

BP NORGE AS

Annual Accounts 2015

BP NORGE AS

INCOME STATEMENT

NOK 1 000	Notes	2015	2014
Operating income			
Petroleum income	2	7 899 328	12 377 232
Other income	3	35 321	91 730
Total operating income		7 934 649	12 468 962
Operating expenses			
Change in over-/under lifting of petroleum		-46 724	216 193
Transport expenses		621 963	670 485
Payroll expenses	4, 9	885 453	802 458
Depreciation and depletion	6	3 107 633	3 194 905
Impairment	6	0	7 107 357
Production costs		2 037 468	2 005 072
Other operating expenses	4, 16	759 679	894 248
Removal and abandonment		1 392 401	2 482 225
Total operating expenses		8 757 873	17 372 944
Operating profit		-823 224	-4 903 981
Financial income and expenses			
Interest received from group companies		17 601	18 522
Other interest income		2 327	3 620
Interest paid to group companies		-344 141	-495 692
Other interest expenses		-6 638	-7 654
Net foreign currency losses/gain		270 144	336 695
Net financial items		-60 708	-144 508
Ordinary profit before tax		-883 933	-5 048 489
Taxes	5	-583 306	-583 306
Profit for the year		-300 627	-4 465 184
Allocated to dividend		0	0

BP NORGE AS

BALANCE SHEET AS AT 31 DECEMBER

NOK 1 000	Notes	2015	2014
Assets			
Fixed assets			
Intangible assets			
Mineral rights	6	909 904	909 904
Long-term operating assets			
Production plant and pipeline	6	19 821 845	22 204 418
Capitalised exploration and evaluation expenses	6	132 672	109 330
Means of transport, machinery and fixtures	6	62 462	70 105
Total fixed assets		20 926 883	23 293 757
Current assets			
Stocks			
	16	271 699	329 076
Receivables			
Accounts receivable from customers		69 070	5 597
Accounts receivable from group companies	7	2 162 444	2 380 220
Other receivables		23 010	392 333
Under lifting of petroleum		70 544	75 916
Bank deposits	7	13 195	2 143
Total current assets		2 609 962	3 185 286
Total assets		23 536 845	26 479 043

BP NORGE AS

BALANCE SHEET AS AT 31 DECEMBER

NOK 1 000	Notes	2015	2014
Equity and liabilities			
Equity			
Contributed equity			
Share capital	8	2 000	2 000
Share premium	8	2 874 000	2 874 000
Earned equity			
Other equity	8	828 048	1 128 675
Total equity		3 704 048	4 004 675
Liabilities			
Provisions for obligations			
Pension obligations	9	657 428	452 211
Deferred taxation	5	2 443 627	3 058 864
Provisions for removal and abandonment	11	7 529 252	6 947 890
Total provisions for obligations		10 630 307	10 458 965
Other long-term liabilities			
Debt to group companies	10	7 500 000	10 000 000
Total other long-term liabilities		7 500 000	10 000 000
Short-term liabilities			
Public duties payable		116 790	115 487
Tax payable	5	162 705	180 914
Debt to group companies		55 282	70 166
Other short-term liabilities	12	1 281 431	1 510 458
Over lifting of petroleum		86 282	138 377
Total short-term liabilities		1 702 490	2 015 403
Total equity and liabilities		23 536 845	26 479 043

Board of Directors, BP Norge AS

Stavanger, 31. March 2016

Peter J. Mather
(Chairman)

Jan J. Norheim

Christen I. Minos

Mark J. Thomas

Kåre Ekroll

Ørjan Holstad

Christine Eikeberg

Ingard Haugeberg

BP NORGE AS

CASH FLOW STATEMENT

NOK 1 000	2015	2014
Cash flow from operating activities		
Ordinary profit before taxes	-883 933	-5 048 489
Taxes paid during the period	-50 140	18 571
Depreciation, depletion and impairment	3 107 633	10 302 262
Removal and abandonment expenses	1 392 401	2 482 225
Change in short-term receivables and stocks	586 377	-859 346
Change in short-term liabilities	-294 703	-711 818
Change in other accrual items	205 216	123 626
Actual decommissioning costs	-811 041	-609 960
Net cash flow from operating activities	3 251 810	5 697 071
Cash flow to investment activities		
Disbursements for acquisitions of fixed assets	-740 759	-1 905 429
Net cash flow to investment activities	-740 759	-1 905 429
Cash flow to financing activities		
Repayment of long-term debt	-2 500 000	-3 800 000
Net cash flow to financing activities	-2 500 000	-3 800 000
Net change in cash and cash equivalents for the period	11 052	-8 357
Cash and cash equivalents, 1 January	2 143	10 500
Cash and cash equivalents, 31 December	13 195	2 143

ACCOUNTING PRINCIPLES

General

The annual accounts of BP Norge AS have been prepared in accordance with Norwegian law, regulations for preparing annual accounts, and the generally accepted accounting principles in Norway.

Sales revenue

The sales of crude oil, gas and NGL are recognized at the delivery point, based on the terms and conditions in the sales agreement. Revenues from the production of oil and natural gas properties in which the company has an interest with joint operation partners are recognized based on the sales method.

Other revenue is recorded at the time of the delivery.

Over- and under lifting of petroleum

Over- and under lifting of petroleum in relation to the company's interest in petroleum lifted from a field, is valued in accordance with the sales method. If the sales value is lower than the production value, any under lifting is valued at the sales price. The over- and under lift will be classified as receivables and short term liabilities.

Exploration expenses/field development

Exploration expenses are capitalized in accordance with the "successful" effort method. All expenses related to field development are capitalized.

Intangible assets

Intangible assets are carried at the lower of cost and recoverable amount. Intangible assets include the cost for exploration rights.

Depreciation

Depreciation of investments on the continental shelf are calculated in accordance with the unit of production method. Proved reserves are used. Tangible fixed assets onshore are depreciated with the declining balance method, except the costs related to reconstructions in the office building. These costs are depreciated linearly in accordance with the lease contract.

Impairment

Assets are assessed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Individual assets are grouped for impairment assessment purposes at the lowest level at which there are identifiable cash flows. An asset group's recoverable amount is the higher of its fair value less costs of disposal and its value in use. Where the carrying amount of an asset group exceeds its recoverable amount, the asset group is considered impaired and is written down to its recoverable amount. If any indication that previously recognized impairment losses no longer exist, except for goodwill, impairment loss is reversed.

Stocks

Spare parts are recognized on inventories at cost. Stocks of petroleum that have not exceeded the norm price are valued at nil. Gas in pipelines are not recognized as stocks.

Removal/abandonment of wells

The company makes provisions for the removal and abandonment of wells. Provisions for the current year are calculated in accordance with the unit of production method, based on net present value calculations. The total estimate for the company's share will be charged against income in the years prior to abandonment based on the production for the individual year.

When estimates are revised, the effect is recognized in the income statement in the period in which the estimate is revised.

Research and development

R&D costs are charged against income on a current basis.

Foreign currency

Income, expenses and the addition of fixed assets are accounted for at the daily accounting rate. Receivables and liabilities are converted at rate as at 31 of December

Tax charge and deferred taxes on the balance sheet

The profit and loss statement indicates the amount of the tax charge, which expresses the tax charge related to the financial result. Deferred taxes on the balance sheet is the tax calculated on net positive temporary differences between the financial and tax-related balance sheet values after the negative temporary differences have been offset. Full provisions are made in accordance with the debt method. The calculation of deferred taxes shall take into account future tax-reducing items such as unutilized uplift. Deferred taxes have not been calculated on capitalized assets in connection with purchases where the compensation is an after-tax transaction.

ACCOUNTING PRINCIPLES

Pensions

The company has pension plans that entitle employees on the Norwegian payroll to future pension benefits (benefit scheme). The net pension payment and calculated pension obligations are calculated in accordance with the Norwegian Accounting Standard. Actuarial gain/loss is amortized over remaining

Joint licenses

The company's share in joint licenses has been included under the respective items in the profit and loss statement and balance sheet.

Cash flow statement

The cash flow statement is presented using the indirect method. Cash and cash equivalents includes cash, bank deposits and other short term highly liquid placement with original maturities of three months or less.

Leasing commitments

Leasing agreements without transfer of material risk and control to the leaser are considered as operating leasing. The Company's leasing expences in operating leases are reflected as current operating costs.

NOTES TO THE ACCOUNTS

Note 1. The company

In 2015 the company has had production from Valhall (ownership interest 35.95%), Ula (ownership interest 80,00%), Hod (ownership interest 37.50%), Tambar (ownership interest 55,00%), Tambar East (ownership interest 46,20%) and Skarv (ownership interest 23.835%). BP is the operator on these fields.

Note 2. Petroleum income

	Crude oil		Wet gas		Gas		Total
	NOK 1 000	Thousand bbls	NOK 1 000	Thousand bbls	NOK 1 000	Thousand SM3	NOK 1 000
Ula	920 053	2 133	6 550	47	0	0	926 603
Tambar*	374 164	884	10 789	54	6 715	5 545	391 668
Skarv	1 950 038	4 527	256 465	1 201	1 736 306	907 802	3 942 809
Valhall	2 145 652	5 274	49 202	262	380 818	164 477	2 575 672
Hod	65 527	165	1 251	6	1 169	673	67 949
Elimination**					-5 372	-4 436	-5 372
Sum	5 455 434	12 983	324 257	1 570	2 119 637	1 074 062	7 899 328

* Includes Tambar East

**Elimination applies to gas that the Tambar field sells to the Ula field for injection.

Note 3. Other Income

NOK 1 000	2015	2014
Freight and tariffs	33 795	54 556
Revenue regarding disposed assets	0	35 661
Other income	1 526	1 513
Total other income	35 321	91 730

Note 4. Payroll expenses, number of employees, remuneration, loans to employees, etc.

Payroll expenses:

in million NOK	2015		2014	
	Gross	Net	Gross	Net
Payroll expenses	1 374	623	1 331	579
Pension expenses	357	162	286	124
Employer's contribution	221	100	228	99
Total	1 952	885	1 845	802

Average number of employees

	2015	2014
Average number of employees	857	834

Gross payroll expenses includes expenses allocated to the partners at the Jonit Ventures.

BP's share savings scheme.

BP has a share savings plan open to all local employees. The scheme allows employees to purchase shares in BP Plc once a year. The investment shares are retained for a period of one year, where after the participants will receive a matching number of shares from the company. 50% of the additional shares will be released upon receipt, while the rest are being held in deposit for two years before being released. Custodian institution is DnB.

Max amount converted into shares for the scheme is in line with other share schemes in the BP group, and is set each year according to BP's Group Performance.

NOTES TO THE ACCOUNTS

Note 4. cont.

Bonuse scheme in the BP Group

The bonus scheme in the company rewards employees for achievements that help contribute to BP's long-term success. The bonus is the annual incentive for delivering individual priorities and key milestones in the context of business results. Bonus payout will depend on base salary, bonus opportunity at goal attainment, and the group, entity and individual achievement. Bonus achievement will be adjusted up or down based upon the three achievement assessments, to determine the actual payout. Each performance factor are equal to the other.

Loans to employees

Loans to employees amounted to NOK 560 598 pr. 31.12.2015. The loans are included in other receivables in the balance sheet. There has been given no loans or guarantees for other commitments on behalf of senior personnel, Chairman or shareholders and their families per 31.12.2015

Remuneration to the CEO

Recorded labor costs for the CEO of BP Norway AS, can be specified as follows:

in million NOK	2015	2014
Salary and bonus	3,4	3,2
Other remuneration	0,6	0,6
Total	4,0	3,8

The company's coverage of CEO's pension was NOK 174 518 in 2015.

There are no agreements for payment upon termination or change of employment for the CEO.

The BP Group has implemented a share value based remuneration called " Share Value Plan". This is a global plan used to allocate shares to Group Leaders , Senior Leaders and selected employees of the various companies in BP. The plan will support the strategic priorities of value creation and long-term stewardship of BP Groups business. The grant amount is determined based on a fixed percentage of base pay and has three years vesting period. There are specific conditions linked to the grant, such as performance and continuous employment.

The CEO is included in the schemes mentioned above.

Remuneration to the Board

Expended remuneration to the board was NOK 80 000 for 2015.

Remuneration of Auditor

Recorded audit fee was NOK 932 286 (excluding VAT) for 2015, of which NOK 42 000 relates to the purchase of other audit related services.

NOTES TO THE ACCOUNTS

Note 5. Tax

Deferred taxes are calculated on the temporary differences between the financial- and tax-related values at the end of the year.

NOK 1 000	2015	2014
Specification of basis for deferred taxes:		
Fixed assets	14 377 443	14 376 503
Provisions for removal and abandonment	-7 446 198	-9 841 971
Other	-983 561	-852 791
Basis for corporate tax	5 947 684	6 681 741
Unutilized uplift	-4 142 578	-4 221 361
Basis for special tax	1 805 106	2 460 380
25% corporate tax	1 486 921	1 804 070
53 % special tax	956 706	1 254 794
Total deferred taxes	2 443 627	3 058 864

Tax payable on the balance sheet:

Tax payable on profit for the year	162 705	129 293
Tax payable previous year	0	51 621
Total tax payable	162 705	180 914

The tax charge for the year is calculated as follows:

Tax payable on profit for the year	31 931	129 293
Correction, previous years	0	48 011
Change, deferred tax	-615 236	-3 587 508
Tax charge	-583 306	-3 410 203

Reconciliation from nominal to actual tax rate:

Pre-tax profit	-883 933	-5 048 489
Marginal tax (78%)	-689 467	-3 937 822
Other permanent differences	107 698	381 711
New uplift	-16 009	-225 595
Financial result onshore and other	-21 119	-1 610
Adjustments for previous years	122 863	373 112
Recognised effect of change in tax rate on deferred tax	-87 272	0
Tax charge	-583 306	-3 410 203

NOTES TO THE ACCOUNTS

Note 6. Fixed assets and intangible assets

Fixed assets

NOK 1 000	Capitalised exploration and evaluation expenses	Production plant	Machinery/ fixtures/ vehicles	Total fixed assets
Historical cost 01.01.2015	109 330	53 432 923	618 895	54 161 149
Additions 2015	23 342	703 715	13 703	740 759
Transfers 2015	0	0	0	0
Historical cost 31.12.2015	132 672	54 136 638	632 598	54 901 908
Acc. depr. and imp. 31.12.2015	0	34 314 793	570 136	34 884 929
Balance sheet value 31.12.2015	132 672	19 821 845	62 462	20 016 979
Current year depreciation	0	3 086 287	21 346	3 107 633
Current year impairment	0	0	0	0

Intangible assets

NOK 1 000	Mineral rights
Historical cost 01.01.2015	1 106 730
Additions 2015	0
Historical cost 31.12.2015	1 106 730
Acc. depr. and imp. 31.12.2015	196 826
Balance sheet value 31.12.2015	909 904
Current year depreciation	0
Current year impairment	0

Total impairment losses in 2014 amounted to NOK 7 107 million, of which NOK 6 911 million related to fixed assets and NOK 197 million related to intangible assets. The impairments were a result of a lower price environment in the near term, technical reserves revisions, and increases in expected decommissioning cost.

Note 7. Bank deposit

Bank deposits per 31.12.2015 are NOK 13,2 million. Balance in corporate banking at NOK 1 296,3 million, has been reclassified to accounts receivable from group companies in the balance sheet for 2015. The banking facility has a limit of NOK 50 million, whereas the corporate banking facility has a limit of 3 000 million.

Note 8. Equity development

NOK 1 000	Share Capital	Share Premium	Other Retained Equity	Total
Equity 1 Jan.	2 000	2 874 000	1 128 675	4 004 675
Profit for the year	-	-	-300 627	-300 627
Equity 31 Dec.	2 000	2 874 000	828 048	3 704 048

The share capital consists of 1 000 shares with a par value of NOK 2 000. The shareholders are BP Global Investments Ltd. which owns 480 shares and Amoco Norway Oil Company which owns 520 shares. All shares are equal.

NOTES TO THE ACCOUNTS

Note 9. Pensions

BP has fulfilled most of its pension obligations through payment to a Norwegian life insurance company. The pension plan encompasses 1000 pensioners and employees from the age of 20. The company's retirement age is 65 for offshore employees and 67 for onshore employees.

The actual value of the pension funds and net present value of the pension obligations are as follows at the balance sheet date:

NOK 1 000	2015	2014
Value of pension funds	1 797 446	1 631 370
Net present value of vested pension obligations, incl future salary increases	-2 574 220	-3 189 855
Unamortized loss	232 516	1 331 321
Over funding pension obligation	-544 259	-227 164
Employer's national insurance contributions	-109 525	-219 746
Total over funding pension obligation	-653 784	-446 910

Pension costs

Pension costs for the year are as follows:

Net value of current year's pension benefit earned	238 503	182 195
Interest cost of accrued pension obligation	72 640	96 085
Anticipated return on pension funds	-54 176	-50 603
Amortization of plan change	100 513	58 495
Total	357 480	286 172
Employer's national insurance contributions	34 368	31 894
Total pension cost for the year	391 848	318 066

Parts of the pension costs are recharged to partners in licenses where the company is operator.

The following financial and actuarial assumptions have been made:

	2015	2014
Discount rate	2,70 %	2,30 %
Anticipated return on pension funds	3,30 %	3,20 %
Annual expected salary increases	2,50 %	2,75 %
National insurance basic amount adjustment	2,25 %	2,50 %
Pension adjustment	1,50 %	2,50 %

Pension and early retirement obligations

BP has pension obligation of NOK 653,8 million and early retirement obligation of NOK 3,6 million, total of NOK 657,4 million pr 31.12.2015.

Occupational pension

The company is required to have an occupational pension scheme in accordance with the Norwegian law on required occupational pension ("lov om obligatorisk tjenestepensjon"). The company's pension scheme meets the requirements of that law.

Note 10. Long-term liabilities

NOK 1 000	2015	2014
Intercompany debt	7 500 000	10 000 000

The loan is in Norwegian kroner, and interest is calculated according to standard Norwegian market conditions. The company has not provided security for any of the corporate debt, either short term or long term. All loans are due for repayment within five years.

NOTES TO THE ACCOUNTS

Note 11. Removal and abandonment of wells

Pursuant to the conditions of the licenses in which the company participates, the State may demand that the installations are surrendered free of charge upon the cessation of production or when the license period expires. If this right is not exercised, the State can order the licensees to remove the installations.

There is a great deal of uncertainty associated with the cost estimates for any future removal of installations. The company makes provisions for future removal taking into account factors such as the probability, time aspects and cost estimates for the relevant offshore installations.

The discounted removal and abandonment obligation is estimated at 10 328 846 (NOK 1 000) of which 7 529 252 (NOK 1 000) has been allocated at 31 December 2015.

When estimates are revised, the effect is recognized in the income statement in the period in which the estimate is revised.

Note 12. Other short-term liabilities

NOK 1 000	2015	2014
Creditors and other expense accruals	1 169 196	1 397 719
Accrued holiday pay	112 235	112 739
Total other short-term liabilities	1 281 431	1 510 458

Note 13. Other information

Drilling obligations

As of 31 December 2014 BP has no commitment to the authorities to participate in drilling of exploration wells.

CO2 tax

1 January 1991 the authorities introduced a tax on the emission of environmentally harmful gases in connection with oil production (CO2 tax). The total tax paid by the company was NOK 115 million for 2015.

Guaranties

As at 31 December 2015, BP has a guarantee commitment to Stavanger kommune on withholding tax. At the end of 2015 the guarantee amounts to NOK 120 million.

Note 14. Oil, NGL and gas reserves

Estimated remaining reserves (BP Norge AS' share)

million barrels oil equivalents	2015	2014
Oil, NGL, gas	168	186

Reserves are produced over the field life. The concession periods extends from 2021 to 2033. The reserves are calculated on deterministic basis and wells/facilities programs. When estimating remaining reserves, an extension of the concession period is assumed if necessary. Estimated remaining reserves have been reduced as a result of production.

Concession periods expire as follows:

Ula	2028
Tambar	2021
Tambar Øst	2021
Skarv	2033
Valhall	2028
Hod	2021

NOTES TO THE ACCOUNTS

Note 15. Transactions between related parties

All transactions with related parties are based on market conditions. We refer to note 7 and 10 regarding Inter-company receivables and debt, and note 4 related to remuneration to board members and management.

Below shows a summary of significant transactions with related parties (1000 NOK)

Company	Relations	Transaction description	2015	2014
BP Oil International	sister	Oil sale	-250 969	-2 583 032
BP Oil International	sister	NGL sale	-270 705	-446 002
BP Gas Marketing	sister	Gas sale	-1 803 282	-1 586 059
BP International Ltd	sister	Purchase of consultant- and shared services	255 280	216 878
BP Gas Marketing	sister	Purchase of CO2 quota	21 043	27 485
BP EOC Ltd	sister	Purchase of consultant- and shared services	48 407	22 109
BP Exploration Operating CO Ltd	sister	Purchase of consultant- and shared services	377 056	559 383
BP Corporate North America Inc	sister	Purchase of shared services	89 323	39 718
BP Shipping Ltd	sister	Platform supply vessel leases	92 542	14 132
Sum others	sisters	Purchase of consultant- and shared services, other	33 492	60 568

Purchases of goods and services are gross figures before allocation to our partners in the different production licenses.

Note 16. Stocks

Supplies and spare parts

NOK 1 000	2015	2014
Historical cost	363 513	427 071
Obsolete provision	91 813	97 995
Balance sheet value	271 699	329 076

Note 17. Leases and other obligations

Leases

BP has lease agreements for rigs, vessels, commercial buildings and other operating assets. BP's share of the obligations are pr. 31.12.15 NOK 2 576 millions undiscounted .

Year	2016	2017-2020	2020->
NOK 1 000	408	1279	889

Other obligations

BP has agreements for transport of gass, transport of NGL and other obligations pr 31.12.2015 of NOK 6 191 millions undiscounted.

Year	2016	2017-2020	2020->
NOK 1 000	708	3 454	2 029