



TotalEnergies EP Norge AS

Board of Directors' Report 2021

1 Introduction

TotalEnergies EP Norge AS (“TotalEnergies” or the “Company”) is involved in exploration and production of oil and gas and the storage of CO₂ on the Norwegian Continental Shelf. The Company changed its name from “Total E&P Norge AS” to “TotalEnergies EP Norge AS” on 18 June 2021. The Company is a wholly owned subsidiary of TotalEnergies SE.

TotalEnergies SE is a broad energy company committed to supplying affordable energy to a growing population, addressing climate change and meeting new customer expectations. With operations in more than 130 countries worldwide, its ambition is to be a world-class player in the energy transition, with a goal of reaching Net Zero emissions within 2050.

TotalEnergies has been present in Norway for more than 50 years and has its main office in Stavanger. The Company mainly conducts exploration and production activities in Norway. In 2021, the average production was 219.7 thousand barrels of oil equivalents per day (kboe/d). TotalEnergies continues to be a significant player and has a long-term perspective on its activities in Norway.

2 Activities on the Norwegian Continental Shelf

2.1 Licence Portfolio

TotalEnergies has continued the optimization of its portfolio in Norway during 2021 and exited non-core assets as well as applying for licenses in the 2021 Awards in Pre-defined Areas (APA) round. By the end of 2021, the Company had interests in 57 licenses on the Norwegian Continental Shelf.

2.2 Exploration and Licensing rounds

The Company continued the search for attractive new exploration acreage in 2021. TotalEnergies is focusing on material exploration prospects which have the potential for stand-alone economic development and nearby prospects that add value to the portfolio.

TotalEnergies applied in the 2021 APA round and in Q1 2022 the Company was awarded one license. The award was in line with the Company’s application and strategy.

TotalEnergies was involved in the drilling of 3 non-operated exploration wells in Norway in 2021. The Tyrihans Ile North exploration leg was a commercial discovery that was put on production after only a few months. The Brunost/Stovegolvet well in PL785S, testing the potential of the Stord Basin, was dry in main and secondary targets. The Angkor Wat exploration leg of the P-4 well in Oseberg was dry in the Statfjord target.

2.3 Producing fields and development

Ekofisk area, the North Sea

TotalEnergies and affiliated companies are proud to have been involved in Ekofisk since the beginning. The Greater Ekofisk Area contributed almost a third of the Company's production, in total 73 Kboe/d (the Company's share) during 2021, where the most important contributors were the Ekofisk and Eldfisk fields (TotalEnergies 39.9%). TotalEnergies has been instrumental in the partnership in instigating a review of Ekofisk with a view to sustaining it for the long term. Production levels are falling lower than initially forecasted which puts pressure on costs if more barrels cannot be economically added. TotalEnergies is working with the partnership to transfer methods and technology to maintain Ekofisk profitability through efficiencies and further investment.

During 2021 the partnership applied for license extension beyond 2028 to have more certainty for potential investments in the area, and in April 2022 the Ministry of Petroleum and Energy granted a 20-year extension until the end of 2048 with conditions in line with expectations.

Johan Sverdrup, the North Sea

The Johan Sverdrup field (TotalEnergies 8.44%) continues to produce with costs and CO₂ emissions per barrel significantly below industry standards. Due to power from shore, the scope 1 CO₂ emissions are below 0.7 kg per boe (vs the global average of around 18). The field contributed to 21% of the Company's production in 2021 with 46.1 kboe/d.

Whilst TotalEnergies appreciates the strong project delivery from the operator's team, TotalEnergies is also proud of the work it has done in the licence to aid project delivery and subsurface definition for this huge field. Phase 2 of the development is scheduled to come on stream in the fourth quarter of 2022.

Troll area, the North Sea

The Troll area (TotalEnergies 3.69 % in Troll Unit, 5% in Kvitebjørn) contributed to 14% of the Company's production in 2021, with 31.3 kboe/d. The Troll field provides a significant share of the natural gas requirements of continental Europe.

As part of the work performed in 2020, the Company has together with its Troll partners matured plans to provide Troll B and C with power from shore and a significant milestone was achieved in April 2021 when the Troll partners sanctioned the project and delivered their plan for development to the authorities. The PDO is now approved and the project is on track.

Atla and Skirne/Byggve operated fields, the North Sea

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

The fields are in late life and during 2021 only Skirne and Atla have been producing intermittently. Going into 2022 there is still tail production, boosted by a low pressure modification performed at Heimdal. Skirne has however experienced formation water breakthrough and further production is uncertain. Preparations for decommissioning have started and TotalEnergies is active in ensuring the partnership do this in the most environmentally friendly manner.

Oseberg, the North Sea

In 2021, Oseberg contributed with 18% of the Company's production, with 39.9 kboe/d (TotalEnergies equity share is 14.7%).

On 15 November 2021, the partnership sanctioned the Oseberg Gas Capacity Upgrade and Power from Shore (OGP) project. The OGP project includes (a) part-electrification of the existing Oseberg Field Centre (OFC) and Oseberg South (OSS) facilities from the onshore Kollsnes facility, and (b) and installation of a new pre-compression unit on the OFC. First gas is expected March 2026. The project will significantly reduce the scope 1 CO₂ emissions of the asset.

Haltenbanken, the Norwegian Sea

On Haltenbanken, the Company has interests in the producing fields Tyrihans (23.15%), Åsgard (7.68%) and Kristin (6%). The main focus areas related to the Company's interests in the Haltenbanken asset are to keep up production by maturing new projects and drilling targets and to reduce costs, as the assets are in their mid to late life cycle.

The asset contributed in 2021 to 13% of the Company's production – on average 28.7 kboe/d.

Snøhvit, the Barents Sea

In 2021, the Snøhvit unit in the Barents Sea (TotalEnergies 18.4%) did not contribute to the Company's production. The Hammerfest LNG plant has been shut down since 28 September 2020 due to a fire incident. TotalEnergies participates in the work to get the plant up again as soon as possible, including five secondees at Hammerfest contributing directly to the operator's organisation. The operator's estimated start-up date is within May 2022.

3 Health, Safety and the Environment (HSE)

3.1 HSE performance

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

There was no recordable or Lost Time Injury (LTI) recorded within the Company's HSE perimeter in 2021.

The Company also met its objective when it comes to high potential incidents in 2021, with zero high potential incidents and zero spills recorded during the year.

The annual HSE program for 2021 included several activities to improve the HSE standards in operated and non-operated activities.

Absences due to illness in the Company have been low and on a downward trend and ended at an average of 1.21% in 2021, a decrease from 2,40% in 2020. The Company has a Rehabilitation Committee which is responsible for providing relevant assistance to employees suffering from long-term illness. During 2021, 5 employees were on long-term sick leave beyond eight weeks. This number was reduced to one at year-end.

3.2 Environmental accounts and impact

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

Detailed information in respect of environmental accounts can be found in the annual discharge report submitted through the joint electronic reporting format for the Norwegian Environment Agency, the Norwegian Petroleum Directorate and the Norwegian Oil and Gas Association. Whilst the direct environmental impact of the Company's activities is small, TotalEnergies actively contributes to schemes within the licenses to reduce GHG emissions, including evaluation of several electrification projects across assets. The Johan Sverdrup field has also led to a step change in the carbon intensity of the Company's production.

3.3 Northern Lights carbon transportation and storage

The Company participates in the Northern Lights CO₂ transportation and storage project which is the first industrial scale project of its kind.

A final investment decision to develop Northern Lights Phase 1a was made by the three partners on 6 May 2020. Further to European Free Trade Agreement Surveillance Authority (ESA) approval of state aid on 17 July 2020, the Norwegian Parliament approved financial state support of "Longship" full-scale CCS project on 14 December 2020.

Further to merger clearance obtained from relevant national competition authorities, the company Northern Lights JV DA (1/3 Equinor, 1/3 Shell and 1/3 TotalEnergies) was established in February 2021. It will own and operate Northern Lights' facilities and holds the storage license.

Northern Lights Phase 1a construction started in January 2021 and operations are scheduled to start in Q3 2024.

Northern Lights is the first company to offer a CO₂ shipping and permanent storage service to European emitters. Overall, the European market is seen as supportive thanks to:

- various sources of subsidies to develop capture facilities, and
- the upwards trend of ETS and national carbon taxes.

Studies initiated late 2020 are evaluating best development scenario to further increase capacities from 1.5 to 5 Mtpa (Phase 2).

3.4 HSE incidents affecting production

The fire at the Hammerfest LNG plant on 28 September 2020 leading to shut-down of production from the Snøhvit field continues to significantly affect the Company's production in 2021. No loss of life or serious injuries have been reported by the operator Equinor as resulting from the incident.

4 Financial Highlights

4.1 - Comments to the Income Statement

Production volumes

In 2021, the average daily production was 219.7 thousand barrels of oil equivalents per day (kboe/d). In total, 39% of the annual production was gas.

The 2021 production increased with 3 kboe/d compared to 2020, despite Snøhvit being shut in since September 2020. The increase is mainly due to the first full production year of Tor II, improved capacity and production efficiency on Johan Sverdrup and increased gas production permit on Oseberg. Ekofisk area remains the largest contributor to production, representing almost a third of Company's overall production.

Revenues

The revenues in 2021 were NOK 49 705 million, compared to NOK 23 661 million in 2020, up 110%. Liquids and gas sales amounted to NOK 49 034 million, while the figure for 2020 was NOK 23 160 million. The increase was due to 111% higher average liquids and gas selling prices. The average price achieved for liquids in 2021 was USD 69.8 per barrel compared to USD 40.1 per barrel in 2020. The average gas sales price was 13.4 \$/MMBtu in 2021 and 3.2 \$/MMBtu in 2020. Revenues from liquids were NOK 28 981 million, up 61% compared to NOK 17 975 million in 2020. Booked gas revenues (including trading) reached NOK 20 054 million, up 285% from NOK 5 215 million in 2020, primarily due to higher selling prices.

In 2021, the value of the NOK has somewhat been affected by the upwards oil and gas price trends. The Company's accounts are denominated in NOK, while liquids sales are invoiced in USD and gas sales predominantly in EUR, Pound Sterling or USD. The average exchange rate for NOK/USD was 8.59, down 8.5% compared to 9.39 in 2020. The average NOK/EUR exchange rate was 10.16, down 5.2% from 10.72 in 2020.

The amount shown as other income includes if any gains on disposals of assets, insurance claim settlements and other income attached to licenses of NOK 214 million. The main contributor to the amount in 2021 shown as other income, comes from recharges of costs related to the Northern Lights project and to the disposal of TotalEnergies EP Norge's participating interest in PL120B, PL193E, PL193FS and PL193GS to Equinor with completion date on 31/05/2021 (and economic and fiscal effective date on 1/1/2021). The disposal resulted in a gain of NOK 18 million.

Operating expenses

After the deduction of charges to partners, net operating costs in 2021 were up 8.9 % to NOK 19 711 million, compared to NOK 17 964 million in 2020. This increase is mainly due to the variation in depreciation, depletion and amortization, higher provisions for well plugging, dismantlement and removal as well as higher production and transportation expenses.

Net income

The pre-tax profit was NOK 29 841 million in 2021, compared to NOK 5 597 million in 2020. This increase was driven by higher average liquids and gas selling prices, partially offset by higher operating expenses. The temporary tax regime for special petroleum tax introduced in 2020, accelerates tax depreciation for investments 2021 and improves after tax income due to a higher uplift rate. Current and deferred tax cost increased to NOK 22 801 million in 2021 from NOK 3 851 million in 2020. After taking into account current and deferred taxes, the net profit of the year 2021 was NOK 7 041 million compared to NOK 1 746 million in 2020.

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

Cash Flows

Cash flow from operations was NOK 16 961 million, compared to NOK 13 092 million in 2020. After working capital variation, the net cash flow provided by operating activities was NOK 30 333 million, up 200% when compared to the net cash flow of NOK 10 116 million in 2020.

Investments

Investments totaled NOK 6 668 million (including exploration, appraisal, development expenditures and acquisitions) in 2021 compared to NOK 7 484 million in 2020, down 11%.

The largest part of investments was linked to activities in the Greater Ekofisk Area and Johan Sverdrup. The exploration effort amounted to NOK 319 in 2021, compared to NOK 177 million in 2020.

Sales of assets

The main transaction in 2021 was the disposal of TotalEnergies' minor participating interests in PL 120B, PL 193E, PL193FS and PL 193GS to Equinor with completion date on 31/05/2021 (and economic and fiscal effective date on 1/1/2021).

Financing

As per end of 2020, TotalEnergies had a long-term loan for the amount of NOK 10 000 million and a revolving credit facility for the maximum amount of NOK 2 000 million with TotalEnergies Treasury. During 2021, TotalEnergies did a full repayment of the long-term loan and reduced the revolving credit facility with the full maximum amount. The interest rate applicable on the long-term loans from associated companies was based on a floating market rate.

4.3 - Comments to the Balance Sheet

Fixed Assets

Total fixed assets have decreased to NOK 60 773 million from NOK 63 024 million in 2020. The producing assets decreased to NOK 53 432 million from NOK 56 997 million at year-end 2020.

Current assets

Total current assets have increased to NOK 21 869 million from NOK 5 344 million booked at year-end 2020. This is relating to an increase in cash and cash equivalents.

Equity and Liabilities

Total equity is unchanged in 2021 with NOK 12 644 million, vs NOK 12 636 million in 2020, including the proposed dividend distribution for 2021.

The proposed dividend for 2021 is NOK 7 041 million.

The total long-term provisions have increased to NOK 40 497 million in 2021, compared to NOK 39 601 million in 2020, mainly because of the higher deferred tax position triggered by the temporary special petroleum tax regime which accelerates tax depreciation.

Total liabilities have increased from NOK 55 732 million to NOK 69 998 million in 2021, mainly due to increased payable tax liabilities.

Proposed Dividend

Taking into account the current and forecasted income and cash flow development of the Company for the coming year, it is recommended to distribute a dividend of NOK 7 041 million. The shareholder's equity together with the financing capacity of the Company is ensuring a sound equity and liquidity for the Company.

4.4 - Comments as regards the Financial Risks

Market risk

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

Credit risk

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

Liquidity risk

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

4.5 – Report on payments to authorities

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

The contribution from the Company is accessible through the TotalEnergies Universal Registration Document 2021 (available on the www.totalenergies.com web site) in the chapter 9 referring to "Supplemental oil and gas information (unaudited)", in the "Report on the payments made to governments".

5 Employees and Organisation

5.1 – General

At the end of 2021, the total number of permanent staff employed by the Company was 74. This figure includes 62 local employees and 12 impatriated staff. In addition, 36 employees were assigned abroad or to partners in Norway.

At year end, 11 different nationalities were represented in the workforce. Women made up 38% of the permanent staff.

At year end, 0% of the staff were employed on a part-time basis.

At year end, the average number of weeks of parental leave taken out by employees were 9 for men and 5 for women.

At year end, 49% of the local employees were union members belonging to Tekna or IndustriEnergi (avd. 268). The Company is a member of the Norwegian Oil and Gas Association (NOROG). The association is affiliated with the Confederation of Norwegian Enterprises (NHO).

5.2 – Gender equality and anti-discrimination

Compensation packages 2021 – women and men comparison

As part of the preparation for the 2021 salary campaign a salary analysis reviewing gender equality related to remuneration was presented to the Managing Director. The purpose of this analysis, comprising the full compensation package including bonuses and shares, was to verify if any individual adjustments should be made to avoid gender differences.

In the table below, NP is the level of the position held by the employee defined by the responsibilities of the relevant position together with the problem-solving skills and experience required. Age displayed to the right is the average age of the women and men in each of the NP level groups.

The column Variance shows how the average of women's full compensation packages for each NP level compares with the average of men's full compensation packages for the same NP level.

NP	Variance	Number of women	Number of men	Age women	Age men
12	- 17.5 %	6	7	38.3	44.5
13	- 4.2 %	12	18	45.5	49.2
14	+ 3.9 %	7	9	48.8	47.8

The data show that after accounting for experience there is no discernible difference in pay between men and women.

Gender equality and anti-discrimination work

Equal rights and possibilities are the basis for all TotalEnergies human resources processes. During recruitment, salary adjustments, promotions and career planning the Company strives to ensure equal treatment for all.

Gender diversity and internationalization has been given special attention over the last few years.

A meeting was organized in April 2021 to establish a local plan for diversity and inclusion work for 2021. It was decided to organize different workshops for the purpose of increasing awareness and understanding around the topics of diversity and inclusion. The objective was also to discuss actions to be taken to ensure equal rights and opportunities within the company.

Workshops were organized between 25 and 28 May 2021 on the following topics:

- Gender diversity
- Age and generational diversity
- Cultural diversity and internationalization

During the workshops various actions were suggested. These actions were summarized and presented to the Company's management and to the unions.

6 Applied Research

The Company incurred R&D expenses of NOK 115 million during 2021. The Company's R&D objectives focus on specific challenges associated with the NCS, covering technical domains including drilling and well technologies, production and processing, environment, CSS and low-carbon footprint technologies.

The Company's R&D department plays a key role within an integrated research strategy. This strategy is strongly linked to TotalEnergies' overall technology development vision including through decarbonizing oil and gas assets and reducing greenhouse gas emissions. A strong ecosystem of accelerators, incubators, hubs, government support funds, and a mentality of openness to other parties'/industries' ideas makes Norway an attractive place to do research.

Among other, the Company's R&D department is notably involved in the development of all-electric offshore subsea technologies with partners and efficient contractors, drilling automation and P&A technologies through the NORCE research center's large "Ullrig" drilling test centre in Stavanger, CCUS technologies through its participation in the Norwegian CCS research centre (NCCS) and the Mongstad Technology Centre (TCM), Multiphase flow simulations with the development of the Ledaflow software with SINTEF and Kongsberg and wind technologies through its recent participation in the North Wind R&D center led by SINTEF.

The Company also invests in the training of young professionals, mainly from higher education institutions. Through R&D cooperation with Norwegian universities, the Company continues to support and evaluate opportunities for PhD projects in 2022 and beyond.

7 Company Outlook

The Company will continue to be a significant player in Norway and maintain its strong presence on the NCS after more than 55 years of activity.

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

The Norwegian portfolio continues to be well aligned with the global TotalEnergies strategy which involves a presence in the North Sea. The Norwegian portfolio and the Company's work focused on reducing emissions are well aligned with the TotalEnergies' goal to reach Net Zero emissions within 2050.

The COVID-19 epidemic that began in December 2019 has been impacting demand since the beginning of the first quarter 2020 and caused oil prices to fall significantly. The rebound in energy prices seen since the second half of 2021, amplified after Russia's military aggression against Ukraine in the first quarter of 2022, sent oil prices to more than \$100/bbl and gas prices in Europe to historic highs above \$30/Mbtu. These prices have so far lead to strong cash flow generation and further strengthening of the Company's balance sheet.

8 Accounts

The 2021 accounts and explanatory notes are presented in this annual report.

We are not aware of any matters not dealt with in this report or the accompanying accounts that could be of significance when evaluating the Company's position at 31 December 2021 and the results of the year just ended.

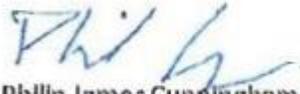
Taking into account legal requirements and other relevant considerations, it is proposed that the Company's net profit shall be distributed as follows:

2021 net income	NOK 7 041 million
To retained earnings	<u>NOK 0 million</u>
Dividend	<u>NOK 7 041 million</u>

The Board of Directors of TotalEnergies EP Norge AS, 19 May 2022



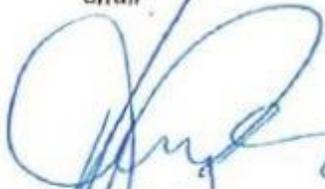
Jeanne Patricia Dannock
Chair



Philip James Cunningham
Board member and MD



Dimitri-Maxime Lobatowsky
Board member



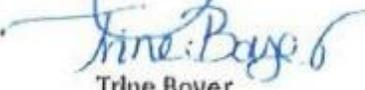
Henning Elde
Board member



Heinz Ulrich Bollhauer
Board member



Ann-Cathrin Knutzen Vetaas
Board member



Trine Boyer
Board member

INCOME STATEMENT

(all amounts in million NOK)

	Notes	2021	2 020	Variance
REVENUES				
Liquids and gas sales	1	49,034	23,160	25,874
Tariff income		439	298	141
Other income	2	232	203	29
TOTAL REVENUES		49,705	23,661	26,044
OPERATING EXPENSES				
Purchases of gas		179	250	(71)
Salaries and employee benefits	3,4	322	353	(31)
Licence fees, royalties and governmental expenses		658	565	93
Production and transportation expenses	5,6	7,356	7,119	237
Exploration expenses		60	66	(6)
General and administrative expenses		106	124	(18)
Provisions for well plugging, dismantlement and removal	7	1,561	1,132	429
Depreciation, depletion and amortization	10	9,031	7,934	1,097
Variation of product stock		438	421	17
OPERATING EXPENSES		19,711	17,964	1,747
OPERATING PROFIT		29,994	5,697	24,297
FINANCIAL INCOME AND (EXPENSES)				
Financial income	8	0	16	(16)
Financial expenses	8	(112)	(257)	145
Income from subsidiary and related companies		(27)	50	(77)
Net exchange gains/(losses)		(14)	91	(105)
FINANCIAL INCOME/(EXPENSES) - NET		(153)	(100)	(53)
ORDINARY NET INCOME BEFORE TAXES		29,841	5,597	24,244
Taxes payable	9	22,446	345	22,101
Deferred taxes	9	355	3,506	(3,151)
NET INCOME		7,041	1,746	5,295
ALLOCATION				
Dividend	13	7,041	1,746	5,295
Retained earnings	13	0	0	0
TOTAL ALLOCATION		7,041	1,746	5,295

BALANCE SHEET

(all amounts in million NOK)

FIXED ASSETS	Notes	31 Des 2021	31 Des 2020	Variance
INTANGIBLE ASSETS				
Licence acquisitions	10	825	979	(154)
TOTAL INTANGIBLE ASSETS		825	979	(154)
PROPERTY, PLANT AND EQUIPMENT				
	8,10			
Buildings		95	99	(4)
Producing assets - completed		53,432	56,997	(3,565)
Producing assets - in progress		4,515	2,967	1,548
Exploration wells		760	896	(136)
Transport - and other equipment		763	850	(87)
TOTAL PROPERTY, PLANT AND EQUIPMENT		59,563	61,809	(2,246)
FINANCIAL INVESTMENTS				
Shares	11	369	208	161
Long-term receivables	3	17	28	(11)
TOTAL INVESTMENTS		386	236	150
TOTAL FIXED ASSETS		60,773	63,024	(2,251)
CURRENT ASSETS				
INVENTORIES				
Material and supplies		317	309	8
Oil/Gas underlift		558	458	100
TOTAL INVENTORIES		876	767	109
ACCOUNTS RECEIVABLE				
Customers	12	7,744	3,034	4,710
Other		4	30	(26)
TOTAL ACCOUNTS RECEIVABLE		7,748	3,064	4,684
CASH AND CASH EQUIVALENT	12	13,246	1,513	11,733
TOTAL CURRENT ASSETS		21,869	5,344	16,525
TOTAL ASSETS		82,642	68,368	14,274

(all amounts in million NOK)

EQUITY	Notes	31 Des 2021	31 Des 2020	Variance
PAID-IN CAPITAL				
Share capital (4 201 000 shares à 1 000.00)	13	4,201	4,201	0
Share premium	13	4,255	4,255	0
TOTAL PAID-IN CAPITAL		8,456	8,456	0
RETAINED EARNINGS				
Retained earnings	13	4,188	4,180	8
TOTAL RETAINED EARNINGS		4,188	4,180	8
TOTAL EQUITY		12,644	12,636	8
LIABILITIES				
LONG-TERM PROVISIONS				
Pension obligations	4	721	776	(55)
Deferred taxes	9	22,398	22,001	397
Well plugging, dismantlement and removal	7	17,211	16,553	658
Other provisions	4	167	271	(104)
TOTAL LONG-TERM PROVISIONS		40,497	39,601	896
OTHER LONG-TERM LIABILITIES				
Long-term loans from associated companies	14	0	10,000	(10,000)
Long-term loans from other companies	14	1,298	1,376	(78)
TOTAL LONG-TERM LIABILITIES		1,298	11,376	(10,078)
CURRENT LIABILITIES				
Oil/Gas overlift		907	368	539
Accounts payable and accrued expenses	12	2,106	1,685	421
Taxes other than income taxes		17	55	(38)
Income taxes payable	9	17,935	794	17,141
Proposed dividend	13	7,041	1,746	5,295
Other short term debt		197	107	90
TOTAL CURRENT LIABILITIES		28,204	4,755	23,449
TOTAL LIABILITIES		69,998	55,732	14,266
TOTAL EQUITY AND LIABILITIES		82,642	68,368	14,274

STATEMENT OF CASH FLOWS

	2021	2 020	Variance
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income before taxes	29,841	5,597	24,244
Current taxes on income	(22,446)	(345)	(22,101)
Depreciation, depletion and amortisation	9,031	7,934	1,097
Long-term provisions	552	59	493
Loss / (gain) on sales of property, plant and equipment	(18)	(154)	136
Cash flows from operations	16,961	13,092	3,869
Cash increase/(decrease) from variations in:			
Accounts receivable and prepaid expenses	(4,684)	333	(5,017)
Inventories	430	406	24
Accounts payable and accrued liabilities	475	188	287
Accrued taxes	17,141	(3,915)	21,056
Long-term receivables	11	11	0
NET CASH PROVIDED BY OPERATING ACTIVITIES	30,333	10,116	20,217
CASH FLOWS FROM/(TO) INVESTING ACTIVITIES			
Capital expenditures	(6,668)	(7,484)	816
Investments in other shares	(161)	0	(161)
Proceeds from sales of property, plant and equipment	54	197	(143)
NET CASH USED IN INVESTING ACTIVITIES	(6,775)	(7,287)	512
CASH FLOWS FROM/(TO) FINANCING ACTIVITIES			
Increase/(decrease) in associated long-term liabilities	(10,000)	(2,000)	(8,000)
Increase/(decrease) in other long-term liabilities	(79)	(165)	86
Dividend paid to shareholder	(1,746)	(4,095)	2,349
NET CASH FLOWS FROM/(TO) FINANCING ACTIVITIES	(11,825)	(6,260)	(5,565)
Net increase/(decrease) in cash and cash equivalents	11,733	(3,431)	15,164
Cash and cash equivalents at 01.01	1,513	4,944	(3,431)
CASH AND CASH EQUIVALENTS AT 31.12	13,246	1,513	11,733

Note 1 Liquid and gas sales

Million NOK	2021	2020
Crude oil	27,263	16,306
NGL	1,714	1,267
Gas	20,053	5,215
Condensate	4	372
Total	49,034	23,160

Note 2 Other Income / Other operating costs

The amount shown as other income includes if any gains on disposals of assets, insurance claim settlements and other income attached to licenses of NOK 214 million. The main contributor to the amount in 2021 shown as other income, comes from recharges of costs related to the Northern Lights project and to the disposal of TotalEnergies EP Norge's participating interests in PL120B, PL193E, PL193FS and PL193GS to Equinor with completion date on 31/05/2021 (and economic and fiscal effective date on 1/1/2021). The disposal resulted in a gain of NOK 18 million.

Note 3 Salary, employee benefits, number of employees

Million NOK	2021	2020
Salaries (incl restructuring cost)	185	252
Social security and other benefits	42	66
Pension cost	35	26
Other	60	9
Total salaries and employee benefits	322	353

Average number of full-time employees	2021	2020
	79	97

Fees paid to the Board of Director in 2021 amounted to NOK 90 000. Full cost incurred by TotalEnergies EP Norge AS for salaries and remunerations to the Managing Directors amounted to NOK 7 286 145 in 2021. The Managing Director is formally employed and part of a pension agreement in another group company. There are no agreements with the Managing Director or the Board of Directors for special bonuses or separate remuneration in connection with termination.

The General Assembly of Shareholders of TOTALENERGIES SE has a restricted share plan and a share subscription option plan. The restricted shares plan is subject to certain conditions of economic performance of the TOTALENERGIES Group after a vesting period. Certain employees of TotalEnergies EP Norge AS were invited to participate in the plans. Given the immaterial value of the benefits, no expense has been recognized in the accounts.

Long-term receivables contain loans to employees of NOK 5 million. TotalEnergies EP Norge AS have also issued a guarantee to Nordea for loans to TotalEnergies EP Norge AS employees of total NOK 66 million as per 31.12.2021. No company loans were granted to the Managing Director.

Note 4 Employee retirement plans

All employees of TotalEnergies EP Norge AS born in 1963 or later are included in a defined contribution plan, and employees born before 1963 (as per 01.01.2015) are included in a closed collective benefit retirement plan. Defined contribution plan above 12G are unfunded and paid when employee is retired or leave the Company. The Company has a pension compensation scheme for those employees between 40-50 years (as per 01.01.2015), that were previously part of the closed collective defined benefit plan. This scheme is included in unfunded plan. Employees born in 1962 or earlier will still have a part of the Company's collective benefit retirement plan with DNB. In addition, this plan also include retired personnel who receive defined future pensions.

Million NOK	2021	2020
Benefit and unfunded contribution plans:		
Current service cost	19	25
Interest cost	25	41
Interest on plan assets	(15)	(23)
Loss (gain) from curtailment or settlement	(1)	(20)
Net periodic pension cost *	28	23
Contribution plans:		
Defined contribution cost	15	19
Total periodic pension cost	43	42

* Pension cost includes associated social security tax.

The following statement presents the status of the plans at 31 December 2021:

Million NOK	Net funded pension plans	Net unfunded pension plans	Total all plans
Projected benefit obligation	811	454	1,265
Pension plan assets	545	0	545
Net pension assets (obligation)	(266)	(454)	(720)

Net unfunded plans are presented under long-term provisions.

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

The actuarial present value has been calculated using the following assumptions:	2021	2020
Discount rate	2.0 %	1.3 %
Projected wage increases	2.50 %	2.00 %
Projected pension regulation	2.25% / 1.75%	1.75% / 1.50%

The calculation is based on the mortality table K2013FT.

TotalEnergies EP Norge AS is obliged to follow the Act on mandatory pension obligations. The pension scheme satisfies the requirement in this Act.

Note 5 Auditor

The audit fee for work performed in 2021 amounted to NOK 3 605 880 excl VAT, of which NOK 3 172 970 was for audit related services and NOK 432 910 for income tax and VAT advice and documentation.

Note 6 Research and Development

In 2021 the Company has incurred expenses of NOK 115 million on Research and Development activities. The Company's R&D program is a part of the TOTALENERGIES Group plan and is aimed at improving the value of our current and future investments on the Norwegian Continental Shelf. The focus is on improving understanding, developing new methodologies, models and hardware in the areas of enhanced oil recovery, reservoir/well monitoring, flow assurance, power supply and distribution on seabed, technology for subsea separation and fluid treatment for transport on long distances, and environmental assessment/monitoring. The program of work is accomplished through joint industry projects collaboration with Norwegian universities and institutes. The program also recognizes technical challenges set out in the national technology strategy, OG21.

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

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

The change in provision in 2021 for future well plugging, dismantlement and removal costs has been calculated at NOK 1 561 million using the unit-of-production method. Incurred expenses in 2021 amounting to NOK 1 147 million have been offset to previous year's provisions. The net discounted value of the total obligations expected to be paid for removal activities, are estimated to NOK 17 211 million (including the retirement asset).

Note 8 Financial income and expenses

Million NOK	2021	2020
Financial income		
Interest income from group companies	0	16
Total financial income	0	16
Financial expenses		
Interest expenses to group companies	(60)	(219)
Other interest expenses	(68)	(84)
Capitalized financial interest	16	46
Total financial expenses	(112)	(257)

Note 9 Income taxes

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

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

Million NOK	2021	2020
Net income before taxes	29,841	5,597
Permanent differences *	323	23
Change in timing differences	2,584	935
Basis for current tax calculation	32,748	6,555
Onshore loss (income)	91	74
Additional Fiscal depreciation transitional rules	(3,565)	(6,055)
Uplift Usable Current Year	(2,129)	(2,891)
Basis for Special Offshore Tax	27,145	(2,317)
Corporate Tax 22%	7,205	1,442
Special Revenue Tax 56%	15,201	(1,298)
Previous years' adjustment	40	200
Tax cost on interim result for Sale and Acquisitions of assets	(12)	2
Deferred tax	367	3,506
This year's tax cost	22,801	3,853
Taxes payable in the income statement	22,446	345
Previous years' adjustment	(40)	(200)
This year's taxes payable	22,406	145
Instalments of income taxes paid	(4,830)	-
Other payable taxes related to previous years	359	649
Total taxes payable in the balance sheet	17,935	794

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

Million NOK	2021	2020
Property, plant and equipment	42,165	43,702
Pensions	(888)	(1,047)
Other	(1,890)	(1,545)
Provision for well plugging and decommissioning	(17,090)	(16,318)
Basis for deferred ordinary taxes 22%	22,297	24,792
Deferred Uplift	(375)	(1,091)
Additional Special tax depreciation transitional rules	9,531	6,055
Onshore assets	(214)	(205)
Basis for deferred special taxes 56%	31,239	29,551
Deferred tax:		
Corporate Tax	4,905	5,454
Special Revenue Tax	17,494	16,549
Deferred tax liabilities	22,398	22,003
OCI Deferred Tax Opening Balance Adjustment to Equity	28	(77)
Tax cost on interim result for Sale and Acquisitions of assets	(12)	2
Change in deferred tax recognized through P&L	355	3,508

Tax Proof:

Income before taxes	29,841	5,597
Marginal tax rate 78%	23,276	4,366
Tax effect of:		
- Permanent and other differences	410	204
- Tax interimperiod related to sale and acquisition of participating interest in licenses	(13)	2
- Earned uplift	(791)	(987)
- Previous years' adjustment	(82)	268
This years tax cost	22,801	3,853

* Mainly related to norm price adjustments and UOP depreciations on historic section 10 deals

Payable taxes are calculated based on 22% corporate tax and 56% special tax which were the applicable rates for 2021.

Deferred tax is calculated based on 22% corporate tax and 56% special tax which are the applicable rates valid from 1. January 2020 onwards.

Note 10 Intangible assets, property, plant and equipment

Million NOK	Prod. inst. completed	Transport- & other equipments	Buildings	Construction in progress	Exploration wells	License acquisitions	Total all assets
At cost 01.01.21	176,262	588	195	2,967	5,992	5,124	191,128
Additions**	4,838	0	0	1,587	243	0	6,668
Transfers	4	0	0	(2)	(1)	0	1
Retirements and sales*	(388)	0	0	(37)	(3,427)	0	(3,853)
Accumulated investments at 31.12.21	180,716	588	195	4,515	2,807	5,124	193,944
Accumulated depreciation	127,284	583	100	0	2,047	4,299	134,314
Book value 31.12.21	53,432	5	95	4,515	760	825	59,630

* Asset Retirement of removed assets from prior periods

** Capitalized financial interests are included in the additions with 16 mnok

2021 depreciation	8,531	2	5	0	253	154	8,945
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Estimated useful life of assets Depreciation plan	Unit-of-prod	10-20 years Decl bal / linear	30 - 50 years Decl bal	Evaluation -	Evaluation -	Unit-of-prod
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Fixed assets include in addition the following amounts for capital leasing agreements per 31. December:

Million NOK	31.12.2021	31.12.2020
Transport- & Other equipments	1,544	1,544
Accumulated depreciation	786	701
Book value year end	758	843

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

Note 11 Shares

All amounts in thousand NOK	Registered Office	Ownership interest	Voting interest	Equity 31.12.2021	Profit (loss) 2021	Book value
Shares in subsidiaries and associated companies:						
Total Etzel Gaslager GmbH	Düsseldorf	100 %	100.00 %	7,664	(7,892)	-
TotalEnergies Gass Handel Norge AS *	Stavanger	100 %	100.00 %	79,711	9,408	300
Norpipe Oil AS	Sola	34.93%	34.93%	39,537	9,637	178,347
Total subsidiaries and associated companies						178,647

Shares in Other companies:

Kunnskapsparken Nord AS		11.75%				13,002
Johan Sverdrup Eiendom DA		8.44 %				1,012
Leda Technologies DA		25.00 %				15,374
Northern Lights DA		33.33 %				160,649
Total other companies						190,037

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

TotalEnergies EP Gass Handel Norge AS wholly owned by TotalEnergies EP Norge AS, are both subsidiaries of TOTALENERGIES HOLDINGS EUROPE S.A.S, a company in the TotalEnergies Group domiciled in France. The parent company TOTALENERGIES SE prepares the consolidated accounts comprising its subsidiaries, and these consolidated accounts are prepared and audited in accordance with the legislation of this state. The consolidated accounts of TOTALENERGIES SE are available on www.totalenergies.com.

Note 12 Transaction and current balances with group companies

TotalEnergies EP Norge AS has different transactions with Group companies. All the transactions, are part of the normal business and with arm's-length prices. Except for the group internal loan described in note 14, the major transactions in 2021 are:

Million NOK	Type	Sales	Costs
Group companies			
TotalEnergies SE	Services		188
TotalEnergies Gas & Power Ltd	Sale of Gas	13,379	
TotalEnergies Trading SA	Sale of Oil/ NGL/ Condensates	28,547	
Receivables			2021 2020
Intercompany customers			6,070 2,655
Total			6,070 2,655
Payables			2021 2020
Intercompany accounts payable			75 88
Total			75 88

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

Note 13 Equity

Million NOK	Share capital	Share premium	Retained earnings	Total
Equity at 31.12.2020	4,201	4,255	4,180	12,636
Net income	0	0	7,041	7,041
Dividend	0	0	(7,041)	(7,041)
Changes in actuarial assumptions for pensions	0	0	8	8
Equity at 31.12.2021	4,201	4,255	4,188	12,644

At 31.12.21 TotalEnergies EP Norge AS was a wholly owned subsidiary of TOTAENERGIES HOLDINGS EUROPE S.A.S, a company in the Total Group. The consolidated accounts of TOTAENERGIES SE are available on www.TOTAENERGIES.com. Share capital consist of 4 201 000 shares of NOK 1 000.

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

TotalEnergies EP Norge AS has done a full repayment of the term loan of NOK 10 000 million, and reduced the revolving credit facility with the full maximum amount of NOK 2 000 million with TotalEnergies Treasury during 2021.

LONG-TERM LOANS FROM OTHER COMPANIES

As of 31 December 2021, the long-term loans from other companies is linked to the booked financial leasing commitment.

(million NOK)	1 year	2 - 5 years	5 years +
Long term debt related to leasing commitment	80	588	709

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

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

As a non operating Partner in the fields under development and operation, the Company has leasing agreements for helicopters, FSO's, storage and vessels. Leasing payments for TotalEnergies EP Norge AS was in 2021 NOK 459 million. Total future leasing costs for TotalEnergies EP Norge AS are NOK 3 559 million.

Million NOK	1 year	2-3 years	4-5 years	5 years +
Leasing agreements	634	1,088	775	1,062

OTHER COMMITMENTS

As an Operator and as a non operating partner TotalEnergies EP Norge AS has several commitments to purchase goods and services different projects for an amount of NOK 1 665 million.

Note 16 Oil and Gas Reserves (not audited)

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

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

	Oil and Condensate (millions of bbls)	NGL (millions of tons)	Natural Gas (billions of Sm3)	Oil Equivalents (millions of bbls)
Reserves 31.12.2021				
Developed and undeveloped reserves (base estimates)	413.4	4.5	82.7	987.7

Note 17 License portfolio 31.12.2021

TOTALENERGIES NORGE AS ASSETS	SHARE (%)	OPERATOR	COMPRISED OF
EKOFISK AREA			
EKOFISK	39.90	CONOCOPHILLIPS	PL 018, PL 018 B
TOR	48.20	CONOCOPHILLIPS	PL 006
TOMMELITEN ALPHA *	20.23	CONOCOPHILLIPS	PL 044
HEIMDAL AREA			
ATLA & SKIRNE	40.00	TOTALENERGIES	PL 102 C, PL 102, PL 102 E
HEIMDAL (reservoir)	26.33	EQUINOR	PL 036 BS
FLYNDRE **	88.35	TOTALENERGIES	PL 018 C
HALTENBANKEN AREA			
KRISTIN	6.00	EQUINOR	PL 134 D, PL 199, PL 257
TYRIHANS	23.15	EQUINOR	PL 073, PL 073 B
ASGARD	7.68	EQUINOR	PL 062, PL 094, PL 094 B, PL 134, PL 237, PL 479
YTTERGRYTA ***	24.50	EQUINOR	PL 263 C
LINNORM AREA			
LINNORM	20.00	SHELL	PL 255
OSEBERG AREA			
OSEBERG	14.70	EQUINOR	PL 053, PL 055 C, PL 079, PL 104, PL 104 B, PL 171 B
TUNE	10.00	EQUINOR	PL 034, PL 190
ISLAY ****	100.00	TOTALENERGIES	PL 043 CS, PL 043 DS
SNØHVIT AREA			
SNØHVIT	18.40	EQUINOR	PL 064, PL 099, PL 077, PL 078, PL 100, PL 110, PL 110 B, PL 448
TROLL AREA			
TROLL	3.69	EQUINOR	PL 054, PL 085, PL 085 B, PL 085 C
KVITEBJØRN	5.00	EQUINOR	PL 193, PL 193 C
JOHAN SVERDRUP			
JOHAN SVERDRUP	8.44	EQUINOR	PL 501, PL 501 B
SUM FIELDS			48 Licenses
EXPLO LICENSES			
PL 255 B, PL 255 C	40.00	EQUINOR	
PL 219	15.00	EQUINOR	
PL 275	40.00	CONOCOPHILLIPS	
PL 983	20.00	EQUINOR	
PL 1039, PL 1039 B	40.00	EQUINOR	
PL 1070	40.00	TOTALENERGIES	
PL 1127	30.00	EQUINOR	
SUM EXPLO LICENSES			9 Licenses
SUM PORTFOLIO			57 Licenses

* Share is in Norwegian part. Field is unitised with U.K. License P.2220. TotalEnergies EP Norge AS share in field is 20.14%

** Share is in Norwegian license. Field is operated from the U.K. TotalEnergies EP Norge AS share in field is 6.26%

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

**** Share is in Norwegian license. Field is operated from the U.K. TotalEnergies EP Norge AS share in field is 5.51%

Accounting Policies

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

Revenue recognition

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

Joint operations

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

Balance sheet classification

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

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

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

Foreign currency translation

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

Cash and Cash equivalents

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

Intangible assets, property, plant and equipment

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

The proven and probable reserves are used for calculation of depreciation of E&P assets (such as for licence acquisitions, offshore and onshore production installations, booked under operating expenses) by applying the unit of production method. Other onshore property, plant and equipment are depreciated by use of the linear or declining balance method.

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

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

Exploration

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

Research and development

Research and development costs are expensed as incurred.

Leasing commitments

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

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

Shares

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

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

The Group's parent company in France prepares consolidated financial statements that include TotalEnergies EP Norge AS and its subsidiary TotalEnergies EP Gass Handel Norge AS. Consolidated accounts can be found on the group's website www.totalenergies.com.

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

The obligation to prepare consolidated accounts shall not apply to an enterprise, which is itself a subsidiary, if its parent company is domiciled in an EEA state and prepares consolidated accounts comprising the enterprise and its subsidiaries, and these consolidated accounts are prepared and audited in accordance with the legislation of this state.

Inventories

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

Over-/Underlifting

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

Future well plugging, abandonment and removal costs

Annual provisions are made to meet future costs for decommissioning, abandonment and removal of installations. Provision requirements are reviewed on an individual field basis, and the net present value of future costs is the basis for the recognized obligation. Changes in time element (net present

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

Pensions

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

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

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

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

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

Income tax

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

Cash flow statement

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