

An offshore oil rig is visible on the left side of the image, extending into the sea. The rig has a tall, lattice-structured tower with several flares at the top. The sea is a deep blue, and the sky is a mix of light blue and yellow, suggesting a sunset or sunrise. In the background, there are low mountains or hills on the horizon.

FIGURES FOR 2015

ANNUAL ACCOUNTS PETORO AS

PETORO AS INCOME STATEMENT

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

PETORO AS BALANCE SHEET AT 31 DECEMBER

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

Stavanger, 4 March 2016

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

* Elected by the employees

PETORO AS CASH FLOW STATEMENT

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

PETORO AS AND GROUP NOTES

ACCOUNTING PRINCIPLES

DESCRIPTION OF THE COMPANY'S BUSINESS

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

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

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

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

GROUP AND CONSOLIDATION

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

CLASSIFICATION OF ASSETS AND LIABILITIES

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

FIXED ASSETS

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

SHARES IN SUBSIDIARIES

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

DEBTORS

Trade debtors and other debtors are carried at face value.

BANK DEPOSITS

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

PENSIONS

Defined benefit plan

The company's pension scheme for employees in 2015 was a

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

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

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

Defined contribution plan

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

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

CURRENT LIABILITIES

Current liabilities are assessed at their face value.

INCOME TAXES

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

OPERATING REVENUE

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

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

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

FOREIGN CURRENCIES

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

CASH FLOW STATEMENT

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

NOTE 1**GOVERNMENT CONTRIBUTION AND OTHER INCOME**

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

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

NOTE 2**DEFERRED REVENUE**

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

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

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

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

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

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

Nashater Solheim resigned from Petoro in February 2016.

DECLARATION ON SENIOR EXECUTIVE PAY FOR PETORO AS

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

Guidelines on remuneration

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

Decision-making process

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

Main principles for remuneration in the coming fiscal year

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

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

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

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

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

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

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

Remuneration principles and their implementation in the preceding year

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

NOTE 4**TANGIBLE FIXED ASSETS**

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

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

NOTE 5**FINANCIAL ITEMS**

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

NOTE 6**INVESTMENT IN SUBSIDIARY**

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

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

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

NOTE 7**OTHER DEBTORS**

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

NOTE 8**BANK DEPOSITS**

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

NOTE 9**SHARE CAPITAL AND SHAREHOLDER INFORMATION**

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

NOTE 10**EQUITY**

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

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

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

NOTE 11**PENSION COSTS, ASSETS AND LIABILITIES**

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

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

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

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

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

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

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

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

NOTE 12**OTHER CURRENT LIABILITIES**

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

NOTE 13**AUDITOR'S FEES**

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

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

NOTE 14**LEASES**

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

NOTE 15**SIGNIFICANT CONTRACTS**

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

NOTE 16**CLOSE ASSOCIATES**

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

NOTE 17**INTERNAL GROUP TRANSACTIONS**

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

NOTE 18**LICENCES/INTERESTS**

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

NOTE 19**TAX - CONSOLIDATED**

Tax expense for the year breaks down as	2015	2014
Tax payable	0	26
Excess provision for tax 2013	0	-6
Icelandic tax	28	13
Total tax expense	28	34
Calculation of tax base for the year		
Profit before tax expense	(493)	96
Permanent differences	0	0
Change in temporary differences	0	0
Tax base for the year	(493)	96
Tax payable	0	26


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

The Board of Directors and the Managing Director's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

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

Report on Other Legal and Regulatory Requirements*Opinion on the Board of Directors' report*

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

Opinion on Registration and Documentation

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

Stavanger, 04 March 2016

Sven Erga

State Authorised Public Accountant (Norway)

[Translation has been made for information purposes only]