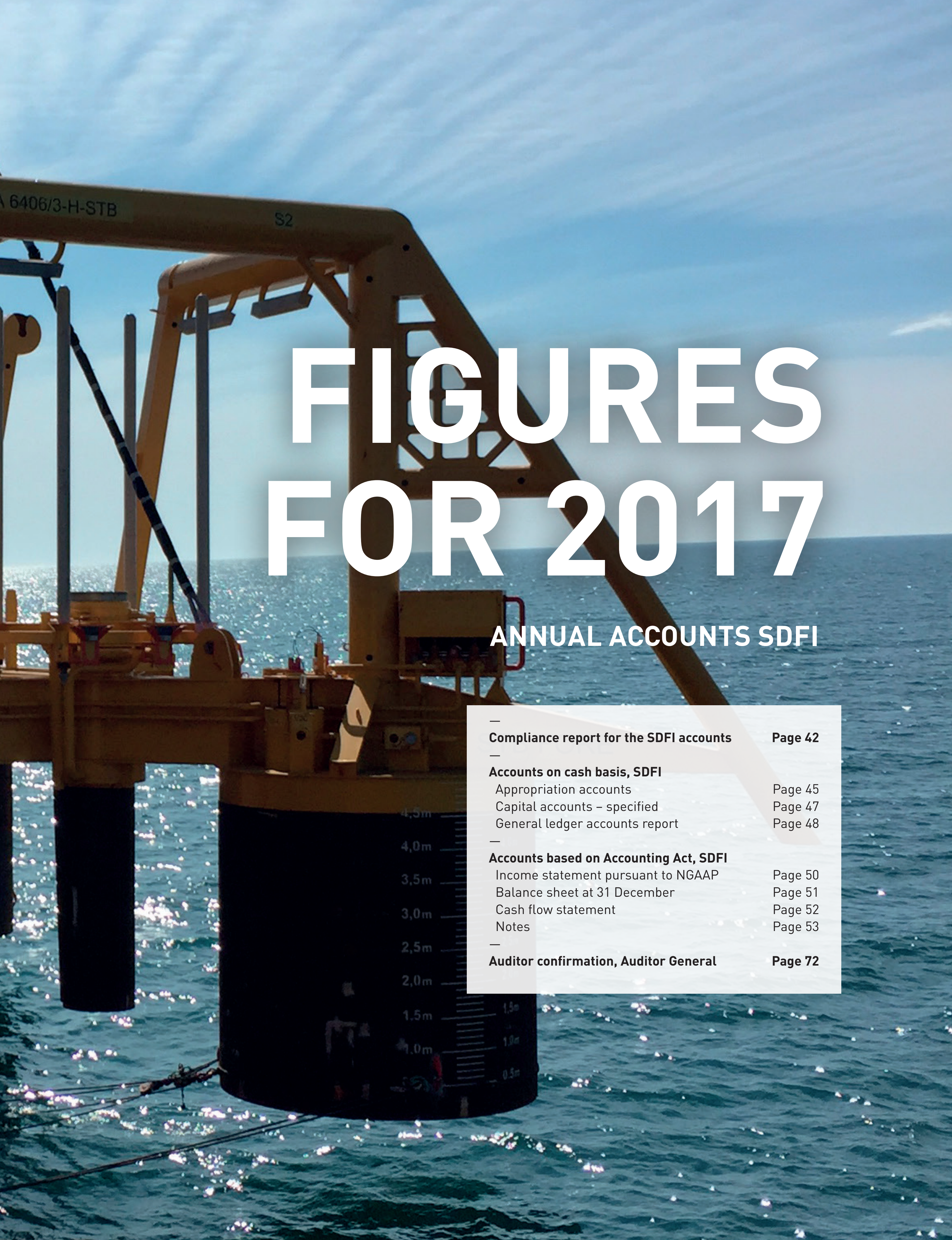

FIGURES FOR 2017

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 participating 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. As of the end of 2017, the portfolio consisted of 186 production licences, six more than at the beginning of the year. In January 2018, Petoro received participating interests for management in 17 production licences under the Awards in Predefined Areas (APA) 2017.

CONFIRMATION
The annual accounts are presented in accordance with the Provisions on Financial Management in Central 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.

The board confirms that the company accounts have been prepared in accordance with the Accounting Act and Norwegian generally-accepted accounting principles (NGAAP), and provide a true and fair picture of the SDFI's assets, obligations and financial results at 31 December 2017.

ASSESSMENT OF SIGNIFICANT FACTORS

APPROPRIATION AND CAPITAL ACCOUNTS
According to the supplementary allocation letter dated 21 June 2017, the SDFI's appropriation for investments totalled[1] NOK 27.0 billion. Pursuant to the supplementary allocation letter dated 14 December 2017, the appropriation for operating profit was[2] NOK 86.9 billion. The appropriation for interest on the state's capital[3] was NOK 3.7 billion. Operating income in accordance with the cash basis is affected first and foremost by the price of oil and gas and the volume of the SDFI's production sold. Statoil is responsible for marketing and sale of the SDFI's products under standing instructions for marketing and sale.

THE GENERAL LEDGER ACCOUNTS REPORT in accordance with the cash basis presents net reported revenue including financial income of NOK 145 billion in 2017, compared with NOK 127.9 billion the previous year. This consists mainly of revenue from the sale of oil and gas. The revenue is affected by higher oil and gas prices in 2017, in addition to a higher gas volume. Expenses reported in the appropriation accounts comprise payments of NOK 26.6 billion as investments and NOK 28.8 billion as operating expenses. Payments in 2016 amounted to NOK 27.8 billion related to investments and NOK 31.2 billion related to operations. Payments to operations were primarily related to the operation of fields and facilities, processing and transport costs, as well as exploration and field development expenses. This is in addition to payments of financial expenses. Depreciation on fields and facilities amounted to NOK 24.6 billion in 2017, compared with NOK 23.3 billion the previous year.

THE SDFI ACCOUNTS BASED ON THE ACCOUNTING ACT include a number of significant estimates which are subject to uncertainties and rely on discretionary assessments. These e.g. 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.

The financial result for 2017 was a net income of NOK 98.9 billion, NOK 41.5 billion higher than in 2016. Net cash flow transferred to the state amounted to NOK 87.2 billion, compared with NOK 65.9 billion the previous year. Significantly higher oil and gas prices in 2017, compared with 2016, impacted both the cash flow and the financial result for the year. The price of oil averaged NOK 449 per bbl in 2017, compared with NOK 361 the previous year. The average price of gas was NOK 1.72 per scm in 2017, compared with NOK 1.62 per scm in 2016. Total production amounted to 1.110 million bbls of oil equivalent (o.e) per day, which was approx. 7 per cent higher than production in 2016. Gas production reached a record level in 2017, 13 per cent higher than in 2016. The increase is primarily due to higher, flexible gas production

[1] Ch./item 2440.30
[2] Ch./item 5440.24
[3] Ch./item 5440.80

in order to exploit higher prices. Natural production decline from existing wells means that liquids production was nearly three per cent lower than in 2016.

Total operating expenses came to NOK 50.9 billion, compared with NOK 61.5 billion in 2016, as a result of lower depreciation and impairment. The cost of operating fields, pipelines and onshore facilities came to NOK 14.3 billion, on par with the previous year. Depreciation and impairment amounted to NOK 21.2 billion, NOK 9.4 billion lower than the previous year. This reduction is primarily due to the reversing of previous impairment linked to Draugen and Martin Linge as a result of cost efficiency measures and an increased reserve base, respectively, as well as an expectation of higher prices. Impairment has been undertaken for Valemon as a result of a reduced reserve base. Petoro was a participant in 12 of the 34 exploration wells completed on the Norwegian Shelf in 2017. A total of 8 new discoveries were made.

Costs incurred for investment in 2017 totalled NOK 25.5 billion, about NOK 3 billion lower than the year before. The reduction was greatest within production drilling as a result of reduced drilling activity linked to Troll, Martin Linge and Gullfaks.

The portfolio's estimated remaining reserves of oil, condensate, NGL and gas totalled 5879 million boe at 31 December, down by 89 million boe from the year before. Reserve growth in 2017 primarily came from Johan Castberg, but also from the mature fields Snorre, Åsgard, Heidrun, and Visund. Nevertheless, the growth was not sufficient to offset the reduction in remaining reserves from production in 2017.

The book value of assets at 31 December 2017 was NOK 247 billion. The assets mainly consist of fixed assets related to field installations, pipelines and onshore plants, as well as current debtors. Previous impairment of the assets were reversed by about NOK 4.7 billion on the basis of higher price expectations and an increased reserve base. This was partially offset by impairment to fair value for a field totalling NOK 1 billion. The assets were impaired by about NOK 5 billion in 2016. Equity at 31 December came to NOK 168 billion. A previous error in the calculation of income not yet earned for a net profit agreement linked to an expected decommissioning liability for Valhall was corrected against equity. This correction amounted to NOK 3.2 billion. Future decommissioning liabilities are estimated at NOK 67.6 billion, which was on par with the previous year.

ADDITIONAL INFORMATION

The Office of the Auditor General (OAG) is the external auditor, and approves the annual accounts for the SDFI. On completing its annual audit, the OAG issues a final audit letter (report) which summarises the conclusion of its audit work. The result of the audit will be reported by 1 May 2018.

In addition, the board has appointed PwC to conduct a financial audit of the SDFI accounts as part of Petoro's internal audit process. PwC submits a written report to the board concerning the annual accounts prepared on a cash basis and based on the accounting principles founded on Norwegian auditing standard RS800 "Special considerations in the auditing of accounts prepared pursuant to a special-purpose framework". PwC's audit work forms the basis for the OAG's review of the annual accounts.

Stavanger, 7 March 2018

Gunn Wærsted
Chair

Brian Bjordal
Deputy chair

Per Arvid Schøyen
Director

Hugo Sandal
Director

Trude J. H. Fjeldstad
Director

Ove Skretting
Director
elected by the employees

Heidi Iren Nes
Director
elected by the employees

Grethe K. Moen
President and CEO

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

The annual accounts for the SDFI have been prepared and presented in accordance with detailed guidelines stipulated in the Provisions on Financial Management in Central Government ("the Provisions"). The accounts accord with the requirements in Section 3.4.1 of the Provisions and more detailed provisions in circular R-115 of November 2016 from the Ministry of Finance, with the exceptions that apply for the SDFI.

The presentation of reporting to the appropriation accounts and general ledger accounts is prepared on the basis of Section 3.4.2 of the Provisions, the basic principles for the 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 reporting presentations of the appropriation accounts and general ledger accounts are prepared on the basis of the same principles, but are grouped in different charts of accounts. These principles correspond with requirements in Section 3.5 of the Provisions on how enterprises shall 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 Provisions, the enterprise is affiliated with the government's group account scheme for state-owned companies in Norges Bank.

APPROPRIATION REPORTING
The presentation of reporting to the appropriation accounts comprises an upper section with the appropriation reporting and a lower section, which shows the enterprise's listed balances 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 chapters and items in the appropriation accounts the enterprise has at its disposal. The column "Total allocation" shows what the enterprise has at its disposal in the letter of assignment for each government account (chapter/item). 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 authorisations have been received or issued to charge from/to chapters/items 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 enterprises and a lower part which presents assets and liabilities included in the open account with the state. The general ledger accounts report presents accounting figures reported to the government accounts in accordance with the standard chart of accounts for state-owned enterprises. 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 enterprises.

ACCOUNTS ON CASH BASIS, SDFI
Appropriation accounts

Presentation of appropriation accounts reporting 31 Dec. 2017

Expense chapter	Type	Category	Description	Total allocation	2017 accounts	Overspend (-) and underspend
2440	Expenses	30	Investments	27 000 000 000	26 564 054 732	435 945 268
5440	Expenses	24.02	Operating expenses	26 300 000 000	28 774 708 704	(2 474 708 704)
5440	Expenses	24.03	Exploration and field development expenses	1 300 000 000	1 432 243 822	(132 243 822)
5440	Expenses	24.04	Depreciation	23 500 000 000	24 648 044 133	(1 148 044 133)
5440	Expenses	24.05	Interest	3 700 000 000	3 567 970 153	132 029 847
Total expensed				**81 800 000 000**	**84 987 021 543**	**(3 187 021 543)**

Revenue chapter	Type	Category	Description	Total allocation	2017 accounts	Excess revenue and lower revenue (-)
5440	Revenues	24.01	Operating revenue	141 700 000 000	145 043 041 110	3 343 041 110
5440	Expenses	30	Depreciation	23 500 000 000	24 648 044 133	1 148 044 133
5440	Expenses	80	Interest on fixed capital	3 700 000 000	3 580 822 461	(119 177 539)
5440	Expenses	85	Interest on open accounts	0	(12 852 308)	(12 852 308)
Total recognised				**168 900 000 000**	**173 259 055 395**	**4 359 055 395**
5440		**24**	**Operating profit**	**86 900 000 000**	**86 620 074 299**	**(279 925 701)**
Net reported to appropriation accounts					**(88 272 033 852)**	

Capital accounts			
0677.03.04693	Settlement account Norges Bank - paid in	139 409 429 575	
0677.03.08710	Settlement account Norges Bank - paid in	15 634 299 814	
0677.04.05015	Settlement account Bank of Norway - paid out	(67 886 811 652)	
	Change in open accounts	1 115 116 115	
Total reported		0	

Holdings reported to the capital accounts (31 Dec)

Account	Text	2017	2016	Change
	Open accounts with the Treasury	(4 342 444 649)	(3 227 328 534)	1 115 116 115

Comment on change in open account from 2016 to 2017

The change is mainly due to changes in advance payments and working capital in the licenses.

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		27 000 000 000	27 000 000 000
5440.24.02		26 300 000 000	26 300 000 000
5440.24.03		1 300 000 000	1 300 000 000
5440.24.04		23 500 000 000	23 500 000 000
5440.24.05		3 700 000 000	3 700 000 000
5440.24.01		141 700 000 000	141 700 000 000
5440.30		23 500 000 000	23 500 000 000
5440.80		3 700 000 000	3 700 000 000
5440.85		0	0
5440.24		86 900 000 000	86 900 000 000

NOTE B Explanation for authorisations used and calculation of possible amount to be transferred to next year

Not relevant for the SDFI, which receives estimated appropriations.

ACCOUNTS ON CASH BASIS, SDFI
Capital accounts – specified

SDFI CAPITAL ACCOUNTS 2017 – FIGURES IN NOK			
Items			
Open account government			4 342 444 649
Fixed assets before impairment		193 634 339 248	
Impairment (-) / reversal (+)		1 186 987 038	
Fixed asset account		194 821 326 286	194 821 326 286
Total			**199 163 770 935**
Open account state at 1 Jan. 2017		(3 227 328 534)	
Total expenses	26 564 054 732		
Total revenue	(114 836 088 584)		
Cash flow	(88 272 033 852)	(88 272 033 852)	
Net transfer to the state		87 156 917 737	
Open account state at 31 Dec. 2017		**(4 342 444 649)**	**(4 342 444 649)**
Fixed assets 1 Jan. 2017		(191 718 328 649)	
Investments for the year		(26 564 054 732)	
Depreciation for the year		24 648 044 133	
Impairment / reversal		(1 186 987 038)	
Fixed assets 31 Dec. 2017		(194 821 326 286)	(194 821 326 286)
Total			**(199 163 770 935)**

Stavanger, 7 March 2018

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Deputy chair

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Director

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Director

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Director
elected by the employees

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Director
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Grethe K. Moen
President and CEO

ACCOUNTS ON CASH BASIS, SDFI
General ledger accounts report

Specification of the general ledger accounts report 31 Dec. 2017		
	2017	**2016**
Operating revenues reported to the appropriation accounts		
Sales and lease payments received	132 997 435 409	116 916 966 237
Other amounts paid in	12 881 184 463	11 518 725 781
Total paid in from operations	**145 878 619 872**	**128 435 692 018**
Operating expenses reported to the appropriation accounts		
Depreciation	24 648 044 133	23 276 647 734
Other disbursements for operations	28 658 993 411	31 997 464 222
Total disbursed to operations	53 307 037 544	55 274 111 956
Net reported operating expenses	**(92 571 582 328)**	**(73 161 580 062)**
Investment and financial income reported to the appropriation accounts		
Financial income paid in	(835 578 762)	(527 088 497)
Total investment and financial income	**(835 578 762)**	**(527 088 497)**
Investment and financial expenses reported to the appropriation accounts		
Paid out for investment	26 658 459 248	27 725 735 798
Paid out for share purchases	(90 945 423)	90 825 760
Paid out for financial expenses	5 112 470 175	5 445 073 553
Total investment and financial expenses	**31 679 983 999**	**33 261 635 110**
Net reported investment and financial expenses	**32 515 562 761**	**33 788 723 607**
Revenues and expenses reported under common chapters		
Depreciation (see Ch. 5440 revenue)	(24 648 044 133)	(23 276 647 734)
Interest on the government's capital and open accounts with the Treasury (see Ch. 5440 revenue)	(3 567 970 153)	(3 805 803 940)
Net reported expenses under joint chapters	**(28 216 014 285)**	**(27 082 451 674)**
Net expenses reported to the appropriation accounts	**(88 272 033 852)**	**(66 455 308 130)**

ACCOUNTS ON CASH BASIS, SDFI
General ledger accounts report

Overview of open accounts with the Treasury

Assets and liabilities *	**2017**	**2016**
O/U call	(353 144 900)	2 296 729 921
AP nonop	56 487 435	(331 626 638)
AR nonop	(1 133 674 872)	(417 271 621)
Inventory nonop	(159 124 367)	(250 731 282)
Prep exp nonop	936 171 349	17 232 618
Working cap - nonop	1 752 400 542	(758 899 586)
VAT	16 000 927	2 708 978
Agio	-	-
Total open accounts with the Treasury	**1 115 116 115**	**558 142 390**

*)
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 in monthly settlements from JV billing
VAT - balance of VAT payments
Agio - rounding-off related to currency translation (agio/disagio)

Comment on change in open account from 2016 to 2017
The change primarily reflects changes to provisions and prepayments in the licences.

ACCOUNTS BASED ON ACCOUNTING ACT
Income statement pursuant to NGAAP

All figures in NOK million	Notes	2017	2016
OPERATING REVENUE			
Operating revenue	3, 4, 9, 11	**150 720**	121 224
Total operating revenue		**150 720**	**121 224**
OPERATING EXPENSES			
Exploration expenses		**1 554**	1 371
Production expenses	5	**14 262**	14 616
Transport and processing expenses	5	**9 078**	8 955
Depreciation and impairment	2	**21 209**	30 652
Other operating expenses	5, 9, 10	**4 770**	5 867
Total operating expenses		**50 874**	**61 460**
Operating profit		**99 846**	**59 765**
FINANCIAL ITEMS			
Financial income		**1 989**	5 057
Financial expenses	12	**2 916**	7 396
Net financial items	8	**(928)**	**(2 339)**
NET INCOME FOR THE YEAR	19	**98 919**	**57 426**

ACCOUNTS BASED ON ACCOUNTING ACT
SDFI balance sheet at 31 December

All figures in NOK million	**Notes**	**2017**	**2016**
Intangible assets	2	**68**	72
Tangible fixed assets	1, 2, 18, 21	**224 161**	220 996
Financial assets	2, 11	**238**	362
Fixed assets		**224 467**	**221 430**
Inventory	6	**2 534**	2 737
Trade debtors	9, 10	**20 249**	16 839
Bank deposits		**176**	149
Current assets		**22 958**	**19 726**
TOTAL ASSETS		**247 426**	**241 156**
Equity at 1 January		**156 302**	164 773
Paid from/(to) the state during the year		**(87 157)**	(65 897)
Net income		**98 919**	57 426
Equity adjustments		**0**	0
Equity	19	**168 063**	**156 302**
Long-term decommissioning liabilities	12, 18	**67 647**	67 546
Other long-term liabilities	13	**3 629**	4 020
Long-term liabilities		**71 276**	**71 566**
Trade creditors		**1 987**	2 411
Other current liabilities	9, 14, 15	**6 100**	10 878
Current liabilities		**8 087**	**13 289**
TOTAL EQUITY AND LIABILITIES		**247 426**	**241 156**

Stavanger, 7 March 2018

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ACCOUNTS BASED ON ACCOUNTING ACT
SDFI Cash flow statement

All figures in NOK million	**Notes**	**2017**	**2016**
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from operations	**3, 4**	**145 043**	127 828
Cash disbursements from operations	**5**	**(30 222)**	(33 634)
Change in working capital in the licences		**(1 426)**	1 807
Change over/under call in the licenses		**353**	(2 297)
Net interest payments		**0**	75
Cash flows from operating activities		**113 747**	**93 778**
CASH FLOW FROM INVESTMENT ACTIVITIES			
Investments	**2, 11**	**(26 564)**	(27 815)
Cash flow from investment activities		**(26 564)**	**(27 815)**
CASH FLOW FROM FINANCING ACTIVITIES			
Net transfer to the state		**(87 157)**	(65 897)
Cash flow from financing activities		**(87 157)**	**(65 897)**
Change in bank deposits of apportioned liability partnerships (DA)		**26**	66

NOTES TO THE COMPANY ACCOUNTS

GENERAL

As of 31 December 2017, Petoro AS acted as licensee on behalf of the SDFI for interests in 186 production licences and 16 joint ventures for pipelines and terminals, including the company's management of commercial interests in Mongstad Terminal DA and Vestprosess DA, and the shares in Norsea Gas AS and Norpipe Oil AS. The SDFI is also entitled to potential profits in 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 Regulations on Financial Management in Central 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 participating interests, so that revenue and costs from production licences and joint ventures are kept separate from operation of the company. Cash flow from the portfolio is transferred to the central government's own accounts with Norges Bank. Petoro prepares separate annual accounts for the SDFI, with an overview of the participating interests managed by the company and associated resource accounting.

ACCOUNTING PRINCIPLES FOR THE COMPANY ACCOUNTS

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 present 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 (NGAAP) and on a cash basis are indicated in the notes below.

The SDFI's interests in private limited companies and apportioned liability partnerships relating to the production of petroleum are included under the respective items in the income statement and recorded in the balance sheet according to 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 activities, including pipeline transport, which are not organised as companies.

The SDFI's participation in Statoil Natural Gas LLC (SNG) is recorded 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 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 (concerns licences awarded in the second licensing round) is recorded as other income.

The functional currency is the Norwegian krone.

Revenue recognition principles

The SDFI 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 transport and process facilities is recorded when the service is rendered.

Gas swap and borrowing agreements where settlement takes the form of returning volumes are, as a general rule, accrued 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/swapped 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 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.

Purchases of third-party gas for resale and gas for inventory are recorded gross as operating expenses. The corresponding revenue is included in sales income.

Purchases and sales between fields and/or transport systems

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

Foreign currencies

Transactions in foreign currencies are recorded at the transaction rate. Monetary items in foreign currencies are valued at the exchange rate prevailing on the balance sheet date. Unrealised currency losses and realised currency losses/gains are recorded as financial income or financial 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 classification of current and long-term liabilities.

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

Exploration and development costs
Petoro employs the successful efforts method to record exploration costs for SDFI oil and gas operations. This means that costs related to geological and geophysical surveying are expensed. However, expenses linked to the drilling of exploration wells are recognised in the balance sheet pending evaluation. Such costs are expensed if the evaluation determines that the discovery is not commercially viable. Considerable time can elapse between the drilling of a well and a final development decision. Capitalised exploration well 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 wells where progress is insufficient are expensed.

Expenses linked to development, including wells, platforms and equipment, 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 deduction for planned and contingent 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 obligation is recognised as an obligation under long-term interest-bearing debt at the net present value of the lease charges. The fixed asset is subject to planned depreciation, and the obligation is reduced by the lease payment 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 ratio between volume sold during the period and reserves at the start 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 by a factor calculated as the ratio between the Norwegian Petroleum Directorate's total of low reserves in production and the sum of basis reserves in production. This is done for both oil and gas reserves. This reserve adjustment totalled 77.8 per cent of expected remaining oil reserves in 2017, while the corresponding figure for gas reserves was 88.2 per cent. The reserve estimates are revised annually, and any changes affect only future depreciation expenses.

Ordinary depreciation for onshore facilities and transport systems as well as riser platforms used by multiple 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 depreciated over the expected contract period or their expected economic lifetime, and any impairment charges are deducted.

Impairment
When the accounts are prepared, tangible fixed assets and intangible assets are reviewed for indications of a decline in value. Oil and gas fields or installations are normally treated as separate entities for the purposes of 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 renovations that 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 obligations for decommissioning and removal 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 obligation is capitalised as part of the acquisition cost of wells and installations, and depreciated therewith. 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 maturity matching that of the decommissioning obligation.

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.

Inventories
Inventories of spare parts and operating materials are valued at the lower of acquisition cost according to the FIFO principle, or net realisable value. Spare parts of insignificant value for use in connection with operating oil or gas fields are expensed at the time of acquisition. Spare parts of significant value are recorded as inventory at the time of acquisition and expensed when they are used in operations. Petoro takes a point of departure in the operators' assessments made as regards which materials should be capitalised and which expensed.

Accounts receivable
Accounts receivable are recognised at face value in the balance sheet 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 state on a daily basis. Booked bank deposits thus include the SDFI's share of bank deposits in companies with apportioned liability in which the SDFI has an interest, and in which the proportionate consolidation method is used.

Current liabilities
Current liabilities are recognised at face value.

Taxes
The SDFI is exempt from income 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 scope of Norway's VAT legislation (continental shelf and exports). The SDFI invoices these sales to the buyer free of tax. At the same time, the SDFI can deduct any VAT incurred on invoiced costs relevant to its activity.

Financial instruments
The SDFI is covered by the state's overall risk management. Financial instruments are used as part of Statoil's optimisation of gas sales.

Financial instruments are valued according to the lowest value principle, unless stated criteria have been met. Unrealised losses relating to financial instruments are recorded as expenses. Unrealised gains are recorded as income if all the following criteria are met: the instrument is classified as a current asset, is part of a trading portfolio as regards resale, is traded on an exchange, authorised marketplace or similar regulated market abroad, and has diverse ownership and liquidity. Portfolio valuations are used as a basis where this, based on the financial instruments, is considered to be the most sensible approach, and where the portfolio is balanced in volume and time. Eliminations are carried out where legal rights exist to offset unrealised losses and gains, or where deposits/margins that correspond with the market value of the derivatives have been paid and capitalised. Gains are otherwise recognised upon realisation.

Financial instruments that are not current assets follow the valuation rules for fixed assets.

Contingent 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

In January 2017, the Ministry of Petroleum and Energy completed its Awards in Predefined Areas (APA 2016), where 13 production licenses were awarded with SDFI participation. Over the course of 2017, four production licenses were carved out from existing licences with SDFI participation, and 11 production licenses were relinquished. In January 2018, the Ministry of Petroleum and Energy completed its Awards in Predefined Areas (APA 2017), where an additional 17 production licenses were awarded with SDFI participation.

NOTE 2 SPECIFICATION OF FIXED ASSETS

All figures in NOK million	Book value at 31 Dec 16	Historical cost at 1 Jan 17	Accumulated depreciation 1 Jan 16	Addition 2017	Impair-ment 2017	Disposal 2017	Transfers 2017	Depreciation 2016	Book value at 31 Dec 17
Fields under development	16 625	16 625	0	11 278	2 568	0	381	0	30 852
Fields in operation	166 791	528 347	-361 556	10 575	943	0	564	-19 810	159 064
Pipelines and terminals	32 307	71 060	-38 753	723	-362	0	0	-2 582	30 086
Capitalised exploration expenses	5 273	5 273	0	784	0	-952	-945	0	4 159
Total tangible fixed assets	**220 996**	**621 306**	**-400 309**	**23 360**	**3 149**	**-952**	**0**	**-22 392**	**224 161**
Intangible assets	72	287	-215	0	0	0	0	-4	68
Financial fixed assets	362	362	0	-123	0	0	0	0	238
Total fixed assets (NGAAP)	**221 430**	**621 955**	**-400 524**	**23 236**	**3 149**	**-952**	**0**	**-22 396**	**224 467**
Translation to cash basis	-29 712	-69 046	39 334	3 328	-1 962	952	0	-2 252	-29 646
Total fixed assets on cash basis	**191 718**	**552 908**	**-361 190**	**26 564**	**1 187**	**0**	**0**	**-24 648**	**194 821**

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.

Previous impairment for certain assets linked to Draugen and Martin Linge were reversed in 2017 as a result of cost efficiency measures and an increased reserve base, respectively, in addition to an expectation of higher prices. Impairment has been undertaken for Valemon as a result of a reduced reserve base. The utility value is calculated using discounted future cash flows, which are discounted using a discount rate based on the weighted average cost of capital (WACC). Impairment tests are based on Petoro's best estimate of cash flows (market prices, production, costs and exchange rate assumptions). When the utility value is assessed to be lower than the book value, the assets are written down to their utility value.

Intangible fixed assets include investments in further development of Etzel Gas Storage and a lesser amount in Åsgard Transport.

Financial fixed assets of NOK 238 million include the following:

- Capacity rights for regasification of LNG at the Cove Point terminal in the US, with an associated agreement on the sale of LNG from Snøhvit to Statoil Natural Gas LLC (SNG) in the US. 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 SNG are settled continuously on a monthly basis in connection with the purchase and sale of LNG.
- Shareholding in Norsea Gas AS and Norpipe Oil AS.

NOTE 3 SPECIFICATION OF OPERATING REVENUE BY AREA

All figures in NOK million	**2017**	**2016**
License	**131 937**	110 766
Market	**23 120**	15 165
Net profit agreements	**428**	8
Elimination internal sales	**(4 765)**	(4 715)
Total operating revenue (NGAAP)	**150 720**	**121 224**
Conversion to cash basis	**(5 677)**	6 684
Total cash basis	**145 043**	**127 909**

Market primarily comprises revenue from the resale of gas, tariff revenues, unrealised losses and revenue from trading inventory. Trading inventory mainly relates to physical volumes. As of 2017, Gassled and other gas infrastructure is placed under Market, as regards organisation. The comparative figures for 2016 have been corrected correspondingly.

NOTE 4 SPECIFICATION OF OPERATING REVENUE BY PRODUCT

All figures in NOK million	**2017**	**2016**
Crude oil, NGL and condensate	**61 171**	49 322
Gas	**77 398**	60 927
Transport and processing revenue	**10 674**	10 597
Other revenue	**1 050**	369
Net profit agreements	**428**	8
Total operating revenue (NGAAP)	**150 720**	**121 224**
Conversion to cash basis	**(5 677)**	6 684
Total cash basis	**145 043**	**127 909**

All crude oil, NGL and condensate from the SDFI are sold to Statoil, and all gas is sold by Statoil (under the sale instructions issued to Statoil) at the SDFI's expense and risk. Virtually all gas is sold to customers in Europe under bilateral contracts, or over the trading desk. About 30 per cent of annual gas volumes is purchased by the four largest customers.

NOTE 5 SPECIFICATION OF PRODUCTION AND OTHER OPERATING EXPENSES BY AREA

All figures in NOK million	2017	2016
PRODUCTION EXPENSES		
License	**11 204**	11 947
Other infrastructure	**3 058**	2 668
Total production expenses	**14 262**	**14 616**
TRANSPORT AND PROCESSING EXPENSES		
License	**13 634**	13 352
Market	**209**	318
Elimination internal purchases	**(4 765)**	(4 715)
Total transport and processing expenses	**9 078**	**8 955**
OTHER OPERATING EXPENSES		
Market	**4 770**	5 866
Total other operating expenses	**4 770**	**5 866**
Total operating expenses	**28 110**	**29 437**
Conversion to cash basis	664	1 723
Total cash basis	**28 775**	**31 160**

Market primarily comprises the cost of purchasing gas for resale and purchases for inventory to optimise gas sales. As of 2017, Gassled and other gas infrastructure is placed under Market, as regards organisation. The comparative figures for 2016 have been corrected correspondingly.

NOTE 6 INVENTORIES

All figures in NOK million	2017	2016
Petroleum products	**1 028**	1 072
Spare parts	**1 506**	1 665
Total inventories	**2 534**	**2 737**

Petroleum products comprise LNG and natural gas. The SDFI does not hold inventories of crude oil, as the difference between produced and sold volumes is included in over/underlift.

Not relevant to the accounts on a cash basis.

NOTE 7 INTEREST INCLUDED IN THE SDFI'S 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 2017 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 include an open account with the government which represents the difference between charging to chapter/item in the appropriation accounts and changes in liquidity.

Interest on the open account with the government is calculated in accordance with the 2017 letter of assignment to Petoro from the Ministry of Petroleum and Energy. The interest rate applied is linked 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	**2017**	**2016**
Interest income	**2**	81
Other financial revenue	**1**	72
Currency gain - realised	**1 986**	4 904
Currency loss - realised	**(1 595)**	(4 091)
Currency loss/gain - unrealised	**33**	(1 797)
Interest expenses	**45**	(122)
Interest on decommissioning liability	**(1 400)**	(1 386)
Net financial items	**(928)**	**(2 339)**

Not relevant to the accounts on a cash basis.

NOTE 9 CLOSE ASSOCIATES

The state, 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 onshore 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 61.2 billion (corresponding to 145 million boe) for 2017, compared with NOK 49.3 billion (147 million boe) for 2016.
Statoil markets and sells the state's natural gas at the government's expense and risk, but in Statoil's name and along with its own production. The state receives the market value for these sales. The state sold dry gas directly to Statoil at a value of NOK 311 million in 2017, compared with NOK 369 million in 2016. Statoil is reimbursed by the state for its relative share of costs associated with the transport, storage and processing of dry gas, the purchase of dry gas for resale and administrative expenses relating to gas sales. These reimbursements amounted to NOK 11.7 billion in 2017, compared with NOK 12.6 billion in 2016. Open accounts with Statoil totalled NOK 8.4 billion in favour of the SDFI, converted at the exchange rate on the balance sheet date, compared with NOK 5.2 billion in 2016.

Pursuant to the marketing and sale instruction, the SDFI also participates with a financial interest in Statoil Natural Gas LLC (SNG) in the US. 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 ACCOUNTS RECEIVABLE

Accounts receivable and other receivables are recorded at nominal value in NGAAP following deduction for foreseeable losses.

NOTE 11 INVESTMENTS IN ASSOCIATED COMPANIES

As of 1 January 2009, the SDFI's participation in Statoil Natural Gas LLC (SNG) in the US has been treated 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 at the original acquisition cost of NOK 798 million.

The company's business office is located in Stamford in the US and it 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 activities in 2007, the profit/loss is allocated in accordance with a disproportionate distribution model which gives 48.4 per cent to the SDFI.

The SDFI participates in SNG under the marketing and sale instruction with regard to activities related to the marketing and sale of the state'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	**2017**	**2016**
Opening balance financial fixed assets	**362**	280
Share of profit for the year	**(123)**	82
Closing balance financial fixed assets	**238**	**362**

NOTE 12 SHUT-DOWN/DECOMMISSIONING

The liability comprises future abandonment and decommissioning of oil and gas installations. Norwegian authority 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. A number of factors underlying the decommissioning estimate are associated with significant uncertainty, including assumptions for decommissioning and estimating methods, technology and the removal date. The latter is expected largely to occur one or two years after 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 treasury 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.

New liabilities mainly include the Johan Sverdrup, Martin Linge and Maria fields and constitute about NOK 2.5 billion. At the same time, the estimate for decommissioning costs has been reduced by NOK 3.5 billion as a result of changes in future estimated costs from operators and alterations to cessation and decommissioning dates. This change includes reduced estimates for plugging and abandoning wells and for shutting down installations.

All figures in NOK million	**2017**	**2016**
Liability at 1 Jan	**67 546**	70 129
New liabilities/disposals	**2 565**	0
Actual decommissioning	**(298)**	(584)
Changes to estimates	**(3 501)**	(2 717)
Changes to discount rates	**130**	(666)
Changes to participating interests	**(195)**	(2)
Interest expense	**1 400**	1 386
Liability at 31 Dec	**67 647**	**67 546**

NOK 298 million for cessation and decommissioning accrued in 2017, and is included in the accounts on a cash basis.

NOTE 13 OTHER LONG-TERM LIABILITIES

Other long-term liabilities pursuant to 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 transition to company-based gas sales
- income not yet earned in anticipated repayment of profit shares in licenses with net profit agreements

Three financial leasing contracts were entered into in 2006 on the delivery of three ships to transport LNG from Snøhvit. These contracts run for 20 years, with two options for five-year extensions. Future discounted minimum payment for financial leasing totals NOK 1 145 million as of 31 December 2017. Of this, NOK 119 million falls due for payment in 2018, NOK 475 million in the subsequent four years and the residual NOK 551 million after 2023.

Repayment liabilities for previously paid-up profit shares in licences with net profit agreements linked to decommissioning is included in long-term liabilities and amounts to NOK 1 624 million.

Other long-term liabilities total NOK 860 million, of which NOK 266 million falls due within more 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 NGAAP falling due in 2017 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 derivative 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 state'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 2017, the market value of the derivatives was NOK 596 million in assets and NOK 2 275 million in liabilities. The comparable figures at the end of 2016 were NOK 277 million in assets and NOK 4 899 million in liabilities. 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. In 2017, this amounted to NOK 498 million in assets. The comparable figures in 2016 were NOK 199 million in assets and NOK 83 million in liabilities. Net unrealised loss on outstanding positions as of 31 December 2017 is carried to expense.

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's revenue from gas sales is the price actually obtained. Based on the arrangement relating to the marketing and sale instruction along with the SDFI's participation in the state's overall risk management, only limited use is made of financial instruments (derivatives). They are primarily employed 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 majority of the company's revenue from the sale of oil and gas is invoiced in USD, EUR or GBP. Parts of its operating expenses and investments are 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 utilise currency hedging in relation to future sales of the SDFI's petroleum, and its exposure in the balance sheet at 31 December 2017 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, NGL and condensate 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 risk in current transactions is accordingly regarded as limited.

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
2018	5 219	2 096
2019	4 444	1 562
2020	3 915	1 392
2021	2 994	1 321
2022	2 525	1 297
Beyond	1 391	5 382

Leases represent operations-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 US. 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 commit 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 year-end to participate in 23 wells with an expected cost to the SDFI in 2018 of NOK 1.4 billion.

The SDFI has also accepted contractual liabilities relating to investments in new and existing fields. Overall, this amounts to NOK 9.0 billion for 2018 and NOK 22.5 billion for subsequent periods, totalling NOK 31.5 billion. Through approved budgets and work programmes, the SDFI was also committed to operating and investment expenses for 2018. The mentioned liabilities for 2018 are included in this total.

In connection with the sale of the SDFI's oil and gas, Statoil has issued guarantees to suppliers and owners of transport infrastructure, as well as in connection with operations in the US, the UK and continental Europe. Guarantees issued in connection with trading activities are provided as security for lack of financial settlement. In total, the guarantees amount to NOK 1.8 billion for the SDFI's share.

The SDFI and Statoil deliver gas to customers under joint 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, pipelines and onshore facilities, and in the joint sale of the SDFI's gas together with Statoil. The final scope of the SDFI's liabilities or assets associated with such disputes and claims cannot be reliably estimated at this time. The SDFI's financial standing is not expected to be significantly impacted by the outcome of such disputes. 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.

Legal action has been taken by COSL Offshore Management, which is currently being adjudicated as the annual accounts for the SDFI are submitted. The case concerns the termination of a rig contract linked to Troll, where the SDFI has a 56 per cent ownership interest.

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 significant 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 make up the foundation for depreciation expenses are of great significance for the result, and adjustments to the reserve base can cause major changes in 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 prepared, these investments are reviewed for indications of a decline in value. The assessment of whether an asset must be written down is primarily based 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	**2017**	**2016**
Equity at 1 Jan.	**156 302**	161 524
Items recognised directly in equity at 1 Jan. 2016		3 248
Net income	**98 919**	57 426
Cash transfers to the state	**(87 157)**	(65 897)
Equity at 31 Dec.	**168 063**	**156 302**

Items recognised directly in equity concern the correction of a previous error in the calculation of income not yet earned for a net profit agreement linked to an anticipated decommissioning liability for Valhall.

Not relevant to the accounts on a cash basis.

NOTE 20 AUDITORS

The SDFI is subject to the Appropriations Regulations, as well as the Regulations and Provisions on Financial Management in Central Government. In accordance with the Act relating to the Office of the Auditor General (OAG) of 7 May 2004, the OAG is the external auditor for the SDFI. The audit takes place during the period from 1 May 2017 – 30 April 2018, and the result of the audit will be reported in the form of an auditor's report by 1 May 2018.

In addition, PricewaterhouseCoopers AS (PwC) has been engaged by Petoro's board of directors 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 international auditing standards. PwC's fee is charged to the accounts of Petoro AS.

NOTE 21 EXPECTED REMAINING OIL AND GAS RESERVES – UNAUDITED

	2017		2016		2015	
Oil* in mill bbl, Gas in bn scm	**oil**	**gas**	**oil**	**gas**	**oil**	**gas**
Expected remaining reserves at 1 Jan	1489	712	1599	743	1318	767
Corrections for earlier years**			(3)	(1)	(10)	
Change in estimates	30	3	18	(1)	17	7
Extensions and discoveries	112	0	1	0	367	2
Improved recovery	129	4	20	1	57	4
Purchase of reserves			2	6		
Sale of reserves						
Production	(145)	(41)	(150)	(37)	(150)	(38)
Expected remaining reserves at 31 Dec	**1615**	**678**	**1489**	**712**	**1599**	**743**

* Oil includes NGL and condensate.
** The correction is due to individual fields reporting negative reserves. Production is measured exactly, whereas remaining reserves are estimates.

The portfolio's estimated remaining reserves of oil, condensate, NGL and gas totalled 5879 million boe at 31 December, down by 89 million boe from the year before. Reserve growth in 2017 primarily came from Johan Castberg, but also from the mature fields Snorre, Åsgard, Heidrun, and Visund. Nevertheless, the growth was not sufficient to offset the reduction in remaining reserves from production in 2017.

A total of 405 million boe were produced in 2017, giving a reserve replacement rate of 78 per cent for the year. The corresponding rate in 2016 was 22 per cent.

NOTE 22 RESEARCH AND DEVELOPMENT

Petoro contributes to research and development (R&D) through the SDFI meeting its share of the operator's costs for general research and development pursuant to the Accounting Agreement. NOK 507 million was expensed by the SDFI for R&D in 2017 as regards charges from the operators during the year.

NOTE 23 SDFI OVERVIEW OF INTERESTS

Production licence	At 31 Dec 2017 Participating interest (%)	At 31 Dec 2016 Participating 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
036 E	20.00000	-
037	30.00000	30.00000
037 B	30.00000	30.00000
037 E	30.00000	30.00000
038	30.00000	30.00000
038 C	30.00000	30.00000
038 D	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
050 IS	30.00000	30.00000
052	37.00000	37.00000
053	33.60000	33.60000
053 C	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
093 C	47.88000	47.88000

Production licence	At 31 Dec 2017 Participating interest (%)	At 31 Dec 2016 Participating interest (%)
093 D	47.88000	47.88000
093 E	-	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
120 CS	16.93548	-
124	27.09000	27.09000
128	24.54546	24.54546
128 B	54.00000	54.00000
128 D	24.54546	24.54546
128 E	24.54546	-
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
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
193 FS	30.00000	-
195	35.00000	35.00000
195 B	35.00000	35.00000

Production licence	At 31 Dec 2017 Participating interest (%)	At 31 Dec 2016 Participating interest (%)
199	27.00000	27.00000
208	30.00000	30.00000
209	35.00000	35.00000
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	40.00000
248 GS	40.00000	40.00000
248 HS	40.00000	40.00000
248 I	40.00000	-
250	45.00000	45.00000
255	30.00000	30.00000
255 B	30.00000	30.00000
255 C	30.00000	-
263 C	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
435	35.00000	35.00000
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
516	24.54545	24.54545
532	20.00000	20.00000
537	20.00000	20.00000
602	20.00000	20.00000
608	20.00000	20.00000
611	-	20.00000
612	20.00000	20.00000
615	20.00000	20.00000
615 B	20.00000	20.00000
618	20.00000	20.00000
625	-	20.00000

Production licence	At 31 Dec 2017 Participating interest (%)	At 31 Dec 2016 Participating interest (%)
638	-	20.00000
659	30.00000	30.00000
682	20.00000	20.00000
685	20.00000	20.00000
694	-	20.00000
695	20.00000	20.00000
714	-	20.00000
716	-	20.00000
718	20.00000	20.00000
720	20.00000	20.00000
728	20.00000	20.00000
728 B	20.00000	20.00000
739 S	-	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
768 B	20.00000	20.00000
775	20.00000	20.00000
776	20.00000	20.00000
777	20.00000	20.00000
777 B	20.00000	20.00000
777 C	20.00000	-
789	-	20.00000
793	20.00000	20.00000
795	20.00000	20.00000
797	-	20.00000
805	20.00000	20.00000
806	-	20.00000
815	20.00000	20.00000
829	20.00000	20.00000
830	20.00000	20.00000
831	20.00000	20.00000
832	20.00000	20.00000
837	20.00000	20.00000
841	20.00000	20.00000
844	20.00000	20.00000
848	20.00000	20.00000
849	20.00000	20.00000
854	20.00000	20.00000
855	20.00000	20.00000
857	20.00000	20.00000
858	20.00000	20.00000
859	20.00000	20.00000
860	20.00000	-
864	20.00000	-
885	20.00000	-

Production licence	At 31 Dec 2017 Participating interest (%)	At 31 Dec 2016 Participating interest (%)
886	20.00000	-
892	20.00000	-
894	20.00000	-
896	20.00000	-
899	20.00000	-
902	20.00000	-

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

Unitised fields	At 31 Dec 2017 Participating interest (%)	At 31 Dec 2016 Participating interest (%)	Remaining production period	License period
Flyndre Unit**	0.35400	5.00000	2022	2028
Fram H-Nord Unit	11.20000	11.20000	2024	2031
Gimle Unit	24.18630	24.18630	2034	2023
Grane Unit	28.90500	28.90500	2042	2030
Gullfaks Unit	30.00000	30.00000	2034	2036
Haltenbanken Vest Unit (Kristin)	19.57700	19.57700	2034	2027
Heidrun Unit	57.79339	57.79339	2044	2024
Johan Sverdrup Unit	17.36000	17.36000	2058	2036
Martin Linge Unit	30.00000	30.00000	2032	2027
Norne Inside	54.00000	54.00000	2035	2026
Ormen Lange Unit	36.48500	36.48500	2047	2040
Oseberg Area Unit	33.60000	33.60000	2039	2031
Sindre Unit	27.09000	0.00000	2034	2023
Snorre Unit	30.00000	30.00000	2040	2018
Snøhvit Unit	30.00000	30.00000	2051	2035
Statfjord Øst Unit	30.00000	30.00000	2025	2024
Sygna Unit	30.00000	30.00000	2025	2024
Troll Unit	56.00000	56.00000	2054	2030
Valemon Unit	30.00000	30.00000	2028	2031
Vega Unit	28.32000	28.32000	2029	2024
Visund Inside	30.00000	30.00000	2036	2034
Åsgard Unit	35.69000	35.69000	2032	2027

Field	At 31 Dec 2017 Participating interest (%)	At 31 Dec 2016 Participating interest (%)	Remaining production period	License period
Atla	30.00000	30.00000	2018	2025
Draugen	47.88000	47.88000	2027	2024
Dvalin	35.00000	0.00000	2032	2041
Ekofisk	5.00000	5.00000	2049	2028
Eldfisk	5.00000	5.00000	2049	2028
Embla	5.00000	5.00000	2049	2028
Gjøa	30.00000	30.00000	2026	2028
Heimdal	20.00000	20.00000	2028	2021
Johan Castberg	20.00000	0.00000	2052	2018
Kvitebjørn	30.00000	30.00000	2032	2031
Maria	30.00000	30.00000	2045	2036
Rev	30.00000	30.00000	2018	2021
Skirne	30.00000	30.00000	2019	2025
Skuld	24.54546	24.54546	2035	2026
Statfjord Nord	30.00000	30.00000	2025	2026
Svalin	30.00000	30.00000	2043	2030
Tordis	30.00000	30.00000	2029	2024
Tune	40.00000	40.00000	2019	2020
Urd	24.54546	24.54546	2035	2026
Veslefrikk	37.00000	37.00000	2025	2020
Vigdis	30.00000	30.00000	2029	2024

Fields no longer producing	At 31 Dec 2017 Participating interest (%)	At 31 Dec 2016 Participating interest (%)	License period
Huldra Unit	31.95534	31.95534	2015
Jette Unit	30.00000	30.00000	2021
Jotun (027 B)	-	-	-
Tor Unit	3.68744	3.68740	2028
Varg	30.00000	30.00000	2021
Yttergryta	19.95000	19.95000	2027

PIPELINES AND ONSHORE FACILITIES

Oil infrastructure	At 31 Dec 2017 Participating interest (%)	At 31 Dec 2016 Participating interest (%)	License period
Oseberg Transport System (OTS)	48.38379	48.38379	2031
Troll Oil Pipeline I + II	55.76808	55.76808	2023
Grane Oil Pipeline	42.06310	42.06310	2030
Kvitebjørn Oil Pipeline	30.00000	30.00000	2020
Norpipe Oil AS (interest)	5.00000	5.00000	2028
Mongstad Terminal DA	35.00000	35.00000	-

Gas infrastructure			
Gassled***	46.69700	45.79300	2028
Haltenpipe	57.81250	57.81250	2020
Mongstad Gas Pipeline (EMV)	56.00000	56.00000	2030
Nyhamna	26.13840	0.00000	2041
Polarled (NSGI)	11.94600	11.94600	2041
Valemon Gassrør	30.00000	30.00000	2031
Dunkerque Terminal DA	30.35317	29.76519	2028
Zeepipe Terminal J.V.	22.88161	22.43837	2028
Vestprosess DA	41.00000	41.00000	-
Norsea Gas AS (interest)	40.00600	40.00600	2028
Ormen Lange Eiendom DA	36.48500	36.48500	2035

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

* Production licences where the SDFI is not a licensee, but is entitled to a share of possible profit.
** Interest in Flyndre in 2016 listed with Norwegian share
*** Gassled has multiple transport licenses with various licence periods

Vår referanse 2017/00694-6

Riksrevisjonen

STATENS DIREKTE ØKONOMISKE
ENGASJEMENT SDØE
Org. nr.: 980977269

Riksrevisjonens beretning

Til Statens direkte økonomiske engasjement

Uttalelse om revisjonen av årsregnskapet

Konklusjon

Riksrevisjonen har revidert Statens direkte økonomiske engasjements årsregnskap for 2017. Årsregnskapet består av ledelseskommentarer og oppstilling av bevilgningsrapportering inklusiv noter, artskontorapportering og virksomhetsregnskap inklusiv noter til årsregnskapet for regnskapsåret avsluttet per 31. desember 2017.

Bevilgnings- og artskontorapporteringen viser at 88 272 033 852 kroner er rapportert netto til bevilgningsregnskapet.

Etter Riksrevisjonens mening gir Statens direkte økonomiske engasjements årsregnskap et dekkende bilde av virksomhetens disponible bevilgninger, inntekter og utgifter i 2017 og av mellomværende med statskassen per 31. desember 2017, i samsvar med regelverk for statlig økonomistyring.

Grunnlag for konklusjonen

Vi har gjennomført revisjonen i samsvar med *lov om Riksrevisjonen*, *instruks om Riksrevisjonens virksomhet* og internasjonale standarder for offentlig revisjon (ISSAI 1000–2999). Våre oppgaver og plikter i henhold til disse standardene er beskrevet under «Revisors oppgaver og plikter ved revisjonen av årsregnskapet». Vi er uavhengige av virksomheten slik det kreves i lov og instruks om Riksrevisjonen og de etiske kravene i ISSAI 30 fra International Organization of Supreme Audit Institutions (INTOSAIs etikkregler), og vi har overholdt de øvrige etiske forpliktelsene våre i samsvar med disse kravene og INTOSAIs etikkregler. Etter vår oppfatning er revisjonsbevisene vi har innhentet tilstrekkelige og hensiktsmessige som grunnlag for vår konklusjon.

Øvrig informasjon i årsrapporten

Styret er ansvarlig for årsrapporten, som består av årsregnskapet (del VI) og øvrig informasjon (del I–V). Riksrevisjonens uttalelse omfatter revisjon av årsregnskapet og virksomhetens etterlevelse av administrative regelverk for økonomistyring, ikke øvrig informasjon i årsrapporten (del I–V). Vi attesterer ikke den øvrige informasjonen.

I forbindelse med revisjonen av årsregnskapet er det vår oppgave å lese den øvrige informasjonen i årsrapporten. Formålet er å vurdere om det foreligger vesentlig inkonsistens mellom den øvrige informasjonen, årsregnskapet og kunnskapen vi har opparbeidet oss under revisjonen. Vi vurderer også om den øvrige informasjonen ser ut til å inneholde vesentlig feilinformasjon. Dersom vi konkluderer med at den øvrige informasjonen inneholder vesentlig feilinformasjon, er vi pålagt å rapportere dette i revisjonsberetningen.

Det er ingenting å rapportere i så måte.

Styrets og det overordnede departementets ansvar for årsregnskapet

Ledelsen og styret er ansvarlig for å utarbeide et årsregnskap som gir et dekkende bilde i samsvar med regelverk for økonomistyring i staten. Ledelsen og styret er også ansvarlig for å etablere den interne kontrollen som de mener er nødvendig for å kunne utarbeide et årsregnskap som ikke inneholder vesentlig feilinformasjon, verken som følge av misligheter eller utilsiktede feil.

Det overordnede departementet og styret har det overordnede ansvaret for at virksomheten rapporterer relevant og pålitelig resultat- og regnskapsinformasjon og har forsvarlig internkontroll.

Riksrevisjonens oppgaver og plikter
Målet med revisjonen er å oppnå betryggende sikkerhet for at årsregnskapet som helhet ikke inneholder vesentlig feilinformasjon, verken som følge av misligheter eller utilsiktede feil, og å avgi en revisjonsberetning som gir uttrykk for Riksrevisjonens konklusjon. Betryggende sikkerhet er et høyt sikkerhetsnivå, men det er ingen garanti for at en revisjon som er utført i samsvar med *lov om Riksrevisjonen*, *instruks om Riksrevisjonens virksomhet* og internasjonale standarder for offentlig revisjon (ISSAI 1000–2999), alltid vil avdekke vesentlig feilinformasjon som eksisterer. Feilinformasjon kan oppstå som følge av misligheter eller utilsiktede feil. Feilinformasjon blir ansett som vesentlig dersom den, enkeltvis eller samlet, med rimelighet kan forventes å påvirke de beslutningene brukere treffer på grunnlag av årsregnskapet.

Vi utøver profesjonelt skjønn og utviser profesjonell skepsis gjennom hele revisjonen, i samsvar med *lov om Riksrevisjonen*, *instruks om Riksrevisjonens virksomhet* og ISSAI 1000–2999.

Vi identifiserer og anslår risikoene for vesentlig feilinformasjon i årsregnskapet, enten den skyldes misligheter eller utilsiktede feil. Videre utformer og gjennomfører vi revisjonshandlinger for å håndtere slike risikoer og innhenter tilstrekkelig og hensiktsmessig revisjonsbevis som grunnlag for vår konklusjon. Risikoen for at vesentlig feilinformasjon ikke blir avdekket, er høyere for feilinformasjon som skyldes misligheter, enn for feilinformasjon som skyldes utilsiktede feil. Grunnen til det er at misligheter kan innebære samarbeid, forfalskning, bevisste utelatelser, feilpresentasjoner eller overstyring av intern kontroll.

Vi gjør også følgende:
- opparbeider oss en forståelse av den interne kontrollen som er relevant for revisjonen, for å utforme revisjonshandlinger som er hensiktsmessige ut fra omstendighetene, men ikke for å gi uttrykk for en mening om hvor effektiv virksomhetens interne kontroll er
- evaluerer om regnskapsprinsippene som er brukt, er hensiktsmessige, og om tilhørende opplysninger som er utarbeidet av ledelsen, er rimelige
- evaluerer den totale presentasjonen, strukturen og innholdet i årsregnskapet, inkludert tilleggsopplysningene
- evaluerer om årsregnskapet representerer de underliggende transaksjonene og hendelsene på en måte som gir et dekkende bilde

Vi kommuniserer med ledelsen og informerer det overordnede departementet, blant annet om det planlagte omfanget av revisjonen og når revisjonsarbeidet skal utføres. Vi vil også ta opp forhold av betydning som er avdekket i løpet av revisjonen, for eksempel svakheter av betydning i den interne kontrollen.

Når det gjelder forholdene som vi tar opp med ledelsen og informerer det overordnede departementet om, tar vi standpunkt til hvilke som er av størst betydning ved revisjonen av årsregnskapet, og avgjør om disse skal regnes som sentrale forhold ved revisjonen. De beskrives i så fall i et eget avsnitt i revisjonsberetningen, med mindre lov eller forskrift hindrer offentliggjøring. Forholdene omtales ikke i beretningen hvis Riksrevisjonen beslutter at det er rimelig å forvente at de negative konsekvensene av en slik offentliggjøring vil være større enn offentlighetens interesse av at saken blir omtalt. Dette vil bare være aktuelt i ytterst sjeldne tilfeller.

Dersom vi gjennom revisjonen av årsregnskapet får indikasjoner på vesentlige brudd på administrative regelverk for økonomistyring, gjennomfører vi utvalgte revisjonshandlinger for å kunne uttale oss om hvorvidt det er vesentlige brudd på slike regelverk.

Uttalelse om øvrige forhold

Konklusjon knyttet til administrative regelverk for økonomistyring
Vi uttaler oss med moderat sikkerhet om hvorvidt vi er kjent med forhold som tilsier at virksomheten har disponert bevilgningene på en måte som i vesentlig grad strider mot administrative regelverk for økonomistyring. Uttalelsen bygger på ISSAI 4000-serien for etterlevelsesrevisjon. Moderat sikkerhet for uttalelsen oppnår vi gjennom revisjon av årsregnskapet som beskrevet ovenfor, og kontrollhandlinger vi finner nødvendige.

Basert på revisjonen av årsregnskapet og kontrollhandlinger vi har funnet nødvendige i henhold til ISSAI 4000-serien, er vi ikke kjent med forhold som tilsier at virksomheten har disponert bevilgningene i strid med administrative regelverk for økonomistyring.

Oslo; 29.04.2018

Etter fullmakt

Tora Struve Jarlsby
ekspedisjonssjef

Lars Christian Møller
avdelingsdirektør

Brevet er ekspedert digitalt og har derfor ingen håndskreven signatur