**TOTAL E&P NORGE AS**
ANNUAL REPORT

2017

## CONTENTS

**2017**

| | |
|---|---|
| TOTAL REVENUES<br>MILLION NOK | 29 705 |
| OPERATING PROFIT<br>MILLION NOK | 9 890 |
| PRODUCTION<br>(NET AVERAGE DAILY PRODUCTION)<br>THOUSAND BOE | 239 |
| RESERVES OF OIL AND GAS<br>(PROVED DEVELOPED AND UNDEVELOPED RESERVES AT 31.12)<br>MILLION BOE | 765 |
| EMPLOYEES<br>AVERAGE NUMBER OF FULL-TIME EMPLOYEES | 392 |

# KEY FIGURES

| MILLION NOK | 2017 | 2016 | 2015 |
|---|---|---|---|
| **INCOME STATEMENT** | | | |
| Total revenues | 29 705 | 24 762 | 30 423 |
| Operating profit | 9 890 | 4 164 | 10 864 |
| Financial income / (expenses) - net | (79) | (204) | (1 020) |
| Net income before taxes | 9 811 | 3 960 | 9 844 |
| Taxes on income | 6 563 | 1 663 | 6 014 |
| Net income | 3 248 | 2 297 | 3 830 |
| Cash flow from operations | 18 824 | 13 351 | 15 644 |
| **BALANCE SHEET** | | | |
| Intangible assets | 1 416 | 1 763 | 2 090 |
| Investments, property, plant and equipment | 81 676 | 85 103 | 84 056 |
| Current assets | 15 775 | 9 385 | 7 106 |
| Total equity | 10 429 | 17 154 | 18 880 |
| Long-term provisions | 43 713 | 37 922 | 36 139 |
| Long-term liabilities | 27 957 | 32 856 | 33 504 |
| Current liabilities | 16 767 | 8 319 | 4 730 |
| **OTHER KEY FIGURES** | | | |
| Acquisition of property, plant and equipment (in MNOK) | 8 919 | 13 583 | 15 476 |
| Exploration activity, costs and investments (in MNOK) | 544 | 1 512 | 1 270 |
| Rate of return on capital employed *) | 7.4 % | 4.8 % | 8.8 % |
| Production cost USD/bbl | 5.0 | 5.5 | 6.9 |
| Transport cost USD/bbl | 3.6 | 3.6 | 3.6 |
| **PRODUCTION** (IN THOUSAND BOE.) | | | |
| Net average daily production | 239 | 235 | 239 |
| **RESERVES OF OIL AND GAS** (IN MILLION BOE.) | | | |
| Proved developed and undeveloped reserves at 31.12 | 765 | 816 | 869 |
| **EMPLOYEES** | | | |
| Average number of employees | 392 | 438 | 447 |

*) Net income plus financial expense after tax as a percentage of capital employed at 1 January.
Capital employed consists of total equity and liabilities less non-interest carrying debt.

# BOARD OF DIRECTORS' REPORT

## 1

## INTRODUCTION

Total E&P Norge AS is a wholly owned subsidiary of the French energy major Total. The Company is based in Stavanger and responsible for the Total Group's exploration and production activities in Norway. Total E&P Norge has been present in Norway for more than 50 years. The Company is the second largest E&P company in Norway in terms of production and reserves.

Total E&P Norge also represents nearly 10 per cent of the global annual production from Total's global E&P business, making the affiliate one of the main contributors in the Group context.

The year 2017 has been characterised by a high activity level and substantial changes within the Total E&P Norge portfolio and organisation. These changes continue into 2018, pending final closures of these main transactions:

- On 21 August 2017, The Total Group announced that it acquired the global E&P business of Maersk Oil and Gas. This transaction includes the Maersk Oil Norway assets and organisation, of which a participating interest of 8.44% in the giant Johan Sverdrup field in the North Sea is included.
- On 27 November 2017, Total announced a sale of all of its interests in the operated Martin Linge field (51%) and Garantiana discovery (40%) on the Norwegian Continental Shelf to Statoil.

The year 2017 has been characterised by a high activity level and substantial changes within the Total E&P Norge portfolio and organisation.

As a result of these transactions Total will mainly have production from non-operated assets in Norway in the years to come. However, the company maintains its position as the leading foreign producer from its OBO (Operated By Others) assets and continues to pursue exploration opportunities in Norway as operator and partner.

As of 31 December 2017, Total E&P Norge participated in 83 licenses on the Norwegian Continental Shelf, of which 32 were operated licenses.

Some of the key events in 2017 for Total as operator:

- The finalisation of the Martin Linge topsides process, utility and flare modules by the main contractor TechnipFMC/Samsung Heavy Industries (SHI) from the construction yard in Geoje, South Korea. The work was completed at the yard by the end of December and the modules left for Norway in January 2018.
- On 1 May 2017 a tragic crane accident occurred at the SHI yard, where six yard workers lost their lives and many were injured. All work at the site was suspended for a period during investigations, and Total supported SHI with experts in order to find the fundamental causes and implement measures to prevent such an accident from happening again.
- Following the crane accident, the finalisation of the modules and sail away were postponed, and lifting, hook-up and commissioning in the North Sea moved from 2017 to 2018, and the start up of the field moved to 2019.
- In addition to the main modules from SHI, the Living Quarter (LQ) was completed by Apply in Emtunga, Sweden, under a subcontract to the main topsides contractor.
- Digital communication systems were tested between the LQ and the Martin Linge Onshore Operations Centre in Stavanger.
- Conversion work was carried out on the Floating Storage and Offloading unit (FSO) operated by Knutsen NYK Offshore Tankers AS (KNOT) and the unit was prepared for future oil storage offshore for when Martin Linge comes on stream.
- The Company continued production from the subsea fields Skirne and Atla. Atla was originally set to cease production in Q3 2015.
- The Ministry of Petroleum and Energy approved the application from Total E&P Norge to produce the Herja discovery well through the Martin Linge installation, thereby increasing the resource estimate with 55 mboe.
- Total submitted applications in the Awards in Predefined Areas 2017, which resulted in the award of three licences in January 2018. The licences are located in the Norwegian Sea and the North Sea.

The main events as a partner company and license partner in 2017 are:

- Total became a 7.5% share partner in the Technology Centre Mongstad with Gassnova (77.5 %), Statoil (7.5%) and Shell (7.5%).
- Total joined the Northern Lights full scale CCS value chain project as a partner under the operatorship of Statoil and with Shell as the other partner.
- Divestment of the Company's remaining 15% interest in Gina Krog to KUFPEC, in line with the Group's strategy
- Divestment of our interests in the licenses PL120 and PL120CS to Repsol (11% in both licenses, including a 7.7% interest in the Visund and Visund Sør fields) – a transaction completed in 2018.

The considerable work and efforts by our staff within the existing scope of activity, contributions to considerable costs savings internally and with our main operators, together with awards in the licensing rounds and planning of future exploration wells, confirm the Company's commitment to and strength on the Norwegian Continental Shelf.

Total E&P Norge attaches high importance to corporate social responsibility and the due compliance by all Company staff and our cooperating partners with the Ethics Charter and Code of Conduct set by the TOTAL Group.

The company is a member of the employer and industry association Norsk olje og gass and is working actively in many of the organisation's committees and work groups supporting the industry's joint interests on policy as well as technical subjects. Notably Total E&P Norge's Managing Director Pierre Bang was elected to the Norsk olje og gass Board in November 2017.

# 2

## HSE PERFORMANCE, OPERATED ACTIVITY

Total E&P Norge continues its efforts in order to reach the ambition of being a benchmark company in HSE performance, based on safe and environmentally friendly operations, and has adopted Safety as a core value.

There was one Lost Time Injury (LTI) recorded within the Company's HSE perimeter in 2017. In 2017, the Total Recordable Injury Rate (TRIR) was 0.64, below the target of 0.94. The Lost Time Injury Frequency (LTIF) was 0.64, above the target of 0.47. The number of worked hours within the TEPN perimeter was 1.6 million hours compared to 2.1 million budgeted hours.

The Company did not meet its objective when it comes to high potential incidents in 2017, where 5 incidents occurred compared to a target of two incidents or less. The objective related to major spills recorded was met, with zero spills recorded during the year.

The tragic yard accident on 1 May at the SHI yard in South Korea during the construction of the Martin Linge topsides modules does not form part of the HSE perimeter for operated activity in Total E&P Norge.

The annual HSE programme for 2017 included several activities to improve the HSE standard in operated activities. In total, 96% of the programme was completed.

The objective related to major spills recorded was met, with zero spills recorded during the year.

In order to prepare for operation of the Martin Linge production platform, substantial work has been carried out on the Company Management System in 2017. In particular, effort was put into developing the operational processes and procedures necessary to operate the Martin Linge platform.

A total of eight external audits, six internal verifications and seven external verifications were performed by and on Total E&P Norge during 2017 with generally good results. The main focus was on risks associated with operations preparations for Martin Linge.

During 2017, the Petroleum Safety Authority (PSA) performed several audits related to the Martin Linge project. Some non-conformities and one notification of order were identified during one of the audits. Several corrective measures were implemented and presentations and meetings were held with the authorities. Based on the input given by the company, all PSA audits during 2017 are closed.

In 2017, absence due to illness in the Company was at the same level as in 2016; 2.8%. Total absence (employees' illness + leave due to own children's illness) was 3.3%.

The Company has a Rehabilitation Committee which is responsible for providing relevant assistance to employees suffering from long-term illness. Total E&P Norge also has a committee that follows up and supports employees with identified alcohol-related problems, in line with best practice in Norwegian working life.

# 3

## ACTIVITIES ON THE NORWEGIAN CONTINENTAL SHELF

### LICENCE PORTFOLIO MANAGEMENT

Total has made a strategic reshaping of the portfolio in Norway during 2017. Focus has shifted from a portfolio with significant partner operated production in combination with the development of an operated asset to an enhanced focus on being a strong partner. Overall production levels and reserves have increased.

The sale of the operated Martin Linge and Garantiana assets to Statoil announced in November 2017 has been approved by the Norwegian authorities, including the transfer of operatorship. The transaction is planned to close in March 2018. 123 employees of TEPN will be transferred to Statoil on the day of transaction closure.

In August 2017, the Company decided to sell its remaining 15% interest in Gina Krog to KUFPEC, which the year before also had bought 15% in Gina Krog together with some licences in the Sleipner area. The field came on stream 30 June 2017.

In October 2017, the Company made an agreement to sell its PL120 and PL120 CS interests which included the Visund and Visund Sør fields. Completion was done 31 January 2018.

### EXPLORATION AND LICENSING ROUNDS

In 2017, the Company continued its search for attractive new exploration acreage:

Total's exploration on the NCS forms part of an overall approach on the geology in the North Sea area across country borders. The exploration is aiming at creating value by:

- Focusing on larger prospects with the potential for stand-alone economic development
- Increasing the value of our assets through nearby exploration

Total applied in the 2016 Awards in Pre-defined Areas, and in March 2017 the Company was awarded one operatorship in the Norwegian Sea; PL255C (40%) in block 6406/5. In addition, the Company was awarded a participating interest (14.7%) in PL053C (Statoil operator) in block 30/6 in the North Sea.

The company applied in APA 2017, and in early 2018 the company was awarded three licences as operator, one of which is the vicinity of the Jasper prospect planned to be drilled in 2018, while the others were close to Martin Linge and Garantiana respectively and will be transferred to Statoil. The Company made significant efforts to mature prospects to apply for in the 24th licensing round but did not in the end submit any applications.

The next firm exploration well is on the exploration prospect Jasper in the Norwegian Sea, and planning commenced in 2017 for the well to be spudded in the second half of 2018 (PL255B, Total 40% and Operator, Statoil 30% and Petoro 30%). This is a high pressure/high temperature (HPHT) well.

The Company participated with a 5% interest in a well drilled on the newly formed Sindre Unit operated by Statoil. The well encountered three reservoir layers in the Statfjord formation. Preliminary calculations indicate the discovery to be between 5 and 15 Mboe (100%). Total also participated in non-operated wells at Kvitebjørn West and Tune.

### HIGHLIGHTS – PRODUCING FIELDS AND DEVELOPMENT PROJECTS

The production from Total E&P Norge in 2017 was 239 000 boe/d on average, up from 235 000 boe/d the year before. The production is mainly Operated By Others (OBO). In total, 66% of the oil and gas production came from Statoil-operated fields in the North Sea, the Norwegian Sea and the Barents Sea, while 32% of the volumes were produced in the Greater Ekofisk Area operated by ConocoPhillips. The remaning part was operated production from subsea fields in the Heimdal Area (Skirne/Byggve, Atla).

### EKOFISK, THE NORTH SEA

The Greater Ekofisk Area (GEA) contributed in 2017 with a third of the Company's production, in total 76.7 kboe per day (Total share), where the most important contributors were Ekofisk and Eldfisk.

Two major projects, sanctioned and launched in 2011, are underway in the Ekofisk area:

- Ekofisk South aims at maintaining the level of production on Ekofisk: The 2/4 VB subsurface template with 8 injection wells and the 36 slot 2/4 Z platform were installed in 2013. 13 production wells will be drilled in 2018-2020
- At Eldfisk II the 2/7-S platform was installed in 2013 (jacket) and in 2014 (topsides). 30 new production wells and 9 injector wells will be drilled in total, of which 21 wells remains to be drilled in 2018-2021, and 5 re-drilled wells in 2025.

In addition, two other projects were sanctioned in 2017:

- Ekofisk VC consists of one subsea water injection manifold with four slots. Drilling of the four water injection wells is scheduled to start in March/April 2018.
- Ekofisk Removal Cat 3 project consists of removal of four redundant Ekofisk I platforms.

### SNØHVIT, THE BARENTS SEA

IIn 2017, the Snøhvit area in the Barents Sea, operated by Statoil, contributed with 10% of the Company's production – on average 23.9 kboe/d. The Company holds an 18.4% stake in the Snøhvit gas liquefaction plant and in the Snøhvit Unit. The current production is exceeding the technical capacity and the regularity is high.

The Askeladd field (Total 18.4%) will be developed in the coming years, and the FID is scheduled for March 2018. Production start is planned for Q4 2020.

### ÅSGARD AREA, THE NORWEGIAN SEA

The Åsgard area operated by Statoil contributed in 2017 to 21% of the Company's production – on average 50.8 kboe/d. The Åsgard Unit (Total 7.68%) includes the Smørbukk, Smørbukk Sør and Midgard fields. In 2017, the field's production in 100% was 271.5 kboe/d including 178.7 kboe/d of gas. The Åsgard Subsea Compression project, which is a world first, started production in 2015. It compresses gas from the Midgard and Mikkel fields and has produced with high regularity since start up. A second subsea compression train was started in 2016.

The Mikkel field (Total 7.65%), an Åsgard subsea satellite, produced in 2017 52 kboe/d in 100%, including 31 kboe/d of gas. The field is next to Midgard and its production is supported by the subsea compression system.

In 2017, the production (in 100%) from the Kristin field (Total 6%) was 37 kboe/d including 20 kboe/d of gas, while the production (100%) from the Tyrihans field (Total 23.145%) was 109 kboe/d including 65 kboe/d of gas.

### THE TROLL AREA, THE NORTH SEA

The Troll area contributed in 2017 to 19% of the Company's production, with 46.4 kboe /d in Total share. Total has a 3.69% in the Troll field, which provides a significant share of the Continental Europe's natural gas requirements. The 2017 production of the field was 791 kboe/d in 100%, of which 663 kboe/d was gas.

The production from the Kvitebjørn gas-condensate field (Total 5%) was 142.7 kboe/d including 116 kboe/d of gas (in 100%).

From the Visund field (Total 7.7%) production was 130.1 kboe/d in 2017 (in 100%). The field is now divested.

### OSEBERG, THE NORTH SEA

The Oseberg assets contributed in 2017 to 13 % of the production from the subsidiary with 31 kboe/d (Total share). Fields in production are Oseberg Main, Oseberg East and Oseberg South, where Total has 14.7 %.

Currently the Oseberg Vestflanken 2 project (Total 14,7 %) is ongoing. The new unmanned platform has been installed and drilling started in February 2018 with production start planned summer 2018.

Drilling will be the first operation conducted with the jack-up rig constructed in South Korea bought by the Oseberg license.

An appraisal well to test the productivity of the Tune (Total 10%) Statfjord discovery was spudded in December 2017. It had to be abandoned above the reservoir in February 2018 for technical reasons.

### ATLA AND SKIRNE OPERATED FIELDS, THE NORTH SEA

The Skirne gas and condensate field (Total 40%, operator) includes two subsea wells, Skirne and Byggve, connected to the Heimdal facilities. The Atla field (Total 40%, operator) has one production well also connected to Heimdal. Byggve production was stopped in March 2012 due to low pressure.

In 2017, Skirne and Atla in total produced around 8.6 kboe/d of which Total's equity represents 3.4 kboe/d. Atla is normally shut in, with intermittent production. Potential reopening of Byggve is being studied.

### MARTIN LINGE AND GARANTIANA, THE NORTH SEA

The entire Martin Linge participating interest, together with the operatorship, was divested along with the Garantiana discovery and operatorship, in an agreement signed with Statoil 27 November 2017. The transition is progressing according to plan and the transaction closure is estimated to March 2018.

### TRINE AND TRELL, THE NORTH SEA

During 2017 the Company has carried out concept studies for some small potential subsea developments in the North Sea named Trine and Trell. These are potential tieback developments to existing fields and infrastructure in the area.

## GAS TRANSPORT

The company is a shipper in the main gas grid on the NCS. The company performs bookings according to needs. Total holds a participating interest (5.11%), but is not a shipper, in the Polarled pipeline. The Company also holds a 2.7% share in the Nyhamna terminal.

# 4

# FINANCIAL HIGHLIGHTS

## 4.1 COMMENTS ON THE INCOME STATEMENT

### PRODUCTION VOLUMES

In 2017, the average daily quantities produced were 239 000 barrels of oil equivalents (boe) per day. In total, 50% of the yearly production came from gas production, equivalent to an average of 18.1 million standard cubic meters per day.

The production was higher than in 2016, marked by good performance on Troll, Tyrihans, Snøhvit, Oseberg, Ekofisk and Eldfisk. In 2017, the 39.9% interest in Ekofisk area remained the largest contributor, representing a third of the Company's overall production.

### REVENUES

The revenues in 2017 were NOK 29 705 million, compared to NOK 24 762 million in 2016, up 20%.

Crude oil and gas sales amounted to NOK 29 099 million, while the figure in 2016 was NOK 24 124 million. The increase was mainly related to higher average oil and gas prices. The average price achieved for oil and condensates in 2017 was USD 53.03 per barrel, significantly higher than the average price of USD 43.17 per barrel in 2016.

Revenues from oil and other liquids were NOK 18 712 million compared to NOK 14 664 million in 2016.

Booked gas revenues reached NOK 10 193 million, up 10.4% from NOK 9 236 million in 2016, due to higher sale prices and volumes. Prices for spot gas sales showed an upward trend compared to 2016. The prices for gas delivered through long-term sales agreements were affected by higher hub reference prices.

Overall in 2017, the value of the NOK has been affected by the oil and gas price trends. The Company's accounts are denominated in NOK, while liquids sales are invoiced in USD and gas sales predominantly in EUR, Pound Sterling or USD. The average exchange rate for NOK/USD was 8.25, down 1.8% when compared to the exchange rate 8.40 in 2016. The average NOK/EUR exchange rate was 9.37, up 1% from 9.28 in 2016.

The amount shown as other income includes gains on disposals of assets, insurance claim settlements and other income attached to licenses. The main contributor to the amount in 2017 shown as other operating cost, came from the disposal of Total E&P Norge's remaining 15% participating interest in the Gina Krog Unit to Kuwait Petroleum Exploration Company (Kufpec). The transaction had closing date 30 November 2017. The economic and fiscal effective date was 1 January 2017. The disposal contributed to a loss of NOK 1 514 million, with an impairment of NOK 473 million booked in Q3 2017 calculated on the basis of the sales price.

The average price achieved for oil and condensates in 2017 was USD 53.03 per barrel, significantly higher than the average price of USD 43.17 per barrel in 2016.

### OPERATING EXPENSES

After the deduction of charges to partners, net operating costs in 2017 were down 3.8% at NOK 19 815 million, compared to NOK 20 598 million in 2016. This reduction is mainly generated by a successful cost reduction programme, increase of the underlift position for oil, condensate, gas and LNG, and a reduction in depreciation, depletion and amortization charges.

Due to the disappointing result of the 2015 exploration well Romeo, related costs were charged in full to expense in 2017. The dismantlement and removal related charges were reduced due to completion of the Ekofisk Phase 1/CAT 2 removal program in PL 018.

### NET INCOME

The pre-tax profit was NOK 9 811 million in 2017, compared to NOK 3 960 million in 2016. In the context of increased oil prices and the successful cost reduction program, the fiscal income was nearly tripled. Hence, the current and deferred tax cost increased from NOK 1 663 million in 2016 to NOK 6 563 million in 2017. After taking into account current and deferred taxes, the net profit of the year was NOK 3 248 million compared to NOK 2 297 million in 2016, up 41%.

## 4.2 COMMENTS ON THE STATEMENT OF CASH FLOWS

### CASH FLOWS

Cash flow from operations was NOK 18 824 million, compared to NOK 13 351 million in 2016. After working capital variation, the net cash flow provided by operating activities was NOK 20 579 million, up 58% when compared to the net cash flow of NOK 13 061 million in 2016.

### INVESTMENTS

Investments totalled NOK 8 919 million (including exploration, appraisal, development capital expenditures and acquisitions) which were 34.3% lower than the NOK 13 583 million spent in 2016. During 2017, many of the development projects in the Greater Ekofisk Area were completed. The Company continued its field development program on Martin Linge and carried out pre development studies related to Garantiana as well as Trell and Trine.

The largest development investments were linked to drilling activities in the Greater Ekofisk Area, engineering, procurement and construction and start of installation of the different packages within the Martin Linge and Gina Krog development projects as well as several projects in the Oseberg area. In addition, Total E&P Norge incurred a NOK 544 million exploration effort in 2017 compared to NOK 1 512 million in 2016.

### SALES OF ASSETS

Total E&P Norge's main disposal in 2017 was the sale of its 15% participating interest in the Gina Krog Unit to Kufpec which had closing date 30 November 2017 (economic and fiscal effective date 1 January 2017).

### FINANCING

Total E&P Norge restructured its financing tools in May 2015 and entered into a syndicated 4-years term loan for NOK 8 000 million with eight international banks. This unsecured loan is remunerated based on floating rate and integrates a few financial covenants.

In addition, Total E&P Norge agreed with an affiliated company a restructuration of its financing facilities, by having a NOK 22 000 million 4.5-years term loan and a NOK 5 000 million 4.5-years revolving credit facility. During 2017, the maximum amount of NOK 5 000 million of the revolving credit facility loan was reduced to a maximum amount of NOK 4 000 million with the same maturity date.

At year-end 2017, the total balance on the two term loans is NOK 26 300 million. NOK 4 000 million were undrawn from the revolving credit facility. The long-term liabilities (including financial lease) shows a position at year-end of NOK 27 957 million from associated companies and third parties.

## 4.3 COMMENTS ON THE BALANCE SHEET

### FIXED ASSETS

Total fixed assets after depreciation, depletion and amortisation have decreased to NOK 83 092 million compared to NOK 86 866 million in 2016. Total E&P Norge has in 2017 decreased its assets in progress as a consequence of its exploration and development program. The producing assets after depreciation are decreasing to NOK 56 226 million, compared to NOK 57 939 million at year-end 2016, mainly due to the sale of the interest in the Gina Krog Unit.

### CURRENT ASSETS

Total current assets are at NOK 15 775 million, up 68% compared to NOK 9 385 million booked at year-end 2016. This is relating to an increase in cash equivalents and the current receivable position.

### EQUITY AND LIABILITIES

Total equity has decreased in 2017 by NOK 6 725 million to NOK 10 429 million after the proposed dividend distribution for 2017.

This variation is composed by the net result of NOK 3 248 million for the year 2017, the proposed NOK 10 000 million dividend for 2017 and a positive effect in the other comprehensive income of NOK 27 million (change over the year of actuarial assumptions for pension obligations).

The total long-term provisions are increasing to NOK 43 713 million in 2017, compared to NOK 37 922 million in 2016, principally because of the increased deferred tax position. During 2017, TEPN has done a transition into a new asset-based organisation after a study which reviewed the organisation in light of the Company's ambitions and objectives. The new organisation was put in place 1 September. As a result, the planned reduction in headcount in that phase was reached. An effect of this was a decrease in pension obligations to NOK 1 317 million at year-end 2017, compared to NOK 1 509 at year-end 2016.

Total liabilities have increased by NOK 9 341 million to NOK 88 438 million in 2017, mainly due to the proposed dividend and long-term provisions.

### PROPOSED DIVIDEND

Taking into account the current and forecasted income and cash flow evolution of the Company for the coming year, it is recommended to distribute a dividend of NOK 10 000 million, as per the request from the shareholder.

The shareholder's equity together with the continuation of the funding support provided by the shareholder and other related affiliates and external financing capacity of the company is ensuring a sound equity and liquidity for the company.

## 4.4 COMMENTS ON THE FINANCIAL RISKS

### MARKET RISK

The Company is exposed to changes in oil and gas prices, and to changes in currency exchange rates, in particular USD and EUR, as the Company's revenues are largely in these two currencies. The Company hedges the exposure on recognized crude oil sales in foreign currencies and on a significant portion of its gas sales. Some capital expenditures and operating costs are incurred in other currencies than NOK, mainly USD.

The Company is exposed to changes in interest rate levels, as the Company's debt is subject to floating interest rates.

### CREDIT RISK

Risk associated with the inability of counterparties to fulfil their obligations is considered low, as the Company's sales are mainly to group companies and other large corporations. The Company has not realized losses on receivables in previous years.

### LIQUIDITY RISK

The Company's liquidity is considered satisfactory. It is anticipated that the Company will be able to fund its future cash requirements through cash flows from operations and loans within the TOTAL Group as well as external financial institutions.

## 4.5 REPORT ON PAYMENTS TO AUTHORITIES

According to the Accounting Act Section 3-3d, the Company shall issue a yearly report detailing payments made to the Authorities. Total E&P Norge contributed to the Group transparency reporting which was consolidated by TOTAL S.A. and submitted according to similar obligations under the French Law which transposed the EU reporting requirements.

The contribution from Total E&P Norge is accessible through the Total Group Registration Document (available on the www.total.com Group web site) in the chapter 11 referring to "Supplemental oil and gas information (unaudited)", in the "Report on the payments made to governments".

# 5 EMPLOYEES AND ORGANISATION

At the end of 2017, the total number of staff employed by the Company was 382. This figure includes 293 local employees, 80 impatriated staff and 33 employees assigned abroad or to partners in Norway. There were also 70 contracted employees, mainly linked to the Martin Linge project organisation.

Diversity and internationalisation have been a priority areas for several years. This forms part of our long-term strategy. At year-end, the workforce represented 23 different nationalities with women making up 30% of the organisation. At senior position levels of local employees, 28% are women.

A recruitment freeze has been in effect during 2017, given the challenging economic environment.

By year-end, 45% of the local employees were union members belonging to Tekna, IndustriEnergi (avd. 268) or SAFE.

Total E&P Norge is a member of the Norwegian Oil and Gas Association. The association is affiliated with NHO, the Confederation of Norwegian Enterprises (NHO).

# 6

## APPLIED RESEARCH

The R&D centre in Total E&P Norge is one of six international R&D centres outside France within the Exploration & Production (E&P) branch of the TOTAL Group. The 2017 budget for the Stavanger Research Centre was USD 14 million.

The R&D centres form an essential part of an integrated research strategy strongly linked to Total's overall technology development road map. Total E&P Norge's R&D objectives focus on specific challenges associated with the Norwegian Continental Shelf, covering three technical domains: subsurface including drilling and well technology, production and the environment.

The R&D centres form an essential part of an integrated research strategy strongly linked to TOTAL's overall technology development road map.

The TOTAL Group provides access to the substantial research undertaken in France and elsewhere in the world. In line with Total's ambition to deliver responsible energy that is reliable, affordable and clean, Total E&P Norge is increasingly involved in the development of Carbon Capture and Storage (CCS) technologies through its participation in the NCCS Research Centre, the Technology Centre Mongstad and the Northern Lights project, aiming at developing a full scale CCUS value chain.

The Research Council of Norway runs two major R&D initiatives aligned with OG21 priorities. The PETROMAKS programme covers basic research whilst DEMO2000 addresses the development and demonstration of new technologies. Total E&P Norge plays an active role in both programmes, providing technical expertise, pilot testing opportunities and financial support for projects.

In addition to supporting the Research Council, Total E&P Norge's R&D strategy includes active participation and collaboration within the wider Norwegian technology innovation ecosystem including Joint Industry Projects managed by the SINTEF and IRIS research institutes.

Further to its active participation in research projects, the Company invests in the training of young professionals coming from both French and Norwegian higher education institutions. Through R&D co-operation with the Norwegian universities, Total E&P Norge continues to support and evaluate opportunities for PhD projects in 2018 and beyond.

# 7

## ENVIRONMENTAL ACCOUNTS AND IMPACT

The Company focuses on limiting its energy consumption, atmospheric emissions, discharges to sea and waste production in line with the TOTAL Group's commitments. Our environmental performance is measured through key indicators established annual-

| TABLE 2 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 |
|---|---|---|---|---|---|---|
| Drilled length (m) | 4 982 | 17 289 | 23 250 | 16 032 | 3 967 | 5 904 |
| Total mud used (tonnes) | 19 267 | 48 679 | 52 887 | 39 257 | 8 603 | 11 059 |
| Cuttings discharged to sea (tonnes) | 2 022 | 3 893 | 2 186 | 8 887 | 1 167 | 1 435 |
| Treated cuttings discharged to sea (tonnes) | 0 | 0 | 2 460 | 0 | 0 | 0 |
| Mud discharged to sea (tonnes) | 2 339 | 6 981 | 8 998 | 17 006 | 5 044 | 3 834 |
| Volume of discharged water ($m^3$) | 6 585 | 9 518 | 10 634 | 4 220 | 1 892 | 658 |
| Discharged conc. ($g/m^3$) | 2,39 | 6 | 20 | 11 | 9 | 18 |
| $CO_2$ (tonnes) | 71 965 | 97 119 | 85 208 | 68 863 | 13 409 | 81 967 |
| NOX (kg) | 312 463 | 691 988 | 569 304 | 755 937 | 270 265 | 655 101 |
| $CH_4$ (tonnes) | 3 | 2 | 1 | 0 | 0 | 0 |
| NMVOC (tonnes) | 28 | 56 | 54 | 45 | 19 | 20 |
| SOX (tonnes) | 4 | 10 | 9 | 8 | 13 | 11 |
| Hazardous (tonnes) | 1 466 | 7 174 | 5 519 | 3 840 | 274 | 6 184 |
| % re-used waste | 34 | 34 | 37 | 11 | 85 | 8 |
| Non-hazardous (tonnes) | 180 | 576 | 512 | 566 | 275 | 223 |
| % re-used waste | 90 | 85 | 83 | 99 | 98 | 89 |

| TABLE 1 2017 | TARGET | JAN | FEB | MAR | APR | MAY | JUN | JUL | AUG | SEP | OCT | NOV | DEC |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Number of non-compliances with discharge permits | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Number of spills to sea | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1 |
| Waste segregation M Intrepid – in % | > 80 | 94 | 86 | 95 | 98 | 84 | 94 | 94 | 88 | 71 | - | - | - |
| NNOx emission vs. permit – M Intrepid (since start of op.) in % • energy production | < 100 | 69 | 71 | 74 | 76 | 79 | 81 | 82 | 83 | - | - | - | - |
| • well clean-up & testing | < 100 | 47 | 72 | 75 | 75 | 75 | 75 | 76 | 76 | - | - | - | - |
| $CO_2$ emission vs. permit M Intrepid (per year) in % | < 100 | 5 | 12 | 13 | 13 | 13 | 14 | 14 | 14 | - | - | - | - |

ly as a means to measure and continuously improve our performance. Environmental verifications are performed through the year to follow up on compliance with regulatory and internal requirements. The main environmental KPIs for 2017 are listed in Table 1.

Detailed information on our environmental accounts can be found in the annual discharge report submitted through the joint electronic reporting format for the Norwegian Environment Agency, the Norwegian Petroleum Directorate and the Norwegian Oil and Gas Association.

The main environmental discharges and emissions coming from Total E&P Norge's operated activities in 2017 are listed in the two tables. The Company's offshore activities in recent years have been dominated by drilling activities and production from two subsea fields, Atla and Skirne. From august 2014 to august 2017, there has been continuous production drilling on the Martin Linge field, which has contributed to increased emissions to air and waste generation in this period. Discharge of oily water is associated with drilling activities.

Total E&P Norge has an Environmental Management System, integrated in its HSE Management System, which is certified in accordance with the requirements of NS-EN ISO 14001:2015. This ISO Standard has the overall objective of continuously improving environmental performance.

## 8

## OUTLOOK FOR 2018

Total E&P Norge holds a strong position on the Norwegian Continental Shelf. The company is leading among the oil and gas majors after Statoil. Total aims at keeping a high long-term production level while securing a robust reserves base for the future.

Following the merger with Maersk Oil Norway and the sale of Martin Linge and Garantiana to Statoil, the Company's producing portfolio will mainly consist of assets Operated by Others (OBO). The company will continue to optimize its portfolio in line with described ambitions.

After closure of the Mærsk transaction, the Total E&P Norge portfolio will include a participating interest of 8.44% in the giant oil field Johan Sverdrup in the North Sea, which has planned start up for phase 1 of the development in 2019 and which will significantly strengthen and prolong the production of TEPN .

Total continues to target substantial exploration prospects in the North Sea and others parts of the Norwegian Continental Shelf. In the second half of 2018, the Company plans to spud a firm wildcat well at the HPHT Jasper prospect in the Norwegian Sea. In addition, Total pursues new opportunities through its participating interests in fields operated by others, and through coming APA and ordinary licencing rounds.

During the first half of 2018, the Company is reshaping the organisation in line with the changes in the portfolio and the planned activity assumptions. The Company is aiming at having a new organisation operational in June 2018.

In terms of competence and technical knowhow, Total E&P Norge will benefit from the new technical and operational hub which is established in Denmark as part of Development and Support to Operations (DSO) in the TOTAL Group. In addition, a new Exploration hub is established in Copenhagen following the Maersk deal closure, which will provide synergies and increased focus on the shelf as a whole.

Specialist expertise from the TOTAL Group's headquarter functions in Paris/Pau continues to form an integral part of the competence available for the Norwegian affiliate. Total aims at securing long-term future value creation from activities on the Norwegian Continental Shelf, for the TOTAL Group and for the Norwegian society.

## 9

## ACCOUNTS

The 2017 accounts and explanatory notes are presented in this annual report.

We are not aware of any matters not dealt with in this report or the accompanying accounts that could be of significance when evaluating the Company's position at 31 December 2017 and the results of the year just ended.

**Taking into account legal requirements and other relevant considerations, it is proposed that the Company's net profit shall be distributed as follows:**

| | MILL NOK |
|---|---|
| 2017 net income | 3 248 |
| From retained earnings | 6 752 |
| Dividend | **10 000** |

THE BOARD OF DIRECTORS OF TOTAL E&P NORGE AS, 9 MARCH 2018

MICHAEL BORRELL
CHAIRMAN

PHILIPPE HERGAUX

TERJE HETLAND*

FREDERIC AGNES

ARILD KVANVIK JØRGENSEN

LOUIS VOS*

DOMINIQUE PAUL MARION

FRODE LJONES

BRIT GURI JØTNE*

DYVEKE BJØRGUM BRODAL*

PIERRE BANG
MANAGING DIRECTOR

* EMPLOYEES' REPRESENTATIVES

# INCOME STATEMENT

| MILLION NOK | NOTES | 2017 | 2016 | VARIANCE |
|---|---|---|---|---|
| **REVENUES** | | | | |
| Crude oil and gas sales | 1 | 29 099 | 24 124 | 4 975 |
| Tariff income | | 415 | 388 | 27 |
| Other income | 2 | 192 | 250 | (58) |
| **TOTAL REVENUES** | | **29 705** | **24 762** | **4 943** |
| **OPERATING EXPENSES** | | | | |
| Purchases of gas | | 173 | 223 | (50) |
| Salaries and employee benefits | 3,4 | 1 018 | 824 | 194 |
| Licence fees, royalties and governmental expenses | | 600 | 625 | (25) |
| Production and transportation expenses | 5,6 | 6 089 | 6 343 | (254) |
| Exploration expenses | | 155 | 254 | (99) |
| General and administrative expenses | | 248 | 336 | (88) |
| Provisions for well plugging, dismantlement and removal | 7 | 1 810 | 2 477 | (667) |
| Depreciation, depletion and amortisation | 10 | 8 238 | 8 822 | (584) |
| Impairment | 10 | 473 | 0 | 473 |
| Variation of product stock | | (503) | 503 | (1 006) |
| Other operating cost | 2 | 1 514 | 191 | 1 323 |
| OPERATING EXPENSES | | 19 815 | 20 598 | (783) |
| **OPERATING PROFIT** | | **9 890** | **4 164** | **5 726** |
| **FINANCIAL INCOME AND (EXPENSES)** | | | | |
| Financial income | 8 | 8 | 31 | (23) |
| Financial expenses | 8 | (160) | (231) | 71 |
| Income from subsidiary and related companies | | 3 | 15 | (12) |
| Net exchange gains/(losses) | | 69 | (20) | 89 |
| FINANCIAL INCOME/(EXPENSES) - NET | | (79) | (204) | 124 |
| **ORDINARY NET INCOME BEFORE TAXES** | | **9 811** | **3 960** | **5 851** |
| Taxes payable | 9 | 3 145 | (4) | 3 149 |
| Deferred taxes | 9 | 3 418 | 1 667 | 1 751 |
| **NET INCOME** | | **3 248** | **2 297** | **951** |
| **ALLOCATION** | | | | |
| Dividend | 13 | 10 000 | 4 000 | 6 000 |
| Retained earnings | 13 | (6 752) | (1 703) | (5 049) |
| **TOTAL ALLOCATION** | | **3 248** | **2 297** | **951** |

# CASH FLOW STATEMENT

| MILLION NOK | 2017 | 2016 | VARIANCE |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Net income before taxes | 9 811 | 3 960 | 5 851 |
| Current taxes on income | (3 145) | 4 | (3 149) |
| Depreciation, depletion and amortisation | 8 711 | 8 822 | (111) |
| Long-term provisions | 1 947 | 397 | 1 550 |
| Loss/(gain) on sales of property, plant and equipment | 1 500 | 168 | 1 332 |
| **Cash flows from operations** | **18 824** | **13 351** | **5 473** |
| Cash increase/(decrease) from variations in: | | | |
| Accounts receivable and prepaid expenses | (267) | (320) | 53 |
| Inventories | (458) | 513 | (971) |
| Accounts payable and accrued liabilities | (590) | (205) | (385) |
| Accrued taxes | 3 074 | (297) | 3 371 |
| Long-term receivables | (5) | 19 | (24) |
| **NET CASH PROVIDED BY OPERATING ACTIVITIES** | **20 578** | **13 061** | **7 517** |
| **CASH FLOWS FROM/(TO) INVESTING ACTIVITIES** | | | |
| Capital expenditures | (8 919) | (13 583) | 4 664 |
| Proceeds from sales of property, plant and equipment | 2 939 | 3 550 | (611) |
| **NET CASH USED IN INVESTING ACTIVITIES** | **(5 980)** | **(10 033)** | **4 053** |
| **CASH FLOW FROM/(TO) FINANCING ACTIVITIES** | | | |
| Increase/(decrease) in associated long-term liabilities | (4 700) | (500) | (4 200) |
| Increase/(decrease) in other long-term liabilities | (199) | (148) | (51) |
| Dividend paid to shareholder | (4 000) | 0 | (4 000) |
| **NET CASH FLOWS FROM/(TO) FINANCING ACTIVITIES** | **(8 899)** | **(648)** | **(8 251)** |
| **Net increase/(decrease) in cash and cash equivalents** | **5 699** | **2 381** | **3 318** |
| Cash and cash equivalents at 01.01. | 3 976 | 1 595 | 2 381 |
| **CASH AND CASH EQUIVALENTS AT 31.12.** | **9 675** | **3 976** | **5 699** |

# BALANCE SHEET

| MILLION NOK | NOTES | 31 DEC 2017 | 31 DEC 2016 | VARIANCE |
|---|---|---|---|---|
| **FIXED ASSETS** | | | | |
| **INTANGIBLE ASSETS** | | | | |
| Licence acquisitions | 10 | 1 416 | 1 763 | (347) |
| TOTAL INTANGIBLE ASSETS | | 1 416 | 1 763 | (347) |
| **PROPERTY, PLANT AND EQUIPMENT** | 8,10 | | | |
| Buildings | | 182 | 179 | 3 |
| Producing assets - completed | | 56 226 | 57 939 | (1 713) |
| Producing assets - in progress | | 20 404 | 21 578 | (1 174) |
| Exploration wells | | 3 447 | 3 888 | (441) |
| Transport - and other equipment | | 1 137 | 1 242 | (105) |
| TOTAL PROPERTY, PLANT AND EQUIPMENT | | 81 395 | 84 826 | (3 431) |
| **FINANCIAL INVESTMENTS** | | | | |
| Shares | 11 | 216 | 216 | 0 |
| Long-term receivables | 3 | 66 | 61 | 5 |
| TOTAL INVESTMENTS | | 281 | 277 | 4 |
| **TOTAL FIXED ASSETS** | | **83 092** | **86 866** | **(3 774)** |
| **CURRENT ASSETS** | | | | |
| **INVENTORIES** | | | | |
| Material and supplies | | 811 | 857 | (46) |
| Oil/Gas underlift | | 2 130 | 1 660 | 470 |
| TOTAL INVENTORIES | | 2 941 | 2 518 | 423 |
| **ACCOUNTS RECEIVABLE** | | | | |
| Customers | 12 | 3 002 | 2 755 | 247 |
| Other | | 156 | 137 | 19 |
| TOTAL ACCOUNTS RECEIVABLE | | 3 159 | 2 892 | 267 |
| CASH AND CASH EQUIVALENT | 12 | 9 675 | 3 976 | 5 699 |
| **TOTAL CURRENT ASSETS** | | **15 775** | **9 385** | **6 390** |
| | | | | |
| **TOTAL ASSETS** | | **98 867** | **96 251** | **2 616** |

# BALANCE SHEET (CONTINUED)

| MILLION NOK | NOTES | 31 DEC 2017 | 31 DEC 2016 | VARIANCE |
|---|---|---|---|---|
| **EQUITY** | | | | |
| **PAID-IN CAPITAL** | | | | |
| Share capital (4 201 000 shares à 1 000.00) | 13 | 4 201 | 4 201 | 0 |
| Share premium | 13 | 2 340 | 2 340 | 0 |
| TOTAL PAID-IN CAPITAL | | 6 541 | 6 541 | 0 |
| **RETAINED EARNINGS** | | | | |
| Retained earnings | 13 | 3 888 | 10 613 | (6 725) |
| TOTAL RETAINED EARNINGS | | 3 888 | 10 613 | (6 725) |
| **TOTAL EQUITY** | | **10 429** | **17 154** | **(6 725)** |
| **LIABILITIES** | | | | |
| **LONG-TERM PROVISIONS** | | | | |
| Pension obligations | 4 | 1 317 | 1 509 | (192) |
| Deferred taxes | 9 | 27 751 | 23 781 | 3 970 |
| Well plugging, dismantlement and removal | 7 | 14 275 | 12 545 | 1 730 |
| Other provisions | 4 | 370 | 86 | 284 |
| TOTAL LONG-TERM PROVISIONS | | 43 713 | 37 922 | 5 791 |
| **OTHER LONG-TERM LIABILITIES** | | | | |
| Long-term loans from associated companies | 14 | 18 300 | 23 000 | (4 700) |
| Long-term loans from financial institutions | 14 | 8 000 | 8 000 | 0 |
| Long-term loans from other companies | 14 | 1 657 | 1 856 | (199) |
| TOTAL LONG-TERM LIABILITIES | | 27 957 | 32 856 | (4 899) |
| **CURRENT LIABILITIES** | | | | |
| Oil/Gas overlift | | 414 | 448 | (34) |
| Accounts payable and accrued expenses | 12 | 2 822 | 3 452 | (630) |
| Taxes other than income taxes | | 80 | 53 | 27 |
| Income taxes payable | 9 | 3 298 | 224 | 3 074 |
| Proposed dividend | 13 | 10 000 | 4 000 | 6 000 |
| Other short term debt | | 154 | 142 | 12 |
| TOTAL CURRENT LIABILITIES | | 16 767 | 8 319 | 8 448 |
| **TOTAL LIABILITIES** | | **88 438** | **79 097** | **9 341** |
| | | | | |
| **TOTAL EQUITY AND LIABILITIES** | | **98 867** | **96 251** | **2 616** |

# ACCOUNTING POLICIES

The financial statements are presented in accordance with the regulations in the Accounting Act and Norwegian Generally Accepted Accounting Principles.

**REVENUE RECOGNITION** Revenues associated with sales and transportation of hydrocarbons is recognised when title passes to the customer at the point of delivery of the goods based on the contractual terms of the agreements. Other services are recognized at the time of delivery.

**JOINT OPERATIONS** The Company's shares in joint operations are booked under the respective lines in the profit and loss statement and the balance sheet.

**BALANCE SHEET CLASSIFICATION** Current assets and short-term liabilities consist of receivables and payables due within one year after transaction date. Other balance sheet items are classified as fixed assets / long-term liabilities.

Current assets are valued at the lowest of acquisition cost and fair value. Short term liabilities are recognized at nominal value.

Fixed assets are valued at cost, less depreciation and impairment losses. Long term liabilities are recognized at nominal value.

**FOREIGN CURRENCY TRANSLATION** Transactions in foreign currency are translated at the rate applicable on the transaction or invoicing date. Monetary items in a foreign currency are translated into NOK using the exchange rate applicable on the balance sheet date or, if covered by forward currency exchange contracts, at the contract rate. Changes to exchange rates are recognized in the income statement as they occur during the accounting period.

**CASH AND CASH EQUIVALENTS** Cash and cash equivalents include cash, bank deposits and other short term highly liquid investments with maturities of three months or less.

**INTANGIBLE ASSETS, PROPERTY, PLANT AND EQUIPMENT** Costs related to intangible assets, property, plant and equipment are capitalized and depreciated linearly over the estimated useful life. Maintenance is expensed as incurred, whereas costs for improving and upgrading property plant and equipment are added to the acquisition cost and depreciated with the related asset.

Depreciation charges for licence acquisitions, offshore and onshore production installations, booked under operating expenses, are determined mainly by the unit-of-production method. Other onshore property, plant and equipment are depreciated by use of the linear or declining balance method.

If carrying value of a non current asset exceeds the estimated recoverable amount, the asset is written down to the recoverable amount. The recoverable amount is the greater of the net realizable value and value in use. In assessing value in use, the discounted estimated future cash flows from the asset are used.

Incurred interest cost related to substantial development projects are capitalized as part of the development cost.

**EXPLORATION** Exploration costs are treated in accordance with the successful effort method, with the well as basis for the evaluation. Exploratory drilling costs are capitalized pending the determination of whether the wells found proved reserves. If the wells are determined commercially unsuccessful costs are expensed as depreciation. Geological and geophysical costs are expensed as incurred.

**RESEARCH AND DEVELOPMENT** Research and development costs are expensed as incurred.

**LEASING COMMITMENTS** Leases transferring substantially all the risks and rewards incidental to ownership from the lessor to the lessee are treated as financial leases. These contracts are capitalized as assets at fair value, or if lower, at the present value of the minimum lease payments according to the contract. A corresponding financial debt is recognized. These assets are depreciated over the shortest of the estimated economical life time of the asset and the leasing period.

Leasing agreements without transfer of substantially all the risk and control to the lessee are considered as operating leases. The Company's leasing costs in operating leases are reflected as operating expenses.

**SHARES** The investment is valued as at cost of the shares in the subsidiary, less any impairment losses. An impairment loss is recognized if the impairment is not considered temporary, in accordance with generally accepted accounting principles. Impairment losses are reversed if the reason for the impairment loss disappears in a later period.

The operations of the subsidiaries are considered immaterial compared to the level of the company's business, and consolidated accounts have therefore not been prepared. Group accounts are prepared by the holding company TOTAL S.A. resident in France.

**INVENTORIES** Consumable inventories consist of equipment for exploration and field development, and are calculated at average purchase prices. Spare parts are charged to operations when acquired.

**OVER-/UNDERLIFTING** Overlifts or underlifts of petroleum products in relation to the company's ownership, is valued at sales price.

**FUTURE WELL PLUGGING, ABANDONMENT AND REMOVAL COSTS**
Annual provisions are made to meet future costs for decommissioning, abandonment and removal of installations. Provision requirements are reviewed on an individual field basis, and the net present value of future costs is the basis for the recognized obligation. Changes in time element (net present value) of the abandonment provisions are expensed annually and increase the obligations in the balance sheet. Changes in estimates are recognized over the remaining production period, unless the production is for material purposes completed. In such a case the changes in estimate is recognized immediately.

**PENSIONS** Defined benefit plans are valued at the present value of accrued future pension benefits at the balance sheet date. Pension plan assets are valued at their fair value.

Changes in the pension obligations due to changes in pension plans are recognized over the estimated average remaining service period.

The company follows the revised IAS19, also valid in NRS 6. The accumulated effects of the changes in estimates in financial and actuarial assumptions are recognized in full in the "Changes in actuarial assumptions for pensions" in equity. These are incorporating revisions of costs of previous years' contributions, changes in interest costs, expected return on the pension funds and in discount rates used to calculate the pension obligations and assets.

The net pension cost for the period is classified in salaries and personnel costs.

Defined contribution plan – Contribution to the defined contribution scheme is recognized in the income statement in the period in which the contribution amounts are earned by the employees.

**INCOME TAX** Income taxes reflect both current taxes and taxes payable in the future as a result of the current year's activity. When calculating the deferred taxes, the company uses the liability method, under which deferred taxes are calculated applying legislated tax rates in effect at the closing date. Earned future deductible uplift allowance is offset against the special tax when calculating deferred taxes.

**CASH FLOW STATEMENT** The statement of cash flow has been prepared in accordance with the indirect method as per the temporary Norwegian accounting standard.

# NOTES

## 01 CRUDE OIL AND GAS SALES

| MILLION NOK | 2017 | 2016 |
|---|---|---|
| Crude oil | **16 506** | 13 058 |
| NGL | **1 761** | 1 252 |
| Gas | **10 388** | 9 460 |
| Condensate | **444** | 354 |
| Total | **29 099** | 24 124 |

Most sales of petroleum products are within Europe with some LNG cargoes sold in other markets.
The main part of the oil and liquids sales are to Group companies.

## 02 OTHER INCOME / OTHER OPERATING COSTS

The amount shown as other income includes if any gains on disposals of assets, insurance claim settlements and other income attached to licenses. The main contributer to the amount in 2017 shown as other operating cost, comes from the disposal of Total E&P Norge's 15% participating interest in the Gina Krog Unit to Kufpec (Kuwait Petroleum Exploration Company) with closing date on 30/11/2017 (and legal and fiscal effective date on 1/1/2017). The disposal contributed to a loss of NOK 1 514 million, with an impairment after tax of NOK 473 million booked in Q3 2017 calculated based on sales price.

## 03 SALARY, EMPLOYEE BENEFITS, NUMBER OF EMPLOYEES

| MILLION NOK | 2017 | 2016 |
|---|---|---|
| Salaries | **580** | 566 |
| Social security and other benefits | **97** | 82 |
| Pension cost | **132** | (37) |
| Other | **209** | 213 |
| Total salaries and employee benefits | **1 018** | 824 |
| Average number of full-time employments | **392** | 438 |

Fees paid to the Board of Directors in 2017 amounted to NOK 192 500. Full cost incurred by Total E&P Norge for salaries and remunerations to the Managing Director amounted to NOK 4 814 866 in 2017. The Managing Director is formally employed and part of a pension agreement in another group company. There are no agreements with the Managing Director or the Board of Directors for special bonuses or separate remuneration in connection with termination.

The General Assembly of Shareholders of TOTAL S.A. has decided restricted share plans and share subscription option plans. The restricted shares plan is subject to certain conditions of economic performance of the TOTAL S.A. Group after a vesting period. Certain employees of Total E&P Norge AS were invited to participate in the plans. Given the immaterial value of the benefits, no expense has been recognized in the accounts.

Long-term receivables contain loans to employees of NOK 16 million. Total E&P Norge AS have also issued a guarantee to Nordea for loans to Total E&P Norge AS employees of total NOK 500 million as per 31.12.2017.

No company loans were granted to the Managing Director.

## 04 EMPLOYEE RETIREMENT PLANS

With effect from 01.01.2015 all new employees and current employees born in 1963 or later were transferred to a defined contribution plan. The previous collective benefit retirement plan became a closed pension plan from 01.01.2015. A pension compensation scheme has been established for employees between 40-52 years. In addition, the Company has established a senior policy for employees who would choose to retire as from the age of 62. Both these schemes are included in unfunded pension plans. Employees born in 1962 or earlier will still have a part of the Company`s collective benefit retirement with DNB. In addition, this plan also includes retired personnel who receive defined future pensions.

Unfunded defined benefit plan for employees with higher salary was closed 01.07.2015. A new plan was introduced for all employees based on defined contribution principles. A pension compensation scheme has been established for employees who would have insufficient funding at 67 years compared to the defined benefit scheme.

New voluntary measures were put in place in 2017 to incentivize the retirement of employees reaching 60 years or more within 2018. In addition to, new voluntary measures put in place for all local employees younger than 60 years. The duration of applications for these schemes ended 11 June 2017.

| MILLION NOK | 2017 | 2016 |
|---|---|---|
| **BENEFIT PLANS:** | | |
| Current service cost | 94 | 90 |
| Interest cost | 60 | 66 |
| Interest on plan assets | (28) | (34) |
| Loss (gain) from curtailment or settlement | 14 | (138) |
| Net periodic pension cost * | 140 | (16) |
| **CONTRIBUTION PLANS:** | | |
| Defined contribution cost | 31 | 31 |
| Total periodic pension cost | 171 | 15 |

* Pension cost includes associated social security tax.

### THE FOLLOWING STATEMENT PRESENTS THE STATUS OF THE PLANS AT 31 DECEMBER 2017:

| MILLION NOK | NET FUNDED PENSION PLANS | NET UNFUNDED PENSION PLANS | TOTAL ALL PLANS |
|---|---|---|---|
| Projected benefit obligation | 1 141 | 1 524 | 2 665 |
| Pension plan assets | 830 | 518 | 1 348 |
| Net pension assets (obligation) | (311) | (1 006) | (1 317) |

Net unfunded plans are presented under long-term provisions.

Social security tax is calculated based on the pension plan's net funded status and is included in the defined benefit obligation.

### THE ACTUARIAL PRESENT VALUE HAS BEEN CALCULATED USING THE FOLLOWING ASSUMPTIONS:

| | 2017 | 2016 |
|---|---|---|
| Discount rate | 2.4 % | 2.1 % |
| Projected wage increases | 2.50 % | 2.25 % |
| Projected pension regulation | 2.25 % / 1.50 % | 2.0 % / 1.50 % |

The calculation is based on the mortality table K2013FT.
Total E&P Norge AS is obliged to follow the law on mandatory pension obligations.
The pension scheme satisfies the requirement in this Act.

## 05 AUDITOR

The audit fee for work performed in 2017 amounted to NOK 3 206 040 excl VAT, of which NOK 2 891 940 was for audit related services,NOK 251 900 for other attestation services and NOK 62 200 for income tax and VAT advice.

## 06 RESEARCH AND DEVELOPMENT

In 2017 the Company has incurred expenses of NOK 85 million on Research and Development activities. The Company's R&D program is a part of the TOTAL Group plan and is aimed at improving the value of our current and future investments on the Norwegian Continental Shelf. The focus is on improving understanding, developing new methodologies, models and hardware in the areas of enhanced oil recovery, reservoir/well monitoring, flow assurance, power supply and distribution on seabed, technology for subsea separation and fluid treatment for transport on long distances, and environmental assessment/monitoring. The program of work is accomplished through joint industry projects collaboration with Norwegian universities and institutes. The program also recognizes technical challenges set out in the national technology strategy, OG21.

## 07 PROVISIONS FOR FUTURE WELL PLUGGING, DISMANTLEMENT AND REMOVAL COSTS

Under the terms of the oil and gas licenses, the State may require full or partial dismantlement and removal of offshore oil and gas installations, or assume ownership at no charge when production finally ceases or upon the expiration of the licenses, and also if the license is surrendered or recalled. In the event of take over, the State will assume responsibility for dismantlement and removal of installations. If the Norwegian Government should require dismantlement and removal of the installations, removal costs will be fully tax deductible for the licensees.

The change in provision in 2017 for future well plugging, dismantlement and removal costs has been calculated at NOK 1 810 million using the unit-of-production method. Incurred expenses in 2017 amounting to NOK 148 million have been offset to previous year's provisions. The discounted value of the total obligations expected to be paid for removal activities, are estimated to NOK 18 533 million.

## 08 FINANCIAL INCOME AND EXPENSES

| MILLION NOK | 2017 | 2016 |
|---|---|---|
| **FINANCIAL INCOME:** | | |
| Interest income from group companies | 8 | 2 |
| Other interest income | 0 | 30 |
| Total financial income | 8 | 32 |
| **FINANCIAL EXPENSES:** | | |
| Interest expenses to group companies | (360) | (415) |
| Other interest expenses | (118) | (183) |
| Capitalized financial interest | 318 | 368 |
| Total financial expenses | (160) | (230) |

## 09 INCOME TAXES

Taxes include both current and deferred taxes on income. The special petroleum tax has been calculated after the deduction of the available uplift allowance.

### THE BASIS FOR THE CURRENT TAX PROVISIONS IS CALCULATED AS FOLLOWS:

| MILLION NOK | 2017 | 2016 |
|---|---|---|
| Net income before taxes | 9 811 | 3 960 |
| Permanent differences * | (1 771) | (1 840) |
| Change in timing differences | 910 | (2 696) |
| Basis for current tax calculation | 8 950 | (576) |
| Onshore income | 139 | 216 |
| Uplift | (6 217) | (3 470) |
| Basis for Special Offshore Tax | 2 872 | (3 830) |
| | | |
| Corporate Tax 24 % | 2 148 | - |
| Special Revenue Tax 54 % | 1 551 | - |
| Previous years' adjustment | (554) | (4) |
| Tax cost on interim result for Sale and Acquisitions of assets | (454) | (413) |
| Deferred tax | 3 872 | 2 081 |
| This year's tax cost | 6 563 | 1 663 |
| | | |
| Taxes payable in the income statement | 3 699 | (4) |
| Tax cost on interim result for Sale and Acquisitions of assets | - | - |
| Previous years' adjustment | (554) | 4 |
| This year's taxes payable | 3 145 | - |
| | | |
| Instalments of income taxes paid | (750) | - |
| Other payable taxes related to previous years | 903 | 225 |
| Total taxes payable in the balance sheet | 3 298 | 225 |

## 09 INCOME TAXES (CONTINUED)

**DEFERRED TAX LIABILITIES ARE PROVIDED ON ALL TEMPORARY DIFFERENCES BETWEEN THE FINANCIAL REPORTING BASIS AND THE TAX BASIS OF THE COMPANY'S ASSETS AND LIABILITIES:**

| MILLION NOK | 2017 | 2016 |
|---|---|---|
| Property, plant and equipment | 54 538 | 49 710 |
| Pensions | (1 764) | (1 595) |
| Other | (483) | 69 |
| Provision for well plugging and decommissioning | (13 991) | (11 974) |
| Basis for deferred ordinary taxes 23 % | 38 300 | 36 210 |
| Deferred Uplift | (3 374) | (8 023) |
| Onshore assets | (486) | (241) |
| Basis for deferred special taxes 55 % | 34 440 | 27 946 |
| | | |
| Deferred tax: | | |
| Corporate Tax | 8 809 | 8 690 |
| Special Revenue Tax | 18 942 | 15 091 |
| Deferred tax liabilities | 27 751 | 23 781 |
| | | |
| Change in deferred tax | 3 872 | 2 081 |

**TAX PROOF:**

| | | |
|---|---|---|
| Income before taxes | 9 811 | 3 960 |
| Marginal tax rate 78 % | 7 653 | 3 089 |

**TAX EFFECT OF:**

| | | |
|---|---|---|
| Permanent and other differences | 736 | 327 |
| Tax interimperiode related to sale and acquisition of participating interest in licenses | (454) | (413) |
| Earned uplift | (1 100) | (1 335) |
| Previous years' adjustment | (272) | (4) |
| This years tax cost | 6 563 | 1 663 |

* Mainly related to the disposal of Total E&P Norge's participating interests 15% in the Gina Krog Unit.
Payable taxes are calculated based on 24 % corporate tax and 54% special tax which were the applicable rates for 2017.
Deferred tax is calculated based on 23 % corporate tax and 55% special tax which are the applicable rates valid from 1 January 2018.

## 10 INTANGIBLE ASSETS, PROPERTY, PLANT AND EQUIPMENT

| MILLION NOK | PROD. INST. COMPLETED | TRANSPORT- & OTHER EQUIPMENTS | BUILDINGS | CONSTRUCTION IN PROGRESS | EXPLO WELLS | LICENCE ACQUISITIONS | TOTAL ALL ASSETS |
|---|---|---|---|---|---|---|---|
| At cost 01.01.17 | 160 462 | 2 116 | 279 | 21 578 | 9 804 | 5 819 | 200 057 |
| Additions** | 5 384 | 8 | 2 | 3 534 | (10) | 1 | 8 919 |
| Transfers | 4 722 | 1 | 9 | (4 780) | 49 | 0 | 0 |
| Retirements and sales | (4 245) | 0 | (3) | 72 | (144) | (151) | (4 471) |
| Accumulated investments at 31.12.17 | 166 322 | 2 125 | 286 | 20 404 | 9 699 | 5 669 | 204 505 |
| | | | | | | | |
| Accumulated depreciation | 110 097 | 988 | 105 | 0 | 6 252 | 4 253 | 121 694 |
| Book value 31.12.17 | 56 226 | 1 137 | 182 | 20 404 | 3 447 | 1 416 | 82 811 |

** Capitalized financial interests are included in the additions with 318 MNOK

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| 2017 depreciation | 7 574 | 114 | 5 | 0 | 348 | 197 | 8 238 |
| 2017 impairment | 473 | 0 | 0 | 0 | 0 | 0 | 473 |
| Estimated useful life of assets | | 10-20 years | 30 - 50 years | Evaluation | Evaluation | Unit-of-prod | |
| Depreciation plan | Unit-of-prod | Decl bal / linear | Decl bal | - | - | | |

### FIXED ASSETS INCLUDE THE FOLLOWING AMOUNTS FOR CAPITAL LEASING AGREEMENTS PER 31. DECEMBER 2017 AND 2016:

| MILLION NOK | 31.12.2017 | 31.12.2016 |
|---|---|---|
| Transport- & Other equipments | **1 544** | 1 544 |
| Accumulated depreciation | **443** | 357 |
| Book value year end | **1 101** | 1 187 |

The financial leasing is reflecting a contract with a fixed capital cost for a period of 18 years.
Total E&P Norge AS has in addition the possibility to extend this agreement by 9 more years.

## 11 SHARES

| ALL AMOUNTS IN THOUSAND NOK | REGISTERED OFFICE | OWNERSHIP INTEREST | VOTING INTEREST | EQUITY 31.12.2017 | PROFIT (LOSS) 2017 | BOOK VALUE |
|---|---|---|---|---|---|---|
| **SHARES IN SUBSIDIARIES AND ASSOCIATED COMPANIES:** | | | | | | |
| Total Etzel Gaslager GmbH | Düsseldorf | 100.00% | 100.00% | 14 915 | 83 | 8 736 |
| Total Gass Handel Norge AS | Stavanger | 100.00% | 100.00% | 74 146 | 54 618 | 300 |
| Norpipe Oil AS | Sola | 34.93% | 34.93% | 65 096 | 8 921 | 178 347 |
| Total subsidiaries and associated companies | | | | | | 187 383 |
| **SHARES IN OTHER COMPANIES:** | | | | | | |
| Kunnskapsparken Nord AS | | 11.75% | | | | 13 002 |
| Leda Technologies DA | | 25.00% | | | | 15 374 |
| Total other companies | | | | | | 28 376 |

## 12 TRANSACTION AND CURRENT BALANCES WITH GROUP COMPANIES

Total E&P Norge AS has different transactions with Group companies. All the transactions, are part of the normal business and with arm's-length prices. Except for the group internal loan described in note 14, the major transactions in 2017 are:

| MILLION NOK | TYPE | SALES | COSTS |
|---|---|---|---|
| **GROUP COMPANIES** | | | |
| Total S.A. | Services | | 589 |
| Total Gas & Power Ltd | Sale of Gas | 3 225 | |
| Total Oil Trading SA | Sale of Oil/NGL | 18 115 | |

| MILLION NOK | 2017 | 2016 |
|---|---|---|
| **RECEIVABLES** | | |
| Intercompany customers | **1 982** | 1 603 |
| Total | **1 982** | 1 603 |
| **PAYABLES** | | |
| Intercompany accounts payable | **149** | 164 |
| Total | **149** | 164 |

The cash deposit is integrated into a group cash pooling agreement.

## 13 EQUITY

| MILLION NOK | SHARE CAPITAL | SHARE PREMIUM | RETAINED EARNINGS | TOTAL |
|---|---|---|---|---|
| Equity at 31.12.2016 | 4 201 | 2 340 | 10 613 | 17 154 |
| Net income | 0 | 0 | 3 248 | 3 248 |
| Dividend | 0 | 0 | (10 000) | (10 000) |
| Changes in actuarial assumptions for pensions | 0 | 0 | 27 | 27 |
| Equity at 31.12.17 | 4 201 | 2 340 | 3 888 | 10 429 |

At 31.12.17 Total E&P Norge AS was a wholly owned subsidiary of TOTAL HOLDINGS EUROPE S.A.S, a company in the Total Group.
The consolidated accounts of TOTAL S.A. are available on www.total.com. Share capital consists of 4 201 000 shares of NOK 1 000.

## 14 OTHER LONG-TERM LIABILITIES

### LONG-TERM LOANS FROM ASSOCIATED COMPANIES

Two new unsecured intercompany financing tools were signed in May 2015 with Total Treasury maturing in December 2019; one term loan for the amount of NOK 22 000 million and one revolving credit facility for the maximum amount of NOK 5 000 million. During 2017, the maximun amount of NOK 5 million of the revolving credit facility was reduced to a maximum amount of NOK 4 million with the same maturity date. At year end 2017 the term loan is NOK 18 300 million, and an undrawn funding capacity of NOK 4 million related to the revolving credit facility. The interest rate applicable on the long-term loans from associated companies are based on a floating market rate.

### LONG-TERM LOANS FROM FINANCIAL INSTITUTIONS

The Company has a syndicated long term loan agreement of NOK 8 000 million signed in May 2015 for 4 years. This loan is based on a floating market rate.

### LONG-TERM LOANS FROM OTHER COMPANIES

As of 31 December 2017, the long-term loans from other companies is linked to the booked financial leasing commitment.

| MILLION NOK | 1 YEAR | 2 - 5 YEARS | 5 YEARS + |
|---|---|---|---|
| Long term debt related to leasing commitment | 159 | 636 | 841 |

## 15 LIABILITIES, LEASE AGREEMENTS AND OTHER COMMITMENTS

### EQUIPMENT LEASES

As operator, the Company has equipment lease rental obligations covering such operations as drilling rigs and other equipment. The duration periods of these lease agreements are from 1 to 2 years. The rental periods of offices and warehouse buildings have a duration of 14 years.

The company has also entered into a lease contract for rental of a LNG carrier vessel (charter party) for the transportation of LNG production share of the Snøhvit field. The commencement date of this contract is 2006 (ending 2019).

As a partner in the fields under development and operation, the Company has leasing agreements for drilling rigs, helicopters, storage vessels and other vessels. Leasing payments for Total E&P Norge AS was in 2017 NOK 2 714 million. Total future leasing costs for Total E&P Norge AS are NOK 6 943 million.

### OTHER COMMITMENTS

Total E&P Norge AS has several commitments to purchase goods and services in the context of its development of producing facilities. The development of the Martin Linge field is implying future commitments related to several contracts signed for construction and installation of facilities for an amount of NOK 3 800 million. As non operating partner the Company also have commitments related to development of different projects for an amount of NOK 400 million.

| MILLION NOK | 1 YEAR | 2 - 3 YEARS | 4 - 5 YEARS | 5 YEARS + |
|---|---|---|---|---|
| Leasing agreements | 1 681 | 2 431 | 1 279 | 1 552 |

## 16 OIL AND GAS RESERVES (NOT AUDITED)

The definitions used for proved, proved developed and proved undeveloped oil and gas reserves are in accordance with the United States Securities & Exchange Commission (SEC)'s final rule "Modernization of Oil and Gas Reporting" issued on December 31, 2008. Proved reserves are estimated using geological and engineering data to determine with reasonable certainty whether the crude oil or natural gas in known reservoirs is recoverable under existing regulatory, economic and operating conditions.

Oil and gas reserves are assessed annually, taking into account, among other factors, levels of production, field reassessment, additional reserves from discoveries and acquisitions, disposal of reserves and other economic factors.

This process involves making subjective judgments. Consequently, estimates of reserves are not exact measurements and are subject to revision under well-established control procedures.

The estimation of reserves is an ongoing process which is done within Total E&P Norge by experienced geoscientists, engineers and economists under the supervision of the Company's General Management. Persons involved in reserves evaluation are trained to follow SEC-compliant internal guidelines and policies regarding criteria that must be met before reserves can be considered as proved.

The estimation of proved reserves is controlled by the Group through established validation guidelines. For further description of the Group's internal control process, please refer to the Reference Document issued by TOTAL S.A. and available at www.total.com.

| RESERVES 31.12.2017 | OIL, NGL AND CONDENSATE (MILLIONS OF BBLS) | NATURAL GAS (BILLIONS OF SM3) | OIL EQUIVALENTS (MILLIONS OF BOE) |
|---|---|---|---|
| Proven, developed and undeveloped reserves | 306 | 70 | 765 |

## 17 LICENSE PORTFOLIO 31.12.2017

| LICENSE BLOCK | FIELD | SHARE | EXPIRY DATE | OPERATOR |
|---|---|---|---|---|
| PL 006 2/5 | Tor - Comet | 100.00 | 31.12.2028 | Total |
| PL 018B | Albuskjell - Deep Albuskjell South | 39.90 | 31.12.2028 | ConocoPhillips |
| PL 018 2/4, 2/7, 7/11 | Ekofisk,Eldfisk,Embla-Deep Ekof.,Deep Cod | 39.90 | 31.12.2028 | ConocoPhillips |
| PL 026 25/2 | Rind | 62.13 | 23.05.2025 | Total |
| PL 034 30/05 | Tune | 10.00 | 14.11.2020 | Statoil |
| PL 036 BS 25/4 | Heimdal | 16.76 | 11.06.2021 | Statoil |
| PL036 E 25/4 | Trine | 64.00 | 11.06.2021 | Total |
| PL 040 29/9, 30/7 | Martin Linge | 51.00 | 31.12.2027 | Total |
| PL 043 29/6, 30/4 | Martin Linge | 51.00 | 31.12.2027 | Total |
| PL 043BS (Islay Carve-out) 29/6, 30/4 | Martin Linge | 51.00 | 31.12.2027 | Total |
| PL 043CS (Islay Carve-out) 29/6 | Islay | 100.00 | 31.12.2027 | Total |
| PL 043DS (Islay Carve-out) 29/6 | Islay | 100.00 | 31.12.2027 | Total |
| PL 044 1/9 | Tommeliten - TL Gamma Deep | 15.00 | 31.12.2028 | ConocoPhillips |
| PL 053 30/6 | Oseberg Øst | 14.70 | 01.03.2031 | Statoil |
| PL053 C 30/6 | Oseberg | 14.70 | 10.02.2023 | Statoil |
| PL 054 31/2 | Troll | 3.69 | 30.09.2030 | Statoil |
| PL 055C 31/4 | Oseberg Øst | 14.70 | 01.03.2031 | Statoil |
| PL 062 6507/11 | Åsgard | 24.50 | 10.04.2027 | Statoil |
| PL 064 7120/08 | Snøhvit | 5.00 | 01.10.2035 | Statoil |
| PL 073 6407/01 | Tyrihans | 29.14 | 31.12.2029 | Statoil |
| PL 073B 6406/03 | Tyrihans | 26.67 | 31.12.2029 | Statoil |
| PL 077 7120/7 | Snøhvit | 10.00 | 01.10.2035 | Statoil |
| PL 078 7120/9 | Snøhvit | 25.00 | 01.10.2035 | Statoil |
| PL 079 30/9 | Oseberg Sør | 14.70 | 01.03.2031 | Statoil |
| PL 085B 31/9, 32/4 | Troll | 3.00 | 08.07.2030 | Statoil |
| PL 085C | Troll | 3.69 | 30.09.2030 | Statoil |
| PL 085 31/3 ,31/5, 31/6 | Troll | 3.69 | 30.09.2030 | Statoil |
| PL 092 6407/6 | Mikkel | 7.65 | 09.03.2020 | Statoil |
| PL 094B 6406/3 | Åsgard | 7.68 | 10.04.2027 | Statoil |
| PL 094 6506/12 | Åsgard | 9.80 | 10.04.2027 | Statoil |
| PL 099 7121/4 | Snøhvit | 37.50 | 01.10.2035 | Statoil |
| PL 100 7121/7 | Albatross | 35.00 | 01.10.2035 | Statoil |
| PL 102 25/5 | Skirne & Byggve | 40.00 | 01.03.2025 | Total |
| PL 102C 25/5 | Atla, Tir etc | 40.00 | 01.03.2025 | Total |
| PL 102D 25/5 | Greip | 40.00 | 01.03.2025 | Total |
| PL 102E 25/5 | Skirne extension | 40.00 | 01.03.2025 | Total |
| PL 102F 25/6 | Trell / Angeya | 40.00 | 01.03.2025 | Total |
| PL 102G 25/7 | Trell / Angeya | 40.00 | 01.03.2025 | Total |
| PL 104 30/9 | Oseberg Sør | 14.70 | 01.03.2031 | Statoil |
| PL 104B 30/9 | Oseberg Sør | 14.70 | 01.03.2031 | Statoil |
| PL 110 7120/5 ,7121/5 ,7121/5 | Snøhvit | 25.00 | 01.10.2035 | Statoil |
| PL 110B 7121/6, 8&9,7122/4, 5&6 | Tornerose | 18.40 | 17.12.2014 | Statoil |
| PL 120 34/7, 34/8 | Visund - Tarvos - Laptus | 11.00 | 23.08.2034 | Statoil |
| PL 120B 34/7, 34/8 | Gimle | 11.00 | 23.08.2034 | Statoil |
| PL120CS 34/8 | Gimle | 11.00 | 23.08.2034 | Statoil |
| PL 121 6407/5 | Mikkel | 7.65 | 28.02.2022 | Statoil |
| PL 127 6607/12 | Alve North | 50.00 | 28.02.2023 | Total |
| PL 127B 6607/12 | Brugden | 50.00 | 06.02.2022 | Total |

## 17 LICENSE PORTFOLIO 31.12.2017 (CONTINUED)

| LICENSE BLOCK | FIELD | SHARE | EXPIRY DATE | OPERATOR |
|---|---|---|---|---|
| PL127C 6607/12 | Alve Nord | 100.00 | 28.02.2023 | Total |
| PL 134D 6506/12 | Kristin | 6.00 | 10.04.2027 | Statoil |
| PL 134 6506/11 | Åsgard | 10.00 | 10.04.2027 | Statoil |
| PL 146 2/4 | King Lear, Romeo, Julius | 22.20 | 08.07.2027 | Statoil |
| PL 171B 30/12 | Oseberg Sør | 14.70 | 01.03.2031 | Statoil |
| PL 190 30/8 | Tune - Nautilus | 10.00 | 10.09.2032 | Statoil |
| PL 193 34/11 | Kvitebjørn | 5.00 | 10.09.2031 | Statoil |
| PL 193C 34/11 | Kvitebjørn | 5.00 | 10.09.2031 | Statoil |
| PL 193E | Kvitebjørn | 5.00 | 10.09.2031 | Statoil |
| PL193 FS 34/11 | Sindre | 5.00 | 10.09.2031 | Statoil |
| PL 199 6406/2 | Kristin (Ragnfrid Prospect) | 6.00 | 10.09.2033 | Statoil |
| PL 211 6506/6, 6507/4 | Victoria | 40.00 | 02.02.2032 | Total |
| PL 211B 6506/9, 6507/7 | Victoria extension | 40.00 | 02.02.2032 | Total |
| PL 219 6710/06 | Castor prospect | 15.00 | 02.02.2014 | Statoil |
| PL 237 6407/03 | Åsgard | 7.68 | 10.04.2027 | Statoil |
| PL 255 6406/5, 6406/6, 6406/9 | Linnorm | 20.00 | 12.05.2038 | Shell |
| PL255B 6406/5, 6406/6 | Tott East | 40.00 | 12.05.2038 | Total |
| PL255 C 6406/5 | Tott West | 40.00 | 12.05.2038 | Total |
| PL 257 6406/1,6406/5 | Erlend | 6.00 | 10.09.2033 | Statoil |
| PL 263C 6507/11 | Yttergryta ext. | 24.50 | 12.05.2037 | Statoil |
| PL 275 2/4 | West Tor | 39.90 | 31.12.2028 | ConocoPhillips |
| PL 333 2/4 | King Lear N, Julius N Prospects | 22.20 | 08.07.2027 | Statoil |
| PL 448 7120/7, 7120/8, 7120/9 | Snøhvit | 18.40 | 15.06.2016 | Statoil |
| PL 479 6506/9, 6506/12 | Smørbukk North prospect | 9.80 | 01.03.2017 | Statoil |
| PL 554 34/6 | Garantiana - Uptonia | 40.00 | 19.02.2019 | Total |
| PL 554B 34/9 | Garantiana - Angulata | 40.00 | 19.02.2019 | Total |
| PL 554C | Garantiana - Amaltheus | 40.00 | 19.02.2019 | Total |
| PL 618 1/2, 1/3, 1/5, 1/6, 1/9 | Solaris prospect | 60.00 | 03.02.2019 | Total |
| PL 627 25/5, 25/6, 25/8, 25/9 | Skirne East - Gabba - Eistla - Ulfrun | 40.00 | 03.02.2021 | Total |
| PL 627B 25/6 | Skirne East | 40.00 | 03.02.2021 | Total |
| PL 662 2/4 | NEF - North Ekofisk | 60.00 | 08.02.2022 | Total |
| PL 685 34/6, 35/1, 35/4 | Tannat - Cargnan | 40.00 | 08.08.2021 | Total |
| PL 785S 31/11 & 26/2 | Brunost | 60.00 | 06.02.2021 | Total |
| PL 795 6406/7,8,10,11 | Phoenix | 40.00 | 06.02.2023 | Total |
| PL809 1/3, 2/1 | Færing | 50.00 | 05.02.2023 | Total |

## 18 SUBSEQUENT EVENTS

Total E&P Norge AS has sold 51% participating interest in PL040, PL043, PL043BS (Martin Linge) and 40% participating interest in PL554, PL554B and PL554C (Garantiana) to Statoil Petroleum AS, and 11% participating interest in PL120 (Visund) and 11% participating interest in PL120CS carve out area on the Norwegian Continental Shelf to Repsol Norge AS. Both transactions are estimated to close during first quarter 2018.

# AUDITOR'S REPORT

EY
Building a better working world

Statsautoriserte revisorer
Ernst & Young AS

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Medlemmer av Den norske revisorforening

## INDEPENDENT AUDITOR'S REPORT

To the Annual Shareholders' Meeting of Total E&P Norge AS

## Report on the audit of the financial statements

### Opinion

We have audited the financial statements of Total E&P Norge AS, which comprise the balance sheet as at 31 December 2017, the income statement and statements of cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements have been prepared in accordance with laws and regulations and present fairly, in all material respects, the financial position of the Company as at 31 December 2017 and its financial performance for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.

### 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 in accordance with the ethical requirements that are relevant to our audit of the financial statements in Norway, and we have fulfilled our ethical responsibilities as required by law and regulations. We have also complied with our other ethical obligations in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Other information

Other information consists of the information included in the Company's annual report other than the financial statements and our auditor's report thereon. The Board of Directors and Chief Executive Officer (management) are responsible for the other information. Our opinion on the audit of 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 management for the financial statements

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

In preparing the financial statements, management is responsible for assessing the Company'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 Company 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

# AUDITOR'S REPORT (CONTINUED)

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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 International Standards on Auditing (ISAs) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with law, regulations and generally accepted auditing principles 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, 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 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.

We communicate with those charged with governance 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.

## Report on other legal and regulatory requirements

### Opinion on the Board of Directors' report

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report concerning the financial statements, the going concern assumption and proposal for the allocation of the result is consistent with the financial statements and complies with the law and regulations.

# AUDITOR'S REPORT (CONTINUED)

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## 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 ensure that the Company's accounting information is properly recorded and documented as required by law and bookkeeping standards and practices accepted in Norway.

Stavanger, 9 March 2018
ERNST & YOUNG AS

Erik Søreng
State Authorised Public Accountant (Norway)

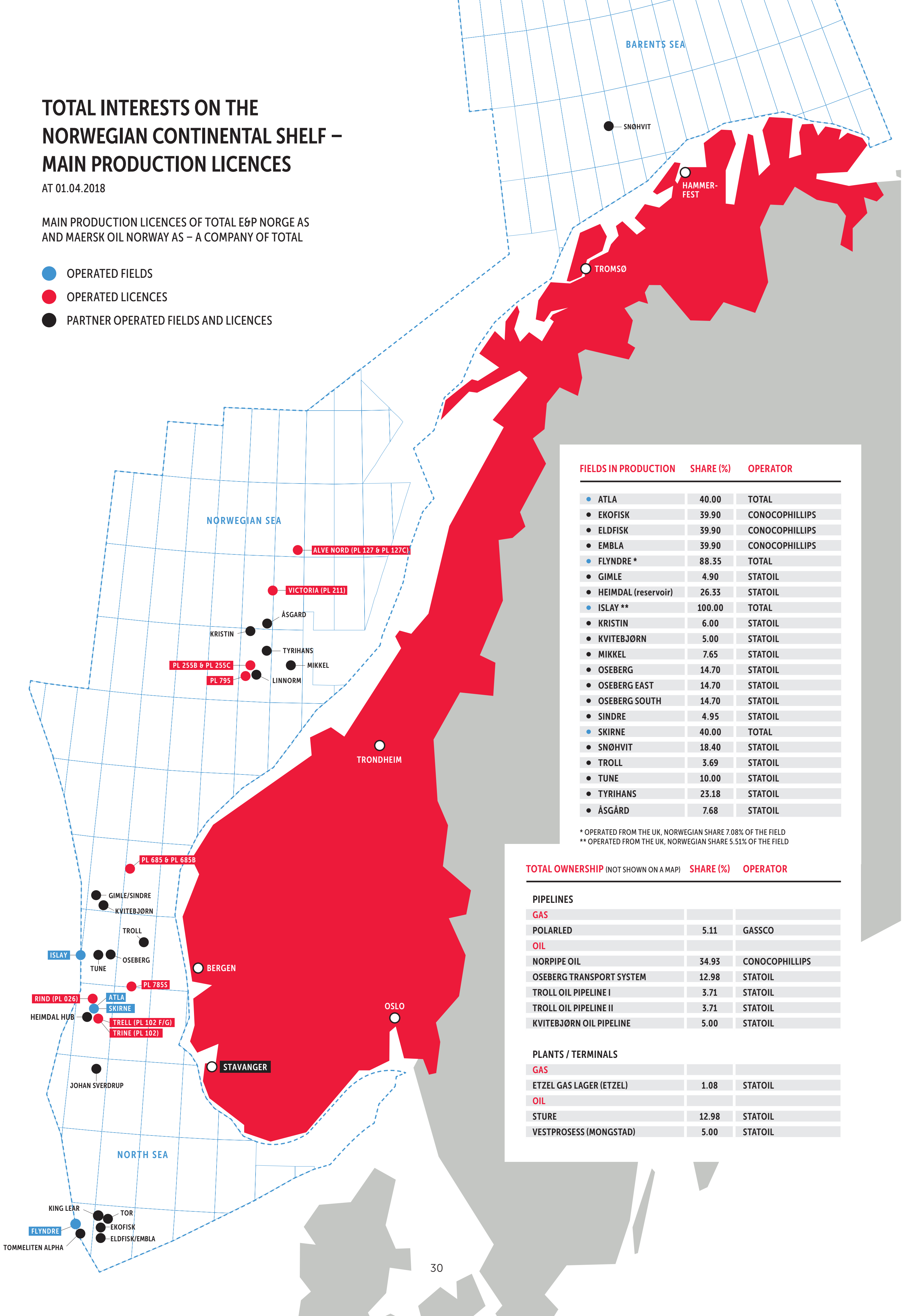
Independent auditor's report - Total E&P Norge AS

# TOTAL INTERESTS ON THE NORWEGIAN CONTINENTAL SHELF – MAIN PRODUCTION LICENCES

AT 01.04.2018

MAIN PRODUCTION LICENCES OF TOTAL E&P NORGE AS AND MAERSK OIL NORWAY AS – A COMPANY OF TOTAL

- OPERATED FIELDS
- OPERATED LICENCES
- PARTNER OPERATED FIELDS AND LICENCES



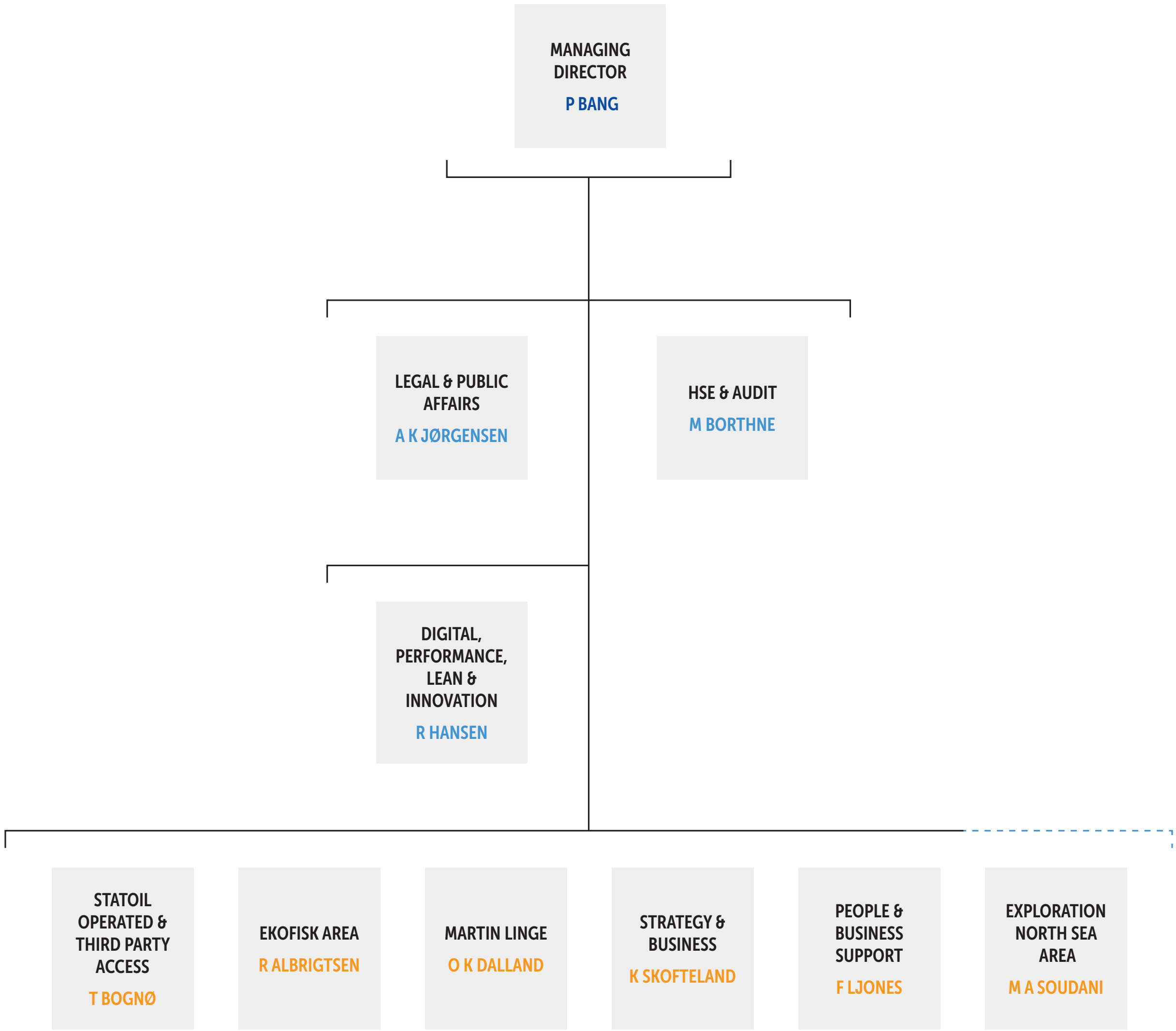

| FIELDS IN PRODUCTION | SHARE (%) | OPERATOR |
|---|---|---|
| ATLA | 40.00 | TOTAL |
| EKOFISK | 39.90 | CONOCOPHILLIPS |
| ELDFISK | 39.90 | CONOCOPHILLIPS |
| EMBLA | 39.90 | CONOCOPHILLIPS |
| FLYNDRE * | 88.35 | TOTAL |
| GIMLE | 4.90 | STATOIL |
| HEIMDAL (reservoir) | 26.33 | STATOIL |
| ISLAY ** | 100.00 | TOTAL |
| KRISTIN | 6.00 | STATOIL |
| KVITEBJØRN | 5.00 | STATOIL |
| MIKKEL | 7.65 | STATOIL |
| OSEBERG | 14.70 | STATOIL |
| OSEBERG EAST | 14.70 | STATOIL |
| OSEBERG SOUTH | 14.70 | STATOIL |
| SINDRE | 4.95 | STATOIL |
| SKIRNE | 40.00 | TOTAL |
| SNØHVIT | 18.40 | STATOIL |
| TROLL | 3.69 | STATOIL |
| TUNE | 10.00 | STATOIL |
| TYRIHANS | 23.18 | STATOIL |
| ÅSGÅRD | 7.68 | STATOIL |

* OPERATED FROM THE UK, NORWEGIAN SHARE 7.08% OF THE FIELD
** OPERATED FROM THE UK, NORWEGIAN SHARE 5.51% OF THE FIELD

| TOTAL OWNERSHIP (NOT SHOWN ON A MAP) | SHARE (%) | OPERATOR |
|---|---|---|
| **PIPELINES** | | |
| GAS | | |
| POLARLED | 5.11 | GASSCO |
| OIL | | |
| NORPIPE OIL | 34.93 | CONOCOPHILLIPS |
| OSEBERG TRANSPORT SYSTEM | 12.98 | STATOIL |
| TROLL OIL PIPELINE I | 3.71 | STATOIL |
| TROLL OIL PIPELINE II | 3.71 | STATOIL |
| KVITEBJØRN OIL PIPELINE | 5.00 | STATOIL |
| **PLANTS / TERMINALS** | | |
| GAS | | |
| ETZEL GAS LAGER (ETZEL) | 1.08 | STATOIL |
| OIL | | |
| STURE | 12.98 | STATOIL |
| VESTPROSESS (MONGSTAD) | 5.00 | STATOIL |

# MANAGEMENT STRUCTURE

02.01.2018



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