



RESULTS PURSUANT TO THE ASSIGNMENT LETTER

—
Results pursuant to the assignment letter Page 22
Resource accounts 2017 Page 26

RESULTS PURSUANT TO THE ASSIGNMENT LETTER

Reference is made to the “Letter of assignment to Petoro AS for 2017”, and to the business plan for Petoro AS. The targets set in the letter of assignment and Petoro’s performance pursuant to these are presented below.

SAFEGUARDING THE STATE’S DIRECT PARTICIPATING INTERESTS

Petoro shall be an active partner that helps maximise the value of the SDFI portfolio through comprehensive assessments. The work shall be focused on areas and tasks where the company, based on the portfolio and in interaction with other players on the Norwegian Continental Shelf, can provide a particular contribution toward securing and increasing values in the portfolio, considering the state’s overall financial interests. Petoro shall contribute to efficient and profitable development and operations, as well as the safety of people and the environment.

OPERATIONAL TARGETS

“Petoro shall establish operational targets with the aim of maintaining a high level of production in 2017”

Management parameters: Volume figures. Explanation and development over time.

Total production averaged 1.110 million barrels of oil equivalent (boe) per day, up roughly seven per cent from 2016.

Gas production reached a record high in 2017, totalling 41.3 billion scm. This was a 13 per cent increase in relation to 2016, and was primarily due to increased use of flexible gas production to take advantage of higher prices.

Liquids production was 23.1 million scm o.e. (398 kboed). Natural production decline from existing wells means that liquids production was nearly three per cent lower than in 2016. Mature fields experience a natural decline in production. In recent years, a higher number of new wells per year and

higher regularity have been able to offset the decline in production. Given approximately the same number of new wells and about the same regularity in 2017 as in 2016, production therefore declined this year.

In addition to ordinary licence follow-up, where the operator and partners set production targets and the operator is challenged on nonconformity management and mitigating measures, Petoro’s efforts were particularly aimed at measures to complete new wells. This represents an important instrument for implementing the planned well programme and maintaining high production.

“Petoro shall prepare operational targets as regards improving efficiency in fields in operation”.

Management parameters: Composition of and development in operating expenses and investments.

Cost efficiency measures in the licenses has been an important part of Petoro’s work in 2017 as well. Efforts have been particularly focused on drilling, as well as operations and maintenance.

The need for streamlining and cost reductions within the drilling and well service area has been an important issue for Petoro over several years. Petoro has followed the development in drilling pace on ten fixed installations on five selected fields in the portfolio. The average drilling time and drilling cost was cut in half from 2014 to 2015. The result can mainly be attributed to increased drilling efficiency, simplified well design and increased availability of drilling facilities. The

development in drilling time and drilling cost has levelled out since 2015, and was on par with the previous two years in 2017.

Field costs for producing fields continue to decline. However, after achieving substantial cost reductions in recent years, the effect has slowed down and field costs in 2017 were four per cent lower than in 2016. Petoro’s efforts have been aimed at ensuring that the measures implemented to reduce costs are sustainable and entail an actual gain in efficiency without weakening the facilities’ integrity over the longer term.

Petoro has also worked to increase the portfolio’s competitiveness, and the licenses have achieved comprehensive improvements within all areas of the value chain. For example, the substantial cost reductions achieved through optimisation of the development concepts leading up to concept choice for Snorre and Johan Castberg, were decisive as regards the projects’ profitability and being able to make investment decisions in 2017. Even with reduced costs, the recoverable resources have been maintained for these projects, which demonstrates a considerable improvement in competitiveness.

Costs incurred for investments in 2017 totalled NOK 25.5 billion, which is about NOK 3 billion lower than the year before. This reduction is mainly due to lower investments in production drilling as a result of reduced drilling activity on three fields.

“Petoro shall prepare operational targets as regards safeguarding safety and environmental concerns”

Management parameters: Serious incidents (frequency) and CO₂ emissions (tonnes). Explanation and development over time.

The HSE results for 2017 show a positive development compared with the previous year, but the number of serious near-miss incidents and personal injuries is still too high. The serious incident frequency (number of serious incidents per million hours worked) declined from 1.0 in 2016 to 0.7 in 2017. The personal injury frequency (number of personal injuries per million hours worked) is at same level as the previous year and was 4.2 in 2017, compared with 4.1 in 2016. No serious discharges to sea were recorded in 2017.

In 2017, Petoro has been particularly concerned with risk assessments in a major accident perspective linked to effects from efficiency measures in the licenses. Petoro also conducted a number of management visits in 2017, focusing on health, safety and the environment on selected fields and onshore facilities.

Beyond the activities on the Norwegian shelf, Petoro, as licensee in the Martin Linge project, experienced the tragic accident at the Samsung shipyard in South Korea on 1 May 2017, where 6 people lost their lives and 25 were injured. This accident is a powerful reminder of the importance of managing major accident risk linked to all parts of our activities.

In 2017, Petoro has followed up CO₂ emissions from 8 fields. The emissions totalled 2.21 million tonnes, a reduction of 1.3 per cent compared with 2016. The emissions have varied throughout the year and have been substantially affected by operational interruptions and flaring, particularly on Snøhvit. One important observation has been that the variations in operational regularity are diminishing the effect of energy efficiency

measures. Petoro has worked to increase competence within climate and the environment in 2017 and the CO₂ emission target has contributed to greater insight in the factors of significance for the fields' CO₂ emissions, and has better enabled the company to put the climate perspective on the licenses' agenda.

PRIORITY TARGETS AND ACTIVITIES IN 2017

Prioritised goals and tasks are linked to larger ongoing commercial processes in the industry, where Petoro, through its participation, can secure and increase the values in the SDFI portfolio

“Petoro shall contribute to realise projects for improved recovery in mature fields, including the Snorre, Heidrun, Oseberg and Troll fields.”

Management parameters: Initiatives, measures and work initiated by Petoro, achieved results and their effects.

In 2017, in line with the strategy to realise the values in mature fields, Petoro has aimed particular efforts at the Snorre and Troll fields, in addition to well maturation on selected fields.

On the Snorre field, Petoro has been an active driving force over a number of years in the realisation of additional profitable reserves. Efforts have primarily been aimed at strengthening reserve potential through comprehensive technical reservoir studies. In December 2017, the license decided to invest in a further development project consisting of 6 seabed templates adapted for 24 new wells. The application for approval of the amended PDO for further development of the Snorre field was submitted to the Ministry of Petroleum and Energy in December. Production start-up is anticipated in 2021, and the project will contribute to considerably increased values from the Snorre field.

On the Heidrun field, Petoro has also been carrying out technical reservoir studies over a longer period of time in

order to contribute toward improving the profitability of further development measures. In 2017, the license made an investment decision for phase 1 of the Heidrun Subsea Extension project. This project includes construction of a new production flowline and an upgrade of subsea equipment in the northern part of the field. This will enable the drilling of 11 new wells, which will yield considerably greater values from Heidrun.

The Troll field is facing important decisions as regards further development of the field. Throughout 2016 and 2017, Petoro has been actively engaged in helping ensure that work on the Troll phase 3 project will entail the most comprehensive and flexible further development possible. Efforts have primarily been aimed at ensuring that the effect on oil production is understood through comprehensive technical reservoir studies. An investment decision is expected in spring 2018, and start-up in 2021.

Following a disappointing exploration well on Oseberg in 2016, Petoro been an active driving force to revitalise the Oseberg Future Development-2 project. These efforts have been aimed at identifying additional drilling targets to increase the recovery rate in the southern part of the field. Petoro has also secured acceptance for a well concept that combines production drilling with a cost-effective exploration extension to identify the resource base in the Oseberg Future Development 3 area.

“Petoro shall be a driving force for new well targets, utilising rig capacity and establishing commercial solutions for further development of the fields, including potential opportunities for phasing in nearby discoveries.”

Management parameters: Initiatives, measures and work initiated by Petoro, achieved results and their effects.

There will be a significant long-term need for drilling new wells to realise the

value potential in mature fields. Drilling efficiency has increased and more wells are continuously being drilled. However, an insufficient number of new well targets have been matured in recent years, which has also entailed an uncertainty linked to future utilisation of rig capacity.

Based on this, Petoro has been a driving force in 2017 for the licenses to increase the portfolio of seabed wells on the mature fields, and Petoro has put the topic of well maturation on the agenda in multiple licenses. On selected fields, Petoro has carried out its own studies to map the potential for new seabed wells. Through this work, Petoro has identified many new drilling targets and has presented these to the operator. This has contributed to a considerable increase in the number of concrete future well targets in the licenses.

In recent years, Petoro has developed comprehensive business cases for further development of fields. For example, in 2017, Petoro has been the driving force to establish a business case for upgrading the processing capacity on Oseberg which safeguards the licenses' own need for further field development, but also the processing needs for other discoveries in the area that want to use the infrastructure. In this context, Petoro has been the driving force for drilling an appraisal well to clarify the resource base in the nearby Tune license.

“Petoro shall contribute to a robust and comprehensive development of the Sverdrup field which preserves the opportunity to implement measures for improved recovery and realising additional resources.”

Management parameters: Initiatives, measures and work initiated by Petoro, achieved results and their effects.

Petoro is strongly involved as a partner in the Johan Sverdrup field, where phase 1 of the project is in the implementation phase with two platforms under

construction in South Korea and two in Norway. A dedicated facility is also being constructed at Kårstø to supply the field with power from shore.

In addition to following up the implementation of phase 1, Petoro has been involved in preparations for the investment decision in 2018 for phase 2 of the project. Johan Sverdrup has also experienced a positive cost development in 2017, which helps boost the project's profitability. Johan Sverdrup now has a development solution in line with the concept selection, a robust subsea solution where additional wells can be added if necessary. This also includes a sound basis for long-term reservoir management through good seismic coverage.

Petoro shall work toward increased understanding of the resource base in Castberg and Wisting in the Barents Sea.

Management parameters: Initiatives, measures and work initiated by Petoro, achieved results and their effects.

In 2017, Petoro has placed particular emphasis on establishing a business-case for possible permanent reservoir monitoring (PRM) for Johan Castberg to enhance the robustness of the overall resource base. Petoro has also conducted its own assessments of what constitutes an unbiased resource and cost estimate for Johan Castberg, and has presented its view in the license in order to have this reflected in the Plan for Development and Operation which was submitted to the Ministry of Petroleum and Energy in December 2017.

As regards Wisting, Petoro has been devoting particular focus in 2017 to establishing a robust drainage strategy with pressure support to maximise the total resource base that can be recovered from the field. Petoro has been a driving force in the license to document a feasible drainage strategy prior to the DG1 decision. The license has been able to demonstrate that water injection is

feasible, despite the existence of multiple associated risk aspects that require additional work. The DG1 decision is planned for in 2018.

Petoro shall contribute to a development of Castberg that secures values and safeguards opportunities for future development.

Management parameters: Initiatives, measures and work initiated by Petoro, achieved results and their effects.

The Johan Castberg project has undergone extensive changes and cost improvement measures, where Petoro has been particularly focused on preserving the opportunities for new profitable additional volumes in the field's operations phase. The change work carried out by the operator Statoil along with the suppliers has yielded very good results and has resulted in a substantial improvement in the project's profitability.

In December 2017, along with the other partners in the Johan Castberg license, Petoro made an investment decision and subsequently submitted the application for approval of the PDO for the Johan Castberg project, which comprises 10 seabed templates, two satellites and one production vessel.

Petoro shall work to promote the use of new technology and innovation to improve the efficiency of activities in the production licenses.

Management parameters: Initiatives, measures and work initiated by Petoro, achieved results and their effects.

Petoro acts as a driving force for early application of technology in the licences. The focus targets five areas: Active reservoir development, advanced recovery methods (EOR), increased drilling pace and reduced well costs, seabed processing and emissions to air. Petoro works to incorporate a technology direction and initiatives in the licenses' plans and budgets, and also requests business cases/business plans. In 2017,

efforts have been particularly focused on use of next-generation methods and models for reservoir simulation on Troll, Johan Sverdrup and Snorre, use of 4D seismic on Johan Sverdrup and Johan Castberg, use of digitalisation for increased drilling efficiency in general and particularly on Oseberg, as well as considering compression as part of further development on Ormen Lange and Snøhvit.

MONITORING STATOIL'S MARKETING AND SALE OF THE STATE'S PETROLEUM

Petoro shall monitor to ensure that Statoil conducts the marketing and sale of the state's petroleum alongside its own in accordance with the marketing and sale instructions issued to Statoil ASA. This includes contributing to equitable distribution of income and costs.

“Monitor the marketing and sale of the state's petroleum, with attention being paid to the changed market conditions as well as to issues of great significance in terms of value or as matters of principle.”

Management parameters: Describe which initiatives and activities have been carried out and which considerations form the basis for the company's priorities. What results have been achieved through the activities and what impact have they had as regards value.

“Good follow-up systems for monitoring the marketing and sale of the state's petroleum in accordance with the marketing and sale instruction”

Management parameters: Follow up to ensure that Statoil presents necessary documentation of its compliance with the responsibility under the marketing and sale instruction. Good internal routines for exercising the supervisory role.

All oil and natural gas liquids (NGL) from the portfolio are sold to Statoil. Statoil is responsible for marketing all the SDFI's natural gas together with its own gas as a single portfolio, at the state's expense

and risk. Petoro's task is to monitor that Statoil's marketing and sale of the state's petroleum together with its own production complies with the marketing and sale instruction issued to Statoil ASA. The objective of the marketing and sale instruction is to achieve the highest possible value for Statoil's and the state's petroleum and ensure equitable distribution of the total value creation. In this work, Petoro concentrates on Statoil's marketing and sales strategy, issues of great significance in value terms, matters of principle and questions relating to incentives.

In 2017, Petoro has prioritised monitoring further development of Statoil's follow-up system for the marketing and sale activity to ensure that necessary routines are in place, including for the new formula for LPG, which was introduced as of 2017. The company is concerned with ensuring that the products are marketed and sold in the markets where the highest price can be achieved. In this context, optimal utilisation of the capacity and flexibility of production facilities and infrastructure is of great significance. The company is in a dialogue with the Ministry of Petroleum and Energy as regards certain clarifications in the marketing and sale instruction.

Selected verifications have been conducted to ensure that the SDFI is allocated its rightful share of sales-related costs and revenues.

FINANCIAL MANAGEMENT

“Petoro shall;

- **ensure sound financial management and control of the SDFI pursuant to Regulations on Financial Management in Central Government and instructions for financial management of the SDFI**
- **prepare and follow up budgets and forecasts, conduct accountancy and perform periodic variance analyses and reporting on the SDFI's financial standing and development.**
- **secure good reconciliation routines and follow up to verify that the operators comply with the deadline set for submitting auditor's reports.”**

In 2017, Petoro has ensured sound financial management and control of the SDFI in line with the Regulations on Financial Management in Central Government and instructions for financial management of the SDFI.

Petoro has furthermore prepared and followed up budgets and forecasts, conducted accountancy and performed periodic variance analyses and reporting on the SDFI's financial standing and development in accordance with deadlines specified in the Assignment Letter. Petoro has also ensured good reconciliation routines and followed up operators' compliance with deadlines set for submitting auditor's reports.

The company also received a clean bill of health from the Office of the Auditor General for 2016.

RESOURCE ACCOUNTS 2017

The tables below present remaining reserves in resource classes 1 to 3, as well as resources in classes 4 to 8

Resource classes 1-8		Remaining recoverable resources		
		Oil, NGL and condensate mill scm	Gas bn scm	Oil equivalent mill scm
RC 1-3	Reserves	256.7	677.6	934.3
RC 4	Resources in the planning phase	40.6	35.0	75.6
RC 5	Recovery likely but not clarified	37.6	42.6	80.2
RC 6	Development unlikely	7.5	8.2	15.7
RC 7	Resources in new discoveries not evaluated and potential future IOR measures	59.9	56.7	116.5
RC 8	Prospects	19.7	15.2	34.9
Total		422	835	1 257

Field	Original recoverable reserves			Remaining reserves		
	Oil and NGL* mill scm	Gas mill scm o.e.	Oil equivalent mill scm o.e.	Oil and NGL* mill scm	Gas mill scm o.e.	Oil equivalent mill scm o.e.
Atla	0.10	0.42	0.52	0.04	0.03	0.07
Draugen	73.08	0.80	73.88	3.82	0.00	3.82
Dvalin	0.30	6.28	6.58	0.30	6.28	6.58
Ekofisk	28.86	7.95	36.81	4.01	0.62	4.64
Eldfisk	7.25	2.18	9.43	1.27	0.13	1.41
Embla	0.68	0.28	0.95	0.08	0.06	0.14
Flyndre	0.00	0.00	0.00	0.00	0.00	0.00
Gimle	0.93	0.34	1.27	0.14	0.13	0.27
Gjøa	8.80	11.22	20.02	2.05	4.04	6.09
Grane	42.76	0.00	42.76	10.18	0.00	10.18
Gullfaks	115.51	6.92	122.43	4.39	0.00	4.39
Gullfaks Sør	25.40	25.93	51.34	5.96	10.18	16.14
Heidrun	115.91	26.28	142.18	23.89	15.45	39.34
Heimdal	1.34	9.24	10.58	0.00	0.07	0.07
H-Nord	0.08	0.00	0.08	0.01	0.00	0.01

Field	Original recoverable reserves			Remaining reserves		
	Oil and NGL*	Gas	Oil equivalent	Oil and NGL*	Gas	Oil equivalent
	mill scm	mill scm o.e.	mill scm o.e.	mill scm	mill scm o.e.	mill scm o.e.
Johan Castberg	17.74	0.00	17.74	17.74	0.00	17.74
Johan Sverdrup	53.35	1.58	54.93	53.35	1.58	54.93
Kristin	7.17	5.70	12.87	0.79	0.87	1.66
Kvitebjørn	15.70	29.17	44.88	4.14	7.25	11.39
Maria	9.42	0.69	10.12	9.42	0.69	10.12
Martin Linge	4.43	7.72	12.15	4.43	7.72	12.15
Norne	52.13	6.83	58.97	2.57	2.92	5.49
Ormen Lange	7.07	111.91	118.98	2.13	42.39	44.52
Oseberg	142.80	37.96	180.76	9.21	21.43	30.65
Oseberg Sør	23.55	7.19	30.74	4.61	3.46	8.07
Oseberg Øst	8.82	0.13	8.95	1.68	0.02	1.70
Sindre	0.07	0.06	0.13	0.07	0.06	0.13
Skirne	0.69	3.18	3.88	0.08	0.02	0.10
Skuld	1.36	0.09	1.45	0.42	0.00	0.42
Snorre	94.50	1.99	96.49	27.96	0.08	28.05
Snøhvit	12.72	67.19	79.91	9.09	53.10	62.20
Statfjord Nord	12.97	0.65	13.61	0.96	-0.07	0.88
Statfjord Øst	12.31	1.32	13.63	0.34	0.09	0.43
Svalin	2.95	0.00	2.95	1.36	0.00	1.36
Sygna	3.38	0.00	3.38	0.25	0.00	0.25
Tordis	21.18	1.45	22.63	2.16	0.17	2.33
Troll	185.39	801.95	987.34	24.38	460.84	485.21
Tune	1.49	7.49	8.98	-0.05	-0.34	-0.39
Urd	2.00	0.07	2.07	0.34	0.00	0.34
Valemon	0.61	4.14	4.75	0.27	2.08	2.35
Vega	6.68	6.07	12.75	3.80	3.62	7.42
Veslefrikk	21.82	2.10	23.92	0.51	0.76	1.27
Vigdis	21.15	0.52	21.67	2.25	-0.03	2.22
Visund	16.08	17.64	33.72	5.84	13.06	18.90
Visund Sør	1.19	1.55	2.75	0.23	0.52	0.75
Åsgard	71.83	80.02	151.85	10.28	18.25	28.53
Totalt	1253.58	1304.22	2557.79	256.74	677.56	934.30

* Including condensate