



Fourth quarter 2021

Quarterly and full year report

About Vår Energi

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

The Company has an ambition to increase production to 350 kboepd by end 2025 while reducing production cost to USD 8 per boe from USD ~13 in 2021 as new projects come onstream and effects from improvement measures are achieved. Material cash flow generation and an investment grade balance sheet enable attractive and resilient dividend distributions. For 2022, Vår Energi targets a minimum dividend of USD 800 million. From 2023 and onwards, the Company plans to distribute 20–30% of cash flow from operations (CFFO).

On 16 February 2022, Vår Energi listed on Oslo Børs (OSE) under the ticker “VAR”. The initial public offering (IPO) provides access to Norwegian and international capital markets, a diversification of the Company’s ownership structure and supports employee-engagement.

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

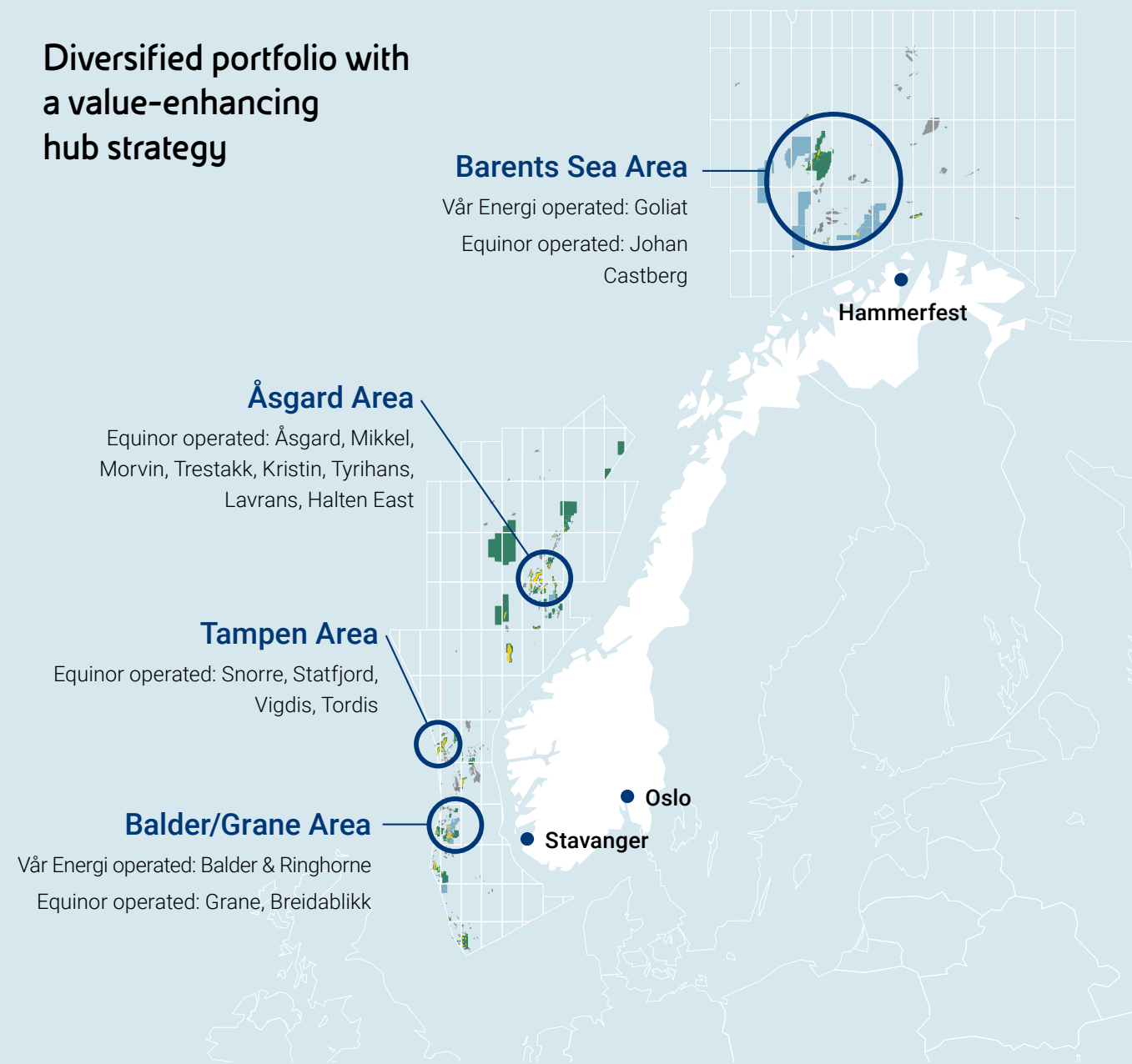
To learn more, please visit www.varenergi.no.

This report contains Alternative Performance Measures (APMs). These measures are explained in the section Accounting Policies and Alternative Performance Measures (APMs).

The section Financial Statements with note disclosures is prepared according to IFRS.

The full year 2021 and interim periods presented in this report are unaudited.

Diversified portfolio with a value-enhancing hub strategy



Fourth quarter and full year 2021 highlights

Vår Energi reported USD 2 274 million in total income for the fourth quarter of 2021 and USD 6 073 million for the full year, an increase of 40% and 110% from the third quarter of 2021 and full year 2020 respectively, primarily driven by higher oil and gas prices. Profit before taxes was USD 1 124 million in the quarter (+87%) and USD 2 498 million for the year compared to a net loss in 2020. Cash flow from operations (CFFO) was USD 923 million in the quarter and USD 4 438 million for the full year. The Company maintains its 2022 guidance of minimum USD 800 million in dividends including USD 225 million expected for the first quarter.

- Zero actual serious incidents in 2021
- Production of 259 kboepd, an increase from 247 kboepd in the third quarter on improved production efficiency, full-year 2021 production was 246 kboepd (-7% from the previous year)
- Average realised price of USD 103.4 per boe in the quarter (+46% from Q3 2021) and USD 70.9 for the full year (+128% form previous year)
- Strong full-year cash flow generation, fourth quarter impacted by tax payments and increased working capital due to higher gas sales
- Fourth quarter and full-year production cost of USD 13.4 per boe and USD 12.0 per boe, respectively, with full-year 2022 guidance unchanged at USD 12.5 to 13.5 per boe
- 2021 exploration campaign with 75% success rate adding 135 million boe (mmboe) of resources, equal to 1.5x full-year production of 90 mmboe
- Main development projects progressing according to plan and budget
- Obtained Investment Grade credit ratings from S&P and Moody’s
- Refinanced reserve-based lending facility with a USD 6 billion unsecured loan
- Leverage ratio reduced to 1.1x at year end from 3.2x at end 2020 on lower net debt and strong cash flow

KPIs (USD million unless otherwise stated)	Q4 2021	Q3 2021	Q4 2020	FY 2021	FY 2020
Actual serious injury frequency (x)	-	-	-	-	-
CO ₂ emissions internsity (operated licenses, kg/boe)	7.1	11.7	7.4	8.7	8.5
Production (kboepd)	259	247	257	246	265
Total production and transportation cost (USD/boe)	13.4	11.6	9.3	12.0	9.9
Cash flow from operations before tax (USD million)	1 495	1 292	595	4 274	2 087
Cash flow from operations (CFFO, USD million)	923	1 310	787	4 438	1 744
Free cash flow (FCF)	213	581	221	1 854	(68)
Dividends (USD million)	262	213	75	950	450

“Vår Energi delivers record earnings for the fourth quarter and 2021 driven by solid operational performance, a significant gas share and increased realised commodity prices. The development projects which support our mid-term production targets are progressing as planned and we maintained focus on safe operations with zero serious accidents recorded. We see a continued supportive commodity price environment which, together with our strong balance sheet, scale of production and cash flow generation underpin our commitment to deliver on our full-year 2022 dividend expectations of minimum USD 800 million.”

Torger Rød, CEO of Vår Energi.

Key metrics and targets

Production (kboepd)	Q4 2021	Q3 2021	Q4 2020	FY 2021	FY 2020
Crude oil	142.6	131.8	135.4	136.9	139.6
Gas	94.6	92.0	94.9	86.7	98.3
NGL	21.3	23.4	26.7	22.2	27.3
Total	258.6	247.2	257.0	245.8	265.2
Realised prices ^{1, 2} (USD/boe)	Q4 2021	Q3 2021	Q4 2020	FY 2021	FY 2020
Crude oil price	80.4	71.8	46.3	70.4	41.5
Gas price	148.3	76.3	26.3	79.5	17.4
NGL price	60.6	45.7	23.9	45.0	21.3
Average (volume-weighted)	103.4	70.6	36.9	70.9	31.1
Financials (USD million unless otherwise stated)	Q4 2021	Q3 2021	Q4 2020	FY 2021	FY 2020
Total income	2 274	1 621	799	6 073	2 894
EBIT	1 235	786	(748)	2 910	(2 253)
Profit / (loss) before income taxes	1 124	602	(180)	2 498	(2 204)
Net earnings	209	147	(578)	622	(1 627)
Earnings per share (USD) ³	0.10	0.09	(0.03)	0.38	(0.18)
Dividend per share (USD) ³	0.08	0.06	(0.23)	0.25	(0.65)
NIBD / EBITDAX (including leasing)	1.1	1.4	3.2	1.1	3.2

Targets and outlook

2022 guidance

Production (kboepd)	230–245
Total production and transportation cost (USD/boe)	12.5–13.5
Development capex (USD million)	2 300–2 600
Exploration and abandonment capex (USD million)	200
Dividends for 2022, paid quarterly (USD million)	Minimum 800
Dividends for Q1 2022 (USD million)	225
First half 2022 cash tax payment (USD million) ⁴	~530
Other: Final payment as part of the 2019 acquisition of ExxonMobil's non-operated assets on the NCS (USD million)	300–350

Long-term financial targets

2025 production (kboepd)	More than 350
Medium term total production and transportation cost (USD/boe)	8.0
Leverage through the cycle (NIBD / EBITDAX)	1.3

¹ In the fourth quarter of 2021, the company completed the 2022 oil price hedging program and is now 100% hedged on a post-tax basis for 2022 with put options at a brent dated strike price of USD 47 per boe through monthly settlements.

² Average realised prices calculated as revenues per product type divided by sold / lifted volumes.

³ Based on number of shares as of 16 February 2022.

⁴ Assumed NOK/USD 8.50.

Operational review

Total production	Q4 2021	Q3 2021	Q4 2020	FY 2021	FY 2020
Total production (mmboe)	24	23	24	90	97
Operated (kboepd)	51	37	47	45	48
Partner operated (kboepd)	208	211	210	201	218
Total production (kboepd)	259	247	257	246	265
Operated (kboepd)	20%	15%	18%	18%	18%
Partner operated (kboepd)	80%	85%	82%	82%	82%
Production by type (kboepd)	Q4 2021	Q3 2021	Q4 2020	FY 2021	FY 2020
Crude oil	143	132	135	137	140
Gas	95	92	95	87	98
NGL	21	23	27	22	27
Total	259	247	257	246	265
Production by type (percentage)	Q4 2021	Q3 2021	Q4 2020	FY 2021	FY 2020
Crude oil	55%	53%	53%	56%	53%
Gas	37%	37%	37%	35%	37%
NGL	8%	9%	10%	9%	10%
Total	100%	100%	100%	100%	100%

Production

Fourth quarter 2021 production was 259 kboepd (+5%) compared to 247 kboepd in the third quarter. The operated assets provided 51 kboepd (20%) of the production in the quarter and 208 kboepd (80%) was from partner operated assets.

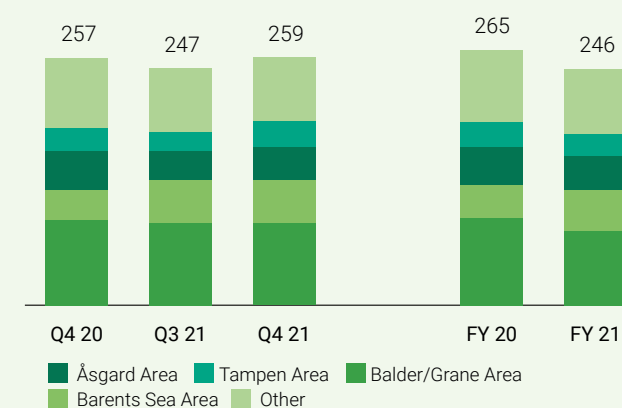
Production efficiency (operated licenses) was 92%, up from 73% in the previous quarter. The third quarter production efficiency was impacted by scheduled maintenance at the operated fields Balder, Ringhorne and Goliat.

The Company's core assets are located around four strategic hubs, the Barents Sea Area, the Åsgard area, the Tampen Area and the Balder/Grane Area, which provided 74% of the total production in the quarter.

Full year production in 2021 was 246 kboepd (-7%) compared to 265 kboepd in 2020. The decrease reflects partly the impact of maintenance projects originally planned for 2020 which were postponed to 2021 due to the Covid-19 pandemic.

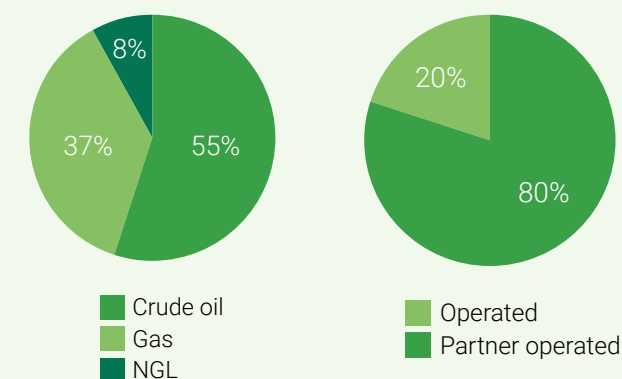
Total production

kboepd



Production split

Q4 2021, percentage based on kboepd



Production - Hubs (kboepd)	Q4 2021	Q3 2021	Q4 2020	FY 2021	FY 2020
Åsgard area	85	85	89	77	91
Tampen area	45	45	31	42	34
Balder/Grane area	35	30	40	36	40
Barents sea area	27	19	24	23	26
Other	67	67	73	68	75
Total production per HUB (kboepd)	259	247	257	246	265

Production - Hubs (percentage)	Q4 2021	Q3 2021	Q4 2020	FY 2021	FY 2020
Åsgard area	33%	35%	35%	31%	34%
Tampen area	17%	18%	12%	17%	13%
Balder/Grane area	13%	12%	16%	15%	15%
Barents sea area	11%	8%	9%	9%	10%
Other	26%	27%	28%	28%	28%
Total production per HUB (kboepd)	100%	100%	100%	100%	100%

Volumes sold / lifted (mmboe)	Q4 2021	Q3 2021	Q4 2020	FY 2021	FY 2020
Crude oil	12.3	13.1	11.6	49.0	51.0
Gas	8.0	7.4	7.5	28.0	31.1
NGL	1.8	2.3	2.3	8.2	10.0
Total	22.1	22.9	21.5	85.2	92.1

Production cost (USD/boe)	Q4 2021	Q3 2021	Q4 2020	FY 2021	FY 2020
Production cost	11.0	8.9	6.6	9.3	7.2
Transportation cost	2.5	2.7	2.7	2.7	2.8
Production cost	13.4	11.6	9.3	12.0	9.9

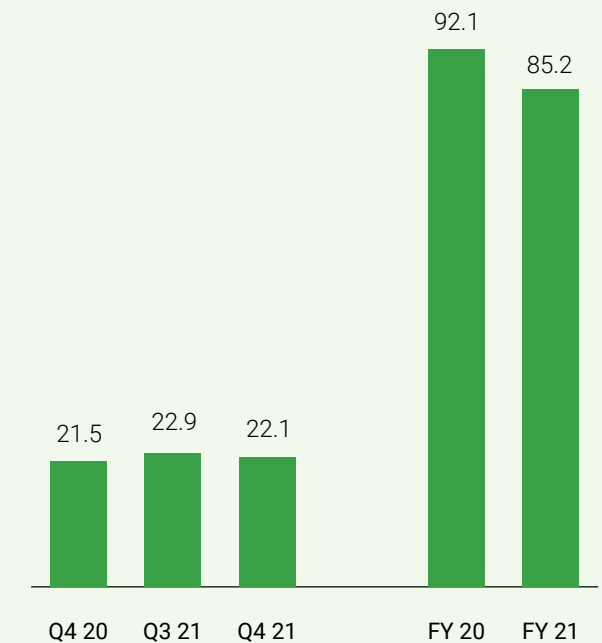
Total volumes produced in the fourth quarter were 24 mmboe. Volumes sold in the quarter amounted to 22 mmboe. Total volumes produced in 2021 were 90 mmboe whereas total volumes sold were 85 mmboe.

Total production cost was USD 13.4 per boe in the fourth quarter of 2021 (+16%) compared to USD 11.6 in the previous quarter. For the full year, the production cost was USD 12.0 per boe. The corresponding cost for 2020 was USD 9.9 per boe. The production cost drivers in full-year 2021 was mainly foreign exchange rate effects, higher environmental taxes and the shift of turnaround and maintenance activities from 2020 to 2021.

For more details, see production cost details in the financial review section.

Total volumes sold / lifted

mmboe



Developments

The main development projects Johan Castberg, Balder X and Bredablikk saw good progress in the fourth quarter and plans are progressing according to revised plan and in-line with the latest communicated estimates, which were updated as part of the Norwegian National Budget in October.

Balder X:

- The inspection program on Jotun FPSO was completed in the quarter, marking an important achievement in reducing uncertainty of scope growth.
- The offshore subsea installation campaign for 2021 was completed in the quarter. A majority of the project’s subsea scope has been performed.

Johan Castberg:

- Turret modules departed Singapore in December for integration with FPSO in 2022
- FPSO Hull and Living Quarter sail-away from Singapore in February 2022, with FPSO loaded onto the semi-submersible, heavy transportation, vessel Boka Vanguard for transportation to Stord, Norway.

2021 has been a year of record high activity on project developments, with an all-time high investment level of approximately USD 2.6 billion in capex. Progress on projects have been impacted by Covid-19 restrictions, in particular on Johan Castberg and Balder X which has caused a delay on the planned start-up, as previously communicated in the National Budget.

Exploration

The exploration campaign for 2021 included eight wells (Isflak, Blasto, Tyrihans North Ile, Garantiana west, King and Prince, Apodida, Rødhette and Halbera). Six of the wells were discoveries and two were dry (Apodida and Halbera), equal to a success rate of 75% for the year.

Drilling operations on the Rødhette exploration well in the Goliat area in the Southern Barents Sea were completed during the fourth quarter with a successful discovery. Preliminary estimates indicate volumes of 9–12 mmboe of recoverable oil equivalents.

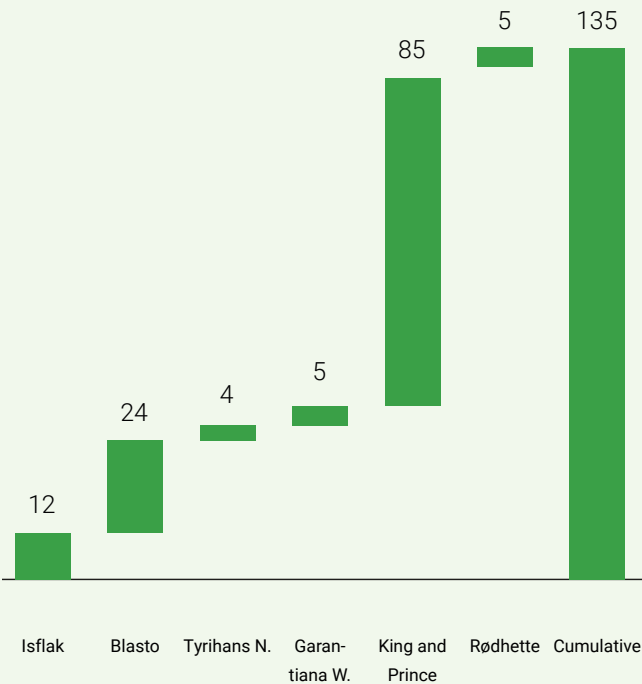
The 2021 exploration campaign generated 135 mmboe in net new resources, split by ~75% liquids, ~25% gas. The resource estimate is based on the midpoint of the range disclosed to the NPD.

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

At year end, the Vår Energi portfolio totaled 138 licenses of which 36 are operated.

Contingent resources discovered

FY 2021, mmboe



Health, safety, security and the environment (HSSE)

Vår Energi’s highest priority is to carry out its activities without causing harm to people or the environment.

2021 was characterised by a significant increase in activity, driven by the Balder Future development project, large turn arounds and drilling operations. The company’s key performance indicators Serious Incidents Frequency (SIF)¹ and Total Recordable Injury Frequency (TRIF)² developed positively in 2021 compared to 2020. In 2021, there were no incidents with serious actual consequences (SIF Actual)¹. However there has been an increase in the total number of incidents with a serious potential, as well as recordable injuries, particularly during the fourth quarter 2021.

For 2021, the SIF rate was 1.3, a decrease from 1.7 in 2020. The recorded incidents were classified as serious due to their potential rather than actual consequence. The majority of the incidents were related to dropped objects. For 2021, the TRIF was 3.2 compared to 3.5 in 2020.

The incidents have been managed according to the Company’s management system, improvements have been implemented and learnings are shared to enable continuous improvement. Further, Vår Energi focuses on major accident potential and

continuously monitors key indicators through the Company’s major accident risk indicator system.

To further strengthen the culture and focus on safety and to reverse the development in the fourth quarter, Vår Energi will, together with its contractors, continuously build on key measures, such as the Always Safe Annual Wheel, the Life Saving Rules and the Company’s internal TIR tool (Take Time, Involve, Report).

Climate

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

The CO₂ total emissions intensity for operated fields in the fourth quarter is estimated to 7.1 kg per boe, down from 11.7 kg in the previous quarter. The higher CO₂ intensity in the third quarter was mainly caused by lower production at Balder, Ringhorne

and Goliat due to scheduled maintenance. In 2021, the CO₂ emissions intensity was 8.7 kg per boe, compared to 8.5 kg in 2020. More information will be provided in the 2021 Sustainability Report to be published 31 March 2022 on www.varenergi.no.

In January 2022, Vår Energi received an indicative Environmental, Social and Governance (ESG) Assessment from Sustainalytics with an overall indicative score of 30.1. The indicative score places Vår Energi as number 14 out of 155, or in the 9th percentile, among Oil and Gas Exploration and Production companies assessed by Sustainalytics.

Definitions:

- 1 SIF: Serious incident and near-misses per million worked hours. Includes actual and potential consequence. SIF Actual: incidents that have an actual serious consequence.
- 2 TRIF: Personal injuries requiring medical treatment per million worked hours.
- Reporting boundaries: Health and safety incident data is reported for company sites as well as contracted drilling rigs, floatels, vessels, projects and modifications, and transportation of personnel, using a risk-based approach.

Financial review

Consolidated statements of income

USD million	Q4 2021	Q3 2021	Q4 2020	FY 2021	FY 2020
Total income	2 274	1 621	799	6 073	2 894
Production costs	(342)	(398)	(221)	(1 290)	(1 029)
Exploration expenses	(11)	(18)	(16)	(57)	(57)
Depreciation and Amortization	(470)	(395)	(442)	(1 705)	(1 707)
Impairment loss and reversals	(178)	-	(808)	(1)	(2 178)
Other operating expenses	(38)	(24)	(59)	(110)	(176)
Total operating cost	(1 039)	(835)	(1 546)	(3 163)	(5 147)
Operating profit / (loss) (EBIT)	1 235	786	(748)	2 910	(2 253)
Net financial income / (expenses)	(106)	(55)	(42)	(269)	(238)
Net exchange rate gain / (loss)	(6)	(129)	610	(142)	287
Profit / (loss) before income taxes	1 124	602	(180)	2 498	(2 204)
Income tax (expense) / income	(915)	(454)	(399)	(1 876)	577
Profit / (loss) for the period	209	147	(578)	622	(1 627)

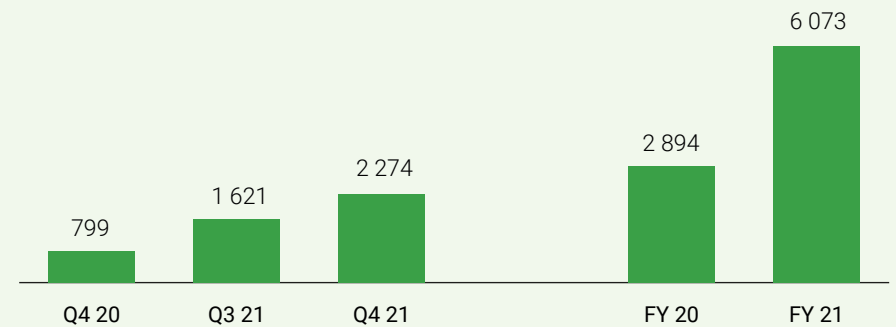
Total income

Vår Energi reported USD 2 274 million in total income in the fourth quarter 2021 (+40%) compared to USD 1 621 in the third quarter.

Total income (USD million)	Q4 2021	Q3 2021	Q4 2020	FY 2021	FY 2020
Petroleum revenues	2 282	1 615	791	6 043	2 869
Other operating income	(7)	6	7	29	25
Total income	2 274	1 621	799	6 073	2 894

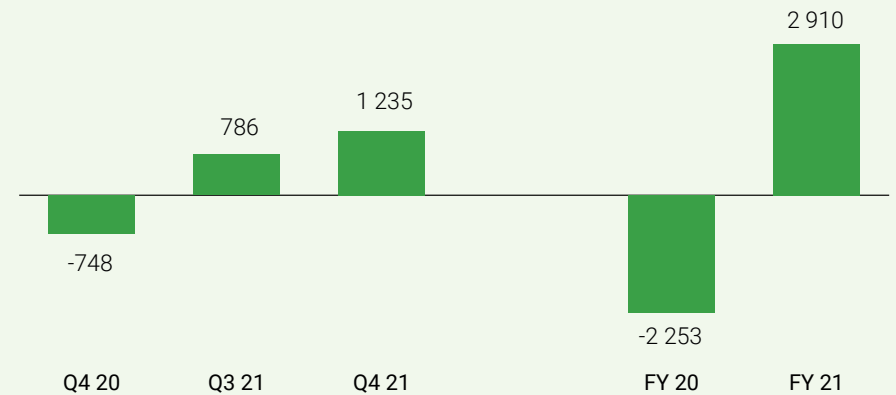
Total income

USD million



EBIT

USD million



Revenues from sale of petroleum products amounted to USD 2 282 million, an increase from USD 1 615 million in third quarter 2021.

The increase was due to higher product prices, mainly driven by an increase in European gas prices.

Petroleum revenues from sale of liquids (USD 1 098 million) was 48% of total petroleum revenues whereas revenues from sale of gas (USD 1 184 million) was 52%. During 2021, the Company diverted gas from injection to sales to generate additional revenues

Average oil price realised in the fourth quarter was USD 80.4 per boe, up from USD 71.8 per boe in the third quarter. The average realised gas price in the quarter was USD 148.3 per boe, up from USD 76.3 per boe in the previous quarter.

For the full-year 2021, Vår Energi generated USD 6 073 million in total income (+110%) compared to USD 2 894 million in 2020. Petroleum revenues in 2021 amounted to USD 6 043 million, up from USD 2 869 million in 2020. The increase in petroleum revenues year over year was mainly due to higher oil and gas prices realised in 2021, continuing the trend of increasing commodity prices that began at the end of 2020

Revenue split by petroleum type (USD million)	Q4 2021	Q3 2021	Q4 2020	FY 2021	FY 2020
Revenue from crude oil sales	990	943	500	3 448	1 945
Revenue from gas sales	1 184	567	197	2 227	541
Revenue from NGL sales	108	105	56	368	214
Gain from realized crude put options	-	-	38	-	169
Total petroleum revenues including results from hedging activities	2 282	1 615	791	6 043	2 869

Revenue split by petroleum type (percentage)	Q4 2021	Q3 2021	Q4 2020	FY 2021	FY 2020
Revenue from crude oil sales	43%	58%	63%	57%	68%
Revenue from gas sales	52%	35%	25%	37%	19%
Revenue from NGL sales	5%	6%	7%	6%	7%
Gain from realised crude put options	0%	0%	5%	0%	6%
Total	100%	100%	100%	100%	100%

Realised prices (USD/boe)	Q4 2021	Q3 2021	Q4 2020	FY 2021	FY 2020
Crude oil	80.4	71.8	46.3	70.4	41.5
Gas	148.3	76.3	26.3	79.5	17.4
NGL	60.6	45.7	23.9	45.0	21.3
Average (volume-weighted)	103.4	70.6	36.9	70.9	31.1

Production costs

USD million	Q4 2021	Q3 2021	Q4 2020	FY 2021	FY 2020
Cost of operations	216	171	123	688	562
Transportation and processing	59	62	63	243	270
Environmental taxes	34	19	16	102	68
Insurances	12	12	18	46	65
Production cost (produced volumes)	320	264	219	1 079	965
Back-up cost shuttle tankers	15	(1)	3	33	12
Adjustment of over/underlift (-)	(9)	118	(14)	117	19
Premium expense for crude put options	16	17	13	60	33
Production (sold volumes)	342	398	221	1 290	1 029
Total produced volumes (mmboe)	23.8	22.7	23.6	89.7	97.1
Production cost (USD/boe)	13.4	11.6	9.3	12.0	9.9

Total production cost (produced volumes) in the fourth quarter amounted to USD 320 million, an increase of 21% when compared to the USD 264 million in the third quarter. The increase was due to higher cost of operations, mainly driven by one-off own restructuring costs and restructuring costs billed from partners, revised bonus provision estimates, cost estimate revisions related to Gassled removal provisions (Gassled shipper liabilities) and higher environmental taxes.

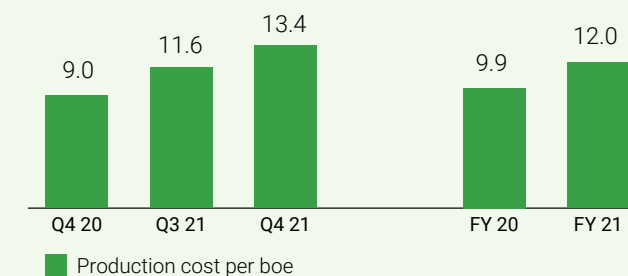
Vår Energi maintains its full-year 2022 guidance for production cost per barrel at USD 12.5 to 13.5.

Total production cost (sold volumes) in fourth quarter 2021 was USD 342 million, down 14% from USD 398 million in the third quarter. The reduction was mainly due to an overlift position in the third quarter versus an underlift position in the fourth quarter.

Production cost (produced volumes) for the full year 2021 amounted to USD 1 079 million (+12%) compared to USD 965 million for the full year 2020. The increase year over year is mainly due to foreign exchange rate effects (appreciation of NOK vs USD in 2021 vs 2020), higher electricity prices, higher environmental taxes and the shift of turnaround and maintenance activities from 2020 to 2021. Transportation and processing costs and insurance costs were lower year over year.

Production cost (split)

USD boe



Total 2021 production cost (sold volumes) amounted to USD 1 290 million, a 25% increase from 2020. In addition to the factors described above, the increase followed a higher overlift position and higher costs related to crude put option premiums.

Exploration expenses

Exploration expenses in the fourth quarter amounted to USD 11 million, a 36% reduction from USD 18 million in the third quarter due to lower exploration activity in the fourth quarter.

For the full year 2021, exploration expenses amounted to USD 57 million due to high capitalisation following the successful 2021 drilling campaign, also equal to the level in 2020. For more details, see [note 7](#) in the consolidated financial statements.

Depreciation, depletion, amortisation (DD&A)

DD&A in the fourth quarter was USD 470 million (+19%) compared to USD 395 million in the previous quarter. The increase was mainly due to reclassification of reserves from UMI to PMI and higher production in the fourth quarter. DD&A for 2021 amounted to USD 1 705 million, compared to USD 1 707 million in 2020.

Impairments

In 2020, impairments amounted to USD 2 178 million. The impairments in 2020 were reversed in 2021 with the exception of impaired goodwill. Impairment is recognised when the book value of an asset or a cash-generating unit exceeds the recoverable amount. Impairment is correspondingly reversed if the conditions for the impairment are no longer present.

Impairments were USD 178 million in the fourth quarter mainly related to a revised baseline for sanctioned projects as communicated in the national budget presented in October 2021. There were no impairment charges in the third quarter.

For more details on impairments and reversal of impairments, see [note 13](#) in the consolidated financial statements.

Operating profit (EBIT)

EBIT for the fourth quarter was USD 1 235 million, up 57% from USD 786 million reported in the third quarter. EBIT for the full year 2021 was USD 2 910 million compared to a negative EBIT of USD 2 253 million in 2020.

Net finance

Net financial expenses in the fourth quarter were USD 106 million and the net exchange rate loss amounted to USD 6 million. For more details, see [note 8](#) in the consolidated financial statements.

Tax

The income tax expense in the fourth quarter was USD 915 million compared to USD 454 million (+101%) in the third quarter. Full year 2021 tax expense amounted to USD 1 876 million, compared to a tax income of USD 577 million in 2020 due to the temporary tax regime introduced in 2020. Cash taxes paid in the fourth quarter amounted to USD 572 million.

Profit for the period

Profit in the fourth quarter was USD 209 million, up 42% from USD 147 million in the previous quarter.

Profit for the year 2021 totalled USD 622 million, an increase of USD 2 248 million compared to the loss of USD 1 627 million recorded in 2020.

Condensed consolidated statements of financial position

Financial position (USD million)	Q4 2021	Q3 2021	Q4 2020	FY 2021	FY 2020
Intangible assets	2 836	3 003	3 042	2 836	3 042
Tangible fixed assets	15 487	15 157	15 728	15 487	15 728
Financial assets	3	3	4	3	4
Current assets	1 552	1 172	1 486	1 552	1 486
Total assets	19 878	19 335	20 260	19 878	20 260
Total equity	1 472	1 526	1 855	1 472	1 855
Non-current liabilities	15 908	15 984	17 467	15 908	17 467
Current liabilities	2 498	1 824.7	937.9	2 497.8	937.9
Total liabilities	18 406	17 809.0	18 404.8	18 405.6	18 404.8
Total Equity and Liabilities	19 878	19 335	20 260	19 878	20 260

Available liquidity	Q4 2021	Q3 2021	Q4 2020	FY 2021	FY 2020
Cash and cash equivalents	224	264	272	224	272
RBL	-	795	254	-	254
RCF	2 080	600	600	2 080	600
Available liquidity	2 304	1 659	1 126	2 304	1 126

Total assets at year-end 2021 amounted to USD 19 878 million.

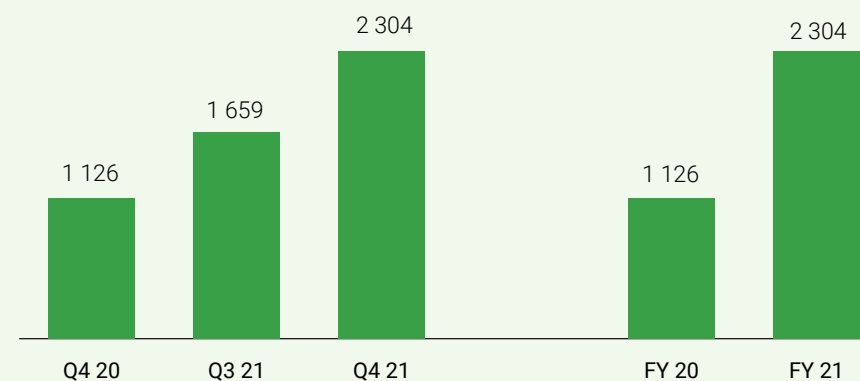
Tangible fixed assets including property, plant and equipment (PP&E) at year end was USD 15 487 million and are detailed in [note 11](#) in the consolidated financial statements.

Total equity amounted to USD 1 472 million, corresponding to an equity ratio of 7%.

Total cash and cash equivalents at year end were USD 224 million. In addition, at year end 2021, the Company had USD 2 080 million in undrawn credit facilities bringing total available liquidity to USD 2 304 million.

Available liquidity

USD million



Interest bearing debt

Total interest bearing debt (incl. leasing) at the end of 2021 was USD 5 152 million, a decrease from USD 5 748 million at year-end 2020. For more details, see [note 21](#) and [26](#) in the consolidated financial statements.

EBITDAX was USD 4 672 million in 2021 and free cash flow (FCF) amounted to USD 1 854 million.

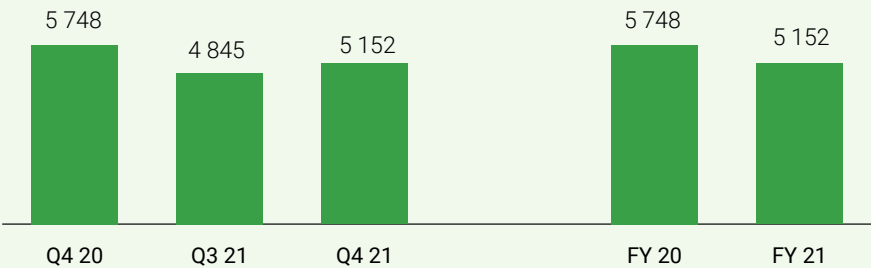
Due to the strong cash flow generated in 2021 the Company reduced its leverage ratio (NIBD/EBITDAX) to 1.1x at year-end 2021 from 3.2x at year-end 2020.

Interest bearing debt incl. leasing (USD million)	Q4 2021	Q3 2021	Q4 2020	FY 2021	FY 2020
Interest-bearing loans and borrowings	4 493	4 712	5 584	4 493	5 584
Interest-bearing loans, current	333	-	-	333	-
Lease liabilities, non-current	216	95	123	216	123
Lease liabilities, current	109	37	41	109	41
Total interest bearing debt (TIBD)	5 152	4 845	5 748	5 152	5 748
Cash and cash equivalents	224	264	272	224	272
Net interest bearing debt (NIBD)	4 928	4 581	5 476	4 928	5 476
EBITDAX 4 quarters rolling	4 672	3 296	1 689	4 672	1 689
Total interest bearing debt / EBITDAX	1.1	1.5	3.4	1.1	3.4
Net interest-bearing debt / EBITDAX	1.1	1.4	3.2	1.1	3.2

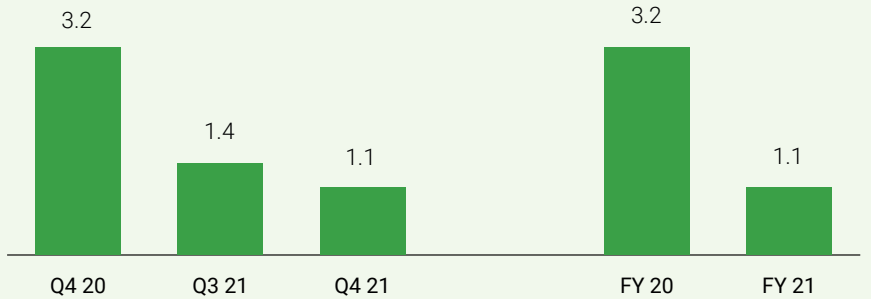
Interest bearing debt excl. leasing (USD million)	Q4 2021	Q3 2021	Q4 2020	FY 2021	FY 2020
Adjusted total interest bearing debt / EBITDAX	1.0	1.4	3.3	1.0	3.3
Adjusted net interest-bearing debt / EBITDAX	1.0	1.3	3.1	1.0	3.1

Total interest bearing debt (TIBD)

USD million



NIBD / EBITDAX



Condensed consolidated statements of cash flow

Consolidated statements of cash flows (USD million)	Q4 2021	Q3 2021	Q4 2020	FY 2021	FY 2020
Cash flow from operating activities (CFFO)	923	1 310	787	4 438	1 744
Cash flows used in investing activities	(722)	(739)	(575)	(2 633)	(1 947)
Cash flows from financing activities	(218)	(598)	(33)	(1 835)	273
Net change in cash and cash equivalents	(18)	(28)	179	(30)	71
Cash and cash equivalents, beginning of period	264	292	102	272	202
Effect of exchange rate fluctuation on cash held	(22)	(1)	(9)	(19)	(2)
Cash and cash equivalents, end of period	224	263	272	224	271

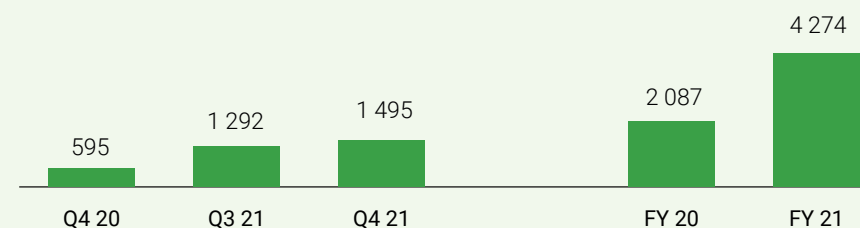
Cash flow from operating activities (CFFO) was USD 923 million in the fourth quarter, a reduction of 30% from USD 1 310 million in the third quarter. The decrease was due to higher taxes paid combined with working capital changes, reflecting mainly increased trade receivables from higher gas prices and lower sales of trade receivables at year end. For more information, see [note 16](#) in the consolidated financial statements.

Cash flow from operating activities (CFFO) in 2021 amounted to USD 4 438 million (+154%) compared to USD 1 744 million for the full year 2020. The increase in operating cash flow was mainly due to higher product prices.

Cash flows used in investing activities (USD million)	Q4 2021	Q3 2021	Q4 2020	FY 2021	FY 2020
Expenditures on exploration and evaluation assets	7	15	8	104	41
Expenditures on property, plant and equipment	703	714	557	2 480	1 771
Payment for decommissioning of oil and gas fields	14	10	6	70	102
Proceeds from sale of assets (sales price)	(4)	-	-	(24)	-
Expenditures on goodwill and other intangible assets	3	-	-	3	-
Net cash used on business combination	-	-	3	-	33
Total cash flows used in investing activities	722	739	575	2 633	1 947

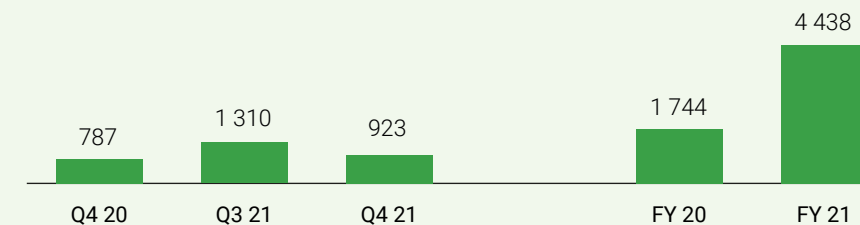
Cash flow from operations before tax

USD million



Cash flow from operations (CFFO)

USD million



Condensed consolidated statements of cash flow – continued

Net cash flow from investing activities in the fourth quarter was USD 722 million. Expenditures on property, plant and equipment (PP&E) were USD 703 million, of which investments in the Balder and Ringhorne area amounted to nearly 50%:

Expenditures on PP&E (USD million, %)	Q4 2021	Q4 2021	FY 2021	FY 2021
Balder area	341	49%	1150	46%
Johan Castberg	91	13%	320	13%
Fenja	45	6%	103	4%
Grane	37	5%	159	6%
Snorre	26	4%	151	6%
Statfjord area	23	3%	83	3%
Sleipner area	20	3%	31	1%
Ekofisk area	20	3%	89	4%
Goliat	15	2%	110	4%
Tommeliten	13	2%	18	1%
Other	72	10%	265	11%
Total expenditures on PP&E	703	100%	2 480	100%

Expenditures on PP&E in the third quarter were USD 714 million. Total expenditures on PP&E in 2021 amounted to USD 2 480 million, up from USD 1 771 million in 2020.

Cash flows used in investing activities (USD million)	Q4 2021	Q3 2021	Q4 2020	FY 2021	FY 2020
Dividends paid	(262)	(213)	(75)	(950)	(450)
Net proceeds/(payments) of revolving credit facility	4 494	-	-	4 494	-
Net proceeds/(payments) of reserve based lending facility	(4 440)	(375)	205	(5 535)	965
Payment of other loans and borrowings	-	-	(149)	-	(198)
Payment of principal portion of lease liability	(10)	(11)	(14)	(44)	(44)
Total cash flows used in investing activities	(218)	(598)	(33)	(1 835)	273

Net cash outflow from financing activities amounted to USD 218 million in the fourth quarter. The corresponding amount for the third quarter was USD 598 million.

The Company distributed USD 262 million to its shareholders during fourth quarter 2021. The total dividend in 2021 amounted to USD 950 million and was paid in quarterly instalments.

Outlook

Vår Energi has an ambition to deliver value-driven growth to support attractive and resilient long-term dividend distributions.

The Company targets production of more than 350 kboepd by end 2025, corresponding to over 50% growth compared to the midpoint of the guided 2022 range of 230–245 kboepd. The end 2025 ambition is based on:

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

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

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

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

Vår Energi's material cash flow generation and Investment Grade balance sheet support attractive and resilient distributions. For 2022, the Company targets a minimum dividend of USD 800 million to be paid quarterly. For the first quarter of 2022, Vår Energi has communicated a dividend of USD 225 million.

From 2023 and onwards, the Company plans to distribute 20–30% of cash flow from operations after tax.

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

Transactions with related parties

For details on transactions with related parties, see [note 27](#) in the consolidated financial statements.

Subsequent events

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

On 2 February 2022, the Company announced an update to its previously communicated dividend policy for 2022. In late 2021, Vår Energi determined a dividend of minimum USD 700 million for 2022.

In addition, the Company had communicated a dividend of USD 200 million for first quarter 2022. Considering the current and a continued supportive commodity price environment and Vår Energi's strong cash flow generation, the Company decided to increase its dividend for the full year 2022 to a minimum of USD 800 million and announced a dividend for the first quarter of USD 225 million.

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

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

Risks and risk management

Vår Energi is exposed to a variety of risks associated with oil and gas operations. Risk management is an integral part of the Company's business activities, and the business areas consequently have the main responsibility for managing risks arising from its business activities.

A detailed analysis of Vår Energi's operational, financial and external risks and mitigation of those risks through risk management is described in the Prospectus published in February 2022, available on www.varenergi.no.

Accounting policies and alternative performance measures (APMs)

Accounting policies

These financial statements are the unaudited Interim Consolidated Financial Statements of Vår Energi for the fourth quarter of 2021. The Interim Financial Statements are prepared in accordance with the International Accounting Standard 34 (IAS 34) – Interim Financial Reporting.

These Interim Financial Statements should be read in conjunction with the Consolidated Financial Statements for 2020 (available in the Prospectus published on www.varenergi.no) as they provide an update of previously reported information.

The accounting policies used in the Interim Financial Statements are consistent with those used in the 2020 Consolidated IFRS Financial Statements.

Alternative performance measures (“APMs”)

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

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

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

Vår Energi believes that the APMs described herein is commonly reported by companies in the markets in which it competes and is widely used in comparing and analysing performance across companies within the Group’s industry.

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

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

- “Free cash flow” (“FCF”) is defined by Vår Energi as CFFO less CAPEX and expenditures on exploration and evaluation assets.
- “Net interest-bearing debt” or “NIBD” is defined by Vår Energi as interest-bearing loans and borrowings and lease liabilities (“Total interest-bearing debt” or “TIBD”) less cash and cash equivalents.
- “Adjusted Net interest-bearing debt” or “Adjusted NIBD” is defined by Vår Energi as TIBD excluding lease liabilities (“Adjusted total interest-bearing debt” or “Adjusted TIBD”) less cash and cash equivalents.
- “NIBD/EBITDAX” is defined by Vår Energi as NIBD as a ratio of EBITDAX.
- “Adjusted NIBD/EBITDAX” is defined by Vår Energi as Adjusted NIBD as a ratio of EBITDAX.
- “TIBD/EBITDAX” is defined by Vår Energi as interest-bearing loans and borrowings and lease liabilities as a ratio of EBITDAX.
- “Adjusted TIBD/EBITDAX” is defined by Vår Energi as interest bearing loans and borrowings (but excluding lease liabilities) as a ratio of EBITDAX.

EBITDA and EBITDAX

EBITDA and EBITDAX in the fourth quarter amounted to USD 1 883 million and USD 1 895 million respectively. The increase in EBITDA and EBITDAX from USD 1 181 million (+59%) and USD 1 199 million (58%) from the third quarter is due to higher oil and gas prices.

Full year EBITDAX in 2021 is USD 4 672 million, an increase of USD 2 983 million when compared to the 2020 EBITDAX of USD 1 689 million.

USD million	Q4 2021	Q3 2021	Q4 2020	FY 2021	FY 2020
Profit / (loss) for the period	209	147	(578)	622	(1 627)
Income tax (expense)/income	(915)	(454)	(399)	(1 876)	577
Net financial income / (expenses)	(106)	(55)	(42)	(269)	(238)
Net exchange rate gain / (loss)	(6)	(129)	610	(142)	287
Depreciation and Amortization	(470)	(395)	(442)	(1 705)	(1 707)
Impairment loss and reversals	(178)	-	(808)	(1)	(2 178)
EBITDA	1 883	1 181	503	4 615	1 632
Exploration expenses	(11)	(18)	(16)	(57)	(57)
EBITDAX	1 895	1 199	518	4 672	1 689
Total income	2 274	1 621	799	6 073	2 894
EBITDA margin	83%	73%	63%	76%	56%
EBITDAX margin	83%	74%	65%	77%	58%

Financial statements with note disclosures

Unaudited consolidated financial statements

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Unaudited consolidated statement of comprehensive income

USD 1000, except Earnings per share data	Note	Q4 2021	Q3 2021	Q4 2020	Full year	
					2021	2020
Petroleum revenues	4	2 281 923	1 614 797	791 130	6 043 375	2 868 635
Other operating income	4	(7 495)	5 881	7 426	29 357	25 205
Total income		2 274 428	1 620 678	798 556	6 072 732	2 893 840
Production costs	5	(342 267)	(398 076)	(220 845)	(1 289 981)	(1 028 506)
Exploration expenses	7, 10	(11 338)	(17 844)	(15 681)	(57 138)	(57 183)
Depreciation and amortisation	11, 12	(469 501)	(394 870)	(442 426)	(1 704 561)	(1 706 740)
Impairment loss and reversals	10, 11, 13	(178 482)	-	(808 224)	(982)	(2 178 108)
Other operating expenses	6	(37 514)	(23 887)	(59 306)	(110 483)	(176 204)
Total operating expenses		(1 039 102)	(834 678)	(1 546 481)	(3 163 146)	(5 146 741)
Operating profit / (loss)		1 235 326	786 000	(747 925)	2 909 586	(2 252 901)
Net financial income / (expenses)	8	(105 749)	(55 178)	(41 563)	(269 489)	(238 058)
Net exchange rate gain / (loss)	8	(5 623)	(128 962)	609 669	(142 371)	286 955
Profit / (loss) before taxes		1 123 954	601 860	(179 819)	2 497 727	(2 204 004)
Income tax (expense) / income	9	(915 311)	(454 419)	(398 582)	(1 876 143)	577 380
Profit / (loss) for the period		208 644	147 441	(578 402)	621 585	(1 626 625)

Unaudited consolidated statement of comprehensive income – continued

USD 1000, except Earnings per share data	Note	Q4 2021	Q3 2021	Q4 2020	Full year	
					2021	2020
Items that may be reclassified subsequently to the income statement:						
Currency translation differences		(9 267)	(43 951)	229 604	(62 122)	(114 548)
Net gain / (loss) on put options used for hedging		8 884	3 518	(49 597)	6 919	(11 617)
Other comprehensive income for the period, net of tax		(383)	(40 432)	180 008	(55 203)	(126 165)
Total comprehensive income		208 261	107 009	(398 394)	566 382	(1 752 789)
Earnings per share						
EPS Basic	20	522	369	(1 448)	1 556	(4 072)
EPS Diluted	20	522	369	(1 448)	1 556	(4 072)

Reallocation of two specific cost categories between Production costs and Other operating expenses. See [note 5](#) and [6](#) for additional information.

The Company was listed on Oslo Stock Exchange 16 February, and following a share split, the Company currently has 2 496 406 250 ordinary shares outstanding. Proforma EPS and DPS can be found on [page 4](#) of this report.

Unaudited consolidated balance sheet statement

USD 1000	Note	31 Dec 2021	30 Sep 2021	31 Dec 2020
ASSETS				
Non-current assets				
Intangible assets				
Goodwill	10	2 531 897	2 706 638	2 820 840
Capitalised exploration wells	10	199 981	191 773	113 327
Other intangible assets	10	104 520	104 710	107 732
Tangible fixed assets				
Property, plant and equipment	11	15 188 917	15 050 992	15 593 975
Right of use assets	12	298 432	105 855	133 846
Financial assets				
Investment in shares	14	853	857	881
Other non-current assets	14	1 809	2 012	2 694
Total non-current assets		18 326 409	18 162 838	18 773 295
Current assets				
Inventories	15	301 329	294 559	283 199
Trade receivables	16, 27	745 921	340 662	165 984
Other receivables, prepaid assets and financial instruments	17	280 697	273 364	241 938
Tax receivable	9	-	-	522 854
Cash and cash equivalents	19	223 588	263 671	272 411
Total current assets		1 551 534	1 172 256	1 486 385
TOTAL ASSETS		19 877 943	19 335 094	20 259 680

Unaudited consolidated balance sheet statement – continued

Sandnes, 28 February 2022
The Board of Directors of Vår Energi ASA

USD 1000	Note	31 Dec 2021	30 Sep 2021	31 Dec 2020
EQUITY AND LIABILITIES				
Equity				
Share capital	20	45 972	45 972	45 972
Share premium		2 643 181	2 905 181	3 593 181
Other equity		(1 216 783)	(1 425 044)	(1 784 276)
Total equity		1 472 369	1 526 108	1 854 877
Non-current liabilities				
Interest-bearing loans and borrowings	21	4 493 426	4 711 979	5 583 552
Deferred tax liabilities	9	7 799 594	7 754 476	7 342 952
Abandonment obligation	22	3 235 640	3 266 246	4 260 181
Lease liabilities, non-current	26	216 208	95 168	123 404
Other non-current liabilities	23	162 870	156 383	156 865
Total non-current liabilities		15 907 737	15 984 253	17 466 952
Current liabilities				
Abandonment obligation, current	22	61 536	58 917	26 270
Accounts payables	27	422 155	411 642	252 801
Taxes payable	9	801 432	549 890	16 505
Interest-bearing loans, current	21	333 149	-	-
Lease liabilities, current	26	108 880	37 395	41 078
Other current liabilities	24	770 685	766 888	601 197
Total current liabilities		2 497 837	1 824 733	937 851
Total liabilities		18 405 574	17 808 986	18 404 803
TOTAL EQUITY AND LIABILITIES		19 877 943	19 335 094	20 259 680

Thorhild Widvey Chair	Liv Monica Bargem Stubholt Board member, deputy chair
Francesco Gattei Board member	Guido Brusco Board member
Clara Andreoletti Board member	Marica Calabrese Board member
Ove Gusevik Board member	Fabio Romeo Board member
Janne Skumlien Myrland Board member, deputy employee representative	Laurits Hosar Board member
Jan Inge Nesheim Board member, employee representative	Christine Vorland Board member, employee representative
Torger Rød Chief executive officer	

Unaudited consolidated statement of changes in equity

USD 1000	Share capital	Share premium	Other equity			Total equity
			Other equity	Translation differences	Hedge reserve	
Balance at 1 January 2020	45 972	4 043 181	27 303	(45 625)	(17 120)	4 053 711
Profit / (loss) for the period	-	-	(1 626 625)	-	-	(1 626 625)
Other comprehensive income / (loss)	-	-	-	(114 548)	(11 617)	(126 165)
Total comprehensive income / (loss)	-	-	(1 626 625)	(114 548)	(11 617)	(1 752 789)
Dividends paid	-	(450 000)	-	-	-	(450 000)
Other	-	-	3 955	-	-	3 955
Balance at 31 December 2020	45 972	3 593 181	(1 595 366)	(160 173)	(28 737)	1 854 877
Balance at 1 January 2021	45 972	3 593 181	(1 595 366)	(160 173)	(28 737)	1 854 877
Profit / (loss) for the period	-	-	412 941	-	-	412 941
Other comprehensive income / (loss)	-	-	-	(52 855)	(1 965)	(54 820)
Total comprehensive income / (loss)	-	-	412 941	(52 855)	(1 965)	358 121
Dividends paid	-	(688 000)	-	-	-	(688 000)
Other	-	-	1 111	-	-	1 111
Balance at 30 September 2021	45 972	2 905 181	(1 181 315)	(213 028)	(30 702)	1 526 108
Profit / (loss) for the period	-	-	208 644	-	-	208 644
Other comprehensive income / (loss)	-	-	-	(9 267)	8 884	(383)
Total comprehensive income / (loss)	-	-	208 644	(9 267)	8 884	208 261
Dividends paid	-	(262 000)	-	-	-	(262 000)
Other	-	-	-	-	-	-
Balance at 31 December 2021	45 972	2 643 181	(972 671)	(222 295)	(21 818)	1 472 369

Unaudited consolidated statement of cash flows

USD 1000	Note	Q4 2021	Q3 2021	Q4 2020	Full year	
					2021	2020
Profit / (loss) before income taxes		1 123 954	601 860	(179 819)	2 497 727	(2 204 004)
Adjustments to reconcile profit before tax to net cash flows:						
- Depreciation and amortisation	11, 12	469 501	394 870	442 426	1 704 561	1 706 740
- Impairment loss and reversals	10, 11	178 482	-	808 224	982	2 178 108
- (Gain) / loss on sale and retirement of assets	4	16 871	-	(937)	(2 232)	(1 043)
- Impairment of exploration wells	7, 10	(2 260)	3 239	3 863	5 887	20 024
- Accretion expenses (asset retirement obligation)	8, 22	26 140	25 833	16 276	94 733	74 427
- Unrealized (gain) / loss on foreign currency transactions and balances	8	339 470	152 434	(603 074)	558 940	(319 964)
- Other non-cash items and reclassifications ¹		(233 784)	17 380	31 558	(171 439)	371 554
Working capital adjustments:						
- Changes in inventories, accounts payable and receivables		(406 924)	19 711	(9 629)	(440 481)	280 532
- Changes in other current balance sheet items		7 607	112 919	109 595	183 695	136 203
Contingent consideration paid related to prior business combination	24	-	-	-	(30 000)	-
Income tax received / (paid)	9	(572 400)	18 163	191 433	164 439	(342 304)
Interest received	8	4 047	1 551	12 105	13 090	32 224
Interest paid	8	(28 221)	(37 513)	(35 563)	(141 532)	(188 638)
Net cash flows from operating activities		922 484	1 310 447	786 457	4 438 371	1 743 857
Cash flows from investing activities						
Expenditures on exploration and evaluation assets	10	(6 930)	(14 983)	(8 298)	(104 318)	(40 515)
Expenditures on property, plant and equipment	11	(702 632)	(713 541)	(557 066)	(2 480 298)	(1 771 339)
Payment for decommissioning of oil and gas fields	22	(13 865)	(10 312)	(5 846)	(70 418)	(101 687)
Proceeds from sale of assets (sales price)		3 829	(101)	-	24 398	-
Expenditures on goodwill and other intangible assets		(295)	-	-	(295)	-
Net cash used on business combination	14	(2 208)	-	(3 494)	(2 208)	(33 498)
Net cash used in investing activities		(722 101)	(738 937)	(574 705)	(2 633 140)	(1 947 039)

¹ Fourth quarter 2021 includes reallocation of realized exchange rate gain from settlement of RBL loan amounting to USD 288 million to financing activities.

Unaudited consolidated statement of cash flows – continued

USD 1000	Note	Q4 2021	Q3 2021	Q4 2020	Full year	
					2021	2020
Cash flows from financing activities						
Dividends paid		(262 000)	(212 500)	(75 000)	(950 000)	(450 000)
Net proceeds / (payments) of revolving credit facilities ¹	21	4 494 104	-	-	4 494 104	-
Net proceeds / (payments) of reserve based lending facility	21	(4 440 000)	(375 000)	205 000	(5 335 000)	964 572
Payment of other loans and borrowings	21	-	-	(149 171)	-	(197 571)
Payment of principal portion of lease liability	26	(10 482)	(10 818)	(13 686)	(43 790)	(43 703)
Net cash from financing activities		(218 378)	(598 318)	(32 857)	(1 834 686)	273 297
Net change in cash and cash equivalents						
		(17 995)	(26 808)	178 896	(29 456)	70 116
Cash and cash equivalents, beginning of period		263 671	291 560	102 017	272 411	203 969
Effect of exchange rate fluctuation on cash held		(22 088)	(1 082)	(8 502)	(19 367)	(1 675)
Cash and cash equivalents, end of period		223 588	263 671	272 411	223 588	272 411

¹ Net proceeds of revolving credit facility is offset with prepaid loan expenses of USD 26.4 million.

Note disclosures

Note 1 Corporate information

The unaudited condensed consolidated financial statements of Vår Energi ASA and its subsidiaries (collectively, “the Group” or “Vår Energi”) for the three and twelve months period ended 31 December 2021 were authorised for issue in accordance with a Board resolution on 28 February 2022.

Vår Energi ASA is a public limited liability company incorporated and domiciled in Norway and the Company’s shares are privately held. The Group’s head office is located at Vestre Svanholmen 1, 4313 Sandnes, Norway.

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

Group structure

The consolidated financial statements of the Group include:

Shares in subsidiaries

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

Shares in subsidiaries indirectly owned

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

Note 2 Summary of IFRS accounting principles

(All figures in USD 1000 unless otherwise stated)

Basis of preparation

The interim condensed consolidated financial statements for the three and twelve months period ended 31 December 2021 have been prepared in accordance with IAS 34 Interim Financial Reporting. Thus the interim financial statements do not include all information required by IFRSs and should be read in conjunction with the group’s 2020 annual financial statements. The interim financial statements reflect all adjustments which are, in the opinion of management, necessary for a fair statement of the financial position, results of operations and cash flows for the dates and interim periods presented. Interim period results are not necessarily indicative of results of operations or cash flows for an annual period.

New standards, interpretations and amendments adopted by the Group

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2020, except for the adoption of new standards effective as of 1 January 2021. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective. Several amendments apply for the first time in 2021, but do not have an impact on the interim condensed consolidated financial statements of the Group.

The Group’s IFRS annual consolidated financial statements for 2020 can be found in the Prospectus on the companies home page <https://investors.varenergi.no/ipo/ipo-documents/default.aspx>.

Note 3 Segment information

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

Note 4 Income

Petroleum revenues (USD 1000)	Note	Q4 2021	Q3 2021	Q4 2020	Full year	
					2021	2020
Revenue from crude oil sales		990 270	943 436	500 383	3 448 157	1 945 461
Revenue from gas sales		1 183 799	566 622	197 214	2 227 332	540 995
Revenue from NGL sales		107 853	104 738	55 830	367 885	213 561
Gains on cash flow hedge - crude put options	17, 18	-	-	37 702	-	168 617
Total petroleum revenues		2 281 923	1 614 797	791 130	6 043 375	2 868 635
Sales of crude (boe 1000) (unaudited)		12 315	13 134	11 616	49 006	50 977
Sales of gas (boe 1000) (unaudited)		7 984	7 431	7 511	28 011	31 116
Sales of NGL (boe 1000) (unaudited)		1 780	2 294	2 333	8 180	10 034
Other operating income (USD 1000)		Q4 2021	Q3 2021	Q4 2020	2021	2020
Gain/(loss) from sale of assets		(16 871)	-	937	2 232	1 043
Other operating income		9 376	5 881	6 489	27 125	24 161
Total other operating income		(7 495)	5 881	7 426	29 357	25 205

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

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

Asset sale in 2021 relates to 10% ownership interest in the Jotun FPSO to Mime Petroleum AS. Adjustment in Q4 2021 due to expert panel decision on final price.

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

Note 5 Production costs

USD 1000				Full year	
	Q4 2021	Q3 2021	Q4 2020	2021	2020
Cost of operations	215 606	171 395	122 607	688 120	561 592
Transportation and processing	58 530	62 377	62 800	243 150	269 679
Environmental taxes	33 822	18 783	15 549	101 658	68 065
Insurances	11 800	11 590	18 262	46 466	65 177
Production cost based on produced volumes	319 758	264 145	219 218	1 079 394	964 513
Back-up cost shuttle tankers	15 290	(1 170)	2 837	33 148	11 726
Adjustment of over/underlift (-)	(9 053)	118 018	(13 858)	116 947	19 158
Premium expense for crude put options	16 272	17 083	12 648	60 492	33 110
Production cost based on sold volumes	342 267	398 076	220 845	1 289 981	1 028 506
Total produced volumes (boe 1000) (unaudited)	23 788	22 744	23 643	89 732	97 076
Production cost per boe produced (USD/boe) (unaudited)	13.4	11.6	9.3	12.0	9.9

Reallocated Pre-production costs and guarantee fee from Cost of operations to Other operating expenses and Back-up cost shuttle tankers from Cost of operations to separate classification.

Note 6 Other operating expenses

USD 1000	Note	Q4 2021	Q3 2021	Q4 2020	Full year	
					2021	2020
R&D expenses		10 799	6 160	7 457	32 183	25 170
Legal provisions		-	-	18 571	-	18 571
Pre-production costs		6 027	4 061	1 052	20 612	8 147
Guarantee fee decommissioning obligation		5 476	5 649	5 354	22 138	20 570
Value adjustment contingent considerations	25	-	-	3 851	(128)	63 967
Administration expenses		10 733	4 983	4 820	26 499	20 210
Other expenses		4 479	3 035	18 201	9 179	19 570
Total other operating expenses		37 514	23 887	59 306	110 483	176 204

Pre-production costs and guarantee fee have been reallocated from Production cost.

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

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

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

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

Note 7 Exploration expenses

USD 1000	Note	Q4 2021	Q3 2021	Q4 2020	Full year	
					2021	2020
Seismic	10	517	1 473	737	2 989	4 447
Area Fee		2 495	2 358	2 547	9 762	10 098
Dry well expenses		(2 260)	3 239	3 863	5 887	20 024
Other exploration expenses		10 586	10 775	8 534	38 501	22 614
Total exploration costs		11 338	17 844	15 681	57 138	57 183

Note 8 Financial items

USD 1000	Note				Full year	
		Q4 2021	Q3 2021	Q4 2020	2021	2020
Interest income on bank accounts and receivables		4 047	1 551	12 105	13 090	32 224
Dividends		186	-	-	232	34
Other financial income		721	-	-	721	-
Interests on debts and borrowings		(30 151)	(37 513)	(35 563)	(143 462)	(188 638)
Interest on lease debt		(2 646)	(1 610)	(1 904)	(7 819)	(7 288)
Capitalised interest cost, development projects		9 498	16 887	10 369	49 034	29 824
Amortisation of fees and expenses		(58 416)	(5 053)	(5 404)	(73 495)	(17 336)
Accretion expenses (asset retirement obligation)	22	(26 140)	(25 048)	(16 276)	(94 733)	(74 427)
Other financial expenses		(2 847)	(4 392)	(4 890)	(13 056)	(12 451)
Net financial income / (expenses)		(105 749)	(55 178)	(41 563)	(269 489)	(238 058)
Currency forward contracts gain / (loss)		-	-	15 527	-	(11 468)
Unrealised exchange rate gain / (loss)		(339 470)	(152 434)	603 074	(558 940)	319 964
Realised exchange rate gain / (loss)		333 847	23 471	(8 933)	416 570	(21 541)
Net exchange rate gain / (loss)		(5 623)	(128 962)	609 669	(142 371)	286 955
Net financial items		(111 372)	(184 140)	568 106	(411 859)	48 897

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

The impact on exchange rate gain and loss in fourth quarter is due to the realisation of the RBL loan which is causing a substantial realised exchange rate gain. This is offset by reversal of unrealised exchange rate loss for the same loan.

Note 9 Income taxes

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

Note 9 Income taxes – continued

			Full year
	Q4 2021	01.01.-30.09.21	2020
Deferred tax asset / (liability)			
Deferred tax liability / asset at beginning of period	(7 754 476)	(7 342 952)	(6 593 335)
Current year deferred tax income / (expense)	(81 924)	(631 183)	(560 624)
Deferred taxes related to business combinations	(2 208)	-	22 374
Deferred taxes recognised directly in OCI or equity	(2 535)	569	2 319
Currency translation effects	41 550	219 089	(213 686)
Net deferred tax asset / (liability) as of closing balance	(7 799 594)	(7 754 476)	(7 342 952)
Calculated tax receivable / (payable)	Q4 2021	01.01.-30.09.21	2020
Tax payable / receivable at beginning of period	(549 890)	506 349	(1 185 247)
Current year payable taxes	(818 767)	(328 352)	1 144 253
Payable taxes related to business combinations	969	-	21 669
Net tax payment / tax refund	572 400	(736 839)	342 304
Prior period adjustments and change in estimate of uncertain tax positions	(14 620)	(1 297)	(6 250)
Currency translation effects	8 476	10 250	189 619
Net tax receivable / (payable) as of closing balance	(801 432)	(549 890)	506 349

Note 10 Intangible assets

USD 1000	Goodwill	Other intangible assets	Capitalised exploration wells	Total
Cost as at 1 January 2021	5 175 509	107 732	113 327	5 396 567
Additions	-	-	97 388	97 388
Reclassification	-	-	(4 593)	(4 593)
Disposals / expensed exploration wells	-	-	(8 146)	(8 146)
Currency translation effects	(145 146)	(3 021)	(6 203)	(154 371)
Cost as at 30 September 2021	5 030 362	104 710	191 773	5 326 846
Depreciation and impairment as at 1 January 2021	(2 354 669)	-	-	(2 354 669)
Provision for impairment reversal / (loss)	(36 806)	-	-	(36 806)
Currency translation effects	67 752	-	-	67 752
Depreciation and impairment as at 30 September 2021	(2 323 724)	-	-	(2 323 724)
Net book value as at 30 September 2021	2 706 638	104 710	191 773	3 003 122

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

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

USD 1000	Note	Goodwill	Other intangible assets	Capitalised exploration wells	Total
Cost as at 30 September 2021		5 030 362	104 710	191 773	5 326 846
Additions		-	295	6 930	7 225
Additions through business combination		2 208	-	-	2 208
Reclassification		-	-	-	-
Disposals / expensed exploration wells		-	-	2 260	2 260
Currency translation effects		(23 181)	(485)	(982)	(24 648)
Cost as at 31 Desember 2021		5 009 390	104 520	199 981	5 313 891
Depreciation and impairment as at 30 September 2021		(2 323 724)	-	-	(2 323 724)
Depreciation		-	-	-	-
Provision for impairment reversal / (loss)	13	(166 255)	-	-	(166 255)
Disposals		-	-	-	-
Currency translation effects		12 486	-	-	12 486
Depreciation and impairment as at 31 Desember 2021		(2 477 492)	-	-	(2 477 492)
Net book value as at 31 Desember 2021		2 531 897	104 520	199 981	2 836 399

Note 11 Tangible assets

USD 1000	Wells and production facilities	Facilities under construction	Other property, plant and equipment	Total
Cost as at 1 January 2021	15 045 348	3 778 102	23 011	18 846 461
Additions	646 144	1 121 380	10 142	1 777 666
Estimate change asset retirement cost	(897 637)	-	-	(897 637)
Additions through business combinations	-	-	-	-
Reclassification	102 798	(98 205)	-	4 593
Disposals	(21 837)	-	-	(21 837)
Currency translation effects	(396 669)	(128 091)	(955)	(525 715)
Cost as at 30 September 2021	14 478 146	4 673 186	32 198	19 183 531
Depreciation and impairment as at 1 January 2021	(3 245 385)	-	(7 100)	(3 252 485)
Depreciation	(1 206 163)	-	(3 998)	(1 210 161)
Provision for impairment reversal / (loss)	214 306	-	-	214 306
Disposals	-	-	-	-
Currency translation effects	115 504	-	298	115 802
Depreciation and impairment as at 30 September 2021	(4 121 738)	-	(10 800)	(4 132 538)
Net book value as at 30 September 2021	10 356 408	4 673 186	21 398	15 050 992

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

Reduction in asset retirement cost in 2021 mainly relates to increased discount rates. Increased asset

retirement cost in 2020 relates to change in discount rate and updated cost estimate.

Provision for impairment of assets under construction for the nine months ended 30 September 2021 has been reallocated to wells and production facilities.

USD 1000	Note	Wells and production facilities	Facilities under construction	Other property, plant and equipment	Total
Cost as at 30 September 2021		14 478 146	4 673 186	32 198	19 183 531
Additions		221 352	473 901	7 379	702 632
Estimate change asset retirement cost		(25 093)	-	-	(25 093)
Additions through business combinations		-	-	-	-
Reclassification		12 063	(7 122)	-	4 941
Disposals		-	-	-	-
Currency translation effects		(68 892)	(26 536)	(228)	(95 655)
Cost as at 31 December 2021		14 617 577	5 113 429	39 350	19 770 356
Depreciation and impairment as at 30 September 2021		(4 121 738)	-	(10 800)	(4 132 538)
Depreciation		(457 835)	-	(2 952)	(460 787)
Provision for impairment reversal / (loss)	13	(12 227)	-	-	(12 227)
Disposals		-	-	-	-
Currency translation effects		24 032	-	81	24 114
Depreciation and impairment as at 31 December 2021		(4 567 768)	-	(13 671)	(4 581 439)
Net book value as at 31 December 2021		10 049 809	5 113 429	25 679	15 188 917

Note 12 Right of use assets

USD 1000	Offices	Rigs and supply vessels	Warehouse	Total
Cost as at 1 January 2021	77 236	108 727	12 360	198 323
Additions				-
Additions through business combinations				-
Reclassification				-
Disposals				-
Currency translation effects	-	(5 562)	-	(5 562)
Cost as at 30 September 2021	77 236	103 165	12 360	192 761
Depletion and impairment as at 1 January 2021	(8 806)	(51 791)	(3 880)	(64 477)
Depreciation	(4 412)	(18 813)	(1 674)	(24 899)
Provision for impairment reversal / (loss)				-
Disposals				-
Currency translation effects		2 470		2 470
Depletion and impairment as at 30 September 2021	(13 218)	(68 134)	(5 554)	(86 906)
Net book value as at 30 September 2021	64 018	35 031	6 806	105 855

USD 1000	Offices	Rigs and supply vessels	Warehouse	Total
Cost as at 30 September 2021	77 236	103 165	12 360	192 761
Additions		208 819		208 819
Reclassification		(4 941)		(4 941)
Disposals				-
Currency translation effects	(1 406)	(2 861)	1 186	(3 081)
Cost as at 31 December 2021	75 830	304 183	13 546	393 558
Depletion and impairment as at 30 September 2021	(13 218)	(68 134)	(5 554)	(86 906)
Depreciation	(1 436)	(6 733)	(545)	(8 714)
Provision for impairment reversal / (loss)				-
Disposals				-
Currency translation effects	(1 053)	1 943	(397)	494
Depletion and impairment as at 31 December 2021	(15 707)	(72 924)	(6 496)	(95 126)
Net book value as at 31 December 2021	60 123	231 259	7 050	298 432

Note 13 Impairment

Impairment testing

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

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

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

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

Following is an overview of the key assumptions applied:

Prices

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

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

Year	4Q21	3Q21	4Q20
2022	74.1	71.2	55.0
2023	68.6	67.1	60.0
2024	67.7	67.4	62.0

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

Year	4Q21	3Q21	4Q20
2022	6.51	3.78	1.48
2023	3.06	2.28	1.53
2024	2.13	2.01	1.60

Note 13 Impairment – continued

Oil and gas reserves

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

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

Year	MBOE
2022–2026	552
2027–2031	333
2032–2036	156
2037–2041	83
2042–2054	59

Future expenditure

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

Discount rate

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

Currency rates (NOK/USD)

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

Inflation

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

Impairment testing of goodwill

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

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

Note 13 Impairment – continued

Impairment charge/reversal

Below is an overview of the impairment charge/reversal and the carrying value per cash generating unit where impairment/reversal has been recognized in 4Q21:

Cash generating unit (USD 1000)	Net carrying value	Recoverable amount	Impairment/reversal (-)	Impairment allocated		Deferred tax impact
				Goodwill	PP&E	
Balder	1 472 504	1 360 451	113 273	113 273		
Fenja	348 757	313 744	35 394	35 394		
Bauge/Hyme	128 237	114 415	13 973	13 973		
Brage	11 878	9 202	12 296		12 296	(9 591)
Morvin	20 335	16 758	3 615	3 615		
Bøyla/Frosk	11 361	28 663	(69)		(69)	53
Total	1 993 072	1 843 233	178 482	166 255	12 227	(9 538)

Impairments were USD 178 million in the fourth quarter mainly related to a revised baseline for sanctioned projects as communicated in the national budget presented in October 2021. There were no impairment charges in the third quarter.

Sensitivity analysis

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

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

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

Climate related risks

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

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

Note 14 Investment in shares and other non-current assets

USD 1000	Business Location	Note	Ownership	31 Dec 2021	30 Sep 2021	31 Dec 2020
Norpipe Oil AS	Tananger, Norway		6.52%	173	174	179
Tjeldbergodden Utvikling AS	Kjørsvikbugen, Norway		0.48%	68	68	70
Ormen Lange Eiendom DA	Tananger, Norway		6.34%	612	615	632
Investment in shares				853	857	881
Alve slot fee				1 809	2 012	2 694
Total other non-current assets				1 809	2 012	2 694

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

Note 15 Inventories

USD 1000	31 Dec 2021	30 Sep 2021	31 Dec 2020
Spare parts & drilling material	258 726	253 502	233 077
Physical oil inventory	42 603	41 057	50 122
Total inventory	301 329	294 559	283 199

Note 16 Trade receivables

USD 1000	Note	31 Dec 2021	30 Sep 2021	31 Dec 2020
Trade receivables - related parties	27	424 834	320 649	206 698
Trade receivables - external parties		412 627	296 625	97 465
Sale of trade receivables		(91 540)	(276 612)	(138 179)
Total trade receivables		745 921	340 662	165 984

Note 17 Other receivables and financial instruments

USD 1000	Note	31 Dec 2021	30 Sep 2021	31 Dec 2020
Net underlift of hydrocarbons		189 105	158 691	142 257
Prepaid expenses		8 305	27 670	24 417
Brent crude put options - financial assets	18	17 407	11 985	26 340
Other		65 880	75 018	48 923
Total current receivables		280 697	273 364	241 938

Note 18 Financial instruments

Derivative financial instruments

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

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

Hedging instruments	Volume (no of put options outstanding at balance sheet date) in thousands	Exercise price (USD per BBL)
Brent crude oil put options 31.12.2020, exercisable in 2021	15 576	40
Brent crude oil put options 31.12.2021, exercisable in 2022	14 349	47

Brent crude put options - financial assets

USD 1000	YTD Dec 2021	YTD Dec 2020
The beginning of the period	26 354	16 635
Increased market value on realised put options		139 845
Realised gain brent crude put options		(168 422)
Realised loss brent crude put options	(58 263)	(3 553)
Unrealised (loss)/gain - effective portion recognised in OCI	9 976	(16 414)
New Brent crude put options	39 339	58 263
The end of the period	17 407	26 354

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

Brent crude put options - deferred premiums

USD 1000	YTD Dec 2021	YTD Dec 2020
The beginning of the period	(58 263)	(33 257)
Realised Brent crude put options	58 263	33 257
New Brent crude put options	(39 339)	(58 263)
The end of the period	(39 339)	(58 263)

The full intrinsic value (“in the money value”) of the options at the time of expiry, if any, is presented in petroleum revenues. The premiums paid for the put options are accounted for as cost of hedging and recycled from OCI to the income statement in the period in which the hedged revenues are realised, and presented as production costs.

Note 19 Cash and cash equivalents

USD 1000	31 Dec 2021	30 Sep 2021	31 Dec 2020
Bank deposits, unrestricted	214 133	257 296	262 938
Bank deposit, restricted, employee taxes	9 454	6 375	9 473
Total bank deposits	223 588	263 671	272 411

Note 20 Share capital and shareholders

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

Shareholders are Eni International B.V. with 278 998 shares (69.85%) and Point Resources Holding AS with 120 427 (30.15%).

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

Average outstandig shares during 2020 and 2021 were unchanged at 399 425 shares.

The company was listed on the Oslo Stock Exchange 16 February 2022, and as a consequence of this, company bylaws, voting rights and composition of the board have changed after 31 December 2021. Following a share split prior in relation to the listing, the Company currently has 2 496 406 250 ordinary shares outstanding. Proforma EPS and DPS can be found on [page 4](#) of this report. See [note 29](#) for more information.

Note 21 Financial liabilities and borrowings

Interest-bearing loans and borrowings

USD 1000	Note	Maturity	31 Dec 2021	30 Sep 2021	31 Dec 2020
RBL credit facility			-	4 440 000	5 335 000
RCF bridge facility	29	2023	3 000 000	-	-
RCF working capital facility	29	2024	1 420 500	-	-
RCF liquidity facility	29	2026	-	-	-
RCF credit facility	29	2024	100 000	-	-
Deferred payment ExxonMobil, non-current		2022	-	329 301	320 490
Prepaid loan expenses			(27 074)	(57 322)	(71 938)
Total non-current interest-bearing loans and borrowings			4 493 426	4 711 979	5 583 552

USD 1000	Maturity	31 Dec 2021	30 Sep 2021	31 Dec 2020
Deferred payment ExxonMobil, current		333 149	-	-
Total current interest-bearing loans and borrowings		333 149	-	-
Total interest-bearing loans and borrowings		4 826 575	4 711 979	5 583 552

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

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

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

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

Credit facilities - utilised and unused amount

USD 1000	31 Dec 2021	30 Sep 2021	31 Dec 2020
Drawn amount RCF credit facility	4 520 500	4 440 000	5 335 000
Undrawn amount credit facilities	2 079 500	1 394 500	854 100

Letter of Credit amounting to NOK 18 434 thousand has been issued to Aker BP which reduces available loan.

Note 22 Provision for abandonment liabilities

USD 1000		Estimated abandonment period:	
		Breakdown of the provision by decommissioning period	31 Dec 2021
Total provision as of 31 December 2020	4 286 451	2022-2030	269 534
Change in estimate	(897 637)	2031-2040	1 989 456
Accretion discount	68 593	2041-2057	1 038 186
Payment for decommissioning of oil and gas fields	(56 554)		
Currency translation effects	(75 690)		
Total provision as of 30 September 2021	3 325 163	Breakdown of the provision to short-term and long-term liabilities	31 Dec 2021
Change in estimate	(25 093)	Short-term	61 536
Accretion discount	26 140	Long-term	3 235 640
Payment for decommissioning of oil and gas fields	(13 865)	Total provision as of 31 December 2021	3 297 176
Currency translation effects	(15 170)		
Total provision as of 31 December 2021	3 297 176		

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

The estimate is based on executing a concept for abandonment in accordance with the Petroleum Activities Act and international regulations and guidelines. The calculations assume an inflation rate between 1.8% - 2.3% and discount rates between 1 149% and 2 997%.

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

Vår Energi has a retirement obligation as a shipper in Gassled booked to other non-current liabilities ([note 23](#)) in the balance sheet statement. The Group has accrued USD 73 832 thousand for this purpose at 31. December 2021.

Note 23 Other non-current liabilities

USD 1000	Note	31 Dec 2021	30 Sep 2021	31 Dec 2020
Contingent consideration	25	78 187	79 110	77 876
Deferred gain ¹		10 852	11 029	12 023
Removal provision Gassled	22	73 832	66 245	66 965
Total other non-current liabilities		162 870	156 383	156 865

¹ **Deferred gain**
In 2017 Point Resources AS, sold the shares in ExxonMobil Property Norway (2) AS, and immediately entered into a finance lease for the office building located in Grenseveien 6, 4313 Sandnes. The excess of sales proceeds is deferred and amortised over the lease term (20 years).

Note 24 Other current liabilities

USD 1000	Note	31 Dec 2021	30 Sep 2021	31 Dec 2020
Net overlift of hydrocarbons		317 606	296 344	166 175
Net payables to joint operations		408 426	410 962	328 057
Employees, accrued public charges and other payables		5 314	14 050	18 577
Contingent consideration, current	25	-	-	30 125
Deferred payment for option premiums - oil puts	18	39 339	45 532	58 263
Total other current liabilities		770 685	766 888	601 197

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

Note 25 Commitments, provisions and contingent consideration

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

The company has significant contractual commitments for capital and operating expenditures from its participation in operated and non operated exploration, development and production projects. The current main development projects are Johan Castberg, Balder Future and Brediablikk.

Note 26 Lease agreements

Vår Energi has entered into lease agreements for drilling rigs, helicopter, storage vessel and other vessels to secure planned activities. The Group has lease agreements for offices in Sandnes, Oslo and Hammerfest. The most significant office contract is the lease of the main office building in Vestre Svanholmen 1, Sandnes. Vår Energi also has leases for supply vessels and warehouses supporting operation at Balder and Goliat, where the most significant are for the supply vessels operating at Goliat.

A new lease agreement commenced in Q4 2021 for the West Phoenix drilling rig. The rig will support in the Balder Future drilling campaign in the North Sea. Non-lease components such as the service element of rig commitments are not included as part of the lease debt. As at 31 December 2021 the service share of rig contracts amounts to USD 136 million. The total expenditure relating to short-term leases which are not recognized as part of lease liabilities was USD 25 million in 2021.

USD 1000	Note	Q4 2021	01 Jan 2021–30 Sep 2021
Opening Balance lease debt		132 563	164 482
New lease debt in period		208 819	
Payments of lease debt		(11 497)	(36 873)
Lease debt derecognized in period		-	
Interest expense on lease debt		2 063	5 760
Currency exchange differences		(6 860)	(806)
Total lease debt		325 088	132 563
Breakdown of the lease debt to short-term and long-term liabilities		31 Dec 2021	30 Sep 2021
Short-term		108 880	37 395
Long-term		216 208	95 168
Total lease debt		325 088	132 563
Lease debt split by activities		31 Dec 2021	30 Sep 2021
Offices		66 525	70 305
Rigs and supply vessels		250 811	53 717
Warehouse		7 752	8 541
Total		325 088	132 563

Note 27 Related party transactions

Vår Energi has a number of transaction with other wholly owned or controlled companies by the shareholders. Revenues are mainly related to sale of oil, gas and NGL. The expenditures are mainly related to technical services, seconded personnel, insurance guarantees and rental cost.

Current assets

USD 1000	31 Dec 2021	30 Sep 2021	31 Dec 2020
Trade receivables			
Eni Trade & Biofuels SpA	160 533	193 700	-
Eni Global Energy Markets	138 342	38 581	173 599
Eni SpA	123 884	85 960	30 285
Other	2 075	2 409	2 814
Total trade receivables	424 834	320 649	206 698

All receivables are due within 1 year.

Current liabilities

USD 1000	31 Dec 2021	30 Sep 2021	31 Dec 2020
Account Payables			
Eni Global Energy Markets	24 547	9 694	4 471
Eni International BV	21 336	16 076	21 533
Eni SpA	19 387	16 963	21 660
Other	915	93	148
Total account payables	66 185	42 826	47 812

Note 27 Related party transactions – continued

Sales revenue				Full year	
USD 1000	Q4 2021	Q3 2021	Q4 2020	2021	2020
Eni Trade & Biofuels SpA	766 500	392 854	-	2 065 125	-
Eni SpA	326 508	199 451	71 658	687 581	112 193
Eni Global Energy Markets	327 819	77 907	318 570	478 196	1 300 083
Total sales revenue	1 420 828	670 212	390 228	3 230 903	1 412 276
Operating and capital expenditures				Full year	
USD 1000	Q4 2021	Q3 2021	Q4 2020	2021	2020
Eni SpA	13 427	15 925	13 259	46 127	38 950
Eni Trade & Biofuels SpA	5 375	12 682	-	28 916	-
Eni International BV	5 392	5 369	5 357	21 909	20 567
Eni Global Energy Markets	15 060	(8 773)	4 940	21 904	18 085
Eni International Resources Ltd.	1 177	(12)	1 222	2 022	3 272
Other	17 203	(5 671)	881	1 280	1 208
Total operating and capital expenditures	57 634	19 520	25 659	122 158	82 082

Note 28 License ownerships

Vår Energi has the following new licenses since YE 2020.

Fields	WI %	Operator
PL229 G	50%	Vår Energi
PL263 C	10%	Equinor
PL1002	40%	Vår Energi
PL1002 B	40%	Vår Energi
PL1090	50%	Vår Energi
PL1096	30%	Vår Energi
PL1114	30%	Chrysaor Norge AS
PL1117	30%	OKEA ASA
PL1120	20%	DNO Norge AS
PL1121	30%	Equinor
PL1122	20%	ConocoPhillips
PL1131	40%	Vår Energi
PL1132	60%	Vår Energi
PL001 DS	100%	Vår Energi
PL027 HS	100%	Vår Energi

Note 29 Subsequent events

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

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

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

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

In 2022 Vår Energi has entered into forward gas sales contracts. As per 18 February 2022 Vår Energi has sold 9% of its estimated 2022 gas production on a fixed price, generating a sales income of USD 393 million.

Industry terms

Term	Definition/description
Boepd	Barrels of oil equivalent per day
Bscf	Billions of standard cubic feet
E&P	Exploration and Production
FPSO	Floating, production, storage and offloading vessel
HSEQ	Health, Safety, Environment and Quality
HSSE	Health, Safety, Security and Environment
Kboepd	Thousands of barrels of oil equivalent per day
mmbbls	Standard millions of barrels
mmboe	Millions of barrels of oil equivalents
Mmscf	Millions of standard cubic feet
MoF	Ministry of Finance
MPE	Ministry of Petroleum and Energy
NCS	Norwegian Continental Shelf
NGL	Natural gas liquids
NPD	Norwegian Petroleum Directorate
PDO	Plan for Development and Operation
PIO	Plan for Installation and Operations
PRMS	Petroleum Resources Management System
Scf	Standard cubic feet
Sm³	Standard cubic meters
SPT	Special petroleum tax
1P reserves	The quantities of petroleum which can be estimated with reasonable certainty to be commercially recoverable, also referred to as "proved reserves".
2C resources	The quantities of petroleum estimated to be potentially recoverable from known accumulations, also referred to as "contingent resources".
2P reserves	Proved plus probable reserves consisting of 1P reserves plus those additional reserves, which are less likely to be recovered than 1P reserves.

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