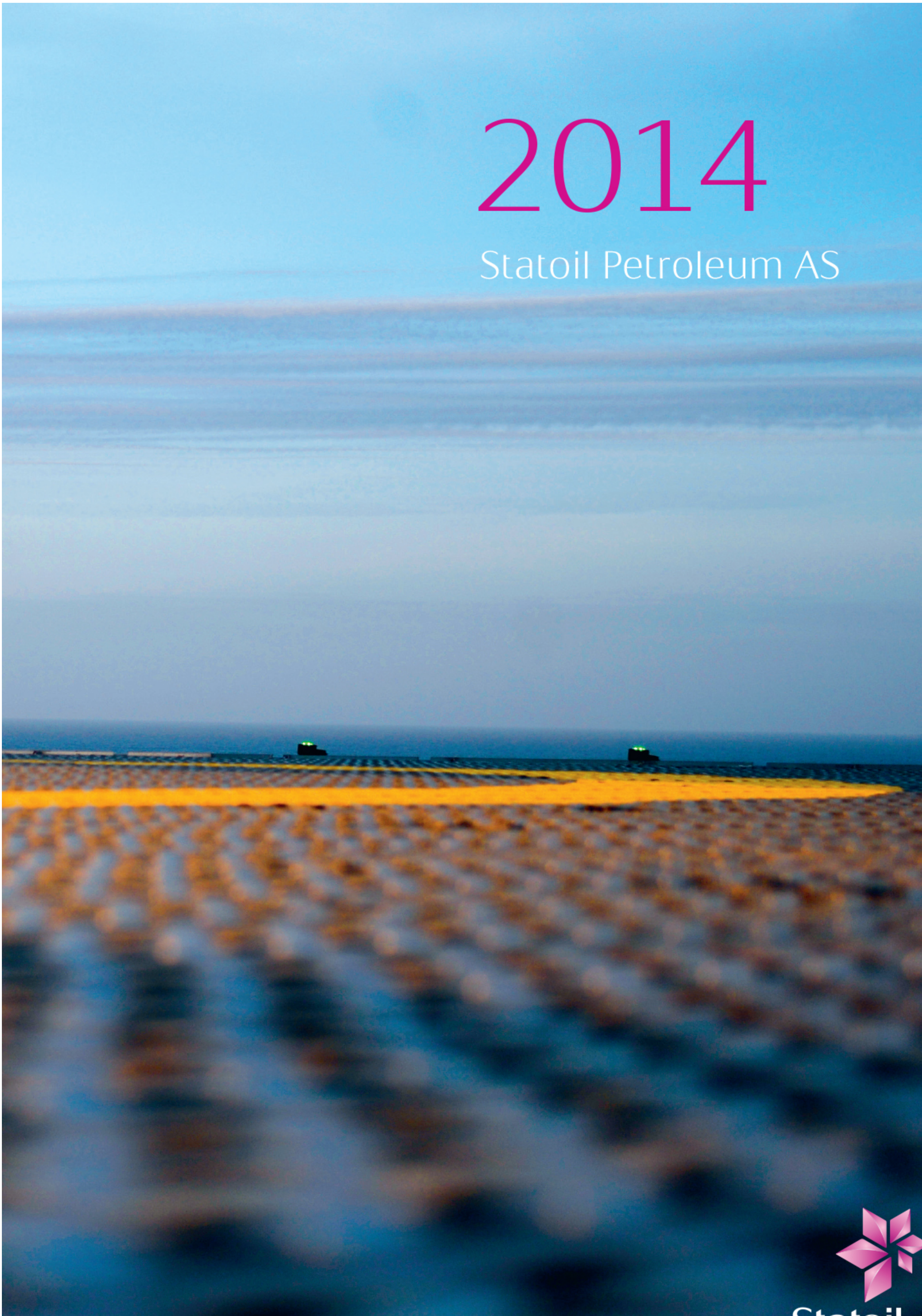
2014
Statoil Petroleum AS

2014

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STATOIL ASA
BOX 8500
NO-4035 STAVANGER
NORWAY
TELEPHONE: +47 51 99 00 00

www.statoil.com

Cover photo: Harald Pettersen

Board of directors report

The profitability of the oil and gas industry continues to be challenged and the financial results in Statoil Petroleum AS in 2014 were influenced by the fall in oil and gas prices during 2014. However, the financial position is robust and through significant flexibility in the investment programme, the company is well prepared for continuous market weakness and uncertainty.

Net operating income was NOK 90.3 billion in 2014, down 36% compared to 2013. The decrease was mainly attributable to lower prices for liquids and gas sold, higher net loss from subsidiaries and equity accounted companies, higher depreciation costs and lower income from sales of assets in 2014 compared to 2013.

Net income decreased from NOK 39.3 billion in 2013 to NOK 8.8 billion in 2014, largely affected by the decrease in net operating income and a higher effective tax rate.

Operational performance was strong, with safety improvements, production as expected and strong project execution.

Statoil Petroleum AS is paying a group contribution of NOK 3.9 billion to the parent company, Statoil ASA.

Statoil Petroleum AS was founded in 2007 and is domiciled in Norway. Statoil Petroleum's business consists principally of the exploration, production and transportation of petroleum and petroleum-derived products. In accordance with the Norwegian Accounting Act §3-7, Statoil Petroleum AS does not prepare consolidated financial statements. For further information, see the notes to the financial statements and Statoil ASA's annual report 2014.

Our business

Statoil Petroleum AS is a wholly owned subsidiary of Statoil ASA, and operates about 70% of all oil and gas production on the NCS.

Effective 1 January 2009, Statoil Petroleum AS received certain assets and assumed certain liabilities from its parent company with a net amount of NOK 47.9 billion. The transfer included all of the parent company's exploration and production assets and liabilities on the Norwegian continental shelf (NCS) and related transportation systems, processing plants and terminals. Following the restructuring of assets and liabilities within the Statoil group, Statoil Petroleum AS has become the co-obligor or guarantor of certain parent company liabilities.

Through its subsidiaries and other equity accounted companies, Statoil Petroleum AS owns additional licenses in oil and gas fields internationally. The company also owns oil and gas processing and transportation facilities in Norway.

Statoil Petroleum AS has no employees, but purchases necessary services from the parent company and other companies in the Statoil group.

Profit and loss analysis

Net operating income was NOK 90.3 billion in 2014, down 36% compared to 2013. The decrease was mainly attributable to lower prices for liquids and gas sold, higher net loss from subsidiaries and equity accounted companies, higher depreciation costs and lower income from sales of assets in 2014 compared to 2013.

Condensed financial statements NGAAP (in NOK billion)	2014	Full year 2013	Change
Revenues	203.2	221.6	-8%
Net income (loss) from subsidiaries and other equity accounted companies	(31.4)	(9.1)	246%
Other income	7.5	13.2	-43%
Total revenues and other income	179.4	225.8	-21%
Purchases [net of inventory variation]	(4.2)	(8.2)	-49%
Operating expenses and sellling, general and administrative expenses	(38.0)	(38.7)	-2%
Depreciation, amortisation and net impairment losses	(41.4)	(33.1)	25%
Exploration expenses	(5.5)	(5.5)	1%
Net operating income	90.3	140.3	-36%
Net financial items	0.0	(1.0)	-102%
Income before tax	90.3	139.3	-35%
Income tax	(81.5)	(99.9)	-18%
Net income	8.8	39.3	-78%

Revenues amounted to NOK 203.2 billion in 2014, compared to NOK 221.6 billion in 2013. The 8% decrease was mainly due to reduced gas and liquids prices and reduced lifted volumes of both liquids and gas, mainly caused by divestments and expected natural decline. This was partly offset by a positive exchange rate development (NOK/USD).

Net loss from subsidiaries and other equity accounted companies amounted to NOK 31.4 billion. This was mainly related to impairment losses in 2014, primarily resulting from reduced short-term oil price forecasts impacting subsidiaries in the U.S and Canada.

Other income amounted to NOK 7.5 billion, mainly attributable to gains from the sale of certain ownership interests on the NCS to Wintershall of NOK 5.9 billion. Other income in 2013 was mainly related to gains from the sale of certain ownership interests on the NCS to OMV and Wintershall.

Statoil Petroleum AS purchases natural gas and pipeline transport on a back to back basis from Statoil ASA. Statoil Petroleum AS carries all the risks related to these purchases and they are therefore presented as purchase. Purchases amounted to NOK 4.2 billion in 2014 compared to NOK 8.2 billion in 2013. The decrease was mainly due to lower prices and lower volumes of third party gas purchased.

Operating expenses include field production and transport systems costs related to the company's share of oil and natural gas production while selling, general and administrative expenses include expenses related to the sale and marketing of our products. Operating expenses and selling, general and administrative expenses decreased by 2% compared to 2013, mainly due to a gain related to changes in pension scheme in 2014, and reduced operating costs at several fields due to divestments.

Depreciation, amortisation and net impairment losses include depreciation of production installations and transport systems, depletion of fields in production and amortisation of intangible assets. The 25% increase from 2013 was mainly due to was mainly due to increased investments, new fields commencing production, increased asset retirement obligation with a corresponding higher basis for depreciations, and an impairment loss primarily resulting from the reduced short-term oil price forecast). These effects were partly offset by reduced depreciation due to portfolio changes.

Exploration expenditures are capitalised to the extent that exploration efforts are considered successful, or pending such assessment. Otherwise, such expenditures are expensed. The exploration expenses consist of the expensed portion of our exploration expenditures in 2014 and exploration expenditures capitalised in previous years. Exploration expenses remain at the same level compared to 2013. Lower drilling activity and less field development work due to sanctioning of Johan Sverdrup were offset by a higher portion of exploration expenditures capitalized in previous periods being expensed in 2014.

Net operating income was NOK 90.3 billion in 2014, down 36%. The decrease was mainly attributable to lower prices for liquids and gas sold, higher net loss from subsidiaries and other equity accounted companies, higher depreciation costs and lower income from sales of assets in 2014 compared to 2013.

Net financial items amounted to zero compared to a loss of 1.0 billion in 2013. The change is mainly related to net foreign exchange gains, partly offset by increased interest expenses and other financial expenses.

Income taxes were NOK 81.5 billion in 2014, equivalent to a tax rate of 90%, compared to NOK 99.9 billion in 2013, equivalent to a tax rate of 72%. The higher tax rate in 2014 is mainly explained by higher loss in associated companies accounted for using the equity share method. This is partly offset by relatively higher tax effect of uplift due to lower income in 2014.

The net income of NOK 8.8 billion will be allocated to group contribution to Statoil ASA of NOK 3.9 billion and NOK 4.9 billion to retained earnings.

In accordance with §3-3 of the Norwegian Accounting Act, the board of directors confirms that the financial statements have been prepared on the basis of the going concern assumption.

Cash flows

Cash flows provided by operating activities contributed with NOK 73.2 billion, and cash flows used in investing activities amounted to NOK 59.4 billion in 2014.

The most significant drivers for cash flows provided by operating activities are the level of production and prices for liquids and natural gas that impact revenues, cost of purchases (net of inventory valuation), taxes paid and changes in working capital items. In 2014, **cash flows provided by operating activities** amounted to NOK 73.2 billion, an increase of NOK 3.3 billion compared to NOK 69.9 billion in 2013. The decrease in income before tax, affected by lower volumes of gas and lower prices for liquids and gas, was offset by lower taxes paid of NOK 18.5 billion between the two years.
Cash flows provided by operating activities was NOK 17.1 billion lower than net operating income in 2014, and the main reason for this difference is the NOK 88.6 billion payment of taxes in 2014.

Cash flows used in investing activities was NOK 59.4 billion in 2014 compared to NOK 46.0 billion in 2013. The increase was mainly related to lower proceeds from sales in 2014 of NOK 9.3 billion and increased capital expenditures and investments of NOK 4.8 billion. The proceeds in 2014 were mainly related to the sale of assets to Wintershall and in 2013 the proceeds were mainly related to the sale of the NCS assets to OMW and Wintershall.

Cash flows used in financing activities was NOK 13.2 billion in 2014, compared to NOK 23.9 billion in 2013. The decrease of NOK 10.7 billion was due to NOK 27.0 billion lower cash payments related to group contribution partly offset by a NOK 16.3 billion change in cash flows to/from Statoil group companies related to financial receivables and liabilities.

Liquidity and capital resources

Statoil Petroleum AS has maintained a solid financial position through 2014.

Our annual cash flow from operations is highly dependent on oil and gas prices and our levels of production. It is only influenced to a small degree by seasonality and maintenance turnarounds. The financial results of operations largely depend on a number of factors, most significantly those affecting prices received in NOK for sold products.

Statoil Petroleum AS' liquidity and debt position are managed at Statoil group level.

Risk review

The financial results are very dependent upon the prices of crude oil and natural gas and the USDNOK exchange rate.

The financial results of operations largely depend on a number of factors, most significantly those affecting prices received in NOK for sold products. Specifically, such factors include the level of crude oil and natural gas prices, trends in the exchange rate between USD and NOK, equity production and entitlement sales volumes of liquids and natural gas, available petroleum reserves, and Statoil Petroleum AS', as well as its partners', expertise and cooperation in recovering oil and natural gas from those reserves, and changes in the portfolio of assets due to acquisitions and disposals.

The results will also be affected by trends in the international oil industry, including possible actions by governments and other regulatory authorities in the jurisdictions in which the group operates. Also possible or continued actions by members of the Organization of Petroleum Exporting Countries (OPEC) that affect price levels and volumes, refining margins, increasing costs of oilfield services, supplies and equipments, increasing competition for exploration opportunities and operatorships, and deregulation of the natural gas markets may cause substantial changes to the existing market structures and to the overall level and volatility of prices.

Fluctuating foreign exchange rates can have a significant impact on our operating results. Our revenues and cash flows are mainly denominated in, or driven by US dollars, while our operating expenses and income taxes payable largely accrue in NOK. We seek to manage this currency mismatch by issuing or swapping long-term debt in USD. This debt policy is an integrated part of our total risk management programme. We also engage in foreign currency hedging in order to cover our non-USD needs, which are primarily in NOK. We manage the risk arising from our interest rate exposure through the use of interest rate derivatives, primarily interest rate swaps, based on a benchmark for the interest reset profile of our long-term debt portfolio. In general, an increase in the value of USD in relation to NOK can be expected to increase our reported earnings.

Outlook and market view

Statoil Petroleum AS expects to maintain and increase its production level on the NCS in the medium and long term by exploring for new discoveries and maturing projects from its large portfolio of existing discoveries.

After more than three years of relatively stable prices the year 2014 saw the price of Brent crude climb to USD 115 per barrel in June before dropping to USD 55 per barrel at the end of December. The global economic situation continues to be fragile, with development partly driven by uncertain political environments in key countries and regions, in addition to normal supply and demand factors. Consequently, energy prices could continue to vary considerably in the short to medium-term.

Statoil Petroleum AS' income could vary significantly with changes in commodity prices, even if volumes remain stable through the year. There is a small seasonal effect on volumes in the winter and summer seasons due to normally higher off-takes of natural gas during cold periods. There is normally an additional small seasonal effect on volumes as a result of the higher maintenance activity level on offshore production facilities during the second and third quarters each year, since generally better weather conditions allow for more maintenance work.

Stricter project prioritisation and a comprehensive efficiency program will improve cash flow and profitability. Based on our sanctioned portfolio of projects, we will continue to deliver high value production growth.

Statoil Petroleum AS enters 2015 with a robust financial position, strong operational performance, good progress on the improvement programmes, and is well prepared to meet the volatility in the markets and the demanding situation for the industry.

These forward-looking statements reflect current views about future events and are, by their nature, subject to significant risks and uncertainties because they relate to events and depend on circumstances that will occur in the future.

Safety, security and sustainability

Safety, security and sustainability must go to the core of our business. The safety and security of people who work for us and in the joint arrangements we operate, is our first priority. We aim to be recognised as the most carbon efficient oil and gas producer and to create lasting local value for communities.

Safety and security

We aim to be an industry leader in safety – to be recognised for our safety performance and to act as a driving force for improving the safety standards in our industry.

Statoil Petroleum AS' objective is to operate with zero harm to people and the environment and in accordance with the Statoil group's principles for sustainable development. Safe and efficient operations are our first priority.

However, we recognise the risks associated with our business and are prepared to handle situations that require immediate action to save lives and protect the environment, facilities, equipment and any third parties who may be affected.

The board of directors emphasises the importance of understanding factors that create risks in order to avoid major accidents. We work systematically to mitigate risks that are critical to operating safely and reliably, and continuous improvement for better safety results has high attention in all our business areas.

Statoil uses *serious incident frequency* (SIF) as a key indicator to monitor safety performance. This indicator (number of serious incidents, including near misses, per million hours worked) combines actual consequences of incidents and the potential for incidents to develop into serious or major accidents. Our target is to achieve a SIF below 0.5 by the end of 2015. SIF dropped from 0.8 per million hours worked in 2013 to 0.7 per million hours worked in 2014.

Sustainability

Our objective is to be recognised as the most carbon efficient oil and gas producer, and to create lasting value for communities.

Our activities, from exploration through construction and operation of facilities and to the end use of our products, have potential to affect the environment. The impact may be due to emissions, discharges or resource use. Our aim is to avoid causing significant harm to the local or regional environment. We strive to apply high standards to waste management, emissions to air and impact on ecosystems - wherever we work.

We recognise that there is an accepted link between the use of fossil fuels and man-made climate change, and the climate policy takes into account the need for proactively combating global climate change in our operations, as well as evaluating the company's efforts on renewables and clean technology.

Statoil Petroleum AS is committed through Statoil group's climate policy to contribute to sustainable development. The company relies in full on the Statoil group's climate policy. Statoil's aim is to avoid causing significant harm to the local or regional environment, and strive to apply high standards to waste management, emissions to air and impact on ecosystems. Statoil believes that it can bring to the fore expertise, solutions and technologies linked to carbon efficiency that can support reduced emissions from energy, and also provide stronger community development, and have launched a sustainability strategy in 2014, following a year of analysis, risk assessment and wide-ranging engagement across the value chain and with external partners. The objective is to be *recognised as the most carbon efficient oil and gas producer*, and to *create lasting value for communities*

Statoil Petroleum AS is continuously focusing on energy efficiency on our installations. Requirements for energy efficiency are incorporated in governing documents. We are committed to using resources efficiently, and reusing or recycling as appropriate. This reduces environmental impact and can also save costs. We promote the responsible use of water, from sourcing to disposal.

Environmental performance data represent total figures from our operated assets on the NCS, except scope 3 greenhouse gas emissions (defined below).

Our operated production increased from 920 mmboe in 2013 to 926 mmboe in 2014. Emissions of *carbon dioxide* (CO_2) therefore increased from 8.8 million tonnes in 2013 to 9.3 million tonnes in 2014, and our total *energy consumption* increased by 2.0 TWh to 43.0 TWh in 2014. *Methane* (CH4) emissions increased from 20.1 thousand tonnes in 2013 to 22.6 thousand tonnes in 2014.

Group-wide indicators to measure environmental performance include oil spills, emissions of carbon dioxide (CO2), sulphur oxides (SOx), nitrogen oxides (NOx), methane (CH4) and non-methane volatile organic compounds (nmVOC), energy consumption and the recovery rate for non-hazardous waste.

The volume of accidental oil spills increased from 43.5 cubic meters in 2013 to 125 cubic meters in 2014. SOx emissions declined from 464 tonnes in 2013 to 456 tonnes in 2014. NOx emissions increased from 35.7 thousand tonnes in 2013 to 36.0 thousand tonnes in 2014. Nm VOC emissions increased from 24.8 thousand tonnes in 2013 to 37.7 thousand tonnes in 2014. The total amount of waste decreased from 353 thousand tonnes to 314 thousand tonnes in 2014.

People and organisation

Statoil Petroleum AS has no employees, and relies on the services provided by other companies in the Statoil group and the Statoil group's principles and practices pertaining to people and organisation.

Research and development

Statoil is a technology intensive group of companies and research and development is an integral part of its strategy.

Improved oil and gas recovery and improved drilling and well solutions are important to successfully fight declining production from mature fields. The research and development work is managed at a Statoil group level, and is in close cooperation with universities and research institutions. Statoil has achieved some of the petroleum industry's highest recovery factors on the NCS by combining scientific and engineering capabilities and boldly introducing new technology. As a part of the Statoil group, we contribute to the group's intention to further advance the most important technologies to meet forthcoming improved oil recovery ambitions.

Research and development expenditures were NOK 2.4 billion in 2014, compared to NOK 2.7 billion in 2013.

Board developments

At present, Statoil Petroleum AS' board of directors consists of 5 members.

The composition of the board has been changed during 2014. Bent Rune Solheim is new member of the board, replacing Nina Birgitte Koch.

The board held four meetings in 2014, in addition to five extraordinary meetings. The average meeting attendance at these board meetings was 93%.

STAVANGER, 6 MARCH 2015

THE BOARD OF DIRECTORS OF STATOIL PETROLEUM AS

TORGRIM REITAN
CHAIR

ASLEIV BRANDSØY
MANAGING DIRECTOR

BENT RUNE SOLHEIM

ODD HELGE BRUVIK

HANS HENRIK KLOUMAN

Financial statements

STATEMENT OF INCOME STATOIL PETROLEUM AS - NGAAP

(in NOK million)	Note	2014	Full year 2013
Revenues	5	203,222	221,602
Net income (loss) from subsidiaries and other equity accounted companies	13	(31,356)	(9,071)
Other income	3	7,505	13,248
Total revenues and other income		179,370	225,779
Purchases [net of inventory variation]		(4,213)	(8,222)
Operating expenses		(36,746)	(37,483)
Selling, general and administrative expenses		(1,223)	(1,261)
Depreciation, amortisation and net impairment losses	11, 12	(41,379)	(33,072)
Exploration expenses		(5,534)	(5,453)
Net operating income		90,276	140,289
Net financial items	9	22	(1,028)
Income before tax		90,298	139,260
Income tax	10	(81,486)	(99,913)
Net income		8,813	39,347

The subtotals and totals in some of the tables may not equal the sum of the amounts shown due to rounding.

BALANCE SHEET STATOIL PETROLEUM AS - NGAAP

(in NOK million)	Note	At 31 December 2014	2013
ASSETS			
Property, plant and equipment	11	270,864	252,334
Intangible assets	12	5,522	7,199
Investments in subsidiaries and other equity accounted companies	13	137,945	134,817
Prepayments and financial receivables		2,021	2,476
Receivables on group companies		409	568
Total non-current assets		416,761	397,394
Inventories		1,796	2,195
Trade and other receivables	15	12,296	11,297
Receivables on group companies		48,419	40,629
Total current assets		62,511	54,122
Total assets		479,271	451,516
EQUITY AND LIABILITIES			
Share capital		36,155	36,155
Additional paid-in capital		54,016	54,016
Retained earnings		91,829	86,564
Other reserves		23,509	(2,407)
Total equity	16	205,510	174,328
Deferred tax liabilities	10	56,419	56,478
Liabilities to group companies	14	66,349	67,020
Provisions	17	78,174	71,524
Total non-current liabilities		200,942	195,021
Trade and other payables	18	21,728	18,695
Current tax payable		37,152	48,585
Liabilities to group companies	14	13,940	14,887
Total current liabilities		72,819	82,166
Total liabilities		273,762	277,188
Total equity and liabilities		479,271	451,516

STATEMENT OF CASH FLOWS STATOIL PETROLEUM AS - NGAAP

(in NOK million)	2014	Full year 2013
Income before tax	90,298	139,260
Depreciation, amortisation and net impairment losses	41,379	33,072
Exploration expenditures written off	808	303
(Gains) losses on foreign currency transactions and balances	(1,485)	(1,727)
(Gains) losses from dispositions	(6,044)	(13,066)
(Increase) decrease in other items related to operating activities	33,994	20,840
Interest received	172	584
Interest paid	712	(2,934)
Taxes paid	(88,635)	(107,078)
(Increase) decrease in working capital	1,988	667
Cash flows provided by operating activities	73,188	69,922
Capital expenditures and investments	(69,883)	(65,049)
(Increase) decrease in other non-current items	916	192
Proceeds from sale of assets and businesses	9,549	18,812
Cash flows used in investing activities	(59,418)	(46,045)
Group contribution	(3,991)	(31,000)
Increase (decrease) in financial receivables and liabilities to/from Statoil group companies*	(9,248)	7,083
Cash flows provided by (used in) financing activities	(13,239)	(23,917)
Net increase (decrease) in cash and cash equivalents	531	(40)
Effect of exchange rate changes on cash and cash equivalents	67	0
Cash and cash equivalents at the beginning of the period	(20)	20
Cash and cash equivalents at the end of the period **	578	(20)

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

**Cash and cash equivalents is included in the line *Trade and other receivables* in the balance sheet.

Notes to the Financial statements Statoil Petroleum AS

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 AS's business consists principally of the exploration, production and transportation of petroleum and petroleum-derived products. The Statoil group's net assets on the Norwegian continental shelf are owned by Statoil Petroleum AS.

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 2014. The Consolidated financial statements can be obtained by contacting Statoil ASA, Forusbeen 50, 4035 Stavanger or from the website, www.statoil.com.

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 Norwegian Krone.

2 Significant accounting policies

Statement of compliance
The financial statements of Statoil Petroleum AS ("the company") are prepared in accordance with the Norwegian Accounting Act of 1998 and good accounting practice (NGAAP). The accounting policies of Statoil Petroleum AS correspond with the NGAAP accounting policies of its parent company, Statoil ASA.

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 subtotals and totals in some of the tables may not equal the sum of the amounts shown due to rounding.

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

Changes in accounting policies in the current period
With effect from 2014, Statoil Petroleum AS changed its policy for the recognition of income tax positions for which payment has been made despite the company disputing the tax claim involved. While previously only amounts virtually certain of being refunded to the company were reflected as assets for positions involving such disputed income tax amounts, as of 2014 the company reflects as assets any disputed amounts that probably will be refunded. The corresponding impact will be within the line items *Net income (loss) from subsidiaries and other equity accounted companies* and *Income tax* in the statement of income. Disputed income tax positions will now be reflected in the balance sheet if a refund from the relevant tax authority is probable. This ensures that the accounts better and more consistently reflect the underlying facts and evaluations in each case, and consequently provide more relevant information, independently of whether an income tax dispute occurs in a tax regime (such as for instance Norway) that requires up-front payment in disputed matters, or in a tax regime where disputed payments are not due until a dispute has been legally settled in the company's disfavour.

The change in accounting policy did not impact the statement of income, the balance sheet and the statement of cash flows for the periods covered by these financial statements.

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 through 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's operated jointly controlled assets (licences) on an hours incurred basis. Only Statoil Petroleum AS's share of statement of income and balance sheet items related to Statoil Petroleum AS's 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 Norwegian Krone (NOK) at the foreign exchange rate at the dates of the transactions. 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 statement of income. Non-monetary assets that are measured at historical cost in a foreign currency are translated using the exchange rate at the dates of the transactions.

Revenue recognition
Revenues associated with sale and transportation of crude oil, natural gas, petroleum and chemical products 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 (the 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* in the statement of income.

Research and development
The company undertakes research and development both on a funded basis for licence holders, and on an unfunded basis for projects at its own risk. The company's own share of the licence holders' funding and the total costs of the unfunded projects are considered for capitalisation under the applicable NGAAP requirements. All other research and development expenditure is expensed as incurred. Subsequent to initial recognition, any 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 when it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax consists of the expected tax payable on the taxable income for the year and any adjustment to tax payable for 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 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 within *Net 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 and their respective tax bases, subject to the initial recognition exemption. The amount of deferred tax 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 (Norwegian petroleum tax), levied at 51%, is levied on profits derived from petroleum production and pipeline transportation on the Norwegian continental shelf (NCS). The special tax is applied to relevant income in addition to the standard 27% 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 (uplift) is computed on the basis of the original capitalised cost of offshore production installations at a rate of 5.5% per year. 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. The 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 expenditures
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 expenditures within *Intangible assets* until the well is complete and the results have been evaluated. If, following the 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.

Capitalised exploration and evaluation expenditures, 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 assets under development (*Property, plant and equipment*) at the time of sanctioning of the development project.

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 (carried interests), these expenditures are reflected in the financial statements as and when the exploration and development work progresses. The company reflects exploration and evaluation asset dispositions (farm-out arrangements) when the farmee correspondingly undertakes to fund carried interests as part of the consideration, on a historical cost basis with no gain or loss recognition.

A gain or loss related to a post-tax based disposition of assets on the NCS includes the release of tax liabilities previously computed and recognised related to the assets in question. The resulting gross gain or loss is recognised in full in the line item *Other income* in the statement of income.

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.

Property, plant and equipment

Property, plant and equipment is reflected 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 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 regularly scheduled major maintenance programs planned and carried out at recurring intervals exceeding one year, are capitalised and amortised over the period to the next scheduled inspection and overhaul. All other maintenance costs are expensed as incurred.

Capitalised exploration and evaluation expenditures, 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 costs are 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 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 derecognised 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 for which the company assumes substantially all the risks and rewards of the ownership are reflected as finance leases. Assets are recognised within Property, plant and equipment, with corresponding entry within non-current liabilities. All other leases are classified as operating leases and the costs are charged to the relevant operating expense related caption on a straight line basis over the lease term, unless another basis is more representative of the benefits of the lease to the company.

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 volume capacity availability related to transport, terminal use, 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 statement 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 mainly include expenditure on the exploration for and evaluation of oil and natural gas resources.

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 information under the Oil and gas exploration and development expenditures section above.

Intangible assets relating to expenditures on the exploration for and evaluation of oil and natural gas resources are not amortised. When the decision to develop a particular area is made, its intangible exploration and evaluation assets are reclassified to *Property, plant and equipment*.

Certain balance sheets of subsidiaries and associated companies reflected through the equity method include goodwill, which is depreciated over ten years on a straight-line basis. The related depreciation expense is included in Statoil Petroleum AS's statement of income under *Net income (loss) from subsidiaries and other equity accounted companies*.

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 these contractually will expire or otherwise are expected to be recovered within 12 months after the balance sheet date, or if these are held for the purpose of being traded.

Inventories
Inventories are stated at the lower of cost and net realisable value. Cost is determined by the first-in first-out method and comprises direct purchase costs, cost of production, transportation and manufacturing expenses.

Derivative financial instruments
Commodity-based derivatives traded on organised exchanges are valued at fair market value and the resulting gains and losses are recognised in the statement of income. Other commodity-based derivatives such as over-the counter instruments are valued according to the lower of cost or market principle. Under NGAAP, elements with derivative characteristics (embedded derivatives) are not separately identified nor reflected at fair value.

Impairment of intangible assets and of 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 lowest levels with separately identifiable and largely independent cash inflows. Normally, separate cash generating units (CGUs) are individual oil and gas fields or plants. For capitalised exploration expenditures, the CGUs are individual wells. In Statoil Petroleum AS's line of business, judgement is involved in determining what constitutes a CGU. Development in production, infrastructure solutions, markets, product pricing, management actions and other factors may over time lead to changes in CGUs such as the division of one original CGU into several.

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. The recoverable amount of an asset is the higher of its fair value less cost of disposal and its value in use. 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 assets, as set down in the Statoil group's most recently approved long-term plans. The long-term plans are reviewed 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 CGUs with an expected useful life or timeline for production of expected reserves extending beyond 10 years, the related cash flows include project or asset specific estimates reflecting the relevant period. Such estimates are established on the basis of Statoil group`s principles and group assumptions consistently applied.

In performing a value-in-use 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 which is based on Statoil's post-tax weighted average cost of capital (WACC). The use of post-tax discount rates in determining value in use does not result in a materially different determination of the need for, or the amount of, impairment that would be required if pre-tax discount rates had been used.

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 major capital expenditure can be justified or where the economic viability of that major capital expenditure depends on the successful completion of further exploration work, 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 are no concrete plans for future drilling in the licence.

Impairments are reversed, as applicable, to the extent that conditions for impairment are no longer present. Impairment losses and reversals of impairment losses are presented in the statement of income as *Exploration expenses* or *Depreciation, amortisation and net impairment losses*, on the basis of their nature as either exploration assets (intangible exploration assets) or development and producing assets (property, plant and equipment and other intangible assets), respectively.

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.

Financial liabilities are presented as current if the liabilities are due to be settled within 12 months after the balance sheet date, or if these are held for the purpose of being traded.

Group contributions for the year to other entities within Statoil's Norwegian tax group are reflected in the balance sheet as current liabilities within *Liabilities to group companies*.

Provisions
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 under interest and other financial expenses in *Net financial items*.

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 amount recognised is the present value of the estimated future expenditure determined in accordance with local conditions and requirements. Cost is estimated based on current regulation and technology, considering relevant risks and uncertainties. The discount rate used in the calculation of the ARO is a risk-free rate based on the applicable currency and time horizon of the underlying cash flows, adjusted for a credit premium which reflects the company's own credit risk. Normally an obligation arises for a new facility, such as an oil and natural gas production or transportation facility, upon construction or installation. An obligation may also crystallise during the period of operation of a facility through a change in legislation or through a decision to terminate operations, or be based on commitments associated with the company's ongoing use of pipeline transport systems where removal obligations rest with the volume shippers. The provisions are classified under *Provisions* in the balance sheet. Some of the refining and process plants are deemed to have indefinite lives, in consequence, no ARO has been recognized for these assets.

When a provision for ARO cost is recognised, a corresponding amount is recognised to increase the related property, plant and equipment and 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 expenditures is reflected as an adjustment to the provision and the corresponding property, plant and equipment. Removal provisions associated with shipping of volumes through third party transport systems are expensed as incurred.

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, is subject to changing economic, regulatory and political 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 Securities Exchange Commision. 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 ARO.

3 Dispositions

2014

Sale of interests in exploration and production licences on the Norwegian continental shelf to Wintershall
In December 2014 Statoil closed an agreement with Wintershall to sell certain ownership interests in licences on the Norwegian continental shelf (NCS). Statoil recognised a gain of NOK 5.9 billion. The gain has been presented in the line item *Other income* in the statement of income. The transaction was tax exempt under the rules in the Norwegian petroleum tax system and the gain included a release of related deferred tax liabilities. Proceeds from the sale were NOK 8.7 billion.

2013

Sale of interests in exploration and production licences on the Norwegian continental shelf to Wintershall
In July 2013 a sales transaction with Wintershall, entered into in October 2012, for certain ownership interests in licences on the NCS was closed. Statoil recognised a gain of NOK 6.4 billion. The gain has been presented in the line item *Other income* in statement of income. The transaction was tax exempt under the rules in the Norwegian petroleum tax system. Proceed from the sale were NOK 4.7 billion.

Sale of interests in exploration and production licences on the Norwegian continental shelf to OMV
In October 2013 a sales transaction with OMV, entered into in August 2013, to sell certain ownership interests in licences on the NCS was closed. Statoil recognised a gain of NOK 6.6 billion. The gain has been presented in the line item *Other income* in the statement of income. The transaction was tax exempt under the rules in the Norwegian petroleum tax system. Proceed from the sale were NOK 10.5 billion.

4 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 exposure, defined as having a time horizon of six months or more, are managed at the corporate level while short-term exposure 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's most significant market and operational risks.

Market risk
Statoil Petroleum AS operates in the worldwide crude oil and natural gas market and is 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 represent Statoil Petroleum AS's 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 forward contracts, market swaps and options related to natural gas. The term for natural gas derivatives is usually three years or less.

Currency risk
Statoil Petroleum AS's operating results and cash flows are affected by foreign currency fluctuations of the most significant currencies, the United States Dollar (USD) and the Euro, against the Norwegian Krone (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 both variable and fixed interest rates. The liabilities with floating interest rate condition expose the company to cash flow risk caused by market interest rate fluctuations.

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 statement of income within *Revenues*. Statoil Petroleum AS's 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.

5 Revenues

(in NOK million)	2014	Full year 2013
Revenues third party	81,898	93,658
Intercompany revenues	121,324	127,944
Revenues	203,222	221,602

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 considered as Revenues third party. The receivables from these sales are included in the balance sheet as *Receivables group companies*.

6 Remuneration

The company has no employees. No salary or other remuneration has been paid to the chief executive officer (CEO) in 2014 or 2013. The CEO is employed and paid by Statoil ASA.

No compensation was paid to the board of directors in 2014 or 2013.

7 Auditor's remuneration

(in NOK million, excluding VAT)	2014	Full year 2013
Audit fee	2.9	2.9
Audit related fee	0.5	0.2
Total	3.4	3.1

In addition to the figures above, audit fees and audit related fees to the external auditor related to Statoil Petroleum AS operated licences amounted to NOK 6 million in both 2014 and 2013.

There are no fees incurred related to other services or to tax services.

8 Research and development expenditures

Research and development (R&D) expenditures amounted to NOK 2.4 billion and NOK 2.7 billion in 2014 and 2013, respectively. R&D expenditures are partly financed by partners of Statoil Petroleum AS operated licences. Statoil Petroleum AS's share of the expenditures has mainly been recognised as *Operating expenses* in the statement of income.

9 Financial items

(in NOK million)	2014	Full year 2013
Net foreign exchange gains (losses)	3,948	3,751
Dividends received	6	5
Interest income from group companies	502	255
Interest income and other financial items	201	332
Interest income and other financial items	709	592
Capitalised borrowing costs	750	501
Accretion expense asset retirement obligations	(2,935)	(2,427)
Interest expense to group companies	(2,280)	(3,281)
Interest expense and other finance expenses	(169)	(165)
Interest and other finance expenses	(4,634)	(5,371)
Net financial items	22	(1,028)

10 Income taxes

Income tax expense

(in NOK million)	2014	Full year 2013
Current taxes	(80,176)	(102,068)
Change in deferred tax	(1,309)	2,155
Income tax expense	(81,486)	(99,913)
Uplift credit for the year	12,507	10,451

Reconciliation of Norwegian nominal statutory tax rate to effective tax rate

(in NOK million)	2014	Full year 2013
Income before tax	90,298	139,260
Calculated income taxes at:		
Nominal tax rate (27% for 2014 and 28% for 2013)	(24,381)	(38,993)
Petroleum surtax at statutory rate (51% for 2014 and 50% for 2013)	(46,052)	(69,630)
Tax effect of:		
Uplift	6,378	5,543
Financial items subject to 27% for 2014 and 28% for 2013 basis only	2,190	1,173
Tax result subject to 27% for 2014 and 28% for 2013 basis only	208	32
Permanent differences	(17,420)	3,547
Income tax prior years	(173)	(638)
Other	(2,236)	(947)
Total	(81,486)	(99,913)
Effective tax rate	90.2 %	71.7 %

When computing the petroleum tax of 51% on income from the Norwegian continental shelf, a tax-free allowance, or uplift, is granted at a rate of 7.5% per year for investments made prior to 5 May 2013. For investments made from 5 May 2013 the rate is 5.5% per year.
Transitional rules are in place for projects that have submitted a plan for development and operation to the Ministry of Oil and Energy prior to 5 May 2013. 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 expenditure is incurred. Unused uplift may be carried forward indefinitely. At year end 2014 and 2013 unrecognised uplift credits amounted to NOK 21.1 billion and NOK 19.2 billion, respectively.

Significant components of deferred tax assets and liabilities were as follows:

(in NOK million)	At 31 December 2014	2013
Deferred tax assets on		
Other items	6,347	7,829
Asset retirement obligations	60,341	55,013
Total deferred tax assets	66,687	62,842
Deferred tax liabilities on		
Other items	244	361
Property, plant and equipment	107,097	102,950
Capitalised exploration expenditures and capitalised interest	15,765	16,009
Total deferred tax liabilities	123,106	119,319
Net deferred tax liabilities	56,419	56,478

The movement in deferred income tax

(in NOK million)	2014	2013
Deferred income tax liability at 1 January	56,478	58,551
Charged to the statement of income	1,309	(2,155)
Acquisitions, sales and other	(1,368)	82
Deferred income tax liabilities at 31 December	56,419	56,478

11 Property, plant and equipment

(in NOK million)	Machinery, equipment and transportation equipment	Production plants oil and gas, including pipelines	Refining and manufactoring plants	Buildings and land	Assets under development	Total
Cost at 31 December 2013	1,381	597,621	3,471	109	58,318	660,900
Additions and transfers	146	47,438	89	6	18,442	66,122
Disposal assets at cost	0	(4,614)	0	0	(4,601)	(9,215)
Cost at 31 December 2014	1,528	640,444	3,560	115	72,159	717,807
Accumulated depreciation and impairment losses at 31 December 2013	(1,166)	(404,197)	(2,514)	(5)	(684)	(408,566)
Depreciation and net impairment losses for the year	(94)	(39,574)	(151)	(10)	(1,548)	(41,377)
Accumulated depreciation and impairment disposed assets	0	3,001	0	0	0	3,001
Accumulated depreciation and impairment losses at 31 December 2014	(1,260)	(440,770)	(2,665)	(16)	(2,232)	(446,942)
Carrying amount at 31 December 2014	268	199,674	895	100	69,927	270,864
Estimated useful lives (years)	3 - 10	*	15 - 20	20 - 33		

* Depreciation according to unit of production method, see note 2 *Significant accounting policies*.

12 Intangible assets

(in NOK million)	Exploration expenditure	Other	Total
Cost at 31 December 2013	7,056	159	7,215
Additions	2,202	0	2,202
Disposals at cost	(734)	(16)	(750)
Transfers	(2,320)	0	(2,320)
Expensed exploration expenditures previously capitalised	(808)	0	(808)
Cost at 31 December 2014	5,396	143	5,539
Accumulated amortisation and impairment losses at 31 December 2013		(15)	(15)
Amortisation and impairments for the year		(2)	(2)
Accumulated amortisation and impairment losses at 31 December 2014		(18)	(18)
Carrying amount at 31 December 2014	5,396	125	5,522

13 Investments in subsidiaries and other equity accounted companies

(in NOK million)	2014	2013
Investments at 1 January	134,817	144,868
Net income (loss) from subsidiaries and other equity accounted companies	(31,356)	(9,071)
Additional paid-in equity	11,112	4,689
Distributions	(2,545)	(9,830)
Translation adjustments	25,917	5,006
Other	0	(845)
Investments at 31 December	137,945	134,817

The closing balance of Investments at 31 December of NOK 137,945 million consists of investments in subsidiaries amounting to NOK 137,843 million and investments in other equity accounted companies amounting to NOK 102 million. In 2013, the amounts were NOK 134,350 million and NOK 467 million, respectively.

In 2014 *Net income from subsidiaries and other equity accounted companies* was impacted by net impairment losses related to *Property, plant and equipment* and exploration assets of NOK 29,100 million after tax, primarily resulting from reduced short term oil price forecasts. For more information see the Consolidated financial statements of Statoil note 11 *Property, plant and equipment*.

Amortisation and impairment of goodwill amounts to NOK 3,890 million in 2014. Amortisation of goodwill amounted to NOK 1,078 million in 2013.

The acquisition cost for investments in subsidiaries and other equity accounted companies are NOK 176,693 million in 2014 and NOK 165,546 million in 2013. The companies are founded by Statoil Petroleum AS.

Ownership in certain subsidiaries and other equity accounted companies

Name	in %	
Statoil Angola AS	100	Norway
Statoil Angola Block 22 AS	100	Norway
Statoil Bahamas AS	100	Norway
Statoil Dezassete AS	100	Norway
Statoil Greenland AS	100	Norway
Statoil International Holding AS	100	Norway
Statoil International Well Response Company 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 Russia Services AS	100	Norway
Statoil South Korea Company Ltd	100	Republic of Korea
Statoil Sverige Kharyaga AB	100	Sweden
Statoil Trinta e Quatro AS	100	Norway
SCIRA Offshore Energy Limited	40	United Kingdom

14 Financial liabilities

Non-current liabilities to group companies

		At 31 December
(in NOK million)	2014	2013
Interest bearing liabilities to group companies	65,000	65,000
Non-interest bearing liabilities to group companies	1,349	2,020
Liabilities to group companies	66,349	67,020

NOK 15.0 billion of Interest bearing liabilities to group companies at 31 December 2014 and 2013 are due within five years.

Current liabilities to group companies
Liabilities to group companies includes group contribution to Statoil ASA of NOK 5.0 billion and NOK 4.0 billion at 31 December 2014 and 2013, respectively.

15 Trade and other receivables

		At 31 December
(in NOK million)	2014	2013
Trade receivables	742	430
Other receivables	11,553	10,867
Trade and other receivables	12,296	11,297

Other receivables mainly consist of joint venture receivables and other receivables related to Statoil Petroleum AS`s operated licences.

16 Equity and shareholders

(in NOK million)	2014	2013
Shareholders' equity at 1 January	174,328	86,127
Net income	8,813	39,347
Foreign currency translation adjustments	25,917	5,006
New capital injection	0	50,000
Group contribution	(4,110)	(5,234)
Other	562	(918)
Shareholders' equity at 31 December	205,510	174,328

Share capital consists of 17,424,000 shares at a nominal value of NOK 2,075. All shares are owned by Statoil ASA.

The accumulated foreign currency translation effect as of 31 December 2014 increased total equity by NOK 23.5 billion. At 31 December 2013 the corresponding effect was a decrease in total equity of NOK 2.4 billion.

17 Provisions

(in NOK million)	Asset retirement obligations	Other provisions	Total
Non-current portion at 31 December 2013	69,249	2,275	71,524
Current portion at 31 December 2013 reported as trade and other payables	1,305	859	2,165
Provisions at 31 December 2013	70,554	3,134	73,688
New or increased provisions	6,175	274	6,449
Decrease in estimates *	(12,230)	6	(12,224)
Amounts charged against provisions	(1,517)	(1,280)	(2,798)
Effects of change in the discount rate	11,988	428	12,416
Reduction due to divestments	(545)	(83)	(628)
Accretion expenses	2,935	0	2,935
Reclassification and transfer	0	(107)	(107)
Provisions at 31 December 2014	77,360	2,372	79,732
Current portion at 31 December 2014 reported as trade and other payables	1,217	342	1,558
Non-current portion at 31 December 2014	76,143	2,030	78,174

Expected timing of cash outflows

(in NOK million)	Asset retirement obligations	Other provisions	Total
2015 - 2019	2,440	1,084	3,524
2020 - 2024	4,184	248	4,432
2025 - 2029	19,102	0	19,102
2030 - 2034	17,392	0	17,392
Thereafter	34,241	1,040	35,281
At 31 December 2014	77,360	2,372	79,732

* The decrease in the estimates is mainly caused by reduced inflation expectations.

The timing of cash outflows related to Asset retirement obligations primarily depends on when the production ceases at the various facilities. For further information of methods applied and estimates required, see note 2 *Significant accounting policies*.

18 Trade and other payables

(in NOK million)	2014	At 31 December 2013
Trade payables	2,180	1,698
Non-trade payables, accrued expenses and provisions	19,548	16,997
Trade and other payables	21,728	18,695

Non-trade payables, accrued expenses and provisions mainly consist of joint venture payables.

19 Leases

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

Statoil Petroleum AS has certain operating lease contracts for drilling rigs as of 31 December 2014. The remaining significant contracts' terms range from seven months to eight years. Certain contracts contain renewal options. Rig lease agreements are for the most part based on fixed day rates. Certain rigs have been subleased in whole or for part of the lease term mainly to Statoil Petroleum AS operated licenses on the Norwegian continental shelf. These leases are shown gross as operating leases in the table below.

In 2014, net rental expenditures were NOK 9.2 billion (NOK 11.7 billion in 2013) of which minimum lease payments were NOK 14.0 billion (NOK 15.1 billion in 2013) and sublease payments received were NOK 4.8 billion (NOK 3.3 billion in 2013). No material contingent rent payments have been expensed in 2014 or 2013.

The table below shows future minimum lease payments under non-cancellable leases at 31 December 2014:

(in NOK million)	Operating leases	Operating sublease
2015	16,123	(3,555)
2016	15,142	(2,275)
2017	7,875	(715)
2018	5,768	(632)
2019	4,885	(625)
Thereafter	11,386	(875)
Total future minimum lease payments	61,179	(8,677)

20 Other commitments and contingencies

Contractual commitments
Statoil Petroleum AS had contractual commitments of NOK 40.3 billion at 31 December 2014. The contractual commitments reflect Statoil Petroleum AS's share and comprise construction and acquisition of property, plant and equipment.

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 2014, Statoil Petroleum AS was committed to participate in two wells with an average ownership interest of approximately 43%. Statoil Petroleum AS's share of estimated expenditures to drill these wells amounts to NOK 0.2 billion. Additional wells that Statoil Petroleum AS may become committed to participating in depending on future discoveries in certain licences are not included in these numbers.

Other long-term commitments
Statoil Petroleum AS has entered into various long-term agreements for pipeline transportation as well as terminal use, processing, storage and entry/exit capacity commitments and commitments related to specific purchase agreements. The agreements ensure the rights to the capacity or volumes in question, but also impose on Statoil Petroleum AS the obligation to pay for the agreed-upon service or commodity, irrespectively of actual use. The contracts' terms vary, with duration of up to 30 years.

Take-or-pay contracts for the purchase of commodity quantities are only included in the table below if their contractually agreed pricing is of a nature that will or may deviate from the obtainable market prices for the commodity at the time of delivery.

Obligations payable by the group to entities accounted for using the equity method are included gross in the tables below. For assets (e.g. pipelines) that the group 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 AS (i.e. gross commitment less Statoil Petroleum AS's ownership share).

Nominal minimum commitments at 31 December 2014:

(in NOK million)	
2015	8,701
2016	8,117
2017	7,899
2018	7,477
2019	7,068
Thereafter	36,805
Total	76,067

Guarantees
All of Statoil's Norwegian continental shelf (NCS) net assets are owned by Statoil Petroleum AS, and the company is co-obligor or guarantor of existing debt securities and other loan arrangements of Statoil ASA. For the portion of the debt for which it is co-obligor, Statoil Petroleum AS assumes and agrees to perform, jointly and severally with Statoil ASA, all payment and covenant obligations. During 2014, Statoil ASA executed five issues of debt securities, all guaranteed by Statoil Petroleum AS. The issues were executed under the US Shelf Registration Statement Form. At year end 2014 the carrying value of debts for which Statoil Petroleum AS is the co-obligor or guarantor, mainly for Statoil ASA, is equivalent to NOK 21.5 billion and NOK 190.0 billion, respectively.

Contingencies
A number of Statoil Petroleum AS's long-term gas sales agreements contain price review clauses. Certain counterparties have requested arbitration in connection with price review claims. The related exposure for Statoil Petroleum AS has been estimated to an amount equivalent to approximately NOK 4.4 billion for gas delivered prior to year end 2014. Statoil Petroleum AS has provided for its best estimate related to these contractual gas price disputes in the Financial statements, with the impact to the statement of income reflected as revenue adjustments.

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 judgment. Statoil Petroleum AS does not expect that its 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 and also holds major investments in other Norwegian entities. Statoil ASA is the parent company of Statoil Petroleum AS. This ownership structure means that Statoil Petroleum AS participates in transactions with 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.

Revenue transactions with related parties are presented in note 5 *Revenues*. The major part of intercompany revenues is mainly attributed to Statoil ASA.

Statoil Petroleum AS purchases natural gas and pipeline transport on a back to back basis from Statoil ASA. Statoil Petroleum AS carries all the risks related to these purchases and they are therefore presented as third party purchases and operating expenses in Statoil Petroleum AS`s financial statements.

Expenses incurred on behalf of Statoil Petroleum AS are accumulated in cost pools in Statoil ASA and other group companies. Such expenses are allocated to Statoil Petroleum AS and to licences where Statoil Petroleum AS is operator. Expenses allocated from group companies amounted to NOK 33.4 billion and NOK 35.9 billion in 2014 and 2013, respectively. Statoil Petroleum AS`s share of these expenses are reflected in the Statement of income and the remaining part is recharged to the other partners in the licences. The major part of the allocation is related to personnel expenses from Statoil ASA which is charged to Statoil Petroleum AS on an hours incurred cost basis.

Expenses related to services allocated from Statoil Petroleum AS to group companies amounted to NOK 2.1 billion and NOK 1.6 billion in 2014 and 2013, respectively.

Finance transactions with group companies are presented in note 9 *Financial items*.

Non-current and current liabilities to group companies are included in note 14 *Financial liabilities*.

22 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. At the end of the year the company's proved reserves amounted to approximately 579 million Sm3 o.e. (623 million Sm3 o.e. in 2013).

Proved reserves will be produced in the period from 2015 to 2036.

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.

23 Subsequent events

On 10 February 2015 Statoil ASA issued bonds of EUR 3.75 billion, equivalent to NOK 32.1 billion at the transaction date. The bonds have maturities of 4-20 years. All of the bonds are unconditionally guaranteed by Statoil Petroleum AS.

STAVANGER, 6 MARCH 2015

THE BOARD OF DIRECTORS OF STATOIL PETROLEUM AS

TORGRIM REITAN
CHAIR

ASLEIV BRANDSØY
MANAGING DIRECTOR

BENT RUNE SOLHEIM

ODD HELGE BRUVIK

HANS HENRIK KLOUMAN

KPMG AS
Verksgata 1A
P.O. Box 57
N-4064 Stavanger

Telephone +47 04063
Fax +47 51 57 12 29
Internet www.kpmg.no
Enterprise 935 174 627 MVA

To the annual shareholders meeting of Statoil Petroleum AS

INDEPENDENT AUDITOR'S REPORT

Report on the financial statements

We have audited the accompanying financial statements of Statoil Petroleum AS, showing a profit of NOK 8 813 000 000. The financial statements comprise the balance sheet as at 31 December 2014, and the statement of income and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

The board of directors and the managing director's responsibility for the financial statements

The board of directors and the 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 the 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 are prepared in accordance with the law and regulations and give a true and fair view of the financial position of Statoil Petroleum AS as at 31 December 2014, and of 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 board of directors' report concerning the financial statements, the going concern assumption and the proposal for the allocation of the profit is consistent with the financial statements and complies with the law and regulations.

Opinion on accounting 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 management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the company's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Stavanger, 6 March 2015
KPMG AS
Mona I. Larsen
Mona Irene Larsen
State authorised public accountant

STATOIL ASA
BOX 8500
NO-4035 STAVANGER
NORWAY
TELEPHONE: +47 51 99 00 00

www.statoil.com