FIGURES FOR 2017

ANNUAL ACCOUNTS PETORO AS

PETORO AS INCOME STATEMENT

PARENT COMPANY				GROUP		
2016*	**2017**	**NOTES**	**All figures in NOK 1 000**	**NOTES**	**2017**	**2016***
273 625	**274 148**	1	Invoiced government contribution	1	**280 248**	283 925
640	**3 283**	1,16,17	Other revenue	1,16,17	**2 660**	353
660	**(1 898)**	2	Change in deferred revenue recorded	2	**(1 898)**	660
274 925	**275 533**		**Total operating revenue**		**281 009**	**284 938**
150 243	**160 620**	3,11	Payroll expenses	3,11	**160 620**	150 243
2 759	**3 082**	4	Depreciation	4	**3 082**	2 759
13 401	**15 789**	13,15,16	Accounting fee	13,15,16	**15 789**	13 586
9 316	**10 528**	14	Office expenses	14	**10 535**	9 316
33 436	**23 868**	15	ICT costs	15	**23 868**	33 440
69 691	**56 478**	13,16,18	Other operating expenses	13,16,18	**61 682**	79 083
278 846	**270 365**		**Total operating expenses**		**275 577**	**288 427**
(3 921)	**5 168**		**Operating profit**		**5 432**	**(3 489)**
1 075	**1 320**	5	Financial income	5	**1 368**	1 114
(152)	**(110)**	5	Financial expenses	5	**(140)**	(161)
923	**1 210**		**Net financial result**		**1 228**	**953**
(2 999)	**6 378**		**Profit before tax expense**		**6 660**	**(2 536)**
			Tax expense on ordinary profit/loss	19	**(10)**	69
(2 999)	**6 378**		**NET INCOME FOR THE YEAR**		**6 670**	**(2 605)**
			TRANSFERS			
(2 999)	**6 378**		Transferred to/ from other equity		**6 670**	(2 605)
(2 999)	**6 378**		**Total transfers**		**6 670**	**(2 605)**

*2016 accounting figures converted pursuant to Notes 10 and 11

PETORO AS BALANCE SHEET AT 31 DECEMBER

PARENT COMPANY					**GROUP**	
2016*	**2017**	**NOTES**	**All figures in NOK 1 000**	**NOTES**	**2017**	**2016***
			ASSETS			
			Fixed assets			
			Tangible fixed assets			
4 198	6 097	4	Operating equipment, fixtures, etc	4	6 097	4 198
4 198	6 097		**Tangible fixed assets**		6 097	4 198
			Financial assets			
0	0	6	Shares in subsidiaries	6	0	0
0	0		**Total financial assets**		0	0
4 198	6 097		**Total fixed assets**		6 097	4 198
			Current assets			
414	5 369	17	Trade debtors		5 077	272
11 666	11 525	7	Other debtors	7	12 653	12 254
192 627	211 867	8	Bank deposits	8	213 430	194 425
204 706	228 760		**Total current assets**		231 160	206 951
208 905	234 857		**TOTAL ASSETS**		237 256	211 149
			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			
873	7 251	10	Other equity	10	9 525	2 855
10 873	17 251		**Total equity**		19 525	12 855
			Liabilities			
			Provisions			
148 880	159 062	11	Pension liabilities	11	159 062	148 880
4 198	6 097	2	Deferred revenue government contribution	2	6 097	4 198
153 078	165 159		**Total provisions**		165 159	153 078
			Current liabilities			
12 694	19 111		Trade creditors		19 111	12 694
			Tax payable	19	61	0
9 583	10 415		Withheld taxes and social security		10 415	9 583
22 676	22 921	12	Other current liabilities	12	22 985	22 939
44 953	52 447		**Total current liabilities**		52 572	45 216
198 032	217 606		**Total liabilities**		217 730	198 294
208 905	234 857		**TOTAL EQUITY AND LIABILITIES**		237 256	211 149

*2016 accounting figures converted pursuant to Notes 10 and 11

Stavanger, 7 Marh 2018

Gunn Wærsted
Chair

Bjørn Bjordal
Deputy Chair

Per Arvid Schøyen
Director

Trude J. H. Fjeldstad
Director

Hugo Sandal
Director

Ove Skretting
Director elected by employees

Heidi Iren Nes
Director elected by employees

Grethe K. Moen
President and CEO

PETORO AS CASH FLOW STATEMENT

PARENT COMPANY				GROUP	
2016*	**2017**		**All figures in NOK 1 000**	**2017**	**2016***
			LIQUID ASSETS PROVIDED BY/USED IN OPERATING ACTIVITIES		
(2 999)	**6 378**		Profit/loss before tax expense	**6 660**	(2 536)
2 759	**3 082**	+	Depreciation	**3 082**	2 759
0	**0**	+	Tax paid	**10**	(69)
(6)	**(4 956)**	+/-	Change in trade debtors	**(4 805)**	33
(7 053)	**6 417**	+/-	Change in trade creditors	**6 417**	(7 057)
4 359	**13 299**	+/-	Change in accrued items	**12 619**	4 344
(2 939)	**24 220**		**Net change in liquidity from operating activities**	**23 984**	**(2 525)**
			LIQUID ASSETS PROVIDED BY/USED IN INVESTING ACTIVITIES		
(2 099)	**(4 980)**	-	Invested in tangible fixed assets	**(4 980)**	(2 099)
(2 099)	**(4 980)**		**Net change in liquidity from investing activities**	**(4 980)**	**(2 099)**
			LIQUID ASSETS PROVIDED BY/USED IN FINANCING ACTIVITIES		
0	**0**	+	Equity paid	**0**	0
0	**0**		**Net change in liquidity from financing activities**	**0**	**0**
(5 038)	**19 240**		Net change in liquid assets through the year	**19 005**	(4 624)
197 665	**192 627**	+	Cash and cash equivalents at 1 Jan	**194 425**	199 049
192 627	**211 867**		**Cash and cash equivalents at 31 Jan**	**213 430**	**194 425**

*2016 accounting figures converted pursuant to Notes 10 and 11

PETORO AS NOTES

ACCOUNTING PRINCIPLES

DESCRIPTION OF THE COMPANY'S BUSINESS
Petoro AS was established by the Ministry of Petroleum and Energy on behalf of the Norwegian state on 9 May 2001. The company's objective is to be responsible, on behalf of the state, for managing the commercial aspects of the State's Direct Financial Interest (SDFI) in petroleum activities on the Norwegian Continental Shelf, and associated activities.

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

Petoro AS 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. Through a branch registered in Iceland, it is a licensee and participant in production licences in which the Norwegian state chooses to participate. The company's share capital at 31 December 2017 comprised NOK 2 million, distributed among 2 000 shares. It has no employees and has entered into a management agreement with Petoro AS. The third and last production licence, which was awarded in January 2014, completed the work programme for the first phase in 2017. The operator, CNOOC, deemed that proceeding to the next phase was insufficiently attractive and recommended relinquishment based on a comprehensive assessment. Petoro Iceland AS supported the operator's assessment and conclusion and chose to announce its withdrawal in January 2018.

As a result of relinquishing the last production licence on the Icelandic continental shelf, Petoro Iceland AS is no longer involved in any production licences. Some supplementary work for the most recently relinquished license will continue in 2018.

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 over a longer period are classified as fixed assets. Other assets are classed as current assets. Receivables due within one year are classified as current assets. Equivalent 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
Investments in subsidiaries are assessed in accordance with the cost method.

ACCOUNTS RECEIVABLE
Accounts receivable and other receivables 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
Petoro implemented a new pension plan for employees with effect from 1 January 2016. This is a defined contribution plan pursuant to the Defined Contribution Pensions Act with maximum rates. The company has a transitional arrangement for employees who are less than 15 years from retirement age. Premiums for the defined contribution plan are expensed on a continuous basis.

The capitalised obligation relating to the defined benefit plan for employees who remain in the defined benefit scheme, is the present value of the defined obligation on the balance sheet date 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 liability includes payroll tax.

The period's 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 from the benefit-based scheme, as well as premiums for the contribution-based scheme.

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.

Correction of errors in previous years' pension liabilities has reduced equity as of 1 January 2016, ref. Note 10.

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 appropriations from the government for services provided to the Ministry of Petroleum and Energy in accordance with the company's objective. 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 costs expended in the projects (matching principle).

The contribution applied to investment for the year is accrued as deferred revenue and recorded 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 on the transaction date. Receivables and liabilities in foreign currencies are recorded at the exchange rate on the balance sheet date.

CASH FLOW STATEMENT
The cash flow statement is prepared in accordance with the indirect method. Cash and cash equivalents include cash in hand and at bank, as well as other current liquid assets.

NOTE 1 GOVERNMENT CONTRIBUTION AND OTHER REVENUE

The appropriation for the year, excluding VAT, was NOK 274.1 million for Petoro AS and NOK 7.4 million for Petoro Iceland AS, giving a total amount of NOK 281.5 million for the group. The company recorded an operating contribution from the Norwegian government totalling NOK 274.1 million excluding VAT as income in 2017. For the group, the amount was NOK 280.2 million.

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 5 million in investments made during 2017, as well as NOK 3.1 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)	**2017**	**2016**
Wages and salaries	**107 223**	97 225
Directors' fees	**1 787**	1 778
Payroll tax	**16 038**	15 214
Pensions (note 11)	**31 222**	31 389
Other benefits	**4 350**	4 637
Total	**160 620**	**150 243**

Employees at 31 December.	65	64
Employees with a signed contract who had not started work at 31 Dec.	1	1
Average number of full-time equivalents employed	64.4	62.7

Remuneration of senior executives (all figures in NOK 1 000)	**Fixed salaries**[1]	**Loyalty scheme**[2]	**Cash allowance**[3]	**Other taxable benefits**[4]	**Taxable pay**	**Expensed pension**
Grethe K. Moen	3 184	0	291	176	3 651	2 113
Rest of the management team:						
Olav Boye Sivertsen	1 838	180	241	162	2 422	421
Marion Svihus	2 234	200	70	153	2 658	1 070
Roy Ruså	2 267	202	74	165	2 708	782
Kjell Morisbak Lund[5]	2 626	133	71	153	2 983	185
Hege Manskow	1 290	0	182	157	1 629	183
Ole Njærheim[6]	1 751	0	0	147	1 898	159
Laurits Haga[7]	1 940	344	74	80	2 438	413
Rest of the management team:	**13 946**	**1 059**	**712**	**1 017**	**16 736**	**3 213**

1. Fixed salaries consist of basic salary and holiday pay.
2. The company's loyalty scheme made disbursements in 2017 to five managers who satisfied the terms for the scheme. This disbursement is not included in pensionable income. This scheme was discontinued in 2017.
3. Cash allowance not included in pensionable income.
4. Other administratively set remuneration.
5. Fixed salaries include cash allowance as compensation for loss of the defined benefit pension scheme calculated based on actuarial assumptions and pensionable income.
6. Remuneration since 20 February.
7. Remuneration through 30 June.

Expensed pension represents the current year's estimated cost of the overall pension liability for the CEO plus the rest of the management team, including calculated premium in the defined contribution scheme for managers covered by this. The loyalty scheme was discontinued in 2017. The first discontinuation rate was disbursed in June 2017.

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 Public Limited Liability Companies Act and the guidelines for state ownership, including the Guidelines on pay and other remuneration for senior executives in wholly or partly state-owned enterprises and companies, which came into force on 13 February 2015.

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 shall be predictable, motivational, clear and easy to communicate. Petoro has a uniform 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 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. The board determines compensation for the CEO, who in turn determines the compensation for other members of the company's senior management within the approved framework.

Main principles for remuneration

Petoro's wage policy is to be competitive without being a pacesetter on overall remuneration, including the company's pension schemes.

The compensation package for the CEO and the other senior executives shall 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 an equal footing with others in the company, including car allowance as well as pension and insurance benefits and a system for communication allowance.

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.

On 29 March 2017, the board approved the introduction of a performance-related salary scheme. The principle and framework for performance-related salary have been stipulated by the board within the applicable "Guidelines on pay and other remuneration for senior executives in wholly or partly state-owned enterprises and companies", which came into force on 13 February 2015. This scheme covers all employees, including the CEO, with an equal percentage of basic salary. The performance-related salary scheme is entrenched in the senior executive pay guidelines, which e.g. state: "Performance-related salary shall be based on objective, definable and measurable criteria that the executive can influence. Multiple relevant measurement criteria should be used as a basis". There must be a clear connection between the goals forming the basis for performance-related salary and the company's goals. The board will stipulate the annual goals based on criteria in the senior executive pay guidelines. The board will assess goal attainment and stipulate performance-related salary in accordance with the assessed goal attainment within the framework of 10 per cent of basic salary.

On 4 May 2017, the board decided to discontinue the loyalty scheme for employees. The CEO was not covered by this scheme, which was established in 2013 to aid the competitive situation. No allocation was made to the scheme in 2016. Disbursement from the scheme first took place in January 2016 for employees who fulfilled the terms, and the next disbursement took place in January 2017. The discontinuation will be implemented such that employees who were part of the scheme at the date of discontinuation will be paid amounts due in 3 equal rates. The first discontinuation rate was disbursed in June 2017, the second other rate was disbursed in January 2018 and the last rate will be disbursed in January 2019.

Share programmes, options and other option-like arrangements are not used by the company.

Petoro implemented a new pension plan with effect from 1 January 2016. This is a defined contribution plan pursuant to the Defined Contribution Pensions Act. From the same date, Petoro has no collective pension plan for employees with pay above 12 G. Petoro has a transitional scheme that is still defined-benefit for pay above 12 G. This is the same for executives as for other employees less than 15 years from retirement age (67) at 1 January 2016. Senior executives with employment contracts entered into before 13 February 2015 are covered by the same transitional scheme as other employees.

The CEO's retirement age is 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 can choose to resign at age 65 with reduced benefits. The remaining executives retire at 67. These pension agreements were established before the new guidelines of 13 February 2015 on employment terms for senior executives in state-owned companies came into force.

Senior executives appointed after the new guidelines came into force 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. The board addressed the wage evaluation of the CEO in the board meeting on 14 September 2017. In 2017, the evaluation of other executives was carried out in the third quarter.

NOTE 4 TANGIBLE FIXED ASSETS

All figures in NOK 1 000	Fixtures and fittings	Operating equipment	ICT	Total
Acquisition cost 1 January 2017	4 434	8 553	31 892	44 879
Additions fixed assets	544	-	4 436	4 980
Disposal fixed assets/obsolescence	-	-	-	-
Acquisition cost 31 December 2017	4 979	8 553	36 327	49 859
Accumulated depreciation 1 January 2017	4 231	8 143	28 306	40 680
Reversed accumulated depreciation				-
Depreciation for the year	141	228	2 712	3 082
Accumulated depreciation 31 December 2017	4 372	8 372	31 018	43 762
Book value 31 December 2017	**607**	**181**	**5 309**	**6 097**
Economic life	Until lease expires in 2020	3/5 år	3 år	
Depreciation schedule	Straight line	Straight line	Straight line	

Operational leasing contracts include office equipment and machines. The initial lease period is 3-5 years.

NOTE 5 FINANCIAL ITEMS

Financial items (All figures in NOK 1 000)	2017	2016
Financial income		
Interest income	860	933
Currency gain	460	142
Financial expenses		
Interest expenses	-	-
Currency loss	110	152
Other financial expenses	-	-
Net financial items Petoro AS	**1 210**	**923**
Net financial items from subsidiary	**18**	**30**
Net financial items group	**1 228**	**953**

NOTE 6 INVESTMENTS IN SUBSIDIARY

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 AS 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 according to 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 2017.

NOTE 7 OTHER RECEIVABLES

Other receivables 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 213.4 million, Petoro AS accounts for NOK 211.9 million. This includes NOK 155.0 million in withheld tax and pension plan assets.

NOTE 9 SHARE CAPITAL AND SHAREHOLDER INFORMATION

The company's share capital at 31 December 2017 comprised 10 000 shares with a nominal value of NOK 1 000 each. All shares are owned by the Ministry of Petroleum and Energy on behalf of the Norwegian state, and all have the same rights.

NOTE 10 EQUITY

Petoro AS (All figures in NOK 1 000)	**Share capital**	**Other equity**	**Total**
Equity at 31 Dec 2015	**10 000**	11 789	21 789
Correction of errors as at 1 Jan 2016		(7 918)	(7 918)
Corrected equity at 1 Jan 2016	**10 000**	3 871	13 871
Result for 2016		(4 461)	(4 461)
Correction pension cost 2016		1 463	1 463
Corrected equity at 31 Dec 2016	**10 000**	873	10 873
Result for 2017		6 378	6 378
Equity at 31 Dec 2017	**10 000**	**7 251**	**17 251**

Certain elements in the company's unsecured pension liabilities were not taken into consideration and incorporated into the company's pension liabilities in the annual accounts for 2016. The correction is aimed at input equity for 2016 and the comparative figures have been reworked.

	2016 accounts	**Rework**	**Comparative figures**
Pension liabilities at 1 Jan 2016	**130 426**	7 918	138 344
Recorded pension cost 2016	**32 852**	(1 463)	31 389
Pension liabilities at 31 Dec 2016	**142 425**	6 455	148 880
Other equity at 1 Jan 2016	**11 789**	(7 918)	3 871
Other equity at 31 Dec 2016	**7 328**	6 455	873

Group (All figures in NOK 1 000)	**Share capital**	**Other equity**	**Total**
Equity at 1 Jan 2017	**10 000**	2 855	12 855
Change in equity for the year			
Net profit		6 670	6 670
Equity at 31 Dec 2017	**10 000**	**9 525**	**19 525**

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

NOTE 11 PENSION COSTS, ASSETS AND LIABILITIES

The company is obliged to offer an occupational pension scheme under the Norwegian Act on Mandatory Occupational Pension Schemes. The company's pension plans comply with the requirements of this Act.

Petoro implemented a new pension plan with effect from 1 January 2016. This is a defined contribution plan pursuant to the Defined Contribution Pensions Act. The company has a transitional arrangement for employees who are less than 15 years from retirement age on 1 January 2016. Premiums for the defined contribution plan are expensed on a continuous basis.

Certain elements in the company's unsecured pension liabilities were not taken into consideration and incorporated into the company's pension liabilities in the annual accounts for 2016. The correction is aimed at input equity for 2016. Comparative figures have been corrected. Cf. Note 10.

Net pension cost (Figures in NOK 1 000)	**2017**	**2016**
Present value of benefits earned during the year	**15 614**	16 314
Interest expense on pension obligation	**7 237**	7 240
Return on pension plan assets	**(2 852)**	(3 428)
Recorded change in estimates	**3 260**	5 912
Recorded change in pension plan	**0**	(213)
Payroll tax	**2 045**	2 300
Pension cost, defined benefit scheme	**25 304**	28 125
Pension cost, defined contribution plan	**5 918**	4 727
Net pension cost before change 2016		**32 852**
Change (reduction) in pension cost 2016		(1 463)
Net pension cost	**31 222**	**31 389**

Capitalised pension obligation	**2017**	**2016**
Estimated pension obligation at 31 Dec.	**313 665**	274 435
Pension plan assets (market value)	**(92 900)**	(83 035)
Net pension obligations before payroll tax	**220 765**	191 400
Unrecorded change in estimates	**(61 703)**	(48 975)
Correction of errors 2016		6 455
Capitalised pension obligation	**159 062**	**148 880**

Calculation of the year's net pension cost is based on the assumptions of previous years. The net pension liability is calculated on basis of assumptions in the present year.

	2017	**2016**
Discount rate	**2.50%**	2.60%
Expected return on plan assets	**4.00%**	3.30%
Expected increase in pay	**2.50%**	2.25%
Expected increase in pensions	**0.40%**	0.00%
Expected adjustment of the National Insurance Scheme's Basic Amount (G)	**2.25%**	2.00%

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 chosen auditor. Fees charged for external auditing of the group's financial statements in 2017 totalled NOK 0.4 million. The figure for Petoro AS was NOK 0.3 million. NOK 0.1 million has also been invoiced for additional services in 2017.

In accordance with the Act relating to the Office of the Auditor General of 7 May 2004, the OAG is the external auditor for the SDFI. PricewaterhouseCoopers AS (PwC) has been engaged as the company's financial accountant in order to prepare a financial audit of the SDFI accounts as part of the company's internal auditing. PwC invoiced NOK 1.2 million for financial auditing in 2017. PwC has also delivered services within partner auditing totalling NOK 3 million.

NOTE 14 LEASES

Petoro AS entered into a lease with Smedvig Eiendom AS for office premises in the autumn of 2003. The ordinary term of the lease expired on 31 December 2014. Petoro chose to exercise its option to extend the lease to 31 December 2020. The remaining term of the lease is now three years, with an option to renew for a further five-year period. Rent for the year totalled NOK 10.4 million, which included all operating and shared expenses.

NOTE 15 SIGNIFICANT CONTRACTS

Petoro has entered into an agreement with Upstream Accounting Excellence (UPAX) for the delivery of accounting and associated ICT services related to the SDFI. This agreement entered into force on 1 March 2014 and runs for five years with an option for Petoro to extend it for a further year. Petoro has exercised the option for a one-year extension. Evry is the sub-contractor for ICT services. The recorded accounting fee for UPAX in 2017 amounted to NOK 14.9 million. Other services purchased from the contractor totalled NOK 1.4 million.

NOTE 16 CLOSE ASSOCIATES

Statoil ASA and Petoro AS have the same owner, the Ministry of Petroleum and Energy, and are close associates. Petoro AS purchased services in 2017 relating to the audit of licence accounts, as well as other minor services. These were purchased at market price on the basis of hours worked. NOK 4.3 million has been invoiced for services rendered to Statoil ASA at market price, based on hours worked by Petoro personnel and external personnel.

NOTE 17 INTRA-GROUP TRANSACTIONS

Petoro Iceland AS has entered into a management agreement with Petoro AS. The objective of the agreement is for Petoro AS to manage the operations of Petoro Iceland AS on the terms and conditions specified in the agreement. NOK 0.6 million was invoiced in 2017 for the purchase of hours and services. These services are calculated at market price on the basis of hours worked and the government rates for travel expenses. The parent company has a credit of NOK 0.3 million with the subsidiary. The amounts have been eliminated in the consolidated accounts.

NOTE 18 LICENCES/INTERESTS

The Petoro Iceland AS branch on Iceland manages the Norwegian participating interest of 25 per cent in production licences awarded by the Icelandic authorities. The work programme is divided into three phases, and the licensees can opt to relinquish the licences at the end of each phase. The first phase for one production licence, IS2013/2 awarded in 2013, expired on 4 January 2017, and the production licence was relinquished pursuant to the operator's recommendation, following the decision that state participation will not be continued for Petoro Iceland AS. The third and last production licence, which was awarded in January 2014, completed the work programme for the first phase in 2017. The operator, CNOOC, deemed that proceeding to the next phase was insufficiently attractive and recommended relinquishment based on a comprehensive assessment. Petoro Iceland AS supported the operator's assessment and conclusion and chose to announce its withdrawal in January 2018.

As a result of relinquishing the last production licence on the Icelandic continental shelf, Petoro Iceland AS is no longer involved in any production licences. Some supplementary work for the most recently relinquished license will continue in 2018.

NOTE 19 TAX - CONSOLIDATED

Tax expense for the year, broken down as follows:	**2017**	**2016**
Tax payable	61	0
Icelandic tax	(71)	69
Total tax expense	**(10)**	**69**

Calculation of tax base for the year		
Profit before tax expense	283	463
Permanent differences	0	0
Change in temporary differences	0	0
Loss carried forward	(30)	(463)
Tax base for the year	253	0
Tax payable	**61**	**0**

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To the Shareholders' Meeting of Petoro AS

Independent auditor`s report (translated from Norwegian)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Petoro AS (the Company), showing a profit of NOK 6 378 000 in the financial statements of the parent company and a profit of NOK 6 670 000 in the financial statements of the group, in our opinion:

- The financial statements are prepared in accordance with laws and regulations
- The accompanying financial statements give a true and fair view of the financial position of the parent company as at December 31, 2017, and of 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.
- The accompanying financial statements give a true and fair view of the financial position of the group as at December 31, 2017, and of its financial performance and its cash flows for the year then ended in accordance with Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.

The financial statements comprise:

- The financial statements of the parent company, which comprise the balance sheet as at December 31, 2017, and the income statement and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and
- The financial statements of the group, which comprise the balance sheet as at December 31, 2017, and the income statement and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

Basis for Opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, included International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company as required by laws and regulations, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion

Other Information

Management is responsible for the other information. The other information comprises the information included in the Board of Directors` report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

In preparing the financial statements, management is responsible for assessing the Groups's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Refer to https://revisorforeningen.no/revisjonsberetninger which contains a description of Auditor's responsibilities.

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, 7 March 2018
Erga Revisjon as

Sven Erga
State Authorized Public Accountant (Norway)