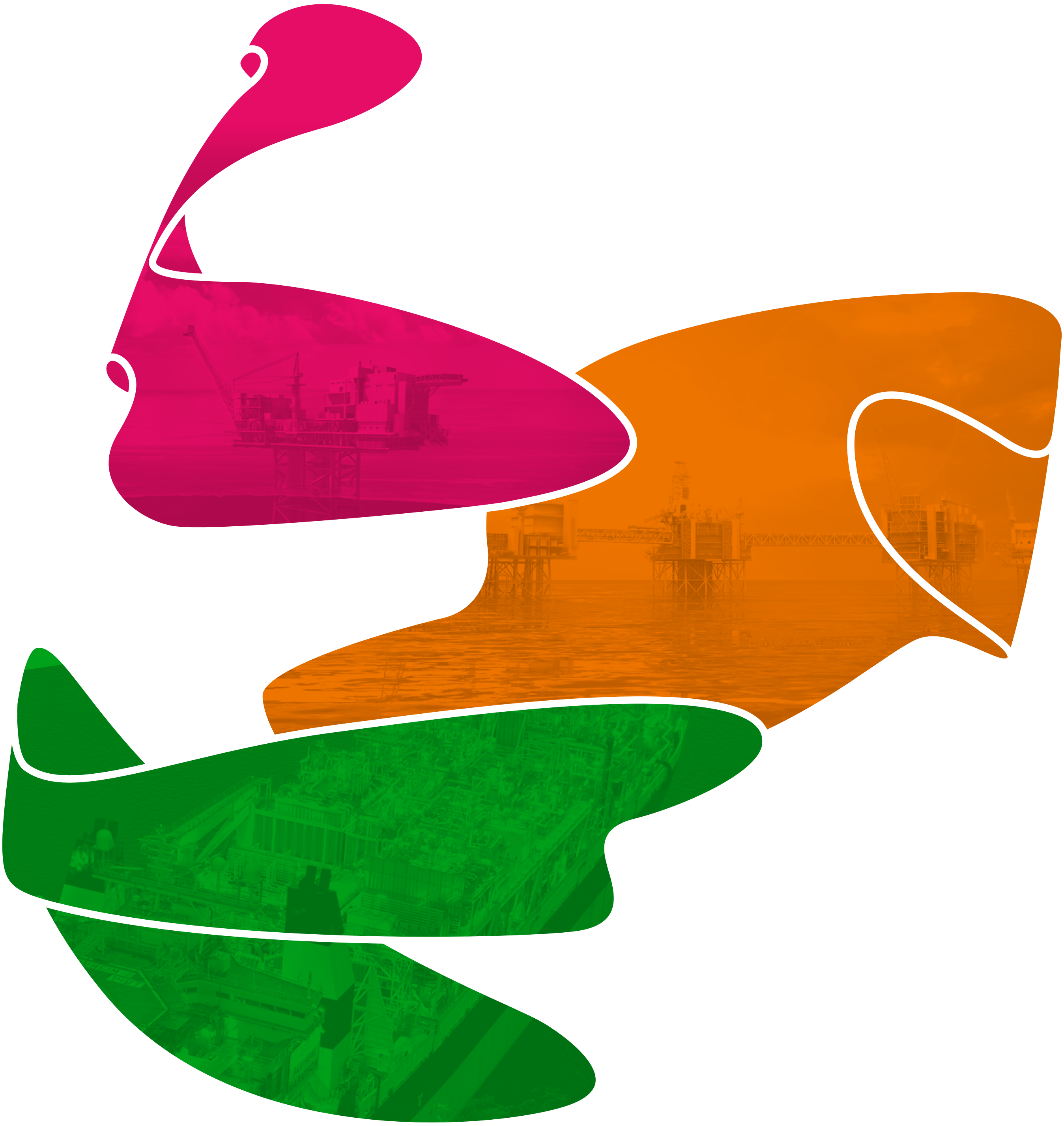
AkerBP

ANNUAL REPORT 2016



HIGHLIGHTS 2016

19TH JANUARY 2016

Awarded licenses in the 2015 APA round.
19 January, Det norske was offered interests in ten new licenses, including six operatorship in the APA (Awards in Pre-defined Areas) 2015. BP Norge was offered interest in one new license as operator.

2ND MARCH 2016

Acquisition of Noreco Norway AS (Noreco).
2 March, Det norske entered into an agreement with Noreco to aquire Noreco's Norwegian licence portfolio including a NOK 45 million cash balance.

18TH APRIL 2016

Acquisition of Centrica licences.
18 April, Det norske entered into an agreement with Centrica Resources Norge AS (Centrica) to acquire the company's licenses in the Frigg Gamma Delta and Rind discoveries.

18TH MAY 2016

Awarded licences in the 23rd licencing round.
18 May, Det norske was awarded one operatorship and two partnerships in the 23rd licencing round.

10TH JUNE 2016

Merger between Det norske and BP Norge.
10 June, Det norske entered into an agreement with BP p.l.c. to merge with BP Norge through a share purchase transaction.

10TH JUNE 2016

Oil cargo number one hundred delivered from Skarv.
10 June, oil cargo number one hundred was delivered from the Skarv field, more than one year ahead of our plan.

JULY 2016

Ivar Aasen topside installed.
The Ivar Aasen topside was installed on the field at Utsira High in July.

Highlights 2016

31ST JULY 2016

Removal of 2/4-G topsides at Valhall.

31 July, the deck of the platform was removed

31ST AUGUST 2016

Oil Discovery at Langfjellet.

31 August, Det norske announced an oil discovery at Langfjellet with preliminary volume estimates for the discovery in the range of 24 to 74 million barrels of oil equivalents

30TH SEPTEMBER 2016

Closing of the transaction between Det norske and BP Norge.

30 September, the transaction between Det norske and BP Norge was closed. Det norske oljeselskap ASA changed name to Aker BP ASA, and the ticker on Oslo Stock Exchange was changed to AKERBP.

3RD OCTOBER 2016

Acquisitions of Tullow licences.

3 October, Aker BP announced the acquisition of licenses from Tullow Norge AS. The transaction comprised working interest in eight licenses, including 15 percent in the Oda (previously known as Butch) discovery in PL 405.

10TH NOVEMBER 2016

Production started at Viper-Kobra.

10 November, Aker BP announced the start-up of production from Viper-Kobra, which is tied back to the Alvheim FPSO. The project was developed on time and within budget.

24TH DECEMBER 2016

Production started at the Ivar Aasen field.

24 December, the first oil was produced by the Ivar Aasen field in the North Sea. The start-up was according to the plan, and the development completed within budget and without serious incidents.

WE ARE CREATING THE LEADING INDEPENDENT OFFSHORE E&P COMPANY

2016 was yet another transformational year for Aker BP. Through the merger of Det norske oljeselskap ASA (Det norske) and BP Norge AS (BP Norge), we more than doubled both production and the number of employees, and created a forceful company that was able to pay dividend to its shareholders for the first time. More importantly, our installations operated safely and efficiently throughout the year, and the Ivar Aasen field came on stream on time and within budget. I am proud to lead an organisation characterised by reliable operations, systematic improvement and formidable growth!

On 10 June, I was pleased to present a new chapter of Norwegian industrial history together with Øyvind Eriksen, President & CEO of Aker ASA and Bob Dudley, Group Chief Executive of BP p.l.c. By merging Det norske and BP Norge, we created Aker BP – a company with strong industrial owners and high ambitions for further improvement and growth. The ambition was established from day one; we will create the leading independent offshore E&P company.

Our first task was to carry out the integration process, and after nearly 25 weeks of hard work, we were able to celebrate the final merger of the two companies on 1 December.

Although the merger with BP Norge dominated much of 2016, we further strengthened our position on the Norwegian continental shelf (NCS) by acquiring Noreco's Norwegian licence portfolio, Centrica's licence interests in Frigg Gamma Delta and Rind, and licence interests from Tullow. We aim for further growth, and the organisation's ability to rapidly reorganise will be key to our improvement agenda going forward.

Ensuring the safety of our personnel and surroundings will always be our first priority. We work systematically to safeguard our operations every day, and we have paid particular attention to this during the extensive reorganisation process involved in integrating the two organisations. 2016 was a year of many incidents on the NCS, including some with fatal outcomes, reminding us that we can never be complacent when it comes to health, safety and the environment.

Many have labelled the Ivar Aasen development a 'baptism of fire' for Aker BP. With production start-up on Christmas Eve, the project team passed the test with flying colours.

Our philosophy was always to work together with our suppliers as "one team" with a shared goal, namely to deliver Ivar Aasen on time, on budget and without serious incidents. We succeeded. Aker BP will build on these learnings as we now seek strategic alliance partners for future projects. We believe that long-term relations and shared incentives will produce better results over time than a more transactional customer-supplier relationship. We have already established a further refined alliance model for subsea projects, and our ambition is to expand this model to other business activities.

Aker BP is growing through business development, and by discovering new reserves through exploration. In 2016, Aker BP's net contribution from exploration activities totalled 83 million barrels of oil equivalent, corresponding to about a quarter of all volumes discovered on the NCS last year. Most of the volumes were discovered in mature areas in the North Sea. Our discovery at Langfjellet will be an important piece in the potential field development in the area north of Alvheim.

Aker BP aims for organic and inorganic growth to increase shareholder values. We prefer oil over gas, and we will primarily look for operatorships, where we can control the work to reduce costs per barrel and maximise value from our investments.

In 2016, the company increased its number of operated fields in production from one to five. Alvheim produced more than planned for the year, and the Viper and Kobra wells were put into production in November. Skarv's production was also above target, and oil cargo number one hundred was delivered to the European market well ahead of schedule. Ula passed 30 years of production, while Valhall reached an important milestone when it produced its one billionth barrel.

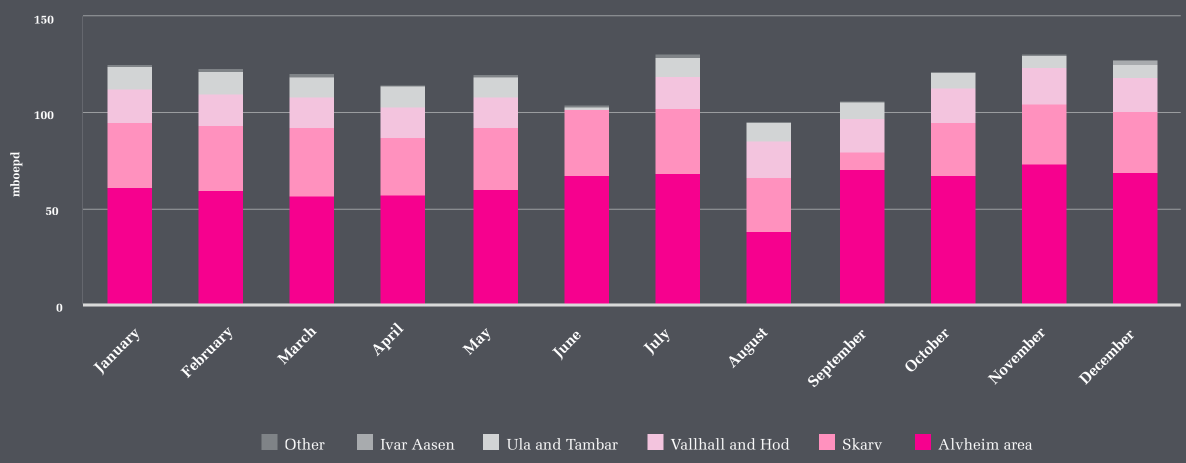
Aker BP will further develop all our fields and will build on learnings from the Alvheim area. Here, we have, through a series of profitable investments in additional volumes, managed to arrest the decline in production after the acquisition of Marathon Norge in 2014. Furthermore, we will continue our pronounced and ambitious search for improvements. We are therefore scrutinising all value streams in order to eliminate work that does not add value. Our improvement efforts are grounded on Lean principles, and we are constantly seeking inspiration from other industries to achieve an operation model that can tackle both recessions and upturns in the years to come. We have achieved a lot, but have also identified considerable improvement potential in all our business areas. We believe that safe operations, continuous growth and improvements will, day by day, bring us closer to achieving our vision:

"We are creating the leading independent offshore E&P Company".

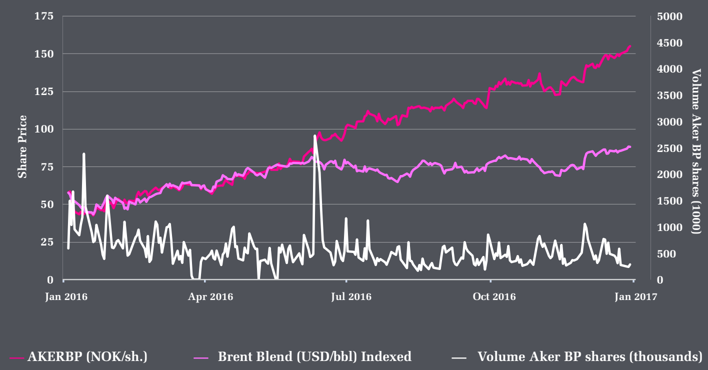
Karl Johnny Hersvik
Chief Executive Officer, Aker BP ASA

Key numbers 2016

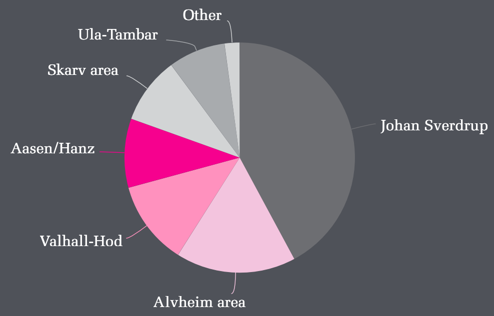
Production per month



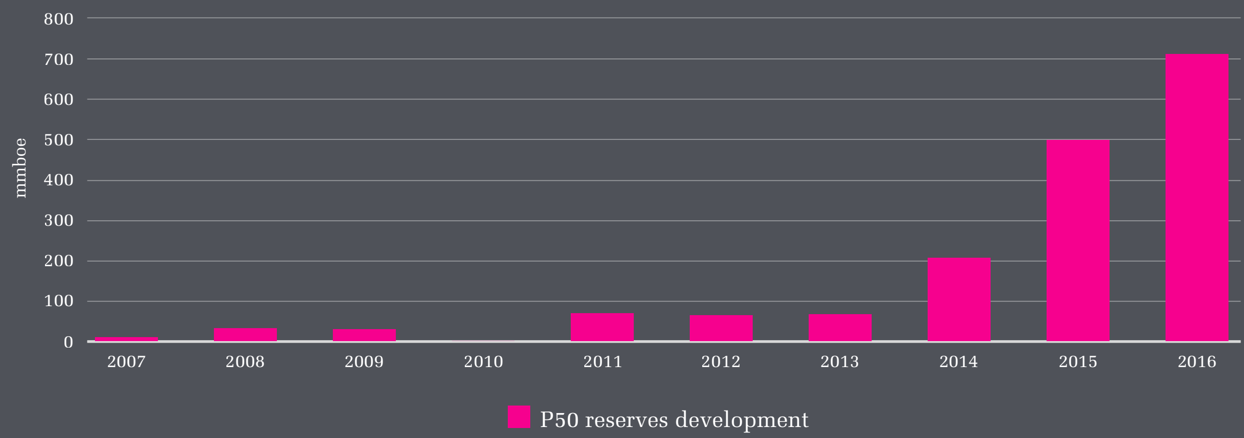
Share price



End 2016 P50 reserves



P50 Reserves development



Key numbers 2016

Key numbers	Unit	Q1-16	Q2-16	Q3-16	Q4-16	2016	2015
SUMMARY OF FINANCIAL RESULTS							
Operating revenues	USDm	205	256	248	656	1364	1 222
EBITDA	USDm	129	175	179	485	968	953
Net result	USDm	32	6	63	(67)	35	-313
Earnings per share	USD	0.16	0.03	0.31	(0.20)	0.15	-1.53
Production cost per barrel	USD/boe	6	7	6	10	8	6
Depreciation per barrel	USD/boe	21	21	21	14	18	22
Cash flow from operations	USDm	189	127	251	320	896	686
Cash flow from investments	USDm	(232)	(325)	164	(313)	-705	-1 168
Total assets	USDm	5 387	5 609	10 280	9 255	9 255	5 189
Net interest-bearning debt	USDm	2 584	2 783	2 380	2 425	2 425	2 532
Cash and cash equivalents	USDm	155	68	786	115	115	91
SUMMARY OF OPERATIONAL PERFORMANCE							
Alvheim (65.0%)	boepd	38 416	39 923	41 045	53 683	43 290	34 133
Bøyla (65%)	boepd	9 084	7 923	6 191	6 470	7 411	9 006
Hod (37.5%)	boepd	-	-	-	596	150	-
Ivar Aasen (34.8%)	boepd	-	-	-	838	211	-
Skarv (23.8%)	boepd	-	-	-	30 040	7 551	-
Tambar / Tambar East (55.0%/46.2%)	boepd	-	-	-	2 070	520	-
Ula (80.0%)	boepd	-	-	-	5 057	1 271	-
Valhall (36.0%)	boepd	-	-	-	17 505	4 400	-
Vilje (46.9%)	boepd	5 117	7 615	7 381	6 221	6 599	6 376
Volund (65.0%)	boepd	6 445	6 033	4 195	3 462	5 027	9 040
Other (Jette, Jotun, Varg, Alta, Enoch)	boepd	1 493	947	1 026	582	1 011	1 449
SUM	**boepd**	**60 615**	**62 440**	**59 839**	**126 524**	**77 441**	**60 004**
SUM (incl. BP Norge full year 2016)	**boepd**	**122 747**	**112 774**	**110 750**	**126 524**	**118 201**	**60 004**
Oil price	USD/bbl	37	49	47	52	47	54
Gas price	USD/scm	0.18	0.17	0.15	0.23	0.18	0.27

VISION AND VALUES

Our vision and values reflect what we stand for as a company, the way we work and the results we create.

OUR VISION: CREATING THE LEADING INDEPENDENT OFFSHORE E&P COMPANY

Aker BP has an ambitious and inspiring vision. In 2016, we demonstrated capabilities to grow and delivered very good results. With the combined strengths of the merged companies and close links to BP p.l.c, Aker BP has a strong foundation to deliver the vison. We have high quality staff with continuous focus on improvement. Our four key pillars below are vital in unleashing talent and deliver values:

- Reorganizing the value chain with strategic partnerships and alliances
- Value chain based on a shared LEAN understanding, toolbox and culture
- Be at the forefront for digitizing E&P
- Flexible business model ready for growth and volatility

OUR VALUES

Our values are the foundation for our behaviors and provides a clear steer for how we work. We are what we repeatedly do. Excellence, then, is not an act, but a habit. Everybody who works for Aker BP must know and comply with our values. Requirements alone do not form our behaviors. Our behaviors comes from inspiration from people who follow them. People inspire and engage; systems do not.

S	A	F	E	R
Søkende	**Ansvarlig**	**Forutsigbar**	**Engasjert**	**Respektfull**
Enquiring	Responsible	Predictable	Committed	Respectful

ENQUIRING: We are curious and aiming for new and better solutions.
RESPONSIBLE: We put safety first and strive to create value for our owners and for society.
PREDICTABLE: We build trust and reputation through predictability and consistent behavior.
COMMITTED: We are committed to each other, the company and society.
RESPECTFUL: We have high ethical standards. We have respect for those we work with and value diversity.

VALHALL/HOD

The Valhall field is located in the southern part of the Norwegian North Sea. Valhall consists of a field centre with six platforms and two unmanned flank platforms. Hod is tied back and remotely operated from Valhall.

The Valhall complex consists of six separate steel platforms for living quarters, drilling, production, water injection, and a combined process- and hotel platform. About 6 km north and south of the field center, two unmanned flank platforms (North and South) are located, remotely operated from Valhall. The Hod field is developed with an unmanned wellhead platform, located 13 km south of Valhall and remotely operated from the Valhall field center. All wells on the Hod platform are currently shut-in and awaiting for plug and abandonment. The Hod reservoir is now produced from wells drilled from the Valhall Flank South platform.

Operating efficiency in 2016 was 77%, which is good considering the comprehensive maintenance turnaround (TAR) completed during the summer. Net production from Valhall and Hod combined averaged to 15.8 mboepd in 2016. In 2016 Valhall delivered a strong HSE performance with zero days away from work cases or any high potential incidents. This reflects a good safety culture with relentless focus on safe and reliable operations.

In 2014 the Maersk Reacher jack up rig started plug and abandonment of wells at Valhall. In total, 13 of 31 wells have been plugged, in less time and at a lower cost than the original budget.

The original living quarter platform at Valhall was cold stacked in 2016. The topsides of the 2/4-G riser platform located at the Ekofisk complex, which is part of the Valhall field development was safely removed in July and taken to AF Miljøbase in Vats for recycling.

The maturity and complexity of the field is illustrated through nearly 150 productive wells being drilled since field discovery, of which 55 are currently active.
Early January 2017, Valhall and Hod passed one billion barrels of oil equivalents produced, which is more than three times the volume expected at the opening of the field in 1982.
During 2016, lifetime extension for Valhall well head platform (WP) was granted by the Petroleum Safety Authority (PSA) till 2028

Future outlook

Despite a production of 1 billion barrels of oil equivalents and 35 years of production in 2017, we believe a further 500 million barrels of oil equivalents can be produced. We also believe there can be further potential upside due to new technological solutions, new wells and improved efficiency.

Work will continue to reduce costs and improve the production efficiency. A key focus is to maximize recovery by water injection and maintaining a stable high operating efficiency. Aker BP's goal is safe and profitable production from Valhall for several decades to come.

The activity level at Valhall will increase during 2017. The drilling program will recommence on the Valhall injection & drilling platform in the first quarter, after a drilling break at the field. In addition, the remaining plug and abandonment campaign at the drilling platform with the newly built Maersk Invincible rig will commence in second quarter of 2017.

Aker BP will continue to progress the Valhall West Flank project towards a planned submission of plan for development and operations (PDO) in 2017. New seismic over Hod area will be completed in 2017 to support a drill or drop decision for Hod appraisal well.

Key facts for Valhall and Hod

- License: PL006B, PL033, PL033B
- Aker BP working interest: 35.95% (Valhall) 37.5% (Hod)
- Partners: Hess
- Discovered: Valhall 1975,Hod 1974
- Production start: Valhall 1982, Hod 1990
- License period: Valhall 2028, Hod 2020
- Production 2016: 15,854boepd (net)
- End 2016 2P reserves (net): 84 mmboe

ULA/TAMBAR HUB

The Ula field is located in the southern part of the North sea, and consists of three platforms. The field center serves as an area hub for the satellite field Tambar, and as a third-party host for the Oselvar and Blane fields.

The Ula hub consists of three conventional steel facilities for production, drilling and accommodation, and is connected by bridges. The satellite field Tambar and Tambar East is located about 16 kilometres southeast of the Ula field, and are developed with a remotely controlled wellhead platform without processing facilities. The Ula hub also act as a third-party host for the Oselvar and Blane fields via subsea tie-back's.

In 2016, a major maintenance turnaround (TAR) was successfully completed at Ula. In addition, several modifications projects progressed to ensure safe and reliable operations at the Ula platforms; lifeboat project, fire & gas project for living quarters and drilling platform and maturation studies for Ula power upgrade.

Ula reached 30 years of production in October 2016. The operating efficiency for the hub was 72%, and the net production from Ula and Tambar combined averaged to 8.7 mboepd in 2016. To increase oil production, water alternating gas (WAG) are injected into the Ula reservoir, where the gas is provided from the satellite fields.

Future outlook

In July 2016 the Petroleum Safety Authority (PSA) approved Tambar Lifetime extension until 1 January 2022. Reservoir studies are ongoing to enable resource progression at Tambar which can prolong economic life of Tambar beyond 2021. Tambar Artificial Lift (TAL) project will proceed to execute in 2017, and a drill or drop decision on the Tambar infill drilling is planned for first half of 2017. There is also ongoing projects to reduce cost and improve production efficiency in order to deliver maximum value from the base production. The Oda (operated by Centrica) development project was sanctioned with tie in to Ula, and plan for development and operations (PDO) was submitted to the authorities 30 November 2016.

Key Facts Ula Tambar area hub

- License: PL019, PL019B, PL065, PL300
- Aker BP working interest: 80% (Ula) 55% (Tambar)
- Partners: Faroe
- Discovered: Ula 1976, Tambar: 1982
- License period: Ula: 2028 Tambar: 2021
- Production start: Ula 1986, Tambar 2001.
- Production 2016 (net): 8,795 boepd
- Operating efficiency: 72%
- End 2016 2P reserves (net): 57 mmboe

ALVHEIM AREA

The greater Alvheim area is located in the central part of the North Sea, close to the UK sector. It consist of the main field Alvheim, and the satellite fields Bøyla, Vilje and Volund. The volumes are being produced via the Alvheim FPSO.

The main field Alvheim (PL 088BS, PL 203, PL 036C) consists of the Kneler, Boa, Kamelon, East Kamelon structures, and the Viper-Kobra and Gekko discoveries. Viper- Kobra came on stream during Q4, 2016. Bøyla (PL 340), Vilje (PL 036C) and Volund (PL 150) are satellites which are smaller discoveries and tied into the Alvheim FPSO. The Alvheim FPSO has experienced high activity with an operational efficiency of 93.5 percent in 2016. The Alvheim FPSO has operated safely and delivered net production for Aker BP of 62.3 mboepd.

An extensive improvement project during 2016 resulted in an operating cost reduction of 13.5%, compared to the budget for 2016. Several improvement initiatives were established and will be followed up in 2017.

Drilling of the tri-lateral Boa Kam North well was completed in January 2016 with excellent drilling results. The well commenced production in May 2016. The Viper-Kobra wells came on stream in November 2016. Viper-Kobra consists of two separate discoveries, were Kobra was discovered in 1997, and Viper in 2009. The total gross recoverable reserves are estimated at 9.6 million barrels of oil equivalents (6.2 mmboe net). The development comprises of a new subsea installation with a pipeline tied into the Volund manifold.

Future outlook

During 2016, the drilling of Volund infill West & South commenced, planning for first oil in Q2, 2017. In addition, BOA infill West & South were sanctioned by the license with first oil planned in Q4, 2017. The drilling campaign with Transocean Arctic commenced in December 2016, and is progressing according to plan.
More infill wells are being matured to arrest the production decline on the Alvheim FPSO.
The development of the Storklakken prospect as a tie-back to Alvheim FPSO, with a PDO planned towards the end of 2017.

Key Facts Greater Alvheim Area

- License: PL203, PL088BS, PL036C, PL036D, PL150, PL340
- Aker BP working interests: 65% (Alvheim), 65% (Bøyla), 46.9% (Vilje), 65% (Volund)
- Partners: ConocoPhillips, Lundin, Point (PL340), Statoil, (PL036D), PGNiG (PL036D)
- Discovered: 1998
- Production start: 2008
- License period: 2032
- Production 2016 (net): 62,327 boepd
- End 2016 2P reserves (net): 120 mmboe

SKARV AREA

The Skarv field is located in the northern part of the Norwegian Sea, and is Aker BP's northernmost producing field. The field is developed with a production ship with storage and offloading capacity (FPSO), and has one of the worlds' largest gas processing plants offshore.

The Skarv field is developed with a Floating Production, Storage and Offloading (FPSO) unit anchored to the seabed. Subsea wells are tied back to the FPSO from the subsea templates.

Skarv delivered a net production averaged to 30.0 mboepd in 2016, which was above the annual target. The increased production was due to more available capacity in the gas transportation system and enhanced utilization of Skarv's plant capacity. Skarv FPSO delivered oil shipment number 100 in June 2016, more than a year ahead of plan. The operating efficiency in 2016 was 87% in 2016, despite of a 27 days planned turn-around.

In 2016, Aker BP acquired a non-operated license share in PL650 and PL838 from Tullow Norge AS. Potential prospects in these production licences are within tie-in distance of Skarv. This fits well with the company's strategy of maturing infill opportunities and near infrastructure exploration targets in the area.

During the year, production from Skarv was successfully transferred to low pressure gas production, which will lead to increased production from the field.

Future outlook

Skarv FPSO is well positioned for future growth, and to sustain high production levels and high operating efficiency. Work is ongoing to optimize maintenance by doing more work internally and reduce the vendor based maintenance.

The Snadd test production permit for 2017 has been granted, and will allow Snadd to continue the test production and gain in depth reservoir knowledge. The satellite field Snadd, located in the Skarv area, are planned as a two-phase development. Plan for development and operation for phase 1 is planned to be submitted to the authorities in the second half of 2017. Snadd phase 1 includes three new wells connected to the Skarv A template, with planned gas production from 2020. The phase 2 concept is being progressed in parallel and may lead to production start in 2024 or earlier. Subject to partner approval, 4 D seismic will be shot in the Skarv area during summer of 2017, to further explore the resource potential.

Key Facts Skarv Area

- License: PL159, PL212, PL212B and PL262
- Aker BP working interest: 23.84%
- Partners: Statoil, DEA, PGNiG
- Discovered: 1998
- Production start: December 2012
- Production 2016 (net): 30,004 boepd
- Operating efficiency: 88%
- License period: 2033
- End 2016 2P reserves (net): 67 mmboe

IVAR AASEN

The first oil was produced on the Ivar Aasen field in the North Sea on December 24 – Christmas Eve. The start-up was according to plan, and the development has been completed within budget.

Ivar Aasen's start-up is a huge milestone for Aker BP. As operator, the company has completed the development in a challenging period for the industry. It is therefore particularly satisfying that the project was delivered within total budget and on schedule. Around 17 million working hours were invested in the project and there were no serious HSE incidents. This means that the project has satisfied the four main goals – no serious incidents, a high-quality delivery, delivery on time and within budget.

A substantial field

The Ivar Aasen field lies in the northern part of the North Sea, approximately 175 km west of Karmøy. The field contains about 200 million barrels of oil equivalents, including Hanz. Hanz will be developed in phase two of the Ivar Aasen development, and constitutes about 18 million barrels of oil equivalents. The net sum for Aker BP is around 70 million barrels of oil equivalents. Production is estimated to have a gross plateau production of 67 mboepd.

In accordance with the authorities' requirements, the development of Ivar Aasen and the neighbouring field Edvard Grieg has been coordinated. Oil and gas from Ivar Aasen will be transported via pipelines to the Edvard Grieg platform, where it will be processed and exported to the market. Edvard Grieg also supplies power to Ivar Aasen. It is anticipated that the Ivar Aasen field will have an economic lifetime of approximately 20 years, depending on oil prices and production developments. The field is being operated efficiently using modern technology and a minimum of personnel. Operations and activities are supported by the operation centre in Trondheim.

Global project

A significant proportion of deliveries to the project are from Norway. The main part of the platform deck was built in Singapore, while the living quarters were built in Stord. The jacket, which was installed in summer 2015, was built in Sardinia. A total of more than 5,000 people have worked on the construction of Ivar Aasen. The project has involved deliveries from more than 300 different places around the world and many of the deliveries for the platform deck in Singapore were sent from Norway.

Steady start

Transportation of the platform deck from Singapore started on 6 June. The journey went through the Suez Canal before reaching Stavanger a good month later. Over the course of three hectic days at the end of July, all five platform deck modules were lifted into place on the jacket. The lifting operation was completed on 20 July, and the vessels were demobilised five days later. The operation was carried out according to plan and without any major problems.

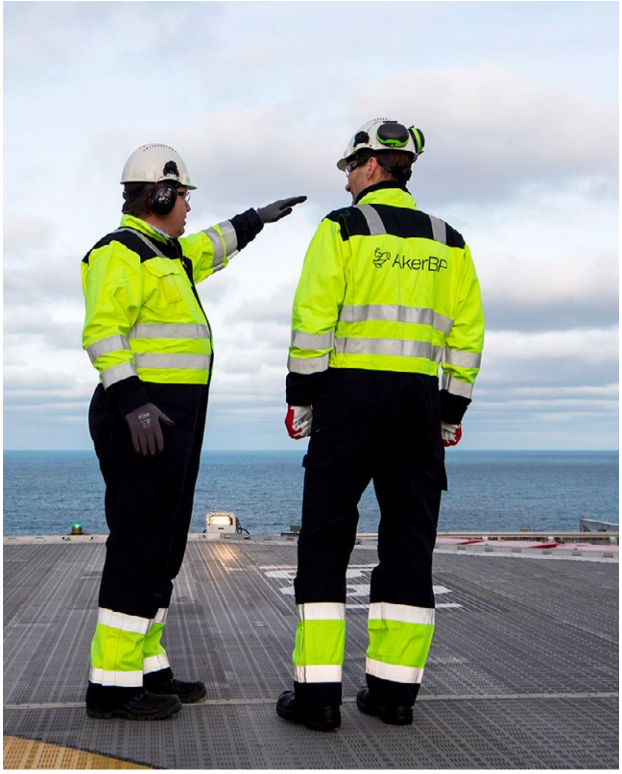
Ivar Aasen has greatly benefitted from the support of the control room onshore in connection with the preparations for oil production start-up. The procedures for production start-up were prepared and tested in the control room simulator. The simulator was also used to give all the operators in the control room the opportunity to train on the start-up procedure and other important operations. This training was an essential aspect of achieving a successful production start-up.

On 1 June, the organisation for onshore support was in place and the planned working methods were established. The inspection and maintenance programme, work processes and applications to the authorities were completed during the course of the autumn.

World-class drilling

Drilling operations on Ivar Aasen have been world-class in terms of the speed of the drilling, its high quality and good safety. Statistics from Rushmore confirm this. The excellent progress on drilling operations has so far contributed close to NOK 2 billion in savings for the project. This has been an important factor in the completion of the project within the total budget.

The drilling has taken place in close cooperation with the Department of Petroleum Technology and the Department of Drilling and Well Operations, along with Maersk Drilling, Schlumberger and other service companies. The wells on Ivar Aasen are drilled using geo steering. Maersk Interceptor's every move on the Ivar Aasen field is closely monitored from a dedicated office in Trondheim – two kilometres into the ground and two kilometres horizontally through shale, conglomerates and, preferably, through oil-bearing porous sandstone. The sandstone's density and resistance are measured here. The information is checked against the seismic data and interpreted on a continuous basis. Geo steering and close follow-up have contributed to optimising the well locations, which is an important factor in maximising reservoir exposure and achieving the best possible production from the wells.



Key facts – Ivar Aasen

- Licence: PL001B, PL338BS, PL242, PL457B
- Aker BP working interest: 34.786 % (Ivar Aasen) 35% (Hanz)
- Partners: Statoil, Bayerngas, Wintershall, VNG, Lundin, OKEA
- Year of discovery: 2008
- Production start: Dec. 2016
- Licence period: 2036
- 2016 2P reserves (net): 69 mmboe

JOHAN SVERDRUP

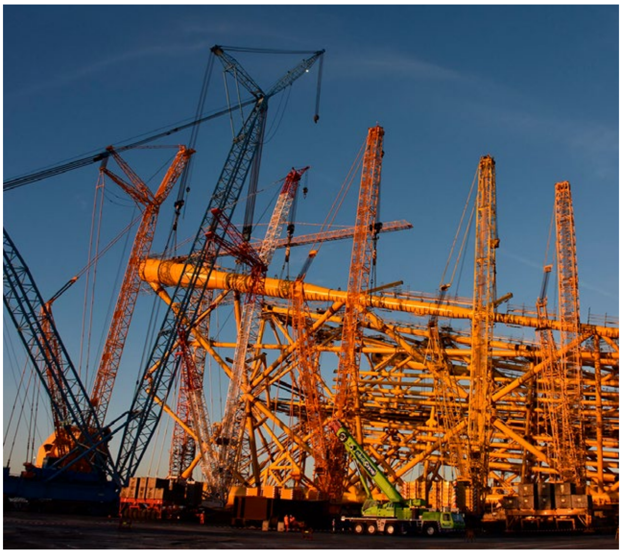
The giant Johan Sverdrup project at Utsira High, will be a major contributor to Aker BP and the Norwegian society, with a planned lifetime of 50 years.

The Johan Sverdrup field contains between 2.0 and 3.0 billion recoverable barrels of oil equivalents and will at peak production account for around 40% of all Norwegian oil production.
This will generate large values to Aker BP from the day production on the field commences.

On track

The Johan Sverdrup project is progressing according to plan towards phase 1 start-up in the fourth quarter in 2019. The plan is to develop the field in two phases. Phase 1 consists of a field centre with four fixed platforms, three subsea templates, oil and gas export pipelines, power from shore, and 36 production- and injection wells. The majority of the phase 1 contracts have been awarded, with a solid footprint in Norway and the Norwegian supplier industry. Engineering and construction is ongoing on no less than 22 sites.

The full field development (phase 2) is also progressing according to plan and will increase the production capacity to 660 mbopd with a 5th platform in the field centre and increased power from shore capacity. The increased power capacity will also supply the surrounding fields at Utsira high: Ivar Aasen, Edvard Grieg and Gina Krog. The full field development is planned to be completed by Q4 2022.



Key Facts Johan Sverdrup

- License: PL265, PL501, PL501B, PL502
- Aker BP Working Interest: 11.5733%
- Partners: Statoil (Operator), Lundin, Petoro, Maersk Oil
- Discovered: 2010
- Lisensperiode: 2036
- Production start: Phase 1 planned for Q4, 2019
- End 2016 2P reserves (net): 300 mmboe

BOARD OF DIRECTORS

Bjørn Thore Ribesen (1)
Board member

Bjørn Thore Ribesen (born 1970) is Offshore Installation Manager on Ivar Aasen. He has been with Aker BP since 2007. Mr Ribesen has held several positions in the drilling department, including Drilling and Well Manager for exploration drilling and Ivar Aasen.

Mr Ribesen graduated with a BEng Honours Degree from
University of Newcastle upon Tyne (1996). Before he joined Aker BP he was in Schlumberger (1996-2007), where he held a variety of positions. Ribesen is a Norwegian citizen.

Kate Thomson (2)
Board member

Kate Thomson is Group Treasurer for the BP Group, having previously held the position of Group Head of Tax. In her current role, Kate has responsibility for the central financing of the BP Group, providing liquidity to its businesses and optimising value through the management of financial risks at the group level.

Since joining BP in 2004, Kate has held a variety of roles within the Tax function, giving her a deep understanding of the oil and gas industry. As Group Head of Tax, Kate led a global team of tax professionals, developing BP's response to an increasingly challenging fiscal and regulatory environment. Prior to joining BP, Kate qualified as a chartered accountant with Deloitte. She moved into international tax with Charter plc where she became Head of Tax in 1998, before joining EY in 2001 in M&A tax. Kate is also a director of several BP Group companies. Kate is a British citizen.

Trond Brandsrud (3)
Board member

Trond Brandsrud (born 1958) is CFO in Lindorff, and holds a master's degree from Norwegian School of Economics.

Until 2015, Mr. Brandsrud was CFO of Aker ASA, he has been CFO in Seadrill, and he has held several leading financial positions in Shell, both in Norway and globally. Mr. Brandsrud has experience as director of several private held and listed companies.
Mr. Brandsrud is a Norwegian citizen.

Lone Olstad (4)
Board member

Lone Olstad (born 1977) is alliance Project Manager in subsea projects. She has been with Aker BP since 2006.

Ms Olstad has a broad experience within the oil industry and in positions like reservoir engineer, production engineer, project engineer in operation, project manager for performance improvement project completed in 2012, and project services manager in subsea projects. Olstad have participated in 'Female Future' where board competency was part of the program. Olstad has Msc from NTNU (2001) and is a Norwegian citizen.

Kjell Inge Røkke (5)
Board member

Kjell Inge Røkke (born 1958) is an entrepreneur and industrialist, and has been a driving force in the development of Aker since the 1990s.

Mr Røkke owns 67.8 percent of Aker ASA through The Resource Group TRG AS and subsidiaries, which he co-owns with his wife. He is Chairman of Aker ASA and a member on the boards of Aker Solutions ASA, Kværner ASA, Akastor ASA, Aker BP ASA and Ocean Yield ASA. He holds no shares in Aker BP ASA, and has no stock options. Mr Røkke is a Norwegian citizen.

Øyvind Eriksen (6)
Chairman

Øyvind Eriksen (born 1964) is President and CEO of Aker ASA and holds a law degree from the University of Oslo.

He joined the law firm BA-HR in 1990, where he became a partner in 1996 and director/chairman from 2003. Mr. Eriksen is chairman of Aker Solutions ASA and Aker Kværner Holding AS, and director of several companies, including The Resource Group TRG AS, TRG Holding AS and Reitangruppen AS. Mr. Eriksen is a Norwegian citizen.

BOARD OF DIRECTORS

Anne Marie Cannon (7)
Deputy Chair

Anne Marie Cannon (born 1957) has over 30 years' experience in the oil and gas sector. From 2000 to 2014, she was Sr. Advisor to the Natural Resources Group with Morgan Stanley, focusing on upstream M&A. She has previously held positions with J Henry Schroder Wagg, Shell UK E&P and with Thomson North Sea. She was an executive director on the boards of Hardy Oil and Gas and British Borneo. She has served on the Board of Directors of Aker ASA. She is a non-executive director of Premier Oil and of STV Group plc. She holds a BSc Honours Degree from Glasgow University. Ms Cannon is a British citizen.

Bernard Looney (8)
Board member

Bernard Looney is the Upstream Chief Executive for BP plc., where he is responsible for exploration, development and production within the Upstream segment.

Bernard joined BP in 1991 as a Drilling Engineer. He has extensive leadership experience in the oil and gas business, having worked in a variety of locations, including the North Sea, Vietnam, Gulf of Mexico and Alaska. He was appointed to the role of Chief Executive for BP's Upstream Segment in February 2016, is a member of the BP Group Executive Committee and is also a director of several BP Group companies. Mr. Looney is an Irish citizen.

Terje Solheim (9)
Board member

Terje Solheim (born 1962) is General Manager of Aker BPs Harstad office. He has been with Aker BP since 2013 and has held several positions.

Solheim has extensive background from the Norwegian Armed Forces, and was one of the founders of Norwegian Petro Services (NPS). He came to Det norske from Det Norske Veritas (DNV). Mr Solheim is a Norwegian citizen.

Gro Kielland (10)
Board member

Gro Kielland (born 1959) holds an MSc in Mechanical Engineering from the Norwegian University of Science and Technology (NTNU). Ms Kielland has held a number of leadership positions in the oil and gas industry both in Norway and abroad, among others as CEO of BP Norway. Her professional experience includes work related to both operations and field development, as well as HSE. Ms Kielland currently serves as an Operational Partner with HitecVision. In addition to her duties and responsibilities at the non-executive level for HitecVision, she also serves as a non-executive Chairman and Director for several other companies. Ms Kielland is a Norwegian citizen.

EXECUTIVE MANAGEMENT TEAM

Gro Gunleiksrud Haatvedt (1)
SVP Exploration

Gro Gunleiksrud Haatvedt (born 1957) joined Aker BP in 2014. She came from the position of exploration manager for the Norwegian Continental Shelf with Statoil ASA, where she also served as country manager in Libya.

She has held several positions with Norsk Hydro (head of geology, technology and competence). She has been responsible for business development in Iran, head of Oseberg, and Exploration Manager NCS.

Ms Haatvedt holds a master's degree in Applied Geophysics from the University of Oslo.

Olav Henriksen (2)
SVP Projects

Olav Henriksen (born 1956) joined Aker BP in January 2015. Prior to joining Aker BP, Mr Henriksen has been working with large development projects in ConocoPhillips since 1990.

He has his extensive work experience from both Kværner Installasjon and ConocoPhillips, including work with large projects such as Ekofisk, Statfjord, Gullfaks, Oseberg and Eldfisk.

Mr. Henriksen has a degree in engineering from Møre og Romsdal Ingeniørhøyskole (the Møre and Romsdal college of engineering).

Øyvind Bratsberg (3)
Special Advisor

Øyvind Bratsberg (born 1959) joined Aker BP in 2008 as Chief Operating Officer.

He has 30 years' experience from several companies in the areas of
marketing, business development and operations. Before taking up his position with Det norske (Aker BP), he was responsible for early-phase field development on the Norwegian Continental Shelf for StatoilHydro.

Mr Bratsberg holds an MSc degree in Mechanical Engineering from
NTH, now the Norwegian University of Science and Technology, NTNU.

Per Harald Kongelf (4)
SVP Improvement

Per Harald Kongelf (born 1959) is responsible for Aker BP's improvement program.
Prior to joining Aker BP, Per Harald Kongelf served as head of the Norwegian operations in Aker Solutions.

Kongelf holds an MSc degree from NTNU in Trondheim and has more than 25 years of industrial experience through numerous technical and management positions in Aker Solutions.

Alexander Krane (5)
Chief Financial Officer

Alexander Krane (born 1976) took up the position of CFO with Aker BP in 2012.

Prior to joining Aker BP, he held the position of Corporate Controller with Aker ASA. He has also worked as a public accountant with KPMG, both in Norway and in the US.

Mr Krane holds a Bachelor of Commerce degree ("siviløkonom") from Bodø Graduate School of Business and an MBA degree from the Norwegian School of Economics in Bergen. He is also a state-authorized public accountant in Norway.

Karl Johnny Hersvik (6)
Chief Executive Officer

Karl Johnny Hersvik (born 1972) has been CEO of Aker BP since May 2014. Prior to joining Aker BP, he served as head of research for Statoil.

Mr Hersvik has held a number of specialist and executive positions with Norsk Hydro and StatoilHydro.
He holds a number of directorships whose objective is to promote cooperation between industry and academia.

Mr Hersvik holds a Cand. Scient. (second cycle) degree in Industrial Mathematics from the University of Bergen.

EXECUTIVE MANAGEMENT TEAM

Jorunn Kvåle (7)

SVP HSE

Jorunn Kvaale (born 1963) comes from the position of Engineering Services Manager, BP Norge.

She has extensive experience in the oil and gas industry, including from Amoco and as OIM for BP Norway.

Kvaale is an engineer in Telecommunications and holds a Masters Degree from BI.

Ole Johan Molvig (8)

SVP Reservoir

Ole Johan Molvig (born 1972) comes from the position of VP Subsurface, Det norske.

He has long experience in the oil and gas industry, mainly from ExxonMobil, Statoil and Marathon Oil.

Molvig holds a masters degree from NTNU in Trondheim.

Eldar Larsen (9)

SVP Operations

Eldar Larsen (born 1960) comes from the position of SVP Operations, BP Norge.

He has extensive experience from large industrial operations on fields such as Gullfaks, Sleipner, Snorre, Ormen Lange, Ula, Valhall and Skarv.

Larsen holds a master's degree in chemical industry from NTNU in Trondheim.

Tommy Sigmundstad (10)

SVP Drilling and Well

Tommy Sigmundstad (born 1971) comes from the position of Vice President Wells BP Asia Pacific.

Sigmundstad has broad experience within the oil and gas industry from companies such as Baker Hughes and Philips, before joining BP in the year 2000. Within BP Sigmundstad has held different operational, engineering and management positions in Norway, United Kingdom, Azerbaijan and Indonesia.

Mr Sigmundstad holds a master's degree in Petroleum-engineering from Stavanger University.

BOARD OF DIRECTORS' REPORT

Dear shareholders

BOARD OF DIRECTORS' REPORT

2016 marked another transformational year for the company. Aker BP ASA ("Aker BP" or "the company") emerged as a result of an announced merger between Det norske oljeselskap ASA and BP Norge AS. The merger created a company with a diversified production base, strong balance sheet and cash flow outlook, coupled with organic and inorganic growth ambitions.

Aker BP carries out significant operations related to exploration and production of oil and gas on the Norwegian Continental Shelf ("NCS"). In addition, the company's development projects involve workers in different countries on different continents. HSE and CSR are of paramount importance to the Board of Directors of Aker BP. Accordingly, the Board recognizes its responsibility to the safety of people and the environment, and is devoted to spending time and resources to meet all regulations and the highest HSE standards in the oil industry.

To meet the challenges of an uncertain macro environment and to strengthen its long-term competitiveness, Aker BP has established a strong platform for further value creation. The company leverages an effective business model built on lean principles, strong technological competence and industrial cooperation to ensure safe and efficient operations.

Aker BP has four main focus areas for its improvement agenda. The aim is to reduce cost and improve efficiency across all disciplines to enable sanctioning of new stand-alone projects at break-even prices below 35 USD/boe. These focus areas include 1) reorganization of the value chain with strategic partnerships and alliances to remove waste and increase productivity, 2) digitalization of the Exploration & Production (E&P) business model, 3) changing the management systems and culture to build on "Lean" by prioritizing flow efficiency over resource efficiency and 4) to bring these together inside one organisation and one business model that balances volatility and flexibility to sustain growth.

During 2016, Aker BP discovered 83 million barrels of oil equivalent (mmboe), through its exploration efforts in the North of Alvheim and the Askja/Krafla areas, both located in the North Sea. Volume additions net to Aker BP accounted for approximately one quarter of the volumes discovered on the Norwegian Continental Shelf in 2016. The company achieved an after-tax finding cost of 0.7 USD/boe in 2016 and discovered volumes that equate to about 1.9 times its 2016 production.

The Ivar Aasen development was successfully delivered in December, on time, within the total budget and without serious incidents. The Viper-Kobra development commenced production in November and has contributed to arrest the decline from the Alvheim area. The Johan Sverdrup project is moving forward according to plan and cost estimates have continued to come down as the project progresses.

Aker BP's net production was 118 thousand barrels of oil equivalents ("mboepd") in 2016 from five operated production hubs; the Alvheim area, Ivar Aasen, the Valhall area, Skarv and the Ula area.

Looking forward, the company has a visible organic growth path to a production in excess of 270 mboepd after 2023 (from both sanctioned and non-sanctioned projects), representing a compound annual growth rate of approximately 12 percent from 2016.

P50 net reserves at year-end 2016 were estimated to be 711 mmboe, an increase of about 43 percent from the previous year. The main cause of the increase is related to the merger with BP Norge. Mean P50 contingent resources grew to 600 mmboe, or up 84 percent compared to the previous year through a combination of organic and inorganic growth.

The company has a robust and diversified capital structure with USD 2.5 billion in available liquidity. In December 2016, the company paid its first dividend and has an ambition to sustain a dividend of minimum USD 250 million per year in the medium term and to increase the dividend level once Johan Sverdrup is in production.

Aker BP is well positioned to participate in future growth on the NCS. The Board is conscious of the risks associated with project execution and the changing market conditions in which the company operates. The Board is prioritizing capital discipline and mitigation of risk wherever possible throughout the organization.

Share price performance and ownership structure

In 2016, the share price for Aker BP ended at NOK 154.50 per share, compared to NOK 55.25 per share at the end of 2015. At the end of the year, 337.7 million shares were outstanding, compared to 202.6 million shares at the end of 2015. Aker ASA remains the largest owner with 40.00 per cent, while BP plc control 30.00 percent of the shares. The remaining 30.00 percent of the shares were split among more than 7,000 shareholders. Aker BP is listed on the Oslo Stock Exchange under the ticker symbol “AKERBP”.

Our business

Description of the company

Aker BP is a fully-fledged E&P company with exploration, development and production activities on the NCS. Aker BP holds no oil or gas assets outside Norway. All activities are thus within the Norwegian offshore tax regime, and to the extent the company has overseas activities, these are related to construction and engineering of field developments.

Aker BP is active in all three main petroleum provinces on the NCS. The company remains convinced that the NCS offers attractive opportunities for oil and gas exploration and this is also supported by the NPD’s latest undiscovered resources estimates. Correspondingly, the company plans to be an active industry player in the coming years.

The company’s registered address is at Lysaker in Bærum municipality. The company also has offices in Harstad, Sandnessjøen, Stavanger and Trondheim. Karl Johnny Hersvik is Chief Executive Officer.

At the end of 2016, the company had 1,371 (534) employees. As operator for 53 (34) licences and partner in an additional 48 (50) licences, the company is a major licence holder on the NCS.

Exploration

Aker BP’s ambition is to be the leading exploration player on the Norwegian continental shelf and to discover 250 mmboe net to Aker BP in the period from 2016 to 2020. This follows the ambition of long-term reserve replacement and value creation by establishing new core areas with operated production. The company can exceed this goal by continuously seeking additional prospect opportunities and improving the available data and technology to create a competitive edge.

In 2016, Aker BP participated in a total of 14 wells, including six sidetracks. This is a significant increase from four wells in 2015. Net resource additions from exploration were estimated to be 83 mmboe in 2016, or about one quarter of the total volumes discovered on the NCS during the year. The company achieved an after-tax finding cost of 0.7 USD/boe in 2016 and discovered volumes that equate to about 1.9 times its 2016 production.

The Exploration activity is grouped in three categories; exploration near own producing fields (ILX), exploration for growth, and exploration in frontier areas. Over the years there will be a balance between ILX, growth and frontier exploration targets. In 2016, Aker BP focused on exploring in growth areas, aiming at discovering volumes for future developments.

Exploration drilling was concentrated in the North of Alvheim area, the Askja/Krafla area and the Loppa High south area. The results were encouraging for further progress towards development decisions.

The 2016 drilling campaign in the Askja/Krafla area in PL272/PL035 comprised four main wells and three sidetracks, resulting in a number of discoveries that combined amounted to approximately 77 mmboe (gross). Gross mean contingent resources for the Askja/Krafla area is estimated at approximately 256 mmboe.

Drilling of the Langfjellet prospect in PL442 comprised of one main well and three sidetracks to collect data. The main well encountered a gross oil column of 109 meters in the Vestland Group and preliminary gross volume estimates for the discovery are in the range of 24 to 74 mmboe. The licensees will evaluate the discovery with regards to a potential development together with other discoveries in the area. Following the success at Langfjellet, the licensees have identified further prospectivity within the license and are planning further drilling activity in 2017.

On the Loppa High south in the Barents Sea, the Filicudi prospect in PL 533 north of the Gohta discovery was drilled in late 2016 to early 2017. The well encountered a gross 129 meters hydrocarbon column in high quality sandstone reservoir. Evaluation of the discovery is ongoing, and other prospects in the vicinity are considered for drilling. The preliminary gross resource estimate for the Filicudi discovery is between 35 and 100 million barrels of oil equivalents (mmboe).

The Uptonia prospect in PL554B&C and the Rovarkula prospect in PL626 were dry.

Aker BP was awarded 13 operated licenses and 8 new partner licenses through Awards in Pre-defined Areas (APA) 2016 in January 2017. The majority of these licenses are located close to the company's existing core areas.

In 2016, total investments in exploration amounted to USD 258 (97) million.

Development Projects

In 2016, Aker BP participated in five field development projects: Ivar Aasen (34.8 per cent and operator), Gina Krog (3.3 per cent and partner), Johan Sverdrup (11.6 per cent and partner), Viper-Kobra (65.0 per cent and operator) and Oda (15.0 per cent and partner).

Ivar Aasen

The Ivar Aasen field (34.7862 per cent interest and operator) is Aker BP's first major development project as operator. The PDO was approved by the Norwegian Parliament in May 2013, and the production from the field commenced December 24, 2016. The Ivar Aasen field is situated west of Johan Sverdrup in the Utsira High area, and is estimated to contain gross reserves (P50/2P) of 199 million barrels of oil equivalent. The Ivar Aasen development comprises production of the resources in three discoveries; Ivar Aasen (PL 001B) Hanz (PL 028B) and West Cable (PL 001B and PL 242). Ivar Aasen was developed with a fixed manned production platform. The topside includes living quarters and a processing facility for first stage separation.

In June 2014, Aker BP signed a unit agreement with the licensees in PL001B, PL242, PL457 and PL338. Aker BP is operator and holds a 34.7862 per cent interest in the unit. The unit comprises the Ivar Aasen and West Cable deposits, while the Hanz deposit remains in PL 028B, where Aker BP is operator and holds a 35 per cent working interest.

Full field development costs (including Hanz) are estimated at NOK 27.4 billion (nominal). Aker BP's ownership interest thus represents an investment of about NOK 9.6 billion.

Ivar Aasen is a two-staged development, with Ivar Aasen and West Cable being developed in phase 1. Hanz, located further north, will be developed in phase 2 and is scheduled to start producing in 2021. The production is estimated have a plateau production of approximately 67 mboepd (gross). The development of Ivar Aasen is coordinated with the adjacent Edvard Grieg field, which will receive partially processed oil and gas from the Ivar Aasen field for further processing and export.

The pre-drilling campaign with Maersk Interceptor continued until July, when the rig was removed from the field prior to installation of the topside. In total eight wells were completed during the pre-drilling campaign, five producers and three water injectors. In November, Maersk Interceptor returned to the field and has operated as an additional accommodation unit for hook-up and commissioning personnel.

Topside construction in Singapore was completed in May. All modules, including the living quarter were transported to the Ivar Aasen field, and installed on to the jacket in July 2016. Following the successful installation of the topside, the Flotel Safe Zephyrus was mobilised with hook-up and commissioning personnel.

In October, the SURF scope, comprising of laying and commissioning of pipelines and cables between Edvard Grieg and Ivar Aasen was completed.

The offshore hook-up and commissioning work have progressed well throughout the second half 2016, with more than 500 persons working offshore at the same time to prepare for operation. Production performance since start-up has been in line with expectations.

During 2016, key activities for the Ivar Aasen project have been progressing according to plan, and first oil was achieved at December 24.

The partnership consists of Aker BP (operator), Statoil, Bayerngas, Wintershall, VNG, Lundin and OKEA.

Johan Sverdrup

Johan Sverdrup (11.5733 percent participating interest in unit, partner) is the largest oil discovery on the Norwegian shelf since the 1980s and is located on the Utsira High, 155 km west of Stavanger. The operator estimates that the field contains recoverable volumes between 2.0 and 3.0 billion boe, and the development of the field will be one of the largest industrial projects in modern Norwegian history. The operator estimates a break-even oil price for phase 1 below 20 USD/boe and below 25 for the full field development.

The PDO for phase 1 was approved in August 2015. The approval included plans for installation and operation for oil and gas export pipelines and for power from shore. Production is expected to commence late 2019. The plan accounts for 50 years of production, and the project will be of high socio-economic importance in Norway.

The Johan Sverdrup oil field is planned to be developed in two phases. In phase 1 a field centre is established consisting of four bridge-linked platforms (processing platform, drilling platform, riser platform and living quarter), in addition to three subsea water injection templates. The oil will be transported via a dedicated pipeline to the Mongstad terminal, whereas the gas will be transported via the Statpipe system to Kårstø for processing and export.

The capital expenditures for phase 1 were estimated in the PDO at NOK 123 billion (nominal value, based on project FX). The estimated capital expenditure also includes drilling, power from shore and export of oil and gas, as well as contingencies and allowances for market adjustments. As a consequence of the macro environment and project improvements the operator's estimate of capital expenditures have been reduced to NOK 97 billion (nominal value, based on project FX). For phase 2, capital expenditures are now projected by the operator at between NOK 40 and 55 billion (nominal, based on project FX). Consequently, the full field CAPEX is thus estimated at between NOK 135 and 152 billion.

The ambition is a recovery rate of 70 per cent, taking into account proven technology for increased/enhanced oil recovery (IOR/EOR) in future phases. In the PDO, phase 1 had a planned production capacity of 315 to 380 mbopd, however debottlenecking measures have increased the planned phase 1 production capacity to 440 mbopd. Fully developed, the production capacity is expected to be 660 mbopd.

The PDO for phase 2 is scheduled to be submitted during the second half of 2018, and start-up of production from the second phase is expected in 2022.

At the end of 2016, Aker BP has booked 300 mmboe as net P50 reserves for the Johan Sverdrup full field development, representing about 42 percent of Aker BP's total P50 reserves.

The partnership consists of Statoil (operator), Lundin Norway, Petoro, Aker BP and Maersk Oil.

Viper-Kobra

Viper-Kobra (65 per cent, operator) is located within the Alvheim field approximately three kilometres south of the Kneler structure at a water depth of 120 to 130 metres. The development comprised the two discoveries Viper and Kobra, developed by one well each. A new subsea four-slot manifold was installed and tied back to the Volund field. The two reservoirs contain approximately 10 mmboe of gross recoverable reserves combined.

First oil was achieved in November 2016 as per plan.

Gina Krog (3.3 per cent, partner) is being developed with a steel jacket platform and a floating storage and offloading vessel, gas will be exported via the Sleipner platform. The oil will be shipped by shuttle tankers. In the PDO, gross investments were estimated at NOK 31 billion (nominal) and the field holds gross proven and probable reserves (P50/2P) of about 219 mmboe. Production start-up is expected in the second quarter of 2017.

During 2016, pre-drilling of production and injection wells continued, the topside was finalised in Korea and transported to the North Sea, where it was installed at the field in August.

Oda (15 per cent, partner) will be developed with a subsea template tied back to the Ula field center via the Oselvar infrastructure. Recoverable reserves are estimated at 48 mmboe (gross) and the project is planned to be developed with two production wells and one water injector well, with first oil planned for 2019.

The PDO was submitted to the Ministry of Petroleum and Energy on November 30, 2016. Total investments for Oda are estimated at NOK 5.4 billion.

Other projects

Over the course of 2017, the company plans to mature several projects and to submit three PDOs to the Ministry of Petroleum and Energy (MPE). This relates to Snadd (subsea-tie-in to Skarv FPSO) with expected production start in 2020, Valhall Flank West with expected production start-up in 2021 and Storklakken (Subsea-tie-in to Alvheim FPSO), which is expected to start producing in 2020.

Production

As of 31 December 2016, Aker BP had production from 13 fields: Alvheim (65 per cent and operator), Atla (10 per cent and partner), Bøyla (65 per cent and operator), Enoch (2 per cent and partner), Hod (37.5 per cent and operator), Ivar Aasen (34.786 per cent and operator), Skarv (23.834 per cent and operator), Tambar (55 per cent and operator), Tambar East (46.2 per cent and operator), Ula (80 per cent and operator), Valhall (35.953 per cent and operator), Vilje (46.9 per cent and operator) and Volund (65 per cent and operator).

Production in 2016 averaged 118.2 mboepd, including full-year production from BP Norge legacy assets. 77 per cent was liquids and 23 per cent was gas. This represents a substantial increase compared to 60.0 mboepd in 2015, mostly due to the inclusion of additional producing assets through the merger with BP Norge. For Det norske legacy assets, the production increased to 63.5 mboepd in 2016.

Alvheim (65 per cent, operator) is an oil and gas field operated by Aker BP and is located in the Northern North Sea at a water depth between 120 and 130 metres. The field is located in Blocks 24/6, 24/9, 25/4 and 25/7 and is comprised of the producing Alvheim field (Boa, Kneler, and the Kameleon/East Kameleon structures), the Viper-Kobra and Gekko discoveries. The productive reservoir of the Alvheim field is the middle to late Palaeocene Heimdal Formation sandstone, which exists at a depth of approximately 2,100 metres. Alvheim was developed using a floating production, storage and offloading (FPSO) vessel. The development provides for the transport of oil by shuttle tanker and transportation of gas to the SAGE system.

First production for the Alvheim field was in June 2008. The fields in the Alvheim area have seen significant year-on-year increases in the estimated recoverable volumes of oil and gas since the initial development of the Alvheim field. The amount of recoverable oil has increased due to greater in-place volumes than previously estimated, development of satellite fields, additional horizontal and multi-lateral wells, and better than anticipated flow rates.

Furthermore, improved reliability combined with optimization work has increased the production capacity of the Alvheim FPSO to about 150 mboepd, up from the original design of 120 mboepd.

The Alvheim fields consist of the Kneler, Boa, Kameleon and East Kameleon structures. The Boa reservoir straddles the Norway-UK median line. The Boa reservoir is unitized with Maersk Oil and Verus Petroleum, who are the owners on the UK side.

Net production from Alvheim, including Boa, averaged 43.3 mboepd in 2016. Production from the Alvheim field is estimated to end in 2033, with subsequent abandonment between 2033 and 2034. Year-end 2016 P50 reserves for Alvheim, Boa and Viper-Kobra are estimated at 83.6 mmboe net to Aker BP.

The **Volund** field (65 per cent, operator) is located approximately eight km south of Alvheim, and was the second field developed as a subsea tieback to Alvheim. The field, comprising four production wells and one water injection well, started producing in 2009 and was utilized as a swing producer when the capacity of the Alvheim FPSO allowed it. The field was opened for regular production in 2010. The Volund reservoir is a large-scale injective feature, formed by sands of the Palaeocene Hermod Formation.

Net production at Volund averaged 5.0 mboepd in 2016. Production from the Volund field is expected to last until 2033, with subsequent abandonment between 2033 and 2034. Year-end 2016 P50 reserves are estimated at 18.5 mmboe net to Aker BP. These reserves include two additional infill wells that are planned to start production in second half of 2017.

The **Vilje** field (46.9 per cent, operator) is located northeast of Alvheim at a water depth of 120 metres. The productive reservoir of the Vilje field is the middle to late Palaeocene Heimdal Formation sandstone at a depth of approximately 2,100 metres. The field is tied back to the Alvheim FPSO. Production commenced in 2008.

Net production from Vilje averaged 6.6 mboepd in 2016. Production from the Vilje field is expected to cease in 2031, with subsequent abandonment scheduled to take place between 2031 to 2034, which coincides with the expected cessation of production from the Alvheim area. Year-end 2016 P50 reserves are estimated at 8.9 mmboe net to Aker BP.

The **Bøyla** field (65 per cent, operator) is located about 28 km south of Alvheim at a water depth of 120 metres. The productive reservoir of the Bøyla field is within the Hermod sandstone member, which is a deep marine, channelized submarine fan system at a depth of approximately 2 100 metres. The field is tied back to the Alvheim FPSO. Production commenced in January 2015. The field is developed with two horizontal production wells and one water injection well.

Net production from Bøyla averaged 7.4 mboepd in 2016. Production from the Bøyla field is expected to cease in 2033, with subsequent abandonment scheduled to take place between 2033 to 2034, which coincides with the expected cessation of production from the Alvheim area. Year-end 2016 P50 reserves are estimated at 8.7 mmboe net to Aker BP.

The **Valhall** field (36.0 per cent, operator) is located in the southern part of the Norwegian North Sea at water depth of about 70 meters. The reservoir consists of chalk in the Upper Cretaceous Tor and Hod Formations. Reservoir depth is approximately 2,400 metres.

The field was originally developed with three facilities for accommodation, drilling and processing, and started production in 1982. The Valhall complex consists today of six separate steel platforms for living quarters, drilling, wellheads, production, water injection, combined process- and hotel platform respectively. These platforms are bridge-connected. In addition the field has two unmanned flank platforms, one in the south and one in the north. Liquids are routed via pipeline to Ekofisk and further to Teesside in the UK. Gas is sent via Norpipe to Emden in Germany.

Net production from Valhall averaged 15.3 mboepd in 2016. The Valhall concession period currently expires in 2028. The resource potential extends beyond the concession period, and it is common in the industry to achieve extensions to concessions, and the cessation of production will be subject to the technical life of the facilities and the economic cut-off. The current design life for the new PH is 2049, 2033 for IP and the Flank North and South, and WP was recently granted life extension until 2028. Year-end 2016 P50 reserves are estimated at 82.2 mmboe net to Aker BP.

The **Hod** field (37.5 per cent, operator) is located in the southern part of the North Sea. The field was discovered in 1974 and is located 13 kilometres south of Valhall. The water depth in the area is approximately 72 meters. The reservoir lies in chalk in the lower Paleocene Ekofisk Formation, and the Upper Cretaceous Tor and Hod Formations. The reservoir depth is approximately 2,700 metres. The field is developed with a normally unmanned platform, tied back to and remotely operated form Valhall. Hod started producing in 1990.

Net production from Hod averaged 0.5 mboepd in 2016. At year end 2016, Hod produces from wells drilled from the Valhall Flank South platform. All wells on the Hod platform are currently shut -in and awaiting plug and abandon operations. The license period expires in 2020. Year-end 2016 P50 reserves are estimated at 1.8 mmboe net to Aker BP.

The **Ula** field (80 per cent, operator) is located in the southern part of the North Sea. The water depth in the area is about 70 metres. The main reservoir is at a depth of 3 345 metres in the Upper Jurassic Ula Formation.

The development consists of three conventional steel facilities for production, drilling and accommodation, connected by bridges. The field started producing in 1986. The gas capacity at the field was updated in 2008 with a new gas processing and injection module. The oil is exported via Ekofisk to Teeside and all gas is reinjected into the reservoir to enhance recovery. Ula acts as a third-party host for the Oselvar and Blane fields via subsea tie-back's.

Net production from Ula averaged 6.5 mboepd in 2016. The Ula concession period expires in 2028. The resource potential extends beyond the concession period, and it is common in the industry to achieve extensions to concessions, and the cessation of production will be subject to the technical life of the facilities and the economic cut-off Year-end 2016 P50 reserves are estimated at 48.6 mmboe net to Aker BP.

The **Tambar and Tambar East** field (55.0/46.2 per cent, operator) is located about 16 kilometres southeast of the Ula field in the southern part of the North Sea. The water depth in the area is 68 metres. The reservoir consists of Upper Jurassic sandstones in the Ula Formation, deposited in a shallow marine environment. The reservoir lies at a depth of 4,100-4,200 metres.

The field has been developed with a remotely controlled wellhead facility without processing equipment, and started production in 2001.

Net production from Tambar averaged 2.2 mboepd in 2016. The Tambar concession period currently expires in 2021 and Tambar facilities were recently granted life extension until 2021. Year-end 2016 P50 reserves are estimated at 8.1 mmboe net to Aker BP.

The **Skarv** field (23.8 per cent, operator) is located about 35 kilometres southwest of the Norne field in the northern part of the Norwegian Sea. The water depth in the area is 350-450 metres. The reservoirs in Skarv contain gas and condensate in Middle and Lower Jurassic sandstones in the Garn, Ile and Tilje Formations. There is also an underlying oil zone in the Skarv deposit in the Garn and Tilje Formations. The reservoirs lie at a depth of 3,300-3,700 metres.

The Skarv field is developed with a production ship with storage and offloading capacity (FPSO) anchored to the seabed. The FPSO has a life expectancy of 25 years. Skarv initiated production in 2012.

Net production from Skarv averaged 30.0 mboepd in 2016. The Skarv concession period currently expires in 2033 and the original Skarv FPSO design life is 2035. Year-end 2016 P50 reserves are estimated at 66.8 mmboe net to Aker BP.

The **Jette** field (70 per cent, operator) is located in the central part of the North Sea at a water depth of 127 metres. The reservoir consists of a submarine fan system in the Heimdal Formation of Late Palaeocene age and lies at a depth of approximately 2,200 metres. The field was developed with a subsea installation tied back to the Jotun B platform and started producing in 2013. Jette continued to decline in 2016 and net production averaged 0.6 mboepd in 2016. The field ceased production in December 2016.

The **Ivar Aasen** field (34.8 per cent, operator) started production at December 24, 2016. Average daily production net to Aker BP amounted of 0.2 mboepd, as the field only produced for one week in 2016 and net reserves are estimated at 69.3 mmboe.

The field was developed as a stand-alone platform for partial processing and water conditioning and injection, with transfer of the multiphase hydrocarbon mixture through two pipelines to the neighbouring Edvard Grieg field for final processing and export.

The partner operated fields **Alta** (10 per cent), **Jotun** (7 per cent), **Varg** (5 per cent) and **Enoch** (2 per cent) produced an average of 0.4 mboepd net to Aker BP in 2016. Varg and Jotun ceased production in 2016, as planned. Year-end 2016 P50 reserves net to Aker BP for the Atla and Enoch are estimated at 0.1 mmboe.

The annual accounts

(All figures in brackets refer to 2015 and are not directly comparable as they represent Aker BP prior to the acquisition of BP Norge AS. The merger with BP Norge closed on September 30, 2016. For accounting purposes, the first nine months income statement does not include operations in BP Norge).

The group prepares its financial statements in accordance with the International Financial Reporting Standards (IFRS) adopted by EU and the Norwegian Accounting Act.

Changes in accounting standards

The applied accounting principles are in all material respect the same as for the previous financial year. There were no new standards effective as of 1 January 2016, and none of the amended standards and interpretations effective as of 1 January 2016 had significant impact for the group. Some accounting standards have been issued but not entered into as of 31 December 2016 (IFRS 9, IFRS 15 and IFRS 16) and the potential impact on the accounts are described in note 1.

There are no material changes in the presentation in the income statement for 2016 compared to 2015. With regard to the statement of financial position, pension is no longer presented separately, due to the change from defined benefit to defined contribution pension scheme.

Statement of income

The company's total income amounted to USD 1,364 (1,222) million. Petroleum from the producing fields amounted to 28.3 (21.9) mmboe. The production in 2016 mainly came from Alvheim (incl. Boa), Volund, Vilje, Bøyla as well as the BP Norge fields Valhall, Hod, Skarv, Ula and Tambar fields, included from September 30, 2016. The production in 2015 mainly came from Alvheim (incl. Boa), Volund, Vilje, Bøyla. The average realized oil price was 47 USD/boe, which is down 13 per cent compared with an average price of 54 USD/boe in 2015.

Exploration expenses amounted to USD 147 (76) million and are mainly related to dry and non-commercial wells, seismic data and general exploration activities.

Depreciation amounted to USD 509 (481) million, which corresponds to a depreciation per barrel at 17.9 USD.

The net impairment of USD 71 (430) million is primarily related to impairment of goodwill. One main reason for the impairment charge in 2016 is the lower long term oil price assumption as detailed in note 15. The technical goodwill in the BP Norge and Marathon transactions has limited lifetime as they are tested for impairment at the cash generating unit ("CGU") level, and not at the corporate level (including assets such as Johan Sverdrup). In practice, this means that the technical goodwill from the acquisitions will be impaired over the lifetime of the fields. A breakdown of the impairment charges is included in Note 15 to the financial statements.

Other operating expenses amounted to USD 22 (52) million for the company. The majority of other operating expenses are relating to preparation for operation, non-license related costs, IT costs and consultants.

The company reported an operating profit of USD 387 (41) million.

The pre-tax profit amounted to USD 290 (-114) million, and the tax expense on the ordinary profit amounted to USD 255 (199) million. The tax rules and tax calculations are described in Notes 1 and 12 to the financial statements. The effective tax rate was significantly impacted by foreign exchange differences as a result of the fact that the company's functional currency is USD while the tax calculation according to statutory requirements must be performed in NOK.

The after-tax profit was USD 35 (-313) million.

Statement of financial position

Total assets at year-end amounted to USD 9,255 (5,189) million.

Equity increased by USD 2,110 million to USD 2,449 million comprising new share capital issued in the acquisition ofBP Norge AS and the net profit for the period. At year-end, equity amounted to approximately 26.5 (6.5) percent of total assets.

At 31 December, total interest-bearing debt amounted to USD 2,541 (2,622) million, consisting of the DETNOR02 bond of USD 215 million, DETNOR03 bond of USD 296 million and the drawn amount on the RBL of USD 2,030 million (net of amortization). The available borrowing base on the RBL has increased with 1.0 billion to USD 3.9 billion in connection with the BP Norge AS acquisition. In addition, the company has an undrawn credit facility at USD 550 million. For information about terms on the credit facilities, see Note 24.

Cash and cash equivalents totalled USD 115 (91) million at the end of the year.

Cash flow and liquidity

Net cash flow from operating activities amounted to USD 896 (686) million. This included tax refunds excluding interest of USD 213 (88) million.

Net cash flow from investment activities amounted to USD -705 (-1,168) million. This mainly relates to investments in fixed assets of USD -936 (-917) million and the acquisition of BP Norge AS of USD 424 million (net of cash consideration paid and cash from BP Norge AS). In 2015, the overall driver was the acquisition of Svenska Petroleum Exploration AS and Premier Oil Norge AS of USD -203 million (net of cash). The net cash flow from financing activities amounted to USD -163 (285) million, mainly relating to net proceeds on the company's RBL facility.

In total, the group had a cash position USD 115 (91) million at the end of the year.

At the end of 2016, financial covenants for the company’s debt instruments were comfortably within its applicable thresholds. The company has a robust balance sheet with USD 2.5 billion in available liquidity, providing the company with ample financial flexibility. Going forward, the company will work to improve the efficiency and effectiveness of its capital and debt structure.

Hedging

The company seeks to reduce the risk related to foreign exchange rates, interest rates and commodity prices through hedging instruments.

For 2016, the company had oil put options in place for about 20 per cent of the 2016 oil production for Det norske oljeselskap, excluding production from BP Norge fields. Further, the company has purchased oil put options with a strike price of 50 USD/boe for around 15 per cent of Aker BP’s expected oil production in 2017.

The going concern assumption

Pursuant to the Norwegian Accounting Act section 3-3a, the Board of directors confirms that the requirements of the going concern assumption are met and that the annual accounts have been prepared on that basis. The financial position and the liquidity of the company are considered to be good. The company is continuously considering various sources of funding to facilitate the expected growth of the company. Cash flow from operations, combined with available liquidity of USD 2.5 billion is expected to be more than sufficient to finance the company’s commitments in 2017.

In the Board of Directors’ view, the annual accounts give a true and fair view of the company’s assets and liabilities, financial position and results. The Board of Directors is not aware of any factors that materially affect the assessment of the company’s position as of 31 December

2016, or the result for 2016, other than those presented in the Board of Directors' Report or that otherwise follow from the financial statements.

Resource accounts

Aker BP complies with guidelines from Oslo Børs and the Society of Petroleum Engineers' (SPE) classification system for quantification of petroleum reserves and contingent resources. Total net P90/1P reserves are estimated at 529 (374) mmboe at year-end, while net P50/2P reserves amounted to 711 (498) mmboe at year-end. See Note 32 for a more detailed review of the resource accounts. Reserves for ex- Det norske fields have been certified by an independent third party, while the ex-BP Norge fields were evaluated by a third party in the merger process in June 2016.

Profit for the year

The Board of directors proposes the profit for the year is transferred to other equity.

HSE and organization

Health, Safety and Environment ("HSE") is of paramount importance to Aker BP. Our HSE objectives are to conduct our operations in a prudent manner that prevent harm and injuries to personnel, the environment and assets. The company shall carry out its operations in a manner ensuring that it avoids injuries, ensure the technical integrity of facilities, and comply with all relevant rules and regulations.

Aker BP shall achieve these objectives through integrating HSE in all operations managed and carried out by the company. Tasks related to HSE and reducing the risk of major accidents shall be prioritised at all levels within the company.

As part of the project to merge Det norske and BP Norge AS, the following aspects were prioritized from an HSE point of view:

- Minimal changes to offshore operations and procedures and ensuring day to day business was prioritized
- Designing the HSE organisation for Aker BP and selection of personnel
- Establishing a common enterprise risk management process
- Integrating the emergency response organisation into one structure with a common second and third line of response
- Establishing a common Incident command system ("Aksjonsledelse") for the Company

Building a strong, robust and common HSE culture will be a priority in 2017 as well as establishing common HSE processes and procedures through utilizing the best of both companies.

Health, safety and the environment in our operations

2016 has been a year characterized by a high level of activity for Aker BP. The Total Recordable Injuries Frequency for 2016 was 2.6, which was an increase from 2015. However, it is still significantly lower than the average on NCS. One recordable finger injury was classified as serious.

During 2016, Aker BP had two incidents with high potential – a leak from a flange on the stripping system in the pump room on Alvheim FPSO, and a dropped helifuel filling nozzle on Maersk Interceptor. The leak was contained and the dropped object did not have any actual consequences to personnel or equipment. There were no major spills to the environment.

All events were investigated according to procedures and lessons learned implemented. With the challenging market situation, organisational changes and high current activity level, special attention is paid to preventing injuries at all levels in the organisation.

The improvement activities in the company's 2016 HSE programme have been completed and new HSE programmes for 2017 have been issued for each asset.

The Petroleum Safety Authority ("PSA") carried out a total of ten audits of Aker BP operations/activities. Other authorities like The Norwegian Environment Agency, the Norwegian Maritime Authority and the Norwegian Radiation Protection Agency conducted totally seven audits towards BP Norge and Det Norske's activities. BP Norge received two notification of orders following audit of materials handling, cranes and lifting, and late life.

Aker BP did not receive any orders from the PSA related to the Company's operations in 2016.

Aker BP has responded to all audits according to the expectations in a timely manner.

Aker BP works actively to reduce the environmental footprint of our operations. This includes optimizing usage of energy as well as chemical substitution. Aker BP also strives to reduce the amount of waste from our operations. The CDP (Climate Disclosure Project) score was improved from a D score in 2015 to a C score in 2016. The average emission of CO2 from Aker BP's operated fields in 2016 was 7.3 kg/boe which is below average for NCS (9.2 kg/boe) and significantly below the average in the Industry Internationally (17.5 kg/boe).

Employees and working conditions

Recruitment

Aker BP recruited 32 new employees in 2016. In addition, the company gained 2 employees as a result of the acquisition of licences from Noreco, 3 employees through the acquisition of Premier Oil Norway. On December 1, 2016, 834 employees were transferred from BP Norge to Aker BP following the merger between the companies.

Aker BP has a long-standing collaboration with graduate schools, university colleges and universities in order to recruit talents as well as student internships.

Status of employees

At year-end, the company had 1371 (534) employees.

Equal opportunities

The company endeavours to maintain a working environment with equal opportunities for all based on qualifications and irrespective of gender, ethnicity, sexual orientation or disability.

In December 2016, women held 20 (25) per cent of the positions. The percentage of women on the Board of directors was 40 (40) per cent. The percentage of women in the executive management was 20 (18) per cent and in middle management with personnel responsibility 19 (22) per cent.

Men and women with the same jobs, with equal professional experience and who perform equally well, shall receive the same pay in Aker BP. The type of job, discipline area and number of years of work experience affect the pay level of individual employees.

At year-end, 7 (11) per cent of the employees were of non-Norwegian origin.

The working environment

Aker BP has a working environment committee (AMU) as described in the Norwegian Working Environment Act. The committee plays an important role in monitoring and improving the working environment and in ensuring that the company complies with laws and regulations in this area.

The company is committed to maintaining an open and constructive dialogue with the employee representatives and has arranged meetings on a regular basis throughout the year. Three local trade unions are registered as being represented in the company, Tekna, Lederne SAFE and Industri Energi.

In the Board's view, the working environment in Aker BP during 2016 was good.

Sickness absence

In 2016, sickness absence in Aker BP was 2.4 per cent for offshore personnel and 1.6 per cent for onshore personnel compared to a total sickness absence of 3.4 per cent in 2015, including absence due to child's sickness.

Ethics

Aker BP's code of ethics sets out requirements for good business conduct and personal conduct for all employees of Aker BP and members of its governing bodies. The code also applies to hired personnel, consultants and others who act on behalf of Aker BP.

Corporate social responsibility (CSR), ethics and anti-corruption

Aker BP ASA developed a strategy for 2016 for the company's work on corporate social responsibility. Effort was put into clarifying the company's responsibility and role, and areas were selected for targeted efforts in the 2016 operating year. Work was initiated in 2016 on systemising the company's corporate social responsibility efforts. This work will continue in 2017. The work will be carried out in a way that ensures that corporate social responsibility is fully integrated with the company's activities and business model, and the company's values will be manifested in planned and implemented activities.

Targeted and systematic work

In the HSE field, particular emphasis has been placed on improving safety, ensuring a safe working environment, strengthening the emergency response organisation, avoiding discharges to sea, reducing the use of substances hazardous to health and the environment, and reducing emissions to air. A new management system has been established, as well as a new model for managing risk.

The working environment is taken very seriously

Aker BP has had safe and stable operations throughout the year, with a low frequency of incidents. There have been no serious incidents involving personal injuries during the period. The company makes continuous targeted efforts to monitor operations, and to report and analyse incidents with a view to reducing risk and safeguarding employees and the environment. The working environment is a consequence of several factors, and it is a requirement in the company that employees are safe when performing their work. The company reviews its procedures at regular intervals, and monitor RNNP (the risk level in the Norwegian petroleum activities) in order to learn from the industry as a whole. Sickness absence in the company is 2.4% for offshore personnel and 1.6% for onshore personnel.

Systematic work to reduce emissions/discharges to air and sea

Aker BP makes continuous endeavours to reduce the company's impact on the natural environment. The company complies with laws and regulations, and our goal is to avoid orders being issued by the authorities against the company. The company also keeps a close eye on relevant research in order to continuously improve operations and reduce our environmental footprint.

Flaring and cold ventilation are a source of greenhouse gas emissions that will remain on the agenda in coming years. Aker BP has reported CDP in accordance with the prescribed reporting procedures, and the company makes active efforts to reduce flaring, cold ventilation and other emissions of greenhouse gases from its operations. Best practice from energy management systems will help us to achieve our targets in all areas.

Aker BP has worked to reduce discharges to sea throughout 2016. The company has also implemented procedures to investigate and evaluate discharges in order to learn and improve.

In 2016, the average emission of CO2 per produced unit was 7.3 kg/boe for fields operated by Aker BP. That is below the average on the Norwegian continental shelf, which was 9.2 kg/boe in 2015. The average for the sector internationally (represented by IOGP) is 17.5 kg/boe.

Environmental measures implemented to reduce emissions (CO2, NOX) and environmental risk:

- The Valhall field has electrical power from shore. The Ivar Aasen field is supplied with power from Edvard Grieg and it will be supplied with power from shore as part of the development of the Utsira Height.
- Tambar is supplied with power from the Ula field, and Valhall Flank South and North are supplied with power from the Valhall field centre. Of the company's total production, 16% is produced using power from shore.
- The drilling rig Maersk Invincible, which will drill on the Valhall field, will use electric power. The rig has been under construction in South Korea and it is designed so that it can operate using electric power from Valhall. The project has received up to NOK 42 million in financial support from the NOX fund.
- On the Valhall field, the LP flare was closed on 17 November 2015, thereby putting an end to continuous flaring. Closed flaring (high-pressure and low-pressure flares) was the basis for the design of the new production platform (PH), thereby contributing to reducing CO2 emissions by roughly 60 % in 2016 compared with 2015 (15,700 tonnes of CO2 in 2015 compared with 5,900 tonnes in 2016)
- Both Skarv and Alvheim have closed flaring and low-NOX turbines with heat recovery. On Skarv, more stable production and the implementation of lessons learned from operations have helped to reduce CO2 and NOX emissions by around 25% in 2016 compared with 2015.
- All Aker BP's fields have reviewed sources and methods for calculating direct methane and nmVOC emissions in 2016. This has resulted in more accurate and reduced estimated emissions to air of uncombusted HC gas.

	Valhall	**Ula**	**Skarv**	**Alvheim**	**Ivar Aasen**	**Total (avg)**
Produced water oil concentration, mg/ltr	9.7	13.6	14.2	42.8	0	19.4
Acute discharges to sea (number > 1 bbl)	0	0	1	0	1	2
Produced water reinjection %	0	12	0	84	NA	56
CO_2 per produced b.o.e.	1.1	30.5	6.9	5.7	144.1	7.3
Gas flaring mill. Sm3	2.2	6.7	6.4	10.1	0.3	25.7
Waste segregation %	74	77	85	87 *	56	

* Number from September - December. 100% Waste segregation from January to August

Corporate social responsibility also applies to our suppliers and our relations with them

In 2016, Aker BP has worked methodically and given priority to supplier relations in order to implement CSR more clearly in this part of our business as well. The work has consisted of establishing procedures for supplier management, categorising contracts and classifying all existing contracts. New procedures have been established and 50% of the contracts are now classified.

Ethical guidelines have also been incorporated into our contracts and employees have completed web-based training in anti-corruption.

We take responsibility for society around us

Aker BP's goal is to have good relations with society around us. This applies both at the national level and in the local communities where the company operates. The company spends substantial amounts on supporting schools and education, and on sponsorship projects such as Det Norske Teatret, the football club Viking, ice hockey team Stavanger Oilers, the Nidaros Cathedral Boys Choir, the Bakgårdsfestivalen festival and several other local events.

Our collaboration with the Department of Mathematics at the University of Oslo and the website www.matematikk.org continued in 2016 and will also be continued in 2017. Motivating school pupils, and girls in particular, to choose an education in the fields of science and technology is an important task that the company will continue with. The company has a multi-year cooperation agreement with Helgeland Knowledge Park to which it contributes financially and by participating in career fairs, career days and by providing information for school career advisers etc. The company has also collaborated with various voluntary organisations that help people in need in Norway and abroad.

The company has emphasised providing accurate information in interim reports, capital market days and through direct dialogue with relevant authorities.

Responsibility for research and development

With regards to participation in research and development projects (R&D), 2016 proved to be a record year. The company has emphasised that growth and development should benefit society as a whole through active participation. Aker BP spent around NOK 160 million on R&D projects in 2016. The projects range from small-scale technical analyses to large area studies on health, safety and the environment in the Far North. Aker BP is one of the biggest contributors to the Arctic Research Centre and the Centre for Integrated Monitoring of the Far North.

The company also participates actively in R&D initiatives aimed at increasing our knowledge of the environmental impact of emissions/discharges, and the company is a partner in the Seatrack project, which is managed by the Norwegian Institute for Nature Research.

There is still great potential for improvement in geoscience and reservoir disciplines, among other things by using advanced seismic data collection and processing. Projects carried out in collaboration with the oil service industry and universities have produced results in the form of new exploration opportunities, and Aker BP will step up its efforts in this area going forward. In collaboration with universities in Norway and the UK, progress has been made in our understanding of the extent of reservoirs and source rock, including through extensive fieldwork on Svalbard. Based on this, Aker BP has a project in the field of basin understanding whose vision is to achieve a leading role in basin integration. R&D projects are also being conducted in seabed geochemistry, including the testing of new collection equipment that has resulted in more and better analyses at a significantly lower price.

Aker BP is making endeavours to ensure that corporate social responsibility is further integrated in our operations, and in 2017, a new, forward-looking R&D portfolio will be established that is aligned with the company's business strategy and the technological challenges that have been identified.

Corporate governance

Aker BP believes that good corporate governance with a clear distribution of roles and responsibility between the owners, the Board and executive personnel is crucial in order to deliver value to its shareholders.

The Board of Aker BP is responsible for maintaining good corporate governance standards. The Board carries out an annual review of the company's principles. The company complies with relevant rules and regulations for corporate governance, including the most recent version of the Norwegian Code of Conduct for Corporate Governance, published on 30 October 2014, unless otherwise specified.

An account of corporate governance is provided in a separate section of the annual report and on the company's website www.akerbp.com.

Reporting of payments to governments

Aker BP has prepared a report on government payments in accordance with the Norwegian Accounting Act § 3-3 d) and the Norwegian Securities Trading Act § 5-5a. It states that companies engaged in activities within the extractive industries shall annually prepare and publish a report containing information about their payments to governments at country and project level.

The report is provided on page 49 of this annual report and on the company's website www.akerbp.com.

Risk factors

Risks relating to the oil and gas industry

Our business, results of operations, cash flow and financial condition depend significantly on the level of oil and gas prices and market expectations to these, and may be adversely affected by volatile oil and gas prices and by the general global economic and financial market situation.

Our profitability is determined in large part by the difference between the income received from the oil and gas that we produce and our operational costs, taxation costs relating to recovery (which are assessable irrespective of sales), as well as costs incurred in transporting and selling the oil and gas. Lower prices for oil and gas may thus reduce the amount of oil and gas that we are able to produce economically. This may also reduce the economic viability of the production levels of specific wells or of projects planned or in development to the extent that production costs exceed anticipated revenue from such production.

The economics of producing from some wells and assets may also result in a reduction in the volumes of our reserves. We might also elect not to produce from certain wells at lower prices. All of these factors could result in a material decrease in our net production revenue, causing a reduction in our oil and gas acquisition and development activities. In addition, certain development projects could become unprofitable because of a decline in price and could result in the company having to postpone or cancel a planned project, or if it is not possible to cancel the project, carry out the project with negative economic impact.

In addition, a substantial material decline in prices from historical average prices could reduce our ability to refinance our outstanding credit facilities and could result in a reduced borrowing base under credit facilities available to the company, including the RBL facility. Changes in the oil and gas prices may thus adversely affect our business, results of operations, cash flow, financial condition and prospects.

Exploration, development and production operations involve numerous safety and environmental risks and hazards that may result in material losses or additional expenditures

Developing oil and gas resources and reserves into commercial production involves risk. Our exploration operations are subject to all the risks common in our industry. These risks include, but are not limited to, encountering unusual or unexpected rock formations or geological pressures, geological uncertainties, seismic shifts, blowouts, oil spills, uncontrollable flows of oil, natural gas or well fluids, explosions, fires, improper installation or operation of equipment and equipment damage or failure. Given the nature of our offshore operations, our exploration, operating and drilling facilities are also subject to the hazards inherent in marine operations, such as capsizing, sinking, grounding and damage from severe storms or other severe weather conditions, as well as loss of containment, fires or explosions.

The market in which we operate is highly competitive

The oil and gas industry is very competitive. Competition is particularly intense in the acquisition of (prospective) oil and gas licences. Our competitive position depends on our geological, geophysical and engineering expertise, financial resources, the ability to develop our assets and the ability to select, acquire, and develop proven reserves.

Risks relating to the business of the company

Our current production and expected future production is concentrated in a few fields

Our production of oil and gas is concentrated in a limited number of offshore fields. If mechanical or technical problems, storms or other events or problems affect the production on one of these offshore fields, it may have direct and significant impact on a substantial portion of our production. Also, if the actual reserves associated with any one of our fields are less than the estimated reserves, our results from operations and financial condition could be materially adversely affected.

Currently, a significant proportion of our production comes from the Greater Alvheim Area as production from Alvheim fields amounted to 62.3 mboepd, or 53 per cent of our total production for the year ended 31 December 2016. The company is especially sensitive to any shutdown or other technical issues on the Alvheim FPSO because all of the Alvheim Area fields are produced via the Alvheim FPSO.

There are risks related to redetermination of unitized petroleum deposits

Unitization agreements relating to our production licences may include a redetermination clause, stating that the apportionment of the deposit between licences can be adjusted within certain agreed time periods. Any such redetermination of our interest in any of our licences may have a negative effect on our interest in the unitized deposit, including our tract participation and cash flow from production. No assurance can be made that any such redetermination will be satisfactorily resolved, or will be resolved within reasonable time and without incurring significant costs. Any redetermination negatively affecting our interest in a unit may have a material adverse effect on our business, results of operations, cash flow, financial condition and prospects.

Our development projects are associated with risks relating to delays and costs

Our ongoing development projects involve advanced engineering work, extensive procurement activities and complex construction work to be carried out under various contract packages at different locations onshore. Furthermore, we (together with our licence partners), must carry out drilling operations, install, test and commission offshore installations and obtain governmental approval to take them into use prior to commencement of production. The complexity of our development projects makes them very sensitive to circumstances that may affect the planned progress or sequence of the various activities, as this may result in delays or cost increases.

Although we believe that the development projects will be completed on schedule in accordance with all licence requirements and within the estimated budgets, our current or future projected target dates for production may be delayed and cost overruns may incur.

Furthermore, our estimated exploration costs are subject to a number of assumptions that may not prove to be correct. Any such inability to explore, appraise or develop petroleum operations or incorrect assumptions regarding exploration costs may have a material adverse effect on our growth ambitions, future business and revenue, operating results, financial condition and cash flow.

We are subject to third-party risk in terms of operators and partners

Where we are not the operator of a licence, although we may have consultation rights or the right to withhold consent in relation to significant operational matters depending on the level of our interest in such licence (as most decisions by the management committee only require a majority vote), we have limited control over management of the assets and mismanagement by the operator or disagreements with the operator as to the most appropriate course of action may result in significant delays, losses or increased costs to us.

We are subject to third-party risk in terms of contractors

Market conditions may impair the liquidity situation of contractors and consequently their ability to meet its obligations towards Aker BP. This may in turn impact both project timelines and cost.

Our oil and gas production could vary significantly from reported reserves and resources

Our reserve evaluations have been prepared in accordance with existing guidelines. These evaluations include a number of assumptions relating to factors such as initial production rates, recovery rates, production decline rates, ultimate recovery of reserves, timing and amount of capital expenditures, marketability of production, future prices of oil and gas, operating costs, and royalties and other government levies that may be imposed over the producing life of the reserves and resources. Actual production and cash flows will vary from these evaluations, and such variations could be material. Hence, although we have an understanding of the life expectancy of each of our assets, the life of an asset may be shorter than anticipated. Among other things, evaluations are based, in part, on the assumed success of exploration activities intended to be undertaken in future years. The reserves, resources and estimated cash flows to be derived therefrom contained in such evaluations will be reduced to the extent that such exploration activities do not achieve the level of success assumed in the evaluations, and such reductions may have a material adverse effect on our business, results of operations, cash flow and financial condition.

Financial risks

The company may require additional capital in the future, which may not be available on favourable terms, or at all

The company's future capital requirements depend on many factors, including whether the company's cash flow from operations is sufficient to fund the company's business plans. The company may need additional funds in the longer term in order to further develop exploration and development programmes or to acquire assets or shares of other companies. In particular, the development projects require significant capital expenditures in the years to come. Even though the company has taken measures to ensure a solid financial basis for the development projects, the company cannot assure that it will be able to generate or obtain sufficient funds to finance the projects. In particular, given the extensive scope of the projects, any unforeseen circumstances or actions to be dealt with that is not accounted for, may result in a substantial gap between estimated and actual costs. Thus, the actual costs necessary to carry out the projects may be considerably higher than currently estimated. These investments, along with the company's ongoing operations, may be financed partially or wholly with debt, which may increase the company's debt levels above industry standards.

The company may also have to manage its business in a certain way so as to service its debt and other financial obligations. Should the financing of the company not be sufficient to meet its financing needs, the company may, among other things, be forced to reduce or delay capital expenditures or research and development expenditures or sell assets or businesses at unanticipated times and/or at unfavourable prices or other terms, or to seek additional equity capital or to restructure or refinance its debt. There can be no assurance that such measures would be successful or would be adequate to meet debt and other obligations as they come due, or would not result in the company being placed in a less competitive position.

The general financial market conditions, stock exchange climate, interest level, the investors' interest in the company, the share price of the company, as well as a number of other factors beyond the company's control, may restrict the company's ability to raise necessary funds for future growth and/or investments. Thus, additional funding may not be available to the company or, if available, may not be available on acceptable terms. If the company is unable to raise additional funds as needed, the scope of its operations may be reduced and, as a result, the company may be unable to fulfil its long-term development programme, or meet its obligations under its contracts, which may ultimately be withdrawn or terminated for non-compliance. The company may also have to forfeit or forego various opportunities, curtail its growth and/or reduce its assets. This could have a material adverse effect on the company's business, prospects, financial condition, results of operations and cash flows, and on the company's ability to fund the development of its business.

The company is exposed to interest rate and liquidity risk associated with its borrowing portfolio and fluctuations in underlying interest rates

The company's long-term debt is primarily based on floating interest rates. An increase in interest rates can therefore materially adversely affect the company's cash flows, operating results and financial condition and make it difficult to service its financial obligations. The company has, and will in the future have, covenants related to its financial commitments. Failure to comply with financial obligations, financial covenants and other covenants may entail several material adverse consequences, including the need to refinance, restructure, or dispose of certain parts of, the company's businesses in order to fulfil the company's financial obligations and there can be no assurances that the company in such event will be able to fulfil its financial obligations.

Changes in foreign exchange rates may affect the company's results of operations and financial position

The company is exposed to market fluctuations in foreign exchange rates due to the fact that the company reports profit and loss and the balance sheet in USD. Revenues are in USD for oil and in GBP and EUR for gas, while operational costs and investments are in several other currencies in addition to USD. Moreover, taxes are calculated and paid in NOK. The company actively manages its foreign currency exposure through a mix of forward contracts and options, however significant fluctuations in exchange rates between USD and NOK could adversely affect the liquidity position of the company. The company expects to maintain its foreign exchange hedging activity in 2017.

The company is exposed to risk of counterparties being unable to fulfil their financial obligations

The company's partners and counterparties consist of a diverse group of companies with no single material source of credit risk. However, a general downturn in financial markets and economic activity may result in a higher volume of late payments and outstanding receivables, which may in turn adversely affect the company's business, operating results, cash flows and financial condition.

Events after the year-end closing of the accounts

On 16 January 2017, Aker BP announced year-end 2016 P50 reserves of 711 mmboe.

On 17 January 2017, Aker BP was offered 21 new licences, including 13 operatorships in the in the Awards in Pre-defined Areas (APA) 2016 licensing round.

On 7 February, Aker BP announced that development costs for Johan Sverdrup has been further reduced.

On 13 February, Aker BP announced an oil discovery at the Filicudi prospect in the Barents Sea.

On 17 February, Aker BP dispersed USD 62.5 million in dividends to shareholders

Outlook

The Board believes Aker BP is well positioned to take advantage of the challenges facing the industry. The company is benefitting from a diversified production base, a strong balance sheet and an attractive portfolio of high quality development projects.

Aker BP has established a strong platform for further value creation through an effective business model built on lean principles, strong technological competence and industrial cooperation to ensure safe and efficient operations. The company's first priority is to ensure the highest degree of safety in our operations. The company is working diligently with its improvement agenda in order to reduce costs and improve efficiency across all disciplines to enable sanctioning of new stand-alone projects at break-even prices below 35 USD/boe. The Board will closely monitor the company's improvement agenda going forward, which comprise reorganisation of the value chain, digitalisation, Lean and a flexible business model to sustain growth.

The Alvheim area will continue to be developed in 2017 by adding production from the Volund and Boa infill wells. Production is set to ramp up at Ivar Aasen throughout 2017 and concept selection for phase 2 of the Johan Sverdrup development is planned in the first half of 2017. With a breakeven price of under 25 USD/boe for the full field development, this field will generate great value and ensure solid cash flows for Aker BP for many decades to come.

The company has a visible organic growth path to production in excess of 270 mboepd from after 2023 (from both sanctioned and non-sanctioned projects), representing a compound annual growth rate of approximately 12 percent from 2016.

The company will have up to four drilling rigs in operation in 2017. Drilling operations include production drilling at Valhall and Ivar Aasen, infill drilling at Volund, Boa and Tambar and P&A activity at Valhall. During 2017, the company plans to drill seven exploration wells in total, four operated wells and three as partner. Aker BP plans to submit three PDO's during 2017, relating to the Valhall West Flank, Snadd and Storklakken projects.

Going forward, the company will pursue further growth opportunities both to enhance production and increase dividend capacity, while maintaining the highest standards of HSE. The ambition to sustain a dividend level of minimum USD 250 million in the medium term and to increase this level once Johan Sverdrup is in production, is reiterated.

The company has a robust balance sheet with USD 2.5 billion in available liquidity, providing the company with ample financial flexibility. Going forward, the company will work to improve the efficiency and effectiveness of its capital and debt structure.

The Board of Directors of Aker BP ASA

Akerkvartalet, 2 March 2017

Øyvind Eriksen, Chairman of the Board	**Anne Marie Cannon, Deputy Chair**
Bernard Looney, Board member	**Kjell Inge Røkke, Board member**
Trond Brandsrud, Board member	**Kate Thomson, Board member**
Gro Kielland, Board member	**Lone Olstad, Board member**
Bjørn Thore Ribesen, Board member	**Terje Solheim, Board member**
Karl Johnny Hersvik, Chief Executive Officer	

Reporting of payments to governments

This report is prepared in accordance with the Norwegian Accounting Act Section § 3-3 d) and Securities Trading Act § 5-5 a). It states that companies engaged in activities within the extractive industries shall annually prepare and publish a report containing information about their payments to governments at country and project level. The Ministry of Finance has issued a regulation (F20.12.2013 nr 1682 – "the regulation") stipulating that the reporting obligation only apply to reporting entities above a certain size and to payments above certain threshold amounts. In addition, the regulation stipulates that the report shall include other information than payments to governments, and it provides more detailed rules applicable to definitions, publication and group reporting.

This report contains information for the activity in the whole fiscal year 2016 for BP Norge AS, including the period before it became part of the Aker BP group.

The management of Aker BP has applied judgment in the interpretation of the wording in the regulation with regard to the specific type of payment to be included in this report, and on what level it should be reported. When payments are required to be reported on a project-by-project basis, it is reported on a field-by-field basis. Only gross amounts on operated licences are reported, as all payments within the licence performed by non-operators will normally be cash calls transferred to the operator and will as such not be payments to the government. Aker BP's activities within the extractive industries, are in all material respects located on the Norwegian Continental Shelf. Hence, the main part of the reported payments below is to the Norwegian government. However, part of the Ivar Aasen project has been conducted in Singapore and in 2016 there was a tax payment to Singapore Tax Authorities which is deemed to be in scope for this reporting.

Reporting of payments

The regulation's Section 2 no. 5 defines the different types of payments subject to reporting. In the following sections, only those applicable to Aker BP will be described.

Income tax

Norway

The income tax is calculated and paid on corporate level and is therefore reported for the whole company rather than licence-by-licence. The tax payments in 2016 of NOK 13 213 770 (including interest) are mainly related to adjustments from previous years. This number excludes tax refunds received in 2016.

Singapore

The tax payment related to the activity in the Singapore Branch for 2016 amounted to 490 858 Singapore Dollar.

CO_2 tax

CO_2 tax is to some extent included in the fuel price/rig rental paid to external rig companies. The CO_2 tax paid on the Alvheim field includes the fields tied in to the Alvheim FPSO (Vilje, Volund and Bøyla) as Alvheim performs the payment and charges the other fields via opex share.

Name of field/license	*CO_2 tax paid in 2016 (NOK)*
Alvheim	79 501 965
Hod	177 897
Valhall	11 106 568
Ula	66 317 194
Skarv	132 490 396
Total CO_2 paid	**289 594 020**

NOx

The company is member of the NOx fund and all NOx payments are made to this fund rather than to the government.

Area fee

The table below specifies the area fee paid by Aker BP on behalf of the different licences in 2016. Licenses of which the company has received net refund of area fee are not included in the figures.

Name of field/license	*Area fee paid in 2016 (NOK)*
Alvheim	10 960 000
Bøyla	4 110 000
Hod	4 120 000
Skarv	33 702 000
Tambar	4 521 000
Ula	4 040 000
Valhall	5 120 000
Vilje	762 005
Volund	1 781 000
PL 150B	449 180
PL 026B	680 000
PL 103B	1 370 000
PL 212B	3 151 000
PL 242	2 192 000
PL 261	21 372 000
PL 364	4 384 000
PL 442	12 330 000
PL 460	6 439 000
PL 539	5 604 411
PL 407	1 415 792
Total area fee paid	**134 257 388**

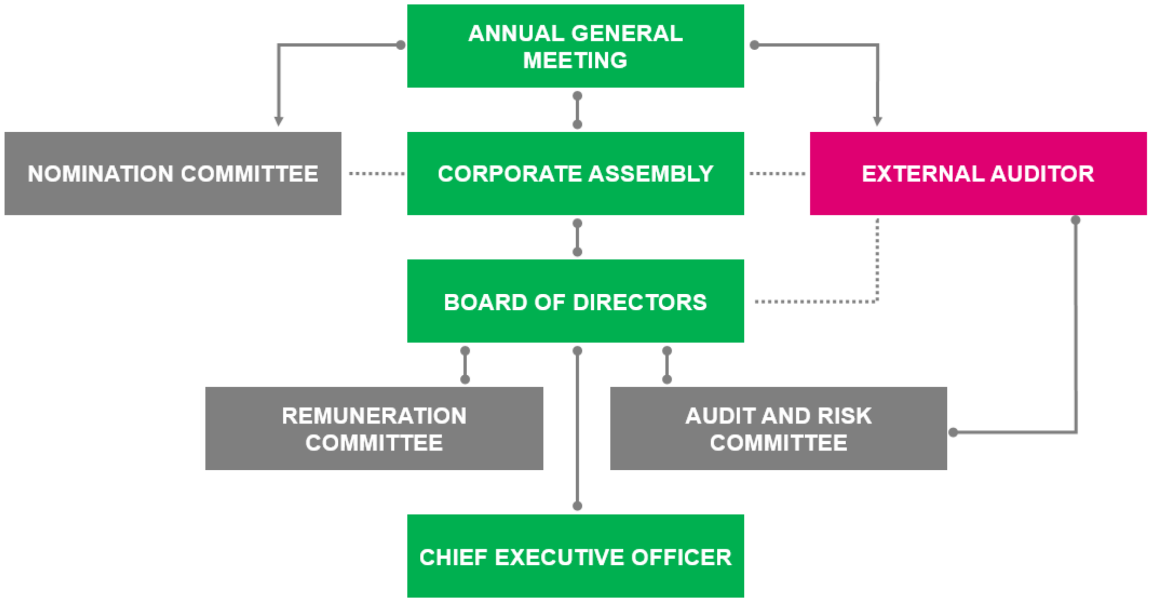
Other information required to be reported

When companies are required to report payments as the above, it is also mandatory to report on investments, sales income, production volumes and purchases of goods and services in the country in which companies have activities within the extractive industries. As mentioned above, Aker BP operates on the Norwegian Continental Shelf only. This reporting requirement is therefore deemed to be met by the financial statements as specified below:

- Total net investments amounted to USD 705 494 110 thousand, as specified in the cash flow analysis in the financial statements. This includes cash payments related to the acquisition of BP Norge AS.
- Sales income in 2016 amounted to USD 1 260 803 thousand, as specified in Note 8 to the financial statements
- Total production in 2016 was 28 343 036 barrels of oil equivalent, see Note 8 to the financial statements
- For information about purchases of goods and services, reference is made to the Income Statement and the related notes

THE BOARD OF DIRECTORS' REPORT ON CORPORATE GOVERNANCE

Aker BP ASA ('Aker BP') aims to ensure the greatest possible value creation to the shareholders and society over time in a safe and prudent manner. A good management and control model with a clear division of responsibility and roles between the owners, represented by the shareholders in the General Meeting, the Corporate Assembly, the Board of Directors and the corporate management is crucial to achieve this.



1. IMPLEMENTATION AND REPORTING ON CORPORATE GOVERNANCE

The Board of Aker BP is responsible for actively adhering to sound corporate governance standards.

Aker BP is a Norwegian public limited liability company (ASA), listed on the Oslo Børs and established under Norwegian laws. In accordance with the Norwegian Accounting Act, section 3-3b, Aker BP includes a description of principles for corporate governance as part of the Board of Directors' Report in the annual report or alternatively makes a reference to where this information can be found.

The Norwegian Corporate Governance Board (NCGB) has issued the Norwegian Code of Practice for Corporate Governance ("the Code"). The Code can be found on www.nues.no. Adherence to the Code is based on the "comply or explain" principle, which means that a company must comply with all the recommendations of the Code or explain why it has chosen an alternative approach to specific recommendations.

Oslo Børs requires listed companies to publish an annual statement of their policy on corporate governance in accordance with the Code in force at the time. Continuing obligations for companies listed at Oslo Børs is available at www.oslobors.no.

Aker BP complies with applicable laws and regulations. Aker BP complies with the current edition of the Code, issued on 30 October 2014, unless otherwise specifically stated. The following statement on corporate governance is structured the same way as the Code, thus following the 15 chapters included in the Code.

The vision for Aker BP is "Creating the leading independent offshore E&P company". The following values are adopted by the company:

- ENQUIRING - We are curious and aiming for new and better solutions.
- RESPONSIBLE - We put safety first and strive to create value for our owners and for society.
- PREDICTABLE - We build trust and reputation through reliability and consistent behaviour.
- COMMITTED - We are committed to each other, the company and society.
- RESPECTFUL - We have high ethical standards. We have respect for those we work with and value diversity.

The company has adopted a Code of Ethics to ensure that employees, hired personnel, consultants and others acting on behalf of Aker BP, do so in a consistent manner with respect to ethics and good business practice. The Code of Ethics clarifies the company's fundamental ethical values including corporate social responsibility and is a guideline for those making decisions on behalf of the company.

The company shall demonstrate responsibility through actions, the quality of its work, the projects and products and all its activities. The company's ambition is that business activities shall integrate social, ethical and environmental goals and measures. As a minimum, Aker BP will comply with laws, regulations and conventions in the areas where the company operates, but the established set of ethical guidelines extends beyond such compliance. Established procurement procedures secure non-discrimination and transparency in the procurement processes. It is also stated in the Code of Ethics that any form of corruption is not tolerated.

In addition, the company has a sponsorship programme to promote the company and its activities. Guidelines for the use of sponsorships are included in the Code of Ethics. Aker BP supports measures that are directly related to the company's business as an oil company, measures that provide significant exposure and measures that can be for the benefit of the employees. Information about ongoing sponsorships are available on the website: http://www.akerbp.com/en/about-us/csr/sponsorships/.

The company shall achieve its goals in accordance with the adopted Code of Ethics, which are available on the website http://www.akerbp.com/en/about-us/code-of-ethics/.

Deviations to the code: None

2. BUSINESS

According to Aker BP's Articles of Association article 3, its objective is "to carry out exploration for and recovery of petroleum and activities related thereto, and, by subscribing for shares or by other means, to participate in corresponding businesses or other business, alone or in cooperation with other enterprises and interests". Further information about the Articles of Association is available at: http://www.akerbp.com/en/investor/corporate-governance/articles-of-association/.

Through an annual strategy process, the Board defines and evaluates the company's goals and main strategies. Together with the company's financial status, these goals are communicated to the market.

It is Aker BP's objective to build up a substantial and profitable oil and gas production company over time. In order to achieve this objective, the company will take part in exploration, development and production activities and be opportunistic in its approach to buying and selling interests in fields and discoveries.

Deviations to the code: None

3. EQUITY AND DIVIDENDS

The Board seeks to optimize the company's capital structure by balancing risk, return on equity against lenders' security and liquidity requirements. The company aims to have a good reputation in all debt and equity markets. The Board continuously evaluates the company's capital structure, ensuring an optimal and diversified capital and debt structure. This is a key priority for the Board. This involves monitoring available funding sources and related cost of capital.

At year-end 2016, the company's book equity was USD 2.45 billion, which represents 26 per cent of the balance sheet total of USD 9.26 billion. The market value of the company's equity was USD 6.1 billion (NOK 52.2 billion) on 31 December, 2016. Equity was significantly strengthened during 2016 following the merger with BP Norge AS and is considered to be adequate for the company's operations and risk profile.

It is the company's goal that over time, Aker BP's shareholders shall receive a competitive return on their investment through increase in the share price and cash dividend. In December 2016, the company paid its first quarterly dividend of USD 0.185 per share. The current dividend policy is to sustain a minimum dividend level of USD 250 million per year going forward, payable quarterly and to increase this level once Johan Sverdrup is in production.

The financial liquidity is considered to be good. At 31 December 2016, the company's cash and cash equivalents were USD 115 million. In addition, available undrawn amount on credit facilities were about USD 2.4 billion.

In April, the Annual General Meeting (AGM) authorized the Board to increase the share capital by a maximum of NOK 20,261,860, representing up to 10 per cent of the total share capital at the time of such meeting. As of 31 December 2016, the mandate had not been used.

The AGM in April 2016 provided the Board a mandate to re-purchase company shares equivalent to up to 10 per cent of the total share capital at the time of such meeting. In September 2016, at an extraordinary General Meeting where inter alia the share capital of the Company was increased, the authorization to the Board to re-purchase company shares from the AGM was replaced with a new authorization granting the Board the right to repurchase shares with a nominal value of maximum of NOK 33,773,707, representing up to 10 per cent of the total share capital after the increase in the share capital. The mandate is valid until the AGM meeting in 2017. As of 31 December 2016, the mandate has not been used.

Deviations to the code: None

4. EQUAL TREATMENT OF SHAREHOLDERS AND TRANSACTIONS WITH CLOSELY RELATED PARTIES

The company has one class of shares, and all shares carry the same rights.

When the company considers it to be in the best interest of shareholders to issue new equity there is a clear objective to limit the level of dilution. Aker BP will carefully consider alternative financing options, its overall capital structure, the purpose and need for new equity, the timing of such an offering, the offer share price, the financial market conditions and the need for compensating existing shareholders in the event that pre-emption rights are waived. Arguments for waiving pre-emption rights will be clearly stated.

In the event that the Board decides to use its current authorization to re-purchase company shares, the transactions will be carried out through the stock exchange or at prevailing stock exchange prices if carried out in any other way.

In June 2016, Det norske oljeselskap and BP Norge AS entered into an agreement to merge through a share purchase transaction. As part of the transaction, Det norske issued 135.1 million shares based on NOK 80 per share to BP as compensation for all shares in BP Norge AS, which was in line with the market valuation prior to announcement of the transaction. The Board obtained an independent third-party valuation in relation to the transaction.

As per 31 December 2016, Aker Capital AS owned 40.0 per cent of Aker BP. Aker Capital AS is a wholly-owned subsidiary of Aker ASA. Following the merger with BP Norge AS, Aker ASA de-consolidated Aker BP and started to account for Aker BP in accordance with the equity method.

Aker BP is committed to equal treatment of all shareholders. The Board is of the view that it is positive for Aker BP that Aker ASA and BP plc assume the role of active owners and are actively involved in matters of major importance to Aker BP and to all shareholders. The cooperation with Aker ASA and BP plc offers Aker BP access to expertise- and resources within upstream business activities, technology, strategy, transactions and funding. It may be necessary to offer Aker ASA and BP plc special access to commercial information in connection with such cooperation. Any information disclosed to Aker ASA's and BP plc's representatives in such a context will be disclosed in compliance with the laws and regulations governing the stock exchange and the securities market.

Applicable accounting standards and regulations require Aker ASA and BP plc to prepare their consolidated financial statements to include accounting information of Aker BP. Aker BP is considered an associate of Aker ASA and BP plc under the applicable accounting standard. In order to comply with these accounting standards, Aker ASA and BP plc have in the past received, and will going forward receive, unpublished accounting information of Aker BP. Such distribution of unpublished accounting information from Aker BP to Aker ASA and BP plc is executed under strict confidentiality and in accordance with applicable regulations on the handling of inside information.

The Board recognizes Aker ASA's and BP plc's contribution as a active shareholders. Investor communication seeks to ensure that any shareholders are able to contribute, and management will actively seek the views of shareholders. Investor activities are also directed at promoting higher stock liquidity to balance a shareholder structure with many long-term investors.

Aker BP has no closely related parties, as defined in the Public Limited Liability Company Act ("Almennaksjeloven"). The company has nevertheless established procedures for transactions with such parties and also extended these to include Aker ASA. The Board of directors and executive management are nevertheless very conscious that all relations with Aker ASA and BP p.l.c, its subsidiaries and other companies in which Aker ASA or BP p.l.c have ownership interests, shall be premised on commercial terms and are entered into on an arm's-length basis. Transactions with Aker and BP controlled companies are described in the financial statements' disclosure about transactions with related parties.

The company's employees are prohibited from engaging in financial activities of a potentially competitive nature in relation to Aker BP. The company's Code of Ethics provides clear guidelines as to how employees and representatives of the company's governing bodies should act in situations where there is a risk of conflicts of interest and partiality.

Deviations to the code: None

5. FREELY NEGOTIABLE SHARES

Aker BP's shares are freely negotiable securities, and the company's Articles of Association do not impose any form of restriction on their negotiability.

The company's shares are listed on the Oslo Børs and the company works actively to attract the interest of new shareholders, both Norwegian and foreign investors. Strong liquidity in the company's shares is essential if the company is to be viewed as an attractive investment and thus achieve a low cost of capital.

Deviations to the code: None

6. GENERAL MEETINGS

The General Meeting of shareholders is the company's highest authority. The Board strives to ensure that the General Meeting is an effective forum for communication between the shareholders and the Board, and encourages shareholders to participate in the meetings.

The Board can convene an extraordinary General Meeting at any time. A shareholder or a group holding at least five per cent of the company's shares, can request an extraordinary General Meeting. The Board is then obliged to hold the meeting within one month of receiving the request.

Preparation for General Meetings

The AGM is normally held before the end of April each year, and no later than the end of June, which is the latest date permitted by the Public Limited Liability Companies Act. The date of the next AGM is normally included in the financial calendar.

The notice of a General Meeting is sent to the shareholders and published on the company's website and the stock exchange no later than 21 days prior to the meeting.

Article 7 in the company's Articles of Association, about the General Meeting, stipulates that documents concerning matters to be considered by the General Meeting, will be made available to the shareholders on the company's website. This also applies to documents that are required by law to be included in or enclosed with the notice of the General Meeting.

The supporting documentation provides the necessary information for shareholders to form a view on the matters to be considered.

Participation in a General Meeting

According to Article 7 in the Articles of Association, the right to attend and vote at the General Meeting can only be exercised when the share transaction is introduced in the shareholder register no later than the fifth business day prior to the General Meeting (registration date).

Shareholders who are unable to attend a General Meeting are encouraged to vote by proxy. A form for the appointment of a proxy, which allows separate voting instructions to be given for each matter to be considered by the meeting are included in the notice. The deadline for registration is set as close as possible to the date of the meeting, normally the day before.

Conduct of a General Meeting and agenda for AGM

The Board proposes the agenda for the AGM. The main agenda items are determined by the requirements of the Public Limited Liability Companies Act and Article 7 in the company's Articles of Association.

At the AGM in April 2017, the Board will nominate an independent person who can vote on behalf of the shareholders as their authorized representative. Shareholders may cast their votes in writing, including by means of electronic communication, in a given period prior to the General Meeting. Appropriate arrangements are made for shareholders to vote separately on candidates nominated for election to the company's corporate bodies.

Aker BP's General Meetings are normally chaired by the Chair of the Corporate Assembly, or a person appointed by the Chair of the Corporate Assembly. If there is reason to perceive the Chair of the Corporate Assembly as being personally conflicted in respect of any matters then another person will be appointed to chair the meeting.

The Code states that it is appropriate that all members of the Board should attend General Meetings. Representatives from the Board, the nomination committee, the auditor and the executive management will attend the AGM. However, given the geographic distribution of the people, it is normal that some of these bodies may not be able to attend the AGM.

Minutes of General Meetings are published on the company's website and through a stock exchange announcement.

Deviations from the code: The code recommends that all members of the Board are present at the General Meeting and that all members of the Nomination Committee should attend the AGM. Due to the nature of discussions at General Meetings, Aker BP has not deemed it necessary to require all Board members and nomination committee members to be present.

7. NOMINATION COMMITTEE

Article 8 in the company's Articles of Association stipulates that the Nomination Committee shall consist of three members elected by the General Meeting. It also stipulates that the majority of the members shall be independent of the Board and the executive management and that the members shall be elected for a period of two years at a time. The committee's remuneration is determined by the General Meeting.

At the AGM in April 2016, Finn Haugan and Hilde Myrberg were re-elected as members of the Nomination Committee for two years. Arild Støren Frick was elected as the Chair of the Nomination Committee in 2015. No members of the committee are members of executive management or the Board of Aker BP.

The Nomination Committee should be composed in such a way that it represents a wide range of shareholders' interests. It should also be strived for both genders being represented in the committee. The Nomination Committee's duties are also stated by Article 8 in the Articles of Association. The committee shall propose candidates for - and remuneration to - the Board of Directors and the Nomination Committee and justify its recommendation.

Shareholders have an opportunity to submit proposals to the committee. The electronic mailbox for submitting proposals to the committee, with deadlines for submitting proposals where such apply, is accessible through our website at http://www.akerbp.com/proposecandidate/.

Deviations from the code: None

8. CORPORATE ASSEMBLY AND BOARD OF DIRECTORS: COMPOSITION AND INDEPENDENCE

The Corporate Assembly consists of twelve members, with eight members elected by the General Meeting and four elected by and among the employees. The Corporate Assembly's composition secures a broad representation from the company's shareholders. It is the responsibility of the Corporate Assembly to elect directors and the Chairman of the Board. In addition, the Corporate Assembly shall supervise the Board of Director's and CEO's administration of the company.

The Board of Aker BP consisted of ten members as of 31 December 2016. The company's Articles of Associations, Article 5, stipulates that the Board shall consist of between five and ten members and the members shall be elected for a period of up to two years.

Among the shareholder-elected board members, two (Kjell Inge Røkke and Øyvind Eriksen) are affiliated with the company's largest shareholder Aker ASA. Deputy Chair Anne Marie Cannon is a member of the Board of Directors for Aker ASA. Among the shareholder-elected board members, two (Bernard Looney and Kate Thomson) are affiliated with the company's second largest shareholder BP plc. All other Board members are considered independent of the company's two main shareholders, as well as of the company's material business contacts. All Board members are considered independent of the company's executive personnel.

In 2016, the Board has conducted a total of 13 Board meetings. Participation was 95 percent.

The Board composition ensures alignment of interests with all shareholders and members of the Board are encouraged to own shares in the company. It is the Board's view that the Board collectively meets the need for expertise, capacity and diversity. Board members possess strong experience from banking and finance, oil and gas sector in general, and reservoir engineering, exploration and field development in particular.

An overview of the expertise of the Board members is available on the website: http://www.akerbp.com/en/about-us/board-of-directors/.

Deviations from the code: None

9. THE WORK OF THE BOARD OF DIRECTORS

The Board has adopted a yearly plan for its activities. The Board has authority over and is responsible for supervising the company's business operations and management. The Board handles matters of major importance, or of an extraordinary nature and may in addition require management to refer any matter to it. The Board's objectives are to create value for the company's shareholders in both the short and long term and to ensure that Aker BP fulfils its obligations at all times. An important task for the Board is to appoint the CEO and while the CEO is responsible for the day-to-day management of the company's business activities, the Board acknowledges its responsibility for the overall management of the company. The Board is responsible for:

A. Drawing up strategic plans and supervising these through regular reporting and reviewing,

B. Identifying significant risks to Aker BP's activities and establishing appropriate systems to monitor and manage such risks,

C. Ensuring that shareholders have access to timely and correct information about financial circumstances and important business-related events in accordance with relevant legislation, and

D. Ensuring the establishment and securing the integrity of the company's internal control and management systems.

The Board recognizes the significant risks associated with the operations. Consequently, the Board has dedicated significant resources and time to understand and discuss not only general risks facing an E&P company, but also inherent risks connected to organization, culture and leadership. For a company like Aker BP, the Board views the risks in taking on an operated development project and meeting the required financing for its entire portfolio as well as taking on operated assets, to be among the most significant risks. Accordingly, this is where the mitigating efforts are concentrated.

The work of the Board is based on the rules of procedure describing the Board's responsibility including division of roles between the Board and the CEO. There are specific instructions to guide the work of the CEO. The CEO, CFO and the company secretary attend all board meetings. Other members of the company's executive management attend the board meetings per invitation and as necessary due to specific matters. If the Chair of the Board has been personally involved in matters of a material character, the Deputy Chair takes over the tasks of the chair directing the Board's work in the specific matter.

Considering the size of the company and the scope of its activities, the Board finds it appropriate to keep all board members informed about all board matters, except for cases where Board members may have conflicting interests with the company. The Board did not carry out a formal evaluation of its own performance for 2016, as recommended by the Code, due to the fact that there was a new Board composition following the merger with BP Norge and the Board thought it to be beneficial to allow the new Board more time before such a formal evaluation.

Audit and Risk Committee

The Board has established an Audit and Risk Committee consisting of the following board members:

- Trond Brandsrud, Chair
- Anne Marie Cannon
- Kate Thomson

All members are independent of the company's executive management. Anne Marie Cannon sits on the Board of Directors in Aker ASA, the largest shareholder in Aker BP and Kate Thomson is Group Treasurer with BP plc.

The Chair of the Audit and Risk Committee is considered to have experience and formal background qualifying as "financial expert" according to the requirement stated in the Public Limited Liability Company Act. Trond Brandsrud is Group Chief Financial Officer in Lindorff. Until 2015, he was the Chief Financial Officer of Aker ASA, he has been Chief Financial Officer in Seadrill, and he has held several leading financial positions in Shell for 20 years, both in Norway and globally. The Audit and Risk Committee holds regular meetings and reviews the quality of all interim and annual reports before they are reviewed by the Board of Directors and then published. In 2016, the committee held 9 meetings. The company's auditor works closely with the Audit and Risk Committee on a regular basis. The committee also oversees the company's financial risk management and monitors and reviews the company's business risk The management and the Audit and Risk Committee evaluate the risk management on financial reporting and the effectiveness of established internal controls. Identified risks and effects of financial reporting are discussed on a quarterly basis. Oversight of HSE risk related to Aker BP operations is retained directly by the main board.

All meetings in conjunction with quarterly reporting and accounts have taken place together with the company's auditor. It is the view of the committee that cooperation between the auditor and executive management is good. The Audit and Risk Committee has worked together with executive management and the auditor to improve the internal control environment according to the COSO (Committee of Sponsoring Organizations of the Treadway Commission) framework over the last years.

Compensation and Organizational Development Committee

Also, the Board has a Compensation and Organizational Development Committee consisting of the following three board members:

- Øyvind Eriksen, Chair
- Gro Kielland
- Terje Solheim

The Compensation and Organizational Development Committee is established to ensure that remuneration arrangements support the strategy of the business and enable the recruitment, succession planning and leadership development, and motivation and retention of senior executives while complying with the requirements of regulatory and governance bodies, satisfying the expectations of shareholders and remaining consistent with the expectations of the wider employee population.

In addition to the Audit and Risk Committee and Compensation and Organizational Development Committee, the Board may appoint various ad hoc sub-committees when required, with a limited timeframe and scope. The sub-committees authority is limited to prepare items and make recommendations to the Board.

Deviations from the code: None

10. RISK MANAGEMENT AND INTERNAL CONTROL

Risk Management

Appropriate internal control and risk management contributes to the transparency and quality reporting for the benefit of the company and the shareholders' long-term interests and the operational challenges as an operator on the Norwegian Continental Shelf. The company works continuously and systematically with risk management, both at the overall company level as well as on the operational level. Aker BP's operational activities are limited to Norway and are subject to Norwegian regulations. All activities taking place in a production licence are subject to supervision and audits from authorities, such as the Petroleum Safety Authority Norway (Norwegian PSA), the Norwegian Environment Agency, as well as from the licence partners.

To further ensure that Aker BP's management system is in alignment with standards and best practice within the industry, Aker BP has identified specific areas for further improvements in 2017. These processes are stated in the company's Health, Safety, Environment and Quality (HSEQ) plan and internal audits and verifications plan for 2017.

The Board considers risk in the context of growing a sustainable business while meeting governance, safety and accountability expected by all of its stakeholders. The top risks are presented and discussed in both the Board and the Audit and Risk Committee on at least a quarterly basis.

Aker BP's management system provides a good basis for monitoring and managing the company's activities. A new Safety and Environmental Assurance Committee was created in 2016 to provide a forum for regular executive level review of HSE performance and risk management.

During the integration process between BP Norge AS and Det norske oljeselskap ASA, Aker BP designed a new process-based Business Management System (BMS). The system consists of a cultural framework and a structural framework. The structural framework consists of twelve common governing models, the asset value chain and a set of technical support and business support process areas. Several areas have been or are currently being detailed out in work process flows, rather than written procedures, an activity that will continue during 2017 to cover all process areas.

The redesigned Risk Governance model is one of the common governing models, and based on IEC risk standard also referred to from the Norwegian PSA. The purpose of the process is to enable the company to maximise opportunities, minimise threats and optimise achievements of business objectives. We address and manage risk across silos throughout the asset value chain. One common way of working supported by a common infrastructure enables holistic risk management on all levels.

The risk matrix for threats and opportunities has been redesigned during the integration period and now forms an integrated overview of Aker BP's activity set. The matrix has been approved as the company tool and framework of the executive management team (EMT) and the risk picture for the business units (BU's), EMT and the Board of Directors have been defined. The forward process is now to align the risk picture for the assets and projects with this redesigned process. The rollout of the new risk tool and –process will be one of the key activities for the 2017 plan.

The company's risk response includes monitoring of developing risks through constant analysis and engagement with operational management. It also includes, when appropriate, consultation with external advisors in order to mitigate risk to as great an extent as possible.

Internal control for financial reporting

Aker BP has established a framework for Internal Control for Financial Reporting based on COSO (Committee of Sponsoring Organizations of the Treadway Commission) and is operationalized as follows:

- Internal Control Environment
- Objective setting
- Event Identification and Risk Assessment
- Risk Response and Control Activities
- Information and communication
- Monitoring

The established framework is an integrated part of the company's management system. The company's internal control environment is characterized by clearly defined responsibilities and roles between the Board of Directors, Audit and Risk committee and management. The implemented procedure for financial reporting is integrated with the company's management system, including ethical guidelines that describe how the representatives of the company must act.

The company has established processes, procedures and controls for financial reporting, which are appropriate for an exploration and production company. The company's documented procedures enable:

- Effective and appropriate identification of risks
- Measurement of compliance against procedures

- Sufficient segregation of duties
- Provision of relevant, timely and reliable financial reporting that provides a fair view of Aker BP's business
- Prevention of manipulation/fraud of reported figures
- Compliance with all relevant requirements of IFRS

A risk assessment related to financial reporting is performed and documented by the management. Risk assessments are monitored by the Audit and Risk Committee on a quarterly basis as part of the quarterly reporting process. The Board of Directors approves the overall risk assessment related to financial reporting on an annual basis. In 2016, the following main risk areas were identified related to financial reporting:

- Business combination with BP Norge AS – Complexity in purchase price allocation following the acquisition
- Impairment of goodwill, tangible and intangible assets – There is a risk that fair value declines are not identified and recorded in an appropriate manner
- Tax – Complexity in tax regulations and calculation entail risk of error in financial reporting
- Fixed assets – Large investments and risk related to cost overruns, fraud and measuring progress.
- Transformation to become an even larger exploration and production company – There is a risk that the company does not have adequate procedures and systems for financial and reserves reporting
- Asset retirement obligation - There is a risk of errors in the estimates and calculations during the ARO process

The company seeks to communicate transparently on its activities and its financial reporting which is made after significant interaction with management responsible for exploration, development and production activities in the business.

Key events that may affect the financial reporting are identified and monitored continuously. An "Issue list" is established to address possible accounting and tax effects of events and activities. Both the auditor and the Audit and Risk committee review the "Issue list" at least on a quarterly basis.

The Finance Department monitors the compliance with established procedures and reports any material deviations to the Audit and Risk Committee. It also identifies actions to improve procedures and conducts a self-assessment of its performance against objectives, which are then presented and discussed with the Audit and Risk committee. 2016 has been a transitional year due to the merge with BP Norge AS. One of the goals for 2017 is to develop a new accounting system and fully integrate the previous BP Norge AS in this system and maintain the best of internal control environment from both companies. The current plan is to go-live with the new accounting system Q1 2018.

In 2017, Aker BP will continue to focus on improvements of internal controls. The internal control environment will be evaluated and strengthen as part of implementation of a new Business Management system and through developing a new SAP solution for Aker BP.

Deviations from the code: None

11. REMUNERATION OF THE BOARD OF DIRECTORS

The remuneration of the board members is not performance-based, but based on a fixed annual fee. None of the shareholder-elected board members have pension schemes or termination payment agreements with the company. Information about all remuneration paid to individual board members is provided in Note 9 to the annual accounts.

The Corporate Assembly decides the remuneration of the Board and the sub-committees. The Nomination Committee proposes the remuneration of the Board to the Corporate Assembly and ensures that it reflects the responsibility of its members and the time spent on board work. The Board must approve any board member's consultancy work for the company and remuneration for such work. No such work was carried out during 2016.

Deviations from the code: None

12. EXECUTIVE REMUNERATION

The Board makes guidelines for executive remuneration, including the CEO's remuneration and other terms and conditions of employment. Note 9 to the annual accounts contain details about the remuneration of the Board and

EMT, including payroll, bonus payments and pension expenses.

The bonus for all employees except EMT is capped at two months' salary. Total bonus level is determined by a combination of company-wide key performance indicators (KPIs), KPIs specific to each employee's BU and employee's performance.

Members of EMT have individual KPIs to determine a maximum bonus potential varying from 40 per cent to 100 per cent of their base salary. In addition, certain members of the EMT participate in a three-year incentive program started in 2015 linked to the relative performance of the Aker BP share price versus a benchmark index consisting of the average of the Oslo Stock Exchange Energy Index and the Stoxx 600 Europe Oil & Gas index. Total payment in 2018 is capped at 60 per cent of the executive manager's annual base salary or a monetary amount

The pension scheme continued to be a defined contribution plan capped at twelve times the National Insurance scheme basic amount (12G) for all employees including the executive management.

Deviations from the code: None

13. INFORMATION AND COMMUNICATION

Aker BP maintains a proactive dialogue with analysts, investors and other stakeholders of the company. The company strives to continuously publish relevant information to the market in a timely, effective and non-discriminatory manner, and has a clear goal to attract both Norwegian and foreign investors and to promote higher stock liquidity.

All stock exchange announcements are made available on the Oslo Børs website, www.newsweb.no, as well as the company's website (www.akerbp.com) at the same time. The announcements are also distributed to news agencies and other online services.

Aker BP publishes its preliminary annual accounts by the end of February, as part of its fourth quarter report. The complete annual report, including approved and audited accounts and the Board of Directors' Report, is available no later than three weeks before the AGM. Information sent to shareholders is published on the web site simultaneously.

The company's financial calendar for the coming year is published as a stock exchange announcement and made available on the company's website no later than 31 December each year, in accordance with the continuing obligations for companies listed at the Oslo Børs.

Aker BP holds open presentations in connection with the publication of the company's quarterly results in addition to an annual capital markets day. The presentations are webcasted for the benefit of investors who are prevented from attending or do not wish to attend the presentations. At the presentations, the executive management review and comment on the published results, market conditions and the company's future activities.

The company's management gives high priority to communication with the investor market. Individual meetings are organized for a wide range of existing and potential new investors and analysts. The company also attends relevant industry and investor conferences.

Aker BP will reduce its contacts with analysts, investors and journalists in the final two weeks before publication of its results. During this period, the company will limit meetings with investors and analysts, and will give no comments to the media or other parties about the company's results and future outlook. This is to ensure that all interested parties in the market are treated equally.

Deviations from the code: None

14. TAKEOVERS

The Board has established a separate set of guidelines for how it will act in the event of a takeover bid, as recommended by the Code. The overriding principle for review of a takeover bid is equal treatment of the shareholders. The principles are based on the Board of Directors and management having an independent responsibility for fair and equal treatment of the shareholders in a takeover process, and that the day-to-day operations of the company are not unnecessarily disturbed. It is management's responsibility to ensure that the Board of Directors is made aware of any potential takeover bid, while the Board of Directors is responsible for ensuring that shareholders are kept informed and are given reasonable time to consider the offer.

Unless the Board of Directors has particular reason, it will not take steps to prevent or obstruct a takeover bid for the company's shares, nor hinder the progress of the bid without approval from the shareholders.

If an offer is made for Aker BP's shares, the Board of Directors should make a statement to the shareholders that contains an assessment of the bid, the Board of Directors' recommendations and the reason for the recommendation. If the Board of Directors is unable to make a recommendation to the shareholders, the Board of Directors shall explain its reasoning for this.

Transactions that have the effect of a sale of the company or a major part of it must be decided on by the shareholders at shareholders' meeting.

Deviations from the code: None

15. AUDITOR

The AGM elects the auditor and approves the auditor's fee. The Board of Directors will meet with the auditor regularly without representatives of the company management being present, to review internal control procedures and discuss any weaknesses and proposals for improvement. The auditor participates in board meetings to discuss the annual accounts.

The auditor participates in all meetings with the Audit and Risk Committee and meets the Audit and Risk Committee without the company's management being present. The auditor submits the main features of the plan for the annual audit of the company to the Audit and Risk Committee annually. The auditor's independence in relation to the company is evaluated annually. A complete auditor evaluation was done by the audit committee for 2016. The auditor may carry out certain audit related or non-audit services for the company, providing these are not in conflict with its duties as auditor. The company has established an audit and non-audit service policy.

In the annual financial statements, the auditor's remuneration is split between the audit fee and fees for other services. In the presentation to the AGM, the chair presents the breakdown between the audit fee and fees for other services.

Deviations from the code: None

FINANCIAL STATEMENTS 2016

FINANCIAL STATEMENTS WITH NOTES

OVERVIEW OF THE FINANCIAL STATEMENTS AND NOTES

Income statement
Statement of comprehensive income
Statement of financial position
Statement of changes in equity
Statement of cash flow
Notes to the accounts
Note 1 Summary of IFRS accounting principles
Note 2 Major transactions and key event
Note 3 Business combination
Note 4 Overview of subsidiaries
Note 5 Segment information
Note 6 Exploration expenses
Note 7 Inventory
Note 8 Income
Note 9 Remuneration and guidelines for remuneration of senior executives and the Board of Directors, and total payroll expenses
Note 10 Auditors fee
Note 11 Financial items
Note 12 Taxes
Note 13 Earnings per share
Note 14 Tangible assets and intangible assets
Note 15 Impairments
Note 16 Accounts receivable
Note 17 Other short-term receivables
Note 18 Other non-current assets
Note 19 Cash and cash equivalents
Note 20 Share capital and shareholders
Note 21 Long-term bonds
Note 22 Provision for abandonment liabilities
Note 23 Derivatives
Note 24 Other interest-bearing debt
Note 25 Other current liabilities
Note 26 Lease agreements, capital commitments, guarantees and contingent liabilities
Note 27 Transactions with related parties
Note 28 Financial instruments
Note 29 Investments in joint operations
Note 30 Classification of reserves and contingent resources (unaudited)
Note 31 Events after the balance sheet date
Statement by the Board of Directors and Chief Executive Officer
Alternative performance measures
Independent Auditor's Report

INCOME STATEMENT

1 January - 31 December (USD 1 000)	Note	Group 2016	Group 2015	Parent company 2016	Parent company 2015
Petroleum revenues		1 260 803	1 158 683	1 129 939	1 158 683
Other income		103 326	63 119	-12 242	63 119
Total income	8	1 364 129	1 221 802	1 117 697	1 221 802
Exploration expenses	6	147 453	76 404	138 878	76 404
Production costs		226 818	141 000	166 219	141 000
Depreciation	14	509 027	480 959	495 876	480 959
Impairments	14, 15	71 375	430 468	71 375	430 468
Other operating expenses		21 993	51 608	24 549	51 608
Total operating expenses		976 665	1 180 438	896 897	1 180 438
Operating profit/loss		387 464	41 364	220 800	41 364
Interest income		5 795	3 098	5 516	3 098
Other financial income		42 871	65 385	64 068	65 385
Interest expenses		82 161	82 774	89 438	82 774
Other financial expenses		63 515	140 679	81 101	140 679
Net financial items	11	-97 011	-154 971	-100 955	-154 971
Profit/loss before taxes		290 453	-113 607	119 844	-113 607
Taxes (+)/tax income (-)	12	255 482	199 045	84 874	199 045
Net profit/loss		34 971	-312 652	34 971	-312 652
Weighted average no. of shares outstanding and fully diluted		236 582 807	202 618 602	236 582 807	202 618 602
Earnings/loss(-) after tax per share	13	0.15	-1.54	0.15	-1.54

STATEMENT OF COMPREHENSIVE INCOME

1 January - 31 December (USD 1 000)	Note	Group 2016	Group 2015	Parent company 2016	Parent company 2015
Profit/loss for the period		34 971	-312 652	34 971	-312 652
Items which will not be reclassified over profit and loss (net of taxes)					
Currency translation adjustment		-59	-	-59	-
Actuarial gain/loss pension plan		-	17	-	17
Total comprehensive income attributable to equity holders of the parent company		34 911	-312 636	34 911	-312 636

STATEMENT OF FINANCIAL POSITION

		Group		Parent company	
(USD 1 000)	Note	31.12.2016	31.12.2015	31.12.2016	31.12.2015
ASSETS					
Intangible assets					
Goodwill	14	1 846 971	767 571	1 846 971	762 159
Capitalized exploration expenditures	14	395 260	289 980	395 260	289 980
Other intangible assets	14	1 332 813	648 030	1 332 813	638 983
Tangible fixed assets					
Property, plant and equipment	14	4 441 796	2 979 434	4 441 796	2 979 126
Financial assets					
Long-term receivables		47 171	3 782	47 171	3 782
Other non-current assets	18	12 894	12 628	1 932 014	230 317
Total non-current assets		8 076 905	4 701 425	9 996 025	4 904 347
Inventories					
Inventories	7	69 434	31 533	69 434	31 533
Receivables					
Accounts receivable	16	170 000	85 546	170 000	85 546
Other short-term receivables	17	422 932	105 190	422 932	99 221
Other current financial assets		-	2 907	-	2 907
Tax receivables	12	400 638	126 391	139 443	108 393
Short-term derivatives	23	-	45 217	-	45 217
Cash and cash equivalents					
Cash and cash equivalents	19	115 286	90 599	115 286	79 299
Total current assets		1 178 290	487 384	917 096	452 117
TOTAL ASSETS		9 255 196	5 188 809	10 913 121	5 356 464

STATEMENT OF FINANCIAL POSITION

(USD 1 000)	Note	Group 31.12.2016	Group 31.12.2015	Parent company 31.12.2016	Parent company 31.12.2015
EQUITY AND LIABILITIES					
Equity					
Share capital	20	54 349	37 530	54 349	37 530
Share premium		3 150 567	1 029 617	3 150 567	1 029 617
Other equity		-755 709	-728 121	-755 709	-728 121
Total equity		2 449 207	339 026	2 449 207	339 026
Non-current liabilities					
Deferred taxes	12	1 045 542	1 356 114	1 045 542	1 444 386
Long-term abandonment provision	22	2 080 940	412 805	2 080 940	412 805
Provisions for other liabilities		218 562	1 638	218 562	1 638
Long-term bonds	21	510 337	503 440	510 337	503 440
Other interest-bearing debt	24	2 030 209	2 118 935	2 030 209	2 118 935
Long-term derivatives	23	35 659	62 012	35 659	62 012
Current liabilities					
Trade creditors		88 156	51 078	88 156	48 681
Accrued public charges and indirect taxes		39 048	9 060	39 048	8 639
Tax payable	12	92 661	-	92 661	-
Short-term derivatives	23	5 049	13 506	5 049	13 506
Short-term debt to group companies		-	-	-	93 804
Short-term abandonment provision	22	75 981	10 520	75 981	10 520
Other current liabilities	25	583 844	310 675	2 241 770	299 072
Total liabilities		6 805 988	4 849 783	8 463 914	5 017 438
TOTAL EQUITY AND LIABILITIES		9 255 196	5 188 809	10 913 121	5 356 464

The Board of Directors and the CEO of Aker BP ASA
Akerkvartalet, 2 March 2017

Øyvind Eriksen, Chair of the Board

Anne Marie Cannon, Deputy Chair

Gro Kielland, Board member

Bjørn Thore Synsvoll Ribesen, Board member

Lone Margrethe Olstad, Board member

Karl Johnny Hersvik, Chief Executive Officer

Kjell Inge Røkke, Board member

Trond Brandsrud, Board member

Bernard Looney, Board member

Terje Solheim, Board member

Kate Thomson, Board member

STATEMENT OF CHANGES IN EQUITY - GROUP

(USD 1 000)	Share capital	Share premium	Other equity: Other paid-in capital	Other comprehensive income: Actuarial gains/(losses)	Other comprehensive income: Foreign currency translation reserves*	Retained earnings	Total other equity	Total equity
Equity as of 31.12.2014	37 530	1 029 617	573 083	-105	-115 491	-872 972	-415 485	651 662
Profit/loss for the period 01.01.2015 - 31.12.2015	-	-	-	17	-	-312 652	-312 636	-312 636
Equity as of 31.12.2015	37 530	1 029 617	573 083	-88	-115 491	-1 185 625	-728 121	339 026
Private placement	16 820	2 120 950	-	-	-	-	-	2 137 769
Dividend distributed	-	-	-	-	-	-62 500	-62 500	-62 500
Profit/loss for the period 01.01.2016 - 31.12.2016	-	-	-	-	-59	34 971	34 911	34 911
Equity as of 31.12.2016	54 349	3 150 567	573 083	-88	-115 550	-1 213 154	-755 709	2 449 207

* At 15 October 2014, the presentation currency was changed to USD retrospectively as if USD had always been the presentation currency. For each category of the opening equity as at 1 January 2013, the historical rates were used for translation to USD, and therefore an exchange reserve was established which represents the fact that the presentation currency is different from the functional currency in the periods presented prior to the change in functional currency to USD as at 15 October 2014. For each period presented prior to the change in functional currency, the ending balance of total equity is translated to USD using the end rate.

STATEMENT OF CASH FLOW

1 January - 31 December (USD 1 000)	Note	Group 2016	Group 2015	Parent company 2016	Parent company 2015
CASH FLOW FROM OPERATING ACTIVITIES					
Profit/loss before taxes		290 453	-113 607	119 844	-113 607
Taxes paid during the period		-1 419	-320 618	-1 419	-320 618
Tax refund during the period		212 944	87 662	208 036	87 662
Depreciation	14	509 027	480 959	495 876	480 959
Net impairment losses	14, 15	71 375	430 468	71 375	430 468
Accretion expenses	11, 22	47 977	26 351	33 473	26 351
Interest expenses	11	160 808	127 620	168 084	127 620
Interest paid		-161 634	-124 276	-161 634	-124 276
Changes in derivatives	8, 11	10 408	-793	10 408	-793
Amortized loan costs	11	17 915	17 480	17 915	17 480
Gain on change of pension scheme	8	-115 616	-	-	-
Amortization of fair value of contracts assumed in the Marathon acquisition		-	-2 878	-	-2 878
Expensed capitalized dry wells	6	51 669	11 682	51 669	11 682
Changes in inventories, accounts payable and receivables		-317 488	-13 060	-317 488	-13 060
Changes in abandonment liabilities through Income statement		-1 131	-1 569	-3 373	-1 569
Changes in other current balance sheet items		120 365	81 048	198 631	91 579
NET CASH FLOW FROM OPERATING ACTIVITIES		895 652	686 467	891 397	696 999
CASH FLOW FROM INVESTMENT ACTIVITIES					
Payment for removal and decommissioning of oil fields	22	-12 237	-12 508	-9 995	-12 508
Disbursements on investments in fixed assets	14	-935 755	-917 150	-934 410	-917 150
Net of cash consideration paid for, and cash acquired from, BP Norge AS		423 990	-	-27 507	-
Acquisition of Premier Oil Norge AS (net of cash acquired)		-	-125 600	11 300	-136 900
Acquisition of shares in Svenka Petroleum Exploration AS		-	-	-	-88 000
Disbursements on investments in capitalized exploration expenditures and other intangible assets	14	-181 492	-113 051	-180 825	-35 582
Dividend from BP Norge AS		-	-	451 497	-
NET CASH FLOW FROM INVESTMENT ACTIVITIES		-705 494	-1 168 310	-689 940	-1 190 141
CASH FLOW FROM FINANCING ACTIVITIES					
Repayment of short-term debt		-	-70 938	-	-70 938
Repayment of long-term debt		-612 825	-330 000	-612 825	-330 000
Net proceeds from issuance of long-term debt		512 013	685 620	512 013	685 620
Paid dividend		-62 500	-	-62 500	-
NET CASH FLOW FROM FINANCING ACTIVITIES		-163 312	284 683	-163 312	284 683
Net change in cash and cash equivalents		26 846	-197 160	38 145	-208 460
Cash and cash equivalents at start of period		90 599	296 244	79 299	296 244
Effect of exchange rate fluctuation on cash held		-2 158	-8 485	-2 158	-8 485
CASH AND CASH EQUIVALENTS AT END OF PERIOD	19	115 286	90 599	115 286	79 299
SPECIFICATION OF CASH EQUIVALENTS AT END OF PERIOD					
Bank deposits and cash		106 369	86 201	106 369	75 156
Restricted bank deposits		8 917	4 398	8 917	4 143
CASH AND CASH EQUIVALENTS AT END OF PERIOD	19	115 286	90 599	115 286	79 299

NOTES TO THE ACCOUNTS

General information

Aker BP ASA (Aker BP or the company) is an oil company involved in exploration, development and production of oil and gas on the Norwegian Continental Shelf (NCS).

The company is a public limited liability company registered and domiciled in Norway. Aker BP's shares are listed on Oslo Stock Exchange (Oslo Børs). The company's registered business address is Oksenøyveien 10, 1366 Lysaker, Norway.

On 30 September 2016 Aker BP acquired BP Norge AS through a combination of consideration shares and cash. Following the acquisition, BP Group owns 30 per cent of the company while Aker ASA, which previously owned 49.99 per cent, owns 40 per cent as of 31 December 2016. Prior to 2016, the company was consolidated into Aker ASA's consolidated financial statements, but following the reduced ownership in 2016 the company is not consolidated for 2016. In relation to the acquisition, the company changed name from Det norske oljeselskap ASA to Aker BP ASA, and the ticker on Oslo Børs was changed from DETNOR to AKERBP.

Aker BP's group consolidated financial statements consist of the parent company Aker BP ASA and the subsidiary BP Norge AS which has been consolidated from the acquisition date 30 September 2016. On 1 December 2016 the activity in BP Norge AS was transferred to Aker BP ASA. The subsidiaries Det norske oil AS (previously Premier Oil Norge AS) and Det norske exploration AS (previously Svenska Petroleum Exploration AS) were liquidated during 2016. For more information regarding subsidiaries, see Note 4.

The financial statements were approved by the Board of Directors on 2 March 2017 and will be presented for approval at the Annual General Meeting on 5 April 2017.

Note 1 – Summary of IFRS accounting principles

1.1 Basis of preparation

The group consolidated and the company's financial statements have been prepared in accordance with the Norwegian Accounting Act and International Financial Reporting Standards (IFRS) as adopted by the EU.

The financial statements have been prepared on a historical cost basis with the exception of the following accounting items:

- Financial instruments at fair value through profit or loss.
- Loans, receivables and other financial liabilities, which are recognized at amortized cost.

The financial statements have been prepared using uniform accounting principles for equivalent transactions and events taking place on otherwise equal terms.

There have been certain changes in the presentation of the line items in the Income statement since 2015. Accretion expenses is now included in the line item other financial expenses, while it has been presented as interest expenses prior to 2016. In addition, following the change from defined benefit to defined contribution scheme, pension is no longer presented on a separate line in the Statement of financial position. Comparable figures have been restated accordingly.

All amounts have been rounded to the nearest thousand unless otherwise stated. As a result of rounding adjustments, the figures in one or more rows or columns included in the financial statements and notes may not add up to the total of that row or column.

1.2 Functional currency and presentation currency

The functional currency of Aker BP ASA and the presentation currency of the group is USD.

1.3 Important accounting judgments, estimates and assumptions

The preparation of financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that have an effect on the application of accounting principles and on recognized amounts relating to assets and liabilities, to provide information relating to contingent assets and liabilities on the date of the Statement of financial position, and to report revenues and expenses in the course of the accounting period.

The important judgments management has made on the application of accounting principles relate to the following:

Goodwill allocation and methodology for impairment testing: For the purpose of impairment testing, goodwill is allocated to cash-generating unit (CGU), or groups of cash-generating units, that are expected to benefit from the synergies of the business combination from which it arose. The appropriate allocation of goodwill requires management's judgment and may impact the subsequent impairment charge significantly. Technical goodwill is a category of goodwill arising as an offsetting account to deferred tax in business combinations, as described in Section 1.8 below. There are no specific IFRS guidelines pertaining the allocation of technical goodwill, and management has therefore applied the general guidelines for allocating goodwill for the purpose of impairment testing. In general, technical goodwill is allocated to CGU level for impairment testing purposes, while residual goodwill may be allocated across all CGUs based on facts and circumstances in the business combination.

When performing the impairment test for technical goodwill, deferred tax recognized in relation to the acquired licences reduces the net carrying value prior to the impairment charges. This is done to avoid an immediate impairment of all technical goodwill. When deferred tax from the initial recognition decreases, more goodwill is as such exposed for impairment. Going forward, depreciation of values calculated in the purchase price allocation will result in decreased deferred tax liability.

On selling a licence where the company historically has recognized deferred tax and goodwill in a business combination, both goodwill and deferred taxes from the acquisition are included when calculating gain/loss. When recording impairment of such licences as a result of impairment testing, the same assumptions are applied when measuring the impairment. This avoids a gross up of the impairment with tax, in that the impairment charged to the Income statement will not be higher than the original post-tax amount paid in the business combination.

Accounting estimates are used to determine reported amounts, including the possibility of realizing certain assets, the expected useful life of tangible and intangible assets, the tax expense, etc. Even though these estimates are based on management's best judgment and assessment of previous and current events and actions, the actual results may deviate from the estimates. The estimates and underlying assumptions are reviewed regularly. Changes to the estimates are recognized when new estimates can be determined with sufficient certainty. Changes to accounting estimates are recognized in the period when they arise. The main sources of uncertainty when using estimates for the company relate to the following:

Proven and probable oil and gas reserves: Oil and gas reserves are estimated by the company's experts in accordance with industry standards. The estimates are based on Aker BP's own assessment of internal information and information received from the operators. In addition, reserves are certified by an independent third party. Proven and probable oil and gas reserves consist of the estimated quantities of crude oil, natural gas and condensates shown by geological and technical data to be recoverable with reasonable certainty from known reservoirs under existing economic and operational conditions, i.e. on the date that the estimates are prepared. Current market prices are used in the estimates, except for existing contractual future price changes.

Proven and probable reserves and production volumes are used to calculate the depreciation of oil and gas fields by applying the unit-of-production methodology. Reserve estimates are also used as basis for impairment testing of licence-related assets. Changes in petroleum prices and cost estimates may change reserve estimates and accordingly economic cut-off, which may impact the timing of assumed decommissioning and removal activities. Changes to reserve estimates can also be caused by updated production and reservoir information. Future changes to proven and probable oil and gas reserves can have a material effect on depreciation, life of field, impairment of licence-related assets, and operating results.

Successful Effort Method - exploration: Aker BP's accounting policy is to temporarily recognize expenses relating to the drilling of exploration wells in the Statement of financial position as capitalized exploration expenditures, pending an evaluation of potential oil and gas discoveries. If resources are not discovered, or if recovery of the resources is considered technically or commercially unviable, the costs of exploration wells are expensed. Decisions as to whether this expenditure should remain capitalized or be expensed during the period, may materially affect the operating result for the period.

Acquisition costs: Expenses relating to the acquisition of exploration licences are capitalized and assessed for impairment if there are indications of impairment. See Items 1.11 and 1.12 for further details.

Fair value measurement: From time to time, the fair values of non-financial assets and liabilities are required to be determined, e.g. when the entity acquires a business, determines allocation of purchase price in an asset deal or where an entity measures the recoverable amount of an asset or CGU at fair value less cost to sell. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. The group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs. The fair value of oil fields in production and development phase is normally based on discounted cash flow models, where the determination of the different input in the model requires significant judgment from management, as described in the section below regarding impairment.

Impairment/reversal of impairment: Aker BP has significant investments in long-lived assets. Changes in the expected future value/cash flow of individual assets can result in the book value of some assets being impaired to estimated recoverable value. Impairment losses other than those relating to goodwill must be reversed if the conditions for the impairment are no longer present. Considerations regarding whether an asset is actually impaired or whether the impairment losses should be reversed can be complicated and are based on judgement and assumptions. The complexity of the issue can, for example, relate to the modelling of relevant future cash flows to determine the asset's value in use, decide on measurement units and establish the asset's net sales value.

The evaluation of impairment requires long-term assumptions concerning a number of often volatile economic factors, including future oil prices, oil production, currency exchange rates and discount rates. Such assumptions require the estimation of relevant factors such as forward price curves (oil), long-term price assumptions, the level of capex and opex, production estimates and residual asset values. Likewise, establishing an asset's net sales value requires careful assessment unless information about net sales value can be obtained from an actual observable market. See Note 14 'Property, plant and equipment and intangible assets' and Note 15 'Impairment of goodwill and other assets' for details about impairment.

Decommissioning and removal obligations: The company has considerable obligations relating to decommissioning and removal of offshore installations at the end of the production period. Obligations associated with decommissioning and removal of long-term assets are recognized at present value of future expenditures on the date they are incurred. At the initial recognition of an obligation, the estimated cost is capitalized as production plant and depreciated over the useful life of the asset (typically by unit-of-production). It is difficult to estimate the costs for decommissioning and removal at initial recognition as these estimates are based on currently applicable laws and regulations, and are dependent on technological developments. Many decommissioning and removal activities will take place in the distant future, and the technology and related costs are constantly changing. The estimates include costs based on expected removal concepts based on known technology and estimated costs of maritime operations, hiring of heavy-lift barges and drilling rig. As a result, the initial recognition of the obligation in the accounts, the related costs capitalized in the Statement of financial position for decommissioning and removal and subsequent adjustment of these items, involve careful consideration. Based on the described uncertainty, there may be significant adjustments in estimates of liabilities that can affect future financial results. See Note 22 for further details about decommissioning and removal obligations.

Income tax: The company may incur significant amounts of income tax payable or receivable, and recognizes significant changes to deferred tax or deferred tax assets. These figures are based on management's interpretation of applicable laws and regulations, and on relevant court decisions. The quality of these estimates is highly dependent on management's ability to properly apply a complex set of rules and identify changes to the existing legal framework. See Note 12 for details about the deferred tax and taxes payable.

1.4 Foreign currency transaction

Transactions and balances

Transactions in foreign currencies are translated using the exchange rate on the transaction date. Monetary items in foreign currencies in the Statement of financial position are translated using the exchange rates at the end of the period. Foreign exchange gains and losses are recognized on an ongoing basis in the accounting period. Non-monetary items that are measured in terms of historical costs in a foreign currency are translated using the exchange rates on the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates on the date when the fair value is determined.

Group companies

The results and financial position of group companies that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) Assets and liabilities for each balance sheet presented are translated based on the exchange rates at the balance sheet date.

(ii) Revenues and expenses for each Income statement presented are translated at average exchange rate for the period. However, if this average is not a reasonable approximation of the cumulative effect on the prevailing rates on the actual transaction dates, revenues and expenses are translated using the foreign exchange rates on the specific transaction date.

(iii) Equity transactions are translated at the exchange rate on the transaction date.

All resulting exchange differences are recognized in other comprehensive income. The same method has been used for translating the parent company financial statements to USD as presentation currency for periods prior to the change in functional currency to USD.

1.5 Revenue recognition

Revenues from petroleum products in which the company has an interest with other producers are recognized on the basis of the company's ideal share of production during the period, regardless of actual sales (entitlement method).

This is achieved by applying the following approach in dealing with imbalances between actual sales and entitlements:

The excess of product sold during the period over the participant's ownership share of production from the property is recognized by the overlift party as a liability (deferred revenue) and not as revenue. Conversely, the underlift party would recognize an underlift asset (receivable) and report corresponding revenue.

Differences between oil lifted and sold: petroleum overlifts are presented as current liabilities, while petroleum underlifts are presented as short-term receivables. The value of overlift/underlift is set at the estimated sales value, minus estimated sales costs.

Other revenues are recognized when the goods or services are delivered and material risk and control are transferred. Gain on asset disposals as described in Section 1.9 is included in other operating income.

Tariff revenue from processing of oil and gas is recognized as earned in line with underlying agreements.

Revenue is presented net of customs and excise taxes on petroleum products.

Dividends are recognized when the shareholders' dividend rights are approved by the Annual General Meeting.

Interest is taken to income based on the effective interest method as it is earned.

1.6 Interests in joint arrangements

IFRS defines a joint arrangement as an arrangement over which two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities (being those that significantly affect the returns of the arrangement) require unanimous consent of the parties sharing control.

The company has interests in licences on the Norwegian Continental Shelf. Under IFRS 11 Joint arrangements, a joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities, relating to the arrangement. The company recognizes investments in joint operations (oil and gas licences) by reporting its share of related revenues, expenses, assets, liabilities and cash flows under the respective items in the company's financial statements.

For those licences that are not deemed to be joint arrangements pursuant to the definition in IFRS 11 as there is no joint control, the company recognizes its share of related expenses, assets, liabilities and cash flows on a line-by-line basis in the financial statements in accordance with applicable IFRSs.

1.7 Classification in statement of financial position

Current assets and current liabilities include items that fall due for payment less than a year from the end of the reporting period and items relating to the business cycle. Next year's instalments on long-term liabilities are classified as current liabilities. Financial investments in shares are classified as current assets, while strategic investments are classified as non-current assets.

1.8 Business combinations and goodwill

In order to consider an acquisition as a business combination, the acquired asset or groups of assets must constitute a business (an integrated set of operations and assets conducted and managed for the purpose of providing a return to the investors). The combination consists of inputs and processes applied to these inputs that have the ability to create output.

Acquired businesses are included in the financial statements from the transaction date. The transaction date is defined as the date on which the company achieves control over the financial and operating assets. This date may differ from the actual date on which the assets are transferred.

Comparative figures are not adjusted for acquired, sold or liquidated businesses.

For accounting purposes, the acquisition method is used in connection with the purchase of businesses. Acquisition cost equals the fair value of the assets used as consideration, including contingent consideration, equity instruments issued and liabilities assumed in connection with the transfer of control. Acquisition cost is measured against the fair value of the acquired assets and liabilities. Identifiable intangible assets are included in connection with acquisitions if they can be separated from other assets or meet the legal contractual criteria. If the acquisition cost at the time of the acquisition exceeds the fair value of the acquired net assets (when the acquiring entity achieves control of the transferring entity), goodwill arises.

If the fair value of the net identifiable assets acquired exceeds the acquisition cost on the acquisition date, the excess amount is taken to the Income statement immediatley.

Goodwill is allocated to the CGUs or groups of CGUs that are expected to benefit from synergy effects of the acquisition. The allocation of goodwill may vary depending on the basis for its initial recognition.

The main part of the company's goodwill is related to the requirement to recognize deferred tax for the difference between the assigned fair values and the related tax base ("technical goodwill"). The fair value of licences is based on cash flows after tax. This is because these licences are only sold in an after-tax market based on decisions made by the Norwegian Ministry of Finance pursuant to the Petroleum Taxation Act Section 10. The purchaser is therefore not entitled to a tax deduction for the consideration paid over and above the seller's tax values. In accordance with IAS 12 paragraphs 15 and 24, a provision is made for deferred tax corresponding to the difference between the acquisition cost and the transferred tax depreciation basis. The offsetting entry to this deferred tax is goodwill. Hence, goodwill arises as a technical effect of deferred tax. Technical goodwill is tested for impairment separately for each CGU which give rise to the technical goodwill. A CGU may be individual oil fields, or a group of oil fields that are connected to the same infrastructure/production facilities.

The estimation of fair value and goodwill may be adjusted up to 12 months after the takeover date if new information has emerged about facts and circumstances that existed at the time of the takeover and which, had they been known, would have affected the calculation of the amounts that were included from that date.

Acquisition-related costs, except costs to issue debt or equity securities, are expensed as incurred.

1.9 Acquisitions, sales and licence swaps

On acquisition of a licence that involves the right to explore for and produce petroleum resources, it is considered in each case whether the acquisition should be treated as a business combination (see Item 1.8) or an asset purchase. Generally, purchases of licences in a development or production phase will be regarded as a business combination. Other licence purchases regarded as asset purchases are described below.

Oil and gas production licences
For licences in the development phase, the acquisition cost is allocated between capitalized exploration expenses, licence rights and production plant.

When entering into agreements regarding the purchase/swap of assets, the parties agree on an effective date for the takeover of the net cash flow (usually 1 January in the calendar year which would also normally be the effective date for tax purposes). In the period between the effective date and the completion date, the seller will include its sold share of the licence in the financial statements. In accordance with the purchase agreement, there is a settlement with the seller of the net cash flow from the asset in the period from the effective date to the completion date (pro & contra settlement). The pro & contra settlement will be adjusted to the seller's losses/gains and to the assets for the purchaser, in that the settlement (after a tax reduction) is deemed to be part of the consideration in the transaction. Revenues and expenses from the relevant licence are included in the purchaser's Income statement from the completion date, as defined in 1.8 above.

For tax purposes, the purchaser will include the net cash flow (pro & contra) and any other income and costs as from the effective date.

When acquiring licences that are defined as asset acquisitions, no provision is made for deferred tax.

Farm-in agreements
Farm-in agreements are usually entered into in the exploration phase and are characterised by the transferor waiving future financial benefits in the form of reserves, in exchange for reduced future financing obligations. For example, a licence interest is taken over in return for a share of the transferor's expenses relating to the drilling of a well. In the exploration phase, the company normally accounts for farm-in agreements on a historical cost basis, as the fair value is often difficult to determine.

Swaps
Swaps of assets are calculated at the fair value of the asset being surrendered, unless the transaction lacks commercial substance, or neither the fair value of the asset received, nor the fair value of the asset surrendered, can be effectively measured. In the exploration phase, the company normally recognizes swaps based on historical cost, as the fair value often is difficult to measure.

1.10 Unitizations

According to Norwegian law, a unitization is required if a petroleum deposit extends over several production licences and these production licences have a different ownership representation. Consensus must be achieved with regard to the most rational coordination of the joint development and ownership distribution of the petroleum deposit. A unitization agreement shall be approved by the Ministry of Petroleum and Energy.

The company recognizes unitizations in the exploration phase based on historical cost, as the fair value often is difficult to measure. For unitizations involving licences outside the exploration phase, it has to be considered whether the transaction has commercial substance. If so, the unitization is recognized at fair value.

1.11 Tangible fixed assets and intangible assets

General
Tangible fixed assets are recognized on a historical cost basis. Depreciation of assets other than oil and gas fields is calculated using the straight-line method over estimated useful lives and adjusted for any impairment or change in residual value, if applicable.

The book value of tangible fixed assets consists of acquisition cost after deduction of accumulated depreciation and impairment losses. Expenses relating to leased premises are capitalized and depreciated over the remaining lease period if the recognition criteria for an asset have been met.

The expected useful lives of tangible fixed assets are reviewed annually, and in cases where these differ significantly from previous estimates, the depreciation period is changed accordingly. Changes to estimates are included prospectively in that the change is recognized in the period in which it occurs, and in future periods if the change affects both.

The residual value of an asset is the estimated amount that the company would obtain from disposal of the asset, after deduction of the estimated costs of disposal, if the asset was already of the age and in the condition expected at the end of its useful life.

Ordinary repair and maintenance costs relating to day-to-day operations are charged to the Income statement in the period in which they are incurred. The costs of major repairs and maintenance are included in the asset's book value.

Gains and losses relating to the disposal of assets are determined by comparing the selling price with the book value, and are included in other operating expenses. Assets held for sale are reported at the lower of the book value and the fair value less cost to sell.

Operating assets related to petroleum activities

Exploration and development costs relating to oil and gas fields
Capitalized exploration expenditures are classified as intangible assets and reclassified to tangible assets at the start of the development. For accounting purposes, the field is considered to enter the development phase when the technical feasibility and commercial viability of extracting hydrocarbons from the field are demonstrable, normally at the time of concept selection. All costs relating to the development of commercial oil and/or gas fields are recognized as tangible assets. Pre-operational costs are expensed as they are incurred.

The company employs the 'successful efforts' method to account for exploration and development costs. All exploration costs (including seismic shooting, seismic studies and 'own time'), with the exception of acquisition costs of licences and drilling costs for exploration wells, are expensed as incurred. When exploration drilling is ongoing in a period after a reporting date and the result of the drilling is subsequently not successful, the capitalized exploration cost as of the reporting date is expensed if the evaluation of the well is completed before the date when the financial statement are authorized for issue.

Drilling cost for exploration wells are temporarily capitalized pending the evaluation of potential discoveries of oil and gas resources. Such costs can remain capitalized for more than one year. The main criteria are that there must be plans for future drilling in the licence or that a development decision is expected in the near future. If no resources are discovered, or if recovery of the resources is considered technically or commercially unviable, expenses relating to the drilling of exploration wells are charged to expense.

Acquired licence rights are recognized as intangible assets at the time of acquisition. Acquired licence rights related to fields in the exploration phase remain as intangible assets also when the related fields enter the development or production phase.

Depreciation of oil and gas fields
Capitalized exploration and evaluation expenditures, development expenditures from construction, installation or completion of infrastructure facilities such as platforms, pipelines and production wells, and field-dedicated transport systems for oil and gas are capitalized as production facilities and are depreciated using the unit-of-production method based on proven and probable developed reserves expected to be recovered from the area during the concession or contract period. Acquired assets used for the recovery and production of petroleum deposits, including licence rights, are depreciated using the unit-of-production method based on proven and probable reserves. The reserve basis used for depreciation purposes is updated at least once a year. Any changes in the reserves affecting unit-of-production calculations are reflected prospectively.

1.12 Impairment

Tangible fixed assets and intangible assets
Tangible fixed assets and intangible assets (including licence rights, exclusive of goodwill) with a finite useful life will be assessed for potential loss in value when events or changes in the circumstances indicate that the book value of the assets is higher than the recoverable amount.

The valuation unit used for assessment of impairment will depend on the lowest level at which it is possible to identify cash inflows that are independent of cash inflows from other groups of fixed assets. For oil and gas assets, this is carried out at the field or licence level. The loss in value for capitalized exploration costs is assessed for each well. Impairment is recognized when the book value of an asset or a CGU exceeds the recoverable amount. The recoverable amount is the higher of the asset's fair value less cost of disposal and value in use. When assessing the value in use, the expected future cash flow is discounted to the net present value by applying a discount rate after tax that reflects the current market valuation of the time value of money and the specific risk related to the asset. The discount rate is derived from the Weighted Average Cost of Capital (WACC).

For producing licences and licences in a development phase, the recoverable amount is calculated by discounting future cash flows after tax. Future cash flows are determined in the various licences based on the production profile compared to estimated proven and probable remaining reserves. The lifetime of the field for the purpose of impairment testing, is normally determined by the point in time when the operating cash flow from the field becomes negative.

For acquired exploration licences, an initial assessment as described in Section 1.11 above is performed – an assessment of whether plans for further activities have been established or, if applicable, an evaluation of whether development will be decided on in the near future.

A previously recognized impairment can only be reversed if changes have occurred in the estimates used for the calculation of the recoverable amount. However, the reversal cannot be to an amount that is higher than it would have been if the impairment had not previously been recognized. Such reversals are recognized in the Income statement. After a reversal, the depreciation amount is adjusted in future periods in order to distribute the asset's revised book value, minus any residual value, on a systematic basis over the asset's expected remaining life.

Goodwill
Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the value may be impaired.

Impairment is recognized if the recoverable amount of the CGU (or group of CGUs) to which the goodwill is related is less than the book value, including associated goodwill and deferred tax as described in Section 1.8. Losses relating to impairment of goodwill cannot be reversed in future periods. The company performs its annual impairment test of goodwill in the fourth quarter.

On selling a licence where the company historically has recognized deferred tax and goodwill in a business combination, both goodwill and deferred taxes from the acquisition are included when calculating gain/loss. When recording impairment of such licences as a result of impairment testing, the same assumptions are applied when measuring the impairment. This avoids gross up of the impairment with tax, in that the impairment charged to the Income statement will not be higher than the original post tax amount paid in the business combination.

1.13 Financial instruments

The company has classified the financial instruments into the following categories of financial assets and liabilities:

- Financial assets at fair value through profit and loss (primarily derivatives)
- Loans and receivables
- Financial liabilities at fair value through profit and loss (derivatives)
- Other financial liabilities

Financial assets with fixed or determinable cash flows that are not quoted in an active market are classified as loans and receivables.

Financial liabilities that do not form part of the "held for trading purposes" category and which have not been designated as being at fair value with changes in value through profit or loss are classified as other financial liabilities.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transaction; reference to the current fair value of other instruments that is substantially the same; discounted cash flow analysis or other valuation models.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 28.

1.14 Impairment of financial assets

Financial assets that are assessed at amortized cost are impaired when, based on objective evidence, it is likely that the instrument's cash flows have been negatively affected by one or more events that have occurred after the initial recognition of the instrument. In addition, the loss event must have an impact on estimated future cash flows that can be reliably estimated. The impairment is recognized in the Income statement. Should the reason for the impairment subsequently cease to exist, and this can be objectively linked to an event taking place after the impairment of the asset, the previous impairment shall be reversed. The reversal shall not cause the book value of the financial asset to exceed the amount that the amortized cost would have been if the impairment had not been recognized at the time when the impairment was reversed. Reversals of previous impairments are presented on the same line item as the impairment.

1.15 Research and development

Research consists of original, planned studies carried out with a view to achieving new scientific or technical knowledge or understanding. Development consists of the application of information gained through research, or of other knowledge, to a plan or design for the production of new or significantly improved materials, facilities, products, processes, systems or services before commercial production or use commences.

The licence system on the Norwegian Continental Shelf stimulates research and development activities. The company is only involved in research and development through projects financed by participants in the licences. It is the company's own share of the licence-financed research and development that is assessed with a view to capitalization. Development costs that are expected to generate future financial benefits are capitalized when the following criteria are met:

- The company can demonstrate that the technical premises exist for the completion of the intangible asset with the aim of making it available for use or sale – the demo version;
- The company intends to complete the intangible asset and then use or sell it;
- The company has the ability to use or sell the asset;
- The intangible asset will generate future economic benefits;
- The company has available adequate technical, financial and other resources to complete the development and to put to use or sell the intangible asset, and;
- The company has the ability to measure the costs incurred in connection with the development of the intangible asset in a reliable manner.

All other research and development costs are expensed as incurred.

Costs that are capitalized include cost of materials, direct payroll expenses and a share of directly related joint expenses. Capitalized development costs are recognized in the Statement of financial position at acquisition cost minus accumulated depreciation.

Capitalized development costs are amortized over the asset's estimated useful life.

1.16 Presentation of payroll and administration costs

The company presents its payroll and operating costs based on the functions in development, operational and exploration activities respectively, based on allocation of registered hours worked. As a basis, the company uses gross payroll and operating expenses reduced by the amounts already invoiced to operated licences.

1.17 Lease agreements

Financial lease agreements
Lease agreements in which the company accepts the main risk and returns incidental to ownership of the assets are financial lease agreements. At the start of the lease period, financial lease agreements are calculated at an amount corresponding to the lowest of the fair value and the minimum present value of the lease. When calculating the lease agreement's net present value, the implicit interest rate in the lease agreement is used provided that it can be calculated; otherwise, the company's incremental borrowing rate is used. Direct costs in connection with the establishment of the lease agreement are included in the asset's cost price.

Financial lease agreements are treated as tangible fixed assets in the Statement of financial position and have the same depreciation period as the company's other depreciable assets. If it cannot be assumed with reasonable certainty that the company will take over ownership of the asset after the expiry of the lease, the asset is depreciated over whichever is the shorter of the contract period of the lease agreements and the asset's expected useful life.

Operating lease agreements
Lease agreements in which the main risk and returns associated with the ownership of the asset are not transferred, are classified as operating lease agreements. Rental payments are classified as operating expenses and are recognized on a straight-line basis over the contract period.

1.18 Trade debtors

Trade debtors are recognized in the Statement of financial position at nominal value after a deduction for the provision for bad debt. The provision for bad debt is calculated on the basis of an individual valuation of each trade debtor. Known losses on receivables are expensed as incurred.

1.19 Borrowing costs

Borrowing costs that can be directly ascribed to procurement, processing or production of a qualifying asset shall be capitalized as part of the asset's acquisition cost. Borrowing cost is only capitalized during the development phase. Other borrowing costs are expensed in the period in which they are incurred.

A qualifying asset is one that necessarily takes a substantial period of time to be made ready for its intended use or sale. Qualifying assets are generally those that are subject to major development or construction projects.

1.20 Inventories

Spare parts
Spare parts are valued at the lower of cost price and net realizable value on the basis of the first-in/first-out (FIFO) principle. Costs include raw materials, freight and direct production costs in addition to some indirect costs.

1.21 Cash and cash equivalents

Cash and cash equivalents include cash, bank deposits, and other short-term highly liquid investments with an original due date of three months or less. Bank overdrafts are included in the Statement of financial position as short-term loans.

1.22 Interest-bearing debt

All borrowings are initially recognized at transaction price, which equals the fair value of the amount received minus issuing costs relating to the loan.

Subsequently, interest-bearing borrowings are valued at amortized cost using the effective interest method; the difference between the transaction price (after transaction costs) and the face value is recognized in the Income statement during the period until the loan falls due. Amortized costs are calculated by considering all issue costs and any discount or premium on the settlement date.

1.23 Tax

General
Tax payable/tax receivable for the current and previous periods is based on the amounts receivable from or payable to the tax authorities.

Tax consists of tax payable and changes in deferred tax. Deferred tax/tax benefits are calculated on the basis of the differences between book value and tax basis values of assets and liabilities, with the exception of temporary differences on acquisition of licences that is defined as asset purchase.

The book value of deferred tax benefits is assessed and reduced insofar as it is no longer probable that future earnings or current tax regulations will make it possible to utilise the benefit. Deferred tax benefits that are not capitalized will be re-evaluated on each date of Statement of financial position and capitalized insofar as it is probable that future earnings or current tax regulations will make it possible to utilise the benefit.

Deferred tax and tax benefits are measured using the expected tax rate when the tax benefit is realised or the tax liability is met, based on tax rates and tax regulations that have been enacted or substantively enacted by the end of the reporting period.

Tax payable and deferred tax is recognized directly against equity or other comprehensive income insofar as the tax items are related to equity transactions or items of other comprehensive income.

Deferred tax and tax benefits are presented net, where netting is legally permitted and the deferred tax benefit and liability are related to the same tax subject and are payable to the same tax authorities.

Petroleum taxation
As a production company, Aker BP is subject to the special provisions of the Petroleum Taxation Act. Revenues from activities on the Norwegian Continental Shelf are liable to ordinary company tax and special tax. The tax rate for general corporate tax was 27 per cent until 1 January 2016, when it was changed to 25 per cent. The rate for special tax was 51 per cent until the same date, when it was changed to 53 per cent. From 1 January 2017, the rates are changed to correspondingly 24 and 54 per cent, which will impact the deferred tax calculation in 2016.

Tax depreciation
Pipelines and production facilities can be depreciated by up to 16 2/3 per cent annually, i.e., using the straight-line method over six years. Depreciation can be started when the expenses are incurred. When the field stops producing, the remaining cost price can be included as a deduction in the final year.

Uplift
Uplift is a special income deduction in the basis for calculation of special tax. The uplift is calculated on the basis of investments in pipelines and production facilities, and can be regarded as an extra depreciation deduction in the special tax basis. The uplift constituted until 5 May 2013, 7.5 per cent per year over a period of four years, totalling 30 per cent of the investment. From 5 May 2013, the rate is 5.5 per cent per year (5.4 per cent from 2017) over a period of four years, totalling 22 per cent of the investment (21.6 per cent from 2017). Transition rules apply for some of the company's fields in development phase, which allows for the old 7.5 per cent rate until the year of production start. Uplift is recognized in the year in which it is deducted in the companies' tax returns, and thus has a similar effect on the tax for the period as a permanent difference.

Financial items
Interest on debt with associated currency losses/gains (net financial expenses on interest-bearing debt) is distributed between the offshore and onshore tax jurisdictions. The offshore interest deduction is calculated as the net financial costs of interest-bearing debt multiplied by 50 per cent of the ratio between net asset value for tax purposes allocated to the offshore tax jurisdictions as of 31 December in the income year and the average interest-bearing debt through the income year.

Remaining financial expenses, currency losses and all interest income as well as currency gains are allocated to the onshore jurisdiction.

Uncovered losses in the onshore tax jurisdictions resulting from the distribution of net financial items can be allocated to the offshore tax jurisdictions and deducted from regular income.

Only 50 per cent of other losses in the onshore tax jurisdictions are permitted to be reallocated to the offshore tax jurisdictions as deductions in regular income.

Exploration expenses
Companies may claim a refund from the State for the tax value of exploration expenses incurred insofar as these do not exceed the year’s tax-related loss allocated to the offshore activities. The refund is included under ‘Tax receivable’ in the Statement of financial position.

Tax loss
Companies subject to special tax may, without time limitations, carry forward losses with the addition of interest. A corresponding rule also applies to unused uplift. The tax position can be transferred on realisation of the company or merger. Alternatively, disbursement of the tax value can be claimed from the State if the company ceases petroleum activities. The tax loss will thus be reclassified from deferred tax to current tax at the time the petroleum activity ceases, or is transferred to another company.

1.24 Employee benefits

Pension schemes
Gains and losses on curtailment or settlement of a defined-benefit pension scheme are included in the Income statement when the curtailment or settlement occurs. The settlement of the defined-benefit pension scheme for employees in BP Norge AS during 2016 was recognized in accordance with these principles. A defined contribution plan replaced the benefit plan, and the company is making contributions to the pension plan for full-time employees equal to 7 per cent for salary up to 7.1 G and 25.1 per cent between 7.1 and 12 G. The pension premiums are charged to expenses as they are incurred.

An early retirement scheme (AFP) has been introduced for all employees. The scheme is a multi-employer defined benefit plan, but is accounted for as a defined contribution pension, and premiums are expensed as incurred.

1.25 Provisions

A provision is recognized in the accounts when the company incurs a commitment (legal or self-imposed) as a result of a past event and it is probable that financial settlement will take place as a result of this commitment, and the amount can be reliably calculated. Provisions are evaluated at each period end and are adjusted to reflect the best estimate.

If the time effect is considerable, the provisions are discounted using a discount rate before tax that reflects the market's pricing of the time value of the amount and the risk specifically associated with the commitment. On discounting, the book value of the provisions is increased in each period to reflect the change in time relative to the due date of the commitment. The increase is expensed as an accretion expense.

Decommissioning and removal costs:

In accordance with the licence terms and conditions for the licences in which the company participates, the Norwegian State can require licence owners to remove the installation in whole or in part when production ceases or the licence period expires.

In the initial recognition of the decommissioning and removal obligations, the company provides for the net present value of future costs related to decommissioning and removal. A corresponding asset is capitalized as a tangible fixed asset and depreciated using the unit-of-production method. Changes in the time value (net present value) of the obligation related to decommissioning and removal accretion are charged to income as financial expenses and increase the balance-sheet liability related to future decommissioning and removal expenses. Changes in the best estimate for expenses related to decommissioning and removal are recognized in the Statement of financial position. The discount rate used in the calculation of the fair value of the decommissioning and removal obligation is the risk-free rate with the addition of a credit risk element.

1.26 Segment

Since its formation, the company has conducted its entire business in one and the same segment, defined as exploration for and production of petroleum in Norway. The company conducts its activities on the Norwegian Continental Shelf, and management follows up the company at this level. The financial information relating to geographical distribution and large customers is presented in Note 5.

1.27 Earnings per share

Earnings per share are calculated by dividing the ordinary profit/loss attributable to ordinary equity holders of the parent entity by the weighted average number of the total outstanding shares. Shares issued during the year are weighted in relation to the period in which they have been outstanding. Diluted earnings per share is calculated as the profit/loss for the year divided by the weighted average number of outstanding shares during the period, adjusted for the dilution effect of any share options.

1.28 Contingent liabilities and assets

Except for in the event of a business combination, neither contingent liabilities nor contingent assets are recognized.

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or a present obligation that arises from past events but is not recognized because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Contingent liabilities are disclosed with the exception of contingent liabilities where the probability of the liability having to be settled is remote.

Contingent assets are possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. Information about such contingent assets is provided if inflow of economic benefits is probable.

1.29 Changes to accounting standards and interpretations that:

Have entered into force:

The accounting policies applied are consistent with those of the previous financial year, and none of the new and amended standards and interpretations effective as of 1 January 2016 had significant impact for the group.

Have been issued but have not entered into force:

A number of standards and interpretations are issued, but not yet effective, up to the date of issuance of the company's financial statements. Those that are expected to impact the group are disclosed below. The company intends to adopt these standards when they become effective, provided that the standards are endorsed by the EU before publication of the annual report.

IFRS 9 Financial instruments

IFRS 9 Financial Instruments, which replaces IAS 39 Financial Instruments: Recognition and Measurement, was issued in July 2014. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Except for hedge accounting, retrospective application is required, but comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions. The adoption of IFRS 9 is not expected to have a material impact on the group financial statements.

IFRS 15 Revenue from contracts with customers

IFRS 15 Revenue from Contracts with Customers was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The principles in IFRS 15 provide a more structured approach to measuring and recognising revenue. The new revenue standard will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2018 with early adoption permitted. During 2016, the company performed a preliminary assessment of IFRS 15, which is subject to changes arising from a more detailed ongoing analysis. Furthermore, the company is considering the clarifications issued by the IASB in April 2016 and will monitor any further developments. The entitlement method currently applied by the company is not prescribed in the guidelines in IFRS 15. We are, however, assessing whether the method could still be used, based on provisions in other standards, e.g. IFRS 9, but this has not yet been concluded upon. The company is still assessing the impact of IFRS 15, and plans to adopt the new standard on the required effective date (1 January 2018).

IFRS 16 Leases

IFRS 16 Leases was issued in January 2016 and replaces the current lease accounting standard, IAS 17 Leases, including related interpretations. The new standard changes the accounting treatment of leases, which are currently treated as operating leases. It requires that all leases, regardless of type and with few exceptions, must be recognized on the lessee's balance sheet as an asset with a related liability. The standard is effective from 1 January 2019, but has not yet been endorsed by the EU. The company is in the process of assessing the impact of IFRS 16, but has not yet performed any quantitative assessments. The impact may be significant, and will depend on the number and materiality of contracts active at the date of implementation and which are classified as operating leases under the current lease accounting standard.

Note 2 Major transactions and key events

Key events 2016

2016 was an eventful year for the company. Through the acquisition of BP Norge AS, the company strengthed its position as the leading independent offshore E&P company on the NCS. The company is on track with the integration process and reiterates the ambition of a quarterly dividend from the fourth quarter of 2016.

Oil production from the Aker BP operated field Ivar Aasen started on 24 December 2016. The project had a total cost of NOK 27.4 billion and the development was completed on time and within budget – and with no serious incidents.

Note 3 Business combination

On 30 September 2016, Aker BP finalized the acquisition of 100 per cent of the shares in BP Norge AS. The transaction was announced on 10 June 2016, and Aker BP issued 135.1 million new shares to BP Group as compensation for the shares in BP Norge AS. In addition, the group paid a cash consideration of USD 251 million. The main reasons for the acquisition were to create a company with a strong platform through industrial capabilities, a world class asset base and financial robustness to take advantage of the attractive growth potential on the NCS. The portfolio of licences from BP Norge AS comes with limited capital expenditure commitments and high near-term production that complement the production start of Aker BP's Ivar Aasen and Johan Sverdrup developments.

The acquisition date for accounting purposes corresponds to the finalization of the transaction on 30 September 2016. For tax purposes, the effective date was 1 January 2016. The acquisition is regarded as a business combination and has been accounted for using the acquisition method of accounting in accordance with IFRS 3. A purchase price allocation (PPA) has been performed to allocate the consideration to fair value of assets and liabilities of BP Norge AS. The PPA is performed as of the acquisition date, 30 September 2016. The closing share price at Oslo Børs (NOK 127) was used as a basis for measuring the value of the shares consideration.

Each identifiable asset and liability is measured at its acquisition date fair value based on guidance in IFRS 13. The standard defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This definition emphasizes that fair value is a market-based measurement, not an entity-specific measurement. When measuring fair value, the group uses the assumptions that market participants would use when pricing the asset or liability under current market conditions, including assumptions about risk. Acquired property, plant and equipment have been valued using the cost approach (replacement cost), while intangible assets (value of licences) have been valued using the income approach.

Accounts receivable are recognized at gross contractual amounts due, as they relate to large and credit-worthy customers. Historically, there has been no significant uncollectible accounts receivable in BP Norge AS.

The recognized amounts of assets and liabilities assumed as at the date of the acquisition were as follows

(USD 1 000)	30.09.2016
Other intangible assets	759 962
Deferred tax asset	941 221
Property, plant and equipment	921 081
Long-term receivables*	41 546
Long-term tax receivable	5 860
Inventories	20 860
Accounts receivable	14 053
Other short-term receivables	66 618
Tax receivables	4 881
Cash and cash equivalents	674 543
Total assets	3 450 626
Long-term abandonment provision	1 607 683
Provisions for other liabilities**	357 307
Trade creditors	16 001
Accrued public charges and indirect taxes	13 209
Short-term abandonment provision	72 537
Other current liabilities	154 521
Total liabilities	2 221 257
Total identifiable net assets at fair value	1 229 368
Consideration paid on acquisition	2 388 322
Goodwill arising on acquisition* **	1 158 954

* This is a receivable towards BP Group related to certain obligations that will be covered by the sellers according to the transaction agreement.

** The main part of the provision is related to negative contract values related to rig contracts entered into by BP Norge AS, which was different from current market terms at the time of acquisition at 30 September 2016. The fair value is based on the difference between market price and contract price.

*** No part of the goodwill will be deductible for tax purposes.

The goodwill of USD 1 159 million arises principally because of the following factors:

1. The ability to capture synergies that can be realized from managing a portfolio of both acquired and existing fields on the NCS (residual goodwill)

2. The requirement to recognize deferred tax assets and liabilities for the difference between the assigned fair values and the tax bases of assets acquired and liabilities assumed in a business combination. Licences on the NCS can only be sold in a market after tax, based on a decision made by the Norwegian Ministry of Finance pursuant to the Petroleum Taxation Act Section 10. The assessment of fair value of such licences is therefore based on cash flows after tax. Nevertheless, in accordance with IAS 12 Sections 15 and 19, a provision is made for deferred tax corresponding to the tax rate multiplied with the difference between the acquisition cost and the tax base. The offsetting entry to this deferred tax is goodwill. Hence, goodwill arises as a technical effect of deferred tax (technical goodwill).

Reconciliation of goodwill from the acquisition of BP Norge AS (USD 1 000)	30.09.2016
Goodwill as a result of deferred tax - technical goodwil	944 903
Goodwill related to synergies - residual goodwil	214 051
Total goodwill from the acquisition of BP Norge AS	1 158 954
Impairment charges, see Note 15	51 366
Net goodwill from the acquisition of BP Norge AS as of 31 December 2016	1 107 588

The above valuation is based on currently available information about fair values as of the acquisition date. If new information becomes available within 12 months from the acquisition date, the group may change the fair value assessment in the PPA, in accordance with guidance in IFRS 3.

If the acquisition had taken place at the beginning of 2016, year to date revenue would have increased by USD 514 million while net profit would have decreased by USD 3 million. The acquisition has no impact on other comprehensive income for 2016.

Parent company

On 1 December 2016 all assets and liabilities previously held in BP Norge AS were transferred to Aker BP. The distribution was based on group continuity based on booked values in the group based on the PPA from 30 September 2016. The only remaining asset in BP Norge AS subsequent to the transfer, except for the receivable against Aker BP as a result of transferring the activity, is tax loss carried forward as of 1 January 2016. The tax loss carried forward is classified as a tax receivable in the Group financial statements as it is expected to be refunded by the Norwegian tax authorities.

Upon transferring the activity as described above, the assets and liabilities of BP Norge AS replaced the value of the shares in that company in the separate financial statements of Aker BP ASA. However, the booked valued of the transferred net assets in BP Norge AS was USD 11.3 million lower at the time of the transfer on 1 December 2016 compared to the PPA date. This amount relates to the BP Norge related net profit in the group financial statements in the period between the PPA and the transfer of activity, and is booked as other financial expense in the separate financial statement of Aker BP ASA.

Note 4 Overview of subsidiaries

BP Norge AS was acquired 30 September 2016 and is consolidated in the group accounts as described in Note 3. In addition, the company has three subsidiaries which is not consolidated in the group accounts in 2016 due to materiality considerations:

Det norske oljeselskap AS (100 per cent)

Det norske oljeselskap AS, previously Marathon Oil Norge AS, was acquired by Aker BP in October 2014. All activity was transferred to Aker BP on 31 October 2014. As of year-en 2016, the only remaining asset in this company is cash equivalents reflecting the share capital amounting to USD 1.0 million.

Alvheim AS (65 per cent)

The sole purpose of Alvheim AS is to act as legal owner of MST Alvheim, the floating production facility which is used to produce oil and gas from the Alvheim fields. The costs of and benefits from operating the MST Alvheim will be carried by the partners in the Alvheim field. Hence, Alvheim AS only has the formal ownership rather than the actual value of the production facilities. Aker BP has a 65 per cent share in Alvheim AS, which corresponds to the ownership in the Alvheim field.

Sandvika Fjellstue AS (100 per cent)

Sandvika Fjellstue AS owns a conference centre used by Aker BP, located in Sandvika in Verdal.

The subsidiary Det norske oil AS (previously Premier Oil Norge AS) transferred its activity to Aker BP as of 28 February 2016 and was subsequently liquidated. The activity for January and February has thus been consolidated in the group accounts. The activity in Det norske exploration AS (previously Svenska Petroleum Exploration AS) was transferred to Aker BP in 2015, and Det norske exploration AS has been liquidated during 2016.

For additional information regarding subsidiaries, see Note 18.

Note 5 Segment information

The company's business is entirely related to exploration for and production of petroleum in Norway. The company's activities are considered to have a homogeneous risk and retur profile before tax, and the business is located in the geographical area Norway. The company operates within a single operating segment which matches the internal reporting to the company's executive management. The revenue in 2016 relates in all material respect to five main customers, which accounted for sales of USD 441 million, USD 276 million, USD 272, USD 157 and USD 107 million for the group and USD 317 million, USD 276 million, USD 272 million, USD 157 million and USD 107 million for the parent. The revenue in 2015 relates in all material respect to three main customers, which accounted for sales of USD 785 million, USD 279 million and USD 107 million (group and parent).

Note 6 Exploration expenses

	Group		Parent company	
Breakdown of exploration expenses (USD 1 000)	2016	2015	2016	2015
Seismic	29 321	12 530	29 304	12 530
Area fee	13 291	8 634	13 076	8 634
Expensed capitalized wells this year	41 284	10 390	41 284	10 390
Expensed capitalized wells previous years	10 385	1 292	10 385	1 292
Other exploration expenses	53 171	43 559	44 828	43 559
Total exploration expenses	147 453	76 404	138 878	76 404

During 2016 the group made changes in the subcategories within exploration expenses presented above. Comparable figures have been restated accordingly

Note 7 Inventory

The inventory mainly consists of equipment for the drilling of exploration wells or spare parts for development and production licences.

Note 8 Income

	Group		Parent company	
Breakdown of petroleum revenues (USD 1 000)	2016	2015	2016	2015
Recognized income liquids	1 120 094	1 044 548	1 021 551	1 044 548
Recognized income gas	128 436	110 909	96 879	110 909
Tariff income	12 274	3 227	11 509	3 227
Total petroleum revenues	1 260 803	1 158 683	1 129 939	1 158 683
Breakdown of produced volumes (barrels of oil equivalent)				
Liquids	23 830 388	19 307 898	21 645 073	19 307 898
Gas	4 512 648	2 593 733	3 343 534	2 593 733
Total produced volumes	28 343 036	21 901 630	24 988 607	21 901 630
Other income (USD 1 000)				
Realized gain/loss (-) on oil derivatives	30 199	14 962	30 199	14 962
Unrealized gain/loss (-) on oil derivatives	-46 399	45 217	-46 399	45 217
Gain on licence transactions	20	856	20	856
Other income*	119 506	2 084	3 938	2 084
Total other income	103 326	63 119	-12 242	63 119

* Other income is mainly related to change in pension scheme for employees in BP Norge AS. As of 30 September 2016 there was a defined benefit scheme in BP Norge AS, which has been replaced by a defined contribution scheme. The accounting consequence of the settlement is that previous gross pension liability is reset to zero and pension funds are used to issue a paid-up policy to each employee.

See Note 23 and 28 for further details regarding commodity derivatives.

Note 9 Remuneration and guidelines for remuneration of senior executives and the Board of Directors, and total payroll expenses

Breakdown of payroll expenses (USD 1 000)	Group		Parent company	
	2016	2015	2016	2015
Payroll expenses	142 383	116 519	117 835	116 519
Pension*	-79 648	7 904	8 654	7 904
Social security tax	22 645	16 708	17 739	16 708
Other personnel costs	3 541	1 928	2 310	1 928
Total payroll expenses	88 920	143 059	146 538	143 059

* The negative pension cost is related to the change in pension scheme described in Note 8.

Number of full time equivalents employed during the year	Group		Parent company	
	2016	2015	2016	2015
Europe	742	479	602	479
Southeast Asia	15	29	15	29
Total	757	508	616	508

As of 31 December 2016, the number of employees in the group was 1 371. As of 31 December 2015 the number of employees in the group was 534 of which 523 were employed in the parent compan and 11 in the subsidiary, Det norske oil AS.

Remuneration of senior executives in 2016* (USD 1 000)	Salary	Bonus [9]	Payments in kind	Other	Total remuneration	Pension costs	Total number of shares (in 1 000)**	Owning interest
Karl Johnny Hersvik (Chief Executive Officer)	575	880	2	-	1 457	17	-	-
Øyvind Bratsberg (Special Advisor) [1]	450	249	2	4	704	17	49	0.0 %
Alexander Krane (Chief Financial Officer)	383	254	8	1	647	17	12	0.0 %
Gro G. Haatvedt (SVP Exploration)	409	387	2	6	804	72	8	0.0 %
Olav Henriksen (SVP Projects)	390	393	2	-	785	72	-	-
Geir Solli (SVP Operations) [2]	386	229	6	50	670	17	25	0.0 %
Leif G. Hestholm (SVP HSE) [3]	270	76	2	16	364	17	-	-
Per Harald Kongelf (SVP Improvement) [4]	125	57	1	120	302	6	-	-
Arne Tommy Sigmundstad (SVP D&W) [5]	136	51	1	185	373	7	-	-
Ole-Johan Molvig (SVP Reservoir Development) [6]	285	41	2	19	347	17	-	-
Jorunn Kvåle (SVP HSE) oct-dec [7]	52	8		-	60	-	-	-
Eldar Larsen (SVP Operations) oct-dec [8]	84	13	1	1	99	-	-	-
Total remuneration of senior executives in 2016	3 546	2 637	26	401	6 610	261	94	0.0 %

[1] Acting SVP D&W until 31 July 16.

[2] SVP Operations until 30 November 16.

[3] SVP HSE until 30 November 16.

[4] Joined the Company 5 September 16. Other includes sign-on fee.

[5] Joined the Company 1 August 16. Other includes sign-on fee.

[6] New position in EMT from 1 December 16.

[7] Payroll amounts from 30 September 2016, SVP HSE from 1 December 2016.

[8] Payroll amounts from 30 September 2016, SVP Operations from 1 December 16.

[9] Numbers represent estimated bonus for 2016, not actual bonus payment. From the total amount in this column, USD 980 thousand relates to a long term incentive program.

* All remuneration to senior executives is paid in NOK and converted to USD using a yearly average USD/NOK-rate at 8.399.

** Number of shares as of year end, and have been purchased by the individuals and are not part of the remuneration.

Remuneration of senior executives in 2015* (USD 1 000)	Salary	Bonus [4]	Payments in kind	Other	Total remuneration	Pension costs	Total number of shares (in 1 000)**	Owning interest
Karl Johnny Hersvik (Chief Executive Officer)	537	436	2	0	975	20	-	-
Øyvind Bratsberg (Acting SVP Drilling and Well)	447	138	2	4	591	20	49	0.0 %
Alexander Krane (Chief Financial Officer)	366	248	8	1	623	20	12	0.0 %
Gro G. Haatvedt (VP Exploration)	390	317	2	8	717	143	8	0.0 %
Gudmund Evju (Acting SVP Technology & Field Development) [1]	209	27	2	48	287	20	89	0.0 %
Olav Henriksen (SVP Projects) [2]	349	322	2	683	1 355	111	-	-
Kjetil Kristiansen (SVP HR)	295	93	5	3	396	20	-	-
Rolf J. Brøske (SVP Comm.)	195	62	2	4	263	20	3	0.0 %
Geir Solli (SVP Operations)	427	173	5	56	661	21	25	0.0 %
Kjetil Ween (SVP Drilling and Wells) [3]	178	-	2	604	784	15	-	-
Elke R. Njaa (SVP Company Development/Special Projects)	316	83	2	27	428	19	-	-
Leif G. Hestholm (SVP HSE & Q)	315	82	2	18	417	20	-	-
Total remuneration of senior executives in 2015	4 024	1 982	37	1 455	7 498	449	186	0.0 %

[1] Joined executive management 12 June 2015.

[2] Joined 19 January 2015. The amount included in "other" relates to sign-on fee.

[3] Resigned from executive management 12 June 2015. The amount included in "other" relates to severance pay.

[4] Earned in 2015, paid in 2016.

* All remuneration to senior executives is paid in NOK and converted to USD using a yearly average USD/NOK-rate at 8.074.

** Number of shares as of year end, and have been purchased by the individuals and are not part of the remuneration.

The tables below include regular fees to the Board and fees for participation in the Board's subcommittees. The fees to the nomination committee are also included. Fees to Board members employed in Aker or BP Group will be paid to the companies, not to the Board member in person. Some Board members have shares in the company. The table also includes the number of shares and owning interest in Aker BP ASA held directly or indirectly through related parties. Indirect ownership through other companies is included as a whole where the owning interest is 50 per cent or more.

Fees in 2016 Name	Comments	Fee (USD 1 000)	Total number of shares (in 1000)	Owning interest
Øyvind Eriksen	Chairman of the Board from 11 March 2016. Chair of the Compensation committee.	89	-	-
Anne Marie Cannon	Deputy Chair from 17 April 2013, member of the Audit committee	76	6	0.0 %
Gro Kielland	Board member from 20 March 2014. Member of the Audit and Risk committee/Compensation committee	57	-	-
Kjell Inge Røkke [1]	Board member from 17 April 2013	45	-	-
Trond Brandsrud	Board member from 11 March 2016. Chair of the Audit and Risk committee from 28 April 2016	45	-	-
Emil Brustad-Nilsen	Deputy Board member from 11 March 2016	4	-	-
Terje Solheim	Employee representative from 20 March 2014. Member of the Compensation committee from 28 April 2016.	24	1	0.0 %
Bjørn Thore Ribesen	Employee representative from 11 March 2016.	15	20	0.0 %
Lone Margrethe Olstad	Employee representative from 11 March 2016.	15	-	-
Aage Ertsgaard (1.deputy)	Deputy employee representative from 11 March 2016.	2	7	0.0 %
Kristin Gjertsen (2.deputy)	Deputy employee representative from 11 March 2016.	2	6	0.0 %
Ifor Sellevoll Roberts (3.deputy)	Deputy employee representative from 11 March 2016.	4	8	0.0 %
Bernard Looney	Board member from 30 September 2016.	-	-	-
Kate Thomson	Board member from 30 September 2016, member of the Audit and Risk committee from 4 October 2016.	-	-	-
Arild Støren Frick	Chair of the nomination committee from 13 April 2015	4	-	-
Finn Haugan	Member of the nomination committee	2	-	-
Hilde Myrberg	Member of the nomination committee	2	-	-
Members until 11 March 2016				
Kristin Gjertsen	Employee representative until 11 March 2016.	9	6	0.0 %
Sverre Skogen	Chairman of the Board from 17 April 2013 to 11 March 2016. Chair of the compensation committee until 11 March 2016.	41	-	-
Jørgen C Arentz Rostrup	Board member from 17 April 2013 to 11 March 2016. Chair of the Audit and Risk committee until 11 March 2016.	37	4	0.0 %
Gudmund Evju	Employee representative from 20 March 2014 to 11 March 2016.	7	89	0.0 %
Camilla Oftebro	Deputy employee representative from 20 March 2014 to 11 March 2016	1	-	-
Tormod Førland	Deputy employee representative from 20 March 2014 to 11 March 2016	1	36	0.0 %
Kristin Alne	Deputy employee representative from 18 April 2015 to 11 March 2016	1	-	-
Members until 30 September 2016				-
Kitty Hall (Kat. J. Martin)	Board member from 17 April 2013 to 30 September 2016.	45	-	-
Kjell Pedersen	Board member from 18 April 2015 to 30 September 2016. Member of the Organizational Development and Compensation committee.	38	1	0.0 %
Total fee		566	185	0.1 %

[1] Mr. Røkke and wife own and control TRG, which owns 68.2 per cent of Aker ASA, which through a subsidiary owns 40.0 per cent of Aker BP.

Fees in 2015 Name	Comments	Fee (USD 1 000)	Total number of shares (in 1000)	Owning interest
Sverre Skogen	Chair of the Board from 17 April 2013. Chair of the compensation committee.	117	-	-
Anne Marie Cannon	Deputy Chair from 17 April 2013. Member of the audit committee.	82	4	0.0 %
Jørgen C. Arentz Rostrup	Board member from 17 April 2013. Chair of the audit committee.	83	4	0.0 %
Kitty Hall (Kat J. Martin)	Board member from 17 April 2013.	61	-	-
Kjell Inge Røkke	Board member from 17 April 2013.	19	-	-
Gro Kielland	Board member from 20 March 2014. Member of the audit committee from 18 April 2015.	74	-	-
Kjell Pedersen	Board member from 18 April 2015. Member of the compensation committee.	31	-	-
Gudmund Evju	Employee representative from 20 March 2014.	26	89	0.0 %
Kristin Gjertsen	Employee representative from 20 March 2014. Member of the compensation committee.	31	6	0.0 %
Terje Solheim	Employee representative from 20 March 2014.	20	1	0.0 %
Kristin Alne (1. deputy)	Employee rep. Deputy board member from 18 April 2015.	2	-	-
Tormod Førland (2. deputy)	Employee rep. Deputy board member from 20 March 2014.	5	36	0.0 %
Camilla Oftebro (3. deputy)	Employee rep. Deputy board member from 20 March 2014.	3	-	-
Arild Støren Frick	Chair of the nomination commitee from 13 April 2015	2	-	-
Finn Haugan	Member of the nomination committee.	4	-	-
Hilde Myrberg	Member of the nomination committee.	4	-	-
Members before Annual General Meeting in April 2015:				
Tom Røtjer	Board member from 19 April 2012. Member of the compen. committee. Resigned 18 April 2015.	25	7	0.0 %
Inge Sundet	Employee representative from 8 August 2012 to 18 April 2015.	12	15	0.0 %
Kjetil Kristiansen	Chair of the nomination committee to 13 April 2015.	3	-	-
Total fee		602	163	0.0 %

Guidelines and adherence to the guidelines in 2016

In 2016, the company's remuneration policy has been in accordance with the guidelines described in the Board of Directors' Report for 2015 and submitted to the annual general meeting for an advisory vote in April 2016.

Guidelines for 2017

The Board has established guidelines for 2017 for salaries and other remuneration to the Chief Executive Officer and other senior executives. The guidelines will be reviewed at the company's annual general meeting in 2017.

Senior executives receive a basic salary, adjusted annually. The company's senior executives participate in the general arrangements applicable to all the company's employees as regards bonus programme (see below), pension plans and other payments in kind such as free internet connection at home and subsidized fitness centre fees. In special cases, the company may offer other benefits in order to recruit personnel, including to compensate for bonus rights earned in previous employment.

For bonus arrangements for executive management, reference is made to the section Executive Remuneration in the Board of Directors Report. Estimated amount incurred in 2016 for the different bonus arrangement, including the three year incentive program, is included in the bonus column in the table above.

Adjustment of the CEO's base salary is decided by the Board. Adjustment of the base salaries for other senior executives is decided by the CEO within the wage settlement framework adopted by the Board.

It is up to the Board to decide whether to pay bonuses, based on the previous year's performance. For 2016, the bonus will be disbursed in April 2017.

A borrowing facility was established for the company's employees, whereby all permanent employees can borrow up to 30 per cent of their gross annual salary at an interest rate corresponding to the taxable norm interest rate. The lender is one selected bank, and the company guarantees for the employees' loans. Guarantees furnished by the company for employee loans in 2016 amounted to USD 1.3 million. The corresponding figure for 2015 was USD 1.6 million. The company covers the difference between the market interest rate and the norm interest rate for tax purposes at any time. As security for such loans, the company signs additional contracts with the employees, entitling it to make deductions for defaulting payment from holiday pay and pay during notice periods. The bank manages the facility, collects interest payments/instalments and follows up any default. The company pays a small annual fee for this work. This borrowing facility was closed for new members following the acquisition of BP Norge AS with no new loans being offered since 1 December 2016. Existing loans will follow set payment plan with no refinancing opportunities for the employee.

Note 10 Auditors fee

(USD 1 000)	Group 2016	Group 2015	Parent company 2016	Parent company 2015
Fees for statutory audit services - KPMG	788	568	718	568
Fees for other statutory attestations - KPMG	80	294	80	294
Total auditor's fees	868	862	798	862

Note 11 Financial items

(USD 1 000)	Group 2016	Group 2015	Parent company 2016	Parent company 2015
Interest income	5 795	3 098	5 516	3 098
Realised gains on derivatives	3 138	2 679	3 138	2 679
Return on financial investments	-	39	-	39
Change in fair value of derivatives	35 991	18 250	35 991	18 250
Currency gains	3 742	44 416	24 939	44 416
Total other financial income	42 871	65 385	64 068	65 385
Interest expenses	160 808	127 620	168 084	127 620
Capitalized interest cost, development projects	-96 562	-62 326	-96 562	-62 326
Amortized loan costs	17 915	17 480	17 915	17 480
Total interest expenses	82 161	82 774	89 438	82 774
Realised loss on derivatives	7 675	51 584	7 675	51 584
Change in fair value of derivatives	-	62 739	-	62 739
Accretion expenses	47 977	26 351	33 473	26 351
Other financial expenses*	7 864	6	39 953	6
Total other financial expenses	63 515	140 679	81 101	140 679
Net financial items	-97 011	-154 971	-100 955	-154 971

* The parent company number includes the group continuity adjustment described in Note 3, as well as other adjustments to the value of the shares in BP Norge AS.

The group changed the presentation of accretion expenses in 2016. It is now included in the line item other financial expenses, while it was presented as interest expenses prior to 2016. Comparable figures have been restated accordingly.

The rate (weighted average interest rate) used to determine the amount of borrowing cost eligible for capitalization for 2016 is 6.33 per cent. The corresponding rate for 2015 was 6.0 per cent.

Note 12 Taxes

Breakdown of the current year's tax income (-)/tax expense (+) (USD 1 000)	Group 2016	Group 2015	Parent company 2016	Parent company 2015
Calculated current year tax/exploration tax refund	-131 488	49 776	-130 663	49 776
Prior periods' adjustments to current tax	-2 747	-11 580	-1 519	-11 580
Current tax income (-)/expense (+)	-134 235	38 196	-132 182	38 196
Prior periods' adjustments to deferred tax	15 100	6 921	5 226	6 921
Change in deferred tax	374 617	153 927	211 830	153 927
Deferred tax income (-)/expense (+)	389 717	160 849	217 055	160 849
Net tax income (-)/tax expense (+)	255 482	199 045	84 874	199 045
Effective tax rate in %	88%	-175 %	71%	-175 %

Reconciliation of tax income (-)/tax expense (+) (USD 1 000)	Tax rate	Group 2016	Group 2015	Parent company 2016	Parent company 2015
25% / 27% company tax on result before tax	25%	72 613	-30 674	29 961	-30 674
53% / 51% special tax on result before tax	53%	153 940	-57 940	63 518	-57 940
Tax effect on uplift	53%	-103 313	-93 513	-99 890	-93 513
Change in tax rate *		-2 888	265	-2 888	265
Permanent difference - impairment of goodwill	78%	62 053	332 631	62 053	332 631
Foreign currency translation of NOK monetary items	78%	2 163	-59 857	-594	-59 857
Foreign currency translation of USD monetary items	78%	55 692	-243 175	51 381	-243 175
Tax effect of financial items - 25% / 27% only	53%	-21 335	185 202	-19 729	185 202
Revaluation of tax balances**	78%	28 901	164 348	-9 730	164 348
Utilization of acquired loss carried forward***		-	-5 524	-	-5 524
Other items (other permanent differences and previous period adjustment)	78%	7 656	7 282	10 791	7 282
Total tax income (-)/tax expense (+) for the year		255 482	199 045	84 874	199 045

* The tax rate for general corporation tax changed from 25 to 24 per cent from 1 January 2017. The rate for special tax changed from the same date from 53 to 54 per cent.

** Tax balances are in NOK and converted to USD using the period end currency rate. When the NOK weakens against USD, the tax rate increases as there is less remaining tax depreciation measured in USD.

*** In the acquisition of Svenska Petroleum Exploration AS the acquired loss carried forward was initially recognized to fair value. The amount of USD 5 524 thousand represents the difference between the proportional share of fair value and the nominal value.

In accordance with statutory requirements, the calculation of current tax is required to be based on NOK currency. This may impact the tax rate when the functional currency is different from NOK.

The revaluation of tax payable is presented as foreign exchange loss/gain in the Income statement, while the impact on deferred tax from revaluation of tax balances is presented as tax.

Breakdown of tax effect of temporary differences and tax losses carry forward (USD 1 000)	Group 2016	Group 2015	Parent company 2016	Parent company 2015
Tangible fixed assets	-1 775 189	-1 138 666	-1 775 189	-1 138 666
Capitalized exploration cost	-308 303	-236 191	-308 303	-236 191
Other intangible assets	-932 700	-368 911	-932 700	-396 804
Abandonment provision	1 674 332	330 193	1 674 332	330 193
Financial instruments	9 776	7 637	9 776	7 637
Other provisions	157 183	-18 251	157 183	-18 251
Tax losses carry forward 24% / 25%	9 542	23 786	9 542	7 696
Tax losses carry forward 54% / 53%	119 815	44 289	119 815	-
Total deferred tax liability (-)/deferred tax asset (+)	-1 045 542	-1 356 114	-1 045 542	-1 444 386

Reconciliation of change in deferred tax (-)/deferred tax asset (+) (USD 1 000)	Group 2016	Group 2015	Parent company 2016	Parent company 2015
Deferred tax/ deferred tax assets as of 1.1	-1 356 114	-1 286 357	-1 444 386	-1 286 357
Change in deferred taxes in Income statement	-374 617	-153 927	-211 830	-153 927
Reclassification of loss carry forward	-238 866	-	84 368	
Deferred tax related to acquisitions*	942 611	91 151	535 893	2 879
Prior period adjustments	-18 555	-6 921	-9 587	-6 921
Deferred tax charged to OCI and equity	-1	-59	-1	-59
Total deferred tax liability (-)/deferred tax asset (+)	-1 045 542	-1 356 114	-1 045 542	-1 444 386

* Deferred tax asset from BP Norge AS has been netted against deferred tax liability in Aker BP as the activity in BP Norge AS was transferred to Aker BP during Q4 2016.

Reconciliation of change in tax receivable (+)/tax payable (-) (USD 1 000)	Group 2016	Group 2015	Parent company 2016	Parent company 2015
Tax receivable/payable at 1.1	126 391	-189 098	108 393	-189 098
Current year tax in Income statement	131 488	-49 776	130 663	-49 776
Tax receivable/payable related to acquisitions	255 873	108 047	-71 071	90 049
Tax payment/tax refund	-211 525	232 956	-123 102	232 956
Prior period adjustments	-1 681	11 580	-1 545	11 580
Revaluation of tax payable	7 430	12 682	3 444	12 682
Tax receivable (+)/tax payable (-)	307 977	126 391	46 783	108 393
Tax receivable	400 638	126 391	139 443	108 393
Tax payable	-92 661	-	-92 661	-

Note 13 Earnings per share

Earnings per share is calculated by dividing the year's profit/loss attributable to ordinary equity holders of the parent entity, which was USD 35 million (USD -312.7 million in 2015) by the year's weighted average number of outstanding ordinary shares, which was 236.6 million (202.6 million in 2015). There are no option schemes or convertible bonds in the company. This means that there is no difference between the ordinary and diluted earnings per share.

(USD 1 000)	Group 2016	Group 2015
Profit/loss for the year attributable to ordinary equity holders of the parent entity	34 971	-312 652
The year's average number of ordinary shares (in thousands)	236 583	202 619
Earnings per share in USD	0.15	-1.54

Note 14 Tangible assets and intangible assets

TANGIBLE FIXED ASSETS - GROUP*

2016 - Group (USD 1 000)	Assets under development	Production facilities including wells	Fixtures and fittings, office machinery	Total
Book value 31.12.2015	1 493 795	1 470 881	14 758	2 979 434
Acquisition cost 31.12.2015	1 505 779	2 514 487	35 506	4 055 772
Acquisition of BP Norge AS	-	921 081	-	921 081
Additions	752 795	177 144	12 603	942 542
Disposals	-	-	4 001	4 001
Reclassification**	-1 349 900	1 337 853	12 028	-19
Acquisition cost 31.12.2016	908 674	4 950 566	56 137	5 915 377
Accumulated depreciation and impairments 31.12. 2015	11 984	1 043 606	20 748	1 076 338
Depreciation	-	411 400	6 491	417 891
Impairment	-10 418	-6 191	-	-16 609
Retirement/transfer depreciations	-	-156	-3 882	-4 038
Accumulated depreciation and impairments 31.12.2016	1 566	1 448 659	23 357	1 473 582
Book value 31.12.2016	907 108	3 501 908	32 779	4 441 796

2015 - Group (USD 1 000)	Assets under development	Production facilities including wells	Fixtures and fittings, office machinery	Total
Acquisition cost 31.12.2014	1 324 556	1 856 371	35 684	3 216 612
Additions	743 328	77 933	-178	821 084
Reclassification	-562 106	580 182	-	18 077
Acquisition cost 31.12.2015	1 505 779	2 514 487	35 506	4 055 772
Acc. depreciations & impairment losses 31.12.2015	11 984	1 043 606	20 748	1 076 338
Book value 31.12.2015	1 493 795	1 470 881	14 758	2 979 434

* Fixed assets of the parent company have not been presented separately as the ending balances are identical for the two, following the transfer of activity from BP Norge AS to Aker BP ASA at 1 December 2016 as described in Note 3.

** The reclassification is mainly related to the Ivar Aasen field which entered into production phase in Q4 2016.

Capitalized exploration expenditures are reclassified to 'Fields under development' when the field enters into the development phase. If development plans are subsequently re-evaluated, the associated costs remain in assets under development and are not reclassified back to exploration assets. Fields under development are reclassified to 'Production facilities' from the start of production. Production facilities, including wells, are depreciated in accordance with the Unit of Production Method. Office machinery, fixtures and fittings etc. are depreciated using the straight-line method over their useful life, i.e. 3-5 years. Removal and decommissioning costs are included as production facilities or fields under development.

See Note 15 for information regarding impairment charges.

INTANGIBLE ASSETS - GROUP*

2016 - Group (USD 1 000)	Other intangible assets Licences etc.	Software	Total	Exploration wells	Goodwill
Book value 31.12.2015	646 487	1 543	648 030	289 980	767 571
Acquisition cost 31.12.2015	789 316	9 149	798 465	289 980	1 561 880
Acquisition of BP Norge AS	759 962	-	759 962	-	1 158 954
Additions*	25 519	-1 383	24 137	157 337	-
Disposals/expensed dry wells	-	265	265	51 669	-
Reclassification	406	-	406	-388	
Acquisition cost 31.12.2016	1 575 203	7 501	1 582 705	395 260	2 720 835
Accumulated depreciation and impairments 31.12. 2015	142 829	7 606	150 435	-	794 309
Depreciation	91 254	-118	91 136	-	-
Impairment	8 429	-	8 429	-	79 555
Retirement/transfer depreciations	157	-265	-108	-	-
Accumulated depreciation and impairments 31.12.2016	242 670	7 223	249 892	-	873 864
Book value 31.12.2016	1 332 534	279	1 332 813	395 260	1 846 971

2015 - Group (USD 1 000)	Other intangible assets Licences etc.	Software	Total	Exploration wells	Goodwill
Acquisition cost 31.12.2014	712 237	9 064	721 301	291 619	1 556 468
Additions	73 185	85	73 269	32 014	5 412
Disposals/expensed dry wells	-	-	-	11 682	-
Reclassification	3 895	-	3 895	-21 971	-
Acquisition cost 31.12.2015	789 316	9 149	798 465	289 980	1 561 880
Acc. depreciations & impairment losses 31.12.2015	142 829	7 606	150 435	-	794 309
Book value 31.12.2015	646 487	1 543	648 030	289 980	767 571

* Intangible assets of the parent company have not been presented separately as the ending balances are identical for the two, following the transfer of activity from BP Norge AS to Aker BP ASA at 1 December 2016 as described in Note 3.

The lenders have security in the form of pledge in all licences (development and producing assets), insurance policies, floating charge and accounts receivable:

Software is depreciated over its usefull life (three years), using a stright-line method. Licences related to fields in production is depreciated using the Unit of Production metho

Depreciation in the Income statement (USD 1 000)	Group 2016	Group 2015	Parent company 2016	Parent company 2015
Depreciation of tangible fixed assets	417 891	405 869	404 740	405 869
Depreciation of intangible assets	91 136	75 090	91 136	75 090
Total depreciation in the Income statement	509 027	480 959	495 876	480 959

Impairment in the Income statement (USD 1 000)	Group 2016	Group 2015	Parent company 2016	Parent company 2015
Impairment/reversal of tangible fixed assets	-16 609	3 092	-16 609	3 092
Impairment/reversal of intangible fixed assets	8 429	2 832	8 429	2 832
Impairment of goodwill	79 555	424 544	79 555	424 544
Total impairment in the Income statement	71 375	430 468	71 375	430 468

See Note 15 for information regarding impairment charges.

Note 15 Impairments

Impairment testing

Impairment tests of individual CGUs are performed when impairment triggers are identified. As of 31 December 2016 there has been a decrease in long term price assumptions compared to 31 December 2015, which is considered as an impairment trigger. Two categories of impairment tests have been performed:

- Impairment test of fixed assets and related intangible assets, other than goodwill
- Impairment test of goodwill

Impairment is recognized when the book value of an asset or a CGU, including associated goodwill, exceeds the recoverable amount. The recoverable amount is the higher of the asset's fair value less cost to sell and value in use. For assets and goodwill in the group prior to the acquisition of BP Norge AS, the impairment testing has been based on value in use, consistent with the impairment testing in Q1 - Q3 2016. For assets and goodwill recognized in relation to the acquisition of BP Norge AS, the impairment testing has been based on fair value. For both value in use and fair value, the impairment testing is done based on discounted cash flows. The expected future cash flow is discounted to the net present value by applying a discount rate after tax that reflects the current market valuation of the time value of money, and the specific risk related to the asset. The discount rate is derived from the WACC for a market participant. Cash flows are projected for the estimated lifetime of the fields, which may exceed periods greater than five years. If not specifically stated otherwise, the same assumptions have been applied for value in use and fair value testing.

For producing licences and licences in the development phase, recoverable amount is estimated based on discounted future after tax cash flows. Below is an overview of the key assumptions applied for impairment testing purposes as of 31 December 2016.

Oil and gas prices

Future price level is a key assumption and has significant impact on the net present value. Forecasted oil and gas prices are based on the management's estimates and available market data. Information about market prices in the near future can be derived from the futures contract market. The information about future prices is less reliable on a long-term basis, as there are fewer observable market transactions going forward. In the impairment test, the oil price is therefore based on the forward curve from the beginning of 2017 to the end of 2019. From 2020, the oil price is based on the company's long-term price assumptions.

The nominal oil price based on the forward curve applied in the impairment test is as follows:

Year	USD/BOE
2017	58.5
2018	58.5
2019	58.0
From 2020 (in real terms) - fair value testing*	65.0
From 2020 (in real terms) - value in use testing	75.0

* In line with the fair value requirements in IAS 36, as defined by IFRS 13 definition of fair value, the long-term fair value oil price assumption reflects the view of market participants at the measurement date under current market conditions.

Oil and gas reserves

Future cash flows are calculated on the basis of expected production profiles and estimated proven and probable remaining reserves. The recoverable amount is sensitive to changes in reserves. For more information about the determination of the reserves, reference is made to Note 1, section 1.3 about important accounting assessments, estimates and assumptions.

Discount rate

The discount rate is derived from the company's WACC. The capital structure considered in the WACC calculation is derived from the capital structures of an identified peer group and market participants with consideration given to optimal structures. The cost of equity is derived from the expected return on investment by the company's investors. The cost of debt is based on the interest-bearing borrowings on debt specific to the assets acquired. The beta factors are evaluated annually based on publicly available market data about the identified peer group.

Based on the above, the post tax nominal discount rate is set to 7.5 per cent, which is a change from 8.5 per cent from the previous quarters in 2016.

Currency rate

Aker BP's functional currency is USD. In line with the methodology used for future oil price, the forward period for currency rates are from 2017 until end 2019. The company's long term assumptions are used from 2020 and onwards. This results in the following currency rates being applied for USD/NOK in the impairment test at year-end 2016:

Year	USD/NOK
2017	8.59
2018	8.53
2019	8.46
From 2020	7.50

Inflation

The long-term inflation rate is assumed to be 2.5 per cent.

Impairment testing of assets other than goodwill

The impairment test of assets other than goodwill has been performed prior to the annual goodwill impairment test. If these assets are found to be impaired, its carrying value will be written down before the impairment test of goodwill. The carrying value of the assets is the sum of tangible assets and intangible assets as of the valuation date.

In the PPA in relation to the acquisition of Marathon Oil Norge AS in 2014, some values were allocated to certain exploration prospects. During 2016 the group has concluded to cease the activity on some of these exploration assets, and the related value is thus impaired. Additionally, the removal estimates on several fields were reduced in 2016. Some of these fields had previously been written down to zero, and a reduction in the removal asset therefore leads to an immediate impact in the Income statement presented as reversed impairment. The impact from the decreased removal estimates is partly offset by decreased prices and other changes in assumptions from previous impairment calculations. Finally, the Gina Krog impairment from 2015 has been reversed in 2016 mainly due to increased prices in the forward period.

Below is an overview of the impairment charge and the carrying value per cash generating unit where impairment has been recognized or reversed at year-end 2016:

	Impairment charged/reversal		Recoverable amount/
CGU (USD 1 000)	Intangible	Tangible	carrying value
Gina Krog	-	-10 418	127 411
CGU's with no remaining carrying value	8 429	-6 191	-
Total	8 429	-16 609	127 411

Impairment testing of goodwill

For the purpose of impairment testing, goodwill acquired through business combinations have, before any impairment charges in 2016, been allocated as follows:

Goodwill allocation (USD 1 000)	
Remaining technical goodwill from the acquisition of Marathon Oil Norge AS as of 1 January 2016	431 320
Technical goodwill from the acquisition of BP Norge AS	944 903
Residual goodwill	505 768
Remaining technical goodwill from other business combinations	42 399

Technical goodwill has been allocated to individual CGUs for the purpose of impairment testing. The residual goodwill is allocated to group of CGUs including all fields acquired together with all existing Aker BP's fields, as this mainly relates to tax and workforce synergies and the ability to capture synergies from managing a portfolio of both acquired and existing fields on the NCS. The technical goodwill from other business combinations are mainly allocated to Johan Sverdrup (USD 23 million) and Ivar Aasen (USD 8 million). The remaining technical goodwill from prior year business combinations is not significant in comparison to the total carrying amount of goodwill.

Impairment testing of residual goodwill

As mentioned above, residual goodwill is allocated across all CGUs for impairment testing. The combined recoverable amount exceeds the carrying amount by a substantial margin. Based on this, no impairment of residual goodwill has been recognized.

Impairment testing of technical goodwill from the acquisition of Marathon Oil Norge AS and BP Norge AS

The carrying value of the CGUs consists of the carrying values of the oilfield assets plus associated technical goodwill. In the impairment test performed, carrying value is adjusted by the remaining part of deferred tax from which the technical goodwill arose, to avoid an immediate impairment of all technical goodwill.

The total carrying value of the CGU's with technical goodwill impairment charges in 2016, is calculated as follows:

(USD 1 000)	
Carrying value of oilfield licences and fixed assets	3 232 433
+ Technical goodwill	1 216 550
- Deferred tax related to technical goodwill	-1 860 547
Net carrying value pre-impairment of goodwill	2 588 437

The impairment charge is the difference between the recoverable amount and the carrying value.

(USD 1 000)	Ula/Tambar	Valhall/Hod	Alvheim*
Net carrying value	264 960	1 112 465	1 211 012
Recoverable amount (including tax amortization benefit)	235 551	1 090 508	1 182 823
Impairment charge 2016	29 409	21 957	28 189

* Alvheim CGU was impaired in Q1 applying the assumptions described in the Q1 2016 financial report.

As depicted in the table showing carrying value above, deferred tax (from the date of acquisitions) reduces the net carrying value prior to the impairment charges. When deferred tax from the acquisitions decreases, more goodwill is as such exposed for impairment. This may lead to future impairment charges even though other assumptions remain stable. In 2016, the main reason for the impairment is the decreased long term price assumptions, together with an overall update of the other assumptions.

Sensitivity analysis

The table below shows how the impairment of goodwill allocated to the CGUs Ula/Tambar, Valhall/Hod and Alvheim would be affected by changes in the various assumptions, given that the remainders of the assumptions are constant.

		Change in goodwill impairment after	
Assumption (USD 1 000)	Change	Increase in assumption	Decrease in assumption
Oil and gas price	+/- 20%	-51 366	407 227
Production profiles (reserves)	+/- 5%	-51 366	103 151
Discount rate	+/- 1% point	60 010	-25 170
Currency rate USD/NOK	+/- 1.0 NOK	-51 366	92 536
Inflation	+/- 1% point	-39 489	83 553

Impairment testing in 2015

Similar to 2016, the impairment charge in 2015 was in all material respect related to technical goodwill from acquisitions. The methodology for impairment testing was the same as in 2016 as described in this Note.

In 2015, all impairment testing was based on value in use assesments and the following assumptions were applied:
- discount rate of 8.5 per cent nominal after tax (WACC)
- a long-term inflation of 2.5 per cent
- a long-term exchange rate of NOK/USD 7.00 (forward curve first five years)
- a long-term oil price assumption of 85 USD/barrel (forward curve first five years)

Summary of impairment/reversal of impairments

The following impairments/(reversals) have been recorded:

	Group and parent	
(USD 1 000)	2016	2015
Impairment of other intangible assets/licence rights	8 429	2 832
Impairment of tangible fixed assets	-16 608	3 092
Impairment of technical goodwill	79 555	424 544
Total impairments	71 376	430 468

Note 16 Accounts receivable

The company's customers are large, financially sound oil companies. Accounts receivable consist of receivables related to the sale of oil and gas.

	Group		Parent company	
(USD 1 000)	31.12.2016	31.12.2015	31.12.2016	31.12.2015
Receivables related to the sale of petroleum	170 000	85 546	170 000	85 546
Total accounts receivable	170 000	85 546	170 000	85 546

Age distribution of accounts receivable as of 31 December for the group was as follows:

Year (USD 1 000)	Total	Not due	<30 d	30-90d	>90d
2015	85 546	84 453	764	-	329
2016	170 000	134 928	34 413	659	-

Note 17 Other short-term receivables

	Group		Parent company	
(USD 1 000)	31.12.2016	31.12.2015	31.12.2016	31.12.2015
Prepayments	40 730	21 634	40 730	21 634
VAT receivable	7 913	6 121	7 913	5 429
Underlift of petroleum	70 003	3 696	70 003	3 696
Accrued income from sale of petroleum products	86 429	1 866	86 429	1 866
Other receivables, mainly from licences	217 857	71 873	217 857	66 595
Total other short-term receivables	422 932	105 190	422 932	99 221

Note 18 Other non-current assets

	Group		Parent company	
(USD 1 000)	31.12.2016	31.12.2015	31.12.2016	31.12.2015
Shares in Alvheim AS	10	10	10	10
Shares in Det norske oljeselskap AS	1 021	1 021	1 021	1 021
Shares in BP Norge AS	-	-	1 919 120	-
Shares in Det norske Exploration AS	-	-	-	93 804
Shares in Det norske oil AS	-	-	-	123 885
Shares in Sandvika Fjellstue AS	1 814	1 814	1 814	1 814
Investment in subsidiaries	2 845	2 845	1 921 965	220 534
Tenancy deposit	1 553	1 512	1 553	1 512
Other non-current assets	8 496	8 272	8 496	8 272
Total other non-current assets	12 894	12 628	1 932 014	230 317

Alvheim AS, Det norske oljeselskap AS (previously Marathon Oil Norge AS) and Sandvika Fjellstue AS have been deemed immaterial for consolidation purposes. For more information regarding shares in subsidiaries, see Note 4.

The acquisition of BP Norge AS was completed at 30 September 2016 and the company is consolidated in the group numbers as outlined in Note 3. Det norske oil AS and Det norske exploration AS were liquidated during Q2 2016.

Note 19 Cash and cash equivalents

The item 'Cash and cash equivalents' consists of bank accounts and short-term investments that constitute parts of the group`s transaction liquidity.

Breakdown of cash and cash equivalents (USD 1 000)	Group		Parent company	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015
Bank deposits	106 369	86 201	106 369	75 156
Restricted funds (tax withholdings)	8 917	4 398	8 917	4 143
Cash and cash equivalents	115 286	90 599	115 286	79 299
Unused revolving credit facility (see Note 24)	550 000	550 000	550 000	550 000
Unused reserve-based lending facility (see Note 24)	1 805 000	731 370	1 805 000	731 370

Note 20 Share capital and shareholders

(USD 1 000)	Parent company	
	31.12.2016	31.12.2015
Share capital	54 349	37 530
Total number of shares (in 1 000)	337 737	202 619
Nominal value per share in NOK	1.00	1.00

The group completed a private placement in Q3 2016, increasing the number of outstanding shares with 135.1 million to 337.7 million shares. The additional shares have a nominal value of NOK 1 and a share premium value of NOK 126 per share. There is only one single class of shares in the company and all shares carry a single voting right.

Overview of the 20 largest shareholders registered as of 31 December 2016	No. of shares (in 1 000)	Owning interest
AKER CAPITAL AS	135 098	40.00 %
BP GLOBAL INVESTMENTS LIMITED	101 309	30.00 %
FOLKETRYGDFONDET	15 271	4.52 %
STATE STREET BANK AND TRUST COMP	2 697	0.80 %
VERDIPAPIRFONDET DNB NORGE (IV)	2 685	0.79 %
STATE STREET BANK AND TRUST COMP	1 925	0.57 %
VPF NORDEA KAPITAL	1 847	0.55 %
VPF NORDEA AVKASTNING	1 799	0.53 %
KLP AKSJENORGE	1 770	0.52 %
VERDIPAPIRFONDET ALFRED BERG GAMBA	1 688	0.50 %
STATE STREET BANK AND TRUST COMP	1 671	0.49 %
DANSKE INVEST NORSKE INSTIT. II.	1 561	0.46 %
DNB LIVSFORSIKRING ASA	1 405	0.42 %
JPMORGAN CHASE BANK, N.A., LONDON	1 381	0.41 %
VERDIPAPIRFONDET DNB NORGE SELEKTI	1 295	0.38 %
JPMORGAN CHASE BANK, N.A., LONDON	1 290	0.38 %
MORGAN STANLEY & CO. INTERNATIONAL	1 265	0.37 %
JPMORGAN CHASE BANK, N.A., LONDON	1 169	0.35 %
J.P. MORGAN BANK LUXEMBOURG S.A.	1 072	0.32 %
STATE STREET BANK AND TRUST COMP	1 065	0.32 %
OTHER	58 474	17.31 %
Total	337 737	100 %

Note 21 Long-term bonds

(USD 1 000)	Group 31.12.2016	Group 31.12.2015	Parent company 31.12.2016	Parent company 31.12.2015
DETNOR02 Senior unsecured bond[1)]	214 827	208 744	214 827	208 744
DETNOR03 Subordinated PIK toggle bond[2)]	295 510	294 696	295 510	294 696
Total bond	510 337	503 440	510 337	503 440

[1)] The NOK denominated bond runs from July 2013 to July 2020 and carries an interest rate of 3 month NIBOR +6.5 per cent. The principal falls due on July 2020 and interest is paid on a quarterly basis. The loan is unsecured. The loan has been swapped into USD using a cross currency interest rate swap whereby the group pays LIBOR +6.81 per cent quarterly.

In May 2016 the bondholders of DETNOR02 accepted the same covenant amendment package as for the RBL and RCF loans, as described in Note 24 below. As compensation, it was agreed that the DETNOR02 bonds would be repaid at 104 per cent of par at maturity in 2020.

In October 2016 the group removed the dividend restriction, subject to a leverage incurrence test at 4.5x (net interest-bearing debt / EBITDAX). In addition, the bondholders received a put option for an amount corresponding to any dividend payment from Aker BP at put price of 107. As compensation, the DETNOR02 bonds will be repaid at 107 per cent of par at maturity in 2020, up from the previous 104 per cent resulting from the covenant amendment described above.

[2)] In May 2015, the group completed an issue of USD 300 million subordinated seven year PIK Toggle bonds with a fixed rate coupon of 10.25 per cent. The bonds are callable and includes an option to defer interest payments, and there is no financial covenants.

Note 22 Provision for abandonment liabilities

(USD 1 000)	Group and parent 31.12.2016	Group and parent 31.12.2015
Provisions as of 1 January	423 325	489 051
Abandonment liabilities from acquisition of BP Norge AS	1 680 206	-
Incurred cost removal	-12 237	-12 508
Accretion expense - present value calculation	47 977	26 351
Change in estimates and incurred liabilities on new fields	17 650	-79 569
Total provision for abandonment liabilities	2 156 921	423 325
Break down of the provision to short-term and long-term liabilities		
Short-term	75 981	10 520
Long-term	2 080 940	412 805
Total provision for abandonment liabilities	2 156 921	423 325

Abandonment liabilities of the parent company have not been presented separately as the ending balances are identical for the two, following the transfer of activity from BP Norge AS to Aker BP ASA at 1 December 2016 as described in Note 3.

The group's removal and decommissioning liabilities relate mainly to the producing fields.

The estimate is based on executing a concept for abandonment in accordance with the Petroleum Activities Act and international regulations and guidelines. The calculations assume an inflation rate of 2.5 per cent and a nominal discount rate before tax of between 4.14 per cent and 6.35 per cent.

Note 23 Derivatives

	Group		Parent company	
(USD 1 000)	31.12.2016	31.12.2015	31.12.2016	31.12.2015
Unrealized gain commodity derivatives	-	45 217	-	45 217
Short-term derivatives included in assets	-	45 217	-	45 217
Total derivatives included in assets	-	45 217	-	45 217
Unrealized losses currency contracts	5 073	7 840	5 073	7 840
Unrealized losses interest rate swaps	30 586	54 172	30 586	54 172
Long-term derivatives included in liabilities	35 659	62 012	35 659	62 012
Unrealized losses currency contracts	3 868	13 506	3 868	13 506
Unrealized losses commodity derivatives	1 181	-	1 181	-
Short-term derivatives included in liabilities	5 049	13 506	5 049	13 506
Total derivatives included in liabilities	40 708	75 518	40 708	75 518

The group has different types of hedging instruments. The commodity derivatives are used to hedge the risk of oil price reduction. The group manages its interest rate exposure using interest rate derivatives, including a cross currency interest rate swap. Foreign currency exchange contracts are used to manage the company's exposure to currency risks, mainly NOK, EUR and GBP. These derivatives are marked to market with changes in market value recognized in the Income statement. In the Income statement, impacts from the commodity derivatives are presented as other operating income, while impacts from other derivatives are presented as financial items.

Note 24 Other interest-bearing debt

	Group		Parent company	
(USD 1 000)	31.12.2016	31.12.2015	31.12.2016	31.12.2015
Reserve-based lending facility	2 030 209	2 118 935	2 030 209	2 118 935
Total other interest-bearing debt	2 030 209	2 118 935	2 030 209	2 118 935

The RBL facility was established in 2014 and is a senior secured seven-year facility. The facility was originally USD 3.0 billion, with an additional uncommitted accordion option of USD 1.0 billion. In connection with the acquisition of BP Norge AS, the facility size was increased to USD 4.0 billion. In addition a new, uncommitted, accordion option of USD 1.0 billion was added to the facility.

The interest rate is from 1 - 6 months LIBOR plus a margin of 2.75 per cent, with a utilization fee of 0.5 per cent on outstanding loan. In addition, a commitment fee of 1.1 per cent is paid on unused credit.

The borrowing base availability in the second half of 2016 was reset to USD 2.9 billion (up from USD 2.8 billion in the first half of 2016). After the inclusion of the BP Norge assets into the RBL facility and the semi-annual re-determination in December 2016, the borrowing base was increased to USD 3.9 billion as of 31 December 2016.

A revolving credit facility (RCF) of USD 550 million was completed with a consortium of banks in June 2015. The loan has a tenor of four years with extension options of one plus one year at the lenders discretion. The loan carries a margin of 4 per cent, stepping up by 0.5 per cent annually after 3, 4 and 5 years, plus a utilization fee of 1.5 per cent. In addition, a commitment fee of 2.0 per cent is paid on unused credit. This facility is undrawn as of 31 December 2016.

In April 2016 the company obtained acceptance for a covenant amendment package from its bank consortium, and as a result the covenants levels in the RBL and RCF were updated as follows: Leverage Ratio shall be maximum 6 in the quarters starting from 30 June 2016 and ending 31 December 2017, thereafter maximum 5.5 between 31 March 2018 up to and including 31 December 2018, further maximum 6 between 31 March 2019 up to and including 31 December 2019, and thereafter maximum 3.5. The Interest Coverage Ratio shall be minimum 2 in the quarters starting from 30 June 2016 and ending 30 September 2017, thereafter minimum 2.3 from 31 December 2017 up to and including 30 September 2018, further minimum 2 from 31 December 2018 up to and including 31 December 2019, and thereafter minimum 3.5.

In October 2016, the group completed a process with its bank consortium in order to amend certain provisions of the RBL and RCF, including removal of the dividend restrictions, subject to a leverage incurrence test of 4.5x (net interest-bearing debt / EBITDAX).

The lenders have security in the form of pledge in all licences (development and producing assets), insurance policies, floating charge and accounts receivables.

Note 25 Other current liabilities

Breakdown of other current liabilities (USD 1 000)	Group 31.12.2016	Group 31.12.2015	Parent company 31.12.2016	Parent company 31.12.2015
Current liabilities related to overcall in licences	81 686	33 444	81 686	31 212
Share of other current liabilities in licences	360 222	184 010	360 222	177 643
Overlift of petroleum	20 000	17 088	20 000	17 088
Fair value of contracts assumed in acquisition of Marathon Oil / BP Norge AS*	36 199	12 009	36 199	12 009
Other current liabilities**	85 737	64 125	1 743 662	61 120
Total other current liabilities	583 844	310 675	2 241 770	299 072

* The negative contracts value are related to rig contracts entered into by Marathon Oil Norge AS and BP Norge AS, which was different from current market terms at the time of acquisition. The fair value was based on the difference between market price and contract price. The balance is split between current and non-current liabilities based on the cash flow in the contracts, and amortized over the lifetime of the contracts.

** Other current liabilities consist of unpaid wages, vacation pay, accrued interest and other provisions. For the parent company, the additional part of other current liabilities consist of intra group seller credit from BP Norge AS.

Note 26 Lease agreements, capital commitments, guarantees and contingent liabilities

The company has entered into different operating leases for rig contracts and other lease commitments related to licences, office premises and IT services. Most of the leases contain an option for extension. The leases do not contain any restrictions on the company's dividend policy or financing.

Lease obligation pertaining to ownership interests in licences:

Rig contracts

The company had a lease agreement until 2016 for Transocean Winner, for activity in the Greater Alvheim area. The company has entered into a new lease agreement for Transocean Artic to drill on the Alvheim Area, from December 2016 to August 2017. Licence partners have approved the drilling plans for the rig which cover the full lease period thus rig commitments disclosed represent Aker BP share only.

On behalf of the partners in Ivar Aasen, the company signed an agreement in 2013 with Maersk Drilling for the delivery of a jack-up rig for the development project on the Ivar Aasen field. The rig is drilling production wells on the Ivar Aasen field. The contract period is five years, with options for up to seven years.

The company has on behalf of the partners in Valhall entered into a new lease agreement for delivery of Maersk Invincible in May 2017. The rig will be used for plug and abandonment (P&A) activities on the Valhall area. The contract period is five years, with an additional two years option period.

Other lease commitments related to licences

The company has also entered into other operating lease agreements as rental of supply and standby vessels. These agreements are entered into on behalf of Aker BP's operated licences. In addition the company has lease commitments pertaining to its ownership in partner operated oil and gas fields.

The operating lease expenses recognized in the Income statement for the rig contracts and the vessel contracts were as follows:

(USD 1 000)*	Group 2016	Group 2015	Parent company 2016	Parent company 2015
Lease payments	139 724	156 551	136 707	156 551
Total	139 724	156 551	136 707	156 551

Future minimum lease payments for rigs and other related operating leases are as follows:

(USD 1 000)*	Group 31.12.2016	Group 31.12.2015	Parent company 31.12.2016	Parent company 31.12.2015
Within one year	132 298	116 777	132 298	116 777
One to five years	360 555	175 953	360 555	175 953
After five years	73 684	-	73 684	-
Total	566 538	292 729	566 538	292 729

* All numbers represents Aker BP`s interest in the licences as the lease commitments have been fully allocated to licences for the expected lease periods.

Other contractual commitments

The company has future capital commitments of USD 520 million on non-operated licences (USD 824 million in 2015). In addition, the company has entered into future capital commitments (other than leases) for the Greater Alvheim Area amounting to approximately USD 27 million as of year-end 2016. The corresponding amount for year-end 2015 was USD 146 million. On behalf of the partners for the Valhall fields, the company has signed a commitment amounting to USD 9 million. Aker BP has entered into agreements for transport of petroleum products and other contractual obligations related to operation of offshore installations of USD 597 million. These amounts are not included in any of the tables.

Lease liabilities - office premises and IT services

The operating lease expenses recognized in the Income statement for office premises and hire of IT services are as follows:

	Group		Parent company	
(USD 1 000)	2016	2015	2016	2015
Lease payments	16 261	12 835	15 644	12 835
Payments received on subleases	-100	-391	-100	-391
Total	16 161	12 444	15 545	12 444

Minimum lease liabilities related to office premises and IT services to fall as follows:

	Group		Parent company	
(USD 1 000)	31.12.2016	31.12.2015	31.12.2016	31.12.2015
Within one year	50 210	4 757	50 210	4 757
One to five years	42 329	11 550	42 329	11 550
After five years	12 173	6 299	12 173	6 299
Total	104 712	22 606	104 712	22 606

The company has entered into a new rental agreement for office premises in Oslo, which expires in 2027. The old agreement expired in 2016. The company has two rental agreements for office space in Trondheim (both will have expired in 2020) and one in Harstad (expires in 2020). The company has also entered into a new rental agreement for offic premises in Stavanger, which expires in 2023. The old agreement expired in 2016. As a result of the acquisition with BP Norge AS, the company entered into further rental agreement for office premises in Stavanger, which expires in 2021.

Liability for damages / insurance

As for other licences on the NCS, the company has unlimited liability for damage, including pollution damage. The company has insured its pro rata liability on the NCS on a par with other oil companies. Installations and liability are covered by an operational liability insurance policy.

Guarantees

The company has established a loan scheme whereby permanent employees can borrow up to 30 per cent of their gross annual salary at the prescribed interest rate for tax purposes. The company covers the difference between the market interest rate and the prescribed interest rate for tax purposes at any time. The lender is one selected bank, and the company guarantees for the employees' loans. Guarantees furnished by the company for employees totalled USD 1.3 million at 31 December 2016. The corresponding amount for 2015 was USD 1.6 million.

Guarantees have also been furnished in connection with the establishment of the debt facilities.

Contingent liabilities

During the normal course of its business, the company will be involved in disputes, including tax disputes. Potential tax claims related to previous taxable income of acquired companies can to some extent be reimbursed from the sellers. The company has made accruals for probable liabilities related to litigation and claims based on the management's best judgment and in line with IAS 37 and IAS 12. The management is of the opinion that none of the disputes will lead to significant commitments for the company.

Note 27 Transactions with related parties

Transactions with related parties

At year-end 2016, Aker (Aker Capital AS) and BP Global Investments Limited are the two major shareholders in Aker BP, with ownership interest of 40.00 and 30.00 per cent respectively. An overview of the 20 largest shareholders is providedin Note 20.

Transactions with related parties are carried out on the basis of the "arm's length" principle.

Related party (USD 1 000)	Receivables (+) / liabilities (-)	Group 31.12.2016	Group 31.12.2015	Parent company 31.12.2016	Parent company 31.12.2015
Aker Engineering	Trade creditors	-	26	-	26
Aker Solutions	Trade creditors	-3 205	88	-3 205	88
Aker Subsea Solutions	Trade creditors	-	279	-	279
Other Aker Group Companies	Trade creditors	-35	-	-35	-
BP Shipping	Trade creditors	-458	-	-458	-
BP Fuels and Lubricants	Trade creditors	-67	-	-67	-
Other BP Group Companies	Trade creditors	-56	-	-56	-
Frontica Advantage AS	Trade creditors	-146	-	-146	-
BP Oil International Ltd.	Trade debtors	141 415	-	141 415	-
BP Gas Marketing	Trade debtors	16 136	-	16 136	-
BP America Production	Trade debtors	83	-	83	-
Other BP Group Companies	Trade debtors	139	-	139	-

Related party (USD 1 000)	Revenues (-) / expenses (+)	Group 2016	Group 2015	Parent company 2016	Parent company 2015
Aker Achievements	Other personnel costs	22	40	22	40
Aker ASA	Software & Board remuneration	230	640	230	640
Aker Business Services	Development costs	-	952	-	952
Aker Engineering	Development costs	-	137	-	137
Aker Geo (First Geo AS)	Exploration expenses	758	619	758	619
Aker Kværner	Other operating expenses	133	3	133	3
Aker Pharma Holdco	Other operating expenses	101	148	101	148
Aker Solutions	Development costs	25 433	637	18 131	637
Aker Solutions Holding AS	Other operating expenses	327	-	327	-
Aker Subsea Solutions	Development costs	835	22 919	835	22 919
AKOFS Offshore Operations AS	Development costs	334	-	334	-
BP Exploration Operating Co	Other operating expenses	4 376	-	940	-
BP International	Other operating expenses	9 990	-	2	-
BP Shipping	Other operating expenses	916	-	458	-
BP EOC	Other operating expenses	932	-	8	-
BP Gas Marketing	Other operating expenses	294	-	-	-
BP Fuels and Lubricants	Other operating expenses	81	-	26	-
BP Business Service Centre	Other operating expenses	101	-	101	-
Other BP Group Companies	Other operating expenses	347	-	1	-
BP Oil International	Sales of Oil and NGL	-242 593	-	-149 075	-
BP Gas Marketing	Sales of Gas	-46 207	-	-17 504	-
Fornebuporten Holding AS	Other operating expenses	1 260	-	1 260	-
Fornebuporten Næring 3 AS	Other operating expenses	454	-	454	-
Frontica Advantage AS	Other operating expenses	752	-	752	-
Frontica Business Solutions AS	Other operating expenses	435	-	435	-
Other Aker companies	Other operating expenses	105	-	105	-

The majority of transactions with BP Group companies listed above are in connection with transitional services. Following closing of the deal to merge BP Norge and Det norske on 30 September 2016, the BP Group continued to provide transitional support to Aker BP in areas such as IT infrastructure and systems, engineering and petro-technical consultancy, hydrocarbon sales and marketing.

Note 28 Financial instruments

Capital structure and equity

The main objective of the company's management of the capital structure is to maximize return to the owners by ensuring competitive conditions for both the company's own capital and borrowed capital.

The size of the company's resource and reserve base is very important in relation to access to capital and borrowing terms. The increase in resources, reported reserves and equity ratio as a result of large acquisitions in the last couple of years has significantly strengthened the company's ability to obtain attractive terms and conditions for its debt portfolio. The company seeks to optimize its capital structure by balancing return on equity against liquidity requirements.

The company monitors changes in financing needs, risk, assets and cash flows, and evaluates the capital structure continuously. To maintain the desired capital structure, the company considers various types of instruments, including refinancing of its debt, purchase or issue new shares or debt instruments, sell assets or pay back capital to the owners.

Categories of financial assets and liabilities

The company has the following financial assets and liabilities: financial assets and liabilities recognized at fair value through profit or loss, loans and receivables, and other liabilities. The latter two are recognized in the accounts at amortized cost, while the first item is recognized at fair value.

Categories of financial assets and financial liabilities - Group and Parent

31.12.2016	Financial assets at fair value Designated as such upon initial recognition	Loan and receivables	Financial liabilities at fair value Designated as such upon initial recognition		Financial liabilities measured at amortized costs	Total
Assets						
Accounts receivable	-	170 000	-	-	-	170 000
Other short-term receivables[1]	-	382 202	-	-	-	382 202
Cash and cash equivalents	-	115 286	-	-	-	115 286
Total financial assets	-	667 488	-	-	-	667 488
Liability						
Derivatives	-	-	-	40 708	-	40 708
Trade creditors	-	-	-	-	88 156	88 156
Bonds	-	-	-	-	510 337	510 337
Reserve-based lending facility	-	-	-	-	2 030 209	2 030 209
Other short-term liabilities	-	-	-	-	622 893	622 893
Total financial liabilities	-	-	-	40 708	3 251 595	3 292 303

[1] Prepayments are not included in other short-term receivables, as prepayments are not deemed to constitute financial instruments.

31.12.2015	Financial assets at fair value Designated as such upon initial recognition	Loan and receivables	Financial liabilities at fair value Designated as such upon initial recognition	Financial liabilities measured at amortized costs	Total
Assets					
Other current financial assets	2 907	-	-	-	-	2 907
Accounts receivable	-	85 546	-	-	-	85 546
Other short-term receivables[1)]	-	83 556	-	-	-	83 556
Derivatives	45 217	-	-	-	-	45 217
Other non-current assets	-	12 628	-	-	-	12 628
Cash and cash equivalents	-	90 599	-	-	-	90 599
Total financial assets	48 124	272 329	-	-	-	320 453
Liability						
Derivatives	-	-	-	75 518	-	75 518
Trade creditors	-	-	-	-	51 078	51 078
Bonds	-	-	-	-	503 440	503 440
Reserve-based lending facility	-	-	-	-	2 118 935	2 118 935
Other short-term liabilities	-	-	-	-	319 735	319 735
Total financial liabilities	-	-	-	75 518	2 993 188	3 068 706

[1)] Prepayments are not included in Other short-term receivables, as prepayments are not deemed to constitute financial instruments.

Financial risk

The company has financed its activities with a reserve-based lending facility (see Note 24) and two bonds (see Note 21). In addition, the company has financial instruments such as accounts receivable, trade creditors etc., directly related to its day-to-day operations. For hedging purposes, the company has different types of hedging instruments, but no hedge accounting is applied. Commodity derivatives are used to hedge the risk of oil price reduction. Foreign currency exchange contracts and options are used in order to reduce currency risk related to cash flows. The company manages its interest rate exposure with a cross currency interest rate swap and interest rate derivatives.

The most important financial risks which the company is exposed to relate to oil and gas prices, foreign exchange rates, interest rates and access to funding.

The company's risk management, including financial risk management, is designed to ensure identification, analysis and systematic and cost-efficient handling of risk. Established management procedures provide a good basis for reporting and monitoring of the company's risk exposure.

(i) Commodity price risk

Aker BP's revenues are derived from the sale of petroleum products, and the revenue flow is therefore exposed to oil and gas price fluctuations. With the current unstable macro environment the company is continuously evaluating and assessing opportunities for hedging as part of a prudent financial risk management process. In December 2016 the company entered into new commodity hedges for 2017. These are put options with a strike price of 50 USD/bbl. for approximately 15 per cent of estimated 2017 oil production, corresponding to approximately 50 per cent of the after tax value. In 2016 the company had put options in place with a strike of USD 55/bbl. for around 20 per cent of the 2016 oil production relating to the assets of Det norske oljeselskap (prior to inclusion of the production from the BP Norge assets).

The following table summarizes the sensitivity of the commodity derivatives to a reasonably possible change in the forward oil price as of 31 December 2016, with all other variables held constant. As the company has not hedged production after 2017, the calculation is based on 2017 forward curve only. The impact presented below is on the fair value of the commodity derivatives only, and does not include other Income statement effects from changes in oil prices.

(USD 1 000)	Increase/decrease in oil price	31.12.2016	31.12.2015
Effect on pre-tax profit/loss:	+ 30%	-6 613	-47 084
	- 30%	28 750	44 613

(ii) Currency risk

Revenues from sale of petroleum and gas are mainly in USD, EUR and GBP, while expenditures are mainly in NOK, USD, EUR and GBP. Sales and expenses in the same currency contribute to mitigating some of the currency risk. Currency derivatives may be used to further reduce this risk.

The table below shows the impact on profit/loss from changes in USD/NOK exchange rate. Other currencies are not included as the exposure is deemed immaterial.

(USD 1 000)	Change in exchange rate	31.12.2016	31.12.2015
Effect on pre-tax profit/loss*:	+ 10%	-35 467	32 383
	- 10%	38 465	-35 715

* The sensitivity disclosed above includes the impact from currency derivatives.

The table below shows the company's exposure in NOK as of 31 December:

Exposure relating to (USD 1 000)	31.12.2016	31.12.2015
Receivables, cash and cash equivalents, other short-term receivables and deposits	867 226	192 536
Trade creditors, tax payable and other short-term liabilities	-604 001	-251 506
Bond loan	-	-215 689
Net exposure to NOK	263 225	-274 658

The company is also exposed to change in other exchange rates such as GBP/USD and EUR/USD, but the amounts are deemed immaterial.

(iii) Interest-rate risk

The company is exposed to interest-rate risk to borrowings and cash deposits. Floating-interest loans involve risk exposure for the company's future cash flows. As of 31 December 2016, the company's total loan liabilities amounted to approximately USD 2.5 billion, distributed between two long-term bond issues and one reserve-based lending facility. The corresponding loan liabilities as of 31 December 2015 amounted to approximately USD 2.6 billion.

The terms of the company's loans are described in Notes 21 and 24. The interest-rate risk relating to cash and cash equivalents is relatively limited. The following table shows the company's sensitivity to potential changes in interest rates which is reasonably possible:

Change in interest rate level in basis points (USD 1 000)		31.12.2016	31.12.2015
Effect on pre-tax profit/loss:	+ 100 points	-9 844	-24 932
	- 100 points	9 089	24 864

In order to calculate sensitivity of interest rate changes, floating interest rates have been changed by + / - 100 basis points.

The table shows the effect on profit or loss in 2016 from changes in expected future interest rates. Such changes in expected future interest rates would have impacted the fair value of interest-rate swaps on the balance sheet date. However, the floating rate interest received on the interest rate swaps is associated with a corresponding floating rate interest payment on a bond or a loan. A change in fair value on the interest rate swaps has reduced the exposure to interest-rate risk by USD 16.6 million in the sensitivity presented.

(iv) Liquidity risk/liquidity management

The company's liquidity risk is the risk that it will not be able to meet its financial obligations as they fall due.

In addition, short-term (12 months) and long-term (five years) forecasts are prepared on a regular basis to plan the company's liquidity requirements. These plans are updated regularly for various scenarios and form part of the decision basis for the company's management and Board of Directors.

Excess liquidity is defined as a portfolio consisting of liquid assets other than the funds deposited in regular operational bank accounts and unused credit facilities. This means that excess liquidity includes high-interest accounts and financial investments in banks, money-market instruments and bonds. For excess liquidity, the requirement for low liquidity risk (i.e. the risk of realization on short notice) is generally more important than maximizing the return.

The company's objective for the placement and management of excess capital is to maintain a low risk profile and good liquidity.

The company's liquid assets as of 31 December 2016 are mainly deposited in bank accounts. As of 31 December 2016, the company had cash reserves of USD 115 million (2015: USD 91 million). Revenues and expenses are carefully managed on a day-to-day basis for liquidity risk management purposes.

The table below shows the payment structure for the company's financial commitments, based on undiscounted contractual payments:

		Contract related cash flow				
31.12.2016	Book value	Less than 1 year	1-2 years	2-5 years	over 5 years	SUM
Non-derivative financial liabilities:						
Bond issue	510 337	48 221	48 221	354 929	312 642	764 012
Reserve-based lending facility	2 030 209	108 072	108 072	2 400 949	-	2 617 093
Trade creditors and other liabilities	88 156	88 156	-	-	-	88 156
Derivative financial liabilities						
Derivatives	40 708	5 052	3 699	31 956	-	40 708
Total as of 31.12.2016	2 669 410	249 501	159 992	2 787 834	312 642	3 509 969

		Contract related cash flow				
31.12.2015	Book value	Less than 1 year	1-2 years	2-5 years	over 5 years	SUM
Non-derivative financial liabilities:						
Bond issue	503 440	47 886	47 841	355 056	343 819	794 602
Reserve-based lending facility	2 118 935	84 986	84 986	258 096	2 238 142	2 666 210
Trade creditors and other liabilities	51 078	51 078	-	-	-	51 078
Derivative financial liabilities						
Derivatives	75 518	13 506	4 980	57 032	-	75 518
Total as of 31.12.2015	2 748 971	197 456	137 806	670 184	2 581 961	3 587 408

(v) Credit risk

The risk of counterparties being financially incapable of fulfilling their obligations is regarded as minor as there have not historically been any losses on accounts receivable. The company's customers and licence partners are large and credit worthy oil companies, and it has thus not been necessary to make any provision for bad debt.

In the management of the company's liquid assets, low credit risk is prioritized. Liquid assets are generally placed in bank deposits that represent a low credit risk.

The maximum credit risk exposure corresponds to the book value of financial assets. The company deems its maximum risk exposure to correspond with the book value of accounts receivable and other short-term receivables, see Notes 16 and 17.

Determination of fair value

The fair value of forward exchange contracts is determined using the forward exchange rate at the end of the reporting period. The fair value of interest rate swaps and cross currency interest rate swaps is determined by using the expected floating interest rates at the end of the period. The fair value of commodity derivatives is determined using the forward Brent blend curve at the end of the reporting period. The fair value of interest rate swaps and cross currency interest rate swaps is determined by using the expected floating interest rates at the end of the period. The fair value is confirmed by Bloomberg. See Note 23 for detailed information about the derivatives.

The following of the company's financial instruments have not been valued at fair value: trade debtors, other short-term receivables, other long-term receivables, short-term loans and other short-term liabilities, bonds and other interest bearing liabilities.

The carrying amount of cash and cash equivalents is approximately equal to fair value, since these instruments have a short term to maturity. Similarly, the carrying amount of accounts receivable, other receivables, trade creditors and other short-term liabilities is virtually the same as their fair value as they are entered into on ordinary terms and conditions.

The bond issues from September 2013 and May 2015 are listed on Oslo Børs, and the fair value for disclosure purposes is determined using the quoted value as of 31 December 2016. For the RBL facility, it is assumed that the fair value equals the book value.

The following is a comparison between the book value and fair value of the company's financial instruments, except those where the carrying amount is a reasonable approximation of fair value (such as short-term trade receivables and payables in addition to instruments measured to fair value).

Fair value of financial instruments (USD 1 000)	31.12.2016		31.12.2015	
	Book value	Fair value	Book value	Fair value
Financial liabilities measured at amortized cost:				
Bond issue	510 337	584 400	503 440	484 139
Other interest-bearing debt	2 030 209	2 030 209	2 118 935	2 118 935
Total financial liabilities	2 540 546	2 614 609	2 622 375	2 603 074

Fair value hierarchy

The company classifies fair value measurements by employing a value hierarchy that reflects the significance of the input used in preparing the measurements. The fair value hierarchy consists of the following levels:

Level 1 - input in the form of listed (unadjusted) prices in active markets for identical assets or liabilities.

Level 2 - input other than listed prices of assets and liabilities included in Level 1 that is observable for assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 - input for assets or liabilities for which there is no observable market data (non-observable input).

The company has no assets or liabilities in Level 3.

31.12.2016 Financial instruments recognized at fair value (USD 1 000)	Level 1	Level 2	Level 3
Financial assets or liabilities measured at fair value with changes in value recognized through profit or loss			
Derivatives	-	40 708	-

31.12.2015 Financial instruments recognized at fair value (USD 1 000)	Level 1	Level 2	Level 3
Financial assets or liabilities measured at fair value with changes in value recognized through profit or loss			
Derivatives	-	120 735	-
Market-based financial investments	2 907	-	-

In the course of the reporting period, there were no changes in the fair value measurements that involved any transfers between levels.

Note 29 Investments in joint operations

The company's investments in licences on the Norwegian Continental Shelf as of:

Fields operated:	31.12.2016	31.12.2015
Alvheim	65.000 %	65.000 %
Bøyla	65.000 %	65.000 %
Hod	37.500 %	0.000 %
Ivar Aasen Unit	34.786 %	34.786 %
Jette Unit	70.000 %	70.000 %
Valhall	35.953 %	0.000 %
Vilje	46.904 %	46.904 %
Volund	65.000 %	65.000 %
Tambar	55.000 %	0.000 %
Tambar Øst	46.200 %	0.000 %
Ula	80.000 %	0.000 %
Skarv	23.835 %	0.000 %

Fields non-operated:	31.12.2016	31.12.2015
Atla	10.000 %	10.000 %
Enoch	2.000 %	2.000 %
Gina Krog	3.300 %	3.300 %
Johan Sverdrup****	11.573 %	11.573 %
Jotun	7.000 %	7.000 %
Varg	5.000 %	5.000 %

Production licences in which Aker BP is the operator:

Licence:	31.12.2016	31.12.2015
PL 001B	35.000 %	35.000 %
PL 006B***	35.833 %	0.000 %
PL 019***	80.000 %	0.000 %
PL 026B	90.260 %	62.130 %
PL 027D	100.000 %	100.000 %
PL 028B	35.000 %	35.000 %
PL 033***	37.500 %	0.000 %
PL 033B***	37.500 %	0.000 %
PL 036C	65.000 %	65.000 %
PL 036D	46.904 %	46.904 %
PL 065***	55.000 %	0.000 %
PL 088BS	65.000 %	65.000 %
PL 103B	70.000 %	70.000 %
PL 150	65.000 %	65.000 %
PL 150B	65.000 %	65.000 %
PL 169C	50.000 %	50.000 %
PL 203	65.000 %	65.000 %
PL 203B	65.000 %	65.000 %
PL 212***	30.000 %	0.000 %
PL 212B***	30.000 %	0.000 %
PL 212E***	30.000 %	0.000 %
PL 242	35.000 %	35.000 %
PL 261***	50.000 %	0.000 %
PL 262***	30.000 %	0.000 %
PL 300***	55.000 %	0.000 %
PL 340	65.000 %	65.000 %
PL 340BS	65.000 %	65.000 %
PL 364***	100.000 %	50.000 %
PL 407***	50.000 %	0.000 %
PL 442***	90.260 %	60.000 %
PL 460	100.000 %	100.000 %
PL 494*	0.000 %	30.000 %
PL 494B*	0.000 %	30.000 %
PL 494C*	0.000 %	30.000 %
PL 504	47.593 %	47.593 %
PL 539*	0.000 %	40.000 %
PL 626	50.000 %	50.000 %
PL 659***	35.000 %	20.000 %
PL 663*	0.000 %	30.000 %
PL 677	60.000 %	60.000 %
PL 690*	0.000 %	30.000 %
PL 709*	0.000 %	40.000 %
PL 715	40.000 %	40.000 %
PL 719**	20.000 %	0.000 %
PL 724	40.000 %	40.000 %
PL 724B	40.000 %	40.000 %
PL 736S	65.000 %	65.000 %
PL 748	30.000 %	30.000 %
PL 762***	20.000 %	0.000 %
PL 777	40.000 %	40.000 %
PL 777B**	40.000 %	0.000 %
PL 784***	40.000 %	0.000 %
PL 790	30.000 %	30.000 %
PL 814**	40.000 %	0.000 %
PL 818**	40.000 %	0.000 %
PL 821**	60.000 %	0.000 %
PL 822S**	60.000 %	0.000 %
PL 839***	23.835 %	0.000 %
PL 843**	40.000 %	0.000 %
PL 858**	40.000 %	0.000 %
Number	53	37

Production licences in which Aker BP is a partner:

Licence:	31.12.2016	31.12.2015
PL 006C***	15.000 %	0.000 %
PL 018D***	13.338 %	0.000 %
PL 019C	30.000 %	30.000 %
PL 019D*	0.000 %	30.000 %
PL 026***	30.000 %	0.000 %
PL 029B	20.000 %	20.000 %
PL 035	50.000 %	50.000 %
PL 035B*	0.000 %	40.000 %
PL 035C	50.000 %	50.000 %
PL 038	5.000 %	5.000 %
PL 038D***	0.000 %	30.000 %
PL 038E*	0.000 %	5.000 %
PL 048B*	0.000 %	10.000 %
PL 048D	10.000 %	10.000 %
PL 102C	10.000 %	10.000 %
PL 102D	10.000 %	10.000 %
PL 102F	10.000 %	10.000 %
PL 102G	10.000 %	10.000 %
PL 265	20.000 %	20.000 %
PL 272	50.000 %	50.000 %
PL 362	0.000 %	40.000 %
PL 405***	15.000 %	0.000 %
PL 438*	0.000 %	10.000 %
PL 457	40.000 %	40.000 %
PL 457BS	40.000 %	40.000 %
PL 492***	60.000 %	40.000 %
PL 502	22.222 %	22.222 %
PL 507***	45.000 %	0.000 %
PL521*	0.000 %	25.000 %
PL 533	35.000 %	35.000 %
PL 550*	0.000 %	10.000 %
PL 551*	0.000 %	20.000 %
PL 554	30.000 %	30.000 %
PL 554B	30.000 %	30.000 %
PL 554C	30.000 %	30.000 %
PL 567*	0.000 %	40.000 %
PL583*	0.000 %	45.000 %
PL 574*	0.000 %	10.000 %
PL 610***	37.500 %	0.000 %
PL 613	20.000 %	20.000 %
PL 627	20.000 %	20.000 %
PL 627B	20.000 %	20.000 %
PL 650***	25.000 %	0.000 %
PL 653	30.000 %	30.000 %
PL 672***	0.000 %	25.000 %
PL 678S***	0.000 %	25.000 %
PL 681*	0.000 %	16.000 %
PL689	20.000 %	20.000 %
PL 689B**	20.000 %	0.000 %
PL690*	0.000 %	30.000 %
PL 694	20.000 %	20.000 %
PL 721***	20.000 %	0.000 %
PL722***	20.000 %	10.000 %
PL 730*	0.000 %	30.000 %
PL 730B*	0.000 %	30.000 %
PL 778	20.000 %	20.000 %
PL 782S***	20.000 %	0.000 %
PL 782SB**	20.000 %	0.000 %
PL797	25.000 %	25.000 %
PL 804	30.000 %	30.000 %
PL 811**	20.000 %	0.000 %
PL 813**	3.300 %	0.000 %
PL 838***	30.000 %	0.000 %
PL 842**	30.000 %	0.000 %
PL 844***	30.000 %	0.000 %
PL 852**	20.000 %	0.000 %
PL 857**	40.000 %	0.000 %
Number	48	49

* Relinquished licences or Aker BP has withdrawn from the licence.

** Interest awarded in the APA & 23rd licensing rounds in 2015. The awards were announced in 2016.

*** Acquired/changed through licence transactions or licence splits.

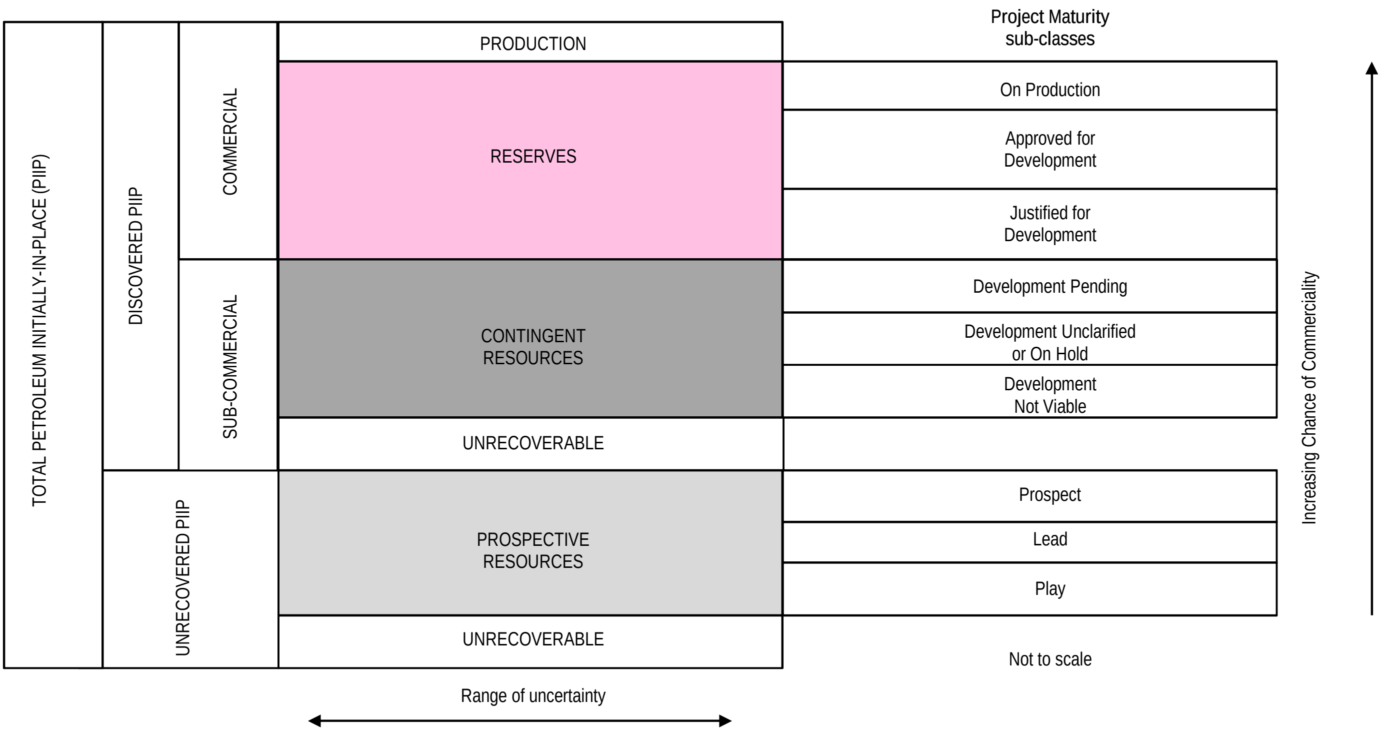
**** According to a ruling by the Ministry of Oil and Energy.

Note 30 Classification of reserves and contingent resources (unaudited)

Classification of reserves and contingent resources

Aker BP ASA's reserve and contingent resource volumes have been classified in accordance with the Society of Petroleum Engineer's (SPE's) "Petroleum Resources Management System". This classification system is consistent with Oslo Børs requirements for the disclosure of hydrocarbon reserves and contingent resources. The framework is illustrated in Figure 1.

Figure 1 - SPE's classification system used by Aker BP ASA



Reserves, developed and non-developed

Aker BP ASA has a working interest in 28 fields/projects containing reserves, see table 1 and table 2. Out of these fields/projects, 13 are in the sub-class 'On Production'/Developed, eight are in the sub-class 'Approved for development'/Undeveloped and seven are in the sub-class 'Justified for development'/Undeveloped. Note that several fields have reserves in more than one reserve sub-class.

Table 1 - Aker BP fields - Developed reserves

Field/project	Investment share	Operator	Resource class
Alvheim	65.00 %	Aker BP	On production
Atla	10.00 %	Total	On production
Bøyla	65.00 %	Aker BP	On production
Hod	37.50 %	Aker BP	On production
Ivar Aasen	34.79 %	Aker BP	On production
Skarv	23.84 %	Aker BP	On production
Tambar	55.00 %	Aker BP	On production
Tambar Øst	46.20 %	Aker BP	On production
Ula	80.00 %	Aker BP	On production
Valhall	35.95 %	Aker BP	On production
Vilje	46.90 %	Aker BP	On production
Viper/Kobra	65.00 %	Aker BP	On production
Volund	65.00 %	Aker BP	On production

Table 2 - Aker BP fields - Undeveloped reserves

Field/project	Investment share	Operator	Resource class
Alvheim Boa Infill South	65.00 %	Aker BP	Approved for development
Alvheim Boa Infill North	65.00 %	Aker BP	Approved for development
Alvheim Kam Phase 3	65.00 %	Aker BP	Approved for development
Gina Krog	3.30 %	Statoil	Approved for development
Hanz	34.79 %	Aker BP	Approved for development
Johan Sverdrup	11.57 %	Statoil	Approved for development
Valhall 7 IP Wells	35.95 %	Aker BP	Approved for development
Volund Infill	65.00 %	Aker BP	Approved for development
Oda	15.00 %	Aker BP	Justified for development
Snadd A-1H	23.84 %	Aker BP	Justified for development
Tambar Artificial Lift	55.00 %	Aker BP	Justified for development
Tambar Infill South	55.00 %	Aker BP	Justified for development
Ula Oda	80.00 %	Aker BP	Justified for development
Ula TAL effect	80.00 %	Aker BP	Justified for development
Ula Tambar IFS eff	80.00 %	Aker BP	Justified for development

Total net proven reserves (1P/P90) as of 31 December 2016 to Aker BP ASA are estimated at 529 million barrels of oil equivalents. Total net proven plus probable reserves (2P/P50) are estimated at 711 million barrels of oil equivalents. The split between liquid and gas and between the different subcategories are given in table 3, 4 and 5.

Changes from 2015 reserve report are summarized in table 6. The main reason for increased net reserve estimate is the acquisition of BP Norge AS. As of 31 December 2016 these assets represent approximately 28 per cent of the company's total reserves.

Except for the former BP Norge AS fields and Oda (15 per cent from Tullow) acquisitions, there have been only minor changes in reserve estimates. Ivar Aasen and Viper/Kobra commenced production in 2016 and have been reclassified from "Approved for production" (Undeveloped) to "On production" (Developed) reserves. In addition, two infill wells on Alvheim were sanctioned in December 2016 and have been included as "Approved for development".

The future oil price assumption for the reserves given in table 3 below is 60.6 USD/bbl. A sensitivity with a higher oil price of 75 USD/bbl. had only minor impact on net total reserves to Aker BP with an increase of proved net reserves of two per cent compared to base price assumption. The higher oil price has no effect on net proved plus probable (2P/P50) reserves. In addition, a lower price scenario with an oil price of 45 USD/bbl. has been run. This gives marginal lower reserve compared to the base price assumption with a three and two per cent reduction in proved (1P/P90) reserves and proved plus probable (2P/P50) reserves respectively.

Table 3 - Reserves by field - on production

	Interest	1P / P90 (low estimate)					2P / P50 (best estimate)				
On production		Gross oil/cond.	Gross NGL	Gross gas	Gross oil equival.	Net oil equival.	Gross oil/cond.	Gross NGL	Gross gas	Gross oil equival.	Net oil equival.
31.12.2016	%	(million barrels)	Mton	(bcm)	(million barrels)	(million barrels)	(million barrels)	Mton	(bcm)	(million barrels)	(million barrels)
Alvheim	65.0 %	58.7	-	5.7	64.4	41.9	76.0	-	9.1	85.1	55.3
Vilje	46.9 %	14.3	-	-	14.3	6.7	18.9	-	-	18.9	8.9
Volund	65.0 %	6.1	-	0.1	6.3	4.1	12.7	-	1.0	13.7	8.9
Bøyla	65.0 %	7.5	-	0.3	7.8	5.1	12.7	-	0.6	13.3	8.7
Atla	10.0 %	0.4	-	0.2	0.6	0.1	0.4	-	0.3	0.8	0.1
Ula	80.0 %	24.8	1.2	-	26.0	20.8	47.7	2.4	-	50.1	40.1
Tambar	55.0 %	0.7	0.1	0.1	0.9	0.5	1.4	0.1	0.2	1.7	0.9
Tambar East	46.2 %	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Valhall	36.0 %	97.8	3.8	14.7	116.2	41.8	128.2	5.1	19.7	153.0	55.0
Hod	37.5 %	3.5	0.1	0.5	4.1	1.6	4.2	0.2	0.6	4.9	1.8
Skarv	23.8 %	28.0	31.7	119.4	179.0	42.7	45.2	32.8	147.7	225.6	53.8
Viper/Kobra	65.0 %	5.5	-	0.5	6.0	3.9	8.9	-	0.7	9.6	6.2
Ivar Aasen	34.8 %	106.3	7.7	20.8	134.8	46.9	144.4	10.1	27.1	181.6	63.2
Total						215.9					302.9

Table 4 - Reserves by field - approved for development

Approved for development 31.12.2016	Interest %	1P / P90 (low estimate) Gross oil/cond. (million barrels)	Gross NGL Mton	Gross gas (bcm)	Gross oil equival. (million barrels)	Net oil equival. (million barrels)	2P / P50 (best estimate) Gross oil/cond. (million barrels)	Gross NGL Mton	Gross gas (bcm)	Gross oil equival. (million barrels)	Net oil equival. (million barrels)
Johan Sverdrup	11.6 %	1 961.2	50.1	63.4	2 074.6	240.1	2 452.0	62.6	79.2	2 593.8	300.2
Hanz	35.0 %	11.7	0.6	1.6	14.0	4.9	14.4	0.8	2.3	17.5	6.1
Alvheim Phase 3	65.0 %	-	-	13.1	13.1	8.5	-	-	21.1	21.1	13.7
Alvheim Boa IFS	65.0 %	2.9	-	0.9	3.8	2.5	4.9	-	1.3	6.2	4.0
Alvheim Boa IFN	65.0 %	3.1	-	1.4	4.5	2.9	4.6	-	2.0	6.6	4.3
Valhall 7 IP Wells	36.0 %	46.0	1.7	6.6	54.3	19.5	60.3	3.1	12.1	75.5	27.2
Volund Infill	65.0 %	8.9	-	0.9	9.8	6.4	13.5	-	1.2	14.7	9.6
Gina Krog	3.3 %	81.7	31.7	56.7	170.1	5.6	105.7	38.6	74.5	218.7	7.2
Total						290.4					372.3

Table 5 - Reserves by field - justified for development

Justified for development 31.12.2016	Interest %	1P / P90 (low estimate) Gross oil/cond. (million barrels)	Gross NGL Mton	Gross gas (bcm)	Gross oil equival. (million barrels)	Net oil equival. (million barrels)	2P / P50 (best estimate) Gross oil/cond. (million barrels)	Gross NGL Mton	Gross gas (bcm)	Gross oil equival. (million barrels)	Net oil equival. (million barrels)
Snadd A-1H	23.8 %	5.0	7.0	31.7	43.7	10.4	6.0	8.8	39.9	54.6	13.0
Ula TAL effect	80.0 %	0.9	0.0	-	0.9	0.8	1.9	0.1	-	2.0	1.6
Ula Oda effect	80.0 %	2.7	0.1	-	2.8	2.2	5.8	0.3	-	6.1	4.9
Ula Tambar IFS effect	80.0 %	0.3	0.0	-	0.4	0.3	2.5	0.1	-	2.6	2.1
Tambar Artifical Lift	55.0 %	2.7	0.1	0.6	3.4	1.9	4.1	0.2	0.9	5.2	2.8
Tambar Infill South	55.0 %	3.6	0.2	1.0	4.8	2.7	6.0	0.3	1.6	7.9	4.3
Oda	15.0 %	28.3	-	1.7	30.0	4.5	45.2	-	2.9	48.1	7.2
Total						22.7					35.9
Total reserves 31.12.2016						529.0					711.1
Total reserves 31.12.2015						373.9					498.2

Table 6 - Aggregated reserves, production, developments, and adjustments

Net attributed million barrels of oil equivalent (mmboe)	On production 1P/P90	On production 2P/P50	Approved for devlop. 1P/P90	Approved for devlop. 2P/P50	Justified for devlop. 1P/P90	Justified for devlop. 2P/P50	Total 1P/P90	Total 2P/P50
Balance as of 31.12.2015	56.4	84.4	317.5	413.8	-	-	373.9	498.2
Production	-27.7	-27.7	-	-	-	-	-27.7	-27.7
Transfer	56.4	76.6	-56.4	-76.6	-	-	-	-
Revisions	18.9	13.4	4.4	-0.4	-	-	23.3	13.0
IOR	-	-	5.4	8.3	-	-	5.4	8.3
Discovery and extensions	-	-	-	-	-	-	-	-
Acquisition and sale	111.9	156.2	19.5	27.2	22.7	35.9	154.1	219.3
Balance as of 31.12.2016	215.9	302.9	290.4	372.3	22.7	35.9	529.0	711.1
Delta	159.5	218.5	-27.1	-41.5	22.7	35.9	155.2	212.9

Note 31 Events after the balance sheet date

The group has not identified any events with significant accounting impacts that have occurred between the end of the reporting period and the date of this report.

Statement by the Board of Directors and Chief Executive Officer

Pursuant to the Norwegian Securities Trading Act section § 5-5 with pertaining regulations, we hereby confirm that, to the best of our knowledge, the company's and the group's financial statements for 2016 have been prepared in accordance with IFRS, as provided for by the EU, and in accordance with the requirements for additional information provided for by the Norwegian Accounting Act. The information presented in the financial statements gives a true and fair picture of the company's liabilities, financial position and results overall.

To the best of our knowledge, the Board of Directors' Report gives a true and fair picture of the development, performance and financial position of the company, and includes a description of the principal risk and uncertainty factors facing the company and the group. Additionally, we confirm to the best of our knowledge that the report 'Payment to governments' as provided in a separate section in this annual report has been prepared in accordance with the requirements in the Norwegian Securities Trading Act Section 5-5a with pertaining regulations.

The Board of Directors of Aker BP ASA

Akerkvartalet, 2 March 2017

Øyvind Eriksen, Chair of the Board

Anne Marie Cannon, Deputy Chair

Gro Kielland, Board member

Bjørn Thore Synsvoll Ribesen, Board member

Lone Margrethe Olstad, Board member

Karl Johnny Hersvik, Chief Executive Officer

Kjell Inge Røkke, Board member

Trond Brandsrud, Board member

Bernard Looney, Board member

Terje Solheim, Board member

Kate Thomson, Board member

Alternative performance measures

Aker BP discloses alternative performance measures as part of its financial reporting as a supplement to the financial statements prepared in accordance with IFRS. Aker BP believes that the alternative performance measures provide useful supplemental information to management, investors, security analysts and other stakeholders and are meant to provide an enhanced insight into the financial development of Aker BP's business operations and to improve comparability between periods.

Depreciation per boe is depreciation divided by number of barrels of oil equivalents produced in the corresponding period

Dividend per share (DPS) is dividend paid in the quarter divided by number of shares outstanding

Earnings per share (EPS) is net profit divided by weighted average number of shares outstanding and fully diluted

EBIT is short for earnings before interest and other financial items and taxes

EBITDA is short for earnings before interest and other financial items, taxes, depreciation and amortisation and impairments

EBITDAX is short for earnings before interest and other financial items, taxes, depreciation and amortisation, impairments and exploratio

Equity ratio is total equity divided by total assets

Gross interest-bearing debt is book value of current and non-current interest-bearing deb

Net interest-bearing debt is book value of current and non-current interest-bearing debt less cash and cash equivalents

Production cost per boe is production cost divided by number of barrels of oil equivalents produced in the corresponding period

KPMG

KPMG AS
Sørkedalsveien 6
Postboks 7000 Majorstuen
0306 Oslo

Telephone +47 04063
Fax +47 22 60 96 01
Internet www.kpmg.no
Enterprise 935 174 627 MVA

To the General Meeting of Aker BP ASA

Independent Auditor's Report

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Aker BP ASA. The financial statements comprise:

- The financial statements of the parent company, which comprise the statement of financial position as at 31 December 2016, and income statement, statement of comprehensive income, statement of changes in equity, cash flow for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and
- The consolidated financial statements of the group, which comprise the statement of financial position as at 31 December 2016, and income statement, statement of comprehensive income, statement of changes in equity, cash flow for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion:

- The financial statements are prepared in accordance with the law and regulations.
- The accompanying financial statements give a true and fair view of the financial position of the parent company as at 31 December 2016, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.
- The accompanying financial statements give a true and fair view of the financial position of the group as at 31 December 2016, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

BP Norge acquisition
Refer to Board of Directors' report and financial statement note 1.3 (Important accounting judgments, estimates and assumptions), note 1.8 (Business combinations and goodwill) and note 3 (Business combination).

<table>
<tr><th>The key audit matter</th><th>How the matter was addressed in our audit</th></tr>
<tr><td>On 30 September 2016 the company completed the acquisition of BP Norge AS in a business combination.

The purchase price allocation and the determination of fair values adopted required a number of estimates and judgments to be applied, including:
• estimates of oil and gas reserves, forecast production profiles and prices;
• forecast operating, capital, abandonment and tax expenditures;
• expected future foreign exchange rates;
• identification and valuation of intangible assets and contingent liabilities;
• discount rates to be applied; and
• allocation of goodwill balances to cash generating units.

In addition, the calculation of fair values requires financial modelling of the cash flows relating to each asset or liability, including tax effects, which can be complex and may require additional assumptions to be made.

As such, the purchase price allocation requires significant attention during the audit and is subject to a high degree of auditor judgement.</td><td>We read the transaction agreements and assessed the valuation of the consideration payable and traced payments to bank statements and share issuance documents.

We involved KPMG valuation specialists to assess the mathematical and methodological integrity of management's valuation models, and the discount rates applied with reference to market data. KPMG taxation specialists assisted in the assessment of tax assets and liabilities recognised in the purchase price allocation, including contingent tax liabilities.

We assessed the reasonableness of management's valuation and identification of assets and liabilities with reference to:
• market and other publically available data and industry information;
• third party due diligence, reserves and abandonment cost reports prepared in relation to the transaction; and
• forward looking projections used and reported by management and the Board.

We also evaluated the sensitivity of the fair value results to other assumptions from a reasonable and supportable range, and evaluated the adequacy of the business combination related disclosures in note 3 of the financial statements.</td></tr>
</table>

Impairment of licence assets and associated goodwill
Refer to Board of Directors' report and financial statement note 1.3 (Important accounting judgments, estimates and assumptions), note 1.12 (Impairment accounting policy) and note 15 (Impairments).

<table>
<tr><th>The key audit matter</th><th>How the matter was addressed in our audit</th></tr>
<tr><td>The recoverable amounts of licence assets and the associated goodwill are sensitive to changes in market assumptions, in particular oil and gas prices, discount rate and forecast operational performance including the volumes of oil and gas to be produced and licence related expenditures. Any negative developments in these assumptions and forecasts, may be an impairment trigger, even if other factors have moved favourably.

In addition, the goodwill balances allocated to licence cash generating units will be subject to impairment charges as the related oil and gas reserves are produced.</td><td>We assessed management's identification of impairment triggers with reference to asset specific attributes and market conditions.

For each cash generating unit with material asset values where an impairment trigger was identified or to which goodwill is allocated, we critically assessed the key elements of the cash flow forecasts, including:
• production profiles with reference to historical actuals, reserves estimates prepared by the Company's reservoir engineers and third party reserves reports;
• three year oil and gas prices with reference to forward curve data and the Company's long term oil price assumptions against</td></tr>
</table>

Management's determination of the recoverable amounts of licence assets and associated goodwill requires a number of estimates and assumptions relating to operational and market factors, and involves a high degree of judgment. In addition, the calculation of recoverable amounts requires complex financial modelling of the cash flows of each cash generating unit. Significant auditor judgment is required when evaluating whether the recoverable amounts, and the assumptions which drive the underlying cash flow estimates, are reasonable and supportable.	benchmark data from analysts, consultancies and other publically available sources; • opex and capex expenditures with reference to historical forecasts, approved licence budgets and management forecasts; and • abandonment expenditures with reference to our audit work on the abandonment provision (refer Abandonment provisions Key Audit Matter). In addition, KPMG valuation specialists assessed the mathematical and methodological integrity of management's impairment models, including the modelling of tax related cash flows, and the reasonableness of discount rate applied with reference to market data.

Abandonment provisions
Refer to Board of Directors' report and financial statement note 1.3 (Important accounting judgments, estimates and assumptions), note 1.25 (Provisions) and note 22 (Provision for abandonment liabilities).

The key audit matter	*How the matter was addressed in our audit*
Management's estimate of abandonment provisions requires significant judgement due to: • the technically challenging nature of the decommissioning work which may be performed over several years; • uncertainties over current market costs for decommissioning work (e.g. rig rates) and future cost escalation; • factors outside the control of the Group which may impact the costs and timing of decommissioning work (e.g. weather conditions); and • the limited number of decommissioning projects completed by the Group and the wider industry which can act as benchmarks. As a result of these uncertainties, there are typically a wide range of possible abandonment provision estimates for each licence. Significant auditor judgment is therefore required when evaluating the abandonment provisions, and to determine whether there is sufficient evidence available to support the estimates and judgements made.	For each licence with a potentially significant abandonment liability, we critically assessed management's estimate of the decommissioning costs, including: • well count and relevant technical details of facilities and infrastructure with reference to publically available information and licence reporting; • plug and abandonment costs for drilled wells with reference to benchmark data; • facilities removal and decommissioning costs with reference to benchmark data and third party reports where available; and • foreign currency, inflation and cost escalation assumptions with reference to market and industry data. For non-operated licences where the Group uses the operator company estimates, we assessed the amounts against reports from the operator company. In addition, we assessed the assumed economic cut-off date with reference to licence forecasts, including an assessment of the consistency with the forecasts and assumptions used in impairment testing and other audit work. We assessed the mathematical accuracy of management's discounting model to confirm the year-end present values of decommissioning cost estimates and accretion recognised during the year, and the discount rate applied with reference to industry practice and market data.

Other information

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

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Chief Executive Officer for the Financial Statements

The Board of Directors and the Chief Executive Officer (management) are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's or the Group's internal control.

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit

We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report

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

Opinion on Registration and Documentation

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

Oslo, 2 March 2017
KPMG AS

Mona I. Larsen

Mona Irene Larsen
State Authorised Public Accountant

AkerBP