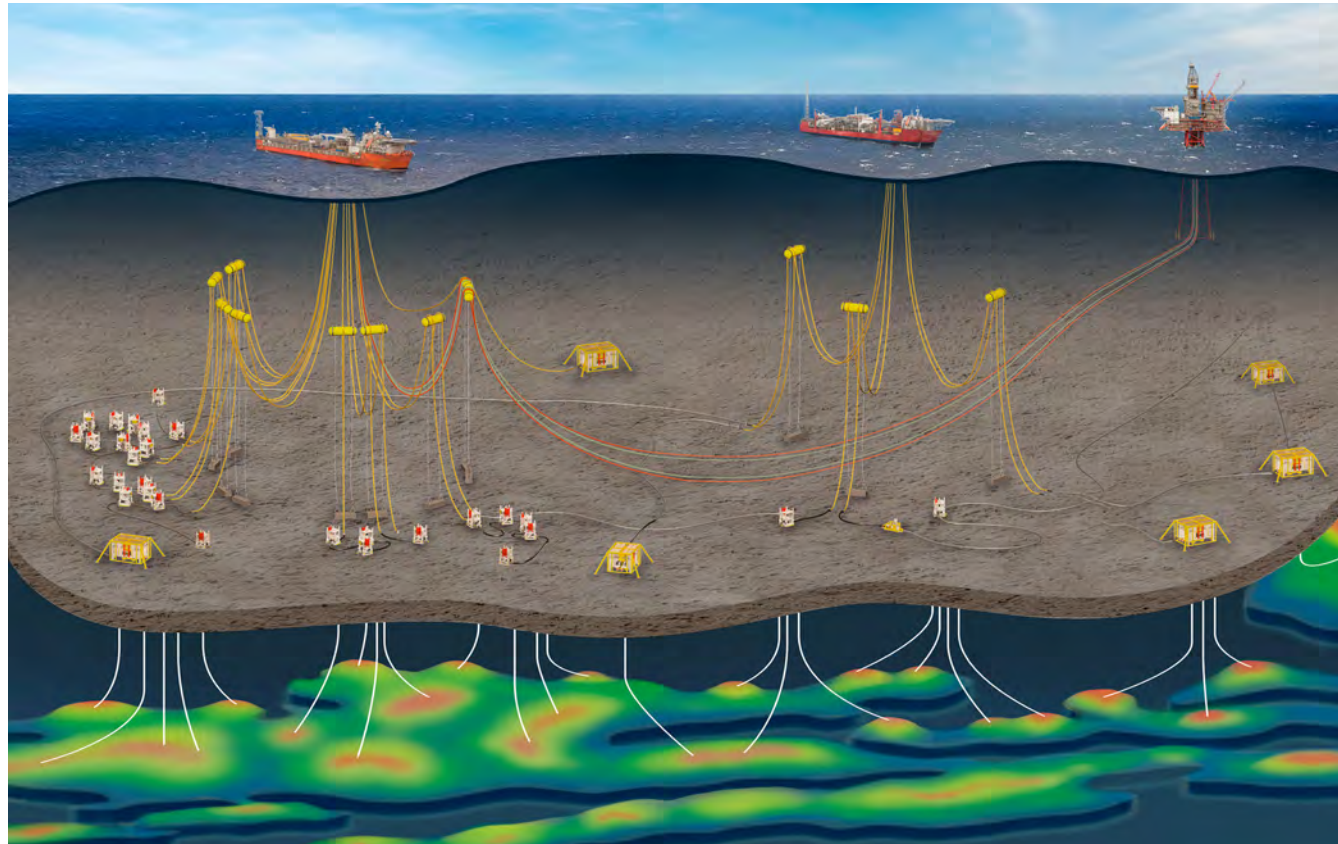


Net production¹

kboepd



¹ According to revised national budget



Balder/Grane Area infrastructure following redevelopment

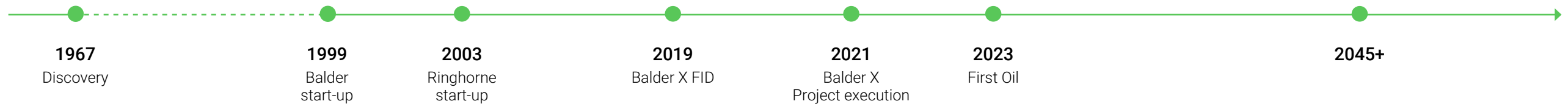
The Balder X Project is enabling further development in the Balder and Ringhorne area and consists of two sub-projects: the Balder Future Project and Ringhorne Phase IV. In total, the Balder X project features 143 mmboe net recoverable reserves.

The Balder Future Project consists of the refurbishment and relocation of Jotun FPSO from Jotun to Balder to accommodate tie-ins of 14 new production wells and one new water injection well, with future expansion capacity to accommodate tie-in in the area. The project will extend the technical lifetime of the Jotun FPSO beyond 2045. First oil from the Balder Future Project is planned for the fourth quarter of 2023.

Ringhorne Phase IV is a continuation of the Ringhorne Platform drilling activities, following the Ringhorne Phase III drilling campaign and the drilling of five platform production wells.

The combined King and Prince discovery in 2021 is the third largest discovery in the North Sea in the past five years with estimated contingent resources of 85 mmboe. Vår Energi plans a phased approach to secure early revenue while acquiring data to optimise the full field development. The Company has identified a large inventory of exploration prospects in the King and Prince area within tie-back distance to the Jotun FPSO.

In addition, Vår Energi holds a 34% working interest in Breidablikk, one of the largest undeveloped discoveries on the NCS. It will be developed as a subsea tie-back to the Equinor operated Grane field, with planned first oil in first quarter 2024. Vår Energi holds a 28% working interest in the Grane field.

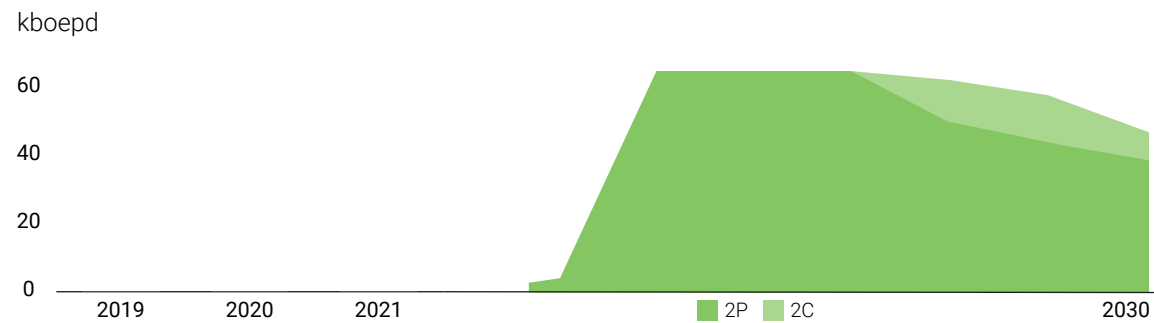


The Barents Sea Area

The Barents Sea Area, which accounted for 9% of the Company's production for 2021 and 244 mmboe in 2P reserves at the end of the year, features significant value and upside potential. Key assets include the Goliat field (in which Vår Energi holds a 65% working interest and is operator), the only oil producing field in the Barents Sea Area with active infill drilling ongoing. It features one of the world's largest and most sophisticated circular and permanently anchored FPSO units.

Another key asset in the Barents Sea Area is Johan Castberg, a sanctioned and substantially de-risked project with first oil planned for the fourth quarter of 2024. Vår Energi holds a 30% working interest in Johan Castberg.

Net production¹



¹ 2P production as per preliminary DeGolyer and MacNaughton CPR estimates

Johan Castberg

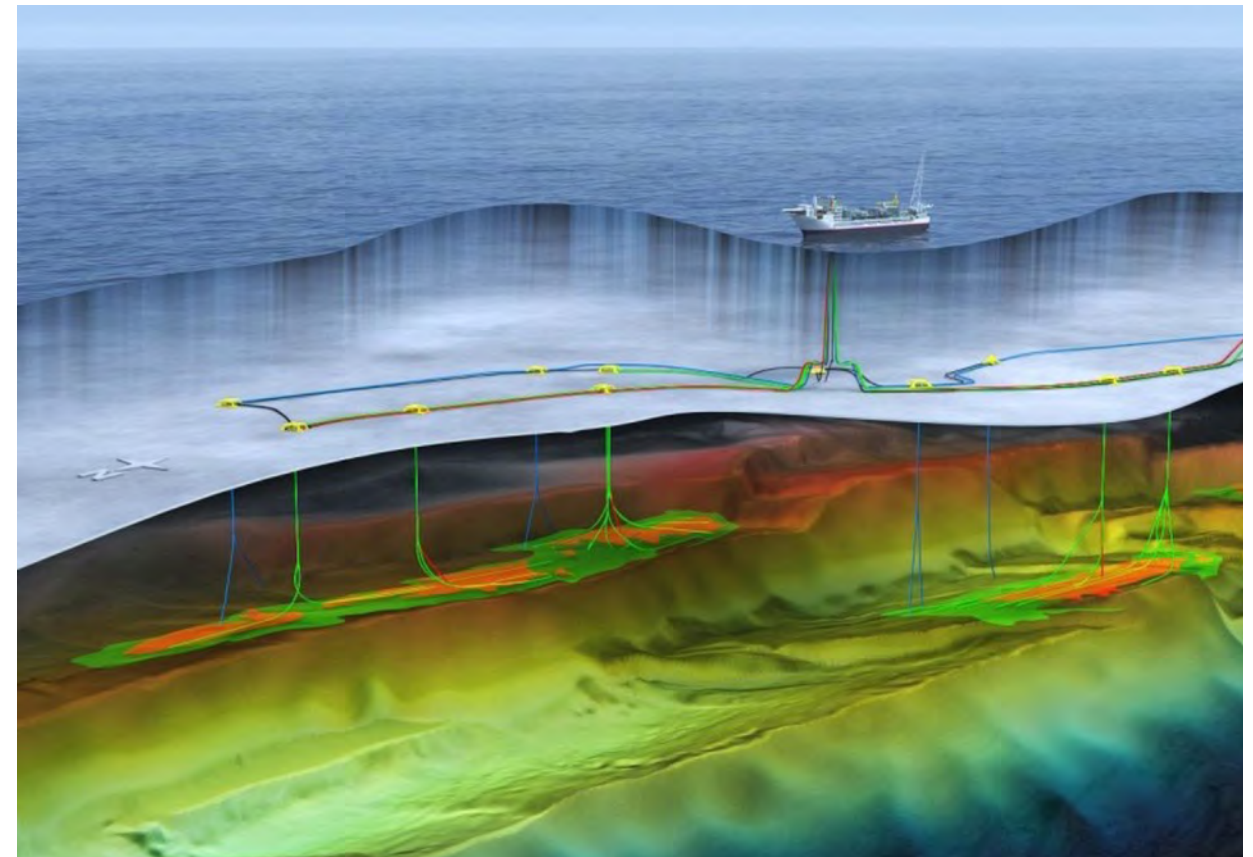


Image: Equinor

Johan Castberg

The Johan Castberg field holds 583 mmmboe of gross recoverable reserves (175 mmmboe net to Vår). Equinor is the operator of the Johan Castberg development, which consists of 30 wells, 10 subsea templates and 2 satellites tied back to a fully winterised FPSO. The field is expected to have a peak gross production once on stream of approximately 190 kboepd, with an expected lifting cost of as low as approximately USD 3.2 per boe during the first year of full production.

The start-up of the Johan Castberg field has been delayed by the Covid-19 pandemic that resulted in extended stop of all yard activities. Weld quality deviations and the limited availability of manpower due to Singapore access restrictions also contributed to the delays.

Progress since mid-2021 has been per plan, and on 5 January 2022 the Johan Castberg FPSO was towed out of dry dock in Singapore. The journey to Norway, on board the heavy-lift ship Boka Vanguard, started in February, and the FPSO will arrive at Aker Stord in Norway during the second quarter of 2022.

Ten of the production wells have been drilled by the end of 2021 and subsea templates, flowlines and mooring systems were successfully installed. The oil will be transferred to shuttle tankers before being shipped to the market. A firm decision for a future gas export solution has not been taken and the gas is currently not included in the reserves.

In March 2021, an oil discovery was made in the Isflak prospect in PL532. Isflak is located about 10 km southwest of the Skrugard discovery, with an oil column of over 100 meters with a preliminary estimated discovery size between 31 and 50 mmmboe of hydrocarbons. This discovery underpins the prospectivity in the Johan Castberg license.

2P reserves (gross)

535

mmboe

Peak production (gross)

~190

kboepd

OPEX¹

~3

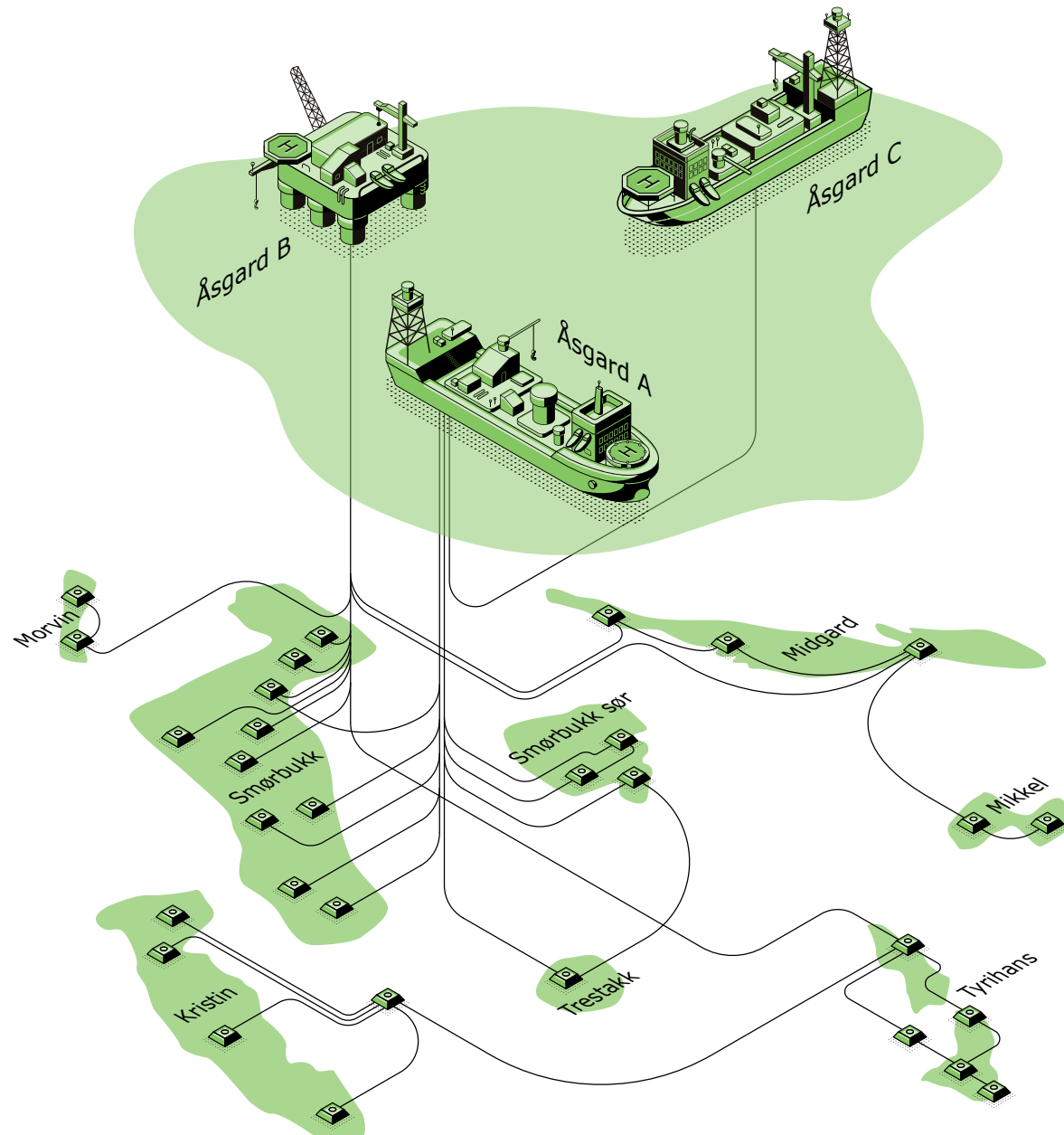
USD/boe (real)

CO₂ intensity¹

~5

kg/boe

¹ OPEX and CO₂ intensity based on first proper full-year production estimates



The Åsgard Area

The Åsgard Area, which accounted for 31% of the Group's production in 2021 and 164 mmboe in 2P reserves as of 31 December 2021, features multiple fields with high infill drilling activity. The Åsgard field complex is among the largest developments in Norway and the Trestakk, Mikkel and Morvin subsea fields are each subsea tie-backs to Åsgard. The Åsgard Area also features the Kristin and Tyrhans fields.



The Tampen Area

The Tampen Area, which accounted for 17% of the Group's production in 2021 and 135 mmboe in 2P reserves as of 31 December 2021, is a mature area with high activity and lifetime extension at key fields. Key assets include Statfjord and Snorre, among Norway's largest oil fields in terms of original recoverable oil reserves with approximately 106 mmboe of estimated combined recoverable resources (net) remaining. The Snorre expansion project started production in December 2020 and development drilling is expected to capture approximately 200 mmboe resources from 24 subsea wells. The Tampen Area also features Statfjord satellites, plus the Vigdis and Tordis subsea fields.

Sustainability

Sustainability

Becoming an ESG leader

Vår Energi is committed to manage the Company's resources responsibly, creating long-term value for stakeholders and the related communities. Sustainability is at the core of Vår Energi's business activities and one of the Company's main strategic priorities is to be the safest operator on the NCS with leading ESG performance.

Being leading on ESG performance requires a broad sustainability focus, with equal importance of environmental, social and governance factors. The Company continuously works to improve its performance within these areas. To clearly communicate its sustainability efforts to stakeholders and to measure progress, The Company has an ambition to become best-in-class on ESG reporting, with a focus on the areas: planet, people and prosperity.

Planet

Vår Energi seeks to minimise the impact of its operations on the climate and the environment. Through the HSSEQ Policy, the Company commits to safeguard the environment in accordance with the principles of precaution, prevention, protection, and continuous improvement. All Vår Energi employees are committed to safeguard the environment, and the Company builds environmental awareness in the organisation through training, participation in joint industry projects and R&D, and through involvement in industrial forums and committees.

The decarbonisation of Vår Energi's activities is a key topic for the main stakeholders. It is considered by the Company as a part of its license to operate and an investment in future growth towards a low carbon society. Vår Energi has committed to achieve net zero Scope 1 emissions by 2030, and net zero Scope 2¹ and parts of Scope 3² emissions by 2025. The ambitious decarbonisation strategy ensures that the Company takes urgent action to contribute to tackle the ongoing climate challenge and its impacts. Emissions that the Company is unable to eliminate due to technical or economic feasibility, will be offset through carbon offset mechanisms in the voluntary carbon market. The target for 2050 is to achieve near zero emissions from operated assets.

People

Vår Energi is run by people. The safety of employees and contractors will always be the Company's number one priority. The ambition is to be the safest operator on the NCS, and the Company promotes a good working environment and HSE culture at the core of all operations. Diversity and non-discrimination are key elements in building a robust organisation and the Company has a long-term goal of 40% female employees in the entire organisation. Vår Energi strives to use local suppliers wherever material and feasible to create value for the communities in which the Company has operations.

Prosperity

Vår Energi conducts its operations in a transparent, honest and fair way, in compliance with laws and regulations, internal rules, ethical integrity and fairness. The Company interacts with a wide range of local and global suppliers. By assessing sustainability in the supply chain, the Company can create value for the local communities and support the shift towards more sustainable business models. To create further value for society, Vår Energi cooperates with others to develop and implement new technological solutions aimed at reducing the industry's carbon footprint. The Company acknowledges and adheres to the recommendations set forth by the Task Force on Climate Related Financial Disclosures (TCFD) and take climate risks and opportunities into account when developing strategies and financial plans.

Please see Vår Energi's separate Sustainability report for more information, available on www.varenergi.no.

¹ Net zero Scope 2 emissions; office buildings by 2021 and offshore assets by 2025.

² Net zero Scope 3 emissions; categories #6 Business travels and #7 Employee commuting by 2021 and #4 and #9 up- and downstream transportation and distribution.



Leadership

Executive management



Torger Rød
CEO

Joined Vår Energi from the position as Head of Safety and Security at Equinor.

20+ years at Equinor both in Norway and internationally, including his role as SVP Project Development where he was responsible for all development projects globally.

Holds a Master's degree in Industrial Economics from Norwegian University of Science and Technology.



Stefano Pulatti
CFO

Joined Vår Energi from Eni, where he served as VP Planning & Control of African sub-Saharan region.

20+ years of international financial and O&G experience.

At Eni he also held the position of Finance Director in major oil and gas subsidiaries like Angola, Nigeria and Mozambique.

Before joining Eni, he worked at KPMG as an auditor, obtaining the CPA qualification.



Rune Oldervoll
VP Operations

Joined Vår Energi from ExxonMobil in 2018.

20+ years of experience in O&G industry with several technical and managerial positions at ExxonMobil, both globally and in Norway.

Holds a Master's degree in Mechanical Engineering from the Norwegian University of Science and Technology.



Ove André Årdal
VP Commercial

Joined Vår Energi from Eni Norge, where he served as Commercial Manager for 12 years

25+ years of experience in O&G industry with prior experience at Mobil and ExxonMobil.

Holds a Master's degree in Business and Administration from the Norwegian School of Economics.



Alessandro Berberis
VP Exploration

Joined Vår Energi in 2021 from the position of Managing Director of Eni Cyprus.

30+ years of experience in O&G industry, served as Director and Chair on the boards of Eni International and Italy.

Honours degree in Geological Sciences from University of Milano.

Executive Management cont.

**Ørjan Jentoft**

VP Partner Operated Assets

Joined Vår Energi in 2020 from the position of Technical Manager for ExxonMobil in Norway, UK and Azerbaijan.

30+ years of experience in O&G industry both globally and in Norway.

Holds a Master's degree in Petroleum Engineering from the Norwegian University of Science and Technology.

**Annethe Gjerde**

VP Contracts and Procurement

Annethe Gjerde has 20+ years of experience in the O&G industry in Norway.

Experienced in both the contractor and operator side of the industry with former experience at Norsk Hydro, Statoil, Pure E&P and Point Resources.

Alumnus of Norwegian School of Economics.

**Bjørn Thore Ribesen**

VP Field Dev. and Projects

Joined Vår from Aker Energy, where he served as SVP Drilling & Wells.

25+ years of experience in O&G industry with technical and managerial positions both in Norway and Internationally with AkerBP and Schlumberger.

Holds an Engineering degree w/hon in Offshore Technology from University of Newcastle upon Tyne and EMBA from Norwegian School of Economics.

**Aksel Luhr**

General Counsel

Aksel Luhr has 40+ years of experience in O&G industry.

Previously held various managerial positions in Eni Norge and Elf (Total). Currently also the Honorary Vice Consul of Italy in Stavanger.

Law degree from the University of Oslo and licensed advocate and member of the Norwegian Bar Association.

**Charlotte V. Saunders**

VP Corporate Services

Charlotte V. Saunders has 20+ years of experience in the O&G industry.

Previously worked in-house for Aker, Esso and BP and as an external business lawyer before joining Eni Norge in 2013.

Law degree from the University of Oslo and licensed advocate and member of the Norwegian Bar Association.

Executive Management cont.



Ove M. Helle

VP Safety and Sustainability

Ove M. Helle has 13+ years of experience in the O&G industry.

Previous experience with ExxonMobil and point Resources, after 19 years in the Norwegian Air Force.

Alumnus of Norwegian Air Force Flying School, US NAVY Naval Flight Officer School and Norwegian Air Force Academy.



Tor B. Tangvald

VP Internal Audit

Tor B. Tangvald has 34+ years of experience in the O&G industry, from oil service to exploration and production companies.

Previous experience with Norsk Agip and Eni Norge, on the Goliat development.

Master's degree in Naval Architecture and Marine Engineering from Norwegian University of Science and Technology.



Tone Rognstad

VP People and Organisation

Tone Rognstad joined the company in 2022 from the role as VP for Project management and control in Equinor.

15+ years of experience from various managerial positions with Equinor and 16+ years from various executive leadership positions in General Electric, both in Norway and internationally, within the areas of marketing, risk and operations.

Bachelor's degree in Banking and finance from the BI Norwegian business school.

Board of Directors

Thorhild Widvey

Chair

Over 15 years of experience in the Norwegian public and private sectors, with a focus on the energy industry.

Former Minister of Petroleum and Energy, and State secretary in the Ministry of Foreign Affairs.

Chairperson of Statkraft since 2016; member of the Board at Aker Solutions and Solstad Offshore since 2020.



Former Minister of Petroleum and Energy

Ove Gusevik

Director

Senior Partner at HitecVision, which he joined in 2021 from his role as Head of Investment Banking at SpareBank1 Markets.

Brings more than 30 years of investment banking experience, including being one of the founders of First Securities and serving as CEO Norway and Nordic Head of Energy at Alfred Berg ABN AMRO.

Leading role in many of the largest energy industry transactions in Scandinavia.

HITECVISION

Senior Partner

Francesco Gattei

Director

Over 25 years of experience in the Oil & Gas industry across various senior roles at Eni and its subsidiaries.

Chief Financial Officer for Eni since 2020.

Previously served as Upstream Director of the Americas, Head of Investor Relations, Secretary to Eni's Advisory Board, Senior VP of Market Scenarios and Strategic Options, and Head of Upstream M&A.



Chief Financial Officer

Guido Brusco

Director

More than 20 years of experience in the upstream Oil & Gas sector for Eni.

Upstream Director for Eni since 2020.

Previously served as Executive Vice President for the Sub-Saharan Region, Managing Director of Eni Angola, and Operations Manager for Petrobel JV (Egypt) and Agip KCO (Kazakhstan).



Upstream Director

Clara Andreoletti

Director

Clara Andreoletti serves as Head of Natural Resources Business Support Services and has previously served as Head of Geosciences & Subsurface Operations Data Management, Vice President Prospect and Exploration Projects Validation and Head of West Africa Exploration. She has over 20 years of experience in the Oil & Gas exploration and development sector at Eni.

Clara holds a degree (Laurea) in Telecommunications engineering from Politecnico di Milano.



Head of Geosciences and Subsurface Operations Management

Board of Directors cont.

Fabio Romeo

Director

Chair for Oman Cables.

Holds an undergraduate degree from Politecnico di Milano, and a graduate degree and doctorate from the University of California, Berkeley.



Oman Cables Chair

Liv Monica Stubholt

Deputy Chair

Partner at Selmer, a Norwegian corporate law firm, with a focus on the Energy sector.

Serves as a Director of the Norwegian German Chamber of Commerce since 2010.

Previously served as an Executive at Aker ASA, and State Secretary at the Norwegian Ministry of Foreign Affairs and the Ministry of Petroleum and Energy.



Selmer Partner

Marica Calabrese

Director

Over 18 years of experience in the Energy sector at Eni across various roles in Reservoir Department and M&A.

Currently serves as Head of Reservoir Studies and Area Reference North Africa & Middle East at Eni.

Holds a degree in Environmental Engineering (with Honours) from Politecnico di Milano and a Masters' in Petroleum Engineering (with Honours) from London Imperial College.



Reservoir Engineer

Kjersti Selvik

Director, Employee representatives

Laurits Hosar

Director, Employee representatives

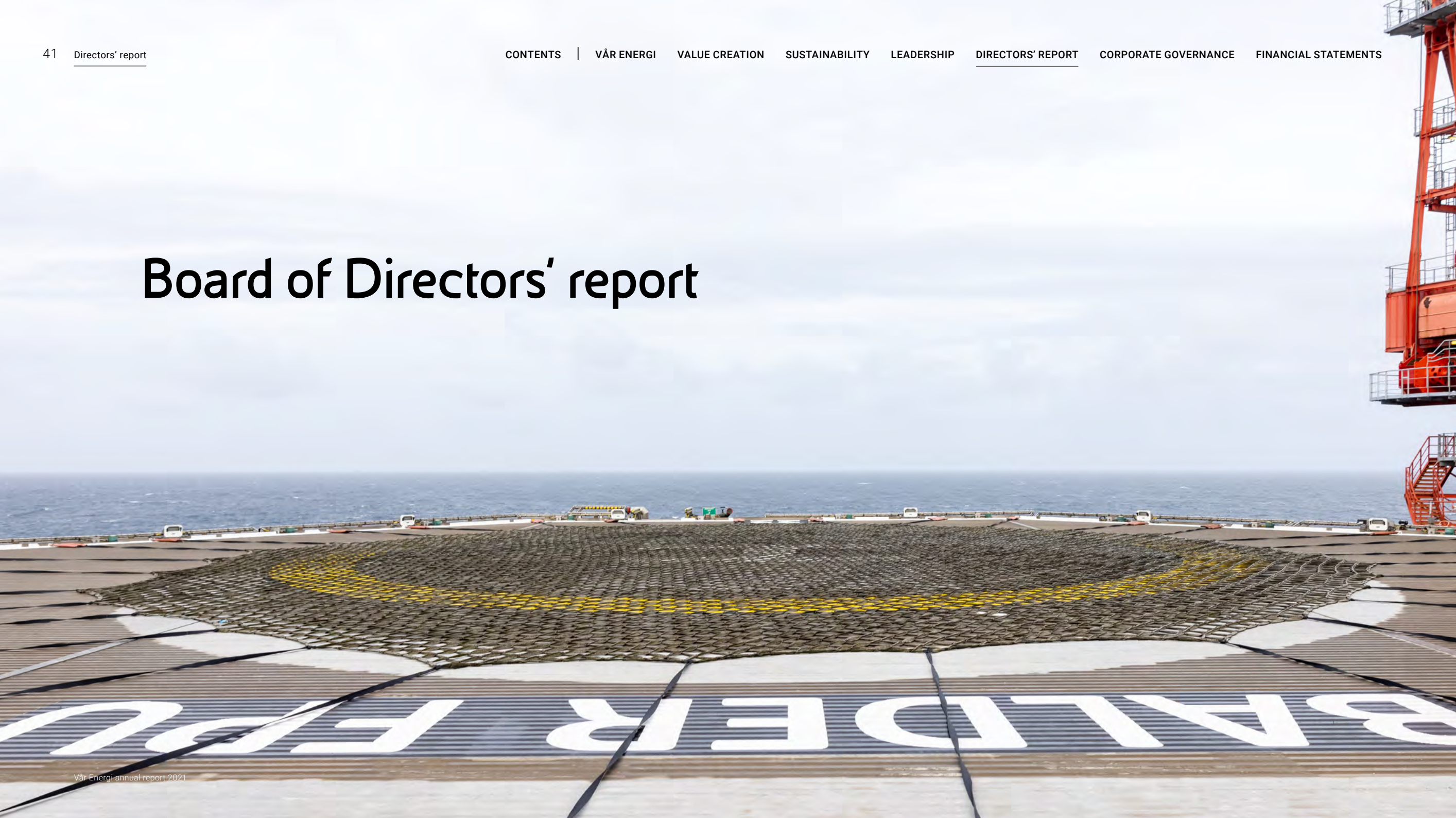
Jan Inge Nesheim

Director, Employee representatives

Christine Vorland

Director, Employee representatives

Board of Directors' report



Board of Directors' report

Vår Energi ASA is a leading independent upstream oil and gas Company on the Norwegian continental shelf (NCS). The Company holds strategic positions in some of the most productive and profitable production regions across the entire NCS. In 2021, the Company made good progress in developing and executing its strategy for long-term creation as a leading, growing and profitable oil and gas company and thereby deliver value for its stakeholders and shareholders.

Vår Energi was founded in 2018 following the merger of Eni Norge AS and Point Resources AS. On 16 February 2022, the Company listed on Oslo Stock Exchange (OSE) under the ticker "VAR". The initial public offering (IPO) provides access to Norwegian and international capital markets, a diversification of the Company's ownership structure and supports employee-engagement.

Vår Energi expects that oil and gas will continue to play a fundamental role in the global energy mix for decades to come and is committed to delivering sustainable growth opportunities on the NCS. This is reflected in Vår Energi's vision statement: "committed to deliver a better future".

To deliver on the Company's main business objectives, the Board of Directors and management have defined the following strategic priorities going forward: 1) Be the safest operator with leading ESG performance, 2) Cultivate a robust portfolio positioned for further growth, 3) Drive operational excellence across our portfolio, 4) Be the partner of choice in everything we do and 5) Foster a high performing

organisation. The Company has also updated its climate ambition with a target of becoming a net zero producer measured by Scope 1 and 2 activities by 2030.

The combination of good operational performance and rising commodity prices towards the end of the year led to a strong financial performance for Vår Energi reflected in record cash flow from operations and increased dividend payment to the Company's shareholders in 2021. Late in the year, the Company refinanced its reserved-based lending facility with a USD 6 billion unsecured corporate credit facility with 12 international banks and obtained investment grade credit ratings of BBB from S&P Global and Baa3 from Moody's Investors Service.

The Company maintained focus on safe operations with zero serious accidents recorded in 2021. Vår Energi continued to leverage well-established procedures and industry collaboration to manage the Covid-19 pandemic, including the use of digital solutions and home office when required. Focused remained on reducing the risk of the virus

spreading in the operations and safeguarding the Company's employees and contractors, whilst at the same time minimising the potential business impact. To date there have been no significant interruptions due to the pandemic within Vår Energi's own operations. In 2021, Covid-19 restrictions impacted progress on development projects, in particular on Johan Castberg and Balder X, which caused a delay to the planned start-up of production.

During 2021, commodity prices increased as energy demand rebounded in line with higher global activity following the dissemination of vaccines combined with the emergence of milder mutations of the Covid-19 virus. The supportive commodity price environment continued into 2022, before geopolitical tensions were exacerbated with the late February escalation of the conflict between Ukraine and Russia. The recent events underline Vår Energi's role as a safe and reliable supplier of oil and gas to Europe and the world amid energy shortages and supply uncertainty. The Company is deeply concerned by the developments, and gives a heartfelt support to the Ukrainian people and all of those affected by the crisis.

Operational review

The Company's production of oil, liquids and natural gas averaged 246 kboepd in 2021, a decrease of 7% compared to 265 kboepd produced in 2020, partly reflecting that some maintenance projects originally planned for 2020 were postponed to 2021 due to the Covid-19 pandemic.

Total volumes produced in 2021 (including fuel and flare) were 90 mmboe whereas total volumes sold were 85 mmboe. Oil represented 56% of the production in 2021, with gas and NGL making up 35% and 9%, respectively.

As of 31 December 2021, Vår Energi had production from 36 fields. The Company's operated fields, which comprise Balder, Ringhorne, Ringhorne East, Goliat and Marulk, delivered 20% of the production and the remainder came from partner-operated fields. Production efficiency for the operated fields was 87% in 2021, a decrease from 92% in 2020 due to scheduled maintenance at Balder, Ringhorne and Goliat.

For 2022, the Company is guiding towards a production in the range of 230-245 kboepd.

Production cost per boe was USD 12.0 in 2021 compared to USD 9.9 per boe in 2020. Total production cost (produced volumes) in 2021 was USD 1 079 million (+12%) compared to USD 965 million for 2020. The increase was mainly due to foreign exchange rate effects, higher CO₂ quota prices and the shift of turnarounds and maintenance activities from 2020 to 2021. Transportation, processing and insurance costs were lower year over year.

The Company expects production cost in 2022 of USD 12.5 to 13.5 per boe. Over the medium term, the production cost per boe is expected to decline towards USD 8.0/boe as new projects come onstream and cost savings are achieved.

Development projects

Vår Energi is participating in several significant development projects on the NCS which support the Company's ambition of producing

more than 350 kboepd by end 2025. Development activity was high with record expenditures on property, plant and equipment (PP&E) of approximately USD 2.5 billion in 2021 (USD 1.8 billion in 2020). Investments in the Balder area and Johan Castberg represented 59% of PP&E expenditures for the year.

During the year, Covid-19 restrictions impacted progress on certain projects including Johan Castberg and Balder X projects through a delay to the planned start-up. This was reflected in an impairment recorded in the fourth quarter. Towards the end of 2021, the main development projects Johan Castberg, Balder X and Breidablikk saw steady progress according to revised plans.

On Balder X, the inspection programme on Jotun FPSO was completed by the end of the fourth quarter, marking an important achievement in reducing uncertainty of the scope of work required. The 2021 offshore subsea installation campaign also completed in the quarter with a majority of the subsea scope of work having been performed by the end of 2021.

On Johan Castberg, the turret modules departed from Singapore in December for integration with the FPSO in 2022. In February 2022, the FPSO hull and living quarter was loaded onto a semi-submersible heavy transportation vessel for transportation to Stord, Norway.

The Breidablikk PDO was delivered in September 2020 by the operator Equinor and approved in June 2021. The field is being developed with four subsea templates with six slots each, tied-back to the Grane platform. Production start is planned for first quarter 2024.

Fenja was discovered in 2014 and the PDO was approved in 2018. Fenja will be developed as a subsea tie-back to Njord A, operated by Equinor. The Fenja development project is currently in execution phase and development drilling commenced in 2021. Production start-up has been delayed (due to the Njord Future project, in which Vår Energi has no working interest) and is now planned for the first quarter of 2023.

In September, Vår Energi entered into a cooperation agreement with Equinor and Horisont Energi to explore the possibilities of producing carbon neutral blue ammonia from natural gas, with CO₂ capture and storage, in Hammerfest. The Barents Blue cooperation was in December expanded to include Polaris CO₂ transportation and storage project, aiming to transport captured CO₂ from the ammonia plant and store it in an underground reservoir in the Barents Sea. The agreement enables Vår Energi to deploy its capital towards upstream projects rather than infrastructure development, while retaining the same gas off-take rights.

Ammonia is used at scale by the chemical industry, and in the production of fertiliser. Carbon neutral ammonia is seen as a potential future fuel for maritime transportation. Carbon Capture and Storage (CCS) is expected to play a fundamental role in reaching the targets set in the Paris agreement.

Exploration

During 2021, Vår Energi engaged in exploration drilling across all sectors of the NCS. The main objective for the exploration activities is to deliver accretive reserve replacement through active near field exploration in close proximity to producing assets to optimise the use of existing infrastructure combined with selective high-risk / high-reward exploration in frontier areas.

The 2021 exploration campaign included eight wells (Isflak, Blasto, Tyrihans North Ile, Garantiana west, King and Prince, Apodida, Rødhetta and Halbera). Six of the wells were discoveries and two were dry (Apodida and Halbera), equal to a success rate of 75% for the year. The drilling campaign provided 135 mmboe of contingent resources, equal to 1.5x full-year production.

The King and Prince discoveries were the largest during 2021 with combined estimated contingent resources of 85 mmboe. The discoveries are considered commercial, likely as a tie-in to existing infrastructure in the Balder area, and a development project is underway at King with the aim to minimise time from discovery to start of production. DG1 for King phase 1 was approved in November.

Key priorities for 2022 include the drilling of the Vår Energi operated Lupa and Countach wells adjacent to the Goliat field in the Barents Sea and the partner-operated potential high-impact well Ormen Lange Deep, and follow-up of other partner-operated wells. All planned exploration wells in 2022 are located close to the Company's key hubs (near field exploration for high margin barrels) and in case of a discovery, they will be considered for rapid development.

2021 was also an active year with regards to licensing activity. A total of 16 new exploration licenses were acquired, 10 in the APA license round (five operated) and six from business development activity and portfolio optimisation. The Company relinquished 14 licenses during the year.

At year end, the Vår Energi portfolio totalled 138 licenses of which 36 are operated. Following the APA 2021 license award in January 2022, the number of licenses increased to 148 of which 41 are operated.

Reserves and resources (SEC)

AS of 31 December 2021, total proved and probable reserves (2P) net to Vår Energi were 1 119 mmboe, slightly down from 1 147 mmboe at year-end 2020. The decrease from 2020 to 2021 is mainly a function of high production (90 mmboe) in 2021, partially offset by additional reserves maturation and upward revision of reserves due to the increase in commodity prices during the year.

Total proved and probable reserves are distributed with 56% in the North Sea, 25% in the Norwegian Sea and 19% in the Barents Sea. The Company's proved and probable reserves were 71% oil, 24% gas and 5% NGL.

Total contingent resources (3C) at year-end 2021 were 562 mmboe, an increase of 141 mmboe when compared with year-end 2020. The Company's five largest fields, Balder, Ringhorne, Goliat, Johan Castberg and Snorre combined, amounted to approximately 47% of total proved and probable reserves year-end 2021.

The Company's reserve life index (RLI) at year-end 2021, calculated on the basis of proved and probable reserves, was 12.5 years (11.8 years in 2020).

Sustainability

Vår Energi is committed to developing sustainable growth opportunities on the NCS. Energy plays a fundamental role in meeting the primary needs of society and securing international stability and prosperity. Sustainability is essential to how Vår Energi conducts its operations and creates value over time. The health and safety of its employees, contractors, and other partners is the top priority for Vår Energi. The Company's ambition is to be the safest operator on the

NCS, which is a corporate value integrated into company culture and business plans. In 2021, no serious injuries were recorded despite high levels of activity both offshore and onshore.

In 2021, Vår Energi set new climate goals with the ambition of becoming climate neutral in Scope 1 and 2 activities by 2030. This implies net zero greenhouse gas emissions from all producing oil and gas fields where Vår Energi is an operator or a partner. In addition, emissions from all emergency response and supply vessels and oil tankers will be sought reduced to net zero by 2025 (Scope 3).

Additional information on environmental, social and governance (ESG) topics is provided in the separate sustainability summary of this annual report and in the 2021 Sustainability Report available on www.varenergi.no.

Health, Safety, Security, Environment and Quality (HSSEQ)

It is the Company's expressed goal to carry out all activities without causing harm to people or the environment. Vår Energi uses certain key measures to monitor and learn from experiences in our operations to achieve transparency in the way we work. By requiring the use of high-quality and sustainable solutions in our own operations and by our suppliers, emissions to air, discharges to sea, as well as waste generation are reduced as much as possible.

2021 was characterised by a significant increase in activity, driven by the Balder Future development project, large turn-arounds and drilling operations. The company's key performance indicators Serious Incidents Frequency (SIF) and Total Recordable Injury Frequency (TRIF) developed positively in 2021 compared to 2020. In 2021, there were no incidents with serious actual consequences (SIF Actual).

However there has been an increase in the total number of incidents with a serious potential, as well as recordable injuries, particularly during the fourth quarter 2021.

For 2021, the SIF rate was 1.3, a decrease from 1.7 in 2020. The recorded incidents were classified as serious due to their potential rather than actual consequence. The majority of the incidents were related to dropped objects. For 2021, the TRIF was 3.2 compared to 3.5 in 2020. In 2021, Vår Energi had several events with higher potential, however no personnel were actually injured during these events.

The incidents have been managed according to the Company's management system, improvements have been implemented and learnings are shared to enable continuous improvement. Further, Vår Energi focuses on technical integrity and monitors major accident risk items and key indicators through the Company's Major Accident Risk Indicator system (MARI). To further strengthen the culture and focus on safety, Vår Energi will, together with its contractors, continuously monitor key measures, such as the Always Safe Annual Wheel, the Life Saving Rules and the Company's internal TIR tool (Take Time, Involve, Report).

Vår Energi considers the decarbonisation of oil and gas production a prerequisite to ensuring a resilient business model and driving long-term value creation. The Company has announced operational targets to actively reduce and minimise its environmental impact, with a target of net zero emissions (which includes Scope 1 and 2 emissions) by 2030. In 2021, the CO₂ emissions intensity for the Company's operated licenses was 8.7 kg per boe, compared to 8.5 kg in 2020, mainly due to lower production year-over-year.

The Company seeks to minimise impact on the climate and the environment. The HSSEQ policy is based on the principles of precaution, prevention, protection, and continuous improvement. The environmental management system is an integral part of the Group management system and certified according to ISO 14 001. The Company has set KPIs for environmental performance and monitors progress through monthly and quarterly reports and management meetings. Vår Energi also cooperates with local communities, other operators, and national authorities to ensure that operations are conducted in a safe and responsible manner.

People, organisation and working environment

Vår Energi firmly believes that the people are the Company's greatest asset. Therefore, the safety of employees and contractors will always be the number one priority. The ambition is to be the safest operator on the NCS, and to promote a good working environment and HSE culture at the core of all operations. Vår Energi works actively to promote diversity and non-discrimination as they are key elements in building a robust organisation.

At year-end 2021, Vår Energi employed a total of 950 personnel, split on 938 full-time employees and 12 part time employees. The majority of employees (514) work at the Company's headquarters at Forus. An additional 31 employees are located in the Oslo office, while 58 employees are located in the Hammerfest office. The Company has a total of 347 employees working offshore.

Vår Energi promotes equal opportunities and rights for all based on qualifications, and aims to prevent discrimination due to gender, ethnicity, country of origin, age, sexual orientation, language, disability or religion. The Company's Code of Ethics and procedures have

regulations to prevent discrimination related to salary, career promotion and recruiting.

The proportion of women employed at Vår Energi at year-end 2021 was 26%. At year end, one of the eight members of the Company's Board of Directors was female. The current Board, established in connection with the listing in February 2022, has four women out of eight shareholder-elected members. Women held 17% of the executive management team positions and 25% of remaining leadership positions in the Company. During the year, the Company's Gender Balance Task Force, established in 2020, continued to work actively to deliver on the Company's target to reach 40% female employees onshore and 15% female employees offshore and a ratio of female leaders reflecting the gender balance onshore and offshore. At year-end 2021, more than 33 nationalities were represented among Vår Energi's employees.

A comprehensive report of equality status as required by the Norwegian Equality and Anti-Discrimination Act, is included in the Diversity and Inclusion statement section of the 2021 Sustainability report available on www.varenergi.no.

The sick leave in 2021 was 3.8% (3.7% in 2020). The Company has a positive and healthy working environment.

R&D

Vår Energi's research and development (R&D) activities seek to provide advanced technical solutions supporting the Company's ambitions of reducing environmental impacts and improving production efficiency. In 2020, Vår Energi established a new R&D strategy focused on the contribution to emission reduction targets and to promote development of technology that supports future energy transition business

development. The R&D strategy is defined to meet the Company's technology objectives in the following key areas:

- Safety and environmental protection
- Decarbonisation
- Successful exploration
- Operational excellence
- Maximise recovery

The Company is engaged in large-scale national projects which aim to develop and demonstrate GHG emission reduction capabilities. They include supporting the Low Emission Centre, which develops concepts for offshore energy systems and integration with renewable power production technologies, and the Norwegian CCS Research Centre (NCCS), run by the independent research organisation SINTEF, which seeks to develop cost-efficient carbon capture and storage (CCS), which is required to meet global climate targets while maintaining security of energy supply.

In 2021, Vår Energi entered a joint industry project to develop a more environmentally friendly method for seismic data collection, the BASS project. The Company is also engaged in a feasibility study for the development of a blue ammonia plant in Kvalfjorden in Northern Norway which may use gas from the Alke and Goliat fields for decarbonisation and conversion into ammonia via hydrogen. The Company also joined the LINNCS project (Linking Carbon Capture and Storage) aimed at optimising the CO₂ value chain and reducing the cost for new carbon storage facilities by 70%.

Financial review

Declaration regarding the financial statements

The Board of Directors believes that the financial statements provide a true and fair view of the Group's result for 2021 and the financial position at year end.

Profit and loss

Total income in 2021 was USD 6 073 million (+110%) compared to USD 2 894 million in 2020. Petroleum revenues in 2021 amounted to USD 6 043 million, up from USD 2 869 million in 2020. The increase in petroleum revenues was mainly due to higher oil and gas prices realised in 2021, continuing the trend of increasing commodity prices that began at the end of 2020. The Company booked a USD 168.6 million gain on cash flow hedges in 2020 related to exercised put options during the year. There were no such gains in 2021. Total other operating income in 2021 was USD 29.4 million (USD 25.2 million).

Total volumes sold were 85.2 mmbob, compared with 92.1 mmbob in 2020. Realised average price per bob amounted to USD 70.9 in 2021, an increase from USD 31.1 in 2020.

Total 2021 production cost (sold volumes) was USD 1 290 million, a 25% increase from 2020. The increase was mainly due to foreign exchange rate effects (appreciation of NOK vs USD), higher electricity prices, higher environmental taxes due to higher CO₂ quota prices, the shift of turnaround and maintenance activities from 2020 to 2021, a higher over lift position and higher costs related to crude put option premiums. Transportation and processing costs and insurance costs were lower year over year.

2021 exploration expenses were USD 57 million due to high capitalisation following the successful 2021 drilling campaign and equal to the 2020 level.

Depreciation and amortisation amounted to USD 1 705 million in 2021, little changed from USD 1 707 million in 2020. Impairment loss in 2021 amounted to net USD 1 million. In 2020, impairment loss amounted to USD 2 178 million, mainly due to lower commodity prices. Impairment is recognised when the book value of an asset or a cash-generating unit exceeds the recoverable amount. Impairment is correspondingly reversed if the conditions for the impairment are no longer present. Other operating expenses were USD 110.5 million in 2021 (USD 176.2 million).

Operating profit for 2021 was USD 2 910 million compared to an operating loss of USD 2 253 million in 2020.

2021 net financial expenses were USD 269 million, an increase from USD 238 million in 2020. The Group recognised a net foreign exchange loss of 142 million, compared to a gain of USD 287 million in 2020. The 2021 tax expense was USD 1 876 million, compared to a tax income of USD 577 million in 2020 due to the temporary tax regime introduced in 2020.

Profit for 2021 totalled USD 622 million compared to a loss of USD 1 627 million recorded in 2020.

Financial position

Total assets as of 31 December 2021 amounted to USD 19 878 million, compared with USD 20 260 million a year earlier. Total non-current assets were USD 18 326 million, down from USD 18 773 million at end of 2020.

Net additions in tangible assets in 2021 amounted to USD 924 million and related mainly to the Company's investments in its portfolio of discoveries (wells and production facilities and facilities under construction) net of changes to estimates of asset retirement costs and currency translation effects. Total depreciation and impairment charges amounted to USD 1 329 million.

Total current assets increased to USD 1 552 million from USD 1 486 million in 2020. The increase was mainly caused by higher trade receivables. This was partly offset by a decrease in tax receivable to zero at year-end 2021, compared with a tax receivable of USD 523 million in 2020.

The cash position at year-end 2021 was USD 224 million, down from USD 272 million in 2020. In addition, at year-end 2021, the Company had USD 2 080 million in undrawn credit facilities bringing total available liquidity to USD 2 304 million.

Total equity at 31 December 2021 was USD 1 472 million, down from USD 1 784 million at end of 2020. This corresponds to an equity ratio of 7% compared to 9% a year earlier.

Total non-current liabilities at year-end 2021 were USD 15 908 million (USD 17 467 million at year-end 2020), reflecting a reduction of interest-bearing loans and borrowings due to the refinancing and strong

cash flow from operations in 2021. Total current liabilities were USD 2 498 million at year-end 2021 (USD 938 million at year-end 2020), reflecting an increase in accounts payable, taxes payable and current interest-bearing loans.

Total interest-bearing debt (including leasing) was USD 5 152 million at year-end 2021, a decrease from USD 5 748 million in 2020. EBITDAX was USD 4 672 million in 2021 and free cash flow (FCF) amounted to USD 1 854 million. Due to the strong cash flow generated in 2021, the Company reduced its leverage ratio (NIBD/EBITDAX) to 1.1x at year-end 2021 from 3.2x a year earlier.

Cash flow

Cash flow from operating activities (CFFO) was USD 4 438 million (+154%) compared to USD 1 744 million in 2020. The increase in operating cash flow was mainly due to higher product prices. The difference between CFFO and operating profit is mainly explained by depreciation and amortisation in the period and working capital movements.

Net cash used in investment activities was 2 633 million in 2021 compared to USD 1 947 million in 2020. Expenditures on property, plant and equipment were USD 2 480 million in 2021, an increase from USD 1 771 million in 2020 due to high activity on the Company's main development projects.

Net cash used in financing activities was USD 1 835 million in 2021, compared to net cash from financing of USD 273 million in 2020. The year-over-year change reflects the net effect of refinancing of the reserve-based lending facility and the draw-down on the new unsecured loan facility as dividends paid of USD 950 million in 2021, up

from USD 450 million in 2020. The Group cash position was USD 224 million at 31 December 2021 compared to USD 272 million a year earlier.

Parent company results

Vår Energi AS, the parent company of the Vår Energi Group, reported USD 6 062 million in total income in 2021 (USD 2 885 million in 2020). Total operating expenses amounted to USD 3 078 million at year-end 2021 (USD 5 252 million at year-end 2020). Operating profit was USD 2 984 million in 2021, compared to an operating loss of USD 2 366 million in 2020. Net profit for the year was USD 694 million compared to a loss of USD 1 745 million in 2020.

Total assets amounted to USD 20 080 million at 31 December 2021 (USD 20 564 million at 31 December 2020), and total equity was USD 1 473 million at 31 December 2021 (USD 1 781 million at 31 December 2020).

Dividend

Vår Energi's material cash flow generation and investment grade balance sheet support attractive and resilient distributions. In 2021, the Company paid a total dividend of USD 950 million. The dividend was paid in quarterly instalments.

Going concern statement

A key objective of the Company is to have sufficient equity and liquidity to be able to finance its operations and investments in accordance with the company's business plan and portfolio commitments. The Board of Directors confirms that the financial statements of the Company have been prepared under the going concern assumption in accordance with the Norwegian Accounting Act, section 3-3a. The Board of

Directors considers Vår Energi as well positioned to continue its operations, based on the current balance sheet, production and cash flow forecasts and projected investments and expenses.

Accounting standards

As described in [note 2](#), the accounting policies used in the Consolidated IFRS Financial Statements for 2021 are consistent with those used in the 2020 Consolidated Financial Statements.

EU Taxonomy

Vår Energi will prepare reporting required under the EU Taxonomy Regulation, pending the final processing of the regulation by the EEA Joint Committee and its implementation into Norwegian law. The preliminary analysis indicates that a material share of the Company's revenue and investments are outside the scope of the taxonomy in its current form, but that the activities related to gas production and sales and investments in low-carbon and zero emission activities may qualify as sustainable investments.

Corporate governance

Vår Energi is committed to providing information in an open, transparent, and timely manner to our shareholders and stakeholders. At 31 December 2021, the Company was privately held with all shares outstanding owned by Eni International B.V. and Point Resources Holding AS.

In connection with the listing on Oslo Stock Exchange (OSE) in February 2022, The Company adopted and implemented a corporate governance regime which in all material respects complies with the Norwegian Code of Practice for Corporate Governance dated 14 October 2021 (the "Corporate Governance Code"). Please see the

separate corporate governance section of this annual report for further information.

Director and Officer's Liability Insurance

Vår Energi has implemented a Director and Officer's (D&O) insurance scheme for the Board of Directors and key managers. The insurance covers personal legal liabilities including defence- and legal costs and also includes employees in managerial positions or employees who become named in a claim or investigation. The director and officers of the parent company and all subsidiaries (owned more than 50%) are covered by the insurance.

Reporting of payments to governments

Vår Energi has prepared a report on government payments in accordance with the Norwegian Accounting Act section 3-3d) and the Norwegian Securities Trading Act section 5-5a. It states that companies engaged in activities within the extractive industries shall annually prepare and publish a report containing information about their payments to governments at country and project level. The report is provided in a separate section of the annual report and on the Company's website.

Risks and risk management

Vår Energi is exposed to a variety of risks associated with oil and gas operations. Risk management is an integral part of the Company's business activities, and the business areas consequently have the main responsibility for managing risks arising from its business activities. Vår Energi's operational, financial and external risks and mitigation of those risks through risk management are also described in the prospectus published in February 2022, available on www.varenergi.no.

Vår Energi recognises that effectively managing risks and opportunities is essential to the Company's long-term success and a key enabler in achieving Vår Energi's strategic objectives. The Board of Directors is responsible for risk management as part of its role in providing strategic oversight and stewardship of the Company. This includes approving the annual budget and four-year business plan, evaluating risks to the delivery of the plan and deciding financial and operational targets. Key strategic risks and opportunities are also reviewed quarterly by the Risk and Compliance Committee and on a regular basis by the Board.

Vår Energi's Risk Management System provides a systematic approach for the identification, assessment and management of the key risks and opportunities that may impact the achievement of strategic objectives. The framework promotes a bottom-up approach to risk management with a top-down support and challenge.

Vår Energi is subject to various controllable and uncontrollable risks associated with the nature of the oil and gas business operations. Companies operating in the oil and gas industry are exposed to a variety of operational, financial and external risks that may not be entirely possible to eliminate even with robust risk management routines and experiences.

Operational risks

The Board of Directors recognises the risks associated with the Company's operational assets. The regulation of activities on the NCS provides a sound framework for handling these risks, and the Company takes an active and responsible approach as a partner. Future production of oil and gas is dependent on the Company's ability to find, or acquire, and develop reserves.

There is always a risk that a major operational incident could occur as drilling, production and decommissioning activities will never be completely risk-free. Further, there are risks related to the integrity of the Company's assets, risks associated with the reported reserves and resources, risks associated with inability to expand reserves or find replacement reserves and risks associated with third-party contractors or operators, as a large share of the Company's assets are operated by others.

Costs of development projects or exploration efforts are also uncertain. As a result of these risks, the Company may incur costs that could adversely affect the Company's financial position or its reputation as a player on the NCS. The Company intends to act as a sound, responsible and technically competent partner across the whole spectrum of activities in all its operations. Vår Energi works actively with its partners and has established mitigating actions to reduce the possibility of operational incidents occurring. In addition, the Company's risk management includes contingency plans to minimise the potential impact if an operational incident should occur.

Market risks

Vår Energi operates in the crude oil and natural gas market and fluctuations in hydrocarbon prices may therefore impact revenues, reserve estimates, profitability and the rate of growth. Commodity price risks represent the Company's most important market risk. Vår Energi uses commodity price hedging to manage this risk and secure cash flow from the sale of crude oil and gas.

At the end of 2021, the Company had established a hedging programme for 2022 with 100% of planned after-tax volumes for oil covered by monthly settled oil price put options with a strike price of

USD 47 per barrel. To align after-tax cash flows and adjust for different tax treatment of financial derivatives and the underlying oil production, 28.2% of the planned production volume is hedged. In 2022, Vår Energi has entered into forward gas sales contracts. As of 18 February 2022 Vår Energi has sold 9% of its estimated 2022 gas production at a fixed price, generating a sales income of USD 393 million.

Financial risks

The Company is exposed to market fluctuations in foreign exchange rates and interest rates. These fluctuations could impact the Company directly or indirectly as they may influence credit-institutions' and investors' appetite to provide loans to, or invest in, the Company.

The Company considers its credit risk or financial risk of partners to be low, as its license partners are considered creditworthy oil companies and procedures are in place to assess financial risk related to existing and new suppliers. The Company is highly focused on active risk management through hedging, liquidity focus and insurance.

The Company has insured its pro-rata liability on the NCS in line with the best industry practices and has offshore insurance programmes covering the following risks (non-exhaustive list):

- Loss of production income
- Physical damage to assets
- Control of well
- Third party liability

Currency risk

Vår Energi is exposed to market fluctuations in foreign exchange rates, as the Company's expenses to a large degree are denominated in NOK, while the income, as well as the price of oil, predominantly is

denominated in USD. Exchange fluctuations between NOK and USD may consequently have impact on the Group's cash flow and financial condition. The Company had no active currency hedges as of year-end 2021.

Interest rate risk

The Company's financing arrangements have floating interest rates. Vår Energi has currently not entered any arrangements to hedge the interest rate exposure and is therefore exposed to interest rate fluctuations.

Liquidity risk

The Company's future capital requirements depend on many factors, and the Company may need additional funds to fulfil its commitments and further develop exploration and development programmes to support the strategic direction of the Company. Liquidity risk is the risk that the Company will not be able to meet the obligations of financial liabilities when they are due. Vår Energi's liquidity planning is based on short-term (12 months) and long-term forecasts. These are updated regularly, for various scenarios, and form part of the basis for the decision-making by the Company's leadership team and the Board of Directors.

External risk

The business landscape in which the Company operates can change rapidly. The risks of fluctuations in commodity prices are addressed under financial risks, but the Company also faces other external risks that could affect its financial position over time. For instance, there can be no assurance that legislation, including tax regulations, will not be changed in a manner that could adversely affect the Company. There is also a potential exposure from the response to climate change.

The Company aims to develop and maintain a portfolio of assets that remains resilient as the government's response to climate change evolves.

Climate risk

Vår Energi acknowledges and adheres to the recommendations set forth by the Task Force on Climate Related Financial Disclosures (TCFD) and takes climate risks and opportunities into account when developing strategies and financial plans. Climate risk can be defined as the combination of transitional risk and physical risk. Transitional risks comprise market, reputational and policy risks, whereas physical risks arise through changes in weather patterns, temperature increases and other physical effects of climate change. The Company provides a detailed analysis of climate risks and opportunities, the financial impacts of climate change, and measures that have been implemented to ensure long-term value creation in the Sustainability Report available at www.varenergi.no.

Climate change legislation and regulatory risk

Vår Energi's business and results of operations could be adversely affected by climate change and the adoption of new climate change laws, policies and regulations. Growing concerns about climate change and greenhouse gas emissions have led to the adoption of various regulations and policies and future global policy may be further influenced by climate-related action from both government and third-party organisations. Environmental challenges and new climate change regulation, rapid increases to supply of renewable energy, social changes, and national commitments to international climate targets such as the Paris Agreement could result in stranded assets in the energy sector.

The Company may face increased expectations from stakeholders to take actions beyond existing regulatory requirements and the Company's own stated targets to minimise external impact and mitigate climate change. This may require Vår Energi to apply additional measures and incur additional costs with potentially material adverse effect on the Company's business, financial results and position. In addition, if Vår Energi fails to meet these expectations, or to foster additional sustainability initiatives, the Company may experience reputational risk which could impact the ability to attract and retain customers, employees, lenders and investors.

Geopolitical risk

On 24 February 2022, Russia invaded Ukraine. Since then, military actions have continued on Ukrainian soil with a significant negative impact on people and local infrastructure, and with wide-ranging consequences for the global political and economic environment. The invasion is widely condemned in the international community and sanctions have been imposed on the Russian businesses, certain Russian nationals, and the Russian state. The war has caused widespread business disruptions, impacted the global economy and commodity prices, and led to significant short-term volatility in international debt and equity markets. There is significant uncertainty with regards to the extent and duration of military conflict and how it will affect the global economy and markets, as well as Company's performance over time.

The invasion and subsequent sanctions have had a material impact on global energy markets. Oil and gas prices have increased from already high levels before the invasion. Russia is a leading exporter of gas, oil and coal to Europe. Export volumes may be affected by damages to infrastructure, sanctions limiting trade, and the potential for Russia to

halt its exports as a response to sanctions. There is significant uncertainty regarding the potential impact on safe and reliable energy supply, as well as to the market prices of oil, gas and other commodities which may impact the Company's future operations and results.

Other risks

Other risks actively monitored by the Company include the Covid-19 pandemic and cyber security. The risk for cyber-attacks is considered higher following the start of conflict in Ukraine and the sanctions imposed on Russia.

Risk management and identification and assessment of opportunities is also an integrated objective of Vår Energi's Risk Management System. The process seeks to not only identify risks and how they can be mitigated, but also identify opportunities and actions required to deliver above expectations and realise upside potential. Opportunities may include more efficient drilling, portfolio optimisation, collaboration with strategic partners, cost reductions, performance improvements, selection of proved design solutions, digitalisation, etc.

Internal control and audit

Vår Energi has established internal control functions to prevent mistakes and fraud related to financial reporting. The internal controls are periodically assessed and modified to comply with changes in the organisation and business activities. A compliance function has been established to monitor internal controls with respect to compliance with internal guidelines and external laws and regulations. Any material deviations from the established internal control design will be reported to the management, the Risk and Compliance Committee and the Audit Committee.

Vår Energi has established an internal audit department that independently provides assurance on the effectiveness of governance, risk management and compliance, including how the first and second lines of control achieve risk management and control objectives. Internal Audit is also responsible for the whistleblowing function within the Company.

Vår Energi's Management System – VEMS

Vår Energi's governance and corporate risk management approach is based on the Company's integrated Management System. Vår Energi's Management System (VEMS) is an interactive web-based system available to all personnel working in or for the Company. VEMS is process-oriented, developed around a set of business process maps with supportive links to governing and key documentation including Norwegian regulatory requirements, Company requirements and international standards and procedures. VEMS sets out all mandatory policies, standards and controls necessary to manage key activities and associated risks and thereby ensure that stakeholder's needs and expectations are met or exceeded. VEMS also shows how Vår Energi manages its business through its assets, its processes and its people (organisation) and thereby creates a sound basis for the achievement of the Company's objectives and value creation for stakeholders. Furthermore, VEMS works as a management tool to communicate company requirements and demonstrate compliance with both Norwegian regulatory and corporate requirements.

VEMS is a vital part of the Company culture and essential for facilitating Vår Energi in reaching its objectives. It provides a set of tools for strategic planning and tactical implementation of policies, practices, guidelines, processes and procedures, and common direction and guidance for effective execution of work in all parts of the organisation.

Events after the reporting period

On 16 February 2022, Vår Energi was listed on Oslo Stock Exchange (OSE) under the ticker "VAR". The intention of the IPO was to provide the Company with access to the Norwegian and international capital markets and to allow the Company to diversify its ownership structure and create a strong long-term shareholder base, including employee engagement. The share offering at NOK 28 per share was substantially oversubscribed as it attracted strong interest from institutional investors in Europe, the US and Asia, as well as from the general public in the Nordic region and employees of Vår Energi. Following the transaction, Vår Energi welcomed approximately 19 000 new shareholders.

On 2 February 2022, the Company announced an update to its previously communicated dividend policy for 2022. In late 2021, Vår Energi determined a dividend of minimum USD 700 million for 2022. In addition, the Company had communicated a dividend of USD 200 million for first quarter 2022. Considering the current and a continued supportive commodity price environment and Vår Energi's strong cash flow generation, the Company decided to increase its dividend for the full

year 2022 to a minimum of USD 800 million and announced a dividend for the first quarter of USD 225 million.

On 26 January 2022, following an Extraordinary General Meeting, Vår Energi was converted to a public limited company (ASA - Allmennaksjeselskap) and a new Board of Directors was elected.

On 18 January 2022, Vår Energi was awarded 10 new production licenses in the 2021 Awards in Predefined Areas (APA) covering mature areas on the NCS, five as operator, increasing the total of licenses to 148. The licenses awarded are considered to have a good strategic fit with Vår Energi's existing license portfolio, strengthening the Company's presence in strategic hubs while also offering attractive opportunities to potentially expand into new prospective sectors on the NCS.

Outlook

Vår Energi has an ambition to deliver value-driven growth to support attractive and resilient long-term dividend distributions. The Company targets production of more than 350 kboepd by end 2025, corresponding to over 50% growth compared to the midpoint of the guided 2022 range of 230–245 kboepd.

The end 2025 ambition is based on:

- Material long-lived reserves and resources
- Improved recovery, utilising leading reservoir technology and infill drilling to enhance and drive facilities and reservoir outperformance
- Development of a robust pipeline of sanctioned projects centred around strategic hubs, including Balder X, Johan Castberg and Breidablikk

Growth levers beyond 2025 include maturing and developing unsanctioned projects, continuing to leverage best-in-class NCS exploration capabilities to deliver new potential commercial discoveries and executing on accretive M&A in hub areas driving value and synergies.

Based on the potential for improving operations in currently producing fields and the attractive cost profile in sanctioned developments, Vår Energi has an ambition to reduce the production cost per boe to USD 8 in the medium term from USD 12 in 2021. This represents a reduction of close to 40%.

For 2022, the Company maintains its guidance for USD 2 300–2 600 million in development capex and USD 200 million in exploration and abandonment capex.

Vår Energi's material cash flow generation and investment grade balance sheet support attractive and resilient distributions. For 2022, the Company targets a minimum dividend of USD 800 million to be paid quarterly. For the first quarter of 2022, Vår Energi has communicated a dividend of USD 225 million. From 2023 and onwards, the Company plans to distribute 20–30% of cash flow from operations after tax.

To ensure continuous access to capital at competitive cost, retaining Investment Grade credit ratings is a priority for Vår Energi. As such, the Company targets a NIBD/EBITDAX of 1.3x through the cycle.

Sandnes, 29 March 2022
The Board of Directors of Vår Energi ASA

Thorhild Widvey
Chair

Liv Monica Bargem Stubholt
Deputy Chair

Francesco Gattei
Director

Guido Brusco
Director

Clara Andreoletti
Director

Marica Calabrese
Director

Fabio Romeo
Director

Ove Gusevik
Director

Kjersti Selvik
Director,
employee representative

Laurits Hosar
Director,
employee representative

Jan Inge Nesheim
Director,
employee representative

Christine Vorland
Director,
employee representative

Torger Rød
Chief Executive Officer

Payments to governments report

Payments to governments is prepared in accordance with the Norwegian Accounting Act Section section 3-3d) and Securities Trading Act section 5-5a). It states that companies in the extractive industry are required annually to disclose payments to governments per country and project.

Vår Energi was net refunded USD 164 million (excluding interest) in corporate tax from the Norwegian government in 2021. The corresponding tax payment in 2020 amounted to USD 342 million.

Area fees per license paid as operator in 2021 to the Norwegian authorities on behalf of the joint ventures (100% figures) are presented in the table to the right.

Net Profit Interest (NPI) payment to the Norwegian authorities amounted to USD 5 million in 2021. The NPI payment is related to licenses awarded in the second licensing round and collected by Petoro.

CO₂ and NOX fees are considered to be taxes paid on consumptions and exempted from this reporting similar to value added taxes.

When companies are required to report payments to government, it is also mandatory to report on investments, sales income, production volumes and purchases of goods and services in the country in which companies have activities within the extractive industries. Vår Energi operates only on the Norwegian Continental Shelf. This reporting requirement is therefore deemed to be met by the financial statements as specified below:

- Total net investments in 2021 amounted to USD 2 633 million, as specified in the cash flow analysis in the financial statements
- Petroleum revenues in 2021 amounted to USD 6 043 million, as specified in [note 4](#) to the financial statements
- Total production in 2021 was 89 732 thousand barrels of oil equivalents, as specified in [note 5](#) to the financial statements

For information about purchases of goods and services, reference is made to the Income Statement and the related notes.

Area fees paid / (refunded)

(USD thousand)

<u>License</u>	<u>Amount</u>
PL229	2 155
PL489	1 478
PL229E	677
PL122	641
PL027	525
PL001 CS/DS	237
PL028/ PL028S	143
PL001	71
PL027 FS	51
Total	5 978



Corporate governance

Corporate governance

Vår Energi is committed to provide information in an open, transparent, and timely manner to its shareholders and stakeholders. At 31 December 2021, the Company was privately held with all shares outstanding owned by Eni International B.V. and Point Resources Holding AS.

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In connection with the listing on Oslo Stock Exchange (OSE) in February 2022, The Company adopted and implemented a corporate governance regime which in all material respects complies with the Norwegian Code of Practice for Corporate Governance dated 14 October 2021 (the "Corporate Governance Code").

The Company has established two share classes with deviating voting rights in respect of Board elections, whereby the holder of the Class B shares shall be entitled to appoint four of the shareholders-elected directors to the Board of Directors. There are no specific measures in place regulating the exercise of the influence which follows from holding a majority of the shares in the Company. Other than this, there are no deviations from the Corporate Governance Code.

The Board of Directors on 15 February 2022 approved the following Corporate Governance policy:

Introduction to the corporate governance policy

The Board of Directors of Vår Energi ASA (the Company) has approved this corporate governance policy document (the CG Policy). The CG Policy gives an overview and is a supplement to the other Policies and Management System Guidelines (MSGs) already implemented by the Company, and / or which have been implemented or amended in connection with the listing of the Company's shares on the Oslo Stock Exchange.

The CG Policy addresses the framework of guidelines and principles regulating the interaction between the Company's shareholders, the Board of Directors (the Board), the Chief Executive Officer (the CEO) and the Company's executive management team.

The CG Policy is based on the Norwegian Code of Practice for Corporate Governance issued by the Norwegian Corporate Governance Board. The Company will, in accordance with applicable legislation and stock exchange listing rules, provide a report on the Company's corporate governance in the directors' report or in a document that is referred to in the directors' report in connection with its annual financial statements and report.

Business activity, vision and values

Vår Energi ASA is a leading independent upstream oil and gas company on the Norwegian continental shelf (NCS), headquartered outside Stavanger, Norway, and with branch offices in Hammerfest and Oslo.

We are committed to deliver a better future through responsible growth based on over 50 years of NCS operations, a robust and diversified asset portfolio with ongoing development projects, and a strong exploration track record. Our ambition is to be the safest operator on the NCS, the partner of choice, an ESG leader and a net zero producer (Scope 1 and 2) by 2030.

Our values are closely linked to who we are. They aim to support our common direction and reflect the desired behaviour in our company. The values are at the essence of our identity and beliefs. Our values represent our compass, providing both internal and external direction for our company. Our values should be an integrated part of every decision-making process.

Our values are:

- Growth
- Integrity
- Will to win
- Inspiring
- Team player

Ethical guidelines

The Company will maintain high ethical standards in its business concept and relations with partners, customers, suppliers and employees. Reference is made to the Code of Ethics approved by the Board on 16 September 2020. A brief summary of the ethical guidelines are as follows:

1. Integrity: We carry out our daily activities with responsibility, equity, fairness and good faith, respecting internal and external regulations.
2. Respect and protection of Human Rights: We operate with respect for human dignity and Human Rights, and we require the same commitment from all our partners. We ensure an inclusive work environment that values uniqueness and diversity as fundamental resources for the development of humanity.
3. Transparency: We are attentive to the needs and expectations of our stakeholders. We are committed to engage in continuous dialogue with our counterparts, providing them clear, complete and truthful information, being aware that sharing objectives and results is essential to maximise value and reduce business risks.
4. Promotion of development: We work to support an efficient and sustainable access to energy resources that protects the needs of future generations and respects Human Rights, the environment and society as a whole. We favour an inclusive development that can generate shared and lasting value in all territories in which we operate by working alongside the communities.
5. Operational excellence: We guarantee the efficiency and integration of our activities, minimising risks and creating opportunities along the entire value cycle.
6. Innovation: We believe that innovation is at the basis of personal and business growth. We are committed to acquiring cutting-edge technological skills in order to develop innovative ideas and improve

our daily activities, contributing to the progress of civil society by increasing safety and reducing environmental impact.

The above list represents a brief summary of Vår Energi ASA's ethical guidelines. The complete guidelines are compiled in the Code of Ethics, in which all employees are trained regularly. Any breach of ethical guidelines may inflict severe consequences for the Company and any breach may imply consequences for the person in question.

Company capital and dividends

The Board is committed to maintain a satisfactory equity ratio in the Company according to the Company's goals, strategy and risk profile, thereby ensuring that there is an appropriate balance between equity and other sources of financing. The Board will continuously assess the Company's capital requirements related to the Company's strategy and risk profile.

The Company is committed to create long-term value for its shareholders. The Company targets to distribute dividends of around 20-30% of after-tax operating cash flow (CFFO). Dividends will be paid out annually, shortly after the annual general meeting has been held. The dividend will be contingent on the Company's financial position and the business outlook, to ensure that the Company can prudently manage future obligations, business cycles and opportunities for strategic development.

General authorisations for the Board to increase the share capital and to buy own shares will not ordinarily be proposed for periods longer than until the next Annual General Meeting of the Company.

Share classes

There are two classes of shares in the Company, where one class has certain appointment rights in relation to the Board, save for this all shares carry equal rights. The Company emphasise equal treatment of its shareholders.

Transactions with related parties

Any transactions, agreements or arrangements between the Group and the Company's shareholders, members of the Board, members of the executive management team or close associates of any such parties may only be entered into as part of the ordinary course of business and on arm's length market terms. All such transactions shall, where relevant, comply with the procedures set out in the Norwegian Public Limited Liability Companies Act and the Norwegian Code of Practice for Corporate Governance. According to the Norwegian Code of Practice for Corporate Governance, the Board shall, in principle, arrange for a valuation to be obtained from an independent third party for transactions with related parties, including agreements that are considered immaterial. The Company's financial statements shall provide further information about transactions with related parties in accordance with applicable accounting principles.

Directors shall immediately notify the Board and members of the executive management team shall immediately notify the CEO (who, where relevant, will notify the Board) if they have any material direct or indirect interest in any transaction entered into by the Group.

Transfer of shares

The shares of the Company are freely transferable.

The general meeting

All shareholders have the right to participate in the general meetings of the Company, which exercise the highest authority of the Company. The annual general meeting shall normally be held before 31 May each year.

The full notice for general meetings shall be sent to shareholders no later than 21 calendar days prior to the meeting. The notices for such meetings shall include documents providing the shareholders with sufficient details in order for the shareholders to make an assessment of all the cases to be considered as well as all relevant information regarding procedures of attendance and voting. The notice and the documents may be sent to or made available for the shareholders by electronic communication, to the extent allowed in the Company's articles of association. Representatives from the Board and the Company's auditor will normally be present at general meetings.

Notices for general meetings shall provide information on the procedures shareholders shall observe in order to participate in and vote at the general meeting. The notices will also set out: (i) the procedure for representation at the meeting through a proxy, including a form to appoint a proxy, and (ii) the right for shareholders to propose resolutions in respect of matters to be dealt with by the general meeting.

The cut-off for confirmation of attendance shall be set as short as practically possible and the Board will arrange matters so that shareholders who are unable to attend in person, will be able to vote by proxy. A form of proxy will be distributed with the notice.

The Board of Directors – composition

In appointing members to the Board, other than those to be appointed by the holder of B shares, it is emphasised that the Board shall have

the necessary competence to independently evaluate the subject presented by the executive management team. It is also considered important that the Board can function well as a team. Directors shall be elected for periods not exceeding two years at a time, with the possibility of re-election. Directors are encouraged to own shares in the Company.

The Board shall comply with all applicable requirements as set out in the Norwegian Public Limited Liability Companies Act and the listing rules of Oslo Stock Exchange (OSE). Acknowledging that the Board is ultimately appointed by and at the shareholders' discretion, the composition of the Board should also seek to comply with the recommendations set out in the Norwegian Code of Practice for Corporate Governance.

The Company does not have a corporate assembly.

Nomination committee

The Company shall have an election committee as set out in the articles of association. The members of the nomination committee should be elected to take into account the interests of shareholders in general, and the majority of the election committee should be independent of the Board and the executive management team. Members of the Board and the executive management team should not be members of the election committee. Instructions for the election committee have been issued and approved by the Company's general meeting.

Sub-committees of the Board of Directors

The Company have established an audit committee in accordance with the rules of the Norwegian Public Limited Liability Companies Act and

the listing rules of the Oslo Stock Exchange (OSE). Instructions to the Audit Committee have been put in place by the Board.

The Board has established a remuneration committee. The remuneration committee shall review and recommend to the Board the remuneration policies/framework for the Company's Executive/Senior Management, and provide general advice related to compensation.

The Board has also established a safety & sustainability committee to assist the Board in reviewing the performance of the Company within safety and sustainability.

Responsibility of the Board of Directors

The Board shall prepare an annual plan for its work with special emphasis on goals and strategy. The Board's primary responsibilities shall be (i) participating in the development and approval of the Company's strategy, (ii) performing necessary control functions and (iii) acting as an advisory body for the executive management team. Its duties are not static, and the focus will depend on the Company's ongoing needs. The Board is also responsible for ensuring that the operation of the Company is compliant with the Company's values and ethical guidelines. The Chair of the Board is responsible for ensuring that the Board's work is performed in an effective and correct manner.

The Board shall ensure that the Company has a proper management with internal distribution of responsibilities and duties. A division of work has been established between the Board and the executive management team. The CEO is responsible for the executive management of the Company.

All members of the Board shall regularly receive information about the Company's operational and financial development. The Company's strategies shall regularly be subject to review and evaluation by the Board.

The Board shall prepare an annual evaluation of its work.

Reference is further made to the Rules of Procedures for the Board of Directors of Vår Energi ASA.

Risk management and internal control

The Board shall ensure that the Company has sound internal control and risk management routines that are appropriate in relation to the extent and nature of the Company's activities. Risk management and internal control routines shall also encompass the Company's corporate values and ethical guidelines. Reference is further made to the Policy on HSSEQ as approved by the Board on 16 September 2020.

The objective of the risk management and the internal control system is to manage exposure to risks in order to ensure successful conduct of the Company's business, to support the quality of its financial reporting and ensure compliance with laws and regulations.

The Board shall carry out an annual review of the Company's most important areas of exposure to risk and its internal control arrangements.

The Board shall provide an account in the annual report of the main features of the Company's internal control and risk management systems as they relate to the Company's financial reporting.

Board of Directors – remuneration

The general meeting shall determine the Board's remuneration annually, normally in advance. Remuneration of Directors shall be reasonable and based on the Board's responsibilities, work, time invested and the complexity of the enterprise. The Board shall be informed if individual Directors perform tasks for the Company other than exercising their role as Directors. Work in sub-committees may be compensated in addition to the remuneration received for Directorship.

The Company's financial statements shall provide information regarding the Board's remuneration.

Remuneration to the management

The Board decides the salary and other compensation to the CEO. The CEO's salary and bonus shall be determined on the basis of an evaluation by the Board, with emphasis on the CEO's and the Company's overall performance. Any fringe benefits shall be in line with market practice and should not be substantial in relation to the CEO's basic salary. The Board shall annually carry out an assessment of the salary and other remuneration to the CEO.

The CEO determines the remuneration of executive employees within the guidelines and instructions provided by the Board. The Board shall, based on proposal from the remuneration committee, issue guidelines for the remuneration of the executive management team. The guidelines shall lay down the main principles for the Company's management remuneration policy. The salary level should not be of a size that could harm the Company's reputation or above the norm in comparable companies. The salary level should, however, ensure that

the Company is able to attract and retain executive employees with the desired expertise and experience.

The Company's financial statements shall provide further information about salary and other compensation to the CEO and the executive management team. The Company will also prepare annual guidelines on remuneration of senior executives in accordance with the Norwegian Public Limited Companies Act.

Information and communication

The Board and the executive management team assign considerable importance to giving the shareholders relevant and current information about the Company and its activity areas. Emphasis is placed on ensuring that the shareholders receive the same and simultaneous information. Reference is made to the Investor Relations Policy approved by the Board on 15 February 2022.

Sensitive information will be handled internally in a manner that minimises the risk of leaks.

The Company shall have routines for who is allowed to speak on behalf of the Company on different subjects and who shall be responsible for submitting information to the market and investor community. The CEO, CFO and Head of Investor Relations will be the main contact persons of the Company in such respects.

The Board should ensure that the shareholders are given the opportunity to make known their points of view at and outside the general meeting.

Auditor

Each year, the auditor shall present to the Board a plan for the implementation of the audit work and a written confirmation that the auditor satisfies established requirements as to independence and objectivity.

The auditor shall be invited to be present at Board meetings where the annual accounts are dealt with. Whenever necessary, the Board and/or Audit Committee shall meet with the auditor to review the auditor's view on the Company's accounting principles, risk areas, internal control routines, etc.

The auditor should only be used as a financial advisor to the Company where such use does not affect or reasonably question the auditor's independence and objectiveness as auditor for the Company. Only the Company's CEO and/or CFO shall have the authority to enter into agreements in respect of such counselling assignments.

At the annual general meeting and/or in the annual financial statements, the Board shall present a review of the auditor's compensation as paid for auditory work required by law and remuneration associated with other concrete assignments.

In connection with the auditor's presentation to the Board of the annual work plan, the Board should specifically consider if the auditor to a satisfactory degree also carries out a control function.

The Board shall invite the auditor to attend all general meetings.

Financial policy

The Company shall prepare a statement of its financial policy, providing details of the Company's handling of financial risks, hedging, funding policies, etc.

Take-over situations

In a take-over process, should it occur, the Board and the executive management team each have an individual responsibility to ensure that the Company's shareholders are treated equally and that there are no unnecessary interruptions to the Company's business activities. The Board has a particular responsibility in ensuring, to the extent possible, that the shareholders have sufficient information and time to assess the offer.

In the event of a take-over process, the Board shall ensure that:

- a) the Board will not seek to hinder or obstruct any takeover bid for the Company's operations or shares unless there are particular reasons for doing so;
- b) the Board will not undertake any actions intended to give shareholders or others an unreasonable advantage at the expense of other shareholders or the Company;
- c) the Board will not institute measures with the intention of protecting the personal interests of its members at the expense of the interests of the shareholders; and
- d) the Board shall be aware of the particular duty it has for ensuring that the values and interests of the shareholders are protected.

In the event of a take-over bid, the Board will, in addition to complying with relevant legislation and regulations, seek to comply with the recommendations in the Norwegian Code of Practice for Corporate Governance unless there are particular reasons not to. This includes obtaining a valuation from an independent expert. On this basis, the Board will seek to make a recommendation as to whether or not the shareholders should accept the bid.

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Consolidated financial statements

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Consolidated statement of comprehensive income

USD 1000, except earnings per share data	Note	2021	2020
Petroleum revenues	4	6 043 375	2 868 635
Other operating income	4	29 357	25 205
Total income		6 072 732	2 893 840
Production costs	5	(1 289 981)	(1 028 506)
Exploration expenses	8	(57 138)	(57 183)
Depreciation and amortisation	13, 14	(1 704 561)	(1 706 740)
Impairment loss and reversals	12, 13, 15	(982)	(2 178 108)
Other operating expenses	9	(110 483)	(176 204)
Total operating expenses		(3 163 146)	(5 146 741)
Operating profit/(loss)		2 909 586	(2 252 901)
Net financial income/(expenses)	10	(269 489)	(238 058)
Net exchange rate gain/(loss)	10	(142 371)	286 955
Profit/(loss) before taxes		2 497 727	(2 204 004)
Income tax (expense)/income	11	(1 876 143)	577 380
Profit/(loss) for the year		621 585	(1 626 625)
Other comprehensive income:			
Items that may be reclassified subsequently to the income statement:			
Currency translation differences		(62 122)	(114 548)
Net gain/(loss) on put options used for hedging		6 919	(11 617)
Other comprehensive income for the period, net of tax		(55 203)	(126 165)
Total comprehensive income		566 382	(1 752 789)
Earnings per share			
EPS Basic	22	1 556	(4 072)
EPS Diluted	22	1 556	(4 072)

Consolidated balance sheet statement

USD 1000	Note	31 Dec 2021	31 Dec 2020
ASSETS			
Non-current assets			
Intangible assets			
Goodwill	12	2 531 897	2 820 840
Capitalised exploration wells	12	199 981	113 327
Other intangible assets	12	104 520	107 732
Tangible fixed assets			
Property, plant and equipment	13	15 188 917	15 593 975
Right of use assets	14	298 432	133 846
Financial assets			
Investment in shares	16	853	881
Other non-current assets	16	1 809	2 694
Total non-current assets		18 326 409	18 773 295
Current assets			
Inventories	17	301 329	283 199
Trade receivables	18, 29	745 921	165 984
Other receivables, prepaid assets and financial instruments	19	280 697	241 938
Tax receivable	11	-	522 854
Cash and cash equivalents	21	223 588	272 411
Total current assets		1 551 534	1 486 385
TOTAL ASSETS		19 877 943	20 259 680

Consolidated balance sheet statement

USD 1000	Note	31 Dec 2021	31 Dec 2020
EQUITY AND LIABILITIES			
Equity			
Share capital	22	45 972	45 972
Share premium		2 643 181	3 593 181
Other equity		(1 216 783)	(1 784 276)
Total equity		1 472 369	1 854 877
Non-current liabilities			
Interest-bearing loans and borrowings	23	4 493 426	5 583 552
Deferred tax liabilities	11	7 799 594	7 342 952
Abandonment obligation	24	3 235 640	4 260 181
Lease liabilities, non-current	28	216 208	123 404
Other non-current liabilities	25	162 870	156 865
Total non-current liabilities		15 907 737	17 466 952
Current liabilities			
Abandonment obligation, current	24	61 536	26 270
Accounts payables	29	422 155	252 801
Taxes payable	11	801 432	16 505
Interest-bearing loans, current	23	333 149	-
Lease liabilities, current	28	108 880	41 078
Other current liabilities	26	770 685	601 197
Total current liabilities		2 497 837	937 851
Total liabilities		18 405 574	18 404 803
TOTAL EQUITY AND LIABILITIES		19 877 943	20 259 680

Sandnes, 29 March 2022
The Board of Directors of Vår Energi ASA
Signed electronically

Thorhild Widvey
Chair

Liv Monica Bargem Stubholt
Deputy Chair

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Director

Guido Brusco
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Clara Andreoletti
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Kjersti Selvik
Director,
employee representative

Laurits Hosar
Director
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Jan Inge Nesheim
Director,
employee representative

Christine Vorland
Director,
employee representative

Torger Rød
Chief Executive Officer

Consolidated statement of changes in equity

USD 1000	Other equity					Total equity
	Share capital	Share premium	Other equity	Translation differences	Hedge reserve	
Balance at 1 January 2020	45 972	4 043 181	27 303	(45 625)	(17 120)	4 053 711
Profit/(loss) for the period	-	-	(1 626 625)	-	-	(1 626 625)
Other comprehensive income/(loss)	-	-	-	(114 548)	(11 617)	(126 165)
Total comprehensive income/(loss)	-	-	(1 626 625)	(114 548)	(11 617)	(1 752 789)
Dividends paid	-	(450 000)	-	-	-	(450 000)
Other	-	-	3 955	-	-	3 955
Balance at 31 December 2020	45 972	3 593 181	(1 595 366)	(160 173)	(28 737)	1 854 877
Balance at 1 January 2021	45 972	3 593 181	(1 595 366)	(160 173)	(28 737)	1 854 877
Profit/(loss) for the period	-	-	621 585	-	-	621 585
Other comprehensive income/(loss)	-	-	-	(62 122)	6 919	(55 203)
Total comprehensive income/(loss)	-	-	621 585	(62 122)	6 919	566 382
Dividends paid	-	(950 000)	-	-	-	(950 000)
Other	-	-	1 111	-	-	1 111
Balance at 31 December 2021	45 972	2 643 181	(972 671)	(222 295)	(21 818)	1 472 369

Consolidated statement of cash flows

USD 1000	Note	2021	2020
Profit/(loss) before income taxes		2 497 727	(2 204 004)
Adjustments to reconcile profit before tax to net cash flow:			
– Depreciation and amortisation	13, 14	1 704 561	1 706 740
– Impairment loss and reversals	15	982	2 178 108
– (Gain)/loss on sale and retirement of assets	4	(2 232)	(1 043)
– Impairment of exploration wells	8	5 887	20 024
– Accretion expenses (asset retirement obligation)	10	94 733	74 427
– Unrealised (gain)/loss on foreign currency transactions and balances	10	558 940	(319 964)
– Other non-cash items and reclassifications		(171 439)	371 554
Working capital adjustments:			
– Changes in inventories, accounts payable and receivables		(440 481)	280 532
– Changes in other current balance sheet items		183 695	136 203
Contingent consideration paid related to prior business combination	26	(30 000)	-
Income tax received/(paid)	11	164 439	(342 304)
Interest received	10	13 090	32 224
Interest paid	10	(141 532)	(188 638)
Net cash flow from operating activities		4 438 371	1 743 857

USD 1000	Note	2021	2020
Cash flow from investing activities			
Expenditures on exploration and evaluation assets	12	(104 318)	(40 515)
Expenditures on property, plant and equipment	13	(2 480 298)	(1 771 339)
Payment for decommissioning of oil and gas fields	24	(70 418)	(101 687)
Proceeds from sale of assets (sales price)		24 398	-
Expenditures on other intangible assets		(295)	-
Net cash used on business combination	12	(2 208)	(33 498)
Net cash used in investing activities		(2 633 140)	(1 947 039)
Cash flow from financing activities			
Dividends paid		(950 000)	(450 000)
Net proceeds/(payments) of revolving credit facility	20	4 494 104	-
Net proceeds/(payments) of reserve based lending facility	20	(5 335 000)	964 572
Payment of other loans and borrowings	20	-	(197 571)
Payment of principal portion of lease liability	28	(43 790)	(43 703)
Net cash from financing activities		(1 834 686)	273 297
Net change in cash and cash equivalents		(29 456)	70 116
Cash and cash equivalents, beginning of period		272 411	203 969
Effect of exchange rate fluctuation on cash held		(19 367)	(1 675)
Cash and cash equivalents, end of period		223 588	272 411

Notes to the consolidated financial statements

Note 1 Corporate information

The consolidated financial statements of Vår Energi ASA and its subsidiaries (collectively, "the Group" or "Vår Energi") for the twelve months period ended 31 December 2021 were authorised for issue in accordance with a Board resolution on 29 March 2022.

Vår Energi ASA is a public limited liability company incorporated and domiciled in Norway and the Company's shares are listed on Oslo Stock Exchange. The Group's head office is located at Vestre Svanholmen 1, 4313 Sandnes, Norway.

Vår Energi is an independent Oil and gas exploration, development and production company with a diverse portfolio of production, development and exploration assets on the Norwegian Continental Shelf (NCS).

Group structure

The consolidated financial statements of the Group include:

Shares in subsidiaries

Name	Business location	Voting/Ownership 2021
Point Resources FPSO Holding AS	Sandnes, Norway	100%
Vår Energi Marine AS	Sandnes, Norway	100%

Shares in subsidiaries indirectly owned

Name	Business location	Voting/Ownership 2021
Point Resources FPSO AS	Sandnes, Norway	100%
PR Jotun DA	Sandnes, Norway	100%

Note 2 Summary of IFRS accounting principles

2.1 Basis of preparation

The financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by The European Union (EU).

The financial statements have been prepared on a historical cost basis, except for certain financial instruments that have been measured at fair value. The financial statements have been prepared based on the assumption of going concern.

All figures in the financial statements are presented in USD and all values are rounded to the nearest thousand (000), except when otherwise indicated. Vår Energi's functional currency is NOK, but the Group has chosen to present its financial statements in USD, primarily as this is the common presentation currency among upstream oil & gas companies.

Transactions in foreign currencies are recorded at the exchange rate on the transaction date. Monetary items are valued at year-end exchange rates and the corresponding currency loss/gain is recognised in profit or loss.

For presentation purposes, balance sheet items are translated from functional currency to presentation currency by using spot rates of exchange at the balance sheet date. Items within profit & loss and other comprehensive income are translated from functional currency to presentation currency by using quarterly average exchange rates, or rates at the dates of the transactions if significantly different. For share capital and share premium historical exchange rates are used. I.e. these equity items are not re-translated and the cumulative translation adjustment (CTA) only include the cumulative differences between opening and closing rates on total net assets, and average to closing rates on

retained earnings and other performance statement items, such as revaluation gains or cash flow hedging reserves.

Comparative information has been provided for the previous period.

2.2 Basis of consolidation

Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss is attributed to the equity holders of the parent of the Group. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

2.3 Summary of significant accounting policies

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. Identifiable assets, liabilities and contingent liabilities are measured at fair value at the date of acquisition. Acquisition cost is measured against the fair value of the acquired assets and liabilities. Identifiable intangible assets are included to the extent they may be separated from other assets or meet the legal contractual criteria. If the acquisition cost at the time of the acquisition exceeds the fair value of the acquired net assets, goodwill arises. Acquisition date is the date on which the acquirer achieves control over the acquiree and is set at completion date.

The valuation is based on currently available information on fair values as of the acquisition date. Calculation of fair value has been obtained by discounting expected cash flows from future operations to get to the net present value. If new information becomes available within 12 months from the acquisition date and provisional purchase price allocation, the Group may make changes to the purchase price allocation.

Working interests in licences on the Norwegian Continental Shelf (NCS) are only sold in a post-tax market. I.e. the acquirer generally takes over the tax written down values of the seller and is therefore not entitled to a tax deduction for the consideration paid over and above the seller's tax values. In accordance with IAS 12 Income Taxes, a provision for deferred taxes on the difference between the acquisition cost and the transferred tax depreciation bases is made. The offsetting entry to this deferred tax liability is goodwill. Consequently, in addition to ordinary goodwill as discussed above, goodwill also arises as a technical effect of deferred taxes recognised for the after-tax consideration paid in business combinations for assets acquired under section 10 of the Norwegian Petroleum Tax Act.

Goodwill arises from differences between the fair value of assets acquired and the purchase price. After initial recognition, goodwill is not depreciated, but tested for impairment when there are indications of impairment and at least annually. Goodwill impairments cannot be reversed in later periods if impairment indicators are no longer present.

Revenue and over and underlift balances

Revenue from the sale of liquids or gas is recognised at the point in time when the Group's contractual performance obligations have been fulfilled and control is transferred to the customer. This will generally be at the time of delivery which is also when title passes to the customer. Revenues are recognised on the basis of volumes lifted and sold to customers during the period (sales method). To the extent the Group has lifted and sold more than its entitled share of production based on the ownership interest, an accrual is recognised for the fair value. To the extent the Group has lifted and sold less than its entitled share of production, costs are deferred for the underlift.

Interests in joint arrangements

The Group has interests in licences on the Norwegian Continental Shelf. IFRS defines a joint arrangement as an arrangement over which two or more parties have joint control. Joint control is the contractually agreed sharing of control which exists only when decisions about the relevant activities (being those that significantly affect the returns of the arrangement) require unanimous consent of the parties sharing control.

Under IFRS 11 Joint Arrangements, a joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities, relating to the arrangement. The Group recognises investments in joint operations (oil and gas production licenses) by reporting its share of related revenues, expenses, assets, liabilities and cash flows under the respective items in the Group's financial statements.

For those licenses that are not deemed to be joint arrangements pursuant to the definition in IFRS 11 as there is no joint control ("undivided interests"), the Group recognises its share of related expenses, assets, liabilities and cash flows in the same way as under IFRS 11. The terms "joint operations" and "undivided interests" are used interchangeably throughout the financial statements.

Income taxes

Income taxes include current taxes payable or refundable, adjustments of prior years' taxes payable and deferred taxes. The deferred taxes are calculated using the full liability method, under which tax on temporary differences between the carrying amounts of assets and liabilities and their tax basis are recognised. Deferred tax assets relating to earned uplift on incurred investments are not recognised because of the initial recognition exemption in IAS 12 Income Taxes. Deferred tax assets are recognised to the extent it is probable that the asset will be realised. An "uncertain tax treatment" is a tax treatment relating to which there is uncertainty whether the relevant tax authority will accept the tax treatment under the local tax law. Uncertain tax positions are recognised and presented as assets or liabilities depending on whether an outflow or inflow of economic resources embodying economic benefits has become probable. Taxes relating to items recognised in OCI have also been recognised in OCI.

Exploration costs

Exploration drilling costs are treated in accordance with the successful efforts method; each well making the basis for the evaluation. Costs related to exploration wells in progress and exploration wells with finds are capitalized until the evaluation of the well has been completed. Such capitalised costs may remain capitalised for more than one year. The main criteria for keeping exploration costs capitalised are that there are plans for future activity in the licence area and a development decision is expected in the near future. To the extent that no resources are discovered, or recovery of the resources is considered commercially unviable, the capitalised exploration expenditures are charged to the income statement. Other exploration costs, including seismic studies, are expensed as incurred.

Development expenditures

The development phase commences when the licence partners have decided the concept selection. Direct and indirect expenditures related to development projects are capitalised.

Property, plant and equipment

Property, plant and equipment (PPE) are valued at acquisition cost less accumulated depreciations and impairments or reversal of impairments. When the asset is sold or retired, the net book value is derecognised and a potential loss or profit is recognised. Gains and losses on disposals or retirements are determined by comparing proceeds with carrying amounts. These are included in profit or loss.

Maintenance is expensed as incurred, whereas costs for improving and upgrading production facilities are added to the acquisition cost and depreciated with the related asset.

Depreciation

Offshore installations are depreciated in accordance with the unit-of-production method based on proven reserves (the ratio between annual production quantity and the reserves, whereupon the reserves are updated quarterly). Onshore assets are depreciated over the estimated useful life, according to the straight-line method, 3-15 years.

Impairment

Tangible fixed assets are assessed for potential impairment when events or changes in circumstances indicate that the book value of the assets is higher than their recoverable amounts. The unit of account for assessment of impairment is the lowest level for which independent cash inflows are possible to identify. For oil and gas assets, this is typically the field or licence level, but can also be at a hub level. Impairment is recognised when the carrying amount of the cash generating unit (CGU), including any allocated goodwill, exceeds the recoverable amount. The recoverable amount is the higher of the asset's fair value less costs of disposal and its value in use. When estimating value in use and fair value less costs of disposal, expected future cash flows are discounted to the net present value applying a discount rate after tax that reflects the current market valuation of the time value of money and risks specific to the asset or CGU. The discount rate is derived from a weighted average cost of capital (WACC) determination. For the purpose of impairment testing the life-time of the field is normally determined to be the time when the operating cash flows from the field becomes negative. A previously recognised impairment can only be reversed if changes to the estimates used for the calculation of the recoverable amount have been observed. Reversals are recognised in profit or loss. After a reversal, the depreciation amount is adjusted on a prospective basis in order to distribute the asset's revised book value, minus any residual value, on a systematic basis over the asset's expected remaining life.

Inventories

Spare parts and consumables are measured at the average cost price of the inventory items. Physical stock of crude oil is valued at production cost.

Asset retirement obligations

The Group recognises an asset retirement obligation (ARO) to the extent it has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the obligation amount can be made. The obligation generally arises when the asset is installed at the field location. Vår Energi recognises its share of the estimated AROs based on its working interest in the various fields both for Vår Energi operated fields and partner operated fields. When the liability is initially recognised, the present value of the estimated costs

is capitalised by increasing the carrying amount of the related tangible oil and gas asset and depreciated over the useful life of the asset (generally by the application of the unit-of-production method).

The discount rate used to discount the liability is based on an interest rate that reflects current market assessments and the risks specific to the liability. The periodic unwinding of the discount is recognised in profit or loss as financial items.

The term of the discount rates used is aligned with the estimated timing of the removal, plugging and decommissioning activities at the fields. Changes in the estimated timing or cost of decommissioning are dealt with prospectively by recording an adjustment to the provision and a corresponding adjustment to assets.

Upon retirement of the Gassled pipelines, the costs of ARO will be recharged to the users (shippers) of the pipelines based on shipped volumes. As a shipper Vår Energi has incurred such liabilities. These liabilities have also been recognised as the net present value of estimated future retirement costs on the basis of accumulated shipped volumes. These liabilities are presented in Other non-current liabilities against which the charges from Gassled will be recognised when invoiced.

Pension liability

Vår Energi has a defined contribution pension plan that satisfies the statutory requirements in the Norwegian law on required occupational pension ("lov om obligatorisk tjenestepensjon"). Contributions are paid to pension insurance plans and charged to profit or loss in the period to which the contributions relate. Once the contributions have been paid, there are no further payment obligations.

Leasing commitments

At the inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The lease liability is recognised at the commencement date and measured at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate at the commencement date. The borrowing rate is derived from the terms of the Group's existing credit facilities. RoU assets are depreciated over the lease term as this is ordinarily shorter than the useful life of the assets. The lease term represents the non-cancellable period of the lease, together with periods covered by an option either to extend or to terminate the lease when the Group is reasonably certain to exercise this option.

The Group applies the exemption for short term leases (12 months or less) and low value leases. As such, related lease payments are not recognised in the balance sheet but expensed or capitalized in line with the accounting treatment for other non-lease expenses. The inclusion of non-lease components may vary across different lease categories, but for the most material classes of assets (rigs and supply vessels), the Group has excluded the non-lease components when measuring the lease liability.

Vår Energi, as operator of an unincorporated joint operation, from time to time, enters into a lease contract as the sole signatory and recognises on the balance sheet: (i) the entire lease liability if, based on the contractual provisions and any other relevant facts and circumstances, it has primary responsibility for the liability towards the third party supplier; and (ii) the entire right-of-use asset, unless, the terms and conditions of the joint operation and other arrangements are separately negotiated with the non-operators and effectively extinguish Vår Energi's primary obligation for the lease with the third-party supplier.

If a lease contract is signed by all the partners, Vår Energi recognises its share of the right-of-use asset and lease liability on the balance sheet based on its working interest. If Vår Energi does not have primary responsibility for the lease liability, it does not recognise any right-of-use asset and lease liability related to the lease contract. Whether a contract is entered into on behalf of the license is subject to a contract specific assessment.

Other lease contracts, such as offices and supply vessels not linked to specific fields, are recognised on a gross basis even when parts of the related cash-flows are charged to the license partners. For such contracts, the partner's share of the cost recovered by the Group are presented as other income.

Operators on licences in which Vår Energi is a partner may enter into lease contracts in their own name at the initial signing, and subsequently formally sublease the related asset to operated licenses. In such cases, the sublease will be the basis for determining both the right of use, commencement, and the duration of the lease (and the application of the short-term lease exemption). No such sublease arrangements with a term longer than 12 months have been identified in the portfolio of lease arrangements.

Financial assets and liabilities

The Group's financial assets and liabilities comprise non-listed equity instruments, derivative financial instruments (assets and liabilities), receivables, cash and cash equivalents, payables, other short term liabilities and non-current liabilities. The classification of financial assets and liabilities at initial recognition depends on the financial instrument's contractual cash flow characteristics and the Group's business model for managing them.

The Group classified its financial instruments in the following categories:

- Financial assets and liabilities at amortised cost
- Derivative financial assets and liabilities designated as accounting hedge instruments (cash flow hedges) for which the effective portion is recognised at fair value through other comprehensive income
- Financial assets at fair value through profit and loss

The Group measures financial instruments at amortized cost if both of the following conditions are met:

- The financial instrument is held within a business model with the objective to hold financial instruments in order to collect or pay contractual cash flows and, the contractual terms of the financial instrument give rise on specified dates to or requires cash flows that are solely payments of principal and interest on the principal amount outstanding. Financial instruments at amortised cost are subsequently measured using the effective interest

(EIR) method and are subject to impairment testing. Gains and losses are recognised in profit or loss when the instrument is derecognised, modified or impaired. The Group's financial instruments at amortized cost includes trade receivables and other short-term deposits, trade payables and other current and non-current liabilities. Receivables are initially recognised at fair value less impairment losses. Accounts receivables that do not contain a significant financing component are measured at the transaction price determined under IFRS 15. Cash and cash equivalents are measured at fair value, loans and borrowings and other liabilities are measured at amortised cost.

Derivative financial instruments

The Group uses derivative financial instruments, such as Brent Crude put options, to hedge its commodity price risks on future oil production volumes (cash flow hedges). Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and subsequently re-measured at fair value. The put options are measured at fair value on the balance sheet date, using market inputs as observable forward curves, interest rates and time to maturity. Implied volatilities from market observable option prices are used when the price of the option is modelled. The Group has designated these put options as cash flow hedges relating to expected future production and sales of crude oil, and applied hedge accounting. The effective portion of the gain or loss on the hedging instrument is recognised in other comprehensive income (OCI), while any ineffective portion is recognised immediately in profit or loss. Amounts recognised in OCI are transferred to profit or loss when the hedged transaction affects profit or loss.

Option premiums paid (time value at date of purchase) are treated as cost of hedging and presented in operating expenses when the hedged transaction affects profit or loss, while the intrinsic value ("in-the-money value") on put options exercised are presented in gains on cash flow hedges in petroleum revenues. Option premium costs are deferred and paid at the time of exercise or expiry. These deferred payments are presented as current liabilities in the balance sheet.

Contracts to buy or sell a non-financial item that can be settled net in cash or another financial instrument, or by exchanging financial instruments, as

if the contracts were financial instruments, are accounted for as financial instruments. However, contracts that are entered into and continue to be held for the purpose of the receipt or delivery of a non-financial item in accordance with the Group's expected purchase, sale or usage requirements, also referred to as own-use contracts, are not accounted for as financial instruments. Such sales and purchases of physical commodity volumes are reflected in the Consolidated statement of income as Petroleum revenues and Other operating expenses, respectively. This is applicable to a number of contracts for the sale of natural gas, which are recognised upon delivery of the volumes.

Current versus non-current classification of assets and liabilities

The Group presents assets and liabilities in the balance sheet based on the current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle
 - Held primarily for the purpose of trading
 - Expected to be realised within twelve months after the reporting period
- Or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle
 - It is held primarily for the purpose of trading
 - It is due to be settled within twelve months after the reporting period
- Or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Group classifies all other liabilities as non-current. Deferred tax assets and liabilities are classified as non-current assets and liabilities.

Cash flow

The statement of cash flow has been prepared in accordance with the indirect method. Cash consist of cash, bank deposits and short-term deposits in affiliated banks.

Sale and swaps of assets

Sale of assets on the Norwegian continental shelf are carried out on an after-tax basis according to the petroleum tax act § 10. The effective date for tax purposes is set to 1 January, while revenues and costs are recognised by Vår Energi as seller until transfer of control to the buyer (completion date).

When entering into agreements regarding the purchase/ swap of assets, the parties agree on an effective date for the takeover of the net cash flow (usually 1 January in the calendar year, which is also the effective date for tax purposes).

In the period between the effective date and the completion date, the seller will include revenues and expenditures relating to its sold share of the license in the financial statements. In accordance with the purchase agreement, there is a settlement with the seller of the net cash flows from the asset in the period from the effective date to the completion date (pro & contra settlement). The pro & contra settlement will result in an adjustment to the seller's losses/gains and to the cost of the assets for the purchaser, in that the settlement (after a tax reduction) is deemed to be part of the consideration in the transaction. Revenues and expenses from the relevant license are included in the purchaser's Income statement from the acquisition date, as defined above.

For tax purposes, the purchaser will include the net cash flow (pro & contra) and any other income and costs as from the effective date. When acquiring licenses that are defined as asset acquisitions, no provision is made for deferred tax in accordance with the initial recognition exemption.

A gain or loss related to an after-tax-based sale of assets includes the release of tax liabilities previously recognised related to the assets. The resulting after-tax gain or loss is recognised in full in Other income in the statement of income.

Important accounting judgments, estimates and assumptions

The preparation of financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that have an effect on the application of accounting principles and the reported assets, liabilities,

income and expenses. The main significant judgments management has made regarding the application of accounting principles are the following:

Goodwill allocation

For the purpose of impairment testing, goodwill is allocated to a cash-generating unit (CGU), or groups of CGUs that are expected to benefit from the synergies of the business combination from which it arose. The allocation of goodwill requires judgment and may significantly impact any subsequent impairment charge. Technical goodwill and deferred tax is recognised for the after-tax consideration paid in business combinations for assets acquired under section 10 of the Norwegian Petroleum Tax Act. Technical goodwill is allocated to the field level (CGU) from which it arose.

Identifying a lease within joint operating arrangements

When applying IFRS 16 Leases in situations where the asset is being used in a joint arrangement or in relation to an undivided interest significant judgement is required in determining what party is the primary obligor, whether the arrangement constitutes or contains a lease, commencement date, lease term and whether there is a sublease arrangement.

Oil and gas reserves

Oil and gas reserves are estimated by the Group's experts in accordance with industry standards. The estimates are based on Vår Energi's own assessment of internal information and information received from operators. Oil and gas reserves consist of the estimated quantities of crude oil, natural gas and condensates shown by geological and technical data to be recoverable with reasonable certainty from known reservoirs under existing economic and operational conditions, i.e. on the date that the estimates are prepared. Current market prices are used when establishing the estimates.

Reserves and production volumes are used to calculate the depreciation of oil and gas fields by applying the unit-of-production method. Reserve estimates are also used as basis for impairment testing of license-related assets and goodwill. Changes in petroleum prices and cost estimates may change reserve estimates and accordingly economic cut-off, which may impact the timing of assumed decommissioning and removal activities. Changes to reserve

estimates can also result from updated production and reservoir information. Future changes to oil and gas reserves can have a material effect on depreciation, life of field, impairment of license-related assets and goodwill, and operating results.

Successful Effort Method - exploration and exploration potential

Expenses relating to the drilling of exploration wells and exploration potential (presented in other intangible assets) are temporarily recognized on the balance sheet as capitalised exploration expenditures and other intangible assets, pending an evaluation of potential oil and gas discoveries. If resources are not discovered, or if recovery of the resources is considered technically or commercially unviable, the costs of exploration wells and exploration potential are expensed. Judgments as to whether these assets should remain capitalised or be expensed at the reporting date may materially affect the operating result for the period.

Fair value measurement

The fair values of non-financial assets and liabilities are required to be determined, for example in a business combination, to determine the allocation of purchase price in an asset deal or when the recoverable amount of an asset or CGU is based on fair value less costs to sell. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. The group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs. The fair value of oil fields in the production and development phase is generally based on discounted cash flow models, where the determination of inputs to the models may require significant judgment, as described in the section below regarding impairment.

Impairment/reversal of impairment

Changes in the expected future value/cash flows of CGUs results in impairment if the estimated recoverable amount is lower than the book value (including any allocated goodwill) or the reversal of previously recognized impairments if the recoverable value is higher than the book value (impairment of goodwill is not reversed). Estimation of recoverable amounts involves the use of judgment and assumptions, including the modelling of future cash flows to estimate the CGUs value in use or fair value less costs of disposal.

Impairment assessments require long-term assumptions concerning a number of often volatile economic factors, including future oil prices, oil production, currency exchange rates and discount rates. Such assumptions require the estimation of relevant factors such as long-term prices, the levels of capex and opex, production estimates and decommissioning costs. These evaluations are also necessary to determine a CGU's fair value unless information can be obtained from an actual observable market transaction. See individual notes on Property, plant and equipment and intangible assets, including goodwill and note on Impairment for details of impairments.

Asset retirement obligations

There is significant uncertainty in the estimate of ARO. These estimates are based on currently applicable laws and regulations, and existing technologies. Many ARO activities will take place decades into the future, and the technology and related costs are expected to evolve over time. The estimates include costs based on expected removal concepts using existing technology and estimated costs of maritime operations, hiring of lifting vessels and drilling rigs. As a result, there may be significant adjustments to the estimates of ARO and associated assets that can affect future financial results.

Income taxes

Income taxes are significant amounts in Vår Energi's financial statements. There may be uncertainties related to interpretation of applicable tax laws and regulations regarding amounts in Vår Energi's filed tax returns. In cases of uncertain tax treatments, it may take a long time to complete the discussions with the tax authorities or to reach resolutions of the appropriate tax positions. The carrying values of income tax related assets and liabilities are based on Vår Energi's interpretations of applicable laws, regulations and relevant court decisions. The quality of these estimates, including the most likely outcomes of uncertain tax treatments, is highly dependent upon proper application of very complex sets of rules and the recognition of changes in applicable rules.

Standards and amendments issued but not yet effective

Certain new accounting standards and amendments to standards are issued, but not yet effective as of 31 December 2021. These standards and amendments are not expected to have a material impact on the group in the current or future reporting periods.

Note 3 Segment information

Vår Energi operates within the geographical area Norway and the business is entirely related to exploration for and production of petroleum in Norway. Vår Energi's activities are considered to have a homogeneous risk and return profile before tax. Vår Energi operates within a single operating segment which matches the internal reporting to the executive management.

Note 4 Income

Petroleum revenues (USD 1000)	Note	EU/UK	Norway	2021	2020
Revenue from crude oil sales		3 448 157	-	3 448 157	1 945 461
Revenue from gas sales		2 118 534	108 798	2 227 332	540 995
Revenue from NGL sales		353 551	14 335	367 885	213 561
Gains on cash flow hedge - crude put options	19, 20			-	168 617
Total petroleum revenues		5 920 243	123 132	6 043 375	2 868 635
Sales of crude (boe 1000) (unaudited)				49 006	50 977
Sales of gas (boe 1000) (unaudited)				28 011	31 116
Sales of NGL (boe 1000) (unaudited)				8 180	10 034
Other operating income (USD 1000)				2021	2020
Gain/loss (-) from sale of assets				2 232	1 043
Other operating income				27 125	24 161
Total other operating income				29 357	25 205

The majority of sales are to international customers in EU/UK.

Vår Energi was fully hedged for oil production after tax at a strike price of 50 USD/bbl in 2020. Gain on cash flow hedge in 2020 relates to exercised put options during the year, especially the period March - May with prices below 35 USD/BBL.

Asset sale in 2021 relates to 10% ownership interest in the Jotun FPSO to Mime Petroleum AS.

Other operating income is mainly related to other partner's share of lease cost recovered by the company.

Note 5 Production costs

USD 1000	2021	2020
Cost of operations	688 120	561 592
Transportation and processing	243 150	269 679
Environmental taxes	101 658	68 065
Insurances	46 466	65 177
Production cost based on produced volumes	1 079 394	964 513
Back-up cost shuttle tankers	33 148	11 726
Adjustment of over/underlift (-)	116 947	19 158
Premium expense for crude put options	60 492	33 110
Production cost based on sold volumes	1 289 981	1 028 506
Total produced volumes (boe 1000) (unaudited)	89 732	97 076
Production cost per boe produced (USD/boe) (unaudited)	12.0	9.9

Vår Energi has in 2021 updated the classification of cost compared to the Consolidated Financial Statements for 2020 to better align type of cost. The company has reallocated pre-production costs (USD 8 147 thousand in 2020) and guarantee fee (USD 20 570 thousand in 2020) from Cost of operations to Other operating expenses and back-up cost shuttle tankers (USD 11 726 thousand in 2020) from Cost of operations to separate line item under Production cost based on sold volumes.

Note 6 Staff costs and remuneration

USD 1000	2021	2020
Salary expenses	195 324	143 742
Social security tax (incl. pension and social charges for foreign personnel)	25 262	20 274
Pension cost, defined benefit scheme	-	1 319
Pension cost, defined contribution scheme	14 976	10 345
Other personnel expenses	4 945	4 096
Total	240 508	179 776
Average number of employees	921	889

The share charged to partners in operated joint ventures amounted to USD 41 306 thousand (USD 36 355 thousand in 2020).

Pension cost and pension fund/-obligations

Vår Energi has a defined contribution pension plan that satisfies the statutory requirements in the Norwegian law on required occupational pension ("lov om obligatorisk tjenestepensjon"). Contributions are paid to pension insurance plans and charged to the income statement in the period to which the contributions relate. Once the contributions have been paid, there are no further payment obligations.

Personnel employed in Eni Norge AS before the merger with Point Resources AS had a defined benefit pension scheme. This scheme was terminated end of 2019, and effective from 1 January 2020 all employees in Vår Energi AS have a defined contribution pension plan.

Key management personnel compensation 2021¹

Name	Position	Salary	Bonus	Payment in kind	Pension costs
Torger Rød ²	Chief Executive Officer	368 641	207 209	721	65 826
Kristin Kragseth ³	Chief Executive Officer	424 982	-	3 136	41 036
Stefano Pujatti ⁴	Chief Financial Officer	405 914	25 865	469	-
Rune Oldervoll	Vice President Operations	332 873	106 951	8 242	45 420
Ove André Årdal	Vice President Commercial	275 294	73 670	6 587	85 302
Alessandro Barberis ⁵	Vice President Exploration	127 497	-	128	-
Denis Palermo ⁶	Vice President Exploration	204 839	-	-	-
Ørjan Jentoft	Vice President Partner Operated Assets	337 883	114 081	8 318	48 580
Annethe Gjerde	Vice President Contracts & Procurement	257 326	77 978	1 798	36 309
Bjørn Thore Ribesen	Vice President Field Development & Projects	394 350	55 003	7 689	52 084
Aksel Luhr	General Counsel	261 721	48 429	1 798	35 996
Charlotte V. Saunders	Vice President Corporate Services	261 244	70 675	8 765	85 184
Ove M. Helle	Vice President Safety & Sustainability	264 928	70 775	1 798	36 092
Tor B. Tangvald	Vice President Internal Audit	290 496	53 215	1 798	110 726
Total compensation		4 207 988	903 851	51 248	642 553

¹ Remuneration is paid in NOK and converted to USD using a yearly average USD/NOK-rate.

² Employed since June 2021.

³ Employed until end of May 2021

⁴ Paid by Eni S.p.A. Inpat on shadow payroll – figures are based on contract. Amount is gross paid. Pension is handled by Eni S.p.A.

⁵ Seconded from Eni S.p.A to Vår Energi since September 2021.

⁶ Employed until end of October 2021, figures are based on contract. Amount is gross paid. Pension is handled by EIRL (Eni International Resources Ltd)

Key management personnel compensation 2020¹

Name	Position	Salary	Bonus	Payment in kind	Pension costs
Kristin Kragseth	Chief Executive Officer	614 113	264 455	10 755	88 226
Stefano Pujatti ²	Chief Financial Officer	520 061	31 567	-	-
Rune Oldervoll	Vice President Operations	290 203	118 957	4 726	41 391
Ove André Årdal	Vice President Commercial	235 438	96 953	7 955	70 843
Denis Palermo ³	Vice President Exploration	523 797	-	-	-
Ørjan Jentoft	Vice President Partner Operated Assets	294 995	-	10 219	44 656
Annethe Gjerde	Vice President Contracts & Procurement	215 031	50 031	1 836	32 700
Bjørn Thore Ribesen ⁴	Vice President Field Development & Projects	192 543	31 913	1 032	20 138
Aksel Luhr	General Counsel	224 302	72 137	1 836	138 035
Charlotte V. Saunders	Vice President Corporate Services	227 799	71 178	10 431	71 345
Ove M. Helle	Vice President Safety & Sustainability	231 241	93 143	1 836	32 888
Tor B. Tangvald	Vice President Internal Audit	253 289	79 265	1 836	93 807
Total compensation		3 822 811	909 599	52 463	634 030

¹ Remuneration is paid in NOK and converted to USD using a yearly average USD/NOK-rate.

² Paid by Eni S.p.A. Inpat on shadow payroll – figures are based on contract. Amount is gross paid. Pension is handled by Eni S.p.A.

³ Paid by Eni S.p.A. Inpat on shadow payroll – figures are based on contract. Amount is gross paid. Pension is handled by EIRL (Eni International Resources Ltd)

⁴ Employed since June 2020.

None of the members of the Board, including the Chair, received any remuneration from Vår Energi for their responsibility as a Director in 2021. None of the members of the Board or the Management has received remuneration or economical benefits from other companies in the Group.

Vår Energi has made arrangements to provide subsidised loans to local employees. No other loans, guarantees or other commitments have been granted to any member of the Board or to any member of the Management.

The CEO shall receive severance pay equal to 12 months' salary if the board of directors decide that the CEO shall withdraw from his position and terminate his employment. VP Internal Audit had an option to end his employment with the company as of 26 March 2022 with a 24 months compensation – equivalent to USD 498 thousand. The option was not exercised. No other employee, including any member of Management, has entered into employment agreements which provide for any special benefits upon termination. None of the Directors has a service contract and none will be entitled to any benefits upon termination.

Vår Energi has a bonus scheme for all employees calculated according to achieved objectives. In addition to bonus based on the general element, Management can receive an additional bonus if certain KPI targets are met (the KPI element) and on individual performance (the individual element).

The Management takes part in the general pension plan as described in this note. In addition, Vår Energi has, on an administrative basis, established an arrangement granting a 15% deposit of salary above 12G.

At the date of the Prospectus, ref. [note 32](#), none of the members of Management hold any shares in Vår Energi.

Management compensation guidelines

In 2021, Vår Energi did not have requirements for guidelines or reports on management compensation according to the Public Limited Liability Companies Act § 6-16, as it was not listed on the stock exchange. Vår Energi has described its management compensation guidelines which will be presented for approval in the Annual General Meeting in May 2022.

Note 7 Auditors fee

USD 1000	2021	2020
Statutory audit	445	607
Other attestations	434	10
Other services	70	163
Total fee	949	780

Services other than audit in 2021 provided by the auditors related to assistance with prospectus. In 2020 services other than audit mainly related to project support and assistance to offshore operations department and non-financial process improvement activities.

Note 8 Exploration expenses

USD 1000	Note	2021	2020
Seismic		2 989	4 447
Area Fee		9 762	10 098
Dry well expenses	12	5 887	20 024
Other exploration expenses		38 501	22 614
Total exploration costs		57 138	57 183

Note 9 Other operating expenses

USD 1000	Note	2021	2020
R&D expenses		32 183	25 170
Legal provisions		-	18 571
Pre-production costs		20 612	8 147
Guarantee fee decommissioning obligation		22 138	20 570
Value adjustment contingent considerations	27	(128)	63 967
Administration expenses		26 499	20 210
Other expenses		9 179	19 570
Total other operating expenses		110 483	176 204

Vår Energi has in 2021 updated the classification of cost compared to the Consolidated Financial Statements for 2020 to better align type of cost. The company has reallocated pre-production costs (USD 8 147 thousand in 2020) and guarantee fee (USD 20 570 thousand in 2020) from Cost of operations to Other operating expenses.

Movement in value adjustment contingent considerations in 2020 mainly relates to updated reserves estimate in the Forseti structure.

R&D cost

Vår Energi participates in a variety of research and development (R&D) projects. The objective is to support ongoing and future activities carried out by the company in the areas of exploration, development and production.

Vår Energi is engaged in large scale projects aiming to develop climate emissions reduction capabilities, such as carbon capture and storage (CCS) and low emissions technologies.

Vår Energi's R&D portfolio includes about 40 projects, mainly administered in the form of Joint Industry Projects (JIPs) or consortia, but also as bilateral R&D contracts.

Note 10 Financial items

USD 1000	Note	2021	2020
Interest income on bank accounts and receivables		13 090	32 224
Dividends		232	34
Other financial income		721	-
Interests on debts and borrowings		(143 462)	(188 638)
Interest on lease debt		(7 819)	(7 288)
Capitalised interest cost, development projects		49 034	29 824
Amortisation of fees and expenses		(73 495)	(17 336)
Accretion expenses (asset retirement obligation)	24	(94 733)	(74 427)
Other financial expenses		(13 056)	(12 451)
Net financial income/(expenses)		(269 489)	(238 058)
Currency forward contracts gain/(loss)		-	(11 468)
Unrealised exchange rate gain/(loss)		(558 940)	319 964
Realised exchange rate gain/(loss)		416 570	(21 541)
Net exchange rate gain/(loss)		(142 371)	286 955
Net financial items		(411 859)	48 897

Due to extinguishment of debt and new debt in November 2021, the prepayments of fees related to the loans which were terminated are fully recognised through P&L in 2021 and presented as increased amortisation of fees and expenses.

2021 exchange rate gains and losses relates mainly to substantial realised exchange rate gain due to the realisation of the RBL loan in November 2021 (refer to [note 23](#)). This exchange rate gain was offset by reversal of prior period unrealised exchange rate gains for the same loan.

Note 11 Income Taxes

USD 1000		2021	2020
Current year tax payable/receivable		1 147 119	(1 144 253)
Prior period adjustments to current tax		15 917	6 250
Current tax expense/(income)		1 163 036	(1 138 004)
Change in deferred taxes		713 107	560 624
Deferred tax expense/(income)		713 107	560 624
Tax expense/(income) in profit and loss		1 876 143	(577 380)
Effective tax rate in %		75%	26%
Tax expense/(income) in put option used for hedging		1 965	(2 319)
Tax expense/(income) in other comprehensive income		1 878 108	(579 698)
Reconciliation of tax expense	Tax rate	2021	2020
Corporate (78%) tax rate on profit/loss before tax	78%	1 948 227	(1 719 123)
Tax effect of uplift	56%	(377 467)	(328 293)
Impairment of goodwill	78%	158 388	1 567 380
Tax effects of items taxed at other than corporate (78%) tax rate	56%	136 792	(155 348)
Other permanent differences, prior period adjustments and change in estimates of uncertain tax positions	78%	10 202	58 005
Tax expense/(Income)		1 876 143	(577 380)

Temporary timing differences at end of period	2021	2020
Tangible fixed assets	10 919 602	11 915 092
Capitalised exploration cost	199 981	113 327
Other intangible assets	104 520	107 732
Abandonment obligation	(3 357 278)	(4 334 898)
Other	(82 362)	796 320
Basis for deferred ordinary taxes	7 784 463	8 597 573
Uplift recognised as part of business combinations	(19 607)	(54 903)
Additional depreciation for special tax	3 304 522	1 793 207
Temporary differences not relevant for special taxes	(199 716)	(689 362)
Basis for deferred special taxes	10 869 664	9 646 515
Ordinary tax 22%	(1 712 582)	(1 891 466)
Special tax 56%	(6 087 012)	(5 402 048)
Items taxed at other tax rates	-	(49 437)
Net deferred tax asset/(liability) as of closing balance	(7 799 594)	(7 342 952)
Breakdown of tax effect on temporary differences	2021	2020
Tangible fixed assets	(10 320 384)	(10 282 280)
Capitalised exploration cost	(155 985)	(88 395)
Other intangible assets	(81 526)	(84 031)
Abandonment obligation	2 618 677	3 381 220
Lease liabilities	246 074	112 234
Financial instruments	4 825	7 023
Other provisions	(111 275)	(388 723)
Net deferred tax asset/(liability) as of closing balance	(7 799 594)	(7 342 952)

Deferred tax asset/(liability)	2021	2020
Deferred tax liability/asset at beginning of period	(7 342 952)	(6 593 335)
Current year deferred tax income/(expense)	(713 107)	(560 624)
Deferred taxes related to business combinations	(2 208)	22 374
Deferred taxes recognised directly in OCI or equity	(1 965)	2 319
Currency translation effects	260 639	(213 686)
Net deferred tax asset/(liability) as of closing balance	(7 799 594)	(7 342 952)
Calculated tax receivable/(payable)	2021	2020
Tax payable/receivable at beginning of period	506 349	(1 185 247)
Current year payable taxes	(1 147 119)	1 144 253
Payable taxes related to business combinations	969	21 669
Net tax payment/tax refund	(164 439)	342 304
Prior period adjustments and change in estimate of uncertain tax positions	(15 917)	(6 250)
Currency translation effects	18 726	189 619
Net tax receivable/(payable) as of closing balance	(801 432)	506 349

Note 12 Intangible assets

USD 1000	Note	Goodwill	Other intangible assets	Capitalised exploration wells	Total
Cost as at 1 January 2020		5 023 547	104 692	87 535	5 215 774
Additions		-	-	41 038	41 038
Additions through business combination		4 960	-	-	4 960
Reclassification		-	-	-	-
Disposals/expensed exploration wells		-	-	(20 024)	(20 024)
Currency translation effects		147 002	3 039	4 777	154 819
Cost as at 31 December 2020		5 175 509	107 732	113 327	5 396 567
Depletion and impairment as at 1 January 2020		(161 995)	-	-	(161 995)
Depreciation		-	-	-	-
Provision for impairment		(2 009 462)	-	-	(2 009 462)
Disposals		-	-	-	-
Currency translation effects		(183 212)	-	-	(183 212)
Depletion and impairment as at 31 December 2020		(2 354 669)	-	-	(2 354 669)
Net book value as at 31 December 2020		2 820 840	107 732	113 327	3 041 898

USD 1000	Note	Goodwill	Other intangible assets	Capitalised exploration wells	Total
Cost as at 1 January 2021		5 175 509	107 732	113 327	5 396 567
Additions		-	295	104 318	104 613
Additions through business combination		2 208	-	-	2 208
Reclassification		-	-	(4 593)	(4 593)
Disposals/expensed exploration wells	8	-	-	(5 887)	(5 887)
Currency translation effects		(168 327)	(3 507)	(7 185)	(179 019)
Cost as at 31 Desember 2021		5 009 390	104 520	199 981	5 313 891
Depletion and impairment as at 1 January 2021		(2 354 669)	-	-	(2 354 669)
Depreciation		-	-	-	-
Provision for impairment	15	(203 061)	-	-	(203 061)
Disposals		-	-	-	-
Currency translation effects		80 238	-	-	80 238
Depletion and impairment as at 31 December 2021		(2 477 492)	-	-	(2 477 492)
Net book value as at 31 December 2021		2 531 897	104 520	199 981	2 836 399

Other Intangible assets include exploration potentials acquired through business combinations and are measured according to the successful efforts method.

Goodwill increase of USD 2 208 thousand in 2021 relates to purchase of 6% share of Statfjord Øst from Wintershall Dea Norge AS.

Note 13 Tangible assets

USD 1000	Note	Wells and production facilities	Facilities under construction	Other property, plant and equipment	Total
Cost as at 1 January 2020		13 029 059	2 689 889	14 308	15 733 257
Additions		650 841	1 112 650	7 848	1 771 339
Estimate change asset retirement obligation		658 419	-	-	658 419
Additions through business combinations		(28 685)	-	-	(28 685)
Reclassification		200 231	(200 231)	-	-
Disposals		-	-	-	-
Currency translation effects		535 482	175 794	854	712 130
Cost as at 31 December 2020		15 045 348	3 778 102	23 011	18 846 461
Depletion and impairment as at 1 January 2020		(1 131 822)	-	(3 353)	(1 135 174)
Depreciation		(1 671 549)	-	(3 366)	(1 674 915)
Provision/reversal of impairment		(168 646)	-	-	(168 646)
Disposals		-	-	-	-
Currency translation effects		(273 369)	-	(381)	(273 750)
Depletion and impairment as at 31 December 2020		(3 245 385)	-	(7 100)	(3 252 485)
Net book value as at 31 December 2020		11 799 962	3 778 102	15 911	15 593 975

USD 1000	Note	Wells and production facilities	Facilities under construction	Other property, plant and equipment	Total
Cost as at 1 January 2021		15 045 348	3 778 102	23 011	18 846 461
Additions		867 496	1 595 281	17 521	2 480 298
Estimate change asset retirement cost		(922 730)	-	-	(922 730)
Additions through business combinations		-	-	-	-
Reclassification		114 861	(105 327)	-	9 534
Disposals		(21 837)	-	-	(21 837)
Currency translation effects		(465 561)	(154 627)	(1 183)	(621 370)
Cost as at 31 December 2021		14 617 577	5 113 429	39 350	19 770 356
Depletion and impairment as at 1 January 2021		(3 245 385)	-	(7 100)	(3 252 485)
Depreciation		(1 663 998)	-	(6 951)	(1 670 948)
Provision/reversal of impairment	15	202 079	-	-	202 079
Disposals		-	-	-	-
Currency translation effects		139 536	-	380	139 916
Depletion and impairment as at 31 December 2021		(4 567 768)	-	(13 671)	(4 581 439)
Net book value as at 31 December 2021		10 049 809	5 113 429	25 679	15 188 917

As at 31 December 2021 USD 96 841 thousand of the gross book value relates to capitalised interest. Rate used for capitalisation was 3.252% in 2020 and 2.731% in 2021.

Reduction in asset retirement cost in 2021 mainly relates to increased discount rates. Increase asset retirement cost in 2020 relates to change in discount rate and updated cost estimate.

Note 14 Right of use assets

USD 1000	Note	Offices	Rigs and supply vessels	Warehouse	Total
Cost as at 1 January 2020		69 755	115 320	12 360	197 434
Additions		7 481	-	-	7 481
Additions through business combinations		-	-	-	-
Reclassification		-	-	-	-
Disposals		-	(12 058)	-	(12 058)
Currency translation effects		-	5 466	-	5 466
Cost as at 31 December 2020		77 236	108 728	12 360	198 323
Depletion and impairment as at 1 January 2020		(3 131)	(30 158)	(2 006)	(35 295)
Depreciation		(5 675)	(24 277)	(1 874)	(31 825)
Provision/reversal of impairment		-	-	-	-
Disposals		-	7 001	-	7 001
Currency translation effects		-	(4 358)	-	(4 358)
Depletion and impairment as at 31 December 2020		(8 806)	(51 792)	(3 880)	(64 477)
Net book value as at 31 December 2020		68 430	56 937	8 480	133 846

USD 1000	Note	Offices	Rigs and supply vessels	Warehouse	Total
Cost as at 1 January 2021		77 236	108 728	12 360	198 323
Additions		-	208 819	-	208 819
Reclassification		-	(4 941)	-	(4 941)
Disposals		-	-	-	-
Currency translation effects		(1 406)	(8 423)	1 186	(8 643)
Cost as at 31 December 2021		75 830	304 183	13 546	393 558
Depletion and impairment as at 1 January 2021		(8 806)	(51 792)	(3 880)	(64 477)
Depreciation		(5 859)	(25 531)	(2 223)	(33 613)
Provision/reversal of impairment		-	-	-	-
Disposals		-	-	-	-
Currency translation effects		(1 042)	4 399	(393)	2 964
Depletion and impairment as at 31 December 2021		(15 707)	(72 924)	(6 496)	(95 126)
Net book value as at 31 December 2021		60 123	231 259	7 050	298 432

Note 15 Impairment

Impairment testing

Impairment tests of individual cash-generating units (CGUs) are performed when impairment triggers are identified. In Vår Energi, CGU equals an asset or production license based on how company monitors business activity and if an asset or license generates its own independent inflow of cash.

Impairment is recognised when the book value of an asset or a cash-generating unit exceeds the recoverable amount. The recoverable amount is the higher of the asset's fair value less cost of disposal and its value in use. The fair value less cost of disposal estimates are level 3 fair value estimates in the fair value hierarchy. Impairments are correspondingly reversed if the conditions for the impairment are no longer present. Upper limit of reversal is the historical impairments less estimated depreciation as if the impairment had not taken place. Impairments of goodwill are not reversed.

The impairment testing is performed based on discounted cash flows. The expected future cash flow is discounted to the net present value by applying a discount rate after tax that reflects the current market valuation of the time value of money, and the specific risk related to the asset. The discount rate is derived from the weighted average cost of capital (WACC) for a market participant. Cash flows are projected for the estimated lifetime of the fields.

Key assumptions applied for impairment testing purposes as of 31 December 2021 are based on Vår Energi's macroeconomic assumptions. From 2021, Vår Energi has updated its process for estimating future prices and currency rates. Prior to 2021, the price and exchange rate assumptions were based on input from the main shareholder Eni SpA, while for 2021 the price and currency rate assumptions are generated independently by Vår Energi. The oil and gas prices are based on the forward curve for the next three-year period and from the fourth year the oil and gas prices are based on the company's long-term price assumptions. Vår Energi long term oil price assumption is 65 usd /bbl (real 2022) and long-term gas price is 1.9 NOK/SM³.

Following is an overview of the key assumptions applied:

Prices

Future price level is a key assumption and has significant impact on the net present value. Forecasted prices are based on Vår Energi's long-term price estimates and available market data as of 31 December 2021.

The nominal oil prices (USD/bbl) as applied in impairment tests are as follows:

Year	2020	2021
2022	55.0	74.1
2023	60.0	68.9
2024	62.0	68.1

The nominal gas prices (NOK/SM³) as applied in impairment tests are as follows:

Year	2020	2021
2022	1.48	6.51
2023	1.53	3.29
2024	1.60	2.17

Oil and gas reserves

Future cash flows are calculated based on expected production profiles and estimated proven, probable and risked possible reserves. The recoverable amount is sensitive to changes in reserves.

Production (mboe) per period as applied in the impairment test:

Year	MBOE
2022–2026	542
2027–2031	325
2032–2036	156
2037–2041	83
2042–2054	59

Future expenditure

Future capex, opex and abandonment cost are calculated based on the expected production profiles and the best estimate of the related cost.

Discount rate

The discount rate is derived from the Group's weighted average cost of capital ("WACC"). The capital structure considered in the WACC calculation is derived from the capital structures of an identified peer group and market participants with consideration given to optimal structures. The cost of equity is derived from the expected return from an investor of the Company. The cost of debt is based on the interest-bearing borrowings for a market participant specific to the assets acquired. The beta factors are evaluated annually based on publicly available market data about the identified peer group. 7% discount rate used for both 2020 and 2021.

Currency rates (NOK/USD)

While there are inherent uncertainties in the assumptions, the foreign currency assumptions reflect management's best estimate of the foreign currency development over the life of the Group's assets. The impairment testing is using 8.50 NOK/USD and 9.90 NOK/EUR exchange rates for both short and long term.

Inflation

The long-term inflation rate is assumed to be 1.9% on the functional currency NOK

Impairment testing of goodwill

The technical goodwill recognised in previous business combinations is allocated to each CGU for the purpose of impairment testing. Hence, technical goodwill is included in the impairment testing of the CGU, and the technical goodwill is written down before the asset. The carrying value of the CGU is the sum of tangible assets, intangible assets and technical goodwill as of the assessment date. In the impairment test performed, carrying value is adjusted by the remaining part of deferred tax from which the technical goodwill arose, to avoid an immediate impairment of all technical goodwill. When deferred tax liabilities from the acquisitions decreases as a result of depreciation, more goodwill is as such exposed for impairment. This may lead to future impairment charges even though other assumptions remain stable.

The ordinary goodwill is tested for impairment on an operating segment level. If the net recoverable amount calculated as total of NPV less Net book value (NBV) for the offshore asset portfolio exceeds the carrying value of ordinary goodwill, no impairment is recorded.

Impairment charge/reversal

Below is an overview of the impairment charge/reversal and the carrying value per cash generating unit where impairment/reversal was recognized in 2021:

Cash generating unit (USD 1000)	Net carrying value	Recoverable amount	Impairment/reversal (-)	Impairment allocated		Deferred tax impact
				Goodwill	PP&E	
Balder	1 472 504	1 360 451	113 273	113 273	-	-
Fenja	385 944	313 744	72 200	72 200	-	-
Goliat	435 452	585 086	(137 410)	-	(137 410)	107 181
Tor	28 000	39 184	(39 790)	-	(39 790)	31 036
Other	431 601	555 278	(7 291)	17 588	(24 879)	19 405
Total	2 753 501	2 853 743	982	203 061	(202 079)	157 621

Impairments were USD 203 million in 2021 mainly related to a revised baseline for sanctioned projects updated in Q4 2021. Reversals of impairments were USD 202 million in 2021 mainly related to higher price assumptions.

Sensitivity analysis

The table below shows how the impairment or reversal of impairment of assets and technical goodwill would be affected by changes in the various assumptions, given that the remaining assumptions are constant.

Assumption (USD 1000)	Change	Change in impairment after	
		Increase in assumption	Decrease in assumption
Oil and gas prices	+/-25%	(179 000)	2 921 000
Production profile	+/- 5%	(141 000)	141 000
Discount rate	+/- 1% point	98 000	(87 000)

The sensitivities are created for illustration purposes, based on a simplified method and assumes no changes in other input factors. Significant reductions are likely to result in changes in business plans, cut-offs as well as other factors used when estimating an asset's recoverable amount. Changes in such input factors would likely significantly reduce the actual impairment amount compared to the illustrative sensitivity above.

Climate related risks

The climate related risk assessment is generally described in the company's sustainability reporting. Financial reporting and impairment testing includes a step up of CO₂ tax/fees from current levels to approximately NOK 2 000 per ton in 2030.

Maturing decarbonation projects in order to meet the goal to become climate neutral by 2030 and future changes in how the world will react in light of the goals set in the Paris Agreement could have negative effects on the value of Vår Energi's oil and gas assets with additional impairments.

Impairment testing in 2020

In 2020, the impairment charge was mainly related to technical and ordinary goodwill. The methodology for impairment testing was the same as in 2020 as described in this note.

Vår Energi has updated its process for estimating future prices and currency rates from 2021 as described earlier. The 2020 assumptions for prices and exchange rates are shown in comparable tables in this note. Discount rate of 7% and inflation of 1.9% also used in 2020 testing.

Summary of impairments

The following impairments was recorded in 2020:

Cash generating unit (USD 1000)	Impairment Goodwill	Impairment PP&E
Åsgard	252 407	
Balder Area	191 377	
Grane	188 686	
Goliat	8 288	106 689
Trestakk	142 726	
Snorre/Vigdis	133 146	
Greater Ekofisk	116 678	5 351
Fram	104 515	
Kristin	55 110	
Tyrihans	53 818	
Ormen Lange	53 818	
Other	144 556	56 606
Operating segment	564 337	
Total	2 009 462	168 646

Note 16 Investment in shares and other non-current assets

USD 1000	Business Location	Ownership	31 Dec 2021	31 Dec 2020
Norpipe Oil AS	Tananger, Norway	6.52%	173	179
Tjeldbergodden Utvikling AS	Kjørsvikbugen, Norway	0.48%	68	70
Ormen Lange Eiendom DA	Tananger, Norway	6.34%	612	632
Investment in shares			853	881
Alve slot fee			1 809	2 694
Total other non-current assets			1 809	2 694

Other mainly consists of non-current slot fee prepayment, where Marulk is paying a fee to Alve for use of umbilical at Alve.

Note 17 Inventories

USD 1000	31 Dec 2021	31 Dec 2020
Spare parts & drilling material	258 726	233 077
Physical oil inventory	42 603	50 122
Total inventory	301 329	283 199

Note 18 Trade receivables

USD 1000	Note	31 Dec 2021	31 Dec 2020
Trade receivables - related parties	29	424 834	206 698
Trade receivables - external parties		412 627	97 465
Sale of trade receivables		(91 540)	(138 179)
Total trade receivables		745 921	165 984

As part of the Group's working capital optimisation and finance cost minimisation procedures Vår Energi has entered into Credit Discount Agreements with several banks. Under the arrangements the ownership, including credit risk, of invoices for oil cargos sold are transferred to the respective banks, and the receivables to which the payments relate are derecognised from Vår Energi's balance sheet. Payments to the banks are made when Vår Energi receives payments from the customers. Trade receivables are presented net of payments received from the banks for the sold invoices, as Vår Energi has retained the right to receive payments from the customers, an obligation to pay these cash flows to the banks without material delay, but only to the extent Vår Energi collects the payments from the customers.

Note 19 Other receivables and financial assets

USD 1000	Note	31 Dec 2021	31 Dec 2020
Underlift of hydrocarbons		189 105	142 257
Prepaid expenses		8 305	24 417
Brent crude put options - financial assets	20	17 407	26 340
Other		65 880	48 923
Total current receivables		280 697	241 938

Note 20 Financial instruments

Capital management

For the purpose of the Group's capital management, capital includes equity attributable to the equity holders and current and non-current financing. The primary objective of the Group's capital management is to ensure that it maintains a solid balance sheet and investment grade credit rating in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders, or issue new shares. As part of the refinancing to an unsecured financing structure, obtaining external credit rating and the initial public offering, the Group's financial policies were reviewed and updated.

In order to achieve this overall objective, the Group's capital management, amongst other things, aims to ensure that it meets financial covenants attached to its interest-bearing loans and borrowings that form part of its capital structure requirements. Breaches in the financial covenants would permit the bank to immediately call interest-bearing loans and borrowings. There have been no breaches in the financial covenants of any interest-bearing loans and borrowings in the current or prior period.

The Group monitors the leverage ratio using net interest bearing debt (NIBD) divided by earnings before interest, tax, depreciation, amortisation and exploration expenses (EBITDAX). Net interest-bearing debt is defined as interest-bearing loans and borrowings less cash and short-term deposits.

Please refer to [note 23](#) for more details related to financial liabilities and borrowings.

Risk Management

Vår Energi recognises that effectively managing risks and opportunities is essential to the Group's long-term success and is a key enabler in achieving Vår Energi's strategic objectives. The Board of Directors is responsible for risk management as part of its role in providing strategic oversight and stewardship of the Group. This includes approving the annual budget and four-year business plan, evaluating risks to the delivery of the plan and agreeing financial and operational targets. Key strategic risks and opportunities are also reviewed quarterly by the Risk and Compliance Committee and on a regular basis by the Board.

Vår Energi is subject to various controllable and uncontrollable risks associated with the nature of the oil and gas business operations. Companies operating in the oil and gas industry are exposed to a variety of operational, financial and external risks that may not be entirely possible to eliminate even with robust risk management routines and experiences.

Operational risks

The Board of Directors recognises the risks associated with the Group's operational assets. The regulation of activities on the NCS provides a sound framework for handling these risks, and the Group takes an active and responsible approach as a partner. Future production of oil and gas is dependent on the Group's ability to find, or acquire, and develop reserves.

Costs of development projects or exploration efforts are also uncertain. As a result of these risks, the Group may incur costs that could adversely affect the Group's financial position or its reputation as a player on the NCS. The Group intends to act as a sound, responsible and technically competent partner across the whole spectrum of activities in all its operations. Vår Energi works actively with our partners and has established mitigating actions to reduce the possibility of operational incidents occurring.

Financial risks

The Group is exposed to market fluctuations in commodity prices, foreign exchange rates and interest rates.

The main financial risks Vår Energi is exposed to are:

- Commodity prices due to volatility in oil and gas prices
- Fluctuation in foreign exchange rates due to currency mismatch between income and cost currencies, including tax payments
- Fluctuation in interest rates leading to a fluctuation in finance costs
- Funding and liquidity risk due to unavailability of funding, deposits or loss of income
- Credit risk of customers and partners

Commodity price risk

Vår Energi operates in the crude oil and natural gas market and fluctuations in hydrocarbon prices have a significant effect on the Group's revenues. Commodity price risk represent the Group's most important market risk. To manage this risk, Vår Energi protects cash flows from sale of crude oil through entering into commodity price hedging instruments and cash flows from sale of natural gas through entering into fixed price gas sales contracts. In order to reduce the risk related to oil price fluctuations, the Group has established an oil price hedging program for 2022 where 100% of planned after-tax volumes for oil have been hedged by acquiring monthly settled oil price put options. To align after-tax cash flows and adjust for different tax treatment of financial derivatives and the underlying oil production, 28% of the planned production volume is hedged. Similarly, approximately 9% of the Group's expected gas production in 2022 has been sold on fixed price terms. Currently the Group does not view the natural gas market sufficiently liquid to increase the fixed price portion.

Currency risk

Vår Energi is receiving proceeds in USD, EUR and GBP. The sale of crude oil is denominated in USD, whereas natural gas sales are mainly denominated in EUR with a minor part being denominated in GBP. Cash expenditures (OPEX, CAPEX, G&A and tax payments) are split between NOK, USD and EUR. Loans and borrowings are in USD. Currency risk is mainly linked to a change in the USD/NOK fx rate. The main currency risk relates to the long term borrowings in USD and this is the only item which has been included in the below sensitivity tables, with the exception of deferred consideration to ExxonMobil which is now current as it is due 30 December 2022 and also included below.

The table below shows the Group's main exposure in USD as of 31 December:

Exposure (USD 1 000)	31 Dec 2021	31 Dec 2020
Interest-bearing loans	4 826 575	5 583 552

The following table demonstrates the sensitivity to a reasonably possible change in the foreign exchange rate, with all other variables held constant, of the Group's profit before tax due to changes in the carrying value of monetary assets and liabilities at the reporting date.

Exposure (USD 1 000)	Effect on profit before tax for the year ended 31 Dec 2021 Increase/(Decrease)	Effect on profit before tax for the year ended 31 Dec 2020 Increase/(Decrease)
Increase/decrease in foreign exchange rate USD/NOK		
10%	(482 657)	(558 355)
-10%	482 657	558 355

Interest rate sensitivity

Interest rate risk arises from the effects fluctuations in underlying market rates may have on future cash flows. At present, the main source of interest rate risk for Vår Energi is the floating interest rate in the financing facilities.

The following table demonstrates the sensitivity to a reasonable possible change in interest rates on the Group's profit before tax from the impact of changes in interest rates on floating rate borrowings ("Interest-bearing loans" in the table above) with all other variables held constant. Note that the rate will never be lower than the margin, i.e. if the SOFR rate (Secured Overnight Financing Rate) + CAS (Compounded Reference Rate) is below zero, this will result in the interest rate being equal to the agreed margin, hence downward sensitivity has been set to -0.15% for 2021.

Exposure (USD 1 000)	Effect on profit before tax for the year ended 31 Dec 2021 Increase/(Decrease)	Effect on profit before tax for the year ended 31 Dec 2020 Increase/(Decrease)
Increase/decrease in interest rate		
1.00%	(48 266)	(55 836)
-0.50%	-	27 918
-0.15%	7 240	-

Liquidity risk

The Group's future capital requirements depend on many factors, and the Group may need additional funds to fulfil its commitments and further develop exploration and development programmes to support the strategic direction of the Group. Liquidity risk is the risk that the Group will not be able to meet the obligations of financial liabilities when they become due.

Risk levels are analysed by at least quarterly updates of cash flow projections for the strategic plan period and comparing with available liquidity during the period. Additional updates will be made if significant macroeconomic changes occur.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts and bank loans.

See [note 23](#) for an overview of available credit facilities.

The table below shows the payment structure for the Group's financial commitments, based on undiscounted contractual payments (excluding lease liabilities):

Year ended 31 December 2021

USD 1000	On demand	< 1 year	1–2 years	2–5 years	> 5 years	Total
Interest-bearing loans and borrowings	-	45 263	3 159 085	1 435 376	-	4 639 724
Deferred payment ExxonMobil 2022	-	333 149	-	-	-	333 149
	-	378 412	3 159 085	1 435 376	-	4 972 873

Year ended 31 December 2020

USD 1000	On demand	< 1 year	1–2 years	2–5 years	> 5 years	Total
Interest-bearing loans and borrowings	-	-	-	5 335 000	-	5 335 000
Deferred payment ExxonMobil 2022	-	-	320 490	-	-	320 490
	-	-	320 490	5 335 000	-	5 655 490

As mentioned in details in [note 23](#), the long-term loans were refinanced in November 2021. The new loans are no longer using LIBOR interest rate as reference. The reference rate for all existing long term loans are now SOFR (Secured Overnight Financing Rate).

For the deferred payment to ExxonMobil LIBOR is still used and will be used until the payment is done in December 2022. The LIBOR is ment to be published until 30 June 2023, so the agreed interest rate will be available for the duration of the liability.

So no consequence for Vår Energi related to IBOR-reform.

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. Vår Energi is exposed to credit risk from its operating activities and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments. Credit risk is considered limited as Vår Energi sells the crude oil to Eni and ExxonMobil trading entities and natural gas to Eni trading entities and other major international oil and gas players and only use investment grade and highly reputable banks as counterparties.

The Group considers its credit risk related to customers as well as partners, to be low, as they are all creditworthy energy companies.

Categories of financial assets and liabilities

The Group has the following financial assets and liabilities: derivative financial assets and liabilities recognized at fair value through profit or loss, derivative financial assets and liabilities designated as accounting hedge instruments (cash flow hedges) for which the effective portion is recognized at fair value through other comprehensive income, accounts receivables that do not contain a significant financing component are measured at the transaction price determined under IFRS 15, cash and cash equivalents measured at fair value, loans and borrowings and other liabilities measured at amortised cost.

2021		Financial assets/ liabilities at fair value through profit and loss	Cash, cash equivalents and receivables, payables	Financial liabilities measured at amortised cost	Cash flow hedge fair value through OCI	Total
USD 1000	Note					
Assets						
Trade receivable	18	-	745 921	-	-	745 921
Investments in shares	16	853	-	-	-	853
Cash and cash equivalents	21	-	223 588	-	-	223 588
Oil put options asset	19	-	-	-	17 407	17 407
Other short term receivables	19	-	65 880	-	-	65 880
Total financial assets		853	1 035 389	-	17 407	1 053 649
Liabilities						
Accounts payable		-	422 155	-	-	422 155
Net payables to joint operations	26	-	408 426	-	-	408 426
Employees, accrued public charges and other payables	26	-	5 314	-	-	5 314
Oil put options liability	26	-	-	-	39 339	39 339
RCF credit facility	23	-	-	4 520 500	-	4 520 500
Prepaid RBL/RCF loan expenses	23	-	-	(27 074)	-	(27 074)
Deferred payment ExxonMobil 2022	23	333 149	-	-	-	333 149
Total financial liabilities		333 149	835 895	4 493 426	39 339	5 701 809

2020

USD 1000	Note	Financial assets/ liabilities at fair value through profit and loss	Cash, cash equivalents and receivables, payables	Financial liabilities measured at amortised cost	Cash flow hedge fair value through OCI	Total
Assets						
Trade receivable	18	-	165 984	-	-	165 984
Investments in shares	16	881	-	-	-	881
Cash and cash equivalents	21	-	272 411	-	-	272 411
Oil put options asset	19	-	-	-	26 340	26 340
Other short term receivables	19	-	48 923	-	-	48 923
Total financial assets		881	487 318	-	26 340	514 539
Liabilities						
Accounts payable		-	252 801	-	-	252 801
Net payables to joint operations	26	-	309 352	-	-	309 352
Employees, accrued public charges and other payables	26	-	18 595	-	-	18 595
Oil put options liability	26	-	-	-	58 263	58 263
RBL credit facility	23	-	-	5 335 000	-	5 335 000
Prepaid RBL loan expenses	23	-	-	(71 938)	-	(71 938)
Deferred payment ExxonMobil 2022	23	320 490	-	-	-	320 490
Total financial liabilities		320 490	580 748	5 263 062	58 263	6 222 563

Fair Value

Management assessed that the fair values of cash and short-term deposits, trade receivables, trade payables, bank overdrafts, and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments. Carrying amount of long term liabilities are also assumed to approximate fair value due to floating interest rate and short term interest rate periods. Derivative assets and liabilities are, as described above, measured at fair value. And they have been determined to constitute level 2 fair value measurements. Investment in shares (in the fair value through profit or loss category) are measured at fair values using level 3 fair value estimates. See below discussion related to fair value hierarchy.

Derivative financial instruments

The Group uses derivative financial instruments, such as Brent crude put options to hedge its commodity price risks.

As of 31 December 2020 and 2021, the Group had the following volumes of Brent crude oil put options in place and with the following strike prices:

Hedging instruments	Volume (no of put options outstanding at balance sheet date) in thousands (BBL)	Exercise price (USD per BBL)
Brent crude oil put options 31 Dec 2020, exercisable in 2021	15 576	40
Brent crude oil put options 31 Dec 2021, exercisable in 2022	14 349	47

Brent crude put options - financial assets

USD 1000	Note	2021	2020
The beginning of the period		26 354	16 635
Increased market value on realised put options		-	168 617
Realised gain brent crude put options	4	-	(168 617)
Cost of hedge	5	(60 492)	(33 110)
Effective portion recognised in OCI		9 976	(15 287)
New Brent crude put options		39 339	58 263
FX-effect		2 230	(147)
The end of the period		17 407	26 354

As of 31 December 2021, the fair value of outstanding Brent Crude oil put options amounted to USD 17 407 thousand. Unrealised gains and losses are recognized in OCI. Note that the cost price (option premium agreed at the inception of the contracts) for the options is paid at the time of realisation (time of exercise or expiration) and that this deferred payment is presented as current liabilities in the balance sheet, see below table.

Brent crude put options – deferred premiums

USD 1 000	Note	2021	2020
The beginning of the period		(58 263)	(33 257)
Cost of hedge	5	60 492	33 110
New Brent crude put options		(39 339)	(58 263)
FX-effect		(2 229)	147
The end of the period		(39 339)	(58 263)

All outstanding put option contracts at 31 December 2021 are due to expire in 2022. Petroleum revenue for 2020 includes realised gains in the amount of USD 168 617 thousand from put options designated as accounting hedges (cash flow hedges). No gain included in petroleum revenue for 2021. The full intrinsic value ("in the money value") of the options at the time of expiry, if any, has been presented in petroleum revenues. The premiums paid for the put options of USD 33 257 thousand in 2020 and USD 58 263 thousand in 2021 have been accounted for as cost of hedging and recycled from OCI to the income statement in the period in which the hedged revenues were realised, and presented as production costs.

Reconciliation of liabilities arising from financing activities

The table below shows a reconciliation between the opening and the closing balances in the statement of financial position for liabilities arising from financing activities.

USD 1000	31 Dec 2020	Cash flow	Amortisation	Non-cash changes Currency	Other	31 Dec 2021
Long-term interest-bearing debt (RCF)	-	4 520 500	-	-	-	4 520 500
Long-term interest-bearing debt (RBL)	5 335 000	(5 335 000)	-	-	-	-
Deferred payment ExxonMobil ¹	320 490	-	12 659	-	-	333 149
Prepaid loan expenses	(71 939)	(26 396)	73 495	(2 234)	-	(27 074)
Totals	5 583 551	(840 896)	86 154	(2 234)	-	4 826 575

¹ Deferred payment to ExxonMobil is due 30 December 2022 and is classified as current liability as of December 2021. It includes interest payment.

USD 1000	31 Dec 2019	Cash flow	Amortisation	Non-cash changes Currency	Other	31 Dec 2020
Long-term interest-bearing debt (RBL)	4 370 428	964 572	-	-	-	5 335 000
Deferred payment ExxonMobil*	519 450	(205 139)	6 179	-	-	320 490
Prepaid loan expenses	(86 976)	(3 383)	17 336	1 084	-	(71 939)
Totals	4 802 902	756 050	23 515	1 084	-	5 583 551

¹ Deferred payment to ExxonMobil includes interest payment.

Fair value hierarchy

The fair value of the financial instruments is included at the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following methods and assumptions were used to estimate the fair values:

The Group enters into derivative financial instruments with various counterparties, principally financial institutions with investment grade credit ratings. Derivatives valued using valuation techniques with market observable inputs are mainly commodity option contracts. The most frequently applied valuation techniques include forward pricing and swap models that use present value calculations. The models incorporate various inputs including the credit quality of counterparties and forward rate curves of the underlying commodity. All derivative contracts are fully cash-collateralised, thereby eliminating both counterparty and the Group's own non-performance risk. As at 31 December 2021, the marked-to-market value of derivative asset positions is net of a credit valuation adjustment attributable to derivative counterparty default risk. The changes in counterparty credit risk had no material effect on financial instruments recognised at fair value.

All assets and liabilities, for which fair value is measured or disclosed in the financial statements, are categorised within the fair value hierarchy, described as follows, based on the lowest-level input that is significant to the fair value measurement as a whole:

- Level 1 input in the form of listed (unadjusted) prices in active markets for identical assets or liabilities.
- Level 2 – input other than listed prices of assets and liabilities included in Level 1 that is observable for assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 – input for assets or liabilities for which there is no observable market data (non-observable input).

Note 21 Cash and cash equivalents

USD 1000	31 Dec 2021	31 Dec 2020
Bank deposits, unrestricted	214 133	262 938
Bank deposit, restricted, employee taxes	9 454	9 473
Total bank deposits	223 588	272 411

Note 22 Share capital and shareholders

Share capital amounted to USD 45 972 thousand (NOK 399 425 thousand) as of 31 December 2021 which consisted of 399 425 shares at par value NOK 1 000. Every share has equal voting rights, 1 share equals 1 vote.

Shareholders at 31 December 2021 was Eni International B.V. with 278 998 shares (69.85%) and Point Resources Holding AS with 120 427 (30.15%).

Ultimate owner of Eni International BV is Eni SpA. Ultimate owner of Point Resources Holding AS is Hitec Vision fund V, VI, VII, LP.

Earnings per share are calculated by dividing the net result attributable to shareholders of the Parent Company by the weighted average number of shares for the year. There are no option schemes or convertible bonds in the company, meaning there is no difference between the ordinary and diluted earnings per share.

USD 1000	2021	2020
Profit for the year attributable to ordinary equity holders of the parent company	621 585	(1 626 625)
The year's average number of ordinary shares (in thousands)	399	399
Earnings per share in USD	1 556	(4 072)
Earnings per share in USD diluted	1 556	(4 072)

The company was listed on the Oslo Stock Exchange 16 February 2022, and as a consequence of this, company bylaws, voting rights and composition of the board have changed after 31 December 2021. See [note 32](#) for more information.

An overview of the 20 largest shareholders registered as of 21 February 2022 can be found here: [Vår Energi - Share Info - Largest shareholders \(varenergi.no\)](#)

Note 23 Financial liabilities and borrowings**Interest-bearing loans and borrowings**

USD 1000	Note	Maturity	31 Dec 2021	31 Dec 2020
RBL credit facility			-	5 335 000
RCF bridge facility	32	2023	3 000 000	-
RCF working capital facility	32	2024	1 420 500	-
RCF liquidity facility	32	2026	-	-
RCF credit facility	32	2023	100 000	-
Deferred payment ExxonMobil, non-current		2022	-	320 490
Prepaid loan expenses			(27 074)	(71 938)
Total non-current interest-bearing loans and borrowings			4 493 426	5 583 552

USD 1000	Note	Maturity	31 Dec 2021	31 Dec 2020
Deferred payment ExxonMobil, current			333 149	-
Total current interest-bearing loans and borrowings			333 149	-
Total interest-bearing loans and borrowings			4 826 575	5 583 552

On 1 November 2021, Vår Energi signed a senior unsecured multicurrency facilities agreement for USD 6.0 billion with a group of 12 international banks, refinancing the reserve based lending ('RBL') facility. The agreement contains of 3 separate facilities; (1) bridge to bond facility of USD 3 billion which including extension options at the borrower's discretion has a tenor of up to 2 years, (2) working capital revolving credit facility of USD 1.5 billion with a tenor 3 years and (3) liquidity facility of USD 1.5 billion with a tenor 5 years. The facilities have no amortisation structure and all amounts outstanding fall due at maturity. The facilities have covenants covering leverage (net interest-bearing debt to 12 months rolling EBITDAX not to exceed 3.5) and interest coverage (EBITDA to 12 months rolling interest expenses shall exceed 5) which will be tested at the end of each calendar quarter. Vår Energi has been and is compliant with these covenants at 31 December 2021.

The interest conditions for the facilities are determined by the rating and timing; at 31 December 2021 the following conditions applied: Bridge to bond: 0.5% margin plus the CAD and SOFR rate. Working Capital facility: 1.08% margin plus the CAD and SOFR rate. Liquidity facility: 1.13% margin plus the CAD and SOFR rate.

On 24 March 2020, Vår Energi signed two unsecured revolving credit facility agreements (RCF) for a total amount of USD 600 million with a tenor of 3 years. The agreements were amended and restated 18 November 2021 to align with the Corporate Facilities with no changes to tenor or total commitment.

Deferred payment to ExxonMobil is part of the consideration for the 2019 acquisition of ExxonMobil's ownership interests in Partner-Operated fields and licenses on the Norwegian Continental Shelf.

Credit facilities - utilised and unused amount

USD 1000	31 Dec 2021	31 Dec 2020
Drawn amount RCF credit facility	4 520 500	5 335 000
Undrawn amount credit facilities	2 079 500	854 100

Net proceeds of revolving credit facility is offset with prepaid loan expenses of USD 26.4 million in the cash flow statement.

Note 24 Provision for abandonment liabilities

USD 1000	
Total provision as of 1 January 2020	3 474 281
Change in estimate	658 419
Accretion discount	74 427
Payment for decommissioning of oil and gas fields	(101 687)
Currency translation effects	181 011
Total provision as of 31 December 2020	4 286 451
Change in estimate	(922 730)
Accretion discount	94 733
Payment for decommissioning of oil and gas fields	(70 418)
Currency translation effects	(90 860)
Total provision as of 31 December 2021	3 297 176
Estimated abandonment period:	2022–2056

Breakdown of the provision by decommissioning period	31 Dec 2021
2022–2030	269 534
2031–2040	1 989 456
2041–2057	1 038 186

Breakdown of the provision to short-term and long-term liabilities	31 Dec 2021
Short-term	61 536
Long-term	3 235 640
Total provision as of 31 December 2021	3 297 176

Change in estimate mainly relates to updated discount rates in 2021 vs. 31 December 2020.

Estimates are based on executing a concept for abandonment in accordance with the Petroleum Activities Act and international regulations and guidelines. The calculations assume an inflation rate between 1.8% - 2.3% and discount rates between 1.15% and 3.00%. The discount rates are based on risk-free interest without addition of credit margin.

Payment for decommissioning of oil and gas fields (abex) is mainly related to Ekofisk/Tor USD 39 693 thousand and Jotun/Ringhorne USD 29 054 thousand.

Vår Energi has a retirement obligation as a shipper in Gassled booked to other non-current liabilities ([note 25](#)) in the balance sheet statement. The Group has accrued USD 73 832 thousand for this purpose at 31 December 2021.

Note 25 Other non-current liabilities

USD 1000	Note	31 Dec 2021	31 Dec 2020
Contingent consideration	27	78 187	77 876
Deferred gain ¹		10 852	12 023
Removal provision Gassled	24	73 832	66 965
Total other non-current liabilities		162 870	156 865

¹ Deferred gain

In 2017 Point Resources AS, sold the shares in ExxonMobil Property Norway (2) AS, and immediately entered into a finance lease for the office building located in Grenseveien 6, 4313 Sandnes. The excess of sales proceeds is deferred and amortised over the lease term (20 years).

Note 26 Other current liabilities

USD 1000	Note	31 Dec 2021	31 Dec 2020
Overlift of hydrocarbons		317 606	166 175
Net payables to joint operations		408 426	328 057
Employees, accrued public charges and other payables		5 314	18 577
Contingent consideration, current	27	-	30 125
Deferred payment for option premiums - oil puts	20	39 339	58 263
Total other current liabilities		770 685	601 197

The liability for oil put options relates to cost of oil put options that under the purchase agreement is due for payment at the time of settlement of the option (exercise/expiry) and is not a measure of fair value.

Note 27 Commitments, provisions and contingent consideration

Other contractual obligations

Minimum work programs

Vår Energi is required to participate in the approved work programs for the licences. Together with the licence partners there is also an obligation to participate in exploration wells according to the license agreements. Remaining drilling commitments at 31 December 2021 are 6 wells, with an estimated cost of USD 30 864 thousand.

Commitments

Vår Energi has entered into contractual commitments to secure planned activities. The numbers disclosed in the table below, represents Vår Energi's share of capital and operation expenditures from its participation in operated and non-operated exploration, development and production projects, as well as corporate activities. The current main development projects are Johan Castberg, Balder Future and Brediablikk. The table below excludes contracts reported as lease, as disclosed in [note 28](#) Lease agreements.

USD 1000	31 Dec 2021	31 Dec 2020
Within one year	266 234	254 876
After one year but not more than five years	199 463	363 401
More than five years	3 273	2 379
Total commitments other than leases	468 970	620 656

Liability for damages/insurance

Vår Energi's operations involve risk for damages, including pollution. Installations and operations are covered by an operations insurance policy.

Guarantees

Vår Energi has provided guarantees with USD 2 090 thousand in favour of Aker BP ASA in relation to decommissioning cost on Snorre.

Vår Energi has contingent liabilities in respect of agreements with pipeline and processing companies, whereby it may be required to provide such companies with additional funds against future transportation and processing of petroleum liquids and natural gas delivered by Vår Energi to these companies.

Eni International B.V. has issued a guarantee to ExxonMobil for the seller's subsidiary removal cost obligations per Norwegian Law, in connection with Vår Energi's asset acquisitions from ExxonMobil in 2017 and 2019. Vår Energi pays and expenses an annual fee to Eni International B.V. The total estimated net present value of the fee payments as of 31 December 2021 is USD 309 000 thousand, with a payment profile that is reduced according to the payment profile of decommissioning of asset acquired from ExxonMobil in 2017 and 2019, see [note 24](#).

Provisions and Contingencies

As part of the purchase agreement between Point Resources AS and ExxonMobil in 2017, Point Resources AS agreed to pay a contingent consideration related to possible development of the Forseti structure. The total consideration shall in no event exceed USD 110 000 thousand, and will be paid on the earlier of 1 March 2024 and completion of the Forseti Drilling Program. In June 2021, a minimum payment of USD 30 000 thousand was paid. Vår Energi is due to pay USD 2 per barrel if the P50 reserves estimate exceeds 15 million BOE. As of 31 December 2021, the net present value of the remaining consideration was estimated to USD 78 187 thousand and was recognised as a liability.

During the normal course of its business, Vår Energi will be involved in disputes, including tax disputes. The Group has made accruals for probable liabilities related to litigation and claims based on management's best judgment and in line with IAS37 and IAS12.

Note 28 Lease agreements

Vår Energi has entered into lease agreements for drilling rigs, helicopter, storage vessel and other vessels to secure planned activities.

The Group has lease agreements for offices in Sandnes, Oslo and Hammerfest. The most significant office contract is the lease of the main office building in Vestre Svanholmen 1, Sandnes.

Vår Energi also has leases for supply vessels and warehouses supporting operation at Balder and Goliat, where the most significant are for the supply vessels operating at Goliat.

A new lease agreement commenced in Q4 2021 for the West Phoenix drilling rig. The rig will support the Balder Future drilling campaign in the North Sea.

Non-lease components such as the service element of rig commitments are not included as part of the lease debt. As at 31 December 2021 the service share of rig contracts amounts to USD 136 million.

The total expenditure relating to short-term leases which are not recognized as part of lease liabilities was USD 18 million in 2021.

USD 1000	Note	2021	2020
Opening Balance lease debt		164 482	168 428
New lease debt in period		208 819	34 479
Payments of lease debt		(48 401)	(48 384)
Lease debt derecognized in period		-	(5 416)
Interest expense on lease debt		7 819	7 288
Currency exchange differences		(7 631)	8 085
Total lease debt		325 088	164 482

Breakdown of the lease debt to short-term and long-term liabilities	31 Dec 2021	31 Dec 2020
Short-term	108 880	41 078
Long-term	216 208	123 404
Total lease debt	325 088	164 482

Lease debt split by activities	31 Dec 2021	31 Dec 2020
Offices	66 525	73 819
Rigs and Supply vessels	250 811	81 421
Warehouse	7 752	9 242
Total	325 088	164 482

Nominal lease debt maturity breakdown	31 Dec 2021	31 Dec 2020
Within one year	108 880	41 078
Two to five years	195 053	32 005
After five years	45 091	115 314
Total	349 024	188 397

Note 29 Related party transactions

Vår Energi has a number of transactions with other wholly owned or controlled companies by the shareholders. The related party transactions reported is owned/controlled by the majority owner of Vår Energi, Eni International BV. Revenues are mainly related to sale of oil, gas and NGL while the expenditures are mainly related to technical services, seconded personnel, insurance guarantees and rental cost.

Current assets

USD 1000	31 Dec 2021	31 Dec 2020
Trade receivables		
Eni Trade & Biofuels SpA	160 533	-
Eni Global Energy Markets	138 342	173 599
Eni SpA	123 884	30 285
Other	2 075	2 814
Total trade receivables	424 834	206 698

All receivables are due within 1 year.

Current liabilities

USD 1000	31 Dec 2021	31 Dec 2020
Account Payables		
Eni Global Energy Markets	24 547	4 471
Eni International BV	21 336	21 533
Eni SpA	19 387	21 660
Other	915	148
Total account payables	66 185	47 812

Sales revenue

USD 1000	2021	2020
Eni Trade & Biofuels SpA	1 910 883	-
Eni SpA	703 428	112 193
Eni Global Energy Markets	473 372	1 300 083
Total sales revenue	3 087 683	1 412 276

Operating and capital expenditures

USD 1000	2021	2020
Eni SpA	46 294	38 950
Eni Trade & Biofuels SpA	29 020	-
Eni International BV	21 904	20 567
Eni Global Energy Markets	21 590	18 085
Eni International Resources Ltd.	2 019	3 272
Other	1 617	1 208
Total operating and capital expenditures	122 443	82 082

Note 30 License ownerships

Fields	WI %	Operator	Licenses	Concession period expires	Fields	WI %	Operator	Licenses	Concession period expires
BALDER	90.00%	Vår Energi	PL 001/PL 027/PL 027C/PL 169/PL 028	2030	NORNE	6.90%	Equinor	PL 128/PL 128 B	2026
BAUGE	17.50%	Equinor	PL 348/PL 348B	2029	ORMEN LANGE	6.34%	Norske Shell	PL 208/PL 250	2041
BRAGE	12.26%	Wintershall Dea	PL 053B/PL 055/PL 185/PL 055B/PL 055D	2030	RINGHORNE ØST	69.98%	Vår Energi	PL 027/PL 169E/PL 053B/PL 055/PL 185	2030
BREIDABLIKK	34.40%	Equinor	PL169/PL169 BS/PL001 DS/ PL027 FS	2030	SIGYN	40.00%	Equinor	PL 072	2022
BØYLA	20.00%	Aker BP	PL 340/PL 340BS	2029	SKULD	11.50%	Equinor	PL 128	2026
EKOFISK	12.39%	ConocoPhillips	PL 018/PL 018 B	2028	SLEIPNER VEST	17.24%	Equinor	PL 029/PL 046	2028
ELDFISK	12.39%	ConocoPhillips	PL 018	2028	SLEIPNER ØST	15.40%	Equinor	PL 046	2028
EMBLA	12.39%	ConocoPhillips	PL 018	2028	SNORRE	18.55%	Equinor	PL 057	2040
FENJA	45.00%	Neptune Energy	PL 586	2039	STATFJORD	21.37%	Equinor	PL 037	2026
FRAM	25.00%	Equinor	PL 090/090E	2024	STATFJORD NORD	25.00%	Equinor	PL 037	2026
GOLIAT	65.00%	Vår Energi	PL229	2042	STATFJORD ØST	20.55%	Equinor	PL 037/PL 089	2040
GRANE	28.32%	Equinor	PL 001CS/PL 169B1	2030	SVALIN	13.00%	Equinor	PL 169	2030
GUNGNE	13.00%	Equinor	PL 046	2028	SYGNA	21.00%	Equinor	PL 037/PL 089	2040
HEIDRUN	5.18%	Equinor	PL 095/PL 124	2024/2025	TOR	10.82%	ConocoPhillips	PL 006/PL 018	2028
HYME	17.50%	Equinor	PL 348	2029	TORDIS	16.10%	Equinor	PL 089	2040
JOHAN CASTBERG	30.00%	Equinor	PL 532	2049	TRESTAKK	40.90%	Equinor	PL 091/PL 091D	2029
KRISTIN	16.66%	Equinor	PL 134D	2027	TYRIHANS	18.02%	Equinor	PL 073/PL 073 B/PL 091	2029
MARULK	20.00%	Vår Energi	PL 122	2025	URD	11.50%	Equinor	PL 128	2026
MIKKEL	48.38%	Equinor	PL 092/PL 121	2024	VIGDIS	16.10%	Equinor	PL 089	2040
MORVIN	30.00%	Equinor	PL 134B/P L034C	2027	ÅSGARD	22.06%	Equinor	PL 062/PL 074/PL 094 /PL 094 B/PL 134/PL 237/PL 479	2027

Licenses	WI %	Operator	Licenses	WI %	Operator	Licenses	WI %	Operator	Licenses	WI %	Operator	Licenses	WI %	Operator
PL001	90.00%	Vår Energi	PL074 B	39.20%	Equinor	PL134 B	30.00%	Equinor	PL348 B	17.50%	Equinor	PL1001	20.00%	ConocoPhillips
PL001 CS	100.00%	Vår Energi	PL074 CS	39.20%	Equinor	PL134 C	30.00%	Equinor	PL375	20.00%	Equinor	PL1002	40.00%	Vår Energi
PL001 DS	100.00%	Vår Energi	PL074 DS	39.20%	Equinor	PL134 D	30.00%	Equinor	PL393	50.00%	Equinor	PL1002B	40.00%	Vår Energi
PL018	12.39%	ConocoPhillips	PL074 ES	39.20%	Equinor	PL145	20.00%	ConocoPhillips	PL473	39.20%	Equinor	PL1005	40.00%	Aker BP
PL018 B	12.39%	ConocoPhillips	PL089	16.10%	Equinor	PL169	13.00%	Equinor	PL479	34.30%	Equinor	PL1025 S	30.00%	Vår Energi
PL027	90.00%	Vår Energi	PL090	25.00%	Equinor	PL169 B1	7.00%	Equinor	PL489	40.00%	Vår Energi	PL1035	30.00%	Suncor
PL027 C	90.00%	Vår Energi	PL090 E	25.00%	Equinor	PL169 B2	10.00%	Equinor	PL532	30.00%	Equinor	PL1042	30.00%	Aker BP
PL027 FS	100.00%	Vår Energi	PL090 I	25.00%	Equinor	PL169 E	13.00%	DNO Norge	PL554	30.00%	Equinor	PL1043	40.00%	Vår Energi
PL027 HS	100.00%	Vår Energi	PL091	40.90%	Equinor	PL185	12.26%	Wintershall Dea	PL554 B	30.00%	Equinor	PL1050	21.37%	Equinor
PL028	90.00%	Vår Energi	PL091 D	40.90%	Equinor	PL199	15.00%	Equinor	PL554 C	30.00%	Equinor	PL1065	40.00%	Vår Energi
PL028 C	13.00%	Equinor	PL091 E	40.90%	Equinor	PL209	10.00%	Equinor	PL554 D	30.00%	Equinor	PL1070	30.00%	Total
PL028 S	90.00%	Vår Energi	PL092	54.90%	Equinor	PL219	50.00%	Equinor	PL586	45.00%	Neptune	PL1072	70.00%	Vår Energi
PL029	85.00%	Vår Energi	PL094	34.30%	Equinor	PL220	15.00%	Equinor	PL608	30.00%	Equinor	PL1072 B	70.00%	Vår Energi
PL037	25.00%	Equinor	PL094 B	22.06%	Equinor	PL229	65.00%	Vår Energi	PL740	50.00%	DNO Norge	PL1073	70.00%	Vår Energi
PL044	13.12%	ConocoPhillips	PL095	5.00%	ConocoPhillips	PL229 B	65.00%	Vår Energi	PL784	20.00%	Aker BP	PL1074	40.00%	Vår Energi
PL046	13.00%	Equinor	PL107 B	5.00%	Equinor	PL229 E	50.00%	Vår Energi	PL822 S	40.00%	Aker BP	PL1075	60.00%	Vår Energi
PL053 B	12.26%	Wintershall Dea	PL107 D	5.00%	Equinor	PL229 G	50.00%	Vår Energi	PL869	20.00%	Aker BP	PL1078	30.00%	Equinor
PL055	12.26%	Wintershall Dea	PL121	34.90%	Equinor	PL237	22.06%	Equinor	PL901	50.00%	Vår Energi	PL1079	30.00%	Vår Energi
PL055 B	12.26%	Wintershall Dea	PL122	20.00%	Vår Energi	PL250	5.91%	Shell	PL917	20.00%	ConocoPhillips	PL1080	30.00%	Equinor
PL055 D	12.26%	Wintershall Dea	PL122 B	20.00%	Vår Energi	PL257	15.00%	Equinor	PL917 B	20.00%	ConocoPhillips	PL1090	50.00%	Vår Energi
PL055 E	12.26%	Wintershall Dea	PL122 C	20.00%	Vår Energi	PL263 C	9.80%	Equinor	PL938	20.00%	Neptune	PL1096	30.00%	Vår Energi
PL057	4.90%	Equinor	PL122 D	20.00%	Vår Energi	PL275	12.39%	ConocoPhillips	PL946	40.00%	Equinor	PL1114	30.00%	Chrysador Norge
PL062	9.80%	Equinor	PL124	10.00%	Equinor	PL293	25.00%	Equinor	PL947	40.00%	Equinor	PL1117	30.00%	Okea
PL072	40.00%	Equinor	PL128	11.50%	Equinor	PL312	41.00%	Equinor	PL947 B	40.00%	Equinor	PL1120	20.00%	DNO Norge
PL072 B	50.00%	Equinor	PL128 B	6.90%	Equinor	PL312 B	41.00%	Equinor	PL956	70.00%	Vår Energi	PL1121	30.00%	Equinor
PL073	12.09%	Equinor	PL128 D	11.50%	Equinor	PL340	20.00%	Aker BP	PL984	30.00%	DNO Norge	PL1122	20.00%	ConocoPhillips
PL073 B	14.50%	Equinor	PL128 E	11.50%	Equinor	PL340 BS	20.00%	Aker BP	PL984 BS	30.00%	DNO Norge	PL1131	40.00%	Vår Energi
PL074	39.20%	Equinor	PL134	30.00%	Equinor	PL348	17.50%	Equinor	PL985	40.00%	Vår Energi	PL1132	60.00%	Vår Energi

Note 31 Proved developed reserves (unaudited)

Production 2020	(97.1)
Changes in estimate 2020	(12.6)
Proved developed reserves as at 31 December 2020	363.5
Production 2021	(89.7)
Changes in estimate 2021	100.0
Proved developed reserves as at 31 December 2021	373.8

Proved developed reserves are Vår Energi ASA's own evaluation based on U.S. Securities and Exchange Commission (SEC). Reference is also made to the 2021 Annual Statement of Reserves Report.

Total proved reserves at 31 December 2021 were 718 million BOE.

At the end of the 2021, the Company's total proved and probable reserves (2P) net to Vår Energi were 1 119 million BOE, slightly down from 1 147 million BOE at year-end 2020.

The minor reduction from 2020 to 2021 is mainly due to a combination of high production (90 million BOE) in 2021 partly offset by additional reserves maturation and upward revisions of reserves following the better commodity prices during 2021.

Total contingent resources (3C) at year-end 2021 were 562 million BOE, an increase of 141 million BOE compared to year-end 2020. The main reasons were the recent Isflak, Blasto and King/Prince discoveries as well as new project/drilling activities being planned in some of our developed fields.

More than 75% of Vår Energi's total proved and probable reserves are coming from four major hubs: Balder/Grane Area with 31%, Barents Sea Area with 19%, Åsgard Area with 15% and Tampen Area with 12%. 71% of the Company's proved and probable reserves were oil, whereas nearly 24% were gas and 5% were NGL.

The Company's 5 largest fields - Balder, Ringhorne, Goliat, Johan Castberg and Snorre combined amounts to approximately 47% of total proved and probable reserves.

The Company's reserve life index (RLI) at year-end 2021, calculated on the basis of proved and probable reserves, was 12.5 years.

Note 32 Subsequent events

In January 2022, Vår Energi was awarded 10 licenses in the APA 2021 licensing round, of which five operated. The new licenses have a good strategic fit with existing portfolio, strengthening presence in key hubs while also offering additional opportunities into new prospective sectors on the NCS.

On 26 January 2022, following an extraordinary General Meeting of Vår Energi's shareholders, Vår Energi was converted to a public limited liability company (ASA - Allmennaksjeselskap) and the composition of the Board of Directors changed.

On 15 February 2022, the voting rules were amended and a resolution of the general meeting requires the support of at least two-thirds of the votes cast and of the share capital represented at the general meeting.

On 16 February 2022, Vår Energi ASA was listed on the Oslo Stock Exchange.

In 2022 Vår Energi has entered into forward gas sales contracts. Vår Energi has sold 9.2% of its estimated 2022 gas production on a fixed price, generating sales revenues of USD 407 million at an average price of 155.7 \$/BOE. The current market situation is very much impacted by the war in Ukraine and uncertainty related to availability of gas from Russia into the European market. There is currently not sufficient liquidity in the market to enter into new fixed price gas sales contracts.

Vår Energi operates only on the Norwegian Continental Shelf and market its petroleum products to customers in Norway, EU and UK. While not directly exposed to Russia's invasion of Ukraine, there is significant uncertainty regarding the potential impact on safe and reliable energy supply, as well as to the market prices of oil, gas and other commodities which may impact future operations and results.

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Parent company

Statement of comprehensive income

USD 1000, except earnings per share data	Note	2021	2020
Petroleum revenues	4	6 043 375	2 868 635
Other operating income	4	18 834	16 758
Total income		6 062 209	2 885 393
Production costs	5	(1 270 616)	(1 044 360)
Exploration expenses	8	(57 138)	(57 183)
Depreciation and amortisation	13, 14	(1 703 544)	(1 706 523)
Impairment loss and reversals	12, 13, 15	63 419	(2 267 556)
Other operating expenses	9	(110 483)	(176 204)
Total operating expenses		(3 078 362)	(5 251 826)
Operating profit/(loss)		2 983 847	(2 366 433)
Net financial income/(expenses)	10	(266 223)	(238 410)
Net exchange rate gain/(loss)	10	(152 092)	290 674
Profit/(loss) before taxes		2 565 532	(2 314 169)
Income tax (expense)/income	11	(1 871 832)	568 930
Profit/(loss) for the year		693 700	(1 745 239)
Other comprehensive income:			
Items that may be reclassified subsequently to the income statement:			
Currency translation differences		(60 257)	(120 047)
Net gain/(loss) on put options used for hedging		6 924	(11 586)
Other comprehensive income for the period, net of tax		(53 332)	(131 633)
Total comprehensive income		640 367	(1 876 871)
Earnings per share			
EPS Basic	22	1 737	(4 369)
EPS Diluted	22	1 737	(4 369)

Parent company

Balance sheet statement

USD 1000	Note	31 Dec 2021	31 Dec 2020
ASSETS			
Non-current assets			
Intangible assets			
Goodwill	12	2 528 510	2 726 208
Capitalised exploration wells	12	199 981	113 327
Other intangible assets	12	104 520	107 732
Tangible fixed assets			
Property, plant and equipment	13	15 203 397	15 782 612
Right of use assets	14	298 432	133 846
Financial assets			
Investment in shares	16	224 285	257 103
Other non-current assets	16	1 809	2 694
Total non-current assets		18 560 933	19 123 522
Current assets			
Inventories	17	301 694	283 199
Trade receivables	18, 29	754 939	166 026
Other receivables, prepaid assets and financial instruments	19	272 261	222 919
Tax receivable	11	-	522 854
Cash and cash equivalents	21	190 229	245 150
Total current assets		1 519 123	1 440 148
TOTAL ASSETS		20 080 056	20 563 670

Parent company

Balance sheet statement

USD 1000	Note	31 Dec 2021	31 Dec 2020
EQUITY AND LIABILITIES			
Equity			
Share capital	22	45 972	45 972
Share premium		2 643 181	3 593 181
Other equity		(1 216 602)	(1 858 074)
Total equity		1 472 550	1 781 078
Non-current liabilities			
Interest-bearing loans and borrowings	23	4 493 426	5 583 552
Deferred tax liabilities	11	7 783 909	7 320 822
Abandonment obligation	24	3 235 640	4 260 181
Lease liabilities, non-current	28	216 208	103 763
Other non-current liabilities	25	162 870	156 865
Total non-current liabilities		15 892 053	17 425 182
Current liabilities			
Abandonment obligation, current	24	61 536	26 270
Accounts payables	29	641 261	688 855
Taxes payable	11	791 518	-
Interest-bearing loans, current	23	333 149	-
Lease liabilities, current	28	99 272	41 078
Other current liabilities	26	788 717	601 206
Total current liabilities		2 715 452	1 357 410
Total liabilities		18 607 506	18 782 592
TOTAL EQUITY AND LIABILITIES		20 080 056	20 563 670

Sandnes, 29 March 2022
The Board of Directors of Vår Energi ASA
Signed electronically

Thorhild Widvey
Chair

Liv Monica Bargem Stubholt
Deputy Chair

Francesco Gattei
Director

Guido Brusco
Director

Clara Andreoletti
Director

Marica Calabrese
Director

Fabio Romeo
Director

Ove Gusevik
Director

Kjersti Selvik
Director,
employee representative

Laurits Hosar
Director
employee representative

Jan Inge Nesheim
Director,
employee representative

Christine Vorland
Director,
employee representative

Torger Rød
Chief Executive Officer

Parent company

Statement of changes in equity

USD 1000	Share capital	Share premium	Other equity			Total equity
			Other equity	Translation differences	Hedge reserve	
Balance at 1 January 2020	45 972	4 043 181	80 025	(46 063)	(17 393)	4 105 721
Profit/(loss) for the period	-	-	(1 745 239)	-	-	(1 745 239)
Other comprehensive income/(loss)	-	-	-	(120 047)	(11 586)	(131 633)
Total comprehensive income/(loss)	-	-	(1 745 239)	(120 047)	(11 586)	(1 876 871)
Dividends paid	-	(450 000)	-	-	-	(450 000)
Other	-	-	2 228	-	-	2 228
Balance at 31 December 2020	45 972	3 593 181	(1 662 986)	(166 110)	(28 978)	1 781 078
Balance at 1 January 2021	45 972	3 593 181	(1 662 986)	(166 110)	(28 978)	1 781 078
Profit/(loss) for the period	-	-	693 700	-	-	693 700
Other comprehensive income/(loss)	-	-	-	(60 257)	6 924	(53 332)
Total comprehensive income/(loss)	-	-	693 700	(60 257)	6 924	640 367
Dividends paid	-	(950 000)	-	-	-	(950 000)
Other	-	-	1 105	-	-	1 105
Balance at 31 December 2021	45 972	2 643 181	(968 181)	(226 367)	(22 054)	1 472 550

Parent company

Statement of cash flows

USD 1000	Note	2021	2020
Profit/(loss) before income taxes		2 565 532	(2 314 169)
Adjustments to reconcile profit before tax to net cash flow:			
– Depreciation and amortisation	13, 14	1 703 544	1 706 523
– Impairment loss and reversals	15	(63 419)	2 267 556
– (Gain)/loss on sale and retirement of assets	4	-	(1 043)
– Impairment of exploration wells	8	5 887	20 024
– Accretion expenses (asset retirement obligation)	10	94 733	74 427
– Unrealised (gain)/loss on foreign currency transactions and balances	10	568 521	(321 940)
– Other non-cash items and reclassifications		(18 648)	359 554
Working capital adjustments:			
– Changes in inventories, accounts payable and receivables		(648 249)	288 747
– Changes in other current balance sheet items		219 944	151 937
Contingent consideration paid related to prior business combination	26	(30 000)	-
Income tax received/(paid)	11	181 758	(334 099)
Interest received	10	10 662	32 108
Interest paid	10	(141 531)	(188 415)
Net cash flow from operating activities		4 432 734	2 127 364

USD 1000	Note	2021	2020
Cash flow from investing activities			
Expenditures on exploration and evaluation assets	12	(104 318)	(40 515)
Expenditures on property, plant and equipment	13	(2 496 298)	(1 771 339)
Payment for decommissioning of oil and gas fields	24	(70 418)	(101 687)
Proceeds from sale of assets (sales price)		24 398	-
Expenditures on other intangible assets		(295)	-
Net cash used on business combination	12	(2 208)	(33 498)
Net cash used in investing activities		(2 633 140)	(2 333 194)
Cash flow from financing activities			
Dividends paid		(950 000)	(450 000)
Net proceeds/(payments) of revolving credit facility	20	4 494 104	-
Net proceeds/(payments) of reserve based lending facility	20	(5 335 000)	964 572
Payment of other loans and borrowings	20	-	(150 000)
Payment of principal portion of lease liability	28	(43 790)	(52 377)
Net cash from financing activities		(1 834 686)	312 194
Net change in cash and cash equivalents		(35 092)	106 365
Cash and cash equivalents, beginning of period		245 150	140 459
Effect of exchange rate fluctuation on cash held		(19 829)	(1 675)
Cash and cash equivalents, end of period		190 229	245 150

Parent company

Notes to the financial statements

Note 1 Corporate information

The financial statements of Vår Energi ASA for the twelve months period ended 31 December 2021 were authorised for issue in accordance with a Board resolution on 29 March 2022.

Vår Energi ASA is a public limited liability company incorporated and domiciled in Norway and the Company's shares are listed on Oslo Stock Exchange. The Company's head office is located at Vestre Svanholmen 1, 4313 Sandnes, Norway.

Vår Energi is an independent exploration and production (E&P) company with a diverse portfolio of production, development and exploration assets on the Norwegian Continental Shelf (NCS).

The Vår Energi parent IFRS annual financial statements for 2020 is available [here](#).

Note 2 Summary of IFRS accounting principles

These parent company financial statements should be read in connection with the Consolidated financial statements of Vår Energi, published together with these financial statements. With the exceptions described below, Vår Energi ASA applies the accounting policies of the group, as described in Vår Energi's disclosure [note 2](#) Summary of IFRS accounting principles, and reference is made to this note for further details.

Subsidiaries

Shareholdings in subsidiaries are accounted for using the cost method. Investments in subsidiaries are tested for impairment following the same principles as the impairment testing of Property, plant and equipment in the financial statements of the Group. Dividends received from subsidiaries are presented in Net financial income.

Note 3 Segment information

Refer to [note 3](#) in the Consolidated Financial Statements disclosing information to the Company's segment information.

Note 4 Income

Petroleum revenues (USD 1000)	Note	EU/UK	Norway	2021	2020
Revenue from crude oil sales		3 448 157	-	3 448 157	1 945 461
Revenue from gas sales		2 118 534	108 798	2 227 332	540 995
Revenue from NGL sales		353 551	14 335	367 885	213 561
Gains on cash flow hedge - crude put options	19, 20			-	168 617
Total petroleum revenues		5 920 243	123 132	6 043 375	2 868 635
Sales of crude (boe 1000) (unaudited)				49 006	50 977
Sales of gas (boe 1000) (unaudited)				28 011	31 116
Sales of NGL (boe 1000) (unaudited)				8 180	10 034
Other operating income (USD 1000)				2021	2020
Gain/loss (-) from sale of assets				-	1 043
Other operating income				18 834	15 714
Total other operating income				18 834	16 758

The majority of sales are to international customers in EU/UK.

Vår Energi was fully hedged for oil production after tax at a strike price of 50 USD/bbl in 2020. Gain on cash flow hedge in 2020 relates to exercised put options during the year, especially the period March - May with prices below 35 USD/BBL.

Other operating income is mainly related to other partner's share of lease cost recovered by the company.

Note 5 Production costs

USD 1000	2021	2020
Cost of operations	668 755	577 446
Transportation and processing	243 150	269 679
Environmental taxes	101 658	68 065
Insurances	46 466	65 177
Production cost based on produced volumes	1 060 029	980 367
Back-up cost shuttle tankers	33 148	11 726
Adjustment of over/underlift (-)	116 947	19 158
Premium expense for crude put options	60 492	33 110
Production cost based on sold volumes	1 270 616	1 044 360
Total produced volumes (boe 1000) (unaudited)	89 732	97 076
Production cost per boe produced (USD/boe) (unaudited)	11.8	10.1

Vår Energi has in 2021 updated the classification of cost compared to the Parent Company Financial Statements for 2020 to better align type of cost. The company has reallocated pre-production costs (USD 8 147 thousand in 2020) and guarantee fee (USD 20 570 thousand in 2020) from Cost of operations to Other operating expenses and back-up cost shuttle tankers (USD 11 726 thousand in 2020) from Cost of operations to separate line item under Production cost based on sold volumes.

Note 6 Staff costs and remuneration

Refer to [note 6](#) in the Consolidated Financial Statements disclosing information to the Company's staff costs and remuneration.

Note 7 Auditors fee

USD 1000	2021	2020
Statutory audit	427	586
Other attestations	434	10
Other services	70	163
Total fee	931	759

Services other than audit in 2021 provided by the auditors related to assistance with prospectus. In 2020 services other than audit mainly related to project support and assistance to offshore operations department and non-financial process improvement activities.

Note 8 Exploration expenses

Refer to [note 8](#) in the Consolidated Financial Statements disclosing information to the Company's exploration expenses

Note 9 Other operating expenses

Refer to [note 9](#) in the Consolidated Financial Statements disclosing information to the Company's other operating expenses

Note 10 Financial items

USD 1000	Note	2021	2020
Interest income on bank accounts and receivables		10 662	32 108
Dividends		5 963	34
Other financial income		-	-
Interests on debts and borrowings		(143 461)	(188 415)
Interest on lease debt		(7 136)	(7 747)
Capitalised interest cost, development projects		49 034	29 824
Amortisation of fees and expenses		(73 495)	(17 336)
Accretion expenses (asset retirement obligation)	24	(94 733)	(74 427)
Other financial expenses		(13 056)	(12 451)
Net financial income/(expenses)		(266 223)	(238 410)
Currency forward contracts gain/(loss)		-	(11 468)
Unrealised exchange rate gain/(loss)		(568 521)	321 940
Realised exchange rate gain/(loss)		416 429	(19 797)
Net exchange rate gain/(loss)		(152 092)	290 674
Net financial items		(418 315)	52 265

Due to extinguishment of debt and new debt in November 2021, the prepayments of fees related to the loans which were terminated are fully recognised through P&L in 2021 and presented as increased amortisation of fees and expenses.

2021 exchange rate gains and losses relates mainly to substantial realised exchange rate gain due to the realisation of the RBL loan in November 2021 (refer to [note 23](#)). This exchange rate gain was offset by reversal of prior period unrealised exchange rate gains for the same loan.

Note 11 Income Taxes

USD 1000		2021	2020
Current year tax payable/receivable		1 136 947	(1 159 488)
Prior period adjustments to current tax		15 917	6 743
Current tax expense/(income)		1 152 864	(1 152 745)
Change in deferred taxes		718 969	583 815
Deferred tax expense/(income)		718 969	583 815
Tax expense/(income) in profit and loss		1 871 832	(568 930)
Effective tax rate in %		73%	25%
Tax expense/(income) in put option used for hedging		1 965	(2 319)
Tax expense/(income) in other comprehensive income		1 873 797	(571 248)
Reconciliation of tax expense	Tax rate	2021	2020
Corporate (78%) tax rate on profit/loss before tax	78%	2 001 115	(1 805 051)
Tax effect of uplift	56%	(377 467)	(328 293)
Impairment of goodwill and shares in subsidiaries	78%	108 155	1 637 150
Tax effects of items taxed at other than corporate (78%) tax rate	56%	144 355	(130 912)
Other permanent differences, prior period adjustments and change in estimates of uncertain tax positions	78%	(4 325)	58 177
Tax expense/(Income)		1 871 832	(568 930)

Temporary timing differences at end of period	2021	2020
Tangible fixed assets	10 934 083	12 373 346
Capitalised exploration cost	199 981	(113 327)
Other intangible assets	104 520	(107 732)
Abandonment obligation	(3 357 278)	(4 334 898)
Other	(204 993)	638 520
Basis for deferred ordinary taxes	7 676 312	8 455 909
Uplift recognised as part of business combinations	(19 607)	(54 903)
Additional depreciation for special tax	3 304 522	1 793 207
Temporary differences not relevant for special taxes	(77 084)	(531 562)
Basis for deferred special taxes	10 884 144	9 662 651
Ordinary tax 22%	(1 688 789)	(1 860 300)
Special tax 56%	(6 095 121)	(5 411 085)
Items taxed at other tax rates	-	(49 437)
Net deferred tax asset/(liability) as of closing balance	(7 783 909)	(7 320 822)
Breakdown of tax effect on temporary differences	2021	2020
Tangible fixed assets	(10 331 678)	(10 294 770)
Capitalised exploration cost	(155 985)	(88 395)
Other intangible assets	(81 526)	(84 031)
Abandonment obligation	2 618 677	3 381 220
Lease liabilities	246 074	112 234
Financial instruments	4 825	7 023
Other provisions	(84 296)	(354 104)
Net deferred tax asset/(liability) as of closing balance	(7 783 909)	(7 320 822)

Deferred tax asset/(liability)	2021	2020
Deferred tax liability/asset at beginning of period	(7 320 822)	(6 547 845)
Current year deferred tax income/(expense)	(718 969)	(583 815)
Deferred taxes related to business combinations	(2 208)	22 374
Deferred taxes recognised directly in OCI or equity	(1 965)	2 319
Currency translation effects	260 056	(213 854)
Net deferred tax asset/(liability) as of closing balance	(7 783 909)	(7 320 822)

Calculated tax receivable/(payable)	2021	2020
Tax payable/receivable at beginning of period	522 854	(1 176 233)
Current year payable taxes	(1 136 947)	1 159 488
Payable taxes related to business combinations	969	21 669
Net tax payment/tax refund	(181 758)	334 099
Prior period adjustments and change in estimate of uncertain tax positions	(15 917)	(6 743)
Currency translation effects	19 281	190 573
Net tax receivable/(payable) as of closing balance	(791 518)	522 854

Note 12 Intangible assets

USD 1000	Note	Goodwill	Other intangible assets	Capitalised exploration wells	Total
Cost as at 1 January 2020		5 023 547	104 692	87 535	5 215 774
Additions		-	-	41 038	41 038
Additions through business combination		4 960	-	-	4 960
Reclassification		-	-	-	-
Disposals/expensed exploration wells		-	-	(20 024)	(20 024)
Currency translation effects		147 002	3 039	4 777	154 819
Cost as at 31 December 2020		5 175 509	107 732	113 327	5 396 567
Depletion and impairment as at 1 January 2020		(161 995)	-	-	(161 995)
Depreciation		-	-	-	-
Provision for impairment		(2 098 910)	-	-	(2 098 910)
Disposals		-	-	-	-
Currency translation effects		(188 396)	-	-	(188 396)
Depletion and impairment as at 31 December 2020		(2 449 301)	-	-	(2 449 301)
Net book value as at 31 December 2020		2 726 208	107 732	113 327	2 947 267

USD 1000	Note	Goodwill	Other intangible assets	Capitalised exploration wells	Total
Cost as at 1 January 2021		5 175 509	107 732	113 327	5 396 567
Additions		-	295	104 318	104 613
Additions through business combination		2 208	-	-	2 208
Reclassification		-	-	(4 593)	(4 593)
Disposals/expensed exploration wells	8	-	-	(5 887)	(5 887)
Currency translation effects		(168 327)	(3 507)	(7 185)	(179 019)
Cost as at 31 Desember 2021		5 009 390	104 520	199 981	5 313 891
Depletion and impairment as at 1 January 2021		(2 449 301)	-	-	(2 449 301)
Depreciation		-	-	-	-
Provision for impairment	15	(113 936)	-	-	(113 936)
Disposals		-	-	-	-
Currency translation effects		82 356	-	-	82 356
Depletion and impairment as at 31 December 2021		(2 480 880)	-	-	(2 480 880)
Net book value as at 31 December 2021		2 528 510	104 520	199 981	2 833 011

Other Intangible assets include exploration potentials acquired through business combinations and are measured according to the successful efforts method.

Goodwill increase of USD 2 208 thousand in fourth quarter relates to purchase of 6% share of Statfjord Øst from Wintershall Dea Norge AS.

Note 13 Tangible assets

USD 1000	Note	Wells and production facilities	Facilities under construction	Other property, plant and equipment	Total
Cost as at 1 January 2020		12 749 720	2 689 889	14 308	15 453 918
Additions		1 036 996	1 112 650	7 848	2 157 494
Asset retirement cost - Estimate change		658 419	-	-	658 419
Additions through business combinations		(27 553)	-	-	(27 553)
Reclassification		200 231	(200 231)	-	-
Disposals		-	-	-	-
Currency translation effects		549 832	175 794	854	726 480
Cost as at 31 December 2020		15 167 645	3 778 102	23 011	18 968 758
Depletion and impairment as at 1 January 2020		(1 089 402)	-	(3 353)	(1 092 754)
Depreciation		(1 651 601)	-	(3 366)	(1 654 967)
Provision/reversal of impairment		(168 646)	-	-	(168 646)
Disposals		-	-	-	-
Currency translation effects		(269 397)	-	(381)	(269 778)
Depletion and impairment as at 31 December 2020		(3 179 046)	-	(7 100)	(3 186 146)
Net book value as at 31 December 2020		11 988 599	3 778 102	15 911	15 782 612

USD 1000	Note	Wells and production facilities	Facilities under construction	Other property, plant and equipment	Total
Cost as at 1 January 2021		15 167 645	3 778 102	23 011	18 968 758
Additions		675 318	1 787 459	17 521	2 480 298
Estimate change asset retirement cost		(922 730)	-	-	(922 730)
Additions through business combinations		-	-	-	-
Reclassification		114 861	(105 327)	-	9 534
Disposals		-	(192 009)	-	(192 009)
Currency translation effects		(468 225)	(154 796)	(1 183)	(624 203)
Cost as at 31 December 2021		14 566 870	5 113 429	39 350	19 719 648
Depletion and impairment as at 1 January 2021		(3 179 046)	-	(7 100)	(3 186 146)
Depreciation		(1 662 981)	-	(6 951)	(1 669 931)
Provision/reversal of impairment	15	202 079	-	-	202 079
Disposals		-	-	-	-
Currency translation effects		137 368	-	380	137 747
Depletion and impairment as at 31 December 2021		(4 502 580)	-	(13 671)	(4 516 251)
Net book value as at 31 December 2021		10 064 289	5 113 429	25 679	15 203 397

As at 31 December 2021 USD 96 841 thousand of the gross book value relates to capitalised interest. Rate used for capitalisation was 3.252% in 2020 and 2.731% in 2021.

Reduction in asset retirement cost in 2021 mainly relates to increased discount rates. Increase asset retirement cost in 2020 relates to change in discount rate and updated cost estimate.

Note 14 Right of use assets

USD 1000	Note	Offices	Rigs and supply vessels	Warehouse	Total
Cost as at 1 January 2020		69 755	177 833	12 360	259 948
Additions		7 481	-	-	7 481
Additions through business combinations		-	-	-	-
Reclassification		-	-	-	-
Disposals		-	(12 058)	-	(12 058)
Currency translation effects		-	7 281	-	7 281
Cost as at 31 December 2020		77 236	173 056	12 360	262 652
Depletion and impairment as at 1 January 2020		(3 131)	(72 386)	(2 006)	(77 523)
Depreciation		(5 675)	(44 007)	(1 874)	(51 556)
Provision/reversal of impairment		-	-	-	-
Disposals		-	7 001	-	7 001
Currency translation effects		-	(6 728)	-	(6 728)
Depletion and impairment as at 31 December 2020		(8 806)	(116 120)	(3 880)	(128 805)
Net book value as at 31 December 2020		68 430	56 936	8 480	133 846

USD 1000	Note	Offices	Rigs and supply vessels	Warehouse	Total
Cost as at 1 January 2021		77 236	173 056	12 360	262 652
Additions		-	208 819	-	208 819
Reclassification		-	(4 941)	-	(4 941)
Disposals		-	-	-	-
Currency translation effects		(1 406)	(8 423)	1 186	(8 643)
Cost as at 31 December 2021		75 830	368 512	13 546	457 887
Depletion and impairment as at 1 January 2021		(8 806)	(116 120)	(3 880)	(128 805)
Depreciation		(5 859)	(25 531)	(2 223)	(33 613)
Provision/reversal of impairment		-	-	-	-
Disposals		-	-	-	-
Currency translation effects		(1 042)	4 399	(393)	2 964
Depletion and impairment as at 31 December 2021		(15 707)	(137 253)	(6 496)	(159 455)
Net book value as at 31 December 2021		60 123	231 259	7 050	298 432

Note 15 Impairment

Refer to [note 15](#) in the Consolidated Financial Statements disclosing information to the Company's impairment testing process, assumptions and sensitivity analysis.

Impairment charge/reversal of goodwill and PP&E

Below is an overview of the impairment charge/reversal and the carrying value per cash generating unit where impairment/reversal was recognized in 2021 for Vår Energi ASA:

Cash generating unit (USD 1000)	Net carrying value	Recoverable amount	Impairment/reversal (-)	Impairment allocated		Deferred tax impact
				Goodwill	PP&E	
Balder	1 384 338	1 360 451	24 148	24 148	-	-
Fenja	385 944	313 744	72 200	72 200	-	-
Goliat	435 452	585 086	(137 410)	-	(137 410)	107 181
Tor	28 000	39 184	(39 790)	-	(39 790)	31 036
Other	431 601	555 278	(7 291)	17 588	(24 879)	19 405
Total impairment	2 665 335	2 853 743	(88 143)	113 936	(202 079)	157 621

Impairments were USD 114 million in 2021 mainly related to a revised baseline for sanctioned projects updated in Q4 2021. Reversals of impairments were USD 202 million in 2021 mainly related to higher price assumptions.

Impairment of investments in subsidiaries

The company's investments in subsidiaries (see [note 16](#)) are carried at cost and therefore applicable for impairment testing under IAS 36. After the Jotun FPSO sale from PR Jotun DA to Vår Energi ASA in 2020 and the corresponding arbitration in 2021 to set final consideration, the carry value of the investment in Vår Energi ASA is lower than the underlying value. Impairment of USD 24 724 thousand has therefore been recognized in Vår Energi ASA per 31 December 2021.

Impairment testing in 2020

The following impairments was recorded in 2020:

Cash generating unit (USD 1000)	Impairment Goodwill	Impairment PP&E
Åsgard	252 407	-
Balder Area	280 825	-
Grane	188 686	-
Goliat	8 288	106 689
Trestakk	142 726	-
Snorre/Vigdis	133 146	-
Greater Ekofisk	116 678	5 351
Fram	104 515	-
Kristin	55 110	-
Tyrihans	53 818	-
Ormen Lange	53 818	-
Other	144 556	56 606
Operating segment	564 337	-
Total	2 098 910	168 646

Note 16 Investment in shares and other non-current assets

Investment in subsidiaries

The subsidiaries are owned 100% by Vår Energi.

USD 1000	Business Location	Subsidiaries		Net book value	
		Profit (loss) 2021	Equity 31 Dec 2021	31 Dec 2021	31 Dec 2020
Point Resources FPSO Holding AS	Sandnes, Norway	(6 922)	45 981	214 878	240 361
Vår Energi Marine AS	Sandnes, Norway	664	8 548	8 554	15 861
Shares in subsidiaries		(6 258)	54 529	223 432	256 222

The value of the Jotun FPSO-transaction in 2020 is not reflected in the equity in Point Resources FPSO Holding.

USD 1000	2021	2020
Investments 1 January	256 222	250 171
Value adjustments	-	(1 211)
Impairments	(24 724)	-
Translation differences	(8 066)	7 262
Investments 31 December	223 432	256 222

Other investments

USD 1000	Business Location	Ownership	31 Dec 2021	31 Dec 2020
Norpipe Oil AS	Tananger, Norway	6.52%	173	179
Tjeldbergodden Utvikling AS	Kjørsvikbugen, Norway	0.48%	68	70
Ormen Lange Eiendom DA	Tananger, Norway	6.34%	612	632
Investment in shares			853	881

Non-current assets

USD 1000	31 Dec 2021	31 Dec 2020
Alve slot fee	1 809	2 694
Total other non-current assets	1 809	2 694

Other mainly consists of non-current slot fee prepayment, where Marulk is paying a fee to Alve for use of umbilical at Alve.

Note 17 Inventories

USD 1000	31 Dec 2021	31 Dec 2020
Spare parts & drilling material	259 091	233 077
Physical oil inventory	42 603	50 122
Total inventory	301 694	283 199

Note 18 Trade receivables

USD 1000	Note	31 Dec 2021	31 Dec 2020
Trade receivables - related parties	29	424 873	206 723
Trade receivables - external parties		421 606	97 482
Sale of trade receivables		(91 540)	(138 179)
Total trade receivables		754 939	166 026

Please see [note 18](#) for Group Financial Statement for details about factoring arrangements.

Note 19 Other receivables and financial assets

USD 1000	Note	31 Dec 2021	31 Dec 2020
Underlift of hydrocarbons		189 105	142 257
Prepaid expenses		9 979	26 068
Brent crude put options - financial assets	20	17 407	26 340
Other		55 771	28 254
Total current receivables		272 261	222 919

Note 20 Financial instruments

Please refer to [note 20](#) in Group Financial Statement for more information, approximately same information for both.

Below please find information where there is difference between Group and Company.

Categories of financial assets and liabilities

The Company has the following financial assets and liabilities: derivative financial assets and liabilities recognized at fair value through profit or loss, derivative financial assets and liabilities designated as accounting hedge instruments (cash flow hedges) for which the effective portion is recognized at fair value through other comprehensive income, accounts receivables that do not contain a significant financing component are measured at the transaction price determined under IFRS 15, cash and cash equivalents measured at fair value, loans and borrowings and other liabilities measured at amortised cost.

2021		Financial assets/ liabilities at fair value through profit and loss	Cash, cash equivalents and receivables, payables	Financial liabilities measured at amortised cost	Cash flow hedge fair value through OCI	Total
USD 1000	Note					
Assets						
Trade receivable	18	-	754 939	-	-	754 939
Investments in shares	16	224 285	-	-	-	224 285
Cash and cash equivalents	21	-	190 229	-	-	190 229
Oil put options asset	19	-	-	-	17 407	17 407
Other short term receivables	19	-	55 771	-	-	55 771
Total financial assets		224 285	1 000 938	-	17 407	1 242 630
Liabilities						
Accounts payable		-	641 261	-	-	641 261
Net payables to joint operations	26	-	408 426	-	-	408 426
Employees, accrued public charges and other payables	26	-	23 346	-	-	23 346
Oil put options liability	26	-	-	-	39 339	39 339
RCF credit facility	23	-	-	4 520 500	-	4 520 500
Prepaid RBL/RCF loan expenses	23	-	-	(27 074)	-	(27 074)
Deferred payment ExxonMobil 2022	23	333 149	-	-	-	333 149
Total financial liabilities		333 149	1 073 032	4 493 426	39 339	5 938 946

2020		Financial assets/ liabilities at fair value through profit and loss	Cash, cash equivalents and receivables, payables	Financial liabilities measured at amortised cost	Cash flow hedge fair value through OCI	Total
USD 1000	Note					
Assets						
Trade receivable	18	-	166 026	-	-	166 026
Investments in shares	16	257 103	-	-	-	257 103
Cash and cash equivalents	21	-	245 150	-	-	245 150
Oil put options asset	19	-	-	-	26 340	26 340
Other short term receivables	19	-	28 254	-	-	28 254
Total financial assets		257 103	439 430	-	26 340	722 874
Liabilities						
Accounts payable		-	688 855	-	-	688 855
Net payables to joint operations	26	-	328 057	-	-	328 057
Employees, accrued public charges and other payables	26	-	18 586	-	-	18 586
Oil put options liability	26	-	-	-	58 263	58 263
RBL credit facility	23	-	-	5 335 000	-	5 335 000
Prepaid RBL loan expenses	23	-	-	(71 938)	-	(71 938)
Deferred payment ExxonMobil 2022	23	320 490	-	-	-	320 490
Total financial liabilities		320 490	1 035 499	5 263 062	58 263	6 677 314

Note 21 Cash and cash equivalents

USD 1000	31 Dec 2021	31 Dec 2020
Bank deposits, unrestricted	180 774	235 677
Bank deposit, restricted, employee taxes	9 454	9 473
Total bank deposits	190 229	245 150

Note 22 Share capital and shareholders

Refer to [note 22](#) in the Consolidated Financial Statements disclosing information to the Company's share capital and shareholders.

Note 23 Financial liabilities and borrowings

Refer to [note 23](#) in the Consolidated Financial Statements disclosing information to the Company's financial liabilities and borrowings.

Note 24 Provision for abandonment liabilities

Refer to [note 24](#) in the Consolidated Financial Statements disclosing information to the Company's provision for abandonment liabilities.

Note 25 Other non-current liabilities

Refer to [note 25](#) in the Consolidated Financial Statements disclosing information to the Company's other non-current liabilities.

Note 26 Other current liabilities

USD 1000	Note	31 Dec 2021	31 Dec 2020
Overlift of hydrocarbons		317 606	166 175
Net payables to joint operations		408 426	328 057
Employees, accrued public charges and other payables		23 346	18 586
Contingent consideration, current	27	-	30 125
Deferred payment for option premiums - oil puts	20	39 339	58 263
Total other current liabilities		788 717	601 206

The liability for oil put options relates to cost of oil put options that under the purchase agreement is due for payment at the time of settlement of the option (exercise/expiry) and is not a measure of fair value.

Note 27 Commitments, provisions and contingent consideration

Refer to [note 27](#) in the Consolidated Financial Statements disclosing information to the Company's commitments, provisions and contingent considerations.

Note 28 Lease agreements

Refer to [note 28](#) in the Consolidated Financial Statements disclosing information about the Vår Energi lease agreements. The difference in the Parent Financial Statement is that the Jotun FPSO lease is included in 2020 and that the Ingrid Knutsen lease is excluded in both years.

USD 1000	Note	2021	2020
Opening Balance lease debt		144 841	188 714
New lease debt in period		208 819	7 184
Payments of lease debt		(48 401)	(57 058)
Lease debt derecognized in period		-	(5 416)
Interest expense on lease debt		7 136	7 747
Currency exchange differences		3 084	3 671
Total lease debt		315 479	144 841

Breakdown of the lease debt to short-term and long-term liabilities	31 Dec 2021	31 Dec 2020
Short-term	99 272	41 078
Long-term	216 208	103 763
Total lease debt	315 479	144 841

Lease debt split by activities	31 Dec 2021	31 Dec 2020
Offices	66 525	73 819
Rigs and Supply vessels	241 203	61 780
Warehouse	7 752	9 242
Total	315 480	144 841

Nominal lease debt maturity breakdown	31 Dec 2021	31 Dec 2020
Within one year	99 272	41 078
Two to five years	195 053	11 253
After five years	45 091	133 953
Total	339 416	186 285

Note 29 Related party transactions

Refer to [note 29](#) in the Consolidated Financial Statements disclosing information to the Company's related party transactions. Intragroup transactions showed below

Current assets		31 Dec 2021	31 Dec 2020
USD 1000			
Trade receivables			
Other		39	25
Current liabilities			
USD 1000			
Account Payables			
PR Jotun DA ¹		226 484	434 407
Other		2	-
Operating and capital expenditures			
USD 1000		2021	2020
PR Jotun DA ¹		(183 058)	414 888
Other		(187)	1 211

¹ Relates to Jotun FPSO sale from PR Jotun DA to Vår Energi ASA. The decrease in liabilities and credit in operating and capital expenditures reflects the adjustment after an arbitration to set final consideration.

Note 30 License ownerships

Refer to [note 30](#) in the Consolidated Financial Statements disclosing information to the Company's license ownerships.

Note 31 Proved developed reserves (unaudited)

Refer to [note 31](#) in the Consolidated Financial Statements disclosing information to the Company's proved developed reserves.

Note 32 Subsequent events

Refer to [note 32](#) in the Consolidated Financial Statements disclosing information to the Company's subsequent events.

Auditor's report

Independent Auditor's Report - Vår Energi ASA



To the General Meeting of Vår Energi ASA

Independent Auditor's Report

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Vår Energi ASA, which comprise:


- The financial statements of the parent company Vår Energi ASA (the Company), which comprise the balance sheet as at 31 December 2021, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and
- The consolidated financial statements of Vår Energi ASA and its subsidiaries (the Group), which comprise the balance sheet as at 31 December 2021, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion:

- the financial statements comply with applicable statutory requirements,
- the financial statements give a true and fair view of the financial position of the Company as at 31 December 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU, and

(1)

Independent Auditor's Report - Vår Energi ASA



- the financial statements give a true and fair view of the financial position of the Group as at 31 December 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Our opinion is consistent with our additional report to the Audit Committee.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company and the Group as required by laws and regulations and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

To the best of our knowledge and belief, no prohibited non-audit services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided.

We have been the auditor of the Company for 3 years from the election by the general meeting of the shareholders on 5 July 2019 for the accounting year 2019.


Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

(2)

Auditor's report


Independent Auditor's Report - Vår Energi ASA



Key Audit Matter	How our audit addressed the Key Audit Matter
<p>Impairment of goodwill and property, plant and equipment</p> <p>Vår Energi ASA has property, plant and equipment with a carrying amount of USD 15 189 million at 31 December 2021. In addition, the carrying value of goodwill (including technical goodwill) was USD 2 532 million at 31 December 2021.</p> <p>In line with Vår Energi's accounting policies for impairment of non-financial assets, management has assessed whether there are impairment or impairment reversal indicators. Based on identified impairment indicators, an impairment calculation was prepared.</p> <p>Management's assessment of recoverable amounts of goodwill and property, plant and equipment requires estimates and assumptions relating to operational and market factors and involves a significant amount of judgement. In addition, the calculation of recoverable amounts requires financial modelling of the cash flows related to the cash generating units, which can be inherently complex, and may require use of additional judgement.</p> <p>Based on the results of the assessment of impairment triggers and the corresponding calculation of recoverable</p>	<p>We assessed management's identification of impairment or impairment reversal indicators and agreed that indicators were present. We obtained management's impairment calculation as of 31 December 2021. Management's identification of cash generating units were in line with our expectations. For each cash generating unit, including allocated technical goodwill, we assessed the key inputs into the calculation of recoverable amount by:</p> <ul style="list-style-type: none"> • comparison of management's short-term price assumptions against external price forward curves; • comparison of long-term oil and gas price assumptions against long-term price assumptions communicated by peers and other publicly available sources; • Tested CGU and underlying asset specific assumptions underlying the impairment test model (e.g. production profiles, capital expenditures, operating costs, removal costs); • Assessing the reasonableness of CGU and underlying asset specific assumptions by comparing current year actual data to data that were forecasted for the current year and comparing current year actual data to data forecasted for future years; • Reconciling removal costs and years in the impairment models towards the removal costs applied in the calculation of asset removal liability;

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Independent Auditor's Report - Vår Energi ASA




<p>amounts, a total net impairment charge of USD 1 million was recognised in 2021. The impairment charges relate to impairments of technical goodwill of USD 203 million offset by reversals of impairments on property, plant and equipment of USD 202 million.</p> <p>We focussed on this area because goodwill and property, plant and equipment constitute a significant share of total assets in the balance sheet, and because the assessment of recoverable amount is complex and involves significant management judgement which may have a direct impact on net profit.</p> <p>Please refer to note 15 for a description of management's assessment of impairment.</p>	<ul style="list-style-type: none"> • Evaluation of internal reserves estimation process and testing certain controls in the reserves process. We also evaluated the professional qualifications and objectivity of management's experts (internal reservoir engineers) who performed the detailed preparation of the reserve estimates and inquiring and analyse production and other changes in reserves throughout the year; • Testing tax assumptions and calculations of tax basis and tax cash flows; • Assessing the calculation from post to pre tax impairment charge or reversal; and • benchmarking of inflation, discount rates and exchange rates applied against external market data <p>The valuation of goodwill and property, plant and equipment are inherently uncertain due to the judgemental nature of the underlying estimates.</p> <p>We further assessed the mathematical and methodological integrity of management's impairment models.</p> <p>For ordinary goodwill, management determined that ordinary goodwill on 31 December 2021 was not impaired. We obtained and considered management's estimation of fair value of the Company's total assets and liabilities supporting the carrying value of goodwill at 31 December 2021. We also calculated the market capitalisation after the listing of the Company 16 February 2022 based on the quoted share price and compared the market capitalization to the carrying value of net assets and liabilities at year-end.</p> <p>We evaluated the appropriateness of the related note disclosures and found that they satisfied IFRS requirements.</p>
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<p><i>Estimation of abandonment obligations</i></p> <p>Abandonment obligations as of 31 December 2021 were calculated for operated and non-operated assets. Abandonment obligations represent USD 3 297 million in the balance sheet as of 31 December 2021 and is accounted for as a non-current provision of USD 3 236 million and current provision of USD 62 million.</p> <p>The estimation and measurement of abandonment obligations requires a number of estimates and judgments to be applied. This includes timing of actual cash flows, amount of abandonment costs and discount rate. The timing of removal is also dependent on the reserves estimation and is impacted by the commodity price outlook. The calculation of the abandonment obligations requires financial modelling of cash flows related to the removal and decommissioning cost. Such modelling can be complex and may require use of additional judgement.</p> <p>We focused on this area due to the significant value the provision for abandonment obligations represents in the balance sheet, and the level of management judgement used in determining the provision for abandonment obligations.</p>	<p>We obtained management's assessment and model for calculation of abandonment obligations at 31 December 2021 and held meetings with management to understand the nature and details of the calculation. We found the methodology to be in line with requirements in IFRS.</p> <p>The decommissioning cost estimates for the non-operated assets are based on the respective Operators cost estimate. We obtained the cost estimate prepared by the external Operators of the non-operated fields from management. We checked that the external cost estimates were included as input in the calculation of the abandonment obligation for the non-operated fields and challenged assumptions applied.</p> <p>For the operated Balder and Goliat fields, the cost estimates are based on Vår Energi's internal calculation and assessment. Vår Energi has involved a multi-discipline project team with professionals from various technical areas. The calculation of cost estimates for the Vår Energi operated fields are based on several cost inputs. We assessed the cost estimate assumptions applied for reasonableness. This included, but were not limited to, number of wells to be plugged, rig rates per day, decommissioning year and contingency level. We also tested the model used for calculating the abandonment obligations and found that the model makes calculations as expected. We received management's assessment of the timing of decommissioning and removal activities for each field. We benchmarked the inflation rate and the discount rate used in calculation of the</p>
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<p>Please refer to note 24 for a description of how management has accounted for the abandonment obligations.</p>	<p>abandonment obligations. Our testing substantiated that management assumptions were fair.</p> <p>We evaluated the appropriateness of the related note disclosures and found that they satisfied IFRS requirements.</p>
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Other Information

The Board of Directors and the Managing Director (management) are responsible for the information in the Board of Directors' report and the other information accompanying the financial statements. The other information comprises information in the annual report, but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the information in the Board of Directors' report nor the other information accompanying the financial statements.

In connection with our audit of the financial statements, our responsibility is to read the Board of Directors' report and the other information accompanying the financial statements and the financial statements or our knowledge obtained in the audit, or whether the Board of Directors' report and the other information accompanying the financial statements otherwise appears to be materially misstated. We are required to report if there is a material misstatement in the Board of Directors' report or the other information accompanying the financial statements. We have nothing to report in this regard.

Based on our knowledge obtained in the audit, it is our opinion that the Board of Directors' report

- is consistent with the financial statements and
- contains the information required by applicable legal requirements.

Our opinion on the Board of Director's report applies correspondingly to the statements on Corporate Governance and Corporate Social Responsibility, and to the report on payments to governments.

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Responsibilities of Management for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's or the Group's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and the Group to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes

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public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Report on compliance with Regulation on European Single Electronic Format (ESEF)

Opinion

We have performed an assurance engagement to obtain reasonable assurance that the financial statements with file name "20220329 Vår Energi Annual Report 2021" have been prepared in accordance with Section 5-5 of the Norwegian Securities Trading Act (Verdipapirhandelloven) and the accompanying Regulation on European Single Electronic Format (ESEF).

In our opinion, the financial statements have been prepared, in all material respects, in accordance with the requirements of ESEF.

Management's Responsibilities

Management is responsible for preparing, tagging and publishing the financial statements in the single electronic reporting format required in ESEF. This responsibility comprises an adequate process and the internal control procedures which management determines is necessary for the preparation, tagging and publication of the financial statements.

Auditor's Responsibilities

Our responsibility is to express an opinion on whether the financial statements have been prepared in accordance with ESEF. We conducted our work in accordance with the International Standard for Assurance Engagements (ISAE) 3000 – "Assurance engagements other than audits or reviews of historical financial information". The standard requires us to plan and perform procedures to obtain reasonable assurance that the financial statements have been prepared in accordance with the European Single Electronic Format.

As part of our work, we performed procedures to obtain an understanding of the company's processes for preparing its financial statements in the European Single Electronic Format. We evaluated the completeness and accuracy of the iXBRL tagging and assessed management's use of judgement. Our work

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comprised reconciliation of the financial statements tagged under the European Single Electronic Format with the audited financial statements in human-readable format. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Stavanger, 29 March 2022
PricewaterhouseCoopers AS

Gunnar Slettebo
State Authorised Public Accountant

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Statement by the Board of Directors and the Chief Executive Officer

Pursuant to the Norwegian Securities Trading Act section § 5-5 with related regulations, we hereby confirm that, to the best of our knowledge, the Company's and the group's financial statements for 2021 have been prepared in accordance with IFRS, as adopted by the EU, and requirements in accordance with the Norwegian Accounting Act. The information presented in the financial statements gives a true and fair view of the company's liabilities, financial position and results overall.

To the best of our knowledge, the Board of Directors' Report gives a true and fair view of the development, performance and financial position of the Company, and includes a description of the principal risk and uncertainty factors facing the Company and the Group.

In addition, we confirm to the best of our knowledge, that the report 'Payment to governments' as provided in a separate section in this annual report, has been prepared in accordance with the requirements in the Norwegian Securities Trading Act Section 5-5a with related regulations.

Sandnes, 29 March 2022
The Board of Directors of Vår Energi ASA

Thorhild Widvey
Chair

Liv Monica Bargem Stubholt
Deputy Chair

Francesco Gattei
Director

Guido Brusco
Director

Clara Andreoletti
Director

Marica Calabrese
Director

Fabio Romeo
Director

Ove Gusevik
Director

Kjersti Selvik
Director,
employee representative

Laurits Hosar
Director,
employee representative

Jan Inge Nesheim
Director,
employee representative

Christine Vorland
Director,
employee representative

Torger Rød
Chief Executive Officer

Alternative Performance Measures (APMs)

In this report, in order to enhance the understanding of the Group's performance and liquidity, Vår Energi presents certain alternative performance measures ("APMs") as defined by the European Securities and Markets Authority ("ESMA") in the ESMA Guidelines on Alternative Performance Measures 2015/1057.

Vår Energi presents the APMs: CAPEX, CAPEX Coverage, EBITDAX, EBITDAX Margin, Free Cash Flow, NIBD, Adjusted NIBD, NIBD/EBITDAX Ratio, Adjusted NIBD/EBITDAX Ratio, TIBD/EBITDAX Ratio and Adjusted TIBD/EBITDAX Ratio.

The APMs are not measurement of performance under IFRS ("GAAP") and should not be considered to be an alternative to: (a) operating revenues or operating profit (as determined in accordance with GAAP), as a measure of Vår Energi's operating performance; or (b) any other measures of performance under GAAP. The APM presented herein may not be indicative of Vår Energi's historical operating results, nor is such measure meant to be predictive of the Group's future results.

Vår Energi believes that the APMs described herein is commonly reported by companies in the markets in which it competes and is

widely used in comparing and analysing performance across companies within the Group's industry.

The APMs used by Vår Energi are set out below (presented in alphabetical order):

- "CAPEX" is defined by Vår Energi as expenditures on property, plant and equipment as presented in the cash flow statements within cash flow from investing activities.
- "CAPEX Coverage" is defined by Vår Energi as cash flow from operating activities as presented in the cash flow statements ("CFFO"), as a ratio to CAPEX.
- "EBITDAX" is defined by Vår Energi as profit/(loss) for the period before income tax (expense)/income, net financial items, net exchange rate gain/(loss), depreciation and amortization, impairments and exploration expenses.

- "EBITDAX margin" is defined by Vår Energi as EBITDAX and EBITDA as a percentage of total income, respectively.
- "Free cash flow" ("FCF") is defined by Vår Energi as CFFO less CAPEX and expenditures on exploration and evaluation assets.
- "Net interest-bearing debt" or "NIBD" is defined by Vår Energi as interest-bearing loans and borrowings and lease liabilities ("Total interest-bearing debt" or "TIBD") less cash and cash equivalents.
- "Adjusted Net interest-bearing debt" or "Adjusted NIBD" is defined by Vår Energi as TIBD excluding lease liabilities ("Adjusted total interest-bearing debt" or "Adjusted TIBD") less cash and cash equivalents.
- "NIBD/EBITDAX" is defined by Vår Energi as NIBD as a ratio of EBITDAX.
- "Adjusted NIBD/EBITDAX" is defined by Vår Energi as Adjusted NIBD as a ratio of EBITDAX.
- "TIBD/EBITDAX" is defined by Vår Energi as interest-bearing loans and borrowings and lease liabilities as a ratio of EBITDAX.
- "Adjusted TIBD/EBITDAX" is defined by Vår Energi as interest bearing loans and borrowings (but excluding lease liabilities) as a ratio of EBITDAX.

Glossary

Term	Definition/description
Boepd	Barrels of oil equivalent per day
Bscf	Billions of standard cubic feet
E&P	Exploration and Production
FPSO	Floating, production, storage and offloading vessel
HSEQ	Health, Safety, Environment and Quality
HSSE	Health, Safety, Security and Environment
Kboepd	Thousands of barrels of oil equivalent per day
mmbbls	Standard millions of barrels
mmboe	Millions of barrels of oil equivalents
Mmscf	Millions of standard cubic feet
MoF	Ministry of Finance
MPE	Ministry of Petroleum and Energy
NCS	Norwegian Continental Shelf
NGL	Natural gas liquids
NPD	Norwegian Petroleum Directorate
PDO	Plan for Development and Operation
PIO	Plan for Installation and Operations
PRMS	Petroleum Resources Management System
Scf	Standard cubic feet
Sm ³	Standard cubic meters
SPT	Special petroleum tax
1P reserves	The quantities of petroleum which can be estimated with reasonable certainty to be commercially recoverable, also referred to as "proved reserves".
2C resources	The quantities of petroleum estimated to be potentially recoverable from known accumulations, also referred to as "contingent resources".
2P reserves	Proved plus probable reserves consisting of 1P reserves plus those additional reserves, which are less likely to be recovered than 1P reserves.

Financial calendar 2022

27 April 2022 Quarterly Report – Q1

04 May 2022 Annual General Meeting

26 July 2022 Half-yearly Report

25 October 2022 Quarterly Report – Q3

