Statoil Petroleum AS Financial statements 2010

STATEMENT OF INCOME STATOIL PETROLEUM AS - NGAAP

(in NOK million)	Note	2010	2009
REVENUES AND OTHER INCOME			
Revenues	5	**197,970**	190,170
Net income (loss) from subsidiaries and equity accounted investments	13	**(3,390)**	(3,858)
Other income		**994**	1,120
Total revenues and other income		**195,574**	187,432
OPERATING EXPENSES			
Purchases [net of inventory variation]		**(6,701)**	(5,276)
Operating expenses		**(34,576)**	(34,983)
Selling, general and administrative expenses		**(445)**	(772)
Depreciation, amortisation and net impairment losses	11,12	**(27,825)**	(27,315)
Exploration expenses		**(5,497)**	(5,187)
Total operating expenses		**(75,044)**	(73,533)
Net operating income		**120,530**	113,899
FINANCIAL ITEMS			
Net foreign exchange gains (losses)		**630**	(4,537)
Interest and other financial income		**787**	1,017
Interest and other financial expenses		**(3,943)**	(4,118)
Net financial items	9	**(2,526)**	(7,638)
Income before tax		**118,004**	106,261
Income tax	10	**(89,858)**	(84,197)
Net income		**28,146**	22,064

BALANCE SHEET STATOIL PETROLEUM AS - NGAAP

(in NOK million)	Note	At 31 December 2010	At 31 December 2009
ASSETS			
Non-current assets			
Property, plant and equipment	11	210,892	197,537
Intangible assets	12	7,774	8,366
Investments in subsidiaries and equity accounted investments	13	84,738	87,302
Financial assets	9	1,320	1,328
Receivables on group companies		94	97
Total non-current assets		304,818	294,630
Current assets			
Inventories	14	0	50
Trade and other receivables	15	10,123	9,354
Current tax receivable		450	0
Receivables on group companies		34,035	20,587
Derivative financial instruments	3	417	0
Cash and cash equivalents		0	3
Total current assets		45,025	29,994
TOTAL ASSETS		349,843	324,624

BALANCE SHEET STATOIL PETROLEUM AS - NGAAP

(in NOK million)	Note	At 31 December 2010	At 31 December 2009
EQUITY AND LIABILITIES			
Equity			
Share capital		26,136	26,136
Additional paid-in capital		14,035	34,035
Retained earnings		33,407	11,903
Other reserves		(2,692)	(4,536)
Total equity	16	70,886	67,538
Non-current liabilities			
Financial liabilities		350	291
Liabilities to group companies	9	69,810	46,545
Deferred tax liabilities	10	64,429	65,721
Assets retirement obligations, other provisions and other liabilities	17	50,040	40,138
Total non-current liabilities		184,629	152,695
Current liabilities			
Trade and other payables	18	14,453	14,103
Current tax payable		42,761	33,345
Financial liabilities		9	0
Derivative financial instruments	3	2,769	0
Liabilities to group companies		34,336	56,943
Total current liabilities		94,328	104,391
Total liabilities		278,957	257,086
TOTAL EQUITY AND LIABILITIES		349,843	324,624

STATEMENT OF CASH FLOWS

(in NOK million)	2010	2009
OPERATING ACTIVITIES		
Income before tax	118,004	106,261
Adjustments to reconcile net income to net cash flows provided by operating activities		
Depreciation, amortisation and net impairment losses	27,825	27,315
Exploration expenditures written off	1,441	1,177
(Gains) losses on foreign currency transactions and balances	0	(20)
(Gains) losses on sales of assets and other items	3,053	4,089
Changes in working capital (other than cash and cash equivalents):		
· (Increase) decrease in inventories	50	1,208
· (Increase) decrease in trade and other receivables	(770)	(4,598)
· Increase (decrease) in trade and other payables	305	4,036
· (Increase) decrease in receivables/liabilities to/from group companies	(4,509)	(12,977)
· (Increase) decrease in net current derivative financial instruments	2,351	0
Taxes paid	(81,601)	(66,590)
(Increase) decrease in non-current items related to operating activities	1,394	4,232
Cash flows provided by operating activities	67,543	64,133
INVESTING ACTIVITIES		
Cash flows used in investing activities	(32,268)	(62,931)
FINANCING ACTIVITIES		
Group contribution	(30,000)	(40,000)
Increase (decrease) in financial receivables and liabilities to/from Statoil group companies*	(5,278)	38,801
Cash flows used in financing activities	(35,278)	(1,199)
Net increase (decrease) in cash and cash equivalents	(3)	3
Cash and cash equivalents at the beginning of the period	3	0
Cash and cash equivalents at the end of the period	0	3

*Including deposits in Statoil group's internal bank arrangement.

1 Organisation and basis of presentation

Statoil Petroleum AS was founded in 2007 as a demerger of Norsk Hydro Produksjon AS, prior to and in connection with the merger between Statoil ASA and the oil and gas activities of Norsk Hydro ASA (Hydro Petroleum), which was effective 1 October 2007.

The company is incorporated and domiciled in Norway. The address of its registered office is Forusbeen 50, N-4035 Stavanger, Norway. Statoil Petroleum's business consists principally of the exploration, production and transportation of petroleum and petroleum-derived products.

Statoil Petroleum AS is consolidated into Statoil ASA's consolidated financial statements, cf. Statoil ASA's annual report. In accordance with the Norwegian Accounting Act §3-7, Statoil Petroleum AS does not prepare consolidated financial statements. For more information see Statoil ASA's annual report 2010. The consolidated financial statements can be obtained by contacting Statoil ASA, Forusbeen 50, 4035 Stavanger or from the website, www.statoil.com.

With effect from 1 January 2009, the parent company Statoil ASA transferred the ownership of its net assets on the Norwegian Continental Shelf (NCS) to Statoil Petroleum AS. Following this transfer, all the Statoil group's NCS net assets are owned by Statoil Petroleum AS.

The accounting policies of Statoil Petroleum AS correspond with the NGAAP accounting policies of its parent company Statoil ASA.

The functional currency of Statoil Petroleum AS is NOK.

2 Significant accounting policies

Statement of compliance

The financial statements of Statoil Petroleum AS are prepared in accordance with the Norwegian Accounting Act of 1998 and good accounting practice (NGAAP).

Basis of preparation

The financial statements are prepared on the historical cost basis with some exceptions, as detailed in the accounting policies set out below. These policies have been applied consistently to all periods presented in these financial statements.

The Statement of cash flows has been prepared in accordance with the indirect method.

Subsidiaries, associated companies and jointly controlled entities

Shareholdings and interests in subsidiaries, associated companies (companies in which Statoil Petroleum AS does not have control, or joint control, but has the ability to exercise significant influence over operating and financial policies; generally when the ownership share is between 20 and 50%) and jointly controlled entities are accounted for using the equity method.

Jointly controlled assets

Interests in jointly controlled assets are recognised by including Statoil Petroleum AS's share of assets, liabilities, income and expenses on a line-by-line basis.

Statoil Petroleum AS as operator of jointly controlled assets

Indirect operating expenses such as personnel expenses from Statoil ASA are accumulated in cost pools. These expenses are allocated to business areas and Statoil Petroleum AS' operated jointly controlled assets (licenses) on an hours incurred basis. Only Statoil Petroleum AS' share of Statement of income and balance sheet items related to Statoil Petroleum AS operated jointly controlled assets are reflected in the Statement of income and balance sheet.

Asset transfers between Statoil Petroleum AS and its subsidiaries

Transfers of assets and liabilities between Statoil Petroleum AS and entities directly or indirectly controlled by Statoil Petroleum AS are accounted for at the carrying amounts of the assets and liabilities transferred.

Foreign currency translation

Transactions in foreign currencies are translated to NOK at the foreign exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated to NOK at the foreign exchange rate at the balance sheet date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transactions.

Revenue recognition

Revenues associated with sale and transportation of crude oil, natural gas, petroleum and chemical products, and other merchandise are recorded when title and risk pass to the customer, which is normally at the point of delivery of the goods based on the contractual terms of the agreements.

Revenues from the production of oil and gas from properties in which Statoil Petroleum AS has an interest with other companies are recognised on the basis of volumes lifted and sold to customers during the period (sales method). Where Statoil Petroleum AS has lifted and sold more than the ownership interest, an accrual is recorded for the cost of the overlift. Where the company has lifted and sold less than the ownership interest, costs are deferred for the underlift.

Sales and purchases of physical commodities, which are not settled net, are presented on a gross basis as Revenues and Purchases [net of inventory variation] in the Statement of income. Activities related to the trading of commodity based derivative instruments are reported on a net basis, with the margin included in Revenues.

Research and development
The company undertakes research and development both on a funded basis for licence holders, and unfunded projects at its own risk. The company's share of the licence holders' funding and the total costs of the unfunded projects are development costs that are considered for capitalisation.

Development costs which are expected to generate probable future economic benefits are capitalised as intangible assets if, and only if, all of the following have been demonstrated: the technical feasibility of completing the intangible asset so that it will be available for use or sale; the intention to complete the intangible asset and use or sell it; the ability to use or sell the intangible asset; how the intangible asset will generate probable future economic benefits; the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; the ability to reliably measure the expenditure attributable to the intangible asset during its development. All other research and development expenditure is expensed as incurred.

Subsequent to initial recognition, capitalised development costs are reported at cost less accumulated amortisation and accumulated impairment losses.

Income tax
Income tax in the Statement of income for the year comprises current and deferred tax expense. Income tax is recognised in the Statement of income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year and any adjustment to tax payable in respect of previous years. Uncertain tax positions and potential tax exposures are analysed individually and the best estimate of the probable amount for liabilities to be paid (unpaid potential tax exposure amounts, including penalties) and virtually certain amount for assets to be received (disputed tax positions for which payment has already been made) in each case is recognised within current tax or deferred tax as appropriate. Interest income and interest expenses relating to tax issues are estimated and recognised in the period in which they are earned or incurred, and are presented as financial items in the Statement of income.

Deferred tax assets and liabilities are recognised for the future tax consequences attributable to differences between the carrying amounts of existing assets and liabilities in the financial statements and their respective tax bases, subject to the initial recognition exemption. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable income will be available against which the asset can be utilised. In order for a deferred tax asset to be recognised based on future taxable income, convincing evidence is required, taking into account the existence of contracts, production of oil or gas in the near future based on volumes of proved reserves, observable prices in active markets, expected volatility of trading profits and similar facts and circumstances.

A special petroleum tax is levied on profits derived from petroleum production and pipeline transportation on the Norwegian Continental Shelf (NCS). The special petroleum tax is currently levied at a rate of 50%. The special tax is applied to relevant income in addition to the standard 28% income tax, resulting in a 78% marginal tax rate on income subject to petroleum tax. The basis for computing the special petroleum tax is the same as for income subject to ordinary corporate income tax, except that onshore losses are not deductible against the special petroleum tax, and a tax-free allowance, or uplift, is granted at a rate of 7.5% per year. The uplift is computed on the basis of the original capitalised cost of offshore production installations. The uplift may be deducted from taxable income for a period of four years, starting in the year in which the capital expenditures are incurred. Uplift benefit is recognised when the deduction is included in the current year tax return and impacts taxes payable. Unused uplift may be carried forward indefinitely.

Oil and gas exploration and development expenditure
Statoil Petroleum AS uses the "successful efforts" method of accounting for oil and gas exploration costs. Expenditures to acquire mineral interests in oil and gas properties and to drill and equip exploratory wells are capitalised as exploration and evaluation expenditure within intangible assets until the well is complete and the results have been evaluated. If, following evaluation, the exploratory well has not found proved reserves, the previously capitalised costs are evaluated for derecognition or tested for impairment. Geological and geophysical costs and other exploration expenditures are expensed as incurred.

For exploration and evaluation asset acquisitions (farm-in arrangements) in which the company has made arrangements to fund a portion of the selling partners' (farmor's) exploration and/or future development expenditures, these expenditures are reflected in the financial statements as and when the exploration and development work progresses. Exploration and evaluation asset dispositions (farm-out arrangements) are accounted for on a historical cost basis with no gain or loss recognition.

Exchanges (swaps) of exploration and evaluation assets are accounted for at the carrying amounts of the assets given up with no gain or loss recognition.

Unproved oil and gas properties are assessed for impairment when facts and circumstances suggest that the carrying amount of the asset may exceed its recoverable amount, and at least once a year. Exploratory wells that have found reserves, but where classification of those reserves as proved depends on whether a major capital expenditure can be justified, will remain capitalised during the evaluation phase for the exploratory finds. Thereafter it will be considered a trigger for impairment evaluation of the well if no development decision is planned for the near future, and there moreover are no concrete

plans for future drilling in the license. Impairment of unsuccessful wells is reversed, as applicable, to the extent that conditions for impairment are no longer present. Impairment and reversals of impairment of exploration and evaluation assets are charged to Exploration expenses in the Statement of income.

Capitalised exploration and evaluation expenditure, including expenditures to acquire mineral interests in oil and gas properties, related to wells that find proved reserves are transferred from Exploration expenditure (Intangible assets) to Construction in progress (Property, plant and equipment) at the time of sanctioning of the development project.

Property, plant and equipment

Property, plant and equipment are stated at cost, less accumulated depreciation and accumulated impairment losses. The initial cost of an asset comprises its purchase price or construction cost, any costs directly attributable to bringing the asset into operation, the initial estimate of an asset retirement obligation, if any, and, for qualifying assets, borrowing costs.

Exchanges of assets are measured at the fair value of the asset given up unless the exchange transaction lacks commercial substance or the fair value of neither the asset received nor the asset given up is reliably measurable.

Expenditure on major maintenance refits or repairs comprises the cost of replacement assets or parts of assets, inspection costs and overhaul costs. Where an asset or part of an asset is replaced and it is probable that future economic benefits associated with the item will flow to the company, the expenditure is capitalised. Inspection and overhaul costs associated with major maintenance programs are capitalised and amortised over the period to the next inspection. All other maintenance costs are expensed as incurred.

Capitalised exploration and evaluation expenditure, development expenditure on the construction, installation or completion of infrastructure facilities such as platforms, pipelines and the drilling of development wells, and field-dedicated transport systems for oil and gas are capitalised as producing oil and gas properties within Property, plant and equipment. Such capitalised cost is depreciated using the unit of production method based on proved developed reserves expected to be recovered from the area during the concession or contract period. Capitalised acquisition costs of proved properties are depreciated using the unit of production method based on total proved reserves. Depreciation of other assets and transport systems used by several fields is calculated on the basis of their estimated useful lives, normally using the straight-line method. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. For exploration and production (E&P) assets the company has established separate depreciation categories which as a minimum distinguish between platforms, pipelines, and wells.

The estimated useful lives of property, plant and equipment are reviewed on an annual basis and changes in useful lives are accounted for prospectively. An item of property, plant and equipment is de-recognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in other income or operating expenses, respectively, in the period the item is derecognised.

Leases

Leases in terms of which the company assumes substantially all the risks and rewards of the ownership are reflected as finance leases within Property, plant and equipment and Financial liabilities. Assets under development for finance lease purposes, and for which the company carries substantially all the risk in the construction period, are reflected as finance leases under development within Property, plant and equipment based on the stage of completion at period end, unless another amount better reflects the realities of the arrangement. All other leases are classified as operating leases and the costs are charged to operating expenses on a straight line basis over the lease term, unless another basis is more representative of the benefits of the lease to the company.

Finance lease assets are reflected at an amount equal to the lower of fair value and the present value of the minimum lease payments at inception of the lease, and subsequently reduced by accumulated depreciation and impairment losses, if any. When an asset leased by a jointly controlled asset in which the company participates qualifies as a finance lease, the company reflects its proportionate share of the leased asset and related obligations in the balance sheet as Property, plant and equipment and Financial liabilities, respectively. Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term using the depreciation methods described under Property, plant and equipment above, depending on the nature of the leased asset.

The company distinguishes between lease and capacity contracts. Lease contracts provide the right to use a specific asset for a period of time, while capacity contracts confer on the company the right to and the obligation to pay for certain capacity volume availability related to transport, terminalling, storage etc. Such capacity contracts that do not involve specified single assets or that do not involve substantially all the capacity of an undivided interest in a specific asset are not considered by the company to qualify as leases for accounting purposes. Capacity payments are reflected as Operating expenses in the Consolidated statements of income in the period for which the capacity contractually is available to the company.

Intangible assets

Intangible assets are stated at cost, less accumulated amortisation and accumulated impairment losses. Intangible assets include expenditure on the exploration for and evaluation of oil and natural gas resources, goodwill and other intangible assets. Intangible assets acquired separately from a business are carried initially at cost. An intangible asset acquired as part of a business combination is recognised separately from goodwill at its fair value if the asset is separable or arises from contractual or other legal rights and its fair value can be measured reliably.

Expenses related to the drilling of exploration wells are initially capitalised as intangible assets pending determination of whether potentially economic oil and gas reserves have been discovered by the drilling effort. This evaluation is normally finalised within one year after well completion. Exploration wells that discover potentially economic quantities of oil and natural gas remain capitalised as intangible assets during the evaluation phase of the find, see further on this under "Oil and gas exploration and development expenditure".

Intangible assets relating to expenditure on the exploration for and evaluation of oil and natural gas resources are not amortised. Such an asset is subject to impairment testing when facts and circumstances suggest that the carrying amount of the asset may exceed its recoverable amount (or at least on an annual basis), and is reclassified to Property, plant and equipment when the decision to develop a particular area is made. Other intangible assets are amortised on a straight-line basis over their expected useful lives. The expected useful lives of the assets are reviewed on an annual basis and changes in useful lives are accounted for prospectively.

Financial assets
Trade and other receivables are carried at the original invoice amount, less a provision for doubtful receivables, which is made when there is objective evidence that the company will be unable to recover the balances in full.

Financial assets are presented as current if they contractually will expire or otherwise are expected to be recovered within 12 months after the balance sheet date, or if they are financial instruments held for the purpose of being traded. Other financial assets expected to be recovered more than 12 months after the balance sheet date are classified as non-current.

Impairment
Impairment of intangible assets and property, plant and equipment
The company assesses assets or groups of assets for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. Individual assets are grouped based on levels with separately identifiable and largely independent cash inflows. Normally, separate cash-generating units are individual oil and gas fields or plants. For capitalised exploration expenditure, the cash-generating units are individual wells.

In assessing whether a write-down of the carrying amount of a potentially impaired asset is required, the asset's carrying amount is compared to the recoverable amount. Frequently the recoverable amount of an asset proves to be the company's estimated value in use, which is determined using a discounted cash flow model.

The estimated future cash flows applied are based on reasonable and supportable assumptions and represent management's best estimates of the range of economic conditions that will exist over the remaining useful life of the cash flow generating assets, set down in Statoil's most recently approved long term plans. Statoil's long term plans are approved by corporate management and updated at least annually. The plans cover a 10-year period and reflect expected production volumes for oil and natural gas in that period. For assets and cash generating units with an expected useful life or timeline for production of expected reserves extending beyond 10 years, the related cash flows also include project or asset specific estimates established in line with group consistent assumptions and principles.

In performing a value in used-based impairment test, the estimated future cash flows are adjusted for risks specific to the asset and discounted using a real post-tax discount rate based on Statoil's post-tax weighted average cost of capital (WACC).

If assets are determined to be impaired, the carrying amounts of those assets are written down to recoverable amount which is the higher of fair value less costs to sell and value in use.

Impairments are reversed as applicable to the extent that conditions for impairment are no longer present.

Impairment of financial assets
The company assesses at each balance sheet date whether a financial asset or group of financial assets is impaired.

For assets carried at amortised cost, if there is objective evidence that an impairment loss on loans and receivables has been incurred, the carrying amount of the asset is reduced. Any subsequent reversal of an impairment loss is recognised in the Statement of income.

Financial liabilities
Interest-bearing loans and borrowings are generally from the parent company Statoil ASA, or from other entities in the Statoil group. These are initially recognised at cost and subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any issue costs as well as discount or premium on settlement. Gains and losses arising on the repurchase, settlement or cancellation of liabilities are recognised respectively in Interest and other financial income and Interest and other financial expenses.

Financial liabilities are presented as current if the liability is due to be settled within 12 months after the balance sheet date, or if they are financial instruments held for the purpose of being traded. Other financial liabilities which contractually will be settled more than 12 months after the balance sheet date are classified as non-current.

Provisions and contingent assets and liabilities
Provisions are recognised when the company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as other finance expenses.

Contingent liabilities arising from past events and for which it is not probable that an outflow of resources will be required to settle the obligation, if any, are not recognised, but disclosed with indication of uncertainties relating to amounts and timing involved, unless the possibility of an outflow in settlement is remote.

Possible assets arising from past events that will only be confirmed by future uncertain events and are not wholly within the control of the company (contingent assets), are not recognised, but are disclosed when an inflow of economic benefits is probable. The asset and related income are subsequently recognised in the financial statements in the period in which the inflow of economic benefits become virtually certain.

Onerous contracts
The company recognises as provisions the net obligation under contracts defined as onerous. Contracts are deemed to be onerous if the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received in relation to the contract. A contract which forms an integral part of the operations of a cash-generating-unit whose assets are dedicated to that contract, and for which the economic benefits cannot be reliably separated from those of the cash-generating-unit, is included in impairment considerations for the applicable cash-generating-unit.

Asset retirement obligations (ARO)
Provisions for ARO costs are recognised when the company has an obligation (legal or constructive) to dismantle and remove a facility or an item of property, plant and equipment and to restore the site on which it is located, and when a reasonable estimate of that liability can be made. The expenses are estimated based upon current regulation and technology, considering relevant risks and uncertainties to arrive at best estimates. Normally an obligation arises for a new facility, such as an oil and natural gas production or transportation facility, on construction or installation. An obligation for ARO may also crystallise during the period of operation of a facility through a change in legislation or through a decision to terminate operations. The provision is recognised and classified under Asset retirement obligations, other provisions and other liabilities in the balance sheet. The amount recognised is the present value of the estimated future expenditure determined in accordance with local conditions and requirements. Refining and processing plants that are not limited by licence periods are deemed to have indefinite lives and in consequence no asset retirement obligation has been recognised.

When a provision for ARO cost is recognised, a corresponding amount is recognised to increase the related property, plant and equipment. This is subsequently depreciated as part of the costs of the facility or item of property, plant and equipment.

Any change in the present value of the estimated expenditure or change in timing of the decommissioning is reflected as an adjustment to the provision and the corresponding property, plant and equipment.

Trade and other payables
Trade and other payables are carried at payment or settlement amounts.

Use of estimates
Preparation of the financial statements requires the company to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, as well as disclosures of contingencies. Actual results may ultimately differ from the estimates and assumptions used.

The nature of Statoil Petroleum AS's operations, and the many countries in which the company operates, are subject to changing economic, regulatory and politicial conditions. Statoil Petroleum AS does not believe it is vulnerable to the risk of a near-term severe impact as a result of any concentration of is activities.

Proved oil and gas reserves have been estimated by internal experts on the basis of industry standards and governed by criteria established by regulations of the SEC. Proved oil and gas reserves are those quantities of oil and gas, which, by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be economically producible from a given date forward, from known reservoirs, and under existing economic conditions, operating methods, and government regulations. Unless evidence indicates that renewal is reasonably certain, estimates of economically producible reserves only reflect the period before the contracts providing the right to operate expire. The project to extract the hydrocarbons must have commenced or the operator must be reasonably certain that it will commence within a reasonable time.

Expected oil and gas reserves, which differ from proved reserves, have been estimated by internal experts on the basis of industry standards and are used for impairment testing purposes and for calculation of asset retirement obligations.

3 Financial risk management and derivatives

General information relevant to financial risks
Financial market risks are managed at the group level within the Statoil group on a short-term basis with focus on achieving the highest risk adjusted returns for the group within the given mandate. Long-term positions, defined as having a time horizon of six months or more, are managed at the corporate level while short term positions are managed at segment and lower levels according to trading strategies and mandates approved by the group's Corporate Risk Committee.

Statoil has guidelines for entering into derivative contracts to manage its commodity price, foreign currency rate, and interest rate risk. Within the guidelines, Statoil has developed a comprehensive model, which encompasses Statoil Petroleum AS' most significant market and operational risks.

Financial risks
Statoil Petroleum AS' activities expose the company to financial risks such as:

- Market risk (including commodity price risk, currency risk and interest rate risk)
- Liquidity risk
- Credit risk

Market risk
Statoil Petroleum AS operates in the worldwide crude oil and natural gas market and are exposed to market risks including fluctuations in hydrocarbon prices, foreign currency rates and interest rates that can affect the revenues and costs of operating, investing and financing.

Commodity price risk
Commodity price risk constitutes Statoil Petroleum AS' most important short-term market risk. Changes in commodity prices have a significant effect on the company's income.

Statoil Petroleum AS has established guidelines for entering into commodity based derivative contracts in order to manage the commodity price risk, mainly related to natural gas prices. The commodity based derivative contracts consist of over-the-counter (OTC) forward contracts, market swaps and options related to natural gas.

The term for natural gas derivatives is usually three years or less. However they are presented in the balance sheet as current since the contracts included in the portfolio are entered into and held for the purpose of being traded.

Currency risk
In addition to price developments Statoil Petroleum AS' operating results and cash flows are affected by foreign currency fluctuations of the most significant currencies, the USD and the EUR, against the NOK. The company's cash inflows are largely denominated in or driven by USD while cash outflows, such as operating expenses and taxes payable, are to a large extent denominated in NOK.

Foreign exchange risk is managed at corporate level in accordance with policies and mandates.

Interest rate risk
Statoil Petroleum AS has liabilities with variable interest rate that expose the company to cash flow risk caused by market interest rate fluctuations.

Liquidity risk
Liquidity risk is the risk that Statoil Petroleum AS will not be able to meet obligations of financial liabilities when they become due. The purpose of liquidity and current liability management is to make certain that the entity has sufficient funds available at all times to cover its financial obligations. As for the market risks Statoil manages liquidity and funding at group level, ensuring adequate liquidity to cover operational requirements.

Credit risk
Credit risk is the risk that the Statoil Petroleum AS' customers or counterparties will cause the group financial loss by failing to honour their obligations. Credit risk arises from credit exposures with customer accounts receivables as well as derivative financial instruments and deposits with financial institutions.

Fair value measurement of derivative financial instruments
Statoil Petroleum AS measures derivative financial instruments at the lowest of the cost price and the fair value. Changes in the carrying value of the derivative financial instruments are recognised in the Statements of income within Revenues. Statoil Petroleum AS' portfolio of derivative financial instruments consists of commodity based derivative contracts.

When determining the fair value of the derivative financial instruments Statoil Petroleum AS uses prices quoted in an active market to the extent possible. When this is not available Statoil Petroleum AS uses inputs that either directly or indirectly are observable in the market as a basis for valuation techniques such as discounted cash flow analysis or pricing models.

4 Business developments

In 2008 Statoil Petroleum AS sold certain oil and gas production assets, with a carrying amount of NOK 9.1 billion, and related deferred tax liabilities with a carrying amount of NOK 4.0 billion, to Statoil ASA. The transfers were accounted for at their carrying amounts as equity transactions with no gain or loss recognition. The same assets were transferred back to Statoil Petroleum AS effective 1 January 2009, as part of the reorganisation described in note 1 Organisation and basis of presentation. This transaction was accounted for as an equity transaction with no gain or loss recognition.

5 Revenues

In presenting information on the basis of geographical areas, revenue from external customers is attributed to countries from which Statoil Petroleum AS derives revenues.

Revenues by counterparties

(in NOK million)	2010	2009
Norway	121,024	105,682
Europe	74,520	83,567
North America	2,419	903
Other	7	18
Revenues	197,970	190,170

(in NOK million)	2010	2009
Revenues third party	78,299	87,566
Intercompany revenues	119,671	102,604
Revenues	197,970	190,170

Statoil Petroleum AS sells most of its volumes to external customers through the parent company Statoil ASA. A significant portion of these sales are based on back to back contracts between Statoil Petroleum AS and Statoil ASA whereby Statoil Petroleum AS carries all risks related to the sale. These back to back sales contracts are presented as Revenues third party and the revenues are presented on the basis of the location of Statoil ASA's customer in the tables above. The receivables from these sales are included in the balance sheet as receivables from group companies.

6 Remuneration

The company has no employees. No salary or other remuneration has been paid to the CEO in 2010 or 2009. The CEO is employed and paid by Statoil ASA. No compensation was paid to the board of directors in 2010 or 2009.

7 Auditors' remuneration

(in NOK million, excluding VAT)	2010	2009
Audit fees	4.3	5.9
Audit related fees	0.3	0.2
Total	4.6	6.1

In addition to the figures above, audit fees and audit related fees to Ernst & Young related to Statoil Petroleum-operated licences amount to NOK 8.7 million and NOK 6.8 million for 2010 and 2009, respectively.

8 Research and development expenditures

Research and Development (R&D) expenditures were NOK 1,816 million in 2010 and NOK 1,927 million in 2009. R&D expenditures are partly financed by partners in Statoil Petroleum AS operated licences. Statoil Petroleum AS' share of the expenditures has been recognised as expense in the Statement of income.

9 Financial items

Net financial items

(in NOK million)	At 31 December 2010	2009
Net foreign exchange gains (losses)	630	(4,537)
Dividends received	29	0
Interest income from group companies	251	655
Interest income and other financial income	507	362
Interest and other financial income	787	1,017
Capitalised borrowing costs	369	587
Accretion expense asset retirement obligation	(1,998)	(1,953)
Interest expense to group companies	(2,064)	(2,286)
Interest expense and other financial expenses	(250)	(466)
Interest and other financial expenses	(3,943)	(4,118)
Net financial items	(2,526)	(7,638)

Non-current financial investments

(in NOK million)	At 31 December 2010	2009
Financial investments	5	5
Financial receivables	1,315	1,323
Financial assets	1,320	1,328

Financial receivables at 31 December 2010 and 2009 are non-interest bearing and relate to long-term prepayments.

Non-current liabilities to group companies

(in NOK million)	At 31 December 2010	2009
Interest bearing liabilities to group companies	65,000	40,000
Non-interest bearing liabilities to group companies	4,810	6,545
Liabilities to group companies	69,810	46,545

Interest bearing liabilities to group companies are due more than five years after 31 December 2010.

10 Income taxes

Income tax expense

(in NOK million)	2010	2009
Current taxes payable	90,556	81,181
Change in deferred tax	(698)	3,016
Income tax expense	89,858	84,197
Uplift credit for the year	9,913	10,104

Unrecognised uplift credit amount to NOK 14.5 billion at 31 December 2010.

Reconciliation of Norwegian nominal statutory tax rate to effective tax rate

(in NOK million)	2010	2009
Income before tax	118,004	106,261
Nominal tax rate (28%)	33,041	29,753
Petroleum surtax rate (50%)	59,002	53,131
Tax effect of:		
Uplift	(4,957)	(5,052)
Financial items included in 28% basis only	(144)	2,807
Tax result included in 28% basis only	(337)	(360)
Permanent differences	3,130	2,850
Income tax prior years	(364)	79
Other	487	989
Total	89,858	84,197
Effective tax rate (%)	76.1	79.2

Significant components of deferred tax assets and liabilities were as follows

(in NOK million)	At 31 December 2010	2009
Deferred tax assets on		
Current items	1,339	405
Asset retiremet obligations	37,378	29,646
Other non-current items	5,992	5,956
Total deferred tax assets	44,709	36,007
Deferred tax liabilities on		
Current items	256	127
Property, plant and equipment	91,516	82,936
Capitalised exploration expenditures and interest	17,366	18,665
Total deferred tax liabilities	109,138	101,728
Net deferred tax liabilities	64,429	65,721

The movement in deferred income tax

(in NOK million)	2010	2009
Deferred income tax liability at 1 January	65,721	18,477
Charged to the Statement of income	(698)	3,016
Change in deferred tax (assets)/liabilities on assets transferred to/from Statoil ASA		44,252
Acquisitions, sales and other	(594)	(24)
Deferred income tax liabilities at 31 December	64,429	65,721

11 Property, plant and equipment

(in NOK million)	Machinery, equipment and transportation equipment	Production plants oil and gas, incl. pipelines	Refining and manufacturing plants	Buildings and land	Assets under development	Total
Cost at 31 December 2009	846	505,459	4,896	316	28,704	540,221
Additions and transfers	395	44,081	1,226	(132)	(4,392)	41,178
Disposals assets at cost	(1)	(2,295)	0	(1)	0	(2,297)
Cost at 31 December 2010	1,240	547,245	6,122	183	24,312	579,102
Accumulated depreciation and impairment losses at 31 December 2009	(715)	(339,077)	(2,723)	(169)	0	(342,684)
Depreciation, impairments and amortisation for the year	(412)	(26,392)	(1,086)	156	(88)	(27,822)
Accumulated depreciation and impairment disposed assets	1	2,295	0	0	0	2,296
Accumulated depreciation and impairment losses at 31 December 2010	(1,126)	(363,174)	(3,809)	(13)	(88)	(368,210)
Carrying amount at 31 December 2010	114	184,071	2,313	170	24,224	210,892
Estimated useful lives (years)	3 - 10	*	15-20	20 - 33		

* Depreciation according to Unit of production method, see note 2 Summary of significant accounting policies.

In 2010 capitalised interest amounted to NOK 369 million.

12 Intangible assets

(in NOK million)	Exploration expenditure	Other	Total
Cost at 31 December 2009	8,322	51	8,373
Additions	1,946	0	1,946
Disposals	(735)	0	(735)
Transfers	(359)	0	(359)
Expensed exploration expenditures previously capitalised	(1,441)	0	(1,441)
Cost at 31 December 2010	7,733	51	7,784
Accumulated amortisation and impairment losses at 31 December 2009		(7)	(7)
Depreciation, impairments and amortisation for the year		(3)	(3)
Accumulated amortisation and impairment losses at 31 December 2010		(10)	(10)
Carrying amount at 31 December 2010	7,733	41	7,774

13 Investments in subsidiaries and equity accounted investments

(in NOK million)	
Investment at 1 January 2010	87,302
Net income subsidiaries and equity accounted investments	(3,390)
Additional paid-in equity	(1,313)
Distributions	(66)
Translation adjustments	2,205
Investment at 31 December 2010	84,738

The closing balance of NOK 84,738 million consists of investments in subsidiaries amounting to NOK 83,430 million and equity accounted investments amounting to NOK 1,308 million. In 2009, the amounts were NOK 86,478 million and NOK 824 million respectively.

Amortisation of goodwill amounts to NOK 304 million in 2010.

Ownership in certain subsidiaries and equity accounted investments (in %) Name	%	Country of incorporation
Saga Petroleum Holding AS	100	Norway
Statoil Algeria Exploration and Production AS	100	Algeria
Statoil Angola AS	100	Norway
Statoil Bahamas AS	100	Norway
Statoil Cinco AS	100	Norway
Statoil Dezassete AS	100	Norway
Statoil Dolginskaya AS	100	Norway
Statoil Energie AS	100	Norway
Statoil Greenland AS	100	Norway
Statoil Holding AS	100	Norway
Statoil International Holding AS	100	Norway
Statoil Majunga AS	100	Norway
Statoil Morocco AS	100	Norway
Statoil Oil & Gas Cuba AS	100	Norway
Statoil Oil & Gas Mozambique AS	100	Norway
Statoil Quatro AS	100	Norway
Statoil Sverige Kharyaga AB	100	Sweden
Statoil Trinta e Quatro AS	100	Norway
SCIRA Offshore Energy Limited	50	United Kingdom

14 Inventories

Inventories are valued at the lower of cost and net realisable value, determined by the first-in, first-out (FIFO) method. The inventory consists of materials and spare parts and the book value at year end 2010 and 2009 amounts to NOK 0 and NOK 50 million, respectively.

15 Trade and other receivables

(in NOK million)	At 31 December 2010	2009
Trade receivables	311	191
Other receivables	9,812	9,163
Trade and other receivables	10,123	9,354

Other receivables mainly consist of receivables from jointly controlled assets and prepaid expenses.

16 Equity and shareholders

(in NOK million)	2010	2009
Shareholders' equity 1 January	67,538	35,057
Increase in Share capital	0	21,780
Increase (decrease) in Additional paid-in capital*	(20,000)	26,136
Increase (decrease) in Retained earnings*	20,000	0
Net income	28,146	22,064
Foreign currency translation adjustments	1,843	(7,255)
Group contribution	(26,643)	(30,000)
Other	2	(244)
Shareholders' equity 31 December	70 886	67 538

*The decrease in Additional paid-in capital and the increase in Retained earnings relates to the reduction in the restricted paid-in capital.

Share capital consists of 17,424,000 shares at a nominal value of NOK 1,500. All shares are owned by Statoil ASA.

17 Asset retirement obligations, other provisions and other liabilities

(in NOK million)	Asset retirement obligations	Other provisions	Other liabilities	Total provisions
Non-current portion at 31 December 2009	38,383	1,755	0	40,138
Long term interest bearing provisions reported as Non-current liabilities	0	289	0	289
Current portion at 31 December 2009	499	105	0	604
Asset retirement obligation, other provisions and other liabilities at 31 December 2009	38,882	2,149	0	41,031
New provisions in the period	522	160	7	689
Revision in the estimates	5,910	(220)	0	5,690
Amounts charged against provisions	(428)	0	0	(428)
Unused amounts reversed	0	(87)	0	(87)
Effects of change in the discount rate	2,121	0	0	2,121
Reduction due to disposals	0	0	0	0
Accretion expenses	1,998	0	0	1,998
Reclassification	0	(728)	728	0
Asset retirement obligation, other provisions and other liabilities at 31 December 2010	49,005	1,274	735	51,014
Current portion at 31 December 2010	627	0	0	627
Long term interest bearing provisions reported as Non-current liabilities	0	347	0	347
Non-current portion at 31 December 2010	48,378	927	735	50,040

Expected timing of cash outflows:

(in NOK million)	Asset retirement obligations	Other provisions	Other liabilities	Total
2011 - 2017	4,715	1,119	574	6,408
2018 - 2022	8,938	0	161	9,099
2023 - 2027	6,387	1	0	6,388
2028 - 2032	12,290	115	0	12,405
Thereafter	16,675	39	0	16,714
At 31 December 2010	49,005	1,274	735	51,014

The timing of cash outflows primarily depends on when the production ceases at the various facilities.

The revision in estimates for Asset retirement obligations for the year mainly relates to increased cost estimates for plugging and abandonment of wells. The revised cost estimates was a result of an update of Statoil's asset retirement obligations study performed in the fourth quarter taken new geological and technical experiences into consideration.

The increased estimate in asset retirement obligations has been added to Property, plant and equipment and will increase depreciation expenses by approximately NOK 2.8 billion in 2011 assuming the same production and reserves levels as of 31 December 2010 and no changes in other relevant parameters.

The Other provisions category includes expected payments on unresolved claims. The timing and amounts of potential settlements in respect of these provisions are uncertain and dependent on various factors that are outside management's control.

For further discussion of methods applied and estimates required, see note 2 *Significant accounting policies*.

18 Trade and other payables

(in NOK million)	At 31 December 2010	2009
Trade payables	1,384	1,324
Non-trade payables, accrued expenses and provisions	13,069	12,779
Trade and other payables	14,453	14,103

Non-trade payables consist mainly of provisions for accrued expenses relating to the licence activity.

19 Leases

Statoil Petroleum AS leases certain assets, notably vessels and drilling rigs.

Statoil Petroleum AS has entered into certain operational lease contracts for a number of drilling rigs as of 31 December 2010. The remaining significant contracts' terms range from six months to five years. Certain contracts contain renewal options. Rig lease agreements are for the most part based on fixed day rates. Statoil Petroleum AS's rig leases have been entered into in order to ensure drilling capacity for sanctioned projects and planned wells and to secure long-term strategic capacity for future exploration and production drilling. Certain rigs have been subleased in whole or for part of the lease term mainly to Statoil Petroleum AS-operated licences on the Norwegian Continental Shelf (NCS). These leases are shown gross as operating leases in the table below. However, for rig leases where the joint venture is the original lessee, Statoil Petroleum AS only includes its proportional share of the rig lease.

In 2010, net rental expense was NOK 8.4 billion (NOK 8.6 billion in 2009) of which minimum lease payments were NOK 9.8 billion (NOK 10.2 billion in 2009) and sublease payments received were NOK 1.5 billion (NOK 1.7 billion in 2009). No material contingent rents have been expensed in 2010 or 2009.

The information in the table below shows future minimum lease payments under non-cancellable leases at 31 December 2010.

(in NOK million)	Operating leases	Operating sublease
2011	11,362	(1,680)
2012	10,670	(1,609)
2013	8,173	(1,507)
2014	4,239	(467)
2015	1,658	0
Thereafter	871	0
Total future minimum lease payments	36,973	(5,263)

20 Other commitments and contingencies

Contractual commitments

(in NOK million)	2011	2012	Thereafter	Total
Joint Venture related:				
Construction in progress	7,340	3,888	3,215	14,443
Property, plant and equipment and other investments	591	0	0	591
Total joint venture related commitments	7,931	3,888	3,215	15,034

The contractual commitments reflect Statoil Petroleum AS' share and mainly comprise construction and acquisition of property, plant and equipment.

Other long-term commitments

Statoil Petroleum AS has entered into agreements for pipeline transportation for most of its prospective gas sales contracts. These agreements ensure the right to transport the production of gas through the pipelines, but also impose an obligation to pay for booked capacity. In addition, the company has entered into certain contracts for other forms of transport capacity as well as terminal, processing, storage and entry capacity commitments.

Obligations payable by Statoil Petroleum AS to entities accounted for using the equity method are included gross in the tables below. For assets (e.g. pipelines) that the company accounts for by recognising its share of assets, liabilities, income and expenses (capacity costs) on a line-by-line basis in the financial statements, the amounts in the table include the net commitment payable by Statoil Petroleum (gross commitment less Statoil Petroleum's ownership share).

Nominal minimum commitments at 31 December 2010:

(in NOK million)	
2011	4,528
2012	4,496
2013	4,357
2014	4,183
2015	3,485
Thereafter	15,025
Total	36,074

Guarantees

With effect from 1 January 2009, Statoil ASA transferred the ownership of its NCS net assets to Statoil Petroleum AS. Following the transfer, all NCS net assets are owned by Statoil Petroleum AS. Effective from the same date, Statoil Petroleum AS became co-obligor or guarantor of existing debt securities and other loan arrangements of Statoil ASA. As co-obligor, Statoil Petroleum AS assumes and agrees to perform, jointly and severally with Statoil ASA, all payment and covenant obligations for this debt. During 2010, Statoil ASA executed two additional issues of US registered debt securities, both guaranteed by Statoil Petroleum AS. At year end 2010 the carrying value of debts for which Statoil Petroleum AS is the co-obligor or guarantor, mainly for Statoil ASA, is NOK 25 billion and NOK 64.1 billion, respectively.

Statoil Petroleum AS has guaranteed certain recoverable reserves of crude oil in the Veslefrikk field on the NCS as part of an asset exchange with Petro Canada in 1996. Under the guarantee, Statoil Petroleum AS is obligated to deliver indemnity reserves to Petro Canada in the event that recoverable reserves prove lower than a specified volume. At year end 2010 the value of the remaining volume covered by the guarantee has been estimated to a total of NOK 1.7 billion at current market prices. The provision for this guarantee at year-end amounts to NOK 0.3 billion.

Under the Norwegian public limited companies act section 14-11, Statoil and Norsk Hydro are jointly and severally liable for certain guarantee commitments entered into by Norsk Hydro prior to the merger between Statoil and Hydro Petroleum in 2007. The total amount that Statoil Petroleum AS is jointly liable for is approximately NOK 1.1 billion. As of the current date, the probability that these guarantee commitments will impact Statoil Petroleum AS is deemed to be remote. No liability has been recognised in the financial statements at year end 2010.

Other commitments and contingencies

As a condition for being awarded oil and gas exploration and production licenses, participants may be committed to drill a certain number of wells. At the end of 2010, Statoil Petroleum AS was committed to participate in 16 wells with an average ownership interest of approximately 53%. Statoil Petroleum

AS' share of estimated expenditures to drill these wells amounts to approximately NOK 3.2 billion. Additional wells that Statoil Petroleum AS may become committed to participating in depending on future discoveries in certain licenses are not included in these numbers.

During the normal course of its business Statoil Petroleum AS is involved in legal proceedings, and several other unresolved claims are currently outstanding. The ultimate liability or asset in respect of such litigation and claims cannot be determined at this time. Statoil Petroleum AS has provided in its financial statements for probable liabilities related to litigation and claims based on the company's best judgement. Statoil Petroleum AS does not expect that the financial position, results of operations or cash flows will be materially affected by the resolution of these legal proceedings.

21 Related parties

The Norwegian State is the majority shareholder of Statoil ASA, which is the parent company of Statoil Petroleum AS, and also holds major investments in other entities. This ownership structure means that Statoil Petroleum AS participates in transactions with many parties that are under a common ownership structure and therefore meet the definition of a related party. All transactions are considered to be on arm's length basis.

In relation to its ordinary business operations such as pipeline transport, gas storage and processing of petroleum products, Statoil Petroleum AS also has regular transactions with certain entities in which Statoil has ownership interests. Such transactions are carried out at an arm's length basis, and are included within the applicable captions in the statement of income.

22 Subsequent events

There are no material subsequent events as of 15 March 2011.

23 Reserves (unaudited)

The company's proved oil and gas reserves have been estimated by its parent company's experts in accordance with industry standards under the requirements of the US Securities and Exchange Commission (SEC). At the end of the year the company's proved reserves amounted to approximately 660 million Sm3 o.e. (695 million Sm3 o.e. in 2009).

Proved reserves will be produced in the period from 2011 to 2030.

Proved oil and gas reserves are those quantities of oil and gas, which, by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be economically producible from a given date forward, from known reservoirs, and under existing economic conditions, operating methods, and government regulations. Unless evidence indicates that renewal is reasonably certain, estimates of economically producible reserves only reflect the period before the contracts providing the right to operate expire. The project to extract the hydrocarbons must have commenced or the operator must be reasonably certain that it will commence within a reasonable time.

STAVANGER, 15 MARCH 2011

THE BOARD OF DIRECTORS OF STATOIL PETROLEUM AS

TORGRIM REITAN
CHAIR

ASLEIV BRANDSØY

NINA BIRGITTE KOCH

ODD HELGE BRUVIK

SIV HELEN RYGH TORSTENSEN

Report of Ernst & Young AS

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Medlemmer av Den norske Revisorforening

To the Annual Shareholders' Meeting in Statoil Petroleum AS

AUDITOR'S REPORT

Report on the financial statements

We have audited the accompanying financial statements of Statoil Petroleum AS, which comprise the balance sheet as at 31 December 2010, the statements of income and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

The Board of Directors' and Managing Director's responsibility for the financial statements

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

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements of Statoil Petroleum AS have been prepared in accordance with laws and regulations and present fairly, in all material respects, the financial position of the Company as of 31 December 2010 and its financial performance and its cash flows for the year then ended in

accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.

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 Directors' report concerning the financial statements and the going concern assumption 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 the Board of Directors and Managing Director have fulfilled their duty to properly record and document the Company's accounting information as required by law and generally accepted bookkeeping practice in Norway.

Stavanger, 15 March 2011
ERNST & YOUNG AS

Finn Kinserdal
State Authorised Public Accountant (Norway)