BOARD OF DIRECTORS' ANNUAL REPORT AND FINANCIAL STATEMENTS 2011

DETNORSKE

TABLE OF CONTENTS

BOARD OF DIRECTORS' REPORT

Det norske:

- Participated in the giant Johan Sverdrup discovery in the North Sea. This discovery was the largest offshore oil discovery made in the World in 2011 and is among the largest oil discoveries ever made on the Norwegian continental shelf.
- Participated in the Krafla commercial oil and gas discovery near Oseberg
- Participated in the Norvarg gas discovery in the Barents Sea
- Submitted, as operator, the plan for development and operation (PDO) for the Jette field to the Ministry of Petroleum and Energy
- Participated in the development of Atla, whose development plan was approved by the Ministry of Petroleum and Energy in 2011
- Strengthened its financial position considerably through:
    - a bond issue of NOK 600 million,
    - a private placement of 10 percent of outstanding shares, corresponding to NOK 489 million,
    - entering into an agreement for a new credit facility of USD 500 million, and
    - a conversion of bonds with a total nominal value of NOK 451.5 million into shares
- The company has not experienced any serious accidents in 2011 relating to its operational activities

Important events in 2011

2011 was a very good year for Det norske oljeselskap ASA (Det norske). The company's resource base was trebled and funding was secured for the company's first development projects. The company was awarded nine new licences in the twenty-first licence round; one licence in the Barents Sea and eight licences in the awards in pre-defined areas (APA) 2010.

2011 was first and foremost a very good year for Det norske in exploration, making several significant oil and gas discoveries:

- The Johan Sverdrup discovery, previously known as Aldous Major (PL 265) and Avaldsnes (PL 501), was without question the most important event of 2011. Resources on PL 265 (in which Det norske holds an interest of 20%) are currently estimated at 1.2 billion barrels. Johan Sverdrup is among the largest oil discoveries ever in the history of exploration in Norway. This discovery has created great value for the company and is likely to provide substantial oil production for Det norske in a few years' time. Statoil will probably operate the field development.

- In addition to Johan Sverdrup, Det norske also participated in the Krafla oil and gas discovery. Discoveries were made in two structures that are expected to contain a total of between 36 and 84 million barrels of oil equivalent. Det norske's interest is 25 percent. The Krafla discovery is located in shallow waters near existing infrastructure on the Oseberg field. Development can be achieved using relatively few production wells and is expected to be profitable. A lack of available processing capacity on the Oseberg field may become a constraint with regard to the possibility of rapid development of these resources. The Statoil-operated Krafla discovery may contribute considerable growth in production for Det norske.

- A gas discovery was made at Norvarg in the Barents Sea in 2011. Preliminary estimates indicate that Norvarg contains 10-50 billion standard cubic metres of gas. Det norske has a 20 percent interest in the discovery which is located about 250 kilometres north of the existing infrastructure on Melkøya island, where the gas from the Snøhvit field is converted to LNG. Total is operator for Norvarg.

Det norske also made important steps forward on its field developments:

- In September 2011, Det norske submitted a PDO for Jette as operator. The plan was approved by the Government in February 2012. Jette will be the company's first development as operator on the Norwegian continental shelf. The development costs for Jette are estimated at NOK 2.5 billion, and oil production is expected to start in the first quarter 2013.

- Towards the end of 2011, Det norske, as operator for the Draupne field partnership, entered into a three-year agreement with Maersk for the lease of a jack-up drilling rig for the development drilling programme. The agreement is worth NOK 413 million. Det norske's goal is to submit a PDO for Draupne during 2012. Det norske's interest on Draupne is 35 percent.

- The PDO for Atla was approved in November and production is expected to start late in 2012. Det norske has a 10 percent interest in the field, for which Total is operator.

In addition tomaking major new discoveries and making good progress on its field developments, Det norske completed a number of important financial transactions during 2011. These transactions have resulted in the company being in a stronger financial position to invest in its field developments:

- In January, the company issued bonds in the amount of NOK 600 million with a coupon rate of 6.75 percent. The bonds mature in January 2016.

- In August, Det norske carried out a private placement raising a total of NOK 489 million with a selection of Norwegian and international investors. A total of 11,111,111 shares, corresponding to 10 percent of outstanding shares, were issued in connection with the placement.

- In December, the company agreed a credit facility of a total of USD 500 million, which can be increased by USD 100 million.

- In December, equity was also increased by conversion of a convertible bond. A total of 5,693,564 shares were issued when convertible bonds in the amount of NOK 451.5 million were converted into shares at a price of NOK 79.30.

- As a result of these actions during 2011, Det norske now has a sound financial basis from which to fund field developments – initially Jette, Atla and Krafla. The operational cash flow from these smaller fields will subsequently contribute to financing larger developments such as Johan Sverdrup and Draupne.

(Amounts and figures in brackets concern 2010).

Activities

Presentation of the group

Det norske oljeselskap is involved in exploration, development and production of petroleum resources on the Norwegian continental shelf. The company's activities are now organised in the previous parent company Det norske oljeselskap ASA. During the fourth quarter 2011, the parent company liquidated its only subsidiary Det norske oljeselskap AS, and thus the group also ceases to exist.

Det norske's head office functions are divided between Trondheim and Oslo and it has other offices in Stavanger and Harstad. During 2011, the decision was taken to close the Stavanger office and the few remaining activities at this office will be transferred to the other offices shortly. Det norske is active in all the petroleum provinces on the Norwegian continental shelf: the North Sea, the Norwegian Sea and the Barents Sea. At the end of 2011, the company had a total of 172 employees. Det norske is a major licensee on the Norwegian continental shelf with a total of 66 licenses, of which 28 as operator.

Exploration

Det norske is an active exploration company. In 2011, the company participated in the drilling of eleven wells, two of which as operator. Hydrocarbons were discovered in eight out of the eleven wells drilled during the year on a total of six discoveries: Johan Sverdrup, Krafla, Krafla West, Norvarg, Skalle and Skaugumsåsen. By the end of 2011, the company had participated in 40 wells since 2007, of which five were appraisal wells. These wells have resulted in a total of 23 discoveries, which are classified as contingent resources in the company's resource reporting.

Seven of the discoveries are in the *planning phase*, of which the major discovery Johan Sverdrup and the discoveries on Krafla account for the largest changes in the resource accounts for 2011. A total of 13 discoveries are classified as *uncertain development projects*, including three of the year's discoveries: Norvarg, Skalle and Skaugumsåsen.

The remaining three discoveries are currently classified as non-commercial.

In line with Det norske's strategy, the company has been one of the most active exploration companies on the Norwegian continental shelf for several years. In 2011, total investments in exploration activities amounted to NOK 1.8 billion. This is a considerable reduction compared with 2010 when the company was involved in the same number of wells but with higher ownership interests.

Det norske considers the Norwegian continental shelf to be one of the most interesting exploration areas in the world. The company believes that this will continue to be the case for a long time because the already opened areas are underexplored and there are still large areas that have yet to be opened for exploration. The company therefore focuses exclusively on this petroleum region.

Det norske's exploration strategy is twofold. Around two-thirds of its resources are invested in mature areas in the North Sea. There is extensive infrastructure in the North Sea, which makes it possible to put discoveries rapidly into production compared with more immature 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.

Development

The portfolio of fields under development consists of three fields: Jette (88 percent), Draupne (35 percent) and Atla (10 percent).

A PDO for Jette was submitted to the Ministry of Petroleum and Energy in September 2011. This will be the company's first field development project as operator. The oil and gas reserves are estimated to be 13 million barrels of recoverable oil equivalent, and the field is expected to be put into production at the start of 2013 with a plateau production of 14,000 barrels per day of oil equivalent. The gross investments are estimated to be about NOK 2.5 billion. Jette will be developed using two horizontal production wells connected to the Jotun B platform.

The development solution was approved by the authorities in February 2012. Net production for Det norske from the Jette field is initially expected to be in the range of 10,000 barrels per day of oil equivalent.

Throughout 2011, the company has worked on the development of Draupne, including a coordinated solution with Luno. The partnerships on Draupne and Luno reached an agreement for a coordinated development of the two fields in March 2012. Det norske aims to submit a PDO for Draupne to the authorities towards the end of 2012.

In 2011, the authorities approved the PDO for the Atla gas and condensate field. Recoverable volumes have been estimated at 11 million barrels of oil equivalent. The field is expected to commence production towards the end of 2012 and gross production is estimated at around 10,000 barrels per day of oil equivalent. Gross investments in Atla are estimated at NOK 1.4 billion. Atla will be connected to Heimdal via the subsea installation on the Byggve field. Det norske's share in Atla is 10 percent.

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 2011, Det norske participates in four fields in production: Glitne (10 percent), Jotun (7 percent), Varg (5 percent) and Enoch (2 percent). The first three are all in the late tail-end production phase and are dependent on new production wells or third-party revenues to maintain production in the long term.

In 2011, Det norske's share of production on these four fields amounted to 548,000 barrels, which corresponds to 1,505 barrels of oil equivalent per day (2,092). This represents a decline in production of 28 percent compared with 2010. However, the decline was more than outweighed by an increase in the oil price. The average price of the oil that was sold in 2011 was USD 112 per barrel (80), which is up 40 percent compared with 2010.

Jotun is developed using 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 reserves (P50/2P) are estimated at 4.6 million barrels, with an expected useful life until 2016. However, Det norske's development of Jette and tie-in to Jotun is expected to contribute to an extension of the Jotun field's useful life and an increase in the field's total recoverable reserves.

The Glitne field is produced from subsea wells connected to the production vessel 'Petrojarl 1'. The amount of produced water is also the largest uncertainty factor in relation to future production from this field. The remaining gross reserves (P50/2P) are estimated at 6.7 million barrels of oil. The licence has decided to drill a new production well on Glitne. The plan is to drill the well in the second quarter 2012. If the drilling results are favourable, production can continue until 2014.

The Varg field is developed using the production vessel 'Petrojarl Varg', with integrated oil storage connected to a wellhead platform. The remaining gross reserves (P50/2P) are estimated at 4.4 million barrels of oil, with an expected useful life until 2015. During 2011, two new production wells were drilled on Varg. Both proved disappointing. Talisman, the operator, has identified two new drilling targets on the Varg field which are being assessed for drilling in late 2012 or early 2013. In addition, blowdown and export of previously injected gas from 2014 are being considered. Together, these measures may extend the field's useful life and increase the recoverable volumes from Varg.

The Enoch field is located on 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 reserves (2P/P50) are estimated by the operator to be 2.7 million barrels.

Technology, research and development

Det norske collaborates with both leading research establishments and other companies to support the development of technology. In 2011, Det norske had an R&D budget of approximately NOK 40 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. One example is the collaboration with Viking Moorings on the development of new technology for safer pre-mooring of drilling rigs using fibre rope. The technology has been patented.

The annual accounts

(All figures in brackets apply to 2010.)

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 group are considered to be good. The planned growth in the years ahead are likely to lead to significant investments in development projects and may give rise to future financing requirements. The company is considering alternative sources of financing future growth.

In the Board of Directors' view, the annual accounts give a true and fair view of the group'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 group's position as of 31 December 2011, or the profit/loss for 2011, other than those presented in the Directors' Report or that otherwise follow from the financial statements.

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

Income statement

The group and the parent company's total operating revenues amounted to NOK 372.1 million (366.0). The oil from the four producing fields Varg, Enoch, Glitne and Jotun amounted to 548,000 barrels of oil equivalent and was sold at an average price of USD 112 per barrel, which is up 40 percent compared with an average price of USD 80 per barrel in 2010.

In 2011 the production fell by 28.2 percent, from 763,000 barrels to 548,000 barrels. Increased water production resulted in lower oil production.

Total expenditures related to exploration amounted to NOK 1,810.3 million (2,728.7). NOK 1,012.2 million of this (1,777.3) has been expensed. The expensed amount mainly relates to dry wells, seismic data and general exploration activities. The cost reduction compared with 2010 is largely due to the fact that fewer dry wells were drilled in 2011, combined with lower working interest in drilling licenses. Payroll expenses increased to NOK 31.7 million (14.8). The overall reported payroll expense is low because expenses related to exploration, development and production activities are allocated directly to their respective categories of activities. Gross payroll expenses (before recharges) amounted to NOK 376.9 million (301.1) in the group. The main reason for the increase is bonuses awarded during 2011.

Depreciation amounted to NOK 78.5 million (159.0). The reduction is mainly due to the basis for depreciation being lower in 2011 as a result of previous depreciation or impairments and increased reserves.

Net impairments of tangible fixed assets and intangible assets amounted to NOK 197.7 million (170.5). The reason for higher impairments in 2011 included reduced reserve estimates relating to the Jotun field which resulted in an impairment of NOK 62.8 million. In addition, impairments were registered for some licences in 2011 as a result of the drilling of dry wells or because of licences being reliquished. In accordance with the company's accounting principles, an impairment test of goodwill was carried out that resulted in the recognition of impairment losses of NOK 70.6 million (76.5).

Other operating expenses amounted to NOK 60.8 million (89.0) for the group, of which area charges accounted for NOK 43.4 million (47.2).

The company reported an operating loss of NOK 1,190.7 million (-1,999.6).

The pre-tax loss amounted to NOK 1,390.9 million (-2.183.4), and the tax income on the ordinary loss amounted to NOK 931.6 million (1,493.1). The tax rules and tax calculations are described in Notes 1 and 12 to the financial statements.

The after tax loss for 2011 was NOK 459.3 million (-690.4).

Financial position

Total assets amounted to NOK 7,716 million at the end of 2011, which was approximately the same as in 2010 (7,719.6).

Equity increased by NOK 516.4 million to NOK 3,676.6 million. The liquidation of the subsidiary Det norske oljeselskap AS had a positive accounting effect on equity and other intangible assets of NOK 42.9 million. At year end, equity amounted to approximately 48 percent of total assets.

At 31 December 2011, total interest-bearing liabilities amounted to NOK 966.6 million (1,532.3).

Cash and cash equivalents totalled NOK 841.6 million at the end of the year (789.3).

In the third quarter, Det norske carried out a private placement with institutional investors, corresponding to 10 percent of the share capital. The company received NOK 481 million after deduction for share issue costs. After the placement, the number of shares increased to 122,222,222. In the fourth quarter, 98 percent of the unsecured bond issue AKX01 was converted into equity. After the conversion, the number of shares increased to 127,915,786.

The company has a credit facility of NOK 3,500 million in a consortium of banks, headed by DNB. The maximum drawdown is limited to 95 percent of the tax refund minus interest relating to exploration costs. The company may draw on the facility until 31 December 2012, with a final date for repayment in December 2013.

The interest rate on the loan is NIBOR plus 2.5 percent, and an arrangement fee of NOK 61.3 million has been paid. In addition, a commitment fee of 1.25 percent accrues on the unused part of the credit facility.

For information about the unused credit facility for exploration, see Note 25.

Det norske entered into an agreement for a fully underwritten credit facility of USD 500 million in the fourth quarter. The facility can be increased by up to USD 100 million, but this additional USD 100 million tranche is not committed. The tranche of USD 500 million is provided by DNB, Nordea and SEB as mandated lead arrangers. The margin on drawn amounts is between 3.75 and 4.00 per cent per year, depending on how much of the credit facility is used.

A convertible bond issue in Det norske matured on 16 December 2011. On the due date, 5,693,564 shares were converted at a price of NOK 79.30 and the remaining loan was repaid.

In 2011, Det norske also made a new unsecured bond issue of NOK 600 million. The loan runs from 28 January 2011 to 28 January 2016 at a coupon rate of three months' NIBOR plus 6.75 percent. The principal matures on 28 January 2016 and interest is paid on a quarterly basis.

Cash flow and liquidity

In 2011, net cash flow from operating activities amounted to NOK 1,452.7 million (1,531.8) in the group. This included tax refunds of NOK 2,323.9 million (2,048.4).

The group's net cash flow from investment activities amounted to NOK -1,718.4 million (-2,257.6). This mainly relates to investments in intangible assets of NOK 1,440.8 million (2,162.7), plus investments in tangible fixed assets of NOK 388.2

million (102.9) relating to fields in production and fields under development. These investments may result in a future increase the company's production.

The net cash flow from financing activities amounted to NOK 318.1 (-59.1) million in 2011. The largest changes relate to the sale of convertible bonds of NOK 144.4 million and the raising of a net amount of NOK 481.2 million in new capital in 2011. In addition, a loan of NOK 2,248.4 million (2,615.3) was drawn down and NOK 2,539.9 million (2,613.1) was repaid in 2011.

In total, the group had a cash position and tax refund claim of NOK 2,239 million (3,134.1) 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 current commitments.

Resource accounts

Det norske complies with guidelines from Oslo Stock Exchange 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 47.34 million barrels of oil equivalent, while net P50/2P reserves amounted to 67.89 million barrels of oil equivalent at year end 2011. See Note 31 for a more detailed review of the resource accounts.

Allocation of profit/loss for the year

Det norske's distributable equity at 31 December 2011 was NOK 939.5 million.

The Board of Directors proposes that the loss for the year be covered by transferring NOK 459.3 from other equity.

Risk factors

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. The work is carried out by each individual business unit and project, while responsibility rests with management.

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. In addition, all volumes in the reserves category, excluding Dagny and Enoch, are certified by an independent third party, AGR Petroleum Services AS. The reserves report is reviewed by the audit committee and approved by the Board before it is published.

Calculations of recoverable volumes are always associated with considerable risk, however. 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.

The available methods for mapping subsurface oil and gas deposits do not eliminate all uncertainty in calculating volumes of hydrocarbons or their recoverability. There is therefore always a risk of the final result being even lower than the P90/1P estimate.

Project risk

Det norske continuously reviews its development projects. In some cases, the company may decide to 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. Budget overruns and exceeding time limits in projects may in turn have a negative impact on the project finances.

Financial risk factors

<u>Oil price risk</u>

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

Det norske's oil production is currently limited, and the company has therefore chosen not to hedge against changes in the oil 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 group's petroleum revenues are in USD, whereas the expenses are mainly divided between NOK and USD, with a small proportion in EUR. 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 in connection with taking up loans and placements of liquid assets. Floating-interest loans involve an interest rate risk for the group'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 31 December 2011, Det norske has borrowings of NOK 966.6 million, NOK 379.6 million of which constitutes short-term debt. All loans have a floating interest rate.

Pursuant to the group'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 group'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 group'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 group's liquidity requirements. These plans are updated regularly for various scenarios and form part of the day-to-day decision basis for the group'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 group has met this requirement, including in 2011.

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

As of 31 December 2011, the group's excess liquidity is mainly deposited in bank accounts 31.12.2011.

As of 31 December, the group had considerable cash reserves of NOK 841.6 million (789.3). However, the combination of limited production revenues and active exploration and development programmes requires active management of liquidity risk.

The group 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 group's level of activity, if required.

At the beginning of 2011, Det norske had a bond issue of NOK 600 million and in August, the company raised NOK 489 million in new equity. In addition, Det norske secured a new credit facility of USD 500 million towards the end of the year. Together with the group's liquid assets, the Board believes that this will be sufficient to finance the company's activities in 2012.

Organisation

Health, safety and the environment

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 2011, Det norske was operator for two exploration wells on the Norwegian continental shelf. It has also engaged in considerable activity involving vessels acquiring seismic data and conducting environmental surveys. The company did not experience any serious incidents or receive any actual or notified official orders from the Norwegian authorities.

Det norske does not operate any fields in production.

Emissions 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 Industry Association's website. All planned emissions 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 atmpsphere. 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 played a key role in the establishment of a joint emergency response centre in Sandnes, 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 licensees 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 organisation. The centre had nine fully associated members as of 31 December 2011. In addition to handling second-line emergency response for the companies, the centre contributes to the companies' training and emergency response planning. The chair of the board of OFFB is an employee of Det norske.

Det norske is also involved in the development of the industry's overall emergency response systems and the work on a more efficient emergency response management. This is a follow-up of emergency-response experience in connection with the Macondo accident in the Gulf of Mexico in April 2010.

Det norske has considerable 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 2001. It participates with personnel in NOFO's resource pool and is represented on NOFO's board. If the Det norske were to be responsible for an oil spill, NOFO would play a key role in the work on damage limitation and collection of oil

The emergency response organisation is well trained. A considerable number of personnel are on duty at all times 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

<u>Status of employees</u>
During the course of 2011, the number of employees at Det norske reduced because of closing the Stavanger office. At year end, the company had 172 employees divided between four office locations, of which two were students. At the previous year end, Det norske had 193 employees in 2011, nine people were hired and 30 left the company (including the Stavanger office, which was closed down).

When the decision was taken to close the Stavanger office, 22 employees chose to resign in return for severance pay. The remaining personnel in Stavanger are responsible for the company's drilling operations with Transocean Barents (former Aker Barents) until the first quarter of 2013. The final date for closing down the office depends on when the drilling operations on the Jette field development will be completed.

<u>The working environment</u>
Det norske conducts a working environment survey every other year. The previous survey was carried out in autumn 2010. Throughout 2011, work has focused on following up the 2010 survey and maintaining the good working environment that was documented in that survey. Particular attention has been devoted to the working environment in connection with the closing of the office in Stavanger.

In the Board's view, the working environment in Det norske at the end of 2011 was good.

<u>Equal opportunities</u>
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. In December 2011, the proportion of female employees was 26.0 percent (25.1 percent in 2010), while women accounted for 50 percent (43 percent in 2010) of the board members. Among managers, the proportion of women was 14.3 percent, and 20 percent among middle managers. As of 31 December 2011, 7.4 percent of the employees were of foreign origin. Det norske's office premises are universally designed.

Det norske has a remuneration system that ensures that men and women with corresponding positions and equal experience, who perform equally well, receive the same pay. Differences in the type of position and number of years worked, 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. The establishment of a separate personnel unit in 2011 is an important measure in order to achieve more systematic follow-up of the work on ensuring equal opportunities for all employees regardless of gender, ethnicity or disability.

<u>Sickness absence</u>
In 2011, sickness absence in Det norske was 3.4 percent, up from 2.2 percent in 2010. The figures include absence due to illness of children. The increase in sickness absence is not considered work-related. Despite the increase, the sickness absence is considered to be low, and no particular measures have been implemented to reduce sickness absence.

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 aims to ensure the greatest possible value creation to the shareholders over time. A good model for corporate governance with a clear distribution of roles and responsibility between the owners, the board and executive personnel is crucial in order to achieve this.

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 every January. 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, which was published on 21 October 2010 and amended on 20 October 2011, unless otherwise specified.

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

Ownership

During the same period, the share price rose by 224 percent from NOK 27.9 to NOK 88. The average number of outstanding shares in 2011 was 115.1 million. At the end of the year, the number of outstanding shares in Det norske was 127.92 million. Aker Capital is the largest owner with 63.9 million shares, corresponding to 49.99 percent. Half of the company's shares may therefore be considered to be freely-floating. A total of 98.6 million shares were traded in 2011 for a total value of NOK 5.7 billion. The trading corresponds to a velocity of circulation of 1.7 times the number of free-float shares.

Events after the year-end closing of the accounts

In January 2012, Det norske was awarded interests in a total of nine licences in the awards in pre-defined areas 2011, three of which as operator. Det norske was offered operatorship in an area of the Barents Sea just south of the Norvarg gas discovery. In addition, Det norske was awarded additional area to four existing licences; three new licenses in the North Sea and one new license in the Norwegian Sea.

In January 2012, the decision to develop the oil and gas field Dagny with a fixed platform was taken. The field is located 30 kilometres north-west of Sleipner A. The gas from the Dagny field will be connected to the infrastructure on the Sleipner field, while the oil will be transported by ship. The estimated volumes for Dagny are 198 million barrels of oil and gas. Statoil is operator, and Det norske's share of Dagny is 2 percent according to a preliminary formula for allocation of expenses. An investment decision is expected for Dagny within a year, which will mean that production can start in 2016. At plateau production and based on today's share, Det norske's production will be about 1,500 barrels per day.

At the end of January 2012, Aker Capital, the company's principle owner, sold 1,047,366 shares in Det norske, reducing its ownership interest to 49.99 percent.

The drilling on Kalvklumpen (PL 414), where Det norske is operator, was conducted in February without discovering hydrocarbons.

In mid-February, Det norske received permission from the authorities to develop Jette, which will become the company's first development as operator.

At the beginning of March 2012, an agreement was signed between the Draupne and Luno licences in respect of a coordinated development of the two fields. Draupne will be developed using a fixed platform with pre-processing. Production will be transported from the Draupne platform to Luno for processing and export to the markets.

Outlook

The Board believes that Det norske is well positioned for further growth. The company has shares in discoveries that have the potential to increase production substantially. In the short term, Jette and Atla are expected to contribute to increasing production from the first quarter 2013. In the longer term, Draupne and Johan Sverdrup have the potential to boost production considerably.

The Jette and Atla projects are making good progress, and the company is also planning to submit a PDO for the Draupne field towards the end of 2012.

Det norske has an extensive exploration programme of more than 10 wells planned for 2012, and is continuously seeing to identify new drillable prospects.

Det norske carried out several important financing transactions in 2011, including a new credit facility of USD 500 million, a private placement of 10 percent of outstanding shares and a conversion of NOK 451.5 million from debt to equity. Consequently, the Board is satisfied with Det norske's financial position.

The Board of Directors of Det norske oljeselskap ASA

Trondheim, 16 March 2012

Svein Aaser, Chair of the Board

Kaare Moursund Gisvold, board member

Maria Moræus Hanssen, Deputy Chair

Berge Gerdt Larsen, board member

Hege Sjo, board member

Carol Bell, board member

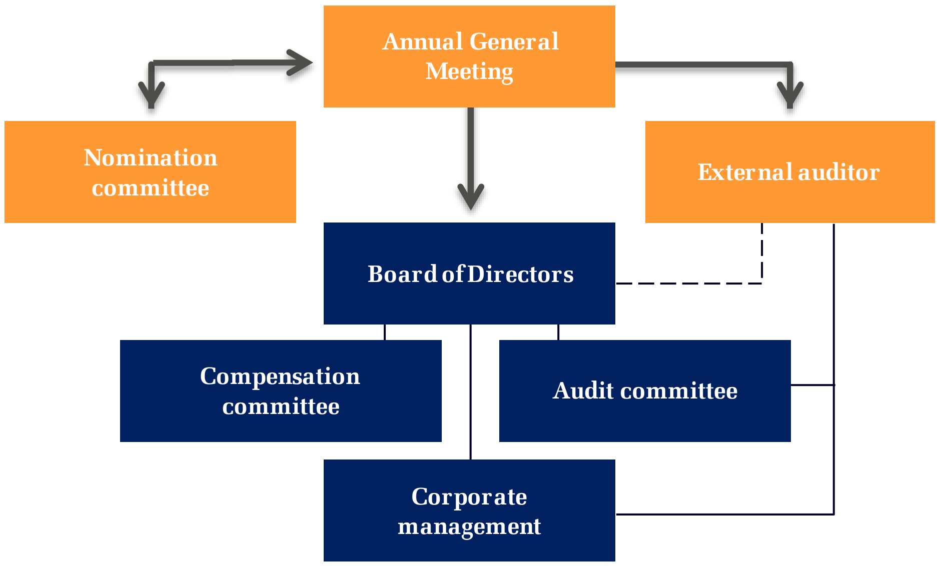
Bodil Alteren, board member

Gunnar Håkon Eide, 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 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 Stock Exchange and established under Norwegian laws.

According to the Norwegian Accounting Act, section 3-3b, Det norske has to include a description of its principles for corporate governance as part of the Board of Directors Report in the annual report or alternatively make 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.

The Oslo Stock Exchange 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 the Oslo Stock Exchange is available at www.oslobors.no.

Det norske complies with the above mentioned rules and regulations. Det norske complies with current edition of the Code, issued on 21 October 2010 and adjusted on 20 October 2011, 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.

Values and Code of Ethics

The Board has defined the company's corporate values and 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 partly reflected in the Code of Ethics, as principles for how the company and its employees shall act in relation to others, as well as the company's sponsorship program. The Board of Det norske plans to establish a separate set of guidelines for sustainability.

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. The company shall achieve its goals in accordance with the adopted Code of Ethics.

Det norske can use sponsorships 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.

The Code of Ethics is available on the website http://detnor.no/en/about-det-norske/code-of-conduct .

Ongoing sponsorships is available on the website: http://www.detnor.no/en/about-det-norske/sponsorship

2. BUSINESS GOALS AND STRATEGY

According to Det norske's Articles of Associations section 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".

The company's strategies are presented in the Board of Directors' Report in the Annual Report and include more specific objectives. 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.

There are risks associated with Det norske's oil and gas operations. Efficient operations that minimizes risk, is the company's number one priority.

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.

Further information about the Articles of Associations is available at: http://www.detnor.no/en/investor-relations/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 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.

The company wishes to maintain an appropriate capital structure that is consistent with the company's risk profile and ambitions. 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 exploration portfolio's underlying values, and by maturing existing discoveries towards development and production.

At year-end 2011, the company's book equity was NOK 3,677 million, which represents 48% of the balance sheet total of NOK 7.716 million.

The financial liquidity is considered to be good. At 31st December 2011, the company's cash and cash equivalents were NOK 842 million. In addition, Det norske has a credit facility for exploration of NOK 3.500 million, of which NOK 400 million had been drawn at year end.

In April 2011, the annual general meeting authorised the Board to increase the share capital by a maximum of NOK 11,111,111, 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 September 2011, Det norske completed a private placement of 11.1 million new shares, and thus used the full authorization. Additionally, the company issued 5,693,564 shares in December 2011 as investors in the convertible bond AKX01 exercised their right to convert bonds into shares at a price of NOK 79.3 per share. The new share capital of the company is NOK 127,915,786.

The general meeting in April 2011 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 purposed as recommended by the Code. As of 31 December 2011, the mandate has not been used.

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

It is a fundamental principle that all shareholders in the company shall be treated equally. The company has one class of shares, and all shares carry the same rights.

As per 31 December 2011, Aker Capital AS, owned 50.81 percent of Det Norske. Aker Capital AS is a wholly owned subsidiary of Aker ASA. On 30 January 2012, Aker Capital sold 1,047,366 shares in Det norske and thus reduced its ownership stake to 49.99 percent. For the fiscal year 2011, Det norske oljeselskap ASA's accounts will be incorporated in Aker ASA's accounts.

The Board recognise 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 the reduced free float of shares due to concentrated ownership structure.

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.

The Board ensures equal treatment of shareholders in all capital market transactions. Prior to any transactions, the Board will discuss principles for allocation and related issues.

<u>Transactions in own shares</u>

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

<u>Risk of conflicts of interest</u>

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

Preparation for 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 Company Law. The AGM for 2012 will be held 19 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.

Section 7 in the company's Articles of Association, about the general meeting, stipulates that documents concerning matters to be considered by the AGM, can 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 one week before the meeting.

Participation in the AGM

According to section 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 propose the agenda for the AGM. The main agenda items are determined by the requirements of the Public Limited Liability Companies Act and section 7 in the company's Articles of Association.

At the meeting in April 2012, 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. The Board of Directors, the Nomination Committee, the auditor and representatives of the executive management shall attend the AGM.

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

7. NOMINATION COMMITTEE

Section 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 2011, the following three members were elected to the nomination committee:

- Finn Haugan – CEO Sparebanken Midt-Norge
- Øyvind Eriksen – CEO Aker ASA
- Helge Eide – CEO DNO International ASA

Information about the members of the nomination committee is available on the company's website. 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 nominating 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 section 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 2011. The company's Articles of Associations, section 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 Chief Executive Officer 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.

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 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.

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

- Kaare Gisvold
- Maria Moræus Hanssen
- Hege Sjo

Of the three members, two are independent of the biggest owner. The audit committee holds regular meetings and reviews all interim reports before they are published. The committee works extensively with the auditor and reviews the quality of all quarterly reports. The committee is also extensively involved in the company's risk management. In 2011 the committee and management held several meetings evaluating the risk management on financial reporting. With the assistance of auditor firm Ernst and Young the company has implemented applicable parts of the COSO framework, which is describd further in the chapter below. The audit committee has designed a self-assessment method which will be applied in 2012.

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

- Svein Aaser
- Kaare Gisvold

The Board did not carry out a formal evaluation of its own performance in 2011, as recommended by the Code.

10. RISK MANAGEMENT AND INTERNAL CONTROL

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.

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.

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 operationalized as follows:

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

The established framework is an integrated part of the Company's Governing Documents. The company's internal control environment is characterized by a 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 Governing Documents, including ethical guidelines that describe how the representatives of the company must act.

The Company has implemented and documented that processes, procedures and controls for Financial Reporting, is at an adequate level for the business. These objectives settings ensure:

- effective and appropriate identification of risks
- procedures are documented in a satisfactory manner that makes compliance possible
- sufficient segregation of duties
- provision of relevant, timely and reliable reporting
- prevention of manipulation/fraud of reported figures
- that all relevant requirements of IFRS are complied

Key events that may affect the financial reporting are identified and monitored continuously. A risk assessment related to financial reporting is performed and documented by the management, and reviewed by Audit Committee and approved by the Board. The company's risk response ensures proper quality of financial reporting through the use of appropriate and effective controls in order to reduce risk to an acceptable level.

The company emphasizes proper information and communication of financial reporting, with appropriate involvement of various levels in the organization. A separate meeting with the Audit Committee is conducted prior to the Boards approval of quarterly reporting, where the auditor also is present.

The Finance department monitors that the established procedures and processes are complied with and significant deviations are reported to the Audit Committee. Actions for further development are identified and a self-evaluation is completed and discussed with the Audit Committee. The management prepares an annual report as the basis for the Board's description of the internal control of financial reporting.

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 Agency, The Climate and Pollution Agency and the Norwegian Petroleum Directorate, as well as license partners. During 2011, Det norske participated in financial audit in seven license partnerships, while the company received audits on three 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 2012. These processes are stated in the company's HSEQ-plan for 2012.

During the strategy meeting early 2012 the Board will discuss risk management strategy integration on all levels of the company's activities. The Board considers an even wider risk definition to be applied as the company grows and meets enhanced demands from all of the company's stakeholders.

11. REMUNERATION OF THE BOARD OF DIRECTORS

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

The 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. REMUNERATION OF EXECUTIVE PERSONNEL

The Board stipulates the Chief Executive Officer's remuneration and other terms and conditions of employment. Note 9 to the annual accounts contains details about the remuneration of the Board and executive personnel, including payroll and pension expenses.

The company has a bonus scheme whereby bonuses can represent up to 20 percent of the annual salary. The Board decides whether bonuses will be paid, based on the previous year's performance. For 2011, the board decided to give full bonus based on the extraordinary exploration results, which has resulted in an exceptional strong share price performance. The company has no pension scheme for salaries exceeding 12 times the basic amount (G), but a share 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 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 company recognizes 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 Stock Exchange 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 one week before the AGM. The AGM is held before 1st of May , as required by the Securities Trading Act.

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 Stock Exchange.

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 prospects.

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 IR 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 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 take-over 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 take-over 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 in Stavanger, 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 identify any weaknesses and proposals for improvement. The auditor participates in most meetings with the audit committee and in board meetings to discuss the annual accounts. 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.

QUICK GUIDE TO OIL AND GAS ACCOUNTING

Generally speaking, financial reporting by an upstream oil and gas company deviates to some extent from the financial reporting in oil service companies, for instance. This is because special accounting rules apply to such items as exploration costs, removal and abandonment costs, depreciation, income recognition, tax and not least the purchase and sale of licence interests. Some of the principal features of financial reporting for these areas are described below, but note 1 to the annual financial statements provides a complete presentation of the company's accounting principles.

EXPLORATION COSTS

Det norske expenses all exploration costs with the exception of expenditures on exploration drilling. The latter are capitalised until it is clarified whether the well contains commercial quantities of oil and gas. If the discovery is commercial, expenditure associated with the exploration well will be capitalised as development costs related to the field. Should the well be dry, or encounter non-commercial quantities of oil and gas, the carried expenses are impaired. The sum of capitalised exploration costs is classified as intangible assets in Det norske's balance sheet.

REMOVAL AND ABANDONMENT COSTS

Production of oil and gas fields in Norway incurs a legal obligation to remove installations and plug wells in an acceptable manner when the field ceases production. This obligation arises at the time the installations are placed on the field and must also be taken into account from that point in the company's financial statements, even though the actual removal and abandonment will occur many years in the future. Det norske recognises removal obligations as a liability on the balance sheet by calculating the present value of this future liability. The carried amount of the obligation will thereby increase until the estimated removal date, so that the amount of the obligation at that time is equal to the expected cost of removing the installations and plugging the wells. When the obligation is calculated, a counterpart entry is calculated on the asset side of the balance sheet (removal asset) which forms part of the procurement or development cost of the associated production asset. This removal asset is depreciated and tested for impairment together with the installations and the wells.

INCOME RECOGNITION

Two methods are usually applied in Norway for recognising income from produced oil and gas – on the basis of the company's lifted volumes or of its share of total production. In some cases, logistical considerations related to the export of oil by tanker create an imbalance between the actual amount lifted and the individual licensee's share of production. Det norske has opted to recognise its share of total production. The effect of basing income recognition on production rather than lifted volumes is to produce a more stable recognition of income.

DEPRECIATION

Most companies in other sectors use straight-line depreciation. However, production costs for oil and gas installations, and thereby also depreciation, will not be straight-line but vary with production. An upstream oil and gas company accordingly uses the unit of production method for depreciating installations and wells. This method means that production for the period is divided by the remaining petroleum reserves and multiplied by the carried amount. In practice, the estimate adopted for remaining reserves will be crucial for the depreciation rate.

Oil companies can choose to utilise either proven (P90) or proven and probable reserves when depreciating production installations. Proven reserves will normally be substantially lower than proven and probable reserves. Depreciating on the basis of proven reserves would mean a high level of depreciation at the start of the production period.

Det norske depreciates its production installations on the basis of proven and probable reserves, since this provides the best estimate of actual remaining reserves. Many of the company's production installations have been purchased or acquired through mergers. Using proven and probable reserves means that the basis for depreciation provides a better reflection of the balance sheet items being depreciated. This is because the acquisition cost of a field will typically be based on the estimates made by the buyer of both proven and probable reserves in the field.

Estimates for proven and probable reserves are tested annually, and a change in estimated reserves would alter future depreciation. For tax purposes, production installations are depreciated on a straight-line basis over six years. As a result, tax-related depreciation differs significantly from accounting depreciation.

TAX TREATMENT OF EXPLORATION COSTS

Norway's Petroleum Taxation Act provides a special arrangement for refund of the tax value of exploration costs to oil and gas companies in a non-taxpaying position. This provision was introduced to equalise the incentive to explore between companies without taxable income and those which pay petroleum tax and accordingly have their tax payable reduced directly as a function of exploration costs incurred, within the framework of the tax loss. This means that Det norske can require the government to pay the tax value of direct and indirect costs associated with exploration. If the company spends NOK 100 million to drill a well in 2011, for example, NOK 78 million will be paid to the company when its tax assessment is completed in December 2012. Refundable exploration costs are recognised in Det norske's balance sheet as a receivable under "Calculated tax receivable". As mentioned above, exploration drilling costs are recognised as a tax deductable regardless of whether they are capitalised in accounting terms.

RESERVES

Det norske's strategy is to mature reserves organically through exploration. With the exception of its present producing licences, all the company's oil and gas resources are the result of successful exploration activities. Pursuant to the applicable IFRS, however, the fair value of such oil and gas resources cannot be recognised by the company in the balance sheet. Det norske's reported asset in the balance sheet therefore bears little relation to the fair value of the assets. Moreover, companies which have acquired oil and gas resources to a greater extent than pursuing their own organic growth exploration activities will also have substantially higher carried amounts in their balance sheet as acquired assets have to be recognised in the balance sheet at the acquisition cost. It can therefore be misleading to compare various balance sheets across various upstream oil and gas companies as the balance sheet will be significantly impacted by whether the particular company in question is pursuing an acquisition-led strategy or an organic growth/exploration-led strategy.

TRANSFER OF LICENCE INTERESTS

Buying, selling and swapping interests in oil and gas fields and production licences is normal in the petroleum sector. Accounting for such transactions can differ significantly, depending on their character – such as farm-ins, farm-outs, swaps, normal purchase and sale of individual interests, and business combinations.

Farm-ins, farm-outs and swaps are mainly relevant for licences in the exploration phase. Gain or loss will not be calculated on such transactions at the time of the disposal, since they are regarded as being implemented at historical cost.

Normal purchase and sale of licences on the Norwegian continental shelf are conducted on a post-tax basis. This means that a possible gain does not become taxable for the seller, while a loss is similarly ineligible as a tax deduction. Nor is the purchase price in excess of acquired tax value from the seller eligible for a deduction from tax through depreciation by the buyer. Since the tax depreciation period for production installations on the NCS is six years from the start of investment, as mentioned above, a significant difference will often exist between the purchase price (acquisition cost for accounting purposes) and the tax value. This difference will basically provide the basis for the accounting of deferred tax as a result of the transaction. The counterpart entry for this deferred tax will be goodwill (known as “technical goodwill”). Since the tax rate on Norwegian petroleum operations is very high (78 per cent), deferred tax and associated technical goodwill could represent substantial sums in the financial statements of upstream oil and gas company.

Pursuant to the IFRS, however, deferred tax should only be recognised for transactions which are regarded as business combinations. When buying a licence interest which is regarded as the acquisition of an asset rather than a business combination, the IFRS do not permit the recognition of deferred tax even if a difference exists between accounting acquisition cost and tax value. Under Det norske’s accounting principles, the purchase of an exploration licence will be treated as the acquisition of an asset, while the purchase of licence interests in the development and production phases is regarded as the acquisition of a business.

As the above explanation indicates, it will accordingly be very important to distinguish between business combinations and the purchase of assets. Another example can illustrate this.

Det norske buys a licence interest for 100. The tax value related to the licence is 0, since the seller has already implemented full tax-related depreciation. Assume for the purpose of illustration that the whole purchase price is borrowed. The balance sheet entries related to this purchase are then as follows.

Acquisition of an asset

License	100	Debt	100
Assets	100	Liabilities 100	

Acquisition of a business

License	100	Debt	100
Goodwill	78	Deferred tax	78
Assets	178	Liabilities 178	

STATEMENT OF INCOME

1 January - 31 Desember (NOK 1,000)	Note	Group 2011	Group 2010	Parent company 2011	Parent company 2010
Petroleum revenues	8	361 774	362 115	361 774	362 115
Other operating revenues	4	10 332	3 855	75 768	3 855
Total operating revenues		**372 106**	**365 971**	**437 542**	**365 971**
Exploration expenses	6	1 012 191	1 777 337	1 012 191	1 411 983
Production costs	8	181 888	154 960	181 888	154 960
Payroll expenses	9	31 732	14 763	31 732	14 763
Depreciations	14	78 518	159 049	78 518	157 124
Impairments	14,15	197 673	170 508	150 990	141 533
Other operating expenses	10	60 771	88 977	60 721	76 134
Total operating expenses		**1 562 774**	**2 365 593**	**1 516 041**	**1 956 497**
Operating profit/loss		**-1 190 668**	**-1 999 623**	**-1 078 499**	**-1 590 526**
Interest income		69 900	51 255	69 900	66 918
Other financial income		26 825	89 431	26 825	27 290
Interest expenses		273 824	218 647	305 969	204 498
Other financial expenses		23 111	105 844	23 111	35 045
Net financial expenses (+)/income (-)	11	**200 209**	**183 805**	**232 355**	**145 334**
Loss before taxes		**-1 390 877**	**-2 183 427**	**-1 310 854**	**-1 735 859**
Taxes (+)/tax income (-)	12	-931 607	-1 493 075	-940 594	-1 171 891
Net loss		**-459 270**	**-690 352**	**-370 260**	**-563 969**
Weighted average no. of shares outstanding		115 058 944	111 111 111	115 058 944	111 111 111
Weighted average no. of shares fully diluted		115 058 944	111 111 111	115 058 944	111 111 111
Loss after taxes per share (adjusted for split)	13	(3,99)	(6,21)	(3,22)	(5,08)
Loss after taxes per share (adjusted for split) fully diluted	13	(3,99)	(6,21)	(3,22)	(5,08)

STATEMENT OF COMPREHENSIVE INCOME

1 January - 31 Desember (NOK 1,000)	Group 2011	Group 2010	Parent company 2011	Parent company 2010
Loss for the period	-459 270	-690 352	-370 260	-563 969
Total loss	**-459 270**	**-690 352**	**-370 260**	**-563 969**
Attributable to:				
Majority interests	-459 270	-690 352	-370 260	-563 969
Total	**-459 270**	**-690 352**	**-370 260**	**-563 969**
Loss transferred to retained earnings			-370 260	-563 969

STATEMENT OF FINANCIAL POSITION

		Group		Parent company	
(All figures in NOK 1,000)	Note	31.12.2011	31.12.2010	31.12.2011	31.12.2010
ASSETS					
Intangible assets					
Goodwill	14,15	525 870	596 506	525 870	530 135
Capitalised exploration expenditures	14,15	2 387 360	1 802 234	2 387 360	1 802 234
Other intangible assets	14,15	905 726	1 107 693	905 726	942 010
Tangible fixed assets					
Property, plant, and equipment	14,15	902 071	406 834	902 071	406 834
Financial fixed assets					
Shares in subsidiary	4				431 361
Long-term receivable (prepayment)	29	18 423	18 210	18 423	18 210
Prepayments	18		106 269		118 194
Total fixed assets		**4 739 450**	**4 037 746**	**4 739 450**	**4 248 978**
Inventories					
Inventories	7	37 039	10 249	37 039	10 249
Receivables					
Trade receivables	16	146 188	60 719	146 188	60 719
Other short-term receivables	17	532 538	448 221	532 538	448 221
Short-term deposits	29	21 750	22 568	21 750	22 568
Calculated tax receivables	12	1 397 420	2 344 753	1 397 420	2 276 417
Derivatives	23		6 033		6 033
Cash and cash equivalents					
Cash and cash equivalents	19	841 599	789 330	841 599	789 330
Total current assets		**2 976 534**	**3 681 872**	**2 976 534**	**3 613 537**
TOTAL ASSETS		**7 715 984**	**7 719 619**	**7 715 984**	**7 862 514**

STATEMENT OF FINANCIAL POSITION

(All figures in NOK 1,000)	Note	Group 31.12.2011	Group 31.12.2010	Parent company 31.12.2011	Parent company 31.12.2010
EQUITY AND LIABILITIES					
Paid-in capital					
Share capital	20	127 916	111 111	127 916	111 111
Share premium	20	2 083 271	1 167 312	2 083 271	1 167 312
Other paid in-capital	20		17 715		17 715
Total paid-in equity		**2 211 187**	**1 296 138**	**2 211 187**	**1 296 138**
Retained earnings					
Other equity		1 465 364	1 864 035	1 465 364	1 761 372
Total Equity		**3 676 551**	**3 160 173**	**3 676 551**	**3 057 510**
Provision for liabilities					
Pension obligations	21	46 944	32 070	46 944	32 070
Deferred taxes	12	2 042 051	1 757 481	2 042 051	1 594 608
Abandonment provision	22	285 201	268 227	285 201	268 227
Deferred income and provisions for commitments		1 643	2 429	1 643	2 429
Total provisions for liabilities		**2 375 839**	**2 060 207**	**2 375 839**	**1 897 334**
Non-current liabilities					
Bonds	24	587 011		587 011	
Total non-current liabilities		**587 011**		**587 011**	
Current liabilities					
Bonds	24		421 668		421 668
Short-term loan	25	379 550	1 110 652	379 550	1 110 652
Trade creditors	29	274 308	219 984	274 308	219 984
Accrued public charges and indirect taxes		18 568	20 013	18 568	20 013
Other current liabilities	26	404 156	726 921	404 156	726 921
Intercompany liabilities	28				408 431
Total current liabilities		**1 076 582**	**2 499 238**	**1 076 582**	**2 907 670**
Total liabilities and provisjon for liabilities		**4 039 432**	**4 559 446**	**4 039 432**	**4 805 003**
TOTAL EQUITY AND LIABILITIES		**7 715 984**	**7 719 619**	**7 715 984**	**7 862 514**

The Board of Directors of Det norske oljeselskap ASA

Trondheim, 16. mars 2012

Svein Aaser, Chairman of the Board

Kaare Moursund Gisvold, Board member

Maria Moræus Hanssen, Deputy Chairman

Berge Gerdt Larsen, Board member

Hege Sjo, Board member

Carol Bell, Board member

Bodil Alteren, Board member

Gunnar Håkon Eide, Board member

Erik Haugane, Chief Executive Officer

STATEMENT OF CHANGES IN EQUITY - GROUP

(All figures in NOK 1,000)	Note	Share capital	Premium reserve	Other paid-in equity	Retained earnings	Total equity
Equity as of 31.12.2009		**111 111**	**1 167 312**	**33 463**	**2 538 638**	**3 850 524**
Total loss for the period 01.01.2010 - 31.12.2010				-15 748	-674 604	-690 352
Equity as of 31.12.2010		**111 111**	**1 167 312**	**17 715**	**1 864 035**	**3 160 173**
Private placement		11 111	470 153			481 264
Conversion of bond to shares		5 694	445 806			451 500
Effect related to the liquidation of subsidiary	4				42 884	42 884
Total loss for the period 01.01.2011 - 31.12.2011				-17 715	-441 555	-459 270
Equity as of 31.12.2011		**127 916**	**2 083 271**		**1 465 364**	**3 676 551**

STATEMENT OF CHANGES IN EQUITY - PARENT COMPANY

(All figures in NOK 1,000)	Note	Share capital	Premium reserve	Other paid-in equity	Retained earnings	Total equity
Equity as of 31.12.2009		**111 111**	**1 167 312**	**33 463**	**2 546 442**	**3 858 328**
Transfer of business from subsidiary 01.10.2010					-236 850	-236 850
Total loss for the period 01.01.2010 - 31.12.2010				-15 748	-548 221	-563 969
Equity as of 31.12.2010		**111 111**	**1 167 312**	**17 715**	**1 761 372**	**3 057 510**
Private placement		11 111	470 153			481 264
Conversion of bond to shares		5 694	445 806			451 500
Effect related to the liquidation of subsidiary	4				56 538	56 538
Total loss for the period 01.01.2011 - 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**

STATEMENT OF CASH FLOW

1 January - 31 December (NOK 1,000)	Note	Group 2011	Group 2010	Parent Company 2011	Parent Company 2010
Cash flow from operating activities					
Loss before tax		-1 390 877	-2 183 427	-1 310 854	-1 735 859
Tax paid during the period		-5 489	-1 390	-5 489	-1 390
Tax refund during the period		2 323 865	2 048 448	2 323 865	1 420 898
Depreciation	14	78 518	159 049	78 518	157 124
Impairment losses	14,15	197 673	160 488	150 990	141 533
Expensed excess/shortfall value			101 575		
Reversal of tax item related to shortfall value of purchase price allocation (PPA)	6	-17 988	-79 259	-17 988	-79 259
Effect from liquidation of subsidiary/ Pooling differential related to the business combinations	2			-39 252	-236 850
Losses on sale of licenses			19 724		19 724
Gain on sale of convertible bonds		-10 583		-10 583	
Changes in derivatives	23	6 033	-27 838	6 033	3 915
Amortisation of interest expenses	11	59 438	51 518	59 438	51 518
Expensed capitalised dry wells	6,14	534 640	1 239 257	534 640	1 011 353
Changes in abandonment liabilities		17 009	12 358	17 009	12 358
Changes in inventories, accounts payable and receivables		-57 935	-51 264	-57 935	97 703
Changes in net working capital and in other current balance sheet items		-281 653	82 533	-275 741	162 781
Net cash flow from operating activities		**1 452 652**	**1 531 771**	**1 452 652**	**1 025 549**
Cash flow from investment activities					
Payment for removal and decommissioning of oil fields		-35	-765	-35	-765
Disbursements on investments in fixed assets	14	-388 160	-102 915	-388 160	-106 995
Disbursements on investments in capitalised exploration expenditures and other intangible assets	14	-1 440 812	-2 162 660	-1 440 812	-2 031 470
Sale of tangible fixed assets		110 574		110 574	
Sale of licences			8 700		8 700
Net cash flow from investment activities		**-1 718 433**	**-2 257 640**	**-1 718 433**	**-2 130 530**
Cash flow from financing activities					
Sale of convertible bonds		144 433		144 433	
Private placement		481 164		481 164	
Arrangement fee		-16 145	-61 350	-16 145	-61 350
Repayment of loan		-2 539 850	-2 613 075	-2 539 850	-1 420 898
Short-term loan		2 248 448	2 615 338	2 248 448	2 178 431
Net cash flow from financing activities		**318 050**	**-59 088**	**318 050**	**696 183**
Net change in cash and cash equivalents		**52 269**	**-784 957**	**52 269**	**-408 797**
Cash and cash equivalents at start of period		789 330	1 574 287	789 330	1 198 128
Cash and cash equivalents at end of period		**841 599**	**789 330**	**841 599**	**789 330**
Specification of cash and cash equivalents:					
Bank deposits		828 772	775 924	828 772	775 924
Restricted bank deposits		12 827	13 405	12 827	13 405
Total cash and cash equivalents at end of period	**19**	**841 599**	**789 330**	**841 599**	**789 330**

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 liability 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.

On 1 October 2010 the parent company Det norske oljeselskap ASA acquired the net assets of the subsidiary Det norske oljeselskap AS. For tax purposes the transaction date was 1 January 2010. During 2011 there has been no activity in the subsidiary, which was liquidated with effect from 1 October 2011.

The financial statements were approved by the Board of Directors on 16 March 2012 and will be presented for approval at this year's Annual General Meeting on 19 April 2012.

NOTE 1 – SUMMARY OF IFRS ACCOUNTING PRINCIPLES

1.1 BASIS FOR PREPARATION

The group's and the parent 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

The group's financial statements comprise Det norske oljeselskap ASA in addition to the subsidiary Det norske oljeselskap AS, in which Det norske oljeselskap ASA has a controlling interest over the financial and operational strategy. Reference is also made to the information provided above, about the liquidation of the subsidiary on 1 October 2011.

A controlling interest is normally present when the group, directly or indirectly, controls more than half of another company's voting capital or otherwise achieves *de facto* control of the other company.

The group's financial statements have been prepared by consolidating the accounts of the parent company and those of the subsidiary, which were prepared using the same accounting principles. Where necessary, the subsidiary's principles for preparation of the accounts have been adjusted to ensure that they are in accordance with the group's accounting principles. For consolidation purposes, the group's revenues and expenses, share portfolio, outstanding balances, dividend, group contribution and realised and unrealised transaction gains between consolidated companies have been eliminated.

1.3 FUNCTIONAL CURRENCY AND PRESENTATION CURRENCY

The group and parent 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 group relate to the following:

Proven and probable oil and gas reserves: Oil and gas reserves are estimated by the group's experts in accordance with industry standards. The estimates are based on Det norske's own assessment of information received from the operators. In addition, the most significant volumes 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 to reserve estimates can, for example, be the cause of price and cost changes, changes in production profiles or arise as a consequence of new information about the reservoir. Future changes to proven and probable oil and gas reserves can have a material effect on depreciation, time of removal, and on impairment of licence-related assets, which could have a material adverse effect on operating results as a consequence of increased depreciation or impairment.

At 31 December 2011, the book value of operating assets (both fixed and intangible) was NOK 4,721 million both for the group and for the parent company, see notes 14 and 15.

Acquisition costs - exploration. Det norske oljeselskap AS's accounting policy is to temporarily recognise expenses relating to the drilling of exploration wells in the balance sheet pending an evaluation of potential oil and gas discoveries (successful efforts method). If no reserves are discovered, or if recovery of the reserves 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.

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 2011, the book value of capitalised exploration expenses was NOK 2,387.4 million both for the group and for the parent company, see Note 14.

Impairment/reversal of impairment: Det norske has significant investments in long-lived assets such as fixed tangible assets, and any changes in the expected future value 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 partly based on good 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 utility value, 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 14 'Property, plant and equipment and intangible assets' and Note 15 'Impairment of goodwill and other assets'.

Decommissioning and removal obligations: The group 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. 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 balance sheet for decommissioning and removal, and subsequent adjustment of these items involve careful consideration.

At 31 December 2011, the book value of decommissioning and removal obligations amounted to NOK 285 million for both the group and the parent company, see Note 22.

Pension commitment: At 31 December 2011, the pension commitment amounted to NOK 46.9 million, see Note 21.
Income tax: The group annually incurs significant amounts of income tax payable and/or earns a considerable tax receivable. The group 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 what is sometimes a very complex set of rules, identify changes to existing rules and, as far as deferred tax benefit is concerned, the ability to project future earnings from which a loss carryforward may be deducted for tax purposes.

As of 31 December 2011, the book value of deferred tax amounted to NOK 2,042 million for both the group and the parent company, while estimated tax receivables amounted to NOK 1,397 million for both the group and the parent company, see Note 12.

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

1.5 FOREIGN CURRENCY AND TRANSACTIONS

Transactions in foreign currency are translated using the exchange rate on the transaction date. Monetary items in foreign currency are translated using the exchange rate on the balance-sheet date. 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 group'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 group recognises investments in jointly controlled assets (oil and gas licences) by proportionate consolidation, by reporting its share of related revenues, expenses, assets, liabilities and cash flows under the respective items in the group's financial statements.

1.8 BALANCE SHEET CLASSIFICATION

Current assets and current liabilities include items that fall due for payment less than a year from the balance-sheet date and items relating to the goods 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 group 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 will be used 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 group 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 discontinued 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 newly 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, 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 can therefore not request a deduction for the consideration with tax effect through depreciations. In accordance with IAS 12 sections 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. As a rule, 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, and deferred tax.

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. The purchaser's revenues and expenses are included from the transaction date.

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, 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 seller 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 seller'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 group is the purchaser, and as a disposal at fair value when the groups is the seller of interests in oil or gas assets. The fair value is arrived at based on the costs that the purchaser has agreed to bear.

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 group normally recognises swaps based on historical cost, as the fair value often is difficult to measure.

1.11 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 the acquisition cost after deduction of accumulated depreciations 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 group 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 to be sold 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 costs are classified as intangible assets and reclassified as tangible assets at the start of the development. For accounting purposes, the field is considered to enter the development phase when the licensees have decided that recovery of the field's resources is commercially viable, or when the field is matured to a corresponding level. 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 group 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 well, are charged to expenses as incurred.

Drilling cost for exploration wells are temporarily capitalised pending the evaluation of potential discoveries of oil and gas reserves. If no reserves are discovered, or if recovery of the reserves is considered technically or commercially unviable, expenses relating to the drilling of exploration wells are charged to income. 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.

For acquired exploration licenses, an initial assessment as described 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. Recognised prospects/ exploration licenses are then measured on the basis of an assessment of sales value, based on multiples per barrel. The value per license is calculated by multiplying risked resources by an estimated value per barrel based on an average of several analysts' assessments.

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.

1.12 IMPAIRMENT

Tangible fixed assets and intangible assets
Tangible fixed assets and intangible assets (including licence rights, exclusive of goodwill) with a finite useful life will be assessed for potential loss in value when events or changes in the circumstances indicate that the book value of the assets is 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 utility value. When assessing the utility value, the expected future cash flow is discounted to the net present value by applying a discount rate before 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.

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 field/licence. An 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 group 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. On 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 license.

1.13 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 a 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.

1.14 FINANCIAL INSTRUMENTS

The group has the following financial assets and liabilities:

- financial assets measured at fair value and recognised in the income statement
- loans and receivables
- financial derivatives measured at fair value and recognised in the income statement
- financial liabilities measured at amortised cost

Financial assets with fixed or determinable cash flows that are not listed in an active market are classified as loans and receivables, with the exception of instruments that the group has deemed should be recognised at fair value with changes in value recognised in the income statement.

Loans and receivables and financial commitments measured at amortised cost are recognised at amortised cost, while financial assets are recognised at fair value and recognised in the income statement, and financial derivatives are recognised at fair value.

Changes in the fair value of financial instruments classified at fair value with changes in value recognised in the income statement are recognised and presented as financial income/-expenses.

1.15 DERIVATIVES

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

1.16 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. 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 balance-sheet 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.

1.17 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.

1.18 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 group is only involved in research and development through projects financed by participants in the licence. It is the group'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 group 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 group intends to complete the intangible asset and then to use or sell it;
- the group has the ability to use or sell the asset;
- the intangible asset will generate future financial benefits;
- the group has available adequate technical, financial and other resources to complete the development and to put to use or sell the intangible asset; and
- the group 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 balance sheet at acquisition cost minus accumulated depreciation.

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

1.19 RECLASSIFICATION OF PAYROLL AND ADMINISTRATION COSTS

The group 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 group uses gross payroll and operating expenses reduced by the amounts already invoiced to operator licences.

1.20 LEASE AGREEMENTS

The group as lessee:

Financial lease agreements
Lease agreements in which the group 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 group'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 balance sheet and have the same depreciation period as the group's other depreciable assets. If it cannot be assumed with reasonable certainty that the group 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.

1.21 TRADE DEBTORS

Trade debtors are recognised in the balance sheet 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.

1.22 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. 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.

1.23 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.

1.24 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).

1.25 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 balance sheet as short-term borrowings. Interest-rate income is taken to income based on the effective interest method as it is earned.

1.26 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.

1.27 TAX

General
Tax payable/tax refunds 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 will make it possible to utilise he 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%) and special tax (50%).

Depreciation
Pipelines and production facilities can be depreciated by up to 16 2/3% 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% over 4 years, totalling 30% 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 districts. The offshore deduction is calculated as the net financial costs of interest-bearing debt multiplied by 50% of the ratio between tax-related impaired value as of 31 December in the income year of the capital asset allocated to the offshore district 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 district resulting from the distribution of net financial items can be allocated to the offshore district and deducted from regular income (28%).

Only 50% of other losses in the onshore district are permitted to be reallocated to the offshore district 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 payable in the balance sheet.

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.

1.28 EMPLOYEE BENEFITS

Defined-benefit pension schemes
Every employee in the parent company 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 in 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 balance sheet 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% 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 group 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.

1.29 PROVISIONS

A provision is recognised in the accounts when the group 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 on each balance sheet date 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 group 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 group 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 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.

1.30 RELATED PARTIES

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

1.31 SEGMENT

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

1.32 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.

1.33 CONTINGENT LIABILITIES AND ASSETS

Contingent liabilities are accounted for in the annual accounts, if it is more than 50% 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 low.

Contingent assets are recognised if it is almost 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 group.

1.34 EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE

Events subsequent to the balance sheet date, 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 presented.

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

1.35 CASH FLOWS

The cash flow itemisation has been prepared using the indirect method, and the group’s bank balance is shown as a liquid asset.

1.36 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.

1.37 CHANGES TO ACCOUNTING STANDARDS AND INTERPRETATIONS THAT:

HAVE ENTERED INTO FORCE:

IAS 24 (revised) Related Party Disclosures
The revised IAS 24 clarifies and simplifies the definition of a related party, compared to the current IAS 24. It entered into force on 1 January 2011.

Amendments to IAS 32 Financial Instruments: Presentation – Classification of Rights Issues
The amendment to IAS 32 Financial Instruments - Presentation provides relief to entities that issue rights in a currency other than their functional currency, from treating the rights as derivatives with fair value changes recorded in profit or loss. Such rights will now be classified as equity instruments when certain conditions are met. Application of the amendment is retrospective and will result in the reversal of profits or losses previously recognized. The amendment entered into force on 1 January 2011

Amendments to IFRIC 14 IAS 19 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction - Prepayments of a Minimum funding Requirement
The amendment to IFRIC 14 intends to correct an unintended consequence of IFRIC 14, IAS 19 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction. This amendment will allow entities to recognise a prepayment of pension contributions as an asset rather than as an expense. The amendment to IFRC 14 entered into force on 1 January 2011.

IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments
The interpretation clarifies the accounting treatment of financial liabilities that, as a result of a renegotiation of the terms of the financial liability, are fully, or partially, extinguished with equity instruments. The interpretation became effective as of 1 July 2010

Annual improvements project 2010
The IASB issued amendments to its standards and the related Basis for Conclusions in its annual “improvements to IFRSs”. The improvement project was an annual project that provides a mechanism for making necessary but non-urgent amendments. The improvements were effective for annual periods beginning on 1 July 2010 or later. The group implemented the amendments from 1 January 2011.

IFRS 3 Business Combinations: Clarifies that the amendments to IFRS 7, IAS 32 and IAS 39, that eliminate the exemption for contingent consideration, do not apply to contingent consideration that arose from business combinations whose acquisition dates precede the application of IFRS 3(R).

Moreover, it introduces a limit on the scope of the measurement choices for components of non-controlling interests.

Clarification regarding the requirements of an entity (in a business combination) to account for the replacement of the acquiree’s share-based payment transaction. If the entity replaces the acquiree’s awards that expire as a consequence of the business combination, these are recognised as post-combination expenses.

IFRS 7 Financial Instruments – Disclosures: Emphasises the interaction between quantitative and qualitative disclosures and the nature and extent of risks associated with financial instruments. In addition changes are made to disclosure requirements relating to quantitative information and to credit risk.

IAS 1 Presentation of Financial Statements: Clarifies that an entity shall present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements.

IAS 27 Consolidated and Separate Financial Statements: Clarifies that the consequential amendments from IAS 27 made to IAS 21, IAS 28 and IAS 31, apply prospectively for annual periods beginning on or after 1 July 2009 or earlier if IAS 27 is applied early.

IAS 34 Interim Financial Reporting: Provide guidance to illustrate how to apply disclosure principles in IAS 34 and add disclosure requirements concerning circumstances likely to affect fair values of financial instruments and their classification, transfers of financial instruments between different levels of the fair value hierarchy, changes in classification of financial assets and changes in contingent liabilities and assets.

HAVE BEEN ISSUED BUT HAVE NOT ENTERED INTO FORCE:

Amendments in IFRS 7 Financial Instruments - Disclosure
The amendments are related to disclosure requirements in relating to transfers of financial assets which the entity has a continuing involvement in and is intended to provide the users of the financial statement a better understanding of the risk exposure for the entity which is transferring the financial assets. The amendments are applicable for annual periods beginning on or after 1 July 2011.

The group expects to implement the amended IFRS 7 as of 1 January 2012.

Amendments in IFRS 7 Financial Instruments -Disclosure
The amendments are related to requirements to disclose quantitative information regarding offsetting of financial assets or liabilities. The disclosure requirements are applicable for all recognized financial instruments that are offset in accordance with IAS 32. The amendments are applicable for annual periods beginning on or after 1 January 2013, but the standard is not yet approved by the EU. Early implementation is permitted given that the EU approves the standard. The group expects to apply the amended standard as of 1 January 2013

IFRS 9 Financial Instruments
IFRS 9 will replace today's IAS 39. The project has been divided into several phases. The first phase regarding the classification and measurement rules has been issued by the IASB. According to IFRS 9 financial assets with basic loan features shall be measured at amortised cost, unless one opts to measure these assets at fair value. All other financial assets shall be measured at fair value. The classification and measurement of financial liabilities under IFRS 9 is a continuation from IAS 39, with the exception of financial liabilities designated at fair value through profit or loss (Fair value option), where change in fair value relating to own credit risk shall be separated and shall be presented in other comprehensive income. IFRS 9 is effective for annual periods beginning on or after 1 January 2015, but the standard is not yet approved by the EU. Early implementation is permitted given that the EU approves the standard. The group expects to apply IFRS 9 as of 1 January 2015.

IFRS 10 Consolidated Financial Statements
IFRS 10 replaces the parts of IAS 27 Consolidated and Separate Financial Statements which relates to the consolidated financial statements and SIC-12 Consolidation – Special Purpose Entities. IFRS 10 establishes a single control model that applies to all entities. The content of the control definition has been changed compared to IAS 27. The criteria for whether entities should be consolidated in accordance with IFRS 10, is solely based on whether the investor controls the investee. An investor controls an investee if and only if the investor has all the following: power over the investee; exposure, or rights, to variable returns from its involvement with the investee; and the ability to use its power over the investee to affect the amount of the investor's returns. IFRS 10 is effective for annual periods beginning on or after 1 January 2013, but the standard is not yet approved by the EU. Early implementation is permitted given that the EU approves the standard. The group expects to apply IFRS 10 as of 1 January 2013.

IFRS 11 Joint Arrangements
This standard will replace IAS 31 Interests in Joint Ventures and SIC-13 Jointly Controlled Entities – Non-Monetary Contributions by Venturers.

IFRS 11 is applicable for joint arrangements and provides guidance of accounting for two types of joint arrangements; joint operations and joint ventures. Joint ventures shall account for the investments by using the equity method according to IFRS 11. Joint operations shall be recognised in relation to its interest in a joint operation. Assets and liabilities that are wholly owned by one part alone shall be fully recognized. Revenue and expenses shall be recognized in relation to the party's interest. IFRS 11 is effective for annual periods beginning on or after 1 January 2013, but the standard is not yet approved by the EU. Early implementation is permitted given that the EU approves the standard. The group expects to apply IFRS 11 as of 1 January 2013.

IFRS 12 Disclosure of Interests in Other Entities
IFRS 12 is applicable for entities with interests in subsidiaries, joint arrangements and associates and unconsolidated structured entities. IFRS 12 replaces the disclosure requirements in IAS 27 Consolidated and Separate Financial Statements, IAS 28 Investments in Associates, and IAS 31 Interests in Joint Ventures. In addition, several new disclosure requirements are introduced. IFRS 12 is effective for annual periods beginning on or after 1 January 2013, but the standard is not yet approved by the EU. Early implementation is permitted given that the EU approves the standard. The group expects to apply IFRS 12 as of 1 January 2013.

IFRS 13 Fair Value Measurement
The standard sets out principles and guidance for measuring fair value of assets and liabilities when fair value is required or permitted by other standards. IFRS 13 is effective for annual periods beginning on or after 1 January 2013, but the standard is not yet approved by the EU. Early implementation is permitted given that the EU approves the standard. The group expects to apply IFRS 13 as of 1 January 2013.

Amendments to IAS 1 Presentation of Financial Statements
The amendments to IAS 1 require companies to group together items within OCI that may be reclassified to the Profit or loss section of the income statement. The amendments are effective for annual periods beginning on or after 1 July 2012, but the standard is not yet approved by the EU. Early implementation is permitted given that the EU approves the standard. The group expects to apply the amended standard as of 1 January 2013.

Amendments to IAS 19 Employee benefits
After the amendments made in 2011 IAS 19 eliminates the option to defer the recognition of gains and losses, known as the 'corridor method'. Changes in estimates of post-employment benefit obligations are now to be presented in other comprehensive income (OCI) in the period they occur. Furthermore, the amendment sets out that the employee benefit costs are to be separated between profit and loss and other income and expenses. Expected returns on plan assets are to be calculated using the discount rate used to measure the pension obligation. The current service cost and the net interest cost are to be presented in profit and loss, while 'remeasurements' such as changes in estimates are to be presented in other income and expenses in the statement of comprehensive income. Furthermore, the disclosure requirements related to defined benefit plans have been changed.
The amendments are effective for annual periods beginning on or after 1 January 2013, but the standard is not yet approved by the EU. Early implementation is permitted given that the EU approves the standard. The group expects to apply the amended standard as of 1 January 2013.

Amendments in IAS 27 (Revised) Separate Financial Statements
As a result of introducing IFRS 10, IFRS 11 and IFRS 12, amendments were made in IAS 27 to coordinate it with the new accounting standards. IFRS 10 Consolidated Financial Statements replaced the parts of IAS 27 that was related to consolidated financial statements. As such IAS 27, when effective, will only relate to separate financial statements and no longer be applicable for consolidated financial statements.
The amendments are effective for annual periods beginning on or after 1 January 2013, but the standard is not yet approved by the EU. Early implementation is permitted given that the EU approves the standard. The group expects to apply the amended standard as of 1 January 2013.

Amendments to IAS 28 (Revised) Investments in Associates and Joint Ventures
The scope of IAS 28 is now including investments in joint ventures. The standard prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. The amendments are effective for annual periods beginning on or after 1 January 2013, but the standard is not yet approved by the EU. Early implementation is permitted given that the EU approves the standard. The group expects to apply the amended standard as of 1 January 2013.

Note 2: Business combinations

Det norske has not been involved in any business combinations in 2011.

On the 1 October 2010 the parent company Det norske oljeselskap ASA aquired the net assets from the subsidiary Det norske oljeselskap AS. The transaction was accounted for using the pooling of interest method, as it was deemed to be a transaction between jointly controlled entities.

Note 3: Major transactions and important events

IMPORTANT EVENTS AND TRANSACTIONS IN 2011

The year 2011 was a good year for Det norske oljeselskap ASA (Det norske). The company trebled its resource base. The company participated in the Johan Sverdrup discovery in the North Sea, which is one of the biggest oil discoveries that has ever been made on the Norwegian Continental Shelf. The group also participated in a commercial discovery on Krafla near Oseberg and in a gas discovery on Norvarg in the Barents Sea.

In 2011, Det norske participated in the drilling of eleven exploration wells. Oil and/or gas were proved in eight of these wells.

Det norske was awarded nine new licences in the course of 2011: one in the Barents Sea in the regular licence round (21st round) in April, and eight licences in the round of awards in pre-defined areas (APA), including as operator for three of the licences awarded in January. Several licence swaps were carried out in 2011. For a full list of licence interests, see Note 31.

Det norske is involved in several development projects. In 2011, a plan for development and operation (PDO) was submitted for Jette, which was approved in February 2012. A PDO was also approved for Atla, in which Det norske is a partner. In addition, much work has been put into the development solution for the Draupne project.

On behalf of the partners in Draupne, Det norske has signed an agreement (Letter of Award) for the delivery of a jack-up rig for drilling production wells on the Draupne field.

In addition to important discoveries and good progress in field developments, Det norske has completed the following important financial transactions in 2011:
* In January, the company made a NOK 600 million bond issue
* In August, the company raised NOK 489 million through a private placement
* In December, Det norske signed an agreement for a credit facility for a total of USD 500 million.
* In December, the company's equity was strengthened through the conversion of NOK 451.5 million worth of bonds into shares.

IMPORTANT EVENTS AND TRANSACTIONS IN 2010

In 2010, the group was awarded eight new licences, including three operatorships. Six of these licences are in the North Sea, while two in the Norwegian Sea.

A number of licence swaps were made in 2010. For a complete list of licence interests, see Note 31.

In 2010, Det norske participated in the drilling of eleven exploration wells and two sidetracks. Oil and/or gas were proved in four of the wells: David in PL 102C, Storklakken in PL 460, and the delineation wells on Draupne in PL 001B and on Grevling in PL 038D.

In September 2010, Det norske extended the agreement for the semi-submersible drilling rig Aker Barents by two years. The group now controls the rig until July 2014.

Note 4: Overview of subsidiaries\Liquidation of subsidiary

Company:	Country of domicile	Registered address	Owning interest	Voting interest
Det norske oljeselskap AS	Norge	Trondheim	100 %	100 %

	Parent company	
	2011	2010
Shares in subsidiary		431 361
Equity in subsidiary		477 980
Profit/loss for the year	18 816	-6 604

Det norske oljeselskap AS was liquidated with effect from 1 October 2011. The subsidiary's profit/loss for the period 1 January - 30 September 2011 is incorporated in the group accounts. The effect of liquidation the subsidiary was an added NOK 42,884 million in equity for the group and NOK 56,538 million for the parent company. The parent company received a liquidation dividend of NOK 65,435 million, which was recognised as 'Other operating revenues'.

Note 5: Segment information

The Group's business is entirely related to the exploration and production of petroleum in Norway. The Group'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 group operates within a single operating segment. This matches the internal reporting to the groups decision maker, defined as the groups top management. All revenues derives from sales to large external customers.

Note 6: Exploration expenses

Specification of exploration expenses:	Group 2011	Group 2010	Parent Company 2011	Parent Company 2010
Seismic, well data, field studies and other exploration expenses	100 384	229 483	100 384	174 989
Recharged rig intake costs	-49 661		-49 661	
Share of exploration expenses as a result of participation in licences, including seismic shooting	267 291	318 350	267 291	246 254
Expensing of exploration wells capitalised in previous years	13 675	20 355	13 675	20 355
Expensing of exploration wells capitalised this year	520 965	1 218 902	520 965	990 999
Share of payroll and operating expenses, reclassified as exploration expenses	142 926	108 561	142 926	97 701
Share of R&D costs relating to exploration activities	34 600	22 341	34 600	22 341
Rig contract warranty recognised in the statement of income		-61 397		-61 397
Reversal of tax item related to shortfall value of purchase price allocation (PPA)	-17 988	-79 259	-17 988	-79 259
Total exploration expenses	**1 012 191**	**1 777 337**	**1 012 191**	**1 411 983**

Those parts of payroll and operating expenses that can be ascribed to production and exploration activities have been reclassified and are shown as production and exploration expenses, respectively.
In addition to research and development costs included above, 5 380 were expensed as 'Other operating expenses' in 2011. The corresponding figures for 2010 was 5 246.

Note 7: Inventories

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

	Group 2011	Group 2010	Parent Company 2011	Parent Company 2010
Inventory of oil - produced, but not delivered as of 31.12	2 898	1 409	2 898	1 409
Share of spare parts inventory as of 31.12	34 141	8 840	34 141	8 840
Inventories as of 31.12	**37 039**	**10 249**	**37 039**	**10 249**
Change in inventory of oil (exclusive of spare parts inventories)	**-1 489**	**-804**	**-1 489**	**-804**

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

Note 8: Production costs and cash flow from production

	Group 2011	Group 2010	Parent Company 2011	Parent Company 2010
Petroleum revenues	361 774	362 115	361 774	362 115
Production costs	181 888	154 960	181 888	154 960
Cash flow from production	**179 886**	**207 155**	**179 886**	**207 155**

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. The costs relate to the production licences Jotun, Varg, Enoch and Glitne.

Note 9: Remuneration and guidelines for remuneration of management and the board of directors, and total payroll expenses

Specification of payroll expenses:	Group 2011	Group 2010	Parent Company 2011	Parent Company 2010
Payroll expenses	295 197	224 057	295 197	188 084
Pension costs including employer's National Insurance contributions	31 750	29 855	31 750	28 216
National Insurance contributions	36 173	32 843	36 173	27 659
Other personel costs	13 803	14 373	13 803	13 230
Payroll expenses reinvoiced to licences or reclassified as exploration and production costs	-345 190	-286 365	-345 190	-242 426
Total personel expenses	31 732	14 763	31 732	14 763

Number of man-years	**2011**	**2010**	**2011**	**2010**
Number of man-years equivalents employed during the year	180,6	176,2	180,6	156,7

At the start of the year the number of employees was 193. As of 31.12.2011 the number of employees was 172.

Remuneration of senior executives in 2011:	Salary	Share investment [3]	Other benefit	Accrued pension costs	Other	Total remuneration	Total number of shares	Owning interest
Erik Haugane (Chief Execute Officer)	2 952	584	35	313		3 884	821 132	0,64 %
Vidar Larsen (VP Business Development) [1]	841	364	12	52		1 269	20 000	0,02 %
Øyvind Bratsberg (Deputy Chief Executive)	2 891	572	23	262		3 748	34 058	0,03 %
Bjørn Martinsen (act. Business Development)	2 096	303	39	241		2 679	10 969	0,01 %
Odd Ragnar Heum (VP Resource Strategy)	1 869	364	27	248		2 508	52 192	0,04 %
Teitur Poulsen (Chief Financial Officer)	2 470	421	25	245		3 161	40 460	0,03 %
Anita Utseth (VP Business Services)	1 543	301	23	342		2 209	42 376	0,03 %
Bård Atle Hovd (VP Development) [2]	1 080		10	270	1 000	2 360	17 960	0,01 %
Total remuneration of senior executives in 2011	15 742	2 909	194	1 973	1 000	21 818	1 039 147	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.

Remuneration of senior executives in 2010:	Salary	Bonus earned in 2009, disbursd in 2010	Other benefits	Accrued pension costs	Other	Total remuneration	Total number of shares	Owning interest
Erik Haugane (Chief Execute Officer)	2 979	425	29	159		3 592	1 083 686	0,98 %
Vidar Larsen (VP Business Development)	1 849	244	29	132		2 254	33 364	0,03 %
Torgeir Anda (Head of Corp. Communication)	1 576	214	25	158		1 973	21 963	0,02 %
Øyvind Bratsberg (Deputy Chief Executive)	2 894	417	33	159		3 503	36 058	0,03 %
Finn Ø. Nordam (Chief Financial Officer) [1]	1 985	375	64	160	1 900	4 484		0,00 %
Knut Evensen (VP Investor Relation) [2]	1 870	241	24	149		2 284	18 502	0,02 %
Teitur Poulsen (Chief Financial Officer) [3]	450		4		1 600	2 054	32 160	0,03 %
Odd Ragnar Heum (VP Field and Area Development)	1 854	260	24	153		2 291	37 992	0,03 %
Lars Thorrud (VP Business Development) [4]	1 642	2 773	12	129		4 556	65 000	0,01 %
Total remuneration of senior executives in 2010	17 099	4 949	244	1 199	3 500	26 991	1 328 725	1,15 %

[1] Resigned 31.7.2010. Amounts in the column "Other" relates to severance pay.
[2] Acting Chief Financial Officer from 1.8-31.10.2010
[3] Started 1.11.10. Amount in the column "Other" relates to recruitment compensation, partly to compensate for bonus earned in previous employment. The amount after tax is entirely used to buy shares in the company.
[4] Salary for 9 months in subsidiary and 3 months in parent company.

After the age of 60 years, the Chief Executive Officer (CEO) is obliged to resign his position if requested to do so by the Board. As compensation for resigning before the age of 67 years, the CEO is entitled to a compensation corresponding to 70% of salary until the age of 67. A guarantee account has been established for this purpose. Allocations are made on an ongoing basis in the accounts, and the costs are calculated using the same actuarial assumptions as for the company's other pension liabilities.

Fee chart below includes regular directors' fees and fees for participation in the Board's subcommittee. Some Board members have owning interest in the company. In addition to the Board of Director's fees, the list below shows 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% or more.

Board of Directors' fees and shares owned by Board members:	Comments	Director's fee 2011	2010	Total numbers of shares	Owning interest as of 31.12.2011
Svein Aaser	Chairman from 12.4.2011. Chair of the compensation commite	480		5 000	0,00 %
Kjell Inge Røkke	Deputy Board memb. from 12.4.2011. Chairman to 12.4.2011.	169	470		0,00 %
Kaare Moursund Gisvold	Board member.Deputy Chaire to 9.5.2011. Member of the audit and the compensation commitee.	406	415	319 446	0,25 %
Svein Sivertsen	Deputy Board member from 12.4.2011.	22	50	21 049	0,02 %
Kristin Aubert	Employee rep. Deputy Board member.	37	124	7 803	0,01 %
Kristoffer Engenes	Employee rep. Deputy Board memb. Stepped down 10.06.11	15	39	4 286	0,00 %
Gunnar Eide	Employee representative	107	102	14 606	0,01 %
Bodil Alteren	Employee representative	117	97	18 620	0,01 %
Berge Gerdt Larsen	Board member	241	194	450 961	0,35 %
Maria Moræus Hanssen	Board memb. Deputy Chaire from 9.5.2011. Member of the audit commitee.	419	295		0,00 %
Tore Lilloe-Olsen	Deputy Board member from 31.3.2011. Board member 2010. Stepped down 25.8.2011	132	217		0,00 %
Marianne E. Johnsen	Board member. Stepped down 31.05.2010		73		0,00 %
Hege Sjo	Board memb. Chair of the audit commitee	340	374		0,00 %
Carol Bell	Board member from 12.4.2011.	162			0,00 %
Tom Grøndahl	Deputy Board member from 12.4.2011.	22			0,00 %
Lone Fønss-Schrøder	Deputy Board member from 12.4.2011.	63			0,00 %
Liv Malvik	Deputy Board member from 12.4.2011.	32			0,00 %
Total Director's fee parent company		2 764	2 450	841 771	0,66 %
Kjell Inge Røkke	Chairman		67		
Maria Moræus Hanssen	Board member		45		
May-Britt Myhr	Board member		145		
Nina Udnes Tronstad	Board member		145		
Svein Sivertsen	Board member		53		
Kari Lokna	Employee representative		88		
Total Director's fee subsidiaries			543		

Directors' fees in the subsidiary paid in 2010 apply to work perfomed before the merger with Aker Exploration as of 22.12.2009.

Policy statement concerning salaries and other remuneration of senior employees

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

Guidelines and adherence to the guidelines in 2011
In 2011, the company's remuneration policy has been in accordance with the guidelines described in the Directors' Report for 2010 and submitted to the Annual General Meeting for an advisory vote in April 2011.

Guidelines for 2012 and until the Annual General Meeting in 2013
The Board has established guidelines for 2011 and until the Annual General Meeting in 2012, for salaries and other remuneration to CEO and other senior employees. The guidelines will be reviewed at the company's Annual General Meeting in 2012.

Senior employees receive a basic salary, adjusted annually. The company's senior employees participate in the general arrangements applicable to all the company's employees as regards share bonus programmes, 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 Chief Executive Officer's base salary is decided by the Board. Adjustment of the base salaries for other senior employees is decided by the Chief Executive Officer within the wage settlement framework adopted by the Board. After the age of 60 years, the Chief Executive Officer (CEO) is obliged to resign his position if requested to do so by the Board. As compensation for resigning before the age of 67 years, the Chief Executive Officer is entitled to a compensation corresponding to 70% of salary until the age of 67.

It is up to the board to decide whether to pay bonuses, based on the previous year's performance. No bonuses were paid for 2010. For 2011, the bonus was set to the maximum level of 20%. The bonuses were disbursed in January 2012.

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% 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 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 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% 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 2011, amounted to 16 652. The Corresponding figures for 2010 was 14 285. 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 10: Other operating expenses

	Group		Parent company	
	2011	2010	2011	2010
Losses on sale of fixed assets and licenses	-2 138	19 804	-2 138	19 804
Office and IT costs	115 824	91 757	115 824	80 761
Consultants' and auditor's fees	29 240	57 892	29 240	43 486
Other operating expenses, including travel expenses	46 700	53 344	46 650	52 472
Operating expenses charged to licences/ reclassified as exploration and production costs	-171 167	-181 020	-171 167	-153 315
Area fee	42 312	47 199	42 312	32 925
Other operating expenses	**60 771**	**88 977**	**60 721**	**76 134**

The group's auditor's fees are included under other operating expenses and are allocated as follows:

	Group		Parent company	
Auditor's fees (all figures are exclusive of VAT)	**2011**	**2010**	**2011**	**2010**
Fees for statutory audit services - Deloitte AS		760		460
Fees for statutory audit services - Ernst & Young AS	1 063	350	1 013	350
Other attestation services - Deloitte AS		65		48
Other attestation services Ernst & Young AS	32	32	32	32
Tax advice - Ernst & Young AS	322	105	322	105
Services other than audit services - Deloitte AS		333		260
Services other than audit services - Ernst & Young AS	252	170	252	170
Total auditor's fees	**1 670**	**1 815**	**1 620**	**1 424**

The group changed auditor from Deloitte AS to Ernst & Young AS of fiscal year 2010.

Note 11: Financial items

	Group		Parent company	
	2011	2010	2011	2010
Interest income	69 900	51 255	69 900	31 476
Intra-group interest income				35 442
Total interest income	**69 900**	**51 255**	**69 900**	**66 918**
Return on financial investments	10 731	1 093	10 731	1 093
Change in value of derivatives		36 944		
Currency gains	16 094	51 395	16 094	26 198
Total other financial income	**26 825**	**89 431**	**26 825**	**27 290**
Intra-group interest expenses			26 183	874
Interest expenses	219 913	167 129	225 876	152 106
Capitalizing interest costs development projects	-5 528		-5 528	
Amortisation of borrowing costs	59 439	51 518	59 439	51 518
Total interest expenses	**273 824**	**218 647**	**305 969**	**204 498**
Expensed excess value, identified in connection with acquisition 1)		60 555		
Currensy losses	16 112	40 854	16 112	30 610
Change in value of derivatives	6 033	3 915	6 033	3 915
Decline in value of financial investments	966	520	966	520
Total other financial expenses	**23 111**	**105 844**	**23 111**	**35 045**
Net financial expenses (+)/income (-)	**200 209**	**183 805**	**232 355**	**145 334**

The currency loss is mainly due to the fall in the exchange rate for USD relating to the company's bank accounts and trade receivables. The currency gains can mainly be ascribed to realised and unrealised exchange rate fluctuations relating to the company's trade creditors in foreign currency (mainly USD).

1) Expenses related to excess value on a joint revolving credit facility related to the business aquisition in 2009, cf. Note 2. Excess value was expensed in 2010 by entering into a new joint revolving credit facility, cf. Note 25.

Note 12: Tax

Tax base	Group 2011	Group 2010	Parent Company 2011	Parent Company 2010
Loss before tax	-1 390 877	-2 183 427	-1 310 854	-1 735 859
Reversal of tax element on shortfall value related to business combination	-17 988	-79 259	-17 988	-79 259
Permanent differences (taxfree transactions, section 10 etc.)	156 337	-16 818	44 218	-16 911
Change in temporary differences	-710 286	-858 161	-710 286	-411 444
The year's tax basis for general income tax (28 %)	**-1 962 814**	**-3 137 666**	**-1 994 910**	**-2 243 473**
Effect of 'uplift' on the year's taxable result	-46 607	-23 950	-46 607	-23 950
Financial items not liable to 50 % special tax	127 036	200 257	159 132	131 647
Taxable result liable to 50 % special tax	**-1 882 384**	**-2 961 358**	**-1 882 384**	**-2 135 776**
The year's uplift to be carried forward	46 607	23 950	46 607	23 950
The year's tax basis relevant for 50 % special tax	**-1 835 777**	**-2 937 409**	**-1 835 777**	**-2 111 826**

Breakdown of the year's tax income/tax expense (-)	Tax rate	Group 2011	Group 2010	Parent Company 2011	Parent Company 2010
Tax payable on net financial items	28 %				
Tax receivable relating to exploration expenses	78 %	1 397 420	2 276 417	1 397 420	1 667 839
Calculated tax receivables related to end of offshore business			68 336		
Correction of deviation between accounts and tax assessment at 1.1		724		724	
Adjustment of previous years' tax payable and deferred tax		-3 678	-9 625	-3 678	-9 135
Change in deferred tax		-444 872	-803 929	-435 885	-407 553
Reversal of tax element on shortfall value related to business combination	100 %	-17 988	-79 259	-17 988	-79 259
Tax of expensed excess/shortfall value from business combination			41 135		
Total tax income/tax expense		**931 607**	**1 493 075**	**940 594**	**1 171 891**
Effective tax rate in %		**-67 %**	**-68 %**	**-72 %**	**-68 %**

Reconciliation of tax income/ tax expense (-)	Tax rate	Group 2011	Group 2010	Parent Company 2011	Parent Company 2010
28 % company tax on result before tax	28 %	389 445	611 360	367 039	486 041
50 % special tax on result before tax	50 %	695 438	1 091 714	655 427	867 930
78 % tax on shortfall value related to business aqusition	78 %		61 822		61 822
Interest on deficit carryforward		5 800	3 273	5 800	2 082
Adjustment of previous years' tax receivable ond payable		-8 031	-5 357	-8 031	-5 983
Adjustment of previous years' change in deferred tax		-	-23 923		-23 923
Tax effect of uplift	50 %	22 869	11 975	22 869	11 975
Tax effect of financial items not liable to special tax	50 %	-8 717	-5 819	-24 765	4 747
Deferred tax on the year's impairment losses entered directly in the balance sheet		-69 742	-108 724	-69 742	-100 908
Finance allocated land, §3 d (2)-(6) deducted shelf 28% basis for 3 d (7)		-79 566	-74 580	-79 566	-65 823
Deviation between accounts and tax assessment	78 %	1 264		1 264	
Effect of permanent differences	78 %	1 337	13 118	88 790	13 190
Expensed item § 10, without tax	78 %	-503	-2 525	-503	
Reversal of tax element on shortfall value related to business combination	100 %	-17 988	-79 259	-17 988	-79 259
Total tax income/tax expense for the year		**931 607**	**1 493 075**	**940 594**	**1 171 890**

Breakdown of tax effect of temporary differences and deficit carryforward:	Tax rate	Group 2011	Group 2010	Parent company 2011	Parent company 2010
Capitalised exploration expenses	78 %	1 862 141	1 405 743	1 862 141	1 405 743
Other intangible assets	78 %	647 845	903 768	647 845	736 343
Other intangible assets	28 %	806	20	806	20
Tangible fixed assets	78 %	327 195	20 338	327 195	20 338
Inventories	78 %	1 390	654	1 390	654
Overlift/underlift of oil	78 %	4 413	-757	4 413	-757
Pension liabilities	78 %	-36 616	-25 015	-36 616	-25 015
Other provisions in accordance with GAAP	78 %	-462 517	-386 354	-462 517	-386 354
Unrealized bond gain	28 %	-893		-893	-664
RM amortisation of equity part of bond loans	28 %		10 033		10 033
Arrangement fee, short-term loans	28 %	5 726	7 449	5 726	11 452
Arrangement fee, bond issue	28 %	3 637		3 637	
Financial instruments	28 %		1 689		1 689
Deficit carryforward, onshore activity	28 %		-1 213		
Deficit carryforward, continental shelf	28 %	-116 056	-40 120	-116 056	-40 120
Deficit carryforward, continental shelf	50 %	-195 019	-138 754	-195 019	-138 754
Total deferred tax		**2 042 051**	**1 757 481**	**2 042 051**	**1 594 608**

Reconciliation of change in deferred tax:	Group 2011	Group 2010	Parent company 2011	Parent company 2010
Deferred tax as of 01.01	1 757 481	1 173 477	1 594 608	1 172 186
Change in deferred tax through profit or loss	464 762	616 055	464 762	306 645
Correction of deferred tax in acc. with amended tax assessment	-17 320	-35 996	-17 320	-26 851
Deferred tax from business acquisitions 01.10.10				142 628
Tax related to adjustment of intercompany interest	4 552	-3 339		
Change related to elimination in group accounts		-18 603		
Deferred tax to be disbursed on termination of subsidiary's oil activities		67 023		
Change in deferred tax on excess values in the group on termination of subsidiary	-167 425			
Expensed added value business combination		-41 135		
Deferred tax in the balance sheet as of 31.12	**2 042 051**	**1 757 481**	**2 042 051**	**1 594 608**

Reconciliation of tax receivable	Tax rate	Group 2011	Group 2010	Parent company 2011	Parent company 2010
Tax refund related to termination of subsidiary's oil activities			68 336		
Tax receivable relating to exploration expenses	78 %	1 397 420	2 276 417	1 397 420	2 276 417
Tax receivable in the balance sheet as of 31.12		**1 397 420**	**2 344 753**	**1 397 420**	**2 276 417**

Note 13: Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the year's profit/loss due to shareholders, which was MNOK -459,3 (MNOK -690,4 in 2010) by the year's weighted average number of outstanding ordinary shares, which was 115,1 mill (111,1 mill i 2010).

	Group		Parent Company	
	2011	**2010**	**2011**	**2010**
Profit/loss for the year due to holders of ordinary shares	-459 270	-690 352	-370 260	-563 969
The year's average number of ordinary shares (in thousands)	115 059	111 111	115 059	111 111
Earnings per share	**-3,99**	**-6,21**	**-3,22**	**-5,08**

Diluted earnings per share

The group had one convertible bond, which matured on 16 December 2011. The loan has partially been converted to shares and some of it has been repaid, see note 24 for more details. Diluted earnings per share was calculated by dividing the profit/loss that can be ascribed to each share, adjusted for interest saved (after tax) on conversion of the convertible bond, by the weighted average number of outstanding diluted shares. The calculations were based on conversion of the existing convertible bond on the first day of the accounting period.

	Group		Parent Company	
	2011	**2010**	**2011**	**2010**
Earnings that can be ascribed to each ordinary share	-459 270	-690 352	-370 260	-563 969
Effect after tax of interest saved on the convertible loan		35 513		35 513
The year's earnings that can be ascribed to each share - diluted	**-459 270**	**-654 839**	**-370 260**	**-528 456**
Weighted average number of outstanding ordinary shares	115 059	111 111	115 059	111 111
Effect of conversion of the convertible loan		5 769		5 769
Weighted average number of outstanding ordinary shares - diluted	**115 059**	**116 880**	**115 059**	**116 880**
Diluted earnings per share	**-3,99**	**-5,60**	**-3,22**	**-4,52**

In accordance with IAS 33 section 41, the dilution effect is not shown in the result since conversion to ordinary shares would have reduced the loss and improved the result per share.

Note 14: Tangible fixed assets and intangible assets

TANGIBLE FIXED ASSETS:

2011 - Group	Fields under development	Production plant, including wells	Fixtures and fittings, office machinery etc.	Total
Acquisition cost 31.12.2010	250 205	432 090	90 291	**772 586**
Additions	351 116	24 999	14 091	390 206
Disposals			981	981
Reclassification	202 031		-1 064	200 967
Acquisition cost 31.12.2011	**803 352**	**457 089**	**102 337**	**1 362 778**
Acc. depreciations & impairment losses 31.12.11		409 250	51 456	460 706
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

2010 - Group	Fields under development	Production plant, including wells	Fixtures and fittings, office machinery etc.	Total
Acquisition cost 31.12.2009	**198 631**	**391 080**	**47 798**	**637 508**
Additions	51 574	48 010	46 220	145 804
Reclassification		-7 000	-3 727	-10 727
Acquisition cost 31.12.2010	**250 205**	**432 090**	**90 291**	**772 586**
Acc. depreciations & impairment losses 31.12.11		333 573	32 178	365 751
Book value 31.12.2010	**250 205**	**98 517**	**58 113**	**406 834**
Depreciation for the year		125 761	12 086	137 847
Impairment losses for the year		37 949		37 949

2011 - Parent company	Fields under development	Production plant, 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	202 031		-1 064	200 967
Acquisition cost 31.12.2011	**803 352**	**457 089**	**106 744**	**1 367 186**
Acc. depreciations & impairment losses 31.12.11		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

2010 - Parent company	Fields under development	Production plant, including wells	Fixtures and fittings, office machinery etc.	Total
Acquisition cost 31.12.2009	**198 631**	**391 080**	**45 711**	**635 421**
Additions related to business combinations			1 326	1 326
Additions	51 574	48 010	47 661	144 830
Reclassification		-7 000		-7 000
Acquisition cost 31.12.2010	**250 205**	**432 090**	**94 698**	**774 578**
Acc. depreciations & impairment losses 31.12.11		333 573	34 170	367 743
Book value 31.12.2010	**250 205**	**98 517**	**58 112**	**406 834**
Depreciation for the year		125 761	14 133	139 894
Impairment losses for the year		37 949		37 949

Fields under development, 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 price of production facilities is included in the table on previous page.

INTANGIBLE ASSETS

2011 - Group	Other intangible assets Licences	Software	Total	Goodwill	Exploration expenses
Acquisition cost 31.12.2010	**1 565 439**	**40 710**	**1 606 150**	**1 006 347**	**1 802 234**
Additions	51 551	3 522	**55 073**		1 434 947
Disposals	509 242	61	**509 303**	358 009	645 214
Reclassification	2 576	-182	**2 394**		-204 607
Acquisition cost 31.12.2011	**1 110 324**	**43 989**	**1 154 314**	**648 338**	**2 387 360**
Acc. depreciations & impairment losses 31.12.11	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	235 278		235 278	70 636	

2010 - Group	Other intangible assets Licences	Software	Total	Goodwill	Exploration expenses
Acquisition cost 31.12.2009	**1 862 555**	**32 942**	**1 895 497**	**1 131 716**	**893 467**
Additions	2 002	4 041	6 043		2 154 002
Disposals	299 117		3 727	125 369	1 252 234
Reclassification		3 727	3 727		7 000
Acquisition cost 31.12.2010	**1 565 439**	**40 710**	**1 901 540**	**1 006 347**	**1 802 234**
Acc. depreciations & impairment losses 31.12.11	465 286	33 171	498 457	409 842	
Book value 31.12.2010	**1 100 153**	**7 540**	**1 107 693**	**596 506**	**1 802 234**
Depreciation for the year	11 449	9 752	21 201		
Impairment losses for the year	134 967		134 967	76 523	4 866

2011 - Parent company	Other intangible assets Licences	Software	Total	Goodwill	Exploration expenses
Anskaffelseskost 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	498 195	61	498 256	354 594	645 214
Reclassification	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 31.12.11	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	

2010 - Parent company	Other intangible assets Licences	Software	Total	Goodwill	Exploration expenses
Acquisition cost 31.12.2009	**1 573 832**	**32 942**	**1 606 774**	**1 059 491**	**846 934**
Additions related to business combinations	82 773	3 727	86 499		360 337
Additions	-6 226	4 041	-2 185		1 612 295
Reclassification					7 000
Disposals	250 622		250 622	119 515	1 024 331
Acquisition cost 31.12.2010	**1 399 756**	**40 710**	**1 440 467**	**939 976**	**1 802 234**
Acc. depreciations & impairment losses 31.12.11	465 286	33 171	498 457	409 842	
Book value 31.12.2010	**934 470**	**7 539**	**942 010**	**530 135**	**1 802 234**
Depreciation for the year	11 449	5 780	17 229		
Impairment losses for the year	101 952		101 952	73 869	4 866

Reconciliation of depreciations in the statement of income:	Group 2011	Group 2010	Parent company 2011	Parent company 2010
Depreciations of tangible fixed assets	64 649	137 847	64 649	139 894
Depreciations of intangible assets	13 869	21 201	13 869	17 229
Total depreciations for the year	**78 518**	**159 049**	**78 518**	**157 124**

Reconciliation of impairments in the statement of income:	Group 2011	Group 2010	Parent company 2011	Parent company 2010
Impairments/reversal (-) of fixed tangible assets	30 308	37 949	30 308	37 949
Impairments/reversal (-) of intangible assets	305 914	216 356	190 425	180 687
Reversal of deferred tax related to impairments of goodwill	-138 548	-83 798	-69 742	-77 103
Total impairments for the year	**197 673**	**170 508**	**150 990**	**141 533**

Software is depreciated over its useful life (3 years) using the straight-line method. Other intangible assets are not depreciated but, when events or changed circumstances indicate that their book value significantly exceeds the recoverable amount, they are assessed for potential impairment.

Some of the licences have been pledged as security in connection with the group's credit facilities; see Note 30. The calculated book value of licences furnished as security is NOK 1132.8 million.

Goodwill is mainly allocated to the Johan Sverdrup (PL 265), Draupne (001B and 028B) and Jette (027D and 169C) discoveries.

Note 15: Impairment of goodwill and other assets

An impairmenttest 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 31.12. 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 utility value. 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 before 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 the development phase, recoverable amount is estimated based on discounted future after tax cash flows. Input to the calculations are reports from operators to the Revised National Budget 2012 (RNB). Future cash flows are calculated in the various licenses on the basis of expected production profiles and estimated proven and probable remaining reserves. The discount rate applied is 10.8 percent nominal after tax. The company has used a long term inflationary expectation of 2.5 percent, and a long term exchange rate expectation of NOK/USD 6.00.

The calculations are based on the following expectations regarding oil prices:

Year	Average USD
2012	101,8
2013	98,6
2014	94,6
2015	90,8
2016	87,7
2017	84,9

The above prices are based on the forward prices, adjusted for inflation. It is expected that 2017 will be the final year of production for fields that are currently under production.

As of 31 December 2011, an impairment loss of NOK 62.8 million was recognised for the Jotun field. The impairment was mainly due to a reduction in reserve estimates. An impairment loss was also recognised as of 31 December 2010 in that the producing Glitne field was written down by NOK 37.9 million. The main reason for this was an increase in the estimate relating to the removal obligation.

Based on the assessments carried out, the following impairment made as of 31.12.2011:

	Group		Parent Company	
	2011	2010	2011	2010
Reversal of impairment of tangible fixed assets (-)	30 308	37 949	30 308	37 949
Reversal of impairment of intangible assets/ licence rights (-)	235 278	134 967	147 065	101 952
Impairment of exploration expenses		4 866		4 866
Impairment of goodwill	70 636	76 523	43 360	73 869
Reversal of deffered tax related to impairment of goodwill	-138 548	-83 798	-69 742	-77 103
Total Impairments	**197 673**	**170 508**	**150 990**	**141 533**

All impairment of tangible fixed assets was related to Jotun for 2011 and Glitne for 2010. Of impairment losses relating to intangible assets/ licence rights, NOK 32.5 million was related to Jotun in 2011. The remaining impairments for 2011 and 2010 relate to various exploration licences that have been or are in the process of being reliquished. PL 468 was the one with the highest impact, which caused excess values in the group to be impaired by NOK 77.2 million related to licence rights and NOK 23.9 million related to goodwill.

A sensitivity analysis has been carried out in relation to impairment of producing fields and development projects. Calculations show that a change in the cash flow or the discount rate of +/- 10% will not have a material effect on the result of the impairment test.

Note 16: 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 reinvoicing of expenses pertaining to other licence partners.

	Group		Parent Company	
	2011	**2010**	**2011**	**2010**
Receivables related to the sale of oil and gas	32 292	41 626	32 292	41 626
Invoicing related to rigs etc.	112 641	19 876	112 641	19 876
Unrealized exchange rate losses	1 254	-784	1 254	-784
Total trade debtors	**146 188**	**60 719**	**146 188**	**60 719**

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 2010.

As of 31.12, the following trade receivables were due but remained unpaid, without any provisions for bad debt being made:

Year	Total 1)	Not due	<30 d	30-60d	60-90d	>90d
2011 - Group and parent company	144 934	107 313	33 460	2 427	1 704	30
2010 - Group and parent company	61 503	7 786	52 105	6	1 271	123

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

Note 17: Other short-term receivables

	Group		Parent Company	
	2011	**2010**	**2011**	**2010**
Pre-payments, including for rigs	53 405	47 446	53 405	47 446
VAT receivable	9 314	15 113	9 314	15 113
Underlift (earned income)	44 028	19 839	44 028	19 839
Guarantee account, unsecured pension scheme		6 356		6 356
Other receivables, including in operator licences	312 763	202 942	312 763	202 942
Pre-payments relating to upgrades, rig intake and mobilisation	155 189	240 878	155 189	240 878
Shortfall value of rig charterparties	-42 160	-84 353	-42 160	-84 353
Total pre-payments, rig charterparties	*113 029*	*156 525*	*113 029*	*156 525*
Total other short-term receivables	**532 538**	**448 221**	**532 538**	**448 221**

For further details on prepayments in connection with upgrades, rig intake and mobilisation of Transocean Barents, see Note 18.

Note 18: Prepaid rig mobilisation - long term

	Group		Parent Company	
	2011	2010	2011	2010
Pre-payments relating to upgrades, rig intake and mobilisation		157 112		169 037
Shortfall value of rig charterparties		-50 843		-50 843
Total pre-payments, rig charterparties		*106 269*		*118 194*
Total pre-payments and chartering of drilling rigs		**106 269**		**118 194**

Det norske oljeselskap ASA has signed a charterparty for a sixth generation drilling rig (Transocean Barents) for a fixed period of three years with an option to extend the charter period by up to two years. The charter period started to run in July 2009. In the third quarter the company signed a lease agreement for two years, with an additional period of two years. The charterparty is classified as an operational lease. The agreement is in 2010 transferred from Det norske oljeselskap AS to Det norske oljeselskap ASA.

Prepaid mobilisation expenses and investments in the rig will be amortised over the three-year charter period. The agreed rig rate per day is USD 520,000, including operating expenses of NOK 900,000, which will be adjusted for inflation during the charter period. Rig costs are charged to income on a running basis and reversed when invoicing the licences that use the rig.The group has split these costs into a long-term and a short-term component, according to when the licences will be invoiced. As of 31 December 2011, the total prepayment of NOK 113,029 is presented as 'Other short-term receivables', as invoicing will take place within one year: see Note 17.

Note 19: Cash and cash equivalents

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

	Group		Parent Company	
	2011	2010	2011	2010
Cash	2	21	2	21
Bank deposits	828 771	775 903	828 771	775 903
Restricted funds (tax withholdings)	12 827	13 405	12 827	13 405
Total cash and cash equivalents	**841 599**	**789 330**	**841 599**	**789 330**

The company has an unused revolving credit facility described in more detail in Note 25.

Note 20: Share capital and shareholders

	31.12.2011	31.12.2010
Share capital	127 916	111 111
No. of shares	127 916	111 111
The nominal value per share is NOK (rounded off to whole Norwegian kroner)	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	Other paid-in capital	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**

Paid-in share capital, premium reserve and other paid-in capital:	No. of shares	Share capital	Premium reserve	Other paid-in capital	Total restricted equity
Issued and fully paid in capital	111 111	111 111	1 167 312	17 715	**1 296 138**
Total issued and paid in as of 31.12.10	**111 111**	**111 111**	**1 167 312**	**17 715**	**1 296 138**

Changes as a result of allocation of profit/loss, are included under 'Changes in equity'
Earnings per share are shown in Note 13.

Overview of the 20 largest shareholders registered in VPS as of 31.12.11

	No. of shares (in 1000)	**Owning interest**
AKER CAPITAL AS	64 992	50,8 %
ODIN NORGE	2 536	2,0 %
FOLKETRYGDFONDET	2 087	1,6 %
ODIN NORDEN	1 841	1,4 %
VERDIPAPIRFONDET	1 447	1,1 %
SHB STOCKHOLM CLIENTS ACCOUNT	1 354	1,1 %
VARMA MUTUAL PENSION INSURANCE	1 315	1,0 %
JP MORGAN CLEARING CORP	1 222	1,0 %
SPAREBANKEN MIDT-NORGE INVEST AS	1 062	0,8 %
VPF NORDEA KAPITAL	952	0,7 %
KLP AKSJER NORGE	923	0,7 %
EUROCLEAR BANK S.A	911	0,7 %
KØRVEN AS	821	0,6 %
SKANDINAVISKA ENSKILDA BANKEN	790	0,6 %
CREDIT SUISSE SECURITIES	768	0,6 %
THE NORTHERN TRUST CO.	734	0,6 %
KOMMUNAL LANDSPENSJON	729	0,6 %
BANK OF NEW YORK	644	0,5 %
VPF NORDEA AVKASTNING	619	0,5 %
RBC DEXIA INVESTOR SERVICES TRUST	618	0,5 %
OTHER	41 550	32,5 %
Total	**127 916**	**100,0 %**

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 group is required to have a occupational pension scheme pursuant to the Act relating to compulsory occupational pensions. The group's pension plan satisfy the requirements of the Act.

Pension scheme in the subsidiary Det norske oljeselskap AS
The subsidiary Det norske oljeselskap AS has until 1 May 2010 had a defined contribution pension plane. Contributions to the pension plane was charged to income in the period when the expense was incurred. On the date that the contribution was paid, no further obligations exist. From 1 May 2010 the employees is included in the defined benefit plar to the parent company.

Pension scheme in the parent company
The parent company has a defined benefit plan which covers 168 persons. The plan applies to salaries of up to 12 times the basic amount (G) and entitle to defined future benefits of maximum 66% 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 2012 amount to NOK 15,4 million.

In addition to the secured pension plan, the Chief Executive Officer has an unsecured early retirement plane. 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 plane 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% of the gross liability or gross funds, whichever is the greater.

The pension liability was calculated, based on assumptions as of 31.12.2011, 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 2011 amounted to NOK 0,159 million. In 2011, the premium has been 1.40% of total salary payments between 1 and 7.1 times the basic amount (G), but it will be increased to 1.75% from 1 January 2012.

	Unsecured scheme		Secured scheme		Total	
Pension costs are calculated as follows:	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**
Present value of the year's earned benefits	1 676	1 720	25 164	22 621	26 841	24 340
Interest expenses on accrued pension liabilities	334	339	2 044	1 268	2 377	1 607
Expected returns on pension funds			-1 871	-1 451	-1 871	-1 451
Actuarial loss/(gain) charged/(taken) to income			131		131	
Administrative expenses			365	234	365	234
Total pension costs excl. social security tax	**2 010**	**2 058**	**25 833**	**22 671**	**27 843**	**24 730**
Social security tax	283	290	3 624	3 197	3 907	3 487
Total pension costs incl. social security	**2 293**	**2 348**	**29 457**	**25 868**	**31 750**	**28 216**
Cost of defined contribution pension scheme incl. social security tax						1 639
Total costs of defined benefit and defined contribution schemes, incl. social security tax					**31 750**	**29 855**

	Unsecured scheme		Secured scheme		Total	
The year's change in gross pension liability:	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**
Gross pension liability (PBO) as of 01.01.	9 267	7 694	56 780	28 825	66 047	36 519
Present value of the year's earned benefits	1 676	1 720	25 164	22 621	26 841	24 340
Interest expenses on accrued pension liabilities	334	339	2 044	1 268	2 377	1 607
Pension payments			-18		-18	
The year's actuarial loss/(gain)	-324	-485	-10 060	4 066	-10 384	3 581
Gross pension liability (PBO) as of 31.12.	**10 953**	**9 267**	**73 911**	**56 780**	**84 864**	**66 047**

	Unsecured scheme		Secured scheme		Total	
	2011	2010	2011	2010	2011	2010
The year's change in gross pension funds:						
Gross pension funds as of 1.1.			30 213	18 764	30 213	18 764
Expected returns on pension funds			1 871	1 451	1 871	1 451
Actuarial loss/gain			-5 494	-4 310	-5 494	-4 310
Administrative expenses			-365	-234	-365	-234
Pension payments			-18		-18	
Reclassification of funds in unsecured scheme						
Premium payments			14 791	14 541	14 791	14 541
Fair value of pension funds as of 31.12.			**40 998**	**30 213**	**40 998**	**30 213**
Net pension funds/liability (-) as of 31.12.	-10 953	-9 267	-32 913	-26 568	-43 866	-35 836
Estimate variations not taken/charged to income	460	784	2 263	6 943	2 723	7 727
Plan changes not taken/charged to income						
Social security tax	-1 480	-1 196	-4 322	-2 767	-5 801	-3 963
Net capitalised pension funds/liability (-) as of 31.12.	**-11 973**	**-9 679**	**-34 971**	**-22 391**	**-46 944**	**-32 070**
Change in funds:						
Net capitalised pension funds/liability (-) as of 1.1.	-9 679	-6 799	-22 391	-13 114	-32 070	-19 913
The year's pension cost	-2 293	-2 348	-29 457	-25 868	-31 750	-28 216
Payments charged to operations						
Reclassification of funds in unsecured scheme		-531				-531
Payments received			16 877	16 591	16 877	16 591
Net capitalised pension funds/liability (-) as of 31.12.	**-11 973**	**-9 679**	**-34 971**	**-22 391**	**-46 944**	**-32 070**

	2011	2010	2009	2008	2007	2006
Historical information						
Net present value of defined benefit pension liabilitie:	84 864	66 047	36 519	20 810	9 807	6 573
Fair value of pension funds	40 998	30 213	18 764	7 997	3 797	4 834
Deficit in the scheme	**43 866**	**35 835**	**17 755**	**12 813**	**6 010**	**1 739**
Experience-based adjustment of liabilities	-10 384	3 581	404	-1 804	-206	-659
Experience-based adjustment of pension funds	-5 494	-4 310	-800	-1 961	-304	394

The calculation of pension costs and net pension liabilities is based on a number of assumptions. The discount interest rate is determined on the basis of observed government bond interest in Norway with a supplement for the maturity period. 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 %. For 2011, the company has applied the Norwegian Accounting Standards Board's (NASB) assumptions as of August 2011.

Financial assumptions	2011	2010
Discount rate	3,30 %	3,60 %
Return on pension funds	4,80 %	5,00 %
Wage and salaries increase	4,00 %	4,00 %
Pension adjustment	3,75 %	3,75 %
Average turnover	0,70 %	0,90 %

	2011	2010
Actuarial assumptions		
	K2005	K2005
Mortality table used	IR-02	IR-02
Disability tariff used	8,00 %	8,00 %
Voluntary retirement before 40 years	0,00 %	0,00 %
Voluntary retirement after 40 years		

Percentage distribution of pension funds by investment category	2011	2010
Shares	10,4 %	18,7 %
Bonds	15,2 %	15,4 %
Money market	21,7 %	13,6 %
Capital bonds	33,4 %	33,2 %
Property	18,0 %	17,6 %
Other	1,2 %	1,5 %
Total	**100 %**	**100 %**

The pension scheme is placed in Vital, which has a long-term perspective on the management of the capital. Vital seeks to achieve the highest possible rate of return by composing an investment portfolio that produces the maximum risk-adjusted return. In 2011, the actual value-adjusted return on pension assets was 5,0%, equal to the estimated rate.

Note 22: Provision for removal and decommissioning liabilities

	Group		Parent Company	
	2011	**2010**	**2011**	**2010**
Provisions as of 1 January	268 227	224 472	268 227	224 472
Incurred cost removal	-35	-765	-35	-765
Imputed interest present value calculation	16 863	12 358	16 863	12 358
Change in estimate	146	32 162	146	32 162
Total abandonment provision as of 31.12	**285 201**	**268 227**	**285 201**	**268 227**

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

This 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 % before tax and a nominal discount rate of 6,24 % for Enoch and Jotun and 5,92 % for Glitne og Varg before tax in 2011, and corresponding rate for 2010 of 6.27 %.

Note 23: Derivatives

The group has had an agreement in place to reduce its currency exposure in relation to US dollars.

	Group		Parent Company	
	2011	**2010**	**2011**	**2010**
Structured forward contracts		6 033		6 033
Estimated fair value		**6 033**		**6 033**
Change in forward contracts	6 033	-27 838	6 033	3 915

As of 31 December 2011, Det norske oljeselskap ASA does not have any structured forward contracts.

Note 24: Bonds

Convertible bond:

	Group		Parent Company	
	2011	**2010**	**2011**	**2010**
Principal, convertible loan Norsk Tillitsmann	457 500	457 500	457 500	457 500
Equity part of convertible loan on initial inclusion	-98 991	-98 991	-98 991	-98 991
Accumulated amortisation of equity part of convertible loan	98 991	74 388	98 991	74 388
Excess value on acquisition		-11 228		-11 228
Payment of loan	-6 000		-6 000	
Converted to share's	-451 500		-451 500	
Total long-term convertible		**421 668**		**421 668**

On 13 January 2011, the company purchased own bonds corresponding to 29.3% of the convertible bond. The company sold these bonds for NOK 144.4 million in October 2011, which yielded a profit of NOK 10.6 million.

The convertible bond was past due on the 16. Desember 2011. On due date 5,693,564 shares were converted at NOK 79,30 and the residual bonds were repaid.

Long-term bond:

	Group		Parent Company	
	2011	**2010**	**2011**	**2010**
Prinsipal, bond Norsk Tillitsmann	600 000		600 000	
Establishment costs	-16 145		-16 145	
Amortisation of establishments costs	3 156		3 156	
	587 011		**587 011**	

The bond run from 28 January 2011 till 28 January 2016 and have an interest rate of 3 month NIBOR + 6.75 percent. The principal falls due on 28 January 2016 and interest is paid on an quarterly basis. No security has been furnished for this loan. Det norske ASA has fulfilled all the loan conditions as of 31 Dec. 2011

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

	Group		Parent Company	
	2011	**2010**	**2011**	**2010**
Exploration facility in DnB NOR	400 000	1 151 552	400 000	1 151 552
Accrued loan costs	-20 450	-40 900	-20 450	-40 900
Short-term loan	**379 550**	**1 110 652**	**379 550**	**1 110 652**

The parent company has an overdraft facility of NOK 3,500,000,000 in DnB NOR BANK ASA. The maximum amount to be drawn including interest is limited to 95% of the tax refund related to exploration expenses. The company can draw on the facility until 31.12.2012, with a final date for repayment in December 2013. The interest rate on the revolving credit is three months' NIBOR + 2.5 %, and the establishment fee for the facility was NOK 61,3 million. A commision of 1.25 % is also paid on unused credit.

	Group		Parent Company	
Available for withdrawal as of 31.12.	**2011**	**2010**	**2011**	**2010**
'Calculated tax receivable' in the balance sheet	1 397 420	2 276 417	1 397 420	2 276 417
Available for withdrawal	1 303 094	2 097 718	1 303 094	2 097 718
Drawn amount	400 000	1 151 552	400 000	1 151 552
Unused amount available for withdrawal	**903 094**	**946 166**	**903 094**	**946 166**

Maximum amount to be drawn including (future) interest is limited to 95% of 'Calculated tax receivable'.

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.

In fourth quarter Det norske oljeselskap ASA has established an agreement of a revolving credit facility of USD 500 million. The revolving credit facility can be increased with USD 100 million, but the agreement has no guarantee for this. Margin on drawn amounts between 3.75 and 4.00 per cent per year, depending on how much of the credit facility is used. The USD 500 million tranche (the "Facility Amount") is co-ordinated by DNB and Nordea and fully underwritten by the Bookrunners and Mandated Lead Arrangers: DNB, Nordea and SEB, subject to an executed loan agreement. The underwriters intend to syndicate the Facility to a select group of banks.

Note 26: Other current liabilities

	Group		Parent Company	
	2011	2010	2011	2010
Current liabilities related to overcall in licences	60 731	203 588	60 731	203 588
Share of other current liabilities in licences	155 766	265 004	155 766	265 004
Other current liabilities	187 658	258 329	187 658	258 329
Total other current liabilities	**404 156**	**726 921**	**404 156**	**726 921**

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 contract with Deep Sea Rig AS for the lease of the rig Songa Delta, together with another oil company. The agreement secures the company 24 months' rig capacity over a period of three years. The contract runs until summer 2012. A contract has also been signed with Ross offshore well management for drilling management over the same three-year period.

Det norske oljeselskap ASA has signed a lease for Transocean Barents for a period of three years with an option to extend the charter period by up to two years. The charter period started to run in July 2009. In the third quarter of 2010, Det norske extended the agreement by two years, with an option to extend the charter period by two years. See Note 18 for more information.

Det norske oljeselskap, together with Centrica and Faroe Petroleum Norge AS has entered into an agreement with Maersk Guardian Norge AS for the lease of the rig Maersk Guardian in a period of 320 days to drill 5 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 Det norske'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 Draupne, Det norske oljeselskap has signed an agreement (Letter of Award) with Maersk Drilling for the delivery of a jack-up rig for the development project on the Draupne field. The rig will be used to drill production wells on the Draupne field. The contract period is three years, with options for up to seven years.

Total future lease obligations in connection with rig contracts are assumed to fall due as follows:

	Group		Parent Company	
	2011	2010	2011	2010
Within 1 year	2 090 880	1 891 012	2 090 880	1 891 012
1 to 5 years	1 806 750	3 392 057	1 806 750	3 392 057
After 5 years				
Total	**3 897 630**	**5 283 069**	**3 897 630**	**5 283 069**

The expected minimum rental income from subleasing the rig under non-terminable operational leases as of 31 December 2011 is NOK 1,732 million.

Lease obligation pertaining to owning interests in licences:
The group'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.

	Group		Parent Company	
	2011	**2010**	**2011**	**2010**
Within 1 year	98 806	89 091	98 806	89 091
1 to 5 years	189 565	168 920	189 565	168 920
After 5 years	36 792	55 188	36 792	55 188
Total	**325 163**	**313 199**	**325 163**	**313 199**

Lease liabilities - office premises and IT services

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

	Group		Parent Company	
	2011	**2010**	**2011**	**2010**
Within 1 year	50 878	51 369	50 878	51 369
1 to 5 years	112 605	121 774	112 605	121 774
After 5 years	86 403	104 886	86 403	104 886
Total	**249 885**	**278 030**	**249 885**	**278 030**

The parent 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 parent company has in 2010 signed a new lease for office space in Trondheim, which extends to 2020. In 2009, the parent company signed a new contract for IT services. The hire period is three years, and the contract cannot be terminated during this period.

Liability for damages/ insurance
Just like other licencees on the Norwegian continental shelf, the group has unlimited liability for damage, including pollution damage. The group 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 parent company has established a loan scheme whereby permanent employees can borrow up to 30% 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 16.7 million at 31 December 2011. The corresponding amount for 2010 was NOK 14.3 million.

Det norske oljeselskap ASA 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
There is a disagreement between the partners in one of the company's operating licenses, related to the cost of drilling an exploration well. Det norske disagrees with the claim, and has not made provision in the accounts of this controversy.

During the normal course of its business Det norske oljeselskap will be involved in disputes, and there are currently some unresolved claims. The Group has provided accruals in its financial statements for probable liabilities related to litigation and claims based on the Group'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 2011, Aker (Aker Capital AS) was the largest shareholder in Det norske oljeselskap ASA, with an total owning interest of 50.81 %. 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, see Note 9 'Remuneration and guidelines for remuneration of management and the board of directors, and total payroll expenses'.

Transactions with related parties
The whole Aker group must be 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) as described in Note 18. 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 Draupne, agreements have been entered into with Aker Solutions and its subsidiaries, which are associate companies to Aker ASA. Transactions in 2011 have been included in the table below. Deliveries will increase considerably in 2012.

Since all net assets were acquired from the subsidiary in 2010, cf. Note 2, the subsidiary had a receivable outstanding from the parent company until the former was liquidated in 2011. The interest rate has been 9.3% p.a.

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

	Receivables (+)/liabilities (-) at	Subsidiary		Parent company	
Related party	**31.12.2011:**	**2011**	**2010**	**2011**	**2010**
Det norske oljeselskap AS	Intra-group loan/receivable		408 431		-408 431
Aker ASA	Trade creditors				-131
Aker Drilling Operations AS	Trade creditors				-12 381

		Subsidiary		Parent company	
Related party	**Revenues (-)/ expenses (+)**	**2011**	**2010**	**2011**	**2010**
Det norske oljeselskap AS	Interest rate income/ expenses	26 183	-874	-26 183	874
Det norske oljeselskap AS	Interest rate income/ expenses		35 442		-35 442
Det norske oljeselskap AS	Business aqusition with subsidiary		-246 230		246 230
Aker Solutions	Delivery to Jette Development			-18 200	
Aker Drilling Operations AS	Hire of Transocean Barents		-91 906	-328 762	-414 941

Note 29: Financial instruments

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

The company seeks to optimise its capital structure through balancing return on equity and the lenders' requirements for capital adequacy. The group shall have a good credit rating and achieve reasonable borrowing terms, seen in relation to Det norske's activities, funding requirements and risk profile.

The size of the group's resource base is very important in relation to access to capital and borrowing terms. The increase in resources and reported reserves in 2011 has strengthened the company's financial position considerably.

The group's equity ratio (equity in relation to total capital) as of 31 December 2011 was 48%.

The company believes that the present resource base and the company's equity ratio, gives faith in the company among lenders and generates good return on equity for the owners. The group 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.

The group met all its capital structure objectives in 2011 and 2010.

	Group		Parent company	
	31.12.2011	31.12.2010	31.12.2011	31.12.2010
Equity as of 31.12.2011	3 676 551	3 160 173	3 676 551	3 057 510
Total capital	7 715 984	7 719 619	7 715 984	7 862 514
Equity ratio	48 %	41 %	48 %	39 %

Categories of financial assets and liabilities
The group 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 latter are recognised in the accounts at amortised cost, while the first item is recognised at fair value.

Financial risk
The group has financed its activities by a credit facility with a bank syndicate and a convertible bond, both at floating interest rates. The group also had a convertible fixed-rate bond. This bond was redeemed in December 2011; see Note 24. In addition, the group has financial instruments such as trade debtors, trade creditors etc., directly related to its day-to-day operations. For hedging purposes, the group has invested in certain financial derivatives, which had all been realised as of 31 December 2011.

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

The group'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, and the revenue flow is therefore exposed to oil price fluctuations. The group's oil production is currently at a limited level, and the group has therefore chosen not to hedge against the related price risk. However, the company will continue to consider hedging against the oil price as production increases.

Revenues from sale of petroleum and gas are in US dollars, while expenditures are mainly in Norwegian kroner US dollars and Euro. Exchange rate fluctuations and oil prices involve both direct and indirect financial risk exposure for the group, but because some of the expenses are in US dollars, 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 group's ordinary operations.

During the course of the year, the group entered into some forward contracts to reduce its currency risk in US dollars and hence the market risk relating to operations. See Note 23 for an overview of signed contracts and their estimated fair value.

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. All investments in funds shall be denominated in Norwegian

The table below shows the group's sensitivity to potential changes in the USD/NOK exchange rate.

	Change in exchange rate	Group 2011	Group 2010	Parent company 2011	Parent company 2010
Effect on pre-tax profit/loss:	+ 10%	5 704	10 814	5 704	10 814
	- 10%	-5 704	-10 814	-5 704	-10 814

The group's and the parent company's net exposure in USD as of 31 December 2011 was USD 9,519 (NOK/USD 5.99), while the corresponding figure for 2010 was USD 18,466 (NOK/USD 5.86). This consists of exposure relating to receivables, bank deposits and licence over/undercalls in the amount of USD 1,519 (2010; USD 8,222), and trade creditors, license over/undercalls, over/underlift of oil and other short-term liabilities in the amount of USD 8 000 (2010; USD 16,094).

The group's potential changes in the EUR/NOK exchange rate.

	Change in exchange rate	Group 2011	Group 2010	Parent company 2011	Parent company 2010
Effect on pre-tax profit/loss:	+ 10%	4 988	-5 166	4 988	-5 166
	- 10%	-4 988	5 166	-4 988	5 166

The group's and the parent company's net exposure in EUR as of 31 December 2011 was EUR 6,433 (NOK/EUR 7.75), while the corrosponding figure for 2010 was EUR - 6,612 (NOK/EUR 7.81). This consists of exposure relating to receivables and bank deposits of EUR 5,255 (2010; EUR 139) and trade creditors, license over/undercalls in the amount of EUR 1,178 (2010; EUR - 6,751).

(ii) Interest-rate risk

The group is exposed to interest-rate risk to borrowings and placement of liquid assets. Floating-interest loans involve risk exposure for the group's future cash flows. Fixed-interest loans exposes Det norske to risk (premium/discount) related to fluctuations in the market rate. As of 31 December 2011, the group's total loan liabilities amounted to approximately NOK 1.0 billion, distributed between one long-term bond issue and one short-term credit facility, where the purpose of the latter is to finance exploration activities; see notes 24 and 25. The corresponding loan liabilities as of 31 December 2010 amounted to 1.5 billion.

In January 2011, the company made a new bond issue at a rate corresponding to three months' NIBOR + 6.75%. See Note 24. The interest rate on the credit facility/revolving credit arrangement is NIBOR + 2.5%. In addition, a commission of 1.35% accrues on the unused part of the credit facility, see note 25.

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

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

Change in interest rate level in basic points:		Group 2011	Group 2010	Parent company 2011	Parent company 2010
Effect on pre-tax profit/loss:	+ 100	-10 000	-11 516	-10 000	-11 516
	- 100	10 000	11 516	10 000	11 516

Based on the loan balance as of 31 December 2011, an interest-rate increase of 1% will reduce/increase the group's pre-tax profit/loss by NOK 10,000 million.

(iii) 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 group'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 group'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 balance-sheet value of financial assets. The group deems its maximum risk exposure to correspond with the balance-sheet value of trade debtors and other short-term receivables and investments; see Notes 16, 17 and 19.

(iv) Liquidity risk/liquidity management

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

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 (5 years) forecasts are prepared on a regular basis to plan the group's liquidity requirements. These plans are updated regularly for various scenarios and form part of the day-to-day decision basis for the group'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 credit facility, including quarterly updates of a revolving liquidity budget for the next 12 months. The group met this requirement both in 2011 and in 2010.

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

As of 31 December 2011, the group's excess liquid assets are mainly deposited in bank accounts.

As of 31 December 2011, the company has cash reserves of NOK 841,599 (2010; 789,330). However, the combination of limited production revenues and active exploration and development programmes sets requirements for managing liquidity risk.

The group 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 group's level of activity, if required.

The group has a total borrowing limit of NOK 3.5 billion for exploration purposes; see Note 25. The group made a new NOK 600 million bond issue in Januar 2011, and in August, the company raised NOK 489 million in new capital. Det norske also secured an agreement for a new credit facility of USD 500 million towards the end of 2011. Together with the group's liquid assets, this is sufficient to finance the group's operations through 2012.

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

Group and parent company 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
Overdraft 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**

Group and parent company 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	421 668	484 950	484 950		
Overdraft facility	1 110 652	1 275 297	1 275 297		
Trade creditors and other liabilities	966 918	966 918	966 918		
Total as of 31 December 2010	**2 499 238**	**2 727 165**	**2 727 165**		

Determination of fair value
'Market-based financial investments' concern perpetual loan. The fair value of this is 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 decreased by NOK 818 (2010: 572), and the loss is recognised as 'Other financial expenses' in the income statement.

The fair value of derivatives is defined by DnB markets, based on market considerations; see Note 23.

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 balance-sheet 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 balance-sheet 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 new bond issue from January 2011 is listed on Oslo Stock Exchange, and the fair value is determined using the listed value as of 31 December 2011.

The maximum credit risk exposure corresponds to the balance-sheet value of financial assets in the balance sheet.

The following is a comparison between the book value and fair value of the group's financial instruments:

Group and parent company	**2011**		**2010**	
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	21 750	21 750	22 568	22 568
Derivatives			6 033	6 033
Loans and receivables:				
Trade debtors	146 188	146 188	60 719	60 719
Other short-term receivables*	366 039	366 039	448 221	448 221
Calculated tax receivable	1 397 420	1 397 420	2 344 753	2 344 753
Other financial fixed assets	18 423	18 423	18 210	18 210
Liquid assets:				
Liquid assets	841 599	841 599	789 330	789 330
Total financial assets	**2 791 418**	**2 791 418**	**3 689 834**	**3 689 834**

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

Group and parent company	**2011**		**2010**	
Fair value of financial instruments:	**Book value**	**Fair value**	**Book value**	**Fair value**
Financial liabilities measured at amortised cost:				
Trade creditors	274 308	274 308	219 984	219 984
Other short-term liabilities	422 724	422 724	746 934	746 934
Bond issue - long-term	587 011	627 000		
Bond issue - short-term			421 668	421 668
Short-term loan	379 550	379 550	1 110 652	1 110 652
Total financial liabilities	**1 663 593**	**1 703 582**	**2 499 238**	**2 499 238**

Fair value hierarchy:
The group 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 group has no assets in Level 1

Assets recognised at fair value	Group 31.12.2011	Parent company 31.12.2011	Level 2	Level 3
Financial assets measured at fair value with changes in value recognised throug profit or loss				
Market-based financial investments	21 750	21 750	21 750	

Assets recognised at fair value	Group 31.12.2010	Parent company 31.12.2010	Level 2	Level 3
Financial assets measured at fair value with changes in value recognised throug profit or loss				
Market-based financial investments	22 568	22 568	22 568	
Forward exchange contracts - not part of hedging contracts 'deri	6 033	6 033		6 033

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

__Furnishing of security__
The parent company has established a loan scheme whereby permanent employees can borrow up to 30% 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 16.7 million at 31 December 2011. The corresponding amount for 2010 was NOK 14.3 million.

Det norske oljeselskap ASA 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.

A guarantees has also been furnished in connection with the taking up of loans. The lender has security in the company's tax receivable and in some licences. For a list of licences in which the lender has security, see Note 30. The balance-sheet value of licences furnished as security is NOK 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 group's investments in licences on the Norwegian continental shelf as of 31.12.:

Production licences in which Det norske is operator:

Licence	Pledged	31.12.2011	31.12.2010
PL 001B		35,0 %	35,0 %
PL 027D		60,0 %	60,0 %
PL 028B		35,0 %	35,0 %
PL 103B		70,0 %	70,0 %
PL 169C		70,0 %	70,0 %
PL 242		35,0 %	35,0 %
PL 337	yes	45,0 %	45,0 %
PL 341	yes	30,0 %	30,0 %
PL 356		60,0 %	60,0 %
PL 364		50,0 %	50,0 %
PL 369*	yes	0,0 %	60,0 %
PL 414	yes	40,0 %	40,0 %
PL 447*		0,0 %	80,0 %
PL 450	yes	75,0 %	75,0 %
PL 460	yes	100,0 %	100,0 %
PL 463S*	yes	0,0 %	100,0 %
PL 468		95,0 %	95,0 %
PL 468B**		95,0 %	0,0 %
PL 476*	yes	0,0 %	40,0 %
PL 482	yes	65,0 %	65,0 %
PL 491*	yes	0,0 %	50,0 %
PL 497	yes	35,0 %	35,0 %
PL 497B	yes	35,0 %	35,0 %
PL 500	yes	35,0 %	35,0 %
PL 504		58,5 %	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	40,0 %	40,0 %
PL 549S	yes	35,0 %	35,0 %
PL 553	yes	40,0 %	40,0 %
PL 573S**		35,0 %	0,0 %
PL 593**		60,0 %	0,0 %
Number		**28**	**30**

Production licences in which Det norske is partner:

Licence	Pledged	31.12.2011	31.12.2010
PL 028S	yes	40,0 %	40,0 %
PL 029B		20,0 %	20,0 %
PL 035		25,0 %	25,0 %
PL 035B		15,0 %	15,0 %
PL 038		5,0 %	5,0 %
PL 038D		30,0 %	30,0 %
PL 048B	yes	10,0 %	10,0 %
PL 048D		10,0 %	10,0 %
PL 102C		10,0 %	10,0 %
PL 265		20,0 %	20,0 %
PL 272		25,0 %	25,0 %
PL 283*	yes	0,0 %	25,0 %
PL 332	yes	40,0 %	40,0 %
PL 362	yes	15,0 %	15,0 %
PL 392		10,0 %	10,0 %
PL 416	yes	15,0 %	15,0 %
PL 438****		10,0 %	0,0 %
PL 440S		10,0 %	10,0 %
PL 442		20,0 %	20,0 %
PL 451*	yes	0,0 %	40,0 %
PL 453S	yes	25,0 %	25,0 %
PL 462S*	yes	0,0 %	30,0 %
PL 469*	yes	0,0 %	25,0 %
PL 485*	yes	0,0 %	15,0 %
PL 490	yes	0,0 %	30,0 %
PL 492	yes	30,0 %	30,0 %
PL 494	yes	30,0 %	30,0 %
PL 494B**		30,0 %	0,0 %
PL 502		22,2 %	22,2 %
PL 508S	yes	30,0 %	30,0 %
PL 522****	yes	10,0 %	20,0 %
PL 523	yes	20,0 %	20,0 %
PL 533	yes	20,0 %	20,0 %
PL 535	yes	20,0 %	20,0 %
PL 538	yes	30,0 %	30,0 %
PL 554****		20,0 %	40,0 %
PL 554B**/****		20,0 %	0,0 %
PL 558	yes	20,0 %	20,0 %
PL 561	yes	20,0 %	20,0 %
PL 563		30,0 %	30,0 %
PL 567**		40,0 %	0,0 %
PL 568**		20,0 %	0,0 %
PL 571**		40,0 %	0,0 %
PL 613***		35,0 %	0,0 %
Number		**38**	**37**

* Relinquished license
** Annual licencing round, APA 2010. The formal transaction took place in January 2011
*** Annual licensing round, 21. round
**** License transactions

Det norske will withdraw from licenses PL 500 and PL 028S. License PL 468 og PL 468B is applied relinquished. Det norske has enteres into farm-out agreement with North Energy to acquire 15% in PL 450.

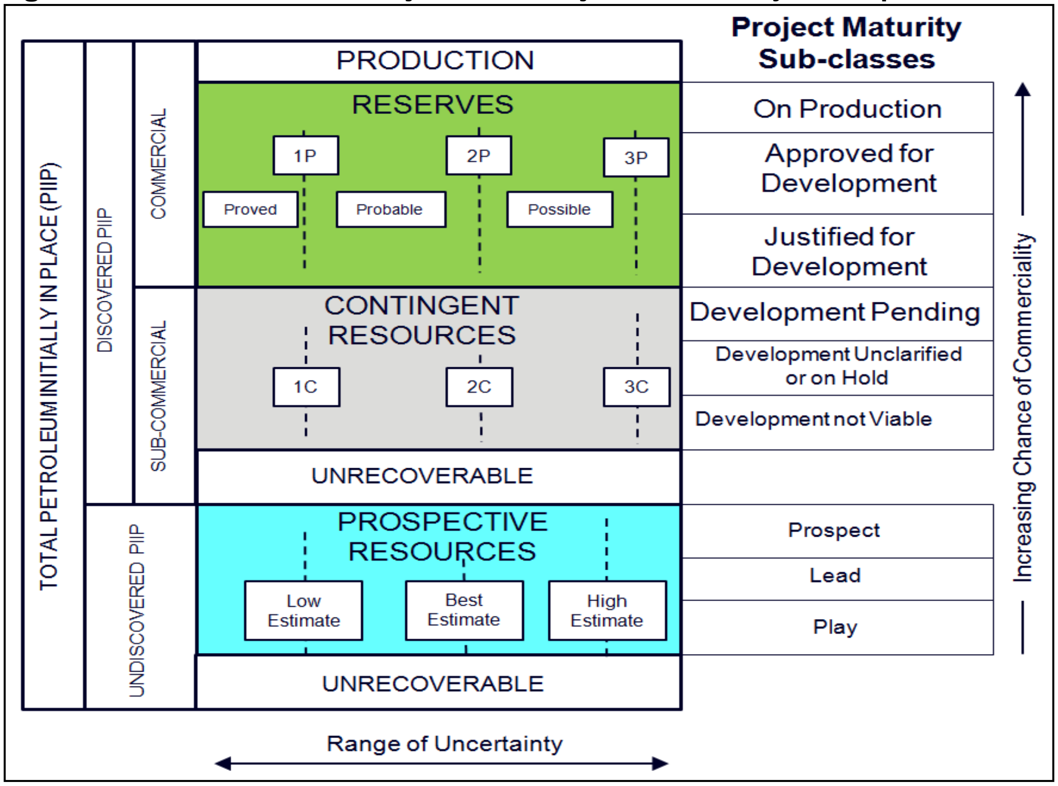
In the annual licensing round, APA 2011, Det norske was offered operatorship in PL 659 (30%), 626 (50%) and PL 414B (40%). As partner, Det norske has been awarded interest in PL 652 (20%), PL 627 (20%), PL 619 (30%), PL 494C (30%), PL 102D (10%) og PL 035C (25%). The formal transaction took place in January 2012.

Note 31: Annual Statements of Reserves 31 Dec. 2011 (Unaudited)

Det norske has decided to switch from the Norwegian Petroleum Directorate's (NPD) resource classification system to the more internationally recognised Society of Petroleum Engineer's (SPE) Petroleum Resource Management System (PRMS). This is described at http://www.spe.org/industry/docs/Petroleum_Resources_Management_System_2007.pdf and complies with requirements from Oslo Børs regarding the reporting of proven hydrocarbon reserves and contingent resources.

Figure 1 describes the main principles of the resource classification system.

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



Reserves, developed and non-developed

Det norske oljeselskap ASA has interests in nine fields/projects containing reserves. Out of these nine fields/projects, four are in the sub-class 'On Production', while the remaining are in the sub-classes 'Approved for Development' and 'Justified for Development' and as such belong in the category 'non-developed' reserves. Note that Glitne has reserves in both 'On Production' and 'Approved for Development'. Det norske's interests in the various classes of reserves are as follows:

Sub-class 'On Production/Developed'

- Varg – operated by Talisman, Det norske 5%
- Glitne – operated by Statoil, Det norske 10%
- Enoch – operated by Talisman, Det norske 2%
- Jotun – operated by ExxonMobil, Det norske 7%

Sub-class 'Approved for Development/non-developed':

- Atla – operated by Total, Det norske 10%
- Glitne infill 2012 – operated by Statoil, Det norske 10%

Sub-class 'Justified for Development/non-developed'

- Draupne project – operated by Det norske, Det norske 35%
- Jette – operated by Det norske, Det norske 88%
- Dagny – operated by Statoil, Det norske 2% (Pre-Unit Agreement cost share)

Det norske's share of total net proven and probable reserves as of 31 December 2011 is shown in Table 1 and is estimated at 67.9 million barrels of oil equivalents (P50/2P or best estimate), of which 0.80 million barrels of oil equivalents are classified in the sub-class 'On Production/Developed'.

Table 1 – Reserves by field

On Production	1P / P90 (low estimate)					2P / P50 (best estimate)				
	Liquids	Gas				Liquids	Gas			
As of 31.12.2011	(million barrels)	(bcm)	Total million barrels of oil equivalents	Interest %	Net million barrels of oil equivalents	(million barrels)	(bcm)	Total million barrels of oil equivalents	Interest %	Net million barrels of oil equivalents
Enoch Unit	1,80		1,80	2 %	0,04	2,70		2,70	2 %	0,05
PL 048B Glitne	0,00		0,00	10 %	0,00	2,10		2,10	10 %	0,21
PL 038 Varg	0,00		0,00	5 %	0,00	4,40		4,40	5 %	0,22
Jotun Unit	2,57	0,05	2,85	7 %	0,20	4,29	0,05	4,57	7 %	0,32
Total					**0,24**					**0,80**
Approved for Development	1P / P90 (low estimate)					2P / P50 (best estimate)				
	Liquids	Gas				Liquids	Gas			
As of 31.12.2011	(million barrels)	(bcm)	Total million barrels of oil equivalents	Interest %	Net million barrels of oil equivalents	(million barrels)	(bcm)	Total million barrels of oil equivalents	Interest %	Net million barrels of oil equivalents
PL 102C Atla	0,50	0,48	3,50	10 %	0,35	1,70	1,49	11,10	10 %	1,11
PL 048B Glitne infill 2012	2,10		2,10	10 %	0,21	4,60		4,60	10 %	0,46
Total					**0,56**					**1,57**
Justified for Development	1P / P90 (low estimate)					2P / P50 (best estimate)				
	Liquids	Gas				Liquids	Gas			
As of 31.12.2011	(million barrels)	(bcm)	Total million barrels of oil equivalents	Interest %	Net million barrels of oil equivalents	(million barrels)	(bcm)	Total million barrels of oil equivalents	Interest %	Net million barrels of oil equivalents
Draupne	88,29	2,82	105,99	35 %	37,10	134,94	1,35	143,39	35 %	50,19
Jette	5,95	0,25	7,51	88 %	6,61	10,61	0,37	12,93	88 %	11,38
Dagny*	71,63	11,16	141,81	2 %	2,84	99,18	15,70	197,91	2 %	3,96
Total					**46,54**					**65,52**
Total Reserves					**47,34**					**67,89**

Changes in the estimated reserves during 2011 are shown in Table 2. There has been a considerable growth in Det norske's reserves during 2011. Total reserves (P50/2P) have increased from 1.34 million to 67.89 million o.e. This is mainly due to the fact that the Draupne project (consisting of the Draupne, Hanz and West Cable fields) has been moved up from contingent resources to reserves, sub-class 'Justified for Development'. The Draupne project has not yet passed DG2 (provisional project sanction to proceed towards a plan for development and operation – PDO), but the Board of Directors has decided that recoverable volumes can be upgraded from contingent resources to reserves, as the conditions for being classified as reserves in accordance with SPE's resource classification system are met. In addition, Jette, Dagny and Atla have been reclassified as reserves. Only minor changes apply to the developed fields Glitne, Varg, Jotun and Enoch.

Table 2 – Aggregated reserves and changes since 31 Dec. 2010

Net attributed million barrels of oil equivalents.	**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 31.12.2010	0,71	1,34	0,00	0,00	0,00	0,00	0,71	1,34
Production	-0,56	-0,56					-0,56	-0,56
Acquisitions/disposals								
Extensions and discoveries			0,21	0,46			0,21	0,46
New developments			0,35	1,11	46,54	65,52	46,89	66,63
Revisions of previous estimates	0,08	0,02						
Balance as of 31.12.11	0,24	0,80	0,56	1,57	46,54	65,52	47,34	67,89

The **Varg Field** (PL 038) is located south of Sleipner East. The field is operated by Talisman and developed using the production vessel 'Petrojarl Varg' with integrated oil storage, and connected to a wellhead platform. Oil is exported using shuttle tankers. Two wells were drilled in 2011, but unfortunately, these came in dry. Total ultimate recoverable reserves are estimated at 95 million barrels of oil. Total production at Varg was approximately 19,000 barrels of oil per day by year end 2011.

The Varg Operator is planning two infill wells in 2012/2013. All gas at Varg has so far been reinjected into the reservoir. The operator is now planning a gas blowdown, which, together with new wells, may significantly increase the field's life. However, the contribution from these projects has not been included in the reserve accounts, and are provisionally classified as contingent resources.

Total remaining proven and probable reserves (2P/P50) amount to 4.4 million barrels, which brings Det norske's net reserves to 0.22 million barrels of oil.

Note that, as of 31 December 2011, no proven reserves (P90/1P or low estimate) have been classified for Varg. This is because the low prognosis indicated that it would not be profitable to operate the field after 31 December 2011. The field currently produces more than predicted (approx. 19,000 barrels/day) and production so far in 2012 indicates that the field still has recoverable reserves as of 31 Dec. 2011.

The licence period expires in 2021.

The **Glitne Field** (PL 048B) is located 40 kilometres north of the Sleipner area. The field is produced by subsea wells tied to the production vessel 'Petrojarl 1', and the oil is exported using shuttle tankers. Total ultimate recoverable reserves are determined by the operator, based on a production cut-off in September 2014. Total ultimate recoverable reserves are estimated at 61 million barrels of oil, of which remaining reserves (P50/2P) represent 6.7 million barrels of oil. Of this amount, 2.1 million constitute reserves from existing wells, while 4.6 million barrels are linked to an infill well planned for drilling in 2012. The main uncertainties in future production are related to the production from the planned infill well, water cut development for individual wells and the production efficiency on Petrojarl 1.

Note that an addendum to the production agreement between Teekay and Statoil signed in autumn 2011 secures production at least until September 2014 if the partnership in the licence finds this to be expedient.

Note that no proven reserves have been reported for Glitne (P90/1P) in the sub-class 'On production'. However, also Glitne produces more than predicted, and the volumes produced in January 2012 indicate that there are recoverable reserves in the 'On Production' class as of 31 December 2011.

In principle, the licence period expires in 2013, but on 19 January 2012, Statoil, on behalf of the license, extended the licence period until 15 July 2016, on the condition that well A-7 AH is drilled during 2012.

The **Jotun Field** (PL 027B, PL 103B) operated by ExxonMobil is developed with an integrated wellhead platform (Jotun B) with 24 well slots and an FPSO (Jotun A). Oil is shuttled to the Slagen refinery and gas is exported into Statpipe. Proven and probable reserves (P50/2P) include expected volumes from existing wells, assuming that no new wells are being drilled and that the field is abandoned at the end of 2016. Remaining reserves are determined by the operator based on a decline analysis. The main uncertainty in future production is the water cut development in individual wells. Total remaining proven and probable reserves amount to 4.6 million barrels. Det norske's 7% interest in Jotun gives net proven and probable reserves of 0.32 million oil equivalents.

All Jotun reserves are classified in the sub-class 'On Production'.

Det norske has submitted a PDO for the Jette discovery and plans to start producing this discovery during the first quarter 2013. The field will be developed with a subsea installation connected to Jotun. Jette's OPEX sharing with Jotun will probably lead to an extension of the Jotun field's life.

The licence period expires in 2015.

The **Enoch Field** (PL 048D) straddles the Norwegian/UK border and is located in the UK block 16/13a and in the Norwegian block 15/5. It is developed by a single horizontal subsea well and tied back to the UK Brae A platform where the oil is processed and exported via the Forties pipeline network. The gas is sold to the Brae field. Production started in May 2007 and field shut-down is expected in 2017. The field has been unitised with the licence owners in the British sector, and Det norske's overall share is 2% (10% of the Norwegian licence PL 048D). Total remaining proven and probable reserves are (P50/2P) estimated to 2.7 million barrels, which amounts to net 0.05 million oil equivalents for Det norske.

Det norske's share of production from the Varg, Glitne, Enoch and Jotun fields during 2011 amounts to 0.56 million barrels of oil equivalents.

The licence period expires in 2018.

The **Atla Field** (PL 102C) is a small gas discovery located in block 25/5 approximately 24 km north-east of Heimdal and approximately nine kilometres north of the subsea facilities on Skirne and Bygve. The discovery well 25/5-7 was drilled in October 2010 and the well proved to be rich in gas/condensate in the middle-Jurassic Brent Group. A PDO was submitted to the Ministry of Petroleum and Energy (MPE) in July 2011 and approved by the Ministry on 4 November 2011. The operator is Total.

The field is under development and the selected development solution is a simple subsea tie-back of well 25/5-7 to the Skirne/Bygve subsea facilities. The wellstream will be transported to the Heimdal facilities through the existing Skirne/Bygve flow lines. Note that the Atla Field is analogue to the Skirne and Byggve fields, which are also operated by Total, and a high recovery factor is anticipated. Planned start-up is Q4 2012.

The main uncertainty is associated with the possibility of an oil rim below the proven gas column in the well. The process at Heimdal can handle a potential element of oil in the gas/condensate wellstream, but the overall production profile and recoverable volumes may be negatively affected.

Total proven (P90/1P) reserves are estimated at 3.50 million barrel oil equivalents and total proven and probable reserves (P50/2P) are estimated at 11.1 million barrel oil equivalents, of which Det norske's net share corresponds to 0.35 and 1.11 million barrels oil equivalents, respectively, based on a 10% interest in the field.

The **Jette Field** is a small oil field with a minor gas cap. It covers parts of the licences PL 027D, PL 169C and PL 504 in blocks 25/7 and 25/8. The field is located approximately six kilometres south of the Jotun field. The field was discovered by well 25/8-17 and the sidetrack well 25/8-17A in October/November 2009. The wells encountered oil and gas in the Paleocene Heimdal Formation.

A PDO was submitted to the MPE in September 2011. It was approved on 17 February 2012. Det norske is operator.

The selected development solution is a two-wells subsea tie-back to the Jotun B installation. The wells will have horizontal sections of approximately 1,500 to 1,900 metres through the reservoir. No artificial pressure support will be necessary. The installations will be prepared for the possible drilling of a third well if drilling of the initial wells supports a commercially attractive oil potential to the south-east of the main accumulation. The wellstream will be transported from Jotun B to Jotun A for processing, storage and offloading.

A recovery factor of 30% is anticipated, which gives proven and probable (P50/2P) gross reserves of 12.9 million barrels of oil equivalents. The applied recovery factor of 30% is comparable to that of the Jotun field, which has a similar geological and production well setting.

Det norske has an 88% interest in Jette, which gives net proven reserves (P90/1P) of 6.61 million barrels of oil equivalents. Net proven and probable reserves (P50/2P) are 11.38 million barrels of oil equivalents.

The **Draupne Project**, consisting of the three fields Draupne (16/1-9, PL 001B), West Cable (16/1-7, PL 001B, extending into PL242) and Hanz (25/10-8, PL 028B), is operated by Det norske. The Draupne and West Cable reservoir units consist of the middle-Jurassic Hugin/Sleipner formations and the Triassic Skagerrak formation. The Hugin formation consists of tidal-dominated shallow marine deposits, while the Sleipner and Skagerrak formations are fluvial channel sandstones. West Cable is slightly undersaturated, while a gas cap is present in Draupne and Hanz. The hydrocarbon-bearing reservoir section in Hanz is the Upper Jurassic Draupne formation, which has excellent reservoir conditions with multi-Darcy sandstones. The Draupne discovery is by far the largest with hydrocarbons in place in the range of 300 million oil equivalents. The West Cable and Hanz have in-place volumes of 24.0 and 31.4 million barrels oil equivalents respectively.

The three discoveries will probably be developed as a joint development with the Luno Field. The Luno Field, operated by Lundin Petroleum, is located approximately eight kilometres to the south. The Draupne development will consist of a Hanz subsea tie-back to a permanently manned minimum processing wellhead platform on Draupne, which is tied back to the Luno platform. The Draupne platform will utilise various services provided by Luno, including supply of power and gas-lift gas, and final processing of Draupne gas and oil.

The Draupne Field is planned to be developed with six producers and six water injectors, and West Cable with one producer only. All these producers will have a horizontal section through the reservoir, and both the producers and the injectors will be drilled from the wellhead platform on Draupne. The Hanz Field, which lies approximately 12 km north of Draupne, is planned to be developed with one vertical producer and one vertical injector. These wells will be completed as subsea wells tied back to the Draupne platform.

Note that a small part of the reserves at Draupne may be located in the neighbouring licence PL457, where Det norske has no ownership interest.

Note also that Det norske, on behalf of the Draupne group, has entered into a rig contract with Maersk Drilling for the drilling of development wells in the Draupne project.

Det norske's net proven reserves (P90/1P) amount to 37.1 million b.o.e. while proven and probable reserves (P50/2P) are estimated at 50.19 million b.o.e.

The **Dagny Field** is an oil and gas field located 30 km north-west of the Sleipner A installation. The field was discovered in 1974 and oil and gas is contained in the Upper Jurassic Hugin formation at a depth of approximately 3,700 mTVD. A significant hydrocarbon column of approximately 500 metres is proven, of which oil is assumed to account for approx. 250 metres. The Dagny structure is complex and consists of a number of faults and strongly inclined reservoirs, especially at the flanks. In total, five exploration/delimitation wells plus four sidetracks have been drilled in the structure, and new 3D seismic shooting was carried out in 2007.

The selected development solution consists of a newly-built fully-integrated steel platform. The oil will be stored in a floating storage unit (FSU) before it is exported by shuttle tankers. The gas will be exported to Sleipner for processing and further export of sales gas to Gassled and condensate/NGL to Kårstø. A total of 15 wells are initially planned, with the possibility of an additional five wells later.

A phased injection strategy is recommended as the drainage mechanism. Phase 1 will consist of injection of gas from the nearby Eirin field. Based on experience from phase 1, the gas injection can be expanded by importing additional gas directly from Gasled. A possible decision concerning phase-2 gas injection will be made around 2017. Production at Dagny is expected to start in the fourth quarter 2017.

Dagny passed DG2 (provisional project sanction – BoV) late in 2011, and the reserves reported here are based on phase-1 gas injection only. A possible PDO at Dagny will include both proven and probable segments. Only proven segments are included here.

The Dagny field covers several licences (see table).

License	Statoil	Exxon	Total	Det norske
PL 048	78,2 %		21,8 %	
PL 029	100,0 %			
PL 029B	50,0 %	30,0 %		20,0 %
PL 303	100,0 %			

A cost-sharing agreement was signed in 2010. It was based on a very preliminary volume split based on proven reservoir segments. Pursuant to this agreement, Det norske has a 2% cost obligation. (assuming that 10% of the field extends into PL 029B).

Unitisation negotiations will start in February 2012, and the aim is to have a Unit Agreement signed prior to the PDO, which is scheduled for Q4 2012. Det norske's reserves reported here are based on the share given by the cost-sharing agreement (2%). Because the cost-sharing agreement does not take account of the undrilled segments, the agreement probably represents a minimum share for Det norske, since the major part of the undrilled segments extends into PL 029B.

Note 32: Events after the balance sheet date

Det norske started in late December 2011 drilling at Kalvklumpen (PL 414) with the rig Transocean Barents. Drilling was completed in late February 2012, but the well was dry. Costs of NOK 15 million related to 2011 have been expensed.

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 group's financial statements for 2011 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 give a true and fair picture of the group'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 group, and includes a description of the principal risk and uncertainty factors facing the group.

The Board of Directors of Det norske oljeselskap ASA
Trondheim, 16 March 2012

Svein Aaser, Chairman of the Board

Kaare Moursund Gisvold, Board Member

Maria Moræus Hanssen, Deputy Chairman

Berge Gerdt Larsen, Board Member

Carol Bell, Board Member

Hege Sjo, Board Member

Bodil Alteren, Board Member

Gunnar Håkon Eide, Board Member

Erik Haugane, Chief Executive Officer

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Member of the Norwegian Institute of Public Accountants

To the Annual Shareholders' Meeting of Det norske oljeselskap ASA

AUDITOR'S REPORT

Report on the financial statements

We have audited the accompanying financial statements of Det norske oljeselskap ASA, comprising the financial statements for the Parent Company and the Group. The financial statements of the Parent Company and the Group comprise the statement of financial position as at 31 December 2011, the statements of income, the statement of comprehensive income, statement of cash flows and statement of changes in equity for the year then ended as well as a summary of significant accounting policies and other explanatory information.

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

The Board of Directors and Managing Director are responsible for the preparation and fair presentation of these financial statements in accordance with the International Financial Reporting Standards as adopted by the EU, and for such internal control as the Board of Directors and Managing Director determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the financial statements for the Parent Company and the Group.

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 Parent Company and the Group as of 31 December 2011 and their financial performance and 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

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Directors' report concerning the financial statements, 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 Managing Director 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, 16 March 2012
ERNST & YOUNG AS

Tor Inge Skjellevik
State Authorised Public Accountant (Norway)

(This translation from Norwegian has been made for information purposes only.)

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