

# Vår Energi AS

[BUY](#)
[HOLD](#)
[SELL](#)

VAR NO · Energy · E&amp;P · IoC · 29 August 2022 · 07:04

## IoC: Well-diversified cash flow machine

We initiate coverage on Vår Energi with a Buy-rating and a TP of NOK 55. Vår has a robust and diversified portfolio which solely comprises NCS- assets operated by tier-1 companies. With ~38% natural gas in its current production mix exported to mainland Europe/UK, coupled with a shareholder-friendly distribution framework (stable ~10% dividend yield going forward), we argue Vår offers ideal exposure to the current stretched hydrocarbon markets.

### Robust and diversified portfolio with strong medium-term growth

Vår comprises 36 producing oil and gas fields on the NCS, built on the heritage of ExxonMobil and Eni, which spans a half century. Through sanctioned projects with <\$30/bbl breakeven, Vår targets >40% production growth by 2025 to >350 kboe/d, which also should reduce opex from the current level of \$12-14/bbl.

### Reliable energy exporter to Europe - material leverage to higher gas prices

Vår is Norway's fourth largest producer of hydrocarbons, only behind Equinor, state-owned Petoro and Aker BP. Through producing 246 kboe/d last year, whereof 86 kboe/d was natural gas (5.4 bcm), Vår alone represented ~1.3% of natural gas supplies to Europe. After factoring in the lower thermal efficiency of hydrocarbons, Vår still produced almost twice as much useful energy as Ørsted last year. Vår is together with Equinor the E&P company we cover that is most sensitive to European gas prices - at current forward prices, we estimate the company would generate as much as ~76% of its EV in FCF by YE'24.

### Valuation and recommendation

Although Vår has delivered an impressive >65% total return since its IPO, we argue its full potential is yet to be seen. Based on a Brent price of \$110/\$100/\$90 for 2022/23/24, \$80 thereafter and an avg. European natural gas price (per mmBtu) of \$25 during 2022-25e (~60% below current forward prices), \$12 thereafter, Vår trades at a P/NAV of 0.88x and will on our estimates return 40% of its EV in FCF before YE'24, screening attractive vs. closest peers Aker BP and Equinor. We also estimate that Vår will distribute dividends equivalent to a yield of ~10% on average during 2022-28e. Our TP is set at P/NAV of 1.05x.

Key Figures (USD)	Dec-20	Dec-21	Dec-22e	Dec-23e	Dec-24e
Revenue (m)	2,875	6,072	10,589	12,004	10,806
EBITDA (m)	1,594	4,615	9,024	10,395	9,356
EBIT (m)	(946)	2,909	7,482	8,692	7,369
EPS	(0.24)	0.25	0.59	0.80	0.66
Adj. EBITDA (m)	1,594	4,615	9,024	10,395	9,356
Adj. EBITDA margin	55.4%	76.0%	85.2%	86.6%	86.6%
Adj. EPS	(0.14)	0.25	0.58	0.80	0.66
Revenue growth	0.7%	111.2%	74.4%	13.4%	(10.0%)
EPS growth	(307.5%)		134.9%	36.8%	(17.0%)
DPS	-	-	0.40	0.48	0.48
Dividend yield	0.0%	0.0%	8.5%	10.2%	10.2%
Net interest bearing debt (m)	5,270	4,602	1,670	60	(374)
ROE	(30.3%)	43.3%	84.0%	82.6%	53.8%
ROACE	(13.7%)	45.7%	153.5%	264.7%	252.0%
FCFF yield	(1.8%)	15.3%	32.3%	24.0%	13.9%
EV / Sales (x)	6.24	2.74	1.29	1.00	1.07
EV / EBITDA (x)	11.26	3.61	1.51	1.16	1.24
EV / EBIT (x)	na	5.72	1.83	1.39	1.58
P / E (x)	na	18.85	8.02	5.87	7.07
P / B (x)	8.38	7.96	5.85	4.14	3.52

[Target](#)
**NOK 55.0**

Recommendation	Buy
Target (NOK)	55.0
Price (NOK)	45.82
Upside	20.0%

Market capitalisation (USDm)	11,722
Enterprise value (USDm)	14,414
No of shares, fully diluted (m)	2,496

### 12 months share price performance:



Estimates	Dec-22e	Dec-23e	Dec-24e
Revenue			
Est. change			
Dev. vs. cons.	0.8%	26.6%	23.7%
EBITDA			
Est. change			
Dev. vs. cons.	0.6%	24.1%	22.1%
EPS			
Est. change			
Dev. vs. cons.	-5.2%	33.0%	28.2%

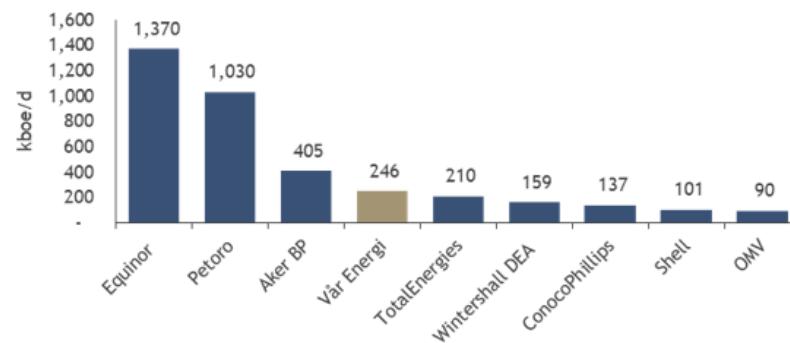
Source: Arctic Securities Research, (27 August 2022)


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## INVESTMENT CASE HIGHLIGHTS (1/2)

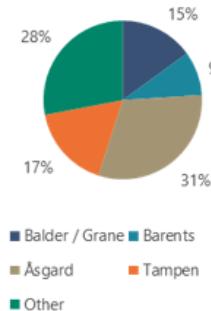
Vår Energi is among the largest producers on the NCS...

NCS players ranked by 2021 production

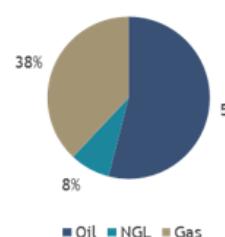


Diversified production split across hydrocarbon types and 36 fields...

2021 production



2021 production



Sources: Company data, Arctic Securities Research, Rystad Energy UCube

...Building on >50 years of operating history dominated by Oil Majors

Today's operators of Vår's portfolio:



Portfolio built on the heritage from:

**ExxonMobil**

Actively involved in  
Norwegian offshore oil  
& gas since 1963

**Agip**

**eni**

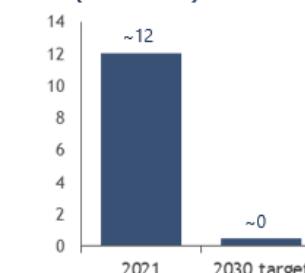
Established in  
Norway since 1965

The portfolio is characterized by declining opex and emissions as well as >30% U-IRR investments

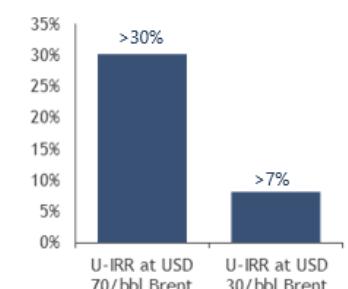
Opex/boe (USD/boe)



kgCO<sub>2</sub>e/boe produced  
(incl. offsets)

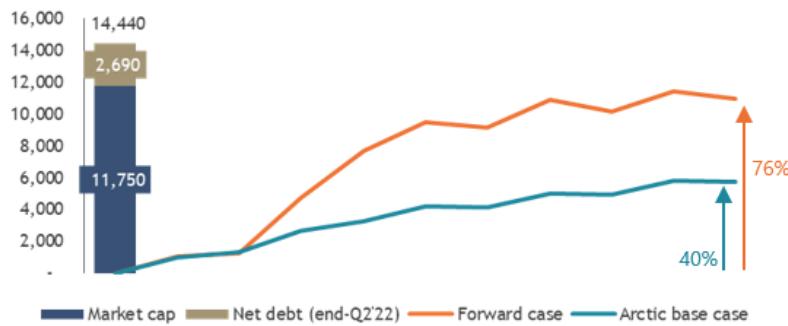


Guided economics on  
development projects

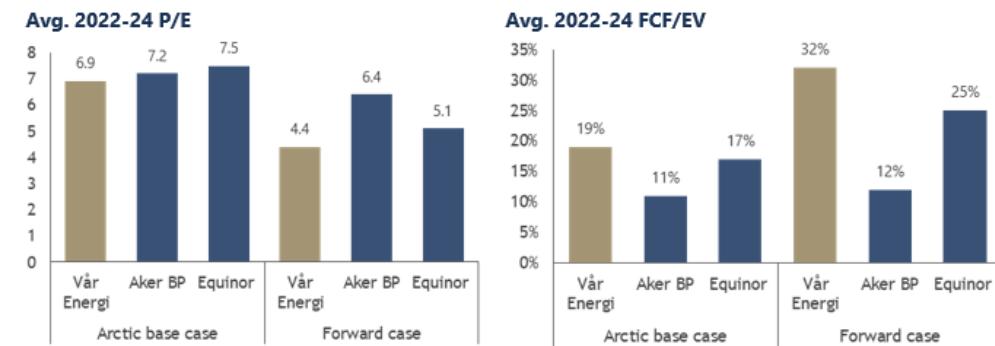


## INVESTMENT CASE HIGHLIGHTS (2/2)

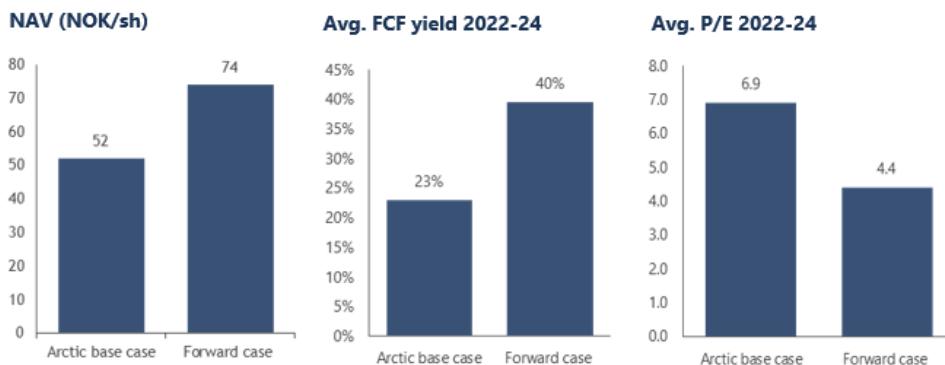
Vår is set to generate a substantial share of its EV in FCF before YE'24...



...and stands out as attractively priced relative to its closest peers



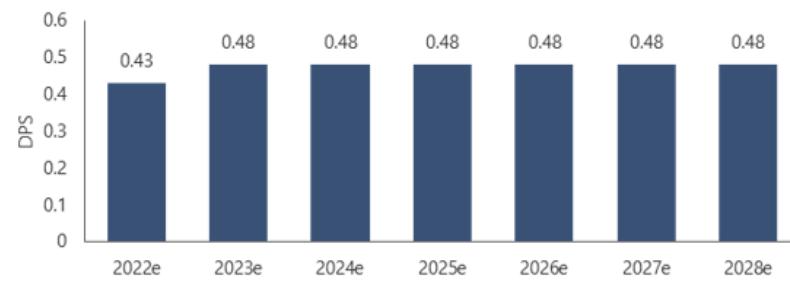
Vår offers significant exposure to high near-term commodity prices



Sources: Company data, Arctic Securities Research, Rystad Energy UCube

...and with a clear dividend policy, shareholders are immediately rewarded

Arctic base case: ~10% dividend yield over the next seven years



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# VÅR ENERGI – COMPANY SNAPSHOT

## Key metrics and portfolio characteristics

2P reserves YE'21:  
**1,133 mmboe**

2P reserve lifetime:  
**~11.5 years**

Share of natural gas in Q2'22 production:  
**~40%**

Upstream emissions intensity - 2030 target:  
**Net zero**

2C resources YE'21:  
**412 mmboe**

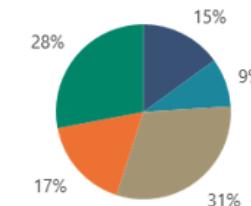
2021 production:  
**246 kboe/d**

Total dividends 2019-21:  
**USD 3.1bn**

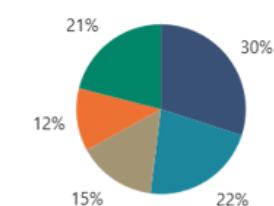
Investment grade credit rating:  
**BBB / Baa3**  
S&P / Moody's

## Highly diversified production across hubs...

### 2021 production

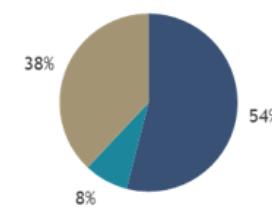


### 2P reserves YE'21

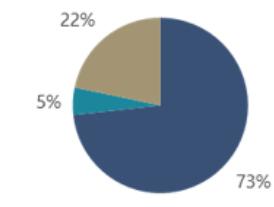


## ...and hydrocarbon types

### 2021 production



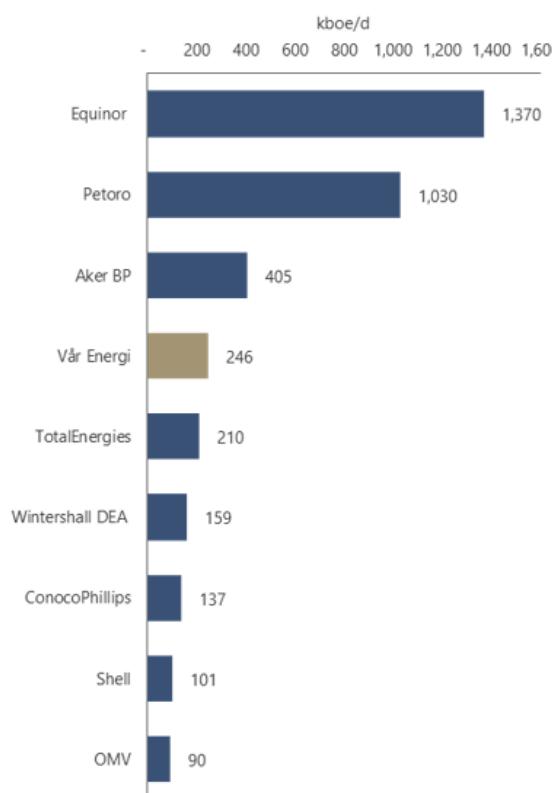
### 2P reserves YE'21



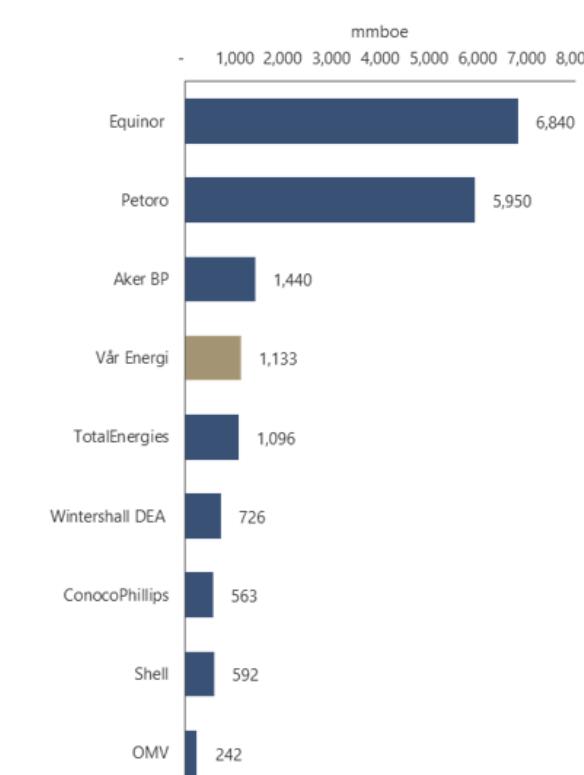
Sources: Company data, Arctic Securities Research

## VÅR ENERGI IS AMONG THE LARGEST PRODUCERS ON THE NORWEGIAN SHELF, PLACING THE COMPANY AMONG THE LARGEST ENERGY PRODUCERS IN EUROPE

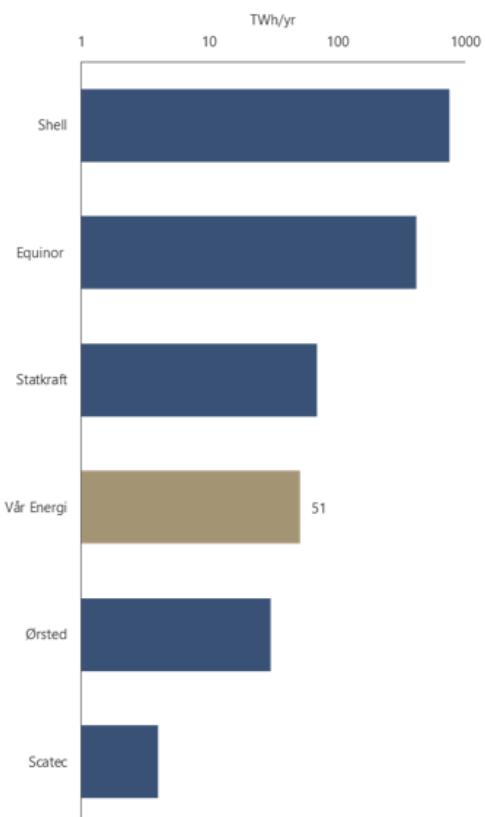
NCS producers ranked by 2021 production  
*kboe/d, Norway only*



NCS producers ranked by YE'21 reserves  
*mmboe, Norway only*



Useful energy production, selected companies\*  
*TWh/yr, global production in 2021 (log scale)*

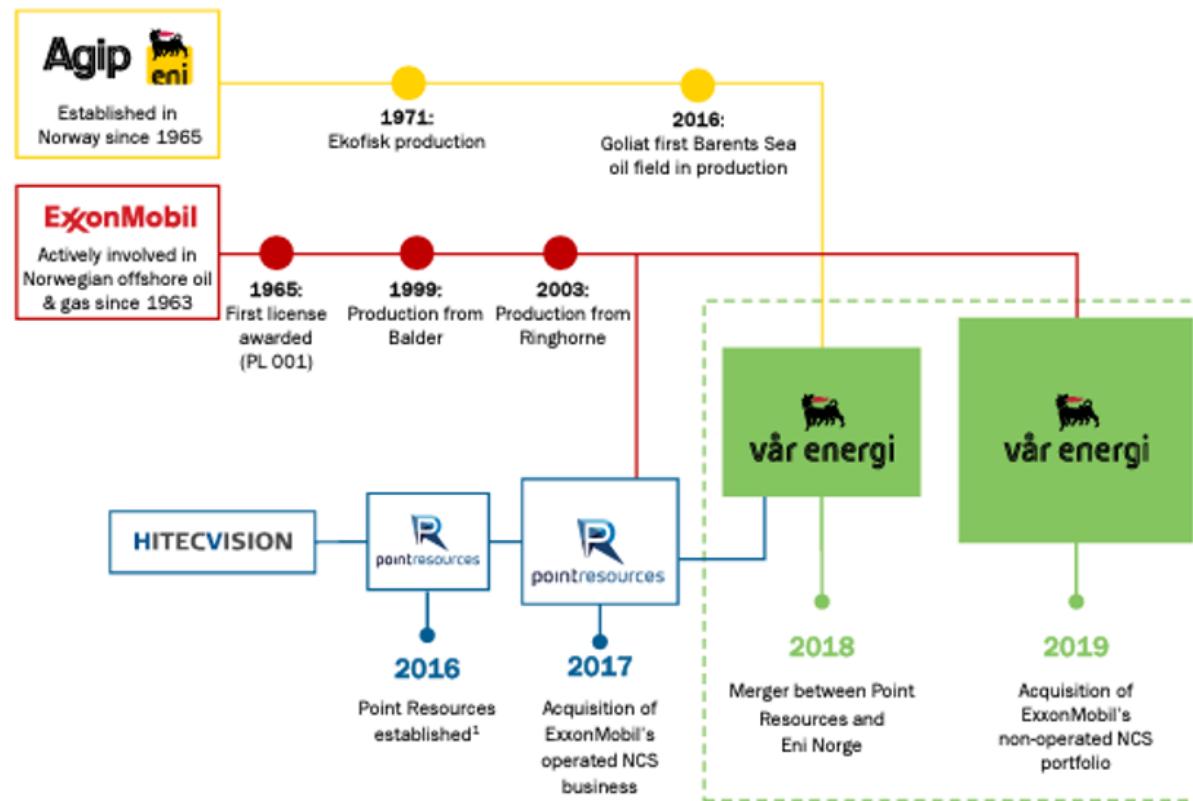


\*For simplicity, thermal efficiency of hydrocarbons and renewable power generation assumed to be 33% and 100%, respectively

Sources: Company data, Rystad Energy UCube, Annual reports from companies mentioned above, Arctic Securities Research

# VÅR ENERGI BUILDS ON A HIGHLY SUCCESSFUL HERITAGE THAT SPANS MORE THAN 50 YEARS

## Overview of Vår Energi's history



Sources: Company data, Arctic Securities Research

## Company created through successive M&A

- Vår Energi was formed in 2018 through the merger between Eni Norge and Point Resources. The latter was a company wholly owned by HitecVision following the three-way merger between Core Energy, Spike Exploration and Pure E&P in 2016 (all HitecVision-owned companies)
- Before the merger with Eni Norge, in 2017 Point Resources acquired ExxonMobil's operated NCS portfolio, comprising among others the Balder (90% WI), Ringhorne (90%), Ringhorne East (70%) and Jotun (70% WI) fields on the NCS, which added ~50,000 boe/d net to the company in addition to an experienced staff of 300 employees
- In the merger and establishment Vår Energi in 2018, net production increased to ~170 boe/d and the ownership split between Eni / Hitec was agreed at 69.85% / 30.15%
- In 2019, Vår Energi acquired Exxon's remaining NCS portfolio for a USD ~4.5 bn cash consideration, which added ~500 mmboe in 2P reserves and ~150 kboe/d in production
- Vår Energi's organization and assets span more than five decades of history on the Norwegian Continental Shelf. Today, the company has 950 employees, and has become the fourth largest player on the NCS with ~250 kboe/d of production and 1,133 mmboe in 2P reserves

# SHAREHOLDER OVERVIEW

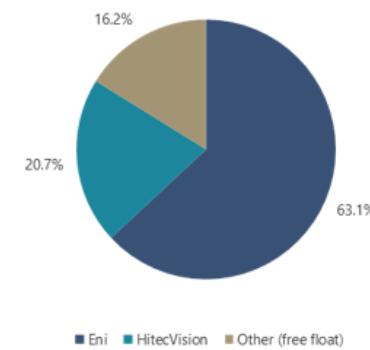
## Shareholder list (updated 26. August 2022)

Investor	Shares	% of total	Account Type	Country
ENI INTERNATIONAL BV	1 574 616 035	63.1%	COMP	NLD
POINT RESOURCES HOLDING AS	517 635 559	20.7%	COMP	NOR
JPMORGAN CHASE BANK, N.A., LONDON	43 186 953	1.7%	NOM	GBR
JPMORGAN CHASE BANK, N.A., LONDON	17 795 795	0.7%	NOM	GBR
STATE STREET BANK AND TRUST COMP	15 070 171	0.6%	NOM	USA
VERDIPAPIRFONDET DNB NORGE	11 851 217	0.5%	COMP	NOR
GEVERAN TRADING CO LTD	11 365 000	0.5%	COMP	CYP
CITIBANK, N.A.	9 358 606	0.4%	NOM	IRL
VERDIPAPIRFONDET ALFRED BERG GAMBA	8 870 000	0.4%	COMP	SWE
J.P. MORGAN SECURITIES PLC	8 548 823	0.3%	COMP	GBR
UBS SWITZERLAND AG	8 503 908	0.3%	NOM	CHE
STATE STREET BANK AND TRUST COMP	7 864 088	0.3%	NOM	USA
JPMORGAN CHASE BANK, N.A., LONDON	7 132 243	0.3%	NOM	GBR
DANSKE INVEST NORSKE INSTIT. II.	6 908 000	0.3%	COMP	NOR
VPF DNB AM NORSKE AKSJER	5 364 622	0.2%	COMP	NOR
JPMORGAN CHASE BANK, N.A., LONDON	4 393 117	0.2%	NOM	GBR
PARETO INVEST NORGE AS	4 361 338	0.2%	COMP	NOR
THE BANK OF NEW YORK MELLON	3 869 807	0.2%	NOM	USA
THE BANK OF NEW YORK MELLON SA/NV	3 587 623	0.1%	NOM	BEL
STATE STREET BANK AND TRUST COMP	3 415 000	0.1%	NOM	USA
Total Top 20	2 273 697 905	91.09%		
Other	222 708 341	8.91%		
<b>Total shareholders</b>	<b>2 496 406 246</b>	<b>100%</b>		

## Key considerations

- Vår Energi's two dominant shareholders are Eni (63.1%) and HitecVision (20.7%), while the remaining 16.2% is considered to be the free float
- In connection with the IPO of Vår Energi on 15 February 2022, both Eni and HitecVision sold 137.5m shares, which left the free float in the company at 11.2%
- On 8 June 2022, Eni and HitecVision sold 29.5m and 95.4m shares, respectively, which increased the free float to 16.2%. The sellers entered into a lock-up commitment on their remaining shares, which will expire 90 days after 13 June 2022 (12 September 2022 being the first potential trading opportunity)
- Other large shareholders include Norwegian institutional investors such as DNB Asset Management and Alfred Berg, and high net worth individuals such as John Frederiksen through Geveran Trading

## Breakdown of free-float



Sources: Company data, Arctic Securities Research

## VÅR ENERGI BENEFITS FROM THE EXPERTISE OF ITS TWO MAIN SHAREHOLDERS

Eni



USD ~44bn market cap

### Oil Major with proud NCS history and strong exploration track record

- Eni is an international Oil Major with Italian roots (the Italian state still owns ~30%). The company in its current form was established in 1953 and has been active on the NCS as an explorer since 1964 and as a producer since 1971, through its participation in the Ekofisk licence
- Eni is globally recognised for its strong exploration results, having among others been named 'the upstream industry's most-admired explorer' in WoodMackenzie's award four times during 2015-21.
- Vår Energi has a close collaboration with Eni, and will benefit from access to its proprietary exploration database and systems, which should contribute to enhancing the accuracy and efficiency of subsurface studies

HitecVision



USD ~7bn AUM

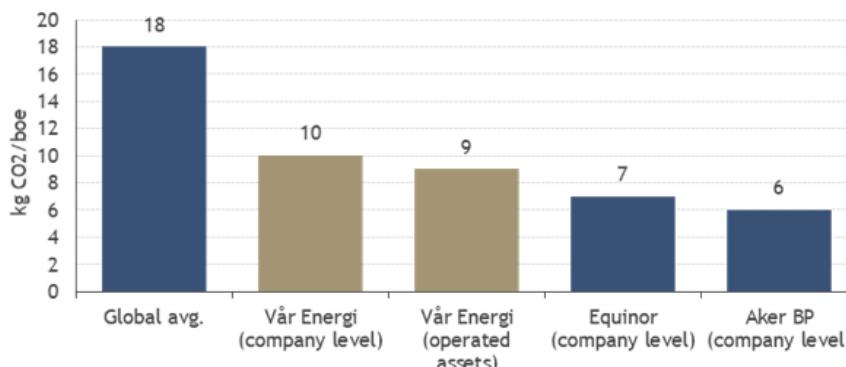
### Energy-focused PE firm with NCS- track record

- HitecVision is an energy-focused private equity firm with roots from the oil & gas industry, with a growing presence in the broader, sustainability-oriented energy space through the establishment of companies like Vårgønn and Moreld
- HitecVision has >30 years of experience in the interface between the energy industry and finance in Europe and currently has USD 7bn worth of assets under management
- The company has offices in Stavanger (HQ) and Oslo in addition to London, in total employing 65 people
- The company's investor base comprises >50 standalone investors that are spread across four continents, including among others pension funds and sovereign wealth funds
- HitecVision has a track record that spans ~20 years in developing oil & gas companies on the NCS. For instance, the company bought into Revus Energy in 2003, which was later sold to Wintershall in 2008 with a 160% gain

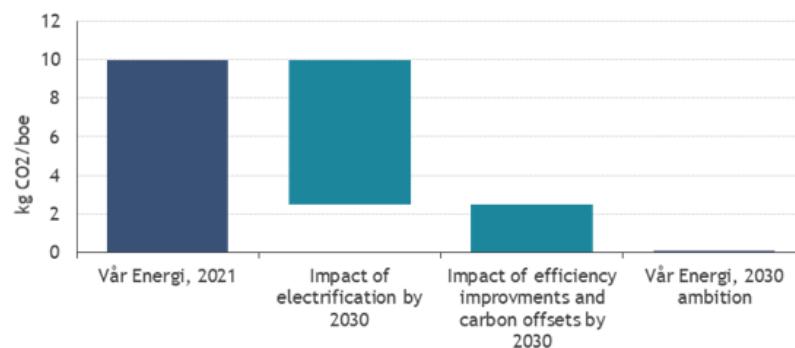
Sources: Company data, Arctic Securities Research

## AMBITIOUS DECARBONIZATION PLANS – TARGETING NET ZERO BY 2030

### Carbon intensity comparison (kg CO<sub>2</sub>/boe)



### Electrification to drive the bulk of the carbon intensity reduction



Sources: Company data, Arctic Securities Research

### Key considerations

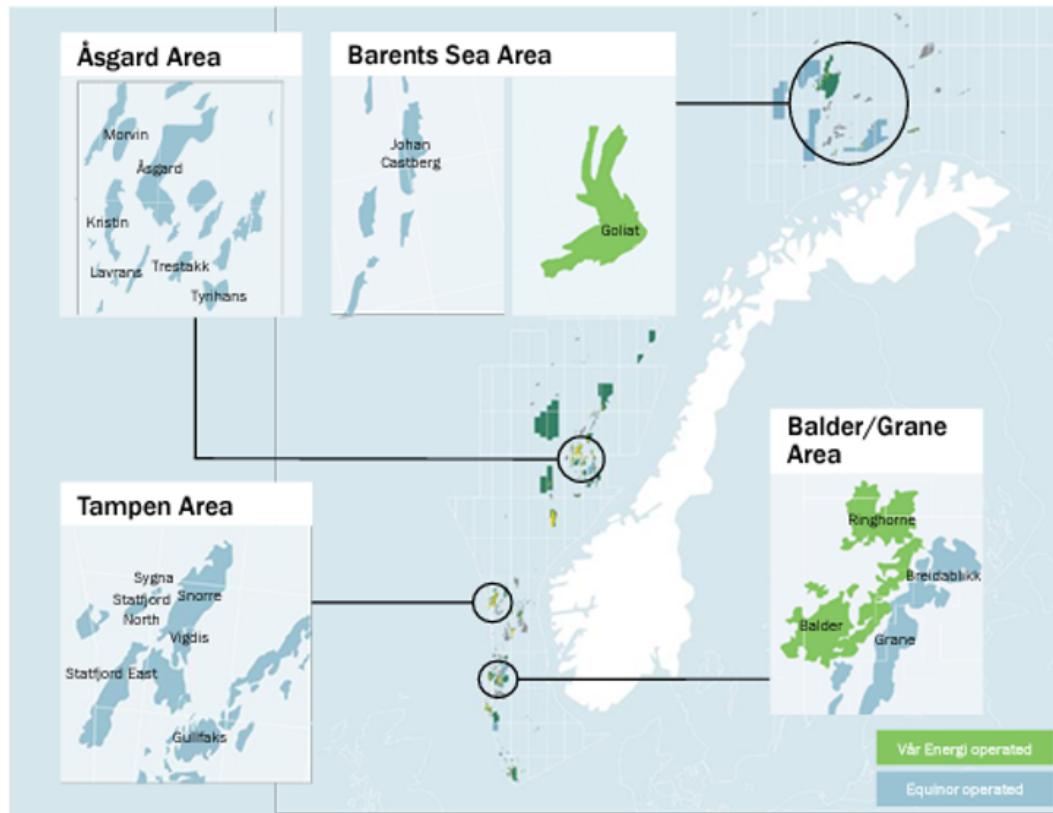
- Vår Energi has a stated ambition to reduce Scope 1 and 2 greenhouse gas emissions from both its operated and non-operated assets to net-zero by 2030
- The bulk of the improvement (~75%) is expected to come from electrification, while efficiency improvements and offsets should contribute to the remainder (~25%)
- Two projects are currently under development, Hywind Tampen (partial electrification of Snorre and Gullfaks) and Sleipner (scope also defined to be partial electrification). The most critical contributor to meet this target will be the Balder/Grane electrification project, expected to be finalized during 2027-29, which alone will reduce Vår Energi's net emissions by >220,000 tons (~25%). As such, the low-carbon related spending will be somewhat weighted towards the second half of this decade
- Equinor is operator on fields that collectively add up to ~2/3 of Vår Energi's net production, and Equinor has also stated an ambition of reducing emissions from its operated fields by 50% by 2030. Hence, we note that both companies have electrification strategies that are well-aligned



## Overview of assets

## THE PORTFOLIO IS CONCENTRATED AROUND FOUR STRATEGIC HUBS, WHICH ACCOUNT FOR >70% OF ITS CURRENT PRODUCTION AND RESERVES

### Vår Energi portfolio map



Sources: Company data, Arctic Securities Research

### Key portfolio characteristics

- Vår Energi's portfolio is well diversified across 36 producing fields, out of which 4 are operated (18% of 2021 production) and 32 are partner-operated (82% of 2021 production). The portfolio is also well diversified between hydrocarbon types, with 2P reserves consisting of 73% oil, 22% gas, and 5% NGL, while the 2021 production comprised 54% oil, 38% gas and 8% NGL
- The company's core assets are located around four strategic hubs, accounting for >70% of the 2021 production: the Barents Sea Area, the Åsgard area, the Tampen Area and the Balder/Grane Area. To illustrate the diversification, the top-producing field represented only 6% of the company's 2P reserves.
- Equinor operates the majority of the company's fields (>2/3 of 2021 production operated by Equinor), while Shell and ConocoPhillips operate certain key assets such as Ormen Lange and the Greater Ekofisk Area
- Vår Energi's portfolio of operated and partner-operated assets consists of a balanced mix of more mature assets with a strong track record and large reserve base (including Balder and Ringhorne, Åsgard, Snorre, Statfjord, Grane, Ekofisk, Ormen Lange and Vigidis), assets that more recently have come on stream (Goliat), as well as ongoing development projects delivering growth such as Johan Castberg, Balder-X and Bredablikk

## OVERVIEW OF PORTFOLIO - FIELD CLASSIFICATION AND RESERVES

### Detailed breakdown of fields and net reserves as of YE'2021\*

Hub	Area	Developed 2P reserves / Undeveloped 2P reserves net (mmboe)	Field	Wt %	Operator	Project stage
Balder	Balder/Grane		Balder	90%	Vår Energi	Producing
	Balder/Grane	42 / 193	Ringhome / East	90% / 70%	Vår Energi	Producing
	Balder/Grane		King/Prince	90%	Vår Energi	Discovery
Grane	Balder/Grane		Grane	28.30%	Equinor	Producing
	Balder/Grane	33 / 73	Breidablikk	34.40%	Equinor	Development
	Balder/Grane		Svalin	13%	Equinor	Producing
Fenja	Balder/Grane		Fenja	45%	Neptune	Development
	Balder/Grane	2 / 35	Bauge	17.50%	Equinor	Development
	Balder/Grane		Hyme	17.50%	Equinor	Producing
Goliat	Barents		Goliat	85%	Vår Energi	Producing
	Barents	62 / 7	Rødhette	50%	Vår Energi	Discovery
	Barents		Alke	40%	Vår Energi	Discovery
Johan Castberg	Barents	0 / 175	Johan Castberg	30%	Equinor	Development
	Barents		Isfjord	30%	Equinor	Discovery
Asgard	Asgard area		Asgard	22.10%	Equinor	Producing
	Asgard area		Trestakk	40.90%	Equinor	Producing
	Asgard area	72 / 50	Mikkelsen	48.40%	Equinor	Producing
Kristin	Asgard area		Morvin	30%	Equinor	Producing
	Asgard area		Halten Øst	24.80%	Equinor	Development
	Asgard area		Kristin	16.70%	Equinor	Producing
Kristin	Asgard area	32 / 10	Lavraks	16.70%	Equinor	Development
	Asgard area		Tyrhans	18%	Equinor	Producing

Snorre	Tampen area					
	Tampen area	82 / 24				
	Tampen area					
Statfjord	Tampen area					
	22 / 7					
	Tampen area					
Greater Eko fisk	Other					
	Other	53 / 46				
	Other					
Ormen Lange	Other	25 / 18				
	Ormen Lange					
	Other					
Fram	Other	21 / 0				
	Fram					
	Other					
Other	Heidrun					
	Other	33 / 15				
	Sleipner					
Sum	Norne					
	Other					
	Marulk	20%				
		480 / 654				

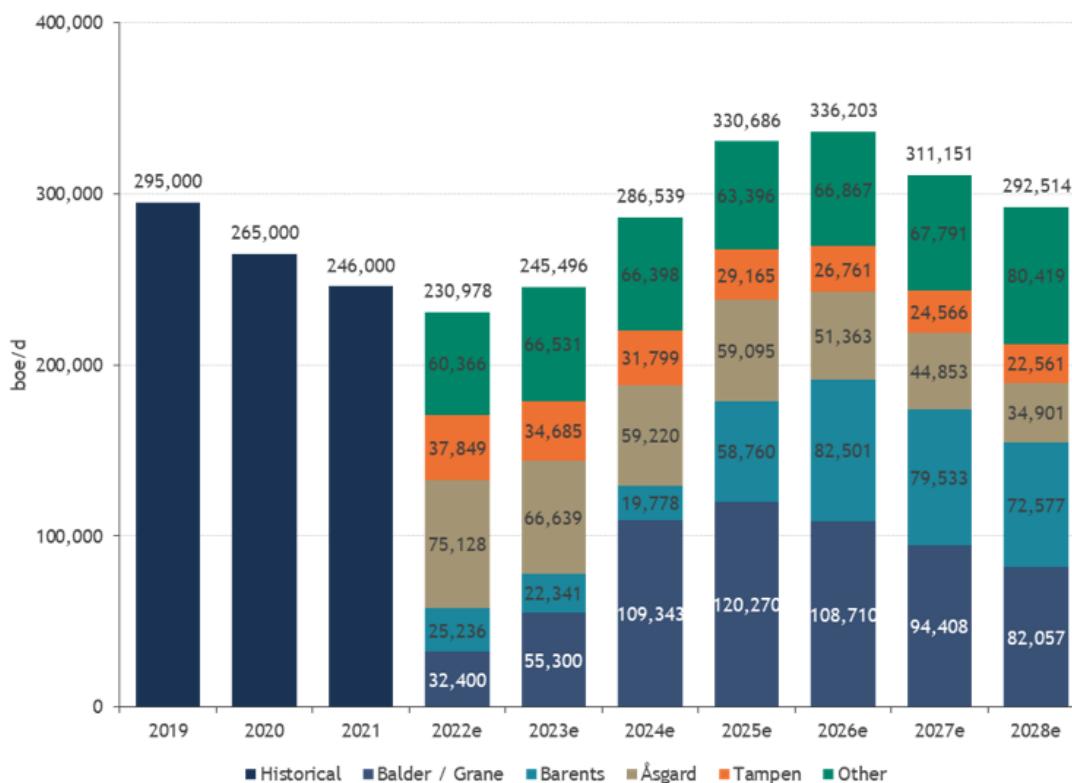
Sum 2P reserves: 480 + 654 = 1,133 mmboe

Note that the projects classified as discoveries above typically contribute to 2C and not 2P

Sources: \*Reserve analysis carried out independently by D&M (DeGolyer and MacNaughton)

## VÅR'S MEDIUM-TERM GROWTH COMES FROM SANCTIONED PROJECTS, HENCE IS TANGIBLE. THAT SAID, WE THINK THE TARGET OF >350 KBOE/D IN 2025 COULD PROVE TOO AMBITIOUS

Vår Energi - Net production (boe/d)



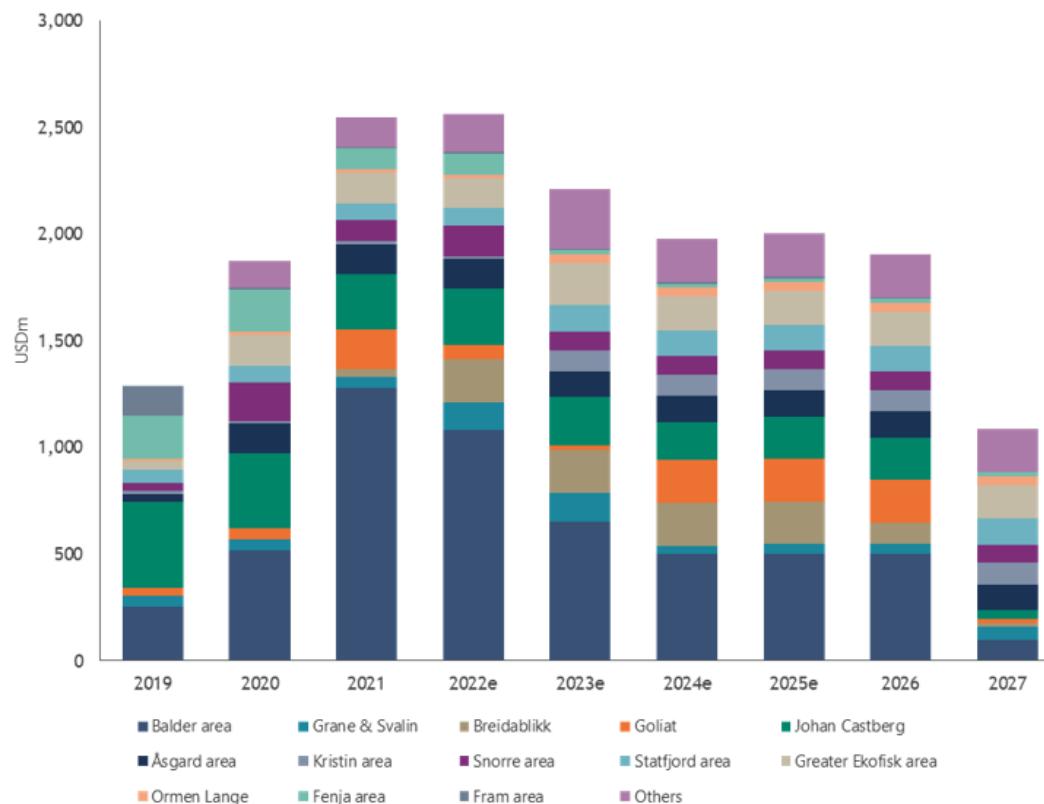
Sources: Company data, Arctic Securities Research, Rystad Energy UCube

### Key considerations

- As previously highlighted, Vår Energi's production is well diversified across fields, geographical areas on the NCS and hydrocarbon types
- During 2019-21, the overall production level decreased by ~7-10% annually as a result of i) natural decline, ii) a limited contribution from new projects
- Going forward, natural decline will be more than offset by the contribution from 15 sanctioned projects, which are expected to come on stream before 2025. The most impactful ones are Balder-X, Castberg and Bredablikk, in sum expected to add ~140 kboe/d net to Vår during their first year of production
- The majority of new projects coming on stream will be oil-dominated fields. As consequence, the share of natural gas in the production mix will gradually decrease
- Our approach of modelling the company's production field by field, which includes 2P reserves + 50% of 2C volumes, suggests that it will be challenging for Vår Energi to meet its 2025 target of >350 kboe/d and especially maintain that production level longer-term. On our numbers, Vår will produce in excess of 350 kboe/d in certain months in 2025, but its FY average is likely to come in below 350 kboe/d. Furthermore, sanctioning of new projects/ conversion of almost all 2C resources into 2P will be necessary to maintain the 350 kboe/d level beyond 2025

## WE EXPECT A STABLE CAPEX LEVEL AROUND USD ~2BN OVER THE NEXT FIVE YEAR PERIOD

**Capex net to Vår Energi (USDm)**



### Key considerations

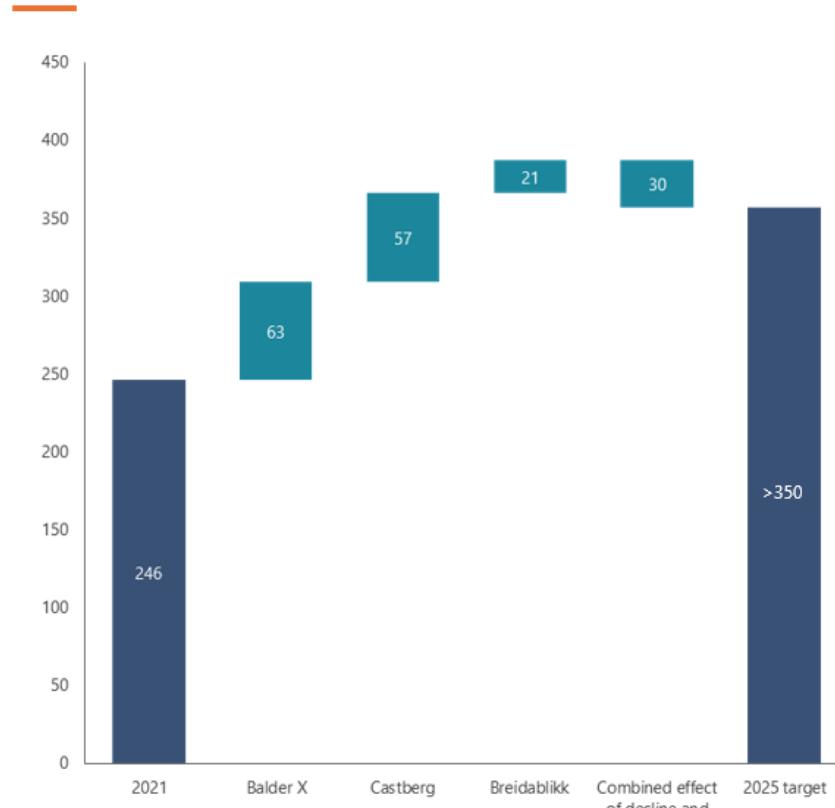
- Vår Energi has a highly competitive development portfolio. In addition to flagship projects such as Balder-X, Johan Castberg and Bredablikk, the company has 12 other sanctioned projects under development including among others Snorre expansion, Kristin South, Tommeliten Alpha, Bauge and Fenja
- Not unlike Aker BP, Vår Energi aims to develop long-term partnerships with its suppliers to enhance performance and predictability of its projects through an incentive model that aims to find an appropriate balance between risk allocation and reward sharing
- According to the company, the projects under development have a breakeven price below USD 30/bbl Brent (breakeven defined as real price required to achieve a positive NPV-7)
- In addition to its sanctioned portfolio, the company has nine projects currently being matured towards a development decision, comprising ~200 mmboe net to Vår. The most impactful are King & Prince (66 mmboe), Goliat Gas (49 mmboe) and Alke (28 mmboe)
- In our production and capex estimates, we have assumed the development of all 2P volumes (1,133 mmboe) plus 50% of all 2C volumes (50% of 412 mmboe), in total 1,339 mmboe net to Vår

Sources: Company data, Arctic Securities Research, Rystad Energy UCube

## IN ORDER FOR VÅR TO MEET ITS GROWTH, COST AND CARBON INTENSITY TARGETS TOWARDS 2025, THREE PROJECTS WILL BE OF PARTICULARLY HIGH IMPORTANCE

Bridge between 2021 production and the 2025 target

Net production (kboe/d)



### Key considerations

- Vår's growth towards 2025 is set to be delivered through 15 already sanctioned individual projects. The most critical ones are Balder-X, Castberg and Breidablikk
- **Balder-X (90% WI):** Involves the refurbishment and relocation of Jotun FPSO from Jotun to Balder to accommodate tie-ins of 14 new production wells at Balder and five new production wells at Jotun. The project was sanctioned in 2019 and targets the recovery of an additional 143 mmboe net to Vår, with first oil scheduled for Q4'23. At peak production in 2024, Balder X is expected to add 63,000 boe/d – a material contribution as Balder and Ringhorne's combined production in Q2'22 amounted to ~20,000 boe/d
- **J. Castberg (30% WI):** Was sanctioned in 2017 with recoverable reserves net to Vår estimated to 160 mmboe. Once producing, Castberg is expected to add >55,000 boe/d net to Vår, with low emissions and a guided opex of ~3 USD/boe. The Castberg area has proven prolific with 10 out 12 exploration wells turning out to be discoveries, hence additional tie-backs are likely to be sanctioned over time. First oil was originally scheduled for late 2022, but was revised to Q4'24 last year, as Covid restrictions prevented normal progress at Sembcorp's Singapore yard initially responsible for the FPSO hull and turret. Now, Aker Solutions' yard at Stord is responsible for finalizing the FPSO. According to the industry newspaper "Upstream", anonymous industry sources have expressed some concern around the current project schedule, seeing risk of first oil slipping into 2025. (See further details on page 33)
- **Breidablikk (34% WI):** Comprehensive subsea tie-back development to Grane. The project was sanctioned in 2020 and is expected to come on stream in Q1'24, adding 71 mmboe and 21,000 boe/d net to Vår's 34% WI at peak

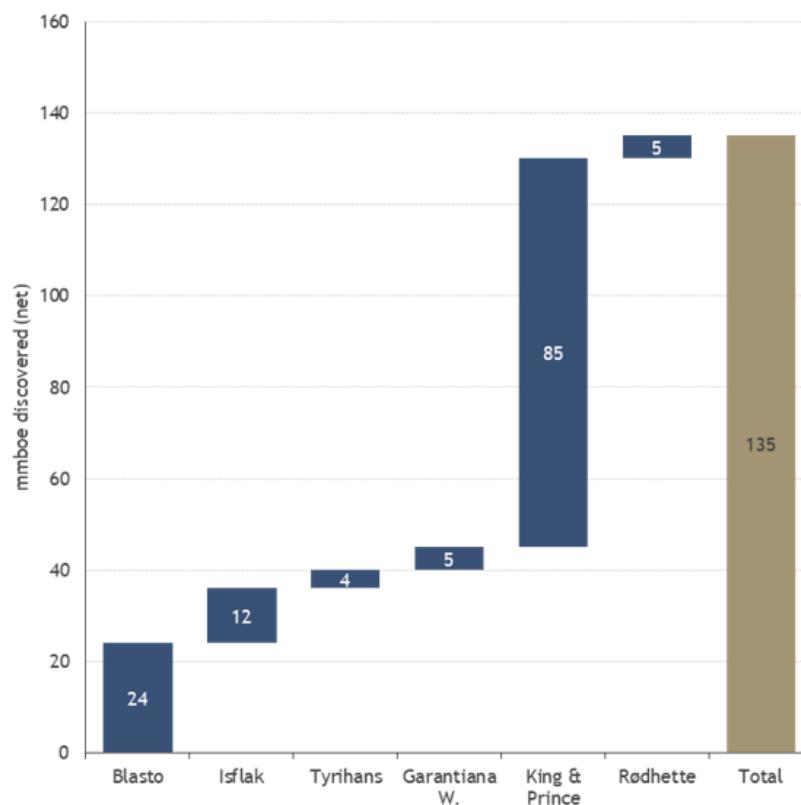
Asset	Net production first year kboe/d	Opex USD/boe	Start-up
Balder-X	63	~3	Q4'23
Castberg	57	~3	Q4'24
Breidablikk	21	~3	Q1'24

Sources: Company data, Arctic Securities Research

## VÅR IS TARGETING FURTHER LONG-TERM VALUE CREATION THROUGH EXPLORATION

### Highly successful 2021 exploration campaign

Discoveries in 2021 (mmboe)



Sources: Company data, Arctic Securities Research

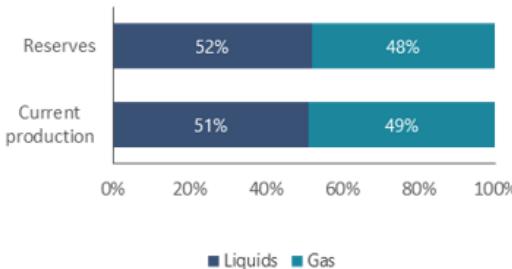
### Key considerations

- According to its internal assessment, Vår Energi currently holds an estimated ~3,000 mmboe of net un-risked (887 mmboe risked) prospective resources spread across 175 identified leads and prospects
- In its current company structure, Vår Energi has a fairly short, but strong track record. The 2021 exploration campaign was highly successful with a discovery rate of 75% (six out of eight wells), leading to the discovery of 135 mmboe of contingent resources net to the company
- In its 2022 campaign, the company plans to drill eight exploration wells, focusing on prospects adjacent to existing infrastructure. In total, the program targets 150 mmboe of net, un-risked resource additions (48 mill boe risked), i.e. ~5% of the company's estimated current prospective resources
- Going forward, Vår Energi's ambition is to drill 8-12 ILX-wells (infrastructure-led exploration) and 1-2 high-impact wells each year with the potential to deliver new standalone production hubs, with a guided pre-tax budget of USD ~140m
- Should the company seek to maintain a discovery rate of 50 mmboe of net risked resource additions each year (converting ~5% of its prospective resource pool annually), and assuming a post-tax exploration cost of USD 1/boe, there could be some upside to this exploration budget figure (USD ~230m). As such, we have used an annual estimate of USD 190m during 2023 – 2028 as our modelling assumption
- Vår Energi has a close collaboration with majority owner Eni, and benefits from access to its proprietary exploration database and systems, which should enhance the accuracy and shorten the time required to complete subsurface studies

## COMPARISON WITH EQUINOR AND AKER BP: VÅR ENERGI HAS MOST GROWTH TOWARDS 2025 AND A SIGNIFICANTLY HIGHER GAS SHARE THAN AKER BP OVER THE NEXT FIVE YEARS

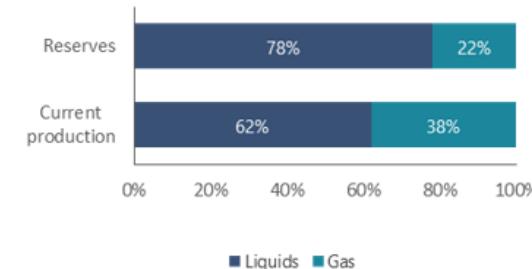
### Equinor portfolio

#### Hydrocarbon mix comparison



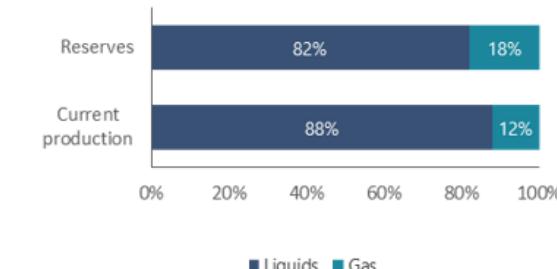
### Vår portfolio

#### Hydrocarbon mix comparison

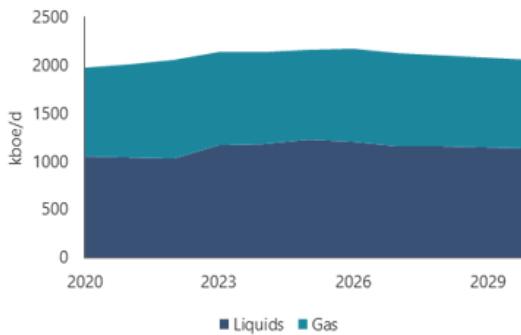


### Aker BP portfolio

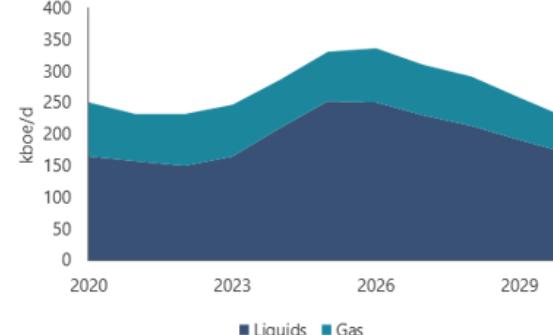
#### Hydrocarbon mix comparison



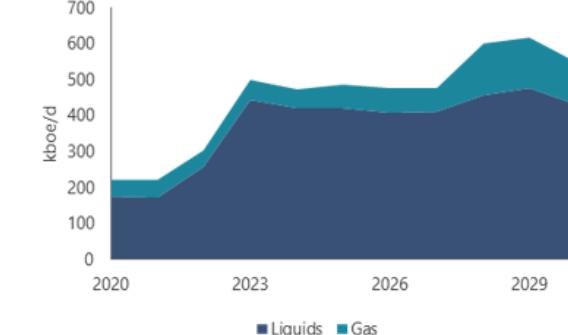
#### Net production (kboe/d)



#### Net production (kboe/d)



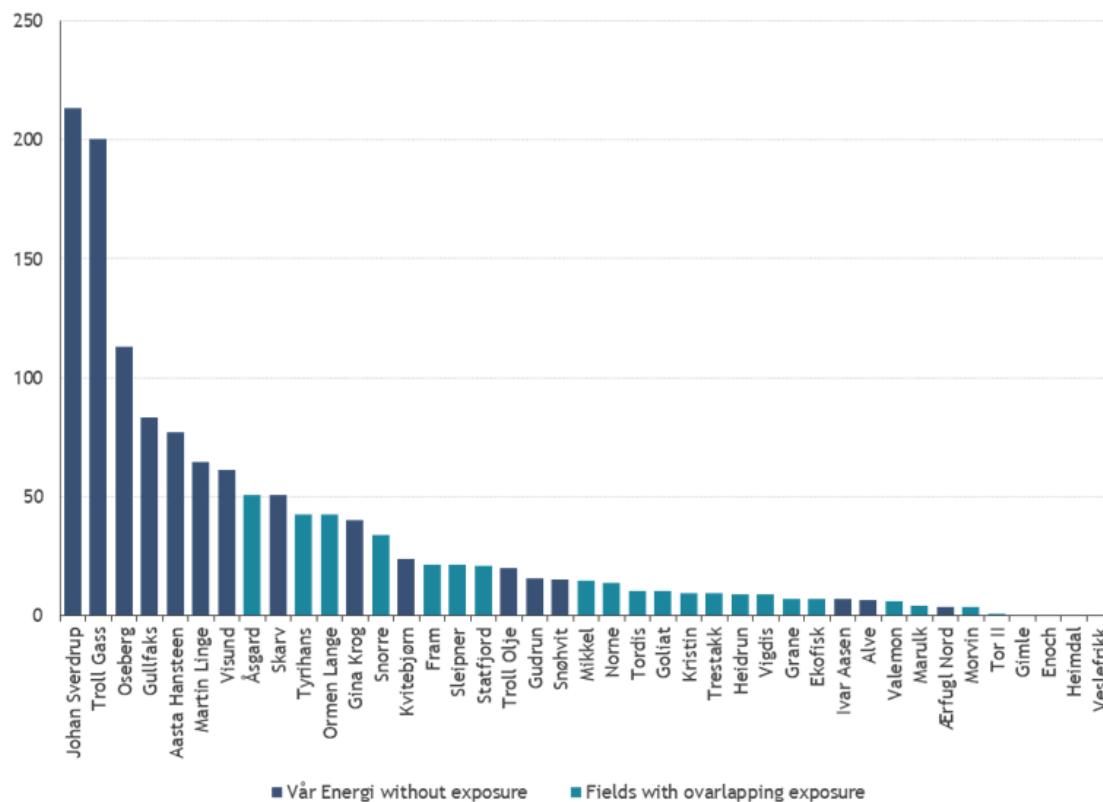
#### Net production (kboe/d)



Sources: Company data, Arctic Securities Research, Rystad Energy UCube

## ALTHOUGH THE MAJORITY OF VÅR'S PRODUCTION IS OPERATED BY EQUINOR, HOLDING THE STOCK GIVES EXPOSURE TO ONLY PARTS OF EQUINOR'S NORWEGIAN PORTFOLIO

Equinor's net production in Q2'22 ranked by field (kboe/d)



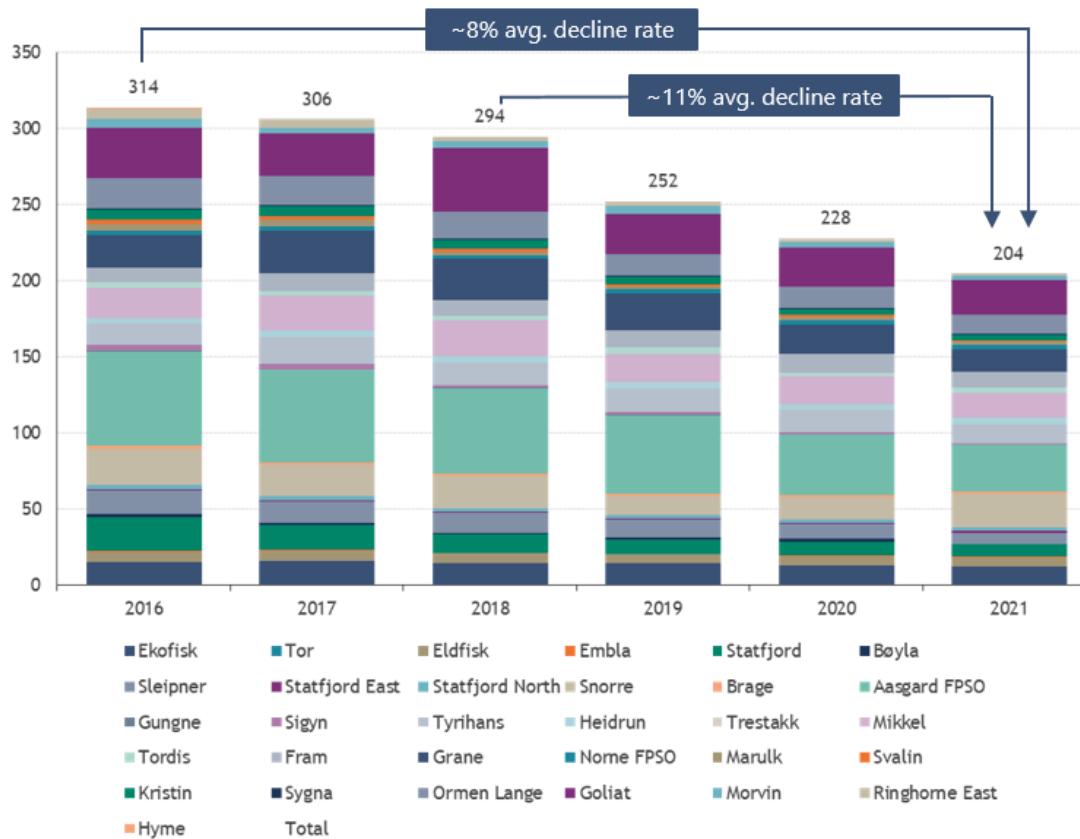
### Comments

- The chart to the left shows Equinor's net production in Q2'22 ranked by fields. The blue colour represents fields where Vår Energi has no exposure, while the green colour represents fields where Equinor and Vår have overlapping participation in fields
- Although Equinor is the company that operates the majority of Vår Energi production (>2/3's in 2021), it is worthwhile to highlight Vår has exposure to a significantly lower share of Equinor's broader portfolio. Vår among others does not have exposure to significant producers such as Johan Sverdrup, Troll, Oseberg or Gullfaks
- Note that this picture will look somewhat different with a contribution from e.g. Johan Castberg, scheduled for first oil in Q4'24. Castberg is expected to produce ~190 kboe/d gross at plateau, and Equinor / Vår own 50% / 30% of the project, respectively

Sources: Company data, Arctic Securities Research, Rystad Energy UCube

## SOME PERSPECTIVES AROUND DECLINE RATES

Net production from selected fields (kboe/d)



Sources: Company data, Arctic Securities Research, Rystad Energy UCube

### Comments

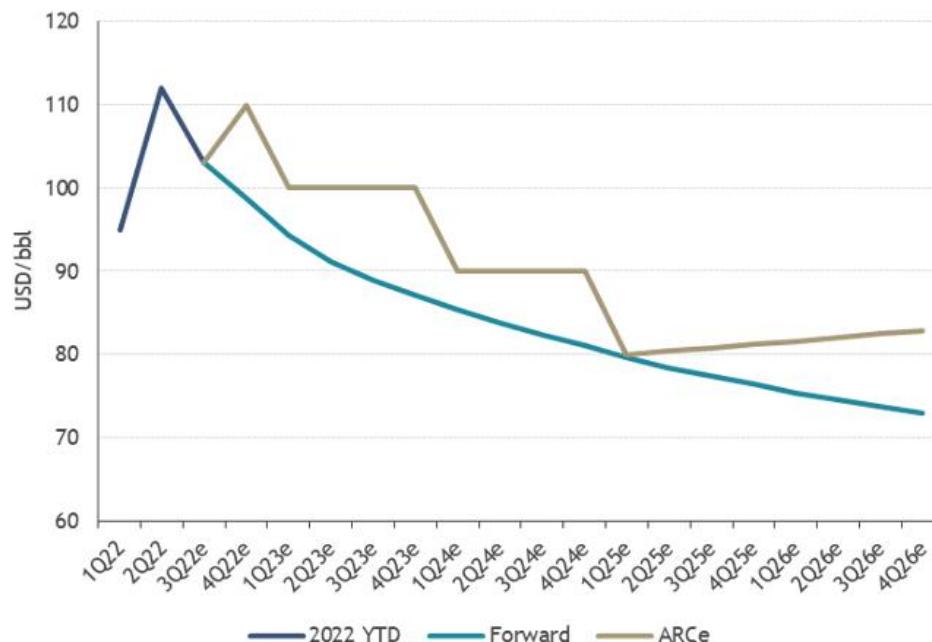
- On the chart to the left, we have taken the assets currently owned by Vår Energi and looked at their historical production levels (data granularity as defined by Rystad Energy)
- We have deliberately removed Balder/Ringhorne, due to planned field shut-downs, to arrive at a rough estimation of the underlying decline rate in the rest of the portfolio
- Although this is a simple exercise that could be disturbed by several factors (e.g. unplanned shutdowns, NCS production quotas, new tie-backs coming on stream), it gives an indication of the underlying decline rate of the broader portfolio
- Based on this approach, the average annual decline rate amounts to ~8% if including the last six years of production history
- If narrowing the dataset to the last four years, the average annual decline rate increases to ~11%



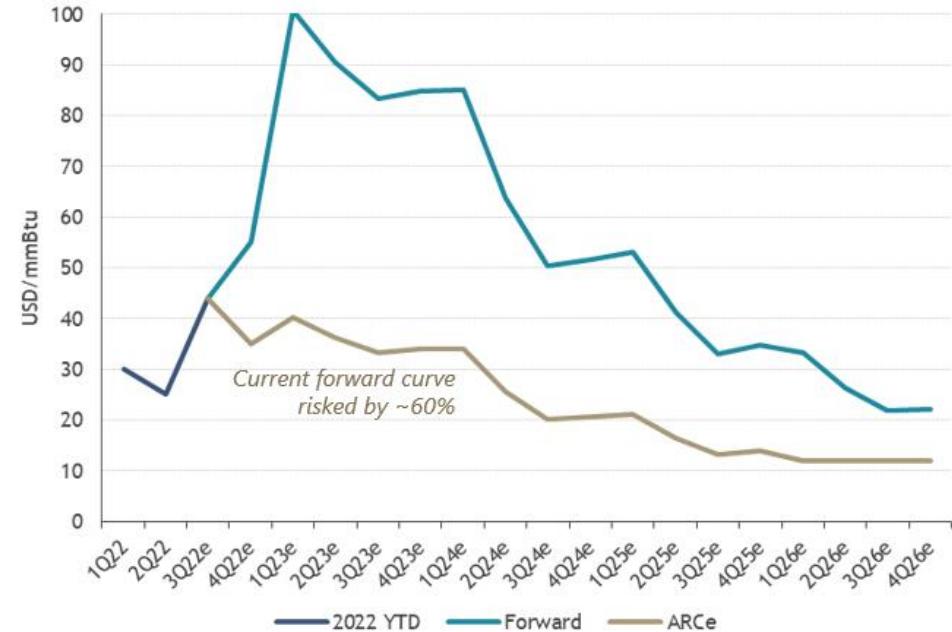
## — Financial estimates and valuation

## ESTIMATE ASSUMPTIONS (1/2)

Brent oil price assumptions, nominal (USD/bbl)



TTF gas price assumptions, nominal (USD/mmBtu)



	Brent (USD/bbl)						
	2022	2023	2024	2025	2026	2027	2028
ARCe	106	100	90	80	81.6	83.2	84.9
Forward curve (27 Aug 22)	102.2	90.4	83.1	78.0	74.1	73.8	75.3

	TTF (USD/mmBtu)						
	2022	2023	2024	2025	2026	2027	2028
ARCe	31.3	36.0	25.1	16.2	12.0	12.2	12.4
Forward curve (27 Aug 22)	44.9	89.9	62.7	40.5	25.9	18.1	18.5

Sources: Bloomberg, Arctic Securities Research

## ESTIMATE ASSUMPTIONS (2/2)

### Breakdown of key assumptions

Production (kboe/d)	2022e	2023e	2024e	2025e	2026e	2027e	2028e
Liquids	149,527	164,940	209,845	252,158	249,298	230,506	213,130
Natural gas	81,451	80,556	76,693	78,528	86,904	80,646	79,385
Total	230,978	245,496	286,539	330,686	336,203	311,151	292,514

Average discount (USD/boe)	2022e	2023e	2024e	2025e	2026e	2027e	2028e
Liquids	-2.0	-2.4	-2.1	-1.8	-1.8	-1.9	-1.9
Natural gas	-5.0	-7.5	-5.5	-3.9	-3.2	-3.2	-3.2
Weighted average	-3.1	-4.1	-3.1	-2.3	-2.2	-2.2	-2.3

Realised price (USD/boe)	2022e	2023e	2024e	2025e	2026e	2027e	2028e
Liquids	103.1	97.6	87.9	78.8	80.4	82.0	83.7
Natural gas	180.0	208.3	145.0	93.3	68.8	70.2	71.7
Weighted average	130.2	133.9	103.2	82.2	77.4	79.0	80.4

Cost and depreciation	2022e	2023e	2024e	2025e	2026e	2027e	2028e
Opex (USD/boe)	14.5	15.5	11.9	10.7	11.1	11.6	12.5
D&A (USD/boe)	18.4	19.0	19.0	19.0	19.0	19.0	19.5

Spending (USDm)	2022e	2023e	2024e	2025e	2026e	2027e	2028e
Capex (USDm)	2,564	2,212	1,975	2,001	1,903	1,085	338
Abex (USDm)	70	40	40	40	40	40	40
Exploration (USDm)	179	182	186	189	193	196	200
Total	2,813	2,434	2,201	2,230	2,136	1,322	578

Sources: Company data, Arctic Securities Research, Rystad Energy UCube

## KEY VALUATION METRICS FOR VARIOUS COMMODITY PRICE SCENARIOS (1/2)

### 1) Arctic base case

Price scenario #1 (USDm)	2022e	2023e	2024e	2025e	2026e	2027e	2028e
EBITDA	9,024	10,395	9,356	8,441	7,923	7,432	7,028
Net income	1,465	2,026	1,695	1,411	1,388	1,253	1,104
CFFO (incl. interest)	6,329	5,101	3,689	3,330	3,324	3,061	2,368
FCF	3,762	2,809	1,632	1,246	1,338	1,891	1,945
Dividend	1,024	1,198	1,198	1,198	1,198	1,198	1,198
Net debt (incl. leases)	1,934	324	-110	-158	-298	-991	-1,737
EPS	0.59	0.81	0.68	0.57	0.56	0.50	0.44
FCF/sh	1.51	1.13	0.65	0.50	0.54	0.76	0.78
DPS	0.41	0.48	0.48	0.48	0.48	0.48	0.48
P/E	8.0	5.8	6.9	8.3	8.4	9.3	10.6
FCF yield	32.2%	24.1%	14.0%	10.7%	11.5%	16.2%	16.7%
Dividend yield	8.8%	10.3%	10.3%	10.3%	10.3%	10.3%	10.3%
Brent oil price (USD/bbl)	104	100	90	81	82	84	86
TTF gas price (USD/boe)	191	216	151	97	72	73	75

### 2) Current forward scenario

Price scenario #2 (USDm)	2022e	2023e	2024e	2025e	2026e	2027e	2028e
EBITDA	10,662	19,066	14,981	12,486	8,814	8,275	7,876
Net income	1,825	3,961	2,978	2,348	1,626	1,477	1,331
CFFO (incl. interest)	7,082	9,739	3,919	3,684	2,109	3,270	2,589
FCF	4,515	7,446	1,863	1,600	122	2,100	2,165
Dividend (assumed 40% of CFFO from 2023)	1,024	3,895	1,568	1,473	843	1,308	1,035
Net debt (incl. leases)	1,181	-2,370	-2,665	-2,792	-2,070	-2,862	-3,992
EPS	0.73	1.59	1.19	0.94	0.65	0.59	0.53
FCF/sh	1.81	2.98	0.75	0.64	0.05	0.84	0.87
DPS	0.41	1.56	0.63	0.59	0.34	0.52	0.41
P/E	6.4	2.9	3.9	5.0	7.2	7.9	8.8
FCF yield	38.7%	63.8%	16.0%	13.7%	1.0%	18.0%	18.6%
Dividend yield	8.8%	33.4%	13.4%	12.6%	7.2%	11.2%	8.9%
Brent oil price (USD/bbl)	101.4	90.4	83.1	80.2	81.9	83.5	85.2
TTF gas price (USD/boe)	255.1	539.5	376.4	243.1	102.0	104.0	106.1

Sources: Company data, Arctic Securities Research, Rystad Energy UCube

## KEY VALUATION METRICS FOR VARIOUS COMMODITY PRICE SCENARIOS (2/2)

### 3) Brent: flat USD 120/bbl & TTF: flat USD 40/mmbtu

Price scenario #3 (USDm)	2022e	2023e	2024e	2025e	2026e	2027e	2028e
EBITDA	9,361	12,258	14,019	16,025	16,753	15,778	15,198
Net income	1,539	2,440	2,736	3,115	3,387	3,162	2,989
CFFO (incl. interest)	6,484	6,080	5,700	6,085	5,873	4,814	4,104
FCF	3,916	3,788	3,643	4,002	3,887	3,644	3,681
Dividend (assumed 50% of CFFO from 2023)	1,024	3,040	2,850	3,043	2,937	2,407	2,052
Net debt (incl. leases)	1,779	1,032	238	-721	-1,671	-2,908	-4,537
EPS	0.62	0.98	1.10	1.25	1.36	1.27	1.20
FCF/sh	1.57	1.52	1.46	1.60	1.56	1.46	1.47
DPS	0.41	1.22	1.14	1.22	1.18	0.96	0.82
P/E	7.6	4.8	4.3	3.7	3.4	3.7	3.9
FCF yield	33.6%	32.5%	31.2%	34.3%	33.3%	31.2%	31.6%
Dividend yield	8.8%	26.1%	24.4%	26.1%	25.2%	20.6%	17.6%

### 4) Brent: flat USD 100/bbl & TTF: flat USD 20/mmbtu

Price scenario #4 (USDm)	2022e	2023e	2024e	2025e	2026e	2027e	2028e
EBITDA	8,274	7,659	9,263	10,874	11,230	10,557	10,060
Net income	1,300	1,414	1,663	1,945	2,124	1,956	1,792
CFFO (incl. interest)	5,984	3,688	4,573	4,771	4,436	3,704	2,990
FCF	3,416	1,396	2,517	2,687	2,449	2,534	2,567
Dividend (assumed 40% of CFFO from 2023)	1,024	1,475	1,829	1,908	1,774	1,482	1,196
Net debt (incl. leases)	2,279	2,359	1,671	892	217	-835	-2,206
EPS	0.52	0.57	0.67	0.78	0.85	0.78	0.72
FCF/sh	1.37	0.56	1.01	1.08	0.98	1.02	1.03
DPS	0.41	0.59	0.73	0.76	0.71	0.59	0.48
P/E	9.0	8.2	7.0	6.0	5.5	6.0	6.5
FCF yield	29.3%	12.0%	21.6%	23.0%	21.0%	21.7%	22.0%
Dividend yield	8.8%	12.6%	15.7%	16.4%	15.2%	12.7%	10.3%

### 5) Brent: flat USD 80/bbl & TTF: flat USD 15/mmbtu

Price scenario #5 (USDm)	2022e	2023e	2024e	2025e	2026e	2027e	2028e
EBITDA	7,808	5,627	6,950	8,225	8,477	7,956	7,554
Net income	1,198	961	1,142	1,344	1,496	1,357	1,209
CFFO (incl. interest)	5,770	2,628	3,957	4,048	3,763	3,155	2,468
FCF	3,202	336	1,900	1,964	1,776	1,986	2,045
Dividend (assumed 30% of CFFO from 2023)	1,024	788	1,187	1,214	1,129	947	741
Net debt (incl. leases)	2,493	2,946	2,233	1,483	835	-204	-1,508
EPS	0.48	0.38	0.46	0.54	0.60	0.54	0.48
FCF/sh	1.28	0.13	0.76	0.79	0.71	0.80	0.82
DPS	0.41	0.32	0.48	0.49	0.45	0.38	0.30
P/E	9.7	12.1	10.2	8.7	7.8	8.6	9.6
FCF yield	27.5%	2.9%	16.3%	16.8%	15.2%	17.0%	17.5%
Dividend yield	8.8%	6.8%	10.2%	10.4%	9.7%	8.1%	6.3%

### 6) Brent: flat USD 60/bbl & TTF: flat USD 10/mmbtu

Price scenario #6 (USDm)	2022e	2023e	2024e	2025e	2026e	2027e	2028e
EBITDA	7,342	3,594	4,637	5,576	5,724	5,356	5,048
Net income	1,095	507	621	744	867	757	625
CFFO (incl. interest)	5,556	1,568	3,341	3,325	3,090	2,607	1,947
FCF	2,988	-724	1,284	1,242	1,103	1,437	1,524
Dividend (assumed 20% of CFFO from 2023)	1,024	314	668	665	618	521	389
Net debt (incl. leases)	2,707	3,745	3,129	2,553	2,067	1,152	18
EPS	0.44	0.20	0.25	0.30	0.35	0.30	0.25
FCF/sh	1.20	-0.29	0.51	0.50	0.44	0.58	0.61
DPS	0.41	0.13	0.27	0.27	0.25	0.21	0.16
P/E	10.7	23.0	18.8	15.7	13.5	15.4	18.7
FCF yield	25.6%	-6.2%	11.0%	10.6%	9.5%	12.3%	13.1%
Dividend yield	8.8%	2.7%	5.7%	5.7%	5.3%	4.5%	3.3%

Sources: Company data, Arctic Securities Research, Rystad Energy UCube

## VALUATION – NAV (SAME SIX COMMODITY PRICE SCENARIOS)

### Detailed NAV breakdown

	Gross mmboe	Net mmboe	Unrisked, USDm	Risked, USDm	Risked, NOKm	NOK/sh., Base case*	NOK/sh., Scenario 2	NOK/sh., Scenario 3	NOK/sh., Scenario 4	NOK/sh., Scenario 5	NOK/sh., Scenario 6			
Balder area	306	88%	270	12	3,339	85%	2,838	27,813	11.1	11.7	17.5	13.7	10.9	8.0
Grane & Svalin	149	27%	40	12	484	100%	484	4,745	1.9	2.1	3.1	2.3	1.8	1.3
Goliat	148	65%	96	9	820	100%	820	8,033	3.2	3.8	8.1	4.8	3.5	2.1
Åsgard area	444	22%	98	14	1,383	100%	1,383	13,557	5.4	9.9	11.5	6.4	4.7	3.0
Kristin area	203	17%	34	14	459	100%	459	4,495	1.8	3.6	4.1	2.1	1.5	0.9
Snorre area	492	19%	91	8	775	100%	775	7,591	3.0	3.1	5.2	4.0	2.9	1.9
Statfjord area	115	21%	25	9	227	100%	227	2,221	0.9	1.5	2.1	1.2	0.8	0.4
Greater Ekofisk area	738	12%	91	10	891	100%	891	8,734	3.5	4.3	6.8	4.6	3.5	2.3
Ormen Lange	582	6%	37	9	327	100%	327	3,209	1.3	3.0	4.2	1.8	1.2	0.6
Fram area	93	25%	23	13	304	100%	304	2,976	1.2	1.9	2.4	1.4	1.1	0.7
Others	167	70%	117	9	1,010	100%	1,010	9,899	4.0	6.1	10.1	5.7	4.0	2.3
<b>Sum production</b>	<b>3,437</b>	<b>27%</b>	<b>923</b>	<b>10.9</b>	<b>10,018</b>	<b>95%</b>	<b>9,518</b>	<b>93,272</b>	<b>37.4</b>	<b>51.1</b>	<b>75.3</b>	<b>48.1</b>	<b>35.7</b>	<b>23.4</b>
Johan Castberg	632	30%	190	10	1,984	85%	1,687	16,530	6.6	6.7	10.5	8.5	6.7	4.9
Fenja area	82	45%	37	13	485	90%	436	4,276	1.7	2.1	3.0	2.1	1.6	1.1
Breidablikk	183	34%	63	11	687	90%	618	6,058	2.4	2.4	3.7	3.1	2.4	1.7
<b>Sum developments</b>	<b>897</b>	<b>32%</b>	<b>290</b>	<b>11</b>	<b>3,156</b>	<b>87%</b>	<b>2,741</b>	<b>26,864</b>	<b>10.8</b>	<b>11.2</b>	<b>17.2</b>	<b>13.6</b>	<b>10.7</b>	<b>7.7</b>
Overhead & tax effects					-57		-563	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	
<b>Core Gross Asset Value</b>							<b>12,201</b>	<b>119,574</b>	<b>47.9</b>	<b>62.1</b>	<b>92.2</b>	<b>61.4</b>	<b>46.2</b>	<b>30.9</b>
Net cash (debt), end-Q2/23					-575		-5,636	-2.3	16.6	0.7	-8.7	-12.8	-17.0	
Cumulative dividends to valuation point					1,148		11,254	4.5	4.5	4.5	4.5	4.5	4.5	
Remaining tax payable, end-Q2/23					-2,520		-24,699	-9.9	-21.6	-12.4	-6.2	-3.5	-0.7	
<b>Core Net Asset Value</b>					<b>10,254</b>		<b>100,493</b>	<b>40.3</b>	<b>61.6</b>	<b>85.0</b>	<b>51.0</b>	<b>34.4</b>	<b>17.8</b>	
Other 2C	577	35%	202	7	1,511	55%	837	8,205	3.3	3.3	4.9	4.1	3.3	2.5
<b>Sum discoveries</b>	<b>577</b>	<b>35%</b>	<b>202</b>	<b>7</b>	<b>1,511</b>	<b>55%</b>	<b>837</b>	<b>8,205</b>	<b>3.3</b>	<b>3.3</b>	<b>4.9</b>	<b>4.1</b>	<b>3.3</b>	<b>2.5</b>
Other exploration	7,500	40%	3,000	4	13,399	16%	2,197	21,535	8.6	8.6	12.9	10.8	8.6	6.5
<b>Sum exploration</b>	<b>7,500</b>	<b>40%</b>	<b>3,000</b>	<b>4</b>	<b>13,399</b>	<b>16%</b>	<b>2,197</b>	<b>21,535</b>	<b>8.6</b>	<b>8.6</b>	<b>12.9</b>	<b>10.8</b>	<b>8.6</b>	<b>6.5</b>
<b>Gross Asset Value</b>					<b>15,236</b>		<b>149,313</b>	<b>59.8</b>	<b>74.0</b>	<b>110.1</b>	<b>76.3</b>	<b>58.1</b>	<b>39.9</b>	
<b>Net Asset Value</b>					<b>13,289</b>		<b>130,233</b>	<b>52.2</b>	<b>73.5</b>	<b>102.9</b>	<b>65.9</b>	<b>46.3</b>	<b>26.7</b>	

Other assumptions: WACC: 7.5%, USD/NOK 9.8

Sources: Company data, Arctic Securities Research, Rystad Energy UCube

### Scenario description

- Scenario #1: Arctic base
- Scenario #2: Current forward
- Scenario #3: Brent: flat USD 120/bbl & TTF: flat USD 40/mmbtu
- Scenario #4: Brent: flat USD 100/bbl & TTF: flat USD 20/mmbtu
- Scenario #5: Brent: flat USD 80/bbl & TTF: flat USD 15/mmbtu
- Scenario #6: Brent: flat USD 60/bbl & TTF: flat USD 10/mmbtu

## WE SEE ~30-35% UPSIDE TO CONSENSUS NET PROFIT IN 2023/24

### Arctic vs. consensus

Vår Energi (USDm)	Arctic				Consensus			Difference-%		
	2021	2022e	2023e	2024e	2022e	2023e	2024e	2022e	2023e	2024e
Revenues	6,072	10,589	12,004	10,806	10,503	9,479	8,733	1%	27%	24%
EBITDA	4,615	9,024	10,395	9,356	8,968	8,374	7,665	1%	24%	22%
adj. EBIT	2,910	7,471	8,692	7,369	7,588	6,808	5,693	-2%	28%	29%
Pretax profit	2,498	6,855	8,424	7,108	7,042	6,539	5,404	-3%	29%	32%
adj. Net income	622	1,465	2,026	1,695	1,524	1,496	1,319	-4%	35%	28%
Reported EPS	0.23	0.59	0.81	0.68	0.62	0.60	0.52	-5%	35%	31%
DPS	-	0.40	0.48	0.48	0.38	0.40	0.40	5%	19%	20%
Net debt (incl leases)	-224	1,934	324	-110	2,072	1,583	1,221	-7%	-80%	-109%
Investments	2,551	2,568	2,292	2,057	2,594	2,348	1,908	-1%	-2%	8%
FCF	1,805	3,762	2,809	1,632	3,678	1,171	1,473	2%	140%	11%
FCF per share	5.01	1.51	1.13	0.65	1.47	0.47	0.59	2%	140%	11%

\* Bloomberg consensus (27.08.22)

Sources: Company data, Arctic Securities Research, Rystad Energy UCube, Bloomberg

## Q3'22 PREVIEW – WE ARE MARGINALLY BELOW CURRENT BLOOMBERG CONSENSUS

Preview table

Vår Energi (USDm)	Q3/22e						Diff vs. cons		% change	
	3Q21	4Q21	1Q22	2Q22	Arctic	Cons.	%	abs.	QOQ	YOY
Total revenues	1,621	2,274	2,491	2,437	2,804	2,807	-0%	-3	15%	73%
Production costs	-398	-342	-341	-378	-316				16%	21%
Exploration expenses	-18	-11	-12	-26	-31				-18%	-70%
Other operating expenses	-24	-38	-33	-29	-25				14%	-4%
<b>EBITDA</b>	<b>1,181</b>	<b>1,883</b>	<b>2,105</b>	<b>2,004</b>	<b>2,432</b>	<b>2,498</b>	<b>-3%</b>	<b>-66</b>	<b>21%</b>	<b>106%</b>
Depreciation & Amortisation	-395	-470	-441	-330	-375				-14%	5%
Impairments	-	-178	11	-	-				-	-
<b>EBIT</b>	<b>786</b>	<b>1,235</b>	<b>1,675</b>	<b>1,674</b>	<b>2,058</b>	<b>2,108</b>	<b>-2%</b>	<b>-50</b>	<b>23%</b>	<b>162%</b>
Net Financials	-184	-111	-23	-460	-72				84%	61%
Income tax	-454	-915	-1,237	-1,158	-1,498				-29%	-230%
<b>Net income</b>	<b>148</b>	<b>209</b>	<b>415</b>	<b>56</b>	<b>487</b>	<b>534</b>	<b>-9%</b>	<b>-46</b>	<b>770%</b>	<b>230%</b>
<b>Reported EPS</b>	<b>0.06</b>	<b>0.23</b>	<b>0.17</b>	<b>0.02</b>	<b>0.20</b>	<b>0.21</b>	<b>-9%</b>	<b>-2%</b>	<b>876%</b>	<b>230%</b>
Net cash (debt)	4,581	4,928	3,415	2,692	1,935	1,536	26%	399	-28%	-58%
Production, kboe/d	247,200	258,600	241,900	209,800	228,155				9%	-8%
Realised price, USD/boe	70.6	103.4	119.8	124.1	134.7				9%	91%
Production cost, USD/boe	11.6	13.4	12.1	14.7	15.2				3%	31%
D&A, USD/boe	17.5	19.9	20.0	17.2	18.0				4%	3%

\* Bloomberg consensus (27.08.22)

Comment

- Our assumptions for realised prices reflect the average benchmark prices for Brent/NBP/TTF quarter to date for unhedged volumes. Should gas prices remain at current levels or strengthen further towards the end of the quarter, Vår is likely to beat our estimate in Q3

## RELATIVE VALUATION VS. EQNR AND AKRBP – VÅR ENERGI IS PRICED AS MOST ATTRACTIVE IN OUR BASE CASE, THE FORWARD CASE AND GENERALLY IN CASES WITH HIGH GAS PRICES

### Valuation comparison in various scenarios

		Vår Energi	Aker BP	Equinor
Market cap	USDm	11,750	23,800	132,500
Net debt (end Q2'22)	USDm	2,690	3,830	-12,400
EV	USDm	14,440	27,630	120,100
Production growth 2021 - 2025		35%	16%	6%
Production growth 2021 - 2028		19%	50%	3%
2P reserves YE'21	mmboe	1133	1440	
2C resources YE'21	mmboe	412	1400	
EV/2P	USD/boe	12.7	19.2	
EV/2P+2C	USD/boe	9.3	9.7	
<b>Valuation metrics 2022-24 @ Scenario #1 - Arctic base case</b>				
Avg. FCF yield		23%	13%	15%
Avg. FCF / EV		19%	11%	17%
Avg. P/E		6.9	7.2	7.5
P/NAV		0.88	0.92	
<b>Valuation metrics 2022-24 @ Scenario #2 - Current forward</b>				
Avg. FCF yield		40%	14%	23%
Avg. FCF / EV		32%	12%	25%
Avg. P/E		4.4	6.4	5.1
P/NAV		0.62	0.81	

= most attractive valuation / upside

Sources: Company data, Arctic Securities Research, Rystad Energy UCube

⋮	Valuation metrics 2022-24 @ Scenario #3 - Brent: flat USD 120/bbl & TTF: flat USD 40/mmbtu		
Avg. FCF yield		32%	16% 19%
Avg. FCF / EV		26%	14% 21%
Avg. P/E		5.6	6.0 6.0
P/NAV		0.45	0.48
<b>Valuation metrics 2022-24 @ Scenario #4 - Brent: flat USD 100/bbl &amp; TTF: flat USD 20/mmbtu</b>			
Avg. FCF yield		21%	12% 14%
Avg. FCF / EV		17%	11% 15%
Avg. P/E		8.1	7.2 8.5
P/NAV		0.69	0.71
<b>Valuation metrics 2022-24 @ Scenario #5 - : flat USD 80/bbl &amp; TTF: flat USD 15/mmbtu</b>			
Avg. FCF yield		16%	10% 12%
Avg. FCF / EV		13%	9% 13%
Avg. P/E		10.7	8.7 11.2
P/NAV		0.99	0.96
<b>Valuation metrics 2022-24 @ Scenario #6 - : flat USD 60/bbl &amp; TTF: flat USD 10/mmbtu</b>			
Avg. FCF yield		10%	7% 9%
Avg. FCF / EV		8%	6% 10%
Avg. P/E		17.5	11.6 18.3
P/NAV		1.72	1.49



## Appendix

# RISK FACTORS

## Summary of key risk factors

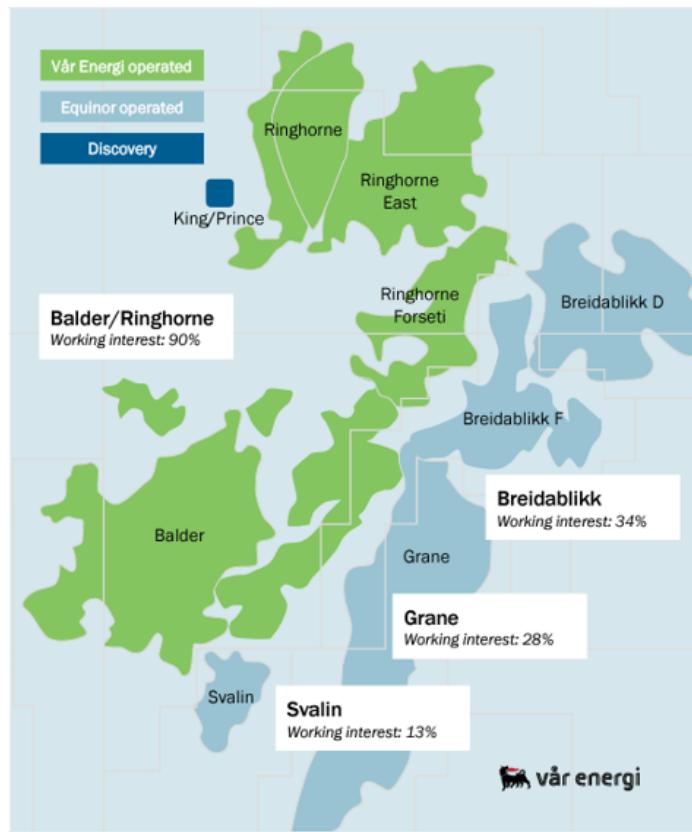
Investors in Vår Energi will be exposed to several risk factors. We do not attempt to cover an exhaustive list of such factors, but highlight some of the most significant risks below:

- **Commodity price risk:** The value of the remaining reserves in an oil and gas company is highly sensitive to future oil and gas prices. Oil and gas prices are influenced by numerous factors which are beyond the company's control and are challenging to forecast. Lower oil and gas prices can materially reduce the estimated value of the company
- **Reserve- and production risk:** Oil and gas exploration, as well as the process of estimating remaining hydrocarbon resources, are complex exercises. The degree of success is, among others, dependent on equipment reliability, the staff's ability to interpret data obtained and their understanding of the subsurface and the reservoir's general characteristics. There is a high level of uncertainty related to such estimates, and therefore a risk that resource estimates could be revised down compared to initial projections as hydrocarbon extraction takes place
- **Geopolitical events:** Unforeseen geopolitical events could influence trade, infrastructure, markets and commodity prices. That said, Vår Energi is purely exposed to the Norwegian Shelf, which is among the most stable regions in world, and as such less vulnerable to such risks than companies with portfolios skewed towards non-OECD countries
- **Market risk:** In an adverse market, credit ratings could deteriorate, credit spreads widen, and the share price trade lower, which in turn could limit the company's access to financing. Furthermore, cyclical stocks like oil & gas companies typically correlate with the wider market and hence the share price of Vår Energi will be exposed to general market risk
- **FX risk:** Vår Energi is listed on Oslo Børs and trades in NOK, while its revenue stream is generated in USD. A stronger NOK vs. USD will all else equal decrease the company's revenue stream in NOK and result in lower value per share measured in NOK
- **Environmental- and perception risk:** The EUA price and/or Norwegian CO2 tax can increase faster and rise higher than what is anticipated. Access to new acreage can also be reduced, in which case Vår Energi's longer-term growth prospects would be reduced. The public perception of oil and gas companies could also deteriorate, potentially impacting future cost of capital and the availability of talent
- **Interest rate risk:** Higher interest rates will increase the financing cost and cost of capital. Normally, however, interest rates will mirror inflation, and accordingly the cost of capital increase should be offset by higher commodity price inflation
- **Sale of shares from main shareholders:** The two main shareholders have previously sold shares in the company. The lock-up related to the secondary placing that was carried out on 8 June 2022 will expire on 11 September 2022

Sources: Company data, Arctic Securities Research

## BALDER / GRANE AREA: VÅR ENERGI WITH MATERIAL PRESENCE THROUGH OPERATED FIELDS AND ONGOING DEVELOPMENT PROJECTS

### Map of Balder/ Grane area



Sources: Company data, Arctic Securities Research, Rystad Energy UCube

### Asset descriptions

Balder & Ringhorne and Grane are located on the Utsira High in the North Sea. Vår Energi has a strong presence in the area, and the region is set to deliver strong growth towards 2024-25, through the contribution from Balder X and Breidablikk. Furthermore, the wider area is according to the company relatively unexplored, hence there may be good prospects for further discoveries and resource additions over time.

The Balder/Grane Area accounted for 15% of the company's production in 2021 and 30% of 2P reserves at YE'21. Vår is operator and holds a 90% WI in Balder & Ringhorne, a 70% WI in Ringhorne East, while Grane (28.3% WI), Svalin (13% WI) and Breidablikk (34%) are operated by Equinor.

**Roots going back to the first discovery on the NCS:** In 1965, the Balder discovery was made in PL 001 - the first discovery on the NCS. Since the first volumes began to flow five years later, the Balder, Ringhorne and Ringhorne East fields have collectively produced in excess of 550 mmboe gross.

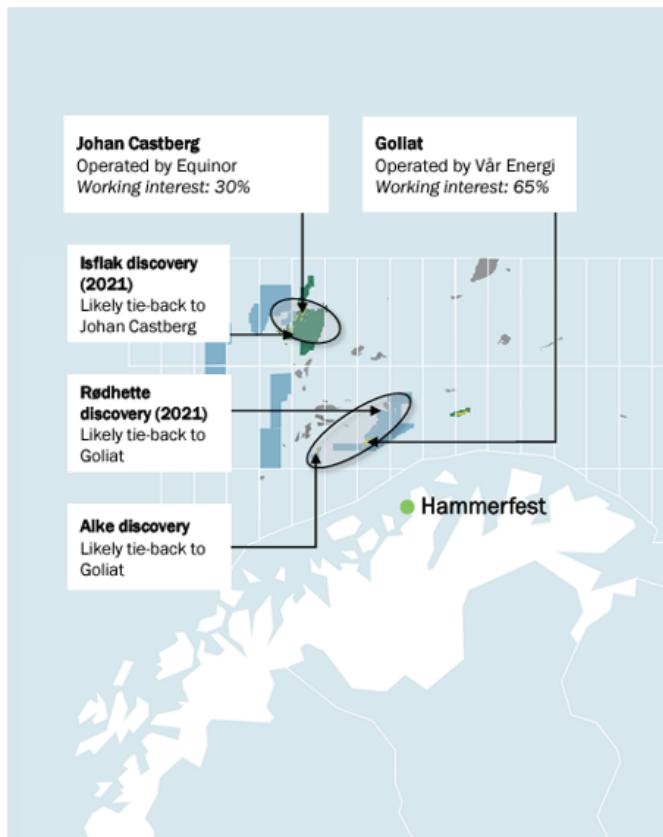
### Ongoing developments to add >80,000 boe/d of new production:

- The Balder and Ringhorne fields are currently undergoing an extensive redevelopment project called Balder X, consisting of the refurbishment and relocation of Jotun FPSO from Jotun to Balder to accommodate tie-ins of 14 new production wells at Balder and five new production wells at Jotun, with future expansion capacity to accommodate tie-ins in the area. The project was sanctioned in 2019 and targets the recovery of an additional 143 mmboe net to Vår, with first oil scheduled for Q4'23. At peak production in 2024, Balder X is expected to add 63,000 boe/d – a material contribution as Balder and Ringhorne's combined production amounted to ~20,000 boe/d in Q2'22
- Breidablikk is a comprehensive subsea tie-back development to Grane. The project was sanctioned in 2020 and is expected to come on stream in Q1'24, adding 71 mmboe and 21,000 boe/d net to Vår's 34% WI at peak

**Still relatively unexplored – significant upside potential:** According to Vår, the wider area is still relatively unexplored, with numerous low-risk, potentially high value drilling targets identified, as recently illustrated with the King & Prince discoveries (~90 mmboe gross). A handful of projects that Vår Energi views as high value are planned or in progress in the Balder area.

## BARENTS AREA: VÅR ENERGI AND EQUINOR ARE THE ONLY COMPANIES WITH EXPOSURE TO BOTH THE GOLIAT HUB AND THE CASTBERG HUB

### Map of Barents area



Sources: Company data, Arctic Securities Research, Rystad Energy UCube

### Asset descriptions

Vår Energi has a substantial presence in the Barents Sea region, through its operated stake in Goliat (65%) and through participation in the Equinor- operated Johan Castberg field (30% WI), in addition to several discoveries representing possible future tie-back candidates. The Barents Sea Area accounted for 9% of the company's production in 2021 and 22% of 2P reserves as of YE'21.

#### Goliat (65% WI) – low-emission oil producer

Goliat was sanctioned in 2009 and commenced production in Q1'16. It features a FPSO powered from shore, hence its CO<sub>2</sub> emission level is world leading (~2 kg CO<sub>2</sub>/boe). During 2021, Goliat produced 22,700 boe/d net to Vår, and as of YE'21, remaining 2P reserves amounted to 69 mmboe net to the company. It should be noted that the project experienced a two-year delay and a ~50% cost overrun compared to the original PDO budget and struggled with variable uptime during its first year of production. However, since then, the operational performance has improved steadily year on year, and the field's uptime reached 90% in 2020/21, with the company targeting ~95% by 2023. Infill drilling activities are currently ongoing, and both Rødhette and Alke (10 and 90 mmboe gross) are evaluated as tie-back candidates.

#### Johan Castberg (30% WI) – new flagship project with great importance for the region

Johan Castberg was sanctioned in 2017 and consists of three discoveries – Skrugard, Havis and Drivis. Recoverable reserves are estimated at 160 mmboe net to Vår's 30% interest. First oil was originally scheduled for late 2022, but was revised last year to Q4'24, as Covid restrictions prevented normal progress at Sembcorp's Singapore yard which initially was responsible for the FPSO hull and turret. Aker's yard as Stord was then seen as best fit to finalize the FPSO, and the vessel was successfully moved to the Norwegian yard in April this year. It should be noted that the industry newspaper "Upstream" in late 2021 wrote that multiple industry sources have indicated that first oil is unlikely to be reached before 2025, due to the amount of work remaining at Stord. Once producing, Castberg is expected to add >55,000 boe/d net to Vår, and with low emissions and a guided opex of ~3 USD/boe, the project will be important for Vår in order to successfully meet its company targets towards 2025. The area around Castberg has proven prolific as 10 out of 12 exploration wells so far have resulted in discoveries. With a planned economic lifetime of 30 years, Castberg is likely to be an excellent long-term host for future tie-back developments once it goes off plateau.

## ÅSGARD AREA: GAS-RICH REGION OPERATED BY EQUINOR

### Map of Åsgard area



Sources: Company data, Arctic Securities Research, Rystad Energy UCube

### Asset descriptions

The Åsgard Area is located in the central Norwegian Sea and comprises the Åsgard main field in addition to Kristin, Tyrihans, Morvin, Trestakk and Tyrihans, all Equinor- operated fields. The Åsgard field complex is among the largest developments in Norway and the Trestakk, Mikkel and Morvin fields are subsea tie-ins to Åsgard. The area stood for 31% of the company's production in 2021 and 15% of 2P reserves as of YE'21.

#### Åsgard (22.1% WI) – Massive producer in the heart of the Norwegian Sea

Discovered in 1981, Aasgard is among the largest fields ever discovered on the NCS (ranks #6 on original recoverable in-place volumes). The project is one of the largest subsea developments in Norway, and since its production start in 1999, the field has produced around 2.5bn boe gross. The resource base features a complex hydrocarbon mix of gas, NGL and oil, where gas represents around 2/3 of the remaining reserves. Oil and condensate are temporarily stored in an FPSO, then shipped to market by tankers while the gas is exported through the Åsgard Transport System to Kårstø. Currently, several infill drilling projects are being undertaken in addition to the replacement of compression facilities to boost the recovery and extend the lifetime of the hub. Furthermore, a full or partial electrification of the hub is being contemplated.

#### Kristin (16.7% WI) – Producer in the tail phase

Kristin is a high pressure/high temperature gas and condensate field with 12 wells developed as tiebacks to the Kristin semi-submersible platform, which also acts as a host for the Tyrihans field and ongoing Lavrans development. Kristin started to produce in 2005 and has a quite evenly split hydrocarbon mix between oil, gas and condensate. Kristin's reservoir pressure has decreased faster than expected, leading to challenges such as production of water and sand. Total recovery from the field is therefore expected to be marginally lower than the original PDO estimate.

## TAMPEN AREA: THE HOME OF SEVERAL MATURE GIANTS OPERATED BY EQUINOR

### Map of Tampen area



### Asset descriptions

The Tampen Area is in the Northern North Sea and holds some of the largest fields on the NCS in terms of original in-place volumes, such as Statfjord and Snorre. In addition, Vår has ownership in Tordis, Vigdis and Syngna. All the mentioned fields are operated by Equinor.

The Tampen Area accounted for 17% of the company's production in 2021 and 12% of 2P reserves as of YE'21. It is a mature area where lifetime extensions at key fields are the primary focus.

#### Statfjord (~22% WI) – A former giant now producing at the tail

Statfjord ranks #3 among Norway's largest oil fields in terms of original recoverable in-place volumes. Statfjord was discovered in 1974 and has since production start in 1979 produced in excess of 5bn boe gross. The Statfjord field extension program was established in 2019, aiming to extend the field life to 2040 through targeting a recovery factor of 70% or higher.

#### Snorre (18.6% WI) – Candidate for further reserve upgrades

Snorre ranks as #7 among Norway's largest oil fields in terms of original recoverable in-place volumes. Snorre was discovered in 1979 and has since production start in 1992 produced just below 2bn boe gross. In 2017, the Snorre Extension Project was sanctioned to increase the field life into the 2040s, through increasing the recovery factor from 46% to 52%. Taking into consideration that the targeted recovery factors for e.g. Statfjord and Johan Sverdrup lie in the interval ~70-80%, we would not be surprised to see further investments in Snorre, leading to future reserve upgrades. It should be noted that about 35% of Snorre's power consumption will be covered with electricity from the Hywind Tampen floating wind farm, which is expected to be operational in Q3'22.

Sources: Company data, Arctic Securities Research, Rystad Energy UCube

# OTHER ASSETS

## Asset descriptions

### Greater Ekofisk area (12.4% WI)

"Greater Ekofisk" comprises the fields Ekofisk, Eldfisk, Emla, Tor (all producing fields) plus the Tommeliten Alpha development project. The field produced 15,000 boe/d last year and had remaining 2P reserves of 42 mmboe net to Vår Energi as of year-end. Ekofisk is the largest oil discovery on the NCS (>4.5bn boe of recoverable oil reserves), only second to Troll if including gas resources. Ekofisk has produced since 1971 and is expected to produce for another 50 years. The partnership targets to maintain the current production level to 2026, through contribution from the Tommeliten Alpha tie –back, Eldfisk North development in addition to the drilling of infill- and water injection wells.

### Ormen Lange (6.3% WI)

The Ormen Lange field operated by Shell is among the largest gas fields on the NCS, only second to the Troll field. The field produced 15,000 boe/d last year and had remaining 2P reserves of 42 mmboe net to Vår Energi as of year-end. In 2019, the FID on a subsea compression project was taken, targeting to increase the recovery rate from 75% to 85%. The produced gas is being transported to shore at Nyhamna, before being exported to UK through the Langeled-pipeline.

### Fram (25% WI)

Fram consists of a western and eastern flank tied back to the Troll C platform, both operated by Equinor. The fields collectively produced 12,100 boe/day net to Vår last year and had net 2P reserves of 30 mmboe at year-end. Several discoveries have been made in the area since 2019 and are being evaluated for a joint future subsea tie-back development called "Fram Future Area Development". The licence partnership is targeting sanctioning of the project in 2024.

Sources: Company data, Arctic Securities Research, Rystad Energy UCube

### Fenja (45% WI), Bauge & Hyme (17.5% WI)

Fenja, Bauge & Hyme in sum hold 37 mill boe of net 2P reserves. Both Fenja and Bauge are in the development phase and will be connected as subsea tiebacks to the Njord A platform. Vår Energi expects production to start in late 2022/ early 2023.

### Heidrun (5.2% WI)

Heidrun is a sizeable oil and gas field in the Norwegian Sea that had remaining 2P reserves of 23 mmboe as of YE'21 and produced ~4,100 boe/d net to Vår Energi in 2021. To extend field life and slow the natural decline, The Heidrun Extension Project was sanctioned in 2017, with seven wells planned annually over the next three years.

### Other

Vår Energi also has ownership in the producing oil and gas fields Sleipner East/West, Norne and Marulk, which together had remaining 2P reserves of 43 mmboe net to Vår Energi as of YE'21.

# KEY ESG CONSIDERATIONS – RISKS, METRICS AND TARGETS

## Summary

- Vår is an E&P company with low upstream emissions (~10-12 kgCO<sub>2</sub>/boe) vs. the world average (~18 kgCO<sub>2</sub>/boe). Its core activity, production of oil and gas, is not taxonomy-aligned. The company has an ESG rating of 30.1 from Sustainalytics, placing the company in the 9th percentile of all oil and gas producers scored
- Vår Energi publishes an annual sustainability report and reports in accordance with the Global Reporting Initiative (GRI) and Taskforce on Climate-related Financial Disclosures (TCFD)
- The company has a stated ambition of reducing Scope 1 and 2 GHG emissions from both its operated and non-operated assets to net-zero by 2030
- Vår Energi's core business, production of oil and gas, is not taxonomy-aligned

## Selected ESG metrics and targets

ESG metric	Unit	2019	2020	2021	Target
GHG emissions, scope 1	tCO <sub>2</sub> e	1,097,086	1,023,979	979,453	-50% by 2030
GHG emissions, scope 2	tCO <sub>2</sub> e	141,228	169,338	171,539	
GHG emissions, scope 3	tCO <sub>2</sub> e	34,686,566	36,844,705	33,421,944	
Carbon intensity (scope 1 and 2)	kg CO <sub>2</sub> e/boe	10.6	11.2	12.1	Net zero by 2030
Share of renewable energy consumption	%	-	-	-	
Water usage	Megalitres	24,860	17,586	16,826	
Hazardous waste	Tonnes	6,517	4,417	14,899	
Employee turnover ratio	%	5.4%	6.4%	9.8%	
Employee absence	%	-	-	4.4%	
Board gender diversity	% female	38%	13%	13%	

Sources: Company data, Arctic Securities Research

## Key ESG risks

Key risks	Risk mitigation actions
<b>Market risk:</b> Demand for oil and gas can decrease significantly faster than anticipated, resulting in lower oil and gas prices. In anticipation of the faster energy transition, key producers can shift their strategy to market share maximisation, driving down prices	<ul style="list-style-type: none"> <li>• A strict financial framework for investment decisions; sanctioning projects with breakeven below 30 USD/boe (at 7% discount rate)</li> </ul>
<b>Regulatory risk:</b> The EUA price and/or Norwegian CO <sub>2</sub> tax can increase faster and rise higher than what is anticipated. Access to new acreage can also be reduced, in which case Vår Energi's longer-term growth prospects would be reduced	<ul style="list-style-type: none"> <li>• Requirement for all potential projects to be assessed for CO<sub>2</sub> emission intensity and resilience against higher carbon taxes</li> <li>• Emissions reduction initiatives, including electrification</li> <li>• Continuous monitoring of the external environment and engagements with relevant stakeholders</li> </ul>
<b>Reputational risk:</b> Investors' perception of oil and gas investments can deteriorate, impacting availability/cost of capital and talent	<ul style="list-style-type: none"> <li>• High focus on maintaining investment grade credit rating</li> <li>• Adoption of best practices in climate-related disclosure</li> <li>• Aiming to be leading on ESG to attract sustainability focused people to the organization</li> </ul>
<b>Physical climate change:</b> Extreme waves/weather could become more frequent, leading to operational limitations and shut-in of production	<ul style="list-style-type: none"> <li>• Infrastructure design for new facilities typically implements wider contingencies</li> </ul>

## BOARD OF DIRECTORS


**Torhild Widvey**
*Chair*

Former minister of Petroleum

- Over 15 years of experience in the Norwegian public and private sectors, with a focus on the energy industry
- Former Minister of Petroleum and Energy, and State secretary in the Ministry of Foreign Affairs
- Chairperson of Statkraft since 2016; member of the Board at Aker Solutions and Solstad Offshore 2020


**Ove Gusevik**
*Director*

HitecVision – Senior Partner

- Senior Partner at HitecVision, which he joined in 2021 from his role as Head of Investment Banking at SpareBank1 Markets
- Brings more than 30 years of investment banking experience, including being one of the founders of First Securities and serving as CEO Norway and Nordic Head of Energy at Alfred Berg ABN AMRO
- Leading role in many of the largest energy industry transactions in Scandinavia


**Francesco Gattei**
*Director*

Eni - CFO

- Over 25 years of experience in the Oil & Gas industry across various senior roles at Eni and its subsidiaries
- Chief Financial Officer for Eni since 2020
- Previously served as Upstream Director of the Americas, Head of Investor Relations, Secretary to Eni's Advisory Board, Senior VP of Market Scenarios and Strategic Options, and Head of Upstream M&A


**Guido Brusco**
*Director*

Eni – Upstream Director

- More than 20 years of experience in the upstream Oil & Gas sector for Eni
- Upstream Director for Eni since 2020
- Previously served as Executive Vice President for the Sub Saharan Region, Managing Director of Eni Angola, and Operations Manager for Petrobeli JV (Egypt) and Agip KCO (Kazakhstan)


**Clara Andreoletti**
*Director*

Eni - Head of Geosciences

- Over 15 years of experience in the Oil & Gas exploration and development sector at Eni
- Head of Geosciences and Subsurface Operations Data Management since 2020
- Previously served as Vice President Prospect and Exploration Projects Validation


**Marica Calabrese**
*Director*

Eni – Reservoir Director

- Over 18 years of experience in the Energy sector at Eni across various roles in Reservoir Department and M&A
- Currently serves as Head of Reservoir Studies and Area Reference North Africa & Middle East at Eni
- Holds a degree in Environmental Engineering (with Honours) from Politecnico di Milano and a Masters' in Petroleum Engineering (with Honours) from London Imperial College


**Fabio Romeo**
*Director*

Oman Cables - Chair

- Chairman for Oman Cables
- Holds an undergraduate degree from Politecnico di Milano, and a graduate degree and doctorate from the University of California, Berkeley


**Liv Monica Stubholt**
*Director*

Selmer – Partner

- Partner at Selmer, a Norwegian corporate law firm, with a focus on the Energy sector
- Serves as a Board Member of the Norwegian German Chamber of Commerce since 2010
- Previously served as an Executive at Aker ASA, and State Secretary at the Norwegian Ministry of Foreign Affairs and the Ministry of Petroleum and Energy

Sources: Company data, Arctic Securities Research

# PRESSENTATION OF MANAGEMENT AND ORGANIZATIONAL STRUCTURE

## Vår Energi's management team from Q4 2022



Sources: Company data, Arctic Securities Research

## Two new business areas to be implemented

On 21 June 2022, the company announced a new organizational structure and management team. Two new business areas will be established with the aim of having the best possible organizational platform to deliver on the ambition of 350,000 boe/d in production by YE'25:

- Technology, Drilling and Subsurface: Allowing the accelerated use of new technological solutions and digitalization of the company
- Project Development and Supply Chain Management: Responsible for the project portfolio and for optimization and standardization of Vår Energi's supply chain

As part of the reorganization, Ingrid Sølvberg and Atle Reinseth will be joining the management team, and the organizational restructuring is scheduled to be completed by Q4'22.

## PRESENTATION OF MANAGEMENT CONT.

### Brief biographies of management members

**Torger Rød, CEO:** Mr. Rød joined the company in June 2021. Previously, he was with Equinor for 23 years (including 11 years in executive positions), both in Norway and internationally. Most recently, he served as SVP and Head of Corporate Safety and Security, and prior to that role, he was SVP and Head of Project Development, in which he was responsible for all operated project development deliveries and value creation for Equinor. Mr. Rød holds a Master's degree in Industrial Economics from the Norwegian University of Science and Technology in Trondheim.

**Stefano Pujatti, CFO:** Mr. Pujatti is employed by Eni S.p.A and has been seconded to the company since 2019. He has more than 20 years of international experience in the oil and gas industry. Previously, has held the position of VP Planning & Control of the Africa Sub-Saharan region in Eni S.p.A's headquarters in Italy and has had several international assignments in Eni SpA Group's major oil and gas subsidiaries as Finance Director. Mr. Pujatti began his career as an auditor with KPMG, where he also obtained his CPA qualification. Mr. Pujatti holds a Master of Economy degree (MSc) from Catholic University in Milan, Italy.

**Ingrid Sølvberg, Technology, Drilling & Subsurface:** Mrs. Sølvberg arrives from the role as Director general in the Norwegian Petroleum Directorate (NPD). Prior to this, she has held significant leadership positions in NPD, Centrica and Statoil, now Equinor. She holds an M.Sc. in Marine Technology from the Norwegian University of Science and Technology in Trondheim.

**Atle Reinseth, Project Development and SCM:** Mr. Reinseth comes from Equinor and the position as VP Shaping, Improvement and Analyses in project development. His experience includes key leadership roles in both procurement and project development in Equinor and Acergy, now part of Subsea7. Mr. Reinseth holds a Master's degree in Economics and Business Administration from the Norwegian School of Economics in Bergen.

**Rune Oldervoll, VP E&P:** Mr. Oldervoll joined the company in December 2018. He has more than 20 years of experience working in technical and managerial positions at ExxonMobil, both globally and in Norway. Mr. Oldervoll holds a Master's degree in Mechanical Engineering from the Norwegian University of Science and Technology in Trondheim.

**Ove André Årdal, VP Commercial:** Mr Årdal serves as board member for three subsidiaries of the Company, which include Point Resources FPSO Holding AS, Point Resources FPSO AS and Vår Energi Marine AS. He has 29 years of experience in the oil and gas industry, including 17 years working for Eni Norge AS prior to the formation of the Company. Mr. Årdal holds a Master of Science degree (MSc) in Business and Administration from the Norwegian School of Economics in Bergen, Norway.

**Tone Rognstad, VP People and Organization:** Ms. Rognstad joined the company in 2022 and comes from the role as VP for Project management and control in Equinor ASA. During her 15 years as an executive in Equinor ASA, she gained extensive managerial experience within the field of people, leadership and organizational development. Ms. Rognstad holds a bachelor's degree in Banking and finance from BI Norwegian Business School.

**Aksel Luhr, Compliance & legal:** Mr. Luhr has more than 40 years of experience in the oil and gas industry. He has held various managerial positions in Eni Norge AS and Elf (Total) within the areas of legal, commercial, communications and human resources. Mr. Luhr holds the role of secretary to the Board of Directors of Vår Energi. He has also worked for the Norwegian Petroleum Directorate and as a diver. He is the Honorary Vice Consul of Italy in Stavanger. Mr. Luhr has a law degree as cand. jur. from the University of Oslo and is licensed as an advocate and member of the Norwegian Bar Association.



## Profit & loss statement

Profit and loss (USDm)	Dec-19	Dec-20	Dec-21	Dec-22e	Dec-23e	Dec-24e
<b>Revenue</b>	<b>2,855</b>	<b>2,875</b>	<b>6,072</b>	<b>10,589</b>	<b>12,004</b>	<b>10,806</b>
Cost of sales	(980)	(1,100)	(1,290)	(1,345)	(1,386)	(1,237)
SG&A	(49)	(102)	(110)	(112)	(81)	(69)
Other (gain on sale etc.)	(106)	(79)	(57)	(108)	(142)	(144)
Operating expenses	(1,135)	(1,281)	(1,457)	(1,565)	(1,609)	(1,450)
<b>EBITDA</b>	<b>1,720</b>	<b>1,594</b>	<b>4,615</b>	<b>9,024</b>	<b>10,395</b>	<b>9,356</b>
Depreciation	(1,024)	(1,620)	(1,705)	(1,553)	(1,703)	(1,987)
Impairment	65	(920)	(1)	11	-	-
<b>EBIT</b>	<b>762</b>	<b>(946)</b>	<b>2,909</b>	<b>7,482</b>	<b>8,692</b>	<b>7,369</b>
Interest expense			(411)	(630)	(295)	(297)
Interest income	11	40				
Net interest	11	40	(411)	(630)	(295)	(297)
<b>Pre-tax profit</b>	<b>773</b>	<b>(906)</b>	<b>2,498</b>	<b>6,851</b>	<b>8,397</b>	<b>7,072</b>
Income tax	(487)	314	(1,876)	(5,391)	(6,399)	(5,413)
<b>Net income</b>	<b>285</b>	<b>(592)</b>	<b>622</b>	<b>1,461</b>	<b>1,998</b>	<b>1,658</b>
<b>Attributable to</b>						
Equity holders of the parent	285	(592)	622	1,461	1,998	1,658
Per share data (USD)	Dec-19	Dec-20	Dec-21	Dec-22e	Dec-23e	Dec-24e
Revenue per share	1.14	1.15	2.43	4.24	4.81	4.33
Adj. EPS	0.11	(0.14)	0.25	0.58	0.80	0.66
DPS	-	-	-	0.40	0.48	0.48
Adjusted data (USDm)	Dec-19	Dec-20	Dec-21	Dec-22e	Dec-23e	Dec-24e
Adj. revenue	2,855	2,875	6,072	10,589	12,004	10,806
Adj. EBITDA	1,720	1,594	4,615	9,024	10,395	9,356
Adj. EBIT	696	(26)	2,910	7,471	8,692	7,369
Adj. net profit	269	(362)	622	1,458	1,998	1,658
Margins	Dec-19	Dec-20	Dec-21	Dec-22e	Dec-23e	Dec-24e
Gross margin	65.7%	61.7%	78.8%	87.3%	88.5%	88.6%
EBITDA margin	60.2%	55.4%	76.0%	85.2%	86.6%	86.6%
Adj. EBITDA margin	60.2%	55.4%	76.0%	85.2%	86.6%	86.6%
EBIT margin	26.7%	(32.9%)	47.9%	70.7%	72.4%	68.2%
Adj. EBIT margin	24.4%	(0.9%)	47.9%	70.6%	72.4%	68.2%
Net profit margin	10.0%	(20.6%)	10.2%	13.8%	16.6%	15.3%
Adj. net profit margin	9.4%	(12.6%)	10.2%	13.8%	16.6%	15.3%
Year-over-year growth	Dec-19	Dec-20	Dec-21	Dec-22e	Dec-23e	Dec-24e
Revenue growth		0.7%	111.2%	74.4%	13.4%	(10.0%)
EBITDA growth		(7.3%)	189.5%	95.5%	15.2%	(10.0%)
EBIT growth		(224.2%)		157.2%	16.2%	(15.2%)
Net profit growth		(307.5%)		134.9%	36.8%	(17.0%)

Source: Arctic Securities Research and Company

## Balance sheet

Balance sheet (USDm)	Dec-19	Dec-20	Dec-21	Dec-22e	Dec-23e	Dec-24e
Property, plant and equipment	12,822	13,052	15,687	14,874	15,476	15,556
Intangible assets	749	723	2,637	2,334	2,334	2,334
Other non-current financial assets	-	0	-	0	-	-
Other non-current assets	8	3	3	2	2	2
<b>Total non-current assets</b>	<b>13,579</b>	<b>13,778</b>	<b>18,327</b>	<b>17,210</b>	<b>17,812</b>	<b>17,892</b>
Inventories	197	281	301	155	172	156
Receivables	677	165	746	429	430	392
Other current financial assets	-	648	-	-	0	0
Other current assets	514	203	281	247	247	247
Cash and cash equivalents	204	270	224	1,650	3,260	3,694
<b>Total current assets</b>	<b>1,590</b>	<b>1,567</b>	<b>1,552</b>	<b>2,481</b>	<b>4,108</b>	<b>4,489</b>
<b>Total assets</b>	<b>15,170</b>	<b>15,344</b>	<b>19,879</b>	<b>19,691</b>	<b>21,920</b>	<b>22,380</b>
Equity attributable to the parent	2,512	1,398	1,473	2,005	2,833	3,329
<b>Total equity</b>	<b>2,512</b>	<b>1,398</b>	<b>1,473</b>	<b>2,005</b>	<b>2,833</b>	<b>3,329</b>
Long-term interest-bearing debt	4,598	5,540	4,493	2,977	2,977	2,977
Non-current lease liabilities	26	176	216	161	161	161
Other non-current financial liabilities	1,900	2,946	7,800	7,899	8,569	8,816
Other non-current liabilities	3,467	4,227	3,399	3,106	3,118	3,128
<b>Total non-current liabilities</b>	<b>9,991</b>	<b>12,889</b>	<b>15,908</b>	<b>14,143</b>	<b>14,825</b>	<b>15,082</b>
Short-term interest-bearing debt	204	-	333	343	343	343
Current lease liabilities	1,061	780	109	103	103	103
Payables	253	251	422	124	137	125
Other current financial liabilities	1,149	26	801	2,417	3,122	2,842
Other current liabilities	-	-	833	557	557	557
<b>Total current liabilities</b>	<b>2,667</b>	<b>1,057</b>	<b>2,498</b>	<b>3,543</b>	<b>4,262</b>	<b>3,970</b>
<b>Total equity and liabilities</b>	<b>15,170</b>	<b>15,344</b>	<b>19,879</b>	<b>19,691</b>	<b>21,920</b>	<b>22,380</b>
Balance data (USDm)	Dec-19	Dec-20	Dec-21	Dec-22e	Dec-23e	Dec-24e
Gross debt	4,802	5,540	4,826	3,320	3,320	3,320
Net interest bearing debt	4,599	5,270	4,602	1,670	60	(374)
Net interest bearing debt and lease liabilities	5,685	6,226	4,927	1,934	324	(110)
Working capital	1,134	398	73	150	154	113
Capital employed	7,110	6,668	6,075	3,675	2,893	2,955

Source: Arctic Securities Research and Company

## Cash flow

Cash flow statement (USDm)	Dec-19	Dec-20	Dec-21	Dec-22e	Dec-23e	Dec-24e
Net profit	271	(389)	622	1,465	2,026	1,695
D,A&I	958	2,540	1,706	1,542	1,703	1,987
Change in working capital	(53)	641	(212)	151	(4)	41
P&L tax	487	(314)	1,876	5,391	6,399	5,413
Paid tax	(211)	(342)	165	(2,670)	(5,022)	(5,448)
Other	886	(393)	281	451	-	-
<b>Cash flow from operations</b>	<b>2,338</b>	<b>1,743</b>	<b>4,438</b>	<b>6,329</b>	<b>5,101</b>	<b>3,689</b>
Capital expenditures	(1,248)	(1,873)	(2,551)	(2,521)	(2,252)	(2,015)
Net acquisitions/divestments	(3,186)	(34)	22	-	-	-
Other	(40)	(40)	(104)	(47)	(40)	(41)
<b>Cash flow from investing activities</b>	<b>(4,473)</b>	<b>(1,947)</b>	<b>(2,633)</b>	<b>(2,568)</b>	<b>(2,292)</b>	<b>(2,057)</b>
New debt	2,298	724	-	-	-	-
Repayment of debt	-	-	(885)	(1,581)	-	-
Change in debt	2,298	724	(885)	(1,581)	-	-
Equity issue	-	-	-	0	-	-
Dividend payment	(1,711)	(450)	(950)	(774)	(1,198)	(1,198)
Other	-	4	(16)	18	-	-
<b>Cash flow from financing activities</b>	<b>587</b>	<b>278</b>	<b>(1,851)</b>	<b>(2,337)</b>	<b>(1,198)</b>	<b>(1,198)</b>
Other (e.g. FX)	97	(7)	-	1	-	-
<b>Net cash flow</b>	<b>(1,548)</b>	<b>74</b>	<b>(46)</b>	<b>1,425</b>	<b>1,610</b>	<b>434</b>

Cash flow data (USDm)	Dec-19	Dec-20	Dec-21	Dec-22e	Dec-23e	Dec-24e
Free cash flow to firm	(2,038)	(207)	1,789	3,781	2,809	1,632
Free cash flow to equity	260	517	904	2,200	2,809	1,632

Source: Arctic Securities Research and Company

## Key ratios & Valuation

Market data	Dec-19	Dec-20	Dec-21	Dec-22e	Dec-23e	Dec-24e
Avg. shares outstanding (m)	2,496	2,496	2,496	2,496	2,496	2,496
Avg. diluted shares outstanding (m)	2,496	2,496	2,496	2,496	2,496	2,496
Enterprise value	17,408	17,948	16,649	13,657	12,046	11,613
Credit metrics	Dec-19	Dec-20	Dec-21	Dec-22e	Dec-23e	Dec-24e
NIBD / EBITDA (x)	2.67	3.31	1.00	0.19	0.01	(0.04)
IBD / EBITDA (x)	2.79	3.47	1.05	0.37	0.32	0.35
IBD / (EBITDA - capex) (x)	10.17	(19.87)	2.34	0.51	0.41	0.45
IBD / Total assets	31.7%	36.1%	24.3%	16.9%	15.1%	14.8%
Operating cash flow / IBD	48.7%	31.5%	92.0%	190.6%	153.6%	111.1%
Free cash flow / IBD	(42.4%)	(3.7%)	37.1%	113.9%	84.6%	49.2%
EBITDA / Interest (x)			11.23	14.31	35.18	31.46
EBITDA / (Interest+Amortisation) (x)			11.23	14.31	35.18	31.46
Equity / total assets	16.6%	9.1%	7.4%	10.2%	12.9%	14.9%
Profitability	Dec-19	Dec-20	Dec-21	Dec-22e	Dec-23e	Dec-24e
FCFF yield	(17.4%)	(1.8%)	15.3%	32.3%	24.0%	13.9%
FCFE yield	2.2%	4.4%	7.7%	18.8%	24.0%	13.9%
ROE		(30.3%)	43.3%	84.0%	82.6%	53.8%
ROACE		(13.7%)	45.7%	153.5%	264.7%	252.0%
Valuation	Dec-19	Dec-20	Dec-21	Dec-22e	Dec-23e	Dec-24e
EV / Sales (x)	6.10	6.24	2.74	1.29	1.00	1.07
EV / adj. Sales (x)	6.10	6.24	2.74	1.29	1.00	1.07
EV / EBITDA (x)	10.12	11.26	3.61	1.51	1.16	1.24
EV / adj. EBITDA (x)	10.12	11.26	3.61	1.51	1.16	1.24
EV / EBIT (x)	22.86	na	5.72	1.83	1.39	1.58
EV / adj. EBIT (x)	24.99	na	5.72	1.83	1.39	1.58
P / E (x)	41.09	na	18.85	8.02	5.87	7.07
P / adj. E (x)	43.57	na	18.84	8.04	5.87	7.07
P / B (x)	4.67	8.38	7.96	5.85	4.14	3.52
Earnings yield	2.4%	(5.0%)	5.3%	12.5%	17.0%	14.1%
Dividend yield	0.0%	0.0%	0.0%	8.5%	10.2%	10.2%

Source: Arctic Securities Research, Company and Bloomberg

## Disclaimer

### Arctic Securities AS (“Arctic”)

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### Authors’ independence/Analyst certification

This report has been produced by Arctic in respect of the company(ies) mentioned in the table below (the “Company(ies)”). The authors of this report hereby confirm that notwithstanding the existence of any potential conflicts of interests referred to herein, the views in this report accurately reflect our personal views about the Company(ies) and any securities analyzed herein. The authors of this report confirm that we have not been, nor are or will be, receiving direct or indirect compensation in exchange for expressing any of the views or the specific recommendations contained in the report, and confirm that none of our compensation was, is or will be, directly or indirectly, related to the specific recommendations or views expressed in this report. The authors of this report are eligible to remuneration from Arctic’s general bonus scheme.

#### Company(ies)

Vår Energi AS

### Basis and methods for assessment

Recommendations in respect of shares, bonds and related instruments are based on estimates using various standard valuation methods. These methods include analysis of earnings multiples, discounted cash flow calculations, net asset value assessments, credit figures, peer valuation, recovery valuation and qualitative assessment of credit profiles.

### Recommendation structure equity

Arctic’s research department operates with 3 recommendation categories based on the expected relative return within 6 to 12 months:

- |      |  |
|------|--|
| Buy  | The return is estimated to be considerably in excess of the applicable sector/market index return. |
| Hold | The return is estimated to be more or less in line with the applicable sector/market index return. |
| Sell | The return is estimated to be considerably less than the applicable sector/market index return.    |

### Recommendation structure bonds

Arctic’s research department uses 3 recommendation categories for bonds based on the expected relative return within 6 to 12 months:

- |                |   |
|----------------|---|
| Outperform     | The bond is currently trading at a wider credit spread than the applicable credit index for the relevant rating category.   |
| Market perform | The bond is currently trading at a credit spread in line with the applicable credit index for the relevant rating category. |
| Underperform   | The bond is currently trading at a tighter credit spread than the applicable credit index for the relevant rating category. |

Please find a list of all research linked to financial instruments or issuers that Arctic has prepared during the past 12 months on [www.arctic.com](http://www.arctic.com).

### Risk of investment - general

There is risk attached to all investments in financial instruments. The opinions contained herein are based on numerous assumptions as described in this document. Different assumptions could result in materially different results. Furthermore, the assumptions may not be realized. This document does not provide individually tailored investment advice and all recipients of this document are advised to seek the advice of a financial advisor before deciding on an investment or an investment strategy.

### Prevention and avoidance of conflicts of interests

This report has been prepared by Arctic’s research department, which is separated from the corporate finance department in order to control the flow of information. All employees of Arctic are subject to duty of confidentiality towards clients and with respect to handling inside information.

### Investment services provided to the Company(ies)

Arctic may have received assignments from the Company(ies), that are not publicly known and that due to professional secrecy we are currently obliged not to reveal. The table below shows which investment banking services Arctic has provided to the Company(ies) and whether Arctic has received compensation for investment banking services from the Company(ies) in the previous twelve months.

Company(ies)	General investment banking services 1)	Placement of shares or bonds 2)	IPO 3)	Market maker 4)	Compensation 5)	No investment banking services 6)	No compensation 7)
Vår Energi AS	-	-	-	-	-	X	X

1) Arctic has provided general investment banking services to the Company in the previous twelve months.

- 2) Arctic has acted as financial advisor in connection with a placement of shares or bonds of the Company in the previous twelve months.
- 3) Arctic has acted as financial advisor in connection with an IPO of the Company in the previous twelve months.
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Company(ies)	Analyst shares 1)	Analyst bonds 2)	Net short position 3)	Net long position 4)
Vår Energi AS	-	-	-	-

- 1) Number of shares owned by the analysts who are authors of the parts of the report concerning the mentioned Company.
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The graph(s) below show the historical share price and how our recommendation(s) for the financial instruments issued by the Company(ies) have changed over the last 12 months.

### Vår Energi AS

The part of this report concerning Vår Energi AS has been prepared by Daniel Stenslet (Equity Analyst).

#### Equity recommendations:



Source: Bloomberg, Arctic Securities Research

Date	Recommendation	Target (NOK)	Price (NOK)
N/A			

Source: Bloomberg, Arctic Securities Research

### Planned updates:

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- New accounting figures are released, or
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