

A photograph of an offshore oil rig in the ocean under a cloudy sky. The rig is on the left side of the frame, with its complex structure of pipes, platforms, and cranes visible. The ocean is a deep blue with white-capped waves. In the distance, another smaller rig is visible on the horizon.

FIGURES FOR 2014

ANNUAL ACCOUNTS PETORO

PETORO AS INCOME STATEMENT

PARENT COMPANY				GROUP		
2013	2014	NOTES	All figures in NOK 1 000	NOTES	2014	2013
260 654	277 230	1	Invoiced government contribution	1	288 843	264 995
4 338	5 504	1, 16, 17	Other revenue	1, 16, 17	3 712	1 313
1 378	(11)	2	Net deferred revenue recorded	2	(11)	1 378
266 370	282 723		Total operating revenue		292 544	267 686
135 395	149 474	3, 11	Payroll expenses	3, 11	149 474	135 395
2 722	2 739	4	Depreciation	4	2 739	2 722
16 180	16 241	13, 15, 16	Accounting and business management fees	13, 15, 16	16 241	16 180
9 268	9 555	14	Office expenses	14	9 555	9 268
21 463	23 434	15	ICT expenses	15	23 434	21 463
85 349	90 301	13, 16	Other operating expenses	13, 16, 18	100 099	86 666
270 377	291 744		Total operating expenses		301 541	271 694
(4 007)	(9 021)		Operating loss		(8 997)	(4 008)
3 790	3 448	5	Financial income	5	3 560	3 860
(366)	(442)	5	Financial expenses	5	(482)	(371)
3 424	3 006		Net financial result		3 078	3 489
(584)	(6 015)		Loss before tax expense		(5 919)	(519)
			Tax expense on ordinary loss	19	34	18
(584)	(6 015)		Net loss		(5 953)	(537)
			TRANSFERS			
(584)	(6 015)		Transferred from other equity			
(584)	(6 015)		Total transfers			

PETORO AS BALANCE SHEET AT 31 DECEMBER

PARENT COMPANY				GROUP		
2013	2014	NOTES	All figures in NOK 1 000	NOTES	2014	2013
			ASSETS			
			Fixed assets			
			Tangible fixed assets			
3 432	3 442	4	Operating equipment, fixtures, etc	4	3 442	3 432
3 432	3 442		Tangible fixed assets		3 442	3 432
			Financial assets			
0	0	6	Shares in subsidiaries		0	0
0	0		Total financial assets		0	0
3 432	3 432		Total fixed assets		3 432	3 432
			Current assets			
1 435	1 998	17	Trade debtors		1 920	1 322
9 836	11 088	7	Other debtors	7	11 089	9 844
171 411	173 484	8	Bank deposits	8	178 328	177 864
182 682	186 569		Total current assets		191 337	189 030
186 113	190 011		TOTAL ASSETS		194 780	192 462
			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			
12 764	6 749	10	Other equity	10	8 858	14 829
22 764	16 749		Total equity		18 858	24 829
			Liabilities			
			Provisions			
103 886	112 983	11	Pension liabilities	11	112 983	103 886
3 432	3 442	2	Deferred revenue government contribution	2	3 442	3 432
107 318	116 425		Total provisions		116 425	107 318
			Current liabilities			
21 122	19 898		Trade creditors		19 901	22 416
0	0		Tax payable	19	26	0
8 719	9 450		Withheld taxes and social security		9 450	8 719
26 191	27 490	12	Other current liabilities	12	30 119	29 180
56 032	56 838		Total current liabilities		59 497	60 315
163 349	173 263		Total liabilities		175 922	167 633
186 113	190 011		TOTAL EQUITY AND LIABILITIES		194 780	192 462

Stavanger, 6 March 2015



Gunn Wærsted
Chair



Hilde Myrberg
Deputy chair



Nils-Henrik M von der Fehr
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

PETORO AS CASH FLOW STATEMENT

PARENT COMPANY			GROUP	
2013	2014	All figures in NOK 1 000	2014	2013
LIQUID ASSETS PROVIDED BY/USED IN OPERATING ACTIVITIES				
(584)	(6 015)	Income before tax	(5 919)	(519)
2 722	2 739	+ Depreciation	2 739	2 722
0	0	+ Tax paid	(26)	0
6 552	(563)	+/- Change in trade debtors	(563)	6 664
759	(1 224)	+/- Change in trade creditors	(2 515)	2 053
8 622	9 885	+/- Change in accrued items	9 515	11 578
18 071	4 822	Net change in liquidity from operating activities	3 231	22 498
LIQUID ASSETS PROVIDED BY/USED IN INVESTING ACTIVITIES				
(1 344)	(2 750)	- Invested in tangible fixed assets	(2 750)	(1 344)
(1 344)	2 750	Net change in liquidity from investing activities	(2 750)	(1 344)
LIQUID ASSETS PROVIDED BY/USED IN FINANCING ACTIVITIES				
0	0	+ Proceeds from share issue	0	0
0	0	- Correction to equity 1 Jan	(18)	0
0	0	Correction to equity 1 Jan	(18)	0
16 727	2 072	Net change in liquid assets	464	21 154
154 684	171 411	+ Cash and cash equivalents at 1 Jan	177 864	156 710
171 411	173 483	Cash and cash equivalents at 31 Dec	178 328	177 864

PETORO AS 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 sales 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. Transactions and accounts between the companies in the group have been 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 is 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.

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.

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 277.2 million excluding VAT as income in 2014. For the group, the amount was NOK 288.8 million. The appropriation for the year, excluding VAT, was NOK 278.3 million for Petoro AS and NOK 15.3 million for Petoro Iceland AS, giving a total amount of NOK 293.6 million for the group. The difference between the operating contribution recorded as income and the appropriation for the year reflects accruals between fiscal years. The invoiced contribution for Johan Sverdrup totalled NOK 29.5 million excluding VAT for 2014.

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 2.75 million in investment made during 2014 as well as NOK 2.74 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)	2014	2013
Pay	99 806	90 535
Directors' fees	1 690	1 657
Payroll taxes	13 998	12 801
Pensions (note 11)	30 227	26 356
Other benefits	3 753	4 046
Total	149 474	135 395

* Directors' fees are specified in the table.

Employees at 31 Dec, including the CEO and senior executives	67	64
Employees with a signed contract who had not started work at 31 Dec	0	4
Average number of work-years employed	66	65

Remuneration of senior executives (all figures in NOK 1 000)	Pay	Other benefits	Total benefits	Expensed pension
Grethe Moen, president and CEO	3 231	187	3 418	1 961
Rest of the management team (seven people)				
Olav Boye Sivertsen	1 727	153	1 880	776
Marion Svihus	2 244	158	2 402	1 031
Laurits Haga	2 394	148	2 542	1 197
Roy Tore Ruså	2 304	151	2 455	969
Jan Terje Mathisen	2 188	146	2 334	996
Nashater Solheim, from March	1 485	126	1 611	701
Kjell Morisbak Lund, from February	1 980	137	2 117	800
Rest of the management team (seven people)	14 322	1 019	15 341	6 471

Expensed pension liabilities represent the current year's estimated cost of the overall pension liability for the president plus the rest of the management team. Pay includes payments from the credit balance in the loyalty scheme.

DECLARATION ON SENIOR EXECUTIVE PAY FOR PETORO AS

The declaration on remuneration for the president 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 revised guidelines on conditions of employment for executives in state-owned undertakings and companies of 1 April 2011. These replaced the earlier guidelines for state ownership – attitude to executive pay, which dated from 2006.

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 president, 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 president 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 accord with the principles for good corporate governance. New guidelines for pay and other remuneration for senior executives in enterprises and companies with a state ownership interest were established by the Ministry of Trade, Industry and Fisheries with effect from 13 February 2015. These guidelines primarily affect pension schemes above 12 times the National Insurance base rate (G), and the company has begun work to review and understand these provisions.

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. All employees other than the president also have a loyalty scheme which comprises an annual payment determined by the board. The scheme accords with the calendar year. Also embracing the management team, the scheme involves allocating a sum equivalent to five per cent of annual pay up to a maximum of 24G annually at 1 January. 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. Payment will be made together with regular salary in January. The first pay-out will be made in January 2016 to employees who meet 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 has a defined benefit pension scheme. The president 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. For competitive reasons, Petoro has an unfunded defined benefit plan for personnel earning more than 12 times G. This pension agreement was established before the revised guidelines on employment terms for senior executives in state-owned undertakings and companies came into force. It embraces all employees of the company earning more than 12G, and is not confined to senior executives.

Petoro has begun work on an overall review of the company's pension schemes and has established a project to assess the options, taking account of the legal framework and the terms of union-management agreements, relevant pension projects available on the market and Petoro's competitive position in the industry. New legislation on occupational and contributory pensions will occupy a key place in this work.

Remuneration principles and their implementation in the preceding year

The annual evaluation of the basic pay of the president and other senior executives is conducted with effect from 1 July. Assessments of senior executives other than the president in 2014 took place during the second quarter. The board considered the president's pay assessment at its meeting of 5 September 2014. The president's pay is adjusted at 1 July 2015.

NOTE 4**TANGIBLE FIXED ASSETS**

All figures in NOK 1 000	Fixed fittings	Equipment, etc	ICT	Total
Purchase cost 1 Jan 14	4 021	8 320	24 282	36 623
Addition fixed assets	288	201	2 261	2 750
Disposal/obsolescence fixed assets	-	-	-	-
Purchase cost 31 Dec 14	4 310	8 520	26 543	39 373
Accumulated depreciation 1 Jan 14	3 727	7 509	21 956	33 192
Reversed accumulated depreciation				-
Depreciation for the year	337	198	2 203	2 739
Accumulated depreciation 31 Dec 14	4 064	7 707	24 160	35 931
Book value at 31 Dec 14	246	813	2 383	3 442
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**

All figures in NOK 1 000	2014	2013
Financial income		
Interest income	3 399	3 770
Currency gain	49	20
Financial expenses		
Interest expenses	3	78
Currency loss	436	287
Other financial expenses	3	0
Net financial items Petoro AS	3 006	3 424
Net financial items Petoro Iceland AS	72	65
Net financial items group	3 078	3 489

NOTE 6**INVESTMENT IN SUBSIDIARY**

Company	Acquisition date	Business office	Interest	Voting share	Equity 31 Dec	Profit 2014
Petoro Iceland AS	11 Dec 2012	Stavanger	100%	100%	2 109	62

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 2014.

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 178.3 million, Petoro AS accounts for NOK 173.5 million. That includes NOK 130.7 million in withheld tax and pension plan assets.

NOTE 9**SHARE CAPITAL AND SHAREHOLDER INFORMATION**

The share capital of the company at 31 December 2014 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 14	10 000	12 764	22 764
Change in equity for the year			
Net income		(6 015)	(6 015)
Equity at 31 Dec 14	10 000	6 749	16 749

Group (All figures in NOK 1 000)	Share capital	Other equity	Total
Equity at 1 Jan 14	10 000	14 829	24 829
Corrected equity at 1 Jan 14		(18)	(18)
Change in equity for the year			
Net income		(5 953)	(5 953)
Equity at 31 Dec 14	10 000	8 858	18 858

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 has defined benefit pension plans covering all its employees, with the exception 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.

Net pension cost (Figures in NOK 1 000)	2014	2013
Present value of benefits earned during the year	22 486	21 799
Interest expense on pension obligation	8 798	8 056
Return on pension plan assets	(3 609)	(3 775)
Recorded change in estimates	(693)	(2 726)
Payroll tax	3 171	3 002
Pension cost, defined benefit plans	30 154	26 356
Pension cost, defined contribution plan	73	0
Net pension cost	30 227	26 356

Capitalised pension obligation	2014	2013
Estimated pension obligation at 31 Dec	293 218	203 561
Pension plan assets (market value)	(105 821)	(90 255)
Net pension obligations before payroll tax	187 397	113 306
Unrecorded change in estimates	(88 493)	(22 374)
Payroll tax	14 078	12 954
Capitalised pension obligation	112 983	103 886

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:

	2014	2013
Discount rate		4.1 %
Expected return on plan assets	3.2 %	4.4 %
Expected increase in pay	2.75 %	3.75 %
Expected increase in pensions	0.0 %	0.6 %
Expected change in NI base rate	2.5 %	3.5 %

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 2014 totalled NOK 0.37 million. The figure for Petoro AS was NOK 0.26 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 has also been engaged to conduct a financial audit of the SDFI as part of the company's internal audit function. Deloitte charged NOK 0.77 million for this service in 2014, and also executed internal audit projects and delivered services related to partner audits for a total of NOK 2.3 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 now five years, with an option to renew for a further five-year period. Rent for the year was NOK 8.95 million, which included all management and shared expenses.

NOTE 15**SIGNIFICANT CONTRACTS**

Petoro has entered into a new agreement with Upstream Accounting Excellence (Upax) on the delivery of accounting and associated ICT services related to the SDFI accounts. 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 2014 was NOK 15 million. Other services purchased from the contractor totalled NOK 2.2 million.

NOTE 16**CLOSE ASSOCIATES**

Statoil ASA and Petoro AS have the same owner in the Ministry of Petroleum and Energy, and are accordingly close associates. Petoro purchased services in 2014 relating to the audit of licence accounts, insurance services for the Norwegian Government Petroleum Insurance Fund and other minor services. NOK 0.91 million was recorded in 2014 for the purchase of services from Statoil ASA. These were purchased at market price on the basis of hours worked. NOK 3.94 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 1.79 million was invoiced in 2014 for the purchase of hours and services, including NOK 0.05 million for travel. These services are purchased at market price, based on hours worked and the government's scale for travel expenses. The parent company has a credit of NOK 0.08 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 two 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. The first phase for one licence expired at 4 January 2015. The work programme was fulfilled in 2014. In line with the operator's recommendation, the government has resolved that Norwegian state participation in this licence will not continue into the next phase.

NOTE 19**TAX – CONSOLIDATED**

Tax expense for the year breaks down as	2014	2013
Tax payable	26	18
Excess provision for tax 2013	(6)	0
Icelandic tax	13	1
Total tax expense	34	19
Calculation of tax base for the year		
Profit before tax expense	96	65
Permanent differences	0	0
Change in temporary differences	0	0
Tax base for the year	96	65
Tax payable	18	18


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Statsautorisert revisor

medlem av Den norske Revisorforening

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 loss of NOK 6 015 000, and the financial statements of the group, showing a loss of NOK 5 953 000. The financial statements of the parent company and the financial statements of the group comprise the balance sheet as at December 31, 2014, 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.

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, 2014, 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 coverage of the loss 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, 06 March 2015

Sven Erga

State Authorised Public Accountant (Norway)

[Translation has been made for information purposes only]