Directors' report 2024

Petoro manages the State's Direct Financial Interest (SDFI), which represents about 30 per cent of Norway's overall oil and gas reserves. The company's objective is to create the greatest possible value and achieve the greatest possible revenue for the State from SDFI.

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

As SDFI manager, Petoro contributed a cash flow of NOK 220 billion in 2024, which represents an estimated 30 per cent of the state's total revenues from the petroleum activities in 2024.

External trends

The world and Europe have spent the last few years in the throes of major transitions and multiple crises. Financial globalisation is on the decline, and the world order based on international rules and shared values is under pressure. Russia's full-scale invasion of Ukraine has changed Europe's security policy situation. About half of the global population had their voices heard at the ballot box in 2024, including the election of a new European Parliament and a new president in the US. Geopolitical competition, economic nationalism and political polarisation have been hallmarks of political discussions. This global context creates uncertainty that will also affect the energy markets and the pace of the future energy transition.

There is significant uncertainty associated with the pace of the transition, and it will be challenging to achieve the established goals. This uncertainty coincides with the continued increase in global greenhouse gas emissions and global temperatures. 2024 has been a new record-setting year for both global emissions and global temperatures. The UN has pointed out that the world just experienced its hottest decade ever.

Different regions and countries are taking different approaches to the energy transition. Europe, our most important market, has been affected by war and an energy crisis over the last few years. The EU is devoting particular attention toward increasing its production of renewable energy in order to bolster security of supply, reduce greenhouse gas emissions and contribute to industry, jobs and economic growth. The EU's power generation mix is becoming increasingly green, and in 2024, 72 per cent of power generation in the EU and UK was emission-free.

Geopolitical unrest has resulted in substantial volatility in European gas prices in recent years. Russian imports have been curbed through the EU's sanctions and its ambition to break free from its dependence on Russian gas, and considerable import capacity has been added for liquid gas (LNG). At the same time, the demand for gas in Europe in 2024 is lower than before Russia's invasion of Ukraine. Norway has been a stable and predictable producer of gas, and is currently the largest supplier of gas to Europe. Gas accounted for 67 per cent of total SDFI production in 2024 and is estimated at about 70 per cent of future production. The average price at the Title Transfer Facility (TTF) in 2024 was around NOK 4.5 per Sm^3. Gas prices rose toward the end of the year as a result of colder weather and the expected termination of the transit agreement between Russia and Ukraine in 2024.

The price of oil has varied between USD 70 to 90 per barrel over the last two years, and in a historical perspective, it has remained stable in spite of geopolitical risk and uncertainty. The global growth in demand for oil amounted to just over 1 million barrels per day in 2024, and total demand was more than 104 million barrels per day, which is a new record. Demand from China in particular was lower than expected in 2024, which has contributed to weaker-than-expected growth in global demand. OPEC+ has been following oil prices closely and has continued major cuts in its own production to keep the price at the level we have seen through 2024.

2024 was yet another year of high activity levels and major investments in oil and gas activities on the NCS. There are a number of projects under development, consisting of discoveries, further development and electrification projects that will contribute production, revenues and emission reductions in the years to come. These projects also provide jobs and activity for the supplier industry. 2024 has also seen a high level of activity associated with exploration near existing fields. This will lay a good foundation for continued deliveries of oil and gas from the NCS and from the SDFI portfolio. A high activity level and a general increase in costs entail a risk of cost overruns and delays, so there is a need to keep a close eye on projects in the implementation phase.

CO_2 emissions from petroleum activities on the NCS have been on the decline since 2015, despite relatively stable production. This reduction was mainly caused by electrifying installations with power from shore. Many fields on the NCS are operated using power from shore, and decisions have been made in recent years to electrify several key fields and onshore plants, such as Troll B/C, Oseberg and Snøhvit/Melkøya. The oil and gas industry is working to identify and mature additional emission cuts. A number of measures have been considered, and three relevant electrification projects now remain in the portfolio; the Tampen area, the Balder and Grane fields in the North Sea, as well as the Halten area in the Norwegian Sea. Electrification of these remaining fields will require about 2 TWh of Norway's overall power generation of 157 TWh. It will be very important to implement these projects in order to reach the industry's goal to reduce CO_2 emissions by 50% by 2030. Electrification options are also being considered for parts of the gas plant at Kårstø. 2030 is not that far away, and difficult decision processes are expected in the licences and for the authorities. These electrification projects are challenging, and Petoro is particularly focused on ensuring quality in the decision-making basis.

The number of serious safety incidents on the NCS has remained stable over the last 10 years. Falling objects continue to dominate the range of incidents. The Norwegian Ocean Industry Authority's annual mapping of the risk level on the NCS shows a positive development. It is important that the industry continues its improvement efforts to further reduce the number of serious incidents.

The threat scenario for the petroleum sector has changed in the wake of Russia's full-scale invasion of Ukraine. The infrastructure is highly important for energy security in Europe. Safe operation is high on the agenda based on the consideration for people and the environment, but also to ensure good regularity and availability. The operators are cooperating closely with the authorities on emergency preparedness and security measures. The pipelines to mainland Europe and the United Kingdom are subject to follow-up and inspections in collaboration with relevant security authorities.

The player landscape on the NCS is changing. Many of the previously traditional oil and gas companies have adjusted their strategy to become broad energy companies and aim to develop renewable power and low-carbon-solutions. This is all taking place against a backdrop of continued consolidation in the industry. Major players with a focus on oil and gas activities on the NCS have been emerging in recent years, such as Vår Energi and Aker BP. Equinor remains the dominant operator, and accounts for about 90 per cent of future SDFI production.

The Norwegian state increased its ownership in key gas infrastructure in 2024. These changes entail a transition to full state ownership in Gassled, and increases in state ownership to 81.3 per cent in Nyhamna and 90 per cent in Polarled. Petoro AS is the licensee associated with the State's Direct Financial Interest (SDFI) in petroleum activities, and starting in 2024, we will be managing the gas infrastructure ownership on behalf of the state.

Summary of SDFI results

Net cash flow to the state from the SDFI at year-end amounted to NOK 220 billion, 57 billion lower than the previous year. This cash flow reduction was primarily caused by lower gas prices and higher investments. The decline was partly offset by increased gas sales and lower expenses for purchasing third-party gas. In spite of the significant reduction compared with 2023, the cash flow for the year is still the third-highest in Petoro's history.

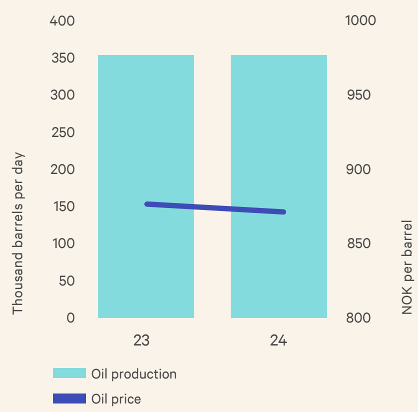
Total production reached 1,063 thousand barrels of oil equivalent per day (kboed), an increase of 70 kboed compared with the previous year.

Gas production amounted to 113 million standard cubic metres (mill. scm) per day, an increase of eleven per cent compared with the year before. This increase was primarily caused by higher gas production from Troll following a capacity increase at Kollsnes, but also robust and stable production from fields such as Oseberg and Dvalin. The average realised gas price was NOK 4.50, compared with NOK 5.76 per scm the previous year. The reason for the lower gas prices is complex, but the primary cause was lower demand, high LNG imports and high storage levels in Europe.

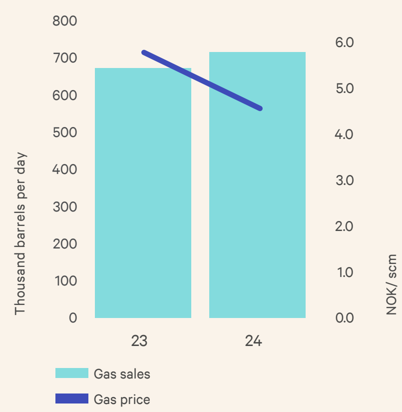
Liquids production amounted to 354 kboed, a reduction of 1 kboed compared with the previous year. The reduction in liquids production was primarily caused by natural production decline and turnarounds on multiple mature fields. This effect was partly offset by new production from Breidablikk, which started up in 2023. The average realised oil price was USD 82, compared with USD 83 per barrel the previous year. Measured in Norwegian kroner (NOK), the oil price was 871, compared with NOK 876 per barrel the previous year. The marginal reduction in the oil price compared with the previous year was caused by growth in global oil production and lower growth in demand, but this effect was offset by voluntary production restrictions among OPEC+ members and higher geopolitical risk.

Investments came to NOK 49 billion, NOK 18 billion higher than the previous year. This increase was primarily caused by the acquisition of key gas infrastructure at a price of NOK 13 billion, as well as investment in an associated company totalling NOK 6 billion. Excluding the acquisition and investment in the associated company, investments were just under NOK 1 billion lower than the previous year. This reduction was caused by less production drilling on Troll, Visund and Statfjord Øst, as well as lower investment levels on Breidablikk and Dvalin after start-up. The decline was partly offset by high activity on multiple projects in the implementation

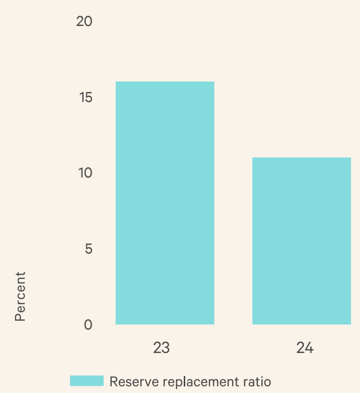
Oil production / - price



Gas sale / -price



Reserve replacement ratio



phase, such as Troll phase 3, Snøhvit and Irpa. More production drilling has also been taking place on fields like Haltenbanken Vest, Tyrving and Johan Castberg.

Total operating expenses amounted to NOK 72 billion, NOK 14 billion lower than the year before. This reduction was caused by lower costs related to purchasing third-party gas and a partial reversal of previous impairment. The decline was partly offset by increased production expenses.

Costs for purchasing third-party gas amounted to NOK 5 billion, NOK 10 billion lower than the previous year. This decline was mainly caused by lower gas prices in combination with reduced volumes.

Production costs amounted to NOK 24 billion, 1 billion higher than the previous year. The increase was caused by general growth in operating and maintenance expenses on multiple fields, partly offset by reduced costs for electricity and environmental taxes.

Transport costs came to NOK 11 billion, which is on par with the previous year.

In 2024, we reversed previous impairment on Martin Linge totalling NOK 2 billion, compared with a total impairment of NOK 5 billion in 2023. The primary reason for this reversal is an updated assessment of remaining reserves.

Total exploration expenses during the period came to just under NOK 3 billion, of which a net of NOK 1.4 billion has been recognised as capitalised exploration costs.

Net income after financial items came to NOK 232 billion, NOK 34 billion lower than the previous year. This reduction was mainly caused by lower revenues as a result of reduced gas prices. The decline was partly offset by increased gas sales, reduced costs for purchasing third-party gas, and partly by reversal of previous impairment.

The book value of assets at 31 December 2024 was NOK 298 billion. The assets mainly consist of fixed assets related to field installations, pipelines and onshore plants, as well as current debtors. Equity at year-end came to NOK 200 billion, which is an increase of NOK 12 billion compared with the year before. The increase was caused by the transfer to the state being 12 billion lower than the annual result for accounting purposes. Overall debt amounted to NOK 98 billion, while NOK 72 billion of this was related to estimated future removal obligations. Removal obligations declined by NOK 3 billion compared with 2023, primarily as a result of a higher discount rate.

Health, safety and the environment (HSE)

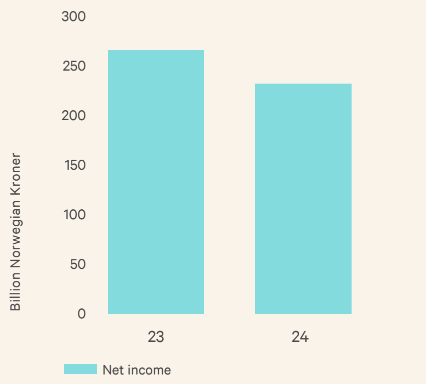
A total of 17 serious incidents occurred in the SDFI portfolio in 2024. This yields a serious incident frequency of 0.59, which represents a weak decline from 0.56 in 2023. Falling objects continue to dominate the range of incidents. The personal injury frequency was 4.92, compared with 4.11 in 2023. Petoro always puts safety first, and this approach is clearly communicated through the company's expectations for HSE management and HSE culture in the licences. In a major accident perspective, Petoro focuses on learning across the portfolio, as well as ensuring quality in risk assessments. Over the course of the year, Petoro has carried out multiple management visits at selected fields and onshore facilities with a focus on HSE.

Principal activities in 2024

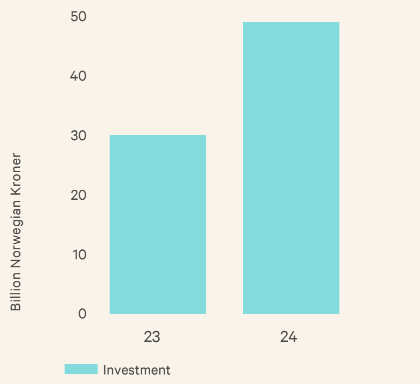
At year-end, the SDFI portfolio consisted of 183 ownership interests in production licences; up ten from the beginning of the year. In January 2025, the Ministry of Petroleum and Energy completed its awards in pre-defined areas, where an additional 13 production licences were awarded with SDFI participation. As the largest partner on the NCS, which provides a unique overview, Petoro is well-positioned to identify opportunities and contribute to lessons learned across the portfolio. The company therefore works actively to use its position to create value for its owner.

The portfolio consists of 48 fields, 44 of which are producing. Major projects such as Johan Castberg, Kristin Sør phase 1, Ormen Lange phase 3 and Troll

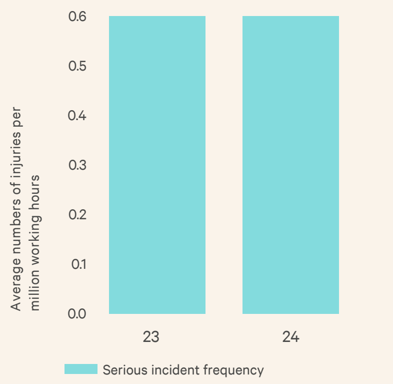
Net income



Investment



Serious incident frequency



Vest electrification, as well as Oseberg increased gas capacity and partial electrification are under development.

Approximately 70 per cent of the gas production came from Troll, Ormen Lange and Oseberg. Production from mature oil fields continues to dominate liquids production from the SDFI portfolio, despite the fact that Johan Sverdrup accounted for 36 per cent of production in 2024. The Troll, Snorre, Oseberg, Åsgard, Heidrun, Gullfaks, Grane and Breidablikk fields accounted for 44 per cent of total liquids production for the year. In 2024, gas accounted for about two-thirds of overall production.

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

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

In May 2024, Petoro and Equinor entered into an extensive ownership swap agreement on the NCS. This agreement will contribute to increased value creation and more effective resource management for the companies' activities on the Halten Bank. The agreement was approved by the authorities in 2024, and entered into force on 1 January 2025. Through this agreement, Petoro receives ownership interests of 22.5 per cent in Tyrihans, 3.7 per cent in Johan Castberg, 9.3 per cent in the Carmen discovery and 10 per cent in the Beta discovery, and simultaneously traded ownership interests of 21.4 per cent in Heidrun and 7.5 per cent in Noatun to Equinor. The agreement is value-neutral, which means that the value of the ownership interests swapped between the companies is considered to balance out.

Petoro was a participant in 11 exploration wells in 2024. These wells resulted in five discoveries; two of which are characterised as technical/non-commercial and one is unresolved. Othello (PL1086) in the southern North Sea and Cuvette (PL248F) west of Grosbeak are both considered to be potential commercial discoveries. The appraisal wells on Adriana and Sabina (PL211CS) also resulted in an increase in volume projections, and potential future development via Skarv will be considered.

The portfolio's estimated remaining reserves totalled 4,129 million boe at the end of the year, down by 346 million boe compared with the end of 2023. Reserve growth amounted to 43 million boe and mainly comes from Oseberg, Gullfaks and Martin Linge. With a production of 389 million boe, this yielded a reserve replacement rate of 11 per cent, compared with 16 per cent in 2023 and 49 per cent in 2022.

Additional information about the company's activities in 2024 can be found in Chapter 3, Activities and results from the year.

Gas infrastructure

In autumn 2024, the state entered into agreements with seven companies to purchase ownership interests in key gas infrastructure on the NCS. These agreements entailed a transition to full state ownership of Gassled, and increased state ownership in Nyhamna and Polarled. The gas infrastructure is part of the SDFI and managed by Petoro, and in connection with taking over these assets, Petoro was issued a separate mandate to manage the state's ownership of key gas infrastructure. Crucial principles include that the key gas infrastructure will be managed separately from the rest of the SDFI portfolio, and decisions made will not assign particular emphasis on the impact on the state's ownership interests in production licences. Safeguarding the state's ownership of key gas infrastructure is therefore distinct from the rest of the SDFI portfolio and is therefore established as Petoro's fourth primary responsibility. In an effort to facilitate compliance with the administrative mandate, Gas

Infrastructure has been established as a separate department. Activity in 2024 has been associated with carrying out the sales and purchase agreements while simultaneously facilitating implementation of the new mandate in the organisation.

Marketing and sale of the products

All oil, NGL, condensate and LNG from the SDFI portfolio is sold to Equinor. Equinor is responsible for marketing all the SDFI's natural gas along with its own natural gas, at the state's expense and risk. Petoro's task is to follow up that Equinor's marketing and sale of the state's petroleum together with its own production complies with the Marketing and Sale Instructions issued to Equinor. The objective of the Marketing and Sale Instructions is to achieve the highest possible collective value for Equinor's and the SDFI's petroleum, and ensure just distribution of the value creation. 2024 has seen Petoro particularly focus on the market situation, potential divergent interests, as well as issues of significant importance as regards value.

In 2024, Petoro has prioritised issues within the marketing and sale of both oil and gas. The company has particularly focused on following up measures to increase gas production in order to deliver as much gas as possible to the European market. In addition, the company has paid attention to the extent to which the marketing and sale models satisfy the objectives in the Marketing and Sale Instruction regarding Maximum Value Creation and Equitable Distribution between Equinor and SDFI.

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

Selected verifications have been conducted to ensure that the SDFI receives its rightful share of sales-related costs and revenues. Several clarifications have taken place in recent years related to the marketing and sale, and a few of them were implemented in 2024. Petoro has maintained a dialogue with the Ministry of Trade, Industry and Fisheries throughout the year on areas in the Instructions. The company has also had an extensive dialogue with Equinor, including follow-up of shared goals for costs and value creation.

Research and development

Petoro contributes to research and development (R&D) through the SDFI meeting its share of the operator's costs for general research and development pursuant to the Accounting Agreement. The funds are managed by the respective operators. This amounted to NOK 736 million for the SDFI in 2024. This is in addition to projects aimed at field-specific qualification of new solutions or pilot use of technology in licences, where the costs are charged to the joint ventures. Petoro only initiates its own technology development projects to a limited extent.

Working environment and expertise

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

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

An annual plan is prepared as regards diversity, equality and inclusion with concrete measures. This ensures that the company works on improvements in an active, targeted and deliberate manner. More detailed information about this area will be provided in the company's sustainability report, which is published alongside the annual report.
The company had 79 employees at the end of the year; six more than compared with the previous year. Three new employees were hired in 2024, and two employees retired. In the last quarter of 2024, the state increased its ownership in the key Norwegian gas transport system, and as a result of this, five employees were transferred to Petoro as part of the transaction. Petoro also established a separate department for gas infrastructure, as well as an associated position as EVP Gas Infrastructure. The new EVP will take up the post in the second quarter of 2025. The average age in the company is 53; 54 for men and 51 for women. The ratio of women in Petoro has exceeded 30 per cent since 2009. In 2024, the ratio was 34 per cent. The company has had at least 40 per cent women on its Board since its inception. The rules for electing employee representatives to the Board require one representative for each gender. The company's Board consists of 57 per cent women. At the end of the year, the ratio of women in management was 60 per cent, an increase compared with 50 per cent in 2023. Four of six representatives on the Working Environment Committee and Works Council are women, and this is the same as in 2023.

Petoro's salary system consists of different groups of employees, including management, senior advisers and advisers. Six per cent of the company's employees belong to the management category, while a respective 87 per cent and six per cent belong to the senior adviser and adviser groups. In management, women's overall compensation packages amount to 96 per cent of men's. The equivalent percentages for senior advisers and advisers are 96 and 111 per cent.

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

There was one instance of a voluntary part-time position in 2024, and one instance of short-term temporary employment. Four people were on parental leave during the year.

Absence due to illness was 1.6 per cent, compared with 2.5 per cent the previous year. The company considers this to be low. In an effort to promote good health and prevent burnout, the company emphasises close follow-up and dialogue as described in the Inclusive Workplace Agreement. No occupational accidents were recorded among the company's personnel in 2024. The company conducts employee surveys as part of its efforts to safeguard a good working environment, and these surveys are followed up with measures.

The company has worked actively during the year to ensure a good working environment, and employee feedback indicates satisfaction with the company's working environment. The company has had good experiences with the use of home offices.

Collaboration in the company's Working Environment Committee and Works Council lays an important foundation for a good working environment. Cooperation in these bodies is considered to be good.

Corporate governance

The Ministry of Trade, Industry and Fisheries, in the person of the Minister, represents the Government as sole owner and serves as the company's general meeting and highest authority.

The Board emphasises good corporate governance to ensure that SDFI is managed in a manner that maximises financial value creation. Requirements for governance in the public sector are specified in "Regulations on Financial Management in Central Government" and in standards for good corporate governance. The Board observes the Norwegian state's principles for sound corporate governance as expressed in Report No. 6 to the Storting (2022-2023) "A greener and more active state ownership - The Norwegian state's direct ownership in companies" and those sections of the "Norwegian Code of Practice for Corporate Governance" regarded as relevant to the company's activities and the frameworks established by its form of organisation and ownership.

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

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

Corporate social responsibility

Petoro discharges its corporate social responsibility (CSR) in line with the company's guidelines.

Measures which ensure that the company discharges its CSR include business ethics guidelines, the HSE declaration, the company's strategy, as well as an HR policy that ensures diversity, inclusion and equal opportunity. Petoro has no activity outside Norway, but participates indirectly in certain foreign activities as a licensee on behalf of the SDFI and through the Marketing and Sale Instructions.

Petoro endorses the (Norwegian) Transparency Act's objective of promoting respect for fundamental human rights and decent working conditions throughout the value chain, as well as ensuring general public access to information. The Transparency Act obligates businesses to be transparent through an annual statement of their due diligence efforts. Petoro publishes this on the company's website (www.petoro.no) and in the annual report's chapter on Corporate social responsibility.

The Board provides a more detailed presentation of the exercise of CSR in a separate section of the annual report, and more extensively in the company's sustainability report.

Risk management and internal control

The objective of risk management in Petoro is to identify and understand the most important risks facing the SDFI and Petoro, and ensure that they are handled prudently. Risk management has both a strategic and operative perspective.

Risk is inherent in all business activity. Our risk management is aimed at striking the right balance between realising opportunities and avoiding losses. Risk management is an integrated part of our enterprise management, with a strong link to the company's target and performance management process. Sustainability and climate are reflected in the company's strategy, goals and risk matrix. In 2024, the Board paid particular attention to reducing greenhouse gas emissions and realising the identified value potential on operating fields.

Efforts have been under way over the past year to further develop and improve Petoro's risk management. These improvement efforts were initiated by the Board and carried out in close dialogue with the Administration.

In addition to the annual review of the company's governance, an internal audit project was conducted in 2024 aimed at following up information and ICT security. The results were summarised in a report to the Board describing the audit actions undertaken, findings, as well as proposed and implemented measures for the internal audit projects. The result is satisfactory, and the internal controls fulfil generally accepted standards. The internal audit projects were conducted by PwC, which has also been responsible for the internal financial audit of the SDFI for the 2024 accounting year.

The Board's work

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

The Board has chosen to organise its work related to remuneration through a sub-committee comprising two of the shareholder-elected directors.

The Board also has a sub-committee dealing with risk and auditing. This committee consists of two shareholder-elected directors.

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

As an appendix to the Board Instructions, the Board has adopted supplementary provisions for matters which it will consider. The Board also conducts annual reviews of the company guidelines on business ethics and CSR, as well as the Board Instructions. Directors must routinely report their ownership of shares or similar interest in other companies which could constitute, or which could be perceived as constituting, a conflict of interest with their position. They are furthermore required to report other relationships with licensees involved in petroleum activities on the NCS or with companies that supply licensees.

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

The Board of Petoro AS consists of Arne Sigve Nylund as chair, deputy chair Brian Bjordal, Kristin Skofteland, Trude J. H. Fjeldstad and Anne Harris as shareholder-elected directors. Directors Hege Odden and Torbjørn Mæland were elected by the employees.

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

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

PETORO AS

Share capital and shareholder

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

Petoro's share capital at 31 December 2024 was NOK 10 million, distributed among 10,000 shares owned by the Ministry of Trade, Industry and Fisheries on behalf of the Norwegian state. Petoro's business office is in Stavanger.

Net income and allocations

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

Funds for operating Petoro AS are provided by the state, which is directly responsible for the contractual obligations incurred by the company. NOK 399 million was appropriated for the company's ordinary operations in 2024, compared with NOK 380 million in 2023.

Total expenses in 2024 were within the framework of the Board's approved budget, the company's appropriation and allocation letter. The financial result for Petoro AS totalled NOK 8.8 million. The Board proposes that this profit be transferred to other equity. Including net loss for the year, other equity amounted to NOK 33.9 million as of 31 December 2024.

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

Prospects

An extensive energy transition will be needed in order to achieve the goals of the Paris Agreement. At the same time, the last few years have truly shown Europe the importance of having the necessary access to energy. Secure energy deliveries will remain important, and this will need to be balanced against the need to reduce greenhouse gas emissions and maintain acceptable energy prices. In recent years, the EU has been developing an extensive framework for energy and climate policy. In the context of Norwegian oil and gas activities, the EU's energy and climate policy will particularly impact the demand side and could help speed up the process of phasing out fossil energy sources. Simultaneously, an increased focus on energy security and value chain emissions could provide an advantage for Norwegian energy deliveries.

There is currently broad political agreement to the effect that oil and gas activity in Norway must be developed, not dismantled. However, the industry is also expected to reduce its greenhouse gas emissions. This means that predictable and stable framework conditions are key.

There are still substantial remaining oil and gas resources on the NCS. In its most recent resource report, the Norwegian Offshore Directorate (Sodir) projected that 55 per cent of the overall resources have been produced. The remaining resources provide a long-term basis for production, activity and value creation. There is uncertainty associated with future production estimates, and Sodir has developed three potential scenarios showing a broad range of outcomes in the future production of oil and gas. In order to maintain or increase production, it will be necessary to invest substantially in exploration activity, technology development and developing new discoveries. Failure to invest will lead to rapid dismantling of the petroleum activities. However, all three scenarios show a decline in production over the long term. At the same time, future price expectations will be of paramount importance.

Petoro shall be a driving force for realising values from petroleum activities on the shelf and producing them in the most profitable and sustainable way possible.

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

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

In order for Norwegian oil and gas to remain competitive and relevant in the future, we will need to continue producing it at low costs and with low greenhouse gas emissions. Petoro is a major player on the NCS and aims to reduce scope 1 emissions from the SDFI portfolio by at least 55 per cent by 2030, compared with 2005. The emission target is based on adopted and future measures and project opportunities. Additional electrification of fields and onshore plants in the portfolio will be a crucial measure. Following the decision to develop the Johan Castberg field in 2017, there has also been an ambition for all new field developments to use zero-emission solutions. Johan Castberg will be run on gas turbines, but can be partly electrified in the future. Beyond electrification, energy efficiency measures and planned shutdowns and scale-downs will contribute to emission reductions.

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

Geopolitical competition, economic nationalism and polarisation are fostering uncertainty that will affect the energy markets and the tempo of the energy transition moving forward. Norway has spent the last few years bolstering its position as a reliable and secure energy supplier, and has been able to remain competitive by implementing cost-effective and climate-friendly solutions. There are still substantial resources in place on the NCS. In order to realise these resources, exploration will need to take place near existing infrastructure and in more frontier areas, in addition to making more investments in fields, discoveries and infrastructure. Petoro wants to contribute to the energy security and transition the world needs in order to achieve a low-emission society. It will be important to remain competitive on costs and emissions in the years to come, and as a key player on the NCS, Petoro will do its part.

Stavanger, 6 March 2025

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