Annual Report 2012

DETNORSKE

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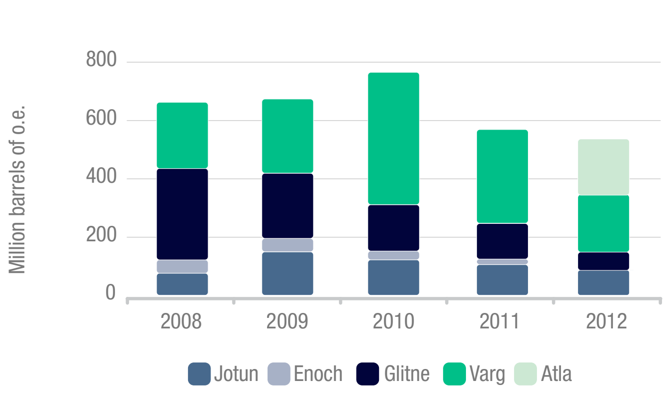
Key figures 2012

	2012	2011	2010	2009	2008
No. of licence interests as of 31 December	67	65	66	67	44
No. of operatorships	26	28	30	34	24
Production	544 734 bbl	548 268 bbl	763 494 bbl	673 603 bbl	661 732 bbl
Average production per day	1 545 bbl	1 501 bbl	2 092 bbl	1 845 bbl	1 808 bbl
Reserves (P50) as of 31 December	65 mill. bbl	68 mill. bbl	1 mill. bbl	29 mill. bbl	30 mill. bbl
Reserves (P50) and contingent resources (P50) as of 31 December	525 mill. bbl	492 mill. bbl	177 mill. bbl	165 mill. bbl	109 mill. bbl
Total operating revenues	332 MNOK	438 MNOK	366 MNOK	265 MNOK	635 MNOK
Operating profit/(loss) before depreciation and amortisation	-1 582 MNOK	-849 MNOK	-1 292 MNOK	-1 168 MNOK	-60 MNOK
Operating profit/(loss)	-3 843 MNOK	-1 078 MNOK	-1 591 MNOK	-1 435 MNOK	-572 MNOK
Income/(loss) before taxes	-3 949 MNOK	-1 311 MNOK	-1 736 MNOK	-1 389 MNOK	-416 MNOK
Net income/(loss)	-957 MNOK	-370 MNOK	-564 MNOK	-513 MNOK	225 MNOK
Exploration costs	1 609 MNOK	1 012 MNOK	1 412 MNOK	1 186 MNOK	545 MNOK
Total exploration costs (expensed and capitalised)	1 656 MNOK	1810 MNOK	2449 MNOK	1 804 MNOK	397 MNOK
Cash flow before financing activities	-2 156 MNOK	-266 MNOK	-1 105 MNOK	-865 MNOK	1 012 MNOK
Book value of equity	3 738 MNOK	3 677 MNOK	3 058 MNOK	3 858 MNOK	3 691 MNOK
Market capitalisation	11 608 MNOK	11 257 MNOK	3 000 MNOK	3 756 MNOK	1 889 MNOK
No. of shares as of 31 December	140 707 363	127 915 786	111 111 111	111 111 111	64 925 020
Nominal value per share as of 31 December	1.00 NOK	1.00 NOK	1.00 NOK	1.00 NOK	0.20 NOK
Share price as of 31 December	82.5 NOK	88.0 NOK	27.0 NOK	33.8 NOK	19.4 NOK
Number of employees as of 31 December	214	173	193	176	127

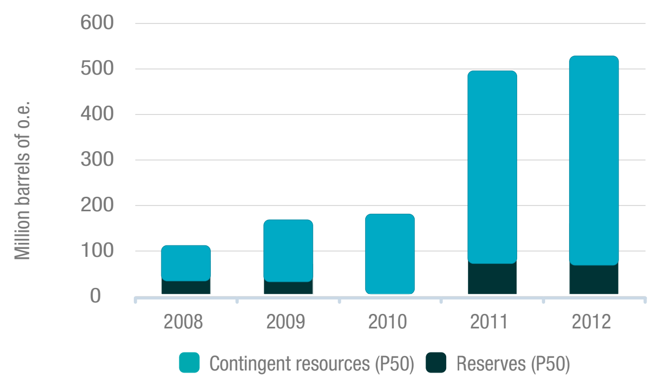
* Additional information is avaliable in the Board of Directors' Report and Financial Statements with Notes.

Five years with Det norske

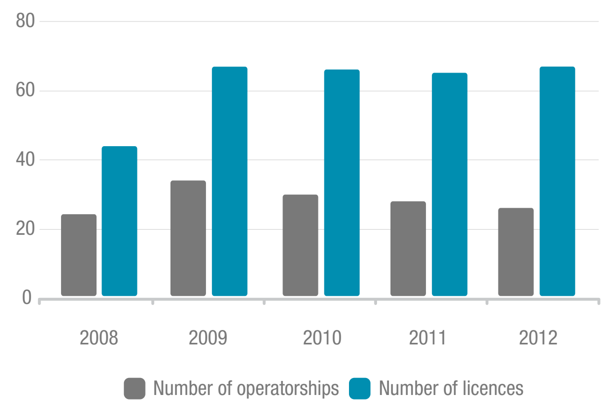
Oil production



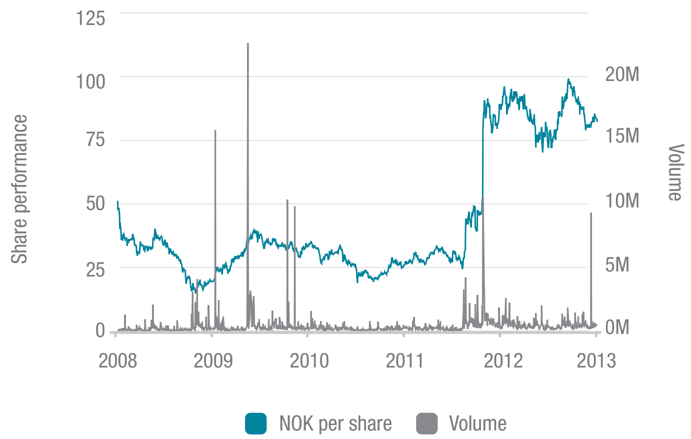
Resource development

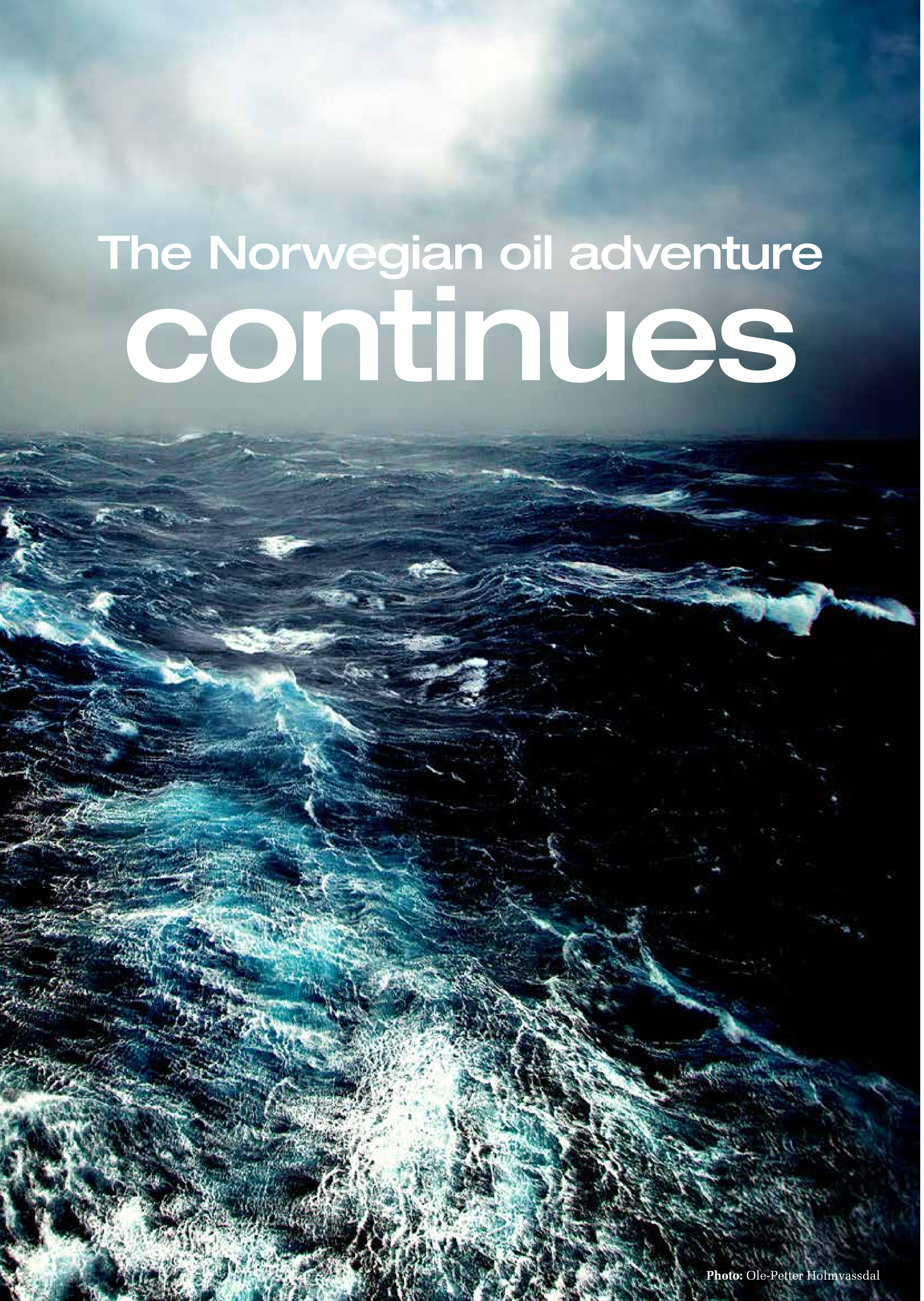


Licences and operatorships



Share performance





The Norwegian oil adventure continues

Photo: Ole-Petter Holmvassdal

"He saw seas that the storm tore asunder, the rough waves made them risky to row."

Highlights in 2012

In December, Det norske submitted a Plan for Development and Operation (PDO) for the Ivar Aasen field to the Ministry of Petroleum and Energy. The field contains 147 million barrels of oil and it will cost NOK 24.7 billion to develop. The plan is that the first oil will be produced during the fourth quarter of 2016.

The discovery of the giant field Johan Sverdrup was a turning point for Det norske. Johan Sverdrup is believed to be one of the largest oil discoveries ever made on the Norwegian Continental Shelf (NCS). The new discovery on the Geitungen prospect in licence 265 in August 2012 is a big discovery in its own right, and it has now been included in the Johan Sverdrup field. With a 20 percent interest in licence 265, Det norske has a solid resource base.

Det norske continues to pursue **an ambitious exploration strategy**. The company participated in a total of twelve exploration and appraisal wells in 2012. Three of them were appraisal wells on Sverdrup. Two of the eight exploration wells discovered hydrocarbons. Det norske participated in a non-commercial gas discovery in October in the licence 533 Salina prospect in the Barents Sea. In the Norwegian Sea, Det norske participated in the discovery on licence 554 Garantiana, which contains between 25 and 75 million barrels of oil.

Work on the **Jette development project**, where Det norske is the operator, encountered challenges during the production drilling phase. The technical challenges were resolved and all the subsurface and subsea installation work is now completed. When production starts on Jette in April, Det norske will be a full-fledged oil company engaged in exploration, development and production.

During 2012, Det norske has **substantially improved its financial position**. Its equity has been strengthened through a private placement of NOK 1,029 million. The company has also secured a new exploration credit facility of NOK 3.5 billion. The company already has a credit facility of USD 500 million. In sum, this gives the company a sound financial basis for its future growth.

Operations in 2012 were carried out **without any serious HSE incidents**. ■

Digital version of the Annual Report 2012.

"When people are no longer there, you'll better realise what they achieved."

From vision to reality

Norway has experienced huge growth in recent decades thanks to the development of the oil industry. Since its inception in 2005, Det norske has become an important part of the Norwegian oil community. Confidence in the industry is strong, and the Norwegian Continental Shelf (NCS) has proved to contain vast resources.

As one of the largest companies on the NCS, we strive to manage society's assets in a responsible manner. Our vision is that the Norwegian oil adventure shall continue. Our vision is now about to become reality.

That will happen when we start our own production on Jette, when we develop the Ivar Aasen field and when we take part in the gigantic development of Johan Sverdrup. We have achieved the first big goal we set ourselves. That means we are now a full-fledged oil company engaged in exploration, development and production.

Det norske is helping to build Norway as a nation. The value we create shall benefit our shareholders, but most of the value we generate goes to society as a whole. This is not just a matter of chance – the foundations were laid when Norway's concession laws were passed more than a century ago. Norway's natural resources were to belong to the nation and to the people.

This historical timeline has been emphasised through the naming practice for new Norwegian fields. Johan Sverdrup was the driving force behind the introduction of a parliamentary system in Norway, the very foundation of Norwegian democracy. Ivar Aasen was the founding father of a written variant of Norwegian based on the Norwegian dialects that played an important part in Norway's nation-building efforts. Gina Krog was one of Norway's leading champions of women's rights. The Jette field also has a place in the country's history, since tales of *jetter* (giants) and trolls played a part in the country's nation-building efforts in the 19th century. Storytelling is important to our national identity. There is a close connection between folk tales and the sucess story of the Norwegian oil industry and Det norske.

Today, the oil industry is the country's most important industrial nation-builder. Oil and gas form the basis for our current wealth and prosperity – and will do so for generations to come. New discoveries have resulted in greater optimism and support for the country's most important industry.

Photo: Siri Arntzen

Det norske reached the goals it set for 2012. The Plan for Development and Operation (PDO) for the Ivar Aasen field was submitted in December. We expect the Norwegian parliament, the Storting, to sanction the PDO before the summer. The most important contracts for Ivar Aasen are in place. We have now set ourselves the goal of producing the first oil from the field by October 2016. And we will succeed.

The Johan Sverdrup field is the company's largest asset by far. Several wells have been drilled to delineate the field and they have confirmed Johan Sverdrup to be a gigantic field. The goal is that the Johan Sverdrup field will start production in 2018.

This year will see the company's first operated oil production from the Jette field, a small field with reserves we are also responsible for recovering. It proved to be challenging to drill the production wells on the Jette field. The subsurface and subsea work has been completed, and everything has gone according to plan since the initial drilling phase. Production on Jette will give Det norske 6 000-7 000 barrels of oil per day. That is far more than we defined as the company's original goal eight years ago. We have created a sound foundation for the company. Now we will build on that foundation and set ourselves new goals.

We are proud of our achievements since the initiation in 2005. Det norske is now the second largest E&P company listed on Oslo Børs after Statoil. We have an ownership structure that makes it possible to plan for long-term growth and presence. Continued success requires continuous improvement. Doing the same thing as last year – or the same things other companies do – is not good enough. If we are to succeed, we must always endeavour to be best at something. Our social mission is to make a difference.

Only then can we create value for our shareholders and for society as a whole – and ensure that the Norwegian oil adventure continues. ■

Erik Haugane

Erik Haugane
CEO

"He must dig deep, who
wants to build high."

Ivar Aasen

The Ivar Aasen field is the first large field development project for which Det norske will be the operator. Just before Christmas 2012, Det norske submitted the Plan for Development and Operation (PDO) to the Norwegian authorities. The development will cost around 2012 NOK 24.7 billion.

The Ivar Aasen field is estimated to contain 147 million barrels of oil equivalents. Det norske has already awarded the largest contracts for developing the field. The plan is to start production in October 2016.

He who dares wins

"He who does not look, cannot find. He who does not dare, cannot win." This is one of many quotes from dialect researcher and poet Ivar Aasen. And it is one that is particularly apt in relation to the oil industry. You have to search and find before you can develop, and you must dare if you are to succeed.

This year is the 200th anniversary of Ivar Aasen's birth. When he died in 1896, one newspaper described him as 'this most singular small man'. He was short of 170 centimetres, did not like to be photographed and was very modest. His achievements were enormous, however. Aasen is seen as a nation-builder, someone who played a part in shaping Norwegian identity through the written language he created based on the Norwegian dialects. His motivation for doing so was that Norway did not have its own written language in the 19th century. He saw the development of a written Norwegian language as a means of promoting linguistic and cultural self-confidence.

Ivar Aasen was the founding father of *Nynorsk* and composer of the unofficial national anthem known as "Between cliffs and the billowing breakers". The song is about Norwegian nature and Norwegian values that most Norwegians find it easy to identify with – reliable, hard-working and steadfast.

He saw seas that the storm tore asunder,
The rough waves made them risky to row
Yet the fish had their passage thereunder
And their ways he was eager to know.

Ivar Aasen was a challenger in his day. Det norske also came into being as a Norwegian challenger,

both by locating its head office in Trondheim and by challenging the existing oil companies and how they worked.

Huge assets

The production from the Ivar Aasen field will be an important contribution to the development of the company. Det norske's share of production on Ivar Aasen will be 16,000 barrels of oil equivalents per day from the fourth quarter 2016, and 23,000 barrels of oil equivalents per day when production peaks in 2019. Det norske's CEO Erik Haugane is looking forward to Det norske getting started on the development of the field.

"The Ivar Aasen field is a major development that is of significant importance to the Norwegian society and to our shareholders. We are looking forward to performing this big assignment and the responsibility that being operator entails. This will be the largest development carried out by a Norwegian company except for Statoil for a very long time. The Ivar Aasen field is big step for Det norske as a company and it is important in relation to diversity on the Norwegian Continental Shelf," he declared.

The production from the Ivar Aasen field is expected to last 20 years, depending on the oil price and how production develops. The total investment in the project is estimated to be NOK 24.7 billion. With today's oil price, the gross revenues from the field could be around NOK 100 billion.

Operated from Trondheim

The Ivar Aasen field will be developed and operated from an operations centre in Trondheim. Det norske will operate the field efficiently with as small a crew as possible on the platform.

The Ivar Aasen development comprises the recovery of the reserves in three discoveries – the Ivar Aasen discovery in licence 001B, West Cable in licence 242 and Hanz in licence 028B. Parts of the Ivar Aasen discovery extend into the neighbouring licence 457. The owners of licence 001B, licence 028B and licence 242 are Statoil Petroleum AS with 50 percent, Det norske oljeselskap ASA with 35 percent and Bayerngas Norge AS with 15 percent.

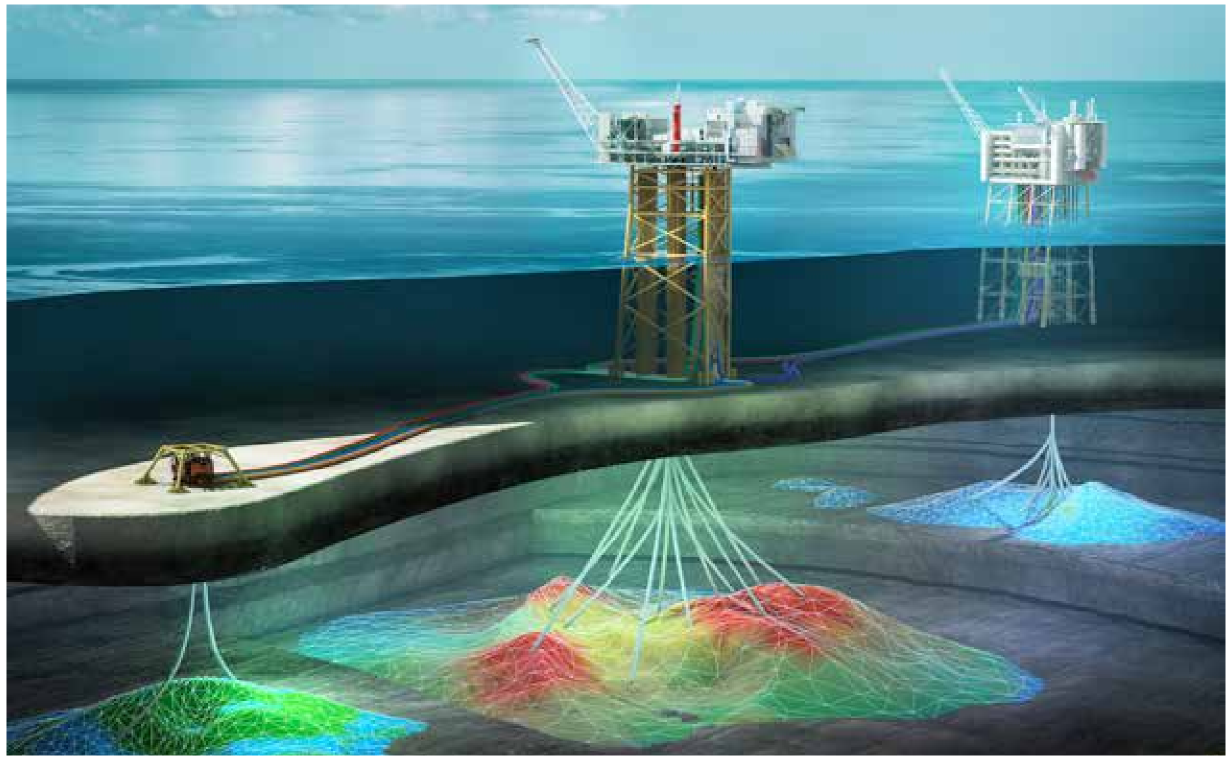
The plan is to develop the Ivar Aasen field with a total of 15 wells. Eight of them are production wells, while seven are water injection wells. The Ivar Aasen field is a coordinated development with the Edvard Grieg field, located 10 kilometres further south-east. The Ivar Aasen field will be developed with a fixed steel platform with a topside processing plant. The platform will also have living quarters.

The production wells on Aasen and West Cable will be drilled from the platform, while the two subsea wells planned on the Hanz structure will be tied back to the platform by a 14-kilometre-long pipeline. The wells will be drilled using a dedicated jack-up rig. The partially processed oil and gas will be sent via two pipelines to the Edvard Grieg platform for final processing before the oil and gas are shipped in two new pipelines to the Grane oil pipeline and the SAGE gas pipeline on the UK Continental Shelf, respectively. The Ivar Aasen platform's power supply will come from the Edvard Grieg platform.

In cooperation with other licence groups, technical solutions and cost estimates are being evaluated for a future joint power solution whereby the Ivar Aasen, the Edvard Grieg, the Gina Krog and the Johan Sverdrup fields will be supplied with electricity from shore.

During the most labour-intensive development phase, there will be 200 people working with the Ivar Aasen project, both our own people and hired personnel, most of them in Trondheim. ■

A visit by the Minister: On 22 December, Det norske submitted the Plan for Development and Operation of the Ivar Aasen field to the Minister of Petroleum and Energy, Ola Borten Moe.



The development solution: The Ivar Aasen field is developed by means of a manned production platform located above the Ivar Aasen reservoir and a subsea installation on Hanz. West Cable is drained through a well drilled from the Ivar Aasen platform.

Construction in Singapore: The platform deck on the Ivar Aasen field weighs 13,700 tonnes and is to be built by SMOE in Singapore. The platform deck is integrated with a living quarter module accommodating 70 cum helideck. Construction of the platform deck is scheduled to be completed in March 2016. The value of the contract is approximately NOK 4 billion.

"Crumbs are also food."

More developments to come

Gina Krog is an important addition to Det norske's portfolio of development projects. The Plan for Development and Operation of this oil and gas field in the North Sea was submitted to the Ministry of Petroleum and Energy in December 2012.

Gina Krog's resources extend into licence 029B, in which Det norske is a 20 percent partner. Following the unitisation process that took place in 2012, Det norske has an ownership interest in the unitised field of 3.3 percent. Despite this moderate interest, Det norske is nonetheless part of something larger. The total recoverable reserves are estimated at 225 million barrels of oil equivalents, corresponding to approximately 7.5 million barrels of oil equivalents for Det norske. The total investments are estimated at NOK 31 billion. The production from Gina Krog is scheduled to start in the first quarter 2017 and is expected to last until 2037.

Gina Krog will be developed with a fixed platform that will be tied in to the Sleipner field for gas export. The oil will be exported by shuttle tankers.

Fertile Frøy

As operator, and with an ownership interest of 50 percent, Det norske continues to work on finding the best redevelopment solution for the Frøy field. The options being considered are a stand-alone development, a tie-in to existing fields or a solution for the whole area including the Frigg Gamma Delta field(s), in which Det norske has a 20 percent interest. This work will continue in 2013.

The history of Frøy goes back several decades. The field was in production from 1995 to 2001 with Elf as operator, but it was closed down during a period of historical low oil prices. Det norske took over the field in 2006 and it is working together with its partner Premier Oil Norge to get the field back on production.

Det norske is also the operator for the nearby Storklakken discovery with a 100 per cent equity interest. Further exploration of resources around Storklakken will depend on realisation of the larger discoveries in the area.

The total resources in Frøy, Frigg Gamma Delta and Storklakken are approximately 170 million barrels of oil equivalents, mainly oil. ■

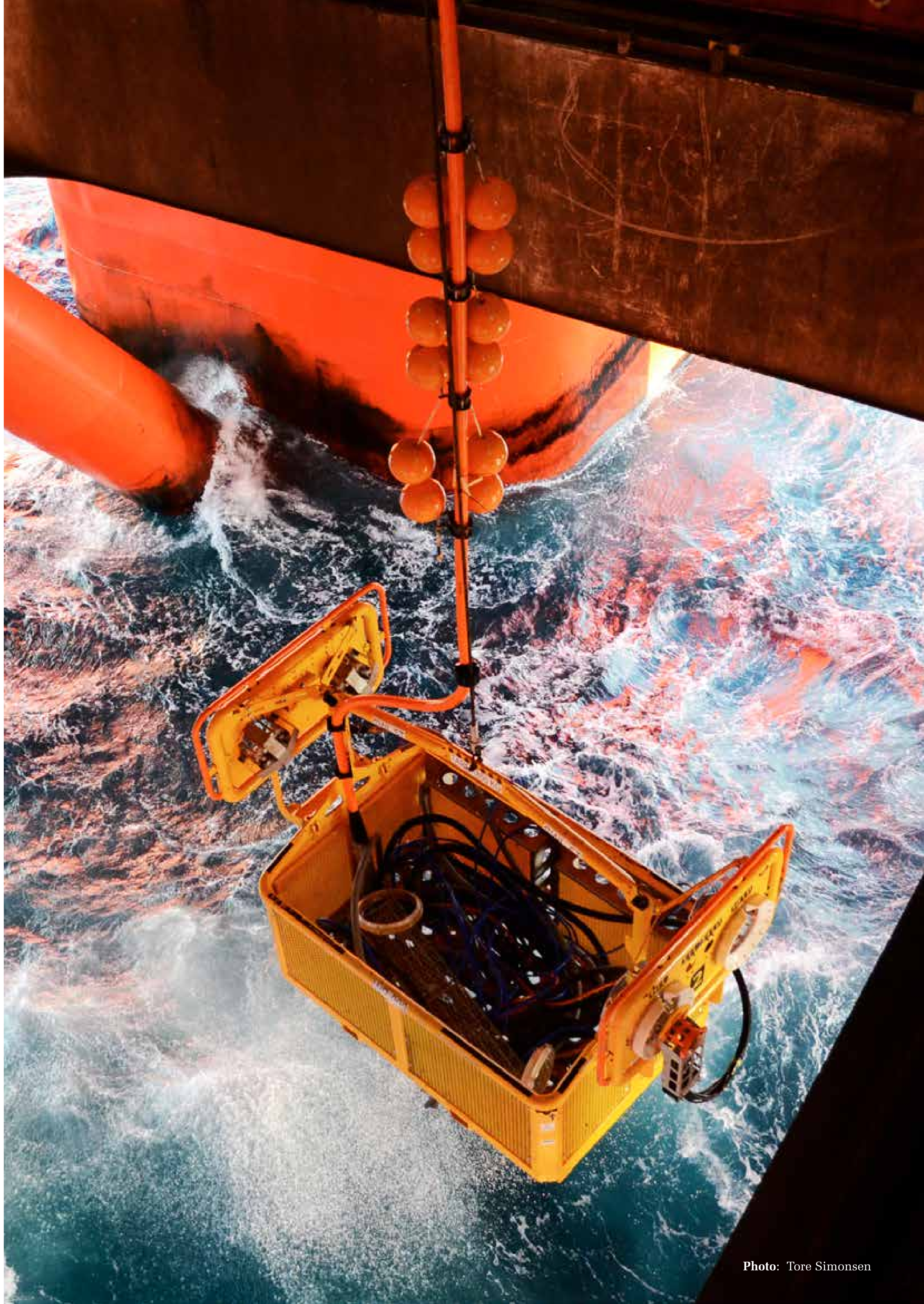


Photo: Tore Simonsen

"The straightest road is shortest, but not always easiest."

Jette

In February 2012, the Norwegian authorities approved the Plan for Development and Operation for the Jette field, thereby kicking off Det norske's first field development as an operator.

The Jette field was discovered in 2009. It is one of the smaller oil fields in the North Sea. Although Jette's resources are small, they nonetheless represent great value to the company and Norwegian society. Norwegian authorities have long encouraged exploration and development in areas where the remaining life of the existing infrastructure is limited. It would not have been possible to produce the resources from Jette if the Jotun field installations had not had capacity to receive oil and gas for processing and onward export.

The development solution

Jette is being developed with two subsea wells tied back to Jotun B. The Jotun installations consist of a floating production facility with storage and offloading facilities (Jotun A) and a wellhead platform (Jotun B). A number of modifications to Jotun B, in addition to minor modifications to Jotun A, are needed to tie the Jette field into the Jotun facilities. The chosen solution means it will be possible to tie in additional wells in future. The well stream from Jette will be blended with the well stream from the Jotun field on the Jotun B platform and then transferred to Jotun A for further processing, storage and export.

Challenging drilling operation

During the drilling of the production wells, which started in February 2012, several technical challenges were encountered. One of the two production wells collapsed during the drilling operation, and thus a new plan for drilling had to be implemented. The adjustment of the production wells lead to higher development costs, while the alteration of the well path also reduced the recoverable volume.

The first self-produced oil

Having completed the drilling of the production wells and the subsurface and subsea work, only minor adjustments remain before Jette will start producing in the spring of 2013, thus yielding the first self-produced oil for Det norske.

The development of the Jette field has given Det norske valuable experience on its way to bigger developments.

Photos from the Jette developement project >>

Photo: Ole-Petter Holmvassdal

Photo: Headspin

Transocean Barents: The world's largest floating drilling rig was used during the drilling of the two production wells on Jette. Transocean Barents can drill in water depths up to 3,000 metres and has a drilling depth of 10,000 metres. The rig can operate both on anchors and on dynamic positioning.

Production in 2013: From the driller's cabin on the drilling floor on Transocean Barents, the drillers operate the activities. The production wells on Jette consist of twelve-meter-long production pipes. The pipes were finalised on deck before installation and have a total length of 4.4 kilometres.


Photo: Ole-Petter Holmvassdal

From Jette to Jotun: A six-kilometer long umbilical cable runs from Jette to Jotun, which controls and operates production on Jette. The Subsea Distribution Unit and cable were loaded on board a vessel in Moss for further transportation to the North Sea.

The total time for drilling and completion of the two production wells on Jette was 207 days, of which 135 days were used on drilling and 72 days on completion. Bad weather halted production for eight days.

”The drink from small brooks is just as good as from the larger ones.”

Valuable droplets

Stable production: In 2012, Det norske had production from five fields. Here from the Varg field, located in the North Sea.

Det norske's cumulative production in 2012 ended at 545,000 barrels of oil equivalents. Production in the fourth quarter was 255,000 barrels of oil equivalents, almost double the 138,000 barrels produced during the fourth quarter of 2011.

Det norske was a licencee in five producing fields, with production from four of them at the end of the year: Glitne (10 percent interest), Atla (10 percent), Jotun (7 percent) and Varg (5 percent). Production on Enoch (2 percent) is temporarily shut down because of technical problems.

Production will start on the Jette field, Det norske's first self-operated field, in spring 2013. Det norske has an ownership interest of 70 percent, and Jette is expected to yield a production of between 6,000 and 7,000 barrels of oil per day for the company. Det norske expects Enoch to be back in production at the turn of the year 2013/2014.

Productive Atla

The Atla field is an important contribution to Det norske's production volume. Production started in October 2012, barely two years after the discovery was made. Det norske's 10 percent interest in the field yielded a production of 2,000 barrels of oil equivalents per day in the fourth quarter. Before production started on Atla, the field was expected to yield production of about 1,400 barrels of oil equivalents per day for Det norske.

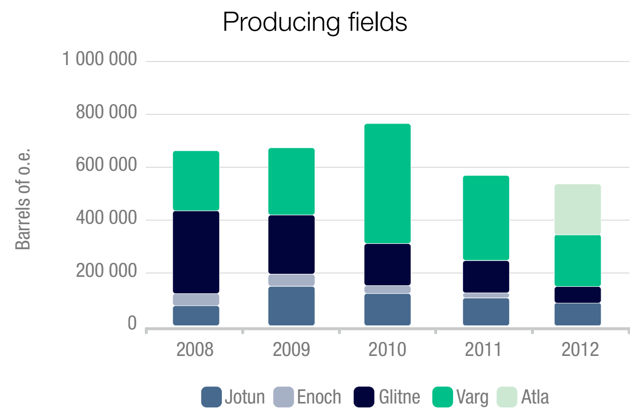
Glittering Glitne

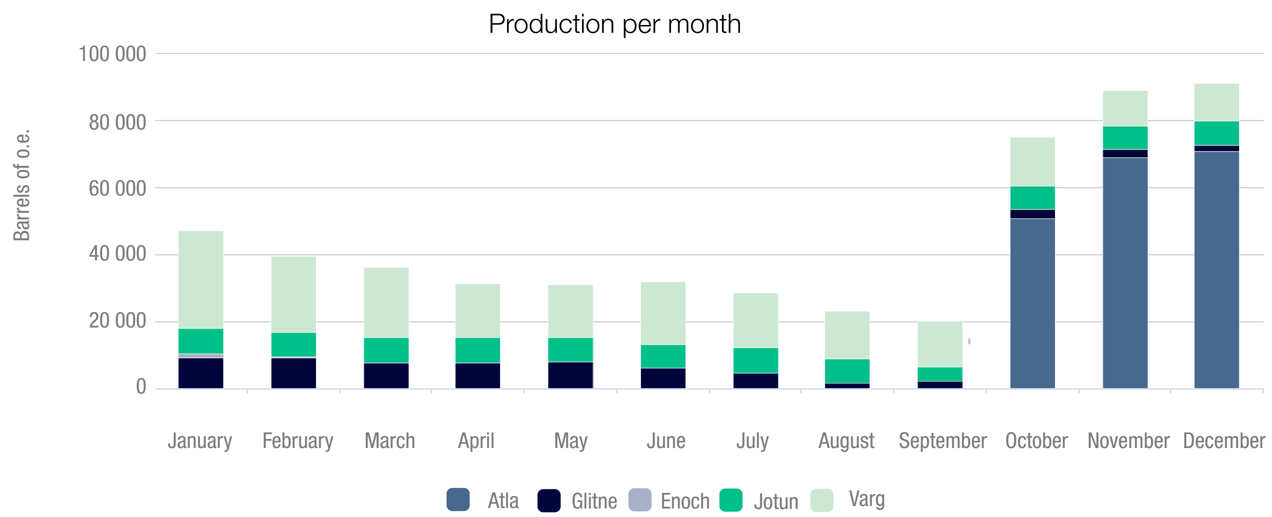
In 2013, Det norske concluded its production at Glitne, nine years after production on the field was scheduled to end. The story of the recovery of Glitne illustrates the importance of measures that promote increased oil recovery and extend the useful life of mature fields. Glitne has been a success story for the Norwegian petroleum industry.

When the Plan for Development and Operation was submitted in 2000, the expected lifetime of the Glitne field was less than three years. Cooperation between all involved parties, improvement measures on the process and the well side and continuous drilling of new wells have resulted in a fourfold extension of the field's life. When production on Glitne ended, the field had produced 56 million barrels of oil, twice the original estimate. Now that production has come to an end, we know with certainty that all the available resources have been recovered. What remains to be done in 2013 is a good, safe and professional abandonment of the field. ■

A full-fledged E&P company

With the submission of a Plan for Development and Operation for the Ivar Aasen field and production from the Jette field, Det norske is getting closer to achieving its goal of becoming a full-fledged oil company on the Norwegian Continental Shelf. During 2013, Det norske will take the step from being an exploration company to being a company engaged in exploration, development and own oil production. ■





”You won’t find anything until you get there.”

Splendid Johan Sverdrup

On Monday 27 August 2012, about a year after the first report of the gigantic discovery of Johan Sverdrup, came reports of a new big discovery on the Geitungen prospect in licence 265. About three kilometres north of Joahan Sverdrup another oil discovery was made.

Exploration well 16/2-12, which was drilled using the rig Ocean Vanguard, proved a 35-metre oil column in a reservoir of high quality from the Jurassic age. The volumes contained in the Geitungen discovery are estimated to between 140 and 270 million barrels of recoverable oil equivalents. This is regarded as a possible future upside for the development of the whole area. An extensive appraisal programme is still ongoing on the Johan Sverdrup field, in licence 265, licence 501 and licence 502. The appraisal programme will be concluded in the course of 2013.

Vast resources

Johan Sverdrup is one of the largest discoveries ever made on the Norwegian Continental Shelf (NCS). The field covers an area of almost 200 kilometres and extends across three licences; 265, 501 and 502. Preliminary estimates indicate that the field contains between 1.2 billion and 2.5 billion barrels of oil.

During the course of 2012, the appraisal wells on Johan Sverdrup confirmed that the field currently represents around 80 percent of Det norske’s contingent resources, and thereby also the predominant part of the company’s total value. Det norske holds a 20 percent interest in licence 265 and a 22.22 percent interest in licence 502.

All power to this assembly

Johan Sverdrup was a unifying figure on the political left when Norway’s democracy was established at the end of the 19th century. As leader of the political movement that established the parliamentary system in Norway, Sverdrup became one of the most important figures in Norwegian political history. ‘All power to this assembly,’ Sverdrup said, thereby laying the foundation for democratic government of the nation. This form of government subsequently led to the Parliament gaining control of hydropower resources, through the passing of concession laws and the principle of reversion to public ownership. It also formed the basis for national control of the oil resources fifty years ago.

These principles are based in a solid political majority through decades. No major changes happen on the NCS before the Parliament has had its say. The authorities award licences and operatorships. The state is a co-investor in the oil industry. Most of the profit is returned to the public through direct ownership (Petoro), through the state’s ownership interest in Statoil and through a 78 percent tax on profits.

Johan Sverdrup’s words still live in the Norwegian petroleum policy; all new developments on the NCS with an investment of more than NOK 10 billion have to be approved in the Parliament. ■

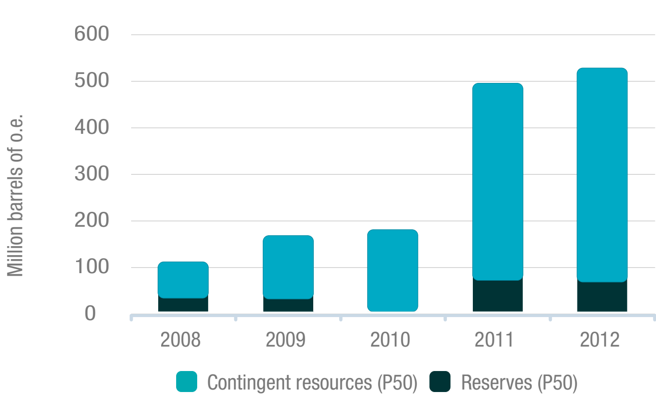
Plan for development: Johan Sverdrup will be developed with several platforms. The field will become a new hub in the North Sea.

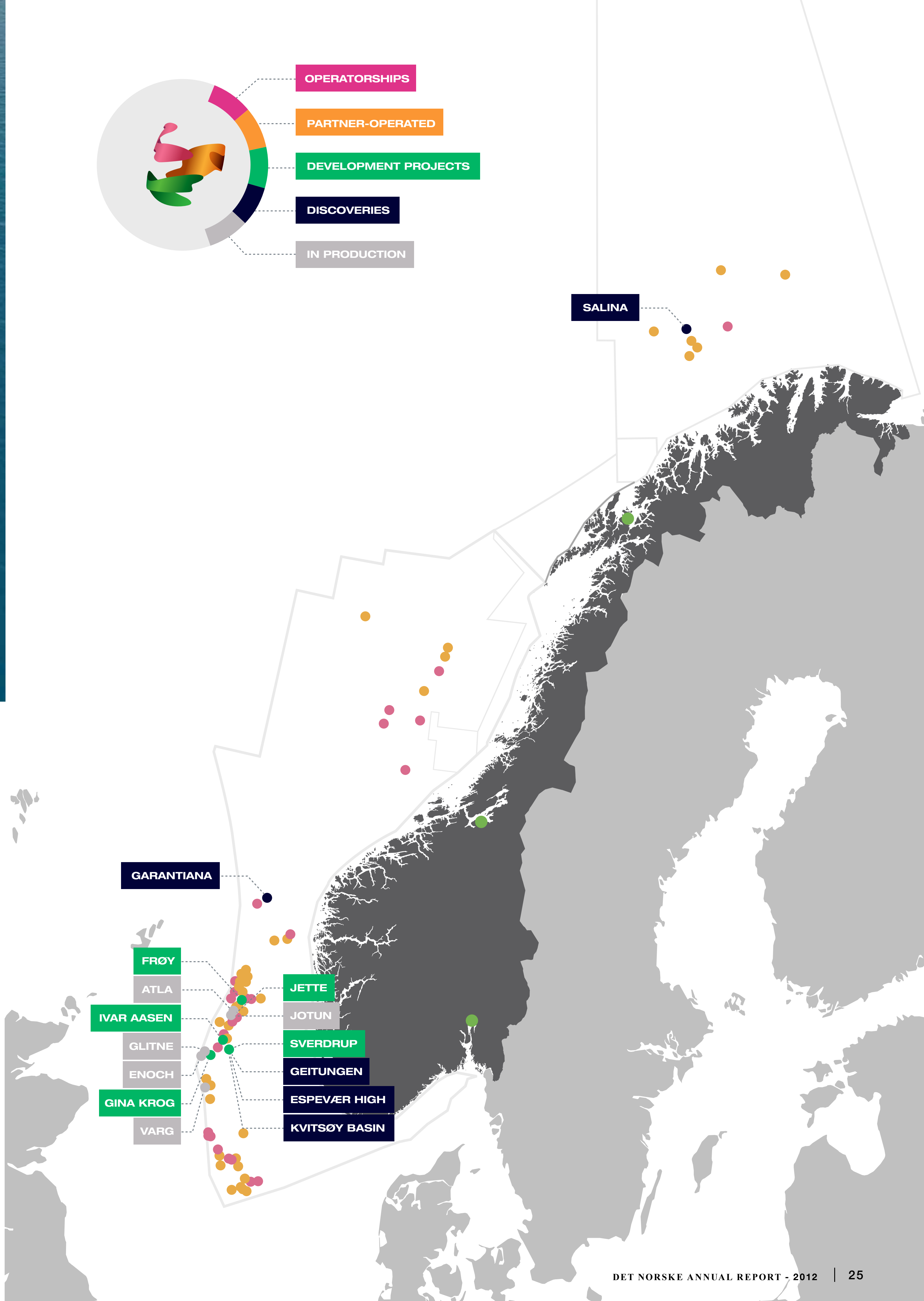
A sound resource basis

The discovery of the Johan Sverdrup field in 2011, the discovery of the additional Geitungen structure and several successful appraisal wells in 2012 have trebled the company's resources. The most important contingent resources amount to between 308 and 487 million barrels of recoverable oil equivalents. These originate from seven discoveries, of which around 80 percent originate from the Johan Sverdrup field. There is significant uncertainty attached to estimation of recoverable volumes with regard to reservoir models, ownership interests, investments and cyclical fluctuations.

The drilling of future wells on Johan Sverdrup will help to reduce this uncertainty. The net total proven reserves and probable reserves that can be recovered from Det norske's portfolio with a 50 percent probability (P50) are estimated to be 65.3 million barrels of oil equivalents. Most of these, around 80 percent, come from the Ivar Aasen field. ■

Resource developement





”That which you cannot find,
is almost surely lost.”

A year of discoveries

Det norske continued its ambitious exploration strategy in 2012. In total, Det norske took part in twelve exploration and appraisal wells, four of them as operator. Discoveries were made in six of these wells. The result was 76 million barrels of oil equivalents in new resources, exceeding the stipulated annual target by 50 percent.

The company has taken part in several interesting discoveries on the Utsira High in the North Sea, where Det norske’s most valuable resources are located. Three appraisal wells were drilled on the Johan Sverdrup field in 2012. All three confirmed the excellent quality of the Johan Sverdrup field. The well on the Geitungen prospect, about three kilometres north of the discovered Johan Sverdrup field, proved an oil discovery with an estimated recoverable volume of between 140 and 270 million barrels of oil. The reservoir is from the Jurassic period and of high quality.

The appraisal well on the Espevær High in the northern part of the field proved a 30-metre oil column in the Upper Jurassic rock of very good reservoir quality, which removed the uncertainty relating to the reservoir quality in this part of the field. Likewise, the uncertainty attached to the reservoir quality in the southern part of the field was removed when the drilling of the appraisal well in the Kvitsøy Basin proved a 30-metre oil column in the Middle Jurassic, approximately 20 metres of which were of very good reservoir quality. Statoil is operator for licence 265, in which Det norske owns a 20 percent interest.

In December, an oil discovery of good reservoir quality was made in the Garantiana prospect in the North Sea in which Det norske has a 20 percent interest. A sidetrack confirmed that Garantiana has a recoverable volume of between 25 and 75 million barrels. Different development solutions are now being studied: either a stand-alone development or a subsea development tied in to the existing infrastructure in the area. Other prospects have been identified in the vicinity of the Garantiana discovery. They will now be evaluated. A new exploration well will be drilled in the area in 2013.

In the Barents Sea, Det norske made a non-commercial gas discovery in the Salina prospect in licence 533. Eni is the operator and Det norske has a 20 percent interest. The recoverable gas volumes are estimated to be between six and eight million cubic metres, or 40–50 million barrels of oil equivalents. Given the existing infrastructure for gas processing and transport in the Barents Sea, it is currently not profitable to recover the discovery.

Search and you shall find

Det norske shall continue to be one of the more ambitious exploration companies on the Norwegian Continental Shelf. Det norske’s total exploration cost per discovered barrel is less than one dollar. In the next few years, we will participate in the drilling of ten to twelve wells every year, two to four as operator. Our main focus will continue to be on exploration in mature areas near existing infrastructure, especially in the North Sea. We will also participate in the drilling of selected exploration wells in immature areas, known as frontier areas. Det norske will continue to be a driving force for increased activity in the Far North.

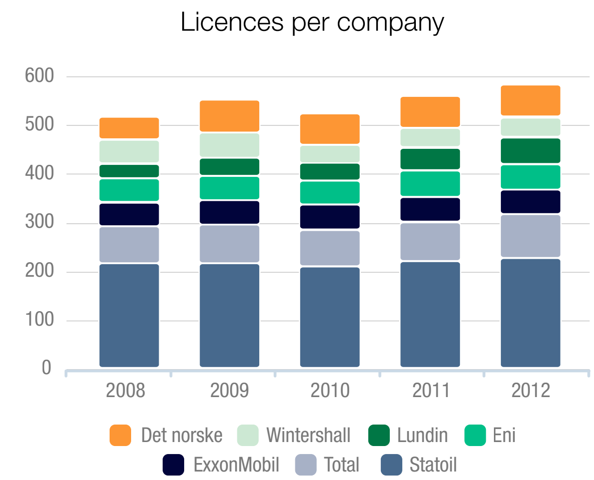
In the awarding of new production licences in mature areas on the continental shelf (APA 2012), Det norske was awarded eight new licences, three of them as operator. Det norske was very satisfied with the licence awards. ‘The fact that we are offered interests in eight licences is a vote of confidence from the ministry. We are especially pleased to be awarded the operatorship for our first priority,’ said VP Exploration Bjørn Martinsen after the award.

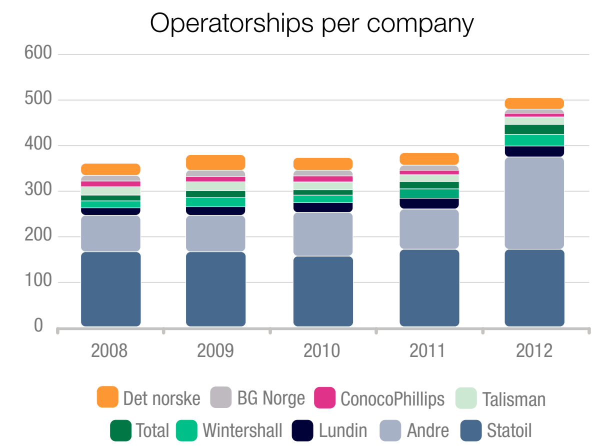
Licences and operatorships

At the turn of the year, Det norske had 67 licences, 26 as operator and 41 as partner. Eight licences were relinquished in 2012, four of which were operated by Det norske. The company also withdrew from two licences, one as operator. Det norske bought into two licences as partner in 2012. ■

A complete overview of exploration results in 2012 and of our portfolio is available on www.detnor.no.

Core sample: Excellent quality from Geitungen.





”Success might sometimes elude you,
however capable you are.”

Challenging drilling

Det norske operated four exploration wells and two subsea-completed production wells during 2012. In addition, the company participated in eight wells as partner; five exploration wells and three appraisal wells.

In May, Transocean Barents moored on the Jette field and started the first phase of drilling the two horizontal production wells. This work in the North Sea was completed in November. It was a new challenge for both Det norske and the crew on Transocean Barents. The completion of the wells and installation of the equipment on the seabed were challenging tasks, but both the rig and the crew tackled the challenge and carried out the work in a technically satisfactory manner.

Det norske's contract period with the drilling rig Songa Delta, which was operated together with Wintershall in a consortium over a period of three years, came to conclusion in May 2012. Songa Delta has drilled a total of six wells for Det norske, one of which was on the Kalvklumpen prospect in 2012. Although the rig is approaching its 30th anniversary, both the rig and the crew have carried out their assignments for the consortium in a professional and safe manner.

Det norske drilled three exploration wells in 2012 in cooperation with Maersk Drilling, using the jack-up drilling rig Maersk Guardian. All the wells were drilled in the southern part of the North Sea, where water depths vary between 50 and 85 metres. The first was classified as 'HPHT' – high pressure/high temperature. Det norske will continue its cooperation with Mærsk until the end of 2014, using the jack-up drilling rig Maersk Giant.

Det norske's contract for the Transocean Barents will continue until summer 2014. The company has thereby secured rig capacity for the drilling of two self-operated exploration wells in 2013.

The submission of the Plan for Development and Operation for the Ivar Aasen field means that new, big drilling challenges are in store for Det norske. In the course of 2013, all the planning and execution functions for drilling activities for Ivar Aasen will be established in Trondheim. Det norske has signed a fixed five-year contract with Maersk Drilling for the drilling rig for Ivar Aasen. The drilling rig is under construction in Singapore and will be delivered in the first quarter of 2015. ■

Exploration and appraisal wells 2012

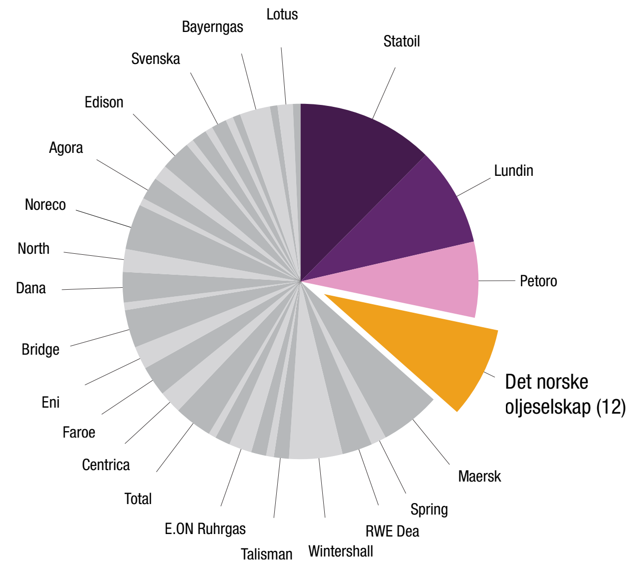


Photo: Ole-Petter Holmvassdal

”He is wise, he who learns from the faults of others.”

No serious injuries

Health, safety and the environment (HSE) is a priority and an integral part of all the company's activities. The company had no serious personal injuries or environmentally harmful incidents in 2012.

Det norske operated four exploration wells on the Norwegian Continental Shelf in 2012. They were demanding wells in terms of planning, preparations and operation. One of the wells was defined as a High Pressure-High Temperature (HPHT) well, which entailed several challenges relating to HSE.

Det norske has also carried out prolonged offshore operations for production drilling and completion of production wells on Jette in 2012. Facilities have also been installed on the seabed for Jette, including installation of a pipeline and control umbilical from Jette to Jotun.

In connection with the drilling on licence 356 Ulvetanna, an extensive monitoring programme was carried out in order to document whether sandeel were affected by the drilling. New knowledge was gained, and no negative effects were uncovered. For two of the wells, gravel foundations had to be installed on the seabed in advance of moving in the jack-up rig. The purpose was to strengthen the foundations for the rig and to prevent the risk of the rig's legs breaking though the foundations.

No non-conformity

Det norske did not receive any mandatory orders or notifications of such from the Norwegian authorities in 2012. In mid-March, the Petroleum Safety Authority carried out a supervisory inspection of Det norske's development of the Jette field. The audit did not uncover any non-conformity with regulatory requirements.

Emissions to the natural environment

Emissions to the natural environment and the use of chemicals in drilling operations have been reported to the Norwegian Climate and Pollution Agency in accordance with established guidelines in 2012. Planned emissions were in accordance with the granted permits. Det norske endeavours to reduce the amount of chemicals used, to replace potentially environmentally harmful chemicals and reduce the amount of waste.

The combustion of diesel on drilling rigs and vessels leads to emissions to air. Det norske is a member of the business sector's NOx fund. By paying contributions to the NOx fund, the company also helps to make funds

Tobis survey on the Ulvetanna prospect: In connection with preparations for the drilling operation on Ulvetanna, Det norske carried out mapping of whether the tobis (sandeel) population would be affected by the drilling. No negative effects were identified.

available for measures aimed at reducing emissions in other industries, and in shipping and fisheries.

Undesirable incidents

The company has not had any incidents with serious actual consequences in 2012. Two incidents with potentially serious consequences were however registered. One of the incidents was related to pressure testing of the blow-out preventer on a drilling rig on a contract with Det norske for exploration drilling in licence 356 Ulvetanna. The other incident occurred at the premises of a subcontractor for the Jette development. A coil of pipes broke loose in an uncontrolled manner as the operator removed the protective planks from the spool. The incidents were investigated, and corrective actions have been identified and followed up.

Accidents and emergency response

Det norske works systematically to prevent major accidents in the company's exploration activities and project execution. Det norske works to further develop the emergency response system for handling undesirable incidents, both internally and within the industry. Emergency response analyses are carried out prior to all drilling operations, including environmental risk. In 2012, Det norske also established an emergency response system for the operations on Jette and started planning the emergency response system for Ivar Aasen.

Det norske played a key role in the establishment of a joint emergency response centre in Sandnes, the Norwegian Operators' Association for Emergency Preparedness (OFFB), which was established in 2009. OFFB's job is to manage and maintain a second-line emergency response system on behalf of the member companies. Three years after the organisation was established, the number of member companies has gone from seven in 2009 to ten in 2012.

OFFB carries out emergency response drills together with its member companies throughout the year. It carried out ten emergency response drills with Det norske in 2012. OFFB established a centre of excellence for the development of strategic emergency response competence, including the handling of next-of-kin. The chair of the board of OFFB comes from Det norske.

Oil spill response

Det norske has solid oil spill response expertise internally in the company and it participates actively in NOFO (the Norwegian Clean Seas Association for Operating Companies), which has specialised training in handling oil spill response situations. Det norske contributes personnel to NOFO's resource pool. ■

"Look toward the best, not toward people most."

More funding for research

Det norske joined the ranks of the developers in 2012 and thereby secured a significant increase in funding for research and development (R&D). Det norske carried out R&D projects worth NOK 60 million in 2012, an increase of 25 percent on the year before. Roughly half the projects were in sub-surface disciplines.

The discovery of Johan Sverdrup in 2011 and the further development of the field mean that more knowledge is required about reservoirs in fractured and weathered bedrock. Where the industry previously saw few opportunities, it now sees a considerable potential on the continental shelf. In order to utilise this potential, we need to develop new knowledge about geological interpretation, the identification of prospects, mapping, the proving of reserves and production strategies for bedrock. Since many of the structures out in the sea have clear similarities with structures on the mainland, studies of Norwegian mainland mountains will now be relevant to the oil industry as well.

More than 90 percent of the Det norske's R&D projects were carried out externally. Det norske contributed to two patents in improved equipment and procedures for spreading and laying anchors; patent 11/7-2011. NO-331259 and 16/4-2012.NO-331841. The reel for fibre rope, which Det norske has developed in cooperation with the equipment supplier Viking Seatech, renders it possible to pre-install anchors and fibre ropes, thus halving the mooring time for drilling rigs. This invention can contribute to a reduction of costs related to exploration drilling, and will probably be available to the commercial market in 2014.

Det norske has funded two adjunct professor positions in interpretative geophysics and drilling and well technology at the Norwegian University of Science of Technology and the University of Stavanger, respectively. Det norske sees them as very important discipline areas and is happy to be able to contribute to strengthening tuition in these fields.

The allocation of funding reflects the interests the company and our experts see as being important in relation to future assignments. Of a total of 61 projects, 34 concerned issues relating to the subsurface, nine were related to development and operation, ten concerned drilling and wells and three were related to HSE, while the remaining projects were of a more general nature. With the imminent operation of the Jette field and the upcoming development and operation of the Ivar Aasen field, Det norske sees a greater need for R&D in the HSE area and operations-related fields. Safe and efficient operation and preventing major accidents will be key topics. ■

"Good people are nice to deal with."

A good working environment

Det norske had a good working environment with a low level of sickness absence in 2012. People like working for Det norske and enjoy each other's company.

The total sickness absence was 2.4 percent in 2012, down from 3.4 percent in 2011. A high level of activity in connection with the development of the Jette and the Ivar Aasen fields led to a substantial increase in the number of employees in 2012. The company had a total of 214 employees in four office locations at the end of the year. Forty-seven people were taken on and four left the company in 2012.

Det norske conducts a survey of the working environment every other year, and a survey was carried out in 2012. The response rate was high, and the survey shows improvements in most areas since the surveys started in 2010. The psychological and physical working environment is perceived as good, and the employees are motivated and look forward to going to work. Despite the high level of recruitment, the survey shows that new employees are very satisfied with the way they were welcomed by Det norske, and a considerable improvement can be seen in this area compared with the previous survey.

We have had a health and safety service in our offices in Trondheim, Oslo and Harstad through-out the year, with dedicated safety delegates. In addition, managers from the same locations have been appointed as employer's representatives on the working environment committee (AMU).

In 2011, AMU played a major role in getting the company to register the number of working hours for all employees, also personnel for whom overtime is included in their salary. The aim was to ensure better control of employees' workload and the amount of overtime worked in the company. The system has been practised since January 2012.

Health and safety rounds and evacuation drills were held in the office locations in 2012. Courses have also been held in CPR and first-aid organised by the company's occupational health service. During the year, the company has taken steps to install defibrillators in all four office locations, and in the company's conference venue in Sandvika in Verdal.

Equal opportunities

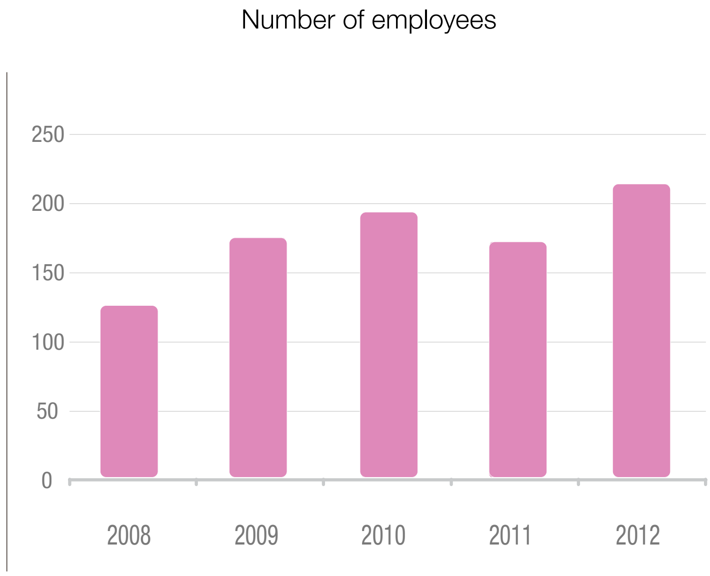
The company endeavours to achieve a balanced working environment in which everyone has equal opportunities based on qualifications and irrespective of gender, ethnicity or disability. In December 2012, the proportion of women in the workforce was 28.5 percent. The proportion of women on the board of directors is 50 percent. Among managers and middle managers, the proportion of women was 35 percent. Men and women in the same jobs and with the same experience, and who perform equally well, shall receive the same pay in Det norske. The type of job, discipline area and number of years of work experience affect the pay level of individual employees. The company endeavours to recruit more women to male-dominated positions and disciplines.


Photo: Siri Arntzen

Professional development

The company organises regular gatherings for the different discipline areas and an annual gathering for the whole company. In 2012, Det norske extended its introductory course for new employees from one day to a three-day seminar. Two courses were held in 2012 and more courses will be held in 2013. This initiative reflects the company's increased endeavours to create a common understanding, culture and identity. The introductory course is part of the Det norske School, which is under development.

Det norske owns Sandvika Fjellstue AS. This mountain lodge is used by the whole company for courses, gatherings, management meetings, board meetings and conferences. In addition, employees can stay at the cabin and 'the Barn' in their spare time. ■



Professional development: Det norske collaborates with among others the Norwegian Center of Project Management at NTNU. Here from one of the courses in project management.

Support: In cooperation with UNICEF, Det norske contributes funding to the construction of schools in Rwanda.

Social responsibility

Det norske collaborates with schools, universities, organisations and the business community. This involves support for apprentices, lectures, and, not least, certification of companies in collaboration with the Verftsringen trade association in Northern Norway. In addition, Det norske contributes through sponsorships and support for various activities.

In 2012, this included tuition in geosciences in upper secondary schools, and more active information aimed at students in higher education, primarily at the Norwegian University of Science and Technology (NTNU). For several years, Det norske has offered students summer jobs with an opportuniy to receive help and follow-up in connection with project assignments and master's theses.

Since 2009, Det norske and the University of Stavanger (UiS) have worked together to create interest in and promote recruitment to the petroleum sciences among young people in the counties of Nordland, Troms and Finnmark. Half-way through this collaboration, both the number of applicants and the number of qualified applicants to the petroleum study programmes at UiS have increased. The collaboration with UiS is one of several measures initiated by Det norske to increase knowledge about oil and gas production in general, and about the job opportunities that will be coming to Northern Norway to an increasing extent.

One of our most important sponsorships is the building of schools in Rwanda, in collaboration with UNICEF. Det norske is one of the main sponsors of Det Norske Teatret in Oslo. We are also among the main sponsors of the Kosmorama film festival and Trondheim Jazzfestival, the Storlirennet race, the St. Olavsloppet race and the Trøndersk Matfestival food festival. Other sponsorship projects include a scheme whereby employees can apply for support for local activities. In 2012, we supported more than 40 such projects, mostly related to sports and culture for children and young people. ■

Teaching of geology: Det norske welcomes pupils from schools on several occasions throughout the year.

"Who wants to gain, should inspect matters carefully."

More money in place

Det norske had sound finances at the turn of 2012, with an equity ratio of 45 percent. At the turn of the year, the company was valued at NOK 11.6 billion on Oslo Børs.

In December, Det norske increased its share capital through a private placement in which the number of shares was increased by 10 percent to 140,707,363. The issue price was set at NOK 80.50 per share. The private placement raised a total of NOK 1,029 million.

In the same month, the company signed a new exploration credit facility of NOK 3.5 billion on improved terms. The new credit facility has a coupon rate based on three-month NIBOR plus 1.75 percent. It falls due in December 2016 and replaces the old exploration credit facility of NOK 3.5 billion.

At the beginning of the year, Det norske signed an agreement for a revolving credit facility of USD 500 million. In addition, the agreement includes an option to increase the loan by an additional USD 100 million from 23 March 2013, provided that certain conditions have been met. The loan facility falls due on 31 December 2015.

Corporate governance

Det norske oljeselskap ASA complies with the guidelines in the Norwegian Code of Practice for Corporate Governance. In line with the Code of Practice, ethical guidelines have been adopted for the company, its officers and employees. Det norske places great emphasis on complying with laws and ethical guidelines. We aim to display corporate social responsibility through our actions, the quality of our work, our products and all our activities. As a minimum, we must comply with laws, regulations and conventions in the locations where Det norske operates.

The share

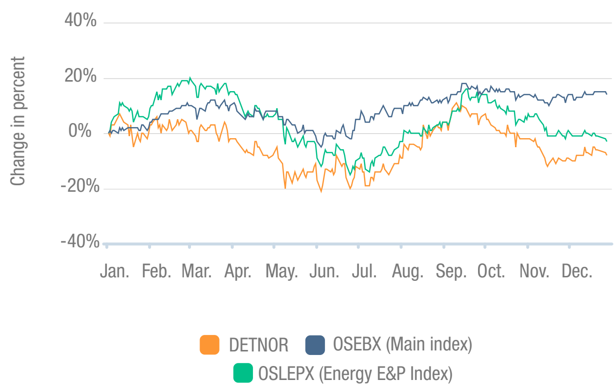
Det norske oljeselskap ASA is listed on Oslo Børs under the ticker DETNOR. At the turn of the year the share value was NOK 82 per share. Det norske aims to ensure that the share is attractive and easily negotiable. Each share carries one vote at the general meeting and equal rights to dividend. A total of 93.4 million shares in the company were traded in 2012. This corresponds to a trading velocity of 73 percent during the year.

Det norske's shares are divided between 5,003 share accounts, but ownership is nevertheless relatively concentrated. At year end 2012, the 30 largest accounts controlled 74.6 percent of the share capital. Det norske has a strong industrial owner, Aker Capital AS, which now holds 49.9 percent of the shares in the company. The proportion of foreign owners has been relatively stable throughout 2012. At year-end, 86.8 percent of the share capital was controlled by Norwegian citizens and companies registered in Norway, while about 5.5 percent was controlled via UK-registered accounts.

Det norske aims to promote public transparency.

Nominee accounts conceal who the real owners of the shares are, and the company sees this as unfortunate. As of 31 December 2012, 9.0 percent of the share capital was registered to nominee accounts.

More detailed information about corporate governance can be found in the Board of Directors' report and the annual accounts for 2012. ■



20 LARGEST SHAREHOLDERS:	AS OF 31.12.12	
AKER CAPITAL AS	70 339 610	49,99 %
FOLKETRYGDFONDET	9 618 001	6,84 %
ODIN NORGE	2 645 420	1,88 %
ODIN NORDEN	1 963 643	1,40 %
VERDIPAPIRFONDET DNB	1 799 689	1,28 %
JPMCB RE SHB SWEDISH	1 426 346	1,01 %
STATOIL PENSJON	1 163 332	0,83 %
VARMA MUTUAL PENSION	1 095 000	0,78 %
KLP AKSJE NORGE VPF	1 047 857	0,74 %
VPF NORDEA KAPITAL	960 696	0,68 %
TVENGE TORSTEIN INGV	900 000	0,64 %
JPMORGAN CHASE BANK	843 643	0,60 %
CLEARSTREAM BANKING	807 218	0,57%
SPAREBANKEN MIDT-NORGE	779 791	0,55 %
KOMMUNAL LANDSPENSJONSKASSE	764 180	0,54 %
KØRVEN AS	759 465	0,54 %
DANSKE INVEST NORSKE	724 414	0,51 %
JPMORGAN CHASE BANK	682 366	0,48 %
SPESIALF KLP ALFA GL	680 000	0,48 %
FONDSFINANS SPAR	675 000	0,48 %

Board of Directors

INGE SUNDET

Member

Inge Sundet (born 1963) is Chief Drilling Engineer in Det norske. He has been with Det norske since 2008 and has held several positions in the drilling department, currently as Project Manager for Jette Drilling and Well. Mr Sundet holds a Master of Science in mechanical engineering from NTNU (1988). Before he joined Det norske he was in Statoil (2001-2008), primarily working with well completions (Heidrun and Kristin). He has worked offshore as Drilling Supervisor. From 1989 to 2001 he was employed at SINTEF as Senior Researcher within Safety and Reliability.

BERGE G. LARSEN

Member

Berge Gerdt Larsen (born 1952) has more than 30 years' experience from the oil and offshore industry. From 1989 to 1995, Mr Larsen served as Managing Director of Odfjell Drilling & Consulting Company AS. He served as Chair of DNO's Board of Directors from 2002 to 2011 and as CEO from 1996 to 2002. Mr Larsen holds a BSc in chemical engineering from the University of Newcastle and an MBA from the University of Texas in Austin.

TONJE FOSS

Member

Tonje Foss (born 1971) is head of the contract department in Det norske. She holds a Master of Science from the University of Stavanger and has 15 years experience from the oil industry, both in Stavanger and Trondheim. Ms Foss' experience from the oil industry includes employment in Kværner Rosenberg, Schlumberger and Corrocean, before she started in Pertra in 2002, and continued working for Det norske.

HEGE SJO

Member

Hege Sjo (born 1968) is a Senior Adviser to the UK's largest pension fund manager, Hermes Investment Management Ltd. in London. Ms. Sjo is a board member in Polarcus Ltd., Marine Harvest Group ASA and Wilh. Wilhelmsen ASA. From 1995 to 2003, she worked at the Oslo Stock Exchange, first as Project Manager for strategy development, later as Chief Financial Officer and Marketing Director. She has worked as an adviser to companies in the process of being listed and has written an investor relations handbook. Ms Sjo holds a Bachelor of Commerce from Stirling University in Scotland, in addition to a degree in finance from the Norwegian School of Economics (NHH).

SVEIN AASER

Chair of the Board

Svein Aaser (born 1946) graduated with a degree in business economics ("siviløkonom") from the Norwegian School of Economics (NHH) in 1970. He has also studied management in Lausanne. Mr Aaser was CEO of Den norske Bank and DnB NOR from 1998 to 2006, when he retired. He has also been CEO of Nycomed, Storebrand Skade, NORA Matprodukter and Stabburet/Norge. In the period 1992-1994, he was President of the Confederation of Norwegian Enterprises (NHO). Mr Aaser holds several directorships, including as Chair of the Board of the National Museum, Telenor and a number of other companies.

TOM RØTJER

Member

Tom Røtjer (born 1953) is Senior Vice President of Projects in Norsk Hydro. Mr. Røtjer has held a large variety of management positions in Hydro since 1980, covering different areas of development projects. From 1995 to 1998 he was Project Director for the Njord Field development on the Norwegian Continental Shelf and was appointed Head of Hydro Technology & Projects. In 2004, Mr. Røtjer was appointed Project Director for the Ormen Lange and Langeled gas development project in the Norwegian Sea. He holds a master's degree in mechanical engineering from NTNU (1977).

CAROL BELL

Member

Carol Bell (born 1958) is a British citizen who lives in London. She completed her PhD in engineering at University College London (Institute of Archaeology) in 2005, and has also studied geology. Since 2008, she has been a Senior Adviser in the field of oil and gas to the advisory firm Europa Partners Ltd. Prior to this, she was Managing Director of The Chase Manhattan Bank and worked as a senior investment banker for oil and gas companies in Europe. Dr. Bell holds several directorships, including in Petroleum Geo-Services ASA and Salamander Energy plc.

MARIA MORÆUS HANSSEN

Deputy Chair of the Board

Maria Moræus Hanssen (born 1965) works in Aker ASA. Ms Moræus Hanssen is a reservoir engineer from the Norwegian University of Science and Technology (NTNU) and a petroleum economist from the French Petroleum Institute IFP (1991). She worked for Norsk Hydro from 1992, where her areas of responsibility included exploration activities in the North Sea and new field developments on the Norwegian Continental Shelf. She was OIM on Troll B, worked on the integration of Hydro and Statoil and served as Senior Vice President for gas supplies and infrastructure in StatoilHydro

In 2012, Det norske's nomination committee consisted of **Øyvind Eriksen** (chair), **Finn Haugan** and **Hilde Myrberg**.

Executive Management

ERIK HAUGANE

Chief Executive Officer

Erik Haugane founded Det norske (formerly Pertra) in 2001. He holds a Cand. Real. degree in exogene geology from the University of Tromsø. Mr Haugane has more than 25 years' experience from the oil industry, including as an exploration geologist in Esso, researcher at SINTEF and an adviser to the County Governor of Sør-Trøndelag. Prior to founding Pertra in 2001, he held the position of Special Adviser in PGS.

ODD RAGNAR HEUM

Sr. VP Asset Johan Sverdrup

Odd Ragnar Heum started working for Det norske in the spring of 2008. He holds an MSc in petroleum geosciences from the Norwegian University of Science and Technology (NTNU). He has more than 30 years' experience from the Norwegian and international oil industry (Statoil, Saga, Hydro and StatoilHydro), mainly in exploration and business development.

BJØRN MARTINSEN

Sr. VP Exploration

Bjørn Martinsen studied at the University of Oslo (Geological Institute). He wrote his thesis in applied geophysics and graduated in 1983. Mr Martinsen started working for Superior Oil in Stavanger in 1982, and has later held positions in Norsk Hydro and later Amerada Hess in Oslo. In Amerada Hess, later called Hess, he worked in the UK for three periods and one period in Malaysia. Mr Martinsen has experience from the entire Norwegian Continental Shelf, the UK, Denmark, Arctic areas, Russia, North Africa, West Africa and South-East Asia.

ANITA UTSETH

Chief of Staff

Anita Utseth holds a master's degree in mechanical engineering from the Norwegian Institute of Science and Technology (NTNU) and a master's degree in energy economics and environmental management from Scuola Superiore Enrico Mattei in Milan. Ms Utseth's areas of responsibility include support functions for business operations, such as follow-up of health, safety and the environment, personnel and administration, ICT, quality and the company's R&D work. Ms Utseth has previously worked as State Secretary in the Ministry of Petroleum and Energy, held several positions in Pertra, the Directorate for Nature Management and the Norwegian Petroleum Directorate.

BÅRD ATLE HOVD

Sr. VP Projects

Bård Atle Hovd joined Det norske in August 2011. He holds an MSc in engineering from the Norwegian Institute of Science and Technology (NTNU) and an MBA from the Norwegian School of Economics (NHH). Mr Hovd has 25 years' experience in production, project development and project implementation from ConocoPhillips, where he worked from 1987 to 2011. Before he took up his position in Det norske, he was responsible for project development and the PDO for Eldfisk II in ConocoPhillips.

ALEXANDER KRANE

Chief Financial Officer

Alexander Krane holds a Master of Science in Business and Economics from Bodø Graduate School of Business and an MBA from the Norwegian School of Economics (NHH). Krane is also a state authorized public accountant. Mr Krane most recently served as the Corporate Controller of Aker ASA. He has previously worked with Norse Energy Corp. ASA and with KPMG, both in Norway and in the US.

ØYVIND BRATSBERG

Chief Operating Officer

Øyvind Bratsberg joined Det norske in 2008. He holds an MSc in engineering from the Norwegian Institute of Science and Technology (NTNU). Mr Bratsberg has 25 years' experience from several companies, mainly Statoil, in the areas of marketing, business development and operations. His core competencies are in the areas of commercial negotiations and management, and he also has experience from operating offshore installations and project development. Before he started working for Det norske, he was responsible for early-phase field development on the Norwegian Continental Shelf in StatoilHydro.

Words and Phrases

1 barrel of oil: One tierce corresponding to 1 barrel = 42 gallons ~ 159 litres.

1 Sm^3: One standard cubic metre = 6,293 barrels of oil. 1 Sm^3 of oil corresponds to 1,000 Sm^3 of gas (one oil equivalent: o.e.)

APA: Awards in Predefined Areas, an annual licensing round in mature areas of the Norwegian Continental Shelf.

Appraisal well: An exploration well drilled to determine the extent and size of a petroleum deposit that has already been discovered by a wildcat well.

Cretaceous period: A geological period, from about 146 to 66 million years ago

Exploration facility: a loan facility that a company has with a group of banks that can be used to fund the company's exploration activities. The facility has security in the tax refund for exploration costs and in exploration licences.

HSE: Health, safety and environment

Jurassic period: The Jurassic is a geological period, from about 200 to 146 million years ago. On the timescale, the period follows the Triassic period and was followed by the Cretaceous period.

Licence: A production licence is the concession, or right, to explore for petroleum resources and then recover / produce petroleum deposits in a stated geographical area on the Norwegian Continental Shelf for a certain period. This concession is granted by the authorities, represented by the Ministry of Petroleum and Energy, to one or more qualified oil companies, i.e., "licencees". The cooperation between the oil companies in a licence is regulated by agreements stipulated by the authorities.

MPE: The Ministry of Petroleum and Energy

NPD: The Norwegian Petroleum Directorate

Oil equivalent (o.e.): Used when oil, gas, condensate and NGL are to be totalled. The volumes are converted to the equivalent unit of energy of oil.

Oil reservoir: An underground mass of porous rock, usually sandstone or limestone, which contains deposits of petroleum that can be produced.

Operator: One of the licencees in a licence who, on behalf of all the licencees, is in charge of the day-to-day management of the petroleum activity. The operator is appointed by the Ministry of Petroleum and Energy.

P10, P50, P90: A probability of 10, 50 and 90 percent, respectively.

Private placement: The sale of securities to a relatively small number of select investors as a way of raising capital.

PDO: Plan for Development and Operation, submitted to the authorities for approval.

Prospect: A defined volume that has been mapped where it is probable that hydrocarbons are present.

PSA: The Petroleum Safety Authority Norway

Reserves: Proven petroleum that with certainty will be produced, according to the Society of Petroleum Engineers (SPE) standard.

Resources: Proven petroleum that may not with certainty be produced as well as estimated volumes of petroleum in mapped prospects that have yet to be drilled. Resources are classifi ed in accordance with the NPD's defi nitions.

Revolving credit facility: A loan facility that a company has with a group of banks that can be used to fund the company's development projects. The facility has security in the development licences.

Sidetrack well: This is to drill a secondary well bore from an existing well bore towards a new well target or new well path because the first well path cannot be used due to technical reasons.

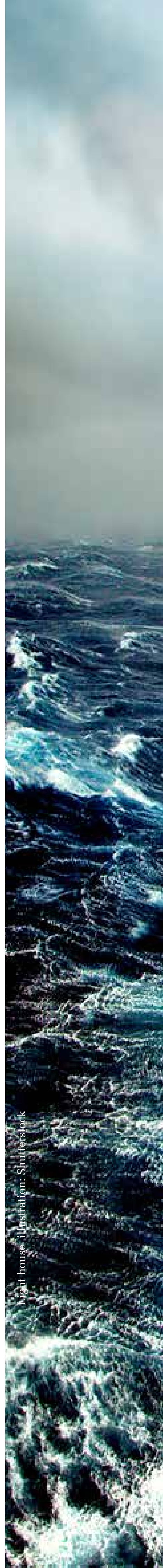
Tobis (sandeel): A bottom fish of the Ammodytidae family, caught for industrial use (fish meal).

Ivar Aasen quotes

In this Annual Report, Det norske has incorporated quotes from "Norske Ordsprog" (1856) ("Norwegian Proverbs") composed by Ivar Aasen. The champion of *nynorsk* was not only a linguist, but also a folklore researcher. During his travels in Norway he collected fairytales, myths, sayings and other colloquial expressions. "Norske Ordsprog" was the most extensive work on folklore published by Ivar Aasen.

The Ivar Aasen Centre describes the collection as fallows:

"With Norske Ordsprog, Aasen intended to contribute to the publication of writings composed using dialect, which would show people that dialect was fit for use in books. He also endeavoured to uncover the wisdom embedded in the heart of the country, in order to improve the manner in which common people were perceived. The book holds a high professional level and has served as an important source for subsequent students of folklore. In addition, it has been a popular reference book for people in search of fun and striking words of wisdom. Proverbs are folksy words of wisdom, more or less sensible lessons learned in life that have been compiled in a concentrated and chiselled-out language, and they are generally easy to remember."



Light house illustration: Shutterstock

Board of Director's Annual Report and Financial Statement 2012

Dear fellow shareholders

BOARD OF DIRECTORS' REPORT

Important events in 2012

We continue to grow our resource base and our objective is to develop a sustainable company that will consistently generate shareholder value through participation in all parts of the exploration and production value chain in the years ahead. Det norske is on a path of transition from an exploration company to also becoming a significant hydrocarbon producer on the Norwegian Continental Shelf. The transformation is challenging and brings with it both new opportunities and risks. The Board recognises the demands of successfully navigating such a transition and believes the company has the resources to succeed.

On the Utsira High in the North Sea, where the company's most valuable assets are located, 2012 has seen good progress on both the giant Johan Sverdrup field and our operated Ivar Aasen field development project.

Following the discovery of Johan Sverdrup in PL 265 in August 2011, an exploration well on the Geitungen prospect discovered additional oil resources in 2012 and the two-well appraisal programme in PL 265 also provided very encouraging results. We currently estimate P50 reserves for the company of 65 million barrels of oil equivalents. Contingent resources in the planning phase are estimated at between 308 and 487 million barrels of oil equivalents, of which the Johan Sverdrup field accounts for about 80 percent (Det norske's share in the PL 265 part of the field is 20 percent).

During 2012 we continued to strengthen our field development capabilities as an operator. Most significantly, Det norske submitted in December 2012 the Plan for Development and Operation of the Ivar Aasen field to the Norwegian authorities. In addition to being a major investment decision, this project will represent a significant step in the development of the company over the next few years and upon completion of this project, Det norske will become a mid-sized E&P company.

Det norske also made progress on the Jette project, our first operated field development project. The company experienced technical challenges with the completion of the first production well on the Jette field and, as a result, revised the development drilling plan. This revised plan resulted in higher drilling costs and reduced estimated recoverable reserves compared to the original plan. This caused reduced profitability of the field. Consequently, Det norske performed an impairment assessment and recorded an impairment charge of NOK 1,881 million before tax. First production is expected in April 2013.

Det norske is well positioned to participate in growth on the Norwegian Continental Shelf. Our portfolio of field development projects, with Ivar Aasen and the Johan Sverdrup as the two main pillars, is first class. We have a strong presence in the Greater Utsira High area, and a strong portfolio of exploration licences. We are, however, conscious of the risk associated with project execution and increasing capital costs being experienced by the industry. The Board has a clear focus on capital discipline and risk mitigation, wherever possible.

Share price performance and ownership structure

Following the 226 percent increase in the share price during 2011, the Det norske share ended 2012 modestly lower at NOK 82 per share in 2012 (compared with NOK 88 per share at the end of 2011). The average number of shares in issue during 2012 was 128.6 million, up from 115.1 million in 2011, following a NOK 1,029 million share issue on 5 December 2012. This share issue was carried out shortly before the submission of the Plan for Development and Operation (PDO) for the Ivar Aasen development. At year-end the number of shares issued was 140.7 million. Aker remains the largest owner with 49.99 percent of the shares.

Our business

Description of the company

Det norske oljeselskap ASA (Det norske) is focused on exploring in Norway for new hydrocarbon resources and bringing on stream its portfolio of contingent resources and undeveloped reserves. Our upstream activities are organised in four business units; Exploration, Field development and operations, Projects and Johan Sverdrup. The purpose of having a specific business unit to manage our interest in the Johan Sverdrup reflects the importance of this major oil field in the company's overall reserves and resources portfolio. Since 2012, Det norske has carried out all its activities through a single company which holds no oil or gas assets outside of Norway. All our activities are, consequently, within the Norwegian offshore tax regime, and to the extent the company has overseas operations, these are related to construction and engineering of field development projects.

Det norske is active in all three main petroleum provinces on the Norwegian Continental Shelf: the North Sea, the Norwegian Sea and the Barents Sea. We remain convinced that the Norwegian Continental Shelf offers attractive opportunities for oil and gas exploration and this is also supported by the NPD's latest undiscovered resources estimates. Correspondingly we plan to keep a high exploration activity level in the coming years.

The company's registered address is in Trondheim. The head office function is divided between Oslo and Trondheim. The company also has an office in Harstad in order to assist with Barents Sea operations.

Erik Haugane will retire from his position as Chief Executive Officer (CEO) of the company in 2013 under the terms of an agreement entered into by the Board of Directors with Mr. Haugane in 2005. The Board is in the process of recruiting a new CEO.

At the end of 2012, the company had 214 (171) employees. It is a major licencee on the Norwegian Continental Shelf. The company operates 26 licences and is partner in an additional 41 licences.

<u>Exploration</u>

Det norske's exploration strategy is twofold. Approximately two-thirds of its exploration resources are invested in mature areas in the North Sea, where the discovery rate continues to be high and the finding costs are still attractive. In 2011 and 2012 eight significant new discoveries were made in the North Sea, primarily oil. Det norske participated in three of these; Geitungen (PL 265), Krafla (PL 272) and Garantiana (PL 554). There is extensive infrastructure in the North Sea, which makes it possible to bring discoveries rapidly into production, compared with less mature areas. The remaining resources are invested in exploration in frontier areas, where the company is exploring for bigger discoveries that are intended to ensure long-term growth. In 2011 and 2012 five significant new discoveries were made in the areas further to the north, both oil and gas. Det norske participated in one of these, namely the Norvarg gas discovery in PL 535 in the Barents Sea.

Most of Det norske's reserves and all the company's contingent resources have been discovered through the drill bit, rather than through acquisition. We believe that our inventory of exploration prospects should enable this trend to continue in the medium term and justifies our plans for high exploration activity at a time when investments in field developments are also high.

In line with this strategy, the company has been one of the most active exploration companies on the Norwegian Continental Shelf for several years. In 2012, total investments in exploration activities amounted to NOK 1.7 billion, compared to NOK 1.8 billion in 2011.

We have reorganised our Exploration organisation from three to two groups in accordance with the above strategy, with one group responsible for activities in the mature areas of the North Sea, and the other team responsible for the frontier areas in the north. Det norske has during the last year put less emphasis on the deepwater areas of the Norwegian Sea. As a result, this group has been combined with the Barents Sea exploration team.

In 2012, the company participated in nine wildcat wells and three appraisal wells. The year-end score board for the 2012 wildcat drilling campaign shows two oil discoveries and one gas discovery. Additionally, oil was found in all three appraisal wells. The most promising and valuable discovery we made last year was on the Geitungen prospect, a segment to the north of the large Johan Sverdrup field. Additional volumes to existing commercial discoveries normally carry a high value per barrel, as they often can be produced with lower investments per barrel than other discoveries. Apart from the Geitungen discovery, Det norske took part in a promising discovery on the Garantiana prospect, located north of the Visund field. Det norske holds 20 percent in both these discoveries.

Development

Det norske participates in three field development projects: Ivar Aasen (35 percent), Gina Krog (3.3 percent) and Jette (70 percent).

Ivar Aasen

The PDO for the Ivar Aasen field development was submitted, as planned, to the Ministry of Petroleum and Energy on 21 December 2012. The field development includes reserves of about 147 million barrels of oil equivalents gross from three reservoirs; the Ivar Aasen, West Cable and Hanz structures.

Developing the Ivar Aasen field as an operator will have a major impact on Det norske as a company. The project represents a large investment commitment and, when completed, will transform the company from a pure exploration player into a full cycle E&P company, with capacity to operate in the entire value chain, from exploration to project development and production. Field development costs are estimated to NOK 24.7 billion, of which approximately NOK 19 billion will be invested prior to production start-up in late 2016. Det norske's 35 percent ownership interest represents an investment of about NOK 8.6 billion.

Ivar Aasen is a two-stage development, with Ivar Aasen and West Cable developed in Phase one, with production scheduled to commence in the fourth quarter 2016 at a rate (net to Det norske) of about 16,000 boepd. Hanz, located further north, will be developed in Phase two, scheduled to start producing in 2019, at which point the production is estimated to reach a peak level of approximately 23,000 boepd net to Det norske. The gross reserves (P50/2P) are estimated at 147 million barrels of oil equivalents, of which 120 million barrels are oil. A small part of this volume is located in PL 457 (to the east of PL 001B) and in PL 338 (to the south of PL 001B).

In December 2012, the partners in PL 457 discovered oil in the 16/1-16 and 16/1-16A wells. The results of these wells confirmed additional reserves in the Ivar Aasen field. The two partnerships are discussing how these additional reserves relate to the current Ivar Aasen field development plan.

Gina Krog

A PDO for the Gina Krog field was submitted to the authorities in December 2012. The Gina Krog oil and gas field is located in Blocks 15/5 and 15/6 of PL 303, PL 048, PL 029 and PL 029B in the North Sea. Det norske holds a 20 percent interest in PL 029B, and based on this interest the company reached a unitisation agreement with the other partners, leaving Det norske with a 3.3 percent interest in the total development (to be approved in 2013). According to the pre-unit cost sharing agreement Det norske had a 2.0 percent interest which has been the assumption in previous reserve reports.

Gina Krog is planned developed with a fixed platform. Gas from Gina Krog will be exported through a tie-back to the infrastructure on Sleipner East, while the oil will be loaded offshore to shuttle tankers. Gross investments are estimated at NOK 31 billion (nominal) and the field holds gross proven and probable resources (P50/2P) of about 225 million barrels of oil equivalents.

Jette

A PDO for the Jette field was submitted by Det norske as operator to the Ministry of Petroleum and Energy in September 2011. The development solution, two subsea wells tied back to the Jotun B platform, was approved by the authorities in February 2012.

Subsea construction and installation has been successfully completed in 2012. However, there were significant operational problems with the completion of the two planned production wells, which had to be reconfigured and redesigned. Increased well cost and reduced recoverable reserves were direct consequences, resulting in lower estimated profitability and in the third quarter accounts Det norske booked a pre-tax impairment of NOK 1.9 billion.

As a result of the well redesign, the two wells will only drain oil and gas from one reservoir segment, instead of two reservoir segments, as previously planned. This effectively reduces estimated gross recoverable reserves from 13 million barrels of oil equivalents to 6-7 million barrels of oil equivalents. The gross estimated investments have also increased and now stand at NOK 3.6 billion, compared to the original NOK 3.0 billion estimate (inclusive of NOK 500 million as project reserve). Net production for Det norske from the Jette field is initially expected to be in the range of 6,000 to 7,000 boped, compared to 10,000 barrels per day originally.

In addition to the above-mentioned fields, Det norske is engaged in a long-term project to find the best development solution for Frøy, where the company is operator and has an interest of 50 percent. Independent solutions, tie-in to existing infrastructure and collaboration on area solutions are all being considered.

Production

As of 31 December 2012, Det norske had a participating interest in five producing fields: Atla (10 percent), Glitne (10 percent), Jotun (7 percent), Varg (5 percent) and Enoch (2 percent). Det norske's share of production from these fields amounted to 545,000 barrels of oil equivalents (548,000) in 2012, which corresponds to 1,493 barrels of oil equivalents per day (1,505).

The Atla gas condensate field commenced production on 7 October 2012. The project was completed on time and within the NOK 1.4 billion gross investment estimate. Initial production has been well above expectations, with close to 20,000 boepd gross and about 2,000 boepd net to Det norske during the fourth quarter. The gas and condensate from Atla are produced from a subsea installation and piped to Heimdal via the subsea installations on the Skirne field. Det norske's share in Atla is 10 percent. Estimated gross P50/P2 reserves are 9.9 million barrels of oil equivalents.

Jotun is producing from an integrated wellhead platform (Jotun B) and an FPSO (Jotun A). The greatest uncertainty relating to future production is how much water the wells will produce. Increased water production means lower oil production and thus reduced profitability. The remaining gross P50/2P reserves are estimated at 3.0 million barrels, with an expected useful life until the end of 2017.

The Glitne field is produced from subsea wells connected to the production vessel 'Petrojarl 1'. The remaining gross P50/2P reserves are estimated at 0.04 million barrels of oil. A planned infill well, which was drilled during the spring 2012, was dry and the up-side potential described in the Annual Report 2011 failed. Current production gives a negative cash flow from the field. The licence has therefore terminated the production contract with Teekay Production. The FPSO Teekay Petrojarl 1 will leave the Glitne field on 1 May 2013.

The Varg field is developed using the production vessel 'Petrojarl Varg', with integrated oil storage connected to a wellhead platform. Total production at Varg is approximately 7,000 bopd by year-end 2012. The wells are producing according to prognosis. The field has currently three wells on production. In addition, two new wells will be ready for production in early 2013. The remaining gross P50/2P reserves are estimated at 7.88 million barrels of oil equivalents, with an expected useful life until 2015.

A gas blow-down scenario has been sanctioned by the licence partners. One gas producer is planned and a new 6 inch gas export line will be installed between the Petrojarl Varg FPSO and the subsea facilities on the nearby Rev gas field. Estimated gross P50/2P reserves are estimated at 16.75 million barrels of oil equivalents. The Varg production will together with the Rev production be piped to the Armada platform on the UK shelf.

The Enoch field straddles the border between the Norwegian and the British sector. The field is developed using a single horizontal subsea well and it is connected to the Brae A platform in the UK sector. Production started in May 2007, and the field is expected to continue production until 2017. Total remaining gross P50/2P reserves are estimated to be 2.6 million barrels. The field has been shut down since February 2012 due to mechanical problems with the X-mas tree. Work is ongoing to bring the field back on production.

Research and development

Det norske collaborates both with leading research establishments and other companies to support the development of technology. A total of 61 projects were active in 2012. The gross R&D expenditures (prior to recharging to licence partners) were NOK 58 (48) million, mainly allocated to projects related to understanding geology and the use of different exploration models. Projects are also being carried out in the area of HSE, drilling and wells and new concepts relating to floating production.

The annual accounts

(All figures in brackets apply to 2011.)

Statement of income

The company's total operating revenues amounted to NOK 332.4 (437.5) million. Petroleum from the producing fields Varg, Enoch, Glitne, Jotun and Atla amounted to 545,000 (548.000) barrels of oil equivalents and was sold at an average price of USD 114.5 per barrel, which is up 2.7 percent compared with an average price of USD 111.5 per barrel in 2011. The higher operating revenues in 2011 include a gain from liquidating a subsidiary with NOK 65.4 million.

Total exploration expenses amounted to NOK 1,609.3 (1,012.2) million and are mainly related to dry wells, seismic data and general exploration activities. The higher expenses in 2012 are mainly a result of drilling wells that were deemed non-commercial.

Gross payroll expenses before recharges amounted to NOK 371.6 (376.9) million. Net payroll expenses were reduced to NOK 11.0 (31.7) million. The net reported payroll expense is low because expenses related to exploration, development and production activities are invoiced to operated licences or allocated directly to their respective categories of activities.

Depreciation amounted to NOK 111.7 (78.5) million. The increase is mainly due to depreciations of Atla which came on stream in October 2012.

Net impairments of tangible fixed assets and intangible assets amounted to NOK 2,149.7 (151.0) million. The main reason for the high impairment charge in 2012 is the previously mentioned challenges experienced while drilling production wells on the Jette field. This resulted in an impairment of NOK 1,881 million in the third quarter. In addition, impairments were recognised for some licences due to increased plugging and abandonment liabilities and relinquishment of licences.

Other operating expenses amounted to NOK 82.8 (60.8) million for the company, of which area fees accounted for NOK 51.6 (43.4) million and preparation for operation of development licences accounted for NOK 18.7 (0.0) million. The net reported operating expense is low because expenses related to activities within exploration, development and production are invoiced to operated licences or allocated directly to their respective categories of activities.

The company reported an operating loss of NOK 3,842.9 (1,078.5) million.

The pre-tax loss amounted to NOK 3.948,9 (1,310.9) million, and the tax income on the ordinary loss amounted to NOK 2,991.6 (940.6) million. The tax rules and tax calculations are described in Notes 1 and 11 to the financial statements.

The after-tax loss for 2012 was NOK 957.3 (370.3) million.

Statement of financial position

Total assets at year end amounted to NOK 8,364.4 (7,716.0) million and the increase was mainly caused by capital expenditures in development projects.

Equity increased by NOK 61.8 million to NOK 3,738.4 million. The net loss caused a reduction of equity, whilst the issue of new shares caused an increase. At year-end, equity amounted to approximately 45 (48) percent of total assets.

At 31 December, total interest-bearing liabilities amounted to NOK 2,455.9 (966.6) million. A new loan was entered into in order to contribute to financing of development projects.

Cash and cash equivalents totalled NOK 1,154.2 (841.6) million at the end of the year.

In the fourth quarter, Det norske carried out an equity issue with institutional investors, corresponding to 10 percent of the share capital. The company received NOK 1,019.1 million after deduction for share issue costs. Following the placement, the total number of outstanding shares increased to 140,707,363.

In late 2011, a USD 500 million corporate facility was entered into and during 2012 it has been utilised with NOK 1,299.7 million as of 31 December 2012.

The company has renewed a credit facility of NOK 3,500 million with a group of banks. The current facility was established in December 2012 and the company can draw on the facility until 31 December 2015 with a final date for repayment in December 2016. The maximum utilisation including interest is limited to 95 percent of tax refund related to exploration expenses. The interest rate is NIBOR plus a margin of 1.75 percent, with a utilisation fee of 0.25 percent for unused credit up to NOK 2,750 million and 0.5 percent if the utilised credit exceeds NOK 2,750 million. In addition, a commitment fee of 0.7 percent is also paid on unused credit. Up-front fees amounted to NOK 33 million.

For information about the unused amounts of credit facilities, see Note 19.

Cash flow and liquidity

Net cash flow from operating activities amounted to NOK 1,419.0 (1,452.7) million. This included tax refunds excluding interest of NOK 1,443.1 (2,323.9) million.

Det norske oljeselskap ASA – Board of Directors' report 2012

Net cash flow from investment activities amounted to NOK -3,575.2 (-1,718.4) million. This mainly relates to investments in fixed assets of NOK 2,874.6 (388.2) million and investments in intangible assets of NOK 1,114.3 (1,440.8) million. These investments are likely to result in a future increase of the company's production.

The net cash flow from financing activities amounted to NOK 2,468.8 (318.1) million. The increase was largely caused by withdrawals on established loan facilities.

In total, the company had a cash position and tax refund claim of NOK 2,427.9 (2,239) million at the end of the year. It is expected that liquid assets, revenues from the company's production and the unused credit facility will be sufficient to finance the company's commitments in 2013.

The going concern assumption

Pursuant to the Norwegian Accounting Act section 3-3a, the Board of Directors confirms that the requirements of the going concern assumption are met and that the annual accounts have been prepared on that basis. The financial position and the liquidity of the company are considered to be good. The planned growth in the years ahead will lead to significant investments in development projects and may give rise to future financing requirements. The company is considering various sources of funding to facilitate the expected growth of the company.

In the Board of Directors' view, the annual accounts give a true and fair view of the company's assets and liabilities, financial position and results. The Board of Directors is not aware of any factors that materially affect the assessment of the company's position as of 31 December 2012, or the loss for 2012, other than those presented in the Directors' Report or that otherwise follow from the financial statements.

The company prepares its financial statements in accordance with the International Financial Reporting Standards (IFRS), as provided for by the EU and the Norwegian Accounting Act.

Resource accounts

Det norske complies with guidelines from Oslo Børs and the Society of Petroleum Engineer's (SPE) classification system for quantification of petroleum reserves and contingent resources. Total net P90/1P reserves are estimated at 42.5 (47.3) million barrels of oil equivalents at year-end, while net P50/2P reserves amounted to 65.3 (67.9) million barrels of oil equivalents at year-end. See Note 31 for a more detailed review of the resource accounts. Reserves have been certified by an independent third party.

Coverage of loss for the year

Det norske's distributable equity at 31 December was NOK 120.6 (939.5) million.

The Board of Directors proposes that the loss for the year be covered by transferring NOK 957.3 from other equity.

Risk factors

The Board recognises the significant risks associated with the operations and, in particular, those associated by the period of growth and transition period the company is in. Consequently the Board has dedicated significant resources and time to understand and discuss not only general risks facing an E&P company, but also inherent risks connected to organisation, culture and leadership. In an externally managed workshop, the Board and executives dedicated two days during 2012 to identify and understand how to deal with such risks. The outcomes of this workshop have been integrated into plans and new procedures. The aim is to develop further a culture in the organisation such that risks and concerns are allowed to surface to the attention of senior management and the Board as they arise and where the risk aspects are integral in all decision-making and incentives.

Experience has shown that E&P companies face significant risks. The regulation of activities on the NCS provides good and sound frameworks for handling these. For a company like Det norske, the Board views the risks in taking on developments and the reliance on the few initial projects to be among the greatest. In this notion is also included the ability to finance these in a value-enhancing way. This is, therefore, where the mitigating efforts are concentrated. We highlight below the general risks faced by E&P companies, such as exposure to oil price, interest rates, currency risks, and valuation of resource base. This is followed by a discussion of the particular risks for Det norske including project execution risk, access to capital and organisational issues.

Risk relating to resource basis and recoverable reserves
The company's oil and gas resources are assessed by experienced professionals based on input from operators and licence partners and on internal assessments. Additionally, the independent consultancy AGR Petroleum Services AS has certified the company's reserve estimates and its most significant contingent resources.

The recognition of reserves and resources is coordinated and quality-assured by a small group of experts led by a reservoir engineer with more than 20 years' experience of this type of assessment. The reserves report is reviewed by the Audit Committee and approved by the Board of Directors before it is published.

Estimating recoverable volumes are always associated with significant uncertainty, and the reported P50/2P estimate is Det norske's best estimate for reserves and includes volumes that are expected to be recoverable based on assumptions of future economic, financial and tax-related conditions. The P90/1P estimate reflects assumed recoverable volumes with a high degree of certainty.

Available methods for mapping subsurface oil and gas deposits do not eliminate all uncertainty in calculating volumes of hydrocarbons in-place or their recoverability. There is therefore a risk that the final result may be even lower than the P90/1P estimate. Regarding our contingent resources in the giant Johan Sverdrup field, an extensive appraisal drilling program remains. This program, planned conducted in 2013 and 2014, will further reduce the uncertainty. However, also ownership interest in the future unit is uncertain, as this will be decided through a negotiation process between the equity holders of the underlying production licences. This negotiation process will probably take place in 2014, in parallel with the work towards a Plan for Development and Operation (PDO) for the field.

Project execution risk
Det norske continuously reviews its development projects. In some cases, the company may decide not to proceed with a project or to postpone a development decision pending more detailed assessment at a later date. In other cases, the company will decide to progress the development to production.

Det norske is currently involved in several capital-intensive and complex development projects. All of these projects have different time frames and investment levels. The risk exists that the company and its partners will not be able to stay within these limits, especially in light of the observed cost inflation on the Norwegian Continental Shelf. Budget overruns and exceeding time limits in projects may in turn have a negative impact on the project finances.

Transformation risk
The company is undergoing a significant transformation due to its role as the operator of two development projects. Jette is approaching start-up, and the PDO has been submitted for Ivar Aasen. This involves adding substantial human resources to the organisation within appropriate control structures in order to execute substantial capital expenditure programmes. The Board works closely with management at this critical stage in the company's transformation to ensure that risks associated with this process are mitigated to the maximum possible extent.

Financial risk factors
Oil price risk
Det norske's revenues come from the sale of petroleum and the revenue flow is, therefore, exposed to changes in oil and gas prices.

Det norske's oil production is currently limited, and the company has decided not to hedge against changes in the oil or gas price. In the Board's view, shares in Det norske give the investors an unhedged exposure to the oil price and each investor should, if desirable, diversify this risk in the individual portfolios.

The Board will nonetheless consider hedging against oil price fluctuations in step with the company's growing involvement in development projects and the considerable increase in production that is expected in the years ahead.

Currency risk
Exchange rate fluctuations involve both direct and indirect financial risk exposure. The company's petroleum revenues are in USD, whereas the expenses are mainly divided between NOK and USD, with smaller proportions in EUR and GBP. The exposure to USD on the revenue side is partly mitigated by the company's borrowings in USD.

Interest rate risk
Det norske is exposed to interest-rate risk related to bonds and bank debt in connection with taking up loans and placements of liquid assets. Floating-interest loans involve an interest rate risk for the company's future cash flow. Det norske is exposed to risk (discount/premium) through fixed-interest loans due to changes in the market interest rate.

As of year-end, Det norske had interest bearing debt of NOK 2,455.9 (966.6) million, of which NOK 567.1 (379.6) million was short-term debt. All loans have floating interest rates, but the company has entered into swap agreements for about 50 percent of the amount in order to reduce interest risk exposure.

Pursuant to the company's guidelines, liquid assets shall be placed so that the interest rate risk is of less than one year's duration. All bank deposits have floating interest rates. The company's sensitivity to potential changes in interest rates is shown in Note 29.

Credit risk
Det norske is exposed to credit risk through book receivables and the fair value of financial commitments. Historically, the company has not experienced losses on receivables as its customers are big, creditworthy oil companies, and it has therefore not been necessary to make provision for bad debt.

Low credit risk is given priority in the management of the company's liquid assets. Liquid assets are placed in bank deposits, bonds and funds that represent a low credit risk.

The maximum credit risk exposure equals the balance sheet value of trade debtors, plus other short-term receivables and investments as described in Note 29.

Liquidity risk
The company's liquidity risk is the risk that it will not be able to meet its financial obligations as they fall due.

The company maintains sufficient liquidity in its regular bank accounts at all times to cover expected payments relating to operational activities and investment activities for two months ahead.

In addition, short-term (12 months) and long-term (five years) forecasts are prepared on a regular basis to plan the company's liquidity requirements. These plans are updated regularly for various scenarios and form part of the day-to-day decision basis for the company's board of directors.

Excess liquidity is defined as a portfolio consisting of liquid assets other than the funds deposited in regular current accounts and unused credit facilities. This means that excess liquidity includes high-interest accounts and financial investments in banks, money-market instruments and bonds.

For excess liquidity, the requirement for low liquidity risk (i.e. the risk of realisation at short notice) is generally more important than maximising the return.

Some reporting requirements are associated with the agreement with the bank syndicate that furnished the credit facility, including quarterly updates of a revolving liquidity budget for the next 12 months. The company met these requirements in 2012.

The company's objective for the placement and management of excess capital is to maintain a low risk profile and good liquidity.

As of 31 December 2012, the company's excess liquidity is mainly deposited in bank accounts.

As of 31 December, the company had cash reserves of NOK 1,154.2 (841.6) million. However, the combination of limited production revenues and active exploration and development programmes requires active management of liquidity risk.

The company has various means available to it to handle increased future capital requirements such as raising additional funds through: equity issues, obtaining bank debt, issuance of bonds, selling assets, supplier-financed developments, carry agreements, strategic alliances or a combination of these, and by adjusting the company's level of activity, if required.

At the end of 2012, the company renewed its NOK 3,500 million exploration facility. In the fourth quarter 2012, the company carried out a 10 percent private placement, with NOK 1,019 million in gross proceeds. The budget for 2013 include Capex of NOK 1,700 million, mainly related to Ivar Aasen and Jette, and pre-tax exploration spending, including Johan Sverdrup of about NOK 2,000 million. Together with the company's liquid assets and projected income, the Board believes that this will be sufficient to finance the company's activities in 2013.

Organisation

Det norske is building an organisation around employees with competence in the disciplines of exploration, subsurface technology drilling, field development, operations and business development. The aim is to develop an organisation that will create value for shareholders and society, safely and efficiently, without causing any harm to people or the environment.

Recruitment

In the time ahead, it will be challenging for the industry to recruit sufficient qualified personnel in the most important technological disciplines. Det norske has a long-standing collaboration with graduate schools, university colleges, universities and business and industry – especially in Northern Norway. This involves supporting apprentices, lectures, tuition and, not least, certification of companies in collaboration with the Verftsringen trade association in Northern Norway. Last year, we extended this scope to include geology classes at upper secondary school level, and more targeted information to the students' associations at the Norwegian University of Science and Technology (NTNU).

Health, safety and the environment in our operations

Det norske's goal is that all activities should be conducted with zero harm to people or the environment. The safety of people, the environment and financial assets is therefore an integrated part of Det norske's activities. Det norske shall contribute to the promotion of healthy attitudes and an HSE culture that helps us to reach our goals.

During 2012, Det norske had significant offshore activities related to the Jette field development project. Additionally, four operated exploration wells were drilled: Geite (PL 497), Ulvetanna (PL 356), Storebjørn (PL 450) and Kalvklumpen (PL 414). Three of the wells were challenging when it came to planning and operation. Gravel pads had to be established to reduce risk for punch-through for the rig. A well was drilled with high pressure, high temperature and an exploration well was drilled in a sensitive fishing area. Det norske was also engaged in considerable maritime activity involving among others vessels acquiring seismic data and conducting environmental surveys. These operations were carried out without any serious accidents, but the contractor had two near-misses with a potential to do serious harm. The company did not receive any actual or notified official orders from the Petroleum Safety Authority (PSA) during 2012. The PSA accomplished an audit of the Jette project without finding any non-conformances.

Det norske does not operate any fields in production.

Emissions and discharges into the natural environment and the use of chemicals in drilling operations have been reported to the Norwegian Climate and Pollution Agency in accordance with established guidelines. These reports are publicly available via the Norwegian Oil and Gas Association's website. All emissions and discharges were in accordance with the granted permits.

Det norske works to reduce the quantity of chemicals used and to replace potentially environmentally harmful chemicals. Det norske also works to reduce the amount of waste.

Combustion of diesel on the drilling rigs leads to emissions into the atmosphere. Det norske is a member of the business sector's NOx fund. Through contributions to the NOx fund, the company also helps to make funds available for measures aimed at reducing emissions across industries, and in shipping and fisheries.

Emergency response
Det norske incorporates safety measures to protect against unforeseen events in all its offshore activities. The company's management system is at the core of the company's operations. For each well that is drilled, environmental risk and emergency response analyses are carried out in advance.

All offshore activity nevertheless entails a risk, including the risk of oil spills. Det norske has therefore adapted and prepared its oil spill response in case of an accident. Emergency response plans have been prepared for the activity in general and for oil spill response in particular.

Det norske is working to develop further its emergency response system for handling undesirable incidents. The company has played a key role in the establishment of a joint emergency response centre for the oil industry, through the Norwegian Operators' Association for Emergency Preparedness (OFFB). OFFB's task is to manage and maintain a second-line emergency response system on behalf of the member companies. On behalf of the licencees in the licence, the operator companies are responsible for ensuring that an effective emergency response system is in place at all times. OFFB forms an integral part of the members' emergency response organisations. In addition to handling second-line emergency response for the companies, the centre contributes to the companies' training and emergency response planning. OFFB had 10 member companies in 2012.

Det norske has oil-spill response expertise internally within the company and participates actively in NOFO, the Norwegian Clean Seas Association for Operating Companies, which has special training in handling oil spill response situations. Det norske has been a member of NOFO since 2005 and participates with personnel in NOFO's resource pool. If Det norske were to be responsible for an oil spill, NOFO would play a key role in limiting the damage and in collection of any oil.

The emergency response organisation is well trained. A considerable number of personnel are on duty to respond if an incident occurs. Emphasis has been placed on improving the quality of the emergency response system to handle current and future activities in the company.

Employees and working conditions

Status of employees
During the course of 2012, the number of employees at Det norske increased, mainly as a result of work related to the Ivar Aasen development. At year-end, the company had 214 (171) employees divided between four office locations.

Equal opportunities
The Board and management work systematically to achieve a balanced working environment in which everyone will have the same opportunities, irrespective of gender, ethnicity or disability. At year-end, the proportion of female employees was 28.5 (26) percent, while women accounted for 50 (50) percent of the regular shareholder-elected board members, and 50 (50) percent of regular board members, including employees. Among managers and middle management with personnel responsibility, the proportion of women was 35 (14) percent. As of 31 December 2012, 5.6 (7.4) percent of the employees were of foreign origin. Det norske's office premises are universally designed for both executives and other employees.

Det norske has a remuneration system that ensures that men and women with corresponding positions and equal experience, and who perform equally well, receive the same pay. Differences in the type of position and work experience, affect the general pay level of individual employees.

The company is making a targeted effort to recruit more women to male-dominated positions and disciplines. A separate personnel unit is an important measure in order to work more systematically towards this goal and to ensure equal opportunities for all employees regardless of gender, ethnicity or disability.

The working environment
Det norske has a Working Environment Committee as described in the Norwegian Working Environment Act. The committee plays an important role in monitoring and improving the work environment and to ensure that the company complies with laws and regulations in this area. Det norske conducts a working environment survey every other year. In 2012 a new survey was carried out and the results documented a good working environment.

In the Board's view, the working environment in Det norske at the end of 2012 was good.

Sickness absence
In 2012, sickness absence in Det norske was 2.4 (3.4) percent.

Ethics
Det norske has prepared ethical guidelines that place specific demands on employees of Det norske and members of the company's governing bodies relating to good business practice and personal conduct. The guidelines also apply to temporary personnel, consultants and others who act on behalf of Det norske.

Corporate governance

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

The Board of Det norske is responsible for maintaining good corporate governance standards. The Board carries out an annual review of the company's principles. The company complies with relevant rules and regulations for corporate governance, including the most recent version of the Norwegian Code of Conduct for Corporate Governance, published on 23 October 2012, unless otherwise specified.

An account of corporate governance is provided in a separate section of the annual report and on the company's website www.detnor.no.

Events after the year-end closing of the accounts

In January 2013, Det norske was awarded interests in a total of eight licences in the Awards in Pre-defined Areas (APA) 2012, three of which as operator. All eight licences are located in the North Sea.

Outlook

The Board believes that Det norske is well positioned for further growth. The Atla field has already contributed positively to production and cash flow since coming on stream at the end of 2012, and the Jette field is expected to come on stream shortly. In the longer term, the Ivar Aasen and the Johan Sverdrup have the potential to significantly increase production and transform the company's scale of operations. Det norske has an extensive exploration programme of more than 10 wells planned for 2013, and is continuously seeking new drillable prospects.

The company carried out several important financing transactions in 2012, including a renewed NOK 3,500 million exploration facility and an equity issue of 10 percent of outstanding shares of NOK 1,029 million. Consequently, the Board is comfortable with Det norske's ability to finance its programme of activities.

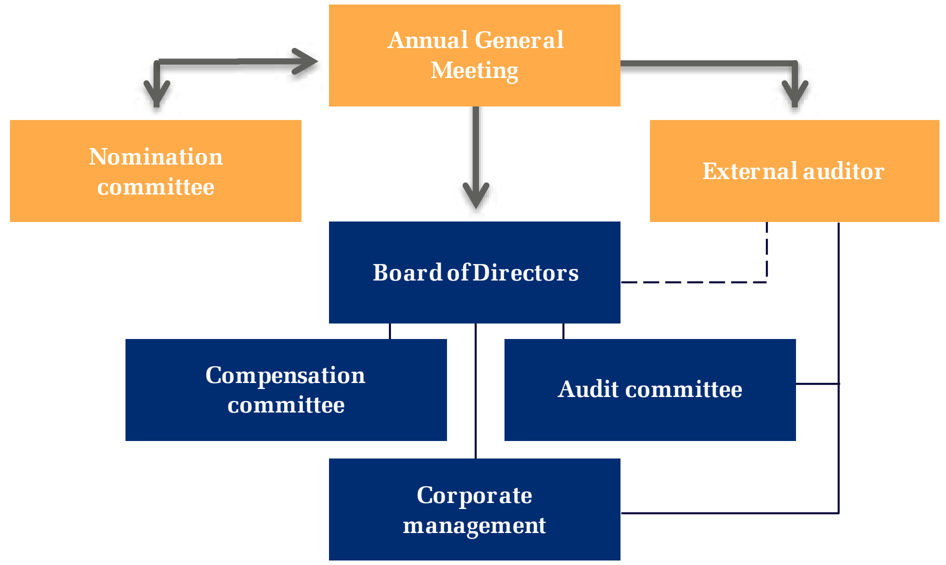
The Board of Directors of Det norske oljeselskap ASA

Oslo, 13 March 2013

Svein Aaser, Chair of the Board	Tom Røtjer, Board member
Maria Moræus Hanssen, Deputy Chair	Kjell Inge Røkke, Deputy Board member
Hege Sjo, Board member	Carol Bell, Board member
Tonje Eskeland Foss, Board member	Inge Sundet, Board member
Erik Haugane – Chief Executive Officer	

THE BOARD OF DIRECTORS' REPORT ON CORPORATE GOVERNANCE

Det norske oljeselskap ASA ('Det norske') aims to ensure the greatest possible value creation to the shareholders and society over time. A good management and control model with a clear division of responsibility and roles between the owners, represented by the shareholders in the general meeting, the Board of Directors and the corporate management is crucial to achieve this.



1. IMPLEMENTATION AND REPORTING ON CORPORATE GOVERNANCE

The Board of Directors ('the Board') establishes the company's goals and strategy, while it is the executive management's task to implement the strategy in order to achieve the goals.

The Board at Det norske is responsible for actively adhering to sound corporate governance standards. The Board therefore carries out an annual review of the company's principles for corporate governance.

Rules and regulations

Det norske is a Norwegian public limited liability company (ASA), listed on the Oslo Børs and established under Norwegian laws.

In accordance with the Norwegian Accounting Act, section 3-3b, Det norske includes a description of principles for corporate governance as part of the Board of Directors' Report in the annual report or alternatively makes a reference to where this information can be found.

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

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

Det norske complies with the above-mentioned rules and regulations. Det norske complies with the current edition of the Code, issued on 21 December 2012, unless otherwise specifically stated. The following statement on corporate governance is structured the same way as the Code, thus following the 15 chapters included in the Code.

Code of Ethics

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

Corporate social responsibility is consistent with the Code of Ethics, which is established as principles for how the company and its employees shall act in relation to others.

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

In addition, the company has a sponsorship program to promote the company and its activities. Guidelines for the use of sponsorships are included in the Code of Ethics. Det norske supports measures that are directly related to the company's business as an oil company, measures that provide significant exposure and measures that can be for the benefit of the employees. Ongoing sponsorships are available on the website: http://www.detnor.no/en/about-det-norske/sponsorship.

In general, the company shall achieve its goals in accordance with the adopted Code of Ethics, which are available on the website http://detnor.no/en/about-det-norske/code-of-conduct.

2. BUSINESS GOALS AND STRATEGY

According to Det norske's Articles of Association article 3, its objective is "to carry out exploration for and recovery of petroleum and activities related thereto, and, by subscribing for shares or by other means, to participate in corresponding businesses or other business, alone or in cooperation with other enterprises and interests".

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

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

Det norske is in the process of transforming from a pure exploration company into a full cycle exploration and production (E&P) company. Submission of the Plan for Development and Operation of the Ivar Aasen field, as operator, to the Norwegian authorities in December 2012 was a major milestone and represented a significant step towards the goal of becoming a full cycle E&P company.

There are risks associated with Det norske's oil and gas operations. Efficient operations, executed in a manner ensuring that we avoid harm and injuries to personnel, the environment and financial assets, is the company's number one priority.

Further information about the Articles of Association is available at:http://www.detnor.no/en/investors/corporate-governance/articles-of-association

Further information about licences and activities is available at http://www.detnor.no/en/our-assets/portfolio .

3. EQUITY AND DIVIDENDS

The Board seeks to optimise the capital structure by balancing risk, return on equity against lenders' security and liquidity requirements. The company aims to have a good reputation in all debt markets. The Board continuously evaluates the company's capital structure, and underlines that a solid equity ratio is important if Det norske is to achieve its strategic goals in the future. Ensuring an optimal capital structure is a key priority to the Board. This involves monitoring available funding sources and related cost of capital.

Det norske plans to carry out an extensive exploration programme during the next few years. Future developments will require substantial investments. Dividends to shareholders will therefore not be given priority in the short term. In the current period, the Board's priority is rather to create value for shareholders by identifying the licence portfolio's underlying values, and by maturing existing discoveries and development projects towards production.

At year-end 2012, the company's book equity was NOK 3,738 million, which represents 45 percent of the balance sheet total

of NOK 8,364 million.

The financial liquidity is considered to be good. At 31 December 2012, the company's cash and cash equivalents were NOK 1,154 million. In addition, available utilisation on credit facilities amounted to NOK 1,971 million.

In April 2012, the Annual General Meeting (AGM) authorised the Board to increase the share capital by a maximum of NOK 12,791,578, representing up to 10 percent of the outstanding share capital at the time of the meeting. The mandate was sought with the aim to strengthen the company's equity.

In December 2012, Det norske completed a private placement of 12.79 million new shares, and thus used the full authorisation. The issue price was set in an accelerated bookbuilding process at NOK 80.50 per share. This was the same price as the market closing price on the day of the share issue, without any discount. The new share capital of the company is NOK 140,707,363.

The general meeting in April 2012 provided the Board a mandate to re-purchase company shares equivalent to up to 10 percent of the total share capital. The mandate is valid until the ordinary general meeting in 2012, but is not restricted to defined purposes as recommended by the Code. As of 31 December 2012, the mandate has not been used.

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

Det norske is committed to equal treatment of all shareholders. The company faces a significant financing need to support the development plans in the years to come. When the company considers it to be in the best interest of shareholders to issue new equity there is a clear objective to limit the level of dilution. Det norske will carefully consider alternative financing options, its overall capital structure, the purpose and need for new equity, the timing of such an offering, the offer share price, the financial market conditions and the need for compensating existing shareholders in the event that pre-emption rights are waived. Arguments for waiving pre-emption rights will be clearly stated.

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

As per 31 December 2012, Aker Capital AS owned 49.99 percent of Det norske. Aker Capital AS is a wholly-owned subsidiary of Aker ASA. From the fiscal year 2011, Det norske oljeselskap ASA's accounts are incorporated in Aker ASA's accounts.

The Board recognises Aker Capital's contribution as an active shareholder engaging in the company's activities and providing input in matters concerning strategy, transactions and financing. Investor communication seeks to ensure that any shareholders who have views on these issues are heard, and management will actively seek the views of other key shareholders. Investor activities are also directed at promoting higher stock liquidity to counter a shareholder structure with many long-term investors.

Aker Capital's parent company, Aker ASA, is not defined as a closely related company of Det norske according to the Public Limited Liability Companies Act ('Companies Act'). The Board and management of Det norske are particularly aware of commercial situations where Aker companies are potential partners. Internal procedures for ensuring arm's-length principles have been developed and are monitored.

Transactions in own shares

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

Risk of conflicts of interest

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

5. FREELY NEGOTIABLE SHARES

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

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

6. GENERAL MEETING

The annual general meeting ('AGM') of Det norske

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

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

Preparation for the AGM

The AGM is normally held before the end of April each year, and no later than the end of June, which is the latest date permitted by the Companies Act. The AGM for 2013 will be held 17 April. The date of the next AGM is normally included in the financial calendar.

The notice is sent to the shareholders and published to the company's website and the stock exchange no later than 21 days before the AGM.

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

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

The Board of Directors' Report is published on the company's website no later than three weeks before the meeting.

Participation in the AGM

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

Shareholders who are unable to attend the AGM are encouraged to vote by proxy. The deadline for registration is set as close as possible to the date of the meeting, normally the day before.

Agenda and conduct of the AGM

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

At the meeting in April 2013, the Board will nominate an independent person who can vote on behalf of the shareholders as their authorised representative. The Board of Directors may decide that it shall be possible for shareholders to cast their votes in writing, including by means of electronic communication, in a given period prior to the general meeting. Satisfactory methods shall be used in order to authenticate the sender.

Det norske's general meetings are normally chaired by the Chair of the Board, or a person appointed by the Chair of the Board. Representatives from the Board of Directors, the nomination committee, the auditor and the executive management are encouraged to attend the AGM. However, given the geographic distribution of the people, it is normal that only a few representatives from each of these bodies attend the AGM.

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

7. NOMINATION COMMITTEE

Article 8 in the company's Articles of Association stipulates that the nomination committee shall consist of three members elected by the AGM. It also stipulates that the majority of the members shall be independent of the Board and the executive management and that the members shall be elected for a period of two years at a time.

At the AGM in April 2012, the following three members were elected to the nomination committee:

- Øyvind Eriksen – Chief Executive Officer (CEO) Aker ASA
- Finn Haugan – CEO Sparebanken Midt-Norge

- Hilde Myrberg – Senior Vice President Orkla ASA

Committee member Øyvind Eriksen is currently the CEO of Aker ASA, who is the 100 percent owner of Aker Capital, the major shareholder of the company.

The nomination committee should be composed in a manner that takes into account the interests of shareholders in general. The nominating committee's duties are also stated by article 8 in the Articles of Association. The committee shall propose candidates for - and remuneration to-the Board of Directors and the nomination committee. The committee's recommendation shall be well-grounded.

8. BOARD OF DIRECTORS: COMPOSITION AND INDEPENDENCE

The Board of Det norske consisted of eight members as of 31 December 2012. The company's Articles of Associations, article 5, stipulates that the Board shall consist of between five and ten members and the members shall be elected for a period of up to two years.

Six directors, hereof three women, are elected by shareholders while two directors, of which one woman, are elected by and amongst employees. Among the six shareholder-elected directors, one (Maria Moræus Hanssen) is affiliated with the company's largest shareholder Aker Capital. All other directors are considered independent of the company's main shareholder, as well as of the company's material business contacts. All directors are considered independent of the company's executive personnel.

The Board composition ensures alignment of interests with all shareholders and the Board collectively meets the need for expertise, capacity and diversity. Directors possess strong experience from banking and finance, oil and offshore in general, and reservoir engineering, exploration and field development in particular.

An overview of the expertise of the members is available on the website:
http://www.detnor.no/en/about-det-norske/board-of-directors

9. THE WORK OF THE BOARD OF DIRECTORS

The Board has authority over and is responsible for supervising the company's business operations and management. The Board's objectives are to create value for the company's shareholders in both the short and long term and to ensure that Det norske fulfils its obligations at all times. While the CEO is responsible for the day-to-day management of the company's business activities, the Board acknowledges its responsibility for the overall management of the company. The Board is actively involved in:

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

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

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

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

In 2012, the Board has conducted a total of 15 board meetings, including a strategy meeting.

The Board recognises the significant risks associated with the operations and in particular the transition period the company is in. Consequently, the Board has dedicated significant resources and time to understand and discuss not only general risks facing an E&P company, but also inherent risks connected to organisation, culture and leadership. In an externally managed workshop, the Board and executives dedicated two days to identify and understand how to deal with risks. The outcomes are integrated into plans and new procedures. The aim is to further develop a culture in the organisation where risks and concerns are allowed to surface and where the risk aspects are integral in all decision-making and incentives.

The board members contribute with extensive experience, knowledge and capabilities for the benefit of the company. Through regular meetings with the executive management, the Board is kept up-to-date about the company's development and performance. The division of roles between the Board and the company's management is clearly defined in the instructions for the Board and in the instructions for the CEO, with specific areas of responsibility and administrative procedures. The AGM elects the Chair of the Board. Det norske's Board appoints its own Deputy Chair.

Considering the size of the company and the scope of its activities, the Board finds it appropriate to keep all board members informed about all board matters, except for cases where board members may have conflicting interests with the company.

The Board carried out a formal evaluation of its own performance in 2012, as recommended by the Code, and took note of the findings.

Audit committee

The Board has established an audit committee consisting of the following three board members:

- Hege Sjo, Chair
- Maria Moræus Hanssen
- Carol Bell

Of the three members, two are independent of the biggest owner.

The chair of the committee is considered to have experience and formal background qualifying as "financial expert" according to the requirement stated in the Public Limited Liability Company Act. Hege Sjo holds a post-graduate degree in corporate finance and has worked with accounting and financial analysis in an asset management organisation, in addition to serving as chief financial officer at Oslo Børs. The audit committee holds regular meetings and reviews the quality of all interim and annual reports before they are published. In 2012 the committee held seven meetings. The company's auditor works closely with the audit committee on a regular basis. The committee is also involved in the company's risk management. The management and the audit committee evaluate the risk management on financial reporting and the effectiveness of established internal controls. Identified risks and effects of financial reporting are discussed on a quarterly basis.

All meetings in conjunction with quarterly reporting and accounts have taken place together with the company's auditors. It is the view of the committee that the cooperation with auditors and management is good and this was confirmed in the annual self-assessment process.

The committee has worked together with management and auditors to improve the internal control environment according to the COSO framework over the last years. The committee has also worked with establishing a new whistle-blowing practice, considered the process and reporting of the Annual Statement of Reserves and financial reporting improvements. In evaluating the performance for the year 2012, the committee is pleased to observe progress on the selected issues identified as priorities for the year. These are primarily connected to enhanced documentation of procedures related to internal control of financial reporting.

Remuneration committee

Also, the Board has a remuneration committee consisting of the following two board members:

- Svein Aaser
- Tom Røtjer

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

10. RISK MANAGEMENT AND INTERNAL CONTROL

Risk Management

Good internal control and risk management contributes to the transparency and quality reporting for the benefit of the company and the shareholders' long-term interests. The company works continuously and systematically with risk management, both at the overall company level as well as on the operational level. Det norske's operational activities are limited to Norway and are subject to Norwegian regulations. All activities taking place in a production license are subject to audits from authorities, such as The Petroleum Safety Authority, The Climate and Pollution Agency and the Norwegian Petroleum Directorate, as well as license partners. During 2012, Det norske participated in financial audit in eight license partnerships, while the company received audits on two of its operated licenses. Furthermore, several reports were purchased from financial audits in partner-operated licenses. In addition to these financial audits, there were audits from authorities and license partners on Det norske's management system and the planning and execution of our drilling operations. These audits, from external parties, contribute to the quality control of the company's internal systems. They are also valuable in the work to identify risks and weaknesses, and in this way assist the company in its continuous work to improve the management system.

To further ensure that Det norske's management system is in alignment with laws, regulations, standards and best practice within the industry, Det norske has identified specific areas for further improvements in 2013. These processes are stated in

the company's HSEQ plan for 2013.

During an annual strategy meeting in 2013 the Board will review its risk management strategy, including how this will be implemented throughout the company's activities. The Board considers risk in the context of growing a sustainable organisation while meeting the high levels of governance and accountability sought by all of its stakeholders.

Det norske's internal procedures provide a good basis for monitoring and managing the company's activities.

The management system consists of four levels, which cover all important activity areas. The top level includes a description of the company's vision, the management system and the management's responsibilities. Governing documents and policies are at level two, procedures at level three, while guidelines and support documents are included in level four.

Key policy documents for risk management, internal control and financial reporting are included at level two and three. The company's risk management process covers a wide range of risks, opportunities and threats, and outlines how these shall be monitored and governed.

The Board undertakes an annual review of the company's main business areas and internal control procedures.

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

Internal control for financial reporting

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

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

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

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

- effective and appropriate identification of risks
- measurement of compliance against procedures
- sufficient segregation of duties
- provision of relevant, timely and reliable financial reporting that provides a fair view of Det norske's business
- prevention of manipulation/fraud of reported figures
- compliance with all relevant requirements of IFRS

A risk assessment related to financial reporting is performed and documented by the management. Risk assessments are monitored by the audit committee on a quarterly basis as part of the quarterly reporting process. The Board of Directors approves the overall risk assessment related to financial reporting on an annual basis. In 2012, the following risk areas were identified related to financial reporting:

- **Capitalised exploration expenditures** – Risk of inappropriate accounting for dry wells and wells pending evaluation.
- **Impairment of goodwill, tangible and intangible assets** – There is a risk that fair value declines are not identified and recorded in an appropriate manner
- **Tax** – Complexity in tax regulations and calculation entail risk of error in financial reporting
- **Transformation** to a full cycle exploration and production company – There is a risk that the company does not have adequate organisation, procedures and systems for financial reporting

The company seeks to communicate transparently on its activities and its financial reporting is made after significant interaction with management responsible for exploration, development and production activities in the business. The audit committee meets to review the financial statements, with the auditor present, each quarter prior to the submission of the financial statements to the Board for approval.

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

The Finance Department monitors the compliance with established procedures and reports any material deviations to the audit committee. It also identifies actions to improve procedures and conducts a self-assessment of its performance against objectives, which are then presented and discussed with the audit committee. The self-assessment of internal control for financial reporting carried out in 2012, has identified strengths, weaknesses, opportunities and threats. Compared to 2011, the efficiency and design of internal controls have improved, but further improvements need to be implemented as the company grows and transforms into a full cycle E&P company. Some of the planned improvements in 2013 are described below:

- Conclude on IT strategy for the company, including the Finance department, and start the process of implementing new systems or modifying existing system.
- Establish a close cooperation between Finance department and Project Development team to ensure that appropriate procedures for internal control and financial reporting are established
- Continue the work of formalising procedures, standardisation of templates and automation of tasks in order to improve efficiency of internal controls
- Process towards audit committee with regards to review of quarterly reports should be improved to ensure a more efficient process and sufficient quality of the final report.

The company's senior management prepares a report each year which forms the basis for the Board's description of the internal control of financial reporting contained in the Corporate Governance section of the Annual Report.

11. REMUNERATION OF THE BOARD OF DIRECTORS

The remuneration of the board members is not performance-based, but based on a fixed annual fee with pro-rata reduction for absence from meetings. None of the shareholder-elected board members have pension schemes or termination payment agreements with the company. Information about all remuneration paid to individual board members is provided in Note 8 to the annual accounts.

The nomination committee proposes the remuneration of the Board and ensures that it is proportionate to the responsibility of its members and the time spent on board work. The Board must approve any board member's consultancy work for the company and remuneration for such work.

12. EXECUTIVE REMUNERATION

The Board stipulates the Chief Executive Officer's remuneration and other terms and conditions of employment. Note 8 to the annual accounts contain details about the remuneration of the Board and executive personnel, including payroll and pension expenses.

The company has a bonus scheme based on company-wide performance and is capped at 20 percent of the annual salary. The annual bonus is at the Board's discretion and applies to all company employees. All employees receive the same percentage in bonus relative to his or her salary. For 2012, the Board decided on a 10 percent bonus based on an overall assessment of the company's performance, including exploration results and progress of development projects.

The company has no pension scheme for salaries exceeding NOK 973,836 (12 times the average Norwegian basic amount G), but a share investment scheme has been introduced as part of the pay system to compensate for this. The employees receive an annual payment of 10 percent of the previous year's gross salary. If, within thirty days of this payment, employees wish to buy shares in the company, the company will pay a corresponding amount as tax compensation. For those who do not buy shares, a tax withholding will be deducted from the payment. The first payments under the share investment scheme were made in January 2011.

13. INFORMATION AND COMMUNICATION

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

The Board also recognises the challenges related to estimating the underlying values in the company. The investor communication seeks to provide a balanced picture of the risks and opportunities related to the company's assets.

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

Det norske publishes its preliminary annual accounts by the end of February. The complete annual report, including approved and final annual accounts and the Board of Directors' report, is available no later than three weeks before the AGM.

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

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

The company's management gives high priority to communication with the investor market. Individual meetings are organised for major investors, investment managers and analysts. The company also attends investor conferences.

The long-term purpose of the Investor Relation function is to secure access to capital on competitive terms, and for the share price to reflect the underlying values in the company.

14. TAKEOVERS

The company's objective is to create value for its shareholders. Any invitations or initiatives to participate in structural changes will be evaluated on the basis of this objective. The Board has not established a separate set of guidelines for how it will act in the event of a takeover bid, as recommended by the Code. The Board will, as a main rule, follow the recommendations issued by the Code related to take-overs.

The Board of Directors is committed to equal treatment of all shareholders and will ensure openness with respect to any potential takeover of the company. Also, the Board will do its utmost to ensure that the shareholders are given sufficient information and time to form a view of the offer.

The Board will not, except on special grounds, seek to prevent or obstruct bids for the company's shares or individual business areas. In the event of a takeover bid, the Board will issue a statement evaluating the offer and making a recommendation as to whether or not the shareholders should or should not accept the offer. The Board's statement will state whether the views included are unanimous or not.

15. AUDITOR

Ernst & Young, Norway, is the auditor of Det norske.

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

The auditor participates in most meetings with the Audit Committee (AC) and meets the AC without the company's management being present. The auditor's independence in relation to the company is evaluated annually. The auditor carries out certain consultancy services for the company, which is viewed not to be in conflict with its interests as auditor.

OVERVIEW OF THE FINANCIAL STATEMENTS AND NOTES

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STATEMENT OF INCOME

1 January - 31 Desember (NOK 1,000)	Note	2012	2011
Petroleum revenues	7	325 093	361 774
Other operating revenues		7 351	75 768
Total operating revenues		**332 444**	**437 542**
Exploration expenses	5	1 609 314	1 012 191
Production costs	7	210 962	181 888
Payroll expenses	8	11 000	31 732
Depreciations	13	111 687	78 518
Impairments	13,14	2 149 653	150 990
Other operating expenses	9	82 799	60 721
Total operating expenses		**4 175 414**	**1 516 041**
Operating profit/loss		**-3 842 970**	**-1 078 499**
Interest income		54 997	69 900
Other financial income		68 399	26 825
Interest expenses		128 250	305 969
Other financial expenses		101 050	23 111
Net financial expenses (+)/income (-)	10	**105 905**	**232 355**
Loss before taxes		**-3 948 875**	**-1 310 854**
Taxes (+)/tax income (-)	11	-2 991 624	-940 594
Net loss		**-957 251**	**-370 260**
Weighted average no. of shares outstanding		128 649 729	115 058 944
Weighted average no. of shares fully diluted		128 649 729	115 058 944
Loss after taxes per share (adjusted for split)	12	(7,44)	(3,22)
Loss after taxes per share (adjusted for split) fully diluted	12	(7,44)	(3,22)

STATEMENT OF COMPREHENSIVE INCOME

1 January - 31 Desember (NOK 1,000)	2012	2011
Loss for the period	-957 251	-370 260
Total loss	**-957 251**	**-370 260**
Attributable to:		
Majority interests	-957 251	-370 260
Total	**-957 251**	**-370 260**
Loss covered by other equity	-957 251	-370 260

STATEMENT OF FINANCIAL POSITION

(All figures in NOK 1,000)	Note	31.12.2012	31.12.2011
ASSETS			
Intangible assets			
Goodwill	13,14	387 551	525 870
Capitalised exploration expenditures	13,14	2 175 492	2 387 360
Other intangible assets	13,14	665 542	905 726
Tangible fixed assets			
Property, plant and equipment	13,14	1 993 269	902 071
Financial assets			
Long-term receivables	17	31 995	
Other non-current assets	18, 29	193 934	18 423
Total non-current assets		**5 447 783**	**4 739 450**
Inventories			
Inventories	6	21 209	37 039
Receivables			
Accounts receivable	15, 29	101 839	146 188
Other short-term receivables	16, 29	342 566	532 538
Short-term deposits	29	23 138	21 750
Tax receivables	11, 29	1 273 737	1 397 420
Cash and cash equivalents			
Cash and cash equivalents	19, 29	1 154 182	841 599
Total current assets		**2 916 670**	**2 976 534**
TOTAL ASSETS		**8 364 453**	**7 715 984**

STATEMENT OF FINANCIAL POSITION

(All figures in NOK 1,000)	Note	31.12.2012	31.12.2011
EQUITY AND LIABILITIES			
Paid-in capital			
Share capital	20	140 707	127 916
Share premium	20	3 089 542	2 083 271
Total paid-in equity		**3 230 249**	**2 211 187**
Retained earnings			
Other equity		508 113	1 465 364
Total equity		**3 738 362**	**3 676 551**
Provision for liabilities			
Pension obligations	21	55 317	46 944
Deferred taxes	11	134 358	2 042 051
Abandonment provision	22	798 057	285 201
Deferred income and provisions for commitments		647	1 643
Total provisions for liabilities		**988 379**	**2 375 839**
Non-current liabilities			
Bonds	24	589 078	587 011
Other interest-bearing debt	25	1 299 733	
Derivatives	23	45 971	
Total non-current liabilities		**1 934 782**	**587 011**
Current liabilities			
Short-term loan	25	567 075	379 550
Trade creditors	29	258 596	274 308
Accrued public charges and indirect taxes		24 536	18 568
Other current liabilities	26	852 722	404 156
Total current liabilities		**1 702 929**	**1 076 582**
Total liabilities and provision for liabilities		**4 626 089**	**4 039 432**
TOTAL EQUITY AND LIABILITIES		**8 364 453**	**7 715 984**

The Board of Directors of Det norske oljeselskap ASA
Oslo, 13 March 2013

Svein Aaser, Chair of the Board

Tom Røtjer, Board member

Maria Moræus Hanssen, Deputy Chair

Kjell Inge Røkke, Deputy Board member

Hege Sjo, Board member

Carol Bell, Board member

Tonje Eskeland Foss, Board member

Inge Sundet, Board member

Erik Haugane, Chief Executive Officer

STATEMENT OF CHANGES IN EQUITY

(All figures in NOK 1,000)	Share capital	Share premium	Other paid-in capital	Retained earnings	Total equity
Equity as of 31.12.2010	**111 111**	**1 167 312**	**17 715**	**1 761 372**	**3 057 510**
Net equity issue	11 111	470 153			481 264
Conversion of bond to shares	5 694	445 806			451 500
Effect on equity related to the liquidation of subsidiary				56 538	56 538
Profit/loss for the period 1.1.2011 - 31.12.2011			-17 715	-352 545	-370 260
Equity as of 31.12.2011	**127 916**	**2 083 271**		**1 465 364**	**3 676 551**
Equity issue	12 792	1 016 930			1 029 722
Issue costs		-10 659			-10 659
Total loss for the period 1.1.2012 - 31.12.2012				-957 251	-957 251
Equity as of 31.12.2012	**140 707**	**3 089 542**		**508 113**	**3 738 362**

STATEMENT OF CASH FLOW

1 January - 31 December (NOK 1,000)	Note	2012	2011
Cash flow from operating activities			
Profit/loss before taxes		-3 948 875	-1 310 854
Taxes paid during the period			-5 489
Tax refund during the period		1 443 140	2 323 865
Depreciation	13	111 687	78 518
Net impairment losses	13,14	2 149 653	150 990
Accretion expenses		17 519	17 009
Reversal of tax item related to shortfall value of purchase price allocation (PPA)	5	-57 000	-17 988
Effect from liquidation of subsidiary/Pooling differential related to the business combinations			-39 252
Gain on sale of convertible bonds			-10 583
Losses on sale of licences		13 461	
Changes in derivatives	23	44 847	6 033
Amortisation of interest expenses and arrangement fee	10	39 576	59 438
Expensed capitalised dry wells	5,13	1 116 403	534 640
Changes in inventories, accounts payable and receivables		44 467	-57 935
Changes in net current capital and in other current balance sheet items		444 144	-275 741
NET CASH FLOW FROM OPERATING ACTIVITIES		**1 419 021**	**1 452 652**
Cash flow from investment activities			
Payment for removal and decommissioning of oil fields		-678	-35
Disbursements on investments in fixed assets	13	-2 874 627	-388 160
Disbursements on investments in capitalised exploration expenditures and other intangible assets	13	-1 114 277	-1 440 812
Sale of tangible fixed assets and licences		414 336	110 574
NET CASH FLOW FROM INVESTMENT ACTIVITIES		**-3 575 247**	**-1 718 433**
Cash flow from financing activities			
Sale of convertible bonds			144 433
Arrangement fee		-118 219	-16 145
Private placement		1 019 063	481 164
Repayment of short-term debt		-2 000 000	-2 539 850
Repayment of long-term debt		-600 000	
Proceeds from issuance of long-term debt		1 967 968	
Proceeds from issuance of short-term debt		2 200 000	2 248 448
NET CASH FLOW FROM FINANCING ACTIVITIES		**2 468 812**	**318 050**
Net change in cash and cash equivalents		**312 585**	**52 269**
Cash and cash equivalents at start of period		841 599	789 330
CASH AND CASH EQUIVALENTS AT END OF PERIOD		**1 154 182**	**841 599**
Breakdown of cash equivalents at end of period:			
Bank deposits, etc.		1 140 750	828 772
Restricted bank deposits		13 432	12 827
CASH AND CASH EQUIVALENTS AT END OF PERIOD	19	**1 154 182**	**841 599**

NOTES TO THE ACCOUNTS

GENERAL INFORMATION

Det norske oljeselskap ASA ('Det norske') is an oil company involved in exploration for, and development and production of oil and gas fields on the Norwegian continental shelf.

The company is a public limited company registered and domiciled in Norway. Det norske's shares are listed on Oslo Stock Exchange. The company's registered business address is in Trondheim, Norway.

Det norske oljeselskap ASA is no longer the parent company of a consolidated group, as the subsidiary was liquidated 1 October 2011.

The financial statements were approved by the Board of Directors on 13 March 2013 and will be presented for approval at this year's Annual General Meeting on 17 April 2013.

NOTE 1 – SUMMARY OF IFRS ACCOUNTING PRINCIPLES

1.1 BASIS FOR PREPARATION

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

The financial statements have been prepared on a historical cost basis with the exception of the following accounting items: Financial instruments at fair value through profit or loss, loans, receivables and other financial commitments which are recognised at amortised cost.

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

1.2 GROUP ACCOUNTS AND CONSOLIDATION

Det norske is no longer reporting as a group, since the only subsidiary was liquidated 1 October 2011. The 2012 figures are therefore not consolidated figures. Comparative figures are parent company figures from 2011.

1.3 FUNCTIONAL CURRENCY AND PRESENTATION CURRENCY

The company's functional currency and presentation currency is Norwegian kroner (NOK), and all amounts have been rounded off to the nearest thousand unless otherwise stated.

1.4 IMPORTANT ACCOUNTING ASSESSMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of financial statements in accordance with IFRS requires the management to make assessments, estimates and assumptions that have an effect on the application of accounting principles and on recognised amounts relating to assets and liabilities, to provide information relating to contingent assets and liabilities on the balance sheet date, and to report revenues and expenses in the course of the accounting period. Accounting estimates are used to determine reported amounts, including the possibility of realising certain assets, the expected useful life of tangible and intangible assets, the tax expense etc. Even though these estimates are based on the management's best judgement and assessment of previous and current events and actions, the actual results may deviate from the estimates. The estimates and underlying assumptions are reviewed regularly. Changes to the estimates are recognised when new estimates can be determined with sufficient certainty. Changes to accounting estimates are recognised in the period when they arise. If the effect of a change concerns future reporting periods, the effect is distributed between the current and future periods. The main sources of uncertainty when using estimates for the company relate to the following:

Proven and probable oil and gas reserves: Oil and gas reserves are estimated by the company's experts in accordance with industry standards. The estimates are based on Det norske's own assessment of internal information and information received from the operators. In addition, reserves are certified by an independent third party. Proven and probable oil and gas reserves consist of the estimated quantities of crude oil, natural gas and condensates shown by geological and technical data to be recoverable with reasonable certainty from known reservoirs under existing economic and operational conditions, i.e. on the date that the estimates are prepared. Prices only take account of existing contractual price changes and not price increases based on future conditions.

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

At 31 December 2012, the book value of operating assets (both fixed tangible assets and intangible assets) was NOK 5,222 million, see Notes 13 and 14.

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

Acquisition costs: Expenses relating to the acquisition of exploration licences are capitalised and assessed for impairment on each reporting date. See items 1.9 and 1.10 for further details.

At 31 December 2012, the book value of capitalised exploration expenditures was NOK 2,175 million, see Note 13.

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

The evaluation of impairment requires long-term assumptions concerning a number of often volatile economic factors, including future oil prices, oil production, currency exchange rates and discount rates, in order to estimate future cash flows. Such assumptions require the estimation of relevant factors such as forward price curves (oil), production estimates and, finally, residual asset values. Likewise, establishing an asset's net sales value requires careful assessment unless information about net sales value can be obtained from an actual observable market.

See Note 13 'Property, plant and equipment and intangible assets' and Note 14 'Impairment of goodwill and other assets'.

Decommissioning and removal obligations: The company has considerable obligations relating to decommissioning and removal of offshore installations at the end of the production period. Obligations associated with decommissioning and removal of long-term assets is recognised at fair value on the date they are incurred. At the initial recognition of an obligation, the expense is capitalised as production plant and depreciated over the useful life of the asset, when production commences. It is difficult to estimate the expenses of decommissioning and removal, which are based on applicable laws and regulations, and dependent on technological developments. Many decommissioning and removal activities will take place in the distant future, and the technology and related expenses are constantly changing. The estimates include costs based on expected removal concepts and estimated expenses of maritime operations and of hiring heavy-lift barges. As a result, the initial recognition of the obligation in the accounts, the related expenses capitalised in the Statement of financial position for decommissioning and removal and subsequent adjustment of these items, involve careful consideration.

At 31 December 2012, the book value of decommissioning and removal obligations amounted to NOK 798 million, see Note 22.

Pension obligations: When estimating the net present value of the defined contribution pension benefit obligations that represent a gross long term liability in the Statement of financial position and indirectly the period's net pension expense in the Statement of income, the management makes a number of critical assumptions affecting these estimates. These assumptions relates to discount rate to be applied to future benefit payments, expected returns on pension plan assets, annual wage growth and average employee turnover. Considerable changes in relation to these assumptions between periods may have material impact on the accounts.

At 31 December 2012, the pension commitment amounted to NOK 55.3 million, see Note 21.

Income tax: The company may annually incur significant amounts of income tax payable and/or earn a considerable tax receivable. The company also recognises considerable changes in deferred tax or deferred tax benefits. These figures are based on management's interpretation of applicable laws and regulations, and relevant court decisions. The quality of these estimates is largely dependent on management's ability to apply a complex set of rules and identify changes to the existing legal framework.

As of 31 December 2012, the book value of deferred tax amounted to NOK 134 million, while estimated tax receivables amounted to NOK 1,274 million, see Note 11.

Rig contracts: The Company has considerable obligations relating to rig contracts. Rig contracts are subject to impairment tests based on changes in future rig rates and utilisation.

1.5 FOREIGN CURRENCY TRANSACTIONS

Transactions in foreign currencies are translated using the exchange rate on the transaction date. Monetary items in foreign currencies in Statement of financial position are translated using the exchange rates at the end of the period. Foreign exchange gains and losses are recognised on an ongoing basis in the accounting period.

1.6 REVENUE RECOGNITION

Revenues from petroleum products are recognised on the basis of the company's ideal share of production during the period, regardless of actual sales (entitlement method).

Other revenues are recognised when the goods or services are delivered and material risk and control are transferred.

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

1.7 INTERESTS IN JOINTLY CONTROLLED ASSETS

A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control. Det norske has interests in licences that do not constitute separate companies. All these interests are in licences on the Norwegian Continental Shelf that are defined as jointly controlled assets pursuant to IAS 31. The company recognises investments in jointly controlled assets (oil and gas licences) by proportionate consolidation, by reporting its share of related expenses, assets, liabilities and cash flows under the respective items in the company's financial statements.

1.8 CLASSIFICATIONS IN STATEMENT OF FINANCIAL POSITIONS

Current assets and current liabilities include items that fall due for payment less than a year from 31 December and items relating to the business cycle. Current year's instalments on long-term liabilities are classified as current liabilities. Financial investments in shares are classified as current assets, while strategic investments are classified as fixed assets. Other assets are classified as fixed assets.

1.9 BUSINESS COMBINATIONS AND GOODWILL

In order to consider an acquisition as a business combination, the acquired asset or groups of assets must constitute a business (an integrated set of operations and assets conducted and managed for the purpose of providing a return to the investors). The combination consists of input factors, processes to which these input factors are subjected, and a production output that is or has the ability to generate operating revenues.

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

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

For accounting purposes, the acquisition method is used in connection with the purchase of businesses. Acquisition cost equals the fair value of the assets used as consideration, including contingent consideration, equity instruments issued and liabilities assumed in connection with the transfer of control. Acquisition cost is measured against the fair value of the acquired assets and liabilities. Identifiable intangible assets are included in connection with acquisitions if they can be separated from other assets or meet the legal contractual criteria. When calculating fair value, the tax implications of any re-evaluations are taken into consideration. If the acquisition cost at the time of the acquisition exceeds the fair value of the acquired net assets (when the acquiring entity achieves control of the transferring entity), goodwill arises.
If the fair value of the net identifiable assets acquired exceeds the acquisition cost on the acquisition date, the excess amount is taken to income at the time of the takeover.

Goodwill is allocated to the cash flow generating units or groups of cash flow generating units that are expected to benefit from synergy effects of the merger. For internal management purposes, goodwill is assessed for each individual field/licence, and these are deemed to be individual cash flow generating entities.

In step acquisitions of companies, the acquisition cost is calculated as the sum of the fair value of previously acquired assets on the date of acquisition and the consideration for the most recent purchase. Changes in the value of previous assets are recognised in the income statement. Calculation of goodwill and non-controlling interests can be made based on two equally valid alternative methods:

1) Goodwill is only recognised for the majority's share, with further identification of goodwill in connection with subsequent purchasing of minority interest.

2) Goodwill is recognised for both the majority and the minority's interest, i.e., on a 100% basis. Any subsequent acquisition of remaining minority interests does not entail any adjustment of goodwill, but is treated as an equity transaction.

When using the second alternative, non-controlling interest must be valued at fair value. The choice between alternative 1 and 2 is not a choice between principles and is made in connection with each individual acquisition.

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

Acquisition costs over and above capital issue and borrowing costs must be expensed as they are incurred.

The valuation at fair value of licences is based on cash flows after tax. This is because these licences are only sold in an after-tax market based on decisions made by the Norwegian Ministry of Finance pursuant to the Petroleum Taxation Act section 10. The purchaser is therefore not entitled to do a deduction for the consideration with tax effect through depreciation. In accordance with IAS 12 paragraphs 15 and 24, a provision is made for deferred tax corresponding to the difference between the acquisition cost and the transferred tax depreciation basis. The offsetting entry to this deferred tax is goodwill. Hence, goodwill arises as a technical effect of deferred tax.

1.10 ACQUISITIONS, SALES AND LICENCE SWAPS

On acquisition of a licence that involves the right to explore for and produce petroleum resources, it is considered in each case whether the acquisition should be treated as a business combination (see item 1.9) or an asset purchase. Generally, purchases of licences in a development or production phase will be regarded as a business combination. Other licence purchases will be regarded as asset purchases.

Oil and gas production licences
For oil and gas-producing assets and licences in a development phase, the acquisition cost is allocated between capitalised exploration expenses, licence rights, production plant, deferred tax and goodwill.

When entering into agreements regarding the purchase/swap of assets, the parties agree on an effective date for the takeover of the net cash flow (usually 1 January in the calendar year). In the period between the effective date and the completion date, the seller will include its purchased share of the licence in the financial statements. In accordance with the purchase agreement, there is a settlement with the seller of the net cash flow from the asset in the period from the effective date to the completion date (pro & contra settlement). The pro & contra settlement will be adjusted to the seller's losses/gains and to the assets for the purchaser, in that the settlement (after a tax reduction) is deemed to be part of the consideration in the transaction. Revenues and expenses from the relevant licence are included in the purchaser's Statement of income from the completion date, as defined in 1.9 above.

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

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

Farm-in agreements
Farm-in agreements are usually entered into in the exploration and development phase and are characterised by the transferor waiving future financial benefits, in the form of reserves, in exchange for reduced future financing obligations. For example, a licence interest is taken over in return for a share of the transferor's expenses relating to the drilling of a well. In the exploration phase, the company normally accounts for farm-in agreements on a historical cost basis, as the fair value is often difficult to determine. In the development phase, however, farm-in agreements are recognised as acquisitions at fair value when the company is the purchaser and as a disposal at fair value when the company is the seller of interests in oil or gas assets. The fair value is determined by the costs that the purchaser has agreed to cover.

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

1.11 UNITIZATIONS

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

The company normally recognises unitisations in the exploration phase based on historical cost, as the fair value often is difficult to measure. Unitisations involving licences outside the exploration phase are recognised at fair value, and the company will recognise a gain (or loss) depending on whether the fair value of the interest received is higher (or lower) than the carrying amount of the interest given up.

1.12 TANGIBLE FIXED ASSETS AND INTANGIBLE ASSETS

General
Tangible fixed assets are recognised on a historical cost basis. Depreciation of assets other than oil and gas fields is calculated using the straight-line method over 3-5 years and adjusted for any fall in value or residual value, if applicable.

The book value of tangible fixed assets consists of acquisition cost after deduction of accumulated depreciation and impairment losses. Expenses relating to leased premises are capitalised and depreciated over the remaining lease period.

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

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

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

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

Operating assets related to petroleum activities

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

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

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

Acquired licence rights are initially recognised as intangible assets. If the acquired licence rights relate to fields in the exploration or development phase, they remain as intangible assets also when the related fields enter the development or production phase.

Depreciation of oil and gas fields
Expenses relating to drilling and equipment for exploration wells where proved and probable reserves are discovered are capitalised and depreciated using the unit-of-production method based on proven and probable reserves expected to be recovered from the well. Development costs relating to construction, installation and completion of infrastructure such as platforms, pipelines and the drilling of production wells are capitalised as producing oil and gas fields. They are depreciated using the unit-of-production method based on proven and probable developed reserves expected to be recovered from the area during the licence or contract period. Acquired assets used for the recovery and production of petroleum deposits, including licence rights, are depreciated using the unit-of-production method based on proven and probable reserves. The reserve basis used for depreciation purposes is updated at least once a year. Any changes in the reserves affecting unit-of-production calculations are reflected prospectively.

1.13 IMPAIRMENT

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

The valuation unit used for assessment of impairment will depend on the lowest level at which it is possible to identify cash flows that are independent of cash flows from other groups of fixed assets. For oil and gas assets, this is carried out at the field or licence level. The loss in value for capitalised exploration costs is assessed for each well. Impairment is recognised when the book value of an asset or a cash flow generating unit exceeds the recoverable amount. The recoverable amount is the higher of the asset's net sales value and value in use. When assessing the value in use, the expected future cash flow is discounted to the net present value by applying a discount rate after tax that reflects the current market valuation of the time value and the specific risk related to the asset.

For producing licenses and licenses in a development phase, the recoverable amount is calculated by discounting future cash flows after tax. The source of data input to the various fields is the operator's reporting to the Revised National Budget (RNB), as this is considered to be the best available estimate. Future cash flows are determined in the various licenses based on the production profile compared to estimated proven and probable remaining reserve. The reserves are cut at the time they no longer make a positive contribution to the cash flow, or the rental contract for the installation expires.

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

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

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

Impairment of goodwill is valued by assessing the recoverable value of the cash generating unit to which the goodwill is related. Det norske has chosen to assess goodwill for each licence. Impairment is recognised if the recoverable amount is less than the book value of the field/licence, including associated goodwill and deferred tax as described in sections 1.9 and 1.10. Losses relating to impairment of goodwill cannot be reversed in future periods. The company performs its annual impairment test of goodwill in the fourth quarter.

On selling a license where the company historically has recognised deferred tax and goodwill in a business combination, both goodwill and deferred taxes from the acquisition is included when calculation gain/loss. When recording impairment of such licenses as a result of impairment testing, the same assumptions are applied, in that goodwill and deferred tax are assessed together with the related licence.

1.14 FIXED ASSETS HELD FOR SALE

Fixed assets and groups of fixed assets and liabilities are classified as held for sale if their capitalised value will be recovered in a sales transaction rather than through continued use. This is regarded as valid when a sale is highly likely and the fixed asset (or groups of fixed assets and liabilities) is available for immediate sale in its current condition. The management must have committed the company to a sale and the sale must be expected to be completed within one year of the classification date.

Fixed assets and groups of fixed assets and liabilities classified as held for sale are estimated at the lower of the previous book value and the fair value minus sales costs.

1.15 FINANCIAL INSTRUMENTS

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

- financial assets at fair value through profit and loss
- loans and receivables
- financial liabilities at fair value through profit and loss
- other financial liabilities

According to IAS 39 there are four types of financial assets and two types of financial liabilities:
- *Financial assets at fair value trough profit or loss:* Financial instruments that are either classified as held for trading, or are designed as such on initial recognition.
- *Held –to- maturity investments:* Financial assets with fixed or determinable payments and fixed maturity, other than loans and receivables, for which there is a positive intention and ability to hold to maturity and which have not been designated 'at fair value through profit or loss' or as 'available for sale'.
- *Loans and receivables:* Financial assets with fixed or determinable payments that are not quoted in an active market, do not qualify as 'trading' assets and have not been designated 'at fair value through profit or loss' or as 'available for sale'.
- *Available for sale financial assets:* Financial assets that are designed as 'available-for-sale' or are not classified as 'loan and receivables', 'held to maturity investments' or 'at fair value through profit and loss'.
- *Financial liabilities at fair value through profit and loss:* Financial instruments that are either classified as held for trading, or are designated as such on initial recognition.
- *Other financial liabilities* are not explicitly defined but are those that are not held for trading or designated 'at fair value through profit and loss'.

A financial asset or liability is measured initially at fair value. Subsequent measurement depends on the category of financial instrument. Some categories are measured at amortised cost, and some at fair value. In limited circumstances other measurement bases apply, for example certain financial guarantee contracts.

Measurement at amortised cost is financial assets/liabilities:
- *Held to maturity*: Non-derivative financial assets that the entity has the positive intention and ability to hold to maturity.
- *Loans and receivables:* Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.
- Financial liabilities that are not carried at fair value through profit or loss or otherwise required to be measured in accordance with another measurement basis.

Measurement at fair value is financial assets/liabilities:
- *At fair value through profit or loss:* This category includes financial assets and financial liabilities held for trading, including derivatives not designated as hedging instruments and financial assets and financial liabilities that the entity has designated for measurement at fair value. All changes in fair value are reported in profit or loss.

- *Available for sale:* All financial assets that do not fall within one of the other categories. These are measured at fair value. Unrealised changes in fair value are reported in other comprehensive income. Realised changes in fair value (from sale or impairment) are reported in profit or loss at the time of realisation.

1.16 DERIVATIVES

Financial derivatives are valued at fair value. Changes in fair value are recognised in the income statement as they arise.

1.17 IMPAIRMENT OF FINANCIAL ASSETS

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

1.18 CONVERTIBLE LOANS

Loans that can be converted into share capital pursuant to an option granted to the lender, and where the number of shares issued does not change in the event that the fair value changes are treated as hybrid financial instruments. Transaction costs relating to the issuing of a hybrid financial instrument are allocated between liabilities and equity in the same proportion as the proceeds. The equity component of convertible bonds is calculated as that part of the proceeds of the issue that exceeds the net present value of future interest and instalment payments, discounted by the market interest rate for similar commitments without conversion rights. The interest expenses to be included in the income statement are calculated using the effective interest rate method.

1.19 RESEARCH AND DEVELOPMENT

Research consists of original, planned studies carried out with a view to achieving new scientific or technical knowledge or understanding. Development consists of the application of information gained through research, or of other knowledge, to a plan or design for the production of new or significantly improved materials, facilities, products, processes, systems or services before commercial production or use commences.
The licence system on the Norwegian Continental Shelf stimulates research and development activities. The company is only involved in research and development through projects financed by participants in the licences. It is the company's own share of the licence-financed research and development that is assessed with a view to capitalisation. Development costs that are expected to generate future financial benefits are capitalised when the following criteria are met:

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

All other research and development costs are expensed as incurred.

Costs that are capitalised include material costs, direct payroll expenses and a share of directly related joint expenses. Capitalised development costs are recognised in the Statement of financial position at acquisition cost minus accumulated depreciation.

Capitalised development costs are amortised over the asset's estimated useful life.

1.20 RECLASSIFICATION OF PAYROLL AND ADMINISTRATION COSTS

The company carries out ongoing reclassification of payroll and operating costs for development, operational and exploration activities, respectively, based on allocation of registered hours worked. As a basis, the Company uses gross payroll and operating expenses reduced by the amounts already invoiced to operated licences.

1.21 LEASE AGREEMENTS

The company as lessee:

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

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

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

1.22 TRADE DEBTORS

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

1.23 BORROWING COSTS

Borrowing costs that can be directly ascribed to procurement, processing or production of a qualifying asset, shall be capitalised as part of the asset's acquisition cost. Other borrowing costs are expenses in the period in which they are incurred.

A qualifying asset is an asset for which an extensive period is required before it is ready for its intended use or sale.

1.24 INVENTORIES

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

Petroleum stock
Produced petroleum that is not lifted constitutes petroleum stock. Petroleum stock is valued at the lowest of full production cost and net sales value.

1.25 OVERLIFT/ UNDERLIFT

Petroleum overlifts are presented as current liabilities, while petroleum underlifts are presented as short-term receivables. The value of overlift/underlift is set at the estimated sales value, minus estimated sales costs (the entitlement method).

1.26 CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash, bank deposits, and other short-term highly liquid investments with an original due date of three months or less. Bank overdrafts are included in the Statement of financial position as short-term loans. Interest is taken to income based on the effective interest method as it is earned.

1.27 INTEREST-BEARING DEBT

All loans are initially recognised at acquisition cost, which equals the fair value of the amount received minus issuing costs relating to the loan.

Subsequently, interest-bearing loans are valued at amortised cost using the effective interest method; the difference between the acquisition cost (after transaction costs) and the face value is recognised in the income statement during the period until the loan falls due. Amortised costs are calculated by considering all issue costs and any discount or premium on the settlement date.

1.28 TAX

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

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

The book value of deferred tax benefits is assessed on an annual basis and reduced insofar as it is no longer likely that future earnings or current tax regulations will make it possible to utilise the benefit. Deferred tax benefits that are not capitalised will be re-evaluated on each balance sheet date and capitalised insofar as it is likely that future earnings or current tax regulations will make it possible to utilise the benefit.

Deferred tax and tax benefits are measured using the expected tax rate when the tax benefit is realised or the tax liability is met, based on tax rates and tax regulations in effect or that are expected to be in effect on the balance sheet date.

Tax payable and deferred tax is recognised directly against equity insofar as the tax items are directly related to equity transactions.

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

Petroleum taxation
As a production company, Det norske is subject to the special provisions of the Petroleum Taxation Act. Revenues from activities on the Norwegian Continental Shelf are liable to ordinary company tax (28 percent) and special tax (50 percent).

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

Uplift
Uplift is a special income deduction in the basis for calculation of special tax. The uplift is calculated on the basis of investments in pipelines and production facilities, and can be regarded as an extra depreciation deduction in the special tax basis. The uplift constitutes 7.5 percent over four years, totalling 30 percent of the investment. Uplift is recognised in the year in which it is deducted in the companies' tax returns, and thus has a similar effect on the tax for the period as a permanent difference.

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

Remaining financial expenses, currency losses and all interest-rate income are allocated to the onshore district.

Uncovered losses in the onshore tax jurisdictions resulting from the distribution of net financial items can be allocated to the offshore tax jurisdictions and deducted from regular income (28 percent).

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

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

Tax loss
Companies subject to special tax may, without time limitations, carry forward losses with the addition of interest. A corresponding rule also applies to unused uplift. The tax position can be transferred on realisation of the company or merger. Alternatively, disbursement of the tax value can be claimed from the state.

1.29 EMPLOYEE BENEFITS

Defined-benefit pension schemes
Every employee has a pension scheme that is administered and managed by a Norwegian life insurance company. The calculation of the estimated pension liability for defined-benefit pensions is based on external actuary methods, and is compared to the value of the pension assets.

When pension costs and pension liabilities are entered into the accounts, a straight-line earning profile is used as a basis. This is based on assumptions relating to discount rates, future salary, national insurance benefits, future returns on pension assets and actuarial assumptions relating to mortality and voluntary retirement, etc. Pension assets are recognised at fair value. Pension commitments and pension assets are presented net in the Statement of financial position and classified as payroll expenses. The pension plans are charged to income at the time of the decision being taken. The part of the estimate variation that exceeds 10 percent of the pension liability or pension assets is amortised over the assumed remaining earning period (corridor solution).

Gains and losses on curtailment or settlement of a defined-benefit pension scheme are included in the income statement when the curtailment or settlement occurs. A curtailment occurs when the company makes a considerable reduction in the number of employees encompassed by the scheme or changes the terms and conditions for a defined-benefit pension plan such that a considerable part of the current employees' future earning periods will no longer qualify for benefits or only qualify for reduced benefits.

The introduction of a new benefit scheme or improvements to a current benefit scheme will lead to changes in the company's pension liability. This is expensed on a straight-line basis until the effect of the change is earned. The introduction of new schemes or changes in existing schemes that are implemented with retroactive effect, so that the employees immediately earn a free policy (or a change in their free policy) are recognised in the income statement immediately. Gains or losses associated with restrictions or termination of pension schemes are recognised as they are incurred.

With effect from 1 September 2011, an early retirement scheme (AFP) has been introduced for all employees. The scheme is treated as a defined contribution pension, and therefore expensed as incurred.

1.30 PROVISIONS

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

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

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

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

1.31 RELATED PARTIES

All transactions, agreements, and business activities with related parties are conducted on ordinary market terms (arm`s length principles).

1.32 SEGMENT

Since its formation, the company has conducted its entire business in one and the same segment, defined as exploration for and production of petroleum in Norway. The company conducts its activities on the Norwegian Continental Shelf, and management follows up the company at this level.

1.33 EARNINGS PER SHARE

Earnings per share are calculated by dividing the ordinary profit/loss by the weighted average number of the total outstanding shares. Shares issued during the year are weighted in relation to the period in which they have been outstanding. Diluted earnings per share is calculated as the annual result divided by the weighted average number of outstanding shares during the period, adjusted for the dilution effect of any share options. Profits due to shareholders and the weighted average of outstanding shares are adjusted for the dilution effect of any share options. All shares that can be redeemed in connection with share options and that are 'in the money' are included in the calculation. Any share options are expected to be converted on the date of transfer.

1.34 CONTINGENT LIABILITIES AND ASSETS

Contingent liabilities are accounted for in the annual accounts, if it is more than 50 percent likely that they will occur. Major contingent liabilities are disclosed with the exception of contingent liabilities where the probability of the liability having to be settled is remote.

Contingent assets are recognised if it is virtually certain that the condition will occur. However, information about such contingent assets is provided if there is a certain probability that they will benefit the company.

1.35 EVENTS SUBSEQUENT TO THE REPORTING PERIOD

Events subsequent to the reporting period, both positive and negative, are defined as events taking place between the balance-sheet date and the date of approving the financial statements for publication.

Incidents that provide knowledge about matters that existed on the balance sheet date will be adjusted in the financial statements.

Any material events related to circumstances occurring after the balance sheet date will be disclosed in the notes to the financial statements.

1.36 CASH FLOWS

The Statement of cash flow has been prepared using the indirect method.

1.37 COMPARATIVE FIGURES

When necessary, the comparative figures have been corrected in order to correspond to the changes in this year's presentation of the accounts.

1.38 CHANGES TO ACCOUNTING STANDARDS AND INTERPRETATIONS THAT:

HAVE ENTERED INTO FORCE:

The accounting policies adopted are consistent with those of the previous financial year. No amendments or changes in accounting standards which are relevant for the company have been implemented for the first time in 2012.

HAVE BEEN ISSUED BUT HAVE NOT ENTERED INTO FORCE:

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the company's financial statements, are disclosed below. The company intends to adopt these standards, if applicable, when they become effective, provided that the amendments are EU endorsed before publication of the annual report.

IAS 1 Presentation of Financial Statements
The amendments to IAS 1 change the grouping of items presented in other comprehensive income (OCI). Items that could be reclassified to profit or loss at a future point in time (for example, net gain on hedge of net investment, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets) would be presented separately from items that will never be reclassified (for example, actuarial gains and losses on defined benefit plans). The amendment affects presentation only and has no impact on the company's financial position or performance. The amendment becomes effective for annual periods beginning on or after 1 July 2012, and will therefore be applied in the company's first annual report after becoming effective. At present the company has no items presented in the OCI.

IAS 19 Employee Benefits
The IASB has issued numerous amendments to IAS 19. These range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and re-wording. The removal of the corridor mechanism implies that actuarial gains and losses shall be recognised in other comprehensive income in the current period.

The amended standard will impact the net benefit expense as the expected return on plan assets will be calculated using the same interest rate as applied for the purpose of discounting the benefit obligation. The amendment becomes effective for annual periods beginning on or after 1 January 2013.

At the implementation date (1 January 2013), this change is expected to lead to an increase in our pension liability of NOK 9.94 million.

IFRS 7 Financial Instruments – Disclosure
These amendments require an entity to disclose information about rights to set-off and related arrangements (for example collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with IAS 32 Financial instruments: Presentation. The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set off in accordance with IAS 32. These amendments will not impact the company's financial position or performance and become effective for annual periods beginning on or after 1 January 2013.

IFRS 13 Fair Value Measurement
IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. IFRS 13 becomes effective for annual periods beginning on or after 1 January 2013.

Note 2: Major transactions and important events

IMPORTANT EVENTS AND TRANSACTIONS IN 2012

The company continued the growth of the resource base. On the Utsira High in the North Sea, where the company's most valuable assets are located, good progress have been experienced on both the Johan Sverdrup discovery and the operated Ivar Aasen field development project. Following the giant Johan Sverdrup discovery in August 2011, the exploration well on the Geitungen prospect found additional oil to Johan Sverdrup in 2012 and the two-well appraisal program in PL 265 also provided very good results.

During 2012, Det norske's operated field development capabilities were strengthened. Most significant was the submittal of a plan for development and operation of the operated Ivar Aasen field to Norwegian authorities in December. In addition to being a major investment decision, this project will represent a significant task for the company in the years to come. The company is committed to succeed with this field development, which has the potential to transform Det norske into a mid-sized Exploration and Production (E&P) player. Good progress was also made on Jette, the company's first operated subsea field development project. The initial well issues were solved during 2012, and the project is set for first production in the second quarter 2013.

In 2012, the company participated in a total of nine wildcat wells and three appraisal wells.

With regards to financial transactions, the company renewed NOK 3,500 million of exploration facility and succeeded an equity issue of 10 percent of outstanding shares of NOK 1,029 million.

Note 3: Overview of subsidiaries\Liquidation of subsidiary

The company owns 100 percent of Sandvika Fjellstue AS, which is a conference centre used by Det norske. Sandvika Fjellstue AS is from a materiality consideration not consolidated, but is recognised at cost of NOK 12 million, see Note 18.

Det norske oljeselskap AS was liquidated with effect from 1 October 2011. The effect of liquidation of this subsidiary was an added NOK 56 million in equity. The company received a liquidating dividend of NOK 65 million in 2011, which was recognised as 'Other operating revenues'.

Note 4: Segment information

The company's business is entirely related to exploration for and production of petroleum in Norway. The company's activities are considered to have a homogeneous risk and return profile before tax and the business is located in the geographical area Norway. Thus, the company operates within a single operating segment. This matches the internal reporting to the company's decision maker, defined as the company's top management. All revenues derive from sales to large external customers.

Note 5: Exploration expenses

Breakdown of exploration expenses:	2012	2011
Seismic, well data, field studies and other exploration expenses	335 265	100 384
Recharged rig costs	-31 491	-49 661
Share of exploration expenses from licence participation, incl. seismic	149 267	267 291
Expensing of exploration wells capitalised in previous years	252 719	13 675
Expensing of exploration wells capitalised this year	863 684	520 965
Share of payroll and other operating expenses classified as exploration	76 333	142 926
Research and development costs related to exploration activities	20 536	34 600
Reversal of tax item related to shortfall value of purchase price allocation (PPA)	-57 000	-17 988
Total exploration expenses	**1 609 314**	**1 012 191**

Those parts of payroll and operating expenses that can be ascribed to production, development and exploration activities have been classified and presented as fixed assets, production and exploration expenses, respectively.

Note 6: Inventories

Inventories consist of oil that has been produced but not lifted, plus inventories of spare parts.

	31.12.2012	31.12.2011
Inventory of oil - produced, but not delivered	2 151	2 898
Share of spare parts inventory	19 058	34 141
Inventories	**21 209**	**37 039**
Change in inventory of oil (exclusive of spare parts inventories)	**-747**	**-1 489**

The spare parts inventory mainly consists of equipment for the drilling of exploration wells or spare parts for development and production licences. 'Change in inventory' is included in 'Production costs' in the statement of income.

Note 7: Production costs and cash flow from production

	2012	2011
Petroleum revenues	325 093	361 774
Production costs	210 962	181 888
Net revenues from production	**114 131**	**179 886**

Production costs include costs associated with leasing, operation and maintenance of production vessels, platforms and well intervention and workover activities, CO_2 tax, etc. The share of payroll and administration expenses that can be ascribed to operations is reclassified and shown as a production cost, see Note 8. The costs relate to the production licences Jotun, Varg, Enoch, Atla and Glitne.

Note 8: Remuneration and guidelines for remuneration of executives and the board of directors, and total payroll expenses

Breakdown of payroll expenses:	2012	2011
Payroll expenses	285 522	288 974
Pension costs including employer's National Insurance contributions	31 142	31 942
National Insurance contributions	38 453	39 808
Other personnel costs	16 499	16 199
Payroll expenses charged to licences or reclassified as exploration, development or production costs	-360 616	-345 190
Total personnel expenses	11 000	31 732
Number of man-years equivalents employed during the year	202.6	180.6

At the start of the year the number of employees was 178. As of 31.12.2012 the number of employees was 214

Remuneration of senior executives in 2012:	Salary	Share investment and bonus [4]	Other benefit	Accrued pension costs	Other	Total remuneration	Total number of shares (in 1000)	Owning interest
Erik Haugane (Chief Execute Officer)[1]	3 129	1 168	28	191		4 516	725	0,52 %
Øyvind Bratsberg (Chief Operating Officer)	3 077	1 144	27	206		4 454	42	0,03 %
Alexander Krane (Chief Financial Officer) [2]	692		8			700		0,00 %
Teitur Poulsen (Chief Financial Officer) [3]	1 927	1 093	19	218	322	3 579		0,00 %
Bjørn Martinsen (Sr.VP Exploration)	2 570	706	34	218		3 528	13	0,01 %
Odd Ragnar Heum (Sr.VP Asset Johan Sverdrup)	1 938	747	29	188		2 902	57	0,04 %
Bård Atle Hovd (Sr.VP Project)	2 435	488	33	257		3 213	19	0,01 %
Anita Utseth (Chief of Staff)	1 602	617	25	276		2 520	46	0,03 %
Total remuneration of senior executives in 2012	17 370	5 963	203	1 554	322	25 412	903	0,64 %

1) The Board has, in accordance with a previous agreement, agreed a retirement with the CEO at the age of 60. Retirement is expected to occur during 2013. As compensation, the CEO will receive 70 percent of wages from the age of 60 to 67. The liability is calculated using the same actuarial assumptions as the company's other pension obligations.

2) Started 1.9.2012.

3) Resigned 31.8.2012. Amount in the column 'Other' relates to holiday pay earned and paid in 2012.

4) Share savings investment scheme earned in 2011, disbursed in 2012.

Remuneration of senior executives in 2011:	Salary	Share investment [3]	Other benefit	Accrued pension costs	Other	Total remuneration	Total number of shares (in 1000)	Owning interest
Erik Haugane (Chief Execute Officer)	2 952	584	35	192		3 763	821	0,64 %
Vidar Larsen (VP Business Development) [1]	841	364	12	38		1 255	20	0,02 %
Øyvind Bratsberg (Deputy Chief Executive)	2 891	572	23	207		3 693	34	0,03 %
Bjørn Martinsen (VP Exploration)	2 096	303	39	219		2 657	11	0,01 %
Odd Ragnar Heum (VP Resource Strategy)	1 869	364	27	191		2 451	52	0,04 %
Teitur Poulsen (Chief Financial Officer)	2 470	421	25	219		3 135	40	0,03 %
Anita Utseth (VP Business Services)	1 543	301	23	268		2 135	42	0,03 %
Bård Atle Hovd (VP Development Projects) [2]	1 080		10	257	1 000	2 347	18	0,01 %
Total remuneration of senior executives in 2011	15 742	2 909	194	1 591	1 000	21 436	1 039	0,81 %

No bonus was paid in 2011 for the 2010 earning year, as it was decided not to pay a bonus.

1) Resigned 31.3.2011.

2) Started 1.8.2011. Amount in the column 'Other' relates to recruitment compensation, partly to compensate for bonus earned in previous employment. The entire amount after tax is used to buy shares in the company.

3) Share savings investment scheme earned in 2010, disbursed in 2011.

The table below includes regular fee to the Board and fees for participation in the Board's subcommittees. The fees to the nomination committee is also included. Some board members have shares in the company. The table also includes the number of shares and owning interest in Det norske oljeselskap ASA held directly or indirectly throught related parties. Indirect ownership through other companies is included as a whole where the owning interest is 50 percent or more.

Name	Comments	Fee	Total numbers of shares (in 1000) as of 31.12.2012	Owning interest as of 31.12.2012
Svein Aaser	Chair of the Board from 12.4.2011. Chair of the compensation commitee	583	10	0,01 %
Maria Moræus Hansse	Board memb. Deputy Chair from 9.5.2011. Member of the audit commitee	352		0,00 %
Berge Gerdt Larsen	Board memb.	259	21	0,01 %
Kaare M Gisvold	Board memb. Deputy Chair to 9.5.2011. Member of the audit and the compensation commitee. Resigned 19.4.2012	124	219	0,16 %
Svein Sivertsen	Deputy Board memb. from 12.4.2011. Stepped down 19.4.2012	9	21	0,01 %
Hege Sjo	Board memb. Chair of the audit commitee	390		0,00 %
Tom Røtjer	Board memb. from 19.4.2012	184		0,00 %
Carol Bell	Board memb. from 12.4.2011. Member of the audit commitee	278	3	0,00 %
Bodil Alteren	Employee representative. Stepped down 8.8.2012	81	20	0,01 %
Gunnar Eide	Employee representative. Stepped down 8.8.2012	76	21	0,02 %
Tonje Foss	Employee representative from 8.8.2012	44	6	0,00 %
Inge Sunde	Employee representative from 8.8.2012	44	7	0,00 %
Tom Grøndahl	Deputy Board memb. from 12.4.2011. Stepped down 19.4.2012	9		0,00 %
Kjell Inge Røkke	Deputy Board memb. from 12.4.2011. Chairman to 12.4.2011	36		0,00 %
Ståle Gjersvold	Deputy Board memb. from 19.4.2012	31		0,00 %
Lone Fønss Schrøder	Deputy Board memb. from 12.4.2011	40		0,00 %
Liv Malvik	Deputy Board memb. from 12.4.2011	40		0,00 %
Kristin Aubert	Employee rep. Deputy Board memb. Stepped down 8.8.2012	17	1	0,00 %
Kristin Gjertsen	Employee rep. Deputy Board memb. from 8.8.2012	8	3	0,00 %
Bjørn Thore Ribesen	Employee rep. Deputy Board memb. from 8.8.2012	8	11	0,01 %
Øyvind Eriksen	Chair of the nomination committee. Member from 12.4.11-14.2.2012	27		0,00 %
Finn Haugan	Nomination committee. Chair from 12.4.2011-14.2.2012	24		0,00 %
Helge Eide	Memb. of the nomination committee. Stepped down 12.4.2012	13		0,00 %
Hilde Myrberg	Memb. of the nomination committee from 12.4.2012	8		0,00 %
Total fee		2 685	343	0,24 %

Policy statement concerning salaries and other remuneration of senior executives

The Board will submit a policy statement concerning salaries and other remuneration to senior executives to the Annual General Meeting.

Guidelines and adherence to the guidelines in 2012
In 2012, the company's remuneration policy has been in accordance with the guidelines described in the Directors' Report for 2011 and submitted to the Annual General Meeting for an advisory vote in April 2012.

Guidelines for 2013 and until the Annual General Meeting in 2014
The Board has established guidelines for 2012 and until the Annual General Meeting in 2013, for salaries and other remuneration to the Chief Executive Officer (CEO) and other senior executives. The guidelines will be reviewed at the company's Annual General Meeting in 2013.

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

Adjustment of the CEO's base salary is decided by the Board. Adjustment of the base salaries for other senior executives is decided by the CEO within the wage settlement framework adopted by the Board. The CEO will retire from his position in 2013. See comments in the section 'Remuneration of senior executives in 2012'.

It is up to the Board to decide whether to pay bonuses, based on the previous year's performance. For 2012, the bonus was set to ten percent. The bonuses were disbursed in January 2013.

The company has no pension scheme for salaries exceeding 12 times the National Insurance basic amount (G), but a share savings investment scheme has been introduced as part of the pay system. The employees receive an annual payment of 10 percent of the previous year's gross salary. If, within 30 days of this payment, employees wish to buy shares in the company, the company will pay a corresponding amount as tax compensation provided that the employee agrees to hold those shares for at least 12 months. For those who do not buy shares, a tax withholding will be deducted from the payment. The first payments under the share investment scheme were made in January 2011.

In order to recruit new employees to the company and match corresponding schemes offered by competing companies, a borrowing facility has been established for the company's employees, whereby all permanent employees can borrow up to 30 percent of their gross annual salary at an interest rate corresponding to the taxable norm interest rate. The lender is a selected bank, and the company guarantees for the employees' loans. Guarantees furnished by the company for employee loans in 2012, amounted to 18 978. The corresponding figures for 2011 were 16 652. The company covers the difference between the market interest rate and the norm interest rate for tax purposes at any time. As security for such loans, the company signs additional contracts with the employees, entitling it to make deductions for defaulting payment from holiday pay and pay during notice periods. The bank manages the facility, collects interest payments/instalments and follows up any default. The company pays a small annual fee for this work.

The effect for the company of implementing the abovementioned guidelines, is that the company's result is affected by the related costs.

Note 9: Other operating expenses

	2012	2011
Gains/losses on sale of fixed assets and licences	7 907	-2 138
Office and IT costs	132 988	127 183
Consultants' and auditor's fees	31 294	29 240
Other operating expenses, including travel expenses	39 571	35 292
Operating expenses charged to licences/ classified as fixed assets, exploration and production costs	-199 165	-171 167
Preparation for operation on development licences	18 653	
Area fee	51 551	42 312
Other operating expenses	**82 799**	**60 721**

The company's auditor's fees are included under Other operating expenses and are allocated as follows:

Auditor's fees (all figures are exclusive of VAT)	2012	2011
Fees for statutory audit services	1 000	1 013
Other attestation services	62	32
Tax advice	263	322
Audit-related fees	264	40
Services other than audit services	446	212
Total auditor's fees	**2 035**	**1 620**

Note 10: Financial items

	2012	2011
Interest income	54 997	69 900
Total interest income	**54 997**	**69 900**
Return on financial investments	1 628	10 731
Currency gains	66 771	16 094
Total other financial income	**68 399**	**26 825**
Intra-group interest expenses		26 183
Interest expenses	217 142	225 876
Capitalised interest costs development projects *	-128 468	-5 528
Amortisation of loan costs	39 576	59 439
Total interest expenses	**128 250**	**305 969**
Currency losses	54 022	16 112
Change in value of derivatives	44 847	6 033
Decline in value of financial investments	2 181	966
Total other financial expenses	**101 050**	**23 111**
Net financial expenses (+)/income (-)	**105 905**	**232 355**

The currency gains and losses can mainly be ascribed to realised and unrealised exchange rate fluctuations relating to the company's credit facilities, bank accounts, trade receivables and trade creditors in foreign currencies.

*The capitalised rate (weighted average interest rate) used to determine the amount of borrowing cost eligible for capitalisation is 9.7 percent. The corresponding rate for 2011 was 8.6 percent.

Note 11: Tax

Tax base	2012	2011
Profit/(loss) before tax	-3 948 875	-1 310 854
Reversal of tax element related to business combination - booked as exploration	-57 000	-17 988
Permanent differences	-19 473	44 218
Change in temporary differences	1 678 808	-710 286
Basis for ordinary income tax (28%)	**-2 346 540**	**-1 994 910**
Current year uplift	-220 332	-46 607
Financial items subject to only 28% ordinary tax	141 353	159 132
Basis for special tax (50%)	**-2 425 520**	**-1 882 384**

Breakdown of the current year's tax income:	Tax rate	2012	2011
Calculated current year's exploration tax refund	78 %	1 299 985	1 397 420
Prior periods adjustments to tax refund		19 472	-2 954
Current tax income (refund)		*1 319 457*	*1 394 466*
Prior periods adjustments to deferred tax		24 186	
Change in deferred tax		1 704 981	-435 885
Reversal of tax item related to shortfall value of purchase price allocation (PPA), accounted as exploration expenses		-57 000	-17 988
Deferred tax income (expense)		*1 672 167*	*-453 873*
Net tax income/tax expense		**2 991 624**	**940 593**
Effective tax rate in %		**-76 %**	**-72 %**

Reconciliation of tax income/tax expense (-)	Tax rate	2012	2011
28 % company tax on result before tax	28 %	1 105 685	367 039
50 % special tax on result before tax	50 %	1 974 438	655 427
Interest on tax losses carryforward		10 257	5 800
Previous period adjustment		43 239	-6 767
Tax effect of uplift	50 %	110 166	22 869
Tax effect of financial items - 28% only	50 %	-76 284	-104 331
Deferred tax on current year's impairment booked directly to balance sheet		-178 525	-69 742
Permanent differences	78 %	59 649	88 287
Reversal of tax element on shortfall value related to business combination - booked as exploration expense	100 %	-57 000	-17 988
Total tax income/tax expense for the year		**2 991 624**	**940 594**

Breakdown of tax effect of temporary differences and tax losses carryforward:	Applied tax rate	31.12.2012	31.12.2011
Capitalised exploration costs	78,00 %	1 696 884	1 862 141
Other intangible assets	78,00 %	458 920	647 845
Other intangible assets	28,00 %	806	806
Tangible fixed assets	78,00 %	-299 914	327 195
Inventories	78,00 %	925	1 390
Overlift/underlift of oil	78,00 %	10 314	4 413
Pension liabilities	78,00 %	-43 147	-36 616
Other provisions in accordance with GAAP	78,00 %	-833 864	-462 517
Other provisions in accordance with GAAP	28,00 %	-504	-893
Net gain on revaluation account (agio/disagio)	62,77 %	13 534	
Arrangement fee, short-term loans	51,63 %	16 998	5 726
Arrangement fee, bond issue	51,63 %	5 639	3 637
Arrangement fee, multicurrency loan	51,63 %	35 228	
Financial instruments	28,00 %	-12 557	
Tax losses carryforward	28,00 %	-325 590	-116 056
Tax losses carryforward	50,00 %	-588 853	-195 019
Other		-461	
Total deferred tax		**134 358**	**2 042 051**

Reconciliation of change in deferred tax:	31.12.2012	31.12.2011
Deferred tax as of 1.1	2 042 051	1 594 608
Change in deferred tax through Statement of income	-1 672 167	447 443
Prior periods adjustments		-10 890
Deferred tax on current year's impairment booked directly to balance sheet	-178 525	28 877
Reversal of tax item related to shortfall value of purchase price allocation, accounted as a tax expense	-57 000	-17 988
Deferred tax	**134 358**	**2 042 051**

Reconciliation of tax receivables:		
Calculated current year's exploration tax refund	1 299 985	1 397 420
Prior periods adjustments	-26 249	
Tax receivable	**1 273 737**	**1 397 420**

Note 12: Earnings per share

Earnings per share is calculated by dividing the year's profit/loss due to shareholders, which was NOK -957.3 million (NOK -370.3 million in 2011) by the year's weighted average number of outstanding ordinary shares, which was 128.65 million (115.1 million i 2011). There are no option schemes or convertible bonds in the company. This means that there is no difference between the earnings per share and the diluted result per share.

	2012	2011
Profit/loss for the year due to holders of ordinary shares	-957 251	-370 260
The year's average number of ordinary shares (in thousands)	128 650	115 059
Earnings per share	**-7,44**	**-3,22**

Note 13: Tangible fixed assets and intangible assets

TANGIBLE FIXED ASSETS:

2012	Fields under develoment	Production facilities, including wells	Fixtures and fittings, office machinery etc	Total
Acquisition cost 31.12.2011	803 352	457 089	106 744	**1 367 186**
Additions	2 575 739	775 587	19 318	3 370 644
Disposals	-417 904			-417 904
Reclassification from exploration expenditure	202 560			202 560
Acquisition cost 31.12.2012	**3 163 747**	**1 232 676**	**126 062**	**4 522 485**
Acc. depreciations & impairment losses 31.12.2012	-1 799 650	-655 386	-74 180	-2 529 216
Book value 31.12.2012	**1 364 097**	**577 291**	**51 882**	**1 993 269**
Depreciation for the year		82 435	18 316	100 751
Impairment losses for the year	1 799 650	163 701		1 963 351

2011	Fields under develoment	Production facilities, including wells	Fixtures and fittings, office machinery etc	Total
Acquisition cost 31.12.2010	250 205	432 090	94 698	**776 994**
Additions	351 116	24 999	14 091	390 206
Disposals			-981	-981
Reclassification from exploration expenditures	202 031		-1 064	200 967
Acquisition cost 31.12.2011	**803 352**	**457 089**	**106 744**	**1 367 186**
Acc. depreciations & impairment losses 31.12.2011		-409 250	-55 864	-465 114
Book value 31.12.2011	**803 352**	**47 839**	**50 881**	**902 071**
Depreciation for the year		45 369	19 280	64 649
Impairment losses for the year		30 308		30 308

Capitalised exploration expenditures are re-classified to 'Fields under development' when the field enter into the development phase. Fields under development are re-classified to 'Production facilities' from start of production. Production facilities, including wells, are depreciated in accordance with the Unit of Production Method. Office machinery, fixtures and fittings, etc. are depreciated using the straight-line method over their useful life, i.e., 3-5 years. Removal and decommisioning cost for production facilities is included as 'Production facilities'.

Disposal is related to the Jette transaction as described in Note 30. This transaction has no material impact on the income statement.

INTANGIBLE ASSETS:

	Other intangible assets				
2012	Licences	Software	Total	Goodwill	Exploration expenses
Acquisition cost 31.12.2011	**1 110 324**	**43 989**	**1 154 313**	**648 337**	**2 387 360**
Additions	366	1 191	**1 557**		1 112 719
Disposals/expensed dry wells	-6 266		**-6 266**	-3 768	-1 122 028
Reclassification to tangible fixed assets					-202 560
Acquisition cost 31.12.2012	**1 104 424**	**45 181**	**1 149 604**	**644 569**	**2 175 491**
Acc. depreciations & impairment losses 31.12.2012	-442 782	-41 281	-484 064	-257 019	
Book value 31.12.2012	**661 641**	**3 899**	**665 542**	**387 551**	**2 175 492**
Depreciation for the year	7 990	2 946	**10 936**		
Impairment losses for the year	226 194		**226 194**	135 062	

	Other intangible assets				
2011	Licences	Software	Total	Goodwill	Exploration expenses
Acquisition cost 31.12.2010	**1 399 756**	**40 710**	**1 440 467**	**939 976**	**1 802 234**
Additions	206 188	3 522	209 710	62 955	1 434 947
Disposals/expensed dry wells	-498 195	-61	-498 256	-354 594	-645 214
Reclassification to tangible fixed assets	2 575	-182	2 393		-204 607
Acquisition cost 31.12.2011	**1 110 324**	**43 989**	**1 154 313**	**648 337**	**2 387 360**
Acc. depreciations & impairment losses 31.12.2011	-210 252	-38 335	-248 587	-122 468	
Book value 31.12.2011	**900 072**	**5 654**	**905 726**	**525 870**	**2 387 360**
Depreciation for the year	8 705	5 164	**13 869**		
Impairment losses for the year	147 065		**147 065**	43 360	

Reconciliation of depreciations in the Statement of income:	**2012**	**2011**
Depreciations of tangible fixed assets	100 751	64 649
Depreciations of intangible assets	10 936	13 869
Total depreciations for the year	**111 687**	**78 518**

Software is depreciated over its useful life (3 years) using the straight-line method. Licences related to fields in production is depreciated using the Unit of Production method.

Book value of licences as of 31 December 2012 relates to fields in the exploration and evalation phase, development phase and production phase with NOK 499.2 million, NOK 121.5 million, and NOK 40.9 million, respectively.

Some of the licences have been pledged as security in connection with the company's credit facilities; see Note 30. The calculated book value of licences furnished as security is NOK 4,143.6 million.

Goodwill is mainly allocated to the Johan Sverdrup (PL 265) and Ivar Aasen (001B and 028B) discoveries.

Note 14: Impairments

An impairment test of goodwill and pertaining licences was carried out in the fourth quarter in accordance with the company's accounting principles. The test was carried out as of 31 December 2012. Goodwill is capitalised as a consequence of the requirement in IFRS 3 to make provision for deferred tax in connection with a business combination, even if the transactions are made on an "after-tax" basis as a result of a section 10 decision in line with applicable petroleum taxation. The offsetting entry to deferred tax is goodwill.

The valuation unit used for assessment of impairment will depend on the lowest level at which it is possible to identify cash flows that are independent of cash flows from other groups of fixed assets. For oil and gas assets, this is carried out at the field or licence level. The loss in value for capitalised exploration costs is assessed for each well. Impairment are recognised when the book value of an asset or a cash flow-generating unit exceeds the recoverable amount. The recoverable amount is the higher of the asset's net sales value and value in use. In the assessment of the value in use, the expected future cash flow is discounted to the net present value by applying a discount rate after tax that reflects the current market valuation of the time value and the specific risk related to the asset.

For producing licences and licences in the development phase, recoverable amount is estimated based on discounted future after tax cash flows. Future cash flows are calculated on the basis of expected production profiles and estimated proven and probable remaining reserves. The following assumptions have been applied:
* discount rate of 10.7 percent nominal after tax
* a long-term inflation of 2.5 percent
* a long-term exchange rate of NOK/USD 6.00
* oil prices are based on forward prices, and it is expected that 2017 will be the final year of production for fields that are currently under production.

The following nominal oil price assumptions are applied:

Year	Average USD
2013	107.8
2014	102.5
2015	98.5
2016	95.2
2017	92.7

2012:
The company experienced technical challenges with the completion of the first production well on the Jette field. As a result, the company revised the development drilling plan. The revised plan resulted in higher drilling costs and reduced estimated recoverable reserves compared to the original plan. This caused reduced profitability of the field. Consequently, Det norske performed an impairment assessment and recorded an impairment charge of NOK 1 881 million before tax. The impairment included amounts from tangible fixed assets, intangible assets, goodwill and deferred tax. The net after tax effect of this charge is NOK 477 million.

During the year the company's fixed assets related to the producing fields Glitne and Jotun were impaired with NOK 164 million before tax. The impairment was mainly due to the increase in the estimate of the abandonment provision. The remaining impairments for 2012 are related to exploration licences that have been or are in the process of being relinquished.

2011:
Impairment of tangible fixed assets was entirely related to Jotun. Of impairment losses related to intangible assets/ licence rights, NOK 32.5 million was related to Jotun. The remaining impairments relate to various exploration licences that have been or are in the process of being relinquished.

	2012	2011
Impairment of tangible fixed assets	1 963 351	30 308
Impairment of other intangible assets/licence rights	226 194	147 065
Impairment of technical goodwill	135 062	43 360
Deferred tax	-174 955	-69 742
Total Impairments	**2 149 653**	**150 990**

A sensitivity analysis has been carried out in relation to impairment of producing fields and development projects, with a charge in the net cash flow or discount rate of +/- 10 percent. For one of the producing fields this would have resulted in an impairment charge of NOK 60 million.

Note 15: Accounts receivable

The company's customers are large, financially sound oil companies. Trade debtors consist mainly of receivables related to the sale of oil and gas, sale and swap of licences and sublease of offices, and also recharging of expenses pertaining to other licence partners.

	31.12.2012	31.12.2011
Receivables related to the sale of oil and gas	23 211	32 292
Recharges related to rigs, etc.	78 603	112 641
Unrealised exchange rate losses	25	1 254
Total accounts receivable	**101 839**	**146 188**

Credit risk and currency risk related to trade debtors are discussed in more detail in Note 29 Financial instruments.
No provisions for bad debt were made for 2011 or 2012.

Aging of accounts receivable as of 31.12. was as follows:

Year	Total [1]	Not due	<30 d	30-60d	60-90d	>90d
2011	144 934	107 313	33 460	2 427	1 704	30
2012	101 813	65 449	36 364			

1) The deviation between the age-distributed current ledger and total trade receivables was due to unrealised exchange rate gains/losses.

Note 16: Other short-term receivables

	31.12.2012	31.12.2011
Pre-payments, including rigs	33 648	53 405
VAT receivable	21 289	9 314
Underlift	24 288	44 028
Other receivables, including operator licences	263 341	312 763
Pre-payments, Transocean Barents		113 029
Total other short-term receivables	**342 566**	**532 538**

Note 17: Long-term receivables

	31.12.2012	31.12.2011
Receivables related to deferred volume at Atla	31 995	
Total long-term receivables	**31 995**	

The physical production volumes from Atla were higher than the commercial production volumes. This was caused by the high pressure from the Atla field which temporarily has stalled the production from the neighbouring field Skirne. This is expected to continue into 2013 and 2014. Income is recognised based on physical production volumes measured at market value. This deferred compensation is recorded as a long-term receivable.

Note 18: Other non-current assets

	31.12.2012	31.12.2011
Shares in Sandvika Fjellstue AS	12 000	6 000
Debt service reserve, see Note 29	169 240	
Tenancy deposit	12 694	12 423
Total other non-current assets	**193 934**	**18 423**

Note 19: Cash and cash equivalents

The item 'Cash and cash equivalents' consists of bank accounts and cash.

	31.12.2012	31.12.2011
Cash	5	2
Bank deposits	1 140 745	828 771
Restricted funds (tax withholdings)	13 432	12 827
Total cash and cash equivalents	**1 154 182**	**841 599**

The company has unused amount available for withdrawal on the exploration facility and the revolving credit facility, described in more detail in Note 25.

Note 20: Share capital and shareholders

	31.12.2012	31.12.2011
Share capital	140 707	127 916
No. of shares (in 1000)	140 707	127 916
The nominal value per share is NOK	1.00	1.00

All shares in the company carry the same voting rights.

Paid-in share capital, premium reserve and other paid-in capital:	No. of shares	Share capital	Premium reserve	Total restricted equity
Issued and fully paid in capital	140 707	140 707	3 089 542	**3 230 249**
Total issued and paid in as of 31.12.12	**140 707**	**140 707**	**3 089 542**	**3 230 249**

Paid-in share capital, premium reserve and other paid-in capital:	No. of shares	Share capital	Premium reserve	Total restricted equity
Issued and fully paid in capital	127 916	127 916	2 083 271	**2 211 187**
Total issued and paid in as of 31.12.11	**127 916**	**127 916**	**2 083 271**	**2 211 187**

Earnings per share are shown in Note 12.

Overview of the 20 largest shareholders registered as of 31.12.12:

	No. of shares (in 1000)	Owning interest
AKER CAPITAL AS	70 340	49,99 %
FOLKETRYGDFONDET	9 618	6,84 %
ODIN NORGE	2 645	1,88 %
ODIN NORDEN	1 964	1,40 %
VERDIPAPIRFONDET DNB	1 800	1,28 %
JPMCB RE SHB SWEDISH	1 426	1,01 %
STATOIL PENSJON	1 163	0,83 %
VARMA MUTUAL PENSION	1 095	0,78 %
VPF KLP AKSJE NORGE	1 048	0,74 %
VPF NORDEA KAPITAL	961	0,68 %
TVENGE TORSTEIN	900	0,64 %
JPMORGAN CHASE BANK	844	0,60 %
CLEARSTREAM BANKING	807	0,57 %
SPAREBANKEN MIDT-NORGE	780	0,55 %
KOMMUNAL LANDSPENSJON	764	0,54 %
VPF DANSKE INVEST NORSKE AKSJER INSTITUSJON II	759	0,54 %
KØRVEN AS	724	0,51 %
JPMORGAN CHASE BANK	682	0,48 %
SPESIALFONDET KLP ALFA GLOBAL ENERGI	680	0,48 %
VPF FONDSFINANS SPAR	675	0,48 %
OTHER	41 032	29,16 %
Total	**140 707**	**100 %**

The overview of shareholders is not on a consolidated basis, so that some of the shareholders may have greater holdings through indirect ownership, but such shareholdings are not material.

Note 21: Pensions and other long-term employee benefits

The company is required to have an occupational pension scheme pursuant to the Act relating to compulsory occupational pensions. The company's pension plan satisfies the requirements of the Act.

Pension scheme
The company has a defined benefit plan which covers 199 persons. The plan applies to salaries of up to 12 times the basic amount (G) and entitle to defined future benefits of maximum 66 percent of a person's pay on retirement. The benefit mainly depends on the number of earning years, pay level on reaching the pensionable age and National Insurance amounts. The pension liabilities are covered by an insurance company. Expected premium payments in 2013 amount to NOK 19.3 million.

In addition to the secured pension plan, the Chief Executive Officer has an unsecured early retirement plan. The liability is calculated using the same actuarial assumptions as for the company's other pension liabilities. Both the liability and the costs related to this plan are included in the figures below.

For accounting purposes, it is assumed that pension rights are earned on a straight-line basis. Those parts of accumulated unrealised gains and losses that follow from changes in actuarial assumptions and exceed a defined corridor, are taken/charged to income over the expected remaining average earning period. The corridor is defined as 10 percent of the gross liability or gross funds, whichever is the greater.

The pension liability was calculated, based on assumptions as of year-end, by an independent actuary.

As from 1 September 2011, the company has introduced a collective early-retirement pension scheme (AFP). In accordance with the current regulations, the premium is expensed as it is incurred. Total premiums expensed in 2012 amounted to NOK 1.3 million, and the corresponding figure for 2011 was NOK 0.2 million. In 2012, the premium has been 1.75 percent of total salary payments between 1 and 7.1 times the basic amount.

	Unsecured scheme		Secured scheme		Total	
Pension costs are calculated as follows:	**2012**	**2011**	**2012**	**2011**	**2012**	**2011**
Present value of the year's earned benefits	1 679	1 676	23 454	25 164	25 133	26 841
Interest expenses on accrued pension liabilities	361	334	2 439	2 044	2 800	2 377
Expected returns on pension funds			-2 404	-1 871	-2 404	-1 871
Actuarial loss/(gain) charged/(taken) to income				131		131
Administrative expenses			498	365	498	365
Total pension costs excl. Social security tax	**2 041**	**2 010**	**23 986**	**25 833**	**26 027**	**27 843**
Social security tax	288	283	3 382	3 624	3 670	3 907
Total pension costs defined benefit plan	**2 328**	**2 293**	**27 368**	**29 457**	**29 697**	**31 750**
Cost of defined contribution pension					118	33
Pension costs collective early-retirement pension scheme (AFP)					1 327	159
Total pension costs					**31 142**	**31 942**

	Unsecured scheme		Secured scheme		Total	
The year's change in gross pension liability:	2012	2011	2012	2011	2012	2011
Gross pension liability (PBO) as of 01.01.	10 953	9 267	73 911	56 780	84 864	66 047
Present value of the year's earned benefits	1 679	1 676	23 454	25 164	25 133	26 841
Interest expenses on accrued pension liabilities	361	334	2 439	2 044	2 800	2 377
Pension payments			-31	-18	-31	-18
The year's actuarial loss/(gain)	-254	-324	983	-10 060	730	-10 384
Gross pension liability (PBO) as of 31.12.	**12 740**	**10 953**	**100 756**	**73 911**	**113 496**	**84 864**

	Unsecured scheme		Secured scheme		Total	
	2012	**2011**	**2012**	**2011**	**2012**	**2011**
The year's change in gross pension funds:						
Gross pension funds as of 1.1.			40 998	30 213	40 998	30 213
Expected returns on pension funds			2 404	1 871	2 404	1 871
Actuarial loss/gain			-5 260	-5 494	-5 260	-5 494
Administrative expenses			-498	-365	-498	-365
Pension payments			-31	-18	-31	-18
Premium payments			18 689	14 791	18 689	14 791
Fair value of pension funds as of 31.12.			**56 302**	**40 998**	**56 302**	**40 998**
Net pension funds/liability (-) as of 31.12.	-12 740	-10 953	-44 454	-32 913	-57 194	-43 867
Estimate variations not taken/charged to income	206	460	8 507	2 263	8 713	2 723
Social security tax	-1 767	-1 480	-5 069	-4 322	-6 836	-5 801
Net capitalised pension funds/liability (-) as of 31.12.	**-14 301**	**-11 973**	**-41 015**	**-34 971**	**-55 317**	**-46 944**

	Unsecured scheme		Secured scheme		Total	
Change in funds:	**2012**	**2011**	**2012**	**2011**	**2012**	**2011**
Net capitalised pension funds/liability (-) as of 1.1.	-11 973	-9 679	-34 971	-22 391	-46 943	-32 070
The year's pension cost	-2 328	-2 293	-27 368	-29 457	-29 697	-31 750
Payments received			21 324	16 877	21 324	16 877
Net capitalised pension funds/liability (-) as of 31.12.	**-14 301**	**-11 973**	**-41 015**	**-34 971**	**-55 317**	**-46 944**

	2012	**2011**	**2010**	**2009**	**2008**	**2007**
Historical information						
Net present value of defined benefit pension liabilities	113 496	84 864	66 047	36 519	20 810	9 807
Fair value of pension funds	56 302	40 998	30 213	18 764	7 997	3 797
Deficit in the scheme	**57 194**	**43 866**	**35 835**	**17 755**	**12 813**	**6 010**
Experience-based adjustment of liabilities	730	-10 384	3 581	404	-1 804	-206
Experience-based adjustment of pension funds	-5 260	-5 494	-4 310	-800	-1 961	-304

The calculation of pension costs and net pension liabilities is based on a number of assumptions. The discount rate in 2012 is based on the Norwegian high quality corporate bond rate. The discount rate in 2011 was based on the Norwegian ten-year government bond rate. The assumptions used are in line with recommendations from the Norwegian Acccounting Standards Board. The pension liability's average maturity period is calculated as being 17 years, which corresponds to the difference between the pensionable age and the average age of the company's employees. Wage growth, pension adjustment and regulation of the National Insurance basic amount (G) are based on historical observations for the company and on an expected long-term inflation rate of 2.5 percent. For 2012, the company has applied the Norwegian Accounting Standards Board's (NASB) assumptions as of Desember 2012 with some minor changes.

Financial assumptions	2012	2011
Discount rate	3,80 %	3,30 %
Return on pension funds	4,00 %	4,80 %
Wage and salaries increase	3,50 %	4,00 %
Pension adjustment	3,25 %	3,75 %
Average turnover	1,90 %	0,70 %

	2012	2011
Actuarial assumptions		
Mortality table used	K2005+10/15	K2005
Disability tariff used	IR-02	IR-02
Voluntary retirement before 40 years	8,00 %	8,00 %
Voluntary retirement after 40 years	0,00 %	0,00 %

Percentage distribution of pension funds by investment category	2012	2011
Shares	6,1 %	10,4 %
Bonds	15,6 %	15,2 %
Money market	21,4 %	21,7 %
Capital bonds	36,8 %	33,4 %
Property	18,3 %	18,0 %
Other	1,9 %	1,2 %
Total	100 %	100 %

The pension scheme is placed in Dnb, which has a long-term perspective on the management of the capital. Dnb seeks to achieve the highest possible rate of return by composing an investment portfolio that produces the maximum risk-adjusted return. In 2012, the actual value-adjusted return on pension assets was 4.8 percent, equal to the estimated rate.

Note 22: Provision for abandonment liabilities

	31.12.2012	31.12.2011
Provisions as of 01.01	285 201	268 227
Incurred cost removal	-677	-35
Accretion expenses	17 519	16 863
Change in estimate	496 015	146
Total abandonment provision	**798 057**	**285 201**

The company's removal and decommissioning liabilities relate to the fields Varg, Enoch, Glitne, Atla, Jette and Jotun. Time of removal is expected to come in 2014 for Glitne, and in 2018 for Jotun, Enoch, Jette, Varg and Atla.

The liability is based on an implementation concept in accordance with the Petroleum Activities Act and international regulations and guidelines. The calculations assume an inflation rate of 2.5 percent before tax and a nominal discount rate of 5.03 percent for Enoch, Jotun, Varg, Atla and Jette, and 4.93 percent for Glitne before tax in 2012. The corresponding rate for 2011 was 6.24 percent for Jotun and Enoch, and 5.92 percent for Varg and Glitne.

The main element in "change in estimate" is related to incurred liabilities from new fields.

Note 23: Derivatives

Interest rate swaps:	31.12.2012	31.12.2011
Unrealised losses interest rate swaps	45 971	
Estimated fair value	**45 971**	
Loss related to interest rate swaps	45 971	
Loss related to currency forward contracts	1 283	

Interst rate swaps

The company has entered into three interest rate swaps in 2012. The purpose is to swap floating rate loans to fixed rate. These interest rate swaps are marked to market and recognised in the Statement of income.

Currency forward contracts

Det norske entered into and settled forward contracts during 2012 to reduce currency exposure in the Jette project. As of 31 December 2012 and 2011, the company did not have any outstanding currency forward contracts.

Note 24: Bonds

Breakdown of non-current other interest-bearing debt:	31.12.2012	31.12.2011
Principal, bond Norsk Tillitsmann	600 000	600 000
Debt establishment costs	-16 145	-16 145
Amortisation of establishment costs	5 223	3 156
	589 078	**587 011**

The bond runs from 28 January 2011 until 28 January 2016 and has an interest rate of 3 month NIBOR + 6.75 percent. The principal falls due on 28 January 2016 and interest is paid on a quarterly basis. No security has been furnished for this loan. Det norske is in compliance with all financial covenants as of 31 December 2012. For further details on covenants, see Note 29.

Note 25: Interest-bearing loans and assets pledged as security

Breakdown of short-term loan	31.12.2012	31.12.2011
Exploration facility	600 000	400 000
Debt establishment cost	-32 925	-20 450
Total short-term loan	**567 075**	**379 550**

The company has renewed the exploration facility of NOK 3,500 milion, with a group of banks. The current facility was establised in December 2012 and the company can draw on the facility until 31 December 2015 with a final date for repayment in December 2016. The maximum utilisation including interest is limited to 95 percent of the tax refund related to exploration expenses.

The interest rate is 3 months' NIBOR plus a margin of 1.75 percent, with a utilisation fee of 0.25 percent for unused credit up to NOK 2,750 million and 0.5 percent if the utilized credit exceeds NOK 2,750 million. In addition, a commitment fee of 0.7 percent is also paid on unused credit. Up-front fees amounted to NOK 33 million.

For further details on covenants, see Note 29.

Available for withdrawal on exploration facility	31.12.2012	31.12.2011
'Calculated tax receivable' in the balance sheet	1 273 737	1 397 420
Available for withdrawal	1 187 760	1 303 094
Drawn amount	600 000	400 000
Unused amount available for withdrawal on exploration facility	**587 759**	**903 094**

As primary security, the lender has a mortgage in an escrow account into which the tax refund will be deposited. In addition, some licences are pledged as security for the lender. For licence overview, see Note 30.

Breakdown of other interest-bearing debt	31.12.2012	31.12.2011
Revolving credit facility	1 399 702	
Debt establishment cost	-85 300	
Amortisation	17 065	
Unrealised currency	-31 734	
Total Other interest-bearing debt	**1 299 733**	

The company has an agreement of a revolving credit facility of USD 500 million. The revolving credit facility can be increased with USD 100 million on certain future conditions. The company can draw on the facility until December 2015 with a final date for repayment as of 31 December 2015.

The interest rate on the revolving credit is 3 months' NIBOR/LIBOR plus a margin of 3.25 percent, with a utilisation fee of 0.5 percent for unused credit up to USD 375 million and 0.75 percent if the utilised credit exceeds USD 375 million. In addition, commitment fee of 1.30 percent is also paid on unused credit. Establishment fee for the facility was NOK 85.3 million.

For further details on covenants, see Note 29.

Available for withdrawal on the revolving credit facility	31.12.2012	31.12.2011
Available for withdrawal	2 783 200	
Drawn amount	1 399 702	
Unused amount available for withdrawal on the revolving credit facility	**1 383 498**	

Note 26: Other current liabilities

Breakdown of other current liabilities	31.12.2012	31.12.2011
Current liabilities related to overcall in licences	113 072	60 731
Share of other current liabilities in licences	519 439	155 766
Other current liabilities	220 211	187 658
Total other current liabilities	**852 722**	**404 156**

Note 27: Liabilities, lease agreements and guarantees

Future minimum lease obligations in accordance with non-terminable operational lease agreements

Rig contracts:
The company has signed a lease for Transocean Barents which runs to July 2014.

The company has entered into an agreement with Maersk Giant Norge for the lease of the rig Maersk Giant in a period of 150 days to drill two wells.

The above rig contracts will be used for exploration drilling in the company's licences in current and future licence portfolios. The minimum lease obligation cannot be determined with certainty, since it will depend on the company's owning interest in the respective licences that actually will use the rig. The table below shows the company's total lease obligations in connection with these agreements. The total obligation will be reduced by the contribution paid by the various partners in the respective licences.

On behalf of the partners in Ivar Aasen (formerly named Draupne), the company's has signed an agreement in 2013 with Maersk Drilling for the delivery of a jack-up rig for the development project on the Ivar Aasen field. The rig will be used to drill production wells on the Ivar Aasen field. The contract period is three years, with options for up to seven years. This agreement is not included in the future lease obligations reflected below. For further information, see Note 32 "Events after the balance sheet date."

	31.12.2012	31.12.2011
Within 1 year	1 413 171	2 090 880
1 to 5 years	888 923	1 806 750
Total	2 302 095	3 897 630

The expected minimum rental income from subleasing the rig under non-terminable operational leases as of 31 December 2012 is NOK 1,780 million.

Lease obligation pertaining to owning interests in licences:
The company's share of operational lease liabilities and other long-term liabilities pertaining to its owning interests in oil and gas fields are shown in the table below. Liabilities related to the above-mentioned rig contracts are not included.

	31.12.2012	31.12.2011
Within 1 year	46 002	98 806
1 to 5 years	107 919	189 565
After 5 years		36 792
Total	153 921	325 163

Lease liabilities - office premises and IT services
The company's liabilities in connection with non-terminable agreements for lease of office premises and hire of IT services:

	31.12.2012	31.12.2011
Within 1 year	65 431	50 878
1 to 5 years	324 464	112 605
After 5 years	90 124	86 403
Total	480 019	249 885

The company has two rental agreements for office premises in Oslo, of which the longest expires in 2018. The company has sublet some parts of these premises. The company has two rental agreements for office space in Trondheim, of which the longest expires in 2020. In 2012, the company signed a new contract for IT services. The hire period is five years, and the contract cannot be terminated during this period.

Liability for damages / insurance
Just like other licencees on the Norwegian continental shelf, the company has unlimited liability for damage, including pollution damage. The company has insured its pro rata liability on the Norwegian continental shelf on a par with other oil companies. Installations and liability are covered by an operational liability insurance policy.

Guarantees
The company has established a loan scheme whereby permanent employees can borrow up to 30 percent of their gross annual salary at the prescribed interest rate for tax purposes. The company covers the difference between the market interest rate and the prescribed interest rate for tax purposes at any time. The lender is a savings bank, and the company guarantees for the employees' loans. Guarantees furnished by the company for employees totalled NOK 19.0 million at 31 December 2012. The corresponding amount for 2011 was NOK 16.7 million.

The company has provided the landlord with a guarantee in the amount of NOK 12 million to cover the rent for the company's premises at Aker Brygge.

Uncertain liabilities
During the second quarter, the company announced that it had received a notice of reassessment from the Norwegian Oil Taxation Office (OTO) in respect of 2009 and 2010. At the end of the third quarter, the company responded to the notice of reassessment by submitting detailed comments.

During the normal course of its business the company will be involved in disputes. The company provides accruals in its financial statements for probable liabilities related to litigation and claims based on the company's best judgement. Det norske does not expect that the financial position, results of operations or cash flows will be materially affected by the resolution of these disputes.

Note 28: Transactions with related parties

Owners with controlling interests
At year end 2012, Aker (Aker Capital AS) was the largest shareholder in Det norske, with an total owning interest of 49.99 percent. An overview of the 20 largest shareholders is provided in Note 20.

Duty of disclosure related to the executive managemement
For more details about remuneration of key executive personnel, Note 8.

Transactions with related parties
The whole Aker group is deemed to be a related party due to its ownership connection. Transocean Drilling (formerly Aker Drilling) is a party to the contract for Transocean Barents (formerly Aker Barents). In 2011, Transocean Drilling was a subsidiary of Aker ASA during the period from 1 January to 24 February, and an associated company from 24 February until 30 September. The company was sold to Transocean with effect from 30 September 2011. The table below shows transactions during the ownership period from 1 January 2011 to 30 September 2011.

In connection with our development projects on Jette and Ivar Aasen, agreements have been entered into with Aker Solutions and its subsidiaries, which are associate companies to Aker ASA. Det norske's share of transactions in 2011 and 2012 have been included in the table below.

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

Related party	Receivables (+) / liabilities (-) :	31.12.2012	31.12.2011
Aker Solutions	Trade creditors	-7 525	

Related party	Revenues (+) / expenses (-)	2012	2011
Det norske oljeselskap AS	Interest rate income/ expenses		-26 183
Aker ASA	Software and maintenance	-6 749	
Aker Solutions	Delivery to Jette and Ivar Aasen development	-97 806	-18 200
Aker Drilling Operations AS	Hire of Transocean Barents		-328 762

Note 29: Financial instruments

Capital structure and equity

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

The company seeks to optimise its capital structure by balancing return on equity against lenders' security and liquidity requirements. The company aims to have a good reputation in all debt markets, including the bond market and the bank market.

The size of the company's resource base is very important in relation to access to capital and borrowing terms. The increase in resources and reported reserves in 2012 has strengthened the company's financial position.

The company's equity ratio (equity in relation to total capital) as of 31 December is shown in the table below.

	31.12.2012	31.12.2011
Equity as of 31.12	3 738 362	3 676 551
Total capital	8 364 453	7 715 984
Equity ratio	45 %	48 %

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

There are several covenant requirements related to our borrowing facilities. Covenants include:
1) Total committed sources to exceed total uses
2) equity ratio
3) debt service reserve ratio, and
4) asset coverage ratio

The company met all these requirements in 2012.

Categories of financial assets and liabilities

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

Categories of financial assets and financial liabilities

31.12.2012	Financial assets at fair value		Financial liabilities at fair value		
	Designated as such upon initial recognition	Loan and receivables	Designated as such upon initial recognition	Financial liabilities measured at amortised costs	**Total**
Assets					
Short-term deposits	23 138				23 138
Accounts receivable		101 839			101 839
Other short-term receivables*		318 862			318 862
Tax receivables		1 273 737			1 273 737
Other non-current assets		193 934			193 934
Cash and cash equivalents		1 154 182			1 154 182
Total Financial assets	**23 138**	**3 042 554**			**3 065 691**
Liability					
Derivatives			45 971		45 971
Trade creditors				258 596	258 596
Bonds				589 078	589 078
Short-term loan				567 075	567 075
Other interest-bearing debt				1 299 733	1 299 733
Other short-term liabilities				877 258	877 258
Total financial liabilities			**45 971**	**3 591 740**	**3 637 711**

*Prepayments are not included in Other short-term receivables, as prepayments are not deemed to be financial instruments.

Categories of financial assets and financial liabilities

31.12.2011	Financial assets at fair value		Financial liabilities at fair value		
	Designated as such upon initial recognition	Loan and receivables	Designated as such upon initial recognition	Financial liabilities measured at amortised costs	**Total**
Assets					
Short-term deposits	21 750				21 750
Trade receivables		146 188			146 188
Other short-term receivables*		366 039			366 039
Tax receivables		1 397 420			1 397 420
Other non-current assets		18 423			18 423
Cash and cash equivalents		841 599			841 599
Total Financial assets	**21 750**	**2 769 668**			**2 791 418**
Liability					
Trade creditors				274 308	274 308
Bonds				587 011	587 011
Short-term loan				379 550	379 550
Other short-term liabilities				422 724	422 724
Total financial liabilities				**1 663 593**	**1 663 593**

*Prepayments are not included in Other short-term receivables, as prepayments are not deemed to be financial instruments.

Financial risk

The company has financed its activities by an exploration facility, a revolving credit facility, both with a group of banks, and a bond, all with floating interest rates. In addition, the company has financial instruments such as trade debtors, trade creditors etc., directly related to its day-to-day operations. For hedging purposes, the company has invested in three interest swaps, to swap floating rate to fixed rate.

The company does not trade in financial instruments, including derivatives. The most important financial risks, which the company is exposed to, relate to oil prices, foreign exchange rates, interest rates and capital requirements.

The company's risk management, including financial risk management, is designed to ensure identification, analysis and systematic and cost-efficient handling of risk. Established management procedures provide a good basis for reporting and monitoring of the company's risk exposure.

(i) Oil price and currency risks

Det norske's revenues are derived from the sale of petroleum products, and the revenue flow is therefore exposed to oil and gas price fluctuations. The company's oil and gas production is currently at a limited level, and the company has therefore chosen not to hedge against the related price risk. However, the company will continue to consider hedging against oil and gas prices as production increases.

Oil and gas production from the Atla field started in October 2012. The physical production volumes from Atla were higher than the commercial production volumes due to an agreement to make up for delayed production from Skirne caused by pressure differences, see Note 17. Revenue and production costs are accounted for using the physical production from Atla, while the actual sale of the delta between physical production and commercial production occurs in about two years, when Skirne production is back at normal rate. This delayed sale result in a greater risk exposure to price fluctuations and exchange rates.

Revenues from sale of petroleum and gas are in USD, while expenditures are mainly in NOK, USD, EUR, GBP, and DKK. Exchange rate fluctuations and oil prices involve both direct and indirect financial risk exposure for the company, but because some of the expenses are in USD, some of this risk is reduced. Currency derivatives may be used. Foreign currency positions are only used to reduce the currency risk relating to the company's ordinary operations.

During the course of the year, the company has entered into some forward contracts to reduce its currency exposure in the Jette project. As of 31 December 2012 all contracts are utilised. See Note 23 for an overview of changes in estimated fair value through 2012.

Liquid assets consist of NOK, USD, EUR, GBP and DKK. All bank deposits shall be placed in accounts with interest rates and prices denominated in NOK, EUR or USD.

The table below shows the company's sensitivity to potential changes in exchange rates according to the company's financial instruments in the Statement of financial position as of 31 December.

USD/NOK

	Change in exchange rate	31.12.2012	31.12.2011
Effect on pre-tax profit/loss:	+ 10%	-22 652	5 704
	- 10%	22 652	-5 704

The table below shows the company's exposure in USD as of 31 December:

Exposure relating to:	31.12.2012	31.12.2011
Receivables, bank deposit and licence over/undercalls	76 991	1 519
Trade creditors, licence over/undercall, over/underlift of oil and other short-term liabilities	-12 567	8 000
Revolving credit facility	-105 118	
Net exposure in USD	**-40 694**	**9 519**

EUR/NOK

	Change in exchange rate	31.12.2012	31.12.2011
Effect on pre-tax profit/loss:	+ 10%	3 808	4 988
	- 10%	-3 808	-4 988

The table below shows the company's exposure in EUR as of 31 December:

Exposure relating to:	31.12.2012	31.12.2011
Receivables and bank deposit	5 449	5 255
Trade creditors and licence over/undercall	-262	1 178
Net exposure in EUR	**5 187**	**6 433**

The company is also exposed for change in other exchange rates as GBP/NOK and DKK/NOK, but the amount is not material.

(ii) Interest-rate risk

The company is exposed to interest-rate risk to borrowings and placement of liquid assets. Floating-interest loans involve risk exposure for the company's future cash flows. As of 31 December 2012, the company's total loan liabilities amounted to approximately NOK 2.6 billion, distributed between one long-term bond issue, one revolving credit facility and one short-term exploration facility. The purpose with the exploration facility is to finance exploration activities and the credit facility shall mainly finance developement projects, see Note 25. The corresponding loan liabilities as of 31 December 2011 amounted to NOK 1.0 billion.

The terms of the company's loans are described in Note 24 and 25.

The interest-rate risk relating to liquid assets is relatively limited. In accordance with the company's guidelines, the average interest-rate sensitivity, including exposure relating to financial derivatives, shall not exceed one year for the investment portfolio as a whole.

The following table shows the company's sensitivity to potential changes in interest rates:

Change in interest rate level in basis points:		31.12.2012	31.12.2011
Effect on pre-tax profit/loss:	+ 100	45 086	-10 000
	- 100	-36 165	10 000

In order to calculate sensitivity of interest rate changes, floating interest rates have been changed by + / - 100 basis points.

(iii) Liquidity risk/liquidity management

The company's liquidity risk is the risk that it will not be able to meet its financial obligations as they fall due.

There shall be sufficient liquidity in regular bank accounts at all times to cover expected payments relating to operational activities and investment activities for two months ahead.

In addition, short-term (12 months) and long-term (five years) forecasts are prepared on a regular basis to plan the company's liquidity requirements. These plans are updated regularly for various scenarios and form part of the day-to-day decision basis for the company's board of directors.

Excess liquidity is defined as a portfolio consisting of liquid assets other than the funds deposited in regular operational bank accounts and unused credit facilities. This means that excess liquidity includes high-interest accounts and financial investments in banks, money-market instruments and bonds.

For excess liquidity, the requirement for low liquidity risk (i.e. the risk of realisation on short notice) is generally more important than maximising the return.

Some reporting requirements are associated with the agreement with the bank syndicate that furnished the exploration facility, including quarterly updates of a revolving liquidity budget for the next 12 months. For the multi-currency facility it is also required that equity must be at least 25 percent and the company has 12 months positive fundings (Source > Uses). The company met this requirement both in 2012 and in 2011.

The company's objective for the placement and management of excess capital is to maintain a low risk profile and good liquidity.

As of 31 December 2012, the company's excess liquid assets are mainly deposited in bank accounts.

As of 31 December 2012, the company has cash reserves of NOK 1,154,182 (2011: 841,599). However, the combination of limited production revenues and active exploration and development programmes sets requirements for managing liquidity risk.

The company will handle any increased future capital requirements through selling assets, raising new capital, taking up loans, entering into carry agreements, strategic alliances and any combination of these, and by adjusting the company's level of activity, if required.

The company has a total borrowing limit of NOK 3.5 billion for exploration purposes and USD 500 million mainly for development purpose; see Note 25. The company made a new NOK 600 million bond issue in Januar 2011. In December 2012, the company raised NOK 1,029 million in new equity. Together with the company's liquid assets, this is sufficient to finance the company's operations through 2013.

The table below shows the payment structure for the company's financial commitments, based on undiscounted contractual payments:

31 December 2012	Book value	Contract-related cash flows	Less than 1 year	1-2 years	2-5 years
Non-derivative financial liabilities:					
Bond issue	589 078	759 367	51 780	51 780	655 807
Exploration facility	567 075	644 596	644 596		
Revolving credit facility	1 299 733	1 744 601	81 150	81 150	1 582 301
Trade creditors and other liabilities	1 135 854	1 135 854	1 135 854		
Derivative financial liabilities					
Derivatives	45 971	47 136	12 661	16 788	17 687
Total as of 31 December 2012	**3 637 711**	**4 331 555**	**1 926 042**	**149 718**	**2 255 795**

31 December 2011	Book value	Contract-related cash flows	Less than 1 year	1-2 years	2-5 years
Non-derivative financial liabilities:					
Bond issue	587 011	827 911	55 378	55 661	716 872
Exploration facility	379 550	530 810	530 810		
Trade creditors and other liabilities	697 032	697 032	697 032		
Total as of 31 December 2011	**1 663 593**	**2 055 753**	**1 283 220**	**55 661**	**716 872**

(iv) Credit risk

The risk of counterparties being financially incapable of fulfilling their obligations is regarded as minor, as historically, there have not been any losses on accounts receivable. The company's customers are large and creditworthy oil companies and it has therefore not been necessary to make any provision for bad debt.

In the management of the company's liquid assets, low credit-risk is prioritised. Liquid assets are placed in bank deposits, bonds and funds that represent a low credit-risk.

The maximum credit-risk exposure corresponds to the book value of financial assets. The company deems its maximum risk exposure to correspond with the book value of trade debtors and other short-term receivables and investments; see Notes 15 and 16.

Determination of fair value

The fair value of derivatives is defined by involved banks based on market considerations; see Note 23.

Items included in market-based financial investments are perpetual loan. The fair value of these investments are determined using the price for tax purposes as defined by the Norwegian Securities Dealers Association. In the course of the year, the value of this asset increased by NOK 1 387 (2011: 818), and the gain is recognised as 'Other financial income' in the statement of income.

The following of the company's financial instruments have not been valued at fair value: liquid assets, trade debtors, other short-term receivables, other long-term receivables, short-term loans and other short-term liabilities.

The book value of liquid assets and loans is virtually the same as their fair value, as these instruments have a short term to maturity. Correspondingly, the book value of trade debtors, other receivables, trade creditors and other short-term liabilities is virtually the same as their fair value as they are entered into on 'ordinary' terms and conditions. Other financial fixed assets mainly consist of deposits, and hence their value is virtually equal to their fair value.

The bond issue from January 2011 is listed on Oslo Stock Exchange, and the fair value is determined using the quoted value as of 31 December.

The maximum credit risk exposure corresponds to the book value of financial assets in the statement of financial position.

The following is a comparison between the book value and fair value of the company's financial instruments, without those where the carrying amount is a reasonable approximation of fair value (such as short-term trade receivables and payables).

	31.12.2012		31.12.2011	
Fair value of financial instruments:	**Book value**	**Fair value**	**Book value**	**Fair value**
Financial assets valued at fair value through profit or loss:				
Market-based financial investments	23 138	23 138	21 750	21 750
Total financial assets	**23 138**	**23 138**	**2 791 418**	**2 791 418**

	31.12.2012		31.12.2011	
Fair value of financial instruments:	**Book value**	**Fair value**	**Book value**	**Fair value**
Financial liabilities valued at fair value through profit or loss:				
Derivatives	45 971	45 971		
Financial liabilities measured at amortised cost:				
Bond issue	589 078	633 600	587 011	627 000
Total financial liabilities	**635 049**	**679 571**	**1 663 593**	**1 703 582**

Fair value hierarchy:

The company classifies fair value measurements by using a value hierarchy that reflects the significance of the input used in preparing the measurements. The fair value hierarchy consists of the following levels:

Level 1 - input in the form of listed (unadjusted) prices in active markets for identical assets or liabilities.

Level 2 - input other than listed prices of assets and liabilities included in Level 1 that is observable for assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 - input for assets or liabilities for which there is no observable market data (non-observable input).

The company has no assets in Level 1 and 3.

31.12.2012 **Assets recognised at fair value**	Level 1	Level 2	Level 3
Financial assets measured at fair value with changes in value recognised through profit or loss			
Derivatives - interest swaps		45 971	
Market-based financial investments		23 138	

31.12.2011 **Assets recognised at fair value**	Level 1	Level 2	Level 3
Financial assets measured at fair value with changes in value recognised through profit or loss			
Market-based financial investments		21 750	

In the course of the reporting period, there were no changes in the fair value measurements that involved any transfers between levels.

Guarantees

The company has established a loan scheme whereby permanent employees can borrow up to 30 percent of their gross annual salary at the prescribed interest rate for tax purposes. The company covers the difference between the market interest rate and the prescribed interest rate for tax purposes at any time. The lender is a savings bank, and the company guarantees for the employees' loans. Guarantees furnished by the company for employees totalled NOK 19.0 million at 31 December 2012. The corresponding amount for 2011 was NOK 16.7 million.

Det norske has provided the landlord KLP with a guarantee in the amount of NOK 12.4 million to cover the rent for the company's premises in Oslo.

Guarantees have also been furnished in connection with the establishment of the debt facilities. The lender have security in the company's tax receivable and in licences. For a list of licences in which the lenders have security, see Note 30. The book value of licences furnished as security is NOK 4,143.6 million (2011: 1,132.8 million).

Note 30: Investments in jointly controlled assets

Investments in jointly controlled assets is included using the 'gross method' (proportionate consolidation), based on the owning interests.

The company's investments in licences on the Norwegian Continental Shelf as of 31.12.:

Production licences in which Det norske is operator:

Licence	Pledged	31.12.2012	31.12.2011
PL 001B	yes	35,0 %	35,0 %
PL 027D	yes	60,0 %	60,0 %
PL 028B	yes	35,0 %	35,0 %
PL 103B	yes	70,0 %	70,0 %
PL 169C****	yes	50,0 %	70,0 %
PL 242	yes	35,0 %	35,0 %
PL 337	yes	45,0 %	45,0 %
PL 341*		0,0 %	30,0 %
PL 356	yes	50,0 %	60,0 %
PL 364		50,0 %	50,0 %
PL 414	yes	40,0 %	40,0 %
PL 414B**	yes	40,0 %	0,0 %
PL 450	yes	60,0 %	75,0 %
PL 460		100,0 %	100,0 %
PL 468*		0,0 %	95,0 %
PL 468B*		0,0 %	95,0 %
PL 482	yes	65,0 %	65,0 %
PL 497	yes	35,0 %	35,0 %
PL 497B	yes	35,0 %	35,0 %
PL 500*		0,0 %	35,0 %
PL 504****	yes	29,3 %	58,5 %
PL 504BS	yes	58,5 %	58,5 %
PL 512	yes	30,0 %	30,0 %
PL 542	yes	60,0 %	60,0 %
PL 548S*	yes	0,0 %	40,0 %
PL 549S	yes	35,0 %	35,0 %
PL 553	yes	40,0 %	40,0 %
PL 573S	yes	35,0 %	35,0 %
PL 593	yes	60,0 %	60,0 %
PL 626**	yes	50,0 %	0,0 %
PL 659**	yes	30,0 %	0,0 %
Number		26	28

Production licences in which Det norske is partner:

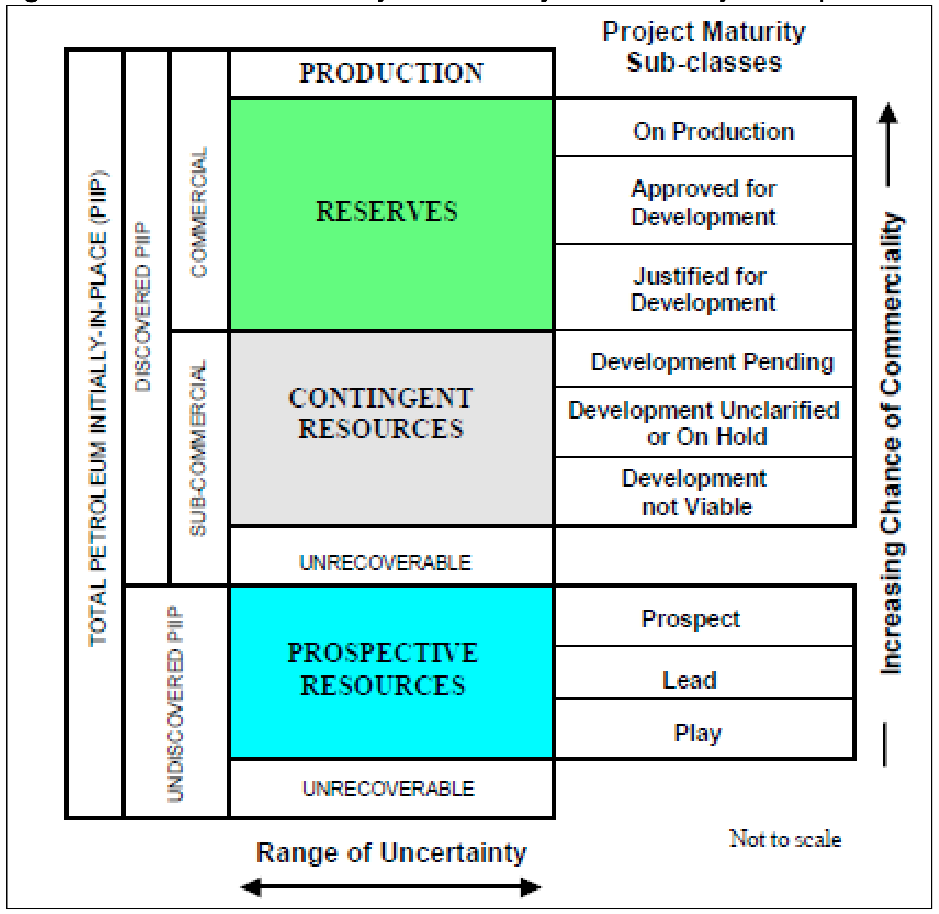
Licence	Pledged	31.12.2012	31.12.2011
PL 028S*	yes	0,0 %	40,0 %
PL 029B	yes	20,0 %	20,0 %
PL 035	yes	25,0 %	25,0 %
PL 035B		15,0 %	15,0 %
PL 035C**	yes	25,0 %	0,0 %
PL 038	yes	5,0 %	5,0 %
PL 038D	yes	30,0 %	30,0 %
PL 048B	yes	10,0 %	10,0 %
PL 048D	yes	10,0 %	10,0 %
PL 102C	yes	10,0 %	10,0 %
PL 102D**	yes	10,0 %	0,0 %
PL 265	yes	20,0 %	20,0 %
PL 272	yes	25,0 %	25,0 %
PL 332	yes	40,0 %	40,0 %
PL 362		15,0 %	15,0 %
PL 392*	yes	0,0 %	10,0 %
PL 416*	yes	0,0 %	15,0 %
PL 438	yes	10,0 %	10,0 %
PL 440S	yes	10,0 %	10,0 %
PL 442		20,0 %	20,0 %
PL 453S	yes	25,0 %	25,0 %
PL 492***	yes	50,0 %	30,0 %
PL 494	yes	30,0 %	30,0 %
PL 494B	yes	30,0 %	30,0 %
PL 494C**	yes	30,0 %	0,0 %
PL 502	yes	22,2 %	22,2 %
PL 508S*		0,0 %	30,0 %
PL 522	yes	10,0 %	10,0 %
PL 523*	yes	0,0 %	20,0 %
PL 531	yes	10,0 %	0,0 %
PL 533	yes	20,0 %	20,0 %
PL 535	yes	20,0 %	20,0 %
PL 538*	yes	0,0 %	30,0 %
PL 550***	yes	20,0 %	0,0 %
PL 551***	yes	20,0 %	0,0 %
PL 554	yes	20,0 %	20,0 %
PL 554B	yes	20,0 %	20,0 %
PL 558	yes	20,0 %	20,0 %
PL 561	yes	20,0 %	20,0 %
PL 563	yes	30,0 %	30,0 %
PL 567	yes	40,0 %	40,0 %
PL 568	yes	20,0 %	20,0 %
PL 571	yes	40,0 %	40,0 %
PL 613	yes	35,0 %	35,0 %
PL 619**	yes	30,0 %	0,0 %
PL 627**	yes	20,0 %	0,0 %
PL 652**	yes	20,0 %	0,0 %
Number		41	38

* Relinquished licences or Det norske has withdrawn from the licence.
** Interest awarded in the APA round (Awards in Predefined Areas) in 2011. Awards were announced in January 2012.
*** Aqcuired/changed through licence transaction.
**** Farm-out of Jette Unit with 18 percent (29.23 percent in PL 504 and 20 percent in PL 169).

Note 31 Classification of Reserves and Contingent Resources (unaudited)

Det norske oljeselskap ASA's reserve and contingent resource volumes have been classified in accordance with the Society of Petroleum Engineer's (SPE's) "Petroleum Resources Management System". This classification system is consistent with Oslo Stock Exchange's requirements for the disclosure of hydrocarbon reserves and contingent resources and the framework is illustrated in Figure 1.

Figure 1 - SPE's classification system used by Det norske oljeselskap ASA



Reserves, Developed and Non-developed

Det norske oljeselskap ASA has a working interest in eight fields/projects containing reserves, see Table 1. Out of these fields/projects, four are in the sub-class "On Production", two are in the sub-class "Approved for Development" and three are in the sub-class "Justified for Development". Note that Varg has reserves in both "On Production" and in "Justified for Development".

Sub-class "On Production":

- Varg – operated by Talisman, Det norske 5 percent, the licence period expires in 2021.
- Glitne – operated by Statoil, Det norske 10 percent, the licence period expires in 2016.
- Jotun operated by ExxonMobil, Det norske 7 percent, the licence period expires in 2021.
- Atla – operated by Total, Det norske 10 percent, the licence period expires in 2025.

Sub-class "Approved for Development":

- Jette – operated by Det norske, Det norske 70 percent
- Enoch – operated by Talisman, Det norske 2 percent

Sub-class "Justified for Development"

- Ivar Aasen project (previously Draupne) – operated by Det norske, Det norske 35 percent
- Gina Krog (previously Dagny)– operated by Statoil, Det norske 3.3 percent
- Varg gas project – operated by Talisman, Det norske 5 percent

Total net proven reserves (P90/1P) as of 31.12.2012 to Det norske are estimated at 42.5 million barrels of oil equivalents (mill. boe). Total net proven plus probable reserves (P50/2P) are estimated at 65.3 million boe. The split between liquid and gas and between the different subcategories can be seen in Table 1. Changes from 2011 are summarized in Table 2.

Table 1 – Reserves by field as of 31.12.2012

On Production	1P / P90 (low estimate)					2P / P50 (best estimate)				
	Gross liquids	Gross gas	Gross oil equivalents	Interest	Net oil equivalents	Gross liquids	Gross gas	Gross oil equivalents	Interest	Net oil equivalents
As of 31.12.2012	(million barrels)	(bcm)	(million barrels)	%	(million barrels)	(million barrels)	(bcm)	(million barrels)	%	(million barrels)
Enoch Unit (Moved to AfD)				2 %	0,00				2 %	0,00
Glitne	0,00		0,00	10 %	0,00	0,04		0,04	10 %	0,004
Varg (including 2 infills)	5,58		5,58	5 %	0,28	7,88		7,88	5 %	0,39
Jotun Unit	2,73		2,73	7 %	0,19	3,03		3,03	7 %	0,21
Atla (moved from AfD)	0,80	0,59	4,50	10 %	0,45	1,60	1,32	9,90	10 %	0,99
Total					**0,92**					**1,60**
Approved for Development	**1P / P90 (low estimate)**					**2P / P50 (best estimate)**				
	Gross liquids	Gross gas	Gross oil equivalents	Interest	Net oil equivalents	Gross liquids	Gross gas	Gross oil equivalents	Interest	Net oil equivalents
As of 31.12.2012	(million barrels)	(bcm)	(million barrels)	%	(million barrels)	(million barrels)	(bcm)	(million barrels)	%	(million barrels)
Enoch Unit(moved from OP)	1,71		1,71	2 %	0,03	2,61		2,61	2 %	0,05
Atla (moved to OP)				10 %	0,00				10 %	0,00
Glitne infill 2012 (dry well)				10 %	0,00				10 %	0,00
Jette (moved from JfD)	3,53	0,05	3,84	70 %	2,69	5,89	0,08	6,40	70 %	4,48
Total					**2,72**					**4,53**
Justified for Development	**1P / P90 (low estimate)**					**2P / P50 (best estimate)**				
	Gross liquids	Gross gas	Gross oil equivalents	Interest	Net oil equivalents	Gross liquids	Gross gas	Gross oil equivalents	Interest	Net oil equivalents
As of 31.12.2012	(million barrels)	(bcm)	(million barrels)	%	(million barrels)	(million barrels)	(bcm)	(million barrels)	%	(million barrels)
Ivar Aasen	88,54	1,09	95,36	35 %	33,38	119,94	4,35	147,30	35 %	51,56
Jette (moved to AfD)				70 %	0,00				70 %	0,00
Gina Krog	73,00	11,77	146,99	3,3 %	4,85	101,00	16,62	205,50	3,3 %	6,78
Varg gas (new)	7,42	0,67	11,63	5 %	0,58	10,52	0,99	16,75	5 %	0,84
Total					**38,81**					**59,17**
Total Reserves 31.12.2012					**42,45**					**65,31**
Total Reserves 31.12.2011					**47,34**					**67,89**

Table 2 – Aggregated reserves, production, developments, and adjustments

Net attributed million barrels of oil equivalents (mboe)	**On production**		**Approved for Development**		**Justified for Development**		**Total**	
	1P / P90	2P / P50	1P / P90	2P / P50	1P / P90	2P / P50	1P / P90	2P / P50
Balance as of 31.12.2011	0,24	0,80	7,17	12,95	39,93	54,14	47,34	67,89
Production	-0,54	-0,54	-	-	-	-	-0,54	-0,54
Acquisitions/disposals			-0,69	-1,14			-0,69	-1,14
Extensions and discoveries	-	-	-	-	-	-		
New developments	0,48	0,38	-0,35	-1,11	0,58	0,84	0,71	0,10
Revisions of previous estimates	0,74	0,96	-3,41	-6,16	-1,70	4,19	-4,37	-1,01
Balance as of 31.12.12	0,92	1,60	2,72	4,53	38,81	59,17	42,45	65,31
Delta	0,68	0,80	-4,45	-8,41	-1,12	5,03	-4,88	-2,59

Note 32: Events after the balance sheet date

In January 2013 the company, as operator of the Ivar Aasen field, signed a rig contract with Maersk to lease a new CJ70 jack-up rig for use on the Ivar Aasen field. The frame of the contract is between NOK 4 and 6 billion. The rig is under construction in Singapore. In February 2013 a contract for the topside on the Ivar Aasen field was awarded to SMOE in Singapore. The contract is worth approximately NOK 4 billion. The contract with SMOE entails the provision of engineering, procurement and construction. Det norske's working interest in Ivar Aasen is 35 percent.

Drilling of exploration well 8/5-1 on the Ogna prospect in licence 453S in the North Sea was completed in March 2013. The well was dry. Capitalised exploration expenditures as of 31.12.12 was NOK 5 million, but is not expensed in the statement of income, as the amount deemed immaterial.

Statement from Board of Directors and Chief Executive Officer

Pursuant to the Norwegian Securities Trading Act section 5-5 with pertaining regulations, we hereby confirm that, to the best of our knowledge, the company's financial statements for 2012 have been prepared in accordance with IFRS, as provided for by the EU, and in accordance with the requirements for additional informatin provided for by the Norwegian Accounting Act. The information presented in the financial statements gives a true and fair picture of the company's liabilities, financial position and results viewed in their entirety.

To the best of our knowledge, the Board of Directors' Report gives a true and fair picture of the development, performance and financial position of the company, and includes a description of the principal risk and uncertainty factors facing the company.

The Board of Directors of Det norske oljeselskap ASA
Oslo, 13 March 2013

Svein Aaser, Chair of the Board

Tom Røtjer, Board member

Maria Moræus Hanssen, Deputy Chair

Kjell Inge Røkke, Deputy Board member

Hege Sjo, Board member

Carol Bell, Board member

Tonje Eskeland Foss, Board member

Inge Sundet, Board member

Erik Haugane, Chief Executive Officer

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Ernst & Young AS

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Medlemmer av Den norske Revisorforening

To the Annual Shareholders' Meeting in
Det norske oljeselskap ASA

AUDITOR'S REPORT

Report on the financial statements

We have audited the accompanying financial statements of Det norske oljeselskap ASA, which comprise the statement of financial position as at 31 December 2012, the statement of income, the statement of comprehensive income, the statement of cash flows and the statement of changes in equity for the year then ended, a summary of significant accounting policies and other explanatory information.

The Board of Directors' and Chief Executive Officer's responsibility for the financial statements

The Board of Directors and Chief Executive Officer are responsible for the preparation and fair presentation of these financial statements in accordance with the International Financial Reporting Standards as adopted by the EU, and for such internal control as the Board of Directors and Chief Executive Officer 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 Det norske oljeselskap ASA have been prepared in accordance with laws and regulations and present fairly, in all material respects, the financial position of the Company as at 31 December 2012 and its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards as adopted by the EU.

Report on other legal and regulatory requirements

Opinion on the Board of Directors' report and the statement on corporate governance

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Directors' report and the statement on corporate governance concerning the financial statements, the going concern assumption and the proposal for the allocation of the result 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 Chief Executive Officer have fulfilled their duty to ensure that the Company's accounting information is properly recorded and documented as required by law and generally accepted bookkeeping practice in Norway.

Stavanger, 13 March 2013
ERNST & YOUNG AS

Tor Inge Skjellevik
State Authorised Public Accountant (Norway)

(This translation from Norwegian has been made for information purposes only.)

"Everything has an end, except the sausage, it has two."

DET NORSKE OLJESELSKAP ASA

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