petoro

ANNUAL REPORT FOR THE SDFI AND PETORO 2015

The Norwegian state has large holdings in oil and gas licences on Norway's continental shelf (NCS) through the State's Direct Financial Interest (SDFI). These are managed by Petoro AS. The company's most important job is to help ensure the highest possible value creation from the SDFI – value which benefits the whole of Norway.

Front cover: Johan Sverdrup field centre.
Illustration: Statoil
Right: Sunrise on the Oseberg field.
Photo: Harald Pettersen, Statoil

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Grethe K Moen. Photo: Emile Ashley

START OF A NEW ERA

The consequences of the industry's cost-cutting measures became clear in 2015. Our sector must adjust to a radically different reality. We are at the start of a new era.

When looking back on 2015, our first reference must be to the fatal accident on the *COSL Innovator* drilling rig while it was working on the Troll field just before the end of the year. This incident shows that our health, safety and environmental (HSE) performance is not good enough, despite the positive trend in statistics for this area.

Permanent changes are now clearly visible in three fundamental areas which are crucial for value creation in the oil and gas industry. First, the prospect that prices will remain weak and the great uncertainty over future developments mean the industry has become very concerned with downside protection. Second, the outcome of the climate summit in Paris during December 2015 has contributed to increased uncertainty about the market for our products, while clear expectations exist for more environment- and climate-friendly production. Finally, the reorientation in oil company strategies over the past couple of years from volume growth to a concentration on margins and profitability has led to a further shift in the same direction taken by all other industries exposed to competition, with attention centred on productivity and efficiency.

An unavoidable effect of a general reduction in costs is the loss of income opportunities for the oil sector and the supplies industry. Costs can only be cut by reducing input factors and improving efficiency. A visible consequence is downsizing and, in the final analysis, closing down. The people who are personally affected must adapt, but the big transfer value of moving expertise from the oil and gas sector to other areas will ultimately benefit everyone.

Petoro could proudly deliver a cash flow of NOK 94 billion to the government in 2015. This demonstrates that revenues from oil and gas activities remain a cornerstone of the Norwegian economy. We see that a weaker Norwegian krone and good production contributed to high revenues despite the fall in oil prices. We could already see results in 2015 from efficiency and cost improvements in our portfolio.

Drilling costs on a selection of our fixed installation have halved and field costs – that part of operating expenses which is easiest to influence – are down by almost 20 per cent on some important fields.

These improvements have been achieved

more quickly than expected. That shows a substantial improvement potential has existed and is still present. From now on, however, new instruments will be needed to realise the remaining potential. Reduced activity and pressure on margins will not be enough. So it is encouraging that we see opportunities for further efficiency gains, in part through the use of innovative technology and new, more efficient forms of collaboration. The existence of a big remaining potential is confirmed, for example, by an updated analysis of the time taken for sub-operations related to drilling. Following a doubling in the duration of standard sub-operations over the past 20 years, we have now succeeded in recovering some of the lost ground. But by no means all.

We know that much of the cost improvement derives from reduced margins in the supply chains. Retaining enough margin to live off is crucial for the competitiveness of the Norwegian continental shelf (NCS). In the future, we must be more vigorous in challenging the way the operators and the supplies industry work together at every level.

Petoro has long been calling for innovation and radical changes to all processes in the industry. We have seen few examples of this so far. It is hard to believe that no company directly related to our industry is among the 50 best enterprises ranked by innovative ability in the Boston Consulting Group's annual innovation study across companies and sectors.

Our industry is complex, where reaching agreement on joint action is difficult. Being so strongly driven by competition at every level and in an international context restricts us. This makes it difficult to agree upon incentives for collective improvement and to develop a radically new mindset. But that must be done. We must decide what we are going to compete over and where we are going to collaborate. We must look to other industries which have come much further in such areas as standardisation, logistics and efficient work processes. At this moment, a lot of the right things are being said about improvement and cost efficiency. It remains to be seen whether we can manage to follow up with action in a conservative industry.

We see that a number of companies are likely to have negative cash flow, and this is determining company priorities. Earlier decisions are being challenged again and amended in a number of cases. It is therefore important to point out that we must overcome our short-term challenges in a long-term perspective and not make choices today which diminish opportunities for future value creation.

Radical improvements will yield substantial gains. Aiming for a 50 per cent cut in the investment cost of new developments would make 17 of 23 discoveries in our portfolio profitable with an oil price of USD 40 per barrel. That figure falls to two with today's level of costs.

The NCS has big potential reserves. Interest in the 23rd licensing round is one indication of that. Realising them will depend to a great extent on our ability to reduce the level of costs. We are well under way in adapting to new realities, and further efficiency improvements are both necessary and possible. That will open additional business opportunities which boost the competitiveness of new projects and of suppliers. This calls for openness and trust. We must work together, because we will not succeed alone.

"If you want to go fast, go alone. If you want to far, go together."
African proverb

Grethe K Moen
President and CEO, Petoro AS

DIRECTORS' REPORT

PETORO AS AND THE SDFI PORTFOLIO

Troll A. Photo: Harald Pettersen, Statoil

DIRECTORS' REPORT 2015

Petoro manages the State's Direct Financial Interest (SDFI), which represents about a third of Norway's total oil and gas reserves. The company's principal objective is to create the highest possible financial value from the SDFI portfolio (the portfolio).

The SDFI was established with effect from 1985. Under this arrangement, the state participates as a direct investor in petroleum operations on the Norwegian continental shelf (NCS) so that the Treasury receives revenues and meets expenses associated with the SDFI's participatory interests directly and outside the regular system for taxing petroleum revenues. Petoro acts as the licensee for the state's participatory interests in production licences, fields, pipelines and land-based facilities, and manages the portfolio on the basis of sound business principles.

EXTERNAL TRENDS

Global economic growth was moderate in 2015 and rather weaker than expected. Moderate growth combined with a substantial decline in crude prices have helped to boost demand for oil. But production has increased by more than demand, and resulted in a weaker market balance and stronger pressure on crude prices. The inventory build-up was substantial, and oil storage had reached a record level by 31 December. In November, Opec reaffirmed its 2014 decision to maintain an unchanged level of production. Brent Blend declined over the year to USD 37 per barrel, virtually half its top price of USD 66 in May 2015. Market volatility was also high. The average price for the portfolio came to USD 53 per barrel, compared with USD 99 in 2014. A weaker exchange rate reduced the revenue decline in Norwegian kroner, where the average price was NOK 420 per barrel – down by NOK 197 from the year before.

European demand for natural gas rose somewhat in 2015, in part because the winter was colder than in 2014. But gas is still subject to increased competition from renewable energy, coal, and the consequences of improved energy efficiency. Europe's own gas production fell further in 2015, reinforced by lower Dutch output as a result of technical challenges in the Groningen field. This decline was offset by increased imports from Russia and Norway and as liquefied natural gas (LNG). Norway's gas exports set a record in 2015. Robust supplies and the fall in the cost of oil reduced gas prices over the year, but the weaker Norwegian krone offset the effect of this decline. The average gas price achieved for the portfolio was NOK 2.14 per scm in 2015, compared with NOK 2.23 in 2014.

Agreement was reached at the summit in Paris during December 2015 on an international climate agreement with a clear ambition of reducing global greenhouse gas emissions. That helps to increase uncertainty on the demand side.

The petroleum sector is also under considerable pressure to reduce total emissions from oil and gas production, which means the industry must develop low-emission solutions and enhance energy efficiency.

Substantial changes are under way in the petroleum industry. Great uncertainty prevails over future oil price developments, profitability and competitiveness. The sector is characterised both in Norway and internationally by investment cut-backs and downscaling of the level of activity, which are reflected by the reduced scope of new projects.

Commitment to cost reductions and greater efficiency increased during 2014 and 2015. The need to secure a rapid improvement in cash flow was directed moreover at reduced activity, cost/benefit assessment of measures, simplification and standardisation of solutions and work processes, improved planning and renegotiation of contractual rates. The measures initiated have had a big impact in certain areas, such as drilling and field costs. A substantial potential still exists for further efficiency improvements through innovative technology, better collaboration between players and new operating models. Such measures will take longer to identify and implement, since they call for substantial changes in the way the industry works.

Current efficiency improvements and initiatives to reduce the level of costs in the industry are crucial for improving profitability both in the near future and in the long term. Greater emphasis on financial robustness challenges profitability and the choice of solutions in projects. The scope and speed of this improvement work affects Petoro's opportunities to realise the value potential of the portfolio for both mature fields and possible new field developments.

SUMMARY OF SDFI RESULTS

Financial results for the SDFI in 2015 were strong despite the significant reduction in commodity prices from the year before. Net income in 2015 came to NOK 89 billion, down by NOK 31 billion from 2014. Cash flow to the government was NOK 94 billion, 15 per cent lower than the year before despite a halving of oil prices in US dollars from 2014 to 2015.

A weaker exchange rate against the US dollar helped to maintain revenues measured in Norwegian kroner. Gas revenues represent an increasingly important share of SDFI income. Relatively stable prices combined with higher sales maintained good gas earnings. Total production averaged 1 068 000 barrels of oil equivalent per day (boe/d), about seven per cent higher than in 2014. That primarily reflected improved production efficiency (PE) and the completion of more wells. Some gas production was also transferred from 2014 to 2015. Sales for the year corresponded to production.

Investment for 2015 totalled NOK 28 billion, down by NOK 8 billion from the year before. This decline was in line with expectations and primarily reflected lower capital spending on development and operations as a result of reduced project activities.

At 31 December 2015, the portfolio's expected remaining oil, condensate, NGL and gas reserves comprised 6 276 million boe. That was up by 130 million boe from the end of 2014 when account is taken of production for the year and new reserves. The increase in the portfolio's reserves is attributable almost entirely to the decision to develop Johan Sverdrup.

The book value of assets totalled NOK 248 billion at 31 December 2015. These assets comprise operating facilities related to field installations, pipelines and land-based plants, as well as current debtors. Assets have been assessed for impairment in light of the low oil prices. Impairment charges of about NOK 5 billion were taken in 2015. Equity at 31 December amounted to NOK 161.5 billion.

HEALTH, SAFETY AND THE ENVIRONMENT (HSE)

The general improvement in HSE results is continuing, but was overshadowed by the fatal accident of 30 December 2015 on the *COSL Innovator* drilling rig, which was working on the Troll field. The serious incident frequency declined from 0.7 per million working hours in 2014 to 0.5. The personal injury frequency also made progress, falling from 3.8 in 2014 to 3.3. No large individual discharges of oil to the sea or on land occurred in 2015.

Major restructuring and change processes in the industry are influencing the risk picture, and Petoro paid particular attention to this aspect during 2015 when following up HSE and technical integrity. Special attention was again devoted during the year to major accident risk. The company also participated in a number of HSE visits by management to selected fields and installations in 2015. No negative consequences for HSE, maintenance and PE have so far been identified.

PRINCIPAL ACTIVITIES IN 2015

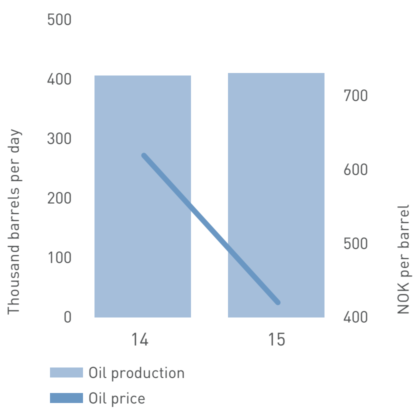
The portfolio comprised 174 production licences at 31 December, a reduction of eight from 1 January. Participatory interests in 13 production licences were awarded for Petoro to manage through the 2015 awards in predefined areas (APA) in January 2016.

The company's strategy was last revised in 2013, and its most important elements have been a concentration on mature fields, field development and the far north. A decision to initiate a new strategy process was taken by the board in the autumn of 2015, and plans call for this work to be completed during the first half of 2016.

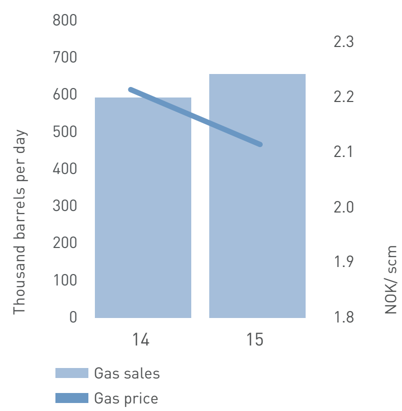
Output from the mature oil fields continues to dominate production in the portfolio. Troll, Åsgard, Oseberg, Heidrun, Snorre and Gullfaks accounted for about 60 per cent of total liquids production.

Just over 70 per cent of gas output came from Troll, Ormen Lange and Åsgard. New capacity was introduced in 2015 when Åsgard subsea

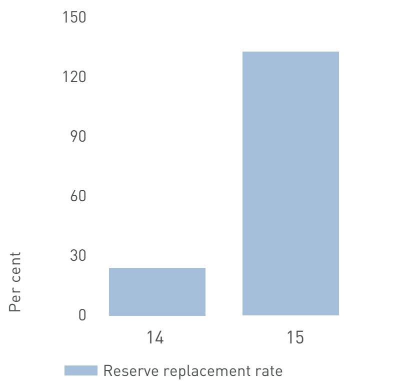
OIL PRODUCTION/PRICE



GAS SALES/PRICE



RESERVE REPLACEMENT RATE



compression, Valemon, Oseberg Delta 2, Troll gas compression and Eldfisk II came on stream. In addition, Gullfaks wet gas compression was installed during the year but did not begin operation.

In line with the strategy, work continued in 2015 on realising the reserve base and supplementary resources in the mature fields, with special commitments made to Snorre, Heidrun and Oseberg.

With today's high level of costs and low raw material prices, companies on the Norwegian continental shelf (NCS) are devoting great attention to improving profitability and cash flow. Petoro is finding that short-term considerations wrestle with longer-term concerns. This makes it challenging to secure the necessary decisions which are important for long-term value creation, and not least to ensure that these are taken at the right time.

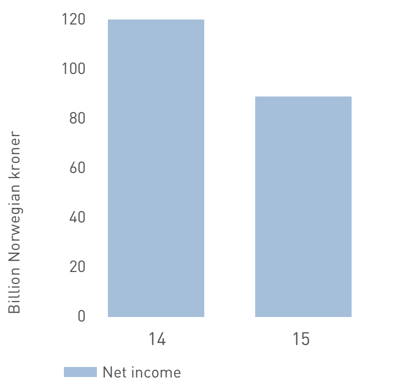
Petoro is an active driving force on the Snorre 2040 project, and contributed through its own work in 2015 to strengthening the reserve potential for a major new development solution. Challenging profitability prompted yet another postponement of the decision on continuation to the fourth quarter of 2016 and the introduction of a new concept based on subsea solutions as an alternative to a new Snorre C platform. Petoro has made its own assessments of the opportunities offered by a new concept for securing a realisation of the greatest possible value from further development of the field. Current plans call for an investment decision in 2017 and a start to production in 2021. The new solution makes it possible to realise Petoro's ambition.

Through its own simulation studies on Heidrun, Petoro has increased understanding of the reservoir in the northern parts of this field where the potential for improved recovery is greatest. This work has helped to reduce uncertainty and strengthen the reservoir potential for the Heidrun subsea extension project, with a choice of concept planned for early 2017.

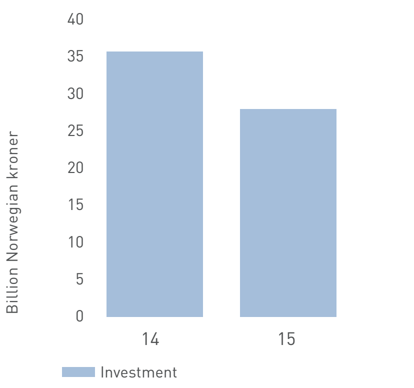
The contribution made by Petoro to Oseberg in 2015 was directed at improving the drainage strategy and ensuring robustness in the Oseberg future development project. A decision has been taken on a new simple and unstaffed wellhead platform as the first stage of the Oseberg Vestflanken 2 project. This innovative solution is entirely in line with Petoro's view, and could open new opportunities for further field development. A plan for development and operation (PDO) was submitted in December 2015, with production planned to begin in 2018.

Petoro's commitment to Johan Sverdrup in 2015 was linked to an integrated development of the field and to ensuring robust procurement strategies for its first stage. The PDO for phase one was submitted in February 2015 with a development solution which, in line with Petoro's view, lays the basis for good long-term value creation. Where future phases are concerned, an expansion of production capacity with a new platform at the field centre will provide the greatest long-term value creation. Petoro worked in 2015 to ensure that this structure will be as cost-effective as possible, and secured acceptance for further maturation of the concept up to decision gate 2 (DG2) in the autumn of 2016.

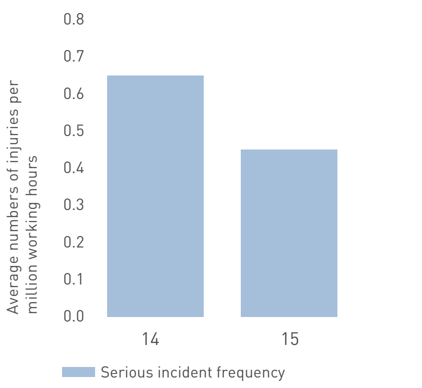
NET INCOME



INVESTMENT



SERIOUS INCIDENT FREQUENCY



The company continued its own analysis work on the value potential of advanced improved recovery from Johan Sverdrup, and proposed solutions in this area. The licensees are planning a pilot project for such recovery after phase one has come on stream. Petoro has also sought to establish a robust basis for electricity supply capacity which ensures sufficient power in the long term.

Extensive work related to the unitisation of Johan Sverdrup was completed by Petoro during 2015, and a negotiated unitisation agreement was presented to the government for determination of the final terms in conjunction with the submission of the PDO in February 2015. The Ministry of Petroleum and Energy (MPE) decided on a division of Johan Sverdrup on 1 July 2015 which gave the SDFI a 17.36 per cent holding in the field.

In the far north, Petoro's attention has been concentrated on the portfolio in Barents Sea South with the emphasis on Snøhvit, Johan Castberg and the Hoop area.

Where the Johan Castberg project is concerned, Petoro continued to focus during 2015 on improving profitability and enhancing the robustness of alternative concepts assessed by the licensees. A decision on continuation (DG2) was postponed in February 2015 to the third quarter of 2016, and the licensees opted in December 2015 for a production ship as the development concept. Petoro has contributed to ensuring that the chosen solution has sufficient processing capacity to provide tie-back opportunities for possible supplementary resources in the area.

Petoro continued to direct the industry's attention during 2015 towards the need to speed up the pace of drilling through improved efficiency and cost reductions in the drilling and well service area. The company has followed up progress with drilling speed from 10 fixed installations on five fields over several years, and has seen a doubling in the number of wells there over the past two years along with a halving in drilling costs for each well. This reflects a combination of more efficient drilling, simplification of well design and increased availability of drilling facilities.

Growing attention was paid by Petoro in 2015 to the need for improved efficiency also in development, operation and maintenance. The company worked to ensure that the measures adopted are sustainable in both short and long terms, and involve a genuine enhancement in efficiency rather than simply a reduction in activity. The aim is to increase competitiveness and thereby ensure the profitability of investment in mature fields and new developments. Petoro observed that field costs related to some important fields were also substantially reduced from the 2013 level during 2015. In addition, restructuring efforts by the operators contributed to big reductions in operational modifications. Achieving further cost reductions is expected to be more challenging.

Four PDOs were approved by the government in 2015, covering Gullfaks Rimfaksdalen, Johan Sverdrup phase one, Maria and Gullfaks Shetland/Lista. The PDO for Oseberg Vestflanken 2 was adopted by the licensees and submitted to the MPE in December.

Exploration activity on the NCS was high in 2015.

Petoro participated in 13 of the 57 exploration wells completed during the year. Seven new but small discoveries were made in the portfolio.

Reserves increased substantially over the year, primarily as a result of the development decision for Johan Sverdrup. The overall rise for the portfolio over the year was 520 million barrels of oil equivalent (boe). A total of 390 million boe was produced in 2015, giving an estimated net reserve replacement rate of 133 per cent. The comparable figure in 2014 was 24 per cent.

RESEARCH AND DEVELOPMENT

Petoro contributes to research and development (R&D) through the SDFI meeting its share of these costs, with the funds managed by the respective operators. This amounted to NOK 581 million in 2015. In addition come projects directed at field-specific qualification of new solutions or an initial application, where the costs are charged to the licensees as part of the investment budgets in the joint ventures. Petoro does not initiate its own technology development and research projects.

MARKETING AND SALE OF THE PRODUCTS

All oil and natural gas liquids (NGL) from the portfolio are sold to Statoil. The latter is responsible for marketing all the SDFI's natural gas together with its own gas as a single portfolio, but at the government's expense and risk. Petoro is responsible for monitoring that Statoil's sales of the SDFI's petroleum achieve the highest possible value, and for ensuring a rightful division of total value creation. Petoro concentrates in this work on Statoil's marketing and sales strategy, issues of great significance in value terms, matters of principle and questions relating to incentives.

Petoro has given priority to evaluating the formulae for oil and NGL in order to assess whether the goals in the marketing and sale instruction concerning Statoil's marketing and sale of the government's oil and gas are met. The company has also prioritised work related to maximising value creation in the gas portfolio to ensure that available gas is sold in the market at the highest possible price and that the flexibility in the production facilities and transport capacity is exploited to optimise sales. Petoro has also devoted attention to the role of gas in Europe's future energy mix, and has followed the development of EU energy and climate policies.

Checks were conducted to ensure that the SDFI was getting a rightful share of sales-related costs and revenues.

WORKING ENVIRONMENT AND EXPERTISE

The company's human resources policy will ensure diversity and equal opportunities, develop expertise, facilitate a good working environment, and prevent discrimination on the grounds of age, gender or cultural and geographical background.

Personnel in Petoro have long experience from the petroleum industry and a high level of education. The individual employee is crucial to the company's deliveries and success, and the board gives emphasis to ensuring that Petoro offers competitive terms and a stimulating working environment which attracts people with the right expertise and positive attitudes. Opportunities for professional and personal development will help to retain, develop and attract able personnel. In light of the Norwegian pension reform, Petoro has made changes to its pension scheme which came into effect on 1 January 2016.

Petoro had 64 employees at 31 December 2015, compared with 67 a year earlier. Three members of staff resigned during the year, while two others retired. Two new appointments were made. No occupational accidents were recorded among Petoro's personnel in 2015.

Women accounted for 39 per cent of the total workforce in 2015, and for 57 and 38 per cent of the company's directors and executive management respectively. Petoro emphasises equality between the genders in terms of opportunities for professional and personal development as well as pay. The company customises working conditions so that people with disabilities can also work for Petoro. Sickness absence came to 1.8 per cent, compared with 2.5 per cent in 2014. Petoro has an inclusive workplace (IA) agreement, and gives weight to close follow-up and dialogue to promote good health and prevent sickness absence.

Collaboration with the company's working environment committee (AMU) and works council (SAMU) lays an important basis for a good working environment in the company. Work in these bodies again functioned well in 2015.

CORPORATE GOVERNANCE

The board gives weight to good governance to ensure that the portfolio is managed in a way which maximises financial value creation in a long-term perspective. Requirements for governance in the public sector are specified in the government's financial regulations and in standards for good corporate governance. The board observes those sections of the Norwegian code of practice for corporate governance regarded as relevant to Petoro's business and to the frameworks established by its form of organisation and ownership.

The management system is tailored to Petoro's distinctiveness, and has been further developed in line with organisational changes during the year. See the separate section in the annual report for further details.

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

CORPORATE SOCIAL RESPONSIBILITY (CSR)

Petoro discharges its CSR in line with the company's guidelines for exercising such responsibility, which are tailored to its role. Funding for discharging its management duties and for running the company is provided through appropriations from the government, and Petoro is unable to provide monetary support for social purposes.

Measures which ensure that Petoro discharges its CSR include ethical guidelines, openness on money flows and anti-corruption work, the HSE declaration, and an HR policy which ensures diversity and equal opportunities. Petoro reports annual cash flows related to the portfolio to the extractive industries transparency initiative. The board provides a more detailed presentation of the exercise of CSR in a separate section of the annual report.

RISK MANAGEMENT AND INTERNAL CONTROL

The board conducted an assessment of the risk picture in 2015 on the basis of the approved strategy, and set targets for the coming year. Measures were identified for reducing the most significant risks which Petoro has an opportunity to influence within the frameworks established for it. The company updated its methodology and format for risk management during the year.

Two internal audit projects implemented in 2015 evaluated Petoro's processes for IT-related suppliers and external IT security respectively. The results were summed up in reports to the board which describe the checks undertaken, the findings made and the measures proposed and implemented. Internal audit projects in 2015 were implemented by Deloitte. With effect from 1 July 2015, the internal audit function in Petoro AS has been outsourced to PricewaterhouseCoopers. The latter will also conduct the internal financial audit for the SDFI from fiscal 2015.

WORK OF THE BOARD

The board held 11 meetings in 2015. It has established a meeting and work plan with the emphasis on the consideration of strategy, goals, budgets and interim results. The board is concerned with value creation from the total portfolio, and with ensuring that the state receives its rightful share and does not get charged a larger proportion of costs than is warranted. Balanced scorecards are a key instrument used by the board in following up the company's results, and it measures the results achieved against established commercial and organisational goals.

The board considers major investment decisions in the portfolio, and follows up and considers the commercial business, including monitoring Statoil's duties under the marketing and sale instruction. It also monitors the company's overall risk picture. The board ensures that control systems have been established and that the business is conducted in compliance with the company's values base and guidelines on business ethics. A declaration has been drawn up by the board on the remuneration of the chief executive and senior personnel. The board has organised its preparatory work on compensation arrangements in a sub-committee.

Conflicts of interest are a fixed item on the agenda at board meetings, and directors with such a conflict withdraw from the board's consideration of the relevant issue. The board conducts an annual evaluation of its own work. That also includes a review of the company's guidelines on business ethics and CSR, and the instructions for the board. Changes to its instructions and the business ethics guidelines were considered by the board in 2015. It has been underlined in the instructions that directors must routinely report on their ownership of shares or the like in other companies which could involve or which could be perceived as involving a conflict of interest with their position. Furthermore, they are required to report other relationships with licensees involved in petroleum activities on the NCS or with companies which deliver to licensees. The board also considered changes to the company's guidelines on business ethics, which were supplemented by a ban on senior executives owning shares in licensee companies.

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

Petoro's board comprises Gunn Wærsted as chair, Hilde Myrberg as deputy chair, Per Arvid Schøyen, Trude J H Fjeldstad and Per-Olaf Hustad as shareholder-elected directors, and Marit Ersdal and Lars Kristian Bjørheim as directors elected by and from among the employees.

PETORO AS AND THE GROUP

SHARE CAPITAL AND SHAREHOLDER

Petoro AS was established as part of the restructuring of the state's oil and gas activities in 2001, when Statoil was part-privatised and management of the SDFI was assigned to Petoro. The company's operations are regulated by chapter 11 of the Petroleum Act. Its general meeting is the Ministry of Petroleum and Energy.

The company's share capital at 31 December 2015 was NOK 10 million, divided between 10 000 shares owned by the Ministry of Petroleum and Energy on behalf of the Norwegian government. Petoro's business office is in Stavanger.

PETORO ICELAND AS

Petoro Iceland AS was established in December 2012 as a wholly owned subsidiary of Petoro AS. Through a branch registered in Iceland, it is a licensee and participant in production licences where the Norwegian government decides to participate. The company's share capital at 31 December 2015 comprised NOK 2 million, divided between 2 000 shares. It has no employees and has entered into a management agreement with Petoro.

NET INCOME AND ALLOCATIONS

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

Funds for operating Petoro AS and Petoro Iceland AS are provided by the government, which is directly liable for the commitments accepted by the companies. The consolidated accounts embrace the parent company and Petoro Iceland AS. Amounts related to internal transactions are eliminated in the consolidated accounts.

NOK 331.2 million (including VAT) was appropriated for ordinary operation of Petoro AS in 2015, and the appropriation for Petoro Iceland was NOK 22.5 million.

Operating expenses in 2015 were NOK 266.4 million for the parent company and NOK 283 million (excluding VAT) for the group. They related primarily to payroll and administration expenses and to the purchase of external services. The company prioritised spending substantial resources and study funds on mature fields and work on the Johan Sverdrup development.

Net profit came to NOK 5 million for the parent company and NOK 4.5 million for the group. The board proposes that this profit be transferred to other equity, which amounted to NOK 11.8 million at 31 December 2015. The group's reserves of NOK 13.4 million comprise other equity in the parent company, NOK 2 million in grants from the Norwegian government related to establishing Petoro Iceland and accumulated results in the subsidiary.

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

The board initiated a strategy process in 2015 and followed up the organisational changes and efficiency improvements launched to ensure that Petoro is as well equipped as possible for tackling the challenges and opportunities involved in managing the portfolio within available resources.

PROSPECTS

It appears likely that the time to come will also be characterised by a weakened balance between supply and demand and pressure on oil and gas prices. The international debate on climate conditions challenges the position of fossil fuels in the future global energy mix, and increases uncertainty about the market outlook for oil and gas.

The board notes that all players in the industry are working to enhance cost efficiency on a broad basis. This represents an important basis for future profitability. The board expects the competitiveness of the NCS to be strengthened as a result of current improvement measures, which are likely to yield a further reduction in the level of costs.

Ensuring the profitability of drilling a large number of new production wells is necessary for realising the value in the mature fields on the NCS. Success here within the producing life of the fields calls for lasting cost reductions, a high pace of drilling and reduced uncertainty over potential volumes. However, achieving genuine efficiency gains at a substantially lower level of costs will require hard work for a long time to come both by operators and at all stages in the supplier chain. For further efficiency measures to succeed, work must be pursued with new technological opportunities and with continued development of an open and trusting collaboration between operators and suppliers at all levels. Should these efficiency efforts prove successful, a great potential for new commercial opportunities continues to exist on the NCS. It is also important that the maturation of projects does not come to a halt and that more developments get driven forward to decision than the number being submitted to the partnerships at present.

The board expects portfolio transactions between players on the NCS to increase as a consequence of a challenging market and a changed strategic focus among the companies. That could influence partner composition in the licences and opportunities for realising new production.

Exploration activity resulting from awards in the 23rd licensing round in the Barents Sea will be crucial for the pace of further development in the far north, and probably also for the addition of major new projects and new production after 2020.

Stavanger, 4 March 2016

Gunn Wærsted Chair	**Hilde Myrberg** Deputy chair	**Trude J H Fjeldstad** Director
Per Arvid Schøyen Director		**Per-Olaf Hustad** Director
Lars Kristian Bjørheim Director*	**Marit Ersdal** Director*	**Grethe K Moen** President and CEO

*Elected by the employees

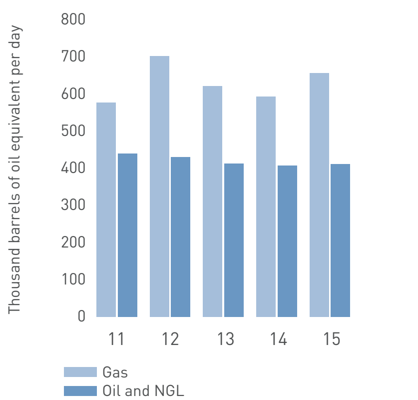
KEY FIGURES 2015 SDFI

Net income for the portfolio in 2015 came to NOK 89 billion, compared with NOK 120 billion the year before. Total operating revenue was NOK 158 billion, compared with NOK 180 billion in 2014. Cash flow to the government came to NOK 94 billion as against NOK 111 billion the year before. Total production averaged 1 068 000 barrels of oil equivalent per day (boe/d), which was above the 2014 figure of 1 000 000 boe. Investment was NOK 28 billion as against 36 billion the year before.

NGAAP

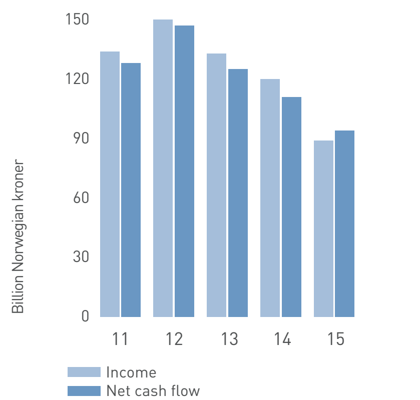
	2015	2014	2013
Operating revenue (in NOK million)	**157 753**	179 797	194 308
Net income for the year (in NOK million)	**88 999**	119 671	132 817
Investment (in NOK million)	**27 961**	35 742	35 444
Net cash flow (in NOK million)	**93 639**	111 068	124 825
Production – oil and NGL (1 000 b/d)	**411**	407	413
Production – dry gas (million scm/d)	**105**	94	99
Oil, NGL and dry gas production (1 000 boe/d)	**1 068**	1 000	1 034
Remaining reserves (million boe)	**6 276**	6 145	6 423
Reserve replacement rate (annual percentage)	**133**	24	47
Reserves added (million boe)	**520**	88	177
Oil price (USD/bbl)	**53**	99	110
Oil price (NOK/bbl)	**420**	617	647
Gas price (NOK/scm)	**2.14**	2.23	2.31

PRODUCTION



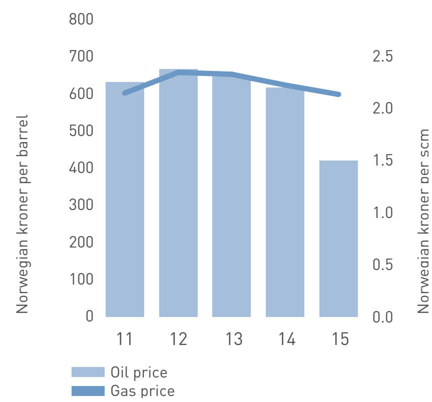
Total production averaged 1.1 million barrels of oil equivalent (boe) per day, up roughly seven per cent from 2014. Output of both liquids and gas rose, by one and 11 per cent respectively. A higher gas volume reflects production deferred from 2014 to 2015 in order to boost value.

INCOME AND CASH FLOW



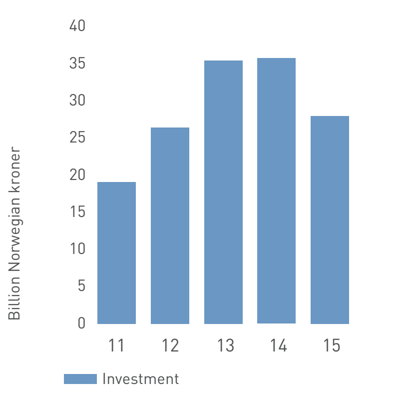
Net income for 2015[1] was NOK 89 billion, down by about 26 per cent from NOK 120 billion the year before. This figure was affected by developments in oil and gas prices, and yielded a cash flow to the government of NOK 94 billion, compared with NOK 111 billion in 2014.

OIL AND GAS PRICES



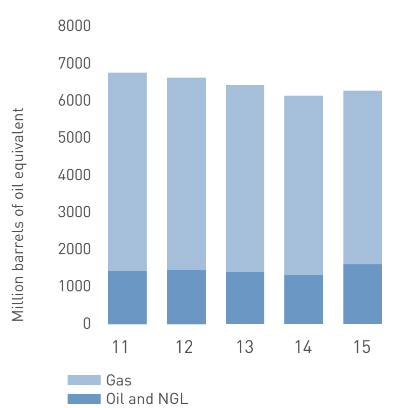
The price of oil averaged USD 53 per barrel in 2015, compared with USD 99 the year before. This decline in US dollars was partly counteracted by a strengthening of that currency against the Norwegian krone. Converted to the latter, the average oil price was NOK 420 per barrel as against NOK 617 in 2014. Gas reached an average price of NOK 2.14 per scm in 2015, compared with NOK 2.23 the year before.

INVESTMENT



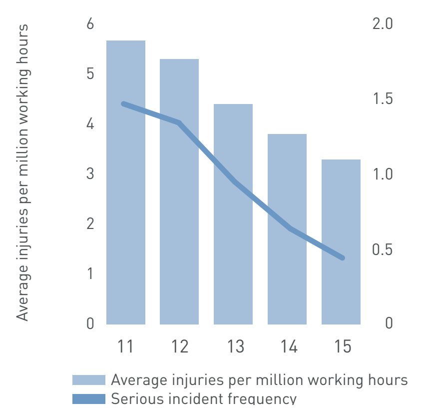
Investment in 2015 totalled NOK 28 billion, down by roughly 22 per cent from the year. Capital spending for 2015 included such developments as Martin Linge, Johan Sverdrup, Maria, subsea compression on Åsgard and Gullfaks, and Polarled.

REMAINING RESERVES



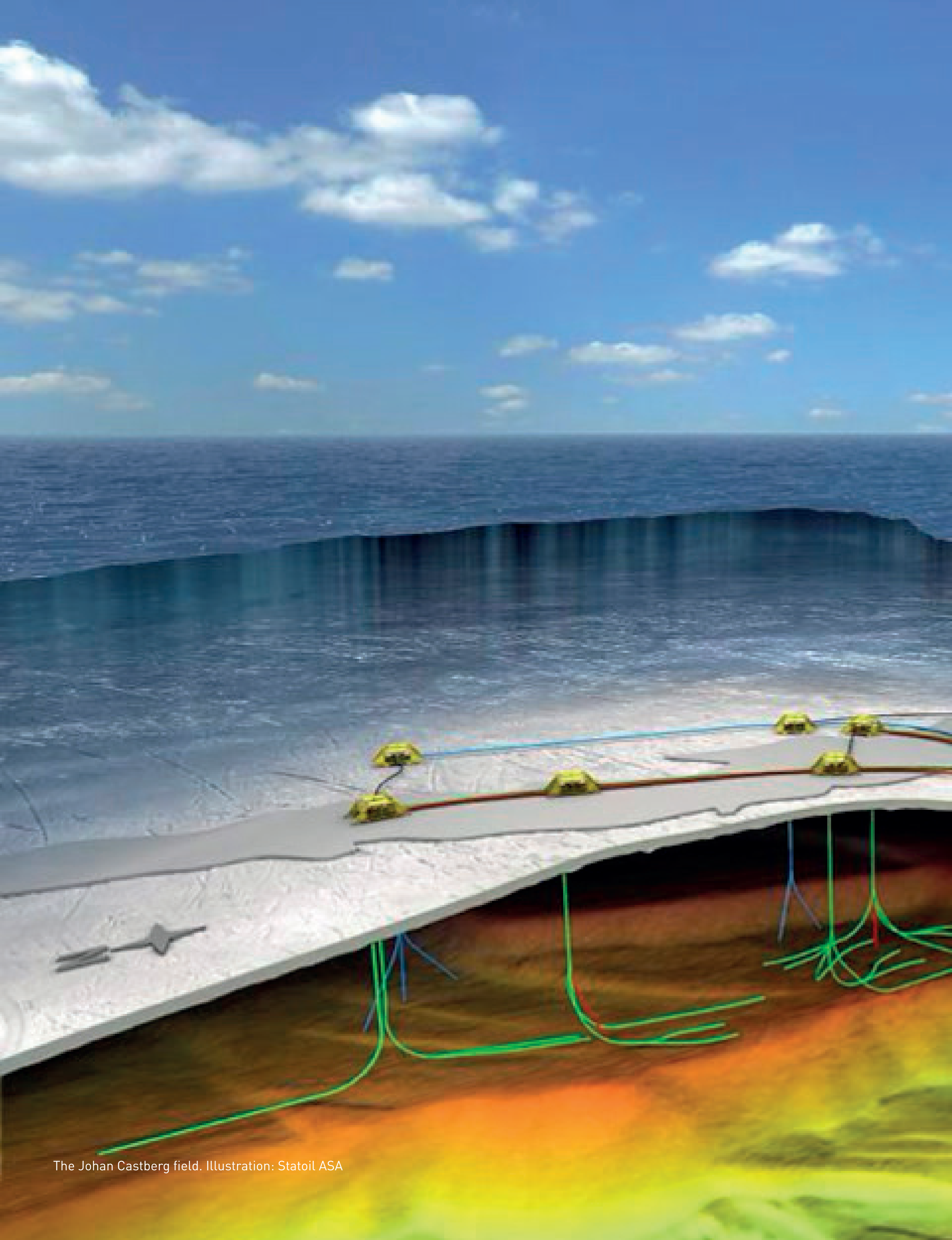
The portfolio's estimated remaining reserves of oil, condensate, NGL and gas totalled 6 276 million boe at 31 December, up by 130 million boe from the year before. Production in 2015 came to 390 million boe.

SAFETY

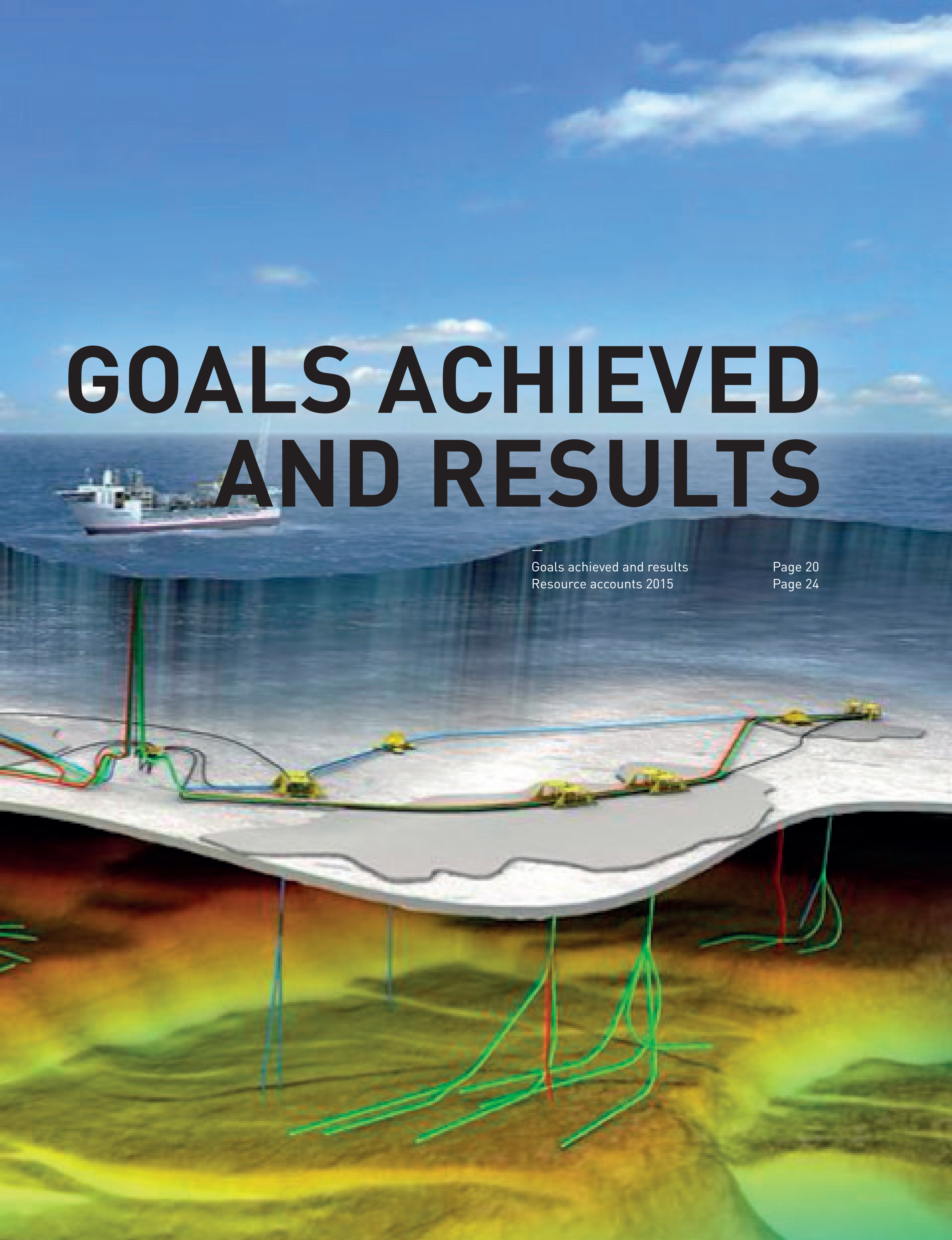


Petoro's main parameter for monitoring HSE developments is the serious incident frequency (SIF), which measures the number of such events per million working hours. This figure for 2015 was 0.5, and better than the year before. The improvement was overshadowed by December's fatal accident on the *COSL Innovator* drilling rig while it was working on Troll. The personal injury frequency per million working hours came to 3.3, which was also a better performance than in earlier years.

[1] All figures are presented in accordance with Norwegian accounting legislation and accounting standards (NRS).



The Johan Castberg field. Illustration: Statoil ASA



GOALS ACHIEVED AND RESULTS

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GOALS ACHIEVED AND RESULTS

Reference is made to the letter of assignment to Petoro AS for 2015, and to the business plan for Petoro AS. The targets set in the letter of assignment and Petoro's performance in relation to these are presented below.

OPERATIONAL TARGETS

Petoro will establish operational targets with the aim of maintaining a high level of production in 2015.

Total liquids production averaged 411 000 b/d in 2015, 16 000 b/d above the target of 395 000. Good drilling progress and high production efficiency (PE) contributed to this performance. High PE reflected in part the deferment of/reduction in modification and maintenance work, including an increase in the interval between planned maintenance turnarounds from three to four years.

Overall production averaged 1 068 000 boe/d, up by about seven per cent from 2014. That primarily reflected higher PE and the completion of more wells. Some gas production was also transferred from 2014 to 2015.

In addition to ordinary licence follow-up, where the operator and partners set production targets and the operator is challenged over nonconformity management and compensatory measures, Petoro's commitment was directed particularly at measures to increase drilling efficiency. This represents an important instrument for implementing the planned drilling programme and for maintaining high production.

Petoro will establish operational targets aimed at increasing the maturation of reserves through measures to improve recovery from mature fields and to develop new discoveries.

The SDFI portfolio at 31 December comprised 34 producing fields. A number of measures have been identified to improve recovery and thereby increase reserves for these fields, including the choice of good solutions for long-term field development, drilling more wells per year and more efficient drilling.

The SDFI portfolio comprised 6 276 million boe in estimated remaining reserves of oil, condensate, NGL and gas at 31 December. Reserves increased substantially over the year, primarily as a result of the development decision for Johan Sverdrup. The overall rise in the portfolio for the year was 520 million boe. A total of 390 million boe was produced in 2015, giving an estimated net reserve replacement rate of 133 per cent. The comparable figure in 2014 was 24 per cent.

The industry experienced a sharp rise in costs over a number of years, and this trend was unsustainable. That prompted a commitment to cutting costs. In recent years, large oil companies have shifted their business goals away from volume growth and in the direction of financial parameters such as cash flow and dividend. That has led to stricter priorities for investment funds and increased requirements for profitability in new projects. As a result, projects intended to contribute to maturing reserves have been halted, deferred or narrowed in scope. That will contribute to the postponement and reduction of future additions to reserves and production.

Petoro made a special commitment in 2015 to realising the reserve base and additional resources in mature fields, and was a driving force in maturing good and profitable further development projects on Heidrun, Snorre and Oseberg among others. The company's commitment was particularly concentrated on identifying and establishing the likelihood of meeting the total remaining requirement for wells, increasing the pace of drilling in order to drill all profitable wells within the economic lifetime of the fields, and reducing well costs so that more wells become profitable. Directed at a selection of fields, these efforts are described in more detail under the coverage of mature fields in the section on priority targets and activities.

Furthermore, Petoro worked in 2015 to secure new profitable field developments which have the flexibility to take care of future opportunities, with a particular focus on Johan Sverdrup and Johan Castberg. Where the first of these fields is concerned, the commitment has been directed at promoting an integrated development. Petoro has also contributed to maturing and making provision for the use of advanced injection techniques which can improve recovery from early in the field's producing life. See also the coverage of Johan Sverdrup in the section on priority targets and activities.

Petoro will establish operational targets with regard to keeping costs at the lowest possible level.

Petoro continued to direct the industry's attention during 2015 towards the need to speed up the pace of drilling through improved efficiency and cost reductions in the drilling and well service area. The company has followed up progress with the pace of drilling from 10 fixed installations on five fields over several years, and has seen a doubling in the number of wells over the past two years along with a halving in drilling costs for each well.

Growing attention was paid by Petoro in 2015 to the need for improved efficiency also in development, operation and maintenance. The company worked to ensure that the measures adopted are sustainable in both short and long terms, and mean a genuine enhancement in efficiency rather than simply a reduction in activity. The aim is to increase competitiveness and thereby ensure the profitability of investment in mature fields and new developments.

Petoro was particularly involved during 2015 in following up field costs in the licences – in other words, that part of operating expenses which relates largely to offshore operation and maintenance. The company has established targets for these costs related to nine selected fields, and has observed that they were substantially lower for this group in 2015 compared with the 2013 level.

Restructuring measures by the operators have also led to substantial reductions in operational modifications.

Investment in 2015 totalled NOK 28 billion, down by NOK 8 billion or 22 per cent from the year before. This decline was in line with expectations and primarily reflected lower capital spending on development and operations as a result of reduced project activities.

Petoro will establish operational targets aimed at protecting safety and environmental considerations in the petroleum sector.

The general improvement in HSE results is continuing, but was overshadowed by the fatal accident of 30 December 2015 on the *COSL Innovator* drilling rig, which was working on the Troll field. The serious incident frequency declined from 0.7 per million working hours in 2014 to 0.5. The personal injury frequency also made progress, falling from 3.8 in 2014 to 3.3. No large individual discharges of oil to the sea or on land occurred in 2015.

Major restructuring and change processes in the industry are influencing the risk picture, and Petoro paid particular attention to this aspect during 2015 when following up HSE and technical integrity. Special attention was again devoted during the year to major accident risk. The company also participated in a number of HSE visits by management to selected fields and installations in 2015. No negative consequences for HSE, maintenance and PE have so far been identified.

Petoro reports emissions to the air and discharges to water from the portfolio in a separate section on the environment. The figures are taken from reporting by the operators to the Norwegian Oil and Gas Association and will be incorporated in the annual report at a later date, as soon as they become available.

PRIORITY TARGETS AND ACTIVITIES IN 2015

Mature fields

Petoro will contribute to good solutions for long-term field development and improved recovery from the mature fields in the SDFI portfolio, including measures for drilling more wells and more efficient drilling.

Petoro will work to reduce uncertainty in the reserve and resource base, and to identify associated well targets.

Petoro will direct its commitment towards projects for improved recovery from Snorre, Heidrun and Oseberg. These joint ventures face important decisions over the next few years on investment in new infrastructure which will contribute to improved recovery and reduce the risk of losing reserves.

Petoro has opted to combine its presentation of the initiatives and measures taken on these three goals, as well as the results achieved. Priority was given in 2015 to the mature Snorre, Heidrun and Oseberg fields, and the commitment to each of these is reported below.

Petoro's commitment related to the mature fields aims to improve recovery from priority fields by choosing good solutions for long-term field development, drilling more wells per year, and drilling more efficiently.

The SDFI portfolio is dominated by large holdings in mature fields. In addition to the volumes covered by today's plans, Petoro has identified more than 100 million scm in remaining reserves and additional resources with potential profitability in Snorre, Heidrun and Oseberg. Marginal profitability, time-criticality and investment requirements are factors which affect their realisation.

Petoro has long worked to clarify the reserve and resource base by mapping the remaining resource potential, and by identifying associated well targets so that field development decisions can be taken on the basis of realistic long-term plans in the licences. Efforts in the priority fields were as follows.

Snorre
Petoro is an active driving force with the Snorre 2040 project, and contributed through its own work in 2015 to strengthening the reserve potential for a major new development solution. Challenging profitability prompted yet another postponement of the decision on continuation to the fourth quarter of 2016 and the introduction of a new concept based on subsea solutions as an alternative to a new Snorre C platform. Petoro has made its own assessments of the opportunities offered by a new concept for securing a realisation of the greatest possible value from further development of the field. Current plans call for an investment decision in 2017 and a start to production in 2021. The new solution makes it possible to realise Petoro's ambition.

Heidrun
Through its own simulation studies as part of the decision gate 2 (DG2) phase for the Heidrun subsea extension project, Petoro has increased understanding of the reservoir in the northern parts of this field where the potential for improved recovery is greatest. This work has helped to reduced uncertainty and strengthen the reservoir potential for the Heidrun subsea extension, with a choice of concept planned for early 2017.

Oseberg
The contribution made by Petoro to Oseberg in 2015 was directed at improving the drainage strategy and ensuring robustness in the Oseberg future development project. A decision has been taken on a new simple and unstaffed wellhead platform as the first stage of the Oseberg Vestflanken 2 project. This innovative solution is entirely in line with Petoro's view, and could open new opportunities for further field development. A plan for development and operation (PDO) was submitted in December 2015, with production planned to begin in 2018.

Through its own sub-surface work, Petoro assessed in 2015 whether an unstaffed wellhead platform is suitable as a concept for Oseberg Øst in order to improve the recovery factor to 40 per cent. This is a technically and financially demanding project with little support in the licence. Petoro's work has nevertheless prompted the operator to initiate a project to look at alternative opportunities for increasing the number of wells and carrying out independent drilling from the platform. A choice of concept is planned in late 2016.

Field development

Petoro will contribute to the selection of good solutions for new field developments in the SDFI portfolio, such that these have sufficient flexibility to take care of new opportunities and lay the basis for long-term profitable production.

On the basis of its experience, Petoro has chosen to concentrate attention on flexibility in development solutions which allow future opportunities to be grasped, and on making provision for a long profitable producing life, quick and effective use of technological opportunities for improved recovery, reservoir descriptions and subsea processing.

Petoro devoted particular resources to following up Johan Sverdrup in 2015. See the separate report below.

Petoro will contribute to a good development of the Johan Sverdrup discovery, including unitisation.

Petoro's commitment to Johan Sverdrup in 2015 was linked to an integrated development of the field and to ensuring robust procurement strategies for its first stage. The PDO for phase one was submitted in February 2015 with a development solution which, in line with Petoro's view, lays the basis for good long-term value creation. Where future phases are concerned, an expansion of production capacity with a new platform at the field centre will provide the greatest long-term value creation. Petoro worked in 2015 to ensure that this structure will be as cost-effective as possible, and secured acceptance for further maturation of the concept up to DG2 in the autumn of 2016.

The company continued its own analysis work on the value potential of advanced improved recovery from Johan Sverdrup, and proposed solutions in this area. The licensees are planning a pilot project for such recovery after phase one has come on stream. Petoro has also sought to establish a robust basis for electricity supply capacity which ensures sufficient power in the long term.

Extensive work related to the unitisation of Johan Sverdrup was completed by Petoro during 2015, and a negotiated unitisation agreement was presented to the government for determination of the final terms in conjunction with the submission of the PDO in February 2015. The Ministry of Petroleum and Energy (MPE) decided on a division of Johan Sverdrup on 1 July 2015 which gave the SDFI a 17.36 per cent holding in the field.

Petoro will work to ensure early use of technology for improved recovery and good reservoir description.

The commitment to early use of improved recovery technology was directed in 2015 at Johan Sverdrup. Petoro concentrated its attention on maturing and facilitating the use of water-based injection techniques for enhanced oil recovery (EOR) from early in the field's producing life. The company continued its own analyses of the potential and submitted solutions and a business case for this approach. The licensees are planning to implement an EOR pilot once phase one has come on stream. Petoro has also helped to ensure that EOR and water alternating gas (WAG) injection are incorporated as an integrated part of the development plans for phase two.

Where technology for reservoir description is concerned, Petoro continued its commitment on Johan Sverdrup to ensuring that permanent seismic sensors are installed. These cables are intended to monitor changes in the reservoir by repeatedly gathering seismic data during the production phase. That is important for improved well positioning in order to optimise oil recovery. This permanent reservoir monitoring approach has been adopted as the seismic technology method for the phase-one area of the field and will be installed by 2020 at the latest.

Far north – promoting coherent development

On the basis of the state's participatory interests in Barents Sea South, Petoro will contribute to further development in this area with the emphasis on fields and discoveries such as Snøhvit and Johan Castberg.

In the far north, Petoro's attention has been concentrated on the portfolio in Barents Sea South with the emphasis on Snøhvit, Johan Castberg and the Hoop area.

After many years of substantial operational and availability challenges and a strong concentration on measures to enhance robustness, production efficiency at the Snøhvit gas liquefaction plant now appears likely to be high in the future. Based on the existing Snøhvit wells, the field is expected to come off plateau in the early 2020s. Potential measures to extend plateau production were studied and assessed in 2015. Petoro has devoted particular attention to ensuring that the first of such measures is appropriate, and that the choice is viewed from an integrated and long-term perspective. Maturing and ranking/selecting plateau extension projects will continue in 2016, and this work indicates that it will be possible to maintain plateau production into the 2040s.

Where the Johan Castberg project is concerned, Petoro continued to focus during 2015 on improving profitability and enhancing the robustness of alternative concepts assessed by the licensees. A decision on continuation (DG2) was postponed in February 2015 to the third quarter of 2016, and the licensees opted in December 2015 for a production ship as the development concept. Petoro has contributed to ensuring that the chosen solution has sufficient processing capacity to provide tie-back opportunities for possible supplementary resources in the area.

A total of five exploration wells were completed in the Barents Sea during 2015. The SDFI participated in only one of these, the dry Bjaaland well in the

OMV-operated Wisting licence (PL537). All four of the others were appraisal wells on the Alta discovery in PL609, operated by Lundin. A sixth exploration well was spudded, again in PL609 but further north in the licence (the Neiden prospect). This is an interesting prospect since it lies only 12 kilometres east of Johan Castberg. The well had to be temporarily plugged and abandoned since the rig was not winterised, and must be completed in 2016.

Monitoring Statoil's marketing and sale of the government's petroleum

Petoro will monitor that Statoil's marketing and sale of the government's petroleum together with its own production complies with the marketing and sale instruction given to Statoil ASA.

As part of its monitoring of Statoil's marketing and sale, Petoro will:

- *monitor the marketing and sale of the government's petroleum, with attention being paid to the changed market conditions as well as to issues of great significance in terms of value or as matters of principle.*
- *assess whether the new formula for oil fulfils the goals which prompted the changes in 2011.*

All oil and natural gas liquids (NGL) from the portfolio are sold to Statoil. The latter is responsible for marketing all the SDFI's natural gas together with its own gas as a single portfolio, but at the government's expense and risk. Petoro is responsible for monitoring that Statoil's sales of the SDFI's petroleum achieve the highest possible value, and for ensuring a rightful division of total value creation. Petoro concentrates in this work on Statoil's marketing and sale strategy, issues of great significance in value terms, matters of principle and questions relating to incentives.

Petoro has given priority to evaluating the formulae for oil and NGL in order to assess whether the goals in the marketing and sale instruction concerning Statoil's marketing and sale of the government's oil and gas are met. The company has also prioritised work related to maximising value creation in the gas portfolio to ensure that available gas is sold in the market at the highest possible price and that the flexibility in the production facilities and transport capacity is exploited to optimise sales. Petoro has also devoted attention to the role of gas in Europe's future energy mix, and has followed the development of EU energy and climate policies.

Checks were conducted to ensure that the SDFI was getting a rightful share of sales-related costs and revenues. Statoil and Petoro conducted a dialogue during the year concerning the establishment of a new system for following up their joint activities to improve the exercise of the companies' role in relation to the marketing and sale instruction.

Petoro will describe how the organisation has prioritised its resources in order to address priority targets and assignments for 2015.

Major changes occurred in Petoro's environment during 2015. After a long period of strong growth in oil prices and costs, the price of crude halved through the autumn of 2014. That created great uncertainty over future oil price trends and profitability.

The commitment to cost-cutting and enhancing efficiency increased during 2014 and 2015. Furthermore, the need for a rapid improvement in cash flow has been directed at reducing activity, cost/benefit assessment of measures, simplification and standardisation of solutions and work processes, improved planning and renegotiation of contract rates.

Current efficiency enhancements and initiatives to reduce the level of costs in the industry are crucial for improved profitability both in the immediate future and in the longer term. Greater emphasis on financial robustness challenges profitability and the choice of solutions in the projects. The scale and speed of this improvement work affects Petoro's opportunities to realise the value potential in the portfolio with regard to both mature fields and possible new developments.

Petoro has had to revise its priorities swiftly and implement substantial adjustments as operators and the industry as a whole responded to the changes in their environment. A great deal of flexibility has been required from the company in order to adapt to rapid change related both to decisions in individual licences and to internal company and industry improvement measures.

To safeguard the assets in the SDFI portfolio within existing frameworks and resources, the company opted in the autumn of 2015 to concentrate on the following.

- Seek to continue minimising and managing major accident risk in relation to HSE.
- Continue to work as a driving force for reducing costs in order to secure profitable development and to ensure that durable reductions are achieved. Ensure that risk associated with improvement measures is understood and adequately managed.
- Identify time-critical resources and realise measures to improve profitable recovery from the mature fields.
- Pay special attention to boosting drilling efficiency, which is crucial for profitable drilling of wells on existing fields and new discoveries.
- Contribute to the choice of good and profitable solutions for new field developments, so that these are sufficiently flexible to take care of new opportunities and facilitate long-term profitable production.

RESOURCE ACCOUNTS 2015

The tables below present remaining reserves in resource classes 1 to 3, as well as resources in classes 4 to 8.

		Remaining recoverable resources		
	Resource classes 1-8	**Oil, NGL and condensate** mill scm	**Gas** bn scm	**Oil equivalent** mill scm
RC 1-3	Reserves	254.3	743.4	997.7
RC 4	In the planning phase	50.9	11.3	62.2
RC 5	Recovery likely but not clarified	46.5	65.3	111.7
RC 6	Recovery not very likely	13.4	8.0	21.4
RC 7	New discoveries not evaluated	66.9	39.1	106.0
RC 8	Prospects	16.8	21.5	38.3
	Total	**448.8**	**888.6**	**1337.4**

	Original recoverable reserves			Remaining reserves		
Field	**Oil and NGL*** mill scm	**Gas** bn scm	**Oil equivalent** mill scm	**Oil and NGL*** mill scm	**Gas** bn scm	**Oil equivalent** mill scm
ATLA	0.09	0.36	0.45	0.03	0.18	0.21
DRAUGEN	71.78	0.81	72.59	3.86	0.05	3.91
EKOFISK	28.66	7.94	36.60	4.44	0.72	5.16
ELDFISK	6.92	2.12	9.04	1.20	0.11	1.31
EMBLA	0.71	0.30	1.00	0.12	0.10	0.21
FLYNDRE	0.02	0.01	0.03	0.02	0.01	0.03
FRAM H-NORD	0.08	0.00	0.08	0.03	0.00	0.03
GIMLE	0.79	0.22	1.01	0.00	0.02	0.02
GJØA	8.98	10.71	19.69	3.74	5.85	9.59
GRANE	41.59	0.00	41.59	11.98	0.00	11.98
GULLFAKS	114.70	6.93	121.63	4.92	0.00	4.92
GULLFAKS SØR	25.62	25.44	51.06	7.96	12.75	20.71
HEIDRUN	110.24	28.32	138.56	22.13	18.55	40.69
JETTE	0.15	0.00	0.15	0.03	0.00	0.03
JOHAN SVERDRUP	49.74	1.48	51.22	49.74	1.48	51.22

	Original recoverable reserves			Remaining reserves		
Field	**Oil and NGL*** mill scm	**Gas** bn scm	**Oil equivalent** mill scm	**Oil and NGL*** mill scm	**Gas** bn scm	**Oil equivalent** mill scm
KRISTIN	7.20	5.78	12.98	1.23	1.33	2.56
KVITEBJØRN	16.25	28.41	44.66	6.35	10.50	16.85
MARIA	8.64	0.75	9.39	8.64	0.75	9.39
MARTIN LINGE	3.65	5.85	9.50	3.65	5.85	9.50
NORNE	50.64	5.72	56.36	1.70	1.94	3.65
ORMEN LANGE	6.90	108.14	115.04	2.66	50.82	53.49
OSEBERG	143.14	41.16	184.30	12.65	26.64	39.30
OSEBERG SØR	23.98	7.16	31.14	6.41	3.70	10.11
OSEBERG ØST	9.54	0.13	9.67	2.85	0.03	2.89
REV	0.24	0.78	1.02	0.03	0.00	0.03
SKIRNE	0.69	3.03	3.72	0.09	0.00	0.09
SKULD	1.30	0.07	1.37	0.61	0.02	0.64
SNORRE	82.99	1.98	84.97	19.59	0.09	19.68
SNØHVIT	12.31	67.32	79.63	9.51	56.73	66.24
STATFJORD NORD	13.35	0.66	14.01	1.73	(0.03)	1.70
STATFJORD ØST	12.51	1.23	13.74	0.64	0.00	0.64
SVALIN	2.31	0.00	2.31	1.41	0.00	1.41
SYGNA	3.36	0.00	3.36	0.33	0.00	0.33
TORDIS	20.62	1.44	22.06	2.42	0.15	2.57
TROLL	184.36	802.37	986.73	33.14	499.30	532.44
TUNE	1.47	7.40	8.87	(0.08)	(0.40)	(0.48)
URD	1.89	0.10	1.99	0.39	0.02	0.42
VALEMON	2.09	7.29	9.38	2.00	6.84	8.84
VARG	4.89	0.09	4.98	0.03	0.03	0.06
VEGA	5.66	4.79	10.44	3.32	2.89	6.21
VESLEFRIKK	21.47	1.81	23.28	0.51	0.67	1.18
VIGDIS	21.50	0.57	22.07	3.59	0.00	3.59
VISUND	14.77	16.53	31.30	6.18	13.68	19.86
VISUND SØR	1.38	2.25	3.63	0.76	1.65	2.41
ÅSGARD	69.18	74.95	144.13	11.72	20.41	32.14
Total	**1208.31**	**1282.39**	**2490.69**	**254.29**	**743.44**	**997.73**

* Including condensate

	Recoverable resources		
Resource class 4	**Oil, NGL and condensate** mill scm	**Gas** bn scm	**Oil equivalent** mill scm
31/2-N-11 H	0.1	0.0	0.1
Asterix	0.1	3.4	3.5
DRAUGEN	0.0	0.0	0.0
GULLFAKS	1.4	0.6	2.0
GULLFAKS SØR	1.5	2.2	3.7
HEIDRUN	5.7	1.0	6.7
JOHAN CASTBERG	17.2	0.0	17.2
JOHAN SVERDRUP	12.9	0.4	13.3
KRISTIN	0.4	0.3	0.7
KVITEBJØRN	0.2	0.5	0.6
SKULD	0.2	0.0	0.2
SNORRE	8.3	0.0	8.3
SNØHVIT	0.2	0.7	0.9
Svale Nord	0.3	0.0	0.4
Tornerose	0.1	1.1	1.2
TROLL	1.3	0.0	1.3
ÅSGARD	1.0	1.1	2.1
Total	**50.9**	**11.3**	**62.2**

Kårstø in March 2015. Photo: Statoil

MANAGEMENT AND CONTROL

—

BOARD OF DIRECTORS OF PETORO AS

Standing from left: Hilde Myrberg, Per-Olaf Hustad, Trude J H Fjeldstad and Lars Kristian Bjørheim. Seated from left: Per A Schøyen, Gunn Wærsted and Marit Ersdal. Photo: Kjetil Alsvik

GUNN WÆRSTED
Chair

Years of election/re-election: 2014/2016
Other directorships: Chair, Telenor and Nordea SA (Luxembourg).
Education: MBA, BI Norwegian Business School.
Career: Executive vice president in DnB responsible for capital management and life insurance, CEO, Vital Forsikring ASA and member of corporate executive management, 1999-2002, CEO, SpareBank 1 Gruppen AS, and head, SpareBank 1 Alliance, 2002-07. Global head of wealth management, president of Nordea Bank Norge and member of the corporate executive management of Nordea, 2007-16.

PER-OLAF HUSTAD
Director

Years of election/re-election: 2014/2016
Other directorships: Chair, NOBU Group AS
Occupation: Independent consultant.
Education: MSc petroleum technology, Norwegian Institute of Technology (now Norwegian University of Science and Technology)
Career: Statoil, 1976-80, then more than 30 years with Shell – including executive positions in operator companies and major projects. Head of exploration and production for Shell in Norway to 2012.

MARIT ERSDAL
Director (elected by the employees)

Years of election/re-election: 2014/2016
Occupation: Senior adviser, technology department, Petoro AS.
Education: MSc technical physics/reservoir technology, Norwegian Institute of Technology (now Norwegian University of Science and Technology).
Career: Long experience from Norwegian and international companies, mainly in the reservoir and production technology area.

HILDE MYRBERG
Deputy chair

Years of election/re-election: 2006/2017
Occupation: Self-employed.
Other directorships: Director, Norges Bank, CGG SA and Nordic Mining AS. Member, nomination committee, Det norske ASA.
Education: Law degree, MBA from Insead.
Career: Head, market sector, Hydro Oil & Energy, 2002-06. A number of posts in Hydro, including business development for Hydro Energy, head of marketing activities in the power area, corporate legal executive and board secretary.

PER A SCHØYEN
Director

Years of election/re-election: 2007/2017
Occupation: Consultant.
Education: Law degree, various management programmes.
Career: Partner, Kluge, 2005-14. With Esso/ExxonMobil 1977-2004, head of corporate affairs from 1989, other positions in Norway and abroad. Also judge and assistant police attorney as well as scientific assistant, University of Oslo.

TRUDE J H FJELDSTAD
Director

Years of election/re-election: 2015/2017
Occupation: Chief executive, Statkraft Treasury Centre, Brussels.
Education: Economics degree, University of Oslo, financial analyst and MBA in corporate finance, Norwegian School of Economics.
Career: Previously secretary to the board, Statkraft, senior gas manager, Statkraft, chief executive, Plaine de l'Ain Power SAS and portfolio manager for gas in Norsk Hydro ASA.

LARS KRISTIAN BJØRHEIM
Director (elected by the employees)

Years of election/re-election: 2014/2016
Occupation: Senior adviser, licence follow-up, Petoro AS.
Education: MBA, BI Norwegian Business School, 2003.
Career: Experience from various roles in Petoro within accounting and licence follow-up. Has been a consultant in Accenture.

EXECUTIVE MANAGEMENT

GRETHE KRISTIN MOEN
President and CEO
Education: MSc chemical engineering, Norwegian University of Science and Technology (NTNU).
Career: Long experience from Norwegian and international petroleum operations. Has held a number of management posts in the production, technology and commercial areas at Statoil and Shell. Her most recent post at the latter was head of the E&P business in Norway and of HSE in Europe.

JAN TERJE MATHISEN
Vice president strategy and projects
Education: MSc marine civil engineering, NTNU, BSc in business economics, BI Norwegian Business School.
Career: Broad experience of project management, field development and business development from Norwegian Contractors, Selmer Furuholmen, own business, Shell, Statoil and others.

KJELL MORISBAK LUND
Vice president licences
Education: MSc marine technology, NTNU.
Career: Broad experience from work in upstream and downstream oil and gas business, including as a researcher on marine structures in Sintef. Several project, staff and managerial positions in Statoil – most recently as vice president HSE for midstream and downstream operations.

LAURITS HAGA
Vice president marketing and sales
Education: Economics degree.
Career: Long experience from the Norwegian and international oil and gas business. Held a number of management posts with Mobil and was head of the gas division in ExxonMobil Norway before joining Petoro.

ROY RUSÅ
Vice president technology
Education: BSc petroleum, Rogaland Regional College.
Career: Long experience of the Norwegian oil and gas business from Statoil and Baker Hughes Inteq. Previously headed Petoro's technology and ICT department.

MARION SVIHUS
Chief financial officer
Education: MSc in business economics, Norwegian School of Economics, Bergen.
Career: Long experience from Statoil, where she held a number of senior management positions in the fields of economics, analysis, finance and strategy. Also eight years of experience from the banking and financial sector.

OLAV BOYE SIVERTSEN
Vice president legal affairs
Education: Law degree from the University of Oslo.
Career: Has earlier held posts as legal affairs officer at ExxonMobil, head of the legal affairs department for Mobil Norway, and in posts at the Ministry of Petroleum and Energy, the Ministry of Labour and Local Government and the Norwegian Petroleum Directorate. Also has international experience from Mobil's US business.

CORPORATE GOVERNANCE

Petoro's management of substantial assets on behalf of the Norwegian government calls for good enterprise management which fulfils the expectations of its stakeholders and society at large. The portfolio of the State's Direct Financial Interest (SDFI) embraces a third of Norway's oil and gas reserves.

Petoro's board of directors complies with the requirements for enterprise management specified in the government's financial regulations and the standards for good corporate governance. It observes the government's principle for good corporate governance as expressed in Report no 27 (2014-2015) to the Storting on a diversified and value-creating ownership, and those sections of the Norwegian code of practice for corporate governance regarded as relevant for Petoro's business and the parameters determined by the company's form of organisation and ownership. A report is provided below on the main topics with relevance for Petoro AS. The governance system is tailored to Petoro's special character. Petoro reports on the follow-up of its corporate social responsibility (CSR) in a separate chapter of this annual report.

The board gives weight to good corporate governance in order to ensure that the portfolio is managed in a way which maximises financial value creation, and creates the basis for confidence in the company by the owner, the employees, the oil industry and other stakeholders as well as the rest of the community.

Petoro has a values base which is integrated in its business activities. The purpose of these values is to provide the company and its employees with a shared basis for attitudes and actions in Petoro. The company's values are vigorous, responsible, inclusive and bold.

THE BUSINESS

Petoro's main duties are specified in chapter 11 of the Petroleum Act and the company's articles of association, and are defined in more detail by the Ministry of Petroleum and Energy in the annual letter of assignment.

The purpose of the company is, on behalf of the state and at the expense and risk of the state, to be responsible for the commercial aspects related to the state's direct involvement in petroleum activities on the Norwegian continental shelf (NCS), and business associated herewith.

Petoro's principal objective is to create the highest possible financial value from the state's oil and gas portfolio on the basis of sound business principles.

The company has three main duties:

- management of the state's participatory interests in the joint ventures where the state has such interests at any given time
- monitoring Statoil's marketing and sale of the petroleum produced from the state's direct participatory interests, pursuant to the marketing and sale instruction issued to Statoil
- financial management, including preparation of budgets and keeping of accounts, of the state's direct participatory interests.

Petoro's operations are subject to the Norwegian Limited Liability Companies Act and the Norwegian Petroleum Act, and to the government's financial regulations – including the rules on appropriations and accounting. Its management of the SDFI's activities is governed by the Ministry of Petroleum and Energy's instructions for financial management of the SDFI and the annual letter of assignment. In addition, the company's articles of association, strategy, values and guidelines on business ethics, including its guidelines for exercising the company's CSR, provide guidance for the conduct of Petoro's business.

Petoro's strategy is focused on the value potential of the portfolio and positions where Petoro has the greatest ability to exercise influence. The strategic topics are: mature fields: investing for improved recovery, field development: safeguarding future opportunities, and the far north: promoting integrated development. Given the substantial restructuring taking place in the oil and gas industry, the board is planning a strategy process in 2016.

The company is the licensee – with the same rights and obligations as the other licensees – for the state's portfolio on the NCS. Petoro's follow-up of activities in fields/licences is differentiated on the basis of its capacity and the commitment required to perform its role. The company is concerned to achieve good governance in the joint ventures, and cooperates with its partners on further development of good performance-management processes in selected licences.

The company has internal instructions for dealing with inside information received by Petoro. These apply to the company's directors, employees, auditor, advisers or others in a relationship with the company who receive information expressly defined as "inside information" within the meaning of the Norwegian Securities Trading Act. A special system has also been established for approving external directorships held by employees.

A dedicated system has been established for approving the appointment of employees to external directorships. Employees must see to it that their ownership of shares does not create any conflict between their personal interests and the management of the state's holdings or the interests of Petoro AS. A provision was introduced in 2015 which prohibits senior executives (the CEO and employees reporting directly to her) from owning shares in licensee companies.

Petoro presents separate accounts for SDFI portfolio transactions, which form part of the government's accounts. Cash flows generated from the portfolio are transferred to the government's own accounts with Norges Bank. Petoro reports annual cash flows from petroleum activities on the NCS to the government in accordance with the regulation implementing the extractive industries transparency initiative (Eiti) in Norway, which came into force on 1 July 2009.

EQUITY AND DIVIDENDS

Petoro has a share capital of NOK 10 million and is wholly owned by the Norwegian state. The state guarantees the company's liabilities. The limited company's own operating expenses are covered by annual appropriations over the central government budget, which are presented as operating revenues in the accounts of the limited company. The company receives grants to meet its costs and does not pay a dividend. The shares in the company are not tradable and cannot be transferred.

Petoro AS established Petoro Iceland AS in December 2012 as a wholly owned Norwegian subsidiary with an Icelandic branch office in order to conduct on-going commercial follow-up of Norwegian participatory interests in production licences awarded by the Icelandic government. The consolidated accounts of Petoro AS include activities in Petoro Iceland AS. Administration of Petoro Iceland AS and funding for the Norwegian state's participation in petroleum operations on the Icelandic continental shelf are covered by a separate item in the central government budget.

EQUAL TREATMENT OF SHAREHOLDERS

The shares in Petoro AS are owned by the Norwegian state, and the company has no personal shareholders. Petoro Iceland AS has an agreement with Petoro AS on an overdraft facility.

The government has a common ownership strategy to maximise the collective value of its equity holding in Statoil ASA and the state's direct oil and gas interests. On that basis, Statoil ASA undertakes the marketing and sale of the state's petroleum pursuant to a marketing and sale instruction approved by the general meeting of Statoil ASA. Through Petoro's articles of association, chapter 11 of the Petroleum Act and the marketing and sale instruction for Statoil ASA, the government has given Petoro responsibility for monitoring that Statoil ASA performs its duties in accordance with this instruction.

A duty of commercial confidentiality applies to information Petoro receives through its monitoring of Statoil's marketing and sales and in its work on the budget and accounts relating to the marketing and sale of the state's petroleum. The company's ethical guidelines emphasise that a recipient of such confidential information must use it only for its intended purpose, and must not trade in Statoil ASA's securities for as long as the information is not publicly known.

GENERAL MEETING

The Ministry of Petroleum and Energy, in the person of the minister, represents the government as sole owner and serves as the company's general meeting and highest authority. Notice of general meetings is issued in accordance with the provisions of the Norwegian Limited Liability Companies Act relating to state-owned companies. The annual general meeting is held before the end of June each year. Guidelines for issues to be considered by the company's general meeting are laid down in the Petroleum Act. Owner decisions are taken and resolutions adopted at the general meeting, which also elects the company's external auditor. The board of directors of Petoro AS serves as the general meeting of Petoro Iceland AS.

ELECTION OF DIRECTORS

The company is subject to the government's procedures for selecting directors. Directors are elected by the general meeting, which also determines the remuneration of all the directors. Worker directors are elected for two years at a time by and from among the employees.

COMPOSITION AND INDEPENDENCE OF THE BOARD

Petoro's board comprises seven directors, of whom five are elected by the general meeting. Two are elected by and from among the company's employees. Four of the directors are women. Directors are elected for two-year terms. They have no commercial agreements or other financial relations with the company apart from the directors' fees established by the general meeting and contracts of employment for the worker directors. All shareholder-elected directors are independent of the owner.

The board considers its composition to be appropriate in terms of expertise, capacity and diversity for following up the company's goals and assignments. Each director and the board as a collective body seek to strengthen their expertise in various ways on a continuous basis. This is done through dedicated study programmes for the board and through participation in courses and conferences.

WORK OF THE BOARD

The board has overall responsibility for the management of Petoro, including ensuring that appropriate management and control systems are in place, and for exercising supervision of the day-to-day conduct of the company's business. The work of the board is based on rules of procedure which describe its responsibilities and mode of working. The board met 11 times in 2015.

As an appendix to the instructions for its work, the board has adopted supplementary provisions for matters to be considered by it. An annual schedule of meetings has been established for the work of the board, with the emphasis on considering topical commercial issues and following up strategies, budgets and interim results. The board utilises a balanced scorecard system as a key instrument for monitoring results.

The board considers major investment decisions within the portfolio, follow-up and consideration of activities in the licences, and monitoring of gas sales – including an assessment of the overall risk picture. The board has chosen to organise its work related to compensation through a sub-committee comprising two of the shareholder-elected directors, one of whom is the deputy chair. No other sub-committees have been established. In the event of conflicts of interest, the practice has been for the director concerned to abstain from consideration of the matter by the board. Conflicts of interest are a fixed item on the agenda for the board's meetings and consideration of matters.

An annual self-assessment is conducted by the board, embracing an evaluation of its own work and mode of working and of its collaboration with the company's management. The board reviewed the company's CSR, business ethics guidelines and board instructions in 2015. Petoro's guidelines on business ethics were amended in 2015. These changes relate to a prohibition on senior executives owning shares in licensee companies and to clarifications concerning the treatment of inside information.

RISK MANAGEMENT AND INTERNAL CONTROL

Risk management in Petoro supports the company's strategy and goals. The board undertakes an annual review of the company's most important risk areas and its internal control process. In this review, the board gives weight to the risks and opportunities which Petoro itself can influence through its own measures within the frameworks available to it. The most important operational risks are followed up in the management committees for the priority fields/joint ventures. Petoro works continuously on maturing and developing risk management in line with principles for integrated management and the development of the company's risk picture.

Identification and management of risk and risk exposure form part of Petoro's business processes. The company works with risk management to handle conditions which could affect its ability to reach specified targets and to implement chosen strategies, as well as those which could affect its ability to submit accurate accounts. Risk management is integrated in Petoro's performance management system.

Internal control at Petoro builds on an internationally recognised framework for this function which ensures that the business is conducted in accordance with the established governance model and that requirements specified by the government are observed. This function forms an integrated element in Petoro's management processes, and is responsible for ensuring that integrity and completeness are assessed for all management information and that management systems are effective.

The framework for internal control has been formulated to provide a reasonable level of assurance that goals will be met in the following areas:

- purposeful and cost-effective operation
- reliable reporting of accounts
- compliance with applicable law and statutory regulations.

Guidelines have been adopted by Petoro to facilitate internal reporting of conditions in the business which are open to criticism. Whistleblowers who want to preserve their anonymity or who do not wish for other reasons to raise the matter with their superior can notify the internal auditor.

REMUNERATION OF THE BOARD AND SENIOR EMPLOYEES

The general meeting determines the remuneration of directors. The board determines the remuneration of the president and CEO. The chief executive determines the remuneration of the other members of the company's senior management. The board amended guidelines for the remuneration of senior executives in Petoro during 2015 to accord with the frameworks specified in the new guidelines on pay and other remuneration for senior executives in wholly or partly state-owned enterprises and companies, which came into force on 13 February 2015. Details of the actual remuneration paid in 2015 are provided in the notes to the annual accounts.

The board approved a new pension plan for Petoro in 2015. Taking effect at 1 January 2016, this involves the transition from a defined benefit basis to a defined contribution plan for employees earning less than 12 times the National Insurance base rate (G), and the discontinuation of the pension plan for pay above 12 G. The new arrangement applies to employees who will reach the retirement age of 67 in more than 15 years. The company had no senior executives in 2015 who were appointed after 13 February of that year.

INFORMATION AND COMMUNICATION

The Petoro board has established a communication strategy to ensure that an open dialogue is pursued both in-house and externally, so that the company's employees and other stakeholders are well informed about its business activities.

The company publishes information via its website, including press releases as well as the interim and annual reporting of its results. Petoro's annual report presents a broad description of its operations as well as the directors' report and the annual accounts. The board's presentation of the company's CSR is included in this annual report.

AUDITOR

The Auditor General is the external auditor for the SDFI portfolio pursuant to the Auditor General Act. It checks that the company's management of the portfolio accords with the decisions and assumptions of the Storting (parliament), and audits the annual accounts for the SDFI portfolio. On the basis of this work, the Auditor General submits its report in a final auditor's letter.

In addition, the board has appointed PricewaterhouseCoopers (PwC) to conduct a financial audit of the SDFI accounts as part of Petoro's internal audit. PwC conducts a financial audit of the portfolio's accounts and submits an auditor's report pursuant to Norwegian auditing standards and cash accounting principles, including RS800 on the auditor's comments concerning special-purpose audits. The contract with the external auditor company covers both financial auditing of the SDFI and Petoro's internal auditor function. In this role, the company audits the internal control systems in accordance with instructions and an annual plan approved by the board. The function for notification of irregularities (whistleblowing) is handled by PwC.

Erga Revisjon AS has been selected by the general meeting as the external auditor for Petoro AS, including the Petoro Iceland AS subsidiary.

PRESENTATION OF CORPORATE SOCIAL RESPONSIBILITY

Petoro's presentation of its CSR builds on guidelines for exercising CSR adopted by the company, and is tailored to its activities as a licensee on the Norwegian continental shelf (NCS). CSR embraces the responsibilities which companies are expected to fulfil for people, societies and the environment affected by their operations. Petoro's funding for performing its management duties and for running the company is provided through appropriations from the government. Pursuant to its mandate, Petoro has no opportunity to provide monetary support for social purposes.

The owner's expectations on CSR are expressed in Report no 27 (2014-2015) to the Storting, which refers to the UN's Global Compact. The board's presentation below, tailored to Petoro's role and mandate, is rooted in the owner's expectations and the company's guidelines for CSR.

Petoro undertakes to pursue its business activities in an ethically acceptable, sustainable and responsible manner. The board emphasises that the company's CSR forms an integral part of its activities and strategies, and is reflected in part through its values. These include vigorous, responsible, inclusive and bold. The company's guidelines on business ethics support these values.

Petoro pursues its business in accordance with good corporate governance. That applies to its participation in the individual production licences and as a partner in the joint ventures. The joint venture agreements for the production licences include requirements on governance by the operators. Petoro exercises its role through active participation in management committees and sub-committees on the basis of a prioritisation of available resources and where it can make a difference. Follow-up of the state's equity interests in all joint ventures is incorporated in Petoro's governance system.

Petoro pursues its business in a sustainable manner which minimises negative impacts on nature and the environment. Serious incidents are followed up in Petoro's governance system. Health, safety and environmental results in the portfolio have improved over a number of years. Petoro participates every year in HSE management inspections on selected fields and installations.

Power from shore will be assessed for new fields and major conversions, providing a technically feasible solution is available at an acceptable abatement cost. Petoro is a licensee in Martin Linge and phase one of Johan Sverdrup, which are both being developed with power from shore. This also forms part of the proposed solution for the next development phase of Johan Sverdrup. Total carbon emissions from these fields will thereby be minimised.

The company contributes to creating environmentally conscious attitudes among all its employees through waste sorting and an incentive scheme to encourage increased use of public and environment-friendly transport. Petoro give emphasis to efficient ICT solutions and good communication systems which can replace travel to meetings with videoconferencing.

Petoro reports emissions to the air and discharges to water from the portfolio in a separate chapter of its annual report on the environment, based on figures obtained from the operators.

Petoro does not accept any form of corruption or other malpractice, and employees are not permitted to receive remuneration from others in their work for the company. Guidelines on business ethics define what is regarded as corruption, and the consequences of breaching these guidelines receive special mention. No breaches of these guidelines have been recorded.

Petoro's employees do not accept unlawful money gifts or other benefits, or offer these in

order to secure an advantage for themselves, for Petoro or for others. Employee directorships and jobs on the side must be approved by the CEO in order to avoid possible conflicts of interest. Guidelines on business ethics detail the consequences of breaches. No breaches of the guidelines have so far been recorded.

Petoro's employees comply with the company's business ethics guidelines. The company's guidelines on business ethics are publicly available. Their purpose is to clarify principles which will govern the company's commercial operations and employee behaviour. All employees annually sign the company's ethical guidelines, which cover such considerations as the duty of confidentiality, possible conflicts of interest and issues related to the receipt of gifts and services. A prohibition on senior executives (the CEO and employees reporting directly to her) owning shares in licensee companies was added to these guidelines in 2015. Petoro has established security requirements for data and for information and communication technology (ICT) in its operations.

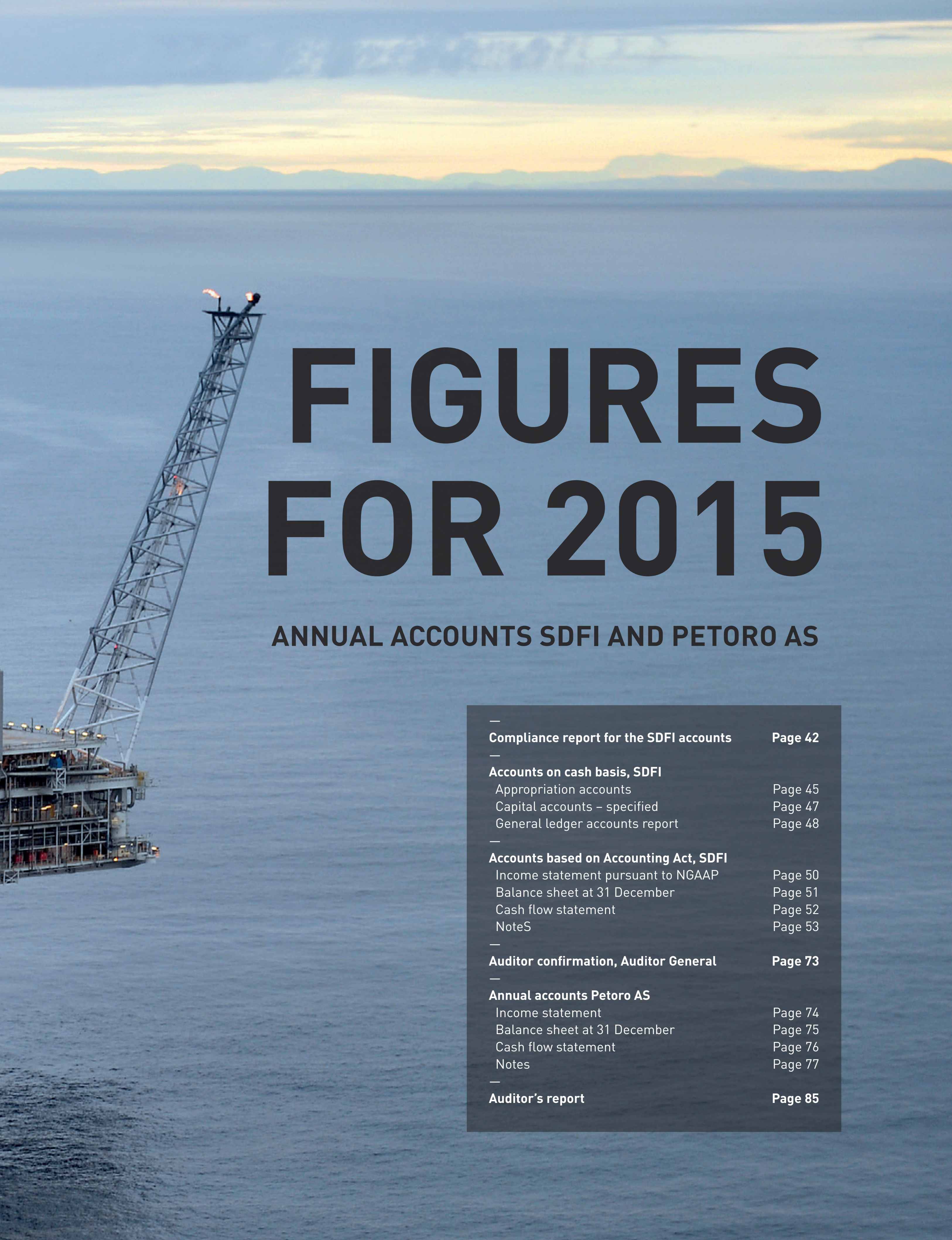
Petoro's employees discharge their duties with a high level of integrity and honesty, and show respect for other people, the public authorities and business contacts, as well as health, safety and the environment. The company's guidelines on business ethics include requirements on ethical behaviour by all employees. Petoro's goal is a good mental and physical working environment for all personnel. PetroAktiv organises a number of social, cultural and sporting activities for employees, and participation in the various events is good.

Petoro does not discriminate on the basis of gender, religion, national or ethnic affiliation, social group or political views. Petoro gives weight to equality between the genders in terms of opportunities for professional and personal development, pay and promotion. The company facilitates a flexible customising of working hours. When determining pay and in pay negotiations, Petoro is conscious that men and women must be treated equally. No systematic or significant differences exist between male and female pay in the company. The company has a number of employees with differing cultural and ethnic backgrounds. Working conditions at Petoro are customised to allow people with disabilities to work for it.

The company has routines for reporting conditions open to criticism. The board encourages the company's employees to raise ethical issues and to report any breaches of the regulations they encounter. The internal audit function is an independent whistleblowing channel with the right and duty to report to the board.

Petoro expects its partners and contractors/suppliers to maintain the same ethical standards set for its own business operations. Petoro's standard contractual terms incorporate requirements that contractors/suppliers must execute the assignment with a high level of professionalism and in accordance with high ethical standards. An extract from the company's guidelines on business ethics is incorporated in all Petoro's standard contracts as the norm to be met. The management committee in each joint venture is responsible for considering and deciding issues related to the procurement and contract strategy.

Troll A. Photo: Harald Pettersen, Statoil



FIGURES FOR 2015

ANNUAL ACCOUNTS SDFI AND PETORO AS

COMPLIANCE REPORT FOR THE SDFI ACCOUNTS

PURPOSE
Since its establishment in 2001, Petoro has served as the licensee for the state's participatory interests in production licences, fields, pipelines and land-based facilities. Petoro is charged with managing the SDFI portfolio on the basis of sound business principles. The portfolio at 31 December 2015 comprised 174 production licences, eight fewer than at 1 January. In January 2016, Petoro received interests to manage in 13 production licences under the 2015 awards in predefined areas (APA).

CONFIRMATION
The annual accounts are presented in accordance with the provisions on financial management in the government, circular R-115 from the Ministry of Finance, and requirements in the instructions on financial management of the SDFI in Petoro, with the exceptions granted for the SDFI. The board hereby confirms that the annual accounts, which comprise the appropriation and capital accounts prepared on a cash basis, provide a true and fair picture in accordance with the cash basis. The general ledger accounts report presents accounting figures for the SDFI as reported to the government accounts in accordance with the standard chart of accounts for state-owned undertakings. This report is not formatted in accordance with the method recommended by the Norwegian Government Agency for Financial Management (DFØ), but incorporates adjustments which reflect special conditions for public-sector undertakings.

The board confirms that the accounts based on the Accounting Act have been prepared in accordance with the Act and with Norwegian accounting standards, and provide a true and fair picture of the SDFI's assets, liabilities and financial results at 31 December 2015.

ASSESSMENT OF SIGNIFICANT CONDITIONS

APPROPRIATION AND CAPITAL ACCOUNTS
The SDFI's appropriation for investment[2] is NOK 29 billion pursuant to the supplementary letter of assignment dated 22 June 2015 and for operating income[3] is NOK 100.9 billion pursuant to the supplementary letter of assignment dated 15 December 2015. The appropriation for interest on the state's capital[4] is NOK 4.1 billion. Operating income in accordance with the cash basis is affected first and foremost by the price of oil and gas and by the volume of the SDFI's production sold. Statoil is responsible for marketing and sales of the SDFI's products under a marketing and sale instruction.

THE GENERAL LEDGER ACCOUNTS REPORT in accordance with the cash basis presents net reported revenue including financial income of NOK 158.8 billion in 2015, compared with NOK 185.5 billion the year before. This consists mainly of revenue from oil and gas sales. Revenues were particularly affected by developments in oil and gas prices during 2015. Expenses reported in the appropriation accounts on a cash basis comprise payments of NOK 28.9 billion as investment and NOK 34.7 billion as operating expenses. Depreciation of fields and facilities came to NOK 23.7 billion in 2015, compared with NOK 21.8 billion the year before. Payments to operations related primarily to the operation of fields and facilities, processing and transport costs, and exploration and field expenses. Payments in 2014 same to NOK 35.4 billion related to investment and NOK 34.8 billion related to operation.

THE SDFI ACCOUNTS BASED ON THE ACCOUNTING ACT include a number of significant estimates which are subject to uncertainties and rely on judgements. These include capitalised exploration costs, estimates of reserves as the basis for depreciation, decommissioning expenses based on estimates for costs to be incurred far into the future, and assessment of impairment charges on tangible fixed assets. A correction was made for errors in earlier years/the effect of changes related to the provision for future liabilities in licences with net profit agreements. This correction was made to the opening balance for equity in 2014 and had no effect on net income for 2015.

Net income for 2015 was NOK 89 billion, down by NOK 31 billion from the year before. Cash

[2] Type/category 2440.30
[3] Type/category 5440.24
[4] Type/category 5440.80

flow transferred to the government came to NOK 94 billion, down by 15 per cent from 2014 despite a halving in oil prices measured in US dollars from 2014 to 2015. A weaker exchange rate for the Norwegian krone helped to sustain revenues measured in this currency. Gas contributes an increasingly important part of the SDFI's revenues, and relatively stable gas prices combined with increased sales maintained good earnings from this commodity. Production averaged 1 068 000 barrels of oil equivalent per day (boe/d), about seven per cent higher than in 2014. The rise primarily reflected increased production efficiency (PE) and the completion of more wells. Some gas production was also transferred from 2014 to 2015. Sales for the year corresponded to production.

Operating expenses including exploration costs as well as depreciation, amortisation and impairment charges totalled NOK 68 billion, up by roughly 14 per cent from 2014. Production expenses – the cost of operating fields, pipelines and land-based facilities – came to NOK 17 billion, down by about 13 per cent from the year before. Petoro participated in 13 of the 57 exploration wells completed during 2015. A total of seven new but small discoveries were made.

Investment in 2015 totalled NOK 28 billion, down by NOK 8 billion from the year before. This decline primarily reflected lower development and operational investment as a result of reduced project activity.

The portfolio's estimated remaining reserves of oil, condensate, NGL and gas totalled 6 276 million boe at 31 December, up by 130 million boe from the year before when production and additional reserves for the year are taken into account. The latter are attributable almost entirely to the decision to develop Johan Sverdrup.

Assets had a book value of NOK 248 billion at 31 December. They comprised fixed assets in the shape of field installations, pipelines and land-based facilities as well as current trade debtors. Assets have been tested for impairment as a result of low oil prices. Impairment charges of about NOK 5 billion were taken in 2015. Equity at 31 December came to NOK 161.5 billion.

ADDITIONAL INFORMATION

The Office of the Auditor General is the external auditor, and approves the annual accounts for the SDFI. Its auditor's report is expected to be ready during the second quarter of 2016. On completing its annual audit, the Auditor General issues a final audit letter (report) which summarises the conclusion of its audit work. This is published when the Auditor General has reported the results of its audit to the Storting (parliament), pursuant to section 18 of the Act on the Auditing of Governmental Accounts.

PricewaterhouseCoopers (PwC) has been engaged by the board to perform a financial audit of the SDFI as part of the company's internal audit function. PwC submits a written report to the board concerning the annual accounts prepared on a cash basis and based on the accounting principles which build on Norwegian auditing standard RS800 concerning special-purpose audits. PwC's audit work forms the basis for the Auditor General's review of the annual accounts.

Stavanger, 4 March 2016

Gunn Wærsted Chair	**Hilde Myrberg** Deputy chair	**Per Arvid Schøyen** Director
Per-Olaf Hustad Director		**Trude J H Fjeldstad** Director
Lars Kristian Bjørheim Director*	**Marit Ersdal** Director*	**Grethe K Moen** President and CEO

*Elected by the employees

ACCOUNTS ON CASH BASIS, SDFI
Note on accounting principles for the accounts on a cash basis

The annual accounts for the SDFI are prepared and presented on the basis of detailed guidelines specified in the government's financial regulations ("the regulations"). The accounts accord with the requirements in section 3.4.1 of the regulations and more detailed provisions in circular R-115 of November 2015 from the Ministry of Finance, with the exceptions which apply for the SDFI.

Appropriation reporting and the general ledger accounts report are prepared on the basis of section 3.4.2 in the regulations on the basic principles for annual accounts:

a) the accounting year matches the calendar year
b) the accounts present all reported expenses and revenues for the accounting year
c) expenses and revenues are shown gross in the accounts
d) the accounts are prepared in accordance with the cash basis.

The formats of the appropriations accounts and the general ledger accounts report are based on the same principles, but grouped in accordance with different charts of accounts. These principles correspond with requirements in section 3.5 of the regulations on how undertakings must report to the government accounts. The item "net reported to appropriation accounts" is identical in both presentations.

Pursuant to the requirements in section 3.7.1 of the regulations, the undertaking is affiliated with the government's group account scheme for state-owned companies in Norges Bank.

APPROPRIATION REPORTING
The appropriation accounts are formatted with an upper part containing the appropriation reporting and a lower part showing the amounts entered for the enterprise in the capital accounts. The appropriation reporting presents accounting figures reported by the enterprise to the government accounts. These are posted in accordance with the types and categories in the appropriation accounts which the enterprise is authorised to use. The column on total allocation shows the amounts made available to the enterprise in the letter of assignment for each government account (types/categories). The presentation also shows all financial assets and liabilities entered against the enterprise in the government's capital accounts.

The SDFI receives estimated appropriations. No authorities are held to charge from/to types/categories in other undertakings.

GENERAL LEDGER ACCOUNTS REPORT
The general ledger accounts report is formatted with an upper part which shows what has been reported to the government accounts in accordance with the standard chart of accounts for state-owned undertakings and a lower part which presents assets and liabilities included in the open account with the Treasury. The general ledger accounts report presents accounting figures reported to the government accounts in accordance with the standard chart of accounts for state-owned undertakings. The report is not formatted in accordance with the method recommended by the Norwegian Government Agency for Financial Management (DFØ), but incorporates adjustments which reflect special conditions for public-sector undertakings.

ACCOUNTS ON CASH BASIS, SDFI
Appropriation accounts

Specification of appropriation reporting 31 Dec 15 – figures in round NOK

Expense a/c no	Type	Category	Description	Total allocation	Accounts 2015	(Increase)/decrease in expenses
2440	Expenses	30	Investment	29 000 000 000	28 955 295 713	44 704 288
5440	Expenses	24.02	Operating expenses	33 400 000 000	35 222 023 519	(1 822 023 519)
5440	Expenses	24.03	Exploration and field development expenses	2 000 000 000	1 940 412 677	59 587 323
5440	Expenses	24.04	Depreciation	22 400 000 000	23 726 240 274	(1 326 240 274)
5440	Expenses	24.05	Interest	4 100 000 000	4 091 743 742	8 256 258
Total expensed				**90 900 000 000**	**93 935 715 925**	**(3 035 715 925)**

Revenue a/c no	Type	Category	Description	Total allocation	Accounts 2015	(Increase)/decrease in expenses
5440	Revenue	24.01	Operating revenue	162 800 000 000	158 834 936 240	(3 965 063 760)
5440	Expenses	30	Depreciation	22 400 000 000	23 726 240 274	1 326 240 274
5440	Expenses	80	Interest on fixed capital	4 100 000 000	4 114 777 847	14 777 847
5440	Expenses	85	Interest on open accounts	0	(23 034 105)	(23 034 105)
Total revenues recorded				**189 300 000 000**	**186 652 920 257**	**(2 647 079 743)**
5440		**24**	**Operating profit**	**100 900 000 000**	**93 854 526 932**	**(7 045 473 068)**
Net reported to appropriation accounts					**(92 717 204 332)**	

Capital accounts		
0677.03.04693	Settlement account Norges Bank – paid in	157 017 835 931
0677.03.08710	Settlement account Norges Bank – paid in	16 791 035 701
0677.04.05015	Settlement account Bank of Norway – paid out	(80 169 742 466)
	Change in open accounts	(921 924 835)
Total reported		0

Holdings reported to the capital accounts (31 Dec)

Account	Text	2015	2014	Change
	Open accounts with the Treasury	(2 669 186 144)	(3 591 110 979)	(921 924 835)

ACCOUNTS ON CASH BASIS, SDFI
Appropriation accounts

NOTE A Explanation of total allocation

Type and category	Transferred from last year	Allocation for the year	Total allocation
2440.30		29 000 000 000	29 000 000 000
5440.24.02		33 400 000 000	33 400 000 000
5440.24.03		2 000 000 000	2 000 000 000
5440.24.04		22 400 000 000	22 400 000 000
5440.24.05		4 100 000 000	4 100 000 000
5440.24.01		162 800 000 000	162 800 000 000
5440.30		22 400 000 000	22 400 000 000
5440.80		4 100 000 000	4 100 000 000
5440.85		0	0
5440.24		100 900 000 000	100 900 000 000

NOTE B Explanation of authorities used and calculation of possible amounts transferrable to next year

Not relevant for the SDFI, which receives estimated appropriations.

ACCOUNTS ON CASH BASIS, SDFI
Capital accounts – specified

SDFI CAPITAL ACCOUNTS 2015 – figures in NOK				
	Items			
	Open account government			2 669 186 144.10
	Fixed assets before impairment		194 717 020 870.97	
	Impairment		(1 242 678 359.54)	
	Fixed asset account		193 474 342 511.43	193 474 342 511.43
Total				**196 143 528 655.53**
	Open account government 1 Jan 2015	(3 591 110 978.86)	(1 801 770 514)	
	Total expenses	28 955 295 712.50		
	Total revenue	(121 672 500 044.48)		
	Cash flow	(92 717 204 331.98)	(92 717 204 331.98)	
	Net transfer to the government	93 639 129 166.74	111 067 881 026	
Open account government at 31 Dec 2015			**(2 669 186 144.10)**	**(2 669 186 144.10)**
	Fixed assets 1 Jan 2015	(189 487 965 432.46)		
	Investments for the year	(28 955 295 712.50)		
	Depreciation for the year	23 726 240 273.99		
	Impairment		1 242 678 359.54	
	Fixed assets 31 Dec 2015		(193 474 342 511.43)	(193 474 342 511.43)
Total				**(196 143 528 655.53)**

Stavanger, 4 March 2016

Gunn Wærsted
Chair

Hilde Myrberg
Deputy chair

Per Arvid Schøyen
Director

Per-Olaf Hustad
Director

Trude J H Fjeldstad
Director

Lars Kristian Bjørheim
Director*

Marit Ersdal
Director*

Grethe K Moen
President and CEO

* Elected by the employees

ACCOUNTS ON CASH BASIS, SDFI
General ledger accounts report (chart of accounts)

Specification of the general ledger accounts report 31 Dec 2015		
	2015	**2014**
Operating revenues reported to the appropriation accounts		
Paid in from sales and leases	152 001 414 710.78	177 444 779 356.86
Other amounts paid in	5 813 562 500.24	5 160 322 918.79
Total paid in from operations	**157 814 977 211.02**	**182 605 102 275.65**
Operating expenses reported to the appropriation accounts		
Depreciation	23 726 240 273.99	21 837 716 225.80
Other amounts paid out to operations	34 664 327 354.79	34 788 498 687.70
Total paid out to operations	58 390 567 628.78	56 626 214 913.50
Net reported operating expenses	**(99 424 409 582.24)**	**(125 978 887 362.15)**
Investment and financial income reported to the appropriation accounts		
Financial income paid in	1 019 959 029.06	2 909 120 473.63
Total investment and financial income	**1 019 959 029.06**	**2 909 120 473.63**
Investment and financial expenses reported to the appropriation accounts		
Paid out for investment	28 384 404 067.08	35 680 330 082.51
Paid out for share purchases	540 889 236.56	(306 117 546.67)
Paid out for financial expenses	6 619 854 992.14	7 438 851 958.12
Total investment and financial expenses	**35 545 148 295.78**	**42 813 064 493.96**
Net reported investment and financial expenses	**34 525 189 266.72**	**39 903 944 020.33**
Revenues and expenses reported under common chapters		
Depreciation (see type 5440 revenue)	(23 726 240 273.99)	(21 837 716 225.80)
Interest on the government's capital and open accounts with the Treasury (see type 5440 revenue) – note 7	(4 091 743 742.47)	(4 944 561 923.16)
Net reported expenses under common chapters	**(27 817 984 016.46)**	**(26 782 278 148.96)**
Net expenses reported to the appropriation accounts	**(92 717 204 331.98)**	**(112 857 221 490.78)**

ACCOUNTS ON CASH BASIS, SDFI
General ledger accounts report (chart of accounts)

Overview of open accounts with the Treasury

Assets and liabilities*	**2015**	**2014**
O/U call	(1 673 092 256.27)	1 324 173 641.85
AP nonop	911 833 471.31	204 719 795.49
AR nonop	(157 892 878.88)	(471 940 376.16)
Inventory nonop	(573 579 172.77)	246 856 707.65
Prep exp nonop	(79 431 088.36)	33 038 031.04
Working cap - nonop	669 681 601.04	465 959 473.02
VAT	(19 444 510.80)	(13 466 808.24)
Agio	(0.03)	(0.19)
Total open account with the Treasury	**(921 924 834.76)**	**1 789 340 464.46**

*
O/U call – prepayments calculated net of JV cash call and billing
AP nonop – accounts payable from JV billing
AR nonop – accounts receivable from JV billing
Inventory nonop – inventory from JV billing
Prep exp nonop – prepayments from JV billing
Working cap – nonop – primarily accruals from JV billing
VAT – balance of VAT payments
Agio – rounding-off related to currency translation (agio/disagio)

Comment on change in open account from 2014 to 2015
The change primarily reflects changes to provisions and prepayments in the licences. Changes in relation to reporting in 2014 concern the transfer of accounts from other payments in/out to financial income/expenses, reporting of depreciation in operating expenses and in revenues and expenses reported under common chapters, and the transfer of investment in associate companies from investment to a new category of paid out for share purchases. These changes have been made in line with new guidelines containing new groupings from the DFØ. New groupings of revenues and expenses have been reconciled with investment in the cash report and the appropriations accounts. Foreign currency agio/disagio earlier linked with investment has been moved to financial income/expenses.

Note 7 deals with interest included in the SDFI appropriation accounts and the general ledger accounts report.

ACCOUNTS BASED ON ACCOUNTING ACT
Income statement pursuant to NGAAP

All figures in NOK million	Notes	2015	2014
OPERATING REVENUE			
Operating revenue	3, 4, 9, 11	**157 753**	179 797
Total operating revenue		**157 753**	**179 797**
OPERATING EXPENSES			
Exploration expenses		**1 469**	1 585
Production expenses	5	**16 709**	19 280
Depreciation, amortisation and impairment	2	**34 506**	24 276
Other operating expenses	5, 9, 10	**15 078**	14 524
Total operating expenses		**67 762**	**59 664**
Operating income		**89 990**	**120 133**
FINANCIAL ITEMS			
Financial income		**11 792**	9 098
Financial expenses	12	**12 783**	9 559
Net financial items	8	**(991)**	**(462)**
NET INCOME FOR THE YEAR	19	**88 999**	**119 671**

ACCOUNTS BASED ON ACCOUNTING ACT
SDFI balance sheet at 31 December

All figures in NOK million	**Notes**	**2015**	**2014**
Intangible fixed assets	2	**76**	510
Tangible fixed assets	1, 2, 18, 21	**225 516**	238 053
Financial fixed assets	2, 11	**280**	101
Fixed assets		**225 872**	**238 663**
Stocks	6	**4 287**	5 038
Trade debtors	9, 10	**17 870**	21 776
Bank deposits		**84**	115
Current assets		**22 241**	**26 929**
TOTAL ASSETS		**248 112**	**265 592**
Equity at 1 January		**166 165**	157 562
Paid from/(to) government during the year		**(93 639)**	(111 068)
Net income		**88 999**	119 671
Equity	19	**161 524**	**166 165**
Long-term decommissioning liabilities	12, 18	**70 129**	77 520
Other long-term liabilities	13	**7 390**	7 779
Long-term liabilities		**77 519**	**85 299**
Trade creditors		**1 967**	3 845
Other current liabilities	9, 14, 15	**7 101**	10 283
Current liabilities		**9 069**	**14 128**
TOTAL EQUITY AND LIABILITIES		**248 112**	**265 592**

Stavanger, 4 March 2016

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ACCOUNTS BASED ON ACCOUNTING ACT
SDFI cash flow statement

All figures in NOK million	**Notes**	**2015**	**2014**
CASH FLOW FROM OPERATIONAL ACTIVITIES			
Cash receipts from operations	**3,4**	**158 782**	185 513
Cash disbursements to operations	**5**	**(36 993)**	(37 258)
Change in working capital in the licences		**(802)**	(486)
Change in under/over calls in the licences		**1 673**	(1 324)
Net interest payments		**(97)**	(12)
Cash flow from operational activities		**122 563**	**146 433**
CASH FLOW FROM INVESTMENT ACTIVITIES			
Investments	**2,11**	**(28 955)**	(35 372)
Cash flow from investment activities		**(28 955)**	**(35 372)**
CASH FLOW FROM FINANCING ACTIVITIES			
Net transfer to the government		**(93 639)**	(111 068)
Cash flow from financing activities		**(93 639)**	**(111 068)**
Increase in bank deposits of partnerships with shared liability		**(31)**	(7)

NOTES TO THE ACCOUNTS BASED ON ACCOUNTING ACT

GENERAL

Petoro served at 31 December 2015 as the licensee on behalf of the SDFI for interests in 174 production licences and 15 joint ventures for pipelines and terminals – including the company's management of the commercial interests in Mongstad Terminal DA and Vestprosess DA, and of the shares in Norsea Gas AS and Norpipe Oil AS. In addition, the SDFI has the right to possible profits in four production licences with net profit agreements. Petoro has the same rights and obligations as other licensees, and manages the SDFI on the NCS on the basis of sound business principles.

Administration of the portfolio is subject to the accounting regulations for the government. Accounts for the portfolio are presented both on the cash basis used by the government and in accordance with the Norwegian Accounting Act. The company maintains separate accounts for all transactions relating to its participatory interests, so that revenue and costs from production licences and joint ventures are kept separate from the operation of the company. Cash flows from the portfolio are transferred to the central government's own accounts with the Norges Bank. Petoro prepares separate annual accounts for the SDFI, with an overview of the participatory interests managed by the company and associated resource accounting.

ACCOUNTING PRINCIPLES FOR ACCOUNTS BASED ON ACCOUNTING ACT

The principal difference between the profit based on the Accounting Act and on a cash basis is that the latter includes cash payment for investments and operating expenses. Adjustments are also made for accruals of income and expenses on a cash basis, with a corresponding adjustment to debtors and creditors in the balance sheet. Realised currency loss/gain related to operating expenses and income is classified on the cash basis as operating expenses and income. The accounts based on the Accounting Act show realised currency loss/gain as financial expenses/income, and these items are accordingly not included in the operating profit. Differences between the accounts prepared in accordance with the Accounting Act (Norwegian generally accepted accounting principles – NGAAP) and on a cash basis are indicated in the notes below.

The SDFI's interests in partnerships with shared liability relating to the production of petroleum are included under the respective items in the income statement and recorded in the balance sheet in accordance with the proportionate consolidation method for the SDFI's share of income, expenses, assets and liabilities. The same applies to licence interests in oil and gas operations, including pipeline transport, which are not organised as companies.

The SDFI's participation in Statoil Natural Gas LLC (SNG) is treated as an investment in an associate and recorded in accordance with the equity method. The SDFI's share of the equity is recorded in the balance sheet under financial fixed assets and its share of the profit/loss is recorded as operating revenue/expense in the income statement.

Dividend from the shares in Norsea Gas AS and Norpipe Oil AS is recorded as a financial item. In addition, revenue from production licences with net profit agreements (related to licences awarded in the second licensing round) is recorded as other income.

The functional currency is the Norwegian krone.

Principles for revenue recognition

The company records revenue from the production of oil, NGL and gas using the sales method. This means that sales are recorded in the period when the volumes are lifted and sold to the customer.

Revenue from ownership in pipelines and land-based facilities is recorded when the service is rendered.

Gas swap and borrowing agreements where settlement takes the form of returning volumes are accrued as a general rule using the sales method. At the same time, a provision is made for the associated production costs in the event that the SDFI has lent/borrowed gas. When lending gas from the SDFI, the lower of production expense and estimated net present value of the future sales price is capitalised as a pre-paid expense at the date of the loan. Furthermore, the SDFI's share of location swaps related to the purchase or sale of third-party gas is recorded net as operating revenue. The SDFI's share of time swaps is recorded gross.

Liabilities arising because too much crude oil has been lifted in relation to the SDFI's share of the production partnership are valued at production cost, while receivables due from the other partners in the production partnerships are valued at the lower of production cost and the estimated present value of the future sales price.

Purchase of third-party gas for onward sale is recorded gross as operating costs. The corresponding revenue is included in sales income.

Purchases and sales between fields and/or transport systems

Internal expenses and revenues relating to purchases and sales between fields and/or transport systems in which the SDFI is both owner and shipper are eliminated, so that only costs paid to third parties appear as net transport costs.

Foreign currencies

Transactions in foreign currencies are recorded at the exchange rate prevailing at the time of the transaction. Monetary items in foreign currencies are valued at the exchange rate prevailing on the balance sheet date. Unrealised currency losses and realised currency gains and losses are recorded as financial income or expenses.

Classification of assets and liabilities

Assets intended for ownership or use over a longer period are classified as fixed assets. Other assets are classified as current assets. Debtors due within one year are classified as current assets. Similar criteria are applied for classifying current and long-term liabilities.

Research and development
Research and development expenses are expensed on a continuous basis. In addition to spending on direct research and development in each partnership, the operator also charges expenses for general research and development to the partnership in accordance with the size of exploration, development and operating expenses in the partnership.

Exploration and development costs
Petoro employs the successful-efforts method to record exploration costs for oil and gas operations by the SDFI in the SDFI accounts. This means that expenses related to geological and geophysical surveying are expensed. However, expenses related to exploration drilling are capitalised in anticipation of evaluation, and are expensed should the evaluation show that the discovery is not commercial. Considerable time can elapse between the drilling of a well and a final development decision. Capitalised exploration expenses are accordingly assessed quarterly to determine whether sufficient progress is being made in the projects so that the criteria for capitalisation continue to be met. Dry wells or those where progress is insufficient are expensed.

Expenses relating to development, including wells, field installations and production facilities, are capitalised. Costs for operational preparations are expensed on a continuous basis.

Tangible fixed assets
Tangible fixed assets and investments are carried at historical cost with a deduction for planned depreciation. Fixed assets under construction are carried at historical cost.

Fixed assets leased on terms which largely transfer the financial risk and control to the SDFI (financial leasing) are capitalised under tangible fixed assets and the associated lease commitment is recognised as a commitment under long-term interest-bearing debt at the net present value of the leasing charges. The fixed asset is subject to planned depreciation, and the commitment is reduced by the leasing charge paid after deduction of calculated interest costs.

The SDFI does not take up loans, and incurs no interest expenses associated with the financing of development projects.

Ordinary depreciation of oil and gas production facilities is calculated for each field and field-dedicated transport system using the unit of production method. This means that the acquisition cost is depreciated in line with the relationship between volume sold during the period and reserves at the beginning of the period. Investments in wells are depreciated in line with the reserves made available by the wells drilled.

Petoro determines the reserve base for depreciation purposes on the basis of estimated remaining reserves per field, which are adjusted downwards by a factor calculated as the relationship between the Norwegian Petroleum Directorate's sum of low reserves in production and the sum of basis reserves in production for oil and gas reserves respectively. This reserve adjustment totalled 76.5 per cent of expected remaining oil reserves in 2015, while the corresponding figure for gas fields was 86 per cent. The reserve estimates are revised annually, and possible changes affect only further depreciation expenses.

Ordinary depreciation for land-based facilities and transport systems as well as for riser platforms used by several fields is calculated on a straight-line basis over the remaining licence period at 31 December.

Other tangible fixed assets are depreciated on a straight-line basis over their expected economic lifetime.

Intangible fixed assets
Intangible fixed assets are carried at their fair value at the time of acquisition. They are amortised over the expected contract period or their expected economic lifetime, and possible impairment charges are deducted.

Impairment
Each time the accounts are made up, assets are reviewed for indications of a fall in value. Oil and gas fields or installations are normally treated as separate units for assessing impairment. Should the recoverable value be lower than the book value, and this decline is not expected to be temporary, the asset is written down to its recoverable value, which is the higher of the asset's fair value less sales costs and its utility value. The utility value is calculated using discounted cash flows, which are discounted using a discount rate based on the weighted average cost of capital (WACC) calculated for the company.

The impairment charge will be reversed if the conditions for writing down the asset no longer apply.

Maintenance expenses
Expenses related to repair and maintenance are expensed on a continuous basis. Expenses for major replacements and renewals which significantly extend the economic life of the tangible fixed assets are capitalised.

Abandonment and decommissioning expenses
Under the terms of a licence, the authorities can require the licensees to remove offshore installations when their production life comes to an end. The estimated fair value of liabilities for decommissioning and clear-up is recorded in the accounts in the period when the liability arises, normally when wells are drilled and installations are built and ready for use. The liability is capitalised as part of the acquisition cost of wells and installations, and depreciated together with this. Changes to estimated cessation and decommissioning costs are recorded and capitalised in the same manner and depreciated over the remaining economic life of the assets. The discount rate applied when calculating the fair value of a decommissioning liability is based on the interest rate for Norwegian government bonds with the same maturity as the decommissioning liability.

A change in the liability relating to its time value – the effect of the decommissioning date having come one year closer – is recorded as a financial expense.

Stocks
Stocks of spare parts and operating materials are valued at the lower of acquisition cost in accordance with the Fifo principle or

net realisable value. Spare parts of insignificant value for use in connection with the operation of oil or gas fields are expensed at the time of acquisition. Spare parts of significant value are recorded as stock at the time of acquisition and expensed when they are used in operations. Petoro accepts the assessments made by operators regarding which materials should be capitalised and which expensed.

Debtors
Trade debtors and other debtors are carried at face value less a provision for expected loss. This provision is based on an individual assessment of each debtor.

Bank deposits
Bank deposits include cash, bank deposits and other monetary instruments with a maturity of less than three months at the date of purchase. Cash flows from oil and gas sales are transferred to the government on a daily basis. Booked bank deposits accordingly include the SDFI's share of bank deposits in companies with shared liability in which the SDFI has an interest.

Current liabilities
Current liabilities are valued at their face value.

Taxes
The SDFI is exempt from company tax in Norway. The SDFI is registered for value-added tax (VAT) in Norway. Virtually all the SDFI's sales of oil and gas products from its activity take place outside the geographic area to which Norway's VAT legislation applies (the continental shelf and exports). The SDFI invoices these sales to the buyer free of tax. At the same time, the SDFI can deduct possible VAT incurred on invoiced costs which are relevant to its activity.

Financial instruments
Since the SDFI is included in the government's overall risk management, only limited use is made of financial instruments.

Such instruments are valued at their market value on the balance sheet date. Unrealised losses relating to financial instruments are recorded as expenses. Unrealised gains are recorded as income if all the following criteria are fulfilled: the instrument is classified as a current asset, is part of a trading portfolio with a view to onward sale, is traded on an exchange, an authorised marketplace or similar regulated market outside Norway, and has a good ownership spread and liquidity. Valuations are based on a portfolio assessment where this is regarded as the most sensible approach given the nature of the financial instruments, and where the portfolio is balanced in volume and time. Eliminations are carried out where legal rights exist to set off unrealised losses and gains, or where deposits/margins which correspond with the market value of the derivatives have been paid and capitalised.

The valuation rules for fixed assets are applied to financial instruments not classified as current assets.

Contingent assets and liabilities
Probable and quantifiable losses are expensed. Contingent assets are not included unless the asset is reasonably certain to be settled.

NOTE 1 ASSET TRANSFERS AND CHANGES

Twelve production licences were awarded with SDFI participation in 2015. Nine of these were formally allocated, along with two carve-outs, by the Ministry of Petroleum and Energy on 7 February 2015 in connection with the awards in predefined areas (APA) for 2014. In addition, one licence was carved out of an existing licence with SDFI participation. Twenty production licences were relinquished. In January 2016, Petoro received interests to manage in 13 production licences under the 2015 APA.

Plans for development and operation (PDOs) for Johan Sverdrup and Maria were approved in 2015. In addition, PDOs were approved for Gullfaks Rimfaksdalen and the first phase of the Shetland/Lista development on Gullfaks. A unitisation of the Gullfaks area took place.

NOTE 2 SPECIFICATION OF FIXED ASSETS

All figures in NOK million	Book value at 31 Dec 14	Historical cost at 1 Jan 15	Accumulated depreciation 1 Jan 15	Addition 2015	Impair-ment 2015	Disposal 2015	Transfers 2015	Depreciation 2015	Book value at 31 Dec 14
Fields under development	11 044	11 044	0	4 363	0	0	(4 315)	0	11 092
Fields in operation	185 581	495 702	(310 121)	14 542	(4 746)	0	6 392	(27 330)	174 439
Pipelines and terminals	34 979	69 209	(34 230)	2 250	0	0	0	(2 007)	35 222
Capitalised exploration expenses	6 541	6 541	0	1 093	(60)	(735)	(2 077)	0	4 763
Total tangible fixed assets	**238 146**	**582 497**	**(344 351)**	**22 248**	**(4 806)**	**(735)**	**0**	**(29 337)**	**225 516**
Intangible assets	417	615	(199	22	(350)	0	0	(13)	76
Financial fixed assets	101	101	0	180	0	0	0	0	280
Total fixed assets (NGAAP)	**238 663**	**583 213**	**(344 550)**	**22 450**	**(5 157)**	**(735)**	**0**	**(29 350)**	**225 872**
Translation to cash basis	(49 175)	(81 877)	32 702	6 505	3 914	735	0	5 623	(32 398)
Total fixed assets on cash basis	**189 488**	**501 336**	**(311 848)**	**28 955**	**(1 243)**	**0**	**0**	**(23 726)**	**193 474**

Tangible fixed assets for the Snøhvit field include a capitalised long-term financial charter for three ships used for LNG transport from the field. These vessels are being depreciated over 20 years, which is the duration of the charter.

Substantial impairment charges were taken in 2015 on certain fixed assets under fields in operation. The utility value is calculated using discounted expected cash flows, which are discounted using a discount rate based on the WACC. Impairment tests are based on Petoro's best estimate of cash flows (market prices, production, costs and exchange rate assumptions). Where the utility value is assessed to be lower than the book value, the assets are written down to their utility value.

Intangible assets relate mainly to rights in the gas storage facility at Aldbrough. Total capacity for the SDFI and Statoil is 100 million scm, of which the SDFI's share is 48.3 per cent. The amount invested is depreciated on a straight-line basis over the estimated 25-year economic life. An impairment charge of NOK 350 million was taken for Aldbrough in 2015, primarily because of lower prices and reduced volatility as well as higher operating expenses. Investment in further development of the Etzel gas storage facility and a small amount for Åsgard Transport are included in intangible assets.

Financial fixed assets of NOK 280 million include the following.

- Capacity rights for regasification of LNG at the Cove Point terminal in the USA, with an associated agreement on the sale of LNG from Snøhvit to Statoil Natural Gas LLC (SNG) in the USA, reclassified with effect from 2009 as a financial fixed asset. This activity is assessed as an investment in an associate and recorded in accordance with the equity method. See also note 11. The SDFI participates in SNG under the marketing and sale instruction with regard to activities related to the marketing and sale of the government's LNG from Snøhvit. Cash flows from the SNG are settled on a monthly basis in connection with the purchase and sale of LNG from 2014.
- A total book value of NOK 3.98 million is recorded for shareholdings in Norsea Gas AS and Norpipe Oil AS.

NOTE 3 SPECIFICATION OF OPERATING REVENUE BY AREA

All figures in NOK million	**2015**	**2014**
Licence	**150 690**	172 007
Market	**11 096**	11 503
Net profit agreements	**567**	986
Elimination internal sales	**(4 600)**	(4 699)
Total operating revenue (NGAAP)	**157 753**	**179 797**
Conversion to cash basis	**1082**	5 718
Total cash basis	**158 835**	**185 514**

Market primarily comprises revenue from the onward sale of gas and tariff revenues.

NOTE 4 SPECIFICATION OF OPERATING REVENUE BY PRODUCT

All figures in NOK million	**2015**	**2014**
Crude oil, NGL and condensate	**59 436**	85 642
Gas	**86 097**	81 477
Transport and processing revenue	**11 113**	11 137
Other revenue	**540**	554
Net profit agreements	**567**	986
Total operating revenue (NGAAP)	**157 753**	**179 797**
Conversion to cash basis	**1 082**	5 718
Total cash basis	**158 835**	**185 514**

All crude oil, NGL and condensate from the SDFI are sold to Statoil, and all gas is sold by Statoil at the SDFI's expense and risk. Virtually all the gas is sold to customers in Europe, and about 30 per cent of the annual volumes are purchased under long-term contracts by the four largest customers.

NOTE 5 SPECIFICATION OF PRODUCTION AND OTHER OPERATING EXPENSES BY AREA

All figures in NOK million	2015	2014
PRODUCTION EXPENSES		
Licence	**15 264**	17 375
Other infrastructure	**1 445**	1 904
Total production expenses	**16 709**	**19 280**
OTHER OPERATING EXPENSES		
Licence	**13 500**	13 419
Market	**6 178**	5 804
Elimination internal purchases	**(4 600)**	(4 699)
Total other operating expenses	**15 078**	**14 524**
Total operating expenses	**31 787**	**33 804**
Conversion to cash basis	3 435	862
Total cash basis	**35 222**	**34 666**

Market primarily comprises the cost of purchasing gas for onward sale and tariff expenses.

NOTE 6 INVENTORIES

All figures in NOK million	2015	2014
Petroleum products	**2 370**	2 548
Spare parts	**1 916**	2 490
Total inventories	**4 287**	**5 038**

Petroleum products comprise LNG and natural gas. The SDFI does not hold inventories of crude oil, which is sold in its entirety to Statoil.

Not relevant to the accounts on a cash basis.

NOTE 7 INTEREST INCLUDED IN THE SDFI APPROPRIATION ACCOUNTS

Interest on the state's fixed capital is incorporated in the accounts on a cash basis. Interest amounts are calculated in accordance with the requirements in the 2015 letter of assignment to Petoro from the Ministry of Petroleum and Energy.

Interest on the state's fixed capital is charged to operations in order to take account of capital costs and to provide a more accurate picture of the use of resources. This is a calculated expense without cash effect.

The accounts on a cash basis included an open account with the government which represents the difference between charging to type/category in the appropriation accounts and liquidity movements.

Interest on the open account with the government is calculated in accordance with the 2015 letter of assignment to Petoro from the Ministry of Petroleum and Energy. The interest rate applied is related to the interest rate on short-term government securities and corresponds to the interest rate applied to short-term loans to the Treasury, calculated on the basis of the average monthly balance in the open account with the government.

Not relevant to the accounts based on the Accounting Act (NGAAP).

NOTE 8 NET FINANCIAL ITEMS

All figures in NOK million	**2015**	**2014**
Interest	**53**	1
Other financial revenue	**42**	42
Currency gain	**11 697**	9 055
Currency loss	**(10 754)**	(7 251)
Interest costs	**(397)**	(397)
Interest on decommissioning liability	**(1 632)**	(1 910)
Net financial items	**(991)**	**(462)**

Not relevant to the accounts on a cash basis.

NOTE 9 CLOSE ASSOCIATES

The government, represented by the Ministry of Petroleum and Energy, owns 67 per cent of Statoil and 100 per cent of Gassco. These companies are classified as close associates of the SDFI. Petoro has significant equity interests in pipelines and land-based facilities operated by Gassco.

Statoil is the buyer of the government's oil, condensate and NGL. Sales of oil, condensate and NGL from the SDFI to Statoil totalled NOK 59.9 billion (corresponding to 152 million boe) for 2015, compared with NOK 86.4 billion (150 million boe) for 2014.

Statoil markets and sells the government's natural gas at the government's expense and risk, but in Statoil's name and together with its own production. The government receives the market value for these sales. The government sold dry gas directly to Statoil to a value of NOK 550 million in 2015, compared with NOK 461 million in 2014. Statoil is reimbursed by the government for its relative share of costs associated with the transport, storage and processing of dry gas, the purchase of dry gas for onward sale and administrative expenses relating to gas sales. These reimbursements amounted to NOK 15.1 billion in 2015, compared with NOK 15.4 billion in 2014. Open accounts with Statoil totalled NOK 4.2 billion in favour of the SDFI, converted at the exchange rate prevailing at 31 December, compared with NOK 5.7 billion in 2014.

Pursuant to the marketing and sale instruction, the SDFI also participates with a financial interest in Statoil Natural Gas LLC (SNG) in the USA. Cash flows from SNG are settled continuously on a monthly basis in connection with the purchase and sale of LNG. The investment is recorded in accordance with the equity method, and is covered in more detail in note 11.

Open accounts and transactions relating to activities in the production licences are not included in the above-mentioned amounts. Hence, no information has been included with regard to open accounts and transactions relating to licence activities with Statoil and Gassco. The SDFI participates as a partner in production licences on the NCS. These are accounted for in accordance with the proportionate consolidation method.

NOTE 10 TRADE DEBTORS

No bad debts were recorded in 2015. Trade debtors and other debtors are otherwise recorded at face value pursuant to the NGAAP.

NOTE 11 INVESTMENT IN ASSOCIATE

The SDFI's participation in Statoil Natural Gas LLC (SNG) in the USA has been treated with effect from 1 January 2009 as an investment in an associate, which is recognised in accordance with the equity method. At the time it was established in 2003, the investment was recorded as an investment in intangible fixed assets at an original acquisition cost of NOK 798 million.

SNG has its business office at Stamford in the USA and is formally owned 56.5 per cent by Statoil Norsk LNG AS, which reflects the SDFI's ownership interest under the marketing and sale instruction. The remaining 43.5 per cent is owned by Statoil North America Inc. As a result of the merger between Statoil and Hydro's petroleum business in 2007, the profit/loss is allocated in accordance with a skewed distribution model which gives 48.4 per cent to the SDFI.

Statoil consolidates its holding in SNG with other US operations, and uses SNG as a marketing company for gas sales in the American market. Pursuant to the marketing and sale instruction, the SDFI participates in SNG with regard to activities related to the sale of the government's LNG from Snøhvit. Cash flows from SNG are settled continuously on a monthly basis in connection with the purchase and sale of LNG.

In addition to SNG, the shareholdings in Norsea Gas AS and Norpipe Oil AS are included in the table below.

All figures in NOK million	**2015**	**2014**
Opening balance financial fixed assets (adjusted share)	**101**	393
Share of profit for the year in associate company	**180**	(293)
Closing balance financial fixed assets	**280**	**101**

NOTE 12 ABANDONMENT/DECOMMISSIONING

The liability comprises future abandonment and decommissioning of oil and gas installations. Norwegian government legal requirements and the Oslo-Paris (Ospar) convention for the protection of the marine environment of the north-east Atlantic provide the basis for determining the extent of the decommissioning liability.

The liability is calculated on the basis of estimates from the respective operators. Great uncertainty relates to a number of factors underlying the decommissioning estimate, including assumptions for decommissioning and estimating methods, technology and the decommissioning date. The last of these is expected largely to fall one-two years after the cessation of production. See note 23.

Interest expense on the liability is classified as a financial expense in the income statement. The discount rate is based on the interest rate for Norwegian government bonds with the same maturity as the decommissioning liability. An extrapolated interest rate derived from foreign rates is applied for liabilities which extend beyond the longest maturity for such bonds.

The estimate for decommissioning costs has been reduced by NOK 7.4 billion as a result of changes to future estimated costs from operators and alterations to cessation and decommissioning dates. This change includes NOK 9.3 billion in reduced estimates for plugging and abandoning wells and for shutting down installations as well as completion of current removal projects. Estimates for decommissioning expenses include operating costs for rigs and other vessels required for such complex operations. A somewhat lower discount rate increases the liability by NOK 1.6 billion.

All figures NOK million	**2015**	**2014**
Liability at 1 Jan	**77 520**	52 580
New liabilities/disposals		130
Actual decommissioning	**(1 355)**	(1 243)
Changes to estimates	**(9 312)**	4 853
Changes to discount rates	**1 591**	19 247
Changes to participatory interests	**52**	44
Interest expense	**1 632**	1 910
Liability at 31 Dec	**70 129**	**77 520**

NOK 1 355 million for cessation and decommissioning accrued in 2015, and is included in the accounts on a cash basis.

NOTE 13 OTHER LONG-TERM LIABILITIES

Other long-term liabilities pursuant to the NGAAP comprise:
- debt related to financial leasing of three LNG carriers delivered in 2006
- debt related to the final settlement of commercial arrangements concerning the move to company-based gas sales
- debt related to income not yet earned in net profit agreements, recorded at NOK 4.8 billion in 2015.

Three financial leasing contracts were entered into in 2006 on the delivery of three ships for transporting LNG from Snøhvit. These contracts run for 20 years, with two options for five-year extensions. The future discounted minimum payment for financial leasing totals NOK 1 357 million. Of this, NOK 199 million falls due for payment in 2016, NOK 799 million in the subsequent four years and the residual NOK 359 million after 2021.

Other long-term liabilities total NOK 1 202 million, of which NOK 733 million falls due longer than five years from the balance sheet date.

Not relevant to the accounts on a cash basis.

NOTE 14 OTHER CURRENT LIABILITIES

Other current liabilities pursuant to the NGAAP falling due in 2015 consist mainly of:
- provisions for accrued unpaid costs at December, adjusted for cash calls in December
- other provisions for accrued unpaid costs not included in the accounts received from operators

Not relevant to the accounts on a cash basis.

NOTE 15 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Only limited use is made of financial instruments (derivatives) to manage risk in the SDFI portfolio. This is primarily because the SDFI is owned by the state and is accordingly included in the government's overall risk management. The SDFI does not have significant interest-bearing debt, and sells primarily oil, gas and NGL at current prices. Instruments used to manage price risk for sales at fixed prices or for deferred gas production relate to forwards and futures. At 31 December 2015, the market value of the financial instruments was NOK 3 759 million in assets and NOK 331 million in liabilities. The comparable figures at the end of 2014 were NOK 1 959 million and NOK 404 million respectively. These figures include the market value of listed futures and unlisted instruments. The market value of built-in derivatives related to end-user customers in continental Europe. This amounted to a supplementary NOK 410 million in assets and NOK 507 million in liabilities. The corresponding figures for 2014 were NOK 1 089 million in assets. No net unrealised gains were recognised pursuant to the NGAAP in 2015.

Price risk
The SDFI is exposed to fluctuations in oil and gas prices in the global market. Statoil purchases all oil, NGL and condensate from the SDFI at market-based prices. SDFI revenue from gas sales to end users is the price actually obtained. Based on the arrangement relating to the marketing and sale instruction together with the SDFI's participation in the government's overall risk management, only limited use is made of financial instruments (derivatives) and primarily to manage price risk for sales at fixed prices or for deferred gas production to counteract fluctuations in profit and loss owing to variations in commodity prices.

Currency risk
The most significant part of the SDFI's revenue from the sale of oil and gas is billed in USD, EUR or GBP. Part of its operating expenses and investments is also billed in equivalent currencies. When converting to NOK, currency fluctuations will affect the SDFI's income statement and balance sheet. The SDFI does not make use of currency hedging in relation to future sales of the SDFI's petroleum, and its exposure in the balance sheet at 31 December 2015 was largely related to one month's outstanding revenue.

Interest risk
The SDFI is primarily exposed to credit risk through financial leases. Together with Statoil, it has a financial liability related to charters for LNG ships pursuant to the marketing and sale instruction. The SDFI has no other interest-bearing debt exposed to interest rate fluctuations.

Credit risk
The SDFI's sales are made to a limited number of parties, with all oil and NGL sold to Statoil. In accordance with the marketing and sale instruction, financial instruments for the SDFI's operations are purchased from other parties with sound credit ratings. Financial instruments are only established with large banks or financial institutions at levels of exposure approved in advance. The SDFI's credit-related risk during consecutive transactions is accordingly regarded as insignificant.

Liquidity risk
The SDFI generates a significant positive cash flow from its operations. Internal guidelines on managing the flow of liquidity have been established.

NOTE 16 LEASES/CONTRACTUAL LIABILITIES

All figures in NOK million	Leases	Transport capacity and other liabilities
2016	7 201	1 916
2017	6 156	1 929
2018	5 471	1 929
2019	4 731	1 649
2020	4 305	1 565
Beyond	8 703	7 457

Leases represent operation-related contractual liabilities for the chartering/leasing of rigs, supply ships, production ships, helicopters, standby vessels, bases and so forth as specified by the individual operator. The figures represent cancellation costs.

Transport capacity and other liabilities relate to the sale of gas, and consist mainly of transport and storage liabilities in the UK and continental Europe as well as terminal capacity liabilities relating to the Cove Point terminal in the USA. The SDFI's share of installations and pipelines on the NCS is generally higher than or equal to the transport share. Hence, no liabilities are calculated for these systems.

Other liabilities
In connection with the award of licences to explore for and produce petroleum, licensees may be required to undertake to drill a certain number of wells. Licensees are also committed to undertake exploration activities through approved budgets and work programmes. Petoro was committed at 31 December 2015 to participate in 11 wells with an expected cost to the SDFI of NOK 1 290 million. Of this, NOK 1 184 million is expected to be incurred in 2016.

The company has also accepted contractual liabilities relating to investment in new and existing fields. Through approved budgets and work programmes, the SDFI was also committed in 2015 to operating and investment expenses for 2016. These amount in all to NOK 29 billion for 2016.

In connection with the sale of the SDFI's oil and gas, Statoil has issued a limited number of warranties to vendors and owners of transport infrastructure relating to operations in the USA, the UK and continental Europe. Warranties issued in connection with trading operations are provided as security for the financial settlement.

The SDFI and Statoil deliver gas to customers under common gas sale agreements. SDFI gas reserves will be utilised in accordance with the SDFI's share of production from the fields selected to deliver the gas at any given time.

Not relevant to the accounts on a cash basis.

NOTE 17 OTHER LIABILITIES

The SDFI could be affected by possible legal actions and disputes as a participant in production licences, fields, pipelines and land-based facilities, and in the joint sale of the SDFI's gas together with Statoil. The SDFI is involved in current disputes relating to issues in joint ventures in which Petoro is a licensee. Provisions have been made in the accounts for issues where a negative outcome for the SDFI portfolio is thought to be more likely than not.

Not relevant to the accounts on a cash basis.

NOTE 18 SIGNIFICANT ESTIMATES

The SDFI accounts are presented in accordance with the Norwegian Accounting Act and Norwegian generally accepted accounting principles (NGAAP), which means that the management makes assessments and exercises judgement in a number of areas. Changes in the underlying assumptions could have a substantial effect on the accounts. Where the SDFI portfolio is concerned, it is presumed that assessments of the book value of tangible fixed assets, reserves, decommissioning of installations, exploration expenses and financial instruments could have the greatest significance.

Recoverable reserves include volumes of crude oil, NGL (including condensate) and dry gas as reported in resource classes 1-3 in the classification system used by the Norwegian Petroleum Directorate (NPD). Only reserves for which the licensees' PDO has been sanctioned in the management committee and submitted to the authorities are included in the portfolio's expected reserves. A share of the field's remaining reserves in production (resource class 1) provides the basis for depreciation. A share of oil and gas respectively is calculated annually for the portfolio to represent the relationship between low and basis reserves. This common share is used to calculate the depreciation basis for each field. The downwardly adjusted basis reserves which form the basis for depreciation expenses have great significance for the result, and adjustments to the reserve base can cause major changes to the SDFI's profit.

Drilling expenses are capitalised temporarily until an assessment has been made of whether oil or gas reserves have been found. Assessments of the extent to which these expenses should remain capitalised or be written down in the period will affect results for the period.

Substantial investments in tangible fixed assets have been made in the SDFI portfolio. Each time the accounts are made up, these are reviewed for indications of a fall in value. The assessment of whether an asset must be written down builds to a great extent on judgements and assumptions about future market prices.

Reference is otherwise made to the description of the company's accounting principles and to notes 12 and 15, which describe the company's treatment of exploration expenses, uncertainties related to decommissioning and financial instruments.

Not relevant to the accounts on a cash basis.

NOTE 19 EQUITY

All figures in NOK million	**2015**	**2014**
Equity at 1 Jan	**166 165**	157 562
Net income for the year	**88 999**	119 671
Cash transfers to the government	**(93 639)**	(111 068)
Equity at 31 Dec	**161 524**	**166 165**

The accounts for 2014 did not make a provision of NOK 5 296 million for expected payments under net profit agreements (NPAs) for net cash deficits on fields covered by these regulations. The Ministry of Petroleum and Energy clarified in 2015 that such payments must be made to companies with a net cash deficit in NPA licences. As a result of this clarification, the SDFI has made full provision for the expected repayment of previously paid NPA for fields covered by this system. The provision represents 10 to 17.5 per cent of expected removal costs on fields covered by the relevant licences.

Since the provision is regarded as significant for the SDFI and applies to earlier periods, it has been adjusted against equity at 1 January 2014 as an error. The offsetting entry is other long-term liabilities, which has been adjusted by a corresponding amount in the opening balance for 2014.

Not relevant to the accounts on a cash basis.

NOTE 20 AUDITORS

Petoro is subject to the regulations on appropriations and the government's financial regulations. In accordance with the Act on the Auditing of Governmental Accounts of 7 May 2004, the Office of the Auditor General is the external auditor for the SDFI. The Auditor General issues a final audit letter (report) concerning the SDFI accounts and budget, which is first published after the government accounts have been submitted and when the Auditor General's annual report, Document no 1, is submitted to the Storting.

In addition, PwC has been engaged by the board of directors of Petoro AS to perform a financial audit of the SDFI as part of the internal audit function. PwC submits its audit report to the board in accordance with Norwegian auditing standards. PwC's fee is expensed in the Petoro accounts.

NOTE 21 EXPECTED REMAINING OIL AND GAS RESERVES – UNAUDITED

	2015		2014		2013		2012	
Oil* in mill bbl Gas in bn scm	**Oil**	**Gas**	**Oil**	**Gas**	**Oil**	**Gas**	**Oil**	**Gas**
Expected reserves at 1 Jan	1318	767	1395	799	1458	821	1429	847
Corrections for earlier years**	(10)							
Change in estimates	17	7	68	1	41	6	62	8
Extensions and discoveries	367	2	4	1	12	3	34	6
Improved recovery	57	4	0	0	35	5	89	1
Purchase of reserves								
Sale of reserves								
Production	(150)	(38)	(148)	(34)	(151)	(36)	(157)	(41)
Expected reserves at 31 Dec	**1599**	**743**	**1318**	**767**	**1395**	**799**	**1458**	**821**

* Oil includes NGL and condensate.
** Reconciliation with official reserves.

At 31 December 2015, the portfolio's expected remaining oil, condensate, NGL and gas reserves totalled 6 276 million boe. This represented an increase of 130 million boe from the end of 2014.

An overall 520 million boe were added to reserves in 2015. This increase primarily related to the decision on development and operation of Johan Sverdrup phase one. In addition comes improved recovery from existing fields in the SDFI portfolio during 2015. At the same time, adjustments were made on some fields.

A total of 390 million boe were produced in 2015, giving a reserve replacement rate of 133 per cent for the year. The corresponding rate in 2014 was 24 per cent.

NOTE 22 RESEARCH AND DEVELOPMENT

Petoro contributes to R&D through the SDFI meeting its share of such costs in the production licences. NOK 581 million was expensed by the SDFI for R&D in 2015 in respect of charges from the operators during the year.

NOTE 23 SDFI OVERVIEW OF INTERESTS

Production licence	At 31 Dec 2015 Interest (%)	At 31 Dec 2014 Interest (%)
018	5.00000	5.00000
018 B	5.00000	5.00000
018 C	5.00000	5.00000
018 DS	5.00000	5.00000
028 C	30.00000	30.00000
034	40.00000	40.00000
036 BS	20.00000	20.00000
037	30.00000	30.00000
037 B	30.00000	30.00000
037 E	30.00000	30.00000
037 F	-	30.00000
038	30.00000	30.00000
038 C	30.00000	30.00000
038 D	30.00000	30.00000
038 E	30.00000	30.00000
040	30.00000	30.00000
043	30.00000	30.00000
043 BS	30.00000	30.00000
050	30.00000	30.00000
050 B	30.00000	30.00000
050 C	30.00000	30.00000
050 D	30.00000	30.00000
050 DS	30.00000	30.00000
050 ES	30.00000	30.00000
050 FS	30.00000	30.00000
050 GS	30.00000	30.00000
050 HS	30.00000	30.00000
051	-	31.40000
052	37.00000	37.00000
052 B	-	37.00000
053	33.60000	33.60000
054	40.80000	40.80000
055 C	33.60000	33.60000
057	30.00000	30.00000
062	19.95000	19.95000
064	30.00000	30.00000
074	19.95000	19.95000
074 B	19.95000	19.95000
077	30.00000	30.00000
078	30.00000	30.00000
079	33.60000	33.60000
085	62.91866	62.91866
085 B	62.91866	62.91866
085 C	56.00000	56.00000
089	30.00000	30.00000
093	47.88000	47.88000
093 B	47.88000	47.88000

Production licence	At 31 Dec 2015 Interest (%)	At 31 Dec 2014 Interest (%)
093 C	47.88000	47.88000
093 D	47.88000	47.88000
093 E	47.88000	47.88000
094	14.95000	14.95000
094 B	35.69000	35.69000
095	59.00000	59.00000
097	30.00000	30.00000
099	30.00000	30.00000
100	30.00000	30.00000
102	30.00000	30.00000
102 C	30.00000	30.00000
102 D	30.00000	30.00000
102 E	30.00000	30.00000
102 F	30.00000	30.00000
102 G	30.00000	30.00000
104	33.60000	33.60000
104 B	33.60000	33.60000
107 B	7.50000	7.50000
107 D	7.50000	7.50000
110	30.00000	30.00000
110 B	30.00000	30.00000
120	16.93548	16.93548
120 B	16.93548	16.93548
124	27.09000	27.09000
128	24.54546	24.54546
128 B	54.00000	54.00000
134	13.55000	13.55000
152	30.00000	30.00000
153	30.00000	30.00000
153 B	30.00000	30.00000
158	47.88000	47.88000
169	30.00000	30.00000
169 B1	37.50000	37.50000
169 B2	30.00000	30.00000
169 C	50.00000	50.00000
171 B	33.60000	33.60000
176	47.88000	47.88000
190	40.00000	40.00000
190 B	40.00000	40.00000
193	30.00000	30.00000
193 B	30.00000	30.00000
193 C	30.00000	30.00000
193 D	30.00000	30.00000
193 E	30.00000	30.00000
195	35.00000	35.00000
195 B	35.00000	35.00000
199	27.00000	27.00000
208	30.00000	30.00000
209	35.00000	35.00000

Production licence	At 31 Dec 2015 Interest (%)	At 31 Dec 2014 Interest (%)
237	35.69000	35.69000
248	40.00000	40.00000
248 B	40.00000	40.00000
248 C	40.00000	40.00000
248 D	40.00000	40.00000
248 E	40.00000	40.00000
248 F	40.00000	-
250	45.00000	45.00000
255	30.00000	30.00000
263C	19.95000	19.95000
265	30.00000	30.00000
275	5.00000	5.00000
277	30.00000	30.00000
309 C	33.60000	33.60000
318	20.00000	20.00000
318 B	20.00000	20.00000
318 C	20.00000	20.00000
327	20.00000	20.00000
327 B	20.00000	20.00000
393	20.00000	20.00000
393 B	-	20.00000
438	20.00000	20.00000
448	30.00000	30.00000
473	19.95000	19.95000
475 BS	30.00000	30.00000
475 CS	30.00000	30.00000
479	14.95000	14.95000
489	20.00000	20.00000
502	33.33333	33.33333
504	52.40700	52.40700
504 BS	-	4.28600
504 CS	-	46.04300
506 BS	-	20.00000
506 CS	-	20.00000
506 DS	-	20.00000
506 S	-	20.00000
516	24.54545	24.54545
527	-	20.00000
532	20.00000	20.00000
537	20.00000	20.00000
558	-	20.00000
598	-	20.00000
602	20.00000	20.00000
608	20.00000	20.00000
611	20.00000	20.00000
612	20.00000	20.00000
615	20.00000	20.00000
615 B	20.00000	20.00000
618	20.00000	20.00000

Production licence	At 31 Dec 2015 Interest (%)	At 31 Dec 2014 Interest (%)
625	20.00000	20.00000
628	-	20.00000
638	20.00000	20.00000
639	-	20.00000
642	20.00000	20.00000
656	20.00000	20.00000
657	-	20.00000
659	30.00000	30.00000
660	20.00000	20.00000
663	20.00000	20.00000
676 S	-	20.00000
676 BS	-	-
681	20.00000	20.00000
682	20.00000	20.00000
684	30.00000	30.00000
685	20.00000	20.00000
686	-	20.00000
687	20.00000	20.00000
694	20.00000	20.00000
695	20.00000	20.00000
696	20.00000	20.00000
698	36.47500	36.47500
699	36.47500	36.47500
706	-	20.00000
712	20.00000	20.00000
714	20.00000	20.00000
716	20.00000	20.00000
718	20.00000	20.00000
720	20.00000	20.00000
723	20.00000	20.00000
726	20.00000	20.00000
728	20.00000	20.00000
728 B	20.00000	-
739 S	30.00000	30.00000
741	30.00000	30.00000
745 S	30.00000	30.00000
749	20.00000	20.00000
751	20.00000	20.00000
762	20.00000	20.00000
768	20.00000	20.00000
775	20.00000	-
776	20.00000	-
777	20.00000	-
789	20.00000	-
793	20.00000	-
795	20.00000	-
797	20.00000	-
805	20.00000	-
806	20.00000	-

Net profit licences*		
027		
027 B		
027 C		
028		
028 B		
028 C		
028 S		
029		
029 B		
029 C		
033		
033 B		

Unitised fields	At 31 Dec 2015 Interest (%)	At 31 Dec 2014 Interest (%)	Remaining production period	Licence term
Fram H-Nord Unit	11.2000	11.2000	2025	2024
Gimle Unit	24.1863	24.1863	2034	2023
Grane Unit	28.9425	28.9425	2043	2030
Gullfaks Unit	30.0000	30.0000	2036	2036
Haltenbanken Vest Unit (Kristin)	19.5770	19.5770	2034	2027
Heidrun Unit	57.7934	57.7934	2044	2024
Jette Unit	30.0000	30.0000	2016	2021
Johan Sverdrup Unit	17.3600	-	2058	2037
Martin Linge Unit	30.0000	30.0000	2046	2027
Norne Inside	54.0000	54.0000	2031	2026
Ormen Lange Unit	36.4850	36.4850	2036	2040
Oseberg Area Unit	33.6000	33.6000	2039	2031
Snorre Unit	30.0000	30.0000	2039	2016
Snøhvit Unit	30.0000	30.0000	2044	2035
Statfjord Øst Unit	30.0000	30.0000	2025	2024
Sygna Unit	30.0000	30.0000	2025	2024
Tor Unit	3.6874	3.6874	2050	2028
Troll Unit	56.0000	56.0000	2069	2030
Valemon Unit	30.0000	30.0000	2030	2031
Vega Unit	28.3200	28.3200	2026	2024
Visund Inside	30.0000	30.0000	2034	2034
Åsgard Unit	35.6900	35.6900	2032	2027

Fields	At 31 Dec 2015 Interest (%)	At 31 Dec 2014 Interest (%)	Remaining production period	Licence term
Atla	30.0000	30.0000	2018	2025
Draugen	47.8800	47.8800	2027	2024
Ekofisk	5.0000	5.0000	2049	2028
Eldfisk	5.0000	5.0000	2049	2028
Embla	5.0000	5.0000	2049	2028

Flyndre (participatory interest Norwegian side)	5.0000	5.0000	2025	2028
Gjøa	30.0000	30.0000	2026	2028
Heimdal	20.0000	20.0000	2030	2021
Kvitebjørn	30.0000	30.0000	2042	2031
Maria	30.0000	30.0000	2046	2036
Rev	30.0000	30.0000	-	2021
Skirne	30.0000	30.0000	2021	2025
Skuld	24.5455	24.5455	2031	2026
Statfjord Nord	30.0000	30.0000	2025	2026
Svalin	30.0000	30.0000	2043	2030
Tordis	30.0000	30.0000	2029	2024
Tune	40.0000	40.0000	2019	2020
Urd	24.5455	24.5455	2031	2026
Varg	30.0000	30.0000	2019	2021
Veslefrikk	37.0000	37.0000	2019	2020
Vigdis	30.0000	30.0000	2029	2024

Fields no longer producing	**At 31 Dec 2015 Interest (%)**	**At 31 Dec 2014 Interest (%)**	**Licence term**
Huldra Unit	31.9553	31.9553	2015
Yttergryta	19.9500	19.9500	2027

PIPELINES AND LAND-BASED PLANTS

Oil pipelines	**At 31 Dec 2015 Interest (%)**	**At 31 Dec 2014 Interest (%)**	**Licence term**
Oseberg Transport System (OTS)	48.3838	48.3838	2028
Troll Oil Pipeline I + II	55.7681	55.7681	2023
Grane Pipeline	42.0631	42.0631	2030
Kvitebjørn Pipeline	30.0000	30.0000	2020
Norpipe Oil AS (interest)	5.0000	5.0000	2028

Oil - land-based plants			
Mongstad Terminal DA	35.0000	35.0000	-

Gas pipelines			
Gassled**	45.7930	45.7930	2028
Haltenpipe	57.8125	57.8125	2028
Mongstad Gas Pipeline (EMV)	56.0000	56.0000	2030
Polarled (NSGI)	11.9460	11.9460	-
Troll Gas Pipeline	56.0000	56.0000	

Gas - land-based plants			
Dunkerque Terminal DA	29.7652	29.7652	2028
Zeepipe Terminal J V	22.4384	22.4384	2028
Vestprosess DA	41.0000	41.0000	-
Kollsnes (gas processing plant, operation)	45.7930	45.7930	-
Norsea Gas AS (interest)	40.0060	40.0060	2028
Ormen Lange Eiendom DA	36.4750	36.4750	2035

The SDFI also has intangible fixed assets relating to gas storage in the UK and Germany, and financial fixed assets related to an associate in the USA (SNG).

* Production licences where the SDFI is not a licensee, but has a right to a share of possible profit.
** The interest in Gassled including Norsea Gas is 46.698 per cent.

Petoro share Gassled	45.7930%
Norsea Gas share of Gassled	2.2610%
Petoro share of Norsea Gas	40.0060%

Petoro share of Gassled excl Norsea Gas	45.7930%
Petoro share of Gassled incl Norsea Gas	46.6975%

Riksrevisjonen
Office of the Auditor General of Norway

1816–2016

Executive officer
Lene Simonsen +47 21540887

Our date	Our reference
23.02.2016	2015/01277-6
Your date	Your reference

State's Direct Financial Interest
Petoro AS
PO Box 300 Sentrum
4002 STAVANGER
NORWAY

Audit of the 2015 accounts of the State's Direct Financial Interest
Pursuant to Act no 21 of the 7th of May 2004 relating to the Office of the Auditor General (Auditor General Act), the Office of the Auditor General of Norway is the auditor for the State's Direct Financial Interest.

When finalizing the annual audit, the Office of the Auditor General will issue an audit opinion which summarizes the conclusion of the audit performed. The audit opinion will be made public not until the Office of the Auditor General has reported the results of the audit to the Stortinget (Parliament) in the beginning of October, pursuant to section 18 of the Auditor General Act.

The board of directors and possibly the annual general meeting of Petoro AS will be briefed on the results of the audit for the year.

Yours sincerely

Jan Fredrik Lied
Acting Director General

Lars Christian Møller
Deputy Director General

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PETORO AS INCOME STATEMENT

PARENT COMPANY					GROUP	
2014	**2015**	**NOTES**	**All figures in NOK 1 000**	**NOTES**	**2015**	**2014**
277 230	**267 292**	1	Invoiced government contribution	1	**284 636**	288 843
5 504	**3 884**	1, 16, 17	Other revenue	1, 16, 17	**2 509**	3 712
(11)	**(1 416)**	2	Net deferred revenue recorded	2	**(1 416)**	(11)
282 723	**269 760**		**Total operating revenue**		**285 730**	**292 544**
149 474	**158 006**	3,11	Payroll expenses	3, 11	**158 006**	149 474
2 739	**1 991**	4	Depreciation	4	**1 991**	2 739
16 241	**14 457**	13,15,16	Accounting and business management fees	13, 15, 16	**14 419**	16 241
9 555	**9 456**	14	Office expenses	14	**9 456**	9 555
23 434	**24 051**	15	ICT expenses	15	**24 051**	23 434
90 301	**58 477**	13,16	Other operating expenses	13, 16, 18	**75 072**	100 099
291 744	**266 437**		**Total operating expenses**		**282 995**	**301 541**
(9 021)	**3 323**		**Operating loss**		**2 734**	**(8 997)**
3 448	**2 180**	5	Financial income	5	**2 324**	3 560
(442)	**(462)**	5	Financial expenses	5	**(510)**	(482)
3 006	**1 718**		**Net financial result**		**1 813**	**3 078**
(6 015)	**5 040**		**Loss before tax expense**		**4 548**	**(5 919)**
			Tax expense on ordinary loss	19	**28**	34
(6 015)	**5 040**		**NET LOSS**		**4 520**	**(5 953)**
			Transfers			
(6 015)	**5 040**		Transferred to/(from) other equity			
(6 015)	**5 040**		**Total transfers**			

PETORO AS BALANCE SHEET AT 31 DECEMBER

PARENT COMPANY					GROUP	
2014	**2015**	**NOTES**	**All figures in NOK 1 000**	**NOTES**	**2015**	**2014**
			ASSETS			
			Fixed assets			
			Tangible fixed assets			
3 442	4 858	4	Operating equipment, fixtures, etc	4	4 858	3 442
3 442	4 858		**Tangible fixed assets**		4 858	3 442
			Financial assets			
0	0	6	Shares in subsidiaries		0	0
0	0		**Total financial assets**		0	0
3 442	4 858		**Total fixed assets**		4 858	3 442
			Current assets			
1 998	408	17	Trade debtors		305	1 920
11 088	12 395	7	Other debtors	7	12 396	11 089
173 484	197 665	8	Bank deposits	8	199 049	178 328
186 569	210 467		**Total current assets**		211 750	191 337
190 011	215 326		**TOTAL ASSETS**		216 609	194 780
			EQUITY AND LIABILITIES			
			Equity			
			Paid-in capital			
10 000	10 000	9	Share capital (10 000 shares at NOK 1 000)	9	10 000	10 000
			Retained earnings			
6 749	11 789	10	Other equity	10	13 378	8 858
16 749	21 789		**Total equity**		23 378	18 858
			Liabilities			
			Provisions			
112 983	130 425	11	Pension liabilities	11	130 425	112 983
3 442	4 858	2	Deferred revenue government contribution	2	4 858	3 442
116 425	135 284		**Total provisions**		135 284	116 425
			Current liabilities			
19 898	19 747		Trade creditors		19 751	19 901
0	0		Tax payable	19	0	26
9 450	9 165		Withheld taxes and social security		9 165	9 450
27 490	29 341	12	Other current liabilities	12	29 032	30 119
56 838	58 253		**Total current liabilities**		57 947	59 497
173 263	193 537		**Total liabilities**		193 231	175 922
190 011	215 326		**TOTAL EQUITY AND LIABILITIES**		216 609	194 780

Stavanger, 4 March 2016

Gunn Wærsted Chair	**Hilde Myrberg** Deputy chair	**Per Arvid Schøyen** Director	**Trude J H Fjeldstad** Director
Per-Olaf Hustad Director	**Lars Kristian Bjørheim** Director*	**Marit Ersdal** Director*	**Grethe K Moen** President and CEO

* Elected by the employees

PETORO AS CASH FLOW STATEMENT

PARENT COMPANY				GROUP	
2014	**2015**		**All figures in NOK 1 000**	**2015**	**2014**
			LIQUID ASSETS PROVIDED BY/USED IN OPERATING ACTIVITIES		
(6 015)	**5 040**		Income before tax	**4 548**	(5 919)
2 739	**1 991**	+	Depreciation	**1 991**	2 739
0	**0**	+	Tax paid	**(54)**	(26)
(563)	**1 590**	+/-	Change in trade debtors	**1 616**	(563)
(1 224)	**(151)**	+/-	Change in trade creditors	**(151)**	(2 515)
9 885	**19 118**	+/-	Change in accrued items	**16 178**	9 515
4 822	**27 588**		**Net change in liquidity from operating activities**	**24 128**	**3 231**
			LIQUID ASSETS PROVIDED BY/USED IN INVESTING ACTIVITIES		
(2 750)	**(3 407)**	-	Invested in tangible fixed assets	**(3 407)**	(2 750)
2 750	**3 407**		**Net change in liquidity from investing activities**	**(3 407)**	**(2 750)**
			LIQUID ASSETS PROVIDED BY/USED IN FINANCING ACTIVITIES		
0	**0**	+	Proceeds from share issue	**0**	0
0	**0**	-	Correction to equity 1 Jan	**0**	(18)
0	**0**		**Correction to equity 1 Jan**	**0**	**(18)**
2 072	**24 181**		Net change in liquid assets	**20 721**	464
171 411	**173 484**	+	Cash and cash equivalents at 1 Jan	**178 328**	177 864
173 483	**197 665**		**Cash and cash equivalents at 31 Dec**	**199 049**	**178 328**

PETORO AS AND GROUP NOTES

ACCOUNTING PRINCIPLES

DESCRIPTION OF THE COMPANY'S BUSINESS

Petoro AS was established by the Ministry of Petroleum and Energy on behalf of the Norwegian government on 9 May 2001. The company's object is to be responsible, on behalf of the government, for managing the commercial aspects of the State's Direct Financial Interest (SDFI) in petroleum activities on the Norwegian continental shelf, and activities related hereto.

The state is the majority shareholder in Statoil ASA and the owner of the SDFI. On that basis, Statoil handles marketing and sale of the government's petroleum. Petoro is responsible for monitoring that Statoil discharges its responsibilities under the applicable marketing and sale instruction.

Petoro is also responsible for presenting separate annual accounts for the SDFI portfolio. The cash flow for the SDFI is accordingly excluded from the limited company's annual accounts.

Petoro Iceland AS was established in December 2012 as a wholly owned subsidiary of Petoro AS. The company's purpose is, on behalf of the state and at the government's expense and risk, to be responsible for managing the commercial aspects related to the Norwegian state's participation in petroleum operations on the Icelandic continental shelf and associated activities. The company has no employees. A management contract has been entered into with Petoro AS.

GROUP AND CONSOLIDATION

The consolidated accounts include the parent company, Petoro AS, and the Petoro Iceland AS subsidiary. They have been prepared as if the group was a single financial unit where transactions and accounts between the companies are eliminated. The consolidated accounts have been prepared on the basis of uniform principles in that the subsidiary applies the same accounting principles as the parent company.

CLASSIFICATION OF ASSETS AND LIABILITIES

Assets intended for ownership or use in the business for a longer period are classified as fixed assets. Other assets are classed as current assets. Debtors due within one year are classified as current assets. Similar criteria are applied for classification of current and long-term liabilities.

FIXED ASSETS

Fixed assets are carried at historical cost with a deduction for planned depreciation. Should the fair value of a fixed asset be lower than the book value, and this decline is not expected to be temporary, the asset will be written down to its fair value. Fixed assets with a limited economic lifetime are depreciated on a straight-line basis over their economic lifetime.

SHARES IN SUBSIDIARIES

Investment in subsidiaries is assessed in accordance with the cost method.

DEBTORS

Trade debtors and other debtors are carried at face value.

BANK DEPOSITS

Bank deposits include cash, bank deposits and other monetary instruments with a maturity of less than three months at the date of purchase.

PENSIONS

Defined benefit plan

The company's pension scheme for employees in 2015 was a defined benefit plan. The capitalised obligation relating to the defined benefit plan is the present value of the defined obligation at 31 December less the fair value of the plan assets, adjusted for unrecorded change in estimates. The pension obligation is calculated annually by an independent actuary on the basis of a linear earnings method and expected final pay. The pension plan is valued at its expected fair value. The net book obligation includes payroll tax.

Net pension expense is included in payroll expenses and comprises pension rights earned over the period, interest charges on the estimated pension obligation, expected return on pension plan assets, the recorded effect of estimate changes and accrued payroll tax. Payment of earned pension rights in the event of early retirement is reported as pension.

Changes made to estimates as a result of new information or changes in actuarial assumptions in excess of the larger of 10 per cent of the value of the pension plan assets or 10 per cent of the pension obligations are recorded in the income statement over a period which corresponds to the employees' expected average remaining period of employment.

Defined contribution plan

Premiums for the defined contribution plan are expensed on a continuous basis.

The company's pension plan has been changed to a defined contribution basis with effect from 1 January 2016, with a transitional arrangement for employees who are less than 15 years from retirement.

CURRENT LIABILITIES

Current liabilities are assessed at their face value.

INCOME TAXES

The company is exempt from tax with regard to Petoro AS pursuant to section 2-30 of the Taxation Act. Tax expense in the consolidated accounts applies to Petoro Iceland AS.

OPERATING REVENUE

The company receives an operating grant from the government for services provided to the Ministry of Petroleum and Energy in accordance with the company's object. This operating contribution is appropriated annually by the Storting (parliament). The operating contribution is presented in the accounts as operating revenue.

Contributions for special projects are recorded as income in line with the progress of the projects (matching principle).

The contribution applied to investment for the year is accrued as deferred revenue and specified as a liability in the balance sheet. The deferred contribution is recorded as income in line with the depreciation of the investments and specified as deferred revenue in the income statement.

FOREIGN CURRENCIES

Transactions in foreign currencies are recorded at the exchange rate prevailing at the time of the transaction. Receivables and liabilities in foreign currencies are recorded at the exchange rate prevailing at 31 December.

CASH FLOW STATEMENT

The cash flow statement is prepared in accordance with the indirect method. Cash and cash equivalents include cash, bank deposits and other short-term liquid instruments.

NOTE 1 GOVERNMENT CONTRIBUTION AND OTHER INCOME

The company recorded an operating contribution from the Norwegian government totalling NOK 267.3 million excluding VAT as income in 2015. For the group, the amount was NOK 284.6 million. The appropriation for the year, excluding VAT, was NOK 265 million for Petoro AS and NOK 16.5 million for Petoro Iceland AS, giving a total amount of NOK 281.5 million for the group. The difference between the operating contribution recorded as income and the appropriation for the year reflects accruals between fiscal years.

Other revenue primarily relates to invoicing of services provided to operators of joint ventures and other joint venture partners.

NOTE 2 DEFERRED REVENUE

The change in deferred revenue recorded in the income statement comprises deferred revenue related to NOK 3.4 million in investment made during 2015 as well as NOK 2 million in depreciation of investments made during the year and in earlier years.

NOTE 3 PAYROLL EXPENSES, NUMBER OF EMPLOYEES, BENEFITS, ETC

Payroll expenses (all figures in NOK 1 000)	**2015**	**2014**
Pay	**98 681**	99 806
Directors' fees	**1 737**	1 690
Payroll taxes	**15 044**	13 998
Pensions (note 11)	**38 881**	30 227
Other benefits	**3 663**	3 753
Total	**158 006**	**149 474**

Employees at 31 December	64	67
Employees with a signed contract who had not started work at 31 Dec	0	0
Average number of work-years employed	65.5	66

Remuneration of senior executives (all figures in NOK 1 000)	**Pay**	**Other benefits**	**Total benefits**	**Expensed pension**
Grethe Moen, president and CEO	3 221	179	3 400	1 850
Rest of the management team (seven people)				
Olav Boye Sivertsen	1 840	156	1 996	436
Marion Svihus	2 373	154	2 527	962
Laurits Haga	2 528	154	2 682	690
Roy Tore Ruså	2 468	154	2 622	585
Jan Terje Mathisen	2 362	151	2 513	899
Nashater Solheim	1 729	158	1 887	701
Kjell Morisbak Lund	2 323	151	2 474	678
Rest of the management team (seven people)	**15 623**	**1 078**	**16 701**	**4 952**

Expensed pension liabilities represent the current year's estimated cost of the overall pension liability for the CEO plus the rest of the management team.

Nashater Solheim resigned from Petoro in February 2016.

DECLARATION ON SENIOR EXECUTIVE PAY FOR PETORO AS

The declaration on remuneration for the CEO and other senior executives is in line with the provisions of the Norwegian Act on Public Limited Companies and the guidelines for state ownership, including the guidelines on pay and other remuneration for senior executives in wholly or partly state-owned undertakings and companies which came into force on 13 February 2015. These replaced the earlier guidelines on conditions of employment for executives in state-owned undertakings and companies of 31 March 2011.

Guidelines on remuneration

Petoro's remuneration guidelines are entrenched in the company's vision, goals and values. The relationship between the level of performance, demonstrated leadership/collegiality and reward will be predictable, motivational, clear and easy to communicate. Petoro has an integrated pay policy and system for the whole company, and aims to pay a competitive rate without being a pacesetter on remuneration in relation to the relevant market for the petroleum industry.

Decision-making process

The board determines compensation arrangements for the CEO, who in turn determines the compensation arrangements for the other members of the company's senior management. The board has appointed a compensation sub-committee comprising the deputy chair and another director. The human resources manager provides the secretariat function for this committee, which prepares proposals and recommendations for the board on compensation issues.

Main principles for remuneration in the coming fiscal year

The compensation package for the CEO and the other senior executives will reflect the responsibilities and complexity of the role in question, the company's values and culture, the relevant executive's behaviour and performance, and the need to attract and retain key personnel. The arrangements are transparent and in accordance with the principles for good corporate governance.

Basic pay is the main component in Petoro's compensation scheme. Senior executives are also entitled to benefits on the same lines as others in the company, including car allowance as well as pension and insurance benefits, but with a somewhat wider entitlement to communication allowance. The management team, with the exception of the CEO, are also covered by a loyalty scheme like other employees. This matches the calendar year, and involves annually allocating a sum equivalent to five per cent of annual pay at 1 January up to a maximum of 24 times the National Insurance base rate (G). The calculation is based on the value of G at 1 January. One-third of the credit balance at 31 December is first paid out after a minimum qualifying period of three years. The first pay-out was made in January 2016 to employees who met the conditions. Thereafter, one-third of the credit balance at any given time will be paid annually. The accumulated sum is lost if the person concerned resigns from the company or is under notice at the due date for payment. In the event of retirement, the credit balance will be paid in its entirety on departure. The sum paid is reported as a payroll expense.

Petoro does not have a bonus programme. Share programmes, options and other option-like arrangements are not used by the company.

Pay levels in a reference market comprising relevant companies in the upstream oil and gas industry provide the basic guidelines for the company's remuneration profile. Basic pay is primarily fixed on the basis of the responsibilities and complexity of the position. Basic pay is subject to an annual assessment.

Petoro had a defined benefit pension scheme in 2015. The CEO has a retirement age of 67. Her employment contract stipulates a mutual six-month period of notice. Agreement has been entered into on a pay guarantee scheme of 12 months in addition to the period of notice. One member of the management team has the opportunity to retire on a full pension upon reaching the age of 62. Two members of the management team can opt to retire upon reaching the age of 65 on a reduced pension. The remaining executives retire at 67. The pension benefit is calculated as about 66 per cent of the pension basis, less an estimated National Insurance benefit. Petoro also had an unfunded defined benefit plan in 2015 for personnel earning more than 12 G. This pension agreement was established before the revised guidelines on employment terms for senior executives in state-owned companies came into force. It embraces all employees of the company earning more than 12 G, and is not confined to senior executives.

The board approved a new pension plan for Petoro with effect from 1 January 2016. This is a defined contribution plan pursuant to the Defined Contribution Act. From the same date, Petoro has no collective pension plan for employees with pay above 12 G. A transitional arrangement has been put in place which applies equally to senior executives and other employees with less than 15 years to go before reaching the retirement age of 67. Senior executives with employment contracts entered into before 13 February 2015 are covered by the same transitional scheme as other employees.

Senior executives appointed after the new guidelines came into force on 13 February 2015 will only be covered by the company's defined contribution plan for pay below 12 G. Consequently, after these new guidelines came into force, Petoro will have no new senior executives with a defined benefit pension and no pension expenses over and above those which follow from the tax-favoured defined benefit plan.

Remuneration principles and their implementation in the preceding year

The annual evaluation of the basic pay of the CEO and other senior executives is conducted with effect from 1 July. Assessments of senior executives other than the CEO in 2015 took place during the second quarter. The board considered the CEO's pay assessment at its meeting of 3 September 2015. The CEO's pay is adjusted at 1 July 2016.

NOTE 4 TANGIBLE FIXED ASSETS

All figures in NOK 1 000	**Fixed fittings**	**Equipment, etc**	**ICT**	**Total**
Purchase cost 1 Jan 15	4 310	8 520	26 543	39 373
Addition fixed assets	125	-	3 282	3 407
Disposal/obsolescence fixed assets	-	-	-	-
Purchase cost 31 Dec 15	4 434	8 520	29 825	42 780
Accumulated depreciation 1 Jan 15	4 064	7 707	24 160	35 931
Reversed accumulated depreciation				-
Depreciation for the year	80	17	1 694	1 991
Accumulated depreciation 31 Dec 15	4 144	7 924	25 853	37 921
Book value at 31 Dec 15	**291**	**596**	**3 971**	**4 858**
Economic life	Until lease expires in 2020	3-5 years	3 years	
Depreciation plan	Linear	Linear	Linear	

Operational leasing contracts include office equipment and machines. The initial hire period is three-five years.

NOTE 5 FINANCIAL ITEMS

Financial items (all figures in NOK 1 000)	**2015**	**2014**
Financial income		
Interest income	2 093	3 399
Currency gain	86	49
Financial expenses		
Interest expenses	33	3
Currency loss	428	436
Other financial expenses	**-**	**3**
Net financial items Petoro AS	**1 718**	**3 006**
Net financial items from subsidiary	**95**	**72**
Net financial items group	**1 813**	**3 078**

NOTE 6 INVESTMENT IN SUBSIDIARY

Company	**Acquisition date**	**Business office**	**Interest**	**Voting share**	**Equity 31 Dec**	**Loss 2015**
Petoro Iceland AS	11 Dec 2012	Stavanger	100%	100%	NOK 1 589	(521)

Petoro AS received a contribution of NOK 2 million in 2012 which was earmarked as share capital for Petoro Iceland AS. This contribution has been offset against the acquisition price of the shares. For that reason, investment in Petoro Iceland has been recorded as NOK 0 in the balance sheet.

Petoro Iceland receives its own appropriations over the central government budget to fund its operations. It has also entered into an agreement with the parent company, Petoro AS, on an overdraft facility of NOK 3 million. This agreement has been established on the arm's-length principle and is based on normal commercial terms and principles, and is thereby considered to accord with the pricing of corresponding financial services in the market. The facility remained undrawn at 31 December 2015.

NOTE 7 OTHER DEBTORS

Other debtors consist in their entirety of pre-paid costs relating primarily to rent, insurance, licences, subscriptions for market information and VAT credits.

NOTE 8 BANK DEPOSITS

Of consolidated bank deposits totalling NOK 199.1 million, Petoro AS accounts for NOK 197.7 million. That includes NOK 145 million in withheld tax and pension plan assets.

NOTE 9 SHARE CAPITAL AND SHAREHOLDER INFORMATION

The share capital of the company at 31 December 2015 comprised 10 000 shares with a nominal value of NOK 1 000 each. All the shares are owned by the Ministry of Petroleum and Energy on behalf of the Norwegian government, and all have the same rights.

NOTE 10 EQUITY

Petoro AS (All figures in NOK 1 000)	Share capital	Other equity	Total
Equity at 1 Jan 2015	**10 000**	6 749	16 749
Change in equity for the year			
Net income		5 040	5 040
Equity at 31 Dec 2015	**10 000**	**11 789**	**21 789**

Group (All figures in NOK 1 000)	Share capital	Other equity	Total
Equity at 1 Jan 2015	**10 000**	8 858	18 858
Change in equity for the year			
Net income		4 520	4 520
Equity at 31 Dec 2015	**10 000**	**13 378**	**23 378**

Consolidated reserves include a contribution of NOK 2 million from the Norwegian government in connection with the establishment of Petoro Iceland AS.

NOTE 11 PENSION COSTS, ASSETS AND LIABILITIES

The company is legally obliged to have an occupational pension plan pursuant to the Act on Mandatory Occupational Pensions. The company's pension plans comply with the requirements of this Act.

The company had defined benefit pension plans in 2015 covering all its employees, with the exception of one person who has a defined contribution plan. The plans confer the right to defined future benefits. These depend primarily on the number of years of pensionable earnings, the level of pay at retirement and the size of national insurance benefits.

Petoro has introduced a defined contribution plan with effect from 1 January 2016. Employees who had less than 15 years of pensionable service remaining at 31 December 2015 will stay in the existing defined benefit plans for employees earning below and above 12 G. Where other employees are concerned, Petoro's collective pension plan for pay above 12 G has been discontinued with effect from 1 January 2016. A transitional arrangement has been established for employees transferring to the defined contribution pension plan.

Net pension cost (Figures in NOK 1 000)	**2015**	**2014**
Present value of benefits earned during the year	**29 569**	22 486
Interest expense on pension obligation	**5 278**	8 798
Return on pension plan assets	**(3 409)**	(3 609)
Recorded change in estimates	**5 369**	(693)
Recorded change in pension plan	**(2 766)**	0
Payroll tax	**4 770**	3 171
Pension cost, defined benefit plans	**38 811**	30 154
Pension cost, defined contribution plan	**70**	73
Net pension cost	**38 881**	**30 227**

Capitalised pension obligation	**2015**	**2014**
Estimated pension obligation at 31 Dec	**281 649**	293 218
Pension plan assets (market value)	**(99 919)**	(105 821)
Net pension obligations before payroll tax	**181 730**	187 397
Unrecorded change in estimates	**(60 975)**	(88 493)
Payroll tax	**9 671**	14 078
Capitalised pension obligation	**130 425**	**112 983**

Financial assumptions applied in calculating net pension expense for the year relate to the preceding year for net pension costs and to the present year for the net pension obligation. The change to pension plans at the end of 2015 is reflected in the capitalised pension obligations at 31 December.

	2015	**2014**
Discount rate	**2,5%**	2.3%
Expected return on plan assets	**3.3%**	3.2%
Expected increase in pay	**2.25%**	2.75%
Expected increase in pensions	**0.0%**	0.0%
Expected change in NI base rate	**2.5%**	2.5%

The actuarial assumptions are based on common assumptions made in the insurance business for demographic factors.

NOTE 12 OTHER CURRENT LIABILITIES

Other current liabilities relate almost entirely to provision for costs incurred, pay outstanding and holiday pay.

NOTE 13 AUDITOR'S FEES

Erga Revisjon AS is the group's elected auditor. Fees charged by Erga Revisjon to Petoro for external auditing in 2015 totalled NOK 0.4 million. The figure for Petoro AS was NOK 0.3 million.

In accordance with the Act on Government Auditing of 7 May 2004, the Auditor General is the external auditor for the SDFI. Deloitte AS was engaged until 30 June 2015 to conduct a financial audit of the SDFI as part of the company's internal audit function. Deloitte charged NOK 0.5 million for this service in 2015, and also executed internal audit projects and delivered services related to partner audits for a total of NOK 1.1 million. PricewaterhouseCoopers AS (PwC) has been engaged as the company's financial auditor with effect from 1 July 2015. PwC charged NOK 0.3 million for financial auditing in 2015, and also delivered services related to partner audits for a total of NOK 0.9 million.

NOTE 14 LEASES

Petoro AS entered into a lease with Smedvig Eiendom AS for office premises in the autumn of 2003. The ordinary term of the lease expired at 31 December 2014. Petoro chose to exercise its option to extend the lease to 31 December 2020. The remaining term of the lease is five years, with an option to renew for a further five-year period. Rent for the year was NOK 8.9 million, which included all management and shared expenses.

NOTE 15 SIGNIFICANT CONTRACTS

Petoro has entered into an agreement with Upstream Accounting Excellence (Upax) on the delivery of accounting and associated ICT services related to the SDFI. This agreement applies from 1 March 2014 and runs for five years with an option for Petoro to extend it for a further year. Evry is the sub-contractor for ICT services. The recorded accounting fee for Upax in 2015 was NOK 13.2 million. Other services purchased from the contractor totalled NOK 0.6 million.

NOTE 16 CLOSE ASSOCIATES

Statoil ASA and Petoro AS have the same owner in the Ministry of Petroleum and Energy, and are close associates. Petoro purchased services in 2015 relating to the audit of licence accounts, insurance services and other minor services. These were purchased at market price on the basis of hours worked. NOK 0.4 million has been invoiced for services rendered to Statoil ASA under the arm's-length principle, based on hours worked by Petoro personnel and contract staff.

NOTE 17 INTERNAL GROUP TRANSACTIONS

Petoro Iceland AS has entered into a management agreement with Petoro AS. Its purpose is that Petoro AS will manage the operations of Petoro Iceland AS on the terms and conditions specified in the agreement. NOK 1.4 million was invoiced in 2015 for the purchase of hours and services. These services are calculated at market price on the basis of hours worked and the government's scale for travel expenses. The parent company has a credit of NOK 0.1 million with the subsidiary. The amounts have been eliminated in the accounts.

NOTE 18 LICENCES/INTERESTS

The Icelandic government awarded two licences on 4 January 2013 to explore for and produce hydrocarbons on the Icelandic continental shelf. A third licence was awarded in January 2014. The Norwegian government has resolved that Petoro Iceland AS, through its branch office in Iceland, will manage the Norwegian participatory interest of 25 per cent in these licences. The work programme in the licences is divided into three phases, and the licensees can opt to relinquish the licences at the end of each phase. At 31 December 2015, Petoro Iceland AS had participatory interests in two production licences.

NOTE 19 TAX – CONSOLIDATED

Tax expense for the year breaks down as	2015	2014
Tax payable	0	26
Excess provision for tax 2013	0	-6
Icelandic tax	28	13
Total tax expense	**28**	**34**

Calculation of tax base for the year		
Profit before tax expense	(493)	96
Permanent differences	0	0
Change in temporary differences	0	0
Tax base for the year	(493)	96
Tax payable	**0**	**26**

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To the general meeting for Petoro AS

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of Petoro AS, which comprise the financial statements of the parent company, showing a profit of NOK 5 040 000, and the financial statements of the group, showing a profit of NOK 4 520 000 . The financial statements of the parent company and the financial statements of the group comprise the balance sheet as at December 31, 2015, and the income statement, and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

The Board of Directors and the Managing Director's Responsibility for the Financial Statements
The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of these financial statements in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and for such internal control as the Board of Directors and the Managing Director determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion
In our opinion, the financial statements are prepared in accordance with the law and regulations and give a true and fair view of the financial position of parent company and the group Petoro AS as at December 31, 2015, and its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report
Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors report concerning the financial statements, the going concern assumption and the proposal for the allocation of the profit is consistent with the financial statements and complies with the law and regulations.

Opinion on Registration and Documentation
Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements (ISAE) 3000, «Assurance Engagements Other than Audits or Reviews of Historical Financial Information», it is our opinion that management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the company's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Stavanger, 04 March 2016

Sven Erga
State Authorised PublicAccountant (Norway)

[Translation has been made for information purposes only]

PETORO'S FINANCIAL CALENDAR 2016

16 March	Annual result 2015/fourth quarter report 2015
4 May	First quarter report 2016
4 August	Second quarter report/first-half report 2016
3 November	Third quarter report 2016

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