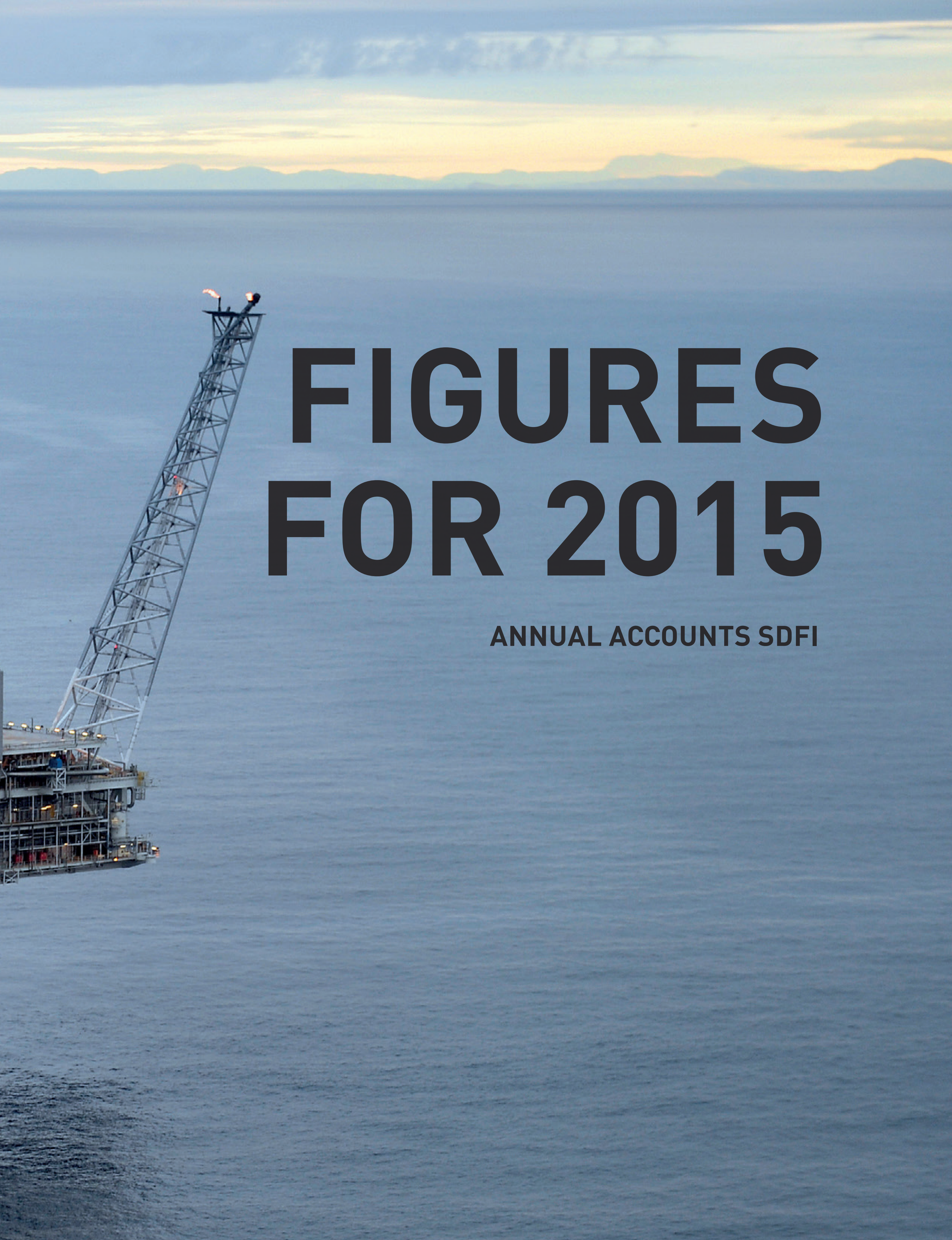

FIGURES FOR 2015

ANNUAL ACCOUNTS SDFI

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

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Director

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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 23.02.2016
Our reference 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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